

## Part-2

### Chapter-3

#### Functioning of State Public Sector Undertakings (other than Power Sector)

##### Introduction

**3.1** There were 21 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1981-82 and 2017-18 and included 20 Government Companies and one Statutory Corporation *i.e.* Chhattisgarh State Warehousing Corporation and three non-functional companies, viz., Chhattisgarh Sondiha Coal Company Limited, CSPGCL AEL Parsa Collieries Limited and CMDC ICPL Coal Limited which did not commence commercial activities till 2017-18. Three new companies viz., Chhattisgarh State Information Infrastructure Corporation Limited, Atal Nagar Smart City Corporation Limited<sup>1</sup> and Bilaspur Smart City Limited were added during the year.

Of the 21 State PSUs, financial performance of 13 PSUs is covered in this report (*Annexure - 3.1*) and the nature of these PSUs is indicated in table - 3.1.

**Table - 3.1: Coverage and nature of PSUs covered in this report**

Nature of the PSUs	Total number of PSUs	Number of PSUs covered in the Report				Number of PSUs not covered in the report
		Accounts up to			Total	
		2017-18	2016-17	2015-16		
Government companies	20	07	05	--	12	08
Statutory Corporation	01	01	--	--	01	--
<b>Total</b>	<b>21</b>	<b>08</b>	<b>05</b>	<b>--</b>	<b>13</b>	<b>08</b>

This Report does not include eight PSUs whose accounts are in arrears for three years or more or were non-functional/under liquidation or first accounts were not received or were not due or did not commence its business operation as detailed in *Annexure - 3.2*.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 13 State PSUs (covered in this report), the State Government invested funds in 10<sup>2</sup> State PSUs. Further, the State Government had also invested funds in four State PSUs<sup>3</sup> whose accounts are in arrears for three years or more or were non-functional/under liquidation or first accounts were not received or did not commence its business operation. The State Government did not infuse any

<sup>1</sup> The name of the PSU was changed from Naya Raipur Smart City Corporation Limited to Atal Nagar Smart City Corporation Limited.

<sup>2</sup> PSUs at Sl. No. 1, 2, 3, 4, 5, 6, 7, 8, 11 and 12 as mentioned in *Annexure - 3.1*.

<sup>3</sup> PSUs at Sl. No. 1, 2, 4 and 5 as mentioned in *Annexure - 3.2*.

funds in seven<sup>4</sup> companies, which are joint ventures/subsidiaries of above State PSUs. Equity of these seven companies was contributed by the respective Co-partner/ Holding companies.

**Contribution to Economy of the State**

**3.2** A ratio of turnover of the PSUs covered in this Report to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table - 3.2 provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Chhattisgarh for a period of three years ending March 2018.

**Table - 3.2: Details of turnover of State PSUs (other than Power Sector) vis-a-vis GSDP of Chhattisgarh**

(₹ in crore)			
Particulars	2015-16	2016-17	2017-18
Turnover	7,924.14	8,687.38	8,778.13
Percentage change in turnover as compared to turnover of preceding year	-12.61	9.63	1.04
GSDP of State Chhattisgarh	2,34,212	2,62,263	2,91,681
Percentage change in GSDP as compared to GSDP of preceding year	5.91	11.98	11.22
Percentage of Turnover to GSDP of Chhattisgarh	3.38	3.31	3.01

*(Source: Compiled based on Turnover figures from accounts of functional PSUs (other than power) and GSDP figures as per Economic Review 2017-18 of Government of Chhattisgarh)*

The turnover of these PSUs decreased during 2015-16 by 12.61 per cent mainly due to decrease in turnover of Chhattisgarh State Civil Supplies Corporation Limited. Further, the turnover increased and remained 9.63 per cent in 2016-17. However, during the year 2017-18 there was marginal increase in turnover by 1.04 per cent. The turnover ranged between (-) 12.61 per cent and 9.63 per cent during the period between 2015-16 and 2017-18, whereas increase in GSDP of the State ranged between 5.91 per cent and 11.98 per cent during the same period. The compounded annual growth<sup>5</sup> of GSDP was 7.59 per cent during last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 7.59 per cent of the GSDP, the turnover of non-power sector undertakings recorded compounded annual growth of 3.47 per cent during the period. This resulted in decrease in the share of turnover of these PSUs to the GSDP from 3.38 per cent in 2015-16 to 3.01 per cent in 2017-18.

<sup>4</sup> PSUs at Sl. No. 9, 10 and 13 in *Annexure – 3.1* and PSUs at Sl. No. 3, 6, 7 and 8 in *Annexure – 3.2*.

<sup>5</sup> Rate of Compounded Annual Growth  $\{[(\text{Value of 2017-18}/\text{Value of 2015-16})^{(1/3 \text{ years})} - 1] * 100\}$

**Investment in State PSUs (other than Power Sector)**

**3.3** Details of investment in equity and long term loans in 13 State PSUs<sup>6</sup> covered in this report upto 31 March 2018 are detailed in *Annexure - 3.3*.

The PSUs covered in this Report fall in the following three categories:

1. PSUs not in open market competition (monopolistic PSUs): In Chhattisgarh, out of 13 functional PSUs, two PSUs fall under this category as they have monopolistic/oligopolistic nature of operations i.e. their operations do not have any competition or have very limited competition.
2. PSUs with assured income: This category includes PSUs whose major income comes from assured sources of income such as Government grants/subsidies, centage, commission, interest on bank deposits etc. nine PSUs fall under this category.
3. PSUs in competitive sector: This category includes two PSUs, which are open to market competition.

**3.4** The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in table - 3.3.

**Table - 3.3: Sector-wise investment in State PSUs (other than power sector)**

(₹ in crore)

Sector	Number of PSUs	Investment						Total
		Equity			Long term loans			
		State Government	GoI	Others <sup>7</sup>	State Government	GoI	Others <sup>7</sup>	
PSUs in Monopolistic Sector	2	25.88	0.92	-	-	-	-	<b>26.80</b>
PSUs with assured income	9	22.30	-	2.22	159.57	-	223.32	<b>407.41</b>
PSUs in Competitive Environment	2	1.00	-	4.90	179.32 <sup>8</sup>	-	7.48	<b>192.70</b>
<b>Total (PSUs covered in this report)</b>	<b>13</b>	<b>49.18</b>	<b>0.92</b>	<b>7.12</b>	<b>338.89</b>	<b>-</b>	<b>230.80</b>	<b>626.91</b>
PSUs not covered in this Report	8	31.35	-	129.30	-	-	233.98	<b>394.63</b>
<b>Grand Total</b>	<b>21</b>	<b>80.53</b>	<b>0.92</b>	<b>136.42</b>	<b>338.89</b>	<b>-</b>	<b>464.78</b>	<b>1,021.54</b>

(Source: Compiled based on annual accounts of PSUs and sanction/release orders for equity and loans.)

As on 31 March 2018, the face value<sup>9</sup> of total investment (equity and long term loans) in 13 PSUs covered in this report was ₹ 626.91 crore. The investment consisted of 9.13 per cent towards equity and 90.87 per cent in

<sup>6</sup> It excludes PSUs whose accounts were in arrear for more than three years or more or were non-functional/under liquidation or first accounts were not received or were not due or did not commence its business operation.

<sup>7</sup> Others includes investment by Holding Companies, financial institutions, banks etc.

<sup>8</sup> The amount of loan has been received from Chhattisgarh Mineral Development Fund, Mineral Resources Department, GoCG and hence has been considered as GoCG investment.

<sup>9</sup> The original cost of the equity shares paid by the subscribers.

long term loans. The long term loans advanced by the State Government constituted 59.49 per cent (₹ 338.89 crore) of the total long term loans whereas 40.51 per cent (₹ 230.80 crore) of the total long term loans were availed from other financial institutions like National Handicapped Finance and Development Corporation Limited (₹ 52.08 crore), Public sector banks (₹ 171.24 crore) and respective holding Companies (₹ 7.48 crore).

The investment in 13 State PSUs covered in this report has increased by 124.73 per cent from ₹ 278.96 crore in 2015-16 to ₹ 626.91 crore in 2017-18. The investment mainly increased due to addition of ₹ 343.85 crore towards long term loans during 2015-16 to 2017-18.

**Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)**

**3.5** During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs.

**Budgetary Support to State PSUs (other than Power Sector)**

**3.6** The Government of Chhattisgarh provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are given in table - 3.4.

**Table - 3.4: Details regarding budgetary support to State PSUs (other than Power Sector) during the years**

(₹ in crore)

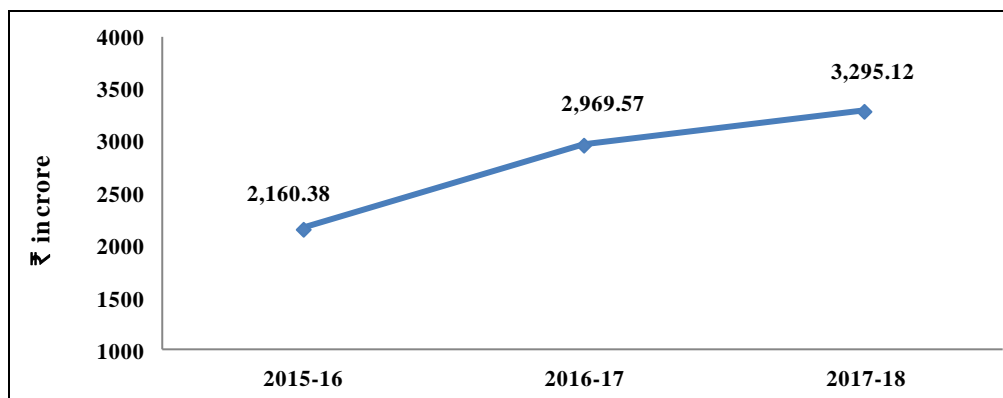
Particulars <sup>10</sup>	2015-16		2016-17		2017-18	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
Equity Capital outgo (i)	-	0.00	1	4.00	-	-
Loans given (ii)	2	31.00	1	81.86	1	2.81
Grants/Subsidy provided (iii)	7	2,129.38	9	2,883.71	9	3,292.31
<b>Total Outgo (i+ii+iii)</b>	<b>8</b>	<b>2,160.38</b>	<b>11</b>	<b>2,969.57</b>	<b>10</b>	<b>3,295.12</b>
Loan repayment written off	-	0.00	-	0.00	-	0.00
Loans converted into equity	-	0.00	-	0.00	-	0.00
Guarantees outstanding	1	26.63	1	12.00	1	8.50
Guarantee Commitment	1	26.00	1	32.50	1	32.50

(Source: Compiled based on annual accounts of PSUs and sanction/release orders for equity, loans and guarantees.)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2018 are given in chart - 3.1.

<sup>10</sup> Amount represents outgo from State Budget.

Chart - 3.1: Budgetary support towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs ranged between ₹ 2,160.38 crore and ₹ 3,295.12 crore during the period 2015-16 to 2017-18. The budgetary assistance ₹ 3,295.12 crore received during the year 2017-18 included ₹ 2.81 crore and ₹ 3,292.31 crore in form of loans and grants/subsidy respectively. The major portion of subsidy/grants was given to Chhattisgarh State Civil Supplies Corporation Limited (₹ 2,241.92 crore) to provide food grain on concessional rate to the public and Chhattisgarh Road Development Corporation Limited (₹ 853.53 crore) for construction of road projects. Grant/Subsidies were also given to Chhattisgarh State Industrial Development Corporation Limited (₹ 40.66 crore) for industrial area development, Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (₹ 44.72 crore) for purchase and distribution of agricultural seed / pesticides / equipments, Chhattisgarh Mineral Development Corporation Limited (₹ 20.16 crore) for mineral exploration work, Chhattisgarh State Police Housing Corporation (₹ 79.82 crore) for Construction of police stations/quarters including ₹ 5.50 crore as establishment grant, Chhattisgarh Rajya Van Vikas Nigam Limited (₹ 0.96 crore) for plantation work, and to Chhattisgarh Nishakt Jan Vitt Evam Vikas Nigam (₹ 0.54 crore), Chhattisgarh Infrastructure Development Corporation Limited (₹ 10 crore) as establishment grant.

GoCG provides guarantee under Chhattisgarh State Government Guarantee Rules (CSGGR), 2003 for PSUs to seek financial assistance from Banks and financial institutions. The guarantee fee is charged from the borrowing institution at a rate, in a manner and within a time period as specified by the GoCG in the grant order in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the CSGGR 2003. Outstanding guarantee commitments stood at ₹ 32.50 crore in 2017-18. During the year 2017-18, no guarantee commission was paid by the PSUs.

### Reconciliation with Finance Accounts of Chhattisgarh

**3.7** The figures in respect of equity, loans and guarantees outstanding as per records of all State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Chhattisgarh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry

out reconciliation of the differences. The position in this regard as on 31 March 2018 is given in table - 3.5.

**Table - 3.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Chhattisgarh vis-à-vis records of State PSUs (other than Power Sector)**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	47.78	80.53	32.75 <sup>11</sup>
Loans	159.57	338.89	179.32 <sup>12</sup>
Guarantees	835.31	832.50	2.81

(Source: Compiled based on information received from PSUs and Finance Accounts.)

Audit observed that out of 14 State PSUs in which GoCG had invested, such differences occurred in respect of seven PSUs as shown in *Annexure - 3.4*. The differences between the figures have been persisting for last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference was observed in Chhattisgarh Rajya Van Vikas Nigam Limited (Equity: ₹ 19.18 crore<sup>13</sup>), Chhattisgarh Railway Corporation Limited (Equity: ₹ 21.50 crore), Chhattisgarh State Industrial Development Corporation Limited (Equity: ₹ 9.50 crore<sup>14</sup>), Chhattisgarh Mineral Development Corporation Limited (Loan: ₹ 179.32 crore) and Chhattisgarh State Warehousing Corporation (Equity: ₹ 1.52 crore). The audit, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

### Submission of accounts by State PSUs (other than Power Sector)

**3.8** Of the total 21 State PSUs, there were 18 functional PSUs i.e. 17 Government companies and one Statutory Corporation and three non-functional PSUs which are all Government companies under the purview of CAG as of 31 March 2018. The status of timeliness followed by the State PSUs in preparation of accounts by the functional State PSUs is as detailed under:

<sup>11</sup> The figure includes ₹ 21.50 crore given to Chhattisgarh Railway Corporation Limited (CRCL) from Chhattisgarh Mineral Development Fund (CMDf), whereas the said amount was shown as equity investment by GoCG in the accounts of CRCL. Further, it also includes ₹ 0.05 crore given to Chhattisgarh State Information Infrastructure Corporation Limited (CSIIC) from Chhattisgarh Infotech Promotion Society (ChiPS), whereas the said amount was shown as equity investment by GoCG in the accounts of CSIIC.

<sup>12</sup> The figure pertains to loan amounting to ₹ 179.32 crore given by the GoCG to Chhattisgarh Mineral Development Corporation Limited from CMDf and was shown as loan from CMDf in the accounts of CMDf.

<sup>13</sup> The difference in amount of equity of Chhattisgarh Rajya Van Vikas Nigam Limited is due to conversion of loan of ₹ 20.11 crore into equity as per the orders of the GoCG's order dated 7 January 2008 which has not been accounted for in the finance accounts.

<sup>14</sup> The difference in amount of equity of ₹ 9.50 crore is due to keeping equity of erstwhile Madhya Pradesh Financial Development Corporation (which was merged into CSIDC after the bifurcation of the State) under reserves and surplus by CSIDC in its accounts.

**Timeliness in preparation of accounts by the State PSUs**

**3.8.1** Accounts for the year 2017-18 were required to be finalised by all the functional PSUs by 30 September 2018. However, out of 17 Government companies, eight Government companies submitted their accounts for the year 2017-18 for audit by CAG on or before 31 December 2018 whereas accounts of nine Government companies were in arrears. Accounts of one functional Statutory Corporation, for the year 2017-18 were presented for audit in time. Out of three non functional State PSUs two PSUs submitted accounts for the year 2017-18 and accounts of one PSU were in arrears.

Details of arrears in submission of accounts of functional PSUs (other than Power Sector) as on 31 December 2018 are given in table - 3.6.

**Table - 3.6: Position relating to submission of accounts by the State PSUs (other than Power Sector)**

Particulars	Government Companies / Statutory Corporation		
	Government companies	Statutory corporation	Total
Total number of PSUs under the purview of CAG's audit as on 31.03.2018	20 <sup>15</sup>	1	21
Less: New PSUs from which accounts for 2017-18 were not due	--	--	--
Number of PSUs from which accounts for 2017-18 were due	20	1	21
Number of PSUs which presented the accounts for CAG's audit by 31 December 2018	10	1	11
Number of accounts in arrears	16 <sup>16</sup>	--	16
Break-up of arrears	(i) Under Liquidation	--	--
	(ii) Non-functional	1	1
	(iii) First Accounts not submitted	2	2
	(iv) Others	13	13
Age-wise analysis of arrears against 'Others' category	One year (2017-18)	5	5
	Two years (2016-17 and 2017-18)	1	1
	Three years and more	7	7

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed regularly regarding arrears in accounts.

The GoCG had provided ₹ 2,597.28 crore (Grant: ₹ 302.43 crore and Subsidy: ₹ 2,294.85 crore) in five out of the 10 State PSUs accounts of which had not been finalised by 31 December 2018 whereas no investment was made in remaining five PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Annexure - 3.5**.

<sup>15</sup> The figure includes three non-functional PSUs.

<sup>16</sup> The figure includes one account of one non-functional PSU for the year 2017-18.

In the absence of finalisation of accounts and their subsequent audit in remaining five PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government.

### **Winding up of non-functional State PSUs**

**3.9** Three State PSUs which were non-functional<sup>17</sup> companies having a total investment of ₹ 338.68 crore mainly towards capital (₹ 104.70 crore) and long term loans (₹ 233.98 crore) as on 31 March 2018, in Chhattisgarh Sondiha Coal Company Limited (Equity: ₹ 21.94 crore), CSPGCL AEL Parsa Collieries Limited (Equity: ₹ 0.16 crore, Loans: ₹ 2.27 crore) and CMDC ICPL Coal Limited (Equity: ₹ 82.60 crore, Loans: ₹ 231.71 crore). The number of non-functional PSUs at the end of each year during last three years ended 31 March 2018 are given in table – 3.7.

**Table - 3.7: Non-functional State PSUs**

Particulars	2015-16	2016-17	2017-18
No. of non-functional PSUs	--	03	03
Out of above, No. of PSUs which were under liquidation	--	--	--

*(Source: Compiled from the information included in Audit Report (PSU), GoCG of respective years and in Annexure - 3.2)*

As regards three non-functional PSUs from last two years, the Government may take appropriate decision regarding winding up of these PSUs.

### **Impact of non-finalisation of accounts of State PSUs (other than Power Sector)**

**3.10** As pointed in paragraph 3.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above State of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP and their profitability including profit earned/loss incurred for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

### **Performance of State PSUs (other than Power Sector)**

**3.11** The financial position and working results of the 13 State PSUs covered in this report as per their latest finalised accounts<sup>18</sup> as of 31 December 2018 are detailed in *Annexure - 3.1*.

<sup>17</sup> Three State PSUs were non functional due to cancellation of their coal blocks.

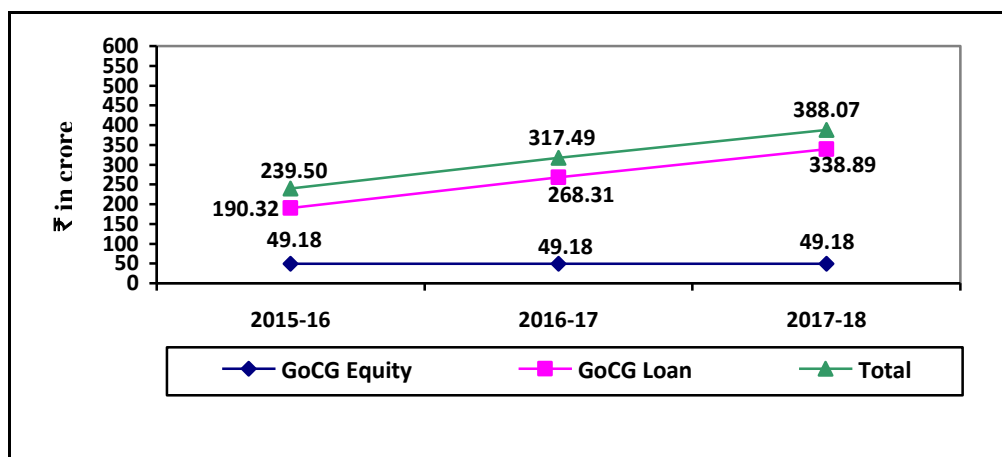
<sup>18</sup> Latest finalised accounts during the period between 2015-16 to 2017-18.



The PSUs are expected to yield reasonable return on investments made by Government in the undertakings. The total investment of GoCG / Government of India (GoI) and others in the 13 PSUs covered in this report was ₹ 626.91 crore consisting of equity of ₹ 57.22 crore and long term loans of ₹ 569.69 crore. Out of this, GoCG has investment of ₹ 388.07 crore in 10 State PSUs consisting of equity of ₹ 49.18 crore and long term loans of ₹ 338.89 crore.

The year wise investment of GoCG in the PSUs other than power sector covered in this report during the period 2015-16 to 2017-18 is shown in a chart – 3.2.

**Chart -3.2: Total investment of GoCG in PSUs (other than power sector)**



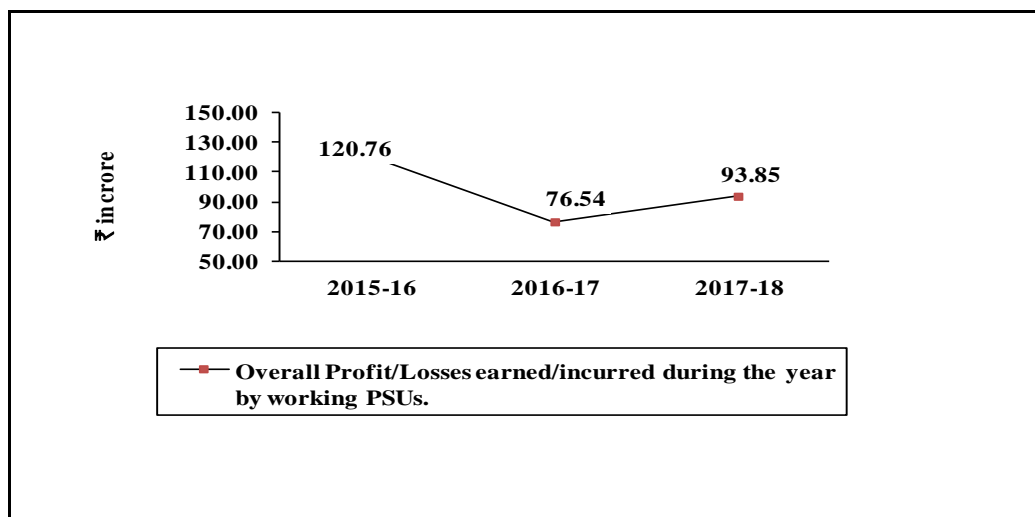
The profitability of a company is traditionally assessed through return on investment (ROI), return on equity (ROE) and return on capital employed (ROCE). Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed.

### ***Return on Investment***

**3.12** The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses<sup>19</sup> earned/incurred by the 13 functional State PSUs during 2015-16 to 2017-18 is depicted in a chart - 3.3.

<sup>19</sup> Figures are as per the latest finalised accounts of the respective years.

**Chart - 3.3: Profit/Losses earned/incurred by functional PSUs (other than Power Sector) during the years**



The profit of ₹ 120.76 crore earned by these functional PSUs in 2015-16 decreased to ₹ 93.85 crore in 2017-18. According to latest finalised accounts of these 13 functional State PSUs, 10 PSUs earned profit of ₹ 94.28 crore and three PSUs incurred losses of ₹ 0.43 crore as detailed in **Annexure - 3.1**.

**3.12.1** The number of PSUs that earned profit was 10<sup>20</sup> in 2017-18 as compared to eight in 2015-16. The profit earned by these PSUs decreased from ₹ 122.35 crore in 2015-16 to ₹ 94.28 crore in 2017-18. Therefore, the return on Equity (RoE) of these 10 PSUs decreased to 7.97 per cent in 2017-18 as compared to 18.14 per cent in eight PSUs in 2015-16. Return on Equity in all the 13 PSUs (covered in this report) i.e. including loss making and zero profit companies was 15.60 per cent in 2017-18.

The details of sector wise profit of PSUs during 2017-18 are summarised in table - 3.8

**Table - 3.8: Sector wise profitability of PSUs**

Sector	Number of Profit earning PSUs	Profit after Tax (₹ in crore)	Percentage of profit to total profit after tax
PSUs in Monopolistic Sector	2	20.94	22.21
PSUs with assured income	6	70.87	75.17
PSUs in Competitive Environment	2	2.47	2.62
<b>Total</b>	<b>10</b>	<b>94.28</b>	

(Source: Compiled based on latest finalised annual accounts of PSUs)

It may be seen from above table that out of 13 PSUs, eight PSUs earned 97.38 per cent profit (₹ 91.81 crore) which were either having monopolistic advantage or were having assured income from budgetary support, centage, commission, interest on bank deposits etc.

Thus in audit view sustainability of these PSUs is State dependent.

<sup>20</sup> The figure includes two PSUs viz., KCL and CMDC earned profit from 2016-17 onwards. Further, Raipur Smart City Limited incorporated during 2016-17 and Atal Nagar Smart City Corporation Limited incorporated during 2017-18 sustained losses since its inception.

The top profit making PSUs were Chhattisgarh State Warehousing Corporation (₹ 33.88 crore), Chhattisgarh Rajya Beej Evam Krishi Vikas Nigam Limited (₹ 25.91 crore) and Chhattisgarh Rajya Van Vikas Nigam Limited (₹ 16.20 crore) while three<sup>21</sup> State PSUs incurred marginal loss of ₹ 0.43 crore.

Of the 13 PSUs (other than Power Sector) covered in this report as on 31 March 2018, position of profit/loss earned/incurred during 2015-16 to 2017-18 is given in table -3.8.1.

**Table - 3.8.1 : Details of Public Sector Undertakings (other than Power Sector) which earned/ incurred profit/loss during 2015-16 to 2017-18**

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had Marginal <sup>22</sup> /Zero profit/ loss during the year
2015-16	11	8	2	1
2016-17	12	10	2	--
2017-18	13	10	3	--

### ***Real Return on Investment on the basis of Present Value of Investment***

**3.13** An analysis of the earnings vis-a-vis investments in respect of those 10 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore return on investment has been calculated after considering the Present Value (PV) of money to arrive at real return on the investment made by the GoCG. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted loans and capital grants starting from 2008-09 in these companies till 31 March 2018. During the period from 2008-09 to 2017-18, these PSUs had positive returns on investment. The return on investment for these years have, therefore, been calculated and depicted on the basis of PV.

The present value of the State Government investments in these PSUs was computed on the following assumptions:

- Loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment except capital grant since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in Paragraph 3.6.

<sup>21</sup> CRDCL, RSCL and ANSCL.

<sup>22</sup> PSUs which earns profit/loss less than ₹ one lakh.

- The average rate of interest on government borrowings for the concerned financial year<sup>23</sup> was adopted as discount rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the government.

**3.14** PSU wise position of State Government investment in these 10 State PSUs in the form of equity, interest free/defaulted loans and capital grants on historical cost basis for the period from 2008-09 to 2017-18 is indicated in *Annexure - 3.6*. Further, consolidated position of PV of the State Government investment relating to these PSUs for the same period is indicated in table - 3.9.

**Table 3.9: Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2007-08 to 2017-18**

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Interest free Loans and capital grants given by the State government during the year <sup>24</sup>	Total investment during the year	Average rate of interest on government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year <sup>25</sup>
i	ii	lii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1 + vi)/100}	ix={vii*vi}/100}	x
Upto 2007-08	--	15.19	21.11	36.30	--	53.26	57.51	--	--
2008-09	57.51	20.11	-20.11 <sup>26</sup>	0.00	7.36	57.51	61.74	4.23	40.22
2009-10	61.74	0.00	0.00	0.00	7.13	61.74	66.14	4.40	40.29
2010-11	66.14	3.53	8.92	12.45	7.34	78.59	84.36	5.77	17.24
2011-12	84.36	2.00	0.00	2.00	7.08	86.36	92.48	6.11	28.14
2012-13	92.48	2.00	0.00	2.00	6.34	94.48	100.47	5.99	5.31
2013-14	100.47	1.00	0.00	1.00	6.12	101.47	107.68	6.21	69.47
2014-15	107.68	5.35	0.45	5.80	6.16	113.48	120.47	6.99	99.12
2015-16	120.47	0.00	81.05	81.05	6.25	201.52	214.11	12.59	120.76
2016-17	214.11	0.00	18.02	18.02	6.62	232.13	247.50	15.37	76.47
2017-18	247.50	0.00	20.16	20.16	6.38	267.66	284.74	17.08	93.95
<b>Total</b>		<b>49.18</b>	<b>129.60</b>	<b>178.78</b>					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 178.78 crore in 2017-18 from ₹ 36.30 crore in 2007-08 as the State Government made further investments in shape of equity (₹ 33.99 crore) and loans/capital grant (₹ 108.49 crore) during the period between 2008-09 and 2017-18. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 284.74 crore. During the

<sup>23</sup> The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Chhattisgarh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.

<sup>24</sup> Negative figures of loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

<sup>25</sup> Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 10 PSUs (other than Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per latest audited accounts of the concerned PSU.

<sup>26</sup> The figure pertains to budgetary support in the form of conversion of interest free loan of ₹ 20.11 crore into equity of Chhattisgarh Rajya Van Vikas Nigam Limited.

period between 2008-09 and 2017-18, these companies earned substantial profits (except in 2012-13) to recover cost of funds infused by GoCG in these PSUs.

### Return on Equity of PSUs

**3.15** Return on equity (ROE)<sup>27</sup> is a measure of financial performance of companies calculated by dividing net income by shareholders' fund *plus* GoCG loan. Sector wise ROE of PSUs<sup>28</sup> in which the GoCG has invested is depicted in table -3.10.

**Table - 3.10: Return on Equity of Sector wise**

Sl. No.	Sector	ROE during 2015-16		ROE during 2016-17		ROE during 2017-18	
		No of PSUs	ROE (%)	No of PSUs	ROE (%)	No of PSUs	ROE (%)
1	PSUs in Monopolistic Environment	2	14.98	2	3.98	2	6.58
2	PSUs with Assured Income	6	16.01	7	12.63	7	12.86
3	PSUs in Competitive Environment	2	(-) 1.44	2	0.34	2	1.19
<b>Total</b>		<b>10</b>		<b>11</b>		<b>11</b>	

It could be seen that despite having monopolistic advantage or having assured income from budgetary support, centage, commission, interest on bank deposits etc., ROE of PSUs with monopolistic and assured income sector declined during the period between 2015-16 and 2017-18. Further, GoCG has invested huge amount in competitive sector PSU (CMDC) in the form of interest free loans (IFL) and the IFL of ₹ 81.05 crore, ₹ 95.16 crore and ₹ 179.32 crore were outstanding during the years 2015-16, 2016-17 and 2017-18 respectively. However, the ROE of competitive environment PSUs was negative (-) 1.44 *per cent* in 2015-16 due to loss (₹ -1.51 crore) incurred mainly by CMDC. Further, the ROE of competitive sector PSU was 0.34 *per cent* and 1.19 *per cent* only during the year 2016-17 and 2017-18 respectively. This shows that despite substantial amount of investment in the form of interest free loan, the ROE was not commensurate with earning of the PSU in competitive sector.

<sup>27</sup> Return on Equity = (Net Profit after Tax and preference Dividend/Equity)\*100 where Equity = Paid up Capital + Free Reserves + GoCG Loans – Accumulated Loss – Deferred Revenue Expenditure.

<sup>28</sup> ROE of those PSUs whose ROE / shareholder's fund were positive.

Table - 3.10.1 depicts a comparison of ROE between monopoly<sup>29</sup> PSUs and non-monopoly PSUs (which had earned profits / has positive shareholder's fund).

**Table - 3.10.1: Monopoly/Assured Income vs Competitive Sectors comparison of Return on Equity of PSUs**

Year	Monopoly/Assured PSUs		Non-Monopoly (competitive) PSUs	
	No. of PSUs	ROE (%)	No. of PSUs	ROE (%)
2015-16	8	15.63	2	(-)-1.44
2016-17	9	9.41	2	0.34
2017-18	9	10.52	2	1.19

### *Return on Capital Employed*

**3.16** Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>30</sup>. The details of ROCE of PSUs covered in this report during the period from 2015-16 to 2017-18 are given in table - 3.11.

**Table - 3.11: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in %)
2015-16	172.26	784.10	21.97
2016-17	121.86	879.52	13.86
2017-18	140.58	1,186.61	11.85

It was observed that ROCE of 13 PSUs decreased during the year 2016-17 and 2017-18 in comparison to that for the year 2015-16 mainly due to decrease in profits of two<sup>31</sup> PSUs and increase in long term loans of three<sup>32</sup> PSUs.

### *Erosion of Net worth of PSUs*

**3.17** As on 31 March 2018, there were two<sup>33</sup> PSUs with accumulated losses of ₹ 211.09 crore. Of these two PSUs, one<sup>34</sup> PSU incurred loss in the year 2017-18 amounting to ₹ 0.10 crore and one<sup>35</sup> PSU had not incurred loss in the year 2017-18, even though it had accumulated loss of ₹ 210.59 crore.

Out of these two State PSUs, net worth (₹ 205.21 crore) of Chhattisgarh State Civil Supplies Corporation Limited had been completely eroded as the

<sup>29</sup> Monopoly means a market structure characterised by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute. A PSU is classified as monopoly if there is no competition in the geographical area in which it operates.

<sup>30</sup> Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

<sup>31</sup> CRVVNL and CSBCL.

<sup>32</sup> CNJVAVN, CPHCL and CMDC.

<sup>33</sup> CSCSCL and CRDCL.

<sup>34</sup> CRDCL.

<sup>35</sup> CSCSCL.

accumulated loss of this company was (-) ₹ 210.59 crore against equity investment of ₹ 4.43 crore as on 31 March 2018. However, despite the capital had been eroded (being zero or negative net worth), Chhattisgarh State Civil Supplies Corporation Limited had earned marginal profit of ₹ 1.96 crore during 2017-18 largely on account of subsidy received from GoCG/GoI, income from forfeiture of earned money deposits (EMD) / security deposits of tenderers and interest on bank deposits.

### **Dividend Payout**

**3.18** The State Government had not formulated any dividend policy under which all profit making PSUs are required to pay a minimum *per cent* of return of the profit after tax/paid up capital.

Dividend Payout relating to 10 PSUs (covered in this report) where equity was infused by State Government during the period is shown in table – 3.12.

**Table - 3.12: Dividend Payout of 10 PSUs (other than Power Sector) during 2015-16 to 2017-18**

(₹ in crore)

Year	Total PSUs where equity infused by GoCG		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoCG	Number of PSUs	Equity infused by GoCG	Number of PSUs	Dividend declared/paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=7/5*100)
2015-16	10	49.18	8	43.28	2	4.54	10.49
2016-17	10	49.18	9	44.28	1	1.03	2.33
2017-18	10	49.18	9	44.28	2	2.41	5.44

During the period 2015-16 to 2017-18, the number of PSUs which earned profits ranged between eight and nine. During this period, number of PSUs which declared/paid dividend to GoCG ranged between one and two.

The Dividend Payout Ratio during 2015-16 to 2017-18 ranged between 2.33 *per cent* and 10.49 *per cent* only. Further analysis disclosed that the PSUs declared/paid dividend and the Dividend Payout Ratio decreased from 10.49 *per cent* in 2015-16 to 5.44 *per cent* in 2017-18.

During the year 2017-18, Chhattisgarh Rajya Van Vikas Nigam Limited and Chhattisgarh State Warehousing Corporation declared/paid dividend of ₹ 1.60 crore and ₹ 0.81 crore respectively.

### **Analysis of Long Term Loans of the PSUs (other than Power Sector)**

**3.19** Analysis of the Long Term Loans of the PSUs which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

### **Interest Coverage Ratio**

**3.20** Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before

interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs which had outstanding loans covered in the report during the period from 2015-16 to 2017-18 are given in table - 3.13.

**Table - 3.13: Interest coverage ratio of functional State PSUs (other than Power Sector) having liability of loans**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2015-16	8.01	98.18	4	1	3 <sup>36</sup>
2016-17	11.75	86.67	4	1	3 <sup>37</sup>
2017-18	12.28	103.87	5	1	4 <sup>38</sup>

Out of all the State PSUs (other than Power Sector) having liability of long term loans during the period between 2015-16 and 2017-18, only Chhattisgarh State Warehousing Corporation paid interest on loans and had interest coverage ratio of more than one. Further, the number of PSUs who did not pay interest on long term loans ranged between three to four during the period between 2015-16 and 2017-18 which indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

#### **Comments on Accounts of State PSUs (other than Power Sector)**

**3.21** Out of the 12 Government companies covered in this report, 12 functional companies forwarded 13 audited accounts to the Accountant General during the period from 1 January 2018 to 31 December 2018. Of these, 12 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG given in table – 3.14.

<sup>36</sup> CRBEKVNL, CNJVAVN and KCL did not pay interest on loan or loans were interest free.

<sup>37</sup> CRBEKVNL, CNJVAVN and KCL did not pay interest on loan or loans were interest free.

<sup>38</sup> CRBEKVNL, CNJVAVN and KCL did not pay interest on loan or loans were interest free. Interest on Loan of CPHCL was not due during the period 2017-18.



**Table - 3.14: Impact of audit comments on Functional Companies (other than Power Sector)**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18 <sup>39</sup>	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	6	21.41	6	93.89	6	152.23
2.	Increase in profit	4	177.42	3	1.46	5	38.41
3.	Increase in loss	2	0.01	1	0.01	4	68.11
4.	Decrease in loss	3	0.24	-	-	2	179.34
5.	Non-disclosure of material facts	6	581.49	1	2,007.02	4	2,218.82
6.	Errors of classification	3	17.12	1	15.37	-	-

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.)

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 13 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out seven instances of non-compliance to the Accounting Standards in four accounts.

**3.22** The State has one Statutory Corporation *i.e.* Chhattisgarh State Warehousing Corporation which has been covered in this report. The Corporations forwarded its accounts for the year 2017-18 during the current year which were selected for supplementary audit. The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporation are given in table – 3.15.

**Table - 3.15: Impact of audit comments on Statutory Corporation**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	1	74.86	1	2.60	The accounts for the year 2017-18 were under finalisation as on 31 December 2018.	
2	Increase in profit	-	-	-	-		
3	Increase in loss	-	-	-	-		
4	Decrease in loss	-	-	-	-		
5	Non-disclosure of material facts	-	-	-	-		
6	Errors of classification	-	-	-	-		

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Statutory Corporation)

### Performance Audit and Compliance Audit Paragraphs

**3.23** For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, three compliance audit paragraphs related to Chhattisgarh Medical Services Corporation Limited and Chhattisgarh State Beverages Corporation Limited were issued to

<sup>39</sup> The figures of impact of accounts has been considered on the basis of accounts of PSUs covered in this report which were received / finalised during the period between 1 January 2018 and 31 December 2018.

the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on two compliance audit paragraphs have been received from the State Government and taken into account while finalising this report. The total financial impact of these compliance audit paragraphs is ₹ 13.52 crore.

### **Follow up action on Audit Reports**

#### ***Replies outstanding***

**3.24** The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Chhattisgarh issued (April 2017) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

The details regarding reply/explanatory notes to Performance Audits and paragraphs of Audit Report are given in table - 3.16.

**Table - 3.16: Position of explanatory notes on Audit Reports related to PSUs other than Power Sector (as on 31 December 2018)**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2008-09	26 March 2010	1	3	-	2
2014-15	31 March 2016	1	7	1	0
2016-17	10 January 2018	1	4	1	4

*(Source: Compiled based on explanatory notes received from respective Departments of GoCG)*

Explanatory notes on six compliance audit paragraphs and two Performance Audits were pending till December 2018.

#### ***Discussion of Audit Reports by COPU***

**3.25** The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 31 December 2018 was given in table - 3.17.

**Table - 3.17: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 31 December 2018**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2008-09	1	3	1	1
2009-10	-	8	-	8
2010-11	-	7	-	5
2011-12	-	5	-	4
2012-13	1	6	1	6
2013-14	1	7	1	7
2014-15	1	7	-	4
2015-16	-	9	-	2
2016-17	1	4	-	-

(Source: Compiled based on the discussions of COPU on the Audit Reports)

The discussion on Audit Reports (PSUs) up to 2007-08 and for the year 2009-10, 2012-13 and 2013-14 has been completed.

### **Compliance to Reports of COPU**

**3.26** Action Taken Notes (ATNs) on one report<sup>40</sup> of the COPU presented to the State Legislature in November 2007 had not been received (31 December 2018) relating to the State PSUs (other than Power Sector) as indicated in table - 3.18.

**Table - 3.18: Compliance to COPU Reports**

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2002-03	01	01	01

(Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoCG)

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Chhattisgarh State Civil Supplies Corporation Limited which appeared in the Reports of the CAG of India for the year 2002-03.

<sup>40</sup> Pertaining to one department of GoCG, i.e. Food, Civil Supplies and Consumer Protection Department which appeared in the reports of the CAG of India for the year 2002-03.