

**PART- B**

**Chapter-III**  
**Overview of State Public**  
**Sector Undertakings**

## Chapter 3 Overview of State Public Sector Undertakings

### 3.1 Introduction

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations.

As on 31 March 2013, there were 17 PSUs (all working), which included 15 Government Companies<sup>1</sup> and two Statutory Corporations<sup>2</sup>. None of these Companies was listed on any stock exchange. The investment in the PSUs as on 31 March 2013 was ₹ 28,043.99 crore.

### 3.2 Audit mandate

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of the Government Company as well. Further, a company in which not less than 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government(s), is treated as if it were a Government Company (deemed Government Company) as per Section 619-B of the Companies Act, 1956.

The accounts of the State Government Companies are audited by Statutory Auditors, appointed by the C&AG as per the provisions of Section 619(2) of the Companies Act, 1956 in addition to supplementary audit conducted by the C&AG as per the provisions of Section 619 of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations, the C&AG is the sole auditor for Delhi Transport Corporation. For Delhi Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

### 3.3 Investment in State PSUs

As on 31 March 2013, the investment in the 17 PSUs was ₹ 28,043.99 crore as given in **Table 3.1**:

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<sup>1</sup> (i) Delhi SC /ST /OBC Minorities, Handicapped Financial and Development Corporation Limited, (ii) Delhi State Industrial & Infrastructure Development Corporation Limited, (iii) Shahjahanabad Redevelopment Corporation, (iv) Delhi Power Company Limited, (v) Delhi Transco Limited, (vi) Indraprastha Power Generation Company Limited, (vii) Pragati Power Corporation Limited, (viii) DSIIDC Energy Limited, (ix) Delhi State Civil Supplies Corporation Limited, (x) Delhi Tourism and Transportation Development Corporation Limited, (xi) Geospatial Delhi Limited, (xii) DSIIDC Maintenance Services Limited, (xiii) DSIIDC Exim Limited, (xiv) DSIIDC Liquor Limited, and (xv) Delhi Transport Infrastructure Development Corporation.

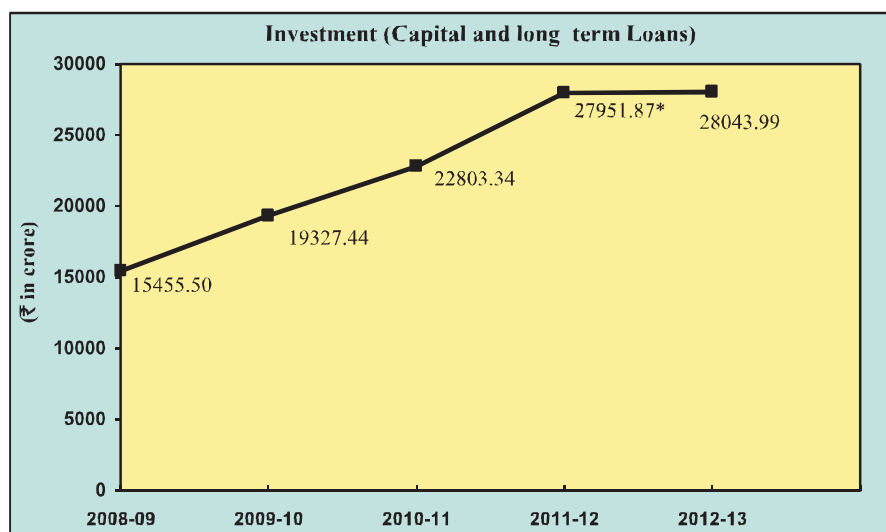
<sup>2</sup> (i) Delhi Financial Corporation, and (ii) Delhi Transport Corporation.

**Table 3.1  
Investment in PSUs**

		(₹ in crore)		
	Nos.	Capital	Long term loans	Total
Government companies	15	7,607.72	6,659.96	14,267.68
Statutory corporations	2	2,010.09	11,766.22	13,776.31
<b>Total</b>	<b>17</b>	<b>9,617.81</b>	<b>18,426.18</b>	<b>28,043.99</b>

A summarised position of Government investment in State PSUs is given in *Annexure 3.1*.

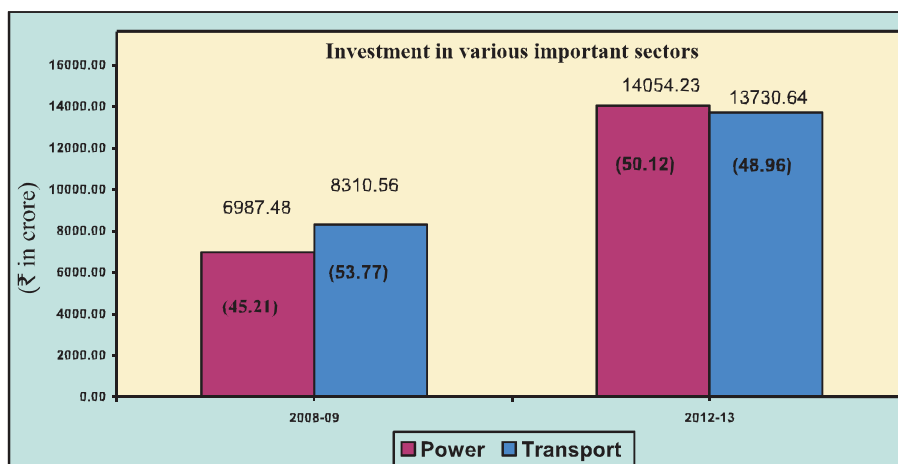
As on 31 March 2013, of the total investment in State PSUs, 34.30 per cent was towards Capital and 65.70 per cent towards Long-term loans. The capital investment has grown by 46.94 per cent from ₹ 6,545 crore in 2008-09 to ₹ 9,617.81 crore in 2012-13 whereas the loan investment has grown by 106.79 per cent from ₹ 8,910.50 crore in 2008-09 to ₹ 18,426.18 crore in 2012-13 as shown in the following graph:



\*Figures changed on the basis of audited accounts.

The investment in various important sectors and percentage thereof at the end

of 31 March 2009 and 31 March 2013 are indicated in the bar chart.



(Figures in brackets indicate the percentage of total investment)

The thrust of PSUs' investment was in Transport and Power sectors. The investment in Transport sector increased from ₹ 8,310.56 crore in 2008-09 to ₹ 13,730.64 crore in 2012-13. Its percentage share in total investment fell from 53.77 per cent (2008-09) to 48.96 per cent (2012-13). In Power sector, the investment increased from ₹ 6,987.48 crore in 2008-09 to ₹ 14,054.23 crore in 2012-13, its percentage share in total investment increased from 45.21 per cent (2008-09) to 50.12 per cent (2012-13).

### 3.4 Budgetary outgo, grants/ subsidies, guarantees and loans

The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued and loans converted into equity in respect of State PSUs are given in *Annexure 3.2*. The summarised details for three years ended 2012-13 are given in **Table 3.2**:

**Table 3.2**  
Budgetary outgo to State PSUs (₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	3	222.89	5	1,161.65	4	743.55
2.	Loans given from budget	1	2,128.60	5	1,196.36	4	770.00
3.	Grants/Subsidy received	7	273.00	5	917.03	5	1271.40
4.	Total outgo <sup>3</sup> (1+2+3)	8	2,624.49	9	3,275.04	7	2784.95
5.	Loans converted into equity	1	239.00	-	-	-	-

<sup>3</sup> Actual number of PSUs which received budgetary support.

### 3.5 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the difference. The position in this regard as at 31 March 2013 is given in **Table 3.3**:

**Table 3.3**  
**Reconciliation with finance accounts** (₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity <sup>4</sup>	8,581.24	8,601.16	(-) 19.92
Loans <sup>5</sup> (3 PSUs)	11,807.79	11,736.14	(-) 71.65

It was observed that the difference occurred in Equity and Loan figures in respect of six<sup>6</sup> PSUs and some of the differences were pending reconciliation for last five years. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### 3.6 Performance of PSUs

The summarized financial results of Government companies and Statutory corporations for the latest year for which accounts were finalized are given in **Annexure 3.3**. Out of 17 working PSUs<sup>7</sup> for which the accounts were received upto 30 September 2013, nine PSUs earned profit of ₹ 1,029.17 crore, seven PSUs incurred loss of ₹ 2,543.67 crore and one PSU was at breakeven. The major contributors to profit were Delhi Transco Limited (₹ 327.19 crore), Pragati Power Corporation Limited (₹ 321.91 crore), Delhi State Industrial and Infrastructure Development Corporation Limited (₹ 195.42 crore), Indraprastha Power Generation Company Limited (₹ 139.44 crore) and Delhi Tourism and Transportation Development Corporation Limited (₹ 33.69 crore). Heavy losses were incurred by Delhi Transport Corporation (₹ 2,431.07 crore) and Delhi Power Company Limited (₹ 112.48 crore).

A review of latest three years Audit Reports of the Comptroller and Auditor General shows that the State PSUs incurred losses to the tune of ₹ 1,448.04 crore which were controllable with better management, of which ₹ 182.89 crore (one performance audit and seven paragraphs) pertains to current year's

<sup>4</sup> Equity figure consists the share of State Government only

<sup>5</sup> Figures of Loan were taken from the records of companies and matched with the information sourced from PAOs. Information from two PAOs in respect of 3 companies were received out of four PAO for eight companies. Rest of the figures were awaited.

<sup>6</sup> Equity figures of PSUs at Sl. No. 2, 3, 11, 15 and 17 and Loan figures of PSUs at Sl. No. 10, 15 and 17 in **Annexure 3.1**.

<sup>7</sup> For the year 2003-04 (one PSU); 2010-11 (one PSU); 2011-12 (one PSU); 2012-13 (14 PSUs)

Audit Report. The year wise breakup is given in **Table 3.4**.

**Table 3.4**  
**Controllable losses of PSUs** (₹ in crore)

Particulars	2010-11	2011-12	2012-13
Controllable losses as per the C&AG's Audit Report	5.80	1,259.35	182.89

As per their latest finalised accounts, nine<sup>8</sup> PSUs earned a profit of ₹ 1,029.17 crore but only two companies viz. DSIIDC and DTTDC declared dividend of ₹ 2.46 crore and ₹ 0.63 crore respectively.

**1.6.1** Two power distribution licensee companies (Discoms) namely BSES-Rajdhani Power Limited (BRPL) and BSES-Yamuna Power Limited (BYPL) have been purchasing power from generation companies - Indraprastha Power Generation Company Limited (IPGCL) and Pragati Power Corporation Limited (PPCL) from April 2007 onwards. Failure of these Companies to enforce Payment Security Mechanism or timely issue of notice for regulation under the agreement, resulted in accumulation of outstanding dues to the tune of ₹ 2,454.89 crore (PPCL ₹ 1,229.37 crore and IPGCL ₹ 1,225.52 crore) till March 2013.

### 3.7 Arrears in finalisation of accounts

As per Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956, the accounts of the companies for each financial year are required to be finalized within six months from the close of the relevant financial year. Similarly, in case of Statutory Corporations, their accounts are finalized, audited and presented to the Legislature as per the provisions of their respective Acts. The details of finalisation of accounts of working PSUs as on 30 September 2013 are given in **Table 3.5**:

**Table 3.5**  
**Arrears in finalisation of accounts**

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	12	12	13	17	17
2.	Number of accounts finalised during the year	11	14	11	12	21
3.	Number of accounts in arrears	11	9	11	16	12
4.	Average arrears per PSU (3/1)	0.92	0.75	0.85	0.94	0.71
5.	Number of working PSUs with arrears in accounts	3	3	4	8	3 <sup>9</sup>
6.	Extent of arrears	1 to 9 years	1 to 7 years	1 to 8 years	1 to 9 years	1 to 9 years

<sup>8</sup> Serial No. 1, 2, 5, 6, 7, 9, 10, 11 and 16 in **Annexure 3.3**

<sup>9</sup> Serial No. 1, 15 and 17 of **Annexure 3.3**. Accounts for the year 2011-12 and 2012-13 in respect of PSUs at Sl No. 15 & 17 respectively, though received in September 2013, were under finalisation till 30 September 2013.

The average number of accounts in arrears per working PSU decreased from 0.92 in 2008-09 to 0.71 in 2012-13. One PSU namely Delhi SC/ST/OBC/Minorities, Handicapped Financial and Development Corporation Limited had major backlog of nine years of accounts. Other PSUs had only one to two year's accounts in arrears as on 30 September 2013.

The State Government had invested ₹ 1,133.24 crore (equity: ₹ 229.43 crore, loans: ₹ 112.49 crore and grants/subsidy: ₹ 791.32 crore) in three PSUs during the years for which accounts have not been finalised as detailed in **Annexure 3.4**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not. Further, delay in finalisation of accounts resulted in violation of the provisions of the Companies Act, 1956.

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 prescribed period. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in finalisation of accounts is taken up every month with the Principal Secretary (Finance), Government of NCT of Delhi to expedite clearance of the arrears in accounts in a time bound manner by the Principal Accountant General (Audit), Delhi. The matter was also taken up with the Chief Secretary, Government of NCT of Delhi in December 2013.

### **3.8 Accounts comments and internal audit/ internal control**

Fifteen working companies forwarded their 20 audited accounts during the period from October 2012 to September 2013. Of these, 11 accounts were selected for supplementary audit and nine accounts were selected for issue of non-review certificates. Similarly, two working Statutory Corporations forwarded their three accounts during the period October 2012 to September 2013. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given in **Table 3.6**:

**Table 3.6**  
**Aggregate money value of comments of Statutory Auditors and C&AG** (₹ in crore)

Sl. No.	Particulars	Companies				Corporations			
		2011-12		2012-13		2011-12		2012-13 <sup>10</sup>	
		No. of Accounts	Amount	No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in Profit	3	10.68	2	2.98	1	0.10	-	-
2.	Increase in Profit	1	47.55	4	66.76	-	-	1	0.01
3.	Increase in Loss	1	220.31	1	850.59	1	11.34	1	549.70
4.	Non-disclosure of material facts	-	-	4	1,328.86	-	-	2	10.71
5.	Errors of classification	2	22.71	2	7.30	2	18.68	-	-

<sup>10</sup> Impact of comments on accounts in respect of Delhi Transport Corporation is for the year 2011-12 and in respect of Delhi Financial Corporation for the year 2012-13.

During the year, the Statutory Auditors had given unqualified certificate for 12 accounts and qualified certificates for eight accounts. Additionally, the C&AG gave qualified certificate for three accounts, unqualified certificate for seven accounts after supplementary audit and issued non review certificate for nine accounts. One account i.e. Delhi Transport Infrastructure Development Corporation (DTIDC) for the year 2011-12 was under finalisation till 30 September 2013. There were nine instances of non-compliance with Accounting Standards during the year in five Companies.

Similarly, out of three accounts of two Corporations, Delhi Financial Corporation received qualified certificate from Statutory Auditors and the C&AG. In respect of Delhi Transport Corporation where the C&AG is the sole auditor, it received qualified certificate for the year 2011-12 and audit for the year 2012-13 was in progress (November 2013). There were five instances of non-compliance with Accounting Standards in two Corporations.

Some of the important comments on accounts of Companies and Corporations finalized and audited during the year 2012-13, are given in **Table 3.7**:

**Table 3.7**  
**Important comments on account of Companies and Corporations**

Name of Company	Year of account	Gist of the comment
IPGCL <sup>11</sup>	2012-13	The Company did not disclose that <ul style="list-style-type: none"> <li>The Tata Power Delhi Distribution Limited disputed the claim of ₹ 30.35 crore on account of re-imburement of Income Tax on income for generation business for the FY 2011-12 and also filed a petition before the DERC.</li> <li>Its Board of Directors resolved that subject to the approval of GNCTD, Rajghat Power House would continue to operate for five years beyond 31 March 2013.</li> </ul>
PPCL <sup>12</sup>	2012-13	The Company had not disclosed that two DISCOMs were in default of repayment of ₹ 1229.37 crore on account of energy bills of the Company despite DERC orders for payment and the non-renewal of letter of credit.
Name of Corporation	Year of account	Gist of Comment
DFC <sup>13</sup>	2012-13	Company provided an amount of ₹ 1.00 crore on an <i>ad-hoc</i> basis towards pension liability for payment to the Pension Trust for the year 2012-13 instead of determining it on actuarial basis.

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the C&AG under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which need improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the

<sup>11</sup> Indraprastha Power Generation Company Limited

<sup>12</sup> Pragati Power Corporation Limited

<sup>13</sup> Delhi Financial Corporation



internal audit/ internal control system in respect of 10 companies<sup>14</sup> for the year 2012-13 are given in **Table 3.8**:

**Table 3.8**  
**Comments made by Statutory Auditors**

Sl. No.	Nature of comments made by Statutory Auditors	Number of Companies where recommendations were made	Reference to serial number of the Companies as per Annexure 3.3
1.	Non-fixation of minimum/maximum limits of store and spares	4	A-2, 5, 6 & 7
2.	Absence of internal audit system commensurate with the nature and size of business of the Company	6	A-1, 2, 5, 6, 8 & 9
3.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of Fixed Assets and their locations	4	A- 1, 2, 8 & 9

### **3.9 Recovery at the instance of Audit**

During the course of audit of Delhi Transport Corporation for the year 2012-13, audit pointed out recoveries of ₹ 50.73 lakh of which an amount of ₹ 1.13 lakh has been recovered.

### **3.10 Status of placement of Separate Audit Reports**

Separate Audit Report (SAR) issued by the C&AG on the accounts of Delhi Transport Corporation for the year 2011-12 which was issued (April 2013) to the Government has been presented to the Legislature in August 2013.

### **3.11 Disinvestment, Privatisation and Restructuring of PSUs**

The State Government had not undertaken the exercise of disinvestment, privatization or restructuring of any of the State PSUs during 2012-13.

<sup>14</sup> Sl. No. 1, 2, 3, 4, 5, 6, 7, 8, 9 and 11 in **Annexure – 3.3**.