

PART II

CHAPTER III

Functioning of State PSUs (Non-Power Sector)

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Functioning of State Public Sector Undertakings (Non-Power Sector)

Introduction

3.1 The State Public Sector Undertakings (non-power sector) comprise those State Government Companies and Statutory Corporations as on 31 March 2018 operating in sectors other than Power Sector. These PSUs were incorporated¹⁰⁴ between 1913-14 and 2017-18 and comprise 77 Government Companies (including 9¹⁰⁵ working and 5¹⁰⁶ inactive subsidiary companies) and nine Statutory Corporations. In respect of one Statutory Corporation *i.e.*, Great Eastern Hotel Authority, C&AG conducts audit under Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.¹⁰⁷

The State Government provides financial support to the PSUs in the form of equity, loans and grants/ subsidy from time to time. Of the 86¹⁰⁸ State PSUs in the Non-Power Sector, the State Government invested funds by way of equity and loans in 72¹⁰⁹ State PSUs as of 2017-18.

Contribution to Economy of the State

3.2 A ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of these PSUs in the State economy. The table below provides the details of turnover of State PSUs and GSDP of West Bengal for a period of five years ending March 2018:

¹⁰⁴ Some Companies were incorporated under the erstwhile Companies Act 1913 but did not become Government Companies till later, namely, Mackintosh Burn Limited incorporated in April 1913, became a Government Company only in December 2010 while Westinghouse Saxby Farmer Limited incorporated in May 1923, became a Government Company in 1969.

¹⁰⁵ Webel Venture Capital Limited (subs. of WBEIDC), New Town Telecom Infrastructure Dev. Corp Ltd (Subs. of WBHIDCO), Webel Mediatronics Limited (Subs of WBEIDC Limited), Webel Electronic Communication Systems Limited (Subs of WBEIDC Limited), Webel Informatics Limited (Subs of WBEIDC Limited), Webel Technology Limited (Subs of WBEIDC Limited), West Bengal Trade Promotion Organisation (Subs of WBIDC Limited), Silpabarta Printing Press Limited (Subs of WBSIDC Limited) and West Bengal Text Book Corporation (P) Limited (Subs. of SPL).

¹⁰⁶ Webel Electro-Optics Limited and Webel Consumer Electronic Limited (subs. of WBEIDC), Pulver Ash Projects Limited and The West Bengal Projects Limited (subs. of WBSIDCL), West Bengal Industrial Land Holding Private Limited (subs. of WBIDCL).

¹⁰⁷ Section 14 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 deals with audit of receipts and expenditure of bodies or authorities substantially financed from Union or State Revenue.

¹⁰⁸ Working : 65, inactive : 21.

¹⁰⁹ Working : 56, inactive : 16.

Table 3.1: Details of turnover of State non-power PSUs vis-a-vis GSDP of West Bengal

(₹ in crore)

Sl No	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	No. of working PSUs	67	67	64	65	65
2	Turnover	10,174.78	13,770.12	5,202.68	5,923.62	12,126.13
3	Percentage change of turnover over previous year	-	35.34	(-) 62.22	13.86	104.71
4	GSDP of West Bengal	6,76,848	7,18,082	7,97,300	8,79,167	10,20,858
5	Percentage change of GSDP over previous year	-	6.09	11.03	10.27	16.12
6	Percentage of turnover to GSDP of West Bengal	1.49	1.91	0.65	0.67	1.19

Source: Compiled based on turnover figures of working PSUs (non-power) and GSDP figures at Current Prices (Base 2011-12) as per Economic Review 2018-19 and 2017-18 of Government of West Bengal.

The turnover of these PSUs decreased sharply in 2015-16 over 2014-15 by 37.78 per cent due to disinvestment of controlling stake in Haldia Petrochemicals Limited (HPL) and increased in 2017-18 by 104.71 per cent over 2016-17 due to the addition of a new Government Company, viz. West Bengal State Beverages Corporation Limited. The Compound Annual Growth Rate (CAGR)¹¹⁰ of GSDP was 8.57 per cent during last five years, while the corresponding CAGR in turnover of State PSUs was 3.57 per cent for the same period.

Disinvestment, restructuring and privatisation of State PSUs

3.3 The Government of West Bengal decided (February 2017) to restructure state PSUs for improving operational efficiency and optimally utilising their manpower/ assets. In respect of Durgapur Chemicals Limited, the Cabinet decided to sell the entire stake. Sundarban Infrastructure Development Corporation Limited (SIDCL) (under administrative control of Department of Sundarban Affairs) executed (October 2018) its deed of cancellation of agency works with Sundarban Development Board (SDB), under the same Department, to initiate the process of its winding up. The pending deposit works of SIDCL was also handed over to SDB through the deed.

West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation (WBSCSTOBCDFC) was constituted (September 2017) by vesting of assets of two¹¹¹ existing PSUs. The audit entrustment of the merged PSU was received subsequently, in December 2018.

Investment in State PSUs (Non-Power Sector)

3.4 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also

¹¹⁰ Rate of Compound Annual Growth ((value of 2017-18/ value of 2013-14) ^ ((1/ 4years) -1) * 100) where turnover and GSDP for the year 2013-14 was ₹ 10,174.48 crore and ₹ 6,76,848 crore, respectively.

¹¹¹ West Bengal Scheduled Castes & Scheduled Tribes Development and Finance Corporation and West Bengal Backward Classes Development & Finance Corporation.

invested in certain business segments through PSUs, which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications, viz., those in the social sector like West Bengal State Seed Corporation Limited, West Bengal Small Industries Development Corporation Limited, etc and those functioning in competitive environment, i.e., State Transport Undertakings, West Bengal Mineral Development and Trading Corporation Limited, Greater Calcutta Gas Supply Corporation Limited etc. Besides, these two sectors, State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'Others Sector'. Details of investment made in these 86 State PSUs in form of equity and long-term loans upto 31 March 2018 are detailed in *Annexure-1*.

Sector wise investment in State PSUs

3.5 The sector-wise summary of investment in these State PSUs (Non-Power Sector) as on 31 March 2018 is given below:

Table 3.2: Sector-wise investment in State PSUs (Non-Power Sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity*	Long term loans*	Total
Social Sector	25	1,903.68	366.72	2,270.40
Competitive Sector	47	714.94	3,837.00	4,551.94
Others	14	1,440.81	1,418.36	2,859.17
Total	86	4,059.43	5,622.08	9,681.51

Source: Compiled based on information received from PSUs.

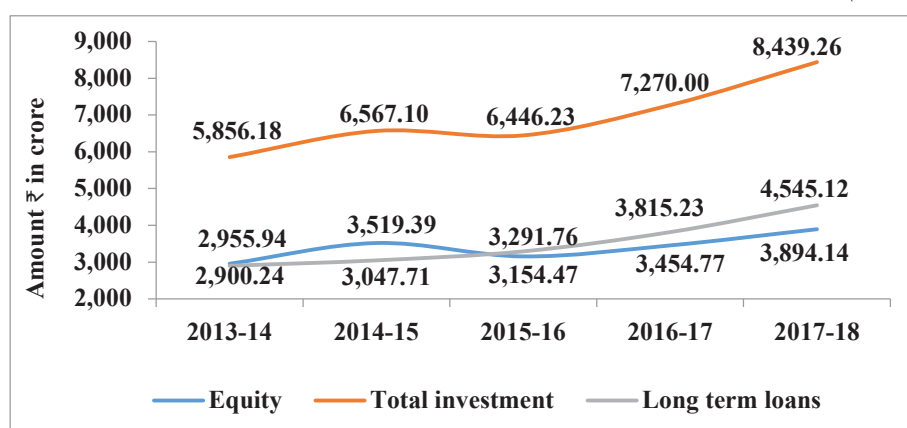
*The Equity and long-term loans include paid-up capital and loans of Central Government, State Governments and others including Public Financial Institutions and Commercial Banks

The total investment as on 31 March 2018 in the PSUs (Non- Power Sector) was ₹ 9,681.51 crore consisting of ₹ 4,059.43 crore as equity and ₹ 5,622.08 crore as long term loans. Out of this, the State Government's investment was ₹ 8,439.26 crore (87.17 per cent) in State PSUs (Non- Power Sector) comprising ₹ 3,894.14 crore equity and ₹ 4,545.12 crore long-term loans.

The status of investment made by the State Government in 72 of the 86 PSUs (Non-Power Sector) during the period 2014-15 to 2017-18 is as follows:

Chart 3.1: State Government investment in State PSUs (Non-Power Sector)

(₹ in crore)



Source: Compiled based on information received from PSUs

Budgetary support to State PSUs (Non-Power Sector)

3.6 The Government of West Bengal (GoWB) provides financial support to State PSUs in various forms through the annual budget. The year-wise summary of budgetary support towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of State PSUs for the last three years ending March 2018 are as follows:

Table 3.3: Details regarding budgetary support to State PSUs

(₹ in crore)

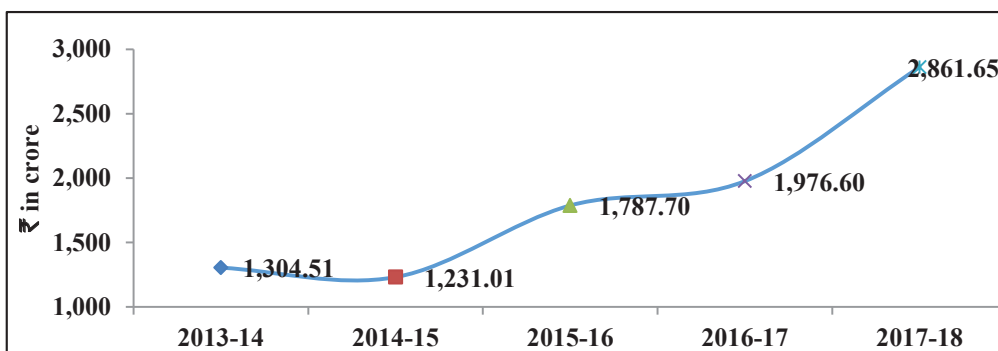
Sl No.	Particulars ¹¹²	2015-16		2016-17		2017-18	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i)	Equity	21	581.16	20	300.40	23	439.37
(ii)	Loans given ¹¹³	29	244.05	29	523.47	24	453.39
(iii)	Grants/Subsidy provided	22	962.49	28	1,152.73	31	1,968.89
(iv)	Total outgo (i+ii+iii)	44*	1,787.70	49*	1,976.60	38*	2,861.65
(v)	Loan repayment written off	Nil	Nil	Nil	Nil	2	3.77
(vi)	Loans converted into equity	Nil	Nil	Nil	Nil	1	13.24
(vii)	Guarantees issued	4	2,022.74	Nil	Nil	Nil	Nil
(viii)	Guarantee commitment	13	4,882.87	7	2,878.98	7	2,443.52

Source: Compiled based on information received from PSUs.

* Some of the PSUs received assistance from the State Budget under more than one of head of account

The details of budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a graph below:

Chart 3.2: Budgetary outgo towards Equity, Loans and Grants/Subsidies



During 2017-18, the equity addition of ₹ 439.37 crore was mainly on account of equity infused (₹ 201.23 crore) in two¹¹⁴ out of four State PSUs

¹¹² Amount represents outgo from State Budget only.

¹¹³ In 2015-16, four PSUs had repaid loans of ₹ 9.66 crore, while five had repaid ₹ 19.85 crore in 2016-17 and seven repaid ₹ 217.58 crore in 2017-18.

¹¹⁴ West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation (₹ 181.23 crore) and West Bengal State Beverages Corporation Limited (₹ 20 crore).

(Non- Power Sector) newly incorporated during the year. The subsidy/grants given by the State Government in 2017-18 were primarily to the Transport Sector (₹ 947.66 crore), for construction of highways/roads (₹ 393.08 crore) in the State, for repaying bank loans to abate insolvency proceedings (₹ 185.84 crore) and to WBSCSTOBCDFC for development of Scheduled Castes, Scheduled Tribes and other Backward Classes (₹ 153.72 crore).

State Government helps the PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. The PSUs are liable to pay Guarantee Commission to GoWB at the rate of one *per cent per annum* on the amount outstanding against guarantees issued. During the last two years, no fresh guarantee was issued. The guarantee commitments decreased by 15.13 *per cent* from ₹ 2,878.98 crore in 2016-17 to ₹ 2,443.52 crore in 2017-18. Total outstanding guarantee commission is ₹ 8.24 crore against 12 State PSUs during 2017-18.

Reconciliation with Finance Accounts of Government of West Bengal

3.7 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 Government of West Bengal. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated as follows:

Table 3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of West Bengal *vis-à-vis* records of State PSUs

(₹ in crore)

Outstanding in respect of (A)	No. of PSUs (B)	Amount as per Finance Accounts (C)	Amount as per records of State PSUs (D)	Difference (E)= (C) – (D)
Equity	59	5,708.55	3,894.14	1,814.41
Loans	45	4,994.15	4,545.12	499.03
Guarantees	8	2,663.72	2,443.52	220.20

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

It was noted that differences in equity, loans and guarantees occurred in respect of 65 out of 72 PSUs, in which the Government had invested. Some of the differences were pending reconciliation for many years. These differences were brought to the notice of the concerned administrative departments and the managements of the PSUs concerned, through Audit Reports in successive years. The reasons for the differences include (i) Government sanctions on reduction of PSU equity to facilitate their financial restructuring not being followed up with necessary adjustment vouchers to facilitate their write down in the Finance Accounts, (ii) effect of conversion of loans to equity being given by PSUs in their accounts on the basis of Government directions with Board approvals, but the same not reflected in Finance Accounts as corresponding orders were not prepared by the Government, and (iii) outstanding commitments of PSUs against Government Guarantees incorporated in Finance Accounts from Budget Publication No. 6 of the State Government, while the PSUs account for the same are on actuals.

Submission of accounts by State PSUs

3.8 Of the total 86 State PSUs, there were 65 working PSUs, *i.e.*, 57 Government Companies and eight Statutory Corporations and 21 inactive PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Position relating to submission of accounts by State PSUs

Every year, the financial statements of the companies are required to be finalised within six months from the end of the relevant financial year, *i.e.*, accounts for the year 2017-18 were required to be submitted by all PSUs by 30 September 2018. For the year 2017-18, however, out of 77 Government Companies, 36 Government Companies submitted their accounts for audit by CAG on or before 30 September 2018 whereas accounts of 44 Government Companies were in arrears. Out of eight Statutory Corporations, the CAG is the sole auditor in six,¹¹⁵ of which, only Calcutta State Transport Corporation presented accounts for the year 2017-18 for audit within the prescribed date. The accounts for the year 2017-18 of the remaining five Corporations were awaited as on 30 September 2018.

Details of arrears in submission of accounts of State PSUs as of 30 September for each of the last five financial years ending 31 March 2018 are given at **Table - 3.5:**

Table 3.5: Position relating to finalisation of accounts of non-power PSUs

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	84	84	82	84	86
2.	Number of accounts finalised during the year ¹¹⁶	85	73	80	78	96
3.	Number of PSUs which finalised accounts for the current year	36	30	30	31	37
4.	Numbers of previous year accounts finalised during the year	49	43	50	47	59
5.	Number of accounts in arrears	110	121	123	138	126
6.	Number of PSUs with accounts in arrears	48	54	52	53	49
7.	Extent of arrears (numbers in years)	1 to 8	1 to 9	1 to 10	1 to 11	1 to 12

It is noted that the number of accounts in arrears had ranged between 110 and 138 during 2013-14 to 2017-18. It can be seen from *Annexure-2* that till September 2018, the accounts of 49 PSUs¹¹⁷ (working: 34, inactive: 15)

¹¹⁵ Calcutta, South Bengal and North Bengal State Transport Corporations, West Bengal Industrial Infrastructure Development Corporation, West Bengal Minorities Development and Finance Corporation, West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development and Finance Corporation.

¹¹⁶ Includes arrear accounts of earlier years.

¹¹⁷ Excluding two Corporations *viz.* West Bengal Scheduled Castes & Scheduled Tribes Development and Finance Corporation and West Bengal Backward Classes Development & Finance Corporation, not in existence as of March 2018 but accounts for part of 2017-18 not submitted.

were in arrears. The arrears pertained to the period ranging from one to twelve years *i.e.* from 2006-07 to 2017-18. GoWB had provided ₹ 1,342.97 crore (Equity: ₹ 210.24 crore, loans: ₹ 234.23 crore, grants/ subsidies: ₹ 898.50 crore) to 35 of these 49 PSUs with arrears in accounts as of 30 September 2018 as per *Annexure-4*.

In the absence of timely finalisation of accounts by PSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoWB investment in these PSUs, therefore, remained outside the oversight of State Legislature.

Several meetings were held with the management of each PSU and its Statutory Auditors for clearing of arrear accounts. Through correspondence, the Administrative Departments concerned were also pursued quarterly for finalisation of arrear accounts in a time bound manner. The arrears position of accounts of the State PSUs, however, remains high. Concrete steps may be taken by the PSUs for preparation of accounts as per statutory requirements with special focus on clearance of arrears in a time bound manner.

Placement of Separate Audit Reports of Statutory Corporations

3.9 Separate Audit Reports (SARs) are the audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the State Legislature as per the provisions of the respective Acts. The status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 30 September 2018) on the accounts of Statutory Corporations in the State Legislature has been shown in *Annexure-5*. Fifteen SARs in respect of the seven Statutory Corporations were issued to Government during May 2015 to September 2018. These are yet to be placed in the State Legislature.

Impact of non-finalisation of accounts of State PSUs

3.10 As pointed out in paragraph 3.8, the delay in finalisation of accounts is in violation of the provisions of the relevant Statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the PSUs (Non-Power Sector) to State GDP 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 State Government should issue necessary directions to the Administrative Departments to set targets for individual PSUs and strictly monitor the clearance of arrears. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

Performance of State PSUs

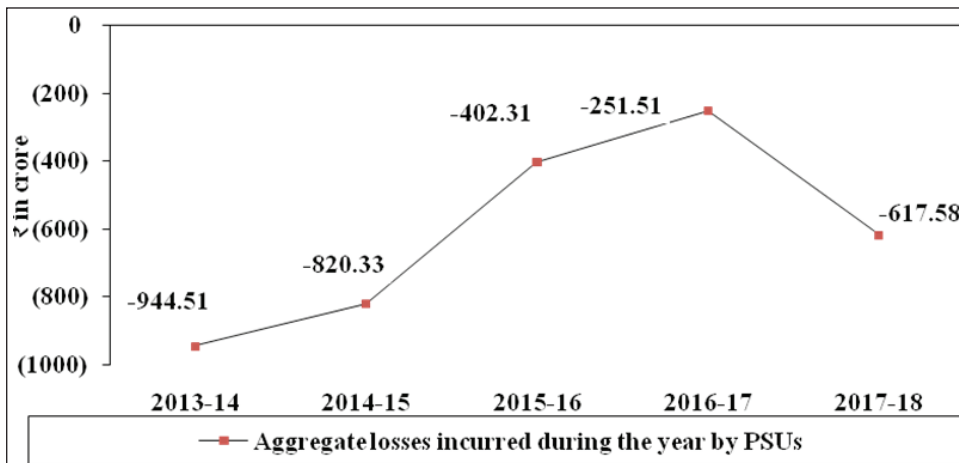
3.11 The financial position and working results of the 86 State PSUs as per their latest finalised accounts as of 30 September 2018 are detailed in *Annexure-2*. Of these, two PSUs had not submitted their first year of accounts, *viz.*, West Bengal Biotech Development Corporation Limited and West Bengal Scheduled Castes, Scheduled Tribes and Other Backward Classes Development & Finance Corporation.

The PSUs are expected to yield reasonable return on investment made by State Government. 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 Investment

3.12 The return on investment is the percentage of profit or loss to the total investment. The overall position of losses¹¹⁸ incurred by all State PSUs during 2013-14 to 2017-18 is depicted below in a chart:

Chart 4.4: Net Losses incurred by all State PSUs during the years



As on 31 March 2018, numbers of State PSUs which earned profits/incurred losses during 2013-14 to 2017-18 is given below:

Table 3.6: Details of State PSUs which earned profits/ incurred losses during 2013-14 to 2017-18

Financial year	Total number of State PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred losses during the year	Number of PSUs that had not submitted even first year of accounts
2013-14	84	37	47	-
2014-15	84	41	43	-
2015-16	82	40	42	-
2016-17	84	40	43	1
2017-18	86 ¹¹⁹	41	43	2

Return on the basis of historical cost of investment

3.13 Government of West Bengal infused funds in the form of equity and long term loans in 72 (including 16 inactive) out of 86 PSUs, aggregating to ₹ 8,439.26 crore (equity : ₹ 3,894.14 crore, long term loans ₹ 4,545.12 crore) as of 2017-18. The PSU-wise details may be seen at *Annexure-1*. The State Government did not infuse any funds directly in the remaining 14 State PSUs (active: 9, inactive: 5) as either equity or loans till 2017-18.

¹¹⁸ Figures are as per the latest finalised accounts during the respective years.

¹¹⁹ This included West Bengal Scheduled Castes, Scheduled Tribes Development and Other Backward Classes Development & Finance Corporation whose audit entrustment was received in December 2018.

The aggregate investment of State Government at the end of each year in the 72 PSUs mentioned above has been arrived at by considering (a) the equity including share application money and loans converted to equity, and (b) adding non-current component of interest free long-term loans, if any. The funds made available in the forms of the grants/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

During the years 2013-14 to 2017-18, there were 65 to 68 working State PSUs (Non-Power Sector). However, in 2016-17 and 2017-18, one and two State PSUs, respectively, had not prepared accounts for even one year. Based on the latest available accounts for the respective years for the remaining working PSUs, the return on investment on historical cost¹²⁰ basis for the period 2013-14 to 2017-18 for working State PSUs (Non-Power) is detailed in **Table - 3.7**.

Table 3.7: Return on investment in working State PSUs on historical cost basis

(₹ in crore)

Financial year	Nos. of working State PSUs for which accounts available	Funds infused by the GoWB (including interest free loans) on historic cost basis	Investment by Central Government	Other financial institutions	Total Investment	Aggregate Loss (-) for the year	RoI (in per cent)
2013-14	67	2,854.56	77.92	1,051.09	3,983.57	(826.35)	(20.74)
2014-15	67	3,550.06	85.92	1,051.09	4,687.07	(697.68)	(14.89)
2015-16	64	3,054.95	112.11	38.15	3,205.21	(136.00)	(4.24)
2016-17	65	3,353.22	118.06	41.19	3,522.47	(106.73)	(3.03)
2017-18	63	3,692.84	7.31	25.12	3,725.27	(432.90)	(11.62)

Source: Latest available accounts for the respective years

The return on investment of the working State PSUs was negative during all five years from 2013-14 to 2017-18.

Erosion of Net worth

3.14 Net worth means the sum total of the paid-up capital, including share application money, free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The aggregate equity, free reserves and accumulated losses as per latest finalised accounts received till September 2018 of 63 State working PSUs,¹²¹ in which GoWB had invested, were ₹ 3,581.42 crore, ₹ 58.71 crore and ₹ 6,956.91 crore, respectively leading to negative net-worth of ₹ 3,316.78 crore. Out of 63 working PSUs, net worth has been eroded in 30 Companies. Out of these, net worth eroded by 76 to 99 per cent in three PSUs, 51 to 75 per cent in four PSUs, 26 to 50 per cent in one PSU and 1 to 25 per cent in two PSUs. Further analysis of investment and by accumulated losses disclosed that in respect of 20 PSUs, their entire net worth had been eroded. The total accumulated losses of these 20 PSUs was ₹ 8,600.88 crore against their equity of ₹ 201.06 crore.

¹²⁰ Monetary value derived partly or wholly from original transaction or event giving rise to the investment but does not reflect changes in prices.

¹²¹ Accounts of two PSUs were not available since their formation.

The following table indicates the total paid up capital, total accumulated profit/loss and total net worth of working State PSUs where the GoWB had made investment in equity and/ or loans at the end of five years up to 2017-18:

Table 3.8: Net worth of State PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Nos. of working PSUs with GoWB investment	Paid up Capital at end of the year	Free reserves at the end of the year	Accumulated Profit/(Loss) at end of the year	Net Worth at the end of the year
(i)	(ii)	(iii)	(iv)	(v)	(vi) = (iii) + (iv)-(v)
2013-14	67	3,884.56	28.57	(6,300.02)	(2,386.89)
2014-15	67	4,573.34	35.97	(6,417.13)	(1,807.82)
2015-16	64	3,058.13	41.48	(4,298.77)	(1,199.16)
2016-17	65	3,376.62	46.27	(4,834.09)	(1,411.20)
2017-18	63	3,581.42	58.71	(6,956.91)	(3,316.78)

Source: Latest available accounts for the respective years

As can be seen, the combined net worth of these companies was negative for all five years from 2013-14 to 2017-18. The aggregate loss increased from ₹ 4,834.09 crore in 2016-17 to ₹ 6,956.91 crore in 2017-18. This was mainly due to accumulated losses of three¹²² State Transport Undertakings (STUs) by ₹ 2,374.51 crore.

Dividend Payout by State PSUs

3.15 Government of West Bengal does not have any stated dividend policy. Twenty seven working PSUs earned profits during the year 2017-18. Out of these, only four¹²³ PSUs paid dividend (excluding dividend distribution tax) of ₹ 0.71 crore during 2017-18. Dividend Payout by working State PSUs is shown in **Table 3.9**:

Table 3.9: Dividend declared/ paid out by State PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Total working PSUs with total equity infused by GoWB		Working PSUs which earned profits during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (in per cent)
	Number* of PSUs	Equity infused by GoWB	Number of PSUs	Equity infused by GoWB	Number of PSUs	Dividend declared/paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(5)*100
2013-14	67	2,755.55	22	1,165.52	6 ¹²⁴	0.87	0.07
2014-15	67	3,436.33	29	2,022.74	7 ¹²⁵	1.25	0.06

¹²² Calcutta and North Bengal State Transport Corporations (₹ 2,219.42 crore) as well as West Bengal Surface Transport Corporation Limited (₹ 155.09 crore).

¹²³ Saraswati Press Limited (₹ 0.33 crore), West Bengal Text Book Corporation (P) Limited (₹ 0.02 crore) a subsidiary of Saraswati Press Limited, Webel Technology Limited (₹ 0.30 crore) a subsidiary of WBEIDC Limited) and Mackintosh Burn Limited (₹ 0.06 crore).

¹²⁴ Saraswati Press Limited, West Bengal Text Book Corporation (P) Limited, West Bengal Forest Development Corporation Limited, Webel Technology Limited Mackintosh Burn Limited and New Town Telecom Infrastructure Development Company Limited (subsidiary of W.B. Housing Infrastructure Development Corp. Ltd.).

¹²⁵ Saraswati Press Limited, West Bengal Text Book Corporation (P) Limited, West Bengal Forest Development Corporation Limited, Mackintosh Burn Limited, West Bengal State Warehousing Corporation Limited, Webel Technology Limited and New Town Telecom Infrastructure Development Company Limited.

Year	Total working PSUs with total equity infused by GoWB		Working PSUs which earned profits during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in per cent)
	Number* of PSUs	Equity infused by GoWB	Number of PSUs	Equity infused by GoWB	Number of PSUs	Dividend declared/paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(5)*100
2015-16	64	2,907.87	26	2,449.65	4 ¹²⁶	0.62	0.03
2016-17	65	3,217.37	26	1,939.92	6 ¹²⁷	0.63	0.03
2017-18	63	3,548.99	27	1,591.93	4	0.71	0.04

*Includes all working PSUs for which accounts were available.

Source: Based on latest available accounts for the respective years.

During the period 2013-14 to 2017-18, the numbers of PSUs which earned profits ranged between 22 and 29. During this period, number of PSUs which declared/paid dividend to GoWB or their holding companies ranged between four and seven. The Dividend Payout Ratio during 2013-14 to 2017-18 was less than nominal and ranged between 0.03 and 0.07 per cent only.

Analysis of Long Term Loans of the non-power PSUs

3.16 Analysis of the long term loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to service their debts owed to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.17 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 in respect of working PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

Table 3.10: Interest Coverage Ratio relating to State PSUs

Year	Earnings before interest and tax (EBIT) (₹ in crore)	Interest (₹ in crore)	ICR	Working PSUs		
				Number of PSUs having liability of loans from Government, Banks and other financial institutions	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2013-14	492.53	1,270.35	0.39:1	47	15	32
2014-15	495.82	1,245.03	0.40:1	48	21	27
2015-16	830.20	526.93	1.58:1	43	26	17
2016-17	413.47	593.76	0.70:1	42	18	24
2017-18	87.03	557.19	0.16:1	43	18	25

Source: Latest available accounts for the respective years

¹²⁶ West Bengal Forest Development Corporation Limited, Mackintosh Burn Limited, Webel Technology Limited and New Town Telecom Infrastructure Development Company Limited.

¹²⁷ Saraswaty Press Limited, West Bengal Text Book Corporation (P) Limited, Mackintosh Burn Limited, West Bengal Forest Development Corporation Limited, Webel Technology Limited and New Town Telecom Infrastructure Development Company Limited.

Of the 43 working State PSUs having liability of loans from Government as well as banks and other financial institutions during 2017-18, 18 PSUs had interest coverage ratio of more than one whereas remaining 25 PSUs had interest coverage ratio below one.

Debt Turnover Ratio

3.18 During the last five years, the aggregate turnover of the working PSUs (with borrowings) recorded compound annual growth of 1.73 per cent and compound annual growth of debt was (-) 16.90 per cent¹²⁸ due to which the debt turnover ratio improved from 0.75:1 in 2013-14 to 0.38:1 in 2017-18 as given in table below:

Table 3.11: Debt Turnover Ratio relating to the State PSUs

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	8,869.74	9,528.64	4,857.51	4,722.03	4,229.80
Turnover	11,857.00	12,883.63	4,276.43	4,285.30	11,058.04
Debt-Turnover Ratio	0.75:1	0.74:1	1.14:1	1.10:1	0.38:1

Source: Latest available accounts for the respective years

Comments on Accounts of State PSUs

3.19 During 2017-18, 77 companies forwarded 83 audited accounts for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicate 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 are as given in **Table 3.14**:

Table 3.12: Impact of audit comments on Companies (Non-Power Sector)

(₹ 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	11	194.13	7	33.95	14	343.57
2.	Increase in profit	5	20.96	3	14.94	2	7.79
3.	Non-disclosure of material facts	5	163.07	2	75.15	6	123.68
4.	Errors of classification	1	14.51	6	172.69	2	44.57

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

3.20 Eight working Statutory Corporations forwarded 12 accounts for audit during the year 2017-18. Of these, CAG was sole auditor for 10 accounts of four Statutory Corporations. The remaining two accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and the supplementary/sole audit of CAG indicate that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of audit by the CAG in respect of Statutory Corporations are given below:

¹²⁸ Rate of Compound Annual Growth ((value of 2017-18/ value of 2013-14) ^ ((1/ 4years) -1) * 100) where debt for the year 2013-14 and 2017-18 was ₹ 8,869.74 crore and ₹ 4,229.80 crore respectively.

Table 3.13: Impact of audit comments on Statutory Corporations*(₹ 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	4	203.63	7	30.59	10	885.63
2.	Increase in profit	4	22.50	2	2.66	6	67.40
3.	Non-disclosure of material facts	2	1.81	2	1.20	7	1,612.75
4.	Errors of classification	2	154.56	4	11.69	6	118.77

Source: Compiled from comments of the C&AG in respect of Statutory Corporations.

Compliance Audit Paragraphs

3.21 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, five compliance audit paragraphs involving four departments were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies to three compliance audit paragraphs have been received from the State Government along with partial reply to one compliance audit paragraph, while reply to one compliance audit paragraph is awaited (August 2019).

Follow up action on Audit Reports

3.22 As per the Constitutional provisions vide Article 151(2), the Reports of the Comptroller and Auditor General (CAG) of India relating to the accounts of a State shall be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. Further, under the legislative provisions vide Section 19 A (3) of CAG (Duties, Powers and Conditions of Service) Act 1971, the State Government shall cause every Report in relation to audit of accounts of a Government Company or a Corporation, to be laid before the Legislature of the State, as soon as may be after it is received.

The Reports of the CAG of India, in respect of accounts of the State, were not being laid before the Legislature in a timely manner. Audit noticed that Report for the year 2015-16 had been submitted to Governor in February 2017, which had been laid in the Assembly in March 2018. The Report for the year 2016-17 had been submitted to Governor in May 2018, which had been laid in the Assembly in July 2019.

The pattern indicates that laying of Reports of CAG before the Legislature has been at the convenience of the State Government. Such violation of Constitutional and Legislative obligations deprived the Legislature of the opportunity to exercise control over the Executive in respect of finances and its utilisation in the State.

Discussion of Audit Reports by CoPU

3.23 The status of discussion of Performance Audits and paragraphs related to State PSUs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as under:

Table 3.14: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2005-06	2	20	Nil	11
2006-07	3	16	Nil	5
2007-08	2	14	1	4
2008-09	2	10	2	5
2009-10	1	13	1	4
2010-11	1	7	Nil	3
2011-12	1	9	1	5
2012-13	1	5	Nil	2
2013-14	1	8	Nil	8
2014-15	1	5	Nil	Nil
2015-16	1	6	Nil	Nil
Total	16	113	5	47

Source: Compiled based on the discussions of COPU on the Audit Reports.

Compliance to Reports of CoPU

3.24 According to rules of Procedure of CoPU, Action Taken Notes (ATNs) on the recommendation contains in the CoPU Reports are to be submitted by the Government within three months of their receipt. The statement in *Annexure-3* indicated the details of four CoPU reports where Action Taken Notes are yet to be received from the Departments as on 30 September 2018. These reports of CoPU contain 48 recommendations in respect of paragraphs pertaining to seven Departments, which had either appeared in the Reports of the CAG of India for the years 2003-04 to 2014-15 or were taken up for *suo-motu* study.

It is recommended that the Government may ensure: (a) submission of replies to Explanatory Notes/ Draft Paragraphs/ PAs and ATNs on the recommendations of COPU, as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayment within the prescribed period; and (c) revamping of the system of responding to audit observations.