सत्यमेव जयते

# Report of the Comptroller and Auditor General of India for the year ended 31 March 2020

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

## Government of Haryana

*Report No. 3 of the year 2021*

## General Purpose Financial Report of State Public Sector Enterprises

# Report of the

# Comptroller and Auditor General of India

## for the year ended 31 March 2020

**Government of Haryana**

***Report No. 3 of the year 2021***

**General Purpose Financial Report of**
**State Public Sector Enterprises**

# TABLE OF CONTENTS

# PREFACE

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. In respect of Statutory Corporations, namely Haryana State Warehousing Corporation and Haryana Financial Corporation, the CAG has the right to conduct a supplementary audit and issues Separate Audit Report (SAR) on their accounts after the statutory auditors appointed under the statutes have conducted their audit.

3. The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts up to the year 2019-20 (to the extent received). In respect of SPSEs where any particular year's accounts were not received before 31 December 2020, the figures from the accounts last audited have been adopted.

4. All references to 'Government Companies/Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/Corporations' unless the context suggests otherwise.

## Executive Summary

## I. Financial performance of State Public Sector Enterprises

There were 36 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2020. These included 28 Government Companies, six Government Controlled Other Companies and two Statutory Corporations. This Report deals with 26 Government Companies and Corporations (including two Statutory Corporations), three Government Controlled Other Companies; seven SPSEs (including three Government Controlled Other Companies) were inactive/under liquidation or first accounts not received are not covered in this Report.

***(Para 1.1 and 2.1)***

### Investment by Government of Haryana

Of the 29 SPSEs included in this Report, the accounts of 24 SPSEs indicate that the Government of Haryana (GoH) had an investment of ₹ 35,718.68 crore in share capital. The loans given by GoH outstanding as on 31 March 2020 amounted to ₹ 341.48 crore. Investment by the GoH in equity of SPSEs registered a net increase of ₹ 5,830.10 crore and loans outstanding decreased by ₹ 2.71 crore during 2019-20 as compared to the previous year.

***(Para 1.2 and 2.2)***

### Return on Equity

Net worth of all four power sector SPSEs was positive and their ROE was 7.82 *per cent* during 2019-20. The number of SPSEs (other than power sector) that earned profit was 17; the Return on Equity of these 17 SPSEs was 14.56 *per cent*. Return on Equity in all the 25 SPSEs (other than power sector) including six loss making SPSEs was 12.16 *per cent* in 2019-20.

***(Para 1.3.1 and 2.3.1)***

No power sector SPSE declared/paid dividend. In other than power sector, three SPSEs declared dividend of ₹ 6.52 crore against the net profit of ₹ 47.33 crore for the year 2018-19.

***(Para 1.3.2 and 2.3.2)***

There were six SPSEs that incurred losses during the year 2019-20. The losses incurred by these companies increased from ₹ 37.43 crore in 2018-19 to ₹ 38.10 crore in 2019-20.

***(Para 2.4)***

**Net Worth/Accumulated Loss**

There were seven SPSEs (other than power sector) with accumulated losses of ₹ 249 crore. Of the seven SPSEs, three SPSEs incurred losses in the year 2019-20 amounting to ₹16.92 crore and four SPSEs had not incurred loss in the year 2019-20, even though they had accumulated loss of ₹ 231 crore.

***(Para 2.4.1)***

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

The Present Value of investments of the State Government upto 31 March 2020 worked out to ₹ 65,319.59 crore as compared to ₹ 612.33 crore in 1999-2000. The total earnings for power sector SPSEs was negative during 1999-2000 to 2016-17 (except 2002-03 and 2003-04) and below the minimum expected return during 2017-18 to 2019-20, which indicates that the Government could not recover its cost of funds. The total earnings for SPSEs other than power sector also remained below the minimum expected return except for the years 2008-09 and 2014-15.

***(Para 1.4.3 and 2.5.3)***

***The State Government had formulated (October 2003) a dividend policy under which all state SPSEs were required to pay a minimum return of four per cent on the paid-up share capital of the State Government. Despite having distributable profits of some of the SPSEs, they have not declared any dividend. It is recommended that the State Government may take up the matter through its nominees on the Board of Directors.***

## II. Oversight Role of CAG

As of 31 March 2020, there were 28 State Government Companies and six State Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from 27 State Government Companies and five State Government Controlled Other Companies. A total of nine Government Companies and one State Government Controlled Other Company submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020. Of these, accounts of seven State Government Companies and one State Government Controlled Other Company were reviewed in audit by the CAG. Accounts of 18 State Government Companies and four State Government Controlled Other Companies were in arrears for various reasons.

***(Para 3.3.2 and 3.5.1)***

Significant comments were issued on financial statements of State Government Companies, the financial impact of which on the profitability was ₹ 108.21 crore and on assets/liabilities was ₹ 478.86 crore.

***(Para 3.5.2)***

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit which were not material were communicated to the Management of four SPSEs through 'Management Letter' for taking corrective action.

***(Para 3.7)***

***In absence of finalisation of accounts and their subsequent audits, 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. Delay in finalisation of accounts may also result in fraud and leakage of public money apart from violation of the provisions of the relevant statutes. It is therefore, recommended that the annual accounts should be prepared and finalised within the prescribed time.***

## III. Corporate Governance

The review of Corporate Governance covered 22 SPSEs under the administrative control of various Departments. Provisions of the Companies Act, 2013 and Companies Rules, 2014 regarding Corporate Governance, though mandatory, were not being complied with by some of the SPSEs. During the year, the following significant departures from the prescribed guidelines were noticed:

- In nine SPSEs, the Independent Directors neither attended the Board meetings nor the General meetings.

***(Para 4.3.4 and 4.3.5)***

- In three SPSEs, separate meetings of Independent Directors were not conducted.

***(Para 4.3.6.1)***

- Vacancies of independent directors were not filled in time in four SPSEs. Vacancies of key managerial personnel were not filled in time in seven SPSEs.

***(Para 4.5)***

- While 11 SPSEs under review constituted audit committee, the number of independent directors in the audit committee was below the prescribed number in three SPSEs.

***(Para 4.6.1)***

- The Haryana Vidyut Prasaran Nigam Limited has not made compliance of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, whose bonds are listed in Bombay Stock Exchange.

***(Para 4.6.3)***

- There was no Whistle Blower Mechanism in five SPSEs.

***(Para 4.8.1)***

***Haryana Bureau of Public Enterprises should prepare a policy for appointment of Independent Directors stating the standard terms and conditions including timeline for initiation of proposal for their appointment, sitting fees etc. Government of Haryana may impress upon the respective Administrative Ministries/Departments to ensure compliance of provisions as contained in the Companies Act, 2013 read with Companies Rules, 2014 so as to achieve the objectives of Corporate Governance in SPSEs.***

## IV. Corporate Social Responsibility

Out of 25 working State Public Sector Enterprises (SPSEs) in 2018-19, 10 SPSEs were required to undertake Corporate Social Responsibility (CSR) activities. Audit reviewed the CSR activities carried out by these 10 SPSEs during the year 2019-20. Following significant observations were made in the review:

- Of the ten SPSEs, six have framed their CSR policy and another three did not have CSR policy in place. One SPSE has framed its CSR policy but it was not approved by the Board. Eight out of 10 SPSEs had constituted their CSR committees.

***(Para 5.5.1 and 5.5.3)***

- The two *per cent* of average net profit calculated by seven out of ten SPSEs, for CSR activities, was ₹ 17.50 crore. These SPSEs allocated ₹ 28.66 crore towards CSR including carryover of ₹ 11.16 crore for previous years. The actual spending there against was ₹ 21.37 crore.

***(Para 5.6.1 and 5.6.2)***

- Employment and skill development received the maximum focus (73 *per cent*) which includes spending of ₹ 12.20 crore on setting up of Indian Institute of Information Technology in Sonepat by Haryana State Industrial and Infrastructure Development Corporation Limited, but the areas of education, sports, slum development and environment sustainability remained the neglected areas.

***(Para 5.7.3)***

- All the seven SPSEs, which had framed CSR policy, had specified the monitoring mechanism in the policy.

***(Para 5.8)***

***It is recommended that all SPSEs which meet the criteria should frame their CSR Policy and constitute CSR Committee in compliance of provisions of the Companies Act, 2013 and CSR Rules.***

## V. Impact of implementation of Indian Accounting Standards in State Public Sector Enterprises

The Ministry of Corporate Affairs, Government of India notified Indian Accounting Standards (Ind AS), keeping the Indian economic and legal environment in view. These Ind AS are mandatorily to be adopted by prescribed class of companies w.e.f. 1 April 2016. The objective of audit was to study the implementation of Ind AS in Phase I & II to assess whether various provisions of Ind AS were complied with by the State Public Sector Enterprises (SPSEs) at the time of adoption of Ind AS and their impact on the financial statements of SPSEs.

The study covered seven SPSEs which were required to adopt Ind AS in Phase I & II during 2016-17 with the following impacts:

- Ind AS permits a first time adopter to elect to continue with the carrying value of its Property, Plants and Equipments (PPEs) and intangible assets. Six SPSEs chose to continue with the carrying value of its PPEs and intangible assets as at the date of transition to Ind AS.

***(Para 6.4)***

- Haryana State Industrial and Infrastructure Development Corporation Limited and Haryana Power Generation Corporation Limited reported decrease in Profit After Tax (PAT) by ₹ 6.82 crore and ₹ 177.42 crore respectively while Haryana Vidyut Prasaran Nigam Limited reported increase in PAT by ₹ 94.42 crore due to adoption of Ind AS. The changes in valuation of different items of revenue, expenditure, assets and liabilities consequent to adoption of Ind AS materially affect the PAT of enterprise.

***(Para 6.6.1)***

- While increase in revenue of ₹ 18.72 crore and ₹ 0.09 crore was noticed in Haryana Vidyut Prasaran Nigam Limited and Haryana State Industrial and Infrastructure Development Corporation Limited respectively, a decrease in revenue of ₹ 16.89 crore was observed in respect of Haryana Power Generation Corporation Limited.

***(Para 6.6.2)***

- While increase of ₹2,054.02 crore and ₹ 203.32 crore in values of total assets was noticed in Haryana State Industrial and Infrastructure Development Corporation Limited and Haryana Power Generation Corporation Limited respectively, a decrease of ₹ 5.73 crore in total value of assets was noticed in Haryana Vidyut Prasaran Nigam Limited.

***(Para 6.6.3)***

- Net worth of three SPSEs decreased by ₹ 439.90 crore consequent to adoption of Ind AS. The maximum decrease of ₹ 339.81 crore in net worth was noticed in Haryana Vidyut Prasaran Nigam Limited.

***(Para 6.6.4)***

# Introduction

# Functioning of State Public Sector Enterprises

# Introduction

## Functioning of State Public Sector Enterprises

### General

**1.** State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. State SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2020, there were 36 SPSEs in Haryana, including two Statutory Corporations[1] and 34 Government Companies (including five[2] inactive[3] Government companies) under the audit jurisdiction of the Comptroller & Auditor General of India. Two[4] SPSEs were listed on the stock exchange. This report does not include results of seven SPSEs which were inactive companies/under liquidation or whose first accounts[5] were not received. Figures in respect of remaining 29 SPSEs are based on their latest accounts received till 31 December 2020.

**2.** The financial performance of the SPSEs on the basis of latest finalised accounts as on 31 December 2020 is covered in this report. The nature of SPSEs and the position of accounts are indicated in the table below:

**Table 1: Nature of SPSEs covered in the Report**

| Nature of SPSEs | Total Number of SPSEs | Number of accounts received during the reporting period from October 2019 to December 2020 | | | | | | Number of SPSEs of which accounts are in arrear (total accounts in arrear) as on 31 December 2020 |
|---|---|---|---|---|---|---|---|---|
| | | Accounts for 2019-20 | Accounts for 2018-19 | Accounts for 2017-18 | Accounts for 2016-17 | Accounts for 2015-16 | Total | |
| Government Companies | 28 | 9 | 8 | 3 | 4 | 2 | 26 | 18(30) |
| Statutory Corporations | 2 | 0 | 2 | 0 | 0 | 0 | 2 | 2(2) |
| Government controlled other Companies | 6 | 1 | 1 | 0 | 0 | 0 | 2 | 4(7) |
| **Total working SPSEs** | **36** | **10** | **11** | **3** | **4** | **2** | **30** | **24(39)** |

Source: Compiled from annual financial statements received in the O/o the Principal Accountant General (Audit) Haryana.

---

1 Haryana State Warehousing Corporation and Haryana Financial Corporation.
2 Haryana Concast Limited, Haryana State Housing Finance Corporation Limited, Haryana State Minor Irrigation & Tubewells Corporation Limited, Haryana Minerals Limited and Saur Urja Nigam Haryana Limited.
3 Inactive SPSEs are those which have ceased to carry out their operations.
4 Haryana Financial Corporation and Haryana Vidyut Prasaran Nigam Limited.
5 Faridabad City Transport Services Limited and Karnal Smart City Limited.

Twenty one working SPSEs earned profit of ₹ 975.78 crore and eight SPSEs incurred losses of ₹ 38.10 crore as per their latest finalised accounts.

## Accountability framework

**3.** The procedures for audit of Government companies are laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government Company. The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government company and Government controlled other company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government company or Government controlled other company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government company or Government controlled other company, the first auditor are to be appointed by the CAG within sixty days from the date of registration of the company and in case the CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

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

### *Statutory audit*

**4.** The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. In respect of Haryana State Warehousing Corporation and Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

## Submission of accounts by SPSEs

***Need for timely finalisation and submission of accounts***

**5.** According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year and that AGM is held within 15 months of the previous/ last AGM.

Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the concerned financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

***Role of Government and Legislature***

**6.** The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government for placing before the State Legislature under the provisions of Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

## Investment by Government of Haryana in State SPSEs

**7.** The Government of Haryana (GoH) has significant financial stake in the SPSEs. These are mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoH also provides financial assistance by way of loans to the SPSEs from time to time.

- **Special financial support** – GoH provides budgetary support by way of grants and subsidies to the SPSEs as and when required.

- **Guarantees** – GoH also guarantees the repayment of loans with interest availed by the SPSEs from Financial Institutions.

**8.** The sector-wise summary of Government of Haryana investment in the SPSEs as on 31 March 2020 is given below:

**Table 2: Sector-wise GoH investment in SPSEs**

| Name of sector | Working Government Companies | Working Statutory Corporations | Total | Investment (₹ in crore) | | |
|---|---|---|---|---|---|---|
| | | | | Equity | Long term loans | Total |
| Power | 4 | 0 | 4 | 35,128.48 | 8.65 | 35,137.13 |
| Finance | 4 | 1 | 5 | 302.22 | 0 | 302.22 |
| Service | 10 | 0 | 10 | 67.02 | 0 | 67.02 |
| Infrastructure | 5 | 0 | 5 | 211.18 | 324.68 | 535.86 |
| Others | 4 | 1 | 5 | 9.78 | 8.15 | 17.93 |
| **Total** | **27** | **2** | **29** | **35,718.68** | **341.48** | **36,060.16** |

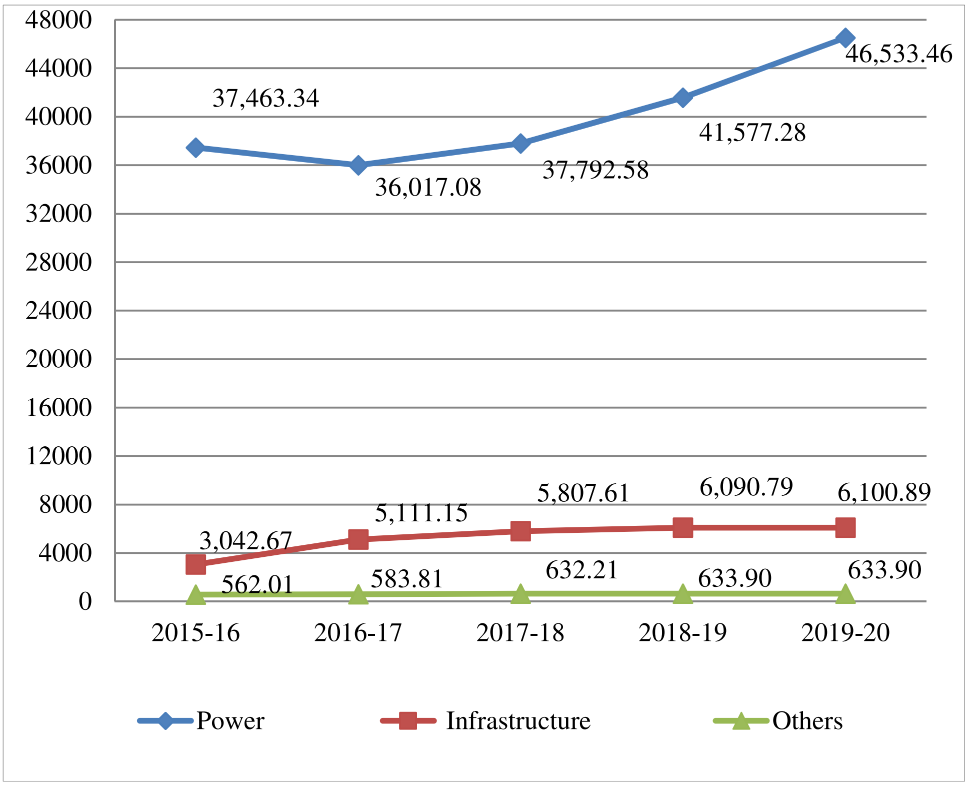
Source: Compilation based on information received from SPSEs.

The thrust of SPSE investment by the Government was mainly on power sector during the last five years. The power sector received government investments of ₹ 35,137.13 crore (97.44 *per cent*) out of total investment of ₹ 36,060.16 crore.

However, the total investment including investment from other than GoH resources in various sectors during the period from 2015-16 to 2019-20 is shown in chart below:

**Chart 1: Sector-wise investment in SPSEs**

**(Figures in ₹ crore)**




Keeping in view the high level of investment in Power Sector, we are presenting the pen picture of functioning of four Power Sector SPSEs in Chapter I.

This Report contains six Chapters as under:

| | |
|---|---|
| Chapter I: | Financial Performance of State Public Sector Enterprises (Power Sector) |
| Chapter II: | Financial Performance of State Public Sector Enterprises (other than power sector) |
| Chapter III: | Oversight Role of CAG |
| Chapter IV: | Corporate Governance |
| Chapter V: | Corporate Social Responsibility |
| Chapter VI: | Impact of implementation of Indian Accounting Standards in State Public Sector Enterprises |

This Report was discussed with the Additional Chief Secretary (Finance)-cum-Administrative Secretary, Bureau of Public Enterprises, Haryana and Managing Directors/ representatives of concerned SPSEs in exit conference on 20 July 2021. The view points of the Government and Management of SPSEs have been duly considered and suitably incorporated in the Report.

# Chapter-I

# Financial Performance of State Public Sector Enterprises (Power Sector)

# Chapter I

## Financial Performance of State Public Sector Enterprises (Power Sector)

## 1.1 Introduction

As on 31 March 2020, there were five Power Sector SPSEs (four[1] working SPSEs and one[2] inactive SPSE) in the State. The four working SPSEs under audit jurisdiction of the CAG include Haryana Power Generation Corporation Limited (generation), Haryana Vidyut Prasaran Nigam Limited (transmission), Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited (distribution). The financial performance of all four working Power Sector SPSEs is covered in this chapter. The financial statements of all the four working power sector SPSEs for the year 2019-20 had been finalised.

**Summary of financial performance of Power Sector SPSEs**

| | |
|---|---|
| Number of SPSEs | 4 |
| SPSEs covered | 4 |
| Paid-up capital | ₹ 36,257.75 crore |
| Equity investment of Government of Haryana | ₹ 35,128.48 crore |
| Long term loans | ₹ 10,275.71 crore |
| Net profit | ₹ 640.52 crore |
| Dividend declared | Nil |
| Total Assets | ₹ 39,522.35 crore |
| Turnover | ₹ 33,262.31 crore |
| Net worth# | ₹ 8,187.36 crore |

Source: Compilation based on Annual financial statements of power sector SPSEs
#Net Worth means paid-up capital and reserves and surplus *minus* accumulated losses and deferred revenue expenditure.

The ratio of turnover of Power Sector SPSEs to Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The table below provides the details of turnover of the Power Sector SPSEs and GSDP of Haryana for a period of five years ending March 2020.

**Table 1.1: Details of turnover of Power Sector SPSEs *vis-à-vis* GSDP of Haryana**

**(₹ in crore)**

| Particulars | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| Turnover | 29,475.63 | 32,169.09 | 34,370.70 | 36,818.34 | 33,262.31 |
| GSDP of Haryana | 4,92,656.90 | 4,34,607.93 | 6,08,470.73 | 7,07,126.33 | 8,31,610.21 |

[1] Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited and Uttar Haryana Bijli Vitran Nigam Limited.

[2] Saur Urja Nigam Haryana Limited.

| Particulars | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|
| Percentage of Turnover to GSDP of Haryana | 5.98 | 7.40 | 5.65 | 5.21 | 4.00 |

Source: Compilation based on Turnover figures of Power Sector SPSEs and GSDP figures as per information supplied by Department of Economic and Statistical Analysis, Government of Haryana at current prices of respective years (Advanced Estimates) for year to year comparison.

During exit conference, the Additional Chief Secretary (Finance) stated (July 2021) that falling contribution of SPSEs in GSDP of Haryana was a matter of concern and desired that SPSEs should analyse the reasons for the same.

### Power demand, availability and supply position in the State

**1.1.1** The peak demand for power, its availability and share through State's own power generating utility, the Haryana Power Generation Company Limited (HPGCL), during 2015-16 to 2019-20 is given in the table below:

**Table 1.2: Details of Power Generation by HPGCL**

| Year | Installed Capacity of HPGCL (in MW) | Peak demand (in MW) | Availability of Power (in MW) | Percentage of excess power tied-up above peak demand | Total power Supply (in MUs) | Power Supplied by HPGCL (in MUs) | HPGCL's share in total supply (in *per cent*) |
|---|---|---|---|---|---|---|---|
| 2015-16 | 2,782.40 | 9,113 | 11,294.47 | 23.94 | 50,900 | 9,796 | 19.25 |
| 2016-17 | 2,792.40 | 9,262 | 11,332.42 | 22.35 | 51,264 | 8,885 | 17.33 |
| 2017-18 | 2,792.40 | 9,671 | 11,442.42 | 18.32 | 54,735 | 10,084 | 18.42 |
| 2018-19 | 2,792.40 | 10,270 | 12,181.42 | 18.61 | 56,994 | 9,983 | 17.52 |
| 2019-20 | 2,582.40[3] | 11,030 | 11,950.70 | 8.35 | 55,160 | 6,766 | 12.27 |

Source**:** Load Generation Balance Reports of Central Electricity Authority, Annual Accounts of HPGCL and data supplied by the Haryana Power Purchase Centre.

The State has entered into Power Purchase Agreements for power beyond its peak demand making Haryana a power surplus State. Also, HPGCL's share in total power supply in the State has been consistently decreasing due to its higher variable cost in comparison to that from other power producers such as National Thermal Power Corporation and Private power producers with whom State has tied-up for power purchase.

## 1.2 Investment in Power Sector SPSEs

The amount of investment in equity and loans in four Power Sector SPSEs as at the end of 31 March 2020 is given in Table 1.3:

**Table 1.3: Equity investment and loans in Power Sector SPSEs**

**(₹ in crore)**

| Sources of investment | As on 31 March 2019 | | | As on 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Equity | Long term loans | Total | Equity | Long term loans | Total |
| State Government | 29,303.48 | 11.36 | 29,314.84 | 35,128.48 | 8.65 | 35,137.13 |

[3] Reduction in installed capacity was due to closing down of Unit no. V (210 MW) at Thermal Power Station, Panipat.

| Sources of investment | As on 31 March 2019 | | | As on 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Equity | Long term loans | Total | Equity | Long term loans | Total |
| State Government Companies/Corporations | 1,129.27 | 1,580.97 | 2,710.24 | 1,129.27[4] | 1,040.07 | 2,169.34 |
| Financial Institutions and others | Nil | 9,552.20 | 9,552.20 | Nil | 9,226.99 | 9,226.99 |
| **Total** | **30,432.75** | **11,144.53** | **41,577.28** | **36,257.75** | **10,275.71** | **46,533.46** |
| Percentage of State Government Investment to Total Investment | 96.29 | 0.10 | 70.51 | 96.89 | 0.08 | 75.51 |

Source: Compilation based on accounts finalised by SPSEs.

The Government of Haryana (GoH) provides financial support to Power Sector enterprises 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 in respect of Power Sector SPSEs for last three years ending March 2020 are as follows:

**Table 1.4: Details of budgetary support to Power Sector SPSEs during last three years**

**(₹ in crore)**

| Particulars | 2017-18 | | 2018-19 | | 2019-20 | |
|---|---|---|---|---|---|---|
| | No. of SPSEs | Amount | No. of SPSEs | Amount | No. of SPSEs | Amount |
| Equity Capital (i) | 4 | 10,644.44[5] | 4 | 13,302.48[6] | 4 | 5,825.00 |
| Loans given (ii) | 3 | 550.70 | 2 | 52.84 | 1 | 108.74 |
| Grants/ Subsidy provided[7] (iii) | 0 | 0.00 | 2 | 18.56 | 0 | 0.00 |
| **Total Outgo (i+ii+iii)** | | **11,195.14** | | **13,373.88** | | **5,933.74** |
| Loan repayment | - | - | 4 | 5,494.92 | 4 | 487.41 |
| Loans converted into equity | - | - | 3 | 5,531.99 | 3 | 5,190.00 |
| Guarantees issued | 3 | 263.18 | 3 | 1,120.59 | 2 | 1,406.16 |
| Guarantee Commitment | 4 | 4,204.17 | 3 | 1,758.09 | 2 | 3,803.34 |

Source: Compilation based on accounts finalised by SPSEs.

### *1.2.1 Investment in equity*

Total investment at face value of equity in the four Power Sector SPSEs registered a net increase of ₹ 5,825 crore during 2019-20. The entire amount was contributed by the State Government. Review in audit of the purpose of additional investment of equity in SPSEs indicated that out of ₹ 5,825 crore, ₹ 5,190 crore was on account of conversion of loan advanced by the State Government to power distribution companies under Ujwal Discom Assurance Yojna (UDAY) scheme. This conversion of loan into equity was against the spirit of the tripartite MOU executed in this regard, as the entire amount due during the year was converted to equity instead of converting

4 Haryana Financial Corporation: ₹ 145.00 crore and Haryana Vidyut Prasaran Nigam Limited: ₹ 984.27 crore.

5 This includes equity received under UDAY scheme *i.e.* ₹ 5,190 crore for the year 2017-18.

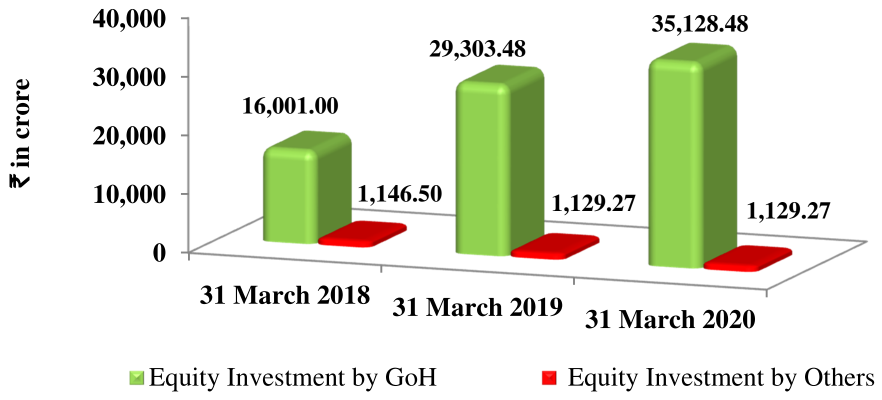
6 This also includes grant amounting to ₹ 7,785 crore which was converted into Equity during the year 2018-19

7 This excludes RE Subsidy of ₹ 4,864 crore, ₹ 7,351.72 crore and ₹ 6,991.25 crore received from State Government during 2017-18, 2018-19 and 2019-20 respectively.

75 *per cent* of the amount into grant and 25 *per cent* into equity[8]. The effect of this on the State Finances is that there is overstatement of capital expenditure and consequent understatement of revenue expenditure. This also resulted in understatement of revenue deficit of the State.

Investment in equity by the State Government and others during last three years as on 31 March 2020 in these Power Sector enterprises is depicted in Chart 1.1 below:

**Chart 1.1: Investment in equity in Power Sector SPSEs**

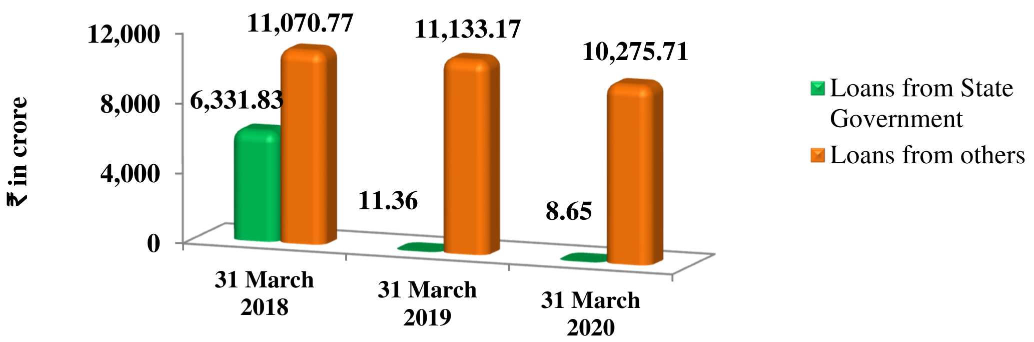



### *1.2.2 Loans given to power sector SPSEs*

#### *1.2.2.1 Computation of long term loans outstanding as on 31 March 2020*

The total long term loans outstanding in four Power Sector SPSEs from all sources as on 31 March 2020 was ₹ 10,275.71 crore. As on 31 March 2020, the long term loans of these SPSEs registered a decrease of ₹ 868.82 crore over that of 31 March 2019. Out of the total loans outstanding as on 31 March 2020, loans from State Government were ₹ 8.65 crore (0.08 *per cent*) only. Year-wise details of outstanding long term loans of Power Sector SPSEs is depicted in Chart 1.2.

**Chart 1.2: Long term loans outstanding in Power Sector SPSEs**




[8] Paragraph no. 2.4.3.2 (v) – Implementation of Ujwal Discom Assurance Yojna of State Finances Audit Report of Comptroller and Auditor General of India for the year ended 31 March 2020 of Government of Haryana also refers.

### *1.2.2.2 Adequacy of assets to meet loan liabilities*

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. In order to be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in four Power Sector SPSEs which had outstanding loans as on 31 March 2020 is given in Table 1.5.

**Table 1.5: Coverage of long term loans with total assets**

| Name of SPSE | Assets (₹ in crore) | Long term loans (₹ in crore) | Ratio of Assets to Loans |
|---|---|---|---|
| Haryana Power Generation Corporation Limited (HPGCL) | 7,874.14 | 573.64 | 13.73:1 |
| Haryana Vidyut Prasaran Nigam Limited (HVPNL) | 11,177.08 | 4,339.71 | 2.58:1 |
| Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) | 11,435.49 | 3,064.26 | 3.73:1 |
| Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) | 9,035.64 | 2,298.10 | 3.93:1 |

Source: Compilation based on accounts finalised by SPSEs.

The value of total assets was more than the loan outstanding in all four SPSEs.

### *1.2.2.3 Interest Coverage*

Interest Coverage Ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of SPSEs during the period from 2017-18 to 2019-20 are given in Table 1.6.

**Table 1.6: Interest Coverage Ratio in Power Sector SPSEs**

| Name of the SPSE | 2017-18 | | | 2018-19 | | | 2019-20 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Interest cost (₹ in crore) | EBIT (₹ in crore) | Interest coverage ratio | Interest cost (₹ in crore) | EBIT (₹ in crore) | Interest coverage ratio | Interest cost (₹ in crore) | EBIT (₹ in crore) | Interest coverage ratio |
| HPGCL | 306.72 | 629.60 | 2.05 | 252.89 | 1,003.76 | 3.97 | 183.41 | 457.63 | 2.50 |
| HVPNL | 430.58 | 964.83 | 2.24 | 381.51 | 838.64 | 2.20 | 379.98 | 600.55 | 1.58 |
| UHBVNL | 1,156.48 | 1,434.72 | 1.24 | 885.85 | 1,071.56 | 1.21 | 606.42 | 824.14 | 1.36 |
| DHBVNL | 779.91 | 914.03 | 1.17 | 541.74 | 636.97 | 1.18 | 351.96 | 465.63 | 1.32 |

Source: Compilation based on accounts finalised by SPSEs.

It was observed that the average interest coverage ratio of all Power Sector SPSEs was higher than one which indicates low risk of insolvency in these SPSEs.

#### *1.2.2.4 Interest outstanding on State Government Loans*

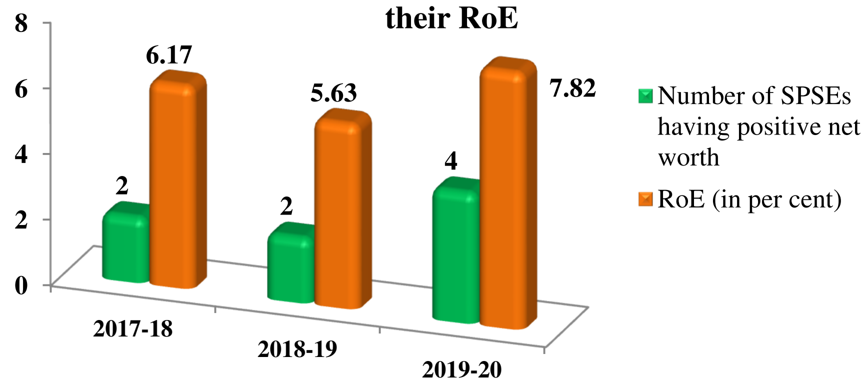
There was no overdue payment of interest on State Government loans.

## 1.3 Return on investment in Government Companies

### *1.3.1 Profit earned by Power Sector SPSEs*

All four Power Sector SPSEs earned profit during 2018-19 and 2019-20. However, the profit earned decreased to ₹ 640.52 crore in 2019-20 from ₹ 687.91 crore in 2018-19. The Return on Equity[9] (RoE) in respect of two[10] SPSEs having positive net worth during 2018-19 was 5.63 *per cent*. During 2019-20, net worth of all four SPSEs was positive and their RoE was 7.82 *per cent*. The summarised financial results of Power Sector SPSEs are shown in ***Appendix I***. The performance of Power Sector SPSEs having positive net worth during the period 2017-20 and their return on equity is depicted in Chart 1.3:

**Chart 1.3: Number of SPSEs with positive net worth and their RoE**




SPSE wise contribution of profit during 2018-19 is summarised in Table 1.7.

**Table 1.7: Activity wise contribution to profit earned by Power Sector SPSEs during 2019-20**

| Activity | Name of the SPSE | Net Profit earned (₹ in crore) | Percentage of profit to total Power Sector SPSEs profit |
|---|---|---|---|
| Generation | HPGCL (A) | 247.76 | 38.68 |
| Transmission | HVPNL (B) | 61.37 | 9.58 |
| Distribution | UHBVNL | 217.72 | 33.99 |
| | DHBVNL | 113.67 | 17.75 |
| | Sub-total (C) | **331.39** | **51.74** |
| **Grand total (A+B+C)** | | **640.52** | |

Source: Compilation based on accounts finalised by SPSEs

9 Return on Equity = (Net Profit after Tax /Equity) x 100, where Equity = Paid-up Capital + Free Reserves - Accumulated Losses - Deferred Revenue Expenditure.

10 HPGCL and HVPNL

During 2019-20, net profit of ₹ 331.39 crore constituting 51.74 *per cent* of total profit of ₹ 640.52 crore of power sector SPSEs was contributed by SPSEs engaged in Distribution (UHBVNL and DHBVNL) as compared to 40.84 *per cent* contributed by those companies in 2018-19.

### *1.3.2 Dividend payout by Power Sector SPSEs*

During the period 2017-18 to 2019-20, all Power Sector SPSEs earned profits ranging between ₹ 61.37 crore and ₹ 278.24 crore. State Government's equity holding, profit earned and dividend payout in four Power Sector SPSEs during this period is shown in Table 1.8:

**Table 1.8: Dividend Payout of Power Sector SPSEs during 2017-18 to 2019-20**

**(₹ in crore)**

| Year | Total SPSEs where equity held by GoH | | SPSEs which earned profit | | SPSEs which declared/paid dividend | | Dividend Payout Ratio (in *per cent*) |
|---|---|---|---|---|---|---|---|
| | No. of SPSEs | Equity by GoH | No. of SPSEs | Profit earned | No. of SPSEs | Dividend declared/paid | |
| (i) | (ii) | (iii) | (iv) | (v) | (vi) | (vii) | (viii)=(vii)/(v)*100 |
| 2017-18 | 4 | 16,001.00 | 4 | 794.66 | - | - | - |
| 2018-19 | 4 | 29,303.48 | 4 | 687.91 | - | - | - |
| 2019-20 | 4 | 35,128.49 | 4 | 640.52 | - | - | - |

Source: Compilation based on accounts finalised by SPSEs

As per the latest finalised accounts, the four working Power Sector SPSEs earned cumulative profit of ₹ 640.52 crore (after interest and taxes) during 2019-20. Also, HPGCL and HVPNL, besides, earning net profits of ₹ 247.76 crore and ₹ 61.37 crore, respectively during 2019-20, had accumulated profits amounting to ₹ 409.23 crore and ₹ 498.27 crore, respectively as on 31 March 2020.

The State Government formulated (October 2003) a dividend policy under which all State SPSEs were required to pay a minimum return of four *per cent* on the paid-up share capital of the State Government. Thus, despite having accumulated profits which could be used to pay dividend, HPGCL and HVPNL did not declare any dividend which led to non-compliance of the State Government dividend policy during the year 2019-20.

***It is recommended that the State Government may take up the matter through its nominees on the Board of Directors.***

### *1.3.3 Return on Equity of Power Sector SPSEs*

Return on equity (RoE) is a measure of financial performance of companies calculated by dividing net income of the Company by shareholders' equity. Activity wise RoE of Power Sector SPSEs during 2019-20 is depicted in Table 1.9.

**Table 1.9: Activity wise Return on Equity**

***(in per cent)***

| Sl. No. | Name of Activity | RoE during 2017-18 | RoE during 2018-19 | RoE during 2019-20 |
|---|---|---|---|---|
| 1 | Generation | 7.79 | 6.54 | 7.08 |
| 2 | Transmission | 4.68 | 4.91 | 1.41 |
| 3 | Distribution | - | - | 101.92 |

Source: Compilation based on accounts finalised by SPSEs

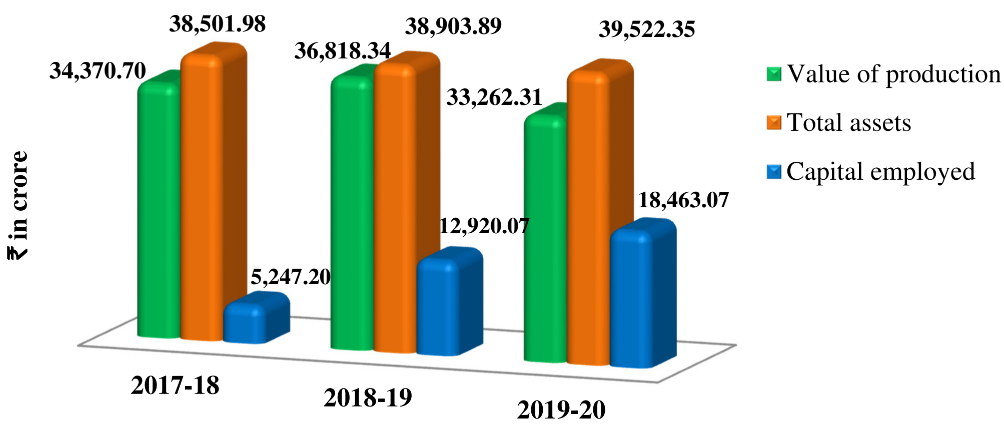
The RoE was not calculated in respect of Distribution activity during 2017-18 and 2018-19 as the net worth of both distribution companies was negative in the two years. Further, the exceptionally high RoE in 2019-20 in respect of Distribution activity was due to equity infusion by the State Government in both distribution companies under UDAY scheme, because of which net worth of these companies turned positive.

## 1.4 Operating efficiency of Power Sector SPSEs

### *1.4.1 Value of production*

The summary indicating value of production, total assets and capital employed[11] of four Power Sector SPSEs over a period of three years is depicted in the Chart 1.4.

**Chart 1.4: Value of Production, Assets and Capital Employed**




The details of Power Sector SPSE wise value of production, total assets and capital employed during last three years are mentioned in Table 1.10.

[11] Capital Employed= Paid-up Capital *plus* Free Reserves and Long Term Loans *minus* Accumulated Losses and Deferred Revenue Expenditure.

**Table 1.10: SPSE wise value of production, total assets and capital employed**

**(₹ in crore)**

| Name of SPSE | Value of production | Total assets | Capital employed |
|---|---|---|---|
| **2017-18** | | | |
| HPGCL | 5,277.48 | 7,886.55 | 4,787.39 |
| HVPNL | 2,006.57 | 10,751.82 | 7,847.40 |
| UHBVNL | 13,686.52 | 9,834.44 | (-)3,972.85 |
| DHBVNL | 13,400.13 | 10,029.17 | (-)3,414.74 |
| **Total** | **34,370.70** | **38,501.98** | **5,247.20** |
| **2018-19** | | | |
| HPGCL | 5,462.60 | 7,780.53 | 4,422.83 |
| HVPNL | 2,154.41 | 10,968.78 | 8,601.12 |
| UHBVNL | 14,165.20 | 9,487.17 | (-) 422.44 |
| DHBVNL | 15,036.13 | 10,667.41 | 318.56 |
| **Total** | **36,818.34** | **38,903.89** | **12,920.07** |
| **2019-20** | | | |
| HPGCL | 4,206.60 | 7,874.14 | 4,074.23 |
| HVPNL | 1,640.67 | 11,177.08 | 8,701.33 |
| UHBVNL | 13,447.41 | 9,035.64 | 2,480.42 |
| DHBVNL | 13,967.63 | 11,435.49 | 3,207.09 |
| **Total** | **33,262.31** | **39,522.35** | **18,463.07** |

Source: Compilation based on accounts finalised by SPSEs.

The decrease in value of production over the period was mainly due to ordering the HPGCL's generating units[12] to reduce production because of less demand for power generated by them.

### *1.4.2 Return on Capital Employed*

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. The details of RoCE of Power Sector SPSEs during the period from 2017-18 to 2019-20 are given in Table 1.11.

**Table 1.11: Return on Capital Employed**

| Year | EBIT (₹ in crore) | Capital Employed (₹ in crore) | ROCE (in *per cent*) |
|---|---|---|---|
| 2017-18 | 3,943.18 | 5,247.20 | 75.15 |
| 2018-19 | 3,550.93 | 12,920.07 | 27.48 |
| 2019-20 | 2,347.95 | 18,463.07 | 12.72 |

Source: Compilation based on accounts finalised by SPSEs.

[12] Units generated by HPGCL, which were 10,901.51 MUs and 10,806.67 MUs during 2017-18 and 2018-19, respectively, decreased to 7,345.52 MUs during 2019-20.

The RoCE of the Power Sector SPSEs was high at 75.15 *per cent* during 2017-18, primarily because of (i) higher EBIT due to lower reduced interest burden because of taking over of loans of DISCOMs by State Government and (ii) receipt of equity from the State Government under UDAY scheme. However, it decreased in 2018-19 and 2019-20 due to conversion of grant/loan into equity by the State Government. The reduction in power generation at HPGCL's generating units also impacted EBIT of Power Sector SPSEs adversely affecting the RoCE during 2019-20.

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

In order to bring the historical cost of investments to its Present Value (PV) at the end of each year up to 31 March 2020, the past investments/year wise funds infused by the State Government in the Power Sector SPSEs was computed on the basis of following assumptions:

- Actual infusion by the State Government in Power Sector SPSEs in the form of equity and grants/subsidy for operational, administrative expenses has been considered as investment infusion by the State Government.

- In the cases where interest free loans given to the Power Sector SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.

- The average interest rate on Government borrowings for the concerned financial year was adopted as compounded 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.

- For the purpose of PV calculation of State Government investment, the period since inception to 2019-20 has been taken for considering the investment of State Government in four Power Sector SPSEs.

The details of State Government investment in the Power Sector SPSEs in the form of equity and grants/ subsidy (there were no instances of interest free loans and disinvestment) alongwith the consolidated position of the PV of State Government investment in Power Sector SPSEs since inception to 2019-2020 is indicated in Table 1.12:

**Table 1.12: Present value (Real Return) of Government Investment from 1999-2000 to 2019-20**

**(₹ in crore)**

| Financial year | Present value of total investment at the beginning of the year | Equity infused by the state Government during the year | Grants/ Subsidies given by State Govern-ment for operatio-nal and Adminis-trative Expendi-ture | Total investment during the year | Total investment at the end of the year | Average rate of interest on Govern-ment borrow-ings (in *per cent*) | Present value of total investment at the end of the year | Minimum expected return | Total earnings for the year | Return on Invest-ment (in percent age) |
|---|---|---|---|---|---|---|---|---|---|---|
| **(1)** | **(2)** | **(3)** | **(4)** | **(5)= (3)+ (4)** | **(6)= (2)+ (5)** | **(7)** | **(8)= (6)x(7)/ 100)+(6)** | **(9) = (6)x (7)/100)** | **(10)** | **(11)= (10)/ (8)*100** |
| 1999-2000 | | 448.11 | 0.00 | 448.11 | 448.11 | 12.05 | 502.11 | 54.00 | -445.55 | - |
| 2000-01 | 502.11 | 265.00 | 0.00 | 265.00 | 767.11 | 11.40 | 854.56 | 87.45 | -221.63 | - |
| 2001-02 | 854.56 | 38.71 | 0.00 | 38.71 | 893.27 | 10.50 | 987.06 | 93.79 | -182.55 | - |
| 2002-03 | 987.06 | 97.36 | 10.62 | 107.98 | 1,095.04 | 10.74 | 1,212.65 | 117.61 | 26.48 | 2.18 |
| 2003-04 | 1,212.65 | 112.27 | 64.24 | 176.51 | 1,389.16 | 10.20 | 1,530.85 | 141.69 | 239.68 | 15.66 |
| 2004-05 | 1,530.85 | 162.93 | 0.19 | 163.12 | 1,693.97 | 8.49 | 1,837.79 | 143.82 | -371.08 | - |
| 2005-06 | 1,837.79 | 359.29 | 0.00 | 359.29 | 2,197.08 | 8.95 | 2,393.72 | 196.64 | -377.65 | - |
| 2006-07 | 2,393.72 | 777.80 | 0.00 | 777.80 | 3,171.52 | 9.20 | 3,463.30 | 291.78 | -416.21 | - |
| 2007-08 | 3,463.30 | 930.16 | 0.00 | 930.16 | 4,393.46 | 7.43 | 4,719.89 | 326.43 | -649.10 | - |
| 2008-09 | 4,719.89 | 855.72 | 0.00 | 855.72 | 5,575.61 | 7.82 | 6,011.63 | 436.01 | -1246.50 | - |
| 2009-10 | 6,011.63 | 898.82 | 0.00 | 898.82 | 6,910.45 | 9.29 | 7,552.43 | 641.98 | -1,460.84 | - |
| 2010-11 | 7,552.43 | 882.18 | 0.00 | 882.18 | 8,434.61 | 9.22 | 9,212.28 | 777.67 | -592.08 | - |
| 2011-12 | 9,212.28 | 573.35 | 0.00 | 573.35 | 9,785.63 | 9.73 | 10,737.77 | 952.14 | -10,194.30 | - |
| 2012-13 | 10,737.77 | 198.62 | 0.00 | 198.62 | 10,936.39 | 9.86 | 12,014.72 | 1,078.33 | -3,833.76 | - |
| 2013-14 | 12,014.72 | 100.00 | 0.00 | 100.00 | 12,114.72 | 9.83 | 13,305.59 | 1,190.88 | -3,849.89 | - |
| 2014-15 | 13,305.60 | 66.94 | 0.00 | 66.94 | 13,372.54 | 9.33 | 14,620.20 | 1,247.66 | -3,453.86 | - |
| 2015-16 | 14,620.20 | 1,619.42 | 3,892.50 | 5,511.92 | 20,132.12 | 8.64 | 21,871.54 | 1,739.42 | -2,017.26 | - |
| 2016-17 | 21,871.54 | 1,927.99 | 3,892.50 | 5,820.49 | 27,692.03 | 8.00 | 29,907.39 | 2,215.36 | -7.91 | - |
| 2017-18 | 29,907.39 | 5,454.43 | 0.00 | 5,454.43 | 35,361.82 | 8.10 | 38,226.13 | 2,864.31 | 794.66 | 2.08 |
| 2018-19 | 30,441.13** | 13,302.48 | 18.56 | 13,321.04 | 43,762.17 | 8.81 | 47,617.62 | 3,855.45 | 687.91 | 1.44 |
| 2019-20 | 47,617.62 | 5,825.00 | 0.00 | 5,825.00 | 53,442.62 | 8.31 | 57,883.70 | 4,441.08 | 640.52 | 1.11 |
| **Total** | | **34,896.58** | **93.61#** | **34,990.19#** | | | | | | |

*Equity infused amounting to ₹ 680.01 crore *less* initial accumulated residual losses of ₹ 231.90 crore transferred to SPSEs. Information in respect of column no. 3, 4 and 10 is compiled from printed Audit Reports of respective years.

**The difference of ₹ 7,785 crore in opening balance was due to grant received under UDAY Scheme (₹ 3892.50 crore during 2015-16 and 2016-17 in each year) which was converted into Equity during 2018-19 as its impact had already been taken in grant of respective years.

#Total grants excludes ₹ 7,785 crore converted into equity during the year 2018-19.

The balance of investment of the State Government in these four companies at the end of 2019-20 increased to ₹ 34,990.19 crore from ₹ 448.11 crore (equity infused ₹ 680.01 crore *minus* initial residual accumulated losses of ₹ 231.90 crore) in 1999-2000 as the State Government made further investments in the shape of equity and grant/subsidy of ₹ 34,542.08 crore. The PV of investments of the State Government up to 31 March 2020 worked out to ₹ 57,883.70 crore.

The total earnings for the years 1999-2000 to 2001-02 and 2004-05 to 2016-17 for these companies were negative which indicates that Government could not recover its cost of funds. Though, there were positive total earning during 2017-18 to 2019-20 yet they were substantially below the minimum expected returns. The Return on Present Value of Investment for the last three years *i.e.* 2017-18 to 2019-20 which had turned positive, ranged between 2.08 and 1.11 *per cent*, was mainly due to infusion of funds under UDAY scheme. The rate of return on investment on historical cost[13] basis during the same period of last three years ranged between 3.36 and 1.83 *per cent*.

***Implementation of the UDAY Scheme***

**1.4.4** The status of implementation of the Ujwal Discom Assurance Yojana (UDAY) Scheme is detailed below:

### *A. Achievement of operational parameters*

The achievements *vis-à-vis* targets under UDAY Scheme regarding different operational parameters relating to the two State DISCOMs were as follows:

**Table 1.13: Parameter wise achievements *vis-a-vis* targets of operational performance up to 31 March 2020**

| Parameter of UDAY Scheme | Target under UDAY Scheme | Progress under UDAY Scheme | Achievement (in *per cent*) |
|---|---|---|---|
| **Feeder metering (in Nos.)** | | | |
| Urban | 1,365 | 1,509 | 110.55 |
| Rural | 1,621 | 1,992 | 122.89 |
| **Metering at Distribution Transformers (in Nos.)** | | | |
| Urban | 2,79,420 | 32,997 | 11.81 |
| Rural | 4,78,120 | 32,195 | 6.73 |
| Feeder Segregation (in Nos.) | 3,536 | 4,171 | 117.96 |
| Rural Feeder Audit (in Nos.) | 1,621 | 1,992 | 122.89 |
| Electricity to unconnected household (in Nos.) | 49,18,000 | 23,69,807 | 48.19 |
| Smart metering above 500 KWH (in Nos.) | 4,31,797 | 1,35,277 | 10.78 |
| Smart metering above 200 and up to 500kWH (in Nos.) | 8,22,747 | | |
| Distribution of LED UJALA (in lakh Nos.) | 214 | 158.82 | 74.21 |
| AT&C Losses (in *per cent*) | 15 | 15.65 to 20.10 | |
| ACS-ARR Gap (₹ per unit) | 0.02 | -0.04 to 0.12 | |
| Net Income or Profit/Loss including subsidy (₹ in crore) | | 331.39 | |

Source: Information supplied by both the DISCOMs.

13 Historical cost of investment for a year is the cumulative total of funds infused by State Government in form of equity and grants/ subsidies for operational and administrative expenditure.

The State's performance in certain parameters like metering at Distribution Transformers (DTs) in urban and rural areas was not encouraging. The progress of work of installation of smart meters was also not encouraging as the achievement was only 10.78 *per cent* of the targets whereas the performance had been excellent in areas of Feeder segregation and Feeder metering. The target of restricting Aggregate Technical and Commercial (AT&C) losses to 15 *per cent* by the year 2018-19 could not be achieved by DHBVNL and UHBVNL up to March 2020 when the AT&C losses were 15.65 *per cent* and 20.10 *per cent* respectively. The Ministry of Power, Government of India, had ranked the State, fifth, amongst all the states on the basis of overall achievements made by the two State DISCOMs under UDAY Scheme as on 31 December 2020.

***B. Implementation of Financial Turnaround***

The participating states were required to take over 75 *per cent* of DISCOMs outstanding debt as on 30 September 2015, *i.e.* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme also provided for States to issue non-SLR bonds and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount to banks/ financial institutions debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal up to five years. The transfer to the DISCOMs by the State in 2015-16 and 2016-17 will be a grant which can be spread over three years with the remaining transfer through State loan to DISCOMs. In exceptional cases, 25 *per cent* of grant can be given as equity.

A tripartite Memorandum of Understanding (MoUs) was signed (11 March 2016) between the Ministry of Power (MoP) Government of India, the GoH and State DISCOMs (*i.e.* UHBVNL and DHBVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 34,600 crore) of the two State DISCOMs as on 30 September 2015, GoH took over 75 *per cent* of total debt, *i.e.* ₹ 25,950 crore during the period 2015-17.

As per the terms of the MoU, the loan of ₹ 25,950 crore taken over by the GoH, was to be ultimately converted into grant of ₹ 3,892.50 crore and equity of ₹ 1,297.50 crore annually for a period of five years, starting from 2015-16. Thus, GoH would have an equity of ₹ 6,487.50 crore (₹ 1,297.50 crore x 5) and ₹ 19,462.50 crore (₹ 3,892.50 crore x 5) would have been given to the DISCOMs by way of grants at the end of the 2019-20.

However, the actual implementation of the scheme was as detailed below:

**Table 1.14: Implementation of UDAY Scheme**

**(₹ in crore)**

| Year | Equity Investment | Loan | Grant | Total |
|---|---|---|---|---|
| 2015-16 | 1,297.50 | 12,110.00 | 3,892.50 | 17,300.00 |
| 2016-17 | 1,297.50 | 3,460.00 | 3,892.50 | 8,650.00 |
| **Total** | **2,595.00** | **15,570.00** | **7,785.00** | **25,950.00** |

| Year | Equity Investment | Loan | Grant | Total |
|---|---|---|---|---|
| 2017-18 | 5,190.00 | -5,190.00 | 0.00 | 0.00 |
| 2018-19 | 12,975.00 | -5,190.00 | -7,785.00 | 0.00 |
| 2019-20 | 5,190.00 | -5,190.00 | 0.00 | 0.00 |
| **As on 31 March 2020** | **25,950.00** | **0.00** | **0.00** | **25,950.00** |

Source: Compilation based on sanctions received from State Government.

It was observed that the GoH did not follow the provisions of the UDAY scheme and MoU. Loans of ₹ 5,190 crore each received during 2017-18, 2018-19 and 2019-20 were converted into equity instead of bifurcating between grant and equity in the ratio of 3:1. Further, grant of ₹ 7,785 crore, provided vide UDAY Scheme during 2015-16 and 2016-17 were converted into equity during 2018-19.

Consequently, GoH has invested ₹ 19,462.50 crore in equity in excess of the agreed limit of ₹ 6,487.50 crore. Further reduction of grant to Nil was also against the UDAY Scheme notification.

The DISCOMs paid interest of ₹ 3,061.12 crore, for the period October 2015 to March 2020, on the loans given by GoH under UDAY Scheme to discharge the loan liability due to other financial institutions and banks. The loans were extended by GoH at rates of interest ranging between 8.06 and 8.21 *per cent* per annum.

# Chapter-II

# Financial Performance of State Public Sector Enterprises (other than power sector)

# Chapter II

## Financial Performance of State Public Sector Enterprises (Other than Power Sector)

### 2.1 Introduction

As on 31 March 2020, there were 31 State Public Sector Enterprises (other than power sector) under the audit jurisdiction of the CAG, which include 23 Government companies, two statutory corporations and six Government controlled other companies.

Of these, financial performance of 25 SPSEs is covered in this report and the nature of these SPSEs is indicated in Table 2.1:

**Table 2.1: Coverage and nature of SPSEs covered in this Report**

| Nature of the SPSEs | Total Number | Number of SPSEs covered in the Report | | | | | | Number of SPSEs not covered in the Report |
|---|---|---|---|---|---|---|---|---|
| | | Accounts up to | | | | | Total | |
| | | 2019-20 | 2018-19 | 2017-18 | 2016-17 | 2015-16 | | |
| Government companies | 23 | 5 | 7 | 5 | 2 | 1 | 20 | 3 |
| Statutory corporations | 2 | 0 | 2 | 0 | 0 | 0 | 2 | 0 |
| Government controlled other companies | 6 | 1 | 1 | 1 | 0 | 0 | 3 | 3 |
| **Total** | **31** | **6** | **10** | **6** | **2** | **1** | **25** | **6** |

The details of Government companies/ Government controlled other companies and statutory corporations under the purview of CAG's audit during 2019-20, are given in ***Appendix II A***.

This Report does not include results of six SPSEs (including three Government controlled other companies) which were inactive/under liquidation or whose first accounts were not received[1]. Figures in respect of remaining 25 SPSEs are based on their latest accounts received till 31 December 2020.

The SPSEs are controlled by the various Departments of the State Government. The position of SPSEs have therefore been divided and analysed as per these Departments (Sectors).

[1] The six SPSEs are identified by two asterisks (**) in ***Appendix II A.***

Summary of financial performance of SPSEs covered in this Report:

| | |
|---|---|
| Number of SPSEs | 31 |
| SPSEs Covered | 25 |
| Paid-up capital (25 SPSEs) | ₹ 708.16 crore |
| Equity investment of Government of Haryana (20 SPSEs) | ₹ 590.20 crore |
| Long term Loans (6 SPSEs) | ₹ 6,026.63 crore |
| Net profit (17 SPSEs) | ₹ 335.26 crore |
| Net loss (8 SPSEs) | ₹ 38.10 crore |
| Dividend declared (by 3 SPSEs) | ₹ 6.52[2] crore |
| Total Assets | ₹ 38,623.53 crore |
| Turnover[3] | ₹ 4,814.19 crore |
| Net Worth | ₹ 2,443.55 crore |

Source: Compilation based on Annual financial statement of the SPSEs.

## 2.2 Investment in SPSEs

The position of these SPSEs have been divided and analysed under major classifications based on the Departments under which they operate. The amount of investment in equity and loans in 25 SPSEs at the end of 31 March 2020 is given in Table 2.2:

**Table 2.2: Equity investment and loans in 25 SPSEs**

**(₹ in crore)**

| Sources of investment | As on 31 March 2019 | | | As on 31 March 2020 | | |
|---|---|---|---|---|---|---|
| | Equity | Long Term Loan | Total | Equity | Long Term Loan | Total |
| Central Government | 22.74 | 0 | 22.74 | 27.64 | 0 | 27.64 |
| State Government | 585.10 | 332.83 | 917.93 | 590.20 | 332.83 | 923.03 |
| Central/ State Government companies | 15.02 | 291.58 | 306.60 | 15.09 | 291.58 | 306.67 |
| Others | 75.20 | 5,402.22 | 5,477.42 | 75.23 | 5,402.22 | 5,477.45 |
| **Total** | **698.06** | **6,026.63** | **6,724.69** | **708.16** | **6,026.63** | **6,734.79** |
| Share of State Government to overall equity/loans (in *per cent*) | 83.82 | 5.52 | 13.65 | 83.34 | 5.52 | 13.71 |

Source: Compilation based on Annual financial statement of the SPSEs.

The Government of Haryana (GoH) provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans

2 Haryana Medical Services Corporation Limited (₹ 0.40 crore) for the year 2016-17 and 2017-18; Haryana State Warehousing Corporation (₹ 6.05 crore) and Haryana Forest Development Corporation Limited (₹ 0.07 crore) for the year 2018-19.

3 Net worth of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure.

converted into equity in respect of SPSEs during the last three years ending March 2020 are as follow:

**Table 2.3: Details regarding budgetary support to SPSEs during the years**

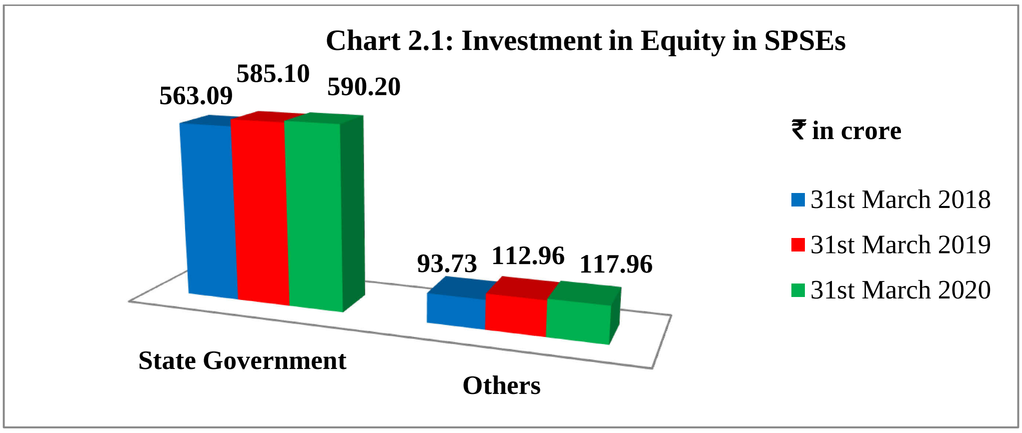
**(₹ in crore)**

| **Particulars[4]** | **2017-18** | | **2018-19** | | **2019-20** | |
|---|---|---|---|---|---|---|
| | **No. of SPSEs** | **Amount** | **No. of SPSEs** | **Amount** | **No. of SPSEs** | **Amount** |
| Equity Capital outgo (i) | 4 | 7.71 | 5 | 25.44 | 6[5] | 13.78 |
| Loans given (ii) | - | - | 1 | 8.15 | - | - |
| Grants/Subsidy provided (iii) | 9 | 188.60 | 8 | 358.36 | 9 | 142.72 |
| **Total Outgo (i+ii+iii)** | | **196.31** | | **391.95** | | **156.50** |
| Loan repayment/ written off [6] | - | - | 1 | 215.15 | - | - |
| Loans converted into equity | - | - | - | - | - | - |
| Guarantees issued | 3 | 2,030.52 | 4 | 1,071.81 | 3 | 569.46 |
| Guarantee Commitment | 5 | 3,351.48 | 5 | 4,359.35 | 5 | 4,264.29 |

Source: Compilation based on information received from SPSEs.

### *2.2.1 Investment in equity*

Investment in equity by State Government and others (including Government of India) during the three years ended 31 March 2020 in these SPSEs is depicted in Chart 2.1.




Details of significant investments in equity capital (investment of more than ₹ 25 crore) made by the State Government as on 31 March 2020 in the paid-up capital of these SPSEs is given in Table 2.4:

4 Amount represents outgo from State Budget only.

5 Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (₹ 2.92 crore), Haryana Tourism Corporation Limited (₹ 3.70 crore), Karnal Smart City Limited: (₹ 0.05 crore), Haryana State Industrial & Infrastructure Development Corporation Limited (₹ 0.01 crore), Haryana Rail Infrastructure Development Corporation Limited (₹ 5.10 crore) and Haryana State Financial Services Limited (₹ 2 crore).

6 This represents the loans written off in respect of Haryana State Minor Irrigation and Tubewells Corporation Limited and loan repayment is nil.

**Table 2.4 Significant investments made by the State Government**

**(₹ in crore)**

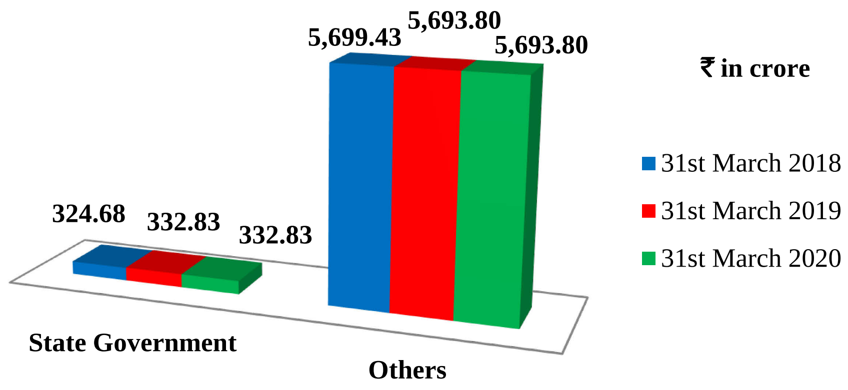
| Name of the SPSE | Name of the Department | Amount |
|---|---|---|
| Haryana Financial Corporation | Industry | 202.01 |
| Haryana State Roads and Bridges Development Corporation Limited | Public Works | 122.04 |
| Haryana State Industrial and Infrastructure Development Corporation Limited | Industry | 48.86 |
| Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited | Scheduled Castes and Backward Classes Welfare | 45.14 |
| Haryana Tourism Corporation Limited | Tourism and Public Relations | 34.07 |
| Haryana Scheduled Castes Finance and Development Corporation Limited | Scheduled Castes and Backward Classes Welfare | 26.14 |

## *2.2.2 Loans given to SPSEs*

### *2.2.2.1 Computation of long term loans outstanding as on 31 March 2020*

The total long term loans outstanding in six SPSEs from all sources as on 31 March 2020 was ₹ 6,026.63 crore. Out of the total loans of SPSEs as on 31 March 2020, loans from State Government was ₹ 332.83 crore. Year-wise details of outstanding long term loans of SPSEs are depicted in Chart 2.2.

**Chart 2.2: Long term loans outstanding in SPSEs (other than power sector)**




Out of 25 SPSEs, 19 SPSEs (including one Statutory Corporation *i.e.*, Haryana Financial Corporation) did not have any long term loans as on 31 March 2020. Share of Haryana State Industrial and Infrastructure Development Corporation Limited in overall loans was ₹ 5,637.41 crore.

### *2.2.2.2 Adequacy of assets to meet loan liabilities*

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in six SPSEs which had outstanding loans as on 31 March 2020 is given in Table 2.5.

**Table 2.5: Coverage of long term loans with total assets**

| Nature of SPSE | Positive Coverage | | | |
|---|---|---|---|---|
| | No. of SPSEs | Assets | Long Term Loans | Ratio of Assets to Loans |
| | (₹ in crore) | | | |
| Statutory Corporation | 1 | 2,650.30 | 78.60 | 33.72:1 [7] |
| Government Company | 5 | 33,374.41 | 5,948.03 | 5.61:1 |
| **Total** | **6** | **36,024.71** | **6,026.63** | **5.98:1** |

Source: Compilation based on Annual financial statement of the SPSEs.

In no SPSE, the value of total assets was lower than the loans outstanding. Major contributor is Haryana State Industrial and Infrastructure Development Corporation Limited having long term loans of ₹ 5,637.41 crore against the assets of ₹ 31,827.48 crore.

### *2.2.2.3 Interest Coverage*

Interest Coverage Ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative ICR of SPSEs during the period from 2017-18 to 2019-20 are given in Table 2.6.

**Table 2.6: Interest Coverage Ratio**

| Year | Interest | EBIT | No of SPSEs | No. of SPSEs having ICR equal to or more than 1 | No. of SPSEs having ICR less than 1 |
|---|---|---|---|---|---|
| **Statutory Corporations** | | | | | |
| 2017-18 | 5.15 | 72.10 | 2 | 1 | 1[8] |
| 2018-19 | 4.41 | 66.02 | 1 | 1 | 0 |
| 2019-20 | 4.41 | 66.02 | 1 | 1 | 0 |

7 Haryana State Warehousing Corporation deals in procurement, where the stock in balance is its asset.

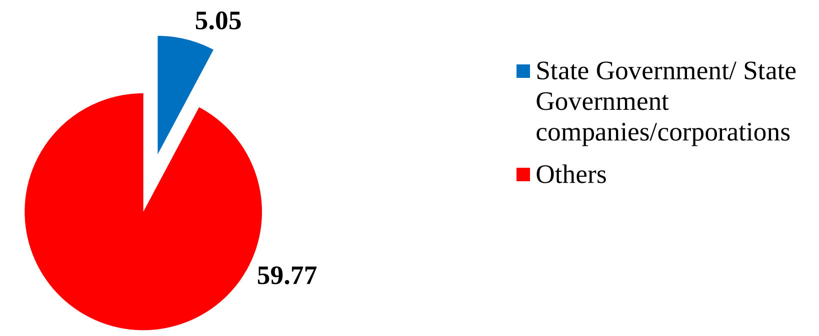
8 Haryana Financial Corporation.

| Year | Interest | EBIT | No of SPSEs | No. of SPSEs having ICR equal to or more than 1 | No. of SPSEs having ICR less than 1 |
|---|---|---|---|---|---|
| Government Companies | | | | | |
| 2017-18 | 768.44 | 1,117.44 | 9 | 7 | 2[9] |
| 2018-19 | 767.05 | 1,095.42 | 8 | 6 | 2[10] |
| 2019-20 | 767.27 | 1,095.63 | 8 | 6 | 2[11] |

### 2.2.3 *Investment in Government Controlled other Companies*

The capital invested by the State Governments and others in three[12] Government controlled other companies as on 31 March 2020 is depicted in Chart 2.3.

**Chart 2.3: Composition of share capital in Government controlled other companies (₹ in crore)**




## 2.3 Return on investment in SPSEs

### *2.3.1 Profit earned by SPSEs*

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund or net worth of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders

9 Haryana Seeds Development Corporation Limited and Haryana Police Housing Corporation Limited

10 Haryana Roadways Engineering Corporation Limited and Haryana Police Housing Corporation Limited

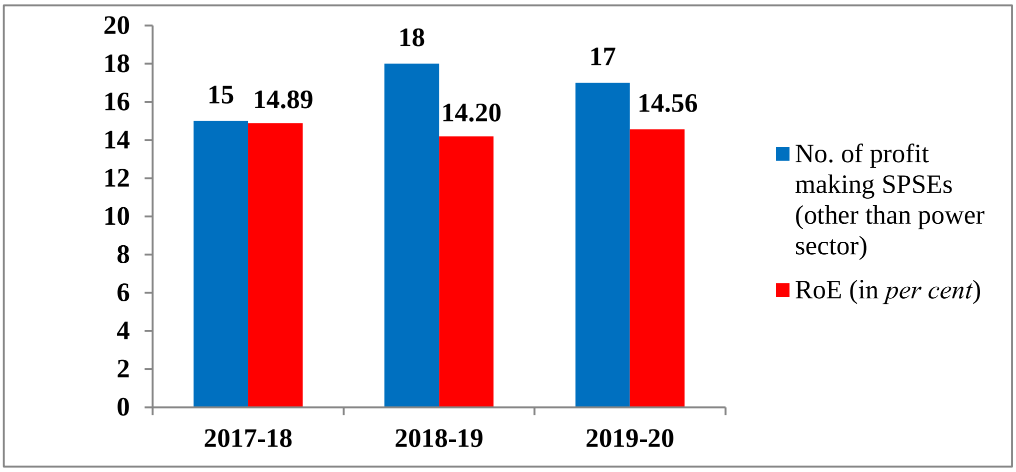
11 Haryana Roadways Engineering Corporation Limited and Haryana Police Housing Corporation Limited

12 Gurgaon Technology Park Limited, Faridabad Smart City Limited and Gurugram Metropolitan City Bus Limited

if all assets were sold and all debts paid. A positive shareholder's fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

The number of SPSEs that earned profit was 17 out of 25 as per their latest financial results available as on 31 December 2020. The Return on Equity (RoE) of these 17 SPSEs was 14.56 *per cent*. However, the RoE in all the 25 SPSEs, including six[13] which incurred loss, was 12.16 *per cent* in 2019-20. Number of SPSEs that reported profit and their RoE during the period from 2017-18 to 2019-20 is depicted in Chart 2.4:

**Chart 2.4: Number of SPSEs earning profits and their RoE during last three years**




The three sectors which contributed maximum profit as per their latest finalised results during 2019-20 are summarised in Table 2.7:

**Table 2.7: Top three sectors which contributed maximum profit during the year 2019-20**

| Sector | No. of profit earning SPSEs | Net profit earned (₹ in crore) | Percentage of profit to total SPSEs' profit |
|---|---|---|---|
| Industry | 2 | 222.35 | 66.32 |
| Agriculture | 4 | 48.29 | 14.40 |
| Public Works | 1 | 20.41 | 6.09 |
| **Total** | **7** | **291.05** | **86.81** |

Of the three Government Controlled other companies, one company (Gurgaon Technology Park Limited[14]) earned profit of ₹ 7.06 crore. RoE in this SPSE

13 Two SPSEs (Haryana Orbital Rail Corporation Limited and Panipat Plastic Park Haryana Limited) have neither profit nor loss.

14 The Company is owned by Haryana Shahri Vikas Pradhikaran having 99.996 *per cent* of its paid-up capital.

was 16.62 *per cent*. ROE in three Government controlled other companies was (-) 11.98 *per cent*.

The list of SPSEs which earned profit of more than ₹ 10 crore during the year 2019-20 is given in the Table 2.8:

**Table 2.8: List of SPSEs which earned profit of more than ₹ 10 crore**

| Sl. No. | Name of the SPSE | Net Profit |
|---|---|---|
| 1 | Haryana State Industrial and Infrastructure Development Corporation Limited | 216.34 |
| 2 | Haryana State Warehousing Corporation | 40.32 |
| 3 | Haryana State Roads and Bridges Development Corporation Limited | 20.41 |
| 4 | Haryana State Electronics Development Corporation Limited | 16.07 |
| | **Total** | **293.14** |

The four SPSEs contributed 87.44 *per cent* of the total profit (₹ 335.26 crore) earned by 17 SPSEs during 2019-20.

### *2.3.2 Dividend payout by SPSEs*

Six SPSE finalised their accounts for the year 2019-20, of which two SPSEs earned profit of ₹ 9.31 crore, but they did not declare any dividend. However, for the year 2018-19, three SPSEs (Haryana Medical Services Corporation Limited, Haryana State Warehousing Corporation and Haryana Forest Development Corporation Limited) had declared dividend of ₹ 6.52 crore against the net profit of ₹ 47.33 crore. The Dividend declared ranged between 8 *per cent* and 103.60 *per cent* of their paid-up capital.

### *2.3.3 Sector wise Return on Equity of SPSEs*

Return on equity (RoE)[15] is a measure of financial performance of SPSEs calculated by dividing net income by shareholders' equity. Sector wise RoE of SPSEs during three years ended 31 March 2020 is depicted in Table 2.9.

**Table 2.9: Sector wise Return on Equity**

| Sl. No. | Sector | ROE during 2017-18 | ROE during 2018-19 | ROE during 2019-20 |
|---|---|---|---|---|
| 1 | Agriculture | (-) 74.45 | (-) 74.05 | (-) 78.37 |
| 2 | Electronics | 11.24 | 14.32 | 14.32 |
| 3 | Finance | - | 0.99 | 0.99 |
| 4 | Forest | 1.27 | 5.35 | 5.35 |
| 5 | Industry | 12.28 | 12.84 | 12.84 |
| 6 | Public Works | 9.29 | 7.38 | 6.98 |

[15] Return on Equity = (Net Profit after Tax and preference Dividend/Equity) *100 where Equity = Paid-up Capital+ Free Reserves– Accumulated Loss– Deferred Revenue Expenditure

| Sl. No. | Sector | ROE during 2017-18 | ROE during 2018-19 | ROE during 2019-20 |
|---|---|---|---|---|
| 7 | Social and Welfare | 10.80 | 10.80 | 10.80 |
| 8 | Tourism | (-) 35.95 | (-) 35.95 | (-) 35.95 |
| 9 | Town and Country Planning | 2.97 | (-) 14.97 | (-) 8.65 |
| 10 | Transport | 10.39 | (-) 28.48 | (-) 42.65 |
| 11 | Home | (-) 6.03 | (-) 6.03 | (-) 6.03 |
| 12 | Health | 37.05 | 37.05 | 37.05 |

## 2.4 SPSEs incurring losses

Details of SPSEs that incurred losses during last three years are given in Table 2.10.

**Table 2.10: Number of SPSEs that incurred losses during last three years**

| Year | Number of SPSEs incurred loss | Net loss for the year (₹ in crore) | Accumulated Profit (₹ in crore) | Net Worth[16] (₹ in crore) |
|---|---|---|---|---|
| **Statutory Corporations** | | | | |
| 2017-18 | 1 | 4.45 | (-) 113.51 | 94.15 |
| 2018-19 | - | - | - | - |
| 2019-20 | - | - | - | - |
| **Government companies/Government controlled other companies** | | | | |
| 2017-18 | 7 | 18.54 | 12.09 | 82.71 |
| 2018-19 | 6 | 37.43 | 3.60 | 116.47 |
| 2019-20 | 6 | 38.10 | (-) 2.55 | 140.21 |
| **Total** | | | | |
| **2017-18** | **8** | **22.99** | **(-) 101.42** | **176.86** |
| **2018-19** | **6** | **37.43** | **3.60** | **116.47** |
| **2019-20** | **8** | **38.10** | **-2.55** | **140.21** |

Out of total loss of ₹ 38.10 crore incurred during 2019-20 by eight SPSEs, loss of ₹ 29.45 crore is attributed to two SPSEs which functioned in Town and Country planning and Tourism sectors. Gurugram Metropolitan City Bus Limited under Town and Country Planning Department (₹ 15.15 crore) and Haryana Tourism Corporation Limited (₹ 14.30 crore) were the two SPSEs reporting loss as per their latest finalised financial results. Besides these SPSEs, Haryana Roadways Engineering Corporation Limited reported loss of ₹ 5.69 crore.

[16] Net worth means the sum total of the paid-up share capital and free reserves and surplus *less* accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account.

### *2.4.1 Erosion of capital in SPSEs*

As on 31 March 2020, there were seven SPSEs with accumulated losses of ₹ 249 crore. Of the seven SPSEs, three SPSEs incurred losses in the year 2019-20 amounting to ₹ 16.92 crore and four SPSEs had not incurred loss in the year 2019-20, even though they had accumulated loss of ₹ 231 crore. Four out of 31 SPSEs were under winding up/ liquidation/inactive.

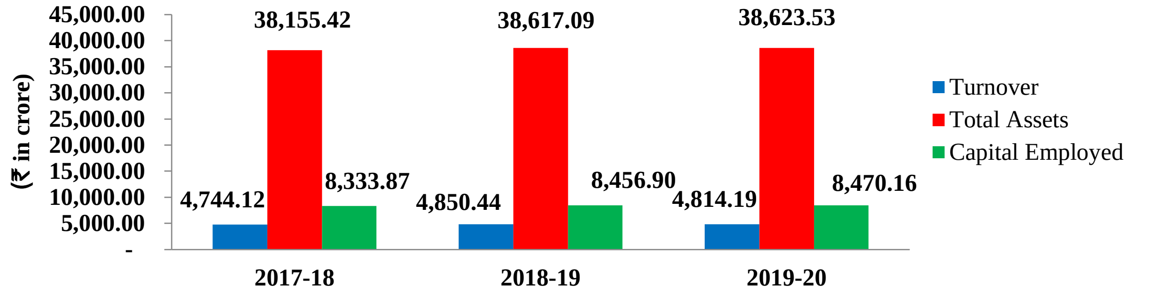
Net worth of one out of 25 SPSEs, Haryana Agro Industries Corporation Limited (HAIC) had been completely eroded by its accumulated loss. The net worth of HAIC was (-) ₹ 117.71 crore against equity investment of ₹ 4.14 crore as on 31 March 2020.

## 2.5 Operating efficiency of SPSEs

### *2.5.1 Turnover*

The summary indicating turnover, total assets and capital employed of 24 SPSEs over a period of three years[17] is depicted in the Chart 2.5:

**Chart 2.5: Turnover, Total Assets and Capital Employed**




There was slight increase in total assets and capital employed during last three years. However, there was slight decrease in turnover during 2019-20 in comparison to 2018-19.

During exit conference (July 2021) with the Additional Chief Secretary (Finance), productive use of assets was assessed as an important need.

### *2.5.2 Return on Capital Employed*

Return on Capital Employed (RoCE) is a ratio that measures a entity's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's Earnings Before Interest and Taxes

17 As per their latest finalised accounts.

(EBIT) by the capital employed[18]. The details of RoCE of 25 SPSEs during the period from 2017-18 to 2019-20 are given in Table 2.11.

**Table 2.11: Return on Capital Employed**

| Year | EBIT (₹ in crore) | Capital Employed (₹ in crore) | RoCE (In *per cent*) |
|---|---|---|---|
| 2017-18 | 1,188.43 | 8,333.87 | 14.26 |
| 2018-19 | 1,177.39 | 8,456.90 | 13.92 |
| 2019-20 | 1,185.56 | 8,470.16 | 14.00 |

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

The Present Value (PV) of the State Government investment has been computed in respect of 23 SPSEs where the State Government has invested in equity/grant/subsidy to assess the rate of return/loss on the present value of investments of State Government in these SPSEs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2020, the past investments/ year wise funds infused by the State Government in these SPSEs have been compounded at the year wise weighted average interest rate on State Government securities which is considered as the minimum cost of funds to the Government for the concerned year.

The PV of the State Government investment in the SPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the State Government in the SPSEs in the form of equity, grants/subsidy (for operational and administrative expenses) given by the State Government to the SPSEs have been considered as investment infusion by the State Government.
- In the cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at Present Value 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.

For the purpose of PV calculation of State Government investment, the period beginning 1999-2000 till 2019-20 has been taken considering the investment

[18] Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

of State Government in SPSEs as on 31 March 2000 as PV of State Government investment in the beginning of 2000-01.

A more appropriate measure of performance of such loss incurring SPSEs is the erosion of net worth due to the losses. The erosion of capital of the companies is commented upon in Para 2.4.1.

The details of State Government investment in 23 SPSEs where investment was made in the form of equity and grants/subsidy since 1999-2000 till 2019-20 is indicated in ***Appendix II B***. (there were no instances of interest free loans and disinvestment). The consolidated position of the PV of such State Government investment in the SPSEs is indicated in Table 2.12:

**Table 2.12: Year wise details of investment by the State Government and its Present Value from 1999-2000 to 2019-20**

**(₹ in crore)**

| Financial Year | Present Value of total investment at the beginning of the year | Equity infused by the State Govern-ment during the year | Grant/ Subsidy by State Government for meeting operational and administrative expenses | Total investment during the year | Total investment at the end of the year | Average rate of interest on Government borrowings | Present value of total investment at the end of the year | Minimum expected return to recover cost of funds for the year | Total earning for the year | Return on Invest-ment (In *per cent*) |
|---|---|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5=3+4** | **6=2+5** | **7** | **8=(6*7/100) + 6** | **9** | **10** | **(11) =(10)/(8)*100** |
| Up to 1999-2000 | | 164.22[19] | 49.95 | 214.17 | 214.17 | 12.05 | 239.98 | 25.81 | 8.96 | 3.73 |
| 2000-01 | 239.98 | 45.48 | 73.50 | 118.98 | 358.96 | 11.4 | 399.88 | 40.92 | -0.22 | - |
| 2001-02 | 399.88 | 21.04 | 98.18 | 119.22 | 519.10 | 10.5 | 573.60 | 54.51 | 7.83 | 1.37 |
| 2002-03 | 573.60 | 28.04 | 66.87 | 94.91 | 668.52 | 10.74 | 740.31 | 71.80 | 10.22 | 1.38 |
| 2003-04 | 740.31 | 11.51 | 16.19 | 27.70 | 768.01 | 10.2 | 846.35 | 78.34 | -2.92 | - |
| 2004-05 | 846.35 | 2.48 | 22.04 | 24.52 | 870.87 | 8.49 | 944.81 | 73.94 | 2.84 | 0.30 |
| 2005-06 | 944.81 | 57.78 | 31.59 | 89.37 | 1,034.18 | 8.95 | 1,126.74 | 92.56 | 49.76 | 4.42 |
| 2006-07 | 1,126.74 | 12.16 | 25.90 | 38.06 | 1,164.80 | 9.2 | 1,271.96 | 107.16 | -25.97 | - |
| 2007-08 | 1,271.96 | 72.07 | 83.03 | 155.10 | 1,427.05 | 7.43 | 1,533.08 | 106.03 | -81.43 | - |
| 2008-09 | 1,533.08 | 95.92 | 67.39 | 163.31 | 1,696.39 | 7.82 | 1,829.05 | 132.66 | 176.34 | 9.64 |
| 2009-10 | 1,829.05 | 4.98 | 41.96 | 46.94 | 1,875.99 | 9.29 | 2,050.27 | 174.28 | 54.25 | 2.65 |
| 2010-11 | 2,050.27 | 6.41 | 98.80 | 105.21 | 2,155.48 | 9.22 | 2,354.22 | 198.74 | 138.45 | 5.88 |
| 2011-12 | 2,354.22 | 21.28 | 167.40 | 188.68 | 2,542.90 | 9.73 | 2,790.32 | 247.42 | 98.15 | 3.52 |
| 2012-13 | 2,790.32 | -21.98 | 61.71 | 39.73 | 2,830.05 | 9.86 | 3,109.09 | 279.04 | 123.25 | 3.96 |
| 2013-14 | 3,109.09 | 2.93 | 94.88 | 97.81 | 3,206.90 | 9.83 | 3,522.14 | 315.24 | -93.65 | - |
| 2014-15 | 3,522.14 | 8.82 | 153.74 | 162.56 | 3,684.70 | 9.33 | 4,028.49 | 343.78 | 805.82 | 20.00 |
| 2015-16 | 4,028.49 | 19.10 | 183.91 | 203.01 | 4,231.50 | 8.64 | 4,597.10 | 365.60 | 237.61 | 5.17 |
| 2016-17 | 4,597.10 | 3.10 | 307.48 | 310.58 | 4,907.68 | 8 | 5,300.29 | 392.61 | 71.59 | 1.35 |
| 2017-18 | 5,300.29 | 7.87 | 176.82 | 184.69 | 5,484.98 | 8.1 | 5,929.26 | 444.28 | 116.29 | 1.96 |
| 2018-19 | 5,929.26 | 25.44 | 331.90 | 357.34 | 6,286.60 | 8.81 | 6,840.45 | 553.85 | 272.46 | 3.98 |
| 2019-20 | 6,840.45 | 13.78 | 11.15 | 24.93 | 6,865.38 | 8.31 | 7,435.89 | 570.51 | 327.77 | 4.41 |
| **Total** | | **602.43** | **2,164.39** | **2,766.82** | | | | | | |

19 ₹ 164.22 crore is the investment, on historical cost basis, by Government of Haryana at the beginning of financial year 1999-2000.

The present value of investment of the State Government in these SPSEs at the end of 2019-20 increased to ₹ 7,435.89 crore from ₹ 239.98 crore at the end of 1999-2000 as the State Government made further investments in shape of equity amounting to ₹ 438.21 crore and grants/subsidy for meeting operational and administrative expenses amounting to ₹ 2,164.39 crore. Total earnings for the all the years remained below the minimum expected return to recover cost of funds infused in these SPSEs except for the years 2008-09 and 2014-15. In the last three years *i.e.*, 2017-18 to 2019-20, the Return on Investment on present value increased from 1.96 *per cent* to 4.41 *per cent*. The Return on investment on historical cost[20] basis during the same period ranged between 4.88 and 11.85 *per cent*.

[20] Historical cost of investment for a year is the cumulative total of funds infused by State Government in form of equity and grants/ subsidies for operational and administrative expenditure.

# Chapter-III

# Oversight Role of CAG

# Chapter III

## Oversight Role of CAG

## 3.1 Audit of State Public Sector Enterprises (SPSEs)

Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a State Government Company and State Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. The CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing the two [1] statutory corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

## 3.2 Appointment of statutory auditors of SPSEs by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a State Government company or State Government controlled other company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The statutory auditors of Government companies/Government controlled other companies for the year 2019-20, were appointed by the CAG during August 2019 to September 2020. In respect of Haryana Financial Corporation, auditors are appointed out of the panel of auditors approved by the Reserve Bank of India. The auditors of Haryana State Warehousing Corporation are appointed by the State Government on the advice of the CAG. The CAG has been entrusted the right to conduct audit of Haryana Financial Corporation and Haryana State Warehousing Corporation under the respective statues governing their incorporation and functioning.

## 3.3 Submission of accounts by SPSEs

### *3.3.1 Need for timely submission*

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating the two statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the State Public Sector Enterprises (SPSEs) from the Consolidated Fund of the State.

---

[1] Haryana Financial Corporation and Haryana State Warehousing Corporation.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. However, the GoI has extended (September 2020) the date of holding AGM for the FY 2019-20 till 31 December 2020 due to difficulties faced in view of COVID 19 pandemic. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

### *3.3.2 Timeliness in preparation of accounts by State Government companies and State Government controlled other companies*

As of 31 March 2020, there were 28 State Government companies and six[2] State Government controlled other companies under CAG's audit purview. Of these, accounts for the year 2019-20 were due[3] from 27 State Government Companies and five State Government Controlled Other Companies. A total of nine Government Companies and one State Government Controlled Other Company submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020. Accounts of 18 State Government Companies and four State Government controlled other companies were in arrears for various reasons. Details of arrears in submission of accounts of these are given below:

| Particulars | State Government companies/State Government controlled other companies | | |
|---|---|---|---|
| | State Government companies | State Government controlled other companies | Total |
| Total number of Companies under the purview of CAG's audit as on 31 March 2020 | 28 | 6 | 34 |
| *Less*: New Companies from which accounts for 2019-20 were not due | - | - | - |
| *Less*: Companies under liquidation | 1 | 1 | 2 |
| Number of companies from whom accounts for 2019-20 were due for submission | 27 | 5 | 32 |
| Number of companies which presented the accounts for CAG's audit by 31 December 2020 | 9 | 1 | 10 |
| Number of companies with accounts in arrears | 18 | 4 | 22 |

2 (i) Gurgaon Technology Park Limited, (ii) Faridabad Smart City Limited, (iii) Gurugram Metropolitan City Bus Limited, (iv) Faridabad City Transport Services Limited, (v) Karnal Smart City Limited and (vi) Haryana State Housing Finance Corporation Limited.

3 The due date for submission of accounts was 30 September 2020. However, the GoI has extended (September 2020) the date of holding AGM for the FY 2019-20 till 31 December 2020 due to difficulties faced in view of COVID 19 pandemic.

| Particulars | | State Government companies/State Government controlled other companies | | |
|---|---|---|---|---|
| | | State Government companies | State Government controlled other companies | Total |
| Breakup of arrears | (i) Inactive | 3 | - | 3 |
| | (ii) First Accounts not submitted | - | 2 | 2 |
| | (iii) Others | 15 | 2 | 17 |
| Age-wise analysis of arrears against 'Others' category | One year (2019-20) | 7 | 1 | 8 |
| | Two years (2018-19 and 2019-20) | 5 | 1 | 6 |
| | Three years and more | 3 | - | 3 |

The names of these companies are indicated in ***Appendix III A*** and ***Appendix III B***.

Oversight by the Statutory Auditors appointed by the CAG and Supplementary Audit by the CAG could not be conducted in the absence of accounts leading to absence of assurance about whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Besides, their contribution to the State exchequer as well as their activities was also not reported to the Legislature.

The matter of arrear of accounts has been taken up with the Chief Secretary/Administrative Secretaries/Managing Directors of the Companies, whose accounts were in arrears to expedite clearance of arrears. However, there are still four[4] SPSEs, whose accounts are in arrears for three to four years.

***It is, therefore, recommended that the annual accounts should be prepared and finalised within the prescribed time.***

During exit conference (July 2021), the ACS (Finance) agreed with concern over arrears of accounts in SPSEs and emphasised upon early action by the concerned SPSEs to clear the arrears.

### *3.3.3 Timeliness in preparation of accounts by Statutory Corporations*

Audit of two statutory corporations is being conducted by the CAG. The accounts of both Haryana Financial Corporation and Haryana State Warehousing Corporation Limited for the year 2019-20 were awaited as on 31 December 2020.

[4] Haryana Agro Industries Corporation Limited (4 years), Haryana Women Development Corporation Limited (3 years), Haryana Police Housing Corporation Limited (3 years) and Karnal Smart City Limited (3 years; a Government controlled other company, has not submitted its first accounts since inception in the year 2017-18).

## 3.4 CAG's oversight - Audit of accounts and supplementary audit

### *3.4.1 Financial reporting framework*

Companies are required to prepare their financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under their rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act, governing such corporations.

### *3.4.2 Audit of accounts of State Government companies by Statutory Auditors*

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the State Government Companies and submit their reports thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

### *3.4.3 Supplementary Audit of accounts of Government companies*

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of the entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected State Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

## 3.5 Result of CAG's oversight role

### *3.5.1 Audit of accounts of State Government companies/State Government controlled other companies under Section 143 of the Companies Act, 2013*

Financial statements for the year 2019-20 were received from nine[5] State Government companies and one[6] State Government controlled other company by 31 December 2020. Accounts of seven State Government companies and one State Government controlled other company were reviewed in audit by the CAG.

Comments on accounts of four SPSEs were issued up to 31 December 2020. The results of the review are detailed below:

### *3.5.2 Significant comments of the CAG issued as supplement to the Statutory auditors' reports on State Government companies/State Government controlled other companies*

Subsequent to the audit of the financial statements for the year 2019-20 by statutory auditors, the CAG conducted supplementary audit of the financial statements of the State Government companies and Government controlled other companies. The list of SPSEs in respect of whom comments were issued is given in ***Appendix III C***. Significant comments issued on financial statements of State Government companies, the financial impact of which on the profitability was ₹ 108.21 crore[7] and on financial position ₹ 478.86 crore, have been tabulated below:

**Comments on Profitability:**

| Sl. No. | Name of Company | Comments |
|---|---|---|
| 1 | Haryana Power Generation Corporation Limited (HPGCL) | Company provided excess contribution of ₹ 45.06 crore towards retirement benefit of its employees. This resulted in overstatement of provisions for Employee benefits Pension Fund Trusts and understatement of profit by the same amount. |
| 2 | Haryana Vidyut Prasaran Nigam Limited (HVPNL) | Other Expenses included ₹ 0.39 crore on account of apprentice claim receivable from the Government of India (GoI) which resulted in understatement of profit and current assets (receivable from GoI) and overstatement of Other Expenses by ₹ 0.39 crore. |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) | Profits of the Company were understated by net amount of ₹ 1.34 crore as the Company neither made provision for additional power purchase cost of ₹ 12.23 crore payable to HPGCL nor booked the receivables on account of adjustment of fixed cost of ₹ 13.57 crore. |

[5] Haryana Power Generation Corporation Limited, Haryana Vidyut Prasaran Nigam Limited, Uttar Haryana Bijli Vitran Nigam Limited, Dakshin Haryana Bijli Vitran Nigam Limited, Haryana Land Reclamation and Development Corporation Limited, Haryana Roadways Engineering Corporation Limited, Panipat Plastic Park Haryana Limited, Haryana Rail Infrastructure Development Corporation Limited and Haryana Orbital Rail Corporation Limited.

[6] Gurgaon Technology Park Limited.

[7] HPGCL ₹ 45.06 crore *plus* HVPNL ₹ 56.46 crore *plus* UHBVNL ₹ 1.34 crore and DHBVNL ₹ 5.35 crore.

| Sl. No. | Name of Company | Comments |
|---|---|---|
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) | • The Company had recovered excess additional surcharge of ₹ 0.50 crore from open access consumers and booked this amount in its other income which resulted in overstatement of profits and current liabilities by ₹ 0.50 crore.<br>• Profits of the Company were understated by net amount of ₹ 1.86 crore as the Company neither made provision for additional power purchase cost of ₹ 16.95 crore payable to HPGCL nor booked the receivables on account of adjustment of fixed cost of ₹ 18.81 crore.<br>• Other expenses did not include ₹ 6.71 crore payable for annual maintenance and technical support and IT enabled services availed during 2019-20 resulting in understatement of Current Liabilities and overstatement of Profits by ₹ 6.71 crore. |

## Comments on Financial Position:

| Sl. No. | Name of Company | Comments |
|---|---|---|
| 1 | Haryana Vidyut Prasaran Nigam Limited | • Capital Works in Progress and current year's profit were overstated by ₹ 8.33 crore as the Sub-Station on which the expenditure was incurred was abandoned by the Government of Haryana.<br>• The Company recovered ₹ 48.52 crore through transmission charges in excess of Aggregate Revenue Requirements (ARR) approved by Haryana Electricity Regulatory Commission (issued on 21 May 2020) for the financial year 2018-19. This resulted into understatement of current liability and overstatement of profit for the year 2019-20 by ₹ 48.52 crore. |
| 2 | Uttar Haryana Bijli Vitran Nigam Limited | Cash and cash equivalents included cheques in hand of ₹ 422.01 crore on account of subsidy released (March 2020) by Government of Haryana to the Company through HPGCL. As on 31st March 2020, it was receivable by the Company from HPGCL. This resulted in overstatement of cash and cash equivalents and understatement of receivables from HPGCL to the same extent. |

## Other Significant Comments:

| Sl. No. | Name of Company | Comments |
|---|---|---|
| 1 | Haryana Power Generation Corporation Limited | • The Company received dividend of ₹ 35.83 crore during 2019-20 from its Joint Venture with NTPC Limited and Indraprastha Power Generation Company Limited (IPGCL, a Delhi State company) namely Aravali Power Private Limited and remitted the same to the Government of Haryana without routing through its Accounts.<br>(Similar comment was included on Company's Accounts for the previous year.)<br>• The Company considered holding cost for delay in finalisation of tariff for the year 2017-18 and 2018-19 of ₹ 27.42 crore allowed to it as 'Revenue from Operations' instead of as 'other income'.<br>• Salaries included expenditure on security services engaged from Central Industrial Security Force for watch and ward of |

| Sl. No. | Name of Company | Comments |
|---|---|---|
| | | HPGCL Generation plants amounting to ₹ 38.77 crore. The expenditure should have been classified under 'Other expenses'.<br>(Similar comment was included on Company's Accounts for the previous year.) |

## 3.6 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Sections 129 (1), 132 and 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The following instances for non-compliance with mandatory Accounting Standards/Ind AS were reported by statutory auditors:

| Accounting Standard/Ind AS | Standard/ Ind AS | Name of Company | Deviation |
|---|---|---|---|
| Ind AS 36 | Impairment of Assets | Haryana Vidyut Prasaran Nigam Limited | The Company provides 10 *per cent* towards impairment on assets held for sale only, in violation of Ind AS 36 which says that each tangible and intangible asset should be properly evaluated and impaired accordingly. No impairment is done on Generation assets, held jointly with Bhakhra Beas Management Board. |

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS, which were not reported by their statutory auditors:

| Accounting Standard/Ind AS | Standard/ Ind AS | Name of Company | Deviation |
|---|---|---|---|
| Ind AS 1 | Presentation of Financial Statements | Uttar Haryana Bijli Vitran Nigam Limited | • The Company disposed of land for ₹ 16.81 crore whose book value was ₹ 0.05 crore earning profit of ₹ 16.76 crore. In line with provisions of Ind AS-1, this should have been included in Exceptional items, however, it was booked under 'Other Income'.<br>• There were a number of litigation cases regarding purchase of power wherein total payment of ₹ 634.24 crore has been accounted for in 'Power Purchase Cost'. As per Ind AS-1, the amount of litigation settlement is required to be disclosed separately under the head 'Exceptional Items (VI)' in Statement of Profit and Loss. This resulted in overstatement of currents year's Power Purchase Cost and understatement of Exceptional Items to the extent of ₹ 634.24 crore. |

| Accounting Standard/Ind AS | Standard/ Ind AS | Name of Company | Deviation |
|---|---|---|---|
| Ind AS 16 | Property, Plant and Equipment | Haryana Vidyut Prasaran Nigam Limited | As per significant accounting policy of the company, the sub-stations, transmission lines and allied works are transferred from Capital Work in Progress to Property, Plant and Equipments on completion of all activities as per completion certificate. Although the date of commissioning of these assets as per the records of technical wing may be prior to the date of completion. This is not in accordance with Ind AS 16- Property, Plant and Equipment<br>(Similar comment was included on Company's Accounts for the previous year.) |

In Uttar Haryana Bijli Vitran Nigam Limited, the financial statements had been partially converged to Ind AS. In absence of the Impact Assessment analysis report, inadequate documentation, the impact of non-complied Ind AS on profit and loss and Balance Sheet position of the Company could not be quantified.

During exit conference (July 2021), ACS (Finance) agreed with the importance of Accounting Standards including Ind AS and instructed the SPSEs to follow the same.

## 3.7 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain important information.

During the year, CAG raised specific issues of interest through 'Management Letters' of four SPSEs. (***Appendix III D***).

# Chapter-IV

# Corporate Governance

# Chapter-IV

## 4.1 Corporate Governance

### *4.1.1 Provisions as contained in the Companies Act, 2013*

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board of Directors and its powers. The Companies Act, 2013 together with the Companies Rules provide the framework for Corporate Governance. The requirements, *inter-alia,* provide for:

- Appointment of Independent Directors in Public Companies and mandatory establishment of certain committees like Audit Committee by the companies having paid-up share capital of ₹ 10 crore or more, turnover of ₹ 100 crore or more, or outstanding loans, debentures and deposits, exceeding ₹ 50 crore. {Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 and Section 177(1) of the Companies Act, 2013}.

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.

- Mandatory appointment of one woman director on the board in Public Companies having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more {Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.

- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

Besides, equity of Haryana Financial Corporation (HFC) and bonds of Haryana Vidyut Prasaran Nigam Limited (HVPNL) were listed on stock exchange. However, applicability of Securities and Exchange Board of India (SEBI) (Listing obligation and disclosure requirements) Regulations, 2015 to HFC was not considered as it stopped fresh business since 2010 and SEBI has also exempted (December 2018) HFC from the compliance of minimum public shareholding.

### *4.1.2 Review of compliance by selected SPSEs of the Corporate Governance provisions*

As on 31 March 2020, there were 36 State Public Sector Enterprises (SPSEs) in Haryana under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). The Bureau of Public Enterprises, established in February 1988, (under the Finance Department, Government of Haryana) has given instructions to SPSEs on various issues, but no instructions have been issued on Corporate Governance.

For the purpose of the review, an assessment was done based on the provisions contained in the Companies Act, 2013. The review covers 22 working SPSEs for the year ended 31 March 2020. List of SPSEs covered as well as SPSEs excluded from this report is given in the ***Appendix IV A*** and ***Appendix IV B*** respectively.

## 4.2 Composition and Meetings of Board of Directors

**4.2.1** The Board of Directors (BoDs) is the instrument of Corporate Governance. It is the agency for the implementation of governance policies and practices. It is imperative that the BoDs devote attention to Corporate Governance and must be equipped with the requisite representation and its members should meet regularly. Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. Table 4.1 below shows the Companies where the requirement of number of meetings to be held in a year was not complied with during 2019-20.

**Table 4.1: SPSEs where requirement of four meetings of BoDs was not met**

| Sl. No. | Name of SPSE | No. of Meetings held |
|---|---|---|
| 1. | HARTRON Informatics Limited | 3 |
| 2. | Haryana Backward Classes and Economically Weaker Section Kalyan Nigam | 3 |
| 3. | Haryana Medical Services Corporation Limited | 2 |
| 4. | Haryana Scheduled Castes Finance and Development Corporation Limited | 2 |
| 5. | Haryana Forest Development Corporation Limited | 3 |
| 6. | Haryana Women Development Corporation Limited | 3 |
| 7. | Haryana Police Housing Corporation Limited | 3 |
| 8. | Haryana Tourism Corporation Limited | 3 |

Haryana Tourism Corporation Limited stated (January 2021) that fourth Board meeting of its BoD in the financial year 2019-20 was postponed due to Covid-19 induced lockdown. Haryana Medical Services Corporation Limited stated (January 2021) that the company could hold only two Board Meetings due to non-availability of Board of Directors and COVID-19 pandemic.

### 4.2.2 Independent Directors

According to Section 149 (6) of the Companies Act, 2013 an independent director means a director other than a managing director or a whole-time director or a nominee director, who is a person of integrity and possesses relevant expertise and experience. The presence of independent directors on the Board, capable of taking an independent view on the decisions of the management is considered as a means of protecting the interests of shareholders and other stakeholders. Rule, 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company with paid-up share capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two independent directors on their board. List of 12 SPSEs meeting these criteria is given in ***Appendix IV C***. Of these 12 SPSEs, two SPSEs[1] were not required to follow the criteria of having Independent Director. Of the remaining 10 SPSEs, one SPSE (Haryana Scheduled Castes Finance and Development Corporation Limited) did not have any Independent Director while remaining nine SPSEs met the criteria of having at least two independent Directors on their Boards. Review of records in respect of Haryana Scheduled Castes Finance and Development Corporation Limited revealed that the Company had not even requested the State Government for appointment of Independent Directors.

Further, in non-adherence of Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, stipulating requirement of at least one-third of the board as independent directors where the chairperson of the board was a non-executive director, Haryana Vidyut Prasaran Nigam Limited had two independent directors out of nine directors (22.22 *per cent)* on its Board.

### 4.2.3 Representation of Woman in the Board of Director

Section 149 (1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more shall have at least one woman Director in its Board. There were seven such SPSEs meeting this criterion as listed in ***Appendix IV D***. All these seven SPSEs had women directors on their Board.

## 4.3 Appointment and functioning of Independent Directors

### 4.3.1 Issuance of formal letter of appointment

As per Schedule IV of the Companies Act, 2013, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. However, it was

---

[1] Haryana Rail Infrastructure Development Corporation Limited, being Joint Venture unlisted public company and Haryana Women Development Corporation Limited, being a company registered under Section 8 of the Companies Act, 2013.

observed that out of nine SPSEs having Independent Directors on their board, in seven SPSEs as listed in Table 4.2, no appointment letters detailing the terms and conditions were issued during the period 2019-20.

**Table 4.2: Appointment letters of Independent Directors not issued by SPSEs**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited (HPGCL) |
| 2. | Haryana Vidyut Prasaran Nigam Limited (HVPNL) |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited (DHBVNL) |
| 5. | Haryana Mass Rapid Transport Corporation Limited (HMRTC) |
| 6. | Haryana Agro Industries Corporation Limited (HAIC) |
| 7. | Haryana Seeds Development Corporation Limited (HSDC) |

Accepting the audit observation, Haryana Agro Industries Corporation Limited stated (January 2021) that terms and conditions of appointment will be sent to independent directors shortly in order to comply with the provisions of Companies Act, 2013. Managements of HPGCL, UHBVNL and DHBVNL stated (January-February 2021) that as per Ministry of Corporate Affairs (MCA) notification no. S.O. 2113(E) dated 5 July 2017, issuance of letter of appointment to Independent Directors was not applicable to Government Companies.

Their reply is not acceptable because inapplicability of the said provision to Government Companies was relevant only if the requirement of terms and conditions of appointment had been specified by the State Government; and in all cases pointed out by Audit, the State Government had not specified such terms and conditions.

#### *4.3.1.1 Manner of appointment*

Schedule IV clause IV Manner of appointment sub-clause (2) provides that the appointment of independent director(s) of the company should be approved at the meeting of the shareholders. Audit noticed that Independent Directors had been appointed by the State Government; however, their appointment had not been approved at the meeting of shareholders.

**Table 4.2(A): List of SPSEs where appointment of Independent Directors had not been approved in the Meeting of Shareholders**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited |
| 2. | Haryana Vidyut Prasaran Nigam Limited |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited |
| 5. | Haryana Mass Rapid Transport Corporation Limited |
| 6. | Haryana Agro Industries Corporation Limited |
| 7. | Haryana Seeds Development Corporation Limited |
| 8. | Haryana State Industrial and Infrastructure Development Corporation |
| 9. | Haryana State Roads and Bridges Development Corporation Limited |

Managements of HPGCL, UHBVNL and DHBVNL stated (January-February 2021) that in the first meeting with Independent Directors, relevant provisions of the Companies Act, 2013 including Code of Conduct and terms & conditions like TA/DA, sitting fee, *etc.*, were shared with Independent Directors. The reply is not acceptable because terms and conditions of appointment including code of conduct expected to be followed by Independent Directors were required to be formalised through issuance of appointment letters.

### *4.3.2 Code of Professional Conduct*

Schedule IV to the Companies Act, 2013 provides the Code as a guide to professional conduct for Independent Directors. The two SPSEs namely Haryana State Roads and Bridges Development Corporation Limited (HSRDC) and Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) had appointed independent directors that had issued formal letter of appointments to the Independent Directors. While the offer of appointment issued by HSIIDC incorporated Code of Professional Conduct, the same had not been done in the appointment letter of independent director by HSRDC.

### *4.3.3 Training of Independent Directors*

Schedule IV to the Companies Act, 2013 stipulates that the Independent Directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company. However, it was observed that in SPSEs, listed in Table 4.3, no such training was conducted for Independent Directors who were on the Board during the year 2019-20.

**Table 4.3: SPSEs where no training was conducted for the Independent Directors**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited |
| 2. | Haryana Vidyut Prasaran Nigam Limited |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited |
| 6. | Haryana Mass Rapid Transport Corporation Limited |
| 7. | Haryana Agro Industries Corporation Limited |
| 8. | Haryana Seeds Development Corporation Limited |
| 9. | Haryana State Roads and Bridges Development Corporation Limited |

HPGCL, UHBVNL and HSIIDC stated (January-February 2021) that there was no specific requirement under Schedule IV of the Companies Act, 2013 to provide training to the Independent Directors. The reply is not acceptable because the Independent Directors could not have undertaken induction training without initiative from the inducting organisation (*i.e.* the Company).

### *4.3.4 Meetings of Board of Directors and Board committees*

Para III (3) of Schedule IV of the Companies Act, 2013 states that Independent Directors should strive to attend all the meetings of Board of Directors and Board Committees of which he/she was a member. Some of the

Independent Directors, however, did not attend these meetings during 2019-20. Table 4.4 indicates the number of such independent directors:

**Table 4.4: Independent Directors who did not attend the meetings**

| Sl. No. | Name of the SPSE | No. of Independent Directors who did not attend Board meetings (No. of meetings) | No. of Independent Directors who did not attend other Board committee meetings (No. of meetings) |
|---|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | 2 (2) | 2[2](2) |
| 2. | Haryana Vidyut Prasaran Nigam Limited | 1 (3) | - |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | 2 (2) | - |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | 4(3) | - |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited | 4 (8) | 1[3](1) |
| 6. | Haryana Mass Rapid Transport Corporation Limited | 2 (9) | - |
| 7. | Haryana Agro Industries Corporation Limited | 2 (1) | - |
| 8. | Haryana Seeds Development Corporation Limited | 2 (4) | - |
| 9. | Haryana State Roads and Bridges Development Corporation Limited | 2 (2) | 2[4](3) |

Note: Figures in bracket indicate number of meetings in which at least one of the independent directors was absent.

Thus, the above companies could not use the qualifications and experience of independent directors in managing their affairs and the very purpose of their appointment was not achieved.

HPGCL, HSIIDC and Haryana Agro Industries Corporation Limited stated (February 2021) that Independent Directors could not attend the meetings due to their pre-occupation; UHBVNL stated (February 2021) that it was not necessary for independent directors to attend all Board meetings as under Section 167(1) (b) of the Companies Act, it was mandatory for every Director to attend at least one Board Meeting during the period of twelve months. HVPNL and DHBVNL stated (February 2021) that Independent Directors were duly granted leave of absence by Chairman of the Board.

Absence of Independent Directors due to pre-occupation could have been addressed if the Company had given notices for Board Meetings sufficiently in time. UHBVNL citing Section 167 (1) (b) of the Companies Act, 2013 to explain the absence of independent directors is not relevant because it provides conditions under which office of a director shall become vacant.

---

2 One Audit Committee Meeting and one Corporate Social Responsibility Committee Meeting.

3 Audit Committee Meeting.

4 Both Corporate Social Responsibility Committee Meetings.

### *4.3.5 Attending General meetings of the Company*

Para III (5) of Schedule IV of the Companies Act, 2013 states that Independent Directors shall strive to attend all the General meetings of the Company. Table 4.5 indicates SPSEs where Independent Directors did not attend the General meetings of the Company during the year 2019-20.

**Table 4.5: List of Companies where Independent Directors did not attend General meetings**

| Sl. No. | Name of the SPSE | No. of Independent Directors who did not attend General Meetings |
|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | 1 |
| 2. | Haryana Vidyut Prasaran Nigam Limited | 1 |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | 2 |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | 4 |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited | 4 |
| 6. | Haryana Mass Rapid Transport Corporation Limited | 1 |
| 7. | Haryana Agro Industries Corporation Limited | 3 |
| 8. | Haryana Seeds Development Corporation Limited | 1 |
| 9. | Haryana State Roads and Bridges Development Corporation Limited | 2 |

While Managements of HPGCL and UHBVNL stated (February 2021) that it was not mandatory on the part of Independent Directors to attend such meeting, DHBVNL stated (February 2021) that leave of absence was granted to the Independent Director by the Board. HSIIDC stated (February 2021) that Independent Directors could not attend meeting due to their pre-occupation. Haryana Agro Industries Corporation Limited stated (January 2021) that Independent Directors could not attend the general meeting due to lack of full company secretary.

The replies of HPGCL and UHBVNL are not acceptable as the provision above casts a responsibility on the Independent Directors to strive to attend the general meetings.

### *4.3.6 Meeting of Independent Directors*

**4.3.6.1** Para VII (1) of Schedule IV of the Companies Act, 2013, requires that Independent Directors shall meet at least once in a year, without the presence of non-independent directors and members of the Management. Para VII (2) of Schedule IV of the Companies Act, 2013 provides that all the Independent Directors shall strive to attend such meeting. Table 4.6 indicates three SPSEs where no separate meeting was conducted during 2019-20.

**Table 4.6: SPSEs where separate meetings of Independent Directors not conducted**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana State Industrial and Infrastructure Development Corporation Limited |
| 2. | Haryana Agro Industries Corporation Limited |
| 3. | Haryana Seeds Development Corporation Limited |

HSIIDC stated (July 2021) that the Ministry of Corporate Affairs, in view of Covid-19 outbreak, had as a special measure exempted (24 March 2020) the companies from holding Independent Directors meeting for the financial year 2019-20. The reply is not acceptable as no such meeting was scheduled till the issuance of orders by Ministry of Corporate Affairs (MCA) on 24 March 2020 and financial year was ending on 31 March 2020. Further, letter of MCA dated 24 March 2020 states that such non-attendance of independent directors would not be treated as a violation. This is significantly different from exemption HSIIDC is quoting.

In respect of Haryana Mass Rapid Transport Corporation Limited (HMRTC), separate meeting was conducted, but no minutes of meeting were prepared by the Company.

**4.3.6.2** Para VII (3) of Schedule IV of the Companies Act, 2013, requires that the Independent Directors in separate meeting shall review (a) Performance of non-independent directors and the Board as a whole (b) Performance of Chairperson and (c) Assess the flow of information between management and Board of Directors that is necessary for the Board to effectively and reasonably perform their duties. Table 4.7 indicates three SPSEs, where above issues were not reviewed in Independent Directors' meeting, though separate meetings were conducted.

**Table 4.7: SPSEs where Independent Directors did not evaluate the performance**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited |
| 2. | Haryana Vidyut Prasaran Nigam Limited |
| 3. | Dakshin Haryana Bijli Vitran Nigam Limited |

HPGCL and DHBVNL stated (February 2021) that in term of MCA notification dated 5 July 2017; this requirement was not applicable to Government companies.

The reply is not acceptable because as per MCA notification concerned provisions of Companies Act were not applicable on these SPSEs as the State Government had neither specified such requirements separately for adherence by the Independent Directors nor complied with by these SPSEs.

## 4.4 Notice of the meeting of Board of Directors

Section 173 (3) of the Companies Act, 2013 states that the notice for Board of Directors meetings shall be circulated at least seven days before such meeting. However, a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting. The table 4.8 indicates the SPSEs where notices for holding meetings of the BoDs were not circulated at least seven days before such meeting.

**Table 4.8: Notice not circulated at least seven days before meeting of the Board of Director**

| Sl. No. | Name of the SPSE | No. of occasions out of no. of meetings | Requirement of appointment of Independent Directors | Absence of Independent Director on account of shorter period notice |
|---|---|---|---|---|
| 1. | Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) | 1out of 10 | Yes | One occasion in one meeting |
| 2. | Haryana State Electronics Development Corporation Limited | 1 out of 5 | No | Not applicable |
| 3. | HARTRON Informatics Limited | 1 out of 3 | No | Not applicable |
| 4. | Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam | 1 out of 3 | No | Not applicable |
| 5. | Haryana Forest Development Corporation Limited | 2 out of 3 | No | Not applicable |
| 6. | Haryana Mass Rapid Transport Corporation Limited (HMRTC) | 8 out of 9 | Yes | Five occasions in eight meetings |
| 7. | Panipat Plastic Park Limited | 1 out of 4 | No | Not applicable |

Two out of above seven SPSEs (*i.e.* HSIIDC and HMRTC), were required to have independent directors on their board. However, the review of records revealed that:

**(i)** all four independent directors were absent in the HSIIDC Board meeting held on 7 May 2019; the notice for which was given only three days before date of meeting.

**(ii)** both independent directors were absent in five HMRTC board meetings, while one out of two independent directors was absent in remaining four board meetings. Notices for five of these meetings were given only one day in advance. In respect of two meetings notices were given four days in advance and in respect of one meeting it was given six days in advance.

HSIIDC explained (January 2021) that Board in its previous meeting held on 29 March 2019 had decided to hold the next meeting on 1 April 2019.

## 4.5 Filling-up the posts of Directors-functional, non-functional and independent

Timely filling up of vacancies in the posts of key managerial personnel's, Directors *etc.* ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 stipulates that vacancy arising out of resignation or removal of an Independent Director should be filled up at the earliest but not later than the immediate next board meeting or three months from the date of such vacancy, whichever is later. However, it was observed that the SPSEs detailed in Table 4.9 did not comply with the above provision during 2019-20 and the posts of Independent Directors remained vacant for a considerable period of time:

**Table 4.9: SPSEs where vacancies of Independent Directors not filled in time**

| Sl. No. | Name of the SPSE | Number of Independent Directors required[5] | No. of Posts vacant | Total number of months for which posts remained vacant (During 2019-20) |
|---|---|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | 2 | 1 | 4<br>(6.12.2019 to 31.03.2020) |
| 2. | Haryana Vidyut Prasaran Nigam Limited | 2 | 1 | 4<br>(28.11.2019 to 31.03.2020) |
| 3. | Dakshin Haryana Bijli Vitran Nigam Limited | 2 | 4 | 17<br>Three posts remained vacant for four months (28.11.2019 to 31.03.2020) each and fourth post for five months (25.10.2019 to 31.03.2020) |
| 4. | Haryana Scheduled Castes Finance and Development Corporation Limited | 2 | 2 | 24<br>(Two posts remained vacant for 12 months (01.04.2019 to 31.03.2020) each |

Managements of HPGCL, HVPNL and DHBVNL stated (January-February 2021) that they initiated the process for appointment of Independent Director on 6 November 2019, 5 November 2019 and 5 November 2019, against the vacancy arising on 6 December 2019, 28 November 2019 and 28 November 2019 respectively. However, the State Government approved the appointment of Independent Directors on 29 May 2020, 4 June 2020 and 10 June 2020 respectively.

Further, it was also observed that in the SPSEs listed in Table 4.10, vacancies of key managerial personnel were not filled within the period of six months from such vacancy prescribed in Section 203 (4) of the Companies Act, 2013:

**Table 4.10: SPSEs where vacancies of key managerial personnel not filled up in time**

| Sl. No. | Name of the SPSE | Name of Post | Delay in months (During 2019-20) |
|---|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | Director (Finance) | 12<br>(1.04.2019 to 31.03.2020) |
| | | Director (Technical) | 7<br>(25.09.2019 to 31.03.2020) |

[5] Memorandum of Association (MoA) of concerned companies did not provide for minimum number of independent directors to be on the Board. As such, requirement of minimum number of independent directors as per Companies Act, 2013 has been adopted.

| Sl. No. | Name of the SPSE | Name of Post | Delay in months (During 2019-20) |
|---|---|---|---|
| 2. | Haryana Vidyut Prasaran Nigam Limited | Director (Finance) | 12 (1.04.2019 to 31.03.2020) |
| | | Company Secretary | 12 (1.04.2019 to 31.03.2020) |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | Director (Finance) | 12 (1.04.2019 to 31.03.2020) |
| | | Director (Technical-I) | 10 (30.05.2019 to 31.03.2020) |
| | | Director (Technical-II) | 7 (17.09.2019 to 31.03.2020) |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | Director (Finance) | 12 (1.04.2019 to 31.03.2020) |
| 5. | Haryana Rail Infrastructure Development Corporation Limited | Whole Time Director | 12 (1.04.2019 to 31.03.2020) |
| 6. | Haryana State Roads and Bridges Development Corporation Limited | Managing Director | 7 (11.09.2019 to 31.03.2020) |
| 7. | Haryana Mass Rapid Transport Corporation Limited | Company Secretary | 12 (1.04.2019 to 31.03.2020) |
| | | Chief Financial Officer | 12 (1.04.2019 to 31.03.2020) |

HPGCL, HVPNL, UHBVNL and DHBVNL stated (February 2021) that the appointment of Director/Finance and Director/Technical was under process at the level of State Government.

During exit conference (July 2021), it was agreed that Haryana Bureau of Public Enterprises should play an active role in compliances of provisions of corporate governance by the SPSEs particularly timely appointment and training of Independent Directors.

## 4.6 Audit Committee

### *4.6.1 Composition of Audit Committee*

Section 177 (1) and (2) of the Companies Act, 2013, stipulate that there shall be an Audit Committee with a minimum of three directors with Independent Directors forming majority. Further Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every public company with a paid-up capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more shall constitute an Audit Committee.

In terms of above stipulations, 12 companies listed in ***Appendix IV C*** were required to constitute Audit Committee. However, one SPSE (Haryana Scheduled Castes Finance and Development Corporation Limited) did not constitute the Audit Committee.

Further, majority of the members of the Audit Committee were not Independent Directors in respect of the SPSEs detailed in Table 4.11.

**Table 4.11: SPSEs where Audit Committees not having majority of Independent Directors**

| Sl. No. | Name of the SPSE | Period |
|---|---|---|
| 1 | Haryana Power Generation Corporation Limited | Since 6 December 2019 |
| 2 | Haryana Vidyut Prasaran Nigam Limited | Since April 2019 |
| 3 | Dakshin Haryana Bijli Vitran Nigam Limited | Since 25 October 2019 |

Haryana Mass Rapid Transport Corporation Limited had properly constituted Audit Committee; however, minutes of Audit Committee meeting held during 2019-20 were not prepared by the Company.

HPGCL and DHBVNL admitted (January and February 2021) that due to non-availability or short remaining tenure of other Independent Directors, proper constitution of Audit Committees could not be complied with and their proposals for appointment of Independent Directors were pending with the State Government. HVPNL stated that Audit Committee has been duly constituted (11 June 2020) having majority of independent directors.

### *4.6.2 Review of Supplementary Audit findings of the CAG*

All the SPSEs are subject to the audit of the CAG as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorises the CAG to carry out supplementary audit of accounts of Government Companies. Further, section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of SPSEs, it is the mandate of the Audit Committee to review the findings of the CAG. The comments of the CAG on annual accounts had been reviewed by the Audit Committee.

### *4.6.3 Non-compliance of SEBI Regulations by HVPNL*

The bonds of Haryana Vidyut Prasaran Nigam Limited (HVPNL) were listed on Bombay Stock Exchange and as per listing agreement of 20 March 2017; following compliances of SEBI (LODR)[6] Regulations, 2015 have not been made by the Audit Committee of HVPNL:

- Audit Committee has not evaluated the internal control system in the Company, required as per Part C (A) (11) of Schedule II to SEBI (LODR) Regulations, 2015.
- Performance of Statutory Auditors and Internal Auditors has not been reviewed, required as per Part C (A) (12) of Schedule II to SEBI (LODR) Regulations, 2015.
- The Audit Committee has not reviewed the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting

[6] Security and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

structure, coverage and frequency of internal audit, required as per Part C (A) (13) of Schedule II to SEBI (LODR) Regulations, 2015.

- Regulation 18 (3) and Part C (B) of the Schedule II of SEBI (LODR) Regulations, 2015 stipulated that the audit committee shall mandatorily review the information relating to: Statement of significant related party transactions, Management letters/letters of internal control weaknesses issued by statutory auditors, Internal audit reports relating to internal control weaknesses, Appointment, removal and terms of remuneration of the chief internal auditor and Statement of deviations, which have not been reviewed by the Audit Committee.

- Audit Committee have not held any discussion with statutory auditors before commencement of audit on the nature and scope of audit as well as post-audit discussion to ascertain any area of concern required as per Part C (A) (16) of SEBI (LODR) Regulations, 2015.

During exit conference (July 2021), the Management of HVPNL stated that compliance of SEBI requirements would be made prior to the next report.

## 4.7 Other Committees

### *4.7.1 Nomination and Remuneration Committee*

Section 178 (1) of the Companies Act, 2013 and Rule 6 of the Companies (Meeting of Boards and its Powers), Rules 2014, stipulate that each SPSE shall constitute a Nomination and Remuneration Committee (NRC) comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent and Chairman of the Committee shall be an Independent Director. However, there was no NRC in the SPSEs as detailed in Table 4.12.

**Table 4.12: SPSEs not having Nomination and Remuneration Committee**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited |
| 2. | Haryana Vidyut Prasaran Nigam Limited |
| 3. | Haryana Scheduled Castes Finance and Development Corporation Limited |

Though in Dakshin Haryana Bijli Vitran Nigam Limited committee was formed, the requirement of three directors and half of them being Independent Directors was not fulfilled during 2019-20.

HPGCL stated (February 2021) that NRC could not be formed due to two vacancies of Independent Directors, the proposals for which were pending with State Government.

In case of any contravention of the provisions of section 177 (Audit Committee) and section 178 (Nomination and Remuneration Committee), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty five thousand rupees but which may extend to one lakh rupees, or with both. However, it was noted that no such penalty had been imposed by the Registrar of the Companies during 2019-20.

## 4.8 Whistle Blower Mechanism

**4.8.1** Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014 provides that the Company shall establish a vigil mechanism for directors and employees to report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. It was observed that, out of 12 SPSEs, in five SPSEs as listed in Table 4.13, there was no whistle blower mechanism.

**Table 4.13: SPSEs not having Whistle Blower Mechanism**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Mass Rapid Transport Corporation Limited |
| 2. | Haryana Scheduled Castes Finance and Development Corporation Limited |
| 3. | Haryana Agro Industries Corporation Limited |
| 4. | Haryana Seeds Development Corporation Limited |
| 5. | Haryana State Roads and Bridges Development Corporation Limited |

**4.8.2** Para III (10) of Schedule IV of Companies Act, 2013 read with Rule 7 (2) of the Companies (Meeting of Boards and its Powers), Rules 2014 stipulates review of functioning of the 'Whistle Blower Mechanism' by the Audit Committee, in case the same exists in the Company. In the SPSEs detailed in Table 4.14 below, though whistle blower mechanism existed, the Audit committee did not review it.

**Table 4.14: SPSEs having Whistle Blower Mechanism but not reviewed by Audit Committee**

| Sl. No. | Name of the SPSE |
|---|---|
| 1. | Haryana Power Generation Corporation Limited |
| 2. | Haryana Vidyut Prasaran Nigam Limited |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited |

HPGCL, UHBVNL, DHBVNL and HSIIDC stated (February 2021) that Audit Committee reviewed the Whistle Blower Mechanism as and when there was any complaint. HPGCL, UHBVNL and DHBVNL added that the requirement was not applicable to unlisted Public Companies.

The reply of HPGCL, UHBVNL and DHBVNL is not acceptable because as per Companies (Meeting of Boards and its Powers), Rules 2014, the Companies which were required to constitute an audit committee were required to oversee the vigil mechanism through such committee.

## 4.9 Notice of Annual General Meeting

Section 101 of the Companies Act, 2013 provides that a general meeting of a company may be called by giving not less than clear 21 days' notice either in writing or through electronic mode in such a manner as may be prescribed. Further, a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than 95 *per cent* of the members entitled to vote at such meeting. List of SPSEs where shorter notice period had not been consented and where notice of Annual General Meeting (AGM) was not circulated before 21 days is given in Table 4.15.

**Table 4.15: Notice not circulated at least twenty one days before Annual General Meeting**

| Sl. No. | Name of SPSE |
|---|---|
| 1. | Dakshin Haryana Bijli Vitran Nigam Limited |
| 2. | Haryana Mass Rapid Transport Corporation Limited |
| 3. | Haryana Backward Classes & Economically Weaker Section Kalyan Nigam Limited |
| 4. | Haryana Forest Development Corporation Limited |
| 5. | Haryana Police Housing Corporation Limited |

DHBVNL stated (February 2021) that AGM for financial year 2019-20 was conducted with consent of all shareholders for shorter notice obtained well in advance before AGM. However, the fact remains that AGM held during the period covered by Audit (2019-20), in respect of financial year 2018-19, was held with less than required 21 days' notice and without obtaining consent of shareholders for shorter notice.

## 4.10 Policy relating to Related Parties

Regulation 23 (1) & (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulated that every company shall formulate a policy on materiality of related party transactions. Further, such material related party transactions required to be approved by Shareholders through resolution. However, Haryana Vidyut Prasaran Nigam Limited has not formulated such policy.

## 4.11 Disclosure of information on website

Regulation 46 (2) (a), (f) and (g) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulated that every company shall disclose information on (i) policy dealing with related party transactions and (ii) criteria for making payment to non-executive directors on its website provided the same was not disclosed in Annual Report. However, in case of Haryana Vidyut Prasaran Nigam Limited no such disclosures were made on company's website.

## Conclusion

Out of 22 selected SPSEs, no Independent Directors were appointed in one SPSE; delays of more than three months were observed in filling vacancies of Independent Directors in four SPSEs; delays of more than six months were observed in filling up vacancies of key managerial personnel in the Board in seven SPSEs; no Audit Committee was there in one SPSE; no Nomination and Remuneration Committee was constituted in three SPSEs; no whistle blower mechanism was put in place in five SPSEs, policy dealing with related party transactions was not disclosed on website of one listed company.

## Recommendations

***Haryana Bureau of Public Enterprises should prepare a policy for appointment to Independent Directors stating the standard terms and conditions including timeline for initiation of proposal for their appointment, sitting fees etc. Government of Haryana may impress upon the respective Administrative Ministries/Departments to ensure compliance of provisions as contained in the Companies Act, 2013 read with Companies Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 so as to achieve the objectives of Corporate Governance in SPSEs.***

The matter was referred to the Government and the Companies in December 2020. However, replies of six companies and the Government (except in case of Haryana Vidyut Prasaran Nigam Limited) had not been received (June 2021). Issues of Corporate Governance were highlighted in the exit conference held in July 2021.

# Chapter-V

# Corporate Social Responsibility

# Chapter V

## Corporate Social Responsibility

### 5.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. It recognises the interests of its stakeholders and the general community at large by covering sustainability, social impact and ethics. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources *etc.* from the society. By performing the task of CSR activities, the companies are giving something back to the society. The inclusion of CSR mandate under the Companies Act, 2013 is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and engage the corporate world with country's development agenda.

Legal Framework: Section 135 of the Companies Act, 2013 (hereafter referred to as the Act), deals with the subject of Corporate Social Responsibility and lays down the qualifying criteria based on net worth, turnover and net profit during any financial year for companies which are required to undertake CSR activities and specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of the Company. The activities which may be included by the companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act are applicable to all companies including SPSEs.

The Act makes it mandatory for any company to spend, annually at least two *per cent* of average net profit (calculated as per section 198 of the Act) of three immediate preceding financial years towards CSR activities. In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014 made applicable to all companies including SPSEs w.e.f. 1 April 2014. Accordingly, the compliance of the provisions of CSR under the Act *i.e.* constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities came into force from April, 2014.

### 5.2 Audit objective

Audit objective of assessment of CSR activities of SPSEs was to ascertain whether:

- the provisions relating to constitution of the CSR Committee, formulation and compliance of policy, planning stages of execution have been complied with;
- the provisions relating to prescribed amount to be spent on specified activities have been complied with; and

- the provisions relating to implementation and reporting have been complied with.

## 5.3 Audit scope and coverage

As per criterion specified under section 135 (1) of the Act, out of 25 working State Public Sector Enterprises (SPSEs) in 2018-19, 10 SPSEs (***Appendix V A***) were required to undertake CSR activities. Audit reviewed the CSR activities carried out by all these 10 SPSEs during the year 2019-20. Out of 10 SPSEs, only seven SPSEs had provided budget for CSR activities and incurred expenditure during the year 2019-20.

## 5.4 Audit criteria

Audit analysis was carried out against following criteria:

- Provisions contained in Section 135 and Schedule VII of the Act; and
- Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014.

## 5.5 Audit findings

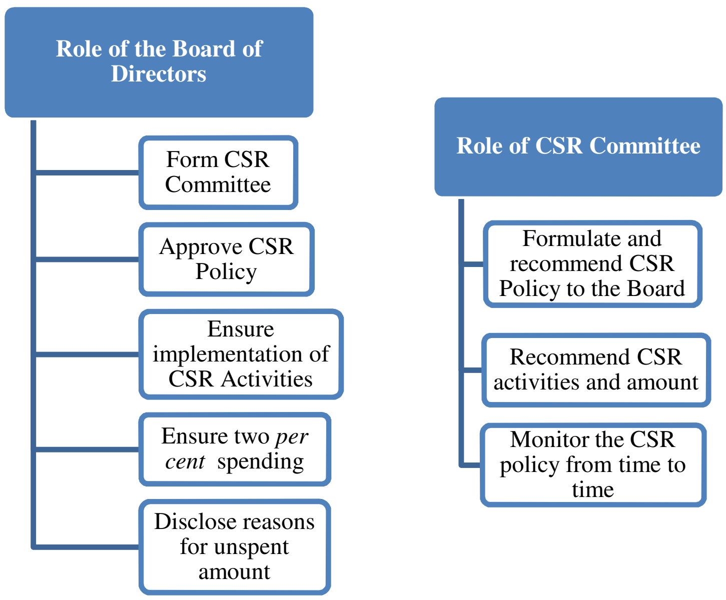
Audit findings on extent of compliance with the provisions of the Act with regard to constitution of CSR Committee, formulation and compliance of policy, planning & execution of CSR activities and monitoring & reporting thereof by the SPSEs are given in the following paragraphs.

**Planning**

### *5.5.1 Constitution of CSR Committee*

Role of the Board and CSR Committee as per section 135 (1) and (3) of the Act is depicted in the chart 5.1 below:

**Chart 5.1**



As per section 135 (1) of the Act, every company having a net worth of ₹ 500 crore or more; or turnover of ₹ 1,000 core or more; or a net profit of ₹ 5 crore or more during any financial year shall constitute a Corporate Social Responsibility (CSR) committee of the Board consisting of three or more Directors.

Audit noticed that eight out of 10 SPSEs had constituted CSR committees. Of these eight SPSEs, two SPSEs [Haryana State Roads and Bridges Development Corporation Limited (HSRDC) and Haryana Agro Industries Corporation Limited (HAIC)] had constituted their CSR committee during 2019-20 [1] only. Other two SPSEs [Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited (HBCKN) and Haryana Scheduled Castes and Finance Development Corporation Limited (HSFDC)] had not constituted CSR committee though these SPSEs met the required criteria under section 135 (1) *i.e.* earning profits more than ₹ 5 crore during 2016-17 and 2017-18 respectively. However, the financial Statements of these SPSEs for the year 2018-19 onwards had not been finalised as yet (March 2021).

In reply, HBCKN stated (May 2021) that 100 *per cent* of its activities were towards eradication of poverty only and no activity is commercial. There was no source of income as all expenditure was borne by the Government of Haryana in the form of administrative subsidy and that its income was exempt from Income Tax due to these facts. Therefore, CSR was not applicable on the Nigam.

The reply was not acceptable as MCA vide their circular no. 01/2016 dated 12 January 2016 clarified that there was no exemption to any kind of companies. For calculation of profits as per Section 198 of the Act, Administrative subsidy received from Government and income tax is not deductible from profits, therefore Management contention that Nigam income is exempt from income tax is not an acceptable reason to not to undertake CSR activities even after earning profits more than of ₹ 5 crore in preceding financial years. Further, the central PSUs viz. National Backward Classes Finance & Development Corporation and National Handicapped Finance & Development Corporation carrying out similar activities, are also spending part of their profits under CSR activities. Therefore, HBCKN is not exempted from applicability of CSR provisions.

### *5.5.2 Independent Directors in Committee*

As per section 135 (1) of the Act, the CSR committee shall have at least one independent director. Out of eight SPSEs where CSR committees were formed, six SPSEs {except HVPNL and Haryana State Electronics Development Corporation Limited (HARTRON)[2]} had complied with the rule of having at least one Independent Director in the committee. Three SPSEs

---

1 HSRDC on 24 April 2019 and HAIC on 20 February 2020.

2 As per Rule 4 (2) of Companies (Appointment and Qualification of Director) Amendment Rules 2017, HARTRON was not required to have an Independent Director.

(UHBVNL, DHBVNL and HAIC) had more than one Independent Directors on their CSR Committees.

In reply, HVPNL provided (May 2021) the composition of its CSR committee consisting of Independent Directors without mentioning their date of appointment. We observed that they were appointed during Financial Year (FY) 2020-21. Thus, HVPNL was not compliant with the rule during FY 2019-20.

### *5.5.3 Framing of CSR policy*

Section 135 (3) of the Act requires that Company's CSR Committee shall formulate and recommend to the Board, a CSR Policy. It was seen that out of ten SPSEs, six SPSEs said that their CSR policy was framed based on recommendation of the CSR Committee while another three SPSEs[3] (Haryana Agro Industries Corporation Limited, Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Private Limited and Haryana Scheduled Castes and Finance Development Corporation Limited) did not have CSR policy in place. In one SPSE (Haryana State Roads and Bridges Development Corporation Limited), CSR policy was framed (May 2019) on the recommendation of the CSR Committee but it was not approved by the Board, hence it did not undertake CSR activities prior to 2018-19, even though it was required to do so since 2015-16. The requirements of Rule 6 – Compliances required by a person eligible and willing to be appointed as an independent director – were fulfilled in all the seven SPSEs.

### *5.5.4 Annual CSR Plan and Budget*

Role of the CSR Committee is to recommend to the Board, the CSR activities and the amount to be spent in the financial year. The Board has to ensure implementation of the CSR activities. The proposed CSR projects and the budget for the ensuing financial year should be presented to the Board for approval before the start of the new financial year or at the earliest so as to avoid rush of expenditure to exhaust the funds at the end of the year and the funds are spent evenly all over the year.

We observed for seven SPSEs[4] ***(Appendix V B)***, one SPSE (HSRDC), got the CSR budget approved in Quarter 1, three SPSEs (HPGCL, DHBVNL and HSIIDC) in Quarter 2 and two SPSEs (HVPNL and UHBVNL) in Quarter 3. HARTRON had not got its CSR budget approved for 2019-20.

HVPNL accepted and stated (May 2021) that their budget for utilising CSR funds was approved in the CSR committee meeting held in third quarter, in November 2019.

---

3 As these SPSEs had neither formed CSR Committee nor framed CSR policy, these have not been considered for analysis.

4 Out of seven SPSEs two SPSEs *i.e.* HSRDC and HSIIDC got provisional CSR budgets approved for 2019-20 as their financial statements for 2018-19 had not been prepared.

## 5.6 Financial component

### *5.6.1 Allocation of funds*

Section 135 (5) of the Act makes it mandatory for any company to spend, annually, at least two *per cent* of average net profit of three immediate preceding financial years (calculated under section 198 of the Act).

The two *per cent* of average net profit, so calculated, by seven out of 10 SPSEs aggregated to ₹ 17.50 crore. The SPSEs allocated ₹ 28.66 crore including carryover of ₹ 11.16 crore for previous years (***Appendix V B***).

We observed that:

- Three SPSEs had allocated in 2019-20 for carry forward of unspent CSR of the previous year 2018-19.
- Ministry of Corporate Affairs (MCA), Government of India vide its general circular no. 01/2016 dated 12 January 2016 has clarified that, *"Computation of net profit for section 135 is as per section 198 of the Companies Act, 2013 which primarily is net profit before tax."* Audit noticed that HVPNL and HPGCL had not considered profit before tax for calculation of average profit as required under section 198. The average net profits before tax of HVPNL and HPGCL as per MCA's clarification were ₹ 457.76 crore and ₹ 353.95 crore respectively against ₹ 138.42 crore and (-) ₹ 1.48 crore calculated by the companies (***Appendix V C***). This resulted in under provisioning of CSR funds of ₹ 6.39 crore and ₹ 7.08 crore by HVPNL and HPGCL respectively.

HPGCL stated (May 2021) that the difference was due to non-considering 'Other Comprehensive Income' (OCI) *i.e.* actuarial loss, by the audit. Further, Income tax office treats actuarial loss classified under OCI as allowable expenditure. HVPNL stated (May 2021) that audit had not considered the impact of OCI *i.e.* the actuarial loss (Pension plan losses) for computing provisioning of CSR expenditure and added that in case of revision in figures, if any, found later on in the provision on CSR Activities, the same would be considered in the current financial year.

HPGCL and HVPNL replies were not acceptable as OCI was not to be deducted from the profit before tax as per the requirement of the Act. Further, the expenditure to be incurred for CSR is governed under Companies Act, 2013 and allowing of deduction for OCI under Income Tax Act is an another matter.

### *5.6.2 Utilisation of Funds*

Section 135 (5) of the Act states that Board shall ensure that the company spends two *per cent* of average net profit of preceding three years. Audit observed that against the required spending of ₹ 28.66 crore by seven SPSEs, the actual spending was ₹ 21.37 crore leaving unspent amount of ₹ 7.87 crore by five SPSEs (***Appendix V B***). HPGCL fully utilised the unspent balance of previous years and HSRDC fully utilised the CSR Funds allocated during

2019-20. MCA clarified (12 January 2016) that, *"Expenses incurred by the Companies for fulfilment of any other Act/ Statute of regulations (Labour laws, Land Acquisition Act and Apprentice Act, 1961 etc.) would not be covered under CSR"*. It was, however, noticed that HVPNL and HPGCL incurred expenditure of ₹ 1.99 crore and ₹ 0.40 crore, respectively during 2019-20 on apprentices appointed under Apprentices Act, 1961 but claimed the same under CSR activities.

HSRDC allocated ₹ 38 lakh for tree plantation on roadsides through Horticulture Division, PWD (B&R), Gurugram for environmental sustainability and paid ₹ 6.43 lakh on demand of Horticulture Division. We, however, observed that these tree plantation works were already covered under contract agreements for construction of concerned roads. The Company decided (January 2020) to exclude the remaining tree plantation works from CSR activities.

### *5.6.3 Quarter wise spend*

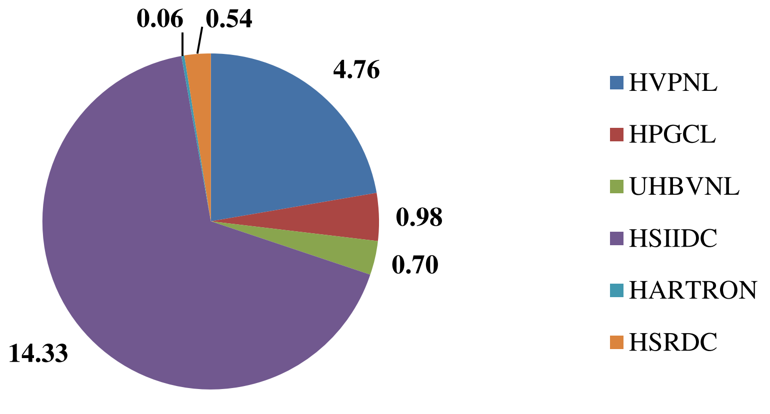
Total spend against CSR during 2019-20 by seven SPSEs was ₹ 21.37 crore. There was rush in CSR spend in last quarter. UHBVNL and HSIIDC had spent major portion of their CSR funds (₹ 0.70 crore and ₹ 12.97 crore respectively) in the fourth quarter.

HSIIDC stated (May 2021) that the amount spent was scattered over the four quarters but due to commitment, it had spent ₹ 12.20 crore for Indian Institute of Information Technology projects in the fourth quarter.

### *5.6.4 Top spenders*

Total spend on CSR activities by SPSEs is depicted in chart 5.2 below:

**Chart 5.2 : CSR Spend (₹ in crore)**




The top spender was HSIIDC at ₹ 14.33 crore (67 *per cent* of total CSR spend) followed by HVPNL at ₹ 4.76 crore (22 *per cent*).

#### *5.6.5 District wise CSR spend*

Four SPSEs (HSIIDC, HSRDC, HVPNL and HPGCL) had undertaken CSR activities in more than one District of the State. Two SPSEs (HVPNL and HPGCL) engaged apprentices across Haryana, however, district wise expenditure was neither disclosed in Annual Report of CSR Activities for the year 2019-20, nor was made available to Audit. HSIIDC incurred ₹ 12.22 crore (85.24 *per cent* of its total CSR spend) in Sonepat district only and HSRDC incurred ₹ 0.48 crore (89 *per cent* of its total CSR spend) in Panchkula district only. HARTRON incurred entire CSR expenditure in Panchkula district. UHBVNL spent all its CSR funds by transferring to PM Care Funds and DHBVNL did not incur any expenditure during 2019-20.

#### *5.6.6 Administrative overheads*

As per CSR Rule 4 (6), Administrative Overheads (OH) are to be restricted to five *per cent* of overall CSR funds. The OH to be disclosed separately should include baseline studies, capacity building and other overheads. Audit, however, observed that CSR expenditure by six SPSEs did not include any amount on account of administrative overheads.

#### *5.6.7 Surplus from CSR project*

As per CSR Rule 6(2), any surplus arising from CSR projects shall not form part of business profit of the company. None of the SPSEs under review reported any surplus from CSR projects.

### 5.7 Project implementation

#### *5.7.1 Selection of CSR projects/activities*

None of the SPSEs, which were required to incur CSR expenditure, conducted any separate baseline survey or need assessment study for implementation of their CSR projects.

#### *5.7.2 Manner of implementation of CSR activities*

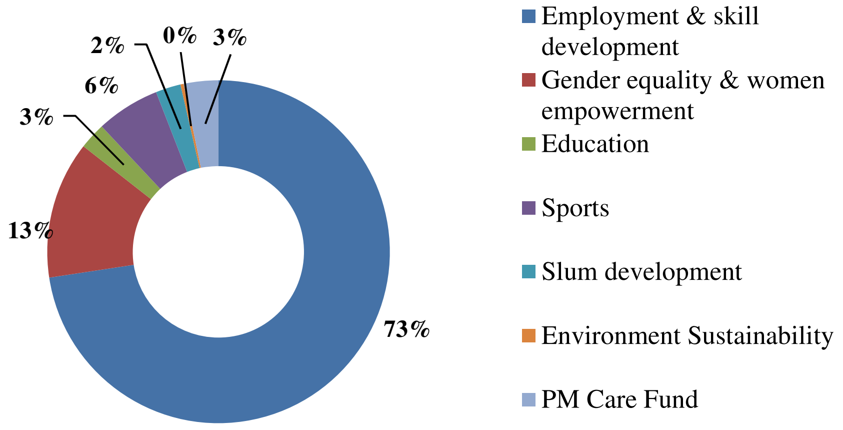
Rule 4 of Companies (CSR) Rules, 2014 exclusively deals with the manner in which the CSR activity is to be undertaken under section 135(1) of the Act. The Board may decide to undertake CSR activities as approved by CSR Committee through a registered trust/society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise.

We observed that seven projects were implemented by four SPSEs directly/in house including through Foundation. Two projects by HSRDC and one project by UHBVNL were executed through Government/external agencies, NGOs, Society *etc*.

### *5.7.3 Focus areas*

The focus areas are depicted in chart 5.3 below:

**Chart 5.3: CSR Spend (₹ in crore)**




As indicated above, Employment and skill development received the maximum focus (73 *per cent*) which includes spending of ₹ 12.20 crore on setting up of Indian Institute of Information Technology in Sonepat by HSIIDC. Total spend under this head was ₹ 15.51 crore. Next highest spend (₹ 2.77 crore) was in Gender Equality and Women empowerment *i.e.* 13 *per cent*. UHBVNL deposited the entire CSR amount of ₹ 0.70 crore into Prime Minister's Care Fund.

## 5.8 Monitoring framework

As per Rule 5(2) of CSR Rules, 2014, the CSR Committee shall institute a transparent monitoring mechanism for implementation of CSR projects/programmes/activities undertaken by the company. Audit observed that all seven SPSEs, which had framed CSR policy, had specified the monitoring mechanism in the policy.

SPSEs are required to carry out impact assessment on case to case basis depending on type of CSR project/activity. In 2019-20, five SPSEs, which incurred expenditure on CSR directly/in house or through external agencies, did not carry out impact assessment.

## 5.9 Reporting and disclosure

As per Section 135 (2) and (4) read with section 134 (3) (o) of the Act, a Company is required to include an annual report on CSR in their Board Report and place it on the official website. The companies have to disclose the following in the prescribed format:

- Disclose contents of CSR policy, web link of CSR policy, average net profit, composition of CSR Committee, administrative overheads, prescribed amount, unspent amount, reasons for unspent amount.

- Include a responsibility statement signed by the CSR Committee that the implementation and monitoring of CSR Policy was in compliance with the CSR objective and Policy of the Company.

Audit observed in the 10 SPSEs:

- Compliance of provisions by four SPSEs (HVPNL, HPGCL, UHBVNL and DHBVNL); and
- In six SPSEs (HARTRON, HSIIDC, HSFDC, HBCKN, HAIC and HSRDC) Annual Report for 2019-20 had not been prepared, as such, the applicable disclosure requirement could not be complied in their case.

## Conclusion

Out of 10 SPSEs in Haryana, which were required to carry out CSR activities as per the Act, only seven SPSEs were compliant. The focus area of CSR spend was employment & skill development due to HSIIDC spending ₹ 12.20 crore on setting up of Indian Institute of Information Technology. The areas of education, sports, slum development and environment sustainability did not attract attention. The selection of CSR projects in all SPSEs was done without any need assessment study and reporting and disclosure requirements were not complied with in six of the ten SPSEs which met the criteria.

## Recommendations

***All SPSEs who met the criteria should frame CSR Policy and constitute CSR Committee in compliance of provisions of the Companies Act, 2013 and CSR Rules. CSR budget should be prepared as per section 198 of the Companies Act, 2013 and efforts may be made to spend the entire budget earmarked for the year. SPSEs should cover the focus areas as specified in schedule VII of the Act for covering sustainability and social impact for general community at large.***

# Chapter-VI

# Impact of implementation of Indian Accounting Standards in State Public Sector Enterprises

# Chapter VI

## Impact of implementation of Indian Accounting Standards in State Public Sector Enterprises

### 6.1 Introduction

The Ministry of Corporate Affairs (MCA), Government of India notified Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act, 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic & legal environment in view and by referring to International Financial Reporting Standards (IFRS). The Ind AS were modelled on IFRS which were different from the Indian Generally Accepted Accounting Principles (IGAAP) framework mainly in three key aspects *i.e.*, fair valuation, substance over legal form and emphasis on the Balance Sheet. These Ind AS are mandatorily to be adopted by prescribed class of companies w.e.f. 1 April 2016. As on 31 March 2020, 39 Ind AS are applicable. The MCA from time to time make amendments in the Ind AS to keep them converged with IFRS through amendments in the Companies (Indian Accounting Standards) Rules, 2015.

The objective of audit was to study the implementation of Ind AS in Phase I & II to assess whether various provisions of Ind AS were complied with by the State Public Sector Enterprises (SPSEs) at the time of adoption of Ind AS and their impact on the financial statements of SPSEs.

### 6.2 Implementation of Ind AS

The Companies (Indian Accounting Standards) Rules, 2015 laid down a roadmap for implementation of Ind AS in a phased manner beginning from the financial year 2016-17 as detailed below:

**Phase I**

The following companies shall comply with Ind AS for financial statements for accounting periods beginning on or after 1 April 2016, with the comparatives for the periods ending 31 March 2016 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of ₹ 500 crore or more.
- Companies having net worth of ₹ 500 crore or more other than those covered above.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

**Phase II**

The following companies shall comply with Ind AS for financial statements for accounting periods beginning on or after 1 April 2017, with the comparatives for the periods ending 31 March 2017 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹ 500 crore.
- Unlisted companies other than those covered in Phase I whose net worth are ₹ 250 crore or more but less than ₹ 500 crore.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

**Voluntary adoption of Ind AS**

Any company may adopt Ind AS voluntarily for its financial statements for accounting periods beginning on or after 1 April 2015 with the comparatives for the periods ending on 31 March 2015 or thereafter. However, once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

## 6.3 Scope of Audit and Methodology

The study covered seven SPSEs[1] which were required to adopt Ind AS in Phase I & II and one SPSE Uttar Haryana Bijli Vitran Nigam Limited (UHBVNL) which voluntarily adopted Ind AS during 2016-17**.** The seven SPSE's qualifying to adopt Ind AS includes four subsidiary companies of one qualified company (Haryana State Industrial and Infrastructure Development Corporation Limited - HSIIDC). Of the four subsidiary companies of HSIIDC two companies namely, Panipat Plastic Park Haryana Limited (incorporated on 27 December 2016) and Saur Urja Nigam Haryana Limited (incorporated on 9 June 2016) were required to adopt Ind AS in their first financial statements (*i.e.*, 2016-17) while two other subsidiary companies namely Haryana Concast Limited and Haryana Minerals Limited are inactive companies. Further, Ind AS was applicable on Haryana State Roads and Bridges Development Corporation from the year 2019-20, but this could not be considered for analysis as its financial statements for the year 2019-20 were in arrears. The list of seven SPSEs reviewed is given in ***Appendix VI*.**

The standalone financial statements of SPSEs which have adopted Ind AS under Phase I & II as well as newly incorporated SPSEs which have adopted Ind AS for the first time for preparation of their financial statements with effect from 1 April 2016 or 1 April 2017 have been reviewed in audit. The

[1] Haryana Vidyut Prasaran Nigam Limited, Haryana Power Generation Corporation Limited, Haryana State Industrial and Infrastructure Development Corporation Limited, Panipat Plastic Park Haryana Limited, Haryana Minerals Limited, Saur Urja Nigam Haryana Limited and Haryana Concast Limited.

compliance of various provisions of Ind AS and impact of implementation of Ind AS in these SPSEs on their revenues, profit after tax, net worth and total assets were analysed with reference to changes as a result of adoption of Ind AS in revenue recognition, valuation of financial instruments and Property, Plant and Equipment (PPE), calculation of employee benefits and accounting of business combinations.

## 6.4 Review of first time adoption of Ind AS

Ind AS 101–First time adoption of Ind AS 101 required that an entity should explain how the transition from IGAAP to Ind AS affected its Balance Sheet, financial performance and cash flows. In accordance with this requirement, all companies (except UHBVN) have disclosed through Notes to their Financial Statements for the year ended 31 March 2017, the effect of Ind AS adoption on the Balance Sheet and statement of Profit and Loss. The equity as per IGAAP as on 31 March 2016 and 1 April 2015 have been reconciled with equity as per Ind AS on the same date. The impact of implementation is presented as either an increase or a decrease in value of the particular element of Financial Statement reviewed in audit as on 31 March 2016 as per Ind AS compared to the corresponding value of the same element as per IGAAP on the same date.

Ind AS 101 provides for optional exemptions and mandatory exemptions to the general principle of retrospective application of Ind AS. The optional exemptions include the following:

### (i) Ind AS 16–Property, Plant and Equipment

Ind AS permits a first time adopter of Ind AS to elect either to continue with the carrying value of its Property, Plants and Equipments (PPEs) and intangible assets as recognised in the financial statements as at the date of transition to Ind AS or by measuring their fair value by adopting the revaluation method.

Audit analysis showed that six SPSEs {Haryana Vidyut Prasaran Nigam Limited (HVPNL), Saur Urja Nigam Haryana Limited, Haryana Minerals Limited, Haryana Power Generation Corporation Limited (HPGCL), Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) and Panipat Plastic Park Haryana Limited} opted to adopt value of PPE at their carrying costs.

### (ii) Ind AS 27–Separate Financial Statements

As per paragraphs D14 and D15 of Ind AS-101, in case of separate financial statements, Ind AS 27 requires an entity to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or at fair value in accordance with Ind AS 39. If a first time adopter measures such an investment at cost in accordance with Ind AS 27 then it shall measure that investment either at cost or at deemed cost in its separate opening Ind AS Balance Sheet.

Audit observed that HVPNL, HPGCL and HSIIDC opted to measure investment in subsidiaries / associates at carrying value / cost price.

**(ii) Ind AS 109–Financial Instruments**

Ind AS-101 permits an entity to designate a financial asset and investment in an equity instrument measured at fair value in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Audit observed that HVPNL, Haryana Minerals Limited, Saur Urja Nigam Haryana Limited valued equity at carrying value/cost price and HSIIDC had valued equity at Fair Value through Other Comprehensive Income (FVOCI).

## 6.5 Adoption of Ind AS by the companies incorporated in 2016-17 and 2017-18

Two SPSEs viz. Panipat Plastic Park Haryana Limited (incorporated on 27 December 2016) and Saur Urja Nigam Haryana Limited (incorporated on 9 June 2016) were required to adopt Ind AS in their first financial statements (*i.e.*, 2016-17). However, Saur Urja Nigam Haryana Limited adopted Ind AS during 2017-18. There was no impact of Ind AS in respect of these SPSEs.

## 6.6 Impact of implementation of Ind AS on selected key areas

The implementation of various provisions of Ind AS can impact the valuation of Profit After Tax (PAT), Revenues, Total Assets, and Net Worth. The values may increase or decrease depending on the options availed by the SPSEs at the time of adoption of Ind AS. A review of compliance to various provisions of Ind AS and the impact of its implementation in respect of three SPSEs (HVPNL, HPGCL and HSIIDC) was done. The results of review of compliance to various provisions of Ind AS and the impact of its implementations in respect of these three SPSEs are given below:

### *6.6.1 Impact on Profit After Tax*

The impact of adoption of Ind AS on Profits After Tax (PAT) for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 in selected SPSEs is as follows:

**Table 6.1: SPSE wise impact of adoption of Ind AS on PAT**

| Sl. No. | Name of the SPSE | Net decrease in PAT (₹ in crore) | Net increase in PAT (₹ in crore) |
|---|---|---|---|
| 1. | HSIIDC | 6.82 | - |
| 2. | HPGCL | 177.42 | - |
| 3. | HVPNL | - | 94.42 |

The following factors contributed to increase/ decrease in PAT SPSE wise:

(i) Haryana Power Generation Corporation Limited (HPGCL) – Changes in valuation of liabilities towards post-employment benefits increased profits by ₹ 69.81 crore while policy of recognition of Regulatory Deferral Account Balances (₹ 199.62 crore), change in accounting of prior period adjustments (₹ 18.82 crore), increase in provisions of expenses (₹ 10.26 crore) and recognition of deferred tax at the time of adoption of Ind AS (₹ 3.07 crore) reduced the profits.

(ii) Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) – Writing back of provisions on doubtful debts (₹ 14.13 crore) increased the profits while adoption of different method of accounting of liabilities towards post-employment benefits and recognition of deferred tax at the time of adoption of Ind AS reduced the profits by ₹ 4.31 crore and ₹ 0.96 crore respectively.

(iii) Haryana Vidyut Prasaran Nigam Limited (HVPNL) – Profits were reduced by ₹ 4.21 crore due to adoption of different method of accounting of liabilities towards post-employment benefits.

### *6.6.2 Impact of Ind AS on booking of revenues*

The definition of 'revenue' under Ind AS 18 covers all economic benefits that arise in the ordinary course of activities of an entity which results in increase in net worth, other than increases relating to contributions from net worth participants. Revenue, as per IGAAP, however is defined as gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.

The impact of adoption of Ind AS on booking of revenues for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 in selected SPSEs is as follows:

**Table 6.2: SPSE wise impact of transition to Ind AS on Revenues**

| Sl. No. | Name of the SPSE | Net decrease in Revenue (₹ in crore) | Net increase in Revenue (₹ in crore) |
|---|---|---|---|
| 1. | HSIIDC | - | 0.09 |
| 2. | HPGCL | 16.89 | - |
| 3. | HVPNL | - | 18.72 |

In case of HVPNL, as per IGAAP, contribution received from customers for assets was credited to capital reserves while as per Ind AS the same is credited to deferred revenue and revenue is recognized every year in the proportion of useful life of assets. This has resulted in increase in other income of HVPNL by ₹ 17.80 crore. Further, the interest income on loan given to staff at concessional rate was recognised using effective interest method which resulted in increase in other income by ₹ 91.81 lakh.

### *6.6.3 Impact of adoption of Ind AS on value of total assets*

The total value of assets is impacted upon implementation of Ind AS due to difference in methods of accounting prescribed compared to IGAAP under Ind

AS 16 – Property, Plant and Equipment (PPE), Ind AS 38 – intangible assets, Ind AS 32 – Financial Instruments: Presentation, Ind AS 109– Financial Instruments and Ind AS 40–Investment Property.

The impact of adoption of Ind AS on value of total assets for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 in selected SPSEs is as follows:

**Table 6.3: SPSE wise impact of adoption of Ind AS on value of total assets**

| Sl. No. | Name of the SPSEs | Net decrease in Value of Total Assets (₹ in crore) | Net increase in Value of Total Assets (₹ in crore) |
|---|---|---|---|
| 1. | HSIIDC | - | 2,054.02 |
| 2. | HPGCL | - | 203.32 |
| 3. | HVPNL | 5.73 | - |

The increase in value of assets in HSIIDC was due to recognition of grant received towards KMP Expressway as deferred revenue expenditure. In HPGCL, change in policy for recognition of PPEs and change in policy of recognition of Regulatory Deferral Account Balances increased the total assets by ₹ 155.12 crore and ₹ 148.07 crore respectively. In HVPNL, change in value of land on deferred payment terms decreased its total assets by ₹ 29.42 crore.

### *6.6.4 Impact of adoption of Ind AS on net worth*

Net worth is the difference between the value of assets and the liabilities of a company. Net worth is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves by the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. The impact of adoption of Ind AS on net worth for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 in selected SPSEs is as follows:

**Table 6.4: SPSE wise impact of adoption of Ind AS on Net Worth**

| Sl. No. | Name of the SPSE | Net Decrease in Net Worth (₹ in crore) |
|---|---|---|
| 1. | HSIIDC | 19.58 |
| 2. | HPGCL | 80.51 |
| 3. | HVPNL | 339.81 |

The main reasons for increase/ decrease in Net Worth were:

(i) Dividends proposed by the Board of Directors before the date of approval of the financial statements were recognised as a liability. However, under Ind AS, such dividends are recognised when they are approved by the shareholders in the general meeting. Thus, net worth of HSIIDC increased by ₹ 5 crore on account of adjustment of proposed dividend and ₹ 1.02 crore on account of adjustment of tax on proposed equity dividend.

(ii) In case of HVPNL, decrease in net worth was due to recognition of deferred revenue as contribution received from customer for assets was credited to capital reserves under IGAAP. However, as per Ind AS, the same was credited to deferred revenue and to be recognized every year in the proportion of useful life of asset. As a result, the net worth of the Company was reduced by ₹ 340.74 crore.

(iii) Decrease in net worth by ₹ 138.47 crore and by ₹ 0.33 crore in respect of HPGCL was due to the effect of provisions recognised and prior period adjustments during the year 2015-16, respectively.

## Conclusion

Audit analysis indicated that values of profit after tax, total assets and net worth of such SPSEs were impacted by adoption of Ind AS in Phase I & II. The changes in method of recognition of revenues under Ind AS also impacted the revenues recognised by SPSEs which adopted Ind AS in Phase I & II. The effect of adoption of Ind AS are disclosed in the financial statements of the selected SPSEs for the year ended 31 March 2017 and should be considered while assessing their financial position.

Vishal Bansal

**Chandigarh** **(VISHAL BANSAL)**
**Dated: 12 October 2021** **Principal Accountant General (Audit), Haryana**

**Countersigned**

**New Delhi** **(GIRISH CHANDRA MURMU)**
**Dated: 28 October 2021** **Comptroller and Auditor General of India**

# Appendices

## Appendix I

*(Referred to in Paragraph 1.3.1)*

### Summarised financial results of Power Sector SPSEs for the latest year for which accounts were finalised

(₹ in crore)

| Sl. No. | Activity & Name of the Power Sector Undertaking | Period of accounts finalised | Net profit/ loss before interest & tax | Net profit/ loss after interest & tax | Accumula-ted Profit/ loss | Turn over | Paid-up capital | Loan from GoH | Loan from Others | Total long term loans | Grant/ Subsidy for Operational & Administrative expenditure | Total investment | Net Worth | Capital Employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11=9+10 | 12 | 13=8+11+12 | 14=6+8 | 15=6+8+11 |
| **A.** | **Generation** | | | | | | | | | | | | | |
| 1 | Haryana Power Generation Corporation Limited | 2019-20 | 457.63 | 247.76 | 409.23 | 4,206.60 | 3,091.36 | 0.00 | 573.64 | 573.64 | 0.86 | 3,665.86 | 3,500.59 | 4,074.23 |
| **Sub-total** | | | **457.63** | **247.76** | **409.23** | **4,206.60** | **3,091.36** | **0.00** | **573.64** | **573.64** | **0.86** | **3,665.86** | **3,500.59** | **4,074.23** |
| **B.** | **Transmission** | | | | | | | | | | | | | |
| 2 | Haryana Vidyut Prasaran Nigam Limited | 2019-20 | 600.55 | 61.37 | 498.27 | 1,640.67 | 3,863.35 | 0.00 | 4,339.71 | 4,339.71 | 2.80 | 8,205.86 | 4,361.62 | 8,701.33 |
| **Sub-total** | | | **600.55** | **61.37** | **498.27** | **1,640.67** | **3,863.35** | **0.00** | **4,339.71** | **4,339.71** | **2.80** | **8,205.86** | **4,361.62** | **8,701.33** |
| **C.** | **Distribution** | | | | | | | | | | | | | |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited | 2019-20 | 824.14 | 217.72 | -15,396.40 | 13,447.41 | 15,578.72 | 8.65 | 2,289.45 | 2,298.10 | 42.42 | 17,919.24 | 182.32 | 2,480.42 |
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited | 2019-20 | 465.63 | 113.67 | -13,581.49 | 13,967.63 | 13,724.32 | 0.00 | 3,064.26 | 3,064.26 | 47.53 | 16,836.11 | 142.83 | 3,207.09 |
| **Sub-total** | | | **1,289.77** | **331.39** | **-28,977.89** | **27,415.04** | **29,303.04** | **8.65** | **5,353.71** | **5,362.36** | **89.95** | **34,755.35** | **325.15** | **5,687.51** |
| **Grand total** | | | **2,347.95** | **640.52** | **-28,070.39** | **33,262.31** | **36,257.75** | **8.65** | **10,267.06** | **10,275.71** | **93.61** | **46,627.07** | **8,187.36** | **18,463.07** |

**Appendix II A**

(*Referred to in Paragraph 2.1*)

**Government Companies/Corporations and Government controlled other Companies (other than power sector) under the purview of CAG's audit during 2019-20**

| Sl. No. | Name of Company/Corporation | Remarks |
|---|---|---|
| **Government Companies** | | |
| 1 | Haryana Agro Industries Corporation Limited | |
| 2 | Haryana Land Reclamation and Development Corporation Limited | |
| 3 | Haryana Seeds Development Corporation Limited | |
| 4 | Haryana State Industrial and Infrastructure Development Corporation Limited | |
| 5 | Haryana Scheduled Castes Finance and Development Corporation Limited | |
| 6 | Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited | |
| 7 | Haryana State Roads and Bridges Development Corporation Limited | |
| 8 | Haryana State Electronics Development Corporation Limited | |
| 9** | Haryana State Minor Irrigation and Tubewells Corporation Limited | Inactive Company |
| 10 | Haryana Forest Development Corporation Limited | |
| 11 | Haryana Women Development Corporation Limited | |
| 12 | Haryana Police Housing Corporation Limited | |
| 13 | Haryana Tourism Corporation Limited | |
| 14 | Haryana Roadways Engineering Corporation Limited | |
| 15 | Haryana Mass Rapid Transport Corporation Limited | |
| 16 | Haryana Medical Services Corporation Limited | |
| 17 | Haryana Rail Infrastructure Development Corporation Limited | |
| 18 | Haryana State Financial Services Limited | |
| 19 | Hartron Informatics Limited | |
| 20 | Panipat Plastic Park Haryana Limited | |
| 21** | Haryana Concast Limited | Under Liquidation |
| 22** | Haryana Mineral Limited | Inactive Company |
| 23 | Haryana Orbital Rail Corporation Limited | |
| **Statutory Corporations** | | |
| 1 | Haryana Financial Corporation | |
| 2 | Haryana State Warehousing Corporation | |
| **Government Controlled other Companies** | | |
| 1 | Gurgaon Technology Park Limited | |
| 2 | Faridabad Smart City Limited | |
| 3 | Gurugram Metropolitan City Bus Limited | |
| 4** | Faridabad City Transport Services Limited | First Accounts not received |
| 5** | Karnal Smart City Limited | First Accounts not received |
| 6** | Haryana State Housing Finance Corporation Limited | Under Liquidation |

***SPSEs who were inactive/under liquidation or whose first accounts were not received.*

## Appendix II B

*(Referred to in Paragraph 2.5.3)*

## Details of State Government equity in SPSEs (other than power sector) during 1999-2000 till 2019-20

**(₹ in crore)**

| Sl. No. | Name of the company | 1999 - 2000 | 2000 -01 | 2001 -02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **A. Social Sector** | | | | | | | | | | | | | | | | | | | | | |
| 1 | Haryana Scheduled Castes Finance and Development Corporation Limited | 0 | 28.17 | 28.67 | 29.17 | 15.69 | 15.94 | 17.13 | 18.64 | 20.29 | 21.69 | 23.49 | 25.14 | 25.14 | 25.14 | 25.14 | 25.14 | 26.15 | 26.14 | 26.14 | 26.14 | 26.14 |
| 2 | Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited | 7.91 | 8.31 | 8.51 | 8.96 | 9.46 | 9.96 | 11.16 | 12.66 | 13.66 | 16.07 | 17.58 | 19.52 | 20.52 | 21.52 | 22.77 | 24.97 | 38.2 | 40.37 | 42.87 | 45.14 | 48.06 |
| 3 | Haryana Women Development Corporation Limited | 3.85 | 4.1 | 4.15 | 4.65 | 5 | 6.2 | 9.34 | 12.48 | 14.81 | 15.51 | 15.51 | 16.61 | 16.61 | 15.51 | 15.51 | 15.51 | 15.51 | 15.51 | 15.51 | 15.51 | 15.51 |
| 4 | Haryana Seeds Development Corporation Limited | 2.76 | 2.76 | 2.76 | 2.9 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 | 2.76 |
| 5 | Haryana Land Reclamation and Development Corporation Limited | 1.37 | 1.37 | 1.37 | 1.56 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.37 | 1.36 | 1.36 | 1.37 | 1.37 | 1.37 | 1.37 |

| Sl. No. | Name of the company | 1999 - 2000 | 2000 -01 | 2001 -02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 | Haryana Agro Industries Corporation Limited | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 | 2.54 |
| 7 | Haryana State Warehousing Corporation | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 | 2.92 |
| 8 | Haryana State Minor Irrigation and Tubewells Corporation Limited | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 | 10.89 |
| | **Total A** | **32.24** | **61.06** | **61.81** | **63.59** | **50.63** | **52.58** | **58.11** | **64.26** | **69.24** | **73.75** | **77.06** | **81.75** | **82.75** | **82.65** | **83.90** | **86.09** | **100.33** | **102.50** | **105.00** | **107.27** | **110.19** |
| | **B. Competitive Sector** | | | | | | | | | | | | | | | | | | | | | |
| 9 | Haryana Forest Development Corporation Limited | 0.6 | 0.6 | 0.61 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| 10 | Haryana State Industrial and Infrastructure Development Corporation Limited | 62.75 | 62.84 | 62.86 | 67.81 | 67.82 | 67.82 | 70.68 | 70.69 | 70.69 | 70.69 | 70.7 | 70.7 | 70.7 | 48.82 | 48.82 | 48.84 | 48.84 | 48.84 | 48.85 | 48.86 | 48.87 |
| 11 | Haryana State Roads and Bridges Development Corporation Limited | | 7.88 | 26.94 | 47.6 | 70.6 | 70.6 | 113.7 | 113.7 | 113.7 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 | 122.04 |
| 12 | Haryana Tourism Corporation Limited | 12.71 | 14.4 | 15.53 | 16.59 | 18.05 | 18.58 | 19.86 | 19.86 | 20.19 | 20.19 | 20.19 | 21.4 | 21.46 | 21.46 | 22.46 | 24.06 | 28.86 | 29.79 | 30.92 | 34.07 | 37.77 |

| Sl. No. | Name of the company | 1999 - 2000 | 2000 -01 | 2001 -02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 13 | Haryana State Electronics Development Corporation Limited | 7.74 | 7.74 | 7.81 | 7.81 | 7.81 | 7.81 | 7.82 | 8.82 | 8.83 | 9.83 | 9.84 | 9.85 | 9.86 | 9.86 | 9.88 | 9.89 | 9.9 | 9.9 | 9.9 | 9.9 | 9.9 |
| 14 | Faridabad Smart City Limited | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.05 | 0.05 | 0.05 |
| 15 | Haryana Financial Corporation | 25.28 | 25.28 | 25.28 | 25.28 | 25.28 | 25.28 | 28.28 | 33.28 | 99.03 | 179.9 | 181.35 | 181.85 | 201.86 | 201.86 | 202.01 | 202.01 | 202.01 | 202.01 | 202.01 | 202.01 | 202.01 |
| 16 | Haryana Concast Limited | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 | 2.9 |
| 17 | Karnal Smart City Limited | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.05 |
| | **Total B** | **111.98** | **121.64** | **141.93** | **168.19** | **192.66** | **193.19** | **243.44** | **249.45** | **315.54** | **405.75** | **407.22** | **408.94** | **429.02** | **407.14** | **408.31** | **409.94** | **414.75** | **415.68** | **416.87** | **420.03** | **423.79** |
| | **C Others** | | | | | | | | | | | | | | | | | | | | | |
| 18 | Haryana Medical Services Corporation Limited | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 | 5 | 5 | 5 | 5 | 5 |
| 19 | Haryana Roadways Engineering Corporation Limited | 2 | 2 | 2 | 2 | 2 | 2 | 4 | 4 | 5 | 6.2 | 6.4 | 6.4 | 6.6 | 6.6 | 6.6 | 6.6 | 6.65 | 6.65 | 6.75 | 6.75 | 6.75 |
| 20 | Haryana Rail Infrastructure Development Corporation Limited | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.08 | 10.2 | 15.3 |
| 21 | Haryana Police Housing Corporation Limited | 18 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 |

| Sl. No. | Name of the company | 1999 - 2000 | 2000 -01 | 2001 -02 | 2002-03 | 2003-04 | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 22 | Haryana Mass Rapid Transport Corporation Limited | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.51 | 0.51 | 0.51 | 0.51 | 0.51 | 14.4 | 14.4 |
| 23 | Haryana State Financial Services Limited | 0 | 0 | 0 | 0 | 0 | 0 | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| | **Total C** | **20.00** | **27.00** | **27.00** | **27.00** | **27.00** | **27.00** | **29.00** | **29.00** | **30.00** | **31.20** | **31.40** | **31.40** | **31.60** | **31.60** | **32.11** | **37.11** | **37.16** | **37.16** | **41.34** | **61.35** | **68.45** |
| | **Grand Total** | **164.22** | **209.70** | **230.74** | **258.78** | **270.29** | **272.77** | **330.55** | **342.71** | **414.78** | **510.70** | **515.68** | **522.09** | **543.37** | **521.39** | **524.32** | **533.14** | **552.24** | **555.34** | **563.21** | **588.65** | **602.43** |

## Appendix III A

(*Referred to in Paragraph 3.3.2*)

### Details of Government Companies and Corporations where accounts were in arrears or were inactive/under liquidation

| Sl. No. | Name of the Government Companies and Corporations | Period for which Accounts not received by 31 December 2020 |
|---|---|---|
| **Government Companies** | | |
| 1 | Haryana Agro Industries Corporation Limited | 2016-17 to 2019-20 |
| 2 | Haryana Seeds Development Corporation Limited | 2019-20 |
| 3 | Haryana State Industrial and Infrastructure Development Corporation Limited | 2018-19 and 2019-20 |
| 4 | Haryana Scheduled Castes Finance and Development Corporation Limited | 2018-19 and 2019-20 |
| 5 | Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited | 2018-19 and 2019-20 |
| 6 | Haryana State Roads & Bridges Development Corporation Limited | 2019-20 |
| 7 | Haryana State Electronics Development Corporation Limited | 2019-20 |
| 8** | Haryana State Minor Irrigation and Tubewells Corporation Limited | Inactive |
| 9 | Haryana Forest Development Corporation Limited | 2019-20 |
| 10 | Haryana Women Development Corporation Limited | 2017-18 to 2019-20 |
| 11 | Haryana Police Housing Corporation Limited | 2017-18 to 2019-20 |
| 12 | Haryana Tourism Corporation Limited | 2018-19 and 2019-20 |
| 13 | Haryana Mass Rapid Transport Corporation Limited | 2019-20 |
| 14 | Haryana Medical Services Corporation Limited | 2018-19 and 2019-20 |
| 15 | Haryana State Financial Services Limited | 2019-20 |
| 16 | Hartron Informatics Limited | 2019-20 |
| 17** | Haryana Concast Limited | Under Liquidation |
| 18** | Haryana Minerals Limited | Inactive |
| 19** | Saur Urja Nigam Haryana Limited | Inactive |
| **Statutory Corporations** | | |
| 1 | Haryana Financial Corporation | 2019-20 |
| 2 | Haryana State Warehousing Corporation | 2019-20 |

**SPSEs who were inactive/under liquidation or first accounts were not received.

## Appendix III B

(*Referred to in Paragraph 3.3.2*)

### Details of State Government Controlled other Companies where accounts were in arrears or who were inactive/under liquidation

| Sl. No. | Name of the SPSE | Year for which Accounts not received by 31 December 2020 |
|---|---|---|
| 1 | Faridabad Smart City Limited | 2018-19 and 2019-20 |
| 2 | Gurugram Metropolitan City Bus Limited | 2019-20 |
| 3** | Faridabad City Transport Services Limited | First Accounts not received |
| 4** | Karnal Smart City Limited | First accounts not received |
| 5** | Haryana State Housing Finance Corporation Limited | Under Liquidation |

**SPSEs who were inactive/under liquidation or first accounts were not received.

## Appendix III C

(*Referred to in Paragraph 3.5.2*)

### List of SPSEs where Comments by CAG issued

| Sl. No. | Name of Company |
|---|---|
| 1 | Haryana Power Generation Corporation Limited |
| 2 | Haryana Vidyut Prasaran Nigam Limited |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited |
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited |

## Appendix III D

(*Referred to in Paragraph 3.7*)

### List of SPSEs where Management Letters issued by CAG

| Sl. No. | Name of Company |
|---|---|
| 1 | Haryana Power Generation Corporation Limited |
| 2 | Haryana Vidyut Prasaran Nigam Limited |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited |
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited |

## Appendix IV A

*(Referred to in Paragraph 4.1.2)*

**List of SPSEs covered for Corporate Governance for the year 2019-20**

| Sl. No. | Name of SPSE | Whether Public or Private Limited |
|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | Public |
| 2. | Haryana Vidyut Prasaran Nigam Limited | Public |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | Public |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | Public |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited | Public |
| 6. | Haryana Mass Rapid Transport Corporation Limited | Public |
| 7. | Panipat Plastic Park Haryana Limited | Public |
| 8. | Haryana Rail Infrastructure Development Corporation Limited | Public |
| 9. | Haryana State Electronics Development Corporation Limited (HARTRON) | Private |
| 10. | Hartron Informatics Limited | Public |
| 11. | Haryana Backward Classes and Economically Weaker Sections Kalyan Nigam Private Limited | Private |
| 12. | Haryana Medical Services Corporation Limited | Public |
| 13. | Haryana Scheduled Castes Finance and Development Corporation Limited | Public |
| 14. | Haryana Forest Development Corporation Limited | Private |
| 15. | Haryana Women Development Corporation Limited | Public |
| 16. | Haryana Roadways Engineering Corporation Limited | Private |
| 17. | Haryana Agro Industries Corporation Limited | Public |
| 18. | Haryana Land Reclamation and Development Corporation Limited | Public |
| 19. | Haryana Seeds Development Corporation Limited | Public |
| 20. | Haryana State Roads and Bridges Development Corporation Limited | Public |
| 21. | Haryana Police Housing Corporation Limited | Private |
| 22. | Haryana Tourism Corporation Limited | Private |

# Appendix IV B

*(Referred to in Paragraph 4.1.2)*

## List of SPSEs not covered for Corporate Governance for the year 2019-20

| Sl. No. | Name of SPSE | Reasons for exclusion |
|---|---|---|
| 1. | Faridabad Smart City Limited | Beyond permissible visiting limit due to COVID-19 |
| 2. | Gurgaon Technology Park Limited | Beyond permissible visiting limit due to COVID-19 |
| 3. | Gurugram Metropolitan City Bus Limited | Beyond permissible visiting limit due to COVID-19 |
| 4. | Haryana State Housing Finance Corporation Limited | Inactive company |
| 5. | Haryana Concast Limited | Inactive company |
| 6. | Haryana Minerals Limited | Inactive company |
| 7. | Saur Urja Nigam Haryana Limited | Inactive company |
| 8. | Haryana Minor Irrigation and Tubewells Corporation Limited | Inactive company |
| 9. | Haryana Orbital Rail Corporation Limited | New Company |
| 10. | Faridabad City Transport Services Limited | New Company |
| 11. | Karnal Smart City Limited | New Company |
| 12. | Haryana State Financial services Limited | New Company |
| 13. | Haryana Financial Corporation | Not a company under Companies Act, 2013. Although equity shares of the Corporation are listed in BSE, compliance to SEBI guidelines were not considered applicable as the Corporation has stopped fresh business since 2010. |
| 14. | Haryana State Warehousing Corporation | Not a company under Companies Act, 2013. |

## Appendix IV C

*(Referred to in Paragraphs 4.2.2 and 4.6.1)*

**List of SPSEs qualifying for having independent directors, Audit Committee and Nomination & Remuneration Committee on their Board.**

*(Public Company with paid-up share capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore)*

**(₹ in crore)**

| Sl. No. | Name of SPSE | Paid-up capital | Turnover | Aggregated outstanding loans, debentures and deposits |
|---|---|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | 3,051.33 | 5,462.60 | 1,210.04 |
| 2. | Haryana Vidyut Prasaran Nigam Limited | 3,520.66 | 2,154.41 | 4,589.85 |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | 12,681.98 | 14,165.20 | 2,509.70 |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | 11,178.78 | 15,036.13 | 2,834.94 |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited | 48.84 | 1,563.68 | 6,274.05 |
| 6. | Haryana Mass Rapid Transport Corporation Limited | 28.24 | 0.00 | 0.00 |
| 7. | Haryana Rail Infrastructure Development Corporation Limited | 20.0 | 0 | 0.00 |
| 8. | Haryana Scheduled Castes Finance and Development Corporation Limited | 50.07 | 0.69 | 5.46 |
| 9. | Haryana Women Development Corporation Limited | 16.61 | 5.04 | 0.00 |
| 10. | Haryana Agro Industries Corporation Limited | 4.14 | 2,131.60 | 19.04 |
| 11. | Haryana Seeds Development Corporation Limited | 5.00 | 143.23 | 0.00 |
| 12. | Haryana State Roads and Bridges Development Corporation Limited | 122.04 | 1.75 | 0.00 |

*Note: Shaded cell indicates criteria met by the SPSEs*

## Appendix IV D

*(Referred to in Paragraph 4.2.3)*

**List of SPSEs qualifying for having Woman Directors on their Board**

*(Public Company having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more)*

**(₹ in crore)**

| Sl. No. | Name of SPSE | Paid-up capital | Turnover |
|---|---|---|---|
| 1. | Haryana Power Generation Corporation Limited | 3,051.33 | 5,462.60 |
| 2. | Haryana Vidyut Prasaran Nigam Limited | 3,520.66 | 2,154.41 |
| 3. | Uttar Haryana Bijli Vitran Nigam Limited | 12,681.98 | 14,165.20 |
| 4. | Dakshin Haryana Bijli Vitran Nigam Limited | 11,178.78 | 15,036.13 |
| 5. | Haryana State Industrial and Infrastructure Development Corporation Limited | 48.84 | 1,563.68 |
| 6. | Haryana Agro Industries Corporation Limited | 4.14 | 2,131.60 |
| 7. | Haryana State Roads and Bridges Development Corporation Limited | 122.04 | 1.75 |

*Note: Shaded cell indicates criteria met by the SPSEs*

## Appendix VA

*(Referred to in Paragraph 5.3)*

### Statement showing applicability of CSR Criteria

**(Amount ₹ in crore)**

| Sl. No. | Name of the SPSE | Period of accounts | Net Profit/ loss after dividend, interest and tax | Turnover | Net Worth |
|---|---|---|---|---|---|
| 1 | Haryana Power Generation Corporation Limited | 2018-19 | 209.99 | 5,462.60 | 4,011.27 |
| 2 | Haryana Vidyut Prasaran Nigam Limited | 2018-19 | 196.98 | 2,154.41 | 3,212.79 |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited | 2018-19 | 185.71 | 14,165.20 | -2,932.14 |
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited | 2018-19 | 95.23 | 15036.13 | -2,516.38 |
| 5 | Haryana State Industrial and Infrastructure Development Corporation Limited | 2017-18 | 216.34 | 1,563.68 | 1,631.10 |
| 6 | Haryana State Electronics Development Corporation Limited | 2018-19 | 16.07 | 46.54 | 109.91 |
| 7 | Haryana State Roads and Bridges Development Corporation Limited | 2018-19 | 20.41 | 1.75 | 257.13 |
| 8 | Haryana Scheduled Castes Finance and Development Corporation Limited | 2017-18 | 5.22 | 0.69 | 66.31 |
| 9 | Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited | 2017-18 | 7.71 | 10.52 | 42.97 |
| 10 | Haryana Agro Industries Corporation Limited | 2015-16 | 0.92 | 2,131.6 | -117.71 |
| 11 | Haryana Forest Development Corporation Limited | 2018-19 | 2.76 | 75.49 | 51.59 |
| 12 | Haryana Tourism Corporation Limited | 2017-18 | -14.3 | 270.94 | 39.78 |
| 13 | Hartron Informatics Limited | 2018-19 | 0.43 | 0.65 | 5.28 |
| 14 | Gurgaon Technology Park Limited | 2018-19 | 1.41 | 1.86 | 35.43 |
| 15 | Panipat Plastic Park Haryana Limited | 2018-19 | -0.01 | 0 | 0.09 |
| 16 | Faridabad Smart City Limited | 2017-18 | -1.19 | 0 | 0.1 |
| 17 | Gurugram Metropolitan City Bus Limited | 2018-19 | -15.15 | 3.75 | 34.9 |
| 18 | Haryana Medical Services Limited | 2017-18 | 4.25 | 6.69 | 11.47 |
| 19 | Haryana Roadways Engineering Corporation Limited | 2018-19 | -5.42 | 36.86 | 19.03 |
| 20 | Haryana Rail Infrastructure Development Corporation Limited | 2018-19 | 0.03 | 0 | 19.91 |
| 21 | Haryana Police Housing Corporation Limited | 2016-17 | -1.36 | 304.98 | 22.57 |
| 22 | Haryana Mass Rapid Transport Corporation Limited | 2018-19 | 0.11 | 0 | 28.56 |
| 23 | Haryana Women Development Corporation Limited | 2016-17 | 0.58 | 5.04 | 15.83 |
| 24 | Haryana Seeds Development Corporation Limited | 2018-19 | 4.8 | 143.23 | 10.06 |
| 25 | Haryana Land Reclamation and Development Corporation Limited | 2018-19 | 1.26 | 87.69 | 7.77 |

Note: SPSEs at Sl. number 1 to 10 meet the CSR criteria.

# Appendix VB

*(Referred to in Paragraphs 5.5.4, 5.6.1 and 5.6.2)*

## Allocation and actual CSR spend including carry forward

**(Amount ₹ in crore)**

| Sl. No. | Name of SPSE | Average Profit of preceding three years | Two % of Col 3 to be spent on CSR | Carry over from previous year | Total amount to be spent | Actual spent | Difference | Unspent amount carried forward | Period of Expendi-ture approved |
|---|---|---|---|---|---|---|---|---|---|
| **1** | **2** | **3** | **4** | **5** | **6=4+5** | **7** | **8=6-7** | **9** | **10** |
| 1 | Haryana Vidyut Prasaran Nigam Limited | 138.42 | 2.77 | 2.93 | 5.70 | 4.76 | 0.94 | 0.94 | 9 October 2019 |
| 2 | Haryana Power Generation Corporation Limited | -1.48 | 0.00 | 0.40 | 0.40 | 0.98 | -0.58 | 0.00 | 18 July 2019 |
| 3 | Uttar Haryana Bijli Vitran Nigam Limited | 43.92 | 0.88 | 0.00 | 0.88 | 0.70 | 0.18 | 0.18 | 20 November 2019 |
| 4 | Dakshin Haryana Bijli Vitran Nigam Limited | 53.92 | 1.08 | 0.00 | 1.08 | 0.00 | 1.08 | 1.08 | 18 September 2019 |
| 5 | Haryana State Industrial and Infrastructure Development Corporation Limited | 598.25 | 11.96 | 7.83 | 19.79 | 14.33 | 5.46 | 5.46 | 22 July 2019 |
| 6 | Haryana State Electronics Development Corporation Limited | 13.51 | 0.27 | 0.00 | 0.27 | 0.06 | 0.21 | 0.21 | Not approved |
| 7 | Haryana State Roads & Bridges Development Corporation Limited | 26.76 | 0.54 | 0.00 | 0.54 | 0.54 | 0.00 | 0.00 | 10 May 2019 |
| | **Total** | **873.30** | **17.50** | **11.16** | **28.66** | **21.37** | **7.29** | **7.87** | |

## Appendix VC

*(Referred to in Paragraph 5.6.1)*

### Statement showing calculation of profit before tax as per MCA circular vis-à-vis Company

| **Period** | **Net profit before tax under section 198** | |
|---|---|---|
| | **As per Annual Financial Statements (₹ in crore)** | **As calculated by the Company (₹ in crore)** |
| **Haryana Vidyut Prasaran Nigam Limited** | | |
| 2016-17 | 381.23 | 68.1 |
| 2017-18 | 534.25 | 149.64 |
| 2018-19 | 457.81 | 197.52 |
| Total profit for three years | 1373.29 | 415.26 |
| Average profit for preceding three years | 457.76 | 138.42 |
| Two *per cent* of Average profit required to be spent under section 135 during 2019-20 | 9.16 | 2.77 |
| **Haryana Power Generation Company Limited** | | |
| 2016-17 | -11.90 | -108.71 |
| 2017-18 | 322.88 | 42.82 |
| 2018-19 | 750.87 | 61.46 |
| Total profit for three years | 1061.85 | -4.43 |
| Average profit for preceding three years | 353.95 | -1.48 |
| Two *per cent* of Average profit required to be spent under section 135 during 2019-20 | 7.08 | Nil |

# Appendix VI

*(Referred in Paragraph 6.3)*

## Statement showing State Public Sector Enterprises (SPSEs) on which Ind AS is applicable

**I. On the basis of Net Worth**

| Sl. No. | Name of SPSE | Net Worth in 2015-16 (₹ in crore) |
|---|---|---|
| 1. | Haryana State Industrial and Infrastructure Development Corporation Limited | 1,351.17 |
| 2. | Haryana Power Generation Corporation Limited | 2,674.62 |
| 3. | Haryana Vidyut Prasaran Nigam Limited | 2,736.85 |

**II. On the basis of Holding, Subsidiary, Joint venture or Associate companies of Companies covered at I above:**

| Sl. No. | Name of SPSE | Status of Company |
|---|---|---|
| 1. | Panipat Plastic Park Haryana Limited | Subsidiary of Haryana State Industrial and Infrastructure Development Corporation Limited |
| 2. | Haryana Concast Limited | Subsidiary of Haryana State Industrial and Infrastructure Development Corporation Limited (Inactive Company) |
| 3. | Haryana Mineral Limited | Subsidiary of Haryana State Industrial and Infrastructure Development Corporation Limited (Inactive Company) |
| 4. | Saur Urja Nigam Haryana Limited | Subsidiary of Haryana State Industrial and Infrastructure Development Corporation Limited (Inactive Company) |