

**Part 'B'**  
**Public Sector Undertakings**



**Chapter-3**  
**Introduction**



## CHAPTER-3

### INTRODUCTION

#### 3.1 Introduction

##### 3.1.1 General

State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of a commercial nature and occupy an important place in the State's economy. As on 31 March 2019, there were 27 PSUs in Himachal Pradesh, including two<sup>1</sup> Statutory Corporations, and 25 Government Companies (including three<sup>2</sup> inactive Government Companies). Of these, one Company<sup>3</sup> was listed on the Delhi Stock Exchange (DSE), however, on the request of the Company (1994) and recommendation of DSE, the Security and Exchange Board of India (SEBI) accorded (September 2002) consent for delisting the Company.

The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the status of accounts are indicated in table 3.1.

Table 3.1: Total number of PSUs as on 31 March 2019

Nature of PSUs	Total Number	Number of accounts received during the reporting period					Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		2018-19	2017-18	2016-17	2015-16	Total	
Working Government Companies	22	1	10	4	1	16	21 (40)
Statutory Corporations	2	-	2	-	-	2	2 (2)
Total working PSUs	24	1	12	4	1	18	23 (42)
Inactive Government Companies	3	-	-	1	-	1	2 <sup>4</sup> (7)
Total	27						

The working PSUs registered a turnover of ₹ 9,181.99 crore (*Appendix 3.1*) as per their latest finalised accounts as of September 2019. This turnover was equal to 5.97 per cent of the State Gross Domestic Product (GDP) at current prices for 2018-19. The working PSUs incurred

<sup>1</sup> Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

<sup>2</sup> Agro Industrial Packaging India Limited, Himachal Pradesh Beverages Limited and Himachal Worsteds Mills Limited.

<sup>3</sup> Himachal Pradesh General Industries Corporation Limited.

<sup>4</sup> Himachal Worsteds Mills Limited has not been considered as the Company is under liquidation.

aggregate loss of ₹ 183.49 crore (*Appendix 3.1*) as per their latest finalised accounts as of September 2019. These PSUs had employed 36,347 employees as of March 2019.

As on 31 March 2019, there were three inactive Companies with capital employed of ₹ 79.79 crore.

### **3.1.2 Accountability framework**

The procedure for audit of Government Companies is laid down in Sections 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 Comptroller and Auditor General of India within a period of 180 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 statutory auditors are to be appointed by the Comptroller and Auditor General of India within 60 days from the date of registration of the Company and in case the Comptroller and Auditor General of India 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 an auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, the Comptroller and Auditor General of India 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, Powers 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 Comptroller and Auditor General of India. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### **3.1.3 Statutory Audit**

The financial statements of Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by statutory auditors who are appointed by the

Comptroller and Auditor General of India under Section 139 (5) or (7) of the Act. The Statutory Auditors submit a copy of Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143 (5) of the Act 2013. These financial statements are subject to supplementary audit by Comptroller and Auditor General of India within 60 days from the date of receipt of the Audit Report under Section 143(6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations<sup>5</sup>, the Comptroller and Auditor General of India is the sole auditor for the Himachal Road Transport Corporation (HRTC) and in respect of Himachal Pradesh Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

### **3.1.4 Submission of accounts by PSUs**

#### ***Need for timely finalisation and submission***

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 Houses 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 Comptroller and Auditor General of India. 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. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. 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 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.

### **3.1.5 Role of Government and Legislature**

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

The State Legislature monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of State

<sup>5</sup> Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

Government Companies and Separate Audit Reports in case of Statutory Corporations, are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of Comptroller and Auditor General of India are submitted to the Government under section 19A of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

### **3.1.6 Investment by the Government of Himachal Pradesh in the State Public Sector Undertakings (PSUs)**

The Government of Himachal (GoHP) has high financial stakes in the PSUs. These are mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoHP also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoHP provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoHP also guarantees the repayment of loans with interest, availed by the PSUs from Financial Institutions.

The sector-wise summary of total investment in the PSUs as on 31 March 2019 is given below:

As on 31 March 2019, the total investment (Paid up capital, Long-term loans and grants) in 27 PSUs was ₹ 20,338.66 crore as given in table-3.2.

**Table 3.2: Sector-wise investment in PSUs**

(₹ in crore)

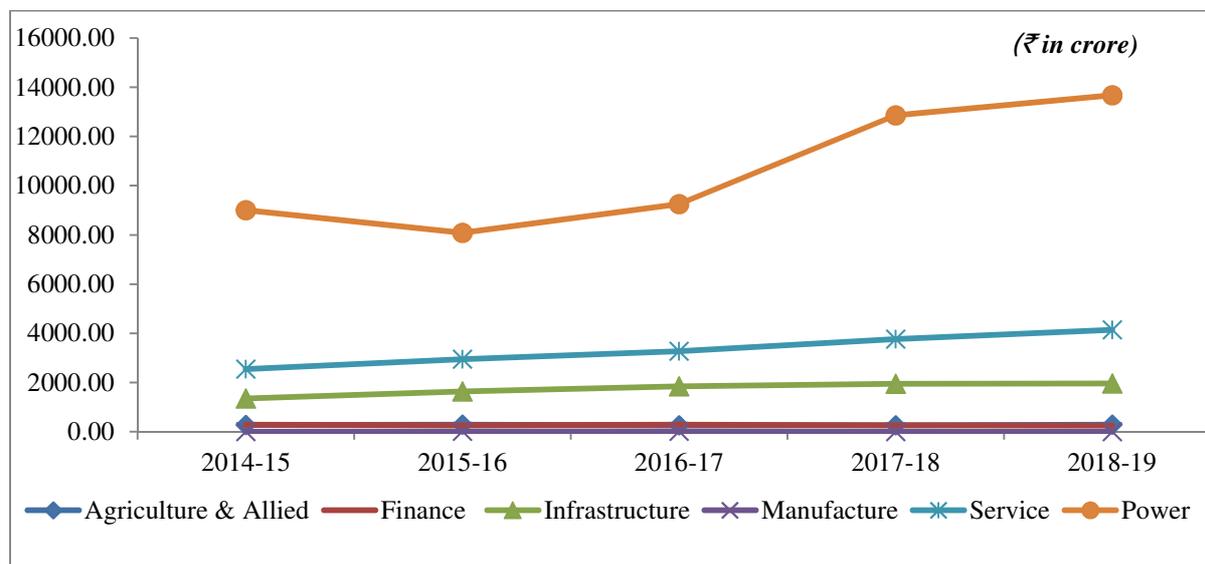
Name of sector	Government Companies		Statutory Corporation	Total	Investment							Total	
	Working	Inactive			Equity			Long term loans			Subsidy/Grants by GoHP	GoHP	Others
					GoHP	Others	Total	GoHP	Others	Total			
Agriculture and Allied	3	1	-	4	76.55	10.50	87.05	127.82	1.49	129.31	69.17	273.54	11.99
Finance	3	-	1	4	131.41	6.69	138.10	77.88	34.08	111.96	5.31	214.60	40.77
Infrastructure	4	-	-	4	55.82	-	55.82	--	-	-	1,914.00	1,969.82	-
Manufacture	1	1	-	2	7.04	1.04	8.08	2.97	-	2.97	0.00	10.01	1.04
Service	7	1	1	9	793.82	15.65	809.47	0.55	132.87	133.42	3,203.10	3,997.47	148.52
Power	4	-	-	4	1,656.66	1,705.92	3,362.58	6,393.82	3,142.82	9,536.64	771.68	8,822.16	4,848.74
<b>Total</b>	<b>22</b>	<b>3</b>	<b>2</b>	<b>27</b>	<b>2,721.30</b>	<b>1,739.80</b>	<b>4,461.10</b>	<b>6,603.04</b>	<b>3,311.26</b>	<b>9,914.30</b>	<b>5,963.26</b>	<b>15,287.60</b>	<b>5,051.06</b>

Source: Compiled based on information received from PSUs. Grants/Subsidy from only GoHP were considered.

The thrust of investment in PSU was mainly on power sector which received investments of ₹ 13,670.90 crore (67.22 per cent) out of total investment of ₹ 20,338.66 crore.

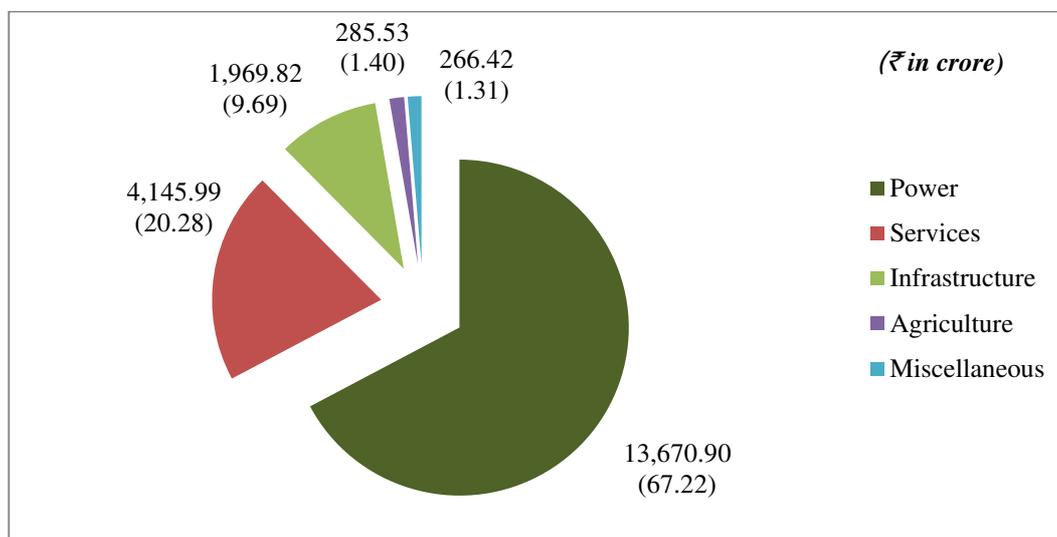
The total investment in various sectors during the period from 2014-15 to 2018-19 is shown in the chart-3.1:

**Chart 3.1: Total Investment in PSUs**



**3.1.7** The total investment in four significant sectors and percentage thereof at the end of 31 March 2019 is indicated in chart-3.2.

**Chart 3.2: Sector-wise investment in PSUs**



(Figures in brackets show the sector-wise percentage of Investment to total Investment)

Keeping in view the high level of investment in Power Sector, we are presenting the results of four Power Sector PSUs in Chapter 4<sup>6</sup> of this report and of the 21 PSUs (other than power sector) in Chapter 5<sup>7</sup> of the report.

<sup>6</sup> The Chapter-4 includes: Functioning of State Power Sector Undertakings and Compliance Audit Observations relating to Power Sector Undertakings.

<sup>7</sup> The Chapter-5 includes: Functioning of State PSUs other than Power Sector and Compliance Audit Observations relating to PSUs other than Power Sector.

