

# **Chapter III**

## **Functioning of State Public Sector Undertakings (Non-power Sector)**



## Chapter III

### Functioning of State Public Sector Undertakings (Non-power Sector)

#### Introduction

**3.1** State Public Sector Undertakings (Non-power Sector) consist of State Government Companies, Government-controlled other Companies, subsidiary Companies and Statutory Corporations as of 31 March 2019, operating in the Non-power Sector. These included 42 working Government Companies, one working other Government-controlled Company, eight working subsidiary companies, eight working Statutory Corporations, one inactive Statutory Corporation, 15 inactive Government Companies and three inactive subsidiary companies (*Appendix-8*).

#### Investment in State PSUs (Non-power Sector)

**3.2** The sector-wise investment in all State PSUs (Non-power Sector) as on 31 March 2019 is as follows:

**Table 3.1: Sector-wise investment in State PSUs (Non-power Sector)**

(₹ in crore)

Sector	Total number of State PSUs	Investment		
		Equity*	Long-term loans*	Total
Social Sector	22	1,905.67	330.04	2,235.71
Competitive Sector	42	727.96	3,962.72	4,690.68
Others	14	1,504.04	1,915.62	3,419.66
<b>Total</b>	<b>78</b>	<b>4,137.67</b>	<b>6,208.38</b>	<b>10,346.05</b>

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

\* Includes paid-up capital, share application money and non-current component of principal amount of loans from the Central Government, State Governments and other including Public Financial Institutions and Commercial banks.

As on 31 March 2019, the total investment (equity and long-term loans) in 78 State PSUs (Non-power Sector) was ₹ 10,346.05 crore. The investment consisted of ₹ 4,137.67 crore (39.99 per cent) towards equity and ₹ 6,208.38 crore (60.01 per cent) in long-term loans, as shown in *Appendix-8*.

#### Budgetary Support to State PSUs (Non-power Sector)

**3.3** The Government of West Bengal provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2019 are as follows in **Table 3.2**:

**Table 3.2: Details regarding budgetary support to State PSUs  
(Non-power Sector)**

(₹ in crore)

	Particulars <sup>169</sup>	2016-17		2017-18		2018-19	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i)	Equity Capital	20	300.40	23	439.37	9	138.63
(ii)	Loans	29	523.47	24	453.39	21	321.80
(iii)	Grants/ Subsidy	28	1,152.73	31	1,968.89	15	1,341.48
(iv)	<b>Total Outgo (i+ii+iii)</b>	<b>49*</b>	<b>1,976.60</b>	<b>38*</b>	<b>2,861.65</b>	<b>34*</b>	<b>1,801.91</b>
(v)	Loan repayment written off	-	-	2	3.77	11	334.29
(vi)	Loans converted into equity	-	-	1	13.24	-	-
(vii)	Guarantees issued <sup>170</sup>	-	-	-	-	-	-
(viii)	Guarantee Commitment <sup>171</sup>	7	2,878.98	7	2,443.52	7	2,510.12

(Source: As per information furnished by PSUs)

\*Some of the PSUs received assistance from the State Budget under more than one of category.

The annual budgetary assistance to State PSUs peaked in 2017-18 at ₹ 2,861.65 crore. Further, the budgetary assistance for the year 2018-19 included ₹ 138.63 crore, ₹ 321.80 crore and ₹ 1,341.48 crore in the form of equity, loans and grants/ subsidy respectively. The subsidy/ grants given by the State Government in 2018-19 were primarily to the Transport Sector (₹ 860.20 crore) for renovation of buses, purchase of spare parts, new buses and repayment of bank loans, while ₹ 478.63 crore was disbursed to two inactive PSUs<sup>172</sup> for repayment of loans to the Government of West Bengal.

### Guarantee Commission

**3.4** The State Government provides guarantees to PSUs to draw financial assistance from banks and financial institutions. The PSUs are liable to pay guarantee commission to GoWB at the rate of one *per cent per annum* on the amount outstanding against guarantees issued. During the last two years, no fresh guarantee was issued. The guarantee commitments decreased by 12.81 *per cent* from ₹ 2,878.98 crore in 2016-17 to ₹ 2,510.12 crore in 2018-19. During 2018-19, West Bengal Essential Commodities Supply Corporation Limited had paid guarantee commission of ₹ 5.45 crore. Moreover, according to Kalyani Spinning Mills Limited, total guarantee commission of ₹ 0.77 crore was outstanding as of March 2019. Similar information for other PSUs was not communicated.

### Reconciliation with Finance Accounts of Government of West Bengal

**3.5** The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance

<sup>169</sup> Amount represents outgo from State Budget only.

<sup>170</sup> Government guarantees issued to the PSUs during a particular year.

<sup>171</sup> Closing balance of Government guarantee in respect of PSUs at the end of a particular year.

<sup>172</sup> Released under West Bengal Development Finance Programme to National Iron and Steel Company (1984) Limited and Neo Pipes and Tubes Limited for repayment of principal amount of Government loans (₹ 155.79 crore) and accumulated interest thereon (₹ 322.84 crore).

Accounts of the Government of West Bengal. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is stated in the **Table 3.3**:

**Table 3.3: Equity, loans and guarantees outstanding as per Finance Accounts of Government of West Bengal vis-à-vis records of State PSUs**

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Total Difference in 2018-19	Total Difference in 2017-18
(1)	(2)	(3)	(4) = (2) – (3)	(5)
Equity	5,475.84	3,980.10	1,494.78	1,814.41
Loans	3,844.28	4,753.22	(908.94)	499.03
Guarantees	6,118.68	2,510.12	3,608.56	220.20

(Source: Information furnished by PSUs and State Finance Audit Report for the year ended March 2019)

Audit observed that differences in equity, loans and guarantees occurred in respect of 53 out of 72 PSUs, in which the Government had invested. Some of the differences were pending reconciliation for many years. These differences were brought to the notice of the concerned administrative departments and the managements of the PSUs concerned, through Audit Reports in successive years.

### Submission of Accounts by State PSUs (Non-power Sector)

**3.6** Out of the total 78 State PSUs (Non-power Sector) under the purview of CAG as on 31 March 2019, 59 PSUs comprising of 51 Government Companies and eight Statutory Corporations were working while the remaining 19 PSUs were inactive. Of these 78 PSUs, 77 are required to submit their annual accounts for audit by CAG. The accounts of one inactive Statutory Corporation (Great Eastern Hotel Authority) is not subject to audit by CAG. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

#### *Timeliness in preparation of accounts by the State PSUs (Non-power Sector)*

Accounts for the year 2018-19 were required to be submitted by 78 State PSUs (Non-power Sector) by 30 September 2019. However, out of 77 PSUs, only 30 (29 Government Companies, one Statutory Corporation) had submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019. The accounts of 48 PSUs (40 Government Companies, eight<sup>173</sup> Statutory Corporations) were in arrears. Details of arrears in submission of accounts of PSUs as of 30 September following for each of the last five financial years ending 31 March 2019 are given at **Table 3.4**:

<sup>173</sup> First accounts of WBSCST&OBCD&FC were not submitted upto September 2019.

**Table 3.4: Position relating to submission of accounts by the working State PSUs**

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	84	82	84	86	78
2.	Number of accounts submitted during current year	73	80	78	96	84
3.	Number of PSUs which finalised accounts for the current year	30	30	31	37	30
4.	Number of previous year accounts finalised during current year	43	50	47	59	54
5.	Number of PSUs with arrears in accounts	54	52	53	49	48
6.	Number of accounts in arrears	121	123	138	126	119
7.	Extent of arrears (years)	1 to 9	1 to 10	1 to 11	1 to 12	1 to 13

(Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019)

During the period from 01 October 2018 to 30 September 2019, 58 of the 78 State PSUs had finalised 84 annual accounts which, included 30 accounts for the year 2018-19 and 54 accounts for previous years. Further, in this period 10 PSUs had not even submitted one accounts. Thus, 119 accounts of 48 PSUs (working: 33, inactive: 15) were in arrears. The details of the latest accounts of the PSUs received up to 30 September 2019 are given at **Appendix-9**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Chief Secretary to the Government of West Bengal is informed quarterly regarding arrears in accounts. Sixteen SARs in respect of the seven Statutory Corporations were issued to Government during March 2014 to May 2019. These are yet to be placed in the State Legislature.

In absence of finalisation of accounts and their subsequent audit in the remaining 48 out of 78 PSUs, no assurance could be given on whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoWB investment in these PSUs, therefore, remained outside the oversight of State Legislature.

**Recommendation:** Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

### Performance of State PSUs (Non-power Sector)

3.7 The financial position and working results of the 78 State PSUs (Non-power Sector) as per their latest finalised accounts as on 30 September 2019 are detailed in **Appendix-9**. Their performance is analysed from the latest finalised accounts of PSUs as of 30 September of the following year for each of the last five financial years ending 31 March 2019 and discussed hereafter.

The performance of a company is traditionally assessed through percentage of turnover to State GDP, return on investment, return on equity and return on capital employed.

**Percentage of turnover to State GDP**

**3.7.1** Table 3.5 provides the details of turnover of State PSUs (Non-power Sector) and GDP of West Bengal for a period of five years ending March 2019:

**Table 3.5: Details of Turnover of Non-power State PSUs vis-à-vis GDP of West Bengal**

Particulars	₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	13,770.12	5,202.68	5,923.62	12,126.13	19,642.38
Percentage change of turnover over previous year	-	(-) 62.22	13.86	104.71	61.98
GDP of West Bengal	7,18,082	7,97,300	8,79,167	10,20,858	11,77,586
Percentage change of GDP over previous year	-	11.03	10.27	16.12	15.35
Percentage of turnover to GDP of West Bengal	1.91	0.65	0.67	1.19	1.67

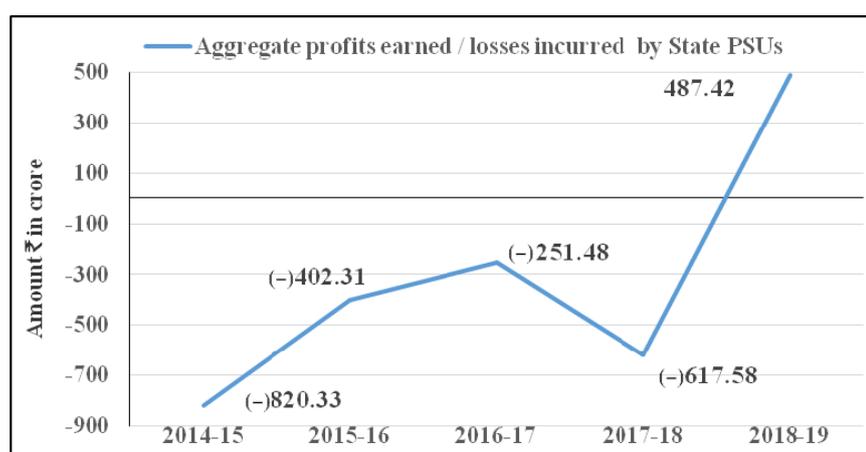
(Source: Compiled based on turnover figures of State PSUs and State GDP figures as per information in previous Audit Reports and the Finance Accounts, Volume-I, 2018-19, GoWB)

The turnover of these PSUs decreased sharply in 2015-16 over 2014-15 by 37.78 per cent due to disinvestment of controlling stake in Haldia Petrochemicals Limited (HPL). It increased in 2017-18 and 2018-19 by 104.71 per cent and 61.98 per cent respectively over the preceding years due to the addition and expansion of business of a new Government Company, viz. West Bengal State Beverages Corporation Limited. The Compounded Annual Growth Rate (CAGR)<sup>174</sup> of State GDP was 13.16 per cent during last five years, while the corresponding CAGR for turnover of non-power PSUs was 9.34 per cent.

**Rate of Real Return on Investment**

**3.7.2** Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of profits earned/ losses<sup>175</sup> incurred by all 78 State PSUs (Non-power Sector) during 2014-15 to 2018-19 is depicted below in **Chart 3.1**:

**Chart 3.1: Profit/ Losses earned/ incurred by State PSUs (Non-power Sector) during the years**



(Source: As per latest Accounts as of 30 September following the respective financial years)

<sup>174</sup> Rate of Compounded Annual Growth ((value of 2018-19/value of 2014-15) ^ (1/4 years) - 1) \* 100) where turnover and GSDP for the year 2014-15 was ₹ 13,770.12 crore and ₹ 7,18,082 crore respectively.

<sup>175</sup> Figures are as per the latest finalised accounts of the respective years.

The loss of ₹ 820.33 crore incurred by these PSUs in 2014-15 turned into profit of ₹ 487.42 crore in 2018-19. This is largely due to a significant jump in the profits of West Bengal Industrial Development Corporation Limited (WBIDCL) from ₹ 26.31 crore in 2017-18 to ₹ 885.27 crore in 2018-19, mainly on account of re-classification of items to profit or loss on adoption of Ind AS in 2018-19. Since this is not actual profit it will not be repeated in subsequent years.

As per latest finalised accounts of 58 working PSUs till September 2019, 30 PSUs earned aggregate profit of ₹ 1,314.22 crore and 28 PSUs incurred aggregate losses of ₹ 573.08 crore. The working results of each PSUs as per its latest available accounts is given in *Appendix-9*. The remaining one<sup>176</sup> corporation has not yet submitted its first accounts till September 2019. Besides WBIDCL (₹ 885.27 crore), the other top profit earning company was West Bengal State Beverages Corporation Limited (₹ 80.30 crore). The major contributors to the losses were Calcutta State Transport Corporation (₹ 68 crore), West Bengal Transport Corporation Limited (₹ 188.92 crore) and West Bengal Surface Transport Corporation Limited (₹ 89.98 crore).

#### **Rate of Real Return on the basis of historical cost of investment**

**3.7.3** For the purpose of calculation of the RORR the total figure of investment in working Non-power Sector PSUs by the Government of West Bengal, Government of India and others has been arrived by considering equity, interest free loans and grants as well as subsidies for operational and management purposes. As per the latest accounts finalised till September 2019, equity of the GoWB, GoI and others in these 78 non-power State PSUs, aggregated to ₹ 4,137.67 crore and grants as well as subsidies for operational and management expenses adding up to ₹ 18,587.54 crore. Out of the outstanding long-term loans of ₹ 6,208.38 crore, ₹ 546.30 crore was interest-free. Thus, the aggregate investment in these PSUs on the basis of historical cost stood at ₹ 23,271.51 crore (₹ 4,137.67 crore + ₹ 18,587.54 crore + ₹ 546.30 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is given in **Table 3.6**:

**Table 3.6 Sector wise Rate of Real Return on Investment on historical cost basis**

(₹ in crore)

Year wise	Total Earnings for the year	Investment in the form of equity, interest free loans and grants/ subsidies for operational & management expenses on historical cost basis				Rate of Real Return on investment on historical cost basis (in per cent)
		Govt. of West Bengal	Govt. of India	Funds invested by others	Total	
<b>2014-15</b>						
<b>Social Sector</b>	99.81	8,403.36	325.92	7.57	8,736.85	1.14
<b>Competitive Sector</b>	(-) 1,079.20	6,434.99	50.15	48.62	6,533.76	(-) 16.52
<b>Others</b>	159.06	1,691.56	1,082.44	19.92	2,793.92	5.69
<b>Total</b>	<b>(-) 820.33</b>	<b>16,529.91</b>	<b>1,458.51</b>	<b>76.11</b>	<b>18,064.53</b>	<b>(-) 4.54</b>

<sup>176</sup> WBCSST&OBCD&FC

Year wise Sector-wise break-up	Total Earnings for the year	Investment in the form of equity, interest free loans and grants/ subsidies for operational & management expenses on historical cost basis				Rate of Real Return on investment on historical cost basis (in per cent)
		Govt. of West Bengal	Govt. of India	Funds invested by others	Total	
<b>2015-16</b>						
<b>Social Sector</b>	71.98	8,996.89	325.92	7.57	9,330.38	0.77
<b>Competitive Sector</b>	(-) 660.02	6,210.72	50.15	48.62	6,309.49	(-) 10.46
<b>Others</b>	185.73	1,979.35	1,087.44	19.92	3,086.71	6.02
<b>Total</b>	<b>(-) 402.31</b>	<b>17,186.96</b>	<b>1,463.51</b>	<b>76.11</b>	<b>18,726.58</b>	<b>(-) 2.15</b>
<b>2016-17</b>						
<b>Social Sector</b>	87.09	9,576.28	325.92	7.57	9,909.77	0.88
<b>Competitive Sector</b>	(-) 486.11	7,047.38	50.15	48.62	7,146.15	(-) 6.80
<b>Others</b>	147.54	2,240.65	1,102.45	19.92	3,363.02	4.39
<b>Total</b>	<b>(-) 251.48</b>	<b>18,864.31</b>	<b>1,478.52</b>	<b>76.11</b>	<b>20,418.94</b>	<b>(-) 1.23</b>
<b>2017-18</b>						
<b>Social Sector</b>	24.53	10,414.25	319.17	7.62	10,741.04	0.23
<b>Competitive Sector</b>	(-) 759.30	8,349.11	55.29	46.59	8,450.99	(-) 8.98
<b>Others</b>	117.19	2,361.23	1,105.20	8.32	3,474.75	3.37
<b>Total</b>	<b>(-) 617.58</b>	<b>21,124.59</b>	<b>1,479.66</b>	<b>62.53</b>	<b>22,666.78</b>	<b>(-) 2.72</b>
<b>2018-19</b>						
<b>Social Sector</b>	(-) 23.75	10,302.53	319.42	6.70	10,628.65	(-) 0.22
<b>Competitive Sector</b>	(-) 500.96	8,990.78	55.29	19.05	9,065.12	(-) 5.53
<b>Others</b>	1,012.13	2,453.97	1,115.45	8.32	3,577.74	28.29
<b>Total</b>	<b>487.42</b>	<b>24,747.28</b>	<b>1,490.16</b>	<b>34.07</b>	<b>23,271.51</b>	<b>2.09</b>

(Source: Compiled based on information received from PSUs)

It would be seen from the table that while PSUs in the competitive sector had a negative return in all five years, the social sector had a negative return in the last one year. Only the 'others' sector had a positive return in all five years, with 2018-19 having a significant jump on account of profits made (₹ 885.27 crore) by WBIDCL.

These 78 PSUs included 19 inactive PSUs and one<sup>177</sup> working PSU that had not submitted any account up to September 2019. Out of 58 working PSUs, there were eight Statutory Corporations and 50 Government Companies. It was seen from earlier Audit Reports, that 13 out of these 50 Companies had continuously incurred losses for five or more years according to their latest available accounts. These Companies had, however, not undergone financial restructuring or re-capitalisation in the past five years.

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

**3.7.4** Traditional calculation of return based only on the basis of historical cost ignores the present value of money. Calculating RORR on the basis of PV is a more adequate assessment. These 78 non-power PSUs as a whole, had a positive rate of real return on investment only in the year 2018-19. The PV of the total investment in the working State PSUs (Non-power Sector) was computed on the following assumptions:

<sup>177</sup> West Bengal Scheduled Castes, Scheduled Tribes & Other Backward Classes Development & Finance Corporation

- The equity infused minus disinvestment has been reckoned as investment for calculating the rate of real return on investments. Further, interest free long-term loans and assistance as grants/ subsidies have been considered as investment infusion. In case of either repayment of loans by the PSUs or their subsequent conversion to equity/ interest bearing loans, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year<sup>178</sup> was adopted as compounded rate for arriving at present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

The investment by the GoWB, GoI and others in the Non-power State PSUs at the end of the year 2018-19 was ₹ 23,271.51 crore consisting of equity (₹ 4,137.67 crore), interest free loans (₹ 546.30 crore) and grants/ subsidies (₹ 18,587.54 crore). The PV of funds infused by the GoWB, GoI and others up to 31 March 2019 amounted to ₹ 1,42,845.97 crore.

The sector-wise comparison of returns on funds at historical cost and at present value for the five years from 2014-15 to 2018-19 are given in **Table 3.7:**

**Table 3.7: Sector wise Real Rate of Return on total investment on Present Value**

(₹ in crore)

Year wise/ Sector-wise break-up	Total Earnings for the year	Total Investment in the form of equity, IFL and grants/ subsidies for operational & management expenses on historical cost basis	RROI on historical cost basis (in per cent)	Present value of the total investment at the end of the year	RROI on PV of the investments (in per cent)
<b>2014-15</b>					
<b>Social Sector</b>	99.81	8,736.85	1.14	10,916.47	0.91
<b>Competitive Sector</b>	(-) 1,079.20	6,533.76	(-) 16.52	56,491.05	(-) 1.91
<b>Others</b>	159.06	2,793.92	5.69	5,996.49	2.65
<b>Total</b>	<b>(-) 820.33</b>	<b>18,064.53</b>	<b>(-) 4.54</b>	<b>73,404.01</b>	<b>(-)1.12</b>
<b>2015-16</b>					
<b>Social Sector</b>	71.98	9,330.38	0.77	13,572.52	0.53
<b>Competitive Sector</b>	(-) 660.02	6,309.49	(-) 10.46	66,895.97	(-) 0.99
<b>Others</b>	185.73	3,086.71	6.02	6,781.99	2.74
<b>Total</b>	<b>(-) 402.31</b>	<b>18,726.58</b>	<b>(-) 2.15</b>	<b>87,250.48</b>	<b>(-) 0.46</b>
<b>2016-17</b>					
<b>Social Sector</b>	87.09	9,909.77	0.88	16,572.21	0.53
<b>Competitive Sector</b>	(-) 486.11	7,146.15	(-) 6.80	79,048.78	(-) 0.61
<b>Others</b>	147.54	3,363.02	4.39	7,616.17	1.94
<b>Total</b>	<b>(-) 251.48</b>	<b>20,418.94</b>	<b>(-) 1.23</b>	<b>103,237.16</b>	<b>(-) 0.24</b>

<sup>178</sup> The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of West Bengal) for the concerned year wherein the average rate for interest paid = Interest Payment/[Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities]/2]\*100.

Year wise/ Sector-wise break-up	Total Earnings for the year	Total Investment in the form of equity, IFL and grants/ subsidies for operational & management expenses on historical cost basis	RROI on historical cost basis (in per cent)	Present value of the total investment at the end of the year	RROI on PV of the investments (in per cent)
<b>2017-18</b>					
<b>Social Sector</b>	24.53	10,741.04	0.23	20,329.02	0.12
<b>Competitive Sector</b>	(-) 759.30	8,450.99	(-) 8.98	93,542.13	(-) 0.81
<b>Others</b>	117.19	3,474.75	3.37	8,359.06	1.40
<b>Total</b>	<b>(-) 617.58</b>	<b>22,666.78</b>	<b>(-) 2.72</b>	<b>122,230.21</b>	<b>(-) 0.51</b>
<b>2018-19</b>					
<b>Social Sector</b>	(-) 23.75	10,628.65	(-) 0.22	24,071.81	(-) 0.10
<b>Competitive Sector</b>	(-) 500.96	9,065.12	(-) 5.53	1,09,673.94	(-) 0.46
<b>Others</b>	1,012.13	3,577.74	28.29	9,100.22	11.12
<b>Total</b>	<b>487.42</b>	<b>23,271.51</b>	<b>2.09</b>	<b>1,42,845.97</b>	<b>0.34</b>

(Source: Compiled based on information received from PSUs)

The return earned on total investment on historical cost basis (2.09 per cent) and present value (0.34 per cent) was positive only in 2018-19. Further, in this year, the returns from 'Others' sector on present value was 11.12 per cent as against return of 28.29 per cent based on the historic cost of investment. Moreover, the Social and Competitive sectors incurred losses in 2018-19.

### Return on Equity

**3.7.5** Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' funds, expressed as a percentage.

Shareholders' funds of a Company are calculated by adding paid-up capital including share application money and free reserves net of accumulated losses and deferred revenue expenditure. A positive shareholders' funds implies that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets. It is also known as net worth.

Sector wise RoE computed in respect of all Non-power State PSUs as per their latest annual financial accounts is detailed in **Table 3.8**:

**Table 3.8: Sector wise Return on Equity**

(₹ in crore)

	Net Profit/ Loss	Shareholders' funds	RoE in per cent
(1)	(2)	(3)	(4)={2}*(3)/100
<b>2014-15</b>			
<b>Social Sector</b>	99.81	4,042.24	2.47
<b>Competitive Sector</b>	(-) 1,079.20	(-) 6,031.61	—
<b>Others</b>	159.06	1,126.99	14.11
<b>Total</b>	<b>(-) 820.33</b>	<b>(-) 862.38</b>	<b>—</b>
<b>2015-16</b>			
<b>Social Sector</b>	71.98	3,302.75	2.18
<b>Competitive Sector</b>	(-) 660.02	(-) 6,111.02	—
<b>Others</b>	185.73	754.39	24.62
<b>Total</b>	<b>(-) 402.31</b>	<b>(-) 2,053.88</b>	<b>—</b>

	Net Profit/ Loss	Shareholders' funds	RoE in per cent
(1)	(2)	(3)	(4)={(2)*(3)}/100
<b>2016-17</b>			
Social Sector	87.09	2,417.89	3.60
Competitive Sector	(-) 486.11	(-) 7,420.35	—
Others	147.54	1,436.80	10.27
<b>Total</b>	<b>(-) 251.48</b>	<b>(-) 3,565.66</b>	<b>—</b>
<b>2017-18</b>			
Social Sector	24.53	2,923.98	0.84
Competitive Sector	(-) 759.30	(-) 10,200.71	—
Others	117.19	1,048.58	11.18
<b>Total</b>	<b>(-) 617.58</b>	<b>(-) 6,228.15</b>	<b>—</b>
<b>2018-19</b>			
Social Sector	23.75	2,982.74	(-) 0.80
Competitive Sector	(-) 500.96	(-) 10,617.79	—
Others	1,012.13	2,268.01	44.63
<b>Total</b>	<b>487.42</b>	<b>(-) 5,367.04</b>	<b>—</b>

(Source: Compiled based on information received from PSUs)

Between 2014-15 and 2018-19, the aggregate shareholders' funds (net worth) were negative for all years, hence RoE cannot be worked out. Only in the Others sector, the RoE was positive for all years, ranging from 10.27 in 2016-17 to 44.63 per cent in 2018-19.

**3.7.6** ROE computed in respect of working State PSUs in Non-power Sector, which have earned profit or incurred loss, as per their latest annual financial statements is detailed in the **Table 3.9**:

**Table 3.9: Profit and loss wise Return on Equity on working State PSUs**

(₹ in crore)

	Year	No. of PSUs	Net Profit/ Loss	Shareholders' funds	RoE in per cent
	(1)	(2)	(3)	(4)	(5)={(3)*(4)}/100
<b>Profit earning</b>	2014-15	38	416.31	3,392.36	12.27
	2015-16	37	342.54	4,055.62	8.45
	2016-17	38	344.82	3,310.56	10.42
	2017-18	36	325.15	3,191.66	10.19
	2018-19	30	1,314.22	4,005.91	32.81
<b>Loss incurring</b>	2014-15	29	(-) 1,113.99	(-) 5,205.69	-
	2015-16	27	(-) 478.83	(-) 5,265.98	-
	2016-17	27	(-) 451.55	(-) 4,732.52	-
	2017-18	27	(-) 758.05	(-) 6,561.77	-
	2018-19	28	(-) 573.08	(-) 6,221.65	-
<b>Total*</b>	2014-15	67	(-) 697.68	(-) 1,813.33	-
	2015-16	64	(-) 136.29	(-) 1,210.36	-
	2016-17	65	(-) 106.73	(-) 1,421.96	-
	2017-18	63	(-) 432.90	(-) 3,370.11	-
	2018-19	58	741.14	(-) 2,215.74	-

(Source: Compiled based on information received from PSUs)

\* PSUs which had not submitted their first accounts since inception have been excluded.

For all the five years up to 2018-19, the aggregate shareholders' funds (net worth) were negative for Non-power PSUs. Therefore, the RoE was not worked out. During the last five years ending March 2019, the net income was positive only in 2018-19, which was mainly due to WBIDCL as mentioned in paragraph 3.7.3.

### Return on Capital Employed

3.7.7 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>179</sup>. The details of sector wise RoCE in respect of all Non-power State PSUs during the period from 2014-15 to 2018-19 are given in Table 3.10:

**Table 3.10: Sector wise Return on Capital Employed of all State PSUs in Non-power Sector**

(₹ in crore)

	EBIT	Capital Employed	RoCE (in per cent)
(1)	(2)	(3)	(4)={2}*(3)/100
<b>2014-15</b>			
Social Sector	1,056.07	12,857.44	8.21
Competitive Sector	(-) 262.31	770.25	(-) 34.06
Others	177.36	3,286.90	5.40
<b>Total</b>	<b>971.12</b>	<b>16,914.59</b>	<b>5.74</b>
<b>2015-16</b>			
Social Sector	515.24	8,161.06	6.31
Competitive Sector	(-) 225.56	(-) 2,905.27	-
Others	176.88	2,145.83	8.24
<b>Total</b>	<b>466.56</b>	<b>7,401.62</b>	<b>6.30</b>
<b>2016-17</b>			
Social Sector	405.24	4,042.17	10.03
Competitive Sector	(-) 544.67	(-) 3,500.95	-
Others	215.99	3,208.31	6.73
<b>Total</b>	<b>76.56</b>	<b>3,749.53</b>	<b>2.04</b>
<b>2017-18</b>			
Social Sector	262.45	4,763.53	5.51
Competitive Sector	(-) 359.26	(-) 5,963.15	-
Others	160.02	3,027.98	5.28
<b>Total</b>	<b>63.21</b>	<b>1,828.36</b>	<b>3.46</b>
<b>2018-19</b>			
Social Sector	349.89	4,035.96	8.67
Competitive Sector	391.82	(-) 6,664.49	-
Others	1,068.64	3,663.18	29.17
<b>Total</b>	<b>1,810.35</b>	<b>1,034.65</b>	<b>174.97</b>

(Source: Compiled based on information received from PSUs)

<sup>179</sup> Capital employed = Paid up share capital + free reserves and surplus + long-term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

During 2014-15 to 2018-19, the aggregate Return on Capital Employed ranged between 2.04 per cent and 174.97 per cent. However, RoCE of the competitive sector for the years 2015-16 to 2018-19 could not be worked out as capital employed was negative.

**3.7.8** The details of total RoCE of the profit making and loss incurring working State PSUs (Non-power) during the period from 2014-15 to 2018-19 are given in **Table 3.11**:

**Table 3.11: Profit and loss wise RoCE of working State PSUs  
(Non-power Sector)**

(₹ in crore)

	Year	No. of PSUs	EBIT	Capital Employed	RoCE (in per cent)
	(1)	(2)	(3)	(4)	(5)={ (3)*(4) }/100
<b>Profit earning</b>	2014-15	38	959.13	9,383.64	10.22
	2015-16	37	843.36	10,052.21	8.39
	2016-17	38	702.42	6,723.50	10.45
	2017-18	36	521.43	6,285.34	8.30
	2018-19	30	1,741.97	6,176.92	28.20
<b>Loss incurring</b>	2014-15	29	(-) 332.28	(-) 627.94	-
	2015-16	27	(-) 213.14	(-) 2,300.83	-
	2016-17	27	(-) 188.94	(-) 1,803.99	-
	2017-18	27	(-) 394.99	(-) 758.05	-
	2018-19	28	177.96	(-) 3,249.44	-
<b>Total*</b>	2014-15	67	626.85	8,755.70	7.16
	2015-16	64	630.22	7,751.38	8.13
	2016-17	65	513.48	4,919.51	10.44
	2017-18	63	126.44	5,527.29	2.29
	2018-19	58	1,919.93	2,927.48	65.58

(Source: Compiled based on information received from PSUs)

\* PSUs which had not submitted their first accounts since inception have been excluded.

From 2016-17 to 2018-19, the working PSUs in the Non-power Sector as a whole had a positive Return on Capital Employed (RoCE) ranging from 2.29 per cent to 65.58 per cent. Where their Capital Employed was negative, their RoCE could not be worked out.

### **Dividend Payout**

**3.7.9** The GoWB has not formulated any dividend policy. Out of 58 working PSUs, 30 PSUs earned profits during the year 2018-19, of which only three<sup>180</sup> PSUs paid dividend of ₹ 1.17 crore during 2018-19. Dividend payout by working PSUs is shown in following table.

<sup>180</sup> Saraswaty Press Limited (₹ 1.10 crore), West Bengal Text Book Corporation (P) Limited (₹ 0.02 crore) a subsidiary of Saraswaty Press Limited and Mackintosh Burn Limited (₹ 0.05 crore).

**Table 3.12: Dividend Payout of the PSUs during 2014-15 to 2018-19**

(₹ in crore)

Year	Total working PSUs with equity infused by GoWB, GoI and Others		Working PSUs which earned profits during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (in per cent)
	No. of PSUs	Total equity	No. of PSUs	Total equity	Number of PSUs	Dividend declared/ paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7)/(5)*100
2014-15	67	4,573.34	38	2,158.17	7	1.25	0.06
2015-16	64	3,058.13	37	2,602.89	4	0.62	0.02
2016-17	65	3,423.17	38	2,118.00	6	0.63	0.03
2017-18	63	3,546.60	36	1,643.31	4	0.71	0.04
2018-19	58	3,570.91	30	1,602.69	3	1.17	0.08

(Source: Compiled from data provided by PSUs)

The Dividend Payout Ratio during 2014-15 to 2018-19 was nominal at 0.02 per cent to 0.08 per cent only.

### **Erosion of Net worth**

**3.7.10** Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the shareholders and is also referred to as shareholders' funds. A negative net worth indicates that the entire investment by the shareholders has been wiped out by accumulated losses and deferred revenue expenditure. The aggregate paid-up capital (including share application money), free reserves and surpluses and accumulated losses of 58 working State PSUs in the Non-power Sector as per their latest accounts<sup>181</sup> were ₹ 3,570.91 crore and ₹ 68.16 crore, respectively while accumulated losses was ₹ 5,854.81 crore resulting in negative net worth of ₹ 2,215.74 crore. The net worth of each State PSU (Non-power) is given at **Appendix-9**.

**Table 3.13** below indicates total paid up capital, total free reserves, total surpluses, total accumulated losses and net worth of the working PSUs during the period 2014-15 to 2018-19:

**Table 3.13: Net worth of working PSUs in Non-power Sector**

(₹ in crore)

Year	No. of PSUs*	Paid up Capital (including share application money)	Free Reserves	Surplus	Accumulated Losses	Net worth
1	2	3	4	5	6	7=3+4+5-6
2014-15	67	4,573.34	30.46	-	6,417.13	(-) 1,813.33
2015-16	64	3,058.13	30.28	-	4,298.77	(-) 1,210.36
2016-17	65	3,376.93	35.20	-	4,834.09	(-) 1,421.96
2017-18	63	3,546.60	40.20	-	6,956.91	(-) 3,370.11
2018-19	58	3,570.91	68.16	-	5,854.81	(-) 2,215.74

(Source: Compiled based on information received from PSUs)

\* PSUs which had not submitted their first accounts since inception have been excluded.

<sup>181</sup> One PSU, namely WBSCST&OBCD&FC, had not submitted its first accounts till 30 September 2019.

As can be seen, the combined net worth of the working PSUs was negative during the five-year period. The negative net worth has decreased from ₹ 1,813.33 crore in 2014-15 to ₹ 3,370.11 crore in 2017-18, but improved to ₹ 2,215.74 crore in 2018-19 due to reduction in accumulated losses.

### **Analysis of Long-term Loans of the State PSUs**

Analysis of the Long-term Loans of the PSUs which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

### **Interest Coverage Ratio**

**3.7.11** Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in respect of PSUs which had interest burden during the period from 2014-15 to 2018-19 are given in **Table 3.14**:

**Table 3.14: Interest Coverage Ratio relating to State PSUs in the Non-power Sector**

(₹ in crore)

Year	Earnings before interest and tax (EBIT)	Interest	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	495.82	1,245.03	48	21	27
2015-16	830.20	526.93	43	26	17
2016-17	413.47	593.76	42	18	24
2017-18	67.73	559.37	37	17	20
2018-19	1,755.56	1,002.90	35	15	20

(Source: Compiled based on information received from PSUs)

Of the 35 working Non-power State PSUs having liability of loans during 2018-19, 15 PSUs had interest coverage ratio of more than one whereas remaining 20 PSUs had interest coverage ratio below one. This indicates that these 20 PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### **Debt Turnover Ratio**

**3.7.12** During the last five years, the turnover of the working PSUs in the Non-power Sector recorded compounded annual growth of 8.64 per cent and compounded annual growth of debt was (-) 14.28 per cent due to which the debt turnover ratio improved from 0.74 in 2014-15 to 0.29 in 2018-19 as given in **Table 3.15**:

**Table 3.15: Debt Turnover Ratio relating to the State PSUs in the Non-power Sector**

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	9,528.64	6,731.11	4,122.03	4,229.80	5,143.22
Turnover	12,883.63	4,167.37	4,285.30	11,058.04	17,953.65
Debt-Turnover Ratio	0.74:1	1.62:1	0.96:1	0.38:1	0.29:1

(Source: Compiled based on information received from PSUs)

The debt-turnover ratio ranged between 0.29 and 1.62 during this period.

### 3.8 Winding up of Inactive State PSUs

**3.8.1** Nineteen PSUs were inactive for one to seventeen years<sup>182</sup> as of 31 March 2019. The total investment, as per their latest finalised accounts up to September 2019, was ₹ 1,430.61 crore (equity: ₹ 172.14 crore, and loans: ₹ 1,258.47 crore). Their total negative net worth was ₹ 3,114.22 crore. The numbers of inactive PSUs at the end of each year for the five years ended 31 March 2019 is given below:

**Table 3.16: Inactive State PSUs**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	17	18	18	21	19

(Source: Compiled from the information included in Audit Reports (PSU), GoWB of respective years)

The recent initiatives in management of assets in respect of 16 out of 19 inactive PSUs under administrative control of two departments, viz., Department of Industry, Commerce and Enterprises (ICE) and Department of Micro, Small and Medium Enterprises and Textiles (MSME&T) was assessed by Audit, as shown in the following table-

**Table 3.17: Name of the PSUs under ICE and MSME&T Departments**

Sl. No.	Department of Industry, Commerce and Enterprises <sup>183</sup> (ICE)	Sl. No.	Department of Micro, Small and Medium Enterprises & Textiles (MSME & T)
1.	National Iron & Steel Company (1984) Limited (NISCO)	1.	Kalyani Spinning Mills Limited (KSML)
2.	Neo Pipes & Tubes Company Limited (NPT)	2.	West Dinajpur Spinning Mills Limited (WDSML)
3.	Lily Products Limited (LPL)	3.	West Bengal Handloom and Powerloom Development Corporation Limited (WBHPDCL)
4.	West Bengal Plywood & Allied Products Limited (WBPAPL)		
5.	Krishna Silicate and Glass (1987) Limited (KSGL)	4.	West Bengal Projects Limited (WBPL)
6.	Carter Pooler Engineering Company Limited (CPEL)	5.	Pulver-Ash Projects Limited (PAPL)
7.	West Bengal Sugar Industries Development Corporation Limited (WBSuIDCL)	6.	West Bengal Ceramic Development Corporation Limited (WBCDCL)
8.	Infusions (India) Limited (IIL)	7.	West Bengal State Leather Industries Development Corporation Limited (WBSLIDCL)
9.	West Bengal Tea Development Corporation Ltd (WBTedCL)		

<sup>182</sup> February 2002 to January 2017.<sup>183</sup> With the bifurcation of the Department of Industry, Commerce & Enterprises in November 2019, seven PSUs {Srl. Nos. (1) to (7)} stood transferred to the Department of Public Enterprises and Industrial Reconstruction.

Besides, the assets of one PSU wound up earlier, viz., India Paper Pulp Company Limited (IPP Ltd.) under Department of ICE, had not yet been disposed.

**3.8.2** These 17 inactive PSUs had discontinued operations for periods ranging from four to 17 years. Records of the Registrar of Companies (RoC), however, showed seven PSUs as inactive and 10 PSUs as still working. Relinquishment of land and other fixed assets together with deployment of manpower was to be completed by March 2018. It was also observed that-

- As per accounts of 16 inactive PSUs, aggregate share capital<sup>184</sup> was ₹ 172.51 crore. In addition, borrowings were ₹ 1,208.04 crore along with accrued interest of ₹ 1,857.17 crore. Borrowings included ₹ 1,194.05 crore from State Government, ₹ 0.38 crore from other State PSUs and ₹ 13.61 crore from financial institutions. Apart from these, these PSUs had liabilities of ₹ 195.65 crore. Moreover, as IPP Limited was wound up in March 2004, no accounts were prepared thereafter.
- GoWB filed (June 2019) a petition under sections 271 and 272 of the Companies Act, 2013 with National Company Law Tribunal, Kolkata (NCLT) for winding-up of WBTeDCL, which was approved (November 2019) and an official liquidator appointed. Thereafter, the assets and properties of WBTeDCL were handed over to the official liquidator in January 2020. No such steps have been taken in respect of the other 16 PSUs.
- During 2018-19, GoWB provided ₹ 478.63 crore to NISCO (₹ 345.21 crore) and NPT (₹ 133.42 crore) for repayment of GoWB loan and interest accrued up to March 2017 under West Bengal Development Finance Programme II, funded by the Asian Development Bank. However, similar settlement of dues, essential for winding up and dissolution of any PSU was not initiated for the remaining 14 PSUs till date (March 2019).
- Also, 1,470 out of 1,594 employees of these PSUs were utilised by different Government departments but could not be absorbed due to disparities of pay structure.

Hence, while both Departments concerned had made efforts for disposal/ sale of land and other assets since closure of the PSUs, it was not prioritised and several constraints remain unresolved. Therefore, the funds locked up in inactive PSUs could not be redeployed for use in more productive sectors.

### Compliance Audit Paragraphs

**3.9** For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, four compliance audit paragraphs were issued to the Additional Chief Secretaries/ Principal Secretaries/ Secretaries of the three Departments concerned with request to furnish replies within six weeks. Replies in respect of two audit paragraphs have been received from the State Government and suitably incorporated in this report.

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<sup>184</sup> Including share application money pending allotment.

### 3.10 Follow up action on Audit Reports

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

**3.10.1** The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under in **Table 3.18**:

**Table 3.18: Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2019**

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Reports		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2011-17	6	39	2	15

(Source: Database maintained in the Pr.AG's Office w.r.t. taking of evidence by COPU)

#### *Compliance to Reports of COPU*

**3.10.2** According to rules of Procedure of COPU, Action Taken Notes (ATNs) on the recommendation contains in the COPU Reports are to be submitted by the Government within three months of their receipt. The 12 COPU reports where Action Taken Notes are yet to be received from the Departments as on 30 September 2019 contain 30 recommendations in respect of paragraphs pertaining to seven Departments, which had either appeared in the Reports of the CAG of India for the years 2003-04 to 2013-14 or were taken up for *suo-motu* study.

