Chapter-II

Public Sector Undertakings

Chapter II

Introduction

2.1 Functioning of State Public Sector Undertakings

2.1.1 General

2.1.1.1 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 economy. As on 31 March 2019, there were 19[1] PSUs in the Government of National Capital Territory of Delhi (GNCTD), including two[2] Statutory corporations and 17 Government companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). None of these Government companies was listed on the stock exchange.

2.1.1.2 The financial performance of the PSUs is on the basis of latest finalised accounts received from PSUs as on 30 September 2019 except for the years 2014-15 to 2017-18. The nature of PSUs and the position of accounts are indicated in **Table-2.1.1.1**.

Table-2.1.1.1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs whose accounts were received during the reporting period[3]					Number of PSUs whose accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts upto 2018-19	Accounts upto 2017-18	Accounts upto 2016-17	Accounts prior to 2016-17	Total	
Working Government companies[4]	17	10	3	1	1	15	7(14)
Statutory corporations	2	0	1	-	-	1	2(2)
Total	**19**	**10**	**4**	**1**	**1**	**16**	**9(16)**

Source: Compiled based on accounts received during the period from October 2018 to September 2019

The working PSUs registered an annual turnover of ₹ 9,318.69 crore as per their latest finalised accounts received as on 30 September 2019. This turnover was equal to 1.20 *per cent* of Gross State Domestic Product (GSDP) for the year 2018-19 (₹ 7,79,652.31 crore). The working PSUs incurred loss

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1 Includes NDMC Smart City Limited, incorporated in 2016-17 through equity contribution by NDMC. The GNCTD has not made any investment in the Company. It also includes Intelligent Communication Systems India Limited, incorporated in April 1987 whose audit was entrusted to Pr. Accountant General (Audit), Delhi w.e.f. December 2018.

2 Delhi Financial Corporation and Delhi Transport Corporation

3 From October 2018 to September 2019.

4 Government PSUs include other companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

of ₹ 3,492.05 crore as per their latest received accounts. As on March 2019, the State PSUs had employed 0.30 lakh employees.

Accountability framework

2.1.1.3 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. Besides, any other company[5] owned or controlled, directly or indirectly, 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 is referred to in this Report as Government Controlled other Company.

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government company and Government Controlled Other Company under Sections 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 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 auditor is to be appointed by the CAG within 60 days from the date of registration of the Company and in case 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 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 the Central Government and partly by one or more State Governments is subject to audit by the CAG. 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.

5 Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

Statutory audit

2.1.1.4 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 60 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. Out of two Statutory corporations in GNCTD, the CAG is sole auditor for Delhi Transport Corporation. In respect of Delhi Financial Corporation, the audit is conducted by Chartered Accountants appointed under the State Financial Corporations Act, 1951 and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

2.1.1.5 Need for timely finalisation and submission

According to Sections 394 and 395 of the Companies Act, 2013, an 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 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 an 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 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

2.1.1.6 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 State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. 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 (SAR) in case of Statutory corporations, are to be placed before the State Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by GNCTD in State Public Sector Undertakings (PSUs)

2.1.1.7 GNCTD has high financial stakes in the PSUs. This is mainly of two types:

- **Share capital and loans –** In addition to the share capital contribution, GNCTD also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support –** GNCTD provides budgetary support by way of grants and subsidies to the PSUs as and when required.

2.1.1.8 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given in **Table-2.1.1.2**.

Table-2.1.1.2: Sector-wise investment in PSUs as on 31 March 2019

Name of sector	Government Companies[6]	Statutory Corporations	Total	Investment[7] (₹ in crore)		
				Equity	Long term loans	Total
Power	4	-	4	7,106.78	2,709.81	9,816.59
Finance	1	1	2	51.38	33.92	85.30
Service	3	-	3	24.04	2.14	26.18
Infrastructure	2	-	2	21.00	0	21.00
Transport	1	1	2	1,994.50	11,676.14	13,670.64
Total	**11**	**2**	**13**	**9,197.70**	**14,422.01**	**23,619.71**

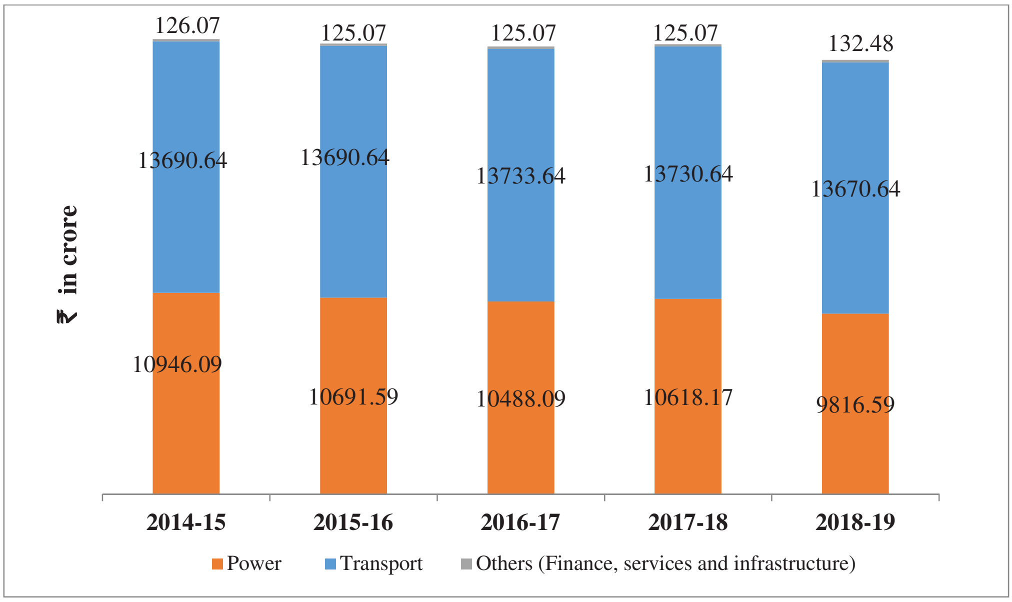
Source: Compiled based on information received from PSUs.

2.1.1.9 The investment in various important sectors made by the State government during the years 2014-15 to 2018-19 is indicated in **Chart-2.1.1.1**.

[6] Excluding NDMC Smart City Limited, Intelligent Communication Systems India Limited, Delhi Creative Arts Development Limited, DSIIDC Liquor Limited, DSIIDC Maintenance Services Limited and DSIIDC Energy Limited in which no investment was made by GNCTD.

[7] Investments include equity and long term loans.

Chart-2.1.1.1: Sector-wise investment in PSUs



Source: Compiled based on information received from PSUs

The total investment (equity and long term loans) between 2014-15 and 2018-19 in the power sector ranged between ₹ 9,816.59 crore and ₹ 10,946.09 crore, in transport sector ranged between ₹ 13,670.64 crore to ₹ 13,733.64 crore and in other sectors (including finance, services and infrastructure sector) ranged between ₹ 125.07 crore to ₹ 132.48 crore.

Keeping in view the level of investment in the power sector, the results of audit of five power sector PSUs are being presented in Part I[8] of this report and of the balance 14 PSUs (other than power sector) in Part II[9] of the report.

Compliance Audit Paragraphs

2.1.1.10 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, four compliance audit paras (including one long para on Operation and Maintenance of Industrial Areas at Bawana and Narela) included in Part -III of the report, were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on all compliance audit paras have been received from the Government and taken into account while finalising the paras. The total financial impact of these four compliance audit paras is ₹ 30.23 crore.

[8] Part I includes Chapter-I (Functioning of Power Sector Undertakings)
[9] Part II includes Chapter-II (Functioning of PSUs other than Power Sector)

PART-I

2.1.2 Functioning of Power Sector Undertakings

Introduction

2.1.2.1 Power Sector Undertakings play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds to the GSDP of the State. A ratio of power sector PSUs' turnover to GSDP shows the extent of activities of PSUs in the State economy. **Table-2.1.2.1** provides the details of turnover of the power sector undertakings and GSDP of Delhi for a period of five years ending March 2019:

Table-2.1.2.1: Details of turnover of Power Sector Undertakings vis-à-vis GSDP of Delhi

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover[10]	3,640.67	4,410.86	3,617.57	4,178.31	4,938.10
GSDP of Delhi	4,94,803.02	5,50,803.70	6,15,605.26	6,90,098.28	7,79,652.31
Percentage of turnover to GSDP of Delhi	0.74	0.80	0.59	0.61	0.63

Source: Accounts of PSUs and State GSDP data.

The growth of turnover of power sector undertakings has shown a mixed trend till 2016-17 and has improved subsequently ranging between (-) 17.98 *per cent* to 21.16 *per cent* while the growth of GSDP of Delhi has shown an increasing trend ranging between 11.32 *per cent* to 12.98 *per cent.*

Compounded annual growth is a useful method for measuring growth rate over multiple time periods. Against the compounded annual growth of 12.04 *per cent* of GSDP during the last five years, the turnover of power sector undertakings recorded a lower compounded annual growth at 7.92 *per cent.* The share of turnover of these power sector undertakings to GSDP has reduced from 0.74 *per cent* in 2014-15 to 0.63 *per cent* in 2018-19.

Formation of Power Sector Undertakings

2.1.2.2 The Government of National Capital Territory of Delhi (GNCTD) enacted (November 2000) the Delhi Electricity Reform Act 2000 (DERA 2000) to provide for the constitution of an Electricity Regulatory Commission, restructuring of the electricity industry (rationalisation of generation, transmission, distribution and supply of electricity), increasing avenues for participation of private sector in the electricity industry and for taking measures conducive to the development and management of the electricity industry in an efficient, commercial, economic and competitive manner in the

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[10] The figures for the years 2014-15 to 2017-18 have been taken as per previous year Audit Reports and for 2018-19 as per the latest accounts received as on 30 September 2019.

National Capital Territory of Delhi and for matters connected therewith or incidental thereto. Pursuant to the provisions of the Act, GNCTD notified the Delhi Electricity Reform (Transfer Scheme) Rules, 2001 (November 2001). The Transfer Scheme provided for the unbundling of the functions of the Delhi Vidyut Board (DVB) and transfer of existing assets, liabilities, proceedings and personnel of the Board in the successor entities. Accordingly, six new companies viz.,(i) Holding company (Delhi Power Company Limited-DPCL), (ii) GENCO (Indraprastha Power Generation Company Limited-IPGCL), (iii) TRANSCO (Delhi Transco Limited- DTL), (iv) DISCOM-1, (v) DISCOM-2 and (vi) DISCOM-3 were incorporated (July 2001) but started functioning from 1 July 2002. DISCOM-1, DISCOM-2 and DISCOM-3 were transferred to the private sector (July 2002). In addition to the above, audit of two Power Sector Undertakings viz., Pragati Power Corporation Limited (PPCL, incorporated in January 2001) and Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) Energy Limited (incorporated in May 2011) was entrusted to the Principal Accountant General (Audit), Delhi, bringing five power sector undertakings under the audit purview was indicated in Table 2.1.2.2.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

2.1.2.3 There was no disinvestment, restructuring and privatisation of power sector undertakings by GNCTD during the year 2018-19.

Investment in Power Sector Undertakings

2.1.2.4 The activity-wise summary of investment in power sector undertakings as on 31 March 2019 is given in **Table-2.1.2.2**.

Table-2.1.2.2: Activity-wise investment in power sector undertakings

Activity	Number of PSUs	Investment (₹ in crore)				
		Equity		Long term loans		Total
		GNCTD	Others[11]	GNCTD	Others	
Generation of Power[12]	2	2,670.73	140.00	1,115.92	957.79	4,884.44
Transmission of Power[13]	1	3,691.00	260.00	263.33	524.29	4,738.62
Distribution of Power[14]	-	0.00	0.00	0.00	0.00	0.00
Other[15]	2	745.05	0.01	1,330.56	0.00	2,075.62
Total	**5**	**7,106.78**	**400.01**	**2,709.81**[16]	**1,482.08**	**11,698.68**

Source: Compiled on the basis of latest accounts received as on 30 September 2019.

11 Others include Government of India (GoI), Government PSUs and others.
12 Includes IPGCL and PPCL.
13 DTL.
14 The DISCOMs are functioning in the private sector.
15 Includes DPCL and DSIIDC Energy Limited.
16 The long term loans of GNCTD do not include an amount of ₹ 588.70 crore which have been depicted as Current Liability in accounts of PSUs being current maturity of the loan i.e. loan to be repaid during the next year (as per Ind AS).

As on 31 March 2019, the total investment (equity and long-term loans) in five power sector undertakings was ₹ 11,698.68 crore. The investment consisted of 64.17 *per cent* towards equity and 35.83 *per cent* in long-term loans. Equity contribution by GNCTD constituted 94.67 *per cent* (₹ 7,106.78 crore) of the total equity whereas 5.33 *per cent* (₹ 400.01 crore) of the equity was contributed by GoI/others. The long-term loans advanced by GNCTD constituted 64.64 *per cent* (₹ 2,709.81 crore) of the total long-term loans whereas 35.36 *per cent* (₹ 1,482.08crore) of the total long-term loans were availed from other financial institutions and banks.

Budgetary Support to Power Sector Undertakings

2.1.2.5 GNCTD provides financial support to power sector undertakings in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans and grants/subsidies released during the year in respect of power sector undertakings for the last three years ending March 2019 are given in **Table-2.1.2.3**.

Table-2.1.2.3: Details of budgetary support to power sector undertakings during the last three years

(₹ in crore)

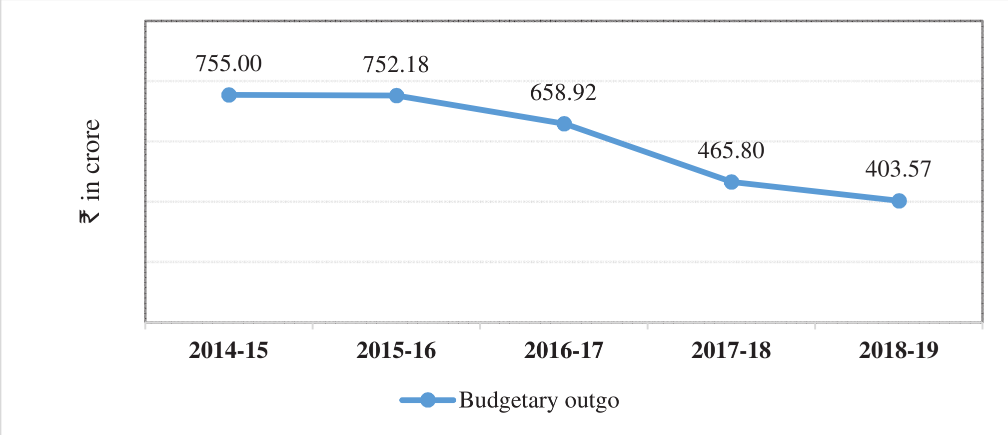
Particulars[17]	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	0	0.00	0	0.00	0	0.00
Loans given (ii)	3	469.98	3	465.80	2	400.00
Grants/Subsidy provided (iii)	3	188.94	0	0	1	3.57
Total Outgo (i+ii+iii)	4	658.92	3	465.80	2	403.57

Source: Information furnished by PSUs.

The details of budgetary support towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in **Chart-2.1.2.1**.

[17] Amount represents outgo from State Budget only.

Chart-2.1.2.1: Budgetary support towards Equity, Loans and Grants/ Subsidies



Source: Information received from PSUs

The budgetary assistance received by these PSUs during the year ranged between ₹ 403.57 crore and ₹ 755.00 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹403.57 crore received during the year 2018-19 consisted of loan of ₹ 400 crore and grants/subsidy of ₹ 3.57 crore given by GNCTD.

Reconciliation with Finance Accounts of GNCTD

2.1.2.6 The figures in respect of equity and loans outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of GNCTD. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The differences in figures of loans as on 31 March 2019 is given in**Table-2.1.2.4**.

Table-2.1.2.4: Loans outstanding as per Finance Accounts vis-à-vis records of power sector undertakings

(₹ in crore)

Particulars	Outstanding Loans		Difference
	As per Finance Accounts	As per records of power sector undertaking[18]	
Total Loan	5,426.02	5,436.70	-10.68

Source: Information collected from PSUs and PAOs, GNCTD.

The differences between the figures relates to DTL (₹ 10.14 crore) and IPGCL (₹ 0.54 crore). **It is recommended that the State Government and the PSUs reconcile the differences in a time-bound manner.**

[18] It includes long term loans of ₹ 2,377.17 crore +current maturity of the loan of ₹ 588.70 crore to be repaid during the next year + Loan transferred to current liability yet to be repaid though due in earlier years of ₹ 2,470.83 crore as depicted in the accounts of the Power Sector Undertakings.

Submission of accounts by Power Sector Undertakings

2.1.2.7 Timeliness in preparation of accounts by power sector undertakings

There were five power sector undertakings under the audit purview of CAG as of 31 March 2019. Accounts for the year 2018-19 were submitted by four working PSUs by 30 September 2019 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30 September of each financial year for the last five years are given in **Table-2.1.2.5**.

Table-2.1.2.5: Position relating to submission of accounts of power sector undertakings

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs	5	5	5	5	5
2	Number of accounts submitted during the current year	5	0	6	9	4
3	Number of current year accounts received during the year	1	0	1	4	4
4	Number of previous year accounts received during the current year	1	4	5	4	0
5	Number of PSUs with arrears in accounts	0	5	4	0	1[19]
6	Number of accounts in arrears	0	5	4	0	1
7	Extent of arrears	Nil	one year	one year	Nil	one year

Source: Compiled based on accounts of PSUs received during the period from October 2014 to September 2019.

Performance of Power Sector Undertakings

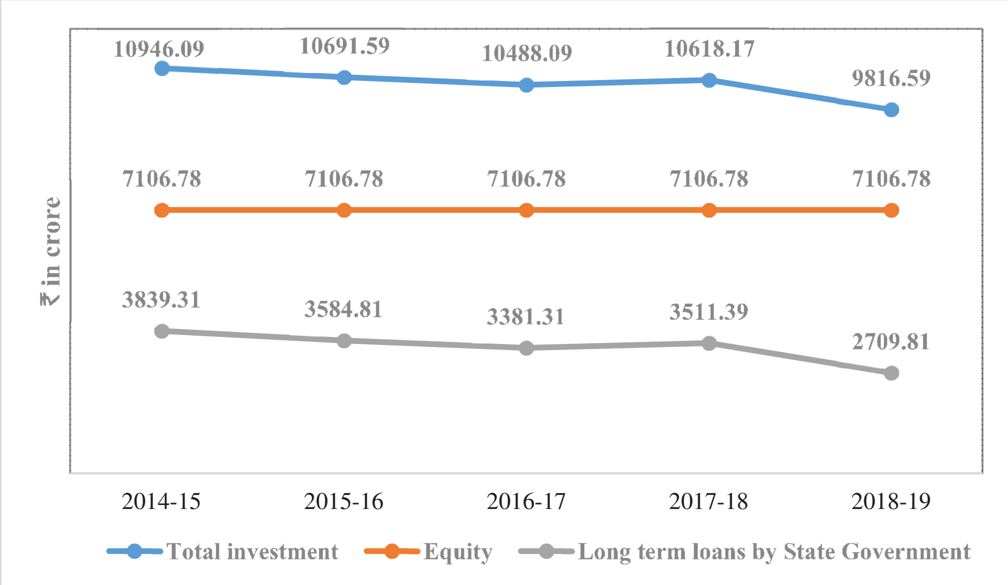
2.1.2.8 The financial position and working results of five power sector undertakings as per their latest accounts received as of 30 September 2019 are detailed in **Annexure 2.1**.

The public sector undertakings are expected to yield reasonable return on investment made by the Government in the undertakings. The amount of investment in the five power sector PSUs as on 31 March 2019 was ₹ 11,698.68 crore consisting of ₹ 7,506.79 crore as equity and ₹ 4,191.89 crore as long-term loans. Out of this, GNCTD has investment of ₹ 9,816.59 crore in four power sector undertakings (except in DSIIDC Energy Limited), consisting of equity of ₹ 7,106.78 crore and long-term loans of ₹ 2,709.81 crore.

The year-wise status of investment of GNCTD in the form of equity and long-term loans in the power sector undertakings during the period 2014-15 to 2018 - 19 is given in **Chart-2.1.2.2**.

[19] Delhi Power Company Limited

Chart-2.1.2.2: Total investment of GNCTD in power sector undertakings



Source: Accounts of PSUs

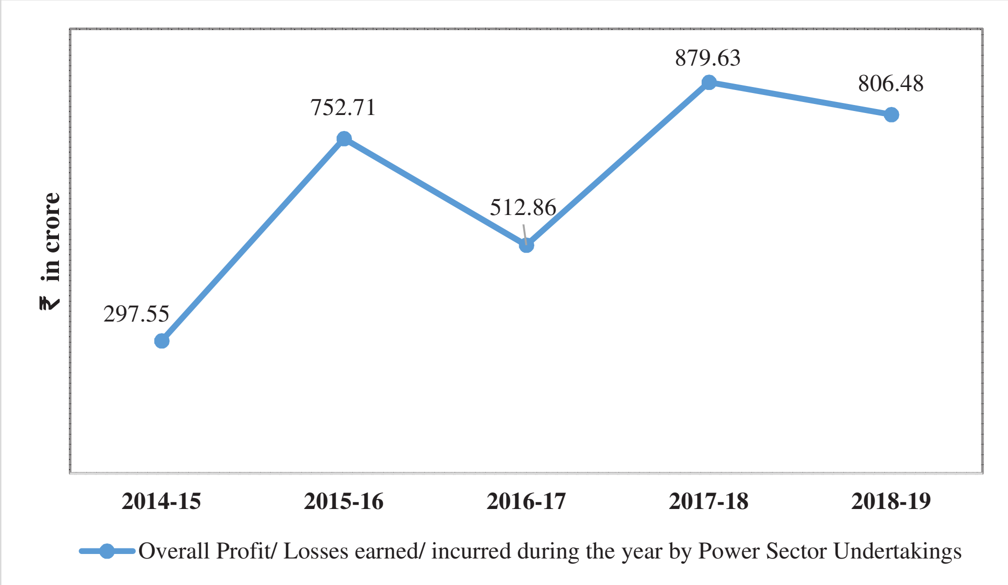
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long-term interest-free loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's Earnings Before Interest and Taxes by Capital Employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

2.1.2.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of profit[20] earned by the five power sector undertakings during 2014-15 to 2018-19 is depicted in **Chart-2.1.2.3**.

[20] The figures for the years 2014-15 to 2017-18 have been taken as per previous year Audit Reports and for 2018-19 as per the latest accounts received as on 30 September 2019.

Chart-2.1.2.3: Profit earned by Power Sector Undertakings



Source: Accounts of PSUs.

The profit earned by these PSUs was ₹ 806.48 crore in 2018-19 against ₹ 297.55 crore in 2014-15. According to their latest received accounts, out of these five PSUs, three PSUs[21] earned profit and two PSUs[22] incurred losses (**Annexure 2.1**). The top profit making companies were Delhi Transco Limited (₹ 398.00 crore) and Pragati Power Corporation Limited (₹ 264.38 crore).

Position of power sector undertakings which earned/incurred profit/loss during 2014-15 to 2018-19 is given in **Table-2.1.2.6**.

Table-2.1.2.6: Power Sector Undertakings which earned/incurred profit/loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year
2014-15	5	3	2
2015-16	5	5	0
2016-17	5	3	2
2017-18	5	4	1
2018-19	5	3	2

Source: Compiled on the basis of accounts of PSUs.

(a) Return on the basis of historical cost of investment

2.1.2.10 Out of five power sector undertakings of the State, GNCTD infused funds in the form of equity, loans and grants/subsidies in four power sector undertakings only. GNCTD did not infuse any direct funds in one power sector undertaking i.e., DSIIDC Energy Limited, being a subsidiary company

21 PPCL, DTL and DPCL.
22 IPGCL (- ₹ 19.84 crore) and DSIIDC Energy Limited (- ₹ 19,500)

of another public sector undertaking i.e., Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC), which contributed towards its capital.

The Return on Investment from the four PSUs has been calculated on the investment made by GNCTD in the PSUs in the form of equity only as there were no interest-free loans (IFL) extended to PSUs. Further, the funds made available in the form of the grants/subsidy other than for management and operational expenses have not been reckoned as investment since they do not qualify to be considered as investment.

The return on investment on historical cost basis for the period 2014-15 to 2018 -19 is given in **Table-2.1.2.7**.

Table-2.1.2.7: Return on GNCTD's Investment on historical cost basis

Financial year	Funds infused by GNCTD in the form of Equity, IFL and grants and subsidies for operational and management expenses on historical cost basis (₹ in crore)	Total Earnings/ Losses (₹ in crore)	Return on Investment (in *per cent*)
2014-15	8,955.86	297.47	3.32
2015-16	9,138.04	752.63	8.24
2016-17	9,314.05	512.86	5.51
2017-18	9,315.59	879.63	9.44
2018-19	9,319.16	806.48	8.65

Source: Information received from PSUs and their accounts

The return on investment of the four power sector PSUs has shown a mixed trend during 2014-19.

(b) Rate of Real Return (RORR) on Government Investments

2.1.2.11 In view of the significant investment by GNCTD in the four power sector undertakings, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GNCTD in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year upto 31 March 2019, the past investments/year-wise funds infused by GNCTD in the State PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of GNCTD investment has been computed where funds have been infused by GNCTD in the form of equity, interest free loans and grants and subsidies for operational and management expenses since 2002-03[23] till 31 March 2019.

The PV of GNCTD's investment in power sector undertakings was computed on the basis of the following assumptions:

- The funds made available in the form of grant/subsidy other than for management and operational expenses have not been reckoned as investment.
- The average rate of interest on Government borrowings for the concerned financial year[24] 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 was therefore considered as the minimum expected rate of return on investments made by the Government.

2.1.2.12 The company-wise position of GNCTD investment in the four[25] power sector undertakings in the form of equity and interest free loans since 2001-2002 till 31 March 2019 is indicated in **Annexure 2.2**. The consolidated position of the PV of GNCTD investment relating to the four power sector undertakings since 2002-03 till 31 March 2019 is indicated in **Table-2.1.2.8**.

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23 As per figures received from the companies.
24 The average rate of interest on government borrowings was adopted from the Reports of the CAG of India on State Finances (GNCTD) for the concerned year. The average borrowing rate for 2001-02 was not available.
25 There is no investment of GNCTD in DSIIDC Energy Ltd.

Table-2.1.2.8: Year-wise details of investment by the GNCTD and Present Value (PV) of government funds from 2002-03 to 2018-19

(₹ 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 and subsidies for operational and management expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year [26]
i	ii	iii	iv	V (iii + iv)	vi = (ii+iii+iv)	vii	viii ={vi*(1+ vii)/100}	ix=(vii*vi)/ 100	x
2002-03	-	323.14	0	323.14	323.24[27]	11.17	359.35	36.11	-1104.40
2003-04	359.35	0.00	0.00	0.00	359.35	10.65	397.62	38.27	0.00
2004-05	397.62	0.00	0.00	0.00	397.62	10.34	438.73	41.11	-683.40
2005-06	438.73	0.00	0.00	0.00	438.73	8.87	477.65	38.92	-1002.00
2006-07	477.65	1.00	0.00	1.00	478.65	9.35	523.40	44.75	-13.15
2007-08	523.40	4087.50	13.13	4100.63	4624.03	9.84	5079.03	455.00	-575.26
2008-09	5079.03	464.50	0.00	464.50	5543.53	9.90	6092.34	548.81	27.27
2009-10	6092.34	497.54	75.00	572.54	6664.88	9.52	7299.38	634.50	222.95
2010-11	7299.38	239.00	332.35	571.35	7870.73	9.10	8586.97	716.24	420.50
2011-12	8586.97	450.00	175.00	625.00	9211.97	9.77	10111.97	900.01	216.41
2012-13	10111.97	299.00	463.65	762.65	10874.62	9.73	11932.73	1058.10	470.50
2013-14	11932.73	745.00	434.95	1179.95	13112.68	9.21	14320.35	1207.68	758.96
2014-15	14320.35	0.00	355.00	355.00	14675.35	8.59	15935.97	1260.61	297.47
2015-16	15935.97	0.00	182.18	182.18	16118.15	8.54	17494.64	1376.49	752.63
2016-17	17494.64	0.00	176.01	176.01	17670.65	8.65	19199.16	1528.51	512.86
2017-18	19199.16	0.00	1.54	1.54	19200.70	8.58	20848.12	1647.42	879.63
2018-19	20848.12	0.00	3.57	3.57	20851.69	8.64	22653.27	1801.59	806.48
Total		**7,106.68**	**2,212.38**	**9,319.16**					

Source: Information received from PSUs and Report of the CAG of India on State Finances.

The equity investment of GNCTD in these four companies at the end of the year increased to ₹ 7,106.78[28] crore in 2018-19 from ₹ 323.24 crore in 2002-03. The PV of investments of GNCTD upto 31 March 2019 worked out to ₹ 22,653.27 crore.

It can be seen from the table that total earnings of the companies have remained lower than the minimum expected return throughout the period from 2002-03 to 2018-19.

A comparison of returns on investment as per historical cost and present value of such investment during 2014-15 to 2018-19 is given in **Table-2.1.2.9**.

[26] For 2002-03 to 2011-12, the figures for Profit before Tax are taken as Profit after Tax were not available.

[27] Includes the initial equity investment of ₹ 0.05 crore each in PPCL and DPCL in 2001-02.

[28] Includes the initial equity investment of ₹ 0.05 crore each in PPCL and DPCL in 2001-02.

Table-2.1.2.9: Return on GNCTD's Funds

(₹ in crore)

Year	Total Earnings/ Loss (-)	Funds infused by the GNCTD in form of Equity, IFL and grants and subsidies for operational and management expenses on historical cost basis (₹ in crore)	Return on GNCTD's investment on the basis of historical value (%)	Present value of the GNCTD's investment at end of the year	Return on GNCTD's investment considering the present value of the investments (%)
2014-15	297.47	8,955.86	3.32	15,935.97	1.87
2015-16	752.63	9,138.04	8.24	17,494.64	4.30
2016-17	512.86	9,314.05	5.51	19,199.16	2.67
2017-18	879.63	9,315.59	9.44	20,848.12	4.22
2018-19	806.48	9,319.16	8.65	22,653.27	3.56

Source: Information received from PSUs and their Accounts.

Return based on historical cost was 8.65 *per cent* during 2018-19; however, return based on PV was just 3.56 *per cent*.

Net worth

2.1.2.13 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 owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

The overall accumulated profit[29] of five power sector undertakings were ₹ 869.91 crore as against the capital investment of ₹ 7,506.79 crore, resulting in net worth of ₹ 8,375.83 crore after deducting the deferred revenue expenditure of ₹ 0.87 crore (**Annexure-2.1**). Out of the five power sector undertakings, the net worth was eroded completely in Delhi Power Company Limited (- ₹ 615.17 crore).

Table-2.1.2.10 indicates the total paid up capital, accumulated profit/loss and net worth of the four power sector undertakings in which GNCTD has infused equity during the period 2014-15 to 2018-19:

Table-2.1.2.10: Net worth of four power sector undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Paid up capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2014-15	7,506.78	(-) 2,087.31	1.70	5,417.77
2015-16	7,506.78	(-) 1,658.02	1.59	5,847.17
2016-17	7,506.78	(-) 1,096.46	1.61	6,408.71
2017-18	7,506.78	92.50	0.32	7,598.96
2018-19	7,506.78	869.69	0.87	8,375.60

Source: Accounts of PSUs

[29] Free reserves - Accumulated losses

The accumulated losses of the four power companies decreased substantially from ₹ 2,087.31 crore in 2014-15 to ₹ 1,096.46 crore in 2016-17 and improved to accumulated profit of ₹ 869.69 crore in 2018-19. The net worth has improved from ₹ 5,417.77 crore in 2014-15 to ₹ 8,375.60 crore in 2018-19.

Out of four[30] PSUs, net worth of one PSU i.e., DPCL was negative throughout the previous five years from 2014-15 to 2018-19 as detailed in **Table-2.1.2.11**.

Table-2.1.2.11: Net worth of DPCL during 2014-15 to 2018-19

(₹ in crore)

Year	Paid up capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2014-15	745.05	(-)1,660.24	0.00	(-)915.19
2015-16	745.05	(-)1,609.47	0.00	(-)864.42
2016-17	745.05	(-)1,536.61	0.00	(-)791.56
2017-18	745.05	(-)1,524.16	0.00	(-)779.11
2018-19	745.05	(-)1,360.22	0.00	(-)615.17

Accumulated losses of DPCL were mainly due to provision for interest of ₹ 1,639.77 crore on the outstanding loan payable to Central Power Sector Undertakings at the time of unbundling of erstwhile Delhi Vidyut Board.

Dividend Payout

2.1.2.14 Dividend payout relating to four power sector undertakings where equity was infused by GNCTD during the period is shown in **Table-2.1.2.12**.

Table-2.1.2.12: Dividend Payoutof four power sector undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GNCTD		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Dividend declared/paid by PSUs	
i	ii	iii	iv	iv	vi	vii	viii=vii/v*100
2014-15	4	7,106.78	2	2,670.73	0	0	-
2015-16	4	7,106.78	4	7,106.78	0	0	-
2016-17	4	7,106.78	3	6,510.24	0	0	-
2017-18	4	7,106.78	4	7,106.78	0	0	-
2018-19	4	7,106.78	3	6,510.24	0	0	-

Source: Information received from PSUs

During the period 2014-15 to 2018-19, the number of PSUs which earned profit ranged between two and four, but none of the undertakings declared dividend during any of the years.

[30] IPGCL, PPCL, DTL and DPCL.

The State Government may formulate a dividend policy specifying minimum rate of dividend to be contributed by PSUs.

Return on Equity

2.1.2.15 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using the company's assets 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 of a company is calculated by adding paid up capital, free reserves and surplus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of four power sector undertakings where funds had been infused by GNCTD. The details of Shareholders' fund and RoE relating to these four power sector undertakings during the period 2014-15 to 2018-19 are given in **Table-2.1.2.13**.

Table-2.1.2.13: Return on Equity relating to four power sector undertakings where funds were infused by the GNCTD

Year	Net Income/total Earnings for the year[31] (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (%)
2014-15	297.47	5,417.77	5.49
2015-16	752.63	5,847.17	12.87
2016-17	512.86	6,408.71	8.00
2017-18	879.63	7,598.96	11.58
2018-19	806.48	8,375.60	9.63

Source: Accounts of PSUs

As can be seen from the above table, during the five-year period ending March 2019, the Net Income and Shareholders' fund were positive with the RoE showing a mixed trend.

Return on Capital Employed

2.1.2.16 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[32]. The details of RoCE of four power

[31] The figures for the years 2014-15 to 2017-18 have been taken as per previous year Audit Report (regrouped wherever necessary) and for 2018-19 as per the latest accounts received as on 30 September 2019.

[32] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. The figures for the years 2014-15 to 2017-18 have been taken as per previous year Audit Report (regrouped wherever necessary) and for 2018-19 as per the latest accounts received as on 30 September 2019.

sector undertakings during the period 2014-15 to 2018-19 are given in **Table-2.1.2.14**.

Table-2.1.2.14: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (%)
2014-15	1,276.80	12,459.40	10.25
2015-16	1,701.99	12,044.43	14.13
2016-17	1,485.48	12,229.72	12.15
2017-18	1,789.37	12,832.62	13.94
2018-19	1,659.63	12,567.49	13.21

Source: Accounts of PSUs.

The RoCE of the four power sector undertakings has shown a mixed trend during the period from 2014-15 to 2018-19.

Analysis of Long-term loans of the Companies

2.1.2.17 The analysis of the long-term loans of the companies 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 Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt-turnover ratio.

Interest Coverage Ratio

2.1.2.18 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 EBIT by interest expenses of the same period. The lower the ratio, the less the ability of the company to pay interest on debt. An interest coverage ratio below one indicates that the Company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in power sector undertakings which had interest burden during the period 2014-15 to 2018-19 are given in **Table-2.1.2.15**.

Table-2.1.2.15: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings Before Interest and Taxes (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other Financial Institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2014-15	725.21	1,276.80	4	2	2[33]
2015-16	675.00	1,701.99	4	4	0
2016-17	684.96	1,485.48	4	3	1[34]
2017-18	577.92	1,789.37	4	4	0
2018-19	496.06	1,474.03	3	2	1[35]

Source: Accounts of PSUs.

[33] DPCL and DTL
[34] IPGCL
[35] IPGCL

The number of power sector undertakings with interest coverage ratio of more than one kept fluctuating during the period from 2014-15 to 2018-19.

Debt-Turnover Ratio

2.1.2.19 During the last five years, the turnover of five power sector undertakings recorded compounded annual growth of 7.92 *per cent* and compounded annual decline in debt was 12.16 *per cent* due to which the Debt-Turnover Ratio improved from 1.93 in 2014-15 to 0.85 in 2018-19 as given in **Table-2.1.2.16.**

Table-2.1.2.16: Debt Turnover ratio relating to power sector undertakings

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government/Banks and Financial Institutions	7,041.63	6,197.26	5,821.01	5,233.66	4,191.89
Turnover	3,640.67	4,410.86	3,617.57	4,178.31	4,938.10
Debt-Turnover Ratio	1.93	1.41	1.61	1.25	0.85

Source: Accounts of PSUs (figures for the years 2014-15 to 2017-18 have been taken as per previous year Audit Reports and the figures for the year 2018-19 are as per the latest accounts received as on 30 September 2019).

Comments on Accounts of Power Sector Undertakings

2.1.2.20 Out of five power sector undertakings, four companies forwarded their audited accounts to the Principal Accountant General during the period October 2018 to September 2019. All the four accounts were selected for supplementary audit which was under progress[36] as on 30 September 2019. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2016-19 are given in **Table-2.1.2.17**.

Table-2.1.2.17: Impact of audit comments on power sector undertakings

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	3	694.80	2	1,027.19	1	1,323.77
2	Increase in profit	1	433.27	6	2,325.39	2	2,288.54
3	Increase in loss	1	91.04	1	93.30	0	0
4	Decrease in loss	1	229.94	1	171.71	0	0
5	Non-disclosure of material facts	3	145.58	0	0	0	0
6	Errors of classification	0	0	1	3	0	0

Source: Compiled from Audit Report of the Statutory Auditors/CAG comments issued in respective years.

[36] C&AG comments not issued by 30 September 2019.

The Statutory Auditors had issued qualified certificates for all the five accounts and three instances of non-compliance to the Accounting Standards were noticed in three accounts.

Follow up action on Audit Reports

2.1.2.21 To ensure accountability of the executive in respect of all audit paragraphs contained in the Audit Reports, the departments are required to submit the Action Taken Notes (ATNs) to the Committee on Government Undertakings (CoGU) duly vetted by Audit within four months of tabling of the Audit Report in the Legislative Assembly. The position of ATNs on Audit Reports in respect of five power sector undertakings is given in **Table-2.1.2.18**.

Table-2.1.2.18: Position of ATNs on Audit Reports (as on 31 March 2020)

Audit Report for the year ended	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which ATNs were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014	30.06.2015	0	0	0	0
2015	13.06.2016	0	5	0	0
2016	10.03.2017	1	3	0	0
2017	03.04.2018	0	3	0	1
2018	03.12.2019	0	0	0	0

Source: Compiled based on ATNs received from GNCTD.

Discussion of Audit Reports by Committee on Government Undertakings (COGU)

2.1.2.22 The status of discussion of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) by COGU as on 31 March 2020 is given in **Table-2.1.2.19**.

Table-2.1.2.19: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 March 2020

Audit Report for the year ended	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014	0	0	0	0
2015	0	5	0	0
2016	1	3	0	0
2017	0	3	0	2
2018	0	0	0	0

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

Compliance to Reports of COGU

2.1.2.23 No Report has been received from COGU for the period 2014 to 2018.

Part II

2.1.3 Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

2.1.3.1 There were 14 Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than power sector. These State PSUs were incorporated between 1967 to 2016 and included 12 Government companies and two Statutory corporations i.e., Delhi Financial Corporation and Delhi Transport Corporation. They included one Company i.e., NDMC Smart City Limited[37] (Smart City), incorporated in 2016-17 entrusted to Principal Accountant General (PAG) though there is no equity contribution by GNCTD. They also include another company, Intelligent Communication Systems India Limited[38] (ICSIL), incorporated in April 1987 and audit entrusted to PAG w.e.f. December 2018.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidies from time to time. Of the 14 PSUs, the GNCTD invested funds in nine State PSUs only and it did not infuse any funds in five Government companies i.e. three Government companies which were incorporated as subsidiary of DSIIDC and two Government companies (Smart City and ICSIL) with no investment of GNCTD.

Contribution to Economy of the State

2.1.3.2 A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the State economy. **Table-2.1.3.1** provides the details of turnover of PSUs (other than power sector) and GSDP of Delhi for a period of five years ending March 2019:

Table-2.1.3.1: Details of turnover of PSUs (other than power sector) *vis-à-vis* GSDP of Delhi

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover[39]	4,569.35	4,186.91	4,100.76	3,940.75	4,380.59
GSDP of Delhi	4,94,803.02	5,50,803.70	6,15,605.26	6,90,098.28	7,79,652.31
Percentage of Turnover to GSDP of Delhi	0.92	0.76	0.67	0.57	0.56

Source: Accounts of PSUs and State GSDP data.

[37] NDMC Smart City Limited is incorporated through equity contribution by New Delhi Municipal Corporation (NDMC) and Grant from Government of India for smart city mission of GoI.

[38] ICSIL is incorporated through equity contribution by DSIIDC, TCIL and Orison Infocom Pvt. Ltd.

[39] The figures for the years 2014-15 to 2017-18 have been taken as per previous year audit reports and the figures for the year 2018-19 as per the latest accounts received as on 30 September 2019.

The turnover of these PSUs showed a declining trend till 2017-18 and has increased to ₹ 4,380.59 crore in 2018-19. The rate of decrease in turnover during the period from 2014-15 to 2017-18 ranged from 8.37 *per cent* to 2.06 *per cent*, however, it increased to 11.16 *per cent* in 2018-19. The rate of increase in GSDP of Delhi ranged between 11.32 *per cent* to 12.98 *per cent* during the same period. The compounded annual growth of GSDP was 12.04 *per cent* during the last five years. Against the compounded annual growth of 12.04 *per cent* of GSDP, the turnover of public sector undertakings (other than power sector) recorded negative compounded annual growth of 1.05 *per cent* during the last five years. This resulted in a fall in the share of turnover of these PSUs in the state GSDP from 0.92 *per cent* in 2014-15 to 0.56 *per cent* in 2018-19.

Investment in State PSUs

2.1.3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these PSUs has therefore been analysed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, three of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'Others'. Details of investment made in these 14 PSUs in the form of equity and long term loans upto 31 March 2019 are detailed in **Annexure 2.3**.

2.1.3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given in **Table-2.1.3.2**.

Table-2.1.3.2: Sector-wise investment in State PSUs (other than power sector)

Sector	No. of PSUs	Investment (₹ in crore)						
		Equity contribution by GNCTD	Equity contribution by others[40]	Total Equity	Long term loans from GNCTD	Long term loans from others	Total Long term loans	Total
Social Sector	2[41]	40.33	11.88	52.21	3.06	13.33	16.39	68.60
PSUs in Competitive Environment	9[42]	2,039.83	9.46	2,049.29	11,709.14	5.41	11,714.55	13,763.84
Others	3[43]	10.76	250.00	260.76	0.00	0.00	0.00	260.76
Total	**14**	**2,090.92**	**271.34**	**2,362.26**	**11,712.20**	**18.74**	**11,730.94**	**14,093.20**

Source**:** Compiled on the basis of latest accounts received as on 30 September 2019.

[40] Others include Government of India (GoI), Government PSUs and others.

[41] Delhi SC/ST/OBC Minorities, Handicapped Financial and Development Corporation Limited (DSCFDC) and Delhi State Civil Supplies Corporation Limited (DSCSCL).

[42] Delhi State Industrial and Infrastructure Development Corporation (DSIIDC) Limited, Delhi Tourism and Transportation Development Corporation (DTTDC) Limited, Delhi Creative Arts Development Limited (DCADL), DSIIDC Liquor Limited (DLL), DSIIDC Maintenance Services Limited (DMSL), Delhi Transport and Infrastructure Development Corporation Limited (DTIDC), ICSIL, Delhi Financial Corporation (DFC) and Delhi Transport Corporation (DTC)

[43] Geospatial Delhi Limited (GDL), Shahjahanabad Redevelopment Corporation Limited (SRCL) and Smart City.

As on 31 March 2019, the total investment (equity and long term loans) in these 14 PSUs was ₹ 14,093.20 crore. The investment consisted of 16.76 *per cent* towards equity and 83.24 *per cent* in long-term loans. Equity contribution by GNCTD constituted 88.51 *per cent* (₹ 2,090.92 crore) of the total equity whereas 11.49 *per cent* (₹ 271.34 crore) of the equity was contributed by GoI/others. The long-term loans advanced by GNCTD constituted 99.84 *per cent* (₹ 11,712.20 crore) of the total long-term loans whereas 0.16 *per cent* (₹ 18.74 crore) of the total long-term loans were availed from other financial institutions.

The investment has grown by 1.68 *per cent* from ₹ 13,859.88 crore in 2014-15 to ₹ 14,093.20 crore in 2018-19. The investment increased mainly due to the addition of ₹ 250 crore towards equity in Smart City during 2014-15 to 2018–19.

Disinvestment, restructuring and privatisation of State PSUs

2.1.3.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by GNCTD in State PSUs.

Budgetary Support to State PSUs

2.1.3.6 GNCTD provides financial support to State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies during the year in respect of State PSUs (other than power sector) for the last three years ending March 2019 are given in **Table-2.1.3.3**.

Table-2.1.3.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the last three years

(₹ in crore)

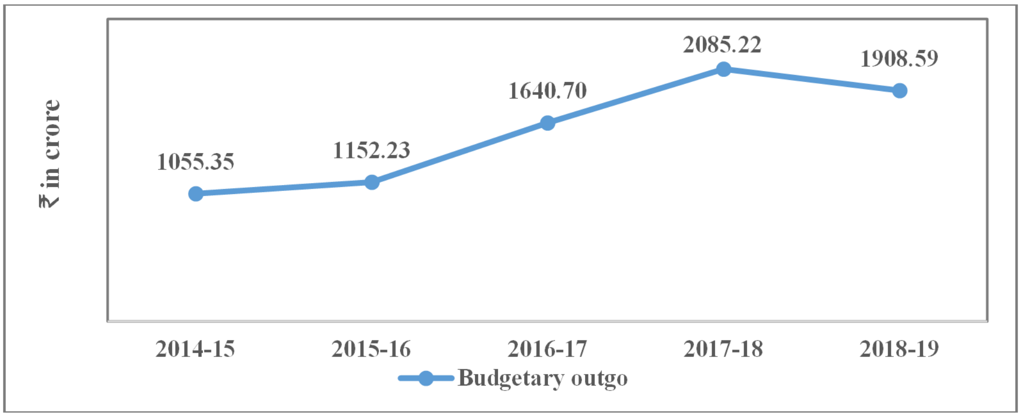
Particulars[44]	**2016-17**		**2017-18**		**2018-19**	
	Number of PSUs	**Amount**	**Number of PSUs**	**Amount**	**Number of PSUs**	**Amount**
Equity Capital outgo (i)	0	0	0	0	0	0
Loans given (ii)	0	0	0	0	0	0
Grants/Subsidy provided (iii)	3	1,640.70	4	2,085.22	5	1,908.59
Total Outgo (i+ii+iii)	3	**1,640.70**	**4**	**2,085.22**	**5**	**1908.59**

Source: Information furnished by PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in **Chart-2.1.3.1**.

[44] Amount represents outgo from State Budget only.

Chart-2.1.3.1: Budgetary outgo towards Loans and Grants/Subsidies



Source: Information received from PSUs

The annual budgetary assistance to these PSUs ranged between ₹ 1,055.35 crore and ₹ 1,908.59 crore during the period 2014-15 to 2018-19. The budgetary assistances during 2014-19 were in the form of loans and grants/subsidies mainly to DTC (₹ 1,855.17 crore). GNCTD did not provide any assistance in the form of equity to these PSUs during 2014-19.

Reconciliation with Finance Accounts of GNCTD

2.1.3.7 The figures in respect of equity and loans as per records of State PSUs (other than power sector) should agree with that of the figures appearing in the Finance Accounts of GNCTD. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in **Table-2.1.3.4**.

Table-2.1.3.4: Equity and loans outstanding as per Finance Accounts of GNCTD vis-à-vis records of State PSUs (other than power sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	2,095.71	2,090.91	4.80
Loans	11,783.32	11,772.00	11.32

Source**:** Information collected from PSUs and PAOs.

Audit observed that out of nine State PSUs in which the State Government had made investment, such differences occurred in respect of two[45] PSUs as shown in **Annexure 2.4**. The differences between the figures are persisting since last several years. **It is, therefore, recommended that the State Government and the respective PSUs reconcile the differences in a time-bound manner**.

Submission of accounts by PSUs

2.1.3.8 All 14 PSUs (12 Government companies and two Statutory corporations) were under the purview of CAG as of 31 March 2019. The

[45] DSCFDC and DSCSC

status of timelines followed by the PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 12 Government companies, six Government companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 whereas accounts of six Government companies were in arrears. Out of two[46] Statutory Corporations, the CAG is the sole auditor of DTC. Accounts of both the Statutory Corporations for the year 2018-19 were awaited as on 30 September 2019.

Details of arrears in submission of accounts of working PSUs (other than power sector) as on 30 September 2019 are given in **Table-2.1.3.5**.

Table-2.1.3.5: Position relating to submission of accounts by the working PSUs (other than power sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs (other than Power Sector)	12	12	12	13	14
2	Number of accounts submitted during the current year	9	7	15	18	12
3	Number of current year accounts received during the year	5	3	1	6	6
4	Number of previous year accounts received during the current year	3	5	8	12	6
5	Number of working PSUs with arrears in accounts	4	8	7	4	8
6	Number of accounts in arrears	15	20	17	12	15
7	Extent of arrears	one to 11 years	one to 12 years	one to 13years	one to six years	one to seven years

Source: Compiled based on accounts of PSUs received during the periodfrom October 2014 to September 2019.

Of these 14 PSUs, 12 PSUs had finalised 12 annual accounts during the period 1 October 2018 to 30 September 2019 which included six annual accounts for the year 2018-19 and six annual accounts for previous years. Further, 15 annual accounts were in arrears which pertain to eight PSUs as detailed in **Annexure 2.5**. 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 Finance Department was informed frequently by the Audit of the arrears in finalisation of accounts and the matter was also taken up with the Chief Secretary, GNCTD in May 2019 and December 2019.

[46] DTC and DFC

GNCTD had provided ₹ 1,997.40 crore (Loan: ₹ 56 crore, Grants/Subsidies: ₹ 1,941.40 crore) during the period for which accounts were in arrears to three PSUs[47], the accounts of which had not been finalised by 30 September 2019 as prescribed under the Companies Act, 2013 and Road Transport Corporation Act, 1950. PSU-wise details of investment made by the State Government during the years for which accounts are in arrears are shown in **Annexure 2.5**. However, accounts of four[48] PSUs for the period 2018-19 were finalised and submitted for audit during the period October 2019 to December 2019. 11 accounts pertaining to four[49] working State PSUs were awaited till December 2019.

In the absence of finalisation of accounts and their subsequent audit in the remaining four PSUs, 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. GNCTD investment in these PSUs, therefore, remained outside the control of the State Legislature.

Placement of Separate Audit Reports of Statutory Corporations

2.1.3.9 The accounts of both the Statutory Corporations for the year 2018-19 were awaited as on 30 September 2019.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory corporations and placement of their SARs in the legislature is given in **Table-2.1.3.6**.

Table-2.1.3.6: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Date of submission to GNCTD	Month of placement of SAR
Delhi Financial Corporation	2015-16	25.01.2017	yet to be placed
	2016-17	04.11.2019	yet to be placed
	2017-18	04.11.2019	yet to be placed
Delhi Transport Corporation	2016-17	19.12.2018	25.02.2019

Source: Information received from PSUs.

Impact of non-finalisation of accounts of State PSUs

2.1.3.10 As pointed in paragraph 2.1.3.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2018-19 could not be ascertained and their contribution to the State exchequer was also not reported to the State Legislature.

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[47] DSCFDC, DSCSC and DTC

[48] DSCSC, DSIIDC, ICSIL and DFC.

[49] DSCFDC (7 accounts from 2012-13 to 2018-19), DTIDC (2), NDMC Smart City (1) and DTC (1)

It is, therefore, recommended that the Administrative Department should strictly monitor and issue directions to liquidate the arrears in accounts. The Government should also look into the constraints attributable to delay in finalisation of accounts of the PSUs and fix responsibility on the officers accountable for delays in the finalisation of the accounts.

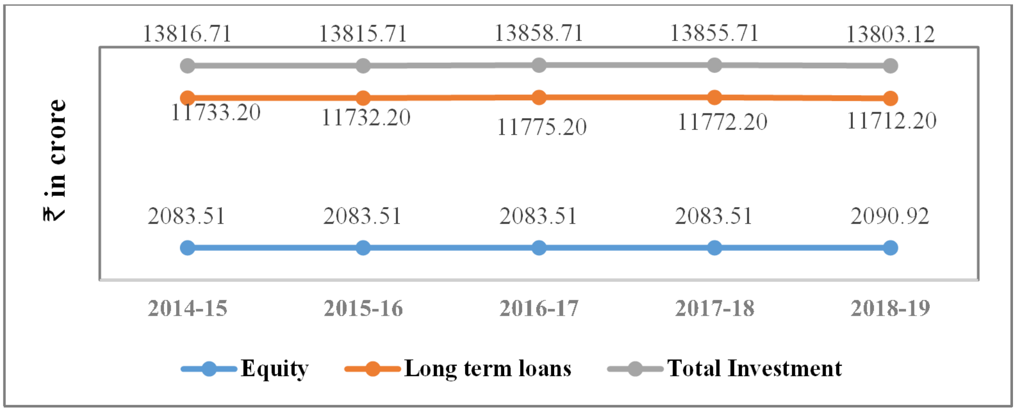
Performance of State PSUs

2.1.3.11 The financial position and working results of the 14 PSUs as per their latest finalised accounts received as of 30 September 2019 are detailed in **Annexure 2.6**.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2019 in the PSUs (other than power sector) was ₹ 14,093.20 crore, consisting of ₹ 2,362.26 crore as equity and ₹ 11,730.94 crore as long-term loans. Out of this, GNCTD has investment of ₹ 13,803.12 crore in the nine PSUs[50], consisting of equity of ₹ 2,090.92 crore and long term loans of ₹ 11,712.20 crore.

The year-wise status of investment of GNCTD in the PSUs (other than power sector) during the period 2014-15 to 2018-19 is depicted in **Chart-2.1.3.2**.

Chart-2.1.3.2: Total investment of GNCTD in PSUs (other than power sector)



Source: Accounts of PSUs

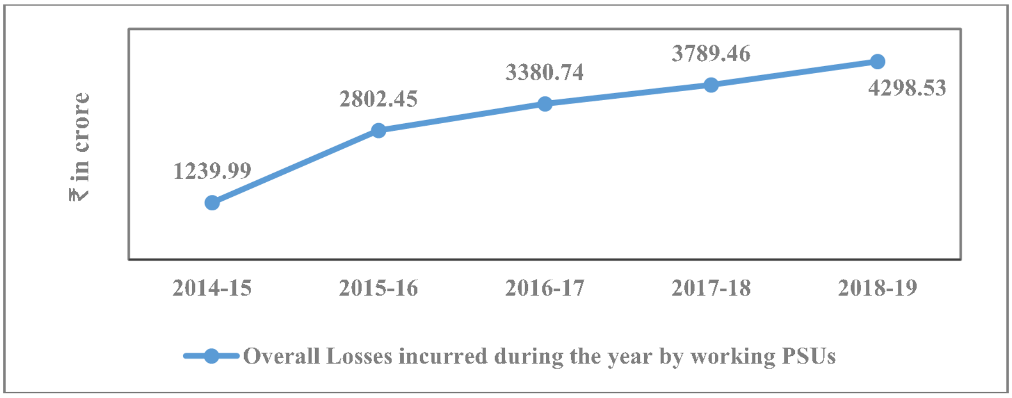
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's Earnings Before Interest and Taxes by Capital Employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

[50] Excluding DCADL, DLL, DMSL, ICSIL and NDMC Smart City Limited

Return on Investment

2.1.3.12 The Return on Investment is the percentage of profit or loss to the total investment. The overall position of profit/loss earned/incurred by the 14 working State PSUs (other than power sector) during 2014-15 to 2018-19 is depicted in **Chart-2.1.3.3**.

Chart-2.1.3.3: Losses incurred by working PSUs during the years



Source: Accounts of PSUs (The figures for the years 2014-15 to 2017-18 have been as per previous audit reports and the figures for the year 2018-19 have been taken as per the latest accounts received as on 30 September 2019).

The PSUs incurred overall losses during the five year period from 2014-15 to 2018-19. As per the latest accounts received, out of the 14 PSUs, five PSUs earned profit of ₹ 68.42 crore and five PSUs incurred losses of ₹ 4,366.95 crore (of which loss of DTC was ₹ 4,329.41 crore) and four PSUs had marginal loss[51] as detailed in **Annexure 2.6**.

The top profit making company was DTTDC (₹ 37.26 crore) while Delhi Transport Corporation incurred heavy losses of ₹ 4,329.41 crore.

Of the 14 PSUs as on 31 March 2019, position of working PSUs which earned/incurred profit/loss during 2014-15 to 2018-19 is given in **Table-2.1.3.7**.

[51] DMSL, DLL, DCADL and SRDC incurred losses of ₹ 33,500, ₹ 32,700, ₹ 33,000 and ₹ 25,370 respectively.

Table-2.1.3.7: Details of working Public Sector Undertakings (other than power sector) which earned/incurred profit/loss during 2014-15 to 2018-19

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year
2014-15	12	7	5
2015-16	12	8	4
2016-17	12	8	4
2017-18	13	5	8
2018-19	14	5	9

Source: Compiled on the basis of accounts of PSUs

Return on Investment on the basis of historical cost of investment

2.1.3.13 Out of 14 Public Sector Undertakings of the State, GNCTD infused funds in the form of equity, long-term loans and grants/subsidies in nine PSUs only. GNCTD has invested ₹ 13,803.12 crore in these nine PSUs including equity of ₹ 2,090.92 crore and long-term loans of ₹ 11,712.20 crore.

The Return on Investment from the PSUs has been calculated on the investment made by GNCTD in the PSUs in the form of equity and loans. In the case of loans, only interest-free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of GNCTD in these nine (other than power sector) undertakings has been arrived at by considering the equity and the interest free loans and in cases where interest-free loans (IFL) have been repaid by the PSUs, the value of investment based on historical cost and Present Value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table-2.1.3.8 and Table-2.1.3.9**. The funds made available in the forms of the grants/subsidies other than for management and operational expenses have not been reckoned as investment since they do not qualify to be considered as investment.

As on 31 March 2019, the equity of the State government in these nine PSUs was ₹ 2,090.92 crore. Out of the released long-term loans of ₹ 11,712.20 crore, ₹ 98.00 crore were IFL based on the reduced balances of IFLs over the period and grants/subsidies for operation and management expenses (from 2001-02 to 2018-19) was ₹ 10,620.81 crore. Thus, the investment of GNCTD in these nine PSUs on the basis of historical cost stood at ₹ 12,809.73 crore (₹ 2,090.92 crore+ ₹ 98.00 crore + ₹ 10,620.81 crore).

The sector-wise return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is as given in **Table-2.1.3.8**.

Table-2.1.3.8: Return on State Government Funds on the basis of historical cost of investment

Year wise Sector-wise break-up	Total Earnings for the year (₹ in crore)		Funds invested by GNCTD in form of Equity, IFLs and operational grants on historical cost (₹ in crore)		Return on State Government investment on historical cost basis (%)	
Social Sector						
2014-15	13.00		96.33		13.50	
2015-16	11.24		96.33		11.67	
2016-17	11.60		96.33		12.04	
2017-18	-1.89		96.33		-1.96	
2018-19	-2.87		96.33		-2.98	
Others						
2014-15	1.26		18.69		6.74	
2015-16	3.19		18.69		17.07	
2016-17	3.19		18.69		17.07	
2017-18	2.92		18.69		15.62	
2018-19	2.51		18.69		13.43	
Competitive Sector						
	Including DTC	**Excluding DTC**	**Including DTC**	**Excluding DTC**	**Including DTC**	**Excluding DTC**
2014-15	-1,254.24	109.50	5,874.18	101.02	-21.35	108.39
2015-16	-2,816.87	100.89	7,108.93	101.77	-39.62	99.14
2016-17	-3,395.53	15.57	8,725.58	102.52	-38.91	15.19
2017-18	-3,776.22	67.40	10,803.76	103.52	-34.95	65.11
2018-19	-4295.71	33.70	12,694.71	105.02	-33.84	32.09
Total for all sectors						
2014-15	-1,239.98	123.76	5,989.20	216.04	-20.70	57.29
2015-16	-2,802.44	115.32	7,223.95	216.79	-38.79	53.19
2016-17	-3,380.74	30.36	8,840.60	217.54	-38.24	13.96
2017-18	-3,775.19	68.43	10,918.78	218.54	-34.58	31.31
2018-19	-4,296.07	33.34	12,809.73	220.04	-33.54	15.15

Source: Information received from PSUs and accounts of PSUs

The overall return on State Government investment is worked out by dividing the total earnings[52]of these PSUs by the cost of the State Government investments. Return earned on GNCTD investment by nine non-power PSUs ranged between (-) 38.79 *per cent* and (-) 20.70 *per cent* during the period 2014-15 to 2018-19. Negative returns was on account of huge losses incurred by Delhi Transport Corporation (DTC), ranging from ₹ 1,363.74 crore in 2014-15 to ₹ 4,329.41 crore in 2018-19. After excluding DTC return on investment for remaining eight PSUs was positive for all the five years from 2014-15 to 2018-19, ranging from 13.96 *per cent* to 57.29 *per cent*.

Rate of Real Return (RoRR) on Government Investments

2.1.3.14 An analysis of the earnings vis-a-vis investments in respect of those nine PSUs (other than power sector) where funds had been infused by the

[52] This includes net profit/loss for the concerned year relating to those State PSUs where the investments have been made by the State Government.

State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money.

The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GNCTD in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year upto 31 March 2019, the past investments/year-wise funds infused by GNCTD in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those nine State PSUs (other than power sector) where funds had been infused by the State Government in the shape of equity, IFL and grants and subsidies for operational and management expensesupto 31 March 2019. During the period from 2014-15 to 2018-19, these nine PSUs had a negative Return on Investment.

The PV of the State Government investment in the nine undertakings was computed on the following assumptions:

- Interest-free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest-free loans over the period. The funds made available in the form of grant/subsidy other than for management and operational expenses have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in Para 2.1.3.13.
- The average rate of interest on Government borrowings for the concerned financial year[53] 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 years 2014-15 to 2018-19, when these nine companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in Para 2.1.3.17.

2.1.3.15 The PSU-wise position of State Government investment in these nine State PSUs in the form of equity, loans and grant/subsidy for management and operational expenses on historical cost basis for the period from 2002-03 to 2018-19 is indicated in **Annexure 2.7**. Further, consolidated position of PV of

[53] The average rate of interest on government borrowings was adopted from the State Finances Audit Reports of the CAG of India on (GNCTD) for the concerned year.

the State Government investment and the total earnings relating to these PSUs for the same period is indicated in **Table-2.1.3.9**.

Table-2.1.3.9: Year wise details of investment by the GNCTD and Present Value of government investment for the period from 2002-03 to 2018-19 including DTC

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year	Grants and subsidies for operational and management expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[54]
i	ii	iii	iv	v	vi=iii+iv+v	vii=ii+vi	viii	ix={vii*(1+viii)/100}	x={viii*vii)/100}	xi
2002-03	182.96[55]	1.27	0.00	0.20	1.47	184.43	11.17	205.03	20.60	-768.54
2003-04	205.03	0.00	0.00	0.20	0.20	205.23	10.65	227.09	21.86	-534.27
2004-05	227.09	0.00	0.00	0.20	0.20	227.29	10.34	250.79	23.50	-691.88
2005-06	250.79	0.00	0.00	130.87	130.87	381.66	8.87	415.51	33.85	-857.78
2006-07	415.51	2.11	0.00	42.07	44.18	459.69	9.35	502.67	42.98	-850.94
2007-08	502.67	384.30	0.00	20.43	404.73	907.40	9.84	996.69	89.29	-1174.20
2008-09	996.69	250.69	0.00	19.25	269.94	1266.63	9.90	1392.03	125.40	-1699.94
2009-10	1392.03	630.71	0.00	21.25	651.96	2043.99	9.52	2238.58	194.59	-2011.63
2010-11	2238.58	225.00	0.00	70.63	295.63	2534.21	9.10	2764.82	230.61	-1978.31
2011-12	2764.82	215.48	40.00	589.59	845.07	3609.89	9.77	3962.58	352.69	-2185.59
2012-13	3962.58	199.55	50.00	846.89	1096.44	5059.02	9.73	5551.26	492.24	-2246.25
2013-14	5551.26	0.00	1.00	974.75	975.75	6527.01	9.21	7128.15	601.14	-2793.65
2014-15	7128.15	-1.15	7.00	1083.75	1089.60	8217.75	8.59	8923.65	705.90	-1239.98
2015-16	8923.65	0.00	0.00	1234.75	1234.75	10158.40	8.54	11025.93	867.53	-2802.44
2016-17	11025.93	0.00	0.00	1616.65	1616.65	12642.58	8.65	13736.16	1093.58	-3380.74
2017-18	13736.16	0.00	0.00	2078.18	2078.18	15814.34	8.58	17171.21	1356.87	-3775.19
2018-19	17171.21	0.00	0.00	1890.95	1890.95	19062.16	8.64	20709.13	1646.97	-4296.07
Total		**1907.96**	**98.00**	**10620.61**	**12809.53**					

Source: Information received from PSUs and State Finances Audit Report of the CAG of India

The investment by GNCTD in these PSUs at the end of the year increased to ₹ 19,062.16 crore in 2018-19 from ₹ 184.43 crore in 2002-03 as GNCTD made further investments in the form of equity, interest-free loans and grants and subsidies for operational and management expenses during the period 2002-03 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 20,709.13 crore.

During 2002-03 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs as DTC incurred substantial losses during this period. The main reasons for increasing losses of DTC were increasing interest cost (₹ 4,487.48 crore for the current year which was not paid), Annual Maintenance Charges (AMC)

[54] For 2002-03 to 2011-12, the figures for Profit before Tax are provided as Profit after Tax were not available. 2012-13 onwards Profit after Tax figures have been depicted.

[55] This is opening balance of investment made by GNCTD

cost, provision of pay revision (2015-16 to 2017-18), increased scrapping of buses and uneconomic fare structure (the fares were last revised in November 2009).Earnings of the other PSUs during the period from 2002-19, were set off towards the losses incurred by DTC due to which the total earnings remained below the minimum expected return as detailed in **Table-2.1.3.9**. Net Present Value by excluding DTC has been worked out in **Annexure 2.8**. It is seen that total earnings of all PSUs (excluding DTC) exceeded the minimum expected return in all the years during 2002-03 to 2018-19 except during 2008-09, 2016-17 and 2018-19**.**

2.1.3.16 During the years 2014-15 to 2018-19, the Government had negative returns on investments made in these PSUs.

Erosion of Net worth

2.1.3.17 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 owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Table-2.1.3.10 indicates total paid up capital, total accumulated profit/loss, and total net worth of these non-power sector companies[56] where GNCTD has made direct investment:

Table-2.1.3.10: Net worth of other than power sector undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Paid Up Capital of PSUs at end of the year		Accumulated Profit (+) Loss (-) at end of the year		Deferred revenue Expenditure	Net Worth of companies	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC		Including DTC	Excluding DTC
2014-15	2,091.76	107.91	-18,474.36	496.66	0	-16,382.60	604.57
2015-16	2,091.82	107.97	-21,249.72	639.06	0	-19,157.90	747.03
2016-17	2,091.88	108.03	-24,565.12	734.88	0	-22,473.24	842.91
2017-18	2,091.94	108.09	-28,307.57	835.92	0	-26,215.63	944.01
2018-19	2,111.22	127.37	-32,607.67	865.24	0	-30,496.45	992.61

Source: Accounts of PSUs

Out of the 14 non-power PSUs, GNCTD invested in nine PSUs. Out of these nine, there was positive net worth in seven PSUs[57] and negative net worth in DTC (for one company[58] the net worth was considered zero). The positive net worth of the seven PSUs (₹ 992.61 crore) was outweighed by negative net worth of DTC (₹ 31,489.06 crore) and the total net worth of these nine PSUs

[56] Excluding NDMC Smart City, ICSIL, DMSL, DLL and DCADL

[57] DSCFDC, DSCSC, DSIIDC, DTTDC, DTIDC, DFC and GDL

[58] SRDC is a non-profit making Company registered under Section 8 of the Companies Act, 2013.

during 2014-15 to 2018-19 remained negative. However, after excluding DTC the total net worth of the seven PSUs was positive during this period.

Dividend Payout

2.1.3.18 Dividend payout relating to nine PSUs (other than power sector) where equity was infused by GNCTD during the period is shown in **Table-2.1.3.11**.

Table-2.1.3.11: Dividend Payout of nine PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GNCTD		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (*per cent*)
	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Equity infused by GNCTD	Number of PSUs	Dividend declared/paid by PSUs	
I	ii	iii	iv	v	vi	vii	viii=vii/v*100
2014-15	9	2,083.51	6	81.61	1	0.50	0.61
2015-16	9	2,083.51	7	99.66	1	0.50	0.50
2016-17	9	2,083.51	7	99.66	1	0.50	0.50
2017-18	9	2,083.51	5	66.74	1	0.50	0.75
2018-19	9	2,090.92	4	34.69	0	0	-

Source: Information received from PSUs

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged from four to seven. During the period 2014-15 to 2017-18, only one PSU (DSCSC) declared/paid dividend to GNCTD and the dividend payout ratio ranged from 0.50 *per cent* to 0.75 *per cent*. None of the four profit making companies paid dividend during 2018-19.

The State government may formulate a dividend policy specifying minimum rate of dividend to be contributed by PSUs.

Return on Equity

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

RoE has been computed in respect of nine (other than power sector) undertakings where funds had been infused by GNCTD. The details of shareholders' funds and ROE relating to nine PSUs (other than power sector) during the period from 2014-15 to 2018-19 are given in **Table-2.1.3.12**.

Table-2.1.3.12: Return on Equity relating to PSUs where funds were infused by GNCTD

Year	Net profit/ loss after taxes of nine PSUs (₹ in crore)		Shareholders' Fund of nine PSUs (₹ in crore)		RoE (*per cent*)	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC	Including DTC	Excluding DTC
2014-15	-1,239.98	123.76	-16,382.60	604.57	-	20.47
2015-16	-2,802.44	115.32	-19,157.90	747.03	-	15.44
2016-17	-3,380.74	30.36	-22,473.24	842.91	-	3.60
2017-18	-3,775.19	68.43	-26,215.63	944.01	-	7.25
2018-19	-4,296.07	33.34	-30,496.45	992.61	-	3.36

Source: Accounts of PSUs

During the last five years, the net income in respect of eight companies, other than DTC, was positive for all the five years and as a result, there was positive return on equity ranging from 3.36 *per cent* to 20.47 *per cent*. However, due to heavy losses incurred by DTC which increased from ₹ 1,363.74 crore in 2014 - 15 to ₹ 4,329.41 crore in 2018-19, the net income for the nine companies became negative in all the five years and thus, the RoE could not be worked out for this period.

Return on Capital Employed

2.1.3.20 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[59]. The details of total RoCE of nine PSUs (other than power sector) during the period from 2014-15 to 2018-19 are given in **Table-2.1.3.13**.

[59] Capital employed = Paid up share capital + long term loans +free reserves - accumulated losses- deferred revenue expenditure.

Table-2.1.3.13: Return on Capital Employed

Year[60]	EBIT for PSUs (₹ in crore)		Capital Employed for PSUs (₹ in crore)		RoCE for PSUs[61] (*per cent*)	
	Including DTC	Excluding DTC	Including DTC	Excluding DTC	Including DTC	Excluding DTC
2014-15	1,356.53	230.07	-4,614.54	696.49	-	33.03
2015-16	94.89	176.68	-7,396.50	832.29	-	21.23
2016-17	3.91	112.61	-10,673.17	966.84	-	11.65
2017-18	180.58	174.00	-14,438.43	1,045.07	-	16.65
2018-19	376.98	201.39	-18765.59	1047.33	-	19.23

Source: Accounts of PSUs

During the last five years for the period ended March 2019, the overall capital employed in respect of eight companies, other than DTC, was positive for all the five years and as a result the return on capital employed was also positive ranging from 11.65 *per cent* to 33.03 *per cent*. However, with the inclusion of DTC, the capital employed for these companies turned negative for all the five years.

Analysis of Long-term loans of the PSUs

2.1.3.21 Analysis of the long-term loans of the PSUs (other than power sector) which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve 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

2.1.3.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the less the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicates that the PSU is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of the PSUs which had interest burden during the period from 2014-15 to 2018-19 are given in **Table-2.1.3.14**.

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60 The figures for the years 2014-15 to 2017-18 have been as per previous audit report and the figures for the year 2018-19 have been taken as per the latest accounts received as on 30 September 2019.

61 The capital employed for PSUs including DTC is negative for all the years and thus, Return on capital employed could not be worked out for the period.

Table-2.1.3.14: Interest Coverage Ratio relating to State PSUs

Year	Interest (₹ in crore)	EBIT (₹ in crore)	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	2,518.35	1,356.52	7	3	4[62]
2015-16	2,862.25	94.88	6	3	3[63]
2016-17	3,325.38	3.91	6	3	3[64]
2017-18	3,874.95	166.31	6	2	4[65]
2018-19	4,509.40	171.13	6	1[66]	5[67]

Source: Accounts of PSUs (The figures for the years 2014-15 to 2017-18 have been taken as per previous year audit report and for 2018-19 as per the latest accounts received as on 30 September 2019.

Of the six PSUs (other than power sector) having liability of loans from Government as well as banks and other financial institutions during 2018-19, one PSU had interest coverage ratio of more than one whereas two PSUs had interest coverage ratio below one which indicates that these two PSUs could not generate sufficient revenues to meet their expenses on interest during the period. The remaining three PSUs had no interest liability.

Debt Turnover Ratio

2.1.3.23 During the last five years, the turnover of the PSUs recorded compounded annual decline of 1.05 *per cent* and compounded annual growth of debt of 0.08 *per cent* due to which the debt turnover ratio deteriorated from 2.58 in 2014-15 to 2.68 in 2018-19 as given in **Table-2.1.3.15.**

Table-2.1.3.15: Debt Turnover Ratio relating to the State PSUs (other than power sector)

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	11,768.09	11,761.43	11,800.10	11,801.24	11,730.94
Turnover	4,569.35	4,186.91	4,100.76	3,940.75	4380.59[68]
Debt-Turnover Ratio	2.58:1	2.81:1	2.88:1	2.99:1	2.68:1

Source**:** The figures for the years 2014-15 to 2017-18 have been as per previous audit report and the figures for the year 2018-19 have been taken as per the latest accounts received as on 30 September 2019

The debt-turnover ratio ranged between 2.58 and 2.99 during this period.

[62] DSCSC, GDL, DCAD and DTC
[63] DSCFDC, DSCSC and DCAD
[64] DSCSC, DCAD and DTC
[65] DSCFDC, DSCSC, DCAD and DTC
[66] DSCFDC
[67] DFC and DTC have interest coverage ratio of less than 1. DSCSC, DCAD and DLL have no interest liability.
[68] Turnover for 14 companies

Comments on Accounts of State PSUs

2.1.3.24 Eleven companies forwarded their 11 audited accounts to the Principal Accountant General during the period 1 October 2018 to 30 September 2019. All these 11[69] accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given in **Table-2.1.3.16**.

Table-2.1.3.16: Impact of audit comments on Working Companies (other than power sector)

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	2	15.94	2	39.36	2	17.30
2	Increase in profit	0	0	1	0.05	2	9.41
3	Increase in loss	0	0	1	4.45	2	152.5
4	Decrease in loss	1	0.06	1	0.4	2	2.12
5.	Non-disclosure of material facts	1	7.96	1	1.22	1	165.29
6.	Errors of classification	0	0	1	1.74	1	16.13

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies.

During the year 2018-19, the Statutory Auditors had issued adverse opinion for one[70] account, qualified certificates on five[71] accounts and unqualified certificate for five[72] accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors/CAG pointed out nine instances of non-compliance to the Accounting Standards in three accounts.

2.1.3.25 GNCTD has two Statutory Corporations *i.e.*, (i) Delhi Transport Corporation (DTC) and (ii) Delhi Financial Corporation (DFC). The CAG is sole auditor in respect of DTC.

During 1 October 2018 to 30 September 2019, DTC forwarded its annual accounts for the year 2017-18 whereas annual accounts of DFC for the year 2017-18 were finalised. The Audit Reports of Statutory Auditors and the sole/supplementary audit of CAG indicated the need to improve the quality of maintenance of accounts. The Statutory Auditor pointed out one instance of non-compliance to the Accounting Standard in one account.

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[69] Audit of six accounts out of 11 accounts under progress as on 30 September 2019.

[70] DTIDC (2016-17)

[71] DSCFDC (2011-12), DSCSC (2017-18), DSIIDC (2017-18), NDMC Smart City (2017-18) and DLL (2018-19).

[72] DTTDC (2018-19), DML (2018-19), DCAD (2018-19), GDL (2018-19) and SRDC (2018-19)

The details of aggregate money value of the comments of Statutory Auditors and sole/supplementary audit by the CAG in respect of Statutory Corporations are given in **Table-2.1.3.17**.

Table-2.1.3.17: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	1	3.78	1	10.56	0	0
2	Increase in profit	0	0	1	0.37	0	0
3	Increase in loss	1	2,389.34	1	2,332.74	1	11.09
4	Decrease in loss	1	15.1	1	19.65	1	0.18
5	Non-disclosure of material facts	2	127.94	2	125.39	0	0
6	Errors of classification	1	25.24	1	1.02	0	0

Source: Compiled from comments of the Statutory Auditors/CAG in respect of Statutory Corporations.

Follow up action on Audit Reports

Replies outstanding

2.1.3.26 To ensure accountability of the executive in respect of all audit paragraphs contained in the Audit Reports, the departments are required to submit the Action Taken Notes (ATNs) to the Committee on Government Undertakings (CoGU) duly vetted by Audit within four months of tabling of the Audit Report in the Legislative Assembly. The position of ATNs on Audit Reports related to PSUs (other than power sector) is given in **Table-2.1.3.18**.

Table-2.1.3.18: Position of ATNs on Audit Reports related to PSUs other than power sector (as on 31 March 2020)

Audit Report for the year ended	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non-Power Sector in the Audit Report		Number of PAs/ Paragraphs for which ATNs were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014	30.06.2015	1	2	0	0
2015	13.06.2016	1	1	0	0
2016	10.03.2017	0	3	0	1
2017	03.04.2018	1	5	0	0
2018	03.12.2019	1	2	1	2

Source: Compiled based on ATNs received from GNCTD

Discussion of Audit Reports by Committee on Government Undertakings

2.1.3.27 The status of discussion of Performance Audits and paragraphs related to PSUs (other than power sector) that appeared in Audit Reports (PSUs) by COGU as on 31 March 2020 are given in **Table-2.1.3.19**.

Table-2.1.3.19: Status of PAs/Paras in the Audit Reports which have been discussed in COGU (as on 31 March 2020)

Audit Report for the year ended	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014	1	2	1	0
2015	1	1	0	0
2016	0	3	0	0
2017	1	5	0	0
2018	1	2	0	0

Source: Compiled based on the discussions of COGU on the Audit Reports

Compliance to Reports of COGU

2.1.3.28 No report has been received from COGU for the period 2014 to 2018.

Department of Industries

Delhi State Industrial and Infrastructure Development Corporation Limited

2.2 Operation and Maintenance of Industrial Areas at Bawana and Narela

2.2.1 Introduction

Industrial Policy 2010-21 for the Government of National Capital Territory of Delhi (GNCTD) envisioned infrastructure development through better operation and maintenance of Industrial Areas (IAs) as the planned industrial estates had poor infrastructure and suffered from water logging, bad quality roads and encroachments. The foremost constraints faced in planning infrastructure and industrial development was funding. In pursuance of this, the Delhi Industrial Development Operation and Maintenance Act, 2010 (DIDOM Act) was enacted (March 2010) for the purpose of securing orderly establishment of industrial areas, industrial estates and flatted factory complexes in NCTD, including their operation and maintenance by a single implementing agency, i.e. Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC)[73]. As per DIDOM Act, DSIIDC was allowed to create a fund for development, operation and maintenance of industrial estates, industrial areas and flatted factory complexes (FFC) by crediting all the monies received by DSIIDC from and on account of industrial areas, estates and FFC viz, from disposal of land, building and immovable items, all fees, charges, rent etc.

Department of Industries, GNCTD entrusted (1998) the work of relocation of industries to DSIIDC consequent upon orders (1996) of the Hon'ble Supreme Court to relocate industrial units operating in residential areas. Under the Relocation Scheme, land was acquired in Bawana and nearby villages, Narela, Badli, Jhilmil and Patparganj Industrial areas.

Delhi has 33 IAs spread over an area of 4,647 acres. Out of this total area, Bawana (1,922 acres) and Narela (496 acres) IAs comprise of 2,418 acres (52.03 *per cent*) as on July 2020. The Bawana and Narela[74] IAs were developed in 2001-02 under the Relocation Scheme. As on August 2019, 15,756 out of 16,312 plots were occupied in Bawana IA and 3,222 out of 3,376 plots were occupied in Narela IA.

[73] PSU established in 1971

[74] Narela IA initially came into existence in 1978 and was further developed under the Relocation Scheme.

Figure 1: Map of NCT of Delhi, with indicative location of Bawana and Narela IAs.

The development and operations in Bawana and Narela IA was approved (March 2010) by the GNCTD to be done on public-private partnership (PPP) basis through a special purpose vehicle (SPV). M/s Infrastructure Development Finance Corporation (IDFC) was appointed (January 2009) as consultant for assessing the financial viability of the projects for re-development of IAs, including those at Bawana and Narela.

DSIIDC however, decided to upgrade and re-develop the existing infrastructure with private sector participation on an Upgrade-Operate-Maintain-Transfer (UOMT) basis for the IAs at Bawana and Narela. For this purpose IDFC estimated (April 2011) the project life-cycle costs (including capital and operation & maintenance expenditure) and total revenues (maintenance charges and other charges), and concluded that financial assistance (in the form of fixed annuity payments) would be required to be provided towards the projects by DSIIDC to the private concessionaire.

On the basis of the lowest bids for annuity payments (from the date of completion of re-development works), the work of re-development and operation and maintenance of IAs at Bawana and Narela for a period of 15 years was allotted to M/s Bawana Infra Development Private Ltd (M/s Bawana) and M/s PNC Delhi Industrial Infra Private Limited (M/s PNC) respectively. The concession agreements for both IAs were entered into in July 2011. The re-development work of Bawana and Narela IAs were completed[75] in December 2013 and October 2013 respectively. However, the overall responsibility of management of IAs and services rendered by the concessionaires rested with DSIIDC.

2.2.1.1 Audit objectives, scope and methodology

Bawana and Narela IAs were developed to provide a modern industrial estate with all requisite infrastructure such as roads, drainage, water supply, sewerage systems, street lighting and parking facilities.

The audit objectives were to assess whether:

- the industrial areas at Bawana and Narela were being managed efficiently and effectively;
- a mechanism for monitoring and supervision of performance of the concessionaires existed and was adequate; and
- an effective mechanism to address the grievances of industrial units existed.

The audit was conducted during the period from May 2019 to November 2019. Audit examined records pertaining to the operation and maintenance of Bawana and Narela IAs for the period 2016-17 to 2018-19. Audit also conducted physical verification of the IAs relating to dumping of solid waste, cleanliness of roads and parks etc, choking and overflow of storm water drains etc jointly with the representative of DSIIDC. Audit also obtained feedback about the quality of service facilities rendered by the concessionaires in the IAs through a questionnaire and obtained feedback from 483 industrial units and three industrial associations.

The Entry and Exit conferences were held on 30 April 2019 and 29 January 2020 respectively with the management. The replies to the draft compliance audit report were received from the Government in August 2020 and have been suitably incorporated.

Audit Findings

The concession agreements required the concessionaires to operate and maintain the project facilities, i.e., facilities related to roads, drainage, sewerage, street lighting, water supply, solid waste disposal etc., in accordance with the service level standards laid down in the agreement. However, DSIIDC is responsible for overall monitoring and supervising the service facilities through progress/inspection reports.

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[75] As per provisional certificate issued by Third Party Engineer (TPE).

2.2.2 Financial management of collection and payments to concessionaires

As per Section 11.4 of the concession agreement, concessionaires were entitled to charge and collect maintenance charges from annuity commencement date[76] and water, sewerage charges and CETP charges from the unit holders from the appointed date[77]. The charges so collected were to be deposited in a designated account. As per Section 11.6, the concessionaire would open an escrow account and DSIIDC would deposit all payments due and payable to the concessionaire within 15 days of close of the month into this account.

The collection amount deposited by concessionaires were paid to it through escrow account after making deduction on account of penalty levied for service level deficiencies, if any, water and electricity bills payable by the concessionaires but paid by DSIIDC and rent of office premises occupied by the concessionaires.

The details of deposits made by concessionaires out of collections made by them from industrial units and payments made by DSIIDC to it during the period 2012-13 to 2018-19 are given below in **Table-2.2.1**. Year-wise details of monthly charges collected by each concessionaire are given in **Annexure 2.9**.

Table-2.2.1: Details of monthly charges deposited by concessionaires in designated account and released by DSIIDC to escrow account

(₹ in crore)

IA	CETP charges	Water charges	Maintenance charges	Total amount deposited into designated account	Amount released by DSIIDC into escrow account
Bawana	56.65	48.23	144.22	249.10	205.34
Narela	20.57	11.55	57.42	89.54	80.90
Total	77.22	59.78	201.64	338.64	286.24

[76] The annuity commencement date is the date on which completion certificate in relation to all mandatory capital projects is issued in accordance with the concession agreement. As per Section 9.10 of the concession agreement, the project shall be deemed to be complete when the completion certificate or the provisional certificate, as the case may be, is issued. The PC in the case of Narela IA was issued on 31.10.2013 and in case of Bawana IA on 15.12.2013.

[77] The appointed date (15 December 2011) is the date when the concessionaires and DSIIDC fulfill their respective conditions precedent referred to in Sections 3.2 and 3.3 of the concession agreement.

2.2.2.1 Failure of DSIIDC to insist on certified utilisation certificate before release of monthly collection amount

As per Section 11.7 (a) of the concession agreement, any claim or document provided by the concessionaire to DSIIDC relating to income and expenditure in connection with the project shall be valid and effective only if certified by the concessionaire's Statutory Auditors.

Audit noticed that ₹ 286.24 crore released to the concessionaires up to March 2019, relating to collection from CETP, maintenance and water charges, was done solely based on self-certification by the concessionaires that the amounts released in the escrow account were utilised on operation and maintenance activities, and not on the basis of certification by the Statutory Auditors as required under the concession agreement.

Further, DSIIDC did not have the details of monthly charges due and paid by the individual unit holders, which was essential in order to reconcile the amounts collected and deposited by the concessionaires. As collections were also being made by the concessionaires in cash, in the absence of unit-wise details, the correctness of the collections could not be vouchsafed in audit.

The Government in their reply (August 2020) did not offer any comment on the issue.

2.2.2.2 Fixation of Maintenance Charges

GNCTD notified (January 2012) that to meet the expenditure incurred on building, maintenance and operation of the project facilities, the concessionaires would collect a monthly maintenance charges at the rate of ₹ 10 per square meter (sqm.) from the industrial units (w.e.f. the annuity commencement date). Also, the monthly maintenance charges were to be escalated annually as per the cost inflation index having regard to expenditure involved in building; maintenance and management and operation of project facilities. Based on the above notification and as per the terms of the agreement, the concessionaires started collecting maintenance charges at ₹ 10 per sqm from annuity commencement date (31 October 2013 – Narela IA and 15 December 2013 – Bawana IA) and these were escalated by them to ₹ 11.51, ₹ 11.98, ₹ 12.34 and ₹ 12.70 per sqm. for the years 2015-16, 2016-17, 2017-18 and 2018-19 respectively.

The details of fixation of monthly maintenance charges of ₹ 10 per sqm were not provided to audit. Also, the maintenance charges were uniform across all industrial units, irrespective of their industry type, although the maintenance requirements would vary depending on the nature of the industry. Further, allowing escalation of monthly maintenance charges on yearly basis was not justified as the concessionaires have not provided the details of the expenditure incurred on the operation and maintenance of these IAs along with certification of Auditors for any of these years as per the concession agreement as stated in Para 2.2.2.1.

The Government replied (August 2020) that after due consideration, the initial maintenance charges of ₹ 10 per sqm. was adopted and the escalation was allowed based on cost inflation index as per notification of 2012. The Government, however, failed to provide any document to substantiate their contention that maintenance charges of ₹ 10 per sqm were fixed after due consideration. Moreover, the collection of maintenance charges was not linked to actual expenditure involved in operation and management. This indicates that the maintenance charges were fixed in an unscientific manner, without considering the actual maintenance requirements and expenses involved.

2.2.2.3 Non-recovery/adjustment of parking, water and sewer connection charges

As per section 11.4 (a) of the concession agreement, the concessionaires were authorised to collect only maintenance, water charges, sewerage charges and CETP charges. In this regard Audit observed that:

- DSIIDC authorised the concessionaires of Narela and Bawana IAs, in March 2016 and June 2016 respectively, to collect parking charges also. However, DSIIDC recovered parking charges amounting to ₹ 45.93 lakh, collected by the concessionaire of Narela IA only, for the period from June 2017 to March 2018 in September/October 2018. This resulted in loss of interest of ₹ 3.59 lakh on the said amount. In respect of Bawana IA, since DSIIDC failed to furnish details of parking charges collected by the concessionaire, audit could not assess the extent of loss to DSIIDC.
- The concessionaire of Narela IA was not authorised by DSIIDC to collect water and sewer connection charges. However, the concessionaire collected these charges amounting to ₹ 1.06 crore for the period from 2013-14 to 2018-19 without authorisation. Although the monthly reconciliation statements furnished by the concessionaire specifically mentioned details of collection of these charges, however, DSIIDC failed to recover the same from the designated account till date (August 2020) while releasing payments to the concessionaire. Thus, there was avoidable loss of interest of ₹ 29.75 lakh[78] to DSIIDC, which could have been earned thereon.
- In respect of Bawana IA, DSIIDC authorised the concessionaire (December 2016) to sanction water and sewer connection to the unit holders and to collect the charges and deposit the amount in the designated account. However, audit noticed that DSIIDC failed to recover the collections for the period from 24 February 2017 to 20 October 2017,

[78] Calculated till July 2019

amounting to ₹ 1.11 crore, in a timely manner, and these deductions were made only in the months of March and April 2018. For the subsequent period from 21 October 2017 to 31 March 2019 charges amounting to ₹ 1.11 crore remained unrecovered. This has resulted in loss of interest of ₹ 12.05 lakh thereon.

The Government stated (August 2020) that recovery of parking charges from the concessionaire of Narela IA was done from July 2017 onwards when the concessionaire started depositing the same into bank account. The reply confirms that though the collection of parking charges was done by the concessionaire from June 2017, the same was recovered by DSIIDC only in September and October 2018. The Government did not reply about collection of parking charges for the period from April 2016 to May 2017 in Narela IA and for the entire period in respect of Bawana IA. The Government accepted the audit observations on water and sewer connection charges.

2.2.2.4 Delay in payment of electricity and water bills

As per Section 6.10 of the agreement the concessionaire was to make electricity and water bills payments to the utility providers. Audit, however, noticed that the concessionaire of Bawana IA failed to pay the electricity bills and water bills to the utility providers, on several occasions during the period covered in audit, i.e., 2016-17 to 2018-19. In order to maintain uninterrupted services of these utilities in the area, DSIIDC made payments for electricity and water charges on such occasions thereby giving undue benefit to the concessionaire. DSIIDC had not taken any penal action against the concessionaire despite persistent failure on the part of the concessionaire. The direct payments made by DSIIDC on behalf of M/s Bawana resulted in loss of interest amounting to ₹ 9.34 lakh, which could have been earned by DSIIDC had it not made the payments to the utilities directly.

2.2.3 Appointment of Third Party Engineer

Section 10.1 of the concession agreement stipulated that DSIIDC would appoint an independent consultant (“Third Party Engineer” (TPE)) to monitor the implementation of the project facilities/works done by the concessionaires for compliance as per the provisions of the agreement and good industry practices.

Audit observed that DSIIDC entered into an agreement with the TPE in December 2011 at a remuneration of ₹ 90 lakh[79] for a period of three years for each industrial area. It was further noticed that the TPE was appointed on nomination basis without inviting any bids to evaluate the competitiveness of offers. In the absence of availability of competitive rates, the reasonableness of the rates offered to the TPE could not be vouched for in audit. Though the

[79] ₹ 3 lakh * 12 months * 2 years = ₹ 72 lakh during re-development period plus ₹ 1.50 lakh * 12 months * 1 year = ₹ 18 lakh for one year maintenance period for each IA.

TPE was appointed on nomination basis for a period of three years i.e. up to December 2014, however, its tenure was extended without making any efforts to appoint a new TPE till March 2017. Thereafter, DSIIDC invited bids four times since April 2017 for appointment of a new TPE but due to poor response received, no firm could be selected and the tenure of the existing TPE was extended up to August 2019. Subsequently, a new TPE was appointed (September 2019) on nomination basis at a remuneration of ₹ 1.60 lakh per month and ₹ 1.40 lakh per month for Bawana and Narela IAs respectively.

Audit observed that the tenure of the TPE was extended from time to time after completion of three years of the agreed period treating its performance as satisfactory. Though the TPE did not discharge some of the duties assigned to it as mentioned in Para 2.2.5.1, no penalty could be levied on it as there was no provision in the agreement with the TPE for levy of penalty for deficiencies in their services.

It is pertinent to mention that while granting extension to the TPE in 2015, the Competent Authority (CMD) of DSIIDC directed to incorporate the penalty clause in the agreement but the same was not adhered to and no such clause was included while granting extensions to the TPE and also while awarding work on nomination basis to the new TPE.

2.2.4 Deficiencies in Operation and Maintenance of IAs

During scrutiny of records relating to operation and maintenance of IAs at Bawana and Narela by the concessionaires, audit observed the following deficiencies:

2.2.4.1 Deficiencies in disposal of Municipal Solid Waste (MSW)

As per Section 2D of Schedule 2 of the concession agreement, the concessionaires were to provide facilities relating to solid waste disposal. The service level standards (SLS) for MSW as per schedule 3 D (iii) required the concessionaires to ensure proper transportation of MSW, door-to-door collection of waste, transportation to treatment facility or landfill facility, and segregation of waste into biodegradable and non-biodegradable components.

Audit noticed that disposal of MSW in IAs at Bawana and Narela was very poor as instances of dumping of solid waste in the open, in storm water drains and in the sewerage system were repeatedly reported at various platforms viz; Grievance Redressal Committee (GRC), Maintenance Board (MB) meetings etc. For disposal of MSW, the agreement required the concessionaire to dispose the waste at a landfill site within 4-5 kms. However, the landfill site used/ provided for disposing the waste was located at a distance of 20 km (approx.). This reflects poor designing of the agreement. This was also observed by audit during joint physical verification conducted along with the DSIIDC representative, as shown in the photographs below:

Photographs 1 and 2: Instances of dumping of MSW in open area in Bawana IA, observed during joint physical verification (December 2019)

Photograph 3: Instances of dumping of MSW in open area in Narela IA, observed during joint physical verification (January 2020)

It was further observed that the Environment Pollution Control Authority (EPCA) directed (December 2017) DSIIDC that the waste from Bawana and Narela IAs be disposed of at the Waste-to-Energy (WTE) plant at Bawana being run by M/s. Ramky Limited to prevent accumulation as well as open burning of solid waste. DSIIDC obtained requisite permission from North Delhi Municipal Corporation (NDMC) in October 2018, and 49,827 metric tonnes of *malba* (garbage) was disposed of at WTE plant up to July 2019. Out of the above, about 34,123 metric tonnes of garbage pertained to the period up to October 2018 which indicated accumulation of garbage during the period prior to October 2018. This reflects improper waste disposal and inadequate efforts for disposal of garbage by the concessionaires and monitoring of the same by DSIIDC during the initial years of operation of the IAs.

EPCA also noticed instances of open dumping and burning of solid waste during their visit to the IAs in October 2018, and directed that boundary walls be constructed around the vacant plots to prevent dumping of solid waste in them. However, action for the same was initiated only in Bawana IA (May 2019).

It was only after the visits of the EPCA that some action was taken by DSIIDC in the form of conducting inspections, sealing defaulting units, and forwarding lists of defaulters to Delhi Pollution Control Committee (DPCC) for strict action and imposing fines. Audit observed that the TPE had repeatedly (since January 2016) highlighted deficiencies in disposal of MSW (**Annexure 2.10**) which was the responsibility of the concessionaires. However, DSIIDC did not impose penalties on the concessionaires (except once in May 2018 when penalty of ₹ 18.55 lakh was imposed on M/s Bawana) for their failure to properly dispose of MSW.

The Government accepted (August 2020) that *dhalaos*[80] became full from time to time. The Government further stated that surveys/inspections were conducted by DSIIDC on its own and recoveries on account of service-level deficiencies are also being imposed on the concessionaires regularly on monthly basis w.e.f. February 2019 onwards.

The fact remains that although the situation has improved after October 2018 and regular imposition of penalties started from February 2019 onwards, instances of dumping of solid waste in the open, in storm-water drains etc. still continued to be reported in GRC meetings as discussed in para no. 2.2.5.3. Also, the reply was silent regarding lack of action against the concessionaires in previous years for these deficiencies.

2.2.4.2 Deficiencies in maintenance of drainage and sewerage system and operation and maintenance of Common Effluent Treatment Plant (CETP)

The service level standards (SLS) for storm-water drains (Section 3A3(II) of Schedule 3A(iii)) of the concession agreement required that the concessionaire ensure that there is no mixing of sewage into the storm-water drains, the drains are cleaned at regular intervals to facilitate storm-water flow, storm-water is not discharged into open areas causing flooding/water logging in the industrial area. Further, the SLS in respect of sewerage system (Section 3C3(II) of Schedule 3C(iii)) required the concessionaire to ensure that there is no leakage in the sewer collection system and check for clogged inlets and drains. The maintenance of CETP required the concessionaires to meet the SLS (Section 3C3(III) of Schedule 3C(iii)) to ensure final deposition of sewage effluent in accordance with discharge requirement, conduct outfall tests to check water quality at regular intervals and ensure adequate disposal of sludge.

Audit observed that various agencies viz, Monitoring Committee for river Yamuna constituted by the National Green Tribunal (NGT), Industries Department, GNCTD, Maintenance Board, etc., had noticed a number of instances of industrial effluents being discharged directly into the storm water drains and ultimately into the main drain without treatment, thereby leading to water pollution. Further, during joint physical verification of Bawana and Narela IAs with representatives of DSIIDC, audit also observed such instances as shown in the following photographs:

[80] Concrete structure meant for storage of MSW


Photographs 4 and 5: Choked drains and overflowing drains in Narela IA, as observed during joint physical verification in January 2020


Photographs 6 and 7: Dumping of waste in drains and choked drains in Bawana IA, as observed during joint physical verification in December 2019

The Industrial Associations and unit holders of both Bawana and Narela IAs also raised the issue of choked drains and sewers repeatedly in various meetings of the Grievance Redressal Committee and Maintenance Board.

Audit observed that the TPE had repeatedly (since January 2016) highlighted non-removal of silt from the CETPs, drains and sewers (**Annexure 2.10**), which was the responsibility of the concessionaires. However, DSIIDC did not impose penalties on the concessionaires (except once in May 2018 when penalty of ₹ 13.60 lakh was imposed on M/s Bawana) for their failure to maintain the drainage and sewerage system and CETP.

The matter of discharge of industrial effluents into storm water drains by industrial units was also highlighted (December 2018) in the meeting of the Monitoring Committee (constituted by the NGT) and during inspection by Minister of Industries, GNCTD in December 2018. To address these concerns, DSIIDC conducted surveys during December 2018 to July 2019 and imposed environmental compensation charge of ₹ 50,000 per unit on 1,358 and 340 units in Bawana and Narela IAs respectively. However, only 510 units and 180 units in Bawana and Narela IAs respectively paid the penalty till July 2019.

Test-check of water samples (September 2019) of the storm water drains in Bawana and Narela IAs conducted by DPCC at the request of Audit showed that exceptionally high levels of Total Suspended Solids (TSS), Bio-Chemical Oxygen Demand (BOD) and Chemical Oxygen Demand (COD) were present in seven out of nine samples indicating that the storm water drains meant for carrying storm/rain water only were actually carrying industrial waste, as shown in **Table-2.2.2**.

Table-2.2.2: Results of samples of storm water drains of Bawana and Narela IAs taken in September 2019

	TSS	BOD	COD
Maximum Permissible Limit	**100**	**30**	**250**
Bawana Escape drain	280	110	360
Bawana IA Sec 5	480	165	440
Bawana IA Sec5 Pkt P near CNG pump	140	135	396
Bawana Escape drain after meeting Sec 5 Pkt P	160	135	440
Bawana outlet CETP just before meeting Bawana escape drain	40	25	84
Narela IA Road no 55 left side	244	125	368
Narela IA Road no 55, right side	972	200	680
Narela IA Road no 102 right side	926	180	540
Narela IA Road no 102 left side	50	28	100

Moreover, no third party inspection reports on the condition of the CETPs, as required by the concession agreement, were available. However, as per the records, day-to-day repair and maintenance of the CETPs was being carried out.

Therefore, despite laxity in the operation/maintenance of storm water drains, sewers and CETPs by the concessionaires, DSIIDC failed to take action to enforce the service level standards prior to directions of other authorities. Even after 2018, deficiencies were reported in GRC/MB meetings and also noticed during site visit by Audit.

The Government stated (August 2020) that to prevent water pollution, door-to-door survey of the Narela and Bawana industrial areas was conducted and notices were served to defaulting units. Besides, environmental compensation was also charged in 2018-19, which resulted in increased flow of waste water in CETPs. It further stated that DPCC is the statutory authority responsible for implementing the provisions of environmental laws. It also stated that there are a number of street food vendors in IAs, who are discharging their waste water into the storm water drains directly.

The reply of the Government is not acceptable as the door-to-door survey of the industrial units, imposition of fines and sealing of units was done by DSIIDC and DPCC only after serious view was taken by other authorities[81]. Further, maintenance of the IAs rests with the concessionaires/DSIIDC and they should have ensured proper treatment of waste water and maintenance of drainage and sewerage system in these IAs as per environmental laws. Although there has been an increase in capacity utilisation of CETPs, it could

[81] Monitoring Committee and Minister of Industries, GNCTD.

be utilised only to the extent of 71 *per cent* and 46 *per cent* of CETPs capacity at Bawana and Narela IAs respectively. With more efforts, the concessionaires/DSIIDC could have ensured further increase in inflow of waste into CETPs. Regarding the unauthorised street food vendors and discharge of waste into drains, DSIIDC solely was responsible to control the same, which it failed to do.

2.2.4.3 Cleaning of Industrial Areas

As per Section 2 of Schedule 2 of the concession agreement, the concessionaires were responsible for providing other services, such as sweeping and keeping the roads free from litter, bushes and debris, repairing and painting of kerb stones etc. The service level standards (schedule 3A(iii)) of the concession agreement required the concessionaire to ensure that the roads are evenly surfaced and damaged roads are repaired, footpaths are not broken, all green areas, parks and landscaped areas are clean and all green litter, garbage and civil debris generated is disposed of, storage facilities/containers/bins for MSW are provided so that no unhygienic conditions are created.

However, as per the available monthly reports submitted by the TPE, grievances raised by Industrial Associations in GRC and feedback obtained from industrial associations/allottees by audit, it was observed that there was slow progress of repairing of roads and paver blocks, removal of garbage, inadequate watering and cleaning of parks and green belts and poor condition of dustbins.

Audit observed that appropriate action/penalties on the concessionaires were neither recommended by the TPE nor imposed by DSIIDC on its own except once in May 2018 when penalty of ₹ 18.66 lakh was imposed on M/s Bawana.

The following photographs taken during joint physical verification of the IAs by audit and representative of DSIIDC in December 2019 and January 2020 indicates the poor status of cleaning of IAs.

Photographs 8 and 9: Garbage/debris on road side and in open areas in Bawana IA, as observed during joint physical verification in December 2019


Photographs 10 and 11: Garbage/debris on road side and in open areas in Narela IA, as observed during joint physical verification in January 2020.

The Government stated (August 2020) that the maintenance work/services were attended by the concessionaire on a day-to-day basis and penalties were imposed if deficiencies were not attended by the concessionaires. The fact however remains that though deficiencies in services were noticed regularly, DSIIDC started imposing penalties on the concessionaires regularly from February 2019 only.

2.2.4.4 Inadequate water supply

DSIIDC was responsible for ensuring adequate water supply to meet the requirements of the industrial units in Bawana. However, it failed to do so and this issue was also highlighted by the units/ associations in GRC meetings as well as through feedback obtained by audit from Industrial Associations and allottees.

Audit noted that although DSIIDC had taken up the issue of inadequate supply of water with Delhi Jal Board (DJB) on many occasions, it never took up the matter at Government level. It was further seen that DSIIDC had 10 borewells in Bawana IA which were sealed by SDM office (seven in 2016 and three in 2017). DJB had granted permission to use these borewells in absence of supply of adequate water by DJB but the required codal formalities were not completed for regularising these borewells from DJB. Though DSIIDC completed the codal formalities with DJB (2017), it failed to take up this issue with the competent authorities to get these borewells de-sealed to ensure additional water supply in the area.

The Government stated (August 2020) that DSIIDC followed up the issue of desealing of borewells vigorously with SDM office. However, the fact remains that DSIIDC failed to take up the issue at higher levels with the Government to get these borewells desealed to augment the water supply.

2.2.4.5 Working of street lights

As per Service Level Standards mentioned in Section 9.1.1 (c) Schedule 3G(iii), of the concession agreement, not more than five *per cent* of the lights should be in non-working condition and the same should be rectified within 48 hours from receipt of complaint.

The position with regard to functioning of street lights during surveys conducted periodically by DSIIDC in Bawana and Narela IAs is given in **Table-2.2.3**.

Table-2.2.3: Details of survey conducted by DSIIDC in Bawana and Narela IAs

Sl. No.	Bawana Industrial Area		Narela Industrial Area	
	Date of survey	**Percentage of street lights not found working**	**Date of survey**	**Percentage of street lights not found working**
1	30 August 2018	28.70	31 August 2018	14.99
2	27 September 2018	19.63	17 September 2018	14.72
3	29 December 2018	15.73	17 October 2018	36.34
4	-	-	17 November 2018	32.93

It can be seen from the above table that street lights were not working in accordance with the Service Level Standards. However, no penalties were imposed by DSIIDC on the concessionaires.

The Government replied (August 2020) that deficiencies noticed in survey of street lights in these IAs were attended by the concessionaires within the permissible time. The reply is not satisfactory as audit found that these deficiencies were rectified by the concessionaires after the permissible time of 48 hours.

2.2.5 Deficiencies in Monitoring Mechanism

Apart from the deficiencies discussed above, the following shortcomings were also noticed in monitoring and supervision by DSIIDC/TPE of the operation and maintenance of Bawana and Narela IAs:

2.2.5.1 Deficiencies in reporting by the Third Party Engineer

As per Section 4 of Schedule 5 of the concession agreement, TPE shall review the monthly status report on maintenance of project facilities provided by the concessionaires and send its comments thereon to DSIIDC and the concessionaires. Besides above, TPE shall submit regular periodic Inspection Reports (IRs) (at least once every month) after conducting inspection of sites to DSIIDC which state the deficiencies, if any, particularly with reference to specifications and standards, and concessionaires shall rectify such deficiencies, if any, reported in IR. The TPE shall review the remedial measures taken by the concessionaire and determine if any delay has occurred in completion of repair or remedial works in accordance with the agreement, and shall determine the damage/penalty, if any, payable by the concessionaire to DSIIDC for such delay and deficiencies.

Audit observed that the TPE in its Monthly Progress Reports had been regularly observing deficiencies/shortcomings in the service facilities provided by the concessionaires and also communicating such deficiencies regularly to DSIIDC as detailed in **Annexure 2.10** but the same were not reported in the monthly IR submitted by it. Reporting of the deficiencies/ shortcomings in the IR would have resulted in quicker remedial measures since any delay in corrective action would have attracted damage/penalty on the concessionaires.

Audit also observed that the deficiencies (except relating to speeding up of cleaning and sweeping of roads, watering of green belts and parks etc.) highlighted by other agencies such as EPCA, NGT and Industries Department, and regularly raised by the industrial units, were never reported by the TPE in its IRs. Also, DSIIDC did not warn the TPE for its failure to discharge its duties effectively. Though the performance of the TPE was not satisfactory, no penalty could be levied on the TPE as there was no provision in the agreement with the TPE for levy of penalty as mentioned in Para 2.2.3.

The Government stated (August 2020) that deficiencies observed by TPE/DSIIDC were regularly informed to the concessionaires and in case there was slippage of time in redressal of complaints, penalty was imposed as per agreement.

The reply does not address the issue of unsatisfactory performance of the TPE and non-inclusion of penal clause in the agreement with it.

2.2.5.2 Shortcomings in complaints mechanism and action thereon

Section 10.3 and 10.4 of the concession agreement prescribes the procedure for grievance/complaint redressal by the concessionaires and provides for the following:

- maintenance of a complaint register for recording complaints with various details and action taken thereon.
- DSIIDC in consultation with concessionaires specify the procedure for making complaints in electronic form (including via web portal).

Further, DSIIDC was to advise the concessionaires to take appropriate action for grievance redressal on the basis of the complaint register to be provided by the concessionaires.

In this regard, audit observed that:

- Though the complaint register was maintained, entries in the complaint register of Bawana for the period from April 2016 to March 2019 indicated that 22,753 number of complaints were registered, on an average of 21 complaints per day (about 632 per month). Similarly, the complaint register for the period from April 2016 to March 2019 of Narela IA indicated that 9,428 number of complaints were registered, on an average of nine complaints per day (about 262 per month).
- No e-complaint portal was in existence in both IAs.

- TPE had repeatedly reported complaint related issues in their monthly progress reports on lack of evidence supporting closure of complaints/remedial action taken, photocopy of complaint register neither being signed nor stamped by any of the authorised representatives of the concessionaires and that the signature of the complainant was not obtained after attending to the complaint to enable authentication of the action taken. No corrective measures were also taken by the concessionaires to follow up the directions/instructions of the TPE to maintain the complaint register correctly. Besides, penal action was neither proposed by the TPE nor taken by DSIIDC.

The Government stated (August 2020) that complaints register were being maintained at Bawana and Narela including facilities of call centre for Bawana and all the complaints received were entered and attended (including of call centre). Further efforts are also being made to develop an online complaint system in Bawana.

The reply is not tenable as the TPE had repeatedly reported complaint-related issues in their monthly progress reports. Deficiencies were also reported regularly in GRC meetings which indicates that the complaints redressal mechanism was not satisfactory.

2.2.5.3 Ineffective supervision through Grievances Redressal Committee and Maintenance Board in both IAs

As per Section 10.5 of the concession agreement, DSIIDC shall constitute a Grievance Redressal Committee (GRC) with representatives of DSIIDC, concessionaire and association of units/occupiers of the industrial estate. In the event of receipt of a grievance from units/occupiers in the industrial estate, the GRC shall send a notice to the concessionaire who shall submit its response on the same within seven days. Based on the response, the decision of the GRC shall be communicated to the concessionaire which shall be binding on it. The DSIIDC may on receipt of the report of the GRC, also impose penalties, if any, on the concessionaire as per the agreement.

Audit noticed that GRC was constituted by DSIIDC only in September 2017 i.e. after a lapse of more than six years from the date of agreement. Thus, there was no mechanism for grievance redressal till the formation of GRC, thereby giving undue benefit to the concessionaires and leaving the interests of the beneficiaries unprotected.

On scrutiny of the minutes of the meetings of the GRC, audit observed that several deficiency related issues[82] were repeatedly raised by the allottees (industrial units) and their associations. DSIIDC/TPE did not follow-up on the complaints raised during the GRC meetings and decision taken by GRC.

[82] blockage of drains and sewer line, dumping of solid/industrial waste in open/vacant plots, cleaning of roads and parks, charging of provisional CETP charges.

Apart from this, DSIIDC also failed to constitute the Maintenance Board[83] (MB) as per Section 10.6 of the concession agreement till August 2017 to monitor the conditions of the project facilities through periodic inspections etc. Even when constituted, no inspections of project facilities were conducted by the MB resulting in ineffective supervision of the project facilities.

The Government accepted (August 2020) delay in formation of GRC and MB and stated that the office of DSIIDC, concessionaires; TPE; Industrial Association and unit holders are located within IAs of Bawana and Narela, so regular interactions were being held and remedial measures taken for deficiencies found.

However, the fact remains that as Bawana and Narela IAs are spread over an area of 2,418 acres, all industrial unit holders would not be in a position to approach the authorities personally and there is a need to have a more robust complaints mechanisms; like GRC and MB in place which would ensure proper and timely redressal of complaints and effective supervision. Further, DSIIDC has started imposing penalties for deficiencies in services regularly on a monthly basis from February 2019 onwards only.

2.2.5.4 Lack of input data to manage the service facilities

DSIIDC was responsible for day-to-day operation and maintenance of Bawana and Narela IAs, but it did not have any data/information relating to the industrial units, such as grant of license by Municipal Corporation, trade/manufacturing activity, change in trade, renewal of license, valid NOC from Fire department and DPCC, water intensive units, average quantity of industrial and solid waste generated by each industrial unit, installation/O&M of ETP by individual industrial unit and number of workers employed etc.

In the absence of such information and a control mechanism, DSIIDC could not accurately judge, prescribe and monitor the requirement of manpower and machines/equipment etc. to be deployed by the concessionaires for effective disposal of industrial waste and solid waste, including regular cleaning of roads/parks/vacant plots land and up-keep of street lights etc. which ultimately reflected in deficient services. Audit also observed that there was a major fire incident in Bawana IA in January 2018 in a unit manufacturing explosive materials/firecrackers which is in the prohibited list of industries in the Master Plan of Delhi-2021.

The Government stated (August 2020) that as these activities are not in the domain of DSIIDC, therefore, these are not monitored by DSIIDC. Further, it was stated that the requirement of manpower and machine/equipment were

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[83] Comprising officers nominated by DSIIDC, representative of DPCC, concessionaire and Industrial Welfare Associations. There was no representative of DPCC among the members of MB formed by DSIIDC.

not prescribed but service level standards are stipulated in the concession agreement.

The fact remains that by prescribing mechanisms to collect periodic information on these aspects from the industrial units, being estate authority of these IAs, the DSIIDC/TPE could have better judged the requirement of facilities and managed these IAs by imposing service level standards effectively.

2.2.6 Conclusion

Industrial Policy 2010-21 for the Government of National Capital Territory of Delhi (GNCTD) envisioned infrastructure development through better operation and maintenance of Industrial Areas (IAs). Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC) was entrusted the responsibility of securing orderly establishment of industrial areas in NCTD, including their operation and maintenance. Bawana and Narela are two of the largest industrial areas in the GNCTD and account for 52 *per cent* of the total area of all IAs.

The work of re-development and operation and maintenance of IAs at Bawana and Narela for a period of 15 years was allotted to M/s Bawana Infra Development Private Ltd (M/s Bawana) and M/s PNC Delhi Industrial Infra Private Limited (M/s PNC) respectively. The overall responsibility of management of IAs and services rendered by the concessionaires rested with DSIIDC.

The audit of operation and maintenance of these two IAs revealed serious deficiencies on the part of DSIIDC with respect to ensuring proper discharge of functions by the two concessionaires as per the concession agreement. DSIIDC neither had the complete details of the charges due and paid by each industrial unit, nor ensured the required certification of income and expenditure by the Statutory Auditors before transferring the amount collected to concessionaires. The concessionaires were given undue financial benefit by allowing escalation of monthly maintenance charges without obtaining the details of expenditure incurred by the concessionaires on O&M activities.

There was unauthorised collection of water and sewer connection charges by the concessionaire in Narela IA and delay in adjustment of the same. Besides, there was delay in adjustment of parking charges also. Further, there was delay in adjustment of water and sewer connection charges as well as electricity and water bills in Bawana IA. Issues like collection of water and sewer connection charges, parking charges, proper waste disposal etc. were not given due consideration in the agreement which led to operational problems at later stages. Thus, the agreements entered into by DSIIDC with the concessionaires were flawed from the very beginning. This also resulted in unlawful collection of water and sewer connection charges by the concessionaire of Narela.

Improper monitoring by DSIIDC led to adverse environmental implications, e.g. non-disposal and accumulation of MSW in these IAs leading to choking of drains and sewers; industrial effluents were discharged directly into storm water drains. There were instances of inadequate sweeping of roads, watering and cleaning of parks and slow progress of repair works etc.

Though the TPE failed to discharge its duties effectively by highlighting the repeated occurrences of deficiencies in operation and maintenance and recommending recovery of penalties, DSIIDC failed to take any action against the TPE in the absence of any penal clause in the agreement with TPE, despite directions from the CMD to incorporate this clause while granting extension to the TPE.

The grievance redressal mechanism was not functioning adequately and effectively.

2.2.7 Recommendations

DSIIDC needs to:

- to ensure that any new agreement for operation and maintenance works has suitable provisions relating to recovery of water connection, sewage connection and parking charges so that unlawful/unintended collection of money/incidentals could be avoided.
- have more effective monitoring and supervision of the O&M activities being performed by the concessionaires on a regular basis;
- obtain audited statements of income and expenditure of the concessionaires and ensure proper accounting of monthly collection charges so that the concessionaires do not recover any charges other than those allowed by the concession agreement. Besides, there should be regular adjustment of recoveries to be made from the concessionaires on a monthly basis.
- incorporate a suitable clause in the agreement with the TPE for levy of penalty for fixing responsibility for deficiency in services;
- monitor issues relating to MSW disposal and water pollution and attend to the same on a regular basis, so that their impact on environment and health of the public could be reduced or minimised;
- ensure a more effective role of GRC in attending complaints of industrial units/associations in implementation of O&M activities by the concessionaires and recommending imposition of penalties on concessionaires for not redressing grievances timely.

2.3 Avoidable payment of interest

Failure of DSIIDC to timely assess the income tax liability and consequent non-payment of advance tax resulted in avoidable payment of interest of ₹ 3.74 crore.

Section 208 of the Income Tax Act, 1961 (Act) states that advance tax is to be paid in instalments falling due on 15th of June, September, December and March. Section 234B of the Act provides for levy of simple interest at one *per cent* per month or part of a month when the taxpayer has failed to pay advance tax or where the advance tax paid is less than 90 *per cent* of the assessed tax. Section 234C of the Act provides for levy of interest for default in payment of instalment(s) of advance tax.

Audit noticed (June 2019) that Delhi State Industrial Infrastructure Development Corporation Ltd (DSIIDC) had assessed (March 2018) its taxable income for the assessment year 2018-19 as ₹ 92.38 crore and accordingly calculated its income tax liability as ₹ 31.97 crore and paid ₹ 31.11 crore[84] as advance tax by March 2018. However, DSIIDC subsequently revised (September 2018) its taxable income to ₹ 184.88 crore and accordingly computed income tax liability as ₹ 63.98 crore. The difference in revision of taxable income was mainly due to accounting of profit of ₹ 66.50 crore from sale of flats to Central Industrial Security Force (CISF). DSIIDC paid shortfall of income tax of ₹ 32.87 crore (₹ 63.98 crore - ₹ 31.11 crore) and ₹ 3.74 crore as penal interest under Section 234B and 234C in September 2018.

Audit further noticed that payment for flats was received between September 2015 to June 2017 and the process of handing over the flats to CISF was also completed by June 2017 but DSIIDC failed to account for the profit from the sale in estimated income. Had DSIIDC taken into account the profit of ₹ 66.50 crore before March 2018 for calculation of advance tax, and included the same while finalising the annual accounts of financial year 2017-18 i.e. in September 2018, the payment of interest of ₹ 3.74 crore could have been avoided.

The Government stated (August 2020) that DSIIDC has revised the taxable income based on new legal perceptions by claiming allowable deductions of business expenses of ₹ 28.64 crore. Due to revised taxable income, the interest under Section 234B and 234C works out to ₹ 2.64 crore against pre-revised interest of ₹ 3.74 crore. It also stated that DSIIDC could not consider the exact taxable profit while making the estimate of advance tax during the financial year 2017-18, as the cost of low cost housing project was not 100 *per cent* determinable due to pending claim of the contractor in arbitration

[84] ₹ 31.11 crore (₹ 22.47 crore Advance Tax and ₹ 8.64 crore TDS) by March 2018

litigation (still pending) and for this reason, it was not a normal routine income.

The reply is not tenable, as DSIIDC was well aware of the profit earned from sale of flats to CISF and receipt of payments between September 2015 and June 2017, and accordingly it was to pay advance tax by 31 March 2018. Further, the contention that the cost of flats could not be ascertained as on March 2018 due to pending arbitration litigation has no merit as the status of the arbitration case remained the same in September 2018 when DSIIDC deposited tax along with interest under Sections 234B and 234C. Further, the reply of the Government that the revised return by claiming deduction of ₹ 28.64 crore as business expenses stands filed before the assessing officer for consideration as on March 2020 is not satisfactory as acceptance of the same depends upon final assessment by the Income Tax department.

Thus, failure of DSIIDC to timely assess the income tax liability and consequent non-payment of advance tax resulted in avoidable payment of interest of ₹ 3.74 crore.

Department of Power

Pragati Power Corporation Limited

2.4 Loss of ₹ 22.83 crore due to under insurance

PPCL suffered a loss of ₹ 22.83 crore as it had undervalued the assets under "Machinery Breakdown" policy by excluding the value of Excise and Customs duties element, at the time of taking insurance of its Power Plant.

The Pragati Power Corporation Limited (PPCL) took an Industrial all-risks insurance policy (February 2015) for its 1,371.20 MW power plant at Bawana, commissioned in 2012, at a premium of ₹ 8.24 crore for the period 7 February 2015 to 6 February 2016, covering all risks under standard fire and special perils with sum insured of ₹ 4,321.09 crore with add-on coverage of earthquake (₹ 4,534.34 crore including plinth foundation), Fire loss of profit (₹ 1,187.39 crore) and machinery breakdown (₹ 3,152.27 crore) for its Combined Cycle Power Station.

As per clause 1 of Special Conditions to section I of the insurance policy, it was a requirement that the sums insured stated in the Schedule of the policy shall not be less than the cost of reinstatement/replacement cost[85] as if such property were reinstated on the first day of the period of insurance. However, audit noticed that though the sum insured in the policy for the period 7 February 2015 to 6 February 2016 was based on the reinstatement/ replacement cost, PPCL insured the sum of assets towards machinery

[85] Reinstatement cost of insurance is based on the sum insured of assets including cost plus applicable taxes and duties

breakdown based on capital cost of installation of the power plant, excluding the value of excise and customs duties being exempted on account of mega power plant[86] and escalations in the cost of the plant.

Audit noticed (March 2019) that a Gas Turbine (GT-1) of Power Plant was damaged on 16 July 2015 and was put back into service by December 2016 after necessary repairs. PPCL incurred ₹ 112.06 crore on the purchase of material, associated parts and repair of GT rotor and lodged a claim for equivalent amount under Machinery Breakdown clause in March, 2017 with the insurance company (M/s Oriental Insurance Co. Ltd) against which payment of ₹ 50 crore was released on 29 March 2017. The surveyor (August 2018) assessed the net liability of insurer at ₹ 88.02 crore. Based on the surveyor's report, the insurance company arrived at a payable net liability of ₹ 83.62 crore[87] and released the balance payment of ₹ 33.58 crore (net of some charges of ₹ 0.04 crore) on 14 November 2018. For arriving at net liability, the insurance company based on the surveyor's report deducted ₹ 24.02 crore from the loss of ₹ 112.05 crore on account of under insurance (21.44 *per cent*). This resulted in net loss of ₹ 22.83 crore to the PPCL[88].

It is pertinent to mention here that PPCL took an insurance policy for the period 7 February 2018 to 6 February 2019, by including the excise and customs duties in the reinstatement cost. Had PPCL renewed the policy on reinstatement cost, for the period 7 February 2015 to 6 February 2016, after including excise and customs duties in the reinstatement cost, as done for the period from 7 February 2018 to 6 February 2019, the loss of ₹ 22.83 crore would have been avoided.

The Government accepted (27 July 2020) the facts and stated that cost of reinstatement has been taken care of subsequently for further periods by PPCL.

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[86] In terms of the notification of the Government of India, Ministry of Finance (Department of Revenue) No 21/2002-Cutoms dated 1st March, 2002 read with No. 49/2006-Customs dated 26th May 2006, the import of capital equipment would be free of customs duty for mega power projects. Certain specified goods such as machinery, apparatus, instruments, cables, components or raw material supplied to specified mega power projects were exempted from central excise duty vide entry No. 338 under notification No. 12/2012-Central Excise, dated 17th March 2012.

[87] after deducting ₹ 4.40 crore on account of 5 *per cent* deductible as per terms of Policy

[88] ₹ 24.02 crore @ 95 *per cent* as 5% was to be deducted on the basis of terms of insurance policy

Department of Tourism

Delhi Tourism and Transportation Development Corporation Limited

2.5 Non-recovery of Service Tax

DTTDC failed to recover service tax timely from the concessionaires and paid ₹ 93.91 lakh including interest on service tax from its own funds.

With the objective of beautification of roads, Public Works Department, (PWD) entrusted Delhi Tourism and Transportation Development Corporation Limited (DTTDC) the responsibility for issuing bid documents to applicants for the project "Installation and maintenance of street furniture[89] on identified PWD roads" in the vicinity of the Commonwealth Games venuesand to enter into concession agreement with the selected bidders for a period of seven years. DTTDC accordingly entered (May 2010) into concession agreements with four concessionaires for five clusters[90].

As per Article 4.9 (r) of the agreement, the concessionaire was liable to pay all taxes, duties and outgoings. Accordingly, the four concessionaires were liable to pay service tax[91] applicable for sale of space for advertisement being the service recipient.

Audit noticed (June 2019) that for the period November 2011 to June 2012, October 2014 to March 2016, service tax amounting to ₹ 60.50 lakh was not collected from the concessionaires by DTTDC and deposited with the Service Tax Department. However, DTTDC deposited service tax of ₹ 26.74 lakh along with interest of ₹ 4.20 lakh from its own funds for the year 2015-16, in July 2016, though it was required to be paid quarterly.

Further, service tax for the period November 2011 to March 2012 and April 2012 to March 2015 of ₹ 17.99 lakh and ₹ 15.77 lakh respectively was deposited by DTTDC from its own funds in November 2017 and January 2017, along with interest of ₹ 23.86 lakh and ₹ 10.62 lakh, after being pointed out by Audit in September 2016 and November 2017. DTTDC deposited service tax along with interest from its own funds as per the service tax law which provides that whether the service provider receives the payment from his client or not, he is legally bound to discharge the service tax liability in respect of services rendered by him.

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[89] Works such as traffic/police booths, vending kiosks, public toilets, tree guards, dust bins, information panels, benches, free standing panels and auto prepaid booths etc.

[90] Cluster1- Delhi University, Cluster 2- Indira Gandhi Stadium, Cluster 3- R K Khanna Tennis Complex, Cluster 4- Siri Fort Sports Complex and Dr Karni Singh Shooting Range and Cluster 5- Games Village and Yamuna Sports Complex.

[91] As per section 65(105) (ZZZM) of Finance Act, 1994.

DTTDC took up the issue of recovery of service tax and interest paid by it for the said periods with the concessionaires but could only recover ₹ 5.27 lakh on account of service tax for 2015-16.

The Government stated (March 2020) that DTTDC has already taken up the issue of reimbursement of service tax with the concessionaires, which has been deposited by DTTDC with the Service Tax Department. Further, from April 2016 onwards, DTTDC is issuing invoices to the concessionaires for fees and they are regularly paying the fees alongwith service tax/GST. It further stated that a legal notice has been issued to all the concessionaires (7 January 2020) for reimbursement of service tax paid by DTTDC. The fact however remains that service tax deposited by DTTDC on behalf of concessionaires has not been recovered so far (September 2020).

Thus, in spite of the fact that the liability to pay service tax was with the concessionaires and provision to recover the service tax from concessionaires existed in the agreement, DTTDC failed to recover service tax timely from the concessionaires and instead paid ₹ 93.91 lakh including interest on service tax from its own funds.