

CHAPTER I
Functioning of Public Sector
Undertakings

CHAPTER-I

FUNCTIONING OF PUBLIC SECTOR UNDERTAKINGS

Section 1: Overview of Public Sector Undertakings

1.1 General

1.1.1 The Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations under Government of Assam (GoA). The PSUs were established to carry out activities of commercial nature, to assist in welfare of the people and contribute to the State economy. As on 31 March 2020, there were 51 PSUs and one State Electricity Regulatory Commission under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG). These PSUs include 48 Government Companies (including 10 Subsidiaries¹ of different State Government Companies and two² Government controlled other companies) and three Statutory Corporations. Out of the 51 PSUs, there were 35 working PSUs and 16 non-working PSUs³ (all Government Companies). None of these Government Companies was listed on the stock exchange.

1.1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2020 is covered in this Report. The nature of PSUs and the position of accounts are indicated in *Table 1.1.1*.

Table 1.1.1: Nature of PSUs and position of accounts

Sl. No.	Nature of PSUs	No. of PSUs	PSUs whose accounts were received during the reporting period ⁴	PSUs whose accounts are up to date as on September 2020	PSUs whose accounts are in arrears as on September 2020	No. of accounts in arrears
1.	Working Government Companies ⁵	32	18	6	26	185
2.	Non-working Government Companies	16	2	1	15	198
3.	Statutory Corporations	3	1	0	3	7
Total Working PSUs (1+3)		35	19	6	29	192
Total PSUs (2 + 4)		51	21	7	44	390

Source: Records of PSUs with audit.

Out of the 51 PSUs, seven PSUs (including one non-working) had finalised their latest accounts (2019-20) as on 30 September 2020. The remaining 44 PSUs (including 15 non-working PSUs) had arrears of accounts ranging between 1 and 37 years. The PSUs had employed 35,969 employees as at the end of 31 March 2020. The 35 working PSUs

¹ PSUs at Sl. No. B25, B26, B31, D7, D9, D11, D12, D13, D15 and D16 of *Appendix 3*

² PSUs at Sl. No. B22 and B32 of *Appendix 3*

³ Non-working PSUs are those which have ceased to carry out their operations.

⁴ From October 2019 to September 2020

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

registered a turnover of ₹ 6,858.34 crore. This turnover was equal to 2.05 *per cent* of Gross State Domestic Product (GSDP) of ₹ 3,35,238 crore⁶ for 2019-20 at current prices. As per their latest finalised accounts as on 30 September 2020, the working PSUs incurred aggregate loss of ₹ 125.01 crore, as compared to the aggregate profit of ₹ 171.32 crore earned as per their latest finalised accounts as on 30 September 2019. This was mainly due to loss of ₹ 181.60 crore incurred by Assam Electricity Grid Corporation Limited during 2019-20 as compared to profit of ₹ 145.94 crore during 2018-19.

Accountability Framework

1.1.3 The audit of the financial statements of Government Companies in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of Sections 139 and 143 of the Companies Act, 2013. The audit of a Company in respect of the financial years prior to 1 April 2014, continues to be governed by the Companies Act, 1956. According to Section 2(45) of the Companies Act, 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up capital is held singly or jointly by the Central Government and/or any State Government(s) and also includes subsidiary of a Government Company. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

Besides, any other company⁷ 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 are referred to in this Report as Government controlled other Companies.

Statutory Audit/Supplementary Audit

1.1.4 Statutory Auditors appointed by the Comptroller and Auditor General of India (C&AG) audit the financial statements of a Government Company. In addition, C&AG conducts the Supplementary Audit of these financial statements under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective Legislations. Out of three Statutory Corporations, the C&AG is the sole auditor for Assam State Transport Corporation. As regards Assam State Warehousing Corporation and Assam Financial Corporation, audit is conducted by Chartered Accountant(s) and C&AG is the supplementary auditor. Besides, C&AG is also the sole auditor for the Assam Electricity Regulatory Commission (Regulatory Commission). The audit arrangements of Statutory corporations and Regulatory Commission are as shown in **Table 1.1.2**.

⁶ State GDP (Provisional estimate) as per information furnished by Directorate of Economics and Statistics, Government of Assam.

⁷ Companies (Removal of Difficulties) Seventh Order, Gazette Notification dated 4 September 2014

Table 1.1.2: Details of Statutory Corporations and Regulatory Authority

Sl. No.	Name of the Corporation/Regulatory Authority	Authority for audit by C&AG	Audit arrangement
1.	Assam State Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by C&AG under Section 19(2) of the DPC Act, 1971
2.	Assam Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit conducted by Chartered Accountants and supplementary audit by C&AG under Section 19(2) of the DPC Act, 1971
3.	Assam State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit conducted by Chartered Accountants and supplementary audit by C&AG under Section 19(2) of the DPC Act, 1971
4.	Assam Electricity Regulatory Commission	Section 104(2) of the Electricity Act, 2003	Sole audit by C&AG under Section 19(2) of the DPC Act, 1971

Need for timely finalisation and submission of Annual Accounts

1.1.5 According to Section 394 and 395 of the Companies Act, 2013, the Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report shall be laid before the House or both the Houses of State Legislature together with a copy of the Statutory Auditors' Report and any comments upon or supplement to the Auditors' Report, made by the C&AG. Almost similar provisions exist in the respective Act regulating the Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies and Statutory Corporations from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year must be placed in the said AGM for consideration of the members. Section 129(7) of the Companies Act, 2013 provides for imprisonment or levy of fine on the persons including Directors of the Company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature on State PSUs

1.1.6 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Government appoints the Chief Executive and Directors on the Board of these PSUs.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' reports and comments of the C&AG

thereon are required to be placed before the Legislature under Section 394 of the Companies Act, 2013. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of C&AG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of C&AG are submitted to the State Government under Section 19A of the C&AG's DPC Act, 1971.

Investment in Public Sector Undertakings

1.1.7 The GoA has significant financial stake in the PSUs. This stake is of mainly three types:

- **Share Capital and Loans** - In addition to the Share Capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

1.1.8 *Table 1.1.3* depicts the sector wise summary of cumulative investments by GoA in the PSUs by way of equity contribution and long-term loans (all interest bearing) as on 31 March 2020.

Table 1.1.3: Sector-wise investment of GoA in PSUs

Name of Sector	Government Companies		Statutory Corporations	Total	Investment ⁸ (₹ in crore)		
	Working	Non-Working	Working		Equity	Long-term loans ⁹	Total
Power	3	0	0	3	1,090.37	2,086.38	3,176.75
Agriculture & Allied	6	2	0	8	68.30	459.86	528.16
Finance	5	0	1	6	40.55	54.04	94.59
Infrastructure	7	2	0	9	177.81	131.71	309.52
Manufacturing	5	12	0	17	217.22	49.09	266.31
Service	1	0	2	3	165.86	4.25	170.11
Miscellaneous ¹⁰	5	0	0	5	20.07	0.00	20.07
Total	32	16	3	51	1,780.18	2,785.33	4,565.51

Source: Information furnished by the PSUs

1.1.9 The comparative figures of investment (equity and long-term loans) by GoA in four major sectors during 2015-16 to 2019-20 are indicated in *Chart 1.1.1*.

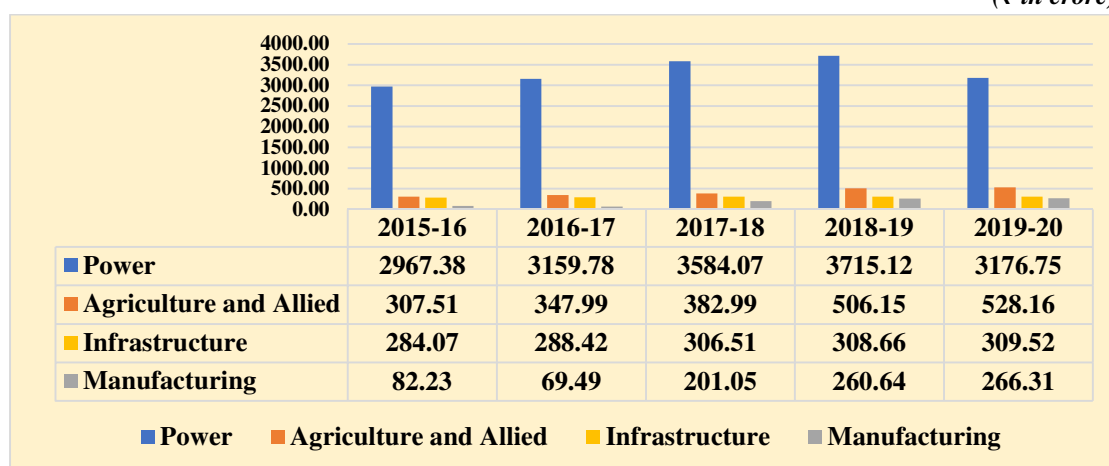
⁸ Investment figures are provisional and as provided by the PSUs except for seven PSUs (Sl. No. A1, A2, B22, B30, B31, B32 and D4 of *Appendix 3*), which have finalized their accounts for 2019-20.

⁹ Long-term loans are all interest-bearing loans.

¹⁰ PSUs under 'Miscellaneous sector' include Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. Assam State Textbook Production and Publication Corporation Ltd. and Purba Bharti Gas Private Ltd.

Chart 1.1.1: Sector-wise investment in PSUs

₹ in crore)



As can be noticed from *Chart 1.1.1*, the thrust of GoA investment during 2015-16 to 2019-20 was in the power sector PSUs, which increased by 7.06 per cent from ₹ 2,967.38 crore (2015-16) to ₹ 3,176.75 crore (2019-20).

Loans given by State Government to PSUs

1.1.10 As per notification issued (March 2006) by GoA and reiterated from time to time, no loan from GoA was to be granted to PSUs for a period exceeding 10 years, except with an extension sought from the Finance Department, GoA and the recovery was to be affected in annual equal instalment of principal and interest.

The long-term loan received by 19 PSUs from GoA and outstanding as of 2019-20 stood at ₹ 2,785.33 crore. The major portion of these loans amounting to ₹ 2,086.38 crore (74.91 per cent) pertained to power sector PSUs, while remaining loans of ₹ 698.95 crore (25.09 per cent) related to the PSUs in other five sectors¹¹. Sector and age wise analysis of the figures of GoA loans outstanding as of 2019-20 are given in *Table 1.1.4*.

Table 1.1.4: Statement showing sector wise long term loan outstanding

₹ in crore)

Sector	Loan pertains to				Loan Outstanding as on 31 March 2020	Loan outstanding as on 31 March 2015	Conversion/repayment during 2015-16 to 2019-20
	Upto 5 years	6 to 10 years	11 to 20 years	More than 20 years			
Power	1,334.29	449.60	302.49	--	2,086.38	1,884.62	1,132.53
Agriculture & Allied	249.77	160.82	29.84	19.43	459.86	210.09	0.37
Infrastructure	77.26	20.40	10.77	23.28	131.71	54.45	--
Manufacturing	20.63	4.73	11.92	11.81	49.09	41.78	13.22
Finance	14.00	40.00	-	0.04	54.04	48.44	13.40
Services	-	4.25	-	-	4.25	4.25	--
Total	1,695.95	679.80	355.02	54.56	2,785.33	2,243.63	1,159.52

Source: Information furnished by the PSUs

¹¹ excluding Miscellaneous Sector where no loans were outstanding.

It can be seen from **Table 1.1.4** that the GoA provided 60.89 *per cent* (₹ 1,695.95 crore) of total loans during 2015-16 to 2019-20, of which, power sector was the major recipient (₹ 1,334.29 crore) followed by Agriculture and Allied sector (₹ 249.77 crore).

During 2015-16 to 2019-20, out of 19 PSUs having outstanding GoA loans, three PSUs¹² repaid loan instalments amounting to ₹ 26.97 crore to GoA. In addition to this repayment, GoA also converted the loan of Assam Power Distribution Company Limited (APDCL) amounting to ₹ 1,132.53 crore into grant (₹ 849.40 crore) and equity (₹ 283.13 crore) under Ujwal DISCOM Assurance Yojana (UDAY) scheme¹³. During 2015-16 to 2019-20, GoA further waived the interest amounting to ₹ 554 crore payable by APDCL against GoA loans.

Out of remaining 15 PSUs which did not repay the loan instalments, 8 PSUs¹⁴ continued to receive loans amounting to ₹ 801.89 crore during 2015-2020 from GoA despite non-compliance of the directions of the Finance Department, GoA. This was equivalent to 47.28 *per cent* of total loan disbursed (₹ 1,695.95 crore) during this period.

Keeping in view the high level of investment in power sector, we are presenting the results of audit of three power sector PSUs under Section 2 (Functioning of Power Sector PSUs), Section 4 (Performance Audit relating to Power Sector PSUs) and Section 5 (Compliance Audit Observations relating to Power Sector PSUs) of this Report and that of the remaining 48 PSUs (other than Power sector) under Section 3 (Functioning of PSUs-other than Power Sector) and Section 6 (Compliance Audit Observations relating to PSUs-other than Power sector) of the Report.

¹² Assam Financial Corporation: ₹ 13.40 crore, Ashok Paper Mill (Assam) Limited: ₹ 13.33 crore and Assam Tea Corporation Limited: ₹ 0.24 crore.

¹³ UDAY scheme was approved by the Government of India with an objective to improve the operational and financial efficiency of the State Power distribution utilities.

¹⁴ Serial no. A1, A2, B15, B16, B17, B18, D5 and D16 of **Appendix 3**.

Section 2: Functioning of Power Sector Public Sector Undertakings

Functioning of Power Sector Public Sector Undertakings

1.2 Introduction

Formation of power sector PSUs

1.2.1 As part of power sector reforms, the erstwhile Assam State Electricity Board (ASEB) was unbundled (October 2003) by Government of Assam (GoA) into five successor PSUs¹⁵ for Power Generation (Assam Power Generation Corporation Limited), Transmission (Assam Electricity Grid Corporation Limited) and Distribution (Lower Assam Electricity Distribution Company Limited, Central Assam Electricity Distribution Company Limited, and Upper Assam Electricity Distribution Company Limited) activities. Subsequently, the three Distribution PSUs were merged into one Company with effect from 1 April 2009 and was renamed as Assam Power Distribution Company Limited (APDCL). The three PSUs are regulated by Assam Electricity Regulatory Commission (AERC) set up *vide* Electricity Act, 2003 regarding purchase, sale, and supply of power in the State. AERC also fixed the tariff for generation, transmission, and distribution of electricity in the State.

Contribution to State Economy

1.2.2 The power sector PSUs 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 significantly to the Gross State Domestic Product (GSDP). A ratio of PSUs-turnover to GSDP shows the extent of PSUs-activities in the State economy.

Table 1.2.1 provides the details of turnover of three power sector PSUs (all Companies) against the GSDP during 2015-16 to 2019-20.

Table 1.2.1: Details of PSUs turnover vis-à-vis GSDP

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover ¹⁶	4,332.42	4,900.03	5,899.50	6,907.65	6,000.55
Gross State Domestic Product	2,27,959	2,54,382	2,83,165	3,15,881	3,35,238
Percentage of Turnover to State GDP	1.90	1.93	2.08	2.19	1.79

Source: Accounts received from PSUs and information provided by the Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2019-20 is provisional estimates.

As can be seen from **Table 1.2.1**, the turnover of the three PSUs has registered an overall increase of 38.50 per cent (₹ 1,668.13 crore) during 2015-16 to 2019-20 from ₹ 4,332.42 crore (2015-16) to ₹ 6,000.55 crore (2019-20). This was mainly due to increase of ₹ 2,033.79 crore (63.75 per cent) in turnover of State Power Distribution

¹⁵ Though the three PSUs were formally incorporated on 23 October 2003, these PSUs started functioning from 2005-06, when they prepared their first Annual Accounts.

¹⁶ Turnover as per the latest finalised accounts as on 30 September of the respective year.

utility¹⁷ from ₹ 3,190.18 crore¹⁸ (2015-16) to 5,223.97 crore¹⁹ (2019-20) on account of several factors like increase in consumer base, periodic tariff revision, improved billing efficiency²⁰ etc. During 2019-20, however, the aggregate turnover of the three PSUs declined by ₹ 907.10 crore (13.13 per cent) as compared to 2018-19 mainly due to reduction in the turnover of Assam Electricity Grid Corporation Limited (AEGCL) from ₹ 1,151.58 crore (2018-19) to ₹ 272.60 crore (2019-20). This reduction was mainly on account of the fact that till 2018-19, AEGCL used to raise bill on APDCL for the transmission charges payable to Power Grid Corporation of India Limited (PGCIL). Based on the directions (19 March 2018) of AERC for payment of PGDCIL's bills directly by APDCL, AEGCL stopped this practice from 2019-20 onwards. This had the impact of reducing the operational cost as well as the annual turnover of AEGCL from ₹ 1,151.58 crore (2018-19) to ₹ 272.60 crore (2019-20).

Investment in Power Sector PSUs

1.2.3 Table 1.2.2 depicts the total investment in the three PSUs.

Table 1.2.2: Details of total investment in PSUs

Particulars	(₹ in crore)		
	GoA	Others	Total
Equity	1,090.37	-	1,090.37
Long-term loans	2,086.38	1,089.37	3,175.75
Total investment	3,176.75	1,089.37	4,266.12

(*Others' include Central Government, banks and other financial institutions)

As can be noticed from Table 1.2.2, the total investment (equity and long-term loans) in the three PSUs was ₹ 4,266.12 crore (Appendix 2) as on 31 March 2020. The investment consisted of 25.56 per cent in equity and 74.44 per cent in long-term loans. Further, the investment by GoA consisted of 34.32 per cent towards equity and 65.68 per cent in long-term loans.

Reconciliation with Finance Accounts of GoA

1.2.4 The figures in respect of equity and long-term loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned, and the Finance Department are required to carry out reconciliation of differences in figures.

¹⁷ Assam Power Distribution Company Limited

¹⁸ As per latest finalised accounts (2014-15) of Assam Power Distribution Company Limited for the Report year 2015-16.

¹⁹ As per latest finalised accounts (2018-19) of Assam Power Distribution Company Limited for the Report year 2019-20.

²⁰ Billing efficiency of Assam Power Distribution Company increased from 79 per cent (2018-19) to 80.94 per cent (2019-20) of energy supplied.

The position in this regard of the three PSUs as on 31 March 2020 is summarised in **Table 1.2.3**.

Table 1.2.3: Equity and loans outstanding as per the State Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	1,681.88 ²¹	1,090.37	591.51
Loans	4,777.72	2,086.38	2,691.34

Source: Information furnished by the PSUs and Finance Accounts

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. In the State Finance Accounts, 2019-20, the entire equity figure shown under second column of the **Table 1.2.3** has been booked in the name of the erstwhile Assam State Electricity Board (ASEB) which ceased to exist with effect from 31 March 2013. Similarly, out of total loans of ₹ 4,777.72 crore outstanding against power sector, merely ₹ 285.11 crore has been booked in the name of the three PSUs as their current year borrowings in the State Finance Accounts 2019-20.

As the unreconciled differences of outstanding investments are significant, the GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

Budgetary outgo of GoA

1.2.5 GoA provided financial support to the three PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans and grants in respect of three PSUs during 2015-16 to 2019-20 are given in **Table 1.2.4**.

Table 1.2.4: Year-wise budgetary support by GoA to PSUs

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity outgo from budget	0	0.00	0	0.00	0	0.00	0	0.00	1	283.13 ²²
2.	Loans given from budget ²³	3	275.52	3	192.40	3	424.29	3	131.05	3	285.11
3.	Grants ²⁴ /Subsidy from budget	2	437.19	3	929.37	2	2,276.98	3	1,279.52	3	1,962.66
4.	Total Outgo²⁵	3	712.71	3	1,121.77	3	2,701.27	3	1,410.57	3	2,530.90

Source: Information furnished by the PSUs

²¹ Includes the equity of ₹ 283.13 crore provided (February 2020) to APDCL by way of conversion of GoA loans into equity under UDAY Scheme.

²² Loan of APDCL converted into equity under UDAY scheme.

²³ These are interest bearing loans.

²⁴ This includes both Capital and Revenue grants. The grants include ₹ 150 crore (2016-17), ₹ 1,020.96 crore (2017-18), ₹ 330.30 crore (2018-19) and ₹ 1,231.43 crore (2019-20) received under UDAY scheme.

²⁵ Actual number of PSUs which received equity, loans, grants/subsidies from the GoA.

As can be noticed from **Table 1.2.4**, the year-wise budgetary outgo to three PSUs during 2015-20 in the form of equity, loans, grants, *etc.* was lowest (₹ 712.71 crore) during 2015-16. The budgetary outgo was significantly higher at ₹ 2,701.27 crore during 2017-18, which reduced to ₹ 1,410.57 crore during 2018-19. Thereafter, the budgetary outgo again increased to ₹ 2,530.90 crore during 2019-20.

The grants/subsidy released by GoA during 2019-20 (₹ 1,962.66 crore) included ₹ 1,947.38 crore (99.22 *per cent*) provided to Assam Power Distribution Company Limited (APDCL) for repayment of power purchase liabilities (₹ 238.95 crore), financial support as agreed under UDAY scheme (₹ 1,231.43 crore) and targeted subsidies for consumers on account of tariff (₹ 477 crore). The equity investment (₹ 283.13 crore) was provided by GoA to APDCL by way of conversion of GoA loan into equity. During 2019-20, GoA had also released ₹ 43.66 crore (subsidy: ₹ 12.50 and loan: ₹ 31.16 crore) to Assam Electricity Grid Corporation Limited (AEGCL). It was noticed that both the power sector PSUs (APDCL and AEGCL) which were recipient of the financial support from GoA during 2019-20 had negative net worth as per their latest finalised accounts.

Submission of Accounts

Submission of Accounts by Power Sector PSUs

1.2.6 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by 30 September in accordance with the provisions of Section 96(1), read with Section 129(2) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act, the PSU and every officer of the PSU who is at default shall be punishable with fine which may extend up to ₹ 1 lakh and in the case of a continuing default, with a further fine which may extend up to ₹ 5,000 for every day during which such default continues.

Two out of three PSUs had finalised their accounts upto the financial year 2019-20. The remaining one PSU *viz.* APDCL had arrear of one Account (2019-20) as on 30 September 2020 as detailed in **Table 1.2.5**.

Table 1.2.5: Position relating to finalisation of accounts of PSUs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Number of PSUs	3	3	3	3	3
2	Number of accounts finalised during the year	3	2	4	5	2
3	Number of previous year accounts finalised during current year	2	2	3	2	0
4	Total number of accounts in arrears	2	3	2	0	1
5	Number of PSUs with arrears in accounts	2	3	2	0	1
6	Extent of arrears	One year	One year	One year	Nil	One year

Source: Compiled based on accounts of PSUs received during October 2019 to September 2020

Submission of Accounts by Assam Electricity Regulatory Commission

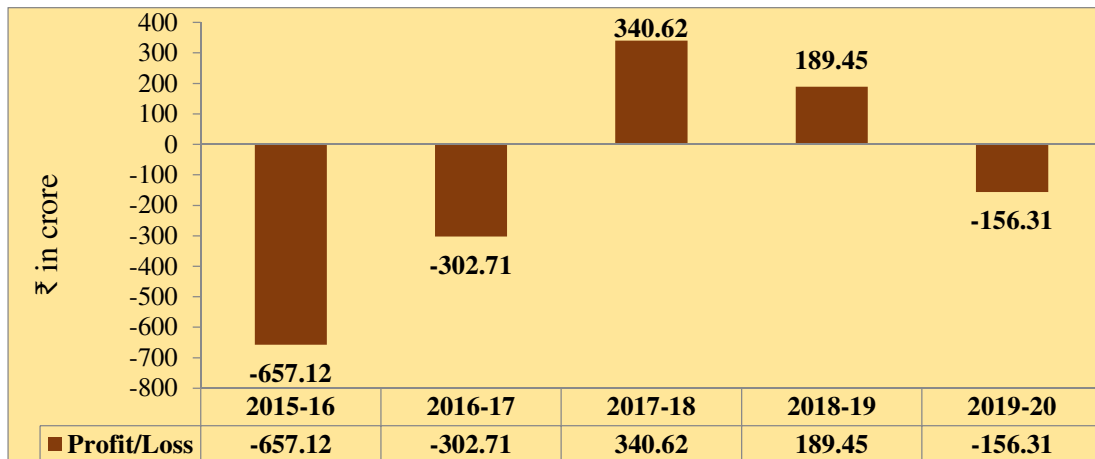
1.2.7 The audit of Accounts of Assam Electricity Regulatory Commission (AERC) has been carried out under Section 19(2) of C&AG's (DPC) Act, 1971²⁶ read with Section 104(2) of the Electricity Act 2003. Section 104(2) of the Act provides that Accounts of the State Commission shall be audited by the Comptroller and Auditor-General of India at such intervals as may be specified by him. Section 104(4) of the above act also provides that the accounts of the State Commission, as certified by the Comptroller and Auditor-General of India or any other person appointed by him in this behalf, together with the audit report thereon shall be forwarded annually to the GoA and that GoA shall cause the same to be laid, as soon as may be after it is received, before the State Legislature.

As on September 2020, the AERC had two arrears of accounts (*i.e.*, 2018-19 and 2019-20) pending for finalisation and audit.

Operational Performance of PSUs

1.2.8 The overall position of profit/losses²⁷ earned/incurred by the three PSUs during 2015-16 to 2019-20 is depicted in *Chart 1.2.1*.

Chart 1.2.1: Profit/Losses earned/incurred by PSUs



Source: latest finalised accounts of the PSUs as on 30 September 2020

As may be noticed from *Chart 1.2.1*, during 2015-17, the PSUs had incurred overall operational losses of ₹ 657.12 crore (2015-16) and ₹ 302.71 crore (2016-17). During 2018-19, the three PSUs earned overall profit of ₹ 189.45 crore as compared to aggregate profit of ₹ 340.62 crore earned during 2017-18. During 2019-20, the three PSUs incurred overall operational losses of ₹ 156.31 crore²⁸ (*Appendix 3*). This was

²⁶ The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971

²⁷ Figures are as per the latest finalised accounts during the respective years.

²⁸ This includes net profits of Assam Power Generation Corporation Limited: ₹ 4.28 crore, Assam Power Distribution Company Limited: ₹ 21.01 crore and net loss of Assam Electricity Grid Corporation Limited: ₹ 181.60 crore.

mainly because of the net loss of ₹ 181.60 crore incurred by Assam Electricity Grid Corporation Limited.

Erosion of Net worth

1.2.9 Net Worth or Shareholders' Fund means the sum of '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.

Return on Equity²⁹ (RoE) is a measure of financial performance to assess how effectively the Management had been using the Shareholders' Fund to create profits. RoE is expressed in terms of 'profit after tax' (PAT) earned by a company as a percentage of the Shareholders' Fund and as such, RoE is workable only if the Shareholders' Fund is positive.

The summarised details of the net worth of the three PSUs during 2015-16 to 2019-20 as per their latest finalised accounts has been given in **Table 1.2.6**.

Table 1.2.6: Net Worth of PSUs

(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated loss (-) at the end of the year	Free reserve & surplus	Net worth/ Shareholders' Fund	Net Income/ Total Earnings for the year ³⁰	RoE (per cent)
	i	ii	iii	iv = (i +ii+iii)	v	vi = (v/iv)
2015-16	718.56	(-) 3,400.76	0.00	-2,682.20	-657.12	Not workable
2016-17	718.56	(-) 3,684.40	0.00	-2,965.84	-302.71	Not workable
2017-18	718.56	(-) 3,743.00	0.00	-3,024.44	340.62	Not workable
2018-19	718.56	(-) 3,301.58	18.54	-2,564.48	189.45	Not workable
2019-20	718.56	(-) 3,459.58	18.54	-2722.48	-156.31	Not workable

Source: Annual Accounts of PSUs received during October 2019 to September 2020

As can be noticed from the **Table 1.2.6**, the overall net worth of the PSUs was negative throughout 2015-20 due to high accumulated losses of these PSUs. Though the working results of the PSUs during 2017-18 and 2018-19 turned positive, the profits earned were insufficient to wipe out the accumulated losses of these PSUs. Analysis of investment and accumulated losses of three PSUs further revealed that the accumulated losses (₹ 3,333.45 crore) of two³¹ out of three PSUs had completely eroded their paid-up capital of ₹ 262.70 crore. As the Shareholders' fund of the PSUs for all the five years was negative and hence, RoE was not workable. Accumulation of huge losses by these PSUs had eroded public wealth, which is a matter of serious concern.

²⁹ Return on Equity = Net Profit after taxes less preference dividend ÷ Shareholders' Fund/Equity.

Where, Shareholders' Fund/Equity represents 'Paid-up Equity Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

³⁰ PAT as per the latest finalised accounts of the PSUs as on 30 September of the respective year.

³¹ Accumulated losses (net after adjusting free reserves) of two PSUs at Sl. No. A2 and A3 of **Appendix 3**.

Return on Capital Employed

1.2.10 Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency of a company in effective utilisation of the total available capital (*viz.* Shareholders' funds and long-term borrowings). RoCE is an important decision metric for long-term lenders. The significance of RoCE becomes obvious when it is applied in contrast with Return on Equity (RoE), which measures the efficiency of a company to create profits for its Shareholder (owners) by effectively utilizing its assets. RoCE is calculated by dividing a company's 'Earnings before Interest and Tax' (EBIT) by the Capital Employed³².

The details of RoCE of the three PSUs during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.2.7**.

Table 1.2.7: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (<i>per cent</i>)
2015-16	(-) 467.48	138.19	(-) 338.29
2016-17	(-) 101.14	95.34	(-) 106.08
2017-18	650.11	568.56	(+) 114.34
2018-19	474.65	1,429.16	(+) 33.21
2019-20	103.51	1319.42	(+) 7.85

Source: latest finalised accounts of the PSUs as on 30 September 2020

As could be noticed from the **Table 1.2.7**, the RoCE of three PSUs was negative during 2015-17. Further, analysis revealed that:

- (i) EBIT of the PSUs turned positive (₹ 650.11 crore) during 2017-18 mainly due to the profits of ₹ 374.60 crore earned by two PSUs³³. Consequently, the RoCE during 2017-18 turned positive from (-) 106.08 *per cent* (2016-17) to (+) 114.34 *per cent*.
- (ii) RoCE of PSUs declined to (+) 33.21 *per cent* during 2018-19 mainly due to increase of ₹ 860.60 crore in the Capital Employed and decrease of ₹ 175.46 crore in the EBIT during 2018-19 compared to the previous year (2017-18).
- (iii) Capital Employed of PSUs decreased during 2019-20 mainly due to increase in accumulated losses of AEGCL from ₹ 232.42 (2018-19) to ₹ 395.98 crore (2019-20).

Dividend Payout

1.2.11 As per Public Enterprise Policy, 2019, the PSUs having no accumulated loss and having operating profit shall pay a minimum dividend to its shareholders out of the profit earned after payment of payable tax by the PSU during the preceding Financial year provided such provision is laid down in Articles of Association/Articles of Incorporation of the PSU.

³² Capital employed represents 'paid-up capital' *plus* 'free reserves and surplus' *plus* long-term loans (including 'Current portion of long-term debts') *minus* accumulated losses/deferred revenue expenditure.

³³ Assam Electricity Grid Corporation Limited (₹ 357.39 crore) and Assam Power Generation Corporation Limited (₹ 17.21 crore)

During 2015-16 to 2019-20, three PSUs³⁴ earned profit of ₹ 569.26 crore, which was not sufficient to wipe out their accumulated losses, aggregating ₹ 3,459.58 crore as on 31 March 2020. None of the three PSUs paid any dividend during the above period.

Return on Investment by GoA based on Present Value of Investment

1.2.12 The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest-bearing capital have been employed, after adjusting them for the time value. To determine the RoRR on investment, the investment of State Government³⁵ in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered and indexed to their Present Value (PV) and summated. The RoRR is then calculated by dividing the PAT by the sum of the PV of the Government investment.

GoA infused funds in three power sector PSUs in the form of equity, loans (all interest bearing) and revenue grants/subsidies but did not provide any interest free loans. During 2019-20, three PSUs in power sector incurred overall losses of ₹ 156.31 crore (*Appendix 3*). On the basis of historical value of investment, the return on GoA investment during 2019-20 was (-) 2.90 per cent. On the other hand, when the present value of investment is considered, the RoRR on GoA investment during 2019-20 was (-) 1.94 per cent as shown in *Appendix 4A*. This difference in the percentage of return on GoA investment was on account of adjustments made in the investment amount for time value of money.

Analysis of Long-term loans of PSUs

1.2.13 The long-term loans of the PSUs having leverage during 2015-16 to 2019-20 were analysed with a view to assess the ability of the PSUs to service their debts owed to GoA, banks, and other financial institutions (FIs). This was assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.2.14 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 lesser the ability of the company to pay interest on debt. An Interest Coverage ratio of below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in respect of three PSUs (all the three PSUs had interest burden) during 2015-16 to 2019-20 are given in *Table 1.2.8*.

³⁴ One PSU (Sl. No. A1 of *Appendix 3*) earned profit of ₹ 0.93 crore (2016-17) and ₹ 17.21 crore (2017-18), and another PSU earned profit of ₹ 357.39 crore (Sl. No. A2 of *Appendix 3*) during 2017-18. All the three PSUs (Sl. No. A1, A2 & A3 of *Appendix 3*) earned overall profit of ₹ 189.45 crore (2018-19) and one PSU earned profit of ₹ 4.28 crore during 2019-20.

³⁵ As per the records of PSUs.

Table 1.2.8: Interest coverage ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No. of PSUs having liability of loans from GoA, Banks and FIs	No. of PSUs having interest coverage ratio of more than 1	No. of PSUs having interest coverage ratio below 1
2015-16	189.40	(-) 467.48	3	1	2
2016-17	201.35	(-) 101.14	3	1	2
2017-18	210.02	650.11	3	2	1
2018-19	251.56	474.65	3	3	0
2019-20	259.82	103.51	3	2	1

Source: Annual accounts of PSUs received during October 2019 to September 2020

It can be observed from **Table 1.2.8** that during last year (2018-19), all three PSUs had Interest Coverage ratio of ‘more than one’, which was a positive indication. During 2019-20, however, one PSU viz. AEGCL had Interest Coverage ratio of ‘below one’ indicating the difficulties of this PSU to service its long-term debts.

Audit analysis further revealed increase of 37.18 per cent in the interest burden of the PSUs during 2015-20 from ₹ 189.40 crore (2015-16) to ₹ 259.82 crore (2019-20), was attributable to gradual increase in the long-term debts of the PSUs from ₹ 2,820.39 crore (2015-16) to ₹ 4,041.90 crore (2019-20) as per their latest finalised accounts. The increase in the interest burden has correspondingly increased pressure on the profitability of three PSUs.

Debt-Turnover Ratio

1.2.15 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debts corresponding to the income earned by the PSUs from core activities. Thus, the PSUs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

Summary of the debt and turnover of the three PSUs during 2015-16 to 2019-20 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years has been given in **Table 1.2.9**.

Table 1.2.9: Debt Turnover ratio relating to the PSUs

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
PSU Debts (long term)	2,820.39	3,061.18	3,593.00	3,993.64	4,041.90
Turnover	4,332.42	4,900.03	5,899.50	6,907.65	6,000.55
Debt-Turnover Ratio	0.65:1	0.62:1	0.61:1	0.58:1	0.67:1

Source: Annual accounts of PSUs received during October 2019 to September 2020

As can be seen from **Table 1.2.9**, the DTR during 2015-16 was at 0.65:1 but improved thereafter to 0.58:1 in 2018-19. Thereafter, the DTR deteriorated to 0.67:1 during 2019-20, which indicated the declining position of the three PSUs to service their long-term debts as compared to previous years. The decline in DTR was mainly due to decrease of 13.13 per cent in the PSU-turnover during 2019-20 as compared to the previous year (2018-19).

Impact of Audit Comments on Annual Accounts of PSUs

1.2.16 During October 2019 to September 2020, two PSUs forwarded their two accounts to the Principal Accountant General. All these accounts of the two PSUs were selected for supplementary audit. The comments in the Audit Reports of Statutory Auditors appointed by C&AG and the supplementary audit of C&AG highlighted significant observations on the financial statements. As a result of these audit observations, operational results (net profit or net loss) of the PSUs as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. The said observations of Statutory Auditors and C&AG indicated that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of Statutory Auditors and C&AG for last three years from 2017-18 to 2019-20 are given in *Table 1.2.10*.

Table 1.2.10: Impact of audit comments on the accounts of the working PSUs

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	16.59	4	308.48	1	9.80
2.	Increase in loss	2	72.76	0	0.00	1	5.50
3.	Non-disclosure of material facts	1	7.43	0	0.00	2	49.53
4.	Errors of classification	2	100.51	1	3.62	1	32.15

Source: Statutory Auditors' Report and comments of C&AG

During 2019-20, the Statutory Auditors had given qualified opinion on both the accounts finalised by the two PSUs. Further, there were four instances of non-compliance to AS/Ind AS in two accounts during the year. This indicated that the financial statements of the PSUs needed to be improved to ensure compliance to the AS/Ind AS.

Gist of some of the important comments of the Statutory Auditors and C&AG in respect of the accounts of the PSUs are as under:

Assam Power Generation Corporation Limited (2019-20)

1. Non-provisioning for proportionate annual fixed cost to be refunded to APDCL

During 2019-20, AERC had provisionally allowed annual fixed cost of ₹ 22.50 crore for Namrup Thermal Power Station (NTPS) of the Company subject to achievement of minimum availability index. Though the Company could achieve availability index of 32.44 per cent for NTPS during 2019-20, it did not make provision for proportionate annual fixed cost to be refunded to APDCL due to under-achievement of availability index. This has resulted in understatement of 'Provision for Regularity liability' by ₹ 7.90 crore with corresponding overstatement of 'Profit for the year' to that extent.

2. Non-disclosure of material facts

The Company booked ₹ 13.94 crore under 'Fuel related receivables & claims (OIL)-other current assets' (Note-7) against excess gas volume billed by the Supplier (M/s Oil

India Limited) for the period from April 2019 to September 2019 based on a debit note issued (March 2020) on the Supplier. The claim of the Company has not been confirmed/accepted by the Supplier, while submitting 'station-wise' outstanding balances (as on 31 March 2020) to the Company, which was also accepted by the latter (Company) without any protest. The fact that the debit note has not been accepted merits for appropriate disclosure under 'Notes on Accounts'.

1.2.17 Performance of Power Sector PSUs

High Transmission & Distribution Losses

1.2.17.1 Analysis of the operational performance of the three PSUs further revealed that Assam Power Distribution Company limited (APDCL), which was a major contributor to the accumulated losses of PSUs could not achieve the targeted Transmission & Distribution (T&D) losses during last three years. Thus, high T&D loss of APDCL was a major factor contributing towards its high losses.

As against the T&D loss targets of 17.10 *per cent* (2017-18), 16.85 *per cent* (2018-19) and 16.00 *per cent* (2019-20) fixed for last three years, the actual T&D losses of the Company were to the tune of 17.64 *per cent* (2017-18), 19.70 *per cent* (2018-19) and 19.06 *per cent* (2019-20) respectively. The increase in the T&D losses after 2017-18 was primarily attributable to enhancement of Low Tension (LT) networks under Deendayal Upadhyaya Gram Jyoti Yojana, a Government of India Scheme without adequate High Tension (HT) infrastructure as well as implementation of massive household electrification carried out under GoI's flagship SAUBHAGYA scheme.

Low Plant Load Factor

1.2.17.2 The plant load factor (PLF) is a measure of average capacity utilisation of a power generating unit and is expressed in terms of percentage of actual generation to the installed capacity. Hence, the PLF of a generating company is positively correlated with the generating efficiency of a power generation utility.

Assam Power Generation Corporation Limited (APGCL), the State-owned power generation utility in Assam had five Generating Stations with installed capacity of 345.20 MW. Analysis of the PLF of the generating stations of APGCL for last three years revealed that there was an overall reduction in the PLF in four out of five generating stations (except Lakwa Replacement Power Project) during 2017-20 ranging between 4.56 *per cent* (Namrup Thermal Power Station) and 14.10 *per cent* (Lakwa Thermal Power Station), which was significant. PLF of the fifth power plant (Lakwa Replacement Power Project), which was commissioned in 2018-19, however, increased by 6.86 *per cent* during 2018-20. Though APGCL has earned nominal profit of ₹ 4.28 crore during 2019-20, it had significant accumulated losses of ₹ 107.59 crore as per its latest finalised accounts for the year ended 31 March 2020.

APGCL needs to appropriately address the issue of low PLF of its generating stations to improve its operational performance and financial position in coming years.

Implementation of Ujwal DISCOM Assurance Yojana (UDAY)

1.2.17.3 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY) for operational and financial turnaround of State-owned Power Distribution Companies (DISCOMs). As per the provisions of UDAY scheme, the States were required to undertake following measures for operational and financial turnaround of DISCOMs.

Scheme for improving operational efficiency

The States were required to undertake various targeted activities for improving the operational efficiencies. These activities included compulsory metering of the feeder and distribution transformer (DT), consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, checking of power theft, ensuring increased power supply in the areas having low or diminishing Aggregate Technical & Commercial (AT&C) losses, *etc.* The timeline prescribed for these targeted activities was also required to be followed to ensure achievement of the intended benefits *viz.* ability to track losses at feeder and DT level, identification of loss-making areas, reduce technical losses and minimise outages, reduce power theft, enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcome of operational improvements was to be measured through the prescribed indicators *viz.* reduction of AT&C loss to 15 *per cent* by 2019-20 as per loss reduction trajectory finalised by MoP and States, reduction in the gap (between average cost of supply and average revenue realised) to zero by 2019-20.

The details of the targets fixed under UDAY Scheme against different operational parameters vis-a-vis achievements of APDCL there against as on 31 March 2020 have been given in **Table 1.2.11**.

Table 1.2.11: Parameter wise achievements of APDCL as on 31 March 2020 against the operational targets fixed under UDAY Scheme

Sl. No.	Parameter of UDAY Scheme	Target under UDAY Scheme as per MoU ³⁶	Progress under UDAY Scheme	Achievement (in <i>per cent</i>)
1	Feeder metering (in Nos.)	1,600	1,443	90.19
2	Distribution Transformer Metering (in nos.)	4,700	2,765	58.83
3	Feeder Segregation (in Nos.)	878	197	22.44
4	Rural Feeder Audit (in Nos.)	1,051	1,402	Achieved
5	Electricity to unconnected household (in lakh nos.)	21.74	26.66	Achieved
6	Smart metering (in Nos.)	1,81,000	14,008	7.74
7	Distribution of LED UJALA (in lakh nos.)	11.50	112.71	Achieved
8	AT&C Losses (in <i>per cent</i>)	15	22.29	Negative

³⁶ Memorandum of Understanding (MoU) entered (4 January 2017) between Government of India, Government of Assam and Assam Power Distribution Company Limited.

Sl. No.	Parameter of UDAY Scheme	Target under UDAY Scheme as per MoU ³⁶	Progress under UDAY Scheme	Achievement (in per cent)
9	ACS-ARR ³⁷ Gap (₹ per unit)	(-) 0.05 ³⁸	0.20 ³⁹	Negative
10	Net Income including subsidy ⁴⁰ (₹ in crore)	51.04	202.69	Achieved

Source: Information furnished by APDCL

As it could be seen from **Table 1.2.11**, as on 31 March 2020, the level of the Aggregate Technical & Commercial losses (AT&C losses) of APDCL stood at 22.29 per cent as compared to the targeted reduction in these losses to 15 per cent by 2019-20. The deficiency (7.29 per cent) in achievement of targeted level of AT&C loss was mainly due to shortfall of 17 per cent in billing and collection efficiency (82.36 per cent in 2019-20 against the targeted 99 per cent under UDAY). The reasons for shortfall in billing and collection efficiency were intensification of rural electrification and increase in the numbers of LT consumers after implementation of SAUBHAGYA scheme⁴¹, which had negative correlation with billing and collection efficiency. Further, there was a gap (loss) of ₹ 0.20 per unit between the Average Cost of Supply and Average Revenue Realised as against the targeted gap (profitability) of ₹ 0.05 per unit by 2019-20. APDCL has also performed poorly in areas of Smart metering and feeder segregation, whereas the performance had been better in terms of Distribution Transformer metering, feeder metering, providing electricity to unconnected households and distribution of LEDs.

Implementation of financial turnaround

A Memorandum of Understanding (MoU) was entered (4 January 2017) between GoI, GoA and APDCL under the UDAY Scheme. As per the MoU, GoA was committed to provide the prescribed funding to APDCL in the form of equity and grants to the extent of ₹ 1,132.53 crore (75 per cent) out of ₹ 1,510.04 crore of GoA loans as on 30 September 2015. To meet the commitment made under the MoU, GoA could also issue bonds, if necessary, for raising funds.

To honour the above commitments, GoA had issued (November 2019) financial sanction amounting to ₹ 554 crore for waiver of the unpaid interest against the above loan. Subsequently, GoA had also issued (February 2020) sanction order towards conversion of loan (₹ 1,132.53 crore) to grant (₹ 849.40 crore) and equity (₹ 283.13 crore) by way of book adjustment.

Further, as per the MoU, GoA was also to provide Operational Funding Requirement (OFR) support to APDCL till it achieves the financial turnaround. The OFR support

³⁷ ACS represents 'Average Cost of Supply' while ARR means 'Average Revenue Requirement'.

³⁸ A negative ACS-ARR gap reflects profitability of DISCOMS, meaning thereby that they are earning a profit as they realise higher revenue than the procurement cost.

³⁹ Provisional figures upto second quarter of the year 2020-21.

⁴⁰ Target and achievement against this component have been adopted for 2018-19 pending finalization of annual accounts of APDCL for 2019-20.

⁴¹ SAUBHAGYA scheme launched (September 2017) by GoI aimed to provide free electricity connections to all households (both Above Poverty Line and poor families) in rural areas and poor families in urban areas.

committed by GoA also included necessary funding to discharge outstanding power purchase liabilities (₹ 1,207.35 crore) of APDCL as on 31 March 2015. Against this commitment, APDCL had received ₹ 1,883.29 crore during 2016-20 in the form of grants (₹ 872.41 crore towards strengthening and upgradation, installation of smart meters, GIS mapping, distribution of LED, *etc.* and ₹ 1,010.88 crore against the unpaid power purchase dues).

With the above financial assistance from GoA, APDCL could reduce its power purchase liability from ₹ 1,221.30 crore (2015-16) to ₹ 430.20 crore (2019-20). As a result, the delayed payment surcharge paid by APDCL for delay in payment of power purchase bills has been considerably reduced from ₹ 23.38 crore (2015-16) to ₹ 4.83 crore (2019-20). The financial assistance also helped in financial turnaround of APDCL as it earned an operational profit of ₹ 202.69 crore during 2019-20 as compared to operational loss of ₹ 103.90 crore during 2015-16.

Disinvestment, Restructuring and Privatisation

1.2.18 During 2019-20, no disinvestment, restructuring or privatization was done by the GoA in the power sector.

Follow up action on Audit Reports

Explanatory notes not received

1.2.19 The C&AG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various PSUs. It was, therefore, necessary that the Audit Reports elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, GoA issued (May 1994) instructions on preparing the 'explanatory notes' in respect of 'performance audits' and 'compliance audit paragraphs' by the Administrative Departments concerned.

As per the said instructions, the Administrative Departments concerned were required to prepare the 'explanatory notes' on the 'compliance audit paragraphs' and 'performance audits' included in the Audit Reports immediately on receipt of the said Audit Reports. The Administrative Departments were required to indicate the action taken or proposed to be taken in the 'explanatory notes'. The 'explanatory notes' shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/audit paragraphs included in the Audit Reports. The Administrative Departments were also required to submit the said 'explanatory notes' to the Assam Legislative Assembly with a copy to the Principal Accountant General (Audit), Assam within 20 days after receipt of the Audit Reports. The Power Department, however, had not submitted any 'explanatory notes' to the State Legislature in respect of 28 Audit Reports (1990-91 to 2017-18) containing 19 performance audits and 136 paragraphs.

Discussion on Audit Reports by COPU

1.2.20 As on 31 March 2020, 28 Audit Reports containing 19 performance audits and 136 audit paragraphs relating to the three PSUs were placed in the State Legislature. Out of the above, 13 performance audits and 95 compliance audit paragraphs pertaining to 19 Audit Reports were discussed by the Committee on Public Undertakings (COPU). The remaining 6 performance audits and 41 compliance audit paragraphs pertaining to 11 Audit Reports were pending for discussion and necessary action by COPU.

Against the 19 Audit Reports discussed by the COPU, 6 Reports of COPU relating to 3 performance audits and 38 audit paragraphs featured in 6 Audit Reports were presented to the State Legislature as on 31 March 2020. These Reports of COPU contained 61 recommendations (performance audits: 17 and compliance audit paragraphs: 44) in respect of 3 performance audits and 36 compliance audit paragraphs, which appeared in the Audit Reports for the years 1994-95 to 2005-06. The concerned departments/PSUs has however, not submitted the Action Taken Notes (ATN) on any of the 61 COPU recommendations as indicated in **Table 1.2.12**.

Table 1.2.12: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs were pending
2002-03	1	9	9
2003-04	1	8	8
2008-09	2	34	34
2010-11	1	6	6
2011-12	1	4	4
Total	6	61	61

Source: Records of PSUs available with Audit.

Recommendation: GoA should review and revamp the mechanism of responding to audit observations. It may ensure that explanatory notes to audit paragraphs/performance audits and ATNs on the recommendations of COPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit recovered within the prescribed period to enable accountability for public finances.

Section 3: Functioning of Public Sector Undertakings (other than Power Sector)

1.3 Introduction

Contribution to State Economy

1.3.1 The PSUs (other than power sector) comprised 32 working PSUs (29 Government Companies and 3 Statutory Corporations) and 16 non-working PSUs (all companies). The working PSUs registered a turnover of ₹ 857.79 crore as per their latest finalised accounts as on 30 September 2020. This turnover was equal to 0.26 per cent of Gross State Domestic Product (GSDP) of ₹ 3,35,238 crore⁴² for 2018-19. During 2019-20, the working PSUs earned an overall profit of ₹ 31.30 crore as per their latest finalised accounts as on 30 September 2020 as compared to the overall loss of ₹ 18.13 crore incurred during 2018-19. A ratio of PSU-turnover to GSDP shows the extent of PSUs-activities in the State economy.

Table 1.3.1 provides the details of PSUs turnover against the GSDP during 2015-16 to 2019-20.

Table 1.3.1: Details of working PSUs turnover vis-a-vis State GDP

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover ⁴³	730.70	707.81	738.30	877.99	857.79
GSDP	2,27,959	2,54,382	2,83,165	3,15,881	3,35,238
Percentage of Turnover to GSDP	0.32	0.28	0.26	0.28	0.26

Source: Latest finalised Accounts of PSUs and information provided by the Directorate of Economic & Statistics, GoA. Figures of GSDP relating to 2019-20 is provisional estimates.

As can be observed from **Table 1.3.1**, the turnover of the working PSUs during 2015-16 to 2019-20 showed a mixed trend. During 2019-20, the PSU-turnover decreased by 2.30 per cent (₹ 20.20 crore) as compared to the previous year (2018-19) turnover of ₹ 877.99 crore. The turnover of the working PSUs, however, registered an overall increase of 17.39 per cent during 2015-16 to 2019-20. This increase was not commensurate with the growth rate (47.06 per cent) of the GSDP during the same period. As a result, contribution of working PSUs turnover to the GSDP had declined from 0.32 per cent (2015-16) to 0.26 per cent (2019-20).

Investment in PSUs (other than Power Sector)

1.3.2 **Table 1.3.2** depicts the total investment in the PSUs:

⁴² GSDP (Quick estimate) as per information furnished by Directorate of Economic and Statistics, GoA

⁴³ Turnover as per the latest finalised accounts as on 30 September of the respective year.

Table 1.3.2: Details of investment in PSUs

Particulars	(₹ in crore)		
	GoA	Others	Total
Equity	689.81	648.52	1,338.33
Long-term loans	698.95	455.70	1,154.65
Total investment	1,388.76	1,104.22	2,492.98

(*Others' include Central Government, holding companies, Banks and other financial institutions)

As can be noticed from **Table 1.3.2**, the total investment (equity and long-term loans) in the PSUs was ₹ 2,492.98 crore (**Appendix 2**) as on 31 March 2020. The investment consisted of 53.68 per cent in equity and 46.32 per cent in long-term loans.

Further, the GoA's investment consisted of 49.67 per cent towards equity and 50.33 per cent in long-term loans.

Reconciliation with Finance Accounts of GoA

1.3.3 The figures in respect of equity and loans extended by the GoA and remaining outstanding as per the records furnished by the PSUs should agree with the figures appearing in the Finance Accounts of the State. In case, the figures do not agree, the PSUs concerned, and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard as on 31 March 2020 is summarised in **Table 1.3.3**.

Table 1.3.3: Equity and loans outstanding as per the State Finance Accounts vis-à-vis records of PSUs

Outstanding in respect of	(₹ in crore)		
	Amount as per Finance Accounts ⁴⁴	Amount as per records of PSUs	Difference
Equity	937.75	689.81	247.94
Loans	754.45	698.95	55.50

Source: Information furnished by the PSUs and Finance Accounts

It can be noticed that there were significant unreconciled differences in the figures of equity and loans as per two sets of records. The difference in equity figures was mainly because of non-existence of equity details of 9⁴⁵ out of 37 PSUs⁴⁶ in the State Finance Accounts although the records of these 9 PSUs showed equity infusion by the GoA. Analysis of differences in loan figures was, however, difficult as the Finance Accounts did not provide the PSU-wise details of the loans provided by the GoA.

As the unreconciled differences of outstanding investments are significant, GoA and the PSUs concerned need to take concrete steps to reconcile the differences in a time-bound manner.

⁴⁴ Figures compiled from Statements 7, 18 and 19 of State Finance Accounts, 2018-19.

⁴⁵ PSUs at Sl. No. B6, B9, B12, B20, B21, B24, D2, D3 and D5 of **Appendix 2**.

⁴⁶ Excluding 11 PSUs (serial no. B25, B26, B31, B32, D7, D9, D11, D12, D13, D15 and D16 of **Appendix 3**) where GoA has no direct equity investment.

Budgetary outgo of GoA

1.3.4 GoA provides financial support to PSUs in various forms through the annual budget. The details of year-wise budgetary outgo towards equity, loans, and grants in respect of PSUs during 2015-16 to 2019-20 are given in **Table 1.3.4**.

Table 1.3.4: Year-wise budgetary support by GoA to PSUs

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity outgo from budget	0	0.00	0	0.00	2	111.20	4	73.29	1	20.00
2	Loans given from budget (all interest bearing)	5	108.24	3	32.09	5	73.45	3	122.02	4	27.75
3	Grants ⁴⁷ /Subsidy from budget	7	70.06	6	62.38	7	121.21	9	183.98	7	241.20
	Total Outgo⁴⁸	9	178.30	9	94.47	14	305.86	16	379.29	11	288.95

Source: Information furnished by the PSUs

As can be noticed from the **Table 1.3.4**, the budgetary outgo to PSUs in the form of equity, loans, grants, etc. had shown an increasing trend during 2016-17 to 2018-19 when the budgetary outgo had increased from ₹ 94.97 crore (2016-17) to ₹ 379.29 crore (2018-19). During 2019-20, however, the budgetary support had decreased from ₹ 379.29 crore (2018-19) to ₹ 288.95 crore (2019-20). The major recipient of budgetary support to the extent of ₹ 254.72 crore (88.23 per cent) during 2019-20 were Assam State Transport Corporation (Grant: ₹ 107.49 crore), Assam Tourism Development Corporation Limited (Grant: ₹ 80.07 crore), Assam Tea Corporation Limited (Grant: ₹ 24.99 crore; Loan: ₹ 22.17 crore) and Assam Petro-Chemicals Limited (Equity: ₹ 20.00 crore).

Submission of Accounts

Submission of Accounts by working PSUs

1.3.5 The financial statements of the PSUs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by September end in accordance with the provisions of Section 96(1), read with section 129(2) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. As per the said provisions of the Act, the PSU and every officer of the PSU who is in default shall be punishable with fine which may extend up to ₹ 1 lakh and in the case of a continuing default, with a further fine which may extend up to ₹ 5,000 for every day during which such default continues. Similarly, in case of Statutory Corporations, their accounts are finalised, audited, and presented to the Legislature as per the provisions of their respective governing Acts.

⁴⁷ Includes Capital and Revenue grants.

⁴⁸ Actual number of PSUs which received equity, loans, grants/subsidies from GoA

Table 1.3.5 provides the details of progress made by working PSUs in finalisation of accounts (as on 30 September 2020).

Table 1.3.5: Position relating to finalisation of accounts by the working PSUs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
1	Number of PSUs	30	30	30	31	32 ⁴⁹
2	Total number of accounts finalised	71	23	23	36	23
3	Number of previous year accounts finalised during current year	65	18	19	32	19
4	Number of working PSUs with arrears in accounts	24	25	26	27	28
5	Number of accounts in arrears	169	176	183	182	191
6	Extent of arrears (years)	1 to 25	1 to 24	1 to 25	1 to 26	1 to 27

Source: Compiled based on the annual accounts submitted by the PSUs between October and September

As can be noticed from **Table 1.3.5**, 28 out of 32 working PSUs had backlog of 191 accounts as on 30 September 2020, with period of arrears ranging up to 27 years, which is a matter of serious concern. Audit analysis further revealed that out of 28 PSUs having pendency of accounts, GoA extended financial support of ₹ 391.80 crore to seven working PSUs⁵⁰, which have not submitted their accounts for six years or more as detailed in **Appendix 1**. Among these seven PSUs, the highest budgetary support was received by three PSUs namely, Assam Tea Corporation Limited (long term loans: ₹ 261.73 crore and grant: ₹ 25 crore), Assam State Development Corporation for Scheduled Castes Limited (grants: ₹ 58.13 crore and equity: ₹ 0.25 crore) and Assam Hills Small Industries Development Corporation Limited (long term loans: ₹ 29.25 crore and grants: ₹ 1.64 crore). Undue extension of financial support to PSUs with huge pendency of accounts indicated that the GoA did not enforce accountability of these PSUs for proper utilisation of the resources provided to them.

The Administrative Departments, which have the responsibility to oversee the activities of the PSUs, must ensure that these PSUs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in finalisation of accounts by the PSUs, the Principal Accountant General (Audit), Assam had been taking up (January, April, and September 2019) the matter regularly with the GoA and the administrative departments concerned for liquidating the arrears of accounts of PSUs. However, the GoA and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time bound manner.

Delays in finalisation of the accounts entail the risk of fraud and misappropriation of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrear of accounts indicated above, the actual contribution of PSUs to

⁴⁹ One PSU (*i.e.*, Purba Bharati Gas Private Limited) was added under the audit purview of C&AG during 2019-20.

⁵⁰ PSUs at Sl. No. B2, B3, B6, B7, B8, B9 and B12 of **Appendix 1**.

the GSDP for 2019-20 could not be ascertained and their contribution to State exchequer could not be reported to the State Legislature.

Submission of Accounts by non-working PSUs

1.3.6 As on 31 March 2020, there were total 16 non-working PSUs (all companies). Out of these 16 non-working PSUs, three PSUs⁵¹ were untraceable and the GoA had also not provided any information about the existence of these PSUs. For the remaining 13⁵² non-working PSUs, GoA had issued (December 2006-October 2008) notifications for their closure as discussed under **paragraph 1.3.22**. The accounts of 12⁵³ out of these 13 non-working PSUs were in arrears for periods ranging from 1 to 26 years.

Placement of Separate Audit Reports of Statutory Corporations

1.3.7 The position depicted in **Table 1.3.6** shows the status of placement of Separate Audit Reports (SARs) issued by the C&AG (as of March 2020) on the accounts of Statutory Corporations in the State Legislature.

Table 1.3.6: Status of placement of Separate Audit Reports in the Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in the Legislature	
			Year of SAR	Issued to GoA on
1.	Assam State Transport Corporation	2015-16	2016-17	December 2019
2.	Assam Financial Corporation	2017-18	2018-19	February 2020

Source: Information received from the Corporations

As can be noticed from the **Table 1.3.6**, two SARs issued to the GoA between December 2019 and February 2020 were pending for placement in the State Legislature (March 2020). No reasons for delay in placement of SARs were intimated to Audit.

Recommendations:

- a. GoA may set up a special cell to oversee the clearance of arrears and set the targets for individual PSUs, which may be monitored by the cell;*
- b. GoA may ensure that existing vacancies in the accounts department of PSUs are timely filled up with persons having domain expertise and experience; and*
- c. The PSUs may get the figures of equity and loans reconciled with the concerned Departments and the Departments may ensure that correct figures are reflected in their Annual Accounts.*

Investment made by GoA in PSUs having arrear in Accounts

1.3.8 Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

⁵¹ Sl. No. D8, D11 and D14 of **Appendix 3**.

⁵² Including one PSU (Sl. No. D7 of **Appendix 3**), for which GoA had initiated (November 2018) the process for its closure but pending issue of notification.

⁵³ Excluding one PSUs (Sl. No. D4 **Appendix 3**), which had no arrear of accounts.

GoA had invested ₹ 764.26 crore⁵⁴ in 18 PSUs during the years for which their accounts were in arrears, as detailed in *Appendix I*. The details of six PSUs, which were major recipients of GoA funding of ₹ 707.62 crore during the period for which their accounts were in arrears have been given in *Table 1.3.7*.

Table 1.3.7: Major recipient PSUs of GoA funding having accounts in arrears

(₹ in crore)

Sl. No.	Name of PSU	Accounts finalised upto	No. of Accounts in arrears	Investment by GoA during the period of arrears		
				Equity	Loans	Grants
1	Assam Tea Corporation Ltd.	2013-14	6	-	261.73	25.00
2	Assam Tourism Development Corporation Ltd.	2016-17	3	-	-	150.38
3	Assam State Transport Corporation	2016-17	3	-	-	149.36
4	Assam State Development Corporation for Scheduled Castes Ltd.	2009-10	10	0.25	-	58.13
5	Assam State Development Corporation for Other Backward Classes Ltd.	2015-16	4	0.40	-	31.48
6	Assam Hills Small Industries Development Corporation Ltd.	1998-99	21	-	29.25	1.64
	Total			0.65	290.98	415.99

Audit analysis further revealed that during last five years (2015-20), five PSUs⁵⁵ having arrear of accounts received budgetary support of ₹ 328.11 crore by way of Government Grants to meet the salary related expenses of their employees, which is a burden on the State budget. In the absence of accounts and their subsequent audit, it could not be verified if the investments made, and the expenditure incurred there against have been properly accounted for.

GoA may consider setting up a special cell under the Finance Department to oversee the expeditious clearance of arrears of accounts of PSUs. Where there is lack of staff expertise, GoA may consider outsourcing the work relating to preparation of accounts and take punitive action against the management of the PSUs responsible for arrears of accounts. Until the accounts are made as current as possible, GoA may consider not giving further financial assistance to such PSUs.

Operational Performance of PSUs

1.3.9 The position regarding the profit earned/loss incurred by 32 working PSUs during 2015-16 to 2019-20 is given in *Table 1.3.8*.

⁵⁴Equity: ₹ 4.15 crore (4 PSUs), loans: ₹ 306.33 crore (6 PSUs) and grants: ₹ 453.78 crore (14 PSUs)

⁵⁵ PSUs at serial number B2 (₹ 2.40 crore), B4 (₹ 39.25 crore), B5 (₹ 17.88 crore), B7 (₹ 23.40 crore) and C1 (₹ 245.18 crore) of *Appendix I*.

Table 1.3.8: Details of working PSUs which earned profit/incurred loss

Name of Sector	Number of PSUs which earned profits/(incurred loss)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Agriculture & Allied	1 (4)	2 (3)	1 (4)	1 (5)	1 (5)
Finance	3 (3)	3 (3)	3 (3)	2 (4)	2 (4)
Infrastructure	5 (2)	5 (2)	5 (2)	4 (3)	4 (3)
Manufacturing	2 (3)	3 (2)	3 (2)	3 (2)	2 (3)
Services	1(2)	1 (2)	2 (1)	2 (1)	2 (1)
Miscellaneous ⁵⁶	3 (1)	3 (1)	3 (1)	4 (0)	3 (2)
Total	15 (15)	17 (13)	17 (13)	16 (15)	14 (18)
Total Profit (₹ in crore)	97.05	105.03	130.75	108.66	161.86
Total Loss (₹ in crore)	-101.98	-80.97	-98.59	-126.79	-130.56
Net Profit/Loss (₹ in crore)	-4.93	24.06	32.16	-18.13	31.30

Source: Latest finalised accounts of the PSUs as on 30 September of respective year.

It can be noticed from *Table 1.3.8* that during 2019-20, out of 32 working PSUs, 14 PSUs had earned profits of ₹ 161.86 crore while 18 PSUs had incurred loss of ₹ 130.56 crore as per their latest finalised accounts as on 30 September 2020.

The details of major contributors to overall profits and losses of working PSUs during 2019-20 are given in *Table 1.3.9*.

Table 1.3.9: Major contributors to profits and losses of working PSUs

(₹ in crore)

Name of PSU	Latest finalised accounts	Profit (+)/ loss (-)
Contributor to loss		
Assam State Transport Corporation	2016-17	(-) 77.87
Assam Tea Corporation Ltd.	2013-14	(-) 17.98
Assam Petrochemicals Ltd.	2019-20	(-) 10.11
Total		(-) 105.96
Contributor to profit		
Assam Gas Company Ltd.	2019-20	(+) 82.55
DNP Ltd.	2019-20	(+) 35.42
Assam Mineral Development Corporation Ltd.	2017-18	(+) 22.46
Total		(+) 140.43

Profitability trend

1.3.10 As can be noticed from *Table 1.3.8*, the profits (₹ 32.16 crore) of the PSUs were highest during 2017-18, which turned into losses (₹ 18.13 crore) during 2018-19. There was, however, turnaround on the performance of the working PSUs from losses (₹ 18.13 crore) to overall profits of ₹ 31.30 crore during 2019-20. This was mainly due to increase in the profits of Assam Gas Company Limited from ₹ 27.90 crore (2018-19) to ₹ 82.55 crore during 2019-20.

⁵⁶Miscellaneous sector includes Assam Gas Company Ltd., DNP Ltd., Assam Government Marketing Corporation Ltd. and Assam State Textbook Production and Publication Corporation Ltd.

Dividend Payout

1.3.11 As per Public Enterprise Policy, 2019, the PSUs having no accumulated loss and having operating profits shall pay a minimum dividend to its shareholders out of the profit earned after payment of payable tax by the PSU during the preceding Financial year provided such provision is laid down in Articles of Association/Articles of Incorporation of the PSU. Dividend payout relating to 32 working PSUs during 2015-20, in which GoA had direct equity infusion is shown in **Table 1.3.10**.

Table 1.3.10: Dividend Payout by working PSUs to GoA*(₹ in crore)*

Year	No. of PSUs with direct equity infusion by GoA	GoA Equity	No. of PSUs which earned profit during the year	GoA Equity	No. of PSUs	Dividend declared/paid by PSUs	Dividend Payout Ratio (per cent)
i	ii	iii	iv	v	vi	vii	viii=vii ÷ v x 100
2015-16	26	442.97	13	219.40	1	1.69	0.77
2016-17	26	442.97	14	219.47	1	2.11	0.96
2017-18	27	554.17	15	338.60	2	3.87	1.14
2018-19	28	625.51	14	373.02	2	3.87	1.04
2019-20	28 ⁵⁷	645.51	12	213.86	2	5.56	2.60

Source: Compiled based on latest finalised accounts of PSUs as on 30 September 2020.

During 2015-16 to 2019-20, the number of profit-making PSUs having direct equity infusion by GoA ranged between 12 and 15, against which two PSUs (Assam Gas Company Limited and Assam Mineral Development Corporation Limited) had declared/paid dividend of ₹ 5.56 crore⁵⁸ to GoA. The Dividend Payout ratio of the PSUs during the period ranged between 0.77 per cent and 2.60 per cent.

Erosion of Net worth

1.3.12 Net Worth or Shareholders' Fund means the sum 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 1.3.11 indicates the year-wise consolidated position of paid-up capital, accumulated losses, free reserve & surplus and net worth of 32 working PSUs during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective year.

⁵⁷ Excluding PSUs at Sl. No. B25, B26, B31 and B32 of **Appendix 3**, where there is no equity infusion by the State Government.

⁵⁸ Assam Gas Company Limited (₹ 5.07 crore) and Assam Mineral Development Corporation Limited (₹ 0.49 crore).

Table 1.3.11: Net worth of working PSUs

(₹ in crore)

Year	Paid-up capital at end of the year	Accumulated loss (-) at the end of the year	Free reserve & surplus	Net Worth/ Shareholders' fund	Net Income (₹ in crore)	RoE (per cent)
i	ii	iii	iv	v = (ii + iii + iv)	vi	vii= (vi÷v) x 100
2015-16	645.34	(-) 1,177.74	736.45	204.05	(-) 4.93	(-) 2.42
2016-17	645.34	(-) 1,431.90	820.58	34.02	24.06	70.72
2017-18	645.67	(-) 1,513.15	917.88	50.40	32.16	63.81
2018-19	1,090.13	(-) 1,624.98	933.52	398.67	(-) 18.13	(-) 4.55
2019-20	1,263.71	(-) 1,653.99	1,050.66	660.38	31.30	4.74

Source: Annual accounts of PSUs received during October 2019 to September 2020

As can be seen from **Table 1.3.11**, the net worth of the PSUs was at the lowest levels during 2016-17 (₹ 34.02 crore) and 2017-18 (₹ 50.40 crore) mainly due to constant increase in the accumulated losses of PSUs. The net worth of PSUs after 2017-18 had shown an appreciation of ₹ 609.98 crore from ₹ 50.40 crore (2017-18) to ₹ 660.38 crore (2019-20) mainly due to net increase of ₹ 488.04 crore (GoA: ₹ 177.00 crore; Others: ₹ 311.04 crore) in the paid-up capital of Assam Petro-Chemicals Limited.

The turnaround of PSUs losses of ₹ 4.93 crore (2015-16) into profits of ₹ 24.06 crore (2016-17) occurred mainly due to profit of ₹ 2.86 crore (2016-17) earned by Assam Petro-Chemicals Limited as compared to the loss of ₹ 22.19 crore incurred during the previous year (2015-16). Further, there was a turnaround of losses of ₹ 18.13 crore (2018-19) into profits of ₹ 31.30 crore mainly due to increase in profit of Assam Gas Company Limited from ₹ 27.90 crore in 2018-19 to ₹ 82.55 crore during 2019-20.

Analysis of investment and accumulated losses of these PSUs further revealed that the accumulated losses (₹ 1,509.44 crore⁵⁹) of 13 working PSUs⁶⁰ had completely eroded their paid-up capital (₹ 235.54 crore). The primary erosion of paid-up capital was in respect of four PSUs as detailed in the **Table 1.3.12**.

Table 1.3.12: PSUs with primary erosion of paid-up capital

(₹ in crore)

Name of PSU	Latest finalised accounts	Paid up capital	Accumulated losses
Assam State Transport Corporation	2016-17	167.73	948.04
Assam Tea Corporation Limited	2013-14	27.54	323.75
Ashok Paper Mills (Assam) Limited	2015-16	0.01	83.10
Assam Plain Tribes Development Corporation Limited	2018-19	2.95	41.71*
Total		198.23	1,396.60

*Net after adjusting free reserves (₹ 2.35 crore)

⁵⁹ Net after adjusting 'free reserves'.

⁶⁰ Serial No. B4, B7, B8, B10, B11, B13, B15, B17, B23, B25, B26, B28 and C2 of **Appendix 3**

Accumulation of huge losses by these PSUs had eroded public wealth, which is a cause of concern, and the GoA needs to review the working of these PSUs to either improve their profitability or close their operations.

Return on Capital Employed

1.3.13 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is deployed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the Capital Employed⁶¹.

The consolidated details of RoCE of all the 48 PSUs⁶² during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.3.13**.

Table 1.3.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2015-16	64.79	532.30	12.17
2016-17	95.96	376.34	25.50
2017-18	103.69	354.53	29.25
2018-19	22.10	727.13	3.04
2019-20	76.80	1,357.87	5.66

Source: latest finalised accounts of the PSUs as on 30 September 2020

As can be noticed from the **Table 1.3.13**, the RoCE of the PSUs showed an increasing trend during 2016-17 and 2017-18 mainly due to constant decrease in Capital Employed by ₹ 177.77 crore from ₹ 532.30 crore (2015-16) to ₹ 354.53 crore (2017-18) and increase in the EBIT by ₹ 38.90 crore from ₹ 64.79 crore (2015-16) to ₹ 103.69 crore (2017-18). However, the decrease in the EBIT from ₹ 103.69 crore (2017-18) to ₹ 76.88 crore (2019-20) and simultaneous increase in Capital Employed from ₹ 354.53 crore (2017-18) to ₹ 1,357.87 crore (2019-20) had correspondingly reduced the RoCE from 29.25 per cent (2017-18) to 5.66 per cent (2019-20). However, during 2019-20, there was an increase in RoCE from 3.04 per cent (2018-19) to 5.66 per cent (2019-20). The reason for increase in RoCE was due to increase in EBIT, which was mainly due to the increase in profit of one PSU viz. Assam Gas Company Limited from ₹ 27.90 crore (2018-19) to ₹ 82.55 crore (2019-20). The main reasons for increase in Capital Employed during 2019-20 was increase of ₹ 66.00 crore in the equity capital (GoA: ₹ 20.00 crore; Others: ₹ 46.00 crore) and ₹ 355.84 crore in the long term loans (GoA: nil; Others: and ₹ 355.84 crore) of Assam Petro-Chemicals Limited, increase of ₹ 68.72 crore in general reserve of Assam Gas Company Limited and inclusion of the Capital Employed (₹ 97.86 crore) of new company (*i.e.* Purba Bharati Gas Private Limited).

⁶¹ Capital employed = paid-up capital plus free reserves and surplus plus long-term loans minus accumulated losses minus deferred revenue expenditure.

⁶² Including 16 non-working PSUs

Return on Investment by GoA based on Present Value of Investment

1.3.14 The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the RoRR on investment, the investment of State Government in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered and indexed to their Present Value (PV) and summated. The RoRR is then calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the Government investment.

GoA infused funds in the form of equity and loans (all interest bearing) in 37 PSUs⁶³ and revenue grants/subsidies in all 48 PSUs (32 working and 16 non-working) but did not provide any interest free loans. During 2019-20, the 32 working PSUs earned an overall profit of ₹ 31.30 crore comprising a profit of ₹ 161.86 crore (14 PSUs) and loss of ₹ 130.56 crore (18 PSUs). In addition, 16 non-working PSUs incurred an overall loss of ₹ 2.35 crore as per their latest finalised accounts (**Appendix 3**). Based on historical value of investment, the return on investment by GoA during 2019-20 was 2.07 per cent. On the other hand, when the present value of investment is considered, the RoRR on investment by GoA during 2019-20 was 0.77 per cent as shown in **Appendix 4B**. This difference in the percentage of return on investment by GoA was on account of adjustments made in the investment amount for time value of money.

Analysis of long-term loans of PSUs

1.3.15 The long-term loans of the PSUs having leverage during 2015-16 to 2019-20 were analysed with a view to assess the ability of the PSUs to service their debts owed to GoA, banks and other financial institutions. This was assessed through the Interest Coverage ratio and Debt Turnover ratio.

Interest Coverage Ratio

1.3.16 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 lesser the ability of the PSU to pay interest on debt. An Interest Coverage ratio of below one indicates that the PSU is not generating sufficient revenues to meet its expenses on interest.

Table 1.3.14 depicts the details of Interest Coverage ratio in respect of working PSUs having interest burden against long term loans during 2015-16 to 2019-20.

⁶³ Excluding 11 PSUs at Sl. No. B25, B26, B31, B32, D7, D9, D11, D12, D13, D15 and D16 of **Appendix 3**, which are subsidiaries of other PSUs and had no direct equity investment of GoA.

Table 1.3.14: Interest Coverage Ratio relating to the PSUs having interest burden

Year	Interest (₹ in crore)	EBIT (₹ in crore)	PSUs having interest burden on long term loans	PSUs having interest coverage ratio more than 1	PSUs having interest coverage ratio of less than 1
2015-16	16.80	15.09	8	3	5
2016-17	12.80	15.23	7	2	5
2017-18	8.49	(-) 15.78	6	2	4
2018-19	8.95	(-) 27.70	7	2	5
2019-20	8.73	(-) 19.49	6 ⁶⁴	1	5

Source: Latest finalised accounts of PSUs as on 30 September of respective year

As can be noticed from **Table 1.3.14**, out of six to eight PSUs having interest burden against long-term borrowing during 2015-16 to 2019-20, only one to three PSUs had the Interest Coverage ratio of more than one during the respective year. This indicated that most of the PSUs were not in a comfortable position to service their long-term debts. Further, out of six PSUs having committed interest liability against long term borrowings, only one PSU⁶⁵ had Interest Coverage ratio of more than one. The Interest Coverage ratio of remaining five PSUs remained below one, which indicates that these PSUs could not generate sufficient revenue to meet the financial cost of long-term borrowings during the period.

Debt Turnover Ratio

1.3.17 A low Debt-to-Turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to successfully manage their debt servicing and repayments.

Table 1.3.15 depicts the summary of the Debt and Turnover of 48 PSUs during 2015-16 to 2019-20 as per their finalised accounts *vis-à-vis* the Debt-Turnover Ratio for the respective years.

Table 1.3.15: Debt Turnover Ratio relating to the PSUs

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	462.38	478.39	453.00	516.26	885.37
Turnover	730.70	707.81	738.30	877.99	857.79
Debt-Turnover Ratio	0.63:1	0.68:1	0.61:1	0.59:1	1.03:1

Source: Latest finalised accounts of PSUs as on 30 September of respective year.

As can be seen from **Table 1.3.15**, the DTR of the PSUs was at the worst (1.03:1) during 2019-20. During 2015-16 to 2019-20, there was an overall deterioration in the DTR from 0.63:1 (2015-16) to 1.03:1 (2019-20) mainly due to slow pace of increase in PSU turnover (17.39 per cent) from ₹ 730.70 crore (2015-16) to ₹ 857.79 crore (2019-20) as compared to the corresponding increase in PSU debts (91.48 per cent) from ₹ 462.38 crore (2015-16) to ₹ 885.37 crore (2019-20).

⁶⁴ PSUs at Sl. No. B7, B10, B13, B23, C1 and C3 of **Appendix 3**

⁶⁵ PSU at Sl. No. C3 of **Appendix 3**.

Impact of Audit Comments on Annual Accounts of PSUs

1.3.18 During October 2019 to September 2020, 16 working PSUs forwarded 20 accounts to the Principal Accountant General (Audit), Assam. Of these, 14 accounts of 10 companies were selected for supplementary audit. For the remaining six accounts of six⁶⁶ companies, non-review certificates were issued. The comments in the Audit Reports of Statutory Auditors appointed by C&AG and the supplementary audit of C&AG highlighted significant observations on the financial statements. As a result of these audit observations, operational results (net profit or net loss) of the companies as depicted in their financial statements were found to be understated or overstated. Further, the said observations also highlighted non-disclosure of material facts and errors of classification. Thus, the observations of the Statutory Auditors and C&AG indicated the quality of financial statements and highlighted the areas, which needed improvement. The details of aggregate money value of comments of Statutory Auditors and C&AG for last three years from 2017-18 to 2019-20 are given in **Table 1.3.16**.

Table 1.3.16: Impact of audit comments on the accounts of the working companies

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	3	10.59	5	11.07	2	1.04
2.	Increase in loss	2	12.05	7	17.82	4	27.71
3.	Non-disclosure of material facts	4	99.64	3	34.33	1	2.91
4.	Error of classification	6	4.58	3	3.16	0	0.00

Source: Statutory Auditors' Report and comments of C&AG

During the year, the Statutory Auditors had given qualified certificates to all the accounts finalised by the companies. The compliance of companies with the Accounting Standards (AS) remained poor, as there were 12 instances of non-compliance to AS in 2 accounts during the year. This indicated that the financial statements of the companies needed to be improved to ensure compliance to the AS.

1.3.19 Similarly, out of three working Statutory Corporations, only one Corporation (*viz.* Assam State Warehousing Corporation) had forwarded three accounts to the Principal Accountant General (Audit), Assam during October 2019 to September 2020. All the three accounts were selected for supplementary audit by C&AG. The three accounts had also received qualified⁶⁷ report of the Statutory Auditors. The Audit Reports of Statutory Auditors and the sole/supplementary audit of C&AG mentioned significant observations on the financial statements. The said observations of Statutory Auditors and C&AG indicated that the quality of maintenance of accounts needs to be

⁶⁶ Out of six SPSEs one SPSE had forwarded two accounts (2015-16 and 2016-17) for which NRC was issued for the year 2015-16 and supplementary audit was conducted for the year 2016-17.

⁶⁷A 'qualified report' of auditor means a report in which the auditors have included certain qualification, reservation or adverse remarks on maintenance of accounts as well as other matters in the financial statements including non-compliance to 'generally accepted accounting principles'.

improved. The details of aggregate money value of the comments of the Statutory Auditors and the C&AG are given in **Table 1.3.17**.

Table 1.3.17: Impact of audit comments on the accounts of Statutory Corporations
(₹ in crore)

Sl. No	Particulars	2017-18		2018-19		2019-20	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	1.19	Nil	0.00	2	0.32
2.	Increase in loss	1	24.96	2	20.56	Nil	0.00

Source: Reports of the Statutory Auditors and comments of C&AG

The aggregate money value of the Statutory Auditors and the C&AG comments during 2019-20 was ₹ 0.32 crore as against the money value of ₹ 20.56 crore during previous year.

1.3.20 Gist of some of the important comments of the statutory auditors and C&AG in respect of accounts of the PSUs are as under:

Assam Plains Tribes Development Corporation Limited (2018-19)

1. Non provisioning towards interest liability

As against demand notice for ₹ 17.84 crore received (March 2019) towards interest payable against Loans, the Company provided for ₹ 1.78 crore only (current year: ₹ 0.59 crore; prior periods: ₹ 1.19 crore). This resulted in understatement of ‘provisions against interest liability’ and ‘loss for the year’ by ₹ 16.06 crore each.

Assam Industrial Development Corporation (2018-19)

2. Short recovery of forest royalty

Short recovery of ‘Forest Royalty’ amounting to ₹ 19.67 lakh from contractors as per enhanced rates resulted in understatement of ‘Other Current Liabilities (payable to Forest Department)’ and ‘Other Current Assets’ to that extent.

Assam State Warehousing Corporation (2016-17)

3. Short provisioning towards insurance premium

Accumulated Losses of the Corporation were understated by ₹ 8.96 crore due to short provisioning towards the premium payable to the Insurer (Life Insurance Corporation of India) to maintain sufficient Group Gratuity Scheme Fund to meet the liability against gratuity payable to the retiring employees. This has correspondingly resulted in understatement of ‘Other Current Liabilities’ to the same extent.

Disinvestment, Restructuring and Privatisation

1.3.21 During 2019-20, no disinvestment, restructuring or privatization was done by the GoA in the PSUs.

Winding up of non-working PSUs

1.3.22 As on 31 March 2020, GoA had 16 non-working PSUs (all companies), of which 12 PSUs were under closure for periods ranging from 11 to 13 years as on 31 March 2020. GoA had issued (December 2006 to October 2008) notifications for closure of these 12 PSUs as they were not contributing to the State economy nor meeting the intended objectives of their formation. Further, based on the directions (August 2010) of GoA, the process for closure of Pragjyotish Fertilizers & Chemicals Limited had been initiated (November 2018) by its holding Company (Assam Petro-Chemicals Limited). The remaining three⁶⁸ non-working PSUs were, however, untraceable and the GoA had also not provided any information about the existence of these PSUs. As all the non-working PSUs were registered under the Companies Act, 1956 (presently Companies Act, 2013), these companies need to be liquidated/wound-up as per the provisions of sections 270 to 365 of the Companies Act, 2013.

For disposal of assets of the PSUs under closure, GoA had constituted (July 2008) a Task Force under Public Enterprise Department. Subsequently, an Asset Management Cell (AMC) was also formed (August 2008) under the supervision of the Task Force to ensure safe custody of assets of the closed PSUs. AMC valued the assets of 12 closed PSUs⁶⁹ with land⁷⁰ (valuing ₹ 68.42 crore), buildings (valuing ₹ 29.10 crore) and movable assets (valuing ₹ 37.30 crore). The land⁷¹ relating to nine PSUs were transferred to GoA owned other entities while the movable assets of two PSUs⁷² were disposed of at ₹ 5.88 crore. The remaining assets valuing ₹ 83.37 crore (land of three PSUs⁷³ valuing ₹ 17.23 crore, buildings of all twelve PSUs valuing ₹ 29.10 crore and movable assets of nine⁷⁴ PSUs valuing ₹ 37.04 crore) were pending for disposal (March 2020). Delay in disposal of movable and immovable assets of the non-working PSUs had hampered the process of liquidation of these PSUs, which had already been notified (December 2006/October 2008) for closure by the GoA. During 2019-20, six⁷⁵ non-working PSUs incurred an expenditure of ₹ 0.73 crore towards salaries and establishment expenditure etc. The PSUs concerned had financed the said expenditure through their own sources, viz. interest on fixed deposits.

Since the non-working PSUs are neither contributing to the State economy nor meeting the intended objectives, the liquidation process to wind up these PSUs needs to be expedited.

⁶⁸ Sl. No. D8, D11 and D14 of **Appendix 3**

⁶⁹ Sl. No. D1 to D6, D9, D10, D12, D13, D15 and D16 of **Appendix 3**.

⁷⁰ 1,380 Bigha, and 1 lecha

⁷¹ 1,339 Bigha and 1 lecha

⁷² Assam Government Construction Corporation Ltd (₹ 0.28 crore) & Cachar Sugar Mills Ltd (₹ 5.60 crore)

⁷³ Assam Agro-Industries Development Corporation Limited, Assam State Minor Irrigation Development Corporation Limited, Assam Power Loom Development Corporation Limited

⁷⁴ Excluding three PSUs viz. Cachar Sugar Mills Limited & Assam Government Construction Corporation Limited (movable assets of both PSUs had been sold) and Fertichem Limited (no movable assets).

⁷⁵ PSUs at Sl. No. D1, D6, D7, D12, D13 and D16 of **Appendix 3**.

Follow up action on Audit Reports

Explanatory notes not received

1.3.23 The C&AG's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained by various PSUs. It was, therefore, necessary that the Audit Reports elicit appropriate and timely response from the Executive. Finance (Audit & Fund) Department, GoA issued (May 1994) instructions on preparing the 'explanatory notes' in respect of 'performance audits' and 'compliance audit paragraphs' by the administrative departments concerned.

As per the said instructions, the administrative departments concerned were required to prepare the 'explanatory notes' on the paragraphs and performance audits included in the Audit Reports immediately on receipt of the said Audit Reports. The administrative departments were required to indicate the action taken or proposed to be taken in the 'explanatory notes'. The 'explanatory notes' shall also include the status of recovery of any amount due to Government as pointed out in the performance audits/ audit paragraphs included in the Audit Reports. The administrative departments were also required to submit the said 'explanatory notes' to the Assam Legislative Assembly with a copy to the Principal Accountant General (Audit), Assam within 20 days from the date of receipt of the Audit Reports.

The administrative Departments concerned however, had not submitted any explanatory notes to the State Legislature in respect of 28 Audit Reports (1990-91 to 2017-18) containing 38 performance audits and 185 paragraphs.

Discussion on Audit Reports by COPU

1.3.24 As on 31 March 2020, 28 Audit Reports containing 38 performance audits and 185 compliance audit paragraphs relating to the PSUs were placed in the State Legislature. As on 31 March 2020, 20 performance audits and 98 compliance audit paragraphs pertaining to 26 Audit Reports were discussed by the Committee on Public Undertakings (COPU). The remaining 18 performance audits and 87 compliance audit paragraphs pertaining to 28 Audit Reports on PSUs were pending for discussion and necessary action by COPU.

Against the 26 Audit Reports discussed by the COPU, 12 Reports of COPU relating to 11 performance audits and 22 audit paragraphs which pertain to 16 Audit Reports were presented to the State Legislature as on 31 March 2020. These Reports of COPU contained 58 recommendations (performance audits: 36 and compliance audit paragraphs: 22) in respect of 6 performance audits and 17 audit paragraphs, which appeared in the Audit Reports of the C&AG of India for the years 1991-92 to 2014-15. Action Taken Notes (ATN) on 36 recommendations (26 on performance audits and 10 on audit paragraphs) were received. The concerned departments/PSUs has however, not submitted the Action Taken Notes (ATN) on 22 recommendations (performance audits: 10 and compliance audit paragraphs: 12) as indicated in **Table 1.3.18**.

Table 1.3.18: Compliance to COPU Reports – Status of Pending ATNs

Year of the COPU Report	Total number Of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs were pending
2004-05	1	9	9
2008-09	1	3	3
2009-10	1	3	3
2018-19	1	7	7
Total	4	22	22

Source: Register of Action Taken Notes

Recommendations

State Government should review and revamp the mechanism of responding to audit observations. It may ensure that explanatory notes to compliance audit paragraphs/performance audits and ATNs on the recommendations of COPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit recovered within the prescribed period to enable accountability for public finances.