SECTION C

State Public Sector Enterprises

CHAPTER-I

1.1 Functioning of State Public Sector Enterprises

1.1.1 General

This Chapter presents the summary of the financial performance of Government Companies and Government controlled other Companies of the Government of Jharkhand (GoJ) and within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These State Public Sector Enterprises (SPSEs) were established to carry out activities of commercial nature and to contribute to the economic development of the State.

In the Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of GoJ is 51 *per cent* or more and subsidiaries of such Government companies. There are no Statutory Corporations in Jharkhand.

According to Section 2 (45) of the Companies Act, 2013, a Government Company is any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company. Further, a Government-controlled company is any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments.

Mandate

A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

Number of SPSEs

As on 31 March 2020, there were 31 SPSEs (including 03 inactive SPSEs) in Jharkhand. The financial performance of the SPSEs has been drawn up on the basis of latest finalised accounts as on 31 August 2021 and is covered in this section. The working SPSEs registered an annual turnover of ₹ 7,739.34 crore i.e., increase of 17.43 per cent in 2019-20 over 2018-19[1] as per their latest finalized accounts as on 31 August 2021. This turnover was equal to 2.36 *per cent* of State Gross Domestic Product (GSDP) for the year 2019-20 (₹ 3,28,598 crore). The working SPSEs incurred a loss of ₹ 1,354.20 crore as

[1] Turnover of working SPSEs as per their latest finalised accounts upto December 2019 was ₹ 6,590.43 crore.

per their latest finalised accounts. There are three inactive SPSEs[2] since inception having an investment of ₹ 51.91 crore towards capital (₹ 1.10 crore) and long term loans (₹ 50.81 crore). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State. Initiation of winding up process of Patratu Energy Limited and Jharbihar Colliery Limited has been approved by their Boards[3].

Framework of Power Sector SPSEs

Power is a core component to operate industrial activities to boost the economy of any State. The State Government formulated (06 January 2014) the Jharkhand State Electricity Reforms Transfer Scheme, 2013 (JSERTS 2013) for unbundling of Jharkhand State Electricity Board (JSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of JSEB to four power sector companies (i.e., Jharkhand Urja Vikas Nigam Limited, Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited and Jharkhand Urja Utpadan Nigam Limited). These four power sector companies came into existence with effect from 06 January 2014 and all the assets and liabilities of JSEB excluding State Government liability were distributed among these companies according to the provisions of the JSERT Scheme 2013. The JSERT Scheme was revised by the State Government in November 2015 wherein it was clarified that the functions, business, rights, obligations, assets and liabilities of generation assets remain vested in the State Government and was to be administered by the State Government through Patratu Thermal Power Station (PTPS).

Besides these four companies, four[4] other power sector companies were incorporated prior to JSERTS, 2013. Out of above four companies, one company i.e., Tenughat Vidyut Nigam Limited (set up on 26 November 1987) is a power generating company and the other three companies *i.e.*, Karanpura Energy Limited (set up on 19 September 2008), Jharbihar Colliery Limited (set up on 18 June 2009) and Patratu Energy Limited (set up on 26 October 2012) are the subsidiaries of Jharkhand Urja Utpadan Nigam Limited. Jharbihar Colliery Limited and Patratu Energy Limited having investment of ₹ 24.38 crores (equity ₹ 1.05 crore and loans ₹ 23.33 crore) since its inception are in the process of winding up without even commencing production. Of these eight Power Sector companies, three[5] companies did not commence commercial activities till 2019-20. As of 31 March 2020, there were eight power-sector SPSEs in Jharkhand. Out of eight, only five power-sector SPSEs were working.

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2 Karanpura Energy Limited (KEL), Patratu Energy Limited (PEL) and Jharbihar Colliery Limited (JCL)

3 KEL: 5th AGM (15 Sep 2017), JCL: 15th meeting (15 May 2016) and 16th meeting (2 February 2018)

4 Tenughat Vidyut Nigam Limited, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

5 Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

Framework of Non-Power Sector SPSEs

State Public Sector Enterprises (Non-Power Sector) consist of State Government Companies, Government-controlled other Companies and subsidiary Companies as of 31 March 2020, operating in the Non-Power Sector. These included all working Government Companies, one working other Government-controlled Company and one working subsidiary company.

Disinvestment and Restructuring of SPSEs

During the year 2019-20, no disinvestment, restructuring or privatisation was done by the State Government in the SPSEs.

1.1.2 Investment in Government Companies

Investment by the Government of Jharkhand

The Government of Jharkhand (GoJ) has high financial stakes in the SPSEs, which is mainly of three types:

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

Aggregate investment in SPSEs with sector-wise summary

As on 31 March 2020, the investment (capital and long-term loans) in 31 SPSEs was ₹ 19,696.52 crore as per accounts of 2019-20 or information from SPSEs ***(Appendix-1.1.1)***. This total investment consisted of 23.40 *per cent* towards paid-up capital and 76.60 *per cent* in long-term loans. The sector-wise summary of investment in the SPSEs as on 31 March 2020 is given in **Table 1.1**.

Table 1.1: Sector-wise investment in SPSEs

Name of sector	Government Companies		Total	Investment (₹ in crore)		
	Working	Inactive		Equity	Long Term Loans	Total
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)	(7)=(5)+(6)
Power	5	3	8	4,244.02	15,037.27	19,281.29
Finance	1	0	1	1.01	0	1.01
Service	8	0	8	49.33	43.96	93.29
Infrastructure	6	0	6	241.14	0	241.14
Others	8	0	8	74.36	5.43	79.79
Total	**28**	**3**	**31**	**4,609.86**	**15,086.66**	**19,696.52**

(Source: Compiled from information provided by SPSEs and accounts for 2019-20 received)

The major share of equity at 92.06 *per cent* (₹ 4,244.02 crore) and loans at 99.67 *per cent* (₹ 15,037.27 crore) from the Government of Jharkhand, banks and financial institutions was in the Power Sector.

Investment in Power Sector SPSEs

The activity-wise summary of investment in the Power Sector Enterprises as on 31 March 2020 is as shown in **Table 1.2**.

Table 1.2: Activity-wise investment in power sector SPSEs

Activity	No. of Power Sector SPSEs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	2	145.13	715.90	861.03
Transmission of Power	1	975.06	3,735.22	4,710.28
Distribution of Power	1	3,111.03	10,529.55	13,640.58
Other[6]	4	12.80	56.60	69.40
Total	**8**	**4,244.02**	**15,037.27**	**19,281.29**

(Source: Information received from SPSEs)

As on 31 March 2020, the total investment (equity and long term loans) in eight Power Sector SPSEs was ₹ 19,281.29 crore. The investment consisted of ₹ 4,244.02 crore (22.01 *per cent)* towards equity and ₹ 15,037.27 crore (77.99 *per cent*) as long-term loans.

The aggregate investment in the Power Sector SPSEs over the period from 2015-16 to 2019-20 had increased by 43.90 *per cent*. Paid-up capital had remained constant and only long-term loans had increased. This resulted in increase in debt-equity ratio from 2.16:1 to 3.54:1 between 2015-16 to 2019-20 as shown in **Table 1.3.**

Table 1.3: Debt-Equity Ratios of Power Sector SPSEs

(₹ in crore)

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Debt	9,155.12	10,419.84	12,218.40	14,561.42	15,037.27
Equity	4,244.02	4,244.02	4,244.02	4,244.02	4,244.02
Debt-Equity Ratio	2.16:1	2.46:1	2.88:1	3.43:1	3.54:1

Investment in SPSEs (Non-Power Sector)

The sector-wise investment in all SPSEs (Non-Power Sector) as on 31 March 2020 is as follows:

Table 1.4: Sector-wise investment in SPSEs (Non-power sector)

Sector	Number of SPSEs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	9	32.36	49.21	81.57
SPSEs in Competitive Environment	12	318.48	0.18	318.66
Others	2	15.00	0.00	15.00
Total	**23**	**365.84**	**49.39**	**415.23**

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

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

[6] Jharkhand Urja Vikas Limited, Karanpura Energy Limited, Jharbihar Colliery Limited, and Patratu Energy Limited.

As on 31 March 2020, the total investment (equity and long-term loans) in 23 SPSEs (Non-Power Sector) was ₹ 415.23 crore. The investment consisted of ₹ 365.84 crore (88.11 *per cent)* towards equity and ₹ 49.39 crore (11.89 *per cent*) in long-term loans, as shown in ***Appendix-1.1.1***.

Budgetary support to SPSEs

The Government of Jharkhand provides financial support to SPSEs in various forms through the annual budget.

Power Sector SPSEs

The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of working companies during the year in respect of Power Sector SPSEs for the last three years ending March 2020 are shown in **Table 1.5**.

Table 1.5: Details regarding budgetary support to Power Sector SPSEs

(₹ in crore)

Sl. No.	Particulars[7]	2017-18		2018-19		2019-20	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	Equity capital	0	0	0	0	0	0
(ii)	Loans	2	1,776.88	2	1,461.77	2	453.22
(iii)	Grants/ Subsidy	1	3,000	1	1,250	1	600
(iv)	Total outgo (i+ii+iii)	2	4,776.88	2	2,711.77	2	1,053.22
(v)	Loan repayment written off	-	-	-	-	-	-
(vi)	Loans converted into equity	-	-	-	-	-	-
(vii)	Guarantees issued[8]	-	-	1	450	-	-
(viii)	Guarantee commitment[9]	-	-	1	450	-	-

(Source: As per information furnished by SPSEs)

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

The annual budgetary assistance to the Power Sector SPSEs decreased from ₹ 4,776.88 crore in 2017-18 to ₹ 1,053.22 crore in 2019-20. The budgetary assistance for the year 2019-20 included ₹ 453.22 crore and ₹ 600 crore in the form of loans and grants respectively.

Government of Jharkhand extends guarantees as provided under Article 293(1) of the Constitution of India. JBVNL received guarantee commitment of ₹ 450 crore from GoJ to avail loans from banks/financial institutions during the year 2018-19. During the year 2019-20, no fresh guarantee was issued.

Non-Power Sector SPSEs

The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of Non-Power Sector SPSEs for the last three years ending March 2020 are shown in **Table 1.6**.

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[7] Amount represents outgo from State Budget only.

[8] Government guarantees issued to the SPSEs during a particular year.

[9] Closing balance of amount outstanding against Government guarantee at the end of a particular year in respect of SPSEs.

Table 1.6: Details regarding budgetary support to SPSEs (Non-Power Sector)

(₹ in crore)

Sl. No.	Particulars[10]	2017-18		2018-19		2019-20	
		Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	Equity Capital	2	70	3	67.08	1	0.92
(ii)	Loans		0		0		0
(iii)	Grants/ Subsidy		0		0		0
(iv)	**Total outgo (i+ii+iii)**	2	70	3	67.08	1	0.92
(v)	Loan repayment written off	-	-	-	-	-	-
(vi)	Loans converted into equity	-	-	-	-	-	-
(vii)	Guarantees issued	-	-	-	-	-	-
(viii)	Guarantee Commitment	-	-	-	-	-	-

(Source: As per information furnished by SPSEs)
**Some of the SPSEs received assistance from the State Budget under more than one of category.*

The annual budgetary assistance to Non-Power SPSEs declined from ₹ 70 crore in 2017-18 to ₹ 0.92 crore in 2019-20.

Analysis of Long-term Loans of the SPSEs

Analysis of the long-term loans of the SPSEs which had leverage during 2015-16 to 2019-20 was carried out to assess the ability of the companies to service the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio of Power Sector SPSEs

Interest coverage ratio is used to determine the ability of an SPSE to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of an SPSE by interest expenses of the same period. The lower the ratio, the lesser is the ability of the SPSE to pay interest on debt. An interest coverage ratio below one indicates that the SPSE is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio (ICR) in respect of Power Sector SPSEs having interest burden during the period from 2015-16 to 2019-20 are given in **Table 1.7**.

Table 1.7: Interest Coverage Ratio relating to Power Sector SPSEs

(₹ in crore)

Year	Earnings before interest and tax (EBIT)	Interest	Number of SPSEs having liability of loans from Government and Banks and other financial institutions	Number of SPSEs having interest coverage ratio less than 1
2015-16	-1,066.28	250.28	3	3
2016-17	-1,656.84	310.94	3	3
2017-18	-138.49	645.85	3	3
2018-19	-1,028.70	687.17	3	3
2019-20	-1,514.60	793.59	3	3

(Source: Compiled based on latest available accounts of SPSEs for the respective years)

[10] Amount represents outgo from State Budget only.

The interest coverage ratio of all the five Power Sector SPSEs having liability of loans from Government as well as banks and other financial institutions during 2019-20 was negative as they are loss making.

Debt Turnover Ratio of Power Sector SPSEs

During the last five years,[11] the Compounded Annual Growth Rate (CAGR) of debt was 0.55 *per cent* while the CAGR of turnover of working five Power Sector SPSEs was 0.11 *per cent.* Consequently, the debt turnover ratio of the Power SPSEs to Gross State Domestic Product (GSDP) had shown an increasing trend during 2015-16 to 2017-18, decreased during 2018-19 and fell further during 2019-20 as shown in **Table 1.8**:

Table 1.8: Debt Turnover Ratio relating to the SPSEs

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	9,155.12	10,419.84	12,218.40	14,561.42	15,037.30
Turnover	3,717.16	3,816.87	4,140.02	5,055.10	6,229.20
Debt-Turnover Ratio	2.46:1	2.73:1	2.95:1	2.88:1	2.41:1

(Source: Compiled based on information received from SPSEs)

Debt-turnover ratio measures the efficiency of a firm in managing and collecting the credit issued to the customers. The debt-turnover ratio ranged between 2.41 and 2.95 during the years 2015-16 to 2019-20 which was on the higher side.

Interest Coverage Ratio of Non-Power Sector SPSEs

No Interest bearing loans have been taken by Non-Power SPSEs since inception.

1.1.3 Return from Government Companies

Performance of Power Sector SPSEs

The financial position and working results of seven (four working and three non-working) Power Sector SPSEs as per their latest finalised accounts as on 30 December 2020 are detailed in ***Appendix-1.1.2***.

The performance of a company is traditionally assessed through percentage of turnover to Gross State Domestic Product (GSDP), Return on Investment, Return on Equity and Return on Capital Employed.

Percentage of turnover to GSDP

The details of turnover of Power Sector SPSEs as per their latest available accounts and GSDP of Jharkhand for a period of five years ending March 2020 are shown in **Table 1.9**.

[11] Base year 2014-15 – debt: ₹ 1,688.51 crore, turnover: ₹ 3,620.31 crore.

Table 1.9: Details of Turnover of Power Sector SPSEs *vis-à-vis* GSDP of Jharkhand

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover of Power Sector SPSEs	3,717.16	3,816.87	4,140.02	5,055.10	6,229.20
Percentage change of turnover over previous year	2.68	2.68	8.47	22.10	23.23
GSDP of Jharkhand	2,06,613	2,36,250	2,69,816	2,97,204	3,28,598
Percentage change of GSDP over previous year	-5.45	14.34	14.21	10.15	10.56
Percentage of turnover to GSDP of Jharkhand	1.80	1.62	1.53	1.70	1.90

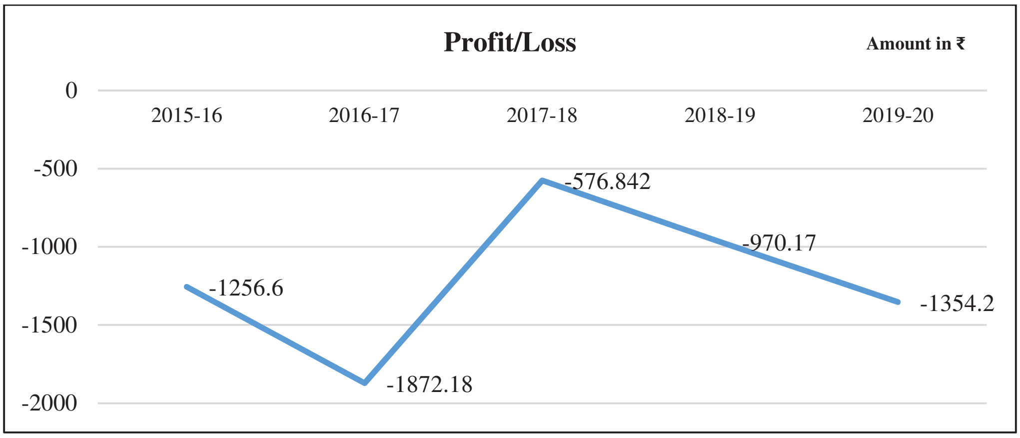
(Source: Compiled based on turnover figures of SPSEs and GSDP figures as per information in previous Audit Report and the Finance Accounts, Volume-I, 2019-20, GoJ)

The turnover of the SPSEs relative to GSDP was 1.90 *per cent* in 2019-20 and had gradually increased during the last three years. The Compounded Annual Growth Rate (CAGR) of GSDP was 8.50 *per cent* during the last five years, while the turnover of Power SPSEs recorded CAGR of 11.46 *per cent* during the same period.

Return on investment

The overall position of profits earned/ losses[12] incurred by the SPSEs during 2015-16 to 2019-20, as per the latest finalised accounts till 30 September of the respective years, is depicted below in **Chart 1.1**.

Chart 1.1: Profit earned/ losses incurred by SPSEs during the years



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

An aggregate loss of ₹ 6029.99 crore was incurred by the Power Sector SPSEs during 2015-16 to 2019-20.

Erosion of Net Worth/ capital

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the shareholders and is also referred to as shareholders' funds. A negative net worth indicates that

12 Figures are as per the latest financial statements of the respective years.

the entire investment by the shareholders has been wiped out by accumulated losses and deferred revenue expenditure. **Table 1.10** below indicates total paid-up capital, total free reserves, total surpluses, total accumulated losses and net worth of the working Power Sector SPSEs during the period 2015-16 to 2019-20:

Table 1.10: Net Worth of working Power Sector SPSEs

(₹ in crore)

Year	No. of SPSEs	Paid up Capital	Free Reserves & Surplus	Accumulated profits (+)/losses (-)	Net worth
1	2	3	4	5	6=3+4+5
2015-16	7	4,131.42	0	-2,048.12	2,083.29
2016-17	7	4,131.42	0	-3,904.92	226.5
2017-18	7	4,131.52	0	-5,658.41	-1,526.89
2018-19	7	4,131.52	0	-7,014.83	-2,883.31
2019-20	7[13]	4,131.52	0	-8,153.65	-4,022.13

(Source: Compiled based on latest available accounts of SPSEs)

As can be seen, the combined net worth of the working Power Sector SPSEs was positive during the year 2015-16 to 2016-17. The net worth has decreased significantly from ₹ 2,083.29 crore in 2015-16 to (-) ₹ 4,022.13 crore in 2019-20 due to increase in accumulated losses.

Payment of dividend

The GoJ has not formulated any dividend policy. None of the Power Sector SPSEs had earned profit and hence had not declared dividend since incorporation.

Performance of SPSEs (Non-Power Sector)

The financial position and working results of the 23 SPSEs (Non-Power Sector) as per their latest finalised accounts as on 30 December 2020 are detailed in ***Appendix 1.1.2***. Their performance is analysed from the latest finalised accounts as on 30 December of the following year for each of the last five financial years ending 31 March 2020 and discussed hereafter.

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

Percentage of turnover to State GSDP

Table 1.11 provides the details of turnover of SPSEs (Non-Power Sector) and GSDP of Jharkhand for a period of five years ending March 2020:

[13] Financial Statements of Tenughat Vidyut Nigam Limited has been received up to financial year 2014-15 so only seven power sector SPSEs has been taken

Table 1.11: Details of Turnover of Non-Power SPSEs *vis-à-vis* GSDP of Jharkhand

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	1,349.21	1,431.3	1,502.24	1,535.33	1,510.14
Percentage change of turnover over previous year	9.49	6.08	4.96	2.20	-1.64
GSDP of Jharkhand	2,06,613	2,36,250	2,69,816	2,97,204	3,28,598
Percentage change of GSDP over previous year	-5.45	14.34	14.21	10.15	10.56
Percentage of turnover to GSDP of Jharkhand	0.65	0.61	0.56	0.52	0.46

(Source: Compiled based on turnover figures of SPSEs and State GSDP figures as per information in previous Audit Reports and the Finance Accounts, Volume-I, 2019-20 GoJ)

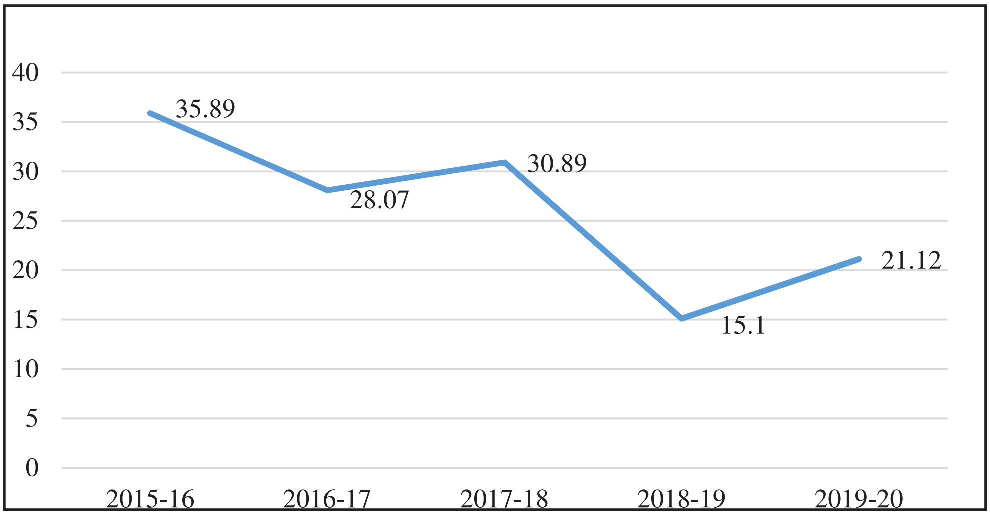
It can be seen from the above table that the turnover of the SPSEs (Non-Power Sector) relative to GSDP was 0.46 *per cent* in 2019-20 and had shown a gradually decreasing trend from 2015-16 to 2019-20. The compounded annual growth rate (CAGR) of State GSDP was 8.50 *per cent* during the last five years. Similarly, the turnover of Non-Power SPSEs had a CAGR of 4.15 *per cent* in the same financial year.

Return on Investment

Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of profits earned/ losses incurred by all 23 SPSEs (Non-Power Sector) during 2015-16 to 2019-20 is depicted below in **Chart 1.2**.

Chart 1.2: Profit/ Losses earned/ incurred by SPSEs (Non-Power Sector) during the years

(₹ in crore)



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

The profit of ₹ 35.89 crore earned by these SPSEs in 2015-16 decreased to ₹ 21.12 crore in 2019-20.

Erosion of Net worth/ capital

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the shareholders and is also referred to as shareholders' funds. A negative net worth indicates that the entire investment by the shareholders has been wiped out by accumulated losses and deferred revenue expenditure. The aggregate paid-up capital (including share application money), free reserves and surpluses of 13 working SPSEs in the Non-Power Sector as per their latest accounts[14] were ₹ 322.96 crore and ₹ 26.04 crore respectively while accumulated losses was ₹ Nil resulting in positive net worth of ₹ 349.00 crore. The net worth of each SPSE (Non-Power) is given at ***Appendix 1.1.2***.

Table 1.12 below indicates total paid- up capital, total free reserves, surpluses, accumulated losses and net worth of the working SPSEs (Non-power) during the period from 2015-16 to 2019-20:

Table 1.12: Net Worth of working SPSEs in Non-Power Sector

(₹ in crore)

Year	No. of SPSEs*	Paid up Capital (including share application money)	Free Reserves	Surplus	Accumulated losses	Net Worth
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*7=(3)+(4)+(5)-(6)*
2015-16	12	85.82	0	283.31	0	369.13
2016-17	13	151.15	0	106.38	0	257.53
2017-18	13	169.16	0	135.57	0	304.73
2018-19	13	154.02	0	52.05	0	206.07
2019-20	13	322.96	0	26.04	0	349.00

(Source: Compiled based on latest finalised Accounts received from SPSEs)
**** SPSEs which had not submitted their first accounts since inception have been excluded.***

As can be seen from the table, the combined net worth of the working SPSEs was positive during the five-year period. However, the net worth has decreased from 2015-16 to 2019-20 despite increase in share capital.

Dividend Payout to Equity

The GoJ has not formulated any dividend policy. Out of 23 working SPSEs in the Non-Power Sector, none had declared dividends since incorporation, although two of them had earned profits during the year 2019-20.

1.1.4 Operating efficiency of Government Companies

The profitability of SPSEs is ascertained through three ratios, namely, Rate of Real Return (RORR) on Investment, Rate of Return on Equity or Shareholders' Funds and Rate of Return on Capital Employed as discussed below.

[14] Figures are as per the latest year for which accounts of the SPSEs are finalised.

Profitability of Power Sector SPSEs

Rate of Real Return (RORR) on the basis of historical cost of investment

Rate of Real Return on Investment is the percentage of profit or loss to the historical or Present Value (PV) of total investment. For the purpose of calculation of the RORR the total figure of investment in working Power Sector SPSEs by the Government of Jharkhand, Government of India and others has been arrived at by considering equity, interest free loans and grants as well as subsidies for operational & management purpose.

As on 31 March 2020, equity of the Government of Jharkhand (GoJ), Government of India (GoI) and others in these seven SPSEs aggregated to ₹ 4,131.42 crore. Thus, the aggregate investment in these SPSEs on the basis of historical cost stood at ₹ 14532.86 crore. The rate of real return on investment on the basis of historical cost of investment in the Power Sector for the period 2015-16 to 2019-20 is given in **Table 1.13**.

Table 1.13: Annual Rate of Real Return on Investment on historical cost basis

(₹ in crore)

Year	Total Earnings for the year	Investment in the form of equity, interest free loans and grants/ subsidies for operational & management expenses on historical cost basis				Rate of Real Return on investment on historical cost basis (in *per cent*)
		Government of Jharkhand	Government of India	Funds invested by others	Total	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)=(3)+(4) +(5)*	*(7)={(2)/(6)}* 100*
2015-16	-1,256.60	8,482.86	0	0	8,482.86	-14.81
2016-17	-1,872.18	9,682.86	0	0	9,682.86	-19.33
2017-18	-576.84	12,682.86	0	0	12,682.86	-4.55
2018-19	-970.17	13,932.86	0	0	13,932.86	-6.96
2019-20	-1354.2	14,532.86	0	0	14,532.86	-9.32

(Source: Compiled based on information received from SPSEs)

It can be seen from the above table that the rate of return in the Power Sector was negative in all the five years *viz.,* 2015-16 to 2019-20.

Return on Investment on the basis of Present Value of Investment

Traditional calculation of return based only on the basis of historical cost ignores the present value of money. Calculating RORR on the basis of PV is a more adequate method for assessment of return on investment. All Power Sector SPSEs had a negative return on investment during 2015-16 to 2019-20. Therefore, the return on investment could not be calculated on the basis of Present Value.

Return on Equity (RoE)

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

RoE computed in respect of Power Sector SPSEs, which have earned profit or incurred loss, as per their latest annual financial statements is detailed in the **Table 1.14**.

Table 1.14: Profit and loss-wise Return on Equity on Power Sector SPSEs

(₹ in crore)

	Year	No. of SPSEs	Net Profit/ Loss after tax	Shareholders' funds	RoE in *per cent*
	(1)	*(2)*	*(3)*	*(4)*	*(5)={(3)/(4)}*100*
Loss incurring	2015-16	7	-1,256.60	2,083.29	--
	2016-17	7	-1,872.18	226.5	--
	2017-18	7	-576.84	-5,565.14	--
	2018-19	7	-970.17	-2,885.41	--
	2019-20	7	-1,354.20	-4,024.23	--

(Source: Compiled based on information received from SPSEs)

The RoE of Power Sector SPSEs were not worked out since either the net profit or shareholders' funds were negative.

Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed.[15]

The details of total RoCE of all the profit earning and loss incurring SPSEs during the period from 2015-16 to 2019-20 are given in **Table 1.15**.

Table 1.15: Profit and Loss-wise Return on Capital Employed of Power Sector SPSEs

(₹ in crore)

	Year	No. of SPSEs	EBIT	Capital Employed	RoCE (in *per cent*)
	(1)	*(2)*	*(3)*	*(4)*	*(5)={(3)/(4)}*100*
Loss incurring	2015-16	7	-1,005.5	19,145.93	-5.25
	2016-17	7	-1,560.7	17,379.12	-8.98
	2017-18	7	73.12	21,344.51	0.34
	2018-19	7	-283	21,036.76	-1.35
	2019-20	7	-560.61	25,273.61	-2.22

(Source: Compiled based on information received from SPSEs)

During 2015-16 to 2019-20, the RoCE of power-sector SPSEs ranged between (-) 8.98 *per cent* to 0.34 *per cent*.

15 Capital employed = Paid up share capital + free reserves and surplus + long-term loans - accumulated losses - deferred revenue expenditure.

Profitability of Non-Power Sector SPSEs

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

For the purpose of calculation of the Rate of Real Return (RORR) the total figure of investment in working Non-Power Sector SPSEs by the Government of Jharkhand, Government of India and others has been arrived by considering equity, interest free loans and grants as well as subsidies for operational and management purposes.

The sector-wise rate of real return on investment (RRoI) on the basis of historical cost of investment for the period 2015-16 to 2019-20 is given in **Table 1.16:**

Table 1.16 Sector wise Rate of Real Return on Investment on historical cost basis

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Investment in the form of equity, interest free loans and grants/ subsidies for operational & management expenses on historical cost basis				Rate of Real Return on investment on historical cost basis (in *per cent*)
		Govt. of Jharkhand	Govt. of India	Funds invested by others	Total	
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)=(3)+(4)+(5)*	*(7)={(2)/(6)}*100*
2015-16						
Social Sector	31.94	73.76	0	0	73.76	43.30
Competitive Sector	-0.79	134.64	0	0	134.64	-0.59
Others	4.74	2	0	0	2	237.00
Total	**35.89**	**210.40**	**0**	**0**	**210.40**	**17.06**
2016-17						
Social Sector	10.12	80.76	0	0	80.76	12.53
Competitive Sector	11.95	209.64	0	0	209.64	5.70
Others	6.02	2	0	0	2	301.00
Total	**28.09**	**292.4**	**0**	**0**	**292.4**	**9.61**
2017-18						
Social Sector	26.75	85.77	0	0	85.77	31.19
Competitive Sector	-0.19	279.64	0	0	279.64	-0.07
Others	4.33	2	0	0	2	216.50
Total	**30.89**	**367.41**	**0**	**0**	**367.41**	**8.41**
2018-19						
Social Sector	-0.29	96.94	0	0	96.94	-0.30
Competitive Sector	21.3	290.64	0	0	290.64	7.33
Others	4.81	15	0	0	15	32.07
Total	**25.82**	**402.58**	**0.00**	**0.00**	**402.58**	**6.41**
2019-20						
Social Sector	0.73	97.86	0	0	97.86	0.75
Competitive Sector	21.11	290.64	0	0	290.64	7.26
Others	-0.2	15	0	0	15	-1.33
Total	**21.64**	**403.50**	**0.00**	**0.00**	**403.50**	**5.36**

(Source: Compiled based on information received from SPSEs)

It would be seen from the above table that while SPSEs in the social sector had a negative return in the year 2018-19, the competitive sector had a negative return in the year 2015-16 & 2017-18 and the 'Others' sector had also a negative return in 2019-20.

These 23 SPSEs included five[16] working SPSE that had not even submitted first account up to September 2020. Out of 23 working SPSEs, there were 22 Government Companies and one Government controlled other Companies.

Return on Investment on the basis of Present Value of Investment

Traditional calculations of return based only on the basis of historical cost ignores the present value (PV) of money. Calculating RORR on the basis of PV is a more adequate method for assessment of return on investment. These 23 Non-Power SPSEs as a whole, had a positive rate of real return on investment in the years 2015-16 to 2019-20. The PV of the total investment in the working SPSEs (Non-Power Sector) was computed on the following assumptions:

- The equity infused minus disinvestment has been reckoned as investment for calculating the rate of real return on investments. Further, interest free long-term loans and assistance as grants/ subsidies have been considered as investment infusion. In case of either repayment of loans by the SPSEs or their subsequent conversion to equity/ interest bearing loans, the PV was calculated on the reduced balances of interest free loans over the period.

- The average rate of interest on government borrowings for the concerned financial year[17] was adopted as compounded rate for arriving at present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

The sector-wise comparison of returns on funds at historical cost and at present value for the five years from 2015-16 to 2019-20 are given in **Table 1.17**.

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[16] Jharkhand State Food and Civil Supplies Corporation Limited, Jharkhand Communication Network Limited, Adityapur Electronic manufacturing Cluster limited, Atal Bihari Innovation Lab & Ranchi Smart City Corporation Limited.

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

Table 1.17: Sector wise Real Rate of Return on Investment at Present Value

(₹ in crore)

Year wise/ Sector-wise break-up	Total Earnings for the year	Total Investment in the form of equity, IFL and grants/ subsidies for operational & management expenses on historical cost basis	RRoI on historical cost basis (in *per cent*)	Present value of the total investment at the end of the year	RRoI on PV of the investments (in *per cent*)
1	*2*	*3*	*4=(2)/(3)*100*	*5*	*6=(2)/(5)*100*
2015-16					
Social Sector	31.94	73.76	43.30	121.33	26.32
Competitive Sector	-0.79	134.64	0.00	181.74	0.00
Others	4.74	2	237	5.99	79.13
Total	**35.89**	**210.4**	**17.06**	**309.07**	**11.61**
2016-17					
Social Sector	10.12	80.76	12.53	137.01	7.39
Competitive Sector	11.95	209.64	5.70	274.10	4.36
Others	6.02	2	301	6.40	94.06
Total	**28.09**	**292.4**	**9.61**	**417.50**	**6.73**
2017-18					
Social Sector	26.75	85.77	31.19	151.93	17.61
Competitive Sector	-0.19	279.64	0.00	368.12	0.00
Others	4.33	2	216.50	6.85	63.21
Total	**30.89**	**367.41**	**8.41**	**526.89**	**5.86**
2018-19					
Social Sector	-0.29	96.94	0.00	173.36	0.00
Competitive Sector	21.3	290.64	7.33	402.96	5.29
Others	4.81	15	32.07	21.09	22.81
Total	**25.82**	**402.58**	**6.41**	**597.41**	**4.32**
2019-20					
Social Sector	0.73	97.86	0.75	185.33	0.39
Competitive Sector	21.11	290.64	7.26	428.51	4.93
Others	-0.2	15.00	0.00	22.43	0.00
Total	**21.64**	**403.5**	**5.36**	**636.27**	**3.40**

(Source: Compiled based on latest finalised Accounts received from SPSEs)

The return earned on total investment on historical cost basis and present value was positive and ranged between 5.36 to 17.06 *per cent* and 3.40 to 11.61 *per cent* respectively during the years 2015-16 to 2019-20.

Return on Equity

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

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

Sector wise RoE computed in respect of all Non-Power SPSEs as per their latest annual financial accounts are detailed in **Table 1.18**.

Table 1.18: Sector wise Return on Equity

(₹ in crore)

Year wise/ Sector-wise break-up	Net Profit/ (Loss) after Tax	Shareholders' funds	RoE in per cent
(1)	(2)	(3)	(4)={(2)/(3)}*100
2015-16			
Social Sector	31.94	265.37	12.04
Competitive Sector	-0.79	73.32	-1.08
Others	4.74	35.41	13.39
Total	**35.89**	**374.1**	**9.59**
2016-17			
Social Sector	10.12	65.48	15.46
Competitive Sector	11.95	148.64	8.04
Others	6.02	41.43	14.53
Total	**28.09**	**255.55**	**10.99**
2017-18			
Social Sector	26.75	91.5	29.23
Competitive Sector	-0.19	167.47	-0.11
Others	4.33	45.76	9.46
Total	**30.89**	**304.73**	**10.14**
2018-19			
Social Sector	-0.29	12.91	-2.25
Competitive Sector	21.3	200.46	10.63
Others	3.47	49.14	7.06
Total	**24.48**	**262.51**	**9.33**
2019-20			
Social Sector	0.73	14.71	4.96
Competitive Sector	21.11	282.44	7.47
Others	-0.20	17.87	-1.12
Total	**21.64**	**315.02**	**6.87**

(Source: Compiled based on latest finalised Accounts received from SPSEs)

During 2015-16 to 2019-20, the aggregate Return on Equity ranged between 6.87 *per cent* (2019-20) and 10.99 *per cent* (2016-17).

ROE computed in respect of working SPSEs in Non-Power Sector, which have earned profit or incurred loss, as per their latest annual financial statements is detailed in the **Table 1.19**.

Table 1.19: Return on Equity of Profit earning/ Loss Incurring working SPSEs

(₹ in crore)

	Year	No. of SPSEs	Net Profit/ Loss after tax	Shareholders' funds	RoE in *per cent*
	(1)	*(2)*	*(3)*	*(4)*	*(5)={(3)/(4)}*100*
Profit earning	2015-16	10	42.35	390.98	10.83
	2016-17	9	28.81	191.87	15.02
	2017-18	7	47.88	217.1	22.05
	2018-19	7	41.86	267.26	15.66
	2019-20	6	38.20	308.88	12.37
Loss incurring	2015-16	2	-6.46	-16.88	-
	2016-17	3	-0.72	16.29	-
	2017-18	6	-16.99	89.23	-
	2018-19	5	-17.38	-4.75	-
	2019-20	5	-16.56	6.14	-
Total*	2015-16	12	35.89	374.1	9.59
	2016-17	12	28.09	208.16	13.49
	2017-18	13	30.89	306.329	10.08
	2018-19	12	24.48	262.51	9.33
	2019-20	11	21.64	315.02	6.87

(Source: Compiled based on latest finalised Accounts received from SPSEs)

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

For each of the five years up to 2019-20 in profit earning SPSE, as a whole had a positive Return on Equity (RoE) ranging from 10.83 *per cent* (2015-16) to 22.05 *per cents* (2017-18).

Return on Capital Employed

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

The details of sector wise RoCE in respect of 13[18] Non-Power SPSEs during the period from 2015-16 to 2019-20 are given in **Table 1.20**.

Table 1.20: Sector wise Return on Capital Employed of 13 SPSEs in Non-Power Sector

(₹ in crore)

Year wise/ Sector-wise break-up	EBIT	Capital Employed	RoCE (in *per cent*)
(1)	(2)	(3)	(4)={(2)/(3)}*100
2015-16			
Social Sector	55.58	361.95	15.36
Competitive Sector	0.96	261.67	0.37
Others	6.86	35.41	19.37
Total	**63.4**	**659.03**	**9.62**
2016-17			
Social Sector	14.99	158.21	9.47
Competitive Sector	17.43	1181.35	1.48
Others	8.72	41.43	21.05
Total	**41.14**	**1380.99**	**2.98**
2017-18			
Social Sector	40.09	212.56	18.86
Competitive Sector	7.2	1883.55	0.38
Others	5.98	45.76	13.07
Total	**53.27**	**2141.87**	**2.49**
2018-19			
Social Sector	-0.28	13.62	-2.06
Competitive Sector	36.98	2250.89	1.64
Others	4.81	49.14	9.79
Total	**41.51**	**2313.65**	**1.79**
2019-20			
Social Sector	0.74	25.42	2.91
Competitive Sector	35.99	2274.29	1.58
Others	-0.19	438.41	-0.04
Total	**36.54**	**2,738.12**	**1.33**

(Source: Compiled based on latest finalised Accounts received from SPSEs)

During 2015-16 to 2019-20, the aggregate Return on Capital Employed ranged between 1.33 *per cent* (2019-20) and 9.62 *per cent* (2015-16).

The details of total RoCE of the profit earning and loss incurring working SPSEs (Non-Power) during the period from 2015-16 to 2019-20 are given in **Table 1.21**.

18 Only those SPSEs are included whose Financial Statements are received up to financial year 2015-16.

Table 1.21: RoCE of Profit earning/ Loss incurring working SPSEs (Non-Power)

(₹ in crore)

	Year	No. of SPSEs	EBIT	Capital Employed	RoCE (in per cent)
	(1)	(2)	(3)	(4)	(5)={(3)/(4)}*100
Profit earning	2015-16	10	71	639.90	11.10
	2016-17	9	41.86	1,362.00	3.07
	2017-18	7	70.26	1,952.35	3.60
	2018-19	7	58.89	2,238.16	2.63
	2019-20	6	53.09	2,231.20	2.38
Loss incurring	2015-16	2	-7.6	19.13	-39.73
	2016-17	3	-0.72	18.99	-3.79
	2017-18	6	-16.99	189.52	-8.96
	2018-19	5	-17.38	75.49	-23.02
	2019-20	5	-16.55	506.92	-3.26
Total*	2015-16	12	63.4	659.03	9.62
	2016-17	12	41.14	1,381.00	2.98
	2017-18	13	53.27	2,141.87	2.49
	2018-19	12	41.51	2,313.65	1.79
	2019-20	11	36.54	2,738.12	1.33

(Source: Compiled based on latest finalised Accounts received from SPSEs)

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

From 2015-16 to 2019-20, the working SPSEs in the Non-Power Sector as a whole had a positive Return on Capital Employed (RoCE) ranging from 1.33 *per cent* (2019-20) to 9.62 *per cents* (2015-16).

1.1.5 Audit of Public Sector Enterprises

The process of audit of Government Companies is governed by relevant provisions of Sections 139 and 143 of the Companies Act, 2013 (the Act). Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, by an order, conduct test audit on the accounts of such company, if considered necessary. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to such Audit. An audit of the financial statements of a company in respect of the financial years upto 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

1.1.6 Appointment of Statutory Auditors of Public Sector Enterprises

The financial statements of the Government Companies are audited by Statutory Auditors, appointed by CAG as per the provisions of Sections 139 (5) or 139 (7) of the Act, as applicable, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG, under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

1.1.7 Reconciliation with the Finance Accounts of the Government of Jharkhand

The figures in respect of equity, loans and guarantees outstanding as per records of Power Sector SPSEs should agree with the figures appearing in the Finance Accounts of the Government of Jharkhand. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of the differences.

Power Sector SPSEs

The position in this regard for Power-Sector SPSES as on 31 March 2020 is stated in **Table 1.22**.

Table 1.22: Equity and loans outstanding as per Finance Accounts of GoJ for 2019-20 *vis-à-vis* records of SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs	Total Difference in 2019-20
(1)	(2)	(3)	(4) = (2)-(3)
Equity	5.00	4,242.92	-4,237.92
Loans	12,736.63	13,806.38	-1,069.75

(Source: Information furnished by Power Sector SPSEs and SFAR for the year ended March 2020)

Non- Power Sector SPSEs

The position in this regard for Non-Power SPSEs as on 31 March 2020 is stated in the **Table 1.23**.

Table 1.23: Equity and Loans outstanding as per Finance Accounts of Government of Jharkhand for 2019-20 *vis-à-vis* records of SPSEs

(₹ in crore)

In respect of	Amount as per Finance Accounts	Amount as per SPSEs	Total Difference in 2019-20
(1)	(2)	(3)	(4) = (2) – (3)
Equity	225.80	333.20	-107.40
Loans	0	49.21	-49.21

(Source: Information furnished by SPSEs and State Finance Audit Report for the year ended March 2020)

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the SPSEs/Department from time to time.

1.1.8 Submission of accounts by SPSEs

Of the eight Power Sector SPSEs under the purview of CAG as on 31 March 2020. The status of timelines followed by the SPSEs in preparation of accounts is as detailed under:

Age-wise analysis of arrears in submission of accounts

Accounts for the year 2019-20 were required to be submitted by all the Power Sector SPSEs by 30 September 2020. However, in view of the prevailing pandemic related restrictions, the Ministry of Corporate Affairs, Government of India directed all Registrar of Companies to liberally grant, against applications submitted by companies, extension for holding Annual General Meetings, at which the audited accounts are adopted, up to 31 December 2020. No Government Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 30 September 2020. Five[19] SPSEs submitted their Financial Statements for the year 2019-20 as of 31 August 2021.

Timeliness in preparation of accounts by the Power Sector SPSEs

Details of arrears in submission of accounts of Power Sector SPSEs as of 30 September of following year for each of the last five financial years ending 31 March 2020 are given at **Table 1.24**.

Table 1.24: Position relating to submission of accounts by the working SPSEs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20[20]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Number of SPSEs	8	8	8	8	8
2.	Number of accounts submitted during current year	5	19	17	7	5
3.	Number of SPSEs which finalised accounts for the current year	0	1	3	0	0
4.	Number of previous year accounts finalised during current year	5	18	14	7	5
5.	Number of SPSEs with arrears in accounts	8	7	5	8	8
6.	Number of accounts in arrears	33	23	14	15	18
7.	Extent of arrears (in years)	1 to 8 years	1 to 8 years	1 to 5 years	1 to 4 years	1 to 5 years

(Source: Based on accounts of SPSEs received during the period October 2019 to September 2020)

During the period from 01 January 2020 to 31 December 2020, the Power Sector SPSEs had finalised five annual accounts comprising zero accounts for 2019-20 and five accounts for previous years. The Chief Secretary to the Government of Jharkhand is informed quarterly regarding arrears in accounts.

Timeliness in preparation of accounts by the Non- Power Sector SPSEs

One out of the 23 Government Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 31December 2020. Further, details of arrears in submission of accounts of Non-Power Sector SPSEs as of 31 December of following year for each of the last five financial years ending 31 March 2020 are given at **Table 1.25**.

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[19] Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Utppadan Nigam limited, Patratu Energy Limited Karanpura Energy Limited and Jharbihar Colliery Limited.

[20] General Circular No. 28/2020 (F. No. 2/4/2020-CL-V) of 17 August 2020.

Table 1.25: Position relating to submission of accounts by the working SPSEs

Sl. No.	Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Number of SPSEs	14	19	21	22	23
2.	Number of accounts submitted during current year	6	13	11	14	18
3.	Number of SPSEs which finalised accounts for the current year	1	3	1	3	1
4.	Number of previous year accounts finalised during current year	5	10	10	11	17
5.	Number of SPSEs with arrears in accounts	13	16	20	19	22
6.	Number of accounts in arrears	40	46	54	62	66
7.	Extent of arrears (years)	1 to 10 years	1 to 08 years	1 to 09 years	1 to 09 years	1 to 10 years

(Source: Based on accounts of SPSEs received during the period 1st January 2020 to 31 December 2020)

During the period from 01 January 2020 to 31 December 2020, 11 of the 23 SPSEs had finalised 18 annual accounts, which included one accounts for the year 2019-20 and 17 accounts for previous years. Thus, 66 accounts of 21 SPSEs were in arrears. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSEs within the stipulated period. The Chief Secretary to the Government of Jharkhand is informed regarding arrears in accounts.

In absence of finalisation of accounts for 2019-20 as well as earlier years and their subsequent audit in 66 out of 21 SPSEs, no assurance could be given on whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoJ investment in these SPSEs, therefore, remained outside the oversight of State Legislature to that extent.

1.1.9 Follow up action on Audit Reports

Power Sector SPSEs

Discussion of Audit Reports by Committee on Public Undertakings

Committee on Public Undertakings (COPU) was apprised of the pendency of Audit Report Paragraphs in the meeting held on August 2018. Further, during 2018-19, COPU in its three meetings discussed two paragraphs relating to Audit Reports of 2012-13 and 2015-16. During 2019-20, COPU had in its two meetings discussed five audit paras relating to Audit Reports 2012-13 to 2015-16 and during 2020-21 one audit para was discussed relating to Audit report of 2008-09.

Non- Power Sector SPSEs

Discussion of Audit Reports by COPU

Committee on Public Undertakings was apprised of the pendency of Audit Report. During 2018-19, COPU in its three meetings discussed three paragraphs relating to Audit Reports of 2008-09 to 2015-16. During 2019-20, COPU had in its two meetings discussed three audit paras relating to Audit Reports 2005-06 to 2013-14 and during 2020-21 two paras were discussed relating to Audit reports of 2007-08 & 2011-12.

Compliance to Reports of COPU

Out of nine recommendations in respect of paragraphs pertaining to Departments (Forest, Environment & Climate Change, Mines & Geology, Home, Jail & Disaster Management and Industry) in the five COPU reports for the year 2006-07, 2007-08, 2009-10, 2010-11 and 2012-13 presented to the State Legislature during 2013-21, no ATN had been received from SPSEs (Non-Power).

CHAPTER II: COMPLIANCE AUDIT

DEPARTMENT OF FOREST, ENVIRONMENT & CLIMATE CHANGE

2.1 Audit on "Marketing, sales and inventory management by Jharkhand State Forest Development Corporation Limited"

2.1.1 Introduction

Jharkhand State Forest Development Corporation Limited (the Company) was incorporated (March 2002) as a public sector undertaking of the Government of Jharkhand (GoJ) under the administrative control of the Forest, Environment & Climate Change Department (the Department). The Company was set up with the objective of increasing forest production and productivity and develop industries based on forest products. Further, it was to promote production and manage collection, processing and marketing of minor forest produce (MFP) commercially and undertake scientific exploitation of forest products to get maximum financial returns.

The management of the Company vests in the Board of Directors (BoD). The Additional Principal Chief Conservator of Forest (APCCF)-cum-Managing Director (MD) is the Chief Executive Officer of the Company and is assisted by Director (Marketing), Deputy Director (Headquarter), Deputy Director (Marketing) and General Managers of three Minor Forest Produce Project (MFPP) Circles[21]. The Company has six MFPP Divisions[22] headed by a Divisional Manager (DM) consisting of 44 Range Offices[23].

The Company was mainly engaged in marketing of Kendu Leaves[24] (KLs) which is collected from a specified forest area (called lots[25]) besides sale of timber obtained from different sources viz., forest divisions, individuals and construction projects.

Audit was conducted covering the period 2015-16 to 2019-20 at the Department and the Company including two[26] out of three Circle Offices, four[27] out of six MFPP Divisions and nine MFPP Ranges[28] to assess whether an effective and efficient system was in place for marketing, sales and inventory management in the Company. Divisions and Ranges were selected through Simple Random

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21 Ranchi circle (Ranchi and Dhalbhum Divisions), Hazaribag Circle (Hazaribag, Daltonganj and Garhwa Divisions), and Deoghar Circle (Giridih Division).

22 Daltonganj, Dhalbhum, Garhwa, Giridih, Hazaribag and Ranchi

23 Ranchi: 07 Range Offices, Hazaribag: 10 Range Offices, Garhwa: 07 Range Offices, Giridih: 09 Range Offices, Daltonganj: 05 Range Offices, and Dhalbhum: 06 Range Offices.

24 Dried kendu leaf is used for wrapping tobacco flakes to make *Beedi*, a thin cigarette.

25 The total forest area of the State is divided into 300 units (299 from 2019) which are called lots.

26 Hazaribag and Ranchi.

27 Daltonganj, Dhalbhum, Hazaribag and Ranchi.

28 Daltonganj division: Daltonganj and Manika; Dhalbhum division: Chaibasa and Mango; Hazaribag division: Hazaribag I, Pratappur and Simaria; Ranchi division: Lohardaga and Ranchi.

Sampling Without Replacement (SRSWOR) method. All 59 lots[29] in the sampled Ranges were test-checked in Audit.

An entry conference was held on 27 November 2020 with the Principal Secretary of the Department wherein Audit objectives, scope and methodology of Audit were discussed. An Exit conference was held on 26 October 2021 with APCCF-cum-MD where audit findings were discussed. Replies of the Department have been suitably incorporated in the Report.

Audit Findings

2.1.2 Marketing and sales management

The main business of the Company is Kendu Leaves (KL) trade and the prime objective of KL trade is welfare of Primary Collectors[30] (PCs) by way of raising their income and making the trade free of middlemen. KL trade is governed by the Bihar Kendu Leaves (Control of Trade) Act, 1973 as adopted by GoJ and Jharkhand State Kendu Leaves Policy, 2015 (JSKLP) as notified (January 2016) by GoJ. There are Collectors Committees[31] (CCs) at the village level which maintain bank accounts and pay collection cost[32] and incentives to PCs. CCs are assisted by the Company through Forest Produce Overseers (FPOs(who are Member Secretaries of CCs.

In erstwhile Bihar, the Bihar State Forest Development Corporation (BSFDC) was responsible for managing the KL trade. Till 1995, BSFDC was selling the actual collected quantity of KLs which was not profitable due to indiscipline in financial management. Thereafter, BSFDC adopted sale of KL lots on lump sum basis which is still in force. For the lump sum sale, the Company invites e-tender[33] in the month of November-December every year. The successful bidders execute agreements with the concerned Divisional Managers after finalisation of bids by the Sales Committee[34]. KLs are collected during April to July in the following year. After collection, KLs are dried and stored in the godowns and then supplied to the purchasers upon payment of sale price and collection cost as applicable. The purchasers also pay rent for godowns and supervision charges at specified rates prior to lifting KLs.

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[29] Daltonganj: 6 lots, Manika: 7 lots, Chaibasa: 7 lots, Mango: 12 lots, Hazaribag I: 7 lots, Pratappur: 6 lots, Simaria; 5 lots, Lohardaga: 4 lots and Ranchi: 5 lots.

[30] The locals who collect KLs and deliver it at collection centres. They are paid collection cost and other incentives through MFPP Divisions.

[31] Committee of PCs registered under "Societies Registration Act, 1860" or "Self-supporting Co-operative Societies Act, 1996" authorised by JSFDC to collect KLs.

[32] The Department every year notify Minimum Support Rate (MSR) per standard bag (containing 1,000 bundles with 50 KLs in each bundle) under section 7 of the Bihar Kendu Leave Act 1973, to be paid to PCs.

[33] Started from the season 2016 after introduction of JSKLP.

[34] Six members committee constituted by the Department which includes representatives from the Finance Department, the Vigilance Department, the Forest Department and the Corporation.

Further, for the timber trade, the Department notifies the rate of specified[35] timber annually under the Bihar Forest Produce (Regulation of Trade) Act 1984 as adopted by GoJ. For non-specified[36] timber, the Board of Directors (BoD) is competent to fix rates. The Company auctions the timber received in its divisional depots.

Audit observed that:

2.1.2.1 Yield and quality of kendu leaves was not maintained

- There is provision of coppicing[37] of kendu bushes in a phased manner in Odisha Kendu Leaves Manual, 1973 to ensure continuous flow of matured leaves.

Audit noticed that no provision of coppicing or other suitable mechanism to ensure quantity and quality of KLs was found in JSKLP or in other statutes. Though the Company issued instructions (February 2008) for coppicing of kendu bushes for the season 2008, it could not continue the practice thereafter. Coppicing was also not found done during the audit period covering five KL seasons from 2015 to 2019. As a result, average yield[38] of 232 (77 *per cent*) out of 300 KL lots was less than the notified yield[39] which included 123 lots where actual yield was less by 30 to 89 *per cent*.

The Department accepted the fact and stated (October 2021) that coppicing has been started from 2021 season to improve the quantity and quality of KLs. It was further stated that this has attracted the purchasers and there is significant jump in revenue in 2021 compared to earlier years.

- The quantum of notified yield of a KL lot, based on which the reserve price of that lot was being fixed annually for decision of lump sum sale price through e-tender, was not found re-notified for more than 36 years as of July 2021 after its notification on 28 November 1984 by the Government of Bihar. Audit further noticed that 495 (33 *per cent*) out of 1,499 KL lots with notified yield of 12.63 lakh standard bags (SB) remained unsold during 2015 to 2019 KL seasons either due to bids not being received (304[40] lots) or quoted price being below the reserve price (29 lots). The reserve price of the unsold lots was ₹ 74.38 crore.

The Department stated (October 2021) that KL lots mostly remain unsold due to poor demand in the market and was not directly linked to non-revision of notified yield. The reply is not fully acceptable as some of the lots could not be sold as quoted price of the bids received were lower than the reserve price.

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35 Sal, Teak, Bija, Gamhar, Asan, Karam, Salai and Khair woods.

36 Sisam (Dalbegiasiso) Jamun (Syzygium), Eucalyptus (Eucalyptus spp) etc.

37 Trimming of kendu bushes to get fresh leaves so as to maintain quantity and quality of KLs.

38 Average yield has been worked out taking actual collected quantity of sold KL lots divided by the numbers of times a lot sold in five KL seasons i.e., from 2015 to 2019.

39 The Government of Bihar notified (November 1984) separate units for KL areas (lots) and estimated production of each unit.

40 Pertaining to only 333 unsold lots of 2016-2019 as record/ information w.r.t. season 2015 was not furnished to Audit.

- There was huge variation in the reserve prices of different KL lots fixed for notified yields taking average sale prices per SB in the last three years. Lump sum price of a particular KL lot was decided based on the reserve price. In Jharkhand, sale prices of lots during 2015 to 2019, calculated with lump sum price with respect to notified yield, ranged between ₹ 497 and ₹ 1,512 per SB. It was, however, seen that in the neighbouring State of Chhattisgarh, it ranged between ₹ 2,656 and ₹ 7,945 per SB during 2015 to 2019 which was quite high compared to Jharkhand. Moreover, Audit noticed that sale prices of 46 lots of MFPP Division, Dhalbhum ranged between ₹ 166 and ₹ 8,885 per SB during season 2017. The Company did not analyse reasons for such huge variation in the sale prices of the lots even within the same Division.

The Department stated (October 2021) that the average sale price is not a constant feature and is mostly dependent on prevailing demand and assured that the Company will try to find ways to remove the aberrations in prices in future.

2.1.2.2 Irregularities in tendering process

E-tender for KL lots were invited and finalised in rounds i.e., bids for unsold lots were again invited in the next round. Details of lots sold during KL season 2016 to 2019 are depicted in **Table 2.1.1** below:

Table 2.1.1: Details of KLs lots sold during 2016 to 2019

Season	Total number of lots	Total number of lots sold	Lots sold in first round	Lots sold to single bidders in first round
2016	300	282	204	81 (40 %)
2017	300	300	272	29 (11 %)
2018	300	210	140	83 (59 %)
2019	299	74	18	18 (100 %)
Total	**1,199**	**866**	**634**	**211 (33%)**

(Source: Data compiled from the tender files of the company)

Audit noticed that 211 lots (33 *per cent*) were sold in the first round to single bidders by the Company on the recommendation of Sales Committee. However, no reasons were recorded by the Sales Committee for awarding lots to single bidders.

The Department stated (October 2021) that sale and purchase of KL is a specialised activity with limited number of purchasers and that sale of lots are decided by the Sales Committee. It was further stated that single bids were accepted to realise more revenue and payment of collection cost to PCs. The reply is not acceptable as in case of single bid, there should be re-tender as per the instructions (March 2007) of Finance Department.

2.1.2.3 Undue benefit to purchaser

As per agreement, the purchaser was to pay for 50 *per cent* of the excess KLs collected in comparison to the notified yield at the average sale price per standard bag (SB) considering approved lump sum sale price for the lot.

Audit noticed that in the four test-checked MFPP Divisions[41], 1.17 lakh SB KLs was collected in excess of the notified yield during the KL season 2015 to 2019 as shown in **Table 2.1.2** below:

Table 2.1.2: Details of excess collection of KLs than notified yield

Year	No of lots with excess KLs collected	Sum total of notified yield of lots (In SB)	Collected yield of lots (in SB)	Excess KLs collected (in SB)	Lump sum amount	Amount realised @ 50 *per cent* for additional collection	Undue benefit to the purchasers for remaining 50 *per cent* of additional collection
					(₹ in crore)		
2015	26	59,500	74,941.622	15,441.622	3.55	0.40	0.40
2016	41	89,750	101,569.857	11,819.857	11.42	0.51	0.51
2017	89	2,16,000	278,987.810	62,987.810	51.29	6.27	6.27
2018	40	93,250	111,111.149	17,861.149	15.61	0.97	0.97
2019	18	41,150	49,910.500	8,760.500	5.81	0.42	0.42
Total	**214**	**4,99,650**	**6,16,520.938**	**1,16,870.938**	**87.68**	**8.57**	**8.57**

As shown in the **Table 2.1.2**, the company realised only ₹ 8.57 crore for 50 *per cent* of excess collected quantity against the realisable amount of ₹ 17.14 crore. The company could not get the cost of remaining 50 *per cent* of the excess quantity as it did not re-notify the yield of lots after re-assessing the actual yields for more than 36 years and thereby extended undue benefit to the purchaser.

The Department stated (October 2021) that clause in the agreement was added to maximise the collection of KLs so that maximum benefit is extended to PCs in terms of cost of collection and attracts the KL purchasers to aim for higher collection thereby benefitting the rural economy. The reply is not tenable as the collection cost is directly linked with the collection of KLs and encouraging PCs for excess collection ultimately benefitted the purchasers. Moreover, PCs did not get additional benefit (**paragraph 2.1.3.2**) for excess collection.

2.1.2.4 Non-realisation of sale price

As per clause 11 of the agreement, if the purchaser fails to deposit the dues within due date or fails to comply with any condition of the agreement, the authorised officer may terminate the agreement after serving notice and giving opportunity of being heard. After termination, the officer may forfeit the security deposit (SD), seize the stock of KLs bags for which payments have not been made, sell the seized stock to recover the loss and initiate other action required for recovery of expenses made in the course of recovery of such loss.

In the four[42] test-checked MFPP divisions, agreements of 55 lots[43] pertaining to season 2015, 2017 and 2018 were terminated and security deposit (SD) of ₹ 5.98 crore[44] was forfeited by the divisions. Audit noticed that purchasers of 30 lots

41 Daltonganj, Dhalbhum, Hazaribag and Ranchi
42 Daltonganj, Dhalbhum, Hazaribag and Ranchi
43 Season 2015: 1, 2017: 30 and 2018: 24
44 2015: ₹ 33,750, 2017: ₹ 2.70 crore and 2018: ₹ 3.28 crore

of season 2017 could not pay their dues despite the Board of Directors (BOD) extending (between July 2018 and August 2019) the agreement period twice for realisation of dues up to July 2018 and March 2019 respectively.

Audit scrutiny further revealed that there was dues of ₹ 31.36 crore and the Forest Produce Inspector (FPI)/Range Officers filed (between October 2015 and September 2020) certificate cases for realisation of ₹ 23.46 crore[45] crore against defaulters of these 55 lots. However, in 49 out of the 55 lots, certificate cases were filed prior to re-sale of seized stocks. Though the divisions realised (between June 2019 and August 2020) ₹ 5.71 crore from re-sale of the seized stocks, revised certificate cases were not filed as of July 2021. It was also seen that the DMs were delegated (between July 2017 and September 2018) the power of the certificate officer for early disposal of cases and 54 out of 55 cases were with concerned DMs. However, timely action for disposal of pending certificate cases was not initiated. Thus, due to non-initiation of proper certificate proceedings, ₹ 17.75 crore remained unrealised as of October 2021.

The Department accepted the audit observation and stated (October 2021) that revised certificate cases shall be filed and efforts would be made to expedite the disposal of certificate cases.

2.1.3 Income generation

2.1.3.1 PCs deprived of collection cost

According to paragraph 13 of the JSKLP, in case of unsold lots, the Department will provide necessary funds to the Company to ensure payment of collection and other costs to PCs. Field staff of the concerned Territorial Forest Divisions were made responsible for collection and storage of KLs of appropriate quality.

Audit noticed that 333 out of 1,199 lots remained unsold during the seasons[46] of 2016 to 2019. The notified yield of unsold lots was 8.52 lakh SB and the notified collection cost ranged between ₹ 1,120 and ₹ 1,195 per SB during these seasons. Though the Company demanded (April 2016 and February 2019) ₹ 61.93 crore[47] from the Department as collection and other costs to facilitate departmental collection, the Department did not release funds for reasons not available on record. The Company also did not explore the possibility of calling for bids for these lots on actual basis as was done in 2015 when 22 out of 64 lots of three[48] test-checked MFPP Divisions were sold on rates per SB. By way of bidding, the liability of collection costs would have been shifted to purchasers. Thus, the Company could not achieve the primary objective of KL trade i.e., generate income for the PCs, by paying collection costs either through bid on actual basis or through departmental harvesting of KLs.

[45] After adjusting SD of ₹ 5.98 crore and re-sale value of ₹ 1.92 crore (Daltonganj: ₹ 5.33 crore , Dhalbhum: ₹ 4.17 crore, Hazaribag: ₹4.51 crore and Ranchi: ₹ 9.45 crore)

[46] 2015 season has been excluded as JSKLP was notified in January 2016.

[47] For season 2016: ₹ 1.73 crore and for 2019: ₹ 60.20 crore.

[48] Daltonganj, Hazaribag and Ranchi

The Department stated (October 2021) that fund was not released as departmental collection also bear the risk of loss due to short shelf life of KLs and uncertainty in market demand. It was further stated that JSFDC shall explore the possibility of sale of unsold lots on actual basis in future. The reply was not acceptable as the prime objective of KL trade i.e., to generate income for PCs was not achieved.

2.1.3.2 Additional collection costs not paid to PCs

According to paragraph 11.4 of JSKLP, in case of excess collection of KLs over the notified yield, the Company is to pay 50 *per cent* of the collection cost for excess KLs collected to PCs as additional collection cost from the net profit accrued out of KLs trade.

In the four test-checked divisions[49], 1.01 lakh SBs of KLs were collected in excess of the notified yield in 188 KL lots by PCs during the season 2016 to 2019 for which additional collection cost of ₹ 5.82 crore[50] was payable as shown in **Table 2.1.3** below.

Table 2.1.3: Details of additional amount of wages

Year	No of lots	Notified yield (in SBs)	Actual yield (in SBs)	Excess (in SBs)	Collection cost per SB (in ₹)	Additional amount 50 *per cent* of Collection cost (in ₹)	Amount (₹ in crore)
2016	41	89,750	1,01,569.857	11,819.857	1,120	560	0.66
2017	89	2,16,000	2,78,987.810	62,987.810	1,140	570	3.59
2018	40	93,250	1,11,111.149	17,861.149	1,175	587.5	1.05
2019	18	41,150	49,910.500	8,760.500	1,195	597.5	0.52
Total	**188**	**4,40,150**	**5,41,579.316**	**1,01,429.316**			**5.82**

Audit noticed that additional collection cost were not paid to PCs as of March 2021 though the Company earned profits[51] from KL trade during these years. Further, it was seen that the collection cost in Chhattisgarh ranged between ₹ 1,500 and ₹ 4,000 per SB during season 2016-2019 which was much higher as compared to Jharkhand. Thus, the PCs were deprived of the higher collection cost and also the additional collection cost of ₹ 5.82 crore.

The Department accepted the audit observation and stated (October 2021) that provision for additional collection costs has been made in the Annual Accounts of F.Y. 2016-17 and will be transferred to PCs soon. Regarding difference in collection cost, it was stated that Chhattisgarh State Minor Forest Produce (Trading and Development) Co-operative Federation Ltd., will be requested to provide information about the factors considered to notify the rate of the collection cost.

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[49] Daltonganj, Dhalbhum, Hazaribag and Ranchi.

[50] Daltonganj: ₹ 3.26 crore, Dhalbhum: ₹ 23.97 lakh, Hazaribag: ₹ 1.65 crore and Ranchi: ₹ 67.44 lakh

[51] ₹ 44.38 crore in 2016, ₹ 57.59 crore in 2017, ₹ 20.67 crore in 2018 and ₹ 8.07 crore in 2019.

2.1.3.3 Non/mis-utilisation of development fund

As per paragraph 11.2 of JSKLP, 2015, the Company is to transfer 20 *per cent* of net profit obtained from the KL trade to CCs which are to be utilised by them for development schemes and promotion of Kendu bushes. The fund was to be kept in a saving bank account and was to be operated jointly by the Member Secretary (FPO) and the President of the CC. The Division was to review the bank accounts and assist the CCs in completion of the development schemes in time. The Company further issued (April 2018) guidelines to utilise development funds in such a way that forest dwellers can collect, process and market the forest produce on a regular basis and improve their income. For this, CCs were to select, in the general body meetings, beneficiary groups with identification of machines and equipment for establishing micro enterprises based on minor forest produce.

Audit noticed that development fund of ₹ 15.58 crore for the KL seasons 2016 to 2018 was released (between March 2017 and July 2019) to the four test-checked MFPP Divisions[52]. For the season 2019, ₹ 75.68 lakh was released in December 2020. Though funds pertaining to season 2016 to 2018 was transferred to 149 CCs, it was seen that ₹15.16 crore (97.30 *per cent*) remained unutilised and was lying with the CCs as of March 2020 as shown in **Table 2.1.4**.

Table 2.1.4: Receipt and utilisation of development fund for the seasons 2016 to 2018

(₹ in lakh)

Division	Fund received by CCs				Funds utilised				Unutilised funds			
	KL Season Year			Total	KL Season Year			Total	KL Season Year			Total
	2016	2017	2018		2016	2017	2018		2016	2017	2018	
Daltonganj	146.58	235.55	88.05	**470.18**	4.26	0.00	0.00	**4.26**	142.32	235.55	88.05	**465.92**
Dhalbhum	88.39	113.39	32.72	**234.5**	9.86	0.00	0.00	**9.86**	78.53	113.39	32.72	**224.64**
Hazaribag	187.04	287.14	73.50	**547.68**	28.25	0.00	0.00	**28.25**	158.79	287.14	73.50	**519.43**
Ranchi	107.07	151.42	47.20	**305.69**	0.00	0.00	0.00	**0.00**	107.07	151.42	47.20	**305.69**
Total	**529.08**	**787.50**	**241.47**	**1,558.05**	**42.37**	**0.00**	**0.00**	**42.37**	**486.71**	**787.50**	**241.47**	**1,515.68**

(Source: Information received from test-checked divisions)

Audit analysis revealed that:

- The MFPP Division, Dhalbhum sought (February 2018) directions from the MD on proposals submitted by 30 CCs related to installation of Sal/Mahua seed extraction machine, Chiraunjee seed crushing machine, renovation of ponds, purchase of diesel engine, Sal plate making machine, construction of platforms, wells, passenger shade, shade in cremation ground, installation of hand pump/tube well, deep bore well etc. However, neither the MD nor the DMs moved ahead on the proposals as of March 2020 even though the proposals submitted by 24 CCs were in accordance with the guidelines (April 2018) of the Company. Only three[53] CCs spent (between January and

[52] Daltonganj, Dhalbhum, Hazaribag and Ranchi

[53] Kharswan: ₹ 3.83 lakh, Kundruguttu: ₹ 2.04 lakh and Santra: ₹ 3.78 lakh

March 2020) ₹ 9.65 lakh on procurement of machines with allied accessories.

- Five out of 27 CCs of MFFP Division, Daltonganj did not call for/conduct meetings for selecting development schemes. Proposals for constructions of roads, shades, platforms, ponds, water tanks, installation of hand pumps, tube wells etc., though resolved (between March 2017 and March 2020) in general meeting by 16 CCs, were not approved by the divisions as these proposals were not linked with activities of promotion and marketing of minor forest produce and similar schemes were being funded by other departments too. CCs did not submit revised proposals and the funds were lying unutilised with them.

- In MFPP Division, Daltonganj, CC of Mitar granted (January 2018) ₹19,000 to 38 PCs and CC of Serendag advanced ₹ 600 to a PC for purchase of bamboo as financial assistance/advance. Utilisation of Development fund is guided by JSKLP 2015/instructions of the Company (April 2018). JSKLP/instructions of the Company was silent about admissibility of such financial assistance under the scope of development schemes.

- Three CCs[54] of MFPP Division, Dhalbhum withdrew ₹ 2.21 lakh (between August 2018 and February 2020) from the bank accounts without passing any resolution in general body meetings. Two CCs[55] deposited back ₹ 75,000 (between February 2020 and December 2020) in the bank accounts after more than seven to 12 months after withdrawal. Even after lapse of more than two and half years, remaining balance of ₹ 1.46 lakh pertaining to two CCs was neither deposited back into the bank account nor shown in their accounts. Development fund account was to be operated jointly by the Member Secretary (FPO) and the President of the CC and no money can be withdrawn without their consent. Thus, possibility of misutilisation of development funds by the Member Secretary and the President of CCs could not be ruled out.

- There were only 60 FPOs (44 *per cent*) as of June 2021 as against 135 sanctioned posts. In the four test-checked divisions, there were 149 CCs which were assisted by only 36 FPOs. Shortage of FPOs caused delay in making feasible proposals for better and timely utilisation of development funds.

Thus, the CCs failed to select schemes or activities relating to promotion and marketing of minor forest produces so as to raise the income of PCs. Besides, FPOs and Divisions did not provide required support to the CCs for utilisation of unspent development funds amounting to ₹ 15.16 crore.

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[54] Kandra (₹ 3,000 in August 2018), Narayanbera (₹ 8,040 in August 2018, ₹ 1.35 lakh in December 2018 and ₹ 50,000 in February 2020), Songra (₹ 25,000 in November 2019).

[55] Songra (₹ 10,000 in February 2020 and ₹ 15,000 in December 2020) and Narayanbera (₹ 50,000 in September 2020)

The Department accepted the audit observation and stated (October 2021) that efforts will be made to utilise the unspent fund and divisions will be instructed to facilitate the CCs in formulating development schemes. Regarding irregular advance and withdrawal from development fund, it was stated that matter will be examined and necessary action will be taken. While attributing the shortage of FPOs to their superannuation, it was assured by the Department that fresh appointment of FPOs would be carried out.

2.1.4 Inventory Management

Inventory is tangible property held for sale in the ordinary course of business. Management of inventory ensures timely sale of KLs to avoid risk of deterioration in quality of the forest produce. Scrutiny of records in the test-checked divisions/ranges revealed the following:

2.1.4.1 Construction of KLs godowns

According to paragraph 14.1 of JSKLP, the Company was to construct godowns to increase storage capacity of KLs and the Department was to provide technical, administrative and financial assistance, if needed.

Audit noticed that after incorporation of the Company, no godowns were constructed and no proposal for construction of new godowns were submitted to the Department during 2015-20. Audit further noticed that there were 39 godowns with the Company, of which only seven godowns (3100 MT) were in good condition, 23 (8700 MT) needed major repairs and nine (2500 MT) were in dilapidated condition. However, the Company did not plan any repair or renovation of the damaged godowns during 2015-20. Further, it was seen that the Company had rented out its godowns to KL purchasers and had realised ₹ 28.12 lakh as rent during 2015-18. In the four test-checked divisions only 10 (29 *per cent*) out of 35 departmental godowns were functional as of August 2021.

The Department accepted the fact and stated (October 2021) that proposal for construction of new godowns shall be placed before the BOD and renovation/maintenance of existing godowns shall be carried on in the current year.

2.1.4.2 Short storage of KL bags

As per the agreement, the purchasers were to pay collection cost (50 *per cent* in advance and the balance after assessment of collection by the DM) prior to lifting of KLs. In case the purchaser fails to pay collection cost in time and does not take possession of the collected KLs, the Division would arrange for drying and packing of KLs in bags and such expense would be borne by the purchaser.

Audit observed that in the four MFPP Divisions[56], against the actual collection of 30,169 SBs in 20 lots pertaining to the season 2015 to 2018, only 26,195 SBs

[56] Daltonganj, Dhalbhum, Hazaribag and Ranchi

were shown as stored in godowns. As such, there was short storage of 3,974 SBs of KLs. These lots included two lots of MFPP Division, Dhalbhum where shortage was 601 SBs. Further scrutiny revealed that the PCs did not allow lifting of the 601 SBs collected in May and June 2018 because collection costs had not been paid to them. Collection cost was paid to the PCs in December 2018 after deposit (December 2018) of the remaining collection cost of ₹ 8.69 lakh by the purchasers. In the meanwhile, the 601 SB KLs decayed. Reasons for shortage in other lots could not be ascertained as requisite records were not produced to audit.

Thus, the division did not ensure timely payment of collection costs to PCs as was seen in case of two lots where 601 SB KLs decayed.

The Department accepted the audit observation and assured (October 2021) that payment of collection cost to PCs will, henceforth, be made in time.

2.1.5 Other points of interest

2.1.5.1 Working results

The Company had finalised its annual accounts only upto 2016-17. The annual accounts for the year 2017-18 was under process. Details of revenue and expenditure for 2015-16 to 2019-20 of the Company are depicted in **Table 2.1.5** below:

Table 2.1.5: Details of revenue, expenditure and net profit of the Company

(₹ in crore)

	Annual accounts			Revised budget estimates		Total
Particulars	**2015-16**	**2016-17**	**2017-18**	**2018-19**	**2019-20**	
Revenue from sale of KLs	50.3	120.52	169.54	171.63	56.55	568.54
Revenue from sale of Timber	2.90	7.95	6.06	6.38	2.81	26.10
Sale of Tickets	0.42	0.51	0.45	0.03	0	1.41
Canteen Goods	0.13	0.12	0.16	0	0	0.41
Interest from Bank	7.08	7.30	16.82	4.74	7.55	43.49
Interest on overdue trade receivable	0.02	0.02	0.24	0.76	0.72	1.76
Miscellaneous income/ receipts	0.62	1.22	2.31	1.13	12.44	17.72
Total Revenue	**61.47**	**137.64**	**195.58**	**184.67**	**80.07**	**659.43**
Total Expenses	53.44	123.37	156.22	135.50	53.79	522.32
Net Profit	**8.03**	**14.27**	**39.36**	**49.17**	**26.28**	**137.11**
Tax expenses	2.65	4.85	13.33	14.75	7.88	43.46
Net Profit after tax	**5.38**	**9.42**	**26.03**	**34.42**	**18.40**	**93.65**
%age of Net profit after tax	8.75	6.84	13.31	18.64	22.98	14.20

(Source: Information furnished by the JSFDCL)

Audit observed that:

- During the 2015, 2016 and 2017 seasons, out of 300 KL lots, 138, 282 and 300 KL lots respectively were sold and thus revenue from the sale of KLs and the net profit showed an increasing trend during 2015-16 to 2017-18.

- During the 2018 season, 210 out of 300 KL lots were sold which was reflected as increase in revenue and profit in the revised estimates of 2018-19. However, actuals are awaited.
- During the 2019 season, only 74 out of 299 KL lots could be sold which is reflected in the sharp decline in estimated revenue and profit of 2019-20.

The Department stated (October 2021) that the supplementary Audit of Annual Accounts for the FY 2017-18 is under process and efforts are being made to finalise the accounts for the FYs 2018-19 to 2019-20 at the earliest.

2.1.5.2 Business opportunities not explored

Economic value of Minor Forest Produce (MFP) is more important for the forest dwellers as quite a good number of such products do not enter the market and are primarily consumed at the local level with little value addition. According to the Memorandum of Association (MoA) of the Company, the core objectives were to promote, develop and carry on projects and activities by accelerating forest production and productivity. The Company was to develop industries based on forest products and to promote and manage the sale and processing of MFP commercially. Additionally, the Company may cultivate, propagate or otherwise undertake silviculture, agriculture, horticulture, cultivation of fruits, fibers, grasses, medicinal plants and other species of economic value as its ancillary objectives. Ultimately, the Company was to undertake scientific exploitation of forest resources for better utilisation of forest products to get maximum financial return.

Audit noticed that in the neighboring State of Odisha, the Odisha Forest Development Corporation Limited explored and undertook other activities linked with forest produce like collection and marketing of bamboo and *saal* seeds, processing and trading of honey, plantation and marketing of rubber, cashew, manufacturing and marketing of pickles, bio-diesel etc. Similarly, Chhattisgarh Forest Corporation Limited undertook plantations of Sisal and Jatropha for making Sisal fiber/rope and bio-fuel respectively.

The Company did not explore any such expansion of its activities in order to increase its earnings as envisaged under MoA as of March 2020 and confined its activities to the sale of KLs and timber only even though it was resolved in the meeting (August 2019) of BoD to explore business opportunities by diversifying into other allied activities seeing the decreasing trend in revenue due to slump in the KL market.

Thus, the Company failed to adhere to its MoA regarding expansion of forest related business activities and had forgone the opportunity to generate employment for forest dwellers besides increasing its own earnings.

The Department accepted the fact and stated (October 2021) that there are different Government agencies working in the field of collection of MFP.

However, the Company will explore ways to expand its activities to improve livelihood of locals as resolved in the BoD meeting (August 2019).

2.1.5.3 Non-remittance of cess

As per the notification of August 1991 of the Revenue and Land Reforms Department, Government of Bihar, cess was leviable at the rate of three *per cent* of sale value in case of sale of timber.

Audit noticed that the Company collected ₹ 1.25 crore[57] on account of cess on the sale of timber during the period from 2007-08 to 2019-20. However, the Company treated the cess as revenue in its accounts and never transferred it to the concerned Department. Thus, the Company irregularly retained cess of ₹ 1.25 crore.

The Department stated (October 2021) that necessary action will be taken in this regard. The fact remains that the collected cess was not remitted into Government Account.

2.1.5.4 Non-remittance of sale proceeds in the government account

According to the instructions issued (February 2008) by the Department, 90 *per cent* of sale price of timber was required to be deposited in the Government Account and the remaining 10 *per cent* was to be retained by the Company as administrative charges.

Audit noticed that the Company received ₹ 24.62 crore from sale of timber including poles and firewood during 2015-16 to 2020-21. However, the Company did not remit ₹ 22.16 crore being 90 *per cent* of the sale price into Government Account as required. Instead, it was shown as liability payable in the accounts of the Company.

Retention of sale proceeds of timber pertaining to earlier periods could not be ruled out and Audit called for the details/records for the period from 2007-08 to 2014-15 to assess the liability. Details/records were, however, not provided by the Company. Audit further noticed that the four test-checked divisions[58] realised sale price of ₹ 22.20 crore during 2007-08 to 2014-15 from sale of timber including poles and firewood. As such, the Company created liability of ₹ 19.98 crore being 90 *per cent* of the sale value as the amount was not remitted into Government Account by the Company. Thus, the Company did not adhere to the instructions of the Department and retained Government revenue of at least ₹ 42.14 crore.

The Department stated (October 2021) that the amount has been kept as liability in the accounts of the Company and necessary action will be taken to dispose off the matter.

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57 Figures from 2007-08 to 2017-18 from annual accounts and for 2018-19 and 2019-20 as figures given by the Company.

58 Dhalbhum, Daltonganj, Hazaribag and Ranchi.

2.1.6 Conclusion

The Company did not adopt the practice of coppicing kendu bushes to ensure improvement in quantity and quality of KLs. This led to decrease in the notified yield of KL lots and 33 *per cent* of lots remained unsold either due to bids not being received or quoted price being below the reserve price. The Company did not re-assess the yields for its re-notification for more than 36 years since November 1984 to attract bidders. There were huge variations in sale price per SB of KLs which ranged between ₹ 166 and ₹ 8,885 for different lots of the same Division. In the four test-checked divisions, ₹ 17.75 crore remained unrealised due to non-filing of revised certificate cases for outstanding dues.

The Company did not ensure departmental harvesting of 333 KL lots having notified yield of 8.52 lakh SB and PCs were deprived of the notified collection cost ranging between ₹ 1,120 and ₹ 1,195 per SB during these seasons. PCs were also not provided additional collection cost of ₹ 5.82 crore for collection of excess KLs as compared to the notified yields. The Company could not ensure utilisation of ₹ 15.16 crore given to CCs for development schemes and promotion of kendu bushes and the amount was lying with CCs.

Thirty two out of 39 godowns were either in dilapidated condition or needed major repairs and the Company was deprived of the revenue that could be generated by letting these out to KL purchasers. The Company did not explore the possibility for expansion of its activities to increase its earnings as envisaged under MoA and confined its activities to the sale of KLs and timber only. The Company did not remit sale proceeds of timber amounting to ₹ 42.14 crore and cess of ₹ 1.25 crore into Government account.

2.1.7 Recommendations

- The Company should initiate immediate action on pending certificate cases to recover unrealised dues of ₹17.75 crore.
- The Company should ensure that unsold lots are harvested departmentally and collection costs are invariably paid to Primary Collectors.
- The Company should immediately remit ₹43.39 crore being the cess and sale proceeds of timber to Government account.

- The Company should coordinate with the Collectors Committees to design and implement development schemes or establish micro enterprises based on minor forest product to improve the income of forest dwellers.

Ranchi
The 19 April 2022

(INDU AGRAWAL)
Principal Accountant General (Audit)
Jharkhand

Countersigned

New Delhi
The 25 April 2022

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India