

**PART 'C'**

**Social, General and Economic Sectors  
(Public Sector Undertakings)**



**Chapter V**  
**Functioning of Public Sector Undertakings**



## CHAPTER V

### Functioning of Public Sector Undertakings

#### 5.1 Introduction

##### 5.1.1 General

The Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the economy of the State/UT. These PSUs consist of Government Companies and Statutory Corporations. As on 31 March 2020, there were 42 PSUs (six in Power Sector and 36 in other Sectors), including three Statutory Corporations<sup>1</sup> under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG); Out of these 42 PSUs, 32 are working and 10<sup>2</sup> are non-working (four in Power Sector and six in other Sectors). One PSU, Jammu and Kashmir Bank Limited, having a total paid-up equity of ₹ 71.36 crore is listed on the stock exchange since July 1998. The paid-up equity of ₹ 71.36 crore of the Bank is held partly by the Government of Jammu and Kashmir (68.18 *per cent*) and the remaining part by Foreign Institutional Investors, Resident Individuals and others (31.82 *per cent*)<sup>3</sup>. During the year 2019-20, no PSU was incorporated whereas Government of erstwhile state of Jammu and Kashmir (GoJ&K) decided (24 October 2019) to wind up one PSU viz. J&K Asset Reconstruction Limited which was incorporated on 28 April 2017 but had never started its operation since its incorporation.

There are two power generation Companies, Jammu & Kashmir Power Development Corporation Limited (JKPDC) and Chenab Valley Power Project Private Limited (CVPPP). CVPPP is a joint venture<sup>4</sup> Company with an investment of ₹ 1,780.08 crore<sup>5</sup> as of March 2020.

As a consequence of the unbundling of the Power Sector, one power transmission Company<sup>6</sup>, two power distribution companies<sup>7</sup> and one Company<sup>8</sup> to conduct trading activities in power were incorporated by the GoJ&K. However, these Companies which have been incorporated between March 2013 and June 2013 are yet to start their commercial operations as of March 2020. In the absence of commercial operations by these companies, the power transmission and distribution activities

<sup>1</sup> Jammu & Kashmir State Financial Corporation, Jammu & Kashmir State Road Transport Corporation and Jammu & Kashmir State Forest Corporation.

<sup>2</sup> Jammu & Kashmir Power Transmission Corporation Limited, Jammu Power Distribution Corporation Limited, Kashmir Power Distribution Corporation Limited, Jammu & Kashmir Power Corporation Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu & Kashmir Road Development Corporation Limited, Jammu & Kashmir International Trade Centre Corporation Limited and Jammu & Kashmir Asset Reconstruction Limited.

<sup>3</sup> Indian Mutual Funds, Insurance Companies, Non-Resident Indian and Corporate Bodies.

<sup>4</sup> CVPPP is a joint venture of JKPDC, National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC) wherein Government of Jammu & Kashmir has not made any investment.

<sup>5</sup> JKPDC: ₹ 888.00 crore, NHPC: ₹ 888.00 crore and PTC: ₹ 4.08 crore.

<sup>6</sup> Jammu & Kashmir Power Transmission Corporation Limited (March 2013).

<sup>7</sup> Jammu Power Distribution Corporation Limited (June 2013) and Kashmir Power Distribution Corporation Limited (June 2013).

<sup>8</sup> Jammu & Kashmir Power Corporation Limited (March 2013).

continue to be carried out by the Power Development Department of Jammu & Kashmir Government.

The 25<sup>9</sup> working PSUs registered an annual turnover of ₹ 11,298.17 crore and suffered an aggregate loss of ₹ 1,007.93 crore as of 31 December 2020 as per their latest finalised accounts.

There are 10<sup>10</sup> non-working PSUs, with an investment of ₹ 57.57 crore towards share capital (₹ 56.74 crore) and long term loans (₹ 0.83 crore), by the GoJ&K which are non-operational for the last six to 30 years.

## **5.2 Accountability Framework**

Section 2 (45) of the Companies Act, 2013 (Act), defines a Government Company as any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and also includes a Company which is a subsidiary Company of a Government Company. The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Companies Act, 2013.

The C&AG of India appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the C&AG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013, however, provides that in the case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the C&AG within 60 days from the date of registration of the Company and in case the C&AG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section 7 of Section 143 of the Companies Act 2013, the C&AG may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government Company or any other Company

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<sup>9</sup> Excluding seven working PSUs, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception.

<sup>10</sup> Jammu & Kashmir Power Transmission Corporation Limited, Jammu Power Distribution Corporation Limited, Kashmir Power Distribution Corporation Limited, Jammu & Kashmir Power Corporation Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu & Kashmir Road Development Corporation Limited, Jammu & Kashmir Assets Reconstruction Limited and Jammu & Kashmir International Trade Centre Corporation Limited.

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 the audit by the C&AG. However, audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

### **5.3 Statutory Audit**

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act 2013) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Companies Act 2013. The Statutory Auditors submit a copy of the Audit Report to the C&AG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the C&AG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, the C&AG is the sole auditor for Jammu and Kashmir State Road Transport Corporation only. Audit of Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Forest Corporation, is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

### **5.4 Role of Government and Legislature**

The Government exercises control over the affairs of these PSUs through their Administrative Departments. The Chief Executive Officer and Directors to the Board are appointed by the Government.

The Legislature also monitors the accounting and utilisation of Government investment in the PSUs. The Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of the Government Companies and Separate Audit Reports of the C&AG in case of Statutory Corporations, are to be placed before the Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

### **5.5 Impact of contribution of Public Sector Undertakings**

To assess the reasonable rate of return on the investment made in PSUs by the Government of Jammu & Kashmir (GoJ&K), ratios such as return on equity and return on capital employed are worked out. To assess the ability of the Companies to service the debt owed to Government, Banks and other financial institutions, Debt Turnover Ratio and Interest Coverage Ratio are worked out. In order to get a fair view about the impact and contribution of the PSUs separately towards the economy of the

State/UT, these PSUs are bifurcated into two categories, PSUs in Power Sector (six<sup>11</sup>) and PSUs in other Sectors (36<sup>12</sup>). Table 5.1 provides the details of turnover of the PSUs of J&K during the period 2015 to 2020.

**Table 5.1: Details of turnover of PSUs**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover of Power Sector <sup>13</sup> as per latest finalised accounts	1,119.90	1,119.90	992.46	992.46	1,025.91
Turnover of PSUs of other Sectors as per latest finalised accounts	7,296.59	7,238.03	7,579.22	8,792.44	10,272.26

(Source: Compiled based on turnover figures of Power Sector)

## 5.6 Disinvestment, restructuring and privatisation of PSUs

During the year 2019-20, no disinvestment, restructuring and privatisation was done by the GoJ&K in any of the PSUs.

## 5.7 Investment in Public Sector Undertakings

Investment made in these 42 State PSUs in the form of equity and long term loans upto 31 March 2020 are given in Table 5.2.

**Table 5.2: Activity-wise investment in PSUs**

(₹ in crore)

Sector	Number of PSUs	Investment					
		Equity		Long term loans		Total	
		GoJ&K	Others	GoJ&K	Others	GoJ&K	Others
PSUs in Power Sector	6*	2,593.49	1,780.08	0	1,441.92	2,593.49	3,222.00
PSUs in Other Sectors	36^	801.03	119.11	2,208.38	2,275.37	3,009.41	2,394.48
<b>Grand Total</b>	<b>42</b>	<b>3,394.52</b>	<b>1,899.19</b>	<b>2,208.38</b>	<b>3,717.29</b>	<b>5,602.90</b>	<b>5,616.48</b>

(Source: Compiled based on information received from PSUs)

\* Out of six Power Sector PSUs only two are active (JKPDC and CVPPP). The GoJ&K has not made any investment in CVPPP.

^ Details in **Appendix 5.1**

<sup>11</sup> Two Working PSUs: (1) Jammu & Kashmir Power Development Corporation Limited (JKPDC) and (2) Chenab Valley Power Project Private Limited (CVPPP) and four inactive PSUs: (1) Jammu & Kashmir Power Corporation Limited (2) Jammu & Kashmir Power Transmission Corporation Limited (3) Jammu Power Distribution Corporation Limited and (4) Kashmir Power Distribution Corporation Limited.

<sup>12</sup> 33 Government Companies and three Statutory Corporations (Jammu & Kashmir State Forest Corporation, Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Road Transport Corporation).

<sup>13</sup> Turnover pertains to only JKPDC as out of six Power Sector PSUs, four PSUs, (1) Jammu & Kashmir Power Corporation Limited (2) Jammu & Kashmir Power Transmission Corporation Limited (3) Jammu Power Distribution Corporation Limited and (4) Kashmir Power Distribution Corporation Limited are inactive and in CVPPP, the GoJ&K has not made any investment.



(A) As on 31 March 2020, out of total investment of ₹ 4,373.57 crore in equity of PSUs in the Power Sector, ₹ 2,593.49 crore (59.30 per cent) was contributed by the GoJ&K. The long term loans of ₹ 1,441.92 crore availed by JKPDC were from banks and other financial institutions.

As per the latest finalised accounts of 2014-15, the GoJ&K had infused ₹ 5,764.71 crore as plan fund to JKPDC for creation of capital assets as given in Table 5.3.

**Table 5.3: Status of plan funds in JKPDC**

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Accounts finalised upto	2011-12	2011-12	2013-14	2013-14	2014-15
Plan fund infused (₹ in crore)	5,346.91	5,346.91	5,753.83	5,753.83	5,764.71

As per records of Department, an amount of ₹ 5,318.61 crore<sup>14</sup> was outstanding as of March 2018 with JKPDC. The Government (December 2018) instructed JKPDC to adjust ₹ 3,668.81 crore<sup>15</sup> against the liability of Government on account of power purchase from the Company and issue of equity shares worth ₹ 2,588.34 crore<sup>16</sup> to the Government. The Company issued (August 2019), shares worth ₹ 2,588.34 crore in compliance of the Government Orders.

The adjustment of outstanding electricity bill of the Government against funds received for capital assets was irregular as the funds were provided by the Government for construction of the capital assets. Besides, the accounts of the Company were depicting these funds as capital reserves.

(B) As on 31 March 2020, the total investment (equity and long term loans) in 36 PSUs of other Sectors was ₹ 5,403.89 crore. The investment consisted of 17.03 per cent towards equity and 82.97 per cent in Long-term Loans. The Long Term Loans advanced by the GoJ&K constituted 49.25 per cent (₹ 2,208.38 crore), out of the total Long Term Loans (₹ 4,483.75 crore) whereas the remaining 50.75 per cent (₹ 2,275.37 crore) of the total Long Term Loans were availed from other financial institutions.

## 5.8 Budgetary support to Public Sector Undertakings

### (A) Budgetary support for PSUs of the Power Sector

The GoJ&K provides financial support to for PSUs of the Power Sector in various forms through the annual budget as equity, loans, grants/ subsidies, loans written off and loans converted into equity.

<sup>14</sup> As per agenda note of 74<sup>th</sup> Meeting held in April 2019.

<sup>15</sup> Total power purchase liability of the PDD towards JKPDC up to March 2018 was ₹ 3,668.81 crore which was adjusted against the funds amounting to ₹ 5,318.61 crore released to JKSPDC by the State Government up to March 2018.

<sup>16</sup> The balance (₹ 1,649.80 crore) available with JKSPDC, the assets transferred to JKPDC (₹ 916.54 crore) by the State Government at token value of ₹ one in the year 1999 and 44 Mega Watt Stakna Hydroelectric Project (₹ 22 crore) transferred to JKPDC by the Power Development Department in 2011 together were treated as equity contribution.

Budgetary assistance of ₹ 2.34 crore was received by JKPDC from the GoJ&K during 2019-20. Assistance of ₹ 135 crore and ₹ 5.74 crore was received by JKPDC during 2017-18 and 2018-19, respectively. The GoJ&K provides guarantee to PSUs to seek financial assistance from Banks and financial institutions. The GoJ&K has not enacted a Guarantee Act prescribing limit for guarantees to be given by the GoJ&K and stipulating guarantee commission/ fee. However, the FRBM Act, 2006 lays down limit within which GoJ&K may give guarantee on the security of consolidated fund of the State. The GoJ&K also constituted (August 2006) Guarantee Redemption Fund for meeting obligations arising out of guarantees issued on behalf of the GoJ&K. Outstanding guarantee commitments<sup>17</sup> in power sector decreased by 29.56 per cent from ₹ 2,045.88 crore in 2017-18 to ₹ 1,441.08 crore during 2019-20. During the year 2019-20, no guarantee fee was paid by the power sector undertaking.

### **(B) Budgetary support to State PSUs in other Sectors**

The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of State PSUs of other Sectors for the last three years ending March 2020 are given in Table 5.4.

**Table 5.4: Details regarding budgetary support to State PSUs (other Sectors) during the period 2017-18 to 2019-20**

(₹ in crore)

Sl. No.	Particulars <sup>18</sup>	2017-18		2018-19		2019-20	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1.	Equity Capital outgo	4	23.20 <sup>19</sup>	13	40.42 <sup>20</sup>	3	28.48
2.	Loans given	8	50.82	9	56.18	8	48.07
3.	Grants/Subsidy provided	7	126.85	7	43.17	11	98.16
	<b>Total outgo (1+2+3)</b>	<b>12</b>	<b>200.87</b>	<b>22</b>	<b>139.77</b>	<b>16</b>	<b>174.71</b>
4.	Loan repayment written off	-	-	-	-	-	-
5.	Loans converted into equity	1	72.88	-	-	-	-
6.	Guarantees issued	1	8.00	1	20.00	-	-
7.	Outstanding Guarantee Commitment	2	98.28	2	134.97	2	139.82

(Source: Compiled based on information received from PSUs)

\* Number of PSUs represents those PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

<sup>17</sup> 2017-18: ₹ 2,045.88 crore, 2018-19: ₹ 1,687.12 crore, 2019-20: ₹ 1,441.08 crore.

<sup>18</sup> Amount represents outgo from State Budget only.

<sup>19</sup> The GoJ&K infused investment of ₹ 282 crore in Jammu & Kashmir Bank Limited against which bank had issued ₹ 3.55 crore shares (at premium of ₹ 78 per share against face value of ₹ 1 per share) 2017-18. The addition to share capital had been reflected accordingly.

<sup>20</sup> Includes ₹ 6.57 crore in respect of nine new PSUs incorporated during 2017-18 and 2018-19.

In PSUs of other Sectors, the annual budgetary assistance ranged between ₹ 139.77 crore and ₹ 200.87 crore during the period 2017-18 to 2019-20. The budgetary assistance of ₹ 174.71 crore given during the year 2019-20 included ₹ 48.07 crore in the form of loans, ₹ 98.16 crore as grants/ subsidy and ₹ 28.48 crore on account of equity assistance.

Outstanding guarantee commitments increased by 3.59 per cent from ₹ 134.97 crore in 2018-19 to ₹ 139.82 crore<sup>21</sup> in 2019-20. During the year 2019-20, no guarantee fee was paid by PSUs of other Sectors.

### 5.9 Submission of accounts by Public Sector Undertakings

There were 32 working PSUs and accounts for the year 2019-20 were required to be submitted by 31 December 2020 by all the working PSUs.

Table 5.6: Position of accounts

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period <sup>22</sup>				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 31 December 2020
		Accounts upto 2019-20	Accounts upto 2018-19	Accounts upto 2017-18	Total	
Working Government Companies <sup>23</sup>	29	5	4	2	11	24 (96)
Statutory Corporations	3	-	2	-	2	3 (5)
<b>Total Working PSUs</b>	<b>32</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>13</b>	<b>27 (101)</b>
Inactive Government Companies	10	-	2	-	2	10 (110)
<b>Total</b>	<b>42</b>	<b>5</b>	<b>5</b>	<b>-</b>	<b>8</b>	<b>37 (211)</b>

Out of 32 PSUs, five Government Companies<sup>24</sup> submitted their accounts for the year 2019-20 for audit by C&AG on or before 31 December 2020, and accounts of 24 Government Companies were in arrears. Further, five accounts of three Statutory Corporations were also 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 PSUs within the stipulated period. Details of arrears in finalisation of accounts are given in **Appendix-5.2**.

The GoJK had provided ₹ 99.08 crore (Loan: ₹ 98.88 crore, Subsidy: ₹ 0.20 crore) to eight out of 32 working State PSUs, accounts of which had not been finalised by 31 December 2020 and in nine PSUs there was no investment by the GoJ&K during

<sup>21</sup> Jammu & Kashmir Women Development Corporation ₹ 67.66 crore and Jammu & Kashmir Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation ₹ 72.16 crore.

<sup>22</sup> From October 2019 to December 2020.

<sup>23</sup> Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

<sup>24</sup> CVPPP, Jammu and Kashmir Bank Limited, Jammu & Kashmir Women's Development Corporation Limited, Jammu & Kashmir Trade Promotion Organisation and JKB Financial Services Limited.

the period for which the accounts are in arrears. Information in respect of the remaining nine PSUs was awaited (October 2021).

PSU-wise details of investment made by GoJ&K during the years for which accounts were in arrears as of December 2020 are shown in **Appendix-5.3**.

Delay in finalisation of accounts not only results in violation of the provisions of the relevant statutes but correctness of accounts as well.

**It is recommended that the Finance and concerned Administrative Department may ensure that:**

- **The Government identify the constraints in timely preparation of accounts of the PSUs and take necessary steps for making the accounts up to date.**
- **The State PSU's take immediate corrective action for liquidating arrears in accounts and**
- **Budgetary support is not extended to such PSUs whose accounts are not current.**

#### **Placement of Separate Audit Reports of Statutory Corporations**

Separate Audit Reports (SARs) are audit reports of the C&AG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Out of three working Statutory Corporations, none have submitted their accounts of 2019-20 by 31 December 2020.

The status of annual accounts of Statutory Corporations and placement of their SARs in Legislature is detailed in Table 5.7.

**Table-5.7: Status of placement of SAR of the Statutory Corporations**

<b>Name of the Corporation</b>	<b>Year of Accounts</b>	<b>Month of placement of SAR</b>
Jammu and Kashmir State Financial Corporation	2017-18 and 2018-19	Yet to be presented
Jammu and Kashmir State Road Transport Corporation	2013-14	February 2018
Jammu and Kashmir State Forest Corporation	-	SARs for the years 1996-97 to 2016-17 are under finalisation <sup>25</sup>

*(Source: Compiled based on information furnished by the Jammu and Kashmir Legislative Assembly)*

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<sup>25</sup> Accounts for the years 1996-97 to 2013-14, for the years 2014-15 to 2016-17 and for the years 2017-18 to 2019-20 were submitted to the Principal Accountant General in October 2015, January 2020 and September 2021, respectively. Audit of accounts for the period from 1996-97 to 2013-14 was conducted in January/ February 2021. As of October 2021, reply to the preliminary audit observations was awaited from the Statutory Auditors of the Company. Audit for the years 2014-15 onwards are yet to be taken up.

## 5.10 Performance of Public Sector Undertakings

### (A) Performance of PSUs of the Power Sector

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in these undertakings. The financial position and working results of six Companies of Power Sector as per their latest finalised accounts, as of 31 December 2020 are detailed in *Appendix 5.4*.

The investment in the PSUs of the Power Sector was ₹ 4,076.95 crore<sup>26</sup> consisting of ₹ 1,785.23 crore as equity and ₹ 2,291.72 crore as long term loans. Out of this, GoJ&K has made an investment of ₹ 5.15 crore only in equity share capital in four<sup>27</sup> PSUs of the Power Sector. However, JKPDC, the only active PSU (with GoJK investment) of the Power Sector, was a profit making Company, with profits ranging from ₹ 433.41 crore to ₹ 668.95 crore as per five accounts<sup>28</sup> finalised during the period from 2014-15 to 2019-20.

### (B) Performance in PSUs of other Sectors

The financial position and working results of the 36 State PSUs (other Sectors) as per their latest finalised accounts, as of 31 December 2020, are detailed in *Appendix 5.5*.

The total investment in the PSUs of other Sectors was ₹ 4,886.01 crore comprising of Equity of ₹ 711.57 crore and Long Term Loans of ₹ 4,174.44 crore. Out of this investment of ₹ 4,886.01 crore, GoJ&K has made an investment of ₹ 2,656.53 crore in 26 PSUs<sup>29</sup> comprising of Equity of ₹ 606.29 crore and Long Term Loans of ₹ 2,050.24 crore.

The year-wise position of investment of GoJ&K in the PSUs during 2015-16 to 2019-20 is as follows:

<sup>26</sup> As per latest finalised Accounts. This information may differ from the information furnished by the PSUs.

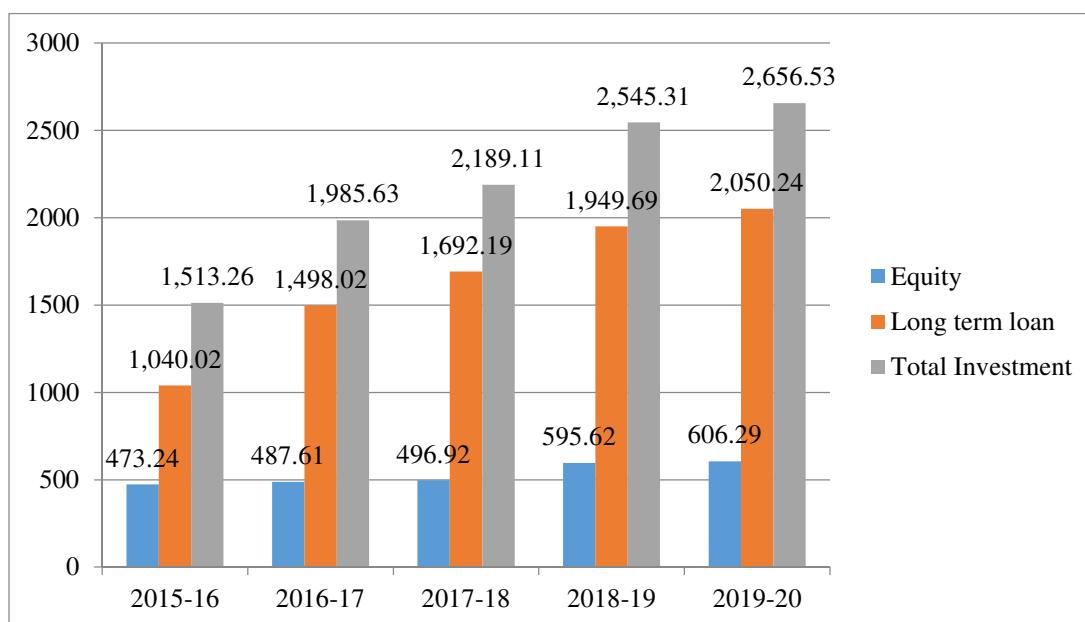
<sup>27</sup> Excluding Chenab Valley Power Project Private Limited which has not received any contribution from the GoJ&K and Kashmir Power Distribution Corporation Limited where the GoJ&K has not paid the subscribed capital of ₹ 0.05 crore.

<sup>28</sup> 2010-11: ₹ 460.45 crore, 2011-12: ₹ 668.95 crore, 2012-13: ₹ 489.51 crore, 2013-14: ₹ 433.41 crore and 2014-15: ₹ 457.96 crore.

<sup>29</sup> Excluding JKB Financial Services Limited wherein the GoJ&K has not made any investment, seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception and two inactive Companies, Jammu and Kashmir Road Development Corporation Limited and Jammu and Kashmir International Trade Centre Corporation Limited.

**Chart 5.1**

**Total investment of GoJ&K in PSUs Sectors (other Sectors)**



(Source: As per latest finalised Accounts)

Out of total 36 PSUs of other Sectors, nine<sup>30</sup> are profit making and 13<sup>31</sup> are loss making as per their latest Annual Accounts finalised during the year 2019-20. One PSU<sup>32</sup> has not prepared its profit and loss accounts and remaining 13 PSUs are either non-working or had not submitted their Annual Accounts for supplementary audit during the year 2019-20.

**It is recommended that since the continued existence of loss making PSUs causes a substantial drain on the public exchequer, the GoJ&K may review the functioning of all loss making PSUs.**

### 5.11 Key Parameters

The profitability of a Company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on Investment (ROI) measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of

<sup>30</sup> Jammu & Kashmir Horticulture Produce Marketing and Processing Corporation Limited, Jammu & Kashmir Women's Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir Projects Construction Corporation Limited, Jammu & Kashmir Police Housing Corporation Limited, Jammu & Kashmir Cements Limited, Jammu & Kashmir Tourism Development Corporation Limited and Jammu & Kashmir State Financial Corporation and Jammu & Kashmir Cable Car Corporation Limited.

<sup>31</sup> Jammu & Kashmir Agro Industries Development Corporation Limited, J&K Scheduled Castes, Scheduled Tribes and Backward Classes Development Corporation Limited, Jammu & Kashmir State Industrial Development Corporation Limited, Jammu & Kashmir Industries Limited, Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited, Jammu & Kashmir Handloom Development Corporation Limited, Jammu & Kashmir Trade Promotion Organisation, Jammu & Kashmir Infrastructure Development Finance Corporation Pvt. Limited, Jammu & Kashmir Minerals Limited, Jammu & Kashmir Bank Limited, JKB Financial Services Limited, Jammu & Kashmir State Road Transport Corporation, Jammu & Kashmir State Forest Corporation.

<sup>32</sup> Jammu & Kashmir Overseas Employment Corporation Limited.

profit to total investment. Return on Capital Employed (ROCE)<sup>33</sup> is a financial ratio that measures the Company's profitability and the efficiency with which its capital is used and is calculated by dividing Company's earnings before interest and taxes by capital employed. Return on Equity (ROE)<sup>34</sup> is a measure of performance calculated by dividing the net profit after tax by shareholders fund.

The key financial ratios used to assess the performance of the PSUs as per their latest finalised accounts are given in Table 5.8 (A), (B1) and (B2):

### (A) Power Sector PSUs

Table 5.8 (A) Key parameters of Power Sector PSUs<sup>35</sup>

(In per cent)

	2015-16	2016-17	2017-18	2018-19	2019-20
<b>ROCE</b>	10.57	10.57	5.85	5.85	5.65
<b>ROI</b>	7.54	7.54	2.78	2.78	3.82
<b>ROE</b>	8.34	8.34	2.87	2.87	3.79

Investment based on Historical Cost

The ROCE decreased from 10.57 per cent during 2015-16 to 5.65 per cent during 2019-20. ROI ranged between 2.78 per cent and 7.54 per cent and ROE ranged between 2.87 per cent and 8.34 per cent during this period. These parameters have been worked out taking into consideration plan fund infusion (as given in Table 5.3) by GoJ&K.

### (B-1) Listed PSUs of other Sectors

Only one PSU of GoJ&K, Jammu and Kashmir Bank Limited is listed since July 1998 on the stock exchange.

Table: 5.8 (B1) Key parameters of Listed PSU of other Sectors

(in per cent)

		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Jammu &amp; Kashmir Bank Limited</b>	<b>ROCE</b>	12.87	-36.75	11.55	17.93	-23.18
	<b>ROI<sup>36</sup></b>	533.08	532.82	409.61	361.60	182.79
	<b>ROE</b>	10.10	-65.00	7.65	15.46	-61.63

<sup>33</sup> ROCE = Earnings before Interest and Tax/ Capital Employed, Capital employed = Paid up share capital + free reserves and surplus + long term loans minus accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalized.

<sup>34</sup> ROE=Profit after Tax/Share holders' Fund, Share holders' Fund = Paid up capital + free reserves and surplus- deferred revenue expenditure - accumulated losses.

<sup>35</sup> Only one power PSU, Jammu & Kashmir Power Development Corporation Limited having investment made by GoJ&K is considered.

<sup>36</sup> ROI= (Government's share of the Market Capitalisation of the Company as at 31 March of FY + Present Value of Dividend Receipts of the Government as at 31 March of FY + Present Value of Disinvestment Receipts of the Government as at 31 March of FY) - (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/ Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ Number of intervening annual periods.

The ROCE and ROE was high during the period 2015-16 to 2018-19(except during 2016-17), mainly due to high Profit after tax earned by Jammu and Kashmir Bank Limited. During 2019-20, ROCE and ROE was negative due to loss suffered by it. The ROI showed a decreasing trend during the period 2015-16 to 2019-20. As a result, compounded annual growth rate also decreased from 3.81 per cent to (-) 2.05 per cent during the period 2015-16 to 2019-20 as detailed in **Appendix 5.6(A)**.

## **(B-2) Non-Listed PSUs of other Sectors**

**Table: 5.8(B2): Key parameters of non-listed PSUs of other Sectors (on historical cost)**

*(in per cent)*

		2015-16	2016-17	2017-18	2018-19	2019-20
<b>Aggregate of PSUs for other Sectors</b>	<b>ROCE</b>	-28.44	-22.91	-9.94	-22.17	NA <sup>37</sup>
	<b>ROI<sup>38</sup></b>	-29.67	-34.09	-32.32	-29.39	-15.88
	<b>ROE<sup>39</sup></b>	-	-	-	-	-
<b>Profit Making PSUs</b>	<b>ROCE*</b>	7.68	9.05	8.83	11.02	19.38
	<b>ROI<sup>^</sup></b>	6.85	7.52	24.35	23.37	39.37
	<b>ROE</b>	15.46	13.95	12.02	13.17	43.52
<b>Loss Making PSUs</b>	<b>ROCE*</b>	-28.51	-34.24	-35.01	-47.89	-7.10
	<b>ROI<sup>^</sup></b>	-63.10	-70.44	-55.45	-46.93	-59.16
	<b>ROE</b>	-	-	-	-	-

*\*Only Companies with positive capital employed were considered*

*^ Excluding Companies<sup>40</sup> which have not prepared the Profit and Loss accounts*

ROE for the Non-Listed PSUs of other Sectors could not be worked out as the aggregate Shareholders' fund for all the years remained negative.

ROCE in Tables 5.8 (B1) and (B2) has been worked out at face value of investment. Since there is no share premium in respect of Non-Listed PSUs of other Sectors PSUs, ROCE including share premium will not change. However, the ROCE worked at realised value<sup>41</sup> of investment in respect of Jammu & Kashmir Bank Limited is as follows:

<sup>37</sup> ROCE cannot be worked out as the capital employed for 2019-20 was negative.

<sup>38</sup> Equity infused by other than GoJ&K also considered while arriving at total ROI.

<sup>39</sup> ROE for the Non Power Sector PSUs and loss making Non Power PSUs cannot be worked out as the total Share holders fund for all the years were negative.

<sup>40</sup> For the years 2014-15 to 2017-18, five companies, Jammu & Kashmir Overseas Employment Corporation Limited, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir State Road Development Corporation and Jammu & Kashmir International Trade Centre Corporation Limited and for the year 2018-19, additional nine newly incorporated companies and for the year 2019-20, Jammu & Kashmir Overseas Employment Corporation Limited, six inactive Companies and seven Companies which have not submitted their accounts since inception.

<sup>41</sup> Investment including share premium.



**Table 5.9: ROCE for Listed PSUs of other Sectors considering share premium**

Year	(in per cent)				
	2015-16	2016-17	2017-18	2018-19	2019-20
<b>Jammu &amp; Kashmir Bank Limited</b>	12.69	-33.78	10.12	16.17	-18.06

The ROCE after considering the share premium account of Jammu & Kashmir Bank Limited, ranged between -33.78 per cent to 16.17 per cent during the period 2015-16 to 2019-20.

Only 10 PSUs (details in *Appendix 5.6(B)*) had Profit before Tax as per the latest finalised Annual Accounts during the period 2015-16 to 2019-20. Among these PSUs, the Jammu and Kashmir State Financial Corporation earned profit for the financial year 2018-19 and Jammu and Kashmir Bank incurred loss during the financial year 2019-20.

### 5.12 Rate of Real Return (RORR) on Government Investment

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment as such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested on historical cost basis, the real rate of return on investment has also been calculated after considering the Present Value (PV) of money invested. PV was computed where funds had been infused by the GoJ&K as equity, interest free loan, interest free loan converted into equity. Grant/ subsidy given by the Government for operational and management expenses have not been considered as bifurcation of grant and subsidy for operational and management expenses and for other purpose was not available since inception of these companies till 31 March 2020.

The PV in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year.

#### (A) PSUs of Power Sector

The GoJ&K infused ₹ 5.00 crore as equity in JKPDC. In addition to this, the State also provided Plan funds since inception of the Company (1994-95) for creation of Capital Assets, which could not be bifurcated, has not been considered. In order to bring the historical cost of investments to its Present Value (PV) at the end of each year upto 31 March 2020, the past investments/year wise equity infused by the GoJ&K in JKPDC was computed on the basis of following assumptions:

- Actual infusion by the GoJ&K in the form of equity;
- Plan fund given by GoJ&K, later converted into equity, has been added to the equity in the year 2019-20;
- Assets transferred to JKPDC by GoJ&K at book value have been treated as equity contribution in kind during the year 2019-20;
- The average interest rate on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government; and
- For the purpose of PV calculation of GoJ&K investment, the period from 2000-01 till 2019-20 has been taken for considering the investment of GoJ&K in JKPDC as on 31 March 2020.

The details of GoJ&K investment in the JKPDC in the form of equity and grants/subsidy since 2000-01 till 2019-20 and consolidated position of the PV of GoJ&K investment in JKPDC is indicated in Table 5.10:

**Table 5.10: Year wise details of investment by the GoJ&K and its Present Value (PV) from 2000-01 to 2019-20**

(₹ in crore)

Year	Total investment made by the Govt. in JKPDC at the beginning of the year	Equity infused by the GOJ&K during the year	Interest free loan granted by GoJ&K during the year	Total investment during the year	Total investment at year end	Average rate of interest	Present value of total investment at the end of the year
A	B	C	D	E = C+D	F=E+B	G	H=F*(1+G/100)
1999-2000	5	0	0	0	5	11.96	5.60
2000-01	5.60	0	0	0	5.60	9.23	6.11
2001-02	6.11	0	0	0	6.11	11.2	6.80
2002-03	6.80	0	0	0	6.80	10.54	7.52
2003-04	7.52	0	0	0	7.52	10.95	8.34
2004-05	8.34	0	0	0	8.34	8.97	9.09
2005-06	9.09	0	0	0	9.09	8.15	9.83
2006-07	9.83	0	0	0	9.83	11.66	10.97
2007-08	10.97	0	0	0	10.97	14.07	12.52
2008-09	12.52	0	0	0	12.52	7.94	13.51
2009-10	13.51	0	0	0	13.51	9.45	14.79
2010-11	14.79	0	0	0	14.79	9.03	16.12

Year	Total investment made by the Govt. in JKPDC at the beginning of the year	Equity infused by the GOJ&K during the year	Interest free loan granted by GoJ&K during the year	Total investment during the year	Total investment at year end	Average rate of interest	Present value of total investment at the end of the year
A	B	C	D	E = C+D	F=E+B	G	H=F*(1+G/100)
2011-12	16.12	0	0	0	16.12	8.28	17.46
2012-13	17.46	0	0	0	17.46	8.19	18.89
2013-14	18.89	0	0	0	18.89	7.14	20.24
2014-15	20.24	0	0	0	20.24	7.68	21.79
2015-16	21.79	0	0	0	21.79	7.25	23.37
2016-17	23.37	0	0	0	23.37	7.83	25.20
2017-18	25.20	0	0	0	25.20	7.23	27.02
2018-19	27.02	0	0	0	27.02	7.2	28.97
2019-20	28.97	2,588.34	0	2,588.34	2,617.31	7	2,800.52

The balance of investment of the GoJ&K in JKPDC at the end of 2019-20 was ₹ 3,111.96 crore as the GoJ&K made investments in the shape of equity amounting to ₹ 2,593.34 crore (₹ 2,588.34 crore + ₹ 5 crore) and plan fund amounting to ₹ 518.62 crore (not treated as equity or loans). The PV of investments of the GoJ&K upto 31 March 2020 worked out to ₹ 2,800.52 crore. The net earnings of JKPDC as per the latest finalised account for the year 2014-15 was ₹ 220.12 crore. Thus, against the PV amounting to ₹ 2,800.52 crore of the GoJ&K, the return was 7.86 per cent.

### (B) PSUs in other Sectors

An analysis of the earnings *vis-à-vis* investments in respect of 35 PSUs<sup>42</sup> (in other sectors) where funds had been infused by the GoJ&K was carried out to assess the profitability of these PSUs. During the period from 2015-16 to 2019-20, these 35 PSUs had a positive return on investment (except for the year 2016-17 & 2019-20).

The PSUs-wise position of 35<sup>43</sup> PSUs wherein the GoJ&K had made an investment in the form of equity and interest free loans is indicated in *Appendix 5.7(A)*. Further, the position of Net Present Value of the investment relating to all the PSUs by the GoJ&K for the same period is indicated in *Appendix 5.7(B)*.

The balance of investment by the GoJ&K in these PSUs at the end of 2019-20 increased to ₹ 910.82 crore<sup>44</sup> from ₹ 347.29 crore at the beginning of 1999-2000 as the GoJ&K made further investments in form of equity (₹ 440.73 crore) and interest free loans (₹ 140.30 crore) during the period 1999-2000 to 2019-20. The

<sup>42</sup> Excluding JKB Financial Services Limited wherein the GoJ&K had not made any investment.

<sup>43</sup> Between 1999-2020, investment was made only in 28 PSUs as mentioned in *Appendix 5.7(A)*.

<sup>44</sup> Opening balance: (₹ 347.29 crore) + Equity: (₹ 440.73 crore) + Interest free loans: (₹ 140.30 crore) - Interest free loan converted into equity: (₹ 17.50 crore).

PV of the investment infused by the GoJ&K as on 31 March 2020 amounted to ₹ 3,070.71 crore.

During 2019-20, the net earnings of the PSEs was negative. Accordingly there were no returns.

### 5.13 Comparison of investment as per historical cost and as per present value of such investment

#### PSUs in Other Sectors

The Government had positive returns on investments in 35 PSUs during the period 2013-14 to 2019-20 with the exception of 2016-17 and 2019-20. Comparison of returns on investment at historical cost and at present value for these years as per the latest finalised accounts is given in Table 5.11.

**Table 5.11: Comparison of return on investment**

(₹ in crore)

Year	Total earnings	Funds invested by the GoJ&K	Return on investment on historical cost basis (per cent)	PV of the investment at end of the year <sup>45</sup>	Return on investment considering the present value of the investments (per cent)
2013-14	1,048.22	530.68	197.52	1,711.90	61.23
2014-15	378.25	535.51	70.63	1,848.57	20.46
2015-16	264.80	542.36	48.82	1,989.94	13.31
2016-17	-1,809.73	551.92	-327.90	2,156.06	-83.94
2017-18	32.62	681.32	4.79	2,450.70	1.33
2018-19	274.10	864.21	31.72	2,823.21	9.71
2019-20	-1,242.27	910.82	-136.39	3,070.71	-40.46

\*During 2016-17 and 2019-20 the total earnings were negative due to losses incurred by Jammu and Kashmir Bank Limited

The return earned on investment on historical cost basis was 197.52 per cent in 2013-14. It declined and dropped to (-) 136.39 per cent during 2019-20 mainly due to decrease in the profit after tax of two<sup>46</sup> Companies. Whereas, the returns earned considering the present value of the investments dropped from 61.23 per cent during 2013-14 to (-) 40.46 per cent during 2019-20. During 2016-17, the returns were negative due to losses of ₹ 1,632.29 crore incurred by Jammu and Kashmir Bank Limited.

<sup>45</sup> Arrived at by adding PV of GoJ&K investment and other investment. The present value on other equity has been calculated from 2013-14 onwards.

<sup>46</sup> (1) Jammu and Kashmir Bank Limited PAT (2013-14: ₹ 1,182.47 crore; 2019-20: ₹ -1139.41 crore) and (2) Jammu and Kashmir State Road Transport Corporation PAT (2013-14: ₹ -66.97 crore; 2019-20: ₹ -117.62 crore).

## 5.14 Erosion of Net worth of PSUs

### (A) Power Sector

Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated profit of JKPDC<sup>47</sup> was ₹ 41.31 crore as against the capital investment of ₹ five crore, resulting in positive net worth of ₹ 46.31 crore as detailed in *Appendix 5.4* and given in Table 5.12.

**Table 5.12: Net worth of JKPDC as per the latest finalised Annual Accounts during period from 2015-16 to 2019-20**

(₹ in crore)

Year	Paid up Capital at end of the year	Free Reserves	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2015-16	5.00	Nil	-519.06	Nil	-514.06
2016-17	5.00	Nil	-519.06	Nil	-514.06
2017-18	5.00	Nil	-178.81	Nil	-173.81
2018-19	5.00	Nil	-178.81	Nil	-173.81
2019-20	5.00	Nil	41.31	Nil	46.31

\*Source : As per latest finalised accounts of the Company

JKPDC registered a net increase of ₹ 2,588.34 crore towards equity during the year 2019-20.

### (B) PSUs in other Sectors

The capital investment, accumulated losses and free reserves of 23 State PSUs<sup>48</sup> (in other sectors) as per their latest finalised accounts were ₹ 707.00 crore, ₹ 3,010.94 crore and ₹ 1,777.49 crore respectively, resulting in net worth of (-) ₹ 526.45 crore as detailed in *Appendix-5.8*. Analysis of investment and accumulated losses disclosed that net worth was eroded in nine out of the 23 PSUs as the capital investment and accumulated losses of these PSUs were ₹ 449.01 crore and ₹ 3,404.51 crore, respectively. Of these nine PSUs, the net worth erosion was the

<sup>47</sup> Excluding CVPPP wherein no investment was made by the GoJ&K and others four being inactive although ₹ 0.15 crore were invested by the GoJ&K in these Companies.

<sup>48</sup> Excluding six inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, (6) Jammu & Kashmir Asset Reconstruction Limited and seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception.

highest in Jammu & Kashmir State Road Transport Corporation (₹ 1,581.66 crore<sup>49</sup>), Jammu & Kashmir Industries Limited (₹ 737.19 crore<sup>50</sup>), Jammu & Kashmir Handicrafts (Sales and Export) Development Corporation Limited, (₹ 161.54 crore) and Jammu & Kashmir State Industrial Development Corporation Limited (₹ 129.35 crore<sup>51</sup>).

The total paid up capital, free reserves, total accumulated profit/loss, and total net worth of the 23 PSUs where the GoJ&K has made direct/indirect investment during the period 2015-16 to 2019-20 is indicated in the Table 5.13.

**Table 5.13: Net worth of 23 PSUs as per the latest finalised accounts during the period 2015-16 to 2019-20**

(₹ in crore)				
Year	Paid up capital at end of the year	Free reserves <sup>52</sup>	Accumulated profit (+) loss (-) at end of the year	Net worth
2015-16	502.00	4,084.05	-1,885.63	2,700.42
2016-17	516.37	2,484.36	-2,049.16	951.57
2017-18	525.68	2,725.68	-2,150.57	1,100.79
2018-19	618.01	2,960.39	-2,340.41	1,237.99
2019-20	707.00	1,777.49	-3,010.94	-526.45

As can be seen from the above table, overall net worth had decreased from ₹ 2,700.42 crore in 2015-16 to ₹ -526.45 crore in 2019-20 for the 23 PSUs taken together. However, the net worth of 11 PSUs decreased, whereas seven PSU recorded an increase in net worth, in two PSUs net worth remained same and three PSUs submitted their accounts first time in 2019-20. As on 31 March 2020, 14 PSUs<sup>53</sup> showed positive net worth and nine PSUs continued to have negative net worth.

### 5.15 Dividend Payout

As per the latest finalised accounts during 2019-20, one Power Sector PSU, JKPCDC and nine working PSUs of other Sectors earned an aggregate profit of ₹ 220.12 crore and ₹ 112 crore, respectively. However, no PSUs had declared any dividend for the year 2019-20.

<sup>49</sup> As per latest finalised accounts for the year 2018-19.

<sup>50</sup> As per latest finalised accounts for the year 2013-14.

<sup>51</sup> As per latest finalised accounts for the year 2013-14.

<sup>52</sup> Revenue & Other Reserves of Jammu and Kashmir Bank Limited during, 2015-16 (₹ 4,072.21 crore), 2016-17 (₹ 2,458.98 crore), 2017-18 (₹ 2,625.65 crore) and 2018-19 (₹ 2,950.97 crore) and 2019-20 (₹ 1777.49) have been taken as free reserves and accumulated profits.

<sup>53</sup> (1) Jammu & Kashmir Scheduled Casts, Scheduled Tribes and Backward Classes Development Corporation Limited (2) JKB Financial Services Limited, (3) Jammu & Kashmir Small Scale Industries Development Corporation Limited, (4) Jammu & Kashmir Women's Development Corporation Limited, (5) Jammu & Kashmir Project Construction Corporation, (6) Jammu & Kashmir Police Housing Corporation Limited, (7) Jammu & Kashmir Cements Limited, (8) Jammu & Kashmir Tourism Development Corporation Limited, (9) Jammu & Kashmir Cable Car Corporation Limited and (10) Jammu & Kashmir Bank Limited (11) Jammu & Kashmir Trade Promotion Organisation (12) Jammu & Kashmir Infrastructure Development Corporation (13) Jammu & Kashmir State Forest Corporation (14) Jammu & Kashmir Overseas Employment Corporation Limited.

It is recommended that the GoJ&K may consider declaration of dividend policy for profit making PSUs.

### 5.16 Analysis of long term loans of the Companies

The analysis of the long term loans of the Companies which had leverage<sup>54</sup> during 2015-20 was carried out to assess the ability of the Companies to service the debt owed by the Companies to Government, banks and other financial institutions. This is assessed through the Interest Coverage Ratio (ICR) and Debt Turnover Ratio (DTR).

### 5.17 Interest Coverage Ratio

Interest Coverage Ratio (ICR) is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a Company's Earnings Before Interest and Taxes (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 ICR of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest.

#### (A) PSUs of Power Sector

The details of interest coverage ratio of JKPDC<sup>55</sup> as per the latest finalised accounts during the period from 2015-16 to 2019-20 is given in Table 5.14.

Table 5.14: Interest coverage ratio of PSUs of the Power Sector

(₹ in crore)

Year	Accounts finalised up to	Interest	EBIT	Interest coverage ratio
2015-16	2011-12	227.34	668.95	2.94
2016-17	2011-12	227.34	668.95	2.94
2017-18	2013-14	155.78	433.41	2.78
2018-19	2013-14	155.78	433.41	2.78
2019-20	2014-15	134.57	457.96	3.40

As seen from the Table 5.14, JKPDC had interest coverage ratio of more than one during entire period from 2015-16 to 2019-20, indicating that the Company is generating sufficient revenue to meet its expenses on interest.

<sup>54</sup> Use of borrowed fund to increase potential return of an investment.

<sup>55</sup> Remaining five Power Sector companies had not availed any kind of loan.

**(B) PSUs of other Sectors**

The details of interest coverage ratio of PSUs of other Sectors<sup>56</sup> as per the latest finalised accounts during the period from 2015-16 to 2019-20 are given Table 5.15.

**Table 5.15: Interest Coverage Ratio of State PSUs of other Sectors**

(₹ in crore)

Year	Interest	EBIT	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio	
				More than 1	Less than 1
2015-16	248.14	763.93	16	4	12
2016-17	206.27	-1,464.76	16	3	13
2017-18	257.83	439.21	16	5	11
2018-19	373.87	927.06	14	5	9
2019-20	358.90	-910.00	14	6	8

Of the 14 State PSUs of Sectors other than the Power Sector having liability of loans from Government as well as Banks and other Financial Institutions during 2019-20, six PSUs<sup>57</sup> had interest coverage ratio of more than one, whereas remaining eight PSUs had Interest Coverage Ratio below one, which indicated that these eight PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

**5.18 Debt-Turnover Ratio of PSUs**

**(A) Power Sector**

The Debt-Turnover Ratio of JKPDC deteriorated to 2.23 in 2019-20 due to significant increase in Debt against meager increase in Turnover, as given in Table 5.16.

<sup>56</sup> Excluding six inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, (6) Jammu & Kashmir Asset Reconstruction Limited, seven working PSU, Jammu & Kashmir Medical Supplies Corporation Limited, Jammu & Kashmir IT Infrastructure Development Pvt. Limited and AIC-Jammu & Kashmir EDI Foundation, Jammu Smart City Limited, Srinagar Smart City Limited, Jammu Mass Rapid Transit Corporation Pvt. Limited, Srinagar Mass Rapid Transit Corporation Pvt. Limited which never submitted their accounts since inception, six PSUs, (1) JKB Financial Services Limited (2) Jammu & Kashmir Police Housing Corporation Limited (3) Jammu & Kashmir Cable Car Corporation Limited (4) Jammu & Kashmir Overseas Employment Corporation Limited (5) Jammu & Kashmir Trade Promotion Organisation (6) Jammu & Kashmir Infrastructure Development Corporation Pvt. Limited which have not availed any loan and three PSUs, (1) Jammu & Kashmir Tourism Development Corporation Limited, (2) Jammu & Kashmir State Forest Corporation and (3) Jammu & Kashmir Projects Construction Corporation Limited which have not provided for the interest in their books of account.

<sup>57</sup> Jammu & Kashmir State Horticulture Produce Marketing and Processing Corporation Limited, Jammu & Kashmir State Women's Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir Cements Limited, Jammu & Kashmir State Cable Car Corporation Limited and Jammu & Kashmir State Financial Corporation.



Table 5.16: Debt Turnover ratio relating to the JKPDC

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	1,493.55	1,493.55	1,826.49	1,826.49	2,291.72
Turnover	1,119.90	1,119.90	992.46	992.46	1,025.91
Debt-Turnover Ratio	1.33:1	1.33:1	1.84:1	1.84:1	2.23:1

(Source: Compiled based on latest finalised accounts)

### (B) PSUs in other Sectors

The debt turnover ratio declined from 0.53 in 2015-16 to 0.41 in 2019-20. The debt-turnover ratio ranged between 0.41 and 0.53 during this period, as given in Table 5.17.

Table 5.17: Debt Turnover Ratio relating to the 20 PSUs (other Sectors)

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt from Government and others (Banks and Financial Institutions)	3,834.30	3,097.52	3,633.37	4,200.71	4,174.44
Turnover	7,296.59	7,238.03	7,579.22	8,792.44	10,272.26
Debt-Turnover Ratio	0.53:1	0.43:1	0.48:1	0.48:1	0.41:1

(Source: Compiled based on latest finalised accounts)

Declining debt-turnover ratio indicates that the PSU is generating enough revenue and they are in better position to service their debts.

### 5.19 Inactive State PSUs

Four out of the six PSUs of Power Sector having a total investment of ₹ 0.15 crore towards share capital, were inactive as of 31 March 2020.

Similarly, six of the 36 State PSUs in other Sectors were non-working and were having a total investment of ₹ 57.42 crore<sup>58</sup> towards Capital (₹ 56.59 crore) and Long Term Loans (₹ 0.83 crore) as on 31 March 2020. The numbers of non-working PSUs at the end of each year during last five years ended 31 March 2020 are given below in Table 5.18.

<sup>58</sup> Tawi Scooters Limited: ₹ 1.63 crore, Himalyan Wool Combers Limited: ₹ 1.37 crore, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited): ₹ 0.40 crore, Jammu & Kashmir State Road Development Corporation Limited: ₹ 5.00 crore, Jammu & Kashmir International Trade Centre Corporation Limited: ₹ 48.00 crore and Jammu & Kashmir Asset Reconstruction Limited: ₹ 2.00 crore.

**Table 5.18: Inactive State PSUs**

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Number of inactive PSUs in Power Sector	4	4	4	4	4
Number of inactive PSUs (other Sectors)	4	5	5	5	6

(Source: Compiled from the information included in Audit Report (PSU), GoJ&K of respective years)

Out of six inactive PSUs in other Sectors, four PSUs<sup>59</sup> were under liquidation as they were not working since last one to 28 years.

**The Government may take appropriate decision for winding up of these inactive PSUs.**

## 5.20 Comments on Accounts of Public Sector Undertakings

### (A) Power sector

Three<sup>60</sup> power sector PSUs forwarded their eight audited account to the Principal Accountant General during 1 October 2019 to 31 December 2020 and all were selected for supplementary audit. The details of aggregate money value of the comments of Statutory Auditors and the C&AG, for the Annual Accounts finalised during last three years are given in Table 5.19.

**Table-5.19: Impact of audit comments on power sector PSUs**

Sl. No.	Particulars	(₹ in crore)					
		2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	4.19	1	15.60	1	11.89
2.	Increase in profit	1	63.22	-	-	1	55.35
3.	Increase in loss	-	-	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	2	112.83	-	-	-	-
6.	Errors of classification	-	-	-	-	2	1,594.81

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year 2019-20, the Statutory Auditors had issued qualified certificates on two accounts. The Statutory Auditors pointed out two instances of non-compliance to the Indian Accounting Standards in one account of Chenab Valley Power Projects Private Limited.

<sup>59</sup> Tawi Scooters Limited, Himalyan Wool Combers Limited, Jammu & Kashmir Handloom Handicrafts Raw Material Supplies Organisation Limited, Jammu & Kashmir Asset Reconstruction Limited.

<sup>60</sup> Jammu & Kashmir Power Development Corporation Limited (2014-15), Chenab Valley Power Projects Private Limited (2019-20) and Kashmir Power Distribution Corporation Limited (2013-14 to 2018-19).

**(B) PSUs in Other Sectors**

12 PSUs forwarded 42 audited accounts to the Principal Accountant General during the period from 1 October 2019 to 31 December 2020. The Audit Reports of Statutory Auditors and supplementary audit conducted by the C&AG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the C&AG, for the accounts finalised during last three years are given in Table 5.20.

**Table-5.20: Impact of audit comments on State PSUs (other sectors)**

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	2	0.16	3	16.86	3	536.18
2.	Increase in profit	2	0.05	1	0.03	1	9.06
3.	Increase in loss	3	1.55	8	103.69	15	4.95
4.	Decrease in loss	2	1.17	3	100.48	3	0.19
5.	Non-disclosure of material facts	4	21.82	1	95.71	13	56.24
6.	Errors of classification	5	97.39	13	48.43	15	17.27

(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year 2019-20, the Statutory Auditors had issued qualified certificates on 22 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 103 instances of non-compliance to the Accounting Standards in 31 accounts of eight<sup>61</sup> PSUs.

There are three Statutory Corporations, Jammu & Kashmir State Road Transport Corporation (JKSRTC), Jammu & Kashmir State Financial Corporation and Jammu & Kashmir State Forest Corporation. The C&AG is sole auditor in respect of JKSRTC. During the period from 1 October 2019 to 31 December 2020, Jammu & Kashmir State Forest Corporation submitted Annual Accounts from 1996-97 to 2016-17 for audit and the comments of C&AG on these accounts were under process. Jammu & Kashmir State Financial Corporation forwarded its annual accounts for the year 2018-19 and the comments were issued. The Statutory Auditors had given qualified certificate on annual accounts of Jammu and Kashmir State Financial Corporation for the year 2018-19. JKSRTC forwarded its annual accounts for 2014-15 to 2018-19. However, the GoJ&K was requested to prescribe the format of accounts of JKSRTC as per the provisions of the Road Transport Corporation Act, 1950.

<sup>61</sup> Jammu & Kashmir Industries Limited, Jammu & Kashmir Handicrafts (S&E) Corporation Limited, Jammu & Kashmir Police Housing Corporation Limited, Jammu & Kashmir Handloom Development Corporation Limited, Jammu & Kashmir Small Scale Industries Development Corporation Limited, Jammu & Kashmir SC, ST & BC Development Corporation Limited, Jammu & Kashmir Tourism Development Corporation Limited and Jammu & Kashmir Bank Limited.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the C&AG in respect of Statutory Corporations for the last three years are given in Table 5.21.

**Table-5.21: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	15.14	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	1	5	2	19.43	1	4.37

*(Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Statutory Corporations)*

**The concerned PSUs may ensure strict Compliance to Statutory norms for error free accounts and to avoid over/under statement of Profit/Loss. Besides, Finance and Administrative Department should oversee that corrective action is taken by these PSUs.**

### **5.21 Non Compliance with provisions of Accounting Standards/ IND AS**

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. During the course of supplementary audit, the CAG observed that the following companies had not complied with the Accounting Standards/Ind AS, which was also not reported by their statutory auditors:

Accounting Standard/ Ind AS		Name of Company	Deviation
Ind AS 10	Property, Plant and Equipment	Jammu and Kashmir Bank Limited	Disclosure made by the company that it has revalued its immovable properties during 2019-20 was not in accordance with the Accounting standard (AS 10) "Property Plant and Equipment".
Ind AS 7	Statement of Cash Flows	Chenab Valley Power Projects Private Limited	Disclosure with regard to components of cash and Cash equivalents and its reconciliation was not as per the requirement of Ind AS 7.
Ind AS 16	Property, Plant and Equipment		The Company had not segregated the expenses of Head Office into two classes i.e. those that are directly attributable to construction of projects and those that are not directly attributable to construction of projects instead the company had booked the entire expenditure under Capital Works In Progress which was not in accordance to Ind AS 16.

## 5.22 Corporate Governance

### 5.22.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board of Directors & its powers. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements *inter-alia* provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.
- Mandatory appointment of one woman director on the board in Public Companies having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more {Section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.
- Appointment of Independent Directors in Public Companies and Mandatory establishment of certain committees like Audit Committee by the companies

having paid-up share capital of ₹ 10 crore or more, turnover of ₹ 100 crore or more, or outstanding loans, debentures and deposits, exceeding ₹ 50 crore. {Rule 4 of Companies (Appointment & Qualification of Directors) Rules, 2014 and Section 177(1) of the Companies Act, 2013}.

- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

### **5.22.2 Review of compliance by selected PSEs of the Corporate Governance provisions**

As on 31 March 2020, there were 42 Public Sector Enterprises (PSEs) in Jammu and Kashmir under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). In the context of the policy of the Government to grant more autonomy to the PSEs, Corporate Governance has assumed importance.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013. The review covers 22 working PSEs (which have forwarded their finalised accounts and are not under liquidation) for the year ended 31 March 2020. List of PSEs covered as well as PSEs excluded from this report is given in the *Appendix 5.9(A) and 5.9(B)* respectively.

### **5.22.3 Composition and Meetings of Board of Directors**

The Board is the most significant instrument of the Corporate Governance. It is the agency for the implementation of governance policies and practices. It is imperative that the Board devotes adequate attention to Corporate Governance and must be equipped with the requisite representation and its members should meet regularly. Section 173(1) of Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. Only five Companies<sup>62</sup> conducted four or more than four meeting during the year 2019-20. Companies where the required number of meetings to be held in a year was not complied with during 2019-20 are given in *Appendix 5.10*.

### **5.22.4 Independent Directors**

According to Section 149 (6) of the Companies Act, 2013 an independent director means a director other than a managing director or a whole-time director or a nominee director, who is a person of integrity and possesses relevant expertise and experience. The presence of independent directors on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company with paid-up share capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or with aggregated outstanding loans, debentures and deposits

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<sup>62</sup> Chenab Valley Power Project Private Limited, J&K Bank Financial Services limited, Jammu and Kashmir Bank, Jammu and Kashmir Infrastructure Development Finance Corporation and Jammu and Kashmir Trade Promotion Organisation.

exceeding ₹ 50 crore shall have at least two independent directors on their board. Only four PSEs were falling under these criteria is given in **Appendix 5.11**. Only one PSE (Jammu and Kashmir Bank Limited) has appointed two Independent Director on its Board and met with the related criteria<sup>63</sup> provided under Schedule IV of Companies Act.

### **5.22.5 Woman Director in the Board**

Section 149 (1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company having paid-up share capital of ₹ 100 crore or more or turnover of ₹ 300 crore or more shall have at least one woman Director in its Board. List of two such PSEs (J&K Bank Ltd. and J&K Small Scale Industries Development Corporation Ltd.) meeting these criteria in Jammu and Kashmir is given in **Appendix 5.12**. Both the PSEs had woman Director on their Boards.

### **5.22.6 Filling-up the posts of Company Secretary**

Timely filling up of vacancies in the posts of key managerial personnel, viz. Directors. Company Secretary *etc.* ensures the availability of required skill and expertise in the management of the Company. It was observed that 15 PSEs<sup>64</sup> fulfilled the criteria for appointment of Company Secretary. Of these in nine PSEs listed in Table 5.22, vacancies of Company Secretary were not filled.

**Table 5.22: List of PSEs where post of Company Secretary was vacant**

Sl. No.	Name of PSE
1.	J&K State Horticulture Produce Marketing and Processing Corporation Limited
2.	J&K SC, ST, BC Development Corporation Limited
3.	J&K State Women's Development Corporation Limited
4.	J&K Small Scale Industries Development Corporation Limited
5.	J&K State Industrial Development Corporation Limited
6.	J&K Industries Limited
7.	J&K Handicrafts (Sales and Export) Development Corporation Limited
8.	J&K Cements Limited
9.	J&K Minerals Limited

<sup>63</sup> Issuance of letter of appointment, code of conduct, training of independent directors, attending general meetings of the Company and meeting of independent directors.

<sup>64</sup> J&K Small Scale Industries Development Corporation Limited, J&K Industries Limited, J&K Bank Limited and J&K Bank Financial Services Limited.

### **5.22.7 Audit Committee**

#### **(A) Composition of Audit Committee**

Section 177 (1) and (2) of the Companies Act, 2013, stipulate that there shall be an Audit Committee with a minimum of three directors with Independent Directors forming majority. Further, Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every public company with a paid-up capital of ₹ 10 crore or more or turnover of ₹ 100 crore or more or outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more shall constitute an Audit Committee.

In terms of above stipulations, four companies listed in *Appendix 5.11* were required to constitute Audit Committee. However, only one PSE (Jammu and Kashmir Bank Limited) constituted the Audit Committee. Further, majority of the members of the Audit Committee in Jammu and Kashmir Bank Limited were Independent Directors.

#### **(B) Review of Supplementary Audit findings of the CAG**

All the PSEs are subject to the audit of the CAG as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorises the CAG to carry out supplementary audit of accounts of Government Companies. Further, section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of PSEs, it is the responsibility of the Audit Committee to review the findings of the CAG. The comments of the CAG on annual accounts had been reviewed by the Audit Committee in the case of Jammu and Kashmir Bank Limited only.

### **5.22.8 Other Committees**

#### **(I) Nomination and Remuneration Committee**

Section 178 (1) of the Companies Act, 2013 and Rule 6 of the Companies (Meeting of Boards and its Powers), Rules 2014, stipulate that each PSE shall constitute a Nomination and Remuneration Committee comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent. Out of four PSEs required to have independent director in the Board (as discussed in Para 5.22.4), only Jammu and Kashmir Bank Limited had Nomination and Remuneration Committee in place.

In case of any contravention of the provisions of Section 177 (Audit Committee) and Section 178 (Nomination and Remuneration Committee), the company shall be punishable under Section 178(8) of the Companies Act, 2013 with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both.



However, it was noted that no such penalty had been imposed by the Registrar of the Companies during 2019-20.

### 5.22.9 Whistle Blower Mechanism

Two companies (J&K Bank Limited and J&K State Power Development Corporation Limited) had whistle blower mechanism in place as per requirement of Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014. However, review of the mechanism by the Audit committee (required under Para III (10) of Schedule IV of Companies Act, 2013 read with Rule 7 (2) of the Companies (Meeting of Boards and its Powers), Rules 2014 was done only by J&K Bank Limited.

### 5.22.10 Notice of Annual General Meeting

Section 101 of the Companies Act 2013 provides that a general meeting of a company may be called by giving not less than 21 days' notice either in writing or through electronic mode in such a manner as may be prescribed. Further, a general meeting may be called after giving a shorter notice if consent is given in writing or by electronic mode by not less than 95 *per cent* of the members entitled to vote at such meeting. In two PSEs (J&K SC/ ST/ BC Development Corporation Limited and J&K Projects Construction Corporation Limited) notice was circulated less than 21 days before the AGM without consent of the required members.

List of PSEs where no AGM is held during 2019-20 is given in *Appendix 5.13*.

### 5.23 Follow-up action on Audit Reports

The Report of the C&AG of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Jammu and Kashmir issued (June 1997) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the C&AG of India within a period of three months after their presentation to the legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of explanatory notes on Audit Reports as of September 2020 is given in *Appendix 5.14*. was as under:-

Out of 11 paragraphs/ performance audits<sup>65</sup> of Power Sector, explanatory notes in respect of only one Performance Audit on Jammu and Kashmir Power Development Corporation Limited was awaited (October 2021).

Similarly, out of 79 paragraphs/ performance audits of other Sectors, explanatory notes to nine paragraphs/ performance audits in respect of two departments, which were commented upon, were awaited (October 2021).

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<sup>65</sup> Performance Audit is considered as one Paragraph.

## 5.24 Compliance to Reports of COPU

Action Taken Notes (ATN) on five paragraphs of power sector PSUs pertaining to two Reports of the COPU and Action Taken Notes (ATN) on 45 paragraphs pertaining to eight Reports of the COPU for other sectors, and presented to the State Legislature between April 2005 to March 2018 had not been received (October 2021), as indicated in Table 5.23.

**Table-5.23: Compliance to COPU Reports**

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
<b>Power sector paras</b>			
2015-16 (47 <sup>th</sup> Report)	01	02	02
2017-18 (49 <sup>th</sup> Report)	01	04	03
<b>Total</b>	<b>02</b>	<b>06</b>	<b>05</b>
<b>Other sector paras</b>			
2004-05 (40 <sup>th</sup> Report)	01	06	05
2009-10 (42 <sup>nd</sup> Report)	01	13	04
2010-11 (43 <sup>rd</sup> Report)	01	02	01
2011-12 (44 <sup>th</sup> Report)	01	05	01
2013-14 (46 <sup>th</sup> Report)	01	14	01
2015-16 (47 <sup>th</sup> Report)	01	15	06
2016-17 (48 <sup>th</sup> Report)	01	06	03
2017-18 (49 <sup>th</sup> Report)	01	25	24
<b>Total</b>	<b>08</b>	<b>86<sup>66</sup></b>	<b>45</b>

These Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 departments which appeared in the Reports of the C&AG of India for the years 2000-01 to 2015-16.

**It is recommended that the Government may:**

- *impress upon the respective Administrative Ministries/Departments to ensure compliance of provisions as contained in the Companies Act, 2013 and Companies Rules, 2014 so as to achieve the objectives of Corporate Governance in PSEs; and*
- *ensure timely submission of explanatory notes and ATNs.*

<sup>66</sup> Pertains to 57 paragraphs/ performance audits that featured in the Audit Reports for the years 2000-01 to 2015-16.