

Chapter I

Functioning of State Public Sector Undertakings

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Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. They occupy an important place in the State economy. As on 31 March 2016, in Gujarat there were 86 SPSUs. Of these, four¹ were listed on the stock exchange(s). During the year 2015-16, four SPSUs² were incorporated as Government Companies. One SPSU³ came under the purview of the Comptroller and Auditor General of India (CAG) as per Section 139(5) of the Companies Act, 2013. Another SPSU, Naini Coal Company Limited became non operational during the year. The details of SPSUs in Gujarat as on 31 March 2016 are given in **Table 1.1**.

Table 1.1: Total number of SPSUs as on 31 March 2016

Type of SPSUs	Working SPSUs	Non-working SPSUs ⁴	Total
Government Companies ⁵	68	14	82
Statutory Corporations	4	--	4
Total	72	14	86

Source: Compiled from *Annexure 2* based on entrustment of Audit of SPSUs.

The working SPSUs registered a turnover of ₹ 1,11,036.50 crore as per their latest finalised accounts as on 30 September 2016. The turnover was equal to 11.27 *per cent* of State's Gross Domestic Product⁶ (GSDP) for 2015-16. The working SPSUs earned aggregate profit of ₹ 1,633.12 crore as per their latest finalised accounts as on 30 September 2016. They had employed 1.12 lakh employees as on 31 March 2016.

As on 31 March 2016, there were 14 non-working SPSUs having investments of ₹ 800.53 crore. In eight SPSUs liquidation process had been started and in six SPSUs liquidation process was yet to start though they had ceased carrying out their operations. Government may take suitable decision for expediting the liquidation process in the eight Companies and take suitable decision as regards the remaining six non-working SPSUs.

¹ Gujarat Gas Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited and Gujarat State Financial Corporation.

² Gujarat Nomadic and Denotified Tribes Development Corporation, GSPC Offshore Limited, GSPC Energy Limited and Dholera Industrial City Development Limited were incorporated on 14 August 2015, 23 September 2015, 18 December 2015 and 28 January 2016 respectively.

³ Narmada Clean Tech.

⁴ Non-working SPSUs are those which have ceased to carry on their operations.

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

⁶ The State's Gross Domestic Product for the year 2015-16 was ₹ 9,84,971 crore (Advance estimates) as per statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

Accountability framework

1.2 Companies Act, 2013 governs the financial attest audit of a Company as on or after 1 April 2014. The audit of a Company in respect of financial years earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (the Act), a Government Company is one in which not less than 51 *per cent* of the paid up share capital is held by the Central and/ or State Government(s). This includes a subsidiary of a Government Company. The process of audit of Government Companies under the Act is governed by respective provisions of Sections 139 and 143 of the Act.

Statutory Audit

1.3 The financial statements of a Government Company (as defined in Section 2(45) of the Act) are audited by Statutory Auditors. These Statutory Auditors are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act. The financial statements of a Government Company are subject to supplementary audit to be conducted by the CAG. The supplementary audit is to be conducted within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act.

The Statutory Auditors of any other Company (Other Company) owned or controlled, directly or indirectly, by the Central and/ or State Government(s) are also appointed by the CAG. This appointment is as per the provisions of Section 139(5) or (7) of the Act.

As per the provisions of Section 143(7) of the Act, the CAG, in case of any Company (Government Company or Other Company) covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the conduct of such test audit.

Audit of Statutory Corporations is governed by their respective legislations. Out of the four Statutory Corporations, the CAG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, the primary audit is conducted by Chartered Accountants. The supplementary audit is conducted by the CAG.

Role of Government and Legislature

1.4 The State Government exercises control over the affairs of the SPSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together

with the Statutory Auditors' Reports and comments of the CAG in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations are to be placed before the Legislature under Section 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Gujarat

1.5 The State Government has huge financial stake in these SPSUs. This stake is of mainly three types:

- ½ **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- ½ **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when considered necessary.
- ½ **Guarantees-** State Government also guarantees the repayment of loans with interest, availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2016, the investment (Capital and Long-term loans⁷) in 86 SPSUs was ₹ 1,29,178.86 crore⁸ as given in **Table 1.2:**

Table 1.2: Total Investment in SPSUs

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	75,901.04	46,780.68	1,22,681.72	2,198.02	3,498.59	5,696.61	1,28,378.33
Non-working SPSUs	87.62	712.91	800.53	0.00	0.00	0.00	800.53
Total	75,988.66	47,493.59	1,23,482.25	2,198.02	3,498.59	5,696.61	1,29,178.86

Source: Compiled based on information received from SPSUs.

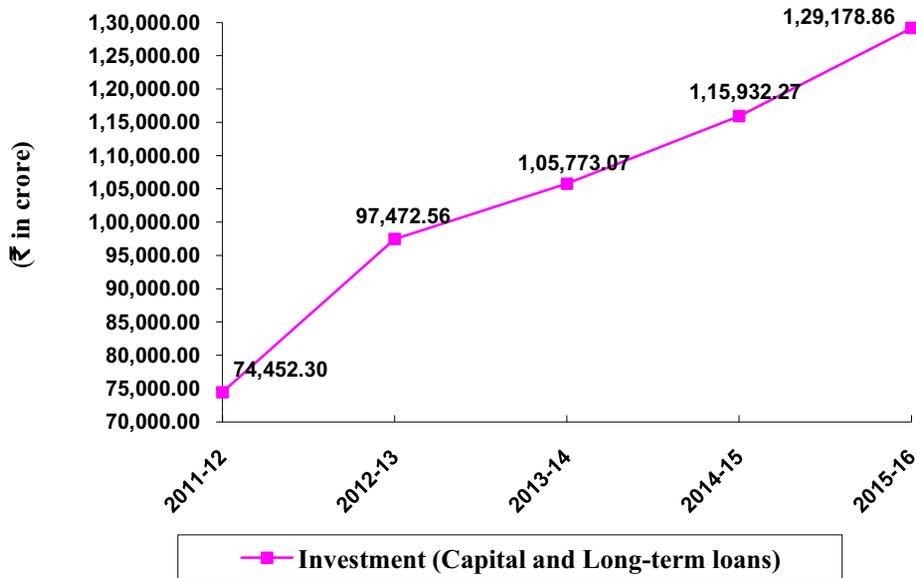
Out of the total investment of ₹ 1,29,178.86 crore in SPSUs as on 31 March 2016, 99.38 per cent was in working SPSUs. The remaining 0.62 per cent was in non-working SPSUs. This total investment consisted of 60.53 per cent towards capital and 39.47 per cent in long-term loans. The

⁷ This represents loans from the Government and financial institutions.

⁸ This amount will not tally with *Annexure 2* which is based on latest finalised accounts whereas details of investment in SPSUs in the **Table 1.2** have been prepared from information furnished by the SPSUs, which includes additions subsequent to the last finalised accounts. Further, in respect of certain non-working SPSUs marked in *Annexure 2* the long term loan figures are not available as the last finalised accounts are very old.

investment has grown by 73.51 per cent from ₹ 74,452.30 crore in 2011-12 to ₹ 1,29,178.86 crore in 2015-16. This is shown in the **Chart 1.1**.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the SPSUs as on 31 March 2016 is given in **Table 1.3**:

Table 1.3: Total Investment in SPSUs

Name of the Sector	Government/ Other Companies ⁹		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Non-working			
Power	11	0	0	11	42,950.41
Manufacturing	8	8	0	16	19,259.29
Finance	13	3	1	17	3,741.08
Miscellaneous ¹⁰	3	0	0	3	50,147.93
Service	18	0	1	19	9,374.21
Infrastructure	11	1	1	13	3,554.31
Agriculture & Allied	4	2	1	7	151.63
Total	68	14	4	86	1,29,178.86

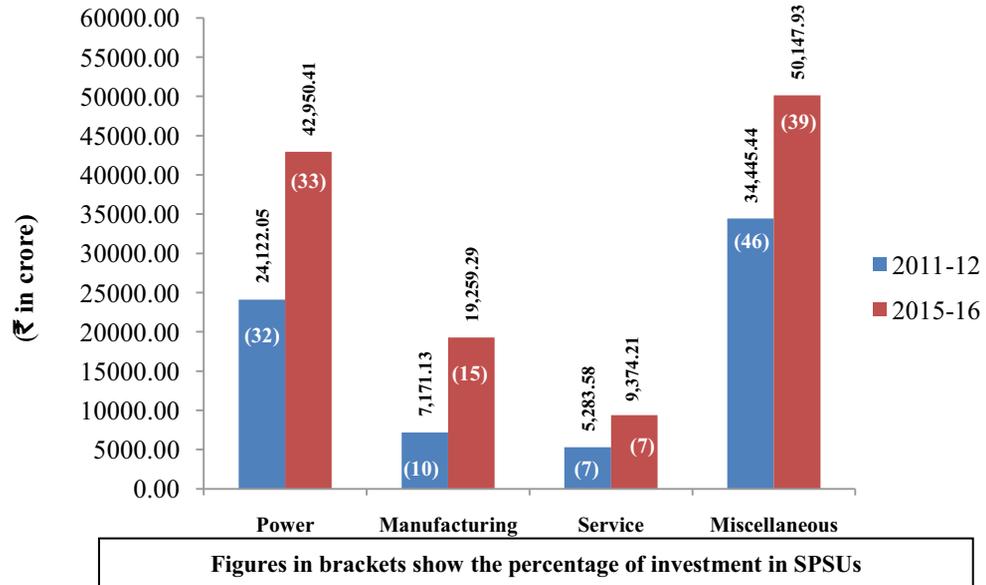
Source: Compiled based on information received from SPSUs.

The investment in four significant sectors and percentage thereof at the end of 31 March 2012 and 31 March 2016 are indicated in the **Chart 1.2**.

⁹ 'Other Companies' as referred to under Section 139(5) and 139(7) of the Companies Act, 2013.

¹⁰ This includes ₹ 49,988.74 crore in Sardar Sarovar Narmada Nigam Limited; ₹ 150.02 crore in Gujarat Water Infrastructure Limited and ₹ 9.17 crore in Gujarat Rural Industries Marketing Corporation Limited.

Chart 1.2: Sector wise investment in SPSUs



The thrust of SPSUs investment was mainly in the Miscellaneous Sector where 99.70 per cent investment was in Sardar Sarovar Narmada Nigam Limited. There was a growth of 45.59 per cent in this sector. The percentage of investment to total investment in the above sector was 39 per cent in 2015-16. The growth of investment in the Manufacturing Sector over the period was 168.57 per cent while that in the Power Sector was 78.05 per cent. A growth in investment of 77.42 per cent was observed in Service Sector.

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans and grants/ subsidies in respect of SPSUs for three years ended 2015-16 are given in **Table 1.4**. The table also gives the details of waiver of loans and interest and guarantee issued during the above period. It also gives details of guarantee commitment outstanding as at the end of the respective years.

Table 1.4: Details regarding budgetary support to SPSUs

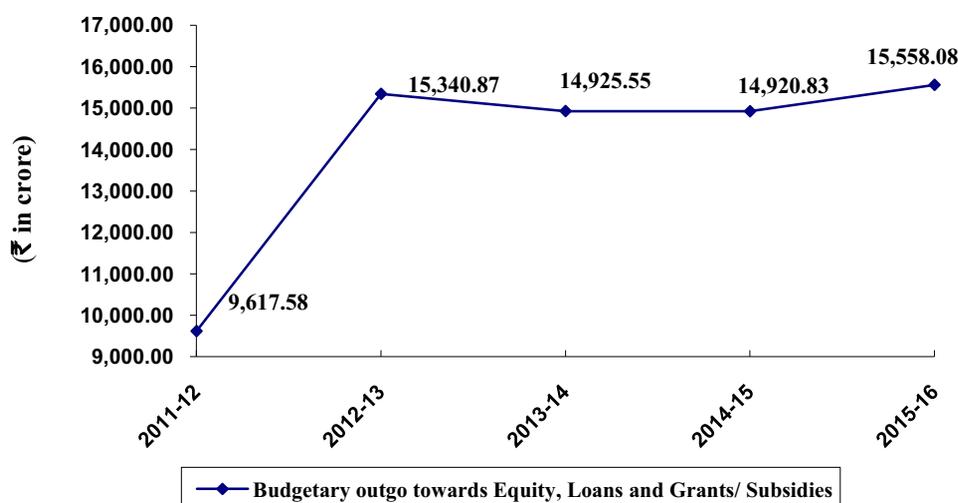
(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	14	7,503.48	9	6,966.86	8	7,647.92
2.	Loans given from budget	4	279.10	2	201.50	3	362.50
3.	Grants/ Subsidy from budget	33	7,142.97	24	7,752.47	22	7,547.66
4.	Total Outgo (1+2+3)		14,925.55		14,920.83		15,558.08
5.	Waiver of loans and interest	--	--	--	--	-	-
6.	Guarantees issued	--	--	2	1,609.16	3	1,555.53
7.	Guarantee Commitment	6	2,239.79	4	1,652.82	5	1,548.46

Source: Compiled based on information received from SPSUs.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the past five years are given in **Chart 1.3**:

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The budgetary outgo in the form of equity, loans and grants/ subsidies increased from ₹ 14,920.83 crore in 2014-15 to ₹ 15,558.08 crore in 2015-16. The outgo on account of grants/ subsidies decreased from ₹ 7,752.47 crore in 2014-15 to ₹ 7,547.66 crore in 2015-16.

In order to enable SPSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantee Act, 1963. The guarantee given is subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 to one *per cent* as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 1,652.82 crore during 2014-15 to ₹ 1,548.46 crore during 2015-16. Further, eight SPSUs¹¹ paid guarantee fee¹² to the tune of ₹ 14.50 crore during 2015-16.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as per the records of SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2016 is given in **Table 1.5**:

¹¹ Gujarat State Electricity Corporation Limited, Gujarat Energy Transmission Corporation Limited, Dakshin Gujarat Vij Company Limited, Madhya Gujarat Vij Company Limited, Paschim Gujarat Vij Company Limited, Uttar Gujarat Vij Company Limited, Gujarat Urja Vikas Nigam Limited and Sardar Sarovar Narmada Nigam Limited.

¹² In case of subsidiaries of GUVNL, the details of Guarantee fees as allocated by the holding Company (GUVNL) have been considered.

Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	67,249.06	67,241.78	7.28
Loans	4,098.17	6,188.24	2,090.07
Guarantees	3,810.28	1,548.46	2,261.82

Source: Compiled based on information received from SPSUs and Finance Accounts.

Audit observed (November 2016) that the differences occurred in the individual SPSU's figures adopted for the Audit Report (PSUs) 2015-16, Government of Gujarat (GoG) and the Finance Accounts for the year 2015-16 in a total of 53 SPSUs. The matter was brought (November 2016) to the notice of the Finance Department, concerned Administrative Departments and the respective SPSUs. The Government and the SPSUs should take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

1.10 The first annual general meeting (AGM) shall be held within a period of nine months from the date of closing of the first financial year of the Company. In any other case, the AGM should be held within a period of six months from the date of closing of the financial year in accordance with the provisions of Section 96(1) of the Act. Also, as per Section 129(2) of the Act, at every AGM of a Company, the Board of Directors of the Company shall lay before such meeting the financial statements for the financial year. Failure to do so may attract penal provisions under Section 99 and Section 129 (7) of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The **Table 1.6** provides the details of progress made by working SPSUs in the finalisation of accounts as on 30 September 2016.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of working SPSUs/ other Companies	66	69	72	68	72
2.	Number of accounts finalised during the year	58	71	65	56	72
3.	Number of accounts in arrears	47	42	50	61	64 ¹³
4.	Number of Working SPSUs with arrears in accounts	35	30	33	35	36
5.	Extent of arrears (numbers in years)	1 to 4	1 to 3	1 to 4	1 to 5	1 to 6

Source: Compiled based on accounts of working SPSUs received during the period October 2015 to September 2016.

¹³ This includes arrears of six accounts in respect of Infrastructure Finance Company Gujarat Limited which was taken over by GIDC and five accounts each in respect of Gujarat Women Economic Development Corporation Limited and Gujarat Foundation for Mental Health and Allied Sciences.

It can be observed that the number of accounts in arrears has increased from 47 (2011-12) to 64 (2015-16). During the period October 2015 to September 2016, 58 working SPSUs have finalised their 72 accounts¹⁴, out of which 31 were accounts in arrears.

During the year 2015-16, five accounts were finalised by four Statutory Corporations, of which three were accounts in arrears. Two Statutory Corporations¹⁵ had finalised their Accounts for 2015-16 and two Statutory Corporations¹⁶ had four accounts in arrears.

The Administrative Departments have the responsibility to oversee the activities of these entities. This ensures that the accounts are finalised and adopted by these SPSUs within the stipulated period. Though the concerned Departments were informed regularly (once in three months) there was no progress in the matter. In addition, the matter was taken up (October 2016) with the State Government for clearing the arrears of the accounts. However, no improvement has been noticed.

1.11 The State Government had invested ₹ 11,623.06 crore in 13 SPSUs {equity: ₹ 7,854.73 crore (6 SPSUs), loans: ₹ 457.50 crore (2 SPSUs) and grants ₹ 3,310.83 crore (12 SPSUs)} during the years for which accounts have not been finalised. This is detailed in *Annexure 1*. In the absence of finalisation of accounts their audits could not be conducted. Resultantly, it could not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not. In this manner, the Government's investment in such SPSUs remained outside the control of the State Legislature.

1.12 In addition to the above, as on 30 September 2016, there were arrears in finalisation of accounts by non-working SPSUs. Out of 14 non-working SPSUs, eight¹⁷ were in the process of liquidation whose accounts were in arrears for nine to 21 years. Of the remaining six non-working SPSUs, only four SPSUs¹⁸ had arrears of accounts as shown in **Table 1.7**:

¹⁴ Including six consolidated accounts of Gujarat Urja Vikas Nigam Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited, Gujarat State Petroleum Corporation Limited, Gujarat Gas Limited and Gujarat State Investment Limited.

¹⁵ Gujarat State Financial Corporation and Gujarat Industrial Development Corporation

¹⁶ Gujarat State Warehousing Corporation and Gujarat State Road Transport Corporation.

¹⁷ Gujarat Small Industries Corporation Limited, Gujarat Leather Industries Limited, GSFS Capital and Securities Limited, Gujarat State Textile Corporation Limited, Gujarat Communications and Electronics Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

¹⁸ Gujarat Fisheries Development Corporation Limited, Gujarat State Machine Tools Limited, Gujarat Trans Receivers Limited and Naini Coal Company Limited.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working Companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1 ¹⁹	1999-00 to 2015-16	17
1 ²⁰	2012-13 to 2015-16	4
2 ²¹	2015-16	1

Source: Compiled based on accounts of non-working SPSUs received during the period October 2015 to September 2016.

Placement of Separate Audit Reports

1.13 The **Table 1.8** shows the status of placement of SARs issued by the CAG (up to 30 September 2016) on the accounts of Statutory Corporations in the Legislature.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1.	Gujarat State Warehousing Corporation	2011-12	2014-15	Accounts not finalised yet
			2013-14	09 May 2016
			2012-13	10 June 2015
2.	Gujarat State Financial Corporation	2014-15	2015-16	SAR under finalisation
3.	Gujarat Industrial Development Corporation	2014-15	2015-16	SAR under finalisation
4.	Gujarat State Road Transport Corporation	2011-12	2013-14 2012-13	SAR under finalisation

Source: Compiled based on information received from Statutory Corporations.

Impact of non-finalisation of accounts

1.14 As pointed out above (Paragraph 1.10 to 1.12), the delay in finalisation of accounts violates the provisions of the relevant statutes. In addition, it contributes to the risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of SPSUs to the GSDP for the year 2015-16 could not be ascertained. Also, their performance was not reported to the State Legislature.

It is therefore, recommended that:

- ½ The Government may evolve a suitable mechanism to oversee and monitor the clearance of arrears and set targets for individual Companies.*
- ½ The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.*

¹⁹ Gujarat Fisheries Development Corporation Limited.

²⁰ Naini Coal Company Limited

²¹ Gujarat State Machine Tools Limited and Gujarat Trans Receivers Limited.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2014-15. No action, however, has been taken in this regard till date (December 2016).

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in *Annexure 2*. The ratio of SPSUs' turnover to GSDP shows the extent of SPSUs' activities in the State economy. The details of working SPSUs' turnover *vis-a-vis* GSDP for a period of five years ending 2015-16 are given in **Table 1.9**:

Table 1.9: Details of working SPSU's turnover *vis-a-vis* GSDP

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover ²² (₹ in crore)	79,641.86	91,309.63	98,718.90	1,06,553.54	1,11,036.50
GSDP (₹ in crore)	6,05,456(P)	7,12,123(P)	8,06,745(P)	8,95,202(Q)	9,84,971(A) ²³
Percentage of Turnover to GSDP	13.15	12.82	12.24	11.90	11.27

Estimate: (P) = Provisional, (Q) = Quick and (A) = Advance

Source: Compiled based on Turnover figures of SPSUs and GSDP figures as per Government publication.

Evidently, the contribution of SPSUs to GSDP has been gradually decreasing. Out of the total turnover of ₹ 1,11,036.50 crore, ₹ 73,247.00 crore pertains to 35 working SPSUs who have finalised their accounts for the year 2015-16. The balance turnover of ₹ 37,789.50 crore was taken as per the latest finalised accounts of the other working SPSUs.

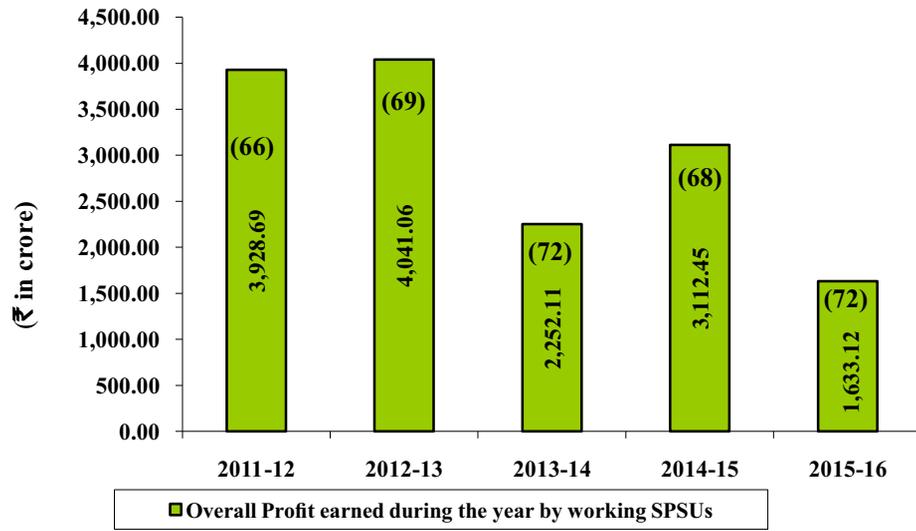
1.16 Overall profits²⁴ earned by working SPSUs during 2011-12 to 2015-16 are given in the **Chart 1.4**:

²² Turnover of working SPSUs as per the latest finalised accounts as on 30 September 2016.

²³ As per Statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

²⁴ Represents net profit before tax.

Chart 1.4: Profit/ Loss of working SPSUs



(Figures in brackets show the number of working SPSUs in respective years)

As per their latest finalised accounts, out of 72 working SPSUs, 49 SPSUs earned profit of ₹ 2,854.27 crore and 14 SPSUs incurred loss of ₹1,221.15 crore. Two Companies²⁵ were under construction. Three Companies²⁶ had not finalised their first accounts. One²⁷ Company's excess income was transferred to non-plan grants. One Company²⁸ had transferred excess of expenditure over income to works completed. One²⁹ Company had set-off expenditure incurred from grant income. One PSU³⁰ had no profit or loss.

The major profit making Companies/ Corporations were:

- ½ Gujarat State Petronet Limited (₹ 667.86 crore),
- ½ Gujarat Gas Limited (₹ 252.25 crore),
- ½ Gujarat Mineral Development Corporation Limited (₹ 336.63 crore),
- ½ Gujarat Energy Transmission Corporation Limited (₹ 302.79 crore).

Heavy losses were incurred by:

- ½ Gujarat State Petroleum Corporation Limited (₹ 875.00 crore),
- ½ Gujarat State Road Transport Corporation (₹ 132.45 crore),
- ½ Gujarat State Financial Corporation (₹ 104.99 crore),
- ½ Gujarat Water Infrastructure Limited (₹ 91.37 crore).

²⁵ GSPC LNG Limited and Sardar Sarovar Narmada Nigam Limited (Sl. No. A-33 and A-67 of *Annexure 2* respectively).

²⁶ Gujarat Scheduled Caste Most Backward Development Corporation, Gujarat Nomadic and Denotified Tribes Development Corporation, Dholera Industrial City Development Limited (Sl. No. A-16, A-17 and A-28 of *Annexure 2*).

²⁷ Gujarat Women Economic Development Corporation Limited (Sl. No. A-8 of *Annexure 2*).

²⁸ Gujarat State Police Housing Corporation Limited (Sl. No. A-20 of *Annexure 2*).

²⁹ Gujarat Foundation for Mental Health and Allied Sciences (Sl. No. A-56 of *Annexure 2*).

³⁰ Gujarat State Aviation Infrastructure Company Limited (Sl. No. A-26 of *Annexure 2*)

1.17 Some other key parameters of SPSUs are given in **Table 1.10**.

Table 1.10: Key Parameters of SPSUs

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital Employed (<i>per cent</i>)	6.97	6.40	5.00	5.56	4.27
Debt	30,253.60	44,835.60	45,711.93	42,509.05	45,327.85 ³¹
Turnover ³²	79,641.86	91,309.63	98,718.90	1,06,553.54	1,11,036.50
Debt/ Turnover Ratio	0.38:1	0.49:1	0.46:1	0.40:1	0.41:1
Interest Payments	2,935.83	3,390.99	4,214.21	4,949.38	4,912.24
Accumulated Profits/ (Losses) ³³	1,693.73	2,865.09	3,805.28	3,721.00	3,863.94

(Above figures pertain to all SPSUs except for turnover which is for working SPSUs).

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and in *Annexure 2*.

The turnover of SPSUs had increased gradually from ₹ 79,641.86 crore in 2011-12 to ₹ 1,11,036.50 crore in 2015-16. Simultaneously, the debts also increased from ₹ 30,253.60 crore in 2011-12 to ₹ 45,327.85 crore in 2015-16. The debt-turnover ratio which increased during 2012-13 as compared to other years has decreased in subsequent years and stood at 0.41:1 in 2015-16. This was because of significant increase in the turnover. Accumulated profits of ₹ 1,693.73 crore in 2011-12 have increased to ₹ 3,863.94 crore in 2015-16.

A sector wise analysis of these parameters revealed that the turnover increase was contributed mainly by the Power Sector (₹ 23,448.15 crore) and Service Sector (₹ 5,163.16 crore). The increase in debts was mainly in the Manufacture Sector (₹ 10,462.61 crore) and Power Sector (₹ 4,084.51 crore). The Debt to Turnover ratio reduced in the Finance, Power, Services and Miscellaneous Sector whereas it increased in the Agriculture and Allied, Infrastructure and Manufacture Sector. Therefore the overall Debt to Turnover ratio marginally increased from 0.38 to 0.41. The net increase in Accumulated profits was mainly contributed by Infrastructure, Power and Service Sector.

1.18 The State Government had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital contributed by the State Government. As per their latest finalised accounts, out of 72 working SPSUs, 49 SPSUs earned profit of ₹ 2,854.27 crore. However only eight SPSUs declared dividend of ₹ 237.67 crore of which the State Government's share was ₹ 94.21 crore.

The State Government may consider formulation of a dividend Policy regarding payment of reasonable return from the profit earning SPSUs on the paid up share capital contribution by the State Government.

³¹ This represents the long term loans as per the latest finalised accounts reflected in *Annexure 2* of all SPSUs.

³² Turnover of working SPSUs as per the latest finalised accounts as on 30 September 2016.

³³ Includes accumulated balance of profit or loss as per the finalised accounts and excludes General/ Capital/ Other Reserves, etc.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2013-14 and 2014-15. No action, however, has been taken in this regard till date (December 2016).

Winding up of non-working SPSUs

1.19 There were 14 non-working SPSUs as on 31 March 2016. Of these, eight SPSUs have commenced the liquidation process. The number of non-working Companies at the end of each year during the past five years is given in **Table 1.11**.

Table 1.11: Non-working SPSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of Non-working Companies	12	12	12	13	14
No. of Non-working Corporations	--	--	--	--	--
Total	12	12	12	13	14

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and in *Annexure 2*.

We observed that none of the non-working SPSUs are engaged in any activity. All of them are either under liquidation or have been declared closed/ ceased carrying out its operations wherein liquidation process is pending. They are not contributing to the State economy, hence the State Government should expedite their final closure. During 2015-16, two³⁴ out of 14 non-working SPSUs incurred an expenditure of ₹ 1.33 crore towards establishment. This expenditure was met from interest income (₹ 0.25 crore) received on their investments and from borrowing (₹ 1.08 crore). Other 12 SPSUs did not furnish their accounts.

1.20 The stages of closure in respect of non-working SPSUs as on 30 September 2016 are given in **Table 1.12**.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	14	--	14
2.	Of (1) above, the No. under:			
(a)	Liquidation by Court (liquidator appointed)	6	--	6
(b)	Voluntary winding up (liquidator appointed) ³⁵	2	--	2
(c)	Closure, i.e., closing orders or instructions issued/ Ceased carrying its operations, but liquidation process not yet started.	6	--	6

Source: Compiled from details received from SPSUs.

³⁴ Gujarat Dairy Development Corporation Limited and Gujarat State Construction Corporation Limited.

³⁵ Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from 1 year to 21 years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously.

The State Government may take a decision regarding winding up of six non-working SPSUs where no decision about their continuation or otherwise has been taken after they became non-working.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2013-14 and 2014-15. No action, however, has been taken in this regard till date (December 2016).

Accounts Comments

1.21 Fifty four working Companies forwarded their 67 audited accounts to us during the period October 2015 to September 2016. Of the 67 accounts of 54 Companies, 48 accounts were selected for supplementary audit. The comments in the Audit Report of Statutory Auditors appointed by the CAG and the supplementary audit of the CAG mention the significant observations on the financial statements. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments³⁶ of Statutory Auditors and the CAG for the last three years are given in **Table 1.13**:

Table 1.13: Impact of audit comments on the accounts of working Companies

(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	0.23	8	251.06	5	250.78
2.	Increase in loss	3	34.99	1	152.55	2	1,070.18
3.	Non-disclosure of material facts	2	277.78	1	115.20	1	130.54
4.	Errors of classification	8	25,512.22	6	1,784.86	6	29,721.92 ³⁷

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

Cases of decrease in profits and increase in losses increased from ₹ 0.23 crore and ₹ 34.99 crore in 2013-14 to ₹ 250.78 crore and ₹ 1,070.18 crore in 2015-16 respectively.

During the year, the Statutory Auditors had given unqualified certificates to 46 SPSU accounts and qualified certificates to 20 SPSU accounts. They have

³⁶ For the purpose of CAG comments only those comments actually issued during October 2015 to September 2016 have been considered including accounts received in the previous period for which comments were issued in the current period.

³⁷ The above includes ₹ 29,238.48 crore for Sardar Sarovar Narmada Nigam Limited qualified by the Statutory Auditor in his audit report due to non capitalisation of work in progress by the Company.

also provided disclaimer certificate³⁸ for one account. The compliance of Companies with the Accounting Standards remained deficient as there were 28 instances of non-compliance in 14 accounts during the year.

1.22 Similarly, four working Statutory Corporations³⁹ forwarded five accounts to us during the year 2015-16. Of these, three accounts of two Statutory Corporations were for sole audit by the CAG. The remaining two accounts were for supplementary audit by us. The comments in the Audit Report of Statutory Auditors and the sole/ supplementary audit of the CAG mention the significant observations on the financial statements of the Statutory Corporations. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments of Statutory Auditors and the CAG are given in **Table 1.14**:

Table 1.14: Impact of audit comments on the accounts of Statutory Corporations

(Amount: ₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	0	0.00	1	0.29	1	0.75
2.	Increase in loss	1	20.40	2	99.73	1	520.83
3.	Non-disclosure of material facts	1	844.65	2	976.96	2	1,659.52
4.	Errors of classification	1	80.99	1	3.48	1	220.59

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

It is observed from the above that the money value objection for non-disclosure of material facts increased from ₹ 844.65 crore in 2013-14 to ₹ 1,659.52 crore in 2015-16. Similarly, the cases of errors of classification increased from ₹ 80.99 crore in 2013-14 to ₹ 220.59 crore in 2015-16

During the year, one qualified certificate and one unqualified certificate was given by Statutory Auditors in respect of two accounts of Statutory Corporations.

Response of the Government to Audit

Performance Audits and Paragraphs

1.23 Two performance audit reports and six audit paragraphs are included in this Report of the CAG of India for the year ended 31 March 2016. These were issued to the Management of SPSUs and the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. The reply in respect of one compliance audit

³⁸ A disclaimer certificate means the auditors are unable to form an opinion on accounts of a Company.

³⁹ Gujarat State Warehousing Corporation, Gujarat State Road Transport Corporation, Gujarat Industrial Development Corporation and Gujarat State Financial Corporation.

paragraph was awaited (December 2016) from the Management of the concerned SPSU. The replies in respect of both the Performance Audits and three compliance audit paragraphs were awaited (December 2016) from the State Government.

Follow-up action on Audit Reports

Replies outstanding

1.24 The Report of the CAG of India represents the culmination of audit scrutiny. It is therefore necessary that it elicits appropriate and timely response from the executive. All the administrative departments of SPSUs need to submit the explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports. As per Rule 7 of the Rules of Procedure (Internal Working) of the Committee on Public Undertakings (COPU), Gujarat Legislative Assembly, the same needs to be done within three months of the presentation of the Audit Report to the Legislature.

Table 1.15: Explanatory notes not received as on 30 September 2016

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2011-12	2 April 2013	2	10	0	3
2012-13	25 July 2014	1	13	0	0
2013-14	31 March 2015	3	9	1	4
2014-15	31 March 2016	2	8	2	5
Total		8	40	3	12

Source: Compiled based on explanatory notes received from respective Departments of GoG.

As seen from **Table 1.15**, out of 48 Paragraphs/ Performance Audits, explanatory notes to 15 Paragraphs/ Performance Audits in respect of six⁴⁰ Departments were awaited (September 2016).

Discussion of Audit Reports by the COPU

1.25 The status as on 30 September 2016 of Performance Audits and paragraphs that appeared in Audit Reports (SPSUs) and discussed by the COPU is as given in **Table 1.16**:

⁴⁰ Ports and Transport Department, Energy and Petrochemicals Department, Health and Family Welfare Department, Industries and Mines Department, Urban Housing and Development Department and Narmada, Water Resources, Water supply and Kalpsar Department

Table 1.16: Performance Audits/ Paragraphs appeared in Audit Reports vis a vis discussed as on 30 September 2016

Period of Audit Report	Number of review/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Pas	Paragraphs	PAs	Paragraphs
2011-12	2	10	1	2
2012-13	1	13	0	0
2013-14	3	9	0	0
2014-15	2	8	0	0
Total	8	40	1	2

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

Compliance to Reports of the COPU

1.26 Action Taken Notes (ATN) on three paragraphs⁴¹ pertaining to two Reports of the COPU had not been received (September 2016). These Reports of the COPU were presented to the State Legislature between August 2015 and March 2016. The details are provided in **Table 1.17**:

Table 1.17: Compliance to Reports of the COPU

Report of COPU	Total no. of recommendations in the COPU Report	No. of recommendations for which ATNs not received
4 th Report of 13 th Assembly	2	2
5 th Report of 13 th Assembly	3	3
Total	5	5

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoG.

These Reports of the COPU contained recommendations in respect of paragraphs pertaining to two departments⁴², which appeared in the Reports of the CAG of India for the years 2004-05 to 2007-08.

It is recommended that the State Government may ensure: (a) sending of replies to Draft Paragraphs/ Performance audits/ Explanatory Notes/ and ATNs on the recommendations of the COPU as per the prescribed time schedule, and (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2014-15. The replies may be expedited.

Coverage of this Report

1.27 This Report contains six paragraphs and two Performance Audits involving financial effect of ₹ 738.95 crore.

⁴¹ In the COPU's 5th Report of 13th Assembly, three recommendations were made on one paragraph and in the 4th Report of 13th Assembly, two recommendations were made on two paragraphs.

⁴² Ports and Transport Department and Industries and Mines Department.

