

Part-II
Other than Power Sector

Chapter-IV
Functioning of Public Sector Undertakings
(Other than Power Sector)

Part II

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Introduction

4.1 There were 27 State Public Sector Undertakings (PSUs) as on 31 March 2019 related to sectors other than Power Sector. These State PSUs, incorporated during 1966-67 to 2017-18, included 25 Government Companies and two Statutory Corporations¹. The Government Companies included two² subsidiary companies owned by Government Companies and four³ inactive companies. Two⁴ Government Companies had not commenced commercial activities till 31 March 2019.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/ subsidy from time to time. Of the 27 State PSUs, the State Government invested funds in 21 State PSUs only. Equity of remaining six⁵ joint venture/ subsidiary companies was contributed by their respective Co-partner/ Holding Companies.

Contribution to Economy of the State

4.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs and GSDP of Haryana for a period of five years ending March 2019:

Table 4.1: Details of turnover of State PSUs vis-à-vis GSDP of Haryana

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	8,891.35	4,633.78	4,100.32	4,564.52	4,536.78
GSDP of Haryana	4,41,864.26	4,92,656.90	4,34,607.93	6,08,470.73	7,07,126.33
Percentage of Turnover to GSDP of Haryana	2.01	0.94	0.94	0.75	0.64

GSDP of Haryana for 2013-14 : ₹ 3,95,747.73 crore , Turnover for 2013-14 : ₹ 3,006.57 crore

Source: Compilation based on Turnover figures of working PSUs and GSDP figures as per information supplied by Department of Economic and Statistical analysis Haryana at current prices of respective years (Advanced Estimates) for year to year comparison.

¹ Haryana State Warehousing Corporation and Haryana Financial Corporation.

² Hartron Informatics Limited incorporated (8 March 1995) as subsidiary company of HARTRON and Panipat Plastic Park Haryana Limited, incorporated (27 December 2016) as subsidiary company of HSIIDC.

³ Haryana State Minor Irrigation and Tubewells Corporation limited, Haryana State Housing Finance Corporation Limited, Haryana Concast Limited and Haryana Minerals Limited which ceased to carry out their operations from the years 2002-03, 2001-02, 1997-98, and 2002-03 respectively.

⁴ Haryana Rail Infrastructure Development Corporation Limited and Faridabad Smart City Limited.

⁵ Hartron Informatics Limited, Gurgaon Technology Park Limited, Panipat Plastic Park Haryana Limited, Gurugram Metropolitan City Bus Limited, Haryana Minerals Limited and Haryana State Housing Finance Corporation Limited.

The turnover of these PSUs increased during 2014-15 and 2017-18 in comparison to turnover recorded in the preceding year, as per their latest audited accounts available in respective years. The high turnover noticed in the year 2014-15 is due to adoption of accrual method of preparation of accounts by Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) from Cash basis. The change in turnover ranged between 195.73 per cent and (-) 47.88 per cent during the period 2014-19, whereas increase in GSDP of the State ranged between 11.50 per cent and 40 per cent during the same period. The compounded annual growth of GSDP was 12.31 per cent during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 12.31 per cent of the GSDP, the turnover of other than power sector undertakings recorded negative compounded annual growth of 8.58 per cent during last five years. There was decrease in share of turnover of these PSUs in the GSDP, from 2.01 per cent in 2014-15 to 0.64 per cent in 2018-19.

Investment in State PSUs

4.3 There are some PSUs which function as instruments of the State Government. They provide certain services which the private sector may not be willing to extend due to various reasons. The Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been divided and analysed under two major classifications viz. those in the social sector and those functioning in competitive environment. Besides, five⁶ of these PSUs which had been incorporated to perform some specific activities on behalf of the State Government have been categorised under 'Others'. Details of investment made in these 27 State PSUs in shape of equity and long term loans up to 31 March 2019 are detailed in **Appendix-5**.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 4.2: Sector-wise investment in State PSUs

Sector	Number of PSUs	Investment (₹ in crore)							
		Equity		Long term loans		Grant/Subsidies		Total	
		GoH	Others	GoH	Others	GoH	Others	GoH	Others
Social Sector	9	107.27	31.98	8.15	173.98				
PSUs in Competitive Environment	13	420.03	75.21	1.39	5,504.02	2153.24	226.22	2751.43	6430.45
Others	5	61.35	28.54	0	390.50				
Total	27	588.65	135.73	9.54	6,068.50	2153.24	226.22	2751.43	6430.45

Source: Compilation based on information received from PSUs.

⁶ Haryana Police Housing Corporation Limited incorporated to perform buildings constructions and civil engineering works for Police department; Haryana Mass Rapid Transport Corporation Limited incorporated to implement the mass rapid transport projects in Haryana; Haryana Medical Services Corporation Limited incorporated to procure drugs and medical equipment on behalf of State Government; Haryana Roadways Engineering Corporation Limited incorporated as bus body building workshop for Haryana Roadways; Haryana Rail Infrastructure Development Corporation Limited incorporated for planning and implementation of railway infrastructure on behalf of State Government.

As on 31 March 2019, the total investment (equity, long term loans and grant/subsidies) in these 27 PSUs was ₹ 9,181.88 crore comprising of investment by Government of Haryana (GoH) of ₹ 2,751.43 crore and by others ₹ 6,430.45 crore. The investment consisted of 7.89 per cent towards equity, 66.20 per cent in long-term loans and 25.91 per cent in grant/subsidy. Of the total long term loans, the State Government loans were only 0.16 per cent (₹ 9.54 crore). Component-wise analysis of grant/subsidy received (₹ 1,380.07 crore) by other than Power sector PSUs during last five years showed that 86.52 per cent (₹ 1,194.07 crore) of the grant/subsidy was for operational and administrative expenses and balance 13.48 per cent was for project funds.

The total investment increased by 105.86 per cent from ₹ 4,460.28 crore in 2014-15 to ₹ 9,181.88 crore in 2018-19. The investment increased mainly due to increase in outstanding long term loans from ₹ 2,711.43 crore during 2014-15 to ₹ 6,078.04 crore during 2018-19. The share of HSIIDC in the outstanding loans was ₹ 5,501.72 crore.

Disinvestment, Restructuring and Privatisation of State PSUs

4.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in these PSUs.

Budgetary Support to State PSUs

4.6 The Government of Haryana provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2019 are as follows:

Table 4.3: Details regarding budgetary support to State PSUs during the years

Particulars ⁷	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	3.10	4	7.71	5	25.44
Loans given (ii)	-	-	-	-	1	8.15
Grants/Subsidy provided (iii)	8	445.08	9	188.60	8	358.36
Total Outgo (i+ii+iii)		448.18		196.31		391.95
Loan repayment/ written off ⁸	1	81.24	-	-	1	215.15
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	3	677.62	3	2,030.52	4	1,071.81
Guarantee Commitment	5	1,084.36	5	3,351.48	5	4,359.35

Source: Compilation based on information received from PSUs.

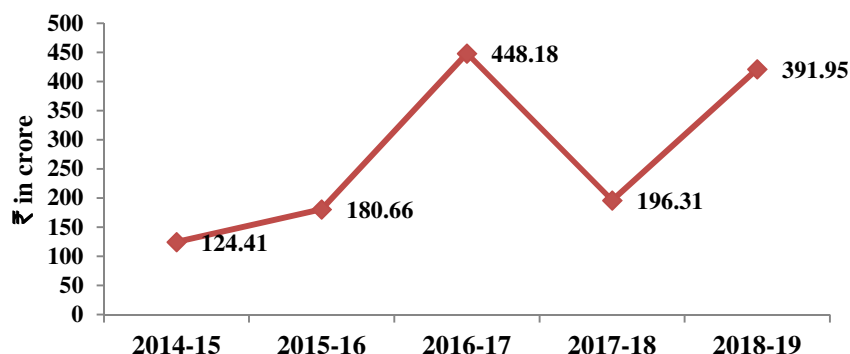
The details regarding budgetary outgo towards equity, loans and

⁷ Amount represents outgo from State Budget only.

⁸ This represents the loans written off in respect of Haryana State Minor Irrigation and Tubewells Corporation Limited and loan repayment is nil.

grants/subsidies for the last five years ending March 2019 are given in graph below:

Chart 4.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary assistance of ₹ 358.36 crore given as grants/ subsidy during the year 2018-19 was primarily for repayment of loan, implementation of schemes and administrative expenses.

GoH provides guarantee for PSUs to seek financial assistance from banks and financial institutions and levies guarantee fees at the rate of 0.125 per cent to two per cent on loans availed by these PSUs. During the year 2018-19, guarantee commission of ₹ 45.41 crore was paid by three⁹ PSUs.

Reconciliation with Finance Accounts of Government of Haryana

4.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Haryana. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is stated below:

Table 4.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Haryana vis-à-vis records of State PSUs

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	553.45	588.65	35.20
Loans	204.08	9.54	194.54
Guarantees	3,903.52	4,359.35	455.83

Source: Compilation based on information received from PSUs and State Finance Accounts.

Audit observed that out of 27 State PSUs, such differences occurred in 18 PSUs as shown in **Appendix 6**. These differences between the figures have been persisting since last several years. The issue of reconciliation of differences has been taken up by the Accountant General (Audit) Haryana

⁹ Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes and Economically Weaker Section Kalyan Nigam Limited and Haryana State Industrial and Infrastructure Development Corporation Limited.

with the concerned PSUs and their Administrative Departments from time to time. Major difference in balances was observed in Haryana Police Housing Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited and Haryana State Minor Irrigation and Tubewells Corporation Limited (an inactive company).

It is recommended that the State Government and respective PSUs should reconcile the differences in accounts in a time-bound manner.

Submission of accounts by State PSUs

4.8 Of these 27 PSUs, 23 are working (21 Companies and two Statutory Corporations) and four are inactive as of 31 March 2019. The status of timelines followed by the State PSUs in preparation of their accounts is detailed below:

Timeliness in preparation of accounts by the working State PSUs

4.8.1 Accounts for the year 2018-19 were required to be submitted by all the PSUs by 30 September 2019. However, out of 21 working Companies, only four Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019.

The CAG is the sole auditor of the two Statutory Corporations¹⁰ of the State. The accounts of both Statutory Corporations for the year 2018-19 were awaited as of 30 September 2019.

Details of arrears in submission of accounts by working PSUs, as on 30 September 2019, are given below:

Table 4.5: Position relating to submission of accounts by the working State PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	20	19	21	23	23
2.	Number of accounts submitted during current year	17	19	14	27	26
3.	Number of working PSUs which finalised accounts for the current year	1	1	1	3	4
4.	Number of previous year accounts finalised during current year	16	18	13	24	22
5.	Number of working PSUs with arrears in accounts	19	18	20	20	19
6.	Number of accounts in arrears	34	35	43	38	35
7.	Extent of arrears (in no. of years)	1-5	1-5	1-5	1-4	1-5

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019.

The concerned Departments were informed quarterly by the Accountant General (Audit) Haryana regarding arrears in finalisation of accounts.

¹⁰ Haryana Financial Corporation and Haryana State Warehousing Corporation.

The GoH had provided ₹ 751.25 crore (Equity ₹ 39.48 crore, Loans ₹ 8.15 crore, Grants/ Subsidy: ₹ 703.62 crore) to nine of the 23 working State PSUs, accounts of which for the year 2018-19 had not been finalised by 30 September 2019. PSU wise details of investment made by State Government during the years, for which accounts are in arrears are shown in *Appendix 7*. The grants/ subsidy was provided to the PSUs for meeting their administrative expenses except for HSIIDC where grant was provided for projects.

Timeliness in preparation of accounts by inactive State PSUs

4.8.2 Of the four inactive PSUs, two PSUs viz. Haryana State Housing Finance Corporation Limited and Haryana Concast Limited were under liquidation. There were arrears in finalisation of accounts by remaining two inactive PSUs, details of which are given below:

Table 4.6: Position relating to arrears of accounts in respect of inactive PSUs as on 30 September 2019

Sl. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Haryana State Minor Irrigation and Tubewells Corporation Limited	2018-19
2.	Haryana Minerals Limited	2018-19

Source: Compilation based on accounts of PSUs received during the period October 2018 to September 2019

Impact of non-finalisation of accounts of State PSUs

4.9 The delay in finalisation of accounts is a violation of the provisions of the relevant Statutes, and it has multiple consequences such as (i) Actual contribution of the PSUs to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature, (ii) It may result in fraud and leakage of public money apart from violation of the provisions of the relevant statutes, (iii) In absence of finalisation of accounts and their subsequent audits, oversight by the Statutory Auditors appointed by the CAG and supplementary audit by the CAG could not be exercised, (iv) It could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved besides being a violation of the provisions of the relevant Statutes, the actual contribution of the PSUs to State GDP for the year 2018-19 could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature. Of the 19 working PSUs with arrears in finalisation of their accounts, six working PSUs had arrears of more than one year in finalisation of their accounts.

It is, therefore, recommended that the Administrative Department should monitor and issue directions to liquidate the arrears in accounts. The Government may also like to look into the constraints faced by PSUs in preparing the accounts and initiate necessary measures.

Placement of Separate Audit Reports of Statutory Corporations in State Legislature

4.10 Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Accounts of both the Statutory Corporations for the 2018-19 were not received for audit by 30 September 2019.

The Status of annual accounts of Statutory Corporations and placement of their SARs in Legislature is detailed in the following table:

Table 4.7: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month of placement of SAR
Haryana Financial Corporation	2016-17	February 2019
	2017-18	Sent to Government on 11 February 2020 for placement
Haryana State Warehousing Corporation	2015-16	21 February 2019
	2016-17	Yet to be placed
	2017-18	Yet to be placed

Source: Compilation based on information furnished by the PSU.

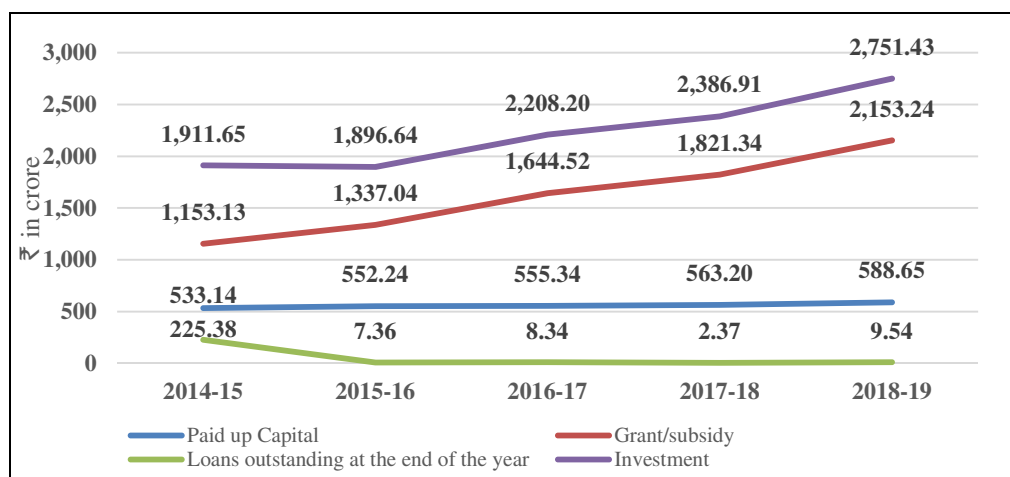
Performance of PSUs

4.11 The financial position and working results of the 27 PSUs, as per their latest finalised accounts, as of 30 September 2019 are detailed in *Appendix-8*.

The PSUs are expected to yield reasonable return on investment made by Government in them. The amount of investment as on 31 March 2019 in the PSUs was ₹ 9,181.88 crore consisting of ₹ 724.38 crore as equity, ₹ 6,078.04 crore as long term loans and ₹ 2,379.46 crore as grants and subsidy. Out of this, State Government had invested ₹ 2,751.43 crore (Equity ₹ 588.65 crore, Long term loans ₹ 9.54 crore and grant/subsidy of ₹ 2,153.24 crore).

The year-wise graph of investment of GoH in the PSUs during the period 2014-15 to 2018-19 is as follows:

Chart 4.2: Total investment of GoH in PSUs



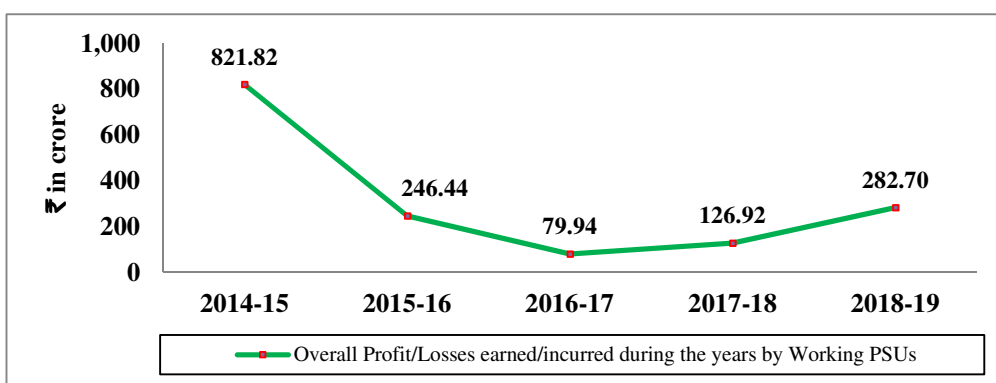
The total investment of GoH in the other than power sector PSUs increased 1.44 times during the period from 2014-15 to 2018-19 as shown in the chart 4.2.

4.12 The financial performance and profitability of a company is traditionally assessed through Return on Investment (ROI), Return on Equity (ROE) and Return on Capital Employed (ROCE) as discussed below.

Return on Investment (ROI)

4.13 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/ losses¹¹ earned/ incurred by the working PSUs during 2014-15 to 2018-19 is depicted below:

Chart 4.3: Profit earned / Losses incurred by working PSUs during the years



The financial results of other than power sector PSUs for the latest year for which accounts were finalised have been summarised in *Appendix-8*.

Of the 23 working PSUs as on 31 March 2019, position of working PSUs which earned/ incurred profit/ loss during 2014-15 to 2018-19 is given below:

Table 4.8: Details of working PSUs which earned profit / incurred loss

Financial Year	Total number ¹² of PSUs	Number of PSUs which earned profits	Number of PSUs which incurred loss	Number of PSUs which had marginal profit/ loss
2014-15	18	14	4	-
2015-16	18	12	6	-
2016-17	18	11	7	-
2017-18	21	14	7	-
2018-19	23	16	5	2 ¹³

(a) Return on Investment on historical cost basis

4.14 Out of 27 PSUs of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 21 PSUs only. The Government has invested ₹ 598.19 crore in these PSUs consisting of equity of ₹ 588.65 crore and long term loans of ₹ 9.54 crore.

¹¹ Figures are as per the latest finalised accounts of the respective years.

¹² Number of Working PSUs which finalised accounts.

¹³ Panipat Plastic Park Haryana Limited and Haryana Rail Infrastructure Development Corporation Limited.

The ROI has been calculated¹⁴ on the investment made by the Government of Haryana in the form of equity, loans and grants/subsidy. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. However, all long term loans of ₹ 9.54 crore are interest bearing loans and there are no interest free loans. Thus, the total investment of State Government in these 21 PSUs on the basis of historical cost was ₹ 2,741.89 crore¹⁵ (Equity of ₹ 588.65 crore and grants/subsidy of ₹ 2,153.24 crore) and investment of others was ₹ 110.39 crore as detailed in Table 4.9.

The sector wise ROI on the basis of historical cost of investment for the period 2014-15 to 2018-19 is as given below:

**Table 4.9: Return on State Government Investments
on the basis of historical cost**

Year	Sector-wise break-up	Total Earnings (₹ in crore)	Funds invested by the GoH in form of Equity, Interest Free Loans and Grant/Subsidy on historical cost (₹ in crore)	Return on State Government investment (per cent)
i	ii	iii	iv	v =iii/iv *100
2014-15	Social Sector	-12.51	272.29	-4.59
	Competitive Sector	804.52	1296.6	62.05
	Others	13.81	117.38	11.77
	Total	805.82	1686.27	47.79
2015-16	Social Sector	-21.95	345.66	-6.35
	Competitive Sector	256.98	1353.73	18.98
	Others	2.58	189.89	1.36
	Total	237.61	1889.28	12.58
2016-17	Social Sector	-65.19	398.55	-16.36
	Competitive Sector	136.25	1534.38	8.88
	Others	0.53	266.92	0.20
	Total	71.59	2199.85	3.25
2017-18	Social Sector	22.01	466.29	4.72
	Competitive Sector	92.52	1557.07	5.94
	Others	1.76	361.19	0.49
	Total	116.29	2384.55	4.88
2018-19	Social Sector	51.43	554.15	9.28
	Competitive Sector	216.34	1643.7	13.16
	Others	4.69	544.04	0.86
	Total	272.46	2741.89	9.94

¹⁴ Though the HFC is a listed corporation, the corporation has not sanctioned fresh loan since May 2010 and the last trading of shares of corporation took place on 13 July 2011 at a price of ₹ 24.65. The share price remained static since then and the same is the current share price *i.e.*, ₹ 24.65. Therefore, the ROI has not been calculated separately.

¹⁵ Long term loans ₹ 9.54 crore not taken in account being interest bearing loans and there are no interest free loans.

The returns on State Government investments improved during 2018-19 over that for the period 2017-18 mainly due to increase in profits of HSIIDC (in competitive sector) and Haryana State Warehousing Corporation (HSWC) (in social sector) during the year 2018-19. Further analysis showed fluctuating trend in the returns on State Government investments in competitive sector which were 62.05 *per cent* in 2014-15 and decreased to 18.98 *per cent* in 2015-16 mainly due to decrease in profits of HSIIDC. This sector's investments returns in 2017-18 were 5.94 *per cent* and 13.16 *per cent* in 2018-19. During 2018-19, competitive sectors returns on investment were highest amongst the three sectors. The return earned during the period 2014-15 to 2018-19 ranged between 3.25 *per cent* and 47.79 *per cent*.

(b) Present Value of Investment

4.15 Analysis of the earnings *vis-à-vis* investments in respect of those 21 State PSUs, where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of ROI is based on which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. Therefore, in addition, Rate of Real Return (RORR) is calculated considering the PV of historical cost of investment.

The PV of the State Government investment in the other than power sector undertakings was computed on the basis of following assumptions:

- Where interest free loans was given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year¹⁶ 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 ROI made by the Government.
- The grants and subsidies given by the State Government less disinvestment had traditionally been considered for arriving at RORR.

The present value of the Government investment has been computed to assess the rate of return on the PV of investment of GoH in the State PSUs as compared to historical value of the investment. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2019, the past investment/year-wise funds infused by the GoH in the State PSUs have

¹⁶ The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on State Finances (Government of Haryana) for the concerned year wherein the average rate for interest paid = $\text{Interest payment} / [(\text{amount of previous year's fiscal liabilities} + \text{Current year's Fiscal Liabilities}) / 2] * 100$.

been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those 21 State PSUs where funds had been infused by the State Government in the shape of equity, interest free loan and grant/subsidies since inception of these companies till 31 March 2019. During the period from 2014-15 to 2018-19, these 21 PSUs had a positive ROI. The ROI for these five years have, therefore, been calculated and depicted on the basis of PV.

For the period 2014-15 to 2018-19, when some of these 21 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to losses. The erosion of net worth of PSUs has been commented upon in Para 4.18.

Rate of Real Return (RORR) on the basis of Present Value of investment

4.16 PSU wise position of State Government investment in these 21 State PSUs in the form of equity on historical cost basis for the period from 1999-2000 to 2018-19 is indicated in **Appendix 9**. Further, consolidated position of net present value (NPV) of the State Government investment relating to these PSUs for the same period is indicated in table below:

Table 4.10: Present value (Real Return) on State Government investment from 1999-2000 to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/ subsidies given by Government for operational and administrative Expenditure	Total investment during the year	Average rate of interest on Government borrowings (in per cent)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year ¹⁷
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii= {vii(1+vi /100)}	ix={vii*vi}/100}	x
Up to 1999-2000	-	164.22	49.95	214.17	12.05	214.17	239.98	25.81	8.96
2000-01	239.98	45.48	73.50	118.98	11.40	358.96	399.88	40.92	-0.22
2001-02	399.88	21.04	98.18	119.22	10.50	519.10	573.60	54.51	7.83
2002-03	573.60	28.04	66.87	94.91	10.74	668.52	740.31	71.80	10.22
2003-04	740.31	11.51	16.19	27.70	10.20	768.01	846.35	78.34	-2.92
2004-05	846.35	2.48	22.04	24.52	8.49	870.87	944.81	73.94	2.84
2005-06	944.81	57.78	31.59	89.37	8.95	1,034.18	1,126.74	92.56	49.76
2006-07	1,126.74	12.16	25.90	38.06	9.20	1,164.80	1,271.96	107.16	-25.97
2007-08	1,271.96	72.07	83.03	155.10	7.43	1,427.05	1,533.08	106.03	-81.43
2008-09	1,533.08	95.92	67.39	163.31	7.82	1,696.39	1,829.05	132.66	176.34
2009-10	1,829.05	4.98	41.96	46.94	9.29	1,875.99	2,050.27	174.28	54.25
2010-11	2,050.27	6.41	98.80	105.21	9.22	2,155.48	2,354.22	198.74	138.45
2011-12	2,354.22	21.28	167.40	188.68	9.73	2,542.90	2,790.32	247.42	98.15
2012-13	2,790.32	-21.98	61.71	39.73	9.86	2,830.05	3,109.09	279.04	123.25
2013-14	3,109.09	2.93	94.88	97.81	9.83	3,206.90	3,522.14	315.24	-93.65

¹⁷ Total earning for the year depicts total of net earnings (Profits/loss) for the concerned year relating to those 21 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profits/loss) for the year has been taken as per latest audited accounts of the concerned PSU.

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/subsidies given by Government for operational and administrative Expenditure	Total investment during the year	Average rate of interest on Government borrowings (in per cent)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earning for the year ¹⁸
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii= {vii(1+vi/100)}	ix={vii*vi}/100}	x
2014-15	3,522.14	8.82	153.74	162.56	9.33	3,684.70	4,028.49	343.78	805.82
2015-16	4,028.49	19.10	183.91	203.01	8.64	4,231.50	4,597.10	365.60	237.61
2016-17	4,597.10	3.10	307.48	310.58	8.00	4,907.68	5,300.29	392.61	71.59
2017-18	5,300.29	7.87	176.82	184.69	8.10	5,484.98	5,929.26	444.28	116.29
2018-19	5,929.26	25.44	331.90	357.34	8.81	6,286.60	6,840.45	553.85	272.46
Total		588.65	2,153.24	2,741.89					

Note: Interest free loans given by the State Government during the years were nil.

During 2000-01 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs during the years 1999-2000 to 2007-08, 2009-10 to 2013-14 and 2015-16 to 2018-19 as three of these PSUs incurred substantial losses during this period. Further, the profit earned by four other PSUs –during the entire period 1999-2018 were also set off towards the losses incurred by these four PSUs due to which the total earnings remained below the minimum expected return from all these PSUs.

Return on present value

4.17 As during the years 2014-15 to 2018-19, the Government had positive returns on investments made in these PSUs, sector-wise comparison of returns on State Government funds at historical cost and at PV for these years is given in table below:

Table 4.11: Return on State Government Funds

Year	Sector-wise break-up	Total Earnings	At Historical Cost		At Present Value (PV)	
			Funds invested by the GoH in form of Equity and Interest Free Loans Grant/Subsidy	Return on investment (per cent)	Investment of GoH at end of year	Rate of Real Return (per cent)
1	2	3	4	5=3/4*100	6	7=3/6*100
2014-15	Social Sector	-12.51	272.29	-4.59	712.61	-1.76
	Competitive Sector	804.52	1296.60	62.05	2,967.10	27.11
	Others	13.81	117.38	11.77	348.78	3.96
	Total	805.82	1686.27	47.79	4,028.49	20.00
2015-16	Social Sector	-21.95	345.66	-6.35	838.51	-2.62
	Competitive Sector	256.98	1353.73	18.98	3,308.41	7.77
	Others	2.58	189.89	1.36	450.18	0.57
	Total	237.61	1889.28	12.58	4,597.10	5.17

¹⁸ Total earning for the year depicts total of net earnings (Profits/loss) for the concerned year relating to those 21 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profits/loss) for the year has been taken as per latest audited accounts of the concerned PSU.

Year	Sector-wise break-up	Total Earnings	At Historical Cost		At Present Value (PV)	
			Funds invested by the GoH in form of Equity and Interest Free Loans Grant/Subsidy	Return on investment (per cent)	Investment of GoH at end of year	Rate of Real Return (per cent)
1	2	3	4	5=3/4*100	6	7=3/6*100
2016-17	Social Sector	-65.19	398.55	-16.36	962.71	-6.77
	Competitive Sector	136.25	1534.38	8.88	3,768.19	3.62
	Others	0.53	266.92	0.20	569.39	0.09
	Total	71.59	2199.85	3.25	5,300.29	1.35
2017-18	Social Sector	22.01	466.29	4.72	1113.92	1.98
	Competitive Sector	92.52	1557.07	5.94	4,097.93	2.26
	Others	1.76	361.19	0.49	717.41	0.25
	Total	116.29	2384.55	4.88	5,929.26	1.96
2018-19	Social Sector	51.43	554.15	9.28	1307.64	3.93
	Competitive Sector	216.34	1643.7	13.16	4553.22	4.75
	Others	4.69	544.04	0.86	979.59	0.48
	Total	272.46	2741.89	9.94	6,840.45	3.98

The returns based on present value were less than returns based on historical cost as indicated in the table above.

Erosion of Net worth

4.18 Net worth means the sum total of the paid-up capital and free reserves and accumulated profits 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 capital investment and accumulated profits of these 27 PSUs as per their latest finalised accounts (as on 30 September 2019) were ₹ 7,911.61 crore and ₹ 1,150.34 crore, respectively resulting in net worth of ₹ 1,917.65 crore as detailed in *Appendix 8*.

The following table indicates total paid-up capital, total accumulated profit/loss and total net worth of the 21 companies where the State Government has made direct investment:

Table 4.12: Net worth¹⁹ of 21 PSUs during 2014-15 to 2018-19

(₹ in crore)					
Year	Paid-up Capital at end of the year	Accumulated Profit (+) Loss (-) at end of the year	Deferred revenue Expenditure	Free reserve	Net Worth
1	2	3	4	5	6 (2+3-4+5)
2014-15	558.66	709.98	2.85	85.00	1,350.79
2015-16	572.37	830.59	1.06	95.78	1,497.68
2016-17	572.37	770.50	1.06	90.89	1,432.70
2017-18	579.77	923.21	1.01	102.88	1,604.85
2018-19	598.79	1,133.91	0.93	100.30	1,832.07

¹⁹ Calculated on the basis of figures of latest finalised accounts in the concerned year.

Out of 21 PSUs, 15 PSUs²⁰ showed positive net worth while net worth of three²¹ PSUs was in negative during 2014-15. During 2015-19, 16-18 PSUs showed positive net worth whereas net worth of three PSUs was in negative. The net worth of nine PSUs decreased during 2014-15 to 2018-19 whereas it increased in respect of 11 PSUs during the same period and it remained same in respect of one PSU.

Dividend Payout

4.19 The State Government had formulated (October 2003) guidelines under which all profit making PSUs are required to pay a minimum return of four *per cent* on the paid-up share capital contributed by the State Government. Further, dividend should be declared in the Annual General Meeting (AGM) based on the recommendations of the Board of Directors.

Dividend Payout relating to 21 PSUs (including two inactive PSUs) where equity was infused by GoH during the period 2014-15 to 2018-19 is shown in table below:

Table 4.13: Dividend Payout of 21 PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoH		PSUs which earned profit as per latest finalised accounts		PSUs which declared/ paid dividend		Dividend Payout Ratio (per cent)
	Number of PSUs	Equity infused by GoH	Number of PSUs	Equity infused by GoH	Number of PSUs	Dividend Declared / paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2014-15	19	533.14	12	393.46	3	6.25	1.59
2015-16	19	552.24	10	475.18	3	5.64	1.19
2016-17	20	555.33	10	498.85	4	6.85	1.37
2017-18	21	563.20	11	301.13	1	5.00	1.66
2018-19	21	588.65	14 [#]	292.22	1	2.15	0.74

Out of 14 PSUs, the accounts of three PSUs were received prior to October 2018. Apart from this, one PSU (Haryana Tourism Corporation Limited) submitted three accounts for the years 2015-16 to 2017-18, but earned profits in 2015-16 only. It makes total tally of PSUs earning profit to 12 which submitted their accounts during October 2018 to September 2019 (Appendix 8).

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 10 and 14. During this period, however, number of PSUs which declared/ paid dividend was between one and four only. Only one PSU²² declared dividend during 2017-18 and 2018-19.

²⁰ Haryana Land Reclamation and Development Corporation Limited, Haryana Seeds Development Corporation Limited, Haryana Forest Development Corporation Limited, Haryana Scheduled Castes Finance and Development Corporation Limited, Haryana Backward Classes Kalyan Nigam Limited, Haryana Women Development Corporation Limited, Haryana State Industrial and Infrastructure Development Corporation Limited, Haryana Police Housing Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited, Haryana Tourism Corporation Limited, Haryana Roadways Engineering Corporation Limited, Haryana State Electronics Development Corporation Limited, Haryana State Warehousing Corporation, Haryana Financial Corporation and Haryana Mass Rapid Transport Corporation Limited.

²¹ Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Concast Limited and Haryana Agro Industries Corporation Limited.

²² Haryana State Warehousing Corporation.

It is recommended that the Government may take up the matter through its nominees on the Board of Directors.

Return on Equity

4.20 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund or net worth of a Company is calculated by adding paid-up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

ROE has been computed in respect of 21 PSUs where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to 21 PSUs during the period from 2014-15 to 2018-19 are given in table below:

Table 4.14: Return on Equity relating to 21 PSUs where funds were infused by the GoH

Year	Profit making/ Loss making	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (per cent)
2014-15	Profit Making	868.40	1,645.11	52.79
	Loss Making	-62.58	-294.32	-21.26
Total		805.82	1,350.79	59.66
2015-16	Profit Making	299.84	1,793.86	16.71
	Loss Making	-62.23	-296.18	-21.01
Total		237.61	1,497.68	15.87
2016-17	Profit Making	171.97	1,868.44	9.20
	Loss Making	-100.38	-435.74	-23.04
Total		71.59	1,432.7	5.00
2017-18	Profit Making	137.26	1,773.96	7.74
	Loss Making	-20.97	-169.11	-12.40
Total		116.29	1,604.85	7.25
2018-19	Profit Making	302.40	2,045.58	14.78
	Loss Making	-29.94	-213.51	-14.02
Total		272.46	1,832.07	14.87

Return on Capital Employed

4.21 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's Earnings Before Interest and

Taxes (EBIT) by the capital employed²³. The details of total ROCE of all the State PSUs having positive capital employed during the period from 2014-15 to 2018-19 are given in table below:

Table 4.15: Return on Capital Employed

Year	Profit / Loss Making	No. of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (per cent)
2014-15	Profit Making	14	1,657.92	3,847.02	43.10
	Loss Making	3	140.64	164.42	85.54
Total		17	1,798.56	4,011.44	44.84
2015-16	Profit Making	12	671.39	3,806.96	17.64
	Loss Making	5	-4.48	168.23	-2.66
Total		17	666.91	3,975.19	16.78
2016-17	Profit Making	11	563.43	4,356.18	12.93
	Loss Making	7	-4.06	108.07	-3.76
Total		18	559.37	4,464.25	12.53
2017-18	Profit Making	13	684.184	5,921.92	11.55
	Loss Making	7	-6.639	222.53	-2.98
Total		20	677.545	6,144.45	11.03
2018-19	Profit Making	16	1,146.00	8,196.93	13.98
	Loss Making	6	-20.10	178.27	-11.28
Total		22	1,125.90	8,375.20	13.44

Analysis of Long Term Loans of the PSUs

4.22 Analysis of the long term loans of the PSUs during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed by them to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.23 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage

²³ Capital employed = Paid-up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

ratio during the period from 2014-15 to 2018-19 are given in the following table:

Table 4.16: Interest Coverage Ratio relating to State PSUs.

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio equal to or less than one
2014-15	543.21	1,682.35	8	4	4
2015-16	438.22	633.21	8	4	4
2016-17	395.77	443.62	6	4	2
2017-18	540.80	720.77	7	5	2
2018-19	788.42	1,162.04	7	4	3

Debt Turnover Ratio

4.24 During the last five years, the turnover of these PSUs recorded compounded annual growth of (-) 12.59 per cent whereas compounded annual growth of debt was 21.68 per cent due to which the debt turnover ratio fell from 0.25 in 2014-15 to 1.32 in 2018-19 as given in table below:

Table 4.17: Debt Turnover Ratio relating to the State PSUs

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	2,247.13	2,073.13	2,500.12	4,046.12	5,993.96
Turnover	8,891.35	4,633.78	4,100.32	4,564.52	4,536.78
Debt-Turnover Ratio	0.25:1	0.45:1	0.61:1	0.87:1	1.32:1

Source: Compilation based on latest audited accounts of the concerned PSUs.

Winding up of Inactive State PSUs

4.25 Four of the 27 State PSUs were inactive companies having a total investment of ₹ 21.67 crore towards capital (₹ 17.98 crore) and long term loans (₹ 3.69 crore) as on 31 March 2019 as shown in **Appendix 5**. The numbers of inactive State PSUs at the end of each year during last five years ended 31 March 2019 are given below:

Table 4.18: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	4	4	4	4	4

Source: Compiled from the information included in Audit Report (PSU), GoH of respective years.

The liquidation process of two PSUs²⁴ had commenced 15 to 20 years ago and is not complete. The Government may like to take appropriate early decision regarding their winding up.

²⁴ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

Comments on Accounts of PSUs

4.26 Seventeen working companies forwarded 24 audited accounts to the Principal Accountant General (Audit) during the period from 1 October 2018 to 30 September 2019. Of these, 16 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 4.19: Impact of audit comments on Working Companies

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	8	14.66	6	39.15	-	-	5	25.56
2.	Increase in profit	-	-	-	-	6	6.19	-	-
3.	Increase in loss	6	40.16	3	4.48	4	8.56	2	1.56
4.	Decrease in loss	-	-	-	-	-	-	2	0.07
5.	Non-disclosure of material facts	6	1,426.81	2	111.17	3	19.44	5	56.62
6.	Errors of classification	8	188.85	4	49.74	1	10.66	4	71.23

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

During the period October 2018 to September 2019, the Statutory Auditors had issued qualified certificates on 16 accounts. Compliance to the Accounting Standards by the PSUs was poor. The Statutory Auditors pointed out 38 instances of non-compliance to the Accounting Standards in 13 number of accounts.

4.27 The State has two Statutory Corporations *i.e.*, (i) Haryana Financial Corporation (HFC) and (ii) Haryana State Warehousing Corporation (HSWC). Both forwarded their accounts for the year 2017-18 for supplementary audit during the period October 2018 to September 2019 which have been finalised.

Both accounts were selected for supplementary audit. The Statutory Auditors had given qualified certificate on annual accounts of HSWC and unqualified certificate in case of HFC for the year 2017-18.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are

given in following table:

Table 4.20: Impact of audit comments on Statutory Corporations

Sl. No.	Particulars	2015-16		2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	3	7.49	3	10.71	-	-	1	1.16
2.	Increase in profit	-	-	-	-	2	2.94	1	2.80
3.	Increase in loss	-	-	-	-	-	-	1	0.11
4.	Decrease in loss	-	-	-	-	-	-	-	-
5.	Non-disclosure of material facts	2	7.07	2	1.23	-	-	2	6.81
6.	Errors of classification	2	28.82	2	19.99	-	-	1	2.16

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

Compliance Audit Paragraphs

4.28 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, seven compliance audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Administrative Departments with request to furnish replies. Replies on five compliance audit paragraphs have not been received from the State Government. The total financial impact of the compliance audit paragraphs is ₹ 70.12 crore.

Follow up action on Audit Reports

Replies outstanding

4.29 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Haryana issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG 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).

Table 4.21: Position of explanatory notes on Audit Reports related to PSUs (as on 30 April 2020)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to other than Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	14 March 2016	1	7	-	-
2015-16	27 February 2017	-	5	-	-
2016-17	14 March 2018	1	4	-	2
2017-18	26 November 2019	-	8	-	6

Source: Compilation based on explanatory notes received from respective Departments of GoH.

Explanatory notes on eight compliance audit paragraphs were pending with four departments till 30 April 2020.

Discussion of Audit Reports by COPU

4.30 The status of discussion of Performance Audits and paragraphs related to PSUs that appeared in Audit Reports (PSUs) by the COPU as on 30 April 2020 was as under:

Table 4.22: Performance Audits/ Paragraphs appeared in Audit Reports vis-à-vis discussed as on 30 April 2020

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2014-15	1	7	1	7
2015-16	-	5	-	1
2016-17	1	4	-	-
2017-18	-	8	-	-

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

The discussion on Audit Reports (PSUs) up to 2014-15 has been completed.

Compliance to Reports of COPU

4.31 Action Taken Notes (ATNs) on six reports of the COPU relating to the State PSUs presented to the State Legislature between March 2011 and March 2019 had not been received (30 April 2020) as indicated in the following table:

Table 4.23: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	Number of recommendations where ATNs not received
2010-11	1	8	1 (Para No. 8)
2011-12	1	5	1 (Para No. 3)
2012-13	1	11	-
2013-14	1	7	2 (Para No. 5 and 6)
2014-15	1	8	1 (Para No. 5)
2015-16	1	12	-
2016-17	1	8	-
2017-18	1	15	7 (Para No. 15, 19 to 24)
2018-19	1	2	2 (Para No. 6 and 7)
2019-20	1	5	5 (Para No. 1 to 4 and 9)
Total	10	81	19

Source: Compilation based on ATNs received on recommendations of COPU from the respective Departments of GoH.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs which appeared in the Reports of the CAG of India for the period 2006-07 to 2015-16.