

Part II

Chapter IV

Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

4.1 There were 27 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were 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. Four⁴ Government Companies had not commenced commercial activities till 31 March 2018.

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 six joint venture/ subsidiary companies was contributed by the 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 2018:

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

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	3,006.57	8,891.35	4,633.78	4,100.32	4,564.52
GSDP of Haryana	3,95,747.73	4,41,864.26	4,92,656.90	4,34,607.93	6,08,470.73
Percentage of Turnover to GSDP of Haryana	0.76	2.01	0.94	0.94	0.75

Source: Compilation based on turnover figures of working PSUs and GSDP figures as per information supplied by Department of Economic and Statistical analysis, Government of Haryana.

¹ Haryana State Warehousing Corporation and Haryana Financial Corporation.

² Hartron Informatics Limited incorporated (8 March 1995) as subsidiary company of Haryana State Electronics Development Corporation Limited and Panipat Plastic Park Haryana Limited, incorporated (27 December 2016) as subsidiary company of Haryana State Industrial and Infrastructure Development Corporation Limited.

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, Panipat Plastic Park Haryana Limited, Faridabad Smart City Limited and Gurugram Metropolitan City Bus Limited.

The turnover of these PSUs increased during 2013-14, 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 increase in turnover noticed in the year 2014-15 is due to change in method of preparation of accounts by Haryana State Industrial and Infrastructure Development Corporation Limited (HSIIDC) from cash basis to accrual basis. The increase in turnover ranged between 11.32 *per cent* and 195.73 *per cent* during the period 2013-18, 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 11.67 *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 11.67 *per cent* of the GSDP, the turnover of these undertakings recorded higher compounded annual growth of 16.49 *per cent* during last five years. There was marginal decrease in share of turnover of these PSUs compared to the GSDP, from 0.76 *per cent* in 2013-14 to 0.75 *per cent* in 2017-18.

Investment in State PSUs

4.3 There are some PSUs which function as instruments of the State Government, to provide certain services to which the private sector may not be willing to extend due to various reasons. Besides, 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, five⁵ 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 2018 are detailed in *Appendix 5*.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below:

Table 4.2: Sector-wise investment in State PSUs

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	9	136.97	149.85	286.82
PSUs in Competitive Environment	13	491.84	5,277.91	5,769.75
Others	5	45.75	337.50	383.25
Total	27	674.56	5,765.26	6,439.82

Source: Compilation based on information received from PSUs.

⁵ Haryana Police Housing Corporation Limited incorporated to perform buildings constructions and civil engineering works for Police Department; Haryana Mass Rapid Transport corporation was 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 and Haryana Rail Infrastructure Limited incorporated for Planning and Implementation of Railway Infrastructure on behalf of State Government.

As on 31 March 2018, the total investment (equity and long term loans) in these 27 PSUs was ₹ 6,439.82 crore. The investment consisted of 10.47 *per cent* towards equity and 89.53 *per cent* in long-term loans. Of the long term loans availed by these PSUs, the State Government loans were only 0.04 *per cent* (₹ 2.37 crore).

The investment had increased by 88.67 *per cent* from ₹ 3,413.28 crore in 2013-14 to ₹ 6,439.82 crore in 2017-18. The investment increased mainly due to increase in outstanding long term loans from ₹ 2,832.57 crore during 2013-14 to ₹ 5,765.26 crore during 2017-18. The share of HSIIDC in the outstanding loans was ₹ 5,274.22 crore.

Disinvestment, restructuring and privatisation of State PSUs

4.5 During the year 2017-18, 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 (GoH) 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 2018 are as follows:

Table 4.3: Details regarding budgetary support to State PSUs during the years
(₹ in crore)

Particulars ⁶	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	5	19.11	2	3.10	4	7.71
Loans given (ii)	0	0	0	0	0	0
Grants/Subsidy provided (iii)	9	161.55	8	445.08	9	188.60
Total Outgo (i+ii+iii)		180.66		448.18		196.31
Loan repayment written off	-	-	1	81.24	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	3	575.64	3	677.62	3	2,030.52
Guarantee Commitment	5	974.49	5	1,084.36	5	3,351.48

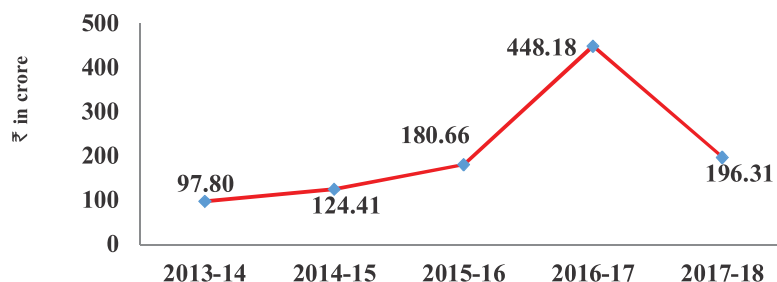
Source: Compilation based on information received from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/

⁶ Amount represents outgo from State Budget only.

subsidies for the last five years ending March 2018 are given in graph below:

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



The annual budgetary assistance to these PSUs ranged between ₹ 97.80 crore and ₹ 448.18 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 196.31 crore given during the year 2017-18 included in the form of equity and grants/ subsidy. The State Government did not provide any loan assistance to these PSUs during 2017-18. The subsidy/ grants given by the State Government was primarily to provide for waiver of loan and administrative expenses.

GoH provides guarantee for PSUs to seek financial assistance from banks and Financial Institutions (FIs). The State Government levies guarantee fees at the rate of 0.125 *per cent* to two *per cent* on loans availed by these PSUs from banks/ FIs with effect from 1 August 2001. Outstanding guarantee commitments had increased by 573.82 *per cent* from ₹ 497.38 crore in 2013-14 to ₹ 3,351.48 crore in 2017-18. During the year 2017-18, guarantee commission of ₹ 6.02 crore was paid by two⁷ 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 GoH. 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 2018 is stated below:

Table 4.4: Equity, loans and guarantees outstanding as per Finance Accounts of GoH 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	587.68	563.15	24.48
Loans	183.09	216.54	33.45
Guarantees	2,843.71	3,351.48	507.77

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

⁷ Haryana Schedule Castes Finance and Development Corporation Limited and Haryana Police Housing Corporation Limited.

Audit observed that out of 27 State PSUs, such differences occurred in 12 PSUs as shown in **Appendix 6**. These differences between the figures have been persisting since last many years. The issue of reconciliation of differences has been taken up by the Principal Accountant General (Audit), Haryana with the concerned PSUs and their Administrative Departments from time to time. Major difference in balances was observed in Haryana Police Housing Corporation Limited and Haryana State Minor Irrigation and Tubewells Corporation Limited (inactive company). The non-reconciliation of figures may lead to fraud and leakage of public money apart from violation of the provisions of the relevant statutes. We, therefore, recommend that the State Government and respective PSUs should reconcile the differences 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 2018. 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 2017-18 were required to be submitted by all the PSUs by 30 September 2018. However, out of 21 working Companies, only three Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018.

The CAG is not the sole auditor of both Statutory Corporations of the State. The accounts of both Statutory Corporations for the year 2017-18 were awaited as of 30 September 2018.

Details of arrears in submission of accounts by working PSUs, as on 30 September 2018, are given below:

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

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	18	20	19	21	23
2.	Number of accounts submitted during current year	16	17	19	14	27
3.	Number of working PSUs which finalised accounts for the current year	1	1	1	1	3
4.	Number of previous year accounts finalised during current year	15	16	18	13	24
5.	Number of working PSUs with arrears in accounts	17	19	18	20	20
6.	Number of accounts in arrears	33	34	35	43	38
7.	Extent of arrears (no. of years)	1-4	1-5	1-5	1-5	1-4

Source: Compilation based on accounts of PSUs received during the period 1 October 2017 to 30 September 2018.

Of these 23 working State PSUs, 19 PSUs finalised their 27 annual accounts (3 annual accounts for the year 2017-18 and 24 annual accounts for previous years) during the period 1 October 2017 to 30 September 2018. Further, 38 annual

accounts pertaining to 20 PSUs were in arrears. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed quarterly by the Principal Accountant General (Audit) Haryana regarding arrear in finalisation of accounts.

The GoH had provided ₹ 635.16 crore (Equity: ₹ 27.03 crore, Grants/ Subsidy: ₹ 608.13 crore) to nine of the 21 working State PSUs, finalisation of accounts of which had not been finalised by 30 September 2018. PSU wise details of investment made by State Government during the years, for which accounts are in arrears are shown in **Appendix 7**. However, 10 accounts of nine of these working State PSUs were finalised and submitted for audit during the period from October 2018 to December 2018 whereas 28 accounts pertaining to 20 working State PSUs were awaited till December 2018.

In absence of finalisation of accounts and their subsequent audit in remaining PSUs, 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. The GoH investment in these PSUs, therefore, remained outside the oversight of State Legislature.

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 2018

Sl. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Haryana State Minor Irrigation and Tubewells Corporation	2017-18
2.	Haryana Minerals Limited	2017-18

Source: Compilation based on accounts of PSUs received during the period October 2017 to September 2018.

The accounts of Haryana Minerals Limited have since been received and audited and those of Haryana State Minor Irrigation and Tubewells Corporation Limited were awaited till December 2018.

Placement of Separate Audit Reports of Statutory Corporations in State Legislature

4.9 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 2017-18 were not received for audit by 30 September 2018.

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

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
Haryana State Warehousing Corporation	2015-16	February 2019
	2016-17	Yet to be placed

Impact of non-finalisation of accounts of State PSUs

4.10 As pointed in paragraph 4.8.1, the delay in finalisation of accounts may also result in fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of these PSUs to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

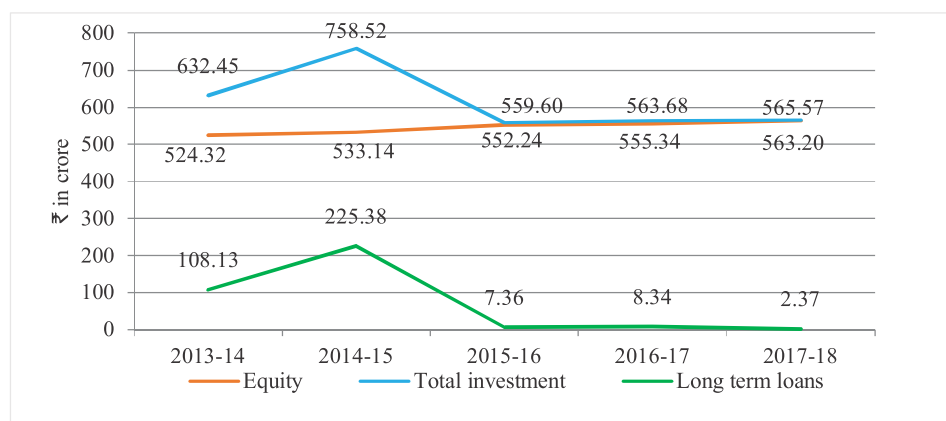
Performance of PSUs

4.11 The financial position and working results of these 27 PSUs as per their latest finalised accounts as of 30 September 2018 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 2018 in the PSUs was ₹ 6,439.82 crore consisting of ₹ 674.56 crore as equity and ₹ 5,765.26 crore as long term loans. Out of this, State Government had invested ₹ 565.57 crore (Equity: ₹ 563.20 crore and Long term loans: ₹ 2.37 crore).

The year-wise statement of investment of GoH in the PSUs during the period 2013-14 to 2017-18 is as follows:

Chart 4.2: Total investment of GoH in PSUs

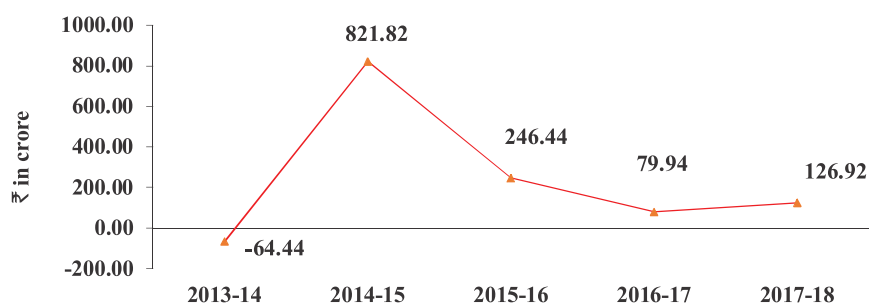


4.12 The profitability of a company is traditionally assessed through Return on Investment, Return on Equity and Return on Capital Employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of Equity and Long term loans (only interest free loans) and is expressed as a percentage of profit to total investment. Return on equity is a measure of performance calculated by dividing net profit after tax by Shareholders' fund. Return on capital employed 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 Investment

4.13 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/ losses⁸ earned/ incurred by the working PSUs during 2013-14 to 2017-18 is depicted below:

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



As compared to losses of ₹ 64.44 crore incurred by working PSUs in 2013-14, they earned profit of ₹ 126.92 crore in 2017-18. The increase in profits noticed in the year 2014-15 is due to change in method of preparation of accounts by HSIIDC from cash basis to accrual basis which resulted in Company booking profits of ₹ 1,119.64 crore. According to latest finalised accounts of 21⁹ working PSUs, 14 PSUs earned profit of ₹ 139.21 crore and seven PSUs incurred losses of ₹ 12.29 crore as detailed in **Appendix 8**.

The top profit making companies were HSIIDC (₹ 92.24 crore) and Haryana State Warehousing Corporation (₹ 28.64 crore). Haryana Seeds Development Corporation Limited (₹ 5.75 crore) and Haryana Financial Corporation (₹ 3.84 crore) incurred losses.

⁸ Figures are as per the latest finalised accounts of the respective years.

⁹ Two working PSUs did not submit their first accounts.

Of 21 working PSUs as on 31 March 2018, position of working PSUs which earned/ incurred profit/ loss during 2013-14 to 2017-18 is given below:

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

Financial Year	Total number ¹⁰ of PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2013-14	18	14	2	2
2014-15	18	14	4	-
2015-16	18	12	6	-
2016-17	18	11	7	-
2017-18	21	14	7	-

(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 ₹ 565.57 crore in these PSUs consisting of equity of ₹ 563.20 crore and Long term loans of ₹ 2.37 crore.

The Return on Investment has been calculated on the investment made by the GoH in the form of equity and loans. 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. All long term loans of ₹ 2.37 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 ₹ 563.20 crore¹¹ as detailed in Table 4.9. The funds made available in the forms of the grants/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

The sector wise return on investment on the basis of historical cost of investment

¹⁰ Number of working PSUs which finalised accounts.

¹¹ Long term loans of ₹ 2.37 crore not taken in account being interest bearing loans and there are no interest free loans.

for the period 2013-14 to 2017-18 is as given below:

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

Year-wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoH in form of Equity and Interest Free Loans on historical cost basis	Return on State Government investment on historical cost basis (<i>per cent</i>)
2013-14			
Social Sector	-189.81	83.90	-226.23
Competitive Sector	93.85	408.31	22.98
Others	2.31	32.11	7.19
Total	-93.65	524.32	-17.86
2014-15			
Social Sector	-12.51	86.09	-14.53
Competitive Sector	804.52	409.94	196.25
Others	13.81	37.11	37.21
Total	805.82	533.14	151.15
2015-16			
Social Sector	-21.95	100.33	-21.88
Competitive Sector	256.98	414.75	61.96
Others	2.58	37.16	6.94
Total	237.61	552.24	43.03
2016-17			
Social Sector	-65.19	102.49	-63.60
Competitive Sector	136.25	415.68	32.78
Others	0.53	37.16	1.43
Total	71.59	555.33	12.89
2017-18			
Social Sector	22.01	104.99	20.96
Competitive Sector	92.52	416.87	22.19
Others	1.76	41.34	4.26
Total	116.29	563.20	20.65

The return on State Government investment is worked out by dividing the total earnings¹² of these PSUs by the cost of the State Government investments. The return earned on State Government investment ranged between -17.86 *per cent* and 151.15 *per cent* during the period 2013-14 to 2017-18. The return on State Government investment improved during 2017-18 in comparison to that for the period 2016-17 mainly due to increase in profits of HSIIDC in competitive sector and Haryana State Warehousing Corporation in social sector during the year 2017-18. HSIIDC contributed ₹ 92.24 crore out of ₹ 116.29 crore total earnings recorded in 2017-18 whereas investment of GoH was only ₹ 48.85 crore. Further analysis revealed that the return on State Government Investment from competitive sector has shown a fluctuating trend. The returns from competitive sector increased substantially from 22.98 *per cent* in 2013-14 to 196.25 *per cent* in 2014-15 mainly due to increase in profits of HSIIDC. This sector recorded decrease in returns during 2015-16 (61.96 *per cent*), 2016-17 (32.78 *per cent*) and 2017-18 (22.19 *per cent*) but its overall contribution was maximum.

¹² This includes net profit/ losses relating to those 21 State PSUs where the investments have been made by the State Government on the basis of latest finalised accounts during concerned year.

(b) Return on Investment on the basis of Present Value of Investment

4.15 An 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 return based only on the basis of historical cost of investment 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. The PV 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 2018, the past investment/year-wise funds infused by the GoH in the State PSUs have 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 and interest free loan since inception of these companies till 31 March 2018. During the period from 2013-14 to 2017-18, these 21 PSUs had a positive return on investment during the years 2014-15 to 2017-18. The return on investment for these four years have, therefore, been calculated and depicted on the basis of PV.

The PV of the State Government investment in PSUs was computed on the following assumptions:

- The funds made available in the form of grant/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in Para 4.6.
- The average rate of interest on Government borrowings for the concerned financial year¹³ 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 investment made by the government.

For the year 2013-14 when 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 the company is commented upon in Para 4.18.

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 2017-18 is indicated in **Appendix 9**. Further, consolidated position of PV of the State Government investment relating to these PSUs for the same

¹³ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (GoH) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

period is indicated in table below:

Table 4.10: Year wise details of investment by the State Government and PV of Government investment for the period from 1999-2000 to 2017-18

(₹ in crore)

Financial year	PV of total investment at the beginning of the year	Equity infused by the State Govt. during the year	Interest free loans given by the State Govt. during the year	Total investment during the year	Average rate of interest on Govt. borrowings (in per cent)	Total investment at the end of the year	PV of total investment at the end of the year	Minimum expected return to recover cost of funds for the year ¹⁴	Total earning for the year ¹⁵
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	-	164.22	12.05	164.22	184.01	19.79	8.96
2000-01	184.01	45.48	-	45.48	11.40	229.49	255.65	26.16	-0.22
2001-02	255.65	21.04	-	21.04	10.50	276.69	305.74	29.05	7.83
2002-03	305.74	28.04	-	28.04	10.74	333.78	369.63	35.85	10.22
2003-04	369.63	11.51	-	11.51	10.20	381.14	420.02	38.88	-2.92
2004-05	420.02	2.48	-	2.48	8.49	422.50	458.37	35.87	2.84
2005-06	458.37	57.78	-	57.78	8.95	516.15	562.34	46.20	49.76
2006-07	562.34	12.16	-	12.16	9.20	574.50	627.36	52.85	-25.97
2007-08	627.36	72.07	-	72.07	7.43	699.43	751.39	51.97	-81.43
2008-09	751.39	95.92	-	95.92	7.82	847.31	913.57	66.26	176.34
2009-10	913.57	4.98	-	4.98	9.29	918.55	1,003.89	85.33	54.25
2010-11	1,003.89	6.41	-	6.41	9.22	1,010.30	1,103.45	93.15	138.45
2011-12	1,103.45	21.28	-	21.28	9.73	1,124.73	1,234.16	109.44	98.15
2012-13	1,234.16	-21.98	-	-21.98	9.86	1,212.18	1,331.70	119.52	123.25
2013-14	1,331.70	2.93	-	2.93	9.83	1,334.63	1,465.83	131.19	-93.65
2014-15	1,465.83	8.82	-	8.82	9.33	1,474.65	1,612.23	137.58	805.82
2015-16	1,612.23	19.10	-	19.10	8.64	1,631.33	1,772.28	140.95	237.61
2016-17	1,772.28	3.09	-	3.09	8.00	1,775.37	1,917.40	142.03	71.59
2017-18	1,917.41	7.87	-	7.87	8.10	1,925.27	2,081.22	155.95	116.29
Total		563.20	-	563.20					

The balance of investment by the State Government in these PSUs at the end of the year 2017-18 increased to ₹ 563.20 crore from ₹ 164.22 crore in 1999-2000 as the State Government made further investments in shape of equity during the period 2000-01 to 2017-18. The PV of funds infused by the State Government up to 31 March 2018 amounted to ₹ 2,081.22 crore. During 2000-01 to 2017-18, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs during 1999-2000 to 2004-05, 2006-07, 2007-08, 2009-10, 2011-12, 2013-14 and 2016-17 to 2017-18 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.

A further analysis of three profit making PSUs *i.e.*, HSIIDC, Haryana Roadways Engineering Corporation Limited (HREC) and Haryana State Electronics Development Corporation Limited (HARTRON) earned profits during the period 2000 to 2018 revealed that these PSUs could register profits because of

¹⁴ PV of total investment at the end of the year- Total investment at the end of the year

¹⁵ 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 (profit/ loss) for the year has been taken as per latest audited accounts of the concerned PSU.

their monopolistic advantage in the market like HSIIDC earned substantial income from activities connected to allotment of land which in turn is attributed to it being permitted by the State Government to acquire Government land at concessional rates and it being the only agency in the State which has the right to develop and allot land for institutional purposes.

4.17 As during the years 2014-15 to 2017-18, 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

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings	Funds invested by the GoH in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (<i>per cent</i>)	PV of the State Govt. investment at end of the year	Return on State Govt. investment considering the PV of the investments (<i>per cent</i>)
2014-15					
Social Sector	-12.51	86.09	-14.53	291.72	-4.29
Competitive Sector	804.52	409.94	196.25	1,190.67	67.57
Others	13.81	37.11	37.21	129.84	10.64
Total	805.82	533.14	151.15	1,612.23	49.98
2015-16					
Social Sector	-21.95	100.33	-21.88	332.39	-6.60
Competitive Sector	256.98	414.75	61.96	1,298.77	19.79
Others	2.58	37.16	6.94	141.12	1.83
Total	237.61	552.24	43.03	1,772.28	13.41
2016-17					
Social Sector	-65.19	102.49	-63.60	361.32	-18.04
Competitive Sector	136.25	415.68	32.78	1,403.68	9.71
Others	0.53	37.16	1.43	152.41	0.35
Total	71.59	555.33	12.89	1,917.41	3.73
2017-18					
Social Sector	22.01	104.99	20.96	393.29	5.60
Competitive Sector	92.52	416.87	22.19	1,518.66	6.09
Others	1.76	41.34	4.26	169.27	1.04
Total	116.29	563.20	20.65	2,081.22	5.59

The return earned on State Government investment on historical cost basis was 151.15 *per cent* in 2014-15, it declined to 20.65 *per cent* during 2017-18 whereas the returns earned on State Government funds considering the PV of the investments were 49.98 *per cent* and 5.59 *per cent* during the same period.

Erosion of Net worth

4.18 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the 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 losses of these 27 PSUs as per their latest finalised accounts (as on 30 September 2018) were ₹ 5,681 crore and ₹ 934.07 crore respectively resulting in net worth of ₹ 1,635.89 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 worth¹⁶ of 21 PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Paid 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)
2013-14	555.26	-35.21	2.07	28.86	546.84
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

As can be seen, the net worth of these companies increased during the period. It increased from ₹ 546.84 crore in 2013-14 to ₹ 1,604.85 crore in 2017-18. Out of 21 PSUs, 16 PSUs¹⁷ showed positive net worth and net worth of 2¹⁸ PSUs was in negative during 2013-14. During 2014-15 to 2017-18, 17 PSUs showed positive net worth whereas net worth of three PSUs was in negative. The net worth of five PSUs decreased during 2013-14 to 2017-18 whereas it increased in respect of 14 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) a dividend policy under which all profit making PSUs are required to pay a minimum return of four *per cent* on the paid up share capital of the State Government.

Dividend Payout relating to 21 PSUs where equity was infused by GoH during

¹⁶ Calculated on the basis of figures of latest finalised accounts in the concerned year.

¹⁷ 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, HSIIDC, Haryana Police Housing Corporation Limited, Haryana State Roads and Bridges Development Corporation Limited, Haryana Tourism Corporation Limited, HREC, HARTRON, Haryana State Warehousing Corporation, Haryana Financial Corporation, Haryana Agro Industries Corporation Limited and Haryana Mass Rapid Transport Corporation Limited.

¹⁸ Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Concast Limited.

the period is shown in table below:

Table 4.13: Dividend Payout of 21 PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoH		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		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
2013-14	18	524.32	12	405.45	2	6.89	1.70
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

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 10 and 12. During this period, number of PSUs which declared/ paid dividend to GoH ranged between one and four PSUs.

The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 1.19 *per cent* and 1.70 *per cent* only. One PSU declared dividend during 2017-18 which was higher than the prescribed limit.

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 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 2013-14 to 2017-18 are given in table below:

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

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (per cent)
2013-14	-93.65	546.84	-
2014-15	805.82	1,350.79	59.66
2015-16	237.61	1,497.68	15.87
2016-17	71.59	1,432.70	5.00
2017-18	116.29	1,604.85	7.25

During the last five years period ended March 2018, the Net Income was positive during 2014-15 to 2017-18 and the ROE during these years ranged between 5.00 *per cent* and 59.66 *per cent*. Since the Net Income of these PSUs during 2013-14 was negative, ROE in respect of these PSUs could not be worked out for this period.

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 employed¹⁹. The details of total ROCE of all the 27 State PSUs together during the period from 2013-14 to 2017-18 are given in table below:

Table 4.15: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (<i>per cent</i>)
2013-14	1,331.71	3,401.05	39.16
2014-15	1,958.73	3,619.29	54.12
2015-16	831.19	3,601.11	23.08
2016-17	580.41	3,961.86	14.65
2017-18	756.77	5,681.00	13.32

The ROCE of these PSUs ranged between 13.32 *per cent* and 54.12 *per cent* during the period 2013-14 to 2017-18.

Analysis of long term loans of the PSUs

4.22 Analysis of the long term loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other FIs. 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 ratio during the period from 2013-14 to 2017-18 are

¹⁹ 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.

given in table below:

Table 4.16: Interest Coverage Ratio relating to State PSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of PSUs having liability of loans from Govt. and Banks and other FIs	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2013-14	268.89	349.20	10	7	3
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

Of the seven State PSUs having liability of loans from Government as well as banks and other FIs during 2017-18, five PSUs had interest coverage ratio of more than one whereas remaining two PSUs had interest coverage ratio below one which indicates that these two PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

4.24 During the last five years, the turnover of these PSUs recorded compounded annual growth of 16.49 *per cent* and compounded annual growth of debt was 10.12 *per cent* due to which the debt turnover ratio improved from 0.94 in 2013-14 to 0.87 in 2017-18 as given in table below:

Table 4.17: Debt Turnover Ratio relating to the State PSUs

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and FIs)	2,832.57	2,247.13	2,073.13	2,500.12	4,046.12
Turnover	3,006.57	8,891.35	4,633.78	4,100.32	4,564.52
Debt Turnover Ratio	0.94:1	0.25:1	0.45:1	0.61:1	0.87:1

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

The debt-turnover ratio ranged between 0.25 and 0.94 during this period. The overall accumulated losses increased substantially during the year 2017-18 in comparison to that for the year 2016-17 which was mainly due to increase in accumulated losses of Haryana Seeds Development Corporation.

Winding up of inactive State PSUs

4.25 Four of the 27 State PSUs were inactive companies having a total investment of ₹ 22.65 crore towards capital (₹ 17.98 crore) and long term loans (₹ 4.67 crore) as on 31 March 2018. The numbers of inactive state PSUs at the end of each year during last five years ended 31 March 2018 are given

below:

Table 4.18: Inactive State PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive companies	4	4	4	4	4

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

The liquidation process of two PSUs²⁰ had commenced 14 to 19 years ago and is not finalised. As these four PSUs are inactive from last many years, the Government may take appropriate decision regarding winding them up.

Comments on Accounts of PSUs

4.26 Seventeen working companies forwarded 25 audited accounts to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 13 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

(₹ in crore)

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

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

During the period 1 October 2017 to 30 September 2018, the Statutory Auditors had issued qualified certificates on 21 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 39 instances of non-compliance to the Accounting Standards in 10 accounts.

4.27 The State has two Statutory Corporations *i.e.*, (i) Haryana Financial Corporation (HFC) and (ii) Haryana State Warehousing Corporation. Both forwarded their accounts for the year 2016-17 for supplementary audit during the period 1 October 2017 to 30 September 2018 which have been finalised.

Both accounts were selected for supplementary audit. The Statutory Auditors had given qualified certificate on annual accounts of Haryana State Warehousing Corporation and unqualified certificate in case of HFC for the year 2016-17.

²⁰ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

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 below:

Table 4.20: Impact of audit comments on Statutory Corporations

(₹ in crore)

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

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

Compliance Audits Paragraphs

4.28 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, eight compliance audit paragraphs were issued to the Additional Chief Secretaries/Principal Secretaries of the respective Administrative Departments with request to furnish replies. Replies on two compliance audit paragraphs have been received from the State Government. The total financial impact of these eight compliance audit paragraphs is ₹ 20.47 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, GoH 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 November 2018)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non-Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	14.03.2016	1	7	1	1
2015-16	27.02.2017	-	5	-	2
2016-17	14.03.2018	1	4	1	3

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

Explanatory notes on two Performance audits and six compliance audit paragraphs were pending with four departments till November 2018.

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 November 2018 was as under:

Table 4.22: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 November 2018

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	-	6
2015-16	-	5	-	-
2016-17	1	4	-	-

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

The discussion on Audit Reports (PSUs) up to 2013-14 has been completed.

Compliance to Reports of COPU

4.31 Action Taken Notes (ATNs) on eight reports of the COPU presented to the State Legislature between March 2011 and March 2018 had not been received (30 November 2018) relating to the State PSUs 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	2 (Para No. 3 & 5)
2012-13	1	11	2 (Para No. 4 & 5)
2013-14	1	7	2 (Para No. 5 & 6)
2014-15	1	8	2 (Para No. 4 & 5)
2015-16	1	12	4 (Para No. 1 to 4)
2016-17	1	8	-
2017-18	1	15	11 (Para No. 8 to 10, 14, 15, 18 to 23)
Total	8	74	24

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 2013-14.