सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2018

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government (Commercial)
Report No. 18 of 2019
General Purpose Financial Reports of Central Public Sector Enterprises (Compliance Audit)

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Comptroller and Auditor General of India

for the year ended 31 March 2018

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Contents

PREFACE

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The CAG is the sole auditor in respect of five Corporations, namely Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation. The CAG has the right to conduct a supplementary audit in respect of Central Warehousing Corporation after Chartered Accountants appointed under the statutes have conducted their audit.

3. Audit Reports on the accounts of a Government Company or Corporation for the year ending 31 March 2018 have been prepared for submission to the Government under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. The accounts of the Central Public Sector Enterprises (CPSEs) reviewed in this Report cover the accounts for the years 2015-16, 2016-17 and 2017-18 (to the extent received). In respect of CPSEs where any particular year's accounts were not received before 30 September 2018, the figures from the accounts last audited have been adopted.

5. In respect of some CPSEs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report No.18 of 2018 owing to replacement of provisional figures by audited/revised figures.

6. All references to 'Government Companies/Corporations or CPSEs' in this Report may be construed to refer to 'Central Government Companies/Corporations' unless the context suggests otherwise.

Executive Summary

I. Financial performance of Central Public Sector Enterprises

There were 644 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2018. These included 450 Government Companies, 188 Government Controlled Other Companies and 06 Statutory Corporations. This Report deals with 420 Government Companies and Corporations (including 06 Statutory Corporations) and 165 Government Controlled Other Companies. 59 CPSEs (including 23 Government Controlled Other Companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due are not covered in this Report.

[Para 1.1.3]

Investment by Government of India

The accounts of 420 Government Companies and Corporations indicated that the Government of India (GoI) had an investment of ₹ 3, 57,064 crore in share capital. The loans given by GoI outstanding as on 31 March 2018 amounted to ₹ 88,479 crore. Compared to the previous year, investment by the GoI in equity of CPSEs registered a net increase of ₹ 35,038 crore and loans outstanding increased by ₹ 5,978 crore during 2017-18.

[Para 1.2 and 1.2.1]

Market Capitalisation

The total market value of shares of 47 listed Government Companies (including 05 subsidiary companies) the shares of which were traded during 2017-18 stood at ₹14,42,216 crore as on 31 March 2018. Market value of shares held by the GoI in 42 listed Government Companies (excluding 05 subsidiary companies) stood at ₹ 13,63,194 crore as on 31 March 2018.

[Para 1.2.4]

Return on Equity

231 Government Companies and Corporations earned profit of ₹ 1,66,197 crore during 2017-18 of which, 71.83 *per cent* (₹ 1,19,379 crore) was contributed by 52 Government Companies and Corporations in three sectors viz., Petroleum, Coal and Lignite and

Power. Return on Equity (ROE) in these 231 CPSEs was 13.16 *per cent* in 2017-18 as compared to 13.82 *per cent* in 215 CPSEs in 2016-17.

[Para 1.3.1]

101 Government Companies and Corporations declared dividend of ₹ 70,562 crore during the year 2017-18. Out of this, dividend received/receivable by GoI amounted to ₹ 42,229 crore which represented 11.83 *per cent* return on the total investment by the GoI (₹ 3,57,064 crore) in all Government Companies and Corporations.

14 Government Companies under the Ministry of Petroleum and Natural Gas contributed ₹ 28,859 crore representing 40.90 *per cent* of the total dividend declared by all Government Companies and Corporations.

Non-compliance with directive of Government of India on declaration of dividend by 53 CPSEs resulted in a shortfall of ₹ 9,417.75 crore in the payment of dividend to GoI for the year 2017-18.

[Para 1.3.2]

There were 158 CPSEs that incurred losses during the year 2017-18. The losses incurred by these companies during the year 2017-18 amounted to ₹ 41,420 crore compared to ₹ 33,574 crore in 2016-17.

[Para 1.4]

Net Worth/Accumulated Loss

There were 184 Government Companies and Corporations with accumulated losses of ₹ 1, 42,309.28 crore as on 31 March 2018. Of these, the net worth of 77 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of ₹ 83, 122.38 crore as on 31 March 2018. Only 12 out of these 77 companies earned profit of ₹ 1344.45 crore during the year 2017-18.

[Para 1.4.1]

Performance of listed CPSEs with private companies

The performance of 36 listed CPSEs was compared with private companies with similar nature of business during the last five years on the five parameters (ROE, ROCE, EPS, P/E ratio and ICR). It was observed that out of total 36 CPSEs, ROC, ROCE, EPS, P/E ratio and ICR was on the lower side in 16, 15, 26, 29 and 17 CPSEs respectively.

[Para 1.5.3]

Return on the basis of Present Value of Investment

The present value (PV) of GoI investment was computed in respect of 25 CPSEs which are in losses for eight or more years to assess the rate of return/loss on the PV of investments of GoI as compared to historical value of investments. The PV of the investments of GoI worked out to ₹ 1,12,958.30 crore as on 31 March 2018, against which the return was amounting to ₹ (-)21,145.73 crore.

[Para 1.5.4]

II. Oversight Role CAG

Out of 638 CPSEs (excluding six statutory corporations) under the audit jurisdiction of CAG, Financial Statements for the year 2017-18 were received from 540 CPSEs in time i.e. by 30 September 2018. While Financial Statements were not due from 4 CPSEs, Financial Statements of 94 CPSEs were in arrear due to different reasons.

[Para 2.3.2]

Out of 540 CPSEs from which the Financial Statements were received in time, supplementary audit was undertaken in 386 CPSEs.

[Para 2.5.1]

As a result of three phase audit in 87 CPSEs, the changes in profitability and in the value of assets/liabilities was ₹ 5,786.43 crore and ₹ 9,831.24 crore, respectively.

Three CPSEs amended their Financial Statements and statutory auditors of 35 CPSEs revised their Audit Report before laying of the Financial Statements in Annual General Meeting. In addition, various comments highlighting inaccuracies in the Financial Statements were also issued.

The financial impact of significant comments, issued on the financial statements of the selected CPSEs, on profitability and assets/liabilities was ₹ 2,374.62 crore and ₹ 51,014.59 crore respectively.

[Para 2.5.1]

Deviations from the provisions of Accounting Standards/ IND AS in preparation of the Financial Statements were noticed in 14 CPSEs by the Statutory Auditors. CAG also pointed out such deviations in 17 CPSEs.

[Para 2.6]

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit which were not material, were communicated to the Management of 98 CPSEs through 'Management Letter' for taking corrective action.

[Para 2.7]

III. Corporate Governance

The review of Corporate Governance covered 52 listed CPSEs under the administrative control of various Ministries. Provisions of the Companies Act, 2013; DPE guidelines; Regulations of Securities and Exchange Board of India regarding Corporate Governance, though mandatory, were not being complied with by some of the CPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

- In two CPSEs the non-executive directors constituted less than 50 *per cent* of the total strength of the Board of Directors. There was no woman director on the Board of MMTC Ltd.

[Para 3.2.1 and 3.2.3]

- Representation of independent directors in 24 CPSEs was below the required number. There was no independent director on the Board of Directors of three CPSEs.

[Para 3.2.2]

- The independent directors did not attend Board meeting/Board committee meeting in 42 CPSEs, and the independent directors did not attend General meeting in 19 CPSEs.

[Para 3.3.4 and 3.3.5]

- In two CPSEs separate meetings of Independent Directors were not conducted and in 13 CPSEs Independent Directors did not attend the separate meetings.

[Para 3.3.6.1 and 3.3.6.2]

- Vacancies of independent directors were not filled in time in 13 CPSEs. Vacancies of functional directors in 15 CPSEs were not filled in time.

[Para 3.4.1 and 3.4.2]

- While all the CPSEs under review with the exception of Scooters India Limited constituted audit committee, the number of independent directors in the audit committee was below the prescribed number in four CPSEs.

[Para 3.5.1]

- There was no whistle blower mechanism in two CPSEs

[Para 3.7]

IV. Corporate Social Responsibility

The review covered 82 CPSEs (7 Maharatna, 14 Navratna, 44 Miniratna and 17 others) under the administrative control of 10 Ministries/ Departments. The period of one year ended March 2018 was covered during the review. The following significant observations were made in the review:

[Para 4.3]

- No independent Director was nominated in the committee by 7 CPSEs viz. Antrix, BLI, GGL, HSCC, IIFCL, JCI and NHDC.

[Para 4.5.1.2]

- JCI did not have CSR Policy in place.

[Para 4.5.1.3]

- Two CPSEs ECGC and NTPL did not prepare Annual CSR budget.

[Para 4.5.1.4]

- There was under allocation of funds towards CSR by 6 CPSEs viz. CCIL, HUDCO, KPL, NCL, PFCL, UCIL.

[Para 4.5.2.1]

- Forty-eight CPSEs had fully utilised the CSR funds during the year and 34 CPSEs had not fully utilised the CSR funds.

[Para 4.5.2.3]

- 4 CPSEs viz. CONAIR, ITPO, KRCL and NTPVNL did not spend the carry forward amount of CSR during the year.

[Para 4.5.2.4]

- BDL, BHEL and PHL have made provision for the unspent amount to the extent of ₹ 9.58 crore, ₹ 31 crore and ₹ 2.20 crore respectively in contravention to Guidance Note on Accounting for CSR. AAI, ECGC, HSCC and IOC have created reserves for CSR for an amount of ₹ 61.72 crore, ₹ 2.25 crore, ₹ 1.44 crore and ₹ 1.32 crore respectively

[Para 4.5.2.4.1]

- Total spend on CSR activities by 82 CPSEs in 2017-18 was ₹ 3,338.60 crore. Petroleum Sector spent the maximum amount of ₹ 1,416.12 crore towards CSR.

[Para 4.5.2.6 & 4.5.2.9]

- BDL invested the surplus CSR funds (₹ 9.59 crore) in term deposit and interest thereon was taken as business income instead of ploughing back in CSR funds.

[Para 4.5.2.11]

- Under CSR expenditure focus was on health (32.66 *per cent*) followed by education (31.98 *per cent*).

[Para 4.5.3.3]

- 73 CPSES spent ₹ 1,019.16 crore on Swachh Bharat (SB) which is 30.52 *per cent* of total CSR Spend. As per DPE directions the CPSEs had to spend 33 *per cent* of CSR funds towards SB with a mission to clean India by October 2019. There was shortfall on SB by 2.48 *per cent*. 26 CPSEs had spent more than 33 *per cent* and 47 CPSEs spent less than 33 *per cent*.

[Para 4.5.3.5(1)]

- BPCL has contributed an amount of ₹ 14.83 crore towards National Oil Museum.

[Para 4.5.3.5(4)]

V. Analysis of Memoranda of Understanding between Administrative Ministries and Miniratna CPSEs

Audit has carried out analysis of MOU between 17 'Miniratna' companies and their respective Administrative Ministries for the years 2016-17 and 2017-18.

[Para 5.5]

The MOU guidelines mandated benchmarking of parameters with reference to national and international peers which was not carried out by 11 CPSEs.

[Para 5.7.3]

Though the MOU guidelines mandated the CPSEs to incorporate necessary commitment from Administrative Ministry in the MOU for filling up positions of non-official Directors on their Board and for compliance of provisions of Listing Agreement and Companies Act regarding independent and woman Directors, some positions of independent and woman Directors in five CPSEs were lying vacant.

[Para 5.7.4]

MOU guidelines for the year 2016-17 mandated with the compliance of eight additional eligibility criteria. Failure to comply with any one of the conditions would result in downgrading the CPSEs from “Excellent” to “Very Good”. Audit noticed that Board of Directors of 10 CPSEs had certified incorrect compliance of DPE guidelines while furnishing the evaluation of MOUs for the year 2016-17. DPE has not deducted any score of the five CPSEs by treating these cases as compliant with the guidelines which resulted in over rating to two CPSEs as excellent instead of Very Good which consequently impacted higher payment of PRP.

[Para 5.7.6, 5.7.7and 5.7.8]

VI. Impact of Implementation of Indian Accounting Standards (under Phase-II) in selected Central Public Sector Enterprises

The Ministry of Corporate Affairs had notified Indian Accounting Standards (Ind AS) which were applicable for companies in phased manner from financial year 2016-17. In Phase-I financial statements of 67 CPSEs consisting of Maharatna, Navratna, Miniratna companies, which had adopted Ind AS in preparation of their financial statements w.e.f. 01 April 2016, were selected for review of Impact of Implementation of Indian Accounting Standards on Central Public Sector Enterprises (CPSEs) and findings thereof included in Report No. 18 of 2018. The present study covers 25 CPSEs which were required to adopt Ind AS in Phase II or they voluntarily adopted Ind AS during 2017-18. The impact of implementation of Ind AS in these CPSEs on their revenues, profit after tax (PAT), net worth and total assets of the CPSEs were reviewed. The impact was assessed by comparing the values as on 31 March 2017 as per the Ind AS compared to corresponding values as per Indian Generally Accepted Accounting Principles (IGAAP) on the same date.

[Para 6.1, 6.4 and 6.5]

Impact on Profit after Tax (PAT)

Consequent to adoption of Ind AS, increase of ₹17.79 crore in PAT were noticed in 10 CPSEs. As against this, decrease in PAT of ₹ 240.04 crore was observed in six CPSEs. The maximum decrease of ₹ 236.34 crore in PAT was noticed in Maharashtra Metro Rail

Corporation Limited whereas maximum increase of ₹ 7.56 crore in PAT was noticed in Hassan Mangalore Rail Development Company Limited.

[Para 6.8.1]

Impact on Revenues

Nine CPSEs out of the reviewed 25 CPSEs carried out adjustment on revenues consequent to adoption of Ind AS. Out of these, six CPSEs reported an increase of ₹ 258.80 crore and three CPSEs reported decrease of ₹ 110.98 crore in revenues. The maximum increase of ₹ 218.86 crore was noticed in Cotton Corporation of India Limited while the maximum decrease of ₹ 110.71 crore was observed in India Tourism Development Corporation Limited.

[Para 6.8.3]

Impact on Total Assets

15 CPSEs out of the 25 CPSEs reviewed carried out adjustment on value of total assets consequent to adoption of Ind AS. Out of these, nine CPSEs reported an increase in value of ₹ 1,209.73 crore and six CPSEs reported decrease of ₹ 109.48 crore in value of total assets. The maximum increase of ₹ 1,113.11 crore in value of total assets was noticed in the case of Hindustan Organic Chemicals Limited whereas maximum decrease of ₹ 69.01 crore in total value of assets was noticed in case of Braithwaite Burn and Jessop Construction Company Limited.

[Para 6.8.5]

Impact on Net Worth

Sixteen CPSEs out of the 25 CPSEs subject to review carried out adjustment on value of net worth consequent to adoption of Ind AS. Out of these, 11 CPSEs reported a decrease of ₹ 462.33 crore in net worth and five CPSEs reported increase of ₹ 69.70 crore in net worth. The maximum increase of ₹ 49.75 crore in net worth was noticed in respect of Hindustan Fluorocarbons Limited whereas maximum decrease of ₹ 270 crore in net worth was noticed in respect of Hindustan Organic Chemicals limited.

[Para 6. 8.7]

VII. Expenditure on Research and Development by CPSEs

The audit covered analysis of expenditure on Research and Development activities by 21 CPSEs (7 Maharatna, 8 Navratna, 3 Miniratna and 3 other CPSEs) during the period 2013-14 to 2017-18. During the period from 2013-14 to 2017-18 covered in audit, the following were noticed:

- The R&D expenditure as percentage of PAT was above the prescribed percentage of one *per cent* in 79 company-years[1] during 2013-14 to 2017-18 whereas it was below one per cent in 15 company-years out of total 94 company-years.

  [Para 7.5.2.1]

- The R&D budget for the next three years was not indicated in case of nine selected CPSEs in contravention to the DPE Guidelines.

  [Para 7.5.2.2]

- Only four CPSEs could utilize 100 *per cent* of the R&D budget during all the five years covered in audit and two CPSEs utilized 100 *per cent* of the R&D budget in four years out of five years covered in audit.

  [Para 7.5.2.2]

- 4046 In-house R&D projects were taken up during 2013-14 to 2017-18 out of which 3595 projects were completed. 363 projects were delayed beyond the scheduled completion period out of which delay was more than one year in case of 80 projects.

  [Para 7.5.3.1]

- 439 R&D projects taken up in collaboration with Universities/Institutes during 2013-14 to 2017-18 out of which 178 projects were completed. 87 projects were completed within scheduled period and 91 projects were completed beyond schedule.

  [Para 7.5.3.2]

- BHEL was granted 198 patents during 2013-14 to 2017-18. Only 49 patents were granted during the year 2013-14 to 2017-18 out of 600 projects filed for patent registration by nine other CPSEs, whereas no patent was granted during the year 2013-14 to 2017-18 in 11 CPSEs.

  [Para 7.5.5]

- Only two CPSEs could earn significant revenues from the technology developed and five CPSEs could earn meagre revenue.

  [Para 7.5.6.2]

VIII. Disinvestment in CPSEs

The current disinvestment policy was brought out by the Government of India (GoI) on 05 November 2009. During the audit following issues were noticed:

- Budget estimate, revised estimate and actual realization made through disinvestment process for the year 2017-18 were ₹ 72,500 crore, ₹ 1,00,000 crore and ₹ 1,00,057 crore respectively. GoI divested its share in 36 cases

[1] 1 company-year = 1 year for 1 company

through different modes/ routes which includes income from SUUTI investment as part of disinvestment process which should not be part of disinvestment resulting in overstating the amount of disinvestment proceeds by ₹ 1400 crore.

[Para 8.3]

- CCEA approved (13 May 2015) disinvestment of 15 *per cent* of Government shareholding each in MMTC Limited and The State Trading Corporation of India Limited (STC) through OFS. The proposed disinvestment was to be implemented by 21 August 2017. However DIPAM could not implement the decision of CCEA for disinvestment in MMTC & STC within the time frame. Consequently, the expected realization of ₹ 974 crore (MMTC: ₹ 836.97 crore and STC: ₹ 137.03 crore) based on trading prices prevailing on 21 August 2017 did not materialize. It was observed that DIPAM could not use the opportunity to offload the shares at the best price.

[Para 8.5.2]

- GoI approved Strategic disinvestment of 24 CPSEs during 2017-18, for which only one HPCL-ONGC deal was finalized during 2017-18. Strategic disinvestment in 23 CPSEs could not be conducted within the time frame specified in CCEA approval. Further four CPSEs had been divested during 2018-19 as informed by DIPAM.

[Para 8.7.2]

CHAPTER I

Financial Performance of Central Public Sector Enterprises

1.1 Introduction

This Report presents the financial performance of Government Companies, Statutory Corporations and Government controlled other Companies. The term Central Government Public Sector Enterprises (CPSEs) encompasses the Union Government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Government Company

Any company in which not less than 51 *per cent* of paid-up share capital is held by Central Government or by one or more State Governments or partly by Central Government and partly by State Government(s) and includes subsidiary of a Government company.

Besides, any other company[1] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

Department of Public Enterprises (DPE) stated (December 2018) in the Survey published by DPE, that, CPSEs meant those Government companies, besides Statutory Corporations, wherein more than 50 *per cent* of the share in equity is held by the Central Government. The subsidiaries of these companies, if registered in India, are also categorized as CPSEs. It does not cover departmentally run public enterprises, banking

[1] *Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014*

institutions and insurance companies. In view of difference in definition adopted by the Comptroller & Auditor General of India (CAG) and DPE, there may be difference in number of companies considered as CPSEs by CAG and by DPE.

1.1.1 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the Central Government can appoint the CAG, at any time, as the auditor to examine and report upon the accounts of these institutions. No such appointment was made till 2017-18.

1.1.2 What this Report contains

This Report gives an overall picture of the financial performance of Central Government companies and Corporations as revealed from their accounts.

Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the CPSEs conducted by the CAG for the year 2017-18 (or of earlier years which were finalised during the current year) is given in this Report. This Report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor.

This Report also gives an overall picture of the status of the adherence of CPSEs to the guidelines issued by the Securities and Exchange Board of India (SEBI), DPE and compliance with provisions of Companies Act, 2013 on Corporate Governance, and guidelines issued by DPE on Corporate Social Responsibility, analysis of Memorandum of Understanding (MoU) between Central Government and CPSEs, disinvestment in CPSEs of CPSEs, expenditure on research and development by CPSEs and the impact of implementation of Indian Accounting Standards (Ind-AS) on the financial statements of CPSEs.

1.1.3 Number of CPSEs and Government Controlled other Companies

As on 31 March 2018, there were 644 CPSEs under the audit jurisdiction of the CAG. These include 450 Government Companies, 06 Statutory Corporations[2] and 188 Government Controlled other Companies. Of these, financial performance of 585 CPSEs is covered in this report and the nature of these CPSEs is indicated in Table1.1:

Government Companies	**450**
Statutory Corporations	**6**
Government Controlled other Companies	**188**
Total CPSEs	**644**

Table 1.1: Coverage and nature of CPSEs covered in this report

Nature of the CPSEs	Total number	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Accounts up to 2017-18	Accounts up to		Total	
			2016-17	2015-16		
Government Companies	450	385	24	5	414	36
Statutory Corporations	6	6	0	0	6	0
Total Companies/ Corporations	456	391	24	5	420	36
Government Controlled other Companies	188	155	9	1	165	23
Total	**644**	**546**	**33**	**6**	**585**	**59**

The details of Government companies/Government controlled other Companies which came under/went out from the purview of CAG's audit during 2017-18 are given in ***Appendix-I***.

This Report does not include 59 CPSEs (including 23 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/ under liquidation or first accounts were not received or were not due. These CPSEs are identified by two asterisks (**) in ***Appendix-II A & Appendix-II B.***

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[2] *Airports Authority of India (AAI), Central Warehousing Corporation (CWC), Damodar Valley Corporation (DVC), Food Corporation of India (FCI), Inland Waterways Authority of India (IWAI) and National Highways Authority of India (NHAI).*

Summary of financial performance of CPSEs covered in this Report (Government Companies and Statutory Corporations)	
Number of CPSEs	**456**
CPSEs covered	**420**
Paid up capital (420 CPSEs)[3]	**₹ 4,92,572 crore**
Long term Loans (420 CPSEs)	**₹ 13,35,640 crore**
Market capitalisation (47 listed traded Government Companies)	**₹ 14,42,216 crore**
Net profit (231 CPSEs)	**₹ 1,66,197 crore**
Net loss (158 CPSEs)	**₹ 41,420 crore**
Zero Profit/Loss (31 CPSEs)[4]	
Dividend declared (101 CPSEs)	**₹ 70,562 crore**
Total Assets (420 CPSEs)	**₹ 46,01,008 crore**
Value of production (420 CPSEs)	**₹ 19,25,676 crore**
Net worth (420 CPSEs)	**₹ 15,98,160 crore**

1.2 Investment in Government Companies and Corporations

The amount of investment in equity and loans in 420[5] Government Companies and Corporations as at the end of 31 March 2018 is given in Table 1.2:

[3] *The corpus/capital of IWAI, set up as per IWAI Act, 1985 for the regulation and development of inland waterways for purposes of shipping and navigation and for matters connected therewith or incidental thereto, includes IWAI Fund which inter-alia contains grants and loans given by Central Government and all fees and charges received by the Authority. This fund is inter-alia applied for meeting expenses of the Authority in the discharges of its functions including salary related expenditure of officials. An amount of ₹ 998.30 crore was lying in IWAI Fund as on 31 March 2018. This amount has not been considered as paid up capital/equity.*

[4] *Out of 420, there were 29 CPSEs which earned no profit or incurred no loss during 2017-18 since either operations were not started or losses/net expenses were adjusted with Fund or Project Cost. In case of IWAI, net loss of ₹ 197.92 crore was adjusted with IWAI Fund whereas in case of NHAI set up as per NHAI Act, 1988 for the development, maintenance and management of national highways and for matter connected therewith or incidental thereto, net loss of ₹ 392.26 crore was adjusted with its Fixed Assets. Hence, IWAI and NHAI have also been considered as no profit no loss CPSEs besides 29 CPSEs.*

[5] *456 CPSEs – 36 CPSEs whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due.*

Table 1.2: Equity investment and loans in Government Companies and Corporations

(₹ in crore)

Sources of investment	As on 31 March 2018			As on 31 March 2017		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
1. Central Government	357064	88479	445543	322026	82501	404527
2. Central Government Companies/ Corporations	55354	28483	83837	49062	25294	74356
3. State Governments/ State Government Companies/Corporations	29424	16327	45751	26547	11411	37958
4. Financial Institutions and Others	50730	1202351	1253081	33802	1081951	1115753
Total	**492572**	**1335640**	**1828212**	**431437**	**1201157**	**1632594**
Percentage of investment of Central Government to Total investment	72.49	6.62	24.37	74.64	6.87	24.78

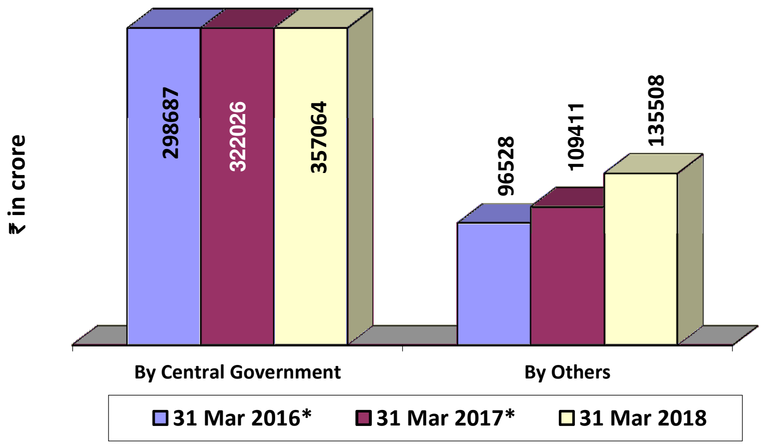
1.2.1 Investment in equity

During 2017-18, the total investment at face value of equity in the 420 CPSEs covered in this Report registered a net increase of ₹ 61,135 crore. The equity of holding of Central Government at face value in CPSEs increased by ₹ 35,038 crore[6]. The increase of ₹35,038 crore was the net result of issue of shares having face value of ₹ 37,472 crore in 47 CPSEs and disinvestment of shares having face value of ₹ 2,434 crore in 27 CPSEs. Out of the new equity investment of ₹ 37,472 crore by Central Government during the year 2017-18, new investment of ₹ 8,139 crore was in the form of issue of bonus shares and conversion of loan into equity not involving cash inflow to the concerned CPSE and new investment of ₹ 273 crore was the net result of issue of bonus shares, buy back of shares, offer for sale (OFS) and initial public offer (IPO). Review in audit of the purpose of additional investment of equity of ₹ 29,060 crore involving cash flow in CPSEs indicated that this investment was for meeting capital items of expenditure in 32 CPSEs.

Investment in equity by Central Government and others during the three years ended 31 March 2018 in Government Companies and Corporations is depicted in Chart I.

[6] *The provisional figures of 29 CPSEs including Air India Limited (AIL) have been included in this audit report on the basis of figures from their last audited accounts as the accounts for the year 2017-18 were not received before cut off date i.e. 30 September 2018 for preparation of the report. Hence, equity infusion of ₹1,937 crore by Central Government in AIL during 2017-18 has not been included in total equity infusion of ₹37,472 crore.*

Chart I: Investment in Equity in Government Companies and Corporations



** Previous years' figures updated during 2017-18 as accounts of that year were received*

Details of significant investments (investment of more than ₹ 2,000 crore) made by the Central Government during 2017-18 in the paid up capital of the CPSEs is given in Table 1.3:

Table 1.3: Significant investments made by the Central Government

(₹ in crore)

Name of the CPSE	Name of the Ministry	Amount
Statutory Corporation		
National Highways Authority of India	Road Transport and Highways	24185
Government Companies		
Hindustan Cables Limited[7]	Heavy Industries And Public Enterprises	4447
Indian Oil Corporation Limited[8]	Petroleum & Natural Gas	2749

1.2.2 Loans given to Government Companies and Corporations

1.2.2.1 Computation of long term loans outstanding as on 31 March 2018

The total long term loans outstanding in 420 CPSEs from all sources as on 31 March 2018 was ₹13,35,640 crore. During 2017-18, the long term loans of Government Companies and Corporations registered an increase of ₹ 1,34,483 crore. Out of the total loans of CPSEs as on 31 March 2018, loans from Central Government was ₹ 88,479 crore. 17 CPSEs made default in payment of loans from Central Government amounting to ₹ 3,477 crore. Year wise details of outstanding long term loans of Government Companies and Corporations is depicted in Chart II.

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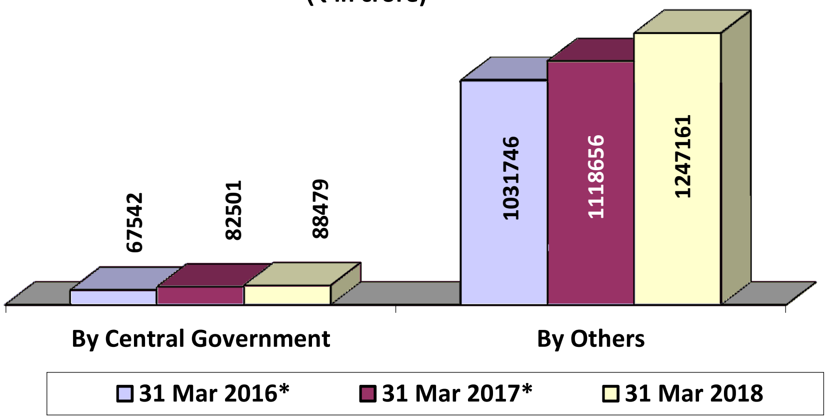
[7] *Conversion of loan*
[8] *Issue of Bonus shares*

Chart II: Long term loans outstanding in Government Companies and Corporations



****Previous years' figures updated during 2017-18 when accounts of that year were received***

Out of 420 CPSEs, there were 248 CPSEs (including one Statutory Corporation i.e. Central Warehousing Corporation) as on 31 March 2018 which did not have any long term loans.

1.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in 172 CPSEs which had outstanding loans as on 31 March 2018 is given in Table 1.4.

Table 1.4: Coverage of long term loans with total assets

	Positive Coverage				Negative Coverage			
	No. of CPSEs	Long Term Loans	Assets	Percentage of Assets to Loans	No. of CPSEs	Long Term Loans	Assets	Percentage of Assets to Loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	5	154404	635313	411.46				
Listed Companies	38	765967	2101735	274.39	1	238	91	38.24
Unlisted Companies	114	411155	989661	240.70	14	3877	1024	26.41
Total	**157**	**1331526**	**3726709**		**15**	**4115**	**1115**	

Out of the 172 CPSEs, in respect of 15 CPSEs ***(Appendix-III)*** the value of total assets was lower than the loans outstanding.

1.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of CPSEs which had outstanding loans during the period from 2015-16 to 2017-18 are given in Table 1.5.

Table 1.5: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of CPSEs	No. of CPSEs having interest coverage ratio equal to or more than 1	No. of CPSEs having interest coverage ratio less than 1
Statutory Corporations					
2015-16	11421.23	13746.39	4	2	2
2016-17	10162.66	13388.46	5	2	3
2017-18	11833.26	14812.69	5	2	3
Listed Government Companies					
2015-16	55864.28	131511.6	38	28	10
2016-17	60935.43	159564.8	38	28	10
2017-18	63844.46	179678.4	39	29	10
Unlisted Government Companies					
2015-16	14239.61	24475.41	129	58	71
2016-17	16362.45	30413.05	123	61	62
2017-18	21073.92	22636.98	128	59	69

It was observed that the number of CPSEs with interest coverage ratio equal to or more than one increased marginally in case of listed Government Companies during 2017-18, compared to the previous year. In respect of 9[9] CPSEs, the interest payable on loans was higher than the value of their total assets as on 31 March 2018 which indicates a high risk of insolvency in these companies.

[9] *Andaman Fisheries Limited, Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited, Bharat Gold Mines Limited, Hindustan Photofilms (Manufacturing) Company Limited, Hindustan Vegetable Oils Corporation Limited, National Bicycle Corporation of India Limited, STCL Limited, TCIL Bina Toll Road Limited, TCIL LTR Limited.*

1.2.2.4 Age Wise Analysis of Interest Outstanding on Central Government Loans

As on 31 March 2018, interest amounting to ₹ 3881.44 crore was outstanding on the long term loans of 18 CPSEs provided by Central Government. The age wise analysis of interest outstanding on Central Government Loans in CPSEs is depicted in Table 1.6.

Table 1.6: Interest outstanding on Central Government Loans

(₹ in crore)

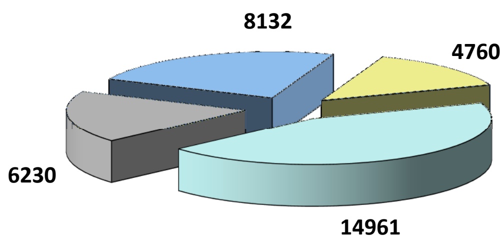
Sl. No.	Name of the CPSE	Outstanding Interest on Central Government Loans	Interest on Central Government Loans outstanding for less than 1 year	Interest on Central Government Loans outstanding for 1 to 3 years	Interest on Central Government Loans outstanding for more than 3 years
1	Bharat Goldmines Limited	901.52	38.50	115.51	747.51
2	Madras Fertilizers Limited	548.08	54.58	109.16	384.34
3	The Fertilizer and Chemicals Travancore Limited	451.08	239.01	212.07	-
4	National Textile Corporation Limited	443.83	46.83	93.67	303.33
5	Indian Drugs and Pharmaceuticals Limited	409.64	16.99	33.97	358.68
6	British India Corporation Limited	359.84	0.84	4.74	354.26
7	HMT Machines Tools Limited	165.02	-	106.94	58.08
8	Security Printing and Minting Corporation of India Limited	135.98	135.98	-	-
9	Cement Corporation of India Limited	123.85	-	-	123.85
10	Hoogly Dock and Port Engineers Limited	42.12	-	4.95	37.17
11	Bengal Chemicals and Pharmaceuticals Limited	82.71	9.22	17.40	56.09
12	NEPA Ltd	82.51	22.13	39	21.38
13	NHPC Limited	33.92	33.92	-	-
14	Heavy Engineering Corporation Limited	27.62	9.21	15.33	3.08

15	Hindustan Insecticides Limited	23.57	4.70	12.37	6.50
16	Bharat pumps and compressors Limited	18.99	15.06	3.93	-
17	Hindustan Salts Limited	15.62	3.50	9.75	2.37
18	Central Electronics Limited	15.54	2.30	4.72	8.52
	Total	**3881.44**	**632.77**	**783.51**	**2465.16**

1.2.3 Investment in Government Controlled other Companies

The capital invested by the Central Government, State Governments and by Companies and Corporations controlled by them in 165[10] Government Controlled other Companies during the year 2017-18 is depicted in Chart III.

Chart III: Composition of share capital in Government Controlled other Companies



(₹ in crore)

Central Government, Central Government Companies and Corporations – ₹ 14,961 crore

State Government, State Government Companies and Corporations – ₹ 4,760 crore

Financial Institutions and Banks – ₹ 8,132 crore

Others – ₹ 6,230 crore

As on 31 March 2018, equity in these government controlled other companies was ₹ 34,083 crore. The equity in government controlled other companies increased by ₹ 125 crore in 2017-18.

1.2.4 Market capitalisation of equity investment in Government Companies

Market capitalisation represents market value of the shares of companies whose shares are listed. As on 31 March 2018, shares of 66 Government Companies consisting of 53 Government companies including seven[11] newly listed Government Companies,

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[10] *188– 23 Government Controlled other Companies whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due.*

[11] *(1) Bharat Dynamics Limited, (2)Cochin Shipyard Limited, (3) General Insurance Corporation of India, (4) Hindustan Aeronauticals Limited, (5) Housing and Urban Development Corporation Limited, (6) Mishra Dhatu Nigam Limited and (7) New India Assurance Company Limited*

six subsidiaries of Government Companies and seven[12] Government Controlled other Companies were listed on the various stock exchanges in India.

In respect of 46 (53-7 newly listed Government companies) listed Government Companies, the shares of 43 companies were traded and the shares of 3[13] companies were not traded during 2017-18. In respect of six[14] subsidiaries of Government Companies, shares of five were traded and shares of Eastern Investments Limited were not traded during the year.

The total market value of shares of 47[15] traded listed Government Companies (including five subsidiary companies) stood at ₹ 14,42,216 crore (equity investment being ₹ 79,999 crore) as on 31 March 2018 as compared to ₹ 15,12,614 crore as on 31 March 2017. The total market value of shares decreased by ₹70,398 crore (4.65 *per cent*) as on 31 March 2018 as compared to 31 March 2017. The maximum market capitalization sectors were Petroleum (₹ 6,59,144 crore), Power (₹ 2,82,813 crore) and Coal & Lignite (₹ 1,88,797 crore). The highest increase in market value of shares was observed in Transportation Services sector (15.51 *per cent*), Steel sector (14.71 *per cent*) and Construction Services sector (10.60 *per cent*) whereas highest decrease in market value of shares was observed in Financial Services Sector (35.52 *per cent*), Heavy Industry sector (25.14 *per cent*) and Telecommunication Services (21.46 *per cent*). The market value of shares of 42 listed Government Companies (excluding five subsidiary companies) stood at ₹ 13,63,194 crore as on 31 March 2018, out of which, the market value of shares held by the Central Government amounted to ₹ 8,84,978 crore**.**

During this period, S&P BSE Sensex[16] increased by 11.3 *per cent* from 29,620.50 as on 31 March 2017 to 32,968.68 as on 31 March 201*8.* S&P BSE-CPSE Index[17] decreased by 3.96 *per cent* from 1,657.00 as on 31 March 2017 to 1,591.37 as on 31 March 201*8.*

Trend of market capitalisation of these 47 traded listed CPSEs for last five years vis-a-vis S&P BSE Sensex and S&P BSE-CPSE Index is depicted in the Chart IV.

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12 *(1) Indbank Housing Limited, (2) Indbank Merchant Banking Services Limited, (3) PNB Gilts Limited, (4) The Bisra Stone Lime Company Limited, (5) The Orissa Minerals Development Company Limited, (6) Tamil Nadu Telecommunication Limited, (7) Tourism Finance Corporation of India Limited*

13 *Shares of (1) Hindustan Cables Limited, (2) Hindustan Photo-films (Manufacturing) Company Limited, (3) IRCON International Limited were not traded during 2017-18*

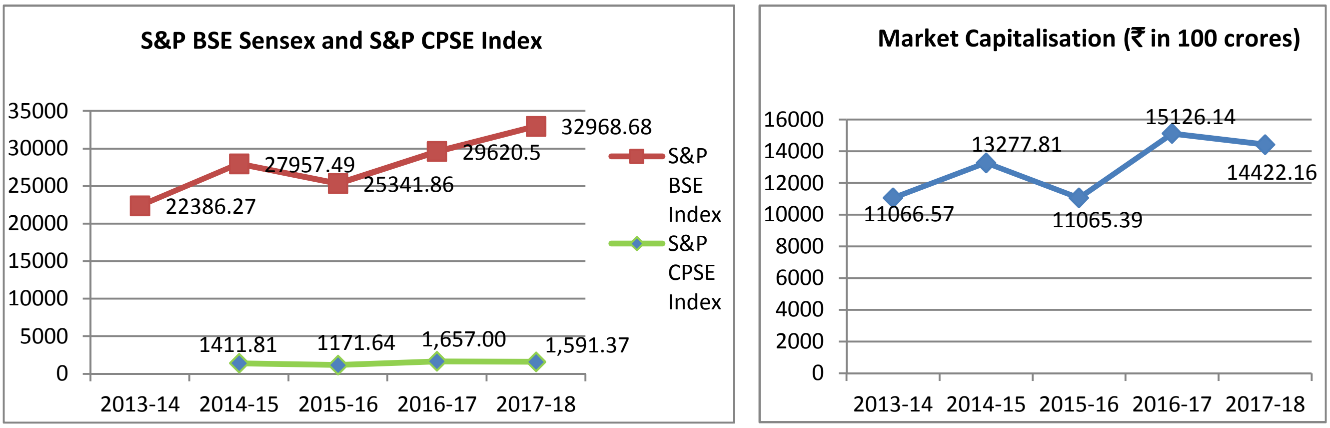
14 *The central Government holding in HPCL was fully transferred to ONGC during 2017-18. The company is now a subsidiary company.*

15 *Shares of KIOCL were traded during 2017-18 in BSE but not in 2016-17. Hence, the market capitalisation figures for the company are not included for comparison between current year and previous year.*

16 *S&P BSE SENSEX is calculated on a "Market Capitalization-Weighted" methodology of 30 component stocks representing large, well-established and financially sound companies across key sectors*

17 *S&P BSE CPSE Index consists of major Public Sector Undertakings listed on BSE*

Chart IV: Trend of market capitalisation *vis-à-vis* BSE Sensex and CPSE Index



It was observed that the trend of market capitalisation of 47 traded listed CPSEs during 2013-14 to 2016-17 was same when compared to S&P BSE Sensex and S&P CPSE Index. However in 2017-18, the market value of shares of these CPSEs decreased by 4.65 per cent (from ₹ 15,12,614 crore to ₹ 14,42,216 crore) when there was an increase in S&P BSE Sensex by 11.3 per cent (from 29,620.50 to 32,968.68) although S&P BSE-CPSE Index decreased by 3.96 per cent (from 1,657.00 to 1,591.37) during the same period.

The market value of shares of five subsidiary Government Companies, the shares of which were traded during 2017-18, stood at ₹ 79,022 crore as on 31 March 2018. The total market value of shares in five subsidiary Government Companies had decreased by ₹ 1,169 crore as on 31 March 2018 as compared to 31 March 2017. The top 10 CPSEs with highest market capitalisation as on 31 March 2018 is given in Table 1.7:

Table 1.7: CPSEs with highest market capitalisation

(₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation
1	Oil and Natural Gas Corporation Limited	2,28,175
2	Coal India Limited	1,75,980
3	Indian Oil Corporation Limited	1,71,219
4	NTPC Limited	1,39,925
5	Power Grid Corporation of India Limited	1,01,414
6	Bharat Petroleum Corporation Limited	92,833
7	GAIL (India) Limited	74,101
8	Hindustan Petroleum Corporation Limited	52,442
9	NMDC Limited	37,539
10	Bharat Electronics Limited	34,611

There was an increase in the market capitalisation in respect of 15 CPSEs[18] out of 47 listed Government Companies as on 31 March 2018. CPSEs with increase in market capitalisation of more than ₹ 1,000 crore is given in Table 1.8:

Table 1.8: CPSEs with increase in Market Capitalisation of more than ₹ 1,000 crore

(₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation as on 31 March 2017	Market Capitalisation as on 31 March 2018	Difference in capitalisation
1	GAIL (India) Limited	63,669	74,101	10,432
2	Container Corporation of India Limited	24,782	30,313	5,531
3	I T I Limited	3,979	8,595	4,616
4	Steel Authority of India Limited	25,278	28,996	3,718
5	NTPC Limited	1,36,833	1,39,925	3,092
6	NBCC (India) Limited	15,489	17,131	1,642

The guidelines issued by DIPAM in May 2016 envisaged that every CPSE where market price or book value of its share exceeds 50 times of its face value shall split-off its shares appropriately provided its existing face value of the share is equal to or more than ₹ 1 However, CPSEs given in Table 1.9 had not complied with these guidelines (30 September 2018).

Table 1.9: CPSEs not complied with splitting up of shares guidelines

Name of the CPSE	Face value as on 31 Mar 2018 (₹)	Market value as on 31 March 2018 (₹)	Book value as on 31 Mach 2018 (₹)	50 time face value (₹)	Excess Market value (₹)
BEML Limited	10	1044.15	514.22	500	544.15
Dredging Corporation of India Limited	10	581.60	551.47	500	81.60

1.3 Return on investment in Government Companies and Corporations

1.3.1 Profit earned by CPSEs

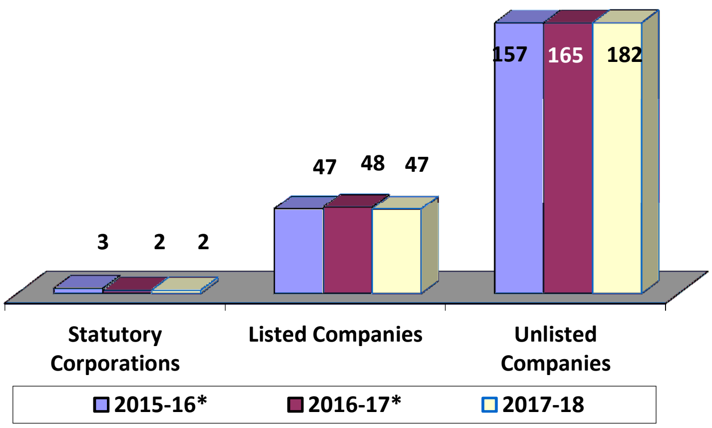
The number of CPSEs that earned profit was 231 in 2017-18 as compared to 215 in 2016-17 (37 CPSEs added and 21 CPSEs excluded). The profit earned increased to ₹ 1,66,197 crore in 2017-18 from ₹ 1,59,006 crore in 2016-17. However, the Return on Equity (ROE) of the 231 CPSEs was 13.16 *per cent* in 2017-18 as compared to

[18] *Andrew Yule and Company Limited, Balmer Lawrie Investment Company Limited, Container Corporation of India Limited, Engineers India Limited, The Fertilizer and Chemicals Travancore Limited, GAIL (India) Limited, India Tourism Development Corporation Limited, I T I Limited, MOIL Limited, Madras Fertilizers Limited, NBCC (India) Limited, NTPC Limited, Steel Authority of India Limited, Scooters India Limited, Mangalore Refinery and Petrochemicals Limited.*

13.82 *per cent* in 215 CPSEs in 2016-17. Return on Equity in all the 420 CPSEs i.e. including 158 loss making and 31 zero profit companies was 7.77 *per cent* in 2017-18.

Number of CPSEs that earned profit during the period from 2015-16 to 2017-18 is depicted in Chart V:

Chart V: Number of profit earning CPSEs



Previous years' figures updated during 2017-18 when accounts of that year were received

The details of top 3 sectors which contributed maximum profit during 2017-18 are summarised in Table 1.10:

Table 1.10: Top 3 sectors which contributed maximum profit during the year 2017-18

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
Petroleum			
Listed Government Companies	8	65993	39.71
Unlisted Government Companies	7	3291	1.98
Sub-total (A)	15	69284	41.69
Power			
Listed Government Companies	4	22573	13.58
Unlisted Government Companies	27	5774	3.47
Sub-total (B)	31	28347	17.06
Coal and Lignite			
Listed Government Companies	2	11142	6.70
Unlisted Government Companies	4	10606	6.38
Sub-total (C)	6	21748	13.09
Total (A+B+C)	**52**	**119379**	**71.83**

During 2017-18, net profit of ₹ 1,19,379 crore constituting 71.83 *per cent* of total profit of CPSEs was contributed by 52 CPSEs in these three sectors as compared to 74.38 *per cent* contributed by 49 CPSEs during 2016-17.

Net profit of ₹ 30,823 crore was contributed by 23 CPSEs which functioned in defence, coal, atomic energy and space sectors which were not open to market competition. This constituted 18.55 *per cent* of total profit of ₹ 1,66,197 crore in all 231 CPSEs during 2017-18. ROE of these 23 CPSEs in 2017-18 was 29.05 *per cent* as compared to 11.71 *per cent* in 208 CPSEs functioning in competitive environment.

Of the 165 Government Controlled other companies, 117 companies earned profit of ₹7663 crore during the year ended 31 March 2018. ROE in these 117 CPSEs was 4.52 *per cent* in 2017-18. ROE in 165 Government Controlled other companies was 3.88 *per cent*.

The list of CPSEs which earned profit of more than ₹ 5,000 crore during the year 2017-18 is given in the Table 1.11:

Table 1.11: List of CPSEs which earned profit of more than ₹ 5,000 crore

(₹ in crore)

Sl. No.	Name of the CPSE	Net Profit
1	Indian Oil Corporation Limited	21346
2	Oil and Natural Gas Corporation Limited	19945
3	NTPC Limited	10343
4	Coal India Limited	9293
5	Power Grid Corporation of India Limited	8253
6	Bharat Petroleum Corporation Limited	7919
7	Hindustan Petroleum Corporation Limited	6357
8	Power Finance Corporation Limited	5855
Total		**89311**

It may be seen that these eight CPSEs contributed 53.73 *per cent* of the total profit earned by 231 CPSEs during 2017-18.

1.3.2 Dividend payout by CPSEs

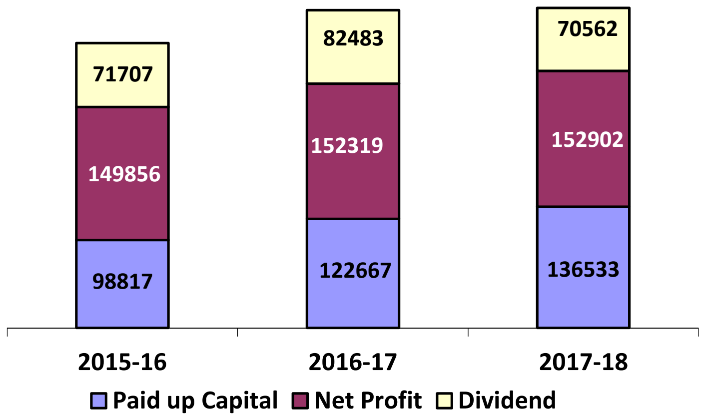
The details of profit earned and dividend declared is given in the Table 1.12:

Table 1.12: Profit earned and dividend declared

Category	No. of CPSEs	Paid up Capital (₹ in crore)	Net Profit (₹ in crore)	Dividend Declared (₹ in crore)
Statutory Corporations	2	725	2858	862
Listed Companies	40	72987	130088	58627
Unlisted Companies	59	62821	19956	11073
Total	**101**	**136533**	**152902**	**70562**

There were 101 CPSEs which declared dividend in 2017-18. The dividend declared as a percentage of net profit of all profit earning CPSEs decreased from 51.87 *per cent* in 2016-17 to 42.46 *per cent* in 2017-18. In absolute terms, the dividend declared by the CPSEs in 2017-18 decreased by ₹ 11,921 crore compared to previous year. Chart VI depicts the Dividend declared vis-a-vis net profit earned and paid up capital of CPSEs which declared dividend during the last three years.

Chart VI: Dividend declared *vis-a-vis* net profit earned and paid up capital (₹ in crore)



Out of total dividend of ₹ 70,562 crore declared by 101 CPSEs for the year 2017-18, dividend received/receivable by Central Government was ₹ 42,229 crore (48.90 *per cent*) in 74 CPSEs having equity investment of ₹ 86,365 crore. The return on aggregate investment of ₹ 3,57,064 crore made by the Central Government in equity capital of 420 CPSEs was 11.83 *per cent* as compared to 14.67 *per cent* during 2016-17. Similarly, 35 CPSEs received ₹ 11,580 crore as dividend on paid up capital of ₹ 25,230 crore on the equity holdings in other CPSEs in 2017-18.

14 CPSEs under the Ministry of Petroleum and Natural Gas, declared dividend amounting to ₹ 28,859 crore which was 40.90 *per cent* of the total dividend of ₹ 70,562 crore declared by 101 CPSEs in 2017-18.

The guidelines issued by DIPAM in May 2016 envisaged that every CPSE would pay a minimum annual dividend of 30 *per cent* of profit after tax or 5 *per cent* of the net worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions. However, 53 CPSEs (including 17 listed CPSEs and 01 statutory corporation) which had not declared dividend prescribed by the Government as given in ***Appendix-IV***. The total shortfall on this account was ₹ 9,417.75 crore in 2017-18.

Of the 165[19] Government Controlled other Companies, 117 companies earned profit of ₹7,663 crore during the year ended 31 March 2018. Out of these 117 companies, 47 declared dividend amounting to ₹ 1,178 crore which represented 8.74 *per cent* of their paid up capital of ₹ 13,470 crore. Sector wise classification of 47 Government Controlled other Companies which declared dividend during 2017-18 is given in Table 1.13:

Table 1.13: Dividend declared by Government Controlled other Companies

Sector	No. of Companies	Paid up Capital (₹ in crore)	Net Profit (₹ in crore)	Dividend Declared (₹ in crore)
Coal & Lignite	1	2188	146	22
Contract & Construction Services	2	250	230	23
Financial services	28	4495	2044	527
Industrial Development and Technical Consultancy	4	14	18	3
Insurance	1	1000	1150	200
Petroleum	4	777	182	81
Power	4	4506	1073	281
Tele communication services	1	35	45	2
Trading and Marketing	1	41	23	6
Transportation Services	1	164	49	33
Total	**47**	**13470**	**4960**	**1178**

1.3.3 Return on Equity of CPSEs

Return on equity (ROE) [20] is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of CPSEs where total equity of the sector is more than ₹10,000 crore during 2017-18 is depicted in Table 1.14.

Table 1.14: Return on Equity of sectors with total equity of ₹10000 crore and more

Sl. No.	Sector	ROE during 2015-16	ROE during 2016-17	ROE during 2017-18
1	Petroleum	12.06	13.72	13.40
2	Power	9.41	9.31	9.81
3	Transportation Services	-0.32	-1.08	-1.12
4	Insurance	3.20	0.52	3.66
5	Financial services	12.53	8.68	9.25
6	Telecommunication Services	-13.55	-7.93	-12.77
7	Steel	-6.91	-9.38	-3.88

[19] *188– 23 Government Controlled other Companies whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due.*

[20] *Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure*

8	Minerals and Metals	7.71	9.67	13.76
9	Coal & Lignite	77.16	58.29	38.67
10	Heavy Industry	-3.44	2.41	5.15
11	Transport Equipment	14.71	18.67	15.24
12	Contract & Construction Services	12.46	11.83	12.48

Table 1.15 depicts a comparison of ROE between monopoly[21] CPSEs and non-monopoly CPSEs.

Table 1.15: Monopoly vs Non-Monopoly comparison of Return on Equity of CPSEs

Year	Monopoly CPSEs		Non-Monopoly CPSEs	
	No of CPSEs	ROE	No of CPSEs	ROE
2015-16	50	1.52	326	10.37
2016-17	53	1.87	346	9.72
2017-18	54	1.43	366	9.14

It could be seen that ROE of monopoly CPSEs are significantly lower than non-monopoly CPSEs during the previous three years.

1.4 CPSEs incurring losses

There were 158 CPSEs that incurred losses during the year 2017-18. The losses incurred by these CPSEs increased to ₹ 41,420 crore in 2017-18 from ₹ 33,574 crore during 2016-17 as given in Table 1.16.

Table 1.16: Number of CPSEs that incurred losses during 2017-18

Listed / Unlisted Year	No of CPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net Worth[22] (₹ in crore)
Statutory Corporations				
2015-16	1	1143	0	13268
2016-17	1	907	0	12891
2017-18	1	847	0	12144

[21] *Monopoly means a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute. A CPSE is classified as monopoly if there is no competition in the geographical area in which it operates (Eg. Konkan Railway Corporation)*

[22] *Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision*

Listed Government Companies				
2015-16	12	11830	30268	76207
2016-17	11	10168	28481	18253
2017-18	12	8292	40433	9146
Unlisted Government Companies				
2015-16	127	18696	72576	91953
2016-17	142	22499	79890	137640
2017-18	145	32281	90212	131401
Total				
2015-16	**140**	**31669**	**102844**	**181428**
2016-17	**154**	**33574**	**108371**	**168784**
2017-18	**158**	**41420**	**130645**	**152691**

Out of total loss of ₹ 41,420 crore incurred 158 CPSEs, loss of ₹ 6239 crore was contributed by 12 CPSEs which functioned in defence, coal and atomic energy sectors which were not open to market competition.

CPSEs listed in Table 1.17 incurred a loss of more than ₹ 1,000[23] crore during the year 2017-18

Table 1.17: CPSEs that incurred losses of more than ₹ 1,000 crore during 2017-18

(₹ in crore)

Sl. No.	Name of the CPSE	Net loss
1	Bharat Sanchar Nigam Limited	8002
2	Western Coalfields Limited	3902
3	Hindustan Photofilms (Manufacturing) Company Limited	3402
4	Mahanagar Telephone Nigam Limited	2973
5	ONGC Petro Additions Limited	2219
6	National Insurance Company Limited	2171
7	Bharat Coking Coal Limited	1391
8	Rashtriya Ispat Nigam Limited	1369
9	India Infrastructure Finance Company Limited	1155
10	IFCI Limited	1009

Out of 165 Government controlled other companies, 46 companies incurred losses of ₹ 960.57 crore during the year 2017-18.

[23] *The provisional figures of 29 CPSEs including Air India Limited (AIL) have been included in this audit report on the basis of figures from their last audited accounts as the accounts for the year 2017-18 were not received before cut-off date i.e. 30 September 2018 for preparation of the report. Hence Net Loss of ₹ 5348 has not been included in the report.*

1.4.1 Erosion of capital in Government Companies

As on 31 March 2018 there were 184 CPSEs with accumulated losses of ₹ 1,42,309.28 crore. Of the 184 CPSEs, 130 CPSEs incurred losses in the year 2017-18 amounting to ₹ 21,755.26 crore and 54 CPSEs had not incurred loss in the year 2017-18, even though they had accumulated loss of ₹ 11,664.68 crore. 66 out of 184 CPSEs were under winding up/closure/liquidation/strategic disinvestment.

Net worth of 77 out of 184 CPSEs had been completely eroded by accumulated loss and their net worth was either zero or negative. The net worth of these 77 CPSEs was (-)₹ 83,122.38 crore against equity investment of ₹ 40,155.73 crore in these CPSEs as on 31 March 2018. This included six listed companies whose net worth was (-) ₹ 32,606.92 crore against equity investment of ₹ 6,685.50 crore. Out of 77 CPSEs, whose capital had been eroded (being zero or negative net worth), 12 CPSEs had earned profit of ₹ 1344.45 crore during 2017-18 (***Appendix-V***).

In 20 out of 77 CPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2018 amounted to ₹ 6,044.99 crore. This included two listed companies with outstanding Government loan of ₹ 1,877.34 crore.

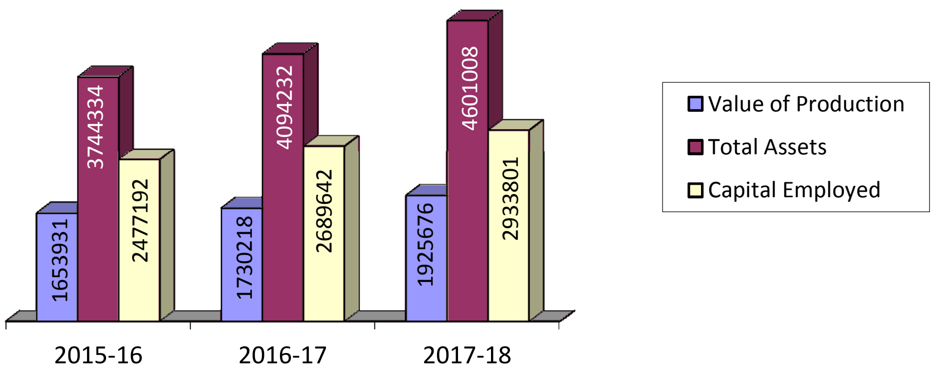
Net worth was less than half of their paid up capital in respect of 25 out of 341 CPSEs whose net worth was positive at the end of 31 March 2018, indicating their potential financial sickness.

1.5 Operating efficiency of Government Companies

1.5.1 Value of production

The summary indicating value of production, total assets and capital employed of 420 CPSEs over a period of three years is depicted in the Chart VII:

Chart VII: Value of Production, Assets and Capital Employed (₹ in crore)



There was an increase in the value of production, total assets and capital employed in the year 2017-18 compared to the previous year.

1.5.2 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[24]. The details of ROCE of 420 CPSEs during the period from 2015-16 to 2017-18 are given in Table 1.18.

Table 1.18: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (In %)
2015-16	256353	2477192	10.35
2016-17	273720	2689642	10.18
2017-18	291093	2935631	9.92

It was observed that ROCE of 420 CPSEs was marginally lower during the year 2017-18 in comparison to that for the year 2016-17.

1.5.3 Performance of listed CPSEs with private companies

The performance of 36[25] listed CPSEs on the parameters of five ratios (Return on Equity, Return on Capital Employed, Earnings Per Share, Price Earnings Ratio and Interest Coverage Ratio) was compared with private companies with similar nature of business during the last five years from 2013-14 to 2017-18. The comparison revealed the following results:

Return on Equity (ROE): It was observed that ROE in respect of 16 out of 36 listed CPSEs was on the lower side as compared to private companies with similar nature of business for three or more years during last five years. ***(Appendix-VI)***

Return on Capital Employed (ROCE): It was observed that ROCE in respect of 15 out of 36 listed CPSEs was on the lower side as compared to private companies with similar nature of business for three or more years during last five years. ***(Appendix-VII)***

Earnings Per Share (EPS): It was observed that EPS in respect of 26 out of 36 listed CPSEs was on the lower side as compared to private companies with similar nature of business for three or more years during last five years. ***(Appendix-VIII)***

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[24] *Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure*

[25] *Out of 47 CPSEs where shares were traded during the last five years, in case of 11 CPSEs no listed private companies with similar nature of business were found. Hence, 36 CPSEs were considered for comparison.*

Price Earnings (P/E) Ratio[26]**:** It was observed that P/E Ratio in respect of 29 out of 36 listed CPSEs was on the lower side as compared to private companies with similar nature of business for three or more years during last five years. ***(Appendix-IX)***

Interest Coverage Ratio (ICR): It was observed that ICR in respect of 17 out of 36 listed CPSEs was on the lower side as compared to private companies with similar nature of business for three or more years during last five years. ***(Appendix-X)***

In respect of six CPSEs, all the above parameters were less in comparison to private companies in same sector during all the five years.

1.5.4 Return on the basis of Present Value of Investment

The present value (PV) of the Central Government investment has been computed in respect of 25 CPSEs which are in losses for eight or more than eight years to assess the rate of return/loss on the present value of investments of Central Government in these CPSEs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/ year wise funds infused by the Central Government in the CPSEs have been compounded at the year wise weighted average interest rate on Central Government securities which is considered as the minimum cost of funds to the Government for the concerned year.

The PV of the Central Government investment in the CPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the Central Government in the CPSEs in the form of equity, interest free loans and grants/subsidy for operational and administrative expenses given by the Central Government to the CPSEs have been considered as investment infusion by the Central Government.
- In the cases where interest free loans given to the CPSEs 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.
- Disinvestment has been deducted while calculating total investment at the end of the year.
- The weighted average interest rate on Central Government securities for the concerned financial year[27] was adopted as compounded rate for arriving at

[26] *Price Earnings Ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per – share earnings. The P/E ratio is calculated as Market Value per Share/Earnings per Share*

Present Value since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the government.

- For the purpose of PV calculation of Central Government investment, the period beginning 2000-01 till 2017-18 has been taken considering the investment of Central Government in 25 CPSEs as on 31 March 2000 as PV of Central Government investment in the beginning of 2000-01.

A more appropriate measure of performance of such loss incurring CPSEs is the erosion of net worth due to the losses. The erosion of capital of the companies is commented upon in Para 1.4.1.

The details of Central Government investment in the selected CPSEs in the form of equity, interest free loans, grants/subsidy and disinvestment since 2000-01 till 2017-18 is indicated in ***Appendix-XI***. The consolidated position of the PV of such Central Government investment in the CPSEs is indicated in Table 1.19:

Table 1.19: Year wise details of investment by the Central Government and present value (PV) of Government funds from 2000-01 to 2017-18

(₹ in crore)

Financial Year	Present Value of total investment at the beginning of the year	Equity infused by the central Government during the year	Interest free loan granted by the central Government during the year	Grant/ Subsidy by central Government for meeting operational and administrative expenses	Interest free loan converted into equity during the year	Disinvestment by the central Government during the year	Total investment during the year	Total investment at the end obf the year	weighted average interest rate on Government securities	Present value of total investment at the end of the year
1	2	3	4	5	6	7	8= (3+4+5-6-7)	9= (2+8)	10	11= 9{1+(10/ 100)}
2000-01	7592.65	469.75	107.99	240.07	0	0	817.81	8410.46	11.00	9335.611
2001-02	9335.611	166.75	28.8	55.56	0	0	251.11	9586.721	9.40	10487.87
2002-03	10487.87	181.43	77.47	15.2	0	0	274.1	10761.97	7.30	11547.59
2003-04	11547.59	328.07	299.62	14.38	249.62	0	392.45	11940.04	5.71	12621.82
2004-05	12621.82	440.91	15.33	572.45	0	0	1028.69	13650.51	6.11	14484.56
2005-06	14484.56	287.41	184.65	20.62	0	0	492.68	14977.24	7.34	16076.57
2006-07	16076.57	777.97	78.74	79.92	0	0	936.63	17013.2	7.89	18355.54

[27] *The weighted average interest rate on Government securities has been taken from Reserve Bank of India's Report on Government Securities Market/Ministry of Finance's Status Paper on Government Debt.*

2007-08	18355.54	727.98	260.63	19.2	0	0	1007.81	19363.35	8.12	20935.65
2008-09	20935.65	1014.22	242.37	42.79	0	0	1299.38	22235.03	7.69	23944.9
2009-10	23944.9	2039.4	30.52	37.38	0	0	2107.3	26052.2	7.23	27935.77
2010-11	27935.77	2461.92	51.89	69.22	0	0	2583.03	30518.8	7.92	32935.89
2011-12	32935.89	1904.05	328.66	59.43	85.21	0	2206.93	35142.82	8.52	38136.99
2012-13	38136.99	6815.51	222.39	72.28	0	0.18	7110	45246.99	8.36	49029.64
2013-14	49029.64	6000.08	447.3	24.71	0	67.72	6404.37	55434.01	8.39	60084.92
2014-15	60084.92	3872.57	615.85	42.96	0	55.4	4475.98	64560.9	8.51	70055.03
2015-16	70055.03	7651.97	741.42	58.97	0	0	8452.36	78507.39	7.89	84701.62
2016-17	84701.62	5726.05	1353.83	317.48	101.78	0	7295.58	91997.2	7.16	98584.2
2017-18	98584.2	6796.23	190.4	17.42	0	0	7004.05	105588.3	6.98	112958.3
Total		**47662.27**	**5277.86**	**1760.04**	**436.61**	**123.3**	**54140.26**			

The balance of investment of the Central Government in these companies at the end of 2017-18 increased to ₹ 54,140.26 crore from ₹ 7,592.65 crore in 2000-01 as the Central Government made further investments in shape of equity amounting to ₹ 47,538.97 crore (₹ 47,662.27–₹ 123.30), interest free loans amounting to ₹ 4,841.25 crore (₹ 5,277.86–₹ 436.61) and grants/subsidy for meeting operational and administrative expenses amounting to ₹ 1760.04 crore. The PV of investments of the Central Government upto 31 March 2018 worked out to ₹ 1,12,958.30 crore. The net earnings by these 25 companies during 2017-18 was ₹ (-)21,145.73 crore (₹ 526.32 crore – ₹ 21,672.05 crore). Thus, against the present value amounting to ₹ 1, 12,958.30 crore of the Central Government in Government companies, the return was negative amounting to ₹ (-)21,145.73 crore.

1.5.5 Sales and Marketing

During 2017-18, the total sales of 420 CPSEs was ₹ 21,56,441 crore as compared to ₹ 19,49,214 crore in 406 CPSEs during 2016-17. Out of 420 CPSEs, 115 CPSEs sold goods/rendered services worth ₹ 2,35,750 crore to Government sector out of their sales of ₹ 10,26,134 crore. The overall percentage of sales of these 115 CPSEs to the Government sector with reference to their total sales worked out to 22.97 *per cent*.

There were 52 CPSEs which exported goods/services worth ₹ 73,620 crore (6.07 *per cent* of their total sales amounting to ₹ 12, 12,266 crore), against which the total imports by these CPSEs was ₹ 2, 72,037 crore resulting in net import of ₹ 1,98,417 crore (₹ 2,30,895 crore in 2016-17).

Against the total sales of ₹ 21, 56,441 crore by 420 CPSEs, the export sales by 52 CPSEs was 3.41 *per cent*. The CPSEs with export sales of more than ₹ 5,000 crore is given in Table 1.20:

Table 1.20: CPSEs with export sales of more than ₹ 5,000 crore during 2017-18

(₹ in crore)

Sl. No.	Name of the CPSE	Export sales
1	Indian Oil Corporation Limited	24353
2	Mangalore Refinery and Petrochemicals Limited	16996
3	ONGC Videsh Limited	7799
	Total	**49148**

The export sales of these three CPSEs accounted for 66.76 *per cent* of the total export of all CPSEs.

CHAPTER II

Oversight Role of CAG

2.1 Audit of Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor**.** Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the Parliament.

2.2. Appointment of statutory auditors of Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

Statutory auditors of Companies for the year 2017-18 were appointed during July 2017.

The statutory auditors of the above Companies for the year 2017-18 were appointed by the CAG during July 2017.

2.3 Submission of accounts by CPSEs

2.3.1 Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before both the Houses of Parliament together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary parliamentary control over the utilization of public funds invested in the companies from the Consolidated Fund of India.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above, annual accounts of various CPSEs were pending as on 30 September 2018, as detailed in the following paragraph.

2.3.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2018, there were 450 Government Companies and 188 Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2017-18 were due from 447 Government Companies and 187 Government Controlled Other Companies. Accounts were not due from 3 Government Companies and 1 Government Controlled Other Company, which were new. A total of 385 Government Companies and 155 Government Controlled Other Companies submitted their accounts for audit by CAG on or before 30 September 2018. Accounts of 62 Government Companies and 32 Government Controlled Other Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given below:

Out of 638 companies, accounts of 94 companies were in arrears.

Particulars		Government Companies/Government Controlled Other Companies					
		Government Companies		Government Controlled Other Companies		Total	
Total number of Companies under the purview of CAG's audit as on 31.03.2018		450		188		638	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Listed/Unlisted		59	391	6	182	65	573
Less: New Companies from which accounts for 2017-18 were not due		0	3	0	1	0	4
Number of companies from which accounts for 2017-18 were due		59	388	6	181	65	569
Number of companies which presented the accounts for CAG's audit by 30 September 2018		59	326	6	149	65	475
Number of accounts in arrears		0	62	0	32	0	94
Break-up of Arrears	(i) Under Liquidation	0	22	0	8	0	30
	(ii) Defunct	0	2	0	6	0	8
	(iii)First Accounts not submitted	0	0	0	2	0	2
	(iv) Others	0	38	0	16	0	54

Age–wise analysis of arrears against 'Others' category	One year (2017-18)	0	24	0	9	0	33
	Two years (2016-17 and 2017-18)	0	5	0	1	0	6
	Three years and more	0	9	0	6	0	15

The names of these companies are indicated in ***Appendix- II A*** and ***Appendix- II B***.

2.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six statutory corporations is conducted by the CAG. Of the five statutory corporations where CAG is the sole auditor, accounts of two[28] statutory corporations for the year 2017-18 were presented for audit in time. The accounts of Inland Waterways Authority of India, Damodar Valley Corporation and Food Corporation of India for the year 2017-18 were awaited as on 30 September 2018. In case of Central Warehousing Corporation, CAG conducts supplementary audit and the accounts were received in time.

2.4 CAG's oversight - Audit of accounts and supplementary audit

2.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

2.4.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and

[28] *Airports Authority of India and National Highways Authority of India*

- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

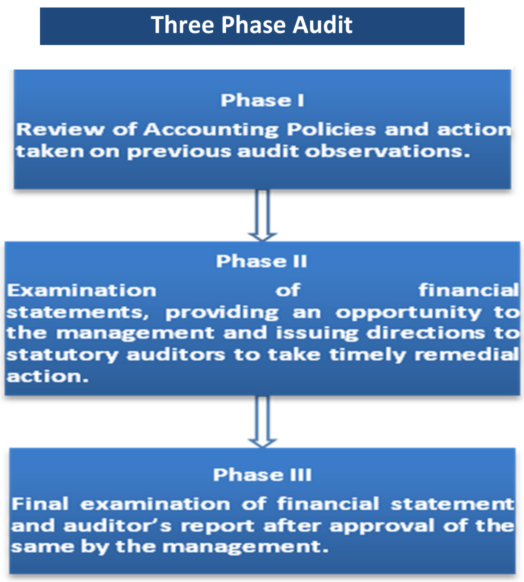
2.4.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

2.4.3.1 Adoption of Three Phase Audit approach in selected Government Companies



As the responsibility of auditor is to help the management in enhancing the quality of financial reporting i.e. readability, reliability and usefulness to different stakeholders, the CAG introduced more intensified, innovative, focused and result oriented approach to financial audit by 'the System of Three Phase Audit'. The Three Phase Audit System was introduced with the following objectives in selected public sector enterprises falling under categories of 'Listed', 'Navratna', 'Miniratna' and 'Statutory Corporations' for the financial statements of 2008-09 on consensus basis after discussion on the objectives and methodology of new audit approach with the management and statutory auditor concerned:

- To establish an effective communication and a coordinated approach amongst the statutory auditors, management and CAG for removal of inconsistencies and doubts relating to the financial statements presented by the CPSEs.

- To identify and highlight errors, omissions, non-compliances etc., before the approval of the financial statements by the management of the CPSEs and provide an opportunity to the statutory auditors and the managements of the CPSEs to examine such issues for taking timely remedial action.
- To reduce the time of CAG's audit after the approval of financial statements by the management of the CPSEs.

Phase – I and Phase – II of the Three Phase Audit approach are extended provisions of Section 143 (5) of the Companies Act, 2013. The audit observations under first two phases are treated as preliminary observations and communicated to the statutory auditors as part of sub-directions under Section 143 (5) of the Companies Act, 2013. The last phase of audit (Phase-III) is conducted after approval of the financial statements by the management and audit by the statutory auditors.

2.5 Result of CAG's oversight role

2.5.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2017-18 were received from 385 Government Companies (including 59 listed companies), 155 Government Controlled Other Companies (including 6 listed companies) and 3 statutory corporations by 30 September 2018. Of these, accounts of 289 Government Companies and 97 Government Controlled Other Companies and 3 Statutory Corporations were reviewed in audit by the CAG.

CAG reviewed accounts of 386 companies and 3 statutory corporations for the year 2017-18.

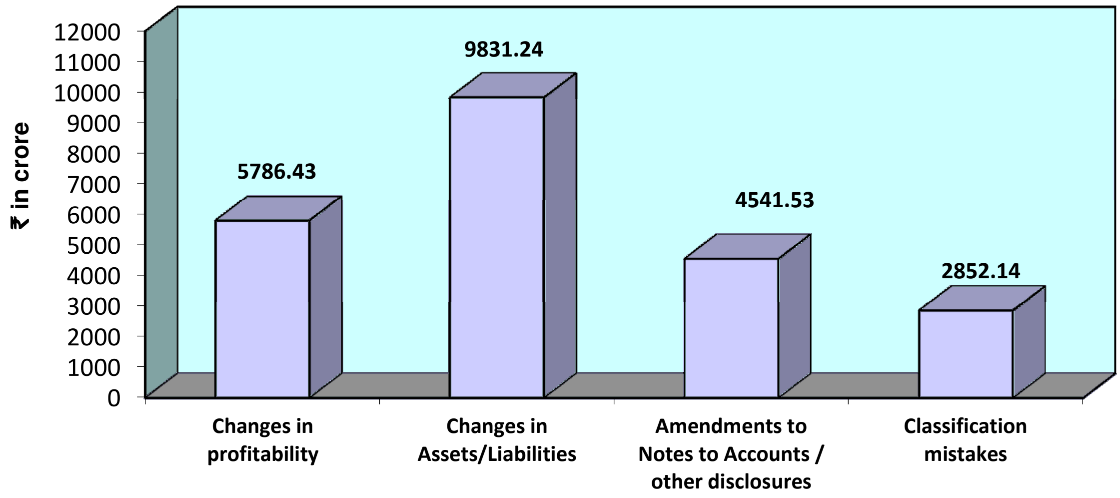
In total, CAG reviewed accounts of 75 *per cent* of the Government Companies and 63 *per cent* of Government Controlled Other Companies out of the accounts received up to 30 September 2018. The results of the review are detailed below:

2.5.1.1 Result of Three Phase Audit

As a result of Three Phase Audit conducted in 87 CPSEs ***(Appendix-XII)***, a number of quantitative as well as qualitative changes were made by the CPSEs in their financial statements which led to improvement in the quality of their financial statements.

The value addition made by Three Phase Audit of financial statements of these CPSEs for the year 2017-18 is depicted in the following Chart:

Net Impact of Three Phase Audit



CPSEs where major value addition was made were:

Sl. No.	Name of CPSE
1	Bharat Coking Coal Limited
2	Central Coalfields Limited
3	General Insurance Corporation of India
4	Goa Shipyard Limited
5	Hindustan Copper Limited
6	Hindustan Petroleum Corporation Limited
7	India Infrastructure Finance Company Limited
8	Indian Oil Corporation Limited
9	Mahanadi Coalfields Limited
10	Mangalore Refinery and Petrochemicals Limited
11	Mazagon Dock Shipbuilders Limited
12	MSTC Limited
13	National Insurance Company Limited
14	Northern Coalfields Limited
15	Oil and Natural Gas Corporation Limited
16	Oil India Limited
17	ONGC Videsh Limited
18	Rashtriya Chemicals & Fertilisers Limited
19	Steel Authority of India Limited
20	The New India Assurance Company Limited

2.5.1.2 Amendment of financial statements

As a result of supplementary audit of the financial statements for the year ended 31 March 2018 conducted by the CAG, two Government Companies and one Government Controlled Other Company amended their financial statements before laying the same in the Annual General Meeting.

2.5.1.3 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2018 conducted by the CAG, the statutory auditors of 29 Government Companies and 6 Government Controlled Other Companies, as detailed in ***Appendix-XIII,*** revised their report before laying of the financial statements of these Companies in their Annual General Meeting.

2.5.1.4 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements for the year 2017-18 by statutory auditors, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of CPSEs in respect of whom comments were issued is given in ***Appendix-XIV***. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹ 2,374.62 crore and on assets/liabilities was ₹ 51,014.59 crore, have been tabulated below:

- **Listed Government Companies**

  Comments on Profitability

Sl. No.	Name of the Company	Comments
1	Hindustan Fluorocarbons Limited	Revenue from Operations as well as Expenses were understated by ₹6.23 crore on account of deduction of Excise Duty/Goods and Services Tax (GST) from Revenue from Operations instead of exhibiting the same separately under Expenses which was contrary to the provisions of Companies Act, 2013.
2	IFCI Limited (Standalone and Consolidated Financial Statements)	Even though violation of Accounting Standard 13 – Accounting for Investments was pointed out during 2016-17, the Company did not make provision of ₹ 533.78 crore towards diminution in value of non-current investment in respect of four companies[29] despite various negative indicators. This resulted in overstatement of Non-Current Investment, understatement of Provision for Diminution in Value of Investment and understatement of Loss for the year by ₹ 533.78 crore. Allowance for Bad and Doubtful Assets as well as Loss

[29] *GTL Infrastructure Limited, IFCI Factors Limited, Athena Chhattisgarh Power Private Limited and Videocon Industries Limited*

		was understated and Long Term Loans and advances were overstated by ₹ 151.93 crore due to: incorrect classification of loan given to Videocon Industries Limited in September 2013 as sub-standard instead of classifying the same under doubtful category which resulted in a short provision of ₹ 142.10 crore. Short provision of ₹ 9.83 crore against the outstanding loan of ₹ 30.02 crore given to Neesa Leisure Limited in July 2010.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1	Hindustan Fluorocarbons Limited	Selective application of fair value concept to Freehold Land and adoption of carrying value in respect of other Property, Plant and Equipment on transition to Ind AS resulted in overstatement of Property, Plant and Equipment, and Other Comprehensive Income by ₹ 29.96 crore.
2	National Fertilizers Limited (Standalone and Consolidated Financial Statements)	Non-compliance to the DPE guidelines in working out the Performance Related Pay resulted in overstatement of Other Financial Liabilities and understatement of Profit by ₹ 10.64 crore.

❖ **Unlisted Government Companies**

Comment on Profitability

Sl. No.	Name of the Company	Comments
1	Bharat Sanchar Nigam Limited (2016-17)	Interest earned on deposit of grants received for a particular project was accounted as income instead of crediting the same to grant account which resulted in overstatement of Income, understatement of Liabilities as well as Loss for the year by ₹ 97.13 crore. Expenses were understated by ₹ 594.53 crore due to charging of pension contribution of absorbed employees on the basis of actually drawn pay instead of maximum pay which resulted in understatement of Provision as well as accumulated Loss by the above amount.
2	Central Coalfields Limited	Issuance of sales bills during 2016-17 towards supply of washed coking coal to Steel Authority of India Limited at a price higher than the price mutually agreed as per a

		Memorandum of Understanding which were disputed by Steel Authority of India resulted in understatement of Provision for Doubtful Debts and overstatement of Trade Receivables as well as Profit by ₹ 126.16 crore.
3	Engineering Projects (India) Limited	Non-current Assets and Profit were overstated by ₹ 4 crore due to short provision for the net trade receivable from M/s U.B. Engineering Limited despite rejection of Company's claims in this regard by the National Company Law Tribunal in January 2018.
4	India Infrastructure Finance Company Limited (Standalone and Consolidated Financial Statement)	Treatment of two loan assets[30] as Standard, instead of classifying the same as Sub-standard as per the directions of Reserve Bank of India and in line with the significant accounting policy, resulted in overstatement of Revenue from Operations by ₹ 32.58 crore and understatement of Provision for Loan Assets by ₹ 32.28 crore. Consequently, loss for the year was understated by ₹ 64.86 crore.
5	Indian Strategic Petroleum Reserve Limited (ISPRL)	Expenditure of ₹ 43.26 crore on Operation and Maintenance of Caverns which was recoverable from Government of India and recovery of ₹ 19.93 crore from the Government of India against the same, was not recorded in the books of the Company. Only the balance amount of ₹ 23.33 crore was shown as receivable from the Government of India. The treatment was not in line with the provisions of the Companies Act 2013 and Memorandum of Association of the Company. Further, the Company diverted the funds meant for project/capital purpose in meeting out the Operation and Maintenance related expenditure without proper approval.
6	Kolkata Metro Rail Corporation Limited	Expenditure as well as Contractor liability was understated by ₹ 1.93 crore due to non-accounting of escalation bill for the period August 2014 to February 2018.
7	National Highways & Infrastructure Development Corporation Limited.	Booking of the agency charges at the rate of 9 *per cent* of actual cost instead of 9 *per cent* of the original sanctioned cost which was contrary to the decision of Ministry of Road Transport & Highways dated 29 March 2017, resulted in overstatement of Revenue from Operation and Profit by ₹ 2.92 crore.

[30] *Essel Ahmedabad Godhra Toll Roads Limited (Principal - ₹ 198.14 crore and unrealised recognised interest income - ₹ 28.34 crore) and Madurai Tuticorin Expressways Limited (Principal - ₹138.16 crore and unrealised recognised interest income - ₹ 4.24 crore)*

		Revenue from Operations was overstated and Other Current Liabilities were understated by ₹ 2.27 crore due to excess booking of agency charges by 3 *per cent* which were payable to Public Works Department, Doda, Jammu for supervision of restoration work of NH-244 at Botote to Kishtwar stretch.
8	National Insurance Company Limited	Loss after Tax was understated by ₹ 72.28 crore due to understatement of liability towards Gratuity. Loss after Tax was overstated by ₹ 66.12 crore due to non-adjustment of liability despite release of payment towards Enterprise Architecture Solution for Insurance Project.
9	Nuclear Power Corporation of India Limited	Current Liabilities were understated by ₹ 20.13 crore due to accounting of part amount of bills towards royalty charges for water for the period July 2011 to March 2018 raised by Uttar Pradesh Irrigation Department as Contingent Liability. Consequently, Profit was overstated by the same amount.
10	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Provision for shortfall in Pension Trust amounting to ₹ 227.68 crore pertaining to previous year was adjusted against the retained earnings of previous year as a rectification of error but Deferred Tax Assets of ₹ 78.80 crore created on the aforesaid provision was credited to the profit and loss account of the current year. This resulted in overstatement of Profit and Deferred Tax Asset of the current year and understatement of Retained Earnings and Deferred Tax Asset of the previous year by ₹ 78.80 crore. Incorrect inclusion of Capital Work in Progress in Written Down Value of fixed assets while calculating Deferred Tax Liabilities resulted in understatement of Deferred Tax Asset as well as Profit for the year by ₹ 26.12 crore. Provision for Doubtful Debts amounting to ₹ 12.31 crore which was wrongly created during previous year was written back during current year by crediting the Profit and Loss Account instead of adjusting the same against retained earnings which resulted in overstatement of profit and understatement of retained earnings by ₹ 12.31 crore.
11	Tanda Transmission Company Limited	It was brought out in the Notes to the Financial Statements that Ministry of Power de-notified (February 2018) the transmission scheme for the development of which the Company was incorporated and that since the Company was to be wound up, the accounts were not

		prepared on going concern basis. It was also stated that the accounting treatment for the adjustment of assets and liabilities in the books of accounts as per the decision taken by the Board of Directors of the company in the meeting dated February 1, 2018 was kept on hold, pending approval from the Board of Directors of the Holding Company. Despite above disclosures, the Company adopted erstwhile accounting policies applicable for going concern basis, which was not correct. Despite informing the Board of Directors on 15.5.2018 that as the assets and liabilities of the company were to be transferred to the Holding Company, the opening CWIP of ₹ 1.58 crore had been transferred/ adjusted with the borrowing of the Holding Company amounting to ₹ 1.54 crore and since the company has been de-notified, the excess of CWIP over borrowings and current year expenses amounting to ₹ 4.71 lakh had been charged to the Statement of Profit and Loss, same was not effected in the financial statements.
12	Tungbhadra Steel Products Limited (2016-17)	The Company wrote-off Government of India loan including interest thereon amounting to ₹ 467.07 crore against sale/transfer of assets and accounted the gain thereon as Exceptional Income which was not correct as the Government of India accounted the write-off only and not any Asset. Consequently, the Financial Statements of the Company for the year 2016-17 did not reflect a true and fair view.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1	Artificial Limbs Manufacturing Corporation of India Limited	Even though machinery valuing ₹ 2.72 crore was received before the end of the financial year, the advance amount of ₹ 2.17 crore was not adjusted against the trade payables. This resulted in overstatement of Trade Payables and Long-term Loans and Advances by ₹ 2.17 crore.
2	Bharat Sanchar Nigam Limited for the year 2016-17	Land with book value of ₹ 660.40 crore as on 1 April 2015 was revalued and its fair value was arrived at ₹ 70,524.89 crore. Out of this, the Company was not having title/documents or there were restrictions on sale/use of land with book value of ₹ 513.71 crore. Adoption of market rate for land in respect of which either no title/documents were available or there were

		restrictions on sale/use, was not in order as the same was not marketable. Consequently, there was overstatement of Property, Plant and Equipments as well as Retained Earnings by ₹ 42,769.43 crore. Further, as qualified by the Statutory Auditors, the correctness of rate adopted was not ascertainable due to non-furnishing of information, adoption of rate different from the one furnished by the certified valuer and different methods adopted by different valuers.
3	Biotechnology Industry Research Assistance Council	An amount of ₹ 2.23 crore which was recoverable from Ministry of Electrical Information & Technology was accounted as a negative figure under Current Liabilities instead of accounting the same as Current Assets which resulted in understatement of both Current Liabilities and Current Assets by the same amount.
4	Bundelkhand Saur Urja Limited	Financial Liabilities were overstated by ₹ 5.71 crore due to inclusion of value of land received from the promoter Joint Venture Partner instead of including the same under Other Equity.
5	DNH Power Distribution Corporation Limited	Current Liabilities did not include ₹ 5.34 crore being the interest amount payable to NTPC-SAIL Power Company Private Limited on account of non-payment of claim of ₹ 8.90 crore made by the said Company in terms of the Power Purchase Agreement (PPA) dated 26 October 2007. Consequently, loss was understated by ₹ 5.34 crore.
6	EdCIL (India) Limited	Current Assets included ₹ 1.10 crore being claims recoverable towards refund of Service Tax paid in April 2013, application for which was filed in April 2018. Since, the application was filed after the stipulated period of one year from the date of payment, the same was not recoverable. Consequently, there was overstatement of Other Current Assets and profit by ₹ 1.10 crore.
7	HMT Bearings Limited	Current Liabilities were overstated by ₹ 141.62 crore due to non-adjustment of write-off of Government of India loans during the year 2016-17. Consequently, the negative balance of 'Other Equity' was overstated by ₹ 141.62 crore.
8	Indian Strategic Petroleum Reserve Limited	Intangible Assets and Current Liabilities were understated by ₹ 24.18 crore due to accounting of balance amount payable to Mangalore SEZ Limited for Right of Use of 48" pipeline to Mangalore caverns as Contingent Liability instead of Current Liability.

9	IRCON PB Tollway Limited	Cash and Cash Equivalents included an amount ₹ 20.00 crore being the Fixed Deposit with the bank, having original maturity of one year which should have been included under Other Bank Balances as per the provisions of Ind AS 7.
10	Kolkata Metro Rail Corporation Limited	Property, Plant & Equipment was overstated by ₹ 29.24 crore due to inclusion of cost of land which was not required and for which matter was taken up with the Government of West Bengal for refund of the money. This also resulted in understatement of Other Current Assets. Suitable disclosure of the above was also not made. Other Assets were overstated due to inclusion of an adhoc advance of ₹ 5.00 crore paid to West Bengal Transport Corporation towards shifting of Tram lines and existing utilities along with Overhead Traction System which should have been included under Capital Work in Progress. Non-recognition of equity contribution by Government of West Bengal under sub ordinate debt with corresponding receivable from Ministry of Railways resulted in understatement of Liabilities as well as Assets by ₹ 146.50 crore. There was understatement of Other Current Liabilities with corresponding understatement of Capital In Work Progress by ₹ 77.25 crore due to non-accounting of liability towards a claim from a contractor due to change in alignment. Land measuring 38.50 acres provided by West Bengal Government and funds received for the land acquisition to the tune of ₹48 crore were not reflected in the accounts. Management has not taken any action to reconcile the amount with the Government of West Bengal. No disclosure regarding the same was made in the accounts also.
11	Mahanadi Basin Power Limited	Other Equity was understated and Capital Work in Progress was overstated by ₹ 5.01 crore on account of non-charging of preliminary expenses in bringing the enterprise into existence in earlier years and accounting the same in Capital Work-in-Progress.
12	National Handicapped Finance and Development Corporation Limited	Earmarked funds amounting to ₹ 22.37 crore were not disclosed separately under Cash and Cash equivalent which was contrary to the provisions of schedule III of Companies Act, 2013. Cash and Cash Equivalents excluded short term fixed

		deposits amounting of ₹ 1.98 crore which were actually disclosed under Other Bank Balances.
13	National Highways & Infrastructure Development Corporation Limited.	Other Current Liabilities were understated by ₹ 4.35 crore due to non-inclusion of amount payable to various contractors for work of repair and maintenance, utility shifting and other works done upto 2017-18. This also resulted in understatement of Assets held on behalf of Government of India by the same amount.
14	National Insurance Company Limited	There was overstatement of Shareholders' Investments with corresponding understatement of Policyholders' Investments by ₹ 3018.06 crore due to incorrect bifurcations of these investments by the Company. Similarly, there was overstatement of Shareholders' Funds with corresponding understatement of Policyholders' Funds by ₹ 458.69 crore.
15	ONGC Petro additions Ltd.	Trade Payables did not include the following payments due to Oil & Natural Gas Corporation Limited (ONGC): premium of ₹ 30.20 crore and exports related expenses and loading charges of ₹ 81.50 crore for Naphtha supplied by ONGC through Marine route in the year 2016-17. short payment of ₹ 46.82 crore due to adoption of wrong formula for working out the payment to be made to ONGC for supply of methane upto 31 March 2018. liability for payment of interest of ₹ 14.80 crore on overdue payments to ONGC for purchase of Naphtha, Ethane, Propane & Butane. Consequently, Current Liabilities and Loss were understated by ₹ 173.32 crore. Provisions were understated by ₹ 10.41 crore due to non-accounting of an invoice raised by Samsung Engineering Company Limited in December 2016. Consequently, Loss for the year was understated by ₹ 10.41 crore. Capital Advances were understated by ₹ 5 crore due to non-inclusion of reimbursement of extension cost of insurance cover to Samsung Eng. Co. Ltd., Korea which was actually recoverable from it. Consequently, Plant and Equipment was overstated by ₹ 5 crore. Capital Work in Progress was overstated due to inclusion of an amount of ₹ 641.91 crore towards Integrated Utilities & Offsites package which had been put to use as on 31 March 2018. Consequently, Property, Plant & Equipment was understated by ₹ 641.91 crore.

16	Oriental Insurance Company Limited (Standalone and Consolidated Financial Statements)	There was overstatement of Policyholders' Investments with corresponding understatement of Shareholders' Investments by ₹ 2202.83 crore due to incorrect bifurcations of these investments by the Company. Similarly, there was overstatement of Policyholders' Funds with corresponding understatement of Shareholders' Funds by ₹ 836.30 crore.
17	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Trade payables were understated and Retained Earnings were overstated due to non-inclusion of a provision of ₹ 44.85 crore being rate difference due to booking of sales of coins for the year 2014-15 at the Fair Selling Prices (FSP) of the year 2012-13 which was higher than the FSP for the year 2014-15 which was finalized by the Ministry of Finance during 2016-17. Though the Statutory Auditor had qualified the above in their previous year's report, the Statutory Auditor issued an unmodified report for the current year. Thus, the Statutory Auditors' report was also deficient to that extent.
18	SIDCUL CONCOR Infra Company Limited	Cash and Cash Equivalents included an amount of ₹ 12.76 Crore which was Fixed Deposit with bank having original maturity of one year and therefore, should have been included under Other Bank Balances in accordance with the provisions of Ind AS 7.

Comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Antrix Corporation Limited	Despite being assured by the Management at the time of audit of accounts for the year 2016-17, a document from Department of Space/ Indian Space Research Organisation confirming that they would bear the third Party liability for the contracts for launch of satellites by way of Self-insurance policy was neither obtained nor the factual position regarding non-maintenance of self-insurance fund was disclosed in the Notes to accounts.
2	Bharat Sanchar Nigam Limited	An amount of ₹ 34.73 crore being Customer Acquisition Form penalty imposed by Department of Telecommunications was neither disclosed as firm liability nor included under contingent liability.

3	technology Industry Research Assistance Council	Cash and Cash Equivalents included an amount of ₹ 66.82 crore being funds received from the Ministry for different projects which was depicted under Saving Account and Fixed Deposits, instead of disclosing the same separately as per the requirements of Schedule III of Companies Act, 2013. In the Cash Flow Statement, there was understatement of ₹ 10.13 crore in Cash from Operating Activity and overstatement in closing balance of Cash and Cash Equivalent by the same amount. Further, the disclosure requirements as per the Accounting Standard 3 were also not been complied with.
4	Bundelkhand Saur Urja Limited	The company did not disclose the basic and diluted Earnings per Share which was contrary to the provisions of Ind Accounting Standard 33. The Company did not disclose Chairman and Directors as Key Management Personnel in the Notes to the Financial Statements which was contrary to the provisions of Ind AS-24. Further, the names of officials who were Key Management Personnel during the year but relinquished office before the end of the year were also not disclosed.
5	DNH Power Distribution Corporation Limited	Penal interest amounting to ₹ 1.17 crore paid to Power Supplying Companies was included under Cash from Financing Activities instead of including the same under Cash from Operating Activities.
6	Engineering Projects (India) Limited	As regards an amount of ₹ 43.06 crore shown as recoverable from a contractor, the Company did not disclose that the contract had been terminated during the year and an arbitration claim of ₹ 81.96 crore on the company has been filed against which the company had also filed counter claim of ₹ 146.71 crore. Further, despite having a back to back contract with the client in this regard, the amount was not recovered from the client and was shown as recoverable from the contractor.
7	HMT Chinar watches Limited (Standalone Financial Statements)	As all the employees had been given voluntary retirement based on the decision of the Cabinet to close the operations of the Company and final settlement was made, the amount of ₹ 1.90 Crore lying with the Gratuity Trust should have been shown as current assets instead of depicting negative figure under Non-current liabilities.

		Contingent Liabilities did not include ₹ 30.22 crore being the penal interest on delayed payment of dues to Central Industrial Security Force.
8	Mahanadi Basin Power Limited	Cash Flow Statement was deficient on account of incorrect depiction of Cash & Cash Equivalents, Net Profit before Tax, Extraordinary Items and Other Financial Liabilities.
9	National Handicapped Finance and Development Corporation Limited	Contrary to the provisions of Accounting Standard 1, the significant accounting policies were not included in the financial statements.
10	National Insurance Company Limited	Earning Per Share as required under Accounting Standard – 20 was not disclosed in the Financial Statements. Service Cost was not disclosed separately as Past Service Cost and Current Service Cost which is mandatory as per Accounting Standard – 15.
11	ONGC Videsh Limited (Consolidated Financial Statements)	Cash flow from Investing Activities was understated by ₹ 3,235.42 crore and Cash flow from Operating Activities was overstated by the same amount. Cash flows from financing activities included cash flow on account of interest paid amounting to ₹ 1,854.36 crore for the year 2017-18 as against the actual cash flow of ₹ 1,794.08 crore. Difference of ₹ 60.28 crore was adjusted in cash flows from operating activities and in cash flows from financing activities instead of disclosing the same separately under cash flows from financing activities.
12	ONGC Videsh Limited (Standalone and Consolidated Financial Statements)	The Company disclosed an amount of ₹ 9,155.39 crore on account of disputed liabilities of Income tax and Service tax without disclosing the amount of interest /penalty that could be levied on above under the various statutes.
13	ONGC Videsh Limited (Standalone Financial Statements)	There was overstatement of Cash flow from investing activities due to omission of an amount of ₹ 346.52 crore being the cost of the wells written off during the year and impairment of intangible assets. Consequently, there was understatement of Cash flows from Operating Activities by the same amount. In cash flows from Operating Activities (comparative figures for the previous year) the Company added, instead of reducing, gain on partial buy-back of equity shares by subsidiaries amounting to ₹ 136.85 crore in operating profit which resulted in overstatement of cash

		flows from Operating Activities of previous year by ₹ 273.70 crore. In cash flows from Operating Activities (comparative figures for the previous year) the Company deducted ₹ 25.77 crore instead of ₹ 57.16 crore from the profit for the previous year on account of interest income which resulted in overstatement of cash flows from operating activities of previous year by ₹ 31.39 crore.
14	SAIL RITES Bengal Wagon Private Limited	Disclosure as required under IND AS 17 for the land taken from Steel Authority of India for a period of 33 years was not given. The Company did not frame any Accounting Policy regarding operating lease.
15	Security Printing and Minting Corporation of India Limited (Standalone and Consolidated Financial Statements)	Cash flow statement had the following deficiencies: Other adjustments of ₹ 84.53 crore being prior period items, disputed claims and depreciation were adjusted against the retained earnings but the same should not have been deducted from the profit for the year in the cash flow statement while calculating cash generated from operating activities. Foreign exchange fluctuation gain of ₹ 4.71 crore was not reduced from the book profit before tax. Other non-operating income of ₹ 31.42 crore was not reduced from book profit before tax while calculating cash flow from operating activities.
16	Tungabhadra Steel Products Limited (2016-17)	The Company stated in the Notes that the loan from Government of India and interest thereon amounting to ₹ 467.07 crore was written off in the books in lieu of assumption of the right to transfer immovable assets of the Company by Government of India ignoring the fact that the Company could not transfer the right to Government of India as land was given by the Government of Karnataka in December 1973 with a condition that the Company could hold the land only for the purpose for which it was acquired i.e. to carry on the business and any breach of the conditions would result in resumption of land together with buildings erected thereon by Government of Karnataka.

Comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	Central Coalfields Limited	The Company deposited an amount of ₹ 832.90 crore on account of disputed demand of statutory dues under protest. However, this fact was not reported by the Auditors in their Report which was not in line with the Guidance Note on Companies (Auditor's Report) Order, 2016.
2.	Kolkata Metro Rail Corporation Limited	The Auditor's statement in the independent Auditor's Report that in making risk assessment, internal financial control were considered in order to design audit procedures but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial control system over financial reporting and the operating effectiveness of such controls, was contradictory to Section 143 (3)(i) of Company's Act 2013, read with Rule 10 (A) of Company's (Audit & Auditor) Rules 2014 which require the Auditors to state about existence of adequate internal financial control system and its operating effectiveness.
3.	ONGC Videsh Limited (Standalone Financial Statements)	The Statutory Auditors, while reporting upon the disputed statutory dues, did not report upon the disputed interest and penalty.
4.	Real Estate Development and Construction Corporation of Rajasthan Limited	The Auditor's report did not contain comment upon each of the matters specified in paragraph 3 and 4 of Companies (Auditor's Report) Order, 2016 and rather gave a general statement that there were no such matters to be specified in paragraphs 3 and 4 of the order as applicable to the company.
5.	Security Printing and Minting Corporation of India Limited (Standalone Financial Statements)	Inclusion of matters, in Emphasis of Matter paragraph in the Report, which are not disclosed in the Financial Statements of the Company, was not in compliance with the provisions of Standard on Auditing 706. Further as per the requirement of said standard, the statement that "auditors opinion is not modified in respect of matter emphasized" was not included in Emphasis of Matter paragraph.
6.	Tanda Transmission Company Limited	It was stated in Notes to the Financial Statements that the main business of the Company was no longer in existence and the Company is going to be wound up. However, the Independent Auditor's report did not include a separate section regarding the material

		uncertainty relating to going concern which was contrary to the provisions of Standard on Auditing 570.
7.	Tungabhadra Steel Products Limited (2016-17)	The Auditors reported that the Company did not show the sale proceeds of immovable assets as payable to Government of India which was incorrect as Government of India vide letter dated 18.1.2018 had directed to settle the claims/liabilities owed by the Company to all entities from the said sale proceeds. The Auditor's Report did not mention the factual position regarding non-transferability of the land given to Company by Government of Karnataka to Government of India.

Unlisted Government Controlled Other Companies

Comment on Profitability

Sl. No.	Name of the Company	Comment
1.	Cent Bank Home Finance Limited	Other Current Assets included an amount of ₹ 1.21 crore towards Commission and Brokerage of Direct Selling Agents which were not amortised since 2015-16 in contravention of the policy of the Company. This resulted in understatement of 'Prior Period Expenditure' and overstatement of 'Other Current Assets' and 'Profit before tax' by ₹ 1.21 crore.

Comments on Financial Position

Sl. No.	Name of the Company	Comments
1.	Bank Note Paper Mill India Private Limited	Accounting of ₹ 90.63 crore being the interest earned on unutilised/surplus fund as Capital Receipts instead of accounting the same as Other Income during 2010-11 to 2015-16 resulted in understatement of Other Income, Property, Plant and Equipment and Other Equity by ₹ 90.63 crore. Consequently, the depreciation on Property, Plant and Equipment was also understated which could not be quantified due to non-availability of data.
2.	Chennai Ennore Port Road Company Limited	Current Liabilities and Capital Work in Progress were understated by ₹ 48.82 crore due to non-accounting of amount payable to Tamil Nadu Slum Clearance Board towards escalation in resettlement cost relating to Ennore-Manali Road Improvement Project.
3.	Delhi Aviation Fuel Facility Private Limited (Standalone Financial Statements)	Difference between the interest free security deposit paid and its fair value which was to be shown as prepaid expenses was wrongly booked as intangible asset which resulted in overstatement of Intangible Asset and

		understatement of Prepaid Expenses by ₹ 110.43 crore. The Company did not carry out any review of the residual value and useful life of the assets at the end of financial year as required under Ind AS 16 and Accounting policy No. 1.2.3 (a) of the Company.
4.	Mumbai Aviation Fuel Farm & Facility Private Limited	Dead Stock of fuel was overstated by ₹ 4.30 crore due to non accounting of conversion of 902 KL of dead stock fuel as operating fuel due to which there was overstatement of Non-Current Assets and understatement of Current Assets by ₹ 4.30 crore.
5.	North East Transmission Company Limited	Trade Payable included an amount of ₹4.20 crore which was shown as payable to a contractor for a transmission line, though the contractor had already confirmed that it had received all the payments due from the Company and had no claims whatsoever pending under the said contract. This resulted in overstatement of Trade Payable and Property, Plant and Equipment by ₹ 4.20 crore each.

Comments on disclosure

Sl. No.	Name of the Company	Comments
1.	Cent Bank Home Finance Limited	The Central Government notified the Payment of Gratuity (Amendment) Act, 2018 on 29 March 2018 and increased the ceiling of the amount of gratuity payable to employees from ₹ 10 lakh to ₹ 20 lakh. However, the Company did not consider the increase in ceiling amount for creation of provision for payment of gratuity to employees. Notes to accounts did not include disclosures regarding defined benefit plans such as present value of defined benefit obligations, plan assets, total expenses recognised in the Statement of Profit and Loss, actuarial gains and losses along with actuarial assumptions etc. as required under Accounting Standard 15. Above non-compliances were not reported by the Statutory Auditor also in their Independent Auditor's Report.
2.	Nabkisan Finance Limited	The company recognized income from upfront/ processing fees collected from the customer for processing loans on cash basis which was against the fundamental accounting assumption of accrual. This was not disclosed in significant accounting policies which was contrary to the provisions of Accounting Standard - 1.

Comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	Delhi Aviation Fuel Facility Private Limited (Standalone Financial Statements)	• Statutory Auditor did not comply with the provisions of Para 5 of the Guidance Note on the Companies (Auditor's Report) Order 2016 which states that response of the Statutory Auditor to the directions issued by the Comptroller and Auditor General of India under Section 143 (5) of the Companies Act 2013 will form part of the auditor's report. • Statutory Auditor incorrectly reported in Independent Auditor's Report that the Company did not have any immovable property, though the company had Property, Plant and Equipment valuing ₹ 158.16 crore as on 31 March 2018, which included immovable properties also.

2.5.2 Statutory corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Airports Authority of India

(i) All segment assets relating to cargo operations and its corresponding accumulated depreciation amounting to ₹ 49.34 crore had been transferred to AAI Cargo Logistics & Allied Services Company Limited by AAI. However, these assets had already been transferred to Delhi International Airport Private Limited (DIAL) in May 2006. This resulted in understatement of Tangible Assets and Accumulated Depreciation by ₹ 49.34 crore.

(ii) Despite being pointed out in 2014-15, 2015-16 and 2016-17, Airports Authority of India could not produce basic records for verifying the correctness of revenue accruing to its Joint Ventures viz. Delhi International Airport Limited (DIAL) and Mumbai International Airport Limited (MIAL) and the share of revenue transferred to Airports Authority of India as per the respective Operation, Management and Development Agreements. In the absence of relevant records, the veracity of revenue of ₹ 3092.19 crore received from DIAL and MIAL could not be vouchsafed.

(iii) The Contingent Liabilities (Claims not acknowledged as debts) were understated by ₹ 556.59 crore due to non-disclosure of the following:

(₹ in crore)

Sl. No.	Particulars	Amount
1.	Amount demanded by Land Acquisition Officers, Jaipur for portion of intermittent land admeasuring 43.49 acres under possession of the Authority	246.40
2.	New Delhi Municipal Council raised demand of property tax on Fire Station, Runway, W/T Station and space occupied by other Authorities/Bodies at Safdarjung Airport	258.58
3.	Demand raised by Ministry of Defence on account of land measuring 56.78 acres which was taken over for Indira Gandhi International Airport, Delhi	51.61
	Total	**556.59**

2.6 Non Compliance with provisions of Accounting Standards/IND AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 14 companies as detailed in ***Appendix-XV*** did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which were not reported by their statutory auditors:

Accounting Standard/Ind AS		Name of the Company	Deviation
AS 1	Disclosure of Accounting Policies	Nabkisan Finance Limited	Upfront/processing fee from customers was accounted on Cash basis without disclosing the same.
		National Handicapped Finance and Development Corporation Limited	Significant Accounting Policies were not included in the financial statements.
AS 12	Accounting for Government Grants	Biotechnology Industry Research Assistance Council	Depreciation amounting to ₹ 40.57 lakh was written back as extraordinary items instead of disclosing the same under the head Income.

AS 13	Accounting for Investments	IFCI Limited	Non-provision/Inadequate provision for diminution in value of non-current investment resulted in overstatement of non-current investment by ₹ 533.78 crore.
AS 15	Employee Benefits	Cent Bank Home Finance Limited	Notes to accounts did not include various disclosures regarding defined benefit plans.
AS 20	Earnings Per Share	National Insurance Company Limited	Earning Per Share was not disclosed.
IND AS 101	First-time adoption of Indian Accounting Standards	Hindustan Fluorocarbons Limited	The Company selectively applied fair valuation to Freehold Land only.
		Hindustan Organic Chemicals Limited	Company did not explain the effect of transition from previous Generally Accepted Accounting Principles (GAAP) to Ind AS on its reported cash flows. Company did not give sufficient details on reconciliation of total comprehensive income details and material adjustment to profit and loss account on transition to Ind AS. Company did not give sufficient details on reconciliation of equity and material adjustment to the balance sheet on transition to Ind AS.
IND AS 105	Non- current Assets Held for Sale and Discontinued Operations	Hindustan Organic Chemicals Limited	Company did not give disclosure such as description of the non-current assets, fact and circumstance of the sale and the gain /loss recognized.
IND AS 7	Statement of Cash flows (Standalone and Consolidated Financial Statements)	Hindustan Organic Chemicals Limited	Company did not disclose the components of cash and cash equivalents. Reconciliation of the amounts in the Statement of Cash Flows with the equivalent items reported in the balance sheet was also not disclosed.
		IRCON PB Tollway Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.

		SAIL RITES Bengal Wagon Private Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.
		SIDCUL CONCOR Infra Company Limited	Cash and Cash Equivalents included Fixed Deposit with bank having original maturity of one year.
IND AS 8	Accounting Policies, changes in Accounting Estimates and Errors	Security Printing and Minting Corporation of India Limited	Instead of adjusting the provision for doubtful debts of ₹ 12.31 crore, wrongly created during previous year, against the retained earnings of previous year, the same was accounted as Other Income in the Profit and Loss Account.
		Shipping Corporation of India Limited	When a new Ind AS that has been issued but is not yet effective, the entity shall disclose this fact and known or reasonably estimable information relevant to assessing the possible impact. This was not done.
IND AS 10	Events occurring after Balance Sheet date	Container Corporation of India Limited	The company infused equity ₹ 13.45 crores in the wholly owned subsidiary after the Balance Sheet date which was not disclosed.
IND AS 16	Property Plant and Equipment	Delhi Aviation Fuel Facility Private Limited	Review of the residual value and useful life of the assets was not carried out at the end of financial year.
IND AS 19	Employee Benefits	Hindustan Organic Chemicals Limited	Company did not comply with mandatory disclosure requirements such as application of Payment of Gratuity Act, 1972, risks to which the Company was exposed due to such application, amendments during the year, sensitivity analysis and effect of the defined benefit plans on the Company's future cash flows.
IND AS 24	Related Party Disclosure	Bundelkhand Saur Urja Limited	Complete disclosures as per the IND Accounting Standard were not made.
		Hindustan Organic Chemicals Limited	Company did not comply with the various disclosure requirements.
IND AS 33	Earnings Per Share	Bundelkhand Saur Urja Limited	Earnings per Share was not disclosed.

IND AS 37	Provisions, Contingent, Liabilities and Contingent Assets.	Hindustan Organic Chemicals Limited	The accounting policy of the company that the Contingent Asset was generally neither recognized nor disclosed was in contravention to the provision of IND AS 37.
		Rashtriya Chemicals and Fertilizers Limited	Company did not give brief description of the nature of a contingent liability of ₹ 46.92 crore.
IND AS 38	Intangible Assets	Container Corporation of India Limited	Advance lease rent of ₹ 15.89 crore should have been classified as Other Advances instead of Capital Advances.

2.7 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit that could have a significant effect on the financial statements and
- inadequate or non disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 'Management Letters' to 98 CPSEs ***(Appendix-XVI)***.

CHAPTER III

Corporate Governance

3.1 Corporate Governance

3.1.1 Provisions as contained in the Companies Act, 2013

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

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct Section 149(6) read with rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014.
- Mandatory appointment of one woman director on the board of listed companies {Section 149(1)}.
- Mandatory establishment of certain committees like Corporate Social Responsibility Committee {Section (135)}, Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1)}, and Stakeholders Relationship Committee {Section 178(5)}.
- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

3.1.2 SEBI guidelines on Corporate Governance

With reference to enactment of Companies Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014), clause 49 of the Listing Agreement to align it with the Corporate Governance provisions specified in the Companies Act, 2013.

Securities and Exchange Board of India notified (2 September 2015) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which came into effect from 1 December 2015 repealing the earlier provisions

SEBI, further issued (13 October 2015) a uniform listing agreement format for all types of securities which required the listed entity to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. These regulations were amended on 22 December 2015, 25 May 2016, 8 July 2016, 4 January 2017 and 15 February 2017.

3.1.3 DPE guidelines on Corporate Governance for Central Public Sector Enterprises

The Department of Public Enterprises (DPE) issued guidelines on Corporate Governance in November 1992 on the inclusion of non-official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of Central Public Sector Enterprises (CPSEs), the government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. The guidelines issued by DPE covered areas like composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In so far as listed CPSEs are concerned, they are required to comply with the SEBI guidelines/regulations on Corporate Governance in addition to complying with provisions in DPE guidelines.

3.1.4 Review of compliance by selected CPSEs of the Corporate Governance provisions

As on 31 March 2018, there were 644 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the CAG of India. In the context of the policy of the government to grant more autonomy to the CPSEs, Corporate Governance has assumed importance. Under the Maharatna Scheme, CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013, guidelines/regulations issued by SEBI (April and September 2014) and the DPE guidelines on corporate governance (May 2010) and compliance by CPSEs listed in various stock exchanges. With these provisions during the year 2017-18 was reflected in the assessment framework. The review covers 52 listed CPSEs under administrative control of various Ministries for the year ended 31 March 2018. List of the CPSEs is given in the ***Appendix-XVII***.

3.2 Composition of Board of Directors

3.2.1 Non-Executive Directors on the Board

The Board is the most significant instrument of corporate governance. Clause 49 (II) (A) (1) of Listing Agreement and Regulation 17 (1) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulates that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than 50 *per cent* of the Board of Directors comprising non-executive directors.

In the CPSEs listed in Table 3.1, the non-executive directors constituted less than 50 *per cent* of the total Board strength.

Table 3.1: CPSEs where non-executive directors were less than 50 *per cent* of the Board strength

Sl. No.	Name of the CPSE	Total Directors	No. of Non-Executive Directors	Percentage
1	Balmer Lawrie & Co Ltd	6	2	33
2	Power Grid Corporation of India Ltd	9	4	44

3.2.2 Independent Directors

The presence of independent representatives on the Board, capable of taking an independent view, the decisions of the management are widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of section 149 (4) of the Companies Act, 2013, Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, Clause 49 (II) (A) (2) of Listing Agreement, Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 and Para 3.1.4 of the DPE guidelines, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and, in case he is an executive director, at least half of the Board should comprise independent directors. However, as per Clause 49 (II) (B) (1), 'independent director' shall mean a non-executive director, other than a nominee director of the company.

The review of composition of the Board of Directors (BoD) revealed that the CPSEs listed in Table 3.2 did not have the required number of independent directors on their Board:

Table 3.2: CPSEs not having required number of independent directors

Sl. No.	Name of the CPSE	No. of Directors in BoD	Status of Chairman	Required No. of Independent Directors in BoD	Actual No. of Independent Directors in BoD
1	KIOCL Ltd	7	Executive	4	2
2	Dredging Corporation of India Ltd	6	Executive	3	2
3	HMT Ltd	5	Executive	3	1
4	NLC India Ltd	14	Executive	7	6
5	Chennai Petroleum Corporation Ltd	10	Non-Executive	4	2
6	The Fertilisers and Chemicals Travencore Ltd	11	Executive	6	5
7	Madras Fertilisers Ltd	11	Executive	6	4
8	BEML Ltd	8	Executive	4	3
9	Container Corporation of India Ltd	11	Executive	6	5
10	ITI Ltd	7	Executive	4	2
11	Oil India Ltd	11	Executive	6	4
12	Hindustan Copper Ltd	10	Executive	5	4
13	Andrew Yule & Co Ltd	7	Executive	4	3
14	Shipping Corporation of India Ltd	12	Executive	6	5
15	Rashtriya Chemicals & Fertilisers Ltd	8	Executive	4	3
16	Hindustan Petroleum Corporation Ltd	13	Executive	7	6
17	India Tourism Development Corporation Ltd	7	Executive	4	2
18	National Fertilisers Ltd	9	Executive	5	4
19	NTPC Ltd	16	Executive	8	7
20	Power Grid Corporation of India Ltd	9	Executive	5	3
21	Bharat Heavy Electricals Ltd	13	Executive	7	6
22	Power Finance Corporation Ltd	7	Executive	4	2
23	SJVN Ltd	10	Executive	5	4
24	MOIL Ltd	9	Executive	5	3

There were no independent directors on the Board in respect of CPSEs given in Table 3.3.

Table 3.3: CPSEs not having any independent directors

Sl. No.	Name of the CPSE
1	Balmer Lawrie Investments Ltd
2	Scooters India Ltd
3	IFCI Ltd

3.2.3 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, Rule 3 of Chapter XI of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 (II) (A) (1) of Listing Agreement and Regulation 17 (1) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulates that the Board of Directors of the company shall have at least one woman Director in its Board. In respect of MMTC Ltd, there was no woman Director on the Board.

3.3 Appointment and functioning of Independent Directors

3.3.1 Issuance of formal letter of appointment

Clause 49 (II) (B) (4) (a) of the Listing Agreement (April 2014) stipulates that the company shall issue a formal letter of appointment to independent directors in the manner as provided in the Companies Act 2013. As per schedule IV Part IV of the Companies Act 2013, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. However it was observed that, in the CPSEs, listed in Table 3.4, no appointment letters detailing the terms and conditions were issued by the CPSEs.

Table 3.4: Appointment letters of Independent Directors not issued by CPSEs

Sl. No.	Name of the CPSE
1	HMT Ltd
2	NLC India Ltd
3	Madras Fertilisers Ltd
4	Hindustan Aeronautics Ltd
5	Mishra Dhatu Nigam Ltd
6	Andrew Yule & Co Ltd
7	Engineers India Ltd

3.3.2 Code of Conduct

Regulation 17 (5) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that Code of Conduct prescribed by the Board of Directors includes the duties of Independent Directors as laid down in the Companies Act, 2013. However it was observed that, in the CPSEs, listed in Table 3.5, the code of conduct does not incorporate in the duties of Independent Directors.

Table 3.5: CPSEs where the code of conduct does not incorporate in the duties of Independent Directors

Sl. No.	Name of the CPSE
1	MMTC Ltd
2	State Trading Corporation of India Ltd

3.3.3 Training of Independent Directors

3.3.3.1 Schedule IV (Para III(1) – Duties of Independent Directors) of Companies Act, 2013 and Clause 49 (II) (B) (7) (a) & (b) and Regulations 25 (7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the company shall provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which company operates, business model of the company etc. However, it was observed that in the CPSEs listed in Table 3.6, no such training was conducted for Independent Directors who were on the Board during the year 2017-18.

Table 3.6: CPSEs where no training conducted for the Independent Directors

Sl. No.	Name of the CPSE
1	Mahanagar Telephone Nigam Ltd
2	Bharat Immunological & Biologicals Corporation Ltd

3.3.3.2 Further, in contravention of Regulation 46 (2) (i) and schedule V (C) (2) (g) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, the details of training were not disclosed on the website and a web link thereto in the Annual Report of the CPSEs listed in Table 3.7.

Table 3.7: CPSEs where training details were not given on website

Sl. No.	Name of the CPSE
1	The Fertilisers and Chemicals Travencore Ltd
2	Mishra Dhatu Nigam Ltd

3.3.4 Meetings of Board of Directors and Board committees

Schedule IV (III) (3) of the Companies Act, 2013 states that Independent Directors should strive to attend all the meetings of Board of Directors and Board Committees of which he/she was a member. Some of the Independent Directors, however, did not attend some of these meetings. Table 3.8 indicates the number of such independent directors.

Table 3.8: Independent Directors who did not attend some of the meetings

Sl. No.	Name of the CPSE	No. of Independent Directors who did not attend some Board meetings	No. of Independent Directors who did not attend some Board Committee meetings
1	NMDC Ltd	5	3
2	NLC India Ltd	3	2
3	Chennai Petroleum Corporation Ltd	1	-
4	The Fertilisers and Chemicals Travancore Ltd	3	-
5	Madras Fertilisers Ltd	1	-
6	Bharat Electronics Ltd	4	2
7	Hindustan Aeronautics Ltd	2	1
8	Bharat Dynamics Ltd	4	3
9	Mishra Dhatu Nigam Ltd	1	1
10	Container Corporation of India Ltd	1	-
11	Mahanagar Telephone Nigam Ltd	5	2
12	Indian Renewable Energy Development Agency	3	1
13	Bharat Immunological & Biologicals Corporation Ltd	5	1
14	Steel Authority of India Ltd	3	2
15	Coal India Ltd	6	3
16	Oil India Ltd	4	-
17	National Aluminium Company Ltd	5	2
18	Hindustan Copper Ltd	2	2
19	Balmer Lawrie & Co Ltd	2	-
20	Andrew Yule & Co Ltd	1	1
21	Shipping Corporation of India Ltd	2	-
22	Rashtriya Chemicals & Fertilisers Ltd	2	2
23	Hindustan Organic Chemicals Ltd	2	1
24	Oil & Natural Gas Corporation Ltd	7	4
25	Bharat Petroleum Corporation Ltd	2	-

26	Hindustan Petroleum Corporation Ltd	5	3
27	MMTC Ltd	3	-
28	India Tourism Development Corporation Ltd	1	1
29	State Trading Corporation of India Ltd	6	2
30	Indian oil Corporation Ltd	3	-
31	GAIL (India) Ltd	5	2
32	Engineers India Ltd	5	5
33	National Fertilisers Ltd	2	2
34	NTPC Ltd	7	3
35	Power Grid Corporation of India Ltd	1	-
36	Bharat Heavy Electricals Ltd	2	1
37	NHPC Ltd	3	2
38	Power Finance Corporation Ltd	1	-
39	Rural Electrification Corporation Ltd	2	2
40	SJVN Ltd	3	2
41	MOIL Ltd	1	-
42	Housing & Urban Development Corporation Ltd	5	2

3.3.5 Attending General Meetings of the Company

Schedule IV (III) (5) of the Companies Act, 2013 states that Independent Directors shall strive to attend all the General Meetings of the Company. Table 3.9 indicates the listed CPSEs where Independent directors did not attend the general meetings of the Company.

Table 3.9: Independent Directors who did not attend General meetings

Sl. No.	Name of the CPSE	No. of Independent Directors who did not attend General Meetings
1	NMDC Ltd	2
2	KIOCL Ltd	1
3	Dredging Corporation of India Ltd	1
4	NLC India Ltd	3
5	The Fertilisers and Chemicals Travencore Ltd	3
6	Bharat Electronics Ltd	6
7	Bharat Dynamics Ltd	5
8	Mahanagar Telephone Nigam Ltd	1
9	ITI Ltd	1

10	Bharat Immunological & Biologicals Corporation Ltd	8
11	Oil India Ltd	3
12	National Aluminium Company Ltd	3
13	Hindustan Copper Ltd	3
14	Andrew Yule & Co Ltd	2
15	Hindustan Organic Chemicals Ltd	2
16	State Trading Corporation of India Ltd	1
17	GAIL (India) Ltd	2
18	Engineers India Ltd	2
19	NHPC Ltd	1

3.3.6 Meeting of Independent Directors

3.3.6.1 Schedule IV (VII) (1) of the Companies Act, 2013, Regulation 49 II B (6) (a) of Listing Agreement and Regulation 25 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 require that Independent Directors shall meet at least once in a year, without the presence of non-independent directors. Table 3.10 indicates CPSEs where no separate meeting was conducted.

Table 3.10: CPSEs where separate meetings of Independent Directors not conducted

Sl. No.	Name of the CPSE
1	Madras Fertilisers Ltd.
2	Bharat Immunological & Biologicals Corporation Ltd.

3.3.6.2 Schedule IV (VII) (2) of the Companies Act, 2013 provides that all the independent Directors strive to attend such meeting. However, in respect of CPSEs listed in Table 3.11, some Independent Directors did not attend the separate meeting.

Table 3.11: CPSEs where separate meeting was not attended by some Independent Directors

Sl. No.	Name of the CPSE
1	NLC India Ltd
2	The Fertilisers and Chemicals Travencore Ltd
3	Bharat Electronics Ltd
4	Bharat Dynamics Ltd
5	Container Corporation of India Ltd
6	Indian Renewable Energy Development Agency
7	Hindustan Copper Ltd
8	Oil & Natural Gas Corporation Ltd
9	Hindustan Petroleum Corporation Ltd

10	State Trading Corporation of India Ltd
11	GAIL (India) Ltd
12	Engineers India Ltd
13	NTPC Ltd

Though separate meeting was conducted, no minutes of meeting were prepared in respect of CPSEs listed in Table 3.12

Table 3.12: CPSEs where minutes of separate meeting was not prepared

Sl. No.	Name of the CPSE
1	KIOCL Ltd
2	Dredging Corporation of India Ltd
3	The Fertilisers and Chemicals Travencore Ltd
4	Mahanagar Telephone Nigam Ltd
5	ITI Ltd
6	Andrew Yule & Co Ltd
7	Engineers India Ltd

3.4 Filling-up the posts of directors – functional, non-functional, independent

3.4.1 Timely filling up of vacancies in the posts of Directors ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. Schedule IV (Para VI (2) – Registration or Removal) of Companies Act, 2013, Clause 49 (II) (D) (4) of the listing agreement and Regulation 25 (6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that vacancy arising out of resignation or removal of an Independent Director should be done at the earliest but not later than the immediate next board meeting or three months from the date of such vacancy, whichever is later. However, it was observed that the CPSEs detailed in Table 3.13 did not comply with the above provision and the posts of Independent Directors remained vacant for a considerable period of time.

Table 3.13: CPSEs where vacancies of Independent Directors not filled up in time

Sl. No.	Name of the CPSE	Lying vacant in months
1	KIOCL Ltd	20
2	Dredging Corporation of India Ltd	40
3	HMT Ltd	12
4	Bharat Electronics Ltd	24
5	Hindustan Copper Ltd	24
6	Balmer Lawrie & Co Ltd	58
7	Andrew Yule & Co Ltd	74

8	Hindustan Petroleum Corporation Ltd	5
9	Power Grid Corporation of India Ltd	12
10	Bharat Heavy Electricals Ltd	11
11	Power Finance Corporation Ltd	24
12	SJVN Ltd	12
13	MOIL Ltd	4

3.4.2 Further, it was also observed that in the CPSEs listed in Table 3.14, vacancies of whole time key managerial personnel were not filled within the period of six months prescribed in section 203 (4) of the Companies Act, 2013.

Table 3.14: CPSEs where vacancies of whole time key managerial personnel not filled up in time

Sl. No.	Name of the CPSE	Name of the Post	Delay in months
1	HMT Ltd	Director (Operations)	46
2	The Fertilisers and Chemicals Travancore Ltd	CMD Director (Finance) Director (Tech)	17 21 21
3	BEML Ltd	Director (Finance), Director(HR)	23 21
4	Mahanagar Telephone Nigam Ltd	Director (Finance)	12
5	Coal India Ltd	Chairman	7
6	National Aluminium Company Ltd	Director (Commercial)	13
7	Hindustan Copper Ltd	Director (Finance) Director(operation)	9 7
8	Andrew Yule & Co Ltd	Director (Personnel)	7
9	Balmer Lawrie Investments Ltd	MD/CEO	12
10	Oil & Natural Gas Corporation Ltd	Director (T & FS)	6
11	State Trading Corporation of India Ltd	Director(Marketing)	9
12	Engineers India Ltd	Director(Finance)	11
13	National Fertilisers Ltd	Director (Marketing)	26
14	Scooters India Ltd	Director (Finance)	24
15	IFCI Ltd	Chairman	12

3.5 Audit Committee

3.5.1 Composition of Audit Committee

Section 177 (1) and (2) of the Companies Act, 2013, Clause 49 (III) (A) of listing agreement and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that there shall be an Audit Committee with a minimum of three directors as members of which two-thirds shall be Independent Directors. However, in respect of Scooters India Ltd, no Audit Committee was constituted.

Two-thirds of the members of the Audit Committee were not Independent Directors in respect of the CPSEs as detailed in Table 3.15.

Table 3.15: CPSEs where Audit Committees does not consist of two-third Independent Directors

Sl. No.	Name of the CPSE
1	HMT Ltd
2	Balmer Lawrie & Co Ltd
3	Balmer Lawrie Investments Ltd
4	IFCI Ltd

3.5.2 Chairman of the Audit Committee

Clause 49 (III) (A) (3) (4) of the Listing Agreement and Regulation 18 (1) (d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the Chairman of the Audit Committee shall be Independent Director and present at Annual General Meeting (AGM) to answer shareholder queries. In respect of Balmer Lawrie Investments Ltd, Indian Renewable Energy Development Agency and IFCI Ltd, the Chairman of the Audit Committee is not Independent Director. In respect of NLC Ltd, The Fertilizers and Chemicals Travencore Ltd and IFCI Ltd the Chairman of the Audit Committee did not attend Annual General Meeting (AGM).

3.5.3 Meetings of Audit Committee

Clause 49 (III) (B) and Regulation 18 (2) (a) and (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the Audit Committee should meet at least four times in a year and not more than 120 days shall elapse between two meetings. The quorum shall be either two members or one-third of members of the Audit Committee whichever is greater, but a minimum of two Independent Directors must be present.

In respect of Mangalore Refinery and Petrochemicals Ltd, Balmer Lawrie & Co Ltd, IFCI Ltd and India Tourism and Development Corporation Ltd instances of insufficient quorum was observed in some Audit Committee meetings. In respect of Hindustan

Aeronautics Ltd there was a gap of more than 120 days between two Audit Committee meetings.

3.5.4 Evaluation of Internal Control Systems

Clause 49 (III) (D) (11) Listing Agreement and Part C (A) (11) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the Audit Committee should evaluate internal financial control systems and risk management systems. In respect of CPSEs given in Table 3.16 the Audit Committee has not evaluated the systems.

Table 3.16: CPSEs where Audit Committee did not evaluate internal financial control and risk management system

Sl. No.	Name of the CPSE
1	Mishra Dhatu Nigam Ltd
2	Hindustan Organics Chemicals Ltd

3.5.5 Review of performance of Statutory and Internal Auditors

Further Clause 49 (III) (D) (12) Listing Agreement and Part C (A) (12) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the Audit Committee should review with the management, the performance of Statutory Auditors and Internal Auditors. In respect of CPSEs given in Table 3.17, such performance evaluation was not done.

Table 3.17: CPSEs where performance of Statutory Auditors and Internal auditors not reviewed by the Audit Committee

Sl. No.	Name of the CPSE
1	Mishra Dhatu Nigam Ltd
2	Indian oil Corporation ltd

3.5.6 Adequacy of internal audit function

3.5.6.1 Clause 49 (III) (D) (13) Listing Agreement and Part C (A) (13) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the Audit Committee should review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. In respect of Mishra Dhatu Nigam Ltd, the Audit Committee did not review the internal audit function.

3.5.6.2 As per clause 49 (III) (D) (14) of the listing agreement and Part C (14) of Schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, It is also the responsibility of the Audit Committee to hold discussion with internal auditors of any significant findings and follow up there on. In respect of Mishra Dhatu Nigam Ltd, the Audit Committee did not conduct any discussion with internal auditors.

3.5.7 Review of Information/Documents by Audit Committee

3.5.7.1 All the CPSEs are subject to the audit of CAG as per the statutory mandate. Section 143 (6) of the Companies Act, 2013, authorizes CAG to carry out supplementary audit of accounts of Government Companies. Further section 177 (4) (iii) of the Companies Act, 2013 provides that Audit Committee shall examine the financial statements and Auditors' Report thereon. Thus, in case of CPSEs, it is the responsibility of the Audit Committee to review the findings of CAG.

In respect of Mishra Dhatu Nigam Ltd and GAIL (India) Ltd, Audit Committee did not review the findings of CAG.

3.5.7.2 Regulation 18 (3) and Part C (B) of the Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the audit committee shall mandatorily review the information, (i) management discussion and analysis of financial condition and results of operations, (ii) statement of significant related party transactions (as defined by the audit committee), submitted by management, (iii) management letters / letters of internal control weaknesses issued by the statutory auditors, (iv) internal audit reports relating to internal control weaknesses, (v) the appointment, removal and terms of remuneration of the chief internal auditor and (vi) statement of deviations shall be subject to review by the audit committee.

In respect of Mishra Dhatu Nigam Ltd, Audit Committee did not review the above items.

3.5.8.3 Discussion with Statutory Auditors

Clause 49 (III) (D) (16) of Listing Agreement and Part C (A) (16) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 provide that the Audit Committee should hold discussion with statutory auditors before the audit commences on the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. In respect of Mishra Dhatu Nigam Ltd, the Audit Committee did not hold any such discussion.

3.6 Other Committees

3.6.1 Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013, Rule 6 of the Companies (Meeting of Boards and its Powers) Rules, 2014, Clause 49 (IV) if the Listing Agreement and Regulation 19 (1) and (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that each CPSE shall constitute a Nomination and Remuneration Committee comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent. Chairman of the Committee shall be an Independent Director. However, there was no Nomination and Remuneration Committee in the CPSEs as detailed in Table 3.18. In some CPSEs though committee was formed the requirement of three directors and half of them as Independent Directors was not fulfilled.

Table 3.18: CPSEs not having Nomination and Remuneration Committee

Sl. No.	Name of the CPSE
1	Bharat Immunological & Biologicals Corporation Ltd
2	Balmer Lawrie & Co Ltd
3	Scooters India Ltd

Balmer Lawrie Investments Ltd and Rashtriya Chemicals & Fertilisers Ltd not having required Independent Directors in the Nomination and Remuneration Committee.

3.6.2 Stakeholders Relationship Committee

Section 178 (5) of the Companies Act, 2013 and Regulation 20(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 requires that every listed company shall constitute a Stakeholders Relationship Committee. It is observed that in respect of Scooters India Ltd, no such Committee was formed.

3.6.3 In case of any contravention of the provisions of section 177 (Audit Committee) and section 178 (Nomination and Remuneration Committee and Stakeholders Relationship Committee), the company shall be punishable under section 178 (8), with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty five thousand rupees but which may extend to one lakh rupees or both. However, it was noted that no such penal action had been initiated by concerned Registrar of Companies during 2017-18.

3.7 Whistle Blower Mechanism

Section 177 (9) of the Companies Act, 2013, Rule 7 of the Companies (Meeting of Boards and its Powers) Rules, 2014 and Revised Clause 49 (II) (F) of the Listing Agreement and Regulation 22 (1) and (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. It was observed that, in the CPSEs listed in Table 3.19, there was no whistle blower mechanism.

Table 3.19: CPSEs not having whistle blower mechanism

Sl. No.	Name of the CPSE
1	Bharat Immunological & Biologicals Corporation Ltd
2	Balmer Lawrie Investments Ltd

3.8 Policy relating to Related Parties

Regulation 23 (1) & (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every company shall formulate a policy on materiality of related party transactions. Further, such material related party transactions required to be approved by Shareholders through resolution. In respect of CPSEs listed in Table 3.20, no such policy was formulated.

Table 3.20: CPSEs not having policy relating to related parties.

Sl. No.	Name of the CPSE
1	HMT Ltd
2	Bharat Immunological & Biologicals Corporation Ltd
3	Scooters India Ltd

3.9 Disclosure of information on website

3.9.1 Regulation 46 (2) (a), (f) and (g) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every company shall disclose the information on (i) details of its business (ii) policy dealing with related party transactions and (iii) criteria for making payment to non-executive directors on its website provide the same was not disclosed in Annual Report. In respect of Scooters India Ltd no such disclosure was made on website.

3.9.2 Regulation 46 (2) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every listed company shall disclose in its website the composition of various committees of Board of Directors. In respect of Scooters India Ltd and Hindustan Organic Chemicals Ltd there is no such disclosure was made on website.

3.10 Compliance Reports

Regulation 27 (2) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every company has to submit a quarterly compliance report to the stock exchanges within 15 days from the end of every quarter. Further para 8.3 of DPE guidelines requires that every company shall submit quarterly progress report in the prescribed format to the respective administrative ministries within 15 days from the close of each quarter. In respect of Mahanagar Telephone Nigam Ltd and Coal India Ltd quarterly progress report was not submitted to administrative ministry.

3.11 Conclusion

Out of 52 selected CPSEs, non-executive directors were less than 50 *percent* in two CPSEs no Independent Directors had been appointed in three CPSEs and required number of Independent Directors were not appointed in 24 CPSEs; no Woman Director was appointed in one CPSE; appointment letters were not issued in seven CPSEs; code of conduct was not incorporated in two CPSEs; no training was conducted for Independent directors in two CPSEs; Independent directors either not attended the Board Meetings or not attended some board committee meetings in 42 CPSEs; Independent directors did not attend general meetings in 19 CPSEs; separate meeting of Independent Director was not conducted in two CPSEs and in respect of 13 CPSEs Independent Directors did not attend such meetings; posts of Independent directors were lying vacant ranging between 4 to 74 months in 13 CPSEs; Audit Committee does not consist of two-third independent directors in four CPSEs; Audit Committee did not evaluate internal financial control and risk management system in two CPSEs; performance of statutory auditors and internal auditor were not evaluated in two CPSEs; no nomination and remuneration committee in three CPSEs; no whistle blower mechanism in two CPSEs and did not have policy relating to related parties in three CPSEs.

Department of Public Enterprises (DPE) stated (July, 2019) that the oversight/monitoring of implementation of relevant laws, regulations, Guidelines, etc. by CPSEs lies with the concerned administrative Ministries/Departments who are also responsible for timely appointment of requisite number of independent Directors on the Boards of CPSEs under their respective administrative control. DPE has further stated that Board of Directors of the concerned listed CPSE should also ensure compliance with DPE/SEBI guidelines and relevant provisions of Companies Act, 2013.

3.12 Recommendation

Government of India may impress upon the respective Administrative Ministries/Departments to ensure compliance of guidelines so as to achieve the objectives of corporate governance in listed CPSEs.

CHAPTER IV

Corporate Social Responsibility

4.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. It recognises the interests of its stakeholders and the general community at large by covering sustainability, social impact and ethics. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials, human resources etc. from the society. By performing the task of CSR activities, the companies are giving something back to the society.

Chart 4.1

India is the first country in the world to make CSR mandatory, with the coming into force of section 135 and schedule VII of the Companies Act, 2013 in April 2014. The Companies Act, 2013 and the Companies CSR Rules 2014 mandate and regulate the social spending by the Companies. The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda.

Legal Framework: Section 135 of Companies Act 2013 (hereafter referred to as the Act), deals with the subject of Corporate Social Responsibility and lays down the qualifying criteria based on net worth, turnover and net profit during any financial year[31] for companies which are required to undertake CSR activities and inter alia specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of the Company. The activities which may be included by the companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act are applicable to all

[31] *As per Amendment 37 of Companies Act 2017, to resolve the ambiguity on any financial year, the words 'any financial year' has been replaced with the words immediately preceding financial year. This notification is effective from 19 September 2018.*

companies including CPSEs. The Act makes it mandatory for any company to spend, annually at least 2 *per cent* of average net profit (calculated as per section 198 of the Act) of three immediate preceding financial years towards CSR activities. The compliance of the provisions of CSR under the Act i.e. constitution of CSR Committee, formulation of CSR Policy and spending of prescribed amount on CSR activities came into force from April, 2014.

In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014. The CSR Rules were made applicable to all companies including CPSEs w.e.f. 1 April 2014. Department of Public Enterprises (DPE) also issued notification on observance of transparency and due diligence in selection and implementation of activities under CSR by CPSEs in August 2016.

4.2 Audit Objective

Audit objective of compliance audit of CSR activities of the CPSEs was to ascertain whether the provisions of the Act, Companies (Corporate Social Responsibility Policy) Rules 2014, and DPE guidelines 2016 were complied with. In order to assess the efforts of the CPSE, Audit looked into the following issues:

- Whether the provisions relating to constitution of the CSR Committee, formulation and compliance of policy, planning stages of execution have been complied with
- Whether the provisions relating to prescribed amount to be spent on specified activities have been complied with
- Whether the provisions relating to implementation have been complied with
- Whether the provisions relating to reporting have been complied with

4.3 Audit Scope and Coverage

Audit reviewed the CSR activities carried out by 82 CPSEs during the year 2017-18. Audit had selected the 82 CPSEs out of total 164 profit making CPSEs in 2016-17 is given in Table 4.1.

Table 4.1: Selection of CPSEs for review of CSR activities

Quantum of Net Profit of CPSEs	Population	No. of CPSEs selected	Percentage
Above ₹ 100 crore	65*	64	100%
₹ 50 to ₹ 100 crore	19	9	47.36%
₹ 10 to ₹ 50 core	37	7	18.91%
Less than ₹ 10 crore	43	2	4.65%

*ONGC Videsh carries out its operations overseas and hence does not qualify for CSR

**Primary Source: Survey report of DPE for 2016-17*

The 82 CPSEs included 7 Maharatna, 14 Navratna, 44 Miniratna and 17 other companies, of which 42 CPSEs were listed companies. Details are given in ***Appendix-XVIII***.

4.4 Audit Criteria

Audit analysis was carried out against following criteria:

i. Provisions contained in Section 135 and Schedule VII of the Act
ii. Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014
iii. DPE notification of 1 August 2016 on observance of transparency and due diligence in selection and implementation of activities under CSR and directions on Swachh Bharat.

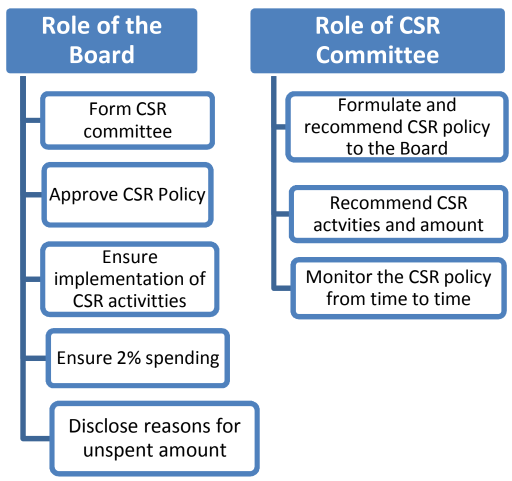
4.5 Audit Findings

Audit findings on extent of compliance with the provisions of the Act with regard to constitution of CSR Committee, formulation and compliance of policy, planning &execution of CSR activities and monitoring & reporting thereof by the CPSEs are given in the following paragraphs.

4.5.1 Planning

4.5.1.1 Constitution of CSR Committee

Chart 4.2



As per section 135 (1) of the Act, every company having a net worth of ₹ 500 crore or more or turnover of ₹ 1000 core or more or a net profit of ₹ 5 crore or more during any financial year and thus qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors. All 82 CPSEs selected for audit were meeting the above criteria to undertake CSR activities as per the Act. Audit noticed that all CPSEs except Solar Energy Corporation of India Limited (SECI) had constituted CSR committee, which constituted the committee only in September 2018. While 76 CPSEs had constituted a standalone CSR Committee, 5 CPSEs (CONCORAIR, ECGC, EIL, JCI and MDL) had clubbed the CSR Committee with Board. All CPSEs were having minimum of 3 Directors in the Committee except Antrix, which had only two Directors. Role of the Board and CSR Committee as per section 135 (1) and (3) of the Act is depicted in the chart.

4.5.1.2 Independent Directors in Committee

- Having Independent Directors: 74 CPSEs
- Having no Independent Director: 7 CPSEs
- Having more than one Independent Director: 45 CPSEs

As per section 135 (1) of the Act, CSR committee shall have at least one independent director. Out of 81[32] CPSEs where CSR Committee was formed, 74 CPSEs had complied with the Rule of having at least one Independent Director in the committee. In respect of the remaining 7 CPSEs (ANTRIX, BLI, GGL, HSCC, IIFCL, JCI and NHDC) no Independent Director was nominated in the Committee; Four CPSEs (AIEL, AIATSL, NTPCVVN and RECPDC) being wholly owned subsidiary companies are not required to have an Independent Director as per Rule 4 (2) of Companies (Appointment and Qualification of Director) Amendment Rules 2017. 45 CPSEs had more than one Independent Director ***(Appendix-XVIII)***. Out of total 354 Directors in the CSR committee, 150 were Independent Directors and 15 were women Directors.

Ministry of Corporate Affairs (Ministry) in its reply (August 2019) stated that as per the board report filed by the company, JCI have independent director in its committee. Audit noticed that as per the Annual Report of JCI for the year 2017-18, the non-official director was appointed only in August 2018 i.e. in FY 2018-19.

4.5.1.3 Framing of CSR policy

Section 135 (3) of the Act requires that the CSR Committee shall formulate and recommend to the Board a CSR Policy. 81 CPSEs had framed the CSR policy based on recommendation of the CSR Committee and approval of Board. While 5 CPSEs (CCL, CPMDIL, NCL, SECL and NTPVVN) being subsidiary companies adopted the policy of their holding company (viz. CIL and NTPC), one CPSE (JCI) did not have CSR policy in place. GAIL Gas formulated CSR policy only in May 2017 and hence it did not undertake CSR activities prior to 2017-18, even though it was qualified to do so as per provisions of the Act. The requirements of Rule 6 with regard to policy and compliance thereof by the 81[33] CPSEs are given in Table 4.2.

Table 4.2: Compliances of CSR policies by CPSEs

Requirement of CSR Rule No. 6	Compliance by CPSEs	
Policy inter alia to include	**Yes**	**No**
Focus Areas of implementation	81	0
Mode of implementation	77	4 (CWC, IOCL, KRCL and UCIL)

[32] *SECI formed the Committee only in September 2018.*

[33] *JCI has no CSR policy in place*

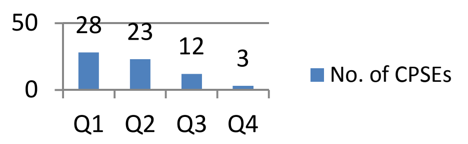
Declaration that surplus from CSR project/ activity shall not form part of business profit	44	37[34]
Monitoring framework	73	8 (BLI, CONCORAIR, CWC, EIL, IOC, NLC, NTPL and UCIL)

- Guidelines issued by DPE in 2014 stand superseded by revised guidelines of August 2016. CSR policy of 14[35] CPSEs, however, continue to refer to DPE guidelines of 2014.
- As per MCA clarifications (September 2014) salaries are not to be included in project cost of CSR. CSR policies of IRCON, NBCC, NFL, NTPLN, RailTel, RECPDL and RVNL need to be amended accordingly.
- BPCL assured to disclose treatment of surplus from CSR activities in its policy.

Ministry in reply stated that as per the filing made by the company on MCA 21 portal, KRCL has specified the modalities of execution of CSR projects. Audit noticed that though the modalities have been specified on the web site of the company, KRCL needs to incorporate the modalities of execution of the projects in its CSR policy document.

4.5.1.4 Annual CSR Plan and Budget

Chart 4.3 Quarter wise budget approval



Role of the CSR Committee is to recommend to the Board the CSR activities and the amount to be spent in the financial year; the Board has to ensure implementation of the CSR activities. This entails planning and approval of CSR activity and budget. As a best practice, the proposed CSR projects and the budget for the ensuing FY should be presented to the Board for approval through CSR committee latest by 31 March every year so that there is no rush to exhaust the funds in the last quarter. Besides, it will also ensure full utilisation of the funds in the financial year. As per the data available for 70 CPSEs, 28 CPSEs got the provisional budget approved in Q1 (including four CPSEs which got the budget approved in previous year itself i.e. March 2017), 23 CPSEs in Q2 and 12 CPSEs in Q3. Three CPSEs had the budget approved only in Q4 (BLI, MCL and Rail Tel), 2 CPSEs viz. IREDA and NCL had the project wise budget approved in all 4 quarters and 2 CPSEs (ECGC and NTPL) did not prepare the budget. Details are given in ***Appendix-XIX***.

[34] *ANTRIX, BDL, BEML, BPCL, CCL, CIL, CMPDIL, CWC, EIL, GAIL GAS, HSCC, IIFCL, IRCTC, IREDA, ITPO, KIOCL, KRCL, MCL, MDL, MOIL, MSTC, NAL, NBCC, NCL, NFL, NHDC, NHPC, NPCIL, NRL, NSIC, NTPL, RCF, RECL, RVNL, SECL, SJVN & UCIL*

[35] *AAI, BEL, BHEL, BLC, GSL, IRFC, MRPL, ONGC, PGCIL, RailTel, REPDC, SPMCIL, TCIL & THDC*

4.5.2 Financial Component

4.5.2.1 Allocation of funds

As per section 135 (5) of the Act it is mandatory for any company to spend, annually at least 2 *per cent* of average net profit of three immediate preceding financial years (calculated under section 198 of the Act). 2 *per cent* of average net profit so calculated for 82 CPSEs was ₹ 3,272.47 crore. The CPSEs allocated ₹ 3,452.77 crore i.e. excess of ₹ 180.30 crore. (Details are given in ***Appendix-XX***).

Average net profit (as per section 198 of the Act) for preceding three years	2% Allocation to be made for 2017-18	Actual allocated
₹ 1,63,219.04 crore*	**₹ 3,272.47 crore**	**₹ 3,452.77 crore**
	Excess of ₹180.30 crore is on account of the difference between the amount to be allocated as per Act and the amount actually allocated.	
***The difference of Rs.0.45 crore is on account of rounding off of figure from lakh to crore.**		

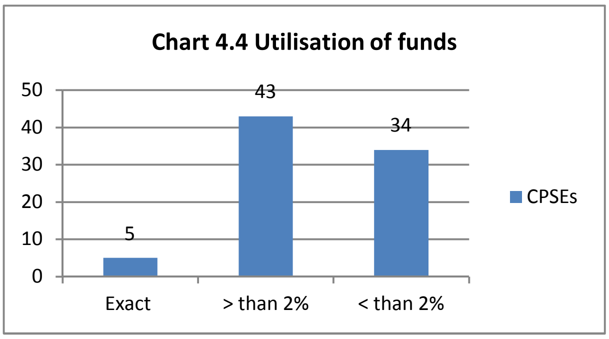
- 19 CPSEs had allocated excess amount/had also allocated for the carry forward of 2016-17 (total excess of ₹ 266.39 crore).
- 6 CPSEs (CCIL, HUDCO, KPL, NCL, PFCL & UCIL) had allocated less than 2 *per cent* of average of preceding three years
- Total under allocation by the 6 CPSEs was to the extent of ₹ 86 crore. Data was not available for WAPCOS.

4.5.2.2 CPSEs with negative net profit

Out of 82 CPSEs selected for audit, the average net profit of 3 CPSEs (KIOCL, NTPL and TCIL) was negative at ₹ (-) 8.97 crore, ₹ (-) 27.33 crore and ₹ (-) 47.41 crore respectively. These 3 CPSEs however allocated and spent ₹ 0.16 crore, ₹ 1.44 crore and ₹ 1.15 crore respectively on CSR in 2017-18. Net profit of IIFCL was negative for 2017-18. Its turnover was however more than ₹ 1,000 crore in 2017-18 and hence based on the average net profit of three preceding years IIFC had spent ₹ 17.32 crore on CSR.

4.5.2.3 Utilisation of Funds

Section 135 (5) of the Act states that Board shall ensure that the company spends 2 *per cent* of average net profit of preceding three years. DPE also advised (1.08.2016) that all



efforts should be made by CPSEs to fully utilise the allocated CSR funds for the year. Audit observed that against the prescribed 2 *per cent* amount of ₹ 3,272.47 crore, the total spend was ₹ 3,338.60 crore. This, however, included carry forward of ₹ 235.71 crore. Thus, the shortfall for 2017-18 was ₹ 169.60 crore and shortfall for carry forward was ₹ 732.99 crore. 48 CPSEs had fully utilised the CSR funds in the FY 2017-18 while there was a shortfall in utilisation by 34 CPSEs. 43 CPSEs had spent more than the stipulated amount. AIEL could not fully utilise the CSR funds as the company was under consideration for disinvestment. As against prescribed amount of ₹ 487.04 crore, ONGC spent ₹ 503.44 crore (including overheads). However, considering the carry forward from 2016-17, the shortfall was to the extent of ₹ 15.14 crore. Similarly, there was a shortfall of ₹ 12.77 crore for MDL. AIATSL was to spend ₹ 1.86 crore plus ₹ 1.39 crore being carry forward from 2016-17. AIATSL, however, had spent only ₹ 0.84 crore of the carry forward amount in last quarter of 2017-18. CPSE wise spent details are given in ***Appendix XX****.* Main reasons for non-utilization of full CSR funds as attributed by the CPSEs were delay in sanction of budget/no-suitable project or implementing agency/multi-year project.

DPE in its reply (July 2019) stated that some of the figures quoted by Audit in respect of CPSEs on CSR expenditure and average net profit do not match exactly with the data in Annual PE survey 2017-18 of DPE.

The figures on CSR expenditure as brought out in the Chapter are as per the data provided by the CPSEs. Further, the net profit as per Annual PE survey of DPE is as per the Profit and Loss statement of the CPSEs. Whereas, as per the requirement of section 135 of the Companies Act, 2013, for the purpose of calculating average net profit of last three years, the net profit as per section 198 of the Companies Act, 2013 is to be considered. Hence the differences in the figures as quoted by Audit and DPE survey.

4.5.2.4 Utilisation of carry forward amount

Table 4.3: CPSEs with major unspent CSR amount

₹in crore

CPSEs	Carry forward from 2016-17	Spent in 2017-18	Unspent amount
SECL	186.35	0.32	186.03
PGCIL	123.38	0.05	123.33
BPCL	127.23	14.00	113.23
REC	76.77	22.04	54.73
PFCL	100.20	51.16	49.04
BHEL	53.90	25.80	28.10
EIL	26.83	5.58	21.25
BEL	31.23	10.20	21.03
Total	**725.89**	**129.15**	**596.74**

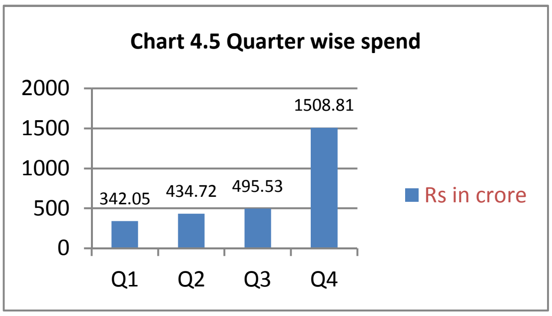
As per MCA clarifications (12 January 2016), the Board is free to decide whether any unspent amount from the minimum CSR fund is to be carried forward to the next year. 42 CPSEs had carried forward the unspent amount of ₹ 968.70 crore (from FY 2016-17) out of which an amount of ₹ 235.71 crore was spent in 2017-18 leaving a balance of ₹ 732.99 crore. 13 CPSEs (AAI, AIEL, CONCOR, CWC, ECGC, HSCC, IOCL, IRCON, KIOCL, NEEPCO, NLC, NRL and UCIL) had fully spent the carry forward amount in 2017-18. 4 CPSEs (CONCORAIR, ITPO, KRCL and NTPVNL) did not spend the carry forward at all. 29 CPSEs did not fully spend the carry forward. CPSEs with major unspent amount have been listed in table. As against total carry forward of

₹ 725.89 crore for the 8 CPSEs, only ₹ 129.15 crore was spent leaving a balance of ₹ 596.74 crore.

4.5.2.4.1 Accounting of unspent amount

As per the Guidance Note (GN) on Accounting for CSR issued by ICAI, the unspent amount is to be disclosed only in the Board's Report and no provision is to be made in the accounts for the unspent amount. However, if a company has already undertaken certain CSR activity for which a contractual liability has been incurred then in accordance with the generally accepted accounting principles, a provision for the amount to the extent to which the CSR activity was completed during the year, needs to be recognised in the books. Audit however observed that BDL, BHEL and PHL have been making a provision for the carry forward/unspent amount to the extent of ₹ 9.58 crore, ₹ 31 crore and ₹ 2.20 crore respectively. 4 CPSEs (AAI, ECGC, HSCC and IOC) have created reserves for CSR (₹ 61.72 crore, ₹ 2.25 crore, ₹ 1.44 crore and ₹ 1.32 crore). This is in contravention to the GN on Accounting for CSR.

4.5.2.5 Quarter wise spend

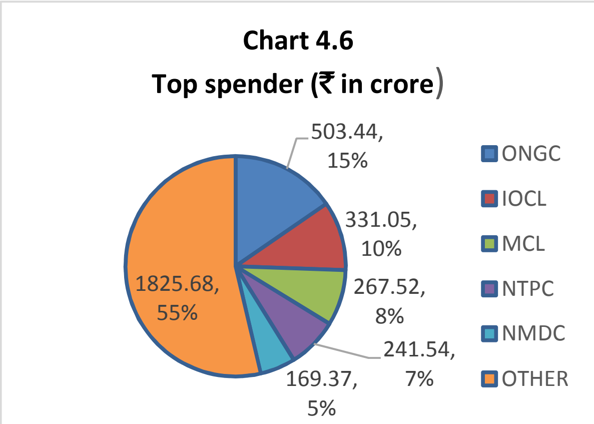


Total spend by 80 CPSEs (quarter wise break up not available for 2 CPSE viz. SECI & UCIL) in first three quarters was ₹ 1272.30 crore and ₹ 1508.81 crore in last quarter (including carry forward). This indicates that there was rush in CSR spend in last quarter. However, there is uniformity to some extent in the Q2 and Q3. MOIL was the only CPSE to have evenly spread the CSR spend over all 4 quarters (₹ 2.30 crore, ₹ 2.34 crore, ₹ 2.27 crore and ₹ 2.71 crore respectively). Though AIEL and HPCL got the budget approved in March 2017 itself, the funds were not spread over the year. HPCL spent ₹ 64.25 crore in first 3 quarters and ₹ 92.62 crore in last quarter. AIEL was under consideration for disinvestment and hence all proposals were put on hold. 9 CPSEs (AIATSL, BLI, CONCORAIR, GAIL GAS, HSCC, HUDCO, KIOCL, NTPVVN and RailTel) had spent only in the last quarter. CSR spend was nil in Q1 for 22[36] CPSEs and nil in Q2 for 15[37] CPSEs.

[36] *AIATSL, BHEL, BLIL,CMPDIL ,CONCORAIR ,Gail Gas, HSCC, HUDCO, IREDA, IRFCL, KIOCL,MECL, MRPL, NFL, NTPL, PHL, RailTel, RECPDCL, SCI, SECI, SPMCIL, TCIL*

[37] *AIATSL, AIXL, BLIL,CCI, CONCORAIR, Gail Gas ,HSCC, HUDCO, IRFCL, KIOCL, MRPL, NFL, RailTel, SECI, TCIL*

4.5.2.6 Top spenders

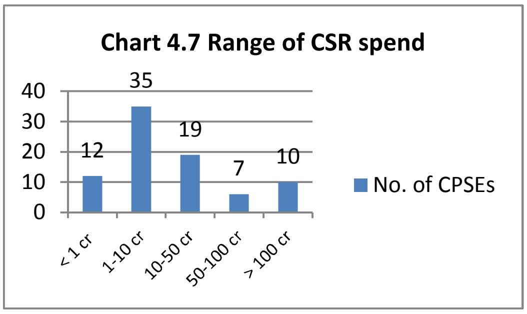


Total spend on CSR activities by 82 CPSEs in 2017-18 was ₹ 3,338.60 crore (including admin overheads). The top spender was ONGC at ₹ 503.44 crore (15.08 *per cent* of total CSR spend) followed by IOCL, MCL, NTPC, and NMDC. 2 CPSEs are in oil sector, two are in coal and mining sector and one is in power sector. As against total CSR spend of ₹ 3,338.60 crore, the 5 CPSEs accounted for 45.30 *per cent* of total spend i.e. ₹ 1,512.92 crore. CSR spend by Maharatna, Navaratna, Miniratna and other CPSEs was as follows:

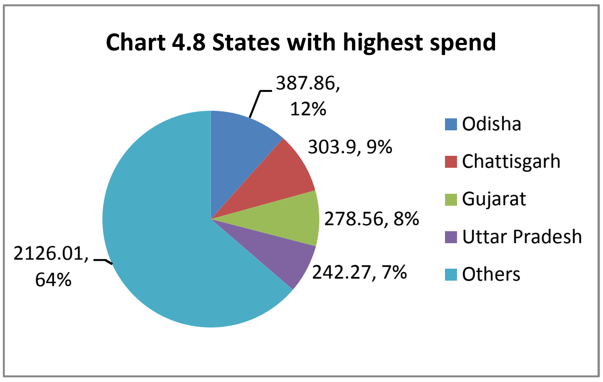
- 7 Maharatna CPSEs: ₹ 1,365.36 crore
- 14 Navratna CPSEs: ₹ 990.36 crore
- 44 Miniratna CPSEs: ₹ 864.17 crore
- 17 Other CPSEs: ₹ 118.51 crore

4.5.2.7 Range of CSR spend

10 CPSEs had spent more than ₹ 100 crore, 7 CPSEs between ₹ 50 and 100 crore, 19 CPSEs between ₹ 10 and 50 crore and 11 CPSEs less than one crore. Maximum CSPEs (35) had spent in the range of ₹ 1-10 crore.



4.5.2.8 State wise CSR spend



75 out of 82 CPSEs had undertaken CSR activities in more than one state thus covering 35 out of 36 states/union territories ***(Appendix-XXI).*** No CSR activity was carried out in Daman & Diu. ONGC had undertaken CSR activity in maximum states (32) followed by IOCL (30), PGCIL (23) and BHEL (18). 7 CPSEs (AIATSL, CONCORAIR, GSL, MCL, MIDHANI, NTPL & PHL) had spent only in single state i.e. in Rajasthan, Maharashtra, Goa, Odisha, Telangana, Tamil Nadu and Dadra Nagar Haveli respectively. Highest CSR spend was in Odisha (₹ 387.86 crore) followed by Chhattisgarh (₹ 303.90 crore), Gujarat (₹ 278.56 crore) and Uttar Pradesh (₹ 242.27 crore). These four states accounted for

36.32 *per cent* of total CSR spend. The CSR spend was lowest/negligible in Andaman & Nicobar (₹ 0.13 crore), Dadar and Nagar Haveli (₹ 0.20 crore), Manipur (₹ 0.54 crore), Nagaland (₹ 0.57 crore) and Mizoram (₹ 0.59 crore). Two states (Uttar Pradesh and Maharashtra) received maximum attention i.e. from 41 CPSEs and 32 CPSEs followed by New Delhi by 36 CPSEs. Lakshadweep received attention only from one CPSE viz. CSL. Manipur, Mizoram and Pondicherry received attention from 3 CPSEs each and Tripura, Andaman & Nicobar and Chandigarh received attention from 2 CPSEs each. Out of total CSR expenditure of ₹ 3,338.60 crore, the CSR expenditure in J&K and North East States was ₹ 9.57 crore (0.29 *per cent*) and ₹ 288.91 crore (8.65 *per cent*), respectively.

4.5.2.9 Sector wise CSR spend

Audit covered 82 CPSEs in 10 sectors. Highest spend was in petroleum sector (₹ 1,416.12 crore) by 10 CPSEs followed by Coal and Mining by 10 CPSEs (₹ 524.49 crore). Least spend was in Fertiliser by 2 CPSEs at ₹ 10.76 crore only. Though in Other/Infrastructure sector the number of CPSEs was highest (24), CSR spend was only ₹ 223.94 crore.

₹in crore

Sector and No. of CPSEs	2% amount	Total spent
Aviation - 4	80.22	73.51
Mining -10	401.53	524.49
Defence -2	88.87	95.68
Fertiliser -2	12.08	10.76
Others - 24	242.10	223.94
Metal -3	126.41	174.80
Petroleum - 10	1337.69	1416.12
Power - 13	774.78	706.46
Railways -9	100.47	63.17
Shipping - 5	42.29	39.71

Railways with 9 CPSEs spent ₹ 63.17 crore as against prescribed amount of ₹ 100.47 core and Shipping (5 CPSEs) spent ₹ 39.71 crore. Defence, metal, mining and petroleum sector had spent more than prescribed amount. There was a shortfall in CSR spend in Aviation, Fertiliser, Others/Infrastructure, Power, Railway and Shipping sector.

4.5.2.10 Administrative overheads

As per CSR Rule 4 (6), administrative overheads (OH) are to be restricted to 5 *per cent* of overall CSR funds. The OH to be disclosed separately should include baseline studies, capacity building and other overheads. Out of total CSR spend of ₹ 3,338.60 crore, average percentage of OH for 48 CPSEs was 2.27 *per cent* only i.e. ₹ 75.92 crore. Audit observed that

- 29 CPSEs either did not incur any OH or had not included the same under CSR.
- The major component of OH was salary (₹ 58.36 crore). Total 25 CPSEs included salaries under OH. Salary was more than ₹ 1 crore for 8 CPSEs (BHEL, HAL, IOCL, ONGC, PFCL, PGCIL, REC and SJVN).
- The OH exceeded the limit of 5 *per cent* for 8 CPSEs viz. AAI (14.73 *per cent*), BDL (6.36 *per cent*), BHEL (22.55 *per cent*), GSL (5.9 *per cent*), IREDA (6.09 *per cent*), JCI (29.26 *per cent*), KPL (19.23 *per cent*) and RITES (5.05 *per cent*).

- MRPL and OIL are not including OH under CSR. MIDHANI did not include capacity building in OH.
- Though RCF and RITES had worked out the OH separately, it did not disclose the same in the Annual report on CSR.

4.5.2.11 Surplus from CSR project

As per CSR Rule 6 (2), any surplus arising from CSR projects shall not form part of business profit of the company. Out of 82 CPSEs, only 2 CPSE (HAL and SJVN) had reported surplus from CSR project. HAL had ploughed back the surplus (₹ 7.37 crore) generated from windmill into CSR funds and had fully spent the same in 2017-18. SJVN earned interest (₹ 0.65 crore) which was ploughed back into CSR. BDL had invested the surplus CSR funds in term deposit and the interest (₹ 9.59 crore) thereon was taken as business income instead of ploughing back in CSR funds. No other CPSE generated any surplus from CSR projects/activity.

Point of interest: Following CSR project of ONGC was a source of revenue to NBCC

Ministry of Petroleum and Natural Gas (MOPNG) asked ONGC to undertake restoration and beautification of four historical Kunds/Ponds in Varanasi as part of CSR and also directed to contract NBCC for the job on cost plus basis (agency charges of 10 *per cent* of project cost). Accordingly, ONGC paid ₹16.68 crore including ₹1.6 crore charges to NBCC for the job. Audit noticed that NBCC which qualifies for CSR activities as per the Act had set up (October 2014) a fully owned subsidiary company viz. NBCC Services Limited (NSL) to act as execution and implementation agency for CSR projects/activities on behalf of its own or for any other Govt. undertaking/Body Corporate/Societies/Trusts/Private Institutions/ NGOs etc. NSL is mandated to act as an execution and implementation agency for sustainability projects, heritage-building restoration works etc. Hence, Ministry should have directed NBCC to carry out the above restoration work through NSL. Also, NBCC should have re-invested ₹ 1.6 crore margin earned by it for its own CSR activities.

4.5.3 Project Implementation

4.5.3.1 Selection of CSR projects/activities

Conduct of Base line survey and assessment: Out of 82 CPSEs, 69 CPSEs had undertaken baseline survey and need assessment studies for identifying the CSR project/activity out of which 34 CPSEs incurred ₹ 16 crore on conduct of baseline and need assessment studies. 13 CPSEs (AIATSL, AIEL, BDL, BHEL, BLI, CCIL, CWC, GAIL GAS, GAIL, IRFCL, MRPL, NMDC and NTPL) did not conduct any separate baseline survey.

4.5.3.2 Manner of implementation of CSR activities

Rule 4 of Companies (CSR) Rules, 2014 exclusively deals with the manner in which the CSR activity is to be undertaken under section 135(1). The Board may decide to undertake its CSR activities as approved by CSR Committee through a registered trust/society or a company established by the company or its holding or subsidiary or associate company under section 8 of the Act or otherwise. Manner of implementation of 9088 CSR projects were as follows:

- **Direct/in house**: Total 2616 projects were implemented by CPSEs directly/in house including through Foundation (ONGC, MOIL & REC undertook few CSR projects through Foundation)
- **External agencies:** 6185 projects were executed through Government/external agencies, NGOs, Society etc.

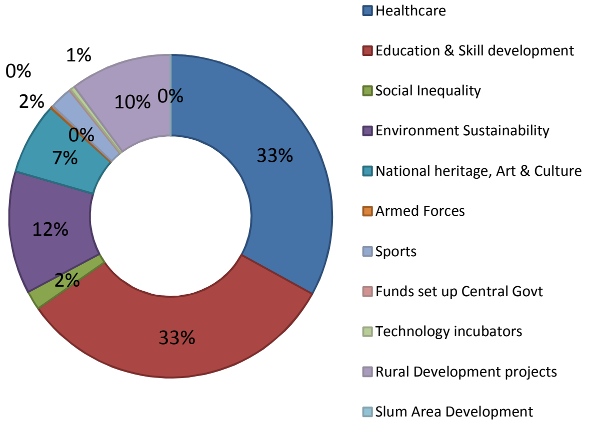
In respect of 287 activities carried out by NPCI break up external and in house is not available.

CPSEs had resorted to tendering in respect of total 1703 projects and 932 projects were undertaken on nomination basis.

4.5.3.3 Focus areas

As indicated in the chart, health received the maximum focus (32.66 *per cent*). Total spend under this head was ₹ 1,090.41 crore. Next highest spend (₹ 1,067.79 crore) was in education i.e. 31.98 *per cent*. Least focus areas were Slum development (₹ 0.12 crore) contribution to Central Govt. Fund (₹ 5.40 crore) and welfare of armed forces (₹ 8.35 crore). BLI deposited entire CSR amount into Prime Minsters Relief Fund. CCIL had spent entire CSR amount on Swachh Bharat (SB) and KPL had contributed 80.63 *per cent* of CSR funds to SB Kosh. Infrastructure support in education was ₹ 395.09 crore and Skill Development was ₹ 187.66 crore. Under Health, water and sanitation comprised ₹ 534.38 crore and Infrastructure support was ₹ 132.31 crore. ONGC had not maintained the item wise break up in focus areas. However, ONGC had spent major amount i.e. more than ₹ 100 crore (out of total ₹ 264.98 crore) in setting up of hospitals at Nagpur and Assam. Total spend on Education by ONGC was ₹ 132.03 crore.

Chart 4.9 Focus areas



4.5.3.4 Local areas

Section 135 (5) of the Act provides that the company shall give preference to the local area and areas around it where it operates for spending the amount earmarked for CSR activities. Out of 82 CPSEs, 19[38] CPSEs did not define local area in the policy. Out of total CSR spend of ₹ 3,338.60 crore, spend in local areas was ₹ 2,142.28 core (47 CPSEs) i.e.64.16 *per cent*. 18[39] CPSES spent 100 *per cent* in local areas and 10 CPSEs had spent more than 70 *per cent* in local areas (BEL, BHEL, CCL, CONCOR, CPCL, EIL, KRCL, NHDC, NLC & NRL). Out of total 191 projects taken up by BPCL, 146 were in local areas i.e. 76.43 *per cent*. However, in terms of value the local spent was only ₹ 56 crore (approx.) against ₹ 110 crore in other areas i.e. 34 *per cent*. BLI had contributed entire amount to Prime Ministers Relief Fund. 16 CPSEs (BDL, BLC, BPCL, CCL, CONCORAIR, GAIL, HPCL, IRCON, KPL, MDL, MRPL, NFL, OIL, ONGC, SECL & SPMCIL) had spent between 5 and 70 *per cent* in local areas. As per the prescribed format for reporting on CSR, the amount spent in local and other areas need to be shown separately. 35 CPSEs (AAI, AIEL, AIATSL, CCI, CWC, ECGC, GAIL Gas, HUDCO, IIFC, IRCTC, IREDA, IRFC, ITPO, JCI, KIOCL, MECL, MIDHANI, MSTC, NBCC, NCL, NEEPCO, NSICL, NTPVVN, PFCL, PHL, RECL, REPDCL, RITES, SCI, SECI, SJVN, TCIL, THDC, UCIL & WAPCOS) did not specify the local area in the Annual Report on CSR. 3 CPSEs BDL, MIDHANI and GSL, however, spent in the state where it is located (Telangana/Goa). Annual Report for 2017-18 was awaited in respect of 1 CPSE (HSCC).

4.5.3.5 Funding of schemes/projects introduced by GOI

Government of India (GOI) introduced various schemes and projects for the benefit of society and approached the CPSEs for funding. CPSEs were free to decide on funding of such schemes/projects under CSR subject to fulfilling the conditions of Schedule VII of the Act. i.e. the same should be under the ten broad categories mentioned therein viz. Health, education, employment, skill development, environment, women empowerment, socio equality, protection of national heritage, measure for armed forces, rural development and slum development. The projects and schemes falling under these broad heads will be eligible for funding under CSR. Audit reviewed funding of few GOI projects by CPSEs under CSR and the findings are detailed below:

1. Swachh Bharat (SB) Mission

To achieve the goal of clean India by October 2019, DPE directed (August 2016) CPSEs to spend

[38] *Antrix, BDL, BEL, BLI, CSL, ECGC, CWC, HUDCO, IIFC, IOCL, IREDA, ITPO, KIOCL, KRCL, MSTC, PFCL, RPDC, SCI and SJVN*

[39] *AIEL, BEML, CCI, CMPDIL, CSL, GSL, IOCL, MCL, MOIL, NALCO, NHPC, NMDC, NPCIL, NTPCL, NTPL, PGCIL, RCF and RVNL*

33 *per cent* of CSR funds on SB Mission and Clean Ganga Fund for Ganga Rejuvenation. Also as per guidelines (January 2018) for performance evaluation under MOU, CPSE has to fulfil compliance on SB. The components allowed under SB Mission were contribution to

(i) SB Kosh,
(ii) Pradhan Mantri Ujjwala Yojna (PMUY)
(iii) Clean Ganga Fund.

Total spend on SB Mission by 73 CPSEs was ₹ 1,019.16 crore (₹ 829.27 crore on SB + ₹ 47.04 crore on clean Ganga + ₹ 142.85 crore on PMUY) i.e. 30.52 *per cent* of total CSR spend. 8 CPSEs did not spend on SB (AIATSL, BEML, BLIL, MSTC, NTPL, RAILTEL, REDPCL and UCIL). 23 CPSEs gave total ₹ 137.08 crore to SB Kosh, 4 CPSEs (BPCL, CPCL HPCL, IOCL) contributed total of ₹ 142.85 crore for PMUY (4.29 *per cent* of overall CSR spend) and 12 CPSEs (AAI, CSL, CPCL, HSCC, MDL, IRCON, IRFC, ITPO, SECL, SECI, SPMCIL and TCIL) contributed total ₹47.04 crore to the Clean Ganga Kosh. Thus, the overall shortfall on SB was 2.48 *per cent*. 26 CPSEs spent more than 33 *per cent* and 47 CPSEs spent less than 33 *per cent* on SB (Details in ***Appendix-XXII***).

Ministry in its response (August 2019) stated that PMUY is not a part of SB Kosh. Audit observed that as per modalities for implementation of PMUY scheme of June 2016 for 6 CPSEs[40], funds to the extent of 20 *per cent* [41]of 2 *per cent* CSR funds would be used under PMUY. Also on the MOPNG website, the PMUY scheme carried the logo of Swacch Bharat.

2. Skill Development Institutes

MOPNG in January 2015 directed the oil PSUs to setup Skill Development Institutes (SDIs). Each PSU was to anchor one SDI and provide support to SDI anchored by other PSUs. Total 6 SDIs have been set up (Visakhapatnam-HPCL, Bhubaneswar-IOCL, Kochi-BPCL, Ahmedabad-ONGC, Guwahati-OIL and Rae Bareilly-GAIL). In 2017-18, oil PSUs and EIL contributed total ₹ 38.45 crore for the SDIs (BPCL - ₹ 5.5 crore, GAIL - ₹ 1.5 crore, HPCL - ₹ 9 crore, IOCL-₹ 10 crore, OIL-₹ 4.55 crore, ONGC-₹ 6 crore, EIL- ₹ 2.25 crore). The focus area of SDI Kochi is stated to be “overseas placement”. Out of 6 SDIs, 5 are operational and SDI Rae Bareilly is yet to be made operational.

3. Corpus Fund of Indian Institute of Petroleum and Energy

MOPNG requested (December 2016) oil PSUs (ONGC, IOCL, HPCL, OIL and GAIL) to contribute ₹ 200 crore for setting up Indian Institute of Petroleum and Energy (IIPE) at

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[40] *ONGC, OIL, GAIL, BPCL HPCL and IOCL*

[41] *CPCL though not allowed spent ₹0.92 crore towards PMUY under CSR, IOCL had exceeded the limit of 20% by ₹14.42 crore*

Visakhapatnam, Andhra Pradesh. ONGC, IOCL, HPCL and OIL contributed total ₹ 170 crore to the Corpus Fund during 2016-17 (₹ 125 crore) and 2017-18 (₹ 45 crore). As of April 2018 due to dispute, the land was yet to be handed over by the State Government and as such construction work is yet to begin. Meanwhile, IIPE is functioning from a temporary campus at Andhra College of Engineering and conducting academic sessions effective 2016-17. Thus, the funds are yet to be utilized.

4. National Oil Museum

MOPNG way back in 1984 initiated proposal for National Oil Museum. During 1997-2002, oil PSUs contributed ₹ 5.47 crore for the same. Thereafter, there was no progress for over 34 years. The proposal was revived in 2016-17 and OIL entrusted responsibility of overseeing the activities of museum. OIL wrote (August 2017) to the oil PSUs and EIL for funding the estimated cost (₹ 88.96 crore) of the museum (estimated cost in 2005 was ₹ 30 crore). In 2017-18, BPCL was the only CPSE to contribute ₹ 14.83 crore under CSR by considering it under category (v) of Schedule VII i.e. preservation of national heritage, site of historical importance and building of library. The museum is yet to be constructed.

DPE in its reply (July 2019) stated that a number of items reviewed by Audit are those which do not fall within the purview of DPE such as setting up of Skill Development Institutes by Oil Sector CPSEs, Corpus Fund of Indian Institutes of Petroleum and Energy, National Oil Museum etc. These are based on the information gathered by Audit either from the CPSEs or other sources. DPE also stated that comments of concerned Ministries/CPSEs may also be considered by Audit while finalising the report. Action will be taken on the final report.

The reply is to be viewed in light of the fact that the Oil CPSEs have spent the CSR funds on these projects and the status of implementation of the same has been brought out in the Chapter. The Chapter on CSR has been finalised after considering the reply of the CPSEs wherever available.

4.5.3.6 Findings on CSR projects undertaken by CPSEs

(i) Water benchmarking study for public and private commercial undertakings

Global Compact Network India (GCNI), the Indian Local Network of UN Global Compact New York, requested (May 2016) ONGC to finance the study on water index/benchmarking to explore water related trends and challenges faced by Thermal power generation, Iron & Steel, Oil and gas, paper-pulp, Fertilisers & automotive sector in India. ONGC supported GCNI for the study for ₹ 0.50 crore in 2017-18. Audit observed that around 30 companies covered in the study were members of GCNI and all were commercial entities like BHEL, GAIL (India) Ltd., JK Paper Ltd., Mahindra & Mahindra, Maruti Suzuki, Tata Motors, etc. The funding of

GCNI is through membership fees. As the study was meant exclusively for the benefit of these private and public commercial member companies, the project cost should have been shared by the member companies from their business funds. Though the theme of the study was in line with Schedule VII, considering the target group the same did not qualify as CSR.

Ministry in reply (August 2019) stated that as per financial statements filed on MCA21 Portal, ONGC has not contributed any amount to GCNI. As per the documents produced by ONGC to audit, ONGC in 2017-18 had supported GCNI for an amount of ₹ 0.50 crore for phase II of the study.

(ii) Setting up of water purifying plant in private areas

Based on request of OSD to the Chief Minister of Uttarakhand, ONGC had set up 3 solar based Reverse Osmosis (RO) water purifying plants (₹ 0.31 crore) to provide clean drinking water to the villagers of Doiwala constituency of the Minister. The project was implemented by Sharp Development along with its technology partner GKM Energy, manufactures of solar systems. Audit observed that the locations selected by the OSD were two temples and a wedding hall i.e. a commercial entity. Two RO plants were installed on roof tops of temples and one RO plant inside the campus of wedding hall. As stated in the agenda submitted to CSR screening committee, after 5 years, the system was to be handed over by the implementing agency to the local governing body. However, the temple and marriage hall are not government properties. RO water plant should have been located in public places like municipality, public schools, railway station etc.

(iii) Activity in normal course of business under CSR

IREDA had provided financial support (₹ 0.52 crore) for supplying solar power in various places under CSR. As per CSR Rule 6, CSR activities should not include activities undertaken in pursuance of normal course of business. The main objective of IREDA is to give financial support for generating electricity and/energy through new and renewable sources and conservative energy through energy efficiency. Hence the above funding does not qualify as CSR.

4.5.3.7 Notable Projects

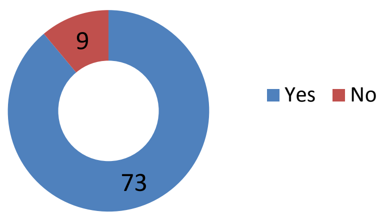
82 CPSEs took up total 9088 CSR projects in 2017-18 in four focus areas of Education, Skill Development, Health and Environment. Total spend under education for setting up/ constructing schools, providing support for education and therapy for special/differently abled children was ₹ 395.09 crore. Spend on Health was ₹ 132.30 crore which included setting up hospitals, providing mobile medical vans/ambulances, health camps etc. Skill development (₹ 1876.65 crore) included training to the youth and under privileged.

Environment (₹ 410.61 crore) included welfare activities for animals, tree plantation, waste to fuel plant, etc. Few notable projects are listed below:

CPSE	Notable Project
Education	
HPCL	Project Nanhi Kali - education for girls, Project Adapt - Support for education and therapy for children with disabilities
MSTC	School Building for orphans/under privileged/mentally retarded children in West Bengal
NMDC	Residential school for disabled/mentally retarded children
PGCIL	School cum hostel for handicapped
Employment and Skill Development	
BPCL	Vocational training to leprosy affected and underprivileged persons
CPCL, EIL, HPCL, MOIL, NFL, NHDC, NPCIL, OIL, SMPCIL	Skill development training to youths, women, contractual workers etc.
GAIL	Project Uttkarsh- IITJEE coaching to marginalized students
Environment	
EIL, IOCL, NHDC, ONGC	Waste to Fuel plant, Bio CNG bottling and fertiliser plant to convert cow dung/vegetable waste into solid manure/ fertiliser

4.5.4 Monitoring Framework

Chart 4.10 Monitoring mechanism



As per Rule 5(2) of CSR Rules, 2014 the CSR Committee shall institute a transparent monitoring mechanism for implementation of CSR projects/ programs/activities undertaken by the company. DPE vide O.M. dated 01.08.2016 also instructed the CPSEs to have an institutionalised mechanism for monitoring, reporting and evaluation of CSR. Audit observed that out of 82 CPSEs, 9 CPSEs (BLI, CONCORAIR, CWC, EIL, JCI, IOCL, NLC, UCIL and NTPL) did not specify the monitoring mechanism in the policy. While 12 CPSEs did not hold any review meeting, 17 CPSEs held monthly review meetings, 31 CPSEs quarterly (including JCI, which though did not have a CSR policy held the meeting), 6 CPSEs half yearly and 16 CPSEs held regular meetings as per project requirement.

Evaluation: CPSEs are carrying out impact assessment on case to case basis depending on type of CSR project/activity. In 2017-18, out of 82 CPSEs, only 14 CPSEs carried out impact assessment. BLI contributed entire CSR funds to PMRF hence there was no need for monitoring and assessment. In BPCL no project was due for assessment in 2017-18.

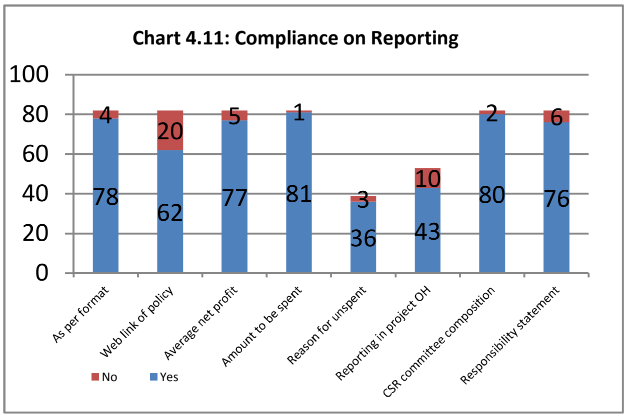
12 CPSEs (AAI, AIATSL, BHEL, GAIL, GSL, ITPO, MDL, NAL, OIL, ONGC, RITES and SJVN) got the impact assessment done through external agencies. HAL and IOCL assess the impact of CSR activities internally/informally internally through site visit and consultation. Total expenditure on impact assessment stood at ₹ 1.58 crore (for 15 CPSEs).

4.5.5 Reporting and Disclosure

As per Section 135 (2) and (4) read with section 134 (3) (o) of the Act, a Company is required to include an annual report on CSR in their Board Report and place it on the official website. The companies have to disclose the following in the prescribed format

1. *Disclose contents of CSR policy, web link of CSR policy, average net profit, composition of CSR Committee, admin overheads, prescribed amount, unspent amount, reasons for unspent amount.*
2. *Include a responsibility statement signed by the CSR Committee that the implementation and monitoring of CSR Policy was in compliance with the CSR objective and Policy of the Company.*

Audit observations on compliance by the 82[42] CPSEs are as follows:



- 4 CPSEs (CWC, HSCC, SECI & UCIL) did not adopt the prescribed format.
- 20 CPSEs ***(Appendix XXIII)*** did not indicate web link in the report.
- 5 CPSEs (CMPDIL, HSCC, NRL, SECI & UCIL), did not indicate average net profit for last 3 FYs.
- 1 CPSE (HSCC) did not indicate the amount to be spent and 2 CPSEs (CMPDIL & HSCC) did not give unspent details. As against ₹ 38.61 lakh unspent amount, GAIL GAS has shown ₹ 1.12 lakh as unspent amount.
- Out of 53 CPSEs which had incurred administration overheads, 10 CPSEs were not reporting separately on project direct and overhead expenses (CWC, GSL, ITPO, JCI, NSIC, PGCL, RCF, RECL UCIL and WAPCOS).
- Out of 39 CPSEs, which did not fully spend the CSR funds of current year, 3 CPSEs (CCI, CWC, & ECGC) did not provide the reasons for shortfall.
- Except for 2 CPSEs (NRL & SECI) all had given the composition of CSR Committee in the report. HSCC did not give in format.
- 6 CPSEs (CCI, ECGC, HSCC, NSICL, SECI & UCIL) did not include responsibility statement

[42] *Compliance to reporting requirement in respect 1 CPSE (HSCC) based on Annual Reports for 2016-17 (Report for 2017-18 awaited).*

- Responsibility statement by KPL commented on existence of monitoring mechanism and not on status of compliance of the CSR policy.

4.6 Conclusions

80 CPSEs have complied with the provisions of the Act and CSR Rules with regard to formation of CSR committee and framing of CSR policy. Two CPSEs did not comply with requirement (SECI did not constitute CSR committee and JCI did not have CSR policy in place). Five CPSEs spent exact 2 *per cent* of CSR funds, 43 CPSEs spent more than 2 *per cent* and 34 CPSEs spent less than 2 *per cent*. The Administrative overhead exceeded the limit of 5 *per cent* of the overall CSR budget for 8 CPSEs. HAL and SJVN had ploughed back the surplus into CSR funds and BDL showed the same as business income. Education and Health continue to secure maximum funding as in previous year. Monitoring mechanism was in place in respect of 72 CPSEs. IREDA had included normal business activity under CSR. Barring the projects commented in para 4.5.3.6, there was transparency and due diligence in selection and implementation of the CSR activities.

CHAPTER V

Analysis of Memorandum of Understanding between Administrative Ministries and Miniratna CPSEs

5.1 Introduction

Memorandum of Understanding (MOU) is a mutually negotiated agreement between the Administrative Ministry and the Management of the Centre Public Sector Enterprises (CPSEs) to fix targets on selected parameters, normally before the start of a new financial year and the results are evaluated after the end of the year to measure the performance vis-à-vis these targets. It contains intentions, obligations and mutual responsibilities of the CPSE and the Government and is directed towards strengthening CPSE management by results and objectives rather than management by controls and procedures. The subsidiary companies of CPSEs are required to sign MOUs with their holding companies.

5.2 Institutional arrangement for implementation of MOU Policy

Department of Public Enterprises (DPE) serves as a facilitator between the CPSEs and Administrative Ministries and provides a mechanism to evaluate the performance of the CPSEs. It provides a system through which MOU targets are set and commitments of both the parties to MOU can be evaluated at the end of the year besides improving technical inputs required to finalize the MOUs. Details of this institutional arrangement and their inter-linkages are as follows:

- **Pre-negotiation Committee:** The Pre-Negation Committee (PNC) comprises of Joint Secretary/Adviser looking after MOU in DPE, Joint Secretary/ Adviser of Administrative Ministry dealing with the CPSEs, Adviser (NITI Aayog) concerned with the domain of CPSE, Director (MOU) and representative from Ministry of Statistics and Programme Implementation to examine MOU targets in detail in respect of each CPSE. The role of the Pre-negotiation Committee (earlier known as Standing Committee on MOU) would be to assist Inter-Ministerial Committee (IMC) in determining the most appropriate and relevant parameters for measuring improvement in performance and for fixing targets. Meeting of the Pre-Negotiation Committee (PNC) would be held in each case before the meeting of IMC, to look at the trend, discuss, negotiate and recommend MOU parameters and targets.

- **Inter-Ministerial Committee:** An Inter-Ministerial Committee (IMC) is an alternative mechanism to Task Force which till then provided technical expertise for the MOU negotiations, target setting and evaluation of performance of CPSEs. IMC consists of Secretary DPE as its Chairman, Secretary of concerned Administrative Ministry or his representative, Secretary, Ministry of Statistics and Programme Implementation or his representative, Additional Secretary, NITI Aayog or his senior representative as its other members. Secretary, DPE may also co-opt any officer who is a finance expert in case the need is felt. Any change in the composition of the committee would be done with the approval of Cabinet Secretary. The role of IMC is to assist the High Power Committee (HPC) on MOU and DPE in setting MOU targets of CPSEs before beginning of the year and performance evaluation of MOU after completion of that year.

- **High Power Committee:** At the apex level of the institutional arrangement is the High Power Committee (HPC) headed by the Cabinet Secretary as Chairman of the Committee and Finance Secretary, Secretary (Expenditure), Secretary (Planning Commission), Secretary (Programme Implementation), Chairman (Public Enterprises Selection Board) and Chief Economic Adviser as Members. Secretary (Public Enterprises) acts as Member-Secretary.

HPC approves the final evaluation as to how far the commitments made by both parties of the MOU have been met.

5.3 MOU targets for performance assessment and rating

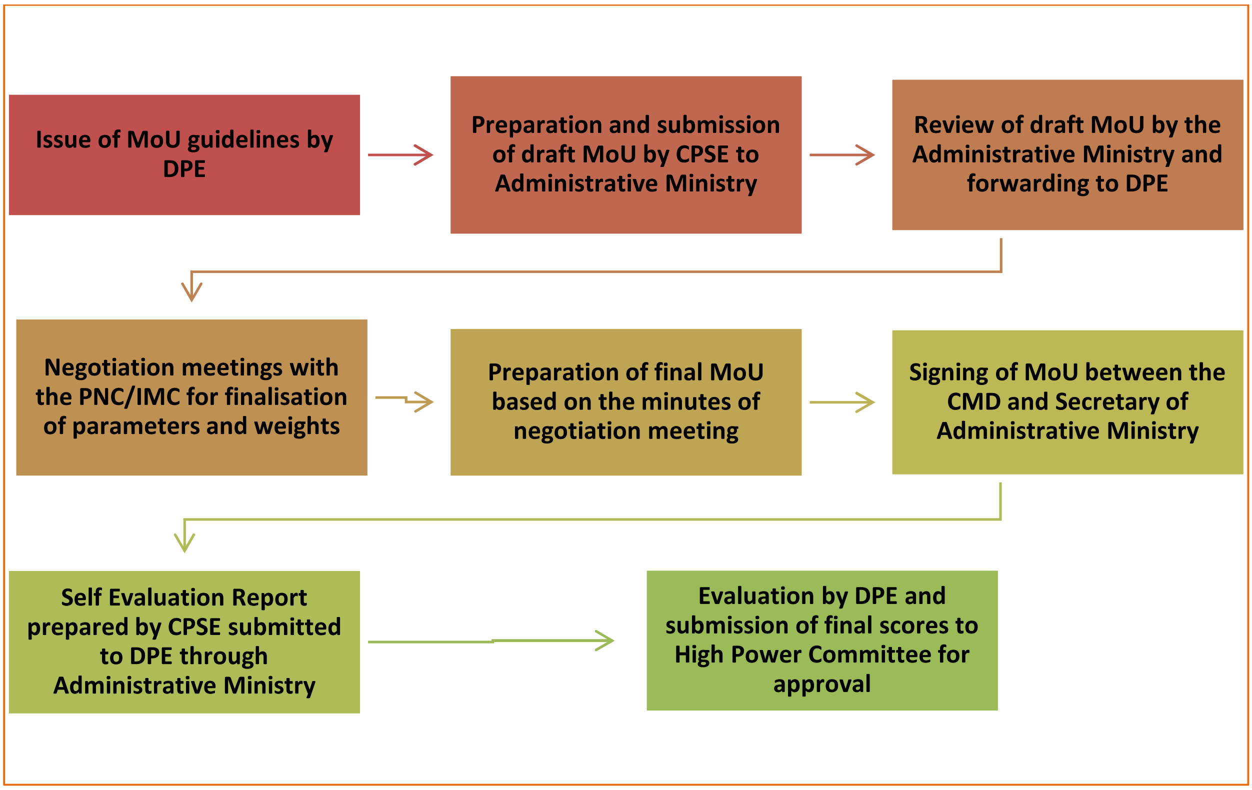
The basic approach in the fixation of MOU targets is that the targets should be realistic, growth oriented and aspirational.

The MOU guidelines for 2016-17 provided a basket of 10 broad evaluation criteria viz. i) Capacity utilisation, ii)Efficiency Parameters (Physical operations) iii) Leveraging Net worth, iv) Monitoring Parameter, v) Turnover for Operations, vi) Operating Profit/Surplus, vii) Early signs of weakness, viii) Marketing efficiency ratios, ix) Return on Investment, and x) Sector/CPSE specific targets with varying weightages. However, recognizing that CPSEs work in various sectors under different conditions, MOU guidelines for the year 2017-18 provided that there would be three uniform parameters for measuring financial performance viz. revenue from operations, operating profit and return on investment, (e.g. Ratio of Profit After Tax/Net worth) with total weightage of 50 *per cent* for measuring financial performance of all CPSEs, except CPSEs which are dependent on government grant or performing functions of distribution of grant etc. For remaining 50 *per cent* weightage, a menu of parameters has been suggested for selection depending on the sector in which the CPSE is operating. Parameters most appropriate and relevant for measuring performance shall be suggested by the Pre-negotiation Committee to the Inter-Ministerial Committee. In all the cases Inter-Ministerial Committee shall take appropriate decision on the suggestion made by Pre-negotiation Committee.

As per the Revised Guidelines for MOU for the year 2017-18 and onwards issued by DPE on 12.01.2018, generally target for 'Excellent' grading should not be lower than best achieved in last five years and 'Very Good' should not be lower than the expected achievement of the current year (year immediately preceding the year for which targets are being fixed) unless there are specific reasons to fix lower targets and are duly supported by the Administrative Ministry/Department.

5.4 MOU Score and ranking

The process of MOU target setting and evaluation is given below:



5.5 Coverage of analysis

There are 75 Miniratna[43] CPSEs under various Ministries, out of which a sample of 17 CPSEs was selected for coverage of MoU analysis. This draft chapter covers analysis of MOUs of these 17 'Miniratna' CPSEs for the years 2016-17 and 2017-18.Various aspects relating to finalisation and evaluation of MOUs for the years 2016-17 and 2017-18 were

[43] *The CPSEs which have made profits in the last three years continuously and have positive net worth are eligible to be considered for grant of Miniratna status*

examined in audit. Details of the 17 'Miniratna' companies selected for analysis and their MOU rating for the period 2016-17 to 2017-18 are given in ***Appendix-XXIV.***

5.6 Objective of analysis

The objective of analysis was to assess whether:

(i) MOU was finalised in accordance with DPE guidelines and targets were realistic and as per the Annual Plan of CPSEs;

(ii) There was effective mechanism in DPE/Administrative Ministries for validation of the information/data submitted by CPSEs;

(iii) The CPSEs received commitment/assistance from the Government as agreed to in the MOUs;

(iv) Periodical returns/reports were submitted by CPSEs to Administrative Ministry/DPE in time; and

(v) Achievements were in line with MOU targets.

5.7 Audit findings

Audit examined the MOU 2016-17 and MOU 2017-18 signed by 17 selected Miniratna CPSEs with their Administrative Ministries and their Performance Evaluation Reports (PER) for the year 2016-17 and 2017-18. Audit findings are discussed in the succeeding paragraphs. The replies of CPSEs, wherever received, have been suitably incorporated.

5.7.1 Submission and Signing of MOU

As per the MOU guidelines for the year 2016-17 and 2017-18, the copy of the MOU after the approval of the Administrative Ministry along with the annexure was to be submitted to DPE, NITI Aayog, Ministry of Statistics and Programme Implementation and Members of Task Force by 21 January 2016 and 31 January 2017, respectively**.** However, the guidelines for the year 2016-17 was issued initially in December 2015 and finally the time lines were revised in phase manner upto 30 June 2016 or within 15 days from the issue of Inter-Ministerial Committee (IMC) minutes, whichever was later.

Timelines for signing of MOUs for the year 2017-18 was 31 March 2017 (i.e. before start of financial year in respect of which targets were fixed) or within 21 days from the issue of IMC minutes, whichever was later.

Audit observed that the timelines for submission and signing of MOUs was changed time and again by DPE. In all the cases, the targets were decided/MOU signed after the lapse of first quarter of the financial year for which the targets of CPSEs were applicable due to delay in finalisation of minutes by IMC. Draft targets submitted by CPSEs were revised while finalizing and signing of MOUs. The extension of timelines provided for finalising the whole process of MOU was against the spirit of MOU Guidelines, which defines MOU as a negotiated agreement and contract between the Administrative Ministry and Management of CPSEs to fix the target before the beginning of the financial year and is intended to evaluate the performance of the CPSEs after the completion of the financial year**.** Besides this, MECON Limited (MECON) signed the MOU with its Administrative Ministry for the year 2017-18 after lapse of 44 days from IMC minutes.

DPE stated (July 2019) that as per MOU guidelines, 1 marks is being deducted from composite score for not signing of MOU.

Reply is to be viewed against the fact that there was provision of deducting the 1 mark for late submission of draft MOU but there is no provision in guidelines regarding deduction of marks on account of delay in signing MOU.

Submission of MOU/ Evaluation Report of MOU to DPE/Administrative Ministry: MOU guidelines 2016-17 required submission of the Draft MOU/MOU evaluation for the year 2016-17 after due approval of the Board. MOU guidelines 2017-18 also required submission of performance evaluation report after approval of the Board of CPSEs. Audit observed that MECON submitted its draft MOU as well as MOU evaluation for 2016- 17 and 2017-18 to the Ministry without approval of the Board.

MECON stated (October 2018) that only the actual achievements against the MOU parameter are required to be certified by the Board and same is to be enclosed along with MOU evaluation report. Draft MOU is not required to be submitted with the approval of Board as per DPE Guidelines on MOU for the year 2016-17.

The reply is not acceptable as Para 14.3 (vii) of MOU guideline for the year 2016-17 clearly specifies submission of draft MOU/MOU evaluation duly approved by the Board. Also Para 13 of MOU guidelines 2017-18 specified submission of performance evaluation report after approval of the Board.

5.7.2 Alignment of MOU targets with Annual Plan/Budget/Corporate Plan

As per MOU guidelines, MOU targets should be consistent with the Annual Plan, Budget and Corporate Plan of the CPSE. The guidelines also provide that an advance copy of the draft MOU along with a copy of the Annual Plan, Annual Budget, and Corporate Plan should be sent to DPE. Audit observed that companies mentioned in Table 5.1 had not submitted the complete documents:

Table 5.1

Statement showing the details of the required documents not submitted by CPSEs

Sl. No.	Name of CPSEs	2016-17			2017-18		
		Annual Plan	Annual Budget	Corporate Plan	Annual Plan	Annual Budget	Corporate Plan
1	BLC		✓		✓	✓	
2	MRPL	✓		✓	✓		✓
3	HUDCO	✓	✓		✓		
4	FSNL	✓		✓			
5	OVL			✓			✓
6	MMTC						✓
7	KIOCL						✓

BLC stated (September 2018) that the Annual Plan of the Company is finalized in the month of March every year after approval from the Board. Hence, Annual Budget was not available at the time of submission of advance copy of Draft MOU (November/December) for next financial year target.

The reply is not acceptable, as BLC has not provided the Annual Plan/Annual Budget of relevant years as required by the DPE Guidelines even after March of each year which resulted in delay in finalization of MoUs.

MRPL stated (September 2018) that DPE stressed for furnishing these details to those Companies for which these plans were available.

HUDCO stated (October 2018) that MOU targets were based on the financial and operational details/projections made by it on the basis of past five years' performance and annual operations details provided in the Corporate Plan 2019-20.

The fact remains that MRPL and HUDCO had not adhered to the requirements of MOU guidelines.

Reply of FSNL, OVL, MMTC and KIOCL are awaited (June 2019).

5.7.3 Benchmarking with National and International peers

As per MOU guidelines 2016-17, CPSEs were to provide information on National/International benchmarks pertaining to financial/non-financial parameters as applicable for consideration of IMC. The Ministries/Departments were also required to give a background note on the performance of the sector as well as CPSEs along with applicable benchmarks while sending the MOU for 2016-17 to DPE. IMC was to take this information including the benchmarks into consideration while fixing MOU targets. MOU guidelines 2016-17 also required benchmarking of MOU parameter of Miniratna CPSEs atleast with best performing company in private sector at national level. However, this requirement was discontinued in MOU guidelines 2017-18.

Audit observed that 11[44] CPSEs did not carry out the benchmarking exercise with best performing company in private sector at National/ International level during 2016-17.

These CPSEs stated (September 2018 to January 2019) in their reply that information on National and International benchmark is not mandatory for CPSEs. National/International benchmarks are yet to be done by Administrative Ministry / DPE. In absence of bench marking, historical data were taken to economise over the years for improving the efficiencies and remain competitive.

The replies confirm that these CPSEs did not adhere to the MOU guidelines and the purpose for which the benchmarking was stipulated was defeated.

5.7.4 Performance under MOU and Self-evaluation by CPSEs

5.7.4.1 Inconsistency in MOU targets of Mahanadi Coalfields Limited (MCL)

MOU guidelines 2016-17 prescribed a single format (Form-I) for all CPSEs except CPSEs under closure/construction. As per this format, the parameter on 'Early signs of weakness' included reduction in claims against the Company not acknowledged as debt, over the previous years. This included claims raised by Central Government, State Government or Local Bodies, CPSEs and others.

Audit observed that in case of MCL, the target set in this regard included only the claims raised by *CPSEs* and *others* which was not consistent with the MOU guidelines 2016-17.Out of total claims against the company of ₹ 4,946.95 crore as on 31.03.2016 including claims of Central/ State Governments, claims of CPSEs and others against the company was only ₹ 171.88 crore. As such, there was need to address the major portion of the claims.

MCL stated (December 2018) that the parameters considered in the MOU between Ministry and CIL were also followed in MOUs between CIL and its subsidiaries (including MCL). As such, there was no deviation in respect of parameters finalised by MCL with CIL.

The fact remains that there was major chunk in claims against MCL not acknowledged as debts, which were mainly due to claims of Central/ State Governments, which could have been improved by including this target in compliance of the DPE guidelines on MOU for the year 2016-17.

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[44] *NHPC Limited,(ii) KIOCL Limited,(iii) MECON Limited,(iv) Ferro Scrap Nigam Limited (FSNL),(v) Balmer Lawrie & Co. Limited (BLC),(vi) Housing & Urban Development Corporation Limited(HUDCO), (vii) Numaligarh Refinery Limited (NRL),(viii) SECL,(ix) MMTC,(x) Dredging Corporation of India Limited (DCIL) and (xi) Airports Authority of India(AAL)*

5.7.4.2 Inconsistencies in evaluation of MOU of NHPC

While evaluating the performance of NHPC Limited against the MOU targets, following inconsistencies were observed that while fixing the targets for MOU 2016-17, wherever the targets were fixed on provisional/estimated figures for the year 2015-16, it was provided that in case actual achievement is better than provisional figures, difference was to be added to the targets. However, while evaluating the performance, NHPC had not worked out the revised targets for parameters such as 'Revenue from Operations, Operating Profit and Trade receivable as percentage of Revenue from Operations' based on actuals.

NHPC replied that offsetting of MOU targets for the year under evaluation (i.e. 2016-17) based on the achievements of the previous year (i.e. 2015-16) was in the purview of DPE/IMC/HPC.

The reply is not acceptable as MoU for the year 2016- 17 was signed on 08.07.2016 and actual figures of achievement should have been considered.

5.7.5 Non-compliance of regulatory provisions

The MOU guidelines 2016-17 provides an additional eligibility criterion whereby CPSEs were asked to adhere to the provisions of Listing Agreement and Companies Act, 2013 to the extent the same were within the ambit of CPSEs and compliance of DPE guidelines having financial implications. MOU guidelines 2017-18 also provided above additional eligibility criterion only for 'Excellent' rating.

Independent Directors / Women Director

As per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE guidelines on Corporate Governance for CPSEs 2010, Board of Directors of CPSEs should consist of 50 *per cent* Independent Directors. In this regard Sections 149(4) and 149(1) of the Companies Act, 2013 also require every listed public company to have at least one-third of the total number of Directors as Independent Directors and at least one-woman Director, respectively.

In this regard, it was observed that:

- The Board of Directors of MECON, FSNL, MCL and AAI were not represented by the required number of Independent Directors during 2016-17 and 2017-18 while OVL did not have required number on its Board during 2016-17.
- There have been no women Director on MECON and FSNL Boards during 2016-17 and 2017-18.MCL, SECL and NRL Board also had no women Director during 2016-17.

- Compliance of above provision by KICOL, RCF, CPCL, NHPC, MMTC, DCIL, HUDCO, BLC and NFL has been commented upon, if any, in Chapter 3 vide Para No. 3.2.2 as these are listed Companies.

Audit also observed that while certifying the compliance of additional eligibility criteria of MOU 2016-17 Guidelines, these CPSEs have not revealed the above violations to the Ministry/DPE leading to incorrect/incomplete certification thereof.

5.7.6 Non-compliance of DPE guidelines having financial implications: CPSEs

5.7.6.1 Compliance of Guidelines on Capital Restructuring of CPSEs

As per DPE guidelines on Capital Restructuring of CPSEs, CPSEs having net worth of at least ₹ 2000 crore and cash and bank balance over ₹ 1000 crore, should look into and deliberate in first board meeting after the closure of the financial year the parameters[45] for the purpose of buyback.

However, if any CPSE is not able to comply with the above guidelines, specific exemption was to be obtained from Department of Investment and Public Asset Management (DIPAM), through its Administrative Ministry/Department.

Audit observed that NHPC and KIOCL, were having their net worth and cash and bank balance more than amounting to ₹ 2,000 crore and ₹ 1,000 crore, respectively during 2016-17, did not comply with this provision and no exemption was granted to these Companies. DPE while granting the score on MOU to these CPSEs considered that all compliance of has been adhered to .

Reply of both CPSEs was awaited (April 2019).

5.7.6.2 Compliance of DPE' guidelines regarding leased rent recovery

As per DPE guidelines (dated 20 March 2012), CPSEs were required to recover rent from its employees @ 10 *per cent* of basic pay or actual rent whichever is lower in respect of leased accommodation.

Audit observed that NHPC had recovered the rent at the rates fixed by them which were lesser than the rates prescribed in the above guidelines during 2016-17 and 2017-18. DPE granted full marks in score during 2016-17.

Reply of NHPC was awaited (April 2019).

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[45] *(i) Cash and Bank balance, (ii) Capital expenditure and business expansion as committed with reference to the CAPEX incurred in the last 3 years,(iii) Net worth {Free reserves and paid up capital including other reserves (if any)}, (iv) Long term borrowing and further capacity to borrow on the basis of its 'Net Worth'(v) Any other financial commitments in the near future, (vi) Business / other receivables and contingent liabilities, if any; and (vii) Market price / book value of share*

5.7.6.3 Compliance of Pay revision guidelines

As per DPE OM dated 26 November 2008, CPSEs had to follow the grades and corresponding scales of pay for their executives from the levels E0 to E9 as prescribed by DPE. Audit observed that MRPL had allowed two scales of pay higher than those prescribed by DPE for its officers in grades E1 to E6 and one scale higher than the prescribed scale to officers of grade E7. Clarification on non-compliance of grades of executive was issued (24 December 2012) for necessary compliance. Non-compliance of this directive has resulted in non-compliance of DPE guidelines with financial implications.

MRPL stated that they had fixed pay scales and allowances and communicated the same to Ministry of Petroleum and Natural Gas (MoPNG) after approval of the Board. MoPNG vide letter dated 28 April 2009 conveyed the presidential directive to implement the same.

The reply is not acceptable because the presidential directive dated 28.04.2009 specifically directed MRPL to implement the scales strictly as per the guidelines contained in the DPE OM dated 26 November 2008.

5.7.6.4 Compliance of Performance Related Pay guidelines

As per DPE guidelines (September 2013), Performance related pay (PRP) may be distributed based on profit accruing only from core business activities of the CPSEs and interest on idle cash/bank balances may be deducted from Profit Before Tax (PBT). Audit observed that NFL made payment of Performance Related Pay (PRP) considering PBT without adjusting/deducting income from non-core business activities in 2016-17. Further, as per DPE guidelines (26 November 2008), calculation of PRP shall be done by applying Bell Curve Approach[46]i.e. Annual Performance Appraisal Rating (APAR) rating of 10*per cent* executives shall be considered as "Below Par" and no PRP shall be paid to these executives.

Audit observed that:

- NFL had 1,819 executives (excluding Board Level Executive) during the year 2016-17. Based on the final APAR ratings, the company made payment of PRP to 1,637 nos. of executives excluding 182 executives which came under the category of "Below Par" of Bell Curve approach. However, on the request of Federation of Officers Associations of NFL, NFL made lump sum payment of ₹ 10,000 each to 104 executives out of 182 executives falling Below Par category

[46] *Bell curve system of performance appraisal assumes that employees in a Company can be divided into groups of, High Performers (top 20 per cent), Average Performers (middle 70 per cent) and Non-Performers or Below Average Performers (bottom 10 per cent)*

from the profit of 2016-17. Further, NFL made a lump sum payment of ₹ 12,500 each to 60 ex-employees (executive) who were retired during the year 2015-16 but did not submit their self-appraisal report for the year 2015-16.

- HUDCO also has paid PRP for 2016-17 to employees falling under 'bottom 5 *per cent* or below par segment' in contravention to the Bell Curve Approach as provided by the DPE guidelines (26 November 2008).
- NHPC paid no PRP to 1.22 *per cent* employees for MOU 2016-17 as against the requirement of 10 *per cent* employees to which no PRP shall be paid as per DPE guidelines by considering them 'Below Par'.

While confirming the facts about fixed payment of PRP to non-eligible employees, NFL stated (October 2018) that the other income classified as non-operating income forms part of core activities of a fertilizer plant located at a remote location, NFL also incurred expense in connection with these offer incomes and therefore, these incomes after adjustment of related expense incurred by the company shall further reduce to that extent. Further, other income during 2016-17 has arisen to NFL from core business activities. Therefore, PRP has been correctly paid to executive for 2016-17 as per DPE guidelines.

The reply of NFL is not acceptable, as the non-compliance to the DPE guidelines cannot be relaxed, as it is mandatory in nature.

HUDCO stated (October 2019) that Bell Curve Approach has been dispensed with due to creating demotivating environment. The reply of HUDCO is not acceptable as the change in guidelines is effective only from 01.08.2017.

Reply of NHPC was awaited (October 2019).

5.7.7 Non-compliance of MSME Guidelines

As per the Public Procurement Policy, every CPSE is to achieve an overall minimum procurement of 20 *per cent* from Micro and Small Enterprises (MSEs). Further, there is a sub target of four *per cent* procurement of goods & services, out of the 20 *per cent* from MSEs owned by Scheduled Caste or Scheduled Tribe entrepreneurs.

Audit observed that, DCIL and NHPC did not achieve the above target during 2016-17 and 2017-18.Further, KIOCL, FSNL, MECON, MCL, SECL, NFL, BLC, MRPL during 2016-17 and 2017-18 and NRL, OVL during 2016-17 and CPCL, HUDCO during 2017-18 failed to achieve the sub-target of four *per cent* procurement of goods & services,

FSNL and KIOCL stated (October 2018) that enhancing procurement from MSEs owned by SC/ST entrepreneurs, approaching to the vendors, development programmes, publishing notice in various national and local newspapers were attempted to update the data bank.

HUDCO stated (October 2018) that the actual procurements from MSMEs during the year 2017-18 was ₹ 13.59 crore, against which total procurement from MSEs was ₹ 4.77 crore which included ₹ 0.29 crore from MSEs owned by SC/ST entrepreneurs. Thus, the target of 20 *per cent* procurement was achieved.

The facts remain that these CPSEs had not achieved the target of procurement from MSEs owned by SC/ST entrepreneurs.

DCIL stated (November 2018) that they had submitted request for exemption from public procurement policy for MSMEs through their Administrative Ministries.

The reply is not acceptable as Ministry of Micro, Small and Medium Enterprises has not given any exemption from above guidelines so far and MOU score have not been reduced as per DPE guidelines.

NHPC stated (February 2019) that Public Procurement Policy for MSEs Order 2012 is applicable for the products produced and services rendered by MSEs. Therefore, by excluding the goods purchased from Original Equipment Manufacturers (OEM), Mega Risk & CPM Insurance Policies, etc. from the total annual procurement value, the consolidated value of goods/services procured from MSEs was 25.56 *per cent* of the total annual procurement value of ₹ 532.08 crore during 2017-18 against mandated target of 20 *per cent*.

The reply is not acceptable as per policy, at least 20 *per cent* of gross procurement should have been through MSEs. NHPC has sought exemption from MSME for exclusion of the items/equipment/services which are either OEM proprietary in nature and/or not manufactured/provided by MSEs from total procurement value which was still awaited.

Reply of MECON, MCL, SECL, NFL, BLC, MRPL and OVL were awaited (April 2019).

5.7.8 Impact of Audit analysis on MOU rating and Performance related Pay

Clause 14.2 and 14.3 of MOU guidelines for 2016-17 provides compliance with eight additional eligibility criteria[47]. Failure to comply with any one of the conditions would result in downgrading the CPSEs from "Excellent" (score more than 90) to "Very Good" (score more than 70 and equal to or less than 90) and in case of rating other than Excellent, the composite score was to be reduced by score of 5. Further, as per clause 14.5 of the MOU guidelines for the year 2016-17, the compliance of each of the additional eligibility criteria was to be confirmed/certified by BOD of the CPSEs.

[47] *Compliance with DPE guidelines having financial implication, and Compliance with Public Procurement Policy for Micro and Small Enterprises issued by M/o Micro and Medium Enterprises, etc.*

Also, MOU guidelines 2017-18 (Para 14.2) provides compliance of eleven additional criteria. Failure to comply with each criterion would result in reduction of score by 1 mark (subject to maximum of 5 marks).

Audit noticed that Board of Directors of 9[48] CPSEs had certified the compliance of DPE guidelines while furnishing the evaluation of MOUs for the year 2016-17 and 2018, whereas there were lapses on the part of these CPSEs in compliance of DPE guidelines as discussed vide paras 5.7.6 and 5.7.7

DPE has deducted the score of NFL, NHPC, MRPL and MECON due to non-compliance of DPE guidelines whereas DPE had not deducted any score of FSNL, OVL, HUDCO, KIOCL, and BLC due to not following DPE guidelines during 2016-17 and awarded full score by erroneously treating these cases as compliant with the guidelines. This resulted in over rating of two CPSEs viz. HUDCO and OVL being rated as Excellent instead of Very Good and consequently impact on higher payment of PRP.

DPE stated (July 2019) that various compliances were accepted on the basis of Board Resolution. Given false information in Board Resolution is a violation of the companies Act, 2013 and punishable under the Act.

Reply is to be viewed against the fact that there was a sub target of four *per cent* procurement of goods & services from MSEs (SC/ST) in compliance of MSEs guidelines, 2012 as discussed in para No. 5.7.7. OVL informed DPE vide its letter dated 27.06.2017 that procurement from MSEs (SC/ST) was 0.46 *per cent* during 2016-17 but DPE/ IMC had not taken cognizance of this information, which resulted in higher rating. Fact remains that due to non-verification of information, there was over rating and consequently having impact of higher payment of PRP.

5.8 Conclusion and recommendations

Analysis of MOU of 17 'Miniratna' companies for 2016-17 and 2017-18 revealed that the process of finalization and signing of MOUs was delayed and as a result the MOUs were signed after first quarter of the financial year for which the targets were applicable. The MOU guidelines mandated benchmarking of parameters with reference to national and international peers. However, eleven CPSEs did not carry out the benchmarking exercise. As regards evaluation against the targets set in MOUs, improper evaluation of performance against parameters was also noticed in respect of seven CPSEs. CPSEs did not incorporate necessary commitment from Administrative Ministry in the MOU for filling up of non-official Directors on their Board and for compliance with the provisions of the Companies Act, 2013 regarding Independent and Woman Directors. Some positions of Independent and Woman Directors in nine CPSEs were lying vacant.

[48] *(i) FSNL, (ii) NFL, (iii) OVL, (iv) NHPC, (v) HUDCO, (vi) MRPL, (vii) KIOCL (viii) MECON, and (ix) BLC*

Further, ten CPSEs did not comply with the MSMEs guidelines. Eleven CPSEs furnished incorrect certification of additional eligibility criteria underclause14.5 of the DPE guidelines for the year 2016-17 and 2017-18 which resulted in higher rating to HUDCO and OVL as 'Excellent' instead of 'Very Good' for the year 2016-17 and 2017-18 consequently higher payment of PRP.

Audit suggests the following recommendations for the consideration and implementation by DPE, CPSEs and their Administrative Ministries:

- It may be ensured that the MOUs are prepared and finalized within stipulated time, in accordance with the DPE guidelines, with due attention on fixing targets that can lead to improved performance of CPSEs.
- The validation process at DPE may be strengthened to ensure that any incomplete or incorrect information and/or certification can be detected before final evaluation of the MOU through proper coordination with other Ministries and stakeholders.

CHAPTER VI

Impact of Implementation of Indian Accounting Standards (under Phase – II) in selected Central Public Sector Enterprises

6.1 Introduction

The role of financial reporting in the overall growth and development of an economy is quiet significant. The era of globalisation and liberalisation has led to increased social mobility, cross border movement of finance, capital and commodities, which in turn has necessitated a single set of high quality global Accounting Standards. With the emergence of such high quality principle-based International Financial Reporting Standards (IFRS) in the global accounting scenario which have been set by the International Accounting Standards Board (IASB), a need was felt to converge Indian Accounting Standards with these updated high quality IFRS. The adoption or convergence with IFRS brings transparency, accountability and efficiency to financial markets and serves the public interest by fostering trust, growth and long-term financial stability in the global economy.

Keeping in view that the country has a well-established accounting framework, the Ministry of Corporate Affairs (MCA), Government of India notified Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act, 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic & legal environment in view and by referring to IFRS Standards. The Ind AS were modeled on IFRS which were different from the Indian Generally Accepted Accounting Principles (IGAAP) framework mainly in three key aspects i.e. fair valuation, substance over legal form and emphasis on the Balance Sheet. These Ind AS are mandatorily to be adopted by prescribed class of companies w.e.f. 1 April 2016. As on 31 March 2018, 39 Ind AS are applicable. The MCA from time to time make amendments in the Ind AS to keep them converged with IFRS through amendments in Companies (Indian Accounting Standards) Rules, 2015.

6.2 Implementation of Ind AS

Companies (Indian Accounting Standards) Rules, 2015 also laid down a roadmap for implementation of Ind AS in a phased manner beginning from the financial year 2016-17 as detailed below:

(a) Phase I

The following companies shall comply with Ind AS for financial statements for accounting periods beginning on or after 1 April 2016, with the comparatives for the periods ending 31 March 2016 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of ₹ 500 crore or more.
- Companies having net worth of ₹ 500 crore or more other than those covered above.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

(b) Phase II

The following companies shall comply with Ind AS for financial statements for accounting periods beginning on or after 1 April 2017, with the comparatives for the periods ending 31 March 2017 or thereafter:

- Companies whose equity or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹ 500 Crore.
- Unlisted companies other than those covered in Phase I whose net worth are ₹ 250 crore or more but less than ₹ 500 crore.
- Holding, subsidiary, joint venture or associate companies of companies covered above.

(c) Applicability to Banking Companies, Non-Banking Finance Companies (NBFCs) and Insurance Companies

Ind AS are applicable to NBFCs from 1 April 2018 or 1 April 2019 depending upon the listing of equity or debt securities and net worth position. Applicability of Ind AS to banking companies and insurance companies was to be from 1 April 2018, which was deferred to 1 April 2019[49] for banking companies and to 1 April 2020 for insurance companies.

[49] *The same has been further deferred to 1 April 2020 by Reserve Bank of India*

(d) Voluntary adoption of Ind AS

Any company may comply with Ind AS for financial statements for accounting periods beginning on or after 1 April, 2015 with the comparatives for the periods ending on 31 March 2015 or thereafter. However, once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

(e) Overseas Subsidiary, Associate or Joint Venture and other similar entities of an Indian Company

These entities may prepare their standalone financial statements in accordance with the requirements of the specific jurisdiction. However, these entities will still have to report their Ind AS adjusted numbers for their Indian parent company to prepare consolidated Ind AS accounts.

6.3 Objectives of audit

The objective of audit was to study the implementation of Ind AS in Phase II to assess:

(i) How far the various provisions of Ind AS were complied with by the CPSEs at the time of adoption of Ind AS in Phase-II;

(ii) The impact of implementation of Ind AS in the financial statements of CPSEs.

6.4 Scope of audit

The study covered 25 CPSEs under the administrative control of various ministries/departments which were required to adopt Ind AS in Phase II or voluntarily adopted Ind AS during 2017-18. The above also includes 2 newly incorporated CPSEs which adopted Ind AS in their first financial statements for the year 2017-18. The list of CPSEs reviewed is given in ***Appendix–XXV***.

6.5 Audit Methodology

The standalone financial statements of CPSEs which have adopted Ind AS under Phase II as well as newly incorporated CPSEs which have adopted Ind AS for the first time in 2017-18 for preparation of their financial statements with effect from 1 April 2017 have been reviewed in audit. The compliance of various provisions of Ind AS and impact of implementation of Ind AS in these CPSEs on their revenues, profit after tax (PAT), net worth and total assets of the CPSEs were analysed with reference to changes as a result of adoption of Ind AS in revenue recognition, valuation of financial instruments and Property, Plant and Equipment (PPE), calculation of employee benefits and accounting of business combinations.

6.6 Review of first time adoption of Ind AS

As per Ind AS 101, an entity's first Ind AS financial statements shall explain how the transition from IGAAP to Ind AS affected its reported Balance Sheet, financial performance and cash flows. Companies adopting Ind AS in Phase-II shall disclose reconciliation of their equity reported as per IGAAP on 01 April 2016 and on 31 March 2017 with equity as per Ind AS on the same date.

Ind AS 101 provides for optional exemptions and mandatory exemptions to the general principle of retrospective application of Ind AS. The mandatory exceptions are related to retrospective application of some aspects of Ind AS 10 – Events after the Reporting Period, Ind AS 109 – Financial Instruments and Ind AS 110 – Consolidated Financial Statements.

The optional exemptions include the following:

(i) Ind AS 103 – Business Combinations

A company may elect not to apply Ind AS 103 retrospectively to past business combinations (business combinations that occurred before the date of transition to Ind AS).

Audit observed that out of 25 CPSEs under study, Braithwaite Burn and Jessop Construction Company Limited and Karnataka Solar Power Development Corporation Limited applied retrospectively to past business combination.

(ii) Ind AS 16 – Property, Plant and Equipment

Ind AS permits a first-time adopter to elect to continue with the carrying value of its Property, Plants and Equipments (PPE) and intangible assets as recognized in the financial statements as at the date of transition to Ind AS, as measured as per IGAAP and use that as its deemed cost at the date of transition after making necessary adjustments for decommissioning liabilities. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life.

Audit analysis revealed that out of 25 CPSEs, 14 CPSEs opted to value of PPE at carrying cost, while one CPSE (Hassan Mangalore Rail Development Company Limited) opted to value PPE on fair value basis. Further, one CPSE (Hindustan Fluorocarbons Limited) opted to value of PPE at carrying cost except freehold land where fair value was considered.

(iii) Ind AS 27 – Separate Financial Statements

As per paragraph D14 and D15 of Ind AS-101, in case of separate financial statements, Ind AS 27 requires an entity to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 39. If a first-time adopter measures such an investment at cost in accordance with Ind AS 27 then it shall measure that investment either at cost or at deemed cost in its separate opening Ind AS Balance Sheet.

Audit observed that 4 CPSEs (Andrew Yule & Company Limited, Braithwaite Burn and Jessop Construction Company Limited, India Tourism Development Corporation and STC Limited) opted to measure investment in subsidiaries/associates at carrying value/cost price.

(iv) Ind AS 109 – Financial Instruments

Ind AS-101 permits an entity to designate a financial asset and investment in an equity instrument measured at fair value in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Audit analysis revealed that 5 CPSEs (Hindustan Fluorocarbons Limited, Braithwaite Burn and Jessop Construction Company Limited, Hindustan Steelworks Construction Limited, Mecon Limited and Ranchi Ashok Bihar Hotel Corporation Limited) valued equity at carrying value/cost price and two CPSEs (Maharashtra Metro Rail Corporation Limited and STC Limited) valued equity at fair value.

6.7 Adoption of Ind AS by the companies incorporated in 2017-18

Out of 25 CPSEs covered in the study, 2 CPSEs viz. Ircon Davanagere Haveri Highway Limited and Surat Integrated Transportation Development Corporation Limited were incorporated after 1 April 2017 and adopted Ind AS for the first time. As these companies prepared their financial statements for the first time, there was no impact of Ind AS.

6.8 Impact of implementation of Ind AS on selected key areas

The implementation of various provisions of Ind AS can impact the valuation of Profit after Tax (PAT), Revenues, Total Assets, and Net Worth. The values may increase or decrease depending on the options availed by the CPSE at the time of adoption of Ind AS. The results of review of compliance to various provisions of Ind AS and the impact of its implementation in respect of 23 CPSEs[50] selected for review is given below:

6.8.1 Impact on Profit after Tax (PAT)

The impact of adoption of Ind AS on Profits after Tax (PAT) for accounting periods beginning on or after 1 April 2017, with the comparative for the period ending 31 March 2016 in selected CPSEs is as follows:

[50] *Excluding 2 newly incorporated CPSEs which adopted Ind As in 2017-18*

Table 6.1: CPSE wise impact of adoption of Ind AS on PAT

Sl. No.	Name of the CPSE	Decrease in PAT (₹ In crore)	Increase in PAT (₹ In crore)	Net Impact (₹ In crore)
1	Hindustan Fluorocarbons Limited	-	1.04	1.04
2	Andrew Yule & Company Limited	-3.14	2.74	-0.40
3	Braithwaite Burn and Jessop Construction Company Limited	-1.42	0.93	-0.49
4	Bridge and Roof Co. (India) Limited	-	0.16	0.16
5	Mineral Exploration Corporation Limited	-	1.61	1.61
6	Maharashtra Metro Rail Corporation Limited	-248.42	12.08	-236.34
7	Cotton Corporation of India Limited	-	2.06	2.06
8	Hassan Mangalore Rail Development Company Limited	-8.85	16.41	7.56
9	National High Speed Rail Corporation Limited	-0.003	0.490	0.487
10	Scooters India Limited	-0.0020	0.0205	0.0185
11	Ranchi Ashok Bihar Hotel Corporation Limited	-0.10	0.13	0.03
12	MECON Limited	-1.71	0.02	-1.69
13	Hindustan Steelworks Construction Limited	-23.55	27.81	4.26
14	Solar Energy Corporation of India	-0.96	1.52	0.56
15	India Tourism Development Corporation	-112.56	111.72	-0.84
16	STC Limited	-4.61	4.33	-0.28

The maximum increase and decrease in PAT due to adoption of Ind AS were observed in India Tourism Development Corporation and Maharashtra Metro Rail Corporation Limited respectively.

6.8.2 Factors contributing to increase/decrease in PAT

The changes in valuation of different items of revenue, expenditure, assets and liabilities consequent to adoption of Ind AS can materially affect the PAT of enterprise. Audit analysis indicated that the increase of PAT of selected CPSEs consequent to adoption of Ind AS were due to the following reasons:

(i) Increase in profits due to changes in valuation of liabilities towards post employment benefits

The differences accruing due to measurement of liabilities towards post-employment benefits formed part of the profit or loss for the year under IGAAP. However under Ind AS, such differences i.e. actuarial gains or losses and return on plan assets were recognised under 'Other Comprehensive Income' instead of profit or loss. Audit observed that Hindustan Fluorocarbons Limited ,Ranchi Ashok Bihar Hotel Corporation Limited and India Tourism Development Corporation recorded an increase of ₹ 1.04 crore, ₹ 0.10 crore and ₹ 1.24 crore respectively in its profits upon adoption of Ind AS due to the different method of accounting of liabilities towards post-employment benefits.

(ii) Increase in profits due to recognition of deferred taxes

The application of Ind AS 12 - Income Taxes required recognition of deferred tax on new temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. This was not a requirement under IGAAP. Audit observed that Andrew Yule & Company Limited, National High Speed Rail Corporation Limited, Solar Energy Corporation of India and STC Limited recorded an increase of ₹ 1.08 crore, ₹ 0.04 crore, 0.03 crore and ₹1.15 crore respectively in its profits due to new method of recognition of deferred tax laid down in Ind AS-12.

(iii) Increase in profits due to measurement of investments at fair value through profit and loss

All financial assets and financial liabilities are carried at cost under IGAAP whereas under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost by applying the effective interest rate. Audit observed that measurement of investments at fair value through profit and loss of Andrew Yule & Company Limited and STC Limited resulted in increase of profits after taxes by ₹ 0.31 crore and ₹ 1.04 crore respectively.

(iv) Increase in profits due to other reasons

Andrew Yule & Company Limited recorded an increase in profit of ₹ 1.31 crore and ₹ 0.04 crore due to Prior Period Items and gain on re-measurement of Long Term Receivables respectively. In case of Bridge and Roof Co. (India) Limited, PAT rose by an amount of ₹ 0.16 crore due to recognition of employee loan and security deposit which have been re-measured at fair value as per Ind AS 107 and Ind AS 109. Maharashtra Metro Rail Corporation Limited recorded increase in PAT by ₹ 0.10 crore, ₹ 0.13 crore and ₹ 11.84 crore arising from interest income due to unwinding of employee benefit/ loans and security deposit and deferred income taken to P&L account respectively. Hassan Mangalore Rail Development Company Limited recorded increase in PAT by ₹ 2.65 crore and ₹ 13.76 crore by recognizing the difference between fair value of Overheads, Payable and nominal value as unearned revenue and recognizing the same as other income on Straight Line Method basis over repayment period and by re-computing depreciation/ amortization on Freight Sharing Rights over the remaining period of Concession Agreement from the date of transition, respectively. National High

Speed Rail Corporation Limited recorded increase in PAT by ₹ 0.30 lakh, ₹ 0.25 crore and ₹ 0.20 crore on account of interest income on fair value of security deposit, employee benefit expenses capitalized to Capital-work-in-progress and recognition of share issue expenses in other equity, respectively. Further, Scooters India Limited recorded an increase in profit of ₹ 0.02 crore due to national interest on workmen receivable and security deposit and MECON Limited recorded an increase in profit of ₹ 0.02 crore as a result of re-computation job. Hindustan Steelworks Construction Limited recorded increase in PAT by ₹13.16 crore, ₹ 9.90 crore, ₹ 3.95 crore and ₹ 0.80 crore on account of financial assets measured at amortized cost, unbilled revenue, reversal of provision against trade receivables and reversal of provision against warranty charges, respectively. Solar Energy Corporation of India also recorded an increase in PAT by amounts of ₹ 0.27 crore, ₹ 1.00 crore, ₹ 0.06 crore and ₹ 0.16 crore on accounts of recognition of interest component on unwinding of discount on security deposits receivable, amortization of interest component recognized in deferred revenue income, decrease in depreciation on leasehold land and income recognized from deferred income, respectively. Moreover, India Tourism Development Corporation recorded increase in PAT of ₹ 106.93 crore, ₹ 4.93 crore and ₹ 1.15 crore on account of reversal cost to be paid to others, reversal of electricity recovery and fair value measurement impact as per Ind AS respectively and STC Limited recorded an increase of ₹ 2.14 crore on the account of writing off the prior period expenditure.

The decrease in PAT of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

(i) Decrease in profits due to recognition of deferred taxes

Application of Ind AS 12- Income Taxes requires recognition of deferred tax on new temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. This was not a requirement under IGAAP. In the case of Maharashtra Metro Rail Corporation Limited, Hassan Mangalore Rail Development Company Limited, Hindustan Steelworks Construction Limited and India Tourism Development Corporation, audit observed that the profits of the company decreased by ₹ 248.42 crore, ₹ 4.71 crore, ₹ 2.29 crore and ₹ 0.33 core respectively due to recognition of deferred tax at the time of adoption of Ind AS.

(ii) Decrease in profits due to changes in valuation of liabilities towards post employment benefits

Under IGAAP, the value of changes in liabilities towards post-employment benefits forms part of the profit or loss for the year whereas under Ind AS, such valuations i.e. actuarial gains and losses and return on plan assets are recognised under Other Comprehensive Income instead of profit or loss. In the case of Andrew Yule & Company Limited, Braithwaite Burn and Jessop Construction Company Limited and Hassan

Mangalore Rail Development Company Limited audit observed that the profits of the company decreased by ₹ 2.77 crore, ₹0.39 crore and ₹ 0.04 crore respectively due to change in valuation of liabilities towards of post-employment benefits. Ranchi Ashok Bihar Hotel Corporation Limited, Hindustan Steelworks Construction Limited, Solar Energy Corporation of India and STC Limited recorded decrease in PAT by ₹ 0.10 crore, ₹ 0.29 crore, ₹ 0.02 crore and ₹ 3.51 crore respectively due to increase in liabilities towards post employment benefits.

(iii) Decrease in profits due to other reasons

Audit observed that the profits of Andrew Yule & Company Limited decreased by ₹ 0.37 crore consequent to booking of Tea Board subsidy in other Non-Current Liabilities. Hassan Mangalore Rail Development Company Limited recorded decrease in PAT by ₹ 4.07 crore and ₹ 0.03 crore on recognition of notional interest expense on deferred Overheads Payable over the repayment period of liability and re-computation of interest on fixed deposits based on Effective Interest Rate Method, respectively. Profits of National High Speed Rail Corporation Limited decreased by ₹ 0.003 crore due to amortization of prepaid expenses deferred on security deposits and that of Scooters India Limited decreased by ₹ 0.002 crore for increase in the expenses due to security deposits, rates and taxes, wages and prior year expenses. MECON Limited also recorded a decrease in profit by ₹ 1.71 crore due to increase in provisions of expenses. It was further observed in audit that Hindustan Steelworks Construction Limited suffered decrease in PAT to the tunes of ₹ 20.91 crore and ₹ 0.06 crore on account of finance cost corresponding to deposits from contractors and amortization of leasehold land, respectively. Solar Energy Corporation of India also recorded a decrease in PAT by amounts of ₹ 0.06 crore, ₹ 0.29 crore, ₹ 0.36 crore and ₹ 0.23 crore on accounts of increase in amortization of deferred lease rental expense, amortization of interest component recognized in deferred revenue expenses, unwinding of discount on performance guarantee deposit and increase in depreciation expense on account of non-adjustment of capital grant from cost of capital asset, respectively. Moreover, STC Limited recorded decrease of PAT by ₹ 0.97 crore and ₹ 0.13 crore due to finance cost and exceptional expenditure and India Tourism Development Corporation recorded decrease of PAT by ₹ 106.93 crore and ₹ 4.93 crore due to reversal of revenue received on account of others and reversal of electricity recovery respectively.

6.8.3 Impact of adoption of Ind AS on booking of revenues

Ind AS 18 - Revenue is the applicable Ind AS for accounting of revenues. The definition of 'revenue' under Ind AS 18 covers all economic benefits that arise in the ordinary course of activities of an entity which results in increase in net worth, other than increases relating to contributions from net worth participants. Revenue, as per IGAAP (AS 9 – Revenue Recognition), however is defined as gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.

The impact of adoption of Ind AS on booking of revenues for accounting periods beginning on or after 1 April 2017, with the comparative for the period ending 31 March 2016 in selected CPSEs is as follows:

Table 6.2: CPSE wise impact of transition to Ind AS on Revenues

Sl. No.	Name of the CPSE	Decrease in Revenue (₹ in crore)	Increase in Revenue (₹ in crore)	Net Impact (₹ in crore)
1	Hindustan Fluorocarbons Limited	-	1.45	1.45
2	Braithwaite Burn and Jessop Construction Company Limited	-	0.42	0.42
3	Cotton Corporation of India Limited	-	218.86	218.86
4	Chennai-Ennore Port Road Company Limited	-0.005	-	-0.005
5	Hassan Mangalore Rail Development Company Limited	-	29.46	29.46
6	Scooters India Limited	-0.0020	0.0205	0.0185
7	Hindustan Steelworks Construction Limited	-1.31	9.90	8.59
8	Solar Energy Corporation of India	-0.27	-	-0.27
9	India Tourism Development Corporation Limited	-111.86	1.15	-110.71

Audit observed that the maximum increase of ₹ 218.86 crore in revenue was noticed in Cotton Corporation of India Limited whereas decrease of ₹ 111.86 crore in revenue was noticed in respect of India Tourism Development Corporation Limited.

6.8.4 Factors responsible for increase/decrease in revenue

The increase in revenue of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

Audit observed that Hindustan Fluorocarbons Limited recorded an increase in revenue by an amount of ₹ 1.45 crore from operating activities and Braithwaite Burn and Jessop Construction Company Limited recorded an increase in revenue by an amount of ₹ 0.42 crore on account of income from other sources. Due to change in Accounting policy for Revenue Recognition as per Ind AS-18, Cotton Corporation of India Limited recorded an increase in revenue from operations by an amount of ₹ 218.86 crore. Hassan Mangalore Rail Development Company Limited recorded increase in revenue to the tune of ₹ 29.46 crore due to recognition of construction contract cost under Service Concession Agreements incurred during FY 2016-17 on Project Assets under construction and subsequent additions to the project assets. Due to notional interest on workmen receivable and security deposit, Scooters India Limited recorded an increase in revenue by ₹ 0.02 crore. Further, revenue of Hindustan Steelworks Construction Limited was increased by an amount of ₹ 9.90 crore on account of unbilled revenue. In India Tourism Development Corporation, revenue was increased by ₹ 1.15 crore due to fair value measurement impact as per Ind AS.

The reason for decrease in revenue of selected CPSEs consequent to adoption of Ind AS was due to Prior Period Error as Chennai-Ennore Port Road Company Limited recorded a decrease in revenue by an amount of ₹ 0.50 lakh. Scooters India Limited suffered a decrease in revenue by ₹ 0.20 lakh as a result of increase in the expenses due to security deposits, rates and taxes, wages and prior year expenses. Further, revenue of Hindustan Steelworks Construction Limited and Solar Energy Corporation of India decreased by amounts of ₹ 1.31 crore and ₹ 0.27 crore on account of financial asset measured at amortized cost and rebate allowed to customers adjusted from revenue income. In India Tourism Development Corporation, revenue was decreased by ₹ 106.93 crore and ₹ 4.93 crore due to reversal of revenue received on account of others and reversal of electricity recovery respectively.

6.8.5 Impact of adoption of Ind AS on value of total assets

Total value of assets are impacted upon implementation of Ind AS due to difference in methods of accounting prescribed compared to IGAAP under Ind AS 16 – Property, Plant and Equipment (PPE), Ind AS 38 – intangible assets, Ind AS 32 – Financial Instruments: Presentation, Ind AS 109 – Financial Instruments and Ind AS 40 – Investment Property.

Ind AS 101 pertaining to first time adoption of Ind AS permitted the first-time adopter to elect to continue with the carrying value for all of its PPE as recognized in the Financial Statements measured under IGAAP as at the date of transition to Ind AS, and the carrying value as its deemed cost on the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption could also be used for valuation of intangible assets under Ind AS 38 – Intangible assets and Ind AS 40 – Investment property.

The impact of adoption of Ind AS on value of total assets for accounting periods beginning on or after 1 April 2017, with the comparative for the period ending 31 March 2016 in selected CPSEs is as follows:

Table 6.3: CPSE wise impact of adoption of Ind AS on value of total assets

Sl. No.	Name of the CPSE	Decrease in Value of Total Assets (₹ In crore)	Increase in Value of Total Assets (₹ In crore)	Net Impact (₹ In crore)
1	Hindustan Fluorocarbons Limited	-	29.96	29.96
2	Andrew Yule & Company Limited	-0.02	3.11	3.09
3	Braithwaite Burn and Jessop Construction Company Limited	-73.86	4.85	-69.01
4	Bridge and Roof Co. (India) Limited	-0.74	-	-0.74
5	Maharashtra Metro Rail Corporation Limited	-9.39	20.04	10.65
6	Hindustan Organic Chemicals Limited	-583.07	1696.18	1113.11
7	Chennai-Ennore Port Road Company Limited	-15.19	33.85	18.66
8	Hassan Mangalore Rail Development Company Limited	-0.03	29.26	29.23
9	National High Speed Rail Corporation Limited	-0.02	0.35	0.33
10	Scooters India Limited	-	0.0285	0.0285
11	Ranchi Ashok Bihar Hotel Corporation Limited	-	4.67	4.67
12	Hindustan Steelworks Construction Limited	-36.15	-	-36.15
13	Solar Energy Corporation of India	-2.54	-	-2.54
14	India Tourism Development Corporation	-0.01	-	-0.01
15	STC Limited	-314.32	313.29	-1.03

The maximum net impact (increase) of ₹ 1,113.11 crore in value of total assets was noticed in Hindustan Organic Chemicals Limited whereas maximum net impact (decrease) of ₹ 69.01 crore in total value of assets was noticed in Braithwaite Burn and Jessop Construction Company Limited.

6.8.6 Factors responsible for increase/decrease in value of total assets

The increase in value of total assets of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

The value of total assets of Hindustan Fluorocarbons Limited and Andrew Yule & Company Limited increased by an amount of ₹ 29.96 crore and ₹ 3.11 crore due to computation of land and investment at fair value, respectively. Braithwaite Burn and Jessop Construction Company Limited recorded increase in value of total assets by ₹ 0.08 crore and ₹ 4.77 crore on account of Investments and Deferred Tax Assets respectively. Increase in value of total assets was noticed in Maharashtra Metro Rail Corporation Limited by amounts of ₹ 10.76 crore and ₹ 9.27 crore due to capitalization of interest expense on fair valuation of Sub-debt and security deposit and segregation into pre paid expenses done for fair valuation of employee benefits, security deposits and management fees, respectively. Hindustan Organic Chemicals Limited recorded increase in value of total assets by ₹ 1,687.45 crore and ₹ 8.73 crore on account of revaluation of land at fair price and changes in defined benefit plan, respectively.

Chennai-Ennore Port Road Company Limited recorded increase in value of total assets by amounts of ₹ 0.71 crore, ₹ 1.28 crore, ₹ 14.57 crore, ₹ 15.97 crore and ₹ 1.32 crore as preliminary expenses under unamortized expenses, reclassification of current asset to non-current asset, increase of non-current asset, reclassification of cash and cash equivalents as current financial assets and recovery of current assets from parties, respectively. Increase in value of total assets was noticed in Hassan Mangalore Rail Development Company Limited by amount of ₹ 29.26 crore due to claiming of lower depreciation/ amortization on tangible/ intangible assets as per Ind AS 11 and recomputation of depreciation/ amortization on Freight Sharing Rights using SLM basis over the remaining period of Concession Agreement from the date of transition. Increase in value of total assets was noticed in National High Speed Rail Corporation Limited by amounts of ₹0.29 crore, ₹ 0.04 crore, ₹ 0.01 crore and ₹0.01 crore due to capitalization of expenses in CWIP (including prior period expenses, recognition of deferred tax on share issue expenses, fair value adjustment of non-current portion (difference between carrying value and fair value of security deposit) and fair value adjustment of current portion (difference between carrying value and fair value of security deposit), respectively. Audit observed an increase in value of total assets of Scooters India Limited by amounts of ₹ 0.03 crore and ₹ 0.002 crore due to change in the treatment of lease hold land and notional interest on security deposits received by the company, respectively. Further, value of total assets of Ranchi Ashok Bihar Hotel Corporation Limited was increased by ₹ 4.67 crore on account of capitalisation of convention centre. Moreover, ₹ 313.02 crore increased in value of total assets in STC Limited on account of PPE classified into investment property.

The decrease in value of total assets of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

- Andrew Yule & Company Limited reported decrease by an amount of ₹ 0.02 crore due to discounting on Non-Current Trade Receivables.
- Braithwaite Burn and Jessop Construction Company Limited recorded decrease by ₹ 5.20 crore and ₹ 68.66 crore on account of Trade receivable and other factors respectively.
- For change in policy for recognition of Property, Plant and Equipment and re-measurement of financial assets at fair value, Bridge and Roof Co. (India) Limited recorded decrease by ₹ 0.17 crore and ₹ 0.57 crore, respectively.
- Maharashtra Metro Rail Corporation Limited recorded by amounts of ₹ 0.09 crore, ₹ 8.64 crore, ₹ 0.38 crore and ₹ 0.27 crore due to impact of fair valuation for years 2015-16 to 2017-18, impact of one time management fees on foreign loan for 2016-17 to 2017-18, fair valuation of loans given to employees for years

from 2015-16 to 2017-18 and fair valuation of security deposits for years 2015-16 to 2017-18, respectively.

- Hindustan Organic Chemicals Limited recorded decrease by ₹ 379.40 crore, ₹199.86 crore and ₹3.81 crore on account of sale of land, deferred tax liabilities and refund of VAT due from State Government, respectively.
- Chennai-Ennore Port Road Company Limited recorded decrease in value of total assets by amount of ₹ 15.19 crore as reclassification of cash and cash equivalents as current financial assets.
- Decrease was noticed in Hassan Mangalore Rail Development Company Limited by amount of ₹ 0.03 crore due to re-computation of interest on fixed deposits based on Effective Interest Rate Method.
- Decrease was noticed in National High Speed Rail Corporation Limited by amount of ₹0.02 crore due to fair valuation of security deposit.
- Hindustan Steelworks Construction Limited suffered a decrease by amounts of ₹ 5.28 crore, ₹ 0.18 crore, ₹ 12.37 crore, ₹ 16.94 crore and ₹ 1.38 crore on accounts of deposit with clients, recognition of leasehold land as fixed asset, provisions against trade receivables, provisions for taxation and deferred tax assets.
- Solar Energy Corporation of India also recorded a decrease in the value of total assets by ₹ 1.77 crore and ₹ 0.77 crore due to de-recognition of leasehold land and decrease in value of non-current security deposit receivable, respectively.
- STC Limited and India Tourism Development Corporation recorded decrease of ₹ 314.04 crore and ₹ 0.01 crore on account of consideration of investment property and fair value measurement impact as per Ind AS respectively.

6.8.7 Impact of adoption of Ind AS on net worth

Net worth is the difference between the value of assets and the liabilities of a company. Net worth (equity) is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves and securities premium account, the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. Free reserves do not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

Adoption of Ind AS mandates preparation of an opening Ind AS Balance Sheet at the date of transition to Ind ASs. The accounting policies that an entity uses in its opening Ind AS Balance Sheet may differ from those that it used for the same date using IGAAP. The impact of adoption of Ind AS on net worth for accounting periods beginning on or after 1 April 2017, with the comparative for the period ending 31 March 2016 in selected CPSEs is as follows:

Table 6.4: CPSE wise impact of adoption of Ind AS on net worth

Sl. No.	Name of the CPSE	Decrease in Net Worth (₹ In crore)	Increase in Net Worth (₹ In crore)
1	Hindustan Fluorocarbons Limited		49.75
2	Andrew Yule & Company Limited	-110.73	
3	Braithwaite Burn and Jessop Construction Company Limited	-52.50	
4	Bridge and Roof Co. (India) Limited	-0.80	
5	Hooghly Printing Company Limited	-1.12	
6	Maharashtra Metro Rail Corporation Limited	-5.29	
7	Hindustan Organic Chemicals Limited	-270.00	
8	Cotton Corporation of India Limited	-	18.06
9	National High Speed Rail Corporation Limited	-	0.29
10	Scooters India Limited	-0.0251	-
11	Ranchi Ashok Bihar Hotel Corporation Limited	-2.16	-
12	MECON Limited	-1.69	-
13	Hindustan Steelworks Construction Limited	-	0.41
14	Solar Energy Corporation of India	-	1.19
15	India Tourism Development Corporation	-16.91	-
16	STC Limited	-1.10	-

The maximum increase of ₹ 49.75 crore in net worth was noticed in Hindustan Fluorocarbons Limited whereas maximum decrease of ₹ 270.00 crore in net worth was noticed in Hindustan Organic Chemicals Limited.

6.8.8 Factors responsible for increase/decrease in net worth

The increase in net worth of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

- Net worth of Hindustan Fluorocarbons Limited resulted in increase by an amount of ₹ 49.75 crore on account of fair valuation of freehold land.
- Andrew Yule & Company Limited recorded increase in net worth by an amount of ₹ 0.65 crore due to increase in investment.
- Braithwaite Burn and Jessop Construction Company Limited recorded increase in net worth by amounts of ₹ 16.03 crore, ₹ 0.05 crore and ₹ 4.26 crore due to proposed dividend and tax, investment in bonds valued at amortised cost and impact on deferred tax, respectively.
- For impact of excess depreciation, Hooghly Printing Company Limited recorded increase in net worth to the tune of ₹ 0.13 crore.

- Increase in net worth was recorded by Cotton Corporation of India Limited due to adjustment of prior period items of ₹ 13.84 crore and adjustment of dividend and tax on dividend of ₹ 4.22 crore.
- National High Speed Rail Corporation Limited recorded increase in net worth by amounts of ₹ 0.40 lakh, ₹ 0.03 lakh and ₹ 0.246 crore on accounts of recognition of deferred tax assets on share issue expenses, unwinding of discounts on security deposits and capitalization of expenses in CWIP, respectively.
- Increase in net worth of Hindustan Steelworks Construction Limited by ₹ 0.41 crore was contributed by various factors which resulted in increase in net worth viz. measurement of deposit with clients/from contractors at amortized cost and impact of unbilled revenue and various other factors which resulted in decrease in net worth viz. impairment allowance on trade receivables, provision for warranty charges, amortization of leasehold land, prior period errors and tax impact of above adjustments.
- Increase in net worth to the tune of ₹ 1.19 crore was also recorded by Solar Energy Corporation of India due to recognition of financial assets and liability on fair value/ amortized cost, depreciation of leasehold land and deferred tax thereon and amortization of deferred revenue government grant.

The decrease in net worth of selected CPSEs consequent to adoption of Ind AS was due to the following reasons:

- Andrew Yule & Company Limited recorded decrease in net worth by amounts of ₹ 2.89 crore, ₹ 3.75 crore, ₹ 0.10 crore, ₹0.22 crore, ₹ 1.10 crore and ₹ 103.32 crore due to rectification of prior period errors, increase in deferred tax liability, consideration of Trade Receivable at discounted value, adjustment of capital advance, reclassification of Tea Board subsidy and adjustment of revaluation reserve of bearer plants, respectively.
- Braithwaite Burn and Jessop Construction Company Limited recorded decrease in net worth by amounts of ₹ 68.13 crore and ₹ 4.71 crore due to derecognition of assets and loss allowance as per Expected Credit Loss method, respectively.
- Bridge and Roof Co. (India) Limited recorded decrease in net worth by amounts of ₹ 0.17 crore, ₹ 0.97 lakh, ₹ 0.56 crore and ₹ 0.06 crore due to recognition of leasehold land and building under lease head on transition date, re-measurement of employee loan at fair value, re-measurement of non-current financial assets at fair value and computation of impairment loss in respect of trade receivable using expected credit loss method, respectively.

- For impact of deferred tax and change in estimation, Hooghly Printing Company Limited recorded decrease in net worth to the tunes of ₹ 0.25 crore and ₹ 1.00 crore, respectively.
- Net worth of Maharashtra Metro Rail Corporation Limited decreased by ₹ 5.29 crore due to fair valuation and other impacts.
- On account of reclassification of Preference Share Capital as Current Financial Liability instead of Share Capital, decrease in net worth of ₹ 270 crore was observed in Hindustan Organic Chemicals Limited.
- National High Speed Rail Corporation Limited recorded decrease in net worth by an amount of ₹ 0.30 lakh on account of amortization of prepaid expenses deferred on security deposit.
- Scooters India Limited, Ranchi Ashok Bihar Hotel Corporation Limited and MECON Limited recorded decrease in net worth by ₹ 0.03 crore, ₹ 2.16 crore and ₹ 1.69 crore because of the change in the treatment of leasehold land, loss during the period and decrease in net profit, respectively.
- India Tourism Development Corporation recorded decrease of Net worth by ₹ 16.91 crore due to reversal of proposed dividend along with tax on dividend, amortisation of financial assets/liabilities, adjustment of deferred tax and prior period items.
- Further, decrease of net worth of ₹ 1.10 crore was noticed in STC Limited on account of adjustment of prior period error and depreciation adjustment.

6.9 Conclusion

Adoption of Ind AS resulted in changes in the financial reporting framework, use of fair valuation as against historical cost valuation. Audit analysis indicated that values of profit after tax, total assets and net worth of selected CPSEs were impacted by adoption of Ind AS in Phase II. The changes in method of recognition of revenues under Ind AS also impacted the revenues recognized by CPSEs which adopted Ind AS in Phase II. The changes are disclosed in the financial statements of the selected CPSEs for the year ended 31 March 2018. These changes should be given due consideration while assessing the performance and financial position of the concerned CPSEs.

CHAPTER VII

Expenditure on Research and Development by CPSEs

7.1 Introduction

Research & Development (R&D) plays an important role in the business processes that result in technology bringing new products and services to the market place. R&D results in high quality jobs, successful enterprises, better goods and services and more efficient and cost effective processes.

As per survey conducted by the National Science and Technology Management Information System (NSTMIS) under the Department of Science and Technology (DST), the status of R&D in the country has shown that the Gross Expenditure on R&D (GERD) has more than tripled from ₹ 24,117 crore to ₹ 85,326 crore in the decade from 2004-05 to 2014-15. The study revealed that GERD was mainly driven by the government sector with central government accounting for 45.1 *per cent*, state governments 7.4 *per cent*, public sector industries 5.5 *per cent* and institutions of higher education 3.9 *per cent*. The private industry accounted for the balance 38.1 *per cent.*

The Government of India has aimed to develop India into a global innovation hub by 2020 on the back of effective government measures to provide an enabling environment for growing research and development in India. R&D activities by CPSEs would result in substantial increase in market share and demonstrable increase in competitiveness. It also allows CPSEs to address the new challenges and opportunities in an increasingly global world.

7.2 Scope of Audit

The Chapter has covered expenditure on R&D activities by 21 selected CPSEs ***(Appendix-XXVI)*** during the period 2013-14 to 2017-18. The sample of 21 CPSEs was selected with expenditure of more than ₹ 15 crore in R&D activities during any of the year from 2014-15 to 2016-17.

7.3 Audit objectives

The objective of audit was to assess whether:

- Due diligence was exercised while framing company's R&D policy/plan and setting out R&D budget?
- R&D plan has been effectively implemented to achieve the envisaged benefits within the budgeted cost?

- Effective procedures and methodologies are in place for monitoring implementation and final results from the R&D projects?

7.4 Audit criteria

The analysis was carried out against the following criteria:

- Guidelines issued (September 2011) by DPE.
- Procedures and modalities for selection of R&D projects and its evaluation mechanism of CPSE.
- Agenda/Minutes of Board Meetings/R&D sub-committee/Monitoring committee.
- Income Tax benefit related to Research and Development expenses.

7.5 Audit Findings

7.5.1 Policy and planning for undertaking R&D activities

Para 3.1 and 3.2 of the Guidelines on Research and Development (R&D Guidelines) for Central Public Sector Enterprises (CPSEs) issued by Department of Public Enterprises (DPE) in September 2011 requires that every CPSE must have Corporate R&D Policy which may be aligned with the Company's Vision and Mission. Based on the Corporate R&D Policy, the company must develop an R&D manual and specific R&D plan.

Audit observed that out of the 21 CPSEs, Bharat Dynamics Limited has a well-structured R&D policy covering strategic planning, development of human resources, R&D corpus fund, development of SOPs, special forum like joint development programmes with Defence Research and Development Organisation or development partners, review, interaction and analysis mechanism and criteria in technology transfer.

However, non-compliance of Guidelines was observed in case of following CPSEs:

- Steel Authority of India Limited has not formulated its R&D policy and specific R&D plans. It is having R&D manual only which has been developed by its R&D Centre (RDCIS).
- Oil and Natural Gas Corporation Limited, NTPC Limited and BEML Limited do not have R&D Policy and manual. NTPC has established NTPC Energy Technology Research Alliance (NETRA) as R&D Centre.
- NMDC Limited is not having R&D Policy and Manual. It has developed (November 2017) IMS Apex Framework document for R&D which mainly address the International Standards (International Organisation for Standardisation, Occupational Health and Safety Assessment Series and Social Accountability norms).
- In absence of R&D policy and Specific R&D plans, ITI Limited is following R&D manual which is a part of Quality Management System Manual of the company

and in Nuclear Power Corporation of India Limited it is a part of Corporate Management System Document.

- GAIL (India) Limited, Oil India Limited, Indian Oil Corporation Limited, Bharat Heavy Electricals Limited and Power Grid Corporation of India Limited have R&D Corporate policy but they do not have specific R&D plans based on the policy and manual.

- The R&D policy of Bharat Electronics Limited was framed in 1983 and it has not been revised since then. The company has R&D Procedural Guide approved in July 2012.

- NALCO and EIL have Board approved Roadmap for 2013-2020/R&D policy in line with the DPE guidelines.

7.5.2 Funding of R&D projects

7.5.2.1 R&D expenditure as a percentage of PAT

Para 3.8 of the R&D Guidelines prescribes that minimum expenditure on R&D as a percentage of Profit after tax (PAT) should be one *per cent* in case of Maharatna/Navaratna CPSEs and 0.5 *per cent* in case of Miniratna – I&II and below category CPSEs. The R&D expenditure as a percentage of PAT by the selected CPSEs during the period 2013-14 to 2017-18 is detailed in Table 7.1 below:

Table 7.1: Actual R&D expenditure by CPSEs as a percentage of PAT during 2013-14 to 2017-18

(₹in crore)

Sl. No.	Name of CPSE	Category of CPSE	2013-14		2014-15		2015-16		2016-17		2017-18	
			Amount	*per cent* of PAT	Amount	*per cent* of PAT	Amount	*per cent* of PAT	Amount	*per cent* of PAT	Amount	*per cent* of PAT
1	SAIL	Maharatna	113.66	6.62	144.26	8.9	124.7	NA*	127.66	NA*	122.9	NA*
2	ONGC	Maharatna	623	2.82	575	3.24	564	3.52	621	3.47	606	3.04
3	GAIL	Maharatna	53.88	1.33	51.61	1.18	76.49	2.35	28.47	1.26	28.87	0.82
4	BHEL	Maharatna	1114	32.19	1019	71.81	893	NA*	794	160.08	753	93.30
5	IOCL	Maharatna	252.72	5.05	262.97	3.75	597.31	11.33	327.10	3.15	316.63	1.66
6	NTPC	Maharatna	134.34	1.06	129.56	1.18	129.68	1.26	162.28	1.59	184.98	1.97
7	NMDC	Navratna	16.74	0.26	18.49	0.29	17.64	0.58	20.3	0.78	22.03	0.58
8	PGCIL	Navratna	2.95	0.07	6.72	0.13	10.85	0.18	9.92	0.13	8.71	0.10
9	BEL	Navratna	467	50.11	549	47.04	704	53.86	777	50.19	988	70.62
10	EIL	Navratna	20.93	3.33	17.68	3.69	16.93	5.49	12.67	4.59	13.23	4.07
11	HPCL	Navratna	100.62	5.8	129.87	4.75	180.32	4.84	276.54	4.45	232.78	3.75
12	OIL	Navratna	38.75	1.3	71.11	2.83	46.76	2.01	63.42	4.1	64.32	2.41
13	NALCO	Navratna	13.87	2.33	7.31	1.13	15.75	1.19	47.52	6.5	27.95	4.17
14	BPCL	Navratna	36.8	0.91	40.7	0.80	59.7	0.85	49.5	0.62	83.2	1.05
15	BDL	Miniratna	19.89	5.76	22.72	5.43	29.43	5.21	37.41	6.62	40.22	7.62
16	BEML	Miniratna	86.23	18.43	82.82	12.25	66.63	10.41	78.08	9.24	102.04	7.88
17	ITI	Other	0.33	NA*	0.05	NA*	17.23	6.76	16.95	5.56	7.76	3.3

18	MDSL	Miniratna	52.66	13.24	66.47	13.52	73.07	12.85	75.09	13.67	75.11	17.07
19	HAL	Navratna	85	3.15	150	6.28	257	12.86	305	11.66	309	14.92
20	ECIL	Other	22.40	47	23.81	47	19.79	27	22.65	40	16.03	30
21	NPCIL	Other	Data not furnished									

**** The CPSEs incurred loss during the year***

It can be seen that the R&D expenditure during the years 2013-14 to 2017-18 did not meet the requirement stipulated in the Guidelines as detailed below:

- Actual expenditure on R&D was below one *per cent* of PAT for all the years during 2013-14 to 2017-18 in case of NMDC Limited and Power Grid Corporation of India Limited.
- During the year 2017-18, actual expenditure on R&D by GAIL (India) Limited was below the prescribed expenditure of one *per cent*.
- Bharat Petroleum Corporation Limited could achieve the prescribed expenditure of one *per cent* of PAT during 2017-18 only and it could not comply with the DPE guidelines during the years 2013-14 to 2016-17.
- Steel Authority of India Limited and Bharat Heavy Electricals Limited, though they suffered losses during the years 2015-16 to 2017-18 and 2015-16 respectively, continued to incur R&D expenditure.
- Bharat Heavy Electricals Limited, Bharat Electronics Limited and Electronics Corporation of India Limited were the top three CPSEs in terms of R&D expenditure as percentage of PAT which ranged from 32-160*per cent*, 47-70 *per cent* and 27-47*per cent* respectively during the years 2013-14 to 2017-18.

The R&D expenditure as percentage of PAT was above 1 *per cent* in 79 company-years[51] during 2013-14 to 2017-18 whereas it was below 1 per cent in 15 company-years out of total 94 company-years (20 CPSEs x 5 years *less* 6 years of loss in SAIL, BHEL and ITI). In case of 14 company-years (BHEL-4 years, BEL-5 years & ECIL-5 years) the R&D expenditure as percentage of PAT ranged from 27-160 per cent, whereas in 27 company-years it ranged above 5 *per cent*. Thus, the prescribed rate of R&D spending as a percentage of PAT needs to be reviewed for further enhancement so that the same could be linked to the best practice of R&D expenditure incurred by government organisations in India.

7.5.2.2 R&D expenditure against R&D budget

Para 3.8 (iii) of the R&D Guidelines provided that R&D budget for the next three years must be clearly indicated, however, the projected annual expenditure for the year under consideration will be taken as the target for the year. Further, para 3.8 (iv) also provided that the lapsed R&D budget will be transferred to R&D fund created by the respective company. However, R&D expenditure of CPSEs if compared with percentage utilization

[51] *One company-year refers to one company for one year.*

of the budget it can be seen that significant number of CPSEs out of the sample size of 21 could not utilize 100 per cent of the budgeted amount as depicted in Table 7.2.

Table 7.2: Percentage of actual R&D expenditure against R&D budget during 2014-15 to 2017-18

(₹ in crore)

Sl. No.	Name of CPSEs	2013-14			2014-15			2015-16			2016-17			2017-18		
		Budgeted	Actual Exp.	*per cent age* over budgeted	Budgeted	Actual Exp.	*per cent age* over budgeted	Budgeted	Actual Exp.	*per cent age* over budgeted	Budgeted	Actual Exp.	*per cent age* over budgeted	Budgeted	Actual	*per cent age* over budgeted
1	SAIL	173	114	66	186	144	77	180	125	69	175	128	73	151	123	81
2	ONGC	391	623	159	543	575	106	774	564	73	608	621	102	650	606	93
3	GAIL	40	54	134	43	52	119	30	76	252	23	28	127	35	29	82
4	BHEL	1114	1114	100	1019	1019	100	893	893	100	794	794	100	753	753	100
5	IOCL	408	253	62	416	263	63	465	597	128	418	327	78	455	317	70
6	NTPC	65	134	205	76	130	170	103	130	126	102	162	160	94	185	197
7	NMDC	22	17	76	22	18	83	88	18	20	29	20	71	87	22	25
8	BEL	651	467	72	664	549	83	814	704	87	955	777	81	1064	988	93
9	EIL	41	21	51	32	18	56	27	17	63	31	13	40	33	13	40
10	HPCL	91	101	111	256	130	51	169	180	106	244	277	113	198	233	118
11	OIL	NA*	39	NA	44	71	163	38	47	123	61	63	104	62	64	104
12	NALCO	NA*	14	NA	NA*	7	NA	15	16	107	38	48	126	38	28	73
13	BPCL	39	37	95	46	41	89	57	60	105	54	50	92	90	83	92
14	BDL	27	20	72	NA	23	NA	NA	29	NA	24	37	159	95	40	42
15	BEML	NA*	86	NA	NA*	83	NA	NA*	67	NA	NA*	78	NA	NA*	102	NA
16	ITI	NA*	0.33	NA	NA*	0.05	NA	NA*	17	NA	NA*	17	NA	NA*	8	NA
17	HAL#	693	1083	156	948	1042	110	982	1191	121	1036	1284	124	1212	1612	133
18	PGCIL	59	3	5	100	7	7	132	11	8	124	10	8	106	9	8
19	MDSL	38	53	140	41	66	161	46	73	159	51	75	147	50	75	150
20	ECIL	NA	22	NA	NA	24	NA	NA	20	NA	NA	23	NA	NA	16	NA
21	NPCIL**	86	36	42	70	24	34	64	24	38	50	18	36	50	19	38

***** Oil India Limited, National Aluminium Company Limited, ITI Limited, BEML Limited and Electronics Corporation of India Limited did not furnish information in respect of year-wise R&D budget for these years.***

***** The data in respect of NPCIL includes the data of its Technical Development Group only. The year wise budget and actual expenditure was not made available for Electronic Systems Group.***

 # The figure includes both internal and external funding.

- The R&D budget for the next three years was not indicated in case of Engineers India Limited, GAIL (India) Limited, Oil and Natural Gas Corporation Limited, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Electronics Corporation of India Limited, BEML Limited, Bharat Dynamics Limited and Bharat Electronics Limited

- In case of NTPC Limited and Bharat Petroleum Company Limited, the lapsed amount of R&D budget is being transferred to the R&D fund created by the CPSE as per DPE guidelines. However, Power Grid Corporation of India Limited, Bharat Heavy Electricals Limited, Bharat Electronics Limited, Bharat Dynamics Limited, BEML Limited, Engineers India Limited, Oil and Natural Gas Corporation Limited, GAIL (India) Limited, NMDC Limited, Oil India Limited did not create any R&D fund, hence, the lapsed R&D budget could not be carried forward to next year.

- In the years 2015-16 and 2017-18, NMDC Limited could utilize only 20-25*per cent* of the R&D budget, whereas, during the rest of the years the budget utilization was 71-83 *per cent*.
- Steel Authority of India Limited and Engineers India Limited could utilize only 66-81 *per cent* and 40-63*per cent* respectively of the budget during the years 2013-14 to 2017-18.The data has been considered of its R&D Centre (RDCIS) only in absence of non-availability of data relating to the plants/units.
- Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited utilized only 62-78 *per cent* and 89-95 *per cent* during the last five years except 2015-16.
- The lowest utilization of R&D budget was 5-8 *per cent* by Power Grid Corporation of India Limited during the year 2013-14 to 2017-18.
- Percentage utilization of R&D budget by GAIL (India) Limited was high (252 *per cent*) in the year 2015-16 and the lowest was 82*per cent* in the year 2017-18.
- The CPSEs and the years in which utilization of 100 *per cent* of the R&D budget was achieved is given in ***Appendix-XXVII.***

7.5.3 Implementation of R&D projects

Para 4.3.1 and 4.3.2 of the R&D Guidelines prescribe that mechanism for the implementation of the R&D project shall be constituted in the beginning of the project and the impact made by R&D activities should be quantified to the best possible extent with reference to the baseline data developed before the start of the project.

Audit noted that some CPSEs have well defined mechanism in place for implementation of R&D projects *viz.*

(i) In case of Bharat Electronics Limited, the major activities for development of R&D projects, targeted technical specifications, fund and manpower requirement, collaborative partners and proposed schedule etc. are well set out at the time of Management Sanction Order which is routed through Development &Engineering functional heads, Chief Technology Officers, General Managers, Executive Directors, and finally the Chairman and Managing Director (CMD); an apex R&D committee constituting of CMD, Directors (R&D/Finance) and an external director (designated by GOI) periodically review/analyse miles stones, time extensions, risk areas and recommends to the Board for necessary approval.

(ii) National Aluminium Company Limited Research & Technology Centre (NRTC) is assisted by local board of advisors (Research & Scientific Advisory Committee/Technology Committee) in planning, implementing, periodical review of R&D projects and getting necessary approval of the Board.

(iii) Oil India Limited has a Research Council (RC) as an apex core committee, led by apex Functional Director as Council Head appointed by the Board, the annual plan and budget of the company is prepared by the two members R&D Coordination Team and thereafterit is submitted to RC for necessary approval of Board.

However, the implementation mechanism as mentioned above cannot be said to be effectively adhered to by the CPSEs except NALCO as enumerated below: -

7.5.3.1 In-house R&D projects

The details of In-house R&D projects taken up by CPSEs during 2013-14 to 2017-18 is given in Table 7.3

Table 7.3: Details of in-house R&D projects

Sl. No.	Name of CPSEs	No. of R&D projects taken up in-house	Completed project	No. of delayed projects (completed/re-scheduled and on-going)	No. of re-scheduled/delayed completed projects > one year
1	BDL	7	1	0	0
2	BEL	235	0	49	13
3	BEML	31	26	21	8
4	HAL	85	51	29	19
5	HPCL	55*	23	0	0
6	ITI	2	1	1	1
7	NMDC	32	32	0	0
8	BHEL	484	484	139	18
9	NALCO	16	12	1	1
10	EIL	41	27	10	0
11	OIL	128	128	12	6
12	NPCIL	19	12	6	3
13	SAIL	253	190	56	0
14	MDSL	14	13	1	0
15	NTPC	31	22	9	3
16	PGCIL	7	7	0	0
17	BPCL	31	23	1	1
18	GAIL	0**	-	-	-
19	ONGC	2470	2470	0	0
20	IOCL	105	73	28	7

** This does not include projects of Navi Mumbai R&D centre as complete details was not furnished*

*** GAIL does not undertake in house projects.*

Note: The details were not furnished in respect of ECIL

- In case of Bharat Dynamics Limited, out of seven projects taken up, one project was short closed, one completed project was not required by the user and rest are expected to be completed in 2018-19 and 2019-20.
- Bharat Electronics Limited has taken up 235 R&D projects during the years 2013-14 to 2017-18 and no projects were completed. Out of 49d elayed/re-scheduled projects, 13 were delayed for a period of more than one year.
- BEML Limited completed 26 projects out of total 31 projects undertaken during 2013-14 to 2017-18. Out of 21 delayed/re-scheduled projects, eight projects were delayed for a period more than one year.
- Hindustan Aeronautics Limited completed 51 projects out of 85 projects undertaken during the year 2013-14 to 2017-18.Out of 29 delayed/re-scheduled projects, 19 were delayed for a period more than one year.
- Bharat Heavy Electricals Limited completed 484 projects during the year 2013-14 to 2017-18 out of which 139 projects (both completed and ongoing) were/are delayed which includes 18 projects delayed by more than one year and three projects with a delay of more than three years. Three delayed projects resulted in cost overrun of more than ₹ 140 lakh.
- ITI Limited completed one out of two projects undertaken during the year 2013-14 to 2017-18 with a delay of more than three years.
- Oil India Limited completed 128 projects undertaken during the year 2013-14 to 2017-18. Out of 12 delayed projects, six projects were delayed for more than one year.
- Nuclear Power Corporation of India Limited completed 12 out of 19 projects undertaken during the year 2013-14 to 2017-18. Three out of six projects were delayed by more than one year.
- Steel Authority of India Limited completed 56 projects with a delay of one to ten months. 20 projects were stage closed whose sanctioned cost was ₹ 926.25 lakh (actual cost incurred was not furnished)
- India Oil Corporation Limited completed 73 out of 105 projects undertaken during the year 2013-14 to 2017-18. Out of 28 completed/re-scheduled delayed projects, seven projects were delayed for more than one year. One delay project could not be completed due to technical reason after 60 *per cent* work progress.

7.5.3.2 R&D projects in collaboration with Universities/Institutes

The details of R&D projects taken up by the CPSEs in collaboration with Universities/Institutes during 2013-14 to 2017-18 are given in Table 7.4.

Table 7.4: Details of R&D projects in collaboration with Universities/Institutions

Sl. No.	Name of CPSEs	No. of university/ Institutions	No. of R&D projects taken up	Sanctioned cost (₹ in Lakh)	Cost incurred (₹ in Lakh)	*per cent* age of actual cost to sanctioned cost	Projects completed		Ongoing projects
							Within schedule	Beyond schedule	
1	BPCL	7	7	5185	5174	100	0	1	6
2	ITI	1	1	14	13	93	1	0	0
3	NALCO	15	33	2773.6	2076.81	75	10	10	13
4	NMDC	6	7	1358	482	35	0	2	5
5	OIL	9	12	1628.50	238.90	15	4	4	4
6	GAIL	12	32	5345.88	4011.41	75	7	14	11
7	EIL	4	4	631.48	342.09	54	2	0	2
8	HAL	7	22	2558	962	38	4	7	11
9	BEML	1	1	5.75	5.75	100	0	1	0
10	BEL	49	127	132846.36	59990.71	45	0	0	127
11	NPCIL	1	2	112.41	112.41	100	2	0	0
12	SAIL	8	14	340.70	237.03	70	10	0	4
13	BHEL	17	44	5551.24	5159.02	93	19	25	0
14	NTPC	23	37	5195.64	4675.56	90	2	10	25
15	PGCIL	5	6	1863	520	28	0	3	3
16	ONGC	17	48	10314.31	4050.79	39	14	7	27
17	HPCL	15	24	4292.42	2555.16	60	11	1	12
18	IOCL	10	12	614.01	204.77	33	0	4	8
19	MDSL	6	6	233.80	380.49	163	1	2	3

Note: No project was taken up in collaboration with universities/institutions by BDL. Details were not furnished in case of ECIL

- Oil India Limited and Power Grid Corporation Limited could utilise only 15 and 28 per cent respectively of the sanctioned cost. Out of the total 18 R&D projects undertaken by them, only four projects were completed in time and 7 projects got delayed

- NMDC Limited incurred 35 per cent of the sanctioned cost and could complete only two out of total seven projects with a delay of more than one year.

- BEML Limited had taken up only one project which was completed after a delay of 21 months.

- Out of 127 projects in Bharat Electronics Limited, 58 projects which were scheduled to be completed before March 2018 were extended. No projects were completed and 45 per cent of sanctioned cost was utilized for these projects.

- Bharat Heavy Electricals Limited could complete 19 projects within schedule and 25 projects with a delay ranging from 1 to 40 months out of total of 44 projects undertaken during the period.

- In case of Hindustan Aeronautics Limited, out of 22 projects 4 projects were completed in time and 7 projects were completed after a delay of 6-43 months.

- NTPC Limited completed only 2 projects within time out of 37 projects taken up and 10 projects were completed with a delay of more than one year.

- Performance in terms of timely completion of projects in collaboration with universities/institutes was satisfactory in case of ITI Limited, Engineers India Limited, Nuclear Power Company of India Limited, Hindustan Petroleum Corporation Limited and Steel Authority of India Limited. Whereas, the performance of GAIL (India) Limited and NALCO was not satisfactory.

7.5.4 Monitoring of R&D projects

Para 5.1 of the Guidelines states that for proper and periodic monitoring of the R&D activities CPSEs may appoint a Sub-committee of the Board or a suitable Apex group. Para 5.2 of the Guidelines further state that the R&D projects undertaken by CPSEs shall be monitored and reviewed at regular intervals (monthly/quarterly/annually) and the project report submitted for review shall contain both physical and financial progress of the project.

The following non-compliances were noticed:

- Steel Authority of India Limited and Mazagon Dock Shipbuilders Limited had not appointed a sub-committee of the Board or apex group for periodic monitoring of R&D activities.

- The project report submitted for review in ITI Limited, Oil India Limited, NMDC Limited, Oil and Natural Gas Corporation Limited, Engineers India Limited, National Aluminium Company Limited(in-house projects), Hindustan Petroleum Corporation Limited, NTPC Limited, Power Grid Corporation of India Limited did not contain financial progress of the project.

- As per the terms of reference of Research Advisory Council (RAC) of Engineers India Limited, the RAC was to meet twice a year but RAC meeting was held only once during the years 2013-14, 2015-16 and 2016-17. No RAC meeting was held during 2017-18.

- The minutes of meetings of DP Review/MECU-Project Management Group of ITI Limited held during 2017-18 and 2018-19 (upto 08.12.2018) did not reveal deliberation in respect of the only on-going in-house R&D project (E1/E3 for MCEU) which was scheduled to be completed by December 2018.

7.5.5 Registration of patents and publication of research papers by CPSEs out of R&D projects

Patent of technology, product or invention enables the right of a company to exclude others from making, using, or selling it. This also helps in recovering the development costs and to obtain a return of investment in the development of the patented technology. Filing of patent helps in limiting the risk that the technology, product or invention developed on the same idea will be obtained by some other company.

Table 7.5 indicates the CPSE wise completed R&D projects vis-à-vis patent filed for registration as well as patent granted during the year 2013-14 to 2017-18:

Table 7.5: Number of patents filed by CPSEs

Sl. No.	Name of CPSEs	Completed R&D projects			No. of patentable invention filed for patent registration		No. of patent granted
		In-house	University/ Institutions	Total	India	Outside India	
1	Steel Authority of India Limited	190	10	200	168	0	0
2	Oil and Natural Gas Corporation Limited	2470	21	2491	29	2	0
3	GAIL (India) Limited	0	21	21	23	1	2
4	Bharat Heavy Electricals Limited	484	44	528	193	5	198
5	NTPC Limited	22	12	34	9	0	0
6	NMDC Limited	32	2	34	3	0	0
7	Bharat Electronics Limited	0	0	0	82*	0	7*
8	Engineers India Limited	27	2	29	21	0	0
9	Oil India Limited	128	8	136	6	4	2
10	National Aluminium Company Limited	12	20	32	20**	0	9**
11	Bharat Petroleum Corporation Limited	23	1	24	16	11	3
12	BEML Limited	26	1	27	12	0	7
13	Hindustan Aeronautics Limited	51	11	62	309	0	15
14	Nuclear Power Corporation of India Limited	12	2	14	0	0	0
15	Power Grid Corporation of India Limited	7	3	10	4	0	0
16	Mazagon Dock Shipbuilders Limited	13	3	16	1	0	0
17	Electronics Corporation of India Limited	Details not furnished			2	0	2
18	Bharat Dynamics Limited	1	0	1	0	0	0
19	Hindustan Petroleum Corporation Limited	23	12	35	79	35	2
20	Indian Oil Corporation Limited	73	4	77	13#	33#	0
21	ITI Limited	1	1	2	0	0	0

This includes seven patents filed during 2018-19. The patents granted pertains to the patents filed during the year 1998-99 to 2009-10.

*****This includes nine patents filed prior to 2013-14 but granted during 2013-14 to 2017-18.***

 # This includes data for the year 15-16 to 17-18.

Bharat Heavy Electricals Limited was the outstanding performer among the sampled CPSEs; it was granted 198 patents. In case of 11[52]CPSEs, no patent was granted during the year 2013-14 to 2017-18. It can also be seen that out of 600 projects filed for patent registration by 9[53] CPSEs; only 49 patents were granted during the year 2013-14 to 2017-18. Thus, the performance of CPSEs does not seem encouraging except for Bharat Heavy Electrical Limited.

7.5.6.1 Publication of research papers by CPSEs out of R&D projects

The achievements from R&D are published as research papers which may be useful for future guidance as well as sharing knowledge. This could result in application of research by other entity/organization with the permission of the author and generating royalty from the research output. It was however, noted that despite significant R&D expenditure, the contribution of CPSEs in publication of research papers was not very promising.

Table 7.6 indicates the CPSE wise publication of research paper during the period 2013-14 to 2017-18.

Table 7.6: Number of research publication CPSE wise

Sl. No.	Name of CPSEs	R&D expenditure (2013-14 to 2017-18) (₹ in crore)	No. of publication (2013-14 to 2017-18)
1	Steel Authority of India Limited	633	475
2	Oil and Natural Gas Corporation Limited	2989	447
3	GAIL (India) Limited	239	5
4	Bharat Heavy Electricals Limited	4573	72
5	Indian Oil Corporation Limited	1757	20*
6	NTPC Limited	741	3
7	NMDC Limited	95	5
8	Bharat Electronics Limited	3485	71**
9	Engineers India Limited	81	56
10	Hindustan Petroleum Corporation Limited	920	30
11	Oil India Limited	284	33
12	National Aluminium Company Limited	112	4
13	Bharat Petroleum Corporation Limited	270	12
14	Bharat Dynamics Limited	150	8
15	Hindustan Aeronautics Limited	6212	36
16	Power Grid Corporation of India Limited	40	24
17	Mazagon Dock Shipbuilders Limited	342	5

[52] *SAIL, ONGC, NTPC, NMDC, EIL, NPCIL, PGCIL , MDSL, BDL,IOCL. and ITI*

[53] *GAIL, OIL, NALCO, BPCL, BEML, HAL, ECIL, BEL and HPCL.*

18	Nuclear Power Corporation of India Limited	186	4
19	BEML Limited	416	Nil
20	ITI Limited	42	Nil
21	Electronics Corporation of India Limited	105	4

The data was provided for the year 2013-14 to 2014-15 only.

***** The data was provided for the year 2017-18 only.***

7.5.6.2 Commercialization of technologies developed by R&D projects:

CPSEs are spending considerable resources on R&D activities in an effort to make discoveries that can help develop new products or way of doing things or work towards enhancing pre-existing products or processes. However, it was noted that only five CPSEs could earn meagre revenue during the year 2013-14 to 2017-18 from the technologies developed by R&D projects whereas Nuclear Power Corporation of India Limited and Hindustan Aeronautics Limited earned significant revenue from the new technology as shown in the Table 7.7:

Table 7.7: Commercialisation of new technology developed

Name of CPSEs	No. of Technology Commercialized	Sales generated from the new technology (₹ in crore)
Steel Authority of India Limited	39	Nil
India Oil Corporation Limited	11	6.89
Engineers India Limited	4	0.70
Hindustan Petroleum Corporation Limited	14	Nil
National Aluminium Company Limited	4	0.08
Bharat Petroleum Corporation Limited	2	4.50
Bharat Dynamics Limited	4	26.67
Electronics Corporation of India Limited	15	Nil
Nuclear Power Corporation of India Limited	5	545.17
Hindustan Aeronautics Limited	2*	7017

**** Only Advanced Light Helicopter and Light Combat Aircraft production sales included***

7.6 Conclusion

Some of the leading CPSEs (Maharatna, Navratna or Miniratna) do not have Corporate R&D policy as prescribed by DPE guidelines on R&D activities. Most of the CPSEs are not transferring the lapsed budget to R&D fund. There were substantial delays in completion of projects. There was lack of effective monitoring of R&D projects. The performance of CPSEs in patenting and revenue realization out of the completed projects was not satisfactory. Very few research papers were published by CPSEs except some of the CPSES. Very little revenue was earned from the commercialization of technologies by most of the CPSEs.

7.7 Recommendations

- CPSEs may put in place R&D Policy, manual and specific plan and create separate R&D fund to prevent lapsing of R&D budget.
- The targets in respect of R&D expenditure may be fixed under the MoUs with CPSEs in view of the actual expenditure in previous years.
- CPSEs may take steps to achieve 100 *per cent* utilization of R&D budget.
- R&D projects needs to be better monitored and completed in time.
- CPSE should make an effort to publish more research papers and increase their earnings from commercialization of technologies developed from R&D project.

DPE in its reply stated (July 2019) that recommendations are noted and also stated that the R&D Guidelines has since been withdrawn. The office memorandum (July 2019) withdrawing the Guidelines stated that the Guidelines were withdrawn as they had become redundant after revision of MoU Guidelines prescribing result-oriented parameters since 2016-17 onwards. The recommendations above shall act as a way forward to ensure the achievement of the spirit envisaged in the DPE guidelines, when the administrative Ministries set targets for R&D expenditure under MoUs for the CPSEs annually in future.

CHAPTER VIII

Disinvestment in CPSEs

8.1 Disinvestment Policy of Government of India

The current disinvestment policy was brought out on 05 November 2009. The salient features of Disinvestment Policy of the Government of India are:

(i) Public Sector Undertakings are the wealth of the nation and to ensure that this wealth rests in the hands of the people, promote public ownership of CPSEs;

(ii) While pursuing disinvestment through minority stake sale in listed CPSEs, the Government will retain majority shareholding i.e. at least 51 *per cent* of the shareholding and management control of the Public Sector Undertakings;

(iii) Strategic disinvestment by way of sale of substantial portion of Government shareholding in identified CPSEs upto 50 *per cent* or more, along with transfer of management control.

On 5 November 2009, Government approved the following action plan for disinvestment in profit-making government companies:

(a) Disinvestment through minority stake sale:

- Securities Contracts (Regulation) (Amendment) Rules 2010, envisaged (June 2010) minimum Public Shareholding of 10 per cent in listed CPSEs. This limit was revised to 25 *per cent* in August 2014.
- Unlisted CPSEs with no accumulated losses and having earned net profit in three preceding consecutive years are to be listed.
- Follow-on public offers would be considered taking into consideration the needs for capital investment of CPSE, on a case by case basis, and Government could simultaneously or independently offer a portion of its equity shareholding.
- All cases of disinvestment are to be decided on a case by case basis.
- The Department of Investment and Public Asset Management (DIPAM) is to identify CPSEs in consultation with respective administrative Ministries and submit proposal to Government in cases requiring Offer for Sale of Government equity.

(b) Strategic Disinvestment

- To be undertaken through a consultation process among different Ministries/Departments, including NITI Aayog.
- NITI Aayog to identify CPSEs for strategic disinvestment and advise on the mode of sale, percentage of shares to be sold and method for valuation of the CPSE.
- The Core Group of Secretaries on Disinvestment (CGD) to consider the recommendations of NITI Aayog to facilitate a decision by the Cabinet Committee on Economic Affairs (CCEA) on strategic disinvestment and to supervise/monitor the process of implementation.

8.2 Budget Announcements for the Year 2017-18

The Finance Minister in the Budget Speech for the year 2017-18 highlighted the following:

- Listing of Public Sector Enterprises will foster greater public accountability and unlock the true value of these companies. The Government will put in place a revised mechanism and procedure to ensure time bound listing of identified CPSEs on stock exchanges.
- The shares of Railway PSEs like IRCTC, IRFC and IRCON will be listed in stock exchanges.
- Through consolidation, mergers and acquisitions, the CPSEs can be integrated across the value chain of an industry. It will give them capacity to bear higher risks, avail economies of scale, take higher investment decisions and create more value for the stakeholders. Possibilities of such restructuring are visible in the oil and gas sector. An integrated public sector 'oil major' is proposed to be created which will be able to match the performance of international and domestic private sector oil and gas companies.
- The Exchange Traded Fund (ETF), comprising shares of ten CPSEs, has received overwhelming response in the recent Further Fund Offering (FFO)[54]. ETF will continue to be used as a vehicle for further disinvestment of shares. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings will be launched in 2017-18.

8.3 Target and Achievement for Disinvestment of CPSEs during 2017-18

The Budget estimate, revised estimate and actual realization made through disinvestment process as per DIPAM's record for the year 2013-14 to 2017-18 is given in Table 8.1:

[54] *FFO: Further Fund Offering refers to issue of further units by an existing fund to investors.*

Table 8.1: Estimate and realization in respect of Disinvestment of CPSEs during 2013-14 to 2017-18

(₹in crore)

	Budget Estimate	Revised Estimate	Realization
2013-14	40000	16027	15819
2014-15	43425	26353	24349
2015-16	41000	25313	23997
2016-17	56500	45500	46274
2017-18	72500	100000	100057

The Government of India (GoI) divested its share in 36 cases through different modes/routes during 2017-18. Details of actual realization from each of these modes are given in Table 8.2:

Table 8.2: Different modes of realization on account of Disinvestment of CPSEs during 2017-18

Mode of Disinvestment	No. of Cases	Realization/Receipts *(₹ in crore)*
Initial Public Offer (IPO)/Piggy Back[55]	6	24,039.85
Offer for Sale (OFS)[56]	7	13,395.65
Employees OFS	6	315.21
Buyback of shares	13	5,337.55
New Fund Offer[57]	1	14,500.00
Strategic Disinvestment[58]:		
(a) Off Market (HPCL-ONGC deal)	1	36,915.00
(b) Disinvestment of strategic holdings in the Specified Undertaking of Unit Trust of India (SUUTI)	1	4,153.65
Income from management of SUUTI's investment	1	1,400.00
Grand Total	**36**	**1,00,056.91**

Audit observed that income from SUUTI investment is not a part of disinvestment. As per directions received from GoI, and subsequent approval given by the Advisory Board of SUUTI from time to time, SUUTI is remitting the Interest and dividend received on

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[55] *Initial Public Offer refers to offer of shares by an unlisted CPSE or the Government out of its shareholding or a combination of both to the public for subscription for the first time. Issue of fresh equity in conjunction with the sale of Government's stake is termed as piggy-back transaction.*

[56] *Offer for Sale refers to sale of shares by the Government (promoter) through Stock Exchange mechanism. This method allows auction of shares on the platform provided by the Stock Exchange.*

[57] *New Fund Offer refers to disinvestment through Exchange Traded Fund (ETF) route, which allows simultaneous sale of Government's stake in various CPSEs across diverse sectors through a single offering. It provides a mechanism for the Government to monetize its shareholding in those CPSEs which form part of the ETF basket.*

[58] *Strategic disinvestment refers to sale of substantial portion of the Government shareholding of a CPSE of up to 50 per cent, or such higher percentage as the competent authority may determine, along with transfer of management control.*

SUUTI's investment to the Government. This income is booked under the MH 4000.01.800-Other receipts of Government Account while the disinvestment proceeds pertaining to sale of GoI disinvestment booked under MH-4000.03.190-disinvestment of Public Sector & Other Undertakings". During the audit of Finance Account of DIPAM, Audit observed that an amount of ₹1400 crore received as "Income from management of SUUTI's investment" during 2017-18 was incorrectly booked under MH- 4000.03.190 instead of booking under4000.01.800-Other receipts. Thus, during 2017-18, DIPAM overstated the amount of disinvestment by ₹1400.00 crore. This was pointed out while the accounts were certified.

DIPAM replied (June 2019) that SUUTI is only continuing to remit the excess income earned from its investments etc. as per earlier practice. However, the Head is "04-Premium Received on Disinvestment of Government's Equity Holdings under Major Head 4000-Miscellaneous Capital Receipts".

The reply of DIPAM is not tenable as such receipts are booked under the MH 4000.01.800-Other receipts of Government Account. Moreover, the Principal Accounts Office, Ministry of Finance (MoF) agreed (September 2018) with the misclassification and informed that the rectification had been carried out. CGA had accepted (June 2019) the rectification made by MoF in this regard. Thus the income of ₹ 1,400 crore from SUUTI can not be treated as proceeds from disinvestment.

Despite taking up the matter time and again with DIPAM, it did not provide information on the participation of LIC of India in the disinvestments made by the Government during 2017-18. Later, DIPAM provided (June 2019) partial information relating to stake taken by LIC in disinvestment made by GOI during the year 2017-18 (three IPOs and one OFS). It also provided information in respect of one IPO (MIDHANI) issued in 2018-19. It was noticed that in IPO of HAL 68.62 *per cent* shares out of shares offered in IPO (2017-18) were bought by LIC while in case of MIDAHANI, LIC bought 33.56 *per cent* shares out of shares offered in IPO (2018-19) by GOI.

In the absence of complete information, Audit could not verify whether the objective of promotion of public ownership of CPSEs was successfully achieved during 2017-18.

Audit Findings

Audit examination for the year 2017-18 includes 36 cases of disinvestment process in CPSEs through different modes, based on the files/records provided by the Department of Investment & Public Asset Management (DIPAM). Audit examination also includes records relating to disinvestment process in HPCL-ONGC deal to the extent provided by the Ministry of Petroleum & Natural Gas.

8.4 Initial Public Offer (IPO)

8.4.1 Realization from disinvestment through IPO

During the year 2017-18, GoI divested its shareholding in six CPSEs through IPO/Piggyback viz. General Insurance Corporation of India (GIC), The New India Assurance Co. Limited (NIACL), Bharat Dynamics Limited (BDL), Hindustan Aeronautics Limited (HAL), Cochin Shipyard Limited (CSL) and Housing & Urban Development Corporation Limited (HUDCO). The proceeds realized from disinvestment in these six cases were in given Table 8.3.

Table 8.3: Details of disinvestment realization through IPO during 2017-18

Sl. No.	Name of the CPSE	Percentage of GoI's shares disinvested	Mode of disinvestment	Amount realized from disinvestment (₹ in crore)	Percentage of GoI's shareholding post disinvestment
(i)	GIC	12.5	IPO (Piggyback)	9,704.16	85.78
(ii)	NIACL	11.65	IPO (Piggyback)	7,653.32	85.44
(iii)	BDL	12	IPO	950.35	88
(iv)	HAL	10	IPO	4,054.66	90
(v)	CSL	25	IPO (Piggyback)	470.01	75
(vi)	HUDCO	10.193	IPO	1,207.35	89.81
			Total	**24,039.85**	

8.4.2 Poor response from Retail Individual Investors

Para 3.3(8) of 'Handbook[59] on Disinvestment through Public Offerings' specified that the disinvestment policy envisages wide dispersal of public shareholding to enable the people of the country to share in the wealth and prosperity of CPSEs. Dispersed ownership of shares can be achieved by offering shares to retail investors. The current policy of disinvestment of minority stake in CPSEs is governed by the decision (5 November 2009) of the Cabinet Committee of Economic Affairs (CCEA). Vide this decision, the CCEA *inter-alia*, approved that CPSEs having a positive net-worth, no accumulated losses and having earned net-profits in the three preceding consecutive years, be required to achieve mandatory listing norms of 10 *per cent* public holding and all such unlisted CPSEs, be required to list on the stock exchanges. On 22 August 2014, Ministry of Finance (Department of Economic Affairs) notified amendment to the Securities Contract (Regulation) Rules, 1957 whereby every listed public sector company, which has public shareholding below *25 per cent*, shall increase its public shareholding to at least 25 *per cent* within a period of three years.

[59] *The handbook on Disinvestment through Public Offerings was brought out by the erstwhile Department of Disinvestment (now DIPAM) in June 2011.*

CCEA had delegated (January 2017) the requirement of decision of disinvestment in 35 CPSEs on a case to case basis to the Alternative Mechanism[60], which was to decide on the quantum of disinvestment, approve the price band/floor price for sale of shares of CPSEs, method/mode of disinvestment, number of tranches and number of shares to be allotted, and the discount to retail investors and eligible employees of CPSEs. In line with the CCEA approval (April 2017) of the proposal of DIPAM for disinvestment of 25 *per cent* of GoI's shareholding in 11 CPSEs, the Alternative Mechanism, on several occasions[61], took the decision for offer of shares of CPSEs through the process of IPO, with allocation in the ratio of 50:35:15 to Qualified Institutional Bidders, Retail Investors and Non Institutional Investors respectively. As per Regulation 43(2) of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009, in an issue made through book building process[62], allocation in the net offer to public shall not be less than 35 *per cent.*

The response from each of the categories of investors (in terms of number of times shares subscribed) in respect of the six CPSEs where disinvestment through IPO was carried out during the year 2017-18 is given in Table 8.4.

Table 8.4: Investors' response for disinvestment through IPO during 2017-18

Sl. No.	Particulars	GIC	NIACL	BDL	HAL	CSL	HUDCO
(i)	Qualified Institutional Buyers (QIBs)	2.25x	2.34x	1.50x	1.73x	63.52x	55.54x
(ii)	Non-Institutional Investors (NIIs)	0.22x	0.12x	0.50x	0.03x	288.87x	330.36x
(iii)	Retail Individual Investors (RIIs)	0.63x	0.11x	1.41x	0.39x	8.51x	10.79x
(iv)	Employees Reservation	1.01x	0.21x	0.42x	0.21x	0.48x	0.74x
All categories of investors		1.38x	1.19x	1.30x	0.99x	76.19x	79.53x

('x' in the above table refers to the number of times the shares were subscribed. Thus, 2.25x implies that the shares offered under the IPO were subscribed by 2.25 times i.e. 225 shares were subscribed against 100 shares offered)

As seen from the above table, in case of the IPOs of HAL, GIC and NIACL, the response of the Retail Individual Investors was very poor, ranging between 0.11 times to 0.63 times of the shares offered. Thus, in 50 *per cent* of the number of IPOs brought out during 2017-18, Retail Individual Investor quota remained significantly under-subscribed in these three CPSEs and consequently the objective as envisaged for retail individual investors in the disinvestment policy could not be fully achieved.

[60] *The Alternative Mechanism performs the functions of the erstwhile Empowered Group of Ministers (EGoM) and it consists of the Finance Minister as Chairman, and the Minister of Road Transport & Highways and Minister of the Administrative Ministry/Department as members.*

[61] *occasions – HUDCO-April 2017; CSL- August 2017; GIC- October 2017; NIACL - November 2017; BDLand HAL-March 2018*

[62] *A book building process is a process undertaken to elicit demand and to assess the price for determination of the quantum or value of securities*

DIPAM replied (March and June 2019) that though the issue, under retail investor's category, might not be fully subscribed, nevertheless overall the issue got fully subscribed keeping in view the participation of non-retail investors. DIPAM also replied that response from investors is not under the government's control and depends on the individual investors' choice and market conditions to invest.

While it is agreed that response from investors is not under government's control, the differing response from retail shareholders, *i.e.* over-subscription in three CPSEs and under-subscription in other three CPSEs, is an indication that there is need for an analysis to better understand the investment pattern across different categories. Further, the observation pertained to retail participation in IPOs, but the response of DIPAM did not contain either reasons for low retail investor participation or remedial steps to encourage retail investor participation in IPOs.

8.5 Offer For Sale (OFS)

8.5.1 Realization from disinvestments through OFS

During the year 2017-18, DIPAM realized an amount of ₹ 13,395.65 crore from disinvestment in seven CPSEs through OFS method as detailed in the Table 8.5.

Table 8.5: Disinvestment realization through OFS during 2017-18

Name of the CPSE	Percentage of disinvestment of GoI's shareholding	Date of approval by CCEA	Receipts from disinvestment (₹ in crore)	Percentage of GoI's shareholding post disinvestment
National Aluminium Company Limited (NALCO)	9.21	19.02.2015	1,191.73	65.38
Rashtriya Chemicals and Fertilizers Limited (RCFL)	5	13.05.2015	205.15	75
National Fertilizers Limited (NFL)	15	13.05.2015	530.72	74.71
Hindustan Copper Limited	6.83	13.05.2015	404.71	76.05
NTPC Limited	6.63	18.01.2017	9,117.92	63.11
NLC (India) Limited	5	18.01.2017	722.29	84.32
NMDC Limited	2.52	19.02.2015	1,223.13	72.42
Total			**13,395.65**	

8.5.2 Non-adherence to Implementation schedule for OFS

On 22 August 2014, the Ministry of Finance (Department of Economic Affairs) notified amendment to the Securities Contract (Regulation) Rules, 1957 whereby every listed public sector company, which has public shareholding below 25 *per cent* shall increase its public shareholding to at least 25 *per cent* within a period of three years.

Accordingly, CCEA approved (13 May 2015) disinvestment of 15 *per cent* of Government shareholding each in MMTC Limited (MMTC) and The State Trading Corporation of India Limited (STC) through OFS. GoI held 89.93 *per cent* and 90 *per cent* shares in MMTC and STC respectively on 5 May 2015. As per the Implementation Schedule, CCEA decided that the timing of the issue would depend on the market conditions and the proposed disinvestment was to be implemented by 21 August 2017.

Audit observed that DIPAM could not implement the decision of CCEA for disinvestment in MMTC & STC by 21 August 2017. Consequently, the expected realization of ₹ 974 crore (MMTC: ₹ 836.97 crore and STC: ₹ 137.03 crore) based on trading prices prevailing on 21 August 2017 did not materialize through the disinvestment of these two CPSEs. Moreover, it may be seen from the table below that the share trading price of both the CPSEs declined subsequent to 21 August 2017 which resulted in a notional loss to the tune of ₹ 260.81 crore (MMTC: ₹ 218.24 crore and STC: ₹ 42.57 crore) as on 30 September 2018.

The details of Government shareholding in MMTC and STC indicating number of shares along with the stock exchange trading rates there against are given in Table 8.6.

Table 8.6: Notional loss due to delay in OFS in MMTC and STC

CPSE	Date	No. of Shares held by GoI	No. of shares to be sold i.e. 15 *per cent* from GoI holding	Exchange Rate per share (in ₹)	Expected realization through disinvestment (₹ crore) (D)x(E)	Notional loss due to delay in disinvestment (₹ crore)
(A)	**(B)**	**(C)**	**(D)**	**(E)**	**(F)**	**(G)**
MMTC	21.08.2017	89,92,68,762	14,99,94,790	55.80	836.97	-
	31.03.2018	89,92,68,762	14,99,94,790	55.65	834.72	2.25
MMTC (after bonus issue)	30.09.2018	134,89,03,143	22,49,92,184	27.50	618.73	218.24
STC	21.08.2017	5,40,00,000	90,00,000	152.25	137.03	-
	31.03.2018	5,40,00,000	90,00,000	135.85	122.27	14.76
	30.09.2018	5,40,00,000	90,00,000	104.95	94.46	42.57
***MMTC issued 1:2 Bonus Shares on 3 May 2018**						

DIPAM replied (March2019) that the price movement in share market depends on performance of CPSEs, perception of investors about its possible growth and investors' appetite etc. The decision for disinvestment is taken, based on existing investors' appetite and market conditions. The daily trading volume for FY 2017-18 period of MMTC shares of 25.5 lakh shares/day and that of STC shares of 3.6 lakh/day showed poor investors' appetite, while the approval of OFS was for 14.99 crores shares in case of MMTC and 90 lakh shares in case of STC. In the absence of appetite of investors, it was considered not appropriate for undertaking the OFS for MMTC & STC as there was likely failure of GoI offering in the market which was not desirable.

DIPAM, while reiterating the earlier response, added (June 2019) that each transaction is different from the other and the absence of market appetite during the period, particularly when the volume trades in MMTC/STC were low, could have resulted in failure of OFS leading to more complications. Therefore, OFS of MMTC was not considered during the period accordingly.

The reply of DIPAM was not tenable and had to be seen in light of the fact that in respect of seven CPSEs which were disinvested through OFS route, the disinvested shares were far higher in number than the average daily trading volume as given in Table 8.7. In these five CPSEs, the quantity divested as per cent of daily volume traded, was higher than quantity proposed as per cent of Average daily volume traded. Moreover, as per approval of the Alternative Mechanism, 80 *per cent* of the OFS was allotted to Non-retail category and hence, with limited categorization, it was incumbent on DIPAM to make efforts to execute the OFS successfully.

Hence, the justification offered by DIPAM in respect of STC and MMTC is not acceptable.

Table 8.7: Quantity proposed and quantity divested under OFS as a percentage of daily volume traded

CPSE	Average Daily volume traded during 2017-18 (BSE+NSE)	Qty Proposed for OFS	Difference between qty proposed and daily volume traded (C)-(B)	Qty proposed as % of daily volume traded (C)/(B)*100	Qty divested through OFS	Qty divested as % of daily volume traded
(A)	(B)	(C)	(D)	(E)	(F)	(G)=(F)/(B)*100
STC	3,69,815	90,00,000	86,30,185	2434	--	
MMTC	25,53,447	149994790	14,74,41,343	5874	--	
NMDC	38,46,680	4,74,58,357	4,36,11,677	1234	7,95,54,641	2068
NLC	6,91,589	4,58,57,053	4,51,65,464	6631	7,64,28,421	11051
NALCO	63,48,910	9,66,46,444	9,02,97,534	1522	17,80,69,927	2804
HIND COPPER	30,05,198	3,70,08,720	3,40,03,522	1231	6,31,72,849	2102

RCFL	49,49,451	2,75,84,405	2,26,34,954	557	2,75,84,405	557
NFL	14,00,751	7,35,86,760	7,21,86,009	5253	7,35,86,760	5253
NTPC	68,56,984	41,22,73,220	40,54,16,236	6012	54,80,49,960	7992

Further trend of share price of MMTC and STC is shown in the ***Appendix-XXVIII***. It can be seen that STC share price was above ₹ 200 during 02.01.2017 to 25.01.2017 with maximum share price of ₹ 239.85 on 09.01.2017. However, DIPAM did not use this opportunity to offload the shares at the best price. Thereafter downward trend was noticed. However it can also be seen that even after the last day of timeline prescribed by the CCEA i.e. 21.08.2017, the market price of STC share again traded for more than ₹ 200 per share during 01.11.2017 to 17.11.2017 with maximum price of ₹ 280.70 on 07.11.2017. This time also DIPAM could not avail of the opportunity.

Similar pattern was observed in the share price of MMTC. MMTC share traded at more than ₹ 60 on number of occasions during January 2017 to June 2017 (i.e. before the last date 21.08.2017 as approved by the CCEA) with maximum share price of ₹ 71.45 on 12.01.2017. Moreover, on various occasion during September 2017 to January 2018 (i.e. after the last date 21.08.2017), MMTC share traded at more than ₹ 60 with maximum price of ₹ 95.75 on 07.11.2017. This time also DIPAM could not avail of the opportunity.

The audit analysis of share volumes traded in respect of MMTC/STC and market trends in small cap, mid cap and large cap indices indicated that there were numerous occasions when the shares could have been offloaded in the market. However, DIPAM did not avail the opportunity to offload the shares at the best price.

8.5.3 Realization from disinvestment through Employees OFS

During the year 2017-18, an amount of ₹ 315.21 crore was realized from disinvestment through Employees OFS (EOFS) in five CPSEs (on six occasions) as given in Table 8.8.

Table 8.8: Disinvestment realization through EOFS during 2017-18

Name of the CPSE	Percentage of disinvestment of GoI's shareholding	Receipts from disinvestment (₹ crore)	Percentage of GoI's shareholding post disinvestment
Hindustan Copper Limited	0.07	3.73	82.88
Bharat Electronics Limited	0.25	79.51	67.94
NTPC Limited	0.12	151.14	62.99
Hindustan Copper Limited	0.0064	0.36	76.046
National Aluminium Company Limited	0.40	50.51	64.96
NBCC (India) Limited	0.21	29.96	74.29
	Total	**315.21**	

8.5.4 Non-achievement of expected realization from Employees OFS

Comprehensive guidelines on OFS were issued by the Securities and Exchange Board of India (SEBI) on 18 July 2012. As per these guidelines, the EOFS was to be conducted after a cooling off period of 12 weeks from the transaction of OFS. In order to further streamline the process of OFS with an objective to encourage greater participation by employees, the existing provision with respect to restriction on sale of shares by promoters post OFS was modified by SEBI vide its circulars dated 27 June 2017 and 18 August 2017 respectively. These, *inter alia*, allowed the promoters to sell shares within a period of 2 weeks from the date of OFS transaction to the employees of such companies. Employees OFS was to be made a part of the OFS transaction and the allotment of shares to all eligible employees of CPSEs was allowed subject to the condition that the allotment size would be up to a maximum of 5 *per cent* of the issue size of OFS.

In the following three cases, the EOFS could not be executed after conclusion of the OFS transaction. The expected realization through Employees OFS is given in Table 8.9.

Table 8.9: Expected realization from EOFS

Name of the CPSE	Date of CCEA approval	Date of OFS completion	No. of shares allotted to Employee Category	Discounted Price/share	Expected realization (₹ in crore)
NMDC	19.2.2015	9/10.01.2018	3977732	145.83	58.01
RCFL	13.5.2015	29/30.6.2017	68961	70.53	0.49
NFL	13.5.2015	26/27.07.2017	551900	69.16	3.82
				Total	**62.32**

RCFL and NFL EOFS could not be executed within two weeks of OFS since DIPAM was requesting SEBI not to consider the Employee OFS a part of OFS but SEBI did not accept the request of DIPAM. Thus RCFL and NFL EOFS could not be completed in two weeks period due to paucity of time and the request pending for consideration with SEBI.

Audit noticed that NMDC Limited informed (15 January 2018) DIPAM that they were in mining operations in far flung areas and most employees who were eligible to receive Equity Shares were working in mine areas, with limited access to internet. Accordingly, NMDC Limited informed DIPAM that the issue of EOFS would be conducted after completing formalities on or after 25.01.2018 and subsequently intimated (July 2018) DIPAM that as the share price of the company substantially dropped, the transaction of EOFS could not be conducted in the best interest of the employees.

DIPAM replied (March 2019) that employees had to open a DEMAT account for participating in EOFS and the time taken to open a DEMAT account was more than 2 weeks whereas, the time slot for Employees OFS was two weeks as per the SEBI norms. Hence, employees of CPSE had not been able to subscribe to shares within the time slot and in the meanwhile, since the offer price to the employees was higher than the market value of the share of NMDC, none of the employees showed interest.

DIPAM, while reiterating its earlier reply has added (June 2019) that, in another case with respect to Coal India Limited, SEBI had not acceded to the proposal for granting exemption from the stipulation of completing the employee offer within the period of 2 weeks. Therefore, NMDC Employees OFS was closed after taking approval of Secretary, DIPAM.

The reply of DIPAM is not tenable, since in respect of NTPC Ltd (for divesting 5 *per cent* GOI stake) OFS was launched on 29 August 2017 and completed on 30 August 2017. Further, EOFS from NTPC was kept open from 11 September 2017 to 13 September 2017, i.e. within 2 weeks of OFS. Again, the response of DIPAM is not tenable on account of absence of information on the percentage of employees who did not have DEMAT accounts as on the date of undertaking OFS since opportunity of participation in the Employee OFS was not made available for those employees who had DEMAT accounts.

The refusal of SEBI in case of Coal India Limited was connected with the observation pertaining to NMDC Limited. Further, in case of NMDC Ltd, in the records made available to Audit there was no indication of correspondence with SEBI, seeking exemption from the stipulation of completing the employee offer within 2 weeks. In the instant case, DIPAM closed the NMDC employees OFS. This indicated that timely action on the part of DIPAM, was lacking.

Thus, due to non-conduct of EOFS in respect of above three CPSEs, there was non-adherence to SEBI's guidelines and the expected realization to GoI of ₹ 62.32 crore, did not materialize.

8.6 Buyback of Shares

8.6.1 Realization from disinvestment through buyback of shares

Buyback of shares improves investors' confidence in the Company and helps the Company to raise capital in future when it requires funds for expansion/diversification for growth. Thus, it supports their market capitalization, which is in the overall long-term interest of the Company. Capital restructuring guidelines of DIPAM dated 27 May 2016 provides that based on financial analysis, every CPSE having net-worth of at least ₹ 2,000 crore and cash and bank balance of over ₹ 1,000 crore shall exercise the option to buy back their shares. During the financial year 2017-18, Inter-Ministerial Group (IMG) in its meeting held on 6 and 7 June 2017 considered disinvestment through buyback in 13 CPSEs. Disinvestment in four more CPSEs viz. SJVN Limited, Engineers India Limited, Oil India Limited and Antrix Corporation Limited were also approved by the Finance Minister during the year. Out of these 17 CPSEs, DIPAM divested stake of GoI's shareholdings in 13 CPSEs through buyback method and realized proceeds of ₹ 5,337.55 crore during 2017-18 is given in Table 8.10.

Table 8.10: Disinvestment realization through buy back during 2017-18

Sl. No.	Name of the CPSE	Percentage of shares proposed by DIPAM for buyback	Percentage of buyback fixed by Board of Directors during 2017-18	Actual accrual to GoI (₹ crore)
1	Bharat Electronics Limited	25	5	217.76
2	MOIL Limited	25	7.5	130.85
3	Hindustan Aeronautics Limited	25	7.5	921.5
4	IRCON International Limited	25	5	190.59
5	Mazgaon Docks Ltd	25	10	253.48
6	Security Printing and Minting Corporation of India Limited	25	10	455
7	Bharat Dynamics Limited	25	25*	450.53
8	Garden Reach Shipbuilders and Engineers Limited	25	7.5	77.62
9	HSCC (India) Limited	25	25*	49.55
10	Oil India Limited	25	5.6	1135.26
11	Engineers India Limited	25	6.64	657.81
12	Antrix Corporation Limited	15	15	238.92
13	SJVN Limited	5	5	558.68
	Total			**5,337.55**

***Fixed by Special Resolution**

8.7 Strategic Disinvestment

8.7.1 Status of implementation of Strategic disinvestment

Strategic disinvestment implies sale of substantial portion of the Government shareholding of a CPSE of up to 50 *per cent*, or such higher percentage as the competent authority may determine, along with transfer of management control. The Government would save on the financial support required to be provided to loss making CPSEs. CCEA, in its meeting held on 17 February 2016 approved the proposal of Department of Investment and Public Asset Management (DIPAM) relating to procedure and mechanism for strategic disinvestment of Central Public Sector Enterprises (CPSEs).

During 2017-18, GoI approved 24 CPSEs for Strategic disinvestment. NITI Aayog, after the inter-ministerial consultations made recommendations for strategic disinvestment in 23 CPSEs in four tranches. The recommendations of the Core Group of Secretaries on Disinvestment (CGD), based on the report of NITI Aayog, were concurred by the CCEA in four tranches on 27 October 2016 (first and second tranche), 1 November 2017 (third tranche) and 28 June 2017 (fourth tranche). The timeline for implementation was one year from the CCEA approval through two-stage auction process. In cases of CPSEs namely National Projects Construction Corporation Limited (NPCC), HSCC (India) Limited and Engineering Projects (India) Limited (EPIL), action was to be taken for merger with similarly placed CPSEs as per the timeline mentioned above. Further, strategic disinvestment in Hindustan Petroleum Corporation Limited (HPCL-ONGC deal) was also approved by CCEA in its meeting held on 19 July 2017.

8.7.2 Delay in implementation of strategic disinvestment

The status of disinvestment process in 24 CPSEs through Strategic disinvestment mode, as per the information provided by DIPAM (September 2018) is as under:

No. of CPSEs	Names of CPSEs	Status
1	HPCL	Transaction completed (2017-18) and an amount of ₹36915 crore has been realized from disinvestment.
23	(1) Scooters India Limited, (2) Bridge & Roof Company India Limited, (3) Projects & Development India Limited, (4) Pawan Hans Limited, (5) Bharat Pumps & Compressors Limited, (6) Central Electronics Limited (7) Hindustan Prefab Limited, (8) BEML Limited, (9) Hindustan Newsprint Limited, (10) Ferro Scrap Nigam Limited, (11) Hindustan Fluorocarbons Limited, (12) Cement Corporation of India Limited, (13) NMDC Limited (Nagarnar Unit), (14) Steel Authority of India Limited (Durgapur, Salem, and Bhadravati Steel Plant), (15) HSCC (India) Limited, (16) National Projects Construction Corporation Limited, (17) Engineering Projects (India) Limited, (18)Dredging Corporation of India Limited, (19) Kamarajar Port Limited, (20) HLL Lifecare Limited, (21) Indian Medicines and Pharmaceuticals Corporation Limited, (22) Karnataka Antibiotics and Pharmaceuticals Limited, and (23) Air India Limited and five of its subsidiaries.	Strategic Disinvestment is at different stages of implementation

Audit noticed that out of 24 CPSEs as approved by the CCEA for strategic disinvestment, only one HPCL-ONGC deal was finalized during 2017-18. As per the information provided by DIPAM, the strategic disinvestment of remaining 23 CPSEs was still under implementation even though the same was to be completed within one year from the date of CCEA approval. Thus, strategic disinvestment in 23 CPSEs could not be conducted within the time frame specified in CCEA approval.

DIPAM replied (26 March 2019) that the time required for Strategic Disinvestment depended on the complexities involved in the transaction and also on the extent of interest from potential bidders. For example, no Expression of Interest (EOI) was received in case of Air India, HFL, HNL, PHL and B&R; the financial bid was rejected in case of PDIL and EPIL; no financial bid was received in case of HAL. Therefore, the process had to be initiated again. DIPAM added that during 2018-19, strategic disinvestment of HSCC, DCIL, REC and NPCC had already been completed.

The subsequent reply (July 2019) of DIPAM provided the current status of the cases of strategic disinvestment. However, no other case was finalized apart from the four cases of disinvestment (HSCC, DCIL, REC and NPCC).

The reply of DIPAM indicated that out of the 24 CPSEs approved for strategic disinvestment, only four CPSEs had been divested up to 2018-19. It was evident from the reply that REC, which was subject to strategic disinvestment during 2018-19, was not included in the list of 24 CPSEs which were approved for strategic disinvestment during 2017-18. The target of 24 CPSEs was not even closely achieved. Further efforts on the part of DIPAM and the concerned Administrative Ministries as well as effective co-ordination between them, to complete the strategic disinvestment of the remaining CPSEs, were required.

8.7.3 Strategic Disinvestment in HPCL (HPCL-ONGC deal)

The CCEA granted (19 July 2017) "in-principle" approval on the recommendations of Core Group of Secretaries on Disinvestment (CGD) to consider strategic sale of the Government of India's existing shareholding in HPCL aggregating to 51.11 *per cent* of total equity share capital of HPCL to Oil and Natural Gas Corporation Limited (ONGC) along with transfer of management control. M/s Protocol Insurance Surveyors and Loss Assessors Pvt. Ltd was appointed as Asset Valuer by the Administrative Ministry i.e. Ministry of Petroleum and Natural Gas (MoPNG) for valuation of tangible assets. The reports submitted by the valuer provided the basis e.g. methodologies/approach and assumptions etc. for arriving at proposed valuation in respect of assets. M/s JM Financial Institutional Securities Limited was appointed as Transaction Advisor to carry out business valuation. These reports were examined and recommended by MoPNG for approval of Evaluation Committee (EC). Based on the valuation report, Evaluation Committee recommended a Reserve Price of ₹35,749 crore to CGD with the observation that the valuation is factually correct, complete and consistent with the principles and methodologies. Price bid submitted by ONGC was opened in the meeting of EC held on 20 January 2018. ONGC had quoted the price of ₹ 36,915 crore for the said deal which was accepted and accordingly the Share Purchase Agreement between the President of India (acting through MoPNG) and ONGC were got signed on 20 January 2018 itself.

As per DIPAM's 'Guidance Note–III on Strategic Disinvestment', records of deliberations by Advisors along with working sheets, supporting documents (in paper & electronic form records) should be kept for future reference by the Administrative Ministry.

Scrutiny of the Pricing Analysis Report revealed that the Transaction Advisor had rectified some linking errors in the data provided by HPCL. Audit therefore, requested MoPNG (October 2018) to provide the relevant calculation/working sheet with regard to the price arrived at (while factoring free cash flow, debt inventory and estimation of refinery margins) and recommended by EC for the deal. MoPNG replied (2 November 2018) that the said information/records sought was not available in the Ministry. However, MoPNG subsequently replied that the Asset Valuer had informed that all workings, methodology/approach and assumptions etc. had been incorporated in the Inception Repot and Valuation Report which had already been provided to Audit. The reply of MoPNG had to be viewed in light of DIPAMs reply (March 2019) that the Advisers had duly made detailed presentation for valuation of HPCL before MoPNG and furnished detailed explanation, adding that the Annexures of valuation report provided finer working under each method, which had been highlighted in the detailed power point presentation.

From the replies of DIPAM and MoPNG and in absence of the supporting sheets (containing future estimations viz. free cash flow, debt inventory and estimation of refinery margins) provided by HPCL to the Technical Adviser for arriving at the price, audit could not derive an assurance that the price was correctly arrived at.

DIPAM in its subsequent reply (July 2019) stated that the basis for working of valuation was given in the final valuation report provided by Transaction Adviser to MoPNG, which was made available to Audit. The reply of DIPAM was not factual as they did not provide the records of deliberations by Advisors along with working sheets, supporting documents (in paper & electronic form) and supporting sheets (containing future estimations viz. free cash flow, debt inventory and estimation of refinery margins) provided by HPCL to the Advisor.

Though the disinvestment in HPCL-ONGC deal was as per procedure and mechanism laid down for 'Strategic Sale' by CCEA, Audit is of the opinion that this disinvestment needs to be seen in the light of the fact that the same only involved transfer of GoI's shares in one Government company to another Government company of GoI.

8.8 New Exchange Traded Fund (New ETF)

8.8.1 Constitution of New ETF

With a view to minimize market disruptions seen in public offerings of listed entities; increase ability of the Government to monetize partial stakes in listed CPSEs, broad base retail participation of shares and help to deepen the market for equity-based products, the Cabinet Committee on Economic Affairs (CCEA) on 2nd May, 2013 approved creation and launch of CPSE ETF for disinvestment of equity comprising stocks of listed CPSEs, subject to a maximum offering disinvestment of three per cent shares of CPSEs included in the basket out of Government of India shareholding. In the Budget speech for 2017-18, the Finance Minister announced that ETF as a vehicle for further disinvestment of shares would be continued. Accordingly, a new ETF with diversified CPSE stocks and other Government holdings was to be launched in 2017-18. The Government selected and appointed M/s ICICI Prudential Asset Management Company as AMC to the New ETF. M/s Kotak Mahindra Capital Co. Ltd. was appointed for advising and assisting DIPAM in the creation and launch of the New ETF. M/s SNG and Partners was selected and appointed as Legal Adviser to the Government of India for assisting and advising in the execution/implementation of the new ETF process.

CCEA in its meeting held on 19 July 2017 (note 18 July 2017) authorized Alternative Mechanism (AM) to take further decisions for disinvestment through ETF viz. matters related to disinvestment through ETF and constitution of ETF portfolio out of all the listed CPSEs. The AM in its meetings held on 3 August 2017 and 23 October 2017, *inter-alia*, approved the composition of New ETF named Bharat 22 ETF Index with 22 constituent entities. The New Fund Offer (NFO) i.e. Bharat 22 ETF was launched on 14 November 2017 for Anchor investors and from 15-17 November 2017 for Non-Anchor investors. The size of the NFO was kept at ₹ 8,000 crore. Further, in case of over-subscription during the NFO, the Government of India reserved the right to retain the oversubscribed portion to the extent of ₹ 4,000 crore. It was also decided that the quantum of upfront discount to all investors subscribing to the units may be kept at 3 *per cent* on the ‘Reference Market Price’ which shall be calculated as the price determined based on the average of full day volume weighted average price on the Bombay Stock Exchange during the Non-Anchor Investment NFO period (i.e. 15-17 November 2017) of the underlying index shares disinvested through the Bharat 22 ETF.

Bharat 22 comprises 22 stocks as shown in the ***Appendix-XXIX*** viz. Public Sector Banks (PSBs) and also the Government holdings under the Specified Undertaking of Unit Trust of India (SUUTI) in blue chip private companies like Larsen & Toubro (L&T), Axis Bank and ITC. ETF represented 6 core sectors of the economy viz. Finance, Industry, Energy, Utilities, Fast Moving Consumer Goods (FMCG) and Basic Materials.

8.8.2 Avoidable discount on Government holdings under SUUTI

Audit observed that the Department of Economic Affairs (DEA), in its comments communicated to DIPAM on the draft CCEA Note dated 28 June 2017, did not agree to the proposal of inclusion of Government holdings under the SUUTI in Larsen & Toubro, Axis Bank and ITC in Bharat 22 ETF. DEA suggested that: (i) Listed SUUTI holdings in private companies like Axis Bank, L&T or ITC were no longer strategic to the Government, (ii) SUUTI holdings were liquid and profitable stocks which attracted strategic investors who in most likelihood were willing to bid at a potentially higher rate, whereas ETF entailed them being offered at a discount along with other PSU stocks. Valuation may be higher, since these holdings may assure potential investors a seat in the Board of Directors of these companies. (iii) Even if SUUTI stocks were added as a sweetener to increase the attractiveness of some PSU stocks constituting the ETF, it was not a good enough reason for its inclusion in a PSE-oriented ETF, particularly when public sector financial institutions were otherwise also much-valued stocks in the market. Exclusion of SUUTI stocks would make the proposed ETF an exclusive finance sector oriented ETF of Government.

SUUTI held 11.47 *per cent* in Axis bank, 9.08 *per cent* in ITC and 6.55 *per cent* in L&T as at the end of March 2017. Number of shares divested through ETF in these private companies and amount realized at discounted price is given in Table 8.11.

Table 8.11: Less disinvestment realization due to discount on SUUTI holdings

Description	AXIS Bank	ITC	L&T	Total amount realized (₹ crore)
Total Shares Disinvested through ETF	2,15,70,215	7,75,19,516	2,08,13,138	
Average of Volume-weighted average price (VWAP) share traded on exchange on 3 trading days i.e. November 15, 16 and 17 of 2017	545.27	254.72	1,221.09	
Discounted Price offered after 3 *per cent* discount on ETF to all categories	528.92	247.08	1,184.46	
Proceeds calculated on Average of VWAP on November 15, 16 and 17 of 2017 (₹ crore)	1,176.16	1,974.58	2,541.47	5,692.21 (A)
Actual Proceeds realized on discounted price (₹ crore)	1,140.89	1,915.35	2,465.23	5,521.47 (B)
Lesser amount realized due to offer of discount = (A) – (B) = ₹ 170.74 crore				

Audit is of the opinion that the SUUTI holdings in blue chip private companies like L&T, Axis Bank and ITC are very liquid, good pedigree stocks. Such profitable stocks could comfortably attract high Net-worth Investor(s) to fetch better and higher rate. These investments were included in the ETF with an intention to make the proposed basket more diversified in the new ETF. However, an avoidable discount of ₹ 170.74 crore was offered on SUUTI investments in three blue-chip private companies, along with other PSU stocks to all categories of investors, even to high Net-worth Investors. If the suggestions of DEA had been considered, it could have fetched higher valuation price for GOI strategic divestment of SUUTI stocks and discount of ₹ 170.74 crore, offered on attractive SUUTI stocks could have been avoided.

DIPAM replied (July 2019) that discounts are generally offered in the usual course of most offerings whether OFS, IPO or other market linked instruments used for disinvestment by DIPAM. DIPAM also replied that depending upon the market conditions, offering of requisite discounts on large volume divestments are accepted industry practice. DIPAM further replied that the decision of offering discount and the quantum of discount was taken by the Government based on technical and market analysis by the advisers for the issue and deliberated and recommended by HLC and approved by the Alternative mechanism. This was based on the advice of the AMC/ Merchant Bankers who have an in-depth knowledge and wide experience of market conditions and investor interest.

The reply of DIPAM had to be seen in light of the fact that DIPAM offered clarifications on the comments of DEA and requested (July 2017) DEA to reconsider their views. However, from records furnished to Audit, neither was the response of DEA available nor was the consolidated view of the Ministry of Finance available. Further, from records made available, there was no indication that DIPAM had evaluated an alternative composition of ETF, considering the view of DEA.

8.9 Special National Investment Fund (SNIF)

8.9.1 Creation of Special National Investment Fund

As per the Securities Contract (Regulations) Rules, 1957 (SCRR), all listed CPSEs were required to maintain public shareholding of at least 10 *per cent* of the paid up capital of the Company. All Companies which were not compliant with the requirement of Minimum Public Shareholding (MPS) were to be made compliant before 8 August 2013.

Since some of the Central Public Sector Enterprises (CPSEs) were not financially sound and some had been referred to the Board for Industrial and Financial Reconstruction (BIFR) /Board for Reconstruction of Public Sector Enterprises (BRPSE) for their revival, it was found difficult to meet the MPS norm by following SEBI approved methods. DIPAM (the then Department of Disinvestment) discussed the matter with SEBI and proposed to meet the MPS norm in six CPSEs (viz. Andrew Yule & Company Limited, The Fertilizers and Chemicals Travancore Limited, Hindustan Photo Films Mfg. Company Limited, HMT

Limited, ITI Limited and Scooters India Limited) by way of creation of a separate fund called Special National Investment Fund (SNIF)**.**

CCEA in its meeting held on 26July 2013 approved creation of SNIF for the specific objective of meeting the MPS norm of 10 *per cent* in the aforesaid six CPSEs. As per approval of CCEA, the numbers of shares that were required to make these six CPSEs compliant with the MPS norm were transferred on irrevocable basis to SNIF without any consideration.

8.9.2 Closure of SNIF

As per the notification dated 6 August 2013 for creation of SNIF, the SNIF would be managed by Independent Professional Fund Managers to be appointed by the Government. The transferred shares would be sold by the Independent Professional Fund Managers within a period of five years and the funds realized from such sale would be utilized for social sector schemes of the Government. After this exercise, the SNIF would be closed.

The shares of six CPSEs upto 10 *per cent* were transferred to SNIF in compliance with the MPS norms but no efforts made by DIPAM to explore the mode of disinvestment of GoI holding in certain CPSEs identified for the SNIF within a period of five years. The SNIF would be managed by Independent Professional Fund Managers to be appointed by the Government. However, the information relating to organization structure, officials appointed by DIPAM for disposing shares transferred to SNIF, owners of the fund were not found available from the records.

Audit was asked DIPAM to provide the details (April 2019). Reply of DIPAM was awaited (July 2019).

8.9.3 Accounting procedure for SNIF

As per the Gazette notification (6 August 2013) regarding creation of SNIF, the transferred shares would be sold by SNIF and the receipt from sale of shares would be used for social sector schemes of the Government. The accounting procedure would be finalized by Department of Economic Affairs (Budget Division). In this connection, Audit sought the details from DIPAM regarding the accounting procedure, if any, finalized for accounting of income received from the fund as interest, dividend, etc. and the details of disbursement from the fund.

DIPAM replied (June 2019) that Accounting procedure had to be finalized by DEA, hence, para may be dropped from DIPAM. DIPAM also replied that all the CPSEs, whose shares are parked in SNIF are loss making units, hence the scope for any regular income is quite low.

The reply of DIPAM confirmed that the accounting procedure was not finalized.

8.10 Minimum Public Shareholding Norms

8.10.1 Requirements for Minimum Public Shareholding in CPSEs

Regulation 38 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") mandates a listed entity to comply with the Minimum Public Shareholding (MPS) requirements specified in rules 19(2)(b) and 19A of the Securities Contracts (Regulation) Rules, 1957 (SCRR) in the manner as specified by SEBI from time to time.

Accordingly, every listed company has to maintain a public shareholding of at least 25 *per cent* by 21 August 2017 in terms of provisions of Rule 19A of the SCRR. In an effort to streamline the approach in the enforcement of MPS norms, SEBI also laid down procedures for stock exchanges to impose fines on non-compliant companies**.** SEBI provided additional time up to 21 August 2018 to comply with the MPS norms by all listed public sector companies. The Department of Economic Affairs, Ministry of Finance vide its notification dated 3rd August 2018 extended a period of two years for complying with the Minimum public shareholding to at least twenty five per cent in CPSEs. Audit called for the records wherein such extension was sought to check the documented reason for delay in offloading the GoI shareholding to the required limit. However, relevant records/ files were not provided to audit.

8.10.2 Non-achievement of MPS norms in listed CPSEs

Audit observed that in 17 CPSEs given in Table 8.12, the mandatory 25 *per cent* of MPS had not been achieved:

Table 8.12: Details of CPSEs where MPS not achieved

Sl. No.	Company	Close Price as on 03.08.2018	Market Capitalization as on 03.08.2018	Share holding of Government (%)	Public Share holding (%)	Shortfall (%) (as on 30.6.2018)	Amount (₹ in crore)
1	Coal India Limited	278.5	172876.35	78.32	21.68	3.32	5,740.54
2	The New India Assurance Co. Limited	282.35	46531.28	85.44	14.56	10.44	4,856.42
3	KIOCL Limited	169.45	10751.84	99	1	24	2,580.03
4	Mangalore Refinery & Petrochemicals Limited	84.05	14730.59	88.58	11.42	13.58	2,000.88
5	SJVN Limited	27.05	10630.1	90.62	9.38	15.62	1,659.9
6	ITI LTD.	93.85	8418.34	93.76	6.24	18.76	1,579.03
7	NLC (India) Limited	78.8	12045.12	83.93	16.07	8.93	1,076.02
8	MMTC Limited	33.9	5085	89.93	10.07	14.93	759.03
9	HMT Limited	23.45	2823.59	93.69	6.31	18.69	527.6
10	India Tourism Development Corporation Limited	402.85	3455.22	87.03	12.97	12.03	415.52
11	The Fertilizers & Chemicals Travancore Limited	42.3	2737.11	90	10	15	410.57

12	Andrew Yule & Co. Limited	24.6	1202.82	89.25	10.75	14.25	171.37
13	The State Trading Corporation of India Limited	142.55	855.3	90	10	15	128.29
14	Hindustan Photo Films Mfg. Company Limited	30	620.6	90	10	15	93.09
15	Hindustan Copper Limited	63.8	5902.89	76.05	23.95	1.05	61.72
16	Scooters India Limited	38.5	328.72	93.74	6.26	18.74	61.59
17	Madras Fertilizers Limited	29.4	473.64	85.27	14.73	10.27	48.63
						Total	**22,170.23**

Source: www.bsepsu.com

From the table, it can be seen that 17 CPSEs have not met the requirement of SCRR norms for MPS as of June 2018. The market value of the equity shares which were still required to be offloaded by the GoI to achieve the MPS norms worked out to ₹22,170.23 crore.

DIPAM replied (June 2019), that keeping in view problems faced by DIPAM and Administrative Ministries, DEA vide its notification dated 03 August 2018, further extended the period up to 21 August 2020. DIPAM also replied that the concerned Ministries had been asked to prepare a Road Map to ensure compliance with MPS within deadline, adding that the progress made in this regard would be closely monitored by Secretary (DIPAM), Secretary (DEA), Secretary (DPE) & Secretary (DFS).

The reply of DIPAM contained CPSE-wise roadmap for achieving MPS norms, which indicated that out of the 17 CPSEs, in case of one CPSE, the Company was ordered to be wound up and in case of another CPSE, the company had initiated the process for capital restructuring. It was evident that for the remaining 15 CPSEs, there was no individual timeline by which the CPSE was to achieve the MPS norms. As half the extended period is nearing completion, the current status indicates that the roadmap required better monitoring.

8.11 Slow pace of listing of unlisted CPSEs

The Cabinet Committee on Economic Affairs (CCEA) in its meeting held on 23 October 2009 approved (5 November 2009) the disinvestment policy which, *inter alia*, envisaged listing on the stock exchanges of all the unlisted CPSEs having a positive net worth, no accumulated losses, and having earned net profits in three preceding years with an important objective of listing of CPSEs to promote the development of 'people-ownership' by encouraging people's participation in shareholding of CPSEs.

As per the data available on www.bsepsu.com and the Public Enterprises Survey Report 2016-17 of the Department of Public Enterprises, Audit observed that as on 31 August 2018, only 59 CPSEs were listed even though there were 90 CPSEs with Net Worth of

₹ 1,59,283.66 crore which had earned profits in preceding three years (2014-15 to 2016-17), thereby fulfilling the requisite criteria for listing on the stock exchanges.

DIPAM replied (June 2019) that the approval of the CCEA was taken in April 2017 to list CPSEs having positive net worth above ₹ 1,000 crore, positive PAT in 3 consecutive preceding years. DIPAM also replied that the listing of a company was also a function of liquidity in the market, market interest in the company etc., therefore, it was advisable to maintain reasonable time gap between the listing of CPSEs as it might be otherwise result in lower valuations & tepid investor response. DIPAM further replied that CPSEs viz. CSL, HAL, BDL, MIDHANI, GRSE, RITES, IRCON, RVNL, MSTC had been listed upto June 2019 and additionally, listing of CPSEs viz. KIOCL, MDL, IRCTC, NEEPCO, THDCIL, RAILTE & IRFC was in pipeline and efforts were on to get them listed in the current FY 2019-20 depending on the market conditions.

The response of DIPAM regarding efforts made have to be seen in the light of the fact that out of 90 CPSEs mentioned above, only three CPSEs were listed through IPO.

(Venkatesh Mohan)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

New Delhi
Dated: 29 November 2019

Countersigned

(Rajiv Mehrishi)
Comptroller and Auditor General of India

New Delhi
Dated: 29 November 2019

APPENDICES

APPENDIX-I

(As referred to in Para No.1.1.3)

List of Government companies/Government controlled other companies which came under/went out from the purview of Audit by CAG during 2017-18

Sl. No.	Name of the company
Government Companies came under purview of Audit by CAG	
1	Air India Assets Holding Limited
2	Baroda Global Shared Services Limited
3	Baroda Sun Technologies Limited
4	Government e- Market Place
5	Higher Education Financing Agency
6	HLL Mother and Child Care Hospitals Limited
7	Hooghly Cochin Shipyard Limited
8	India International Convention and Exhibition Centre Limited
9	Indo-Russian Helicopters Limited
10	Ircon Davangere Haveri Highway Limited
11	IREL IDCOL Limited
12	Maharashtra Executor & Trustee Company Private Limited
13	NBCC Environment Engineering Limited
14	NBCC International Limited
15	NESL E-Infrastructure Limited
16	NESL-Asset Data Limited
17	Reserve Bank Information Technology Private Limited
18	SBI Business Process and Management Services Private Limited
19	Surat Integrated Transportation Development

Government controlled other companies came under purview of Audit by CAG	
Sl. No.	**Name of the company**
1	CSC e-Governance Services India Limited
2	Goa Natural Gas Private Limited
3	Kolkata Port Infrastructure Development Limited
4	Port Blair Smart Project Limited, Port Blair
5	Ratnagiri Refinery and Petrochemicals Limited
6	Ujjawal Plus Foundation

Government Companies that went out from the purview of Audit by CAG	
Sl. No.	**Name of the company**
1	Baira Siul Sarna Transmission Limited
2	CREDA-HPCL Biofuel Limited
3	Fatehgarh Bhadia Transmission Limited
4	Goa Tamnar Transmission Projects Limited
5	Gurgaon Palwal Transmission Limited
6	IOC-CREDA Bio Fuels Limited
7	Khargone Transmission Limited
8	Kohima Maraini Transmission Limited
9	Madhya Pradesh Ashok Hotel Corporation Limited[1]
10	Nellore Transmission Limited
11	NER-II Transmission Limited
12	North Karanpura Transco Limited
13	NRSS XXXVI Transmission Limited
14	Odisha Generation Phase II Transmission Limited
15	Warora Kurnool Transmission Limited

Government controlled Other Companies that went out from the purview of Audit by CAG	
Sl. No.	**Name of the company**
1	Allbank Finance Limited
2	Tourism Finance Corporation of India Limited

[1] *The Company has been transferred to Madhya Pradesh State Government and is now a State PSE.*

APPENDIX-II A
(As referred to in Para No.1.1.3)

Details of CPSEs where accounts in arrears or company under liquidation
A. Government Companies and Corporations

Sl. No.	Name of the Sector/CPSE	Year for which Accounts not received by 30 September 2018
UNLISTED GOVERNMENT COMPANIES		
CHEMICALS AND FERTILIZERS		
**1	Bihar Drugs and Organic Chemicals Limited	2014-15 to 2017-18
**2	Bengal Immunity Limited	Under Liquidation
3	FACT RCF Building Products Limited	2017-18
**4	IDPL Tamilnadu (Pvt.) Limited	2010-11 to 2017-18
5	Indian Drugs and Pharmaceuticals Limited	2016-17 to 2017-18
**6	Manipur State Drugs and Pharmaceuticals Limited[2]	1998-99 to 2017-18
7	Orissa Drugs and Chemicals Limited	2017-18
8	Rajasthan Drugs and Pharmaceuticals Limited	2016-17 to 2017-18
**9	Smith Stanistreet Pharmaceuticals Limited	Under Liquidation
**10	The Southern Pesticides Corporation Limited	Under Liquidation
CIVIL AVIATION		
**11	Air India Assets Holding Limited	First A/c not due
12	Air India Charters Limited	2017-18
13	Air India Limited	2017-18
14	Hotel Corporation of India Limited	2017-18
COMMERCE AND INDUSTRY		
**15	Government e- Market Place	First A/c not due
16	J&K Development Finance Corporation Limited	2017-18
**17	Tea Trading Corporation of India Limited	Under Liquidation

[2] *The accounts of Manipur State Drugs and Pharmaceuticals Limited for the periods ranging from 1998-99 to 2017-18 have been received. The same are under examination.*

COMMUNICATIONS AND INFORMATION TECHNOLOGY		
**18	Electronics Trade and Technology Development Corporation Limited	Under Liquidation
19	Digital India Corporation	2017-18
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION		
**20	IREL IDCOL Limited	First A/c not due
DEVELOPMENT OF NORTH EASTERN REGION		
**21	North Eastern Regional Agricultural Marketing Corporation Limited	2015-16 to 2017-18
ENVIRONMENT AND FORESTS		
22	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited	2017-18
FINANCE		
**23	Industrial Investment Bank of India Limited	Under Liquidation
24	National Investment and Infrastructure Trustee Funds	2017-18
HEALTH & FAMILY WELFARE		
25	HSCC India Limited	2017-18
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
**26	Bharat Brakes and Valves Limited	Under Liquidation
**27	Bharat Opthalmic Glass Limited	Under Liquidation
**28	Bharat Process and Mechanical Engineers Limited	Under Liquidation
29	Bharat Pumps and Compressors Limited	2017-18
**30	Bharat Yantra Nigam Limited	Under Liquidation
**31	Cycle Corporation of India Limited	Under Liquidation
**32	Hindustan Paper Corporation Limited	2015-16 to 2017-18
33	Instrumentation Limited	2017-18
34	Jagdishpur Paper Mills Limited	2016-17 to 2017-18
**35	Mandya National Paper Mills Limited	Under Liquidation
**36	Mining and Allied Machinery Corporation Limited	Under Liquidation
**37	Nagaland Pulp & Paper Company Limited	2015-16 to 2017-18
**38	National Industrial Development Corporation Limited	Under Liquidation
**39	Rehabilitation Industries Corporation Limited	Under Liquidation

**40	Reyroll Burn Limited	Under Liquidation
**41	Tannery and Footwear Corporation of India Limited	Under Liquidation
**42	TriveniStructurals Limited	2013-14 to 2017-18
43	Tungabhadra Steel Products Limited	2017-18
**44	Tyre Corporation of India Limited	Under Liquidation
**45	Weighbird (India) Limited	Under Liquidation
PETROLEUM & NATURAL GAS		
46	Biecco Lawrie Limited	2017-18
47	Kerala GAIL Gas Limited	2017-18
48	Maharashtra Natural Gas Limited	2017-18
POWER		
49	Grid Conductor Limited	2017-18
ROAD TRANSPORT AND HIGHWAYS		
**50	Indian Road Construction Corporation Limited	Under Liquidation
RAILWAYS		
51	Bharat Wagon and Engineering Company Limited	2017-18
52	Burn Standard Company Limited	2016-17 to 2017-18
**53	RITES Infrastructure Services Limited	Under Liquidation
SHIPPING		
54	Central Inland Water Transport Corporation Limited	2017-18
TEXTILES		
**55	Brushware Limited	Under Liquidation
**56	Cawnpore Textiles Limited	Defunct
57	The British India Corporation Limited	2016-17 to 2017-18
**58	The Elgin Mills Company Limited	Defunct
59	The Handicrafts and Handlooms Export Corporation of India Limited	2017-18
TOURISM		
60	Assam Ashok Hotel Corporation Limited	2017-18

UNION TERRITORY ADMINISTRATION		
**61	Chandigarh Child and Woman Development Corporation Limited	2011-12 to 2017-18
62	Chandigarh Industrial and Tourism Development Corporation Limited	2017-18
**63	Chandigarh Scheduled Caste Financial and Development Corporation Limited	2015-16 to 2017-18
URBAN DEVELOPMENT		
64	EPI Urban Infra Developers Limited	2017-18
65	Kolkata Metro Rail Corporation	2017-18

*****CPSEs whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due.***

APPENDIX-II B

(As referred to in Para No.1.1.3)

Details of CPSEs where accounts in arrears or company under liquidation/defunct

B. Government Controlled other Companies

Sl. No	Name of the CPSE	Year for which Accounts not received by 30 September 2018
**1	Accumeasures (Punjab) Limited	Under Liquidation
**2	Allied International Products Limited	Defunct
**3	Becker Grey and Company (1930) Limited	Defunct
**4	Bihar Industrial and Technical Consultancy Organisation Limited	Defunct
**5	BOB Global Services Limited	First A/c not received
6	DMICDC Guna Power Company Limited	2017-18
7	DMICDC Indapur Power Company Limited	2017-18
8	DMICDC Vaghel Power Company Limited	2017-18
9	DMICDC Ville Bhagad Power Company Limited	2017-18
**10	Excellcier Plants Corporation Limited	Under Liquidation
**11	Flavourit Spices Trading Limited	2012-13 to 2017-18
**12	Gangavati Sugars Limited	Under Liquidation
**13	Gas and Power Investment Company Limited	2013-14 to 2017-18
14	Hardicon Limited	2017-18
15	Himachal Consultancy Organization Limited	2017-18
**16	India Clearing and Depository Services	Under Liquidation
**17	J&K Industrial and Technical Consultancy Organisation Limited	2005-06 to 2017-18
18	Konkan LNG Private Limited	2017-18
**19	Millennium Information Systems Limited	Under Liquidation
**20	Nalanda Ceramics and Industries Limited	Defunct
**21	North Eastern Industrial and Technical Consultancy Organisation Limited	2012-13 to 2017-18
**22	NTPC-SCCL Global Ventures Private Limited	2015-16 to 2017-18
**23	Orissa Industrial and Technical Consultancy Organisation Limited	Defunct

**24	Pazassi Rubbers (P) Limited	Under Liquidation
25	PNB Insurance Broking Limited	2016-17 to 2017-18
**26	Ponmudi Rubbers (P) Limited	2014-15 to 2017-18
**27	Port Blair Smart Project Limited, Port Blair	First A/c not received
**28	Rubberwood India (P) Limited	2015-16 to 2017-18
**29	Textile Processing Corporation of India Limited	Under Liquidation
**30	Ujjawal Plus Foundation	First A/c not due
31	UP Industrial and Technical Consultants Limited	2017-18
32	Vadhvan Port Project Limited	2017-18
**33	Wagon India Limited	Under Liquidation

*****CPSEs whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due.***

APPENDIX-III
(As referred to in Para No.1.2.2.2)

List of Government companies/Government controlled other companies where total assets were lower than the long term loans outstanding during 2017-18

Sl. No.	Name of the company
1	Andaman Fisheries Limited
2	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited
3	Assam Ashok Hotel Corporation Limited
4	Utkal Ashok Hotel Corporation Limited
5	Bengal Chemicals and Pharmaceuticals Limited
6	Bharat Gold Mines Limited
7	The British India Corporation Limited
8	Birds Jute and Exports Limited
9	FACT RCF Building Products Limited
10	Hindustan Photo films (Manufacturing) Company Limited
11	Indian Drugs and Pharmaceuticals Limited
12	National Bicycle Corporation of India Limited
13	National Jute Manufacturers Corporation Limited
14	TCIL Bina Toll Road Limited
15	TCIL LTR Limited

APPENDIX-IV
(As referred to in Para No.1.3.2)

Shortfall in dividend declared by Government companies

(₹ in crore)

Sl. No	Name of the Sector/CPSE	Networth	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
LISTED GOVERNMENT COMPANIES								
COAL & LIGNITE								
1	NLC India Limited	13334.57	1848.78	646.58	666.73	554.63	666.73	20.15
COMMERCE AND INDUSTRY								
2	The State Trading Corporation of India Limited	930.81	37.52	0	46.54	11.26	46.54	46.54
3	MMTC Limited	1449.45	48.84	30	72.47	14.65	72.47	42.47
DEFENCE								
4	Bharat Dynamics Limited	1956.38	528.15	25	97.82	158.45	158.45	133.45
5	BEML Limited	2200.24	58.78	33.32	110.01	17.63	110.01	76.69
6	Mishra Dhatu Nigam Limited	789.04	130.3	37.89	39.45	39.09	39.45	1.56
FINANCE								
7	General Insurance Corporation of India	105130.7	3233.58	1002	5256.53	970.07	5256.53	4254.53
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES								
8	Andrew Yule and Company Limited	189.01	19.17	5.88	9.45	5.75	9.45	3.57
HOUSING AND URBAN POVERTY ALLEVIATION								
9	Housing and Urban Development Corporation Limited	9821.74	799.06	110.1	491.09	239.72	491.09	380.99
MINES								
10	Hindustan Copper Limited	1043.25	84.6	18.5	52.16	25.38	52.16	33.66
PETROLEUM								
11	GAIL (India) Limited	40328.12	4618.41	1750.5	2016.41	1385.52	2016.41	265.91
POWER								
12	NTPC Limited	101777.8	10343.17	4040.28	5088.89	3102.95	5088.89	1048.61
RAILWAYS								
13	Container Corporation of India Limited	9401.11	1049.04	416.76	470.06	314.71	470.06	53.30
SHIPPING								
14	The Shipping Corporation of India Limited	7097.56	253.75	0	354.88	76.13	354.88	354.88

Sl. No	Name of the Sector/CPSE	Networth	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
STEEL								
15	KIOCL Limited	2145.63	81.48	0	107.28	24.44	107.28	107.28
16	Eastern Investments Limited	270.03	0.35	0.07	13.50	0.11	13.50	13.43
TOURISM								
17	India Tourism Development Corporation Limited	336.42	19.14	0	16.82	5.74	16.82	16.82
UNLISTED GOVERNMENT COMPANIES								
AGRICULTURE								
18	Lakshadweep Development Corporation Limited	259.01	35.55	0	12.95	10.67	12.95	12.95
ATOMIC ENERGY								
19	Uranium Corporation of India Limited	2661.2	106.73	38.39	133.06	32.02	133.06	94.67
20	Indian Rare Earths Limited	729.5	82.11	0	36.48	24.63	36.48	36.48
CHEMICALS AND FERTILIZERS								
21	Karnataka Antibiotics and Pharmaceuticals Limited	169.77	14.55	2.7	8.49	4.37	8.49	5.79
22	Projects and Development India Limited	110.39	2.69	0	5.52	0.81	5.52	5.52
23	Hindustan Insecticides Limited	100.22	3.41	0	5.01	1.02	5.01	5.01
CIVIL AVIATION								
24	Pawan Hans Limited	1121.55	20.55	0	56.08	6.17	56.08	56.08
COMMUNICATIONS AND INFORMATION TECHNOLOGY								
25	National Informatics Centre Services Inc.	638.82	31.04	0	31.94	9.31	31.94	31.94
26	Bharat Broadband Network Limited	80.37	2.77	0.83	4.02	0.83	4.02	3.19
FINANCE								
27	Oriental Insurance Company Limited	3156.69	1509.89	0	157.83	452.97	452.97	452.97
28	United India Insurance Company Limited	9018.51	1002.66	0	450.93	300.80	450.93	450.93
29	Central Registry of Securitisation Asset Reconstruction and Security Interest of India	668.91	238.58	0	33.45	71.57	71.57	71.57

Sl. No	Name of the Sector/CPSE	Networth	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
30	Higher Education Finance Agency	308.49	8.49	0	15.42	2.55	15.42	15.42
31	National Investment and Infrastructure Fund Limited	18.17	4.65	0	0.91	1.40	1.40	1.40
32	National Financial Holding Company Limited	1.11	0	0	0.06	0.00	0.06	0.06
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES								
33	Bridge and Roof Company (India) Limited	338.37	16.57	4.84	16.92	4.97	16.92	12.08
34	Engineering Projects (India) Limited	230.67	0.14	0	11.53	0.04	11.53	11.53
MINES								
35	Mineral Exploration Corporation Limited	413.12	93.77	0	20.66	28.13	28.13	28.13
POWER								
36	North Eastern Electric Power Company Limited	6130.94	293.17	88	306.55	87.95	306.55	218.55
37	Bhartiya Rail Bijlee Company Limited	2230.42	27.21	0	111.52	8.16	111.52	111.52
38	THDC India Limited	8420.8	778.74	335.21	421.04	233.62	421.04	85.83
RAILWAYS								
39	Dedicated Freight Corridor Corporation Limited	11040.51	18.19	5.6	552.03	5.46	552.03	546.43
40	Braithwaite and Company Limited	5.82	2.6	0	0.29	0.78	0.78	0.78
41	National High Speed Rail Corporation Limited	681.91	21.15	0	34.10	6.35	34.10	34.10
42	Indian Railway Catering and Tourism Corporation Limited	947.71	222.02	47.18	47.39	66.61	66.61	19.43
ROAD TRANSPORT AND HIGHWAYS								
43	National Highways & Infrastructure Development Corporation Limited	157.65	38.79	0	7.88	11.64	11.64	11.64

Sl. No	Name of the Sector/CPSE	Networth	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
SCIENCE AND TECHNOLOGY								
44	Biotechnology Industry Research Assistance Council	93.43	1.52	0	4.67	0.46	4.67	4.67
45	National Research Development Corporation of India Limited	9.43	0.32	0	0.47	0.10	0.47	0.47
SHIPPING								
46	Sethusamudram Corporation Limited	810.92	1.88	0	40.55	0.56	40.55	40.55
47	Sagarmala Development Corporation Limited	218.11	3.45	0	10.91	1.04	10.91	10.91
SMALL SCALE INDUSTRIES								
48	National Small Industries Corporation Limited	948.06	99.41	0	47.40	29.82	47.40	47.40
SOCIAL JUSTICE AND EMPOWERMENT								
49	Artificial Limbs Manufacturing Corporation of India Limited	324.56	50.79	0	16.23	15.24	16.23	16.23
STEEL								
50	MECON Limited	205.44	58	10.27	10.27	17.40	17.40	7.13
TEXTILES								
51	Jute Corporation of India Limited	124.9	17.68	5.3	6.25	5.30	6.25	0.95
UNION TERRITORY ADMINISTRATION								
52	Omnibus Industrial Development Corporation of Daman,Diu & Dadra and Nagar Haveli Limited	137.94	20.08	0	6.90	6.02	6.90	6.90
STATUTORY CORPORATION								
53	Central Warehousing Corporation	2529.03	56.82	21.75	126.45	17.05	126.45	104.70
TOTAL								**9417.75**

APPENDIX-V
(As referred to in Para No.1.4.1)

List of CPSEs having negative Net Worth as on 31 March 2018

(₹ in lakh)

Sl. No	CPSE NAME	Net Profit before dividend	Net Worth	Paid up capital
1	Tungabhadra Steel Products Limited	40532.64	-6093.60	843.50
2	Hindustan Vegetable Oils Corporation Limited	33697.53	-9304.22	771.16
3	Air India Charters Limited	29674.50	-99941.40	78000.00
4	Hindustan Antibiotics Limited	20832.27	-35860.13	7171.91
5	NEPA Limited	3012.44	-1929.11	58471.25
6	Hindustan Shipyard Limited	2099.00	-61943.00	30199.00
7	Richardson and Cruddas (1972) Limited	1645.80	-43093.89	15661.05
8	Bengal Chemicals and Pharmaceuticals Limited	1005.76	-9204.32	7696.04
9	Hoogly Dock and Port Engineers Limited	971.46	-10452.91	2860.64
10	National Jute Manufacturers Corporation Limited	919.41	-22343.33	5579.74
11	North Eastern Handicrafts and Handlooms Development Corporation Limited	52.87	-246.90	850.00
12	HMT Chinar Watches Limited	1.46	-58914.21	166.01
13	Yule Engineering Limited	0.00	-1.95	5.00
14	HOC Chematur Limited	0	0	5
15	Orissa Integrated Power Limited	-0.02	-7.55	5.00
16	Inland Coastal Shipping Limited	-0.14	-4.61	5.00
17	Yule Electrical Limited	-0.22	-5.81	5.00
18	Chhattisgarh Mining Ventures Limited	-0.34	-3.84	1.00
19	Mohindergarh-Bhiwani Transmission Limited	-0.61	-0.62	5.00
20	Ballabhgarh- GN Transmission Limited	-0.62	-0.62	5.00
21	South Central East Delhi Power Transmission Co. Ltd	-0.64	-0.51	5.00
22	PowergridVemagiri Transmission System Limited	-0.69	-1938.95	5.00
23	SAIL-Bengal Alloy Castings Private Limited	-0.71	-2.39	2.00
24	Karnataka Vijaynagar Steel Limited	-0.74	-2.05	1.00
25	Jharkhand National Mineral Development Corporation Limited	-0.77	-4.62	1.00
26	Mahanadi Basin Power Limited	-1.26	-84.49	5.00
27	NMDC Steel Limited	-1.46	-2.37	1.00
28	Grid Conductor Limited	-1.68	0	5
29	The Industrial Credit Company Limited	-2.14	-4.00	5.00

Sl. No	CPSE NAME	Net Profit before dividend	Net Worth	Paid up capital
30	Maharashtra Antibiotics and Pharmaceuticals Limited	-2.67	-13147.55	123.97
31	Hemisphere Properties India Limited	-3.00	-2.96	5.00
32	Suuti Tech Options Limited	-3.16	-27.06	50.26
33	Jharkhand Kolhan Steel Limited	-3.20	-3.46	1.00
34	Jagdishpur Paper Mills Limited	-9.34	-268.21	5.00
35	Bharat Petro Resources JPDA LIMITED	-32.62	-6194.23	6000.00
36	HLL Medipark	-74.48	-81.44	10.01
37	Hindustan Fluorocarbons Limited	-77.39	-3841.81	1961.46
38	Utkal Ashok Hotel Corporation Limited	-77.52	-2405.49	130.00
39	HMT (Bearings) Limited	-138.18	-12362.91	3770.91
40	Assam Ashok Hotel Corporation Limited	-171.00	-949.00	100.00
41	National Investment and Infrastructure Trustee Funds	-174.30	-257.81	2.00
42	NBCC Engineering & Consultancy Limited	-208.51	-133.99	100.00
43	Ranchi Ashok Bihar Hotel Corporation Limited	-215.40	-699.11	489.96
44	Sambhar Salts Limited	-258.11	-3324.51	100.00
45	Andaman Fisheries Limited	-351.85	-2733.98	100.00
46	Hooghly Printing Company Limited	-354.13	-82.90	102.71
47	Birds Jute and Exports Limited	-380.17	-12625.21	39.48
48	TCIL Bina Toll Road Limited	-510.61	-1584.92	1957.00
49	Rajasthan Drugs and Pharmaceuticals Limited	-598.79	-2465.36	498.61
50	BHEL Electrical Machines Limited	-605.18	-827.90	1050.00
51	HMT Watches Limited	-849.18	-280826.58	649.01
52	Hindustan Cables Limited	-936.82	-36652.72	501980.20
53	Fresh and Healthy Enterprises Limited	-1062.00	-1810.00	14567.00
54	Biecco Lawrie Limited	-1234.10	-6116.54	7476.32
55	Bharat Wagon and Engineering Company Limited	-1433.59	-1767.92	7584.87
56	National Bicycle Corporation of India Limited	-2170.62	-58735.23	565.46
57	FACT RCF Building Products Limited	-2911.71	-3798.40	7045.40
58	PEC Limited	-5394.00	-113391.00	6000.00
59	Hotel Corporation of India Limited	-5427.00	-16653.00	13760.00
60	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited	-5756.55	-38227.81	359.18
61	Madras Fertilizers Limited	-6196.00	-49203.00	16214.00
62	HPCL Bio Fuels Limited	-7784.51	-3908.67	20552.00
63	Bharat Pumps and Compressors Limited	-8397.40	-10922.45	5353.10
64	Instrumentation Limited	-9136.66	-54469.24	14605.49
65	Hindustan Newsprint Limited	-9988.45	-1857.96	9999.99
66	Bharat Gold Mines Limited	-10047.65	-187768.44	5106.40

Sl. No	CPSE NAME	Net Profit before dividend	Net Worth	Paid up capital
67	The British India Corporation Limited	-10255.54	-80981.76	3170.71
68	HMT Machine Tools Limited	-12925.00	-123035.00	27660.00
69	The Fertilizer and Chemicals Travancore Limited	-13051.18	-164018.10	64707.20
70	Indian Drugs and Pharmaceuticals Limited	-16117.92	-714941.58	11688.33
71	Airline Allied Services Limited	-28272.22	-134359.56	40225.00
72	Air India Engineering Services Company Limited	-44444.00	-177820.00	16667.00
73	STCL Limited	-65686.38	-456268.31	150.00
74	Eastern Coalfields Limited	-93117.00	-135623.00	221845.00
75	Mahanagar Telephone Nigam Limited	-297303.00	-633736.00	63000.00
76	Hindustan Photofilms (Manufacturing) Company Limited	-340236.58	-2373240.00	20687.00
77	Air India Limited	-576517.00	-1991451.00	2689021.00

***Note:** Though 77 CPSEs have zero or negative net worth as on March 2018, 12 CPSEs at Sl. No 1 to 12 have earned profits during the year 2017-18*

APPENDIX-VI
(As referred to in Para No.1.5.3)

List of CPSEs where ROE is less than that of private companies in same sector for 3 or more years during last 5 years

Sl. No.	Government Company	2017-18	2016-17	2015-16	2014-15	2013-14	Private Company	2017-18	2016-17	2015-16	2014-15	2013-14
1	Hindustan Copper Limited	8.11	5.55	3.95	6.15	22.86	Arcotech Limited	1.72	12.04	18.28	20.24	24.41
2	Scooters India Limited	-26.72	-11.62	5.56	11.9	16.37	Atul Auto Ltd	21.05	20.11	30.66	33.51	31.53
3	Hindustan Fluorocarbons Limited	2.01	7.13	17.46	7.18	51.18	Coromandel International Limited	20.79	16.96	15.18	18.62	15.44
4	Hindustan Organic Chemicals Limited	-383.44	-173.19	-43.25	41.58	60.34	Coromandel International Limited	20.79	16.96	15.18	18.62	15.44
5	Madras Fertilizers Limited	12.59	4.2	35.62	39.31	-48.52	Coromandel International Limited	20.79	16.96	15.18	18.62	15.44
6	National Fertilizers Limited	4.29	4.28	4.11	0.54	-1.78	Coromandel International Limited	20.79	16.96	15.18	18.62	15.44
7	Rashtriya Chemicals and Fertilizers Limited	2.69	6.13	6.76	11.88	9.96	Coromandel International Limited	20.79	16.96	15.18	18.62	15.44
8	HMT Limited	-2.04	-10.5	-6.96	-9.28	7.66	Escorts Limited	13.53	8.06	4.77	4.16	NA
9	Balmer Lawrie and Company Limited	14.72	14.62	16.36	16.49	19.11	GULF oil Lubricants India Limited	33.92	33.2	40.36	41.37	NA
10	IFCI Limited	-17.45	-6.81	4.69	7.3	7.28	IDFC Limited	1.52	0.58	-12.11	9.95	11.57
11	Bharat Heavy Electricals Limited	2.73	1.53	-2.76	4.16	10.51	Larsen & Toubro Limited	10.96	11.85	13.04	13.63	16.32
12	Engineers India Limited	16.66	11.71	9.72	11.99	19.71	Larsen & Toubro Limited	10.96	11.85	13.04	13.63	16.32
13	GAIL (India) Limited	11.45	9.18	7.52	10.44	16.16	Reliance Industries Ltd	10.68	10.9	11.42	10.51	11.16
14	Oil and Natural Gas Corporation Limited	10.31	9.65	10.6	12.26	16.16	Reliance Industries Ltd	10.68	10.9	11.42	10.51	11.16
15	Steel Authority of India Limited	-1.35	-8.85	-6.12	4.82	6.13	Tata Steel Ltd	6.54	6.63	6.95	9.66	10.49
16	MMTC Limited	3.37	3.98	3.98	3.52	1.39	Vedanta Limited	9.15	13.88	12.46	5.66	NA

APPENDIX-VII

(As referred to in Para No.1.5.3)
List of CPSEs where ROCE is less than that of private companies in same sector for 3 or more years during last 5 years

Sl . No.	Government Company	2017-18	2016-17	2015-16	2014-15	2013-14	Private Company	2017-18	2016-17	2015-16	2014-15	2013-14
1	Hindustan Copper Limited	7.07	4.63	3.33	6.15	22.86	Arcotech Limited	1.29	9.25	12.81	19.45	21.53
2	Scooters India Limited	-23.4	-10.04	4.7	9.63	13.05	Atul Auto Ltd	21.05	20.11	30.66	33.51	31.53
3	I T I Limited	11.02	17.11	6.35	-41.7	-42.04	Bharati Infratel Limited	13.62	16.66	7.13	15.17	6.14
4	Mahanagar Telephone Nigam Limited	-75.16	-80.7	-25.59	-23.46	59.5	Bharti Airtel Limited	0.05	-6.55	5.98	13.48	8.92
5	The Fertilizer and Chemicals Travancore Limited	-100.16	-68.08	-142.09	57.53	99.24	Coromandel International Limited	20.79	16.96	14.99	18.07	13.99
6	Hindustan Fluorocarbons Limited	2.21	7.9	20.82	11.71	63.41	Coromandel International Limited	20.79	16.96	14.99	18.07	13.99
7	Hindustan Organic Chemicals Limited	-30.44	-63.36	-19.68	89.04	113.68	Coromandel International Limited	20.79	16.96	14.99	18.07	13.99
8	National Fertilizers Limited	4.14	3.56	3.41	0.4	-1.17	Coromandel International Limited	20.79	16.96	14.99	18.07	13.99
9	Rashtriya Chemicals and Fertilizers Limited	2.43	5.9	6.41	10.44	8.8	Coromandel International Limited	20.79	16.96	14.99	18.07	13.99
10	HMT Limited	-0.49	-4.01	-5.82	-8.79	7.35	Escorts Limited	13.46	7.84	4.56	3.93	NA
11	Balmer Lawrie and Company Limited	14.72	14.62	16.36	16.49	19.11	GULF oil Lubricants India Limited	33.92	33.20	40.36	41.37	NA
12	IFCI Limited	-3.94	-1.55	0.99	1.61	1.85	IDFC Limited	1.52	0.58	-12.11	2.82	3.15
13	Bharat Heavy Electricals Limited	2.72	1.53	-2.75	4.16	10.48	Larsen & Toubro Limited	10.11	11.29	10.83	11.09	14.03
14	Steel Authority of India Limited	-0.74	-5.78	-4.95	3.64	4.65	Tata Steel Ltd	4.71	4.5	5.22	7.11	7.55
15	MMTC Limited	3.37	3.98	3.98	3.46	1.39	Vedanta Limited	7.71	10.85	8.14	3.45	NA

APPENDIX-VIII
(As referred to in Para No.1.5.3)

List of CPSEs where EPS is less than that of private companies with similar business for 3 or more years during last 5 years

Sl. No	Government Company	2017-18	2016-17	2015-16	2014-15	2013-14	Private Company	2017-18	2016-17	2015-16	2014-15	2013-14
1	Andrew Yule and Company Limited	0.35	0.63	0.25	0.39	0.68	Harrisons Malayalam Limited	2.41	2.22	-24.75	-19.10	2.39
2	Balmer Lawrie Investment Company Limited	24.16	17.48	16.05	16.08	15.49	GULF oil Lubricants India Limited	31.92	23.7	20.24	15.62	-1.15
3	Bharat Heavy Electricals Limited	2.2	2.03	-3.73	5.8	14.14	Larsen & Toubro Limited	38.46	39	57.07	54.46	59.26
4	Bharat Immunologicals and Biologicals Corporation Limited	-0.99	1.56	-1.44	0.36	1.48	Sun Pharmaceutical Industries Limited	9	29	18.9	18.9	15.2
5	Chennai Petroleum Corporation Limited	61.31	69.15	48.96	-2.62	-20.4	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
6	Engineers India Limited	5.83	4.82	7.68	9.14	14.24	Larsen & Toubro Limited	38.46	39	57.07	54.46	59.26
7	GAIL (India) Limited	20.48	20.71	18.12	23.96	34.49	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
8	Hindustan Copper Limited	0.86	0.67	0.47	0.73	3.1	Arcotech Limited	0.37	2.6	17.37	16.07	15.76
9	Hindustan Fluorocarbons Limited	-2.46	-2.49	-5.67	-1.93	-12.67	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05
10	Hindustan Organic Chemicals Limited	-29.69	-38	-25.89	-32.08	-26.33	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05
11	HMT Limited	-0.06	-1.99	-0.21	-0.83	1.15	Escorts Limited	28.85	16.84	7.49	6.26	20.53
12	I T I Limited	3.23	6.77	7.77	-11.26	-12.88	BharatiInfratel Limited	13.05	14.49	6.97	14.41	5.77
13	IFCI Limited	-6.07	-2.76	2.03	3.14	3.05	IDFC Limited	0.93	0.35	-7.29	10.83	11.22

Sl. No	Government Company	2017-18	2016-17	2015-16	2014-15	2013-14	Private Company	2017-18	2016-17	2015-16	2014-15	2013-14
14	Indian Oil Corporation Limited	22.52	40.31	42.83	21.72	28.91	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
15	Madras Fertilizers Limited	-2.76	-1.45	-11.77	-8.36	6.21	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05
16	Mahanagar Telephone Nigam Limited	-47.19	-46.68	-31.84	-45.93	124.21	Bharti Airtel Limited	0.2	-24.84	18.88	33.02	16.69
17	Mangalore Refinery and Petrochemicals Limited	12.69	20.79	6.55	-9.77	3.43	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
18	MMTC Limited	0.49	0.57	0.55	0.48	0.19	Vedanta Limited	19.47	29.04	18.45	6.5	NA
19	MOIL Limited	21.08	20.21	10.3	25.48	30.33	Tata Steel Ltd	38.57	31.74	48.67	64.49	64.21
20	National Fertilizers Limited	4.34	4.24	4.02	0.53	-1.83	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05
21	Oil and Natural Gas Corporation Limited	15.54	13.95	18.71	20.73	25.83	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
22	Oil India Limited	23.32	19.32	38.76	41.76	49.59	Reliance Industries Ltd	53.08	49.77	84.66	70.25	68.05
23	Rashtriya Chemicals and Fertilizers Limited	1.43	3.25	3.47	5.84	4.53	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05
24	Scooters India Limited	-2.19	-1.2	0.64	1.3	1.59	Atul Auto Ltd	21.05	16.88	21.6	18.49	27
25	Steel Authority of India Limited	-1.17	-6.86	-10.02	5.07	6.33	Tata Steel Ltd	38.57	31.74	48.67	64.49	64.21
26	The Fertilizer and Chemicals Travancore Limited	-2.02	-2.89	-6.99	-6.18	-4.09	Coromandel International Limited	12.57	16.35	12.41	13.85	12.05

APPENDIX-IX
(As referred to in Para No.1.5.3)
List of CPSEs where P/E Ratio is less than that of private companies with similar business for 3 or more years during last 5 years

Sl. No.	Government Company	2017-18	2016-17	2015-16	2014-15	2013-14	Private Company	2017-18	2016-17	2015-16	2014-15	2013-14
1	Balmer Lawrie and Company Limited	13.40	15.76	10.01	10.85	5.54	GULF oil Lubricants India Limited	28.48	29.68	25.05	32.57	NA
2	Balmer Lawrie Investment Company Limited	24.92	23.55	21.56	22.94	9.83	GULF oil Lubricants India Limited	28.48	29.68	25.05	32.57	NA
3	Bharat Heavy Electricals Limited	-19.90	14.49	-12.81	101.11	5.87	Larsen & Toubro Limited	34.11	40.45	21.31	31.56	21.48
4	Bharat Immunologicals and Biologicals Corporation Limited	16.46	21.83	17.56	16.35	11.89	Sun Pharmaceutical Industries Limited	55.04	23.71	43.36	54.09	37.72
5	Bharat Petroleum Corporation Limited	10.63	10.58	8.77	11.52	8.20	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
6	Coal India Limited	18.94	12.66	11.29	17.10	12.12	Adani Enterprises	87.40	53.59	16.33	166.32	-227.62
7	Container Corporation of India Limited	5.36	5.25	4.07	-26.16	-3.36	SICAL LOGISTICS	42.02	32.04	39.28	32.17	NA
8	Engineers India Limited	27.12	29.95	22.17	21.25	15.80	Larsen & Toubro Limited	34.11	40.45	21.31	31.56	21.48
9	GAIL (India) Limited	-25.27	-14.34	-3.02	-4.55	-5.02	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
10	Hindustan Copper Limited	16.04	18.18	19.67	16.23	10.89	Arcotech Limited	89.96	201.73	22.17	21.32	10.81
11	Hindustan Organic Chemicals Limited	-4.32	-6.87	-1.00	-3.47	-0.36	Coromandel International Limited	23.24	19.13	15.30	19.38	18.43
12	Hindustan Petroleum Corporation Limited	-475.83	-19.02	-213.33	-50.78	25.13	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
13	HMT Limited	-0.78	-0.65	-0.64	-0.44	-0.45	Escorts Limited	29.10	32.00	18.56	20.30	NA
14	I T I Limited	8.25	8.60	6.89	8.05	6.05	BharatiInfratel Limited	25.76	22.46	54.81	26.70	35.29

15	IFCI Limited	-3.25	-10.76	12.12	10.62	8.70	IDFC Limited	52.31	155.71	-5.54	15.41	10.89
16	India Tourism Development Corporation Limited	7.83	9.59	9.19	16.96	9.65	Indian hotels company Limited	95.04	92.70	40.70	-114.56	-9.89
17	Madras Fertilizers Limited	35.02	10.49	3.09	-1.82	-1.25	Coromandel International Limited	23.24	19.13	15.30	19.38	18.43
18	Mahanagar Telephone Nigam Limited	9.29	15.53	21.11	10.84	8.27	Bharti Airtel Limited	2013.34	-14.09	18.59	11.93	19.11
19	Mangalore Refinery and Petrochemicals Limited	-11.63	-13.34	-0.99	-1.93	0.00	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
20	MOIL Limited	8.63	5.13	10.24	-6.87	13.86	Tata Steel Ltd	14.80	15.21	6.56	4.91	6.13
21	National Aluminium Company Limited	-0.40	-0.51	-0.56	-0.40	0.12	Hindalco Industries Ltd	33.21	25.81	-137.34	28.83	19.99
22	National Fertilizers Limited	9.62	25.50	13.96	9.09	15.92	Coromandel International Limited	23.24	19.13	15.30	19.38	18.43
23	NTPC Limited	11.23	9.08	8.43	6.09	7.81	Tata Power Company Ltd	-6.59	85.38	27.39	23.36	24.23
24	Oil and Natural Gas Corporation Limited	9.86	18.43	12.82	8.03	8.61	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
25	Oil India Limited	12.31	13.72	12.07	15.25	11.22	Reliance Industries Ltd	16.63	26.51	12.35	11.74	13.66
26	Rashtriya Chemicals and Fertilizers Limited	11.44	13.27	11.48	14.80	12.34	Coromandel International Limited	23.24	19.13	15.30	19.38	18.43
27	Scooters India Limited	51.19	25.15	11.18	9.64	7.31	Atul Auto Ltd	20.98	27.57	24.04	30.04	13.32
28	Steel Authority of India Limited	-60.00	-8.92	-4.29	13.48	11.28	Tata Steel Ltd	14.80	15.21	6.56	4.91	6.13
29	The Fertilizer and Chemicals Travancore Limited	11.81	26.12	8.03	10.71	-7.05	Coromandel International Limited	23.24	19.13	15.30	19.38	18.43

APPENDIX-X

(As referred to in Para No.1.5.3)

List of CPSEs where Interest Coverage Ratio is less than that of private companies in same sector for 3 or more years during last 5 years

Sl . No	rnment Company	2017-18	2016-17	2015-16	2014-15	2013-14	te Company	2017-18	2016-17	2015-16	2014-15	2013-14
1	ers India Limited	-	-				Auto Ltd	1			1	1
2	imited						ati Infratel Limited			39	-5	1
3	nagar Telephone Nigam Limited						i Airtel Limited					
4	ertilizer and Chemicals Travancore Lin						mandel International Limite					
5	ıstan Fluorocarbons Limited					-	mandel International Limite					
6	ıstan Organic Chemicals Limited						mandel International Limite					
7	as Fertilizers Limited						mandel International Limite					
8	nal Fertilizers Limited						mandel International Limite					
9	riya Chemicals and Fertilizers Limited						mandel International Limite					
10	Limited		-				ts Limited					
11	nai Petroleum Corporation Limited						nce Industries Ltd					
12	(India) Limited						nce Industries Ltd					
13	ıstan Petroleum Corporation Limited						nce Industries Ltd					
14	Oil Corporation Limited						nce Industries Ltd					
15	galore Refinery and Petrochemicals Lin						nce Industries Ltd					
16	dia Limited						nce Industries Ltd					
17	Authority of India Limited						Steel Ltd					

APPENDIX-XI
(As referred to in Para No.1.5.4)
Statement showing Central Government funds infused in the selected CPSEs since 2000-01 till 2017-18

(₹ in crore)

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
1	Scooter India Limited	Equity	0	0	3	0	0	0	0	0	0	0	0	0	10.49	31.9	0	0	0	0
		Interest Free Loan (IFL)	0	0.43	0	0	0.62	0.89	0	0	9.45	28.43	37.32	8.08	1.89	20	0	0	-4	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	85.21	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2	British India Corporation Limited	Equity	0	0	0	-262.57	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	37	0	0	0	0	0	0	0	0	47.35	0	0	0	0	0	0
		Grant/Subsidy	224.32	16	15.04	14.06	18	18	18	18	25	25	55.5	53.33	66.6	19.66	35.34	53.19	0	12
		IFL Converted	0	0	0	249.62	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3	Bharat Wagon and Engineering Company Limited	Equity	0	0	1.86	0	0	0	8.07	0	0	0	0	0	12	9.94	2.51	0	42.33	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4	Hindustan Organic Chemicals Limited	Equity	0	0	0	0	0	0	270	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
5	Hindustan	Equity	0	0	0	0	0	0	0	0	0	0	0	27.31	0	0	0	0	0	0
		Interest Free	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Antibiotics Limited	Loan (IFL)																		
		Grant/Subsidy	0	0	0	0	0	0	57.31	0	10	5.79	7	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
6	National Bicycle Corporation of India Limited	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Richardson & Cruddas (1972) Limited	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	101.78	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Burn Standard Company Limited	Equity	0	0	0	0	0	0	0	0	137.2	0	0	0	43.02	0	2	7	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	23	4.5	0	2	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
9	Loan repaid in 2009-10	Equity	0	0	0	0	200	0	0	0	0		0	0	0	0	192	0	80	337
		Interest Free Loan (IFL)	0	0	0	0	0	100	0	0	0	-100	0	0	0	0	0	0	0	0

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	ITI Limited	Grant/Subsidy	0	0	0	0	551	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
10	Mahanagar Telephone Nigam Limited	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Bharat Sanchar Nigam Limited	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Delhi Metro Rail Corporation Limited	Equity	160	165	172	337.3	229.9	244	250	581	874	896.85	1256.92	584.09	750	514.5	843.06	1423.65	192.05	75.5
12		Interest Free Loan (IFL)	75	1	3	50	0	58	58	225	205.5	64.7	0	249.87	216	400	511.32	717.92	804.69	91.5
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Instrumentation Limited	Equity	0	1.75	1.32	1.22	5.48	6.01	0	0	2.02	49.25	5	0	0	0	0	0	0	0
13		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Hindustan	Equity	0	0	2.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4446.52
14		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	Cables Limited	**Grant/Subsidy**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15	**Air India Limited**	**Equity**	0	0	0	0	0	0	0	145	0	800	1200	1200	6000	5000	2833	4318	5257	1937.21
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
16	**Andaman Fisheries Limited**	**Equity**	0	0	0	0	0.03	0	0	0.48	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0.11	0.11	0	0	0.05	0.35	0.2	0.42	0.15	0.33	0.3	0.36	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0.18	0.18	0	0	0.15	0
	NEPA Limited	**Equity**	0	0	0	0	0	0.62	0	0	0	0	0	1.85	0	0	0	395.12	52.89	0
17		**Interest Free Loan (IFL)**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	Hindustan Steelworks Construction Limited	**Equity**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1502.2	0	0
18		**Interest Free Loan (IFL)**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	310	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
19	Bharat Gold Mines Limited	Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	2.63	0.77	0.16	0.32	3.45	2.62	3.41	0	1.5	0.83	1.5	1.4	1.5	1.5	4.36	2.7	4.54	4.12
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
20	STCL Limited	Equity	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	1.2	1.2	6.29	5.76	5.22	4.7	4.18	3.55	3.26	3.08	2.94	1.3
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	The Fertilisers and Chemicals Limited	Equity	0	0	0	0	0	0	0	0	0	292.3	0	0	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0		0	0	0	0	55.4	0	0	0
	Hindustan Photofilms (Manufacturing) Company Limited	Equity	0	0	0.75	0	0	1	1.5	1.5	1	1	0	0	0	0	0	0	0	0
22		Interest Free Loan (IFL)	32.88	27.26	37.47	0	14.66	25.41	20.54	35.21	27.27	37.06	14.27	0	0	27.3	102.53	23.5	9.46	1
		Grant/Subsidy	13.12	38.79		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	North Eastern Handicrafts and Handloo	Equity	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	6	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Sl. No	CPSE		2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
	m Development Corporation Limited	**IFL Converted**	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24	**Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited**	**Equity**	0	0	0	0	0	0	0	0	0	0	0	3.59	0	0	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Grant/Subsidy	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25	**HMT Limited**	**Equity**	309.75	0	0	2.5	5.5	35.78	248.40	0	0	0	0	0	0	443.74	0	0	0	0
		Interest Free Loan (IFL)	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	543.68	97.90
		Grant/Subsidy	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
		IFL Converted	0	0	0	0	0	0	0	0	0		0	0	0	0	0	0	0	0
		Disinvestment	0	0	0	0	0	0	0	0	0		0	0	0	67.54	0	0	0	0

APPENDIX-XII

(As referred to in Para 2.5.1.1)
List of CPSEs where Three Phase Audit conducted

Sl. No.	Name of the Company
1	Andrew Yule & Company Limited
2	Antrix Corporation Limited
3	Balmer Lawrie & Company Limited
4	BEL Optronics Devices Limited
5	BELThales Systems Limited
6	BEML Limited
7	Bharat Coking Coal Limited
8	Bharat Dynamics Limited
9	Bharat Electronics Limited
10	Bharat Heavy Electricals Limited
11	Bharat Petroleum Corporation Limited
12	Bridge & Roof Company India Limited
13	Central Coalfields Limited
14	Central Mine Planning and Design Institute Limited
15	Central Warehousing Corporation
16	Chennai Petroleum Corporation Limited
17	Coal India Limited
18	Cochin Shipyard Limited
19	Container Corporation of India Ltd
20	Dedicated Freight Corridor Corporation of India Limited
21	Dredging Corporation of India Limited
22	Eastern Coalfields limited
23	Engineers India Limited
24	Fertilizers and Chemicals Travancore Limited
25	GAIL (India) Limited
26	Garden Reach Shipbuilders & Engineers Ltd
27	General Insurance Company of India
28	Goa Antibiotics and Pharmaceuticals Ltd

29	Goa Shipyard Limited
30	Hindustan Aeronautics Limited
31	Hindustan Copper Limited
32	Hindustan Newsprint Limited
33	Hindustan Organic Chemicals Limited
34	Hindustan Petroleum Corporation Limited
35	Hindustan Shipyard Limited
36	HLL Biotech Limited
37	HLL Lifecare Limited
38	Housing and Urban Development Corporation Limited
39	India Infrastructure Finance Compamy Limited
40	Indian Oil Corporation Limited
41	Indian Railway Catering and Tourism Corporation
42	Indian Trade Promotion Organization
43	Indo Russian Helicopters Limited
44	Indraprastha Gas Limited
45	Ircon International Limited
46	Kamrajar Ports Limited
47	Lakshwadeep Corporation Limited
48	Madras Fertilizers Limited
49	Mahanadi Coalfields Limited
50	Mangalore Refinery and Petrochemicals Limited
51	Mazagon Dock Shipbuilders Limited
52	Mecon Limited
53	Mishra Dhatu Nigam Limited
54	MOIL Limited
55	MSTC Limited
56	Naini Aerospace Limited
57	National Aluminium Company Limited
58	National Insurance Company Limited
59	New India Assurance Company Limited
60	NHPC Limited
61	NLC India Limited
62	North Eastern Electric Power Corporation Limited
63	Northern Coalfields Limited
64	NTPC Limited

65	NTPC-SAIL Power Company Limited
66	Nuclear Power Corporation of India Limited
67	Numaligarh Refinery Limited
68	Oil and Natural Gas Corporation Limited
69	Oil India Limited
70	ONGC Videsh Limited
71	PNB-Gilt Limited
72	Power Finance Corporation Limited
73	Powergrid Corporation of India Limited
74	Rail Vikas Nigam Limited
75	Rashtriya Chemicals Fertilizers Limited
76	Rashtriya Ispat Nigam Limited
77	RITES Limited
78	Rural Electrification Corporation Limited
79	Shipping Corporation of India Limited
80	SJVNL Ltd.
81	South Eastern Coalfields Limited
82	Steel Authority of India Limited
83	THDC India Limited
84	The Bharatiya Nabhikiya Vidyut Nigam Limited
85	United India Insurance Company Limited
86	Vigyan Industries Limited
87	Western Coalfields Limited

APPENDIX-XIII

(As referred to in Para 2.5.1.3)
List of CPSEs where Statutory Auditors' Report revised

Sl. No.	Name of the Company
1	BEL Optronics Devices Limited
2	Bharat Dynamics Limited
3	Bharat Petro Resources JPDA Limited
4	Bharatiya Reserve Bank Note Mudran Limited
5	Cement Corporation of India Limited
6	Cheyyur Infra Limited
7	Coal India Limited
8	Cross Border Power Transmission Company Ltd
9	Goa Natural Gas Limited
10	Hindustan Organic Chemicals Limited
11	HMT International Limited
12	HMT Limited
13	HMT Watches Limited
14	IFCI Infrastructure Development Limited
15	IFCI Limited
16	Ircon Davangere Haveri Highway Limited
17	Ircon Infrastructure & Services Limited
18	Ircon Shivpuri Guna Tollway Limited
19	Jharkhand Central Railways Limited
20	Maharashtra Antibiotics and Pharmaceuticals Limited
21	Mangalore Refinery and Petrochemicals Limited
22	Mishra Dhatu Nigam Limited
23	National E-Governance Limited
24	NTPC Vidyut Vyapar Nigam Limited
25	ONGC Mangalore Petrochemicals Limited
26	Powergrid Mithilanchal Transmission Limited
27	Punjab Ashok Hotel Company Limited
28	Rajasthan Electronics & Instruments Limited
29	Ratnagiri Refinery and Petrochemicals Limited

30	Richardson & Cruddas (1972) Limited
31	RINIL Powergrid TLT Private Limited
32	Security Printing and Minting Corporation of India Limited
33	Surat Integrated Transport Development Corporation Limited
34	The Cotton Corporation of India Limited
35	UTI Infrastructure Technology and Services Limited

APPENDIX-XIV

(As referred to in Para 2.5.1.4)
List of CPSEs where Comment by CAG issued

Sl. No.	Name of the Company
1	Artificial Limbs Manufacturing Corporation of India Limited
2	Bank Note Paper Mill India Private Limited
3	Bharat Sanchar Nigam Limited (2016-17)
4	Biotechnology Industry Research Assistance Council
5	Bundelkhand Saur Urja Limited
6	Cent Bank Home Finance Limited
7	Central Coalfields Limited
8	Chennai Ennore Port Road Company Limited
9	Delhi Aviation Fuel Facility Private Limited
10	DNH Power Distribution Corporation Limited
11	EdCIL (India) Limited
12	Engineering Projects India Limited
13	Hindustan Fluorocarbons Limited
14	HMT Bearings Limited
15	IFCI Limited
16	India Infrastructure Finance Company Limited
17	Indian Strategic Petroleum Reserve Limited
18	IRCON PB Tollway Limited
19	Kolkata Metro Rail Corporation Limited
20	Mahanadi Basin Power Limited
21	Mumbai Aviation Fuel Farm & Facility Private Limited
22	National Fertilizers Limited
23	National Handicapped Finance and Development Corporation Limited
24	National Highways & Infrastructure Development Corporation Limited.
25	National Insurance Company Limited
26	North East Transmission Company Limited
27	Nuclear Power Corporation of India Limited
28	ONGC Petro additions Ltd.
29	Oriental Insurance Company Limited

30	Security Printing and Minting Corporation of India Limited
31	SIDCUL CONCOR Infra Company Limited
32	Tanda Transmission Company Limited
33	Tungbhadra Steel Products Limited (2016-17)

APPENDIX-XV

(As referred to in Para 2.6)

Details of Companies where there were non-compliance with Accounting Standards as reported by the Statutory Auditors

Sl. No.	Name of the Company	Category (Listed/ Unlisted)	Government Company (GC) or Government Controlled Other Company (DGC)	Number of Accounting Standard (AS)/ IND AS
1	Agriculture Insurance Company of India Limited	Unlisted	DGC	AS 1 and AS 9
2	Bharat Immunologicals & Biologicals Corporation Ltd.	Listed	GC	IND AS 37
3	Cement Corporation of India	Unlisted	GC	AS 28
4	Eastern Investments Limited	Listed	GC	AS 13
5	Hindustan Antibiotics Limited	Unlisted	GC	AS 21, AS 27, AS 29
6	Hindustan Insecticides Limited	Unlisted	GC	AS 2
7	HMT International Limited	Unlisted	GC	IND AS 19
8	HMT Limited	Listed	GC	IND AS 110
9	HMT Watches Limited	Unlisted	GC	IND AS 8, IND AS 36 and IND AS 109
10	Indian Drugs and Pharmaceuticals Limited	Unlisted	GC	AS 2, AS 10, AS 13, AS 15, AS 28
11	Indian Medicines Pharmaceutical Corporation Limited	Unlisted	GC	AS 28
12	Indian Rare Earths Limited	Unlisted	GC	IND AS 8
13	RINL Powergrid TLT Private Limited	Unlisted	DGC	IND AS 1
14	Security Printing and Minting Corporation of India Limited	Unlisted	GC	IND AS 18, IND AS 19 and IND AS 109

APPENDIX-XVI

(As referred to in Para 2.7)
List of CPSEs where Management Letters issued by CAG

Sl. No.	Name of the Company
1	Aravali Power Company Private Limited
2	Avantika Gas Limited
3	Bangalore Metro Rail Corporation Limited
4	BEML Limited
5	Bharat Electronics Limited
6	Bharat Heavy Electronics Limited
7	Bharat Petro Resources Limited
8	Bharat Petroleum Corporation Limited
9	Bharat PetroResources JPDA
10	Bharat Sanchar Nigam Limited
11	Cent bank Financial Services Ltd
12	Cent Bank Home Finance Limited
13	Central Registry of Securitisation Asset Reconstruction and Security Interest
14	Central UP Gas Limited
15	Central Warehousing Corporation
16	Chennai Ennore Port Road Company Limited
17	Cochin Shipyard Ltd.
18	Container Corporation of India Limited
19	Cross Border Power Transmission Company Limited
20	Delhi Aviation Fuel Facility Private Limited
21	DNH Power Distribution Corporation Limited
22	Electronics Corporation of India Limited
23	Energy Efficiency Services Limited
24	Engineering Projects India Limited
25	Engineers India Limited
26	Export Credit Guarantee Corporation of India Limited
27	Ferro Scrap Nigam Limited
28	General Insurance Corporation of India
29	Goldmohur Design and Apparel Parks Limited

30	Green Gas Limited
31	Hassan Mangalore Rail Development Company Limited
32	Hindustan Petroleum Corporation Limited
33	Hindustan Prefab Limited
34	Hindustan Salts Limited
35	Hindustan Steelworks Construction Limited
36	HLL Biotech Limited
37	HLL Medipark Limited
38	HLL Mother and Child Care Hospital Limited
39	IDBI Capital Markets & Securities Limited
40	India First Life Insurance Company Ltd
41	India Infrastructure Finance Company Limited
42	Indraprastha Gas Limited
43	Industrial Trade Promotion Organisation
44	Ircon Davangera Haveri Highway Limited
45	Ircon International Limited
46	Karnataka Solar Power Development Corporation Limited
47	Kochi Salem Pipeline Pvt Limited
48	Konkan Railway Corporation Limited
49	Lucknow Solar Power Development Corporation Limited
50	Madras Fertilizers Limited
51	Mahanagar Telephone Nigam Limited
52	Maharashtra Metro Rail Corporation Ltd
53	Meja Urja Nigam Private Limited
54	Mineral Exploration Corporation Limited
55	Mumbai Aviation Fuel Farm and Facility Private Ltd.
56	Mumbai Metro Rail Corporation Ltd
57	National Centre for Trade Information
58	National Financial Holdings Company Ltd
59	National Handicapped Finance and Development Corporation Limited
60	National High Power Test Laboratory Pvt. Ltd
61	National Insurance Company Limited
62	National Minorities Development and Finance Corporation Limited
63	National Scheduled Castes Finance and Development Corporation Limited
64	National Scheduled Tribes Finance and Development Corporation Limited
65	National Small Industries Corporation.

66	National Waqf Development Corporation Limited
67	NEIA Trust
68	Neyveli Uttar Pradesh Power Limited
69	NHDC Limited
70	NLC India Ltd.
71	North East Transmission Company Limited
72	NTPC Vidyut Vyapar Nigam Limited
73	Oil & Natural Gas Corporation Limited
74	Power Finance Corporation Limited
75	Power System Operation Corporation Limited
76	Powergrid Corporation of India Limited
77	Powergrid Jabalpur Transmission Limited
78	Powergrid Medinipur Jeerat Transmission Limited
79	Powergrid Unchahar Transmission Limited
80	Powergrid Warora Transmission Limited
81	Powergrid Parli Transmission Limited
82	Prize Petroleum Company Limited
83	Punjab Logistics and Infrastructure Limited
84	Railtel Corporation of India Limited
85	Railtel Enterprises Limited
86	Ratnagairi Gas & Power Pvt Ltd.
87	REC Transmission Projects Company Limited
88	Renewable Power Corporation of Kerala Limited
89	Rural Electrification Corporation Limited
90	Sambhar Salts Limited
91	SJVN Limited
92	Star Union Dai-Ichi Life Insurance Company Ltd
93	STC Limited
94	Steel Authority of India Limited
95	Stock Holding Document Management Services Ltd
96	The New India Assurance Company Ltd
97	UTI Asset Management Company Ltd
98	WAPCOS (India) Limited

APPENDIX-XVII

(As referred to in para 3.1.4)

CPSEs covered for the chapter on Corporate Governance- Listed CPSEs

Sl. No	Name of the CPSE
1	NMDC Ltd
2	KIOCL Ltd
3	Dredging Corporation of India Ltd
4	HMT Ltd
5	Mangalore Refinery and Petrochemicals Ltd
6	NLC India Ltd
7	Chennai Petroleum Corporation Ltd
8	The Fertilisers and Chemicals Travencore Ltd
9	Madras Fertilisers ltd
10	Bharat Electronics Ltd
11	BEML Ltd
12	Hindustan Aeronautics Ltd
13	Bharat Dynamics Ltd
14	Mishra Dhatu Nigam Ltd
15	Container Corporation of India Ltd
16	Mahanagar Telephone Nigam Ltd
17	ITI Ltd
18	Indian Renewable Energy Development Agency
19	Bharat Immunological & Biologicals Corporation Ltd
20	Steel Authority of India Ltd
21	Coal India Ltd
22	Oil India Ltd
23	National Aluminium Company Ltd
24	Hindustan Copper Ltd
25	Balmer Lawrie & Co Ltd
26	Andrew Yule & Co Ltd
27	Balmer Lawrie Investments Ltd
28	Shipping Corporation of India Ltd
29	Rashtriya Chemicals & Fertilisers Ltd
30	Hindustan Organic Chemicals Ltd
31	Oil & Natural Gas Corporation Ltd
32	Bharat Petroleum Corporation Ltd
33	Hindustan Petroleum Corporation Ltd
34	NBCC (INDIA) LTD

35	MMTC Ltd
36	India Tourism Development Corporation Ltd
37	State Trading Corporation of India Ltd
38	Indian oil Corporation Ltd
39	GAIL (India) Ltd
40	Engineers India ltd
41	National Fertilisers Ltd
42	Scooters India Ltd
43	IFCI Ltd
44	NTPC Ltd
45	Power Grid Corporation of India Ltd
46	Bharat Heavy Electricals Ltd
47	NHPC Ltd
48	Power Finance Corporation Ltd
49	Rural Electrification Corporation Ltd
50	SJVN Ltd
51	MOIL Ltd
52	Housing & Urban Development Corporation Ltd

APPENDIX-XVIII

(As referred to para in 4.3 and 4.5.1.2)

Details of CPSEs indicating Administrative Ministry, Category of CPSE, CSR spend, Number of Directors & Independent Directors and Listing details

(₹ in crore)

Name of the CPSEs	Abbreviation	Ministry /Sector	Category	CSR spend	Total Directors	Independent Director	Listed
AIRPORTS AUTHORITY OF INDIA	AAI	aviation	Miniratna	71.9	4	1	Y
AIR INDIA AIR TRANSPORT SERVICES LTD	AIATSL	aviation	Other	0.84	4	0	N
AIR INDIA EXPRESS LTD	AIEL	aviation	Other	0.48	3	0	Y
ANTRIX CORPORATION LTD	ANTRIX	Others	Miniratna	6.96	2	0	N
BHARAT DYNAMICS LTD	BDL	Defence	Miniratna	18.39	7	5	Y
BHARAT ELECTRONICS LTD	BEL	others	Navratna	24.59	6	2	Y
BHARAT EARTH MOVERS LTD	BEML	others	Miniratna	3.35	3	1	Y
BHARAT HEAVY ELECTRICALS LIMITED	BHEL	others	Maharatna	7.36	5	2	Y
BALMER LAWRIE & CO. LTD	BLC	others	Miniratna	4.38	3	2	Y
BALMER LAWRIE INVESTMENTS LTD	BLI	others	Other	0.12	3	0	Y
BHARAT PEROLEUM CORPN. LTD	BPCL	Petroleum	Maharatna	166.01	5	3	Y
CEMENT CORPN. OF INDIA LTD	CCIL	others	Other	0.09	3	1	N
CENTRAL COALFIELDS LTD	CCL	Coal/Mining	Miniratna	45.68	5	2	N
COAL INIDA LIMITED	CIL	Coal/Mining	Maharatna	24.31	6	3	Y
CENTRAL MINE PLANNING & DESIGN INSTITUTE LTD	CMPDIL	Coal/Mining	Miniratna	1.37	4	2	N
CONTAINER CORPORATION OF INDIA LTD	CONCOR	Railways	Navratna	16.22	3	2	Y
CONCOR AIR LTD	CONCOR AIR	Railways	Other	0.13	3	1	N
CHENNAI PETROLEUM CORPORATION LTD	CPCL	Petroleum	Miniratna	9.18	4	1	Y
COCHIN SHIPYARD LTD	CSL	Shipping	Miniratna	8.57	4	2	Y

CENTRAL WAREHOUSING CORP.	CWC	others	Miniratna	5.28	4	1	N
E.C.G.C LTD	ECGC	others	Miniratna	6.55	9	7	N
ENGINEERS INDIA LTD	EIL	others	Navratna	14.74	5	3	Y
GAIL (INDIA) LTD	GAIL	Petroleum	Maharatna	91.65	4	2	Y
GAIL GAS LTD	GAIL GAS	Petroleum	Other	0.79	3	0	N
GOA SHIPYARD LTD	GSL	Shipping	Miniratna	2.88	4	1	N
HINDUSTAN AERONAUTICS LTD	HAL	Defence	Navratna	77.29	4	1	Y
HINDUSTAN PETROLEUM CORPN. LTD	HPCL	Petroleum	Navratna	156.87	5	2	Y
HSCC (INDIA) LTD	HSCC	others	Miniratna	1.44	3	0	N
HOUSING & URBAN DEV. CORPN. LTD	HUDCO	others	Miniratna	12.29	4	3	y
INDIAN INFRASTRUCTURE FINANCE COMPANY LTD	IIFC	Others		17.32	3	0	N
INDIAN OIL CORPORATION LTD	IOCL	Petroleum	Maharatna	331.05	6	2	y
IRCON INTERNATIONAL LTD	IRCON	Railways	Miniratna	8.73	3	2	N
INDIAN RAILWAY CATERING AND TOURISM CORPN LTD	IRCTC	Railways	Miniratna	5.43	6	4	N
INDIAN RENEWABLE ENERGY DEV. AGENCY LTD	IREDA	power	Miniratna	3.61	5	1	N
INDIAN RAILWAY FINANCE CORPORATION LTD	IRFC	Railways	Miniratna	13.21	3	1	Y
India Trade Promotion Organisation	ITPO	Others	Other	3.34	5	1	N
JUTE CORPN. OF INDIA LTD	JCI	others	Other	0.27	3	0	N
KIOCL LTD	KIOCL	Mining	Miniratna	0.16	4	2	Y
KAMARAJAR PORT LTD	KPL	Shipping	Miniratna	2.22	3	1	N
KONKAN RAILWAY CORPORATION LTD	KRCL	Railways	Other	1.06	3	1	Y
MAHANADI COALFIELDS LTD	MCL	Coal/Mining	Miniratna	267.52	7	3	N
MAZAGON DOCK SHIPBUILDERS LTD	MDL	Shipping	Miniratna	24.35	4	2	N
MINERAL EXPLORATION CORPN LTD	MECL	Coal/mining	Miniratna	2.03	3	2	N
MISHRA DHATU NIGAM LTD	MIDHANI	metals	Miniratna	3.28	4	1	N

MOIL Limited	MOIL	Mining	Miniratna	9.62	4	4	Y
MANGALORE REFINERY & PETROCHEMICALS LTD	MRPL	Petroleum	Miniratna	10.03	8	5	Y
MSTC LTD	MSTC	metals	Miniratna	2.15	3	1	N
NATIONAL ALUMINIUM COMPANY	NAL	others	Navratna	29.01	8	5	y
NBCC (INDIA) LTD	NBCC	others	Navratna	8.95	3	1	Y
NORTHERN COALFIELDS LTD	NCL	Coal/Mining	Miniratna	36.59	7	3	N
NORTH EASTERN ELECTRIC POWER CORPORATION LTD	NEEPCO	power	Miniratna	5.32	6	3	N
NATIONAL FERTLISER LIMITED	NFL	Fertiliser	Miniratna	2.97	5	3	Y
NHDC LTD	NHDC	others	Other	21.07	4	0	N
NHPC LTD	NHPC	power	Miniratna	38.55	5	1	Y
NLC INDIA LTD	NLC	Mining	Navratna	43.59	6	2	Y
NATIONAL MINERAL DEVELOPMENT CORPORATION	NMDCL	Metals	Navratna	169.37	6	3	Y
NUCLEAR POWER CORPN OF INDIA LTD	NPCL	power	Other	63	5	2	N
NUMALIGARH REFINERY LTD	NRL	Petroleum	Miniratna	46.25	3	1	Y
NATIONAL SMALL INDUSTRIES CORPN LTD	NSICL	others	Miniratna	3.03	5	3	N
NTPC Vidyut Vyapar Nigam Limited	NTP VVN	power	Other	1.7	3	0	N
NTPC LTD	NTPC	power	Maharatna	241.54	5	3	Y
NLC Tamilnadu Power Limited	NTPL	power	Other	1.44	4	1	N
OIL INDIA LIMITED	OIL	Petroleum	Navratna	100.58	5	2	Y
OIL& NATURAL GAS CORPORATION LTD.	ONGC	Petroleum	Maharatna	503.44	6	5	Y
POWER FINANCE CORPORATION LTD	PFCL	power	Navratna	118.18	3	1	Y
POWER GRID CORPORATION OF INDIA LIMITED	PGCL	power	Navratna	157.99	7	2	Y
PAWAN HANS LTD	PHL	aviation	Miniratna	0.29	4	2	N
RAILTEL CORPORATION INDIA LTD	RAILTEL	Railways	Miniratna	0.76	4	2	N

RASHTRIYA CHEMICALS AND FERTILIZERS LTD	RCF	Fertiliser	Miniratna	7.79	4	2	Y
REC POWER DISTRIBUTION CO. LTD	RPDCL	power	Other	0.95	3	0	N
RURAL ELECTRIFICATION CORPN. LTD	RECL	power	Navratna	71.49	5	3	y
RITES LTD	RITES	Railways	Miniratna	9.91	5	3	Y
RAIL VIKAS NIGAM LTD	RVNL	Railways	Miniratna	7.67	4	1	N
SHIPPING CORPN OF INDIA LTD	SCI	Shipping	Navratna	1.69	6	3	Y
SOLAR ENERGY CORPN. OF INDIA	SECI	power	Other	0.78	0	0	N
SOUTH EASTERN COALFIELDS LTD	SECL	Coal/Mining	Miniratna	93.62	4	2	N
SJVN LTD	SJVN	others	Miniratna	38.76	3	1	Y
SECURITY PRINTING & MINTING CORPN INDIA LTD	SPMCIL	others	Other	4.66	3	1	N
TELECOMMUNICATIONS CONSULTANTS (INDIA) LTD	TCI	others	Miniratna	1.16	3	1	N
THDC INDIA LTD	THDC	others	Miniratna	16.2	4	2	Y
URANIUM CORPORATION OF INDIA LTD	UCIL	power	Other	1.92	4	1	N
WAPCOS LTD	WAPCOS	others	Miniratna	3.02	3	2	N
					354	**150**	

APPENDIX-XIX

(As referred to para in 4.5.1.4)

Quarter-wise details of approved CSR budget allocation

CPSE	Quarter in which budget allocation approved			
	Q1	Q2	Q3	Q4
AAI	Jun-17			
AIATSL			Dec-17	
AIEL	Mar-17			
BDL		Aug-Dec 17		
BEL			Oct-17	
BEML	Jun-17			
BLC	May-17			
BLI				Jan-18
BPCL		July-Aug 17		
CCI			Nov-17	
CCL			Nov-17	
CIL		Aug-17		
CMPDIL	May-17			
CONCOR		Jul-17		
CONCOR AIR		Jul-17		
CPCL	May-17			
CSL	May-17			
ECGC	NA			
EIL		Aug-17		
GAIL	May-17			
GAIL GAS			Oct-17	
GSL	Jun-17			
HAL	Apr-17			
HPCL	Mar-17			
HSCC			Oct-17	

HUDCO	Mar-17			
IIFCL			Nov-17	
IOCL		Aug-17		
IRCON			Dec-17	
IRCTC		Aug-17		
IREDA	Jun-17	Jul- Aug 17	Nov-17	Feb-18
ITPO		Aug-17		Jan-18
JCI		Aug-17		
KIOCL			Oct-17	
KPL		Jul-17		
MDL		Sep-17		
MECL	Jun-17			
MIDHANI		July-Aug 17		
MOIL	May-17			
MRPL		Jul-17		
MSTC	May-17		Oct-17	
NALCO		Jul-17		
NBCC		Aug-Dec 2017		
NCL	May-17	Aug-17	Jan-18	Mar-18
NEEPCO		Aug-17		Feb-18
NFL		Jul-17		
NHDC			Oct-17	
NLC	May-17			
NMDC	May-17			
NPCIL	Mar-17			
NRL	Jun-17			
NSIC		Aug- Dec 17		
NTPL	NA			
OIL	May-17			
ONGC	Apr-17			
PFCL	Mar-17			

PHL		Sep-17		
RailTel				Jan-18
RCF	May-17			
RECL		Jul-17		
RECPDL	May-17			
RITES	Apr-17			
RVNL	May-17			
SCI			Nov-17	
SECL		Jul-17		
SPMCIL	Apr-17			
TCIL		Aug-Sep 17		

APPENDIX-XX

(As referred to para in 4.5.2.1 and 4.5.2.3)

Allocation and actual CSR spend including carry forward

(₹ in crore)

CPSE	2% to be spent	Carry forward	Allocated	Actual spent	Difference	Remarks	Difference	unspent of CF	unspent of CY
AAI	73.64	60.01	73.61	71.9	1.74	Deficit	0.03	0	-61.75
AIATSL	1.87	1.4	1.87	0.84	1.03	Deficit	0	0.56	-1.87
AIEL	3.98	0.18	3.98	0.48	3.5	Deficit	0	0	-3.68
Antrix	6.76	12.71	6.76	6.96	-0.2	Excess	0	12.51	0
BDL	15.09	3.47	15.09	18.39	-3.3	Excess	0	0.17	0
BEL	34.75	31.22	34.99	24.59	20.36	Deficit	-0.24	21.02	-20.36
BEML	1.22	0	1.22	3.35	-2.13	Excess	0	0	2.13
BHEL	10.35	53.9	10.4	7.36	2.99	Deficit	-0.05	28.09	-28.8
BLC	4.48	0	4.48	4.38	0.1	Deficit	0	0	-0.1
BLI	0.12	0	0.12	0.12	0	same	0	0	0
BPCL	183.33	127.23	310.56	166.01	17.32	Deficit	-127.23	113.23	-31.32
CCIL	0.91	0	0	0.09	0.82	Deficit	0.91	0	-0.82
CCL	54.8	25.61	54.8	45.68	9.12	Deficit	0	10.49	-24.24
CIL	7.88	0	7.88	24.31	-16.43	Excess	0	0	16.43
CMPDIL	0.98	0	1.5	1.37	-0.39	Excess	-0.52	0	0.39
CONCOR	25.22	1.53	25.22	16.22	9	Deficit	0	0	-10.53
CONCOR AIR	0.35	0.39	0.35	0.13	0.22	Deficit	0	0.39	-0.22
CPCL	9.09	0	9.18	9.18	-0.09	Excess	-0.09	0	0.09
CSL	8.54	0	8.54	8.57	-0.03	Excess	0	0	0.03
CWC	5.25	0.23	5.25	5.28	-0.03	Excess	0	0	-0.2
ECGC	7	5.31	7	6.55	0.45	Deficit	0	0	-5.76
EIL	9.16	26.83	9.16	14.74	-5.58	Excess	0	21.25	0
GAIL	69.67	0	91.65	91.65	-21.98	Excess	-21.98	0	21.98
GAIL GAS	1.18	0	1.18	0.79	0.39	Deficit	0	0	-0.39
GSL	2.28	0	2.28	2.88	-0.6	Excess	0	0	0.6
HAL	66.41	0	73.78	77.29	-10.88	Excess	-7.37	0	10.88
HPCL	126.38	0	156.38	156.87	-30.49	Excess	-30	0	30.49
HSCC	1.21	0.23	1.44	1.44	-0.23	Excess	-0.23	0	0
HUDCO	22.89	11.35	18.21	12.29	10.6	Deficit	4.68	7.06	-14.89
IIFC	17.32	0	17.32	17.32	0	Same	0	0	0
IOCL	327.94	3.11	327.94	331.05	-3.11	Excess	0	0	0
IRCON	7.67	0.91	7.67	8.73	-1.06	Excess	0	0	0.15

IRCTC	4.91	0	5.68	5.43	-0.52	Excess	-0.77	0	0.52
IREDA	10.33	13.81	10.33	3.61	6.72	Deficit	0	11.57	-8.96
IRFCL	39.97	23.06	39.97	13.21	26.76	Deficit	0	15.53	-34.29
ITPO	3.61	3.29	3.61	3.34	0.27	Deficit	0	3.29	-0.27
JCI	0.32	0.17	0.32	0.27	0.05	Deficit	0	0.06	-0.16
KIOCL	0	0.15	0.01	0.16	-0.16	Excess	-0.01	0	0.01
KPL	8.99	0	8.94	2.22	6.77	Deficit	0.05	0	-6.77
KRCL	1.54	1.1	1.54	1.06	0.48	Deficit	0	1.1	-0.48
MCL	122.85	0	122.85	267.52	-144.67	Excess	0	0	144.67
MDL	16.63	20.64	16.63	24.35	-7.72	Excess	0	12.76	-0.16
MECL	2.48	0	2.5	2.03	0.45	Deficit	-0.02	0	-0.45
MIDHANI	3.24	0	3.24	3.28	-0.04	Excess	0	0	0.04
MOIL	9.22	0	9.22	9.62	-0.4	Excess	0	0	0.4
MRPL	30.32	3.55	30.32	10.3	20.02	Deficit	0	1.17	-22.4
MSTC	2.13	0	2.15	2.15	-0.02	Excess	-0.02	0	0.02
NAL	27.88	0	27.88	29.01	-1.13	Excess	0	0	1.13
NBCC	8.76	0	8.76	8.95	-0.19	Excess	0	0	0.19
NCL	72.47	0	67.49	36.59	35.88	Deficit	4.98	0	-35.88
NEEPCO	8.27	0.0028	8.27	5.32	2.95	Deficit	0	0	-2.9528
NFL	4.35	2.51	4.35	2.97	1.38	Deficit	0	0.99	-2.9
NHDC	20.03	7.05	27.08	21.07	-1.04	Excess	-7.05	6.01	0
NHPC	59.52	0	59.52	38.55	20.97	Deficit	0	0	-20.97
NLC	37.32	6.27	37.32	43.59	-6.27	same	0	0	0
NMDC	121.03	0	121.02	169.37	-48.34	Excess	0.01	25.79	74.13
NPCIL	63	11.4	63	63	0	Same	0	10.92	-0.48
NRL	40.98	4.97	40.98	46.25	-5.27	Excess	0	0	0.3
NSICL	3.03	0	3.03	3.03	0	same	0	0	0
NTPC	220.75	0	220.75	241.54	-20.79	Excess	0	0	20.79
NTPC VNL	1.77	0.11	1.77	1.7	0.07	Deficit	0	0.11	-0.07
NTPL	0	0	0	1.44	-1.44	Excess	0	0	1.44
OIL	61.76	0	133.78	100.58	-38.82	Excess	-72.02	0	38.82
ONGC	487.04	15.31	487.04	503.44	-16.4	Excess	0	15.14	16.23
PFCL	149.21	100.2	77.07	118.18	31.03	Deficit	72.14	49.4	-81.83
PGCIL	157.94	123.38	157.94	157.99	-0.05	Excess	0	123.33	0
PHL	0.73	0	0.73	0.29	0.44	Deficit	0	0	-0.44
RailTel	3.68	0	3.7	0.76	2.92	Deficit	-0.02	0	-2.92
RCF	7.73	0	7.73	7.79	-0.06	Excess	0	0	0.06
REC	161.95	76.77	161.95	71.49	90.46	Deficit	0	54.73	-112.5
RECPDC	1.13	0.63	1.09	0.95	0.18	Deficit	0.04	0.26	-0.55

RITES	9.9	0	9.9	9.91	-0.01	Excess	0	0	0.01
RVNL	7.23	0	7.67	7.67	-0.44	Excess	-0.44	0	0.44
SCI	5.85	1.6	5.85	1.69	4.16	Deficit	0	0.01	-5.75
SECI - solar	0.78	0	0.78	0.78	0	Same	0	0	0
SECL	93.3	186.35	93.3	93.62	-0.32	Excess	0	186.03	0
SJVN	37.5	0	37.5	38.76	-1.26	Excess	0	0	1.26
SPMCIL	4.59	0	5.5	4.66	-0.07	Excess	-0.91	0	0.07
TCIL	0	0.08	1.39	1.16	-1.16	Excess	-1.39	0.02	1.1
THDC	16.18	0	16.5	16.2	-0.02	Excess	-0.32	0	0.02
UCIL	2.5	0.68	1.92	1.92	0.58	Deficit	0.58	0	-1.26
WAPCOS	2.68	0	0	3.02	-0.34	Excess	2.68	0	0.34
		968.7028							0
	3202.73	968.7028	3387.31	3266.03	-63.3		-180.30	732.99	-137.79

APPENDIX-XXI
(As referred to in Para No. 4.5.2.8)

List of States/Schemes where amount has been spent under Corporate Social Responsibility

Sl. No.	State/Scheme	CSR Expenditure (₹ in crore)
1	Odisha	387.86
2	Chattisgarh	303.90
3	Gujarat	278.56
4	Uttar Pradesh	242.27
5	Maharashtra	223.59
6	Assam	184.56
7	Andhra Pradesh	175.22
8	Tamil Nadu	120.48
9	Karnataka	116.93
10	Arunachal Pradesh	94.13
11	Delhi	83.45
12	Madhya Pradesh	75.67
13	Jharkhand	73.05
14	West Bengal	52.68
15	Rajasthan	51.44
16	Uttarakhand	47.16
17	Bihar	43.07
18	Telangana	40.80
19	Haryana	40.52
20	Himachal Pradesh	38.60
21	Kerala	36.06
22	Jammu & Kashmir	9.57
23	Tripura	8.07
24	Punjab	7.92
25	Sikkim	5.88
26	Goa	3.65
27	Meghalaya	2.64
28	Pondicherry	1.79
29	Chandigarh	1.54
30	Lakshadweep	1
31	Mizoram	0.59
32	Nagaland	0.57
33	Manipur	0.54

34	Dadra & Nagar Haveli	0.20
35	Andaman & Nicobar	0.13
36	Daman & Diu	0
37	Pan India Schemes	549.21
38	CSR spent by RECL in different States/Schemes	22.04
39	Administrative expenses	11.17
40	CSR spent by MOIL to its Foundation	1.5
41	CSE spent by SECI in different States/Schemes	0.78
	Total	**3338.79***

* ₹ 0.19 crore is the difference on account rounding off of figures from lakh to crore.

APPENDIX-XXII

(As referred to para in 4.5.3.5)

Scheme wise CSR spend by CPSEs

Sl. No	CPSE	SB	Percentage	Clean Ganga	SB Kosh	PMUY	SDI	SoU	IIPE
1	AAI	28.26	39.30	20	20				
2	AIATSL	0	0						
3	AIEL	0.1	20.83						
4	Antrix	2.68	38.51	0	0	0	0		
5	BDL	5.82	31.65		4.5				
6	BEL	3.19	13.12						
7	BEML	0	0						
8	BHEL	0.1	1.36						
9	BLC	1.25	28.54					0.62	
10	BLIL	0	0						
11	BPCL	68.77	41.43			36.67	5.5	45	
12	CCIL	0.08	88.89						
13	CCL	21.45	46.96	0	0				
14	CIL	0.89	3.66						
15	CMPDIL	0.14	10.22						
16	CONCOR	2.95	18.19	0	1				
17	CONCOR AIR	0.1	76.92		0.1				
18	CPCL	4.45	48	0.25	0.37	0.92			
19	CSL	1.66	19.37	0.6					
20	CWC	2.37	46.93		1.81				
21	ECGC	0.67	10.23	0	0.67				
22	EIL	0.02	0.14				2.25	5	
23	GAIL	7.06	7.7				1.5	25	
24	GAIL GAS	0.41	51.90		0.02				
25	GSL	0.86	29.86						

26	HAL	3.75	4.85						
27	HPCL	62.84	40.06			25.27	9		35
28	HSCC	0	0.00	0.94					0
29	HUDCO	8.78	71.44	0	8	0	0		
30	IIFC	0.7	4.04	0	0	0	0		
31	IOCL	80.11	24.20			79.99	10	68.17	60
32	IRCON	2.51	28.75	1.45					
33	IRCTC	0.91	16.76						
34	IREDA	2.18	60						
35	IRFC	0	0	10.89					
36	ITPO	1	29.94	1	1				
37	JCL	0.08	50.00						
38	KIOCL	0.12	80.00						
39	KPL	1.79	80.63	0	1.78				
40	KRCL	0.05	4.72		0.05				
41	MCL	24.72	9.24						
42	MDL	4.58	18.81	1	2.7				
43	MECL	0.22	10.84						
44	Midhani	0.75	22.87						
45	MOIL	0.24	2.49						
46	MRPL	2.78	27.72					5	
47	MSTC	0	0.00						
48	NAL	13.46	46.40						
49	NBCC	2.89	32.29		2.89				
50	NCL	0.23	0.63						
51	NEEPCO	0.18	3.38						
52	NFL	0.47	15.82						
53	NHDC	9.87	46.84		1.53				
54	NHPC	21.7	56.29					5	
55	NLC	0.5	1.34						

56	NMDC	18	10.63						
57	NPCIL	4.81	7.63						
58	NRL	10.42	25.24						
59	NSICL	1.03	33.99		1.03				
60	NTPC	32.4	13.41						
61	NTPCVVN	0.02	1.18						
62	NTPL	0	0						
63	OIL	21.46	21.34				4.55		15
64	ONGC	184.46	36.64				6		60
65	PFCL	64.42	54.51		49				
66	PGCIL	45.42	28.75		40			12.5	
67	PHL	0.28	96.55		0.28				
68	RAILTEL	0	0	0					
69	RCF	0.46	5.91						
70	REC	3.66	46.98						
71	REPDCL	0	0	0	0	0	0		
72	RITES	0.68	6.86		0.1				
73	RVNL	0.31	4.04						
74	SCI	0.15	8.88						
75	SECIL	0.18	23.08	0.18	0.18	0	0		
76	SECL	6.18	6.60	10					
77	SJVN	0.43	1.11	0	0	0	0		
78	SPMCIL	1.8	38.63	0.5	1.5				
79	TCIL	0.46	39.66	0.23	0.23				
80	THDC	1.06	6.54						
81	UCIL	0	0.00						
82	WAPCOS	0.23	7.62						
		799.01	**24.09**	**47.04**	**138.74**	**142.85**	**38.8**	**166.29**	**170**

Annexure-XXIII

(As referred to para in 4.5.5)

Compliance to CSR policy, Monitoring and Reporting by CPSEs

CPSES	CSR policy web link in the annual report	Disclosure on areas of intervention in CSR policy	Disclosure in the mode of implementation in CSR policy	Disclosure relating to treatment of surplus funds	Details of monitoring framework	Disclosing CSR Committee composition in Annual Report	Standalone CSR Committee	Minimum Directors in CSR Committee	Independent Director in CSR Committee	Disclosure in prescribed format	Details of average net profit or loss of the company for last three FYs	Details of total amount to be spent	Details of amount spent	CPSE that have spent prescribed 2%	Reporting separately on project direct and overhead expenses	Details of admin expenses in Annual report	Admin expense within limit of 5%	Reasons for not spending the prescribed amount	Responsibility statement given
AAI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
AIATSL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
AIEX	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
Antrix	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
BDL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
BEL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
BEML	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	Yes	NA	Yes
BHEL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
BLC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
BLI	No	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	NA	No	Yes	NA	Yes
BPCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
CCI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	No	No
CCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
CIL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	N/A	Yes
CMPDIL	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	Yes	NA	No	Yes	NA	Yes
CONCOR AIR	No	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	Yes	Yes
CONCOR	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	Yes	Yes
CPCL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
CSL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
CWC	No	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	No	Yes
ECGC	No	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	No	No
EIL	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	NA	Yes
GAIL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
GAIL GAS	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	No	NA	Yes	Yes
GSL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	NA	Yes

HAL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
HPCL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	NA	Yes
HSCC	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	No	No	No	No	Yes	NA	No	No	NA	No
HUDCO	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	Yes	Yes
IIFCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
IOCL	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
IRCON	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
IRCTC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	yes
IREDA	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
IRFC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes
ITPO	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
JCI	No	No	No	No	No	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	No	No	NA	Yes	Yes
KIOCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	Yes	NA	Yes
KPL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes
KRCL	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	Yes	Yes
MCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes
MDL	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
MECL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	Yes	Yes	Yes
MIDHANI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes
MOIL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
MRPL	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
MSTC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
NAL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	Yes
NBCC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
NCL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
NEEPCO	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
NFL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
NHDC	No	Yes	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
NHPC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	yes
NLC	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
NMDC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	Yes	NA	yes
NPCIL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes
NRL	No	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
NSIC	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	NA	NA	No
NTPC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes

NTPCVV	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
NTPL	No	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes
OIL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	No	NA	NA	Yes
ONGC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
PFCL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
PGCL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	NA	Yes
PHL	yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	yes	yes	yes	Yes	No	NA	No	Yes	Yes	yes
RAIITEL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
RCF	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	NA	NA	Yes
RECL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes
RITES	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	NA	Yes
RPDC	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	No	NA	No	NA	Yes	Yes
RVNL	Yes	Yes	Yes	no	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
SCI	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	yes
SECI	No	Yes	Yes	Yes	Yes	No	No	No	No	No	No	Yes	Yes	Yes	NA	No	No	NA	No
SECL	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	NA	Yes
SJVN	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
SPMCIL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
TCIL	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
THDC	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes
UCIL	No	Yes	No	No	No	Yes	Yes	Yes	Yes	No	No	Yes	No	No	No	No	NA	Yes	No
WAPCOS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	NA	NA	yes
Yes	62	81	77	44	72	80	76	80	70	78	77	81	77	43	43	39	69	36	76
No	20	1	5	38	9	2	6	2	12	4	5	1	5	39	10	43	9	3	6
NA	0	0	0	0	0	0	0	0	0	0	0	0	0	0	29	0	4	43	0
Total	**82**	**82**	**82**	**82**	**81**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**	**82**

APPENDIX-XXIV

(As referred to in para 5.5)
List of CPSEs covered under chapter on 'Analysis of Memorandums of Understanding between Administrative Ministries and Miniratna CPSEs'

Sl. No.	Name of CPSEs	Administrative Ministry	MOU rating for 2016-17	MOU rating for 2017-18
1	Dredging Corporation of India Limited (DCIL)	Ministry of Shipping	Good	Good
2	Kudremukh Iron Ore Company Limited (KIOCL) Limited	Ministry of Steel	Good	Good
3	Ferro Scrap Nigam Limited (FSNL)	Ministry of Steel	Very Good	Good
4	MECON Limited	Ministry of Steel	Good	Good
5	Chennai Petroleum Corporation Limited (CPCL)	Ministry of Petroleum & Natural Gas	Excellent	Excellent
6	Mangalore Refinery & Petrochemicals Limited (MRPL)	Ministry of Petroleum & Natural Gas	Excellent	Excellent
7	Balmer Lawrie & Co. Limited (BLC)	Ministry of Petroleum and Natural Gas	Very Good	Excellent
8	Numaligarh Refinery Limited (NRL)	Ministry of Petroleum and Natural Gas	Excellent	Excellent
9	Mahanadi Coalfields Limited (MCL)	Ministry of Coal	Very good	Not Available
10	South Eastern Coalfields Limited (SECL)	Ministry of Coal	Very good	Not Available
11	Rashtriya Chemicals & Fertilizers Limited (RCF)	Ministry of Chemical & Fertilizers	Good	Poor
12	Airports Authority of India (AAI)	Ministry of Civil Aviation	Excellent	Excellent
13	Metals and Minerals Trading Corporation of India (MMTC) Limited	Ministry of Commerce and Industry	Excellent	Excellent
14	National Fertilizers Limited	Ministry of Chemicals & Fertilizers	Good	Very Good
15	ONGC Videsh Limited (OVL)	Ministry of Petroleum and Natural Gas	Excellent	Very Good
16	Housing & Urban Development Corporation (HUDCO)	Ministry of Ministry of Housing and Urban Poverty Alleviation	Excellent	Excellent
17	NHPC Limited	Ministry of Power	Good	Very Good

APPENDIX –XXV

(As referred to in para 6.4)

List of CPSEs covered in the Study

Sl. No.	Name of the CPSE	Remarks
1	Hindustan Fluorocarbons Limited	Listed CPSE
2	Andrew Yule & Company Limited	Listed CPSE
3	Braithwaite Burn and Jessop Construction Company Limited	Unlisted
4	Bridge and Roof Co. (India) Limited	Unlisted
5	Hooghly Printing Company Limited	Unlisted
6	Yule Electrical Limited	Unlisted
7	Yule Engineering Limited	Unlisted
8	Mineral Exploration Corporation Limited	Unlisted
9	Maharashtra Metro Rail Corporation Limited	Unlisted
10	Hindustan Organic Chemicals Limited	Listed
11	Cotton Corporation of India Limited	Unlisted
12	Chennai-Ennore Port Road Company Limited	Unlisted
13	Hassan Mangalore Rail Development Company Limited	Unlisted
14	National High Speed Rail Corporation Limited	Unlisted
15	Ircon Davanagere Haveri Highway Limited	Unlisted. Incorporated on 11-05-2017
16	Surat Integrated Transportation Development Corporation Limited	Unlisted. Incorporated on 17-10-2017
17	Scooters India Limited	Listed.
18	Himachal Renewables Limited	Unlisted.
19	Karnataka Solar Power Development Corporation Limited	Unlisted.
20	Ranchi Ashok Bihar Hotel Corporation Limited	Unlisted.
21	MECON Limited	Unlisted.
22	Hindustan Steelworks Construction Limited	Unlisted.
23	Solar Energy Corporation of India	Unlisted.
24	India Tourism Development Corporation	Listed
25	STC Limited	Listed

APPENDIX-XXVI

(as referred to in Para 7.2)
List of CPSEs covered in the Chapter for Expenditure on Research and Development

Sl. No.	Name of the CPSE	Category of CPSE
1.	BEML Limited	Miniratna
2.	Electronics Corporation of India Limited	Other
3.	Hindustan Aeronautics Limited	Navratna
4.	Bharat Electronics Limited	Navratna
5.	Bharat Dynamics Limited	Miniratna
6.	Bharat Heavy Electricals Limited	Maharatna
7.	Engineers India Limited	Navratna
8.	Gail (India) Limited	Maharatna
9.	Oil & Natural Gas Corporation Limited	Maharatna
10.	Oil India Limited	Navratna
11.	Bharat Petroleum Corporation Limited	Navratna
12.	Hindustan Petroleum Corporation Limited	Navratna
13.	Indian Oil Corporation Limited	Maharatna
14.	Mazagon Dock Shipbuilders Limited	Miniratna
15.	Steel Authority of India Limited	Maharatna
16.	NMDC Limited	Navratna
17.	NTPC Limited	Maharatna
18.	Nuclear Power Corporation of India Limited	Other
19.	Power Grid Corporation of India Limited	Navratna
20.	ITI Limited	Other
21.	National Aluminium Company Limited	Navratna

APPENDIX-XXVII

(As referred to in Para 7.5.2.2)
List of CPSEs and the years in which utilization of 100 *per cent* of the R&D budget was achieved

Sl. No.	Name of the CPSE	Years in which 100 % R&D budget was utilised
1.	Oil & Natural Gas Corporation Limited	2013-14, 2014-15 and 2016-17
2.	Gail (India) Limited	2013-14 to 2016-17
3.	Bharat Heavy Electricals Limited	2013-14 to 2017-18
4.	Indian Oil Corporation Limited	2015-16
5.	NTPC Limited	2013-14 to 2017-18
6.	Hindustan Petroleum Corporation Limited	2013-14, 2016-17 and 2017-18
7.	Oil India Limited	2014-15 to 2017-18
8.	National Aluminium Company Limited	2016-17
9.	Bharat Petroleum Corporation Limited	2015-16
10.	Bharat Dynamics Limited	2016-17
11.	Mazagon Dock Shipbuilders Limited	2013-14 to 2017-18
12.	Hindustan Aeronautics Limited	2013-14 to 2017-18

APPENDIX -XXVIII

(As referred to in para 8.5.2)
MMTC share price trend (from BSE)

(Amount in ₹)

Date	Open Price	High Price	Low Price	Close Price
31-Jan-18	60.3	61.9	60.2	61.15
30-Jan-18	61	61.75	60.15	60.45
29-Jan-18	62.65	63.35	61.15	61.25
25-Jan-18	62.65	63.65	62.4	62.6
24-Jan-18	64.3	64.85	62.7	62.9
23-Jan-18	65.1	66.4	64.55	64.85
22-Jan-18	64.65	66.25	64.45	64.95
19-Jan-18	64.35	65.15	63.5	64.2
18-Jan-18	66.2	67.7	64.2	64.75
17-Jan-18	65.1	67.4	64.3	66.35
16-Jan-18	68.2	68.55	65.9	66.15
15-Jan-18	68.6	68.9	67.75	67.85
12-Jan-18	68.5	69.45	67.55	67.9
11-Jan-18	68.5	69.45	68.3	68.6
10-Jan-18	69.5	70.4	68.1	68.45
09-Jan-18	71	71.45	69	69.25
08-Jan-18	71.45	71.9	70.35	70.65
05-Jan-18	71.35	72.5	70.55	70.95
04-Jan-18	71.65	73.2	71.15	71.4
03-Jan-18	71.3	73.5	70.95	71.35
02-Jan-18	73.85	73.85	70.7	71.05
01-Jan-18	73.25	74.6	72.95	73.1
29-Dec-17	75.9	76.4	72.9	73.25
28-Dec-17	73.95	77.25	73.9	75.1
27-Dec-17	71.5	76.1	71.5	73.45
26-Dec-17	72.1	72.5	71.2	71.45
22-Dec-17	72.1	73.9	71.5	71.9
21-Dec-17	72.5	72.6	71.7	71.9
20-Dec-17	72	74.15	71.5	71.8
19-Dec-17	71	72	71	71.6
18-Dec-17	71	71.7	68	70.6
15-Dec-17	72.1	72.75	71.1	71.25
14-Dec-17	72.5	73.35	71.05	71.7
13-Dec-17	71.2	73.4	70.2	71

Date	Open Price	High Price	Low Price	Close Price
12-Dec-17	71	73	69.95	70.45
11-Dec-17	72	72.6	70.8	71.2
08-Dec-17	72	73.85	71.25	71.35
07-Dec-17	71	73.35	70.8	71.8
06-Dec-17	71.35	72.1	69.25	69.85
05-Dec-17	72.9	73.25	71.4	71.55
04-Dec-17	75.8	76.4	72.6	72.9
01-Dec-17	75.3	77.25	74.35	74.9
30-Nov-17	77.3	78.2	74.5	74.9
29-Nov-17	79.05	79.45	77	77.3
28-Nov-17	78	81.8	78	78.6
27-Nov-17	77	79.7	76.35	78.75
24-Nov-17	77.5	79.7	76.65	76.8
23-Nov-17	79.5	80.25	77.9	78.1
22-Nov-17	80	81.15	78	78.9
21-Nov-17	80.7	83	78.9	79.25
20-Nov-17	80.5	83.4	78.2	80.65
17-Nov-17	82.9	84.35	80.3	80.95
16-Nov-17	75	81.75	73.45	80.6
15-Nov-17	79.9	79.9	72.75	74.35
14-Nov-17	83.9	83.9	77.75	78.6
13-Nov-17	87	87.6	81.5	82.7
10-Nov-17	86.7	88.4	84	84.85
09-Nov-17	86	90.3	82.3	88.1
08-Nov-17	97	97	86.2	86.2
07-Nov-17	98.8	101.6	94	95.75
06-Nov-17	73.4	87.45	72.3	86.9
03-Nov-17	75.25	75.6	72.25	73.1
02-Nov-17	71.2	77.85	69.4	74.5
01-Nov-17	63.55	71.45	63.55	70.5
31-Oct-17	64.5	64.55	63.1	63.3
30-Oct-17	66.65	66.8	64	64.4
27-Oct-17	62.35	65.7	61.7	65.3
26-Oct-17	60.75	63.2	60.2	61.9
25-Oct-17	59.3	61.4	58.6	60.65
24-Oct-17	59.2	60.25	57.35	59.1
23-Oct-17	59.7	60.6	58.8	59.2
19-Oct-17	60.4	60.6	59.35	59.65

Date	Open Price	High Price	Low Price	Close Price
18-Oct-17	60.45	61.6	60.3	60.5
17-Oct-17	60.6	61.7	60.35	60.7
16-Oct-17	61.75	62.1	60.45	60.55
13-Oct-17	63.3	63.45	61	61.4
12-Oct-17	67	67.5	62.8	63.1
11-Oct-17	61.3	65.3	60.75	62.95
10-Oct-17	59.5	61.3	59.45	60.1
09-Oct-17	60.1	60.7	59.2	59.35
06-Oct-17	58.75	61.15	58.55	59.95
05-Oct-17	57	59.65	57	58.2
04-Oct-17	56.5	57.4	56.4	56.7
03-Oct-17	56.65	57	55.85	56.05
29-Sep-17	56.7	57.2	56	56.15
28-Sep-17	56	56.65	55.7	56
27-Sep-17	57.9	58.25	55.4	55.6
26-Sep-17	56.75	58.1	56.6	57.35
25-Sep-17	59.2	59.35	56.4	56.5
22-Sep-17	62.5	62.5	59	59.2
21-Sep-17	62.75	63.5	61.05	62.7
20-Sep-17	60.6	64.3	60	62.45
19-Sep-17	60.5	61.7	59.5	60.3
18-Sep-17	60	60.6	59.15	59.55
15-Sep-17	59.45	60.35	58.7	59.15
14-Sep-17	59.4	60.75	58.7	59.85
13-Sep-17	60.6	60.75	58.75	59.1
12-Sep-17	59	62.1	59	60.25
11-Sep-17	59.35	60.5	59.05	59.2
08-Sep-17	61.25	62.55	59.55	59.85
07-Sep-17	59.5	62.35	58.2	60.75
06-Sep-17	58.1	59.9	58.1	59.2
05-Sep-17	58.1	59.5	58.1	58.9
04-Sep-17	58.6	59.15	57.7	58.45
01-Sep-17	57.5	59.25	57.35	58.3
30-Jun-17	56.6	57.5	56.6	57
29-Jun-17	57.2	57.6	56.9	57.15
28-Jun-17	56.2	57.3	56.2	56.55
27-Jun-17	56.8	57.7	56	56.3
23-Jun-17	59.85	59.85	56.4	56.8

Date	Open Price	High Price	Low Price	Close Price
22-Jun-17	59.65	61.65	59.05	59.35
21-Jun-17	59.7	60.3	59.1	59.2
20-Jun-17	61.1	61.3	59.2	59.65
19-Jun-17	61.6	62.1	60.8	60.9
16-Jun-17	62.25	63.3	60.85	61.05
15-Jun-17	61.95	63.7	61.8	62.25
14-Jun-17	61.35	62.9	61	61.8
13-Jun-17	61.55	62.4	60.8	61.05
12-Jun-17	61.4	62.4	60.4	61.1
09-Jun-17	62.9	63.2	61	61.8
08-Jun-17	56.25	64.6	55.5	63.05
07-Jun-17	55.65	56.95	55.3	55.95
06-Jun-17	56.9	57	55.05	55.2
05-Jun-17	57	57.6	56.45	56.8
02-Jun-17	56.5	56.95	56.5	56.8
01-Jun-17	56.3	57.05	56	56.35
31-May-17	55.85	57.3	55.85	56.2
30-May-17	58.7	58.7	54.8	55.85
29-May-17	59.7	60.9	58.85	59.15
26-May-17	57	59.3	56.15	58.85
25-May-17	57.05	57.4	55.9	56.7
24-May-17	59.95	60	56	56.45
23-May-17	62.5	62.5	59.25	59.65
22-May-17	64.25	64.25	62.2	62.35
19-May-17	64.5	65	62.9	63.1
18-May-17	64.25	66.5	63.5	64.05
17-May-17	65.4	65.85	64.8	65.05
16-May-17	66.75	67	64.7	65.1
15-May-17	64.65	66.7	64.2	66.35
12-May-17	65.65	65.65	64.1	64.55
11-May-17	66.35	66.75	64.85	65.1
10-May-17	66.5	67.65	66.05	66.2
09-May-17	65.7	67.3	65.05	65.9
08-May-17	64.8	66	64.8	65.15
05-May-17	66.8	66.9	64.5	64.75
04-May-17	68.5	68.7	66.8	67.1
03-May-17	68	69.8	66.65	68.3
02-May-17	66.65	68.2	66.5	67.5

Date	Open Price	High Price	Low Price	Close Price
28-Apr-17	67.2	67.2	65.5	65.85
27-Apr-17	67.2	67.4	66.05	66.35
26-Apr-17	68.5	69.95	65.75	66.8
25-Apr-17	69.8	69.9	67.05	68.2
24-Apr-17	69.65	71	68.35	69
21-Apr-17	64.15	67.8	63.8	67.1
20-Apr-17	64.35	64.5	63.3	63.65
19-Apr-17	63.3	64.6	63	63.4
18-Apr-17	63.95	65.7	63.25	63.4
17-Apr-17	63.4	64.25	62.9	63.35
13-Apr-17	62.95	64.3	62.4	63.3
12-Apr-17	64.25	64.4	62.2	62.65
11-Apr-17	63.85	65.4	63.3	63.95
10-Apr-17	64.6	64.6	63.05	63.5
07-Apr-17	64.6	65.2	63.3	63.6
06-Apr-17	64.55	66.25	64.2	64.95
05-Apr-17	62.6	65.45	62.6	64.55
03-Apr-17	62.4	63.5	62.2	62.55
31-Mar-17	61.5	63.65	61.35	61.95
30-Mar-17	61.4	62.1	61	61.5
29-Mar-17	61.9	62.25	60.4	60.75
28-Mar-17	62.3	63.75	61.3	61.55
27-Mar-17	64.25	64.4	62.05	62.35
24-Mar-17	63.5	65.85	63.25	63.8
23-Mar-17	60.35	65.05	60.15	63.15
22-Mar-17	60.5	60.8	59.7	59.9
21-Mar-17	62.05	62.85	60.5	61.1
20-Mar-17	62.5	62.8	61.55	61.7
17-Mar-17	64.35	64.45	62	62.3
16-Mar-17	62	64.85	61.8	63.95
15-Mar-17	59.2	63.1	59	61.5
14-Mar-17	59.8	59.9	58.7	58.85
10-Mar-17	59.3	59.85	58	58.25
09-Mar-17	60.6	60.65	58.8	59
08-Mar-17	62.6	63.05	59.6	60.4
07-Mar-17	64.1	64.1	62	62.2
06-Mar-17	63.55	65.6	63.5	63.8
03-Mar-17	63.5	64.25	62.8	63.2

Date	Open Price	High Price	Low Price	Close Price
02-Mar-17	65.65	65.75	63.5	63.7
01-Mar-17	63.45	66	63.2	64.65
28-Feb-17	63	64	62.7	62.95
27-Feb-17	64.3	64.4	62.75	63.1
23-Feb-17	64.55	64.55	63	63.4
22-Feb-17	65.45	65.5	63.9	64.05
21-Feb-17	64.3	65.65	63.85	65.05
20-Feb-17	64	64.95	63	64.05
17-Feb-17	64.7	65.35	63.55	63.8
16-Feb-17	64.6	65	63.25	64.3
15-Feb-17	66.6	67.1	63.8	64.35
14-Feb-17	65.1	67.6	65.1	66.2
13-Feb-17	64.1	64.65	62.75	63
10-Feb-17	64	64.9	63.2	63.6
09-Feb-17	64	64.4	63.2	63.35
08-Feb-17	64.15	64.7	63.25	63.55
07-Feb-17	64.4	65.35	63.2	63.55
06-Feb-17	64.7	65.6	63.9	64.3
03-Feb-17	64.65	65.5	64	64.2
02-Feb-17	64.7	65.85	63.7	64.3
01-Feb-17	63.2	66.75	62.5	64.35
31-Jan-17	64.55	64.55	62.6	62.8
30-Jan-17	66.1	66.25	63.65	64.15
27-Jan-17	67	67.3	65.5	65.9
25-Jan-17	66.7	67.7	66.2	66.75
24-Jan-17	66.5	67	65.7	65.95
23-Jan-17	65	67.5	64.95	65.95
20-Jan-17	68.1	70.5	64.5	64.8
19-Jan-17	69.1	69.6	67.65	67.85
18-Jan-17	70	71.05	68.45	68.8
17-Jan-17	70.65	71.8	69.35	69.75
16-Jan-17	70.5	72.4	69.75	70.7
13-Jan-17	71.8	72.4	70.35	70.65
12-Jan-17	69.5	73.85	68.65	71.45
11-Jan-17	69.05	71.4	69.05	69.35
10-Jan-17	70.4	70.7	67.4	69
09-Jan-17	62.25	71.6	62.2	70.4
06-Jan-17	64.6	64.6	62.05	62.25

Date	Open Price	High Price	Low Price	Close Price
05-Jan-17	62.6	65.45	61.65	64
04-Jan-17	61.5	63.45	61.25	61.6
03-Jan-17	64.1	64.25	60.2	61.55
02-Jan-17	53	63.3	52.25	61.75

STC share price trend (from BSE)

(Amount in ₹)

Date	Open Price	High Price	Low Price	Close Price
29-Dec-17	186.1	192.5	186.1	188.45
28-Dec-17	178.9	185.35	175.5	185.35
27-Dec-17	175.1	181.4	175.1	176.55
26-Dec-17	175	179.2	170.85	177.95
22-Dec-17	174.15	181.4	174.15	176.95
21-Dec-17	178	181.5	175.05	176.25
20-Dec-17	173.7	182	173.7	179.3
19-Dec-17	174.5	176.9	173.1	173.8
18-Dec-17	177.1	177.1	169.55	174
15-Dec-17	182.9	185	177.1	178
14-Dec-17	177.5	177.5	177.5	177.5
13-Dec-17	171	173.8	168.6	169.05
12-Dec-17	170	173	166.8	168.55
11-Dec-17	172	176	169	172.05
08-Dec-17	173.45	175	168	171.3
07-Dec-17	165.1	173.95	165.1	170.1
06-Dec-17	172	173.8	167	168.3
05-Dec-17	170.5	174.7	167	172.5
04-Dec-17	177.05	177.05	172.1	173.4
01-Dec-17	179	185	171.2	176.25
30-Nov-17	182.25	184.8	179	179.8
29-Nov-17	184	190	181	183.35
28-Nov-17	188.25	192	184	185.4
27-Nov-17	187	194	187	189.25
24-Nov-17	195	195	184.8	186.6
23-Nov-17	187	195.3	184.5	191.55
22-Nov-17	192	196	184.6	189
21-Nov-17	198	205	192	194
20-Nov-17	205	206	197.85	199.85
17-Nov-17	220	220	208.25	208.25
16-Nov-17	199.4	220.3	199.4	219.2
15-Nov-17	210.1	210.1	209.85	209.85
14-Nov-17	232.05	237	220.85	220.85
13-Nov-17	244.35	248.5	230.15	232.45
10-Nov-17	247	254.9	238.65	242.6
09-Nov-17	250	265	239	255

Date	Open Price	High Price	Low Price	Close Price
08-Nov-17	281.7	282.7	252.65	252.65
07-Nov-17	293	299	275.75	280.7
06-Nov-17	227.9	273.6	224.8	272.6
03-Nov-17	235.5	238	225.2	228
02-Nov-17	221	247.65	213.1	233.7
01-Nov-17	184.6	219.35	183.65	218
31-Oct-17	183.35	185.25	180.1	182.8
30-Oct-17	183.05	187.5	181	182.55
27-Oct-17	180.6	184.5	178.9	179.95
26-Oct-17	175	186.6	174	178.95
25-Oct-17	174.95	176.5	171	174.95
24-Oct-17	168	176.9	168	173.4
23-Oct-17	173.05	177.5	169.35	170.15
19-Oct-17	177.45	178.25	173	175.2
18-Oct-17	178.4	180.5	176.15	177.25
17-Oct-17	173	182.3	173	178.3
16-Oct-17	179.75	182	177	177.7
13-Oct-17	182.8	184.1	177.5	178.6
12-Oct-17	187.5	189.9	178.8	181.6
11-Oct-17	173	196.95	171.1	182.4
10-Oct-17	167.7	174.8	163	169.85
09-Oct-17	168.15	170	165.8	166.8
06-Oct-17	164.25	172.95	163.95	166.2
05-Oct-17	161.3	165.75	161.3	162.15
04-Oct-17	157.9	163.8	157.9	161.3
03-Oct-17	157.8	159.6	155.85	156.05
29-Sep-17	158.5	160	152.6	155.1
28-Sep-17	155	158	154.25	155.25
27-Sep-17	160.85	162.4	153.8	154.65
26-Sep-17	157.95	163.15	157.95	159.05
25-Sep-17	164.45	164.45	156	157.7
22-Sep-17	174	174.95	163	164.5
21-Sep-17	175	181.35	171.15	174.8
20-Sep-17	169.55	183	169.4	173.55
19-Sep-17	163.55	172.9	163.05	169.4
18-Sep-17	160.9	164.8	160.85	162.25
15-Sep-17	162	162.7	157.5	158.9
14-Sep-17	161.25	162.5	158.75	160.75

Date	Open Price	High Price	Low Price	Close Price
13-Sep-17	163	163.6	158.6	159.45
12-Sep-17	161.45	165	161.45	162.05
11-Sep-17	160.85	162	160	160.6
08-Sep-17	163.25	165.9	159	159.85
07-Sep-17	161.4	169.4	159.15	163.1
06-Sep-17	159	163.6	158.7	159.85
05-Sep-17	156.5	162.85	156.5	159.95
04-Sep-17	160	161.2	157	157.5
01-Sep-17	158.75	163.4	158.75	160.2
30-Jun-17	156	156.85	153.65	154.25
29-Jun-17	157.85	158.95	155.15	155.95
28-Jun-17	155	159.25	154.05	155.3
27-Jun-17	161	161.95	154.6	155.3
23-Jun-17	167.6	167.6	161	162.2
22-Jun-17	167	172.95	166	167.05
21-Jun-17	167.55	169.05	165.4	166
20-Jun-17	170.8	171.75	165.05	166.8
19-Jun-17	173.8	175.6	169.05	169.85
16-Jun-17	175.8	178.8	170.2	171.45
15-Jun-17	170.5	178.4	170	173.65
14-Jun-17	168.7	175.8	167	168.25
13-Jun-17	169.75	173.8	166.2	167.45
12-Jun-17	170.2	174.9	167	168.05
09-Jun-17	175.75	177	169.25	170.25
08-Jun-17	154	181.5	151.5	175.85
07-Jun-17	149	156.75	148	152.25
06-Jun-17	151.7	151.9	145.6	146.45
05-Jun-17	148.15	153.6	148.15	150.25
02-Jun-17	146.45	150.3	145.5	149
01-Jun-17	143.95	148.75	143.95	145.4
31-May-17	146.35	146.35	143.5	144.25
30-May-17	144.6	146.35	142.15	145.3
29-May-17	152.2	152.25	143.55	144.7
26-May-17	143.95	154.5	143.05	149.9
25-May-17	141.7	147	140.65	142.75
24-May-17	151	151.2	140	140.35
23-May-17	155	155	148.2	150.9
22-May-17	159.2	159.4	153	154.3

Date	Open Price	High Price	Low Price	Close Price
19-May-17	161.15	163.85	157	158.05
18-May-17	163	169.9	160.1	161.55
17-May-17	167.3	168.8	165.8	166.7
16-May-17	169.5	169.55	167.15	167.8
15-May-17	168.3	170.15	166.75	168.5
12-May-17	171	171.05	165.8	166.4
11-May-17	171.3	173.5	170.65	171.25
10-May-17	168.4	174.45	168.4	171.4
09-May-17	168	171.2	167.5	168
08-May-17	168.55	169.95	167	167.7
05-May-17	172	172.65	165.25	166.1
04-May-17	174.85	175	171.1	172.2
03-May-17	173.3	177.9	172.45	172.9
02-May-17	174.5	176.5	171.7	173.35
28-Apr-17	176.7	177.5	173.5	174.45
27-Apr-17	176.7	178	174.35	175.45
26-Apr-17	183	183.9	174	175.25
25-Apr-17	177.8	181	177	177.55
24-Apr-17	179.5	181.35	176.2	177.9
21-Apr-17	177	181.75	176	177.75
20-Apr-17	176	178.9	176	177.25
19-Apr-17	176.5	177.7	172.65	174.85
18-Apr-17	181.7	185.25	174.5	175.45
17-Apr-17	182	187	180.5	181.7
13-Apr-17	171.7	183.9	171.7	180.2
12-Apr-17	174.25	174.95	170	170.45
11-Apr-17	170.5	177	170	173.6
10-Apr-17	170	172	166.1	168.9
07-Apr-17	174.9	177	168.4	169.35
06-Apr-17	173.5	177.8	171.5	174.1
05-Apr-17	162.4	170.45	162.4	170.45
03-Apr-17	158.5	163.65	156	162.35
31-Mar-17	156.5	162.5	156.5	158.95
30-Mar-17	157	160.1	156.2	156.8
29-Mar-17	160.1	160.7	155.25	155.9
28-Mar-17	160	162.7	158.2	159
27-Mar-17	160.1	162.15	154.95	158.65
24-Mar-17	162.3	163.5	159.5	160

Date	Open Price	High Price	Low Price	Close Price
23-Mar-17	157	162.4	157	160.55
22-Mar-17	158.25	158.8	155	155.7
21-Mar-17	161.2	163.45	158.35	158.9
20-Mar-17	160.25	162.95	159	160.45
17-Mar-17	163	167.5	159.05	161.1
16-Mar-17	155	162.35	153	161.95
15-Mar-17	152	158.4	151	154.65
14-Mar-17	155	156	151.5	151.8
10-Mar-17	158	158.4	150.2	153.45
09-Mar-17	161.9	161.9	155.7	156.4
08-Mar-17	161.6	161.9	158.4	159
07-Mar-17	163.65	163.65	159.8	161.25
06-Mar-17	164.9	169.75	162.65	163.15
03-Mar-17	160.7	163.95	160.3	162.45
02-Mar-17	165.25	168.9	160.5	161.85
01-Mar-17	160	166.4	159.7	163.95
28-Feb-17	159.25	161.25	157.75	158.5
27-Feb-17	157	162.95	157	158.45
23-Feb-17	162.45	167	157.8	158.2
22-Feb-17	162.45	164	158.8	159.25
21-Feb-17	160.8	165.4	160.6	161.3
20-Feb-17	158.55	163.4	157	160.6
17-Feb-17	160.45	162.35	157	157.75
16-Feb-17	162	166	154.1	159.45
15-Feb-17	165.6	168.8	160.4	160.8
14-Feb-17	168.9	172.7	167	168.8
13-Feb-17	171	171.45	161.1	166.65
10-Feb-17	166.8	174.1	165	169.25
09-Feb-17	167.85	169.15	165	165.95
08-Feb-17	163.6	170.5	163.45	165.9
07-Feb-17	172.05	173.25	163.5	164.65
06-Feb-17	176.35	177.15	170.25	171.4
03-Feb-17	174.2	178.8	172	174.25
02-Feb-17	173	178.5	173	174.15
01-Feb-17	173.5	179.3	166.65	172.35
31-Jan-17	182	182	173.15	173.6
30-Jan-17	191.1	192	182.25	182.25
27-Jan-17	201.9	203.65	191.75	191.8

APPENDIX–XXIX

(As referred to in para 8.8.1)
BHARAT 22 ETF–Details of CPSE stocks

Sl. No.	Company Name	Reference Market Price (Average VWAP)	VWAP after 3 % discount	Weightages (based on VWAP after discount)	NFO amount allocated to index constituents (₹)	No. of shares (rounded down)	NFO Purchase Amount (₹)
1	Axis Bank Limited	545.27	528.92	7.87%	114088,13,577	215,70,215	114088,13,143
2	Bank of Baroda	180.77	175.35	1.51%	21831,03,208	124,49,966	21831,03,198
3	Bharat Electronics Ltd.	178.94	173.58	3.28%	51871,73,522	298,84,329	51871,73,402
4	Bharat Petroleum Corp. Ltd.	502.50	487.43	4.54%	65828,40,962	135,05,341	65828,40,837
5	Coal India Limited	270.56	262.45	3.49%	50651,14,693	192,99,913	50651,14,597
6	Engineers India Limited	184.32	178.79	1.68%	24294,33,155	135,88,409	24294,33145
7	Gail India Limited	449.23	435.75	4.28%	62053,50,429	142,40,519	62053,50,300
8	ITC Limited	254.72	247.08	13.21%	191536,48,693	775,19,516	191536,48,628
9	Indian Bank	407.31	395.09	0.30%	4370,69,734	11,06,242	4370,69,503
10	Indian Oil Corpn. Limited	392.74	380.95	4.61%	66904,89,693	175,62,435	66904,89,815
11	Larsen & Toubro Limited	1221.09	1184.46	17.00%	246522,74,224	208,13,138	246522,73,240
12	NBCC (India) Limited	267.88	259.84	0.80%	11620,93,233	44,72,335	11620,93,166
13	NHPC Limited	27.04	26.23	1.01%	14670,47,956	559,25,819	14670,47,948
14	NLC India Limited	102.19	99.13	0.27%	3939,98,791	39,74,665	3939,98,737
15	NTPC Limited	175.65	170.38	6.97%	101056,91,856	593,13,616	101056,91,770
16	National Aluminium Co. Ltd.	81.57	79.12	5.02%	72855,10,017	920,78,399	72855,09,956
17	Oil & Natural Gas Corp ltd.	178.48	173.13	5.45%	78976,87,723	456,18,254	78976,87,595
18	Power Finance Corp. Ltd.	125.31	121.55	0.96%	13875,73,053	114,15,287	13875,73,035
19	Power Grid Corp. of India Ltd.	207.43	201.21	7.15%	103664,44,853	515,20,439	103664,44,705
20	Rural Electrification Corp. Ltd.	157.55	152.82	1.14%	16543,84,703	108,25,689	16543,84,680
21	SJVN Ltd.	34.81	33.77	0.23%	3380,15,631	100,10,621	2280,15,625
22	State Bank of India	332.51	322.54	8.93%	129462,40,025	401,38,658	129462,39,798
				100.00%	Amount to be paid to GOI		1449999,96,824