

CHAPTER-III

Functioning of State Public Sector Undertakings (Non-Power Sector)

Introduction

3.1 There were 74 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to Sectors other than Power Sectors. These State PSUs were incorporated between 1942-43 and 2017-18. These include 71 Government Companies (26⁴⁴ were inactive companies) and three Statutory Corporations *i.e.* Odisha State Road Transport Corporation, Odisha State Warehousing Corporation and Odisha State Financial Corporation. Out of the 71 Government Companies, 28⁴⁵ are subsidiary/joint venture companies owned by other Government/Private Companies. Three Government Companies *i.e.* Odisha Rail Infrastructure Development Limited, IREL IDCOL Limited and Inland Waterways Consortium of Odisha Limited did not commence commercial activities till 2017-18.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 74 State PSUs the State Government invested funds in only 46 State PSUs (including 18 inactive companies and three Statutory Corporation). State Government did not infuse any funds in the rest of 28 State PSUs (including 8 inactive Companies) which were incorporated as joint venture/ subsidiary of other Government Companies. Equity of these 28 joint venture/subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

Contribution to Economy of the State

3.2 The table below provides the details of turnover of State PSUs (Non-Power Sector) and GSDP of Odisha for a period of five years ending March 2018:

⁴⁴ Eastern Aquatic Products Limited, Orissa Fisheries Development Corporation Limited, ABS Spinning Orissa Limited, Gajapati Steel Industries Limited, Hira Steel and Alloys Limited, IPITRON Times Limited, Konark Detergent and Soaps Limited, Konark Television Limited, Mayurbhanj Textiles Limited, Modern Malleable Casting Company Limited, New Mayurbhanj Textiles Limited, Orissa Boat Builders Limited, Orissa Electrical Manufacturing Company Limited, Orissa Instruments Company Limited, Orissa Leather Industries Limited, Orissa Textile Mills Limited, Orissa State Electronics Development Corporation Limited, Orissa State Handloom Development Corporation Limited, Orissa State Leather Corporation Limited, Orissa State Textile Corporation Limited, Orissa Tools and Engineering Company Limited, Premier Bolts and Nuts Limited, ELCOSMOS Electronics Limited, ELCO Communication and Systems Limited, ELMARC Limited and Orissa State Commercial Transport Corporation Limited

⁴⁵ Brahamani Railways Limited, Odisha Rail Infrastructure Development Limited, Paradip Investment Region Development Limited, IDCO SEZ Development Limited, Odisha Electronics Park Limited, Baitarani West Coal Company Limited, IDCOL Ferro Chrome & Alloys Limited, IDCOL Kalinga Iron Works Limited, Konark Jute Limited, The Mandakini B-Coal Corporation Limited, Nuagaon Coal Company Limited, Paradeep Plastic Park Limited, Angul Aluminium Park Private Limited, Odisha Mineral Exploration Corporation Limited, IREL IDCOL Limited, IDCOL Software Limited, Shamuka Tourism Development Corporation Limited, Inland Waterways Consortium of Odisha Limited, Kalinga Studios Limited, ABS Spinning Orissa Limited, Hira Steel and Alloys Limited, IPITRON Times Limited, Konark Detergent and Soaps Limited, Orissa Leather Industries Limited, ELCOSMOS Electronics Limited, ELCO Communication and Systems Limited and ELMARC Limited

Table 3.1: Details of turnover of State PSUs (Non-Power Sector) vis-a-vis GSDP of Odisha
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	7652.64	8470.35	11544.28	13065.71	15521.43
Percentage change of Turnover over Previous Year	69.50	10.69	36.29	13.18	18.80
GSDP of Odisha	288414.31	310810.24	332329.13	314363.78	415981.68
Percentage change of GSDP over Previous Year	11.47	7.77	6.92	-5.41	32.32
Percentage of Turnover to GSDP of Odisha	2.65	2.73	3.47	4.16	3.73

(Source: Compiled based on Turnover figures of working PSUs (non-power) and GSDP figures as per information furnished by Finance Department of Government of Odisha)

In 2017-18 the turnover of the PSUs relative to GSDP was 3.73 per cent and had decreased from 4.16 per cent in the previous year. The compounded annual growth⁴⁶ of GSDP was 9.96 per cent during last five years, while the turnover of Public Sector Undertakings (Non-Power Sector) recorded higher compounded annual growth of 28 per cent during the same period.

Investment in State PSUs (Non-Power Sector)

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications viz., those in the social sector and those functioning in competitive environment. Besides, three⁴⁷ of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 74 State PSUs in form of equity and long-term loans up to 31 March 2018 are detailed in *Annexure-3*.

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

Table 3.2: Sector-wise investment in State PSUs (non-power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	18	194.85	43.72	238.57
PSUs in Competitive Environment	53	1210.74	1335.01	2545.75
Others	3	505.63	0.00	505.63
Total	74	1911.22	1378.73	3289.95

(Source: Compiled based on information received from PSUs)

⁴⁶ Rate of Compounded Annual Growth $[\{(Value\ of\ 2017-18/Value\ of\ 2012-13)^{(1/5\ years)} - 1\} * 100]$ where turnover and GSDP for the year 2012-13 was ₹4514.72 crore and ₹258744.09 crore respectively.

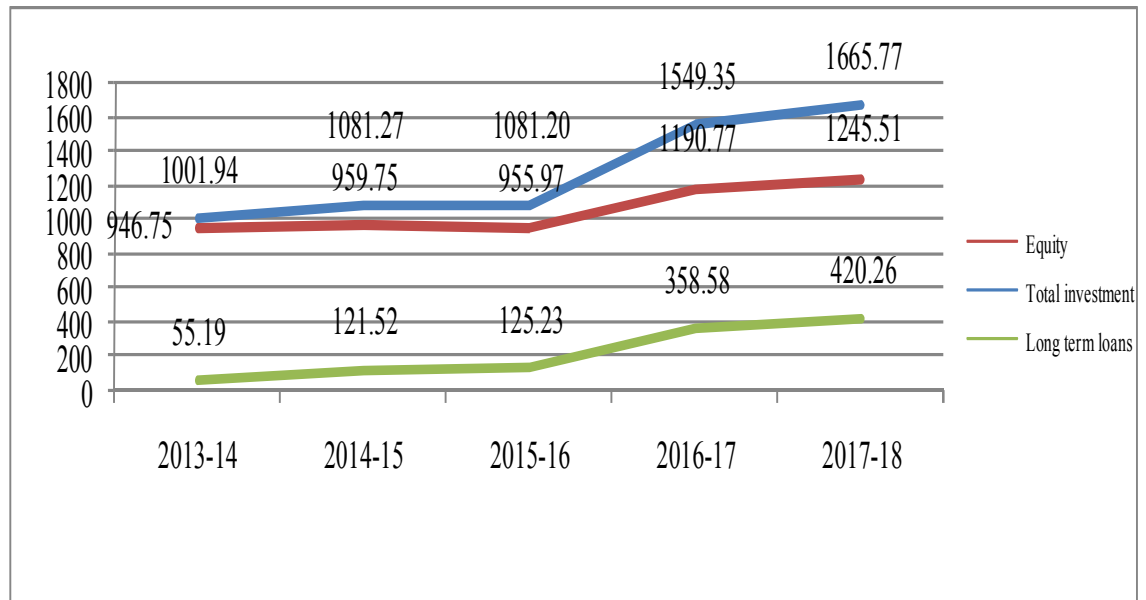
⁴⁷ Odisha State Police Housing and Welfare Corporation Limited, Bhubaneswar Smart City Limited and Rourkela Smart City Limited

As on 31 March 2018, the total investment (equity and long term loans) in 74 PSUs was ₹3,289.95 crore. The investment consisted of 58.09 per cent towards equity and 41.91 per cent in long-term loans. Out of the total long-term loans of ₹1,378.73 crore, ₹420.26 crore (30.48 per cent) was availed from the State Government and ₹958.47 crore (69.52 per cent) was availed from financial institutions.

The investment has grown by 68.59 per cent from ₹1,951.40 crore in 2013-14 to ₹3,289.95 crore in 2017-18. The investment increased due to addition of ₹671.51 crore and ₹667.03 crore towards equity and long-term loans respectively during 2013-14 to 2017-18.

The year-wise statement of investment of GoO in the State PSUs (Non-Power Sector) during the period 2013-14 to 2017-18 is as follows:

Chart 3.1: Total investment of GoO at the end of the year in State PSUs (Non-Power sector)



Disinvestment, restructuring and privatisation of State PSUs

3.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs.

Budgetary Support to State PSUs

3.6 The Government of Odisha (GoO) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are as follows:

Table 3.3: Details regarding budgetary support to State PSUs (Non-Power Sector)
(₹ in crore)

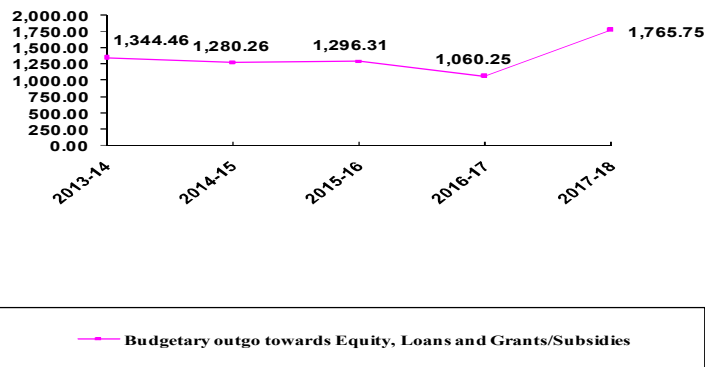
Particulars ⁴⁸	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	0	0	1	20.00	1	40.00
Loans given (ii)	0	0	0	0	0	0
Grants/Subsidy provided (iii)	11	1296.31	11	1040.25	13	1725.75
Total Outgo (i+ii+iii)	11	1269.31	11*	1060.25	13*	1765.75
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0
Guarantees issued	0	0	0	0	0	0
Guarantee Commitment	0	0	0	0	0	0

(Source: As per information furnished by PSUs)

* One Statutory Corporation i.e., Odisha State Road Transport Corporation received both equity and subsidy in 2016-17 and 2017-18

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a graph below:

Chart 3.2: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs ranged between ₹1060.25 crore and ₹1,765.75 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹1,765.75 crore given during the year 2017-18 included ₹40 crore and ₹1,725.75 crore in the form of equity and grants/ subsidy respectively. The State Government did not provide any loan to these PSUs during 2017-18. The subsidy/grants given by the State Government was primarily to provide food

⁴⁸ Amount represents outgo from State Budget only.

security, free medicines, irrigation and urban development. During the year 2017-18 maximum subsidy/grant was provided to Odisha State Civil Supplies Corporation Limited (₹844.36 crore), Odisha State Medical Corporation Limited (₹521.01 crore), Rourkela Smart City Limited (₹224.00 crore) and Odisha Lift Irrigation Corporation limited (₹93.46 crore).

Government of Odisha extends guarantees as provided under Article 293(1) of Constitution of India and fixed prescribed limit for such guarantee to PSUs as per guidelines (November 2002) of Government of Odisha. PSUs seek financial assistance from banks and financial institutions, for which guarantee commission is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned. During 2015-18, GoO neither issued any guarantee nor made any guarantee commitment to any non-power sector PSU. IDCOL did not pay guarantee commission during the year 2017-18 and accumulated outstanding guarantee commission against it was ₹7.87 crore.

Reconciliation with Finance Accounts of Government of Odisha

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (Non-Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Odisha. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in Table 3.4:

Table 3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Odisha *vis-à-vis* records of State PSUs (Non-Power Sector)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	1101.70	1312.91	211.21
Loans	12.06	0	12.06
Guarantees	152.47	561.69	409.22

(₹ in crore)

(Source: Information furnished by PSUs and State Finance Audit Report for the year ended March 2018)

It was observed that out of 74 State PSUs, such differences occurred in respect of 38 PSUs as shown in **Annexure-4**. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances were observed in Odisha Rural Housing and Development Corporation Limited, Odisha State Seeds Corporation Limited, Odisha Agro Industries Corporation Limited, Odisha State Financial Corporation and Odisha Pisciculture Development Corporation Limited. It is, therefore, recommended that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs

3.8 Of the total 74 State PSUs, there were 48 working PSUs *i.e.* 45 Government Companies and three Statutory Corporations and 26 inactive PSUs under the purview of CAG as on 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

3.8.1 Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. Out of 45⁴⁹ working Government Companies, 10 Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 34 Government Companies were in arrears. Out of three Statutory Corporations, the CAG is the sole auditor in one Statutory Corporation (Odisha State Road Transport Corporation). Accounts of all three Statutory Corporations for the year 2017-18 were awaited as on 30 September 2018.

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

Table 3.5: Position relating to submission of accounts by the working State PSUs (Non-Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of Working PSUs	31	39	44	48	48
2.	Number of accounts submitted during current year	31	36	42	48	40
3.	Number of working PSUs which finalised accounts for the current year	6	12	10	14	10
4.	Number of previous year accounts finalised during current year	25	24	32	34	30
5.	Number of working PSUs with arrears in accounts	25	27	32	34	37
6.	Number of accounts in arrears	45	52	56	59	63 ⁵⁰
7.	Extent of arrears	1 to 6 years	1 to 7 years	1 to 8 years	1 to 8 years	1 to 9 years

(Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018)

Of these 48 working State PSUs, 32 PSUs had finalised 40 annual accounts during the period 01 October 2017 to 30 September 2018 which included 10 annual accounts for the year 2017-18 and 30 annual accounts for previous years. Further, 63 annual accounts were in arrears which pertain to 37 PSUs as detailed in **Annexure-5**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed quarterly regarding arrear in accounts.

Out of 37 working State PSUs, accounts of which had not been finalised by 30 September 2018 (as prescribed under the Companies Act 2013/ The Road Transport Corporations Act, 1950), Government of Odisha had provided ₹1,091.67 crore (Equity: ₹40 crore, Grants/Subsidy: ₹1,051.67 crore) to 11 PSUs. No investment was made in remaining 26 PSUs during the period for which accounts were in arrears. PSU wise details of investment made by State Government during the years for which accounts were in arrears are shown in

⁴⁹ One company IREL IDCOL was incorporated on 18 January 2018

⁵⁰ This relates to 37 PSUs whose accounts are in arrears ranging between one and nine years

Annexure-5. Accounts of 10⁵¹ of these working State PSUs for the period 2017-18 were, however, finalised and submitted for audit during the period from October 2018 to December 2018 whereas 51 accounts pertaining to 27⁵² working State PSUs were awaited till December 2018.

In the absence of finalisation of accounts and their subsequent audit in the remaining 27 PSUs, there was no assurance as to whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoO investment in these PSUs, therefore, remained outside the oversight of State Legislature.

3.8.2 In addition to above, as on 30 September 2018, there were arrears in finalisation of accounts by inactive PSUs. Out of 26 inactive PSUs, 16 PSUs were in the process of liquidation whose accounts were in arrears for five to 52⁵³ years. Remaining 10⁵⁴ inactive PSUs had arrears of accounts for 17 to 47 years.

⁵¹ Baitarani West Coal Corporation Limited, IDCOL Ferro Chrome and Alloys Limited, IDCOL Kalinga Iron Works Limited, Konark Jute Limited, Odisha Rail Infrastructure Development Limited, Shamuka Tourism Development Corporation Limited, Odisha Tourism Development Corporation Limited, The Industrial Development Corporation of Odisha Limited, Odisha State Financial Corporation and Odisha State Road Transport Corporation

⁵² The Agricultural Promotion and Investment Corporation of Odisha Limited, The Odisha Agro Industries Corporation Limited, Odisha State Cashew Development Corporation Limited, Odisha Lift Irrigation Corporation Limited, Odisha State Seeds Corporation Limited, Odisha Pisciculture Development Corporation Limited, The Odisha Small Industries Corporation Limited, Odisha Mineral Bearing Areas Development Corporation Limited, Water Corporation of Odisha Limited, Odisha State Civil Supplies Corporation Limited, Odisha Sports Development Corporation, The Odisha Film Development Corporation Limited, Odisha Rural Housing and Development Corporation Limited, Paradip Investment Region Development Limited, Odisha Construction Corporation Limited, IDCO SEZ Development Limited, Odisha Electronics Park Limited, The Mandakini B-Coal Corporation Limited, Nuagaon Coal Company Limited, Paradeep Plastic Park Limited, Lanjigarh Project Area Development Foundation, Inland Waterways Consortium of Odisha Limited, Kalinga Studios Limited, Odisha State Warehousing Corporation, The Odisha State Police Housing and Welfare Corporation Limited, Bhubaneswar Smart City Limited and Rourkela Smart City Limited

⁵³ Hira Steel and Alloys Limited, Orissa Textile Mills Limited, Orissa State Handloom Development Corporation Limited (5-10 years); ABS Spinning Orissa Limited, IPITRON Times Limited, Konark Television Limited, Orissa State Electronics Development Corporation Limited, Orissa State Textile Corporation Limited, ELCOSMOS Electronics Limited, ELCO Communication and Systems Limited (11-26 years); and Eastern Aquatic Products Limited, Gajapati Steel Industries Limited, Modern Malleable Casting Company Limited, Orissa Boat Builders Limited, Orissa Electrical Manufacturing Company Limited and Premier Bolts and Nuts Limited (45 to 52 years)

⁵⁴ ELMARC Limited, Orissa State Commercial Transport Corporation Limited (17 years); Orissa Instruments Company Limited, Orissa Leather Industries Limited, Orissa State Leather Corporation Limited (24-30 years); Orissa Fisheries Development Corporation Limited, Konark Detergent and Soaps Limited, Mayurbhanj Textiles Limited, New Mayurbhanj Textiles Limited and Orissa Tools and Engineering Company Limited (35-47 years)

Table 3.6: Position relating to arrears of accounts in respect of inactive State PSUs (non-power sector)

No. of Inactive companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
26 ⁵⁵	1966-67 to 2017-18	5 to 52 years

(Source: Database of inactive PSUs maintained in the PAG Office)

Placement of Separate Audit Reports of Statutory Corporations

3.9 Out of three working Statutory Corporations, no Corporation had forwarded their accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

Table 3.7: Status of placement of SAR of the Statutory Corporations

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Odisha State Financial Corporation	2016-17	2017-18	Accounts not finalised
2.	Odisha State Warehousing Corporation	2015-16	2016-17	22/05/2018
			2017-18	Accounts not finalised
3.	Odisha State Road Transport Corporation	2015-16	2016-17	29/05/2018
			2017-18	Accounts not finalised

(Source: Information furnished by Statutory Corporations)

Delay in placement of SAR dilutes the financial accountability of Statutory Corporations. Government should ensure prompt placement of SARs of the Corporations in the Legislature.

Impact of non-finalisation of accounts of State PSUs (Non-Power Sector)

3.10 As pointed in paragraph 3.8, the delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

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

Performance of State PSUs (Non-Power Sector)

3.11 The financial position and working results of the 74 State PSUs (Non Power Sector) as per their latest finalised accounts as of 30 September 2018 are detailed in *Annexure-6*.

⁵⁵ Sl. Nos. 17, 18 and 48 to 71 of Annexure - 3

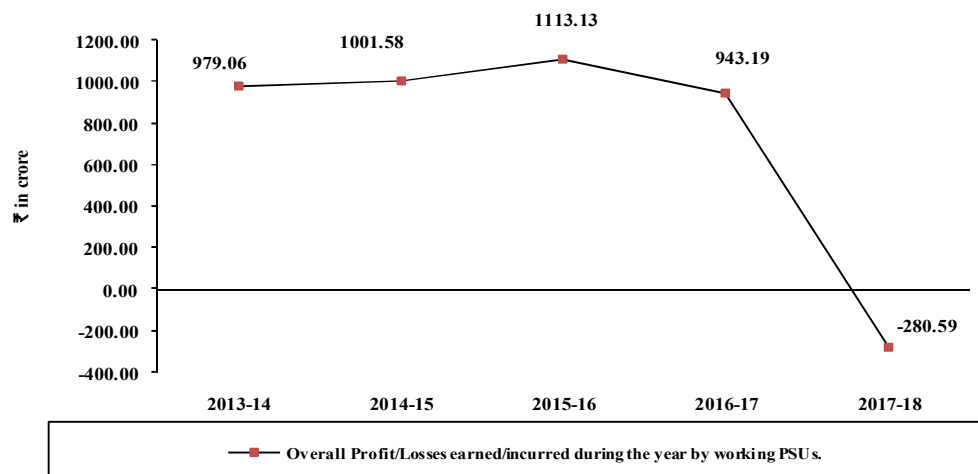
The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the PSUs non-power sector was ₹46,070.72 crore consisting of ₹1,911.22 crore as equity, ₹1,378.73 crore as long term loans and ₹42,780.77 crore as grants, subsidies for operational & management expense. Out of this, investment of Government of Odisha in the 46 holding PSUs was ₹14,528.92 crore consisting of equity of ₹1,245.51 crore, long term loans of ₹420.26 crore and grants, subsidies for operational & management expense of ₹12,863.15 crore.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. The Rate of Real return on investment is the profit or loss made in a fixed year relating to the Present Value (PV) of the investment made over the years and is expressed as a percentage of profit to the PV of total investment. Investment for the purpose included equity, interest free loans, grants, subsidies for operational and management expenses. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Rate of Real Return on Investment

3.12 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses⁵⁶ earned/incurred by the working State PSUs (Non-Power Sector) during 2013-14 to 2017-18 is depicted below in a chart 3.3:

Chart 3.3: Profit/Losses earned/incurred by working PSUs (Non-Power Sector) during the years



⁵⁶ Figures are as per the latest finalised accounts of the respective years.

The profit of ₹979.06 crore earned by these working PSUs in 2013-14 transformed into losses of ₹280.59 crore in 2017-18 due to substantial losses incurred by Odisha Mining Corporation Limited and Bhubaneswar Smart City Limited. As per latest finalised accounts for the year 2017-18, out of 48 working State PSUs, 31 PSUs earned profit of ₹237.92 crore and 11 PSUs incurred losses of ₹518.51 crore as detailed in *Annexure-6*. One PSU i.e., Odisha State Civil Supplies Corporation Limited prepared its accounts on 'no profit no loss'⁵⁷ basis. Three⁵⁸ non-power sector companies have not yet started their operation/commercial production. Two⁵⁹ non-power sector companies have earned nil profit.

The top profit making companies were Odisha Mineral Bearing Areas Development Corporation Limited (₹47.64 crore), Odisha Construction Corporation Limited (₹35.45 crore) and Odisha Agro industries Corporation Limited (₹22.23 crore) while Odisha Mining Corporation Limited (₹463.48 crore), Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and Bhubaneswar Smart City Limited (₹9.06 crore) incurred heavy losses.

Position of working PSUs (Non-Power Sector) which earned/incurred profit/loss as on 31 March during 2013-14 to 2017-18 is given in Table 3.8:

Table 3.8: Details of working State PSUs (Non-Power Sector) which earned/ incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs (Non-Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had prepared accounts on no profit and no loss basis	Number of PSUs which had not started operation/commercial production	Number of PSUs with nil profit
2013-14	31	24	05	01	01	00
2014-15	39	26	06	01	06	00
2015-16	44	29	08	01	06	00
2016-17	48	30	13	01	04	00
2017-18	48	31	11	01	03	02

(Compiled based on information received from PSUs)

Rate of Real Return on the basis of historical cost of investment

3.13 Out of 74 Public Sector Undertakings (Non-Power Sector), 28 companies are subsidiary/Joint Venture companies and equities in these 28 companies are contributed by the concerned holding companies. The investment in 46 holding companies consisted of equity, loans, grants, subsidies for operational & management purpose. The investment stood at ₹45,778.49 crore in these 74 PSUs including equity of ₹1,618.99 crore, long term loans of ₹1,378.73 crore and grants, subsidies of ₹42,780.77 crore.

⁵⁷ The excess of expenditure over income was met from the subsidy from Government of Odisha/ Government of India as such there was no profit or loss

⁵⁸ Odisha Rail Infrastructure Development Limited, IREL IDCOL Limited and Inland Waterways Consortium of Odisha Limited

⁵⁹ Odisha Mineral Exploration Corporation Limited and Rourkela Smart City Limited

The Rate of Real Return on Investment from the 74 PSUs has been calculated on the investment made by the Government of Odisha, Government of India and others in these PSUs in the form of equity, loans and grants, subsidies for operational & management purpose as detailed in Table 3.9. In the case of loans, only interest free loans are considered as investment. Since no interest is received on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. In cases where interest free loans have been repaid by the PSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period.

As on 31 March 2018 equity of the GoO, GoI and others in these 74 PSUs was ₹1,618.99 crore and grants, subsidies for operational & management expense of ₹42,780.77 crore. Out of the released long term loans of ₹1378.73 crore, ₹23.28 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment in these 74 PSUs on the basis of historical cost stood at ₹44,423.04 crore (₹1,618.99 crore + ₹42,780.77 crore + ₹23.28 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is given below:

Table 3.9: Rate of Real Return on Investment on historical cost basis

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Rate of Real Return on investment on historical cost basis (%)
2013-14						
Social Sector	98.36	7583.60	13599.30	11.77	21194.67	0.46
Competitive Sector	863.22	930.99	105.94	9.89	1046.82	82.46
Others	11.72	5.63	0.00	0.00	5.63	208.17
Total	973.30	8520.22	13705.24	21.66	22247.12	4.37
2014-15						
Social Sector	61.08	8853.22	17384.24	11.77	26249.23	0.23
Competitive Sector	917.79	948.05	105.94	9.89	1063.88	86.27
Others	13.35	5.63	0.00	0.00	5.63	237.12
Total	992.22	9806.90	17490.18	21.66	27318.74	3.63
2015-16						
Social Sector	95.10	10098.04	20714.34	11.82	30824.20	0.31
Competitive Sector	997.02	994.38	105.94	9.89	1110.21	89.80
Others	15.51	5.63	0.00	0.00	5.63	275.49
Total	1107.63	11098.05	20820.28	21.71	31940.04	3.47

2016-17						
Social Sector	177.02	11062.15	24562.06	12.23	35636.44	0.50
Competitive Sector	757.57	1061.62	118.49	9.90	1190.01	63.66
Others	2.37	244.25	276.12	48.00	568.37	0.42
Total	936.96	12368.02	24956.67	70.13	37394.82	2.51
2017-18						
Social Sector	134.76	12575.46	29695.63	12.23	42283.32	0.32
Competitive Sector	-428.17	1102.46	118.49	9.90	1230.85	-34.79
Others	7.97	470.25	388.62	50.00	908.87	0.88
Total	-285.44	14148.17	30202.74	72.13	44423.04	-0.64

(Compiled based on information received from PSUs)

The Rate of Real Return on investment is worked out by dividing the total earnings⁶⁰ of these PSUs by the cost of the investments made by GoO, GoI and others. The Rate of Real Return earned on investment of the 74 State PSUs (Non-Power sector) in 2017-18 was negative due to heavy losses incurred by Odisha Mining Corporation Limited in competitive sector ((-) ₹463.48 crore) and Bhubaneswar Smart City Limited in other sector ((-) ₹9.06 crore).

Return on Investment on the basis of Present Value of Investment

3.14 An analysis of the earnings *vis-a-vis* investments in respect of those 74 State PSUs (Non-Power Sector) where funds had been infused by the State Government, Central Government and others was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the real rate of return on the investment since such calculations ignore the present value of money. The present value of the total investments has been computed to assess the rate of real return on the present value of total investments in the State PSUs 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 up to 31 March 2018, the past investments/ year-wise funds infused in the State PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, Present Value (PV) of the total investment was computed in respect of those 74 State PSUs (non-power sector) where funds had been infused by the State Government, Central Government and others in the form of equity, interest free loans and grants, subsidies for operational & management expense since inception of these companies till 31 March 2018. During the period from 2013-14 to 2017-18, these 74 PSUs had a positive rate of real return on investment except in 2017-18. The rate of real return on investment for these four years have, therefore, been calculated and depicted on the basis of PV.

The PV of the total investment in the 74 PSUs was computed on the following assumptions:

⁶⁰ This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

- The equity infused minus disinvestment, interest free loans and funds made available in the form of the grants, subsidies for operational & management expenses have been reckoned as investment for calculating the rate of real return on investments. In case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year⁶¹ was adopted as compounded rate for arriving at Present Value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

For the year 2017-18 when these 74 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in Para 3.17.

3.15 PSU wise position of State Government investment in these 74 State PSUs in the form of equity, interest free loans and grants, subsidies on historical cost basis for the period from 2000-01 to 2017-18 is indicated in *Annexure-7*⁶².

The investment by the GoO, GoI and others in these PSUs at the end of the year 2017-18 was ₹44,423.04 crore consisting equity ₹1,618.99 crore, interest free loans ₹23.28 crore and grants, subsidies ₹42,780.77 crore. The PV of funds infused by the GoO, GoI and others up to 31 March 2018 amounted to ₹76,639.67 crore.

3.16 As during the years 2013-14, 2014-15, 2015-16 and 2016-17, the 74 PSUs earned profit, sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given in Table 3.10:

⁶¹ The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Odisha) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

⁶² 23 PSUs where State Government has infused funds during 2000-01 to 2017-18 were placed in Annexure-7. In rest 23 PSUs there was no infusion of funds by GoO during the same period.

Table 3.10: Real Rate of Return on total investment on Present Value**(₹ in crore)**

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical	PV of the total investment at end of the year	Rate of Real Return on total investment considering the present value of the investments (%)	Rate of Real Return on total investment on historical cost basis (%)
2013-14								
Social Sector	98.36	7583.60	13599.30	11.77	21194.67	32028.36	0.31	0.46
Competitive Sector	863.22	930.99	105.94	9.89	1046.82	6735.28	12.82	82.46
Others	11.72	5.63	0.00	0.00	5.63	66.06	17.74	208.17
Total	973.30	8520.22	13705.24	21.66	22247.12	38829.70	2.51	4.37
2014-15								
Social Sector	61.08	8853.22	17384.24	11.77	26249.23	39270.81	0.16	0.23
Competitive Sector	917.79	948.05	105.94	9.89	1063.88	7150.73	12.83	86.27
Others	13.35	5.63	0.00	0.00	5.63	69.96	19.08	237.12
Total	992.22	9806.90	17490.18	21.66	27318.74	46491.50	2.13	3.63
2015-16								
Social Sector	95.10	10098.04	20714.34	11.82	30824.20	46502.83	0.20	0.31
Competitive Sector	997.02	994.38	105.94	9.89	1110.21	7633.20	13.06	89.80
Others	15.51	5.63	0.00	0.00	5.63	74.20	20.90	275.49
Total	1107.63	11098.05	20820.28	21.71	31940.04	54210.23	2.04	3.47
2016-17								
Social Sector	177.02	11062.15	24562.06	12.23	35636.44	55225.29	0.32	0.50
Competitive Sector	757.57	1061.62	118.49	9.90	1190.01	8300.73	9.13	63.66
Others	2.37	244.25	276.12	48.00	568.37	685.47	0.35	0.42
Total	936.96	12368.02	24956.67	70.13	37394.82	64211.49	1.46	2.51

(Compiled based on information received from PSUs)

The return earned on total investment on historical cost basis was 4.37 per cent in 2013-14 which was decreased to 2.51 per cent during 2016-17 due to infusion of additional equity, grants, subsidies and decrease in overall profits whereas the returns earned on total investment considering the present value of the investments were 2.51 per cent and 1.46 per cent during the same period. Further, during this period, the returns from competitive sector on present value were worked out at 12.82 per cent and 9.13 per cent only against 82.46 per cent and 63.66 per cent of returns respectively based on the historical cost of investment.

Erosion of Net worth

3.17 Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out

by accumulated losses and deferred revenue expenditure. The capital investment, free reserve and accumulated profit of these 46 State PSUs (Non-Power Sector) as per their latest finalised accounts was ₹1911.22 crore, ₹2399.38 crore and ₹2782.67 crore respectively resulting in net worth of ₹7093.27 crore as detailed in *Annexure-5*. Analysis of investment and accumulated losses disclosed that net worth was eroded fully in 16 out of these 46 PSUs as the capital investment, free reserve and accumulated losses of these 16 PSUs were ₹524.17 crore, ₹49.86 crore and ₹945.10 crore respectively. Of these 16 PSUs, the maximum net worth erosion was in Odisha Rural Housing Development Corporation Limited (₹97.89 crore), Odisha State Financial Corporation (₹63.89 crore), Konark Jute Limited (₹32.15 crore) and Odisha Forest Development Corporation Limited (₹27.59 crore). Of these 16 PSUs where net worth had been fully eroded, four⁶³ PSUs earned profit as per their latest finalised accounts although there were substantial accumulated losses.

Dividend Payout

3.18 The State Government had formulated (December 2011) dividend policy under which all profit making PSUs are required to pay annual dividend of 20 per cent of the State Government equity or 20 per cent of the profit after tax, whichever is higher. The minimum dividend payout in respect of PSUs in the mining and power generation sector should be 30 per cent of profit after tax. Subsequently, GoO issued revised (February 2016) guideline for payment of dividend at the rate of 30 per cent for all PSUs. Dividend Payout relating to the PSUs (Non-Power Sector) where equity was infused by GoO during the period is shown in table below:

Table 3.11: Dividend Payout of the PSUs (Non-Power Sector) during 2013-14 to 2017-18
(₹ in crore)

Year	Total PSUs where equity infused by GoO		PSUs which earned profit during the year			PSUs which declared/paid dividend during the year			Dividend Payout Ratio (%)	Dividend Payout Ratio excluding the share of OMC Limited (%)
	Number of PSUs	Equity infused by GoO	Number of PSUs	Equity infused by GoO	Equity infused by GoO excluding OMC Limited	Number of PSUs	Dividend declared/paid by PSUs	Dividend declared/paid by PSUs excluding the share of OMC Limited		
1	2	3	4	5	6	7	8	9	10=8/5*100	11=9/6*100
2013-14	42	946.75	21	833.83	802.38	07	522.94 ⁶⁴	22.94	62.72	2.86
2014-15	44	959.75	21	504.10	472.65	06	514.79 ⁶⁵	14.79	102.12	3.13
2015-16	45	955.97	22	500.32	468.87	08	530.51 ⁶⁶	30.51	106.03	6.51
2016-17	47	1190.77	19	444.88	413.43	08	532.48 ⁷⁰	32.48	119.69	7.86
2017-18	46	1245.51	20	868.12	868.12	07	37.49 ⁶⁷	37.49	4.32	4.32

(Compiled based on information received from PSUs)

⁶³ Odisha Forest Development Corporation Limited, Odisha Pisciculture Development Corporation Limited, Odisha State Financial Corporation and ABS Spinning Orissa Limited

⁶⁴ Odisha State Cashew Development Corporation Limited, Odisha Forest Development Corporation Limited, Odisha State Beverages Corporation Limited, The Industrial Development Corporation of Odisha Limited, Odisha Construction Corporation Limited, The Odisha Mining Corporation Limited and Odisha State Warehousing Corporation

⁶⁵ Odisha State Cashew Development Corporation Limited, Odisha Forest Development Corporation Limited, Odisha State Beverage Corporation Limited, Odisha Construction Corporation Limited, The Odisha Mining Corporation Limited and Odisha State Warehousing Corporation

⁶⁶ The Agricultural Promotion and Investment Corporation of Odisha Limited, Odisha State Cashew Development Corporation Limited, Odisha Forest Development Corporation Limited, Odisha State Beverage Corporation Limited, Odisha Construction Corporation Limited, The Odisha Mining Corporation Limited, Odisha State Warehousing Corporation and The Odisha State Police Housing and Welfare Corporation Limited

⁶⁷ The Agricultural Promotion and Investment Corporation of Odisha Limited, Odisha State Cashew Development Corporation Limited, Odisha Forest Development Corporation Limited, Odisha State Beverages Corporation Limited, Odisha Construction Corporation Limited, Odisha State Warehousing Corporation and The Odisha State Police Housing and Welfare Corporation Limited

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 19 and 22. During this period, number of PSUs which declared/paid dividend to GoO ranged between six and eight.

The Dividend Payout Ratio (DPR) in 2017-18 was the lowest at 4.32 *per cent* as Odisha Mining Corporation Limited has not declared any dividend as heavy loss incurred in the year due to compensation paid for excess mining in violation of Environmental Clearance and Forest Clearance. The DPR which was 62.72 *per cent* in 2013-14 increased to 119.69 *per cent* in 2016-17 due to consistent earning of profit and payment of dividend of ₹500 crore (1590 *per cent* of share capital) in each year by OMC Limited. OMC Limited had been earning profit because of better market price of chrome ore and iron ore than the cost of production. Excluding the share of payment of dividend by OMC Limited the DPR was, however, ranged between 2.86 and 7.86 *per cent* during the period 2013-14 to 2017-18.

Of the seven PSUs which declared/paid dividend during 2017-18, two⁶⁸ PSUs declared dividend higher than the prescribed limit, while three⁶⁹ PSUs declared dividend lower than the prescribed limit and two⁷⁰ PSUs declared dividend as per the dividend policy.

Return on Equity

3.19 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits. It is calculated and expressed as a percentage by dividing net income (i.e. net profit after taxes) by shareholders' fund.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets. Return on Equity has been computed in respect of all the non-power sector undertakings which included the holding and subsidiary companies.

During the last five years ending March 2018, the Net Income was positive during 2013-14, 2014-15, 2015-16 and 2016-17 and the RoE during these years ranged between 13.23 *per cent* and 17.45 *per cent*. The negative RoE of the PSUs in the non-power sector in 2017-18 was attributable to the net loss of ₹463.48 crore incurred by Odisha Mining Corporation Limited, the reasons for which has been elaborated in Paragraph No. 3.18.

Return on Capital Employed

3.20 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

⁶⁸ The Agricultural Promotion and Investment Corporation of Odisha Limited and Odisha Construction Corporation Limited

⁶⁹ Odisha Forest Development Corporation Limited, Odisha State Warehousing Corporation and The Odisha State Police Housing and Welfare Corporation Limited

⁷⁰ Odisha State Cashew Development Corporation Limited and Odisha State Beverages Corporation Limited

(EBIT) by the capital employed⁷¹. The details of total RoCE of all the 74 State PSUs (Non-Power Sector) together during the period from 2013-14 to 2017-18 are given in table below:

Table 3.12: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (%)
2013-14	1716.00	7387.42	23.23
2014-15	1597.74	11133.40	14.35
2015-16	1713.86	7071.77	24.24
2016-17	1654.54	8477.42	19.52
2017-18	-535.31	8472.00	-6.32

(Compiled based on information received from PSUs)

The RoCE decreased substantially during the year 2017-18 due to increase in losses of Odisha Mining Corporation Limited.

Analysis of Long Term Loans of the State PSUs (Non-Power Sector)

3.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

Table 3.13: Interest Coverage Ratio relating to State PSUs (Non-Power Sector)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	72.84	1716.45	16	12	04 ⁷²
2014-15	48.87	1600.20	18	14	04 ⁷³
2015-16	46.44	1713.49	15	13	02 ⁷⁴
2016-17	87.48	1654.17	17	12	05 ⁷⁵
2017-18	63.38	-536.21	14	12	02 ⁷⁶

(Compiled based on information received from PSUs)

⁷¹ Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

⁷² Odisha Rural Housing and Development Corporation Limited, IDCOL Ferro Chrome & Alloys Limited, Konark Jute Limited and Kalinga Studios Limited

⁷³ The Industrial Development Corporation of Odisha Limited, IDCOL Kalinga Iron Works Limited, Konark Jute Limited and Kalinga Studios Limited

⁷⁴ The Industrial Development Corporation of Odisha Limited and IDCOL Kalinga Iron Works Limited

⁷⁵ Odisha Rural Housing and Development Corporation Limited, The Industrial Development Corporation of Odisha Limited, IDCOL Ferro Chrome & Alloys Limited, IDCOL Kalinga Iron Works Limited and Kalinga Studios Limited

⁷⁶ Odisha Rural Housing and Development Corporation Limited and Odisha Mining Corporation Limited

Of the 14 State PSUs (Non-Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2017-18, 12 PSUs had interest coverage ratio of more than one whereas remaining two PSUs had interest coverage ratio below one which indicates that these two PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

3.23 During the last five years, the turnover of the 74 PSUs recorded compounded annual growth of 19.29 *per cent* and compounded annual growth of debt was 17.96 *per cent* due to which the debt turnover ratio improved from 0.093 in 2013-14 to 0.089 in 2017-18 as given in table below:

Table 3.14: Debt Turnover Ratio relating to the State PSUs (Non-Power Sector)

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	711.70	4525.67	721.51	1389.16	1378.73
Turnover	7671.40	8488.72	11562.65	13084.08	15539.81
Debt-Turnover Ratio	0.093:1	0.53:1	0.06:1	0.11:1	0.089:1

(Source: Compiled based on information received from PSUs)

The debt-turnover ratio ranged between 0.06 and 0.53 during this period.

Winding up of Inactive State PSUs

3.24 Twenty six of the 74 State PSUs (Non-Power Sector) were inactive companies having a total investment of ₹95.96 crore towards capital (₹65.30 crore) and long term loans (₹30.66 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last five years ended 31 March 2018 is given below:

Table 3.15: Inactive State PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive companies	28	28	28	28	26

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

Sixteen of these inactive PSUs were under liquidation. As these PSUs are not functional for many years, the Government may take appropriate decision regarding these PSUs.

Comments on Accounts of State PSUs (Non-Power Sector)

3.25 Twenty nine working companies forwarded 37 audited accounts for the years 2013-14 to 2017-18 to the Principal Accountant General during the period from 01 October 2017 to 30 September 2018. Of these, 18 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs some improvement. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 3.16: Impact of audit comments on Working Companies (Non-Power Sector)
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	12	150.19	15	217.30	12	733.82
2.	Increase in profit	1	0.02	4	10.70	7	19.77
3.	Increase in loss	4	210.28	4	85.26	3	296.95
4.	Decrease in loss	1	8.86	2	10.84	0	0
5.	Non-disclosure of material facts	9	2234.81	6	145.20	5	208.99
6.	Errors of classification	Nil	Nil	Nil	Nil	4	3.89

(Source: Audit Comments of the C&AG and Statutory Auditors)

During the year 2017-18, the Statutory Auditors had issued certification with qualifications for 37 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 26 instances of non-compliance to the Accounting Standards in 15 accounts.

3.26 The State has three Statutory Corporations *i.e.* (i) Odisha State Road Transport Corporation (OSRTC), (ii) Odisha State Financial Corporation (OSFC) and (iii) Odisha State Warehousing Corporation (OSWC). The CAG is sole auditor in respect of OSRTC.

Out of three working Statutory Corporations, no Corporation forwarded its annual accounts for the year 2017-18 whereas all the corporations forwarded annual accounts for the year 2016-17 during 01 October 2017 to 30 September 2018. Of these, the CAG is the sole auditor for the accounts of Odisha State Road Transport Corporation. The remaining two accounts were selected for supplementary audit. Qualified certificates were issued to all the three accounts based on comments towards decrease in profit and increase in loss. The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given below:

Table 3.17: Impact of audit comments on Statutory Corporations
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	6.33	1	1.19	2	6.71
2.	Increase in profit	2	0.93	0	0	0	0
3.	Increase in loss	1	1.07	1	5.00	1	1.68
4.	Decrease in loss	0	0	0	0	0	0
5.	Non-disclosure of material facts	1	25.81	0	0	0	0
6.	Errors of classification	0	0	0	0	0	0

(Source: Database maintained in the PAG Office)

Performance Audits Paragraph

3.27 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, one Performance Audit related to Odisha State Seeds Corporation Limited (OSSC) was issued to the Secretary of the Department of Agriculture and Farmers' Empowerment with request to furnish replies. Replies on the Performance Audit paragraphs have been received from the State Government and taken into account while finalising this report. The total financial impact of these Performance Audit paragraphs is ₹ 73.44 crore.

Follow up action on Audit Reports

Replies outstanding

3.28 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Odisha issued (December 1993) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

Table 3.18: Position of explanatory notes on Audit Reports related to PSUs Non-Power Sector (as on 30 September 2018)

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total non-power sector Performance Audits (PAs) and Paragraphs in the Audit Report		Number of non-power sector PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	29 March 2012	3	13	-	1
2013-14	24 August 2015	2	6	1	1
2014-15	26 September 2016	1	11	1	5
2016-17	26 March 2018	1	5	1	2
Total	--	7	35	3	9

(Source: Database maintained in the PAG Office)

Explanatory notes on 12⁷⁷ Paragraphs/Performance Audits were pending with six departments till September 2018.

Discussion of Audit Reports by COPU

3.29 The status of discussion of Performance Audits and paragraphs related to PSUs (Non-Power Sector) that appeared in Audit Reports (PSUs) by the CoPU as on 30 September 2018 was as under:

⁷⁷ Three Paragraphs each related to Odisha Small Industries Corporation Limited and Odisha State Beverages Corporation Limited, one Paragraph each related to Odisha State Financial Corporation, Odisha Film development Corporation Limited and Industrial Development Corporation of Odisha Limited, one Performance Audit each related to Odisha Pisciculture Development Corporation Limited, Odisha State Warehousing Corporation and Odisha Mining Corporation Limited

Table 3.19: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Period of Audit Report	Number of Non-power sector Performance Audits/ Paragraphs			
	Appeared in Audit Reports		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	1	11.5	0	8
2009-10	1	10	1	9
2010-11	3	13	1	12
2011-12	1	12	1	12
2012-13	1	7	1	7
2013-14	2	6	0	5
2014-15	1	11	0	1
2015-16	1	10	0	0
2016-17	1	5	0	0
Total	12	85.5	4	54

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (April 2017). During 2017-18, with the co-ordination and assistance of PAG, CoPU had in its six meetings, discussed one Performance Audit (Odisha Lift Irrigation Corporation Limited) relating to Audit Report of 2009-10.

Compliance to Reports of CoPU

3.30 Action Taken Notes (ATNs) on 27 Paragraphs pertaining to four Reports of the CoPU presented to the State Legislature between August 2001 and March 2018 had not been received (October 2018) as detailed below:

Table 3.20: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2001-02	1	8	8
2007-08	3	6	6
Total	4	14	14

(Source: Database maintained in the PAG Office)

These reports of COPU contained recommendations in respect of Paragraphs pertaining to four departments which appeared in the Reports of the CAG of India for the years 1989-90 to 2004-05.