



सत्यमेव जयते

**Report of the
Comptroller and Auditor General of India
for the year ended 31 March 2020**



लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Punjab
Report No. 5 of the year 2021
**General Purpose Financial Report of
State Public Sector Enterprises**

Report of the
Comptroller and Auditor General of India

for the year ended 31 March 2020

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Report No. 5 of the year 2021
General Purpose Financial Report of
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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 or supplements the reports 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. In addition, these companies are also subject to test audit by the CAG.

The CAG is the sole auditor, in respect of two Statutory Corporations *viz.* PEPSU Road Transport Corporation and Punjab Scheduled Castes Land Development and Finance Corporation. The CAG has right to conduct supplementary audit in respect of Punjab Financial Corporation and Punjab State Warehousing Corporation after Statutory Auditors appointed under the statutes have conducted their audit.

The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts received for the years up to 2019-20 (to the extent received). In respect of SPSEs where any particular year's accounts were not received before 31 December 2020, the figures from the accounts last audited have been adopted.

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

Executive Summary

Executive Summary

This Report deals with the financial performance of Government Companies and Statutory Corporations of the Government of Punjab for the year ended 31 March 2020:

1. Financial Performance of State Public Sector Enterprises (Power Sector)

The State of Punjab had five State Power Sector Public Enterprises (SPSEs) as of March 2020. Of these, three SPSEs have been incorporated for carrying out the activity of generation of power, one SPSE (Punjab State Power Corporation Limited) undertakes both generation as well as distribution activities and one SPSE (Punjab State Transmission Corporation Limited) undertakes the transmission activity. Two SPSEs which have not yet commenced commercial activities are under consideration for winding up. Out of five SPSEs, Accounts for the year 2019-20 were submitted by four SPSEs by 31 December 2020 as per statutory requirement. Only one Company (Punjab Genco Limited) had arrear in preparation of accounts for one year *i.e.* 2019-20.

(Paragraph 1.1)

Investment by Government of Punjab

The accounts of five SPSEs indicated that as on 31 March 2020, the Government of Punjab (GoP) had total investment of ₹ 22,329.68 crore (paid-up capital: ₹ 22,315.61 crore and long-term loans: ₹ 14.07 crore).

(Paragraph 1.3)

During 2019-20, the total investment at face value of the equity in the five Power Sector SPSEs registered an increase of ₹ 15,628.26 crore which was contributed by the State Government. The increase of ₹ 15,628.26 crore was due to conversion of loan given by State Government under Ujwal Discom Assurance Yojana (UDAY) scheme into equity.

(Paragraph 1.3.1)

As per the latest finalised accounts, the working SPSEs registered an annual turnover of ₹ 33,262.60 crore. This turnover was equal to 5.79 *per cent* of State Gross Domestic Product (GSDP) for the year 2019-20 (₹ 5,74,760 crore at current prices and advance estimates).

(Paragraph 1.1)

Profit/losses earned/incurred by SPSEs

As per latest finalised accounts, out of the five Power Sector SPSEs, only one SPSE (Punjab Genco Limited) earned profit of ₹ 3.93 crore, two SPSEs incurred loss of ₹ 1,191.77 crore and two SPSEs have not started the commercial activities. The overall losses incurred by these five SPSEs stood at ₹ 1,187.84 crore in 2019-20 against loss of ₹ 893.90 crore in 2017-18.

(Paragraph 1.4.1)

During 2019-20, only one SPSE (Punjab Genco Limited) declared dividend. There was no State Government investment in dividend declaring SPSE.

(Paragraph 1.4.2)

There was huge increase in losses during 2019-20 primarily attributable to PSPCL (₹ 1,158.20 crore) as there was decrease in other income in the year 2019-20 by ₹ 817.76 crore as compared to previous year mainly due to receipt of interest on delayed payment of subsidy from GoP in 2018-19. Further, there was increase in power cost (5.29 per cent) at a rate higher than increase in sale of power income (3.74 per cent) of the Company as compared to previous year (2018-19). The increase in Net worth of PSPCL during 2019-20 was attributed to the conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

(Paragraphs 1.4.1, 1.4.3 and 1.6)

2. Financial Performance of State Public Sector Enterprises (other than Power Sector)

The State of Punjab had 44 State Public Sector Enterprises (other than Power Sector) as on 31 March 2020. These SPSEs, included 37 Government Companies, three Government Controlled Other Companies and four Statutory Corporations. The Government Companies included 16 inactive Companies and 10 subsidiary Companies owned by Government Companies.

(Paragraph 2.1)

Out of 24 working Government Companies, eight Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020 as per statutory requirement. Of the four Statutory Corporations, Accounts for the year 2019-20 were pending in respect of all the Corporations as on 31 December 2020. Further, 35 annual accounts were in arrears which pertain to 20 SPSEs.

(Paragraph 2.1)

Investment by Government of Punjab

As on 31 March 2020, the total investment (equity and long term loans) in 28 SPSEs was ₹ 19,386.72 crore. The investment consisted of 6.02 per cent towards equity and 93.98 per cent in long-term loans. During the year 2019-20, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 6.88 crore due to infusion of equity by State Government (₹ 1.09 crore) and Central Government (₹ 5.79 crore).

(Paragraph 2.2.1)

As per the latest finalised accounts, the SPSEs registered an annual turnover of ₹ 40,027.52 crore. This turnover was equal to 6.96 per cent of State Gross Domestic Product (GDP) for the year 2019-20 (₹ 5,74,760 crore at current prices and advance estimates).

(Paragraph 2.1)

Profit/losses earned/incurred by SPSEs

As per latest finalised accounts, the number of SPSEs that earned profit was nine in 2019-20 which was 11 in 2018-19. The profit earned was ₹ 284.09 crore in 2019-20 as against profit of ₹ 283.85 crore in 2018-19. There were 13 SPSEs that incurred losses during the year 2019-20.

The loss of ₹ 687.72 crore incurred by the working SPSEs in 2018-19 decreased to ₹ 204.27 crore in 2019-20 primarily due to substantial decrease in losses of State Foodgrains Procuring Agencies (SPAs) from ₹ 697.20 crore in 2018-19 to ₹ 194.65 crore in 2019-20.

(Paragraph 2.3.1)

As per latest Accounts of SPSEs in which Government of Punjab held equity, finalised during 2019-20, there were eight SPSEs which earned profit but only two of these SPSEs paid dividend.

(Paragraph 2.3.2)

3. Oversight role of CAG

Subsequent to the audit of the financial statements for the year 2019-20 by Statutory Auditors, the CAG conducted supplementary audits of the financial statements of the State Government Companies. Significant comments were issued on financial statements of State Government Companies, the financial impact of which on the profitability was ₹ 1,339.15 crore.

(Paragraph 3.5.2)

During the course of supplementary audit, the CAG observed that three Companies had not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors.

(Paragraph 3.6)

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 four SPSEs through 'Management Letter' for taking corrective action.

(Paragraph 3.7)

4. Corporate Governance

The review of Corporate Governance covered 29 SPSEs under the administrative control of various Departments of State Government. Provisions of the Companies Act, 2013 and Regulations of Securities and Exchange Board of India regarding Corporate Governance, were not being complied with by the SPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

Out of 29 selected SPSEs, 13 did not conduct the mandatory four Board meetings in a year.

(Paragraph 4.3.4)

Four SPSEs did not have Independent Directors on their Board, there was shortfall in requisite number of Independent Directors in one SPSE. Even in four SPSEs, where Independent Directors were appointed, formal letter of appointment was sent only in two SPSE.

(Paragraphs 4.2.1 and 4.3.1)

In five SPSEs, the Audit Committee did not review internal control systems of the Company, performance of Statutory Auditors and internal auditors and adequacy of internal audit functions.

(Paragraph 4.5.1)

5. Corporate Social Responsibility

Out of ten SPSEs fulfilling the criteria for undertaking CSR activities, three SPSEs neither constituted CSR committee nor formulated CSR policy.

(Paragraphs 5.6.1 and 5.6.3)

Two SPSEs did not have Independent Directors in CSR committee.

(Paragraph 5.6.2)

Out of four profit making SPSEs, one SPSE did not allocate required funds for CSR activities during the year 2019-20.

(Paragraph 5.7.1)

Two SPSEs instead of utilising funds for CSR activities deposited the funds with Punjab CSR Authority where the funds ultimately remained unutilised.

(Paragraph 5.7.2)

No SPSE had spent any amount on schemes/projects introduced by Government of India.

(Paragraph 5.8.6)

None of the SPSEs had framed any institutionalised mechanism for monitoring, reporting and evaluation of CSR projects/programs/activities and no impact assessment was carried out.

(Paragraph 5.9)

6. Impact of implementation of Indian Accounting Standards

Adoption of Ind AS resulted in changes in the financial reporting framework, use of fair valuation as against historical cost valuation.

Out of fifteen SPSEs which were required to adopt Ind AS, only eight SPSEs have adopted Ind AS.

(Paragraph 6.6)

After adoption of Ind AS, profit after tax was impacted in four SPSEs, revenue was impacted in three SPSEs and total assets were impacted in five SPSEs.

(Paragraphs 6.8.1, 6.8.3 and 6.8.6)

The net worth of four SPSEs was impacted due to adoption of Ind AS.

(Paragraph 6.8.8)

Introduction

Purpose of the Report

1. This Report presents the financial performance of State Public Sector Enterprises (SPSEs) (State Government Companies, Statutory Corporations and Government Controlled Other Companies) set up under the Companies Act, 2013 and the statutes enacted by Parliament/ State Legislature. Financial performance of the SPSEs (Power Sector) has been discussed in Chapter-I and of the SPSEs (Other than Power Sector) in Chapter-II.

Chapter-III on Oversight role of the Comptroller and Auditor General of India highlights significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' Reports on the State Government Companies. Chapter-IV reviews the compliance with Corporate Governance provisions under the Companies Act, 2013 and Regulations of Securities and Exchange Board of India under the administrative control of various Departments of State Government. Chapter V ascertains whether the provisions of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 were complied with by SPSEs while Chapter VI studies the implementation of Ind AS in Phase I & II to assess how far the various provisions of Ind AS were complied with by SPSEs at the time of adoption and the impact of implementation of Ind AS in the financial statements of SPSEs.

A Government Company is defined in Section 2(45) of the Companies Act, 2013 (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. Besides, any other Company¹ 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 as Government Controlled Other Companies (GCOCs).

As on 31 March 2020, there were 49 State Public Sector Enterprises (SPSEs) in Punjab, including four² Statutory Corporations, 42 Government Companies (including sixteen inactive³ Government Companies) and three GCOCs under the audit jurisdiction of the Comptroller and Auditor General of India. Of these, one⁴ Company was listed on the stock exchange.

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

² Punjab Scheduled Castes Land Development and Finance Corporation, PEPSU Road Transport Corporation, Punjab State Warehousing Corporation and Punjab Financial Corporation.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Punjab Communications Limited.

Accountability framework

Mandate of audit

2. The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and GCOC under Section 139 (5) and (7) of the Act, 2013. Section 139 (5) of the Act, 2013, provides that the Statutory Auditors in case of a Government Company or GCOC are to be appointed by the Comptroller and Auditor General of India within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act, 2013 provides that in case of a Government Company or GCOC, the first auditors are to be appointed by the Comptroller and Auditor General of India within sixty days from the date of registration of the Company and in case the Comptroller and Auditor General of India does not appoint such an auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such an auditor.

Further, as per sub-Section (7) of Section 143 of the Act, 2013, the Comptroller and Auditor General of India may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or GCOC is subject to audit by the Comptroller and Auditor General of India.

Statutory audit

3. The financial statements of the Government Companies (as defined in Section 2 (45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India as per the provisions of Section 139 (5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143 (5) of the Act, 2013. These financial statements are also subject to supplementary audit by the Comptroller and Auditor General of India within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act, 2013. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

Submission of accounts by SPSEs

Need for timely finalisation and submission of accounts by SPSEs

4. According to Section 394 and 395 of the 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 the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the 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 one AGM and the next. Further, Section 129 of the Act, 2013 stipulates that the audited financial statements for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act, 2013 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 Act, 2013.

The financial performance of the SPSEs on the basis of latest finalised accounts as on 31 December 2020⁵ is covered in this report. The nature of SPSEs and the position of accounts are indicated in **Table 1** below:

Table 1: Position of accounts finalised

Nature of SPSEs	Total number	Number of SPSEs covered in this Report					Number of SPSEs not covered in this Report
		Accounts for the year 2019-20	Accounts for the year 2018-19	Accounts for the year 2017-18	Accounts prior to period 2017-18	Total	
Power Sector	5	4	1	0	0	5	0
Other than Power Sector	44	8	9	9	2	28	16
Total	49	12	10	9	2	33	16

Source: Latest finalised Accounts of SPSEs.

This Report does not include 16 SPSEs which were inactive/under liquidation.

Role of the Government and Legislature

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

⁵ Due date for holding of Annual General Meeting has been extended up to 31 December 2020 for the financial year 2019-20 as per Registrar of Companies order of 8 September 2020.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the Comptroller and Auditor General of India are submitted to the Government under Section 19A of the Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971.

Investment by Government of Punjab in State Public Sector Enterprises

6. The Government of Punjab (GoP) has significant financial stake in the State Public Sector Enterprises (SPSEs). This is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, the GoP also provides financial assistance by way of loans to the SPSEs from time to time.
- **Special financial support** – GoP provides budgetary support by way of grants and subsidies to the SPSEs as and when required.
- **Guarantees** – GoP also guarantees the repayment of loans with interest availed by the SPSEs from Financial Institutions.

7. The total sector-wise summary of investment {GoP, Government of India (GoI) and Others} in the Working SPSEs as on 31 March 2020 is given in **Table 2** below:

Table 2: Sector-wise investment in SPSEs

(₹ in crore)

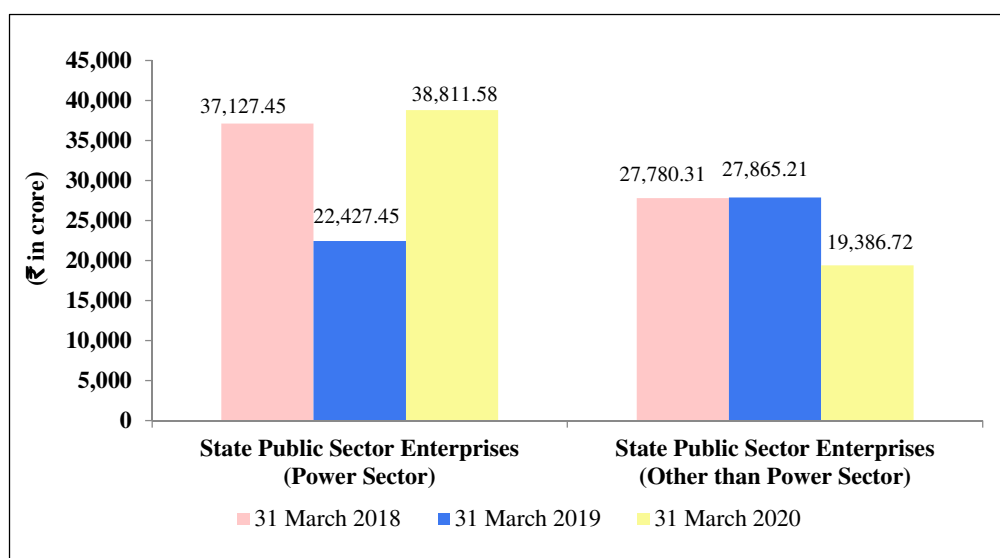
Nature of SPSEs	Number of Working SPSEs	Equity				Long Term Loans				Total Investment			
		GoP	GoI	Others	Total	GoP	GoI	Others	Total	GoP	GoI	Others	Total
Power Sector	05	22,315.61	0.00	23.00	22,338.61	14.07	0.00	16,458.90	16,472.97	22,329.68	0.00	16,481.90	38,811.58
Other than Power Sector	28	1,043.26	96.94	26.34	1,166.54	16,015.88	0.00	2,204.30	18,220.18	17,059.14	96.94	2,230.64	19,386.72
Total	33	23,358.87	96.94	49.34	23,505.15	16,029.95	0.00	18,663.20	34,693.15	39,388.82	96.94	18,712.54	58,198.30

Source: Compiled on the basis of information received from SPSEs.

As on 31 March 2020, the total investment (equity and long term loans) in 33 SPSEs was ₹ 58,198.30 crore. The investment consisted of 40.39 per cent towards equity and 59.61 per cent in long-term loans. The equity investment by the State Government constituted 99.38 per cent of total equity investment whereas 0.62 per cent was contributed by Central Government and others. Similarly, the Long Term Loans advanced by the State Government constituted 46.20 per cent of total Long Term Loans whereas 53.80 per cent loans were availed from other financial institutions.

The details of investment (Equity and Long Term Loans) of SPSEs during the three years ending 31 March 2020 is depicted in **Chart 1** below:

Chart 1: Sector-wise investment in SPSEs



It could be seen that the investment of the State Government increased from ₹ 37,127.45 crore to ₹ 38,811.58 crore in State Power Sector Enterprises and decreased from ₹ 27,780.31 crore to ₹ 19,386.72 crore in case of State (Other than Power Sector) Enterprises.

Chapter-I

Financial Performance of State Public Sector Enterprises (Power Sector)

**Financial Performance of State Public Sector Enterprises
(Power Sector)**

1.1 Introduction

As on 31 March 2020, there are five¹ Power Sector State Public Sector Enterprises (SPSEs) in the State. All the five SPSEs were under audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of these, two² Power Sector SPSEs have not yet commenced commercial activities and are under consideration for winding up by the holding Company (PSPCL). The five Power Sector SPSEs, include three³ incorporated for carrying out the activity of generation of power, one SPSE, Punjab State Power Corporation Limited, undertakes both generation as well as distribution activities and one SPSE, the Punjab State Transmission Corporation Limited, undertakes power transmission activity. The Government of Punjab (GoP) has contributed funds in only two⁴ of the five Power Sector SPSEs while the funds in other three have been contributed by their holding SPSE/ Government organisation.

The financial performance of all five Power Sector SPSEs on the basis of latest finalised accounts as on 31 December 2020 as per *Annexure 1* is covered in this Chapter.

Summary of financial performance of Power Sector SPSEs	
Number of Power Sector SPSEs	05
SPSEs covered	05
Paid up Capital	₹ 22,338.61 crore
Equity investment of Government of Punjab (31 March 2020)	₹ 22,315.61 crore
Long term Loans	₹ 16,472.97 crore
Net Profit	₹ 3.93 crore (One ⁵ SPSE)
Net Loss	₹ (-) 1,191.77 crore (Two ⁶ SPSEs)
Zero Profit/Loss	Two ⁷ SPSEs
Dividend declared	₹ 1.83 crore
Total assets	₹ 64,318.94 crore
Turnover	₹ 33,262.60 crore
Net worth ⁸	₹ 14,675.57 crore

Source: Compiled based on latest finalised accounts of Power Sector SPSEs and information received from SPSEs.

¹ Gidderbaha Power Limited (GPL), Punjab Genco Limited (PGL), Punjab State Power Corporation Limited (PSPCL), Punjab State Transmission Corporation Limited (PSTCL) and Punjab Thermal Generation Limited (PTGL).

² GPL and PTGL. PSPCL, the holding company decided to wind up the SPSEs in July 2018 and April 2017 respectively.

³ GPL (Fully owned Subsidiary Company of PSPCL), PGL (entire shareholding by Punjab Energy Development Agency) and PTGL (Fully owned Subsidiary Company of PSPCL)

⁴ PSPCL and PSTCL

⁵ PGL

⁶ PSPCL and PSTCL

⁷ GPL and PTGL - commercial activities not commenced

⁸ Net Worth = Paid up share capital + free reserves and surplus - accumulated losses - deferred revenue expenditure.

The ratio of turnover of Power Sector SPSEs to Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The **Table 1.1** below provides the details of turnover of the Power Sector SPSEs and GSDP of Punjab for a period of five years ending March 2020.

Table 1.1: Details of turnover of Power Sector SPSEs vis-à-vis GSDP of Punjab

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	23,589.08	24,763.66	29,880.88	32,040.21	33,262.60
GSDP of Punjab (at current prices and advance estimates)	3,90,087.00	4,26,988.00	4,70,834.00	5,26,376.00	5,74,760.00
Percentage of Turnover to GSDP of Punjab	6.05	5.80	6.35	6.09	5.79

Source: Turnover figures as per latest finalised accounts and GSDP figures as per Economic and Statistical Organisation, Government of Punjab.

The turnover of Power Sector SPSEs recorded continuous increase from 2015-16 to 2019-20 and it ranged between 3.82 per cent and 20.66 per cent during the period 2015-20 whereas increase in GSDP of Punjab ranged between 9.19 per cent and 11.80 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.11 per cent of the GSDP, the turnover of Power Sector SPSEs recorded lower compounded annual growth of 8.35 per cent during last five years. Thus, there is decrease in the share of turnover of these SPSEs to the GSDP, in percentage terms, from 6.05 per cent in 2015-16 to 5.79 per cent in 2019-20.

Out of five Power Sector SPSEs, four SPSEs submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020⁹ as per statutory requirement.

Details of arrears in submission of accounts of Power Sector SPSEs for the last three years ending 31 March 2020 are given below:

Table 1.2: Position relating to submission of accounts by Power Sector SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of SPSEs	5	5	5
2.	Number of accounts submitted during current year	9	5	5
3.	Number of SPSEs which finalised accounts for the current year	4	4	4
4.	Number of previous year accounts finalised during current year	5	1	1
5.	Number of SPSEs with arrears in accounts	1	1	1
6.	Number of accounts in arrears	1	1	1
7.	Extent of arrears	1 year	1 year	1 year

Source: Compiled on the basis of Accounts received during October 2019 to December 2020.

Only one Company (Punjab Genco Limited) had arrear in preparation of accounts for one year i.e. 2019-20.

⁹ Due date for holding of Annual General Meeting has been extended up to 31 December 2020 for the financial year 2019-20 as per Registrar of Companies order of 8 September 2020.

1.2 Power demand, availability and supply position in the State

The peak demand for power, its availability and share through State's own power generating utility, PSPCL, during 2015-16 to 2019-20 is given in the **Table 1.3** below:

Table 1.3: Details of Power Generation by PSPCL

Year	Installed Capacity of PSPCL (in MW)	Total own installed capacity and contracted capacity (in MW)	Peak demand (in MW)	Availability of Power (in MW)	Percentage of excess power tied up above peak demand	Total power Supply (in MUs)	Power Supplied by PSPCL (in MUs)	PSPCL's own share in total supply (in per cent)
2015-16	3,640	11,996	10,852	10,852	0	50,353	16,155	32.08
2016-17	3,640	13,961	11,408	11,408	0	53,167	13,277	24.97
2017-18	2,778	13,391	11,705	11,705	0	55,012	13,441	24.43
2018-19	2,776	13,466	12,638	12,638	0	55,262	11,343	20.53
2019-20	2,776	13,902	13,606	13,606	0	56,542	11,005	19.46

Source: Information provided by PSPCL.

During the period 2015-20, PSPCL was able to meet its peak demand. It had entered into long term Power Purchase Agreements with other power generators. It was observed that the share of the Company's own generated power in total power supplied has been consistently declining due to backing/shutting down of its own units after evaluating commercial aspects including deterioration of operating parameters of its own generating units.

1.3 Investment in SPSEs

The amount of investment in equity and long term loans in five SPSEs as at the end of 31 March 2020 is given in **Table 1.4** below:

Table 1.4: Equity investment and loans in Power Sector SPSEs

(₹ in crore)

Source of Investment	As on 31 March 2018			As on 31 March 2019			As on 31 March 2020		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	6,687.35	15,654.95	22,342.30	6,687.35	20.38	6,707.73	22,315.61	14.07	22,329.68
Central Government ¹⁰	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Others ¹¹	23.00	14,762.15	14,785.15	23.00	15,696.72	15,719.72	23.00	16,458.90	16,481.90
Total	6,710.35	30,417.10	37,127.45	6,710.35	15,717.10	22,427.45	22,338.61	16,472.97	38,811.58
Percentage of State Government investment to total investment	99.66	51.47	60.18	99.66	0.13	29.91	99.90	0.09	57.53

Source: Compiled on the basis of latest finalised Accounts of Power Sector SPSEs.

The GoP provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans,

¹⁰ Loans from Power Finance Corporation under R-APDRP scheme of the Government of India have been considered as loan taken from other sources.

¹¹ In case of equity, it represents investment by Holding Company/Government organisation. In case of loans, it represents loans from financial institution/holding company.

grants/subsidies, loans written off and loans converted into equity during the year in respect of SPSEs for the last five years ending March 2020 are as follows:

Table 1.5: Details of budgetary support to Power Sector SPSEs during last five years

Particulars ¹²	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
(i) Equity Capital Outgo	0	0	0	0	0	0	0	0	1	15,628.26
(ii) Loans given (Interest bearing ¹³)	1	9,859.72	1	5,768.54	0	0	0	0	1	(15,628.26)
(iii) Grants/ Subsidy ¹⁴	1	4,847.00	1	5,600.70	1	6,577.57	1	9,036.42	1	9,394.11
Total Outgo (i+ii+iii)		14,706.72		11,369.24		6,577.57		9,036.42		9,394.11
Loan repayment written off	0	0	0	0	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0	0	0	1	15,628.26
Guarantees issued	2	6,248.28	2	1,993.26	2	1,879.00	2	2,833.89	1	3,975.94
Guarantee Commitment	2	9,408.00	2	8,519.08	2	9,345.14	2	10,494.85	2	13,504.93

Source: Compiled based on information received from SPSEs.

1.3.1 Investment in equity

During 2019-20, the total investment at face value of the equity in the five SPSEs registered an increase of ₹ 15,628.26 crore which was entirely contributed by the State Government.

A review of additional investment by way of equity in SPSEs indicated that increase of ₹ 15,628.26 crore was due to conversion of loan given¹⁵ to Punjab State Power Corporation Limited by State Government under Ujwal Discom Assurance Yojana (UDAY) scheme into equity. This was against the spirit of the paragraph 1.2 (d) of tripartite Memorandum of understanding (MOU) executed in this regard, which provided for conversion of loan into equity amounting ₹ 3,900.00 crore and into grant amounting ₹ 11,728.26 crore during 2019-20. Against this, the entire amount of loan of ₹ 15,628.26 crore was converted into equity. This resulted¹⁶ in understatement of revenue deficit of the State for the year 2019-20.

¹² Amount represents outgo from State budget only.

¹³ PSPCL was given interest bearing loans at the rates of interest of 7.21 per cent to 8.72 per cent per annum.

¹⁴ The subsidy is on account of tariff compensation.

¹⁵ 2015-16: ₹ 9,859.72 crore and 2016-17: ₹ 5,768.54 crore

¹⁶ Paragraph no. 2.4.2.2 (v) – Implementation of Ujwal Discom Assurance Yojna – of Audit Report on State Finances of Comptroller and Auditor General of India – Government of Punjab for the year 2019-20 refers.

1.3.2 Loans given to SPSEs

1.3.2.1 Computation of long term loans outstanding as on 31 March 2020

The total long term loans outstanding in five SPSEs from all sources as on 31 March 2020 was ₹ 16,472.97 crore. As compared to 2018-19, the long term loans of Government Companies registered an overall increase of ₹ 755.87 crore in 2019-20. Out of the total long term loans outstanding as on 31 March 2020, loans from State Government were ₹ 14.07 crore only.

Out of five Power Sector SPSEs, as on 31 March 2020, two¹⁷ SPSEs did not have any long term loans.

1.3.2.2 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 a Company's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in five Power Sector SPSEs as on 31 March 2020 is given in the following **Table 1.6**:

Table 1.6: Coverage of long term loans with total assets

Name of SPSE	Assets (₹ in crore)	Long term loans (₹ in crore)	Ratio of Assets to Long term loans
Punjab State Power Corporation Limited	56,210.72	12,416.45	4.53:1
Punjab State Transmission Corporation Limited	7,941.44	4,044.51	1.96:1
Punjab Genco Limited	154.44	-	-
Punjab Thermal Generation Limited	0.02	-	-
Gidderbaha Power Limited	12.32	12.01	1.03:1
Total	64,318.94	16,472.97	3.90:1

Source: Compiled on the basis of latest finalised Accounts of Power Sector SPSEs.

Out of five SPSEs, the ratio of total assets to long term loans could not be calculated in two, as they did not have any long term loans. The remaining three SPSEs had positive coverage of long term loans.

1.3.2.3 Interest Coverage

Interest coverage ratio 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 of below one indicates that the Company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in these SPSEs charging interest on long term loans in their accounts during the period from 2017-18 to 2019-20 are given in the **Table 1.7**:

¹⁷ PGL and PTGL

Table 1.7: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of Power Sector SPSEs	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2017-18	3,456.20	2,554.28	2	1	1
2018-19	3,291.66	3,246.97	2	0	2
2019-20	3,461.24	2,269.47	2	0	2

Source: Latest finalised Accounts of Power Sector SPSEs.

The above interest includes interest of ₹ 1,306.95 crore, ₹ 1,306.95 crore and ₹ 1,304.25 crore charged by the GoP during 2017-18, 2018-19 and 2019-20 respectively from PSPCL on the loans given to it under Ujwal Discom Assurance Yojna (UDAY) to discharge its loan liability to other financial institutions and Banks.

It was observed that out of the two SPSEs (PSPCL and PSTCL), having loan liability and paying interest on loans, PSTCL had interest coverage ratio of more than one during 2017-18. However, both companies had interest coverage ratio of less than one during 2018-20.

1.3.2.4 Age wise analysis of interest outstanding on Long term loans

There was no outstanding interest on State Government loans payable as on 31 March 2020. However, interest of ₹ 0.19 crore was outstanding as on 31 March 2020 in one SPSE (GPL) on account of interest on loan from other sources (the Holding Company PSPCL). This interest was outstanding for payment for more than three years.

1.4 Return on investment in SPSEs

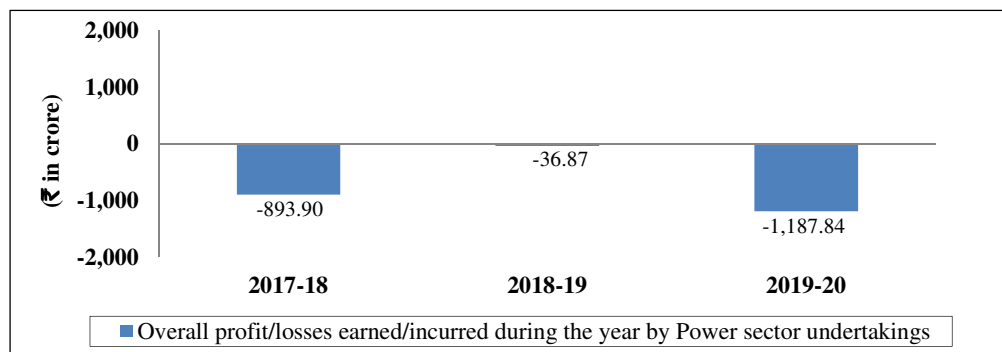
1.4.1 Profit earned by SPSEs

As per their latest finalised accounts, out of the five SPSEs, only one SPSE (Punjab Genco Limited) earned profit of ₹ 3.93 crore while two¹⁸ SPSEs incurred loss of ₹ 1,191.77 crore and two SPSEs had not started their commercial activities. The overall losses incurred by these five SPSEs stood at ₹ 1,187.84 crore in 2019-20 against loss of ₹ 893.90 crore in 2017-18. The overall position of Profit/losses¹⁹ earned/incurred by all the Power Sector SPSEs during 2017-18 to 2019-20 is depicted in the **Chart 1.1**:

¹⁸ PSPCL and PSTCL.

¹⁹ Figures are as per the latest finalised accounts during the respective years.

Chart 1.1: Profit/Losses earned/incurred by Power Sector SPSEs



The SPSEs had reported an aggregate loss of ₹ 893.90 crore for the year 2017-18. The losses reported declined sharply to ₹ 36.87 crore in 2018-19 as PSPCL reported receipt of ₹ 1,057.00 crore as interest (other income) from Government of Punjab, for delayed payment of subsidy.

Further, the increase in losses during 2019-20 over that of 2018-19 were again primarily attributable to PSPCL (₹ 1,158.20 crore) as in this year there was decrease in other income by ₹ 817.76 crore. Also, its rate of increase in cost of power (5.29 per cent) was higher when compared with the rate of increase in sale price of power (3.74 per cent). Position of Power Sector SPSEs which earned/incurred profit/loss during 2017-18 to 2019-20 is given below:

Table 1.8: Power Sector SPSEs which earned/incurred profit/loss

Financial year	Total number of SPSEs	Number of SPSEs which earned profit during the year	Number of SPSEs which incurred loss during the year	Number of SPSEs which had not commenced commercial activities
2017-18	5	2	1	2
2018-19	5	1	2	2
2019-20	5	1	2	2

Source: Latest finalised Accounts of Power Sector SPSEs.

1.4.2 Dividend payout by Power Sector SPSEs

As per latest financial statements finalised during 2019-20, out of five SPSEs, only one SPSE (PGL) earned profit and declared dividend²⁰. There was no State Government investment in this dividend declaring SPSE. PGL with a paid up capital of ₹ 22.90 crore reported a net profit of ₹ 3.93 crore and declared a dividend of ₹ 1.83 crore.

No dividend was declared by the two²¹ SPSEs where equity was infused by GoP during the period 2017-20. GoP had infused a total of ₹ 22,315.61 crore as equity in the two SPSEs.

During the year 2017-18, only PSTCL earned profit but did not declare/pay dividend during the year. During 2018-19 and 2019-20, neither of these two SPSEs earned profits.

²⁰ Dividend for the year 2017-18 was declared in the accounts of 2018-19.

²¹ PSPCL and PSTCL

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of 5 per cent on Government equity should be paid by all enterprises. The State Government adopted the recommendations and directed (July 2011) all its Public Sector Enterprises (PSEs) to pay a minimum return of five per cent on the funds invested. But due to non earning of profits by these two SPSEs during 2019-20, no dividend was declared.

1.4.3 Return on Equity of Power Sector SPSEs

Return on equity²² (RoE) is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The details of shareholders' equity and RoE relating to these five SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.9** below:

Table 1.9: Return on Equity relating to Power Sector SPSEs

Year	Net Income/ Total Earnings for the year ²³ (₹ in crore)	Shareholders' equity (₹ in crore)	Return on Equity (in per cent)
2017-18	(-) 893.90	280.58	(-) 318.59
2018-19	(-) 36.87	240.03	(-) 15.36
2019-20	(-) 1,187.84	14,675.57	(-) 8.09

Source: Compilation based on financial results of SPSEs in Annexure 1.

During the last three years ending 31 March 2020, the Net Income remained negative which was primarily attributed to losses incurred by PSPCL as discussed above. However, shareholders' equity remained positive during all the three years. During 2019-20, it increased due to conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

1.5 Operating efficiency of Power Sector SPSEs

1.5.1 Turnover

The summary indicating turnover, total assets and capital employed²⁴ of five SPSEs over a period of three years is depicted in the **Chart 1.2**:

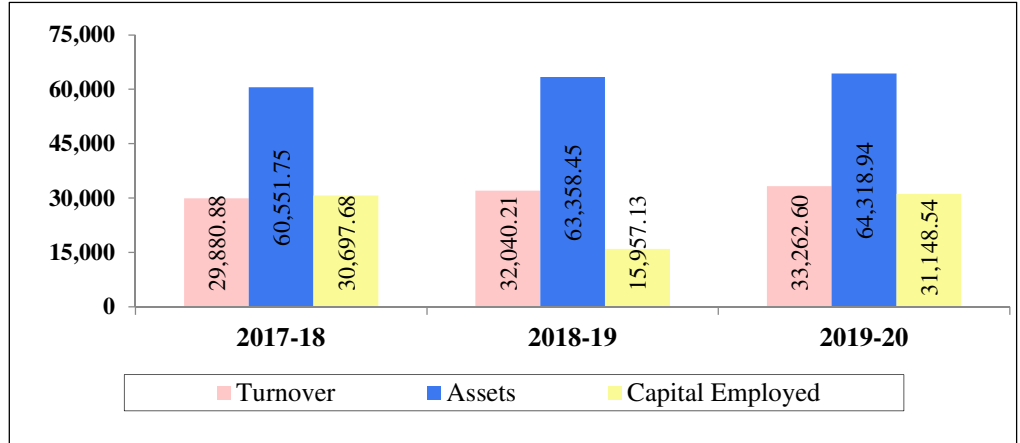
²² Return on equity = (Net Profit after Tax/ Shareholder's Equity) x 100 where Shareholder's equity = paid up capital + free reserves - accumulated losses- deferred revenue expenditure

²³ As per annual accounts of the respective years.

²⁴ Capital Employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure

Chart 1.2: Turnover, Assets and Capital employed

(₹ in crore)



The SPSE wise turnover, total assets and capital employed during 2017-18 to 2019-20 are given in **Table 1.10** below:

Table 1.10: SPSE wise turnover, total assets and capital employed

(₹ in crore)

Name of SPSE	Turnover	Total assets	Capital employed
2017-18			
PSPCL	28,682.50	52,309.69	25,054.06
PSTCL	1,182.46	8,079.56	5,491.91
PGL	15.92	150.14	139.60
GPL	-	12.33	12.06
PTGL	-	0.03	0.05
Total	29,880.88	60,551.75	30,697.68
2018-19			
PSPCL	30,781.82	55,215.41	10,539.52
PSTCL	1245.39	7,974.43	5,258.08
PGL	13.00	156.26	147.42
GPL	-	12.32	12.06
PTGL	-	0.03	0.05
Total	32,040.21	63,358.45	15,957.13
2019-20			
PSPCL	31,933.56	56,210.72	25,986.89
PSTCL	1,321.07	7,941.44	5,000.40
PGL	7.97	154.44	149.14
GPL	-	12.32	12.06
PTGL	-	0.02	0.05
Total	33,262.60	64,318.94	31,148.54

Source: Latest finalised Accounts of Power Sector SPSEs.

Capital employed in PSPCL decreased in the year 2018-19 over 2017-18 mainly due to treatment of the loan of ₹ 15,628.26 crore taken over by GoP under UDAY scheme as short term liability in its Accounts. Thereafter, in 2019-20, Capital employed again increased due to conversion of said short term loan into equity by GoP.

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. The details of ROCE of five SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.11** below:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2017-18	2,567.06	30,697.68	8.36
2018-19	3,257.61	15,957.13	20.41
2019-20	2,274.97	31,148.54	7.30

Source: Latest finalised Accounts of Power Sector SPSEs.

The ROCE of the Power Sector SPSEs ranged between 7.30 per cent and 20.41 per cent during the period 2017-18 to 2019-20. The ROCE reduced in the year 2019-20, over that of 2018-19, due to decrease in EBIT of PSPCL due to factors as discussed at paragraph 1.4.1 above and increase in Capital employed of PSPCL reasons of which have been explained in paragraph 1.5.1 above.

1.5.3 Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its Present Value (PV) at the end of each year upto 31 March 2020, the past investments/ year-wise funds infused by the State Government in the Power Sector SPSEs have been computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the Power Sector SPSEs 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 average rate of interest on Government borrowings for the concerned financial year²⁵ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

The Company wise position of State Government investment in the two Power Sector Public Enterprises in the form of equity and interest free loans since inception of these companies till 31 March 2020 has been indicated in **Annexure 2**. The consolidated position of the PV of the State Government investment and the total earnings relating to the two Power Sector SPSEs (PSPCL and PSTCL) since inception of these companies till 31 March 2020 is indicated in **Table 1.12**:

²⁵ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances (GoP) 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.

Table 1.12: Year wise details of investment by the State Government and its present value (PV)

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State government during the year	Grants/subsidies given by the State government during the year for operational and management expenses	Disinvestment by the State government	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year ²⁶
i	ii	iii	iv	v	vi = iii + iv - v	vii = ii + vi	viii	ix={vii*(1 + viii/100)}	x={vii*viii/100}	xi
2010-11	-	6,687.35 ²⁷	-	-	6,687.35	6,687.35	7.73	7,204.28	516.93	(-) 1,696.24
2011-12	7,204.28	-	-	-	0.00	7,204.28	7.96	7,777.74	573.46	(-) 559.34
2012-13	7,777.74	-	-	-	0.00	7,777.74	7.79	8,383.63	605.89	419.21
2013-14	8,383.63	-	-	-	0.00	8,383.63	8.04	9,057.67	674.04	629.83
2014-15	9,057.67	-	-	-	0.00	9,057.67	8.35	9,813.99	756.32	103.20
2015-16	9,813.99	-	-	-	0.00	9,813.99	8.09	10,607.94	793.95	(-) 1,692.83
2016-17	10,607.94	-	-	-	0.00	10,607.94	7.48	11,401.41	793.47	(-) 2,831.23
2017-18	11,401.41	-	-	-	0.00	11,401.41	8.12	12,327.21	925.79	(-) 901.92
2018-19	12,327.21	-	-	-	0.00	12,327.21	8.00	13,313.39	986.18	(-) 44.69
2019-20	13,313.39	15,628.26	-	-	15,628.26	28,941.65	7.93	31,236.72	2,295.07	(-) 1,191.77
Total		22,315.61	-	-	22,315.61					

Note: There were no interest free loans given by the State Government during these years.

The PV of investment by way of equity of the State Government upto 31 March 2020 worked out to ₹ 31,236.72 crore. The State Government had converted loans of ₹ 15,628.26 crore taken over under UDAY scheme into equity during 2019-20 in case of PSPCL.

It could be seen that total earnings for the year in these SPSEs remained negative during the years 2010-11, 2011-12 and 2015-16 to 2019-20. This indicates that instead of generating returns on the invested funds, Government could not recover its cost of funds invested. Further, the positive total earnings during the remaining years also remained substantially below the minimum expected return towards the investment made in these SPSEs.

1.6 Power Sector SPSEs incurring losses

There were two Power Sector SPSEs that incurred losses during the year 2019-20. The losses increased to ₹ (-) 1,191.77 crore in 2019-20 from ₹ (-) 44.69 crore during 2018-19 as given in **Table 1.13**:

²⁶ Total earnings for the year depict total of net earnings (profit/loss) for the concerned year relating to two SPSEs where funds were infused by State Government.

²⁷ No accumulated losses were transferred to Power Sector Companies at the time of unbundling as accumulated losses of erstwhile PSEB of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.

Table 1.13: Power Sector SPSEs that incurred losses during 2017-20

(₹ in crore)

Year	Name of SPSEs that incurred loss	Net loss for the year	Accumulated Profit/Loss	Net worth
2017-18	PSPCL	(-) 906.92	(-) 6,943.29	(-) 861.82
	Total	(-) 906.92	(-) 6,943.29	(-) 861.82
2018-19	PSPCL	(-) 37.80	(-) 7,001.17	(-) 899.62
	PSTCL	(-) 6.89	384.25	992.13
	Total	(-) 44.69	(-) 6,616.92	92.51
2019-20	PSPCL	(-) 1,158.20	(-) 8,159.37	13,570.44
	PSTCL	(-) 33.57	348.01	955.89
	Total	(-) 1,191.77	(-) 7,811.36	14,526.33

The huge increase in losses during 2019-20 were primarily attributable to PSPCL (₹ 1,158.20 crore) as there was decrease in its other income in the year 2019-20 by ₹ 817.76 crore as compared to previous year mainly due to receipt of interest on delayed payment of subsidy from GoP in 2018-19. Further, there was increase in power cost (5.29 per cent) at a rate higher than increase in sale of power income (3.74 per cent) of the Company as compared to previous year (2018-19). The increase in Net worth of PSPCL during 2019-20 was attributed to the conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

1.6.1 Erosion of Capital in Power Sector SPSEs

As on 31 March 2020, there was one power sector SPSE (PSPCL) with accumulated losses of ₹ 8,159.37 crore. However, the conversion of loans of ₹ 15,628.26 crore into equity during the year 2019-20, prevented the further erosion of its capital by accumulated losses and helped in turning its net worth to positive.

1.7 Implementation of the UDAY Scheme

The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The achievements *vis-à-vis* targets under UDAY Scheme regarding different operational parameters relating to the only State owned Power Distribution Companies (DISCOMs) (PSPCL) were as given in **Table 1.14**:

Table 1.14: Parameter wise achievements vis-à-vis targets of operational performance upto 31 March 2020

Parameter of UDAY Scheme	Target under UDAY Scheme upto 2019-20	Progress under UDAY Scheme upto 31 March 2020	Achievement (in per cent)
Feeder metering (in Nos.)	11,658	11,658	100
Metering at Distribution Transformers (in Nos.)	1,92,137	47,062	24.49
Feeder Segregation (in Nos.)	6,415	6,139	95.70
Rural Feeder Audit (in Nos.)	8,018	8,018	100
Electricity to unconnected household (in lakh Nos.)	70.61	70.61	100
Smart metering (in Nos.) above 500 Kwh	6,97,711	0	0
Smart metering (in Nos.) above 200 Kwh upto 500 Kwh	9,34,394	0	0
Distribution of LED UJALA (in lakh Nos.)	120.00	13.19	10.99
AT&C Losses (in per cent)	14.00	13.98	-
ACS-ARR Gap (₹ per unit)	0.09	(0.30) ²⁸	-
Net Income or Profit/Loss including subsidy (₹ in crore)	467	(1,158.20)	-

Source: Information provided by PSPCL and State Health Card under UDAY Scheme as per website of the MoP, GoI.

PSPCL floated tenders (July 2019) for procurement of smart meters. The order for supply of 96000 smart meters by December 2020 was placed on a firm in May 2020. Audit observed that upto April 2021, only 335 smart meters were installed. Its performance in case of metering of Distribution Transformers and distribution of LED UJALA were not to the targets set, whereas the targets were fully achieved in feeder metering, rural feeder audit, providing electricity to unconnected households and reduction of AT&C losses to below 14.00 per cent. According to the Ministry of Power, Government of India, the State of Punjab stood 12th amongst all the States on the basis of overall achievements made by the State DISCOM under UDAY Scheme upto 31 December 2020.

B. Implementation of Financial Turnaround

A tripartite Memorandum of Understanding (MoU) was signed (04 March 2016) between the MoP (GoI), the GoP and PSPCL. As per provisions of the UDAY Scheme and tripartite MoU, out of the total outstanding debt (₹ 20,837.68 crore) pertaining to PSPCL as on 30 September 2015, the GoP was to take over total debt of ₹ 15,628.26 crore during the period 2015-16 (₹ 10,418.84 crore) and 2016-17 (₹ 5,209.42 crore) by giving loan. The actual loan taken over by the GoP in respective years is as detailed in **Table 1.15:**

²⁸ Excess of cost over revenue

Table 1.15: Implementation of the UDAY Scheme

(₹ in crore)

Year	Equity Investment	Loan	Revenue Grant	Total
2015-16	-	9,859.72	-	9,859.72
2016-17	-	5,768.54	-	5,768.54
2017-18	-	-	141.81	141.81
2018-19	-	-	90.69	90.69
2019-20	15,628.26	(15,628.26)	9.45	9.45
Total	15,628.26	0.00	241.95	15,870.21
Position as on 31 March 2020	15,628.26	0.00	241.95	15,870.21

Source: Latest finalised Accounts

It was observed that as per the provisions of the UDAY scheme for financial turnaround, the debt of the DISCOM was to be taken over by the State government in the form of grant whereas the MoU provided for takeover of debt in the form of loan as explained above. Further, it was observed that against ₹ 10,418.84 crore due for takeover in 2015-16, as provided in MoU, loans of ₹ 9,859.72 crore were taken over during the year. Balance amount of ₹ 559.12 crore, pertaining to the year 2015-16, was taken over in the year 2016-17 along with the amount stipulated (₹ 5,209.42 crore) for the year.

Further, the amount of ₹ 15,628.26 crore which was provided by way of loans under UDAY Scheme, was to be converted into equity ₹ 3,900.00 crore and grant ₹ 11,728.26 crore during 2019-20 in terms of the MoU. However, the whole amount of loan of ₹ 15,628.26 crore was converted into equity in 2019-20 by the State Government.

The GoP charged interest of ₹ 5,110.32 crore (at rates of interest ranging between 7.21 and 8.72 *per cent per annum*) for the period October 2015 to March 2020 on the loans given to PSPCL under UDAY Scheme to discharge the loan liability due to other financial institutions and banks.

As per the MoU, GoP was to fund a specified percentage of losses of DISCOM during 2017-18 to 2020-21. Accordingly, 5 *per cent* of losses of the year 2016-17 were to be funded in 2017-18, 10 *per cent* of losses of the year 2017-18 in 2018-19 and 25 *per cent* of losses of the year 2018-19 in 2019-20 which was duly adhered to by GoP by providing revenue grants to PSPCL as shown in the **Table 1.15** above.

Chapter-II

Financial Performance of State Public Sector Enterprises (other than Power Sector)

CHAPTER - II

Financial Performance of State Public Sector Enterprises (Other than Power Sector)

2.1 Introduction

There were 44¹ State Public Sector Enterprises (Other than Power Sector) in the State of Punjab as on 31 March 2020 (*Annexure 3*). These SPSEs, incorporated during the period 1952-53 to 2016-17, included 37 Government Companies, three² Government Controlled Other Companies (GCOCs) and four³ Statutory Corporations. The Government Companies included 16⁴ inactive companies and 10⁵ subsidiary companies owned by Government Companies. One Company, Punjab Communications Limited, was listed on a stock exchange.

The financial performance of 28 working SPSEs (*Annexure 4*) on the basis of their latest finalised accounts as on 31 December 2020 is covered in this Chapter.

Summary of financial performance of Other than Power Sector SPSEs covered in this Chapter	
Number of SPSEs	44
SPSEs covered	28 (Working)
Paid up Capital	₹ 1,159.69 crore
Equity investment of Government of Punjab as on 31 March 2020	₹ 1,043.26 crore
Long term Loans	₹ 18,900.20 crore
Net Profit	₹ 284.09 crore (Nine ⁶ SPSEs)

¹ During the year, two SPSEs under liquidation (Punjab Digital Industrial Systems Limited and Punjab Electro Optics Systems Limited) were dissolved as per Punjab & Haryana High Court orders dated 9 February 2018 and 4 March 2020 respectively. Further one inactive SPSE namely Punjab Tanneries Limited has been struck off from Register of Companies by the Registrar of Companies under Section 248(5) of the Companies Act, 2013.

² Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.

³ PEPSU Road Transport Corporation (PRTC), Punjab Financial Corporation (PFC), Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC) and Punjab State Warehousing Corporation (PSWC).

⁴ Sl. No. 29 to 44 of *Annexure 3*.

⁵ Sl. No. 1, 9, 12, 20, 35, 39 and 41 to 44 of *Annexure 3*.

⁶ Punjab Agro Industries Corporation Limited, Punjab State Forest Development Corporation Limited, Punjab State Seeds Corporation Limited, Punjab Small Industries & Export Corporation Limited, Punjab Agri Export Corporation Limited, Punjab State Bus Stand Management Company Limited, Punjab State Container and Warehousing Corporation Limited, Punjab State Warehousing Corporation and Punjab Financial Corporation.

Net Loss	₹ 488.36 crore (13 ⁷ SPSEs)
Zero Profit/Loss	Six ⁸ SPSEs
Dividend Declared	₹ 1.38 crore (Two ⁹ SPSEs)
Total Assets	₹ 41,435.05 crore
Turnover	₹ 40,027.52 crore
Net Worth ¹⁰	₹ (-) 7,300.89 crore

Source: Latest finalised accounts of SPSEs and information received from SPSEs.

The ratio of turnover of SPSEs to the Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. The **Table 2.1** below provides the details of turnover of working SPSEs and GSDP of Punjab for a period of five years ending March 2020:

Table 2.1: Details of turnover of SPSEs vis-à-vis GSDP of Punjab

Particulars	(₹ in crore)				
	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover	32,104.55	33,032.24	36,728.43	40,883.49	40,027.52
GSDP of Punjab (at current prices and advance estimates)	3,90,087.00	4,26,988.00	4,70,834.00	5,26,376.00	5,74,760.00
Percentage of Turnover to GSDP of Punjab	8.23	7.74	7.80	7.77	6.96

Source: Compilation based on Turnover figures as per latest finalised accounts of SPSEs and GSDP figures as per Economic and Statistical Organisation, Government of Punjab.

As per their latest finalised accounts, the SPSEs recorded continuous increase in their turnover over the previous years' turnover during 2015-16 to 2018-19 but recorded decrease during 2019-20. The increase/decrease in turnover ranged between (-) 2.09 per cent and 11.31 per cent during the period 2015-20, whereas increase in GSDP of the State ranged between 9.19 per cent and 11.80 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.11 per cent of the GSDP, the turnover of these SPSEs recorded lower compounded annual growth of 5.61 per cent during last five years. Hence, there is decrease in share of turnover of these SPSEs to the GSDP, in percentage terms, from 8.23 per cent in 2015-16 to 6.96 per cent in 2019-20.

⁷ Punjab Agro Foodgrains Corporation Limited, Punjab Agro Juices Limited, Punjab State Grains Procurement Corporation Limited, Punjab Water Resources Management & Development Corporation Limited (PWRMDC), Gulmohar Tourist Complex (Holiday Home) Limited, Punjab Information & Communication Technology Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab Tourism Development Corporation Limited, Punjab State Industrial Development Corporation Limited, Punjab Communications Limited, Punjab Scheduled Castes Land Development and Finance Corporation Limited, PEPSU Road Transport Corporation and Ludhiana Smart City Limited

⁸ It includes four SPSEs working on No Profit No Loss basis and Two SPSEs earned zero Profit/loss during the year.

⁹ Punjab State Forest Development Corporation Limited and Punjab State Container and Warehousing Corporation Limited

¹⁰ Net Worth = Paid up share capital + free reserves and surplus - accumulated losses - deferred revenue expenditure.

Out of 24 working Government Companies, eight Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020¹¹ as per statutory requirement. Of the four Statutory Corporations, Accounts for the year 2019-20 were pending receipt from all the Corporations as of 31 December 2020.

Details of arrears in submission of accounts of working SPSEs for the last three years ending 31 March 2020 are given below:

Table 2.2: Position relating to submission of accounts by the SPSEs

Sl. No.	Particulars	2017-18	2018-19	2019-20
1.	Number of SPSEs	28	28	28
2.	Number of accounts submitted by SPSEs during current year	28	36	26
3.	Number of SPSEs which finalised accounts for the current year	5	5	8
4.	Number of previous year accounts finalised during current year	23	31	18
5.	Number of SPSEs with arrears in accounts	23	23	20
6.	Number of accounts in arrears	44	33	35
7.	Extent of arrears	One to eight years	One to four years	One to five years

Source: Compiled from accounts of working SPSEs received during the period October 2019 to December 2020.

Of these 28 working SPSEs, 21 SPSEs had finalised their 26 annual accounts during the period from 1 October 2019 to 31 December 2020 which included eight annual accounts for the year 2019-20 and 18 annual accounts for previous years. Further, 35 annual accounts were in arrears pertaining to 20 SPSEs. 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 SPSEs within the stipulated period. The concerned Departments are being informed half yearly by the Principal Accountant General (Audit) Punjab regarding arrears in finalisation of accounts.

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoP investment in these SPSEs, therefore, remained outside the scrutiny of the State Legislature.

2.2 Investment in SPSEs

The amount of investment in equity and long term loans in 28 SPSEs for the period of three years ending 31 March 2020 (as detailed in *Annexure 5*) is given in **Table 2.3**:

¹¹ Due date for holding of Annual General Meeting for the financial year 2019-20 was extended up to 31 December 2020, as per Registrar of Companies order of 8 September 2020.

Table 2.3: Equity investment and long term loans in SPSEs

(₹ in crore)

Source of Investment	As on March 2018			As on March 2019			As on March 2020		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	1,140.14	24,235.64	25,375.78	1,042.17	24,236.84	25,279.01	1,043.26	16,015.88	17,059.14
Central Government	91.15	24.92	116.07	91.15	11.07	102.22	96.94	0.00	96.94
Others	26.34	2,262.12	2,288.46	26.34	2,457.64	2,483.98	26.34	2,204.30	2,230.64
Total	1,257.63	26,522.68	27,780.31	1,159.66	26,705.55	27,865.21	1,166.54	18,220.18	19,386.72
Percentage of State Government Investment to Total Investment	90.66	91.38	91.34	89.87	90.76	90.72	89.43	87.90	87.99

Source: Compiled based on information received from SPSEs.

The Government of Punjab (GoP) provides financial support to SPSEs in various forms through its 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 SPSEs for the last five years ending March 2020 are as follows:

Table 2.4: Details of budgetary support to SPSEs during last five years

(₹ in crore)

Particulars ¹²	2015-16		2016-17		2017-18		2018-19		2019-20	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
(i) Equity Capital Outgo	2	32.24	2	10.83	-	-	-	-	1	1.09
(ii) Loans given (Interest bearing)	-	-	4	22,974.19	-	-	-	-	-	-
(iii) Grants/ Subsidy provided	5	508.45	3	518.19	4	186.38	8	328.08	10	375.71
Total Outgo (i+ii+iii)		540.69		23,503.21		186.38		328.08		376.80
Loan repayment written off	-	-	2	6.47	-	-	-	-	1	0.84
Loans converted into equity	-	-	-	-	-	-	-	-	-	-
Guarantees issued	2	34.40	-	-	2	141.12	1	150.00	2	188.41
Guarantee Commitment	10	29,250.45	7	1,633.69	9	1,721.84	10	2,023.31	10	2,771.27

Source: Information received from SPSEs.

During the year 2019-20, the total subsidy of ₹ 375.71 crore, included ₹ 122.43 crore provided to Punjab State Civil Supplies Corporation Limited for Atta Dal Scheme.

2.2.1 Investment in Equity

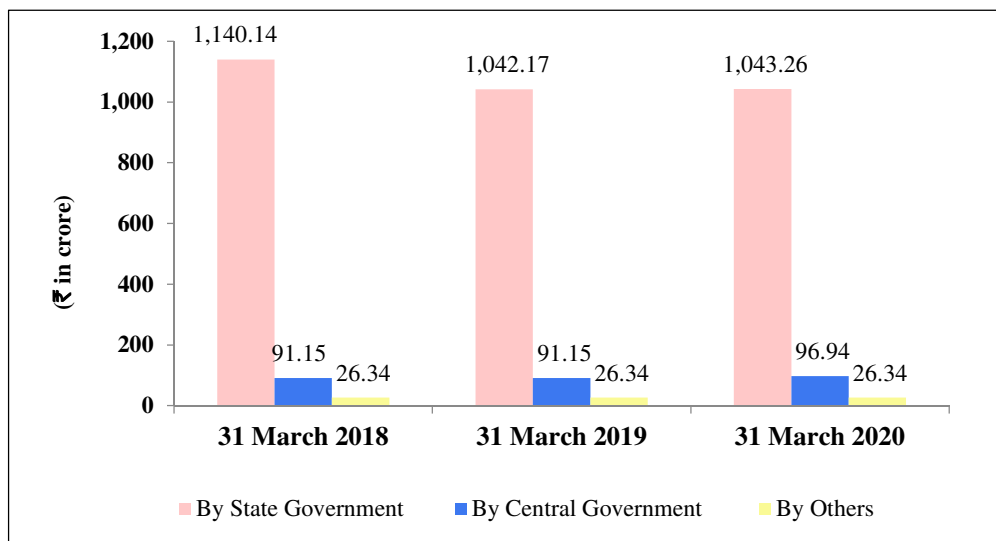
As on 31 March 2020, the total investment (equity and long term loans) in 28 SPSEs was ₹ 19,386.72 crore. The investment consisted of 6.02 per cent

¹² Amount represents outgo from State budget only.

towards equity and 93.98 per cent in long-term loans. During the year 2019-20, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 6.88 crore due to infusion of equity by State Government (₹ 1.09 crore) and Central Government (₹ 5.79 crore).

Investment in equity by State Government, Central Government and Others in SPSEs for the period of three years ending March 2020 is depicted in **Chart 2.1** below:

Chart 2.1: Investment in Equity in SPSEs



Details of significant investments (investment of more than ₹ 100 crore) made by the State Government as on 31 March 2020 in the paid up capital of the SPSEs is given in the **Table 2.5** below:

Table 2.5: Significant investments made by the State Government in equity of SPSEs

Name of the SPSE	Name of the Department	Amount (₹ in crore)
PEPSU Road Transport Corporation (PRTC)	Transport	307.08
Punjab Water Resources Management and Development Corporation Limited	Irrigation	300.00

2.2.2 Loans given to SPSEs

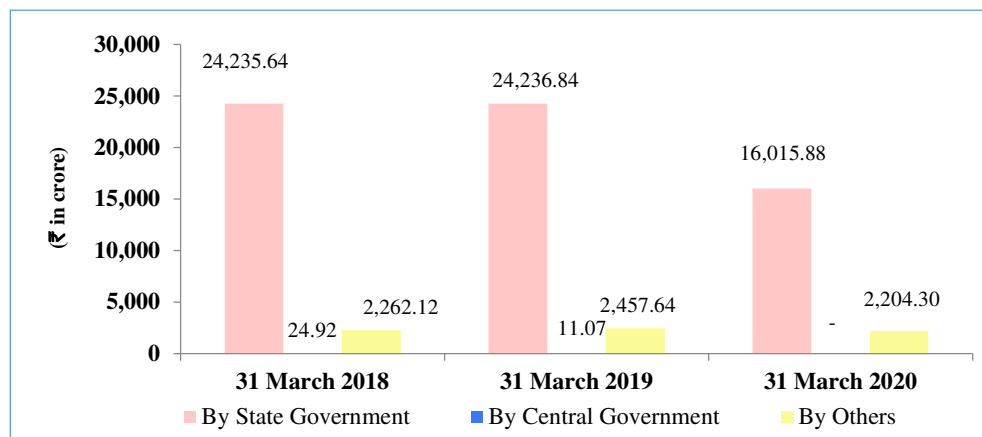
2.2.2.1 Computation of long term loans outstanding as on 31 March 2020

Of the 28 working SPSEs, thirteen SPSEs had outstanding long term loans availed from various sources, as on 31 March 2020. The total outstanding long term loan was ₹ 18,220.18 crore. Of the long term loans, those advanced by the State Government constituted 87.90 per cent (₹ 16,015.88 crore) whereas 12.10 per cent (₹ 2,204.30 crore) of the total long term loans were availed from other financial institutions. Two¹³ SPSEs defaulted in repayment of loans

¹³ PRTC since 2012-13 and Punjab Financial Corporation (PFC) since 1991-92

to State Government amounting to ₹ 33.59 crore. Both SPSEs have taken up the matter with State Government for conversion of their loan into equity. The details of outstanding long term loans of SPSEs during the last three years ending 31 March 2020 is depicted in the **Chart 2.2** below:

Chart 2.2: Long term loans outstanding in SPSEs



2.2.2.2 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 a company's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in 15 SPSEs, which had long term loans, as per latest finalised accounts as on 31 March 2020 is given in the following **Table 2.6**:

Table 2.6: Coverage of long term loans with total assets

(₹ in crore)

Nature of SPSEs	Positive Coverage				Negative Coverage			
	Number of SPSEs	Assets	Long Term Loans	Ratio of Assets to Long term loans	Number of SPSEs	Assets	Long Term Loans	Ratio of Assets to Long term loans
Government Companies	11	20,804.15	13,241.67	1.57:1	-	-	-	-
Statutory Corporations	3	6,425.48	5,623.76	1.14:1	1	18.82	34.77	0.54:1
Total	14	27,229.63	18,865.43		1	18.82	34.77	

Source: Latest finalised accounts of SPSEs.

Out of 28 working SPSEs, in 10 Government Companies and all the three GCOs, percentage of total assets to long term loans could not be calculated as these did not have any long term loans. In 15 SPSEs having long term loans, one¹⁴ SPSE had negative coverage and other 14 SPSEs had positive coverage of long term loans.

¹⁴ PFC

2.2.2.3 Interest Coverage

Interest coverage ratio 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 less is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in SPSEs charging interest on long term loans in their Accounts during the period from 2017-18 to 2019-20 are given in the **Table 2.7** below:

Table 2.7: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2017-18	832.07	329.26	8	4	4
2018-19	265.55	410.51	8	5	3
2019-20	365.14	470.37	8	4	4

Source: Latest finalised accounts of SPSEs

In 2019-20, number of SPSEs with interest coverage ratio more than one was four against five in 2018-19. Other four SPSEs had interest coverage ratio below one which indicates that these SPSEs could not generate sufficient revenue to meet their expenses on interest during the period.

2.2.2.4 Age wise analysis of interest outstanding on loans

As on 31 March 2020, interest amounting to ₹ 19.34 crore was outstanding in respect of one SPSE on the long term loans provided by the State Government and ₹ 191.57 crore was outstanding in respect of three SPSEs on the long term loans obtained from other financial institutions. The age wise analysis of interest outstanding on long term loans in the SPSEs is depicted in the **Table 2.8** below:

Table 2.8: Interest outstanding in SPSEs

(₹ in crore)					
Sl. No.	Name of SPSE	Interest Outstanding	Interest outstanding for less than 1 year	Interest outstanding for 1 to 3 years	Interest outstanding for more than 3 years
A. Interest outstanding on State Government Loans					
1.	PEPSU Road Transport Corporation	19.34	-	8.55	10.79
Total (A)		19.34	-	8.55	10.79
B. Interest outstanding on Loans obtained from other financial institutions					
1.	Punjab Agro Foodgrains Corporation Limited	49.62	49.62	0.00	0.00

2.	Punjab Scheduled Castes Land Development and Finance Corporation	0.20	0.20	0.00	0.00
3.	Punjab State Industrial Development Corporation Limited	141.75	15.20	60.72	65.83
Total (B)		191.57	65.02	60.72	65.83

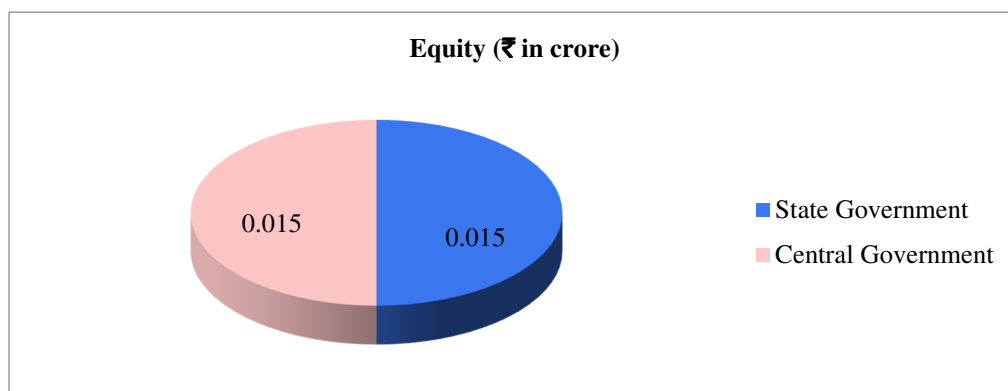
Source: Information provided by SPSEs.

State food grains procuring agencies¹⁵ (SPAs) have not made any provision for interest on State Government Loan (Legacy Account) as no instructions for the payment of interest on said loans have been issued by the State Government. Further, one SPSE (PFC) has not calculated interest on loans citing its precarious financial position.

2.2.3 Investment in Government Controlled Other Companies

The capital invested by State Government and Central Government in three¹⁶ Government Controlled other Companies (GCOCs) as on 31 March 2020 is depicted in **Chart 2.3** below. As on 31 March 2020, equity in these GCOCs was ₹ 0.03 crore which was equally shared by State Government and Central Government.

Chart 2.3: Composition of share capital in Government Controlled Other Companies



2.3 Return on investment in SPSEs

2.3.1 Profit earned by SPSEs

As per latest finalised accounts, nine SPSEs (excluding GCOCs) earned profit in 2019-20 as compared to 11 in 2018-19. The profit earned was ₹ 284.09 crore in 2019-20 as against profit of ₹ 283.85 crore in 2018-19. Return on

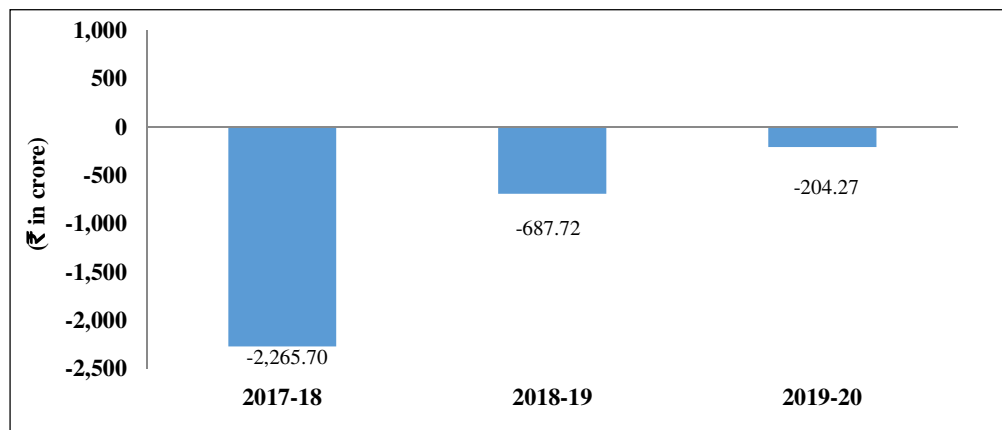
¹⁵ Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab State Warehousing Corporation and Punjab Agro Foodgrains Corporation Limited

¹⁶ Amritsar Smart City Limited, Jalandhar Smart City Limited and Ludhiana Smart City Limited.

Equity (ROE)¹⁷ of the six profit earning SPSEs was 4.96 per cent in 2019-20 as compared to 4.48 per cent in eight SPSEs in 2018-19. ROE in case of other SPSEs could not be calculated as their net worth was negative.

The overall position of Profit/losses¹⁸ earned/incurred by the 28 working SPSEs during 2017-18 to 2019-20 is depicted below:

Chart 2.4: Profit/Losses earned/incurred by working SPSEs



The loss of ₹ 687.72 crore incurred by the working SPSEs in 2018-19 decreased to ₹ 204.27 crore in 2019-20 primarily due to substantial decrease in losses of State Foodgrains Procuring Agencies (SPAs) from ₹ 697.20 crore in 2018-19 to ₹ 194.65 crore in 2019-20.

According to latest finalised accounts of the 28 working State SPSEs, nine¹⁹ SPSEs earned profit of ₹ 284.09 crore and 13²⁰ SPSEs incurred losses of ₹ 488.36 crore as detailed in *Annexure 4*. Out of the remaining six SPSEs, four²¹ are functioning on 'No Profit No Loss' basis and two²² SPSEs did not earn/incur any profit/loss.

Position of 28 working SPSEs which earned/incurred profit/loss during 2017-18 to 2019-20 is given in following **Table 2.9**:

Table 2.9: SPSEs which earned/ incurred profit/loss during 2017-18 to 2019-20

Financial Year	Total number of SPSEs	Number of SPSEs which earned profit during the year	Number of SPSEs which incurred loss during the year	Number of SPSEs		
				No profit No loss	Under construction	1 st Accounts yet to be received
2017-18	28	9	12	3	-	4
2018-19	28	13	10	4	1	-
2019-20	28	9	13	6	-	-

Source: Compiled based on *Annexure 4*.

¹⁷ Return on Equity = (Net profit after taxes/net worth)*100.

¹⁸ Figures are as per the latest finalised accounts of the respective years.

¹⁹ Sl. no. 2, 4, 6, 7, 9, 13, 15, 22 and 25 of *Annexure 4*.

²⁰ Sl. no. 1, 3, 5, 8, 10, 11, 14, 16, 19, 20, 23, 24 and 28 of *Annexure 4*.

²¹ Sl. no. 12, 17, 18 and 21 of *Annexure 4*.

²² Sl. no. 26 and 27 of *Annexure 4*.

Sector wise contribution to total profit during 2019-20 is summarised in **Table 2.10** below:

Table 2.10: Sector wise contribution to profit during the year 2019-20

Sector	Number of Profit earning SPSEs	Net Profit Earned (₹ in crore)	Percentage of profit to total SPSEs' profit
Agriculture	5	258.33	90.93
Industries	2	20.05	7.06
Transport	1	3.98	1.40
Others	1	1.73	0.61
Total	9	284.09	100.00

Source: Latest finalised accounts of SPSEs.

The SPSEs which earned profit of more than ₹ 10 crore during the year 2019-20 are given in the **Table 2.11** below:

Table 2.11: SPSEs which earned profit of more than ₹ 10 crore

Sl. No.	Name of the SPSE	Net Profit (₹ in crore)
1.	Punjab State Warehousing Corporation	240.51
2.	Punjab State Container and Warehousing Corporation Limited	15.05
3.	Punjab Small Industries and Export Corporation Limited	13.34
	Total	268.90

Source: Latest finalised accounts of SPSEs.

It may be seen that these three SPSEs had contributed 94.65 per cent of the total profit (₹ 284.09 crore) earned by nine SPSEs during 2019-20. Also, as per latest finalised accounts of three Government Controlled other Companies, no GCOC earned profit during 2019-20 against two in 2018-19.

2.3.2 Dividend Payout by SPSEs

As per latest accounts of SPSEs, in which Government of Punjab held equity and finalised during 2019-20, there were eight SPSEs which earned profit but only two of these paid dividend. The detail of State Government equity holding, profit earned and dividend payout in SPSEs is given in the **Table 2.12** below:

Table 2.12: Dividend Payout of SPSEs during 2017-18 to 2019-20

(₹ in crore)

Year	Total SPSEs where equity infused by GoP		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Payout Ratio (in per cent)
	Number	Equity by GoP	Number	Equity by GoP	Number	Dividend declared/paid by SPSEs	
1	2	3	4	5	6	7	8 = 7/5*100
2017-18	22	1,140.14	9	307.98	4	4.17	1.35
2018-19	22	1,042.17	13	318.65	3	1.67	0.52
2019-20	22	1,043.26	8	214.54	2	1.38	0.64

Source: Latest finalised accounts of SPSEs.

During the period 2017-18 to 2019-20, the number of SPSEs which earned profits ranged between 8 and 13. During this period, number of SPSEs which declared/paid dividend to GoP ranged between two and four. The Dividend Payout Ratio during 2017-18 to 2019-20 ranged between 0.52 *per cent* and 1.35 *per cent* only.

The return on aggregate investment of ₹ 1,043.26 crore made by the State Government in equity capital of 22 SPSEs was 0.13 *per cent* in 2019-20 as compared to 0.16 *per cent* on ₹ 1,042.17 crore during 2018-19. The following two SPSEs declared dividend as per latest finalised Accounts as on 31 December 2020:

Table: 2.13: Profit earned and dividend declared

(₹ in crore)			
Name of SPSE	Paid up capital	Net profit after Interest and Tax	Dividend declared
Punjab State Forest Development Corporation Limited	0.25	1.73	0.13
Punjab State Container and Warehousing Corporation Limited	25.00	15.05	1.25
Total	25.25	16.78	1.38

Out of remaining six non dividend paying SPSEs, two²³ have accumulated losses but four²⁴ SPSEs despite having accumulated profits did not declare dividend.

The Thirteenth Finance Commission recommended (December 2009) that a minimum dividend of five *per cent* on Government equity should be paid by all enterprises. The State Government adopted the recommendations and directed (July 2011) all Public Sector Enterprises to pay a minimum return of five *per cent* on the equity funds invested by the State Government. Thus, despite having distributable profits, four SPSEs did not declare any dividend which was non compliance with State Government directions.

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

2.3.3 Return on Equity of SPSEs

Return on Equity²⁵ (RoE) is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. It is expressed as a percentage and can be calculated for any company if net income and shareholders' equity are both positive numbers.

The details of shareholders' equity and ROE relating to these 28 SPSEs during the period from 2017-18 to 2019-20 are given in **Table 2.14**:

²³ PSWC and PFC

²⁴ Sl. no. 2, 6, 7 and 13 of *Annexure 4*.

²⁵ Return on equity = (Net Profit after Tax/Shareholder's Equity) x 100 where Shareholder's equity = paid up capital + free reserves - accumulated losses - deferred revenue expenditure.

Table 2.14: Return on Equity

(₹ in crore)

Year	Net Income/ Total Earnings for the year	Shareholders' Equity	Return on Equity (in per cent)
2017-18	(-) 2,265.70	(-) 6,268.20	-
2018-19	(-) 687.72	(-) 6,865.80	-
2019-20	(-) 204.27	(-) 7,300.89	-

Source: Latest finalised accounts of SPSEs.

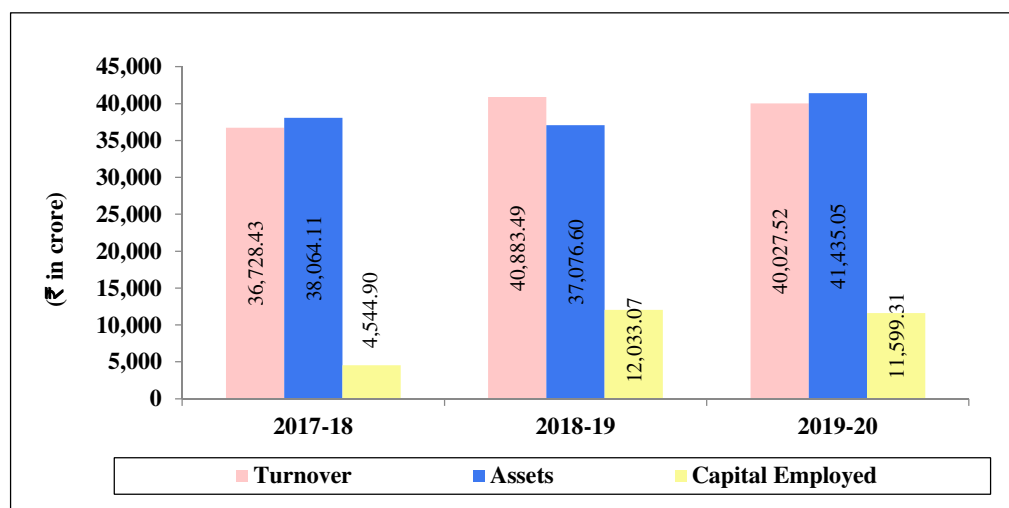
As can be seen from the above table, during the last three years ending 31 March 2020, Return on Equity could not be calculated as both Earnings and Shareholders' equity were negative.

2.4 Operating efficiency of SPSEs

2.4.1 Turnover

The summary indicating turnover, total assets and capital employed of SPSEs over a period of three years is depicted in the **Chart 2.5** below:

Chart 2.5: Turnover, Assets and Capital Employed



The nature of SPSEs and their turnover, total assets and capital employed during 2017-18 to 2019-20 are given in **Table 2.15** below:

Table 2.15: Nature of SPSE and their turnover, total assets and capital employed

(₹ in crore)

Nature of SPSE	Turnover	Total Assets	Capital employed
2017-18			
Government Companies	29,910.89	33,447.13	1,517.75
Statutory Corporations	6,817.54	4,616.98	3,027.15
GCOC	-	-	-
Total	36,728.43	38,064.11	4,544.90
2018-19			
Government Companies	34,039.25	30,527.15	7,369.48
Statutory Corporations	6,844.24	6,444.30	4,661.87
GCOC	0.00	105.15	1.72
Total	40,883.49	37,076.60	12,033.07

2019-20			
Government Companies	33,182.49	34,705.04	6,960.38
Statutory Corporations	6,845.03	6,444.30	4,638.92
GCOE	0.00	285.71	0.01
Total	40,027.52	41,435.05	11,599.31

Source: Latest finalised accounts of SPSEs.

There was decrease in the turnover and capital employed whereas there was increase in total assets in the year 2019-20 as compared to the previous year.

2.4.2 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 employed²⁶. The details of ROCE of 28 SPSEs during the period from 2017-18 to 2019-20 are given in **Table 2.16** below:

Table 2.16: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
2017-18	(-) 1,411.18	4,544.90	(-) 31.05
2018-19	(-) 403.48	12,033.07	(-) 3.35
2019-20	174.98	11,599.31	1.51

Source: Latest finalised accounts of SPSEs.

The ROCE of the SPSEs ranged between (-) 31.05 *per cent* and 1.51 *per cent* during the period 2017-18 to 2019-20. ROCE has turned positive during the year 2019-20 due to positive EBIT during 2019-20 which is primarily on account of substantial decrease in losses of State Foodgrains Procuring Agencies (SPAs).

2.4.3 Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its present value at the end of each year upto 31 March 2020, the past investments/ year-wise funds infused by the GoP in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any *less*: disinvestments since inception of these Companies till 31 March 2020.

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

- Interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by SPSEs. Further, in those cases where interest free loans given to the SPSEs 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.

²⁶ Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure.

- The average rate of interest on Government borrowings for the concerned financial year²⁷ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE wise position of State Government investment in the 19 SPSEs (Other than GCOCs) in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2019-20 have been given in **Annexure 6**. The consolidated position of the PV of the State Government investment and the total earnings relating to 20²⁸ SPSEs for the same period is indicated in **Table 2.17** below:

Table 2.17: Year wise details of investment by the State Government and present value (PV) of Government investment for the period from 2010-11 to 2019-20

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Grants/subsidies given by the State Government for operational and management expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year ²⁹	Total Earnings for the year ³⁰
i	ii	iii	iv	v	vi = iii + iv + v	vii = ii + vi	viii	ix = {vii* (1+ viii/100)}	x = {vii* viii/100}	xi
Upto 2010-11	789.79 ³¹		-			789.79	7.73	850.84	61.05	-
2011-12	850.84	196.93	-	108.48	305.41	1,156.25	7.96	1,248.29	92.04	(-) 220.29
2012-13	1,248.29	15.91	30.00	190.29	236.20	1,484.49	7.79	1,600.13	115.64	(-) 375.98
2013-14	1,600.13	22.35	-	242.25	264.60	1,864.73	8.04	2,014.65	149.92	(-) 684.85
2014-15	2,014.65	72.07	-	337.75	409.82	2,424.47	8.35	2,626.91	202.44	(-) 776.98
2015-16	2,626.91	32.24	-	324.21	356.45	2,983.36	8.09	3,224.71	241.35	(-) 622.87
2016-17	3,224.71	10.83	-	504.28	515.11	3,739.82	7.48	4,019.56	279.74	(-)1,496.07
2017-18	4,019.56	-	-	168.62	168.62	4,188.18	8.12	4,528.26	340.08	(-)1,897.47
2018-19	4,528.26	(-)97.97 ³²	-	205.76	107.79	4,636.05	8.00	5,006.93	370.88	(-) 560.04
2019-20	5,006.93	1.09	-	160.28	161.37	5,168.30	7.93	5,578.15	409.85	(-) 36.82
Total			30.00	2,241.92						

Note: There was no interest free loan converted into equity and disinvestment during the above years.

²⁷ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances (GoP) 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] x 100.

²⁸ It includes one Non Power SPSE (Punjab Agri Export Corporation Limited) having no State Government investment as equity but received grant for operational and management expenses during the year 2019-20.

²⁹ Present value of total investment at the end of the year *less*: Total investment at the end of the year.

³⁰ Total Earnings for the year depicts total of net earnings (profit/loss) as per latest finalised Accounts relating to those 20 SPSEs (excluding GCOCs) where funds were infused by State Government.

³¹ ₹ 789.79 crore is the investment, on historical cost basis, by Government of Punjab at the beginning of financial year 2010-11.

³² While finalising the accounts for the year 2017-18, PWRMDC treated the capital grant amounting to ₹ 97.97 crore received from the State Government for sinking and installation of tubewells as deferred revenue which was earlier being treated as 'Share application money pending allotment'.

The balance of investment by the State Government in these SPSEs at the end of the year 2019-20 increased to ₹ 3,315.16 crore from ₹ 850.84 crore at the end of 2010-11. The State Government made further investments in shape of equity (₹ 253.45 crore) and interest free loans (₹ 30.00 crore) and grants/subsidies for operational and management expenses (₹ 2,241.92 crore) during the period 2011-12 to 2019-20 in these SPSEs. The PV of funds infused by the State Government upto 31 March 2020 amounted to ₹ 5,578.15 crore. During 2011-12 to 2019-20, total earnings for all the year remained below the minimum expected return to recover cost of funds infused in these SPSEs.

2.5 SPSEs incurring losses

There were 13 SPSEs that incurred losses during the year 2019-20. The losses decreased to ₹ 488.36 crore in 2019-20 from ₹ 973.03 crore during 2018-19 as in **Table 2.18** below:

Table 2.18: Number of SPSEs that incurred losses during 2017-18 to 2019-20

Year	Number of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated Loss (₹ in crore)	Net worth (₹ in crore)
Government Companies				
2017-18	9	(-) 2,131.74	(-) 5,394.59	(-) 5,002.12
2018-19	8	(-) 967.41	(-) 6,377.27	(-) 5,991.46
2019-20	10	(-) 479.61	(-) 7,486.20	(-) 6,999.91
Statutory Corporations				
2017-18	3	(-) 186.85	(-) 1,598.54	(-) 1,120.13
2018-19	2	(-) 5.62	(-) 405.54	38.39
2019-20	2	(-) 8.57	(-) 408.49	35.44
Government Controlled Other Companies				
2017-18	First Accounts not received			
2018-19	0	0.00	0.00	0.00
2019-20	1	(-) 0.18	(-) 0.16	(-) 0.15
Total				
2017-18	12	(-) 2,318.59	(-) 6,993.13	(-) 6,122.25
2018-19	10	(-) 973.03	(-) 6,782.81	(-) 5,953.07
2019-20	13	(-) 488.36	(-) 7,894.85	(-) 6,964.62

Out of total loss of ₹ (-) 488.36 crore incurred by 13 SPSEs, loss of ₹ (-) 435.96 crore was contributed by four SPSEs which functioned in Agriculture sector.

2.5.1 Erosion of capital in SPSEs

As on 31 March 2020, there were 14 SPSEs with accumulated losses of ₹ (-) 9,065.73 crore. Of the 14 SPSEs, 11 SPSEs incurred losses in the year 2019-20 amounting to ₹ (-) 484.82 crore and three SPSEs earned profits of ₹ 248.42 crore during 2019-20, even though they had accumulated loss of ₹ (-) 1,135.64 crore.

Net worth of 12 out of 14 SPSEs had been completely eroded by accumulated loss and their net worth had become negative. The net worth of these 12 SPSEs was ₹ (-) 8,298.86 crore against equity investment of ₹ 534.90 crore

in these SPSEs as on 31 March 2020. This included one listed company whose net worth was ₹ (-) 14.83 crore against equity investment of ₹ 12.05 crore.

In seven out of 12 SPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2020 amounted to ₹ 25,091.95 crore.

Chapter-III

Oversight role of CAG

Oversight role of CAG

3.1 Audit of State Public Sector Enterprises (SPSEs)

Comptroller and Auditor General of India (CAG) appoints the Statutory Auditors of a State Government Company¹ and State Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Comptroller and Auditor General of India has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor. Accounts of Statutory Corporations are audited by the Comptroller and Auditor General of India as required by their Statutes governing them and a report be submitted to the State Legislature.

3.2 Appointment of Statutory Auditors of SPSEs by CAG

Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a State Government Company or State Government Controlled Other Company are to be appointed by the Comptroller and Auditor General of India (CAG) within a period of 180 days from the commencement of the financial year.

The Statutory Auditors of the SPSEs registered under Companies Act, 2013 and Punjab State Warehousing Corporation for the year 2019-20 were appointed by the CAG during August 2019. Further, the statutory auditors of Punjab Financial Corporation are appointed by shareholders in the General Meeting out of panel of auditors approved by Reserve Bank of India.

3.3 Submission of accounts by SPSEs

3.3.1 *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 the House or both Houses of the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

¹ 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 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.

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 SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

3.3.2 Timeliness in preparation of accounts by State Government Companies and State Government Controlled Other Companies

As of 31 March 2020, there were 42 State Government Companies (one listed and 41 unlisted) and three State Government Controlled Other Companies under the CAG's audit purview. Of these, Accounts for the year 2019-20 were due² from all 42 State Government Companies and three State Government Controlled Other Companies. A total of 12 Government Companies submitted their accounts for audit by Comptroller and Auditor General of India on or before 31 December 2020. Accounts of 33 State Government Companies were in arrears for various reasons. Details of arrears in submission of accounts of these are given below:

Table 3.1: Arrears in Submission of Accounts by State Government Companies and State Government Controlled Other Companies

Particulars	State Government Companies / State Government Controlled Other Companies					
	State Government Companies		State Government Controlled Other Companies		Total	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Total number of Companies under the purview of CAG's audits on 31 March 2020	42		3		45	
Listed/Unlisted	1	41	-	3	1	44
Less: New Companies from which accounts for 2019-20 were not due	-	-	-	-	-	-
Number of Companies from whom accounts for 2019-20 were due ² for submission	1	41	-	3	1	44
Number of Companies which presented the accounts for CAG's audit by 31 December 2020	1	11	-	-	1	11

² Due date for holding of Annual General Meeting has been extended upto 31 December 2020 for the financial year 2019-20 due to difficulties faced due to Covid pandemic as per Registrar of Companies order of 8 September 2020.

Number of Companies with accounts in arrears		-	30	-	3	-	33
Breakup of Arrears	(i) Under Liquidation	-	4	-	-	-	4
	(ii) Defunct	-	12	-	-	-	12
	(iii) First Accounts not submitted	-	-	-	-	-	-
	(iv) Others	-	14	-	3	-	17
Age-wise analysis of arrears against 'Others' category	One year (2019-20)	-	6	-	3	-	9
	Two years (2018-19 and 2019-20)	-	7	-	-	-	7
	Three years and more	-	1	-	-	-	1

Source: Compiled on the basis of annual accounts received in this office.

The names of Companies with accounts in arrears are indicated in *Annexure 7*.

3.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the CAG is sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India. None of the four Statutory Corporations submitted their accounts for the financial year 2019-20 upto 31 December 2020. The position of arrears of accounts of Statutory Corporations are indicated in *Annexure 7*.

3.4 CAG's Oversight- Audit of accounts and supplementary audit

3.4.1 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 renamed as National Financial Reporting Authority³. The Statutory Corporations are required to prepare their accounts in the format prescribed under the Rules, framed in consultation with the Comptroller and Auditor General of India and any other specific provision relating to accounts in the Act governing such Corporations.

³ Effective from 01 October 2018

3.4.2 *Audit of accounts of State Government Companies by Statutory Auditors*

The Statutory Auditors appointed by the Comptroller and Auditor General of India under Section 139 of the Companies Act 2013, conduct audit of accounts of the State Government Companies and submit their reports thereon in accordance with Section 143 of the Companies Act, 2013.

The Comptroller and Auditor General of India plays an oversight role by monitoring the performance of the Statutory Auditors in audit of Public Sector Enterprises 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
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

3.4.3 *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 the 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 State 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.

3.5 *Result of CAG's oversight role*

3.5.1 *Audit of accounts of State Government Companies/State Government Controlled Other Companies under Section 143 of the Companies Act, 2013*

The financial statements of 12 working State Government Companies for the financial year 2019-20 were received by 31 December 2020. Of these 12 accounts received, NRC⁴ was issued to three companies and audit of nine

⁴ Non-review certificate

companies⁵ was conducted. The results of the review conducted by the Comptroller and Auditor General of India are detailed below:

3.5.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on State Government Companies

Subsequent to the audit of the financial statements for the year 2019-20 by Statutory Auditors, the Comptroller and Auditor General of India conducted supplementary audits of the financial statements of the State Government Companies. The list of SPSEs in respect of whom comments were issued is given in *Annexure 8*. Significant comments issued on financial statements of State Government Companies have been tabulated below. The financial impact of comments of CAG on the profitability of SPSEs was ₹ 1,339.15 crore⁶.

Table 3.2: Comments on Profitability

Sl. No.	Name of Company	Comments
1.	Punjab State Transmission Corporation Limited	Company did not follow its Accounting Policy of recognising receivable delayed payment surcharges (DPS) on accrual basis. This resulted in understatement of trade receivables and overstatement of loss by ₹ 53.86 crore.
2.	Punjab State Power Corporation Limited	<ul style="list-style-type: none"> The Punjab State Electricity Regulatory Authority had allowed recovery of carrying cost from various categories of consumers in the form of surcharge during the period from January 2020 to December 2020. The Company booked carrying cost of ₹ 1,177.40 crore pertaining to the period April 2020 to December 2020 as current year (2019-20) income in violation of its accounting policy. This resulted in understatement of loss by like amount. Administration & General Expenses did not include consent fees of ₹ 2.18 crore payable to Punjab Pollution Control Board. Finance Cost was understated by ₹ 85.36 crore - due to short account of Guarantee charges payable to State Government and delayed payment surcharge payable to PSTCL. There was consequent equal understatement of loss.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG.

⁵ Comments of two SPSEs i.e. Punjab Agri Export Corporation Limited and Punjab Agro Juices Limited are under finalisation.

⁶ PSTCL: ₹ 70.84 crore + PSPCL: ₹ 1,268.31 crore

Table 3.3: Comments on Financial Position

Sl. No.	Name of Company	Comments
1.	Punjab State Transmission Corporation Limited	Capital Work in Progress included expenditure of ₹ 1.64 crore which was to be written off as per the decision of Board of Directors of the Company. Consequently there was equal understatement of loss.
		Pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme 2010, Consumer's contribution, grants and subsidies of ₹ 338.97 crore were wrongly converted into capital of the State Government in equity of the Company. Thus equity capital was overstated and other equity understated by the amount.
2.	Punjab State Power Corporation Limited	The Company short-closed/terminated the work order for consultancy services. As per the decision of Board of Directors of the Company, the entire expenditure of ₹ 3.37 crore incurred on the work was to be written off. However, the same was not done. There was thus overstatement of Other Non current assets and understatement of loss by ₹ 3.37 crore.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG.

Table 3.4: Comments on Disclosures

Sl. No.	Name of Company	Comments
1.	Punjab State Transmission Corporation Limited	As per Micro, Small and Medium Enterprises Development Act, 2006, delay in payment of ₹ 4.80 crore to firms covered in the Act has to be disclosed. However the same was not done in case of three firms.

Source: Comments on Financial Statements of SPSEs as finalised by the CAG.

3.6 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 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. Non-compliance with mandatory Accounting Standards/Ind AS reported by Statutory Auditors are listed in *Annexure 9*.

During the course of supplementary audit, the Comptroller and Auditor General of India observed that the following Companies had also not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors:

Table 3.5: Non-compliance with the Accounting Standards/Ind AS

Name of Company	Accounting Standard/ Ind AS	Standard/ Ind AS	Deviation
Punjab State Power Corporation Limited	Ind AS-108	Operating Segments	The disclosure was deficient to the extent that detailed information (e.g. segment result, segment assets and liability, etc.) relating to its operating segments i.e. generation of power and distribution of power as per the requirement of Ind AS-108 was not disclosed.
	Ind AS-37	Provisions, Contingent liabilities & Contingent Assets	Damodar Valley Corporation had claimed fixed cost for non-scheduling period from 23 February 2017 to 25 March 2018. The petition was pending before Central Electricity Regulatory Commission but the same was not disclosed in non-observance of accounting policy.
Punjab State Container and Warehousing Corporation	Ind AS-17	Leases	The Company accounted up-front fee of ₹ 35 crore on straight line method in 10 years instead of over the lease period of 15 years as mandated by Ind AS 17. This resulted in overstatement of Other Equity and understatement of Other Non-Current liabilities by ₹ 4.28 crore.
Punjab State Transmission Corporation Limited	Ind AS-109	Financial Instruments	The Company booked guarantee fee of ₹ 29.90 crore during the year of its incurrence instead of amortising the same over the respective tenure of related loan in non-observance of Ind AS-109. There was understatement of Current Assets by ₹ 4.13 crore, Understatement of Non-Current Assets by ₹ 14.49 crore and Overstatement of Loss by ₹ 18.62 crore

Source: Finalised comments by CAG.

3.7 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 SPSEs were reported as comments by the Comptroller and Auditor General of India under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by Comptroller and Auditor General of India 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 SPSE gave assurances that corrective action would be taken in the subsequent year.

During the year, 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 four SPSEs through 'Management Letter' for taking corrective action (*Annexure 8*).

Chapter-IV

Corporate Governance

4.1 Introduction

4.1.1 *Need for Corporate Governance*

Corporate Governance is a system of structuring, operating and controlling an organisation with a view to achieving long term strategic goals to satisfy the stakeholders and complying with the legal and regulatory requirements. Corporate Governance is a way of directing and controlling companies to ensure greater transparency and better financial reporting. It is concerned with the ethics, value parameters and conduct of the Company and Management. The absence of good governance structures and lack of adherence to the governance principles increase the risk of corruption and misuse of entrusted power by the Management in the public sector.

4.1.2 *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, Government of India (MCA) has also notified (31 March 2014) Companies (Appointment and Qualification of Directors) Rules 2014, Companies (Meetings of Board of Directors and its Powers) Rules 2014 and Companies (Accounts) Rules 2014. The Companies Act, 2013 together with these Companies Rules 2014 provide the framework for Corporate Governance. The requirements *inter alia* provide for:

- Mandatory appointment of Independent Directors on the Board {Section 149(4) read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014} for the following classes of companies:
 - Every listed public company shall have at least one-third of the total number of directors as Independent Directors; and
 - Every public Company with paid-up share capital of ₹ 10 crores or more, or turnover of ₹ 100 crore or more, or aggregate outstanding loans, debentures, and deposits, exceeding ₹ 50 crore shall have at least two Independent Directors on its Board.
- Qualifications of 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 {Section 149(1) read with Rule 3 of the Companies (Appointment and Qualification of directors) Rules, 2014} for the following classes of companies:

- every listed public company shall have at least one Woman Director on its Board; and
- every other public company having paid up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall have at least one Woman Director on its Board.
- Mandatory establishment of certain committees like Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1)} for the following classes of Companies:
 - every listed company; and
 - every public company with a paid-up capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more.
- Holding 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)}.

4.1.3 SEBI guidelines on Corporate Governance

After enactment of Companies Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014), clause 49 of the Equity 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 from time to time.

4.1.4 Review of compliance by selected SPSEs of the Corporate Governance provisions

As on 31 March 2020, there were 45 State Public Sector Enterprises (SPSEs) registered under the Companies Act (including three State Government Controlled Other Companies) in the State of Punjab and under the audit jurisdiction of the CAG of India (as detailed in *Annexure 10*). This chapter covers review of 29 working SPSEs for the year ended 31 March 2020. Out of these 29 SPSEs, only one SPSE *i.e.* Punjab Communications Limited is a listed¹ Company. The list of working SPSEs covered and inactive SPSEs excluded from this chapter is given at *Annexure 10*.

¹ Listed on Bombay Stock Exchange

For the purpose of the review, an assessment was done based on the provisions contained in the Companies Act, 2013 and guidelines/regulations issued by SEBI (April and September 2014) on Corporate Governance and compliance by the SPSEs.

4.2 Composition of Board of Directors

4.2.1 Independent Directors

As per Section 149(6) of the Companies Act, 2013 ‘Independent Director’ shall mean a director other than a managing director or a whole time Director or a nominee director of the company. The presence of Independent Directors on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. As per section 149(4) of Companies Act, 2013, every listed public company shall have at least one-third of the total number of directors as Independent Directors. Further, Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board. Clause 6 (a) of Section 149 of the Companies Act 2013 provided that Independent Director of SPSEs are to be appointed by Ministry or Department of the Government which is administratively in charge of the Company. As per MCA notification GSR 466(E) dated 5 June 2015, a company registered under Section 8 (*i.e.* a company established for furtherance of charitable or not for profit purposes) of the Companies Act 2013 is not required to appoint Independent Directors. Further, as per MCA circular number 09/2017 dated 5 September 2017, an unlisted public Company which is a wholly owned subsidiary is not required to appoint Independent Directors.

The list of eight SPSEs meeting criteria relating to appointment of Independent Directors is given in *Annexure 11*.

Of these eight SPSEs, in the Board of four SPSEs, detailed in **Table 4.1**, there were no Independent Directors as on 31 March 2020. Of the remaining four SPSEs, three² met the requirement of having at least two Independent Directors on their Board. In Punjab State Container & Warehousing Corporation Limited (CONWARE), there was only one Independent Director.

Table 4.1: SPSEs not having any Independent Directors

Sl. No.	Name of the SPSE
1.	Punjab Genco Limited
2.	Punjab State Grains Procurement Corporation Limited
3.	Punjab Water Resources Management and Development Corporation Limited
4.	Punjab State Transmission Corporation Limited

Source: Compiled on the basis of information received from SPSEs.

² Punjab Communications Limited, Punjab State Power Corporation Limited and Punjab State Bus Stand Management Company Limited

Punjab Genco Limited stated (March 2021) that each member of the Board of Directors is appointed by the State Government and the Board of Directors do not have any power to appoint any person as Independent Director. However, the fact remains that the State Government has not designated directors as Independent Directors separately and the Company should have pursued the matter with the State Government to have them designated as Independent Directors.

Punjab Water Resources Management and Development Corporation Limited replied (March 2021) the required compliances will be made in due course after following up with State Government.

Reply from Punjab State Grains Procurement Corporation Limited was awaited (June 2021).

CONWARE responded (February 2021) that the issue of appointment of another Independent Director, in conformity with applicable laws, has been referred to the State Government.

In Punjab State Transmission Corporation Limited, as against the requirement of two Independent Directors, there was one Independent Director for part of the year 2019-20 (upto 17 December 2019). Thereafter, the posts of Independent Directors remained vacant and were filled with effect from 11 September 2020.

4.2.2 Representation of Women in the Board of Directors

Section 149(1) of the Companies Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every listed company shall have at least one Woman Director on its Board and every other public company having paid up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall have at least one Woman Director in its Board. However, as per MCA notification GSR 466(E) dated 05 June 2015, a company registered under Section 8 of the Companies Act 2013 is not required to appoint Woman Director.

List of seven such SPSEs meeting this criteria in Punjab is given in *Annexure 12*. All these seven SPSEs have a Woman Director on its Board.

4.2.3 Non-Executive Directors on the Board of a listed company

The Board is the most significant instrument of Corporate Governance. Clause 49 (I) (A) (i) 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.

The clause of having at least 50 *per cent* non-executive directors on Board of the Company was applicable to the only listed SPSE (Punjab Communications

Limited). The Company had adequate numbers of non-executive directors on Board during 2019-20.

4.3 Appointment and functioning of Independent Directors

4.3.1 Issuance of formal letter of appointment

As per clause IV(4) of Schedule 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 out of four SPSEs where Independent Directors were appointed, only two SPSE (Punjab Communications Limited and Punjab State Power Corporation Limited) have issued appointment letters and in two³ SPSEs, the Independent Directors were appointed through orders of the State Government and no appointment letters detailing the terms and conditions were issued.

Punjab State Bus Stand Management Company Limited and Punjab State Container and Warehousing Corporation Limited in their reply (February 2021) accepted that no formal letter of appointment was sent by the Company.

4.3.2 Code of business ethics

Clause (IV)(4)(e) of Schedule IV of the Companies Act, 2013 requires that the letter of appointment of Independent Directors shall include the Code of Business Ethics that the Company expects its directors to follow. Further, Regulation 17(5)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR) stipulates that Code of conduct prescribed by the Board of Directors of listed company shall suitably incorporate the duties of Independent Directors as laid down in the Companies Act, 2013. The duties cast upon Independent Directors are placed at Clause III of Schedule IV of the Act.

It was observed that of the four SPSEs where Independent Directors were appointed, two⁴ SPSEs complied with the above requirements *i.e.* the Code of Conduct prescribed by the Board of Directors included the duties of Independent Director. In remaining two⁵ SPSEs, no Code of Conduct was prescribed by the Board.

Punjab State Bus Stand Management Company Limited replied (February 2021) that Regulation 17 (5) of SEBI (LODR) is not applicable to them. The Management contention is not acceptable as code of conduct prescribed under Schedule IV of Companies Act, 2013 applies to the Company irrespective of the fact that it is not a listed Company. The Company should have prescribed a code of conduct for its Independent Directors.

³ Punjab State Bus Stand Management Company Limited and Punjab State Container and Warehousing Corporation Limited

⁴ Punjab Communications Limited and Punjab State Power Corporation Limited

⁵ Punjab State Bus Stand Management Company Limited and Punjab State Container and Warehousing Corporation Limited

Punjab State Container and Warehousing Corporation Limited's reply (February 2021) did not provide the details of code of conduct prescribed for its Independent Directors.

4.3.3 Training of Independent Directors

Clause (III)(1) of Schedule IV of the Companies Act, 2013 stipulates that the Independent Directors shall undertake appropriate induction training and regularly update and refresh their skills, knowledge and familiarity with the Company. However, it was observed that out of four SPSEs where Independent Directors were appointed, only one SPSE (Punjab Communications Limited) imparted training to its Independent Directors and in three⁶ SPSEs, no such training was conducted for Independent Directors who were on their Board during the year 2019-20.

Punjab State Bus Stand Management Company Limited and Punjab State Container and Warehousing Corporation Limited in their reply (February 2021) agreed to the audit contention.

Punjab State Power Corporation Limited replied (February 2021) that the Company could not provide training to the Independent Directors due to outbreak of COVID-19 and the training for its Independent Director would be arranged soon.

4.3.4 Meetings of Board of Directors and Board Committees

4.3.4.1 Meetings of Board of Directors

The Board is the most significant instrument of Corporate Governance. It is the agency for the implementation of governance policies and practices. It is imperative that the Board devotes adequate attention to Corporate Governance and must be equipped with the requisite representation and its members should meet regularly. Section 173(1) of the Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. However, the Board of Directors of a company registered under Section 8 of the Companies Act, 2013 required holding of one meeting every six months.

Table 4.2 shows the 13 SPSEs where the required number of meetings of Board of Directors to be held in a year was not complied with, during 2019-20.

⁶ Punjab State Bus Stand Management Company Limited, Punjab State Container and Warehousing Corporation Limited and Punjab State Power Corporation Limited

Table 4.2: Details of SPSEs where less than required number of Board meetings were held

Sl. No.	Name of Company	Number of meetings held
1.	Amritsar Smart City Limited	2
2.	Gidderbaha Power Limited	2
3.	Jalandhar Smart City Limited	2
4.	Ludhiana Smart City Limited	2
5.	Punjab Agro Industries Corporation Limited	3
6.	Punjab Municipal Infrastructure Development Company ⁷	0
7.	Punjab Police Housing Corporation Limited	3
8.	Punjab Police Security Corporation Limited	2
9.	Punjab State Forest Development Corporation Limited	3
10.	Punjab State Grains Procurement Corporation Limited	3
11.	Punjab State Seeds Corporation Limited	2
12.	Punjab Thermal Generation Limited	2
13.	Punjab Water Resources Management and Development Corporation Limited	3

Source: Compiled on the basis of information received from SPSEs.

Punjab Thermal Generation Limited and Gidderbaha Power Limited replied (February 2021) that they could not hold the requisite number of meetings as they had not commenced business and also due to the lockdown.

Amritsar Smart City Limited, Jalandhar Smart City Limited, Ludhiana Smart City Limited, Punjab Municipal Infrastructure Development Company, Punjab Police Housing Corporation Limited and Punjab Police Security Corporation Limited in their replies (March 2021) stated that the Board of Directors of these companies comprise senior government officers who hold their office in *ex-officio* capacity. The meetings are scheduled based on their availability.

Punjab Water Resources Management and Development Corporation Limited stated (March 2021) that the Company could not hold four meetings of Board of Directors due to COVID pandemic.

Punjab State Seeds Corporation Limited stated (March 2021) that due to non-availability of directors, necessary number of Board meetings could not be held and assured to take necessary steps to comply with the requirement next year.

Punjab State Forest Development Corporation Limited and Punjab Agro Industries Corporation Limited replied (March 2021 and January 2021) that they could not hold the fourth meeting scheduled on 25 March 2020 due to national lockdown. The reply of the companies is not acceptable as it could not hold the Board meeting within the relaxation period *i.e.* upto 30 September 2020 granted by the Ministry of Corporate Affairs *vide* circular number 11/2020 dated 24 March 2020.

Reply from Punjab State Grains Procurement Corporation Limited was awaited.

⁷ Being a Section 8 company PMIDC was required to conduct only two Board meetings.

4.3.4.2 Meetings of Board Committees

Clause (III)(3) of Schedule IV 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 4.3** below indicates the number of such Independent Directors who did not attend the meetings of the Board and Committees during 2019-20:

Table 4.3: Meetings of the Board and Committees not attended by one or more Independent Directors during the year 2019-20

Sl. No.	Name of the SPSE	Number of Board meetings not attended by one or more Independent Directors	Number of Audit Committee meetings not attended by one or more Independent Directors	Number of Nomination and Remuneration Committee meetings not attended by one or more Independent Directors
1.	Punjab Communications Limited	Three meetings not attended out of four meetings.	One meeting not attended out of four meetings.	No meeting was held
2.	Punjab State Bus Stand Management Company Limited	Three meetings not attended out of four meetings.	One meeting not attended out of two meetings.	One meeting was held which was not attended.

Source: Compiled on the basis of information received from SPSEs.

Punjab State Bus Stand Management Company Limited replied (February 2021) that notice of every meeting is served to the Directors and efforts will be made to ensure attendance of the Directors.

Punjab Communications Limited replied (February 2021) that it is not mandatory on the part of every Independent Director to attend the Board meeting. However, Audit is of the view that the Company may persuade the Independent Directors to attend the Board meetings so that an independent view on the decisions of the management may be taken in the interests of the stakeholders.

4.3.4.3 Attending General Meetings of the Company

Clause (III) (5) of Schedule IV of the Companies Act, 2013 states that Independent Directors shall strive to attend the General Meetings of the Company. Out of four SPSEs where Independent Directors were appointed, in one⁸ SPSE the Independent Directors attended all the General Meetings. **Table 4.4** indicates three SPSEs where Independent Directors did not attend the General Meetings of the Company during the year 2019-20.

⁸ Punjab State Container and Warehousing Corporation Limited

Table 4.4: General meetings not attended by one or more Independent Directors

Sl. No.	Name of the SPSE	Number of General Meetings not attended by one or more Independent Directors
1.	Punjab Communications Limited	One AGM not attended out of two AGMs held.
2.	Punjab State Bus Stand Management Company Limited	One AGM not attended out of three AGMs held.
3.	Punjab State Power Corporation Limited	One EGM not attended out of four AGMs and two EGMs.

Source: Compiled on the basis of information received from SPSEs.

Punjab Communications Limited replied (February 2021) that it is not mandatory for every Independent Director to attend the Annual General Meeting of the Company. However, Audit is of the view that the Company may persuade the Independent Directors to attend the General meetings so that an independent view on the decisions may be taken in the interests of the stakeholders.

Punjab State Bus Stand Management Company Limited stated (February 2021) that notice of every AGM/EGM is served to the Independent Directors also and shall make efforts to ensure attendance of the Directors.

4.4 Filling up of post of Directors and Company Secretary

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. Section 203(4) of Companies Act, 2013, stipulates that if the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

It was observed in Punjab State Transmission Corporation Limited, the post of Executive Director (Administration) remained vacant for a period of 27 months (from 2 May 2017 to 26 August 2019) and the post of Executive Director (Finance & Commercial) remained vacant for 18 months (from 13 April 2018 to 23 October 2019). The posts of both directors were filled in 2019-20 (ED/Administration on 27 August 2019 and ED/Finance and Commercial on 24 October 2019).

As per Rule 8A of Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules 2020, every listed Company and every other public Company having a paid-up capital of ₹ five crore or more⁹ shall have a whole time Company Secretary.

⁹ The limit of ₹ five crore has been revised to ₹ 10 crore with effect from 1 April 2020 vide notification GSR 13 (E) dated 3 January 2020.

However, four¹⁰ companies meeting this criteria did not have a full time Company Secretary during 2019-20.

4.5 Audit Committee

4.5.1 Composition of Audit Committee

Section 177 (1) and 177 (2) of the Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every listed public company and companies covered under Rule 4¹¹ of the Companies (Appointment and Qualification of Directors) Rules, 2014 shall constitute an Audit Committee with a minimum of three directors as members, of which majority shall be Independent Directors.

In terms of above stipulations, eight SPSEs mentioned in *Annexure 11* were required to constitute Audit Committee. All these SPSEs had constituted the Audit Committee.

Further, of these eight SPSEs, in five SPSEs¹² majority of the members of the Audit Committee were not Independent Directors for the reason that they either did not have independent directors on their Board or in case of CONWARE had vacancy of one independent director on its Board. Further, the Audit Committee did not carry out the duties spelt out in Section 177 of Companies Act, 2013 as in **Table 4.5** below:

Table 4.5: Review of functions performed by the Audit Committees

Sl. No.	Name of the SPSE	Audit Committee considered	Audit Committee did not consider
1.	Punjab Communications Limited	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of annual financial statements. • Review of internal control systems in the Company. • Review of adequacy of internal audit functions. 	

¹⁰ Punjab State Seeds Corporation Limited, Punjab Tourism Development Corporation Limited, Punjab Water Resources Management and Development Corporation Limited and Punjab Small Industries and Export Corporation Limited

¹¹ Every listed Company and every public company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board.

¹² Listed at **Table 4.1** under paragraph 4.2.1 of this Report and Punjab State Container and Warehousing Corporation Limited

Sl. No.	Name of the SPSE	Audit Committee considered	Audit Committee did not consider
2.	Punjab State Power Corporation Limited	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of annual financial statements. 	<ul style="list-style-type: none"> • Review of internal control systems in the Company. • Review of adequacy of internal audit functions.
3.	Punjab State Transmission Corporation Limited	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • Review of annual financial statements. 	<ul style="list-style-type: none"> • Review of internal control systems in the Company. • Review of adequacy of internal audit functions. • appointment of internal auditor and internal audit report.
4.	Punjab Genco Limited	<ul style="list-style-type: none"> • Review of internal control systems in the Company. • Review of adequacy of internal audit functions. 	<ul style="list-style-type: none"> • Review of annual financial statements. • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report.
5.	Punjab State Grains Procurement Corporation Limited	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of annual financial statements. • Review of internal control systems in the Company. • Review of adequacy of internal audit functions. 	
6.	Punjab State Bus Stand Management Company Limited	Review of annual financial statements.	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of internal control systems in the Company.

			<ul style="list-style-type: none"> • Review of adequacy of internal audit functions.
7.	Punjab State Container and Warehousing Corporation Limited	<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of annual financial statements. • Review of internal control systems in the Company. • Review of adequacy of internal audit functions. 	
8.	Punjab Water Resources Management and Development Corporation Limited		<ul style="list-style-type: none"> • The report of Statutory Auditor and supplementary audit report of CAG. • The appointment of internal auditor and internal audit report. • Review of annual financial statements. • Review of internal control systems in the Company. • Review of adequacy of internal audit functions.

Source: Compiled on the basis of information received from SPSEs.

Punjab State Transmission Corporation Limited assured (February 2021), with respect to the functions to be carried out by the audit committee, compliance of the observation of Audit in future. Punjab State Power Corporation limited, Punjab Genco Limited, Punjab State Bus Stand Management Company Limited and Punjab State Container and Warehousing Corporation Limited have not furnished their specific replies.

4.6 Other Committees

4.6.1 Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every listed

public company and companies covered under Rule 4¹³ of the Companies (Appointment and Qualification of Directors) Rules, 2014 shall constitute a Nomination and Remuneration Committee with a minimum of three non-executive directors as members, of which not less than one-half shall be Independent Directors. The work of the Committee *inter alia* involves identification of persons who are qualified to become directors and who may be appointed in senior management; recommend to the Board for their appointment and removal; and carry out evaluation of every director's performance. It will also recommend to the Board policy relating to remuneration to the directors, key managerial personnel and other employees.

In terms of above stipulations, eight companies (*Annexure II*) were required to constitute a Nomination and Remuneration Committee. However, two SPSEs mentioned in the **Table 4.9** below did not have their Nomination and Remuneration Committee.

Table 4.6: SPSEs not having Nomination and Remuneration Committee

Sl. No.	Name of the SPSE
1.	Punjab State Grains Procurement Corporation Limited
2.	Punjab Water Resources Management and Development Corporation Limited

Source: Compiled on the basis of information received from SPSEs.

Punjab Water Resources Management and Development Corporation Limited stated (March 2021) that they have not constituted the Nomination and Remuneration Committee as they do not have Independent Director in their Board. The reply was awaited from Punjab State Grains Procurement Corporation Limited.

Of the six SPSEs which were compliant, having constituted Nomination and Remuneration Committee, three SPSEs listed in **Table 4.7** below did not have required number of Independent Directors to be part of the Committee.

Table 4.7: Number of Independent Directors in Nomination and Remuneration Committee

Sl. No.	Name of the SPSE	Total Numbers of Directors in the Committee	Independent Directors in the Committee
1.	Punjab Genco Limited	4	0
2.	Punjab State Container and Warehousing Corporation Limited	3	1
3.	Punjab State Transmission Corporation Limited	3	0

Source: Compiled on the basis of information received from SPSEs.

Punjab State Transmission Corporation Limited stated (February 2021) that most of the provisions of the Companies Act in respect to Nomination and Remuneration Committee do not apply to a Government Company since

¹³ Every listed Company and every public company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board.

directors are appointed by the Government. The senior functionaries are appointed/ promoted as per the rules and regulations approved by the Board of Directors. Therefore, need was not felt to conduct meeting of Nomination and Remuneration Committee during 2019-20. The fact, however, remains that no exemption relating to formulation of Committee and holding meeting was available to a Government Company.

Punjab Genco Limited has not furnished any specific reply.

4.6.2 In case of any contravention of the provisions of Section 177 relating to Audit Committee and Section 178 relating to Nomination and Remuneration Committee of the Companies Act, 2013, the Company shall be punishable with fine which shall not be less than ₹ one lakh but may extend to ₹ five lakh and every officer of the defaulting company 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 but which may extend to ₹ one lakh, or with both on any SPSE covered in audit.

It was noted that no such penalty had been imposed by Ministry of Corporate Affairs during 2019-20 on any SPSE covered in this Chapter.

4.7 Whistle Blower Mechanism

Section 177 (9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014 stipulate that every listed company or a company which accepts deposits from public or borrowed money from banks or financial institutions in excess of ₹ 50 crores shall establish a vigil mechanism for directors and employees to report their genuine concerns or grievances. Seven companies as listed in *Annexure 13* were required to establish the Whistle Blower Mechanism.

However, it was observed that in three SPSEs, listed in **Table 4.8** below, there was no whistle blower mechanism.

Table 4.8: SPSEs not having Whistle Blower Mechanism

Sl. No.	Name of the SPSE
1.	Punjab State Grains Procurement Corporation Limited
2.	Punjab Municipal Infrastructure Development Company
3.	Punjab Water Resources Management and Development Corporation Limited

Source: Compiled on the basis of information received from SPSEs.

Punjab Municipal Infrastructure Development Company is in the process of laying down appropriate vigil mechanism for its directors and employees.

Punjab Water Resources Management and Development Corporation Limited stated (March 2021) that vigil mechanism is not applicable as it is not a listed company and also it has not borrowed any amount from Bank or Financial Institutions. The reply is not acceptable as the Company had outstanding loans in excess of the limit prescribed in the criteria for establishment of vigil mechanism.

The reply from Punjab State Grains Procurement Corporation Limited was awaited.

4.8 Internal Audit Framework

4.8.1 Role of Internal Audit

Internal audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system. Internal audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.

4.8.2 Legal Framework

Section 138(1) of the Companies Act, 2013 read with Rule 13 of the Companies (Accounts) Rules, 2014 provides that the following class of companies shall be required to appoint an internal auditor which may be either an individual or a partnership firm, namely:

- a) every listed company;
- b) every unlisted public company having paid up share capital of ₹ 50 crore or more; or turnover ₹ 200 crore or more during the preceding financial year; or outstanding loans ₹ 100 crore or more; or outstanding deposits ₹ 25 crore or more at any point of time during the preceding financial year;
- c) every private company having turnover of ₹ 200 crore or more; during preceding financial year or outstanding loans of ₹ 100 crore or more at any point of time during the preceding financial year.

4.8.3 Audit Findings

As per the criteria, 11 SPSEs (*Annexure 14*) were required to appoint an internal auditor. However, three¹⁴ SPSEs have not appointed internal auditors.

Punjab State Bus Stand Management Company Limited and Punjab Water Resources Management and Development Corporation Limited stated (February 2021) that they have appointed the Internal Auditor, however, their internal audit report has not been submitted (March 2021).

The status regarding remaining six SPSEs is detailed in **Table 4.9**:

¹⁴ Punjab State Grains Procurement Corporation Limited, Punjab Municipal Infrastructure Development Company and Punjab State Civil Supplies Corporation Limited

Table 4.9: Status of Internal Audit in SPSEs

Sr. No.	Name of Company	Particulars
1.	Punjab Communications Limited	Internal auditors were appointed; Internal Audit report was submitted quarterly to Audit Committee of the company. The audit committee discussed the report and gave its recommendations to the Board.
2.	Punjab State Power Corporation Limited	PSPCL has got internal audit conducted in 146 divisions and the internal audit reports were considered by the Audit Committee.
3.	Punjab State Transmission Corporation Limited	Internal audit for the year 2019-20 was conducted departmentally and reports were discussed by the Audit Committee.
4.	Punjab Agro Foodgrains Corporation Limited	Internal Auditors were appointed. The frequency of reporting is quarterly. Audit committee discussed the reports of internal audit and found them satisfactory.
5.	Punjab State Industrial Development Corporation Limited	Internal auditor was appointed. Internal Audit Reports were submitted quarterly. Internal Audit Reports were submitted to Board of Directors, however, no action taken by Board of Directors.
6.	Punjab Agro Juices Limited	The frequency of Internal Audit is annual and report is discussed in Board of Directors.

Source: Compiled on the basis of information received from SPSEs.

4.9 Conclusion

Out of 29 selected SPSEs reviewed in Audit, 13 SPSEs did not conduct the required number of Board meetings in 2019-20, four SPSEs did not have any Independent Directors on their Board as on 31 March 2020 and there was shortfall in requisite number of Independent Directors in one SPSE. In four SPSEs, where Independent Directors were appointed, formal letters of appointment were sent by only two SPSEs. In five SPSEs, the Audit Committee did not review internal control systems of the Company, performance of Statutory Auditors and internal auditors and adequacy of internal audit functions. Three SPSEs have not appointed any internal auditors.

4.10 Recommendations

The respective Administrative Departments of the SPSEs may impress upon them - to conduct the Board meetings as per the requirement of Companies Act, 2013; to appoint the requisite number of Independent Directors, where applicable; and constitute Audit Committee and Nomination and Remuneration Committee, wherever applicable. The Audit Committee should also discharge the functions set out in Companies Act, 2013. The SPSEs need to strengthen their internal audit functions and the Audit committee as well as follow up the observations of internal audit.

Chapter-V

**Corporate
Social
Responsibility**

5.1 Introduction

The primary objective of Corporate Social Responsibility (CSR) is to promote responsible and sustainable business philosophy at a broad level and to encourage companies to come up with innovative ideas and robust management systems to address social and environment concerns of the country. Broadly, the CSR mandate is aligned with the national priorities such as public health, education, livelihood, water conservation, natural resource management etc. CSR awareness and CSR consciousness has grown among large and medium sized companies, which now look at CSR to build a strategic fit with the community and environment in which they operate.

The concept of CSR provides an opportunity for companies to collaborate in contributing to the country's development challenges through their managerial skills, technology and innovation. Besides providing an overall guidance framework for the corporate to carry out their CSR initiatives, it also provides them with autonomy and flexibility to design and implement programmes. The monitoring is based on disclosures made by the company in its annual report as per prescribed format.

5.1.1 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 the preceding financial year for companies which are required to undertake CSR activities. This Section *inter alia* specifies the broad modalities of selection, implementation and monitoring of 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 and Schedule VII of the Act are applicable to all companies including State Public Sector Enterprises (SPSEs). The Act makes it mandatory for a company to spend, annually at least two *per cent* of average net profit of three immediately preceding financial years towards CSR activities.

The compliance with 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 (hereafter referred to as the CSR Rules, 2014). The CSR Rules, 2014 were made applicable to all companies including SPSEs with effect from 1 April 2014.

5.2 Audit objectives

Audit objective of assessment of CSR activities was to ascertain whether the provisions of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 were complied with by SPSEs.

In order to assess the efforts of the SPSEs, Audit looked into the following issues:

- Whether the provisions relating to constitution of the CSR Committee, formulation and compliance of policy, have been complied with;
- Whether the CSR activities selected for implementation are within the list of activities given under Schedule VII of the Companies Act, 2013;
- 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; and
- Whether the provisions relating to reporting have been complied with.

5.3 Audit scope and coverage

As per their latest finalised accounts as of 31 December 2020, 10 SPSEs qualified for CSR activities during the year 2019-20 as per the criteria laid down in Section 135(1) of the Act (net worth of ₹ 500 crore or more or turnover of ₹ 1,000 crore or more or a net profit of ₹ five crore or more) during preceding financial year, as given in the **Table 5.1** below:

Table 5.1: Selection of SPSEs on basis of criteria

Sl. No.	Name of Company	Year of Account
SPSEs having Turnover of ₹ 1,000 crore or more		
1.	Punjab State Transmission Corporation Limited	2018-19
2.	Punjab State Power Corporation Limited	2018-19
3.	Punjab Agro Foodgrains Corporation Limited	2018-19
4.	Punjab State Grains Procurement Corporation Limited	2017-18
5.	Punjab State Civil Supplies Corporation Limited	2017-18
SPSEs having Net Profit of ₹ 5 crore or more		
6.	Punjab Small Industries and Export Corporation Limited	2017-18
7.	Punjab State Container and Warehousing Corporation Limited	2018-19
8.	Punjab Genco Limited	2018-19
9.	Punjab Agro Industries Corporation Limited	2017-18
10.	Punjab State Industrial Development Corporation Limited	2016-17

Source: Financial Statements of the SPSEs.

Audit reviewed the CSR activities carried out by above 10 SPSEs during the period 2019-20.

5.4 Audit criteria

Audit analysis was carried out against the following criteria:

- Provisions contained in Section 135 and Schedule VII of the Companies Act, 2013; and
- Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014.

5.5 Audit findings

Audit findings on extent of compliance with the provisions of the Act, 2013 with regard to constitution of CSR Committee; formulation and compliance of CSR policy; planning and execution of CSR activities; and monitoring and reporting thereof by the SPSEs are given in the following paragraphs:

5.6 Planning

5.6.1 Constitution of CSR Committee

As per Section 135(1) of the Act, 2013, every company qualifying for undertaking CSR activities shall constitute a CSR committee of the Board consisting of three or more Directors of the Company.

Role of the Board and CSR Committee as per Section 135(1) and (3) of the Act, 2013 is depicted in the **Table 5.2** below:

Table 5.2: Role of the Board of Directors and CSR Committee

Role of the Board of Directors	Role of the CSR Committee
1. Form CSR Committee.	1. Formulate and recommend CSR Policy to the Board.
2. Approve CSR Policy.	2. Recommend CSR activities and amount.
3. Ensure implementation of CSR Activities.	3. Monitor the CSR policy from time to time.
4. Ensure 2 per cent spending.	
5. Disclose reasons for unspent amount.	

Audit observed that three out of 10 SPSEs, as in **Table 5.3** below, have not constituted the CSR committee though these SPSEs were meeting the qualifying criteria:

Table 5.3: SPSEs not having CSR Committee

Sl. No.	Name of the SPSE
1.	Punjab State Grains Procurement Corporation Limited
2.	Punjab State Industrial Development Corporation Limited
3.	Punjab State Civil Supplies Corporation Limited

Source: Information supplied by the SPSEs.

5.6.2 Independent Directors in Committee

As per Section 135(1) of the Act, 2013, the CSR committee shall have at least one Independent Director. Audit observed that out of seven SPSEs which constituted CSR committee under Section 135(1), two companies did not have Independent Director in CSR Committee as on March 2020 as tabulated below:

Table 5.4: SPSEs not having Independent Director in CSR Committee

Sl. No.	Name of the SPSE
1.	Punjab State Transmission Corporation Limited
2.	Punjab Genco Limited

Source: Information supplied by the SPSEs.

Though CSR committee of Punjab State Power Corporation Limited was constituted on 27 May 2014, Independent Director was appointed only on 14 February 2018 *i.e.* after a lapse of more than three years.

5.6.3 Framing of CSR policy

Section 135(3) of the Act, 2013 requires that the CSR Committee shall formulate and recommend a CSR Policy to the Board of Directors.

Audit observed that three out of 10 SPSEs have not framed the CSR policy, as tabulated below:

Table 5.5: SPSEs not having any CSR Policy

Sl. No.	Name of the SPSE
1.	Punjab State Grains Procurement Corporation Limited
2.	Punjab State Industrial Development Corporation Limited
3.	Punjab State Civil Supplies Corporation Limited

Source: Information supplied by the SPSEs.

Punjab Agro Industries Corporation Limited had framed and approved the CSR policy only in January 2020.

Punjab Genco Limited, intimated the date of formulation of its CSR policy as 29 February 2016 and approval of the CSR policy by Board on 30 March 2016. It was, however, observed that the approval of Board for the CSR policy was not obtained and placed on the record by the Company. The Company had instead obtained (March 2016) approval of the Board only for the activities to be carried out in connection with CSR.

5.6.4 Annual CSR Plan and Budget

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 of CSR activities and approval of the planned 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.

Out of 10, following four SPSEs having net profit (average of preceding three financial years) were required to prepare annual CSR plan and budget the expenditure to be incurred on CSR activities during the next year as detailed in **Table 5.6** below:

Table 5.6: SPSEs having average net profit during preceding financial year

Sl. No.	Name of the SPSE
1.	Punjab State Industrial Development Corporation Limited (PSIDC)
2.	Punjab Genco Limited
3.	Punjab Small Industries and Export Corporation Limited (PSIEC)
4.	Punjab State Container and Warehousing Corporation Limited (CONWARE)

Source: Information supplied by the SPSEs.

Audit observed that none of the above four SPSEs had prepared budget plan for CSR activities. Two SPSEs (PSIEC and CONWARE) obtained approval for expenditure from both CSR Committee and the Board. In case of Punjab Genco Limited, the CSR activities and related expenditure was approved by the CSR Committee only. The PSIDC had not planned and incurred any expenditure on CSR activities during 2019-20.

5.7 Financial component

5.7.1 Allocation of funds

As per Section 135(5) of the Act, 2013 it is mandatory for any Company to spend, annually at least two *per cent* of average net profit of three immediate preceding financial years (calculated under Section 198 of the Companies Act, 2013). Two *per cent* of average net profit so calculated for four SPSEs is given below:

Table 5.7: Allocation towards CSR to be made and actually made

(Amount in ₹)

Sl. No.	Name of SPSE	Year	Average net profit (as per Section 198 of the Act) for preceding three years	Two per cent allocation to be made for current year	Actual allocated	Shortfall
1	2	3	4	5	6	7 = 5 - 6
1.	Punjab State Industrial Development Corporation Limited	2019-20	5,57,27,111	11,14,542	Nil	11,14,542
2.	Punjab Genco Limited	2019-20	9,64,08,404	19,28,168	19,28,168	0
3.	Punjab Small Industries and Export Corporation Limited	2019-20	34,36,35,377	68,72,708	68,72,708	0
4.	Punjab State Container and Warehousing Corporation Limited	2019-20	17,41,00,000	34,82,000	34,82,000	0
Total			66,98,70,892	1,33,97,418	1,22,82,876	11,14,542

Source: Information supplied by the SPSEs.

Punjab State Industrial Development Corporation Limited had not contributed any amount towards CSR activities during 2019-20 while there was no shortfall in others.

5.7.2 Utilisation of Funds

Section 135(5) of the Act, 2013 provides that Board shall ensure that the company spends two *per cent* of average net profit of preceding three years. The detail of amount to be spent and actually spent on CSR activities during 2019-20 is tabulated below:

Table 5.8: Utilisation of CSR funds

(Amount in ₹)

Sl. No.	Name of SPSE	Year	Two <i>per cent</i> allocation to be made	Amount actually allocated	Amount shown as expenditure	(Excess)/ Shortfall
1	2	3	4	5	6	7=4-6
1.	Punjab State Industrial Development Corporation Limited	2019-20	11,14,542	Nil	Nil	11,14,542
2.	Punjab Genco Limited	2019-20	19,28,168	19,28,168	79,52,650	(60,24,482)
3.	Punjab Small Industries and Export Corporation Limited	2019-20	68,72,708	68,72,708	4,33,18,519	(3,64,45,811)
4.	Punjab State Container and Warehousing Corporation Limited	2019-20	34,82,000	34,82,000	34,82,000	0
5.	Punjab Agro Industries Corporation Limited	2019-20	NA ¹	Nil	10,95,250	(10,95,250)

Source: Information supplied by the SPSEs.

Amount shown as expenditure during 2019-20 includes utilisation of allocation towards CSR expenditure of the year 2019-20 and unspent balance of funds of previous years *i.e.* upto 2018-19. The expenditure includes actual expenditure incurred by the SPSEs as well as the amount transferred to CSR Authority set up by Government of Punjab.

¹ Punjab Agro Industries Corporation Limited was not having average net profit for preceding three years of 2019-20, hence, no allocation was made.

Audit findings on the utilisation of CSR funds by SPSEs are discussed below:

A. Excess/less expenditure against the year-wise prescribed allocation limit

Punjab Small Industries and Export Corporation Limited and Punjab Genco Limited spent excess amount of ₹ 364.46 lakh and ₹ 60.25 lakh respectively during 2019-20, using previous unspent balance. Despite having average net profit, Punjab State Industrial Development Corporation Limited did not spend any amount on CSR though it was required to spend the prescribed amount during 2019-20. Punjab State Container and Warehousing Corporation Limited spent full amount required to be spent during the year 2019-20.

B. Contribution to State CSR Authority

It was noticed that during 2019-20, one SPSE viz. Punjab Small Industries and Export Corporation Limited transferred ₹ 335.19 lakh to the Punjab CSR Authority. Another SPSE, Punjab Agro Industries Corporation Limited also transferred an amount of ₹ 10.95 lakh to Punjab CSR Authority for CSR activities pertaining to the financial year 2018-19 during 2019-20. Non-spending of the allocated amount of CSR at the level of Company itself and transfer to a State Government Authority was a violation of the Companies Act, 2013 as the relevant provisions of the Act do not provide for constitution of and contribution by SPSEs to any such type of CSR Authority/fund by State Government. However, the Government of India, Ministry of Corporate Affairs by its general circular number 14/ 2021 dated 25 August 2021 have made Statutory Bodies established by an act of Parliament/State Legislature eligible to act as implementing agency for undertaking CSR activities.

In response to an enquiry, the Punjab CSR Authority stated (April 2021) that out of the funds received from State PSEs, it had not incurred any expenditure till 31 March 2020. The CSR Authority had spent only ₹ 0.89 lakh during September 2020 to April 2021 on activities like office expenses and to conduct outreach programmes for the industry. Audit observed that even this expenditure was not incurred on the prescribed CSR activities.

5.7.3 Utilisation of carry forward amount and unspent amount

As per MCA clarification (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. Four SPSEs had an unspent amount of ₹ 552.17 lakh as at the end of financial year 2018-19, as given below:

Table 5.9: Utilisation of carry forward amount of previous years

(Amount in ₹)						
Sl. No.	Name of SPSE	Carry forward amount of 2018-19	Allocation during 2019-20	Total amount available during 2019-20	Amount spent/transferred during 2019-20	Unspent amount as on 31 March 2020
1	2	3	4	5 = 3+4	6	7 = 5-6
1.	Punjab Small Industries and Export Corporation Limited	4,33,18,519	68,72,708	5,01,91,227	4,33,18,519	68,72,708

2.	Punjab Genco Limited	96,17,081	19,28,168	1,15,45,249	79,52,650	35,92,599
3.	Punjab State Transmission Corporation Limited	11,86,557	NA ²	11,86,557	0	11,86,557
4.	Punjab Agro Industries Corporation Limited	10,95,250	NA ³	10,95,250	10,95,250	0
Total		5,52,17,407	88,00,876	6,40,18,283	5,23,66,419	1,16,51,864

Source: Information supplied by the SPSEs.

Four SPSEs had carried forward the unspent balance of financial year 2018-19 to 2019-20 and further allocated CSR funds of ₹ 88.01 lakh during 2019-20. Out of the total available funds of ₹ 640.18 lakh, these SPSEs could spend only ₹ 523.66 lakh during 2019-20 leaving an unspent balance of ₹ 116.52 lakh as on 31 March 2020. Of these, PSIEC was having the highest unspent balance of ₹ 68.73 lakh. The Punjab State Industrial Development Corporation Limited did not carry forward due amount of ₹ 3.57 lakh for the year 2018-19 and also did not allocate an further amount of ₹ 11.15 lakh for the year 2019-20.

Audit observed that none of the SPSEs except Punjab Agro Industries Corporation Limited could fully spend the unspent balance of previous years.

5.7.4 Top spenders

During the period 2019-20, total expenditure incurred by the companies was as follows:

Table 5.10: Table showing top spenders during the period 2019-20

Sl. No.	Name of the SPSE	Amount (₹)
1.	Punjab Small Industries and Export Corporation Limited	4,33,18,519
2.	Punjab Genco Limited	79,52,650
3.	Punjab State Container and Warehousing Corporation Limited	34,82,000
4.	Punjab Agro Industries Corporation Limited	10,95,250
Total		5,58,48,419

Source: Information supplied by the SPSEs.

During 2019-20, the top spender on CSR activities was Punjab Small Industries and Export Corporation Limited with an expenditure of ₹ 433.19 lakh which included ₹ 335.19 lakh transferred to Punjab CSR Authority as detailed in paragraph 5.7.2 (B).

5.7.5 Sector-wise CSR spend

Audit covered four SPSEs to analyse the sector-wise CSR spend, as detailed in the **Table 5.11:**

² PSTCL did not have average net profit for preceding three years of 2019-20, hence, no allocation was made.

³ Punjab Agro Industries Corporation Limited did not have average net profit for preceding three years of 2019-20, hence, no allocation was made.

Table 5.11: Table showing sector wise expenditure incurred during 2019-20

(Amount in ₹)					
Sl. No.	Name of the SPSE	Energy/ Power	Health and sanitisation	Education	State CSR Authority
1	2	3	4	5	6
1.	Punjab Small Industries and Export Corporation Limited	---	98,00,000	---	3,35,18,519
2.	Punjab State Container and Warehousing Corporation Limited	---	---	34,82,000	---
3.	Punjab Genco Limited	79,52,650	---	---	---
4.	Punjab Agro Industries Corporation Limited	---	---	---	10,95,250
Total		79,52,650	98,00,000	34,82,000	3,46,13,769
Grand Total (3+4+5)		2,12,34,650			
Percentage of spend (except State CSR Authority)		37.45	46.15	16.40	-

Source: Information supplied by the SPSEs.

The highest spend was in Health & Sanitisation sector activities (46.15 per cent: ₹ 98.00 lakh) incurred by Punjab Small Industries and Export Corporation Limited followed by Energy/Power (37.45 per cent: ₹ 79.53 lakh) incurred by Punjab Genco Limited. Education sector attracted spending (16.40 per cent: ₹ 34.82 lakh) incurred by Punjab State Container and Warehousing Corporation Limited.

5.7.6 Administrative overheads

As per Rule 4(6) of CSR Rules, 2014, administrative overheads are to be restricted to five per cent of total CSR expenditure of the Company in one financial year.

However, Audit observed that during 2019-20, no administrative overheads were incurred by any SPSE.

5.7.7 Surplus from CSR projects

As per Rule 6(2) of CSR Rules, 2014, any surplus arising from CSR projects shall not form part of business profit of the company.

Audit observed that during 2019-20, no SPSE generated any surplus from CSR projects/activity.

5.8 Project implementation

5.8.1 Selection of CSR projects/activities

Audit observed that no Company conducted base line survey/carried out any assessment for selection of CSR projects/activities during 2019-20.

5.8.2 Manner of implementation of CSR activities

Rule 4 of CSR Rules, 2014 exclusively deals with the manner in which the CSR activity is to be undertaken under section 135(1) of Act, 2013. 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, 2013 or otherwise. Manner of implementation of CSR projects were as follows:

Table 5.12: Table showing name of executing agencies of CSR activities

Sl. No.	Name of the SPSE	Name of executing agency
1.	Punjab Small Industries and Export Corporation Limited	DC Hoshiarpur, Punjab CSR Authority
2.	Punjab State Container and Warehousing Corporation Limited	Education Department, Punjab
3.	Punjab Genco Limited	Punjab Energy Development Agency and direct expenditure.
4.	Punjab Agro Industries Corporation Limited	Punjab CSR Authority

Source: Information supplied by the SPSEs.

5.8.3 Focus areas

It was noticed that the health & sanitisation activities received the maximum focus with expenditure of ₹ 98.00 lakh (46.15 per cent of total CSR expenditure) whereas least focus was on education sector wherein an expenditure of ₹ 34.82 lakh (16.40 per cent) was incurred.

5.8.4 Spend in Local areas

Section 135(5) of the Act, 2013 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.

Audit observed that no Company defined any local area in its CSR policy.

5.8.5 District-wise CSR spend

The district wise spend is given in the **Table 5.13** below:

Table 5.13: Table showing district-wise expenditure incurred during 2019-20

(Amount in ₹)				
Sl. No.	Name of the SPSE	Whole of Punjab	Hoshiarpur	State CSR Authority
1	2	3	4	5
1.	Punjab Small Industries and Export Corporation Limited	---	98,00,000	3,35,18,519
2.	Punjab State Container and Warehousing Corporation Limited	34,82,000	---	---
3.	Punjab Genco Limited	79,52,650	---	---
4.	Punjab Agro Industries Corporation Limited	---	---	10,95,250
Total		1,14,34,650	98,00,000	3,46,13,769
Grand Total (3+4)		2,12,34,650		
Percentage of spend (except State CSR Authority)		53.85	46.15	-

Source: Information supplied by the SPSEs.

District-wise highest CSR spend was in Hoshiarpur (₹ 98.00 lakh) which accounted for 46.15 per cent of the total spend.

5.8.6 Funding of schemes/projects introduced by Government of India

Government of India (GoI) introduced various schemes and projects for the benefit of society. SPSEs were free to decide on funding of such schemes/projects under CSR subject to fulfilling the conditions of Schedule VII of the Act, 2013 *i.e.* the same should be under the twelve broad categories mentioned therein *viz.* Health, education, employment, skill development, environment, women empowerment, socio equality, protection of national heritage, measures for armed forces, rural development and slum development. The projects and schemes falling under these broad heads are eligible for funding under CSR. The details of CSR spend in various sectors in the State of Punjab are enumerated in **Table 5.11** and paragraph 5.7.5 above.

Audit observed that no company had spent any amount on schemes/projects introduced by GoI. Punjab Small Industries and Export Corporation Limited spent ₹ 98.00 lakh on purchase of cremation vehicle and fogging machines for health and sanitisation purposes. Punjab Genco Limited spent ₹ 79.53 lakh on solar power projects such as installation of street light, water heating system and power plants in Punjab. Punjab State Container and Warehousing Corporation Limited had spent ₹ 34.82 lakh on providing various amenities in schools of Punjab under education sector.

5.8.7 Notable projects

Punjab Genco incurred expenditure through PEDDA on installation of street lights and solar power plants for ensuring environmental sustainability, conservation of natural resources and maintaining quality of soil, air and water.

5.9 Monitoring Framework

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.

Audit observed that out of the five SPSEs (**Table 5.8**), four SPSEs incurred expenditure on CSR during 2019-20, none had framed an institutionalised mechanism for monitoring, reporting and evaluation of CSR projects/programs/activities. Also none of the four SPSEs had carried out any impact assessment depending on type of CSR project/activity.

5.9.1 Reporting and Disclosure

As per Section 135(2) and (4) read with section 134(3)(o) of the Act, 2013, 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:

- (a) Contents of CSR policy, web link of CSR policy, average net profit, composition of CSR Committee, administrative overheads, prescribed amount, unspent amount, reasons for unspent amount.
- (b) 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.

On the basis of review of annual report on CSR activities for the year 2019-20, the audit observations on compliance by 10 SPSEs are as follows:

- (a) Following seven SPSEs have not finalised their Annual Report on CSR for the year 2019-20:

Table 5.14: Table showing SPSEs which have not finalised its Annual Report on CSR for the year 2019-20

Sl. No.	Name of Company
1.	Punjab Small Industries and Export Corporation Limited
2.	Punjab Genco Limited
3.	Punjab Agro Industries Corporation Limited
4.	Punjab State Civil Supplies Corporation Limited
5.	Punjab State Industrial Development Corporation Limited
6.	Punjab Agro Foodgrains Corporation Limited
7.	Punjab State Grains Procurement Corporation Limited

Source: Information supplied by the SPSEs.

- (b) The Annual Report of Punjab State Container and Warehousing Corporation Limited for the financial year 2019-20 contained the information only on amount of contribution towards CSR activities.
- (c) The Annual Report of Punjab State Transmission Corporation Limited did not include the Responsibility Statement in respect of implementation and monitoring of CSR policy.

5.10 Conclusion

Out of ten SPSEs meeting the qualifying criteria for CSR activities, three SPSEs neither constituted their CSR committee nor formulated CSR policy. Two SPSEs did not have Independent Directors in their CSR committees. Out of four profit making SPSEs, one SPSE did not allocate required funds for CSR activities during the year 2019-20. Two SPSEs instead of utilising funds for CSR activities deposited the funds with Punjab CSR Authority where the funds ultimately remained unutilised. No SPSE had spent any amount on schemes/projects introduced by Government of India. None of the SPSEs had framed any institutionalised mechanism for monitoring, reporting and evaluation of CSR projects/programs/activities and no impact assessment was carried out.

Chapter-VI

Impact of implementation of Indian Accounting Standards (Under Phase-I & II) in State Public Sector Enterprises

Impact of Implementation of Indian Accounting Standards (Under Phase-I & II) in State Public Sector Enterprises (SPSEs)

6.1 Introduction

The role of financial reporting in the overall growth and development of an economy is quite 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 Accounting Standards. With the emergence of 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 the updated 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.

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 with effect from 1 April 2016. As on 31 March 2020, 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

The 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:

- The 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.
- The 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:

- The 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) 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.

6.3 Objectives of Audit

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

- (i) How far the various provisions of Ind AS were complied with by the State Public Sector Undertakings (SPSEs) at the time of adoption of Ind AS in Phase-I & II;
- (ii) The impact of implementation of Ind AS in the financial statements of SPSEs.

6.4 Scope of Audit

The study covered fifteen SPSEs which were required to adopt Ind AS in Phase-I & II. Out of fifteen SPSEs, two SPSEs¹ were required to adopt Ind AS in Phase-I and remaining thirteen SPSEs were required to adopt Ind AS in Phase-II. Out of fifteen SPSEs, eleven SPSEs² were required to adopt Ind AS

¹ Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation limited (PSTCL)

² Punjab State Container and Warehousing Corporation Limited (CONWARE), Punjab Information and Communication Technology Corporation Limited (Punjab InfoTech), Punjab State Industrial Development Corporation Limited (PSIDC), Punjab Recorders Limited (PRL), Punjab Venture Capital limited (PVCL), Punjab Venture Investors Trust Limited (PVITL), Punjab Thermal Generation Limited (PTGL), Gidderbaha Power Limited (GPL), Punjab Bio Medical Equipments Limited (PB MEL), Punjab Power Packs Limited (PPPL) and Electronic System Punjab Limited (ESPL).

being subsidiaries/ joint venture/ associate of SPSEs who are following Ind AS. The list of SPSEs reviewed is given in *Annexure 15*.

6.5 Audit Methodology

The standalone financial statements of SPSEs which have adopted Ind AS under Phase-I & II for the first time for preparation of their financial statements with effect from 1 April 2016 or 1 April 2017 have been reviewed in audit. The compliance with various provisions of Ind AS and impact of implementation of Ind AS in these SPSEs on their revenues, profit after tax (PAT), net worth and total assets of the SPSEs 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 Status of adoption of Ind AS

Out of fifteen SPSEs which were required to adopt Ind AS, eight SPSEs (including two³ SPSEs where commercial activities have not commenced) have adopted the Ind AS while seven SPSEs (includes one⁴ active and six⁵ inactive/ under liquidation SPSEs) have not adopted the Ind AS.

Three SPSEs⁶ whose accounts were in arrears and not adopted Ind AS were under liquidation.

Punjab State Industrial Development Corporation Limited (PSIDC) was required to adopt Ind AS as its joint venture company Punjab Venture Capital Limited (PVCL) was required to adopt Ind AS. However, PSIDC has not adopted Ind AS.

6.7 Review of first time adoption of Ind AS

Ind AS 101–First time adoption of Ind AS required that an entity shall explain how the transition from IGAAP to Ind AS affected its Balance Sheet, financial performance and cash flows. The status of eight SPSEs who have adopted Ind AS was as under:

In accordance with this requirement, four SPSEs⁷ have disclosed through notes to their financial statements for the year ended 31 March 2017 and two SPSEs (PSIEC and PCL) on 31 March 2018, the effect of the adoption of Ind AS on their Balance Sheet and Statement of Profit and Loss.

³ PTGL and GPL – under consideration for winding up by the holding company PSPCL

⁴ PSIDC

⁵ PRL, PVCL, PVITL, PBMEEL, PPPL and ESPL

⁶ PBMEEL, PPPL, ESPL

⁷ PSPCL, PSTCL, CONWARE and GPL

However, two SPSEs (Punjab InfoTech and PTGL) had not disclosed in their notes to accounts any fact/ information regarding the effect of Ind AS adoption on their Balance Sheet and Profit and Loss account.

6.7.1 Optional exemption and mandatory exemption for first time adoption of Ind AS

Ind AS 101 provides for optional exemptions and mandatory exemptions to the general principle of retrospective application of Ind AS. The mandatory exemptions 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 16 - Property, Plant and Equipment (PPE)

Ind AS permits a first-time adopter to elect to continue with the carrying value of its Property, Plants and Equipment (PPE) and intangible assets as recognised 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 asset is then depreciated prospectively over its remaining useful life.

Audit analysis revealed that out of eight SPSEs, seven SPSEs⁸ opted to adopt value of PPE at carrying cost and one SPSE (PTGL) had not disclosed the fact regarding valuation of PPE.

(ii) Ind AS 27 - Separate Financial Statements

As per paragraphs 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 four SPSEs having investment in subsidiaries⁹ opted to measure investment in subsidiaries/ associates at carrying value/cost price.

(iii) 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.

⁸ PSPCL, PSTCL, PCL, CONWARE, PSIEC, Punjab InfoTech and GPL

⁹ PSPCL, CONWARE, PCL and Punjab InfoTech

Audit analysis showed that out of eight SPSEs, five SPSEs¹⁰ had valued equity at fair value and three SPSEs¹¹ had not disclosed their policy for valuation of equity.

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 SPSE 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 these eight SPSEs are given as follows:

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 2016, with the comparative for the period ending 31 March 2016 or as adopted in selected SPSEs is as follows:

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

(₹ in crore)						
Sl. No.	Name of the SPSE	Decrease in Loss	Increase in Loss	Decrease in PAT	Increase in PAT	Net Impact
1.	PSPCL	50.12	-	-	-	50.12
2.	PSTCL	-	-	-	9.76	9.76
3.	PCL	-	0.94	-	-	0.94
4.	CONWARE	-	-	-	0.13	0.13

Source: Compiled from annual accounts of SPSEs.

In case of four SPSEs¹², no changes on PAT were reported due to adoption of Ind AS.

6.8.2 Factors contributing to increase/ decrease in PAT/ Loss

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. The following factors contributed to increase/ decrease in PAT SPSE wise:

(a) CONWARE - Changes in valuation of liabilities towards post-employment benefits increased profit by ₹ 0.03 crore and rest due to change in provision for tax (₹ 0.16 crore) after adoption of Ind AS-19 dealing with employee benefit expenses of the Company.

(b) PSTCL - The profit increased by ₹ 0.09 crore due to adoption of Ind AS-19; ₹ 0.14 crore due to adjustments in finance costs after adoption of Ind AS-23 regarding Borrowing Cost; ₹ 4.27 crore due to decrease in depreciation, amortisation & impairment expenses; and ₹ 4.76 crore due to

¹⁰ PSPCL, PSTCL, CONWARE, PSIEC and PCL

¹¹ Punjab InfoTech, GPL and PTGL

¹² PSIEC, Punjab InfoTech, GPL and PTGL

decrease in repair and maintenance after adoption of Ind AS. Increase in administrative expenses after adoption of Ind AS adversely affected profit by ₹ 0.13 crore.

(c) **PSPCL** - The loss decreased mainly due to prior period expenses not being charged to profit and loss (₹ 35.47 crore); and adjustment of excess provision provided for interest and finance charges after adoption of Ind AS (₹ 20.96 crore). The loss increased due to increase in repair and maintenance expenses of the company after adoption of Ind AS (₹ 2.05 crore); increase in depreciation after adoption of Ind AS (₹ 5.45 crore) and adjustment in employee benefit expenses after adoption of Ind AS-19 (₹ 3.07 crore).

(d) **PCL** - The loss increased due to adjustment in employee benefit expenses after adoption of Ind AS-19 (₹ 0.59 crore) and re-measurement of defined benefit plan and fair valuation of financial liabilities under other comprehensive Income/Losses after adoption of Ind AS (₹ 0.29 crore).

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 (as per Ind AS) for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 (as per IGAAP) in selected State PSEs is as follows:

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

Sl. No.	Name of the SPSE	Decrease in Revenue (₹ in crore)	Increase in Revenue (₹ in crore)	Net Impact (₹ in crore)
1.	PSPCL	-	6.52	6.52
2.	PSTCL	-	0.37	0.37
3.	PCL	-	2.52	2.52

Source: Compiled from annual accounts of SPSEs.

Two SPSEs (GPL and PTGL) have not started their operations, hence, both the companies do not have any revenue for the year 2016-17 (and previous period 2015-16). There was no impact of adoption of Ind AS on booking of revenues of three SPSEs¹³.

¹³ CONWARE, PSIEC and Punjab InfoTech.

6.8.4 Factors responsible for increase/ decrease in revenue

- (a) The revenue of PSPCL increased due to higher revenue from sale of power by ₹ 6.52 crore.
- (b) Changes in recognition/inclusion of excise duty as a part of revenue from operations as per IGAAP but exclusion of excise duty from revenue from operation after adoption of Ind AS and recognising it as expense, increased revenue of PCL by ₹ 2.52 crore.
- (c) Increase in income from sale of fixed assets helped increase revenue/ other income of PSTCL by ₹ 0.37 crore.

6.8.5 Impact of the adoption of Ind AS on Equity

The equity as per IGAAP as on 31 March 2017 and 31 March 2018 have been reconciled with equity as per Ind AS on 1 April 2016 and 1 April 2017. No change in equity was noticed in the SPSEs after adoption of Ind AS.

6.8.6 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 and 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 recognised 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 (as per Ind AS) for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 (as per IGAAP) in selected SPSEs is as follows:

Table 6.3: SPSE wise impact of adoption of Ind AS on value of total assets
(₹ in crore)

Sl. No.	Name of the SPSE	Decrease in Value of Total Assets	Increase in Value of Total Assets	Net Impact
1.	PSPCL	40.65	-	40.65
2.	PSTCL	120.38	-	120.38
3.	CONWARE	25.10	-	25.10
4.	PSIEC	-	7.25	7.25
5.	Punjab InfoTech	3.21	-	3.21

Source: Compiled from annual accounts of SPSEs

No change in the value of total assets was noticed in case of three SPSEs¹⁴.

¹⁴ PCL, GPL and PTGL

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

- (i) The total assets of the PSIEC increased by ₹ 7.25 crore due to higher trade receivables after adoption of Ind AS.
- (ii) The total assets of the three SPSEs namely PSPCL, CONWARE and Punjab InfoTech were decreased by ₹ 39.86 crore, ₹ 22.04 crore and ₹ 0.61 crore respectively due to necessary adjustments in value of loans and advances and current assets after implementation of Ind AS.
- (iii) The adoption of Ind AS 2 decreased the value of inventories of PSTCL by ₹ 110.66 crore while adjustments in the value of property, plant and equipment after adoption of Ind AS decreased assets by ₹ 13.79 crore.
- (iv) In Punjab InfoTech, the value of inventories decreased by ₹ 2.60 crore after adoption of Ind AS 2.

6.8.8 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 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 (as per Ind AS) for accounting periods beginning on or after 1 April 2016, with the comparative for the period ending 31 March 2016 (as per IGAAP) in selected State PSUs is as follows:

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

(₹ in crore)			
Sl. No.	Name of the SPSE	Decrease in Net Worth	Increase in Net Worth
1.	PSPCL	24.37	-
2.	PSTCL	13.72	-
3.	PCL	0.61	-
4.	CONWARE	-	9.83

Source: Compiled from annual accounts of SPSEs

6.8.9 Factors responsible for increase/decrease in net worth

The main reasons for increase/decrease in net worth were:

- (i) **CONWARE** – Net worth increased by ₹ 9.70 crore mainly due to necessary adjustments at the time of transition into Ind AS.
- (ii) **PSTCL** – Net worth decreased by ₹ 13.41 crore mainly due to changes in the accounting of prior period adjustments pertaining to years 2014-16.

- (iii) **PSPCL** – Decrease in retained earnings due to Ind AS adjustments of ₹ 74.50 crore at the time of transition into Ind AS decreased net worth by ₹ 24.37 crore.
- (iv) **PCL** – Re-measurement of defined employee benefit plan after adoption of Ind AS decreased net worth by ₹ 0.30 crore.

6.9 Conclusion

The adoption of Ind AS resulted in changes in the financial reporting framework and use of fair valuation as against historical cost valuation. Out of fifteen SPSEs which were required to adopt Ind AS, only eight SPSEs have adopted Ind AS. After adoption of Ind AS the values of profit after tax was impacted in case of four SPSEs, revenue was impacted in three SPSEs and total assets were impacted in five SPSEs. The net worth of four SPSEs was impacted due to adoption of Ind AS. The effect of adoption of Ind AS should be considered while assessing the financial position of the concerned SPSEs.

Chandigarh

Dated: 20 December 2021



(PUNAM PANDEY)

Principal Accountant General (Audit)
Punjab

Countersigned

New Delhi

Dated: 27 January 2022



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

Annexures

Annexure - 1

(Referred to in Paragraphs 1.1 and 1.4.3)

Statement showing summarised financial results of Power Sector SPSEs for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector SPSEs	Period of accounts	Paid up capital	Net profit/loss before interest & tax	Net profit/loss after interest & tax	Turnover	Net Worth	Long term loans	Capital Employed	Accumulated Profit (+)/ Loss (-)	Total Assets
1	2	3	4	5	6	7	8	9	10	11	12
A. Generation and Distribution											
1.	Gidderbaha Power Limited	2019-20	0.05	D	D	D	0.05	12.01	12.06	D	12.32
2.	Punjab Genco Limited	2018-19	22.90	5.50	3.93	7.97	149.14	-	149.14	126.24	154.44
3.	Punjab State Power Corporation Limited	2019-20	21,709.73	1,852.43	(-)1,158.20	31,933.56	13,570.44	12,416.45	25,986.89	(-) 8,159.37	56,210.72
4.	Punjab Thermal Generation Limited	2019-20	0.05	D	D	D	0.05	-	0.05	D	0.02
Sub-total			21,732.73	1,857.93	(-) 1,154.27	31,941.53	13,719.68	12,428.46	26,148.14	(-) 8,033.13	56,377.50
B. Transmission											
5.	Punjab State Transmission Corporation Limited	2019-20	605.88	417.04	(-) 33.57	1,321.07	955.89	4,044.51	5,000.40	348.01	7,941.44
Sub-total			605.88	417.04	(-) 33.57	1,321.07	955.89	4,044.51	5,000.40	348.01	7,941.44
Grand total			22,338.61	2,274.97	(-) 1,187.84	33,262.60	14,675.57	16,472.97	31,148.54	(-) 7,685.12	64,318.94

Notes:

1. Net worth is the sum total of the paid-up capital and free reserves and surplus *minus* accumulated losses and deferred revenue expenditure.
2. **D** represents the two companies which have not commenced commercial operations (Sl. no. A-1 and A-4).

Annexure - 2

(Referred to in Paragraph 1.5.3)

Statement showing State Government funds infused in the two Power Sector SPSEs since inception till
31 March 2020

(₹ in crore)

Year	PSPCL			PSTCL			Total		
	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity
2010-11	6,081.47	0	0	605.88	0	0	6,687.35	0	0
2011-12	0	0	0	0	0	0	0	0	0
2012-13	0	0	0	0	0	0	0	0	0
2013-14	0	0	0	0	0	0	0	0	0
2014-15	0	0	0	0	0	0	0	0	0
2015-16	0	0	0	0	0	0	0	0	0
2016-17	0	0	0	0	0	0	0	0	0
2017-18	0	0	0	0	0	0	0	0	0
2018-19	0	0	0	0	0	0	0	0	0
2019-20	15,628.26 ¹	0	0	0	0	0	15,628.26	0	0
Total	21,709.73	0	0	605.88	0	0	22,315.61	0	0

¹ On account of conversion of UDAY loan into Equity.

Annexure - 3
(Referred to in Paragraph 2.1)

Statement showing details of other than Power Sector SPSEs, Statutory Corporations and Government controlled other Companies under the purview of CAG's audit during 2019-20

Sl. No.	Name of other than Power Sector SPSE	Remarks
SPSEs included in the Chapter		
A. Working Government Companies		
1.	Punjab Agro Foodgrains Corporation Limited	Working
2.	Punjab Agro Industries Corporation Limited	Working
3.	Punjab Agro Juices Limited	Working
4.	Punjab State Forest Development Corporation Limited	Working
5.	Punjab State Grains Procurement Corporation Limited	Working
6.	Punjab State Seeds Corporation Limited	Working
7.	Punjab Small Industries and Export Corporation Limited	Working
8.	Punjab Water Resources Management & Development Corporation Limited	Working
9.	Punjab Agri Export Corporation Limited	Working
10.	Gulmohar Tourist Complex (Holiday Home) Limited	Working
11.	Punjab Information & Communication Technology Corporation Limited	Working
12.	Punjab Police Security Corporation Limited	Working
13.	Punjab State Bus Stand Management Company Limited	Working
14.	Punjab State Civil Supplies Corporation Limited	Working
15.	Punjab State Container and Warehousing Corporation Limited	Working
16.	Punjab Tourism Development Corporation Limited	Working
17.	Punjab Municipal Infrastructure Development Company	Working
18.	Punjab State Biotech Corporation (Mohali Biotechnology Park)	Working
19.	Punjab State Industrial Development Corporation Limited	Working
20.	Punjab Communications Limited	Working
21.	Punjab Police Housing Corporation Limited	Working
B. Statutory Corporations		
22.	Punjab State Warehousing Corporation	Working
23.	Punjab Scheduled Castes Land Development and Finance Corporation	Working
24.	PEPSU Road Transport Corporation	Working
25.	Punjab Financial Corporation	Working
C. Government Controlled Other Companies		
26.	Amritsar Smart City Limited	Working
27.	Jalandhar Smart City Limited	Working
28.	Ludhiana Smart City Limited	Working

SPSEs not included in the Chapter		
D. Inactive Government Companies		
29.	Punjab Land Development and Reclamation Corporation Limited	Inactive
30.	Punjab Poultry Development Corporation Limited	Inactive
31.	Amritsar Hotel Limited	Inactive
32.	Neem Chameli Tourist Complex Limited	Inactive
33.	Punjab Venture Capital Limited	Inactive
34.	Punjab Film and News Corporation Limited	Inactive
35.	Punjab Footwears Limited	Inactive
36.	Punjab State Handloom and Textile Development Corporation Limited	Inactive
37.	Punjab State Hosiery and Knitwear Development Corporation Limited	Inactive
38.	Punjab State Leather Development Corporation Limited	Inactive
39.	Punjab Recorders Limited	Inactive
40.	Punjab Venture Investors Trust Limited	Inactive
41.	Punjab Micro Nutrients Limited	Under Liquidation
42.	Electronic Systems Punjab Limited	Under liquidation
43.	Punjab Bio-Medical Equipments Limited	Under liquidation
44.	Punjab Power Packs Limited	Under liquidation

Annexure - 4

(Referred to in Paragraphs 2.1, 2.3.1 and 2.3.2)

Statement showing summarised financial results of other than Power Sector SPSEs as per latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSE	Period of accounts	Paid up capital	Long Term Loans	Net profit/loss before interest and tax	Net profit/loss after interest and tax	Total Assets	Turnover	Net worth	Capital employed	Accumulated profit (+)/ Loss (-)
A	Government Companies										
1.	Punjab Agro Foodgrains Corporation Limited	2018-19	5.00	5,768.92	177.72	(-)155.84	8,077.32	5,378.35	(-)851.04	4,917.88	(-)856.04
2.	Punjab Agro Industries Corporation Limited	2019-20	49.21	8.85	1.98	1.45	198.16	11.93	65.83	74.68	16.62
3.	Punjab Agro Juices Limited	2019-20	50.00	30.00	(-)1.45	(-)0.80	27.39	3.39	(-)20.01	9.99	(-)70.01
4.	Punjab State Forest Development Corporation Limited	2019-20	0.25	0.00	2.51	1.73	147.43	30.68	60.90	60.90	56.46
5.	Punjab State Grains Procurement Corporation Limited	2017-18	1.05	6,873.58	(-)224.05	(-)224.05	9,416.98	15,587.31	(-)3,720.86	3,152.72	(-)3,721.91
6.	Punjab State Seeds Corporation Limited	2017-18	5.62	0.00	0.20	0.12	41.20	16.02	19.17	19.17	13.55
7.	Punjab Small Industries and Export Corporation Limited	2017-18	50.01	2.56	20.50	13.34	707.63	169.72	307.26	309.82	257.25
8.	Punjab Water Resource Management & Development Corporation Limited	2017-18	300.00	229.47	(-)24.43	(-)24.43	579.87	0.00	118.43	347.90	(-)181.57
9.	Punjab Agri Export Corporation Limited	2019-20	5.00	0.00	1.15	1.20	44.81	3.26	(-)0.72	(-)0.72	(-)5.72
10.	Gulmohar Tourist Complex (Holiday Home) Limited	2018-19	0.02	1.04	(-)0.21	(-)0.21	2.10	0.03	(-)5.19	(-)4.15	(-)5.21

Sl. No.	Name of SPSE	Period of accounts	Paid up capital	Long Term Loans	Net profit/loss before interest and tax	Net profit/loss after interest and tax	Total Assets	Turnover	Net worth	Capital employed	Accumulated profit (+)/ Loss (-)
11.	Punjab Information & Communication Technology Corporation Limited	2018-19	19.23	0.00	(-)2.19	(-)2.26	67.30	2.23	40.48	40.48	21.25
12.	Punjab Police Security Corporation Limited	2019-20	0.05	0.00	B	B	0.18	B	0.05	0.05	B
13.	Punjab State Bus Stand Management Company Limited	2014-15	56.15	3.26	7.75	3.98	600.97	435.76	69.57	72.83	13.42
14.	Punjab State Civil Supplies Corporation Limited	2017-18	3.73	0.00	(-)55.27	(-)55.27	13,193.53	11,469.04	(-)1,944.65	(-)1,944.65	(-)1,948.38
15.	Punjab State Container and Warehousing Corporation Limited	2019-20	25.00	0.00	19.11	15.05	197.06	23.80	196.46	196.46	171.46
16.	Punjab Tourism Development Corporation Limited	2017-18	6.66	0.00	(-)1.13	(-)1.28	38.67	0.00	22.03	22.03	13.99
17.	Punjab Municipal Infrastructure Development Company	2017-18	0.05	141.06	B	B	729.57	B	0.05	141.11	B
18.	Punjab State Biotech Corporation (Mohali Biotechnology Park)	2018-19	0.00	0.00	B	B	49.67	B	0.00	0.00	B
19.	Punjab State Industrial Development Corporation Limited	2018-19	78.21	132.93	14.85	(-)4.04	201.33	23.42	(-)624.27	(-)491.34	(-)702.48
20.	Punjab Communications Limited	2019-20	12.05	0.00	(-) 11.43	(-) 11.43	121.04	27.55	(-) 14.83	(-) 14.83	(-) 35.84
21.	Punjab Police Housing Corporation Limited	2019-20	0.05	50.00	B	B	262.83	B	0.05	50.05	B
	Total A		667.34	13,241.67	(-) 74.39	(-) 442.74	34,705.04	33,182.49	(-) 6,281.29	6,960.38	(-) 6,963.16

Sl. No.	Name of SPSE	Period of accounts	Paid up capital	Long Term Loans	Net profit/loss before interest and tax	Net profit/loss after interest and tax	Total Assets	Turnover	Net worth	Capital employed	Accumulated profit (+)/ Loss (-)
B	Statutory Corporations										
22.	Punjab State Warehousing Corporation	2017-18	8.00	5514.56	240.82	240.51	5,824.64	6,361.15	(-)836.52	4,678.04	(-)871.00
23.	Punjab Scheduled Castes Land Development and Finance Corporation	2018-19	112.49	19.68	(-)2.20	(-)3.37	135.83	6.87	97.53	117.21	(-)14.96
24.	PEPSU Road Transport Corporation	2016-17	331.44	89.52	3.52	(-)5.20	465.01	473.04	(-)62.09	27.43	(-)393.53
25.	Punjab Financial Corporation	2017-18	40.39	34.77	7.41	6.71	18.82	3.97	(-)218.53	(-)183.76	(-)258.92
	Total B		492.32	5,658.53	249.55	238.65	6,444.30	6,845.03	(-)1,019.61	4,638.92	(-)1,538.41
C	Government Controlled other Companies										
26.	Amritsar Smart City Limited	2018-19	0.01	0.00	0.00	0.00	43.54	0.00	0.15	0.15	0.14
27.	Jalandhar Smart City Limited	2018-19	0.01	0.00	0.00	0.00	43.00	0.00	0.01	0.01	0.00
28.	Ludhiana Smart City Limited	2018-19	0.01	0.00	(-)0.18	(-)0.18	199.17	0.00	(-)0.15	(-)0.15	(-)0.16
	Total C		0.03	0.00	(-)0.18	(-)0.18	285.71	0.00	0.01	0.01	(-)0.02
	Grand Total (A+B+C)		1,159.69	18,900.20	174.98	(-)204.27	41,435.05	40,027.52	(-)7,300.89	11,599.31	(-)8,501.59

Note: 'B' represents Other than Power Sector SPSEs working on no profit/no loss basis.

Annexure - 5
(Referred to in Paragraph 2.2)

Statement showing position of equity and outstanding loans relating to other than Power Sector SPSEs as on 31 March 2020

(₹ in crore)

Sl. No.	Sector & Name of the SPSE	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2019-20				Long term loans outstanding at close of the year 2019-20			
				GoP ²	GoI ³	Others	Total	GoP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A	Working Government Companies										
1	Punjab Agro Foodgrains Corporation Limited	Agriculture	July 8, 2002	0.00	0.00	5.00	5.00	5,728.89	0.00	193.26	5,922.15
2	Punjab Agro Industries Corporation Limited	Agriculture	February 11, 1966	45.46	1.25	2.50	49.21	0.00	0.00	8.85	8.85
3	Punjab Agro Juices Limited	Agriculture	February 1, 2006	50.00	0.00	0.00	50.00	30.00	0.00	0.00	30.00
4	Punjab State Forest Development Corporation Limited	Forest and Wild Life Preservation	May 23, 1983	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00
5	Punjab State Grains Procurement Corporation Limited	Food, Civil Supplies and Consumer Affairs	March 10, 2003	1.05	0.00	0.00	1.05	6,722.47	0.00	0.00	6,722.47
6	Punjab State Seeds Corporation Limited	Agriculture	March 27, 1976	4.51	0.00	1.11	5.62	0.00	0.00	0.00	0.00
7	Punjab Small Industries and Export Corporation Limited	Industries and Commerce	March 17, 1962	49.86	0.15	0.00	50.01	0.00	0.00	0.00	0.00

¹ Equity includes share application money.

² Government of Punjab.

³ Government of India.

Sl. No.	Sector & Name of the SPSE	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2019-20				Long term loans outstanding at close of the year 2019-20			
				GoP ²	GoI ³	Others	Total	GoP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
8	Punjab Water Resources Management and Development Corporation Limited	Water Resources	December 26, 1970	300.00	0.00	0.00	300.00	222.26	0.00	0.00	222.26
9	Punjab Agri Export Corporation Limited	Agriculture	January 17, 1997	0.00	0.00	5.00	5.00	0.00	0.00	0.00	0.00
10	Gulmohar Tourist Complex (Holiday Home) Limited	Tourism and Cultural Affairs	July 9, 2003	0.02	0.00	0.00	0.02	0.00	0.00	0.00	0.00
11	Punjab Information & Communication Technology Corporation Limited	Industries and Commerce	March 27, 1976	19.23	0.00	0.00	19.23	0.00	0.00	0.00	0.00
12	Punjab Police Security Corporation Limited	Home Affairs and Jails	January 18, 2008	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00
13	Punjab State Bus Stand Management Company Limited	Transport	March 7, 1995	56.15	0.00	0.00	56.15	0.00	0.00	48.99	48.99
14	Punjab State Civil Supplies Corporation Limited	Food, Civil Supplies and Consumer Affairs	February 14, 1974	3.73	0.00	0.00	3.73	0.00	0.00	0.00	0.00
15	Punjab State Container and Warehousing Corporation Limited	Agriculture	April 26, 1995	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00
16	Punjab Tourism Development Corporation Limited	Tourism and Cultural Affairs	March 26, 1979	6.66	0.00	0.00	6.66	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the SPSE	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2019-20				Long term loans outstanding at close of the year 2019-20			
				GoP ²	GoI ³	Others	Total	GoP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
17	Punjab Municipal Infrastructure Development Company	Local Government	March 16, 2009	0.00	0.00	0.05	0.05	0.00	0.00	1,267.81	1,267.81
18	Punjab State Biotech Corporation (Erstwhile Mohali Biotechnology Park)	Science, Technology & Environment	January 25, 2011	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Punjab State Industrial Development Corporation Limited	Industries and Commerce	January 31, 1966	78.21	0.00	0.00	78.21	0.00	0.00	486.72	486.72
20	Punjab Communications Limited	Industries and Commerce	July 21, 1981	0.00	0.00	12.02	12.02	0.00	0.00	0.00	0.00
21	Punjab Police Housing Corporation Limited	Home Affairs and Jails	March 30, 1989	0.05	0.00	0.00	0.05	0.00	0.00	50.00	50.00
Total A				640.18	1.40	25.73	667.31	12,703.62	0.00	2,055.63	14,759.25
B	Statutory Corporation										
22	Punjab State Warehousing Corporation	Agriculture	November 1, 1967	4.00	4.00	0.00	8.00	3,278.67	0.00	86.13	3,364.80
23	Punjab Scheduled Castes Land Development and Finance Corporation	Welfare of SCs and BCs	January 18, 1971	62.67	56.70	0.00	119.37	0.00	0.00	15.82	15.82
24	PEPSU Road Transport Corporation	Transport	January 7, 1956	307.08	24.36	0.00	331.44	23.75	0.00	27.34	51.09
25	Punjab Financial Corporation	Industries and Commerce	February 1, 1953	29.31	10.47	0.61	40.39	9.84	0.00	19.38	29.22
Total B				403.06	95.53	0.61	499.20	3,312.26	0.00	148.67	3,460.93

Sl. No.	Sector & Name of the SPSE	Name of the Department	Month and year of incorporation	Equity ¹ at close of the year 2019-20				Long term loans outstanding at close of the year 2019-20			
				GoP ²	GoI ³	Others	Total	GoP	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
C Government Controlled other Companies											
26	Amritsar Smart City Limited	Local Government	December 13, 2016	0.005	0.005	0.00	0.010	0.00	0.00	0.00	0.00
27	Jalandhar Smart City Limited	Local Government	December 8, 2016	0.005	0.005	0.00	0.010	0.00	0.00	0.00	0.00
28	Ludhiana Smart City Limited	Local Government	April 28, 2016	0.005	0.005	0.00	0.010	0.00	0.00	0.00	0.00
Total C				0.015	0.015	0.00	0.03	0.00	0.00	0.00	0.00
Grand Total (A+B+C)				1,043.26	96.94	26.34	1,166.54	16,015.88	0.00	2,204.30	18,220.18

Note: SPSEs at Sr. No. 26 to 28 are 'Government Controlled Other Companies' as the share contribution shown in respect of GoI by respective SPSEs has actually been routed through their respective Municipal Corporation.

Annexure - 6

(Referred to in Paragraph 2.4.3)

Statement showing State Government funds infused in other than Power Sector SPSEs during the period from 2010-11 to 2019-20

(₹ in crore)

Sl. No.	1		2		3		4		5		6		7		8	
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
Year	Punjab Agro Industries Corporation Limited (11 February 1966)		Punjab Agro Juices Limited (01 February 2006)		Punjab State Forest Development Corporation Limited (23 May 1983)		Punjab State Grains Procurement Corporation Limited (10 March 2003)		Punjab State Seeds Corporation Limited (27 March 1976)		Punjab Small Industries and Export Corporation Limited (17 March 1962)		Punjab Water Resources Management and Development Corporation Limited (26 December 1970)		Gulmohar Tourist Complex (Holiday Home) Limited (09 July 2003)	
Upto 2010-11	45.46	0.00	50.00	0.00	0.25	0.00	1.05	0.00	4.51	0.00	49.86	0.00	296.16	0.00	0.02	0.00
2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2012-13	0.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.00	0.00	0.00	0.00
2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	16.93	0.00	0.00	0.00
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.65	0.00	0.00	0.00
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.82	0.00	0.00	0.00
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.41	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	(-) 97.97	0.00	0.00	0.00
2019-20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	45.46	0.00	50.00	30.00	0.25	0.00	1.05	0.00	4.51	0.00	49.86	0.00	300.00	0.00	0.02	0.00

Sl. No.	9		10		11		12		13		14		15		16	
Year	Punjab Information & Communication Technology Corporation Limited (27 March 1976)		Punjab State Bus Stand Management Company Limited (07 March 1995)		Punjab State Civil Supplies Corporation Limited (14 February 1974)		Punjab State Container and Warehousing Corporation Limited (26 April 1995)		Punjab Tourism Development Corporation Limited (26 March 1979)		Punjab State Warehousing Corporation (01 November 1967)		Punjab Scheduled Castes Land Development and Finance Corporation (18 January 1971)		PEPSU Road Transport Corporation (07 January 1956)	
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
Upto 2010-11	19.23	0.00	56.15	0.00	3.73	0.00	25.00	0.00	6.66	0.00	4.00	0.00	33.32	0.00	86.82	0.00
2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.67	0.00	195.26	0.00
2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4.91	0.00	0.00	0.00
2013-14	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.42	0.00	0.00	0.00
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.42	0.00	25.00	0.00
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.42	0.00	0.00	0.00
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.42	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2019-20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.09	0.00	0.00	0.00
Total	19.23	0.00	56.15	0.00	3.73	0.00	25.00	0.00	6.66	0.00	4.00	0.00	62.67	0.00	307.08	0.00

Sl. No.	17		18		19		Total		G. Total
Year	Punjab State Industrial Development Corporation Limited (31 January 1966)		Punjab Financial Corporation (01 February 1953)		Punjab Police Housing Corporation Limited (30 March 1989)		Total		
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	
Upto 2010-11	78.21	0.00	29.31	0.00	0.05	0.00	789.79	0.00	789.79
2011-12	0.00	0.00	0.00	0.00	0.00	0.00	196.93	0.00	196.93
2012-13	0.00	0.00	0.00	0.00	0.00	0.00	15.91	30.00	45.91
2013-14	0.00	0.00	0.00	0.00	0.00	0.00	22.35	0.00	22.35
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	72.07	0.00	72.07
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	32.24	0.00	32.24
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	10.83	0.00	10.83
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018-19	0.00	0.00	0.00	0.00	0.00	0.00	(-97.97)	0.00	(-97.97)
2019-20	0.00	0.00	0.00	0.00	0.00	0.00	1.09	0.00	1.09
Total	78.21	0.00	29.31	0.00	0.05	0.00	1,043.24	30.00	1,073.24

Annexure - 7*(Referred to in Paragraphs 3.3.2 and 3.3.3)***Statement showing Government Companies and Corporations where accounts were in arrears or were under liquidation**

Sl. No.	Name of the Government Companies and Corporations	Year for which Accounts not received by 31 December 2020
Government Companies		
1	Punjab Agro Foodgrains Corporation Limited	2019-20
2	Punjab Tourism Development Corporation Limited	2018-19 and 2019-20
3	Gulmohar Tourist Complex (Holiday Home) Limited	2019-20
4**	Amritsar Hotel Limited	Defunct
5**	Neem Chameli Tourist Complex Limited	Defunct
6	Punjab State Grains Procurement Corporation Limited	2018-19 and 2019-20
7	Punjab State Seeds Corporation Limited	2018-19 and 2019-20
8**	Punjab Land Development and Reclamation Corporation Limited	Defunct
9	Punjab Water Resource Management & Development Corporation Limited	2018-19 and 2019-20
10	Punjab Small Industries and Export Corporation Limited	2018-19 and 2019-20
11	Punjab Information & Communication Technology Corporation Limited	2019-20
12**	Punjab Venture Capital Limited	Defunct
13**	Punjab Venture Investors Trust Limited	Defunct
14**	Punjab Recorders Limited	Defunct
15	Punjab State Industrial Development Corporation Limited	2019-20
16	Punjab State Bus Stand Management Company Limited	2015-16 to 2019-20
17	Punjab State Civil Supplies Corporation Limited	2018-19 and 2019-20
18	Punjab Municipal Infrastructure Development Company	2018-19 and 2019-20
19	Mohali Biotechnology Park	2019-20
20**	Punjab Micro Nutrients Limited	Under Liquidation
21**	Punjab Poultry Development Corporation Limited	Defunct
22**	Punjab Film and News Corporation Limited	Defunct
23**	Electronic Systems Punjab Limited	Under Liquidation
24**	Punjab Bio-Medical Equipments Limited	Under Liquidation
25**	Punjab Power Packs Limited	Under Liquidation
26**	Punjab State Handloom and Textile Development Corporation Limited	Defunct
27**	Punjab State Hosiery and Knitwear Development Corporation Limited	Defunct
28**	Punjab State Leather Development Corporation Limited	Defunct
29**	Punjab Footweares Limited	Defunct
30	Punjab Genco Limited	2019-20
Government Controlled Other Companies		
31	Amritsar Smart City Ltd	2019-20
32	Jalandhar Smart City Ltd	2019-20
33	Ludhiana Smart City Ltd	2019-20

Statutory Corporations		
1	Punjab State Warehousing Corporation	2018-19 and 2019-20
2	Punjab Scheduled Castes Land Development and Finance Corporation	2019-20
3	PEPSU Road Transport Corporation	2017-18 to 2019-20
4	Punjab Financial Corporation	2018-19 and 2019-20

** SPSEs 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.

Annexure - 8*(Referred to in Paragraphs 3.5.2 and 3.7)***Statement showing position of accounts of SPSEs and Status of
Comments of CAG thereon**

Sl. No.	Name of the SPSE	Financial Year	Comments
SPSEs where comments/Management Letters were issued			
1.	Punjab State Power Corporation Limited	2019-20	Comments and Management letter issued.
2.	Punjab State Transmission Corporation Limited	2019-20	Comments and Management letter issued.
3.	Punjab State Container and Warehousing Corporation Limited	2019-20	Comments and Management letter issued.
4.	Punjab Agro Industries Corporation Limited	2019-20	Nil Comments.
5.	Punjab Police Housing Corporation Limited	2019-20	Nil Comments.
6.	Punjab State Forest Development Corporation Limited	2019-20	Nil Comments.
7.	Punjab Communications Limited	2019-20	Management letter issued.
Audits under process			
8.	Punjab Agri Export Corporation Limited	2019-20	Audit under process.
9.	Punjab Agro Juices Limited	2019-20	Audit under process.
SPSEs where NRC was issued			
10.	Punjab Police Security Corporation Limited	2019-20	NRC issued.
11.	Punjab Thermal Generation Limited	2019-20	NRC issued.
12.	Gidderbaha Power Limited	2019-20	NRC issued.

Annexure - 9
(Referred to in Paragraph 3.6)

**Details of Companies where there was non-compliance with Accounting Standards
as reported by the Statutory Auditors**

Sl. No.	Name of the Company	Listed/ Unlisted	Financial Year	Accounting Standard/ Ind AS
1.	Punjab State Power Corporation Limited	Unlisted	2019-20	Ind AS 1- Presentation of Financial Statements Ind AS 2- Inventories Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors Ind AS 19- Employees Benefits Ind AS 23- Borrowing Costs Ind AS 105- Non-current assets held for sale and discontinued operations Ind AS 109- Financial Instruments Ind AS 113- Fair value measurement Ind AS 115- Revenue from Contracts with Customers

Annexure - 10*(Referred to in Paragraph 4.1.4)***Statement showing SPSEs covered in Chapter-IV**

Sl. No.	Name of Company
(a) List of SPSEs covered in Chapter-IV	
1.	Punjab Communications Limited
2.	Punjab State Power Corporation Limited
3.	Punjab State Transmission Corporation Limited
4.	Punjab Thermal Generation Limited
5.	Gidderbaha Power Limited
6.	Punjab Police Security Corporation Limited
7.	Punjab Police Housing Corporation Limited
8.	Punjab Agro Foodgrains Corporation Limited
9.	Punjab Agro Industries Corporation Limited
10.	Punjab Agri Export Corporation Limited
11.	Gulmohar Tourist Complex (Holiday Home) Limited
12.	Punjab Information and Communication Technology Corporation Limited
13.	Punjab State Industrial Development Corporation Limited
14.	Punjab State Biotech Corporation (Mohali Biotechnology Park)
15.	Amritsar Smart City Limited
16.	Jalandhar Smart City Limited
17.	Ludhiana Smart City Limited
18.	Punjab Genco Limited
19.	Punjab State Grains Procurement Corporation Limited
20.	Punjab State Seeds Corporation Limited
21.	Punjab Tourism Development Corporation Limited
22.	Punjab State Civil Supplies Corporation Limited
23.	Punjab Municipal Infrastructure Development Company
24.	Punjab State Forest Development Corporation Limited
25.	Punjab Agro Juices Limited
26.	Punjab State Container and Warehousing Corporation Limited
27.	Punjab Water Resources Management and Development Corporation Limited
28.	Punjab Small Industries and Export Corporation Limited
29.	Punjab State Bus Stand Management Company Limited
(b) List of inactive SPSEs which are not covered in Chapter-IV	
30.	Punjab Micro Nutrients Limited
31.	Electronic Systems Punjab Limited
32.	Punjab Bio-Medical Equipments Limited
33.	Punjab Power Packs Limited
34.	Amritsar Hotel Limited
35.	Neem Chameli Tourist Complex Limited
36.	Punjab Land Development and Reclamation Corporation Limited
37.	Punjab Poultry Development Corporation Limited
38.	Punjab Venture Capital Limited
39.	Punjab Venture Investors Trust Limited
40.	Punjab Recorders Limited
41.	Punjab Film and News Corporation Limited
42.	Punjab State Handloom and Textile Development Corporation Limited

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43.	Punjab State Hosiery and Knitwear Development Corporation Limited
44.	Punjab State Leather Development Corporation Limited
45.	Punjab Footwears Limited

Annexure - 11*(Referred to in Paragraphs 4.2.1, 4.5.1 and 4.6.1)***Statement of SPSEs where criteria of Independent Directors, Audit Committee and Nomination and Remuneration Committee is applicable**

Sl. No.	Name of Company
1.	Punjab Communications Limited
2.	Punjab State Power Corporation Limited
3.	Punjab State Transmission Corporation Limited
4.	Punjab Genco Limited
5.	Punjab State Grains Procurement Corporation Limited
6.	Punjab State Container and Warehousing Corporation Limited
7.	Punjab Water Resources Management and Development Corporation Limited
8.	Punjab State Bus Stand Management Company Limited

Annexure-12

(Referred to in Paragraph 4.2.2)

Statement showing SPSEs where criteria of Woman Director is applicable

Sl. No.	Name of Company
1.	Punjab Communications Limited
2.	Punjab State Power Corporation Limited
3.	Punjab State Transmission Corporation Limited
4.	Punjab Agro Foodgrains Corporation Limited
5.	Punjab State Grains Procurement Corporation Limited
6.	Punjab Water Resources Management and Development Corporation Limited
7.	Punjab State Bus Stand Management Company Limited

Annexure - 13
(Referred to in Paragraph 4.7)

Statement showing SPSEs where criteria of Whistle Blower Mechanism is applicable

Sl. No.	Name of Company
1.	Punjab Communications Limited
2.	Punjab State Power Corporation Limited
3.	Punjab State Transmission Corporation Limited
4.	Punjab Agro Foodgrains Corporation Limited
5.	Punjab State Grains Procurement Corporation Limited
6.	Punjab Municipal Infrastructure Development Company
7.	Punjab Water Resources Management and Development Corporation Limited

Annexure - 14

(Referred to in Paragraph 4.8.3)

Statement showing SPSEs where criteria of Internal Audit is applicable

Sl. No.	Name of Company
1.	Punjab Communications Limited
2.	Punjab State Power Corporation Limited
3.	Punjab State Transmission Corporation Limited
4.	Punjab Agro Foodgrains Corporation Limited
5.	Punjab State Industrial Development Corporation Limited
6.	Punjab State Grains Procurement Corporation Limited
7.	Punjab State Civil Supplies Corporation Limited
8.	Punjab Municipal Infrastructure Development Company
9.	Punjab Agro Juices Limited
10.	Punjab Water Resources Management and Development Corporation Limited
11.	Punjab State Bus Stand Management Company Limited

Annexure - 15

(Referred to in Paragraph 6.4)

Statement showing SPSEs on which Ind AS is applicable

Sl. No.	Name of the Company	Basis for eligibility of Ind-AS	Ind AS due year	Ind-AS followed year	Accounts finalised upto December 2020
A Working Companies					
1.	Punjab State Power Corporation Limited (PSPCL)	Net worth (₹ 2905.65 crore)	2016-17	2016-17	2019-20
2.	Punjab State Transmission Corporation Limited (PSTCL)	Net worth (₹ 1007.61 crore)	2016-17	2016-17	2019-20
3.	Punjab Small Industries and Export Corporation Limited (PSIEC)	Net worth (₹ 293.92 crore)	2017-18	2017-18	2017-18
4.	Punjab Communication Limited (PCL)	Based on SEBI guideline	2017-18	2017-18	2019-20
5.	Punjab State Container and Warehousing Corporation limited (CONWARE)	Joint venture of Punjab Logistic Infrastructure Limited ¹	2016-17	2016-17	2019-20
6.	Punjab Information and Communication Technology Corp. Ltd (Punjab InfoTech)	Holding Company of PCL	2017-18	2017-18	2018-19
7.	Punjab State Industrial Development Corporation (PSIDC)	Its Joint venture Company i.e., Punjab Venture Capital Limited	2017-18	Not followed	2018-19 and 2019-20 are under finalisation
B Inactive Companies					
1.	Punjab Recorder Limited (PRL)	Joint Venture of Punjab InfoTech Limited	2017-18	Not followed	2018-19
2.	Punjab Venture Capital Limited (PVCL)	Joint Venture Company of Punjab InfoTech Limited, PSIDC etc.	2017-18	Not followed	2018-19
3.	Punjab Venture Investors Trust Limited (PVITL)	Joint Venture Company of Punjab InfoTech Limited, PSIDC etc.	2017-18	Not followed	2018-19

¹ Punjab Logistics Infrastructure Limited is joint venture of CONWARE and Container Corporation of India i.e. CONCOR (CPSU), which has adopted Ind AS, thus, Ind AS are also applicable on CONWARE.

C Under Liquidation Companies					
1.	Punjab Thermal Generation Limited (PTGL)	Subsidiary of PSPCL	2016-17	2016-17	2019-20
2.	Gidderbaha Power Limited (GPL)	Subsidiary of PSPCL	2016-17	2016-17	2019-20
3.	Punjab Bio Medical Equipments Limited (PB MEL)	Subsidiary of Punjab InfoTech Limited	2017-18	Not followed	1996-97
4.	Punjab Power Packs Limited (PPPL)	Subsidiary of Punjab InfoTech Limited	2017-18	Not followed	1997-98
5.	Electronic System Punjab Limited (ESPL)	Subsidiary of PSIDC	2017-18	Not followed	2013-14

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