सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Punjab

Report No. 2 of the year 2020

Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
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PREFACE

This report deals with the results of audit of Government companies and statutory corporations of the Government of Punjab for the year ended 31 March 2019.

The accounts of Government companies (including companies deemed to be government companies as per the provisions of the Companies Act, 2013) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of the Companies Act as amended from time to time. The accounts certified by the statutory auditors (Chartered Accountants) appointed by the CAG are subject to supplementary audit by officers of the CAG and CAG gives his comments or supplements the reports of the statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government company or corporation are submitted to the Government by the CAG for placing before the State Legislature under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

In respect of two statutory corporations viz. PEPSU Road Transport Corporation and Punjab Scheduled Castes Land Development & Finance Corporation, the CAG is the sole auditor.

The instances mentioned in this Report are those which came to notice in the course of test audit for the period 2018-19 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2018-19 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report contains 14 paragraphs and one performance audit on 'Assessment of activities of Punjab Small Industries and Export Corporation Limited' having a financial implication of ₹ 1,226.91 crore. Some of the significant findings are highlighted below:

1. State Public Sector Undertakings

The State of Punjab had 52 PSUs as of March 2019. This included 45 Government Companies (including 19 inactive ones), four Statutory Corporations and three Government Controlled Other Companies. As per the latest finalised accounts, the working PSUs registered an annual turnover of ₹ 72,923.70 crore and loss of ₹ 14,558.90 crore. This turnover was equal to 13.97 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 5,21,861 crore at current prices and advance estimates).

The 19 inactive PSUs which were non-functional for last five to 28 years had an investment of ₹ 56.20 crore towards capital (₹ 24.13 crore) and long term loans (₹ 32.07 crore).

As on 31 March 2019, the total investment (paid-up capital, long-term loans and grant/subsidy) in 52 PSUs was ₹ 1,04,181.06 crore, out of which the State Government had contributed ₹ 88,418.57 crore.

(Paragraphs 1, 2 and 8)

2. Performance of Public Sector Undertakings

Power Sector PSUs

Five PSUs submitted five accounts including four accounts for 2018-19 upto September 2019. As per the latest finalised accounts, net worth of one PSU was completely eroded. None of the PSUs where equity was infused by the State Government earned profits during 2018-19.

(Paragraphs 1.8, 1.14 and 1.15)

Other than Power Sector PSUs

Twenty six PSUs submitted 36 accounts including five accounts for 2018-19 upto September 2019. As per the latest finalised accounts, net worth of 11 PSUs was completely eroded. Further, as per the dividend policy of the State Government, all PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. Out of 13 profit making PSUs only three PSUs declared dividend of ₹ 1.67 crore.

(Paragraphs 3.8.1, 3.16 and 3.17)

3. Power Sector

Chapter II discusses Compliance audit observations having a financial implication of ₹ 529.64 crore, and highlight deficiencies in the management of State Government Companies of power sector, which had significant financial implications. Important findings are as under:

Punjab State Power Corporation Limited

- Company could not implement the R-APDRP scheme within the time frame stipulated by the Government of India. Due to delay in implementation of Part-B of scheme, the Company would be deprived of conversion of interest of ₹ 179.11 crore into grant and tranche of grant amounting to ₹ 116.07 crore.

  (***Paragraph 2.1.3.4***)

- Scheme did not achieve the targeted reductions in AT&C losses in 22 out of 47 towns under execution, while billing efficiency and collection efficiency remained lower than the target level in 21 and 19 towns respectively. Company incurred a loss of ₹ 205.93 crore due to lower billing and collection efficiency.

  (Paragraphs 2.1.3.9 and 2.1.3.10)

- Waiver of interest and allowance of rebate to arc furnace industrial consumers, in violation of the Supply Code and Electricity Supply Instruction Manual 2018, resulted in undue financial burden of ₹ 12.77 crore.

  (Paragraph 2.3)

- Non-installation of Trash Rack Cleaning Machine and lack of co-ordination between the operational wings of the Company, during construction of Stage-II of Mukerian Hydel Project resulted in avoidable loss of generation of power valuing ₹ 15.26 crore.

  (Paragraph 2.4)

4. Non Power Sector

A performance audit on assessment of activities of Punjab Small Industries and Export Corporation Limited for the period 2014-19 was conducted. While the total financial implication of this Performance Audit intervention is ₹ 623.34 crore, the important audit findings are as under:

- The Company did not formulate a plan for creation of land bank for meeting the requirement of industrial land as envisaged in the Industrial Policy 2009 of the State.

  (Paragraph 4.1.6.1)

- Allotment of undeveloped land/ plots without providing basic amenities to the allottees, against the allotment policy of the

Government of Punjab, deprived the Company of revenue of ₹ 138.99 crore.

(Paragraphs 4.1.7.2 (i) and 4.1.7.2 (ii))

- Non-cancellation/resumption of vacant plots under the three Industrial Focal Points where all plots stood allotted, deprived the Company of potential revenue of ₹ 1,197.64 crore .

(Paragraph 4.1.8)

- Absence of monitoring mechanism and follow up of recovery led to accumulation of recoverable amount of ₹ 432.77 crore.

(Paragraph 4.1.10)

- Non-execution of the projects under 'Apparel Park for Exports' scheme for promotion of exports even after lapse of six years, resulted in unfruitful utilisation of grant of ₹ 13.07 crore, non-achievement of exports of ₹ 1,650 crore and non-generation of employment for 22,250 persons.

(Paragraph 4.1.15.2)

Chapter V contains paragraphs having a financial implication of ₹ 73.93 crore based on Compliance audit observations highlighting deficiencies in the management of the State Government Companies and Statutory Corporation of non-power sector. Some of the important findings are as under:

Punjab State Grains Procurement Corporation Limited

- Non-observance of instructions regarding accounting for storage gain under decentralised procurement for the National Food Security Act, 2013, resulted in loss of ₹ 28.15 crore to the Company.

(Paragraph 5.2)

- The Company did not conduct timely verification of deductions made by FCI towards cost of gunny bags and interest resulting in avoidable interest burden of ₹ 1.67 crore.

(Paragraph 5.3)

Introduction

Functioning of State Public Sector Undertakings

Introduction

Functioning of State Public Sector Undertakings

General

1. State Public Sector Undertakings (PSUs) consist of State Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOC). State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2019, there were 52 PSUs in Punjab, including four[1] Statutory Corporations, 45 Government Companies (including nineteen inactive[2] Government Companies) and three GCOCs under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of these, one[3] Company was listed on the stock exchange. During the year, one[4] PSU was struck off from the Register of Companies by the Registrar of Companies under Section 248 (5) of the Companies Act, 2013.

2. The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[5]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts for 2018-19	Accounts for 2017-18	Accounts upto 2016-17	Total	
Working Government Companies[6]	29	8	13	6	27	21 (30)
Statutory Corporations	4	1	2	1	4	3 (4)
Total working PSUs	**33**	**9**	**15**	**7**	**31**	**24 (34)**
Inactive Government Companies	19	2	2	0	4	17 (216)
Total	**52**	**11**	**17**	**7**	**35**	**41 (250)**

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

2 Inactive PSUs are those which have ceased to carry out their operations.

3 Punjab Communications Limited

4 Punjab Agro Power Corporation Limited

5 From October 2018 to September 2019.

6 Government PSUs include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013.

The working PSUs registered an annual turnover of ₹ 72,923.70 crore as per their latest finalised accounts as on 30 September 2019. This turnover was equal to 13.97 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 5,21,861.00 crore at current prices and advance estimates). The working PSUs incurred an accumulated loss of ₹ 14,558.90 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around 45,227 employees.

There are nineteen[7] inactive PSUs which were non-functional for last five to 28 years having an investment of ₹ 56.20 crore towards capital (₹ 24.13 crore) and long term loans (₹ 32.07 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The procedure for audit of Government companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act, 2013). According to Section 2 (45) of the Act, 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held 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, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies (GCOC).

The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Act, 2013. Section 139 (5) of the Act, 2013, provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company 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 Government Controlled Other Company, 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

[7] Sl. No. 22 to 26, 30 to 43 of ***Annexure 4***.

General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the Comptroller and Auditor General of India. 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.

Statutory audit

4. 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.

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 PSUs

Need for timely finalisation and submission

5. 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 the date of one AGM and that of 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.

Role of the Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. 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 Undertakings (PSUs)

7. The Government of Punjab (GoP) has high financial stakes in the PSUs. 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 PSUs from time to time.

- **Special financial support** – GoP provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees** – GoP also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8. The total sector-wise summary of investment (GoP and others) in the PSUs as on 31 March 2019 is given in table 2:

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations		Total	Investment[8] (₹ in crore)							Total (₹ in crore)	
						Equity			Long term loans			Grants/ Subsidies	GoP	Others
	Active	Inactive	Active	Inactive		GoP	Others	Total	GoP	Others	Total	GoP		
Power	5	-	-	-	5	6,687.35	23.00	6,710.35	15,662.13	13,128.45	28,790.58	38,211.76	60,561.24	13,151.45
Finance	1	3	2	-	6	170.61	62.09	232.70	9.99	718.34	728.33	50.41	231.01	780.43
Agriculture & Allied	8	3	1	-	12	409.81	19.11	428.92	15,911.62	113.42	16,025.04	2,326.21	18,647.64	132.53
Others	15	13	1	-	29	478.80	43.37	522.17	8,329.54	1,654.71	9,984.25	170.34	8,978.68	1,698.08
Total	**29**	**19**	**4**	**-**	**52**	**7,746.57**	**147.57**	**7,894.14**	**39,913.28**	**15,614.92**	**55,528.20**	**40,758.72**	**88,418.57**	**15,762.49**

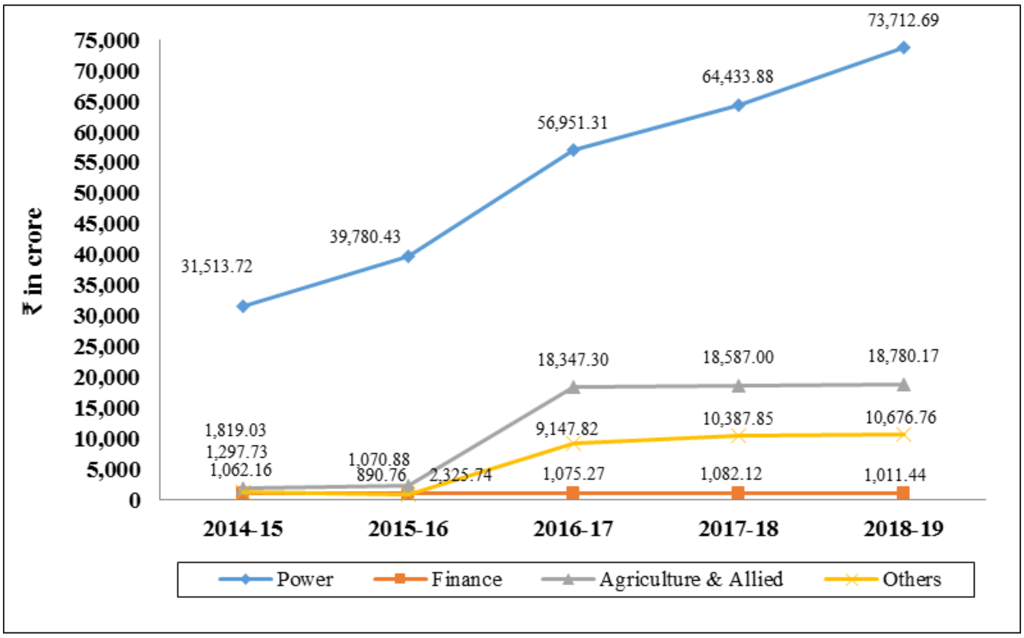
Source: Compiled based on information received from PSUs.

Grants/Subsidies of ₹ 40,758.72 crore represent the amount given by GoP during the period 2011-12 to 2018-19 out of which ₹ 38,211.76 crore was given to Power Sector PSU (PSPCL) on account of tariff compensation for subsidised supply of power to the consumers and ₹ 465.32 crore (out of ₹ 2,546.96 crore) to other than Power Sector PSUs for the purpose not meant for operational and management expenses.

The thrust of investment in PSUs was mainly on Power and Agriculture and Allied Sectors, which received investment of ₹ 42,198.97 crore (61.62 *per cent*) and ₹ 16,961.14 crore (24.77 *per cent*) respectively out of the total investment of ₹ 68,488.42 crore made during the period from 2014-15 to 2018-19.

9. The total investment in various important sectors at the end of 31 March 2015 to 31 March 2019 is indicated in following chart:

Chart 1: Sector-wise investment in PSUs



8 Investment includes equity, long term loans and grants/subsidies.

Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of five power sector PSUs in Part I[9] of this report and of the 47 PSUs (other than power sector) in the Part II[10] of the report.

[9] The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Compliance Audit observations relating to Power Sector Undertakings).

[10] The Part II includes Chapter-III (Functioning of PSUs other than Power Sector), Chapter-IV (Performance Audit relating to PSUs other than Power Sector) and Chapter-V (Compliance Audit observations relating to PSUs other than Power Sector).

PART - I

Chapter - I
Functioning of Power Sector Undertakings

PART-I

Chapter-I

Functioning of Power Sector Undertakings

1. Introduction

1.1 The Power Sector Undertakings play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. There are five[1] undertakings working in power sector in the State and all of them are active. Of these two[2] are yet to commence commercial activities. Out of five, three PSUs (GPL, PGL and PTGL) have been incorporated for carrying out the activity of Generation of power, one PSU (PSPCL) undertakes both generation as well as distribution activities and one PSU (PSTCL) undertakes transmission activity. The State Government has contributed funds to only two[3] of the undertakings, while the funds in other three have been contributed by their holding PSU/ Government organisation. The table below provides the details of turnover of the Power Sector Undertakings and GSDP of Punjab for a period of five years ending March 2019.

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

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	22,270.15	23,589.08	24,763.66	29,880.88	32,040.21
GSDP of Punjab (at current prices and advance estimates)	3,49,826.00	4,08,815.00	4,27,297.00	4,77,482.00	5,21,861.00
Percentage of Turnover to GSDP of Punjab	6.37	5.77	5.80	6.26	6.14

Source: ***Turnover figures as per latest finalised accounts as of 30 September of respective years and GSDP figures as per Economic and Statistical Organisation, Government of Punjab.***

The turnover of Power Sector Undertakings recorded continuous increase from 2014-15 to 2018-19 and it ranged between 4.98 *per cent* and 20.66 *per cent* during the period 2014-19 whereas increase in GSDP of Punjab ranged between 4.52 *per cent* and 16.86 *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

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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

3 PSPCL and PSTCL

10.45 *per cent* of the GSDP, the turnover of Power Sector Undertakings recorded lower compounded annual growth of 9.78 *per cent* during last five years. There was decrease in the share of turnover of the Power Sector Undertakings to the GSDP. It was 6.37 *per cent* in 2014-15 and stood at 6.14 *per cent* in 2018-19.

The State power generation and distribution utility (PSPCL) was burdened by accumulated losses of ₹ 1,501.05 crore at the end of the financial year 31 March 2016 and had debts of ₹ 11,594.85 crore as on that date from banks, financial institutions and Government. The Ministry of Power (MoP), Government of India (GoI) launched (20 November 2015) Ujwal Discom Assurance Yojna (UDAY), a Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by PSPCL - the state power distribution company (DISCOM) are also discussed in this Chapter.

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 2014-15 to 2018-19 is given in the table below:

Table 1.2: Details of Power Generation by PSPCL

Year	Installed Capacity of PSPCL (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*)
2014-15	11,018	10,155	10,155	0	48,380	18,874	39.01
2015-16	11,996	10,852	10,852	0	50,353	16,155	32.08
2016-17	13,961	11,408	11,408	0	53,167	13,277	24.97
2017-18	13,391	11,705	11,705	0	55,012	13,441	24.43
2018-19	13,466	12,638	12,638	0	55,262	11,343	20.53

Source: Information provided by PSPCL.

During the period 2014-19, PSPCL was able to meet its peak demand. PSPCL has 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 *Formation of Power Sector Undertakings*

The Government of Punjab (GoP) framed (April 2010) the Punjab Power Sector Reforms Transfer Scheme, 2010 (Scheme) for unbundling of Punjab State Electricity Board (PSEB) and transfer of functions, undertakings, assets, properties, rights, liabilities, proceedings and personnel of PSEB to its two successor Power Sector Undertakings (Punjab State Power Corporation Limited (PSPCL) and Punjab State Transmission Corporation Limited (PSTCL)). These two Power Sector Undertakings came into existence *w.e.f.* 16 April 2010 and all the assets and liabilities of PSEB (including equity of

₹ 6,687.26 crore[4] and capital reserve of ₹ 10,620.49 crore[5] created out of setting off accumulated losses of PSEB of ₹ 10,180.35 crore against reserve created on land revaluation) were distributed among these companies according to the provisions of the Scheme. Besides these, two companies were incorporated as wholly owned subsidiaries of PSPCL i.e. Gidderbaha Power Limited (GPL) in the year 2008 as special purpose vehicle by PSEB (now PSPCL) and Punjab Thermal Generation Limited (PTGL) in 2013-14[6]. However, the State Government did not infuse any equity in these companies. Another power sector company namely Punjab Genco Limited was incorporated in 1998 with the entire shareholding held by Punjab Energy Development Agency (PEDA), a Government of Punjab organisation. Thus, there were five Power Sector Companies in the State as on 31 March 2019.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.4 The State Government established (July 2002) the Directorate of Disinvestment under the Department of Finance with the objective of disinvestment of State Government equity held in PSUs and their subsidiaries/promoted companies and restructuring/privatisation of PSUs. During the year 2018-19, no disinvestment in power sector PSUs was done.

Investment in Power Sector Undertakings

1.5 The activity-wise summary of investment in the Power Sector Undertakings as on 31 March 2019 is given below:

Table 1.3: Activity-wise investment in Power Sector Undertakings

Activity	Number of under-takings	Investment (₹ in crore)							
		Equity of GoP	Equity of Others	Long term loans of GoP	Long term loans of others	Equity and Long term loans of GoP	Equity and Long term loans of others	Grants/ Subsidies (GoP)	Total
Generation & distribution of power	4	6,081.47	23.00	15,662.13	8,362.42	21,743.60	8,385.42	38,211.76	68,340.78
Transmission of Power	1	605.88	--	--	4,766.03	605.88	4,766.03	--	5,371.91
Total	**5**	**6,687.35**	**23.00**	**15,662.13**	**13,128.45**	**22,349.48**	**13,151.45**	**38,211.76**	**73,712.69**

Source: Compiled based on information received from PSUs.

As on 31 March 2019, the total investment (equity, long term loans and grants/subsidies) in five Power Sector Undertakings was ₹ 73,712.69 crore. The investment consisted of 9.10 *per cent* towards equity, 39.06 *per cent* in long term loans and 51.84 *per cent* towards grants/ subsidies. The funds made available in the form of grants/ subsidies to PSPCL were on account of tariff

4 PSPCL (₹ 6,081.43 crore) and PSTCL (₹ 605.83 crore).
5 PSPCL (₹ 8,772.66 crore) and PSTCL (₹ 1,847.83 crore).
6 Intimation for incorporation of the Company was received during 2014-15.

compensation from GoP during the period 2011-12 to 2018-19 for subsidised supply of power to the consumers.

The long term loans advanced by the State Government constituted 54.40 *per cent* (₹ 15,662.13 crore) of the total long term loans of ₹ 28,790.58 crore, whereas 45.60 *per cent* (₹ 13,128.45 crore) of the total long term loans were availed by loans from Central Government and other financial institutions. During the period 2015-16 and 2016-17, the State Government has taken over ₹ 15,628.26 crore (75 *per cent*) out of the total outstanding debt (₹ 20,837.68 crore) pertaining to PSPCL as on 30 September 2015, under UDAY scheme.

Budgetary Support to Power Sector Undertakings

1.6 The GoP provides financial support to Power Sector Undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of Power Sector Undertakings for the last five years ending March 2019 are as follows:

Table 1.4: Details of budgetary support to Power Sector Undertakings during the years

(₹ in crore)

Particulars[7]	2014-15		2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i) Equity Capital	0	0	0	0	0	0	0	0	0	0
(ii) Loans given (Interest bearing[8])	0	0	1	9,859.72	1	5,768.54	0	0	0	0
(iii) Grants/ Subsidies provided	1	2,650.00	1	4,847.00	1	5,600.70	1	6,577.57	1	9,036.42
Total Outgo (i+ii+iii)		**2,650.00**		**14,706.72**		**11,369.24**		**6,577.57**		**9,036.42**
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	0	0
Guarantees issued	2	4,461.31	2	6,248.28	2	1,993.26	2	1,879.00	2	2,833.89
Guarantee Commitment	2	14,569.61	2	9,408.00	2	8,519.08	2	9,345.14	2	10,494.85

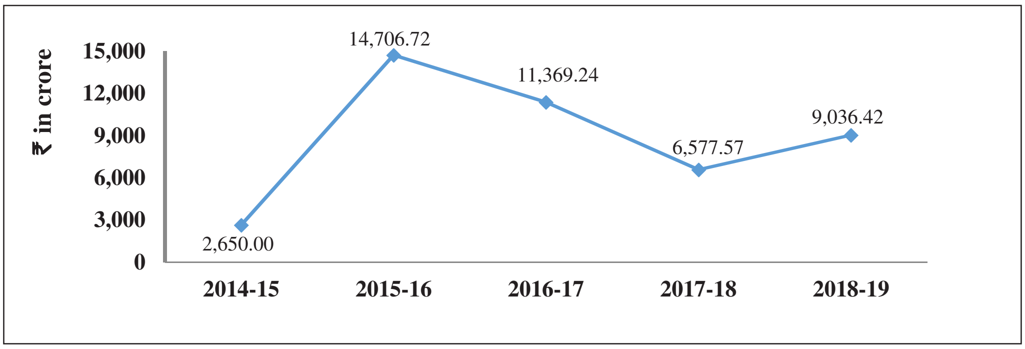
Source: Compiled based on information received from PSUs.

7 Amount represents outgo from State budget only.

8 PSPCL was given interest bearing loans at the rate of interest of 7.21 *per cent* to 8.72 *per cent per annum.*

The details of budgetary support towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in a chart below:

Chart 1.1: Budgetary support towards Equity, Loans and Grants/Subsidies



The budgetary assistance received by these PSUs during the year ranged between ₹ 2,650.00 crore and ₹ 14,706.72 crore during 2014-15 to 2018-19. The budgetary assistance received during 2017-18 to 2018-19 is solely on account of subsidy for free supply to scheduled castes households/ agricultural power/ large scale/ medium supply consumers. The Ministry of Power (MoP), Government of India (GoI) launched (20 November 2015) Ujwal Discom Assurance Yojana (UDAY) scheme for operational and financial turnaround of DISCOMs. The provisions of UDAY and status of implementation of the scheme by the DISCOM are discussed under paragraph 1.21 of this Chapter.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government gives guarantee under Punjab Fiscal Responsibility and Budget Management Act, 2003 subject to the limits prescribed by the Constitution of India, for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of 0.50 *per cent* to two *per cent* from these PSUs. During the year, two PSUs[9] paid guarantee fee of ₹ 41.00 crore (including ₹ 0.53 crore pertaining to previous years) out of ₹ 49.00 crore payable. ₹ 8.00 crore was outstanding to be paid as on 31 March 2019 (PSPCL: ₹ 2.00 crore and PSTCL: ₹ 6.00 crore).

Reconciliation with the Finance Accounts of the Government of Punjab

1.7 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the GoP. In case the figures do not agree, the concerned PSU and the Finance Department should carry out reconciliation of the differences. Though the figures in respect of guarantee outstanding agrees with that in the Finance Accounts, there were differences in the position of Equity and Loans as on 31 March 2019 as given in table 1.5:

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[9] PSPCL and PSTCL

Table 1.5: Equity, loans and guarantees outstanding as per Finance Accounts *vis-à-vis* records of Power Sector Undertakings

(₹ in crore)

Outstanding in respect of	Outstanding as on 31 March 2019		Difference
	As per Finance Accounts	As per records of Power Sector Undertaking	
Equity			
PSPCL	2,772.79	6,081.47	(-)3,308.68
PSTCL	0.00	605.88	(-)605.88
Loans			
PSPCL	16,395.80	15,662.13	733.67
PSTCL	0.00	0.00	0.00
Guarantee			
PSPCL	9,215.71	9,215.71	0.00
PSTCL	1,279.14	1,279.14	0.00
Total Difference			**4,648.23**

***Source:** Compiled based on information received from PSUs and Statement No. 18, 19 and 20 of Finance Accounts – Government of Punjab for the year 2018-19.*

The differences between the figures are persisting for the last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time. We, therefore, recommend that the State Government and the PSUs should reconcile the differences in a time-bound manner.

Submission of Accounts by Power Sector Undertakings

1.8 *Timeliness in preparation of Accounts by Power Sector Undertakings*

There were five Power Sector Undertakings under the audit purview of the Comptroller and Auditor General of India (CAG) as of 31 March 2019. Accounts for the year 2018-19 were submitted by four PSUs by 30 September 2019 as per statutory requirement. Details of arrears in submission of accounts of Power Sector Undertakings as on 30 September 2019 of each financial year for the last five years ending 31 March 2019 are given below:

Table 1.6: Position relating to submission of accounts of Power Sector Undertakings

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	5	5	5	5	5
2.	Number of accounts submitted during current year	4	5	5	9	5
3.	Number of PSUs which finalised accounts for the current year	0	0	0	4	4
4.	Number of previous year accounts finalised during current year	4	5	5	5	1
5.	Number of PSUs with arrears in accounts	5	5	5	1	1
6.	Number of accounts in arrears	5	5	5	1	1
7.	Extent of arrears	1 year	1 year	1 year	1 year	1 year

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

Only one Company (Punjab Genco Limited) had arrear in preparation of accounts for one year i.e. 2018-19.

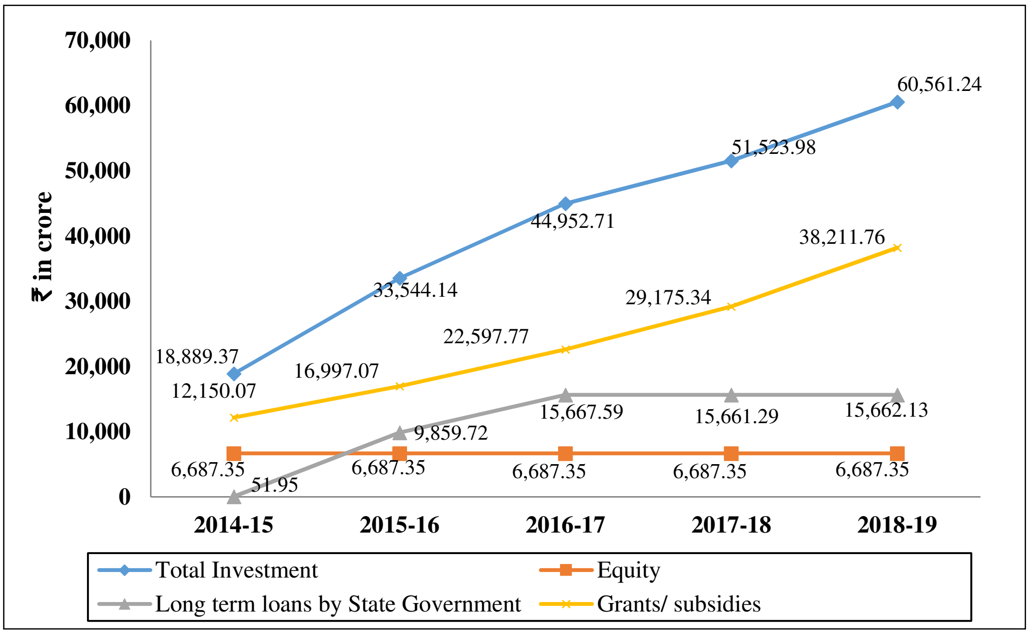
Performance of Power Sector Undertakings

1.9 The financial position and working results of five Power Sector Undertakings as per their latest finalised accounts as of 30 September 2019 are detailed in ***Annexure 1.***

The PSUs are expected to yield reasonable return on investment made by the Government in the undertakings. The amount of total investment (equity, long term loans and grants/subsidies) in Power Sector Undertakings as on 31 March 2019 was ₹ 73,712.69 crore consisting of ₹ 6,710.35 crore as equity, ₹ 28,790.58 crore as long term loans and ₹ 38,211.76 crore as grants/ subsidies given by GoP for tariff compensation for subsidised supply of power to the consumers. Out of this, GoP had investment of ₹ 60,561.24 crore in two[10] Power Sector Undertakings consisting of equity of ₹ 6,687.35 crore, long term loans of ₹ 15,662.13 crore and ₹ 38,211.76 crore as grants/ subsidies.

The year wise status of investment of GoP in the form of equity, long term loans and grants/subsidies in the Power Sector Undertakings during the period 2014-15 to 2018-19 is as follows:

Chart 1.2: Total investment of GoP in Power Sector Undertakings



The profitability of a Company is traditionally assessed through Return on Investment, Return on Equity and Return on Capital Employed as discussed in the following paragraphs:

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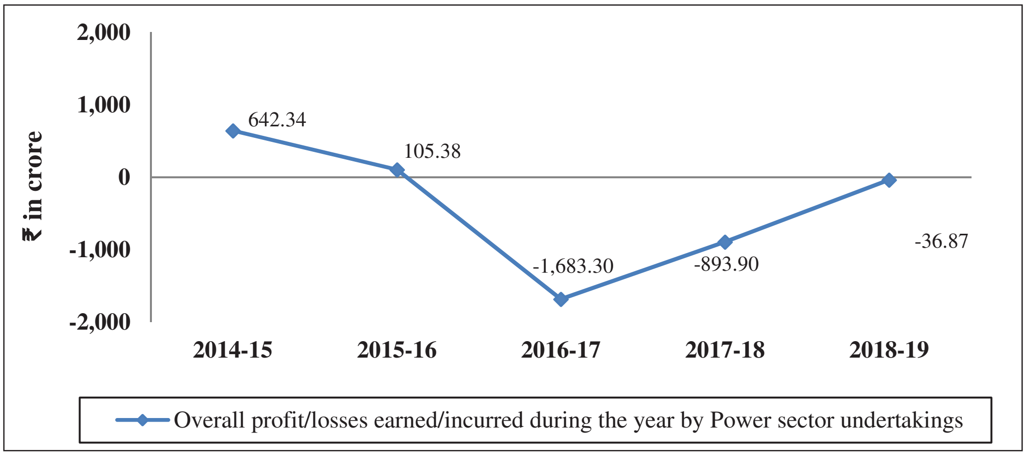
[10] PSPCL and PSTCL

Return on Investment

1.10 Return on Investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[11] earned/incurred by all the Power Sector Undertakings during 2014-15 to 2018-19 is depicted below in the chart:

Chart 1.3: Profit/Losses earned/incurred by Power Sector Undertakings



The loss incurred by these five power sector undertakings was ₹ 36.87 crore in 2018-19 against profit of ₹ 642.34 crore earned in 2014-15. As per latest finalised accounts for the year 2018-19, out of five Power Sector Undertakings, one[12] PSU earned profit of ₹ 7.82 crore, two[13] PSUs incurred loss of ₹ 44.69 crore and two PSUs were yet to start commercial activities ***(Annexure 1)***. During 2017-18 and 2018-19, the reduction in losses were primarily attributable to PSPCL as there was an increase in tariff compensation (on account of subsidised supply of power) and interest on its delayed payment by GoP to PSPCL.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2014-15 to 2018-19 is given below:

Table 1.7: Power Sector Undertakings which earned/incurred profit/loss

Financial year	Total PSUs in power sector	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal[14] profit/ loss during the year
2014-15	5	3	-	2
2015-16	5	2	1	2
2016-17	5	2	1	2
2017-18	5	2	1	2
2018-19	5	1	2	2

[11] Figures are as per the latest finalised accounts during the respective years.
[12] Punjab Genco Limited
[13] PSPCL and PSTCL
[14] It includes the Companies that are yet to start commercial activities.

(a) Return on the basis of historical cost of investment

1.11 Out of five Power Sector Undertakings of the State, the State Government infused funds in the form of equity, loans and grants/subsidies in two[15] Power Sector Undertakings only. Funds in two[16] Companies were contributed by their holding company (PSPCL) and the entire shareholding of one[17] Company was held by Punjab Energy Development Agency (PEDA).

The Return on Investment from the two[18] PSUs has been calculated on the investment made by the GoP in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by the Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. The funds made available in the form of grants/ subsidies to PSPCL have not been included in investments as the same is tariff compensation from GoP for subsidised supply of power to the consumers and not for operational and management expenses.

The investment of the State Government in these two Power Sector Undertakings has been arrived at by considering the equity (initial equity net of accumulated losses plus the equity infused during the later years), adding interest free loans and deducting interest free loans which were later converted into equity for each year.

The investment of the State Government as on 31 March 2019 in these two Power Sector Undertakings was ₹ 22,349.48 crore consisting of equity of ₹ 6,687.35 crore and long term loans of ₹ 15,662.13 crore. All the loans released by the State Government were interest bearing loans, therefore investment of the State Government in these two power sector PSUs, on the basis of historical cost stood at ₹ 6,687.35 crore.

The Return on Investment on historical cost basis for the period 2014-15 to 2018-19 is as given below:

Table 1.8: Return on the State Government Investment on historical cost basis

Financial year	Investment by the GoP at the end of the year in form of Equity and Interest Free Loans on historical cost basis (₹ in crore)	Total Earnings/ Losses[19] for the year (₹ in crore)	Return on Investment (in *per cent*)
2014-15	6,687.35	103.20	1.54
2015-16	6,687.35	(-) 1,692.83	(-) 25.31
2016-17	6,687.35	(-) 2,831.23	(-) 42.34
2017-18	6,687.35	(-) 901.92	(-) 13.49
2018-19	6,687.35	(-) 44.69	(-) 0.67

15 PSPCL and PSTCL
16 Gidderbaha Power Limited and Punjab Thermal Generation Limited
17 Punjab Genco Limited
18 PSPCL and PSTCL
19 As per annual accounts of the respective years.

The overall Return on Investment of the two power sector undertakings was 1.54 *per cent* during 2014-15. The Return on Investment was negative in 2015-16 to 2018-19 which was primarily attributed to losses incurred by PSPCL due to its operational inefficiencies. The return on investment improved in 2017-18 over the previous year due to increase in revenue from sale of power and in 2018-19 interest on delayed payment of tariff compensation received from GoP contributed to further improvement in rate of return.

(b) Present Value of Investment

1.12 In view of the significant investment by the State Government in the two Power Sector Undertakings, rate of real return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. The PV of the Government investment has been computed to assess the real rate of return (RORR) on the present value of investment of GoP in the State PSUs.

In order to bring the historical cost of investment to its present value at the end of each year upto 31 March 2019, the past investments/year-wise funds infused by the GoP in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, the 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 2019. However, the two PSUs had a positive Return on Investment on historical cost basis only during the year 2014-15. Therefore, only for the year 2014-15, the real return on investment has been calculated and depicted on the basis of the PV.

The PV of the State Government investment in Power Sector Undertakings 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 the Power Sector Undertakings. Further, in those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.

- The average rate of interest on Government borrowings for the concerned financial year[20] was adopted as compounded rate for

[20] 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.

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.

For the period 2015-16 to 2018-19, when the two companies incurred combined losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in paragraph 1.14.

1.13 The Company wise position of the State Government investment in the two Power Sector Undertakings in the form of equity and interest free loans since inception of these companies till 31 March 2019 is 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 Undertakings since inception of these companies till 31 March 2019 is indicated in table below:

Table 1.9: Year wise details of investment by the State Government and its present value (PV)

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/ subsidies given by the State Government during the year for operational and management expenses	Disinvest-ment 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[21]
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[22]	-	-	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
Total		**6,687.35**	**-**	**-**	**6,687.35**					

Note: There was no interest free loan given by the State Government and converted into equity during these years.

The PV of investment by way of equity of the State Government upto 31 March 2019 worked out to ₹ 13,313.39 crore. The State Government had not extended any interest free loan or infused fresh equity or extended grant to the PSPCL.

It could be seen that total earnings for the year in these companies remained negative during the years 2010-11, 2011-12 and 2015-16 to 2018-19. This indicates that instead of generating returns on the invested funds, the Government could not recover its cost of funds invested. Further, the positive

21 Total Earnings for the year depict total of net earnings (profit/loss) for the concerned year relating to two Power Sector PSUs where funds were infused by State Government.

22 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.

total earnings during the remaining years also remained substantially below the minimum expected return towards the investment made in these power sector undertakings.

A comparison of Return on Investment as per Historical Cost and Present Value of such investment during 2014-15 when there were positive earnings is given below:

Table 1.10: Return on State Government Funds

(₹ in crore)

Year	Total Earnings for the year	Investment by the GoP in form of Equity and Interest free Loans	Return on State Government investment on the basis of historical cost (in *per cent*)	Present value of the State Government investment at end of the year	Real Return on State Government investment considering the present value of the investment (in *per cent*)
2014-15	103.20	6,687.35	1.54	9,813.99	1.05

The return based on present value was less than the return based on historical cost during 2014-15.

Erosion of Net worth

1.14 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of the five power sector undertakings were ₹ 6,492.40 crore as against the capital investment of ₹ 6,710.35 crore resulting in net worth of ₹ 240.03 crore (***Annexure 1***). Of the five power sector undertakings, the net worth of PSPCL (₹ -899.62 crore) had been entirely eroded.

The following table indicates paid up capital, free reserves, accumulated loss and net worth of the two[23] Power sector undertakings during the period 2014-15 to 2018-19:

[23] PSPCL and PSTCL (both having State Government investment) as per the latest finalised accounts during the respective years.

Table 1.11: Net worth of two Power Sector Undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Paid up Capital at end of the year	Free Reserves (PSPCL & PSTCL)	Accumulated Profits (PSTCL)	Accumulated Losses (-) (PSPCL)	Net worth
2014-15	6,687.35	22.12	460.42	(-)1,666.96	5,502.93
2015-16	6,687.35	22.12	397.71	(-)1,501.05	5,606.13
2016-17	6,687.35	22.08	399.73	(-)3,195.90	3,913.26
2017-18	6,687.35	22.08	394.82	(-)6,963.37	140.88
2018-19	6,687.35	22.08	384.25	(-)7,001.17	92.51

Note: During the above period, there were no accumulated losses in case of PSTCL and no accumulated profits in case of PSPCL.

The combined net worth of both the PSUs was positive during 2014-15 to 2018-19. However, entire capital infused in PSPCL eroded in 2017-18 due to accumulated losses which increased from ₹ 1,666.96 crore in 2014-15 to ₹ 7,001.17 crore in 2018-19.

Dividend Payout

1.15 Thirteenth Finance Commission 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 formulated (July 2011) a dividend policy under which all PSUs are required to pay a minimum return of five *per cent* on the funds invested by the State Government. Dividend Payout relating to two Power Sector Undertakings where equity was infused by GoP during the period is shown in table below:

Table 1.12: Dividend Payout of two Power Sector Undertakings during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoP		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in *per cent*)
	Number of PSUs	Equity by GoP	Number of PSUs	Equity by GoP	Number of PSUs	Dividend declared/ paid by PSUs	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8 = 7/5*100**
2014-15	2	6,687.35	2	6,687.35	-	-	-
2015-16	2	6,687.35	1	6,081.47	-	-	-
2016-17	2	6,687.35	1	605.88	-	-	-
2017-18	2	6,687.35	1	605.88	-	-	-
2018-19	2	6,687.35	-	-	-	-	-

During the year 2014-15, both PSPCL and PSTCL earned profits whereas during 2015-16 to 2017-18, only PSTCL earned profit. But no PSU declared/ paid dividend during the period. Further, during 2018-19 both PSUs incurred losses.

Return on Equity

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

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

ROE has been computed in respect of two power sector undertakings where funds had been infused by the State Government. The details of shareholders' fund and ROE relating to these two power sector undertakings during the period from 2014-15 to 2018-19 are given in table below:

Table 1.13: Return on Equity relating to two Power Sector Undertakings where funds were infused by the GoP

Year	Net Income/ Total Earnings for the year[24] (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (in *per cent*)
2014-15	103.20	5,502.93	1.88
2015-16	(-) 1,692.83	5,606.13	-
2016-17	(-) 2,831.23	3,913.26	-
2017-18	(-) 901.92	140.88	-
2018-19	(-) 44.69	92.51	-

As can be seen from the above table, during the last five years ending 31 March 2019, the Net Income was negative during 2015-16 to 2018-19 which was attributed to increase in cost of power purchase, employee cost and finance cost of PSPCL. However, shareholders' funds were positive during all the five years. Return on equity was 1.88 *per cent* during 2014-15.

Return on Capital Employed

1.17 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[25]. The details of ROCE of all the five Power Sector Undertakings during the period from 2014-15 to 2018-19 are given in table below:

[24] As per annual accounts of the respective years.

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

Table 1.14: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in *per cent*)
2014-15	3,405.70	36,702.66	9.28
2015-16	2,904.45	38,673.18	7.51
2016-17	1,673.14	26,929.15	6.21
2017-18	2,567.06	30,697.68	8.36
2018-19	3,257.61	15,957.13	20.41

The ROCE of the power sector undertakings ranged between 6.21 *per cent* and 20.41 *per cent* during the period 2014-15 to 2018-19. Capital employed has reduced in the year 2018-19 mainly due to treatment of the loan taken over by GoP under UDAY scheme as short term liability by PSPCL as the same is to be converted into Grant and Equity in the year 2019-20 as discussed under paragraph 1.21.4.

Analysis of Long term loans of the Companies

1.18 The analysis of the long term loans of the companies which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the Companies to the Government, Banks and other financial institutions. This is assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.19 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 lessor 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 Power Sector Companies during the period from 2014-15 to 2018-19 are given in following table:

Table 1.15: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from the Government, Banks and other financial institutions[26]	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2014-15	2,650.65	3,405.70	3	2	0
2015-16	2,797.82	2,904.45	3	1	1
2016-17	3,350.56	1,673.14	3	1	1
2017-18	3,456.20	2,567.06	3	1	1
2018-19	3,291.66	3,257.61	3	0	2

26 Gidderbaha Power Limited, though had the loan liability, had not paid interest as per its Board's decision.

The above interest includes interest of ₹ 1,192.17 crore, ₹ 1,306.95 crore and ₹ 1,306.95 crore charged by the GoP during 2016-17, 2017-18 and 2018-19 respectively from PSPCL on the loans given to it under UDAY Scheme to discharge its loan liability to other financial institutions and Banks.

It was observed that two power sector undertakings had interest coverage ratio of more than one in 2014-15. However, the interest coverage ratio of more than one decreased from two companies to one company from 2015-16 onwards and no company had interest coverage ratio of more than one in 2018-19.

Debt-Turnover Ratio

1.20 During the last five years, the turnover of the five power sector undertakings recorded compounded annual growth of 9.78 *per cent* and compounded annual growth of debt was 20.04 *per cent* due to which the Debt-Turnover Ratio deteriorated from 0.57 in 2014-15 to 0.90 in 2018-19 as given in table below:

Table 1.16: Debt Turnover Ratio relating to the Power Sector Undertakings

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government, Banks and Financial Institutions	12,653.30	16,073.01	27,643.19	28,548.19	28,790.58
Turnover	22,270.15	23,589.08	24,763.66	29,880.88	32,040.21
Debt-Turnover Ratio	0.57:1	0.68:1	1.12:1	0.96:1	0.90:1

Source: Compiled based on Information received from PSUs.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.21 The MoP, GoI launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per provisions of the UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of the DISCOMs:

Scheme for improving operational efficiency

1.21.1 The participating States were required to undertake various targeted activities like compulsory feeder and Distribution Transformer (DT) metering, consumer indexing and Geographic Information System (GIS) mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipments, quarterly revision of tariff, comprehensive Information Education and Communication (IEC) campaign to check theft of power, assure increased power supply in areas where the Aggregate Technical and Commercial (AT&C) losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and

DT level, identification of loss making areas, reduce technical losses and minimise outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C losses to 15 *per cent* in 2018-19 as per loss reduction trajectory finalised by the MoP and the States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Scheme for financial turnaround

1.21.2 The participating States were required to take over 75 *per cent* of DISCOMs debt as on 30 September 2015 over two years i.e. 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround, *inter alia,* provided that:

- The State will issue *'Non-Statutory Liquidity Ratio (Non-SLR) bonds'* and the proceeds realised from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/ financial institutions debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto five years.

- The Debt of a DISCOM will be taken over by the State Government in the priority of debt already due, followed by debt with higher cost.

- The transfer of the proceeds to the DISCOMs by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOMs. In exceptional cases, 25 *per cent* of grant can be given as equity.

- The State shall take over the future losses of DISCOMs in a graded manner by funding the previous year losses at a prescribed percentage.

Implementation of the UDAY Scheme

1.21.3 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 DISCOM (PSPCL) were as under:

Table 1.17: Parameter wise achievements *vis-à-vis* targets of operational performance upto 31 March 2019

Parameter of UDAY Scheme	Target under UDAY Scheme (2018-19)	Progress under UDAY Scheme upto 31 March 2019	Achievement (in *per cent*)
Feeder metering (in Nos.)	11,234	11,234	100
Metering at Distribution Transformers (in Nos.)	1,96,092	47,062	24
Feeder Segregation (in Nos.)	6,208	5,932	95.55
Rural Feeder Audit (in Nos.)	7,726	7,726	100
Electricity to unconnected household (in lakh Nos.)	67.62	67.62	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.)	25 .00	12.32	49.28
AT&C Losses (in *per cent*)	14.30	12.04	-
ACS-ARR Gap (₹ per unit)	0.05	0.05	-
Net Income or Profit/Loss including subsidy (₹ in crore)	467	(-)287.65	-

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

The State has not initiated action for smart metering of energy consumption. It has performed poorly in case of metering of DTs, whereas the targets have been fully achieved in feeder metering, rural feeder audit, providing electricity to unconnected households and reduction of AT&C losses below 14.30 *per cent*. According to the Ministry of Power, Government of India, the State of Punjab stood 9th amongst all the States on the basis of overall achievements made by the State DISCOM under UDAY Scheme upto 30 June 2019.

B. Implementation of Financial Turnaround

1.21.4 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 below:

Table 1.18: 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
Total	**-**	**15,628.26**	**232.50**	**15,860.76**
Position as on 31 March 2019	-	15,628.26	232.50	15,860.76

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 the MoU, loans of ₹ 9,859.72 crore were taken over during the year. The 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. The amount of ₹ 15,628.26 crore which was provided by way of loans under the UDAY Scheme, is to be converted into equity ₹ 3,900 crore and grant ₹ 11,728.26 crore during 2019-20 in terms of the MoU.

The GoP charged interest of ₹ 3,806.07 crore (at rates ranging between 7.21 and 8.72 *per cent per annum)* for the period October 2015 to March 2019 on the loans given to PSPCL under the 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 and 10 *per cent* of losses of the year 2017-18 in 2018-19 which was duly adhered by the GoP by providing revenue grants to PSPCL as shown in the table 1.18 above.

Comments on the Accounts of Power Sector Undertakings

1.22 All five Power Sector Undertakings forwarded their five audited accounts to the Principal Accountant General (Audit) during 1 October 2018 to 30 September 2019. Out of these, three were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needed to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts received during 2016-19 are as follows:

Table 1.19: Impact of audit comments on Accounts of Power Sector Companies

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	2	3.39	1	0.59	2	8.07
2.	Increase in profit	0	0	1	5.39	1	95.11
3.	Increase in loss	1	3,515.86	2	3,816.19	2	2,512.89
4.	Decrease in loss	0	0	1	8.75	1	535.59
5.	Non-disclosure of material facts	0	0	1	19,367.06	0	0
6.	Errors of classification	0	0	4	26,805.44	4	28,172.96

Source: Compiled from comments of the Statutory Auditors/CAG in respect of Power Sector Companies.

During the year 2018-19, the Statutory Auditors had issued qualified certificates on three accounts. Compliance to the Accounting Standards by the PSUs remained poor as there were 13 instances of non-compliance to the Accounting Standards in four accounts.

Compliance Audit Paragraphs

1.23 For Part-I of the Report of the Comptroller and Auditor General (CAG) of India for the year ended 31 March 2019, nine compliance audit paragraphs relating to Power Sector Undertakings were issued to the Principal Secretary of Energy Department, GoP with a request to furnish replies within six weeks. Replies on six compliance audit paragraphs have not been received from the State Government. The total financial impact of the compliance audit paragraphs is ₹ 529.64 crore.

Follow up action on Audit Reports

1.24 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that these elicit appropriate and timely response from the Executive. The State Finance Department, Government of Punjab issued (August 1992) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/Performance Audits (PAs) included in the Audit Reports of the CAG of India within a period of three months of their presentation to the Legislature without waiting for any questionnaires from the Committee on Public Undertakings (COPU). However, explanatory notes were not received in 25 *per cent* of the Performance Audits and over 19 *per cent* of the Audit Paragraphs as on 30 September 2019 as depicted in table 1.20:

Table 1.20: Explanatory notes not received (as on 30 September 2019)

Year of the Audit Report (PSUs)	Month of the Placement of Audit Report in the State Legislature	Total PAs/Paragraphs in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	July 2014	1	6	Nil	6
2013-14	March 2015	1	7	1	Nil
2014-15	March 2016	1	6	Nil	Nil
2015-16	March 2017	1	6	Nil	Nil
2016-17	March 2018	-	6	-	Nil
Total		**4**	**31**	**1**	**6**

Discussion of Audit Reports by the Committee on Public Undertakings (COPU)

1.25 The status of discussion of PAs and Paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under:

Table 1.21: Performance Audits/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2019

Period of Audit Report (PSUs)	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	1	6	Nil	Nil
2013-14	1	7	Nil	7
2014-15	1	6	Nil	Nil
2015-16	1	6	Nil	2
2016-17	-	6	-	1
Total	**4**	**31**	**Nil**	**10**

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

The discussion on Audit Reports (PSUs) up to 2011-12[27] has been completed.

Compliance to the Reports of COPU by the State Government

1.26 Action Taken Notes (ATNs) on one report of the COPU presented to the State Legislature in 2017-18 had not been received upto 30 September 2019 relating to the State Power Sector Undertakings as indicated in the following table:

27 Audit Reports upto 2011-12 have been transferred to concerned Administrative Secretaries as per decision of COPU dated 19 September 2017.

Table 1.22: Compliance by the State Government to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2017-18	1	27	27

***Source:** Compiled based on ATNs received on recommendations of COPU from the Department of Power, GoP.*

The above mentioned Report of COPU contained recommendations in respect of paragraphs which appeared in the Report of the CAG for the year 2013-14.

PART - I

Chapter - II
Compliance Audit observations relating to Power Sector Undertakings

Chapter-II

Compliance Audit observations relating to Power Sector Undertakings

Audit of Transactions

Important audit findings emerging from test check of transactions of State Government companies of the power sector have been included in this chapter. This chapter contains nine paragraphs having a financial implication of ₹ 529.64 crore.

Punjab State Power Corporation Limited

Re-structured Accelerated Power Development and Reforms Programme in Punjab State Power Corporation Limited

The Company could not implement the R-APDRP scheme within the time frame stipulated by the GoI. The conversion of GoI loan for Part-A of the Scheme into grant was pending. Due to the delay in implementation of Part-B of Scheme, the Company would be deprived of conversion of interest of ₹ 179.11 crore into grant and tranche of grant of ₹ 116.07 crore. Under booking of expenditure of Patiala town executed departmentally would result in under conversion of grant of ₹ 7.17 crore. Against the envisaged target of reducing the AT&C losses to 15 *per cent*, the AT&C losses of 22 towns were still higher, which would result in non-conversion of loan of ₹ 7.74 crore into grant. The low billing and collection efficiency in 21 and 19 towns respectively, resulted in loss of revenue of ₹ 205.93 crore to the Company.

2.1.1 Introduction

The Government of India (GoI) launched (September 2008) Re-structured Accelerated Power Development and Reforms Programme (Scheme). The scheme envisaged reduction in Aggregate Technical and Commercial (AT&C[1]) losses, establishing reliable and automated systems for collection of base line data, adoption of Information Technology (IT) in the areas of energy accounting and customer care and strengthening of power distribution network in urban areas with population of more than 30,000. The scheme was to be implemented in two parts, Part-A was devoted to establishing IT systems for energy accounting, auditing and measuring AT&C losses and Part-B was towards improvement of distribution infrastructure. The scheme also envisaged establishment of Supervisory Control and Data Acquisition/

[1] AT&C Losses are the sum total of technical and commercial losses. Technical losses primarily take place due to transformation losses at transformer level, losses on distribution lines due to inherent resistance and poor power factor in electrical network. Commercial losses occur due to wrong metering, incorrect billing of power supplied and collection inefficiency.

Distribution Management System[2] (SCADA/DMS) in large[3]towns. The Power Finance Corporation (PFC) (a Government of India undertaking) was the 'Nodal Agency' for implementation of the scheme.

Project Funding Mechanism

Part-A: Initially 100 *per cent* of project cost as a loan from PFC. The loan along with interest thereon was to be converted into grant after the establishment of the IT systems and verification thereof by an independent agency appointed by PFC.

Part-B: Initially up to 25 *per cent* of project cost as a loan from PFC. Balance 75 *per cent* funds were to be raised as loan from PFC/REC/Own/other sources. 50 *per cent* of the loan along with interest of Part-B was convertible into grants in five annual tranches subject to achievement of target of 15 *per cent* AT&C losses on sustained basis for a period of five years and completion of project within the time schedule fixed by R-APDRP steering committee and not exceeding five years from the date of project approval.

2.1.2 Implementation of R-APDRP

The scheme was implemented by the Punjab State Power Corporation Limited (Company) in 47 towns/ cities. A quadripartite agreement was entered (July 2009) between the Ministry of Power (GoI), the Government of Punjab, PFC and the Company. The implementation timelines *vis-à-vis* those achieved by the Company were as below:

Table 2.1: Details of implementation of scheme by the Company

Particulars	Part-A	Part-B	SCADA
Number of towns	47	46	3
Sanctioned cost (₹ in crore)	272.85	1632.70	52.36
Date of sanctioning of projects	June 2009	March 2010 (15) June 2011 (27) September 2013 (4)	October 2011
Scheduled date of completion	June 2012	March 2015 (15) June 2016 (27) September 2016 (4)	October 2016
Actual date of completion	April 2015	March 2018	March 2019

Source: Records obtained from the Company.

The loan availed and expenditure incurred by the Company under the scheme upto March 2019 is as follows:

2 SCADA is a control system architecture that uses computers, networked data communications, graphical user interfaces for high-level process supervisory management to interface with the process plant or machinery.

3 Cities with population more than 4 lakh and annual input energy more than 350 Million Units, as per scheme guidelines.

Table 2.2: Loan availed and expenditure incurred by the Company under R-APDRP scheme

(₹ in crore)

Years	Loan			Expenditure		
	Part-A	Part-B	SCADA Part-A	Part-A	Part-B	SCADA Part-A
2009-16	155.11	539.15	15.71	172.31	592.78	3.09
2016-17	0.00	209.66	0.00	38.24	272.64	1.98
2017-18	67.83	120.15	0.00	15.40	204.40	5.76
2018-19	3.98	184.45	0.00	0.56	90.84	0.40
Total	**226.92**	**1,053.41**	**15.71**	**226.51**	**1,160.66**	**11.23**
Grand Total			**1,296.04**			**1,398.40**

Source: Information obtained from the Company.

The present audit was conducted to assess the implementation and outcome of investments made on projects in 13[4] towns/cities out of 47 towns where the scheme was implemented. The towns were selected using Stratified Random Sampling method by using IDEA[5] software. The expenditure on projects in the 13 selected towns was ₹ 915.31 crore representing 67 *per cent* of the actual expenditure incurred in the scheme upto January 2019.

2.1.3 Audit Findings

The important issues noticed in Audit relating to implementation and outcomes of the scheme are discussed in following sections:

Implementation of the scheme

Part-A works

2.1.3.1 Pending conversion of loan for Part-A into grant

The works under Part-A were scheduled to be completed by June 2012. However, the work was delayed due to failure of the Information Technology Implementation Agency (ITIA) in completing the work within scheduled time. The issue was raised as paragraph 3.3 of Report of the Comptroller and Auditor General of India on Public Sector Undertakings (Social, General and Economic Sectors) for the year ended 31 March 2015- Government of Punjab. The paragraph is under discussion in the Committee on Public Undertakings (September 2020). Thereafter, the work was executed directly by the Company through the technology partners of the ITIA.

The Company declared all the 47 towns as 'Go-live[6]' in April 2015. After establishing of IT system and verification (November 2017) thereof by the independent agency appointed by the PFC, the Monitoring Committee,

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4 Amritsar, Gurdaspur, Hoshiarpur, Jalandhar, Jalandhar Cantt., Kapurthala, Kotakpura, Ludhiana (East and West), Moga, Mohali, Pathankot, Patiala and Phagwara.

5 Interactive Data Extraction and Analysis Software

6 As per System Requirement Specification of PFC, the Company can declare a project area as 'Go live' once it has placed the IT mechanism for online data transfer for facilitating the energy audit without any human intervention.

Ministry of Power, Government of India approved (December 2017) the final executed cost and agreed to convert the loan (along with accrued interest) into grant. However, action in this regard was awaited (September 2020). The Company may like to follow up the matter with PFC.

While accepting the audit observation, ASE-APDRP[7] stated (May 2020) that the formal letter from the MoP, GoI regarding conversion of loan into grant is still awaited.

2.1.3.2 Loopholes in SAP system installed under Part-A

Subsequent to the implementation of Systems, Applications and Products (SAP) under R-APDRP (Part-A) for consumer billing, the company framed (May 2014/May 2015) instructions and prescribed control and responsibilities of competent authorities to operate the SAP billing processes and customer services in concerned distribution divisions/subdivisions. Also, the entry made by an official in the SAP billing system was to be checked/passed by the next higher authority.

It was noticed that during December 2016 to June 2018, unauthorised/wrong refunds amounting to ₹ 12.62 crore had been made in 121 SAP subdivisions of the Company. Out of ₹ 12.62 crore, only ₹ 4.90 crore had been recovered upto March 2019 and ₹ 7.72 crore was outstanding as recoverable from the concerned consumers. Audit observed that the unauthorised/wrong refund had been given through IDs of official of one subdivision to customers of another subdivision through the Customer Relationship Management (CRM) module of SAP system. This indicated that the adequate checks had not been incorporated in the SAP billing module before its rolling out in the distribution sub-divisions and the Company failed to monitor the compliance to instructions regarding SAP billing system by the field offices.

ASE-APDRP stated (May 2020) that now multiple roles are not assigned to any SAP user working in the field offices. However, the reply was silent on the pending recovery of ₹ 7.72 crore pointed out by audit. The Company may like to get its information systems independently verified and fix responsibility of its officials in the case.

Part-B works

2.1.3.3 Part-B works

The Company could not complete the works of 46 towns under Part-B within their scheduled timelines (March 2015/June 2016/September 2016). Upon Company's request (March 2015/March 2017)**,** the GoI extended

[7] The Company has not furnished the replies to the audit observation through its Chief Auditor (i.e. Internal Audit wing of the Company which liaisons with Statutory Audit). A copy of the replies submitted to the Chief Auditor by the Superintending Engineer, APDRP and Chief Engineer, Information Technology of the Company has been forwarded (May 2020) by the Additional Superintending Engineer, APDRP (ASE-APDRP) to the Audit. The replies forwarded by the ASE, APDRP have been considered and suitably incorporated.

(September 2015/July 2017) the schedule to March 2017 and subsequently to March 2018, subject to the condition that interest accrued on loan upto 31 March 2017 only shall be considered for conversion into grant.

The Company intimated (June 2016 to March 2018) to the PFC that the works of all 46 towns were physically completed upto March 2018. Audit, however, noticed that the financial closure of 8 out of 46 towns was still pending as on January 2020. The delay in implementation of Part-B works was analysed wherein Audit observed that:

- Out of 42 project towns approved (March 2010/June 2011), the Company invited (November 2011) tenders for 39 project towns divided into seven[8] packages. The finalisation of tender and issue of work orders took more than two years (May 2013). The reasons for delay were delayed finalisation of firms eligible for opening of price bids, non-preparation of base rates by the Company to work out the reasonability of rates quoted by bidders and non-freezing of scope of work of the towns with consequential revisions of Detailed Project Reports (DPRs) during tendering stage.

- In 16 out of total 39 project towns awarded to a firm[9], the work was not taken up by the due date (July 2013). The Company cancelled (February 2015) the work order and re-awarded (January 2016) the cancelled works.

- The work orders of remaining six[10] towns were placed (January 2016), after a delay of 32 months from May 2013. The reasons of the delay were non-verification of baseline data by the independent agency appointed by the PFC and revision of DPRs as per the guidelines of PFC. The delay in award of work of these towns resulted in delay in overall completion of work under the scheme.

- The Contractors did not execute the works as per schedule given in the work orders. It was noticed that the contractors requested (January 2014 to March 2017) for extension in completion period citing delay in completion of survey, delay in issue of installation orders, delay in handing over of land for new 66 KV sub-stations, delay in approval of Guaranteed Technical Particulars (GTPs) and finalisation of rates for extra items by the Company. The company not only granted (November 2014 to September 2018) repeated extensions in completion time but also refunded (December 2014/January 2017) penalty of ₹ 42.69 crore levied on the contractors.

Audit observed that the refund of penalty lacked justification since Board of Directors of the Company while approving revised completion schedule of

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[8] Package-1 (16 towns), Package-2 (9 towns), Package-3 (11 towns), Package-4 (one town), Package-5 (one town) and Package-6/Package-7 (one town divided into two packages i.e. Ludhiana East & Ludhiana West).

[9] M/s A2Z Maintenance & Engineering Services Ltd., Gurgaon

[10] Total 46 towns *less:* (39 towns awarded during May 2013 *plus* one town of Patiala which was executed departmentally by the Company).

works had already considered all these factors and no contractor had quoted any deviation in completion schedule of the work orders at tendering stage.

ASE-APDRP stated (May 2020) that there was no delay in cancellation and allotment of work and the time taken was procedural. The Company conveyed the decision of extra items/change in scope of work to contractors in September 2014 and since the delay was on the part of the Company, extension was given to the contractors as per the provisions of the work orders.

The reply is not convincing as considerable delay in termination of the work orders resulted in delayed re-tendering of the projects with a consequence of overall delay in execution of R-APDRP works. At the time of granting extension, the Company did not compare the progress of original scope of work with reference to milestones stipulated in the work order, to quantify the delay on part of the contractors and refund penalty only for the reasons and delay attributable to the Company.

2.1.3.4 Short conversion of loan and interest into grant

As per scheme guidelines, 50 *per cent* of loan of Part-B works along with interest was convertible into grants in five annual tranches after completion of project works. The GoI had extended (July 2017) the scheduled period for completion of pending works under Part-B upto March 2018 subject to the condition that interest accrued on GoI and counterpart loan (arranged by the Company) upto 31 March 2017 shall only be considered for loan conversion into grant after achievement of the desired milestones under Part-B of the Scheme. Further, there would be no financial commitments for conversion of Part-B loan into grant, beyond 2021-22. Punjab State Electricity Regulatory Commission (PSERC) also in its Tariff Orders for the period 2016-19, directed (July 2016, October 2017, April 2018 and May 2019) the Company that any loss of grant due to delay in completion of R-APDRP works shall not be allowed/passed through Annual Revenue Requirement (ARR) if the Company failed to avail benefit of conversion of loan into grant under R-APDRP.

Audit observed that the delay in completion of work would result in non-conversion of interest on GoI as well as counterpart loan into grant after 31 March 2017 to the extent of ₹ 179.11 crore and deprive the Company of fifth tranche of grant amounting to ₹ 116.07[11] crore due in 2022-23. ASE-APDRP stated (May 2020) that the matter has been taken up by PFC with MoP/GoI and the same is under consideration.

2.1.3.5 Execution of work of Patiala town on departmental basis

The R-APDRP works were required to be implemented on turnkey basis. The Company, however, did not award the Part-B works of Patiala town on a turn-key basis and executed it departmentally (except work of shifting of

[11] 10 *per cent* of actual cost of Part-B projects booked upto March 2019 without interest on loan.

meters). The steering committee of R-APDRP sanctioned (March 2010) the project cost of ₹ 37.92 crore for Part-B works of Patiala town.

It was noticed that R-APDRP wing booked expenditure of ₹ 15.76[12] crore as on March 2019 on this work whereas the Distribution wing of the Company had booked ₹ 30.09 crore (departmental: ₹ 20.60 crore and turnkey contract: ₹ 9.49 crore) during 2010-15. The difference in two figures indicates that own funds utilised in R-APDRP (Part-B) work in Patiala town had been under booked by ₹ 14.33 crore. This under booking of own funds would result in under conversion of project expenditure into grant to the extent of ₹ 7.17 crore. The work of Patiala town had been physically closed in the year 2015 but financial closure of the project was pending (March 2019).

2.1.3.6 Curtailment of work of sub-stations

To augment the power distribution infrastructure, the company planned construction of 48 number of 66/11 KV substations in 27 towns which were curtailed to 38 due to non-availability of land at site. Out of 38 substations, one substation was yet to be constructed.

Audit observed that the company, instead of exploring scope to acquire land, curtailed the number of these substations. As DPRs of projects under the scheme were prepared by assessing future five years load growth, the curtailment in the construction of substation may entail overburdening of the existing substations and non-achievement of the envisaged load profile in future. The Company, however, did not carry an impact assessment study to assess the impact of curtailment of substations.

Further, the work of one substation at Abohar, to be constructed departmentally, was taken up by the Company on April 2018. Since the works under Part-B of the scheme had been physically closed as on March 2018 and expenditure on any work executed after that date would not be booked to the scheme, the Company would suffer additional financial burden to the extent of ₹ 1.13 crore being 50 *per cent* of the expenditure incurred (upto October 2019) on the substation.

ASE-APDRP, while accepting the audit observations stated (May 2020) that the expenditure incurred after March 2018 would be borne by the Company.

SCADA

2.1.3.7 Implementation of SCADA

Amritsar, Jalandhar and Ludhiana towns were selected for installation of SCADA system. The Company could not complete the SCADA upto scheduled date of completion i.e. October 2016 and requested (April 2017/ May 2018) extension from GoI. The GoI granted extension upto March 2019 subject to the condition that interest accrued upto 31 March 2018 only shall be considered for capitalisation/ conversion of loan into grant. It was noticed that

[12] PFC loan: ₹ 5.69 crore, REC loan: ₹ 9.06 crore and own funds: ₹ 1.01 crore.

as on March 2019, the works under SCADA Part-A were complete on 'as built basis'. The delay was attributed to slow progress in commissioning of Remote Terminal Units (RTU), Feeder Remote Terminal Units (FRTU) and Site Acceptance Test. The delay in completion of work would result in short conversion of interest into grant to the extent of ₹ 0.97[13] crore for the period 2018-19.

The works[14] of readiness of all substations covered under Part-B of the scheme, required to make the distribution system compatible with SCADA was to be completed by March 2018. However, the same were incomplete (July 2019). The incomplete works were attributed to delay of two years in appointment (March 2015) of consultants, cancellation (August 2016) of tender enquiry floated for execution of readiness works before deciding (August 2016) to execute the works on departmental basis and slow execution of work thereafter. Since timely completion of the SCADA is dependent upon readiness of all substations, this would result in delay in completion and implementation of overall SCADA system.

The Company had incurred an expenditure of ₹ 31.82 crore on SCADA Part-B from its own funds. The delay in completion will also result in loss of opportunity of conversion of the expenditure into grant to the extent of ₹ 15.91 crore (50 *per cent* of expenditure incurred).

2.1.3.8 Monitoring by Distribution Reforms Committee

As per guidelines of the scheme, a Distribution Reforms Committee (DRC) at the State Level under the Chairmanship of the Chief Secretary/ Principal Secretary of Power was to monitor the scheme in terms of compliance to conditions and achievement of milestones and targets.

The State level DRC was constituted in April 2009 under the Chairmanship of Principal Secretary, Irrigation and Power by the Government of Punjab. Audit observed that while constituting the DRC, no terms of reference of the DRC were framed in regard to periodicity and mechanism of monitoring the R-APDRP scheme. No provision regarding meetings to be held by the DRC during the year/execution phase of the scheme was made for appraisals of the achievement of milestones/targets. The minutes of meetings held by the DRC during the execution phase were also not on the record due to which remedial action suggested in the meeting and action taken there against could not be vouched in audit. This indicates that the DRC did not monitor milestones and targets under the scheme.

ASE-APDRP replied (May 2020) that periodical meetings were held to review the progress of projects. However, documentary evidence in this regard was not available.

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[13] Calculated @ nine *per cent per annum* on ₹ 10.83 crore i.e. the expenditure incurred on SCADA Part-A upto March 2018.

[14] Supply of SCADA related equipment/ relays required for retrofitting/replacement of old equipment in existing 11KV breakers of 66/11 KV substations.

Outcomes of the Scheme

Audit analysis of the outcomes of the scheme with reference to its objectives, showed that there were deficiencies in achievement of desired outcomes as discussed below:

2.1.3.9 Aggregate Technical and Commercial losses

One of the primary objectives of the scheme was to reduce the aggregate technical and commercial (AT&C) losses in project area. To avail the benefit of conversion of loan into grants, the Company was required to complete the Part-B projects within five years of sanctioning (subsequently extended upto March 2018 by the GoI) and achieve 15 *per cent* AT&C loss on a sustained basis for a period of five years. The loans were to be converted into grant in equal tranches in five years. The works of all the towns under Part-B were completed upto March 2018.

During 2018-19, the Company had achieved the targeted AT&C losses in 25 out of 47 towns only and AT&C losses of remaining 22 towns were still higher[15] than 15 *per cent* and ranged between 15.28 *per cent* and 53.67 *per cent*. Audit observed that out of these 22 towns, AT&C losses of eight towns which were less than 15 *per cent* in 2017-18 but had increased to more than 15 *per cent* in 2018-19. Thus, the Company has not yet achieved the scheme objective of 15 *per cent* AT&C losses. PSERC expressed its concern over high AT&C losses and directed the Company to analyse the reasons and ensure achievement of targeted level of AT&C losses within the stipulated time. The Company attributed the higher level of AT&C losses to load switching between temporary/permanent feeders, outstanding payments from connections to defaulting Government entities, faulty boundary meters and non-adjustment of high billed amount against sundry charges. Audit, however, observed that all these factors were controllable on part of the Company and Company needs to initiate respective remedial actions to achieve the targeted levels of AT&C losses. The Company would suffer non-conversion of loan into grant to the extent of ₹ 7.74[16] crore for the year 2018-19 due to non-achievement of the targeted AT&C losses.

2.1.3.10 Billing and collection efficiency

AT&C losses are calculated on the basis of billing[17] efficiency and collection[18] efficiency. Thus, it was imperative upon the Company to improve its billing

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15 The AT&C losses of Abohar (38.69 *per cent*), Giddarbaha (25.63 *per cent*), Malout (27.54 *per cent*), Patti (53.67 *per cent*) and Rampuraphul (26.78 *per cent*) were exceptionally higher i.e. more than 25 *per cent* during 2018-19.

16 ₹ 116.06 crore (First tranche of grant due in 2018-19 being 10 *per cent* of total expenditure booked upto March 2019) *less:* ₹ 108.32 crore (proportionate grant receivable as per actual AT&C losses).

17 Total units sold (Million units)/ Total input units (Million units)

18 Revenue collected (₹)/ Amount billed (₹)

and collection efficiency upto the benchmark percentage of 92.20[19] *per cent* each so as to bring down the AT&C losses. After completion of works in March 2018, the average billing and collection efficiency of the Company during the year 2018-19 was 90.94[20] *per cent* and 93.30[21] *per cent* respectively.

During the year 2018-19, out of 47 project towns, the billing efficiency was lower than 92.20 *per cent* in 21 towns whereas the collection efficiency was lower than 92.20 *per cent* in 19 towns. The low billing and collection efficiency contributed in non- achieving the target of 15 *per cent* AT&C losses in the project towns and loss of revenue of ₹ 205.93[22] crore to the Company for the year 2018-19.

2.1.3.11 Communication of data by distribution transformer meters and feeder meters

The activities covered under Part-A of the Scheme also included metering of distribution transformers (DTs) and feeders and automatic data logging for all DTs and feeders. The Company has installed Meter Data Acquisition System (MDAS) to acquire data automatically from DT meters, feeder meters and consumer meters without any human intervention. The position of meters installed on DTs and feeders/meters communicating data with Central Data Centre (CDC) for the last three years ending March 2019 is tabulated as follows:

Table 2.3: Statement showing position of meters communicating with CDC

Month/ year	Number of DTs at the end of year	Meter installed on DTs (*per cent*)	Meters communicating data with CDC (*per cent*)	Meters installed on feeders	Meters communicating data with CDC (*per cent*)
March 2017	50,809	32,942 (64.83)	16,352 (49.63)	1,541	611 (39.65)
March 2018	50,809	32,960 (64.87)	20,159 (61.16)	1,541	626 (40.62)
March 2019	50,809	32,960 (64.87)	16,323 (49.52)	1,787	591 (33.07)

It was noticed that the percentage of feeder meters communicating data with CDC showed a decreasing trend from 39.65 *per cent* at the end of March 2017 to 33.07 *per cent* at the end of March 2019. The Company, however, has not analysed and ascertained the reasons for non-communication of data by DT meters and feeder meters with CDC.

The Company due to deficient feeding of data at the CDC may not be able to carry out full data analysis of performance of 47 towns, calculate distribution

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19 As per PFC guidelines, the formula for calculation of AT&C losses is {1- (Billing efficiency x Collection efficiency)} x 100. At 92.20 *per cent* Billing efficiency and Collection efficiency, the amount of AT&C loss calculates to 15 *per cent*, as envisaged in the scheme.

20 Ranging between 53.80 *per cent* to 98.28 *per cent.*

21 Ranging between 74.01 *per cent* to 99.63 *per cent.*

22 ₹ 3,094.17 crore (Minimum 85 *per cent* revenue to be billed) *less:* ₹ 2,888.24 crore (actual revenue collected).

losses and ascertain poorly performing areas in sub transmission and distribution network.

ASE-APDRP while accepting the observation, stated (May 2020) that the data transfer depends on multiple other devices like meter compatibility, network, UPS, Batteries, Loop Cable and with the procurement of these new devices the availability of meter data would improve.

2.1.3.12 Outages and interruption in power supply

The scheme envisaged improvement in distribution infrastructure to minimise the outages of power. The number and duration of outages during the years 2016-17, 2017-18 and 2018-19 in 47 project towns were as under:

Table 2.4: Statement showing number and duration of outages in 47 project towns

Particular	2016-17	2017-18	2018-19
Number of outages	1,63,590	1,82,635	1,85,733
Duration of outages (in Hours)	1,33,828.45	1,53,462.37	1,49,894.90

Source: Records obtained from the Company.

It was noted that the company did not analyse the reason for this increase in outages in order to address the root cause. Thus, even after making huge investment in improvement of distribution infrastructure under the scheme, the numbers and duration of outages had increased in the project towns.

2.1.3.13 Consumer complaints redressal

Part-A of the scheme included establishment of IT enabled consumer service centres and redressal of consumer grievances. The company has established a centralised online call centre in Ludhiana town where consumers of the 47 project towns can lodge their complaints on Interactive Voice Response System (IVRS). The company is required to handle the complaints within the time limits prescribed by PSERC in the Electricity Supply Code, 2014.

Table below shows the details of complaints received from consumers of the project towns and their redressal during the period 2016-19:

Table 2.5: Statement showing percentage of consumer complaints attended within the time limit prescribed by PSERC

Year	Complaints received and attended during year	Complaints attended within PSERC prescribed time limit	Complaints attended beyond PSERC limit	Complaints attended within PSERC limit (in *per cent*)
2016-17	8,57,620	5,40,594	3,17,026	63.03
2017-18	10,36,600	6,66,849	3,69,751	64.33
2018-19	12,32,207	5,59,977	6,72,230	45.45

Source: Records obtained from the Company.

The Company needs to improve its business processes so that complaints of consumers are attended within the time limits prescribed by PSERC.

Conclusions

The Company could not implement the R-APDRP scheme within the time frame stipulated by the GoI. The conversion of GoI loan for implementing Part-A of the Scheme into grant was still pending. The delay in implementation of Part-B works would deprive the Company of conversion of interest into grant and fifth tranche of grant. Curtailing the number of 66/11 KV substations against those envisaged in the DPRs would entail overburdening of the existing distribution network besides non-achievement of envisaged load profile. The AT&C losses of 22 towns during 2018-19 were still higher than targeted losses which would result in non-conversion of loan into grant. The low billing and collection efficiency in 21 and 19 towns respectively resulted in loss of revenue to the Company. Distribution Reforms Committee, responsible for overseeing the implementation of the scheme at State level, did not monitor milestones and targets effectively under the scheme.

Recommendations

The Company may:

- follow up the matter regarding conversion of Part-A loan into grant with the PFC;
- reconcile the under booking of expenditure of Patiala town and follow up the matter regarding conversion of loan into grant with PFC;
- assess the impact of curtailment of number of planned sub stations on existing substations;
- make efforts to achieve the scheme objectives of 15 *per cent* AT&C losses;
- analyse the reasons for increased duration and incidence of outages for remedial action; and
- ensure mapping of data of 100 *per cent* DT and feeder meters into the CDC database for performance assessment of AT&C losses.

The matter was referred to the Government (August 2019); their reply was awaited (September 2020).

2.2 Short demand of Security deposit from HT/EHT consumers

Punjab State Power Corporation Limited did not review Security (Consumption) charges of its consumers resulting in non raising of demand of ₹ 36.09 crore and payment of avoidable interest of ₹ 1.81 crore on additional cash credit availed.

As per Regulation 16.1 of the Supply Code, 2014[23] of Punjab State Power Corporation Limited (Company), all consumers shall maintain as Security

[23] Effective from 1 January 2015.

(Consumption) with the distribution licensee[24] an amount equivalent to consumption charges (i.e. fixed and variable charges as applicable) for two and a half months where bi-monthly billing is applicable and one and a half month in case of monthly billing, during the period of agreement for supply of electricity. Further, Regulation 16.4 of the Code, *ibid,* provides for annual review of adequacy of security deposit of High Tension[25]/Extra High Tension[26] (HT/EHT) consumers which will be based on the average monthly consumption for the twelve months period from April to March of the previous year.

Punjab State Electricity Regulatory Commission (PSERC) by its notification (June 2016) amended Regulation 17 of the code, *ibid*. This Regulation hitherto provided for payment of interest by the distribution licensee on the security deposit maintained by consumers, at the State Bank of India's base rate prevalent on the first of April of the relevant financial year. In amending the Regulation, the rate at which interest was payable on such Security obtained by the licensee, was changed to the applicable Bank Rate (as on 1 April of each year) notified by Reserve Bank of India. The notified rate of interest was 6.25 *per cent per annum* for the year 2018-19.

Audit observed (July 2019) that the mandatory annual review of adequacy of Security (Consumption) and its consequent revision in case of inadequacy as per regulations, *ibid,* was not ensured by the Company. A test check of records of the Company showed that 13 HT/EHT consumers[27] were having Security (Consumption) of only ₹ 34.21 crore against requirement of ₹ 70.30 crore during the year 2018-19 (based upon their consumption for the year 2017-18). The demand for additional Security (Consumption) on these consumers was not raised upto July 2019.

Further, review of records showed that the Company was availing cash credit from commercial banks at rates of interest ranging from 10.55 *per cent* to 10.60 *per cent* during the year 2018-19 whereas the payment of interest on Security (Consumption), if it had been taken from consumers would have to be paid at 6.25 *per cent per annum*. By not demanding the full security (consumption) from its consumers and consequently availing higher cash credit limits, the Company was bearing an avoidable interest burden of ₹ 1.81[28] crore ***(Annexure 3)***.

Thus, non-review of Security (Consumption) of these HT/ EHT consumers by the Company resulted in non raising of demand of ₹ 36.09 crore as also it having to bear avoidable interest burden of ₹ 1.81 crore.

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24 Punjab State Power Corporation Limited

25 High Tension (HT) consumer means a consumer who is supplied electricity at a voltage higher than 650 volts but not exceeding 33000 volts. HT consumer is billed monthly.

26 Extra High Tension (EHT) consumer means a consumer who is supplied electricity at a voltage exceeding 33000 volts. EHT consumer is billed monthly.

27 Where security recoverable was more than ₹ one crore.

28 Calculated @ 4.30 *per cent* (i.e. 10.55 *per cent* - 6.25 *per cent*) for the period June 2018 (One month's margin given after revision of tariff on 19 April 2018 for financial year 2018-19) to July 2019 for 14 months.

It is recommended that the Company may review Security (Consumption) due from its consumers and raise the demand timely in compliance of governing regulations to safeguard its financial interests.

The matter was referred to the Government and the Company (August 2019); their reply was awaited (September 2020).

2.3 Undue favour to consumers

Undue favour of ₹ 12.77 crore to arc furnace industry consumers in waiver of interest and allowance of rebate

Punjab State Electricity Regulatory Commission (PSERC) in its tariff orders for the years 2004-05 onwards levied voltage surcharge at the rate of 10 *per cent* on Large Supply (LS) consumers having contract demand exceeding 2,500 KVA and upto 4,000 KVA and at the rate of 17.5 *per cent* on all arc furnace consumers and other consumers having contract demand exceeding 4,000 KVA, catered at 11 KV against admissible supply of 33/66 KV. Induction Furnace Association of North India (IFA) filed the review petition (no. 16 of 2006) challenging the levy of the voltage surcharge which was dismissed (October 2006) by PSERC.

The Punjab and Haryana High Court also dismissed (September 2011) the appeals challenging the levy of the voltage surcharge against which the appeals were filed in the Supreme Court. The Supreme Court also upheld (March 2017 and June 2017[29]) the decision of High Court in concurrence to the consistent view taken by PSERC in all the tariff orders from 2004-05, that to offset the transmission and other losses and other incidental charges incurred in enabling the units to draw power at 11 KV supply without switching over to 66 KV supply line, levy of surcharge was necessary.

During July 2017 and August 2017, the IFA represented not to charge interest for the case period and allow to deposit the amount in installments. To consider these representations, agendas in month of August 2017, November 2017, December 2017 and February 2018 were placed before Board of Directors (BoD) of the Punjab State Power Corporation Limited (Company). BoD decided (August 2018) that 15 *per cent* of the total recoverable amount be deposited as first installment from the consumers and balance amount be recovered in 12 monthly installments with simple interest at State Bank of India's base rate of 8.70 *per cent* on reducing balance basis. Accordingly, instructions were issued to field offices.

Despite decision of the Supreme Court in its favour, the Company failed to recover the arrears of voltage surcharge from the Consumers up to August 2018. The IFA met (September 2018) the representative of the State alongwith representatives of the Company and as per decision, field offices were

[29] Supreme Court Judgement dated 1 March 2017 in case of voltage surcharge on LS consumers (except arc furnace consumers) and Judgement dated 19 June 2017 in respect of arc furnace consumers.

instructed not to disconnect the connections of such consumers against whom recovery of voltage surcharge was pending till further orders.

The IFA again represented (October 2018) that they are ready to deposit 10 *per cent* of the basic amount of voltage surcharge within 15 days and requested to withhold all further proceedings regarding recovery of arrears on account of voltage surcharge.

The BoD reversed (21 November 2018) its earlier decision (August 2018) subject to approval of PSERC and decided to waive off full interest amount and recover the principal amount over a period of 3 months and in case of early deposit of principal amount within 15 days a rebate of 5 *per cent* shall be allowed. Accordingly, the Company waived off interest amount of ₹ 12.20[30] crore and allowed rebate of ₹ 0.57[31] crore to consumers.

Audit observed (July 2019) that as per clause 35.2 of the Supply code, 2014 and clause 111 of Electricity Supply Instruction Manual (ESIM) 2018, this case is covered under clause 5 (1) (iii) (b) of Consumer Complaint Handling Procedure and the Company was entitled to recover arrear amount along with the interest. The Finance Section of the Company took legal opinion (August 2017) and concurred that recovery of interest charges cannot be avoided and the allowing of rebate was not justifiable. The Company approached (May 2019) PSERC in pursuance of BoD decision (November 2018) and filed a petition (4 of 2019) before PSERC for waiving off interest on arrears and for allowing rebate of 5 *per cent*. By this time out of 28[32] consumers involved, only four availed it and 11 consumers had already deposited their arrear amount before decision of BoD and two after decision of BoD without availing rebate. The petition was not admitted (July 2019).

The waiver of interest and allowance of rebate to the arc furnace industrial consumers, resulted in undue financial burden of ₹ 12.77 crore on scarce financial resources of the Company and was violative of provisions of the Supply Code and ESIM.

The Management and the Government while admitting (December 2019) the facts, stated that decision of BoD regarding waiver of interest and allowance of rebate was subject to approval of PSERC and after the refusal of PSERC to admit the petition of the Company, an agenda was put up to BoD to reconsider its earlier decision. However, BoD deferred the agenda. The fact remains that waiver of interest and allowance of rebate was violative of the Supply Code and ESIM.

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30 Six consumers

31 Four consumers

32 The remaining 11 consumers were permanently disconnected consumers whose dues amounting to ₹ 25.96 crore were still recoverable.

2.4 Avoidable loss of generation

Non-installation of trash rack cleaning machine and lack of co-ordination between the operational wings of the Company, during construction of Stage-II of Mukerian Hydel Project, resulted in avoidable loss of generation of power valuing ₹ 15.26 crore.

Stage-II of Mukerian Hydel Project (MHP) of Punjab State Power Corporation Limited (Company) comprising two generating Units of 9 MW each was commissioned in May 2017 and February 2018.

After commissioning of MHP, accumulation of trash on water intake gates of generation units, delay in commissioning of transmission line for evacuation of generated power and non-provision of proper drainage system at power houses resulted in generation loss of 233.35 lakh units (LUs) valuing ₹ 15.26 crore during October 2017 to May 2019.

Audit observed (March 2019) as under:

a. Flowing water to a hydel plant is accompanied by weed, logs and other refuse/trash material which have to be prevented from reaching the turbines at intake gates of each power house through trash racks. Such accumulated trash material, if not removed regularly, results in reduced pressure of water and consequent generation loss. The removal of accumulated trash material from trash racks is carried out with the help of Trash Rack Cleaning Machines (TRCM) provided at intake gates of all the four power houses of Stage-I of MHP.

Audit observed that installation of such TRCM was neither included in the original scope of Engineering, Procurement and Construction (EPC) work for Stage-II awarded to Bharat Heavy Electricals Limited (BHEL) during May 2004/September 2011, nor included at any further stage of construction. The two units of Stage-II were commissioned without TRCM.

After commissioning, the trash racks started getting choked due to accumulation of trash, thereby leading to reduced water pressure on generating Units and ultimately in loss of power generation. To prevent generation loss, the Company decided (June 2018) and installed (June 2019) TRCM at intake gates of Stage-II. In the meantime, manual cleaning of choked trash racks of Stage-II was conducted (October 2018) incurring an expenditure of ₹ 13.01 lakh. The choking of trash racks of Stage-II power house, in the absence of TRCMs, caused avoidable loss of generation of 198.85 LUs valuing ₹ 13.02 crore[33] during October 2017 to May 2019 besides expenditure of ₹ 13.01 lakh on cleaning.

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[33] Calculated at average revenue per unit allowed by PSERC in the tariff orders for the years 2017-18 (₹ 6.33), 2018-19 (₹ 6.55) and 2019-20 (₹ 6.63).

The Management/Government replied (July 2019), that original detailed project report (DPR) did not provide for TRCM. However, after feeling its requirement for efficient operation of generating units, the same was commissioned during June 2019.

The reply is not acceptable as the provision of TRCM should have been made well in time before commissioning of power house based on the experience of its necessity in existing power houses (Stage-I of MHP) so as to avoid generation loss during its operation.

b. Power generation at Stage-II is done at 11 KV and is stepped up to 66 KV. The evacuation of power from Stage-II was to be carried out through 66 KV transmission line terminating at 66 KV sub-station at Bhattian Jattan and 66 KV single circuit transmission link line between Stage-I and Stage-II which was commissioned (May 2019) after delay of up to two years from the commissioning of Stage-II. Pending commissioning of 66 KV transmission line, only one 66 KV line Bhattian Jattan was available for power evacuation from Stage-II and whenever this 66 KV line went under fault, Stage-II got tripped, thereby resulting in generation loss. It was noticed that around 149 hours of generation were lost at Stage-II due to faults on associated 66 KV transmission system up to February 2019, resulting in loss of generation of 12.80 LUs valuing ₹ 0.82 crore.

The Management/Government replied (July 2019), that the delay in commissioning of 66 KV transmission line between Stage-I and Stage-II was attributed to revision (June 2018) in the originally approved (December 2012) route plan of the line necessitated by objection (October 2017) of Defence Authorities during its construction phase.

The reply is not acceptable as the construction work of transmission line planned in 2010-11 was taken up (September 2017) only after the commissioning (May 2017) of first unit of Stage-II when it was hampered by the objection of Defence Authorities. Thus, lack of co-ordination in carrying out timely construction of transmission works in tandem with the construction activities of Stage-II, apart from not taking into account construction restrictions in sensitive zones, resulted in the generation loss.

c. Construction of service drain around switchyard and right hand side of power house was vital before commissioning of Stage-II of MHP. In the absence of service drain, rain water and seepage/leakage water from retaining walls/ civil structures would get accumulated in power house and there was risk of water entering into machine hall, turbine and generator and flooding of power house resulting in huge loss to the Company.

It was noticed that various civil works were incomplete before commissioning of the Stage-II. Amongst the pending works was non-availability of proper drainage system for rain water which posed chances of flooding of the power house. The civil works of the power house remained incomplete (March 2019) despite a lapse of 12 to 21 months from the commissioning of both the Units.

On 7 February 2019, rain water flooded one unit of the power house through cable trench leading to forced shutdown for more than eleven days[34], resulting in loss of generation of 21.70 LUs valuing ₹ 1.42 crore[35]. The unit attributed the accident to improper drainage system at power house, non erection of service drain and associated works.

The Management/Government, however, replied (July 2019), that though the drainage system and submersible pump in dewatering sump were installed, non-availability of power supply at the plant for long duration resulted in accumulation of water due to non-functioning of pumps in dewatering sumps. Temporary arrangements were then made for draining out the accumulated water by hiring two DG sets to run the drainage pumps. A new 125 KV DG set and other required equipments have since been ordered (June 2019) for meeting such future eventualities.

The reply is not acceptable as the Central Electricity Authority (Technical Standards for Construction of Electrical Plants and Electric Lines) Regulations, 2010 mandates arrangements for flowing out all drainage water through provision of pumps and also diesel generators to meet the requirement of emergency power supply for essential station services. Also, the service drainage system was inadequate.

Thus, non-installation of TRCM, non-commissioning of 66 KV transmission line and non-availability of required drainage facilities before commissioning of Stage-II resulted in avoidable generation loss of 233.35 LUs valuing ₹ 15.26 crore besides avoidable expenditure of ₹ 13.01 lakh on cleaning the trash.

It is recommended that the Company may ensure provision/completion of all necessary facilities required for smooth generation and evacuation of power before commissioning to restrict generation losses.

2.5 Electricity supply dues

Failure of the Company to timely raise energy bills on a firm with which it had a power purchase agreement, resulted into accumulation of electricity supply dues and blockade of funds of ₹ 4.90 crore.

Punjab State Power Corporation Limited (Company) entered (August 2014) into a Power Purchase Agreement (PPA) for purchase of power with M/s International Mega Food Park Ltd. (Firm) which had established a

34 00:45 hours of 7 February 2019 to 18:52 hours of 18 February 2019.

35 Calculated at average revenue per unit allowed by PSERC in tariff order for the year 2018-19.

Biomass based Co-generation power project of 4 MW capacity under New and Renewable Sources of Energy (NRSE) policy of the Government of Punjab.

The PPA provided that the Company would prepare a monthly energy account depicting the energy delivered and imported by the Firm at the interconnection point, during shut down/start-up of the power project. In case of no generation by the Firm, the Company was to deliver a monthly invoice of minimum consumption charges to the Firm. Regulation 124(4) of the Electricity Supply Instructions Manual, 2017 (ESIM) of the Company provides that a firm which is a consumer of the Company shall be billed as per tariff applicable to LS consumers and if the firm is not a consumer of the Company but seeks to avail of standby and start up power, it will sign an agreement with the Company for meeting such power requirement. Regulation no. 124 (5) of the ESIM states that if the amount payable by the Company for purchase of power is less than the total charges payable by the firm, then the Company will recover net amount from the latter in the same way as applicable to LS consumers of the Company.

The power project was synchronised with 66 KV sub-station of the Company in February 2016 and the firm supplied power to the Company up to March 2017. The Company noticed (October 2017) that since April 2017, the energy account of the firm reflected import of electricity from Company in excess to the export of electricity to the Company, hence, the excess electricity being used by the firm was required to be billed. However, the Company did not raise the electricity bill till December 2017.

The Company, after a period of eight months, raised (January 2018) first electricity bill of ₹ 3.55 crore upon the firm for the period April 2017 to December 2017 which was not paid by the firm within the due date (22 January 2018). Thereafter, regular monthly electricity bills were issued but the firm did not make full payment against these bills and the amount of bills payable by the firm to the Company accumulated to ₹ 4.90 crore (after adjusting the interim payments and generation bills of the firm). Meanwhile, the insolvency proceedings against the firm were initiated (February 2019) by the National Company Law Tribunal (NCLT) and the Company submitted (14 March 2019) its claim of ₹ 4.90 crore to the Interim Resolution Professional appointed by the NCLT. The insolvency proceedings were under process (September 2020).

Audit observed (April 2019) that in view of preparation of monthly energy account, the firm not being a consumer of the Company since February 2016 and in absence of any provision in PPA regarding billing of excess consumption by firm, it was imperative upon the Company to immediately ask the firm to enter into an agreement for Standby and Startup power for meeting its power requirements and thereafter raise the electricity bills in time as per the ESIM 2017. However, the inaction on part of the Company led to continuous import of electricity by the firm without any bill being raised. Further, the Company did not disconnect the electricity supply of the firm permanently and pursue the recovery of electricity supply dues since May 2017 which resulted in accumulation of electricity supply dues and blockade of funds to the tune of ₹ 4.90 crore.

The Management of the Company stated (October 2019) that due to non-provision of excess power consumption by the firm in PPA, liability of the firm towards the Company remained increasing and the electricity bills were issued after the directions (January 2018) of Chief Engineer, Power Purchase and Regulation. The electricity connection of the firm was not disconnected as the biomass plant was recognised by the Ministry of New and Renewable Energy, the firm had also assured to deposit the balance amount. The firm, declared bankrupt during February 2019, has been taken over by Banker of the Firm who is paying current bills of the firm. Efforts are being made to get the remaining amount deposited.

The reply is not acceptable as in absence of any agreement with the firm for standby and start up power, the electricity dues accumulated due to non-disconnection of the electricity supply of the firm and non-compliance of provisions of the PPA and the ESIM, 2017 regarding billing of firm by the Company. Further, the PPA clearly provided that failure of the firm to pay any amount due to the Company within 90 days of receipt of monthly invoice or abandonment of its generating facility shall constitute an event of default by the firm and the Company could have even terminated the agreement with the firm.

It is recommended that the Company may review and incorporate adequate provisions in other existing PPAs to safeguard its financial interests against the co-generation power projects which import electricity in excess to the export to the Company and raise the electricity bills timely to avoid accumulation of dues.

The matter was referred to the Government (June 2019); their reply was awaited (September 2020).

2.6 Execution of deposit work

The Company executed deposit work without obtaining advance deposit in violation of its provisions, resulting in blocking of funds and consequential loss of interest of ₹ 1.48 crore.

Punjab State Power Corporation Limited (Company) undertakes and executes deposit works such as erection of transformers centers, laying of transmission lines, etc. on behalf of and after being approached by Government departments, local bodies and consumers. These deposit works are executed after acceptance of deposit equal to the total amount of the estimate. Clause 7.3 of Manual on Capital Expenditure and Fixed Assets, 1988 of the Company provides that the deposit work shall not be commenced till the deposit amount is received.

The Company approved (December 2015) an estimate of ₹ 9.35 crore for deposit work of "66 KV double circuit tower line for International Airport, Mohali" on behalf of Greater Mohali Area Development Authority (GMADA). The Company started the work in June 2016 without taking advance deposit from GMADA. The work was completed in March 2017. Audit observed (April 2019) that against the advance deposit required to be recovered from GMADA, the Company recovered the amount of ₹ 9.35 crore from GMADA only on 8 February 2018 i.e. after a delay of 20 months from the start of work.

The failure of the Company to recover the estimate amount in five months time[36] before commencement of work and execution of full deposit work without advance deposit in violation of the standing orders resulted in blocking of the Company's funds of ₹ 9.35 crore and consequential loss of interest of ₹ 1.48[37] crore thereupon.

The Management stated (December 2019) that the work was started before receiving the deposit amount as the line was to be completed at the earliest, keeping in mind the interest of public for International Airport, Mohali and GMADA was still in process of arranging the funds.

The reply is not acceptable as deposit works of Government agencies are executed in public interest only and GMADA was having sufficient funds during 2015-17 to pay its dues timely to Company. As such, the execution of deposit work without acceptance of deposit amount in violation of Company's own orders lacked justification.

It is recommended that the Company may undertake deposit works from other agencies after acceptance of deposit amount against the estimated expenditure.

The matter was referred to the Government (May 2019); their reply was awaited (September 2020).

2.7 Procurement of energy meters

The Company's decision to purchase energy meters at higher rates instead of non-enhancement of ordered quantity against an earlier tender enquiry at lower rates resulted in extra expenditure of ₹ 1.30 crore.

Punjab State Power Corporation Limited (Company) floated (September 2017) an e-tender enquiry (MQP–120/2017-18/PO(M)) for procurement of nine lakh single phase energy meters conforming to ISI specifications and of Class-1 accuracy. The e-tender was responded to, by six firms.

The bids were opened (14 November 2017) in which two participating firms were disqualified for their not fulfilling the revised pre-qualification criteria (PQC) as per the amended Purchase Regulations (effective from August 2017). Another firm was disqualified (January 2018) due to its sample

[36] 29 December 2015 (date of approval of estimate of the work) to 7 June 2016 (date of start of the work).

[37] Calculated on ₹ 9,34,61,578 (Actual amount of estimate of the work) @ 9.36 *per cent per annum*: 7 June 2016 to 30 September 2016 (116 days), @ 9.70 *per cent per annum*: 1 October 2016 to 31 March 2017 (182 days) and @ 9.36 *per cent per annum*: 1 April 2017 to 7 February 2018 (313 days) as per the carrying costs of revenue gap determined by the Punjab State Electricity Regulatory Commission in the Tariff Order of the Company for the financial year 2018-19.

energy meter failing in technical tests. The price bids of the three qualified firms were opened (February 2018) and through reverse auctioning process and further negotiation with L-1 firm, lowest price of ₹ 571.50 each was obtained.

The Company during its decision making process observed that price of energy meters obtained in the instant tender enquiry was significantly higher (23.32 *per cent*) from the price of ₹ 463.40[38] each at which ongoing purchases were being made against the previous tender enquiry (MQP-110) of February 2017. The Company attributed the increase in price to the amended PQC as a result of which firms which were earlier supplying energy meters, at lower rates, were disqualified in the instant tender enquiry.

Audit observed (June 2018) that the amended PQC had been withdrawn by the Company in November 2017. However, the fact of withdrawal of revised PQC conditions (November 2017) and the impact of its non-consideration that led to procurement of energy meters against the instant tender at significantly higher rates was overlooked by the Company.

Audit further observed that, in view of acute shortage of energy meters and the fact that the supplies against the instant tender would have taken another two to three months to materialise, a proposal for ordering additional quantity of 1.20 lakh energy meters (20 *per cent*) at the existing rate of ₹ 463.40 each from a firm which was supplying material against previous tender was mooted (March 2018) based on proposal of the supplying firm. However, the proposal was turned down (March 2018) by Whole Time Directors (WTD) of the Company, while allocating 6.75 lakh energy meters amongst the three successful bidders at above stated negotiated rate against the present tender enquiry. Accordingly, purchase orders for supply of 6.75 lakh energy meters were placed in April 2018 upon the three successful firms.

Thus, the decision of the Company to procure 6.75 lakh single phase energy meters at higher rates without considering retendering despite withdrawal of revised PQC conditions had resulted in disqualification of firms earlier offering lower rates. Further, non-enhancement of ordered quantity against previous tender enquiry at lower rates from a firm with satisfactory performance despite acute shortage of energy meters with the Company and the supplies against the current tender taking more time to materialise, has resulted in extra expenditure of ₹ 1.30 crore (1.20 lakh energy meters @ ₹ 108.10 per piece) on procurement of single phase energy meters.

The Management/ Government replied (March/April 2019) that the instant tender enquiry had been opened (November 2017) before withdrawal (November 2017) of amended PQC. As regards non-enhancement of ordered quantity against previous tender enquiry at lower rates, the meters to be supplied against the instant tender were considered to be of better quality with new features.

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[38] Rate of previous tender enquiry

The reply is not acceptable as the proposal for withdrawal of amended PQC, based on difficulties experienced by various Company divisions in getting satisfactory competition in tenders, was under consideration (October 2017) of Company well before the opening (November 2017) of instant tender enquiry. The impact of withdrawing amended PQC was not considered while going ahead with procurement. In view of shortage of energy meters, the justification of better quality meters is not acceptable for not enhancing ordered quantity of meters against previous tender.

2.8 Loss of interest

Procurement of material without taking statutory clearances, resulted in delay in upgradation of 33 KV substation and blockage of funds of ₹ 2.16 crore along with consequential avoidable loss of interest of ₹ 0.66 crore

The Manual of Capital expenditure and Fixed Assets (Manual) of the Punjab State Power Corporation Limited (Company) provides that for every work proposed to be carried out, proper detailed estimate should be prepared and an application accompanied by a preliminary report/estimate should be submitted to the competent authority to obtain administrative approval and technical sanction.

To provide uninterrupted and good quality of the power supply to industrial units of special economic zone between Phagwara and Goraya, the Company envisaged to upgrade 33KV Substation, GT Road, Phagwara and placed (September 2014) a work order/contract agreement amounting to ₹ 3.32 crore for design, manufacture, supply, testing, laying and commissioning of 66 KV transmission line to a Firm on a turnkey basis. The material was to be supplied within two months from the receipt of clearance of the work i.e. approval of guaranteed technical particulars and route length by the Chief Engineer (Transmission System) of the Company. The installation, laying testing and commissioning of line was to be completed in next two months. The terms of payment provided that 80 *per cent* payment of the material will be paid within 45 days on receipt of the material.

Audit observed (March 2017) that the Company approved (February 2015) the guaranteed technical particulars alongwith route length of line and requested (February 2015) the Firm to commence work by arranging the required material. The Firm supplied (March 2015) the main components of required material (66 KV cable, cable end terminations, etc.) and the company released (May 2015) ₹ 2.16 crore, being 80 *per cent* of the value of the material supplied. The Company applied for statutory clearances in March 2015, May 2015 and November 2015 from Indian Railways, Forest Department and the Municipal Corporation, Phagwara respectively. The clearances were given by these agencies in August 2016, June 2018 and December 2015, respectively. Against the scheduled date of completion of April 2015[39], the work was actually completed in September 2019 i.e. a delay of more than four years. An expenditure of ₹ 6.12 crore had been incurred on the transmission line upto September 2019.

[39] Two months from February 2015 i.e. the date of clearance of work by the Company.

Audit observed that the execution of work was delayed due to non receipt of clearance from the Forest Department and Indian Railways. The Company did not comply with the instructions given in the Manual in regard to obtaining prior approvals from other departments and instead applied for statutory clearances only after giving a go ahead to the Firm to proceed with the procurement of material for the work. The injudicious decision of the Company to carry out the work without first receiving the necessary clearances from the concerned Government departments resulted in delay in upgradation of 33 KV Substation and blockage of funds of ₹ 2.16 crore along with consequential avoidable loss of interest of ₹ 0.66[40] crore.

It is recommended that the Company may ensure obtaining statutory clearance from Forest Department/ other agencies before start of any work in order to avoid any delay in execution of work and schedule the procurement of the required material accordingly, to prevent blockage of funds.

The matter was referred to the Company and the Government (July 2019); their replies were awaited (September 2020).

2.9 Shifting of feeders

Shifting/replacement of 11 KV feeders from own funds instead of executing them as deposit works, resulted in loss of ₹ 0.62 crore.

Regulation 40 of the Electricity Supply Instructions Manual (ESIM) of the Punjab State Power Corporation Limited (Company) provides that where any State/Central Government authority or an individual agency approaches for the shifting of the lines, estimate for deposit work shall be prepared by the Company covering the cost of material, wages of labour, supervision charges, etc. Further, the Manual on Capital Expenditure and Fixed Assets, 1988 of the Company provides that the deposit work shall not be commenced till the deposit amount is received.

Audit observed (October 2017) that the public representatives of the State approached (January 2014/December 2015/November 2016) the Company for shifting/replacement of 11 KV feeders passing over the residential areas of Jalandhar City with the recommendation that these shifting works be carried out at the cost of Company. Instead of executing these shifting/replacement works against deposit estimates as per existing instructions, the Company moved (January 2014/February 2016/December 2016) the proposal to the Whole Time Directors (WTDs)/ Board of Directors (BoD) of the Company for getting the works executed at its own cost. It also apprised that the finance wing of the Company has expressed its inability to agree with the proposal. Citing the Corporate Social Responsibility (CSR) obligation of the Company,

[40] Calculated for 37 months from May 2015 (date of payment for material) upto May 2018 (one month before June 2018 i.e date of receipt of forest clearance) and taking average interest rate of 9.93 *per cent per annum* (i.e. weighted average of the yearly interest rates on working capital approved by the Punjab State Electricity Regulatory Commission in the tariff orders for the Company for financial years 2015-16 to 2018-19).

WTDs/BoD accorded (February 2014/March 2016/ December 2016) approval to the proposal. Audit further observed that during the period 2014-15 to 2018-19, the Company shifted/replaced 10 number of 11 KV overhead feeders at the cost of ₹ 0.62 crore by utilising own funds which cannot be recovered and is a loss to the Company.

The Management stated (November 2019) that with the passage of time, many residential premises were constructed under 11KV HT Supply Lines and fatal accidents had occurred in the past with the possibility of the Company having to compensate. The Company accepted that these lines had to be shifted/replaced by depositing the amount from the consumers but to avoid any future accidents and to meet the Corporate Social Responsibility (CSR), the Company had shifted these lines at its own cost.

The reply of the Management is not acceptable as the ESIM of the Company lays down that electricity connection under high tension lines can only be issued on the undertaking of the consumer that they shall be responsible for any damage in case of fatal accident. Moreover, such works do not qualify under CSR[41] policy of the Company and Company had been undertaking and executing similar works of shifting of 11 KV overhead feeders as deposit works.

Thus, work of shifting of 11 KV overhead lines worth ₹ 0.62 crore at its own cost, in contravention of the Electricity Supply Instruction Manual, was a loss to the Company.

It is recommended that the Company may execute shifting/replacement works of electrical installations after obtaining necessary deposit amount as per its standing orders.

The matter was referred to the Government (July 2019); their reply was awaited (September 2020).

41 The CSR policy of the Company focuses on hunger, poverty, malnutrition, health education, rural development projects, gender equality, empowerment of women, environment sustainability, national heritage, art and culture only.

PART - II

Chapter - III
Functioning of State Public Sector Undertakings (other than Power Sector)

PART-II

Chapter-III

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

Introduction

3.1 There were 47[1] State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power Sector. These State PSUs, incorporated during the period 1952-53 to 2016-17, included 40 Government Companies, three Government Controlled Other Companies (GCOC) and four Statutory Corporations *i.e.* Punjab Scheduled Castes Land Development and Finance Corporation (PSCLDFC), PEPSU Road Transport Corporation (PRTC), Punjab State Warehousing Corporation (PSWC) and Punjab Financial Corporation (PFC). The Government Companies included 19[2] inactive companies and 13[3] subsidiary companies owned by Government Companies. Besides these 47 State PSUs, there was one State PSU (Statutory Corporation) namely Punjab Backward Classes Land Development and Finance Corporation, audit of which was not under the purview of the Comptroller and Auditor General of India (CAG).

The Government of Punjab (GoP) provides financial support to the State PSUs in the shape of equity, loans and grants/subsidies from time to time. Of the 47 State PSUs, the State Government invested funds in 35[4] State PSUs only.

Contribution to Economy of the State

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

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1 During the year, one PSU i.e. Punjab Agro Power Corporation Limited was removed from the Register of Companies by the Registrar of Companies under Section 248(5) of the Companies Act, 2013.

2 Sl. No. 22 to 26, 30 to 43 of ***Annexure 4***.

3 Sl. No. 1, 9, 12, 23, 28, 33 to 38, 42 and 43 of ***Annexure 4***.

4 Includes five subsidiaries (Sl. No. 1, 9, 12, 23 and 38 of ***Annexure 4***) of Government Companies where the State Government has infused investment in the shape of loans/ grants/ subsidies only.

Table 3.1: Details of turnover of State PSUs (other than Power Sector) *vis-à-vis* GSDP of Punjab

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	30,462.89	32,104.55	33,032.24	36,728.43	40,883.49
GSDP of Punjab (at current prices and advance estimates)	3,49,826.00	4,08,815.00	4,27,297.00	4,77,482.00	5,21,861.00
Percentage of Turnover to GSDP of Punjab	8.71	7.85	7.73	7.69	7.83

Source: *Compiled based on turnover figures of working PSUs and GSDP figures as intimated by Economic and Statistical Organisation, Government of Punjab.*

The PSUs recorded continuous increase in their turnover over the previous years' turnover as per their latest finalised accounts available in respective years. The increase in turnover ranged between 2.89 *per cent* and 23.59 *per cent* during the period 2014-19, whereas increase in GSDP of the State ranged between 4.52 *per cent* and 16.86 *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 10.45 *per cent* of the GSDP, the turnover of these PSUs recorded higher compounded annual growth of 10.65 *per cent* during last five years. However, there is decrease in share of turnover of these PSUs to the GSDP, in percentage terms, from 8.71 *per cent* in 2014-15 to 7.83 *per cent* in 2018-19.

Investment in State PSUs

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs where they function in a competitive environment with private sector enterprises. The position of these State PSUs have therefore been analysed under two major classifications *viz.* those in the social sector and those functioning in competitive environment. Besides, four[5] of these State PSUs incorporated to perform some specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 47 State PSUs in shape of equity and long term loans upto 31 March 2019 are detailed in ***Annexure 4.***

3.4 The sector-wise summary of investment by the State Government and others in these State PSUs as on 31 March 2019 is given in the following table:

[5] Punjab Police Housing Corporation Limited, Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.

Table 3.2: Sector-wise investment in State PSUs

Sector	Number of PSUs		Investment (₹ in crore)						Total (₹ in crore)
			Equity		Long term loans		Grants/ subsidies		
	Active	Inactive	Active	Inactive	Active	Inactive	Active	Inactive	
Social	21	5	1,028.96	4.83	25,972.04	4.08	2,491.96	0.00	29,501.87
Competitive	3	14	130.62	19.30	708.51	27.99	5.00	0.00	891.42
Others	4	0	0.08	0.00	25.00	0.00	50.00	0.00	75.08
Total	**28**	**19**	**1,159.66**	**24.13**	**26,705.55**	**32.07**	**2,546.96**	**0.00**	**30,468.37**

As on 31 March 2019, the total investment (equity, long term loans and grants/subsidies) in these 47 PSUs was ₹ 30,468.37 crore. The investment consisted of 3.89 *per cent* towards equity, 87.75 *per cent* in long-term loans and 8.36 *per cent* towards grants/ subsidies. The long term loans advanced by the State Government constituted 90.70 *per cent* (₹ 24,251.15 crore) of the total long term loans and 9.30 *per cent* (₹ 2,486.47 crore) were availed from other financial institutions.

The investment grew by 629.10 *per cent* from ₹ 4,178.92 crore in 2014-15 to ₹ 30,468.37 crore in 2018-19. The investment increased due to addition of ₹ 24,787.88 crore towards long term loans due to conversion of short term Cash Credit Liabilities of State Procuring Agencies[6] into long term loans of the GoP (Legacy Account) during 2014-15 to 2018-19. There was also a reduction in equity[7] of ₹ 45.50 crore and addition of ₹ 1,547.07 crore in grants/ subsidies in the corresponding period.

Disinvestment, restructuring and privatisation of State PSUs

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

Budgetary Support to State PSUs

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

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6 Punjab Agro Foodgrains Corporation Limited (PAFCL), Punjab State Civil Supplies Corporation Limited (PUNSUP), Punjab State Grains Procurement Corporation Limited (PUNGRAIN) and Punjab State Warehousing Corporation (PSWC).

7 Major net reduction in Punjab Water Resources Management and Development Corporation Limited: ₹ 65.74 crore and infusion in PSCLDFC: ₹ 21.16 crore.

Table 3.3: Details regarding budgetary support to State PSUs

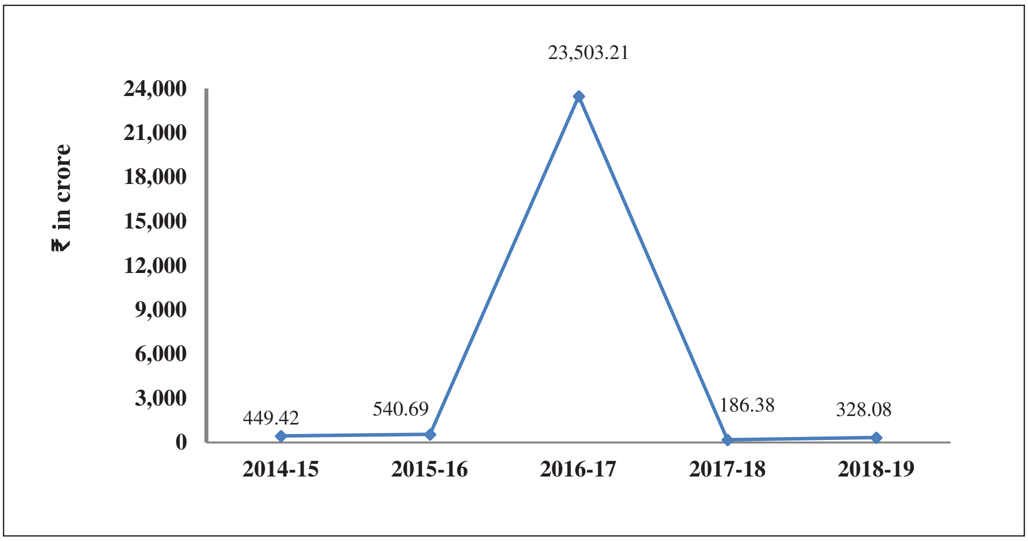
(₹ in crore)

Particulars[8]	2014-15		2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	3	72.07	2	32.24	2	10.83	-	-	-	-
Loans given (ii)										
a) Interest free	-	-	-	-	-	-	-	-	-	-
b) Interest bearing	-	-	-	-	4	22,974.19	-	-	-	-
Grants/Subsidies provided (iii)	3	377.35	5	508.45	3	518.19	4	186.38	8	328.08
Total Outgo (i+ii+iii)		**449.42**		**540.69**		**23,503.21**		**186.38**		**328.08**
Loan repayment written off	-	-	-	-	2	6.47	-	-	-	-
Loans converted into equity	-	-	-	-	-	-	-	-	-	-
Guarantees issued	7	26,810.58	2	34.40	-	-	2	141.12	1	150.00
Guarantee Commitment	9	34,488.81	10	29,250.45	7	1,633.69	9	1,721.84	10	2,023.31

Source: Compiled based on information received from PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in a graph below:

Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs ranged between ₹ 186.38 crore and ₹ 23,503.21 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹ 328.08 crore given during the year 2018-19 was in the form of grants/subsidies. The State Government did not infuse any equity or provide new loans to these PSUs during 2018-19. The grants/subsidies given by the State Government were primarily for lining of water courses and sinking and installation (S&I) of tubewells, assistance under Rashtriya Krishi Vikas Yojana, discharge of debt liabilities and administrative expenses.

[8] Amount represents outgo from the State budget only.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, the State Government gives guarantee under Punjab Fiscal Responsibility and Budget Management Act, 2003 subject to the limits prescribed by the Constitution of India, for which a guarantee fee is charged. The State Government charged guarantee fee at the rate of two *per cent* from the PSUs. Outstanding guarantee commitments had decreased from ₹ 34,488.81 crore in 2014-15 to ₹ 2,023.31 crore in 2018-19. Punjab State Industrial Development Corporation had defaulted in payment of guarantee commission of ₹ 26.63 crore which was to be paid by it, since 1997. Further, PSWC and Punjab Police Housing Corporation Limited did not make payment of guarantee commission of ₹ 0.83 crore and ₹ 0.50 crore respectively for the year 2018-19.

Reconciliation with the Finance Accounts of the Government of Punjab

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

Table 3.4: Equity, loans and guarantees outstanding as per the Finance Accounts of Government of Punjab *vis-à-vis* records of State PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	831.44	1,059.22	(-)227.78
Loans	25,661.87	24,251.15	1,410.72
Guarantees	2,178.70	2,023.31	155.39

Source: *Compiled based on information received from PSUs and Statement nos. 18, 19 and 20 of Finance Accounts of Government of Punjab for the year 2018-19.*

Audit observed that out of 47 State PSUs, such differences occurred in respect of 32 PSUs as shown in ***Annexure 5***. The differences between the figures are persisting for the last many years. The issue of reconciliation of differences has been taken up by the Principal Accountant General (Audit) Punjab with the PSUs and the Departments from time to time. Major difference in balances was observed in Punjab Water Resources Management and Development Corporation Limited (PWRMDC) and the State Foodgrains Procuring Agencies (SPAs). The State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of Accounts by State PSUs

3.8 Of the total 47 State PSUs, 28 PSUs – 24 Companies and 4 Statutory Corporations are active while 19 Companies are inactive as of 31 March 2019. The status of timelines followed by the State PSUs in preparation of their accounts are as detailed below:

Timeliness in preparation of Accounts by the working State PSUs

3.8.1 Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 24 working Government Companies, 4 Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019, whereas accounts of 20 Government Companies were in arrears. Of the four Statutory Corporations, CAG is the sole auditor in two Statutory Corporations (PSCLDFC and PRTC). PSCLDFC has submitted accounts for the year 2018-19. Accounts for the year 2018-19 were awaited in respect of other three corporations as on 30 September 2019.

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

Table 3.5: Position relating to submission of accounts by the working State PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	26	26	25	28	28
2.	Number of accounts submitted during current year	31	23	23	28	36
3.	Number of working PSUs which finalised accounts for the current year	6	5	4	5	5
4.	Number of previous year accounts finalised during current year	25	18	19	23	31
5.	Number of working PSUs with arrears in accounts	20	21	21	23	23
6.	Number of accounts in arrears	34	37	38	44	33
7.	Extent of arrears	One to four years	One to five years	One to four years	One to eight years	One to four years

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

Of these 28 working State PSUs, 26 PSUs had finalised their 36 annual accounts during the period from 1 October 2018 to 30 September 2019 which included five annual accounts for the year 2018-19 and 31 annual accounts for previous years. Further, 33 annual accounts were in arrears which pertain to 23 PSUs. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed half yearly by the Principal Accountant General (Audit) Punjab regarding arrears in finalisation of accounts.

The GoP had provided ₹ 354.33 crore (grants/subsidies) to seven of the 23 working State PSUs, accounts of which had not been finalised by 30 September 2019 as prescribed under the Companies Act, 2013 whereas no investment was made in remaining 16 PSUs during the period for which their accounts are in arrears. PSU wise details of investment made by the State Government during the years for which accounts are in arrears are shown in ***Annexure 6***.

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 PSUs, therefore, remained outside the scrutiny of the State Legislature.

Timeliness in preparation of Accounts by inactive State PSUs

3.8.2 There were arrears in finalisation of accounts by 17 out of total 19 inactive PSUs, details of which are as given below:

Table 3.6: Position relating to arrears of accounts in respect of inactive PSUs

Sl. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Punjab Land Development and Reclamation Corporation Limited	1995-96 to 2018-19
2.	Punjab Micro Nutrients Limited	1992-93 to 2018-19
3.	Punjab Poultry Development Corporation Limited	2016-17 to 2018-19
4.	Amritsar Hotel Limited	2016-17 to 2018-19
5.	Neem Chameli Tourist Complex Limited	2018-19
6.	Punjab Venture Capital Limited	2018-19
7.	Punjab Film and News Corporation Limited	2009-10 to 2018-19
8.	Electronic Systems Punjab Limited	2014-15 to 2018-19
9.	Punjab Bio-Medical Equipments Limited	1997-98 to 2018-19
10.	Punjab Digital Industrial System Limited	2007-08 to 2018-19
11.	Punjab Electro Optics Systems Limited	1997-98 to 2018-19
12.	Punjab Footwears Limited	2000-01 to 2018-19
13.	Punjab Power Packs Limited	1998-99 to 2018-19
14.	Punjab State Handloom and Textile Development Corporation Limited	2017-18 to 2018-19
15.	Punjab State Hosiery and Knitwear Development Corporation Limited	2006-07 to 2018-19
16.	Punjab State Leather Development Corporation Limited	2010-11 to 2018-19
17.	Punjab Tanneries Limited	1997-98 to 2018-19

Source: Compiled based on accounts of PSUs received.

Out of 19 inactive PSUs, six[9] were in the process of liquidation whose accounts were in arrears for five to 27 years. Out of the remaining 13 inactive PSUs, 11 had arrears of accounts ranging from one to 24 years.

Placement of Separate Audit Reports of Statutory Corporations in the State Legislature

3.9 Out of four working Statutory Corporations, PSCLDFC had forwarded its accounts for the year 2018-19 by 30 September 2019.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid in the Legislature as per

9 Companies at Sl. No. 23, 33, 34, 35, 36 and 38 of ***Annexure 7***.

the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

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

Sl. No.	Name of Corporation	Year up to which SARs placed in the Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Present Status
1	Punjab Financial Corporation	2015-16	2016-17 2017-18	18-10-2018 -	Yet to be placed SAR under finalisation
2	Punjab Scheduled Castes Land Development and Finance Corporation	2016-17	2017-18 2018-19	11-04-2019 -	Yet to be placed SAR under finalisation
3	PEPSU Road Transport Corporation	2013-14	2014-15 2015-16 2016-17	29-10-2018 01-03-2019 -	Yet to be placed Yet to be placed SAR under finalisation
4	Punjab State Warehousing Corporation	2015-16	2016-17 2017-18	07-01-2019 -	Yet to be placed SAR under finalisation

Source: Information provided by PSUs.

Impact of non-finalisation of Accounts of State PSUs

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

Of the working PSUs, 23 PSUs had arrears of finalisation of 33 annual accounts ranging from one year to four years. It is, therefore, recommended that the Administrative Departments should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

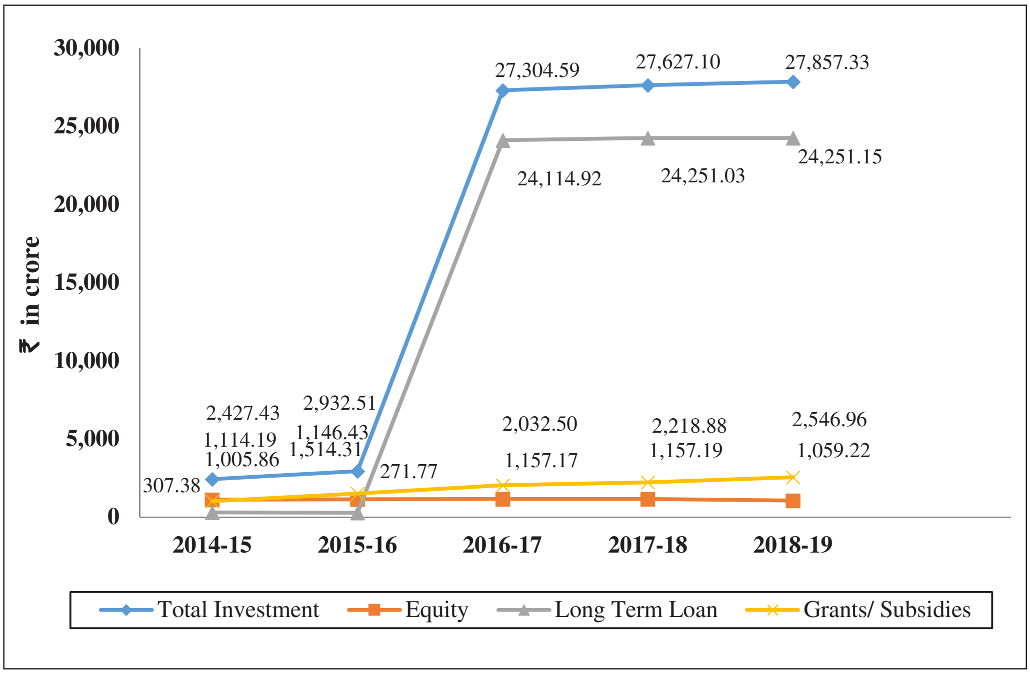
Performance of State PSUs

3.11 The financial position and working results of the 47 State PSUs are detailed in ***Annexure 7*** as per their latest finalised accounts as of 30 September 2019.

The Public Sector Undertakings are expected to yield reasonable return on investment made by the Government in the undertakings. The total investment of State Government and others in the PSUs as on 31 March 2019 was ₹ 30,468.37 crore consisting of equity of ₹ 1,183.79 crore, long term loans of ₹ 26,737.62 crore and grants/subsidies of ₹ 2,546.96 crore. Out of this, the Government of Punjab has investment of ₹ 27,857.33 crore in the 35 PSUs consisting of equity of ₹ 1,059.22 crore, long term loans of ₹ 24,251.15 crore and grants/subsidies of ₹ 2,546.96 crore (including ₹ 465.32 crore on account of grants/subsidies for purposes other than operational and management expenses).

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

Chart 3.2: Total investment of GoP in PSUs

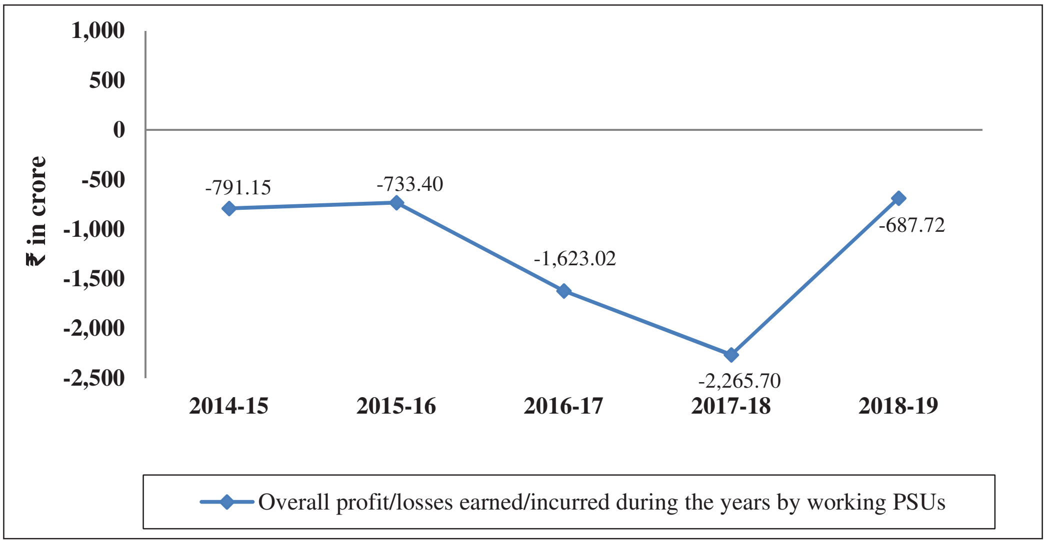


The profitability of a company is traditionally assessed through Return on Investment and Return on Capital Employed. Return on Investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of Equity and Long Term Loans. Return on Capital Employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used.

Return on Investment

3.12 The Return on Investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[10] earned/incurred by the 28 working State PSUs during 2014-15 to 2018-19 is depicted below:

Chart 3.3: Profit/Losses earned/incurred by working PSUs



The loss of ₹ 2,265.70 crore incurred by the working PSUs in 2017-18 decreased to ₹ 687.72 crore in 2018-19 due to substantial decrease in losses of State Foodgrains Procuring Agencies from ₹ 2,269.68 crore in 2017-18 to ₹ 697.20 crore in 2018-19. According to latest finalised accounts of these 28 working State PSUs, 13[11] PSUs earned profit of ₹ 285.31 crore and 10[12] PSUs incurred losses of ₹ 973.03 crore as detailed in ***Annexure 7***. Out of the remaining five PSUs, four are functioning on 'No Profit No Loss' basis and one PSU was under construction during the year.

The top profit making companies were PSWC (2017-18: ₹ 240.51 crore), Punjab Small Industries and Export Corporation Limited (2017-18: ₹ 13.34 crore), Punjab State Container and Warehousing Corporation Limited (2018-19: ₹ 10.62 crore) while Punjab State Grains Procurement Corporation Limited (PUNGRAIN) (2016-17: ₹ 451.75 crore) and Punjab State Civil Supplies Corporation Limited (PUNSUP) (2016-17: ₹ 360.32 crore) incurred heavy losses. The losses incurred by PUNSUP were mainly on account of reversal of Transportation charges Infrastructure Development Cess and interest on Atta Dal subsidy excess booked during previous years.

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[10] Figures are as per the latest finalised accounts of the respective years.
[11] Sl. no. 2, 4, 6, 7, 11, 13,15, 16, 19, 27, 29, 45 and 47 of ***Annexure 7***.
[12] Sl. no. 1, 3, 5, 8, 9, 10, 14, 20, 21 and 28 of ***Annexure 7***.

Of the 28 working PSUs as on 31 March 2019, position of working PSUs which earned/incurred profit/loss during 2014-15 to 2018-19 is given in following table:

Table 3.8: Details of working PSUs which earned/ incurred profit/loss during 2014-15 to 2018-19

Financial year	Total number of PSUs	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year	Number of PSUs		
				No profit no loss	Under construction	1st Accounts yet to be received
2014-15	26	8	13	3	1	1
2015-16	26	8	14	3	1	-
2016-17	25	8	13	3	-	1
2017-18	28	9	12	3	-	4
2018-19	28	13	10	4	1[13]	-

(a) *Return on Investment on historical cost basis*

3.13 Out of 28 working PSUs of the State, the State Government infused funds in the form of equity, long term loans and grants/subsidies in 23[14] PSUs only. The Government has invested ₹ 27,360.65 crore in these 23 PSUs including equity of ₹ 1,042.17 crore, long term loans of ₹ 24,236.84 crore and grants/ subsidies of ₹ 2,081.64 crore. Out of the released long term loans of ₹ 24,236.84 crore, ₹ 30.00 crore was interest free loan.

The funds made available in the form of the grants/subsidies for operational and management expenses have been reckoned as investment. Out of the total long term loans, only interest free loans have been considered as investment. However, in cases where interest free loans have been repaid by the PSUs, the value of investment based on historical cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in table 3.9.

The sector-wise return on investment in working PSUs[15], (with State Government investment in the form of equity and interest free loans) on the basis of historical cost of investment for the period 2014-15 to 2018-19 is as follows:

13 Jalandhar Smart City Limited in its Accounts for the year 2016-17 and 2017-18 has neither shown any income nor expenditure in Profit and Loss Account.

14 These 23 PSUs include 22 PSUs where GoP has infused equity along with loan in some cases and one PSU i.e. PAFCL where GoP has provided long term loan only as detailed in ***Annexure 4.***

15 Working PSUs of respective years.

Table 3.9: Return on State Government Funds in working PSUs on the basis of historical cost of investment

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoP in form of Equity, Interest Free loans and Grants/ Subsidies on historical cost basis	Return on State Government investment on historical cost basis (in *per cent*)
i	ii	iii	iv= ii/iii*100
2014-15			
Social Sector	(-) 764.90	1,898.25	(-) 40.30
Competitive Sector	(-) 12.08	107.52	(-) 11.24
Others	-	0.05	-
Total	**(-) 776.98**	**2,005.82**	**(-) 38.74**
2015-16			
Social Sector	(-) 615.58	2,254.70	(-) 27.30
Competitive Sector	(-) 7.29	107.52	(-) 6.78
Others	-	0.05	-
Total	**(-) 622.87**	**2,362.27**	**(-) 26.37**
2016-17			
Social Sector	(-) 1,482.76	2,769.81	(-) 53.53
Competitive Sector	(-) 13.31	107.52	(-) 12.38
Others	-	0.05	-
Total	**(-) 1,496.07**	**2,877.38**	**(-) 51.99**
2017-18			
Social Sector	(-) 1,907.03	2,938.43	(-) 64.90
Competitive Sector	9.56	107.52	8.89
Others	-	0.07	-
Total	**(-) 1,897.47**	**3,046.02**	**(-) 62.29**
2018-19			
Social Sector	(-) 569.30	3,046.22	(-) 18.69
Competitive Sector	9.26	107.52	8.61
Others	1.46	0.07	2,085.71
Total	**(-) 558.58**	**3,153.81**	**(-) 17.71**

The return on State Government investment is worked out by dividing the total earnings[16] of these PSUs by the cost of the State Government investment. The return earned on the State Government investment ranged between (-) 17.71 *per cent* and (-) 62.29 *per cent* during the period 2014-15 to 2018-19. The overall negative return on State Government investment decreased in 2018-19 over that of 2017-18 due to substantial decrease in losses of State Foodgrains Procuring Agencies which was on account of better working

[16] This includes net profit/losses for the concerned year relating to those State PSUs where the investment (equity + interest free loans) has been made by the State Government.

results effected primarily by increase in sales (₹ 917.62 crore) of PUNSUP and PUNGRAIN.

(b) ***Present Value of Investment***

3.14 An analysis of the earnings *vis-à-vis* investments in respect of those 22 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return on investment (ROI) based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. Therefore, in addition to the calculation of return on funds invested by the GoP in 22 PSUs on historical cost basis, the real return on investment has also been calculated after considering the Present Value (PV) of investment in 19 Government companies (excluding three[17] Government Controlled Other Companies). The PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these companies and grants/subsidies given by the State Government for operational and management expenses[18] *less:* disinvestments till 31 March 2019. During the period from 2014-15 to 2018-19, these 19 PSUs had a negative real return on investment.

For the years 2014-15 to 2018-19 when these 19 PSUs incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the PSUs is commented upon in paragraph 3.16.

3.15 PSU wise position of State Government investment in these 22 State PSUs in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2018-19 is indicated in ***Annexure 8.*** Further, consolidated position of Net Present Value (NPV) of the State Government investment relating to 19 PSUs for the same period is indicated in the following table:

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17 Sr. No. 45, 46 and 47 of ***Annexure 4***.

18 Grants/subsidies given during the period 2011-12 to 2018-19 have been taken.

Table 3.10: Year wise details of investment by the State Government and present value (PV) of Government investment for the period from 2010-11 to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Grants/ subsidies given by 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[19]	Total Earning for the year[20]
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	-		789.79	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[21]	-	205.76	107.79	4,636.05	8.00	5,006.93	370.88	(-)560.04
Total		**1,042.15**	**30.00**	**2,081.64**	**3,153.79**					

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

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 3,153.79 crore in 2018-19 from ₹ 789.79 crore in 2010-11 as the State Government made further investments in shape of equity (₹ 252.36 crore) and interest free loans (₹ 30 crore) and grants/subsidies for operational and management expenses (₹ 2,081.64 crore) during the period 2010-11 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 5,006.93 crore. During 2011-12 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs as two of these PSUs incurred substantial losses during this period.

The comparison between rate of return on historical cost and rate of real return on investment could not be made as these PSUs incurred losses during the period 2011-12 to 2018-19.

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

20 Total Earnings for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 22 PSUs where funds were infused by State Government. In case where annual accounts of any PSU was pending during the year then net earnings (profit/loss) for that year has been taken as per latest finalised accounts of the concerned PSU.

21 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'.

Erosion of Net Worth

3.16 Net Worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of these 28 working PSUs as per their latest finalised accounts (as on 30 September 2019) were ₹ 1,745.36 crore and ₹ 8,611.16 crore respectively resulting in negative net worth of ₹ 6,865.80 crore. Analysis of investment and accumulated losses disclosed that net worth had eroded fully in 11[22] out of these 28 PSUs. Of these 11 PSUs, the maximum net worth erosion was in PUNGRAIN (₹ 3,496.81 crore) and PUNSUP (₹ 1,889.38 crore) due to accumulation of interest on the outstanding Cash Credit Liabilities (CCL) payments on account of non-reimbursement of actual incidentals incurred by these PSUs for procurement of foodgrains on behalf of Government of India, besides losses arising out of misappropriation of paddy, damage of wheat stocks, inefficiencies in milling operations, non-recovery of costs from millers, delayed/ non-raising of claims on Food Corporation of India/millers.

The following table indicates total paid up capital, total accumulated profit/loss, and total net worth of the 23 companies where the State Government has made direct investment:

Table 3.11: Net Worth of 23 working PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Paid Up Capital and free reserves at end of the year	Accumulated Losses (-) at end of the year	Deferred Revenue Expenditure	Net Worth
2014-15	1,434.11	(-) 4,980.67	-	(-) 3,546.56
2015-16	1,493.52	(-) 5,354.52	-	(-) 3,861.00
2016-17	1,607.49	(-) 6,581.72	-	(-) 4,974.23
2017-18	1,680.15	(-) 7,947.89	-	(-) 6,267.74
2018-19	1,719.25	(-) 8,580.84	-	(-) 6,861.59

As can be seen, the net worth of these companies decreased during 2014-19. It decreased from ₹ (-) 3,546.56 crore in 2014-15 to ₹ (-) 6,861.59 crore in 2018-19. Out of these 23 PSUs, 14 PSUs showed positive net worth while nine PSUs had negative net worth during 2018-19.

Dividend Payout

3.17 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 formulated (July 2011) a dividend policy under which all PSUs are required to pay a minimum return of five *per cent* on the equity funds invested by the State Government.

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[22] Sl. No. 1, 3, 5, 9, 10, 14, 19, 21, 27, 28 and 29 of ***Annexure 7***.

Dividend Payout relating to 22 working PSUs where equity was infused by GoP during the period is shown in table below:

Table 3.12: Dividend payout of 22 working PSUs during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoP		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in *per cent*)
	Number of PSUs	Equity infused by GoP	Number of PSUs	Equity infused by GoP	Number of PSUs	Dividend declared/paid by PSUs	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8=7/5*100**
2014-15	19	1,097.05	8	188.04	3	2.08	1.11
2015-16	19	1,129.29	8	229.77	3	2.13	0.93
2016-17	19	1,140.12	8	229.77	3	2.12	0.92
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

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 8 and 13. During this period, number of PSUs which declared/paid dividend to GoP ranged between three and four.

The Dividend Payout Ratio during 2014-15 to 2018-19 ranged between 0.52 *per cent* and 1.35 *per cent* only.

As per their latest finalised accounts, three[23] working PSUs declared a dividend of ₹ 1.67 crore which worked out to 0.52 *per cent* of equity capital of these PSUs. Of the 13 profit earning PSUs, 10 PSUs did not declare dividend due to accumulated losses or marginal profits, two[24] PSUs declared dividend higher than the minimum return limit and one PSU[25] declared dividend as per the policy.

Return on Equity

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

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

23 PSUs at Sl. No. 4, 6 and 15 of ***Annexure 7.***
24 PSUs at Sl. No. 4 and 6 of ***Annexure 7.***
25 PSU at Sl. No. 15 of ***Annexure 7***.

Table 3.13: Return on Equity relating to 22 working PSUs where Equity was infused by the GoP

Year	Net Income/ Total Earnings for the year[26] (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (in *per cent*)
2014-15	(-) 776.98	(-) 3,556.46	-
2015-16	(-) 622.87	(-) 3,774.45	-
2016-17	(-) 1,496.07	(-) 4,767.42	-
2017-18	(-) 1,897.47	(-) 5,697.98	-
2018-19	(-) 560.04	(-) 6,166.39	-

Return on Equity could not be calculated as both Earnings and Shareholders' Fund were negative during the period 2014-15 to 2018-19.

Return on Capital Employed

3.19 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[27]. The details of total ROCE of all 28 working State PSUs during the period from 2014-15 to 2018-19 are given in table below:

Table 3.14: Return on Capital Employed of working PSUs

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in *per cent*)
2014-15	2,931.67	10,108.26	29.00
2015-16	3,554.32	10,346.10	34.35
2016-17	(-) 1,532.50	(-) 2,435.72	-
2017-18	(-) 1,411.18	4,544.90	(-) 31.05
2018-19	(-) 403.48	12,033.07	(-) 3.35

The ROCE ranged between (-) 31.05 *per cent* and 34.35 *per cent* during the period 2014-15 to 2018-19. The ROCE was not measurable for the year 2016-17 as both the capital employed and the EBIT were negative.

The capital employed for these PSUs substantially increased during the year 2018-19 over that of 2017-18. This was on account of PUNGRAIN treating the unsettled CCL (₹ 6,831.54 crore) taken over by the GoP in its latest finalised accounts for the year 2016-17 as long term borrowings which were earlier being treated as short term borrowings and increase in CCL of PSWC. Further, the negative EBIT improved on account of better working results of the State Foodgrains Procuring Agencies during 2018-19 due to the reasons mentioned in paragraph 3.13 above.

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26 As per annual accounts of the respective years.

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

Analysis of Long Term Loans of the PSUs

3.20 Analysis of the Long Term Loans of the PSUs which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.21 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the lesser is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenue to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2014-15 to 2018-19 are given in table below:

Table 3.15: Interest Coverage Ratio relating to State PSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government, Banks and financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	3,792.07	2,931.67	26	6	20
2015-16	4,356.30	3,554.32	25	5	20
2016-17	3,589.63	(-) 1,532.50	25	4	21
2017-18	3,919.08	(-) 1,411.18	25	4	21
2018-19	3,149.04	(-) 403.48	26	4	22

Of the 26 State PSUs having liability of loans from Government as well as banks and other financial institutions during 2018-19, 4 PSUs had interest coverage ratio of more than one whereas remaining 22 PSUs had interest coverage ratio below one which indicates that these 22 PSUs could not generate sufficient revenue to meet their expenses on interest during the period.

Debt Turnover Ratio

3.22 During the last five years, the turnover of the working PSUs recorded compounded annual growth of 10.65 *per cent* and compounded annual growth of debt was 66.33 *per cent* due to which the debt turnover ratio deteriorated from 0.06 in 2014-15 to 0.65 in 2018-19 as given in table below:

Table 3.16: Debt Turnover Ratio relating to the 28 working State PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	1,908.62	1,471.81	25,222.28	26,522.68	26,705.55
Turnover	30,462.89	32,104.55	33,032.24	36,728.43	40,883.49
Debt-Turnover Ratio	0.06:1	0.05:1	0.76:1	0.72:1	0.65:1

Source : Compiled based on Annexure 4 and Annexure 7.

The debt-turnover ratio ranged between 0.05 and 0.76 during this period.

Winding up of Inactive State PSUs

3.23 19 of the 47 State PSUs were inactive companies having a total investment of ₹ 56.20 crore as detailed in ***Annexure 4*** as on 31 March 2019. The number of inactive PSUs at the end of each year during last five years ended 31 March 2019 are given below:

Table 3.17: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Number of inactive companies	23	22	21	20	19

Source: Compiled from the information included in Audit Report (PSUs), GoP of respective years and in Annexure 4.

The stages of closure in respect of inactive PSUs are given in table below:

Table 3.18: Closure of inactive PSUs

Sl. No.	Particulars	No. of PSUs
1.	Total number of inactive PSUs	19
2.	Of (1) above, the number under:	
(a)	Liquidation by Court (liquidator appointed)	-
(b)	Voluntary winding up (liquidator appointed)	6[28]
(c)	Closure i.e. closing orders/instructions issued but liquidation process not yet started.	6

The companies which have taken the route of voluntary winding up under the Companies Act are under liquidation for a period ranging from four to 25 years. During the year 2018-19, one Company - Punjab Agro Power Corporation Limited was removed from the Register of Companies by the Registrar of Companies under section 248(5) of the Companies Act, 2013. The Government (Directorate of Disinvestment)[29] may expedite decisions regarding winding up.

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[28] Sr. No. 23, 33, 34, 35, 36 and 38 of ***Annexure 4.***

[29] A cell established for disinvestment of State Government equity in State PSUs/ subsidiaries and for restructuring/ privatisation etc. of these PSUs.

Comments on Accounts of State PSUs

3.24 22 working companies forwarded 31 audited accounts to the Principal Accountant General (Audit) during the period from 1 October 2018 to 30 September 2019. Of these, 27 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 3.19: Impact of audit comments on Accounts of Working Companies

(Amount: ₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	3	12.29	3	21.34	7	28.58
2.	Increase in profit	-	-	2	22.54	4	14.44
3.	Increase in loss	7	2,869.79	4	5,898.30	7	6,897.59
4.	Decrease in loss	-	-	1	1.36	4	391.21
5.	Non-disclosure of material facts	4	241.31	4	375.50	6	508.21
6.	Errors of classification	9	474.29	11	1,424.36	15	3,465.57

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies finalised by CAG during October to September each year.

During the year 2018-19, the Statutory Auditors had issued qualified certificates on 17 accounts and adverse certificates on two accounts. The compliance to the Accounting Standards by the PSUs remained poor. The Statutory Auditors and CAG pointed out 31 instances of non-compliance to the Accounting Standards in 16 number of accounts.

3.25 The State has four Statutory Corporations *i.e.* PSCLDFC, PRTC, PSWC and PFC. The CAG is sole auditor in respect of PSCLDFC and PRTC. Four working statutory corporations forwarded their five[30] accounts to the Principal Accountant General (Audit) during the period from 1 October 2018 to 30 September 2019. The accounts of PSCLDFC and PRTC pertained to sole audit while supplementary audit was conducted in respect of the remaining two accounts (PFC and PSWC). The Audit Reports of statutory auditors and the sole/supplementary audit of CAG indicated the need to improve the quality of the accounts. The details of money value of comments of Statutory Auditors and CAG on accounts audited during the last three years are given in table 3.20:

[30] PSCLDFC (two Accounts), PRTC, PSWC and PFC.

Table 3.20: Impact of audit comments on Account of Statutory Corporations

(Amount: ₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in Profit	-	-	-	-	2	76.51
2.	Increase in profit	2	5.01	-	-	1	2.94
3.	Increase in loss	1	1.86	1	0.65	4	196.74
4.	Non-disclosure of material facts	8	18.55	-	-	5	2,336.32
5.	Errors of classification	6	22.01	-	-	6	252.66

***Source:** Compiled from comments of the Statutory Auditors/ CAG in respect of accounts of Statutory Corporations finalised by CAG during October to September each year.*

During the year, accounts of PFC and PSWC received unqualified opinions.

Performance Audit and Compliance Audits Paragraphs

3.26 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, five compliance audit paragraphs and one Performance Audit were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Reply of these compliance audit paragraph have not been received from the State Government. The total financial impact of these compliance audit paragraphs and Performance Audit is ₹ 697.27 crore.

Follow up action on Audit Reports

Replies outstanding

3.27 The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that these elicit appropriate and timely response from the Executive. The State Finance Department, Government of Punjab issued (August 1992) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/Performance Audits (PAs) included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature without waiting for any questionnaires from the Committee on Public Undertakings (COPU). However, explanatory notes were not received in 83.33 *per cent* of the performance audits and 55.10 *per cent* of the audit paragraphs as on 30 September 2019 as depicted in table 3.21:

Table 3.21: Position of explanatory notes on Audit Reports related to PSUs as on 30 September 2019

Year of the Audit Report (PSU)	Date of the Placement of Audit Report in the State Legislature	Total performance audits (PAs) and paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	July 2014	2	6	2	1
2013-14	March 2015	1	10	1	4
2014-15	March 2016	1	12	Nil	4
2015-16	March 2017	1	10	1	7
2016-17	March 2018	1	11	1	11
Total		**6**	**49**	**5**	**27**

Discussion of Audit Reports by COPU

3.28 The status of discussion of PAs and paragraphs related to PSUs that appeared in Audit Reports (PSUs) and discussed by the COPU as on 30 September 2019 was as under:

Table 3.22: PAs/Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 30 September 2019

Period of Audit Report	Number of PAs/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2012-13	2	6	Nil	1
2013-14	1	10	Nil	Nil
2014-15	1	12	Nil	Nil
2015-16	1	10	Nil	2
2016-17	1	11	Nil	Nil
Total	**6**	**49**	**Nil**	**3**

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

The discussion on Audit Reports (PSUs) upto 2011-12[31] has been completed.

[31] Audit Reports upto 2011-12 had been transferred to concerned Administrative Secretaries vide COPU decision dated 19 September 2017.

PART - II

Chapter - IV
Performance Audit relating to PSUs other than Power Sector

Chapter-IV

Performance Audit relating to PSUs other than Power sector

Punjab Small Industries and Export Corporation Limited

4.1 Assessment of activities of Punjab Small Industries and Export Corporation Limited

While the total financial implication of this Performance Audit intervention is ₹ 623.34 crore, some of the significant findings are highlighted below:

Highlights

The Company did not formulate a plan for creation of land bank for meeting the requirement of industrial land as envisaged in the Industrial Policy 2009 of the State.

(Paragraph 4.1.6.1)

Allotment of undeveloped land/ plots without providing basic amenities to the allottees, against the allotment policy of the Government of Punjab, deprived the Company of revenue of ₹ 138.99 crore.

(Paragraphs 4.1.7.2 (i) and 4.1.7.2 (ii))

Non-cancellation/resumption of vacant plots under the three Industrial Focal Points where all plots stood allotted, deprived the Company of potential revenue of ₹ 1,197.64 crore.

(Paragraph 4.1.8)

Absence of monitoring mechanism and follow up of recovery led to accumulation of recoverable amount of ₹ 432.77 crore.

(Paragraph 4.1.10)

Emporia under the company did not achieve the sales and profit targets during the years 2014-19.

(Paragraph 4.1.14)

Non-execution of the projects under 'Apparel Park for Exports' scheme for promotion of exports even after lapse of six years, resulted in unfruitful utilisation of grant of ₹ 13.07 crore, non-achievement of exports of ₹ 1,650 crore and non-generation of employment for 22,250 persons.

(Paragraph 4.1.15.2)

4.1.1 Introduction

The Punjab Small Industries and Export Corporation Limited (Company), was set up in 1962 under the Department of Industries and Commerce (DIC) with the objective to aid, promote and protect the interests of small and large scale industrial units in the State by developing infrastructural facilities to provide financial, technical, managerial and marketing assistance. It also acts as the nodal agency for development of industrial focal points (IFPs). The functions of the Company include allotment of land/ plots as per the allotment policies of the Government of Punjab (GoP), distribution of iron and steel to small scale industries (SSIs) through its Raw Material Depots (RMDs), marketing of products through the State emporia and promotion of exports under Assistance to States for Development of Export Infrastructure and Allied Activities (ASIDE) and Apparel Park for Exports scheme (APE) schemes of the Government of India (GoI).

During 2009-19, GoP notified three[1] industrial policies for economic development of the State with a view to accelerate the industrial growth and job creation; create land bank to develop, maintain and upgrade IFPs; and support the traditional handicrafts and promote garment industry in the State for exports.

During 2017-18 to 2018-19, the industrial growth rate[2] in the State declined to 5.80 *per cent* from 6.00 *per cent*, while share of manufacturing sector showed a decline in growth rate from 5.90 *per cent* to 5.60 *per cent*.

4.1.2 Organisational structure

The Management of the Company is vested in a Board of Directors (BoDs), a Chairman and four directors including Managing Director appointed by the GoP. The Managing Director is the Chief Executive of the Company and is assisted by functional heads in-charge of various activities viz. Estate, Engineering, Finance and Accounts, Raw material, Emporia, Export, Legal, Personnel, etc.

4.1.3 Scope and methodology of audit

The performance audit was conducted during December 2018 to August 2019, to assess activities of the Company for the period 2014-19 and overall execution of projects. Audit examination involved scrutiny of records in the head office, 24[3] out of 42 IFPs, five[4] out of 16 residential focal points (RFPs), three[5] out of seven RMDs and three[6] out of five emporia of the Company,

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1 Industrial Policy 2009 (October 2009), Fiscal Incentives for Industrial Promotion 2013 (December 2013) and Industrial and Business Development Policy 2017 (October 2017).

2 Source: Punjab Economic Survey 2019-20.

3 Amritsar: 02, Batala: 01, Bathinda: 03, Goindwal: 01, Jalandhar: 04, Kapurthala: 01, Ludhiana: 05, Mandi Gobindgarh: 01, Mohali: 04, Moga: 01 and Muktsar: 01.

4 Abohar: 01, Amritsar: 02, Chanalon: 01 and Pathankot: 01.

5 Jalandhar: 01 and Ludhiana: 02.

6 At Chandigarh, Delhi and Patiala.

selected on the basis of the stratified random sampling technique using IDEA[7] software.

An Entry Conference for the performance audit was held in April 2019 with the Company wherein audit scope, objectives and methodology were explained to the Management. An Exit Conference to discuss the audit findings was held in July 2020 which was attended by the Special Secretary-cum-Director, Industries and Commerce, GoP and Managing Director of the Company.

The activities of the Company for the period 2007-12 were last reviewed and included in the Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2012, Government of Punjab and was discussed (July 2014 to May 2015) by the Committee on Public Undertakings (COPU) of Punjab Vidhan Sabha.

4.1.4 Audit objectives

The objectives of the performance audit were to ascertain whether:

- planning, development, allotment, utilisation and maintenance of IFPs, RFPs and commercial sites was efficient and effective and was able to achieve the objectives of the industrial and land allotment policies of the State;
- the Emporia were being run economically and effectively to uplift the status of local artisans and handicrafts;
- promotion of exports was carried out as envisaged in the centrally sponsored ASIDE and APE schemes; and
- financial management and internal control mechanism was effective and efficient.

4.1.5 Audit criteria

The audit findings were benchmarked against the criteria sourced from:

- Industrial Policy 2009, Fiscal Incentives for Industrial Promotion Policy 2013, Industrial and Business Development Policy 2017, rules and guidelines of the GoP, Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) of the GoI for development of the focal points;
- Allotment Policy 2008 and Allotment Policy 2013 of the GoP for allotment of plots;
- Instructions and targets of the Company for operation of Emporia; and
- Guidelines of the ASIDE and APE schemes of GoI.

[7] Interactive Data Extraction and Analysis software.

Audit findings

4.1.6 Planning, development, allotment, utilisation and maintenance of Industrial Focal Points (IFPs)

The following stages are involved in development of IFPs:

Procurement of land → Development of IFP → Allotment of plots → Utilisation of plot by allottees

4.1.6.1 Planning for creation of land bank for industries

The Industrial Policy 2009 envisaged creation of land bank for relocation of existing industries and development of new industrial areas. Scarcity of land bank in the State was also observed by the GoP in Progressive Punjab Summits[8], 2013 and 2015. The Industrial and Business Development Policy, 2017 (IBDP) also envisaged development of new industrial parks covering general and sector specific requirements of industrial sectors. The Company being nodal agency for development of IFPs and facilitation of industrial development, was required to conduct demand assessment surveys/feasibility studies and formulate a perspective plan for procurement of land for creation of land bank.

Out of the total 42 IFPs as on 31 March 2019, only three[9] were initiated during last ten years i.e. after March 2009. For these three IFPs, the GoP transferred (August 2013 to May 2015) 114.04 acre land to the Company for industrial purposes. The Company took a decision (August 2017) for creation of land bank, after eight years of the Industrial Policy of 2009 and identified (December 2019) 2,868 acre land for procurement which was yet (June 2020) to be procured. This non-formulation of timely plan for creation of land bank would result in not meeting the requirement of industrial land for existing as well as upcoming investors thereby impacting the pace of industrial growth in the State.

The Management stated (June 2020) that Industrial Policy, 2009 was a State direction to Department of Industries for implementation of the Policy. The DIC, during Exit conference, directed the Company to create land bank for betterment of industries.

4.1.6.2 Development of industrial infrastructure project at Nabha

To enhance competitiveness of industry and promote industrial growth, employment generation and technology upgradation by providing quality infrastructure in Industrial Areas, the GoI notified (July 2013) a Modified Industrial Infrastructure Upgradation Scheme (MIIUS) under which central grant upto 50 *per cent* of the project cost was available.

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8 organised by the State Government for attracting private sector investments/ collaborations in various industrial sectors.

9 At (i) Tajpur road, Ludhiana (ii) Sector-82, Mohali and (iii) Nabha.

The Company acquired (August 2013) land measuring 83.81 acre at Nabha town for development of a "Light Engineering Goods Cluster" envisaging new infrastructure for cluster of engineering/agricultural implements under MIIUS. The GoI approved (March 2015) the project with a development cost of ₹ 44.26 crore (exclusive of land) including central grant of ₹ 13.06 crore with the condition of implementation of project within two years from the date of approval.

The Company could not complete the project within the stipulated period of two years and requested (May 2017/May 2019) the GoI to extend the completion date upto November 2019. The project could still not be completed. Audit observed revision in layout plan, estimates and technical sanctions by the Company as the factors contributing to the delay in implementation of the project. The Company had incurred (as of December 2019) an expenditure of ₹ 70.57 crore (cost of land: ₹ 40.75 crore and development cost: ₹ 29.82 crore including central grant of ₹ 13.06 crore) on the civil and public health works.

Thus, due to non-completion of the project for the last 33[10] months, the Company could not provide the envisaged industrial infrastructure besides deferring returns on its investments of ₹ 70.57 crore which had an associated interest cost of ₹ 19.87[11] crore.

The Management stated (June 2020) that the GoI has since granted extension up to September 2020 for completion of the project.

4.1.6.3 Development of project for resettlement of industries at Ludhiana

Economic viability of a new IFP depends upon (i) acquisition price of land i.e. after comparison with price of land in adjoining areas (ii) cost of development of land and (iii) allotment price of plots after development of an IFP.

To develop industrial plots for resettlement of the polluting dyeing industrial units of Ludhiana, the GoP decided (February 2014) to transfer 15 acre land of Central Jail, Ludhiana to the Company for ₹ 31.50 crore as per prevailing market rate. The Company, without considering the prevailing circle rates (₹ 25.70 crore) for ensuring reasonability of the price of the land being transferred and without conducting any feasibility study of the project, agreed and paid (May 2014) ₹ 31.50 crore, to the GoP. The Company worked out (June 2014) project profitability of ₹ 5.33 crore by adopting reserve price of ₹ 10,000 per square yard (*psy)* instead of the prevailing reserve price of ₹ 7,500 *psy* which was leading to a loss of ₹ 5.57 crore to the Company. The Company incurred ₹ 1.46 crore towards development costs of this project and

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10 From April 2017 to December 2019 after allowing a stipulated period of 24 months.

11 Calculated @ nine *per cent per annum* (rate adopted by the Company in cost sheet of the project) on ₹ 40.75 crore (cost of land) for the period from September 2015 to December 2019 (after allowing gestation period of two years for development of project) and cost of development: ₹ 29.82 crore (from date of completion of respective works to December 2019).

advertised (June-August 2016 and February 2019) allotment of plots for dyeing as well as mixed purpose industrial units. However, no response was received. Till date (June 2020) only one plot has been allotted (April 2019) and the polluting dyeing units were still operating at their original locations.

The primary reason for the Company not generating adequate response was fixation of higher reserve price which in turn was attributed to charging of market price of land instead of circle rates. Had the Company procured land at the circle rate it could have fixed and offered the industrial plots at ₹ 7,500 *psy* at par with plots available in other IFPs in Ludhiana.

This non-considering of the lower circle rates for procurement of land made the project unviable, resulted in blockage of ₹ 31.96[12] crore and defeated the primary purpose of re-settlement of dyeing units.

The Management stated (June 2020) that the Company has now fixed the reserve price for allotment of industrial plots in all IFPs at Ludhiana at ₹ 10,000 *psy*. Further, the Punjab Pollution Control Board would also be requested to motivate the identified dyeing units to obtain allotment of plots.

4.1.6.4 Development of vacant lands in IFPs

The Industrial Policy 2009, *inter alia,* provided that the vacant land in IFPs was to be developed for industrial purposes. Audit observed that the Company did not put any mechanism of periodical physical verification/ reconciliation of inventories in place to identify and utilise the areas lying vacant in the IFPs/RFPs. In the selected field offices of the Company, vacant land valuing ₹ 108.36 crore remained undeveloped as given below:

(a) At IFP, Ludhiana, an area of 36,647 square yards (sq. yds.) having present allotment price of ₹ 36.65 crore was lying vacant for more than 25 years but not offered for allotment.

(b) In seven out of 24 selected IFPs, land measuring 70,761 sq. yds. having current allotment price of ₹ 48.41 crore remained reserved even after a lapse of 22 to 43 years for setting up of Common Effluent Treatment Plant (CETP)/Sewerage Treatment Plant (STP).

(c) In one out of five selected RFPs, an area of 31,073 sq. yds. having current allotment price of ₹ 23.30 crore was earmarked for Common Facility Centers (CFCs) since 2003-04, without requisite development.

The Management stated (June/July 2020) that vacant plots would now be put up for allotment; utilisation of land reserved for setting up of STP/ CETP would be reassessed; and that as only 23 plot holders constructed their buildings against the allotted 381 plots and in view of lukewarm response from the plot holders, there was delay in development of area reserved for CFCs, otherwise it would cause blockade of Company's funds. However, the

[12] Cost of land: ₹ 31.50 crore *plus* cost of development: ₹ 1.46 crore *minus* allotment price of one plot allotted during April 2019: ₹ 1.00 crore.

fact remained that the Company could not achieve the intended development of the IFPs as envisaged in the Industrial Policy 2009.

4.1.7 Allotment of plots

For development of IFPs in the State, the Company allots plots as per Allotment Policies of 2008 and 2013 of the GoP and issues allotment letter to the allottees. The salient features of the allotment policies and allotment letter provided for:

- Allotment of plot after assessing the viability of the project and other parameters[13].
- Allotment of plot/land in a developed/semi developed[14] IFP and at the reserve price fixed by the Company.
- Construction of building and commencement of production within stipulated period of three years extendable to five years on payment of prescribed extension fee.
- In the event of failure to commence commercial production within the prescribed period of three years or the extended period upto five years, cancel the allotment of plot and forfeit the earnest money deposited and extension fee paid, if any.
- Allotment of plots for specific industrial purpose, otherwise, the Company can resort to cancellation/ resumption of the plot.
- Allow transfer of plots only after three years of commencement of production by the original allottee on submission of the certificate of production issued by the concerned District Industries Centre.
- Payment of maintenance charges within 30 days from the date of demand after three years from the date of allotment.
- 30 *per cent* down payment within 30 days from the date of allotment.
- Payment of balance amount in five equated half yearly installments and due interest thereon by due date.

4.1.7.1 Policy for revision of reserve price of plots

The allotment of plots is done at reserve price fixed from time to time by the Company. As per the allotment policy, the Company has the right to review the reserve price at any time.

The Company has not prescribed any periodicity for revision of reserve price for allotment of plots in the focal points. The Company was revising the

13 impact on the environment, employment generation, export earnings, qualification and experience, technology involved etc.

14 after providing basic amenities i.e. Roads, street light, sewerage system and drainage.

reserve price in an *adhoc* manner i.e. within a period of two to 8.5 years whereas the PSU of State of Haryana, the Haryana State Industrial & Infrastructure Development Corporation Limited (HSIIDC) was reviewing the prices of its plots annually as a best business practice.

The Management agreed (July 2020) to consider reviewing the reserve price of plots at fixed regular interval, preferably at 6-12 months.

4.1.7.2 Allotment of undeveloped land

(i) The Company acquired (July 2016 and December 2018) 380 acre land for ₹ 124.89 crore for setting up of Hi-Tech Cycle Valley, Ludhiana. The project was to be implemented by 31 March 2020.

Audit noticed that the Company in departure from the allotment policy obtained approval (October 2018) from the GoP for allotment (December 2018) of un-developed land of 100 acre to M/s Hero Cycles Limited, Ludhiana on freehold basis at the special reserve price of ₹ 42.89 crore[15]. The allottee was to set up an anchor unit to develop industrial park by inviting ancillary/vendor units and providing developed infrastructure. Further, 50 *per cent* payment was received (upto January 2019) and the balance payment was allowed in five equated yearly installments instead of five equated half yearly installments as per the Allotment Policy, 2013.

Audit noted that the Company, did not carry out comparative financial analysis of potential revenue from allotment of developed land *vis-à-vis* allotment at special reserve price, in order to provide a basis for the GoP to take an informed decision in the matter. Thus, in decision to allot undeveloped land, the Company deprived itself of revenue of ₹ 125.84 crore[16] on account of differential amount between allotment price of developed land and cost of developed land.

The Management stated (July 2020) that the decision was taken by the Allotment Committee and the Council of Ministers, GoP, hence, there was no departure from the Allotment Policy. With the development of this project, the prices of the remaining land/plots of the Company would increase and will be beneficial to the Company. The allotment was made after considering these factors without working out the financial aspect.

The fact remains that by allotment of undeveloped land, in departure from the provisions of the Allotment Policy, the Company deprived itself of its legitimate revenue.

(ii) The Company acquired (May 2015) land measuring 15.23 acre for ₹ 37.00 crore in Sector-82, Mohali for development of plots for industrial

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[15] Cost of land: ₹ 31.50 crore; interest: ₹ 3.23 crore; and proportionate cost of external development till boundary: ₹ 8.16 crore.

[16] Saleable area of 2,46,840 sq. yds. (51 *per cent* of 4,84,000 sq. yds. equivalent to 100 acre) *x* current allotment price of ₹ 10,000 *psy* (fixed in January 2019) of IFP, Ludhiana equals to ₹ 246.84 crore *minus* ₹ 121.00 crore (cost of 100 acre land and its development).

purpose. Contrary to the allotment policy, the company, allotted (October-December 2016) 94 plots measuring 500 sq. yds. each without developing the land, at reserve price of ₹ 12,500 to ₹ 14,000 *psy*. All the 94 plots were lying vacant and no factory building was constructed by the allottees. This deprived the Company of earning revenue of ₹ 13.15[17] crore on 71[18] plots on account of difference of current (₹ 16,500 *psy*) and original allotment price.

The Management stated (June 2020) that the Company decided (February 2005) that date of allotment of plots would be made effective from the date of completion of development works instead from the original date of allotment. In the Exit Conference, it was stated (July 2020) that it has been principally agreed to allot only developed plots in future.

The reply is not acceptable as the allotment of the plots without development of land was against the Allotment Policy approved by the GoP.

4.1.7.3 Deviations from the terms of allotment

The significant instances of deviation from the terms of allotment by the Company noticed during audit are discussed below:

(a) Change in date of allotment

In eight cases of IFP (Phase VIII), Mohali, plots allotted during July 2004 to November 2011, the Company changed (November 2008 to December 2017) the date of allotment after a lapse of four to eight years of allotment on the ground of non-providing the basic amenities by it on the plots. Even after the change in date of allotment, these plots were lying vacant (June 2019), which should have been cancelled/ resumed and available for re-allotment at the current price. This deprived the Company of earning revenue of ₹ 12.86 crore on account of differential allotment price of plots.

The Management stated (June/July 2020) that change of date of allotment was made only in the undeveloped pocket where some development work was left to be done as approved (February 2005) by the BODs of the Company. Now, the Management has principally agreed to allot only developed plots in future and that deprivation of earning revenue of ₹ 12.86 crore is presumptive.

The reply is not acceptable as the Company did not furnish reasons for not providing the basic amenities to the allottees even after a lapse of up to eight years from the date of allotment. Also, the amount of ₹ 12.86 crore pointed out by the audit is not presumptive as the same has been calculated at the current reserve price of the plots.

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[17] ₹ 11.40 crore (at the rate of ₹ 4,000 *psy* for 57 plots having original allotment price of ₹ 12,500 *psy*) *plus* ₹ 1.75 crore (₹ 2,500 *psy* for 14 plots having original allotment price of ₹ 14,000 *psy*).

[18] Loss of revenue in respect of remaining 23 vacant plots which were transferred to other parties at original allotment price has been included in paragraph 4.1.8.1.

(b) Bifurcation and transfer of plots

In three cases in 24 selected IFPs (as tabulated below), the Company permitted bifurcation and transfer of vacant plots though there was no such provision in the allotment policy of the GoP:

Table 4.1: Table showing bifurcation and transfer of vacant plots

Name of IFP	Plot No. (Area in sq. yds.) & original purpose of allotment	Details of bifurcated plots (area in sq. yds.)	Original date of allotment/ Date of bifurcation	Status of bifurcated plots
Ludhiana (Ph-V)	C-131 (4,167) Auto parts	2 plots (2,583.67 and 1,583.33)	June 1976/ December 2015	1 plot (1583.33 sq. yds.) transferred in August 2016 for meat treatment furnace.
Ludhiana (Ph-VIII)	C-261 (8,500) Knitting, spinning, dyeing and finishing	4 plots (2,125 each) out of which 3 plots of 2,125 each further bifurcated into 6 plots (3 x 1000 and 3 x 1125) (Total 07 plots)	November 2006/ December 2006 & March 2012	All the 07 plots transferred during February 2007 to January 2018 for plastic bags, cycle parts, auto parts & hardware, agriculture & machinery parts.
Mohali (VIII-B)	D-266 (3,055.54) Railway track fittings	5 plots (2 x 527.77, 2 x 500 and 1 x 1000)	November 2011/June 2019	Status awaited (present market value ₹ 9.58 crore).

Source: Compiled from the records of Company.

The transfer of bifurcated plots to other allottees for different purposes resulted in favour to the allottees and provided an opportunity for speculative trading of industrial plots.

The Management stated (July 2020) that bifurcation was necessitated by factors like division of the family, unit becoming sick and death of an allottee etc. and was made as per the decision (February 2005) of the BODs of the Company. The DIC directed the Company, in the Exit conference, to get approval from the GoP.

4.1.8 Utilisation of plots

The Industrial and Business Development Policy**,** 2017 provides for resumption of the vacant plots so that the same could be given to deserving entrepreneurs. The COPU, while discussing, paragraph no. 2.2.9.2, 2.2.9.3 and 2.2.9.4 of the Audit Report 2011-12 had recommended (March 2015 - May 2015) resumption of the plots in case of non-compliance of terms and conditions of allotment by the allottees.

Audit, however, observed that:

- though the field offices of the Company conduct quarterly survey of plots allotted at each focal point but the Company had not maintained any data regarding date of allotment of plots, actual date of construction and date of start of production so as to ensure execution of the projects by the allottees within the stipulated period; to ascertain the reasons for plots lying vacant and to initiate action to resume the vacant plots. This showed lack of internal controls and checks to ensure the execution of the projects by the allottees.

- Upto 31 July 2018, the Company had allotted 10,735 plots (out of 11,518 available plots) in 42 IFPs against which commercial production was commenced only on 6,646 plots (61.90 *per cent*) and the balance 4,089 plots (38.10 *per cent*) were lying vacant (including 1,573 plots under construction).

- Out of 7,779 plots allotted (upto December 2018[19]) in 24 test checked IFPs, the allottees started commercial production in 5,246 plots (67.44 *per cent*) only as tabulated below. The percentage of the executed projects in these IFPs ranged between zero and 90.93 *per cent*.

Table 4.2: Table showing status of utilisation of allotted plots

Period of allotment	Plots where commercial production commenced	Plots lying vacant	Plots under construction	Pending since
Upto 2011-12	4,299	878	889	5 to 43 years
2012-13 to 2014-15	487	152	89	More than 3 years
2015-16 to 2018-19	460	363	162	Upto 3 years
Total	**5,246**	**1,393**	**1,140**	

Source: Compiled from Survey reports of plots of test checked IFPs.

The current allotment price of 1,530[20] plots (60.40 *per cent)* out of 2,533 vacant and under construction plots worked out to ₹ 2,098.36 crore. Of these, 649 vacant plots having current allotment price of ₹ 1,377.93 crore were situated in three IFPs[21] (Mohali, Amritsar and Ludhiana). The Company in resuming the 649 vacant plots by implementing its policy would have paved the way for setting up industries and generated revenue of ₹ 1,197.64[22] crore.

- In the 24 test checked IFPs, utilisation of plots was lowest in three IFPs ranging between zero and 20.66 *per cent* only as tabulated below:

19 In case of IFP Mohali, status of commercial production was taken upto March 2018.
20 Number of plots where the date of allotment, area and reserve price was available.
21 There was no un-allotted plot in these IFPs.
22 ₹ 1,377.93 crore (current allotment price) *less:* ₹ 180.29 crore (original allotment money to be refunded to the original allottee)

Table 4.3: Table showing details of three IFPs with lowest utilisation of plots

Name of IFP	Plots available for allotment	Plots allotted[23]	Plots under production	Plots vacant (plots under construction)	Utilisation of plots (in *per cent*)
Kapurthala	351	60	1	57 (2)	1.67
Muktsar	215	91	-	89 (2)	0.00
Goindwal Sahib	446	426	88	191 (147)	20.66
Total	**1,012**	**577**	**89**	**488 (151)**	

- To mitigate the hardship being faced by the entrepreneurs in implementation of the projects, the GoP/Company allowed (May 2003, August 2010 to September 2016) five[24] extensions in time over and above the normal extension of two years for commencement of commercial production. The Company granted (February 2019) another opportunity to the defaulting allottees for completing construction of buildings upto September 2019 and bringing the unit into production upto September 2020. Even after this, the allottees did not start construction of buildings on the plots. Twenty four such major cases {having differential (of current and original) allotment price of ₹ 112.32 crore} falling in 11 out of 24 test checked IFPs are discussed in ***Annexures 9 and 10.*** In these cases**,** the allottees did not construct buildings/commenced commercial production even after lapse of period ranging between two and 40 years, beyond the stipulated period of three years.

  At the instance of Audit, the Company cancelled (May 2019 to August 2019) four plots (Sr. No.1, 4, 9 and 10 of the ***Annexure 9***) having differential allotment price of ₹ 33.24 crore. Repeated grant of time extensions to the defaulting allottees, without analysing specific reasons for non-commencement of production, did not serve the objective of promotion of industrialisation in the State.

  The Management stated (June/July 2020) that in view of industry in Punjab undergoing recessionary phase, the Company/GoP, as a last and final opportunity, had given (February 2019) extension to defaulter allottees on payment of extension fee. Further, allotment of 1,148 plots was cancelled for allottees who did not come forward for execution of the projects or pay their dues.

  The Management reply is not specific as allowing repeated extensions to defaulting allottees to execute projects within a period of five to 43 years against the stipulated/extended period of five years lacked justification.

- The Company had not evolved any system for ensuring construction of the buildings/structures as per the detailed project reports/sanctioned building plans of the respective projects. An inspection-*cum*-survey

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[23] Upto 2011-12 : 357, 2011-12 to 2014-15 : 82 and 2015-16 to 2018-19 : 138.

[24] Two years, two years, two years, three years and one year.

conducted (July and August 2019) by Audit at IFPs in Ludhiana and Mohali showed that in five cases, the allottees had not constructed the buildings on the plots (allotted during March 1974 to April 2000) measuring 3,50,179.86 sq. yds. Only marginal area of 31,444 sq. yards (nine *per cent*) was constructed and the balance area 3,18,735.86 sq. yds.[25] (91 *per cent*) was not used even after a lapse of 21 to 45 years resulting in non-generation of envisaged employment, increased state revenues besides depriving the Company of revenue of ₹ 428.13 crore on account of difference in original and current allotment price of the plots.

The Management stated (June 2020) that the revenue loss of ₹ 428.13 crore in the paragraph is presumptive only.

Reply is not accepted as the potential loss of revenue of ₹ 428.13 crore has been arrived at on the basis of the current reserve price of plots fixed by the Company, which could have been realised if the Company took pro-active steps in time.

- The Company allotted (April 2016) a 30 acre plot to Indian Oil Corporation Limited (IOCL) at IFP, Goindwal Sahib for setting up LPG bottling plant. IOCL had planned to spend of ₹ 100 crore in 30 months for setting up of plant which would have generated employment for skilled/unskilled manpower besides development of surrounding areas including transport sector. As per possession certificate (December 2016), two numbers of High Tension (HT) power transmission lines were passing through the plot and it was the Company's responsibility to get them shifted as the proposed industry was dealing in inflammable material. The process was delayed to July 2019 and the Company changed the date of allotment from April 2016 to August 2019 owing to not providing encumbrance free land to IOCL, thereby deferring the implementation of a project in a lesser industrialised IFP of the State.

  The Management informed (June/July 2020) that HT lines have been re-routed and the project is under progress. The fact remains that the development of the project was delayed due to the Company not providing the encumbrance free plot to the allottee at the first instance.

4.1.8.1 Transfer of plots

The Company allowed (August 2014 to June 2019) transfer of 89[26] vacant plots to other parties despite the fact that the allottees had not started commercial production. A fresh period of three years for commencement of production to new allottees that too without obtaining any project report from them was also allowed. On the date of transfer, allotment price of the plots ranged between ₹ 0.04 crore and ₹ 5.82 crore against the original allotted price ranging between ₹ 0.01 crore and ₹ 3.52 crore. Had the Company resumed the

[25] including 33,880 sq. yds. area given on rent by one allottee.

[26] Originally allotted during June 1976 to September 2017.

plots and re-allotted them, revenue of ₹ 65.03 crore (after adjustment of transfer price) on account of difference in original allotment price and current price could have been earned.

The Management stated (June/July 2020) that the allotment policy of the GoP permits transfer of vacant plots after realisation of dues from the allottee. The factum of deprivation of the revenue earning as pointed by the audit is presumptive.

The reply is not acceptable as the transfer of vacant plot was not allowed by the allotment policy and were to be cancelled/resumed due to non-execution. Moreover, the Company had itself decided (May 2013) that transfer of plot may be allowed only in those cases where allottees have physically commenced the operations.

4.1.8.2 Utilisation of plots for other than intended purposes

Scrutiny of survey reports in respect of the test checked 24 IFPs prepared by the field offices of the Company showed that:

- Allottees of 90 plots in 11 IFPs leased the plots on rental basis instead of using these plots for the intended purposes. The Company had not taken action for cancellation/resumption of these plots.

  The Management stated (June 2020) that the Company allows allottees to lease/rent out their premises to encourage entrepreneurs for undertaking industrial activity, increase occupancy ratio and hence, cancellation/resumption of the plot is not warranted. The reply is not acceptable as further leasing/renting out the plots is not permissible under the allotment policy of GoP. Moreover, the Company had itself cancelled (July 2019) 12 industrial plots in IFP Tarn Taran which were being used for other than intended purposes.

- The Company decided (May 2013) to regularise the weighbridges already installed/to be installed within the premises of the allotted industrial plots for commercial purpose, subject to the payment of additional 50 *per cent* of the current allotment price[27] and fixed annual renewal fee of ₹ 0.30 lakh. In 11 IFPs, 32 plots were being used for operation of weighbridges only. Audit, however, observed that no action for regularisation of the installed weighbridges, ascertaining the actual area utilised for such weighbridges along-with the period since when these were installed, and recovery of applicable charges from the allottees was taken by the Company.

  The Management stated (June 2020) that allottees can install weighbridge as a part of their chain of manufacturing process and cannot be termed as commercial misuse of industrial premises. The status of regularisation of 32 cases along with recovery of charges was not provided to Audit.

[27] for a minimum area of 150 sq. yds. or the actual area under use, whichever is higher.

4.1.8.3 Encroachment of land

The field offices of the Company submit monthly report relating to encroachment of the Company's land/plots to the Head office of the Company. In case of encroachment, the Company is required to file eviction petition under the Punjab Public Premises Land (Eviction and Rent Recovery Act, 1973) against the encroachers for unauthorised occupancy of land.

Audit observed that the Company has not maintained consolidated record of land under encroachment in the respective IFPs. In three[28] test checked IFPs, though land measuring 2,23,251 sq. yds.) having current allotment price of ₹ 59.44 crore was under encroachment for a period ranging between six and 33 years but the Company had filed 56 cases for eviction of this land only during January 2015 to February 2019. Of these, 41 cases involving 1,78,299 sq. yds. of land having current allotment price of ₹ 35.66 crore were decided (February 2019) in favour of the Company. However, possession of the land was still awaited (June 2020).

Thus, delay in filing of eviction cases against the unauthorised occupants facilitated the un-authorised occupants to continue custody of the land having present allotment price of ₹ 59.44 crore.

The Management accepted (July 2020) the issue.

4.1.9 Maintenance of focal points

4.1.9.1 Non-recovery of maintenance charges

The GoP directed (February 2010) the Company to handover the IFPs established for over five years to the respective municipal committees (MCs) for maintenance and providing essential services. The Company requested (March 2010 to June 2017) the respective MCs to take over 14[29] IFPs developed upto February 2010. However, MCs gave no response, as a result the IFPs could not be transferred (June 2020). Thus, in absence of transfer of IFPs to MCs, the Company was required to recover the maintenance charges from the allottees but Company neither fixed the maintenance charges recoverable from the allottees after three years of allotment nor did it recover any such charges. The Company had incurred expenditure of ₹ 56.66 crore during 2013-18 on maintenance of IFPs, after three years from the allotment, which are recoverable from the allottees.

The Management stated (June 2020) that the response of the Department of Local Government, Punjab to its request (August 2019) to direct the concerned Urban Local Bodies to take over the maintenance of IFPs is awaited. No reply was offered for non-fixation of maintenance charges and recovery thereof from the allottees.

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28 Where major cases of encroachment were noticed (i) Goindwal Sahib, (ii) Amritsar and (iii) Jalandhar Expansion.

29 Batala: 1, Bathinda (New): 1, Derabassi: 1, Hoshiarpur: 1, Jalandhar: 4, Kotkapura: 1, Mohali: 1, Moga: 1, Nangal: 1, Nawashahar: 1 and Tarn Taran: 1.

4.1.9.2 Expenditure at IFP Kapurthala

For the development of IFP Kapurthala, the Company acquired (September 2008) 227 acre of land belonging to Open Jail, Kapurthala at the circle rate of ₹ 9.04 crore. Out of 227 acre, 25 acre of land was already occupied by the 'Centre for Training and Employment for Punjab Youth' (C-Pyte). The GoP directed (July 2007) the Company to bear the entire cost of relocation of C-Pyte building on 28 acre land adjoining the Modern Jail, Kapurthala. The Company constructed (June 2017) the building for relocation of C-Pyte at a cost of ₹ 7.51 crore and booked the expenditure as maintenance expenses in upgradation and maintenance account. Audit observed that the relocation work, which was neither a part of the IFP, Kapurthala nor related to the activities of the Company, resulted into unjustified expenditure of ₹ 7.51 crore.

The Management stated (July 2020) that the matter for its recovery would be taken up with the GoP.

4.1.9.3 Government of India scheme for upgradation of industrial infrastructure

Micro and Small Enterprises- Cluster Development Programme (MSE-CDP) scheme (October 2007) of the GoI envisaged upgradation of the existing industrial infrastructure as a part of enhancing the productivity, competitiveness and capacity building of Micro and Small Enterprises (MSE).

Audit observed that the Company did not chalk out any road map for nine and half years for getting the benefit of the GoI scheme in upgradation of the existing industrial infrastructure upto May 2017 when the GoP, *inter alia,* emphasised the need for obtaining the grants from the GoI under the scheme. Thereafter, the Company identified (2017-18) 16 IFPs for upgradation of the existing industrial infrastructure under the scheme and the GoI approved (November 2017-February 2020) the upgradation projects at a cost of ₹ 136.55[30] crore and contributed (November 2017-February 2020) ₹ 24.39 crore towards its share so far (June 2020). The Company had incurred (July 2020) an expenditure of ₹ 5.77 crore for upgradation of eight[31] IFPs.

The delay on the part of the Company in initiation of the case for obtaining the central funds deprived the State of the upgradation of the existing industrial infrastructure which was already in deteriorating condition, as discussed in the succeeding paragraphs.

The Management admitted (July 2020) the delay in availing central funds.

4.1.9.4 Survey on allottees satisfaction

With a view to elicit opinion of the allottees on the condition of infrastructure i.e. roads, sewerage, street lighting, water supply, etc., Audit conducted

[30] GoI share: ₹ 99.68 crore and Company share: ₹ 36.87 crore.

[31] Amritsar, Batala, Bathinda, Goindwal Sahib, Ludhiana Phase-IV, Mandi Gobindgarh, Nawashahar and Pathankot.

(July-August 2019) an Inspection-*cum*-Survey covering 32 allottees who had executed their projects in seven[32] out of 24 selected IFPs.

(i) 53 *per cent* allottees were not satisfied with the condition of roads and sewerage facilities, 41 *per cent* and 19 *per cent* pointed out the poor condition of street lights and water supply, respectively.

(ii) It was observed that ₹ 47.44 crore lying with the Company under the project liability of different IFPs were not utilised for maintenance and upgradation of IFPs. As a result, the condition and environment of IFPs deteriorated with the passage of time. Instances of accumulation of rain water, overflow of waste water and garbage dumps were observed:

IFP-Ludhiana (photographs taken on 11 July 2019)

IFP-Mohali (photographs taken on 19 August 2019)

The above condition of IFPs indicated their poor maintenance, thereby making these a health hazard due to un-hygienic conditions prevailing there and it also defeated the spirit of Swachh Bharat Mission.

The Management informed (June 2020) that the maintenance of basic infrastructure in IFP Ludhiana and IFP Mohali (Ph-VIII A & B) is under progress.

4.1.10 Collection of outstanding cost and other charges of plots

The Company had not maintained any allottee-wise ledger for keeping a track of the outstanding amount recoverable towards allotment price, extension fee and enhancement compensation to ensure its timely pursuance and recovery as per the terms of allotment. The Company had also not framed any Management Information System (MIS)/periodical statements of amount

[32] Ludhiana-03 (Phase V, VII and VIII) transferred to Municipal Corporation during 2002; Jalandhar-02 (Old and Extension); Kapurthala-01; Mohali-01 (Phase VIII A &B).

recoverable from each allottee (IFPs wise) for information of the top Management of the Company.

In absence of any monitoring mechanism and follow up, accumulation of recoverable amount of ₹ 432.77 crore (allotment price of plots: ₹ 113.02 crore, extension fee: ₹ 180.51 crore and enhancement compensation: ₹ 139.24 crore) for the period February 1977 to December 2016 was noticed. This showed lack of internal controls in the Company procedures.

The Management informed (July 2020) that the Company is developing Estate Management System for maintaining allottee wise ledger for its proper pursuance.

(i) In 62 plots under 18 IFPs allotted during June 2002 to March 2019, the allottees had not deposited the required initial down payment of 30 *per cent* of cost and possession of the plots was not given to the allottees even after a lapse of one to 205 months beyond the stipulated period of 30 days. The Company did not take action for cancellation of such allotment.

The Management stated (June 2020) that the Company has cancelled allotment of considerable number of plot holders who did not come forward to make up their default in payment.

(ii) In respect of 10 industrial plots allotted (April 1994 to December 2016) in four[33] IFPs, the allottees deposited ₹ 3.12 crore only and had not deposited the balance amount of ₹ 14.25 crore towards installments and interest thereon as per terms and conditions of the allotment. None of these allottees had executed the project. The Company issued (January 2004 to June 2019) notices for cancellation of allotments but the cancellation was not done as of September 2019.

The Management accepted and stated (July 2020) that notices have been issued to the concerned defaulter allottees.

(iii) In four cases, the allottees did not pay allotment price of plots (including interest on account of delay in payments) and enhancement compensation aggregating to ₹ 44.49 crore.

The Management stated (June 2020) that action has been initiated against these allottees as per terms of the allotment. However, action taken specifically in these cases has not been intimated to Audit.

(iv) The Company had not evolved any system of periodical verification of the status of execution of the projects by the allottees and timely raising of demand for extension fee in cases where the projects were not implemented within the stipulated period. Consequently, recoverable extension fee from 996 allottees of different IFPs accumulated to ₹ 180.51 crore. The Company issued as late as during March 2019 to June 2019, show cause notices to the concerned defaulting allottees to pay the extension fee.

[33] Amritsar (New/Expansion), Tanda, Goindwal Sahib and Mandi Gobindgarh.

The Management, while admitting the facts, stated (June/July 2020) that during the year 2018 and 2019, the Company issued notices to the concerned plot holders to make payment of applicable extension fee or furnish proof of having commenced production.

4.1.11 Residential Focal Points

With the objective of providing integrated industrial and residential facilities to the entrepreneurs, the Company/GoP earmarked (January 2000/December 2001) 20-30 *per cent* area for industrial housing in the existing/upcoming IFPs being developed by the Company.

- As on 31 March 2020, the Company had developed 16 Residential Focal Points (RFPs) in 14 cities of the State and allotted (2007-08) 2,424 plots out of total 3,808 plots. The balance 1,384 plots had remained un-allotted and the Company after lapse of 11 years offered allotment of residential plots at 12 RFPs through e-auction in November 2019.

- In five selected RFPs, position of allotment, utilisation and vacant residential plots as on 31 March 2020 was as under**:**

Table 4.4: Table showing position of allotment and utilisation of residential plots in selected RFPs

Sl. No.	Name of RFP	Total plots available	Plots allotted	Construction completed (Percentage)[34]	Plots lying vacant	Plots un-allotted
1.	Abohar	297	Nil	Nil	Nil	297
2.	Amritsar (New)	521	381	23 (6.04)	358	140
3.	Amritsar (Old)	49	48	19 (39.58)	29	1
4.	Chanalon	53	53	Nil	Nil	Nil
5.	Pathankot	337	301	Not available		36
	Total	**1,257**	**783**		**387**	**474**

Source: Compiled by Audit from the record relating to allotment of residential plots.

Besides above, the Company could not allot a single residential plot at Abohar (297), Malout (263), Raikot (256) and Tanda (165) since their inception. The non-allotment of residential plots was attributed to non-development of industry in these areas which also impacted residential plots demand.

The Management informed (June/July 2020) that the Company has allotted 100 residential plots through e-auction in different areas upto 31 March 2020. The industrially backward zones (Abohar, Malout, Raikot and Tanda) have issues in disposal of residential plots and even the industrial plots in the said areas have witnessed low occupancy.

[34] Percentage of completed plots to the total allotted plots.

4.1.12 Commercial sites

The Company reserves land for commercial purpose in IFPs. The allotment of commercial[35] sites was being made through auction (e-auction with effect from February 2019). The allottees were required to complete the buildings within three years, extendable upto 10 years on payment of extension fee from the date of allotment and produce the completion/ occupation certificate duly issued by the Company as a proof of completion. Otherwise, the site was to be cancelled/resumed and the amount paid by the allottee not exceeding 25 *per cent* of total consideration money was to be forfeited. Audit observed that:

- The status of commercial sites developed, allotted in the respective IFPs and the execution of the projects by the allottees was not brought to notice of the BoDs.

- In 25 IFPs, an area of 7,24,636 sq. yds. earmarked for commercial sites having present allotment price of ₹ 200.68 crore was lying un-developed.

  The Management stated (July 2020) that the development of the commercial sites depends upon the demand and development of industries in the respective focal points, otherwise, it would cause blockage of funds.

- Out of total 1,069 commercial sites (369 SCFs/ SCOs and 700 Booths) in 17 IFPs, 507 sites (187 SCFs/ SCOs and 320 booths) were allotted (upto January 2019) leaving 562 sites un-allotted. Of the 562 sites, only 23 commercial sites could be allotted, for ₹ 51.46 crore, during February 2019 to March 2020 in different IFPs .

  The Management stated (June 2020) that due to recessionary trend and economic hardships faced by the industry in Punjab, the Company was not able to dispose off the large number of sites through e-auction and the efforts are being made to dispose off commercial property.

- At IFP Ludhiana, six allottees (date of allotment: December 2014) had not paid ₹ 2.59 crore towards allotment price (including down payment of ₹ 0.36 crore) which was to paid by January 2015. No action for cancellation and resumption of the sites was taken by the Company before April 2019 when it issued show cause notices to the allottees for cancellation of the allotments. Inaction of the Company extended undue favour to the allottees and deprived the Company of earning additional revenue of ₹ 1.52 crore on account of differential allotment price of commercial sites.

Due to non-development of commercial sites, non-allotment of the available sites and inaction on the part of the Company in not taking action for cancellation and resumption of plots, the overall objective of development of IFPs was not achieved.

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[35] Shop-*cum*-Flat (SCF), Shop-*cum*-Office (SCO) and Booth.

The Management, while admitting the facts, stated (July 2020) that the date of allotment of sites has been changed (July 2018) due to allotment of undeveloped sites in the year 2014 while the basic amenities were completed during July 2018. The down payment has been remitted by all the plot holders.

The reply is not acceptable as the allottees were required to make the initial down payment within 30 days from the date of allotment; otherwise, the allotment of commercial sites was to be cancelled.

4.1.13 Non-generation of employment and revenue

Timely implementation of industrial projects is a pre-requisite for development of industries in the State and consequential employment and revenue generation.

Through scrutiny of project reports of 33[36] projects at nine out of 24 selected IFPs, it was observed that these projects envisaged turnover of ₹ 3,710.95 crore and providing employment to 4,062 persons**.** However, none of the project was executed (upto March 2019) even after a lapse of period ranging between four months to 30 years, which resulted in non-generation of the intended benefits.

The Management stated (June 2020) that entrepreneurial spirit of allottees and industry in Punjab passed through era of terrorism and acute recessionary phase. Given this scenario, the State Government and the Company took several measures to motivate the plot holders to come forward and set-up their projects.

The reply is not convincing as the risks associated with the project are always factored into while proposing a project.

4.1.14 Performance of Emporia

The Company was running seven Emporia *'Phulkari'* with the object of rendering marketing assistance to the artisans and craftsmen engaged in the manufacture of handicrafts, handloom, etc. The performance of Emporia during 2014-19 showed:

(i) Against the targeted sales and profits of ₹ 32.40 crore and ₹ 1.28 crore during 2014-19, the actual sales were ₹ 19.17 crore (59.17 *per cent*) and the segment reported loss of ₹ 1.35 crore. The lower sales and losses were attributed to lack of product mix, lack of advertisement, availability of cheaper products in the same market, withdrawal of contract marketing business, less procurement of own stock and high establishment cost, etc.

(ii) Six[37] emporia suffered losses of ₹ 2.54 crore and only one emporia at Chandigarh earned profit of ₹ 1.19 crore during 2014-19. The GoP

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36 Where project reports were available.

37 Amritsar, Delhi, Jalandhar (closed in December 2017), Kolkata, Ludhiana (closed in December 2015) and Patiala.

emphasised (May 2017) to rejuvenate activities of the Emporia introducing new product mix, improvement in quality of products and regular replenishment of stocks depending upon requirement. It was, however, observed that the Company did not perform demand assessment for stock management and work out any breakeven analysis along-with marketing plan, thereby continuing to incur losses.

The Management stated (June 2020) that annual budgets, targets are usually fixed on higher side as compared to the previous year actual achievement. Due to efforts of the Company, the performance of the Emporia in terms of sale (₹ 7.24 crore) and profit (₹ 0.58 crore) has improved during 2019-20.

4.1.15 Promotion of exports

The share of Punjab in Indian exports fell from ₹ 6,776 crore (2.18 *per cent*) during 2014-15 to ₹ 5,788 crore (1.91 *per cent*) in year 2017-18. Though the Company is not directly responsible for promotion of exports, it is nodal agency for implementation of two schemes of GoI: “Assistance to States for Development of Export Infrastructure and Allied Activities” scheme (ASIDE)[38] for promotion of exports and “Apparel Park for Exports” scheme (APE)[39]. The status of implementation of both these schemes by the Company is discussed as under:

4.1.15.1 Assistance to States for Development of Export Infrastructure and Allied Activities scheme

The outlay under the ASIDE scheme consisted of two components i.e. State component (80 *per cent*) and central component (20 *per cent*). The GoI delinked (June 2015) ASIDE scheme from the budgetary support w.e.f. financial year 2015-16 onwards and asked the GoP to contribute the funds from its own resources. However, the GoP did not provide funds to the Company. During 2002-15**,** the Company received ₹ 153.77 crore from the GoI under the scheme and released ₹ 140.38 crore upto 2013-14 and ₹ 13.39 crore during 2014-19 to the implementing agencies (IA) of 41 projects for export promotion upto December 2018. These projects had gestation period of upto two years. Audit observed the following deficiencies in implementation of the scheme:

- The Company had not evolved any system for monitoring the execution of projects by IAs and assessing the effectiveness of these projects in terms of contributions towards growth in exports.
- The Company, without assessing the requirement and ensuring the utilisation of already released installments released (February 2012-

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[38] Introduced (March 2002) by GoI with an objective of providing assistance to the State Governments for creating appropriate infrastructure for development and growth of exports.

[39] Introduced (March 2002) by GoI for promoting investment in the apparel sector and setting up of apparel manufacturing units of international standard to boost exports.

June 2014) further funds of ₹ 5.06 crore to three[40] IAs which resulted into loss of interest of ₹ 1.60 crore.

- The Company released (April 2013-June 2014) ₹ 9.23 crore to an IA (Public Works Department, Punjab) for development of road infrastructure, which had no direct linkage with exports as per the guidelines of the scheme. The project was completed (September 2014) at a cost of ₹ 8.25 crore. On being pointed out (January 2019) by Audit, the Company requested (March 2019) the IA for return of the balance funds of ₹ 0.98 crore along with interest thereon. Further developments were awaited (January 2020).

  The Management stated (June 2020) that the project of widening of Lambi-Khuban road was approved (January 2013) by the State Level Export Promotion Committee which released the funds under the head "Projects of national and regional importance" of the scheme as State component. The reply is not acceptable as the project for development of road infrastructure was not covered under the scheme for promotion of exports.

- The Company released (January 2016 to December 2018) ₹ 9.13 crore and ₹ 8.00 crore (January 2009 to September 2012) to two[41] IAs but the projects could not be completed even after a lapse of 50[42] months and 134[43] months respectively, against the stipulated period of 24 months.

  The Management stated (June 2020) that the IAs were directed to complete the projects by March 2020 and December 2020. The fact remains that the objective of promotion of export could not be achieved so far (June 2020).

4.1.15.2 Apparel Parks for Exports scheme

The Company was to implement 'Apparel Parks for Exports' (APE) scheme in or around Ludhiana. A State Level Committee (including Managing Director of the Company) which was to oversee, review and report on the progress of the Apparel Park to the GoI. The Industrial Policy, 2003 and IBDP, 2017 also emphasised to fully utilise APE scheme to develop apparel parks. For the execution of the Scheme, the Company incorporated (October 2003) a Special Purpose Vehicle - Punjab Apparel Park Limited (PAPL). The total investment in the project was estimated at ₹ 355 crore with annual projected turnover of ₹ 325 crore (including export of ₹ 275 crore) and employment to 22,500 persons. An integrated textile park was set up under the scheme at Ludhiana

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40 R & D Center for Bicycle and Sewing Machine Ludhiana, Mohali (₹ 2.00 crore), Hitech Metal Cluster (P) Ltd., Mohali (₹ 1.00 crore) and Northern India Institute of Fashion Technology (NIIFT), Mohali (₹ 2.06 crore).

41 Punjab Biotechnology Incubator, Mohali and NIIFT, Mohali.

42 February 2016 to March 2020.

43 February 2009 to March 2020.

for which the GoI contributed[44] (November 2005 to February 2014) ₹ 13.07 crore. The project was completed in March 2013 against the schedule of March 2010.

Out of total 106 plots, 104 plots were allotted and two remained un-allotted. As on March 2019, out of 104 allotted plots, only two units were in operation (employing 250 persons) and the remaining 102 plots were lying vacant even after a lapse of six years against stipulated period of three years. But no action was taken by PAPL against the allottees for cancellation of the allotment due to non-fulfillment of obligations. Further, the plots were being used for availing loan from the banks for their other existing projects which is against the objective of allotment of the plots.

Thus, central grant of ₹ 13.07 crore had not been fruitfully utilised as target of turnover of ₹ 1,950[45] crore (₹ 1,650[46] crore of export turnover and ₹ 300 crore of domestic turnover) and providing employment to 22,250 persons were not achieved.

The Management stated (June 2020) that the progress of the scheme was reviewed (2019). Further developments were awaited (June 2020).

4.1.16 Financial Management

4.1.16.1 Financial position and working results

The financial position and working results of the Company for the last four years up to 2017-18 are summarised in ***Annexure 11***. The profit (before tax) of the Company was reduced from ₹ 72.79 crore in 2015-16 to ₹ 20.40 crore in 2017-18. The major reason for decline in profit was attributed to decline in revenue from sale of plots and other products[47]. Other specific issues noticed are:

4.1.16.2 Avoidable payment of income tax

The Accounting Policy of the Company and Accounting Standards of the Institute of the Chartered Accountants of India (ICAI) for valuation of inventories as applicable to the Company provide that closing stocks of plots was to be valued at cost or allotment price, whichever is lower.

In contravention to its Accounting Policy, the Company valued its unsold inventory of plots at IFP Kapurthala at estimated development cost of ₹ 36.00 crore (₹ 929.45 *psy*) instead of actual cost of development of ₹ 24.09 crore (₹ 622.11 *psy*) incurred upto 31 March 2018. This resulted in overstatement of closing stock and profit by ₹ 11.91 crore and consequential

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44 As per the scheme, the GoI and the State agency was to share the capital expenditure incurred on the infrastructural facilities of apparel parks in the ratio of 75:25.

45 ₹ 1,950 crore (₹ 325 crore *per annum* for six years from April 2013 to March 2019) taken for all the units.

46 ₹ 1,650 crore (₹ 275 crore *per annum* for six years from April 2013 to March 2019).

47 Iron, steel and coal.

avoidable payment of income tax of ₹ 4.12 crore thereon for the financial year 2017-18.

The Management accepted (July 2020) the audit observations and agreed to value the inventory of plots as per the expenditure actually incurred in financial statements of subsequent years.

4.1.16.3 Avoidable payment of interest to Income Tax

Section-208 read with Section-211 of the Income Tax Act, 1961 (Act), *inter alia,* provides that each assesse Company was required to pay advance tax on quarterly basis at the prescribed rates. If advance tax paid is less than 90 *per cent* of the assessed tax, the Company was liable to pay interest on the amount of assessed tax short deposited by it, as per the provisions of Section 234B and 234C of the Act.

The Company incorrectly estimated its income and expenditure and short deposited (for assessment years 2012-13 and 2014-15 to 2017-18) advance tax liability by ₹ 30.43 crore (ranging between 2.43 and 60.50 *per cent*). Consequently, the Company had to pay interest of ₹ 4.65 crore which resulted in avoidable loss of differential interest of ₹ 1.94 crore[48].

The Management stated (June 2020) that as per accounting policy, the Company accounts for the sale of plots on cash basis and it is difficult to assess the actual receipt on account of sales.

The reply is not tenable as it is the responsibility of the Management to ensure accurate and timely accounting of its receipts to avoid such instances.

4.1.17 Internal control and internal audit

Internal controls are processes put in place by the Management of the Company to provide assurance that its operations are proceeding as planned and in an economic, efficient and effective manner.

4.1.17.1 Internal control

The Company had not maintained any stock ledger showing the location, size, plot number of the plots/sites. The Company had not maintained IFP wise database of allottees to whom the plots/sites were allotted. In absence of data regarding the date of allotment, the Company was not able to work out the amount recoverable from allottees on account of allotment price, enhancement compensation and extension fee etc. The Company had not devised an effective management information system to monitor timely execution of projects by the allottees and ensure that the plots were being used for the intended purpose only. These are indicative of weak internal control.

The Management stated (June 2020) that the Company exercises effective system of Internal Control through various modes like the status of

48 ₹ 4.65 crore *minus* ₹ 2.71 crore interest earned @ seven *per cent per annum* on the funds kept in fixed deposits.

outstanding recoverable from the defaulter allottees, survey of the units/plots by the officials of the Company.

The reply is not acceptable in view of the audit observations on activities of the Company as contained in this report. The fact remains that there is a need to strengthen internal control system for better working of the Company.

4.1.17.2 Internal audit

The Company does not have its own internal audit wing. The internal audit was being got conducted from the firm of Chartered Accountants upto 2017-18. The reports of the internal audit and action taken thereon were not placed before the BODs of the Company.

The Management accepted (June 2020) the audit observation.

Conclusions

The Company has not procured land for creation of land bank since implementation of the Industrial Policy of 2009. The Company allotted undeveloped plots and transferred the vacant plots against the allotment policy of the State Government and overlooking its financial interests. As many as 4,089 plots (38 *per cent*) out of 10,735 allotted plots were lying vacant and the Company did not monitor execution of the projects by the allottees and also not initiated action for cancellation/resumption of plots as per the terms of allotment.

The Company failed to achieve the objectives of the exports schemes of the Government of India besides funds were released to ineligible projects and the allottees did not execute the projects relating to infrastructure and promotion of exports. Thus, the Company had not played its role in development of industries in the State effectively and failed to accelerate industrial growth, promotion of exports and job creation. In the absence of an effective management information system, the Company failed to identify the areas of weakness and take remedial actions in time.

Recommendations

The Government and the Company may consider to:

- speed up the process of acquisition of identified land to create land bank for development of industrial areas in the State as envisaged in the Industrial Policy 2009;

- observe adherence to the terms and conditions of the allotment policy in allotment of land/plots;

- maintain and monitor status of plots available, allotted/un-allotted and the projects executed/not executed to ensure speedy industrial development in the State as per terms of allotment;

- strengthen internal controls with proper maintenance of records, ensure prudent utilisation of vacant land and keep surveillance against encroachment in IFPs/RFPs;
- evolve a system of monitoring the execution of export oriented projects for promotion of exports;
- estimate its income and expenditure reasonably to avoid payment of Income tax/interest on income tax; and
- strengthen its accounting system to ensure accurate estimation and filing of tax liability.

The matter was referred to the Government (January 2020); their reply was awaited (September 2020).

PART - II

Chapter - V
Compliance Audit observations relating to PSUs other than Power Sector

Chapter-V

Compliance Audit observations relating to PSUs other than Power sector

Audit of Transactions

Important audit issues noticed in test check of transactions of the State Government companies and Statutory Corporations relating to other than power sector have been included in this chapter. The chapter contains five paragraphs having a financial implication of ₹ 73.93 crore.

Punjab State Grains Procurement Corporation Limited and Punjab State Warehousing Corporation

5.1 Loss due to multiple violations of Custom Milling Policy

Violations in implementation of Custom Milling Policy and inadequate control over milling operations by the State Procurement Agencies, led to misappropriation of paddy stocks valuing ₹ 35.69 crore.

Punjab State Grains Procurement Corporation Limited (PUNGRAIN) and Punjab State Warehousing Corporation (PSWC) procure paddy for Central Pool on behalf of the Government of India (GoI), store it with allotted rice millers for milling and deliver resultant rice to Food Corporation of India (FCI).

In line with the Custom Milling Policy (CMP) of the State Government for Kharif Marketing Season (KMS) 2017-18, the district office Amritsar of PUNGRAIN and PSWC allotted 33,054.26 MT and 16,796.36 MT of paddy to a rice miller[1]. The miller was to deliver 22,146.36 MT and 11,253.56 MT of rice respectively, of the two agencies to FCI upto 31 March 2018. The miller did not adhere to the delivery schedule and delivered only 9,066.93 MT (40.94 *per cent*) and 5,154.05 MT (45.80 *per cent*) of rice upto 31 March 2018. Thereafter, the miller was found absconding since 2 April 2018.

The physical verification of paddy stock conducted (5 April 2018) at mill by the Committee constituted for physical verification of stock by Director of Food, Civil Supplies and Consumer Affairs, Government of Punjab (DFSC) revealed shortage of approximately 16,929.40 MT paddy and a police FIR was lodged (April 2018) against the miller. Meanwhile, the State Government extended the date of milling the paddy of KMS 2017-18 to 15 June 2018 and as per directions (April 2018) of the State Government, both the State Procuring Agencies (SPAs) got the balance available paddy milled from other

[1] M/s Viroo Mal Mulkh Raj Jain Rice Mills, Amritsar.

allotted rice millers. The final shortage was arrived at 18,667.92 MT of paddy, equivalent to 12,507.51 MT rice valuing ₹ 35.69[2] crore.

Audit observed (July 2018) the following violations of CMP on the part of DFSC, District Managers and field staff of both the SPAs:

- As per CMP**,** each rice mill was to be allotted to a single SPA, even if two rice mills were situated within the same boundary wall. In contravention to the CMP, two rice mill units situated in same boundary wall were allotted to different SPAs i.e. Unit-1 with 11 MT capacity to PUNGRAIN and Unit-II with 7 MT capacity to PSWC.

- Due to bifurcation of capacity of the miller into two units (11 MT + 7 MT) the miller was made eligible for allotment of 60,200 MT of paddy against the maximum eligible quantity of 33,600[3] MT for single unit of 18 MT. Resultantly, 16,250.62[4] MT paddy was allotted in excess of the eligibility of the miller.

- As per CMP, the initial storage as well as bi-monthly physical verification of stock was required to be videographed which was not done by PUNGRAIN.

- As per CMP, the miller was restricted to pledge the paddy stocks belonging to the SPAs. A consolidated list of rice mills allotted and paddy stored by SPAs was required to be intimated to the lead banks. However, SPAs failed to exercise control over the operations and miller had pledged/ hypothecated the paddy stock which were not their property to a bank for availing cash credit limit.

- As per CMP, the paddy was to be issued to the miller in lots of 200 MT each through release order after obtaining advance rice. However, this system of issue of paddy against advance rice was not adhered to.

- The CMP to safeguard the SPAs provided that in case the miller failed to deliver the rice within the stipulated schedule, the SPA was to shift the paddy stock to other millers at the risk and cost of defaulting miller. Though, the shortage in pace of milling of paddy against the norms ranged from 20.82 to 59.06 *per cent* in respect of PUNGRAIN and 22.69 to 54.20 *per cent* in respect of PSWC during December 2017 to March 2018, both SPAs had not taken any action to shift the paddy to other rice mills.

- CMP provides for physical verification of the paddy stocks to be conducted on fortnightly basis. In the physical verification reports, no shortage was reported by PSWC (upto 28 March 2018) and PUNGRAIN (upto 20 March 2018), however, physical verification of

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2 12,507.51 MT rice x ₹ 28,673.90 = ₹ 35.86 crore as reduced by ₹ 0.17 crore being the value of demand drafts kept as security and encashed.

3 Entitlement: 12,000 MT (basic as per capacity) + 4,800 MT (40 *per cent* for border districts) + 16,800 MT (as per Release Order) = Total 33,600 MT.

4 Total paddy allotted i.e. 49,850.62 MT *minus* entitlement i.e. 33,600 MT.

stock at mill premises by the Committee reported (5 April 2018) shortage of 16,929.40 MT paddy. The shortage of such huge quantity of paddy in a short span of time is indicative of inadequate physical verification.

- Undated cheques received from the miller as guarantee were not presented to the bank for encashment by either of the agencies (February 2020).

Thus, multiple violations of CMP and inadequate control over milling operations by the SPAs led to misappropriation of paddy stocks worth ₹ 35.69 crore. A challan in the case presented in Court is pending (September 2020).

It is recommended that SPAs may adhere to the terms and conditions of CMP in totality to safeguard their financial interests and fix the responsibility of the delinquent employees.

The matter was referred to both the SPAs and the Government (January 2019); their replies were awaited (September 2020).

Punjab State Grains Procurement Corporation Limited

5.2 Loss due to not accounting of storage gain

Non-observance of instructions regarding accounting for storage gain under decentralised procurement for the National Food Security Act, 2013 resulted in loss of ₹ 28.15 crore to the Company.

The Government of India (GoI) enacted the National Food Security Act, 2013 (NFSA) to provide food and nutritional security to the people of the country. Government of Punjab (GoP) implemented (December 2013) NFSA through the Punjab State Grains Procurement Corporation Limited (Company) which was declared as the nodal agency. Under the scheme, wheat[5] was to be distributed to the eligible beneficiaries (at the rate of ₹ 2 per Kg) through Fair Price Shops (FPS). On permission received from the GoI, wheat was being distributed twice a year, first for the months of April-September and then October to March.

A Memorandum of understanding was signed (April 2016) between GoI and GoP for undertaking decentralised procurement of wheat for Rabi Marketing Season 2016-17 onwards. As per MoU, the Company being designated agency procures wheat and distributes it to the beneficiaries through FPSs. Then, the Company claims the subsidy[6] on quarterly basis from the GoI after adjusting sale realisation of ₹ 2,000 per MT from the beneficiaries.

[5] Five kg of wheat per person per month belonging to priority households and thirty five kg of wheat per household per month covered under Antyodaya Anna Yojana.

[6] Cost as per provisional economic cost for DCP operations of that particular RMS crop year minus sale proceeds of ₹ two per kg.

The GoI, while circulating provisional economic cost of wheat for distribution under decentralised procurement system (DCP) for Rabi Marketing Season (RMS) 2014-15 to 2017-18[7], stated that storage gain is to be calculated at the rate of one *per cent* for wheat stored in covered godowns and 0.7 *per cent* for wheat stored under covered at plinth (CAP) on sums of Minimum Support Price, statutory charges, mandi labour charges and transportation and handling charges of acquisition cost and one time storage gain was to be realised irrespective of the period of storage on the wheat distributed after 30 June every year. The State Government requested (August 2017) the GoI for exemption from deducting mandatory storage gain stating that the wheat allocated for NFSA is stored in bags of 30 kg each and it was impractical to re-open the bag and take out quantity of 300 grams. However, the GoI turned down (October 2017) the request of the State Government stating that the norms fixed for storage gain in wheat issued (November 2012) for central pool stocks were uniformly applicable to all the State Governments and their agencies.

Audit observed (May 2018) that the district offices of the Company were not deducting the required storage gain from the wheat stock distributed under NFSA through ration depots as per the instructions issued by the GoI. Scrutiny of the records revealed that 25.59[8] lakh MT wheat under DCP was distributed upto 31 March 2018 for RMS 2014-15 to RMS 2017-18, from the month of July of each crop year against which storage gain of 16,547.47 MT (as segregated data of wheat stored at CAP and at covered space was made available by only eight districts, the computation of storage gain has been done by considering that wheat was stored at CAP) amounting to ₹ 28.15 crore was not deducted. The benefit of enhanced weight due to moisture gain was passed on to the beneficiaries of NFSA. Thus, non-deduction of storage gain on wheat purchased under DCP resulted in the loss of ₹ 28.15 crore to the Company.

It is recommended that the Company may ensure compliance of the instructions of the GoI and should also evolve a mechanism to deduct and account for storage gain separately for wheat stored at CAP and at covered godowns on the wheat distributed after 30 June every year.

The matter was referred to the Government and the Company (June 2019); their replies were awaited (September 2020).

[7] Mandatory storage gain was relaxed to the extent of 50 *per cent* (i.e. 0.5 *per cent* gain in covered godowns and 0.35 *per cent* gain in respect of open storage) for wheat procured during RMS 2015-16 as a special case.

[8] RMS 2014-15: 6,69,376.37 MT, RMS 2015-16: 3,90,675.81 MT, RMS 2016-17: 7,50,686.86 MT and RMS 2017-18: 7,48,525.60 MT.

5.3 Non timely verification of deductions made by FCI

The Company did not undertake timely verification of excess deductions made by the FCI towards cost of gunny bags and interest. The delayed receipt of deductions, cost the Company an avoidable interest burden of ₹ 1.67 crore.

Punjab State Grains Procurement Corporation Limited (Company) is engaged in food grains procurement operations for central pool on behalf of Food Corporation of India (FCI)/ Government of India (GoI). The procured grain (wheat and paddy) is collected and stored in gunny bags for delivery to FCI. For execution of its operations, the Company obtains and also extends gunny bags on loan to FCI.

Audit observed (July 2018) at district office, Moga of the Company that 56,18,739 gunny bags had been taken on loan during 2014-17 from FCI but were not returned physically. FCI, therefore, deducted ₹ 66.76 crore (September 2017 to December 2017) from claims of the Company (₹ 28.51 crore towards cost of gunny bags, ₹ 1.72 crore for Value Added Tax (VAT) and ₹ 36.53 crore for interest on cost of gunny bags). However, interest cost of ₹ 36.53 crore once again included the cost of gunny bags i.e. ₹ 28.51 crore. On being pointed out (4 July 2018) by Audit, the district office raised the claim with FCI and got the wrong inclusion of cost of bags of ₹ 28.51 crore rectified. FCI refunded (5 July 2018) the amount to the Company. This blockage of funds due to excess deductions made by FCI cost the Company an avoidable interest burden of ₹ 1.42 crore[9].

Audit further observed that the interest of ₹ 8.02 crore charged by FCI was over calculated. At the instance of Audit, the Company took up (25 July 2018) the matter with FCI and obtained refund (6 September 2018) of ₹ 3.71[10] crore. This blockage of funds cost the Company avoidable interest burden of ₹ 0.25 crore[11].

Thus, the delayed verification of deductions made by FCI by the District Manager Moga, on account of cost of gunny bags and interest imposed, resulted in the Company having to bear avoidable interest burden of ₹ 1.67 crore.

It is recommended that the Company may review its entire operations with FCI to avoid inflated deductions.

The matter was referred to the Company and the State Government (November 2018), their replies were awaited (September 2020).

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9 @ 10.03 *per cent per annum* on ₹ 28.51 crore from 01 January 2018 to 30 June 2018.

10 Calculated from the period of sanction upto 27 September 2017.

11 @ 10.03 *per cent per annum* on ₹ 3.71 crore from 01 January 2018 to 5 September 2018.

5.4 Short claiming of subsidy

Raising of subsidy claims for wheat stored in covered storage at the rates for open storage, led to short claiming of subsidy of ₹ 4.47 crore from the Government of India and consequential interest cost of ₹ 0.75 crore to the Company.

The Government of India (GoI) enacted National Food Security Act (NFSA), 2013 to provide food and nutritional security to the identified households by ensuring access to adequate quantity of quality food grains at affordable prices. Under the NFSA, every beneficiary is entitled to receive food grains at subsidised rates from the State Government through the targeted public distribution system. In the State, the Department of Food, Civil Supplies and Consumer Affairs implemented (December 2013) the NFSA under which wheat was to be distributed to the beneficiaries at the rate of ₹ two per kg by Punjab State Grains Procurement Corporation Limited (Company).

In order to implement the food security Act, a Memorandum of Understanding (MoU) was signed between the GoI and the State Government, for execution of Decentralised Procurement (DCP) of wheat. As per the scheme, the Company procures wheat and stores it till its distribution to the beneficiaries under NFSA. The State Government verifies the quantities distributed under NFSA and the Company claims the subsidy on quarterly basis from the Department of Food and Public Distribution, GoI at the rates notified by the latter after adjusting the sale realisation from the beneficiaries i.e. ₹ 2,000 per MT.

The GoI circulates provisional economic cost for the storage of wheat meant for distribution under DCP for each crop year for open (CAP[12] storage) and covered storage, separately. The rate of wheat stored under DCP in covered storage is higher than the wheat stored in open (CAP) storage which ranged between ₹ 168.30 to ₹ 239.80 per MT during Rabi Marketing Season (RMS) 2014-15 to 2017-18. The Company stored the wheat procured under DCP in both covered godowns as well as in the open (CAP storage) during RMS 2014-15 to 2017-18.

During test check of records at five[13] out of 22 district offices of the Company, Audit observed (June 2018) that 2,29,677.08[14] MT of wheat procured under DCP was stored in covered godowns during the RMS 2014-15 to 2017-18. Out of this, 2,04,787.34[15] MT wheat was also distributed (upto 31 March 2018) by the district offices to the beneficiaries. However, Company while raising the bills for claiming subsidy from the Government of India charged rate for open storage instead of the rates for covered storage. This

[12] Covered at plinths

[13] Amritsar, Ludhiana, Moga, Patiala and Tarn-Taran.

[14] Amritsar: 76,750.90 MT, Ludhiana: 26,122.90 MT, Moga: 8,960.47 MT, Patiala: 32,145.97 MT and Tarn-Taran: 85,696.84 MT.

[15] Amritsar: 64,463.00 MT, Ludhiana: 21,476.97 MT, Moga: 8,185.47 MT, Patiala: 31,796.38 MT and Tarn-Taran: 78,865.52 MT.

resulted into short claiming of subsidy of ₹ 4.47 crore from the GoI and related interest cost of ₹ 0.75[16] crore to the Company.

It is recommended that Company may review its other district offices to ensure that all claims are raised as per applicable rates to protect Company's financial interests.

The matter was referred to the Management and Government (October 2018); their replies were awaited (September 2020).

Punjab State Civil Supplies Corporation Limited

5.5 Misappropriation due to unauthorised shifting of paddy

Failure to comply with the terms and conditions of the CMP, weak internal control, lack of coordination between the district offices of the Company and unauthorised shifting of paddy, facilitated the misappropriation of paddy valuing ₹ 3.20 crore.

Punjab State Civil Supplies Corporation Limited (Company) procures paddy for Central Pool on behalf of the Government of India (GoI), stores it with rice millers allotted by the Department of Food, Civil Supplies and Consumer Affairs (DFSC), Government of Punjab and gets it milled from the millers for delivery of resultant rice to Food Corporation of India (FCI) as per the Custom Milling Policy (CMP) of the State Government.

Scrutiny of the records of the Company revealed that the district office, Sangrur stored 1,745.58 MT paddy of KMS 2016-17 with a miller[17] for milling of paddy. The DFSC, Punjab issued (3 November 2016) release order for 2,500 MT paddy to be transferred from the district office, Tarn Taran (Mandis) to the miller, against which 1,460.17 MT paddy was given to the miller. On physical verification of the stocks conducted (December 2016) by the Company, it was noticed that the miller stored only 183.75 MT paddy in the mill and balance 1,276.42 MT paddy was found short. Apart from this, 23.44 MT paddy stored from the local mandis was also found short. First Information Report (FIR) was registered (September 2017) with the police for misappropriation of 1,299.86 MT paddy. The arbitration proceedings were initiated (November 2017) after a lapse of 11 months against the miller and award was given (April 2018) in favour of the Company for ₹ 3.20 crore against which recovery was awaited (January 2020).

Audit observed (June 2017) that on a complaint received (10 November 2016) from a partner of the miller regarding fake documents submitted for the registration of mill, DFSC department, Sangrur directed (11 November 2016) the district office, Sangrur of the Company which further wrote to district

[16] Interest has been calculated for the period from next year of delivery of wheat of respective crop year upto 31 December 2018 at simple interest rate of 11.01 *per cent* to 11.75 *per cent* as per cost sheet of DCP of wheat circulated by the GoI for respective crop year.

[17] M/s Sardar Agro Industries, Sangrur.

office, Tarn Taran to immediately stop further loading of paddy (uptil then 183.75 MT paddy was transferred). The district office, Tarn Taran ignored the directives of the DFSC and continued to transfer the paddy. Quantity of 1,276.42 MT paddy given thereafter was misappropriated by the miller during transit. Further, the District office, Tarn Taran did not give any intimation regarding the quantity of paddy transferred to miller, despite various communications from the Sangrur district office, which showed ineffectiveness of internal control within the Company.

Audit further observed that:

- As per Clause-11-A of CMP, the Company was equally responsible for the wrong allotment as it failed to verify the authenticity of the documents submitted by the miller. It allowed the storage of paddy in the mill without an electricity connection. However, a rice mill without an operational electricity connection cannot be registered.

- Storage of paddy in the mill started on 30 October 2016 whereas registration of the rice mill was completed on 2 November 2016.

- CMP provides that physical verification of the paddy stocks shall be conducted on fortnightly basis. As the storage of paddy started from 31 October 2016 onwards, no physical verification was done in the month of November 2016. Also, it failed to order physical verification immediately on receipt of the complaint and it was done only after lapse of one month i.e. on 14 December 2016.

- The miller gave (December 2016) an affidavit to make good the loss suffered by the company within a period of 20-25 days. However, the Company took nine months to lodge a FIR in the police against the miller, thereby delaying the process of recovery of loss.

- Bank guarantee in the form of undated cheque amounting to ₹ 38 lakh for every 2000 MT or part thereof of paddy stored with the miller was required to be submitted at the time of storage of paddy but was submitted (2 May 2018) after a lapse of 17 months and on presentation, the same was dishonoured (5 May 2018) due to insufficient funds.

In the inquiry initiated (September 2017) by the Company, District Incharge, Tarn Taran was charge-sheeted in May 2018 (after his retirement in April 2017). No further action has been taken to finalise the enquiry against him. On scrutiny of his personal file, audit observed that there were 25 departmental cases against him spanning from February 1998 to May 2018. Charge-sheets were also issued (August 2009 to February 2015) in four cases of defalcation of paddy amounting to ₹ 59.06 crore and in three cases for other charges of ₹ 0.83 crore against which enquiry proceedings were awaited (February 2020).

Thus, administrative failure of the Company for giving charge of district to the habitual offender coupled with non-compliance of the terms and conditions of CMP, weak internal control, lack of coordination between the district offices of the Company, facilitated unauthorised shifting and misappropriation of paddy by the miller valuing ₹ 3.20 crore.

The Company while admitting (June 2019) the facts, stated that the role of the officials of Food and Supply Department, Punjab as well as officials of the Company was not found satisfactory and action to be taken on this enquiry is under consideration. The fact remains that the Company could not recover the amount of ₹ 3.20 crore.

It is recommended that the Company may give the charge of the district office after assessing the past credentials of the official and comply with the terms and conditions of the CMP in totality from the start of milling operations to safeguard its financial interest.

The matter was referred to the Government (March 2019); their reply was awaited (September 2020).

Chandigarh **(PUNAM PANDEY)**
Dated: 26 December 2020 **Principal Accountant General (Audit)**
Punjab

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
Dated: 04 January 2021 **Comptroller and Auditor General of India**

Annexures

Annexure - 1

(Referred to in Paragraphs 1.9, 1.10 and 1.14)

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turnover	Paid up capital	Capital Employed	Net Worth	Accumulated Profit (+)/ Loss (-)
1	2	3	4	5	6	7	8	9	10
A.	**Generation and Distribution**								
1	Gidderbaha Power Limited	2018-19	D	D	D	0.05	12.06	0.05	D
2	Punjab Genco Limited	2017-18	10.64	7.82	13.00	22.90	147.42	147.42	124.52
3	Punjab State Power Corporation Limited	2018-19	2,800.65	(-) 37.80	30,781.82	6,081.47	10,539.52	(-) 899.62	(-) 7,001.17
4	Punjab Thermal Generation Limited	2018-19	D	D	D	0.05	0.05	0.05	D
	Sub-total		**2,811.29**	**(-) 29.98**	**30,794.82**	**6,104.47**	**10,699.05**	**(-) 752.10**	**(-) 6,876.65**
B.	**Transmission**								
5	Punjab State Transmission Corporation Limited	2018-19	446.32	(-) 6.89	1,245.39	605.88	5,258.08	992.13	384.25
	Sub-total		**446.32**	**(-) 6.89**	**1,245.39**	**605.88**	**5,258.08**	**992.13**	**384.25**
C.	**Others**								
		-	-	-	-	-	-	-	-
	Grand total		**3,257.61**	**(-) 36.87**	**32,040.21**	**6,710.35**	**15,957.13**	**240.03**	**(-) 6,492.40**

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 are under construction/have yet to commence commercial operations (Sl. no. A-1 and A-4).

Annexure – 2

(Referred to in Paragraph 1.13)

Statement showing State Government funds infused in the two Power Sector Undertakings since inception till 31 March 2019

(₹ 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
Total	**6,081.47**	**0**	**0**	**605.88**	**0**	**0**	**6,687.35**	**0**	**0**

Annexure - 3

(Referred to in paragraph no. 2.2)

Statement showing loss due to non-recovery of revised Security (Consumption)

Sl. No.	Consumer Account No.	Sub Division code	Category	Sale of Power for the year 2017-18 (in ₹)	No. of months for which Sale of Power taken	Security (Consumption) due @ 1.5 months of consumption (in ₹)	Security (Consumption) actually available as on June 2019 (in ₹)	Shortfall (in ₹)	Loss of interest @ 4.30 *per cent per annum* (10.55-6.25) for 14 months (in ₹)
1	3000058631	4271	BS	17,13,01,010	12	2,14,12,626	41,07,000	1,73,05,626	8,68,165.57
2	3000185776	4313	LS	1,38,72,71,001	12	17,34,08,875	2,00,50,950	15,33,57,925	76,93,455.90
3	3000855126	3164	LS	26,50,24,940	12	3,31,28,118	1,72,58,227	1,58,69,891	7,96,139.53
4	3000855888	5322	LS	11,70,81,548	12	1,46,35,194	8,59,750	1,37,75,444	6,91,068.11
5	3000856085	4465	LS	22,69,35,671	12	2,83,66,959	44,49,500	2,39,17,459	11,99,859.19
6	3002309331	5141	LS	24,17,88,182	12	3,02,23,523	92,29,840	2,09,93,683	10,53,183.10
7	3002309510	2251	LS	42,48,98,325	12	5,31,12,291	3,92,97,730	1,38,14,561	6,93,030.48
8	3002310043	4245	RT	37,38,75,058	12	4,67,34,382	10	4,67,34,372	23,44,507.66
9	3002310045	4245	LS	1,03,15,25,635	12	12,89,40,704	11,41,15,138	1,48,25,566	7,43,749.23
10	3002807928	1322	LS	29,12,67,122	12	3,64,08,390	3,28,83,220	35,25,170	1,76,846.03
11	3002808887	2132	LS	76,57,30,951	12	9,57,16,369	9,30,06,542	27,09,827	1,35,942.99
12	3002809743	2133	LS	8,94,13,741	12	1,11,76,718	38,42,210	73,34,508	3,67,947.82
13	3002984513	3215	BS	23,82,07,303	12	2,97,75,913	30,12,240	2,67,63,673	13,42,644.26
Total						**70,30,40,062**	**34,21,12,357**	**36,09,27,705**	**1,81,06,539.87**

Annexure - 4

(Referred to in paragraphs 3.3 and 3.23)

Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2019

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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	**Social Sector**										
I	**Working Government Companies**										
1	Punjab Agro Foodgrains Corporation Limited	Agriculture	July 8, 2002	0.00	0.00	5.00	5.00	5,726.91	0.00	57.44	5,784.35
2	Punjab Agro Industries Corporation Limited	Agriculture	February 11, 1966	45.46	1.25	2.50	49.21	0.00	0.00	5.62	5.62
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	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 and Supplies	March 10, 2003	1.05	0.00	0.00	1.05	6,789.24	0.00	0.00	6,789.24
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

1 Equity includes share application money.
2 Government of Punjab.
3 Government of India.

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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)**
7	Punjab Small Industries and Export Corporation Limited	Industries	March 17, 1962	49.86	0.15	0.00	50.01	0.00	0.00	0.00	0.00
8	Punjab Water Resources Management and Development Corporation Limited	Irrigation	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	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	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	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	85.74	85.74
14	Punjab State Civil Supplies Corporation Limited	Food and Supplies	February 14, 1974	3.73	0.00	0.00	3.73	8,295.50	0.00	1,147.75	9,443.25

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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)
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	March 26, 1979	6.66	0.00	0.00	6.66	0.00	0.00	0.00	0.00
17	Punjab Municipal Infrastructure Development Company	Local Government	March 16, 2009	0.00	0.00	0.05	0.05	0.00	0.00	341.06	341.06
18	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
	Total A-I			**561.92**	**1.40**	**13.71**	**577.03**	**21,063.91**	**0.00**	**1,637.61**	**22,701.52**
II	**Working Statutory Corporation**										
19	Punjab State Warehousing Corporation	Agriculture	November 1, 1967	4.00	4.00	0.00	8.00	3,139.33	0.00	50.16	3,189.49
20	Punjab Scheduled Castes Land Development and Finance Corporation	Welfare of Scheduled Castes & Backward Classes	January 18, 1971	61.58	50.91	0.00	112.49	0.00	0.00	19.68	19.68
21	PEPSU Road Transport Corporation	Transport	January 7, 1956	307.08	24.36	0.00	331.44	23.75	0.00	37.60	61.35

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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)**
	Total A-II			**372.66**	**79.27**	**0.00**	**451.93**	**3,163.08**	**0.00**	**107.44**	**3,270.52**
III	**Inactive Government Companies**										
22	Punjab Land Development and Reclamation Corporation Limited	Agriculture	March 22, 1965	1.45	0.00	0.00	1.45	3.52	0.00	0.20	3.72
23	Punjab Micro Nutrients Limited	Agriculture	February 1, 1983	0.00	0.00	0.25	0.25	0.36	0.00	0.00	0.36
24	Punjab Poultry Development Corporation Limited	Animal Husbandry	September 15, 1964	3.09	0.00	0.00	3.09	0.00	0.00	0.00	0.00
25	Amritsar Hotel Limited	Tourism	July 9, 2003	0.02	0.00	0.00	0.02	0.00	0.00	0.00	0.00
26	Neem Chameli Tourist Complex Limited	Tourism	July 9, 2003	0.02	0.00	0.00	0.02	0.00	0.00	0.00	0.00
	Total A-III			**4.58**	**0.00**	**0.25**	**4.83**	**3.88**	**0.00**	**0.20**	**4.08**
	Total A (I+II+III)			**939.16**	**80.67**	**13.96**	**1,033.79**	**24,230.87**	**0.00**	**1,745.25**	**25,976.12**
B	**Competitive Environment Sector**										
I	**Working Government Companies**										
27	Punjab State Industrial Development Corporation Limited	Industries	January 31, 1966	78.21	0.00	0.00	78.21	0.00	0.00	525.44	525.44
28	Punjab Communications Limited	Industries	July 21, 1981	0.00	0.00	12.02	12.02	0.00	0.00	0.00	0.00
	Total B-I			**78.21**	**0.00**	**12.02**	**90.23**	**0.00**	**0.00**	**525.44**	**525.44**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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)
II	**Working Statutory Corporation**										
29	Punjab Financial Corporation	Industries	February 1, 1953	29.31	10.47	0.61	40.39	9.85	11.07	162.15	183.07
	Total B-II			**29.31**	**10.47**	**0.61**	**40.39**	**9.85**	**11.07**	**162.15**	**183.07**
III	**Inactive Government Companies**										
30	Punjab Venture Capital Limited	Industries	December 4, 1998	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00
31	Punjab Venture Investors Trust Limited	Industries	December 4, 1998	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00
32	Punjab Film and News Corporation Limited	Information & Public Relations	June 26, 1973	1.51	0.00	0.00	1.51	0.14	0.00	0.00	0.14
33	Electronic Systems Punjab Limited	Industries	September 22, 1980	0.00	0.00	3.00	3.00	0.00	0.00	6.09	6.09
34	Punjab Bio-Medical Equipments Limited	Industries	January 4, 1977	0.00	0.00	0.43	0.43	0.00	0.00	0.41	0.41
35	Punjab Digital Industrial System Limited	Industries	January 4, 1977	0.00	0.00	0.25	0.25	0.00	0.00	0.26	0.26

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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)
36	Punjab Electro Optics Systems Limited	Industries	January 12, 1978	0.00	0.00	0.12	0.12	0.00	0.00	0.87	0.87
37	Punjab Footwears Limited	Industries	July 15, 1969	0.00	0.00	0.15	0.15	0.00	0.00	0.04	0.04
38	Punjab Power Packs Limited	Industries	September 28, 1981	0.00	0.00	1.55	1.55	0.65	0.00	7.39	8.04
39	Punjab State Handloom and Textile Development Corporation Limited	Industries	March 27, 1976	3.63	0.00	0.00	3.63	0.004	1.71	0.00	1.714
40	Punjab State Hosiery and Knitwear Development Corporation Limited	Industries	February 21, 1977	3.91	0.00	0.00	3.91	9.64	0.00	0.00	9.64
41	Punjab State Leather Development Corporation Limited	Industries	February 23, 1981	3.42	0.00	0.00	3.42	0.00	0.00	0.00	0.00
42	Punjab Tanneries Limited	Industries	October 29, 1969	0.00	0.00	0.52	0.52	0.00	0.00	0.00	0.00
43	Punjab Recorders Limited	Industries	January 4, 1977	0.00	0.00	0.71	0.71	0.00	0.00	0.79	0.79
	Total B-III			**12.47**	**0.00**	**6.83**	**19.30**	**10.434**	**1.71**	**15.85**	**27.994**
	Total B (I+II+III)			**119.99**	**10.47**	**19.46**	**149.92**	**20.284**	**12.78**	**703.44**	**736.504**

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity[1] at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				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	**Others**										
I	**Working Government Companies**										
44	Punjab Police Housing Corporation Limited	Home	March 30, 1989	0.05	0.00	0.00	0.05	0.00	0.00	25.00	25.00
45	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
46	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
47	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-I			**0.065**	**0.015**	**0.00**	**0.08**	**0.00**	**0.00**	**25.00**	**25.00**
	Grand Total (A+B+C)			**1,059.215**	**91.155**	**33.42**	**1,183.79**	**24,251.154**	**12.78**	**2,473.69**	**26,737.624**

Note: PSUs at Sr. No. 45, 46 & 47 are 'Government Controlled Other Companies' as the share contribution shown in respect of GoI by respective PSUs has actually been routed through their respective Municipal Corporation.

Annexure - 5

(Referred to in paragraph 3.7)

Statement showing difference between the Finance Accounts of Government of Punjab and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2019

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Punjab			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9=6-3	10=7-4	11=8-5
1	Punjab Agro Foodgrains Corporation Limited	0.00	5,726.91	288.80	0.00	5,076.82	288.80	0.00	-650.09	0.00
2	Punjab Agro Industries Corporation Limited	45.46	0.00	27.13	46.23	12.02	5.62	0.77	12.02	-21.51
3	Punjab Agro Juices Limited	50.00	30.00	0.00	0.00	30.00	0.00	-50.00	0.00	0.00
4	Punjab State Forest Development Corporation Limited	0.25	0.00	20.00	0.25	0.00	0.00	0.00	0.00	-20.00
5	Punjab State Grains Procurement Corporation Limited	1.05	6,789.24	0.00	1.05	6,620.57	47.78	0.00	-168.67	47.78
6	Punjab State Seeds Corporation Limited	4.51	0.00	0.00	3.70	0.00	0.00	-0.81	0.00	0.00
7	Punjab Small Industries and Export Corporation Limited	49.86	0.00	0.00	4.77	0.00	0.00	-45.09	0.00	0.00
8	Punjab Water Resources Management and Development Corporation Limited	300.00	222.26	0.00	206.90	515.24	0.00	-93.10	292.98	0.00
9	Punjab Agri Export Corporation Limited	0.00	0.00	0.00	0.00	2.00	0.00	0.00	2.00	0.00
10	Gulmohar Tourist Complex (Holiday Home) Limited	0.02	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.00
11	Punjab Information & Communication Technology Corporation Limited	19.23	0.00	0.00	19.23	0.81	0.00	0.00	0.81	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Punjab			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9=6-3	10=7-4	11=8-5
12	Punjab Police Security Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Punjab State Bus Stand Management Company Limited	56.15	0.00	0.00	56.15	0.00	0.00	0.00	0.00	0.00
14	Punjab State Civil Supplies Corporation Limited	3.73	8,295.50	554.86	3.73	10,286.53	554.86	0.00	1,991.03	0.00
15	Punjab State Container and Warehousing Corporation Limited	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00	0.00
16	Punjab Tourism Development Corporation Limited	6.66	0.00	0.00	5.40	0.00	0.00	-1.26	0.00	0.00
17	Punjab Municipal Infrastructure Development Company	0.00	0.00	341.06	0.00	0.00	440.34	0.00	0.00	99.28
18	Mohali Biotechnology Park	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
19	Punjab State Warehousing Corporation	4.00	3,139.33	59.19	3.92	3,079.49	59.19	-0.08	-59.84	0.00
20	Punjab Scheduled Castes Land Development and Finance Corporation	61.58	0.00	19.68	75.74	0.00	19.68	14.16	0.00	0.00
21	PEPSU Road Transport Corporation	307.08	23.75	0.00	255.05	23.75	0.00	-52.03	0.00	0.00
22	Punjab Land Development and Reclamation Corporation Limited	1.45	3.52	0.00	1.45	0.13	0.00	0.00	-3.39	0.00
23	Punjab Micro Nutrients Limited	0.00	0.36	0.00	0.00	0.00	0.00	0.00	-0.36	0.00
24	Punjab Poultry Development Corporation Limited	3.09	0.00	0.00	2.88	0.25	0.00	-0.21	0.25	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Punjab			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9=6-3	10=7-4	11=8-5
25	Amritsar Hotel Limited	0.02	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.00
26	Neem Chameli Tourist Complex Limited	0.02	0.00	0.00	0.00	0.00	0.00	-0.02	0.00	0.00
27	Punjab State Industrial Development Corporation Limited	78.21	0.00	525.44	78.21	2.50	523.50	0.00	2.50	-1.94
28	Punjab Communications Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
29	Punjab Financial Corporation	29.31	9.85	162.15	29.31	12.39	213.93	0.00	2.54	51.78
30	Punjab Venture Capital Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
31	Punjab Venture Investors Trust Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
32	Punjab Film and News Corporation Limited	1.51	0.14	0.00	1.51	0.00	0.00	0.00	-0.14	0.00
33	Electronic Systems Punjab Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
34	Punjab Bio-Medical Equipments Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
35	Punjab Digital Industrial System Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
36	Punjab Electro Optics Systems Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
37	Punjab Footwears Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
38	Punjab Power Packs Limited	0.00	0.65	0.00	0.00	0.00	0.00	0.00	-0.65	0.00
39	Punjab State Handloom and Textile Development Corporation Limited	3.63	0.004	0.00	3.63	0.00	0.00	0.00	-0.004	0.00

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Punjab			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9=6-3	10=7-4	11=8-5
40	Punjab State Hosiery and Knitwear Development Corporation Limited	3.91	9.64	0.00	3.91	-0.63	0.00	0.00	-10.27	0.00
41	Punjab State Leather Development Corporation Limited	3.42	0.00	0.00	3.42	0.00	0.00	0.00	0.00	0.00
42	Punjab Tanneries Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
43	Punjab Recorders Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
44	Punjab Police Housing Corporation Limited	0.05	0.00	25.00	0.00	0.00	25.00	-0.05	0.00	0.00
45	Amritsar Smart City Limited	0.005	0.00	0.00	0.00	0.00	0.00	-0.005	0.00	0.00
46	Jalandhar Smart City Limited	0.005	0.00	0.00	0.00	0.00	0.00	-0.005	0.00	0.00
47	Ludhiana Smart City Limited	0.005	0.00	0.00	0.00	0.00	0.00	-0.005	0.00	0.00
	Grand Total	**1,059.215**	**24,251.154**	**2,023.31**	**831.44**	**25,661.87**	**2,178.70**	**-227.775**	**1,410.716**	**155.39**

Annexure - 6

(Referred to in paragraph 3.8.1)

Statement showing position of State Government investment in working State PSUs (other than Power Sector) accounts of which are in arrears

(₹ in crore)

Sl. No.	Name of the PSU	Year upto which accounts finalised	Period for which accounts are in arrears	Paid up capital as per latest finalised accounts	Investment made by the State Government during the year in which accounts are in arrear		
					Loan	Grants/ Subsidy	Total
1	2	3	4	5	6	7	8
A.	**Working Government Companies**						
1	Punjab Water Resources Management and Development Corporation Limited	2017-18	2018-19	300.00	-	150.14	150.14
2	Punjab Agri Export Corporation Limited	2017-18	2018-19	5.00	-	30.09	30.09
3	Punjab Small Industries and Export Corporation Limited	2017-18	2018-19	50.01	-	9.48	9.48
4	Amritsar Smart City Limited	2017-18	2018-19	0.01	-	25.00	25.00
5	Jalandhar Smart City Limited	2017-18	2018-19	0.01	-	25.00	25.00
	Total A			**355.03**		**239.71**	**239.71**
B.	**Working Statutory Corporations**						
1	PEPSU Road Transport Corporation	2016-17	2017-18 to 2018-19	331.44	-	109.62	109.62
2	Punjab Financial Corporation	2017-18	2018-19	40.39	-	5.00	5.00
	Total B			**371.83**		**114.62**	**114.62**
	Grand Total (A+B)			**726.86**		**354.33**	**354.33**

Annexure - 7

(Referred to in Paragraphs 3.11 and 3.12)

Summarised financial results of State PSUs (other than Power Sector) for the latest year for which accounts were finalised

(₹ in crore)

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
A	**Social Sector**									
I	**Working Government Companies**									
1	Punjab Agro Foodgrains Corporation Limited	2017-18	2018-19	5.00	-700.20	5,584.63	-125.64	4,956.67	105.92	-695.20
2	Punjab Agro Industries Corporation Limited	2017-18	2018-19	49.21	9.01	11.68	4.06	63.84	5.07	58.22
3	Punjab Agro Juices Limited	2018-19	2019-20	50.00	-69.21	7.27	-1.49	10.79	-1.69	-19.21
4	Punjab State Forest Development Corporation Limited	2018-19	2019-20	0.25	54.88	42.86	0.49	59.32	0.65	59.32
5	Punjab State Grains Procurement Corporation Limited	2016-17	2018-19	1.05	-3,497.86	15,414.62	-451.75	3,402.37	-451.75	-3,496.81
6	Punjab State Seeds Corporation Limited	2016-17	2019-20	5.62	13.44	23.37	0.74	19.06	1.66	19.06
7	Punjab Small Industries and Export Corporation Limited	2017-18	2019-20	50.01	257.25	169.72	13.34	309.82	20.50	307.26

[1] Capital Employed has not been calculated for inactive PSUs.

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
8	Punjab Water Resources Management and Development Corporation Limited	2017-18	2018-19	300.00	-181.57	0.00	-24.43	347.90	-24.43	118.43
9	Punjab Agri Export Corporation Limited	2017-18	2018-19	5.00	-6.85	1.72	-0.80	-1.85	-0.80	-1.85
10	Gulmohar Tourist Complex (Holiday Home) Limited	2017-18	2019-20	0.02	-5.00	0.03	-0.28	-3.94	-0.26	-4.98
11	Punjab Information & Communication Technology Corporation Limited	2017-18	2018-19	19.23	23.49	5.72	0.19	42.72	0.22	42.72
12	Punjab Police Security Corporation Limited	2017-18	2018-19	0.05	0.00	B	B	0.05	B	0.05
13	Punjab State Bus Stand Management Company Limited	2014-15	2019-20	56.15	13.42	435.76	3.98	72.83	7.75	69.57
14	Punjab State Civil Supplies Corporation Limited	2016-17	2019-20	3.73	-1,893.11	12,253.22	-360.32	-1,889.38	-360.32	-1,889.38
15	Punjab State Container and Warehousing Corporation Limited	2018-19	2019-20	25.00	157.92	23.20	10.62	182.92	17.39	182.92
16	Punjab Tourism Development Corporation Limited	2015-16	2019-20	6.66	13.56	0.02	0.66	21.60	0.96	21.60
17	Punjab Municipal Infrastructure Development Company	2016-17	2018-19	0.05	B	B	B	197.80	B	0.05

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
18	Mohali Biotechnology Park	2017-18	2018-19	0.00	B	B	B	0.00	B	0.00
	Total A-1			**577.03**	**-5,810.83**	**33,973.82**	**-930.63**	**7,792.52**	**-679.13**	**-5,228.23**
II	**Working Statutory Corporation**									
19	Punjab State Warehousing Corporation	2017-18	2019-20	8.00	-871.00	6,361.15	240.51	4,678.04	240.82	-836.52
20	Punjab Scheduled Castes Land Development and Finance Corporation	2018-19	2019-20	112.49	-14.96	6.87	-3.37	117.21	-2.20	97.53
21	PEPSU Road Transport Corporation	2016-17	2019-20	331.44	-390.58	472.25	-2.25	50.38	6.47	-59.14
	Total A-II			**451.93**	**-1,276.54**	**6,840.27**	**234.89**	**4,845.63**	**245.09**	**-798.13**
III	**In-active Government Companies**									
22	Punjab Land Development and Reclamation Corporation Limited	1994-95	2000-01	1.45	0.65	9.85	1.07	---	---	---
23	Punjab Micro Nutrients Limited	1991-92	1994-95	0.25	-0.61	0.05	-0.12	---	---	---
24	Punjab Poultry Development Corporation Limited	2015-16	2018-19	3.09	-9.44	0.00	-0.03	---	---	---
25	Amritsar Hotel Limited	2015-16	2018-19	0.02	40.92	0.00	-0.01	---	---	---

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
26	Neem Chameli Tourist Complex Limited	2017-18	2019-20	0.02	0.11	0.00	0.01	---	---	---
B	**Competitive Environment Sector**									
I	**Working Government Companies**									
27	Punjab State Industrial Development Corporation Limited	2017-18	2019-20	78.21	-698.43	20.88	2.55	-420.63	23.84	-620.22
28	Punjab Communications Limited	2018-19	2019-20	12.05	-23.47	44.55	-2.70	-2.46	-2.70	-2.46
	Total B-I			**90.26**	**-721.90**	**65.43**	**-0.15**	**-423.09**	**21.14**	**-622.68**
II	**Working Statutory Corporations**									
29	Punjab Financial Corporation	2017-18	2019-20	40.39	-258.92	3.97	6.71	-183.76	7.41	-218.53
	Total B-II			**40.39**	**-258.92**	**3.97**	**6.71**	**-183.76**	**7.41**	**-218.53**
III	**In-active Government Companies**									
30	Punjab Venture Capital Limited	2017-18	2018-19	0.05	-0.20	0.00	-0.01	---	---	---
31	Punjab Venture Investors Trust Limited	2018-19	2019-20	0.05	0.03	0.00	0.00	---	---	---
32	Punjab Film and News Corporation Limited	2008-09	2019-20	1.51	-1.93	0.00	-0.01	---	---	---
33	Electronic Systems Punjab Limited	2013-14	2014-15	3.00	-461.82	0.00	-67.86	---	---	---
34	Punjab Bio-Medical Equipments Limited	1996-97	2001-02	0.43	-1.12	0.00	-0.03	---	---	---

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
35	Punjab Digital Industrial System Limited	2006-07	2007-08	0.25	-0.78	0.00	-0.71	---	---	---
36	Punjab Electro Optics Systems Limited	1996-97	1997-98	0.12	-1.28	0.00	-0.01	---	---	---
37	Punjab Footwears Limited	1999-2000	2019-20	0.15	-1.04	0.00	-0.01	---	---	---
38	Punjab Power Packs Limited	1997-98	1999-2000	1.55	-5.53	0.00	-1.12	---	---	---
39	Punjab State Handloom and Textile Development Corporation Limited	2016-17	2017-18	3.63	-9.58	0.00	-0.11	---	---	---
40	Punjab State Hosiery and Knitwear Development Corporation Limited	2005-06	2006-07	3.91	-16.84	0.00	-0.06	---	---	---
41	Punjab State Leather Development Corporation Limited	2009-10	2019-20	3.42	-8.44	0.00	-0.11	---	---	---
42	Punjab Tanneries Limited	1996-97	2017-18	0.52	-7.02	0.00	-1.03	---	---	---
43	Punjab Recorders Limited	2018-19	2019-20	0.71	-7.52	0.00	0.00	---	---	---
C	**Others**									
I	**Working Government Companies**									
44	Punjab Police Housing Corporation Limited	2017-18	2018-19	0.05	B	B	B	0.05	B	0.05
45	Amritsar Smart City Limited	2017-18	2018-19	0.01	0.15	0.00	0.15	0.16	0.20	0.16
46	Jalandhar Smart City Limited	2017-18	2018-19	0.01	D	D	D	0.01	D	0.01

Sr. No.	Sector & Name of PSU	Period of Accounts	Year in which Accounts finalised	Paid up Capital	Accumulated Profit (+) / Loss (-)	Turnover	Net Profit / Loss after interest, tax and dividend	Capital Employed[1]	Net Profit/ Loss before interest, tax and dividend	Net Worth
1	2	3	4	5	6	7	8	9	10	11
47	Ludhiana Smart City Limited	2017-18	2018-19	0.01	1.54	0.00	1.31	1.55	1.81	1.55
	Total C-I			**0.08**	**1.69**	**0.00**	**1.46**	**1.77**	**2.01**	**1.77**
	Grand Total of Working Companies and Statutory Corporations (A-I + A-II + B-I + B-II + C-I)			**1,159.69**	**(-)8,066.50**	**40,883.49**	**(-)687.72**	**12,033.07**	**(-)403.48**	**(-)6,865.80**

Notes:

1. **B** represents the four companies functioning on 'No Profit No Loss' basis (Sl. no. A-12, A-17, A-18 and C-44).
2. **D** represents one company which is under construction (Sl. no. C-46).

Annexure - 8

(Referred to in paragraph 3.15)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2010-11 to 2018-19

(₹ in crore)

Sl. No.	1		2		3		4		5		6		7		8	
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)	
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
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
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
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**	**61.58**	**0.00**	**307.08**	**0.00**

Sl. No.	17		18		19		20		21		22				
Year	Punjab State Industrial Development Corporation Limited (31 January 1966)		Punjab Financial Corporation (01 February 1953)		Punjab Police Housing Corporation Limited (30 March 1989)		Amritsar Smart City Ltd (13 December 2016)		Jalandhar Smart City Ltd (8 December 2016)		Ludhiana Smart City Ltd (28 April 2016)		Total		G. Total
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	
Upto 2010-11	78.21	0.00	29.31	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	789.79	0.00	789.79
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	196.93	0.00	196.93
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	15.91	30.00	45.91
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	22.35	0.00	22.35
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	72.07	0.00	72.07
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	32.24	0.00	32.24
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.005	0.00	0.005	0.00	0.005	0.00	10.85	0.00	10.85
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
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	-97.97
Total	**78.21**	**0.00**	**29.31**	**0.00**	**0.05**	**0.00**	**0.005**	**0.00**	**0.005**	**0.00**	**0.005**	**0.00**	**1,042.15**	**30.00**	**1,072.15**

Annexure - 9

(Referred to in paragraph no. 4.1.8)

Statement showing details of major cases of plots allotted by the Company along with the status of non-execution of projects

Sl. No.	Plot No. and IFP (area and allotment price)	Month of allotment and purpose	Loss of revenue (₹ in crore)	Status of non-execution of project
1.	B-78 (14,550 sq. yds. valuing ₹ 0.05 crore) at Phase-VII, Mohali.	January 1976 and July 2001 (for setting up of Multi-disciplinary training centre and Administrative office)	23.97[1]	**Name of allottee: Punjab Khadi and Village Industries Board/ Khadi and Village Industries Commission** The allottee has constructed boundary wall only and the plot was lying vacant for last 43 years. On being pointed out (May 2019) by the Audit, the Company cancelled (July 2019) the allotment of plot. This has resulted into non-utilisation of plot having present allotment price of ₹ 24.01 crore.
2.	A-3, 5 & 5A (96,800 sq. yds. valuing ₹ 7.26 crore) at IFP, Bathinda	January 2008 (for augmentation of water works)	18.88[2]	**Name of allottee: Municipal Corporation, Bathinda** The allottee was to complete the project with extendable period upto January 2013 but all the plots were lying vacant even after a lapse of 11 years. On being pointed out (June 2019), the Company asked (June 2019) the allottee for non-execution of the project. Further developments were awaited (July 2019).
3.	426 (5,755 sq. yds. valuing ₹ 2.92 crore) at Amritsar (Expn).	November 2011 (for manufacturing of leather garments)	1.69[3]	**Name of allottee: M/s Holy City Industries** The allottee deposited ₹ 0.25 crore towards earnest money and no amount of ₹ 0.75 crore towards initial down payment was deposited as such, the plot was liable to be cancelled. The allottee, after a lapse of 6 years, deposited (December 2017) ₹ 0.85 crore towards initial down payment with interest and requested (January & March 2018) the Company for change the name of allottee from M/s Holy City Industries, Amritsar to M/s Ravi Engineers (Unit-II)as the partnership deed of M/s Holy City industries, Amritsar was not registered. Instead of cancellation/ resumption of plot, the Company allowed (February & April 2018) for change the name of the allottee. The allottee deposited (February, August and December 2018) ₹ 2.11 crore with the Company and the possession of the plot was finally given (October 2018) to the

[1] ₹ 24.01 crore *less:* ₹ 0.04 crore after adjusting earnest money.

[2] ₹ 26.14 crore *less*: ₹ 7.26 crore.

[3] ₹ 4.32 crore *less:* ₹ 2.63 crore after forfeiture of earnest money of ₹ 0.29 crore of total allotment price of ₹ 2.92 crore.

				allottee. The building was under construction and no commercial production was started after a lapse of 7 years (December 2011 to December 2018). Non-cancellation/ resumption of plot has resulted into favour to the allottee having present value of plot ₹ 4.32 crore[4].
4.	B-1 (10,068 sq. yds. valuing ₹ 0.30 crore) at Mandi Gobindgarh	August 1995 (for manufacturing of Galvanizing of pipe)	3.76[5]	**Name of allottee: Sh. Gurmit Singh** The plot allotted under "Discretionary Quota of Chief Minister" later on transferred (July 2009) to the legal heirs upon the death (November 1999) of the original allottee and the plot lying vacant for last 14 years was transferred twice during September 2009 and February 2010. The new allottee has also not executed the project upto December 2018. On being pointed out (July 2019) by Audit, the plot was cancelled (August 2019) by the Company resulting in non-utilisation of plot for last 24 years (from September 1995 to July 2019) for industrial purpose.
5.	C-8 (2,600 sq. yds. valuing ₹ 0.08 crore) at Mandi Gobindgarh	January 1999 (for manufacturing of Galvanizing of pipe)	0.97[6]	**Name of allottee: M/s Visco Metals Private Limited** The possession of the plot was given (October 2011) after a lapse of about 13 years, whereas the allottee was to construct the building and commence the commercial production upto December 2002. However, the allottee intimated (December 2013) proof of date of commencement of production (28 November 2011) and also attached the certificate of manufacturing of Cement Tiles instead of manufacturing of Galvanizing of pipe. However, the survey reports (December 2018) indicated that there was boundary walls only. Instead of cancellation/ resumption of the plot, the Company transferred (January 2019) the vacant plot in favour of the new allottee for manufacturing of Iron and Steel.
6.	A-09 (7,727.77 sq. yds. valuing ₹ 0.25 crore) at Mandi Gobindgarh	October 2003 and July 2004 (for manufacturing of M-S Channel Rounds, CTD Bars)	2.87[7]	**Name of allottee: M/s Karam Steel Corporation** The allottee was to execute the project upto July 2007. Instead of cancellation/ resumption of vacant plot, the Company transferred (July 2007) the plot for manufacturing of Iron & Steel products. Even the new allottee has constructed boundary wall only as per the survey reports (December 2018). Non-cancellation/ resumption of vacant plot even after transfer of same plot has resulted into favour to the allottee having present allotment price of plot ₹ 3.09 crore.

[4] 5,755 sq. yds. *x* ₹ 7,500 *psy* at current reserve price.
[5] ₹ 4.03 crore *less:* ₹ 0.27 crore after forfeiture of earnest money of ₹ 0.03 crore.
[6] ₹ 1.04 crore *less:* ₹ 0.07 crore after forfeiture of earnest money.
[7] ₹ 3.09 crore *less:* ₹ 0.22 crore after forfeiture of earnest money.

7.	A-7 and B-11 (7,215.25 sq. yds and 3816.20 sq. yds. valuing ₹ 1.96 crore) at Mandi Gobindgarh	February 2005 and December 2011 (for setting up of steel melting and re-rolling unit & warehousing of scrap)	2.65[8]	**Name of allottee: M/s Armaan Steels** The allottee took possession of the plots in July 2005. As per the survey report (December 2018), only boundary wall was made. But no action for cancellation/ resumption of the plots was taken which has resulted into non-utilisation of plot having current allotment price of ₹ 4.41 crore.
8.	D-231 (2,590 sq. yds. valuing ₹ 0.27 crore) at Phase-VIII-B, Mohali	July 2001 and July 2002 (for manufacturing of Mineral Water)	3.95[9]	**Name of allottee: Sh. Ravi Karan Singh Kahlon** The possession of the plot was given (April 2006) after a lapse of 57 months but no construction on the plot was made. The Company, however, issued (June 2019) after a lapse of 72 months, a notice of final opportunity to commence construction upto September 2019 and production upto September 2020 on the plot.
9.	D-197 (2,462.98 sq. yds. valuing ₹ 0.09 crore) at IFP, Phase-VI, Ludhiana	May 1994	2.38[10]	**Name of allottee: Sh. Davinder Singh** Allotment of plot was made without any purpose in the project report and the plot was lying vacant as on 31 December 2018. On being pointed (March 2019) by the Audit, the plot was cancelled (July 2019) by the Company. Allotment of plot without any project report has resulted into favour to the allottee and non-utilisation of plot for industrial purpose.
10.	7-10 (16000 sq. yds. valuing ₹ 0.08 crore) at IFP, Goindwal.	August 1988 (for construction of Administrative Block	3.13[11]	**Name of allottee: Punjab Agro Industries Corporation Limited (PAIC)** The Company allotted four plots for construction of Administrative Block and additional major chunk of land measuring 169.50 acres was got allotted for manufacturing of Composite Bagasse based News Print & Writing Paper project by subsidiary of PAIC i.e. Punjab Agro News Print Limited (PANL) for the main project. Finally, the project was not implemented being not viable and the Company got surrendered (2011-12) the major chunk of land measuring 169.50 acres but four plots which were taken for construction of Administrative block were not got surrendered. On being pointed out (January 2019) by Audit, the Company cancelled (May 2019) the allotment of plot. This has resulted into non-utilisation of plot having value of ₹ 3.20 crore for last about 31 years (from September 1988 to April 2019).

[8] ₹ 4.41 crore *less:* ₹ 1.76 crore after adjusting forfeiture of earnest money of ₹ 0.20 crore.

[9] ₹ 4.27 crore (2,590 sq. yds. x ₹ 16,500 per sq. yds. being the current reserve price) of IFP, Mohali *less:* ₹ 0.32 crore towards basic cost and enhancement compensation after forfeiture of earnest money.

[10] ₹ 2.46 crore *less:* ₹ 0.08 crore payable after forfeiture of earnest money.

[11] ₹ 3.20 crore *less:* ₹ 0.07 crore payable after forfeiture of earnest money.

11.	B-63(P) (10,000 sq. yds. valuing ₹ 0.39 crore) at IFP Phase-VIII, Ludhiana.	May 1995 (for manufacturing of export of cotton garments and hosiery knitwear)	5.71 (interest)	**Name of allottee: M/s G & A Garments** The Court allowed (January 2010) the eviction of the cancelled (September 1999) plot in favour of the Company. But, the Company and Advocate could not obtain the copy of the orders at that time. After that eviction orders were obtained by the Company after locating the file in the Court. The Company got (June 2018) the possession of the plot. Further, the allottee had given the plot on rent since August 2012, the Company came to know through Court orders (December 2017) that despite conducting quarterly survey of the IFP. This has resulted into loss of interest of ₹ 5.71 crore[12] which the Company could have been earned by allotting the plot to the other allottee(s) in August 2011 (after taking possession of the plot within a period of 18 months).
		Total	**69.96**	

[12] Calculated at the simple interest rate of 11 *per cent* on ₹ 7.50 crore for the period from August 2011 to June 2018 (83 months) being recovered as per the LoI from the allottees of plot.

Annexure - 10

(Referred to in paragraph no. 4.1.8)

Statement showing details of industrial plots found vacant/ under construction/ constructed but not under production

Sl. No.	Plot No.	Date of Allotment/ transfer	Area (Sq. Yds.)	Name of the Allottee	Total Price (₹ in Crore) of the Plot on the date of allotment/ transfer (Reserve price ₹ *psy*)	Current Price (₹ in Crore) of the Plot (Reserve price ₹ *psy*)	Loss of Revenue (₹ in Crore)	Status of the Plot
Jalandhar Expansion								
1.	A-21	23.02.2006	10,078	H.R. International	2.02 (2,000)	8.06 (8,000)	6.04	Vacant, Labour rooms, Vehicle Parking Only. No Construction for last 160 months.
2.	A-22	12.08.2005	8,380	H.R. International	1.68 (2,000)	6.70 (8,000)	5.02	Building constructed but no production for last 166 months.
3.	B-25	03.12.2013	5,000	Oay Kay Forgings Private Limited	1.75 (3,500)	4.00 (8,000)	2.25	Vacant, No Construction for last 66 months.
4.	D-69	06.06.1995	2,026	Sh. Avtar Singh	0.05 (250)	1.62 (8,000)	1.57	Boundary Wall and plot lying vacant for last 288 months.
5.	D-70	06.04.2011	1,601	Sh. Avtar Singh	0.56 (3,500)	1.28 (8,000)	0.72	Boundary Wall and plot lying vacant for last 110 months.
Ludhiana Phase-VIII								
6.	C-235 C	12.03.2014	952	Sh. Subhash Ghai	0.71 (7,500)	0.95 (10,000)	0.24	Vacant for last 63 months.
7.	B-68 (P)	26.08.1998	12,733	M/s Sandhu Singh Hamdard Trust, Jalandhar	0.84 (660)	12.73 (10,000)	11.89	Boundary Wall, Partially constructed Shed, Closed for last 250 months.
8.	C-216 (P)	10.01.2005	5,210	Sh. Charanjit Singh & Baljit Singh	1.15 (2,200)	5.21 (10,000)	4.06	Boundary Wall, Vacant for last 173 months.
9.	B-65 G	10.09.2014	588	M/s Davinder Sandhu Impex Ltd.	0.44 (7,500)	0.59 (10,000)	0.15	Boundary Wall, Vacant for last 57 months.

10.	C-225	28.12.1996	4,803	M/s Sanjeev Dyeing Works	0.29 (600)	4.80 (10,000)	4.51	Boundary Wall and plot lying vacant for last 270 months.
Ludhiana Phase-V								
11.	C-174	23.04.2012	7,000	Priya Fastners	5.25 (7,500)	7.00 (10,000)	1.75	Partly Constructed, No Production for last 86 months.
12.	C-175	23.04.2012	7,000	Priya Fastners	5.25 (7,500)	7.00 (10,000)	1.75	Partly Constructed, No Production for last 86 months.
13.	D-120	10.05.1990	2,500	Om Steels	0.09 (350)	2.50 (10,000)	2.41	Under Construction and No Production for last 349 months.
				Total	**20.08**	**62.44**	**42.36**	

Annexure - 11

(Referred to in paragraph no.4.1.16.1)

Statement showing financial position and working results of Punjab Small Industries and Export Corporation Limited for the period 2014-18

1. Financial position

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Liabilities				
Paid up Share Capital	50.01	50.01	50.01	50.01
Other Equities(Retained Earnings)	187.51	232.12	251.24	264.33
Unsecured Loan from Punjab Government	2.56	2.56	2.56	2.56
Other Long Term Borrowings	386.11	375.52	388.13	254.42
Trade Payables	14.65	9.14	11.52	7.00
Other Current Liabilities	21.45	57.17	65.35	63.58
Short Term Provisions	86.50	49.90	61.65	65.73
Total	**748.79**	**776.42**	**830.46**	**707.63**
Assets				
Fixed Assets	3.69	3.30	2.87	2.75
Non Current Investments	0.01	0.01	0.01	0.01
Long Term Loan & Advances	69.67	75.10	83.40	31.81
Inventories: Land, Plots & Sheds	258.99	285.92	382.44	395.65
Inventories: Emporia Products	1.46	1.15	0.98	1.15
Other Inventories	1.38	1.09	1.27	1.86
Trade Receivables from Allottees	107.77	135.49	150.09	92.66
Trade Receivables – Others	9.28	9.05	11.51	8.97
Current Investments – FDR	141.33	110.51	28.17	33.31
Cash & Cash Equivalents	35.87	59.91	67.19	47.97
Short Term Loan & Advances	114.46	91.97	99.59	88.63
Other Current Assets	4.88	2.92	2.94	2.86
Total	**748.79**	**776.42**	**830.46**	**707.63**

2. Working results

(₹ in crore)

Particulars	**2014-15**	**2015-16**	**2016-17**	**2017-18**
Income				
Revenue from sale of plots/ land	94.48	118.48	79.49	45.68
Revenue from sale of emporia products	5.18	4.73	3.47	2.70
Revenue from sale of other products	241.93	274.69	151.98	99.02
Handling Income	4.40	6.46	5.49	5.92
Other Operating Income	23.59	20.95	19.13	18.34
Other Income	15.16	26.01	16.23	12.41
Total income (A)	**384.74**	**451.32**	**275.79**	**184.07**
Expenses				
Cost of Plot/Land Sold	70.38	7.69	3.03	-
Purchases of Emporia Products	3.74	3.38	2.23	1.77
Purchases of Other Products	237.25	273.16	151.74	99.71
Change in Inventories	(-)37.08	13.08	8.54	2.45
Handling Expenses	1.48	1.73	1.75	1.66
Employee Benefit Expenses	40.90	42.92	46.37	44.63
Other Expenses	17.21	25.81	21.03	12.93
Donation & Contribution to Government Schemes	5.50	5.00	6.00	-
Finance Cost	0.04	4.90	0.70	0.10
Depreciation	0.65	0.86	0.51	0.42
Total Expenses (B)	**340.07**	**378.53**	**241.90**	**163.67**
Profit Before Tax (A)- (B)	**44.67**	**72.79**	**33.89**	**20.40**
Tax Expenses (net)	15.31	25.18	11.75	7.06
Net Profit/ (Loss)	**29.36**	**47.61**	**22.14**	**13.34**

Source: Annual Accounts of the Company.