

## Part-II

### Chapter-III

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

##### Introduction

**3.1** There were 87 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated between 1957-58 and 2017-18 and included 77 Government Companies and 10 Statutory Corporations<sup>1</sup>. These Government Companies further included 56 working companies (40 held directly by State Government and 16 subsidiaries of other Government Companies) and 21 inactive companies (eight held directly by State Government and 13 subsidiaries of other Government Companies).

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 87 State PSUs (other than Power Sector), the State Government invested funds in 58 State PSUs only as the State Government did not infuse any funds in 29 Government Companies which were incorporated as joint venture/subsidiary of other Government Companies. Equity of these 29 joint venture/subsidiary companies was contributed by the respective Co-partner/Holding Companies.

##### *Contribution to Economy of the State*

**3.2** A *ratio* of turnover of the PSUs to the State Gross Domestic Product (GDP) shows the extent of activities of the PSUs in the economy of the State. The table below provides the details of turnover of State PSUs (other than Power Sector) and GDP of Maharashtra for a period of five years ending March 2018:

**Table 3.1: Details of turnover of PSUs (other than Power Sector) vis-a-vis GDP of Maharashtra**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	10,071.78	10,880.28	11,402.08	11,191.67	10,791.18
Percentage change in turnover as compared to turnover of preceding year	25.63	8.03	4.80	(1.85)	(3.58)
GDP of Maharashtra	16,47,506	17,92,122	20,01,223	22,57,032 <sup>2</sup>	24,96,505 <sup>3</sup>
Percentage change in State GDP as compared to State GDP of preceding year	13.74	8.78	11.67	12.78	10.61
Percentage of Turnover to GDP of Maharashtra	0.61	0.61	0.57	0.50	0.43

(Source: The figures of turnover have been compiled based on the latest finalised financial statements of the respective PSUs and GDP figures are taken from the State Finances Audit Report of Maharashtra)

<sup>1</sup> Maharashtra State Warehousing Corporation (MSWC), Maharashtra Industrial Development Corporation (MIDC), Maharashtra State Road Transport Corporation (MSRTC), Maharashtra State Financial Corporation (MSFC) and six Corporations - Maharashtra Krishna Valley Development Corporation (MKVDC), Konkan Irrigation Development Corporation (KIDC), Vidarbha Irrigation Development Corporation (VIDC), Tapi Irrigation Development Corporation (TIDC), Godavari Marathwada Irrigation Development Corporation (GMIDC) and Maharashtra Water Conservation Corporation (MWCC) which have been included for the first time.

<sup>2</sup> Actuals.

<sup>3</sup> Advance estimates.

The turnover of these PSUs has recorded increase during the three years 2013-14 to 2015-16 whereas it decreased over the next two years *i.e.* 2016-17 and 2017-18. The change in turnover ranged between (-) 3.58 *per cent* and 25.63 *per cent* during the period 2013-18, whereas increase in GDP of the State ranged between 8.78 *per cent* and 13.74 *per cent* during the same period.

The compounded annual growth is a useful method to measure growth rate over multiple time periods. The compounded annual growth<sup>4</sup> rate of the State GDP was 11.50 *per cent* during the last five years. Against the compounded annual growth rate of 11.50 *per cent* in the State GDP, the turnover of public sector undertakings (other than Power Sector) recorded lower compounded annual growth rate of 6.12 *per cent* during the last five years. This resulted in marginal decrease in the share of turnover of these PSUs to the State GDP from 0.61 *per cent* in 2013-14 to 0.43 *per cent* in 2017-18.

### Investment in State PSUs (other than Power Sector)

**3.3** In Maharashtra, the PSUs are classified in different sectors according to their activities and the administrative department of the Government of Maharashtra (GoM) under which they function. The details of investment made in the 87 State PSUs in the shape of equity and long term loans upto 31 March 2018 are detailed in **Annexure 4**.

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

**Table 3.2: Sector-wise investment in State PSUs (other than Power Sector)**

Name of sector	Government Companies		Statutory Corporations	Total	Investment (₹ in crore)			Percentage to total investment
	Working	Inactive	Working		Capital	Loans	Total	
Agriculture and Allied	7	5	7	19	1,19,570.28	314.36	1,19,884.64	86.52
Infrastructure	14	6	1	21	3,936.27	6,160.83	10,097.10	7.29
Service	3	--	1	4	4,205.70	204.43	4,410.13	3.18
Finance	17	--	1	18	2,446.51	1,012.34	3,458.85	2.50
Manufacturing	9	8	--	17	305.11	374.79	679.90	0.49
Miscellaneous	6	2	0	8	29.87	7.16	37.03	0.02
<b>Total</b>	<b>56</b>	<b>21</b>	<b>10</b>	<b>87</b>	<b>1,30,493.74</b>	<b>8,073.91</b>	<b>1,38,567.65</b>	<b>100.00</b>

(Source: Compiled based on information received from PSUs)

As on 31 March 2018, the total investment (equity and long term loans) in these 87 PSUs was ₹ 1,38,567.65 crore (**refer Annexure 4**). The investment consisted of 94.17 *per cent* towards equity and 5.83 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 14.59 *per cent* (₹ 1,178.30 crore) of the total long term loans whereas 85.41 *per cent* (₹ 6,895.61 crore) of the total long term loans were availed from Central Government and other financial institutions. The investment has grown by 17.85 *per cent* from ₹ 1,17,574.94 crore in 2015-16 to ₹ 1,38,567.65 crore in 2017-18.

<sup>4</sup> Rate of Compounded Annual Growth  $[(\text{Value of 2017-18} / \text{Value of 2012-13})^{(1/5 \text{ years})} - 1] * 100$  where turnover and State GDP for the year 2012-13 were ₹ 8,017.06 crore and ₹ 14,48,466 crore respectively.

### Budgetary Support to State PSUs (other than Power Sector)

**3.5** The GoM provides financial support to public 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 public sector undertakings for the last three years ending March 2018 are as follows:

**Table 3.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years**

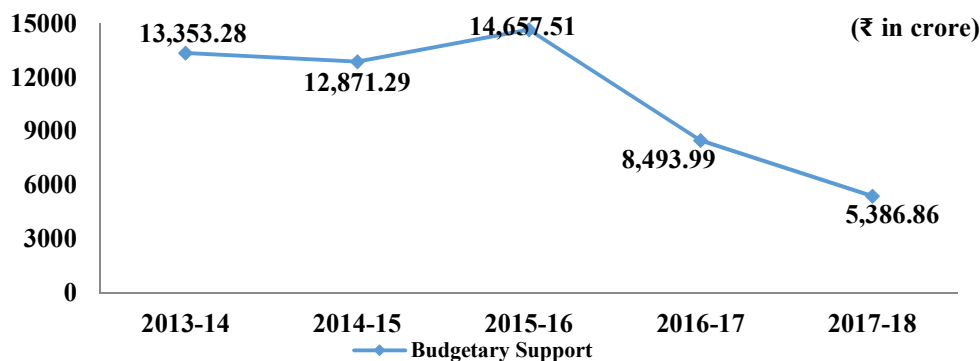
Particulars <sup>5</sup>	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	6	4,476.84	6	4,586.2	3	3,733.33
Loans given (ii)	-	-	7	253.63	-	-
Grants/Subsidy provided (iii)	21	10,180.67	22	3,654.16	13	1,653.53
<b>Total Outgo<sup>6</sup> (i + ii + iii)</b>	<b>21</b>	<b>14,657.51</b>	<b>27</b>	<b>8,493.99</b>	<b>14</b>	<b>5,386.86</b>
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	3	12.52	3	7.29	2	6.51
Guarantee Commitment	9	2,037.3	11	1,759.39	7	1,462.47

(₹ in crore)

(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 2018 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 ₹ 5,386.86 crore and ₹ 14,657.51 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 5,386.86 crore given during the year 2017-18 included ₹ 3,733.33 crore and ₹ 1,653.53 crore in the form of equity and grants/subsidy respectively. The State Government did not provide any loans to these PSUs during 2017-18. The State Government provided significant assistance to VIDC (₹ 3,317.77) and MSRTC (₹ 414.76 crore). Similarly, Grants/Subsidy were also provided to TIDC (₹ 667.87 crore) and VIDC (₹ 253.45 crore) for different irrigation projects and Maharashtra State Police Housing and Welfare

<sup>5</sup> Amount represents outgo from State Budget only.

<sup>6</sup> The figure represents number of PSUs which have received outgo from budget under one or more heads *i.e.* equity, loans, grants/subsidy.

Corporation Limited (₹ 294.40) for the purpose of construction of police quarters and administrative buildings.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantee for which the guarantee fee is being charged. This fee varies from 0.50 *per cent* to two *per cent*, as decided by the State Government, depending upon the loanees. The guarantee commitment of State Government decreased to ₹ 1,462.47 crore during 2017-18 from ₹ 1,759.39 crore in 2016-17. Further, two PSUs paid guarantee fees to the tune of ₹ 1.63 crore during 2017-18 whereas eight PSUs did not pay guarantee fees/commission during the year. The accumulated/outstanding guarantee fees/commission there against was ₹ 429.96 crore as on 31 March 2018.

### Reconciliation with Finance Accounts of Government of Maharashtra

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

**Table 3.4: Equity, loans, guarantees outstanding as per Finance Accounts *vis-a-vis* records of State PSUs (other than Power Sector)**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	1,24,532.21	1,23,938.82	593.39
Loans	1,502.09	1,178.30	323.79
Guarantees	1,595.91	1,705.38	109.47

(Source: Compiled based on information received from PSUs and Finance Accounts)

Audit observed that out of 87 State PSUs, such differences occurred in respect of 51 PSUs as shown in **Annexure 5**. The matter is regularly taken up with the Chief Secretary/Additional Chief Secretary (Finance) the latest being in January 2019, During the year, three meetings have also been held with the officials of GoM and PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

### Submission of accounts by State PSUs (other than Power Sector)

**3.7** Of the total 87 State PSUs (other than Power Sector), there were 66 working PSUs *i.e.* 56 Government Companies and 10 Statutory Corporations and 21 inactive PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

#### *Timeliness in preparation of accounts by the working State PSUs*

**3.7.1** Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 56 working Government

Companies, nine Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 47 Government Companies were in arrears. Out of 10 Statutory Corporations, the CAG is the sole auditor in eight Statutory Corporations<sup>7</sup>. None of the 10 Statutory Corporations presented their accounts for the year 2017-18 for audit in time.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2018 are given below:

**Table 3.5: Position relating to submission of accounts by the working State PSUs (other than Power Sector)**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of working PSUs	55	56	57	58	66*
2	Number of accounts finalised during the year	65	55	52	45	68
3	Number of accounts in arrears	111	120	122	132	137 <sup>Δ</sup>
4	Number of working PSUs with arrears in accounts	46	49	50	48	57
5	Extent of arrears (numbers in years)	1 to 8 years	1 to 16 years	1 to 17 years	1 to 18 years	1 to 19 years

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

Of these 66 working State PSUs, 49 PSUs had finalised 68 annual accounts during the period 1 October 2017 to 30 September 2018 which included nine annual accounts for the year 2017-18 and 59 annual accounts for previous years. Further, 137 annual accounts were in arrears which pertain to 57 working 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 PSUs and their concerned Departments were informed regularly and meetings were also held for liquidating the arrears of accounts.

The GoM had provided ₹ 15,621.66 crore (Equity: ₹ 12,775.56 crore, Loan: ₹ 12.05 crore, Grant: ₹ 2,834.05 crore) to 29 working State PSUs, accounts of which were in arrears as on 30 September 2018 whereas no investment was made in the remaining 28 working PSUs during the period for which accounts were in arrears. Details of investment made by State Government in 29 working State PSUs during the years for which accounts were in arrears are shown in **Annexure 6**. However, accounts of 22 of these working State PSUs for the period 2017-18 and nine accounts of eight working PSUs for earlier periods were finalised and submitted for audit during the period from October 2018 to March 2019 whereas 106 accounts pertaining to 35 working PSUs were awaited till March 2019.

<sup>7</sup> MIDC, MSRTC, MKVDC, KIDC, TIDC, VIDC, GMIDC and MWCC.

\* The data pertaining to MKVDC, KIDC, TIDC, VIDC, GMIDC and MWCC is included from the year 2017-18. Two companies (Thane Creek Bridge Infrastructure Limited and Nagpur Mumbai Super Communication Expressway Limited) were newly incorporated

<sup>Δ</sup> After including seven accounts pertaining to MKVDC, KIDC, TIDC, VIDC, GMIDC and MWCC which were in arrears as on 01 April 2017 and included from the year 2017-18.

In the absence of finalisation of accounts and their subsequent audit in 35 PSUs, it could not be ensured whether the investment and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoM may also consider availing external assistance relating to preparation of accounts wherever there is lack of expertise.

***Timeliness in preparation of accounts by inactive State PSUs***

**3.7.2** In addition to above, as on 30 September 2018, there were arrears in finalisation of accounts by inactive PSUs. Out of 21 inactive PSUs, one was in the process of liquidation<sup>8</sup>. Of the remaining 20 inactive PSUs, 16 PSUs had arrears of 32 accounts.

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

No. of inactive companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
12	2017-18	1
2	2016-17 to 2017-18	2
1	2013-14 to 2017-18	5
1	2007-08 to 2017-18	11

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

Six PSUs<sup>9</sup> (including one under liquidation) did not finalise even one account during 2017-18.

**Placement of Separate Audit Reports of Statutory Corporations**

**3.8** Out of 10 working Statutory Corporations, none of the Corporations had forwarded their accounts of 2017-18 by 30 September 2018.

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

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

Sl. No.	Name of Statutory Corporations	Year of Accounts	Month of placement of SAR
1.	Maharashtra State Warehousing Corporation	2016-17	November 2018
2.	Maharashtra Industrial Development Corporation	2013-14	July 2018
3.	Maharashtra State Financial Corporation	2014-15	-
4.	Maharashtra State Road Transport Corporation	2015-16	December 2017
5.	Maharashtra Krishna Valley Development Corporation	2016-17	March 2018
6.	Konkan Irrigation Development Corporation	2014-15	August 2017
7.	Vidarbha Irrigation Development Corporation	2014-15	March 2018
8.	Tapi Irrigation Development Corporation	2014-15	December 2017
9.	Godavari Marathwada Irrigation Development Corporation	2012-13	December 2016
10.	Maharashtra Water Conservation Corporation	-	-

(Source: Compiled based on information received from PSUs)

<sup>8</sup> Sahyadri Glass Works Limited.

<sup>9</sup> Vidarbha Quality Seeds Limited, Maharashtra Industrial Gas Transmission Company Limited, Maharashtra Rural Development Corporation Limited, Maharashtra State Housing Corporation Limited, Maharashtra State Textile Corporation Limited and Sahyadri Glass Works Limited.

### Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

**3.9** As pointed in **Para 3.7**, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to 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.

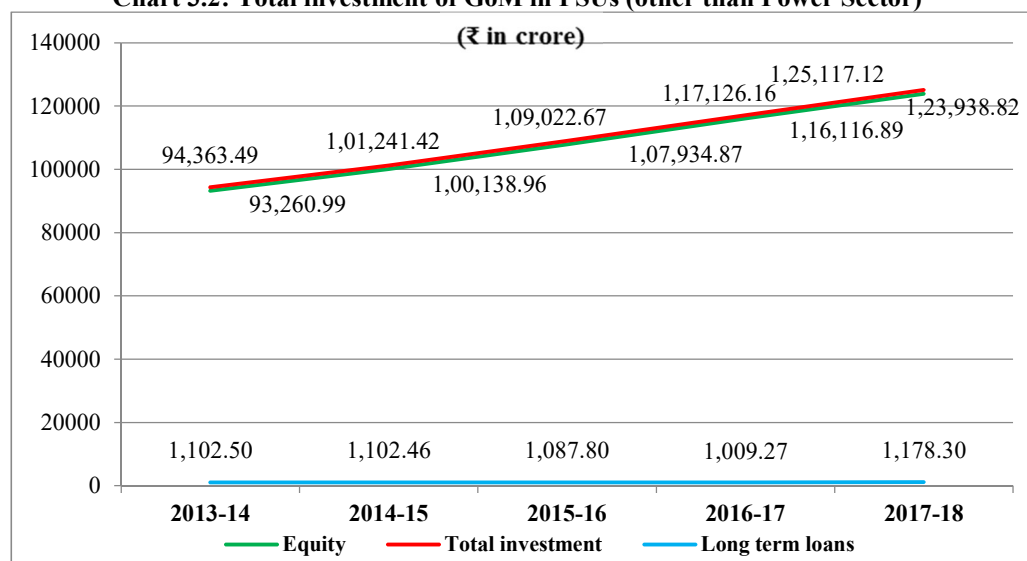
### Performance of State PSUs (other than Power Sector)

**3.10** The financial position and working results of the 87 State PSUs (other than Power Sector) as per their latest finalised accounts as of 30 September 2018 are detailed in **Annexure 7**.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the PSUs other than Power Sector was ₹ 1,38,567.65 crore consisting of ₹ 1,30,493.74 crore as equity and ₹ 8,073.91 crore as long term loans (**refer Annexure 4**). Out of this, Government of Maharashtra has investment of ₹ 1,25,117.12 crore in the 58 PSUs other than Power Sector consisting of equity of ₹ 1,23,938.82 crore and long term loans of ₹ 1,178.30 crore.

The year wise investment of GoM in the PSUs other than Power Sector during the period 2013-14 to 2017-18 was as follows:

**Chart 3.2: Total investment of GoM in PSUs (other than Power Sector)**

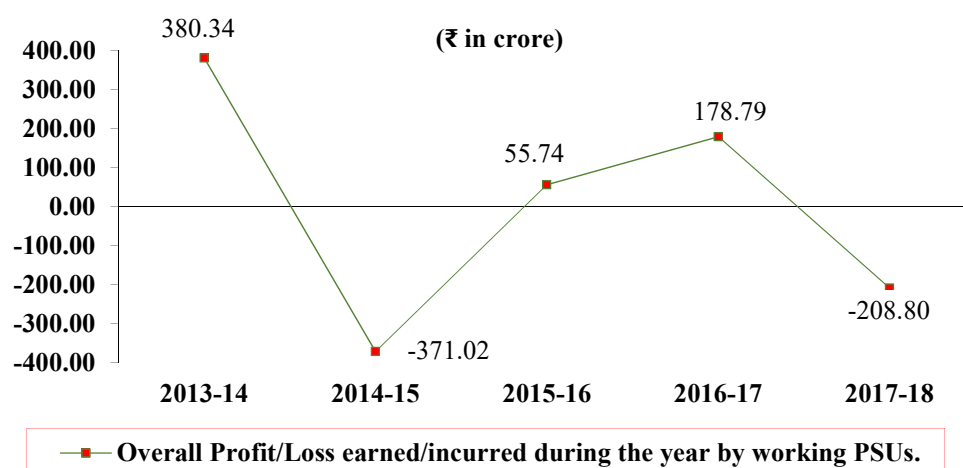


The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

### **Return on Investment**

**3.11** The return on investment (RoI) is the percentage of profit/loss to the total investment. The overall position of profit/loss<sup>10</sup> earned/incurred by the working State PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted below in a chart:

**Chart 3.3: Profit/Loss earned/incurred by working PSUs (other than Power Sector) during the years 2013-14 to 2017-18**



These working PSUs incurred profit in the year 2013-14 (₹ 380.34 crore) but incurred loss in 2014-15 (₹ 371.02 crore) before transforming into profits of ₹ 55.74 crore in 2015-16 and ₹ 178.79 crore in 2016-17 and once again incurred losses of ₹ 208.80 crore in 2017-18. As per latest finalised accounts for the year 2017-18, out of 66 working State PSUs, 36 PSUs earned profit of ₹ 654.44 crore and 17 PSUs incurred losses of ₹ 863.24 crore as detailed in **Annexure 7**. Ten working PSUs did not incur either profit or loss and three companies had not yet submitted their first financial statements.

Of the 36 PSUs which are profit earning, as many as 16 Companies were operating in monopoly environment and earned a profit before tax of ₹ 340.82 crore. Of these, ₹ 220.48 crore (64.69 per cent) was contributed by only two PSUs<sup>11</sup> which functioned in Agriculture and Allied sector.

<sup>10</sup> Figures are as per the latest finalised accounts of the respective years.

<sup>11</sup> Forest Development Corporation of Maharashtra Limited ₹ 113.89 crore and VIDC ₹ 106.59 crore



Only 10 PSUs were operating in the competitive environment and earned a profit before tax of ₹ 219.06 crore. However, a further analysis of these 10 profit-making PSUs in the competitive environment revealed that these PSUs were mainly dependent on Government for their operations and earnings. For instance, two PSUs viz., Maharashtra State Warehousing Corporation (MSWC) and Maharashtra State Seeds Corporation Limited (MSSCL) aggregated a profit before tax of ₹ 118.94 crore (54.30 *per cent*). MSWC is the only entity which is entrusted with the task of warehousing food grains and other products on behalf of the State Government and in turn, it gets warehousing charges from the State Government as well as Food Corporation of India. MSSCL receives money from the State Government in the nature of reimbursements of expenses for carrying out activities on behalf of the State Government, as also grants from the State Government.

There were 10 companies in the Social sector which were formed with a social objective to cater to a specific section of the society/population and hence did not fall either in competitive or monopoly environment. They are dependent on Government funding and registered a profit before tax of ₹ 94.56 crore. However, the profit in these 10 companies in the social sector was mainly out of non-operating income (68.18 *per cent*) such as interest on deposits with banks. These deposits were unutilised funds received from GoI and GoM, which should have been used for implementation of various social sector schemes rather than earning interest thereon.

Of the 66 working PSUs (other than Power Sector) as on 31 March 2018, position of working PSUs (other than Power Sector) which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

**Table 3.8: Details of working Public Sector Undertakings (other than Power Sector) which earned/incurred profit/loss during 2013-14 to 2017-18**

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which either did not incur profit/loss during the year or had not submitted their first accounts
2013-14	60	42	12	6
2014-15	62	37	19	6
2015-16	63	34	18	11
2016-17	64	37	13	14
2017-18	66	36	17	13

(Source: Compiled based on information received from PSUs)

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

**3.12** Out of 87 Public Sector Undertakings (other than Power Sector) of the State, the State Government infused funds in the form of equity and long term loans in 58 PSUs only (refer Annexure-4). The Government has invested ₹ 1,25,117.12 crore in these 58 PSUs including equity of ₹ 1,23,938.82 crore and long term loans of ₹ 1,178.30 crore.

The Return on Investment from the PSUs has been calculated on the investment made by the Government of Maharashtra 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 Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of State Government in these 58 other than Power Sector PSUs has been arrived at by considering the equity and the interest free loans. In cases where interest free loans have been repaid by the PSUs or have been converted into equity, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table 3.9**. The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment except in the case of four Statutory Corporations<sup>12</sup> which account for Government grants as a part of capital contribution of the Government.

As on 31 March 2018, the equity of the State Government in these 58 PSUs was ₹ 1,23,938.82 crore. Out of the released long term loans of ₹ 1,178.30 crore, ₹ 461.35 crore were interest free loans (refer **Annexure 8**) based on the reduced balances of interest free loans over the period. Thus, the investment of the State Government in these 58 PSUs on the basis of historical cost stood at ₹ 1,24,400.17 crore (₹ 1,23,938.82 crore + ₹ 461.35 crore).

The sector-wise return on investment on the basis of historical cost of investment for the period 2015-16 to 2017-18 is as given below:

**Table 3.9: Return on State Government Funds on the basis of historical cost of investment**  
(₹ in crore)

Year wise Sector-wise break-up	Total Earnings <sup>13</sup> for the year	Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (Per cent)
<b>2013-14</b>			
Agriculture & Allied Sector	271.56	87,553.71	0.31
Finance Sector	76.84	2,044.12	3.76
Infrastructure Sector	412.39	1,164.30	35.42
Manufacturing Sector	24.57	282.95	8.68
Service Sector	(419.93)	2,659.05	(15.79)
Miscellaneous Sector	14.74	18.07	81.57
<b>Total</b>	<b>380.17</b>	<b>93,722.19</b>	<b>0.41</b>
<b>2014-15</b>			
Agriculture & Allied Sector	244.40	94,006.72	0.26
Finance Sector	(83.04)	2,182.46	(3.80)
Infrastructure Sector	(32.49)	1,164.26	(2.79)
Manufacturing Sector	(2.73)	282.95	(0.96)
Service Sector	(566.70)	2,945.10	(19.24)
Miscellaneous Sector	14.62	18.64	78.43
<b>Total</b>	<b>(425.94)</b>	<b>1,00,600.13</b>	<b>(0.42)</b>

<sup>12</sup> MKVDC, KIDC, TIDC and MWCC.

<sup>13</sup> Earnings represents Net profit before interest and tax.

Year wise Sector-wise break-up	Total Earnings for the year	Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis ( <i>Per cent</i> )
<b>2015-16</b>			
Agriculture & Allied Sector	248.33	1,01,277.07	0.25
Finance Sector	40.06	2,268.53	1.77
Infrastructure Sector	65.89	1,164.26	5.66
Manufacturing Sector	19.94	282.95	7.05
Service Sector	(387.13)	3,364.59	(11.51)
Miscellaneous Sector	8.77	18.64	47.05
<b>Total</b>	<b>(4.14)</b>	<b>1,08,376.04</b>	<b>0.00</b>
<b>2016-17</b>			
Agriculture & Allied Sector	263.31	1,08,922.21	0.24
Finance Sector	102.62	2,307.48	4.45
Infrastructure Sector	(93.98)	1,164.25	(8.07)
Manufacturing Sector	(45.69)	283.95	(16.09)
Service Sector	(118.03)	3,851.57	(3.06)
Miscellaneous Sector	9.60	28.65	33.51
<b>Total</b>	<b>117.83</b>	<b>1,16,558.11</b>	<b>0.10</b>
<b>2017-18</b>			
Agriculture & Allied Sector	330.55	1,16,239.95	0.28
Finance Sector	120.42	2,332.48	5.16
Infrastructure Sector	(170.02)	1,164.24	(14.60)
Manufacturing Sector	(59.69)	284.75	(20.96)
Service Sector	(525.79)	4,349.89	(12.09)
Miscellaneous Sector	9.90	28.86	34.30
<b>Total</b>	<b>(294.63)</b>	<b>1,24,400.17</b>	<b>(0.24)</b>

(Source: Compiled based on latest finalised Financial Statements and information received from PSUs)

The return on State Government investment is worked out by dividing the total earnings<sup>14</sup> of these PSUs by the cost of the State Government investment. The return earned on State Government investment ranged between (-) 0.42 *per cent* and 0.41 *per cent* during the period 2013-14 to 2017-18. The overall return on State Government investment was negative during 2017-18 which was mainly due to heavy losses incurred by MSRTC in service sector (₹ 522.78 crore) and Maharashtra State Road Development Corporation Limited (MSRDC) in infrastructure sector (₹ 224.61 crore). Further analysis revealed that returns from Infrastructure and Manufacturing sector reduced substantially from 35.42 *per cent* and 8.68 *per cent* respectively in 2013-14 to (-) 8.07 *per cent* and (-) 16.09 *per cent* in 2016-17 and further to (-) 14.60 *per cent* and (-) 20.96 *per cent* in 2017-18 mainly due to increase in losses of MSRDC (Infrastructure) and Maharashtra State Powerlooms Corporation Limited (Manufacturing).

### ***Return on Investment on the basis of Present Value of Investment***

**3.13** An analysis of the earnings *vis-a-vis* investments in respect of those 58 State PSUs (other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the 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 of money. The present value of the Government investments has been computed to assess the rate of return on

<sup>14</sup> This includes net profit/losses for the concerned year relating to those State PSUs where the investment has been made by the State Government.

the present value of investments of GoM in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/year-wise funds infused by the GoM 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, Present Value (PV) of the State Government investment was computed in respect of those 58 State PSUs (other than Power Sector) where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these companies till 31 March 2018. During the period from 2013-14 to 2017-18, these 58 PSUs had a positive return on investment during the years 2013-14 and 2016-17. The return on investment for these years has, therefore, been calculated and depicted on the basis of PV.

The PV of the State Government investment in the 58 PSUs was computed on the following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs or conversion of loan into equity, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in **Para 3.5** except in the case of four Statutory Corporations<sup>15</sup> which account for Government grants as a part of capital contribution of the Government.
- The average rate of interest on Government borrowings for the concerned financial year<sup>16</sup> was adopted as compounded rate for arriving at present value since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

For the year 2017-18 when these 58 companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in **Para 3.16**.

**3.14** PSU wise position of State Government investment in these 58 State PSUs in the form of equity and loans on historical cost basis for the period from 2000-01 to 2017-18 is indicated in **Annexure 8**. Further, consolidated position

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<sup>15</sup> MKVDC, KIDC, TIDC and MWCC.

<sup>16</sup> The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Maharashtra) 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.

of present value of the State Government investment relating to these PSUs for the period 2000-01 to 2017-18 is indicated in the table below:

**Table 3.10: Year wise details of investment by the State Government and present value (PV) of Government investment for the period from 2000-01 to 2017-18**  
(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year <sup>17</sup>	Interest free loans repaid during the year	Interest free loans converted during the year	Total investment during the year	Average rate of interest on Government borrowing (in per cent)	Total investment at the end of the year	Present value of total investment at the end of the year
i	ii	iii	iv	v	vi	vii=iii+iv-v-vi	viii	ix=ii + vii	x={ix*(100+viii)/100}
Since inception to 2000	0.00	12,323.48	68.98	0.05	0.00	12,392.41	10.30	12,392.41	13,668.83
2000-01	13,668.83	728.96	1.50	0.00	0.00	730.46	9.10	14,399.28	15,709.62
2001-02	15,709.62	977.46	1.48	0.00	0.00	978.94	9.40	16,688.56	18,257.28
2002-03	18,257.28	2,142.63	2.02	0.00	0.00	2,144.65	8.90	20,401.93	22,217.71
2003-04	22,217.71	3,723.59	2.62	0.00	0.00	3,726.21	8.80	25,943.91	28,226.98
2004-05	28,226.98	4,374.55	6.78	0.00	0.40	4,380.93	8.00	32,607.91	35,216.54
2005-06	35,216.54	6,718.82	138.60	0.00	0.00	6,857.42	7.10	42,073.96	45,061.21
2006-07	45,061.21	6,746.37	0.00	0.00	0.00	6,746.37	7.80	51,807.58	55,848.57
2007-08	55,848.57	6,358.12	0.00	138.60	0.00	6,219.52	7.70	62,068.09	66,847.33
2008-09	66,847.33	9,722.05	0.00	0.00	0.00	9,722.05	7.30	76,569.38	82,158.95
2009-10	82,158.95	7,454.87	0.00	0.00	0.00	7,454.87	7.40	89,613.82	96,245.24
2010-11	96,245.24	8,328.12	0.00	0.68	0.00	8,327.44	7.40	1,04,572.68	1,12,311.06
2011-12	1,12,311.06	8,110.91	200.00	0.05	0.00	8,310.86	7.50	1,20,621.92	1,29,668.56
2012-13	1,29,668.56	7,767.94	179.02	0.01	0.00	7,946.95	7.40	1,37,615.52	1,47,799.06
2013-14	1,47,799.06	7,763.19	0.00	0.01	0.00	7,763.18	7.50	1,55,562.25	1,67,229.41
2014-15	1,67,229.41	6,877.98	0.00	0.04	0.00	6,877.94	7.80	1,74,107.35	1,87,687.72
2015-16	1,87,687.72	7,795.85	0.00	0.00	0.00	7,795.85	7.70	1,95,483.57	2,10,535.81
2016-17	2,10,535.81	8,182.08	0.00	0.01	0.00	8,182.07	7.60	2,18,717.88	2,35,340.44
2017-18	2,35,340.44	7,841.85	0.21	0.01	0.00	7,842.05	8.00	2,43,182.49	2,62,637.08
		<b>1,23,938.82</b>	<b>601.21</b>	<b>139.46</b>	<b>0.40</b>	<b>1,24,400.17</b>			

(Source: Compiled based on information received from PSUs)

Further, the position of total earnings relating to these PSUs as against the minimum expected return to recover the cost of funds for the years 2013-14 to 2017-18 is indicated in the table below:

**Table 3.11: Position of total earnings relating as against the minimum expected return**  
(₹ in crore)

Financial year	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover the cost of funds for the year	Total earnings for the year
2013-14	1,55,562.25	1,67,229.41	11,667.16	380.17
2014-15	1,74,107.35	1,87,687.72	13,580.37	(425.94)
2015-16	1,95,483.57	2,10,535.81	15,052.24	(4.14)
2016-17	2,18,717.88	2,35,340.44	16,622.56	117.83
2017-18	2,43,182.49	2,62,637.08	19,454.59	(294.63)

(Source: Compiled based on information received from PSUs)

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 1,24,400.17 crore in 2017-18 from ₹ 12,392.41 crore in 1999-2000 as the State Government made further investments in the shape of equity (₹ 1,11,615.34 crore) and interest free loans (₹ 392.42 crore) during the

<sup>17</sup> Negative figures of Interest free loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

period 2000-2001 to 2017-2018. The present value of funds infused by the State Government up to 31 March 2018 amounted to ₹ 2,62,637.08 crore. During 2013-14 to 2017-18, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs due to substantial capital investment in irrigation development corporations which do not earn corresponding profit.

**3.15** As during 2013-14 and 2016-17, the Government had positive returns on investments made in these PSUs the comparison of returns on State Government funds at historical cost and at present value for these years is given in the table below:

**Table 3.12: Return on State Government Funds**

(₹ in crore)

Year	Total Earnings for the year	Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (per cent)	PV of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (per cent)
2013-14	380.17	93,722.19	0.41	1,67,229.41	0.23
2016-17	117.83	1,16,558.11	0.10	2,35,340.44	0.05

(Source: Compiled based on information received from PSUs)

The return earned on State Government investment on historical cost basis was 0.41 per cent and 0.10 per cent in 2013-14 and 2016-17 respectively whereas the return earned on State Government funds considering the present value of the investments was 0.23 per cent and 0.05 per cent during the same periods.

### **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 net accumulated losses in respect of the PSUs (other than Power Sector) as per their latest finalised financial statements as of 30 September 2018 were ₹ 6,501.60 crore as detailed in **Annexure 7**. Of these PSUs, net worth was eroded in 11 PSUs<sup>18</sup> of which three PSUs had made profit as per their latest finalised accounts. The paid up share capital of the State Government in these 11 PSUs was ₹ 1,188.07 crore. The net worth was eroded primarily in Maharashtra State Road Development Corporation Limited (₹ 2,879.21 crore),

<sup>18</sup> Development Corporation of Vidarbha Limited ₹ 7.67 crore, Maharashtra State Handlooms Corporation Limited ₹ 45.23 crore, Maharashtra Electronics Corporation Limited ₹ 368.38 crore, Maharashtra State Road Development Corporation Limited ₹ 2,879.21 crore, Maharashtra State Powerlooms Corporation Limited ₹ 2.77 crore, Maharashtra State Textile Corporation Limited ₹ 809.01 crore, Maharashtra State Financial Corporation ₹ 625.26 crore, Development Corporation of Konkan Limited ₹ 6.22 crore, The Maharashtra State Farming Corporation Limited ₹ 231.67 crore, Marathwada Development Corporation Limited ₹ 1.57 crore and The Maharashtra Land Development Corporation Limited and ₹ 16.01 crore.

Maharashtra State Textile Corporation Limited (₹ 809.01 crore), Maharashtra State Financial Corporation (₹ 625.26 crore) and Maharashtra Electronics Corporation Limited (₹ 368.38 crore) as detailed in **Annexure 7**.

### **Dividend Payout**

**3.17** The State Government had formulated (October 2003) a dividend policy under which all profit making PSUs are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government.

Dividend Payout relating to PSUs (other than Power Sector) where equity was infused by GoM during the period 2013-14 to 2017-18 is shown in table below:

**Table 3.13: Dividend Payout of PSUs (other than Power Sector) during 2013-14 to 2017-18**

(₹ in crore)

Year	Total PSUs where equity infused by GoM		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio ( <i>per cent</i> )
	Number of PSUs	Equity infused by GoM	Number of PSUs	Equity infused by GoM	Number of PSUs	Dividend declared/paid by PSUs	
2013-14	57	93,260.99	31	44,146.27	6	4.62	0.01
2014-15	57	1,00,138.96	31	64,311.00	5	12.94	0.02
2015-16	57	1,07,934.87	30	38,151.33	6	49.61	0.13
2016-17	59	1,16,116.89	34	41,391.92	6	4.53	0.01
2017-18	58	1,23,938.82	33	45,251.50	4	2.94	0.006

(Source: Compiled based on information received from PSUs)

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 30 and 34 PSUs. During this period, number of PSUs which declared/paid dividend to GoM ranged between four and six PSUs. The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 0.006 *per cent* and 0.13 *per cent* only.

Of the four PSUs which declared/paid dividend during 2017-18, two PSUs<sup>19</sup> declared dividend higher than the prescribed limit and two PSUs<sup>20</sup> declared dividend lower than the prescribed limit.

### **Return on Equity**

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

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were

<sup>19</sup> Western Maharashtra Development Corporation and MSWC.

<sup>20</sup> Maharashtra Agro Industries Development Corporation Limited and Maharashtra Film, Stage and Cultural Development Corporation Limited.

sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of 58 PSUs other than Power Sector undertakings where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to 58 PSUs (other than Power Sector) during the period from 2015-16 to 2017-18 as per their latest finalised accounts as of 30 September 2018 are given in table below:

**Table 3.14: Return on Equity relating to PSUs (other than Power Sector) where funds were infused by the GoM**

Year	Net Income <sup>21</sup> (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (per cent)
2015-16	(144.56)	91,700.49	Σ <sup>22</sup>
2016-17	(41.14)	1,00,437.68	Σ
2017-18	(53.87)	1,06,421.58 <sup>23</sup>	Σ

(Source: Compiled based on information received from PSUs)

During the last three years ended March 2018, the Net Income was negative in all the years. Due to this, ROE in respect of these PSUs could not be worked out for this period.

### ***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<sup>24</sup>. The details of total ROCE of all the 87 State PSUs (other than Power Sector) together during the period from 2013-14 to 2017-18 are given in table below:

**Table 3.15: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (per cent)
2013-14	96.62	92,457.81	0.10
2014-15	81.24	97,541.27	0.08
2015-16	371.60	1,07,158.32	0.35
2016-17	404.19	1,13,778.94	0.36
2017-18	(84.23)	1,13,541.35	\$ <sup>25</sup>

(Source: Compiled based on information received from PSUs)

The ROCE of these State PSUs ranged between 0.08 *per cent* and 0.36 *per cent* during 2013-14 and 2016-17. The EBIT for 2017-18 was negative.

<sup>21</sup> Net Income refers to Net Profit after tax (-) Preference dividend.

<sup>22</sup> Since the return on equity is negative, it has been denoted by Σ

<sup>23</sup> Share capital ₹ 1,14,672.24 crore - Accumulated losses ₹ 8,615.77 crore + Free reserves ₹ 365.11 crore of 58 companies.

<sup>24</sup> 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.

<sup>25</sup> The return is denoted by \$ since there is a negative return on capital employed.



**Analysis of Long Term Loans of the PSUs (other than Power Sector)**

**3.20** Analysis of the Long Term Loans of the PSUs which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage *ratio* and debt turnover *ratio*.

**Interest Coverage Ratio**

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

**Table 3.16: Interest Coverage Ratio relating to State PSUs (other than Power Sector)**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loan/interest from Government and Banks and other financial institutions	Number of PSUs having interest coverage <i>ratio</i> more than 1	Number of PSUs having interest coverage <i>ratio</i> less than 1
2013-14	535.99	96.62	31	22	9
2014-15	535.74	81.24	28	21	7
2015-16	502.70	371.60	31	23	8
2016-17	495.73	404.19	32	22	10
2017-18	489.65	(84.23)	34	22	12

(Source: Compiled based on information received from PSUs)

There were 34 State PSUs (other than Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2017-18. Of these, 22 PSUs had interest coverage *ratio* of more than one whereas remaining 12 PSUs had interest coverage *ratio* below one which indicates that these 12 PSUs could not generate sufficient revenues to meet their expenses on interest during the year.

**Debt Turnover Ratio**

**3.22** During the last five years, the turnover of the 87 PSUs recorded compounded annual growth of 6.12 *per cent*. The debt reduced at a compounded annual rate of (-)12.12 *per cent* due to which the Debt turnover *ratio* improved from 0.59 in 2013-14 to 0.42 in 2017-18 as given in table below:

**Table 3.17: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	5,968.99	2,988.42	4,915.64	4,555.82	4,529.66
Turnover	10,071.78	10,880.28	11,402.08	11,191.67	10,791.18
Debt-Turnover Ratio	0.59:1	0.27:1	0.43:1	0.41:1	0.42:1

(Source: Compiled based on information received from PSUs)

The debt-turnover *ratio* ranged between 0.27 and 0.59 during this period.

### Winding up of inactive State PSUs

**3.23** Twenty one of the 87 State PSUs (other than Power Sector) were inactive companies having a total investment of ₹ 698.01 crore towards capital (₹ 298.43 crore) and long term loans (₹ 399.58 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last five years ended 31 March 2018 are given below:

**Table 3.18: Inactive State PSUs**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive companies	22	22	22	22	21

(Source: Compiled based on information received from PSUs)

Of these, one PSU (Sahyadri Glass Works Limited) has commenced liquidation process. In September 2018, one inactive company (Irrigation Development Corporation of Maharashtra Limited) was finally wound up. The Government may take a decision regarding winding up of 20 inactive PSUs.

### Comments on Accounts of State PSUs (other than Power Sector)

**3.24** Forty working companies forwarded their 60 audited accounts to the Principal Accountant General during the period 1 October 2017 to 30 September 2018. Of these, 30 accounts of 22 companies 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 Working Companies (other than Power Sector)**  
(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	7	26.10	8	66.18	4	22.56
2.	Increase in profit	6	14.27	3	7.33	2	4.99
3.	Increase in loss	4	80.04	3	18.99	5	65.26
4.	Decrease in loss	--	--	2	126.40	--	--
5.	Non-disclosure of material facts	2	10.06	--	--	--	--
6.	Errors of classification	14	606.36	2	0.59	--	--

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

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 28 and adverse certificate / disclaimer (which means that accounts do not reflect a true and fair position) for four accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 42 instances of non-compliance to the Accounting Standards in 15 accounts.

**3.25** Similarly, eight working Statutory Corporations<sup>26</sup> forwarded their eight accounts to PAG during the year 2017-18.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given below:

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

*(₹ in crore)*

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	2.54	-	-	1	0.55
2.	Increase in profit	-	-	1	1.3	1	0.4
3.	Increase in loss	-	-	1	40.83	-	-
4.	Decrease in loss	1	102.75	1	1.62	-	-
5.	Non-disclosure of material facts	2	4.26	1	7.88	-	-
6.	Errors of classification	1	2.94	-	-	-	-

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

During the year, one account pertaining to Maharashtra State Warehousing Corporation received qualified certificate from the Statutory Auditors.

### Performance Audit and Compliance Audit Report

**3.26** For Part-II of the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, a Performance Audit on 'Infrastructure Development by City and Industrial Development Corporation of Maharashtra Limited' and 13 compliance audit paragraphs related to Maharashtra Rajya Itar Magas Vargiya Vitta Ani Vikas Mahamandal Limited, Maharashtra Agro Industries Development Corporation Limited, Aurangabad Industrial Township Limited, Haffkine Bio-Pharmaceuticals Corporation Limited, Mahatma Phule Backward Class Development Corporation Limited, Sant Rohidas Leather Industries and Charmakar Development Corporation Limited, Maharashtra Film, Stage and Cultural Development Corporation Limited, City and Industrial Development Corporation of Maharashtra Limited, Maharashtra Information Technology Corporation Limited and Maharashtra Industrial Development Corporation were issued to the Additional Chief Secretaries/Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies. Replies on three compliance audit paragraphs have been received (October and December 2018) from the State Government and taken into account while finalising this report and replies on one Performance Audit and 10 compliance audit paragraphs were awaited from the State Government (March 2019). The total financial impact of the Performance Audit and the compliance audit paragraphs is ₹ 1,449.84 crore.

<sup>26</sup> MSWC, MKVDC, KIDC, VIDC, TIDC, MWCC, MIDC and MSRTC.

**Follow up action on Audit Reports**

**Replies Outstanding**

**3.27** The Report of the Comptroller and Auditor General of India (CAG) is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Maharashtra issued (January 2001) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

**Table 3.21: Position of explanatory notes on Audit Reports related to PSUs other than Power Sector (as on 30 June 2019)**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs/Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2015-16	07 April 2017	1	9	--	2
2016-17	20 July 2018	--	5	--	4
<b>Total</b>		<b>1</b>	<b>14</b>	<b>--</b>	<b>6</b>

(Source: Compiled based on explanatory notes received from respective Departments of GoM)

Explanatory notes on two compliance audit paragraphs were pending with four departments as on 30 June 2019.

**Discussion of Audit Reports by COPU**

**3.28** The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 June 2019 was as under:

**Table 3.22: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 June 2019**

Year of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2008-09	2	15	1	15
2009-10	1	16	1	16
2010-11	1	18	--	17
2011-12	1	18	1	15
2012-13	1	4	1	3
2013-14	2	2	2	2
2014-15	2	9	--	8
2015-16	1	9	--	1
2017-18	--	5	--	--
<b>Total</b>	<b>11</b>	<b>96</b>	<b>6</b>	<b>77</b>

(Source: Compiled based on the discussions of COPU on the Audit Reports)

The discussion on Audit Reports (PSUs) up to 2007-08 has been completed.

**Compliance to Reports of COPU**

**3.29** Action Taken Notes (ATNs) on 23 Reports of the COPU presented to the State Legislature between 2005-06 and 2017-18 had not been received (as on 30 June 2019) relating to the State PSUs (other than Power Sector) as indicated below:

**Table 3.23: Compliance 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
2007-08	1	8	8
2010-11	4	27	19
2012-13	1	17	3
2013-14	2	20	14
2015-16	10	48	32
2017-18	5	32	23
<b>Total</b>	<b>23</b>	<b>152</b>	<b>99</b>

(Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoM)

These Reports COPU contained recommendations in respect of paragraphs pertaining to 12 departments, which appeared in the Reports of the CAG of India for the year 2004-05 to 2014-15.

**Disinvestment, Restructuring and Privatisation of State PSUs (other than Power Sector)**

**3.30** During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (other than Power Sector).