

EXECUTIVE SUMMARY

I. Financial performance of Public Sector Undertakings

As on 31 March 2009, there were 438 central government Public Sector Undertakings (PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 321 government companies, 111 deemed government companies and six statutory corporations. This report deals with 392 PSUs comprising 294 government companies, 92 deemed government companies and six statutory corporations. Forty six companies are not covered in this report. Out of them, accounts of 10 PSUs were in arrears for three years or more, two PSUs had not submitted their first accounts, 32 PSUs were defunct/under liquidation and accounts of two PSUs were not due.

[Paras 1.1.4 and 1.1.5]

Government Investments

The accounts of 392 PSUs (348 for current year and 44 for earlier years) indicated that the Government of India had invested Rs.1,61,712 crore directly in the equity capital of 300 government companies and corporations and Rs.94 crore in three deemed government companies. Loans amounting to Rs.62,998 crore had also been received by the PSUs directly from the Government of India as on 31 March 2009. Compared to the previous year, investment in equity of PSUs by the Government of India registered a net increase of Rs.14,995 crore and loans given to them decreased by Rs.14,994 crore.

[Paras 1.2.1, and 1.2.3.2]

Market Capitalisation

The market value of shares of 39 listed government companies as per prices prevailing in stock markets on 31 March 2009 stood at Rs.8,15,606.31 crore. This compared favourably with the total book value of their shares at Rs.3,51,794.67 crore. Market value of shares held by the Government of India and government companies in these companies stood at Rs.6,70,539.86 crore as on 31 March 2009 as compared with the book value of Rs.2,75,773.91 crore.

[Para 1.2.2]

Return on Investment

Out of the 300 government companies and corporations where data has been analysed in this Report, 183 government companies and corporations earned profits during the year and 92 government companies suffered losses excluding Food Corporation of India, Inland Waterways Authority of India and National Highways Authority of India. These three statutory corporations prepare accounts on no profit/no loss basis. While shortfall of income over expenditure in respect of Food Corporation of India and Inland Waterways Authority of India is shown as receivable from Government of India, National Highways Authority of India capitalised the amount of excess of expenditure over income during 2008-09. The remaining 22 companies were not in operation. The total profit earned by 183 government companies and corporations was Rs.1,01,560 crore of which, as much as 76.06 per cent (Rs.77,250 crore) was contributed by 50 government companies and

corporations under six sectors viz., Petroleum, Power, Fertilizers, Coal & Lignite, Steel and Minerals & Metals.

[Paras 1.3.1.1, 1.3.1.2 and 1.5.1.1]

Out of the 183 government companies and corporations which earned profit, 119 government companies and corporations declared dividend for the year 2008-09 amounting to Rs.27,105 crore. Out of this, Rs.19,447 crore were paid/payable to the Government of India. The dividend paid to Government of India represented 12.03 *per cent* return on the total investment by the Government of India (i.e., Rs.1,61,712 crore) in all government companies and corporations.

[Paras 1.3.4.1, 1.3.4.2 and 1.3.4.7]

Government companies under the Ministry of Petroleum and Natural Gas, operating partially under the administered/ regulated prices, contributed Rs.10,187 crore representing 37.58 *per cent* of the total dividend declared by all government companies.

[Para 1.3.4.3]

Non compliance with Government's directive in the declaration of dividend by 29 companies resulted in a shortfall of Rs.1871 crore in the payment of dividend for the year 2008-09.

[Para 1.3.4.6]

Net Worth/Accumulated Loss

Out of 300 government companies and corporations, the equity investment in 68 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of Rs.70,595 crore as on 31 March 2009. Due to the negative net worth, recovery of the loans given by the Government to these companies was doubtful. The accumulated losses in these 68 government companies decreased by Rs.12,893 crore, from Rs.98,086 crore in 2007-08 to Rs.85,193 crore in 2008-09.

[Para 1.5.2]

Companies referred to BIFR

Out of 68 companies the equity capital of which had been eroded, 31 companies had been referred to the BIFR. While revival package was approved in respect of nine companies, 11 were recommended for closure/winding up. The remaining 11 companies were under various stages of processing.

[Para 1.5.3]

II. C&AG's oversight role

Out of 438 PSUs including six Statutory Corporations, annual accounts for the year 2008-09 were received from 348 PSUs including five Statutory Corporations. Of these, accounts of 260 PSUs including five Statutory Corporations were reviewed in audit.

[Paras 2.3.2, 2.3.3 and 26.2]

In order to enhance the quality of financial reporting the C&AG has introduced the system of Three Phase Audit in 59 CPSUs in 2008-09 on consensus basis. This has led to

a significant improvement in the quality of their financial statements. The net impact of Three Phase Audit on the profitability as well as on assets/liabilities was Rs.7369.47 crore.

(Paras 2.5 and 2.6.1)

Revision of Accounts

As a result of supplementary audit by the C&AG, eight Government Companies (including three listed Government Company) revised their accounts for the year 2008-09. The impact of the revision on the profitability of these companies was to the extent of Rs.41.41 crore. In addition, the statutory auditors of three listed Government Companies and seven unlisted Government Companies (including three Deemed Government Companies) revised their report at the instance of audit by the C&AG.

[Paras 2.6.2.1 and 2.6.2.2]

Impact of C&AG's comments on the accounts

Comments issued by the C&AG as a result of supplementary audit of Government Companies brought out overstatement of assets by Rs.1.17 crore in one Company and profit by Rs.1398.24 crore in nine companies.

Similarly, there was understatement of assets by Rs.19.24 crore in one Company, liabilities by Rs.27.23 crore in two companies, profit by Rs.141.87 crore in one Company and loss by Rs.20.80 crore in six companies.

[Paras 2.6.3.1 and 2.6.3.2]

In the case of Statutory Corporations where C&AG is the sole auditor, the impact of audit observations on the accounts of one corporation was overstatement of profit by Rs.11.57 crore and understatement of assets by Rs.11.34 crore.

[Para 2.6.3.3]

Departures from Accounting Standards

Deviations from the provisions of Accounting Standards in preparation of the financial statements were noticed in 39 companies by the statutory auditors. C&AG also pointed out such deviations in another three companies.

[Para 2.7]

Observations of Statutory Auditors

The Statutory Auditors appointed by the C&AG made significant qualifications in their reports in respect of 21 Government Companies (including Deemed Government Companies) of which six were listed companies.

[Paras 2.9.1 and 2.9.2]

In compliance with the directions issued by the C&AG under Section 619(3)(a) of the Companies Act, 1956, the Statutory Auditors reported deficiencies relating to financial controls and procedures including lack of internal control measures in respect of fixed

assets, debtors, inventory and internal audit in 84 Government Companies (including 16 Deemed Government Companies).

[Paras 2.9.4 and 2.10]

III. Inventory Management in Oil and Steel Sector

There was no industry practice/norm fixed in the downstream oil companies for holding the raw materials. Indian Oil Corporation Limited, Hindustan Petroleum Corporation Limited and Chennai Petroleum Corporation Limited were having 23.19 days, 17.46 days and 15 days stock holding against the average raw material holding of 14.38 days for all the public sector oil companies. Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL) were holding raw materials equal to 47 days and 72 days of consumption respectively as on 31 March 2009 higher than the norm fixed by these Companies.

[Paras 3.7.1.1 and 3.7.1.2]

Oil Sector and Steel Sector Companies were carrying Non-moving/surplus stores and spares valuing Rs.706.30 crore and Rs.335.10 crore respectively as on 31 March 2009.

[Paras 3.7.2.1 and 3.7.2.2]

There was shortage of inventory amounting to Rs.439 crore and Rs. 71.06 crore in SAIL and RINL respectively revealed during physical verification in the year 2008-09.

[Para 3.8]

IV. Joint Ventures of Central PSUs

Twenty nine Government Companies and one statutory corporation have formed 296 Joint Ventures having an investment of Rs.13,330.75 crore as on 31 March 2009. Besides, ONGC Videsh Limited, a wholly owned subsidiary of Oil and Natural Gas Corporation Limited, deployed funds to the extent of Rs.48,382.33 crore directly/indirectly in subsidiaries/ joint ventures at the end of 31 March 2009.

[Para 4.3]

Expenditure of Rs.90.80 crore incurred on Data analysis of Geological and Geographical activities by a joint venture company of ONGC Videsh Limited has been disallowed by the Regulator of Nigeria for cost recovery purpose as it was in violation of the Laws of Nigeria.

In respect of three JV companies Indian Oil Corporation Limited and Bharat Petroleum Corporation Limited had made provision of Rs 33.40 crore for diminution of investment as the projects were not found viable in the business scenarios.

[Para 4.4.3]