

Chapter I

Functioning of State Public Sector Undertakings

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Introduction

1.1 The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. They occupy an important place in the State economy. As on 31 March 2017, there were 91 SPSUs including 87 State Government Companies and four Statutory Corporations. Of these, four¹ were listed on the stock exchange(s). During the year 2016-17, four SPSUs² were incorporated. One SPSU³ came under the purview of the Comptroller and Auditor General of India (C&AG) as per Section 139(5) of the Companies Act, 2013 in 2016-17. The details of SPSUs in Gujarat as on 31 March 2017 are given in **Table 1.1**.

Table 1.1: Total number of SPSUs as on 31 March 2017

Type of SPSUs	Working SPSUs	Non-working SPSUs ⁴	Total
Government Companies ⁵	73 ⁶	14	87
Statutory Corporations	4	--	4
Total	77	14	91

Source: Compiled based on *Annexure 2*.

The working SPSUs registered a turnover of ₹ 1,11,953.31 crore as per their latest finalised accounts as on 30 September 2017. The turnover was equal to 9.95 *per cent* of State's Gross Domestic Product⁷ (GSDP) for 2016-17. The working SPSUs incurred aggregate loss of ₹ 14,764.43 crore as per their latest finalised accounts. We observed that overall profit of ₹ 1,633.12 crore earned in previous year (2015-16) turned into aggregate losses in the current year due to the exceptional loss of ₹ 17,061.20 crore⁸ incurred by Gujarat State Petroleum Corporation Limited (GSPC Limited). As on 31 March 2017, the SPSUs employed 1.09 lakh employees.

¹ Gujarat Gas Limited, Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited and Gujarat State Financial Corporation.

² Gujarat Fibre Grid Network Limited, Gujarat ISP Services Limited, Gandhinagar Railway and Urban Development Corporation Limited and Gujarat Rail Infrastructure Development Corporation Limited were incorporated on 30 September 2016, 05 December 2016, 05 January 2017 and 06 January 2017 respectively (Sl. No. 69, 70, 29 and 30 of *Annexure 2* respectively).

³ Sarigam Clean Initiative (Sl. No. 68 of *Annexure 2*).

⁴ Non-working SPSUs are those which have ceased to carry on their operations.

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

⁶ The entrustment of audit of Gujarat Rail Infrastructure Development Corporation Limited incorporated on 06 January 2017 is awaited (Sl. No. 30 of *Annexure 2*).

⁷ The State's Gross Domestic Product for the year 2016-17 was ₹ 11,25,654 crore (Advance estimates) as per Statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

⁸ GSPC Limited booked impairment loss of ₹ 14,923.54 crore on 80 *per cent* Participating Interest and 10 *per cent* in KG-OSN-2001/ 3 Block (KG Block).

As on 31 March 2017, there were 14 non-working SPSUs with an investment (Capital and long-term loans) of ₹ 800.68 crore. In eight SPSUs, liquidation process had been started since 1997 and in six SPSUs, the process to close down/winding up/liquidation was yet to start though they had ceased carrying out their operations. This is a critical area as the investments in non-working SPSUs do not contribute to the economic growth of the State. Government may take suitable decision as regards the remaining six non-working SPSUs.

Accountability framework

1.2 The process of audit of Government Companies under the Act is governed by respective provisions of Sections 139 and 143 of the Act. (Companies Act 2013). According to Section 2(45) of the Companies Act, 2013, a Government Company means any Company in which not less than 51 *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. Companies Act, 2013 governs the financial attest audit of a Company as on or after 1 April 2014. The audit of a Company in respect of financial years earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

Further, as per sub-section 7 of Section 143 of the Act, the C&AG may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139 of the Act, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled directly or indirectly, by the Central Government and partly by one or more State Governments is subject to audit by the C&AG. 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

1.3 The financial statements of a Government Company (as defined in Section 2(45) of the Act) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Act. The Statutory Auditors submit a copy of the Audit Report to the C&AG 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 to be conducted by the C&AG 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 the four Statutory Corporations, the C&AG is the sole auditor for Gujarat Industrial Development Corporation and Gujarat State Road Transport Corporation. In respect of Gujarat State Warehousing Corporation and Gujarat

State Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of State Government Companies and Separate Audit Reports (SARs) in case of Statutory Corporations are to be placed before the Legislature under Section 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the C&AG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Gujarat

1.5 The State Government has a substantial financial stake in the SPSUs. This is of mainly three types:

- ½ **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- ½ **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when considered necessary.
- ½ **Guarantees-** State Government also guarantees the repayment of loans with interest, availed by the SPSUs from Financial Institutions.

Investment in SPSUs

1.6 As on 31 March 2017, the investment (Capital and Long-term loans)⁹ in 91 SPSUs was ₹ 1,43,217.84 crore¹⁰ as per details given in **Table 1.2:**

Table 1.2: Total Investment in SPSUs

Type of SPSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working SPSUs	85,088.54	51,060.02	1,36,148.56	2,729.02	3,539.58	6,268.60	1,42,417.16
Non-working SPSUs	87.62	713.06	800.68	0.00	0.00	0.00	800.68
Total	85,176.16	51,773.08	1,36,949.24	2,729.02	3,539.58	6,268.60	1,43,217.84

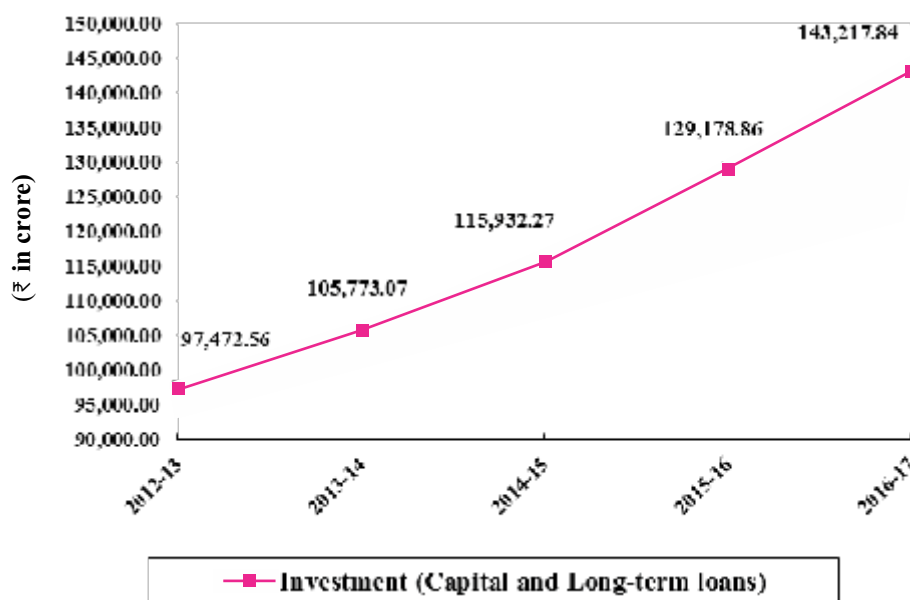
Source: Compiled based on information received from SPSUs.

⁹ This represents loans from the Government and Financial Institutions.

¹⁰ This amount will not tally with *Annexure 2* which is based on latest finalised accounts whereas details of investment in SPSUs in the *Table 1.2* have been prepared based on information furnished by the SPSUs, which includes additions subsequent to the latest finalised accounts.

Out of the total investment of ₹ 1,43,217.84 crore in SPSUs as on 31 March 2017, 99.44 per cent was in working SPSUs and the remaining 0.56 per cent in non-working SPSUs. This total investment consisted of 61.38 per cent towards capital and 38.62 per cent in long-term loans. The investment has grown by 46.93 per cent from ₹ 97,472.56 crore in 2012-13 to ₹ 1,43,217.84 crore in 2016-17 as shown in the **Chart 1.1**.

Chart 1.1: Total investment in SPSUs



1.7 The sector wise summary of investments in the SPSUs as on 31 March 2017 is given in **Table 1.3**:

Table 1.3: Total Investment in SPSUs

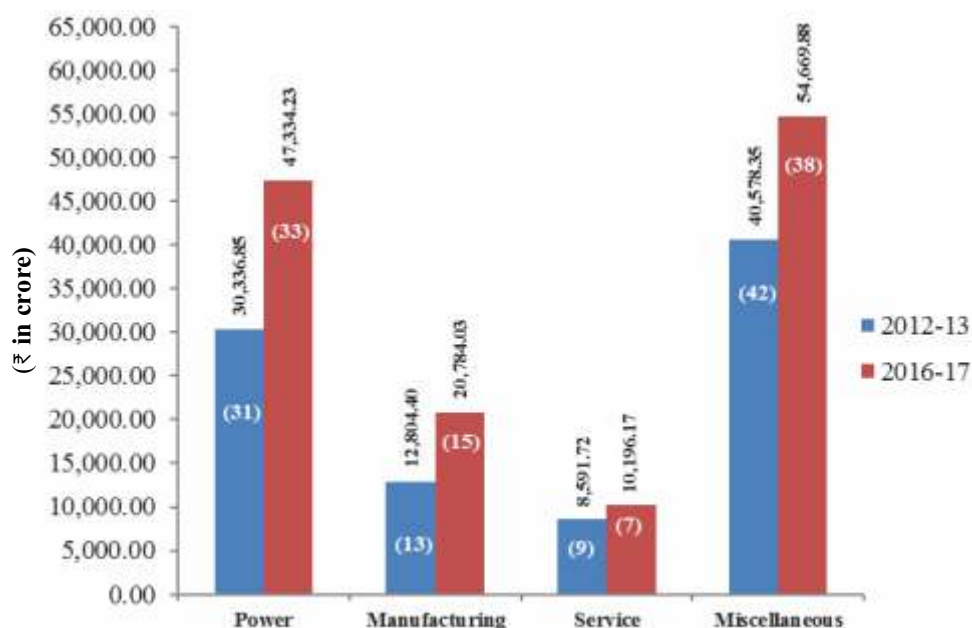
Name of the Sector	Government/ Other Companies		Statutory Corporations	Total	Investment (₹ in crore)
	Working	Non-working			
Power	11	0	0	11	47,334.23
Manufacturing	8	8	0	16	20,784.03
Finance	13	3	1	17	5,582.87
Miscellaneous ¹¹	3	0	0	3	54,669.88
Service	21	0	1	22	10,196.17
Infrastructure	13	1	1	15	4,499.03
Agriculture & Allied	4	2	1	7	151.63
Total	73	14	4	91	1,43,217.84

Source: Compiled based on information received from SPSUs.

The investment in four significant sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are indicated in the bar **Chart 1.2**.

¹¹ This includes ₹ 54,501.87 crore in Sardar Sarovar Narmada Nigam Limited, ₹ 155.01 crore in Gujarat Water Infrastructure Limited and ₹ 13.00 crore in Gujarat Rural Industries Marketing Corporation Limited (SI. No. 72, 73 and 71 of *Annexure 2*).

Chart 1.2: Sector wise investment in SPSUs



Figures in brackets show the percentage of investment in SPSUs

The thrust of SPSUs investment was mainly in the Miscellaneous Sector as the percentage share of investment in Miscellaneous Sector to total investment was 38.17 in 2016-17 though it reduced from 41.63 in 2012-13. In the above sector, the major investment of ₹ 54,501.87 crore was in Sardar Sarovar Narmada Nigam Limited which has increased over the last five years by ₹ 15,394.90 crore. The percentage share of investment in Power Sector increased from 31.12 in 2012-13 to 33.05 in 2016-17 which was attributed to increase in investment in three PSUs¹². The share of investment in Manufacturing Sector increased from 13.14 *per cent* in 2012-13 to 14.51 *per cent* in 2016-17 due to increase in investment of ₹ 7,314.28 crore in Gujarat State Petroleum Corporation Limited during 2012-17. The share of investment in Service Sector declined from 8.81 *per cent* in 2012-13 to 7.12 *per cent* in 2016-17.

Special support and returns during the year

1.8 The State Government provides financial support to SPSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies in respect of SPSUs for three years ended 2016-17 are given in **Table 1.4**. The table also gives the details of waiver of loans and interest and guarantee issued during the above period. It also gives details of guarantee commitment outstanding as at the end of the respective years.

¹² Paschim Gujarat Vij Company Limited, Gujarat Urja Vikas Nigam Limited and Bhavnagar Energy Company Limited (SI. No. 45, 47 and 49 of *Annexure 2*).

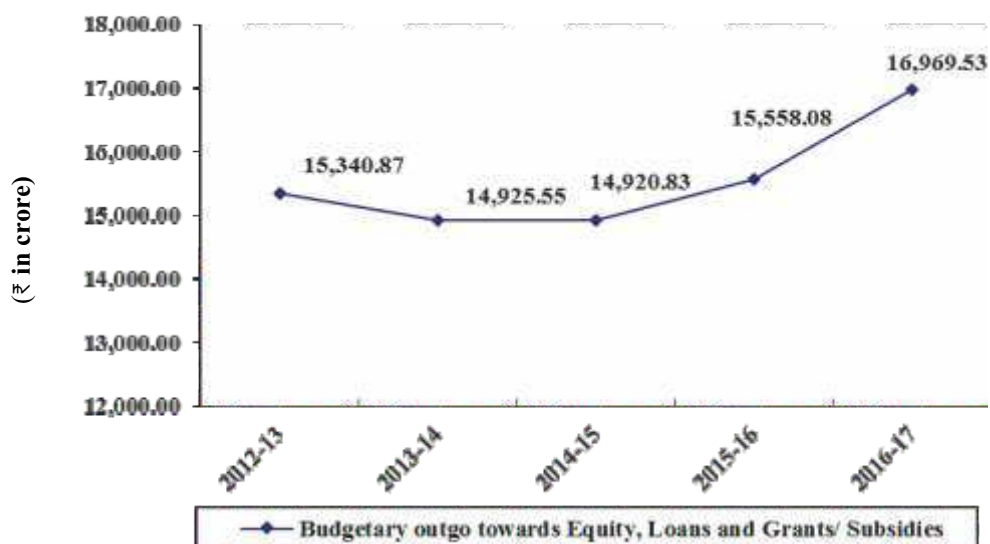
Table 1.4: Details regarding budgetary support to SPSUs during the years
(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	9	6,966.86	8	7,647.92	11	8,139.27
2.	Loans given from budget	2	201.50	3	362.50	4	194.69
3.	Grants/ Subsidy from budget	24	7,752.47	22	7,547.66	25	8,635.57
4.	Total Outgo (1+2+3)		14,920.83		15,558.08		16,969.53
5.	Waiver of loans and interest	--	--	-	-		--
6.	Guarantees issued during the year	2	1,609.16	3	1,555.53	0	0.00
7.	Guarantee Commitment outstanding at the end of the year	4	1,652.82	5	1,548.46	4	234.36

Source: Compiled based on information received from SPSUs.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in **Chart 1.3:**

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The budgetary outgo in the form of equity, loans and grants/ subsidies increased from ₹ 15,558.08 crore in 2015-16 to ₹ 16,969.53 crore in 2016-17. The outgo on account of grants/ subsidies increased from ₹ 7,547.66 crore in 2015-16 to ₹ 8,635.57 crore in 2016-17. The SPSUs which received the funds from the budgetary outgo are Sardar Sarovar Narmada Nigam Limited (₹ 4,103.72 crore), Gujarat Urja Vikas Nigam Limited (₹ 2,659.79 crore), Uttar Gujarat Vij Company Limited (₹ 2,273.53 crore), Paschim Gujarat Vij Company Limited (₹ 1,996.60 crore) and Gujarat State Road Transport Corporation (₹ 1,099.06 crore).

In order to provide financial assistance to SPSUs from Banks and Financial Institutions, State Government gives guarantee under Gujarat State Guarantee Act, 1963. Such guarantees are given subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. This fee varies from 0.25 to one *per cent per annum* as decided by the State Government depending upon the loanees. The guarantee commitment decreased from ₹ 1,548.46 crore during 2015-16 to ₹ 234.36 crore during 2016-17. The guarantee commitment reduced substantially as Gujarat Urja Vikas Nigam Limited and Gujarat Water Infrastructure Limited vacated the guarantee of ₹ 313.28 crore and ₹ 600 crore respectively. Further, eight SPSUs¹³ paid guarantee fee¹⁴ of ₹ 8.45 crore during 2016-17.

Reconciliation with Finance Accounts

1.9 The figures in respect of equity, loans and guarantees outstanding as *per* the records of SPSUs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2017 is given in **Table 1.5** below:

**Table 1.5: Equity, loans, guarantees outstanding as per Finance Accounts
vis-a-vis records of SPSUs**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	73,785.56	74,891.80	1,106.24
Loans	4,133.75	6,125.21	1,991.46
Guarantees	3,341.18	234.36	3,106.82

Source: Compiled based on information received from SPSUs and Finance Accounts.

Audit observed that such differences occurred in respect of 54 SPSUs¹⁵. The differences between the figures were persisting since last many years. The issue was taken up by the Accountant General (Economic and Revenue Sector Audit), Gujarat, Ahmedabad regularly, the latest being in November 2017 with the SPSUs/ Departments to reconcile the differences. Major differences were observed in Gujarat State Petroleum Corporation Limited, Sardar Sarovar Narmada Nigam Limited, GSPC LNG Ltd., Dholera Industrial City Development Limited and Gujarat State Road Transport Corporation.

¹³ (i) Gujarat State Electricity Corporation Limited, (ii) Gujarat Energy Transmission Corporation Limited, (iii) Dakshin Gujarat Vij Company Limited, (iv) Madhya Gujarat Vij Company Limited, (v) Paschim Gujarat Vij Company Limited, (vi) Uttar Gujarat Vij Company Limited, (vii) Gujarat Urja Vikas Nigam Limited and (viii) Sardar Sarovar Narmada Nigam Limited (SI. No. 40, 42, 43, 44, 45, 46, 47 and 72 of *Annexure 2*).

¹⁴ In case of subsidiaries of GUVNL, the details of Guarantee fees as allocated by the holding Company (GUVNL) have been considered.

¹⁵ This represents SPSUs in which the State Government has given budgetary support towards equity, loans and grants/ subsidies and such SPSUs are under the purview of C&AG.

Arrears in finalisation of accounts

1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of relevant financial year *i.e.* by September end in accordance with the provisions of Section 96(1) and 129(2) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 and Section 129(7) of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

As per the Government of India, Ministry of Corporate Affairs Notification dated 16 February 2016, Indian Accounting Standards (Ind AS) were implemented on voluntary basis from 01 April 2015 and mandatorily from 01 April 2016. In terms of the Notification, the Companies (including parent, subsidiary, associate and joint venture) having networth above ₹ 500 crore were required to mandatorily implement Ind AS from 01 April 2016.

The **Table 1.6** provides the details of progress made by working SPSUs in the finalisation of accounts as on 30 September 2017.

Table 1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working SPSUs/ other companies	69	72	68	72	77
2.	Number of accounts finalised during the year	71	65	56	72	74
3.	Number of working SPSUs which finalised accounts for current year	39	39	32 ¹⁶	35 ¹⁷	33 ¹⁸
4.	Number of previous year accounts ¹⁹ finalised during current year	32	26	22	31	36
5.	Number of accounts in arrears	42	50	61	64	75
6.	Number of working SPSUs with arrears in accounts	30	33	35	36	42
7.	Extent of arrears (numbers in years)	1 to 3	1 to 4	1 to 5	1 to 6	1 to 6

Source: Compiled based on accounts of working SPSUs received during the period October 2016 to September 2017.

Of the total 77 working SPSUs, 59 working SPSUs had finalised their 74 annual accounts, of which 39 accounts pertained to 2016-17 and remaining 35 accounts pertained to previous years. Forty two SPSUs had 75 accounts in arrears which ranged from one to six years. Out of 59 SPSUs which finalised the accounts during 2016-17 (74 accounts), 22 SPSUs implemented Ind AS and finalised 26 accounts (including four²⁰ consolidated accounts).

¹⁶ These 32 PSUs finalised 34 accounts of 2014-15 which includes two consolidated accounts.

¹⁷ These 35 PSUs finalised 41 accounts of 2015-16 which includes six consolidated accounts.

¹⁸ These 33 PSUs finalised 41 accounts of 2016-17 which includes five consolidated accounts.

¹⁹ This includes two consolidated accounts received in 2014-15, six consolidated accounts each in 2015-16 and 2016-17.

²⁰ Gujarat Mineral Development Corporation Limited, Gujarat State Petronet Limited, Gujarat State Petroleum Corporation Limited and Gujarat Gas Limited.

The Administrative Departments have the responsibility of overseeing the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSUs within the stipulated period. The concerned Departments were informed on a quarterly basis regarding arrears in accounts. In addition, the matter was taken up (October 2017) with the State Government for liquidating the arrears of accounts. However, no significant improvement has been noticed in submission of accounts for audit.

1.11 The State Government had invested ₹ 9,066.18 crore in 14 working SPSUs {equity: ₹ 5,326.07 crore (8 SPSUs), loans ₹ 342.69 crore (3 SPSUs) and grants ₹ 3,397.18 crore (11 SPSUs)} during the last three years for which accounts have not been finalised as detailed in *Annexure I*. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred have been properly accounted for. In this manner, the Government's investment in such SPSUs remained outside the control of the State Legislature.

1.12 In addition to the above, as on 30 September 2017, there were arrears in finalisation of accounts by non-working SPSUs. Out of 14 non-working SPSUs, eight²¹ were in the process of liquidation whose accounts were in arrears for three to 22 years. Of the remaining six non-working SPSUs, one SPSU had finalised its accounts upto 2016-17 and five SPSUs²² had arrears of accounts as depicted in **Table 1.7**.

Table 1.7: Position relating to arrears of accounts in respect of non-working SPSUs

No. of non-working SPSUs	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1 ²³	1999-00 to 2016-17	18
1 ²⁴	2012-13 to 2016-17	5
3 ²⁵	2016-17	1

Source: Compiled based on accounts of non-working SPSUs received during the period October 2016 to September 2017.

Placement of Separate Audit Reports

1.13 Separate Audit Reports (SARs) are audit reports of the C&AG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts.

The **Table 1.8** shows the status of placement of SARs issued by the C&AG (up to 30 September 2017) on the accounts of Statutory Corporations in the Legislature.

²¹ Gujarat Small Industries Corporation Limited, Gujarat Leather Industries Limited, GSFS Capital and Securities Limited, Gujarat State Textile Corporation Limited, Gujarat Communications and Electronics Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

²² Gujarat Fisheries Development Corporation Limited, Gujarat State Construction Corporation Limited, Gujarat State Machine Tools Corporation Limited, Gujarat Trans Receivers Limited and Naini Coal Company Limited.

²³ Gujarat Fisheries Development Corporation Limited.

²⁴ Naini Coal Company Limited.

²⁵ Gujarat State Construction Corporation Limited, Gujarat State Machine Tools Corporation Limited and Gujarat Trans Receivers Limited.

Table 1.8: Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs are yet to be placed in Legislature	
			Year of SAR	Date of issue to the Government/ Present Status
1.	Gujarat State Warehousing Corporation	2012-13	2013-14	09 May 2016
			2014-15	04 August 2017
2.	Gujarat State Financial Corporation	2015-16	2016-17	03 November 2017
3.	Gujarat Industrial Development Corporation	2015-16	2016-17	Draft SAR under finalisation ²⁶
4.	Gujarat State Road Transport Corporation	2012-13	2013-14	18 January 2017
			2014-15	13 October 2017

Source: Compiled based on information received from Statutory Corporations.

Impact of non-finalisation of accounts

1.14 As pointed out in **Paragraph 1.10 to 1.12**, the delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the arrears of accounts as above, the actual contribution of SPSUs to the GSDP for the year 2016-17 could not be ascertained and their performance could not be reported to the State Legislature.

It is therefore, recommended that the Government may monitor the clearance of arrears in finalisation of accounts.

Similar recommendation had been made in the Audit Report (PSUs), GoG for the year 2015-16. No significant improvement, however, has been noticed in this regard (October 2017) as number of arrear accounts increased from 64 to 75 as at the end of March 2017.

Performance of SPSUs as per their latest finalised accounts

1.15 The financial position and working results of working SPSUs are detailed in **Annexure 2**. The ratio of SPSUs turnover to GSDP is indicative of the scale of SPSUs' activities in the State economy. The details of working SPSUs' turnover *vis-à-vis* GSDP for a period of five years ending 2016-17 are given in the **Table 1.9**.

²⁶ The accounts of the Corporation was received on 25 September 2017.

Table 1.9: Details of working SPSUs turnover vis-a-vis GSDP (at current prices)

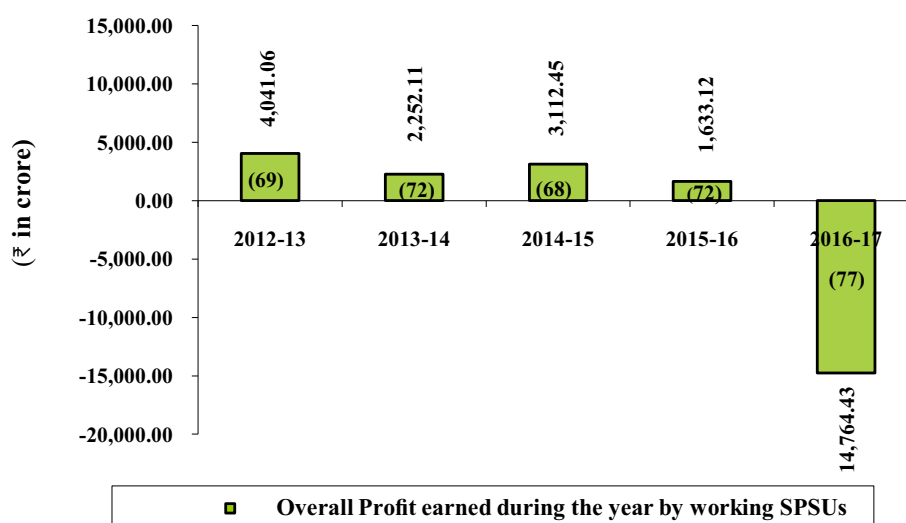
Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ²⁷ (₹ in crore)	91,309.63	98,718.90	1,06,553.54	1,11,036.50	1,11,953.31
GSDP (₹ in crore)	7,24,495	8,07,623	8,95,027(P)	9,94,316(Q)	11,25,654(A) ²⁸
Percentage of Turnover to State GDP	12.60	12.22	11.90	11.17	9.95

Estimate: (P) = Provisional, (Q) = Quick and (A) = Advance

Source: Compiled based on Turnover figures of SPSUs and GSDP figures as per Government publication.

The turnover of SPSUs has recorded continuous increase over previous years. However, the contribution of SPSUs to GSDP has gradually decreased from 12.60 per cent in 2012-13 to 9.95 per cent in 2016-17. Out of the total turnover of ₹ 1,11,953.31 crore, ₹ 1,07,444.50 crore pertains to 33 working SPSUs who have finalised their accounts for the year 2016-17 and the balance turnover of ₹ 4,508.81 crore was taken as per the last finalised accounts.

1.16 Overall profits²⁹/ loss earned/ incurred by working SPSUs during 2012-13 to 2016-17 are depicted in the **Chart 1.4**.

Chart 1.4: Profit/Loss of working SPSUs

(Figures in brackets show the number of working SPSUs in respective years)

As per their latest finalised accounts, out of 77 working SPSUs, 54 SPSUs earned profit of ₹ 3,647.96 crore and 14 SPSUs incurred loss of ₹ 18,412.39 crore³⁰. Of the nine SPSUs which neither reported profits or losses, one Company³¹ has not commenced commercial operation,

²⁷ Turnover of working SPSUs as per the latest finalised accounts as on 30 September 2017.

²⁸ As per Statements prepared under the Gujarat Fiscal Responsibility Act 2005, Budget Publication No. 30.

²⁹ Represents net profit before tax.

³⁰ Of this, loss of ₹ 17,061.20 crore was incurred by Gujarat State Petroleum Corporation Limited.

³¹ GSPC LNG Limited (Sl. No. A-35 of Annexure 2).

five Companies³² have not finalised their first accounts, one Company's³³ excess of expenditure over income was adjusted against capital reserve non-plan grants, one³⁴ Company's excess of expenditure over income was transferred to works completed and one³⁵ Company's expenditure incurred was set off from grant income.

The major contributors to the profit were:

- ½ Gujarat State Petronet Limited (₹ 737.79 crore),
- ½ Gujarat Mineral Development Corporation Limited (₹ 445.98 crore),
- ½ Gujarat Gas Limited (₹ 303.33 crore),
- ½ Gujarat Industrial Development Corporation (₹ 293.38 crore),
- ½ Gujarat Energy Transmission Corporation Limited (₹ 284.79 crore).

Heavy losses were incurred by:

- ½ Gujarat State Petroleum Corporation Limited (₹ 17,061.20 crore),
- ½ Sardar Sarovar Narmada Nigam Limited (₹ 973.50 crore),
- ½ Gujarat State Road Transport Corporation (₹ 184.45 crore),
- ½ Gujarat State Financial Corporation (₹ 117.18 crore).

1.17 Some other key parameters of SPSUs are given in **Table 1.10**.

Table 1.10: Key Parameters of SPSUs

Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Investment	1,02,689.21	1,10,319.66	1,18,060.81	1,32,020.90	1,49,499.29
Return on Investment	6,843.95	6,461.06	8,057.33	6,539.67	(-) 7,098.54
Return on Investment (per cent)	6.66	5.86	6.82	4.95	NA
Equity	59,130.71	69,689.57	79,080.32	87,923.47	85,112.91
Return on Equity	2,676.53	1,281.94	2,021.11	239.29	(-) 15,246.07
Return on Equity (per cent)	4.53	1.84	2.56	0.27	NA
Debt	44,835.60	45,711.93	42,509.05	45,327.85	49,192.38 ³⁶
Turnover ³⁷	91,309.63	98,718.90	1,06,553.54	1,11,036.50	1,11,953.31
Debt/ Turnover Ratio	0.49:1	0.46:1	0.40:1	0.41:1	0.44:1
Interest Payments	3,390.99	4,214.21	4,949.38	4,912.24	6,856.63
Accumulated Profits/(Losses) ³⁸	2,865.09	3,805.28	3,721.00	3,863.94	(11,714.60)

(Above figures pertain to all SPSUs except for turnover which is for working SPSUs only).

Source: Compiled based on **Annexure 2**.

³² Dholera Industrial City Development Limited, Gandhinagar Railway and Urban Development Corporation Limited, Gujarat Rail Infrastructure Development Corporation Limited, Gujarat Fibre Grid Network Limited and Gujarat ISP Services Limited (Sl. No. A-28, A-29, A-30, A-69 and A-70 of **Annexure 2**).

³³ Gujarat Women Economic Development Corporation Limited (Sl. No. A-8 of **Annexure 2**).

³⁴ Gujarat State Police Housing Corporation Limited (Sl. No. A-20 of **Annexure 2**).

³⁵ Gujarat Foundation for Mental Health and Allied Sciences (Sl. No. A-58 of **Annexure 2**).

³⁶ This represents the long term loans as per the latest finalised accounts reflected in **Annexure 2** of all SPSUs.

³⁷ Turnover of working SPSUs as per the latest finalised accounts as of 30 September 2017.

³⁸ Includes accumulated balance of profit or loss as per the finalised accounts and excludes General/ Capital/ Other Reserves etc.

The investment in SPSUs increased from ₹ 1,02,689.21 crore in 2012-13 to ₹ 1,49,499.29 crore in 2016-17. The return on investment ranged between 4.95 per cent and 6.82 per cent during 2012-13 to 2015-16. Similarly, the total equity of the SPSUs increased from ₹ 59,130.71 crore in 2012-13 to ₹ 85,112.91 crore in 2016-17. The return on equity ranged between 0.27 per cent and 4.53 per cent during 2012-13 to 2015-16. However, there was net loss in 2016-17. Therefore, the return on investment and equity was not computed in 2016-17.

The turnover of SPSUs had increased gradually from ₹ 91,309.63 crore in 2012-13 to ₹ 1,11,953.31 crore in 2016-17. Simultaneously, the debts also increased from ₹ 44,835.60 crore in 2012-13 to ₹ 49,192.38 crore in 2016-17. The debt-turnover ratio decreased during 2014-15 as compared to 2013-14 but increased in subsequent years and stood at 0.44:1 in 2016-17 because comparative increase in debt is more than the increase in the turnover. Accumulated profits of ₹ 2,865.09 crore in 2012-13 have turned into accumulated losses of ₹ 11,714.60 crore in 2016-17 because of the impairment losses recognised by Gujarat State Petroleum Corporation Limited in the financial year.

A sector wise comparison of the above parameters in relation to those in 2012-13 revealed that the increase in turnover was noticed in Power Sector by 26 per cent (₹ 17,505.48 crore) and Service Sector by 22 per cent (₹ 1,646.09 crore) whereas turnover reduced in Manufacturing Sector by six per cent (₹ 691.98 crore). The increase in debt was mainly in the Manufacturing Sector by 62 per cent (₹ 7,016.25 crore).

Accumulated profits of the previous years got eroded by the accumulated losses in Manufacturing Sector to the tune of ₹ 16,691.64 crore and ₹ 1,157.80 crore in Miscellaneous Sector during the current year. Audit observed that the accumulated losses of ₹ 16,936.75 crore³⁹ of GSPC Limited changed the overall accumulated profit of ₹ 3,863.94 crore in previous year (2015-16) to aggregate accumulated losses of ₹ 11,714.60 crore in the year 2016-17.

1.18 The State Government had not formulated any dividend policy under which all SPSUs are required to pay a minimum return on paid-up share capital contributed by the State Government. As per their latest finalised accounts, out of 77 working SPSUs, 54 SPSUs earned profit of ₹ 3,647.96 crore. However, only eight SPSUs declared dividend of ₹ 237.88 crore of which the State Government's share was ₹ 83.22 crore.

The State Government may consider formulating a dividend policy for payment of reasonable return from the profit earning of SPSUs on the paid up share capital contribution by the State Government.

Analysis of networth of working SPSUs

1.19 The capital investment and accumulated losses of the working SPSUs as per their latest finalised accounts were ₹ 1,29,774.16 crore and ₹ 11,366.47

³⁹ GSPC Limited booked impairment loss of ₹ 14,923.54 crore on 80 per cent Participating Interest (PI) and 10 per cent in KG-OSN-2001/ 3 Block (K G Block).

crore respectively as detailed in **Annexure 2**. As on 31 March 2017, the aggregate networth⁴⁰ of the working SPSUs was positive. A further analysis revealed that the erosion in networth occurred in 11 working SPSUs out of total 77 working SPSUs. The accumulated losses of these 11 SPSUs were ₹ 23,117.93 crore as against their paid up capital and free reserves of ₹ 9,840.36 crore⁴¹. Of these 11 SPSUs, the networth primarily eroded in Manufacturing Sector wherein five working SPSUs out of eight working SPSUs had a negative networth (₹ 9,829.29 crore). The networth of the entire Manufacturing Sector was eroded to ₹ 5,862.43 crore⁴² as on 31 March 2017 as a result of above five SPSUs. The major erosion was in Gujarat State Petroleum Corporation Limited (₹ 9,344.60 crore) and Alcock Ashdown (Gujarat) Limited (₹ 444.97 crore) as detailed in **Annexure 2A**. All other Sectors showed positive networth. However, there was erosion in six SPSUs other than those in the Manufacturing Sector. The highest erosion among these was noticed in Gujarat State Financial Corporation (₹ 2,272.70 crore) and Gujarat State Road Transport Corporation (₹ 975.56 crore) as detailed in **Annexure 2B**. The networth erosion of these six SPSUs did not result in complete erosion of the aggregate networth of their respective sectors.

Winding up of non-working SPSUs

1.20 There were 14 non-working SPSUs as on 31 March 2017. Of these, eight SPSUs have commenced liquidation process. The number of non-working Companies at the end of each year during past five years is given in **Table 1.11**.

Table 1.11: Non-working SPSUs

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
No. of Non-working Companies	12	12	13	14	14
No. of Non-working Corporations	--	--	--	--	-
Total	12	12	13	14	14

Source: Compiled from the information included in Audit Report (PSU), GoG of respective years and in **Annexure 2**.

All non-working SPSUs are either under liquidation or have been declared closed/ ceased carrying out its operations. They are not contributing to the State's economy. Of the eight non-working SPSUs, four⁴³ non-working SPSUs are under liquidation since 1997. During 2016-17, one⁴⁴ of 14 non-working SPSUs incurred an expenditure of ₹ 0.27 crore towards establishment. This expenditure was met from interest income (₹ 0.08 crore) received on their investments and borrowing (₹ 0.19 crore). Other 13 SPSUs did not furnish their accounts.

⁴⁰ Net worth means the aggregate value of the paid-up share capital and all reserves created out of profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off as per the audited balance sheet, but does not include reserves created out of revaluation of assets and write-back of depreciation and amalgamation.

⁴¹ Paid up capital of the 11 SPSUs ₹ 2,411.04 crore and Free Reserves of ₹ 7,429.32 crore.

⁴² The accumulated losses of the Manufacturing Sector SPSUs as a whole was ₹ 16,691.64 crore as against paid up capital and free reserves were ₹ 10,829.21 crore.

⁴³ Gujarat State Textile Corporation Limited, Gujarat Fintex Limited, Gujarat Siltex Limited and Gujarat Texfab Limited.

⁴⁴ Gujarat Dairy Development Corporation Limited.

1.21 The stages of closure in respect of non-working SPSUs as on 30 September 2017 are given in **Table 1.12**.

Table 1.12: Closure of Non-working SPSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working SPSUs	14	--	14
2.	Of (1) above, the No. under:			
(a)	Liquidation by Court (liquidator appointed)	6	--	6
(b)	Voluntary winding up (liquidator appointed)	2 ⁴⁵	--	2
(c)	Closure, <i>i.e.</i> closing orders/ instructions issued by the State Government but liquidation process not yet started	6	--	6

Source: Compiled from details received from SPSUs.

The Companies which have taken the route of winding up by Court order are under liquidation for a period ranging from two years to 22 years. The Government may take suitable decision regarding the remaining six non-working SPSUs.

Accounts Comments

1.22 Fifty five working Companies forwarded their 70 audited accounts to audit during the period October 2016 to September 2017. Of the 70 accounts of 55 Companies, 54 accounts were selected for supplementary audit. The comments in the Audit Report of Statutory Auditors appointed by the C&AG and the supplementary audit of the C&AG mention the significant observations on the financial statements. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments of Statutory Auditors and the C&AG for the last three years are given in **Table 1.13**.

Table 1.13: Impact of audit comments on the accounts of working Companies

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	8	251.06	5	250.78	7	190.61
2.	Increase in profit	4	198.62	5	250.89	5	92.31
3.	Increase in loss	1	152.55	2	1,070.18	-	-
4.	Decrease in loss	-	-	1	1.13	1	2.95
5.	Non-disclosure of material facts	1	115.20	1	130.54	2	60.20
6.	Errors of classification	6	1,784.86	6	29,721.92	9	482.90

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

The aggregate money value⁴⁶ of Statutory Auditors' comments and C&AG's comments during the year 2016-17 was ₹ 828.97 crore

⁴⁵ Gujarat Small Industries Corporation Limited and GSFS Capital and Securities Limited.

⁴⁶ The aggregate money value does not tally with the money value of net impact of accounts comments depicted in column 10 of *Annexure 2* as net impact does not include non-disclosure of material facts and errors of classification.

We observed that the reduction in amount of error of classification was mainly due to capitalisation of work in progress of ₹ 29,238.48 crore by Sardar Sarovar Narmada Nigam Limited during current year which was qualified by Statutory Auditors in his previous year (2015-16) Audit Report.

During the period October 2016 to September 2017, the Statutory Auditors had given unqualified certificates for 54 accounts and qualified certificates for 16 accounts. The compliance of Companies with the Accounting Standards remained deficient as there were 24 instances of non-compliance in 10 accounts during the period October 2016 to September 2017.

1.23 Similarly, four working Statutory Corporations⁴⁷ forwarded four accounts to audit during the period October 2016 to September 2017. Of these, accounts of two Statutory Corporations are subject to sole audit by C&AG, which were completed. The remaining two Statutory Corporations were selected for supplementary audit. The Audit Report of Statutory Auditors and the sole/ supplementary audit of C&AG mention the significant observations on the financial statements of the Statutory Corporations. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given below.

Table 1.14: Impact of audit comments on the accounts of Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.29	1	0.75	2	28.75
2.	Increase in profit	-	-	1	0.03	1	0.74
3.	Increase in loss	2	99.73	1	520.83	1	682.68
4.	Decrease in loss	1	0.28	1	11.73	-	-
5.	Non-disclosure of material facts	2	976.96	2	1,659.52	1	0.09
6.	Errors of classification	1	3.48	1	220.59	1	189.25

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

The aggregate money value⁴⁸ of Statutory Auditors' comments and C&AG's comments during the year 2016-17 was ₹ 901.51 crore.

During the period, one qualified certificate and one unqualified certificate was given by Statutory Auditors in respect of two accounts of Statutory Corporations.

⁴⁷ Gujarat State Warehousing Corporation, Gujarat State Road Transport Corporation, Gujarat Industrial Development Corporation and Gujarat State Financial Corporation.

⁴⁸ The aggregate money value does not tally with the money value of net impact of accounts comments depicted in column 10 of *Annexure 2* as net impact does not include non-disclosure of material facts and errors of classification.

Response of the Government to Audit

Performance Audits and Paragraphs

1.24 For the Report of C&AG of India for the year ended 31 March 2017, one Performance Audit Report and ten audit paragraphs contained in this report, were issued to the Management of SPSUs and the Additional Chief Secretaries/ Principal Secretaries of the respective Departments with request to furnish replies within six weeks. However, the replies were awaited from the State Government (February 2018) in respect of one Performance Audit Report and eight audit paragraphs.

Follow-up action on Audit Reports

Replies outstanding

1.25 The Report of the C&AG of India represents the culmination of the process of audit scrutiny. It is therefore, necessary that they elicit appropriate and timely response from the executive. All the administrative departments of SPSUs need to submit, within three months of their presentation to the Legislature, the explanatory notes indicating the corrective/ remedial action taken or proposed to be taken on paragraphs and Performance Audits included in the Audit Reports.

Table 1.15: Explanatory notes not received as on 30 September 2017

Year of the Audit Report (Commercial/ PSUs)	Date of 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
2013-14	31 March 2015	3	9	1	3
2014-15	31 March 2016	2	8	1	3
2015-16	31 March 2017	2	6	2	5
Total		7	23	4	11

Source: Compiled based on explanatory notes received from respective Departments of GoG.

From the above, it could be seen that out of 30 Paragraphs/ Performance Audits, explanatory notes to 15 Paragraphs/ Performance Audits in respect of five⁴⁹ Departments were awaited (September 2017).

Discussion of Audit Reports by COPU

1.26 The status as on 30 September 2017 of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and discussed by Committee on Public Undertakings (COPU) was as under.

⁴⁹ (i) Energy and Petrochemicals Department, (ii) Health and Family Welfare Department, (iii) Industries and Mines Department, (iv) Urban Housing and Urban Development Department, and (v) Roads and Building Department.

Table 1.16: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

Period of Audit Report	Number of Performance Audits/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	3	9	1	5
2014-15	2	8	0	1
2015-16	2	6	0	0
Total	7	23	1	6

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

Compliance to Reports of COPU

1.27 Action Taken Notes (ATN) to 13 recommendations made on nine paragraphs which pertained to five Reports of the COPU presented to the State Legislature between August 2016 to March 2017 had not been received (September 2017) as indicated below:

Table 1.17: Compliance to COPU Reports

Report of COPU	Total no. of recommendations in COPU Report	No. of recommendations for which ATNs not received
6 th Report of 13 th Assembly	9	6
10 th Report of 13 th Assembly	2	2
11 th Report of 13 th Assembly	3	3
12 th Report of 13 th Assembly	1	1
13 th Report of 13 th Assembly	1	1
Total	16	13

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoG.

The Reports of COPU for which ATNs were not received, contained recommendations in respect of paragraphs pertaining to five⁵⁰ Departments, which appeared in the Reports of the C&AG of India for the year 2010-11.

It is recommended that the Government may ensure that replies to Explanatory Notes/ Draft Paragraphs/ Performance audits and ATNs on the recommendation of COPU are as per the prescribed time schedule.

Disinvestment, Restructuring and Privatisation of PSUs

1.28 No disinvestment, restructuring and privatization of the State PSUs took place during the year ended 31 March 2017.

Coverage of this Report

1.29 This Report contains ten paragraphs and one Performance Audit involving financial effect of ₹ 1,295.47 crore.

⁵⁰ (i) Energy and Petrochemicals Department, (ii) Industries and Mines Department, (iii) Narmada, Water Resources, Water Supply and Kalpsar Department, (iv) Agriculture, Farmers Welfare & Co-operation Department and (v) Forest and Environment Department.