

Introduction

Functioning of State Public Sector Undertakings

General

1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2018, there were 95 State PSUs in Maharashtra, including 10 Statutory Corporations¹ and 85 Government Companies (including 21 inactive Government Companies²) under the audit jurisdiction of the Comptroller & Auditor General of India. None of these Government Companies were listed on the stock exchange. In September 2018, Irrigation Development Corporation of Maharashtra Limited, an inactive company, was wound up under the provisions of the erstwhile Companies Act, 1956.

2 The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2018 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

Table 1: Nature of PSUs covered in the Report

Nature of PSUs	Total	Number of PSUs of which accounts were received during the reporting period ³			Total	Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2018
		Accounts up to 2017-18	Accounts up to 2014-15 to 2016-17	Accounts up to 2013-14		
Working Government Companies ⁴	64	12	33	2	47	51 (126)
Statutory Corporations	10	0	8	0	8	10 (15)
Total working PSUs	74	12	41	2	55	61 (141)
Inactive Government Companies	21	4	11	0	15	17 (33)
Total	95	16	52	2	70	78 (174)

(Source: Information received from PSUs)

The working PSUs registered an annual turnover of ₹ 90,334.69 crore as per their latest finalised accounts as on 30 September 2018. This turnover was equal to 3.62 per cent of State Gross Domestic Product (GDP) for the year 2017-18

¹ 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.

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

³ From October 2017 to September 2018.

⁴ Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

(₹ 24,96,505 crore). The working PSUs incurred loss of ₹ 3,536.93 crore as per their latest finalised accounts. As on March 2018, the State PSUs had employed around 2,10,379 employees.

There are 21 inactive PSUs having an investment⁵ of ₹ 698.01 crore (capital: ₹ 298.43 crore and long term loans: ₹ 399.58 crore). This is a critical area as the investment in inactive PSUs does not contribute to the economic growth of the State.

Accountability framework

3 The procedure for audit of Government Companies are laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company⁶ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

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

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

⁵ For details refer Annexure - 4.

⁶ Ministry of Corporate Affairs-(Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory audit

4 The financial statements of the Government Companies (as defined in Section 2(45) of the Act 2013) are audited by the Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or 139(7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the CAG 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 10 Statutory Corporations, the CAG is sole auditor for two Statutory Corporations *viz.* MIDC and MSRTC. The audit of MKVDC, KIDC, VIDC, TIDC, GMIDC and MWCC is conducted under Section 19(3) of the C&AG's (Duties, Powers and Conditions of Service (DPC) Act, 1971. In respect of MSWC and MSFC, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

Submission of accounts by PSUs

Need for timely finalisation and submission

5 According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Act requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Act stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act.

Role of Government and Legislature

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

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

Investment by Government of Maharashtra in State Public Sector Undertakings (PSUs)

7 The Government of Maharashtra (GoM) has high financial stake in the PSUs. This is mainly of three types:

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

8 The sector-wise summary of investment⁷ in the PSUs as on 31 March 2018 is given below.

Table 2: Sector-wise investment in PSUs

Name of sector	Government Companies		Statutory Corporations	Total	Investment ⁸ (₹ in crore)			Percentage to total investment
	Working	Inactive	Working		Capital	Loans	Total	
					Power	8	--	
Agriculture and Allied	7	5	7	19	1,19,570.28	314.36	1,19,884.64	33.55
Infrastructure	14	6	1	21	3,936.27	6,160.83	10,097.10	2.83
Service	3	--	1	4	4,205.70	204.43	4,410.13	1.23
Finance	17	--	1	18	2,446.51	1,012.34	3,458.85	0.97
Manufacturing	9	8	--	17	305.11	374.79	679.90	0.19
Miscellaneous	6	2	--	8	29.87	7.16	37.03	0.01
Total	64	21	10	95	3,00,095.23	57,221.82	3,57,317.05	100.00

(Source: Compiled based on information received from PSUs)

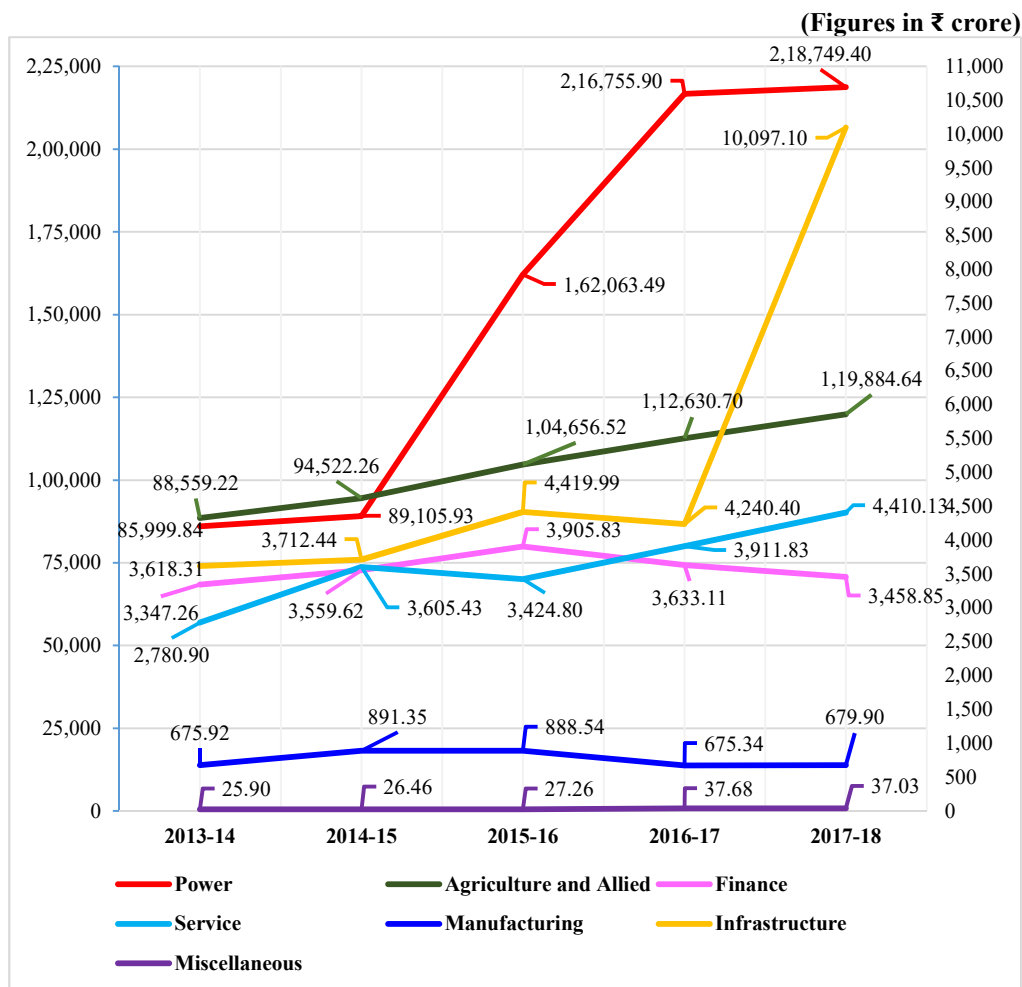
The thrust of PSU investment was mainly in power sector which increased from ₹ 85,999.84 crore to ₹ 2,18,749.40 crore during 2013-14 to 2017-18. The power sector received investment of ₹ 1,32,749.56 crore (77.04 per cent) out of total investment of ₹ 1,72,309.70 crore made during the period 2013-14 to 2017-18.

⁷ For details refer Annexure 1 and Annexure 4

⁸ Investment include equity and long term loans.

9 The investment in various important sectors at the end of 31 March of each year from 2014 to 2018 is indicated in the chart below:

Chart 1: Sector-wise investment in Public Sector Undertakings



(Source: Compiled based on information received from PSUs)

Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of eight State Power Sector PSUs in Part I⁹ of this report and of 87 State PSUs (other than Power Sector) in Part II¹⁰ of the report.

⁹ Part I includes Chapter-I (Functioning of State Power Sector Undertakings) and Chapter-II (Compliance Audit Paragraphs relating to State Power Sector Undertakings).

¹⁰ Part II includes Chapter-III (Functioning of State PSUs other than Power Sector), Chapter-IV (Performance Audit of Government Company (Other than Power Sector) and Chapter-V (Compliance Audit Paragraphs relating to State PSUs other than Power Sector).