

Executive Summary

Executive Summary

This Report deals with the financial performance of Government Companies and Statutory Corporations of the Government of Punjab for the year ended 31 March 2020:

1. Financial Performance of State Public Sector Enterprises (Power Sector)

The State of Punjab had five State Power Sector Public Enterprises (SPSEs) as of March 2020. Of these, three SPSEs have been incorporated for carrying out the activity of generation of power, one SPSE (Punjab State Power Corporation Limited) undertakes both generation as well as distribution activities and one SPSE (Punjab State Transmission Corporation Limited) undertakes the transmission activity. Two SPSEs which have not yet commenced commercial activities are under consideration for winding up. Out of five SPSEs, Accounts for the year 2019-20 were submitted by four SPSEs by 31 December 2020 as per statutory requirement. Only one Company (Punjab Genco Limited) had arrear in preparation of accounts for one year *i.e.* 2019-20.

(Paragraph 1.1)

Investment by Government of Punjab

The accounts of five SPSEs indicated that as on 31 March 2020, the Government of Punjab (GoP) had total investment of ₹ 22,329.68 crore (paid-up capital: ₹ 22,315.61 crore and long-term loans: ₹ 14.07 crore).

(Paragraph 1.3)

During 2019-20, the total investment at face value of the equity in the five Power Sector SPSEs registered an increase of ₹ 15,628.26 crore which was contributed by the State Government. The increase of ₹ 15,628.26 crore was due to conversion of loan given by State Government under Ujwal Discom Assurance Yojana (UDAY) scheme into equity.

(Paragraph 1.3.1)

As per the latest finalised accounts, the working SPSEs registered an annual turnover of ₹ 33,262.60 crore. This turnover was equal to 5.79 *per cent* of State Gross Domestic Product (GSDP) for the year 2019-20 (₹ 5,74,760 crore at current prices and advance estimates).

(Paragraph 1.1)

Profit/losses earned/incurred by SPSEs

As per latest finalised accounts, out of the five Power Sector SPSEs, only one SPSE (Punjab Genco Limited) earned profit of ₹ 3.93 crore, two SPSEs incurred loss of ₹ 1,191.77 crore and two SPSEs have not started the commercial activities. The overall losses incurred by these five SPSEs stood at ₹ 1,187.84 crore in 2019-20 against loss of ₹ 893.90 crore in 2017-18.

(Paragraph 1.4.1)

During 2019-20, only one SPSE (Punjab Genco Limited) declared dividend. There was no State Government investment in dividend declaring SPSE.

(Paragraph 1.4.2)

There was huge increase in losses during 2019-20 primarily attributable to PSPCL (₹ 1,158.20 crore) as there was decrease in other income in the year 2019-20 by ₹ 817.76 crore as compared to previous year mainly due to receipt of interest on delayed payment of subsidy from GoP in 2018-19. Further, there was increase in power cost (5.29 per cent) at a rate higher than increase in sale of power income (3.74 per cent) of the Company as compared to previous year (2018-19). The increase in Net worth of PSPCL during 2019-20 was attributed to the conversion of Short term loans (under UDAY) of ₹ 15,628.26 crore into equity by GoP.

(Paragraphs 1.4.1, 1.4.3 and 1.6)

2. Financial Performance of State Public Sector Enterprises (other than Power Sector)

The State of Punjab had 44 State Public Sector Enterprises (other than Power Sector) as on 31 March 2020. These SPSEs, included 37 Government Companies, three Government Controlled Other Companies and four Statutory Corporations. The Government Companies included 16 inactive Companies and 10 subsidiary Companies owned by Government Companies.

(Paragraph 2.1)

Out of 24 working Government Companies, eight Companies submitted their accounts for the year 2019-20 for audit by CAG on or before 31 December 2020 as per statutory requirement. Of the four Statutory Corporations, Accounts for the year 2019-20 were pending in respect of all the Corporations as on 31 December 2020. Further, 35 annual accounts were in arrears which pertain to 20 SPSEs.

(Paragraph 2.1)

Investment by Government of Punjab

As on 31 March 2020, the total investment (equity and long term loans) in 28 SPSEs was ₹ 19,386.72 crore. The investment consisted of 6.02 per cent towards equity and 93.98 per cent in long-term loans. During the year 2019-20, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 6.88 crore due to infusion of equity by State Government (₹ 1.09 crore) and Central Government (₹ 5.79 crore).

(Paragraph 2.2.1)

As per the latest finalised accounts, the SPSEs registered an annual turnover of ₹ 40,027.52 crore. This turnover was equal to 6.96 per cent of State Gross Domestic Product (GDP) for the year 2019-20 (₹ 5,74,760 crore at current prices and advance estimates).

(Paragraph 2.1)

Profit/losses earned/incurred by SPSEs

As per latest finalised accounts, the number of SPSEs that earned profit was nine in 2019-20 which was 11 in 2018-19. The profit earned was ₹ 284.09 crore in 2019-20 as against profit of ₹ 283.85 crore in 2018-19. There were 13 SPSEs that incurred losses during the year 2019-20.

The loss of ₹ 687.72 crore incurred by the working SPSEs in 2018-19 decreased to ₹ 204.27 crore in 2019-20 primarily due to substantial decrease in losses of State Foodgrains Procuring Agencies (SPAs) from ₹ 697.20 crore in 2018-19 to ₹ 194.65 crore in 2019-20.

(Paragraph 2.3.1)

As per latest Accounts of SPSEs in which Government of Punjab held equity, finalised during 2019-20, there were eight SPSEs which earned profit but only two of these SPSEs paid dividend.

(Paragraph 2.3.2)

3. Oversight role of CAG

Subsequent to the audit of the financial statements for the year 2019-20 by Statutory Auditors, the CAG conducted supplementary audits of the financial statements of the State Government Companies. Significant comments were issued on financial statements of State Government Companies, the financial impact of which on the profitability was ₹ 1,339.15 crore.

(Paragraph 3.5.2)

During the course of supplementary audit, the CAG observed that three Companies had not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors.

(Paragraph 3.6)

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit, which were not material, were communicated to the Management of four SPSEs through 'Management Letter' for taking corrective action.

(Paragraph 3.7)

4. Corporate Governance

The review of Corporate Governance covered 29 SPSEs under the administrative control of various Departments of State Government. Provisions of the Companies Act, 2013 and Regulations of Securities and Exchange Board of India regarding Corporate Governance, were not being complied with by the SPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

Out of 29 selected SPSEs, 13 did not conduct the mandatory four Board meetings in a year.

(Paragraph 4.3.4)

Four SPSEs did not have Independent Directors on their Board, there was shortfall in requisite number of Independent Directors in one SPSE. Even in four SPSEs, where Independent Directors were appointed, formal letter of appointment was sent only in two SPSE.

(Paragraphs 4.2.1 and 4.3.1)

In five SPSEs, the Audit Committee did not review internal control systems of the Company, performance of Statutory Auditors and internal auditors and adequacy of internal audit functions.

(Paragraph 4.5.1)

5. Corporate Social Responsibility

Out of ten SPSEs fulfilling the criteria for undertaking CSR activities, three SPSEs neither constituted CSR committee nor formulated CSR policy.

(Paragraphs 5.6.1 and 5.6.3)

Two SPSEs did not have Independent Directors in CSR committee.

(Paragraph 5.6.2)

Out of four profit making SPSEs, one SPSE did not allocate required funds for CSR activities during the year 2019-20.

(Paragraph 5.7.1)

Two SPSEs instead of utilising funds for CSR activities deposited the funds with Punjab CSR Authority where the funds ultimately remained unutilised.

(Paragraph 5.7.2)

No SPSE had spent any amount on schemes/projects introduced by Government of India.

(Paragraph 5.8.6)

None of the SPSEs had framed any institutionalised mechanism for monitoring, reporting and evaluation of CSR projects/programs/activities and no impact assessment was carried out.

(Paragraph 5.9)

6. Impact of implementation of Indian Accounting Standards

Adoption of Ind AS resulted in changes in the financial reporting framework, use of fair valuation as against historical cost valuation.

Out of fifteen SPSEs which were required to adopt Ind AS, only eight SPSEs have adopted Ind AS.

(Paragraph 6.6)

After adoption of Ind AS, profit after tax was impacted in four SPSEs, revenue was impacted in three SPSEs and total assets were impacted in five SPSEs.

(Paragraphs 6.8.1, 6.8.3 and 6.8.6)

The net worth of four SPSEs was impacted due to adoption of Ind AS.

(Paragraph 6.8.8)