

**Part III**  
**Public Sector Undertakings**



**Chapter V**  
**Functioning of State Public Sector**  
**Undertakings**



## CHAPTER V

### Functioning of State Public Sector Undertakings

#### 5.1 Introduction

##### 5.1.1 General

The State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the economy of the State. These PSUs consist of State Government Companies and Statutory Corporations. As on 31 March 2019, there were 42<sup>1</sup> PSUs (six in Power Sector and 36 in Sectors other than Power Sector), including three Statutory Corporations<sup>2</sup> under the audit jurisdiction of the Comptroller and Auditor General of India (C&AG); Out of these 42 PSUs, 33 are working and nine<sup>3</sup> are non-working (four in Power Sector and five in Sectors other than Power Sector). One PSU, Jammu and Kashmir Bank Limited, having a total paid-up equity of ₹ 55.70 crore is listed on the stock exchange since July 1998. This paid-up equity of ₹ 55.70 crore of the Bank is held partly by the State Government (59.23 *per cent* ) and the remaining part by Foreign Institutional Investors, Resident Individuals and others (40.77 *per cent*)<sup>4</sup>. During the year 2018-19, six PSUs were incorporated and no PSU was closed down.

There are two power generation Companies, Jammu and Kashmir State Power Development Corporation Limited (JKSPDC) and Chenab Valley Power Project Private Limited (CVPPP). The Chenab Valley Power Project Private Limited (CVPPP) Company which is a joint venture<sup>5</sup> Company, has an investment of ₹ 1,439.18 crore<sup>6</sup> as of March 2019.

As a consequence of the unbundling of the Power Sector, one power transmission Company<sup>7</sup>, two power distribution companies<sup>8</sup> and one Company<sup>9</sup> exclusively to conduct trading activities in power were incorporated on behalf of the State Government. However, these Companies which have been incorporated between March

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<sup>1</sup> Includes six new PSUs incorporated during the period April 2018 to March 2019 Jammu & Kashmir Trade Promotion Organisation, AIC-Jammu & Kashmir EDI Foundation, Jammu & Kashmir Infrastructure Development Finance Corporation Private Limited, Jammu & Kashmir I.T. Infrastructure Development Private Limited, Jammu Mass Rapid Transit Corporation Private Limited and Srinagar Mass Rapid Transit Corporation Private Limited.

<sup>2</sup> Jammu and Kashmir State Financial Corporation, Jammu and Kashmir State Road Transport Corporation and Jammu and Kashmir State Forest Corporation.

<sup>3</sup> Jammu and Kashmir Power Transmission Company Limited, Jammu Power Distribution Company Limited, Kashmir Power Distribution Company Limited, Jammu and Kashmir Power Trading Company Limited, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited), Tawi Scooters Limited, Himalayan Wool Combers Limited, Jammu and Kashmir Road Development Corporation Limited and Jammu and Kashmir International Trade Centre Corporation Limited.

<sup>4</sup> Indian Mutual Funds, Insurance Companies, Non-Resident Indian and Corporate Bodies.

<sup>5</sup> CVPPP is a joint venture of JKSPDC, National Hydroelectric Power Corporation (NHPC) and Power Trading Corporation (PTC) wherein Government of Jammu & Kashmir has not made any investment.

<sup>6</sup> JKSPDC: ₹ 687.55 crore, NHPC: ₹ 747.55 crore and PTC: ₹ 4.08 crore.

<sup>7</sup> Jammu and Kashmir Power Transmission Company Limited (March 2013).

<sup>8</sup> Jammu Power Distribution Company Limited (June 2013) and Kashmir Power Distribution Company Limited (June 2013).

<sup>9</sup> Jammu and Kashmir Power Trading Company Limited (March 2013).

2013 and June 2013, are yet to start their commercial operations as of March 2019. In the absence of commercial operations by these companies, the power transmission and distribution activities continues to be carried out by the Power Development Department of Jammu & Kashmir Government.

The 33 working PSUs registered an annual turnover of ₹ 9,784.90 crore and earned an aggregate profit of ₹ 448.02 crore as of 30 September 2019 as per their latest finalised accounts. This turnover was equal to 6.33 *per cent* of Gross State Domestic Product (GSDP), which was ₹ 1,54,441 crore (at current prices) for the State for 2018-19.

There are nine non-working PSUs, with an investment of ₹ 56.60 crore towards share capital (₹ 55.77 crore) and long term loans (₹ 0.83 crore), by the State Government which are non-operational for the last five to 29 years.

### **5.1.2 Accountability Framework**

Section 2 (45) of the Companies Act, 2013 (Act), defines a Government Company as 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 also includes a Company which is a subsidiary Company of a Government Company. The procedure for audit of Government Companies are laid down in Sections 139 and 143 of the Companies Act, 2013.

The C&AG of India 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 C&AG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013, however, provides that in the case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the C&AG within 60 days from the date of registration of the Company and in case the C&AG 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 an auditor.

Further, as per sub-Section 7 of Section 143 of the Companies Act 2013, the C&AG 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 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 Government and partly by one or more State Governments is subject to the audit by the C&AG. However, 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.

### **5.1.3 Statutory Audit**

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act 2013) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 139(5) or (7) of the Companies Act 2013. 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 by the C&AG within 60 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 three Statutory Corporations, the C&AG is the sole auditor for Jammu and Kashmir State Road Transport Corporation only. Audit of Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Forest Corporation Limited, is conducted by Chartered Accountants and supplementary audit is conducted by the C&AG.

### **5.1.4 Role of Government and Legislature**

The State Government exercises control over the affairs of these PSUs through their 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 PSUs. 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 of the C&AG in case of Statutory Corporations, are to be placed before the State Legislature under Section 394 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

### **5.1.5 Impact of contribution of Public Sector Undertakings**

To assess the reasonable rate of return on the investment made in PSUs by the Government of Jammu & Kashmir (GoJ&K), ratios such as return on equity, return on capital employed and to assess the ability of the Companies to service the debt owed to Government, Banks and other financial institutions by commenting on Debt Turnover Ratio, Interest Coverage Ratio etc., these PSUs are bifurcated into two categories, PSUs in Power Sector (six<sup>10</sup>) and PSUs in Sectors other than Power Sector (36<sup>11</sup>) to get a fair view about the impact and contribution of these PSUs separately

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<sup>10</sup> Two Working PSUs: Jammu and Kashmir State Power Development Corporation Limited (JKSPDC) and Chenab Valley Power Project Private Limited (CVPPP) and four inactive PSUs: (1) Jammu and Kashmir Power Trading Company Limited (2) Jammu and Kashmir Power Transmission Company Limited (3) Jammu Power Distribution Company Limited and (4) Kashmir Power Distribution Company Limited.

<sup>11</sup> 33 Government Companies and three Statutory Corporations (Jammu and Kashmir State Forest Corporation, Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Road Transport Corporation).

towards the economy of the State. The Table 5.1 provides the details of turnover of the PSUs and GSDP of the State during the period 2014 to 2019.

**Table 5.1: Details of turnover of State PSUs vis-a-vis GSDP of J&K**

(₹ in crore)					
Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover of Power Sector <sup>12</sup> as per latest finalised accounts	1,220.62	1,119.90	1,119.90	992.46	992.46
Turnover of PSUs of Sectors other than Power Sector as per latest finalised accounts	7,449.34	7,296.59	7,238.03	7,579.22	8,792.44
GSDP of J&K at current prices	98,370	1,17,187	1,26,847	1,40,887	1,54,441
Percentage of turnover of Power Sector to GSDP of J&K ( <i>in per cent</i> )	1.24	0.96	0.88	0.70	0.64
Percentage of turnover of PSUs of Sectors other than Power Sector to GSDP of J&K ( <i>in per cent</i> )	7.57	6.23	5.71	5.38	5.69

(Source: Compiled based on turnover figures of Power Sector PSUs and GSDP figures as per information provided by the GoJ&K, Finance Department)

### 5.1.6 Disinvestment, restructuring and privatisation of State PSUs

During the year 2018-19, no disinvestment, restructuring and privatisation was done by the State Government in all sectors including power as well as in of PSUs Sectors other than Power Sector Undertakings.

### 5.1.7 Investment in Public Sector Undertakings

Investment made in these 42 State PSUs in the form of equity and long term loans upto 31 March 2019 are given in Table 5.2.

**Table 5.2: Activity-wise investment in PSUs**

(₹ in crore)							
Sector	Number of PSUs	Investment					
		Equity		Long term loans		Total	
		GoJ&K	Others	GoJ&K	Others	GoJ&K	Others
PSUs in Power Sector	6*	5.20	1,439.18	0	1,627.12	5.20	3,066.30
<b>PSUs of Sectors other than Power Sector<sup>^</sup></b>							
PSUs in Social Sector	17	183.16	35.56	1,164.21	121.03	1,347.37	156.59
PSUs in Competitive environment	11	519.56	83.04	978.55	2,683.37	1,498.11	2,766.41
Others	8	56.82	0.00	0.00	0.00	56.82	0.00
<b>Total (Sectors other than Power Sector)</b>	<b>36</b>	<b>759.54</b>	<b>118.60</b>	<b>2,142.76</b>	<b>2,804.40</b>	<b>2,902.30</b>	<b>2,923.00</b>
<b>Grand Total</b>	<b>42</b>	<b>764.74</b>	<b>1,557.78</b>	<b>2,142.76</b>	<b>4,431.52</b>	<b>2,907.50</b>	<b>5,989.30</b>

(Source: Compiled based on information received from PSUs)

\* Out of six Power Sector PSUs only two are active (JKSPDC and CVPPP). The GoJ&K has not made any investment in CVPPP.

<sup>^</sup> Details in **Appendix 5.1.1**.

As on 31 March 2019, out of total investment of ₹ 1,444.38 crore in equity of PSUs in the Power Sector, only ₹ 5.20 crore (0.36 per cent) was contributed by the GoJ&K. The long term loans of ₹ 1,627.12 crore availed by JKSPDC were from Banks and other Financial Institutions.

<sup>12</sup> Turnover pertains to only JKSPDC as out of six Power Sector PSUs, four PSUs, (1) Jammu and Kashmir Power Trading Company Limited (2) Jammu and Kashmir Power Transmission Company Limited (3) Jammu Power Distribution Company Limited and (4) Kashmir Power Distribution Company Limited are inactive and in CVPPP, the GoJ&K has not made any investment.



The State Government had infused ₹ 5,753.83 crore as plan fund as per the finalised accounts of 2013-14 to JKSPDC for creation of capital assets as given in Table 5.3.

**Table 5.3: Status of plan funds in JKSPDC**

Year	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
Accounts finalised up to	2010-11	2010-11	2011-12	2011-12	2013-14	2013-14
Plan fund infused (₹ in crore)	3,857.15	3,857.15	5,346.91	5,346.91	5,753.83	5,753.83

As per records of Department, an amount of ₹ 5,318.61 crore was outstanding as of March 2018 with JKSPDC. The State Government (December 2018) instructed JKSPDC to adjust ₹ 3,668.81<sup>13</sup> crore against the liability of State Government on account of power purchase from the Company and issue of equity shares worth ₹ 2,588.34<sup>14</sup> crore to the State Government. The Company issued (August 2019), shares worth ₹ 2,588.34 crore in compliance of the Government Orders.

The adjustment of outstanding electricity bill of the State Government against funds received for capital assets was irregular as the funds were provided by the Government for construction of capital assets. Besides, the accounts of the Company were depicting these funds as capital reserves.

As on 31 March 2019, the total investment (equity and long term loans) in 36 PSUs of Sectors other than Power Sector was ₹ 5,812.11 crore. The investment consisted of 14.88 per cent towards equity and 85.12 per cent in Long Term Loans. The Long Term Loans advanced by the State Government constituted 43.31 per cent (₹ 2,142.76 crore), out of the total Long Term Loans (₹ 4,947.16 crore) whereas the remaining 56.69 per cent (₹ 2,804.40 crore) of the total Long Term Loans were availed from other financial institutions.

### 5.1.8 Budgetary support to Public Sector Undertakings

#### (A) Budgetary support for PSUs of the Power Sector

The GoJ&K provides financial support to for PSUs of the Power Sector in various forms through the annual budget as equity, loans, grants/ subsidies, loans written off and loans converted into equity.

Budgetary assistance of ₹ 135 crore and ₹ 5.74 crore was received by JKSPDC as grant during 2017-18 and 2018-19 respectively. No budgetary assistance was, however, received from the State Government during 2016-17.

The GoJ&K provides guarantee to the PSUs to seek financial assistance from Banks

<sup>13</sup> Total power purchase liability of the PDD towards JKSPDC up to March 2018 was ₹ 3,668.81 crore which was adjusted against the funds amounting to ₹ 5,318.61 crore given to JKSPDC by the State Government up to March 2018.

<sup>14</sup> The balance (₹ 1,649.80 crore) available with JKSPDC, the assets transferred to JKSPDC (₹ 916.54 crore) by the State Government at token value of ₹ one in the year 1999 and 44 MW Stakna HEP (₹ 22 crore) transferred to JKSPDC by the PDD in the year 2011 together were treated as equity contribution.

and financial institutions. However, the State Government has not enacted a Guarantee Act prescribing the limit for guarantees to be given by the State Government and stipulating the guarantee commission or guarantee fee. The Fiscal Responsibility and Budget Management (FRBM) Act, 2006, however lays down the overall limit within which the State Government may give guarantee on the security of Consolidated fund of the State. The GoJ&K also constituted (August 2006) Guarantee Redemption Fund for meeting obligations arising out of guarantees issued on behalf of the State Government. Outstanding guarantee commitments<sup>15</sup> decreased by 26.63 per cent from ₹ 2,299.40 crore in 2016-17 to ₹ 1,687.12 crore in 2018-19. During the year 2018-19, no guarantee fee was paid for by the PSUs of the Power Sector.

**(B) Budgetary support to State PSUs ( Sector other than Power Sector)**

The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of State PSUs of sectors other than Power Sector for the last three years ending March 2019 are given in Table 5.4.

**Table 5.4:**  
**Details regarding budgetary support to State PSUs (of Sectors other than Power Sector) during the period 2016-17 to 2018-19**

(₹ in crore)

Sl. No.	Particulars <sup>16</sup>	2016-17		2017-18		2018-19	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1.	Equity Capital outgo	3	9.56 <sup>17</sup>	4	23.20 <sup>18</sup>	13	40.42 <sup>19</sup>
2.	Loans given	8	54.77	8	50.82	9	56.18
3.	Grants/ Subsidy provided	9	133.30	7	126.85	7	43.17
	<b>Total outgo (1+2+3)*</b>	<b>13</b>	<b>197.63</b>	<b>12</b>	<b>200.87</b>	<b>22</b>	<b>139.77</b>
4.	Loan repayment written off	-	-	-	-	-	-
5.	Loans converted into equity	-	-	1	72.88	-	-
6.	Guarantees issued	1	2.00	1	8.00	1	20.00
7.	Outstanding Guarantee Commitment	3	60.60	2	98.28	2	134.97

(Source: Compiled based on information received from PSUs)

\* Number of PSUs represents those PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

In PSUs of Sectors other than Power Sector, the annual budgetary assistance ranged between ₹ 139.77 crore and ₹ 197.63 crore during the period 2016-17 to 2018-19. The budgetary assistance of ₹ 139.77 crore given during the year 2018-19 included ₹ 56.18 crore in the form of loans, ₹ 43.17 crore as grants/ subsidy and ₹ 40.42 crore

<sup>15</sup> 2016-17: ₹ 2,299.40 crore, 2017-18: ₹ 2,045.88 crore and 2018-19: ₹ 1,687.12 crore.

<sup>16</sup> Amount represents outgo from State Budget only.

<sup>17</sup> The State Government infused investment of ₹ 250 crore in Jammu and Kashmir Bank Limited against which bank had issued 3,65,55,051 shares (at premium of ₹ 67.39 per share against face value of ₹ 1 per share) during 2016-17. The addition to share capital had been reflected accordingly.

<sup>18</sup> The State Government infused investment of ₹ 282 crore in Jammu and Kashmir Bank Limited against which bank had issued ₹ 3.55 crore shares (at premium of ₹ 78 per share against face value of ₹ 1 per share) 2017-18. The addition to share capital had been reflected accordingly.

<sup>19</sup> Includes ₹ 6.57 crore in respect of nine new PSUs incorporated during 2017-18 and 2018-19.

on account of equity assistance. The subsidy/ grants given by the State Government was primarily to provide for reconstruction of damaged assets and up-gradation of Industrial Estates, however, these also included grants provided to Schedule Caste, Schedule Tribe and Other Backward Classes Development Corporation for meeting its salary expenses.

Outstanding guarantee commitments increased by 122.72 per cent from ₹ 60.60 crore in 2016-17 to ₹ 134.97 crore in 2018-19. During the year 2018-19, no guarantee fee was paid by PSUs of Sectors other than Power Sector PSUs.

### 5.1.9 Reconciliation with the Finance Accounts of the Government of Jammu and Kashmir

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the GoJ&K. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The mismatch between the figures furnished by the PSUs with those depicted in the Finance Account, as on 31 March 2019 is given in Table 5.5

**Table 5.5:**  
Equity and Loans outstanding as per Finance Accounts vis-a-vis records of PSUs up to March 2019

Outstanding in respect of	Amount as per Finance Accounts		Amount as per records <sup>20</sup> of PSU		Difference	
	Power Sector	Sectors other than Power Sector	Power Sector	Sectors other than Power Sector	Power Sector <sup>21</sup>	Sectors other than Power Sector
Share capital	7.45	625.74	5.00	697.40	(-) 2.45	71.66
Outstanding Loans	85.05	834.87	0.00	2,141.90	(-) 85.05	1,307.03
Guarantees	1,687.12	117.13	1,687.12	148.27	Nil	31.14

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

Audit observed that out of 22 State PSUs<sup>22</sup>, of Sectors other than Power Sector, such differences occurred in respect of 17 PSUs as detailed in **Appendix 5.1.2**. The differences between the figures are persisting for last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Jammu and Kashmir State Road Transport Corporation Limited related to outstanding loans and Jammu and Kashmir Small Scale Industries Development Corporation Limited in respect of equity.

**It is recommended that the State Government and the respective PSUs should reconcile the differences in accounts in a time-bound manner.**

<sup>20</sup> Unaudited current figures up to March 2019.

<sup>21</sup> Difference was in respect of JKSPDC only.

<sup>22</sup> Data in respect of five inactive PSUs, (1) Jammu and Kashmir State Road Development Corporation Limited, (2) Jammu and Kashmir International Trade Centre Corporation Limited, (3) Tawi Scooters Limited, (4) Himalayan Wool Combers Limited and (5) Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited and nine newly incorporated PSUs is not considered.

### 5.1.10 Submission of Annual Accounts by Public Sector Undertakings

There were 33 working PSUs in the State of J&K for the year 2018-19 and all these PSUs, were required to submit their Annual Accounts by 30 September 2019.

**Table 5.6: Position of accounts**

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period <sup>23</sup>				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts upto 2018-19	Accounts upto 2017-18	Accounts upto 2016-17	Total	
Working Government Companies <sup>24</sup>	30	3	1	-	4	17 <sup>25</sup> (156)
Statutory Corporations	3	-	1	-	1	2 <sup>26</sup> (6)
<b>Total Working PSUs</b>	<b>33</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>19 (162)</b>
Non- working Government Companies	9	-	-	-	-	3 <sup>27</sup> (75)
<b>Total</b>	<b>42</b>	<b>3</b>	<b>2</b>	<b>-</b>	<b>5</b>	<b>22 (237)</b>

(Source : Information received by the Office)

Out of 33 working PSUs, three Government Companies<sup>28</sup> submitted their accounts for the year 2018-19 for audit by C&AG on or before 30 September 2019, and accounts of 19 Government Companies were in arrears. Remaining 11 PSUs did not submit their Annual Accounts since entrustment/ inception. The Jammu and Kashmir State Forest Corporation, Jammu and Kashmir Medical Supplies Corporation Limited, have not submitted the First Accounts from the year 1996-97 and 2013-14 respectively.

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the Annual Accounts are finalised and adopted by these PSUs within the stipulated period. Details of arrears in finalisation of Annual Accounts are given in *Appendix 5.1.3 (A)*.

Out of 19 working State PSUs, the GoJ&K had provided ₹ 366.83 crore (Loan: ₹ 359.63 crore, Subsidy: ₹ 7.20 crore) to ten PSUs whose Accounts had not been finalised by 30 September 2019. In the remaining nine PSUs for which the Annual Accounts are in arrears during the period, there was no investment by the State Government.

PSU-wise details of investment made by State Government during the years for which

<sup>23</sup> From October 2018 to September 2019.

<sup>24</sup> Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

<sup>25</sup> Jammu and Kashmir Medical Supplies Corporation Limited (incorporated in March 2014) and nine new incorporated PSUs (incorporated during the years 2017-18 and 2018-19) are not considered since they had never submitted their accounts since inception.

<sup>26</sup> Arrears of accounts in respect of Jammu and Kashmir State Forest Corporation not considered since the Company had not submitted any account since its inception (July 1979).

<sup>27</sup> Arrears of accounts in respect of six Companies. (1) Jammu and Kashmir Power Trading Company Limited (2) Jammu and Kashmir Power Transmission Company Limited (3) Jammu Power Distribution Company Limited (4) Kashmir power Distribution Company Limited (5) Jammu and Kashmir State Road Development Corporation Limited and (6) Jammu and Kashmir International Trade Centre are not considered since these Companies have never submitted their accounts since inception.

<sup>28</sup> CVPPP, Jammu and Kashmir Bank Limited and Jammu and Kashmir Bank Financial Services Limited.

Annual Accounts were in arrears as of September 2019 are given in **Appendix 5.1.3(B)**.

Delay in finalisation of accounts not only results in violation of the provisions of the relevant statutes but also entails risk of fraud and diversion of public money as well as the correctness of the Accounts.

*This is especially significant for PSUs like Jammu and Kashmir Medical Supplies Corporation Limited, which was incorporated to assist the medical service providers in the Government sector for procurement and distribution of medicines and equipment. Non submission of accounts since inception does not render itself to an assessment of the performance of the Company in assisting the Health and Medical Education Department especially during situations like the Covid-19 pandemic.*

In view of the position of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer also could not be reported to the State Legislature.

**It is recommended that the concerned Administrative and Finance Department ensure that:**

- **The Government identify the constraints in timely preparation of accounts of the PSUs and take necessary steps for making the accounts up to date.**
- **The State PSU's take immediate corrective action for liquidating arrears in accounts and**
- **Budgetary support is not extended to such PSUs whose accounts are not current.**

### Placement of Separate Audit Reports of Statutory Corporations

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. Out of three working Statutory Corporations, none have submitted their accounts of 2018-19 by 30 September 2019.

The status of Annual Accounts of Statutory Corporations and placement of their SARs in the Legislature is detailed in Table 5.7.

**Table 5.7: Status of placement of SAR of the Statutory Corporations**

Name of the Corporation	Year of Accounts	Month of placement of SAR
Jammu and Kashmir State Financial Corporation.	2017-18	Yet to be presented
Jammu and Kashmir State Road Transport Corporation	2013-14	February 2018
Jammu and Kashmir State Forest Corporation.	-	Accounts not submitted by the Corporation since Entrustment (Accounts of 1996-97 onwards)

Source: Compiled based on information furnished by the Jammu and Kashmir Legislative Assembly

### 5.1.11 Performance of Public Sector Undertakings

#### (A) Performance for State PSUs of the Power Sector

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in these undertakings. The financial position and working results

of six Companies of Power Sector as per their latest finalised accounts, as of 30 September 2019 are detailed in *Appendix 5.1.4*.

The investment in the PSUs of the Power Sector was ₹ 3,270.87 crore<sup>29</sup> consisting of ₹ 1,444.38 crore as equity and ₹ 1,826.49 crore as long term loans. Out of this, GoJ&K has made an investment of ₹ 5.20 crore only in equity share capital in five<sup>30</sup> PSUs of the Power Sector. However out of these five PSUs, JKSPDC, the only active PSU of the Power Sector, was a profit making Company, with profits ranging from ₹ 433.41 crore to ₹ 668.95 crore in respect of four accounts<sup>31</sup> finalised during the period from 2014-15 to 2018-19.

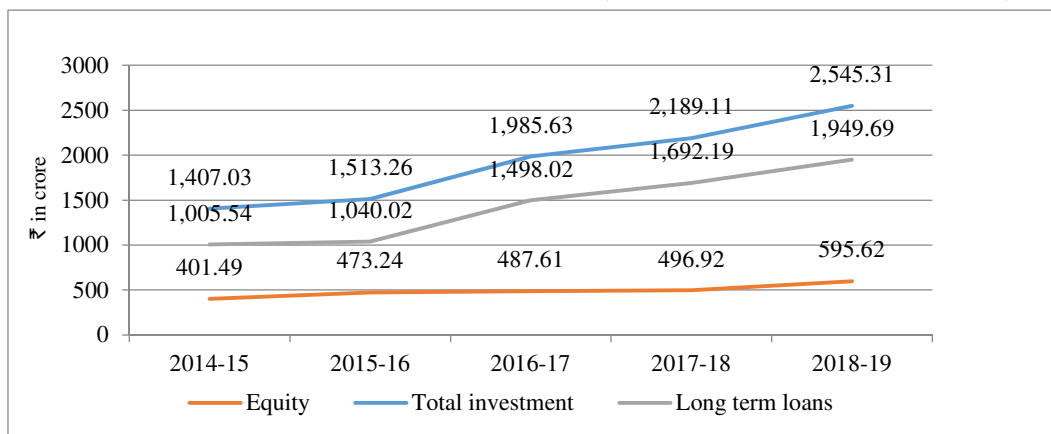
### **(B) Performance of State PSUs of Sectors other than Power Sector**

The financial position and working results of the 36 State PSUs (Sectors other than Power Sector) as per their latest finalised accounts, as of 30 September 2019, are detailed in *Appendix 5.1.5*.

The total investment of the State Government and others in the PSUs of Sectors other than Power Sector was ₹ 5,456.27 crore comprising of Equity of ₹ 690.22 crore and Long Term Loans of ₹ 4,766.05 crore. Out of this investment of ₹ 5,456.27 crore GoJ&K has made an investment of ₹ 2,545.31 crore in 35 PSUs<sup>32</sup> comprising of Equity of ₹ 595.62 crore and Long Term Loans of ₹ 1,949.69 crore.

The year-wise position of investment of GoJ&K in the PSUs during 2014-15 to 2018-19 is as follows:

**Chart 5.1:**  
**Total investment of GoJ&K in PSUs Sectors (of Sectors other than Power Sector)**



(Source: As per latest finalised Accounts)

<sup>29</sup> As per latest finalised Accounts. This information may differ from the information furnished by the PSUs.

<sup>30</sup> Excluding Chenab Valley Power Project Private Limited which has not received any contribution from the GoJ&K.

<sup>31</sup> 2010-11: ₹ 460.45 crore, 2011-12: ₹ 668.95 crore, 2012-13: ₹ 489.51 crore, 2013-14: ₹ 433.41 crore.

<sup>32</sup> Excluding J&K Bank Financial Services Limited wherein the State Government has not made any investment.



Out of total 36 PSUs of Sectors other than Power Sector, nine<sup>33</sup> are profit making and ten<sup>34</sup> are loss making as per their latest Annual Accounts finalised during the year 2018-19. One PSU<sup>35</sup> has not prepared its profit and loss accounts, remaining 16 PSUs are either non-working or had not submitted their Annual Accounts for supplementary audit during the year 2018-19.

**It is recommended that since the continued existence of loss making PSUs causes a substantial drain on the public exchequer, the State Government may review the functioning of all loss making PSUs.**

### 5.1.12 Key Parameters

The profitability of a Company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on Investment (ROI) 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 (ROCE)<sup>36</sup> 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 (ROE)<sup>37</sup> is a measure of performance calculated by dividing the net profit after tax by shareholders fund.

The key financial ratios used to assess the performance of the PSUs as per their latest finalised accounts are given in Table 5.8 (A), (B1) and (B2).

### (A) Power Sector PSUs

**Table 5.8 (A): Key parameters of Power Sector PSUs<sup>38</sup>**

	(In per cent)				
	2014-15	2015-16	2016-17	2017-18	2018-19
<b>ROCE</b>	6.72	10.57	10.57	5.85	5.85
<b>ROI</b>	4.84	7.54	7.54	2.78	2.78
<b>ROE</b>	4.59	8.34	8.34	2.87	2.87

(Source: Investment based on Historical Cost)

<sup>33</sup> Jammu and Kashmir State Horticulture Produce Marketing and Processing Corporation Limited, Jammu and Kashmir Bank Limited, Jammu and Kashmir State Women's Development Corporation Limited, Jammu and Kashmir Small Scale Industries Development Corporation Limited, Jammu and Kashmir Projects Construction Corporation Limited, Jammu and Kashmir Police Housing Corporation Limited, Jammu and Kashmir Cements Limited, Jammu and Kashmir State Tourism Development Corporation Limited and Jammu and Kashmir State Cable Car Corporation Limited.

<sup>34</sup> Jammu and Kashmir State Agro Industries Development Corporation Limited, Jammu and Kashmir Bank Financial Services Limited, Scheduled Castes, Scheduled Tribes and Other Backward Classes Development Corporation Limited, Jammu and Kashmir State Industrial Development Corporation Limited, Jammu and Kashmir Industries Limited, Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited, Jammu and Kashmir State Handloom Development Corporation Limited, Jammu and Kashmir Minerals Limited, Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Road Transport Corporation.

<sup>35</sup> Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited).

<sup>36</sup> ROCE = Earnings before Interest and Tax/ Capital Employed, Capital employed = Paid up share capital + free reserves and surplus + long term loans minus accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

<sup>37</sup> ROE=Profit after Tax/ Share holders' Fund, Share holders' Fund = Paid up capital + free reserves and surplus– deferred revenue expenditure – accumulated losses.

<sup>38</sup> Only one power PSU, Jammu & Kashmir State Power Distribution Corporation having investment made by GoJ&K and finalised its accounts as on 30 September 2019.

The ROCE ranges between 5.85 *per cent* and 10.57 *per cent* and ROI between 2.78 *per cent* and 7.54 *per cent* and ROE ranges between 2.87 *per cent* and 8.34 *per cent*. These parameters have been worked out taking into consideration plan fund infusion (as given in Table 5.3) by GoJ&K.

### **(B-1) Listed PSUs of Sectors other than Power Sector**

Only one PSU of GoJ&K, Jammu and Kashmir Bank Limited is listed since July 1998 on the stock exchange.

**Table 5.8 (B1): Key parameters of Listed PSU of Sectors other than Power Sector**

		(In per cent)				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Jammu &amp; Kashmir Bank Limited</b>	<b>ROCE</b>	16.23	12.87	-36.75	11.55	17.93
	<b>ROI<sup>39</sup></b>	760.40	533.08	532.82	408.06	360.22
	<b>ROE</b>	13.00	10.10	-65.00	7.65	15.46

The ROCE and ROE was high during the period 2014-15 to 2018-19 (except during 2016-17), mainly due to high Profit after tax earned by Jammu and Kashmir Bank Limited, which is functioning under monopolistic/ protective environment in terms of Government business. The ROI showed a decreasing trend during the period 2014-15 to 2018-19. As a result, compounded annual growth rate also decreased from 6.38 *per cent* to 1.22 *per cent* during the period 2014-15 to 2018-19 as detailed in **Appendix 5.1.3(C)**.

### **(B-2) Non-Listed PSUs of Sectors other than Power Sectors**

**Table 5.8 (B2): Key parameters of non-listed Sectors other Power PSUs (on historical cost)**

		(In per cent)				
		2014-15	2015-16	2016-17	2017-18	2018-19
<b>Aggregate Sector for Non Power PSUs</b>	<b>ROCE</b>	-37.09	-28.44	-22.91	-9.94	-22.17
	<b>ROI<sup>40</sup></b>	-29.76	-29.67	-34.09	-32.32	-29.39
	<b>ROE<sup>41</sup></b>	-	-	-	-	-
<b>Profit Making PSUs</b>	<b>ROCE*</b>	16.27	7.68	9.05	8.83	11.02
	<b>ROI<sup>^</sup></b>	11.03	6.85	7.52	24.35	23.37
	<b>ROE</b>	147.92	15.46	13.95	12.02	13.17
<b>Loss Making PSUs</b>	<b>ROCE*</b>	-23.90	-28.51	-34.24	-35.01	-47.89
	<b>ROI<sup>^</sup></b>	-55.86	-63.10	-70.44	-55.45	-46.93
	<b>ROE</b>	-	-	-	-	-

\*Only Companies with positive capital employed were considered

<sup>^</sup> Excluding Companies<sup>42</sup> which have not prepared the Profit and Loss accounts

<sup>39</sup> ROI= (Government's share of the Market Capitalization of the Company as at 31 March of FY + Present Value of Dividend Receipts of the Government as at 31 March of FY + Present Value of Disinvestment Receipts of the Government as at 31 March of FY) – (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/ Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ (Paid-up Equity of the Government as at Inception + Discounted Value of Equity infused by the Government as at Inception + Discounted Value of Subsidy/ Grants infused for meeting Operational and Administrative Expenditure as at Inception)/ Number of intervening annual periods.

<sup>40</sup> Equity infused by other than GoJ&K also considered while arriving at total ROI.

<sup>41</sup> ROE for the Non Power Sector PSUs and loss making Non Power PSUs cannot be worked out as the total Shareholders fund for all the years were negative.

<sup>42</sup> For the years 2014-15 to 2017-18, five companies, Jammu Kashmir Overseas Employment Corporation Limited, Jammu and Kashmir Medical Supplies Corporation Limited, Jammu and Kashmir State Forest Corporation Limited, Jammu and Kashmir State Road Development Corporation and Jammu and Kashmir International Trade Centre Corporation Limited and for the year 2018-19. Additional nine newly incorporated companies.



ROE for the Non-Listed PSUs of Sectors other than Power Sectors could not be worked out as the aggregate Shareholders' fund for all the years remained negative.

ROCE in Tables 5.8 (B1) and (B2) has been worked out at face value of investment. Since there is no share premium in respect of Non-Listed PSUs of Sectors other than Power Sectors PSUs, ROCE including share premium will not change. However, the ROCE worked at realised value<sup>43</sup> of investment in respect of Jammu & Kashmir Bank Limited is as follows:

**Table 5.9:**

**ROCE for Listed PSUs of Sectors other than Power Sector considering share premium**

(In per cent)

Year	2014-15	2015-16	2016-17	2017-18	2018-19
<b>Jammu &amp; Kashmir Bank Limited</b>	16.01	12.69	-33.78	10.12	16.17

The ROCE after considering the share premium account of Jammu & Kashmir Bank Limited, ranged between -33.78 per cent to 16.17 per cent during the period 2014-15 to 2018-19.

Only nine PSUs with positive capital employed (details in **Appendix 5.1.6**) had Profit before Tax as per the latest finalised Annual Accounts during the period 2014-15 to 2018-19. Among these PSUs, the Jammu and Kashmir State Horticulture Produce Marketing and Processing Corporation Limited, had profit only for the account finalised during 2014-15 and Jammu and Kashmir Small Scale Industries Development Corporation Limited for the Annual Account finalized in 2018-19 while Jammu & Kashmir Bank Limited incurred losses in the Annual Account finalised during 2016-17.

**5.1.13 Rate of Real Return (RORR) on Government Investment**

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment as such calculations ignore the present value of money. Therefore, in addition to the calculation of return on funds invested on historical cost basis, the real rate of return on investment has also been calculated after considering the Present Value (PV) of money invested. PV was computed where funds had been infused by the State Government as equity, interest free loan, interest free loan converted into equity. Grant/ subsidy given by the Government for operational and management expenses have not been considered as bifurcation of grant and subsidy for operational and management expenses and for other purpose was not available since inception of these companies till 31 March 2019.

The PV in these undertakings was computed on the following assumptions:

- Interest free loans have been considered as fund infusion. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.

<sup>43</sup> Investment including share premium.

- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year.

#### **(A) PSUs of Power Sector**

The State Government infused only ₹ 5.20 crore (details in *Appendix 5.1.7(A)*) as equity in of Power Sector PSUs. In addition to this, the State also provided ₹ 5,753.83 crore as Plan funds to JKSPDC for creation of Capital Assets. These Plan funds were given as plan assistance across different years since inception of the Company (1994-95) and could not be bifurcated into the definition of investment considered for arriving at the Return on investment figures. Therefore, net present value of the investment for the PSUs of Power Sector could not be worked out.

#### **(B) PSUs of Sectors other than Power Sector**

An analysis of the earnings *vis-a-vis* investments in respect of those 35 State PSUs<sup>44</sup> (Sector other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. During the period from 2014-15 to 2018-19, these 35 PSUs had a positive return on investment excepting for the year 2016-17.

The PSUs-wise position of 35<sup>45</sup> PSUs wherein the GoJ&K had made an investment in the form of equity and interest free loans is indicated in *Appendix 5.1.7(B)*. Further, the position of Net Present Value of the investment relating to all the PSUs by the State Government for the same period is indicated in *Appendix 5.1.7(C)*.

The balance of investment by the State Government in these PSUs at the end of 2018-19 increased to ₹ 864.21 crore<sup>46</sup> from ₹ 347.29 crore at the beginning of 1999-2000 as the State Government made further investments in form of equity (₹ 412.25 crore) and interest free loans (₹ 122.17 crore) during the period 1999-2000 to 2018-19. The PV of the investment infused by the State Government as on 31 March 2019 amounted to ₹ 2,823.21 crore.

During 2018-19, return on State Government Investment on the basis of historical value was 31.72 *per cent*. However, the real rate of return considering the present value of investment was 9.71 *per cent only*.

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<sup>44</sup> Excluding Jammu and Kashmir Bank Financial Services Limited wherein the GoJ&K had not made any investment.

<sup>45</sup> Between 1999-2019, investment was made only in 28 PSUs as mentioned in *Appendix 5.1.7*.

<sup>46</sup> Opening balance: (₹ 347.29 crore) + Equity: (₹ 412.25 crore) + Interest free loans: (₹ 122.17 crore) - Interest free loan converted into equity: (₹ 17.50 crore).

### 5.1.14 Comparison of investment as per historical cost and as per present value of such investment

#### Sector other than Power Sector

The Government had positive returns on investments in 35 PSUs in five years during the period 2013-14 to 2018-19 with the exception of 2016-17. Comparison of returns on investment at historical cost and at present value for these five years as per the latest finalised accounts is given in Table 5.10

**Table 5.10: Comparison of return on investment**

(₹ in crore)

Year	Total earnings	Funds invested by the GoJ&K	Return on investment on historical cost basis (per cent)	PV of the investment at end of the year <sup>47</sup>	Return on investment considering the present value of the investments (per cent)
2013-14	1,048.22	530.68	197.52	1,711.90	61.23
2014-15	378.25	535.51	70.63	1,848.57	20.46
2015-16	264.80	542.36	48.82	1,989.94	13.31
2017-18	32.62	681.32	4.79	2,450.70	1.33
2018-19	274.10	864.21	31.72	2,823.21	9.71

\*During 2016-17 the total earnings were negative due to losses incurred by Jammu and Kashmir Bank Limited

The return earned on investment on historical cost basis was 197.52 per cent in 2013-14. It declined and dropped to 31.72 per cent during 2018-19 mainly due to decrease in the profit after tax of three<sup>48</sup> companies. Whereas the returns earned considering the present value of the investments dropped from 61.23 per cent during 2013-14 to 1.33 per cent during 2017-18 and increased to 9.71 per cent during 2018-19. During 2016-17 the returns were negative due to losses of ₹ 1,632.29 crore incurred by Jammu and Kashmir Bank Limited.

### 5.1.15 Erosion of Net worth of PSUs

#### (A) Power Sector

Net worth is 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 overall accumulated losses of JKSPDC<sup>49</sup> was ₹ 178.81 crore as against the capital investment of ₹ five crore, resulting in negative net worth of ₹ 173.81 crore as detailed in *Appendix 5.1.4* and given in Table 5.11.

<sup>47</sup> Arrived at by adding PV of State Government investment and other investment. The present value on other equity has been calculated from 2013-14 onwards.

<sup>48</sup> (1) Jammu and Kashmir Bank Limited PAT (2013-14: ₹ 1,182.47 crore; 2018-19: ₹ 464.88 crore); (2) Jammu and Kashmir State Financial Corporation PAT (2013-14: ₹ 0.01 crore; 2018-19: ₹ (-40.65) crore); and (3) Jammu and Kashmir State Road Transport Corporation PAT 2013-14: ₹ (-66.97) crore; 2018-19: ₹ (-92.90) crore.

<sup>49</sup> Excluding CVPPP wherein no investment was made by the GoJ&K and others four being inactive although ₹ 0.20 crore were invested by the GoJ&K in these Companies.

**Table 5.11:**  
**Net worth of JKSPDC as per the latest finalised Annual Accounts during period from 2014-15 to 2018-19**

(₹ in crore)					
Year	Paid up Capital at end of the year	Free Reserves	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2014-15	5.00	1,134.66	-922.34	Nil	217.32
2015-16	5.00	Nil	-519.06	Nil	-514.06
2016-17	5.00	Nil	-519.06	Nil	-514.06
2017-18	5.00	Nil	-178.81	Nil	-173.81
2018-19	5.00	Nil	-178.81	Nil	-173.81

(Source : Accounts of the Company)

The State Government had not infused any equity in JKSPDC during the period from 2014-15 to 2018-19.

### **(B) Sectors other than Power Sector**

The capital investment, accumulated losses and free reserves of 20 State PSUs<sup>50</sup> (Sectors other than Power Sector) as per their latest finalised accounts were ₹ 618.01 crore, ₹ 2,340.41 crore and ₹ 2,960.39 crore respectively, resulting in net worth of ₹ 1,237.99 crore as detailed in *Appendix-5.1.8*. Analysis of investment and accumulated losses disclosed that net worth was eroded in nine out of the 20 PSUs as the capital investment and accumulated losses of these PSUs were ₹ 243.79 crore and ₹ 2,266.56 crore, respectively. Of these nine PSUs, the net worth erosion was the highest in Jammu and Kashmir State Road Transport Corporation (₹ 969.75 crore<sup>51</sup>), Jammu and Kashmir Industries Limited (₹ 598.13 crore<sup>52</sup>), Jammu and Kashmir State Industrial Development Corporation Limited (₹ 132.52 crore<sup>53</sup>) and Jammu and Kashmir Minerals Limited (₹ 93.56 crore<sup>54</sup>). However, two<sup>55</sup> out of nine PSUs which had eroded net worth, earned profit as per their latest finalised accounts during 2018-19.

The total paid up capital, free reserves, total accumulated profit/ loss, and total net worth of the 20 PSUs where the State Government has made direct/ indirect investment during the period 2014-15 to 2018-19 is indicated in the Table 5.12.

<sup>50</sup> Excluding five inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, two working PSUs : (1) Jammu and Kashmir Medical Supplies Corporation Limited (2) Jammu and Kashmir State Forest Corporation Limited which never submitted their accounts since inception and nine new PSUs incorporated during 2017-18 and 2018-19.

<sup>51</sup> As per latest finalised accounts for the year 2013-14.

<sup>52</sup> As per latest finalised accounts for the year 2010-11.

<sup>53</sup> As per latest finalised accounts for the year 2013-14.

<sup>54</sup> As per latest finalised accounts for the year 1999-2000.

<sup>55</sup> Jammu and Kashmir State Horticulture Produce Marketing and Processing Corporation Limited and Jammu and Kashmir Small Scale Industries Development Corporation Limited.

**Table 5.12:**  
Net worth of 20 PSUs as per the latest finalised accounts during the period 2014-15 to 2018-19

Year	Paid up capital at end of the year	Free reserves <sup>56</sup>	Accumulated profit (+) loss (-) at end of the year	Net worth
2014-15	483.30	3,868.86	-1,851.08	2,501.08
2015-16	502.00	4,084.05	-1,885.63	2,700.42
2016-17	516.37	2,484.36	-2,049.16	951.57
2017-18	525.68	2,725.68	-2,150.57	1,100.79
2018-19	618.01	2,960.39	-2,340.41	1,237.99

As can be seen from the above table, overall net worth had decreased from ₹ 2,501.08 crore in 2014-15 to ₹ 1,237.99 crore in 2018-19 for the 20 PSUs taken together. However, the net worth of 11 PSUs decreased, whereas 07 PSU recorded an increase in net worth and in two PSUs net worth remained the same. As on 31 March 2019, 10 PSUs<sup>57</sup> showed positive net worth and nine PSUs continued to have negative net worth. One PSU, Jammu and Kashmir State Overseas Employment Corporation Limited, finalised only one account of 2010-11, its net worth could not be worked out due to non-submission of profit and loss account.

#### 5.1.16 Dividend Payout

As per the latest finalised accounts during 2018-19, one Power Sector PSU, JKSPDC and nine working PSUs of Sectors other than Power Sector earned an aggregate profit of ₹ 160.23 crore and ₹ 491.66 crore, respectively. However, no PSUs had declared any dividend for the year 2018-19.

**It is recommended that the State Government may consider declaration of dividend policy for profit making PSUs.**

#### 5.1.17 Analysis of long term loans of the Companies

The analysis of the long term loans of the Companies which had leverage<sup>58</sup> during 2014-19 was carried out to assess the ability of the Companies to service the debt owed by the Companies to Government, banks and other financial institutions. This is assessed through the Interest Coverage Ratio (ICR) and Debt Turnover Ratio (DTR).

#### 5.1.18 Interest Coverage Ratio

Interest Coverage Ratio (ICR) is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a Company's Earnings Before

<sup>56</sup> Revenue & Other Reserves of Jammu and Kashmir Bank Limited during 2014-15 (₹ 3,864.75 crore), 2015-16 (₹ 4,072.21 crore), 2016-17 (₹ 2,458.98 crore), 2017-18 (₹ 2,625.65 crore) and 2018-19 (₹ 2,950.97 crore) have been taken as free reserves and accumulated profits.

<sup>57</sup> (1) Jammu and Kashmir State Financial Corporation, (2) Jammu and Kashmir Bank Financial Services Limited, (3) Jammu and Kashmir Scheduled Castes Scheduled Tribes and Other Backward Classes Development Corporation Limited, (4) Jammu and Kashmir State Women's Development Corporation Limited, (5) Jammu and Kashmir Project Construction Corporation, (6) Jammu and Kashmir Police Housing Corporation Limited, (7) Jammu and Kashmir Cements Limited, (8) Jammu and Kashmir State Tourism Development Corporation Limited, (9) Jammu and Kashmir State Cable Car Corporation Limited and (10) Jammu and Kashmir Bank Limited.

<sup>58</sup> Use of borrowed fund to increase potential return of an investment.

Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the Company to pay interest on debt. An ICR of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest.

**(A) PSUs of Power Sector**

The details of interest coverage ratio of JKSPDC<sup>59</sup> as per the latest finalised accounts during the period from 2014-15 to 2018-19 is given in Table 5.13.

**Table 5.13: Interest coverage ratio of PSUs of the Power Sector**

(₹ in crore)

Year	Accounts finalised up to	Interest	EBIT	Interest coverage ratio
2014-15	2010-11	262.75	460.45	1.75
2015-16	2011-12	227.34	668.95	2.94
2016-17	2011-12	227.34	668.95	2.94
2017-18	2013-14	155.78	433.41	2.78
2018-19	2013-14	155.78	433.41	2.78

Despite the backlog in finalising their Annual Accounts, as seen from the Table 5.13, JKSPDC had interest coverage ratio of more than one during entire period from 2014-15 to 2018-19, indicating that the Company is generating sufficient revenue to meet its expenses on interest.

**(B) PSUs of Sectors other than Power Sector**

The details of interest coverage ratio of PSUs of Sectors other than Power Sector<sup>60</sup> as per the latest finalised accounts during the period from 2014-15 to 2018-19 are given Table 5.14.

**Table 5.14: Interest Coverage Ratio of State PSUs (Sectors other than Power Sector)**

(₹ in crore)

Year	Interest	EBIT	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio	
				More than 1	Less than 1
2014-15	290.04	965.16	16	5	11
2015-16	248.14	763.93	16	4	12
2016-17	206.27	-1,464.76	16	3	13
2017-18	257.83	439.21	16	5	11
2018-19	373.87	927.06	14	5	9

<sup>59</sup> Remaining five Power Sector companies had not availed any kind of loan.

<sup>60</sup> Excluding five inactive PSUs (1) Tawi Scooters Limited (2) Himalayan Wool Combers Limited and (3) Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, two Working PSUs : (1) Jammu and Kashmir Medical Supplies Corporation Limited (2) Jammu and Kashmir State Forest Corporation Limited which never submitted their accounts since inception, four PSUs, (1) Jammu and Kashmir Bank Financial Services Limited (2) Jammu and Kashmir Police Housing Corporation Limited (3) Jammu and Kashmir State Cable Car Corporation Limited and (4) Jammu and Kashmir Overseas Employment Corporation Limited which have not taken any loan and nine new PSUs incorporated during 2017-18 and 2018-19 which have not furnished the details.



Of the 14 State PSUs of Sectors other than the Power Sector having liability of loans from Government as well as Banks and other Financial Institutions during 2018-19, five PSUs had interest coverage ratio of more than one, whereas remaining nine PSUs had Interest Coverage Ratio below one, which indicated that these nine PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### 5.1.19 Debt-Turnover Ratio of PSUs

#### (A) Power Sector

The JKSPDC recorded negative compounded annual growth of turnover and debt of 5.04 per cent and 9.98 per cent, respectively. The Debt-Turnover Ratio improved from 2.28 in 2014-15 to 1.33 during 2015-16. However, it further deteriorated to 1.84 in 2017-18 due to significant increase in Debt against the decrease in Turnover, as given in Table 5.15.

Table 5.15: Debt Turnover ratio relating to the JKSPDC

Particulars	₹ in crore				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	2,781.97	1,493.55	1,493.55	1,826.49	1,826.49
Turnover	1,220.62	1,119.90	1,119.90	992.46	992.46
Debt-Turnover Ratio	2.28:1	1.33:1	1.33:1	1.84:1	1.84:1

(Source: Compiled based on latest finalised accounts)

#### (B) Sectors other than Power Sector

During the last five years, the turnover of 19 PSUs<sup>61</sup> recorded compounded annual growth of 4.23 per cent and compounded annual growth of debt was 2.03 per cent due to which the debt turnover ratio declined from 0.52 in 2014-15 to 0.48 in 2018-19. The debt-turnover ratio ranged between 0.43 and 0.53 during this period, as given in Table 5.16.

Table 5.16: Debt Turnover Ratio relating to the 19 PSUs (Sectors other than Power Sector)

Particulars	₹ in crore				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	3,875.23	3,834.30	3,097.52	3,633.37	4,200.71
Turnover	7,449.34	7,296.59	7,238.03	7,579.22	8,792.44
Debt-Turnover Ratio	0.52:1	0.53:1	0.43:1	0.48:1	0.48:1

(Source: Compiled based on latest finalised accounts)

### 5.1.20 Inactive State PSUs

Four out of the six PSUs of Power Sector having a total investment of ₹ 0.20 crore towards share capital, were inactive as of 31 March 2019.

<sup>61</sup> Excluding five inactive PSUs: (1) Tawi Scooters Limited, (2) Himalayan Wool Combers Limited, (3) Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited, (A Subsidiary of Himalayan Wool Combers Limited) (4) Jammu and Kashmir Road Development Corporation Limited and (5) Jammu and Kashmir International Trade Centre Corporation Limited, nine newly incorporated PSUs during 2017-18 & 2018-19, two Working PSUs, (1) Jammu and Kashmir Medical Supplies Corporation Limited, (2) Jammu and Kashmir State Forest Corporation which never submitted their accounts since inception and one PSU, Jammu and Kashmir Overseas Employment Corporation Limited which had not prepare the profit and loss account.

Similarly, five of the 36 State PSUs in sectors other than Power Sector were non-working and were having a total investment of ₹ 56.40 crore<sup>62</sup> towards Capital (₹ 55.57 crore) and Long Term Loans (₹ 0.83 crore) as on 31 March 2019. The numbers of non-working PSUs at the end of each year during last five years ended 31 March 2019 are given below in Table 5.17.

**Table 5.17: Inactive State PSUs**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Number of inactive PSUs in Power Sector	2	4	4	4	4
Number of inactive PSUs (Sector other than Power Sector)	3	4	5	5	5

(Source: Compiled from the information included in Audit Report (PSU), GoJ&K of respective years)

Out of five inactive PSUs in Sectors other than Power Sector, three PSUs<sup>63</sup> were under liquidation as they were not working since last 18 to 27 years.

**The Government may take appropriate decision for winding up of these inactive PSUs.**

### 5.1.21 Comments on Annual Accounts of Public Sector Undertakings

#### (A) Power Sector

Only one Power Sector PSU (CVPPPL) forwarded its Annual audited account to the Accountant General (Audit) during the period 01 October 2018 to 30 September 2019, which was selected for supplementary audit. One significant issue was noticed during supplementary audit of this Annual Account. The details of aggregate money value of the comments of Statutory Auditors and the C&AG, for the Annual Accounts finalised during last three years are given in Table 5.18.

**Table 5.18: Impact of audit comments on Power Sector PSUs**

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	1	4.19	1	15.60
2.	Increase in profit	-	-	1	63.22	-	-
3.	Increase in loss	-	-	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	2	112.83	-	-
6.	Errors of classification	-	-	-	-	-	-

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

<sup>62</sup> Tawi Scooters Limited: ₹ 1.63 crore, Himalyan Wool Combers Limited: ₹ 1.37 crore, Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited (a subsidiary of Himalyan Wool Combers Limited): ₹ 0.40 crore, Jammu and Kashmir State Road Development Corporation Limited: ₹ 5.00 crore and Jammu and Kashmir International Trade Centre Corporation Limited: ₹ 48.00 crore.

<sup>63</sup> Tawi Scooters Limited, Himalyan Wool Combers Limited and Jammu and Kashmir State Handloom Handicrafts Raw Material Supplies Organisation Limited.



**(B) Sectors other than Power Sector**

Ten PSUs forwarded 21 Annual audited accounts to the Accountant General during the period from 01 October 2018 to 30 September 2019. The Audit Reports of Statutory Auditors and supplementary audit conducted by the C&AG 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 C&AG, for the accounts finalised during last three years are given in Table 5.19.

**Table 5.19: Impact of audit comments on State PSUs (Sector other than Power Sector)**

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	2	2.33	2	0.16	3	16.86
2.	Increase in profit	-	-	2	0.05	1	0.03
3.	Increase in loss	1	0.06	3	1.55	8	103.69
4.	Decrease in loss	1	0.03	2	1.17	3	100.48
5.	Non-disclosure of material facts	1	2.56	4	21.82	1	95.71
6.	Errors of classification	4	30.98	5	97.39	13	48.43

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

During the year 2018-19, the Statutory Auditors had issued qualified certificates on 16 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 19 instances of non-compliance to the Accounting Standards in 12 accounts of five PSUs<sup>64</sup>.

The State has three Statutory Corporations, Jammu and Kashmir State Road Transport Corporation (JKSRTC), Jammu and Kashmir State Financial Corporation and Jammu and Kashmir State Forest Corporation. The C&AG is the sole auditor in respect of JKSRTC. Out of the three working Statutory Corporations, Jammu and Kashmir State Forest Corporation failed to submit Annual Accounts since the date of entrustment of audit to C&AG (March 2000). Only one Corporation (Jammu and Kashmir State Financial Corporation) forwarded its annual accounts for the year 2017-18 and JKSRTC failed to forward any accounts during 01 October 2018 to 30 September 2019. The Statutory Auditors had given qualified certificates on annual accounts of Jammu and Kashmir State Financial Corporation for the year 2017-18.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the C&AG in respect of Statutory Corporations for the last three years are given in the Table 5.20.

<sup>64</sup> Jammu and Kashmir State Agro Industries Development Corporation Limited (six accounts), Jammu and Kashmir State Women's Development Corporation Limited (one account), Jammu and Kashmir Industries Limited (two accounts), Jammu and Kashmir Handicrafts (Sales and Export) Development Corporation Limited (one account) and Jammu and Kashmir Cements Limited (two accounts).

**Table 5.20: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	28.04	1	15.14	-	-
4.	Decrease in loss	1	0.07	-	-	-	-
5.	Non-disclosure of material facts	1	8.58	-	-	-	-
6.	Errors of classification	1	12.17	1	5	2	19.43

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

**It is recommended that Jammu and Kashmir State Forest Corporation which has failed to submit any Annual Account since the date of entrustment of audit to C&AG take effective steps to liquidate the arrears in Accounts and thereby, ensure legislative oversight of its functioning.**

**The concerned PSUs may ensure strict compliance to Statutory norms for error free accounts to avoid over/ under statement of Profit/ Loss. JKPDC where errors were comparatively higher, needs to be more vigilant. Besides, Finance and Administrative Departments should oversee that corrective action is taken by these PSUs.**

### **5.1.22 Performance Audit and Compliance Audit Paragraphs**

#### **(A) Power Sector**

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2019, one audit paragraph relating to Power Sector Undertakings was issued to the Commissioner Secretary of Power Development Department, GoJ&K with request to furnish reply within six weeks. Reply from the Management/ State Government was awaited (September 2020). The total financial implication of the audit paragraph is ₹ 6.59 crore.

#### **(B) Sectors other than Power**

For the Report of the Comptroller and Auditor General of India (Sector other than Power Sector for the year ended 31 March 2019, three compliance audit paragraphs relating to Jammu and Kashmir Project Construction Corporation Limited and one Performance Audit regarding working of Jammu and Kashmir State Road Transport Corporation were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with a request to furnish replies. Replies are awaited from State Government/ Department/ Management. The total financial implication of these audit paragraphs is ₹ 747.94 crore<sup>65</sup>.

<sup>65</sup> Performance Audit on Working of Jammu and Kashmir State Road Transport Corporation: ₹ 737.57 crore; three compliance audit paragraphs: ₹ 10.37 crore.

### 5.1.23 Follow-up action on Audit Reports

The Report of the C&AG of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that these elicit appropriate and timely response from the executive. The Finance Department, Government of Jammu and Kashmir issued (June 1997) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the C&AG 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). The position of explanatory notes on Audit Reports as of September 2019 was as follows:

**Table 5.21:**  
**Position of explanatory notes on Audit Reports related to PSUs not received**  
**(as on 30 September 2020)**

Year of 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	
		Power	Sectors Other than power	Power	Sectors Other than power	Power	Sectors Other than power	Power	Sectors Other than power
2000-01	6 April 2002	-	1	1	2	-	-	-	-
2001-02	21 June 2003	-	1	-	4	-	-	-	-
2002-03	23 August 2004	-	1	1	2	-	-	-	-
2003-04	23 March 2005	-	-	1	2	-	-	-	-
2004-05	27 March 2006	-	1	-	4	-	-	-	1
2005-06	8 February 2007/ 31 August 2009	-	3	1	1	1	-	-	-
2006-07	30 January 2008	-	1	-	5	-	-	-	-
2007-08	5 March 2009	-	1	-	3	-	-	-	-
2008-09	30 March 2010	-	1	-	3	-	-	-	2
2009-10	31 March 2011	1	-	-	3	-	-	-	-
2010-11	4 April 2012	-	1	-	5	-	-	-	-
2011-12	5 April 2013	-	2	-	-	1	-	-	-
2012-13	4 March 2014	-	-	1	2	-	-	-	1
2013-14	27 March 2015	-	1	-	6	-	-	-	-
2014-15	27 June 2016	-	1	4	3	-	-	-	-
2015-16	4 July 2017	1	-	-	6	1	-	-	3
<b>Up to 2015-16</b>		<b>2</b>	<b>15</b>	<b>9</b>	<b>51</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>7</b>
2016-17	23 September 2020	-	1	-	6	-	<sup>66</sup>	-	-
2017-18	23 September 2020	-	1	2	5	-	-	-	-
<b>Total</b>		<b>2</b>	<b>17</b>	<b>11</b>	<b>62</b>	<b>1</b>	<b>2</b>	<b>-</b>	<b>7</b>

As seen from the Table 5.21, out of 11 paragraphs/ performance audits<sup>67</sup> of Power Sector, explanatory notes in respect of only one Performance Audit on Jammu and Kashmir State Power Development Corporation Limited was awaited (September 2020).

<sup>66</sup> The Audit Reports 2016-17 and 2017-18 presented in the Parliament on 23.09.2020. Since the prescribed period of three months for submission of explanatory notes has not expired since their presentation in the Parliament, hence nil shown below the columns the PAs/ paragraphs for which explanatory notes were not received.

<sup>67</sup> Performance Audit is considered as one Paragraph, the Paras for Reports of 2016-17 and 2017-18 not considered as mentioned in footnote 65.

Similarly, out of 66 paragraphs/ performance audits of Sectors other than Power Sector, explanatory notes to nine paragraphs/ performance audits in respect of two departments, which were commented upon, were awaited (September 2019).

#### **5.1.24 Compliance to Reports of COPU**

Action Taken Notes (ATN) on five paragraphs of Power Sector PSUs pertaining to two Reports of the COPU and Action Taken Notes (ATN) on 45 paragraphs pertaining to eight Reports of the COPU of Sectors other than Power Sector and presented to the State Legislature between April 2005 to March 2018 had not been received as of September 2019, as indicated in Table 5.22.

**Table 5.22: Compliance to COPU Reports**

<b>Year of the COPU Report</b>	<b>Total number of COPU Reports</b>	<b>Total number of recommendations in COPU Report</b>	<b>Number of recommendations where ATNs not received</b>
<b>Power Sector paras</b>			
2015-16 (47 <sup>th</sup> Report)	01	02	02
2017-18 (49 <sup>th</sup> Report)	01	04	03
<b>Total</b>	<b>02</b>	<b>06</b>	<b>05</b>
<b>Sectors other than Power Sector paras</b>			
2004-05 (40 <sup>th</sup> Report)	01	06	05
2009-10 (42 <sup>nd</sup> Report)	01	13	04
2010-11 (43 <sup>rd</sup> Report)	01	02	01
2011-12 (44 <sup>th</sup> Report)	01	05	01
2013-14 (46 <sup>th</sup> Report)	01	14	01
2015-16 (47 <sup>th</sup> Report)	01	15	06
2016-17 (48 <sup>th</sup> Report)	01	06	03
2017-18 (49 <sup>th</sup> Report)	01	25	24
<b>Total</b>	<b>08</b>	<b>86<sup>68</sup></b>	<b>45</b>

These Reports of COPU contained recommendations in respect of paragraphs pertaining to ten departments which appeared in the Reports of the C&AG of India for the years 2000-01 to 2015-16.

**It is recommended that the Government may ensure:**

- **Sending of replies to inspection reports/ draft paragraphs/ performance audits and ATNs on the recommendations of COPU as per the prescribed time schedule;**
- **Recovery of loss/ outstanding advances/ overpayments within the prescribed period; and**
- **Revamping of the system of responding to audit observations.**

<sup>68</sup> Pertains to 57 paragraphs/ Performance Audits that featured in the Audit Reports for the years 2000-01 to 2015-16.