सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended 31 March 2016

भारतीय लेखापरीक्षा और लेखा विभाग

INDIAN AUDIT AND ACCOUNTS DEPARTMENT

सत्यमेव जयते

Union Government (Commercial)
Report No. 6 of 2017
General Purpose Financial Reports of Central Public Sector Enterprises
(Compliance Audit)

Report of the Comptroller and Auditor General of India

for the year ended March 2016

Union Government (Commercial)
Report No. 6 of 2017
General Purpose Financial Reports of
Central Public Sector Enterprises
(Compliance Audit)

Contents

PREFACE

The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013. The Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited.

2. The CAG is the sole auditor in respect of five Corporations, namely Airports Authority of India, National Highways Authority of India, Inland Waterways Authority of India, Food Corporation of India and Damodar Valley Corporation. The CAG has the right to conduct a supplementary audit after audit has been conducted by the Chartered Accountants appointed under the statutes in respect of Central Warehousing Corporation.

3. Audit Reports on the accounts of a Government Company or Corporation for the year ending March 2016 have been prepared for submission to the Government under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in 1984.

4. The accounts of the Central Public Sector Enterprises (CPSEs) reviewed in this Report cover the accounts for the years 2013-14, 2014-15 and 2015-16 (to the extent received). In respect of CPSEs where any particular year’s accounts were not received before 31 October 2016, the figures from the accounts last audited have been adopted.

5. In respect of some CPSEs, figures for the previous year might not agree with the corresponding figures shown in the Audit Report No.9 of 2016 owing to replacement of provisional figures by audited/revised figures.

6. All references to ‘Government Companies/Corporations or CPSEs' in this Report may be construed to refer to ‘Central Government Companies/Corporations’ unless the context suggests otherwise.

Executive Summary

I. Financial performance of Central Public Sector Enterprises

As on 31 March 2016, there were 607 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India. These included 410 Government Companies, 191 Government Controlled other Companies and six Statutory Corporations. This Report deals with 384 Government Companies and Corporations (including six Statutory Corporations) and 170 Government Controlled other Companies. Fifty three CPSEs (including 21 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or whose first accounts were not received or were not due are not covered in this Report.

[Para 1.1.3]

Government Investments

The accounts of 384 Government Companies and Corporations indicated that the Government of India (GoI) had an investment of ₹ 2,96,061 crore in share capital and had GoI loans outstanding amounting to ₹ 78,609 crore as on 31 March 2016. Compared to the previous year, investment by the GOI in equity of CPSEs registered a net increase of ₹ 27,692 crore and loans given to them increased by ₹ 12,992 crore during 2015-16. The GoI realised ₹ 24,311 crore on disinvestment of its shares (Equity share and Preference share) in 11 CPSEs as against Budgeted receipt of ₹ 41,000 crore.

[Para 1.2.1 and 1.2.1.2]

Market Capitalization

The total market value of shares of 46 listed Government Companies (including four subsidiary companies) which were traded during 2015-16 stood at ₹ 11,06,539 crore as on 31 March 2016. Market value of shares held by the GoI in 42 listed Government Companies (excluding four subsidiary companies) stood at ₹ 7,48,881 crore as on 31 March 2016.

[Para 1.2.4]

Return on Investment

The total profit earned by 197 Government Companies and Corporations during 2015-16 was ₹ 1,36,695 crore of which, 72.75 *per cent* (₹ 99,437 crore) was contributed by 47 Government Companies and Corporations in three sectors viz., Petroleum, Coal and Lignite and Power.

[Para 1.3.1]

One hundred and six Government Companies and Corporations declared dividend of ₹ 71,887 crore during the year 2015-16. Out of this, dividend received/receivable by GoI amounted to ₹ 41,185 crore which represented 13.91 *per cent* return on the total investment by the GoI (₹ 2,96,061 crore) in all Government Companies and Corporations.

Thirteen Government Companies under the Ministry of Petroleum and Natural Gas contributed ₹ 16,570 crore representing 23.05 *per cent* of the total dividend declared by all Government Companies and Corporations.

Non-compliance with Government's directive in the declaration of dividend by 37 CPSEs resulted in a shortfall of ₹ 9,011 crore in the payment of dividend for the year 2015-16.

[Para 1.3.2]

Net Worth/Accumulated Loss

Out of 174 Government Companies and Corporations with accumulated losses, the net worth of 67 companies had been completely eroded by their accumulated losses. As a result, the aggregate net worth of these companies had become negative to the extent of ₹ 79,227 crore as on 31 March 2016. Only six out of 67 companies earned profit of ₹ 456.62 crore during 2015-16.

[Para 1.4.1]

II. CAG's oversight role

Out of 601 CPSEs (excluding six Corporations), annual accounts for the year 2015-16 were received from 502 CPSEs in time (i.e. by 30 September 2016). Of these, accounts of 312 CPSEs were reviewed in audit.

[Para 2.3.2 and 2.5.2]

In order to enhance the quality of financial reporting, the CAG introduced the system of Three Phase Audit of accounts of CPSEs on consensus basis. This had led to a significant improvement in the quality of their financial statements. The net impact of Three Phase Audit in 87 CPSEs for the year 2015-16 on profitability was ₹ 9,429.71 crore and on assets/liabilities was ₹ 25,505.39 crore.

[Para 2.5.1]

Departures from Accounting Standards

Deviations from the provisions of Accounting Standards in preparation of the financial statements were noticed in 14 Government Companies by the statutory auditors. CAG also pointed out such deviations in 14 other companies.

[Para 2.6]

Management Letters

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit were communicated to the Management of 131 CPSEs through 'Management Letters' for taking corrective action.

[Para 2.7]

III. Corporate Governance

The chapter covers 48 listed CPSEs under administrative control of various Ministries. Provisions of the Companies Act, 2013; DPE guidelines; Securities and Exchange Board of India regulations regarding Corporate Governance, though mandatory, are not being complied with by some of the CPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

- In 16 CPSEs the non-executive directors constituted less than 50 *per cent* of the total Board strength. There was no woman director on the board of 17 CPSEs.

  [Para 3.2.1 and 3.2.3]

- Representation of independent directors in 33 CPSEs was not adequate. There was no independent director on the Board of 13 CPSEs.

  [Para 3.2.2]

- Evaluation of performance of independent directors was not conducted by Board of Directors in 16 CPSEs.

  [Para 3.3.8]

- In 18 CPSEs, vacancies of independent directors were not filled in time. Vacancies of functional directors in 9 CPSEs were not filled in time.

  [Para 3.5]

- There was no whistle blower mechanism in three CPSEs. In six CPSEs the Audit Committee did not review the whistle blower mechanism.

  [Para 3.8.1 and 3.8.2]

IV. Corporate Social Responsibility

The review covered 76 CPSEs (seven Maharatna, 17 Navratna and 52 Miniratna Category-I) under the administrative control of 24 Ministries/Departments. The period of one year ended 31 March 2016 was covered during the review. The following significant observations were made in the review:

- Four CPSEs did not disclose the composition of CSR Committee in the Board's Report. Three CPSEs out of qualifying CPSEs did not have an independent director in the Committee. Eight CPSEs have either not formulated CSR or sustainability policy or the policy of the CPSE was not duly approved by Board.

[Para 4.4.1.1, 4.4.1.2 and 4.4.1.3]

- Four CPSEs did not allocate the prescribed amount of at least two *percent* of the average net profits of the company made during the three immediately preceding financial years towards budget for CSR expenditure.

[Para 4.4.2]

- Twenty one CPSEs did not maintain information regarding actual expenditure from the CSR allocated fund. Two CPSEs did not deliberate on the reasons for not spending the prescribed amount in the Board's report.

[Para 4.4.2.1]

- Most of the CPSEs included Education and Skills, Healthcare and eradication of hunger, Environment sustainability and Rural Development as their thrust areas for CSR. Focus on Technology incubation, Armed Forces and PM Relief Fund was lower. Five CPSEs did not give preference to local area of operation. Expenditure on capacity building of 38 CPSEs exceeded the limit of five *percent* of the total CSR expenditure. There was no monitoring mechanism in place in 11 CPSEs.

[Para 4.4.3.2, 4.4.3.4, 4.4.3.5 and 4.4.4.2]

- Two CPSEs did not include an annual report on CSR in their Board's report. Impact assessment for completed projects/activities was not carried out in case of 19 CPSEs.

[Para 4.4.5.2 and 4.4.6]

V. Analysis of Memoranda of Understanding between Administrative Ministries and CPSEs

Audit reviewed MoUs of seven 'Maharatna' CPSEs under the jurisdiction of Ministry of Power, Ministry of Coal, Ministry of Petroleum & Natural Gas, Ministry of Steel and Ministry of Heavy Industries and Public Enterprises for the years 2014-15 and 2015-16. The following observations were made in the review:

- Instances of non-submission of annual plan/annual budget/corporate plan along with draft MoU and non-alignment of MoU targets with plans were noticed in three CPSEs.

[Para 5.7.1.2]

- In case of two CPSEs, there was a delay in signing of final MoUs.

[Para 5.7.1.3]

- As against stipulation in guidelines issued by DPE, benchmarking with national and global peers was not carried out by two CPSEs. In case of two CPSEs, targets set were lower than previous year's achievement.

[Paras 5.7.2.1 and 5.7.2.2]

- Reporting of inflated operational performance against financial parameters like ‘Sales Turnover’, ‘Sales Turnover/Net Block’, ‘Gross Operating Margin’, ‘Profit After Tax/Net worth’ etc. were noticed due to inclusion of deemed generation in sales turnover by one CPSE.

[Paras 5.7.5.1]

- Audit also noticed submission of incorrect information in the Self Evaluation Reports by one CPSE and incorrect and/or incomplete certification by two CPSEs in complying with MSME guidelines. Three CPSEs did not comply with DPE Guidelines.

[Paras 5.7.6.1, 5.7.6.2 and 5.7.6.3]

CHAPTER I

Financial Performance of Central Public Sector Enterprises

1.1 Introduction

This Report presents the financial performance of Government Companies, Statutory Corporations and Government Controlled other Companies. The term Central Government Public Sector Enterprises (CPSEs) encompasses the Government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament.

A Government Company is defined in section 2(45) of the Companies Act, 2013 as a company in which not less than fifty one per cent of the paid-up share capital is held by 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 of a Government Company.

Government Company

Any company in which not less than 51 per cent of paid-up share capital is held by Central Government or by one or more State Governments or partly by Central Government and partly by State Government(s) and includes subsidiary of a Government Company.

Besides, any other Company[1] 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.

Department of Public Enterprises (DPE) stated (January 2017) that as per the Survey published by DPE, CPSEs mean those Government Companies, besides Statutory Corporations, wherein more than 50 *per cent* of the share in equity is held by the Central Government. The subsidiaries of these companies, if registered in India, wherein any CPSE has more than 50 *per cent* equity are also categorized as CPSEs. It does not cover departmentally run public enterprises, banking institutions and insurance

[1] *Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 Sep 2014*

companies. In view of difference in definition adopted by the Comptroller & Auditor General of India (CAG) and DPE, there may be difference in number of companies considered as CPSEs by CAG and by DPE.

1.1.1 Mandate

Audit of Government Companies and Government Controlled other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the Central Government can appoint the CAG, at any time as the auditor to examine and report upon the accounts of these institutions. No such appointment was made during 2015-16.

1.1.2 What this Report contains

This Report gives an overall picture of the financial performance of Government Companies and Corporations as revealed from their accounts.

Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the CPSEs conducted by the CAG for the year 2015-16 (or of earlier years which were finalised during the current year), is given in this Report. The Report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor.

The Report also gives an overall picture of the status of the adherence of CPSEs to provisions of the Companies Act, 2013, the guidelines issued by the Securities and Exchange Board of India and Department of Public Enterprises on Corporate Governance, compliance with provisions of Companies Act, 2013 on Corporate Social Responsibility and Analysis of Memorandum of Understanding (MoU) between Government of India and Maharatna[2] CPSEs.

---

[2] *Maharatna CPSEs are those CPSEs which are listed on Indian stock exchanges with average annual turnover of more than ` 25,000 crore, average net worth of ` 15,000 crore and average annual profit after tax of ` 5,000 crore in last three years and have global presence/ international operations (Source http://pib.nic.in/newsite/PrintRelease.aspx?relid=107091)*

The draft chapters of the Audit Report were issued (5 December 2016) to Ministry of Corporate Affairs (Chapters3- Corporate Governance and 4- Corporate Social Responsibility) and Department of Public Enterprises (all chapters except chapter 2– Oversight Role of CAG). Replies received (January 2017) from Ministry of Corporate Affairs and Department of Public Enterprises have been incorporated suitably in the Audit Report.

1.1.3 Number of CPSEs and Government Controlled other Companies

As on 31 March 2016, there were 607 CPSEs under the audit jurisdiction of the CAG. These include 410 Government Companies, Six Statutory Corporations[3] and 191 Government Controlled other Companies. Of these, financial performance of 554 CPSEs (384 Government Companies and Corporations and 170 Government Controlled other Companies) which are covered under this Report and the nature of these CPSEs is indicated in the following Table 1.1:

Table 1.1 : Coverage and nature of CPSEs covered in this report

Nature of the CPSEs	Total number	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Accounts up to 2015-16	Accounts up to		Total	
			2014-15	2013-14		
Government Companies	410	341	27	10	378	32
Statutory Corporations	6	5	1	0	6	0
Total number of Companies/Corporations	416	346	28	10	384	32
Government Controlled other Companies	191	161	8	1	170	21
Total	**607**	**507**	**36**	**11**	**554**	**53**

The details of Government Companies/ Government Controlled other Companies which

Summary of financial performance of CPSEs covered in this report
(Government Companies and Statutory Corporations)

CPSEs covered in this chapter	**384**
Paid up capital (384 CPSEs)	**₹ 3,94,881 crore**
Long term Loans (384 CPSEs)	**₹ 10,87,907 crore**
Market capitalisation (46 listed Government Companies)	**₹ 11,06,539 crore**
Net profit (197 CPSEs)	**₹ 1,36,695 crore**
Net loss (157 CPSEs)	**₹ 33,976 crore**
Dividend declared (106 CPSEs)	**₹ 71,887 crore**
Total Assets (384 CPSEs)	**₹ 36,97,819 crore**
Value of production (384 CPSEs)	**₹ 16,29,359 crore**
Net worth (384 CPSEs)	**₹ 36,97,819 crore**

[3] *Airports Authority of India, Central Warehousing Corporation, Damodar Valley Corporation, Food Corporation of India, Inland Waterways Authority of India and National Highways Authority of India*

came under/went out of the purview of CAG's audit during 2015-16 are given in **Appendix I**.

This Report does not include 53 CPSEs (including 21 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due. These CPSEs are identified by two asterisks (**) in **Appendix II A & Appendix II B.**

1.2 Investment in Government Companies and Corporations

The amount of investment in equity and loans in 384[4] Government Companies and Corporations as at the end of 31 March 2016 is given in Table 1.2 below:

Table 1.2 : Equity investment and loans in Government Companies and Corporations

(₹ in crore)

Sources of investment	As on 31 March 2016			As on 31 March 2015		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
1.Central Government	2,96,061	78,609	3,74,670	2,68,369	65,617	3,33,986
2. Companies/ Corporations owned by Central Government	44,413	16,640	61,053	41,801	15,267	57,068
3. State Governments/ State Government owned Companies and Corporations	24,275	9,839	34,114	21,602	22,156	43,758
4. Financial Institutions/ Others	30,132	9,82,819	10,12,951	27,303	8,91,144	9,18,447
Total	**3,94,881**	**10,87,907**	14,82,788	**3,59,075**	**9,94,184**	13,53,259
Percentage of investment of Central Government to Total investment	74.97	7.23	25.27	74.74	6.60	24.68

Ministry/Department wise details of investment in equity and loans are available on CAG website <www.cag.gov.in>.

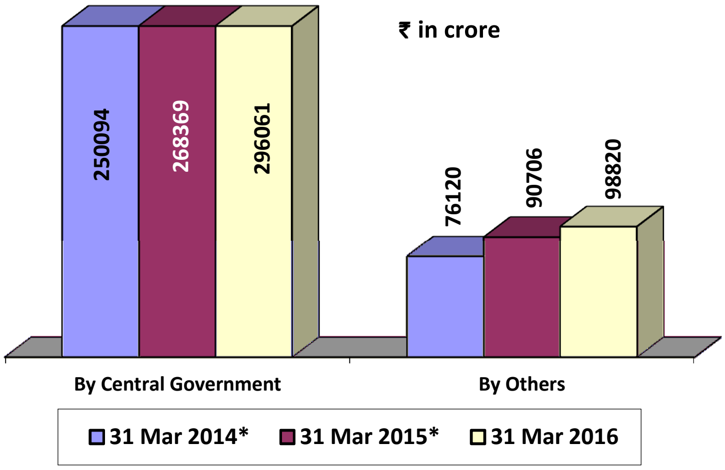
1.2.1 Investment in equity

1.2.1.1 Equity Information

During 2015-16, the investment in equity of the 384 CPSEs covered in this Report registered a net increase of ₹ 35,806 crore. Investment of Government of India in equity of these 384 CPSEs increased by ₹ 27,692 crore in 2015-16. Investment in equity by Central Government and others during the three years ended 31 March 2016 in Government Companies and Corporations is depicted in Chart I.

[4] *416 CPSEs– 32 CPSEs whose accounts were in arrears*

Chart I: Investment in Equity in Government Companies and Corporations



(Previous years' figures updated during 2015-16 as accounts of that year were received)*

Details of significant investments made by the Central Government during 2015-16 in the paid up capital of the CPSEs is detailed in Table 1.3 below:

Table 1.3: Significant investments made by the Central Government (₹ in crore)

Name of the CPSEs	Name of the Ministry	Amount
Statutory Corporations		
National Highways Authority of India	Road Transport and Highways	20,994
Government Companies		
Indian Railway Finance Corporation Limited	Railways	2,400
Delhi Metro Rail Corporation Limited	Urban Development	1,429
Dedicated Freight Corridor Corporation Limited	Railways	1,087

1.2.1.2 Disinvestment

During the year 2015-16, the Government of India realised ₹ 24,311[5] crore against a budgeted receipt of ₹ 41,000 crore on disinvestment. Disinvestment proceeds CPSE wise during 2015-16 is given in Table 1.4.

Table 1.4: Receipt of Disinvestment proceeds – Equity Share

(₹ in crore)

Sl No	Name of the CPSEs	Percentage of shares disinvested	Amount realised by Government
1	Rural Electrification Corporation Limited	5.0	1,608.00
2	Power Finance Corporation Limited	5.0	1,672.00
3	Dredging Corporation of India Limited	5.0	53.00
4	Indian Oil Corporation Limited	10.0	9,369.00
5	Engineers India Limited	10.0	643.00
6	NTPC Limited	5.0	5,015.00
7	Container Corporation of India Limited	5.0	1,155.00
8	Bharat Dynamics Limited (Buy back of shares)	15.0	199.00
9	Hindustan Aeronautics Ltd (Buy back of shares)	25.0	4,284.00
	Total		**23,998.00**

[5] *Source: Finance Accounts, Union Government- 2015-16*

In addition, ₹ 313 crore was received from redemption of preference shares as detailed in Table 1.5 below:

Table 1.5: Statement of redemption of Preference Shares

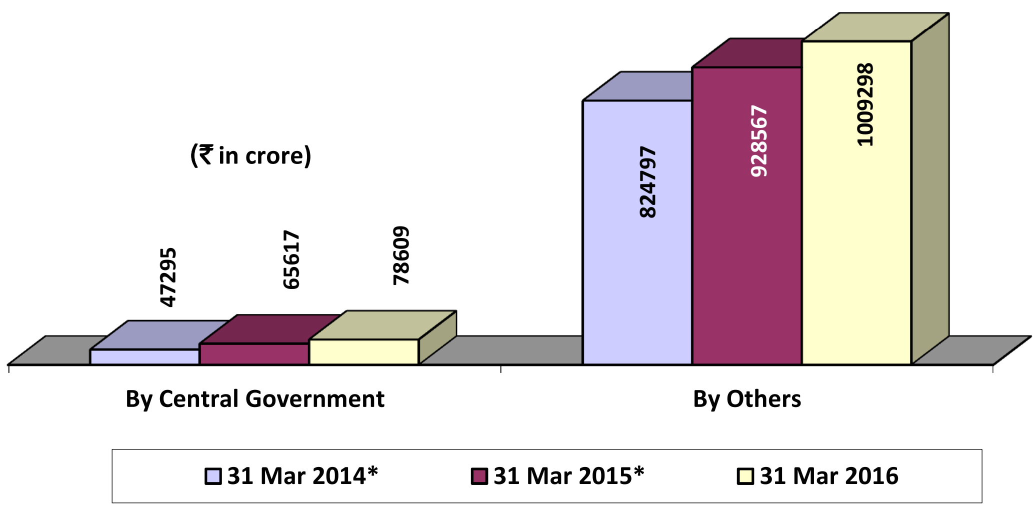
(₹ in crore)

Sl No	Name of the CPSE	Amount
1	Rashtriya Ispat Nigam Limited	300.00
2	MECON Limited	13.00
	Total	**313.00**

1.2.2 Loans given to Government Companies and Corporations

During 2015-16, the long term loans of Government Companies and Corporations registered a net increase of ₹ 93,723 crore. Year wise details of outstanding long term loans of Government Companies and Corporations is depicted in Chart II.

Chart II: Long term loans outstanding in Government Companies and Corporations



(*Previous years' figures updated during 2015-16 when accounts of that year were received)

The total long term loans outstanding in 384 CPSEs from all sources as on 31 March 2016 was ₹ 10,87,907 crore. The comparison of positive and negative coverage of total assets with long term loans during 2015-16 is given in the Table 1.6.

Table 1.6: Coverage of total assets with long term loans

	Positive coverage				Negative coverage			
	No. of CPSEs	Long term loans	Assets	Percentage of assets to loans	No. of CPSEs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	4	78,647	4,01,996	511.14	-	-	-	-
Listed Companies	29	6,37,276	16,76,904	263.14	4	4,568	496	10.86
Unlisted Companies	113	3,54,838	8,75,149	246.63	18	12,578	1,036	8.24
Total	**146**	**10,70,761**	**29,54,049**		**22**	**17,146**	**1,532**	

Twenty two CPSEs, including four listed companies, had more loans than their total assets. There were 216 CPSEs (including two Statutory Corporations) which did not have any long term loans.

❖ Interest coverage ratio is used to determine how easily a company can pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the more the company is burdened by interest on debt. An interest coverage ratio below one indicates the company is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio for the period 2013-14 to 2015-16, are given in Table 1.7:

Table 1.7 : Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of CPSEs[6]	No. of CPSEs having interest cover ratio more than 1	No. of CPSEs having interest cover ratio less than 1
Statutory Corporations					
2013-14	2,312	3,836	3	1	2
2014-15	10,971	12,223	4	2	2
2015-16	11,017	13,343	4	2	2
Listed Government Companies					
2013-14	43,904	1,27,865	32	22	10
2014-15	46,822	1,11,856	34	24	10
2015-16	52,213	1,23,463	33	23	10
Unlisted Government Companies					
2013-14	17,690	30,883	115	54	61
2014-15	18,869	34,836	126	58	68
2015-16	20,490	26,716	131	57	74

It was observed that the number of CPSEs with interest coverage ratio of more than one decreased marginally in case of listed as well as unlisted Government Companies during 2015-16, compared to the previous year.

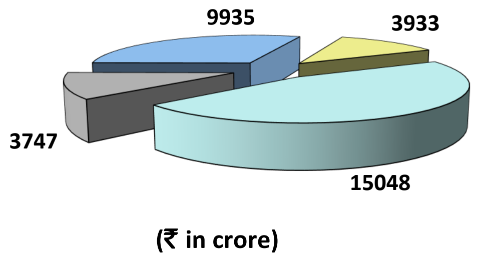
---

[6] *Excluding CPSEs which have no interest liability*

1.2.3 Investment in Government Controlled other Companies

The capital invested by the Central Government, State Governments and by Companies and Corporations controlled by them in 170[7] Government Controlled other Companies[8] is depicted in Chart III:

Chart III: Composition of share capital in Government Controlled other Companies



Central Government, Central Government Companies and Corporations – ₹ 15,048 crore

State Government, State Government Companies and Corporations – ₹ 3,933 crore

Financial Institutions and Banks – ₹ 9,935 crore

Others – ₹ 3,747 crore

As of 31 March 2016, equity in these Government Controlled other Companies was ₹ 32,663 crore. The equity in Government Controlled other Companies increased by ₹ 3,390 crore in 2015-16.

1.2.4 Market capitalisation of equity investment in Government Companies

Market capitalisation represents market value of the shares of companies whose shares are listed. Shares of 59 Government Companies consisting of 46 Government companies, five subsidiaries of Government Companies and eight Government Controlled other Companies were listed on the various stock exchanges in India.

- In respect of 46 listed Government Companies, the shares of 42 companies were traded[9] during 2015-16. In respect of five subsidiaries of Government Companies, four were traded and shares of Eastern Investments Limited were not traded during the year.
- The total market value of shares of 46 listed Government Companies (including four subsidiary companies) stood at ₹ 11,06,539 crore as on 31 March 2016 as compared to ₹ 13,27,781 crore as on 31 March 2015. The total market value of shares decreased by ₹ 2,21,242 crore (16.70 *per cent*) as on 31 March 2016 as compared to 31 March 2015. The market value of shares of 42 listed Government Companies (excluding four subsidiary companies) stood at ₹ 10,90,177 crore as on 31 March 2016, out of which, the market value of shares held by the Government of India amounted to ₹ 7,48,881 crore.

---

7 *191– 21 Government Controlled other Companies whose accounts were in arrears*

8 *Company wise details are available on CAG website <www.cag.gov.in>*

9 *Shares of (1) Hindustan Cables Limited, (2) Hindustan Photo-films (Manufacturing) Company Limited, (3) IRCON International Limited, and (4) KIOCL Limited were not traded during 2015-16*

During this period, S&P BSE Sensex[10] decreased by 9.30 *per cent* from 27,957.49 (as on 31 March 2015) to 25,341.86 (as on 31 March 2016). S&P BSE-PSU Index[11] decreased by 19.70 *per cent* (from 7,607.95 - as on 31 March 2015 to 6,106.65 -as on 31 March 2016).

- The market value of shares of four subsidiary Government Companies, the shares of which were traded during 2015-16, stood at ₹ 16,362 crore as on 31 March 2016. The total market value of shares held by Government Companies in four subsidiary Government Companies had increased by ₹ 1,949 crore as on 31 March 2016 as compared to 31 March 2015.
- The top 10 CPSEs with highest market capitalisation as on 31 March 2016 is given in Table 1.8:

Table 1.8: CPSEs with highest market capitalisation

Sl No	Name of the CPSE	Market Capitalisation (₹ in crore)
1	Coal India Limited	1,84,438
2	Oil and Natural Gas Corporation Limited	1,83,729
3	NTPC Limited	1,06,202
4	Indian Oil Corporation Limited	95,528
5	Power Grid Corporation of India Limited	72,771
6	Bharat Petroleum Corporation Limited	65,193
7	GAIL (India) Limited	45,202
8	NMDC Limited	38,834
9	Bharat Electronics Limited	29,268
10	Bharat Heavy Electricals Limited	27,841

The market capitalisation of 16 CPSEs increased and decreased in respect of 26 CPSEs. CPSEs with increase in market capitalisation of more than ₹ 2,000 crore is given in Table 1.9:

Table 1.9 : CPSEs with increase in Market Capitalisation of more than ₹ 2000 crore

(₹ in crore)

Sl No	Name of the CPSE	Market Capitalisation as on 31 March 2015	Market Capitalisation as on 31 March 2016	Difference in Capitalisation
1	Bharat Petroleum Corporation Limited	58,566	65,193	6,627
2	Indian Oil Corporation Limited	89,421	95,528	6,107
3	NHPC Limited	22,031	26,680	4,649
4	Hindustan Petroleum Corporation Limited	22,014	26,601	4,587
5	Bharat Electronics Limited	26,778	29,268	2,490

[10] *S&P BSE SENSEX is calculated on a "Market Capitalization-Weighted" methodology of 30 component stocks representing large, well-established and financially sound companies across key sectors*

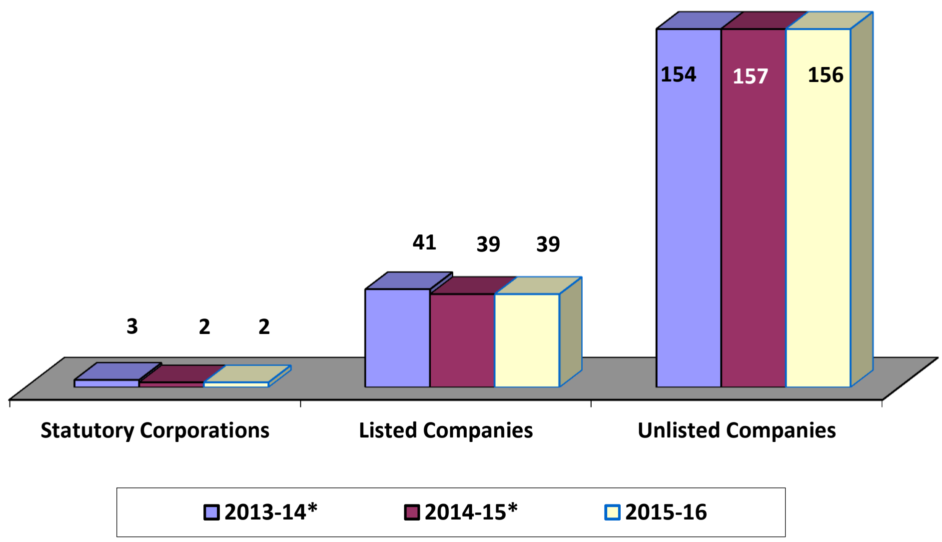
[11] *S&P BSE CPSE Index consists of CPSEs listed on BSE*

1.3 Return on investment in Government Companies and Corporations

1.3.1 Profit earned by CPSEs

The number of CPSEs that earned profit[12] was 197 in 2015-16 as compared to 198 in 2014-15. The profit earned increased to ₹ 1,36,695 crore in 2015-16 from ₹ 1,36,591 crore in 2014-15. Number of CPSEs that earned profit during the period from 2013-14 to 2015-16 is depicted in Chart IV:

Chart IV: Number of profit earning CPSEs



(*Previous years' figures updated during 2015-16 when accounts of that year were received)

The details of sectors which contributed maximum profit during the year 2015-16 are summarised below in Table 1.10:

Table 1.10: Sectors contributed maximum profit during the year 2015-16

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
1. Petroleum			
Listed Government Companies	8	44,245	32.37
Unlisted Government Companies	4	1,343	0.98
Total	12	45,588	33.35
2. Coal and Lignite			
Listed Government Companies	2	17,548	12.84
Unlisted Government Companies	6	11,339	8.30

[12] *Profitability analysis of 384 Government Companies and Corporations indicating profit before interest and tax, capital employed, profit after tax, dividend, net worth, ratio of profit after tax to net worth, ratio of profit before interest and tax to capital employed and dividend to equity, is available at CAG website <www.cag.gov.in>*

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
Total	8	28,887	21.14
3. Power			
Listed Government Companies	4	20,118	14.72
Unlisted Government Companies	23	4,844	3.54
Total	27	24,962	18.26
Total (1 to 3)	**47**	**99,437**	**72.75**

During 2015-16, net profit of ₹ 99,437 crore constituting 72.75 *per cent* of total profit of CPSEs was contributed by 47 CPSEs in these three sectors as compared to 66.00 *per cent* contributed by 48 CPSEs during 2014-15.

The list of CPSEs which earned profit of more than ₹ 5,000 crore during the year 2015-16 is given in the Table 1.11 below:

Table 1.11: List of CPSEs which earned profit of more than ₹ 5,000 crore

Sl no	Name of the CPSE	Net profit (₹ in crore)
1	Coal India Limited	16,344
2	Oil and Natural Gas Corporation Limited	16,004
3	Indian Oil Corporation Limited	10,399
4	NTPC Limited	10,243
5	Bharat Petroleum Corporation Limited	7,432
6	Power Finance Corporation Limited	6,113
7	Power Grid Corporation of India Limited	6,027
8	Rural Electrification Corporation Limited	5,628
Total		**78,190**

It may be seen that these eight CPSEs contributed 57.00 *per cent* of the total profit earned by 197 CPSEs during 2015-16.

1.3.2 Dividend payout by CPSEs

The details of profit earned and dividend declared is given in the Table 1.12:

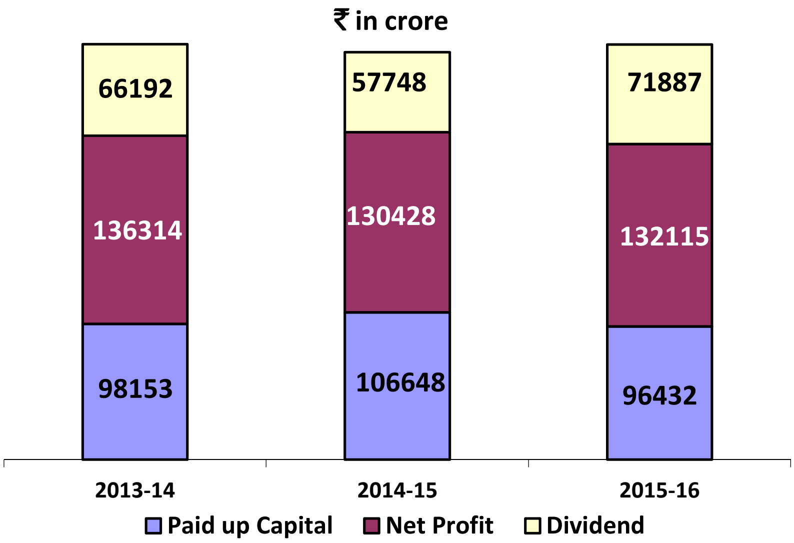
Table 1.12 : Profit earned and dividend declared

(₹ in crore)

Category	CPSEs declared dividend			
	No. of CPSEs	Paid up capital	Net profit	Dividend declared
Statutory Corporations	2	725	2,735	821
Listed Companies	32	53,719	1,00,326	49,389
Unlisted Companies	72	41,989	29,054	21,677
Total	**106**	**96,433**	**1,32,115**	**71,887**

There were 106 CPSEs which declared dividend in 2015-16. The dividend declared as a percentage of net profit earned by the CPSEs increased from 44.30 *per cent* in 2014-15 to 54.40 *per cent* in 2015-16 as given in Chart V below. In absolute terms, the dividend declared by the CPSEs in 2015-16 increased by ₹ 14,139 crore compared to previous year.

Chart V : Dividend declared vis-a-vis net profit earned and paid up capital



Out of total dividend of ₹ 71,887 crore declared by 106 CPSEs in the current year, dividend received/receivable by Government of India amounted to ₹ 41,185 crore. The return on aggregate investment of ₹ 2,96,061 crore made by the Government of India in equity capital of 384 CPSEs was 13.91 *per cent* as compared to 12.72 *per cent* during 2014-15. Similarly, 34 CPSEs received ₹ 18,438 crore as dividend on paid up capital of ₹ 6,609 crore on the equity holdings in other CPSEs.

Thirteen Government Companies under the Ministry of Petroleum and Natural Gas, declared dividend amounting to ₹ 16,570 crore which was 23.05 *per cent* of the total dividend of ₹ 71,887 crore declared by various companies in 2015-16.

The guidelines issued by the Ministry of Finance (Department of Investment & Public Asset Management) in May 2016 envisaged that every CPSE would pay a minimum annual dividend of 30 *per cent* of profit after tax or 5 *per cent* of the net worth, whichever is higher subject to the maximum dividend permitted under the extant legal provisions. However, 37 CPSEs[13] (including listed CPSEs) had declared less than the minimum dividend prescribed by the Government as given in **Appendix III** although they

[13] *For calculating shortfall of dividend, only those CPSEs which had declared dividend during the year were considered*

earned profits. The total shortfall on this account was ₹ 9,011 crore in 2015-16.

Two[14] CPSEs had declared dividend of ₹ 99.75 crore during the year 2015-16 even though they had incurred losses of ₹ 922.34 crore during the year.

1.3.3 Return on investment in Government Controlled other Companies

Of the 170[15] Government Controlled other Companies, 111 companies earned profit of ₹ 5,719 crore during the year ended 31 March 2016. Out of these 111 companies, 45 declared dividend amounting to ₹ 1,036 crore which represented 11.80 *per cent* of their paid up capital of ₹ 8,766 crore. However, 42 companies incurred losses of ₹ 2,516 crore during 2015-16. The remaining 17 companies had not finalised their accounts or had not started commercial operations. One Government Controlled other Company[16] having paid up capital of ₹ 30 crore had declared dividend of ₹ 5 crore even though it had incurred loss of ₹ 22 crore.

Sector wise classification of 46 Government Controlled other Companies which declared dividend during 2015-16 is given below in Table 1.13:

Table 1.13 : Dividend declared by Government Controlled other Companies

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit earned	Dividend declared
Financial services	29	5672	2156	716
Power	3	1592	324	151
Insurance	1	1000	861	120
Transportation Services	1	164	38	30
Petroleum	1	60	33	8
Contract & Construction Services	1	250	269	6
Trading and Marketing	1	41	11	4
Industrial Development and Technical Consultancy	8	16	19	4
Minerals and Metals	1	1	11	2
Total	**46**	**8796**	**3722**	**1041**

1.4 CPSEs incurring losses

There were 157 CPSEs that incurred losses during the year 2015-16. The losses incurred by these CPSEs increased significantly to ₹ 33,976 crore in 2015-16 from ₹ 29,659 crore during 2014-15 as detailed in Table 1.14.

14 *Bharat Heavy Electricals Limited and Projects and Development India Limited*

15 *191– 21 Government Controlled other Companies whose accounts were in arrears*

16 *Canbank Financial Services Limited*

Table 1.14: Number of CPSEs that incurred losses during the year

Listed / Unlisted Year	No. of CPSEs incurred loss	Net loss for the year	Accumulated loss	Net Worth[17]
		(₹ in crore)		
Statutory Corporations				
2013-14	1	-995	0	14,863
2014-15	1	-1,334	0	13,944
2015-16	1	-1,143	0	13,268
Listed Government Companies				
2013-14	10	-4,574	21,245	-5,606
2014-15	11	-7,908	18,919	-5,607
2015-16	11	-10,836	22,856	83,172
Unlisted Government Companies/Corporations				
2013-14	104	-17,138	64,763	47,885
2014-15	120	-20,417	74,505	48,967
2015-16	145	-21,997	80,642	92,810
Total				
2013-14	**115**	**-22,707**	**86,008**	**57,142**
2014-15	**132**	**-29,659**	**93,424**	**57,304**
2015-16	**157**	**-33,976**	**1,03,498**	**1,89,250**

CPSEs listed in Table 1.15 below incurred a loss of more than ₹ 1,000 crore during the year 2015-16[18]

Table 1.15: CPSEs that incurred losses of more than ₹ 1,000 crore during 2015-16

Sl No	Name of the CPSE	Net loss in 2015-16 (₹ in crore)
1	Steel Authority of India Limited	4,137
2	Bharat Sanchar Nigam Limited	3,880
3	Hindustan Photofilms (Manufacturing) Company Limited	2,528
4	Mahanagar Telephone Nigam Limited	2,322
5	ONGC Videsh Limited	2,059
6	Rashtriya Ispat Nigam Limited	1,421
7	Damodar Valley Corporation	1,143
8	PEC Limited	1,142

1.4.1 Erosion of capital in Government Companies

As on 31 March 2016 there were 174 CPSEs with accumulated losses of ₹ 1,22,934 crore. Of the 174 CPSEs, 133 CPSEs incurred losses during the year 2015-16 amounting to ₹ 18,561 crore and 41 CPSEs had not incurred loss in the current year 2015-16, even though they had accumulated loss of ₹ 19,436 crore.

[17] *Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision*

[18] *Accounts of Air India 2015-16 were received in October 2016 hence not considered in the Audit Report. The loss for the year 2015-16 is ₹3837 crore as against loss of ₹5860 crore during 2014-15*

Net worth of 67 Government Companies (out of 174) had been completely eroded by accumulated loss and their net worth was negative. The net worth of these 67 Government companies was ₹ (-)79,227 crore against equity investment of ₹ 28,053 crore in these Government Companies as on 31 March 2016. This included six listed companies whose net worth was ₹ (-)27,037 crore against equity investment of ₹ 1,792 crore. Out of 67 CPSEs, whose capital had eroded, six CPSEs had earned profit of ₹ 456.62 crore during 2015-16.

In 24 out of 67 CPSEs whose capital had eroded, Government loans outstanding as on 31 March 2016 amounted to ₹ 17,522 crore. This included five listed companies with outstanding Government loan of ₹ 4,559 crore. Out of the 314 CPSEs whose net worth was positive, net worth of 30 CPSEs was less than half of their paid up capital of ₹ 15,627 crore at the end of 31 March 2016, indicating their potential financial sickness.

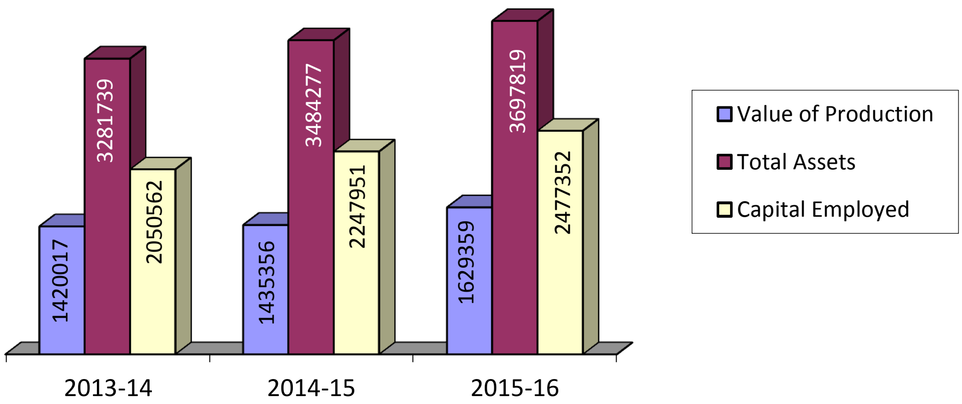
1.5 Operating efficiency of Government Companies

1.5.1 Value of production

The summary indicating value of production, total assets and capital employed of 384 CPSEs over a period of three years is given in the chart VI below:

Chart : VI

Value of Production, Assets and Capital Employed (₹ in crore)



There was an increase in the value of production, total assets and capital employed in year 2015-16 compared to the previous year.

1.5.2 Sales and Marketing

During 2015-16, the total sales of 384 CPSEs was ₹ 18,24,202 crore. Out of these, 118 CPSEs sold /rendered services worth ₹ 2,17,301 crore to Government sector out of their net sales of ₹ 8,99,514 crore. The overall percentage of sales of these 118 CPSEs to the Government sector with reference to their total net sales worked out to 24.16 *per cent*.

There were 80 CPSEs which exported goods or services worth ₹ 1,58,812 crore. This worked out to 14.50 *per cent* against their net sales of ₹ 10,92,643 crore. Against the total sales of ₹ 18,24,202 crore by 384 CPSEs, the export sales amounted to 8.70 *per cent*. The CPSEs with export sales of more than ₹ 5,000 crore is given in Table 1.16:

Table 1.16: CPSEs with export sales of more than ₹ 5,000 crore during 2015-16

Sl. No.	Name of the CPSE	Export sales (₹ in crore)
1	Steel Authority of India Limited	32,590
2	Rural Electrification Corporation Limited	23,638
3	Air India Limited	20,217
4	The New India Assurance Company Limited	14,960
5	Indian Oil Corporation Limited	9,711
6	United India Insurance Company Limited	9,510
Total		**1,10,626**

The export sales of these six CPSEs accounted for 69.60 *per cent* of the total export of all CPSEs.

1.5.3 Research & Development

In order to upgrade existing products and to develop new products, processes *etc*. for sustained growth every organisation has to undertake research and development activities. During the year 2015-16, 51 CPSEs had incurred ₹ 4,806 crore on Research & Development (R&D). The CPSEs that had incurred R&D expenditure of more than ₹ 500 crore is given in Table 1.17.

Table 1.17 : CPSEs with R & D expenditure of more than ₹ 500 crore

Sl No	Name of the CPSE	Total R&D expenditure (₹ in crore)	Net profit (₹ in crore)	Percentage of R&D expenditure to Net profit
1	Hindustan Aeronautics Limited	1,182	1,654	71.5
2	GAIL (India) Limited	735	2,299	32
3	Bharat Electronics Limited	704	1,358	51.8
4	Indian Oil Corporation Limited	597	10,399	5.7
5	Oil and Natural Gas Corporation Limited	564	16,004	3.5

CHAPTER II

Oversight Role of CAG

2.1 Audit of Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of Government Companies under Section 139 (5) & (7) of the Companies Act, 2013. Comptroller & Auditor General of India has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor**.** Statutes governing some Corporations require that their accounts be audited by the CAG and a report be given to the Parliament.

2.2. Timely Appointment of statutory auditors of Public Sector Enterprises by CAG

Under Section 129 read with Sections 96 and 145 of the Companies Act, 2013, the audited financial statement of every company for the financial year are to be laid before the shareholders at its Annual General Meeting (AGM) to be held each year.

Statutory Auditors of Government Companies for the year 2015-16 were appointed during June/July 2015.

Clause 41 of the Listing Agreement with the Securities and Exchange Board of India (SEBI) provides that all the entities listed with the Stock Exchanges should publish their Quarterly Financial Review (QFR), duly approved by the Board of Directors and after a "limited review" by the statutory auditors of the company. A copy of the Review Report is to be submitted to the Stock Exchange within two months of the close of the quarter. The limited review of the first quarter of a financial year is to be carried out so that the results can be published by end-August of the year. CPSEs have the option of getting the QFR done by the statutory auditors of the Company.

In order to facilitate timely compliance with the provisions mentioned above, statutory auditors for the Government Companies, including Government Controlled other Companies were appointed by the CAG for conducting the audit of accounts for the year 2015-16 during June/July 2015.

2.3 Submission of accounts by CPSEs

2.3.1 Need for timely submission

According to Section 394 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 both the Houses of Parliament 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 parliamentary control over the utilization of public funds invested in the companies from the Consolidated Fund of India.

Section 96 of the Companies Act, 2013 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 Companies Act, 2013 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 Companies Act, 2013 also 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 Companies Act, 2013.

However, Audit noticed that no action against the defaulting persons including directors of the Central Government Companies responsible for non-compliance in this regard has been taken although annual accounts of various CPSEs were pending as detailed in the following paragraph.

2.3.2 Timeliness in preparation of accounts by Government Companies and Government Controlled other Companies

As of 31 March 2016, there were 410 Government Companies and 191 Government Controlled other Companies in the purview of CAG's audit from which the accounts for the year 2015-16 were due. A total of 341 Government Companies and 161 Government Controlled other Companies submitted their accounts for audit by CAG on or before 30 September 2016. Accounts of 69 Government Companies and 30 Government Controlled other Companies were in arrears for different reasons. Details of arrears in accounts of Central Government Companies are given in Table 2.1.

Out of 601 Government Companies and Government Controlled other Companies, accounts of 99 Companies were in arrears.

Table 2.1: Details of arrears in accounts of CPSEs

Particulars		Government Companies			Government Controlled other Companies			Total		
		Listed	Unlisted	Total	Listed	Unlisted	Total	Listed	Unlisted	Total
Companies from which accounts for 2015-16 were due		51	359	**410**	8	183	**191**	59	542	**601**
Companies which presented the accounts for CAG's audit by 30 September 2016		50	291	**341**	8	153	**161**	58	444	**502**
First Accounts not submitted		-	1	**1**	-	2	**2**	-	3	**3**
Accounts in Arrears		1	67	**68**	-	28	**28**	1	95	**96**
Break- up of Arrears	(i) Under Liquidation	-	21	**21**	-	8	**8**	-	29	**29**
	(ii) Defunct	-	3	**3**	-	6	**6**	-	9	**9**
	(iii) Others	1	43	**44**	-	14	**14**	1	57	**58**
Age–wise Analysis of the arrears against 'Others' category	One year (2015-16)	1	27	**28**	-	9	**9**	1	36	**37**
	Two years (2014-15 and 2015-16)	-	10	**10**	-	2	**2**	-	12	**12**
	Three years and more	-	6	**6**	-	3	**3**	-	9	**9**

The names of these companies are indicated in **Appendix II A and Appendix II B.**

2.3.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of six Statutory Corporations is conducted by the CAG. Of the five Statutory Corporations where CAG is the sole auditor, four[19] accounts for the year 2015-16 were presented for audit in time i.e. before 30 September 2016. The accounts of Food Corporation of India for the year 2015-16 were received in January 2017. In case of Central Warehousing Corporation, CAG conducts supplementary audit and the accounts were received in time.

2.4 CAG's oversight - Audit of accounts and supplementary audit

2.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

2.4.2 Audit of accounts of Government Companies

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

[19] *Airports Authority of India, Damodar Valley Corporation, Inland Waterways Authority of India and National Highways Authority of India*

The CAG plays an oversight role by monitoring the performance of the statutory auditors with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013, and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

2.4.3 Three Phase Audit of annual accounts of selected CPSEs

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

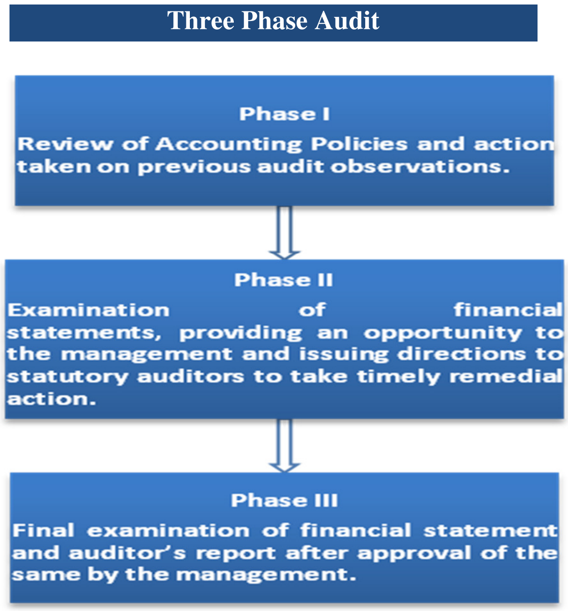
The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with report of the statutory auditors are reviewed by CAG. Based on such review through supplementary audit, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

As the responsibility of the auditor is to help the management in enhancing the quality of financial reporting i.e. readability, reliability and usefulness to different stakeholders, the CAG introduced ‘the system of Three Phase Audit’. The Three Phase Audit system was introduced with the following objectives in selected CPSEs falling under categories of ‘Listed’, ‘Navratna’, ‘Miniratna’ and ‘Statutory Corporations’ for the financial statements of 2008-09 on consensus basis, after discussion on the objectives and methodology of audit approach with the management and statutory auditor concerned:

- To establish an effective communication and a coordinated approach amongst the statutory auditors, management and CAG’s audit for removal of inconsistencies and doubts relating to the financial statements presented by the CPSEs.

- To identify and highlight errors, omissions, non-compliances etc., before the approval of the financial statements by the management of the CPSEs and provide an opportunity to the statutory auditors and the managements of the CPSEs to examine such issues for taking timely remedial action.
- To reduce the time of CAG's audit after the approval of financial statements by the management of the CPSEs.



Thus, Three Phase Audit brings transformation in the audit process and methodology by enabling the management of CPSEs to rectify the accounts in the light of accepted comments on financial statements.

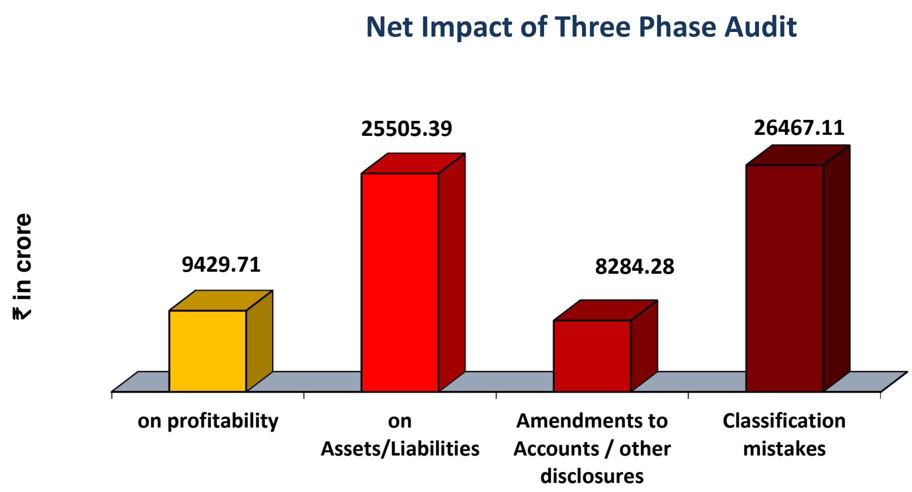
The audit observations under Phase–I and Phase–II of the 'Three Phase Audit' approach are treated as preliminary observations and communicated to the statutory auditors as part of sub-directions under Section 143 (5) of the Companies Act, 2013. The last phase of audit (Phase-III) is conducted after approval of the financial statements by the management and audit by the statutory auditors which is same as conducted earlier.

2.5 Result of CAG's oversight role

2.5.1 Impact of Three Phase Audit

As a result of Three Phase Audit conducted in 87 CPSEs, a number of changes were made by the CPSEs in their financial statements which led to improvement in the quality of their financial statements.

The value addition made by Three Phase Audit of financial statements of these CPSEs for the year 2015-16 is depicted in the following Chart:



CPSEs where major value addition was made were:

Sr. No.	Name of the CPSE
1.	Bharat Heavy Electricals Limited
2.	General Insurance Corporation Limited
3.	Hindustan Aeronautics Limited
4.	Mazagon Dock Shipbuilders Limited
5.	Hindustan Petroleum Corporation Limited
6.	Indian Oil Corporation Limited
7.	NHPC Limited
8.	Northern Coalfields Limited
9.	NTPC Limited
10.	Oil and Natural Gas Corporation Limited
11.	Power Finance Corporation Limited
12.	Power Grid Corporation of India Limited
13.	Rural Electrification Corporation Limited
14.	New India Assurance Company Limited
15.	Steel Authority of India Limited

2.5.2 Audit of accounts of Government Companies/ Government Controlled other Companies under Section 143 of the Companies Act, 2013

CAG reviewed accounts of 312 Companies and five Statutory Corporations for the year 2015-16.

Financial statements for the year 2015-16 were received from 341 Government Companies (including 50 listed companies), 161 Government Controlled other Companies (including 8 listed companies) and five Statutory Corporations by 30 September 2016. Of these, accounts of 229 Government Companies and 83 Government Controlled other Companies and five Statutory Corporations were reviewed in audit by the CAG.

In sum, CAG reviewed accounts of 67 *per cent* of the Government Companies and 52 *per cent* of Government Controlled other Companies out of the accounts received up to 30 September 2016.

2.5.3 Significant Comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

Subsequent to the audit of the financial statements for the year 2015-16 by statutory auditors, the CAG conducted supplementary audit and the significant comments issued on accounts of Government Companies are as detailed below:

- **Listed companies**

Comment on Profitability

Name of the Company	Comment
IFCI Limited	• Allowance for bad and doubtful assets was understated by ₹ 66.28 crore. • In accordance with RBI Guidelines the loan given to M/s Jangipur Bengal Mega Food Park Limited was sub-standard asset, accordingly, provision was to be made at the rate of 10 *per cent* whereas provision of only 5 *per cent* was made resulting in short provision of ₹ 2.21 crore. • The unquoted equity shares of Essar Steel Limited, Neelachal Ispat Nigam Limited and Polygenta Technologies Limited acquired by conversion of debt into equity as part of restructuring of loans were treated as fresh non-current investment. These investments were not valued at break-up value in terms of RBI Guidelines resulting in understatement of provision of diminution in value of investment by ₹ 2.05 crore.
Mahanagar Telephone Nigam Limited	License Fees was understated by ₹ 590.90 crore due to non-provision of License Fee pertaining to the period from 2007-08 to 2010-11 and 2012-13 demanded by the Department of Telecommunications.
Steel Authority of India Limited	Other Current Liabilities was understated by ₹ 33.95 crore due to non-inclusion of company's share of entry fee as founder member of the 'Steel Research and Technology Mission of India', a society formed to promote Research and Development for steel industry.
The State Trading Corporation of India Limited	'Other Income' included ₹ 228.33 crore towards interest on outstanding dues recoverable from Global Steel Philippines Inc./Global Steel Holdings Limited in contravention of provisions of AS – 9.

Comment on Financial Position

Name of the Company	Comment
Mahanagar Telephone Nigam Limited	The difference of 'CENVAT Credit' available as per Service Tax Returns filed by the Company and that accounted in the Financial Statements had not been reconciled.
Oil & Natural Gas Corporation Limited	Intangible Assets under Development were understated by ₹ 897.96 crore due to ineligible reversal of impairment provisions.
Steel Authority of India Limited	Arrears of annual cash commitment of ₹ 88 crore for the period from 2013-14 to 2015-16 payable to Steel Development Fund under the Joint Plant Committee, Ministry of Steel had been considered as Long Term Liability.
The State Trading Corporation of India Limited	Trade Receivables included dues not considered good in view of low rate of recovery and lack of adequate security • recoverable from Global Steel Philippines Inc./Global Steel Holdings Limited on account of steel slabs exported during the period 2008-2010 - ₹ 1740.42 crore. • recoverable since 2010 from M/s Jhagadia Copper Limited for import/procurement of copper bearing material-₹122.77 crore.

Comments on Disclosure

Name of the Company	Comment
Power Finance Corporation Limited	The Note regarding asset considered as 'restructured standard' in place of 'restructured sub-standard', as per orders of Hon'ble High Court of Madras did not disclose the impact on account of deviation from the declared Accounting Policy. Had the asset been treated as 'restructured sub-standard', (i) Interest income that would not had recognized- ₹ 328.78 crore and (ii) Additional provision necessitated- ₹ 276.37 crore was also not disclosed.
Steel Authority of India Limited	Claims by a pellet manufacturer of ₹ 139.65 crore had not been included under Contingent Liabilities.

Comments on Auditor's Report

Name of the Company	Comment
NTPC Limited	Amount of ₹ 6545.43 crore deposited with the appropriate authorities on account of disputed demand of statutory dues had not been reported.

❖ Unlisted companies

Comment on Profitability

Name of the Company	Comment
Indian Drugs and Pharmaceutical Limited (2014-15)	• Current Liabilities was understated by ₹ 143.93 crore due to provision of only ₹ 126.54 crore against reconciled amount of ₹ 270.47 crore towards electricity charges payable to Uttarakhand Power Corporation Limited. • No provision had been made for ₹ 23.99 crore towards interest payable on principal dues to Central Industrial Security Force.
Kolkata Metro Rail Corporation Limited	• Current Tax Expenses did not include Income Tax payable towards interest income on short term deposits - ₹ 12.01 crore. • Provision for taxation relating to previous years written back - ₹ 10.86 crore.
National Insurance Company Limited	Profit after Tax was understated due to : • Non-accountal of re-insurance recoverable from re-insurers arising from Nepal earthquake claims – ₹ 35.95 crore. • Inclusion of IT assets purchased as revenue expenditure instead of capital expenditure - ₹ 8.94 crore

Comments on Financial Position

Name of the Company	Comment
General Insurance Corporation of India Limited	The company is only a Manager to the India Market Terrorism Risk Insurance Pool, thus, the Terrorism Pool (TP) Assets and the TP Liabilities do not belong to the company. The TP Assets and Liabilities of ₹ 5547.53 crore under the head Current Assets and Current Liabilities respectively had resulted in the overstatement of both Current Asset and Current Liabilities by the same amount.
National Backward Classes Finance and Development Corporation	Loans and Advances was overstated due to inclusion of interest accrued but not due (₹ 4.41 crore) on Term Loans and Micro Finance and Interest receivable (₹ 41.93 crore) which were in the nature of current assets.
National Scheduled Castes Finance and Development	• Tangible Assets – Building Leasehold was understated by ₹ 61.54 crore due to non-inclusion of cost of Building

Corporation	System Upgradation work of Scope Minar, Laxmi nagar New Delhi. • Interest Receivables of ₹ 29.59 crore included under Loan and Advances were of the nature of Current Assets.

ONGC Petro Additions Limited	• Other Current Liabilities were understated by ₹ 14.70 crore due to non-inclusion of storage rental charges for Naphtha payable to M/s Gujarat Chemical Port Terminal Company Limited for the period January 2015 to March 2016.
	• Due to revision of useful life of leasehold land, differential depreciation for the period 2011-12 to 2014-15 written back through Prior Period Items - ₹ 49.49 crore retrospectively in contravention of Accounting Standard 6 resulting in overstatement of lease hold land and understatement of Capital Work in Progress.
	• Fabrication, Erection and Installation of Plant and Machinery had been considered as Building - ₹ 102.84 crore resulting in overstatement of Building and understatement of Plant and Machinery.
	• Long Term Loans and Advances was overstated due to inclusion of deposits with
	  • M/s Gujarat Industrial Development Corporation towards execution of pipeline works which had since been completed - ₹ 35.05 crore.
	  • M/s Torrent Energy Limited for laying the HT service power live from Torrent Energy which had since been completed - ₹ 6.50 crore.

Comments on Disclosure

Name of the Company	Comment
Hindustan Antibiotics Limited	Loans and Advances to related parties with subsidiary company included ₹ 25.30 crore (₹ 12.16 crore towards loan and ₹ 13.14 crore towards interest) recoverable from Maharashtra Antibiotics and Pharmaceutical Limited, which is a defunct company and whose Financial Statements had not been maintained and reconciled since 2010-11. This had not been disclosed.
IRCON Shivpuri Tollway Limited	Balances with Banks (in Current Account - ₹ 36.94 crore and Fixed Deposits - ₹ 1.40 crore) pertains to Escrow Accounts

	which were earmarked funds as per the Concession Agreement entered with National Highway Authority of India had not been disclosed.
Kamarajar Port Limited	Out of land admeasuring 647.66 acres acquired by the company from the Salt department, 1.84 acres of land had already been leased out to M/s Zuari Cements by the Government of Tamil Nadu. The company had filed an appeal with the Government of Tamil Nadu for cancellation of the said lease. This fact had not been disclosed.
National Insurance Company Limited	Demand of Liquidated Damages of ₹ 37.65 crore raised by Government of Maharashtra due to delay in payment of claims to empanelled hospitals while servicing Rajiv Gandhi Jeevandayee Arogya Yojana policies had not been disclosed.
Neyveli Uttar Pradesh Power Limited	Estimated amount of ₹ 13.69 crore of contracts remaining to be executed on capital account and not provided had not been disclosed.
PFC Consulting Limited	The Comments of the CAG on the accounts of the company under Section 143 (6) (b) of the Companies Act 2013 for the year 2014-15 had been included in the Director's Report for the year 2014-15 as 'Annexure–I' instead of placing it before the Annual General Meeting of the Company in the same manner as the audit report.
Rail Vikas Nigam Limited	The contract revenue amounting to ₹ 42.40 crore relating to Palanpur Samakhali project awarded by the SPV- M/s Kutch Railway Company Limited had been accounted for without signing of construction agreement. This had not been disclosed.
Sail Rites Bengal Wagon Industries Private Limited	The Company had not disclosed "Share in the Company held by each shareholder holding more than 5 *per cent* shares specifying the number of shares held".

Comment on Auditor's Report

Name of the Company	Comment
Educational Consultants India Limited	Balances of Sundry Debtors and Trade Receivables were not confirmed in respect of all parties.
NABARD Consultancy Services Private Limited	The adequacy of internal financial control system in the company and the operating effectiveness of such controls had not been commented.

❖ Unlisted Government Controlled other Companies

Comment on Profitability

Name of the Company	Comment
Aravali Power Company Private Limited	The Company changed its Accounting Policy regarding 'enabling assets' and reclassified it as fixed assets. The depreciation provided till 31 March 2015 was written back and recalculated retrospectively following the rates notified by the Central Electricity Regulatory Commission Tariff Regulations. The treatment followed by the company was not in line with the opinion of the Expert Advisory Committee of ICAI in this regard resulting in overstatement of Tangible assets by ₹ 41.32 crore.

❖ Statutory Corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of Statutory Corporations where CAG acts as the sole auditor are detailed below:

Airports Authority of India

(i) Trade Payables was overstated by ₹ 21.73 crore due to excess provision created for payment of anti-hijacking expenses to J&K police for deployment of security personnel at Srinagar International Airport.

(ii) Trade Payables was understated by ₹ 57.06 crore being the balance amount payable to Indian Meteorological Department towards the cost of meteorological services rendered by it during the period 1997-98 to 2015-16.

(iii) Other Current Liabilities & Short term Provisions was understated by ₹ 11.14 crore due to non-provisioning of liability for the following:

Sl. No.	Particulars	Amount (₹ in crore)
1	Software maintenance technical support under GAGAN contract	1.47
2	Payment of licence fee for O&M office at Rajiv Gandhi International Airport, Hyderabad	0.24
3	Demand from ECPF Trust	1.95
4	Electricity charges for the month of March 2016	0.60
5	Cost of clothing, equipment, arms & ammunition at Vadodara Airport	0.17
6	Work relating to beautification and Landscaping work at Visakhapatnam Airport	6.71
	TOTAL	**11.14**

(iv) Other Current Liabilities & Short term Provisions were overstated by ₹ 70.19 crore due to:

Sl. No.	Particulars	Amount (₹ in crore)
(i)	Non-adjustment of advances received from client relating to the assigned work completed by the company and handed over to the client.	1.85
(ii)	Excess provision of Performance Related Pay due to double adjustment of tax provision, inclusion of interest on Fixed Deposit Receipts in contravention of DPE guidelines and non-adjustment of Proficiency Allowance paid.	68.34
	TOTAL	**70.19**

(v) Other Current Liabilities & Short term Provisions did not include provision for service tax amounting to ₹ 29.95 crore payable on the dues cleared by Air India Limited during 2013-14 and 2014-15.

The issue was raised in the year 2014-15 also but no corrective action had been taken.

(vi) Capital Work-in-Progress was overstated by ₹ 52.33 crore on account of non-capitalization of:

(₹ in crore)

Sl. No.	Particulars	Amount	Amount of Depreciation (including prior period)
1.	Plant & Equipment-Freehold, viz., Passenger Boarding Bridge, security equipment, electric work on DVOR, breathing air compressor, VHF transmitter/receiver, solar grip, ILS, ASMGCS, electrical work related to assets completed during the period between May 2009 and March 2016.	47.56	7.63 (2.05 crore prior period)
2.	Master Clock System-Server, CISF Quarters, drainage system, boundary wall, etc.	4.77	1.19 (0.75 crore prior period)
	TOTAL	**52.33**	**8.82**

(vii) Capital Work-in-Progress was overstated by ₹ 9.65 crore on account of capitalisation of works which were of revenue nature viz., replacement of tile flooring, amplifier panel, defective LT panel accessories, AMC and training charges, expenditure on foreclosed IT backup site, consultancy fees paid on foreclosed project, expenditure on re-surfacing of runway at Kolkata Airport, etc. which should have been charged off as expenses.

(viii) Income included airport lease revenue from Delhi International Airport Limited (DIAL- ₹ 2302.66 crore) and Mumbai International Airport Limited (MIAL - ₹ 1066.23 crore). In the absence of relevant records, the veracity of airport lease revenue of as reflected in the books of accounts could not be vouchsafed.

(ix) Contingent Liabilities were understated by ₹ 123.20 crore due to non-disclosure of amounts demanded by Government of Rajasthan, for balance portion of intermittent land admeasuring 43.49 acres, which was under possession of the Authority and covered by boundary wall and which was neither acquired nor transferred to the Authority. The demand was being contested by the company with the State Government for getting the same transferred free of cost. The disclosure in the Notes was therefore deficient to that extent.

2.6 Departures from Accounting Standards

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government, in consultation with National Advisory Committee on Accounting Standards prescribed Accounting Standards 1 to 7 and 9 to 29 as recommended by the Institute of Chartered Accountants of India.

The statutory auditor reported that 14 companies as detailed in **Appendix IV** departed from mandatory Accounting Standards.

However, during course of supplementary audit, the CAG observed that the following companies had not complied with the mandatory Accounting Standards which were not reported by their statutory auditors:

Accounting Standard		Name of the Company	Deviation
AS - 2	Valuation of Inventories	Kanti Bijli Utpadan Nigam Limited	Penalty paid to coal companies for not lifting the annual contracted quantity of coal had been added to the cost of inventory.
AS - 3	Cash Flow Statements	Punjab Logistics Infrastructure Limited	Term loan (₹ 10 crore) obtained from HDFC bank for 15 years had been included in Cash Flow from 'Operating Activities' instead of from 'Financing Activities'.
AS - 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Agri Development Finance (Tamilnadu) Limited (Now NABKISAN)	Amount of ₹ 1.96 crore towards interest not accounted for and recovered through Debt Recovery Tribunal after 15 years had not been disclosed.

AS – 9	Revenue Recognition	Educational Consultants India Limited	The Company recognized 97 *per cent* of the project cost as revenue and 100 *per cent* of the amount of bills raised by the vendor as expenditure from eight projects on completion of second stage i.e. conduct of online examination, against its accounting policy for recognition at 80 *per cent*. The Company accounted for income of ₹ 0.22 crore out of advance received for conducting written test which was subsequently cancelled by the Paradeep Port Trust. New Accounting Policy regarding recognition of revenue in respect of 'online testing activity' had not been approved by the Board of Directors nor disclosed.
		National Textiles Company limited	The company recognized interest of ₹ 8.45 crore (₹ 21.94 crore during previous years) on the loan given to British India Corporation.
AS–10	Accounting for Fixed Assets	NHPC Limited	Expenditure of ₹ 165.38 crore incurred on enabling assets had been charged to Tangible Assets and Capital Work in Progress.
		NTPC Limited	The company capitalized the expenditure of ₹ 204.66 crore incurred on assets not owned by the company under Tangible Assets and Capital Work in Progress.
AS- 12	Accounting for Government Grants	National Safai Karmachari Finance and Development Corporation	Accounting Policy adopted for Government Grants and nature and extent of Government Grants had not been disclosed.
AS-13	Accounting for Investments	IFCI Limited	Company's policy for provision against diminution in value of equity share was not as per AS-13. No provision/inadequate provision was made against long term investment of ₹ 706.17 crore in respect of five companies despite erosion of net worth, continuous cash losses, negative earnings per share, accumulated losses and default in buy back commitments by investee companies.

AS- 15	Employee Benefits	Central Coalfields Limited	Provision towards Post-retirement Medical Benefit, a defined benefit plan was made for an amount of ₹ 75.62 crore against the required amount of ₹ 59.01 crore on actuarial valuation basis.
		Bharuch Rail Dahej Corporation Limited	Necessary disclosures regarding "Employees Benefits' had not been made.
AS–19	Leases	Central Railside Warehouse Company Limited	Future enhancement in lease rentals liability had been recognized in respect of hired office space.
AS – 22	Accounting for Taxes on Income	Health Insurance TPA of India Limited	Deferred Tax Assets were created on unabsorbed depreciation and accumulated losses without having any virtual certainty to earn sufficient taxable income in future.
AS – 29	Provisions, Contingent Liabilities and Contingent Assets	Educational Consultants India Limited	Accounting Policy adopted by the company had not been disclosed.

2.7 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices,
- adjustments arising out of audit that could have a significant effect on the financial statements, and
- inadequate or non disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year CAG issued 'Management Letters' to 131 CPSEs.

CHAPTER III

Corporate Governance

3.1 Corporate Governance

3.1.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirements inter alia provide for:

- Qualifications for Independent Directors along with the duties and guidelines for professional conduct (Section 149(8) and Schedule IV thereof).
- Mandatory appointment of one woman director on the board of listed companies {Section 149(1)}.
- Mandatory establishment of certain committees like Corporate Social Responsibility Committee {Section (135)}, Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1)}, and Stakeholders Relationship Committee {Section 178(5)}.
- Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.

3.1.2 SEBI guidelines on Corporate Governance

With the enactment of the Companies Act 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014), clause 49 of the Listing Agreement to align it with the Corporate Governance provisions specified in the Companies Act 2013.

Securities and Exchange Board of India notified (2 September 2015) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 which came into effect from 1 December 2015 repealing the earlier provisions.

SEBI, further issued (October 2015) a uniform Listing Agreement format for all types of securities which required the listed entity to comply with the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

3.1.3 DPE guidelines on Corporate Governance for Central Public Sector Enterprises

The Department of Public Enterprises (DPE) issued guidelines on Corporate Governance in November 1992 on the inclusion of non-official directors on the Board of Directors. DPE issued further guidelines in November, 2001 providing for inclusion of independent directors on the Board of Directors. To bring in more transparency and accountability in the functioning of Central Public Sector Enterprises (CPSEs), the Government in June, 2007 introduced the guidelines on Corporate Governance for CPSEs. These guidelines were voluntary in nature. These guidelines were implemented for an experimental period of one year. On the basis of the experience gained during this period, it was decided to modify and reissue the DPE guidelines in May, 2010. These guidelines have been made mandatory and applicable to all CPSEs. The guidelines issued by DPE covered areas like composition of Board of Directors, composition and functions of Board committees like Audit Committee, Remuneration committee, details on subsidiary companies, disclosures, reports and the schedules for implementation. All references to DPE guidelines in this chapter refer to the DPE guidelines issued in May, 2010 which are mandatory to all CPSEs. DPE has also incorporated Corporate Governance as a performance parameter in the MoUs of all CPSEs. In so far as listed CPSEs are concerned, they are required to comply with the SEBI's guidelines/regulations on Corporate Governance in addition to complying with provisions in DPE guidelines.

3.1.4 Review of compliance by selected CPSEs of the Corporate Governance provisions

As on 31 March 2016, there were 607 Central Public Sector Enterprises (CPSEs) under the audit jurisdiction of the CAG of India. In the context of the policy of the Government to grant more autonomy to the CPSEs, corporate governance has assumed importance. Under the Maharatna Scheme, CPSEs are expected to expand international operations and become global giants, for which effective Corporate Governance is imperative.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Companies Act, 2013, guidelines/regulations issued by SEBI and the DPE guidelines on Corporate Governance (May 2010) and compliance by CPSEs listed in various stock exchanges[20] with these provisions during the year 2015-16 was reflected in the assessment framework. The review covers 48 listed CPSEs under the administrative control of various Ministries for the year ended 31 March 2016. List of the CPSEs is given in the **Appendix V**

---

[20] *Except GAIL (India) Limited*

3.2 Composition of Board of Directors

3.2.1 Non-executive Directors on the Board

The Board is the most significant instrument of Corporate Governance. Clause 49 (II) (A) (1) of Listing Agreement and Regulation 17 (1)(a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulates that the Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than 50 *per cent* of the Board of Directors comprising non-executive directors.

In the CPSEs listed in Table 3.1, the non-executive directors constituted less than 50 *per cent* of the total Board strength.

Table 3.1: CPSEs where non-executive directors were less than 50 *per cent* of the Board Strength

Sl. No	Name of the CPSE	Total Directors	No. of Non-executive Directors	Percentage
1	Andrew Yule & Co Ltd	6	2	33
2	Balmer Lawrie and Company Limited	7	2	28
3	BEML Limited	10	4	40
4	Bharat Electronics Limited	12	5	42
5	Hindustan Petroleum Corporation Limited	8	3	38
6	Indian Oil Corporation. Limited	12	5	42
7	ITI Limited	7	3	43
8	NBCC (India) Limited	6	2	33
9	NTPC Limited	11	5	45
10	Oil and Natural Gas Corporation Limited	12	5	42
11	Oil India Limited	6	1	17
12	Power Finance Corporation Limited	7	3	43
13	Power Grid Corporation of India Limited	7	3	43
14	Rashtriya Chemicals and Fertilizers Limited	7	3	43
15	The Shipping Corporation of India Limited	8	3	38
16	The State Trading Corporation of India Limited	7	2	28

3.2.2 Independent Directors

The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. In terms of Clause 49 (II) (A) (2) of Listing Agreement, Regulation 17 (1) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Para 3.14 of the DPE guidelines, where the Chairman of the Board is a non-executive director, at least one-third of the Board should comprise independent directors and, in case he is an executive director, at least half of the Board should comprise independent directors. However, as per Clause 49 (II) (B) (1), 'independent director' shall mean a non-executive director, other than a nominee director of the company.

The review of composition of the Board of Directors revealed that the CPSEs listed in Table 3.2 did not have the required number of independent directors on their Board.

Table 3.2: CPSEs not having required number of independent directors

Sl. No.	Name of the CPSE	Total	Status of Chairman	Required	Actual
1	BEML Limited	10	Executive	5	3
2	Bharat Electronics Limited	12	Executive	6	4
3	Bharat Heavy Electricals Limited	12	Executive	6	5
4	Bharat Petroleum Corporation Limited	10	Executive	5	3
5	Chennai Petroleum Corporation Limited	10	Non-Executive	4	1
6	Coal India Limited	12	Executive	6	5
7	Container Corporation of India Limited	10	Executive	5	3
8	Dredging Corporation of India Limited	7	Executive	4	2
9	Engineers India Limited	11	Executive	6	4
10	The Fertilizers and Chemicals Travancore Ltd	5	Executive	3	2
11	Hindustan Copper Limited	13	Executive	7	6
12	Hindustan Petroleum Corporation Limited	8	Executive	4	1
13	Hindustan Photo Films Mfg Co Limited	4	Executive	2	1
14	India Tourism Development Corporation Limited	7	Executive	4	2
15	Indian Oil Corporation Limited	12	Executive	6	3
16	ITI Limited	7	Executive	4	1
17	KIOCL Limited	11	Executive	6	5
18	Mahanagar Telephone Nigam Limited	7	Non-Executive	3	2
19	MMTC Limited	12	Executive	6	4
20	National Aluminium Company Limited	13	Executive	7	5
21	National Fertilizers Limited	8	Executive	4	3
22	Neyveli Lignite Corporation Limited	10	Executive	5	3
23	NHPC Limited	11	Executive	6	4
24	NMDC Limited	14	Executive	7	6
25	NTPC Limited	11	Executive	6	3
26	Oil and Natural Gas Corporation Limited	12	Executive	6	3
27	Power Finance Corporation Limited	7	Executive	4	2
28	Power Grid Corporation of India Limited	7	Executive	4	1
29	Rashtriya Chemicals and Fertilizers Limited	7	Executive	4	1
30	Rural Electrification Corporation Limited	7	Executive	4	3
31	The Shipping Corporation of India Limited	8	Executive	4	1
32	SJVNL Limited	11	Executive	6	4
33	Steel Authority of India Limited	15	Executive	8	6

There were no independent directors on the Board in respect of CPSEs given in Table 3.3.

Table 3.3: CPSEs not having any independent directors

Sl. No.	Name of the CPSE
1	Andrew Yule & Co. Ltd
2	Balmer Lawrie and Company Limited
3	Balmer Lawrie Investments Limited
4	Hindustan Cables Limited

Sl. No.	Name of the CPSE
5	Hindustan Fluoro Carbons Limited
6	Hindustan Organic Chemicals Limited
7	HMT Limited
8	Madras Fertilizers Limited
9	Mangalore Refinery and Petrochemicals Limited
10	NBCC (India) Limited
11	Oil India Limited
12	Scooters India Limited
13	The State Trading Corporation of India Limited

3.2.3 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, Clause 49 (II) (A) (1) of Listing Agreement and Regulation 17 (1) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Board of Directors of the company shall have at least one woman Director in its Board. In the CPSEs listed in Table 3.4, there was no woman Director on the Board.

Table 3.4: CPSEs not having a woman Director in its Board

Sl. No	Name of the CPSE
1	BEML Limited
2	Bharat Immunologicals and Biologicals Limited
3	Bharat Petroleum Corporation Limited
4	Chennai Petroleum Corporation Limited
5	Hindustan Fluoro Carbons Limited
6	Hindustan Organic Chemicals Limited
7	HMT Limited
8	Indian Oil Corporation Limited
9	Madras Fertilizers Limited
10	MMTC Limited
11	National Fertilizers Limited
12	Oil and Natural Gas Corporation Limited
13	Power Finance Corporation Limited
14	Rashtriya Chemicals and Fertilizers Limited
15	Rural Electrification Corporation Limited
16	The State Trading Corporation of India Limited
17	The Fertilizers and Chemicals Travancore Limited

3.3 Appointment and functioning of Independent Directors

3.3.1 Issuance of formal letter of appointment

Clause 49 (II) (B) (4) (a) of the Listing Agreement (April 2014) stipulates that the company shall issue a formal letter of appointment to independent directors in the manner as provided in the Companies Act, 2013. As per schedule IV of the Companies Act, 2013, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment.

However, it was observed that, in the CPSEs listed in Table 3.5, no appointment letters detailing the terms and conditions were issued by the CPSEs:

Table 3.5: Appointment letters of Independent Directors not issued by CPSEs

Sl. No.	Name of the CPSE
1	Bharat Immunologicals and Biologicals Limited
2	Engineers India Limited
3	Hindustan Copper Limited
4	India Tourism Development Corporation Limited
5	ITI Limited
6	National Fertilizers Limited
7	SJVN Limited

3.3.2 Number of Directorships

Clause 49 (II) (B) (2) (a) of Listing Agreement and Regulation 25 (1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires that none of the independent directors shall be an independent director in more than seven listed companies. Contrary to this provision, it was observed that during the year, one of the independent directors of Oil and Natural Gas Corporation Limited, held independent directorship in eight companies.

3.3.3 Code of Conduct

Regulation 17 (5) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulates that every company shall suitably incorporate the duties of independent directors in Code of Conduct as laid down in the Companies Act, 2013. The Table 3.6 indicates the CPSEs where code of conduct did not incorporate the duties of independent directors.

Table 3.6: CPSEs where code of conduct did not include duties of Independent Director

Sl. No.	Name of the CPSE
1	The Fertilizers and Chemicals Travancore Limited
2	Hindustan Fluoro Carbons Limited
3	Hindustan Organic Chemicals Limited
4	Hindustan Photo Films Mfg Co Limited
5	Rashtriya Chemicals and Fertilizers Limited
6	The State Trading Corporation of India Limited

3.3.4 Training of Independent Directors

3.3.4.1 Clause 49 (II) (B) (7) (a) of the Listing Agreement and Regulations 25 (7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the company shall through various programs, familiarize independent directors with the company, their roles, rights, responsibilities in the company, nature of the industry in which company operates, business model of the company etc. However, it was observed that in the CPSEs listed in Table 3.7 no such training was conducted for independent directors who were on the Board during the year 2015-16.

Table 3.7: CPSEs where no training was conducted for the Independent Directors

Sl. No.	Name of the CPSE
1	Hindustan Photo Films Mfg Co Limited
2	India Tourism Development Corporation Limited

3.3.4.2 Further, in contravention of Regulation 46 (2) (i) and Schedule V (C) (2)(g) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the details of training were not disclosed on the website and a web link thereto was not given in the Annual Report of the CPSEs listed in Table 3.8.

Table 3.8: CPSEs where training details were not given on website

Sl. No.	Name of the CPSE
1	The Fertilizers and Chemicals Travancore Limited
2	Mahanagar Telephone Nigam Limited
3	National Fertilizers Limited
4	Power Finance Corporation Limited

3.3.5 Meetings of Board of Directors and Board Committees

Schedule IV (III) (3) of the Companies Act, 2013 states that independent directors should strive to attend all the meetings of Board of Directors and Board Committees of which he/she is a member. Some of the independent directors, however, did not attend some of these meetings. Table 3.9 indicates the number of such independent directors:

Table 3.9: Independent Directors who did not attend some of the meetings

Sl. No.	Name of the CPSE	No. of independent directors who did not attend some Board Meetings	No. of independent directors who did not attend some Board Committee Meetings
1	Engineers India Limited	-	1
2	Indian Oil Corporation Limited	1	1
3	ITI Limited	4	-
4	KIOCL Limited	-	2
5	MOIL Limited	4	-
6	National Fertilizers Limited	1	2
7	NMDC Limited	4	1
8	Neyveli Lignite Corporation Limited	3	-
9	Power Finance Corporation Limited	1	-
10	Steel Authority of India Limited	4	-

3.3.6 Attending general meetings of the Company

Schedule IV (III) (5) of the Companies Act, 2013 states that Independent Directors strive to attend all the general meetings of the Company. In respect of Bharat Immunological and Biologicals Limited, three Independent Directors and in respect of MOIL Limited, one Independent Director did not attend the general meeting of these Companies held during the year.

3.3.7 Meeting of Independent Directors

3.3.7.1 Schedule IV (VII) (1) of the Companies Act, 2013, Clause 49 (II) (B) (6) (a) of Listing Agreement and Regulation 25 (3) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require that Independent Directors shall meet at least once in a year, without the presence of non-independent directors. Table 3.10 indicates the CPSEs where no separate meeting was conducted.

Table 3.10: CPSEs where separate meetings of Independent Directors not conducted

Sl. No.	Name of the CPSE
1	Bharat Immunologicals and Biologicals Corporation Limited
2	Mahanagar Telephone Nigam Limited
3	NTPC Limited

3.3.7.2 Schedule IV (VII) (2) of the Companies Act, 2013 provides that all the Independent Directors shall strive to attend such meeting.

However, in respect of CPSEs listed in Table 3.11, some of the Independent Directors did not attend the separate meeting.

Table 3.11: CPSEs where separate meeting was not attended by some of the Independent Directors

Sl. No.	Name of the CPSE
1	NMDC Limited
2	Neyveli Lignite Corporation Limited
3	Rural Electrification Corporation Limited

In The Fertilizers and Chemicals Travancore Limited, though separate meeting was conducted, the minutes of meetings were not prepared.

3.3.7.3 Schedule IV (VII) of the Companies Act 2013, Clause 49 (II) (B) (6) (b) of Listing Agreement and Regulation 25 (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 require that the Independent Directors in separate meeting shall review (a) Performance of non-independent directors (b) Performance of Chairperson and (c) Assess the flow of information between management and Board of Directors. In the CPSEs given in Table 3.12, though separate meetings of Independent Directors were held, the above issues were not reviewed in such meetings:

Table 3.12: CPSEs where required issues not reviewed

Sl. No.	Name of the CPSE
1	BEML Limited
2	The Fertilizers and Chemicals Travancore Limited
3	Indian Oil Corporation Limited
4	ITI Limited
5	MMTC Limited
6	NMDC Limited

Sl. No.	Name of the CPSE
7	Power Finance Corporation Limited
8	SJVN Limited
9	Steel Authority of India Limited

Further, neither the Act nor the Regulations provided as to whom such evaluation was to be forwarded by the independent directors.

3.3.8 Review of performance of Independent Directors

Clause 49 (II) (B) (5) of Listing Agreement, Regulation 17 (10) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Schedule IV (VIII) of the Companies Act, 2013 stipulate that the Board of Directors shall evaluate the performance of independent directors and on the basis of report of such evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director. Table 3.13 indicates the CPSEs where such performance evaluation was not done.

Table 3.13: CPSEs where the Board did not evaluate performance of Independent Directors

Sl. No.	Name of the CPSE
1	BEML Limited
2	Bharat Heavy Electricals Limited
3	Chennai Petroleum Corporation Limited
4	India Tourism Development Corporation Limited
5	ITI Limited
6	KIOCL Limited
7	Mahanagar Telephone Nigam Limited
8	MMTC Limited
9	Neyveli Lignite Corporation Limited
10	NHPC Limited
11	NMDC Limited
12	Power Finance Corporation Limited
13	Power Grid Corporation of India Limited
14	Rural Electrification Corporation Limited
15	SJVN Limited
16	Steel Authority of India Limited

As per the Companies Act, 2013, the appointment or extension/continuation of the term of appointment of independent directors of CPSEs is not in the mandate of the Board of Directors. However, neither the Act nor the Regulations provided as to whom such performance evaluation was to be sent by the Board of Directors of the CPSEs.

3.4 Notice of the meeting of Board of Directors

Section 173 (3) of the Companies Act, 2013 states that the notice for Board of Directors meetings shall be circulated at least seven days before such meeting. The Table 3.14 indicates the CPSEs where notice was not circulated at least seven days before such meeting.

Table 3.14: Notice not circulated at least seven days before meeting of the Board of Directors

Sl. No.	Name of the CPSE
1	Container Corporation of India Limited
2	KIOCL Limited
3	National Fertilizers Limited
4	NBCC (India) Limited
5	Neyveli Lignite Corporation Limited
6	NMDC Limited
7	Scooters India Limited
8	The State Trading Corporation of India Limited

3.5 Filling-up the posts of Directors – Functional, Non-Functional, Independent

Timely filling up of vacancies in the posts of Directors ensures the availability of required skill and expertise in the management of the company. Any delay in filling of vacancies may hamper the effectiveness of the decision making process. Clause 49 (II) (D) (4) of the Listing Agreement and Regulation 25 (6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that vacancy arising out of resignation or removal of an independent director should be filled up at the earliest but not later than the immediate next board meeting or three months from the date of such vacancy, whichever is later. However, it was observed that the CPSEs detailed in Table 3.15 did not comply with the above provision and the posts of independent directors remained vacant for a considerable period of time:

Table 3.15: CPSEs where vacancies of Independent Directors not filled in time

Sl. No.	Name of the CPSE	Default in months
1	BEML Limited	28
2	Bharat Heavy Electricals Limited	34
3	Coal India Limited	12
4	Dredging Corporation of India Limited	16
5	Engineers India Limited	6
6	The Fertilizers and Chemicals Travancore Limited	36
7	Hindustan Organic Chemicals Limited	10
8	India Tourism Development Corporation Limited	27
9	ITI Limited	10
10	KIOCL Limited	20
11	MMTC Limited	24
12	National Fertilizers Limited	13
13	NBCC (India) Limited	15
14	Neyveli Lignite Corporation Limited	More than 12 months
15	Oil India Limited	7
16	Rural Electrification Corporation Limited	17
17	The Shipping Corporation of India Limited	18
18	SJVN Limited	12

Further, it was also observed that in the CPSEs listed in Table 3.16, vacancies of Functional Directors were not filled within the period of six months prescribed in Section 203(4) of the Companies Act, 2013:

Table 3.16: CPSEs where vacancies of Functional Directors not filled in time

Sl. No.	Name of the CPSE	Name of the post	Default in months
1	Bharat Heavy Electricals Limited	Director (Finance)	8
2	HMT Limited	Director (Operations) Director (Finance)	23 74
3	Engineers India Limited	Director (Commercial)	10
4	The Fertilizers and Chemicals Travancore Limited	Functional Director	12
5	India Tourism Development Corporation Limited	Director (Finance)	8
6	Indian Oil Corporation Limited	Director (Marketing) Director (R&D)	9 21
7	ITI Limited	Chairman & MD Director (Finance)	10 26
8	SJVN Limited	Director (Civil)	7
9	The State Trading Corporation Limited	Director (Finance)	8

3.6 Audit Committee

3.6.1 Composition of Audit Committee

3.6.1.1 Section 177(1) and (2) of the Companies Act, 2013, Clause 49 (III)(A) of Listing Agreement and Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that there shall be an Audit Committee with a minimum of three directors as members of which two-thirds shall be independent directors. However, no Audit Committee was constituted in respect of CPSEs as detailed in Table 3.17.

Table 3.17: CPSEs where no Audit Committee constituted

Sl. No.	Name of the CPSE
1	HMT Limited
2	Andrew Yule & Co. Ltd
3	The Shipping Corporation of India Limited
4	NBCC (India) Limited
5	Scooters India Limited

Two-thirds of the members of the Audit Committee were not independent directors in respect of the CPSEs as detailed in Table 3.18.

Table 3.18: CPSEs where Audit Committees did not consist of two-third Independent Directors

Sl. No.	Name of the CPSE
1	Hindustan Fluoro Carbons Limited
2	Mangalore Refinery and Petrochemicals Limited
3	Chennai Petroleum Corporation Limited
4	Madras Fertilizers Limited
5	ITI Limited

Sl. No.	Name of the CPSE
6	OIL India Limited
7	Balmer Lawrie and Company Limited
8	Hindustan Cables Limited
9	Balmer Lawrie Investment Company
10	Rashtriya Chemicals and Fertilizers Limited
11	Hindustan Organic Chemicals Limited
12	Hindustan Petroleum Corporation Limited
13	The State Trading Corporation of India Limited
14	Power Grid Corporation of India Limited

In respect of The State Trading Corporation of India Limited, the Audit Committee comprised of two members only.

3.6.2 Chairman of the Audit Committee

3.6.2.1 Clause 49 (III) (A) (3) of the Listing Agreement and Regulation 18 (1)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Chairman of the Audit Committee shall be an Independent Director. However, it was observed that Chairman of the Audit committee in respect of The Fertilizers and Chemicals Travancore Limited was not an independent director despite having Independent Director on the Board.

3.6.2.2 Clause 49 (III)(A)(4) of the Listing Agreement and Regulation 18 (1)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Chairman of the Audit Committee shall be present at Annual General Meeting (AGM) to answer shareholders' queries. However, the Chairman of the Audit Committee of the CPSEs listed in Table 3.19 was not present in the AGM held during 2015-16.

Table 3.19: CPSEs where Chairman of Audit Committee did not attend AGM

Sl. No.	Name of the CPSE
1	Bharat Immunologicals and Biologicals Corporation Limited
2	Engineers India Limited
3	The Fertilizers and Chemicals Travancore Limited
4	Hindustan Copper Limited
5	Hindustan Fluoro Carbons Limited
6	Hindustan Organic Chemicals Limited
7	Hindustan Photo Films Mfg Co Limited
8	Indian Oil Corporation Limited
9	ITI Limited
10	Madras Fertilizers Limited
11	Mahanagar Telephone Nigam Limited

3.6.3 Meetings of Audit Committee

3.6.3.1 Clause 49 (III) (B) of the Listing Agreement and Regulation 18 (2) (a) and (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Audit Committee should meet at least four times in a year and not more than 120 days shall elapse between two meetings. The quorum shall be either two members or one-third of members of the Audit Committee whichever is greater, but a minimum of two independent directors must be present.

In respect of CPSEs listed in Table 3.20, the minimum four meetings of Audit Committee were not held during the year 2015-16.

Table 3.20: CPSEs where minimum number of Audit Committee meetings not held

Sl. No.	Name of the CPSE	No. of meetings held
1	Hindustan Cables Limited	1
2	Hindustan Organic Chemicals Limited	1
3	ITI Limited	3

Further, in respect of CPSEs in Table 3.21, instances of insufficient quorum in the Audit Committee meetings held during the year 2015-16, were observed:

Table 3.21: Insufficient quorum in Audit Committee Meetings

Sl. No.	Name of the CPSE
1	Hindustan Petroleum Corporation Limited
2	Indian Oil Corporation Limited
3	ITI Limited
4	NTPC Limited
5	Oil India Limited
6	Power Grid Corporation of India Limited
7	Rashtriya Chemicals and Fertilizers Limited
8	The State Trading Corporation of India Limited

In addition, in respect of the CPSEs given in Table 3.22, there was gap of more than 120 days between two audit committee meetings.

Table 3.22: CPSEs where time gap between two Audit Committee meetings was more than 120 days

Sl. No.	Name of the CPSE	
1	BEML Limited	152 days between two meetings
2	ITI Limited	183 days between two meetings
3	Hindustan Cables Limited	Only one meeting held
4	Hindustan Organic Chemicals Limited	Only one meeting held

3.6.3.2 Clause 49 (III) (A) (5) of the Listing Agreement and Regulation 18 (1) (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Audit Committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the Committee. The Audit Committee may also meet without the presence of any executives of the company. The Finance Director, Head of Internal Audit and a representative of the Statutory Auditor may be present as invitees for the meetings of the Audit Committee. In respect of the CPSEs detailed in Table 3.23, though the Finance

Director, Head of Internal Audit and representative of Statutory Auditor were invited, but were not present in some of the Audit Committee meetings.

Table 3.23: CPSEs where Finance Director, Head of Internal Audit and representative of Statutory Auditor were not present

Sl. No.	Name of the CPSE	Invited but not attended	Number of meetings not attended
1	Oil India Limited	Director (Finance) Head (Internal Audit) Statutory Auditor	1 4 2
2	Rashtriya Chemicals and Fertilizers Limited	Statutory Auditor	3
3	Steel Authority of India Limited	Statutory Auditor	1
4	The State Trading Corporation of India Limited	Head (Internal Audit) Statutory Auditor	1 1

3.6.4 Secretary to the Audit Committee

Regulation 18 (1) (e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that Company Secretary shall act as Secretary to the Audit Committee. In respect of Bharat Immunologicals and Biologicals Limited, the Company Secretary did not act as Secretary to Audit Committee.

3.6.5 Evaluation of Internal Control Systems

Clause 49 (III) (D) (11) and Part C (A) (11) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Audit Committee should evaluate internal financial control systems and risk management systems. In respect of CPSEs given in Table 3.24 the Audit Committee has not evaluated the systems.

Table 3.24: CPSEs where Audit Committee did not evaluate internal financial control and risk management systems

Sl. No.	Name of the CPSE
1	Hindustan Organic Chemicals Limited
2	ITI Limited
3	Oil India Limited

3.6.6 Review of performance of Statutory and Internal Auditors

Further, Clause 49 (III) (D) (12) of the Listing Agreement and Part C (A) (12) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Audit Committee should review with the management, the performance of Statutory Auditors and Internal Auditors. In respect of CPSEs given in Table 3.25, such performance evaluation was not done.

Table 3.25: CPSEs where performance of Statutory Auditors and Internal Auditors not reviewed by the Audit Committee

Sl. No.	Name of the CPSE
1	Hindustan Cables Limited
2	Hindustan Organic Chemicals Limited
3	ITI Limited
4	MMTC Limited
5	Oil India Limited
6	The State Trading Corporation of India Limited

3.6.7 Adequacy of Internal Audit Function

3.6.7.1 Clause 49 (III) (D) (13) of the Listing Agreement and Part C (A) (13) of schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Audit Committee should review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit. In respect of following CPSEs given in Table 3.26, the Audit Committee did not review the internal audit functions.

Table 3.26: CPSEs where Internal Audit function not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	ITI Limited
2	Oil India Limited
3	Hindustan Organic Chemicals Limited
4	The State Trading Corporation of India Limited

3.6.7.2 As per clause 49 (III) (D) (14) of the Listing Agreement and Part C (14) of Schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it is also the responsibility of the Audit Committee to hold discussion with internal auditors of any significant findings and follow up there on. It was observed that in respect of Hindustan Organic Chemicals Limited, the audit committee did not conduct any discussion with internal auditors.

3.6.8 Review of Supplementary Audit findings of CAG

All the CPSEs are subject to the audit of CAG of India as per the statutory mandate. Section 143(6) of the Companies Act, 2013, authorizes CAG to carry out supplementary audit of accounts of Government Companies. Further, section 177(4)(iii) of the Companies Act, 2013 provides that Audit Committee shall examine the Financial Statements and Auditors' Report thereon. Thus, in case of CPSEs, it is the responsibility of the Audit Committee to review the findings of the CAG.

In respect of CPSEs given in Table 3.27, Audit Committee did not review the Management letter, Comments of the CAG, Audit Paras, Performance Audits printed in CAG Report and Recommendations of Committee on Public Undertakings issued after the conduct of supplementary audit.

Table 3.27: CPSEs where findings of CAG not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	Hindustan Organic Chemicals Limited
2	Rashtriya Chemicals and Fertilizers Limited

3.6.9 Discussion with Statutory Auditors

Clause 49 (III) (D) (16) of Listing Agreement and Part C (A) (16) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 provide that the Audit Committee should hold discussion with statutory auditors before the audit commences about the nature and scope of audit as well as hold post-audit discussion to ascertain any area of concern. In respect of CPSEs listed in Table 3.28, the Audit Committees did not hold such discussions.

Table 3.28: CPSEs where Audit Committees did not hold discussion with statutory auditors

Sl. No.	Name of the CPSE	Discussion not held
1	Coal India Limited	Pre-audit discussion
2	Engineers India Limited	Pre-audit discussion
3	The Fertilizers and Chemicals Travancore Limited	Post-audit Discussion
4	Hindustan Organic Chemicals Limited	Pre-audit and post-audit discussions
5	Hindustan Photo Films Mfg Co Limited	Post-audit discussion
6	ITI Limited	Pre-audit discussion
7	Madras Fertilizers Limited	Post-audit discussion
8	Oil India Limited	Pre-audit and post-audit discussions
9	The State Trading Corporation of India Limited	Pre-audit discussion

3.7 Other Committees

3.7.1 Nomination and Remuneration Committee

Section 178(1) of the Companies Act, 2013, Clause 49 (IV)(A) of the Listing Agreement and Regulation 19(1) and (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that each CPSE shall constitute a Nomination and Remuneration Committee comprising of at least three Directors, all of whom should be non-executive Directors and at least half shall be independent and Chairman of the Committee shall be an Independent Director. However, there was no Nomination and Remuneration Committee in the CPSEs as detailed in Table 3.29.

Table 3.29: CPSEs not having Nomination and Remuneration Committee

Sl. No.	Name of the CPSE
1	Hindustan Cables Limited
2	Hindustan Organic Chemicals Limited
3	Madras Fertilizers Limited
4	NBCC (India) Limited
5	Scooters India Limited
6	The State Trading Corporation of India Limited

3.7.2 Stakeholders Relationship Committee

Regulation 20(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires that every listed Company shall constitute a Stakeholders Relationship Committee. It was observed that in respect of CPSEs listed in Table 3.30 no such Committee was formed.

Table 3.30: CPSEs not having Stakeholders Relationship Committee

Sl. No.	Name of the CPSE
1	Andrew Yule & Co. Ltd
2	Hindustan Cables Limited
3	HMT Limited
4	Scooters India Limited

3.8 Whistle Blower Mechanism

3.8.1 Revised Clause 49 (II) (F) of the Listing Agreement and Regulation 22 (1) and (2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the company shall establish a vigil mechanism for directors and employees to report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy. It was observed that, in the CPSEs listed in Table 3.31, there was no whistle blower mechanism.

Table 3.31: CPSEs not having Whistle Blower Mechanism

Sl. No.	Name of the CPSE
1	Balmer Lawrie Investments Limited
2	Bharat Immunologicals and Biologicals Corporation Limited
3	Hindustan Photo Films Mfg Co Limited

3.8.2 Clause 49 III (D) 18 of Listing Agreement and Part C (A) (18) of Schedule II to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate review of the functioning of the 'Whistle Blower Mechanism' by the Audit Committee, in case the same exists in the company. In the CPSEs detailed in Table 3.32 below, though whistle blower mechanism exists, the Audit Committee did not review it.

Table 3.32: CPSEs having Whistle Blower Mechanism but not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	Coal India Limited
2	Hindustan Cables Limited
3	ITI Limited
4	Madras Fertilizers Limited
5	MMTC Limited
6	The State Trading Corporation of India Limited

3.9 Policy relating to Related Parties

Regulation 23 (1) & (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that every company shall formulate a policy on materiality of related party transactions. Further, such material related party transactions are required to be approved by Shareholders through resolution. In respect of CPSEs listed in Table 3.33, no such policy was formulated.

Table 3.33: CPSEs not having policy relating to related parties

Sl. No.	Name of the CPSE
1	Hindustan Fluoro Carbons Ltd.
2	Hindustan Photo Films Mfg Co Limited
3	NMDC Limited
4	Rashtriya Chemicals and Fertilizers Limited
5	Scooters India Limited

3.10 Policy relating to Subsidiary Companies

Clause 49 (V) (D) of Listing Agreement and Regulation 46(h) and Schedule V (C) (10)(e) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 specify that the company shall formulate a policy for determining material subsidiaries and such policy shall be disclosed to Stock Exchanges, in Annual Report and on the website with web-link in the Annual Report. In respect of CPSEs listed in Table 3.34, no such disclosure was made.

Table 3.34: CPSEs not having policy relating to Subsidiary Companies

Sl. No.	Name of the CPSE
1	Hindustan Organic Chemicals Limited
2	HMT Limited
3	MMTC Limited

3.11 Disclosure of information on Website

3.11.1 Regulation 46 (2)(a) and (f) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that every company shall disclose the information on (i) details of its business (ii) criteria for making payment to non-executive directors on its website provided the same was not disclosed in Annual Report.

In respect of Hindustan Photo Films Mfg Co Limited, the information relating to (i) was not disclosed on the website and information relating to (ii) was neither disclosed on the website nor in the Annual Report.

3.11.2 Regulation 46 (2) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that every listed company shall disclose on its website the composition of various committees of Board of Directors. The Table 3.35 lists out the CPSEs where the details were not disclosed in the website.

Table 3.35: Non-disclosure of information regarding committees on the website

Sl. No.	Name of the CPSE
1	Andrew Yule & Co Ltd
2	Bharat Immunologicals and Biologicals Limited
3	Hindustan Cables Limited
4	ITI Limited
5	Madras Fertilizers Limited
6	Mangalore Refinery and Petrochemicals Limited

3.12 Compliance Reports

3.12.1 Regulation 17 (8) and Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that the Company's Chief Executive Officer and Chief Financial Officer have to provide the compliance certificate to the Board of Directors as specified in Part B of the Regulations. It was observed that this compliance certificate was not submitted in case of Hindustan Cables Limited.

3.12.2 Regulation 27 (2) (a) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that every company has to submit a quarterly compliance report to the stock exchanges within 15 days from the end of every quarter. Further para 8.3 of DPE guidelines requires that every company shall submit quarterly progress report in the prescribed format to the respective administrative ministries within 15 days from the close of each quarter. It was observed that Hindustan Cables Limited did not submit both these quarterly reports on time.

3.13 Conclusion

Out of 48 selected CPSEs, no Independent Directors had been appointed in 13 CPSEs; delays of more than three months were observed in filling vacancies of Independent Directors in 18 CPSEs; delays of more than six months were observed in filling up vacancies of functional Directors in the Board in nine CPSEs; no Audit Committee existed in five CPSEs; no whistle blower mechanism was put in place in three CPSEs; no Nomination and Remuneration Committee were constituted in six CPSEs.

Department of Public Enterprises stated (January 2017) that the oversight/monitoring of implementation of relevant laws, regulations, guidelines etc., by CPSEs lies with the concerned administrative Ministries/Departments who are also responsible for timely appointment of requisite number of Independent Directors on the Boards of CPSEs under their respective administrative control.

3.14 Recommendation

Government of India may impress upon the respective Administrative Ministries/Departments to ensure compliance with guidelines and regulations so as to achieve the objectives of Corporate Governance in listed CPSEs.

CHAPTER IV

Corporate Social Responsibility

4.1 Introduction

Corporate Social Responsibility (CSR) is a Company's commitment to operate in an economically, socially and environmentally sustainable manner, while recognizing the interests of its stakeholders including consumers, employees, investors, communities. It is mandate given to profit making companies to dedicate a portion of their profits to the common social good so as to give back to the society within which they operate.

Chart 4.1

CSR in India- The legal framework

Although CSR activities were being undertaken by many CPSEs in the past based on the CSR Guidelines issued by Department of Public Enterprises (DPE), the CSR became mandatory on the enactment of Companies Act, 2013 by Government of India in August 2013. With the enactment of the Companies Act, 2013 (Act) containing CSR provision under Section 135, the mandate for CSR has become a part of Corporate Governance in the country. Schedule VII of the Companies Act, 2013 enlists activities to be undertaken under the CSR by the companies. Section 135 of the Companies Act, 2013 deals with the subject of Corporate Social Responsibility. It lays down the qualifying criteria based on net worth, turnover, and net profit for companies which are required to undertake CSR activities and, interalia, specifies the broad modalities for selection, implementation and monitoring of the CSR activities by the Board of Directors of CPSEs.

Apart from the Act, Ministry of Corporate Affairs (MCA) issued (February 2014) Companies (Corporate Social Responsibility Policy) Rules, 2014 and Department of Public Enterprises issued (October 2014) guidelines on Corporate Social Responsibility and sustainability.

4.2 Audit Objective

The audit objective was to ascertain whether the provisions of the Companies Act, 2013, Companies (Corporate Social Responsibility) Rules, 2014, and DPE Guidelines were complied with. In order to assess the efforts of CPSEs, Audit looked into the following issues:

- Whether provisions relating to constitution of CSR Committee, formulation and compliance of policy, planning stages of execution have been complied with;
- Whether provisions relating to prescribed amount to be spent on specified activities have been complied with ;
- Whether provisions relating to implementation and monitoring have been complied with; and
- Whether provisions relating to reporting have been complied with.

4.3 Audit Scope

As on 31 March 2016, there were 607 CPSEs under the audit jurisdiction of Comptroller and Auditor General of India. These included 410 Government Companies, 191 Government Controlled other Companies and 6 Statutory Corporations.

The review covered 76 CPSEs (seven Maharatna, 17 Navratna and 52 Miniratna Category-I. Refer **Appendix VI** for details) under the administrative control of 24 Ministries/Departments. The period of one year ended 31 March 2016 was covered during the review. The information in respect of four Miniratna CPSEs (Airports Authority of India, India Tourism Development Corporation Limited, Pawan Hans Helicopters Limited and Telecommunications Consultants India Limited) has not been received and hence not covered in this review.

4.4 Audit Findings

The findings of the review are presented in following paragraphs.

4.4.1 Planning

Section 135 (1) of the Companies Act, 2013 specifies that

- Every company having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more or a net profit of ₹ five crore or more during any financial year shall constitute a Corporate Social Responsibility Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

- This Committee shall formulate and recommend to the Board, a CSR Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013.

4.4.1.1 Constitution of CSR Committee

Out of 76 CPSEs reviewed by Audit, it is noticed that 73 CPSEs qualify for undertaking CSR activities and all of them had constituted CSR committee. Three CPSEs viz. Hindustan Paper Corporation Limited, Hindustan Newsprint Limited and ONGC Videsh Limited[21] had not qualified for constitution of the CSR committee:

Section 135(2) of the Companies Act, 2013 states that the Board's report under sub-section (3) of section 134 shall disclose the composition of the CSR Committee. It was however, observed that, four CPSEs viz. Bharat Coking Coal Limited, Bharat Dynamics Limited, Cochin Shipyard Limited and Antrix Corporation Limited had not disclosed the composition of CSR Committee in their Board's Report.

4.4.1.2 Appointment of Independent Director in the Committee

Section 135(1) of the Companies Act, 2013 states that every company qualifying the conditions specified in the Act shall constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director. It was observed that three CPSEs[22] out of qualifying CPSEs did not have independent director in the Committee.

4.4.1.3 Formulation of CSR and sustainability Policy

As per provisions of Section 135 (1) of the Companies Act, 2013, a CSR Policy is to be formulated. In case of 65 CPSEs, CSR and sustainability policy was formulated and recommended by CSR Committee and the same was duly approved by the Board. However, the following eight CPSEs, listed in Table 4.1 below, had either not formulated CSR or sustainability policy or the policy of the CPSE was not duly approved by Board:

Table 4.1 : CPSEs who have not formulated policy or policy not approved

Sl. No.	Name of the CPSE	No CSR/sustainability Policy
1	Bharat Dynamics Limited	Not formulated
2	The Shipping Corporation of India Limited	Not formulated
3	Central Coalfields Limited	Not formulated or recommended*
4	Neyveli Lignite Corporation Limited	Not approved by Board
5	Bharat Electronics Limited	Not approved by Board
6	Engineers India Limited	Not approved by Board
7	ONGC Videsh Limited	Not approved by Board
8	Indian Renewable Energy Development Agency Limited	Not approved by Board

** Follows the CSR policy formulated by its Holding Company Coal India Limited*

21 *All operations of the CPSE are outside India*

22 *Kamarajar Port Limited, Indian Renewable Energy Development Agency Limited and Balmer Lawrie & Co. Ltd*

4.4.1.4 Activities to be undertaken, as specified in Schedule VII of the Companies Act, 2013, in CSR policy

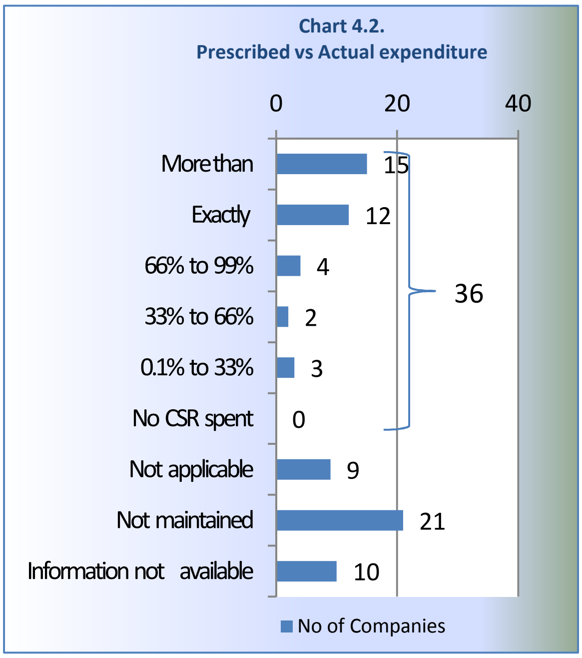
Out of 73 CPSEs, it was observed that the CSR policy of four CPSEs viz. Engineers India Limited, Projects Development India Limited, National Fertilizers Limited and Railtel Corporation of India Limited did not indicate the activities to be undertaken, as specified in Schedule VII of the Companies Act, 2013.

4.4.2 Financial Component

Section 135 (5) of the Companies Act, 2013 specifies that the Board of every company shall ensure that the company spends, in every financial year, at least two *per cent* of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its CSR Policy; provided that, if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134, specify the reasons for not spending the allocated amount for the specified activities. Test check of 65 CPSEs revealed that 53 of the 57[23] profit making CPSEs had allocated at least two *per cent* of the average net profits of the company made during the three immediately preceding financial years. Four CPSEs[24] had not allocated the prescribed amount towards budget for CSR expenditure.

4.4.2.1 Utilization of funds

As per the data furnished by 76 CPSEs the amount spent on CSR activities for the year 2015-16 was ₹2590 crore out of ₹3025 crore (available amount which includes carried forward amount). Review of 76 CPSEs was done and results of which are as indicated in the graph alongside. It was observed that:



- Twenty one out of 57 profit making CPSEs, did not maintain information regarding actual expenditure from the prescribed amount of at least two *per cent* of the average net profits of the company made during

[23] *Eight CPSEs out of 65 test checked by audit were having net average loss during the three immediately preceding financial years*

[24] *Indian Rare Earths Limited, Housing & Urban Development Corporation Limited, National Building Construction Corporation Limited and Rail Vikas Nigam Limited*

the three immediately preceding financial years, as specified in Section 135 (5) of the Companies Act, 2013 **(Appendix VII)**.

- Thirty six CPSEs maintained information regarding actual expenditure separately for the Financial Year 2015-16, out of which, spending of 27 CPSEs was two *per cent* of the average Annual Profit or above, the amount as specified in Section 135 (5) of the Companies Act, 2013. Whereas, the spending of nine CPSEs was below two *per cent* of funds, on CSR activities, as indicated in the Table 4.2 below.

Table 4.2: Shortfall actual expenditure vis-à-vis prescribed amount

(₹ in crore*)*

Sl No.	Name of the CPSE	Prescribed amount	Actual spent from prescribed	Shortfall (*per cent*)
1	Housing & Urban Development Corporation Limited	22.24	3.10	86.06
2	Indian Renewable Energy Development Agency Limited	6.45	2.57	60.16
3	Power Grid Corporation of India Limited	121.79	115.78	4.93
4	Indian Rare Earths Limited	2.08	1.86	10.58
5	Power Finance Corporation Limited	145.79	4.49	96.92
6	Bharat Electronics Limited	25.23	7.89	68.73
7	Rashtriya Ispat Nigam Limited	6.53	5.73	12.25
8	National Building Construction Corporation Limited	6.84	4.27	37.57
9	Numaligarh Refinery Limited	13.24	11.58	12.54
	Total	**350.19**	**157.27**	**55.09**

It was observed by audit that:

- As per Section 135 (5) of the Companies Act 2013, if the company fails to spend such amount, the Board shall, in its report made under clause (o) of sub-section (3) of section 134 of Companies Act, 2013 specify the reasons for not spending the allocated amount for the specified activities. One Miniratna CPSE (Indian Renewable Energy Development Agency Limited) and one Navratna CPSE (Bharat Electronics Limited) had not deliberated on the reasons for not spending the prescribed amount in the Board's report.

- As per para 2.4. (iv) of DPE Guidelines, 2014, the unspent CSR amount in a particular year would not lapse. It would instead be carried forward to the next year for utilization for the purpose for which it was allocated. It was observed that three CPSEs (National Building Construction Corporation Limited, Western Coalfields Limited and Indian Railway Catering & Tourism Corporation Limited) had not carried forward the unspent amount to next financial year for the purpose it was allocated.

- The Board of 15 CPSEs have specified the following reasons for not spending the prescribed amount during 2015-16 in the Board's report as detailed in Table 4.3.

Table 4.3: Reasons specified for underutilization of funds allocated for CSR activities

Sl. No.	CPSEs	Reasons as specified in Board's Report 2015-16
1	Housing & Urban Development Corporation Limited	During the year an amount of ₹ 11.86 crore has been committed against which only ₹ 3.10 crore has been disbursed to the implementing agencies and the balance amount shall be disbursed on physical/financial progress.
2	Power Grid Corporation of India Limited	Majority of the projects were of Infrastructure Development in rural areas, which involve long implementation period and the implementing agencies took longer time in execution of work.
3	Power Finance Corporation Limited	The amount unspent during 2015-16, shall be utilized based on the progress achieved for completion of the projects.
4	Rashtriya Ispat Nigam Limited	Projects were at implementation stages, the payments are released on completion of milestones thus there was unspent amount.
5	Numaligarh Refinery Limited	Some of the projects were taken up and subsequently approvals were obtained in 3rd and 4th quarter of 2015-16. Hence, the allotted budget could not be spent and carried forward for the next financial year.
6	Antrix Corporation Limited	The CSR activities identified are under different stages of implementation. Actual cash flow is expected during 2016-17. Few programs are under finalization.
7	Oil and Natural Gas Corporation Limited	Some of the flagship projects undertaken were of long gestation period with budget spread over 3-5 years thus resulting in lesser utilization of earmarked budget for the financial year 2014-15.
8	National Seeds Corporation Limited	The identified activities covering ₹ 41.54 lakh (approx.) could not be completed due to changes in project proposals, non- submission of Report by the Committee, poor response to tenders. No plan was made for balance ₹ 28.30 lakh and this will be taken care during the next financial year 2016-17.
9	Bharat Petroleum Corporation Limited	The project cycle of all major projects span between one to five years. A number of projects were approved by the Board in the 2nd, 3rd and 4th quarter of the current Financial Year with implementation spread over one to two years. The actual expenditure against them roll beyond the Financial Year. Hence, payments for projects committed during the reported Financial Year, The CSR funds that were unspent in the year 2015-16, despite being allocated, were being carried forward next year.
10	Steel Authority of India Limited	Not applicable as the CSR expenditure during the year 2015-16 has been ₹ 76.20 crore which is more than the prescribed minimum expenditure of 2 *per cent* of the average net profit of the immediately preceding three years i.e. ₹ 57.20 crore. However, Audit observed that the CSR expenditure was less than the amount prescribed by the Act.
11	India Trade Promotion Organisation	The reasons of not spending are operational, although management has clearly earmarked the amount for spending on CSR activities in the next financial year along with the amount to be spent for the year 2016-17 as per the provisions of the Companies Act, 2013.

1. *Annual Report of 2015-16 of Hindustan Aeronautics Limited, Bharat Dynamics Limited and Central Warehousing Corporation was not finalized yet and therefore the reasons could not be ascertained*
2. *NMDC Limited did not provide the reasons for not spending the prescribed amount the allocation of amount to be spent is less than prescribed by the Act.*

4.4.2.2 Other points

- In case of Neyveli Lignite Corporation Limited, the expenditure towards schools, colleges, bus services, various associations etc., which are indirectly controlled and administered by the company were also shown as CSR expenditure.
- In case of Garden Reach Shipbuilders & Engineers Limited it was observed that during 2014-15, the CPSE had taken old criteria i.e. profit after tax for arriving at CSR expenditure instead of computing as per the provisions of the Companies Act, 2013 resulting in less provision of CSR funds by ₹ 1.25 Crore.
- In case of Bharat Dynamics Limited the consolidated annual budget for CSR were not approved by Board. The projects proposed to be taken up under CSR activities in 2015-16 were planned, recommended and got approved by Board only on individual project basis.

4.4.3 Implementation and Monitoring

4.4.3.1 Medium of implementation

As per Para 4 (2) of CSR rules, the Board of the company may decide to undertake its CSR activities approved by CSR Committee, through a registered trust or a company established under section 8 of the Act by the company, either singly or along with its holding or subsidiary or associate company, or along with any other company or holding or subsidiary or associate company of such other company, or otherwise:

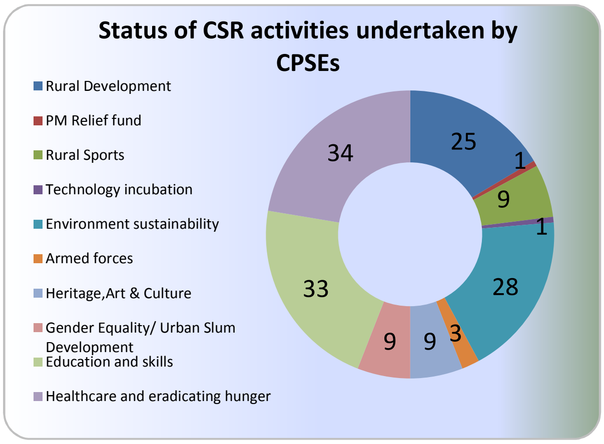
Audit observed that three CPSEs implemented the CSR projects/activities directly through own resources, 11 CPSEs implemented CSR projects/ activities through implementing agencies and 57 CPSEs implemented the projects through both own resources as well as implementing agencies.

4.4.3.2 Areas of focus of the CSR activities undertaken by CPSUs

As per para 4(1) and para 6(1) of the CSR rules, the CSR activities shall be undertaken by the company, as stated in its CSR policy i.e. projects or programs falling within the purview of the Schedule VII of the Companies Act, 2013.

Analysis of the expenditure of 76 CPSEs on the various activities/areas specified in Schedule VII of the Companies Act, 2013 is shown in Chart 4.3:

Chart 4.3 : Status of CSR activities undertaken by CPSEs



As can be seen from the above chart, most of CPSEs had included Education and skills, Healthcare and eradication of hunger, Environment sustainability and Rural Development as their thrust areas for CSR. Focus on Technology incubation, Armed forces and PM Relief fund was lower.

4.4.3.3 Planning stages of execution

As per Para 6(2) of CSR Rules, the CSR policy of the Company should specify that the surplus arising out of the CSR projects or programs or activities should not form part of the business profit of a Company. However, 26 CPSEs did not specify the above information in their CSR Policy.

As per para 2.4 (xiv) of the DPE guidelines, 2014, CPSEs shall plan the stages of execution in advance by fixing targets at different milestones with pre-estimation of quantum of resources required within the allocated budget, and have a definite time span for achieving desired outcomes. Though 61 CPSEs had formulated CSR plans/strategy and approval for the same was obtained from the Board, all the CPSEs did not specify the CSR activities to be undertaken in the plan. In case of 15 CPSEs, CSR plans or the stages of execution were not decided in advance by fixing the target at different milestones. In case of 11[25] CPSEs, pre-estimation of quantum of resources required within the allocated budget was not done. In case of 12[26] CPSEs, the plans do not prescribe desired/measurable expected outcome and social, economic and environmental impact of CSR activities whereas in case of 55 CPSEs the plans prescribed the expected outcome

[25] *Bharat Dynamics Limited, Mishra Dhatu Niagm Limited, Hindustan Paper Corporation Limited, The Shipping Corporation of India Limited, Engineers India Limited, National Buildings Construction Corporation Limited, Western Coalfields Limited, Projects & Development India Limited, MOIL Limited, Central Warehousing Corporation, Indian Renewable Energy Development Agency Limited*

[26] *Neyveli Lignite Corporation Limited, Hindustan Aeronautics Limited, Bharat Electronics Limited, BEML Limited, Indian Renewable Energy Development Agency Limited, Oil India Limited, The State Trading Corporation of India Limited, MMTC Limited, National Buildings Construction Corporation Limited, Engineers India Limited, MSTC Limited, Mishra Dhatu Nigam Limited*

and impact. Audit observed that in the case of Oil & Natural Gas Corporation Limited (ONGC) and Steel Authority of India Limited (SAIL), the delay in approval of CSR expenditure, was due to following reasons:

- Since the audited annual accounts of ONGC for the year 2014-15 were finalized in the month of July 2015 the CSR funds were approved in the same month resulting in delay of more than three months and delay in implementation of projects.

- In case of SAIL the approved CSR budget was intimated to the plant/units after a lapse of four to five months during the year 2014-15 and 2015-16. As a result, expenditure on CSR was delayed.

4.4.3.4 Operational areas

As per para 2.4(xiii) of the DPE guidelines, 2014, the CPSEs after giving due preference to the local area, may also undertake CSR activities anywhere in the country. The Board of Directors shall decide on the indicative ratio of CSR spending between the local area and outside it, this may be mentioned in the CSR policy of the CPSE.

It was observed that in the Financial Year 2015-16, 66 CPSEs had given preference to local areas around its operation for spending the CSR amount whereas following five CPSEs had not given preference to local area of operation listed in Table 4.4:

Table 4.4: CPSEs not giving preference to local area of operation

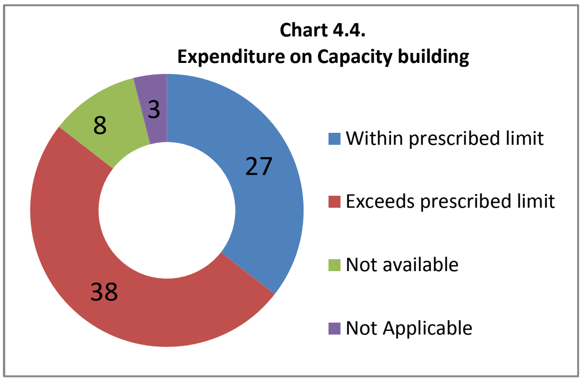
Sl. No.	Name of the CPSE
1	Bharat Dynamics Limited
2	MSTC Limited
3	The Shipping Corporation of India Limited
4	Oil India Limited
5	Central Warehousing Corporation

Also, the CPSEs had not determined the indicative ratio between both areas and the same was not mentioned in the CSR policy. The notable instances are as follows:

- In case of Bharat Dynamics Limited the indicative ratio of CSR expenditure to be spent on local and non-local areas has not been decided by Board of Directors as envisaged in DPE guidelines. Details of area-wise and activity-wise expenditure spent for CSR was not made available to Audit. Management stated that the scope of local area would be defined while updating the CSR Policy/Plan.

- In case of Mazagaon Dock Shipbuilders Limited though the CPSE had determined the indicative ratio for local area and outside area, the actual expenditure was more on outside area for the financial year 2015-16. Further, specific approval for swapping of allocation of funds in different proportion to the areas was not sought from the competent authority.

4.4.3.5 Expenditure on Capacity Building



As per Companies (CSR) Rules 4(6), Companies may build CSR capacities of their own personnel as well as those of their implementing agencies through the Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overhead shall not exceed five *per cent* of the total CSR expenditure of the Company in one financial year.

It was observed that expenditure on capacity building of 38 CPSEs had exceeded the limit of five *per cent* of the total CSR expenditure.

In case of Rashtriya Ispat Nigam Limited, CSR personnel were sent on training programmes in other institutions for capacity building but the expenditure on training was not accounted under CSR.

4.4.4 Monitoring of CSR activities

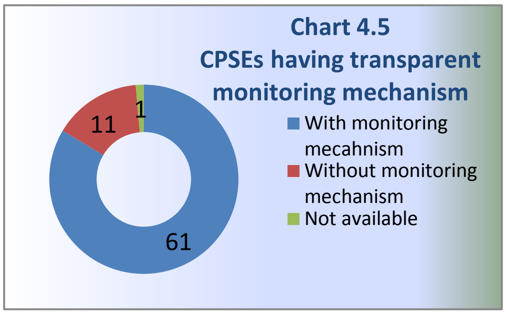
4.4.4.1 Monitoring of CSR policy

Section 135 (3-c) of the Companies Act, 2013 provides that the CSR Committee shall monitor the CSR Policy of the Company from time to time. It was noticed in Audit that the CSR committee of the following five CPSEs, as listed in Table 4.5, out of 76 CPSEs have not monitored CSR policy periodically:

Table 4.5 : CPSEs not monitoring CSR Policy

Sl. No.	Name of the CPSE
1	The Shipping Corporation of India Limited
2	The State Trading Corporation of India Limited
3	Dredging Corporation of India Limited
4	Bharat Dynamics Limited
5	Neyveli Lignite Corporation Limited

4.4.4.2 Constitution of transparent Monitoring Mechanism



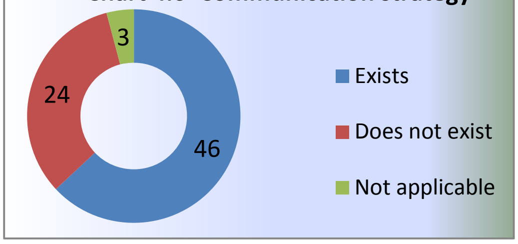
Para 5(2) of CSR Rules 2014 states that the CSR Committee shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company. It was observed that out of 73 CPSEs there was no monitoring mechanism in place in 11[27] CPSEs. In case of other 17[28] CPSEs monitoring is not done periodically with the help of key performance indicators.

In case of Hindustan Aeronautics Limited (HAL), the CPSE had signed MoU with TERI for installation of solar panels in selected school/colleges. The monetary benefit generated through surplus power given back to Bangalore Electricity Supply Company Limited (BESCOM) was stated to be utilized by the beneficiaries for welfare activities. However there were no laid down procedures/guidelines for monitoring of the same by HAL/TERI.

4.4.4.3 Communication strategy

As per para 2.4 (xv) of DPE guidelines 2014, CPSEs should devise a communication strategy for regular dialogue and consultation with key stakeholders to ascertain their views and suggestions regarding the CSR activities and sustainability initiatives undertaken by the company.

Chart 4.6 Communication strategy



Audit observed that out of 73 CPSEs, in case of 24 CPSEs there exists no formal communication strategy for dialogue with key stakeholders such as Government authorities, District level authorities and other beneficiaries.

4.4.4.4 Utilisation certificate

Out of 73 CPSEs reviewed by Audit, in case of 15 CPSEs it was noticed that qualification to the utilization certificate was reviewed by the competent authority of the CPSEs.

- In case of Mazagaon Dock Shipbuilders Limited, as per practice in vogue, the expenditure is deemed to have been incurred for a project only after receipt of utilization certificates (UC) and till that time it is kept as advances. On test check of 5 out of 22 projects under execution for the year 2015-16, it was observed that in respect of one project namely 'Naval Welfare Fund Trust' (NWFT) the Company made contribution of ₹ 15 lakh in November 2015. The UC for the same was not received till

---

[27] *Neyveli Lignite Corporation Limited, Mishra Dhatu Nigam Limited, Dredging Corporation of India Limited, National Aluminium Company Limited, The Shipping Corporation of India Limited, Engineers India Limited, Oil India Limited, Projects & Development India Limited, ONGC Videsh Limited, Security Printing and Minting Corporation of India Limited, Railtel Corporation of India Limited*

[28] *Neyveli Lignite Corporation Limited, Hindustan Aeronautics Limited, Bharat Dynamics Limited, BEML Limited, Mishra Dhatu Nigam Limited, Bridge & Roof Company (India) Limited, MMTC Limited, Engineers India Limited, National Buildings Construction Corporation Limited, India Trade Promotion Organization, MSTC Limited, The State Trading Corporation of India Limited, Bharat Coking Coal Limited, Projects & Development India Limited, GAIL (India) Limited, Security Printing and Minting Corporation of India Limited, Indian Renewable Energy Development Agency Limited*

31 March 2016 i.e. after eight months of disbursement of funds. The CPSE could not book CSR expenditure of ₹ 15 lakh in the year 2015-16 despite spending the money for the earmarked purpose.

- It is observed that utilization certificates for ₹ 3.28 crore in respect of CSR activities had not been received by Goa Shipyard Limited, Goa.

4.4.5 Reporting and sustainability

4.4.5.1 Disclosure of composition of CSR Committee

As per Section 135 (2) of the Companies Act, 2013 the Board's report shall disclose the composition of the Corporate Social Responsibility Committee.

Audit observed that except for four CPSEs viz. Cochin Shipyard Limited, Antrix Corporation Limited, Bharat Dynamics Limited and Bharat Coking Coal Limited all 69 CPSEs have disclosed the required information in the Board's report.

4.4.5.2 Inclusion of Annual Report on CSR in Board's Report

As per para 8 (1) of the CSR rules 2014, the Boards report of a Company covered under the rules shall include an annual report on CSR in the prescribed format. However, it was noticed that out of 73 CPSEs, 2 CPSEs have losses in the year 2015-16 and two CPSEs viz. Balmer Lawrie & Co. Ltd and Bharat Dynamics Limited have not included annual report on CSR in their Board's report.

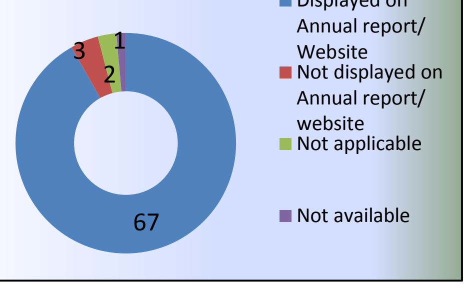
- In case of Mazagaon Dock Shipbuilders Limited, it was observed that though the Annual report of the CPSE for the year 2014-15 mentioned about CSR activities undertaken, it did not furnish the information giving details of unspent amount and reasons thereof as per the prescribed format.

- In case of Bharat Dynamics Limited, the Board Report on CSR activities in Annual Report was not made in the specified format. Management has assured to comply with the disclosure requirement in Annual Report for 2015-16. Further, the website of the company discloses only abridged version of Board approved existing policy and CSR activities for the year 2014-15. The information published on the official website of company was incomplete and not updated.

4.4.5.3 Display of contents of CSR

As per para 9 of the CSR rules 2014, the Board of Directors of the Company shall disclose contents of CSR policy in its report and the same shall be displayed on the company's website. Out of 73 CPSEs, three CPSEs viz. Balmer Lawrie & Co. Ltd, Bharat Coking Coal

Chart 4.7
Display of contents of CSR



Limited and Bharat Dynamics Limited have not displayed the contents of CSR policy on their website.

4.4.6 Impact Assessment

The ultimate test of the success of any CSR and Sustainability activity/project is the social, economic or environmental impact thereof. Every such activity is planned and implemented with some anticipated impact on society or environment. As per para 2.4 (xvii) of DPE guidelines 2014, CPSEs should get an impact assessment study done by external agencies of the CSR activities/projects undertaken by them.

- Audit observed that out of 73 CPSEs impact assessment for completed projects/activities was not carried out in case of 19 CPSEs.

- Ministry of Tourism, Government of India had announced a programme called "Clean India" wherein it was desired that there is need to improve the existing facilities at the important monuments by involving the corporate sector. ONGC had communicated willingness to adopt six heritage sites (including Taj Mahal, Agra) for holistic development. The project was to be completed in four years by 2017-18. Total budget allocated for the project was ₹20.75 crore. Out of the allocated budget an amount of ₹ 0.50 crore was released to Archaeological Survey of India (ASI) in the financial year 2014-15. Funds allocated for the year 2015-16 was ₹ 6.75 crore. However, no payments were released to ASI in the year 2015-16. ONGC has stated (October 2015) in their reply that Ministry of Petroleum & Natural Gas had asked (December 2015) ONGC to keep further payment to the project on hold till further instructions. This has resulted in delay in completion of the project.

- Mangalore Refinery and Petrochemicals Limited (MRPL), as a part of their CSR activity had sanctioned ₹ 21.70 crore in 2012 towards construction of a wing in Lady Goschen hospital, Mangalore. Since the profit after tax of MRPL for the year 2012-13 was negative, ONGC was requested (July 2013) to provide the gap funding for the project under its CSR intervention. Accordingly financial support of ₹12.78 crore was sanctioned by ONGC. Though the project had started in March 2013 with the initial investment of ₹8.89 Crore there was no progress till July 2015. The project was resumed after a delay of 25 months. Till date (August 2016) only 64 *per cent* of the project is completed.

- Some of the notable work under the CSR schemes done by various CPSEs are given in Table 4.6:

Table 4.6 : Notable work done by CPSEs

CPSE	Type	Impact
Bharat Heavy Electrical Limited	Engineering	1. Supported 480 Haemophilic patients including children. 2. Benefitted about 35,000 students of 250 schools through Mobile Science Labs in the vicinity of three units of BHEL 3. Provided free medical services to around 7700 patients through 'Lifeline Express train', stationed at Lalitpur (U.P.)
Coal India Limited (CIL)	Coal	CIL & its subsidiaries have constructed 53,412 of toilets. A total of ₹ 820.44 Crore has been spent on the construction of these toilets by 31 March 2016.
GAIL (India) Limited	Gas	1. Operating mobile medical units across seven States covering 391 villages and population of around 5,00,000 under "Aarogya". 2. A flagship programme "Utkarsh" aimed at meritorious children from marginalized communities; provides all-expense paid, specialized residential coaching/intensive mentoring so that they can compete for engineering entrance examination such as IIT-JEE, AIEEE and UPTU. For the year 2015-16, 100 students were identified for this programme through a meticulous selection process. Of these 94 have qualified for the IIT Mains out of which 55 have secured admissions in various IITs and other prestigious engineering institutions of the country. 3. Company is operating four GAIL Institute of Skills in Guna (MP), Dediapada (Narmada, Gujarat), Tandur (Rangareddy, Telangana till 31 August 2016) and Nagaram (Andhra Pradesh) for imparting job linked skills training in Auto Card, Web Designing, Domestic BPV/BPO, Welding, Industrial Electrician, CNC Operator, Instrument etc. to more than 3200 rural and semi urban youth in the remote/backward districts under "Kaushal" programme.
Indian Oil Corporation Limited	Oil	1. 22.00 lakh new connections were released by Indian Oil and cumulatively, 32.40 lakh Below Poverty Line (BPL) families have benefitted from this scheme. 2. Under Swachh Vidyalaya Abhiyan, Indian Oil took the initiative to construct/repair 2855 toilets in Govt. schools across 16 States 3. 52,660 patients were treated, and so far, about 8 lakh patients have benefitted from this project under Swarna Jayanti Samudayik Hospital, Mathura, Uttar Pradesh 4. 2,500 patients and 12,200 livestock were treated and so far, 5400 patients and 57,000 livestock have been treated under the project Sarve Santu Niramaya (SSN), Digboi, Assam 5. During 2015-16, 271 beneficiaries were trained and so far 388 beneficiaries have been trained and certified in various trades from Indian Oil Multi-Skill Development Institute, Digboi, Assam 6. During 2015-16, 81 teachers were trained and so far, 355 teachers from schools covering 42 villages in and around Digboi have been trained under Shikshak Dakshata Vikas Abhiyan, Digboi, Assam
NTPC Limited	Power	Under "Swachh Bharat - Swachh Vidyalaya Abhiyan" about 29,000 toilets were made available in schools.
Oil & Natural Gas Corporation Limited	Oil	1. 8,202 toilets were made functional under Swatch Vidyalaya Abhiyan. 2. Total 15,26,538 treatments for chronic illness to 59,750 beneficiaries under Varisthajan Swasthya Sewa Abhiyan.

CPSE	Type	Impact
Steel Authority of India Limited	Iron and steel	1. Under the campaign Swachh Vidyalaya Abhiyan, construction of 672 toilets were undertaken and completed in 6 states. 2. During the year 2015-16, more than 3,800 Health Camps have been organized benefitting over 97,000 villagers. 3. 24 exclusive Health Centers at Plants are providing free medical care and medicines to around 1,00,000 poor and needy beneficiaries every year. During 2015-16, more than 1.32 lakh villagers have availed free healthcare at these Health Centers. 4. 55,000 children of over 145 schools in the steel townships was provided modern education and 75,000 students of over 636 Government schools in Bhilai and Rourkela was provided Mid-day meals in association with Akshya Patra Foundation. 5. 21 Special Schools (Kalyan &Mukul Vidyalayas) are facilitating over 3600 BPL category students at Integrated Steel Plant locations with free facilities. 335 number of Tribal children are getting free Education, Accommodation, Meals & Uniforms, textbooks, etc. under Gyanjyoti Yojna, Bokaro. 6. Vocational and specialised skill development training targeted towards sustainable income generation has been provided during the year 2015-16 to 947 youths and 1,785 women of peripheral villages.

4.5 Conclusion

CSR is becoming an integral part of every CPSE in India. The CPSEs made significant achievements in the social development of the country through various CSR initiatives in areas such as education, healthcare, livelihoods, rural development, and urban development. With the enactment of the Companies Act, 2013 containing mandatory provision of CSR, it is observed that though the CPSEs complied with the provisions of the Act, there were instances of delays in planning, setting of milestones not being decided in advance and delays in expenditure.

Shortfall in spending ranging from five *per cent* to 97 *per cent* of the prescribed amount were also observed. Out of 57 profit making CPSEs Board of 27 CPSEs (47 *per cent*) had ensured that the funds prescribed by the Act for CSR were completely spent. However, Board of 30 CPSEs (53 *per cent*) did not ensure the same. There were instances of the CPSEs not maintaining separate annual account for the actual expenditure from the prescribed amount. Moreover, Annual Report of the CPSEs does not include the reasons for underutilizing the prescribed amount. It was observed that Impact Assessment i.e. ultimate test of any CSR activity for completed project was not carried out in many cases.

4.6 Recommendations

Government of India may impress upon the respective Administrative Ministry/ Department to ensure compliance with the provisions and rules of Corporate Social Responsibility.

CHAPTER V

Analysis of Memoranda of Understanding between Administrative Ministries and CPSEs

5.1 Introduction

Memorandum of Understanding (MoU) is a mutually negotiated agreement between the Administrative Ministry and the management of the Central Public Sector Enterprise (CPSE) to fix targets before the beginning of a financial year and is intended to evaluate the performance of the CPSE vis-à-vis these targets. It contains intentions, obligations and mutual responsibilities of the CPSE and the Government and is directed towards strengthening CPSE management by results and objectives rather than by controls and procedures. The subsidiary companies of CPSEs are required to sign MoUs with their holding companies.

5.2. Institutional Arrangement

Department of Public Enterprises (DPE) serves as a facilitator between the CPSEs and Administrative Ministries and provide a mechanism to evaluate the performance of the managements of the CPSEs. It provides a system through which MoU targets are set and the commitments of both the parties are evaluated at the end of the year. The institutional arrangement and their inter-linkages are as follows:

(i) High Power Committee - At the apex level, a High Power Committee (HPC) headed by the Cabinet Secretary approves the final evaluation as to how far the commitments made by both the parties have been met.

(ii) Task Force - The Task Force consists of retired civil servants, executives of public sector, management professionals and independent members with experience in the relevant field. The main function of Task Force is to (i) provide technical expertise, discuss and finalize MoU at the beginning of the year through clarifications and negotiation meetings and (ii) evaluate the composite score for each CPSE at the end of the year. An Inter-Ministerial Committee (IMC)[29] was constituted in May 2016 in place of Task Force. Evaluation of MoU for 2015-16 would be carried out by IMC.

[29] *IMC consists of Secretary DPE as its Chairman, Secretary of concerned Administrative Ministry or his representative, Secretary, Ministry of Statistics and Programme Implementation or his representative, Addl. Secretary, NITI Ayog or his representative as its other members. Secretary, DPE may also co-opt any officer who is a finance expert in case the need is felt.*

(iii) MOU Division at DPE - The HPC and Task Force/IMC are assisted by the MoU Division in DPE, which also acts as the permanent secretariat to HPC and Task Force/IMC.

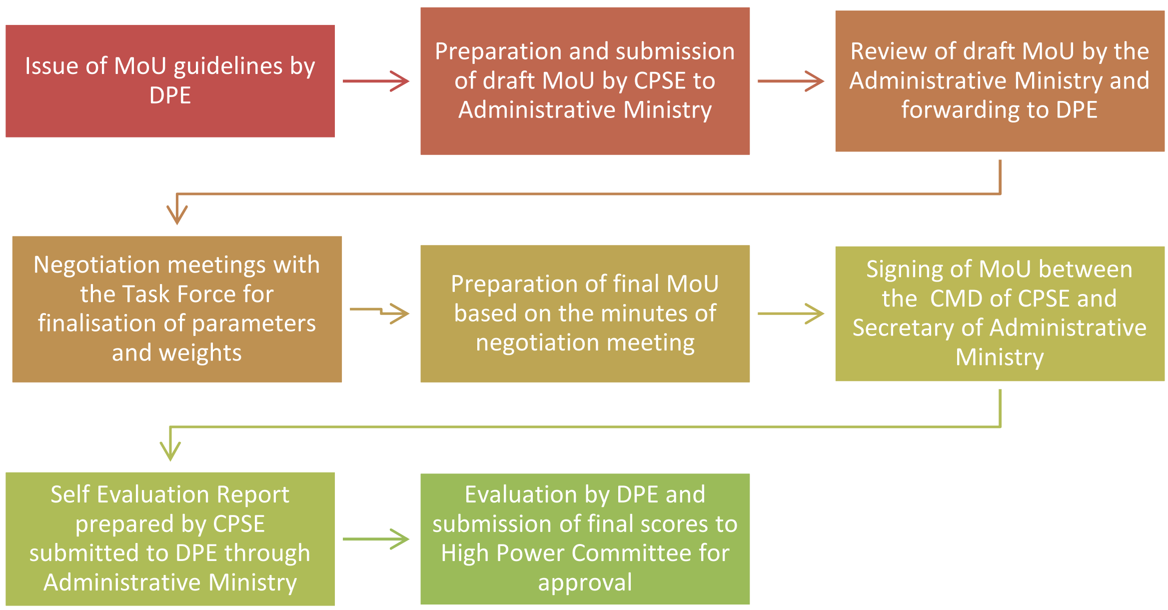
5.3 MoU targets for Performance Assessment and Rating

MoU for the years 2014-15 and 2015-16 consisted of two parts, financial targets or static parameters and non-financial targets or dynamic parameters, having equal weight of 50 *per cent* each. Financial parameters relate to turnover, profitability and various financial ratios whereas non-financial parameters cover project implementation, productivity and internal processes, technology, quality, innovative practices as well as sector specific parameters. The Task Force in consultation with the CPSE and Administrative Ministry fixes the targets and weights for each parameter.

With a view to distinguish between 'Excellent' and 'Poor' performance, each parameter is evaluated on a five point scale, i.e., five for 'Excellent' followed by a reduction of one point each for 'Very Good', 'Good', 'Fair' and 'Poor' (in the year 2014-15, this rating was in reverse order, i.e., one for 'Excellent' and five for 'Poor'). The actual performance of the CPSE is reflected in the raw score for each parameter and a composite score calculated by aggregating the weighted scores of individual parameters.

5.4 Process of Finalization and Evaluation of MoU

The process involved in MoU target setting and evaluation is given below:



5.5 Coverage of Analysis

This analysis covers MoUs of seven 'Maharatna' CPSEs for the years 2014-15 and 2015-16. While various aspects relating to finalisation and evaluation of MoU for the year 2014-15 was examined in audit, evaluation of MOU for the year 2015-16 was not examined since the same was not completed (September 2016). Details of the seven 'Maharatna' companies selected for analysis and their MOU rating for the period from 2010-11 to 2014-15 are given below:

Name of CPSE	Administrative Ministry	MOU rating				
		2010-11	2011-12	2012-13	2013-14	2014-15
Bharat Heavy Electricals Limited (BHEL)	Heavy Industries and Public Enterprises	Excellent	Excellent	Very Good	Good	Good
NTPC Limited (NTPC)	Power	Excellent	Very Good	Excellent	Excellent	Excellent
Coal India Limited (CIL)	Coal	Very Good	Excellent	Excellent	Excellent	Excellent
GAIL (India) Limited (GAIL)	Petroleum and Natural Gas	Excellent	Excellent	Excellent	Excellent	Very Good
Indian Oil Corporation Limited (IOCL)	Petroleum and Natural Gas	Excellent	Excellent	Excellent	Excellent	Excellent
Oil and Natural Gas Corporation Limited (ONGC)	Petroleum and Natural Gas	Very Good	Excellent	Excellent	Excellent	Very Good
Steel Authority of India Limited (SAIL)	Steel	Excellent	Excellent	Excellent	Excellent	Very Good

5.6 Objectives of Analysis

The objective of analysis was to assess whether:

(i) MoU was finalized in accordance with DPE guidelines and targets were realistic and as per the Annual Plan of the CPSE;

(ii) There was an effective mechanism in DPE/Administrative Ministries for validation of the information/data submitted by CPSEs;

(iii) CPSEs received commitment/assistance from the Government as agreed to in the MoUs;

(iv) Periodical returns/reports were submitted by CPSEs to Administrative Ministries/DPE in time; and

(v) Achievements were in line with MoU targets.

5.7 Audit Findings

Audit examined the MoUs signed by the seven 'Maharatna' CPSEs with their Administrative Ministries and their evaluation reports for the year 2014-15 and 2015-16[30]. Audit findings are discussed in the succeeding paragraphs. The reply of CPSEs, wherever received, have been suitably incorporated.

5.7.1 Preparation and signing of MoUs

5.7.1.1 Approval of draft MoUs by Board of Directors

Guidelines issued by DPE provided that the MoUs and Self Evaluation Reports should be approved by the Board of the CPSEs before their submission to DPE. Audit, however, observed that NTPC management submitted the MoUs and Self Evaluation Reports for 2014-15 and 2015-16 to DPE without obtaining approval of the Board.

NTPC stated (December 2016) that NTPC Board had authorised Chairman and Managing Director, NTPC to finalise and approve the draft of the MoU to be signed with the GoI and its evaluation at the year-end to be submitted to DPE/Administrative Ministry.

The fact remained that draft MoUs and Self Evaluation Reports were not approved by BoD before submission to DPE as required by DPE Guidelines.

DPE stated (January 2017) that it considered the MoU and Self Evaluation as forwarded by the Administrative Ministry of the CPSE.

The reply confirms that DPE had not ensured the compliance of its own guidelines.

5.7.1.2 Alignment of MoU targets with Annual Plan/ Budget/ Corporate Plan

As per MoU guidelines, MoU targets should be consistent with the annual plan, budget and corporate plan of the CPSE. The guidelines also provide that an advance copy of the draft MoU along with a copy of the Annual Plan, Annual Budget, and Corporate Plan should be sent to DPE. Audit observed that:

- NTPC did not submit copies of Annual Plan, Annual Budget and Corporate Plan to DPE at the time of submission of draft MoUs for 2014-15 and 2015-16. Instead, a 'brief' of these documents were submitted.
- IOCL submitted copies of Annual Budget/Annual Plan relating to the previous year (2013-14 and 2014-15) along with draft MoU for the year 2014-15 and 2015-16.

[30] *For 2015-16, the Self Evaluation Reports as submitted by the CPSEs have been considered.*

- In case of SAIL, MoU targets (both financial and non-financial targets) were fixed based on information/ targets furnished by directorates/ departments concerned and the Annual Plan or Budget were not considered.

NTPC stated (December 2016) that 'brief' of the Corporate Plan and Annual Budget were submitted, same being very voluminous documents.

SAIL stated (July 2016) that draft MoU was prepared in the months of October/November and annual plan targets were not available at that time.

IOCL stated (November 2016) that the budget approval was generally obtained in the last quarter of the financial year, by which time the draft MoU was already submitted to DPE.

Reply of CPSEs indicates that there could be inconsistency between the performance targets set in the MoU and the Annual Plans and Budgets for achieving them which is not as per the intent of the MoU guidelines.

DPE stated (January 2017) that the targets of CPSEs were based on relevant documents, plan and budget as per para 3 of MoU Guidelines and the proposed targets were finalized in the negotiation meeting by the Task Force in which Board of CPSE and JS of the Administrative Ministry were present.

The reply is not factually correct as the CPSEs did not provide the Annual Plan/Annual Budget/ Corporate Plan of relevant years as required by MoU Guidelines.

5.7.1.3 Signing of MoU

As per DPE guidelines, MoUs should be signed by the CPSEs and the Administrative Ministries before 25 March of the ensuing financial year. Audit noticed delay in signing MoU in BHEL and CIL. In the case of BHEL, there was a delay of 43 days and 70 days in signing the MoUs for the years 2014-15 and 2015-16 respectively. In the case of CIL, there was a delay of 83 days in signing MoU for the year 2015-16.

BHEL replied (November 2016) that draft MoUs were submitted within time and MoUs were signed after conclusion of negotiations with Ministry/Task Force and authentication of the draft MoU by DPE. The negotiation meetings were fixed by DPE/Task Force and the final negotiation meetings for the years 2014-15 and 2015-16 were held only on 11 April 2014 and 20 July 2015 respectively. Hence the delay was not attributable to BHEL.

The reply is to be viewed against the fact that the negotiation meetings for both years were postponed at the request of BHEL. Besides, timely finalisation of the MoUs was the responsibility of the CPSE, Administrative Ministry and DPE and there ought to have been better coordination for ensuring it.

DPE stated (January 2017) that signing of MoU depended on conclusion of meeting for finalization of MoU targets.

The reply confirms the delay in signing MoUs.

5.7.2 Setting of MoU targets

5.7.2.1 Benchmarking with national and international peers

The DPE guidelines stipulated that benchmarking with peer companies, both national and global, should, among other indicators, form the basis for determination of financial parameters. Audit, however, observed that no benchmarking was contemplated by NTPC in case of financial parameters for the MoUs of 2014-15 and 2015-16, except for some general information presented before the Task Force during negotiation meetings. Audit also observed that IOCL, while submitting the draft MoU for the year 2014-15, did not consider the report of Solomon Associates[31] to compare the performance of its refineries with peers across the world, despite the report being available at that time.

NTPC stated (December 2016) that targets of 2014-15 have been finalised after detailed discussions and reviews at various levels based on the benchmarks available.

Audit scrutiny and reply of the Company confirms the fact that benchmarking exercise, which would have acted as guidance for setting performance yardsticks in the MoUs, was not done.

IOCL stated (November 2016) that financials were prepared on the physicals and prices wherein the prices were considered uniformly by all oil marketing companies.

The reply confirms that benchmarking was not carried out at the time of preparation of MoU despite availability of an appropriate report.

DPE stated (January 2017) that as per para 3.5 of MoU Guidelines 2015-16, MoU targets were to be proposed based on benchmarking study by the CPSE through the Administrative Ministry taking into consideration the appropriate targets based on benchmark for the industry. Since Administrative Ministry had forwarded MoU targets, these were duly considered by Task Force.

The reply confirms that DPE did not ensure the compliance of its own Guidelines.

---

[31] *Benchmarking exercise in refining sector is carried out by the Centre for High Technology (under Ministry of Petroleum and Natural Gas) for entire public sector oil refineries in India through Solomon Associates.*

5.7.2.2 Setting of soft MoU targets

(i) As per DPE guidelines, MoU targets should be realistic yet growth oriented, inspirational and consistent with the Annual Plan, Budget and Corporate Plan of the CPSE, and the targets should be the maximum achievable under the given and anticipated circumstances. An analysis of the annual targets proposed by NTPC and the actual achievement against them indicated that in many cases, the targets (as proposed by NTPC and approved by Task Force) were lower than the achievement in the previous year, the details of which are indicated in the table below:

Year	Profit after tax / Net worth (in %)		Profit after tax / Employee (`/Lakh)		Declared Capacity (Coal) (in %)		Declared Capacity (Gas) (in %)	
	Target for 'Excellent' rating	Actual	Target for 'Excellent' rating	Actual	Target for 'Excellent' rating	Actual	Target for 'Excellent' rating	Actual
2012-13	9.81*	10.84	-	52.88	88.00	87.62	89.50	93.14
2013-14	8.37*	12.79	-	46.87	86.00	91.79	88.00	95.24
2014-15	5.73	13.33	21.49	45.75	84.00	88.70	86.00	92.18
2015-16	6.66	11.23	26.74	47.35	Not a parameter		Not a parameter	

* *Net Profit/Net worth*

The table indicates that the targets were set consistently on the lower side, despite higher achievements registered by NTPC in previous years. The actual achievement in 2014-15 and 2015-16 far exceeded the target set for 'Excellent' rating on account of such low targets. It was noticed that even the Task Force failed to give due consideration to the actual ability of NTPC vis-à-vis the proposed targets in the MoUs. This vitiated the very purpose of setting targets and conducting performance evaluation based on such targets.

NTPC replied (December 2016) that the targets were set after detailed discussions at Ministry of Power/DPE and deliberated during the meetings of Task Force/IMC. Further, factors like current scenario in the power sector and the economy as a whole etc. are also considered while fixing the targets.

The fact remained that the actual achievements were far higher than the targets.

(ii) Fly ash utilisation was introduced as a parameter in the MoU of NTPC for the year 2014-15. The target fixed for 'Very Good' rating against this parameter was 10 *per cent* more than the actual quantity achieved in 2013-14. NTPC could not achieve this target in 2014-15. For the year 2015-16, the parameter was changed to 'percent utilization of total quantity produced' and the target for 'Excellent' rating was fixed 'as four stations with 100 *per cent* fly ash utilisation and three stations with 80 to100 *per cent* utilisation. Audit observed that for reporting on this parameter, NTPC selected such stations which contributed to a small share to fly ash production (the selected stations produced only 11 *per cent* of total fly ash production). These stations utilised the entire fly ash produced and NTPC achieved the target against this parameter. However, other stations which produced considerable quantity of fly ash utilised as low as 8.73 to 42.66 *per cent* of their production.

NTPC replied that all the targets of NTPC have been finalised by Task Force/DPE after detailed discussions.

The reply needs to be viewed against the fact that the very purpose of introduction of fly ash utilisation as a criteria for MoU rating was defeated as a result of selecting stations which contributed to a small share to fly ash production.

(iii) Corporate Material Management Group of SAIL proposed (December 2013) MoU target of 35 *per cent* and 33 *per cent* of total procurement respectively for 'Excellent' and 'Very Good' rating in the MoU for 2014-15 against the 'e-procurement' parameter. SAIL, however, indicated a target of 33 and 31 *per cent* respectively in the final MOU. The actual achievement against this parameter in 2014-15 was 36.83 *per cent*. Even then in 2015-16, SAIL fixed a considerably lower target of 35 *per cent*. The target was thus, consistently being fixed on lower levels for achieving better rating, defeating the very objective of MoU mechanism.

SAIL stated (July 2016) that MoU target against 'e-procurement' in 2014-15 and 2015-16 was fixed considering the actual achievement in 2013-14 (31.75 *per cent*) and 2014-15 (36.83 *per cent*).

The reply confirms that the targets were fixed on lower levels compared to the actual achievement in the previous year which would not have the necessary stretch for improving performance.

(iv) The draft MoU of SAIL for 2015-16 had targeted 31 days for 'Excellent' rating, 32 days for 'Very Good' rating and so on to 35 for 'Poor' rating against the parameter, 'average collection period of trade receivables (Debtors Turnover Ratio)'. As per the instruction of Director (Finance), these targets were relaxed to 36 days ('Excellent') to 40 days ('Poor') due to delayed receipt of payment from Railways. The revision of the targets lacked justification since the target against this parameter for 'Excellent' rating in MoU 2014-15 was 31 days and the same had also been achieved. Downscaling of target was not in line with the objective of betterment of performance through MoU.

(v) MoU of NTPC for 2014-15 included 'capacity addition' as a non-financial parameter. Projects under this parameter included Rajgarh Solar PV project with targeted completion by 31 March 2015. Similarly, the MoU of BHEL for 2014-15 included 'group targets with NTPC' as a parameter under non-financial parameter which included

Solar PV Talcher and Unchahar projects to be commissioned by March 2015 for 'Excellent' rating. A review of the Self Evaluation Reports of both companies revealed that all the three projects were completed in March – April 2014 (Rajgarh Solar PV project in NTPC MoU completed on 30 April 2014; the Talcher and Unchahar projects in BHEL MoU were completed on 28 March 2014 and 31 March 2014 respectively). Thus, at the time of fixing targets, these project were either completed or nearing completion and were included in the MoU to obtain 'Excellent' rating. It was also noticed that the Task Force/DPE did not take into account the actual status of projects at the time of finalization of MoU.

NTPC stated (December 2016) that Rajgarh Solar was expected in the early part of 2014-15 and for all the projects tentative completion dates were known to the management which did not mean that the Company should not endeavour to complete any project before the schedule or not include the projects expected to be achieved during any particular year in that year's MoU targets.

BHEL stated (November 2016) that the completion date of the projects were apprised to Task Force/DPE prior to signing of the MoU. Due to no-availability of Solar PV orders and since the parameter had already been finalised by the Task Force, BHEL had no option but to include these projects.

The replies are to be viewed against the fact that at the time of including these projects in the MoUs, CPSEs were aware that the projects were either completed or soon to be completed, which defeats the basic intention of the MoU mechanism.

In respect of (i) to (iv) above, DPE stated (January 2017) that the issue of soft targets in relation to various CPSEs was taken to High Power Committee[32] (HPC) wherein HPC observed that Task Force must have fixed the targets keeping in view the sector specific conditions prevalent at that time and also that the targets might not always be higher than the previous years' achievement due to dynamic conditions of the industry and sector.

The reply is not justifiable since the targets were set consistently on the lower side, despite higher achievements in previous years and the actual achievements against such targets were also exceeded.

5.7.2.3 Inconsistency in MoU targets with DPE guidelines

MoU guidelines issued for 2014-15 and 2015-16 indicated that CPSEs could choose a maximum of two and three sub-parameters under each group for R&D. Scrutiny of the

[32] High Power Committee is headed by the Cabinet Secretary which approves the final evaluation as to how far the commitments made by both the parties have been met.

MoUs for the year 2014-15 and 2015-16 in respect of SAIL revealed that only one project was included under R&D.

SAIL stated (September 2016) that as per guidelines, not more than two parameters under R&D could be proposed in 2014-15 and not more than three in 2015-16, against which, it proposed one project each in 2014-15 and 2015-16.

The reply needs to be viewed against the fact that though MoU guidelines required selection of two and three sub-parameters, SAIL could propose one parameter only in 2014-15 and 2015-16.

DPE stated (January 2017) that R&D template was not mandatory for MoU 2014-15 and 2015-16. R&D projects were proposed by CPSEs based on their requirements and targets were finalized by Task Force in the negotiating meeting.

The reply is not acceptable as MoU guidelines for the year 2014-15 and 2015-16 indicated that the parameters for R&D were to be proposed in accordance with respective DPE guidelines and OM issued. Thus, the respective guidelines were applicable.

5.7.3 Commitment from Administrative Ministry

As per MoU guidelines, specific commitment from the Administrative Ministries/ Departments for filling up positions of non-official Directors on the board of CPSE concerned on time should be incorporated in the MoUs. Audit observed that though there has been non-compliance with requirements under Securities and Exchange Board of India (SEBI), Companies Act, 2013 and DPE guidelines[33], NTPC did not incorporate specific commitment from the Ministry of Power for filling up of required number of non-official Directors in the MoU. Audit observed that as against the requirement of nine independent Directors, NTPC had only two independent Directors as on 31 March 2015 and the vacancy position during 2015-16 varied from three to seven.

NTPC replied (December 2016) that draft MoUs have been discussed in detail and approved by DPE. Further, the power to appoint the Directors on the Board of Directors is vested with the Government of India.

The reply is to be viewed against the fact that, though there was adequate provision in the MoU mechanism to obtain commitment from the Administrative Ministry for

[33] *As per (i) clause 49 of erstwhile Listing Agreement as amended by Listing Obligations and Disclosure Requirements Regulations, 2015 and (ii) DPE Guidelines on Corporate Governance for Central Public Sector Enterprises, 2010, NTPC Board should have at least 50 per cent of Independent Directors. Similarly, as per Companies Act, 2013, one-third of the directors of Board of NTPC should be Independent.*

appointment of non-official Directors and its subsequent verification by DPE, the same was not made use of by the Company. It was also observed that in the case of other six Maharatna CPSEs, nomination of non-official Directors was included as a commitment from their concerned Administrative Ministries in the MoUs.

DPE stated (January 2017) that the report on Commitment assistance provided by Administrative Ministry was put up to Chairman, HPC along with MoU evaluation.

The reply confirms the audit observation that had NTPC included the filling up of required number of independent Directors in the MoU, it could have been achieved.

5.7.4 Inconsistency in Group Targets

MoUs of NTPC and BHEL for 2014-15 included ‘group targets’ under non-financial parameters to be achieved by joint efforts based on mutual agreement by these CPSEs. Evaluation of these parameters would be carried out on the joint efforts and points/penalty would also be shared among the CPSEs. Audit observed that as against nine projects approved by the Task Force, 10 projects were included in the MoUs of BHEL and NTPC. Two projects in the MoU of BHEL, (Solar PV Talcher and PV Unchahar) and one project in MoU of NTPC (Singrauli Small Hydro) were not approved by the Task Force. Besides, Singrauli Small Hydro project included in the MoU of NTPC was not included in the MoU of BHEL. Similarly, though MoU of BHEL indicated two projects (Solar PV Unchahar and Talcher), these were not specifically mentioned in the MoU of NTPC and stated as Solar PV (45MW).

NTPC replied (December 2016) that targets for NTPC have been finalised by Task Force and as the issues of discrepancies were beyond the purview of NTPC, the Company has no comments to offer.

BHEL replied (November 2016) that for Solar PV 45 MW, BHEL was neither having orders nor commitment from NTPC. Instead of the non-existent 45 MW Solar PV, two existing orders from NTPC, i.e., Solar PV Talcher and Unchahar, were taken.

The reply confirms that there was inconsistency in ‘group targets’ and the Task Force and CPSEs did not specifically indicate individual projects to be covered under this parameters at the time of fixing MoU targets.

DPE stated (January 2017) that the group targets jointly signed by NTPC and BHEL were included in the MoU targets of both CPSEs.

The reply confirms that although DPE was involved in fixing the group targets, the inconsistency between the targets were not identified and fixed at the approval stage of MoU.

5.7.5 Performance under MoU and self-evaluation by CPSEs

5.7.5.1 Inclusion of notional generation

MoU of NTPC for 2014-15 and 2015-16 included a foot note stating that financial parameters had been worked out on the basis of gross generation including deemed generation and hence, the actual would vary to the extent of non-scheduled power demand by customers. Scrutiny in audit revealed that NTPC had been reporting actual generation (excluding deemed generation) for measuring performance against this MoU parameter in its Self Evaluation Report till the year 2014-15.

In the Self Evaluation Report for 2015-16, however, NTPC reported gross generation (including deemed generation) against this parameter. This also led to a mismatch between the MoU Self Evaluation Report and the financial statements of NTPC; while the financial statements for 2015-16 reported a sales turnover of ₹ 70,506.80 crore, the Self Evaluation Report reported sales a turnover of ₹ 89,161.18 crore (including deemed generation). This resulted in inflated operational performance against financial parameters like 'Sales Turnover', 'Sales Turnover/Net Block', 'Gross Operating Margin', 'Profit After Tax/Net worth' etc. The inclusion of deemed generation in sales turnover was also not in line with the definition of 'Sales Turnover'[34] given in the MoU guidelines issued by DPE. Though NTPC claimed 'Excellent' rating (10 points) against this parameter, considering the actual turnover as per certified financial statements, the rating would be 'Poor' (two points). If the actual performance as per certified financial statements were considered, the overall rating of NTPC would change from 'Excellent' (93.65 points) to 'Very Good' (82.45 points) which would also have an effect on the likely payment of Performance Related Pay to the employees for the year 2015-16.

NTPC replied (December 2016) that 'achievement as claimed in Self Evaluation Report' have been done by NTPC as per the provisions of MoU. Impact of deemed generation has been included as provided in an express provision in MoU.

The reply is not acceptable as the notional revenue of deemed generation cannot be treated as sale from the course of ordinary activities of the Company as defined in MoU Guidelines. Further, reply confirms the fact that operational performances against financial parameters have been inflated while reporting the figures in 2015-16, which is contrary to the practice followed by NTPC in its Self Evaluation Report for the year 2014 - 15. Further, approved and certified financial results cannot be modified while reporting the same against MoU parameters.

[34] *MoU Guidelines defined 'Sales Turn Over' as the gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods and from rendering of services. It is measured by the charges made to customers or clients for goods supplied and services rendered to them.*

DPE stated (January 2017) that the same had been done as decided in MoU negotiation meeting by which financial parameters were to be adjusted for gross generation including the deemed generation.

The reply is not tenable. Deemed generation cannot be treated as sale as defined in MoU Guidelines. By including deemed generation, performances against financial parameters have been inflated for the year 2015-16. Further, for the year 2014-15, though gross generation was included in the MoU, performance of NTPC was reported and evaluated based on the actual financial data.

5.7.5.2 Considering date of trial run as commissioning date for projects

MoU of SAIL for 2014-15 and 2015-16 indicated a sub parameter 'Milestone Performance Index for Projects' with a weightage of five *percent* and four *percent* respectively. Audit observed that 'date of start of production/hot trial run' was reckoned as date of completion of the projects for evaluation of this parameter. This was not consistent with generally accepted practices of reckoning project completion as commissioning and operation as per the contractual provisions of projects. This provided an undue advantage to SAIL to claim full score ('Excellent' rating) against this parameter even though the projects were actually not completed and put to operation.

SAIL stated (August 2016) that the parameter was agreed to by Ministry of Statistical and Programme Implementation, Ministry of Steel, DPE and Task Force. The commissioning of facility as per contract was a milestone meant for release of payments based on the compliance of contractual obligation.

The reply is to be viewed against the fact that the performance parameter accepted by DPE/Task Force for awarding 'Excellent' rating was not in line with the generally accepted practices and provided an undue advantage to SAIL. Any performance evaluation should be linked with the actual performance and working environment of a CPSE for meaningful results through the MoU mechanism.

DPE stated (January 2017) that achievement was evaluated with reference to the target set.

However, fact remains that financial and non-financial parameters have been evaluated on each parameter achieving its finality in terms of performance. As such, commissioning of project also should have been considered in this case instead of date of trial run, which would give a conclusive performance of the CPSE in this regard.

5.7.6 Incorrect Reporting to DPE

5.7.6.1 Incorrect/incomplete certification

As per Public Procurement Policy issued by Ministry of Micro, Small and Medium Enterprises (MMSME), every CPSE shall have to achieve an overall minimum procurement of 20 *per cent* from Micro and Small Enterprises (MSEs). A sub target of 20 *per cent* (i.e., four *per cent* out of 20 *per cent*) shall be earmarked for procurement from MSEs owned by Scheduled Caste or Scheduled Tribe entrepreneurs. MoU guidelines further stipulated that non-compliance with the aforesaid order would attract reduction of one mark at the discretion of Task Force. Audit observed that though BHEL and SAIL certified that they had complied with the MSME guideline for the year 2014-15, these certifications were factually incorrect. During 2014-15, the procurement from MSMEs was 17 *per cent* in case of BHEL and 13 *per cent* for SAIL. The procurement from SC/ST entrepreneurs was Nil in case of both companies (BHEL and SAIL). These certifications were accepted by DPE, Task Force and the Administrative Ministries, even as MSME intimated (November 2015) Department of Heavy Industries that BHEL did not achieve the required percentages as per MSME guidelines. Audit further noticed that GAIL certified that it had achieved MSME procurement of 19 *per cent* and 21.59 *per cent* during the year 2014-15 and 2015-16. The certification was, however, silent on achievement of four *per cent* procurement from SC/ST entrepreneurs in 2014-15, while the same in 2015-16 was 0.02 *per cent*.

BHEL stated (November 2016) that mandatory targets including four *per cent* procurement from MSEs owned by SC/STs were not applicable for the year 2014-15. SAIL stated (July 2016) that certain items (e.g., proprietary items, raw materials, imported items, items sourced from PSUs and Government etc.) were beyond the manufacturing range of MSEs and were excluded for calculating the percentage orders on MSEs and SC/ST. GAIL stated (November 2016) that it was penalized by the Task Force for not achieving the target in 2014-15, though the same was not officially communicated. The evaluation for 2015-16 was yet to commence.

Though achievement of the required percentage became mandatory 2015-16 onwards, it does not take away from the fact that the certifications of CPSEs were factually incorrect or incomplete and that no negative marking was given in the final evaluation by the Task Force. It also indicated that there was a need for proper coordination between DPE and MMSME for cross checking the level of performance by CPSEs and their self-certification. Moreover, there was no consistency in penalising the CPSEs for not complying with MSME guidelines.

DPE stated (January 2017) it relied on certificate from Board level official for 2014-15 since it was not mandatory to procure from MSE for three years from date of notification, i.e. up to 2014-15. As per Companies Act, 2013 Board was responsible for giving incorrect certificate. However, for 2015-16, since it was mandatory, DPE relied on Board certification and list for compliance provided by MSME. It was added that negative marking has been done in respect of 132 CPSEs for 2015-16.

DPE agreed that it had relied on certificate from Board level official for 2014-15 and Board is responsible for incorrect certification. Further, it is not clear from the reply that the CPSEs referred to above were given negative marking during the year 2015-16.

5.7.6.2 Incorrect information in self-evaluation

(i) Quarterly meeting of Enterprise Risk Management Committee (ERMC) was included as a criteria under non-financial targets in the MoU of NTPC for 2014-15 and four and three meetings of ERMC was proposed for 'Excellent' and 'Very Good' rating. The Self Evaluation Report for 2014-15 indicated 100 *per cent* achievement and NTPC got 'Excellent' rating. However, Audit noticed that NTPC could not achieve this parameter since ERMC conducted only three quarterly meetings for which NTPC was eligible for 'Very Good' rating.

NTPC replied that target of four ERMC meetings was kept to cover the four quarters and in one of the ERMC meetings dated 29th January 2015, issues pertaining to Q2 and Q3 of FY 2014-15 i.e. two quarters were covered.

The fact remained that only three meetings of ERMC were conducted during the year 2014-15.

(ii) Availability factor (coal) was included as a criteria under non-financial parameters in the MoU of NTPC for the year 2015-16 with a target of achieving 90 *per cent* for 'Excellent' rating. Though in the Self Evaluation Report, NTPC stated an achievement of 92.53 *per cent* and claimed 'Excellent' rating, Annual Report of NTPC for the year 2015-16 revealed that it had achieved 88.06 *per cent*.

NTPC replied (December 2016) that in 2015-16, total impact of reserve shutdown works out to be 4.47 *per cent.* Thus, actual availability factor was 92.53 *per cent* including reserve shut down and availability factor achieved was 88.06 *per cent* excluding reserve shutdown.

Reply confirms the mismatch in figures.

DPE, in respect of (i) above stated (January 2017) that CPSE provided the minutes of quarterly ERMC meetings for 2014-15. In case of (ii) above, DPE stated that CPSE has not been awarded excellent on this parameter and marks between good and very good has been awarded based on actual as per Annual Report.

However, NTPC submitted incorrect certification that four meetings of ERMC were held in 2014-15, while only three meetings were held. In the case of (ii) above, DPE reply confirms that NTPC submitted incorrect information.

5.7.6.3 Non-compliance of DPE guidelines

As per MoU guidelines, non-compliance with DPE guidelines on various subjects would be evaluated based on self-certification by CPSEs and non-compliance, if any, would attract reduction of one point at the discretion of the Task Force at the time of MoU evaluation. Audit observed the following in this regard:

- NTPC indicated exceptions and reasons for non-compliance in an annexure attached to the certificate submitted to DPE. The annexure stated that though no Performance Related Pay (PRP) was to be paid to the 10 *per cent* employees graded below par as per DPE guidelines, PRP was being paid to them as per the approved guidelines of the Remuneration Committee.
- IOCL has indicated in the MoU for 2014-15 that one para on violation of DPE guidelines was printed in CAG's Report No. 13 of 2014. Two other paras on PRP, allowances, encashment of half pay/earned leave *etc.* relating to IOCL were also included in CAG's Report No. 15 of 2016-Vol.II which were not included in the MoU for 2015-16.
- GAIL did not comply with DPE guidelines relating to payment of PRP, payment of cash reward, Ex-gratia *etc*., and one para on encashment of earned and half pay leave was printed in CAG's Report No. 13 of 2014.

It was however noticed that though there had been violations of DPE guidelines by these CPSEs, the overall score of these CPSEs was not reduced on account of these violations and the self-certificates were accepted.

NTPC stated (December 2016) that awarding mark/any penalty was at the discretion of Task Force at the time of MoU Evaluation.

IOCL stated (November 2016) that it had mentioned in the MoU for 2014-15 that there was a CAG para on encashment of half pay/sick/earned leave and that similar disclosure was not made in the MoU for 2015-16 since the paras were included in CAG report after submission of the MoU.

GAIL stated (November 2016) that DPE guidelines on PRP was being broadly complied with and encashment of half pay leave was being allowed in line with industry practice.

Replies of CPSEs confirm that there had been violations of various DPE guidelines, but DPE did not consider such violations for reducing the overall score even though it had been specifically mentioned in the MoU.

DPE stated (January 2017) that compliance of DPE Guidelines was based on self-certification of CMD and negative marking has been given in respect of 64 CPSEs during 2015-16.

It is not clear from the reply whether negative marking has been assigned to the CPSEs referred to in the para. Further, reply was silent on negative marking in 2014-15.

5.7.6.4 Non authentication of documents by Board level official

MoU guidelines stipulated that documents submitted by CPSEs for evaluation of parameters should be certified by Board level officials of the CPSEs concerned. Further, the minutes of negotiation meeting for MoU in 2015-16 also provided that all documents should be signed at least by a functional Director. However, it was observed that in NTPC, documents pertaining to some of the parameters of MoU, information of which was not available in Annual Reports/third party certification, were not authenticated by a Board level official.

NTPC replied (December 2016) that all necessary supporting documents, as desired by DPE during the process of finalisation of evaluation, were provided from time to time as per its requirements/provisions of the signed MoU. For verification of financial parameters for 2015-16, supporting documents as per the requirements of DPE shall be submitted during the evaluation process.

Non-compliance of MoU guidelines by NTPC is confirmed from the reply.

DPE stated (January 2017) that Board level authentication was essential only in case where adequate/satisfactory supporting documents were not provided. MoU Evaluation is based on Board level certification if the details were not published in Annual Report, third party certification etc.

However, Audit commented on the non-compliance of DPE guidelines since NTPC furnished documents which contained information not available in the Annual Report/third party certification without Board level authentication.

5.7.7 Delayed submission of details for target offset

MoU of BHEL for the year 2014-15 envisaged sales turnover of ₹ 45,600 crore for 'Excellent' rating and 5 *per cent* less each for each lower rating even though BHEL had projected ₹ 34,000 crore as likely turnover for 2014-15. The Task Force/DPE had agreed that in case the projection regarding cancellation of some of the projects comes true, due consideration would be given at the time of evaluation.

BHEL evaluated its financial performance in the Self Evaluation Report of 2014-15 against reduced sales turnover. DPE intimated (19 November 2015) BHEL that request for offset was to be submitted parameter-wise with detailed reason, and the same was to be quantified parameter-wise. DPE further intimated (24 November 2015) that offset claimed in Self Evaluation has not been quantified project-wise for on hold projects along with reasons and impact on self-evaluation as required by MoU guidelines. Such information was to be submitted to DPE with recommendation of the Administrative Ministry by 16:00 Hrs of 26 November 2015. Audit observed that since BHEL/DHI could not submit the required information within the prescribed time, DPE/Task Force completed the evaluation of MoU without considering offset against reduction in sales turnover.

BHEL stated (November 2016) that very short time was given by DPE for furnishing the clarification and BHEL could send the response on 26 November 2015 itself to DHI with an advance copy to DPE. Department of Public Enterprises did not consider the representation submitted by it. It was also stated that DPE had commented that offset were not applicable for other financial parameters as per minutes.

The reply is to be viewed against the fact that BHEL did not furnish all relevant information relating to on hold projects and how it had impacted the financial parameters (project-wise and parameter-wise) as required by DPE/Task Force and the information furnished did not reach DPE/Task Force with recommendation of the Administrative Ministry within the prescribed time. The specific requirement in this regard was known to BHEL from the time of finalization of MoU and pro-active steps should have been taken to claim the offset on account of on hold projects.

DPE stated (January 2017) that as per MoU Guidelines, the offsets claimed by CPSE on the recommendation of the Administrative Ministry were approved by Chairman, HPC on the recommendation based on deliberations in the Task Force evaluation meetings.

DPE reply confirms that BHEL lost an opportunity to obtain offset against on-hold projects, since it did not furnish relevant information within stipulated time.

5.7.8 General

(i) DPE encourages publishing the MoUs by hosting it in the website of the CPSEs concerned. It was observed that BHEL has not placed the MoUs on its website.

BHEL replied (November 2016) that as an Engineering and Manufacturing company operating in the capital goods sector, it faces a competitive environment compared with many other CPSEs. Further, being a listed company, it does not provide future guidance on financial parameters that could potentially impact its share price.

The reply is be viewed against the fact that two other listed CPSEs (NTPC and ONGC) publish their MoUs on their websites as a good practice, as recommended by DPE.

DPE stated (January 2017) that after authentication, DPE advises the Administrative Ministry/CPSE to lay signed MoU in Parliament and to upload the names on website.

(ii) A review of MoUs for 2015-16 of ONGC and IOCL revealed that the MoUs of these CPSEs stipulated that if there was any inconsistency between the compliance certificates submitted by them and the observations in the CAG Reports (Commercial and Compliance Audit), they would be penalised by reduction of one mark from the overall rating by DPE. In this regard, Audit notes that other CPSEs including those selected for this study were also subjected to CAG audit. As such, it would be a good practice to incorporate a similar stipulation in the MoUs of the CPSEs as it would extend an assurance regarding compliance certificate submitted by the CPSEs.

5.7.9 Conclusion and Recommendations

Audit covering the MoUs of 'Maharatna' companies for the years 2014-15 and 2015-16 revealed inconsistencies in approving draft MoU by the Board of CPSEs, non-submission of annual plan/annual budget/corporate plan along with draft MoU, non-alignment of MoU targets with plans and delay in signing final MoU. As against stipulation in guidelines issued by DPE, benchmarking with national and internal peers were not carried out by CPSEs and the targets indicated in MoUs did not meet the SMART (specific, measurable, attainable, results-oriented and tangible) criteria. Most often, targets were set lower than capacity with the intention of achieving 'Excellent' rating. One of the seven CPSEs covered in this study even resorted to inclusion of notional turnover for achieving a higher rating. Audit also noticed incorrect and/or incomplete certification by CPSEs in complying with MSME guidelines/DPE guidelines and incorrect information in the Self Evaluation Reports. The information was not properly validated by DPE/Task Force at the time of final evaluation of MoUs. Non-authentication of documents submitted to DPE/Task Force by Board level officials and delayed furnishing of information leading to lower rating were also noticed.

In order to overcome the above deficiencies, Audit suggests the following recommendations for the consideration and implementation by DPE, CPSEs and their Administrative Ministries:

- **It may be ensured that the MoUs are prepared and finalized within stipulated time, in accordance with the DPE guidelines with due attention on fixing targets that can lead to improved performance of CPSEs.**

- **The validation process at DPE may be strengthened to ensure that any incomplete or incorrect information and/or certification can be detected before final evaluation of the MoUs through proper coordination with other Ministries and stakeholders.**

DPE stated (January 2017) that MoU Guidelines for 2016-17 and 2017-18 were already approved and that most of the concerns expressed by Audit have been adequately addressed in these guidelines.

New Delhi
Dated: 31 January 2017

(H. PRADEEP RAO)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

Countersigned

New Delhi
Dated: 01 February 2017

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

APPENDICES

APPENDIX-I

(As referred to in Para No.1.1.3)
List of Government Companies/Government Controlled other Companies which came under/went out from the purview of CAG Audit during 2015-16

Sl. No.	Name of the CPSE
Government Companies came under purview of CAG Audit	
1	Bihar Infra power Limited
2	Bihar Mega Power Limited
3	BPCL- KIAL Fuel Farm Private Limited
4	Chhattisgarh Mega Steel Limited
5	Deoghar Infra Limited
6	Dinchang Transmission Limited
7	Grid Conductor Limited
8	Gurgaon Palwal Transmission Limited
9	IRCON Shiv Puri Guna Tollway Limited
10	Jharkhand Central Railway Limited
11	Jharkhand Infra Power Limited
12	Jharkhand Kolhan Steel Limited
13	Khargone Transmission Limited
14	Kohima Maraini Transmission Limited
15	Mahanadi Coal Railway Limited
16	Medinipur Jirat Transmission Limited
17	Mumbai Metro Rail Corporation Limited
18	Nagpur Metro Rail Corporation
19	National Investment and Infrastructure Fund Limited
20	National Investment and Infrastructure Trustee Funds
21	NBCC Engineering & Consultancy Limited
22	NER-II Transmission Limited
23	NMDC Steel Limited
24	North Karanpura Transco Limited
25	NRSS XXXVI Transmission Limited
26	Odisha Generation Phase II Transmission Limited
27	Patratu Vidyut Utpadan Nigam Limited
28	Powergrid Southern Interconnector Transmission System Limited
29	Real Estate Development & Construction Corporation of Rajasthan Limited
30	Warora Kurnool Transmission Limited

Government Controlled other Companies came under purview of CAG Audit	
1	Bhor Sagar Port Limited
2	Indian Port Rail Company Limited
3	Karnataka Solar Power Development Corporation Limited
4	Konkan LNG Private Limited
5	Lucknow Solar Power Development Corporation Limited
6	Micro Units Development and Refinance Agency Limited
7	Ramagundam Fertilizers and Chemicals Limited
8	Rewa Ultra Mega Solar Limited
9	RINL Powergrid TLT Limited
10	SBI Foundation

11	STCI Commodities
12	STCI Primary Dealers Limited
13	UTI Capital Pvt limited
14	UTI Retirement Solution Limited
15	UTI Venture Funds Management Company Pvt Limited

Government Companies went out from the purview of CAG Audit	
1	Bharat Bhari Udyog Nigam Limited
2	Chattisgarh WR Transmission Limited
3	DGEN & Uttarakhand Transmission Company Limited
4	Maheshwaram Transmission Limited
5	Raipur Rajanandgaon Transmission Limited
6	Rajasthan Rashtriya Chemicals and Fertilizers Limited
7	Sipat Transmission Limited

APPENDIX II A

(As referred to in Para No.1.1.3 and 2.3.2)

Accounts in arrears or Company under liquidation/Defunct Company

A. Government Companies and Corporations

Sl. No.	Name of the PSU	Year for which Accounts not received by 30 September 2016
STATUTORY CORPORATIONS		
1	Food Corporation of India	2015-16
LISTED GOVERNMENT COMPANIES		
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
2	Hindustan Cables Limited	2015-16
UNLISTED GOVERNMENT COMPANIES		
CHEMICALS AND FERTILIZERS		
**3	Bengal Immunity Limited	Under liquidation
4	Bihar Drugs and Organic Chemicals Limited	2014-15;2015-16
5	Fertilizer Corporation of India Limited	2015-16
6	Hindustan Antibiotics Limited	2014-15;2015-16
7	Hindustan Fertilizers Corporation Limited	2015-16
8	HOC Chematur Limited	2014-15;2015-16
**9	IDPL (Tamil Nadu) Limited	2010-11 to 2015-16
10	Indian Drugs and Pharmaceuticals Limited	2015-16
**11	Maharashtra Antibiotics and Pharmaceuticals Limited	Under liquidation
**12	Manipur State Drugs and Pharmaceuticals Limited	Defunct
**13	Orissa Drugs and Chemicals Limited	2011-12 to 2015-16
**14	Smith Stanistreet Pharmaceuticals Limited	Under liquidation
**15	The Southern Pesticides Corporation Limited	Under liquidation
CIVIL AVIATION		
**16	Air India Air Transport Services Limited	2013-14 to 2015-16
17	Air India Engineering Services Company Limited	2014-2015;2015-16
18	Air India Limited	2015-16
19	Hotel Corporation of India Limited	2015-16
20	Pawan Hans Limited	2015-16
COMMERCE AND INDUSTRY		
21	J&K Development Finance Corporation Limited	2015-16
**22	Tea Trading Corporation of India Limited	Under liquidation
COMMUNICATIONS AND INFORMATION TECHNOLOGY		
23	Bharat Broadband Network Limited	2015-16
**24	Electronics Trade and Technology Development Corporation Limited	Under liquidation
CULTURE		
25	Creative Museum Designers	2015-16
DEVELOPMENT OF NORTH EASTERN REGION		
26	North Eastern Handicrafts and Handlooms Development Corporation Limited	2015-16
27	North Eastern Regional Agricultural Marketing Corporation Limited	2014-15; 2015-16
ENVIRONMENT AND FORESTS		
28	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited	2015-16
FINANCE		
**29	Industrial Investment Bank of India Limited	Under liquidation
30	Security Printing and Minting Corporation of India Limited	2015-16
HEALTH & FAMILY WELFARE		
31	Indian Medicines and Pharmaceuticals Corporation Ltd.	2014-15; 2015-16

APPENDIX II A (Cont'd)

Sl. No.	Name of the PSU	Year for which Accounts not received by 30 September 2016
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
**32	Bharat Brakes and Valves Limited	Under liquidation
**33	Bharat Opthalmic Glass Limited	Under liquidation
**34	Bharat Process and Mechanical Engineers Limited	Under liquidation
35	Bharat Pumps and Compressors Limited	2014-15;2015-16
**36	Bharat Yantra Nigam Limited	Under liquidation
**37	Cycle Corporation of India Limited	Under liquidation
38	Hindustan Newsprint Limited	2015-2016
39	Hindustan Paper Corporation Limited	2015-2016
40	Jagdishpur Paper Mills Limited	2015-2016
**41	Mandya National Paper Mills Limited	Under liquidation
**42	Mining and Allied Machinery Corporation Limited	Under liquidation
43	Nagaland Pulp & Paper Company Limited	2015-2016
**44	National Industrial Development Corporation Limited	Under liquidation
**45	Rehabilitation Industries Corporation Limited	Under liquidation
**46	Reyroll Burn Limited	Under liquidation
**47	Tannery and Footwear Corporation of India Limited	Under liquidation
**48	Triveni Structurals Limited	2013-14 to 2015-16
**49	Tyre Corporation of India Limited	2012-13 to 2015-16
**50	Weighbird (India) Limited	Under liquidation
INFORMATION & BROADCASTING		
51	National Film Development Corporation Limited	2015-16
PETROLEUM & NATURAL GAS		
52	Biecco Lawrie Limited	2015-16
53	Kerala GAIL Gas Limited	2014-15, 2015-16
RAILWAYS		
54	Burn Standard Company Limited	2015-16
ROAD TRANSPORT AND HIGHWAYS		
**55	Indian Road Construction Corporation Limited	Under liquidation
SHIPPING		
56	Hoogly Dock and Port Engineers Limited	2015-16
STEEL		
57	Hindustan Steel Works Construction Limited	2015-16
TEXTILES		
58	Birds Jute and Exports Limited	2015-16
**59	Brushware Limited	Under liquidation
**60	Cawnpore Textiles Limited	Defunct
61	Central Cottage Industries Corporation Limited	2015-16
62	The British India Corporation Limited	2014-15;2015-16
**63	The Elgin Mills Company Limited	Defunct
64	The Handicrafts and Handlooms Export Corporation of India Limited	2015-16
UNION TERRITORY ADMINISTRATION		
**65	Chandigarh Child and Woman Development Corporation Limited	2008-09 to 2014-15
66	Chandigarh Industrial and Tourism Development Corporation Limited	2015-2016
67	Chandigarh Scheduled Caste Financial and Development Corporation Limited	2014-15;2015-16
68	Dadra & Nagar Haveli, Daman and Diu SC/ST Financial and Development Corporation Limited	2015-2016

APPENDIX II A (Cont'd)

Sl. No.	Name of the PSU	Year for which Accounts not received by 30 September 2016
URBAN DEVELOPMENT		
**69	Mumbai Metro Rail Corporation Limited	2015-16
**70	Nagpur Metro Rail Corporation Limited	First A/c not received 2014-15; 2015-16

APPENDIX II B
(As referred to in Para No.1.1.3 and 2.3.2)
Accounts in arrears or Company under liquidation/defunct
B. Government Controlled other Companies

Sl. No		Name of the Company	Year for which Accounts not received by 30 September 2016
1	**	Accumeasures (Punjab) Limited	Under liquidation
2	**	Allied International Products Limited	Defunct
3	**	Becker Grey and Company (1930) Limited	Defunct
4	**	Bhor Sagar Port Limited	First A/c not received
5	**	Bihar Industrial and Technical Consultancy Organization Limited	Defunct
6	**	Excellcier Plants Corporation Limited	Under liquidation
7	**	Flavourit Spices Trading Limited	2012-13 to 2015-16
8	**	Gangavati Sugars Limited	Under liquidation
9	**	Gas and Power Investment Company Limited	2013-14 to 2015-16
10	**	India Clearing and Depository Services Limited	Under liquidation
11	**	Indian Port Rail Company Limited	First A/c not received
12		Intelligent Communication Systems India Limited	2015-16
13	**	J&K Industrial and Technical Consultancy Organisation Limited	Defunct
14	**	Media Lab Asia	2014-15; 2015-16
15	**	Millennium Information Systems Limited	Under liquidation
16	**	Nalanda Ceramics and Industries Limited	Defunct
17	**	North Eastern Industrial and Technical Consultancy Organisation Limited	2012-13 to 2015-16
18		NTPC BHEL Power Project Private Limited	2015-16
19		NTPC-SCCL Global Ventures Private Limited	2015-16
20	**	Orissa Industrial and Technical Consultancy Organisation Limited	Defunct
21		Pamba Rubbers Limited	2015-16
22	**	Pazhassi Rubbers (P) Limited	Under liquidation
23		Ponmudi Rubbers (P) Limited	2014-15, 2015-16
24	**	Railway Sports Promotion Board	2015-16
25		Rajasthan Consultancy Organization Limited	2015-16
26		Rubberwood India (P) Limited	2015-16
27	**	Textile Processing Corporation of India Limited	Under liquidation
28		UP Industrial and Technical Consultants Limited	2015-16
29	**	Wagon India Limited	Under liquidation
30		West Bengal Consultancy Organisation Limited	2015-16

APPENDIX III

(As referred to in Para No.1.3.2)

Shortfall in dividend declared by Government Companies

(₹ in crore)

Sl. No	Name of the CPSE	Paid up Capital	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
	LISTED GOVERNMENT COMPANIES							
	CHEMICALS AND FERTILIZERS							
1	Rashtriya Chemicals and Fertilizers Limited	2829.12	191.23	60.69	141.46	57.37	141.46	80.77
	COAL							
2	NLC India Ltd.	15474.99	1204.15	503.32	773.75	361.25	773.75	270.43
	DEFENCE							
3	Bharat Electronics Limited	8740.08	1357.67	408	437.00	407.30	437.00	29.00
	MINES							
4	National Aluminium Company Limited	12907.68	731.01	322.16	645.38	219.30	645.38	323.22
	PETROLEUM & NATURAL GAS							
5	GAIL (India) Limited	30584.87	2298.9	697.66	1529.24	689.67	1529.24	831.58
6	Indian Oil Corporation Limited	73948.73	10399.03	3399.13	3697.44	3119.71	3697.44	298.31
7	Oil India Limited	22316.18	2330.11	961.82	1115.81	699.03	1115.81	153.99
8	Oil and Natural Gas Corporation Limited	151022.6	16003.65	7272.18	7551.13	4801.10	7551.13	278.95
	POWER							
9	NTPC Limited	88782	10242.91	2762.24	4439.10	3072.87	4439.10	1676.86
10	Power Grid Corporation of India Limited	42733.97	6026.72	1208.5	2136.70	1808.02	2136.70	928.20
11	SJVN Limited	11063.86	1408.48	455.03	553.19	422.54	553.19	98.16
	RAILWAYS							
12	Container Corporation of India Limited	8105.83	786.93	263.21	405.29	236.08	405.29	142.08
13	IRCON International Limited	3530.26	379.27	168.26	176.51	113.78	176.51	8.25
	SHIPPING							
14	Dredging Corporation of India Limited	1543.88	79.67	8.4	77.19	23.90	77.19	68.79

(₹ in crore)

Sl. No	Name of the CPSE	Paid up Capital	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
	STEEL							
15	MOIL Limited	3453.37	172.98	84	172.67	51.89	172.67	88.67
	TOURISM							
16	India Tourism Development Corporation Limited	332.12	22.55	12.87	16.61	6.77	16.61	3.74

UNLISTED GOVERNMENT COMPANIES

	AGRICULTURE							
1	National Seeds Corporation Limited	541.38	43.41	11.46	27.07	8.68	27.07	15.61
	ATOMIC ENERGY							
2	Electronics Corporation of India Limited	770.46	74.54	14.91	38.52	14.91	38.52	23.61
3	Nuclear Power Corporation of India Limited	32459.08	2707.44	800.24	1622.95	541.49	1622.95	822.71
4	Uranium Corporation of India Limited	1991.03	102.12	30.64	99.55	20.42	99.55	68.91
	CHEMICALS AND FERTILIZERS							
5	Karnataka Antibiotics and Pharmaceuticals Limited	127.81	19.51	2.02	6.39	3.90	6.39	4.37
	COMMUNICATIONS AND INFORMATION TECHNOLOGY							
6	Telecommunications Consultants of India Limited	518.34	36.52	3.65	25.92	7.30	25.92	22.27
	DEFENCE							
7	Goa Shipyard Limited	670.84	61.89	18.62	33.54	12.38	33.54	14.92
	FINANCE							
8	General Insurance Corporation of India	47930.89	2848.39	860	2396.54	569.68	2396.54	1536.54
	HEALTH & FAMILY WELFARE							
9	HLL Lifecare Limited	544.32	28.88	3.87	27.22	5.78	27.22	23.35
	HEAVY INDUSTRIES AND PUBLIC ENTERPRISES							
10	Braithwaite Burn and Jessop Construction Company Limited	288.52	44.4	13.32	14.43	8.88	14.43	1.11
	HOUSING AND URBAN POVERTY ALLEVIATION							
11	Housing and Urban Development Corporation Limited	8445.81	783.79	100.01	422.29	156.76	422.29	322.28

(₹ in crore)

Sl. No	Name of the CPSE	Paid up Capital	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
	POWER							
12	DNH Power Distribution Corporation Limited	600.45	49.31	0.8	30.02	9.86	30.02	29.22
13	North Eastern Electric Power Company Limited	5988.42	372.55	22.59	299.42	74.51	299.42	276.83
14	THDC India Limited	8416.86	809.02	162	420.84	161.80	420.84	258.84
	RAILWAYS							
15	Indian Railway Finance Corporation Limited	11525.35	848.69	339.48	576.27	169.74	576.27	236.79
16	Rail Vikas Nigam Limited	2827.83	287.59	115.1	141.39	57.52	141.39	26.29
17	RailTel Corporation of India Limited	1057.68	103.83	41.53	52.88	20.77	52.88	11.35
	SMALL SCALE INDUSTRIES							
18	National Small Industries Corporation Limited	759.07	101.46	29.05	37.95	20.29	37.95	8.90
	SPACE							
19	Antrix Corporation Limited	1379.02	209.13	63	68.95	41.83	68.95	5.95
	STEEL							
20	MSTC Limited	732.48	59.88	18.04	36.62	11.98	36.62	18.58
	UNION TERRITORY ADMINISTRATION							
21	Andaman and Nicobar Islands Integrated Development Corporation Limited	110.55	15.95	3.5	5.53	3.19	5.53	2.03
	TOTAL							**9,011.46**

APPENDIX IV
(As referred to in Para 2.6)
Details of Companies which departed from Accounting Standards as reported by the statutory auditors

Sl. No.	Name of the Company	Category	Government Company (GC) or Government Controlled Other Company (DGC)	Number of the Accounting Standard
1	Agriculture Insurance Company of India Limited	Unlisted	DGC	1 and 9
2	Andrew Yule & Company Limited	Listed	GC	13
3	Bharat Sanchar Nigam Limited	Unlisted	GC	7, 12, 15, 17, 19, 22 and 28
4	Cement Corporation of India	Unlisted	GC	28
5	Hindustan Insecticides Limited	Unlisted	GC	2, 17, 22 and 29
6	ITI Limited	Listed	GC	13 and 28
7	Indian Drugs & Pharmaceuticals Limited	Unlisted	GC	2, 10 and 15
8	Jute Corporation of India Limited	Unlisted	GC	22
9	M S T C Limited	Unlisted	GC	11
10	Mahanagar Telephone Nigam Limited	Listed	GC	6, 10, 28 and 29
11	National Informatics Centre Services Inc.	Unlisted	GC	3, 4, 9, 15, 18 and 26
12	Security Printing and Minting Corporation of India Limited	Unlisted	GC	2, 6, 9, 10 and 29
13	Yule Engineering Limited	Unlisted	GC	1, 18 and 29
14	Yule Electrical Limited	Unlisted	GC	1

Appendix V

CPSEs covered for the chapter on Corporate Governance- Listed CPSEs (As referred to in Para No.3.1.4)

Sl. No.	Name of the CPSE
1	Andrew Yule & Co Ltd.
2	Balmer Lawrie and Company Limited
3	Balmer Lawrie Investments Limited
4	BEML Limited
5	Bharat Electronics Limited
6	Bharat Heavy Electricals Limited
7	Bharat Immunologicals and Biologicals Corporation Limited
8	Bharat Petroleum Corporation Limited
9	Chennai Petroleum Corporation Limited
10	Coal India Limited
11	Container Corporation of India Limited
12	Dredging Corporation of India Limited
13	Engineers India Limited
14	The Fertilisers and Chemicals Travancore Limited
15	Hindustan Cables Limited
16	Hindustan Copper Limited
17	Hindustan Fluoro Carbons Limited
18	Hindustan Organic Chemicals Limited
19	Hindustan Petroleum Corporation Limited
20	Hindustan Photo Films Mfg Co Limited
21	HMT Limited
22	India Tourism Development Corporation Limited
23	Indian Oil Corporation Limited
24	ITI Limited
25	KIOCL Limited
26	Madras Fertilizers Limited
27	Mahanagar Telephone Nigam Limited
28	Mangalore Refinery and Petrochemicals Limited
29	MMTC Limited
30	MOIL Limited
31	National Aluminium Company Limited
32	National Fertilizers Limited
33	NBCC (India) Limited
34	Neyveli Lignite Corporation Limited
35	NHPC Limited
36	NMDC Limited
37	NTPC Limited

38	Oil and Natural Gas Corporation Limited
39	Oil India Limited
40	Power Finance Corporation Limited
41	Power Grid Corporation of India Limited
42	Rashtriya Chemicals and Fertilizers Limited
43	Rural Electrification Corporation Limited
44	Scooters India Limited
45	The Shipping Corporation of India Limited
46	SJVN Limited
47	Steel Authority of India Limited
48	The State Trading Corporation of India Limited

APPENDIX-VI

(As referred to in Para No.4.3)
List of CPSEs covered for Corporate Social Responsibility

Sl. No.	Name of the CPSE	Category
1	Neyveli Lignite Corporation Limited	Navratna
2	Chennai Petroleum Corporation Limited	Miniratna Category-I
3	Cochin Shipyard Limited	Miniratna Category-I
4	Kamarajar Port Limited	Miniratna Category-I
5	Hindustan Newsprint Limited	Miniratna Category-I
6	Mangalore Refinery & Petrochemical Limited	Miniratna Category-I
7	Hindustan Aeronautics Limited	Navratna
8	Bharat Electronics Limited	Navratna
9	Bharat Dynamics Limited	Miniratna Category-I
10	BEML Limited	Miniratna Category-I
11	Garden Reach Shipbuilders & Engineers Limited	Miniratna Category-I
12	Goa Shipyard Limited	Miniratna Category-I
13	Mazagaon Dock Limited	Miniratna Category-I
14	Mishra Dhatu Nigam Limited	Miniratna Category-I
15	NMDC Limited	Navratna
16	Rashtriya Ispat Nigam Limited	Navratna
17	Dredging Corporation of India Limited	Miniratna Category-I
18	KIOCL Limited	Miniratna Category-I
19	Steel Authority of India Limited	Maharatna
20	National Aluminium Company Limited	Navratna
21	Balmer Lawrie & Co. Limited	Miniratna Category-I
22	Bridge & Roof Company (India) Limited	Miniratna Category-I
23	Hindustan Copper Limited	Miniratna Category-I
24	Hindustan Paper Corporation Limited	Miniratna Category-I
25	MSTC Limited	Miniratna Category-I
26	North Eastern Electric Power Corporation Limited	Miniratna Category-I
27	Numaligarh Refinery Limited	Miniratna Category-I
28	The Shipping Corporation of India Limited	Navratna
29	Rashtriya Chemicals & Fertilizers Limited	Miniratna Category-I
30	NBCC (India) Limited	Navratna
31	India Trade Promotion Organization	Miniratna Category-I
32	MMTC Limited	Miniratna Category-I
33	The State Trading Corporation of India Limited	Miniratna Category-I
34	Oil India Limited	Navratna
35	Coal India Limited	Maharatna
36	Bharat Coking Coal Limited	Miniratna Category-I
37	Central Coalfields Limited	Miniratna Category-I
38	Mahanadi Coalfields Limited	Miniratna Category-I

39	Northern Coalfields Limited	Miniratna Category-I
40	South Eastern Coalfields Limited	Miniratna Category-I
41	Western Coalfields Limited	Miniratna Category-I
42	Hindustan Petroleum Corporation Limited	Navratna
43	Bharat Petroleum Corporation Limited	Navratna
44	Oil & Natural Gas Corporation Limited	Maharatna
45	GAIL (India) Limited	Maharatna
46	Indian Oil Corporation Limited	Maharatna
47	National Fertilizers Limited	Miniratna Category-I
48	ONGC Videsh Limited	Miniratna Category-I
49	Security Printing and Minting Corporation of India Limited	Miniratna Category-I
50	Engineers India Limited	Navratna
51	Projects & Development India Limited	Miniratna Category-I
52	Bharat Heavy Electricals Limited	Maharatna
53	NTPC Limited	Maharatna
54	Power Finance Corporation Limited	Navratna
55	Power Grid Corporation of India Limited	Navratna
56	Rural Electrification Corporation Limited	Navratna
57	Housing & Urban Development Corporation Limited	Miniratna Category-I
58	MOIL Limited	Miniratna Category-I
59	NHPC Limited	Miniratna Category-I
60	SJVN Limited	Miniratna Category-I
61	THDC India Limited	Miniratna Category-I
62	Central Warehousing Corporation	Miniratna Category-I
63	HLL Lifecare Limited	Miniratna Category-I
64	Indian Rare Earths Limited	Miniratna Category-I
65	Indian Renewable Energy Development Agency Limited	Miniratna Category-I
66	National Seeds Corporation Limited	Miniratna Category-I
67	WAPCOS Limited	Miniratna Category-I
68	Antrix Corporation Limited	Miniratna Category-I
69	Mahanagar Telephone Nigam Limited	Navratna
70	Bharat Sanchar Nigam Limited	Miniratna Category-I
71	Indian Railway Catering & Tourism Corporation Limited	Miniratna Category-I
72	IRCON International Limited	Miniratna Category-I
73	Railtel Corporation of India Limited	Miniratna Category-I
74	Rail Vikas Nigam Limited	Miniratna Category-I
75	RITES Limited	Miniratna Category-I
76	Container Corporation of India Limited	Navratna

APPENDIX-VII

(As referred to in Para No.4.4.2.1)

Details of CPSEs who have not maintained the bifurcation of prescribed and available amount

(₹ in crore)

Sl. No.	Name of the CPSE	Available amount	Actual Spent from available	Shortfall (*per cent*)
1	Antrix Corporation Limited	13.10	1.71	86.95
2	Oil and Natural Gas Corporation Limited	1941.90	421.00	78.32
3	Mazagaon Dock Limited	30.50	11.69	61.67
4	National Seeds Corporation Limited	1.25	0.55	56.00
5	Bharat Petroleum Corporation Limited	154.66	95.59	38.19
6	NMDC Limited	298.19	210.09	29.00
7	Steel Authority of India Limited	100.16	76.16	23.96
8	Engineers India Limited	41.63	14.10	66.13
9	North Eastern Electric Power Corporation Limited	11.99	10.30	14.10
10	Indian Oil Corporation Limited	161.11	156.68	2.75
11	India Trade Promotion Organisation	6.61	4.07	38.43
12	Hindustan Aeronautics Limited	91.90	90.70	1.31
13	Northern Coalfields Limited	95.11	153.97	0.00
14	Mahanadi Coalfields Limited	327.87	184.64	43.68
15	Rashtriya Chemical Fertilizers Limited	9.38	9.66	0.00
16	Bharat Dynamics Limited	23.11	11.27	51.23
17	MoIL Limited	13.89	14.47	0.00
18	NHPC Limited	96.36	72.68	24.57
19	Container Corporation of India Limited	30.96	30.96	0.00
20	Rail Vikas Nigam Limited	0.00	5.98	0.00
21	Central Warehousing Corporation	5.30	5.27	0.57