Report of the
Comptroller and Auditor General of India

for the year ended 31 March 2017

Union Government (Commercial)
Report No. 18 of 2018
General Purpose Financial Reports of
Central Public Sector Enterprises
(Compliance Audit)

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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 in respect of Central Warehousing Corporation after Chartered Accountants appointed under the statutes have conducted their audit.

3. Audit Reports on the accounts of a Government Company or Corporation for the year ending 31 March 2017 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 2014-15, 2015-16 and 2016-17 (to the extent received). In respect of CPSEs where any particular year's accounts were not received before 30 September 2017, 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.6 of 2017 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

There were 636 Central Government Public Sector Enterprises (CPSEs) under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2017. These included 438 Government Companies, 192 Government Controlled Other Companies and 06 Statutory Corporations. This Report deals with 406 Government Companies and Corporations (including 06 Statutory Corporations) and 173 Government Controlled Other Companies. Fifty seven CPSEs (including 19 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 are not covered in this Report.

[Para 1.1.3]

Investment by Government of India

The accounts of 406 Government Companies and Corporations indicated that the Government of India (GoI) had an investment of ₹3,24,270 crore in share capital. The loans given by GoI outstanding as on 31 March 2017 amounted to ₹79,671 crore. Compared to the previous year, investment by the GOI in equity of CPSEs registered a net increase of ₹25,470 crore and loans outstanding increased by ₹11,799 crore during 2016-17. The GoI realised ₹46,246.58 crore from disinvestment of its shares in 14 CPSEs as against Budgeted receipt of ₹56,500 crore.

[Para 1.2.1.1, 1.2.1.2 and 1.2.2]

Market Capitalisation

The total market value of shares of 46 listed Government Companies (including 04 subsidiary companies) the shares of which were traded during 2016-17 stood at ₹15,14,177 crore as on 31 March 2017. Market value of shares held by the GoI in 42 listed Government Companies (excluding 04 subsidiary companies) stood at ₹9,79,564 crore as on 31 March 2017.

[Para 1.2.4]

Return on Equity

212 Government Companies and Corporations earned profit of ₹1,58,373 crore during 2016-17 of which, 74.69 *per cent* (₹1,18,273 crore) was contributed by 49 Government Companies and Corporations in three sectors viz., Petroleum, Coal and Lignite and Power. Return on Equity (ROE) in these 212 CPSEs was 13.78 per cent in 2016-17 as compared to 14.83 per cent in 203 CPSEs in 2015-16.

[Para 1.3.1]

One hundred and eleven Government Companies and Corporations declared dividend of ₹82,491 crore during the year 2016-17. Out of this, dividend received/receivable by GoI amounted to ₹47,226 crore which represented 14.57 *per cent* return on the total investment by the GoI (₹3,24,270 crore) in all Government Companies and Corporations.

Sixteen Government Companies under the Ministry of Petroleum and Natural Gas contributed ₹34,918 crore representing 42.33 *per cent* of the total dividend declared by all Government Companies and Corporations.

There were 157 CPSEs that incurred losses during the year 2016-17. The losses incurred by these companies during the year 2016-17 amounted to ₹30,678 crore compared to ₹31,957 crore in 2015-16.

Non-compliance with directive of Government of India on declaration of dividend by 20 CPSEs resulted in a shortfall of ₹5456.56 crore in the payment of dividend to GoI for the year 2016-17.

[Para 1.3.2]

Net Worth/Accumulated Loss

There were 188 Government Companies and Corporations with accumulated losses of ₹1,23,194 as on 31 March 2017. Of these, the net worth of 71 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 ₹71,935 crore as on 31 March 2017. Only 11 out of these 71 companies earned profit of ₹2958 crore during the year 2016-17.

[Para 1.4.1]

II. Oversight role of CAG

Annual accounts for the year 2016-17 were received from 544 CPSEs out of 630 CPSEs (excluding six Corporations) in time (i.e. by 30 September 2017). Of these, accounts of 332 CPSEs were reviewed in audit.

[Paras 2.3.2 and 2.5.2]

The CAG introduced the system of Three Phase Audit of accounts of CPSEs on consensus basis in order to enhance the quality of financial reporting. This had led to a significant improvement in the quality of their financial statements. As a result of Three Phase Audit in 71 CPSEs the changes in profitability and in value of assets/liabilities was ₹16,248.55 crore and ₹21391.15 crore, respectively, for the year 2016-17.

[Para 2.5.1]

Departures from Accounting Standards

Deviations from the provisions of Accounting Standards in preparation of the financial statements were noticed in 16 companies by the statutory auditors. CAG also pointed out such deviations in 3 companies.

[Para 2.6]

Management Letters

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit which are not material observations on the financial statement were communicated to the management of 114 CPSEs through 'Management Letter' for taking corrective action.

[Para 2.7]

III. Corporate Governance

The review of Corporate Governance covered 52 listed CPSEs (49 listed CPSEs and 3 CPSEs whose bonds were listed) under the administrative control of various Ministries. Provisions of the Companies Act, 2013; DPE guidelines; Regulations of Securities and Exchange Board of India regarding Corporate Governance, though mandatory, were not being complied with by some of the CPSEs. During the year the following significant departures from the prescribed guidelines were noticed:

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

  [**Para 3.2.1 and 3.2.3]**

- Representation of independent directors in 37 CPSEs was below the required number. There was no independent director on the Board of Directors of 4 CPSEs.

  [Para 3.2.2]

- The independent directors did not attend Board meeting/Board committee meeting in 29 CPSEs, and the independent directors did not attend General meeting in 18 CPSEs.

  [Para 3.3.4 and 3.3.5]

- Evaluation of performance of independent directors as required was not conducted by Board of Directors in 41 CPSEs.

[Para 3.3.7]

- Vacancies of independent directors were not filled in time in 23 CPSEs. Vacancies of functional directors in 16 CPSEs were not filled in time.

[Para 3. 5]

- While all the CPSEs under review with the exception of Scooters India Limited constituted audit committee, the number of independent directors in the audit committee was below the prescribed number in six CPSEs.

[Para 3.6.1]

- There was no whistle blower mechanism in 3 CPSEs. In 7 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 77 CPSEs (seven Maharatna, 17 Navratna, 50 Miniratna Category-I and three Miniratna Category-II) under the administrative control of 24 Ministries/ Departments. The period of one year ended March 2017 was covered during the review. Following significant observations were made in the review:

[Para 4.3]

- Fifteen CPSEs have constituted CSR committee during the year 2016-17 with a delay ranging from 25 to 39 months in constitution of CSR Committee. Two CPSEs out of qualifying CPSEs did not have independent director in the Committee during 2016-17. CSR policy of five CPSEs did not indicate the activities to be undertaken, from the 11 activities specified in schedule VII of the Companies Act 2013.

[Para 4.5.1.1] [Para 4.5.1.2] [Para 4.5.1.4]

- Review of 77 CPSEs revealed that 49 of the 66 profit making CPSEs had allocated at least two *per cent* of the average net profit. Thirteen profit making CPSEs did not allocate the prescribed amount for CSR expenditure. Expenditure on CSR of 41 CPSEs was above two *per cent* of the average net profit, whereas, the expenditure of 25 CPSEs was below 2 *per cent* of average net profit.

[Para 4.5.2] [Para 4.5.2.1]

- CPSEs have spent more in Andhra Pradesh, Odisha, Uttar Pradesh, Gujarat and Chhattisgarh, whereas, expenditure in Punjab and north-eastern States such as Mizoram, Manipur, Nagaland, Sikkim is insignificant.

[Para 4.5.2.3]

- Fifty seven CPSEs preferred combination of exclusive direct, own foundation, collaboration with other Companies and Society/Trust/ Section 8 Company as their medium of implementation, whereas 11 CPSEs prefer exclusive direct mode of implementation for undertaking CSR activities.

[Para 4.5.3.2]

- Nineteen CPSEs out of seventy seven CPSEs did not carry out any baseline/need assessment surveys prior to selection of CSR activities.

[Para 4.5.3.3]

- Forty nine out of seventy seven CPSEs, had defined local area of operations however; the same did not form part of CSR Policy of five CPSEs. Twenty four CPSEs had not defined the local area of their operations.

[Para 4.5.3.4]

- During the year 2016-17, the number of projects undertaken by 77 CPSEs was 8840 and CSR expenditure thereon (including amount spent from the carried forward amount of previous years) was ₹3150.37crore. Education and skill development, Healthcare, Rural Development and Environment sustainability with total expenditure of ₹1036 crore, ₹826 crore, ₹417 crore and ₹394 crore, formed the thrust areas for CSR. Whereas, focus on Technology incubation, Armed forces, Funds set up by Central Government and Slum Area Development was limited.

[Para 4.5.3.5]

- Out of 55 CPSEs, expenditure on administrative overheads for the financial year 2016-17 of three CPSEs exceeded 5 *per cent* of the total CSR expenditure of the company. Out of the total expenditure of ₹75.61 crore on CSR activities by 26 CPSEs, ₹66.60 crore was towards salaries of CSR staff which was inadmissible.

[Para 4.5.3.6]

- Out of 77 CPSEs there was no monitoring mechanism in place in six CPSEs.

[Para 4.5.4.2]

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

Audit has carried out analysis of MOU between 17 'Navratna' companies and their respective Administrative Ministries for the years 2015-16 and 2016-17.

[Para 5.5]

As per the MOU guidelines, the targets should be the maximum achievable under the given and anticipated circumstances and the basic target of relevant financial parameter should be determined on the basis of projection based on actual achievement of last five years. However, the targets fixed in respect of eight CPSEs were lower than their actual achievement against these parameters in the previous years. The under-pitching of targets eventually helped the CPSEs to achieve better ratings. Improper evaluation of parameters were also noticed in three CPSEs.

[Para 5.7.1]

The MOU guidelines mandated benchmarking of parameters with reference to national and international peers which was not carried out by six CPSEs.

[Para 5.7.3]

Though the MOU guidelines mandated the CPSEs to incorporate necessary commitment from Administrative Ministry in the MOU for filling up positions of non-official Directors on their Board and for compliance of provisions of Listing Agreement and Companies Act regarding independent and woman Directors, some positions of independent and woman Directors in 7 CPSEs were lying vacant.

[Para 5.7.4]

Delay in submission of MOU to Department of Public Enterprises and Administrative Ministries and also in signing the final MOU were also noticed in case of 5 CPSEs.

[Para 5.7.6]

VI. Joint Venture operations of CPSEs

The audit covered CPSEs categorised as Maharatna, Navratna and Miniratna. There were 98 CPSEs categorised as Maharatna, Navratna and Miniratna by the Department of Public Enterprises (May 2017). Out of this, 46 CPSEs did not have any JV and accordingly, 52 CPSEs (7 Maharatna, 17 Navratna and 28 Miniratna) were covered under this review.

The following significant observations were made in the review:

- Out of 251 incorporated JVs where information was available, selection of JV partner in 84 JVs was as per directives of Government, 19 JVs through Open tender, 75 JVs through choice out of few prospective partners identified by

CPSEs, 49 JVs on nomination basis and in 24 cases, investment was made by CPSEs in already existing JVs.

(Para 6.7.1)

- four CPSEs were short of attendance of at least two non-official directors in the Board Meeting where appraisal of formation of JV was deliberated upon.

(Para 6.7.1.(i))

- In respect of three CPSEs, the representation of CPSEs in the Management and operation of JVs was not as per JV agreement.

(Para 6.7.1.(ii))

- None of the Maharatna/ Navratna CPSEs had submitted comprehensive list of JVs formed and status thereof to DPE on a half-yearly basis.

(Para 6.7.2)

- Out of 158 incorporated JVs for which information was received, 76 JVs were earning profit, 64 JVs were incurring loss and 18 JVs earned profit only in the year 2016-17 but had accumulated losses.

(Para 6.7.3)

- Indian Oil Corporation Limited while forming its JVs did not obtain prior approval of the Board of Directors in violation of DPE guideline. Further no pilot study was conducted to ensure the commercial viability of the project before submitting to the Board.

(Para 6.7.4)

- ONGC Videsh Limited in respect of its overseas E&P projects where investment was more than ₹300 crore, obtained investment approvals of ₹11239.83 crore from Oil and Natural Gas Corporation Limited instead of Cabinet Committee on Economic Affairs (CCEA)

(Para 6.7.5)

VII. Compliance with Provisions of Public Procurement Policy, 2012 for Micro and Small Enterprises

The review of Compliance with Provisions of Public Procurement Policy, 2012 for Micro and Small Enterprises covered 18 listed CPSEs under administrative control of various Ministries. Provisions of the Public Procurement Policy, 2012 for Micro and Small Enterprises though became mandatory from 1 April 2015, are not being complied with by some of the CPSEs. During the period from 2012-13 to 2016-17 covered in audit, the following were noticed:

- CPSEs were mandatorily required to procure a minimum of 20 *per cent* of their total procurement from MSEs. Out of 18 selected CPSEs, 7 had achieved the target of minimum of 20 *per cent* of their total procurement from MSEs during 2015-16 and 2016-17.

[Para 7.5.1 (a)]

- Nine CPSEs excluded significant quantum of their procurement while reporting compliance with the policy of purchasing specified percentage of goods and services from MSEs.

[Para 7.5.1 (b)]

- There were significant outstanding payables to MSEs in 8 CPSEs though it was mandatory to make such payments within 45 days.

[Para 7.5.2]

- Eleven of the eighteen selected CPSEs followed the provisions of Purchase Preference Clause of the Policy and a total of 5553 MSEs benefitted due to compliance with the provision of the clause.

[Para 7.5.4]

- Items designated for procurement from MSEs were being procured from non MSEs by four CPSEs.

[Para 7.5.5]

- Eight out of eighteen selected CPSEs had not uploaded their annual procurement plan from MSEs on their websites and five CPSEs had not reported goals and achievement of procurement targets from MSEs in their annual reports.

[Para 7.5.7]

- Downgrading through deduction of marks in rating of the CPSEs for non-achievement of targets under Memorandum of understanding has not proved an effective deterrent against non-implementation of the policy.

[Para 7.6]

VIII. Impact of Implementation of Indian Accounting Standards in Selected Central Public Sector Enterprises

The Ministry of Corporate Affairs had notified Indian Accounting Standards (Ind AS) which were applicable for companies in phased manner from financial year 2016-17. The standalone financial statements of 67 CPSEs consisting of Maharatna, Navratna, Miniratna companies, which have adopted Ind AS in preparation of their financial statements w.e.f. 01 April 2016, have been selected for review of Impact of Implementation of Indian Accounting Standards on Central Public Sector Enterprises (CPSEs). The impact of implementation of Ind AS in these CPSEs on their revenues, profit after tax (PAT), net worth and total assets of the CPSEs were reviewed. The impact was assessed by comparing the values as on 31 March 2016 as per the Ind AS compared to corresponding values as per Indian Generally Accepted Accounting Principles (IGAAP) on the same date.

[Para 8.1, 8.3]

Impact on Profit after Tax (PAT)

Consequent to adoption of Ind AS, increase in profits were noticed in CPSEs in the defence sector, infrastructure sector, power sector and shipping sector whereas profits of CPSEs in communication sector, energy sector, fertiliser sector, metal sector and mining sector had shown decrease. Out of 67 CPSEs reviewed, in case of 39 CPSEs (58 *per cent*), the profits increased, whereas the profits decreased in case of 28 CPSEs (42 *per cent*).

The overall maximum increase of ₹412.53 crore in Profit After Tax (PAT) of CPSEs was noticed in infrastructure sector whereas overall maximum decrease of ₹1454.20 crore in PAT of CPSEs was noticed in energy sector. The Shipping Corporation of India recorded the highest increase in profits of ₹375.99 crore due to adoption of Ind AS whereas the reduction of profits was the highest in respect of ONGC Videsh limited which recorded a decrease of profits of ₹1835 crore.

[Para 8.7]

Impact on Revenues

45 CPSEs (67 *per cent*) out of the reviewed CPSEs carried out adjustment on revenues consequent to adoption of Ind AS. Out of this, 20 CPSEs (44 *per cent*) reported an increase and 25 CPSEs (56 *per cent*) reported decrease in revenue. The overall maximum increase of ₹29691.18 crore in revenue was noticed in CPSEs belonging to the energy sector.

[Para 8.9]

Impact on Total Assets

49 CPSEs (73 *per cent*) out of the 67 CPSEs reviewed, carried out adjustment on value of total assets consequent to adoption of Ind AS. Out of this, 29 CPSEs (59 *per cent*) reported an increase in value and 20 CPSEs (41 *per cent*) reported decrease in total value of assets. The overall maximum increase of ₹73560 crore in value of total assets was noticed in the case of CPSEs in the communication sector whereas overall maximum decrease of ₹1095.99 crore in total value of assets was noticed in case of CPSEs in the defence sector.

[Para 8.10]

Impact on Net Worth

66 CPSEs (99 *per cent*) out of the CPSEs subject to review, carried out adjustment on value of net worth consequent to adoption of Ind AS. Out of this, 46 CPSEs

(70 *per cent*) reported an increase in net worth and 20 CPSEs (30 *per cent*) reported decrease in net worth. The overall maximum increase of ₹58383.81 crore in net worth was noticed in respect of CPSEs belonging to the communication sector whereas overall maximum decrease of ₹4719.76 crore in net worth was noticed in respect of CPSEs belonging to the mining sector.

[Para 8.11]

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 union 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) in the Survey published by DPE, that, CPSEs meant those Government Companies, besides Statutory Corporations, wherein more than 50 *per cent* of the equity shares was held by the Union Government. The subsidiaries of these companies, if registered in India, were also categorised as CPSEs. It did not cover departmentally run public enterprises, banking institutions and insurance companies. In view of difference in definition adopted by the Comptroller &

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

Auditor General of India (CAG) and DPE, there may be differences in the 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 Section143(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 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 2016-17.

1.1.2 What this Report contains

This Report provides an overall picture of the financial performance of Central Government owned 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 2016-17 (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 the guidelines issued by the Securities and Exchange Board of India (SEBI) and DPE on Corporate Governance, compliance with provisions of Companies Act, 2013 and guidelines issued by DPE on Corporate Social Responsibility, analysis of Memorandum of Understanding (MoU) between Central Government and CPSEs, joint ventures of CPSEs, Compliance with provisions of Public Procurement Policy, 2012 for Micro and Small Enterprises and the impact of implementation of Indian Accounting Standards (Ind-AS) on the financial statements of CPSEs.

1.1.3 Number of CPSEs and Government Controlled other Companies

As on 31 March 2017, there were 636 CPSEs under the audit jurisdiction of the CAG. These include 438 Government Companies, 06 Statutory Corporations [2] and 192 Government Controlled Other Companies. Of these, financial performance of 579 CPSEs is covered in this report and the nature of these CPSEs is indicated in Table 1.1:

- **Government Companies 438**
- **Government Controlled other Companies 192**
- **Statutory Corporations 6**
- **Total CPSEs 636**

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

Nature of the CPSE's	Total number	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Accounts up to 2016-17	Accounts up to		Total	
			2015-16	2014-15		
Government Companies	438	376	21	3	400	38
Statutory Corporations	6	6	0	0	6	0
Total number of Companies/Corporations	444	382	21	3	406	38
Government Controlled other Companies	192	168	3	2	173	19
Total	**636**	**550**	**24**	**5**	**579**	**57**

The details of Government Companies/Government Controlled Other Companies which came under/went out from the purview of CAG's audit during 2016-17 are given in **Appendix I**.

This Report does not include 57 CPSEs (including 19 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.**

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[2] ***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***

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

Number of CPSEs	444
CPSEs covered	406
Paid up capital (406 CPSEs)	₹ 4,34,734 crore
Long term Loans (406 CPSEs)	₹ 11,70,568 crore
Market capitalisation (46 listed Government Companies)	₹ 15,14,177 crore
Net profit (212 CPSEs)	₹ 1,58,373 crore
Net loss (157 CPSEs)	₹ 30,678 crore
Zero Profit/Loss (37 CPSEs)[3]	
Dividend declared (111 CPSEs)	₹ 82,491 crore
Total Assets (406 CPSEs)	₹ 39,98,986 crore
Value of production (406 CPSEs)	₹ 17,26,452 crore
Net worth (406 CPSEs)	₹ 14,28,319 crore

1.2 Investment in Government Companies and Corporations

The amount of investment in equity and long term loans in 406[4] Government Companies and Corporations as at the end of 31 March 2017 is given in Table 1.2:

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

(₹ in crore)

Sources of investment	As on 31 March 2017			As on 31 March 2016		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
1.Central Government	324270	79671	403941	298800	67872	366672
2. Companies/ Corporations owned by Central Government	48699	24777	73476	38640	24072	62712
3. State Governments/ State Government owned Companies and Corporations	26572	12196	38768	24480	9839	34319
4. Financial Institutions/ Others	35193	1053924	1089117	31822	970084	1001906
Total	**434734**	**1170568**	**1605302**	**393742**	**1071867**	**1465609**
Percentage of investment of Central Government to Total investment	74.59	6.81	25.16	75.89	6.33	25.02

[3] *Out of 406, there were 37 CPSEs which earned no profit or incurred no loss during 2016-17 since either operations were not started or losses/net expenses were adjusted with Fund or Project Cost. In case of Inland Waterways Authority of India (IWAI), net loss of ₹145.83 crore was adjusted with IWAI Fund constituted as per IWAI Act, 1985 whereas in case of National Highways Authority of India (NHAI) set up as per NHAI Act, 1988 for the development, maintenance and management of national highways and for matter connected therewith or incidental thereto, net loss of ₹278.72 crore was adjusted with its Fixed Assets.*

[4] *444 CPSEs– 38 CPSEs whose accounts were in arrears*

1.2.1 Investment in equity

1.2.1.1 Equity Information

During 2016-17, the total investment at face value of equity[5] in the 406 CPSEs covered in this Report registered a net increase of ₹40,992 crore. The equity of holding of Central Government at face value in CPSEs increased by ₹25,470 crore[6]. The increase of ₹25,470 crore was the net result of issue of shares having face value of ₹28,153 crore in 54 CPSEs and disinvestment and buy back of shares having face value of ₹2,683 crore in 11[7] CPSEs. Out of the new equity investment of ₹28,153 crore by Central Government during the year 2016-17, new investment of ₹22,297 crore was in the form of equity leading to cash inflow to the concerned CPSE and ₹5,856 crore was in the form of issue of bonus shares and conversion of loan into equity not involving cash inflow to the concerned CPSE. Review in audit of the purpose of additional investment of equity of ₹22,297 crore involving cash flow in CPSEs indicated that investment of ₹21,499 crore was for meeting capital items of expenditure in 28 CPSEs, ₹509.89 crore for meeting expenditure on social sector schemes which were of revenue nature in 04 CPSEs, ₹66.78 crore for meeting revenue items of expenditure like payment towards salaries, provident fund, statutory dues etc. in Bharat Wagon and Engineering Company Limited and investment of ₹221 crore in Mumbai Metro rail corporation Limited was towards meeting both capital and revenue expenditure.

Investment in equity by Central Government and others during the three years ended 31 March 2017 in Government Companies and Corporations is depicted in Chart I.

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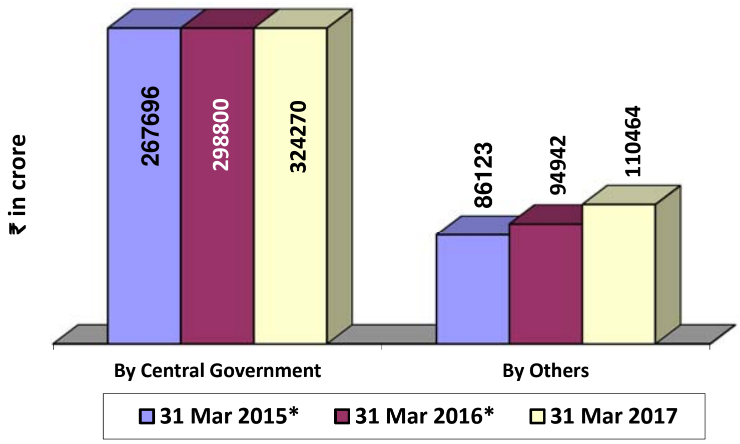
5 *Equity/Shareholders Fund= Paid up Share Capital (+) Free Reserves and Surplus (-) Accumulated loss (-) Deferred Revenue Expenditure*

6 *The provisional figures of 21 CPSEs including Air India Limited have been included in this audit report on the basis of figures from their last audited accounts as the accounts for the year 2016-17 were not received before cut off date i.e. 30 September 2017 for preparation of the report. Hence, equity infusion of ₹2,465.21 crore by Central Government in Air India Limited during 2016-17 had not been included in total equity infusion of ₹28,153 crore. Further, in case of Hindustan Cables Limited and Mumbai Metro Rail Corporation Limited, equity of ₹4,755.56 crore and ₹100 crore respectively were infused by Central Government during 2016-17, however the same was not included in total equity infusion of ₹28,153 crore as allotment of shares was pending during 2016-17.*

7 *The equity was disinvested in case of 14 CPSEs, however in case of 03 CPSEs. i.e. Engineers India Limited, Indian Oil Corporation Limited and NBCC (India) Limited, the disinvestment was adjusted with the amount of bonus shares issued and the net amount of bonus shares was depicted as equity infusion.*

Chart I: Investment in Equity in Government Companies and Corporations



*(*Previous years' figures updated during 2016-17 as accounts of that year were received)*

Details of significant investments (investment of more than ₹2,000 crore) made by the Central Government during 2016-17 in the paid up capital of the CPSEs is given in Table 1.3:

Table 1.3: Significant investments made by the Central Government

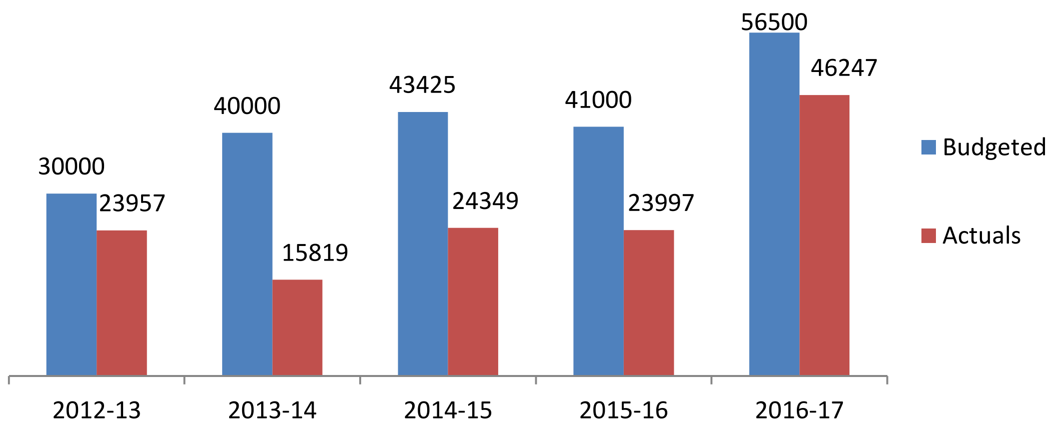
(₹ in crore)

Name of the CPSEs	Name of the Ministry	Amount
Statutory Corporations		
National Highways Authority of India	Road Transport and Highways	14,079
Government Companies		
Dedicated Freight Corridor Corporation Limited	Railways	2,856
Indian Railway Finance Corporation Limited	Railways	2,000

1.2.1.2 Disinvestment

The year wise target of disinvestment in CPSEs and the amount realised there against by Central Government during last five years ending 31 March 2017 is depicted in Chart II:

Chart II: Disinvestment target and actual realisation (₹ in crore)



During 2016-17, the Central Government realised ₹46,246.58 crore[8] against a budgeted receipt of ₹ 56,500 crore on disinvestment in CPSEs. The realised amount consisted of ₹8,499.98 crore from CPSE Exchange Traded Fund (CPSE-ETF)[9], ₹10,778.71 crore from disinvestment of strategic holdings of Specified Undertaking of the Unit Trust of India (SUUTI)[10] investment and balance ₹26,967.89 crore from disinvestment of holdings in 14 CPSEs. The CPSE wise disinvestment proceeds is given in Table 1.4.

Table 1.4: Receipt of Disinvestment proceeds

Sl No	Name of the CPSEs	Percentage of shares disinvested	Number of shares disinvested	Amount realised (₹ in crore)
1	Bharat Electronics Limited (Buyback; OFS[11])	5.61	2,49,96,910	3475.26
2	Coal India Limited (Buyback)	1.25	7,88,42,816	2638.24
3	Container Corporation of India Limited (Employee OFS)	0.25	82,340	9.34
4	Dredging Corporation of India Limited(Employee OFS)	0.09	25,687	0.93
5	Engineers India Limited (Employee OFS)	0.5	124,75,256	31.38
6	Hindustan Copper Limited(OFS)	7	154,78,59,450	399.93

8 *Source: Department of Investment & Public Asset Management*

9 *CPSE ETF is made up of a basket of shares of different CPSEs that tracks an index fund, but trades like a stock on the exchange. ₹8,499.98 crore was realised from disinvestment of shares of 10 CPSEs consisting of ONGC Limited, Coal India Limited, Indian Oil Corporation Limited, GAIL India Limited, Power Finance Corporation Limited, Rural Electrification Corporation Limited, Container Corporation of India Limited, Bharat Electronics Limited, Oil India Limited, Engineers India Limited.*

10 *SUUTI was formed by the restructuring of the erstwhile Unit Trust of India (UTI) into UTI Trustee Company Private Limited. It came into effect from Ist February 2003 on the passing of Unit Trust of India (transfer of Undertakings and Repeal) Act 2002. SUUTI has been entrusted with the responsibility of managing the schemes mentioned in Schedule I of the Repealed Act. During 2016-17 ₹10,778.70 crore was realised by SUUTI through sale of shares of L&T Limited and ITC Limited.*

11 *OFS: Offer for sale (OFS) is a segment wherein Promoter/Promoter Group Entities/Non Promoters can sell shares in a transparent manner through the bidding platform of the Exchange.*

7	Indian Oil Corporation Limited(Employee OFS)	0.5	71,39,518	262.49
8	MOIL Limited (Buyback; OFS)	15.36	4,53,66,245	1278.82
9	National Aluminium Company Limited (Buyback)	6.36	64,43,00,132	2831.71
10	NBCC (India) Ltd (OFS)	15	13,50,00,000	2201.14
11	NHPC Limited (Employee OFS; Buyback)	11.46	187,28,02,821	4686.34
12	NLC India Ltd. (Buyback)	0.68	14,45,46,266	1429.38
13	NMDC Limited (Buyback)	5.06	800,820,108	7519.15
14	NTPC Limited (Employee OFS)	0.22	1,75,82,590	203.78
	Total			**26967.89**

The guidelines on capital restructuring of CPSEs issued by the Department of Investment & Public Asset Management (DIPAM), Ministry of Finance in May 2016 envisaged that every CPSE having net-worth of at least ₹2,000 crore and cash and bank balance of over ₹1,000 crore should exercise the option to buy-back its shares. However, CPSEs given in Table 1.5 had not complied with these guidelines (30 September 2017):

Table 1.5: CPSEs which did not comply with guidelines on buy back shares

Sl no	Name of the CPSE
1	Rural Electrification Corporation Limited
2	Nuclear Power Corporation of India Limited
3	Cochin Shipyard Limited
4	Power Finance Corporation Limited
5	SJVN Limited
6	Bharat Heavy Electricals Limited
7	National Insurance Company Limited
8	Security Printing and Minting Corporation of India Limited
9	General Insurance Corporation of India

The guidelines further envisaged that every CPSE should issue bonus shares if its defined reserves and surplus was equal to or more than 10 times of it's paid up equity share capital. However, CPSEs given in Table 1.6 had not complied with these guidelines (30 September 2017):

Table 1.6: CPSEs which did not comply with guidelines on issue of bonus shares

Sl no	Name of the CPSE	Paid up Capital	Defined Reserves	Remarks
		as on 31 March 2017 ₹ in crore		
1	The FCI Aravali Gypsum and Minerals India Limited	7.33	211.05	Applied for approval of issue bonus shares
2	BEML Limited	41.77	2139.78	Approval for exemption sought for
3	Antrix Corporation Limited	4.00	1422.59	

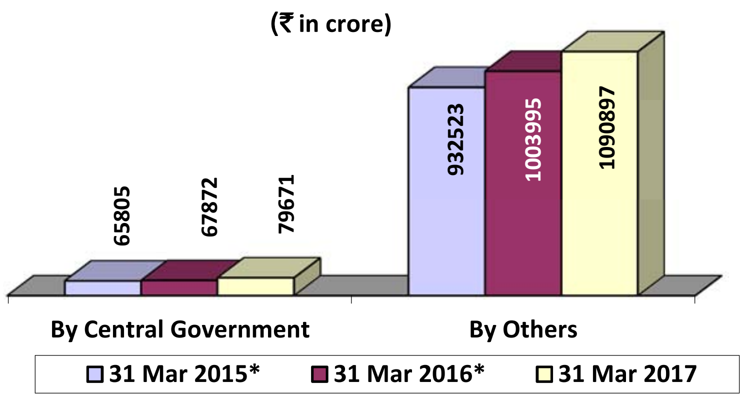
4	General Insurance Corporation of India	430.00	18015.77	Issue of Initial Public Offer (IPO) in Oct 2017
5	National Insurance Company Limited	100.00	3779.24	--
6	Broadcast Engineering Consultants India Limited	1.37	15.33	--
7	Cochin Shipyard Limited	113.28	1905.72	Issue of IPO in Aug 2017
8	Dredging Corporation of India Limited	28.00	1220.00	Approval for amendment of Articles sought for

1.2.2 Loans given to Government Companies and Corporations

1.2.2.1 Computation of long term loans outstanding as on 31 March 2017

The total long term loans from all sources outstanding in 406 CPSEs as on 31 March 2017 was ₹11,70,568 crore. Compared to long term loans from all sources as on 31 March 2016, CPSEs registered an increase of ₹98,701 crore as on 31 March, 2017. Out of the total loans of CPSEs as on 31 March 2017, loans from Central Government was ₹79,671 crore. Year wise details of outstanding long term loans of Government Companies and Corporations is depicted in Chart III.

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



(*Previous years' figures updated during 2016-17 when accounts of that year were received)

Out of 406 CPSEs, there were 243 CPSEs (including 01 Statutory Corporation) which did not have any outstanding long term loan.

1.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in 163 CPSEs which had outstanding loans as on 31 March 2017 is given in Table 1.7.

Table 1.7: Coverage of long term loans with total assets

	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	5	107167	489139	456.43				
Listed Companies	31	681449	1779915	261.20	3	2292	1869	81.54
Unlisted Companies	105	375784	850000	226.19	19	3877	910	23.47
Total	141	1164400	3119054		22	6169	2779	

Out of the 163 CPSEs which had outstanding loans as on 31 March 2017, in respect of 22 CPSEs (Appendix III) the value of total assets was lower than the loans outstanding.

1.2.2.3 Interest Coverage

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lessor the ability of the company to pay interest on debt. An interest coverage ratio below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2014-15 to 2016-17 are given in Table 1.8:

Table 1.8: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of CPSEs[12]	No. of CPSEs having interest cover ratio more than 1	No. of CPSEs having interest cover ratio less than 1
Statutory Corporations					
2014-15	10971	12223	4	2	2
2015-16	11421	13747	4	2	2
2016-17	10163	13389	5	2	3
Listed Government Companies					
2014-15	47569	111861	34	24	10
2015-16	53045	123300	33	23	10
2016-17	56564	153194	34	23	11

[12] *excluding CPSEs which have no interest liability*

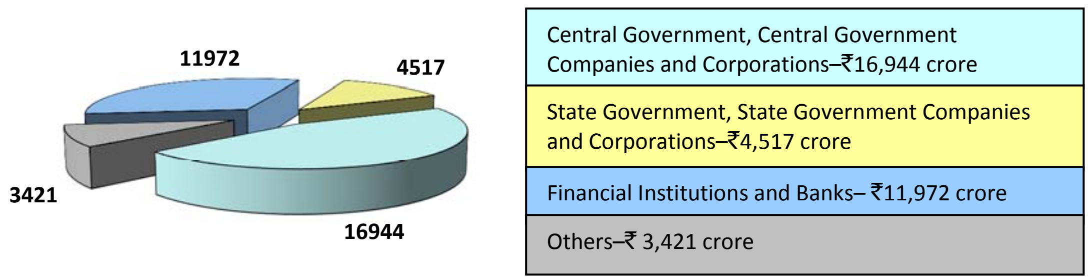
Unlisted Government Companies					
2014-15	18880	35784	129	61	68
2015-16	16111	30989	133	62	71
2016-17	18724	34470	124	58	66

It was observed that the number of CPSEs with interest coverage ratio of more than one decreased marginally in case of unlisted Government Companies during 2016-17, compared to the previous year. In respect of 11[13] CPSEs, the interest payable on loans was higher than the value of their total assets as on 31 March 2017 which indicates a high risk of insolvency in these companies.

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 173[14] Government Controlled other Companies during the year 2016-17 is depicted in chart IV:

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



(₹ in crore)

As on 31 March 2017, equity in these government controlled other companies was ₹36,854 crore which showed an increase of ₹4,320 crore in 2016-17.

1.2.4 Market capitalisation of equity investment in listed Government Companies

Market capitalisation represents market value of the shares of companies whose shares are listed. As on 31 March 2017, shares of 59 Government Companies consisting of 46 Government companies, 05 subsidiaries of Government Companies and 08 [15]

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[13] *Andaman Fisheries Limited, Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited, Bharat Gold Mines Limited, Birds Jute and Exports Limited, Hindustan Cables Limited, Hindustan Photofilms (Manufacturing) Company Limited, Hindustan Vegetable Oils Corporation Limited, National Bicycle Corporation of India Limited, STCL Limited, TCIL Bina Toll Road Limited, Tungabhadra Steel Products Limited.*

[14] *173=192 Government Controlled other Companies – 19 whose accounts were in arrears*

[15] *(1) Indbank Housing Limited, (2) Indbank Merchant Banking Services Limited, (3) PNB Gilts Limited, (4) The Bisra Stone Lime Company Limited, (5) Orissa Minerals Development Company Limited, (6) Tamil Nadu Telecommunication Limited, (7) Tourism Finance Corporation of India Limited, and (8) IFCI Limited*

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 and the shares of 4 companies[16] were not traded during 2016-17. In respect of 05 subsidiaries of Government Companies, shares of 04 were traded and shares of Eastern Investments Limited was not traded during the year.

The total market value of shares of 46 listed Government Companies (including 04 subsidiary companies) stood at ₹15,14,177 crore as compared to ₹8,36,741 crore equity investment as on 31 March 2017. The total market value of shares increased by ₹4,07,638 crore (36.8 per cent) as on 31 March 2017 as compared to 31 March 2016. The market value of shares of 42 listed Government Companies (excluding 04 subsidiary companies) stood at ₹14,87,365 crore as on 31 March 2017, out of which, the market value of shares held by the Central Government amounted to ₹ 9,79,564 crore.

During this period, S&P BSE Sensex[17] increased by 16.9 per cent from 25,341.86 as on 31 March 2016 to 29,620.50 as on 31 March 2017. S&P BSE CPSE Index[18] increased by 41.42 per cent from 1,171.64 as on 31 March 2016 to 1,657 as on 31 March 2017.

The market value of shares of 04 subsidiary Government Companies, the shares of which were traded during 2016-17, stood at ₹26,812.07 crore as on 31 March 2017. The total market value of shares held by Government Companies in four subsidiary Government Companies had increased by ₹10,449.65 crore (63.86 *per cent*) as on 31 March 2017 as compared to 31 March 2016.

The top 10 CPSEs with highest market capitalisation as on 31 March 2017 is given in Table 1.9:

Table 1.9: CPSEs with highest market capitalisation (₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation
1	Oil and Natural Gas Corporation Limited	2,37,479
2	Indian Oil Corporation Limited	1,83,294
3	Coal India Limited	1,81,753
4	NTPC Limited	1,36,833
5	Power Grid Corporation of India Limited	1,03,167
6	Bharat Petroleum Corporation Limited	93,849
7	GAIL (India) Limited	63,669

16 ***(1) Hindustan Cables Limited, (2) Hindustan Photo-films (Manufacturing) Company Limited, (3) IRCON International Limited, and (4) KIOCL Limited***

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

18 ***S&P BSE CPSE Index consists of stock of Central Public Sector Enterprises listed on BSE.***

8	Hindustan Petroleum Corporation Limited	53,380
9	NMDC Limited	42,111
10	Bharat Heavy Electricals Limited	39,920

There was an increase in the market capitalisation in respect of 40 CPSEs out of 42 listed Government Companies as on 31 March 2017. CPSEs with increase in market capitalisation of more than ₹ 20,000 crore is given in Table 1.10:

Table 1.10: CPSEs with increase in Market Capitalisation of more than ₹20,000 crore

(₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation as on 31 March 2016	Market Capitalisation as on 31 March 2017	Difference in capitalisation
1	Indian Oil Corporation Limited	95,528	1,83,294	87,766
2	Oil and Natural Gas Corporation Limited	1,83,729	2,37,479	53,750
3	NTPC Limited	1,06,202	1,36,833	30,631
4	Power Grid Corporation of India Limited	72,771	1,03,167	30,396
5	Bharat Petroleum Corporation Limited	65,193	93,849	28,656
6	Hindustan Petroleum Corporation Limited	26,601	53,380	26,779

The guidelines issued by DIPAM in May 2016 envisaged that every CPSE where market price or book value of its share exceeded 50 times of its face value should split its shares appropriately provided its existing face value of the share was equal to or more than ₹1. However, CPSEs given in Table 1.11 had not complied with these guidelines (30 September 2017).

Table 1.11: CPSEs not complied with splitting up of shares guidelines

Name of the CPSE	Face value as on 31 March 2017 (₹)	Market value as on 31 March 2017 (₹)	Book value as on 31 March 2017 (₹)	50 times face value (₹)	Excess Market value (₹)	Remarks
BEML Limited	10	1360.7	524	500	860.7	--
Dredging Corporation of India Limited	10	687.55	543.08	500	187.55	The proposal for amendment of Articles awaited
Bharat Petroleum Corporation Ltd	10	648.95	225.45	500	148.95	Post bonus market price was expected not to exceed 50 times
NBCC (India) Limited	2	172.1	18.60	100	72.1	The face value of shares was split only in 2016.

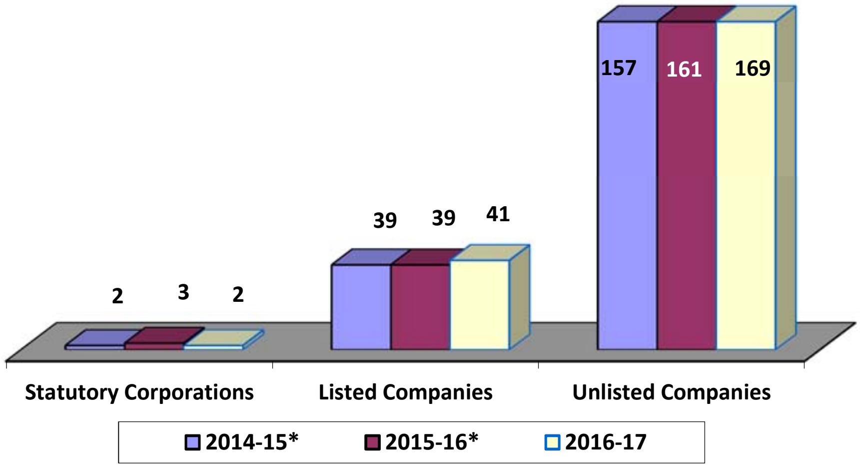
1.3 *Return on Equity in* Government Companies and Corporations

1.3.1 Profit earned by CPSEs

The number of CPSEs that earned profit in 2016-17 was 212 as compared to 203 in 2015-16. The profit earned increased to ₹1,58,373 crore in 2016-17 from ₹1,54,497 crore in 2015-16. The Return on Equity (ROE)[19] of these 212 CPSEs was 13.78 per cent in 2016-17 as compared to 14.83 per cent in 203 CPSEs in 2015-16. Return on Equity in all the 406 CPSEs i.e. including 157 loss making and 37 zero profit companies was 8.91 per cent in 2016-17.

Number of CPSEs that earned profit during the period from 2014-15 to 2016-17 is depicted in chart V:

Chart V: Number of profit earning CPSEs



(*Previous years' figures updated during 2016-17 when accounts of that year were received)

The details of top 3 sectors which contributed maximum profits during 2016-17 are summarised in Table 1.12:

[19] *Return on Equity = Net Profit after tax and preference dividend/Equity x 100*
Where Equity= Paid up Capital + Free Reserves – Accumulated losses-Deferred Revenue Expenditure

Table 1.12: Top 3 sectors which contributed maximum profit during the year 2016-17

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
1. Petroleum			
Listed Government Companies	8	60969	38.5
Unlisted Government Companies	7	4570	2.89
Total	15	65539	41.39
2. Coal and Lignite			
Listed Government Companies	2	16843	10.64
Unlisted Government Companies	5	10010	6.32
Total	7	26853	16.96
3. Power			
Listed Government Companies	4	21095	13.32
Unlisted Government Companies	23	4786	3.02
Total	27	25881	16.34
Total (1) to (3)	**49**	**118273**	**74.69**

During 2016-17, net profit of ₹1,18,273 crore constituting 74.69 *per cent* of total profit of CPSEs was contributed by 49 CPSEs in these three sectors as compared to 72.75 *per cent* contributed by 47 CPSEs during 2015-16.

Net profit of ₹34,721 crore was contributed by 25 CPSEs which functioned in defence, coal, atomic energy and space sectors which were not open to market competition. This constituted 21.92 per cent of total profit of ₹1,58,373 crore in all 212 CPSEs during 2016-17. ROE of these 25 CPSEs in 2016-17 was 31.83 per cent as compared to 13.76 *per cent* in 187 CPSEs functioning in competitive enviornment.

Of the 173[20] Government Controlled Other Companies, 119 companies earned profit of ₹7666 crore during the year ended 31 March 2017. ROE in these 119 CPSEs was 4.81 per cent in 2016-17. ROE in 173 Government Controlled other companies (i.e. including 41 loss making and 13 zero profit companies was 2.01 per cent.

The list of CPSEs which earned profit of more than ₹5,000 crore during the year 2016-17 is given in the Table 1.13:

[20] ***173=192 Government Controlled other Companies – 19 whose accounts were in arrears***

Table 1.13: List of CPSEs which earned profit of more than ₹5,000 crore

Sl. No.	Name of CPSE	Net Profit (₹ in crore)
1	Indian Oil Corporation Limited	19,106
2	Oil and Natural Gas Corporation Limited	17,900
3	Coal India Limited	14,501
4	NTPC Limited	9,182
5	Bharat Petroleum Corporation Limited	8,039
6	Power Grid Corporation of India Limited	7,570
7	Rural Electrification Corporation Limited	6,246
8	Hindustan Petroleum Corporation Limited	6,209
	Total	**88,753**

It may be seen that these 08 CPSEs contributed 56 *per cent* of the total profit earned by 212 CPSEs during 2016-17.

1.3.2 Dividend payout by CPSEs

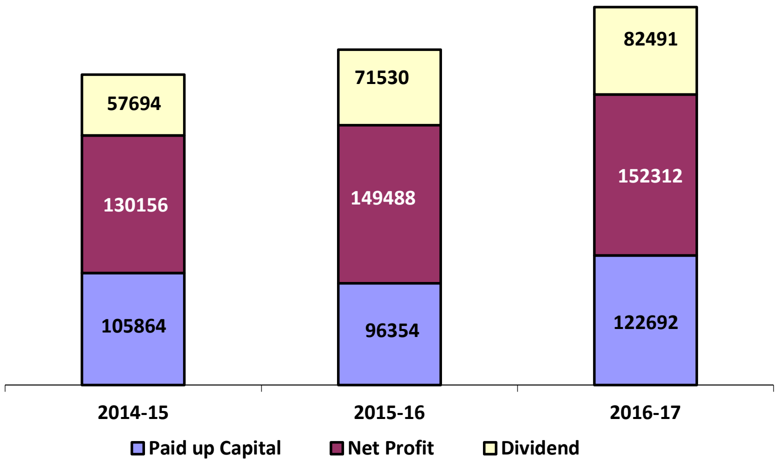
The details of profits earned and dividends declared is given in the Table 1.14:

Table 1.14: Profit earned and dividend declared

Category	CPSEs declared dividend			
	No. of CPSEs	Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Statutory Corporations	2	725	3,347	1,031
Listed Companies	35	63,288	1,15,446	62,655
Unlisted Companies	74	58,679	33,518	18,805
Total	111	1,22,692	1,52,311	82,491

There were 111 CPSEs which declared dividends in 2016-17. The dividends declared as a percentage of net profit earned by the CPSEs increased from 47.85 *per cent* in 2015-16 to 54.16 *per cent* in 2016-17 as depicted in Chart VI. In absolute terms, the dividends declared by the CPSEs in 2016-17 increased by ₹10,961 crore compared to previous year.

Chart VI: Dividends declared vis-a-vis net profit earned and paid up capital (₹ in crore)



Out of a total dividend of ₹82,491 crore declared by 111 CPSEs for the year 2016-17, dividend received/receivable by Central Government was ₹47,226 crore. The return on aggregate investment of ₹3,24,270 crore made by the Central Government in equity capital of 406 CPSEs was 14.57 *per cent* as compared to 13.68 *per cent* during 2015-16. Similarly, 38 CPSEs received ₹17,799 crore as dividend on paid up capital of ₹23,844 crore on the equity holdings in other CPSEs.

Sixteen CPSEs under the Ministry of Petroleum and Natural Gas, declared dividends amounting to ₹34,918 crore which was 42.33 *per cent* of the total dividend of ₹82,491 crore declared by 111 CPSEs in 2016-17.

The guidelines issued by DIPAM 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 was higher subject to the maximum dividend permitted under the extant legal provisions. However, 20 CPSEs (including 5 listed CPSEs) had not declared dividend prescribed by the Government as given in **Appendix IV.** The total shortfall on this account was ₹5,456.56 crore in 2016-17.

There were 60 Government Controlled Other Companies in 2016-17 which declared dividend amounting to ₹1,495 crore which represented 13 per cent of their paid up capital of ₹11,472 crore. Sector wise classification of these Government Controlled Other Companies which declared dividend during 2016-17 is given in Table 1.15:

Table 1.15: Dividend declared by Government Controlled other Companies

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit earned	Dividend declared
Financial services	39	4957	2535	796
Power	4	4488	1307	321
Petroleum	3	260	166	156
Insurance	1	1000	955	150
Transportation Services	2	264	47	38
Contract & Construction Services	3	446	232	22
Trading and Marketing	1	41	13	6
Industrial Development and Technical Consultancy	6	15	21	5
Minerals and Metals	1	1	7	1
Total	**60**	**11472**	**5283**	**1495**

1.4 CPSEs incurring losses

There were 157 CPSEs that incurred losses during the year 2016-17. The losses incurred by these CPSEs reduced to ₹30,678 crore in 2016-17 from ₹31,957 crore during 2015-16 as given in Table 1.16.

Table 1.16: 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[21]
		(₹ in crore)		
Statutory Corporations				
2014-15	1	1334	0	13944
2015-16	1	1143	0	13268
2016-17	1	907	0	12891
Listed Government Companies				
2014-15	12	8841	26366	-12634
2015-16	12	11830	31297	75113
2016-17	10	9713	29770	10425
Unlisted Government Companies/Corporations				
2014-15	119	20686	81685	47916
2015-16	140	18984	73459	91747
2016-17	146	20058	74960	86885
Total				
2014-15	132	30861	108051	49226
2015-16	153	31957	104756	180128
2016-17	157	30678	104730	110201

[21] *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*

CPSEs listed in Table 1.17 incurred a loss of more than ₹1,000 crore[22] during the year 2016-17.

Table 1.17: CPSEs that incurred losses of more than ₹1,000 crore during 2016-17

Sl. No.	Name of the CPSE	Net loss (₹ in crore)
1	Steel Authority of India Limited	3187
2	Mahanagar Telephone Nigam Limited	2941
3	Hindustan Photofilms (Manufacturing) Company Limited	2917
4	United India Insurance Company Limited	1914
5	Oriental Insurance Company Limited	1691
6	Rashtriya Ispat Nigam Limited	1263

Out of 173 Government Controlled Other Companies, 41 companies incurred losses of ₹4,308 crore during 2016-17 and 13 companies had not finalised their accounts or had not started commercial operations.

1.4.1 Erosion of capital in Government Companies

As on 31 March 2017 there were 188 CPSEs with accumulated losses of ₹1,23,194 crore. Of the 188 CPSEs, 127 CPSEs incurred losses in the year 2016-17 amounting to ₹16,274 crore and 61 CPSEs had not incurred loss in the year 2016-17, even though they had accumulated losses of ₹ 18,465 crore.

Net worth of 71 out of 188 CPSEs had been completely eroded by accumulated losses and their net worth was negative. The net worth of these 71 CPSEs was ₹(-)71,935 crore against equity investment of ₹36290 crore in these Government as on 31 March 2017. This included seven listed companies whose net worth was₹(-)27,686 crore against equity investment of ₹7,178 crore. Out of 71 CPSEs, whose capital had been eroded (being negative net worth), 11 CPSEs had earned profit of ₹2958 crore during 2016-17 (**Appendix V**).

In 22 out of 71 CPSEs whose capital had been eroded (being negative net worth), Government loans outstanding as on 31 March 2017 amounted to ₹6,147 crore. This included four listed companies with outstanding Government loan of ₹1,948 crore.

Net worth was less than half of their paid up capital in respect of 28 out of 332 CPSEs whose net worth was positive at the end of 31 March 2017, indicating their potential financial sickness.

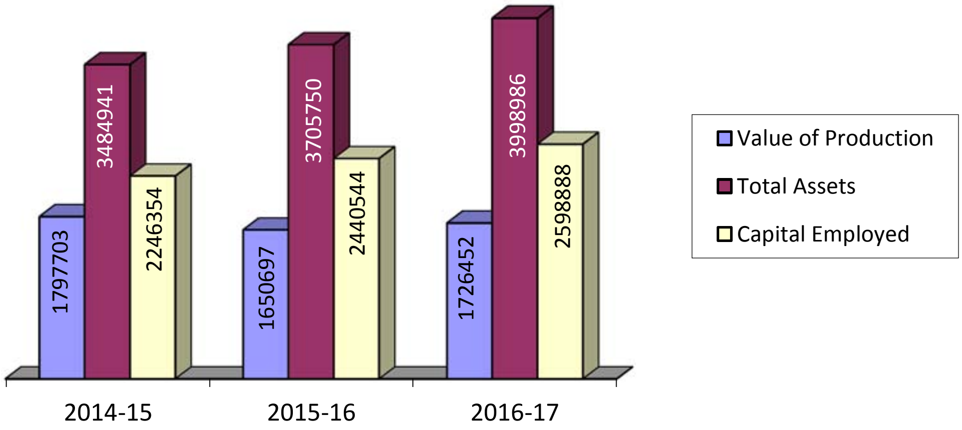
[22] ***In 21 CPSEs including Air India Limited figures from their last audited accounts have been included in this audit report as the accounts for 2016-17 were not received before cut-off date i.e. 30 September 2017 for preparation of the report. However, Air India Limited had suffered loss of ₹5,765 crore during 2016-17.***

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 406 CPSEs over a period of three years is depicted in the chart VII:

Chart VII: 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 2016-17 compared to the previous year.

1.5.2 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[23]. The details of ROCE of 406 CPSEs during the period from 2014-15 to 2016-17 are given in Table 1.18 below:

Table 1.18: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2014-15	159868	2246354	7.12
2015-16	168036	2440544	6.89
2016-17	201053	2598888	7.74

It was observed that ROCE of 406 CPSEs was marginally higher during the year 2016-17 in comparison to that for the year 2015-16.

[23] *Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure*

1.5.3 Sales and Marketing

During 2016-17, the total sales of 406 CPSEs was ₹ 19,49,214 crore. Out of these, 120 CPSEs sold goods/rendered services worth ₹ 2,23,433 crore to Government sector out of their net sales of ₹ 9,75,073 crore. The overall percentage of sales of these 120 CPSEs to the Government sector with reference to their total net sales worked out to 22.91 *per cent*.

There were 53 CPSEs which exported goods/ services worth ₹ 72,752 crore. This worked out to 6.07 *per cent* against their net sales of ₹ 11,99,017 crore. Against the total sales of ₹ 19,49,214 crore by 406 CPSEs, the export sales amounted to 3.73 *per cent*. The CPSEs with export sales of more than ₹ 5,000 crore is given in Table 1.19:

Table 1.19: CPSEs with export sales of more than ₹ 5,000 crore during 2016-17

Sl. no.	Name of the CPSE	Export sales (₹ in crore)
1	Indian Oil Corporation Limited	14666
2	Mangalore Refinery and Petrochemicals Limited	14457
3	Bharat Heavy Electricals Limited	8923
4	ONGC Videsh Limited	7448
Total		**45494**

The export sales of these four CPSEs accounted for 62.53 *per cent* of the total export of all CPSEs.

1.5.4 Research & Development

Table 1.20: R & D expenditure and patents registered

2014-15		2015-16		2016-17	
R&D Expenditure (₹ in crore)	Patents Registered	R&D Expenditure (₹ in crore)	Patents Registered	R&D Expenditure (₹ in crore)	Patents Registered
4551.70	327	5171.40	320	4621.79	356

Further, the CPSEs that had incurred R&D expenditure of more than ₹ 500 crore during the year 2016-17 is given in Table 1.21.

Table 1.21: CPSEs with R & D expenditure of more than ₹ 500 crore[24]

Sl. no.	Name of the CPSE	Total R&D expenditure (₹ in crore)	Net profit (₹ in crore)	Percentage of R&D exp to Net Profit
1	Hindustan Aeronautics Limited	1284	2616	49.08
2	Bharat Electronics Limited	777	1548	50.19
3	Oil and Natural Gas Corporation Limited	592	17900	3.31

[24] *In BHEL, the expenditure on R&D of the company as per Statement of Profit and Loss was ₹240.74 crore. However, as per Director's Report of the company, an amount of ₹793.62 crore was shown as R&D expenditure which included the expenditure incurred on R&D efforts made at manufacturing units for major modifications/improvements in products/designs against customer requirements which were not covered in R&D projects. Hence, it was not included in table 1.21 above.*

CHAPTER II

Oversight Role of CAG

2.1 Audit of Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG 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 submitted to the Parliament.

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

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year.

Statutory auditors of Companies for the year 2016-17 were appointed during June-July 2016.

The statutory auditors of the above Companies for the year 2016-17 were appointed by the CAG during June-July 2016.

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 utilisation 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 in this regard has been taken against the defaulting persons including directors of the Central Government Companies responsible for non-compliance 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

Out of 630 companies, accounts of 81 companies were in arrears

As of 31 March 2017, there were 438 Government Companies and 192 Government Controlled Other Companies under the purview of CAG's audit. Of these, accounts for the year 2016-17 were due from 433 Government Companies and 192 Government Controlled Other Companies. Accounts were not due from 5 Government Companies which were new. A total of 376 Government Companies and 168 Government Controlled Other Companies submitted their accounts for audit by CAG on or before 30 September 2017. Accounts of 57 Government Companies and 24 Government Controlled Other Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given below:

Particulars	Government Companies/Government Controlled Other Companies where CAG conducts supplementary audit					
	Government Companies		**Government Controlled Other Companies**		**Total**	
Total number of Companies under the purview of CAG 's audit as on 31.03.2017	438		192		630	
	Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
Listed/Unlisted	51	387	8	184	59	571
Less: New Companies from which accounts for 2016-17 were not due	0	5	0	0	0	5
Number of companies from which accounts for 2016-17 were due	51	382	8	184	59	566
Number of companies which presented the accounts for CAG's audit by 30.09.2017	51	325	8	160	59	485

Number of accounts in arrears		0	57	0	24	0	81
Break-up of Arrears	(i) Under Liquidation	0	22	0	8	0	30
	(ii) Defunct	0	3	0	6	0	9
	(iii) First Accounts not submitted	0	2	0	1	0	3
	(iii) Others	0	30	0	9	0	39
Age–wise Analysis of the arrears against 'Others' category	One year (2016-17)	0	21	0	3	0	24
	Two years (2015-16 and 2016-17)	0	3	0	2	0	5
	Three years and more	0	6	0	4	0	10

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, accounts of four[25] statutory corporations for the year 2016-17 were presented for audit in time. The accounts of Food Corporation of India for the year 2016-17 were awaited as on 30 September 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.

[25] ***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 in audit of public sector undertakings 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

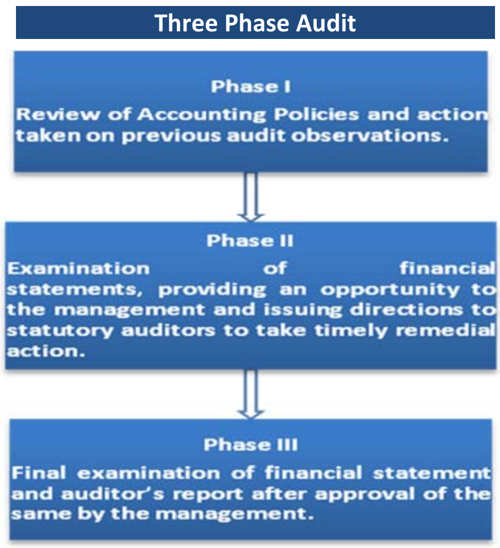
- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

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.

Three Phase Audit
An intensified, innovative, focused and result oriented approach to financial audit introduced by CAG to improve the quality of financial statements of CPSEs.

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 (ICAI) 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 the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, 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 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 more intensified, innovative, focused and result oriented approach to financial audit by 'the System of Three Phase Audit'. The Three Phase Audit System was introduced with the following objectives in selected public sector enterprises 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 new 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 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 substantial qualitative 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.

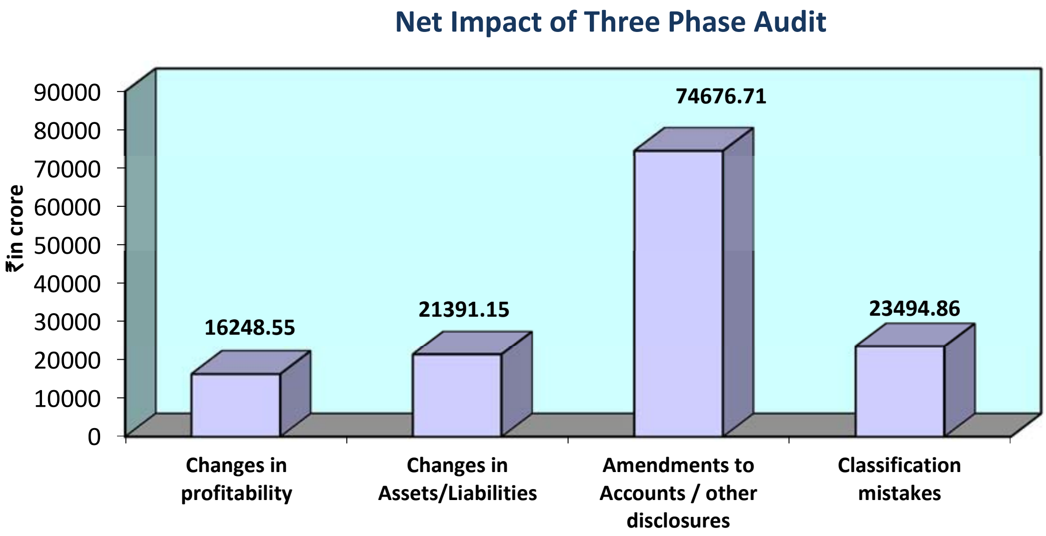
The Phase – I and Phase – II of the Three Phase Audit approach are extended provisions of Section 143 (5) of the Companies Act, 2013. The audit observations under first two phases are treated as preliminary observations and communicated to the statutory auditors as part of sub-directions under Section 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.

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 71 CPSEs for the year 2016-17, a number of quantitative as well as qualitative 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 2016-17 is depicted in the following graph:



CPSEs where major value addition was made were:

Sl. No.	Name of the CPSE
1.	GAIL India Limited
2.	Hindustan Aeronautics Limited
3.	Hindustan Copper Limited
4.	Housing & Urban Development Corporation Limited
5.	Indian Oil Corporation Limited
6.	Mahanadi Coalfields Limited
7.	New India Assurance Company Limited
8.	NHPC Limited
9.	Northern Coalfields Limited
10.	Oil and Natural Gas Corporation Limited
11.	ONGC Videsh Limited
12.	Power Finance Corporation Limited
13.	Rural Electrification Corporation Limited
14.	Southern Coalfields 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 332 companies and five statutory corporations for the year 2016-17

Financial statements for the year 2016-17 were received from 376 Government Companies (including 51 listed companies), 168 Government Controlled Other Companies (including 8 listed companies) and 5 statutory corporations by 30 September 2017. Of these, accounts of 251 Government Companies and 81 Government Controlled Other Companies and 05 Statutory Corporations were reviewed in audit by the CAG.

In total, CAG reviewed accounts of 67 *per cent* of the Government Companies and 48 *per cent* of Government Controlled Other Companies out of the accounts received up to 30 September 2017.

2.5.3 Revision of Auditors Report

As a result of supplementary audit of the accounts for the year ended 31 March 2017 conducted by the CAG, the statutory auditors of 35 Government Companies and 6 Government Controlled Other Companies revised their report.

2.5.4 Comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements for the year 2016-17 by statutory auditors, the CAG conducted supplementary audit and the significant comments issued on accounts of Government Companies and Government Controlled Other Companies are as detailed below:

❖ **Listed Government Companies**

Comment on Profitability

Sl. No.	Name of the Company	Comment
1.	Hindustan Organic Chemicals Limited	• Employee Benefits Expenses and Loss were understated due to non-inclusion of ₹84.46 crore being the expenditure towards Voluntary Retirement Scheme/Voluntary Separation Scheme introduced by the Company as per the restructuring plan for the Company approved (25 May 2017) by the Government of India. • Employee Benefits Expenses were understated and Prior Period Adjustments were overstated by ₹22.08 crore due to incorrect classification of provision on account of wage revision (1997 and 2007) of Rasayani Unit.
2.	IFCI Limited (Standalone and Consolidated Financial Statement)	• Long term Loans and Advances were overstated and Allowance for Bad and Doubtful Assets as well as losses were understated by ₹123.66 crore due to: i. Short provision of ₹51.03 crore due to incorrect classification of subscription of ₹56.74 crore in Non-Convertible Debentures of VBC Industries Limited as standard asset instead of doubtful assets, ii. Short provision of ₹2.68 crore due to non-classification of loan of ₹ 50 crore given to Kohinoor Power Private Limited as sub-standard asset, iii. Non-creation of provision of ₹69.95 crore as per RBI's S4A[26] scheme in respect of term loans of ₹368.97 crore

[26] *Scheme for Sustainable Structuring of Stressed Assets*

		extended (July 2013 and July 2015) to Coastal Energen Pvt. Ltd. • Inadequate provision to the tune of ₹155.46 crore made for diminution in value of long term investments.
3.	Mumbai Metro Rail Corporation Limited	• Current Liabilities and Capital Work in Progress were understated by ₹84.45 crore due to: **(i)** non-accounting of ₹76.03 crore being the amount due for the work contracts upto 31 March 2017. **(ii)** non-provisioning of ₹8.42 crore towards front end fee payable on the loan from Japan International Corporation Agency for implementation of Mumbai Metro Line-3 Project.
4.	Shipping Corporation of India Limited	• Trade Receivables as well as Profit were overstated and Provision for Doubtful Debts were understated by ₹6.05 crore due to unbooked offhires and short paid service tax in respect of eight vessels deployed between March, 2014 and March, 2017 based on Charter Party agreements with M/s Poompuhar Shipping Corporation Limited.
5.	Steel Authority of India Limited – Consolidated and Standalone Financial Statements	• An amount of ₹8.15 crore deducted by Railways towards Engine Hire Charges for the period between December 2015 and December 2016 on account of failure of the Company to unload/load wagons within permissible free time, was shown as claims recoverable which resulted in overstatement of Claims Recoverable and understatement of Other Expenses and Losses for the year by ₹8.15 crore. • Other Expenses and Losses were understated to the tune of ₹15.75 crore due to non-provisioning of the amount deducted by Indian Railways towards excess excise duty paid by it earlier on procurement of long rails from the Company during the period from 2008 to 2010. • Non-provision of a claim of ₹22.87 crore from NTPC-SAIL Power Supply Company Limited (NSPCL), a 50:50 joint venture company between the Company and NTPC, towards Deferred Tax Liability resulted in understatement of Other Expenses and Loss by ₹22.87 crore.
6.	The State Trading Corporation of India Limited (Standalone and Consolidated Financial Statements)	• Write back of the liability towards 25 *per cent* of lease rent payable to Land & Development Office for the period 2004-05 to 2015-16, in respect of an office building, unilaterally and without any change in the terms and conditions of the existing lease agreement, resulted in overstatement of Exceptional Items–Income by ₹66.12 crore and understatement of Liabilities as well as Loss to the same extent.

Comments on Disclosure

Sl. No.	Name of the Company	Comment
1.	Mahanagar Telephone Nigam Limited	• Non-provisioning of License Fee of ₹590.90 crore pertaining to the period from 2007-08 to 2010-11 and 2012-13 demanded by Department of Telecommunication (DOT) was

		commented upon on the accounts of the Company for the year ended 31st March 2016. In response, the Company had stated that issues were under review by DOT, no license fee dues were pending, there was no acknowledged debt in view of the issue not attaining finality and thus, there was no justification for creation of provision for it. The above was however, not disclosed in the Financial Statements of the year 2016-17.
2.	The State Trading Corporation of India Limited (Consolidated Financial Statements)	• The Auditor's Report did not disclose a case of conspiracy, cheating, fraud and misrepresentation of stock during the year 2004 to 2016 by a business associate having outstanding balance of ₹1904.24 crore.

❖ **Unlisted Government Companies**

Comment on Profitability

S.N.	Name of the Company	Comment
1.	Air India Limited (For the Year 2015-16)	• Depreciation to the tune of ₹306.43 crore was not provided in respect of nine Aircrafts which were transferred to Asset held for disposal. This resulted in understatement of Depreciation and Amortisation expenses and overstatement of Asset Held for Disposal by ₹306.43 crore. Consequently, Loss was also understated by the same extent. • The Company wrote back an amount of ₹14.01 crore towards amortisation of leasehold land which was not on perpetual lease. This resulted in understatement of Depreciation and understatement of Loss by ₹14.01 crore.
2.	Bharat Dynamics Limited	• Sale of Spares included Spares valuing ₹40.82 crore which were accounted based on undated Inspection Certificates issued after 31 March 2017. Inclusion of sale value of these spares in sale of Spares resulted in overstatement of sale of Spares by ₹40.82 crore. This also resulted in an overstatement of profit and understatement of inventory, the impact of which could not be quantified.
3.	Heavy Engineering Corporation Limited	• Non-accounting of consumption as per Bin Card in the Stores Price Ledger resulted in overstatement of Inventories and understatement of consumption of Raw Materials and Stores & Spares by ₹6.55 crore. Consequently, Loss was understated by the same amount.
4.	Hindustan Salts Limited (Consolidated Financial Statement)	• Non-provision of arrears due to merger of 50 *per cent* of Dearness Allowance for CDA pattern employees for the period April 2004 to May 2009 resulted in understatement of Expenses as well as Current Liabilities by ₹1.17 crore. Consequently, Loss was understated by the same amount.
5.	MPCON (Standalone and Consolidated Financial Statements)	• Other Current Liabilities did not include ₹1.20 crore being the liability for leave encashment on accumulated leave standing to the credit of employees as assessed by Life Insurance Corporation of India which resulted in understatement of liability for leave encashment and overstatement of Profit by ₹1.20 crore.

6.	Oriental Insurance Company Limited	• As per qualified opinion given in the Auditors' Report of Kuwait Agency (branch office of the Company) for the years 2015-16 as well as 2016-17, Auditors were unable to satisfy themselves as to recoverability of an amount of ₹31.05 crore towards reinsurance ceded receivables. Against this, a provision of only ₹12.30 crore was created without any evidence for chances of recovery of balance amount of ₹18.75 crore. This has resulted in understatement of Provision and Loss for the year by ₹18.75 crore. • The Premium Deficiency Reserve (PDR) was understated by ₹107.65 crore as the same was not created in accordance with Clause no. 64 V (1) (ii) (b) of Insurance Act, 1938 read with Clause no.3 of IRDAI's Circular (04 April 2016). This resulted in understatement of Loss for the year by ₹107.65 crore.

Comments on Financial Position

Sl.	Name of the Company	Comment
1.	Air India Express Limited	• The Company made a provision at the rate of 0.5 *per cent* as against the Guarantee Fees payable at 1 *per cent* of outstanding dues payable to Government of India. This resulted in under provision of Other Current Liabilities and overstatement of Profit by ₹49.91 crore.
2.	Air India Limited (For the year 2015-16)	• Short Term Provisions were understated by an amount of ₹7.56 crore and ₹7.68 crore towards Service Tax for the years 2015-16 and 2014-15, respectively being applicable on revenue shared with Air India Air Transport Services Limited (AIATSL) during these years. This resulted in understatement of Short Term Provisions by an amount of ₹15.24 crore and understatement of Other Expenses by an amount of ₹7.56 crore and Prior Period Adjustment (Net) by an amount of ₹7.68 crore. Consequently, Loss for the year was understated by ₹15.24 crore.
3.	Educational Consultants India Limited	• Advance Against Projects was understated by ₹1.10 crore being the amount of service tax which was deducted and paid in the year 2013 from the advance received from Ministry of Human Resource Development (MHRD) against National Project Implementation Unit for the Technical Education Quality Improvement Programme of Government of India as the same was not agreed by MHRD. This resulted in understatement of Other Long Term Liabilities (Advances against Projects) and overstatement of Profit for the period by ₹ 1.10 crore.
4.	NLC Tamil Nadu Power Limited	• Delay in capitalisation of common assets, by two months, resulted in undercharging of depreciation by ₹7.16 crore. This also resulted in overstatement of Non-Current Assets and Profit by the same amount.
5.	ONGC Petro additions Limited	• Trade Payables did not include the following payments due to Oil & Natural Gas Corporation Limited (ONGC): **(i)** premium of ₹8.58 crore and exports related expenses and loading charges of ₹28.92 crore for Naphtha

		supplied by ONGC through Marine route in the year 2016-17. **(ii)** short payment of ₹15.49 crore due to adoption of wrong formula for working out the payment to be made to ONGC for supply of methane during 2016-17. **(iii)** liability for payment of interest of ₹7.35 crore on overdue payments to ONGC for purchase of Naphtha, Ethane, Propane & Butane. Consequently, Current Liabilities and Loss for the year were understated by ₹60.34 crore. • Provisions were understated by ₹10.50 crore due to non-accounting of an invoice raised by M/s Samsung Engineering Co. Ltd in December 2016. Non provision of the same has resulted in understatement of the Current Liability, Other Expenses as well as Loss for the year by ₹10.50 crore.
6.	Sidcul Concor Infra Company Limited	• Fixed Deposits of ₹12.26 crore having original maturity of more than three months but less than twelve months were included under Cash and Cash Equivalents instead of Other Bank Balances. • Non-Current Assets were overstated and Current Assets were understated due to inclusion of security deposit of ₹0.99 crore refundable by Railways after setting up of Private Freight Terminal (PFT) under Non-current Assets.

Comments on Disclosure

Sl. No.	Name of the Company	Comment
1.	Air India Express Limited	• Air India Express Limited was providing depreciation for full year in the year of acquisition of Assets in respect of 'Rotables' and 'Other Fixed Asset' and no depreciation was provided in the year of disposal. This was not in accordance with the Companies Act 2013. • As per Notes to the Financial Statements, Inventories were valued at weighted average cost. This was contrary to Accounting Standard 2 - Valuation of Inventories which provides that Inventories should be valued at cost or net realisable value.
2.	Air India Limited – Consolidated Financial Statement (For the year 2015-16)	• As per Notes to the Financial Statements, Inventories were valued at weighted average cost. This was contrary to Accounting Standard 2 - Valuation of Inventories which provides that Inventories should be valued at cost or net realisable value.
3.	Air India Limited-Standalone (For the year 2015-16)	• The accounting policy in respect of 'Assets held for Sale' was not in line with the Accounting Standard 10 - Accounting for Fixed Assets. • Air India Limited was providing depreciation for full year in the year of acquisition of Assets in respect of 'Rotables' and 'Other Fixed Asset' and no depreciation was provided in the year of disposal. This was not in accordance with the Companies Act 2013.

		• As per Notes to the Financial Statements, Inventories were valued at weighted average cost. This was contrary to Accounting Standard 2 - Valuation of Inventories which provides that Inventories should be valued at cost or net realisable value. • The fact of cancellation of lease deed of land for staff housing colony at Vasant Vihar and expiry of lease deed relating Land at Khajuraho for housing colony was not disclosed. • Lease deed in respect of Land at Bhopal for booking office and for land at Varanasi, were not found on records.
4.	IFCI Financial Services Ltd.	• The statutory auditors did not comply with the notification dated 30 March 2017 issued by Ministry of Corporate Affairs which provided Independent Auditors' Report should contain a comment as to whether the company had provided requisite disclosure in its financial statements as to holdings as well as dealings in Specified Bank Notes (SBN) during the period from 8 November 2016 to 30 December 2016 and if so, whether these are in accordance with the books of accounts maintained by the company.
5.	IIFCL Projects Limited	• Earnings per Share was incorrectly calculated by considering the closing number of shares at the year-end instead of time weighting the equity shares issued during the year which was contrary to the provisions of Accounting Standard 20 - Earnings Per Share.
6.	Indian Medicines and Pharmaceuticals Corporation Limited (For the year 2015-16)	• Contingent Liabilities, incorrectly, included ₹0.69 crore towards penalty charges which were already deducted by three parties for delayed supply of products. • Commitment for estimated amount of contracts remaining to be executed on capital account did not include an amount of ₹5.09 crore being the capital commitment towards remaining estimated amount of contract given for renovation and modification of existing facilities.
7.	Kamarajar Port Limited	• Property, Plant & Equipment included land to the extent of 8.48 acre, acquired by the company, which was yet to be mutated in its name. However, the land was fraudulently mortgaged by a third party with various banks and the said banks have attached the same. This fact was not disclosed in the Financial Statements.
8.	NHDC Limited	• In Cash Flow Statement, cash outflow of ₹269.98 crore towards bank deposits with more than 12 months' maturity (including impact of interest accrued) was included in 'Cash Flow from Operating activities' instead of 'Cash Flow from Investing Activities' which was contrary to the requirements of IND AS 7 – Statement of Cash Flows.
9.	NLC Tamil Nadu Power Limited	• The Company held and transacted Specified Bank Notes and Other Denomination Notes during the period from 8 November 2016 to 30 December 2016. The disclosure in this regard as per the provisions of the notification issued by the Ministry of Corporate Affairs on 30.03.2017 was however, not made in the Financial Statements. Further, the statutory auditor

		instead of reporting the non-disclosure in his Audit Report wrongly stated that the Company did not have any holding or dealings in Specified Banks Notes during the period from 8 November 2016 to 30 December 2016.
10.	ONGC Mangalore Petrochemicals Limited	• Out of a total demand of ₹15.23 crore received from Mangalore SEZ Limited towards maintenance, development and other expenditure incurred for providing infrastructure facilities and amenities for the year 2015-16 and 2016-17, the Company paid ₹6.09 crore under protest and made provision for ₹3.83 crore, due to a dispute regarding computation of the total demand in the absence of a formal Operations and Maintenance Agreement. However, disclosures on dispute and balance demand of ₹5.31 crore was not made.
11.	Oriental Insurance Company Limited	• Non-bifurcation of investments in accordance with IRDAI's circular dated 4 April 2016 read with the IRDAI's Investments Regulations, 2016 and IRDAI circular dated 12 January 2017 resulted in overstatement of shareholders' investments and understatement of policyholders' investments by ₹2370 crore. • In addition, IRDAI's direction to bifurcate the Fair Value Change Account under the Policyholders' Funds and Shareholders' Funds, was also not complied with. • Against the net addition of Fixed Assets amounting to ₹150.11 crore made during the year 2016-17, Company depicted ₹162.89 crore in Cash Flow Statement. This resulted in a difference of ₹12.78 crore between books of accounts and Cash Flow Statement.
12.	Tamilnadu Telecommunications Limited	• The Company did not disclose the details of Specified Bank Notes (SBN) even though it held and transacted the same during the period from 8 November 2016 to 30 December 2016. This was contrary to notification dated 30 March 2017 issued by the Ministry of Corporate Affairs (MCA). • Further, the statement of Statutory Auditors in their Report that the company disclosed the details of the Specified Bank Notes (SBN) held and transacted during the period from 8th November 2016 to 30th December 2016 and they are in accordance with the books of accounts maintained by the company was not factual in view of the above.

❖ **Unlisted Government Controlled Other Companies**

Comment on Profitability

Sl. No.	Name of the Company	Comment
1.	Agriculture Insurance Company of India Limited	• Creation of provision on Investments in Government Securities/Bonds in contravention of IRDA Master Circular issued in October 2012 resulted in overstatement of Provisions by ₹18.07

		crore and understatement of the Profit for the current year by ₹4.17 Crore. It also resulted in understatement of Reserves & Surplus by ₹13.90 crore.

Comment on Financial Position

Sl. No.	Name of the Company	Comment
1.	Agriculture Insurance Company of India Limited	• Non-bifurcation of investments in accordance with IRDAI's circular dated 4 April 2016 read with the IRDAI's Investments Regulations, 2016 and IRDAI circular dated 12 January 2017 resulted in overstatements of Shareholders' Investments and understatement of Policyholders' Investments by ₹1059.63 crore. • IRDAI's direction to bifurcate the Fair Value Change Account under the Policyholders' Funds and Shareholders' Funds was not complied with.

❖ Statutory Corporations where CAG is the sole auditor

The significant comments issued by the CAG on the accounts of statutory corporations where CAG is the sole auditor are detailed below:

Airports Authority of India

i. Airports Authority of India could not produce basic records for verifying the correctness of revenue accruing to its Joint Ventures viz. Delhi International Airport Limited (DIAL) and Mumbai International Airport Limited (MIAL) and the share of revenue transferred to Airports Authority of India as per the respective Operation, Management and Development Agreements. In the absence of relevant records, the veracity of revenue of ₹3826.38 crore received from DIAL and MIAL could not be vouchsafed.

ii. Other Income, disclosed in Notes to Accounts, did not include an amount of ₹6.89 crore towards interest accrued but not due on Fixed Deposits of ₹597.00 crore for the period from 18 January 2017 to 31 March 2017.

iii. Provision for Bad and Doubtful Debts was overstated by ₹38.48 crore due to creation of excess provision as against the accounting policy.

iv. Other provisions-rehabilitation created from 1996-97 to 2013-14 to rehabilitate the encroachers of land at airports of AAI included an amount of ₹445.74 crore. As no further expenditure was envisaged by the Airports Authority of India against such provision as on 31 March 2017, continuation of the provisions was in contravention of the provisions of Accounting Standard 29 – Provisions, Contingent Liabilities and Contingent Assets and resulted in overstatement of Long Term Provisions and consequent understatement of Profit by ₹445.74 crore.

v. Other Current Liabilities did not include an amount of ₹25.14 crore as per details below:

(₹ in crore)

S. N.	Particulars	Amount
1.	Non-provision of liability for deployment of security personnel, salary/DA arrear at Ludhiana, Pathankot, Leh and Bhuntar airports	12.02
2.	Non-provisioning of liability for deficiency charges payable to South Delhi Municipal Corporation.	5.17
3.	Non-provision of liability towards Cost Recovery Charges demanded by Customs Department at Amritsar Airport for the period April 2005 to December 2016	5.72
4.	Non-provision of liability for service charges payable to Corporation of Chennai	0.92
5.	Non-provisioning of compensation award in relation to extension and strengthening of runway and allied work at Maharana Pratap Airport, Udaipur	0.32
6.	Non-provision of liability for spares delivered by supplier in March 2017	0.99
	Total	**25.14**

vi. Current Liabilities included excess provision of liability of ₹109.43 crore on account of the following:

(₹ in crore)

S. N.	Particulars	Amount
1.	Non-adjustment of liability on account of balance unspent compensation towards Voluntary Retirement Scheme received from DIAL and MIAL.	106.02
2.	Non-adjustment of liability towards Tax Deducted at Source from employees which was already paid.	2.65
3.	Anti-hijacking expenses to be met by Government of Andhra Pradesh shown as liability of AAI.	0.76
	Total	**109.43**

vii. Notes to accounts pertaining to Tangible Fixed Assets included an amount of ₹4.71 crore which should not have been capitalised in the books of accounts of AAI as per details given below:

(₹ in crore)

S. N.	Particulars	Amount
1.	Re-carpeting work at tango taxi and perimeter road at Jaipur Airport (₹2.58 crore); replacement of flooring and false ceiling at Leh Airport (₹0.48 crore); earth work related to levelling and grading of strip at Bhuntar Airport (₹0.22 crore) and cost of paver blocks over damaged bitumen road at Jodhpur Airport (₹0.17 crore).	3.45
2.	Proportionate cost recoverable from Director General of Civil Aviation towards integrated office complex and furniture at Lucknow Airport.	0.68
3.	Interest earned on mobilisation advance given to the contractor, not set off against the cost of construction of Terminal Building, Ceremonial Lounge etc. at Vijaywada Airport.	0.58
	TOTAL	**4.71**

viii. Tangible Fixed Assets did not include an amount of ₹22.14 crore as per details below, which should have been capitalised in the books of accounts of AAI:

(₹in crore)

S. N.	Particulars	Amount
1.	Cost of development of land at Rangpuri for shifting of land owners of Nangal Dewat village.	21.08
2.	Cost of completed building work at Jaipur (₹0.88 crore) and enhanced compensation and interest paid to land owners as per court orders at Jammu Airport (₹0.18 crore)	1.06
	TOTAL	**22.14**

ix. Notes to Accounts on Capital work-in-progress (CWIP) included an amount of ₹106.34 crore which should not have been booked in CWIP, as per details given below:

(₹ in crore)

S. N.	Particulars	Amount	Amount of Depreciation
1.	**Completed works included in CWIP**		
	Conveyor line and additional departure conveyors for common handling line at Kolkata Airport	10.08	1.11
	Radio Navigation Equipment including civil work at Aligarh Airport	0.51	0.03
	Installation of passenger boarding bridges, car parking work, compound wall at Surat Airport	3.25	0.30 (incl. prior period ₹0.01 crore)
	Supply installation and testing of X-BIS (Baggage Inspection System) at Indore	1.61	0.18
	Non-capitalisation of photocopier, Master Clock System, printers and SAP at Corporate Headquarters of AAI	3.99	3.05 (incl. prior period ₹2.26 crore)
	Sub Total	**19.44**	**4.67**
2	**Works executed on behalf of other agencies but included in CWIP of AAI**		
	Cost of construction of Indian Aviation Academy constructed on behalf of Director General of Civil Aviation (DGCA) and Bureau of Civil Aviation and Security (BCAS) against deposit work.	82.27	--
	Proportionate cost of BCAS/AAI building and furniture at Amritsar Airport which was recoverable from BCAS	3.48	--
	Sub Total	**85.75**	-
3	**Expenses of revenue nature booked under CWIP**		
	Renovation of toilets, glass partition and false ceiling at Kangra Airport (₹0.10 crore) and replacement of existing tile flooring at Srinagar Airport (₹1.05 crore)	**1.15**	--
	Grand TOTAL (1+2+3)	**106.34**	**4.67**

x. Notes to Accounts on Claims not acknowledged as debts under Contingent Liabilities did not include an amount of ₹246.40 crore being the amount demanded by Government of Rajasthan for land admeasuring 43.49 acres under possession of Airports Authority of India and covered with boundary wall.

2.6 Non Compliance with provisions of 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 auditors reported that 16 companies as detailed in **Appendix-VI** did not comply with mandatory Accounting Standards.

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

Accounting Standard		Name of the Company	Deviation
AS 13	Accounting for Investments	IFCI Limited	• The Company did not make adequate provision for diminution in the value of long term investments of ₹155.46 crore.
AS-15	Employee Benefits	MPCON Limited	• Non-recognition of liability for leave encashment on accumulated leave standing to the credit of employees as assessed by Life Insurance Corporation of India.
AS– 22	Deferred Tax Assets	Broadcast Engineering consultants India Limited	• Deferred Tax Assets did not include an amount of ₹0.05 crore due to non-inclusion of provision created for performance related pay in deferred tax calculation.

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 observations 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 114 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 of Directors 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 (13 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. These regulations were amended on 22 December 2015, 25 May 2016, 8 July 2016, 4 January 2017 and 15 February 2017.

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 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 2017, there were 636 Central Government 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 (April and September 2014) and the DPE guidelines on corporate governance (May 2010) and compliance by CPSEs listed in various stock exchanges with these provisions during the year 2016-17 was reflected in the assessment framework. The review covers 52 CPSEs (48 listed CPSEs and 4 CPSEs whose bonds were listed) under administrative control of various Ministries for the year ended 31 March 2017. List of the CPSEs is given in the **Appendix VII.**

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	Bharat Electronics Ltd	11	5	45.55
2	Oil India Ltd	7	2	29.57
3	Balmer Lawrie & Co Ltd	7	2	29.57
4	Shipping Corporation of India Ltd	7	3	42.85
5	Indian Oil Corporation ltd	13	5	38.46
6	NTPC Ltd	12	5	41.67
7	Power Finance Corporation Ltd	6	2	33.33

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 Section 149 (4) of the Companies Act 2013, Rule 4 of Chapter XI of the Companies (Appointment and Qualification of Directors) Rules, 2014, 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	NMDC Ltd	14	Executive	7	6
2	KIOCL Ltd	8	Executive	4	2
3	Dredging Corporation of India Ltd	7	Executive	4	2
4	HMT Ltd	5	Non-Executive	2	1
5	Mangalore Refinery and Petrochemicals Ltd	8	Non-Executive	3	1
6	NLC India Ltd	13	Executive	7	5
7	Chennai Petroleum Corporation Ltd	11	Non-Executive	4	2
8	Madras Fertilisers ltd	11	Executive	6	4
9	Hindustan Photo Films (Manufacturing) Company Ltd	4	Executive	2	1
10	Bharat Electronics Ltd	11	Executive	6	4
11	BEML Ltd	9	Executive	5	3
12	Container Corporation of India Ltd	9	Executive	5	3
13	IRCON International Ltd	9	Executive	5	3
14	Mahanagar Telephone Nigam Ltd	7	Executive	4	2
15	ITI Ltd	6	Vacant		1
16	Steel Authority of India ltd	15	Executive	8	6
17	National Aluminium Company Ltd	13	Executive	7	6
18	Hindustan Copper Ltd	11	Executive	6	4
19	Balmer Lawrie & Co Ltd	7	Executive	4	1
20	Andrew Yule & Co Ltd	8	Executive	4	3
21	Shipping Corporation of India Ltd	7	Executive	4	2
22	Oil & Natural Gas Corporation Ltd	16	Executive	8	7
23	Bharat Petroleum Corporation Ltd	11	Executive	6	4
24	Hindustan Petroleum Corporation Ltd	11	Executive	6	4
25	MMTC Ltd	11	Executive	6	5
26	India Tourism Development Corporation Ltd	7	Executive	4	2
27	Indian oil Corporation ltd	13	Executive	7	3
28	GAIL (India) Ltd	11	Executive	6	5
29	Engineers India ltd	12	Executive	6	5
30	National Fertilisers Ltd	8	Executive	4	3
31	NTPC Ltd	12	Executive	6	3
32	Power Grid Corporation of India Ltd	10	Executive	5	3
33	Bharat Heavy Electricals Ltd	14	Executive	7	6
34	NHPC Ltd	10	Executive	5	3
35	Power Finance Corporation Ltd	6	Executive	3	1
36	SJVN Ltd	11	Executive	6	4
37	MOIL Ltd	6	Executive	3	2

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	Indian Renewable Energy Development Agency
2	Oil India Ltd
3	Balmer Lawrie Investments Ltd
4	Scooters India Ltd

3.2.3 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, Rule 3 of Chapter XI of the Companies (Appointment and Qualification of Directors) Rules, 2014 and Clause 49 (II) (A) (1) of the 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 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	Chennai Petroleum Corporation Ltd
2	Indian Renewable Energy Development Agency
3	Oil & Natural Gas Corporation Ltd
4	Bharat Petroleum Corporation Ltd
5	MMTC Ltd
6	Indian oil Corporation ltd
7	GAIL (India) Ltd
8	Scooters India Ltd
9	Power Finance Corporation Ltd

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	Madras Fertilisers Ltd
2	Indian Railway Finance Corporation
3	ITI Ltd
4	Andrew Yule & Co Ltd
5	Engineers India ltd
6	NHPC Ltd
7	SJVN Ltd
8	Housing & Urban Development Corporation Ltd

3.3.2 Code of Conduct

Regulation 17 (5) (b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that Code of Conduct prescribed by the Board of Directors includes the duties of Independent Directors as laid down in the Companies Act, 2013. The Companies Act, 2013 provides for Code for Independent Director in Schedule IV (Para III- Duties of Independent Directors). In respect of Engineers India Ltd the code of conduct does not incorporate the duties of Independent Directors.

3.3.3 Training of Independent Directors

3.3.3.1 Schedule IV (Para III- Duties of Independent Directors) of Companies Act, 2013, and Clause 49 (II) (B) (7) (a) & (b) of Listing Agreement and Regulations 25 (7) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the company shall through various programs, familiarise 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 3.6, no such training was conducted for Independent Directors who were on the Board during the year 2016-17.

Table 3.6: CPSEs where no training was conducted for the Independent Directors

Sl. No.	Name of the CPSE
1	Hindustan Photo Films (Manufacturing) Company Ltd
2	Indian Railway Finance Corporation
3	Bharat Immunological & Biologicals Corporation Ltd

3.3.3.2 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 3.7

Table 3.7: CPSEs where training details were not given on website

Sl. No.	Name of the CPSE
1	The Fertilisers and Chemicals Travancore Ltd
2	Madras Fertilisers Ltd
3	Hindustan Photo Films (Manufacturing) Company Ltd
4	IRCON International Ltd
5	Indian Railway Finance Corporation
6	Mahanagar Telephone Nigam Ltd
7	Bharat Immunological & Biologicals Corporation Ltd
8	Hindustan Organic Chemicals Ltd

3.3.4 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 was a member. Some of the Independent Directors, however, did not attend some of these meetings. Table 3.8 indicates the number of such independent directors:

Table 3.8: 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	NMDC Ltd	3	-
2	KIOCL Ltd	2	2
3	NLC India Ltd	2	1
4	Madras Fertilisers ltd	3	1
5	Hindustan Photo Films (Manufacturing) Company Ltd	1	-
6	Bharat Electronics Ltd	4	1
7	IRCON International Ltd	2	2
8	Indian Railway Finance Corporation	1	1
9	Mahanagar Telephone Nigam Ltd	2	-
10	Steel Authority of India ltd	2	1
11	Coal India Ltd	3	2
12	National Aluminium Company Ltd	5	1
13	Hindustan Copper Ltd	2	1
14	Shipping Corporation of India Ltd	1	-
15	Rashtriya Chemicals & Fertilisers Ltd	2	-
16	Oil & Natural Gas Corporation Ltd	1	2
17	Bharat Petroleum Corporation Ltd	2	2
18	NBCC (India) Ltd	3	4

19	India Tourism Development Corporation Ltd	1	-
20	State Trading Corporation of India Ltd	3	2
21	GAIL (India) Ltd	2	-
22	Engineers India ltd	4	4
23	IFCI Ltd	3	1
24	NTPC Ltd	3	2
25	Power Grid Corporation of India Ltd	1	-
26	Bharat Heavy Electricals Ltd	6	1
27	NHPC Ltd	4	2
28	Rural Electrification Corporation Ltd	1	1
29	MOIL Ltd	3	2

3.3.5 Attending General meetings of the Company

Schedule IV (III) (5) of the Companies Act, 2013 states that Independent Directors ***shall*** strive to attend all the General meetings of the Company. Table 3.9 indicates the listed CPSEs where Independent directors did not attend the general meetings of the Company.

Table 3.9: Independent Directors who did not attend General meetings

Sl. No.	Name of the CPSE	No. of Independent Directors who did not attend General meetings
1	KIOCL Ltd	5
2	Dredging Corporation of India Ltd	1
3	NLC India Ltd	2
4	Madras Fertilisers ltd	1
5	Hindustan Photo Films (Manufacturing) Company Ltd	1
6	Bharat Electronics Ltd	1
7	Mahanagar Telephone Nigam Ltd	2
8	Steel Authority of India ltd	1
9	National Aluminium Company Ltd	2
10	Hindustan Organic Chemicals Ltd	3
11	NBCC (India) Ltd	1
12	State Trading Corporation of India Ltd	1
13	GAIL (India) Ltd	1
14	IFCI Ltd	2
15	Bharat Heavy Electricals Ltd	1
16	NHPC Ltd	1
17	MOIL Ltd	1
18	Housing & Urban Development Corporation Ltd	1

3.3.6 Meeting of Independent Directors

3.3.6.1 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 and members of the Management. Table 3.10 indicates 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	Madras Fertilisers ltd
2	Hindustan Organic Chemicals Ltd
3	Power Grid Corporation of India Ltd

3.3.6.2 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	KIOCL Ltd
2	Hindustan Copper Ltd
3	NBCC (India) Ltd
4	Engineers India ltd
5	IFCI Ltd

Though separate meeting was conducted, no minutes of meeting were prepared in respect of CPSEs listed in Table 3.12.

Table 3.12: CPSEs where minutes of separate meeting was not prepared

Sl. No.	Name of the CPSE
1	Dredging Corporation of India Ltd
2	The Fertilisers and Chemicals Travancore ltd
3	Mahanagar Telephone Nigam Ltd
4	GAIL (India) Ltd

3.3.6.3 Schedule IV (VII)(3) 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 requires that the Independent Directors in separate meeting shall review (a) Performance of non-independent directors and the Board as a whole (b) Performance of Chairperson and (c) Assess the flow of information between management and board of directors that is necessary for the Board to effectively and reasonably perform their duties. In the CPSEs given in 3.13, though separate meeting of Independent Directors were held, the above issues were not reviewed in such meetings.

Table 3.13: CPSEs where required issues not reviewed

Sl. No.	Name of the CPSE
1	KIOCL Ltd
2	The Fertilisers and Chemicals Travancore ltd
3	BEML Ltd
4	IRCON International Ltd
5	Indian Railway Finance Corporation
6	Mahanagar Telephone Nigam Ltd
7	Steel Authority of India ltd
8	Coal India Ltd
9	National Aluminium Company Ltd
10	Hindustan Copper Ltd
11	Andrew Yule & Co Ltd
12	Oil & Natural Gas Corporation Ltd
13	NBCC (India) Ltd
14	MMTC Ltd
15	State Trading Corporation of India Ltd
16	Indian Oil Corporation ltd
17	GAIL (India) Ltd
18	Engineers India ltd
19	National Fertilisers Ltd
20	NTPC Ltd
21	Power Finance Corporation Ltd
22	Rural Electrification Corporation Ltd
23	SJVN Ltd
24	MOIL Ltd

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

3.3.7 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 stipulates that the entire Board of Directors (excluding the Directors being evaluated) 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 3.14 indicates the CPSEs where such performance evaluation was not done.

Table 3.14: CPSEs where the Board did not evaluate performance of Independent Directors

Sl. No.	Name of the CPSE
1	NMDC Ltd
2	KIOCL Ltd
3	Dredging Corporation of India Ltd

4	HMT Ltd
5	Chennai Petroleum Corporation Ltd
6	The Fertilisers and Chemicals Travancore ltd
7	Madras Fertilisers ltd
8	Hindustan Photo Films (Manufacturing) Company Ltd
9	BEML Ltd
10	IRCON International Ltd
11	Indian Railway Finance Corporation
12	Mahanagar Telephone Nigam Ltd
13	ITI Ltd
14	Steel Authority of India ltd
15	Coal India Ltd
16	National Aluminium Company Ltd
17	Hindustan Copper Ltd
18	Balmer Lawrie & Co Ltd
19	Andrew Yule & Co Ltd
20	Shipping Corporation of India Ltd
21	Rashtriya Chemicals & Fertilisers Ltd
22	Hindustan Organic Chemicals Ltd
23	Oil & Natural Gas Corporation Ltd
24	Bharat Petroleum Corporation Ltd
25	Hindustan Petroleum Corporation Ltd
26	NBCC (India) Ltd
27	MMTC Ltd
28	State Trading Corporation of India Ltd
29	Indian Oil Corporation ltd
30	GAIL (India) Ltd
31	Engineers India ltd
32	National Fertilisers Ltd
33	NTPC Ltd
34	Power Grid Corporation of India Ltd
35	Bharat Heavy Electricals Ltd
36	NHPC Ltd
37	Power Finance Corporation Ltd
38	Rural Electrification Corporation Ltd
39	SJVN Ltd
40	MOIL Ltd
41	Housing & Urban Development Corporation Ltd

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 7 days before such meeting. The table 3.15 indicates the CPSEs where notice was not circulated at least seven days before such meeting.

Table 3.15: Notice not circulated at least seven days before meeting of the Board of Directors

Sl. No.	Name of the CPSE
1	The Fertilisers and Chemicals Travancore ltd
2	Container Corporation of India Ltd
3	Indian Renewable Energy Development Agency
4	Balmer Lawrie & Co Ltd
5	Shipping Corporation of India Ltd
6	GAIL (India) Ltd
7	MOIL Ltd

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. Schedule IV (Para VI (2)-Resignation or removal) of Companies Act, 2013, 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 3.16 did not comply with the above provision and the posts of Independent Directors remained vacant for a considerable period of time:

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

Sl. No.	Name of the CPSE	Filled up with delay in months	Lying vacant in months
1	KIOCL Ltd	-	08
2	Dredging Corporation of India Ltd	-	28
3	Mangalore Refinery and Petrochemicals Ltd	28	
4	NLC India Ltd	-	24
5	Chennai Petroleum Corporation Ltd	04	-
6	Bharat Electronics Ltd	-	39
7	BEML Ltd	-	40
8	Container Corporation of India Ltd	-	28
9	ITI Ltd	-	18
10	Steel Authority of India ltd	-	12

11	Hindustan Copper Ltd		12
12	Balmer Lawrie & Co Ltd		46
13	Andrew Yule & Co Ltd	-	62
14	Bharat Petroleum Corporation Ltd	-	12
15	NBCC (India) Ltd	-	19
16	India Tourism Development Corporation Ltd	-	08
17	State Trading Corporation of India Ltd	12	-
18	GAIL (India) Ltd	-	25
19	NTPC Ltd	-	08
20	Bharat Heavy Electricals Ltd	-	40
21	NHPC Ltd	-	07
22	Power Finance Corporation Ltd	-	12
23	MOIL Ltd	-	04

Further, it was also observed that in the CPSEs listed in Table 3.17, vacancies of Functional Directors were not filled within the period of six months prescribed in section 203 (4) of the Companies Act, 2013:

Table 3.17: CPSEs where vacancies of Functional Directors not filled in time

Sl. No.	Name of the CPSE	Name of the Post	Default in months
1	HMT Ltd	Director (Operations)	09
2	NLC India Ltd	Director (HR)	14
3	Bharat Electronics Ltd	Director (Finance)	07
4	Container Corporation of India Ltd	Director (Projects)	06
5	ITI Ltd	CMD	21
6	Andrew Yule & Co Ltd	CMD	12
7	Rashtriya Chemicals & Fertilisers Ltd	CMD Director (Marketing)	08 09
8	Hindustan Organic Chemicals Ltd	Director (Finance) Director (Marketing)	13 07
9	State Trading Corporation of India Ltd	Director (Finance)	07
10	Indian oil Corporation ltd	Director (R&D)	31
11	GAIL (India) Ltd	Director (BD) Director (Marketing)	30 18
12	Engineers India ltd	Director (commercial)	15
13	National Fertilisers Ltd	Director (Marketing)	13
14	Scooters India Ltd	Director (Finance)	12
15	NTPC Ltd	Director (Commercial)	17
16	Bharat Heavy Electricals Ltd	Director (Power)	07

3.6 Audit Committee

3.6.1 Composition of Audit Committee

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, in respect of Scooters India Limited no Audit Committee was constituted.

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	HMT Ltd
2	Mangalore Refinery and Petrochemicals Ltd
3	Indian Railway Finance Corporation
4	ITI Ltd
5	Balmer Lawrie & Co Ltd
6	Power Finance Corporation Ltd

3.6.2 Chairman of the Audit Committee

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 shareholder queries. However, the Chairman of the Audit Committee of the CPSEs listed in Table 3.19 was not present in the AGM held during 2016-17.

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

Sl. No.	Name of the CPSE
1	KIOCL Ltd
2	Dredging Corporation of India Ltd
4	NLC India Ltd
5	Hindustan Photo Films (Manufacturing) Company Ltd
6	Mahanagar Telephone Nigam Ltd
7	Bharat Immunological & Biologicals Corporation Ltd
8	Hindustan Organic Chemicals Ltd
9	IFCI Ltd
10	Housing & Urban Development Corporation Ltd

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 Andrew Yule & Co Ltd. and HMT Ltd. the minimum 4 meetings of Audit Committee were not held during the year 2016-17.

Further, in respect of CPSEs in Table 3.20, instances of insufficient quorum in the Audit Committee meetings held during the year 2016-17 was observed

Table 3.20: Insufficient quorum in Audit Committee Meetings

Sl. No.	Name of the CPSE
1	Mangalore Refinery and Petrochemicals Ltd
2	Chennai Petroleum Corporation Ltd
3	Hindustan Photo Films (Manufacturing) Company Ltd
4	ITI Ltd
5	Balmer Lawrie & Co Ltd
6	Rashtriya Chemicals & Fertilisers Ltd
7	NBCC (India) Ltd
8	Power Grid Corporation of India Ltd

In addition, in respect of Hindustan Photo Films (Manufacturing) Company Limited there was gap of more than 120 days between two audit committee meetings.

3.6.3.2 Clause 49 (III) (A) (5) 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 meeting of the Audit Committee.

In respect of Power Grid Corporation of India Ltd though the Finance Director, Head of Internal Audit and representative of Statutory Auditor were invited. However, Finance Director was not present in one meeting and Head of Internal Audit and representative of Statutory Auditor were not present in four meetings each.

3.6.4 Evaluation of Internal Control Systems

Clause 49 (III) (D) (11) of the Listing Agreement 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 3.21 the Audit Committee has not evaluated the systems.

Table 3.21: CPSEs where Audit Committee did not evaluate internal financial control and risk management systems

Sl. No.	Name of the CPSE
1	Madras Fertilisers ltd
2	ITI Ltd

3.6.5 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 Madras Fertilisers Limited such performance evaluation was not done.

3.6.6 Adequacy of Internal Audit Function

3.6.6.1 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 3.22, the Audit Committee did not review the internal audit function:

Table 3.22: CPSEs where Internal Audit function not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	Madras Fertilisers Limited
2	MOIL Limited

3.6.6.2 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 Madras Fertilisers Limited, the audit committee did not conduct any discussion with internal auditors.

3.6.7 Review of Supplementary Audit findings of CAG

3.6.7.1 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, authorises 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 3.23, Audit Committee did not review the Management Letter, Comments of the CAG, Audit Paras, Performance Audits Printed in the CAG Report and Recommendations of Committee on Public Undertakings issued after the conduct of supplementary audit.

Table 3.23: CPSEs where findings of CAG not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	NLC Limited
2	Shipping Corporation of India Limited
3	NTPC Limited
4	Rashtriya Chemicals and Fertilisers Limited

3.6.7.2 Regulation 18 (3) and Part C (B) of the Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that the audit committee shall mandatorily review the information relating to (i) management discussion and analysis of financial condition and results of operations, (ii) statement of significant related party transactions (as defined by the audit committee) submitted by management, (iii) management letters / letters of internal control weaknesses issued by the statutory auditors, (iv) internal audit reports relating to internal control weaknesses. Further, the appointment, removal and terms of remuneration of the chief internal auditor and statement of deviations shall be subject to review by the audit committee. In respect of Madras Fertilisers Ltd, the same was not reviewed.

3.6.7.3 Discussion with Statutory Auditors

Clause 49 (III) (D) (16) of the 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 on the nature and scope of audit as well as post-audit discussion to ascertain any area of concern. In respect of CPSEs listed in Table 3.24, the Audit Committees did not hold any such discussion.

Table 3.24: CPSEs where Audit Committees did not hold discussion with statutory auditors

Sl. No.	Name of the CPSE	Discussion not held
1	Madras Fertilisers ltd	Pre-audit & post-audit
2	Hindustan Photo Films (Manufacturing) Company Ltd	Pre-audit
3	Indian Railway Finance Corporation	Pre-audit & post-audit
4	Shipping Corporation of India Ltd	Pre-audit
5	Engineers India ltd	Pre-audit

3.7 Other Committees

3.7.1 Nomination and Remuneration Committee

Section 178 (1) of the Companies Act, 2013, Rule 6 of the Companies (Meeting of Boards and its Powers), Rules 2014, and Clause 49 (IV) 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 3.25. In some CPSEs though committee was formed the requirement of three directors and half of them as Independent Directors was not fulfilled.

Table 3.25: CPSEs not having Nomination and Remuneration Committee

Sl. No.	Name of the CPSE
1	HMT Ltd
2	Hindustan Photo Films (Manufacturing) Company Ltd
3	Balmer Lawrie & Co Ltd
4	Hindustan Organic Chemicals Ltd
5	Scooters India Ltd

CPSEs not having required Independent Directors in the Nomination and Remuneration Committee is detailed in the Table 3.26.

Table 3.26: CPSEs not having required Independent Directors in Nomination and Remuneration Committee

Sl. No.	Name of the CPSE
1	Mangalore Refinery and Petrochemicals Ltd
2	Chennai Petroleum Corporation Ltd
3	ITI Ltd
4	Indian Renewable Energy Development Agency
5	Oil India Ltd
6	Balmer Lawrie Investments Ltd

3.7.2 Stakeholders Relationship Committee

Section 178 (5) of the Companies Act, 2013 and Regulation 20(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires that every listed company shall constitute a Stakeholders Relationship Committee. It is observed that in respect CPSEs listed in Table 3.27 no such Committee was formed.

Table 3.27: CPSEs not having Stakeholders Relationship Committee

Sl. No.	Name of the CPSE
1	IRCON International Ltd
2	Scooters India Ltd

3.7.3 In case of any contravention of the provisions of section 177 (Audit Committee) and section 178 (Nomination and remuneration Committee and stakeholders relationship Committee), the company shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees and every officer of the company who is in default shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than twenty-five thousand rupees but which may extend to one lakh rupees, or with both. However, it was noted that no such penalty had been imposed by Ministry of Corporate Affairs during 2016-17 and 2017-18.

3.8 Whistle Blower Mechanism

3.8.1 Section 177 (9) of the Companies Act, 2013, Rule 7 of the Companies (Meeting of Boards and its Powers), Rules 2014 and 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 3.28, there was no whistle blower mechanism.

Table 3.28: CPSEs not having Whistle Blower Mechanism

Sl. No.	Name of the CPSE
1	Hindustan Photo Films (Manufacturing) Company Limited
2	Bharat Immunological & Biologicals Corporation Ltd
3	Balmer Lawrie Investments Limited

3.8.2 Schedule IV Para III (10) of Companies Act, 2013 and Clause 49 III (D) 18 of Listing Agreement and Regulation 18 (3) 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 3.29 below, though whistle blower mechanism exist, the Audit committee did not review it.

Table 3.29: CPSEs having Whistle Blower Mechanism but not reviewed by Audit Committee

Sl. No.	Name of the CPSE
1	Madras Fertilisers ltd
2	Container Corporation of India Ltd
3	Indian Railway Finance Corporation
4	Rashtriya Chemicals & Fertilisers Ltd
5	Oil & Natural Gas Corporation Ltd
6	State Trading Corporation of India Ltd
7	Scooters India Ltd

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 3.30, no such policy was formulated.

Table 3.30: CPSEs not having policy relating to related parties

Sl. No.	Name of the CPSE
1	NMDC Ltd
2	Hindustan Organic Chemicals Ltd
3	Scooters India Ltd

3.10 Policy relating to Subsidiary Companies

Clause 49 (V) (D) of the 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 the Annual Report and on the website with web-link in the Annual Report. In respect of HMT Ltd no such disclosure was made.

3.11 Disclosure of information on Website

3.11.1 Regulation 46 (2)(a), (f) and (g) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every company shall disclose the information on (i) details of its business (ii) policy dealing with related party transactions and (iii) criteria for making payment to non-executive directors on its website provided the same was not disclosed in Annual Report. In respect of CPSEs listed in Table 3.31, no such disclosure was made in website.

Table 3.31: CPSEs not made disclosure of information on website

Sl. No.	Name of the CPSE
1	NMDC Ltd
2	Hindustan Photo Films (Manufacturing) Company Ltd
3	Indian Renewable Energy Development Agency
4	Scooters India Ltd
5	Madras Fertilisers Ltd

3.11.2 Regulation 46 (2) (c) of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 stipulate that every listed company shall disclose in its website the composition of various committees of Board of Directors. Table 3.32 lists out CPSEs where the details were not disclosed in the website.

Table 3.32: Non-disclosure of information regarding committees on the website

Sl. No.	Name of the CPSE
1	Hindustan Photo Films (Manufacturing) Company Ltd
2	Bharat Immunological & Biologicals Corporation Ltd

3.12 Compliance Reports

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 Mahanagar Telephone Nigam Ltd. submitted yearly report instead of quarterly report to administrative ministry.

3.13 Conclusion

Out of 52 selected CPSEs, no Independent Directors had been appointed in 4 CPSEs and required number of Independent Directors were not appointed in 37 CPSEs; no Woman Director was appointed in nine CPSEs; delays of more than three months were observed in filling vacancies of Independent Directors in 23 CPSEs; delays of more than six months were observed in filling up vacancies of functional Directors in the Board in 16 CPSEs; no Audit Committee was there in one CPSE; no whistle blower mechanism was put in place in three CPSEs; no Nomination; Remuneration Committee were constituted in five CPSEs; no Stakeholders Relationship Committee in two CPSEs and no policy on Related Party Transactions in three CPSEs.

The Department of Public Enterprises stated (March 2018) 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 numbers of independent Directors on the board of CPSEs under their respective administrative control.

Replies (March 2018) of the Ministry of Corporate Affairs on the Chapter have been incorporated in the relevant paragraphs.

3.14 Recommendation

Government of India may impress upon the respective Administrative Ministries/Departments to ensure compliance of guidelines 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 recognising 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. The inclusion of the CSR mandate under the Companies Act, 2013 is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the Corporate World with the country's development agenda.

Chart 4.1 Corporate Social Responsibility

The Government of India enacted the Companies Act, 2013 in August 2013. With the enactment of the Companies Act (hereafter referred to as "Act") containing CSR provision under Section 135, the mandate for CSR has become a part of Corporate Governance in the country.

Section 135 of the New Companies Act 2013 enjoins the Board of Directors of every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more, during any financial year, to ensure that the Company spends at least two *per cent* of the average net profit of the Company, made during the three immediate preceding financial years, for the purpose of its Corporate Social Responsibility.

Schedule VII of the Companies Act 2013 enlists activities to be undertaken under CSR and includes activities related to healthcare, education & skill development, social inequality, environment sustainability, national heritage, art and culture, armed forces, sports, funds set up by Central Government, technology incubators, rural development projects, slum area development, capacity building etc.

Apart from the Act, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014 and Department of Public Enterprises (DPE) issued O.M on Observance of transparency and due diligence in selection and implementation of activities under CSR by CPSEs) dated 1/8/2016.

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 instructions vide O.M dated 01/08/2016 have been followed.

- Whether provisions relating to constitution of CSR Committee, formulation and compliance of policy have been complied with;
- Whether provisions relating to prescribed amount to be spent on specified activities have been complied with ;
- Whether provisions relating to institutionalisation of a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the CPSEs.
- Whether provisions relating to reporting have been complied with;

4.3 Audit Scope

- As on March 2017, there were 636 CPSEs under the audit jurisdiction of Comptroller and Auditor General of India. These included 438 Government Companies, 192 government controlled other companies and six statutory corporations.
- In the present review 79 CPSEs were covered. Data was not received in respect of two CPSEs[27]. The review covered 77 CPSEs (7 Maharatna [28], 17 Navratna [29] and 50 Miniratna [30] Category-I, 3 Miniratna Category-II [31] **(Appendix VIII)** under the administrative control of 24 Ministries/Departments. The period of one year ended March 2017 was covered during the review.

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[27] *FCI Aravalli Gypsum & Minerals India Limited and Pawan Hans Helicopters Limited (PHHL)*

[28] ***CPSEs with an Avg. Annual Profit over ₹5000 crore or Avg. annual net worth of ₹1000 crore or more or Turnover of ₹2000 crore or more for last three years***

[29] ***CPSEs which have obtained Excellent or Very Good rating under the Memorandum of Understanding system in three of the last five years and have composite score of 60 (out of 100), based on six parameters which include net profit, net worth, total manpower cost, total cost of production, cost of services, PBDIT (Profit Before Depreciation, Interest and Taxes), capital employed, etc., and a company must first be a Miniratna and have 4 independent directors on its board before it can be made a Navratna.***

[30] ***A CPSE which had made profits continuously for the last three years or earned a net profit of ₹30 crore or more in one of the three years***

[31] ***A CPSE which had made profits continuously for the last three years and have positive net worth***

4.4 Audit Criteria

The analysis was carried out against following criteria:

i. Provisions of the Companies Act 2013

ii. Provisions of Companies (Corporate Social Responsibility Policy) Rules, 2014 and

iii. DPE O.M instructions dated 1/8/2016

4.5 Audit Findings

The findings of the review are presented in following paragraphs.

4.5.1 Planning

4.5.1.1 Constitution of CSR Committee

All 77 CPSEs, reviewed, have constituted CSR committee. Fifteen CPSEs have constituted CSR committee during the year 2016-17 with a delay ranging from 25 to 39 months in constitution of CSR Committee **(Appendix IX).**

4.5.1.2 Appointment of Independent director

Section 135(1) of the Companies Act 2013 stated that every company qualifying the conditions specified in the Act should constitute a CSR Committee of the Board consisting of three or more directors, out of which at least one director should be an independent director. It was observed that two CPSEs[32] out of qualifying CPSEs did not have independent director in the Committee during 2016-17.

4.5.1.3 Formulation of CSR and Sustainability Policy

As per provisions of Section 135(2) of the Companies Act 2013, Corporate Social Responsibility Policy should be formulated. In case of all 77 CPSEs under review, CSR and sustainability policy was formulated and recommended by CSR Committee and the same was duly approved by the Board.

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

Out of 77 CPSEs, it was observed that the CSR policy of five CPSEs viz. Engineers India Limited (EIL), Antrix Corporation Limited (ACL), Indian Renewable Energy Development Agency Limited (IREDAL), Rajasthan Electronics & Instruments Limited (REIL), National Buildings Construction Corporation Limited (NBCCL), did not indicate the activities to be undertaken, from the 11 activities specified in schedule VII of the Companies Act 2013.

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[32] *MSTC Limited, and Oil India Limited (OIL)*

4.5.2 Review of expenditure on CSR

Section 135 (5) of the Companies Act 2013 specified that the Board of every company should ensure that the company spent, 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 Corporate Social Responsibility Policy; provided that, under Clause (o) of sub-section (3) of section 134, if the company failed to spend such amount, the Board should specify reasons for not spending in its report. During the year 2016-17, 77 CPSEs undertook 8840[33] projects and CSR expenditure thereon (including amount spent from the carried forward amount of previous years) was ₹3150.37 crore. Review of 77 CPSEs revealed that 49 of the 66[34] profit making CPSEs had allocated at least two *per cent* of the average net profit. Thirteen profit making CPSEs **(Appendix X)** did not allocate the prescribed amount for CSR expenditure.Though Section 135 (5) of the Companies Act 2013 did not specify requirement of allocation of expenditure on CSR, for the loss making CPSEs, it was observed that out of the 11 loss making CPSEs, 5 CPSEs[35] also had allocated an amount of ₹18.30 crore for CSR of which, expenditure of ₹14.66 crore was incurred out of the allocated amount during the year 2016-17. Remaining 6 loss-making CPSEs incurred expenditure of ₹1.97 crore from the carried forward amount of previous year.

4.5.2.1 Utilisation of funds

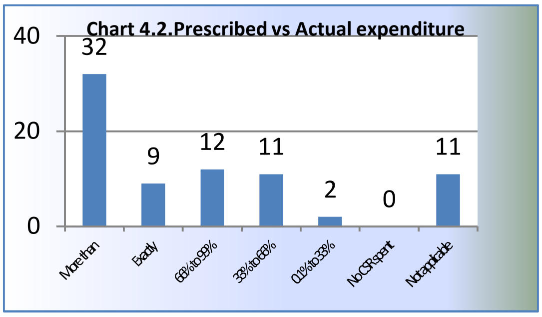

Chart 4.2.Prescribed vs Actual expenditure

Out of 77 CPSEs, the amount spent by 66 profit making CPSEs on CSR activities for the year 2016-17 was ₹2761.50 crore, against the required amount of ₹2789.78 crore. Thus, 98.97 *per cent* of the required amount was utilised during the Financial Year (FY) 2016-17. Expenditure on CSR of 41 CPSEs was above 2 *per cent* of the average Annual Profit, whereas, the expenditure of 25 CPSEs **(Appendix XI)** was below 2 *per cent* of funds.

4.5.2.2 Unspent amount carried forward from the previous years

- Out of 77 CPSEs under review, 39 CPSEs had total unspent amount of ₹2438.42 crore carried forward from the previous years. Thirty five of these CPSEs, utilised an amount of ₹214.12 crore for CSR activities during the year 2016-17. Four

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33 *No.of projects in respect of NSCL is not available.*

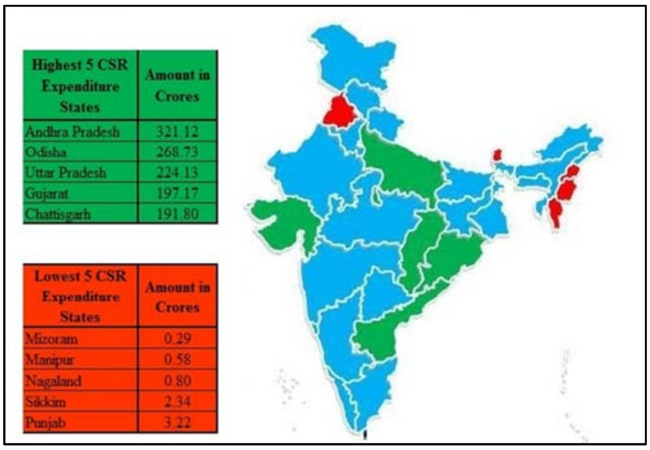
34 *Data not available in respect of Railtel Corporation of India Ltd, Rites Ltd, India Tourism Development Corporation and National Seeds Corporation Ltd.*

35 *Steel Authority India Limited (SAIL), Mangalore Refinery Petrochemical Limited (MRPL) Rashtriya Ispat Nigam Limited(RINL), Telecommunications Consultant India Ltd (TCIL) and Chennai Petroleum Corporation Ltd (CPCL)*

CPSEs viz. IREDA, Oil and Natural Gas Corporation Limited (ONGC), ITPO, South Eastern Corporation Limited (SECL) did not utilise carried forward amount of ₹1636.11 crore of which unspent amount of ONGC itself was ₹1520.90 crore.

- Out of 39 CPSEs with unspent balance of previous year, eight[36] CPSEs had fully utilised the unspent amount carried forward from the previous year. Six[37] CPSEs did not maintain information regarding actual expenditure from the carried forward amount, as specified in Section 135 (5) of the Companies Act 2013 for the Financial Year 2016-17, separately.

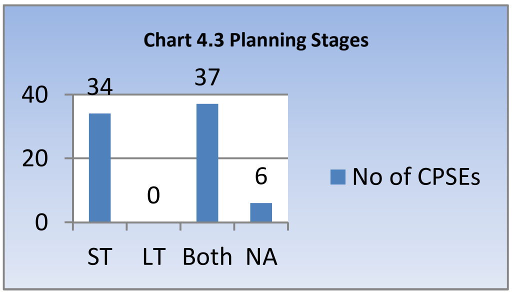
4.5.2.3 State-wise CSR Expenditure



State-wise expenditure on CSR of 77 CPSEs is shown in the picture alongside. It can be seen that CPSEs have spent more in Andhra Pradesh, Odisha, Uttar Pradesh, Gujarat and Chhattisgarh, whereas, expenditure in Punjab and north-eastern States such as Mizoram, Manipur, Nagaland, Sikkim is insignificant. The detailed CSR expenditure State-wise is shown in **Appendix XII.**

4.5.3 Implementation of CSR activities

4.5.3.1 Implementation plan



As per rule 6 (1) of the CSR Rules 2014 the CSR Policy of the CPSEs should list the CSR Projects or Programs which the Company plans to undertake in compliance with Schedule VII of the Companies Act,2013 specifying the modalities of execution of the projects or programs and implementation schedule for the same. As per para 2 (iv) of DPE OM dated 01.08.2016 "An institutionalised mechanism for monitoring, reporting and evaluation should be introduced by CPSEs implementing CSR". It was observed that out of 77 CPSEs, 59 CPSEs had formulated annual CSR plan for the year 2016-17. In case of 41 CPSEs implementation schedules for the projects had not been mentioned in the CSR Policy.

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[36] *PDIL, REIL, Indian Oil Corporation Limited (IOCL), Numaligarh Refinery Limited (NRL), SJVN, SAIL, CWC, Indian Railway Catering & Tourism Corporation Limited (IRCTC)*

[37] *Bharat Petroleum Corporation Limited (BPCL), NMDC, NSCL, Bharat Coking Coalfields Limited (BCCL), WAPCO, GAIL*

CSR Plan of NSICL did not specify the list of activities to be undertaken under CSR. 16 CPSEs had not prepared any annual CSR Plan for the year 2016-17.

4.5.3.2 Organisation structure for implementation of CSR activities

As per rule 4(2) of CSR Rules "The Board of a company may decide to undertake its CSR activities approved by the CSR Committee, through

(a) a company established under section 8 of the Act or a registered trust or a registered society, established by the company, either singly or alongwith any other company, or

(b) a company established under section 8 of the Act or a registered trust or a registered society, established by the Central Government or State Government or any entity established under an Act of Parliament or a State legislature :

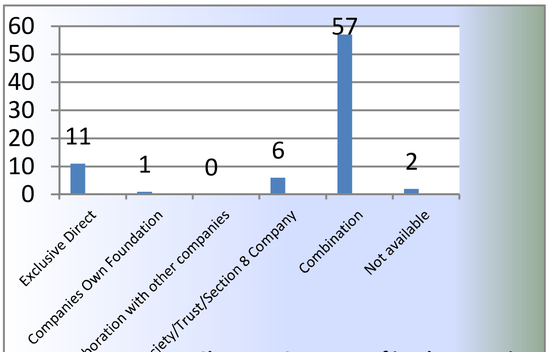


Chart 4.4 Structure of implementation

The different structure for types of organisations implementation employed by the CPSEs are shown in the adjacent chart no 4.4, Audit observed that 57 CPSEs preferred combination of exclusive direct, own foundation, collaboration with other Companies and Society/ Trust/ Section 8 Company as their medium of implementation, whereas 11 CPSEs preferred exclusive direct mode of implementation for undertaking CSR activities.

Test check of 39 CPSEs has revealed that out of a total of 1986 projects implemented through external agencies during the year 2016-17, 833 (41.94 *per cent*) projects were awarded on the basis of tender, 727 (36.61 *per cent*) were awarded on nomination basis and 426 projects (21.45 *per cent*) were implemented through other modes viz. projects/ activities implemented through government machinery or through community based organisations, National Corporate Social Responsibility (NCSR) Hub, Tata Institute of Social Services, Mumbai (TISS) etc.

Audit also observed that ONGC had formed and registered a trust named ONGC Foundation in November 2014 for looking after the CSR activities of the Company. It was observed that though ONGC Foundation has been formed to take care of CSR assets created and carrying out CSR activities, the trust is not fully functional even after a lapse of 33 months since formation of the trust. Further, two of the Company's assets viz. ONGC Community Hospital at Lakhimpur-Khiri district (U.P) and Sibasagar Hospital valuing ₹4.89 crore and ₹3.75 crore respectively, were not transferred in the name of ONGC Foundation (till August 2017) despite decision taken in the first meeting of ONGC Foundation (December 2014) and Board meeting (November 2016). The expenditure of

₹4.89 crore, pertaining to the Community Hospital was booked as revenue expenditure during 2013-14.

The Management in their reply stated that action for transfer of assets at ONGC Community Hospital to ONGC foundation would be taken up. Further progress was awaited.

4.5.3.3 Baseline/Need assessment surveys

As per para 2 (ii) of DPE OM dated 01.08.2016 "CPSEs should ensure that the criteria for selection and engagement with stakeholders are clearly outlined for prioritising the need of the people and selection of activities/ projects under CSR activities." Audit of compliance with the requirement revealed the following:

a) 19 CPSEs out of 77 CPSEs did not carry out any baseline/need assessment surveys prior to selection of CSR activities.

b) 3441 new projects were undertaken under CSR scheme in 2016-17 in 50 out of 77 CPSEs reviewed. Out of this, Baseline/ Need assessment surveys was conducted for 2804 projects and survey was not conducted for 637 (18.51 *per cent*) of the total new projects undertaken.

c) In respect of EIL, no baseline /need assessment survey done prior to the selection of any CSR activity and CSR expenditure had been made based on the need assessment done by the agency that approached the Company for funding under CSR. The Management in their reply (October 2017) stated that baseline/need assessment survey are made part of CSR proposals submitted by the concerned agencies to EIL and there is no explicit requirement in the guidelines for the same. The fact remains that the company itself has to undertake baseline/assessment survey rather than accepting the proposals submitted by the concerned agencies.

d) Total CSR expenditure of NBCC, during the year 2016-17, was ₹7.74 crore. The Company had neither taken up baseline survey nor carried out need assessment for its CSR activities. The Company stated that the baseline survey/ need assessment involved expenditure and even after this study, letter of undertaking/ requisition in prescribed format from District administration/ Government body/ any other Government agency was required. The Company also stated that the survey / assessment would not clarify the availability of land, resource and other takeover / maintenance issues.

4.5.3.4 Preference for Operational areas

As per Section 135 (5) of the Companies Act 2013 "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 Corporate Social Responsibility Policy:

Provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities:"

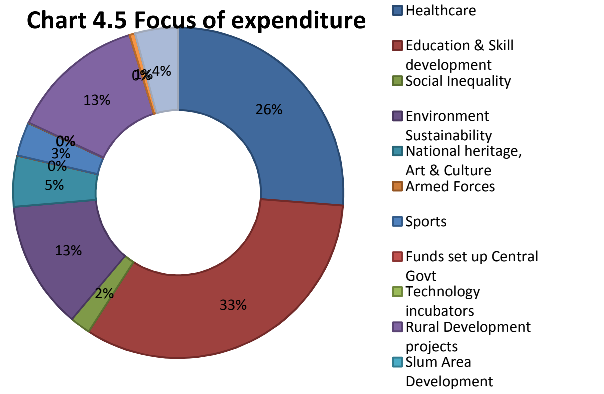
It was observed that 49 out of 77 CPSEs, had defined local area of operations. 24 CPSEs had not defined the local area of their operations. 62 out of 77 CPSEs, had given preference to areas around its area of operations for spending the CSR funds. Ten[38] CPSEs had not given preference to local area of operation. Four CPSEs[39] stated that they did not have any specific geographic location and therefore undertook CSR activities on pan India basis. Data was not available in case of Bharat Dynamics Limited (BDL).

4.5.3.5 Focus of CSR activities undertaken by CPSEs

As per provision of Para 4(1) and Para 6(1) of the CSR Rules 2014, the CSR activities should 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.

Focus of the expenditure on various CSR activities/ areas in 77 CPSEs is shown in chart 4.5.

Chart 4.5 Focus of expenditure



During the year 2016-17, the number of projects undertaken by 77 CPSEs was 8840 [40] and CSR expenditure thereon (including amount spent from the carried forward amount of previous years) was ₹3150.37crore. As can be seen from the above, Education and skill development, Healthcare, Rural Development and Environment sustainability with total expenditure of ₹1036 crore, ₹826 crore, ₹417 crore and ₹394 crore respectively, formed the thrust areas for CSR. Focus on other areas given in Schedule VII of Companies Act

[38] *Goa Shipyard Limited (GSL), ITPO, CWC, IREDAL, WAPCO, TCIL, IRCTC, RVNL, RITES, PDIL*

[39] *HUDCO, Rural Electrification Corporation (REC), PFC and PEC*

[40] *No. of projects in respect of NSCL is not available*

like Technology incubation, Armed forces, Funds set up by Central Government and Slum Area Development was limited.

4.5.3.6 Administrative overheads

As per Rule 4(6) of CSR Rules 2014 Companies could build CSR capacities of their own personnel as well as those of their Implementing agencies through Institutions, with established track records of at least three financial years but such expenditure, including expenditure on administrative overheads[41] should not exceed 5 *per cent* of total CSR expenditure of the company in one financial year.During the year 2016-17, the total administrative overheads for CSR reported by 55, out of 77 CPSEs, was 2.52 *per cent* of the total CSR expenditure[42]. It was observed that out of these 55 CPSEs expenditure on administrative overheads for the financial year 2016-17of three CPSEs viz. HLL Lifecare Limited (HLL Lifecare), RITES Limited (RITES) and BEL exceeded 5 *per cent* of the total CSR expenditure of the company.

MCA vide its clarification (September 2014) exempted the expenditure on salaries paid by the Companies to regular CSR staff as well as to volunteers of the Companies, out of the ambit of total CSR expenditure. However, 26 (**Appendix XIII**) out of 55 CPSEs included total amount of ₹66.60 crore spent on salaries of CSR staff and volunteers as administrative overheads. Out of the total expenditure of ₹75.61 crore on CSR activities by these 26 CPSEs, ₹66.60 crore was towards salaries of CSR staff which was inadmissible.

4.5.3.7 Surplus arising out of CSR Projects

As per Rule 6(2) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 "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 company."

It was observed that CSR Policy of 19 out of 77 CPSEs did not specify the above information. During the year 2016-17 out of 77 CPSEs, six[43] CPSEs reported surplus arising from CSR activities. Out of the six CPSEs, two CPSEs (NLCL and BDL) have not reinvested surplus such as revenue earned from sale of tickets from Company bus services and interest earned on fixed deposits for CSR initiatives. Four CPSEs reinvested the same over and above the mandatory 2 *per cent* allocation for CSR.

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[41] ***Amendment vide Ministry of Corporate Affairs notification dated 12.09.2014***

[42] ***₹75.61crore, as against the total CSR expenditure of ₹2996.42 crore (for 55 CPSEs)***

[43] ***NLCL, HAL, BDL,RINL,NRL, NSCL***

In case of NBCC, it was observed that the work of construction of three public toilets in Guntur District, Andhra Pradesh was awarded to NSL Services Ltd (wholly owned subsidiary of NBCC Ltd) for an amount of ₹0.59 crore. Details of CSR expenditure for the year 2016-17 revealed that ₹0.65 crore was released to NSL towards first and final bill for the above work. However, an amount of ₹0.08 crore was also appearing as liability towards the same work (January 2017) and the same was released to NSL on 31.03.2017. It was observed that CSR department had informed the discrepancy to the Finance department of the company stating that there was no such request for undertaking work amounting to ₹0.09 crore from CSR department (January 2017). As per clause 2.7 of CSR and SD Policy of NBCC, the Board Level CSR Committee should recommend/ approve the CSR activity and the expenditure to be incurred on the CSR activities.Audit observed that an amount ₹0.09 crore was released to NSL without approval of the Board or request from CSR Department. The Management reply to the Audit observation was awaited (February 2018).

Audit observed that Neyveli Lignite Corporation Limited provided affordable access by connecting bus from their township to peripheral villages. The expenditure of ₹1.44 crore on the same was booked under CSR expenditure. However, the revenue of ₹1.83 crore earned from sale of tickets was treated as other income by the Company. The Management stated (December 2017) that the net expenses (after offsetting income and employee costs) for 2016-17 was ₹3 crore. Out of this, a portion has been transferred towards CSR under jana-pravesh, a scheme for providing affordable access to social facilities of Neyveli Township. Apart from the same, expenses of Auto yard, directly related to CSR activities are also charged to CSR expenditure. However, the fact remains that revenue of ₹1.83 crore was not shown as CSR income.

In case of BDL, the Company had invested an amount of ₹12.04 crore in fixed deposits out of unspent amount and the interest earned amounting to ₹0.96 crore (@8 *per cent*) on the same was not reinvested for CSR initiatives.

4.5.4 Monitoring of CSR activities

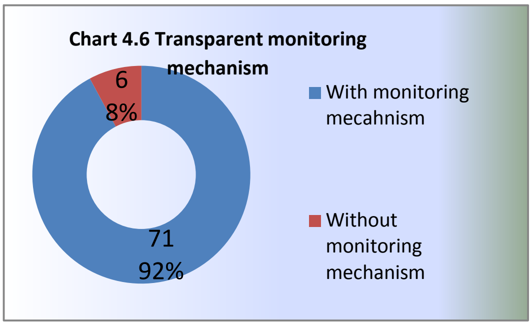
4.5.4.1 Monitoring of CSR policy

Section 135(3-c) of the Companies Act 2013 provided that the Corporate Social Responsibility Committee should monitor the Corporate Social Responsibility Policy of the Company from time to time. It was noticed in audit that out of 76[44] CPSEs, the CSR Committee of four CPSEs viz. Kamarajar Port Limited (KPL), NLCL, STCIL and RCIL did not

[44] ***Data not available for one CPSE ITDC***

monitor CSR policy periodically.Out of 77 CPSEs, in case of nine[45] CPSEs, changes were approved in the CSR Policy during the year 2016-17 in order to align the same with business policy and strategy.

4.5.4.2 Constitution of Monitoring Mechanism



Para 5(2) of CSR Rules 2014 stated that the CSR Committee should institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the company. Further, DPE O.M dated 01/08/2016 instructed to have an institutionalised mechanism for monitoring, reporting and evaluation of the CSR by the implementing CPSEs. It was observed that out of 77 CPSEs there was no monitoring mechanism in place in six[46] CPSEs.

Para 6 (1) of CSR Rules 2014 stated that CSR Policy of the Company should include monitoring process of projects and programs falling within the purview of the Schedule VII of the Companies Act, 2013 which the Company had planned to undertake. However, out of 77 CPSEs, CSR Policy of four[47] CPSEs did not include this information.

GAIL entered into two agreements during July 2013 with Community Friendly Movement (CFM) for financing CSR Project Jaldhar Integrated Watershed Development and Management Program in villages in Jhabua, Madhya Pradesh through contribution of ₹3.13 crore for the year 2013-14. Subsequently, during April 2014, another Agreement was signed with CFM for continuing the Project from 2014 to 2018, with a total contribution of ₹12.50 crore. As per terms of the agreements, 62 watersheds, 4 Fluoride mitigation units and 100 toilets were to be completed, by March 2017. Audit observed that though work relating to 40 watersheds and 4 fluoride mitigation units were completed no toilets were constructed by March 2017. Though CFM provided budget of 62.4 *per cent* of total cost towards creation of tangible assets, it spent only 30 *per cent* on creation of assets and 70 *per cent* was spent on other activities. In the absence of segregation of expenditure, GAIL could not assess the reasonability of the cost incurred for various deliverables. The Management reply to the observation was awaited. (February 2018)

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[45] ***BEL,BDL, Balmer Lawrie & Company Limited (BLCL),NBCCL, ITDC, OIL, Mahanadi Coalfields Limited (MCL),BPCL,PDIL***

[46] ***MRPL,NLCL,ITDC,ACL,NSCL,RVNL***

[47] ***MSTCL,ITDC,IOCL,ACL***

4.5.4.3 Utilisation certificate

As per the DPE O.M dated 01/08/2016 all efforts should be made by CPSEs to fully utilise the allocated CSR funds for the year.

In case of 9[48] CPSEs, out of 77 reviewed in audit, it was noticed that receipt of utilisation certificate was not being monitored by the Company. In case of 10[49] CPSEs, funds were released without verifying the utilisation of earlier allocation.

Audit observed that ONGC along with other CPSES viz. GAIL, IOCL, OIL, BPCL, HPCL, EIL, CPCL and MRPL as member organisations, had contributed (up to 31.07.2017) a total amount of ₹4.34 crore as first instalment to set up a Hydrocarbon Sector Skill Council (HSSC) with primary objective of skill development in Indian Hydrocarbon sector. Six Skill Development Institutes being developed by Oil PSEs were required to be affiliated with HSSC for certification of courses from National Skill Development Council (NSDC). It was observed that agreement between HSSC and NSDC was yet to be signed (September 2017). Further, HSSC has utilised only ₹0.09 crore till date (September 2017). However, the unspent balance amount of ₹4.25 crore was also reported as CSR expenditure by the above CPSEs. The Management of ONGC in their reply stated that meetings of Governing Council were held at regular intervals to discuss the status of the project and expenditure.

4.5.4.4 Ineligible CSR activities

As per provisions of Rule 4(4) of the Companies Corporate Social Responsibility Rules 2014, CSR projects or programs or activities undertaken in India only constituted CSR expenditure. Rule 4(5) stated that CSR projects/programs/ activities that were beneficial only to the employees of the company and their families should not be considered as CSR activities.Rule 4(7) of the CSR Rules stated that contribution of any amount directly or indirectly to any political party should not be considered as CSR activity. Review of eligibility of activities undertaken by 77 CPSEs revealed the following:

- In case of NLCL, Audit observed that an amount of ₹0.45 crore have been incurred on a book fair event which was not in line with the MCA circular dated 18.06.2014 and 12.01.2016 which stated that one-off events would not be qualified as part of CSR expenditure. The Management stated (November 2017) that the book fair event was being conducted continuously for the past 19 years and that the book fair, second largest in the State, attracted nearly 1000 to 1500

[48] *CPCL, NLCL, MECON, SCIL, RCFL, NBCC, STCIL, NSCL, RCIL*

[49] *KPL, NLCL, REIL, BEML, MDNL, MECON, MSTC, SCIL, NBCC, NSCL*

students from nearby village schools daily. The book fair however was not in line with the provisions of MCA, and thus, the expenditure does not qualify as CSR expenditure.

- SAIL had undertaken activities which were beneficial only to the employees of the Company and their families. These activities were not eligible to be counted towards CSR activities under Rule 4(5) of CSR Rules 2014. The activities included i) Undertaking removal of plastic waste in and around Steel Township at a cost of ₹ 0.13 crore during 2016-17, ii) Running & Maintenance of Durgapur Museum at a cost of ₹0.90 lakh during 2016-17 and iii) Maintenance of BSL school buildings at a cost of ₹0.08 crore during 2016-17. The Management stated(September 2017) that the above projects/activities were approved by the SAIL Board in terms of annual CSR budget plan 2016-17 and fall in line with the interpretation of the activities listed in schedule VII of the Companies Act i.e. sanitation, environment sustainability, protection of national heritage, art and culture, promotion of education. The Management reply is not acceptable since the beneficiaries of these expenditure were mostly employees and families'. These activities were to be taken care of by the Steel plant in normal course of business.
- Government of Gujarat implemented a project named "Statue of unity" through a Government of Gujarat organisation named 'Sardar Vallabhbhai Patel Rashtriya Ekta Trust (SVPRET)' for commemorating the contribution of Sardar Vallabhbhai Patel. The contract for the work was awarded to Larsen & Toubro Ltd in October 2014 at a total project cost of ₹2989 crore with targeted completion by October 2018. As per the detailed proposal, the project comprised of construction of i) 182 meter high bronze plated statue of Sardar Patel which would be the world's tallest statue, ii) Memorial and Visitor's Centre, Gardens and iii) Convention Centre named 'Shresth Bharat Bhawan'. The trust approached five of the CPSEs viz. Oil & Natural Gas Corporation, Hindustan Petroleum Corporation Limited, Bharat Petroleum Corporation Limited, Indian Oil Corporation Limited and Oil India Limited to participate in the project and contribute substantial funds as there was a shortfall of funds for the year 2016-17 to the extent of ₹780 crore.Thereafter, all the five CPSEs contributed a total of ₹146.83crore(ONGC ₹50 crore, IOCL ₹21.83 crore, BPCL, HPCL, OIL ₹25 crore each) towards this project under CSR. The activity was shown under item (v) of Schedule VII i.e protection of national heritage, art and culture. Contribution towards this project did not qualify as CSR activity as per schedule VII of the Companies Act 2013 as it was not a heritage asset.

The Management of ONGC has stated that the project included activities such as promotion of education, development of banks of River Narmada up to Bharuch etc. The Management of BPCL, HPCL & IOCL stated in their reply that as per Circular No. 21/2014 issued by MCA they interpreted the activity liberally to capture the essence of the subjects enumerated in the Schedule VII of Companies Act 2013.

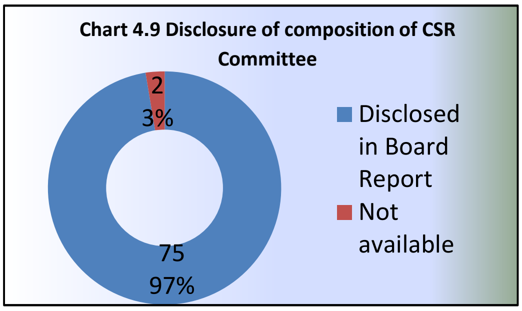
It was observed the entire amount of ₹50 crore has been given to Sardar Vallabhbhai Patel Rashtriya Ekta Trust (SVPRET) as contribution towards corpus of the Trust. The expenditure would be incurred by the Trust. The expenditure would be incurred by the Trust. The fact remained that the contribution towards construction of Statue did not qualify as CSR activity as per schedule VII of the Companies Act, 2013.

- GAIL entered (December 2012) into an agreement with the Rajasthan University of Health Science (RUHS), Jaipur for financing ₹3 crore to set up "Cath Lab" at RUHS. The contract period was 1 June 2013 to 30 June 2014. As per terms of the agreement, 1st instalment of 50 *per cent* of the cost of the item or advances paid for the items whichever is lower, should be released on submission of the invoice of the item as mobilisation advance for booking. GAIL released the first instalment of ₹1.50 crore on 15 February 2014 without submission of requisite documents. Even after receipt of advance, RUHS did not initiate any action on the Project and also did not respond to correspondence of GAIL.

Audit observed that despite clear terms in the agreement for release of advance against the submission of invoice, the company without safeguarding its financial interest released the advance violating the provisions of the Agreement. This resulted in blockade of ₹1.50 crore for three years which would continue till realisation of advance paid. The Management replied (December 2017) that the first instalment was released to RUHS on receipt of Fund requisition letter and performa invoice only. Further the issue of refund has been pursued at highest levels with the State Government, the same has not been received. The Management's reply is not acceptable as ₹1.50 crore was released to RUHS without evidence of a firm contract with the supplier selected on the basis of e-tendering and receipt of booking advance /invoice as per Agreement resulting in blockage of funds for more than three years without attainment of the CSR Project objectives.

4.5.5 Reporting on CSR activities and Sustainability

4.5.5.1 Disclosure of composition of CSR Committee



As per Section 135(2) of the Companies Act, 2013, report of the Board on CSR, should disclose the composition of the Corporate Social Responsibility Committee.

Audit observed that all 77 CPSEs disclosed the required information in their Board's report.

4.5.5.2 Display of contents of CSR

As per Para 9 of the CSR Rules 2014, the Board of Directors of the Company should disclose contents of CSR policy in its report and the same should be displayed on the company's website. Nine[50] out of 77 CPSEs, did not disclose the contents of CSR Policy in their Board's report. One CPSE namely BDL did not display the contents of CSR policy on their website.

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

As per Para 8 (1) of the CSR Rules 2014, the Board's report of a Company, should include an annual report on CSR in the prescribed format. It was noticed that all CPSEs except three CPSEs where data was not available (KPL, NLCL and IREDAL), included annual report on CSR in their Board's report. In case of one CPSE (ACL), the annual report included in the Board's report was not in the format prescribed under CSR Rules 2014.

Annexure to CSR Rules 2014, required that the Board's report should include a responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, was in compliance with CSR objectives and Policy of the company. It was observed that Boards report of four[51] CPSEs, did not include responsibility statement of CSR Committee in the Board's report.

[50] *NMDC, RINL, MSTCL, NSICL, OIL, SECL, WCL, REIL, ACL*

[51] *BCCL, WCL, ACL, RITES.*

4.5.5.4 Reporting of unspent amount

Out of 63[52] profit making CPSEs under review, 41 CPSEs fully utilised the prescribed amount of CSR in the year 2016-17. Out of remaining 22 CPSEs, 21 CPSEs specified the reasons[53] in the Board's report.One CPSE viz. EIL did not utilise the prescribed amount fully, in the year 2016-17. The unspent amount for the year 2016-17 was ₹8.13 crore. However, the reasons for underutilisation had not been reported in the Board's report.

4.5.5.5 Collaboration with other Companies

Rule 4 (3) of CSR Rules 2014 stated that "a Company may also collaborate with other Companies for undertaking projects or programs or CSR activities in such a manner that the Committees of respective companies were in a position to report separately on such projects or programs.

It was observed that, 49 out of 77 CPSEs had worked in collaboration with other Companies; however, CSR committees of 36 CPSEs did not report such projects/ programs separately.

4.5.5.6 CSR activities undertaken in pursuance of normal course of business

As per rule 4(1) of the CSR Rules 2014 "The CSR activities shall be undertaken by the company, as per its stated CSR Policy, as projects or programs or activities (either new or ongoing), excluding activities undertaken in pursuance of its normal course of business." Audit observed that ONGC as a part of CSR initiative had incurred an expenditure of ₹0.38 crore during the period from 2013-14 to 2016-17 for mangrove restoration and conservation at its Hazira plant. The proposal for the above project stated that Hazira plant of ONGC was situated in the coastal area of Surat. The soil next to Hazira campus was being subject to severe soil erosion which had posed a threat to Hazira campus. Hence, it was proposed to carry out mangrove plantation at Hazira plant. However, the Company had reported the above expenditure as CSR expenditure instead of showing the same as normal business expenditure in violation of CSR Rule 4 (1).

4.5.6 Impact assessment of CSR activities

As per para 2 (v) of DPE OM dated 01.08.2016 "An institutionalized mechanism for monitoring, reporting and evaluation should be introduced by CPSEs implementing CSR." Test check of 51 CPSEs revealed the following:

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[52] ***Data not available in case of three CPSEs viz. ITPO, CWC and HUDCO***

[53] ***Such as multiyear projects, budget advanced to implementing agency but not spent, exploring new areas and subsequent changes in project proposals etc***

a) All the 51 CPSEs together had conducted impact assessment studies for total of 454 projects. Out of these, impact assessment studies were conducted in house for 259 (57.05 *per cent*) of the projects, and impact assessment studies for 195 (42.95 *per cent*) projects was conducted through external agencies. Thirteen CPSEs had reported expenditure on Impact assessment as ₹0.93 crore. 35[54] out of 77 CPSEs, carried out impact assessment for ongoing CSR Projects to consider mid-course corrections.

b) In case of Engineers India Limited, the CSR committee of Board approved (12th August 2014) proposal for conducting employment oriented skill development training for 600 youth at Bhopal and Faridabad under CSR at an estimated cost of ₹2.44 crore through Centre for Research and Industrial Staff Performance (CRISP). Memorandum of Understanding was signed between the EIL and CRISP in July 2015. The Final Evaluation Report (04.06.2016) revealed that out of 600 trained candidates, only 450 candidates could be traced and remaining 150 candidates or status of their employability could not be traced even within the same month of completion of training which depicted inadequate monitoring and tracking of candidates.

The Management in their reply stated that the MOU for the training for 750 candidates was signed in July 2015 and that candidates received average salary of ₹7000 per month. The Management's reply is silent on non-availability of details of 150 candidates. Reply of the management regarding salary of ₹7000 is not tenable because minimum wages prescribed (October /November 2015 by Government of Madhya Pradesh (₹8810 per month) Government of Haryana (₹8797 per month) has not been achieved.

a) School of Skills Development in Hospitality (SSDH) submitted (March/April 2015) to GAIL a project proposal for funding under CSR along with Baseline Report for a skill development project in hospitality to unemployed youth and ensuring their employment/ self-employment. GAIL entered into an agreement with SSDH (June 2015) at a cost of ₹1.08 crore. On completion of the Programme, the entire payment of ₹1.08 crore was released. Audit observed that:

i. The baseline report submitted by SSDH indicated, high attrition rate of 40-50 *per cent* for hotels and restaurants and 90-100 *per cent* for food services. Despite this high attrition rate, GAIL financed the aforesaid project.

[54] ***Data not available in respect of BLCL and MDSL***

ii. Impact assessment of the Project revealed that out of a sample of 125 trainees of 500 youth trained for two months, the employment rate was very low as only 36 were currently employed. Many trainees received only a small fraction of promised wages in their employment and some were terminated after three months of placement without payment. Placements were also secured in small shops, thereby making the training irrelevant. Thus, the decision of extending finance for a high-attrition industry resulted in non-achievement of intended impact. The Management replied that they achieved 99 *per cent* passing percentage in the programme and have given a list of 22 organisations in which students were offered job opportunities. The Management reply has not addressed the observation regarding funding of project despite high attrition rate of the industry and failure to achieve satisfactory post training placement percentage.

Some of the notable works done by selected CPSEs are detailed below:

Sl. No.	Name of the CPSE	Notable works undertaken
1.	ONGC	ONGC entrusted maintenance activity of toilets in 5592 schools, constructed under Swach Vidyalaya Abhiyan, to Auroville foundation. The trust had undertaken Information, Education & Communication (IEC) activity to bring behavioural change and inculcate hygienic sanitation practices among the students of the schools and communities where ONGC has funded the construction and/or repair of toilets. The focus of this intervention was to institutionalise mechanisms by inculcating habits for maintenance of all toilets in the schools, ensuring they remained clean in a sustainable way.
2.	BPCL	As a part of Rain water harvesting project in Mokhada, BPCL had undertaken project BOOND. The focus of this project is to convert the 21 tribal villages from water scarce to water positive.
3.	OIL	OIL had undertaken Project OIL Jeevika in Arunachal Pradesh as its intervention for cluster based livelihood project for sustainable income generation. Launched in 2016-17, the project aimed at imparting skill development and up-gradation training to 400 targeted households on bee-keeping & honey processing, mustard, buck-wheat & local pulse processing as well as providing handholding support to them for generation of alternate source of income and formation of self-sustaining livelihood clusters.

Sl. No.	Name of the CPSE	Notable works undertaken
		12 new villages were adopted in FY 2016-17 (Sali cultivation 2400 bighas and Rabi cultivation 1105 bighas) from OIL's operational areas of Tinsukia and Dibrugarh districts, under the Oil India Rural Development Society (OIRDS).
4.	HPCL	As their support for special children, HPCL has undertaken project ADAPT in Maharashtra. Under this project 315 Special Children were provided therapeutic support along with Education and Skill Development. Under project Nanhi Kali, undertaken in the State of Andhra Pradesh, 12000 Girls from under privileged families were provided quality education through academic, materials and social support.
5.	PGCIL	As their intervention for improving Rural Livelihoods, through Farmer-centric Integrated Watershed Management in the States Karnataka and Andhra Pradesh, the Company developed storage capacity of 12000 cu.m and conservation of rain water of 45000 cu.m. This resulted in about 10-22 *per cent* rise in crop productivity.
6.	CIL	In collaboration with Prayas Juvenile Aid Centre Society the Company had taken initiative for Community based integrated programme with special focus on marginalised children and youth in naxalite and insurgency affected districts of Jharkhand and Assam.

4.6 Conclusion

Most of the 77 CPSEs reviewed in Audit complied with the provisions of the Companies Act 2013 relating to constitution of CSR committee, appointment of independent director and formulation of CSR policy.

Board of Directors of 41 CPSEs out of 66 profit-making CPSEs (62 *per cent*) had ensured that the funds prescribed under the Act for CSR activities were completely spent. However, Board of 25 profit-making CPSEs (38 *per cent*) did not ensure the same. Shortfall in spending ranged from 0.61 *per cent* to 100 *per cent* of the prescribed amount. Sixteen CPSEs had not prepared annual CSR plan. Ten CPSEs had not given preference to local areas. Most of the CPSEs focused on Education and Skill development, Healthcare, Rural development and environment sustainability as their

CSR work. It was observed that five CPSEs had not conducted Board meeting for monitoring CSR activities. Though MCA instructed to keep the component of salaries out of the ambit of CSR, 25 CPSEs included salaries of the employees involved in CSR work as CSR expenditure. MIS system in the CPSEs needed improvement in many cases.

Replies of the Ministry of Corporate Affairs and Department of Public Enterprises (March 2018) on the Chapter have been incorporated in the relevant paragraphs.

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 Central Public Sector Enterprises (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 the intentions, obligations and mutual responsibilities of the CPSE and the Government and is directed towards strengthening CPSE management by results and objectives rather than management 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 provides a mechanism to evaluate the performance of the management of 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 arrangements and their inter-linkages are as follows:

- **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.
- **Inter-Ministerial Committee:** The Inter-Ministerial Committee (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, Additional 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. The role of IMC is to assist the HPC on MOU and DPE in setting MOU targets of CPSEs before the beginning of the financial year and performance evaluation of MOU after completion of that year.
- **MOU Division at DPE:** The HPC and IMC are assisted by the MOU Division in DPE, which also acts as the permanent secretariat to HPC and IMC.

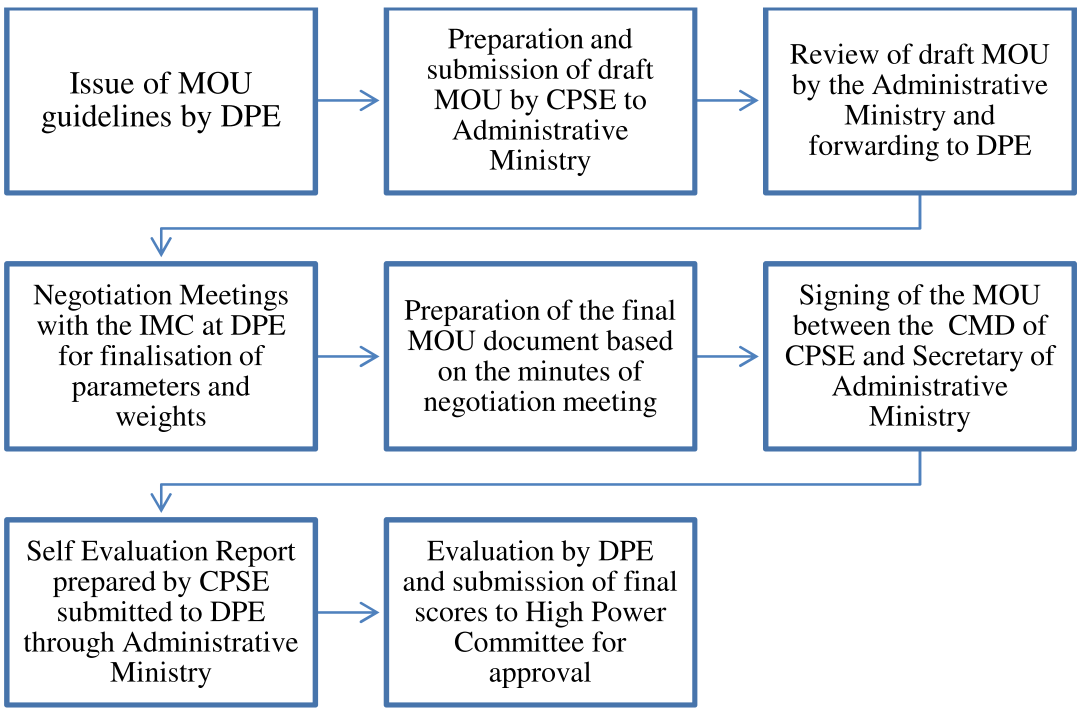
5.3 MOU targets for performance assessment and rating

MOU 2015-16 consisted of two parts, financial targets or static parameters and non-financial targets or dynamic parameters, having equal weights 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. However, in the MOU 2016-17 no such segregation was done. The IMC, in consultation with the CPSE and Administrative Ministry, fixes the target and weight for each parameter.

With a view to distinguish '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'. 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 finalisation and evaluation of MOU

The process of MOU target setting and evaluation is given below:



5.5 Coverage of analysis

This analysis covers MOU of 17 'Navratna' CPSEs for the years 2015-16 and 2016-17. While various aspects relating to finalisation and evaluation of MOU for the year 2015-

16 were examined in audit, evaluation of MOU for the year 2016-17 was not examined since the same was not completed (September 2017). Details of the 17 'Navratna' companies selected for analysis and their MOU rating for the period 2011-12 to 2015-16 are given in **Appendix-XIV.**

5.6 Objectives of analysis

The objective of analysis was to assess whether:

(i) MOU was finalised in accordance with DPE guidelines and targets were realistic and as per the Annual Plan of CPSEs;

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

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

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

(v) Achievements were in line with MOU targets.

5.7 Audit findings

Audit examined the MOU 2015-16 and MOU 2016-17 signed by the 17 'Navratna' CPSEs with their Administrative Ministries and their Performance Evaluation Reports (PER) for the year 2015-16. Audit findings are discussed in the succeeding paragraphs. The replies of CPSEs, wherever received, have been suitably incorporated.

5.7.1 Setting of soft MOU targets

MOU guidelines 2015-16 and 2016-17 provided that targets should be realistic yet growth oriented, inspirational and consistent with the proposed Annual Plan, Budget, Corporate Plan of the CPSE and Results Framework Document of the Ministry/ Department. The targets should be the maximum achievable under the given and anticipated circumstances and the basic target of relevant financial parameter should be determined on the basis of projection based on actual achievement of last five years. Audit noticed that targets were not fixed in line with the MOU guidelines in seven out of 17 'Navratna' CPSEs covered in audit. CPSE-wise observations noticed are discussed below:

5.7.1.1 Audit observed that MOU targets[55] for Power Finance Corporation Limited (PFC) were fixed lower than the actual achievement in previous years in respect of some parameters as detailed in Table 5.1 below:

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[55] ***All target references are for 'Excellent' target***

Table 5.1

Parameter	Target/Actual	2014-15	2015-16	2016-17
Resource mobilisation (₹ crore)	Target	44000	44400	Not a parameter (NAP)
	Actual	60276	63974	
Sanctions excluding IPDS (₹ crore)	Target	55000	55000	55000
	Actual	60784	65042	Awaited
Revenue from operation (₹ crore)	Target	NAP	NAP	26000
	Actual	24862	27474	26716
Operating profit (₹ crore)	Target	NAP	NAP	8130
	Actual	8333	8969	Awaited
PAT/Net-worth (Percentage)	Target	14.69	16.47	14.50
	Actual	18.50	17.09	Awaited
PAT/No. of employees (₹ crore)	Target	8.47	11.32	NAP
	Actual	13.36	13.59	

PFC stated (September 2017) that the targets were set by IMC based on existing power sector scenario and reasons for lower target were discussed and recorded in IMC meetings.

5.7.1.2 In case of parameters related to Rural Electrification Corporation Limited (REC) indicated in the following table, targets were fixed on lower side compared to its actual achievement in previous years.

Table 5.2

Parameter	Target/Actual	2014-15	2015-16	2016-17
Revenue from operations (₹ crore)	Target	Not a parameter (NAP)		21500
	Actual	20230	23638	23351
Loans sanctioned (₹ crore)	Target	NAP		56000
	Actual	61421	65471	Awaited
Operating profit as a percentage of revenue from operation	Target	NAP		26
	Actual	35.93	33.53	Awaited
Borrowing/Net-worth (%)	Target	NAP		460
	Actual	528	485	Awaited
PAT/Net-worth (%)	Target	14.8	16.83	17
	Actual	21.16	19.66	Awaited
PAT per employee (₹ lakh)	Target	480	628	NAP
	Actual	864	932	NA
NPA/Loan assets (Gross) (%)	Target	3.9	3	NAP
	Actual	0.74	2.11	NA
Interest rate spread (Rate)	Target	2.6	2.69	NAP
	Actual	3.68	3.4	NA

Sanctions (₹ crore)	Target	50000	56100	NAP
	Actual	61421	65471	NA
Resource mobilisation (₹ crore)	Target	26000	35000	NAP
	Actual	41190	52027	NA

REC stated (October 2017) that justification for lower targets were explained to the MoP before they were forwarded to DPE and again deliberated in IMC. It also stated that sector specific parameters may not be directly correlated with previous targets as these might vary from year to year based on the priorities of the government programmes.

The reply is not tenable as the performance has improved consistently over time, indicating that the targets were under-pitched by the Company.

5.7.1.3 Power Grid Corporation of India Limited (PGCIL) fixed targets on lower side compared to its actual achievement in the previous years for some parameters as tabulated below.

Table 5.3

Parameter	Target/Actual	2014-15	2015-16	2016-17
PAT/Net-worth (%)	Target	Not a parameter (NAP)	12.33	13.80
	Actual	13.09	14.15	Awaited
No. of tripping per line attributable to PGCIL	Target	1.50	1.50	NAP
	Actual	0.53	0.66	NA
Certification of PGCIL employees in project management	Target	33	50	NAP
	Actual	83	132	NA

PGCIL stated (October 2017) that the parameter on PAT/Net-worth was not available prior to 2015-16. The target for 2015-16 was set considering revised tariff regulation (2014-19) and available estimates as the audited financial results of 2014-15 were not available. Tripping per line were unpredictable and it was not possible to improve the parameter further and hence the same was dropped from the MOU for 2016-17.

The reply is not acceptable. The targets were to be proposed based on the past performance for the last five years and not based on the performance of immediately preceding year. It was seen that the actual performance of the above parameters in previous years were higher than the target fixed in 2015-16 and 2016-17. PGCIL did not offer any comment on MOU target for 'certification of PGCIL employees'.

5.7.1.4 MOU target of Hindustan Aeronautics Limited (HAL) for 2015-16 in respect of 'EBITDA/Net block' was fixed lower than the actual achievement in the previous five years.

Reply from HAL was awaited (November 2017).

5.7.1.5 The targets fixed for National Aluminium Company Limited (NALCO) in MOU 2015-16 in respect of 'PAT/Net-worth' and 'EBIT/Average capital employed' were lower than the actual achievement in the previous year.

NALCO stated (October 2017) that better performance over and above the MOU target was secured due to operational improvements.

The reply is not tenable. MOU guidelines mandate fixing targets on realistic and growth oriented manner, which was not done in this case.

5.7.1.6 Targets of NLC India Limited (NLC) in respect of 'EBIT/ Average Capital Employed' and 'Current ratio' in MOU 2015-16 and 'Dividend to Net-worth' in MOU 2016-17 were fixed lower than the actual achievement in the previous years. The target for 'utilisation of fly ash' was fixed at 70 *per cent*, though Ministry of Environment and Forest had prescribed 100 *percent* utilisation.

NLC stated (September 2017) that the targets might not always be comparable with achievement in previous years. Parameter on fly ash utilisation was not included in draft MOU, but later Standing Committee/IMC proposed for it.

The reply is not acceptable. In terms of MOU guidelines, basic target of relevant parameter was required to be determined on the basis of projections based on actuals of last five years. Besides, the guidelines mandating 100 *per cent* fly ash utilisation was also not adhered to.

5.7.1.7 NLC did not include mandatory parameters on 'costs and output efficiency' as part of MOU 2015-16. Similarly, weightage of parameter on 'profitability' exceeded the limits prescribed in the guidelines.

NLC stated (September 2017) that after detailed deliberation, it was decided to consider more important and relevant parameters.

The reply is not acceptable as the non-inclusion of mandatory parameters and excess weightage to parameters were not in line with MOU guidelines.

5.7.1.8 The Shipping Corporation of India Limited **(**SCI) assigned a weightage of 14 to the parameter on 'Sales turnover excluding interest and other income' in MOU 2015-16 and the same was distributed among three segments. For an 'Excellent' rating, weightage of 7 was assigned to 'Bulk carrier and tankers' segment (turnover: ₹3256 crore), weightage of 4 was assigned to 'Offshore' segment (turnover: ₹286 crore) and weightage of 3 was assigned to 'Liner' segment (turnover: ₹1079 crore). The weights assigned to the segments were thus disproportionate to their contribution of revenue.

SCI stated (September 2017) that the weightages were recommended based upon the prospects of the segment in the ensuing year and the same was accepted by the IMC.

The reply needs to be viewed against the fact that the weight was not equitably allocated to the targets proposed in the MOU for different segments. The prospects of the revenue earning capability of segments was reflected in the targets fixed for achievement.

DPE stated (March 2018) that MoU targets of a parameter are negotiated by task force/IMC with management of CPSEs based on past achievements and projections of current year considering the macro economic scenario and sector/CPSE specific condition.

The reply that MOU targets were based on past achievements is not tenable as in a number of CPSEs reviewed (7 out of 17), the MoU targets were fixed lower than the actual achievement in previous years.

5.7.2 Performance under MOU and self-evaluation by CPSEs

5.7.2.1 Inconsistency in parameter value in PER and IMC meeting

MOU 2015-16 target of NBCC (India) Limited (NBCC) for parameter 'ratio of new consultancy work orders on nomination basis to work orders on tender basis' was fixed as 70:30. As per the PER (November 2016) for 2015-16, achievement against this parameter was 75:25 ('Very good' rating). On the other hand, while fixing targets for MOU 2016-17, NBCC informed (June 2016) the IMC that the achievement against this target in 2015-16 was approximately 90:10 due to which a soft target of 90:10 was set for 2016-17.

NBCC stated (September 2017) that based upon historic trend, during IMC meeting, it informed that the ratio was 90:10 (approx.) and this statement could not be considered a specific statement with regard to any MOU parameter but a general statement based on the trend of business orders secured over the years. Also, the achievement of ratio of 75:25 for the year 2015-16 could not be considered as a standard achievement for NBCC over the years. DPE further stated (March 2018) that 'Ratio of New Consultancy work orders on nomination basis to work orders on tender basis' was not given as parameter for the MOU of NBCC for the year 2016-17.

The reply is not acceptable as NBCC reported 75:25 ratio in PER 2015-16, whereas in IMC meeting for finalisation of MOU target for 2016-17 the same was intimated as 90:10. Though the parameter for 2016-17 had changed to "New consultancy orders secured during the year", it was evaluated considering a 90:10 ratio of work orders secured through nomination basis and through competitive bidding.

5.7.2.2 Improper evaluation of achievement

Audit observed the following regarding evaluation of achievement of the selected CPSEs:

(i) While evaluating achievement against MOU 2015-16, Bharat Petroleum Corporation Limited (BPCL) used product rates considered at the time of fixing targets for working out turnover. DPE had instructed (November 2016) to adjust the targets at the time of evaluation in case of variation in product price. Hence, the turnover (both target and achieved) should have been worked out based on actual rates, which was not done leading to reporting of better performance.

BPCL agreed (October 2017) that signed MOU specified that adjustments would be allowed for any variations in selling prices. DPE stated (March 2018) that the assumptions of product prices for evaluation had been taken from the minutes of task force meeting conducted for target fixing of BPCL for the FY 2015-16.

The reply of DPE confirms that no adjustment was carried out in the prices proposed in the MOU vis-à-vis actual prices.

(ii) As per MOU guidelines 2016-17, CPSEs which were not 'Excellent' rated had to comply with some additional conditions, failing which their rating was to be reduced by score of 5 from the composite score. One such condition was that there should not be any adverse observation by C&AG on annual accounts pointing out misappropriation of funds of any amount/ over/ under statement of profit/ loss (surplus/ deficit) assets/ liabilities amounting to 0.1 percent of revenue from operations. Annual accounts of SCI[56] for the year 2016-17 included C&AG's comment on 'overstatement of profit and trade receivables by ₹6.05 crore'. The impact of this comment worked out to 0.176 percent of the revenue from the operations (₹3447 crore). SCI, however, did not reduce its composite score in the PER 2016-17.

SCI stated (October 2017) that reduction in marks on account of non-compliance of the additional eligibility criteria would be done at the discretion of the Standing Committee/IMC.

The Department of Public Enterprises (DPE) stated (March 2018) that due to the adverse observation of CAG on annual accounts of SCI pointing out 'overstatement of profit and trade receivables, 5 marks have been reduced from the composite score during evaluation of performance at DPE.

5.7.2.3 Imperfectly defined parameter

MOU 2015-16 of NBCC did not specify the basis for assessing the parameter 'New orders during the year'. NBCC, in the PER for MOU 2015-16, considered a list of 61 projects as new orders secured during 2015-16. However, MOU for 20 out of these 61 projects were signed during 2014-15. As such, these 20 projects should not have been considered as new orders secured in 2015-16.

Also the parameter 'New orders during the year' of MOU 2015-16 did not specify whether real estate acquisitions/ developments of NBCC should be counted for achievement against this parameter. NBCC included works valuing ₹426.19 crore in respect of real estate projects as work orders secured during 2015-16. Real estate

[56] *SCI had been rated 'Very Good' for 2012-13 to 2015-16*

works, being NBCC's own works, should not have been considered as new orders secured during 2015-16.

NBCC stated (September 2017) that for taking a project as secured, many parameters such as availability of land by client, approval of concept plan/estimates, statutory clearances etc. were to be considered and real estate works were secured through investment/internal resources. It also stated that real estate projects also contribute towards company's turnover, profits and net-worth and therefore, these could not be treated as own projects and were rightfully considered as 'New work orders secured'.

DPE further stated (March 2018) that figures were taken from the Annual report for the purpose of evaluation of performance.

Audit noticed that some MOUs entered in 2014-15 were considered as order secured during the year 2015-16 for the purpose of evaluation of performance. Thus, ambiguity in defining this parameter has resulted in reckoning of performance beyond the prescribed period and own works as new work orders secured.

5.7.3 Benchmarking with national and international peers

As per MOU guidelines 2015-16 and 2016-17, CPSEs were to provide information on national/international benchmarks pertaining to financial/non-financial parameters as applicable. The Ministry/Department was also required to give a background note on the performance of the sector as well as CPSE along with applicable benchmarks while sending the MOU for 2015-16 for consideration of the IMC. MOU guidelines 2016-17 also required benchmarking of MOU parameter of Navratna CPSEs at least with best performing company in private sector at national level. Audit observed that:

(i) PGCIL did not carry out benchmarking exercise in 2016-17 with comparable global transmission utilities.

(ii) Bharat Electronics Limited (BEL), HAL and SCI did not carry out benchmarking exercise with national and international peers during the year 2015-16 and 2016-17.

(iii) NALCO did not carry out benchmarking exercise with peer companies on national and international level during the year 2015-16.

(iv) Benchmarking exercise of NLC restricted comparison of two parameters, viz., 'Output per man shift' with Coal India Limited (CIL) and 'Plant load factor' with all India, Central sectors and NTPC Limited.

The CPSEs replied as under:

- PGCIL stated (October 2017) that it did not carry out benchmarking with international utilities since the guidelines were modified in 2016-17.

- HAL stated (October 2017) that since it was operating in a unique aerospace sector with multiple products/ divisions, benchmarking with global companies was difficult.
- SCI stated (September 2017) that comparison was not feasible with other shipping companies specialising in specific segments/routes only.
- NLC stated (September 2017) that it was unjust to compare any mining industry considering the uniqueness of mining operation.
- BEL and NALCO did not offer any reply.

DPE stated (March 2018) that as per MoU guidelines, targets were to be proposed based on benchmarking studies by the CPSEs through the Administrative Ministry after taking into consideration appropriate targets based on benchmark for the industry. Since Administrative Ministry have forwarded MOU targets, these were duly considered by Task Force/IMC.

The replies confirm that the CPSEs did not adhere to the MOU guidelines and purpose for which the benchmarking was stipulated did not materialise. Though, in case of some CPSEs (PGCIL, HAL, SCI etc.), national level comparison was not feasible due to their unique position in the market, international comparison could have been carried out. Regarding PGCIL's reply that the guidelines in this regard were modified in 2016-17, it may be noted that the modification required comparison with best performing private sector player at national level. Comparison with international peers was required as per MOU guidelines of 2015-16 and 2016-17. CPSEs did not comply with the MOU guidelines for benchmarking against national and international peers.

5.7.4 Commitment from Administrative Ministry

MOU guidelines 2015-16 stipulated that considering the importance of Independent Directors, specific commitment from the Administrative Ministries/Departments regarding timely action on filling up position of non-official directors on the Board of CPSE concerned would be incorporated in MOU of the CPSEs concerned, wherever applicable. The MOU guidelines 2016-17 provided an additional eligibility criterion for 'Excellent' rating whereby CPSEs were asked to adhere to the compliances of provisions of Listing Agreement and Companies Act, 2013 to the extent the same were within the ambit of CPSEs and compliance of DPE guidelines having financial implications.

As per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and DPE guidelines on Corporate Governance for CPSEs 2010, Board of Directors of CPSEs should consist of 50 *percent* Independent Directors. In this regard Sections 149(4) and 149(1) of the Companies Act, 2013 also require every listed public company to have at least one-third of the total number of Directors as Independent Directors and at least one woman Director, respectively.

In this regard, it was observed that:

- The Board of Directors of PFC, PGCIL, BPCL, BEL and CONCOR were not represented by required number of Independent Directors during 2015-16 and 2016-17 while Hindustan Petroleum Corporation Limited (HPCL) and Engineers India Limited (EIL) did not have required number of Independent Directors on its Board during 2015-16.
- There has been no woman Director on PFC Board since 2012-13 though statutorily required to have at least one. BPCL Board also had no woman Director during 2016-17.
- Specific commitment from the Administrative Ministry for filling up of the required number of Independent Directors was not incorporated in the MOU 2015-16 of BEL.

REC, BEL PFC, PGCIL and EIL stated (September /October 2017) that they had been taking up the matter with the Administrative Ministry from time to time. HPCL stated (October 2017) that appointment of Independent Directors was done by the Ministry of Petroleum & Natural Gas (MoPNG) and requirement for timely action from the Ministry towards this was incorporated in the MOU. DPE stated (March 2018) that the report on commitment assistance provided by Administrative Ministry was put up to the Chairman HPC along with MOU evaluation.

The reply of DPE does not address the under representation of non-official directors (independent/women directors) in the CPSEs commented upon.

5.7.5 Non-compliance of guidelines on MSME

As per MOU guidelines 2015-16, CPSEs were required to comply with the Public Procurement Policy for Micro, Small and Medium Enterprises (MSMEs) Order dated 25.04.2012. Non-compliance of this would be penalised up to one mark. The above order also required that from 2015-16 onwards, at least 20 *percent* of CPSEs requirement should be procured from MSME. Audit observed that PFC, PGCIL and Mahanagar Telephone Nigam Limited (MTNL) did not achieve the above target during 2015-16.

PFC stated (August 2017) that one mark was deducted from its composite score of 2015-16 on this account. PGCIL stated (October 2017) that majority of its procurement did not fall in the category of products and services offered by MSMEs. MTNL stated (November 2017) that these guidelines were against its interest in view of the competitive environment and fast changing telecom technology.

DPE stated (March 2018) that while evaluating the actual performance of CPSEs, one mark has been deducted from the composite score of PFC, PGCIL and MTNL for non-compliance of Public Procurement Policy.

The reply of CPSEs is not tenable as an exemption from the applicability of MSME orders was not obtained nor were the constraints in achieving the target incorporated in MOU. Further, the reply of DPE substantiates the audit point.

5.7.6 Submission and signing of MOU

5.7.6.1 Submission of MOU to DPE/ Administrative Ministry

- MOU guidelines 2015-16 required submission of main copy of MOU to DPE latest by 19.12.2014. However, it was observed that HAL sent the main copy of MOU 2015-16 to DPE on 27.01.2015, after a delay of 38 days.
- MOU guidelines 2016-17 required a CPSE to submit its draft MOU to the Ministry concerned by the due date (15.05.2016), after due approval from its Board. However, it was observed that MTNL submitted draft MOU 2016-17 to the Department of Telecommunications without approval from its Board.

While HAL did not offer any comments, MTNL stated (October 2017) that the draft copy of the MOU for 2016-17 was submitted on 15.01.2016 after due approval of CMD. DPE stated (March 2018) that it had considered the MOU and Self Evaluation as forwarded by the Administrative Ministry of the CPSEs.

5.7.6.2 Signing of MOU

As per MOU guidelines 2016-17, the MOU with all documents/annexures, after the approval of Administrative Ministry/Department should be sent to DPE by 15.05.2016. It further provided that MOU between CPSE and Administrative Ministry/Department and between subsidiary and apex/holding CPSEs should be signed by 30.06.2016 or within 15 days from the issue of minutes of IMC meeting, whichever was later. Audit observed that there were delays in signing the MOU:

- PFC signed MOU 2016-17 on 01.09.2016, after a delay of 32 days from the prescribed timelines.
- REC signed MOU 2016-17 on 23.08.2016, after a delay of 26 days from the prescribed timelines and MOU between REC and its subsidiary REC Transmission Projects Limited was signed on 09.11.2016.
- In the case of NMDC Limited (NMDC), the IMC meeting for MOU 2016-17 was held on 10.06.2016 and minutes issued on 20.06.2016 whereas MOU was not signed till 06.10.2016.

PFC stated (September 2017) that 15 day timeline was to be considered from the date of authentication of MOU by DPE and it signed MOU within 15 days from the date of its authentication (23.08.2016). REC stated (October 2017) that there was no delay in signing MOU with MoP or with RECTPCL because DPE issued authenticated copies of MOU on 28.07.2016 and 08.11.2016, respectively. NMDC did not furnish its comments.

DPE stated (March 2018) signing of MOU depends on conclusion of meeting for finalisation of MOU targets. MOU Guidelines 2016-17 has not prescribed any penalty for late signing of MOU.

5.7.7 General

DPE encourages hosting of the MOU of the CPSEs on their respective websites. It was, however, observed that PFC, HAL and SCI did not host their MOU for both 2015-16 and 2016-17 on their websites. Similarly, REC and MTNL did not host MOU 2015-16 and MOU 2016-17 respectively on their website.

PFC and SCI stated (September 2017) that MOU were not hosted on websites on account of confidentiality of business targets. PFC, REC, HAL and MTNL stated (September/ November 2017) that web hosting of MOU was not mandatory.

DPE stated (March 2018) that after authentication of MOUs, it advised Administrative Ministry/CPSEs to lay signed MOU in Parliament and upload the same on their website.

CPSEs, however, have not adhered to the DPE directives.

5.8 Conclusion and recommendations

Analysis of MOU of 17 'Navratna' companies for 2015-16 and 2016-17 revealed that the targets fixed in MOU by seven of them were not in line with the MOU guidelines, the targets fixed being lower than the actual achievement against these parameters in the previous years. The under-pitching of targets helped the CPSEs to achieve better ratings. Improper evaluation of parameters were also noticed in three CPSEs. The MOU guidelines mandated benchmarking of parameters with reference to national and international peers. However, six CPSEs did not carry out the benchmarking exercise. Though the MOU guidelines mandated the CPSEs to incorporate necessary commitment from Administrative Ministry in the MOU for filling up of non-official Directors on their Board and for compliance of provisions of Listing Agreement and Companies Act regarding independent and woman Directors, some positions of independent and woman Directors in 8 CPSEs were lying vacant.

Audit suggests the following recommendations for the consideration and implementation by DPE, CPSEs and their Administrative Ministries:

- **It may be ensured that the MOU 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 MOU through proper coordination with other Ministries and stakeholders.**

DPE stated (March 2018) that a new para in respect of setting up of targets has been added in the MOU Guideline 2017-18 and most of the concerns expressed by Audit were taken care of.

Audit noted the action taken by DPE.

CHAPTER VI

Joint Venture Operations of CPSEs

6.1 Introduction

Joint Venture (JV) is a contractual arrangement whereby two or more parties undertake an economic activity, which is subject to joint control[57]. A venturer is a party to a joint venture and has joint control over that joint venture. The JV may be of three forms i.e. jointly controlled entities, jointly controlled assets and jointly controlled operations. The jointly controlled entity is an entity registered under the Indian Companies Act or under the relevant Laws of the other country. These entities are governed by the relevant laws of the country in which the company has been incorporated. As the other forms of JVs i.e. jointly controlled assets and jointly controlled operations are un-incorporated, these are governed by the agreement signed among the partners.

6.2 Government Policy on JVs

The Common Minimum Programme of the Government stated that it would identify public sector companies that have comparative advantages and support them in their drive to become global giants. With a view to granting managerial and commercial autonomy to successful profit making Public Sector Enterprises (PSEs) operating in a competitive environment, the Department of Public Enterprises (DPE) enhanced the delegated powers of the Board of Directors of Navratna PSEs in August 2005 to enter into technology or strategic alliances, to establish financial JVs and wholly owned subsidiaries in India or abroad. DPE introduced (February 2010), Maharatna Scheme for Central Public Sector Enterprises (CPSEs) to delegate enhanced powers[58] to the Board of identified large sized Navratna CPSEs so as to facilitate expansion of their operations, both in domestic as well as in global markets. The exercise of powers by Maharatna companies was subject to the same conditions and guidelines laid down by the

[57] ***Joint control is the contractually agreed sharing of control over an economic activity. Control is the power to govern the financial and operating policies of an economic activity so as to obtain benefits from it.***

[58] ***Enhanced powers to incur capital expenditure on purchase of new items or for replacement without any monetary ceiling, enter into technology joint ventures or strategic alliances, obtain by purchase or other arrangements, technology and knowhow, make equity investment to establish financial joint venture in India or abroad, create below Board level posts, raise debt from the domestic capital markets and from international markets etc.***

Government in respect of Navratna CPSEs from time to time. All the proposals involving investment over and above the delegated powers were to be submitted for approval of the Cabinet Committee on Economic Affairs (CCEA).

Miniratna Category-I[59] were also empowered to establish Joint Ventures/Subsidiaries in India subject to the Equity Investment of ₹100 crore in one project and 5 *per cent* of net worth. In respect of Miniratna Category II[60], Equity Investment was limited to 50 crore in one project subject to 5 *per cent* of the net worth. The aggregate investment should not exceed 15 *per cent* of net worth in respect of PSEs under both the categories.

6.3 Audit Objectives

The audit objectives were to ascertain whether:

- Due diligence had been exercised at the time of the formulation, implementation and exit of JVs; and
- The guidelines of Department of Public Enterprises had been followed at every stage.

6.4 Audit arrangement of JVs

The C&AG of India conducts compliance audit and financial audit of JVs where share of government company in equity either separately or in combination with other Government Companies/Corporations is more than 51 *per cent* of the paid up capital and which are registered under the Indian Companies Act, 1956 or Companies Act, 2013. The C&AG of India has no power to conduct compliance audit or financial audit on the accounts of JV companies incorporated outside India. Similarly, in respect of JVs incorporated in India under the Companies Act, 1956 or Companies Act, 2013 where government company's share either separately or in combination with other Companies/Corporations is less than 51 *per cent* of the paid up capital and in case of unincorporated JVs, the C&AG of India has no power either to conduct compliance audit or financial audit on accounts of such JVs.

6.5 Audit Scope

This audit covered CPSEs categorised as Maharatna, Navratna and Miniratna. There were 98 CPSEs categorised as Maharatna, Navratna and Miniratna by the Department of Public Enterprises (May 2017). Out of this, 46 CPSEs did not have any JV and accordingly, 52 CPSEs (7 Maharatna, 17 Navratna and 28 Miniratna) were covered under

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[59] ***PSEs should have made profit in the last three years continuously, the pre-tax profit should have been ₹30 crore or more in at least one of the three years and should have a positive networth***

[60] ***PSEs should have made profit for the last three years continuously and should have a positive networth.***

this review **(Appendix-XV**). Information from Airports Authority of India was not received till finalisation of the report. Hence, this chapter contains details of JVs of 51 CPSEs.

6.6 JVs set up by Central Public Sector Undertakings

There are 361 JVs in which 51 CPSEs invested ₹172747 crore in the form of share capital and ₹ 73968.54 crore in the form of loans, debentures etc. The JVs consisted of both those incorporated[61] under the Companies Act and the Indian partnership Act as well as those not incorporated[62]. There were 234 incorporated JVs and 127 unincorporated JVs. There were 58 incorporated JVs in which more than one CPSE had invested share capital. The details are at Annexure XVI.

The above investments in JVs include investment of ₹121965.45 crore as on 31 March 2017 by ONGC Videsh Limited (OVL), a Miniratna Company and wholly owned subsidiary of Oil and Natural Gas Corporation Limited (ONGC) in 11 incorporated JVs and 25 unincorporated JVs. The investment in 11 incorporated JVs was ₹22305.74 crore and in 25 unincorporated JVs the investment was ₹99659.71 crore. Against the investment of ₹22305.74 crore in 11 incorporated JVs, the share of OVL in their accumulated reserves and surplus as on 31 March 2017 was ₹4719.09 crore and amounted to 21.16 per cent return on this investment.

6.7 Audit Findings

Our findings have been presented in the succeeding paragraphs:

6.7.1 Planning / Formation of Joint Venture

Selection of JV partners

DPE vide OM no 11(32)/96-Fin dated January 2000 inter alia stipulated that

(i) Selection of the partner and its process should be transparent and all such proposals should be presented to the Board.

(ii) At least two non-official part time directors should be present in the meeting of the Board of Directors wherein the proposal for JV formation was appraised.

(iii) Board should ensure adequate representation in the Management and operation of its JVs in proportion to its contribution.

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[61] ***Incorporated JVs are such entities which are registered either under Companies Act or under Indian Partnership Act.***

[62] ***Unincorporated JVs are such entities which consists of more than 2 persons carrying on business but not registered under any Act.***

The CPSEs selected their JV partners (i) as per directives of Government (ii) through open tender, (iii) through choice out of few prospective partners identified by CPSE itself and (iv) on nomination basis to a single party. Further, in some cases, CPSEs made investment in already existing JVs. Out of 292 incorporated JVs (including JVs formed by more than one CPSE,) information in this regard was available for 251 JVs. Out of these 251 JVs, selection of JV partner in 84 JVs was as per directives of Government, in 19 JVs through Open tender, in 75 JVs through choice out of few prospective partners identified by CPSE, in 49 JVs on nomination basis and in 24 cases investment was made by CPSEs in already existing JVs .

Details of these JVs are given in **Appendix XVII**.

i) Attendance of less number of Non-Official Directors

DPE guidelines require attendance of at least two non-official directors in the Board meeting where appraisal of formation of JV was deliberated upon. In case of following four CPSEs, the guideline was not followed:

Sl. No.	Name of CPSE	Name of JV Company	No. of non-official directors who attended the meeting formed for formation of JV
1.	State Trading Corporation of India Limited	NSS Satpura Agro Development Co. Ltd.	0
2.	SJVN Limited	Bengal Birbhum Coalfields Limited	0**
3.	NTPC Limited	NTPC SAIL Power Company Limited	0**
		NTPC Tamil Nadu Energy Company Limited	1
		Ratnagiri Gas and Power Private Limited	1**
		NTPC BHEL Power Projects Private Limited	1
		National Power Exchange Limited	1
4.	Bharat Earth Movers Limited	BEML Midwest Limited	1

** Due to non-appointment of non-official directors by Government of India

ii) Representation in the Management and operation of JVs

As per DPE guidelines, Board should ensure adequate representation in the Management and operation of its JVs in proportion to its contribution. Audit observed that in respect of three CPSEs, the representation of CPSEs in the Management and operation of JVs was not as per JV agreement as detailed below:

Sl. No.	Name of CPSE	Name of JV Company	% of contribution	Total No. of Directors required as per agreement/ MoU	Required representation as per JV agreement/ MoU	Actual representation
1	Mazagon Dock Ship builders Limited	Mazagon Dock Pipavav Defence Pvt. Ltd.	50	7	3	2
2	Container Corporation of India Limited	Albatross inland port Pvt. Ltd.	49	7	3	2
3	Rail Vikas Nigam Limited	Kutch Railway Company Limited	50	15	6	4
		Haridaspur Paradeep Railway Company Limited	35.23	12	5	3
		Angul Sukinda Railway Limited	31.50	12	3	2

6.7.2 Implementation of JV operations

Non-submission of status of JVs to DPE on a half-yearly basis

DPE had stipulated (January 2000) that the Navratna CPSEs would submit comprehensive list of JVs formed and status thereof to DPE on a half-yearly basis.

However, audit observed that none of the Maharatna / Navratna CPSEs[63] had complied with these guidelines (details as per **Appendix-XVIII**).

6.7.3 Performance of JVs

Out of 234 incorporated JVs (i) 76 JVs were earning profit (ii) 64 JVs were continuously incurring losses and (iii) 18 JVs earned profit only in the year 2016-17 but have accumulated losses. In respect of remaining 76 JVs, information was yet to be received from CPSEs. The financial performance of JVs is discussed in the following paragraphs.

a. Profit earning JVs

76 JVs mentioned at para 6.7.3 above earned profit of ₹11762.76 crore and the retained earnings as on 31 March 2017 was ₹49138.60 crore. Breakup of JVs according to the quantum of retained earnings is detailed below:

[63] *PFC and MTNL did not furnish information in this regard.*

(₹ in Crore)

Range	No. of JVs	Retained Earnings
More than ₹1000 crore	9	39687.26
₹100 crore to ₹1000 crore	22	8360.74
Less than ₹100 crore	45	1090.60
Total	76	49138.60

Details of all the profit making JVs are tabulated in **Appendix XIX.**

b. Loss incurring JVs

The accumulated losses as on 31 March 2017 in respect of 64 JVs mentioned at Para 6.7.3 above were ₹16106.65 crore. The breakup of JVs, according to the quantum of losses incurred is detailed below:

(₹ in Crore)

Range	No. of JVs	Accumulated Losses
More than ₹1000 crore	4	11709.97
₹100 crore to ₹1000 crore	10	3980.90
Less than ₹100 crore	50	415.78
Total	**64**	**16106.65**

Details of these loss making JVs are tabulated in **Appendix XX**.

The accumulated losses in respect of 18 JVs mentioned at 6.7.3 above that earned profit only in the year 2016-17 were ₹2319.97 crore as detailed below:

(₹ in Crore)

Sl. No.	JV Company	Profit during 2016-17	Accumulated losses as on 31st March 2017	Percentage Share of Maharatna/ Navratna/ Miniratna CPSEs in JV
1	IOT Infrastructure & Energy Services Limited	56.84	677.04	IOCL 49.25%
2	Indian Synthetic Rubber Private Limited	78.04	318.14	IOCL 50%,
3	Petronet VK Limited	0.88	264.20	IOCL 50%
4	Allcargo Logistics Park Pvt. Ltd.	0.73	0.88	CONCOR 49%
5	India LNG Transport Company 3	8.24	91.45	SCI 26%
6	SAIL SCI Shipping Pvt. Ltd.	0.0015	0.06	SCI 50%
7	Krishnapatnam Railway Company Limited	0.08	21.28	NMDC 14.82% RVNL 30%
8	Life Spring Hospitals (P) Ltd.	0.05	16.78	HLL Life care 50%
9	IRCON SOMA Tollway Pvt. Ltd.	0.12	82.30	IRCON 50%

10	NTPC Tamilnadu Energy Company Limited	197.94	233.57	NTPC 50%
11	Transformers and Electricals Kerala Limited	3.07	20.65	NTPC 44.60%
12	HALBIT Avionics Limited	0.02	10.02	HAL 50%
13	Infotech HAL Limited	1.02	0.67	HAL 50%
14	HATSOFF Helicopter Training Limited	10.46	110.64	HAL 50%
15	Prime Gold SAIL JVC Ltd.	4.12	1.75	SAIL 26%
16	National Centre for Trade Information	2.92	9.92	ITPO 50%
17	Haridaspur Paradeep Railway Company Limited	0.01	0.02	RVNL-35.23%
18	HPCL Mittal Energy Limited	3090.60	460.60	HPCL
			2319.97	

6.7.4 Formation of JV without prior approval of Board and without conducting a pilot study

As per DPE guideline, the proposal for formation of JV / subsidiary must be presented to the Board of Directors reasonably well in advance along with analysis of risk factors and anticipated results and benefits.

Audit observed that Indian Oil Corporation Limited (IOCL) while forming (8 October 2008) JV viz. Indian Oil CREDA Bio-fuels Limited (IOCBL) with Chhattisgarh Renewable Energy Development Authority (CREDA) with initial investment of ₹5.27 Crore (subsequently increased to ₹18.45 crore) for extraction and production of bio-diesel from Jatropha plant, did not obtain prior approval of the Board of Directors. However, post facto approval was obtained on 31 October 2008. Further, no pilot study was conducted to ensure the commercial viability of the project before submitting the proposal to the Board.

As reported to the Board by the Management (June 2016), this bio-diesel project became commercially un-viable due to high plantation and maintenance cost, poor yield, longer gestation period and high plant mortality. In view of non-performance, Board of Directors approved (July 2016) the closure of JVs rendering the entire investment of ₹18.45 crore infructuous.

Management accepted that IOCBL was formed without carrying out the pilot study, prior approval of Board and technical experience to avoid loss of bio-fuel business opportunity.

6.7.5 Non-obtaining of CCEA approval for overseas E&P projects

A. In pursuance of Cabinet directives dated 8 July 1997, allowing ONGC Videsh Limited (OVL) to enter into overseas technology JV / strategic alliances for E&P Projects, DPE empowered (2005) OVL Board to approve E&P projects with an investment ceiling of

₹300 crore or US$ 75 million, whichever is less. For project investments exceeding ₹300 crore, Cabinet Committee on Economic Affairs (CCEA) approval was to be obtained through Empowered Committee of Secretaries.

Audit observed that after extension of Maharatna status to its parent Company viz. ONGC Ltd, OVL in respect of its seven[64] overseas E&P projects in Columbia, Brazil, Cuba and Vietnam had obtained investment approvals of ₹7537.07 crore from ONGC instead of CCEA even though investment was beyond ₹300 crore for each project.

The Management replied (December 2017) that as per DPE guidelines, ONGC after being empowered as a Maharatna Company was entitled to invest through its subsidiary into Joint Ventures and therefore the approval was taken from ONGC Board. Further, OVL had sought MOPNG's guidance on the competent authority for investment approval in projects of OVL where investment was originally approved by the CCEA. As no reservation has been received from MOPNG against the approval process adopted by OVL, it can be inferred that approvals taken for the stated projects were in order.

The reply of the management is not tenable in view of the following:

1. Investment in the above projects were the decision of OVL and therefore ONGC was not empowered to sanction the investment in the aforesaid projects. Further, as per the specific guidelines applicable to OVL, it could invest in JVs upto ₹300 crore only beyond which approval of CCEA was needed.
2. The approval process adopted by OVL to obtain approval from ONGC Board instead of approval of CCEA has not been approved by the Ministry.

B. In another project viz. Block BC-10 in Brazil, there were three partners i.e M/s Exxon (30 *per cent*), M/s Shell (35 *per cent*), and M/s Petrobras (35 *per cent*). OVL with the approval of CCEA acquired 15 *per cent* Participating Interest of M/s Exxon at US$ 410 million[65]. Further on enhancement of project cost to USD 478 million, again OVL obtained CCEA's approval. Subsequently, OVL acquired (2013) additional PI of 12 *per cent* from M/s Petrobras at US$ 561 million (₹3702.76crore[66]) in the same block and obtained approval from ONGC (its holding company) only and did not obtain CCEA's approval.

The Management replied that acquisition of 12 *per cent* PI of M/s Petrobras was treated as a new investment project as compared to acquisition of 15 *per cent* PI in the block in the year 2006 as the methods of acquisition of the PIs were different and the PIs were

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[64] ***RC 9, 10 and CPO-5 (Columbia), BM BAR-1 & BM-SEAL-4, (Brazil), 25 to 29 & 36 (Cuba), Block 06.1 Vietnam***

[65] ***US$ 165 million as acquisition cost and US$ 245 million as project cost***

[66] ***USD 561 Million @ INR 66.0028 (30.12.2013)***

acquired from different sellers and therefore same was considered as a separate deal for which ONGC had the investment empowerment up to ₹5000 crore, hence there was no need to seek CCEA approval.

Reply is not tenable because CCEA's approval is required whenever the investment exceeds ₹300 Crore. Further, ONGC is neither empowered to accord approval for upward revision of project cost nor for additional acquisition cost of PI.

6.8 Conclusion

Instances of non-compliance with DPE Guidelines were noticed with regard to formation of JVs, attendance of non-official directors in Board Meeting where appraisal of formation of JV was deliberated, adequate representation in the Management and Operation of JVs and submission of status of JVs to DPE on half yearly basis. Out of 158 incorporated JVs for which information was received, 76 JVs were earning profit, 64 JVs were continuously incurring losses and 18 JVs earned profit only in the year 2016-17 but have accumulated losses.

6.9 Recommendations

Government of India may impress upon the respective Administrative Ministry/ Department to ensure compliance with the DPE Guidelines in respect of formation of JVs, representation in the management and operation of JVs etc. Board of Directors of concerned CPSE should also ensure compliance with DPE guidelines.

Department of Public Enterprises, Ministry of Heavy Industries and Public Enterprises accepted (March 2018) the above recommendations of audit.

CHAPTER VII

Compliance with Provisions of Public Procurement Policy, 2012 For Micro and Small Enterprises

7.1 Introduction

Government of India enacted the Micro, Small and Medium Enterprises Development Act (MSME Act.), 2006 which came into effect from June 2006. As per section 11 of MSME Act, 2006, the Central or State Government may, by order notify, from time to time, preference policies in respect of procurement of goods and services produced and provided by MSME[67]s, to be followed by its Ministries/ Departments/ aided institutions/ Public Sector Enterprises. Accordingly, the Central Government, notified 'Public Procurement Policy for Micro and Small Enterprises Order', which came into effect from 1 April 2012 and became mandatory w.e.f. 1 April 2015.

The salient features of the Policy were:

- Every CPSEs shall set an annual target for 20 *per cent* procurement from Micro and Small Enterprises (MSEs) Sector. Overall procurement goal of minimum 20 *per cent* with a sub-target of 4 *per cent* out of 20 *per cent* was earmarked for procurement from MSEs owned by SC/ST entrepreneurs became mandatory from 1 April 2015.
- MSEs quoting price within price band L1 + 15 *per cent*, when L1 is other than MSEs, would be allowed to supply 20 *per cent* of the tendered value at L1 price, subject to lowering of price by MSE to L1.
- For enhancing participation of MSEs in government procurement, CPSEs would conduct Vendor Development Programmes or Buyer Seller Meets for MSEs especially for SC/ST entrepreneurs.

7.2 Audit Objective

The audit objective was to examine whether the provisions of Public Procurement Policy, 2012 for Micro and Small Enterprises were being complied with effectively.

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[67] ***Public Procurement Policy was applicable for Micro and Small Enterprises only***

7.3 Audit Scope

Audit selected a sample of 18[68] Central Public Sector Enterprises (CPSEs) to review compliance with the Public Procurement Policy for MSEs by these CPSEs during 2012-13 to 2016-17.

7.4 Audit Criteria

Audit criteria included, provisions of MSME (Development) Act, 2006, Public Procurement Policy Order, 2012, notified by Ministry of Micro, Small and Medium Enterprises on 23 March 2012 and Circulars/instructions issued by O/o Development Commissioner [DC (MSME)] from time to time.

7.5 Audit Findings

7.5.1 Mandatory procurement from MSEs

As per clause 3 of Public Procurement Policy Order, 2012, CPSEs were mandatorily required to procure a minimum of 20 *per cent* of their total procurement from MSEs w.e.f. 1 April 2015. Clause 4 of the policy earmarked a sub target of 20 *per cent* (i.e., 4 *per cent* of the total procurement) procurement from MSEs owned by SC/ST entrepreneurs.

Compliance with this clause was checked in the 18 selected CPSEs and the following were observed:

a) As per the information provided by the CPSEs, out of 18 selected CPSEs 7 had achieved the target of minimum of 20 *per cent* of their total procurement from MSEs during 2015-16 and 2016-17 (mandatory period).
b) On further examination, it was observed that the Development Commissioner (MSME) had clarified (March 2016) to all CPSEs that the cost of any item could not be excluded while computing the total procurement made by them during the year. Yet, 9 out of the 18 CPSEs examined in Audit had excluded significant items[69] ranging between 27 *per cent* and 96 *per cent* of their total annual procurement, while reporting compliance with the Public Procurement Policy

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[68] ***Oil and Natural Gas Corporation Ltd. (ONGC), Bharat Heavy Electricals Ltd. (BHEL), Indian Oil Corporation Ltd. (IOCL), Hindustan Petroleum Corporation Ltd. (HPCL), Bharat Petroleum Corporation Ltd. (BPCL), National Thermal Power Corporation Ltd. (NTPC), Rashtriya Ispat Nigam Ltd.(RINL), National Handloom Development Corporation Ltd. (NHDC), Gas Authority of India Ltd. (GAIL), Cochin Shipyard Ltd. (CSL), National Mineral Development Corporation Ltd. (NMDC), Neyveli Lignite Corporation Ltd. (NLC), Steel Authority of India Ltd. (SAIL), Balmer Lawrie& Company Ltd., National Aluminium Company Ltd. (NALCO), Numligarh Refinery Ltd. (NRL), Oil India Ltd. (OIL) and Coal India Ltd. (CIL)***

[69] ***Items excluded by CPSEs were fuel, steel, cement, Iron ore, cooking coal, Boiler Coal, imported petrol, diesel, lubricants, compressors, turbines, boiler, Conveyor Belts, Furnace Oil etc.***

Order, 2012, during the years 2015-16 and 2016-17 as shown in the Table given below:

Table: 7.1

Percentage of items excluded while reporting mandatory procurement from MSEs

(₹ in crore)

Name of CPSEs	2015-16			2016-17		
	Actual total annual procurement made during the year 2015-16	Value of items/ material excluded from total annual procurement	Percentage of excluded items over total procurement	Actual total annual procurement made during the year 2016-17	Value of items/ material excluded from total annual procurement	Percentage of excluded items over total procurement
NTPC	108414.29	103948.80	**95.88**	88527.70	84549.30	**95.50**
RINL	10500.96	8994.69	**85.65**	10459.42	8310.57	**79.45**
NMDC	378.41	264.56	**69.91**	356.85	259.17	**72.62**
SAIL	7750.98	4539.05	**58.56**	7431.53	4185.11	**56.31**
GAIL	2793.74	777.74	**27.83**	4756.98	1618.20	**34.01**
Balmer Lawrie	2253.66	2171.30	**96.34**	2438.04	2320.03	**95.15**
NRL	6498.43	6076.23	**93.50**	6905.16	6447.32	**93.36**
IOCL	NA	NA	NA	24297.93	10787.56	**44.39**
NLC	Not provided	Not provided	NA	652.44	326.11	**49.98**

As per the records made available to audit, six of these nine CPSEs had sought exemption from Review Committee for excluding the items from total annual procurement. However, RINL alone was granted exemption by the Review Committee in July 2016 with the condition that RINL will at least make 35 *per cent* to 40 *per cent* procurement of the balance from MSEs, against which RINL could achieve only 25 *per cent* during 2016-17.

c) Out of remaining nine CPSEs, six CPSEs (BHEL, HPCL, NHDC, NALCO, CSL, and BPCL) had achieved the target of 20 *per cent* procurement from MSEs while three CPSEs (ONGC, OIL, CIL) procured five *per cent* to 15 *per cent* from MSEs. It was also noticed that none of the selected 18 CPSEs had achieved the target of 4 *per cent* annual procurement from MSEs owned by SC/ST entrepreneurs.

d) Clause 3(4) of the Policy envisaged that the CPSEs which fail to meet the annual procurement target from MSEs shall substantiate with reasons to the Review Committee headed by Secretary, Ministry of MSME. A scrutiny of the minutes of the Review Committee meetings revealed that none of the CPSEs which had failed to achieve the procurement targets had furnished reasons to the Review Committee.

The following reasons were cited for exclusion of items by CPSEs:

- Items like steel, cement, compressor, turbines, heat exchanger, air intake systems, Boiler, furnace, Conveyor Belts etc. and mineable materials like Iron ore, boiler coal, coking coal, dolomite, and limestone were not manufactured by MSEs.
- OEM spares are also essentially to be procured from OEMs. Further, the Management of GAIL stated (October 2017) that the matter of excluding items while calculating 20 *per cent* mandatory procurement from MSEs had been taken up with the Ministry. However, Ministry's approval was awaited. IOCL Management stated (October 2017) that crude petroleum and oil products were excluded from total procurement in oil sector CPSE, which were highlighted and accepted at various fora in which senior officials of MSMEs and Ministry of Petroleum and Natural Gas were present.

DC (MSME) in its reply (October 2017) stated that under the Public Procurement Policy, it has no power to penalise the procuring agencies for failing to achieve the mandatory target of 20 *per cent* and the sub-target of four *per cent* of the procurement from MSE. DC(MSME)stressed that CPSEs are controlled by Department of Public Enterprises (DPE) and on failing to achieve the procurement target from MSEs, the rating of CPSEs are downgraded by DPE.

Although, DPE had downgraded the MOU rating of 15 CPSEs[70] by one mark during 2015-16 as they had failed to comply with the provisions of the policy, this did not significantly affect the performance of the CPSEs. Out of these 15 CPSEs, the performance of 9[71] continued to be poor during 2016-17.

Recommendation-The Ministry of MSME should review the policy in light of aforesaid difficulties faced by CPSEs in implementation of the Policy.

7.5.2 Outstanding payables to MSE units

As per section 15 of the MSME Act 2006 where any MSE supplier supplies goods or renders services to a buyer, the buyer should make payment on or before the date agreed upon between the buyer and the supplier, provided that in no case, the period agreed upon should exceed 45 days from the date of acceptance. The Act further provides that if the buyer fails to make payment of the amount to the supplier, the buyer would be liable to pay compound interest from the appointed day. Further, the notification dated 4 September 2015 of Ministry of Corporate Affairs made it mandatory for all CPSEs to disclose the details of trade payables to MSEs in the notes to their financial statements.

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[70] ***ONGC, BHEL, CIL, IOCL, NRL, HPCL, BPCL, NTPC, NHDC, GAIL, OIL, CSL, NMDC, NLC and SAIL (15 CPSEs)***

[71] ***ONGC, CIL, IOCL, NRL, NTPC, GAIL, OIL, NMDC and SAIL (09 CPSEs)***

Audit noticed that out of the 18 CPSEs examined, eight had significant outstanding dues payable to MSE vendors. The amounts outstanding with these CPSEs, as on 31 March 2017, are tabulated below:

Table: 7.2
Outstanding dues payables to MSEs

(₹ in crore)

S. No.	Name of CPSE	Principal amount outstanding with CPSEs to be paid to MSEs (As on 31 March 2017)
1.	NTPC	347.98
2.	BHEL	233.43
3.	IOCL	46.72
4.	SAIL	38.12
5.	ONGC	12.15
6.	NLC	8.84
7.	BPCL	0.47
8.	Balmer Lawrie	1.05
	Total	**688.76**

- NTPC's Outstanding amount includes ₹243.18 crore outstanding for less than one year (company did not provide break of amount outstanding for more than 45 days and less than one year), ₹79.43 crore outstanding for one to three years, ₹25.37 crore outstanding for more than three years and ₹0.11 crore outstanding towards interest.
- The amount outstanding for more than 45 days in SAIL, NLC, Balmer Lawrie, IOCL and BPCL are ₹6.46 Crore, ₹2.34 crore, ₹0.11 crore, ₹0.01 crore and ₹0.47 crore respectively. Balmer Lawrie's outstanding amount includes interest amount only.
- BHEL and ONGC did not provide break of outstanding amount more than 45 days.

Audit noticed that the reasons for outstanding amounts were non-registration of MSEs, improper billing, non-release of retention money and security deposit, etc.

NTPC Management stated (November 2017) that all stations/projects had been advised to expedite payment to MSEs, in term of contracts.

Recommendation: The Ministry of MSME should instruct the CPSEs to modify the procedure so that timely payment is released to MSEs.

7.5.3 Vendor Development Programmes conducted by CPSEs

Clause 9 of the Public Procurement Policy Order, 2012, states that Special Vendor Development Programmes or Buyer Seller meet was to be conducted by CPSEs for enhancing participation of MSEs including those owned by SC/ST in procurement.

Few Vendor Development Programmes have been carried out by the CPSEs. ONGC did not furnish information regarding Vendor Development Programmes for MSEs while Balmer Lawrie did not conduct any programme and RINL conducted only one programme over the five year (2012-17). It was noticed that on the advice of NITI Aayog, an instruction had been issued by DC(MSME) in May 2016 to CPSEs procuring goods & services valuing more than ₹100 crore in a financial year, to conduct special vendor development programme including one exclusively for SC/ST entrepreneurs. Despite these instructions, eight out of 18 CPSEs had not conducted any vendor development programme for SC/ST entrepreneurs.

DC (MSME) stated in reply (October 2017) that reminder letters had been circulated to sensitise the CPSEs from time to time, to develop appropriate vendors.

Recommendation: Ministry should incorporate turnover-wise minimum target for conducting vendor development program.

7.5.4 Purchase preference to MSEs

Clause 6 of the Public Procurement Policy Order, 2012, states that MSEs participating in a tender and quoting a price within the price band of L1+15 *per cent*, shall be allowed to supply a portion of tendered requirement at L1 price where the L1 vendor is other than MSE. Such MSEs shall be allowed to supply 20 *per cent* of the total tendered value.

Scrutiny of records revealed that 11 CPSEs namely GAIL, CIL, NALCO, Balmer Lawrie, ONGC, BPCL NHDC, NLC, NMDC, SAIL and OIL had adhered to this clause. A total of 5553[72] MSEs were benefitted during 2012-13 to 2016-17 due to following the Purchase Preference clause of the Policy by the CPSEs mentioned above.

Out of balance seven CPSEs, six CPSES namely, IOCL, BHEL, HPCL, NTPC, RINL and NRL did not maintain information regarding purchase preference to MSEs while one namely CSL did not implement it.

7.5.5 Procurement of reserved items from Non-MSE Vendors

Clause 11 of the Public Procurement Policy Order, 2012, states that CPSEs should procure 358 items from MSEs. These items had been reserved for exclusive purchase from MSEs to support their promotion and growth. DC (MSME) provided respective ITCHS codes[73] for the 350 items to be exclusively procured from MSEs.

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[72] ***CPSE wise no. of MSEs benefitted were SAIL-2971, ONGC-2132, NMDC-164, GAIL-118, NHDC-116, NLC-23, CIL-11, BPCL-7, OIL-6 Balmer Lawrie-3 and NALCO-2***

[73] ***Indian Trade Classification Harmonised System Code***

A test check of records in five CPSEs revealed that they had procured significant quantum of reserved items from non-MSE vendors during 2015-16 and 2016-17:

GAIL had purchased reserved items worth ₹356.51 crore while IOCL had purchased reserved items worth amounting to ₹100.12 crore from non -MSE vendors.

BHEL and NTPC had also purchased reserved items from non-MSE vendors.

It was noticed that NHDC had not customised its ERP system identifying the ITCHS codes of 350 reserved items. In the absence of such specific identification, procurement of reserved items from MSE vendor would depend upon the prerogative of the procurement personnel raising the risk of non-compliance.

In their replies, the CPSEs cited the following reasons for procurement of reserved items from non- MSE vendors:

- MSE vendor database for the required items was not available.
- The list of 358 reserved items was a generic one and as such, items might have to be occasionally procured from vendors other than MSEs due to technical reasons.
- There was no specific requirement to communicate procurement of the listed items from non-MSE vendors to the Review Committee.

Recommendation: Ministry of MSME should make available the list of MSE vendors including MSE owned by SC/ST to the CPSEs and also list of reserve items needs to be more specific for ease of implementation of the policy.

7.5.6 Setting up Grievance Cell

Clause 13 of the Public Procurement Policy Order, 2012 envisages setting up of a Grievance Cell in Ministry of MSME for redressing grievances of MSE in Government Procurement. The function of the Cell was to take up issues related to Government Procurement raised by MSE with Departments or agencies concerned.

Scrutiny of records revealed that the total of 2253 grievances had been received in DC (MSME) during the last five years (250: Internet Grievance Monitoring System (IGMS), 193: Centralised Public Grievance Redress and Monitoring System (CPGRAM) and 1810: letters). However, only three of these grievances were routed through Grievance Cell.

Moreover, the DC (MSME) had not maintained the details of grievances received from Office of Prime Minister of India and by e-mail. In respect of redressal of grievances received through IGMS portal, it was noticed that in cases of complaints which were forwarded to the concerned CPSEs, the action taken by concerned CPSEs on the said complaints could not be ascertained as the same were not uploaded on the portal.

DC (MSME) stated (October 2017) in reply that the complaints which were required to be dealt by the Grievance Cell were placed before it for taking a decision. All the complaints could not be dealt by Grievance Cell since some of the complaints were routine in nature. The reply is not acceptable as audit observed that some of the grievances that were not routed through the Grievance Cell though serious in nature as can be seen from following examples:

- Bharat Sanchar Nigam Ltd. was allowing contractors who were not registered in appropriate class in MSME (IGMS, Grievance No. CG00001155, 14 September 2016) to participate in tendering process
- Bharat Coking Coal Ltd. had not provided exemption from submission of EMD to MSE bidders. (IGMS, Grievance No. CG00001582, 8 November 2016).
- MSEs registered unit under Women Category were not being allowed to participate in tenders of IOCL. (IGMS, Grievance No. WB00000049, May 2016).

Recommendation: DC (MSME) should maintain information on final outcome of complaints/grievances.

7.5.7 Other Issues

- For effective implementation of Public Procurement Policy 2012, O/o DC (MSME) (April 2012) requested every CPSE to appoint a Nodal Officer for implementation of the policy and redressal of grievances. However, as of March 2017, out of 277 CPSEs approached by DC (MSME) only 155 CPSEs i.e. 56 *per cent* had designated Nodal Officers. DC (MSME) in its reply (October 2017) stated that the CPSEs were being regularly reminded to nominate a suitable Nodal Officer.
- According to clause 8 of the Public Procurement Policy Order, 2012, the CPSEs were required to prepare an Annual Procurement Plan from MSEs and upload the same on their official website. Scrutiny of official websites of the 18 selected CPSEs revealed that, 8 CPSEs (NLC, IOCL, RINL, BHEL, SAIL, ONGC, Balmer Lawrie and CIL) had not uploaded their annual procurement plan from MSEs. Another three CPSEs (NHDC, GAIL and BPCL) had uploaded their annual procurement plan up to 2016-17 while CSL had uploaded their annual procurement plan up to 2013-14 only.
- As per clause 5 of the Public Procurement Policy Order, 2012, every CPSE was required to report goals set with respect to procurement to be met from MSEs and achievement against these goals in their respective Annual Reports. Scrutiny of records revealed that out of 18 selected CPSEs, 5 (NMDC, CSL, CIL, ONGC and Balmer Lawrie) had not reported either the goals set or their achievement in their respective Annual Reports. DC (MSME) in its reply (October 2017) stated that CPSEs were being reminded regularly to follow the provisions of the Policy.

- As part of the follow up on the Public Procurement Policy the DC (MSME) had been corresponding with CPSEs from time to time and requesting them to provide procurement data. However, it was observed that during the first three years i.e. 2012-13 to 2014-15 when the Policy was not mandatory 39 *per cent* to 48 *per cent* of CPSEs responded to DC (MSME). There was no improvement in the response of the CPSEs even after the Policy became mandatory from 2015-16. DC (MSME) in its reply (October 2017) stated that under the Policy, there was no provision to penalise the Non-respondent CPSE.
- As per the data provided by DC (MSME) the total number of CPSEs were 277. This information, is, however, not updated as the number of CPSEs had increased from 277 (as of 31 March 2013) to 320 (as of 31 March 2016). DC (MSME) had, therefore, not approached all the CPSEs for implementing the policy during the last five years, even though it became mandatory w.e.f. 1 April 2015. DC (MSME) in its reply (October 2017) stated that the information in respect of total number of CPSEs had been collected from Department of Public Enterprises. The reply of DC (MSME) is not acceptable as the year wise information regarding total number of CPSE was available on the official website of Department of Public Enterprises in its Annual survey which was easily accessible to DC (MSME).

Recommendation: Ministry of MSME should incorporate suitable provisions to enforce compliance with the Policy by the CPSEs.

7.6 Conclusion

The Public Procurement Policy Order, 2012 aimed to boost procurement from MSEs by CPSEs. Scrutiny of procurement in a sample of 18 CPSEs indicated that there were significant gaps in actual implementation of this Policy. Nine CPSEs were excluding significant quantum of their procurement while reporting compliance with the policy of purchasing specified percentage of goods and services from MSEs. Some of the CPSEs examined in Audit, did not meet the target of 20 *per cent* procurement from MSEs. None of the CPSEs could meet the target of 4 *per cent* procurement from MSEs of SC/ST entrepreneurs. There were significant outstanding payables to MSEs in some CPSEs though it was mandatory to make such payments within 45 days. Items designated for procurement from MSEs were being procured from non MSEs by four CPSEs test checked in Audit. Few Vendor Development Programmes were conducted by some of the CPSEs. Eight CPSEs did not upload their annual procurement plan from MSEs on their websites and five CPSEs did not report on goals and achievement of procurement targets from MSEs in their annual reports. The number of CPSEs targeted by DC (MSME) was incorrect (being dated information) while the grievance redressal cell set up by the Ministry functioned poorly. Lack of provisions in the policy to penalise the non-compliant CPSEs has been highlighted by DC (MSME). Audit noticed that the downgrading by DPE (through deduction of marks in MOU rating of the CPSEs) has not proved an effective deterrent against non-implementation of the policy.

CHAPTER VIII

Impact of Implementation of Indian Accounting Standards in Selected Central Public Sector Enterprises (CPSEs)

8.1 Introduction

The Ministry of Corporate Affairs notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 (16 February 2015) and Companies (Indian Accounting Standards) (Amendment) Rules, 2016 (30 March 2016) in pursuance of the provisions of Section 133 read with Section 469 of the Companies Act, 2013. One of the Ind AS i.e. Ind AS 115 - Revenue from Contracts with Customers has been deferred. Accordingly, 40 Ind AS are applicable as on 31 March 2017. The list of 40 Ind AS is given in **Appendix XXI**. The Indian Accounting Standards Rules laid down a roadmap for implementation of Ind AS, according to which the Ind AS were to be implemented in a phased manner beginning from the financial year 2016-17. The Ind AS were modelled on the International Financial Reporting Standards (IFRS) which were different from the Indian Generally Accepted Accounting Principles (IGAAP) framework mainly in three key aspects i.e. fair valuation, substance over legal form and emphasis on the Balance Sheet.

8.2 Implementation of Ind AS

The different phases for implementation of Ind AS is given below:

(a) Phase I

Ind-AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2016, with comparative figures for the period ending 31 March 2016 or thereafter:

Companies whose net worth and/or debt securities are listed or are in the process of listing on any stock exchange in India or outside India and having net worth of ₹500 crore or more.

Companies having net worth of ₹500 crore or more other than those covered above.

Holding, subsidiary, joint venture or associate companies of companies covered above.

(b) Phase II

Ind-AS shall be mandatorily applicable to the following companies for periods beginning on or after 1 April 2017, with comparative figures for the period ending 31 March 2017 or thereafter:

Companies whose net worth and/or debt securities are listed or are in the process of being listed on any stock exchange in India or outside India and having net worth of less than ₹500 Crore.

Unlisted companies other than those covered in Phase I and Phase II whose net worth are more than ₹250 crore but less than ₹500 crore.

Holding, subsidiary, joint venture or associate companies of the above companies.

(c) Applicability to banking companies, non-banking finance companies (NBFCs) and insurance companies

Ind AS will be applicable from 1 April 2018 in respect of banking and non-banking finance companies (NBFCs) and from 01 April 2020 in respect of insurance companies.

(d) Voluntary adoption

Companies can voluntarily adopt Ind AS for accounting periods beginning on or after April 01, 2015 with comparatives for period ending 31 March 2015 or thereafter. However, once they have started reporting as per the Ind AS, they cannot revert to IGAAP.

(e) Overseas Subsidiary, Associate or Joint Venture of an Indian Company

In the case of overseas subsidiary, associate or joint venture of an Indian Company, the preparation of stand-alone financial statements need not be as per the Ind-AS, and instead, may continue with its jurisdictional requirements. However, these entities will still have to report their Ind AS adjusted numbers for their Indian parent company to prepare consolidated Ind AS accounts.

8.3 Scope of audit

The standalone financial statements of 67 Central Public Sector Enterprises (CPSEs) consisting of Maharatna, Navratna, Mini Ratna companies which have adopted Ind AS in preparation of their financial statements w.e.f. 01 April 2016 have been selected for review in audit. The impact of implementation of Ind AS in these CPSEs on their revenues, profit after tax (PAT), net worth and total assets of the CPSEs were reviewed. The impact on the above elements of financial statement was analysed with reference to changes as a result of adoption of Ind AS in revenue recognition, valuation of financial instruments and Property, Plant and Equipment (PPE), calculation of employee benefits and accounting of business combinations.

8.4 Audit Methodology

Ind AS 101 – First time adoption of Ind AS required that an entity should explain how the transition from IGAAP to Ind AS affected its Balance Sheet, financial performance and cash flows. In accordance with this requirement all companies have disclosed through Notes to their financial statements for the year ended 31 March 2017 the effect of Ind AS adoption on the Balance Sheet and Statement of Profit & Loss. The equity as per IGAAP as on 31 March 2016 and 01 April 2015 have been reconciled with equity as per Ind AS on the same date. Audit carried out desk review of these disclosures in the financial statements and supporting Notes to Accounts. The findings in this report are based on this desk review. The impact of implementation is presented as either an increase or a decrease in value of the particular element of Financial Statement reviewed in audit as on 31 March 2016 as per Ind AS compared to the corresponding value of the same element as per IGAAP on the same date.

8.5 Review of first time adoption of Ind AS

Ind AS 101 – First time adoption of Ind AS prescribes the procedures that a company is required to follow while adopting Ind AS for the first time. While adopting Ind AS for the first time, the financial results shall include a reconciliation of its equity and net profit/loss as per Ind AS to equity and net profit/loss as per IGAAP, to enable the stakeholders to understand the material adjustments to the Balance Sheet and Statement of Profit and Loss because of transition from the previous IGAAP to Ind AS.

The underlying principle of Ind AS 101 is that a first time adopter should prepare financial statements as if it had always applied Ind AS. However, it permitted two types of exception to the principle of full retrospective application of Ind AS namely mandatory exceptions and voluntary exceptions. The mandatory exceptions related to retrospective application of some aspects of Ind AS 10 - Events after the Reporting Period, Ind AS 109 - Financial Instruments and Ind AS 110 - Consolidated Financial Statements.

The voluntary exemptions applicable from transition date[74] are the following:

(i) Ind AS 103 - Business Combinations

A company may choose not to apply Ind AS 103 retrospectively to past business combinations. However, if that company restates any business combination to comply with the requirements of Ind AS 103, then it shall restate all future business combinations.

Audit observed that 8 CPSEs out of 67 selected CPSEs applied Ind AS 103 prospectively while 2 CPSEs applied it retrospectively to past business combinations.

(ii) Ind AS 16 - Property, Plant and Equipment

A first-time adopter may elect to measure an item of its Property, Plant and Equipment (PPE) at the date of transition to Ind AS at its fair value[75] and use that fair value as its deemed cost[76] at that date or may elect to measure at their IGAAP carrying values. Audit observed that 65 CPSEs out of 67 selected CPSEs opted to value PPE at carrying cost while 2 CPSEs (BSNL and Shipping Corporation of India Ltd.) opted to value of PPE partly on fair value basis and partly on carrying cost basis.

Ind AS 16 requires specified changes in a decommissioning, restoration or similar liabilities to be added to or deducted from the cost of the asset to which it relates. The adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. A first-time adopter of Ind AS is not required to comply with these requirements for changes in such liabilities that occurred before the date of transition. Audit analysis indicated that 26 CPSEs opted to value cost of decommissioning of assets prospectively while 3 CPSEs opted for decommissioning of assets retrospective application.

(iii) Ind AS 27 - Separate Financial Statements

When a company prepares separate financial statements, Ind AS 27 requires it to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 109 (Financial Instruments). If a first-time

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[74] ***Date of transition to Ind AS is the beginning of the earliest period for which a company presents full comparative information under Ind AS in first Ind AS financial statements. Date of transition for companies under analysis is 01 April 2015.***

[75] ***Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.***

[76] ***An amount used as a surrogate for cost or depreciated cost at a given date. Subsequent depreciation or amortisation assumes that the entity had initially recognised the asset or liability at the given date and that its cost was equal to the deemed cost.***

adopter measures such an investment at cost in accordance with Ind AS 27 then it shall measure that investment either cost determined in accordance with Ind AS 27 or deemed cost in its separate opening Ind AS Balance Sheet. The deemed cost of such an investment shall be its fair value on the date of transition or as per IGAAP carrying amount at that date.

Audit review indicated that 42 CPSEs out of 67 selected CPSEs opted to measure investments in subsidiaries, jointly controlled entities and associates at carrying value.

(iv) Ind AS 17 - Leases

A company may evaluate whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at transition date, except where the effect is expected to be immaterial.

Audit observed that 21 CPSEs out of 67 selected CPSEs adopted lease classification as per Ind AS in their financial statements from the transition date.

(v) Ind AS 109 - Financial Instruments

A company may designate a financial asset as measured at Fair Value through Profit or Loss (FVTPL)[77] in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Further, a company may designate an investment in an equity instrument as at Fair Value through other comprehensive income (FVOCI)[78] in accordance with Ind AS 109 on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

Audit analysis showed that 19 CPSEs out of 67 selected CPSEs valued equity at FVOCI while 7 CPSEs valued equity at FVTPL.

(vi) Ind AS 21 - Effects of Changes in Foreign Exchange Rates

A company may continue with the previous policy adopted for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the previous Financial Statements as per the existing Indian GAAP.

[77] ***Financial asset or financial liability at fair value through profit or loss is a financial asset or financial liability that meets either of the following conditions. (a) It is classified as held for trading (b) It is designated by the entity upon initial recognition as at fair value through profit or loss.***

[78] ***A financial asset shall be measured at fair value through other comprehensive income if (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.***

Audit analysis indicated that 17 CPSEs out of 67 CPSEs adopted to continue with the previous policy for accounting for exchange differences arising from translation of long-term foreign currency monetary items recognised in the previous Financial Statements as per the existing IGAAP.

The details of different exemptions/options availed by CPSEs are given in **Appendix XXII**

8.6 Impact of implementation of Ind AS on selected key areas

The implementation of Ind AS can impact the valuation of Profit after Tax (PAT), Revenues, Total Assets, and Net Worth. The values may increase or decrease depending on the options availed by the CPSE at the time of adoption of Ind AS. The results of review of the impact of implementation on the above accounts areas in respect of 67 CPSEs selected for review is given below:

8.7 Impact on Profit after Tax (PAT)

Review of implementation of Ind AS in audit indicated that there was increase in profits of CPSEs in defence sector, infrastructure sector, power sector and shipping sector consequent to adoption of Ind AS. However Profits of CPSEs in communications sector, energy sector, fertilizers sector, metal sector and mining sector had decreased. Sector wise impact on PAT of CPSEs is given in Table 8.1 below.

Table 8.1: Sector wise impact of adoption of Ind AS on Profits after Tax

Sector	No. of companies covered	Decrease in PAT (₹ in crore)	Increase in PAT (₹ in crore)	Net Impact (₹ in crore)
Communication	3	-979.26	58.42	-920.84
Defence	4	-54.05	345.93	291.88
Energy	10	-2462.13	1007.93	-1454.20
Fertilisers	2	-18.59	1.53	-17.06
Infrastructure	11	-25.30	437.83	412.53
Metals	4	-183.08	171.85	-11.23
Mining	15	-1459.70	367.80	-1091.90
Power	6	-153.95	536.65	382.70
Shipping	6	-71.68	402.80	331.12
Others	6	-3.16	179.18	176.02

The overall maximum increase of ₹412.53 crore in PAT of companies was noticed in infrastructure sector whereas overall maximum decrease of ₹1454.20 crore in PAT of companies was noticed in energy sector. Out of 67 CPSEs selected for review, in case of

39 CPSEs (58 *per cent*), the profits have increased consequent to adoption of Ind AS whereas the profits have decreased in case of 28 CPSEs (42 *per cent*).

The reduction of profits due to adoption of Ind AS was the highest in respect of ONGC Videsh limited which recorded a decrease of profits of ₹1835 crore (89.10 *per cent*) primarily due to effect of change in functional currency[79] from Indian rupee to United States Dollars (USD) considering the primary economic environment in which it operated.

The Shipping Corporation of India recorded, the highest increase in profits of ₹375.99 crore (99.66 *per cent*) primarily due to valuation of property, plant and equipment on fair value basis.

8.8 Factors contributing to increase/decrease in PAT

The changes in valuation of different items of revenue, expenditure, assets and liabilities consequent to adoption of Ind AS can materially affect the PAT of enterprise. Analysis in audit of factors leading to increase in PAT indicated that the increase in their profits after taxes as result of implementation of Ind AS arose from changes in method of valuation of liabilities towards post-employment benefits, changes in method of accounting for investments and deferred taxes and adoption of different norms as per Ind AS for capitalisation of spares and recognition of impairment loss on financial assets. The key factors that led to decrease in profits of CPSEs were changes in method of recognition of deferred tax, changes in valuation of liabilities towards of post-employment benefits, increase in different kinds of provisions required to be made and accounting of regulatory deferral balances[80].

Audit analysis indicated that the increase of PAT of selected CPSEs consequent to adoption of Ind AS were due to the following reasons:

(i) Increase in profits due to changes in valuation of liabilities towards post-employment benefits

The differences accruing due to measurement of liabilities towards post-employment benefits formed part of the profit or loss for the year under IGAAP. However under Ind AS, such differences i.e. actuarial gains or losses and return on plan assets were

[79] ***Functional currency is the currency of the primary economic environment in which the entity operates.***

[80] ***A regulatory deferral account balance is an amount of expense or income that would not be recognised as asset or liability in accordance with other standards, but that qualifies to be deferred because the amount is included, or is expected to be included, by a rate regulator in establishing the price(s) that en entity can charge to customers for rate regulated goods or services.***

recognised under 'Other Comprehensive Income' instead of profit or loss. Audit observed that Indian Oil Corporation Ltd. (IOCL) recorded an increase of ₹671.79 crore in its profits upon adoption of Ind AS due to the different method of accounting of liabilities towards post-employment benefits.

(ii) Increase in profits due to recognition of deferred taxes

The application of Ind AS 12 - Income Taxes required recognition of deferred tax on new temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. This was not a requirement under IGAAP. Audit observed that the losses of ONGC Videsh Ltd. (OVL) reduced by ₹295.11 crore due to new method of recognition of deferred tax laid down in Ind AS-12.

(iii) Increase in profits due to measurement of investments at fair value through profit and loss

All financial assets and financial liabilities are carried at cost under IGAAP whereas under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost[81] by applying the effective interest rate[82]. Audit observed that measurement of financial assets and liabilities of Mahanagar Telephone Nigam Limited (MTNL) at amortised cost resulted in increase of profits after taxes by ₹232.53 crore. This amounted to 11.59 *per cent* of the PAT of the company as per IGAAP.

(iv) Increase in profits due to capitalization of spares as PPE

Machinery spares that are specific to a particular property, plant and equipment (PPE) are capitalised to the cost of the PPE under IGAAP. Replacement of such spares are charged to the Statement of Profit and Loss. Other Spares were included in inventory on its procurement and are charged to Statement of Profit and Loss on consumption. However, under Ind AS, all significant spare parts which meet the definition of property, plant and equipment are capitalised as property, plant and equipment and in other cases, the spare part is taken to inventory on procurement and charged to Statement of Profit and Loss on consumption. Audit observed that the profits of Bharat Petroleum Corporation Limited (BPCL) increased by ₹38.11 crore due to adoption of the above method of valuation of spares upon implementation of Ind AS.

[81] ***The amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance***

[82] ***The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability.***

(v) Increase in profits due to impairment of Trade Receivables

The provision made on Trade Receivables under IGAAP was based on consideration that reflected the company's expectations, whereas Impairment of Trade Receivables under Ind AS should be recognised based on Expected Credit Loss[83]. Ind AS 109- Financial Instruments required entities to recognise loss allowances on loans (and other financial assets) at an amount equal to the lifetime expected credit loss or the 12- month expected credit loss based on the increase in the credit risk of the borrower. As a result of adoption of this method of valuation, audit observed that the profits of Hindustan Petroleum Corporation Ltd. (HPCL) increased by ₹11.51 crore.

The decrease in profits upon implementation of Ind AS arose due to the following reasons:

(i) Decrease in profits due to movement in Regulatory Deferral Account

Some entities hold items of property, plant and equipment or intangible assets that are used, or were previously used, in operations subject to fixation of rates by regulatory bodies. The carrying amount of such items might include amounts that were determined under previous GAAP but these items may not qualify for capitalisation under Ind AS. Audit observed that in the case of NLC India Ltd., the profits of the company decreased by ₹906.34 crore due to net movement in regulatory deferral account balances.

(ii) Decrease in profits due to recognition of deferred taxes

Application of Ind AS 12- Income Taxes requires recognition of deferred tax on new temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. This was not a requirement under IGAAP. In the case of Indian Oil Corporation Limited (IOCL), audit observed that the profits of the company decreased by ₹143.84 crore due to recognition of deferred tax at the time of adoption of Ind AS.

(iii) Decrease in profits due to changes in valuation of liabilities towards post-employment benefits

Under IGAAP, the value of changes in liabilities towards post-employment benefits forms part of the profit or loss for the year whereas under Ind AS, such valuations i.e. actuarial gains and losses and return on plan assets are recognised under Other Comprehensive Income instead of profit or loss. In the case of Bharat Heavy Electricals

[83] ***Expected Credit Loss is the weighted average of credit losses with the respective risks of a default occurring as the weights where the credit loss is difference between all contractual cash flows due to an entity in accordance with the contract and all the cash flows that the entity expects to receive.***

Ltd. (BHEL), audit observed that the profits of the company decreased by ₹116.65 crore due to change in valuation of liabilities towards of post-employment benefits.

(iv) Decrease in profits due to increase in provisions of expenses

As per requirements of Ind AS 37 provisions have to be created in respect of site restoration obligation, onerous contracts and warranty expenses. This has led to increase in provisions and consequent decrease in profits of the company. Audit observed that the profits of Bharat Electronics Ltd. decreased by ₹111.18 crore consequent to such provisions being accounted for while adopting Ind AS.

8.9 Impact of adoption of Ind AS on booking of Revenues

Ind AS 18 - Revenue is the applicable Ind AS for accounting of revenues. The definition of 'revenue' under Ind AS 18 covers all economic benefits that arise in the ordinary course of activities of an entity which results in increase in net worth, other than increases relating to contributions from net worth participants. Revenue, as per IGAAP (AS 9 – Revenue Recognition), however is defined as gross inflow of cash, receivables or other consideration arising in the course of the ordinary activities of an enterprise from the sale of goods, from the rendering of services, and from the use by others of enterprise resources yielding interest, royalties and dividends.

Audit observed that out of 67 CPSEs subject to review in audit, 45 CPSEs (67 *per cent*) carried out adjustment on revenues consequent to adoption of Ind AS. 20 CPSEs (44 *per cent*) out of these CPSEs reported an increase and 25 CPSEs (56 *per cent*) reported decrease in revenue. Sector wise impact on revenue of CPSEs is given in Table 8.2 below:

Table 8.2: Sector wise impact of transition to Ind AS on Revenues

Sector	No. of companies covered	Decrease in Revenue (₹ in crore)	Increase in Revenue (₹ in crore)	Net Impact (₹ in crore)
Communication	3	-153.84	0	-153.84
Defence	4	-75.54	397.44	321.90
Energy	10	-794.26	30485.44	29691.18
Fertilisers	2	-408.08	28.03	-380.05
Infrastructure	11	-8.65	100.91	92.26
Metals	4	0	1613.09	1613.09
Mining	15	-130.34	1221.22	1090.88
Power	6	-7.13	337.01	329.88
Shipping	6	-35.02	18.09	-16.93
Others	6	-1135.26	3.12	-1132.14

Audit observed that the overall maximum increase of ₹29691.18 crore in revenue of companies was noticed in CPSEs belonging to energy sector whereas overall maximum decrease of ₹1132.14 crore in revenue was noticed in respect of companies covered in 'other' sector.

Review in audit of the reasons for increase in revenues of CPSEs indicated as follows:

(i) Increase in revenue due to accounting of excise duty

Revenue under IGAAP was recognised net of excise duty whereas under Ind AS, revenue is recognized inclusive of excise duty. Consequently, excise duty is presented in the Statement of Profit and Loss as an expense under Ind AS. Audit observed that BPCL reported ₹29,490.13 crore (15.57 *per cent*) increase in revenues due to inclusion of Excise Duty while recognising revenues as per Ind AS.

(ii) Increase in revenue due to accounting of electricity duty

Revenue from sale of power is recognized under IGAAP net of electricity duty paid. As per Ind AS-18, revenue however, is recognized inclusive of electricity duty. As a result, revenue from sale of power of companies in power sector has been presented in the Statement of Profit and Loss inclusive of electricity duty and electricity duty is booked separately as an expense under Ind AS. Audit observed that revenue from sale of electricity recognized by NTPC under Ind AS increased by ₹729.20 crore with a corresponding increase in electricity duty under the head other expenses.

(iii) Increase in revenue due to recognition of revenue and expenditure using percentage of completion method

Completed service contract method[84] is one of the methods of recognition of revenue and expenditure under IGAAP in the case of services rendered. However, Ind AS 18 required recognition of revenue from services applying the percentage of completion method[85] only.

Audit observed that Shipping Corporation of India Limited recognised Freight & Direct operating expenses i.e. bunker charges, port dues, cargo handling expenses etc. only on completion of a voyage under IGAAP. However, upon implementation of Ind AS, the company recognized freight proportionately as per percentage completion method

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[84] ***Completed service contract method is a method of accounting which recognises revenue in the statement of profit and loss only when the rendering of services under a contract is completed or substantially completed.***

[85] ***Percentage of completion method is a method of accounting which recognises revenue in the accounting periods in which the services are rendered. The recognition of revenue on this basis provides useful information on the extent of service activity and performance during a period.***

based on the completed period of voyage on the cut-off date out of the total voyage period. Simultaneously operating expenses incurred till the cut-off date were booked on a pro-rata basis compared to the total period of voyage. Consequent to the above adjustment upon adoption of Ind AS, revenue as well as profits of the company increased by ₹3.75 crore for the year ended 31 March 2016.

(iv) Increase of revenue due to accounting of target based incentive on estimation basis

Under IGAAP, target based incentives like bulk discount etc. are netted off with revenue on the basis of actual claim preferred. However under Ind AS, such discounts are to be netted off from revenue on estimation basis. Audit observed that adoption of this method of accounting incentives under Ind AS resulted in increase of revenue by ₹2.07 crore in respect of Indian Oil Company Ltd.

The reasons for decrease in revenues as observed in audit are the following:

(i) Decrease in revenue due to accounting of sales tax and octroi

Revenue is presented under IGAAP inclusive of sales tax and octroi. Under Ind AS 18, revenue is presented net of sales tax and octroi resulting in sales tax and octroi being presented as an expense in the Statement of Profit and Loss. Audit observed that this difference in accounting of sales tax and octroi under Ind AS resulted in decrease in total revenue and expenses of ONGC by ₹823.43 crore.

(ii) Decrease in revenue due to timing of revenue recognition

Revenue from sale of goods is recognised under IGAAP when the goods are actually dispatched by the seller. Under Ind AS, in situations where goods left the seller's premises but the seller continued to exercise effective managerial control on such goods till the time goods reached the buyer's premises, recognition of revenue is deferred. Revenue is recognised only when the goods are accepted by the buyer. Audit observed that adoption of this method of recognition of revenue under Ind AS resulted in elimination of margin on deferred sales by Hindustan Petroleum Corporation Limited (HPCL) resulting in reduction of the company's revenues by ₹4.38 crore.

8.10 Impact of adoption of Ind AS on total value of assets

Total value of assets are impacted upon implementation of Ind AS due to difference in methods of accounting prescribed compared to IGAAP under Ind AS 16 - Property, Plant and Equipment (PPE), Ind AS 38 - intangible assets, Ind AS 32 - Financial Instruments: Presentation, Ind AS 109 - Financial Instruments and Ind AS 40 - Investment Property. Ind AS 101 pertaining to first time adoption of Ind AS permitted the first-time adopter to elect to continue with the carrying value for all of its PPE as recognised in the Financial Statements measured under IGAAP as at the date of transition to Ind AS, and the carrying value as its deemed cost on the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption could also be used for valuation of intangible assets under Ind AS 38 - Intangible assets and Ind AS 40 - Investment property.

Audit reviewed the impact on value of total assets of CPSEs, due to transition from IGAAP to Ind AS. Out of 67 CPSEs subject to review in audit, 49 (73 *per cent*) companies carried out adjustment on value of total assets. Out of this, 29 CPSEs (59 *per cent*) reported an increase in value and 20 CPSEs (41 *per cent*) reported decrease in total value of assets consequent to adoption of Ind AS.

Sector wise impact on total assets of CPSEs is given in Table 8.3.

Table 8.3: Sector wise impact of adoption of Ind AS on value of total assets

Sector	No. of companies covered	Decrease in Value of Total Assets (₹ in crore)	Increase in Value of Total Assets (₹ in crore)	Net Impact (₹ in crore)
Communication	3	0	73560.66	73560.66
Defence	4	-1181.95	85.96	-1095.99
Energy	10	-1088.14	1796.31	708.17
Fertilisers	2	-73.52	0	-73.52
Infrastructure	11	-123.91	372.39	248.48
Metals	4	-2894.54	2262.65	-631.89
Mining	15	-566.66	2813.16	2246.50
Power	6	-15.35	519.06	503.71
Shipping	6	0	15501.72	15501.72
Others	6	-5.26	15.19	9.93

The overall maximum increase of ₹73560 crore in value of total assets of CPSEs was noticed in the case of CPSEs in the communication sector whereas overall maximum decrease of ₹1095.99 crore in total value of assets was noticed in case of CPSEs in the defence sector.

Review in audit of the reasons for increase in value of assets indicated the following:

(i) Increase in total assets due to change in policy for recognition of PPE

As per Ind AS value of spare parts, service equipment and standby equipment that meet the definition of PPE should be treated as PPE and not inventory. Audit observed that as a result of this method of accounting, the value of PPE booked by Power Grid

Corporation of India Limited (PGCIL) increased by ₹45.32 crore consequent to adoption of Ind AS.

(ii) Increase in total assets due to measurement of PPE at fair value

Out of the 67 CPSEs selected for review, Bharat Sanchar Nigam Limited (BSNL) measured its property, plant and equipment at fair value as per Ind AS. Audit observed that as a result of adoption of fair valuation in place of carrying cost method under IGAAP, the company recognized increase of ₹69,445.48 crore in value of PPE as on 31st March 2016.

(iii) Increase in value of total assets due to adjustment in value of oil and gas assets due to provisions for decommissioning

Discounting of provisions made for decommissioning of assets are not required under IGAAP whereas under Ind AS, these provisions are measured at discounted values, if the effect of time value of money is material. Audit observed that ONGC Videsh measured the decommissioning provisions on the transition date by availing optional exemption as per Ind AS 101. This resulted in increase in provisions made for decommissioning of assets by ₹938.85 crore and increase in oil and gas assets by ₹852.32 crore as at April 1, 2015.

The reasons for decrease in value of total assets upon implementation of Ind AS are following:

Decrease in total assets due to adjustment of financial assets and financial liabilities

Financial assets and financial liabilities under IGAAP are carried at cost whereas under Ind AS, the value of financial assets and financial liabilities are measured at amortised cost which involves the application of 'effective interest rate'. In applying the effective interest rate, an entity identifies the fees that are an integral part of the effective interest rate of a financial instrument. For financial liabilities, the fair value of the financial liability at the date of transition to Ind AS has been considered as the new amortised cost of that financial liability. This adjustment is carried out on the financial assets and financial liabilities like security deposits received, security deposits paid, long term borrowings etc.

Audit observed that the above adjustments in respect of MTNL consequent to introduction of Ind AS resulted in reduction of value of its financial assets by ₹4913.98 crore and value of its financial liabilities by ₹4780.11 crore.

Audit also observed that the implementation of Ind AS also resulted in changes in classification of assets as indicated below:

(i) Impact on assets due to classification of Bank Balances

The Bank Balances are a part of Cash & Cash Equivalents as per the IGAAP. However, as per Ind AS, only short term Bank Deposit with original maturity of less than three months should form part of Cash & Cash Equivalent. Audit observed that the change of classification resulted in Bank deposits amounting to ₹4682.37 crore of National Hydro Electric Power Corporation Limited (NHPCL) which were classified as Cash & Cash Equivalent in Indian GAAP being classified as "Financial Assets - Current - Bank Balances Other than Cash & Cash Equivalents" under Ind AS.

(ii) Re-classification of assets

Under IGAAP, leases of land are not classified as operating lease or finance lease as there was no specific accounting method prescribed for it. Accordingly, all such leases were capitalized as fixed assets. Further, there was no guidance for recognising embedded leases under IGAAP. However, under Ind AS certain leases of land have been considered as finance leases in accordance with provisions of Ind AS 17 - Leases. Audit observed that consideration of certain arrangements as finance lease of PPE upon adoption of Ind AS and capitalisation of major repairs and capital spares resulted in increase in value of PPE by ₹1,662.67 crore in respect of Steel Authority of India (SAIL).

8.11 Impact of adoption of Ind AS on Net worth

Net worth is the difference between the value of assets and the liabilities of a company. Net worth (equity) is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves and securities premium account, the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. Free reserves do not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

Adoption of Ind AS mandates preparation and presentation of an opening Ind AS Balance Sheet at the date of transition to Ind ASs. The accounting policies that an entity uses in its opening Ind AS Balance Sheet may differ from those that it used for the same date using IGAAP. As per provisions of Ind AS 101 – First time adoption of Ind AS, any differences between carrying amounts of assets and liabilities as of 01 April 2015 compared with those presented in the IGAAP Balance Sheet as of 31 March 2015, are to be recognized in net worth under retained earnings within the Ind AS Balance Sheet.

Assessment in audit of the impact of implementation of Ind AS on the net worth of CPSEs showed that out of 67 CPSEs under review, 44 CPSEs (66 *per cent*) reported an increase in net worth and 21 CPSEs (31 *per cent*) reported decrease in net worth. Sector wise impact on net worth of CPSEs is given in Table 8.4.

Table 8.4: Sector wise impact of adoption of Ind AS on net worth

Sector	No. of companies covered	Decrease in Net Worth	Increase in Net Worth	Net Impact
		(₹ in Crore)	(₹ in Crore)	(₹ in Crore)
Communication	3	-414.03	58792.54	58378.51
Defence	4	-1399.67	444.92	-954.75
Energy	10	-1321.53	41619.74	40298.21
Fertilisers	2	-12.29	84.10	71.81
Infrastructure	11	-875.57	893.06	17.49
Metals	4	-89.74	328.26	238.52
Mining	15	-6079.61	1359.85	-4719.76
Power	6	0	5029.36	5029.36
Shipping	6	-709.73	350.98	-358.75
Others	6	-120.01	101.20	-18.81

The overall maximum increase of ₹58378.51 crore in net worth of CPSEs was noticed in respect of CPSEs belonging to the communication sector whereas overall maximum decrease of ₹4719.76 crore in net worth was noticed in respect of CPSEs belonging to the mining sector.

Audit observed the key factors responsible for increase/decrease in net worth of CPSEs upon implementation of Ind AS were reversal of proposed dividend, fair valuation of Property Plant and Equipment and Investments Reclassification of financial instruments, recognition of impairment loss on financial assets and change in the method of calculation of depletion of oil and gas assets in respect of CPSEs belonging to the petroleum sector.

The reasons for increase in net worth as observed in audit are the following:

(i) Increase in net worth due to fair valuation of long term investments

Long term investments are measured under IGAAP at cost less diminution in value which is other than temporary. However, under Ind AS, investments in equity instruments of companies other than Subsidiaries, Associates & Joint Ventures are measured at fair value. Audit observed that on the transition date, ONGC accounted these investments at fair value through 'Other Comprehensive Income' (OCI), resulting in increase in its retained earnings (Net worth) by ₹10411.84 crore and ₹11053.57 crore as at 01 April 2015 and 31 March 2016 respectively.

In the case of GAIL, fair valuation of investments in equity shares through 'Other Comprehensive Income' resulted in increase in its net worth by ₹4259.24 crore as at 31 March 2016.

(ii) Increase in net worth due to change in the accounting treatment of proposed dividend

Dividends proposed by the board of directors after the date of balance sheet but before the date of approval of the financial statements were considered as adjusting events under IGAAP. Accordingly, provision for proposed dividend was recognised as a liability. However, under Ind AS, such dividends are recognised when they are approved by the shareholders in the general meeting. Audit observed that liability for proposed dividend (including dividend distribution tax) of ₹772.81 Crore as at 31 March 2016 (₹532.98 crore as at 01 April, 2015) included under provisions was reversed by NHPC with corresponding adjustment to net worth. Consequently, the net worth of the company increased by an equivalent amount.

Further, in the case of NTPC, the effect of the adjustment of the proposed dividend resulted in increase of net worth by ₹1736.71 crore on April 2015 and ₹1732.63 crore as on 31 March 2016.

The reasons for decrease in net worth were the following:

(i) Decrease in net worth due to change in the accounting of prior period adjustments

Prior period errors, which are material are to be corrected retrospectively as per provisions of Ind AS in the first set of financial statements approved for issue after their discovery. However, AS 5 under IGAAP required the rectification of prior period items only with prospective effect. Audit observed that rectification of prior period errors with retrospective effect upon adoption of Ind AS resulted in decrease of net worth of Cochin Shipyard Ltd as on 01 April 2015 by ₹18.40 crore and decrease in its net profit during 2015-16 by ₹4.32 crore.

(ii) Decrease in net worth due to change in the accounting treatment of loans provided to employees

Loans given to employees were recorded in the financial statements at transaction value under the IGAAP. However, under Ind AS, Loans given to employees at concessional rate are required to be recognized on amortised cost adopting the Effective Interest Rate. Audit observed that adjustment of the difference between the amortised cost of such loans and transaction value in the retained earnings of ONGC Videsh Ltd. resulted in decrease of its net worth by ₹7.17crore and ₹6.99 crore as at 01 April 2015 and at 31 March 2016 respectively.

8.12 Conclusion

Adoption of Ind As resulted in changes in the financial reporting framework, increased use of fair valuation as against historical cost valuation and greater focus to substance than the legal form of the underlying transaction. Audit analysis indicated that values of Profit after Tax, Property, Plant and Equipment, Financial Investments and Net Worth of selected CPSEs was impacted by adoption of Ind AS. The changes in method of recognition of revenues under Ind AS also impacted the revenues recognised by CPSEs which adopted Ind AS. The changes are disclosed in the financial statements of the selected CPSEs for the year ended 31 March 2017. These changes should be given due consideration while assessing the performance and financial position of the concerned CPSEs.

Replies (March 2018) of the Ministry of Corporate Affairs on the Chapter have been incorporated in the relevant paragraphs.

New Delhi
Dated: **09 July 2018**

(Ashwini Attri)
Deputy Comptroller and Auditor General
and Chairman, Audit Board

Countersigned

New Delhi
Dated :09 July 2018

(Rajiv Mehrishi)
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 Audit by CAG during 2016-17

Sl. No.	Name of the company
Government Companies came under purview of Audit by CAG	
1	AAI Cargo Logistics & Allied Services Company Limited
2	Andhra Pradesh Solar Power Corporation Limited
3	Baster Railway Private Limited
4	Bijawar Vidarbha Transmission Limited
5	Chhattisgarh Mining Ventures Limited
6	EPI Urban Infra Developers Limited
7	ERSS XXI Transmission Limited
8	Fatehgarh-Bhadia Transmission Limited
9	Ghatampur Transmission Limited
10	Goa Tamnar Transmission Projects Limited
11	Haridwar Natural Gas Pvt. Ltd
12	Himachal Renewables Limited
13	Hindustan Urvarak and Rasayan Ltd.
14	HLL Medipark
15	India Post Payment Bank Limited
16	Indraprastha Gas Ltd
17	Inland & Coastal Shipping Limited
18	Naini Aerospace Limited
19	National e-Governance Services Limited
20	National High Speed Rail Corporation Limited
21	NEDFi Trustee Limited
22	NEDFi Venture Capital Limited
23	NMDC-SAIL LIMITED
24	Renewable Power Corporation of Kerala Limited
25	Sagarmala Development Company Limited
26	Shongtong Karcham Wangtoo Transmission Limited
27	Talcher Fertilizer Limited
28	WR-NR Power Transmission Limited

Government controlled Other Companies came under purview of Audit by CAG	
1	BOB Global Services Limited
2	India Ports Global Private Limited
3	SBI Infra Management Solutions Private Limited
4	Vadhvan Port Project Limited

Government Companies that went out from the purview of Audit by CAG	
1	Irrigation and Water Resources Finance Corporation Limited

Government controlled Other Companies that went out from the purview of Audit by CAG	
1	PNB Housing Finance Limited
2	Rajasthan Consultancy Organization Limited

APPENDIX-II A
(As referred to in Para No. 1.1.3 and para 2.3.2)
Details of Accounts in arrears or company under liquidation
A. Government Companies and Corporations

Sl. No.	Name of the Sector/PSU	Year for which Accounts not received by 30 September 2017
UNLISTED GOVERNMENT COMPANIES		
CHEMICALS AND FERTILIZERS		
**1	Bengal Immunity Limited	Under liquidation
**2	Bihar Drugs and Organic Chemicals Limited	2014-15 to 2016-17
**3	IDPL Tamilnadu (Pvt) Limited	2010-11 to 2016-17
4	Indian Drugs and Pharmaceuticals Limited	2016-17
**5	Maharashtra Antibiotics and Pharmaceuticals Limited	Under liquidation
**6	Manipur State Drugs and Pharmaceuticals Limited	Defunct
**7	Orissa Drugs and Chemicals Limited	Under liquidation
8	Rajasthan Drugs and Pharmaceuticals Limited	2016-17
**9	Smith Stanistreet Pharmaceuticals Limited	Under liquidation
**10	The Southern Pesticides Corporation Limited	Under liquidation
CIVIL AVIATION		
**11	AAI Cargo Logistics & Allied Services Company Limited	First A/c not received
12	Air India Air Transport Services Limited	2016-17
13	Air India Engineering Services Company Limited	2016-17
14	Air India Limited	2016-17
15	Pawan Hans Limited	2016-17
COMMERCE AND INDUSTRY		
**16	Tea Trading Corporation of India Limited	Under liquidation
COMMUNICATIONS AND INFORMATION TECHNOLOGY		
17	Bharat Broadband Network Limited	2016-17
18	Bharat Sanchar Nigam Limited	2016-17
**19	Electronics Trade and Technology Development Corporation Limited	Under liquidation
20	Media Lab Asia	2016-17
DEVELOPMENT OF NORTH EASTERN REGION		
**21	North Eastern Regional Agricultural Marketing Corporation Limited	2014-15 to 2016-17
FINANCE		
**22	Industrial Investment Bank of India Limited	Under liquidation
HEALTH & FAMILY WELFARE		
23	Indian Medicines and Pharmaceuticals Corporation Ltd.	2016-17
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
**24	Bharat Brakes and Valves Limited	Under liquidation
**25	Bharat Opthalmic Glass Limited	Under liquidation
**26	Bharat Process and Mechanical Engineers Limited	Under liquidation
27	Bharat Pumps and Compressors Limited	2016-17
**28	Bharat Yantra Nigam Limited	Under liquidation
**29	Cycle Corporation of India Limited	Under liquidation
30	Hindustan Newsprint Limited	2016-17
31	Hindustan Paper Corporation Limited	2015-16;2016-17
32	Instrumentation Limited	2016-17
33	Jagdishpur Paper Mills Limited	2016-17
**34	Mandya National Paper Mills Limited	Under liquidation
**35	Mining and Allied Machinery Corporation Limited	Under liquidation
36	Nagaland Pulp & Paper Company Limited	2015-16;2016-17

APPENDIX-II A (Cont'd)

Sl. No.	Name of the Sector/PSU	Year for which Accounts not received by 30 September 2017
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES		
**37	National Industrial Development Corporation Limited	Under liquidation
**38	Rehabilitation Industries Corporation Limited	Under liquidation
**39	Reyroll Burn Limited	Under liquidation
**40	Tannery and Footwear Corporation of India Limited	Under liquidation
**41	Triveni Structurals Limited	2013-14 to 2016-17
42	Tungabhadra Steel Products Limited	2016-17
**43	Tyre Corporation of India Limited	2012-13 to 2016-17
**44	Weighbird (India) Limited	Under liquidation
NEW AND RENEWABLE ENERGY		
**45	Andhra Pradesh Solar Power Corporation Limited	First A/c not received
PETROLEUM & NATURAL GAS		
46	BPCL- KIAL Fuel Farm Private Limited	2016-17
POWER		
47	Baira Siul Sarna Transmission Limited	2016-17
**48	Bijawar Vidarbha Transmission Limited	First A/c not due
**49	ERSS XXI Transmission Limited	First A/c not due
**50	Goa Tamnar Transmission Projects Limited	First A/c not due
51	Nellore Transmission Limited	2016-17
**52	Shongtong Karcham Wangtoo Transmission Limited	First A/c not due
**53	WR-NR Power Transmission Limited	First A/c not due
RAILWAYS		
54	Burn Standard Company Limited	2016-17
ROAD TRANSPORT AND HIGHWAYS		
**55	Indian Road Construction Corporation Limited	Under liquidation
TEXTILES		
**56	Brushware Limited	Under liquidation
**57	Cawnpore Textiles Limited	Defunct
58	The British India Corporation Limited	2016-17
**59	The Elgin Mills Company Limited	Defunct
UNION TERRITORY ADMINISTRATION		
**60	Chandigarh Child and Woman Development Corporation Limited	2010-11 to 2016-17
61	Chandigarh Scheduled Caste Financial and Development Corporation Ltd	2015-16;2016-17
URBAN DEVELOPMENT		
62	Kolkata Metro Rail Corporation Limited	2016-17

**CPSEs 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.

APPENDIX-II B
(As referred to in Para No.1.1.3)
Details of Accounts in arrears or company under liquidation/defunct
B. Government Controlled Other Companies

Sl. No	Name of the Sector/PSU	Year for which Accounts not received by 30 September 2017
**1	Accumeasures (Punjab) Limited	Under liquidation
**2	Allied International Products Limited	Defunct
**3	Becker Grey and Company (1930) Limited	Defunct
**4	Bihar Industrial and Technical Consultancy Organisation Limited	Defunct
**5	BOB Global Services Limited	First A/c not received
**6	Excellcier Plants Corporation Limited	Under liquidation
**7	Flavourit Spices Trading Limited	2012-13 to 2016-17
**8	Gangavati Sugars Limited	Under liquidation
**9	Gas and Power Investment Company Limited	2013-14 to 2016-17
**10	India Clearing and Depository Services	Under liquidation
**11	J&K Industrial and Technical Consultancy Organisation Limited	Defunct
**12	Millennium Information Systems Limited	Under liquidation
**13	Nalanda Ceramics and Industries Limited	Defunct
**14	North Eastern Industrial and Technical Consultancy Organisation Limited	2012-13 to 2016-17
15	NTPC-SCCL Global Ventures Private Limited	2015-16; 2016-17
**16	Orissa Industrial and Technical Consultancy Organisation Limited	Defunct
**17	Pazassi Rubbers (P) Limited	Under liquidation
18	PNB Insurance Broking Limited	2016-17
**19	Ponmudi Rubbers (P) Limited	2014-15 to- 2016-17
20	Rubber Park India (P) Limited	2016-17
21	Rubberwood India (P) Limited	2015-16; 2016-17
**22	Textile Processing Corporation of India Limited	Under liquidation
**23	Wagon India Limited	Under liquidation
24	West Bengal Consultancy Organisation Limited	2016-17

APPENDIX-III

(As referred to in Para No. 1.2.2.2)

List of government companies/government controlled other companies where total assets were lower than the long term loans outstanding during 2016-17

Sl. No.	Name of the company
1	Hindustan Photofilms (Manufacturing) Company Limited
2	The Fertilizer and Chemicals Travancore Limited
3	Hindustan Organic Chemicals Limited
4	FACT RCF Building Products Limited
5	Indian Drugs and Pharmaceuticals Limited
6	National Jute Manufacturers Corporation Limited
7	Assam Ashok Hotel Corporation Limited
8	Andaman Fisheries Limited
9	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited
10	Mahanadi Basin Power Limited
11	Sambhar Salts Limited
12	IRCON PB TOLLWAY LIMITED
13	Tungabhadra Steel Products Limited
14	Yule Electrical Limited
15	Yule Engineering Limited
16	Bharat Gold Mines Limited
17	Bharat Petro Resources JPDA LIMITED
18	The British India Corporation Limited
19	Birds Jute and Exports Limited
20	TCIL Bina Toll Road Limited
21	TCIL LTR Limited
22	National Bicycle Corporation of India Limited

APPENDIX-IV

(As referred to in Para No.1.3.2)

Shortfall in dividend declared by government companies

(₹ in crore)

Sl. No.	Name of the CPSE	Net worth	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 Ltd	2925.02	179.26	60.69	146.25	53.78	146.25	85.56
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES								
2	Andrew Yule and Company Limited	180.58	27.39	4.89	9.03	8.22	9.03	4.14
POWER								
3	NTPC Ltd	96231.23	9181.88	3941.34	4811.56	2754.56	4811.56	870.22
4	Power Finance Corporation Ltd	36470.21	2126.39	1320.04	1823.51	637.92	1823.51	503.47
5	Rural Electrification Corporation Ltd	33325.59	6245.76	1382.44	1666.28	1873.73	1873.73	491.29
UNLISTED GOVERNMENT COMPANIES								
AGRICULTURE								
6	Lakshadweep Development Corporation Limited	223.46	35.45	0	11.17	10.64	11.17	11.17
7	National Seeds Corporation Limited	611.53	51.8	11.46	30.58	15.54	30.58	19.12
ATOMIC ENERGY								
8	Electronics Corporation of India Limited	830.69	56.47	11.29	41.53	16.94	41.53	30.24
9	Indian Rare Earths Limited	679.85	50.75	0	33.99	15.23	33.99	33.99
10	Nuclear Power Corporation of India Limited	32674.31	2544.36	735.34	1633.72	763.31	1633.72	898.38
11	Uranium Corporation of India Limited	2167.35	126.18	38.39	108.37	37.85	108.37	69.98
CHEMICALS AND FERTILIZERS								
12	Karnataka Antibiotics and Pharmaceuticals Limited	158.14	30.33	2.43	7.91	9.10	9.10	6.67
FINANCE								
13	General Insurance Corporation of India	60590.08	3127.67	1002	3029.50	938.30	3029.50	2027.50
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES								
14	Braithwaite Burn and Jessop Construction Company Limited	298.52	17.65	6.36	14.93	5.30	14.93	8.57
15	Bridge and Roof Company (India) Limited	323.09	16.37	4.91	16.15	4.91	16.15	11.24
HOUSING AND URBAN POVERTY ALLEVIATION								
16	Housing and Urban Development Corporation Limited	9167.25	841.81	100.01	458.36	252.54	458.36	358.35
SMALL SCALE INDUSTRIES								
17	National Small Industries Corporation Limited	829.11	106.4	31.26	41.46	31.92	41.46	10.20

APPENDIX-IV (Cont'd)
(As referred to in Para No. 1.3.2)
Shortfall in dividend declared by government companies

(₹ in crore)

Sl. No.	Name of the CPSE	Net worth	Profit After Tax	Dividend declared	5 % of Net worth	30% Profit after Tax	Minimum Dividend required to be declared	Shortfall
TEXTILES								
18	Jute Corporation of India Limited	113.61	9.2	2.76	5.68	2.76	5.68	2.92
UNION TERRITORY ADMINISTRATION								
19	Omnibus Industrial Development Corporation of Daman, Diu & Dadra and Nagar Haveli Limited	118.74	14.73	0	5.94	4.42	5.94	5.94
WATER RESOURCES								
20	National Projects Construction Corporation Limited	145.96	28.84	1.04	7.30	8.65	8.65	7.61
	TOTAL							**5456.56**

APPENDIX-V
(As referred to in Para No. 1.4.1)
List of CPSEs having the negative Net worth as on March 2017

Sl. No.	CPSE NAME	Net profit before dividend	Net worth	Paid up capital
1	Hindustan Cables Limited	234846.1	-91756.8	517492.6
2	Air India Charters Limited	29674.5	-99941.4	78000
3	Hindustan Antibiotics Limited	19186.35	-29643.4	7171.91
4	Hindustan Shipyard Limited	5377	-75051	30199
5	Hoogly Dock and Port Engineers Limited	4146.05	-11471	2860.64
6	Richardson and Cruddas (1972) Limited	1494.44	-28908.6	15661.05
7	National Jute Manufacturers Corporation Limited	475.33	-23262.6	5579.74
8	Bengal Chemicals and Pharmaceuticals Limited	451.39	-10210	7696.04
9	HMT Chinar Watches Limited	90.57	-58915.7	166.01
10	High Speed Rail Corridor Corporation Limited	13.02	-0.88	10.74
11	Orissa Integrated Power Limited	9.05	-7.53	5
12	The Industrial Credit Company Limited	0	-1.85	5
13	Yule Electrical Limited	-0.44	-5.59	5
14	NMDC Steel Limited	-0.6	-0.91	1
15	Powergrid Vemagiri Transmission System Limited	-0.61	-1938.26	5
16	Jharkhand Kolhan Steel Limited	-0.71	-0.26	1
17	HPCL Rajasthan Refinery Limited	-0.74	-197.47	5
18	Karnataka Vijaynagar Steel Limited	-0.75	-1.31	1
19	Jharkhand National Mineral Development Corporation Limited	-0.99	-3.85	1
20	SAIL-Bengal Alloy Castings Private Limited	-1.08	-1.68	2
21	Suuti Tech Options Limited	-2.99	-23.9	50.26
22	Chhattisgarh Mining Ventures Limited	-4.5	-3.5	1
23	Yule Engineering Limited	-4.92	-1.68	5
24	Jagdishpur Paper Mills Limited	-9.34	-268.21	5
25	Inland Coastal Shipping Limited	-9.48	-4.48	5
26	RITES Infrastructure Services Limited	-10.06	-57.85	5
27	HLL Medipark	-16.98	-6.97	10.01
28	Bharat Petro Resources JPDA LIMITED	-86.49	-6161.61	6000
29	Utkal Ashok Hotel Corporation Limited	-127.92	-1977.97	480
30	Assam Ashok Hotel Corporation Limited	-171	-949	100
31	National Investment and Infrastructure Trustee Funds	-174.3	-257.81	2
32	Ranchi Ashok Bihar Hotel Corporation Limited	-211.08	-484.02	489.96
33	National Investment and Infrastructure Fund Ltd	-253.3	-315.66	2
34	Andaman Fisheries Limited	-300.9	-2382.13	100
35	North Eastern Handicrafts and Handlooms Development Corporation Limited	-305.67	-299.76	850
36	HMT (Bearings) Limited	-365.98	-12235.5	3770.91

37	BHEL Electrical Machines Limited	-379.26	-222.72	1050
38	Birds Jute and Exports Limited	-485.16	-12245	39.48
39	Hindustan Fluorocarbons Limited	-488.56	-6855.38	1961.46
40	Rajasthan Drugs and Pharmaceuticals Limited	-598.79	-2465.36	498.61
41	IOC-CREDA Bio Fuels Limited	-627.24	-21.44	2491.35
42	Sambhar Salts Limited	-855.35	-3291.74	100
43	TCIL Bina Toll Road Limited	-1046.08	-1074.31	1957
44	Biecco Lawrie Limited	-1234.1	-6116.54	7476.32
45	Fresh and Healthy Enterprises Limited	-1366	-766	14567
46	Bharat Wagon and Engineering Company Limited	-1433.59	-1767.92	7584.87
47	National Bicycle Corporation of India Limited	-2144.43	-56564.6	565.46
48	Madras Fertilizers Limited	-2331	-55546	16214
49	FACT RCF Building Products Limited	-2911.71	-3798.4	7045.4
50	Tungabhadra Steel Products Limited	-3446.4	-46626.2	843.5
51	Hindustan Vegetable Oils Corporation Limited	-5374.04	-42895.7	771.16
52	Hotel Corporation of India Limited	-5427	-16653	13760
53	Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited	-5756.55	-38227.8	359.18
54	NEPA Limited	-6861.92	-4941.51	58471.26
55	Bharat Pumps and Compressors Limited	-7590.53	-2525.05	5353.1
56	Heavy Engineering Corporation Limited	-8226.66	-33668.5	60607.89
57	Bharat Gold Mines Limited	-8994.95	-177721	5106.4
58	PEC Limited	-9210	-107991	6000
59	The British India Corporation Limited	-10255.5	-80981.8	3170.71
60	HMT Machine Tools Limited	-12759	-110493	27659.91
61	Indian Drugs and Pharmaceuticals Limited	-16117.9	-714942	11688.33
62	Instrumentation Limited	-17050	-45939.6	14605.49
63	The Fertilizer and Chemicals Travancore Limited	-18696.2	-149587	64707.2
64	HMT Watches Limited	-20356.3	-279459	649.01
65	Hindustan Organic Chemicals Limited	-25557.5	-95190.8	33726.96
66	Airline Allied Services Limited	-28272.2	-134360	40225
67	Air India Engineering Services Company Limited	-55862.1	-63462.5	16666.65
68	STCL Limited	-56277.3	-390448	150
69	Hindustan Photofilms (Manufacturing) Company Limited	-291716	-2033004	20686.5
70	Mahanagar Telephone Nigam Limited	-294108	-336672	63000
71	Air India Limited	-383678	-1680195	2442500

Note: Though 71 CPSEs have negative net worth as on March 2017, 11 CPSEs at Sr. No. 1 to 11 have earned profits during the year 2016-17.

APPENDIX-VI

(As referred to in Para 2.6)

Details of Companies where there were non-compliance with Accounting Standards as reported by the Statutory Auditors

Sl. No.	Name of the Company	Category	Accounting Standard/ IND AS
1.	Agriculture Insurance Company of India Limited	Unlisted	AS 1 - Disclosure of Accounting Policies AS 9 - Revenue Recognition
2.	Bharat Immunologicals and Biologicals Corporation limited	Listed	AS 29 - Provisions, Contingent Liabilities and Contingent Assets
3.	British India Corporation Limited	Unlisted	AS 1 - Disclosure of Accounting Policies AS 2 - Valuation of Inventories AS 21 - Consolidated Financial Statements AS 28 - Impairment of Assets
4.	Cement Corporation of India Limited	Unlisted	AS 28 - Impairment of Assets
5.	Eastern Investments Limited	Listed	AS-13 - Accounting for Investments
6.	Educational Consultants India Limited	Unlisted	AS 15 - Employee Benefits
7.	Hindustan Insecticides Limited	Unlisted	AS 2 - Valuation of Inventories
8.	Hindustan Steelworks Construction Limited	Unlisted	AS 12 - Accounting for Government Grants
9.	Indian Drugs and Pharmaceuticals Limited	Unlisted	AS 2 - Valuation of Inventories AS 10 - Accounting for Fixed Assets AS 13 - Accounting for Investments AS 15 - Employee Benefits AS 28 - Impairment of Assets
10.	Indian Medicines and Pharmaceuticals Corporation limited (2015-16)	Unlisted	AS 6 - Depreciation Accounting AS 12 - Accounting for Government Grants AS 22 - Accounting for Taxes on Income AS 28 - Impairment of Assets
11.	Lakshadweep Development Corporation Limited	Unlisted	AS 17 - Segment Reporting AS 22 - Accounting for Taxes on Income AS 28 - Impairment of Assets
12.	National Handicapped Finance and Development Corporation	Unlisted	AS 1 - Disclosure of Accounting Policies AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies
13.	National Scheduled Castes Finance and Development Corporation	Unlisted	IND AS 18 - Revenue
14.	National Seeds Corporation limited	Unlisted	IND AS 17 - Leases IND AS 36 - Impairment of Assets
15.	National WAQF Development Corporation Limited	Unlisted	IND AS 19 - Employee Benefits IND AS 28 - Investments in Associates and Joint Ventures IND AS 32 - Financial Instruments
16.	Security Printing and Minting Corporation of India Limited	Unlisted	Ind AS 19 - Employee Benefits Ind AS 109 - Financial Instruments

APPENDIX-VII

(As referred to in Para 3.1.4)

Listed CPSEs covered for review of Corporate Governance

Sl. No.	Name of the CPSE
1	National Mineral Development Corporation Ltd
2	Kudremukh Iron Ore Company Ltd
3	Dredging Corporation of India Ltd
4	HMT Ltd
5	Mangalore Refinery and Petrochemicals Ltd
6	NLC India Ltd
7	Chennai Petroleum Corporation Ltd
8	The Fertilisers and Chemicals Travencore ltd
9	Madras Fertilisers ltd
10	Hindustan Photo Films (Manufacturing) Company Ltd
11	Bharat Electronics Ltd
12	BEML Ltd
13	Container Corporation of India Ltd
14	IRCON International Ltd
15	Indian Railway Finance Corporation
16	Mahanagar Telephone Ltd
17	ITI Ltd
18	Indian Renewable Energy Development Agency
19	Bharat Immunological & Biologicals Corporation Ltd
20	Steel Authority of India ltd
21	Coal India Ltd
22	oil India Ltd
23	National Aluminium Company Ltd
24	Hindustan Copper Ltd
25	Balmer Lawrie & Co Ltd
26	Andrew Yule & Co Ltd
27	Balmer Lawrie Investments Ltd
28	Shipping Corporation of India Ltd
29	Rashtriya Chemicals & Fertilisers Ltd
30	Hindustan Organic Chemicals Ltd
31	Oil & Natural Gas Corporation Ltd
32	Bharat Petroleum Corporation Ltd
33	Hindustan Petroleum Corporation Ltd
34	NBCC
35	MMTC Ltd
36	India Tourism Development Corporation Ltd
37	State Trading Corporation of India Ltd
38	National Highway Authority of India ltd
39	Indian oil Corporation ltd
40	GAIL (India) Ltd
41	Engineers India ltd

42	National Fertilisers Ltd
43	Scooters India Ltd
44	IFCI Ltd
45	NTPC Ltd
46	Power Grid Corporation of India Ltd
47	Bharat Heavy Electricals Ltd
48	NHPC Ltd
49	Power Finance Corporation Ltd
50	Rural Electrification Corporation Ltd
51	SJVN Ltd
52	MOIL Ltd
53	Housing and Urban Development Corporation ltd

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

Sl. No.	Name of the CPSE	Category
1.	Steel Authority of India Limited	Maharatna
2.	Coal India Limited	Maharatna
3.	Oil & Natural Gas Corporation Limited	Maharatna
4.	Bharat Heavy Electricals Limited	Maharatna
5.	Indian Oil Corporation Limited	Maharatna
6.	NTPC Limited	Maharatna
7.	GAIL (India) Limited	Maharatna
8.	Hindustan Aeronautics Limited	Navratna
9.	Bharat Electronics Limited	Navratna
10.	Neyveli Lignite Corporation Limited	Navratna
11.	Rajasthan Electronics & Instruments Limited	Navratna
12.	Power Finance Corporation Limited	Navratna
13.	Power Grid Corporation of India Limited	Navratna
14.	Rural Electrification Corporation Limited	Navratna
15.	NMDC Limited	Navratna
16.	Rashtriya Ispat Nigam Limited	Navratna
17.	National Aluminium Company Limited	Navratna
18.	Shipping Corporation of India Limited	Navratna
19.	National Buildings Construction Corporation Limited	Navratna
20.	Oil India Limited	Navratna
21.	Hindustan Petroleum Corporation Limited	Navratna
22.	Bharat Petroleum Corporation Limited	Navratna
23.	Engineers India Limited	Navratna
24.	Container Corporation of India Limited	Navratna
25.	Bharat Dynamics Limited	Miniratna
26.	BEML Limited	Miniratna
27.	Garden Reach Shipbuilders & Engineers Ltd.	Miniratna
28.	Goa Shipyard Limited	Miniratna
29.	Mazagaon Dock Limited	Miniratna
30.	Mishra Dhatu Nigam Limited	Miniratna
31.	Chennai Petroleum Corporation Limited	Miniratna
32.	Cochin Shipyard Limited	Miniratna
33.	Kamarajar Port Limited	Miniratna
34.	Mangalore Refinery & Petrochemical Limited	Miniratna
35.	MECON Limited	Miniratna
36.	BalmerLawrie& Co. Limited	Miniratna
37.	Bridge & Roof Company (India) Limited	Miniratna
38.	Hindustan Copper Limited	Miniratna
39.	MSTC Limited	Miniratna
40.	North Eastern Electric Power Corporation Limited	Miniratna
41.	Numaligarh Refinery Limited	Miniratna
42.	Rashtriya Chemicals & Fertilizers Limited	Miniratna
43.	National Small Industries Corporation Ltd	Miniratna
44.	India Tourism Development Corporation Limited	Miniratna

45.	India Trade Promotion Organization	Miniratna
46.	MMTC Limited	Miniratna
47.	State Trading Corporation of India Limited	Miniratna
48.	PEC Limited	Miniratna
49.	Bharat Coking Coal Limited	Miniratna
50.	Central Coalfields Limited	Miniratna
51.	Mahanadi Coalfields Limited	Miniratna
52.	Northern Coalfields Limited	Miniratna
53.	South Eastern Coalfields Limited	Miniratna
54.	Western Coalfields Limited	Miniratna
55.	Projects & Development India Limited	Miniratna
56.	National Fertilizers Limited	Miniratna
57.	Security Printing and Minting Corporation of India Ltd.	Miniratna
58.	Housing & Urban Development Corporation Limited	Miniratna
59.	Manganese Ore (India) Limited	Miniratna
60.	NHPC Limited	Miniratna
61.	SJVN Limited	Miniratna
62.	THDC India Limited	Miniratna
63.	Antrix Corporation Limited	Miniratna
64.	Central Warehousing Corporation	Miniratna
65.	HLL Lifecare Limited	Miniratna
66.	Indian Rare Earths Limited	Miniratna
67.	Indian Renewable Energy Development Agency Ltd.	Miniratna
68.	National Seeds Corporation Limited	Miniratna
69.	WAPCOS Limited	Miniratna
70.	Telecommunications Consultants India Limited	Miniratna
71.	Indian Railway Catering & Tourism Corporation Ltd.	Miniratna
72.	IRCON International Limited	Miniratna
73.	Railtel Corporation of India Limited	Miniratna
74.	Rail Vikas Nigam Limited	Miniratna
75.	RITES Limited	Miniratna
76.	Dredging Corporation of India Limited	Miniratna
77.	KIOCL Limited	Miniratna

APPENDIX-IX
(Ref Para 4.5.1.1.)
List of CPSEs where delay in Constitution of CSR Committee was noticed

Sl. No.	Name of the CPSE	Date of formation of CSR Committee	Delay
1.	Shipping Corporation of India Limited	26-05-2016	25 months
2.	RITES Limited	03-06-2016	27 months
3.	Bharat Dynamics Limited	10-08-2016	28 months
4.	KIOCL Limited	16-08-2016	28 months
5.	MMTC Limited	19-08-2016	28 months
6.	Housing & Urban Development Corporation Limited	23-08-2016	28 months
7.	National Small Industries Corporation Ltd	19-09-2016	29 months
8.	Hindustan Copper Limited	22-10-2016	30 months
9.	NBCC Limited	18-11-2016	31 months
10.	Indian Railway Catering & Tourism Corporation Ltd	10-02-2017	34 months
11.	BLCL	13-02-2017	34 months
12.	Power Finance Corporation Limited	13-02-2017	34 months
13.	Kamarajar Port Limited	10-03-2017	35 months
14.	WAPCOS Limited	27-03-2017	35 months
15.	MSTC Limited	01-07-2017	39 months

APPENDIX-X
(Ref Para 4.5.2.)
List of CPSEs where allocation of CSR funds was less than the prescribed 2 percent of the average net profit

(₹ in lakh)

Sr. No.	Name of the CPSE	Average Net profit of previous three years	2 *per cent*of Average Net profit of previous three financial years	Funds allocated	Shortfall in allocation
1.	Power Grid Corporation of India Ltd.	677845.27	13556.90	12941.31	615.59
2.	NTPC Limited	1139268.00	22785.36	22785.00	0.36
3.	NHPC Limited	221174.00	4423.48	4423.00	0.48
4.	Rural Electrification Corporation Limited	732860.00	14657.20	14657.00	0.20
5.	Housing & Urban Development Corporation Limited	111818.00	2236.36	2236.00	0.36
6.	NMDCLimited	801160.00	16023.20	16022.00	1.20
7.	Central Warehousing Corporation	26730.00	534.60	534.00	0.60
8.	Shipping Corporation of India Limited	15951.00	319.02	319.00	0.02
9.	RVNL	26506.00	530.12	530.00	0.12
10.	Engineers India Limited	51504.05	1030.08	558.29	471.79
11.	Rajasthan Electronics & Instruments Limited	1954.00	39.08	39.00	0.08
12.	Hindustan Aeronautics Limited	334622.00	6692.44	6692.00	0.44
13.	North Eastern Electric Power Corporation Limited	38458.00	769.16	733.00	36.16

APPENDIX-XI

(Ref Para 4.5.2.1)

List of CPSEs where shortfall of actual CSR expenditure vis-à-vis prescribed amount was observed

Sr. No.	Name of the CPSE	Prescribed amount (₹ in lakh)	Actual spent from prescribed (₹ in lakh)	Shortfall (*per cent*)
1.	**Kamarajar Port Limited**	847.92	842.76	0.61
2.	Indian Oil Corporation Limited	21266.52	20955.6	1.46
3.	Oil & Natural Gas Corporation Limited	53566.92	52590	1.82
4.	Central Warehousing Corporation	534.60	511	4.41
5.	National Seeds Corporation Limited	123.18	108.89	11.60
6.	IRCON International Limited	679.82	589	13.36
7.	Numaligarh Refinery Limited	2399.85	2069.61	13.76
8.	**NLCL**	4345.56	3719	14.42
9.	India Trade Promotion Organization	368.74	292	20.81
10.	North Eastern Electric Power Corporation Limited	769.16	607.58	21.01
11.	Antrix Corporation Limited	626.40	493.77	21.17
12.	Bharat Heavy Electricals Limited	3748.42	2678.48	28.54
13.	Mazagaon Dock Shipbuilders Limited	1520	614.25	40.41
14.	Bharat Petroleum Corporation Limited	15914.18	9098.13	42.83
15.	Bharat Heavy Electricals Limited	39.08	21.41	45.21
16.	Central Coalfields Limited	5589.96	3029	45.81
17.	Power Finance Corporation Limited	16614.56	8545.27	48.57
18.	Shipping Corporation of India	319.02	157	50.79
19.	Rural Electrification Corporation Limited	14657.20	6980	52.38
20.	Bharat Coking Coal Limited	2684.66	1144.55	57.37
21.	Indian Renewable Energy Development Agency Ltd	750.74	294.45	60.78
22.	Bharat Electronic Limited	2971.91	1164.12	60.83
23.	South Eastern Coalfields Limited	12023.78	4250.36	64.65
24.	Engineers India Limited	1030.08	216.6	78.97
25.	Housing & Urban Development Corporation Limited	2236.36	139.55	93.76

ANNEXURE-XII
(Ref Para 4.5.2.3)
State wise CSR Expenditure list

Sr. No.	State Name	CSR Expenditure (₹ in crore)
1.	Pan India	696.56
2.	Andhra Pradesh	321.12
3.	Arunachal Pradesh	21.18
4.	Assam	183.5
5.	Bihar	60.35
6.	Chhattisgarh	191.8
7.	Goa	3.8
8.	Gujarat	197.17
9.	Haryana	18.46
10.	Himachal Pradesh	73.86
11.	Jammu and Kashmir	11.85
12.	Jharkhand	81.57
13.	Karnataka	90.08
14.	Kerala	34.53
15.	Madhya Pradesh	124.47
16.	Maharashtra	147.6
17.	Manipur	0.58
18.	Meghalaya	4.69
19.	Mizoram	0.29
20.	Nagaland	0.8
21.	Odisha	268.73
22.	Punjab	3.22
23.	Rajasthan	30.78
24.	Sikkim	2.34
25.	Tamil Nadu	79.01
26.	Telangana	45.56
27.	Tripura	8.09
28.	Uttarakhand	66.73
29.	Uttar Pradesh	224.13
30.	West Bengal	63.23
31.	Andaman and Nicobar Islands	0.43
32.	Chandigarh	39.15
33.	Dadar and Nagar Haveli	0.07
34.	Daman and Diu	0
35.	Delhi	103.69
36.	Lakshadweep	0
37.	Pondicherry	0.85

APPENDIX-XIII
(Ref Para 4.5.3.6.)
List of CPSEs which include salaries as administrative overheads

Sr No.	Name of the CPSE	Expenditure on salaries (₹ in lakhs)
1.	Bharat Heavy Electricals Limited	331.06
2.	THDC India Limited	10.87
3.	Power Grid Corporation of India Limited	509.88
4.	NTPCLimited	1028.36
5.	Power Finance Corporation Limited	209.53
6.	Rural Electrification Corporation Limited	289.8
7.	SJVN Limited	157.69
8.	Steel Authority of India Limited	35
9.	Cochin Shipyard Limited	13.97
10.	Kamarajar Port Limited	5.51
11.	HLL Lifecare	5.5
12.	Oil & Natural Gas CorporationLimited	2099
13.	RITES Limited	46
14.	Projects & Development India Limited	0.09
15.	Indian Oil Corporation Limited	988
16.	Central Coalfields Limited	10.02
17.	Northern Coalfields Limited	132.65
18.	Bharat Dynamics Limited	44.51
19.	Mazagaon Dock Shipbuilders Limited	38.69
20.	Mishra Dhatu Nigam Limited	0.48
21.	Bharat Electronic Limited	128.55
22.	Goa Shipyard Limited	10.2
23.	Hindustan Aeronautics Limited	182.25
24.	National Aluminium Company Limited	23.4
25.	Numaligarh Refinery Limited	6.69
26.	GAIL (India) Limited	352.00

APPENDIX-XIV
(Ref Para 5.5)
List of CPSEs and their MOU ratings for five years from 2011-12 to 2015-16

Sl. No	Names of CPSEs	Administrative Ministry	MOU rating				
			2011-12	2012-13	2013-14	2014-15	2015-16
1	Bharat Electronics Limited (BEL)	Defence	Very Good	Very Good	Excellent	Excellent	Excellent
2	Bharat Petroleum Corporation Limited (BPCL)	Petroleum and Natural Gas	Excellent	Excellent	Excellent	Excellent	Excellent
3	Container Corporation of India Limited (CONCOR)	Railway	Excellent	Excellent	Excellent	Excellent	Very Good
4	Engineers India Limited (EIL)	Petroleum and Natural Gas	Excellent	Very Good	Good	Very Good	Very Good
5	Hindustan Aeronautics Limited (HAL)	Defence	Excellent	Excellent	Excellent	Excellent	Excellent
6	Hindustan Petroleum Corporation Limited (HPCL)	Petroleum and Natural Gas	Excellent	Excellent	Excellent	Excellent	Excellent
7	Mahanagar Telephone Nigam Limited (MTNL)	Communications - Telecommunication Department	Fair	Good	Very Good	Good	Good
8	National Aluminium Company Limited (NALCO)	Mines	Very Good	Excellent	Very Good	Excellent	Excellent
9	NBCC (India) Limited (NBCC)	Urban Development	Excellent	Very Good	Excellent	Excellent	Excellent
10	NLC India Limited (NLC)	Coal	Excellent	Excellent	Excellent	Very Good	Very Good
11	NMDC Limited (NMDC)	Mines	Excellent	Excellent	Excellent	Very Good	Good
12	Oil India Limited (OIL)	Petroleum and Natural Gas	Excellent	Excellent	Excellent	Very Good	Good
13	Power Finance Corporation Limited (PFC)	Power	Excellent	Excellent	Excellent	Excellent	Excellent
14	Power Grid Corporation of India Limited (PGCIL)	Power	Excellent	Excellent	Excellent	Excellent	Excellent
15	Rural Electrification Corporation Limited (REC)	Power	Excellent	Excellent	Excellent	Excellent	Excellent
16	Rashtriya Ispat Nigam Limited (RINL)	Steel	Excellent	Excellent	Excellent	Good	Good
17	Shipping Corporation of India Limited (SCI)	Shipping	Good	Very Good	Very Good	Very Good	Very Good

APPENDIX-XV

(as referred in para 6.5)

List of Maharatna, Navratna and Miniratna Companies having Joint Ventures as on May 2017

Sl. No.	Name of the CPSEs	Category	Administrative Ministry
1	Steel Authority of India Limited	Maharatna	Ministry of Steel
2	NTPC Limited		Ministry of Power
3	GAIL (India) Limited		Ministry of Petroleum & Natural Gas
4	Oil and Natural Gas Corporation Limited		
5	Indian Oil Corporation Limited		
6	Bharat Heavy Electricals Limited		Ministry of Heavy Industries
7	Coal India Limited		Ministry of Coal
8	Bharat Petroleum Corporation Limited	Navratna	Ministry of Petroleum & Natural Gas
9	Hindustan Petroleum Corporation Limited		
10	Oil India Limited		
11	Engineers India Limited		
12	Neyveli Lignite Corporation Limited		Ministry of Coal
13	Container Corporation of India Limited		Ministry of Railways
14	Power Grid Corporation of India Limited		Ministry of Power
15	Power Finance Corporation Limited		
16	Rural Electrification Corporation Limited		
17	The Shipping Corporation of India Limited		Ministry of Shipping
18	RashtriyaIspat Nigam Limited		Ministry of Steel
19	NMDC Limited		
20	Hindustan Aeronautics Limited		Ministry of Defence
21	Bharat Electronics Limited		
22	Mahanagar Telephone Nigam Limited		Ministry of Communications
23	National Aluminium Company Limited		Ministry of Mines
24	NBCC (India) Limited		Ministry of Urban Development
25	ONGC Videsh Limited	Miniratna	Ministry of Petroleum & Natural Gas
26	Numaligarh Refinery Limited		
27	Mangalore Refinery and Petrochemicals Limited		
28	Chennai Petroleum Corporation Limited		
29	Balmer Lawrie and Co		
30	Security Printing and Minting Corporation of India Limited		Ministry of Finance
31	National Fertilizers Limited		Ministry of Chemical and Fertilizers
32	Rashtriya Chemicals and Fertilizers Limited		
33	India Trade Promotion Organisation		Ministry of Commerce & Industry
34	MMTC Limited		
35	STC Limited		
36	NHPC Limited		Ministry of Power
37	SJVN Limited		
38	Housing and Urban Development Corporation Limited		Ministry of Housing and Urban Poverty Alleviation
39	Manganese Ore (India) Limited		Ministry of Steel

40	Central Railside Warehouse Company Limited		Ministry of Consumer Affairs, Food and Public Distribution
41	HLL Lifecare Limited		Ministry of Health and Family Welfare
42	Indian Renewable Energy Development Agency Limited		Ministry of New and Renewable Energy
43	North Eastern Electric Power Corporation Limited		Ministry of Power
44	Mahanadi Coalfields Limited		Ministry of Coal
45	MECON Limited		Ministry of Steel
46	BEML Limited		Ministry of Defence
47	Mazagaon Dock Ship builders Limited		
48	Telecommunications Consultants India Limited		Ministry of Communications
49	IRCON International Limited		Ministry of Railways
50	Rail Vikas Nigam Limited		
51	RITES Limited		
52	Airports Authority of India*		Ministry of Civil Aviation

*** Not covered in the Chapter due to non-receipt of information.**

APPENDIX-XVI
(as referred in Para 6.6)
List of JVs formed by 51 CPSEs
A. Investment of PSUs in Joint Ventures Companies Incorporated outside India as on 31-3-2017

Sl. No.	Name of the PSU	No. of JV company	Investment of the PSU in the share capital of JV (₹ in crore)
1	Balmer Lawrie and Co	1	8.91
2	Bharat Petroleum Corporation Limited	1	2630.94
3	Container Corporation of India Limited	1	0.50
4	Engineers India Limited	1	0
5	GAIL (India) Limited	6	220.12
6	Indian Oil Corporation Limited	1	0.05
7	Mahanagar Telephone Nigam Limited	1	35.85
8	MECON	1	0.08
9	NBCC (India) Limited	1	0.03
10	NMDC Limited	1	0
11	NTPC Limited	2	149.42
12	Oil India Limited	2	6787.09
13	Power Grid Corporation of India Limited	1	4.88
14	Telecommunications Consultants India Limited	1	35.84
15	The Shipping Corporation of India Limited	5	73.59
16	SJVN Limited	1	70.66
17	ONGC Videsh Limited	11	22305.74
	Total	**38**	**32323.70**

B. Investment of PSUs in Joint Venture companies incorporated in India (Companies other than Government Companies and deemed Government Companies) as on 31-03-2017

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
1	Balmer Lawrie & Co Limited	3	63.30
2	Bharat Electronics Limited	1	2.60
3	Bharat Heavy Electricals Limited	2	4.38
4	Bharat Petroleum Corporation Limited	8	1320.72
5	Central Railside Warehouse Company Limited (CRWCL)	1	2.14
6	Chennai Petroleum Corporation Limited	2	11.86
7	Coal India Limited	4	5.79
8	Container Corporation of India Limited	8	194.18
9	Engineers India Limited	1	0.12
10	GAIL (India) Ltd.	12	2246.21
11	Hindustan Aeronautics Limited	13	225.78
12	Hindustan Petroleum Corporation Limited	4	4007.29
13	HLL Lifecare Limited	1	9.50
14	Housing and Urban Development Corporation Limited (HUDCO)	3	2.14
15	Indian Oil Corporation Limited	14	1307.49
16	IRCON International Limited	6	281.10
17	Indian Renewable Energy Development Agency Limited	1	0.12
18	Mahanagar Telephone Nigam Limited	1	2.28
19	Mangalore Refinery and Petrochemicals Limited	1	15.00
20	Mazagaon Dock Ship builders Limited	1	0.10
21	National Aluminium Company Limited	1	24.80
22	North Eastern Electric Power Corporation Limited	2	109.93
23	NTPC Limited	3	4.00
24	Oil and Natural Gas Corporation Limited	3	111.78
25	Power Finance Corporation Limited (PFC)	1	2.19
26	Power Grid Corporation Limited	5	411.97

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
27	STC Limited	1	0.10
28	Steel Authority of India Limited	12	79.15
29	Telecommunications Consultants India Limited	2	107.03
30	Rail Vikas Nigam Limited	1	20.46
31	MMTC Limited	5	54.30
	Total	**123**	**10627.81**

C. Investment of PSUs in Incorporated Joint Venture/Associates (Govt. companies and deemed Govt. companies) in India as on 31-03-2017

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
1	BEML Limited	1	5.42
2	Bharat Heavy Electricals Limited	4	661.82
3	Bharat Petroleum Corporation Limited	11	591.37
4	Container Corporation of India Limited	1	156.00
5	Engineers India Limited	1	153.44
6	Hindustan Petroleum Corporation Limited	11	900.60
7	India Trade Promotion Organisation	1	2.00
8	Indian Oil Corporation Limited	9	302.61
9	Mahanadi Coalfields Limited	4	116.66
10	Manganese Ore (India) Limited	2	0.20
11	National Aluminium Company Limited	2	17.30
12	National Fertilizers Limited	2	153.62
13	NBCC (India) Limited	1	2.00
14	NHPC Limited	5	1580.9
15	NLC India Limited	1	12.77
16	NMDC Limited	9	489.10
17	NTPC Limited	21	9494.17
18	Numaligarh Refinery Limited	2	185.26
19	Oil and Natural Gas Corporation Limited	4	1764.92
20	Oil India Limited	1	38.46
21	Power Finance Corporation Limited	1	146.50

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
22	Power Grid Corporation of India Limited	7	330.58
23	Rashtriya Ispat Nigam Limited	2	3.50
24	Rashtriya Chemicals & Fertilizers	3	33.07
25	Rural Electrification Corporation Limited	1	146.5
26	Security Printing and Minting Corporation of India Limited	1	400.00
27	SJVN Limited	2	12.62
28	Steel Authority of India Limited	11	1252.00
29	Telecommunications Consultants India Limited	1	0.36
30	The Shipping Corporation of India Limited	1	0.10
31	RITES	2	24.13
32	Rail Vikas Nigam Limited	5	604.69
33	MMTC Limited	1	379.69
	Total	**131**	**19962.36**

D. Investment of PSUs in unincorporated Joint Ventures in India as on 31-03-2017

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
1	Bharat Petroleum Corporation Limited	7	285.48
2	GAIL (India) Limited	9	1042.76
3	Indian Oil Corporation Limited	11	1374.08
4	IRCON International Limited	3	0
5	NBCC (India) Limited	3	13.98
6	Oil and Natural Gas Corporation Limited	35	48.05
7	Oil India Limited	13	2786.23
	Total	**81**	**5550.58**

E. Investment of PSUs in unincorporated Joint Ventures outside India as on 31-03-2017

Sl. No.	Name of the PSU	No. of J V company	Investment of the PSU in the share capital of JV (₹ in crore)
1	Bharat Petroleum Corporation Limited	4	1524.52
2	GAIL (India) Limited	2	1366.31
3	Indian Oil Corporation Limited	7	1030.30
4	IRCON International Limited	1	0
5	Oil India Limited	7	701.71
6	ONGC Videsh Limited	25	99659.71
	Total	**46**	**104282.55**

F. Investment of CPSEs in any form other than share capital like Advances, Loan Granted, Guarantees issued etc. as on 31.03.2017

Sl. No.	Name of the CPSE	No. of J V company	Amount of Investment by CPSE *(₹ in crore)
1	Bharat Petroleum Corporation Limited	1	5357
2	Container Corporation of India Limited	10	0
3	Engineers India Limited	2	55.54
4	GAIL (India) Limited	1	114.24
5	Hindustan Petroleum Corporation Limited	7	26419.2
6	Housing and Urban Development Corporation Limited	1	9.42
7	India Trade Promotion Organisation	0	0
8	Indian Oil Corporation Limited	21	23530.9
9	IRCON International Limited	6	165.89
10	Mahanadi Coalfields Limited	4	19.39
11	Manganese Ore (India) Limited	1	4
12	NHPC Limited	5	200.08
13	NLC India Limited	0	0
14	NMDC Limited	4	40.34
15	NTPC Limited	5	8776.73
16	Numaligarh Refinery Limited	1	72.71
17	Oil and Natural Gas Corporation Limited	1	7488.95
18	Oil India Limited	4	819.5
19	Power Grid Corporation of India Limited	1	0
20	Rashtriya Ispat Nigam Limited	2	1.21
21	Rashtriya Chemicals & Fertilizers Limited	2	39.96
22	SJVN Limited	3	0
23	Steel Authority of India Limited	2	18.40
24	The Shipping Corporation of India Limited	4	178.79
25	RITES	2	31.13
26	Rail Vikas Nigam Limited	6	625.15
27	MMTC Limited	1	0.01
	Total	**97**	**73968.54**

*** Includes details of financial transactions done by CPSEs in any other form other than share capital**

APPENDIX-XVII
(as referred in para 6.7.1)
Method of Selection of JV Partner

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
1	Steel Authority of India Ltd.	23	1. International Coal Ventures Pvt. Ltd.	1. Bhilai Jaypee Cement Limited		1. Bokaro Power Supply Company Pvt Limited	
			2. SAIL-SCL Kerala Ltd.	2. SAIL-Bansal Service Centre Limited		2. NTPC-SAIL Power Company Pvt. Limited	
			3. Bastar Railway Private Limited	3. Prime Gold-SAIL JVC Ltd.		3. SAIL RITES Bengal Wagon Industry Pvt. Ltd.	
				4. VSL-SAIL JVC LIMITED		4. SAIL-MOIL Ferro Alloy Pvt. Ltd.	
				5. SAL-SAIL JVC Ltd.		5. SAIL Bengal Alloy Castings Pvt. Ltd.	
				6. TMT SAL SAIL JVC Ltd.		6. SAIL-SCI Shipping Private Limited	
				7. ABHINAV SAIL JVC LTD.		7. NMDC SAIL LIMITED	
						8. MJunction Services Limited	
						9. S&T Mining Company Private Limited	
						10. SAIL-KOBE Iron India Pvt. Ltd.	
						11. North Bengal Dolomite Limited	
						12. Romelt SAIL (India) Limited	

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
						13. UEC SAIL Information Technology Limited	
2	NTPC Limited	26	1. Anushakti Vidyut Nigam Limited	1. NTPC GE POWER SERVICES PVT LTD		1. Aravali Power Company Private Limited	
			2. International Coal Ventures Private Limited	2. PAN ASIAN RENEWABLES PVT LTD		2. BF-NTPC ENRGY SYSTEMS LTD	
			3. Energy Efficiency Services Limited			3. National Power Exchange Limited	
			4. CIL NTPC URJA PVT LTD			4. NTPC SAIL POWER CO PVT LTD	
			5. MEJA URJA NIGAM PVT LTD			5. Utility Powertech Limited	
			6. Bangladesh India Friendship Power Company Private Limited				
			7. National High Power Test Laboratory Private Limited				
			8. NTPC BHEL POWER PROJECTS PVT LTD				
			9. NTPC SCCL GLOBAL VENTURES				
			10. NTPC-Tamilnadu Energy Company Limited				
			11. Power Trading Corporation Limited				
			12. Ratnagiri Gas and Power Private Limited				

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
			13. Transformers and Electricals Kerala Limited				
			14. Trincomalee Power Company Limited				
			15. Hindustan Urvarak&Rasayan Limited				
			16. Nabhinagar Power Generating Company Pvt. Limited				
			17. Bhartiya Rail Bijlee Company Limited				
			18. Kanti Bijle Utpadan Niagam Limited				
			19. Patratu Vidyut Utpadan Nigam Limited				
3	GAIL (India) Limited	18	TAPI Pipeline Co Ltd		1. Aavantika Gas Limited		1. China Gas Holdings Limited
			2. Petronet LNG Ltd		2. Bhagya nagar Gas Limited		2. Fayum Gas Company
			3. GAIL China Gas Global Energy Holdings Pvt Ltd		3. Indrap-rastha Gas Limited		3. National Gas Company
			4. South East Asia Gas Pipeline Co Ltd		4. Mahanagar Gas Limited		4. ONGC Petro additions Ltd
					5. Mahara-shtra Natural Gas Limited		5. Gujarat State Energy Generation Ltd

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
					6. Central UP Gas Limited		6. Tripura Natural Gas Company Ltd.
					7. Green Gas Limited		
					8. Ratnagiri Gas and Power Private Limited		
4	Indian Oil Corpora-tion Limited	24	1. Petronet LNG Limited		1. Green gas Limited	1. Indian Oil – CREDA Bio-fuels Limited	
			2. IOT Infrastructure & Energy Services Limited		2. Delhi Aviation Fuel Facility Private Limited		
			3. Indian Oil Petronas Private Limited		3. Mumbai Aviation Fuel Facility Private Limited		
			4. Lubrizol India Private Limited		4. Indian Oil Sky tanking Private Limited		
			5. Avi-Oil India Private India		5. Indian Synthetic Rubber Private limited		
			6. Petronet India Limited		6. Indian Oil Adani Gas Private Limited		
			7. Petronet VK Limited		7. GSPL India Transco Limited		
			8. Indian Oil Panipat Power Consortium Limited		8. GSPL India Gasnet Limited		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
					9. NPCIL – Indian Oil Nuclear Energy Corporation Limited		
					10. Hindustan Urvarak and Rasayan Limited		
					11. Kochi Selam Pipelines Private Limited		
					12. Indian Oil LNG Private Limited		
					13. Suntera Nigeria 205 Limited		
					14. Indian Oil RuchiBio Fuels LLP		
					15. Petronet CI Limited		
5	Coal India Limited	4	1. CIL NTPC Urja Private Limited				
			2. Talcher Fertilizers Limited				
			3. Hindustan Urvarak & Rasayan Limited				
			4. International Coal Venture Pvt. Ltd.				
6	NLC India Limited	1	1. MNH Shakthi Limited				
7	Container Corpora-tion of India	10	1. Angul sukinda Railways Ltd.	1. Himalayan Terminal Pvt ltd.	1. Star track terminals pvt. Ltd.		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
					2. Albatross inland port pvt. Ltd.		
					3. Gateway terminals India Pvt. Ltd.		
					4. CMA-CGM logistic park (Dadri) pvt. Ltd.		
					5. India Gateway terminal pvt. Ltd.		
					6. TCI – CONCOR Multimodal solution Pvt. Ltd.		
					7.Container Gateway LTD.		
					8. Allcargo logistics park pvt. Ltd.		
8	OIL INDIA LIMITED	3			1. Beas Rovuma Energy Mozambique Ltd.		1. DNP Limited
					2. Suntera Nigeria 205 Ltd.		
9	Power Finance Corpora-tion Limited (PFC)	2	1. Energy efficiency Services Limited			National Power Exchange Limited	
10	Rural Elec-trification Corpora-tion Limited	1	1. Energy efficiency Services Limited				

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
11	Engineers India Ltd	3	1. Ramagundam Fertilizers And Chemicals Limited		1. TEIL PROJECTS LTD		
			2. JABAL EILIOT CO LTD				
12	Rashtriyalsp at Nigam Limited	2				1. RINMOLI FERRO ALLOYS Pvt. LTD.	
						2. RINL POWER GRID TLT Pvt. LTD.	
13	Hindustan Aeronau-tics Limited	13	1 Indo Russian Aviation Ltd.		1. Infotech HAL Limited	1. BAeHAL Software Ltd.	
			2. Multirole Transport Aircraft Limited		2. HATSOFF Helicopter Training private limited	2. Snecma HAL Aerospace Pvt. Ltd.	
			3. M/s. Aerospace & Aviation Sector Skill Council		3. TATA HAL Technologies Limited	3. Samtel HAL Display Systems Ltd.	
						4. HAL Edgewood Technologies Pvt. Ltd.	
						5. HALBIT Avionics Private Limited	
						6. International Aerospace Manufacturing Private Limited	
						7. Helicopter Engines MRO Private Limited	
14	Bharat Electronics Limited	1	1. GE-BE Pvt. Ltd.				
15	Mahanagar Telephone Nigam Limited	2	1. United Telecom Limited			1. MTNL STPI IT Service Ltd.	

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
16	National Aluminum Company Limited	3				1. Angul Aluminium park Pvt. Ltd. (AAPPL)	
						2.GACL NALCO Alkalies & Chemicals Pvt. Ltd. (GNAL)	
						3.NPCIL NALCO Power Company Ltd. (NNPCL)	
17	NBCC (India) Limited	2	1. Real Estate Development and Construction Corporation of Rajasthan Limited				
			2. Jamal NBCC International Limited (PTY)				
18	Security Printing and Minting Corpora-tion of India Limited	1	1. Bank Note Paper Mill India Pvt. Ltd.				
19	National Fertilizers Limited	2	1. RAMAGUNDAM FERTILIZERS AND CHEMICALS LIMITED				
			2.Urvark Videsh Ltd.				
20	State Trading Corpora-tion Limited	1				1. NSS Satpura Agro Development Co. Ltd.	
21	NHPC Limited	5	1. Narmada Hydroelectric Development Corporation Limited (NHDCL)				
			2. National High Power Test Laboratory Limited (NHPTL)				

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
			3. Loktak Downstream Hydroelectric Corporation Limited (LDHCL)				
			4. Chenab Valley Power Projects Private Limited (CVPPPL)				
			5. BUNDELKHAND Saur Urja Limited (BSUL)				
22	SJVN Limited	3	1. Cross Border Power Transmission Limited				
			2. Bengal Birbhum Coalfields Limited				
			3 Kholongchu Hydro Energy Limited				
23	Housing and Urban Develop-ment Corporation Limited (HUDCO)	3					1. Pragati Social Infrastruc-ture Develop-ment Ltd. (PSIDL)
							2. Shristi Urban Infrastruc-ture Develop-ment Ltd.
							3. Signa Infrastruc-ture India Ltd.
24	Manganese Ore (India) Limited (MOIL)	2				1. RIN MOIL Ferro Alloys Pvt. Ltd.	

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
						2. SAIL and MOIL Ferro Alloys Pvt. Ltd.	
25	HLL Lifecare Ltd.	1			1. LifeSpring Hospitals (P) Ltd.		
26	Central Railside Warehouse Company Limited (CRWCL)	1				1. IFFCO-CRWC Logistics Ltd.	
27	IREDA	1	1. M.P. Wind Farms Limited (MPWL)				
28	Rashtriya Chemicals and Fertilizers Limited	3	1. Urvarak Videsh Limited		1. FACT RCF Building products Limited		
			2. Talcher Fertilizers Limited				
29	Balmerla-wrie and Co	4					1. Balmer Lawerie (UAE) L.L.C.
							2. Balmer Lawrie Van-Leer Ltd.
							3. Transafe Servicies Ltd.
							4.AVI-OIL India (P) Ltd.
30	North Eastern Electric Power corporation Limited	2			1. WAANEEP Solar PVT. Ltd.		
					2. KSK DibbinHydro Power Pvt. Ltd.		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
31	Numaligarh Refinery Limited	2					1. DNP Limited
							2. Brahma-putra Cracker and Polymer Limited (BCPL)
32	Mahanadi Coalfields Limited	4	1. MJSJ Coal Limited			1. Neelanchal Power Transmission Company Private Limited (NPTCPL)	
			2. MNH Shakti Limited				
			3. Mahanadi Coal Railway Limited				
33	Chennai Petroleum Corporation Limited	2	1. Indian Additives Limited		1. National Aromatics and Petrochemicals Corporation Limited		
34	Mangalore Refinery and Petrochemicals Limited	1				1. M/s Sheel MRPL Aviation Fuels & Services Ltd.	
35	BEML LIMITED	1			1. M/s. BEML Midwest Ltd.		
36	IRCON International Limited	6	1. Chattisgarh East Rail Ltd.		1. Ircon Soma Tollway Pvt. Ltd.		
			2. Chattisgarh East West Rail Ltd.				
			3. Mahanadi Coal Rail Co.				
			4. Jharkhand Central Railways				

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
			5. Bastar Railway Pvt. Ltd.				
37	The Shipping Corporation of India Limited	6	1. Irano Hind Shipping Company		1. SAIL-SCI Shipping Pvt. Ltd.		
					2. India LNG Transport Company 1		
					3. India LNG Transport Company 2		
					4. India LNG Transport Company 3		
					5. India LNG Transport Company 4		
38	Hindustan Petroleum Corporation Ltd.	10			1. HPCL-Mittal Energy Ltd.	1. Bhagyanagar Gas Ltd.	
					2. GSPL India Gasnet Ltd.	2. Avantika Gas Limited	
					3. GSPL India Transco Ltd.	3. HPCL Rajasthan Refinery Ltd.	
					4. HPCL Shapoorji Energy Pvt Ltd	4. CREDA-HPCL Biofuel Ltd.	
					5. Mumbai Aviation Fuel Farm Facility Pvt Ltd.		
					6. Godavari Gas Pvt. Ltd.		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
39	Power Grid Corporation of India Limited	13	1. National High Power Test Laboratory Pvt Limited	1. Powerlinks Transmission Limited			1. Torrent Powergrid Limited
			2. Energy Efficiency Services Limited	2. Parbati Koldam Transmission Company Limited			2. Jaypee Powergrid Limited
			3. Cross Border Power Transmission Company Limited				3. Teesta valley Power Transmissi on Company
			4. Power Transmission Company Nepal Limited				4. North East Transmissi on Company Limited
							5.Kalinga BidyutPras aran Nigam Private Limited
							6.Bihar Grid Company Limited
							7.RINL POWERGRI D TLT Private Limited
40	Bharat Petroleum Corporation Limited	20	1Petronet India Ltd.		1BPCL-KIAL Fuel Farm Pvt. Ltd.		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
			2Bharat Oman Refineries Ltd.		2Indraprastha Gas Ltd.		
			3Petronet LNG Ltd.		3Maharashtra Natural Gas Ltd.		
					4Central UP Gas Ltd.		
					5Sabarmati Gas Ltd.		
					6Haridwar Natural Gas Pvt. Ltd.		
					7Goa Natural Gas Pvt. Ltd.		
					8Bharat Stars Services Pvt. Ltd.		
					9Delhi Aviation Fuel Facility Pvt. Ltd.		
					10Mumbai Aviation Fuel Farm Facility Pvt. Ltd.		
					11Kannur International Airport		
					12GSPC India Gasnet Ltd.		
					13 GSPC India Transco Ltd.		

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
					14 Kochi Salem Pipeline Private Limited		
					15 Matrix Bharat Pte Ltd.		
					16 FINO Pay Tech Ltd.		
					17 Bharat Renewable Energy Ltd.		
41	Telecommunication Consultants India Limited	4			1 United Telecom Limited		1Bharti Hexacom Ltd.
					2 TCIL Bellsouth Ltd.		
					3 Intelligent Communication Systems India Ltd.		
42	BHARAT HEAVY ELECTRICALS LIMITED	6				1. BHEL-GE Gas Turbine Services Pvt. Ltd.	
						2. Powerplant Performance Improvement Pvt. Ltd.	
						3 NTPC BHEL Power Projects Pvt. Ltd.	

SL. No.	CPSE	Total No. of JVs	Government Directives	Open tender	Through Choice out of few prospective partners identified by CPSE	Nomination basis	Invest-ment in equity of JV/ Others
						4 Raichur Power Corporation Ltd.	
						5 Dada DhuniwaleKhandwa Power Limited	
						6Latur Power Company Ltd.	
43	Rail Vikas Nigam Limited	6	1.Kutch Railway Company Limited	1. Bharuch Dahej Railway Company Limited.			
				2. Krishnapa - tanam Railway Company Limited			
				3. Haridaspur Paradeep Railway Company Limited			
				4.Angul Sukinda Railway Limited			
				5.Dighi Roha Rail Limited			
44	RITES	2	1.SAIL-RITES Bengal Wagon Industry Private Limited	1. BNV Gujarat Rail Private Limited			
45	Mazagon Dock Shipbuilders Limited	1		Mazagon Dock Pipavav Defence Private Limited			
	TOTAL	**251**	**84**	**19**	**75**	**49**	**24**

APPENDIX-XVIII
(as referred in para 6.7.2)
CPSEs not submitting status of Joint Ventures on half-yearly basis to DPE

Sl. No.	Name of CPSE
1.	Steel Authority of India Limited
2.	NTPC Limited
3.	GAIL (India) Limited
4.	Bharat Heavy Electricals Limited
5.	Oil & Natural Gas Corporation Limited
6.	Coal India Limited
7.	Indian Oil Corporation Limited
8.	Bharat Petroleum Corporation Limited
9.	Hindustan Petroleum Corporation Limited
10.	Neyveli Lignite Corporation Limited
11.	Container Corporation of India Limited
12.	Oil India Limited
13.	Power Grid Corporation of India Limited
14.	Rural Electrification Corporation Limited
15.	The Shipping Corporation of India Limited
16.	Engineers India Limited
17.	Rashtriya Ispat Nigam Limited
18.	NMDC Limited
19.	Hindustan Aeronautics Limited
20.	Bharat Electronics Limited
21.	National Aluminum Company Limited
22.	National Buildings Construction Corporation Limited

APPENDIX-XIX
(as referred in para 6.7.3(a))
Profit earning Joint Ventures

(₹ in Crore)

Sl. No.	JV Company	Profit during 2016-17	Accumulated Reserves as on 31 March 2017	Percentage share of Maharatna/ Navratna/ Miniratna in JV
1	Bokaro Power supply Company Pvt. Ltd.	78.54	519.75	SAIL 50%
2	M Junction Services Limited	37.74	200.96	SAIL 50%
3	NTPC SAIL Power Company Pvt. Ltd.	388.87	966.70	SAIL 50% NTPC 50%
4	SAIL KOBE Iron India Pvt. Ltd.	0.01	0.01	SAIL 50%
5	UtilityPowertech Limited	19.45	39.68	NTPC 50%
6	Aravali Power Company Limited	787.2	443.41	NTPC 50%
7	Energy Efficiency Services Limited	51.86	78.81	NTPC 31.7%, PFC 31.7%, PGCIL 4.9%, REC 31.7%
8	NTPC GE Power services Pvt. Limited (Formely NTPC ALSTOM Power Services Pvt. Ltd.)	0.86	17.62	NTPC 50%
9	PTC India Limited	290.87	691.35	NTPC 4.28%
10	Aavantika Gas Limited	19.07	44.73	GAIL 49.97%, HPCL 49.97%
11	Bhagyanagar Gas Limited	13.10	40.87	GAIL 49.97%, HPCL 49.97%
12	Indraprastha Gas Limited	570.96	2785.97	GAIL 22.5%, BPCL 22.5%
13	Mahanagar Gas Limited	393.43	1741.26	GAIL 32.5%
14	Maharashtra Natural Gas Limited	76.56	232.20	GAIL 22.5%, BPCL 22.5%, IGL 50%
15	Central UP Gas Limited	48.49	147.18	GAIL 25%, BPCL 25%, IGL 50%
16	Tripura Natural Gas Company Ltd.	11.30	60.77	GAIL 48.98%
17	China Gas Holdings Limited	2744.80	14028.78	GAIL 3.05%
18	Fayum Gas Company	8.91	11.61	GAIL 19%
19	National Gas Company	154.70	171.55	GAIL 5%

Sl. No.	JV Company	Profit during 2016-17	Accumulated Reserves as on 31 March 2017	Percentage share of Maharatna/ Navratna/ Miniratna in JV
20	BHEL GE Gas Turbine Services Pvt. Ltd.	47.99	77.58	BHEL 50%
21	Petronet LNG Limited	1,723.13	7252.67	IOCL 12.50%, BPCL 12.5%, ONGC 12.50%, GAIL 12.50%,
22	Green Gas Limited	44.80	206.72	IOCL 49.97%, GAIL 49.97%,
23	IndianOilPetronas Private Limited	226.14	711.84	IOCL 50%
24	Lubrizol India Private Limited	124.14	496.64	IOCL 50%
25	Delhi Aviation Fuel Facility Private Limited	38.34	31.53	IOCL 37% BPCL 37%
26	Avi-Oil India Private Limited	10.87	33.08	IOCL 25%, Balmer Lawrie 25%
27	Mumbai Aviation Fuel Facility Private Limited	26.58	32.65	IOCL 25%, BPCL 25%, HPCL 25%,
28	Indian Oil Skytanking Private Limited	33.96	71.14	IOCL 50%,
29	GSPL India Transco Limited	0.92	5.70	IOCL 26%, BPCL 11%, HPCL 11%
30	GSPL India Gasnet Limited	1.08	5.70	IOCL 26%, BPCL 11%, HPCL 11%
31	NPCIL-Indian Oil Nuclear Energy Corporation Limited	0.06	0.16	IOCL 26%,
32	Petronet India Limited	59.32	5.66	IOCL 18%, BPCL 16%, HPCL 16%
33	Albatross Inland port Pvt. Ltd.	9.80	42.66	CONCOR 49%
34	CMA-CGM Logistic Park (Dadri) Pvt. Ltd.	4.07	18.09	CONCOR 49%
35	Star Track Terminals Pvt. Ltd.	3.55	22.81	CONCOR 49%
36	Gateway Terminals India Pvt. Ltd.	36.52	298.92	CONCOR 26%
37	Himalayan Terminal Pvt. Ltd.	1.08	3.14	CONCOR 40%
38	TCI – CONCOR Multimodal solution Pvt. Ltd.	1.17	1.63	CONCOR 49%
39	India LNG Transport Company 1	64.27	157.63	SCI 29.08%

Sl. No.	JV Company	Profit during 2016-17	Accumulated Reserves as on 31 March 2017	Percentage share of Maharatna/ Navratna/ Miniratna in JV
40	India LNG Transport Company 2	68.50	163.00	SCI 29.08%
41	GE-BE Ltd.	26.29	696.89	BEL 26%
42	MTNL STPI IT Services Ltd.	1.38	2.49	MTNL 50%,
43	Real Estate Development and Construction Corporation of Rajasthan Limited	0.03	0.81	NBCC 50%
44	JSC Vankorneft	750.19	750.19	OVL 26%
45	Tamba BV	402.79	695.99	OVL 27%
46	South East Asia Gas Pipeline	90.04	39.32	OVL 8.347%
47	Petro Indovenezolana SA	345.63	1432.44	OVL 40%
48	Petro Carabobo SA	59.96	57.81	OVL 11%
49	Carabobo Ingenieria Y Construcciones SA	0	0.05	OVL 37.93%
50	Cross Border Power Transmission Company Limited	17.65	36.41	SJVN 26% PGCIL 26%
51	DNP Limited	13.49	35.15	NRL 26%, OIL 23%
52	Indian Additives Limited	55.27	256.12	CPCL 50%
53	M/s Sheel MRPL Aviation Fuels & Services Ltd.	14.05	52.57	MRPL 50%,
54	BAeHAL Software Limited	0.52	7.72	HAL 49%,
55	Indo Russian Aviation Limited	20.11	103.06	HAL 48%,
56	Snecma HAL Aerospace Pvt. Ltd.	2.73	29.56	HAL 50%,
57	International Aerospace Manufacturing Limited	16.37	0.20	HAL 50%
58	Powerlinks Transmission Limited	195.78	52.38	Power Grid[1] 49%

[1] *5 JVs viz National HighPower Test Laboratory Private Limited, KalingaBidyutPrasaran Nigam Private Limited, RINL Powergrid TLT Pvt Ltd, Bihar Grid Company Limited and teestavalley Power Transmission Limited are not in operational stage.*

Sl. No.	JV Company	Profit during 2016-17	Accumulated Reserves as on 31 March 2017	Percentage share of Maharatna/ Navratna/ Miniratna in JV
59	ParbatiKoldam Transmission Company Limited	68.28	0	Power Grid 26%
60	Power Transmission Company Nepal Limited	7.43	0	Power Grid 26%
61	Torrent Powergrid Limited	3.45	0	Power Grid 26%
62	JaypeePowergrid Limited	49.87	15.90	PowerGrid 26%
63	North East Transmission Company Limited	31.57	0	Power Grid26%
64	Bharti Hexacom Ltd.	198.03	1898.64	TCIL 30%
65	TCIL Bellsouth Ltd.	0.13	1	TCIL 44.94%
66	Intelligent Communication Systems India Ltd.	1.32	6.39	TCIL 36%
67	Kutch Railway Company Limited	150.78	1050.97	RVNL-50%
68	AngulSukinda Railway Limited	21.85	57.73	RVNL-31.50%
69	Bharuch Dahej Railway Company	(18.84)	9.31	RVNL-33.33%
70	Mansarovar Energy Columbia Limited	(166.44)	4618.29	OVL
71	Narmada Hydroelectric Development Corporation Limited	931.28	4878.24	NHPC 51.08%
72	Power Plants Performance Improvement Limited.	0.87	0	BHEL 50% (less one share)
73	Petronet MHB Limited	80.95	111.91	ONGC 32.72%
74	ONGC Tripura Power Company Limited	130.37	195.98	ONGC 50%
75	ONGC Teri Biotech Limited	5.51	40.17	ONGC 49.98%
76	Dahej SEZ Limited	31.11	142.75	ONGC 50%
		11762.76	**49138.60**	

APPENDIX-XX
(as referred in Para 6.7.3(b)
Loss incurring Joint Ventures

(₹ in Crore)

Sl. No.	JV Company	(Profit)/Loss during 2016-17	Accumulated losses as on 31 March 2017	Percentage Share of Maharatna/ Navratna/ Miniratna in JVs
1	BhilaiJaypee Cement Limited	68.72	280.30	SAIL 26%
2	International Coal Ventures Pvt. Ltd.	2.89	39.28	SAIL 46.63%, RINL 26.49%, NMDC 26.49%, CIL 0.26%, NTPC 0.11%
3	SAIL-Bansal Service Centre Limited	0.40	6.76	SAIL 40%
4	SAIL RITES Bengal Wagon Industry Pvt. Ltd.	12.97	18.34	SAIL 50% RITES 50%
5	SAIL-SCL Kerala Ltd.	12.46	61.23	SAIL 49.26%
6	S&T Mining Company Private Limited	5.06	26.89	SAIL 50%
7	SAIL MOIL Ferro Alloy Pvt. Ltd.	0.37	3.53	SAIL 50%
8	SAIL Bengal Alloy Castings Pvt. Ltd.	0.01	0.03	SAIL 50%
9	SAL SAIL JVC Ltd.	0.01	0.13	SAIL 26%
10	TMT SAL SAIL JVC Ltd.	0.01	0.06	SAIL 26%
11	Abhinav SAIL JVC Ltd.	0.07	0.15	SAIL 26%
12	Bastar Rail Private Limited	0.09	0.09	NMDC 80.35%, SAIL 0.43%, IRCON 0.53%
13	NMDC SAIL Limited	0.01	0.01	SAIL 49%, NMDC 51%
14	Kanti Bijli Utpadan Nigam Limited	21.93	72.01	NTPC 65%,
15	NTPC BHEL Power Projects Private Limited	34.05	14.49	NTPC 50%, BHEL 50%
16	Ratnagiri Gas and Power Pvt. Ltd.	3134.00	6921.77	GAIL 25.51%, NTPC 25.51%,
17	ONGC Petro additions Limited	882.19	1062.92	ONGC 49.36%, GAIL 49.21%,
18	IndianOilAdani Gas Private Limited	6.14	13.84	IOCL 50%
19	Hindustan Urvarak and Rasayan Limited	4.82	4.82	IOCL 29.67%, CIL 29.67%, NTPC 29.67%
20	Kochi Selam Pipelines Private Limited	2.66	5.29	IOCL 50%, BPCL 50%

Sl. No.	JV Company	(Profit)/Loss during 2016-17	Accumulated losses as on 31 March 2017	Percentage Share of Maharatna/ Navratna/ Miniratna in JVs
21	IndianOIl LNG Private Limited	0.01	2.48	IOCL 50%
22	Suntera Nigeria 205 Limited	42.76	357.05	IOCL 25%
23	IndianOilPanipat Power Consortium Limited	0	0.38	IOCL 50%
24	Indian Oil Ruchi Bio Fuels LLP	0.13	3.16	IOCL 50%
25	Indian Oil Creda Bio Fuels Limited	6.27	25.13	IOCL 74%
26	CIL NTPC Urja private Limited	0.01	0.10	NTPC 50%, CIL 50%
27	M/s India Gateway Terminal Pvt. Ltd.	3.02	608.46	CONCOR 14.56%
28	M/s Container Gateway LTD.	0.07	0.07	CONCOR 49%
29	Beas Rovuma Energy Mozambique Ltd.	8.94	3.58	OVL 60%, OIL 40%
30	India LNG Transport Company 4	4.99	7.11	SCI 26%
31	TEIL Projects Limited (Under Liquidation)	0.14	10.76	EIL 50%
32	JabalEiliot Company Limited (Under Winding up)	0	6.47	EIL 33.33%
33	Ramagundam Fertilizers and Chemical Limited	0.48	3.93	EIL 49.9598%, NFL 26%
34	RINMOIL Ferro Alloys Limited	0.05	0.05	RINL 50%, MOIL 50%
35	NeelanchalIspat Nigam Limited	355.78	956.86	MMTC 49.78%, NMDC 12.87%
36	Chgattisgarh Mega Steel Limited	0.01	0.01	SAIL 74%, NMDC 26%
37	NMDC-CDMC Limited	0.06	1.74	NMDC 51%
38	Jharkhand National Mineral Development Corporation	0.01	0.05	NMDC 60%
39	Samtel HAL Display Systems Limited	3.84	6.43	HAL 40%
40	HAL Edgewood Technologies Pvt. Ltd.	0.80	13.36	HAL 50%
41	TATA HAL Technologies Limited	2.93	8.48	HAL 50%
42	Multirole Transport Aircraft Limited	0.13	9.14	HAL 50%
43	Aerospace and Aviation Sector Skill Council	0.68	0	HAL 50%
44	Helicopter Engines MRO Pvt. Ltd.	1.20	1.20	HAL 50%

Sl. No.	JV Company	(Profit)/Loss during 2016-17	Accumulated losses as on 31 March 2017	Percentage Share of Maharatna/ Navratna/ Miniratna in JVs
45	United Telecom Limited	47.18	212.71	MTNL 26.68%, TCIL 26.66%
46	ONGC Mittal Energy Limited	0	2,096.05	OVL 49.98%
47	Himalaya Energy (Syria) BV	2.17	1,629.23	OVL 50%
48	Bank Note Paper Mill India limited	266.12	247.17	SPMCIL 50%
49	Shrishti Urban Infrastructure Development Limited	0.83	1.08	HUDCO 40%
50	UrvarakVidesh Limited	0.01	0.45	RCF 33.33%, NFL 33.33%
51	Talcher Fertilizers Limited	0.02	0.02	RCF 69.67%, GAIL 29.67%, CIL 29.67%
52	FACT-RCF Building Products Limited	22.05	108.44	RCF 50%, FACT 50%
53	Brahmaputra Cracker and Polymer Limited	547.41	822.85	GAIL 70%, OIL 10%, NRL 10.11%
54	Mahanadi Coal Railway Limited	0.01	0.01	MCL 64%, IRCON 26%
55	MJSJ Coal Limited	0	0.01	MCL 60%
56	TAPI Pipeline Company Limited	138.40	138.40	GAIL 5%
57	Gujarat State Energy Generation	46.59	248.66	GAIL 5.96%,
58	HPCL Shapoorji Energy Pvt. Ltd.	0.29	0.97	HPCL 50%
59	Godavari Gas Pvt. Ltd.	0.89	0.89	HPCL 26%
60	HPCL Rajasthan Refinery Ltd.	0.01	2.02	HPCL 74%
61	CREDA HPCL Biofuel Ltd.	3.76	21.74	HPCL 74%
62	BNV Gujarat Rail Private Limited	0.01	0.01	RITES-26%
63	Dighi Roha Rail Limited	0.07	0.85	RVNL-26%
64	Mangalore SEZ Limited	5.99	17.15	ONGC 26%
	Total	**5702.98**	**16106.65**	

ANNEXURE-XXI
(As referred to in Para 8.1)
List of Ind AS Applicable as on 31 March 2017

Sl. No.	Ind AS No.	Title
1.	101	First-time Adoption of Indian Accounting Standards
2.	102	Share-based Payment
3.	103	Business Combinations
4.	104	Insurance Contracts
5.	105	Non-current Assets Held for Sale and Discontinued Operations
6.	106	Exploration for and Evaluation of Mineral Resources
7.	107	Financial Instruments: Disclosures
8.	108	Operating Segments
9.	109	Financial Instruments
10.	110	Consolidated Financial Statements
11.	111	Joint Arrangements
12.	112	Disclosure of Interests in Other Entities
13.	113	Fair Value Measurement
14.	114	Regulatory Deferral Accounts
15.	1	Presentation of Financial Statements
16.	2	Inventories
17.	7	Statement of Cash Flows
18.	8	Accounting Policies, Changes in Accounting Estimates and Errors
19.	10	Events after the Reporting Period
20.	11	Construction Contracts
21.	12	Income Taxes
22.	16	Property, Plant and Equipment
23.	17	Leases
24.	18	Revenue
25.	19	Employee Benefits
26.	20	Accounting for Government Grants and Disclosure of Government Assistance
27.	21	The Effects of Changes in Foreign Exchange Rates
28.	23	Borrowing Costs
29.	24	Related Party Disclosures
30.	27	Separate Financial Statements
31.	28	Investments in Associates and Joint Ventures
32.	29	Financial Reporting in Hyperinflationary Economies
33.	32	Financial Instruments: Presentation
34.	33	Earnings per Share
35.	34	Interim Financial Reporting
36.	36	Impairment of Assets
37.	37	Provisions, Contingent Liabilities and Contingent Assets
38.	38	Intangible Assets
39.	40	Investment Property
40.	41	Agriculture

APPENDIX-XXII

(As referred to in Para 8.5 (vi))

Ind AS 101, Exemptions/Options availed by CPSEs upon first time adoption of Ind AS

Status of availing

SECTOR	NAME OF CPSE	PPE/Intangible Asset		Equity at	Lease classification		Business Combination	Share based payments	Investment in Subsidiary, JV, Associates Deeemed Cost		Long Term Foreign Currency Translation	Decommissioning
		Fair Value	Carrying Value	FVOCI	Transition Date	Prospec-tively	Retrospec-tively/ Prospectively	Prospe-ctively	Carrying Value	Fair Value	Previous GAAP	
COMMUNICATION	**Mahanagar Telephone Nigam Limited**		**YES**		**YES**							**PROSPECTIVELY**
COMMUNICATION	**Telecommunications Consultants India Ltd**		**YES**		**YES**		**PROSPECTIVELY**		**YES**			
COMMUNICATION	**Bharat Sanchar Nigam Ltd**	**YES**	**YES**		**YES**		**PROSPECTIVELY**					
DEFENCE	**Hindustan Aeronautics Ltd.**		**YES**						**YES**			
DEFENCE	**Bharat Electronics Ltd**		**YES**	**YES**	**YES**				**YES**			**PROSPECTIVELY**
DEFENCE	**Bharat Dynamics Ltd**		**YES**									**PROSPECTIVELY**
DEFENCE	**Antrix Corporation Ltd**		**YES**									
ENERGY	**BPCL**		**YES**	**YES**			**PROSPECTIVELY**		**YES**		**YES**	**PROSPECTIVELY**
ENERGY	**ONGC**		**YES**	**YES**	**YES**				**YES**			**PROSPECTIVELY**
ENERGY	**GAIL**		**YES**	**YES**	**YES**		**PROSPECTIVELY**		**YES**			**PROSPECTIVELY**
ENERGY	**IOCL**		**YES**	**YES**	**YES**		**RETROSPECTIVELY**		**YES**			**PROSPECTIVELY**
ENERGY	**Oil India Ltd.**		**YES**	**YES**	**YES**				**YES**		**YES**	**RETROSPECTIVEY**
ENERGY	**Hindustan petroleum Corporation Ltd**		**YES**	**YES**					**YES**		**YES**	
ENERGY	**Chennai Petroleum Corporation Ltd**		**YES**	**YES**					**YES**			
ENERGY	**Numaligarh Refinery Ltd**		**YES**						**YES**		**YES**	

SECTOR	NAME OF CPSE	PPE/Intangible Asset		Equity at	Lease classification		Business Combination	Share based payments	Investment in Subsidiary, JV, Associates Deeemed Cost		Long Term Foreign Currency Translation	Decommissioning
		Fair Value	Carrying Value	FVOCI	Transition Date	Prospec-tively	Retrospec-tively/ Prospectively	Prospe-ctively	Carrying Value	Fair Value	Previous GAAP	
ENERGY	**Mangalore Refinery & Petrochemicals Ltd**		**YES**		**YES**		**PROSPECTIVELY**		**YES**		**YES**	**PROSPECTIVELY**
ENERGY	**ONGC Videsh Ltd**				**YES**		**PROSPECTIVELY**					
FERTILISERS	**Rashtriya Chenicals and Fertilisers Ltd**		**YES**	**YES**								
FERTILISERS	**National Fertilizers Ltd**		**YES**								**YES**	**PROSPECTIVELY**
INFRASTRUCTURE	**BHEL**		**YES**	**No**			**PROSPECTIVELY**		**YES**			
INFRASTRUCTURE	**Container Corporation of India Ltd**		**YES**	**YES**	**YES**				**YES**			
INFRASTRUCTURE	**NBCC (India) Ltd**		**YES**	**NO**					**YES**			
INFRASTRUCTURE	**Engineers India Ltd**		**YES**	**YES**					**YES**			
INFRASTRUCTURE	**RITES Limited**		**YES**		**YES**				**YES**			
INFRASTRUCTURE	**BEML Limited**		**YES**			**YES**			**YES**			
INFRASTRUCTURE	**IRCON International Ltd**		**YES**						**YES**			**PROSPECTIVELY**
INFRASTRUCTURE	**Rail Vikas Nigam Ltd**		**YES**		**YES**				**YES**		**YES**	
INFRASTRUCTURE	**Railtel Corporation of India Ltd**		**YES**		**YES**				**YES**			
INFRASTRUCTURE	**Indian Rare Earths Ltd**		**YES**									
INFRASTRUCTURE	**Indian railway Catering & Tourism Corporation Limited**		**YES**									
METAL	**SAIL**		**YES**	**YES**	**YES**				**YES**			**RETROSPECTIVELY**
METAL	**National Aluminium Company Ltd**		**YES**				**RETROSPECTIVLY**		**YES**			**PROSPECTIVELY**
METAL	**Rashtriya Ispat Nigam Limited**		**YES**						**YES**			**PROSPECTIVELY**
METAL	**Mishra Dhatu Nigam Ltd**		**YES**									

SECTOR	NAME OF CPSE	PPE/Intangible Asset		Equity at	Lease classification		Business Combination	Share based payments	Investment in Subsidiary, JV, Associates Deeemed Cost		Long Term Foreign Currency Translation	Decommissioning
		Fair Value	Carrying Value	FVOCI	Transition Date	Prospec-tively	Retrospec-tively/ Prospectively	Prospe-ctively	Carrying Value	Fair Value	Previous GAAP	
MINING	**Coal India Ltd**		**YES**						**YES**			**PROSPECTIVELY**
MINING	**NLC India Ltd**		**YES**						**YES**		**YES**	
MINING	**NMDC LIMITED**		**YES**						**YES**			**PROSPECTIVELY**
MINING	**Hindustan Copper Ltd**		**YES**								**YES**	**PROSPECTIVELY**
MINING	**MSTC Ltd**		**YES**						**YES**			
MINING	**Northern Coalfields Ltd**		**YES**	**NO**					**YES**			**PROSPECTIVELY**
MINING	**Bharat Coking Coal Ltd**		**YES**									**PROSPECTIVELY**
MINING	**Central Coalfields Ltd**		**YES**	**NO**					**YES**			**PROSPECTIVELY**
MINING	**Mahanadi Coalfields Ltd**		**YES**	**NO**					**YES**			**PROSPECTIVELY**
MINING	**South Eastern Coalfields Ltd**		**YES**	**NO**					**YES**			**PROSPECTIVELY**
MINING	**Western Coalfields Ltd**		**YES**	**NO**					**YES**			**PROSPECTIVELY**
MINING	**MOIL Ltd**											
MINING	**Ferro Scrap Nigam Ltd**		**YES**									
MINING	**KIOCL Ltd**		**YES**									
MINING	**MMTC Ltd**		**YES**									
OTHERS	**HLL Lifecare Ltd**		**YES**						**YES**		**YES**	
OTHERS	**National Seeds Corporation Ltd**		**YES**	**YES**								
OTHERS	**Indian Trade Promotion Organisation**		**YES**						**YES**			
OTHERS	**Security Printing and Miniting Corporation of India Limited**		**YES**						**YES**			**PROSPECTIVELY**
OTHERS	**Balmer Lawrie & Co Ltd**		**YES**		**YES**				**YES**			**PROSPECTIVELY**

SECTOR	NAME OF CPSE	PPE/Intangible Asset		Equity at	Lease classification		Business Combination	Share based payments	Investment in Subsidiary, JV, Associates Deeemed Cost		Long Term Foreign Currency Translation	Decommissioning
		Fair Value	Carrying Value	FVOCI	Transition Date	Prospec-tively	Retrospec-tively/ Prospectively	Prospe-ctively	Carrying Value	Fair Value	Previous GAAP	
OTHERS	**Rajatshan Electronics & Instruments Ltd**		**YES**	**YES**	**YES**							
POWER	**NTPC**		**YES**	**YES**	**YES**		**PROSPECTIVELY**				**YES**	
POWER	**Power Grid Corporation Limited**		**YES**	**YES**					**YES**		**YES**	
POWER	**North Eastern Electric Power Corporation Ltd**		**YES**						**YES**		**YES**	**PROSPECTIVELY**
POWER	**NHPC Ltd**		**YES**	**YES**	**YES**				**YES**		**YES**	
POWER	**SJVN Ltd**		**YES**	**YES**	**YES**				**YES**		**YES**	
POWER	**THDC Ltd**		**YES**								**YES**	
SHIPPING	**Mazagon Docks Ltd**		**YES**			**YES**			**YES**			
SHIPPING	**Garden Reach Shipbuilders & Engineers Ltd**		**YES**									
SHIPPING	**Goa Shipyrad Ltd**		**YES**		**YES**							**PROSPECTIVELY**
SHIPPING	**Cochin Shipyard Ltd**		**YES**	**YES**								
SHIPPING	**Kamrajar Port Ltd**		**YES**									**PROSPECTIVELY**
TRANSPORT	**Shipping Corporation of India Ltd**	**YES**	**YES**	**NO**							**YES**	**RETROSPECTIVELY**