



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थं सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on State Public Sector Enterprises
for the period ended March 2023**



**Government of Punjab
State Public Sector Enterprises
Report No. 2 of 2025
(Compliance Audit – Commercial)**

**Report of the
Comptroller and Auditor General of India
on State Public Sector Enterprises
for the period ended March 2023**

**Government of Punjab
State Public Sector Enterprises
Report No. 2 of 2025**

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Preface

This Report deals with the results of audit of Government Companies, Statutory Corporations and Government Controlled Other Companies of the Government of Punjab for the period ended March 2023.

This Report of the Comptroller and Auditor General of India on State Public Sector Enterprises for the period ended March 2023 has been prepared for submission to the Governor of Punjab under Article 151(2) of the Constitution of India and Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The accounts of Government Companies are audited by the Comptroller and Auditor General of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013. Audit of Statutory Corporations is governed by their respective legislations.

The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts received for the years up to 2022-23 (to the extent received). In respect of SPSEs where any particular year's accounts were not received before 30 September 2023, the figures from the accounts last audited have been adopted.

All references to 'Government Companies/Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/Corporations' unless the context suggests otherwise.

The Report also contains significant results of the compliance audit of the SPSEs of the Government of Punjab. The instances mentioned in this Report are those which came to notice in the course of test audit done for the period 2022-23 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports; matters relating to the period subsequent to 2022-23 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

This Report deals with the financial performance of Government Companies and Statutory Corporations of the Government of Punjab for the period ended March 2023. This Report also contains one Subject Specific Compliance Audit paragraph *viz.* ‘Integrated Power Development Scheme in Punjab State Power Corporation Limited’ and eight Audit paragraphs arising out of compliance audit of State Public Sector Enterprises (SPSEs) involving financial implications of ₹ 250.32 crore.

Chapter-I: Introduction

This chapter contains the authority for audit, accountability framework, role of the Government and the Legislature, investment by the State Government in SPSEs, submission of accounts by SPSEs, response of Auditee/Government to draft audit observations and follow-up action on Audit Reports.

(Paragraphs 1.2 to 1.8)

Chapter-II: Summary of Financial Performance of State Public Sector Enterprises

The State of Punjab had 49 SPSEs (including five Power Sector SPSEs) as on 31 March 2023. These SPSEs, incorporated during the period from 1952-53 to 2021-22, included 42 Government Companies, three Government Controlled Other Companies (GCOCs) and four Statutory Corporations. The Government Companies included 16 inactive Companies and 12 subsidiaries of Government Companies.

(Paragraph 2.1)

The SPSEs registered an annual turnover of ₹ 73,542.33 crore, which was 10.92 *per cent* of Gross State Domestic Product (GSDP) of Punjab for the year 2022-23. Against the compounded annual growth of 7.05 *per cent* of the GSDP, the turnover of the SPSEs recorded compounded annual growth of 0.21 *per cent* during the last five years. There is decrease in share of turnover of the SPSEs to the GSDP, in percentage terms, from 14.23 *per cent* in 2018-19 to 10.92 *per cent* in 2022-23. During the last five years (2018-23), percentage of turnover of power sector SPSEs to GSDP of Punjab reduced from 6.25 *per cent* to 5.81 *per cent*. During the same period in respect of Agriculture & Allied Sector SPSEs, percentage of turnover to GSDP reduced from 7.75 *per cent* to 4.94 *per cent*.

(Paragraph 2.1)

As on 31 March 2023, the total investment (equity and long-term loans) in 33 working SPSEs was ₹ 68,938.97 crore. The investment consisted of 34.04 *per cent* towards equity and 65.96 *per cent* in long-term loans. During the year 2022-23, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 2.05 crore and ₹ 0.01 crore in one newly formed SPSE (Punjab Rural Water Utility) due to infusion of equity by the State Government.

(Paragraph 2.2.1)

Number of SPSEs which earned profit during 2020-21 was 13 which reduced to 12 in 2021-22 and to 11 in 2022-23. The profit earned by these SPSEs was reduced to ₹ 319.97 crore in 2022-23 as against profit of ₹ 1,710.77 crore in 2021-22. The overall profits of ₹ 1,269.90 crore earned by the working SPSEs in 2021-22 has turned into losses of ₹ 4,809.76 crore in 2022-23. This was primarily due to one SPSE *i.e.* Punjab State Power Corporation Limited that incurred loss of ₹ 4,775.93 crore in 2022-23 as compared to profit of ₹ 1,069.21 crore in 2021-22 on account of substantial increase in power purchase costs, cost of fuel consumption and employees benefit expense. Eighteen SPSEs incurred losses (₹ 5,129.73 crore) during the year 2022-23 as compared to 17 SPSEs (₹ 440.87 crore) in 2021-22.

(Paragraphs 2.3.1 and 2.5)

Of 11 SPSEs which earned profit during 2022-23, only three SPSEs paid dividend of ₹ 3.88 crore.

(Paragraph 2.3.2)

Chapter-III: Oversight Role of CAG

Financial Statements of five working SPSEs for the financial year 2022-23 were received on or before 30 September 2023. Out of these, Non-Review Certificate was issued to three SPSEs and audit of two SPSEs was conducted.

(Paragraph 3.5.1)

Subsequent to the audit of the financial statements for the year 2022-23 by Statutory Auditors, the CAG conducted supplementary audits of the financial statements of the State Government Companies. Significant comments were issued on financial statements of State Government Companies, the financial impact of which on the profitability was ₹ 17.13 crore.

(Paragraph 3.5.2)

During the course of supplementary audit, the CAG also observed that seven financial statements of six SPSEs had not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors.

(Paragraph 3.6)

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit, which were not material, were communicated to the Management of 21 SPSEs through ‘Management Letter’ for taking corrective action.

(Paragraph 3.7)

Chapter-IV: Corporate Governance

The review of Corporate Governance covered 29 working Government Companies under the administrative control of various Departments of State Government.

Audit found that:

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

(Paragraphs 4.2.1 and 4.3.1)

Section 173(1) of the Companies Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. Out of 29 selected SPSEs, 15 did not conduct the mandatory four Board meetings in a year.

(Paragraph 4.4)

In terms of statutory stipulations, eight SPSEs were required to constitute Audit Committees. Seven SPSEs have constituted the Audit Committee and in case of one SPSE, the Audit Committee was dissolved with effect from 30 June 2022 due to resignation of Independent Directors. In five SPSEs, the Audit Committee did not review internal control systems of the Company, performance of internal auditors and adequacy of internal audit functions.

(Paragraph 4.6.1)

Chapter-V: Subject Specific Compliance Audit on Integrated Power Development Scheme in Punjab State Power Corporation Limited

The Ministry of Power, Government of India introduced the 'Integrated Power Development Scheme' (Scheme) in December 2014, to provide financial assistance for capital expenditure, aimed at addressing gaps in sub-transmission and distribution networks, as well as metering in urban areas. The Scheme aimed to supplement the resources of Distribution Companies (Discoms)/Power Departments. The Subject Specific Compliance Audit of the Scheme in **Punjab State Power Corporation Limited** was conducted to assess whether the planning and implementation of the Scheme/works was done in an efficient

manner; financial management and utilisation of funds was done efficiently and in adherence to the guidelines of the Scheme; an effective control mechanism was put in place for implementation of the projects; and overall objectives of the Scheme were achieved.

Audit found that:

- The Scheme guidelines mandated installation of meters on distribution transformers (DTs) to ensure seamless accounting and auditing of energy in the distribution system. However, due to delay of two years in the award of work of installation and commissioning of metering cubicles (MC) on DTs, coupled with slow execution, only 6,496 MCs could be installed as of February 2022 against the allotted quantity of 11,193 MCs. This shortfall resulted in non-achievement of energy accounting of all the DTs approved under the Scheme.
- The Company awarded work valuing ₹ 10.61 crore for supply and installation of computer hardware and peripherals to operationalise 318 sites. Though the work was executed at only 127 sites, yet the Company claimed grant for all 318 sites, resulting in an irregular claim of grant amounting to ₹ 3.82 crore.
- The Company claimed irregular grant of ₹ 1.64 crore on Software Assurance fees which constituted a revenue expenditure, and was required to be borne by the Company as per the provisions of the Scheme.
- Under the Scheme, ERP project covering Human Resource Management, Finance & Accounts and Material Management was sanctioned in January 2018. However, the work order was placed (August 2019) with a delay of more than one year for ₹ 42.48 crore, to be completed within 16 months. As the project remained incomplete as of May 2024, the Company was unable to avail grant of ₹ 4.37 crore.
- The project for implementing Real Time Data Acquisition System was sanctioned in December 2018 at a cost of ₹ 7.90 crore. The contract was to be awarded within six months and was to be completed within 30 months (June 2021) from the date of sanction. However, due to the Company's inability to timely initiate and finalise the tendering process, the work could not be awarded. Resultantly, grant amounting to ₹ 4.74 crore could not be availed, and real time data to measure the reliability of power distribution network was not made available.
- According to the Scheme, an additional grant of 15 *per cent* of the project cost was receivable, subject to achievement of prescribed

milestones, such as timely completion of scheme, reduction of AT&C losses and upfront release of admissible revenue subsidy by the State Government. Against this, the Company could not complete the works as per the timelines prescribed in the sanction letters for each component of the Scheme. As regards to AT&C losses, MoP finalised target for AT&C losses in the range of 14.50 *per cent* to 14.00 *per cent* for 2017-18 to 2021-22, which could not be achieved by the Company during three years (2017-18, 2019-20 and 2020-21). Audit analysis of losses of 97 towns covered in the Scheme revealed that during 2021-22, the Company could achieve the target only in four towns whereas in remaining 93 towns, the losses ranged between 14.08 and 82.53 *per cent*. Further analysis revealed that AT&C losses were very high (more than 30 *per cent*) during 2021-22 in 67 towns, which include 12 towns of more than 60 *per cent* (Ajnala, Bagha Purana, Handiaya, Kartarpur, Longowal, Makhu, Mallanwala, Moonak, Rajkot, Rajasansi, Samrala and Sangat). Further getting of upfront release of admissible revenue subsidy from the State Government was also not achieved. Due to non-achievement of the prescribed milestones, the Company could not avail of grant amounting to ₹ 61.08 crore (15 *per cent* of ₹ 407.21 crore *i.e.*, total expenditure incurred on the Scheme).

(Chapter-V)

Chapter-VI: Compliance Audit Observations

Punjab State Power Corporation Limited

- Prescribed time limits for metering of new connections/replacement of defective/burnt meters were not being adhered to in violation of statutory provisions, resulting in revenue loss of ₹ 1.03 crore. The energy consumption valuing ₹ 64.37 crore in respect of Agricultural Pumpset (AP) consumers fed from urban feeders was not considered for calculating AP consumption by Punjab State Electricity Regulatory Commission due to unmetered connections/incomplete and invalid meter readings. The Company was unable to compute distribution losses of AP feeders despite incurring an expenditure of ₹ 2.88 crore. Replacement of electro-mechanical meters with non-smart electronic meters resulted in injudicious expenditure of ₹ 13.75 crore. The Company incurred avoidable expenditure of ₹ 22.44 crore on procurement of conventional meters, despite mandatory requirement of smart meters.

(Paragraph 6.1)

- Delayed deployment of the adequate and trained manpower to take over outsourced work of Facility Management Services of SAP system from the Firm and consequent extensions of the work order resulted into an avoidable expenditure of ₹ 3.23 crore.

(Paragraph 6.2)

- Non-levy of fixed energy charges in energy bills of a co-generation power plant during the period January 2018 to March 2023 resulted in under billing of ₹ 1.68 crore and interest loss of ₹ 0.57 crore.

(Paragraph 6.3)

- Withholding of principal amount of deferred tax materialisation payments in violation of tariff regulations and without any objections there against resulted in avoidable interest loss of ₹ 6.81 crore.

(Paragraph 6.4)

Punjab State Industrial Development Corporation Limited

- Non-initiation of action for sale of shares in the market and settling the outstanding dues of the collaborator under One Time Settlement Scheme resulted into loss of ₹ 4.21 crore.

(Paragraph 6.5)

Punjab State Grains Procurement Corporation Limited

- The Company could not prepare annual accounts for the years 2018-19 to 2022-23 and submit the same along with the supporting documents for claiming the provisional subsidy from the Government of India (GoI). This resulted in avoidable deduction of ₹ 94.79 crore from the provisional subsidy claims by the GoI and consequential interest loss of ₹ 8.05 crore to the Company.

(Paragraph 6.7)

Chapter-I

General

Chapter-I

General

1.1 Introduction

This Report presents the financial performance of State Public Sector Enterprises (SPSEs) (State Government Companies, Statutory Corporations and Government Controlled Other Companies) set up under the Companies Act, 2013 (Act, 2013) and the statutes enacted by Parliament/State Legislature.

This Report also covers matters arising out of the Compliance Audit of the State Public Sector Enterprises (SPSEs). The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in six chapters as under:

- **Chapter-I** contains the authority for audit, accountability framework, role of the Government and the Legislature, Investment by the Government of Punjab in SPSEs, submission of accounts by SPSEs, Response of Auditee/Government to draft audit observations and follow-up action on Audit Reports.
- **Chapter-II** discusses financial performance of SPSEs.
- **Chapter-III** highlights significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' Reports on the State Government Companies.
- **Chapter-IV** highlights the compliance of Corporate Governance provisions under the Act, 2013 and Regulations of Securities and Exchange Board of India by 29 SPSEs under the administrative control of various Departments of the State Government.
- **Chapter-V** contains observations of the Subject Specific Compliance Audit on 'Integrated Power Development Scheme' of Punjab State Power Corporation Limited.
- **Chapter-VI** contains individual observations relating to Compliance Audit of SPSEs.

1.2 Authority for audit

Authority for audit by the Comptroller and Auditor General of India is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

The audit of Government Companies and Statutory Corporations is conducted by Comptroller and Auditor General of India under various provisions of Section 19 of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971. Principles and methodologies for various audits are prescribed in the Regulations on Audit and Accounts (Amendments), 2020 and Auditing Standards issued by the Comptroller and Auditor General of India.

1.3 Accountability Framework

The procedure for audit of Government Companies is laid down in Sections 139 and 143 of the Act, 2013.

The financial statements of the Government Companies (as defined in Section 2(45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India as per the provisions of Section 139(5) or 139(7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the Comptroller and Auditor General of India including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the Comptroller and Auditor General of India within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act, 2013.

As per Section 143(7) of the Act, 2013, the Comptroller and Auditor General of India may, in case of any Company covered under Section 139(5) or 139(7), if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the Comptroller and Auditor General of India. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the Comptroller and Auditor General of India is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

1.4 Submission of Accounts by State Public Sector Enterprises

Need for timely submission

According to Section 394 of the 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, placed before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the Comptroller and Auditor General of India. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 129(7) of the 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 Act, 2013. However, the annual accounts of various SPSEs were pending as on 30 September 2023, as discussed in paragraphs 3.3.1.1.

1.5 Investment by the Government of Punjab in State Public Sector Enterprises

The sector-wise investment by the State Government in equity and long-term loans in 33 SPSEs for the period of three years ending 31 March 2023 is given in **Table 1.1**:

Table 1.1: Equity investment and long-term loans by the Government of Punjab in SPSEs

(₹ in crore)

| Sector | As on 31 March 2021 | | | As on 31 March 2022 | | | As on 31 March 2023 | | |
|-------------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|
| | Equity | Long-term Loans | Total | Equity | Long-term Loans | Total | Equity | Long-term Loans | Total |
| Power Sector | 22,315.61 | 14.07 | 22,329.68 | 22,315.61 | 8.86 | 22,324.47 | 22,315.61 | 3.64 | 22,319.25 |
| Other than Power Sector | 998.68 | 25,389.69 | 26,388.37 | 998.68 | 25,928.38 | 26,927.06 | 1,000.74 | 26,600.26 | 27,601.00 |
| Total | 23,314.29 | 25,403.76 | 48,718.05 | 23,314.29 | 25,937.24 | 49,251.53 | 23,316.35 | 26,603.90 | 49,920.25 |

1.6 Role of the Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government. The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the Comptroller and Auditor General of India, in respect of the State Government Companies and Separate Audit Reports in case of Statutory Corporations, are to be placed before the State Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the Comptroller and Auditor General of India are submitted to the Government under Section 19A of the Comptroller and Auditor-General's (Duties, Powers and Conditions of Service) Act, 1971.

1.7 Response of Auditee/Government to draft Audit Observations

Para 137 of the Regulations on Audit and Accounts (Amendments), 2020 stipulates that responses to draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks.

Audit has from time to time, reported on several significant deficiencies in implementation of various programmes/activities as well as on the quality of internal controls in selected SPSEs adversely impacting the success of programmes and their functioning. The focus was on auditing specific programmes/schemes in order to offer suitable recommendations to the Executive for taking corrective action and improving service delivery to the citizens.

The draft audit observations proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by the Principal Accountant General (Audit) to the Principal Secretaries/Secretaries of the Departments concerned drawing their attention to the audit findings and requesting them to send their response within six weeks. Responses of the Departments are invariably included in the relevant paragraphs and whenever no response, is received, the fact of non-receipt of replies from the SPSEs/Government is indicated at the end of such observations included in the Audit Report.

1.8 Follow-up on Audit Reports

The follow-up on Audit Reports has been found to be inadequate as given in the subsequent paragraphs:

1.8.1 Non-submission of Action Taken Notes

According to the Rules and Procedure for the Committee on Public Undertakings (COPU), all administrative departments are to initiate *suo motu* action on all Compliance Audit Observations and Performance Audits featuring in the Audit Reports of the Comptroller and Auditor General of India pertaining to SPSEs, regardless of whether these are taken up for examination by the COPU or not. They are also to furnish detailed notes, duly vetted by audit, indicating the remedial action taken or proposed to be taken by them within three months of the presentation of the Audit Reports to the State Legislature. In spite of these provisions, the explanatory notes on audit observations of the Reports were being delayed inordinately.

The status regarding non-receipt of Action Taken Notes (ATNs) on the observations included in the Audit Reports pertaining to SPSEs up to the period ended 31st January 2025 is given in **Table 1.2**.

Table 1.2: Status regarding non-receipt of ATNs on the paragraphs included in the Audit Reports

| Name of the Audit Report | Year | Name of the SPSE | Date of presentation of Audit Report in the State Legislature | Due date for receipt of ATNs | ATNs pending as of 31 January 2025 |
|---|---------|--|---|------------------------------|------------------------------------|
| Report on Public Sector Undertakings (Social, General and Economic Sectors) | 2016-17 | Punjab State Civil Supplies Corporation Limited | 22 March 2018 | 21 June 2018 | 3 |
| Report on Public Sector Undertakings (Social, General and Economic Sectors) | 2018-19 | Punjab State Power Corporation Limited | 05 March 2021 | 04 June 2021 | 1 |
| | | Punjab State Civil Supplies Corporation Limited | | | 1 |
| | | Punjab State Grains Procurement Corporation Limited | | | 3 |
| | | Punjab Small Industries and Export Corporation Limited | | | 1 |
| Report on Social, General and Economic Sectors | 2019-20 | Punjab State Power Corporation Limited | 29 June 2022 | 29 September 2022 | 2 |
| | | Punjab State Civil Supplies Corporation Limited | | | 1 |

Compliance Audit Report on SPSEs for the period ended March 2023

| Name of the Audit Report | Year | Name of the SPSE | Date of presentation of Audit Report in the State Legislature | Due date for receipt of ATNs | ATNs pending as of 31 January 2025 |
|---------------------------------|-------------|---|--|-------------------------------------|---|
| Report on Compliance Audit | 2020-21 | Punjab State Bus Stand Management Company Limited | 07 March 2023 | 07 June 2023 | 1 |
| | | Punjab Small Industries and Export Corporation Limited | | | 1 |
| Report on Compliance Audit | 2021-22 | Punjab State Power Corporation Limited | 04 September 2024 | 04 December 2024 | 7 |
| | | Punjab State Transmission Corporation Limited | | | 1 |
| | | Punjab State Civil Supplies Corporation Limited | | | 2 |
| | | Punjab State Industrial Development Corporation | | | 2 |
| | | Punjab State Grains Procurement Corporation Limited | | | 1 |
| | | Punjab State Civil Supplies Corporation Limited, Punjab State Warehouse Corporation and Punjab State Grains Procurement Corporation Limited | | | 1 |
| | | Total | | | |

Source: Compiled based on the discussions of COPU on the Audit Reports

Chapter-II

Summary of Financial Performance of State Public Sector Enterprises

Chapter-II

Summary of Financial Performance of State Public Sector Enterprises

2.1 Introduction

State Public Sector Enterprises (SPSEs) consist of State Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). A Government Company is defined in Section 2(45) of the Companies Act, 2013 (Act, 2013) as a Company in which not less than 51 *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. Besides, any other Company¹ 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 is referred to in this Report as Government Controlled Other Companies (GCOCs).

Statutory Audit

The financial statements of the Government Companies (as defined in Section 2(45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 139(5) or 139(7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act, 2013. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. The CAG is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

There were 49 SPSEs (including five Power Sector SPSEs) in the State of Punjab as on 31 March 2023 (**Appendix 2.1**). These SPSEs, incorporated during the period from 1952-53 to 2021-22, included 42 Government Companies, three² GCOCs and four³ Statutory Corporations. The Government Companies included 16⁴ inactive Companies and 12⁵ subsidiaries of Government Companies. During the period under consideration, Punjab Rural Water Utility (a Government Company) has been incorporated (March 2022). Further, Punjab Agro Juices Limited was merged⁶ (January 2023) with Punjab Agri Export Corporation Limited. One Company viz. Punjab Communications Limited, was listed on a stock exchange.

The financial performance of 33 working SPSEs (**Appendix 2.2**) on the basis of their latest finalised accounts as on 30 September 2023 is covered in this Chapter as summarised in **Table 2.1** below:

Table 2.1: Summary of financial performance of working SPSEs

| Particulars | Power Sector | Other than Power Sector | Total |
|--------------------------------------|----------------------|-------------------------|---|
| Number of SPSEs | 5 | 44 | 49 |
| SPSEs covered (Working) | 5 | 28 | 33 |
| Paid-up Capital | ₹ 22,338.61 crore | ₹ 1,178.35 crore | ₹ 23,516.96 crore |
| Long-term Loans | ₹ 16,634.82 crore | ₹ 22,848.83 crore | ₹ 39,483.64 crore |
| Net Profit | ₹ 101.03 crore | ₹ 218.94 crore | ₹ 319.97 crore (11 ⁷ SPSEs) |
| Net Loss | ₹ 4,775.95 crore | ₹ 353.78 crore | ₹ 5,129.73 crore (18 ⁸ SPSEs) |
| Working on “No Profit No Loss” basis | Zero | Four SPSEs | Four ⁹ SPSEs |
| Overall Profit/Loss | ₹ (-) 4,674.92 crore | ₹ (-) 134.84 crore | ₹ (-) 4,809.76 crore |
| Dividend Declared | - | ₹ 3.88 crore | ₹ 3.88 crore (three ¹⁰ SPSEs) |
| Total Assets | ₹ 66,808.39 crore | ₹ 47,296.28 | ₹ 1,14,104.67 crore |
| Turnover | ₹ 39,092.14 crore | ₹ 34,450.19 crore | ₹ 73,542.33 crore |
| Net Worth | ₹ 12,750.61 crore | ₹ (-) 7,032.48 crore | ₹ 5,718.13 crore |

The ratio of turnover of SPSEs to the Gross State Domestic Product (GSDP)

² Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.
³ PEPSU Road Transport Corporation, Punjab Financial Corporation, Punjab Scheduled Castes Land Development and Finance Corporation and Punjab State Warehousing Corporation.
⁴ Sr. No. 16 to 18 and 37 to 49 of **Appendix 2.1**.
⁵ Sr. No. 1, 4, 9, 12, 18, 20, 32 and 45 to 49 of **Appendix 2.1**.
⁶ Annual Accounts of Punjab Agri Export Corporation Limited, after merger with Punjab Agro Juices Limited, for the year 2022-23 have not been received yet. As such, latest available finalised accounts of both the SPSEs for the year 2021-22 have been taken.
⁷ Sr. No. 2, 5, 8, 10, 11, 16, 17, 19, 21, 25 and 31 of **Appendix 2.2**.
⁸ Sr. No. 1, 3, 4, 6, 7, 9, 12, 13, 14, 15, 18, 22, 26, 28, 29, 30, 32 and 33 of **Appendix 2.2**.
⁹ Punjab Police Security Corporation Limited, Punjab State Biotech Corporation (Mohali Biotechnology Park), Punjab Police Housing Corporation Limited and Punjab Municipal Infrastructure Development Company.
¹⁰ Punjab State Container and Warehousing Corporation Limited, Punjab State Forest Development Corporation Limited and Punjab Small Industries and Export Corporation Limited.

shows the contribution of activities of these SPSEs in the State economy. **Table 2.2** provides the details of turnover of working SPSEs and GSDP of Punjab for a period of five years ending March 2023:

Table 2.2: Details of turnover of SPSEs vis-à-vis GSDP of Punjab

| Particulars | (₹ in crore) | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Turnover: | | | | | |
| Power Sector SPSEs | 32,040.21 | 33,262.60 | 33,113.25 | 35,478.80 | 39,092.14 |
| Agriculture and Allied Sector SPSEs | 39,723.72 | 38,884.93 | 36,595.60 | 35,144.11 | 33,276.04 |
| Other SPSEs | 1,159.77 | 1,142.59 | 1,315.79 | 1,333.23 | 1,174.15 |
| Total | 72,923.70 | 73,290.12 | 71,024.64 | 71,956.14 | 73,542.33 |
| GSDP of Punjab | 5,12,510.00 | 5,37,031.00 | 5,40,853.00 | 6,14,227.00 | 6,73,107.00 |
| Percentage of turnover to GSDP of Punjab | | | | | |
| Power Sector SPSEs | 6.25 | 6.19 | 6.12 | 5.77 | 5.81 |
| Agriculture and Allied Sector SPSEs | 7.75 | 7.24 | 6.77 | 5.72 | 4.94 |
| Other SPSEs | 0.23 | 0.21 | 0.24 | 0.22 | 0.17 |
| Total | 14.23 | 13.64 | 13.13 | 11.71 | 10.92 |

Source: Compilation based on Turnover figures as per latest finalised statements of SPSEs and GSDP figures as per Ministry of Statistics and Programme Implementation (MoSPI)

The annual increase/decrease in turnover ranged between (-) 3.09 per cent and 2.20 per cent during the period 2018-23, whereas increase in GSDP of the State ranged between 0.71 per cent and 13.57 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 7.05 per cent of the GSDP, the turnover of the SPSEs recorded compounded annual growth of 0.21 per cent during last five years. There is decrease in share of turnover of the SPSEs to the GSDP, in percentage terms, from 14.23 per cent in 2018-19 to 10.92 per cent in 2022-23. During the last five years (2018-23) percentage of turnover of power sector SPSEs to GSDP of Punjab reduced from 6.25 per cent to 5.81 per cent. During the same period in respect of Agriculture & Allied sector SPSEs percentage of turnover to GSDP of Punjab reduced from 7.75 per cent to 4.94 per cent.

2.2 Investment in SPSEs and Budgetary Support

The sector-wise investment in equity and long-term loans in 33 SPSEs for the period of three years ending 31 March 2023 (SPSE-wise equity and long-term loans as on 31 March 2023 are detailed in **Appendix 2.3**) is given in **Table 2.3:**

Table 2.3: Equity investment and long-term loans in SPSEs

(₹ in crore)

| Source of Investment | Sector | As on 31 March 2021 | | | As on 31 March 2022 | | | As on 31 March 2023 | | |
|---|-------------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|---------------------|------------------|------------------|
| | | Equity | Long-term Loans | Total | Equity | Long-term Loans | Total | Equity | Long-term Loans | Total |
| State Government | Power Sector | 22,315.61 | 14.07 | 22,329.68 | 22,315.61 | 8.86 | 22,324.47 | 22,315.61 | 3.64 | 22,319.25 |
| | Other than Power Sector | 998.68 | 25,389.69 | 26,388.37 | 998.68 | 25,928.38 | 26,927.06 | 1,000.74 | 26,600.26 | 27,601.00 |
| | Total | 23,314.29 | 25,403.76 | 48,718.05 | 23,314.29 | 25,937.24 | 49,251.53 | 23,316.35 | 26,603.90 | 49,920.25 |
| Central Government | Power Sector | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Other than Power Sector | 103.31 | 0.00 | 103.31 | 103.31 | 0.00 | 103.31 | 103.31 | 0.00 | 103.31 |
| | Total | 103.31 | 0.00 | 103.31 | 103.31 | 0.00 | 103.31 | 103.31 | 0.00 | 103.31 |
| Others | Power Sector | 23.00 | 17,640.84 | 17,663.84 | 23.00 | 18,048.34 | 18,071.34 | 23.00 | 16,631.18 | 16,654.18 |
| | Other than Power Sector | 76.37 | 2,475.87 | 2,552.24 | 76.37 | 2,522.26 | 2,598.63 | 26.37 | 2,234.86 | 2,261.23 |
| | Total | 99.37 | 20,116.71 | 20,216.08 | 99.37 | 20,570.60 | 20,669.97 | 49.37 | 18,866.04 | 18,915.41 |
| Total | Power Sector | 22,338.61 | 17,654.91 | 39,993.52 | 22,338.61 | 18,057.20 | 40,395.81 | 22,338.61 | 16,634.82 | 38,973.43 |
| | Other than Power Sector | 1,178.36 | 27,865.56 | 29,043.92 | 1,178.36 | 28,450.64 | 29,629.00 | 1,130.42 | 28,835.12 | 29,965.54 |
| | Total | 23,516.97 | 45,520.47 | 69,037.44 | 23,516.97 | 46,507.84 | 70,024.81 | 23,469.03 | 45,469.94 | 68,938.97 |
| Percentage of State Government Investment to Total Investment | Power Sector | 99.90 | 0.08 | 55.83 | 99.90 | 0.05 | 55.26 | 99.90 | 0.02 | 57.27 |
| | Other than Power Sector | 84.75 | 91.11 | 90.86 | 84.75 | 91.13 | 90.88 | 88.53 | 92.25 | 92.11 |
| | Total | 99.14 | 55.81 | 70.57 | 99.14 | 55.77 | 70.33 | 99.35 | 58.51 | 72.41 |

Source: Information provided by the SPSEs

During 2022-23, the total investment at face value of the equity in the two¹¹ SPSEs registered an increase of ₹ 2.06 crore which was entirely contributed by the State Government.

The thrust of SPSEs investment was mainly on Power Sector SPSEs which had received as much as 56.53 per cent (₹ 38,973.43 crore) of total investment of ₹ 68,938.97 crore as on 31 March 2023. The State Government share was 72.41 per cent (₹ 49,920.25 crore) of total investment of ₹ 68,938.97 crore. Out of the total loans of ₹ 45,469.94 crore, an amount of ₹ 25,029.82 crore was outstanding for a period of more than five years due to paucity of funds, pending reconciliation etc. Of the ₹ 25,029.82 crore, ₹ 24,541.88 crore (98.05 per cent) pertains to four¹² SPSEs.

The State Government provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards

¹¹ ₹ 2.05 crore as additional equity capital to Punjab Scheduled Castes Land Development and Finance Corporation and ₹ 0.01 crore as initial share capital to Punjab Rural Water Utility

¹² Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation

equity, loans, grants/subsidies, loans repayments/written-off and loans converted into equity in respect of SPSEs during the last five years ending March 2023 are given in **Table 2.4**.

Table 2.4: Details of budgetary support to SPSEs during last five years

(₹ in crore)

| Particulars ¹³ | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | 2022-23 | |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|------------------|-----------------|------------------|
| | Number of SPSEs | Amount | Number of SPSEs | Amount | Number of SPSEs | Amount | Number of SPSEs | Amount | Number of SPSEs | Amount |
| (i) Equity Capital Outgo | 0 | - | 2 | 15,629.35 | 2 | (-) 44.58 | 0 | - | 2 | 2.06 |
| (ii) Loans given (interest bearing) | 0 | - | 1 | (-) 15,628.26 | 0 | - | 0 | - | 0 | - |
| (iii) Grants/Subsidy | 9 | 9,364.50 | 11 | 9,769.82 | 11 | 10,059.50 | 15 | 14,965.12 | 14 | 20,429.78 |
| Total Outgo (i+ii+iii) | | 9,364.50 | | 9,770.91 | | 10,014.92 | | 14,965.12 | | 20,431.84 |
| Loan repayment written off | 0 | - | 1 | 0.84 | 0 | - | 0 | - | 0 | - |
| Loans converted into equity | 0 | - | 1 | 15,628.26 | 0 | - | 0 | - | 0 | - |
| Guarantees issued | 3 | 2,983.89 | 3 | 4,164.35 | 4 | 4,763.51 | 3 | 3,588.73 | 2 | 3,899.84 |
| Guarantee Commitment | 12 | 12,518.16 | 12 | 16,276.20 | 12 | 15,724.36 | 14 | 17,300.79 | 11 | 17,296.70 |

Source: Information provided by the SPSEs

During the year 2022-23, out of the total subsidy of ₹ 20,429.78 crore, subsidy amounting to ₹ 18,902 crore (92.52 per cent) was provided to Punjab State Power Corporation Limited only.

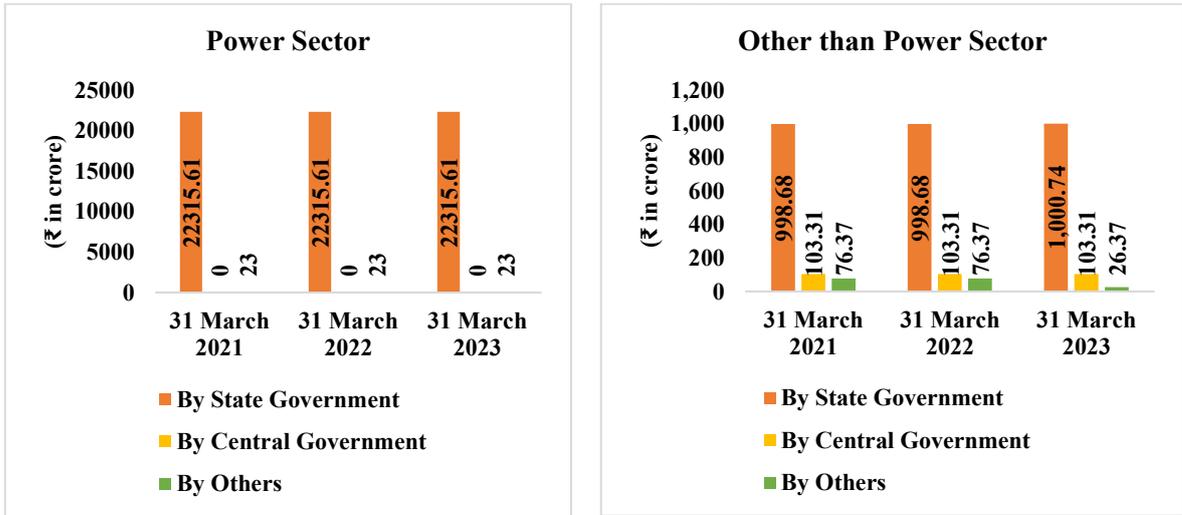
2.2.1 Equity holding in SPSEs

As on 31 March 2023, the total investment (equity and long-term loans) in 33 SPSEs was ₹ 68,938.97 crore. The investment consisted of 34.04 per cent towards equity and 65.96 per cent in long-term loans. During the year 2022-23, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 2.05 crore and ₹ 0.01 crore in one newly formed SPSE (Punjab Rural Water Utility) due to infusion of equity by the State Government.

Equity holdings by the State Government, the Central Government and Others in SPSEs for the period of three years ending March 2023 is depicted in **Chart 2.1**:

¹³ Amount represents outgo from the State budget only.

Chart 2.1: Investment in equity in Power Sector and Other than Power Sector SPSEs



Details of significant investments (investment of more than ₹ 100 crore) made by the State Government as on 31 March 2023 in the paid-up capital of the SPSEs is given in **Table 2.5** below:

Table 2.5: Significant investments made by the State Government in equity of SPSEs

| Name of SPSE | Name of the Department | Amount (₹ in crore) |
|---|------------------------|---------------------|
| Punjab State Power Corporation Limited | Power | 21,709.73 |
| Punjab State Transmission Corporation Limited | Power | 605.88 |
| PEPSU Road Transport Corporation | Transport | 307.08 |
| Punjab Water Resources Management and Development Corporation Limited | Water Resources | 300.00 |

Source: Information provided by the SPSEs

2.2.2 Investment in Government Controlled Other Companies

The capital invested by the State Government and the Central Government in three¹⁴ GCOs as on 31 March 2023 was ₹ 0.03 crore which was equally shared by the State Government and the Central Government.

2.2.3 Loans Given to SPSEs

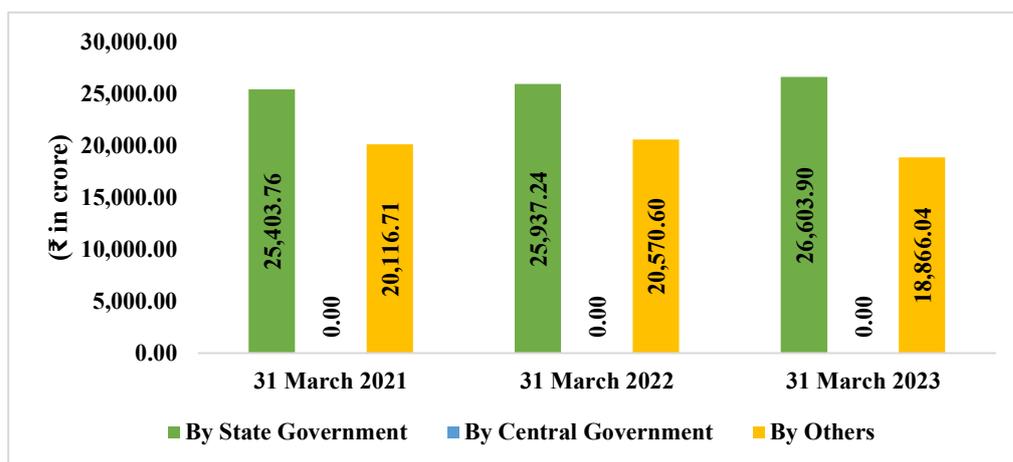
2.2.3.1 Computation of Long-term Loans Outstanding as on 31 March 2023

Of the 33 working SPSEs, 17 SPSEs had outstanding long-term loans availed from various sources, as on 31 March 2023. The total outstanding long-term loan was ₹ 45,469.94 crore. Of the long-term loans, those advanced by the State Government constituted 58.51 per cent (₹ 26,603.90 crore) whereas

¹⁴ Amritsar Smart City Limited, Jalandhar Smart City Limited and Ludhiana Smart City Limited.

41.49 per cent (₹ 18,866.04 crore) were availed from other financial institutions. Two¹⁵ SPSEs defaulted in repayment of loans to the State Government amounting to ₹ 33.59 crore. Both SPSEs had taken up the matter with the State Government for conversion of their loan into equity. The details of outstanding long-term loans of SPSEs during the last three years ending 31 March 2023 are depicted in the **Chart 2.2**:

Chart 2.2: Long-term loans outstanding in SPSEs



2.2.3.2 Adequacy of assets to meet loan liabilities

Ratio of long-term 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 a Company's assets must be greater than the sum of its long-term loans/debts (termed as positive coverage). The coverage of long-term loans by value of total assets in 17 SPSEs, which had long-term loans, as per latest finalised accounts is given in **Table 2.6** below:

Table 2.6: Coverage of long-term loans with total assets

| Nature of SPSEs | Positive Coverage | | | | Negative Coverage | | | |
|------------------------|-------------------|-----------|-----------------|------------------------------------|-------------------|----------|-----------------|------------------------------------|
| | Number of SPSEs | Assets | Long-term Loans | Ratio of Assets to Long-term loans | Number of SPSEs | Assets | Long-term Loans | Ratio of Assets to Long-term loans |
| Government Companies | 11 | 79,145.21 | 24,883.43 | 3.18 | 2 | 5,992.27 | 6,535.85 | 0.92 |
| Statutory Corporations | 3 | 9,214.70 | 7,888.88 | 1.17 | 1 | 16.08 | 175.48 | 0.09 |

Source: Latest Financial Statements of SPSEs

In 17 SPSEs having long-term loans, 14 SPSEs had positive coverage and

¹⁵ PEPSU Road Transport Corporation since 2012-13 and Punjab Financial Corporation since 1991-92.

balance three¹⁶ SPSEs had negative coverage of long-term loans.

2.2.3.3 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 less the ability of the Company to pay interest on debt. An interest coverage ratio of below one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in SPSEs charging interest on long-term loans in their accounts during the period from 2020-21 to 2022-23 are given in **Table 2.7** below:

Table 2.7: Interest coverage ratio of SPSEs

| Year | Sector | Interest (₹ in crore) | Earnings before interest and tax (₹ in crore) | Number of SPSEs having interest burden and liability of long-term loans | Number of SPSEs having interest coverage ratio more than 1 | Number of SPSEs having interest coverage ratio less than 1 |
|---------|-------------------------------------|--------------------------|--|---|--|--|
| 2020-21 | Power Sector SPSEs | 2,004.42 | 3,471.29 | 2 | 2 | 0 |
| | Agriculture and Allied Sector SPSEs | 360.12 | 480.16 | 2 | 1 | 1 |
| | Other SPSEs | 32.29 | 46.14 | 5 | 2 | 3 |
| | Total | 2,396.83 | 3,997.59 | 9 | 5 | 4 |
| 2021-22 | Power Sector SPSEs | 1,684.84 | 2,969.15 | 2 | 2 | 0 |
| | Agriculture and Allied Sector SPSEs | 193.23 | 369.68 | 2 | 1 | 1 |
| | Other SPSEs | 30.96 | 57.91 | 5 | 2 | 3 |
| | Total | 1,909.03 | 3,396.74 | 9 | 5 | 4 |
| 2022-23 | Power Sector SPSEs | 1,699.81 | (-),2,975.22 | 2 | 1 | 1 |
| | Agriculture and Allied Sector SPSEs | 89.07 | 202.19 | 2 | 1 | 1 |
| | Other SPSEs | 33.22 | 36.66 | 5 | 2 | 3 |
| | Total | 1,822.10 | (-) 2,736.37 | 9 | 4 | 5 |

Source: Latest Financial Statements of SPSEs

In 2022-23, number of SPSEs with interest coverage ratio more than one was four against five in the years 2020-21 and 2021-22. Other five SPSEs¹⁷ had interest coverage ratio below one which indicates that these SPSEs could not generate sufficient revenue to meet their expenses on interest during the period.

¹⁶ Punjab Agro Foodgrains Corporation Limited, Punjab Financial Corporation and Punjab State Industrial Development Corporation Limited

¹⁷ Punjab State Power Corporation Limited, Punjab Agro Foodgrains Corporation Limited, PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab Scheduled Castes Land Development and Finance Corporation

2.2.3.4 Age-wise analysis of interest outstanding on long-term loans

As on 31 March 2023, interest amounting to ₹ 28.84 crore was outstanding in respect of one SPSE on the long-term loans provided by the State Government and ₹ 127.44 crore was outstanding in respect of two SPSEs on the long-term loans obtained from others/financial institutions. The age-wise analysis of interest outstanding on long-term loans in the SPSEs is depicted in **Table 2.8** below:

Table 2.8: Interest outstanding in SPSEs

| (₹ in crore) | | | | | |
|---|---|----------------------|---|---------------------------------------|--|
| Sr. No. | Name of SPSE | Interest Outstanding | Interest outstanding for less than 1 year | Interest outstanding for 1 to 3 years | Interest outstanding for more than 3 years |
| A. Interest outstanding on the State Government Loans | | | | | |
| 1. | PEPSU Road Transport Corporation | 28.84 | - | 9.50 | 19.34 |
| | Total (A) | 28.84 | - | 9.50 | 19.34 |
| B. Interest outstanding on Loans obtained from others/financial institutions | | | | | |
| 1. | Punjab Agro Foodgrains Corporation Limited | 46.82 | 46.82 | - | - |
| 2. | Punjab State Industrial Development Corporation Limited | 80.62 | 2.32 | 16.47 | 61.83 |
| | Total (B) | 127.44 | 49.14 | 16.47 | 61.83 |

Source: Information provided by the SPSEs

State Foodgrains Procuring Agencies¹⁸ (SPAs) had not made any provision for interest on the State Government Loan (Legacy Account)¹⁹ as no instructions for the payment of interest on said loans were issued by the State Government.

2.2.4 Market Capitalisation of Equity Investment in SPSEs

Market Capitalisation represents market value of shares of Companies which are listed. As on 31 March 2023, shares of only one SPSE (Punjab Communications Limited) was listed on the Bombay Stock Exchange in India. This SPSE having total equity investment of ₹ 12.05 crore is a subsidiary of Punjab Information and Communication Technology Corporation Limited (equity investment of ₹ 8.57 crore *i.e.*, 71.12 per cent of total equity investment of ₹ 12.05 crore) and has no investment of equity either by the State Government or the Central Government. The total market value of shares

¹⁸ Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab State Warehousing Corporation and Punjab Agro Foodgrains Corporation Limited.

¹⁹ The SPAs had unsettled cash credit liabilities of ₹ 31,000 crore against banks as on December 2016. To settle this liability, the State Government entered (December 2016) into an agreement with State Bank of India for its one-time settlement. A loan of ₹ 30,584 crore was raised by the State Government during 2016-17 against which ₹ 29,920 crore was given as long-term loans to five SPAs (including Punjab State Cooperative Supply and Marketing Federation Limited). This loan is to be repaid by the year 2036 including interest.

of the above listed SPSE stood at ₹ 34.28²⁰ crore as on 31 March 2023 as compared to ₹ 43.28²¹ crore as on 31 March 2022.

2.2.5 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment or privatisation of working or inactive SPSEs. However, Punjab Agro Juices Limited has been merged (January 2023) with Punjab Agri Export Corporation Limited.

2.3 Return on Investment in SPSEs

2.3.1 Profit Earned by SPSEs

As per latest finalised accounts, 11 SPSEs (including GCOCs) earned profit in 2022-23 as compared to 12 in 2021-22. The profit earned was ₹ 319.97 crore in 2022-23 as against profit of ₹ 1,710.77 crore in 2021-22. Return on Equity (RoE)²² of nine profit-earning SPSEs was 6.70 per cent in 2022-23 as compared to 7.53 per cent in ten SPSEs in 2021-22. RoE in respect of other two SPSEs could not be calculated as their net worth was negative.

The position of Profit/Losses²³ earned/incurred by the 33 working SPSEs during 2020-21 to 2022-23 is depicted in **Table 2.9** below:

Table 2.9: Profits/Losses earned/incurred by working SPSEs during 2020-21 to 2022-23

| (₹ in crore) | | | |
|--------------|--------------|-------------------------|--------------|
| Year | Power Sector | Other than Power Sector | Total |
| 2020-21 | 1,469.08 | (-) 95.70 | 1,373.38 |
| 2021-22 | 1,286.04 | (-) 16.14 | 1,269.90 |
| 2022-23 | (-) 4,674.92 | (-) 134.84 | (-) 4,809.76 |

Source: Latest Financial Statements of SPSEs

The profits of ₹ 1,269.90 crore earned by the working SPSEs in 2021-22 has turned into losses of ₹ 4,809.76 crore in 2022-23. This was primarily due to one SPSE i.e., Punjab State Power Corporation Limited that incurred loss of ₹ 4,775.93 crore in 2022-23 as compared to profit of ₹ 1,069.21 crore in 2021-22 on account of substantial increase in power purchase costs, cost of fuel consumption and employees benefit expenses.

According to latest finalised accounts of 34²⁴ working SPSEs, 11²⁵ earned

²⁰ 1,20,23,565 shares * ₹ 28.51 per share against face value of ₹ 10 per share

²¹ 1,20,23,565 shares * ₹ 36 per share against face value of ₹ 10 per share

²² Return on Equity = ((Net profit after taxes)/(Net worth)) *100

²³ Figures as per the latest finalised accounts

²⁴ Including one SPSE i.e., Punjab Agro Juices Limited which was merged with another SPSE i.e., Punjab Agri Export Corporation Limited. Accounts of Punjab Agri Export Corporation Limited after merger with Punjab Agro Juices Limited for the year 2022-23 have not been received yet. As such, latest available finalised accounts of both SPSEs for the year 2021-22 have been taken.

²⁵ Sr. No. 2, 5, 8, 10, 11, 16,17, 19, 21, 25 and 31 of **Appendix 2.2**.

profit of ₹ 319.97 crore and 18²⁶ SPSEs incurred losses of ₹ 5,129.73 crore as detailed in **Appendix 2.2**. Out of the remaining five SPSEs, four²⁷ are functioning on “No Profit No Loss” basis and the first accounts of one²⁸ SPSE were not due yet.

Position of working SPSEs which earned profit/incurred loss during 2020-21 to 2022-23 is given in **Table 2.10** below:

Table 2.10: Working SPSEs which earned profit/incurred loss during 2020-21 to 2022-23

| Financial Year | Total number of SPSEs | Number of SPSEs which earned profit during the year | Number of SPSEs which incurred loss during the year | Number of SPSEs | | |
|----------------|-----------------------|---|---|-------------------|--------------------|---|
| | | | | No profit No loss | Under construction | First Accounts were not due as on 30 September 2023 |
| 2020-21 | 33 | 13 | 16 | 4 | - | - |
| 2021-22 | 33 | 12 | 17 | 4 | - | - |
| 2022-23 | 34 | 11 | 18 | 4 | - | 1 |

Source: Compiled on the basis of Appendix 2.2

Sector-wise contribution to total profit during 2022-23 is summarised in **Table 2.11** below:

Table 2.11: Sector-wise contribution to profit during the year 2022-23

| Sector | Number of profit-earning SPSEs | Net Profit Earned (₹ in crore) | Percentage of profit to total SPSEs' profit |
|---------------------------------|--------------------------------|--------------------------------|---|
| Power Sector | 2 | 101.03 | 31.58 |
| Other than Power Sector: | | | |
| Agriculture and Allied Sector | 4 | 177.93 | 55.61 |
| Industries | 3 | 33.10 | 10.34 |
| Transport and Others | 2 | 7.91 | 2.47 |
| Total | 11 | 319.97 | 100.00 |

Source: Latest finalised Statements of SPSEs

The SPSEs which earned profit of more than ₹ 10 crore during the year 2022-23 are given in **Table 2.12**:

²⁶ Sr. No. 1, 3, 4, 6, 7, 9, 12, 13, 14, 15, 18, 22, 26, 28, 29, 30, 32 and 33 of **Appendix 2.2**.

²⁷ Sr. No. 20, 23, 24 and 27 of **Appendix 2.2**.

²⁸ Sr. No. 34 of **Appendix 2.2**.

Table 2.12: SPSEs which earned profit of more than ₹ 10 crore

| Sr. No. | Name of the SPSE | Net Profit (₹ in crore) |
|---------|--|-------------------------|
| 1. | Punjab State Warehousing Corporation | 163.02 |
| 2. | Punjab State Transmission Corporation Limited | 100.90 |
| 3. | Punjab Small Industries and Export Corporation Limited | 29.09 |
| 4. | Punjab State Container and Warehousing Corporation Limited | 12.12 |
| | Total | 305.13 |

Source: Latest financial statements of SPSEs

It may be seen that these four SPSEs had contributed 95.36 per cent of the total profit (₹ 319.97 crore) earned by 11 SPSEs during 2022-23. Also, as per latest finalised accounts of three GCOCs, two GCOCs had incurred losses during this period.

2.3.2 Dividend Payout by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five per cent on Government equity should be paid by all SPSEs. The State Government adopted the recommendations and directed (July 2011) all its SPSEs to pay a minimum return of five per cent on the funds invested by the State Government.

As on 31 March 2023, there were total 24 SPSEs in which the State Government held equity amounting to ₹ 23,316.35 crore. Further, as per latest finalised accounts, there were 11 SPSEs which earned profits but only three of these paid dividends. Of the 11 SPSEs which earned profits, one²⁹ SPSE did not have any equity of the State Government.

The details of equity holding, profit earned and dividend payout during 2020-21 to 2022-23 are given in **Table 2.13** below:

Table 2.13: Dividend Payout by SPSEs during 2020-21 to 2022-23

(₹ in crore)

| Year | Equity infused by the State Government | | Profit earned during the year | | Dividend declared/paid during the year | |
|---------|--|-----------|-------------------------------|------------|--|---------------------------------|
| | SPSEs | Equity | SPSEs | Net Profit | SPSEs | Dividend declared/paid by SPSEs |
| 2020-21 | 23 | 23,314.29 | 13 | 1,819.73 | 3 | 3.88 |
| 2021-22 | 23 | 23,314.29 | 12 | 1,710.77 | 4 | 5.71 |
| 2022-23 | 24 | 23,316.35 | 11 | 319.97 | 3 | 3.88 |

Source: Latest financial statements of SPSEs

During the period 2020-21 to 2022-23, the number of SPSEs which earned profits ranged between 11 and 13, out of which number of SPSEs which

²⁹ Punjab Genco Limited

declared/paid dividend to the State Government ranged between three and four.

Three SPSEs which declared dividend as per latest finalised accounts as on 30 September 2023 are given in **Table 2.14**:

Table: 2.14: Profit earned and dividend declared

| Name of SPSE | (₹ in crore) | | |
|--|-----------------|-----------------------------------|-------------------|
| | Paid-up capital | Net profit after Interest and Tax | Dividend declared |
| Punjab State Forest Development Corporation Limited | 0.25 | 0.78 | 0.13 |
| Punjab State Container and Warehousing Corporation Limited | 25.00 | 12.12 | 1.25 |
| Punjab Small Industries and Export Corporation Limited | 50.01 | 29.09 | 2.50 |
| Total | 75.26 | 41.99 | 3.88 |

Source: Latest Financial Statements of SPSEs

During 2022-23, out of 11 SPSEs which earned profits as per the latest finalised accounts, four³⁰ SPSEs did not earn enough profits to declare dividend. The remaining four³¹ SPSEs which earned aggregate profit of ₹ 275.82 crore and wherein minimum dividend payable as per the guidelines worked out to ₹ 34.46 crore, had not declared/paid any dividend.

2.3.3 Return on Equity of SPSEs

Return on Equity³² (RoE) is a measure of financial performance of Companies calculated by dividing net income by shareholders' equity. It is expressed as a percentage and can be calculated for any Company if net income and shareholders' equity are both positive numbers.

The details of Shareholders' Fund and RoE relating to 29³³ working SPSEs are given in **Table 2.15**.

³⁰ Punjab Genco Limited, Punjab Agro Industries Corporation Limited, Punjab State Industrial Development Corporation Limited and Amritsar Smart City Limited.

³¹ Punjab State Transmission Corporation Limited: ₹ 30.29 crore (₹ 605.88 crore * five per cent), Punjab State Warehousing Corporation ₹ 0.40 crore (₹ 8.00 crore * five per cent), Punjab State Bus Stand Management Company Limited ₹ 2.81 crore (₹ 56.15 crore * five per cent) and Punjab Information and Communication Technology Corporation Limited ₹ 0.96 crore (₹ 19.23 crore * five per cent).

³² Return on equity= ((Net profit after tax)/(Shareholder's Equity))*100
where Shareholder's equity= paid-up capital + free reserves-accumulated losses- deferred revenue expenditure.

³³ Excluding four SPSEs working on no profit no loss basis: Punjab Police Security Corporation Limited, Punjab Municipal Infrastructure Development Company, Punjab State Biotech Corporation and Punjab Police Housing Corporation Limited.

Table 2.15: Return on Equity relating to working SPSEs

| Year | Net Income/Total Earnings for the year (₹ in crore) | Shareholders' Fund (₹ in crore) | Return on Equity (Percentage) |
|---------|--|------------------------------------|----------------------------------|
| 2020-21 | 1,373.38 | 8,809.80 | 15.59 |
| 2021-22 | 1,269.90 | 10,288.67 | 12.34 |
| 2022-23 | (-) 4,809.76 | 5,717.98 | - |

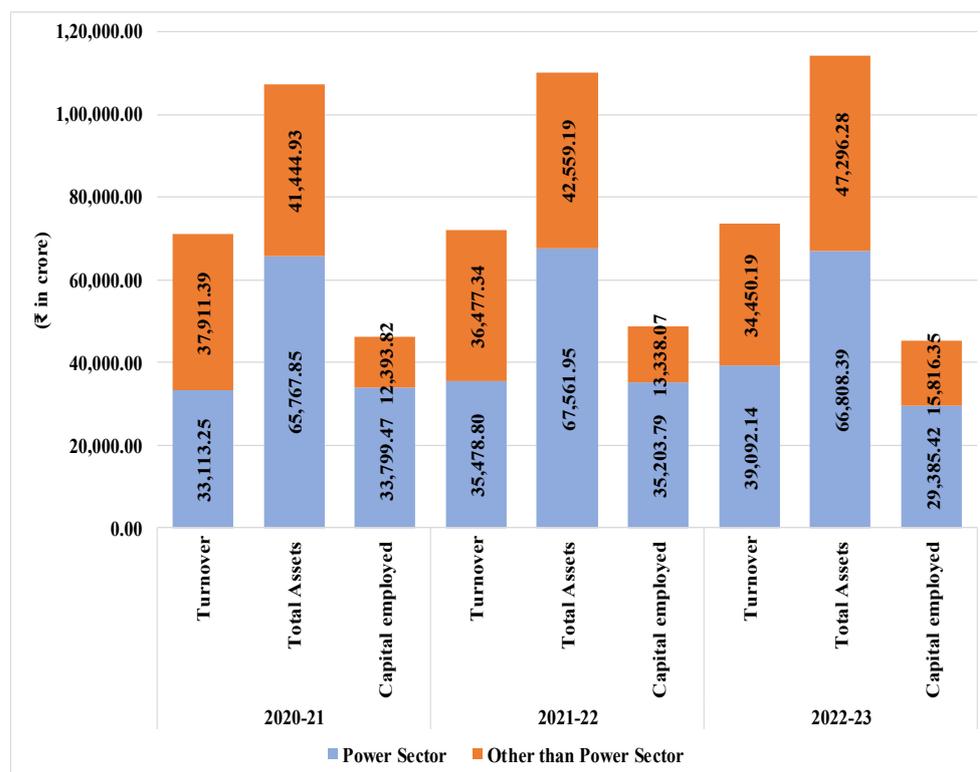
Source: Latest Financial Statements of SPSEs

Overall RoE was positive during 2020-21 (15.59 per cent) and 2021-22 (12.34 per cent) due to profits earned by Power Sector SPSEs, however due to heavy loss incurred by one major SPSE i.e. Punjab State Power Corporation Limited, net income turned negative during 2022-23, and as such, the composite RoE of 29 working SPSEs could not be calculated.

2.4 Operating efficiency of SPSEs

2.4.1 Turnover

The summary indicating turnover, total assets and capital employed of SPSEs over a period of three years is depicted in the **Chart 2.3** below:

Chart 2.3: Turnover, Total Assets and Capital Employed

The type of SPSEs and their turnover, total assets and capital employed of all the SPSEs during 2020-21 to 2022-23 are given in **Table 2.16**:

Table 2.16: Turnover, total assets and capital employed of all SPSEs*(₹ in crore)*

| Nature of SPSE | Turnover | Total Assets | Capital employed |
|-------------------------|------------------|-------------------|------------------|
| 2020-21 | | | |
| Power Sector | 33,113.25 | 65,767.85 | 33,799.47 |
| Other than Power Sector | 37,911.39 | 41,444.93 | 12,393.82 |
| Total | 71,024.64 | 107,212.78 | 46,193.29 |
| 2021-22 | | | |
| Power Sector | 35,478.80 | 67,561.95 | 35,203.79 |
| Other than Power Sector | 36,477.34 | 42,559.19 | 13,338.07 |
| Total | 71,956.14 | 110,121.14 | 48,541.86 |
| 2022-23 | | | |
| Power Sector | 39,092.14 | 66,808.39 | 29,385.42 |
| Other than Power Sector | 34,450.19 | 47,296.28 | 15,816.35 |
| Total | 73,542.33 | 114,104.67 | 45,201.77 |

Source: Latest financial statements of SPSEs

There was increase in the turnover and total assets whereas capital employed was reduced in the year 2022-23 as compared to the previous years.

2.4.2 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 EBIT by the capital employed³⁴. The details of RoCE of working SPSEs during the period from 2020-21 to 2022-23 are given in **Table 2.17** below:

Table 2.17: Return on Capital Employed

| Year | EBIT (₹ in crore) | Capital Employed (₹ in crore) | RoCE (in per cent) |
|---------|----------------------|----------------------------------|-----------------------|
| 2020-21 | 3,814.82 | 46,193.29 | 8.26 |
| 2021-22 | 3,223.56 | 48,541.86 | 6.64 |
| 2022-23 | (-) 2,097.68 | 45,201.77 | - |

Source: Latest financial statements of SPSEs

The RoCE of the SPSEs reduced drastically from 8.26 *per cent* in 2020-21 to 6.64 *per cent* in 2021-22 and during the year 2022-23, RoCE was not calculated due to negative EBIT as Punjab State Power Corporation Limited incurred heavy losses.

2.4.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its Present Value (PV) at the end of each year up to 31 March 2023, the past investments/year-wise

³⁴ Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure.

funds infused by the State Government in the SPSEs have been compounded at the year-wise average rate of interest on the State Government borrowings which is considered as the minimum cost of funds to the State Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, less disinvestments since inception of these Companies till 31 March 2023.

The PV of the State Government investments in SPSEs was computed on the basis of following assumptions:

- Interest free loan has been considered as investment by the State Government as the amount of interest free loan has not been repaid by the SPSE (Punjab Agri Export Corporation Limited).
- The average rate of interest on the State Government borrowings for the concerned financial year³⁵ was adopted as compounded rate for arriving at PV since it represents the cost incurred by the State Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the State Government.

SPSE-wise position of the State Government investment in the 22 SPSEs (Other than GCOCs) in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2022-23 has been given in *Appendix 2.4*. The consolidated position of the PV of the State Government investment and the total earnings relating to 22 SPSEs for the same period is indicated in **Table 2.18**.

³⁵ The average rate of interest on the State Government borrowings was adopted from the Reports of the CAG on State Finances (Government of Punjab) for the year concerned wherein the average rate for interest paid = Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] *100.

Table 2.18: Year-wise details of investment by the State Government and its Present Value for the period from 2010-11 to 2022-23

(₹ in crore)

| Financial year | Present value of total investment at the beginning of the year | Equity infused by the State Government during the year | Interest free loans given by the State Government during the year | Grants/Subsidies given by State Government for operational and management expenses | Total investment during the year | Total investment at the end of the year | Average rate of interest on government borrowings (in per cent) | Present value of total investment at the end of the year | Minimum expected return to recover cost of funds for the year | Total Earnings for the year ³⁶ |
|----------------|--|--|---|--|----------------------------------|---|---|--|---|---|
| i | ii | iii | iv | v | vi= iii + iv + v | vii = ii + vi | viii | ix = {vii*(1 + viii/100)} | x= ix-vii | xi |
| Upto 2010-11 | 789.79 ³⁷ | 6,687.35 ³⁸ | - | - | 6,687.35 | 7,477.14 | 7.73 | 8,055.12 | 577.98 | (-) 1,696.24 |
| 2011-12 | 8,055.12 | 196.93 | - | 108.48 | 305.41 | 8,360.53 | 7.96 | 9,026.03 | 665.50 | (-) 779.63 |
| 2012-13 | 9,026.03 | 15.91 | 30.00 | 190.29 | 236.20 | 9,262.23 | 7.79 | 9,983.76 | 721.53 | 43.23 |
| 2013-14 | 9,983.76 | 22.35 | - | 242.25 | 264.60 | 10,248.36 | 8.04 | 11,072.33 | 823.97 | (-) 55.02 |
| 2014-15 | 11,072.33 | 72.07 | - | 337.75 | 409.82 | 11,482.15 | 8.35 | 12,440.91 | 958.76 | (-) 673.78 |
| 2015-16 | 12,440.91 | 32.24 | - | 324.21 | 356.45 | 12,797.36 | 8.09 | 13,832.67 | 1,035.31 | (-) 2,315.70 |
| 2016-17 | 13,832.67 | 10.83 | - | 504.28 | 515.11 | 14,347.78 | 7.48 | 15,420.99 | 1,073.21 | (-) 4,327.30 |
| 2017-18 | 15,420.99 | - | - | 168.62 | 168.62 | 15,589.61 | 8.12 | 16,855.49 | 1,265.88 | (-) 2,799.39 |
| 2018-19 | 16,855.49 | (-) 97.97 ³⁹ | - | 205.76 | 107.79 | 16,963.28 | 8.00 | 18,320.34 | 1,357.06 | (-) 604.73 |
| 2019-20 | 18,320.34 | 15,629.35 | - | 160.28 | 15,789.63 | 34,109.97 | 7.93 | 36,814.89 | 2,704.92 | (-) 1,228.59 |
| 2020-21 | 36,814.89 | (-) 44.58 | - | 145.59 | 101.01 | 36,915.90 | 7.44 | 39,662.44 | 2,746.54 | 1,503.72 |
| 2021-22 | 39,662.44 | - | - | 439.14 | 439.14 | 40,101.58 | 7.05 | 42,928.74 | 2,827.16 | 1,421.97 |
| 2022-23 | 42,928.74 | 2.06 | - | 165.19 | 167.25 | 43,095.99 | 6.66 | 45,966.18 | 2,870.19 | (-) 4,732.54 |
| Total | | | 30.00 | 2991.84 | 25,548.38 | | | | | |

Source: Information provided by the SPSEs

The balance of investments by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹ 43,095.99 crore from ₹ 7,477.14 crore at the end of 2010-11. The State Government made further investments in shape of equity (₹ 15,839.19 crore) and interest free loans (₹ 30 crore) and grants/subsidies for operational and management expenses (₹ 2,991.84 crore) during the period 2011-12 to 2022-23 in these SPSEs. The PV of funds infused by the State Government up to 31 March 2023 amounted to ₹ 45,966.18 crore. During all the years 2011-12 to 2022-23, total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

³⁶ Total earnings for the year depicts total of net earnings (profit/loss) as per latest finalised accounts relating to those 22 SPSEs (excluding GCOCs) where funds were infused by the State Government.

³⁷ ₹ 789.79 crore is the investment, on historical cost basis, by the State Government upto financial year 2010-11.

³⁸ It represents equity of Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited created out of transfer of assets and liabilities on unbundling erstwhile Punjab State Electricity Board. No accumulated losses were transferred to Power Sector SPSEs as accumulated losses of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.

³⁹ While finalising the accounts for the year 2017-18, Punjab Water Resources Management and Development Corporation Limited treated the capital grant amounting to ₹ 97.97 crore received from the State Government for sinking and installation of tubewells as deferred revenue which was earlier being treated as 'Share application money pending allotment'.

2.5 SPSEs incurring losses

There were 18 working SPSEs that incurred losses during the year 2022-23. The losses increased to ₹ 5,129.73 crore in 2022-23 from ₹ 446.35 crore during 2020-21 as given in **Table 2.19** below:

Table 2.19: Number of SPSEs that incurred losses during 2020-21 to 2022-23

| Year | Sector | No of loss making SPSEs | Net loss for the year (₹ in crore) | Accumulated loss (₹ in crore) | Net Worth ⁴⁰ (₹ in crore) |
|---------|-------------------------------------|-------------------------|------------------------------------|-------------------------------|--------------------------------------|
| 2020-21 | Power Sector SPSEs | 2 | - | (-) 0.10 | - |
| | Other than Power Sector: | | | | |
| | Agriculture and Allied Sector SPSEs | 6 | (-) 423.56 | (-) 6,907.27 | (-) 6,541.87 |
| | Others SPSEs | 8 | (-) 22.79 | (-) 714.65 | (-) 194.39 |
| | Total | 16 | (-) 446.35 | (-) 7,622.02 | (-) 6,736.26 |
| 2021-22 | Power Sector SPSEs | 2 | - | (-) 0.11 | (-) 0.01 |
| | Other than Power Sector: | | | | |
| | Agriculture and Allied Sector SPSEs | 7 | (-) 420.71 | (-) 7,060.18 | (-) 6,689.78 |
| | Others SPSEs | 8 | (-) 20.16 | (-) 731.80 | (-) 199.76 |
| | Total | 17 | (-) 440.87 | (-) 7,792.09 | (-) 6,889.55 |
| 2022-23 | Power Sector SPSEs | 3 | (-) 4,775.95 | (-) 10,420.10 | 11,309.81 |
| | Other than Power Sector: | | | | |
| | Agriculture and Allied Sector SPSEs | 7 | (-) 322.88 | (-) 7,157.62 | (-) 6,787.22 |
| | Others SPSEs | 8 | (-) 30.90 | (-) 759.45 | (-) 227.38 |
| | Total | 18 | (-) 5,129.73 | (-) 18,337.17 | 4,295.21 |

Source: Latest Financial Statements of SPSEs

In 2022-23, out of total loss of ₹ 5,129.73 crore incurred by 18 SPSEs, loss of ₹ 4,775.93 crore (93.10 per cent of total losses) was incurred only by Punjab State Power Corporation Limited.

As on 31 March 2023, out of total equity investment of ₹ 22,554.01 crore in loss making SPSEs, the share of the State Government and the Central Government was ₹ 22,432.24 crore and ₹ 97.90 crore respectively.

2.6 Erosion of Capital in SPSEs

There were 17 working SPSEs with accumulated losses of ₹ 19,425.68 crore as given in **Appendix 2.5**. Of these, 15 SPSEs incurred losses amounting to ₹ 5,120.67 crore as per latest finalised accounts as of 30 September 2023.

The net worth of 14 out of these 17 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. Out of these 14 SPSEs, the net worth of 11 SPSEs has remained negative for a period

⁴⁰ 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 but do not include reserves created out of revaluation of assets and write back of depreciation provision.

ranging up to 22 years and in case of three SPSEs, the erosion is prior to 1999-2000 as given in *Appendix 2.5*. The net worth of these 14 SPSEs was (-) ₹ 8,179.54 crore against equity investment of ₹ 530.01 crore. Out of 14 SPSEs, whose capital had eroded, two⁴¹ had earned profit of ₹ 163.04 crore as per latest finalised accounts. Out of 14 SPSEs, there were seven SPSEs with outstanding State Government loans of ₹ 26,378.00 crore as on 31 March 2023.

Out of 14 SPSEs whose net worth had been eroded, an amount of ₹ 420.62 crore was given as grants/subsidies to three⁴² SPSEs during the year 2022-23 for meeting operational expenses/funding of liabilities.

2.7 Conclusion

The total investment (equity and long-term loan) in 33 working SPSEs was ₹ 68,938.97 crore as on 31 March 2023. The thrust of SPSEs investment was mainly on Power Sector SPSEs which had received as much as 56.53 per cent (₹ 38,973.43 crore) of total investment. These SPSEs registered an annual turnover of ₹ 73,542.33 crore during 2022-23 as per their latest finalised accounts. This turnover was 10.92 per cent of the GSDP of the State for the year 2022-23. As per latest finalised accounts, 11 SPSEs (including GCOCs) earned profit of ₹ 319.97 crore in 2022-23 as against profit of ₹ 1,710.77 crore in 2021-22 and 18 working SPSEs incurred losses which increased to ₹ 5,129.73 crore in 2022-23 from ₹ 446.35 crore during 2020-21. The net worth of 14 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. There were 11 SPSEs which earned profits but only three of these paid dividends.

2.8 Recommendations

- The Management of SPSEs may strive to augment their turnover in view of declining ratio of turnover to GSDP of the State since the last five years.
- SPSEs which earned profit may declare and pay dividend in view of recommendations of the Thirteenth Finance Commission adopted by the Government of Punjab.
- The State Government may review the functioning of the loss making SPSEs as well as those SPSEs where the net-worth was completely eroded.

⁴¹ Punjab State Warehousing Corporation and Punjab State Industrial Development Corporation Limited.

⁴² PEPSU Road Transport Corporation: ₹ 74.12 crore, Punjab Financial Corporation: ₹ 92.41 crore and Punjab State Industrial Development Corporation Limited: ₹ 254.09 crore.

Chapter-III
Oversight role of CAG

Chapter – III

Oversight Role of CAG

3.1 Audit of State Public Sector Enterprises

Comptroller and Auditor General of India (CAG) appoints the Statutory Auditors of a State Government Company⁴³ and Government Controlled Other Company under Section 139(5) and 139(7) of the Companies Act, 2013 (Act, 2013). The CAG has a right to conduct a supplementary audit and comment upon or supplement the Audit Report of the Statutory Auditor. Accounts of Statutory Corporations are audited by the CAG as required by their Statutes governing them and a report is submitted to the State Legislature.

3.2 Appointment of Statutory Auditors of State Public Sector Enterprises by the CAG

Section 139(5) of the Act, 2013 provides that the Statutory Auditors in case of a State Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The Statutory Auditors of the State Public Sector Enterprises (SPSEs) registered under the Act, 2013 and Punjab State Warehousing Corporation were appointed by the CAG during October to December 2022. Further, the Statutory Auditors of Punjab Financial Corporation are appointed by shareholders in the Annual General Meeting out of panel of auditors approved by Reserve Bank of India and the CAG is the sole auditor for the remaining two Statutory Corporations.

3.3 Submission of Accounts by SPSEs

3.3.1 Need for timely submission

According to Section 394 and 395 of the 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 laid before the House or both Houses of the State Legislature, as early as may be, together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative

⁴³ A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State 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.

control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

Section 96 of the 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(2) and 136 of the Act, 2013 stipulates that the audited Financial Statements for the financial year has to be placed in the said AGM.

Section 129(7) of the 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 Act, 2013.

Despite the above, annual accounts of 43 SPSEs (*i.e.* 39 Government Companies and 4 Statutory Corporations) were pending as on 30 September 2023, as detailed in the following paragraph.

3.3.1.1 Timeliness in Preparation of Accounts by the State Government Companies, Government Controlled Other Companies and Statutory Corporations

As of 31 March 2023, there were 42 State Government Companies (one listed and 41 unlisted) and three Government Controlled Other Companies under the CAG's audit purview. Of these, Accounts for the year 2022-23 were due from 41⁴⁴ State Government Companies and three Government Controlled Other Companies. A total of five Government Companies submitted their accounts for the year 2022-23 for audit by CAG on or before 30 September 2023. 217 Accounts of 39 State Government Companies were in arrears for various reasons.

Table 3.1: Arrears in submission of accounts by the State Government Companies and Government Controlled Other Companies

| Particulars | State Government Companies/Government Controlled Other Companies | | | | | |
|--|--|----------|---------------------------------------|----------|--------|----------|
| | State Government Companies | | Government Controlled Other Companies | | Total | |
| | Listed | Unlisted | Listed | Unlisted | Listed | Unlisted |
| Total number of Companies under the purview of CAG's audit as on 31 March 2023 | 42 | | 03 | | 45 | |
| Listed/Unlisted | 01 | 41 | - | 03 | 01 | 44 |
| Less: New Companies from which accounts for 2022-23 were not due | - | 01 | - | - | - | 01 |
| Number of Companies from which accounts for 2022-23 were due | 01 | 40 | - | 03 | 01 | 43 |

⁴⁴ Excluding one SPSE *i.e.*, Punjab Rural Water Utility incorporated during March 2022 whose first AGM was not due as the first AGM is to be held within a period of nine months from the closing of the first financial year of the Company (Section 96 of the Companies Act, 2013).

| Particulars | State Government Companies/Government Controlled Other Companies | | | | | | |
|--|--|-----|---------------------------------------|----|-------|-----|----|
| | State Government Companies | | Government Controlled Other Companies | | Total | | |
| Number of Companies which presented the accounts for the year 2022-23 for the CAG's audit by 30 September 2023 | 01 | 04 | - | - | 01 | 04 | |
| Number of Companies with accounts in arrears | - | 36 | - | 03 | - | 39 | |
| Number of accounts in arrears | - | 210 | - | 07 | - | 217 | |
| Breakup of Arrears | (i) Under Liquidation | - | 91 | - | - | - | 91 |
| | (ii) Inactive | - | 79 | - | - | - | 79 |
| | (iii) First Accounts not submitted | - | - | - | - | - | - |
| | (iv) Others | - | 40 | - | 07 | - | 47 |
| Age-wise analysis of arrears against 'Others' category | One year (2022-23) | - | 13 | - | - | - | 13 |
| | Two years (2020-21 and 2021-22) | - | 02 | - | 04 | - | 06 |
| | Three years and more | - | 25 | - | 03 | - | 28 |

Source: Compiled on the basis of annual accounts received during the period October 2022 to September 2023

Audit of Statutory Corporations is governed by their respective legislations. Out of four Statutory Corporations, the CAG is sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG. None of the four Statutory Corporations submitted their accounts for the financial year 2022-23 upto 30 September 2023.

The position of arrears of accounts of the State Government Companies, Government Controlled Other Companies and Statutory Corporations are indicated in **Appendix 3.1**.

In case of three⁴⁵ major working SPSEs, there were accounts in arrears ranging from five to seven years. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The State Government investment in these SPSEs, therefore, remained outside the scrutiny of the State Legislature.

⁴⁵ Punjab State Bus Stand Management Company Limited, Punjab State Grains Procurement Corporation Limited and PEPSU Road Transport Corporation

This not only led to delay in finalisation of accounts but also non-compliance of the relevant provisions.

3.4 CAG's Oversight – Audit of Accounts and Supplementary Audit

3.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government in consultation with National Financial Reporting Authority⁴⁶. The Statutory Corporations are required to prepare their accounts in the format prescribed under their respective Acts and Rules.

3.4.2 Audit of Accounts of the State Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Act 2013, conduct audit of accounts of the State Government Companies and submit their reports thereon in accordance with Section 143 of the Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of Public Sector Enterprises with the overall objective that the Statutory Auditors discharge the functions assigned to them effectively. This function is discharged by the CAG by exercising the powers:

- to issue directions to the Statutory Auditors under Section 143(5) of the Act, 2013 and
- to supplement or comment upon the Statutory Auditor's Report under Section 143(6) of the Act, 2013.

3.4.3 Supplementary Audit of Accounts of Government Companies

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

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

⁴⁶ Effective from 1 October 2018.

The certified accounts of selected State 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 Act, 2013 to be placed before the Annual General Meeting.

3.5 Result of CAG's Oversight Role

3.5.1 Audit of accounts of the State Government Companies/Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Five Standalone Financial Statements (SFS) and one⁴⁷ Consolidated Financial Statement (CFS) pertaining to five working State Government Companies for the financial year 2022-23 were received by 30 September 2023. Of these accounts received, Non-review certificate⁴⁸ was issued to three⁴⁹ Companies and audit of two Companies⁵⁰ was conducted. The results of the review conducted and finalised by the CAG during the period October 2022 to September 2023 are detailed in the succeeding paragraphs.

3.5.2 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on SPSEs or as Sole Auditor

The list of SPSEs in respect of whom comments were issued during the period from October 2022 to September 2023 is given in *Appendix 3.2*. Significant comments issued on financial statements of SPSEs have been tabulated below. The financial impact of comments of CAG on the profitability of SPSEs was ₹ 17.13 crore. Significant comments on the profitability are detailed in the **Table 3.2**, significant comments on the Financial Position in the **Table 3.3**, significant comments on the Disclosures in the **Table 3.4** and significant comments on Statutory Auditors Report in the **Table 3.5**:

Table: 3.2 Comments on profitability

| Sr. No. | Name of the SPSE | Comments |
|---------|--|---|
| 1. | Punjab State Transmission Corporation Limited (FY 2022-23) | The Company has booked ₹ 0.87 crore recoverable from Power utility of Rajasthan for the period 1991-2004 as Operation and Maintenance charges of 66 KV transmission lines which were not under the jurisdiction of the Company. |

⁴⁷ Punjab State Power Corporation Limited

⁴⁸ Non-review certificate is issued on the financial statements which are not selected for audit as per the criteria for selection of SPSEs for Supplementary Audit of financial statements.

⁴⁹ Gidderbaha Power Limited, Punjab Thermal Generation Limited and Punjab Communication's Limited.

⁵⁰ Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited. Comments of Punjab State Power Corporation Limited (both SFS and CFS) were under finalisation (as on 30 September 2023).

| Sr. No. | Name of the SPSE | Comments |
|---------|--|---|
| | | This has resulted in overstatement of non-current assets and profit by ₹ 0.87 crore. |
| 2. | Punjab State Industrial Development Corporation Limited (FY 2021-22) | Investment of ₹ 13.91 crore made in 12 Companies, which have already been liquidated/struck off/dissolved as on Balance Sheet date, should have been written off. This has resulted in overstatement of non-current assets and profit for the year by ₹ 13.91 crore each. |
| 3. | Punjab Small Industries and Export Corporation Limited (FY 2020-21) | The Company did not account for administrative expenses of ₹ 1.15 crore to be charged from Punjab Infotech on account of its plots sold by the Company as per the decision (December 2017) of the State Government. This has resulted in understatement of 'Profit for the year' and 'Current Assets' by ₹ 1.15 crore. |
| 4. | Punjab Water Resources Management and Development Corporation Limited (FY 2021-22) | Administrative Expenses does not include an amount of ₹ 0.39 crore towards office rent payable by the Company for various buildings at Head Office and Divisional level. This has resulted in understatement of 'Administrative Expenses' and 'Current Liabilities' by ₹ 0.39 crore each. |
| 5. | Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22) | Excess loan waiver amounting to ₹ 0.20 crore has not been recognised as payable to the Government of Punjab. This has resulted in understatement of Current Liabilities and loss by ₹ 0.20 crore. |
| 6. | Punjab Recorders Limited (FY 2020-21) | The liability of ₹ 0.61 crore towards Punjab Information and Communication Technology Corporation Limited (Holding Company) on account of payment of loan of the Company to its creditors under One Time Settlement Scheme was written back and directly credited to the Reserves & Surplus – Surplus in the Statement of Profit & Loss. This has resulted in understatement of 'Liability written off' and overstatement of 'Loss' for the year by ₹ 0.61 crore. |

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.3: Comments on Financial Position

| Sr. No. | Name of the SPSE | Comments |
|---------|---|---|
| 1. | Punjab Agri Export Corporation Limited (FY 2021-22) | The transfer of Share capital of ₹ 50 crore of Punjab Agro Juices Limited from the Government of Punjab to the Company being in the nature of promoter's contribution should have been credited to the Capital Reserve instead of crediting to Surplus in Statement of Profit and Loss as per the Accounting Standard 12. The Company had credited the same to the Surplus in the Statement of Profit and Loss during previous year. This has resulted in understatement of Capital Reserve and overstatement of Surplus in Statement of Profit and Loss by ₹ 50 crore. |
| 2. | Punjab State Seeds Corporation Limited (FY 2021-22) | As per the rules, no Input Tax Credit (ITC) is available on goods or services which are for personal use. The Company claimed ITC amounting to ₹ 0.48 crore for payment to |

| Sr. No. | Name of the SPSE | Comments |
|---------|---|--|
| | | contractor for hiring of staff and computer/machinery repair <i>etc.</i> which cannot be claimed as ITC as it is end user of the goods or services. This has resulted in overstatement of Short-term Loans & Advances and Surplus under Reserve & Surplus by ₹ 0.48 crore. |
| 3. | Punjab State Transmission Corporation Limited (FY 2022-23) | <p>Pursuant to the implementation of Punjab Power Sector Reforms Transfer Scheme 2010, Consumer's contribution, grants and subsidies of ₹ 338.97 crore were wrongly converted into capital of the State Government in equity of the Company. This has resulted in overstatement of 'equity share capital' and understatement of 'Other equity – General Reserves' by ₹ 338.97 crore.</p> <p>Capital work-in-progress includes expenditure of ₹ 34.62 crore incurred on eight capital works which have been completed during the year but have not been capitalised resulting in overstatement of 'Capital Work in Progress' and understatement of 'Property, Plant and Equipment' by ₹ 34.62 crore.</p> |
| 4. | Punjab Small Industries and Export Corporation Limited (FY 2020-21) | <p>Non-adjustment of 'Work-in-Progress' of ₹ 20.81 crore, against the adopted accounting policy of the Company, has resulted in overstatement of 'Work-in-Progress' by ₹ 20.81 crore, Project Liability by ₹ 4.32 crore and "Other Equity (Retained Earnings)" by ₹ 16.49 crore.</p> <p>Trade receivables include an amount of ₹ 3.09 crore in respect of Raw Material Depot at Batala which has been arrived at after adjusting an amount of ₹ 25.32 crore in respect of the balances of creditors transferred to the depot from Head Office. This resulted in understatement of 'Trade Receivables' and Trade Payables by ₹ 25.32 crore each.</p> <p>Project Liability includes ₹ 15.69 crore in respect of eight IFPs which had already been transferred to the respective Local Bodies but the Project Liability against the same has not been written back in the Accounts.</p> <p>This has resulted in overstatement of "Other Long-term Liabilities (Project Liability)" and understatement of "Other Equity (Retained Earnings)" by ₹ 15.69 crore.</p> |
| 5. | Punjab Recorders Limited (FY 2020-21) | Classification of unsecured outstanding against Punjab Infotech as long-term provision has resulted in overstatement of 'Long-term Provision' and understatement of 'Other Non-Current Liabilities' by ₹ 1.81 crore. |
| 6. | Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS) | <p>Investments of ₹ 0.21 crore in a Subsidiary Company Consumer Electronics Punjab Limited which stands dissolved. However, neither any provision against the investment of ₹ 0.21 crore was made nor the same was written off. This has resulted in overstatement of Investment and Other Equity by ₹ 0.21 crore.</p> <p>The classification of ₹ 10.40 crore of balances with Banks as Fixed Deposits having maturity date more than 12 months ahead of the Balance Sheet date in the Cash and Cash equivalents was inconsistent with instructions of Schedule III</p> |

| Sr. No. | Name of the SPSE | Comments |
|---------|---|---|
| | | to the Act, 2013. This has resulted in overstatement of Current Assets and understatement of Non-Current Assets to the extent of ₹ 10.40 crore. |
| 7. | Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22) | The Corporation received (September 2016) ₹ 11 crore as share capital from the Government of Punjab but incorrectly adjusted the same against outstanding dues of deceased loanees. This incorrect treatment has resulted in understatement of paid-up share capital as well as loans & advances by ₹ 11 crore. |

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.4: Comments on disclosures

| Sr. No. | Name of the SPSE | Comments |
|---------|---|--|
| 1. | Punjab State Power Corporation Limited (FY 2021-22) (SFS as well as CFS) | The liability of ₹ 130.46 core in respect of outstanding payments to be made to the vendors of the Joint Venture Company PANEM Coal Mines Limited for operationalisation of mines allocated to the Company has not been disclosed. |
| 2. | Punjab State Transmission Corporation Limited (FY 2022-23) | The Company has not disclosed its share (11.36 per cent) of liability for terminal benefits as required under Punjab Power Sector Reforms Transfer (First amendment) Scheme, 2012, in respect of employees on secondment/deputation from PSPCL, the cumulative terminal benefit liability for all employees being ₹ 46,960.67 crore. The Company has not disclosed delay in payments of ₹ 4.02 crore to 29 firms covered under Micro, Small and Medium Enterprises Development Act, 2006. |
| 3. | Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS) | Trade Payables include ₹ 0.12 crore as principal amount payable to a MSME unit outstanding since 2007 against which a legal notice for recovery of the principal along with compound interest/damages/losses totaling to ₹ 1.02 crore as per Micro, Small and Medium Enterprises Development Act, 2006 has been served. The Company has not disclosed this fact in the financial statements. |
| 4. | Punjab Scheduled Castes Land Development and Finance Corporation (FY 2021-22) | Loans and advances include ₹ 2.10 crore given to 60 parties against their immovable properties, the papers of which were found forged. A departmental inquiry has been initiated against the responsible officers/officials. These loans & advances were shown as secured which should have been shown under unsecured loans & advances and the fact should also have been disclosed in its notes to accounts. |
| 5. | Punjab State Warehousing Corporation (FY 2019-20) | The contingent liabilities amounting to ₹ 4.03 crore have not been disclosed. |
| 6. | Punjab Agro Industries Corporation Limited (CFS FY 2020-21) | The Company in its consolidated Financial statements disclosed that Interest earned on unspent funds out of ₹ 7.60 crore received by a subsidiary from Punjab Rural Development Board for processing of fruits and vegetables |

| Sr. No. | Name of the SPSE | Comments |
|---------|---|--|
| | | with the terms and conditions that unspent amount of funds along-with earned interest be refunded to PRDB. As the subsidiary did not maintain the grant-wise details of Fixed Deposits, the impact of the incorrect treatment of interest earned as its income could not be ascertained in Audit. The utilisation certificates for the grants were not furnished by the subsidiary to the PRDB. This fact has not been disclosed in Notes to Accounts. |
| | | 1,563.85 MTs of damaged wheat of crop years 2018-19 and 2019-20 lying with Punjab Agro Foodgrains Corporation Limited was valued at full cost in the Closing Stock. The fact regarding the said stock being damaged has not been disclosed in the Accounts. |
| | | The note on Principle of Consolidation is incorrect as material disclosures contained in the financial statements of the subsidiaries have not been included in the Consolidated Financial Statements. Further, intra group balances have not been eliminated from the Consolidated Financial Statements. |
| 7. | Punjab Agro Industries Corporation Limited (CFS FY 2021-22) | The Consolidated financial statements do not disclose the fact of approval (January 2023) of the Ministry of Corporate Affairs, Government of India of the Scheme of amalgamation of the subsidiary – Punjab Agro Juices Limited – into another subsidiary – Punjab Agri Export Corporation Limited – and that the scheme is effective from 01 April 2021. |

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

Table 3.5: Comments on Statutory Auditors' Report

| Sr. No. | Name of the SPSE | Comments |
|---------|---|---|
| 1. | Punjab Agro Industries Corporation Limited (CFS FY 2020-21) | Statutory Auditors of Punjab Agro Foodgrains Corporation Limited stated that inclusion of interest cost in the cost of inventories has resulted in understatement of loss and overstatement of Inventories by ₹ 2.82 crore. The qualification is deficient to the extent of ₹ 50.96 crore as interest cost of ₹ 53.78 crore has been included in the cost of inventories instead of ₹ 2.82 crore. |

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

In addition to the above, the issue of consolidation of Annual Accounts of subsidiaries, into the Consolidated Financial Statements (CFS) of Punjab Agro Industries Corporation Limited, not being as per the requirements of AS-21 has been commented upon in the CFS of the Company for the years 2020-21 and 2021-22.

3.6 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Act, 2013, read with Section 129(1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Non-compliance with mandatory Accounting Standards/Ind AS reported by Statutory Auditors is listed in *Appendix 3.3*.

During the course of supplementary audit, the CAG observed that the following Companies had also not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors as given in the **Table 3.6** below:

Table 3.6: Comments on Accounting Standards/Ind-AS

| Sr. No. | Name of the SPSE | Accounting Standards/Ind AS | Comment |
|---------|---|---|---|
| 1. | Punjab Information and Communication Technology Corporation Limited (FY 2021-22) (SFS as well as CFS) | Government Grant (Ind AS-20) | The Company has shown grant-in-aid of ₹ 1.15 crore (ASIDE Scheme), ₹ 4.84 crore (Start-up), ₹ 0.30 crore (Stand up), ₹ 0.30 crore (Wish Scheme) and ₹ 0.11 crore (Scap Project) under Other Current Liabilities as on 31 March 2022. However, the Company has not made the disclosure in respect of Grant in aid as required under Ind AS-20. |
| | | Revenue Recognition (Ind AS-115) | Accounting Policy for Revenue Recognition – Sale of Plots as adopted by the Company is not in conformity to guidance of Ind AS-115. |
| 2. | Punjab Agro Juices Limited (now merged with Punjab Agri Export Corporation Limited) (FY 2021-22) | Net Profit or Loss for the Period, Prior Period Items & Changes in Accounting Policies (AS-5) | Prior Period Expenses of ₹ 0.15 crore have not been shown separately as per requirements of AS-5. |
| | | Cash Flow Statements (AS-3) | Cash and Cash Equivalents include an amount of ₹ 0.60 crore and ₹ 1.06 crore towards Term Deposits with maturity of more than twelve months ahead of the Balance Sheet date and not being Cash equivalent as per Accounting Standard-3. Hence, the inclusion is incorrect to that extent. |

| Sr. No. | Name of the SPSE | Accounting Standards/Ind AS | Comment |
|---------|--|---|---|
| 3. | Punjab Small Industries and Export Corporation Limited (FY 2020-21) | Revenue Recognition (Ind AS-115) | The accounting policy on Revenue Recognition is not in conformity to guidance of Ind AS-115. |
| 4. | Punjab Agri Export Corporation Limited (FY 2021-22) | Net Profit or Loss for the Period, Prior Period Items & Changes in Accounting Policies (AS-5) | Prior Period Expenses of ₹ 0.38 crore have not been shown separately as per requirements of AS-5. |
| 5. | Punjab State Power Corporation Limited (FY 2021-22) (SFS as well as CFS) | Operating Segments (Ind AS-108) | The disclosure in the note on “Disclosure in respect of Ind AS-108 Operating Segments” is deficient to the extent that detailed information (e.g., segment result, segment assets and liability, etc.) relating to its operating segments <i>i.e.</i> , generation of power and distribution of power as per the requirement of Ind AS-108 has not been given. |
| 6. | Punjab Agro Industries Corporation Limited (CFS FY 2020-21) | Segment Reporting (AS-17) | Segment reporting has not been done as per requirements of Para 7 of AS-17 in spite of the group dealing in products and services with significantly differing risks and returns. |
| 7. | Punjab Agro Industries Corporation Limited (CFS FY 2021-22) | Accounting for Government Grants (AS-12) | Above includes grant of ₹ 50 crore received from Punjab Rural Development Board Fund and transferred to Punjab Agro Juices Limited (PAJL) for setting up Fruit processing units at Hoshiarpur and Abohar. Against these funds, the share capital was issued in the name of the Government of Punjab. However, Share Capital was transferred (December 2020) in the name of Punjab Agri Export Corporation Limited as per orders of the State Government. As per Para 10 of AS-12, the said funds being in the nature of promoter contribution, should have been credited to Capital Reserve instead of crediting to Surplus in Profit and Loss account during the year 2020-21. This has resulted in understatement of Capital Reserve and overstatement of Surplus by ₹ 50 crore. |

| Sr. No. | Name of the SPSE | Accounting Standards/Ind AS | Comment |
|---------|------------------|---|---|
| | | Consolidated Financial Statements (AS-21) | In contravention to the Principle of Consolidation, Intra group balances have not been eliminated from the Consolidated Financial Statements. The Long-term Loans and Advances include ₹ 11.23 lakh recoverable by Punjab Agri Export Corporation Limited from Punjab Agro Foodgrains Corporation Limited. This has not been reconciled amongst the two subsidiaries in non-compliance of guidance of AS-21 nor any disclosure has been made in the financial statements. |
| | | Cash Flow Statements (AS-3) | Cash and Cash Equivalents include an amount of ₹ 0.60 crore and ₹ 1.06 crore towards term deposits, in respect of Punjab Agro Juices Limited, with maturity of more than twelve months ahead of the balance sheet date and not being cash equivalents as per Accounting Standard-3. Hence, the disclosure is incorrect to that extent. |

Source: Comments on Financial Statements of SPSEs as finalised by the CAG

3.7 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 SPSEs were reported as comments by the CAG under Section 143(6) of the Act, 2013. Besides these comments, irregularities or deficiencies observed by the CAG in the financial reports or in the reporting process, were also communicated to the Management through a 'Management Letter' for taking corrective action. These deficiencies generally related to:

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

During the year, irregularities and deficiencies in the financial reports or in the reporting process observed during audit of 21 SFS and five CFS which were not material, were communicated to the Management of 21 SPSEs through 'Management Letter' for taking corrective action (*Appendix 3.2*).

3.8 Conclusion

Accounts for the year 2022-23 were due from 41 State Government Companies and three Government Controlled Other Companies. Five Government Companies submitted their accounts for the year 2022-23 for audit by the CAG on or before 30 September 2023. Thirty-nine State Government Companies had 217 accounts in arrears for various reasons. The financial impact of comments of the CAG on the profitability of SPSEs was ₹ 17.13 crore. During the course of supplementary audit, the CAG observed that six SPSEs had also not complied with the Accounting Standards/Ind AS, which were not reported by their Statutory Auditors. Irregularities and deficiencies in the financial reports or in the reporting process observed during audit of 21 SFS and five CFS, which were not material, were communicated to their Management through 'Management Letter' for taking corrective action.

3.9 Recommendation

The State Government may impress upon the SPSEs with arrears in accounts for early finalisation of their financial statements. Without the financial statements, government investments in these SPSEs lack legislative oversight.

Chapter-IV
Corporate Governance

CHAPTER IV

Corporate Governance

4.1 Introduction

4.1.1 Need for Corporate Governance

Corporate Governance is a system of structuring, operating and controlling an organisation with a view to achieving long term strategic goals to satisfy the stakeholders and complying with the legal and regulatory requirements. Corporate Governance is a way of directing and controlling Companies and ensuring greater transparency and better and timely financial reporting. It is concerned with the morals, ethics, values parameters, conduct and behavior of the Company and management. The absence of good governance structures and lack of adherence to the governance principles increases the risk of corruption and misuse of entrusted power by the Management in the public sector.

4.1.2 Provisions contained in the Companies Act, 2013

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

- Mandatory appointment of Independent Directors on the Board {Section 149(4) read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014} for the following classes of Companies:
 - Every listed public Company shall have at least one-third of the total number of Directors as Independent Directors; and
 - Every public Company with paid-up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or aggregate outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on its Board.
- Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with Rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.

- Mandatory appointment of at least one Woman Director on the Board {Section 149(1) read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014} for the following classes of Companies:
 - every listed Company; and
 - every other public Company having paid up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more.
- Mandatory establishment of certain committees like Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1) read with Rule 6 of Companies (Meeting of Board and its Powers) Rules, 2014} for the following classes of Companies:
 - every listed public Company; and
 - every public Company with a paid-up capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or aggregate outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more.
- Holding 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)}.

4.1.3 SEBI guidelines on Corporate Governance

After enactment of Act, 2013, Securities and Exchange Board of India (SEBI) amended (April and September 2014) Clause 49 of the Equity Listing Agreement to align it with the Corporate Governance provisions specified in the 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 from time to time.

4.1.4 Review of compliance of the Corporate Governance Provisions by SPSEs

As on 31 March 2023, there were 45 State Public Sector Enterprises (SPSEs) registered under the Companies Act (including three Government Controlled Other Companies) in the State of Punjab and under the audit jurisdiction of the CAG of India (as detailed in *Appendix 4.1*). This chapter covers review of 29 working SPSEs for the year ended 31 March 2023. Out of these 29 SPSEs, only one SPSE *i.e.*, Punjab Communications Limited (PCL) is a listed⁵¹ Company. The list of working SPSEs covered and non-working SPSEs excluded from this chapter is given in *Appendix 4.1*.

An assessment was done based on the provisions contained in the Act, 2013 and guidelines/regulations issued by SEBI (April and September 2014) on Corporate Governance and compliance thereof by the SPSEs.

4.2 Composition of Board of Directors

4.2.1 Independent Directors

As per Section 149(6) of the Act, 2013 ‘Independent Director’ shall mean a Director other than a Managing Director or a Whole Time Director or a Nominee Director of the Company. The presence of Independent Directors 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. As per Section 149(4) of the Act, 2013, every listed public Company shall have at least one-third of the total number of directors as Independent Directors. Further, Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every public Company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board. Furthermore, as per Ministry of Corporate Affairs (MCA) notification GSR-463(E) dated 05 June 2015, Independent Director of Government Company is to be appointed by Ministry or Department of the Government which is administratively in charge of the Company. Also, MCA notification GSR-466(E) dated 05 June 2015 provides that a Company registered under Section 8 (*i.e.*, a Company established for furtherance of charitable or not for profit purposes) of the Act, 2013 is not required to appoint Independent Directors; and MCA notification dated 05 July 2017 provides that an unlisted public Company which is a wholly owned subsidiary is not required to appoint Independent Directors.

⁵¹ Listed on Bombay Stock Exchange

The list of eight SPSEs meeting these criteria relating to appointment of Independent Directors is given in *Appendix 4.2*. Of these eight SPSEs, in the Board of four SPSEs detailed in **Table 4.1**, there were no Independent Director as on 31 March 2023. Of the remaining four SPSEs, two⁵² met the requirement of having at least two Independent Directors on their Board.

In Punjab State Power Corporation Limited (PSPCL), as against the requirement of two Independent Directors, there were two Independent Directors for part of the year 2022-23 (up to 6 November 2022). Thereafter, the post of one Independent Director remained vacant.

In Punjab State Container and Warehousing Corporation Limited (CONWARE), there was only one Independent Director.

CONWARE replied (January 2024) that this matter was brought to the notice of the State Government from time to time and the same was under consideration of the State Government.

Table 4.1: SPSEs not having any Independent Directors

| Sr. No. | Name of the SPSE |
|---------|---|
| 1. | Punjab Genco Limited |
| 2. | Punjab State Grains Procurement Corporation Limited |
| 3. | Punjab Water Resources Management and Development Corporation Limited |
| 4. | Punjab State Bus Stand Management Company Limited |

Source: Information provided by the SPSEs

Punjab Genco Limited (PGL) stated (February 2024) that all the Directors were appointed by the State Government and they fall under the category of Independent Director. The reply was not acceptable as the State Government has not designated these Directors as Independent Directors separately which it could have done, or the Company could have pursued the matter with the State Government to have them designated as such.

Punjab State Grains Procurement Corporation Limited (PUNGRAIN) stated (January 2024) that the Directors on the Board are appointed by the State Government and it had no power to appoint Independent Directors. Punjab Water Resources Management and Development Corporation Limited (PWRMDC) stated (January 2024) that the Independent Directors were not appointed on the Board by the State Government. Punjab State Bus Stand Management Company Limited (PUNBUS) stated (January 2024) that the Company had Independent Directors till June 2022, thereafter no Independent Directors were appointed by the State Government.

⁵² Punjab State Transmission Corporation Limited and Punjab Communications Limited

Audit is of the view that these SPSEs could have pursued the matter of appointment of Independent Directors with the State Government to comply with statutory requirement.

The matter was referred to the State Government (August 2024); reply thereof was awaited (January 2025).

4.2.2 Representation of Woman in the Board of Directors

Section 149(1) of the Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides that every listed Company shall have at least one Woman Director on its Board and every other public Company having paid up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall have at least one Woman Director in its Board. However, as per MCA notification GSR 466(E) dated 05 June 2015, a Company registered under Section 8 of the Act, 2013 is not required to appoint a Woman Director.

The list of seven SPSEs meeting these criteria is given in **Appendix 4.3**. Of these seven SPSEs, in the Board of two SPSEs⁵³, there were no Women Directors on their Board as on 31 March 2023.

PWRMDC stated (February 2024) that a Woman Director had been appointed by the State Government, however, she had not joined the Board (February 2024).

Punjab Agro Foodgrains Corporation Limited (PAFC) stated (February 2025) that it did not receive any specific nominations for the appointment of Women Directors during the period under review, hence, there was no Women Directors during 2022-23. Further, since, the foodgrains procurement activity of the Company has been withdrawn *w.e.f.* Kharif Marketing Season (KMS) 2019-20 and it is in process of merger with PUNGRAIN, there will be no requirement for appointing new Directors. The provisions regarding appointment of Women Directors were applicable to the Company due to turnover of ₹ 414.23 crore for the financial year ending March 2022. As there was no other business activity during financial year 2022-23 and the turnover was only ₹ 6.42 crore, the provisions of appointment of Women Director were no more applicable.

The reply of PAFC was not acceptable as the turnover on the last date of latest audited financial statements of the Company *i.e.*, 2021-22 was to be considered for applicability of the provisions regarding Women Directors during 2022-23.

⁵³ Punjab Agro Foodgrains Corporation Limited and Punjab Water Resources Management and Development Corporation Limited

4.2.3 Non-executive Directors on the Board of a Listed Company

Clause 49(I)(A)(i) 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.

The clause of having at least 50 *per cent* non-executive Directors on the Board of the Company was applicable to only listed SPSE *viz.* Punjab Communications Limited in the State of Punjab. The Company had adequate numbers of non-executive Directors (seven out of required five) on Board during 2022-23.

4.3 Appointment and functioning of Independent Directors

4.3.1 Issuance of formal letter of appointment and Code of business ethics

As per Clause IV(4) of Schedule IV of the 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. Further, Clause (IV)(4)(e) requires that the letter of appointment of Independent Directors shall include the Code of Business Ethics that the Company expects its Directors to follow. Regulation 17(5)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 stipulate that Code of Conduct prescribed by the Board of Directors of a listed Company shall suitably incorporate the duties of Independent Directors as laid down in the Act, 2013. The duties cast upon Independent Directors are placed at Clause III of Schedule IV of the Act.

It was observed that out of four SPSEs where Independent Directors were appointed, only three SPSEs (PCL, PSPCL and Punjab State Transmission Corporation Limited (PSTCL)) had issued appointment letter which *inter alia* contained the Code of Conduct prescribed by the Board of Directors (including the duties of the Independent Directors). In CONWARE, the Independent Directors were appointed through orders of the State Government and, neither any formal appointment letter detailing the terms and conditions was issued by the Company nor any Code of Conduct was prescribed by the Board.

4.3.2 Induction training of Independent Directors

Clause (III)(1) of Schedule IV of the Act, 2013 stipulates that the Independent Directors shall undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company. However, it was observed that out of four SPSEs where Independent Directors were appointed,

only two SPSEs (PCL and PSPCL) imparted formal training to their Independent Directors and in two SPSEs (CONWARE and PSTCL), no formal training was conducted for Independent Directors who were on their Board during the year 2022-23.

CONWARE stated (January 2024) that it does not undertake the training of Independent Directors as the appointment is made by the State Government.

The reply was not acceptable in view of the statutory requirements.

4.3.3 Role of Independent Directors in meetings of Board and other Committees

4.3.3.1 Attending General Meetings of the Company

Clause (III)(5) of Schedule IV of the Act, 2013 states that Independent Directors shall strive to attend the General Meetings of the Company. Out of four SPSEs where Independent Directors were appointed and general meetings were held, none of the general meeting was attended by all the Independent Directors during the year 2022-23.

4.3.3.2 Meetings of Board Committees

Clause (III)(3) of Schedule IV of the Act, 2013 states that Independent Directors should strive to attend all the meetings of Board of Directors and the Board Committees of which he/she is a member. It was observed that out of four SPSEs where Independent Directors were appointed, Independent Director of only one SPSE (CONWARE) had attended all the Board and Committees meetings. **Table 4.2** indicates the remaining three SPSEs where all the Independent Directors did not attend the meetings of the Board and Committees during 2022-23:

Table 4.2: Meetings of the Board and Committees not attended by all the Independent Directors during the year 2022-23

| Sr. No. | Name of the SPSE | Board meetings | Audit Committee meetings | Nomination and Remuneration Committee meetings |
|---------|---|---------------------------------|----------------------------------|--|
| 1. | Punjab Communications Limited | Three out of six meetings | One out of four meetings | All three meetings held were attended |
| 2. | Punjab State Power Corporation Limited | Seven out of the seven meetings | Seven out of the seven meetings | No meeting was held |
| 3. | Punjab State Transmission Corporation Limited | Three out of six meetings | All three meetings were attended | No meeting was held |

Source: Information provided by the SPSEs

PSTCL stated (January 2024) that due to their pre-obligations, the Independent Directors were not in a position to attend the meetings.

4.4 Meetings of Board of Directors

The Board is the most significant instrument of Corporate Governance. It is the agency for the implementation of governance for policies and practices. It is imperative that the Board devotes adequate attention to Corporate Governance and must be equipped with the requisite representation and its members should meet regularly. Section 173(1) of the Act, 2013 stipulates that the Board shall meet at least four times in a year with a maximum time gap of 120 days between two consecutive meetings. However, the Board of Directors of a Company registered under Section 8 of the Act, 2013 is required to hold one meeting every six months.

Table 4.3 shows the list of 15 SPSEs where required Board meetings were not held in a year. Out of these, in 11 SPSEs there was a gap of more than 120 days between two consecutive meetings of the Board during the year 2022.

Table 4.3: Details of SPSEs where less than required number of Board meetings were held and there was a gap of 120 days between two consecutive meetings

| Sr. No. | Name of Company | Number of BoD meetings held | Gap of more than 120 days between two consecutive meetings of BoD |
|----------------|---|------------------------------------|--|
| 1. | Amritsar Smart City Limited | 2 | Yes |
| 2. | Gidderbaha Power Limited | 2 | Yes |
| 3. | Jalandhar Smart City Limited | 2 | Yes |
| 4. | Ludhiana Smart City Limited | 2 | Yes |
| 5. | Punjab State Civil Supplies Corporation Limited | 1 | Yes |
| 6. | Punjab Agro Foodgrains Corporation Limited | 2 | No |
| 7. | Punjab Tourism Development Corporation Limited | 0 | No meeting held |
| 8. | Gulmohar Tourist Complex (Holiday Home) Limited | 0 | No meeting held |
| 9. | Punjab Thermal Generation Limited | 2 | Yes |
| 10. | Punjab Agro Industries Corporation Limited | 3 | Yes |
| 11. | Punjab Police Housing Corporation Limited | 3 | No |
| 12. | Punjab Police Security Corporation Limited | 3 | No |
| 13. | Punjab State Bus Stand Management Company Limited | 2 | Yes |
| 14. | Punjab Municipal Infrastructure Development Company | 1 | Yes |
| 15. | Punjab State Industrial Development Corporation Limited | 3 | No |

Source: Information provided by the SPSEs

In addition to the SPSEs mentioned in **Table 4.3** above, four SPSEs (PSPCL, Punjab State Seeds Corporation Limited (PUNSEED), Punjab Agri Export

Corporation Limited (PAGREXCO) and CONWARE) held the required minimum four meetings in a year, however, there was a gap of more than 120 days between two consecutive meetings of the Board.

Eleven⁵⁴ SPSEs attributed (January/February 2024) the shortfall in required number of meetings to administrative reasons. Punjab Thermal Generation Limited (PTGL) and Gidderbaha Power Limited (GPL) stated that these SPSEs have not commenced their business yet and as such, meetings were not held on regular basis.

PAFC stated (February 2025) that one meeting scheduled on 8 July 2022 could not be held due to the pre occupancies of the official Directors appointed by the Government, who were also holding positions in other Central/State Government departments. Further, the Company was not doing any business after the withdrawal of the sole activity of the Company *i.e.*, procurement of foodgrains *w.e.f.* KMS 2019-20 and the Company is in process of merger with PUNGRAIN.

The reply of PAFC was not acceptable as the Company was still engaged in liquidation of the leftover stock after withdrawal of the procurement activity and the Act, 2013 does not provide any exemption on the basis of low level of business activity/turnover.

4.5 Filling up of the post of Directors and Company Secretary

As per Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, every listed Company and every other public Company having a paid-up capital of ₹ 10 crore or more shall have a whole time Key Managerial Personnel⁵⁵ (KMP). Further, as per Rule 8A of Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules 2020, every private Company having a paid-up capital of ₹ 10 crore or more shall have a whole time Company Secretary.

Timely filling up of vacancies in the posts of Directors ensures the availability of the 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. Section 203(4) of Act, 2013, stipulates that if the office of any whole time KMP is vacated, the resulting vacancy shall be filled-up by the

⁵⁴ Gulmohar Tourist Complex (Holiday Home) Limited, Jalandhar Smart City Limited, Ludhiana Smart City Limited, Punjab Agri Export Corporation Limited, Punjab Agro Industries Corporation Limited, Punjab Municipal Infrastructure Development Company, Punjab Police Housing Corporation Limited, Punjab Police Security Corporation Limited, Punjab State Bus Stand Management Company Limited, Punjab State Civil Supplies Corporation Limited and Punjab Tourism Development Corporation Limited

⁵⁵ As per Section 2(51) of the Act, 2013, the Key Managerial Personnel, in relation to a Company, means (i) Chief Executive Officer or Managing Director or the Manager; (ii) Whole Time Director; (iii) Company Secretary; (iv) Chief Financial Officer; and (v) such other officer as may be prescribed.

Board at a meeting of the Board within a period of six months from the date of such vacancy.

The list of seven SPSEs required to have whole time KMP is given in *Appendix 4.4* and the list of four SPSEs (private Companies) required to have a whole time Company Secretary is given in *Appendix 4.5*.

In case of PSPCL, the post of Executive Director (Administration) remained vacant for a period of nine months (from 18 May 2022 to 01 March 2023) during 2022-23. In case of PUNBUS also, the post of the Chief Financial Officer remained vacant for a period of six months (from 01 July 2022 to 10 January 2023).

Punjab Small Industries and Export Corporation Limited did not have a full time Company Secretary during 2022-23 and in case of Punjab State Industrial Development Corporation Limited (PSIDC), the post of Company Secretary remained vacant for more than six months during 2022-24 (from 24 December 2022 to 03 July 2023).

4.6 Audit Committee

4.6.1 Composition and activities performed by the Audit Committee

Section 177(1) and 177(2) of the Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every listed public Company and Companies covered under Rule 4⁵⁶ of the Companies (Appointment and Qualification of Directors) Rules, 2014 shall constitute an Audit Committee with a minimum of three Directors as members, of which majority shall be Independent Directors.

In terms of above stipulations, eight SPSEs mentioned in *Appendix 4.2* were required to constitute Audit Committees. Seven SPSEs have constituted the Audit Committee and in case of one SPSE (PUNBUS), the Audit Committee was dissolved with effect from 30 June 2022 due to resignation of Independent Directors.

Further, of these seven SPSEs, three SPSEs (PGL, PUNGRAIN and PWRMDC) had no Independent Directors in the Audit Committee during 2022-23, as they did not have Independent Directors on their Board. In PSPCL, as against the requirement of two Independent Directors, there were two Independent Directors for part of the year 2022-23 (upto 6 November 2022).

⁵⁶ Every listed Company and every public Company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board.

Thereafter, the post of one Independent Director remained vacant. CONWARE had vacancy of one Independent Director on its Board during 2022-23.

In the following SPSEs, as detailed in **Table 4.4**, the Audit Committee did not carry out the following duties cast upon them as per Section 177 of Act, 2013.

Table 4.4: Review of functions performed by the Audit Committees

| Sr. No. | Name of the SPSE | Activities reviewed by Audit Committees | Activities not reviewed by Audit Committees |
|---------|--|--|---|
| 1. | Punjab State Transmission Corporation Limited | <ul style="list-style-type: none"> ● Appointment of Cost Auditor. ● Review of annual financial statements. ● Quarterly progress of Internal Audit and compliance status of decisions of Audit Committee. ● Approval of Cost Auditor's Report. ● Review of Statutory Auditor's report and comments of CAG. | <ul style="list-style-type: none"> ● The internal control systems in the Company. ● The performance of Internal Auditors. ● Adequacy of Internal Audit functions. |
| 2. | Punjab Genco Limited | <ul style="list-style-type: none"> ● Evaluation of internal financial control and risk management system. ● Review of performance of Company. ● To take note of appointment of Statutory Auditors. ● Reviewed and approved the draft Financial Statements. | <ul style="list-style-type: none"> ● Review of annual financial statements. ● The report of Statutory Auditor and audit report of CAG. ● Appointment of Internal Auditor and Internal Audit Report. ● Performance of Internal Auditors. ● Adequacy of Internal Audit functions. |
| 3. | Punjab State Container and Warehousing Corporation Limited | <ul style="list-style-type: none"> ● Discuss and take note of Internal Audit Report. ● Approval of draft annual accounts and draft Consolidated financial statements of the Company. | <ul style="list-style-type: none"> ● The report of Statutory Auditor and Supplementary Audit Report of CAG. ● The appointment of Internal Auditor. ● Review of annual financial statements. ● Review of internal control systems in the Company. ● Review of adequacy of Internal Audit functions. |

| Sr. No. | Name of the SPSE | Activities reviewed by Audit Committees | Activities not reviewed by Audit Committees |
|---------|---|--|--|
| | | | <ul style="list-style-type: none"> Review of comments of Statutory Auditors and CAG. |
| 4. | Punjab Water Resources Management and Development Corporation Limited | <ul style="list-style-type: none"> Consider and review financial statement. | <ul style="list-style-type: none"> The report of Statutory Auditor and Supplementary Audit Report of CAG. The appointment of Internal Auditor. Review of internal control systems in the Company. Review of adequacy of Internal Audit functions. Review of comments of Statutory Auditors and CAG. |
| 5. | Punjab State Grains Procurement Corporation Limited | No meeting of the Audit Committee was held during 2022-23. | |

Source: Information provided by the SPSEs

PUNGRAIN stated (February 2024) that the Annual Financial statements of the Company were pending for audit by the Statutory Auditors of the Company appointed by the CAG. Since, during FY 2022-23, it had not received the Audited Annual Financial Statements after audit by Statutory Auditors along with Statutory Audit Report and comments from the CAG, no Audit Committee meeting could be held.

PWRMDC stated (February 2024) that the Audit Committee was performing its functions well as per the provisions of Companies Act and any suggestions/recommendations of the Committee are being implemented accordingly. The reply was not acceptable as the Audit Committee reviewed the financial statements only and did not perform other functions as tabulated above.

CONWARE stated (February 2024) that the Audit Committee was constituted to consider, discuss, and deliberate the issues regarding appointment, remuneration, appointment of auditors, examination of financial statements, Auditor's report. Accordingly, the financial statements, financial transactions, control systems and all incidental matters including annual financial statements were considered by the Audit Committee. The reply was not acceptable as review of minutes of meetings of the Audit Committee did not suggest the specified activities being undertaken by the Audit Committee.

4.7 Other Committees

4.7.1 Nomination and Remuneration Committee

Section 178(1) of the Act, 2013 read with Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014 provides that every listed public Company and Companies covered under Rule 4⁵⁷ of the Companies (Appointment and Qualification of Directors) Rules, 2014 shall constitute a Nomination and Remuneration Committee (NRC) with a minimum of three non-executive directors as members of which not less than one-half shall be Independent Directors.

In terms of above stipulations, eight SPSEs detailed in *Appendix 4.2* were required to constitute NRC. However, three SPSEs, as mentioned in **Table 4.5**, did not have any NRC.

Table 4.5: SPSEs not having Nomination and Remuneration Committee

| Sr. No. | Name of the SPSE |
|---------|---|
| 1. | Punjab State Grains Procurement Corporation Limited |
| 2. | Punjab Water Resources Management and Development Corporation Limited |
| 3. | Punjab State Bus Stand Management Company Limited |

Source: Information provided by the SPSEs

In case of PUNBUS, the NRC was dissolved from 30 June 2022 onwards due to resignation of Independent Directors. PUNGRAIN stated (January 2024) that the Board and members of the Corporation were not empowered to appoint any Director or KMP, therefore, there was no requirement of constituting the NRC. PWRMDC stated (January 2024) that the constitution of Committees required proper ratio of Independent Directors, who are generally appointed by the State Government. Since the Independent Directors were not appointed by the State Government during 2022-23, constitution of Committees was not as per the provisions of the Act, 2013.

Further, out of five SPSEs having the NRC, three SPSEs listed in **Table 4.6** did not have the required number of Independent Directors in the NRC.

Table 4.6: Number of Independent Directors in Nomination and Remuneration Committee

| Sr. No. | Name of the SPSE | Total Directors in Committee | Independent Directors in Committee |
|---------|--|------------------------------|------------------------------------|
| 1. | Punjab Genco Limited | 4 | 0 |
| 2. | Punjab State Container and Warehousing Corporation Limited | 3 | 1 |
| 3. | Punjab State Power Corporation Limited | 2 | 1 |

Source: Information provided by the SPSEs

⁵⁷ Every listed Company and every public Company with paid up share capital of ₹ 10 crore or more; or turnover of ₹ 100 crore or more; or with aggregated outstanding loans, debentures and deposits exceeding ₹ 50 crore shall have at least two Independent Directors on their Board.

In case of PSPCL, as against the requirement of two Independent Directors, there were two Independent Directors for part of the year 2022-23 (up to 6 November 2022), thereafter, the post of one Independent Director remained vacant. PGL replied (February 2024) that the Directors of the Company are appointed by the State Government/administrative department. The Directors so appointed fall under the category of Independent Directors. NRC comprises of requisite number of Independent Directors. CONWARE replied (January 2024) that it had constituted NRC with three Directors including one Independent Director and matter regarding appointment of an Independent Director was under consideration of the State Government.

In case of any contravention of the provisions of Section 177 relating to Audit Committee and Section 178 relating to NRC and Stakeholders Relationship Committee of the Act, 2013, the Company shall be punishable with fine of ₹ five lakh and every officer of the Company who is in default shall be punishable with fine of ₹ one lakh.

It was noted that no such penalty had been imposed by Ministry of Corporate Affairs during the year 2022-23.

4.8 Vigil Mechanism

Section 177(9) of the Act, 2013 read with Rule 7 of the Companies (Meeting of Boards and its Powers) Rules, 2014 stipulate that every listed Company or a Company which accepts deposits from public or borrowed money from banks or financial institutions in excess of ₹ 50 crore shall establish a vigil mechanism for directors and employees to report their genuine concerns or grievances. Eight SPSEs as listed in *Appendix 4.6* were required to establish the Vigil Mechanism.

However, it was observed that in four SPSEs listed in **Table 4.7**, there was no Whistle Blower Mechanism.

Table 4.7: SPSEs not having Vigil Mechanism

| Sr. No. | Name of the SPSE |
|----------------|---|
| 1. | Punjab State Grains Procurement Corporation Limited |
| 2. | Punjab State Civil Supplies Corporation Limited |
| 3. | Punjab Police Housing Corporation Limited |
| 4. | Punjab Municipal Infrastructure Development Company |

Source: Information provided by the SPSEs

Punjab State Civil Supplies Corporation Limited (PUNSUP) and PUNGRAIN stated (February 2024) that the Company being a State Government Company and not a public sector undertaking, there was no requirement of vigil mechanism. The reply was not acceptable as these Companies borrowed money

from banks or financial institutions in excess of ₹ 50 crore (as per provision mentioned). Hence, they were required to establish a vigil mechanism.

Punjab Municipal Infrastructure Development Company (PMIDC) stated (February 2024) that the proposal for setting up this mechanism will be taken up in the next Board of Directors meeting for approval.

Punjab Police Housing Corporation Limited (PPHC) stated (February 2024) that as per latest approved financial statement for year 2021-22, the Company has outstanding unsecured borrowings of ₹ 140 crore from Housing and Urban Development Corporation Limited (HUDCO). Since HUDCO is neither a bank nor a public financial institution, the borrowings made from HUDCO does not fall under the Rule 7(1)(b) of Companies (Meetings of Board and its powers) Rules, 2014. Hence, the Company was not required to establish vigil mechanism.

The reply of PPHC was not acceptable since HUDCO is indeed a public financial institution as per definition of Reserve Bank of India.

4.9 Internal Audit Framework

4.9.1 Role of Internal Audit

Internal Audit is an independent management function, which involves a continuous and critical appraisal of the functioning of an entity with a view to suggest improvements thereto and add value to and strengthen the overall governance mechanism of the entity, including the entity's strategic risk management and internal control system. Internal Audit, therefore, provides assurance that there is transparency in reporting, as a part of good governance.

4.9.2 Legal Framework

Section 138(1) of the Act, 2013 read with Rule 13 of the Companies (Accounts) Rules, 2014 provides that the following class of Companies shall be required to appoint an Internal Auditor which may be either an individual or a partnership firm, namely:

- (a) every listed Company;
- (b) every unlisted public Company having paid up share capital of ₹ 50 crore or more; or turnover of ₹ 200 crore or more during the preceding financial year or more; or outstanding loans of ₹ 100 crore or more; or outstanding deposits of ₹ 25 crore or more at any point of time during the preceding financial year; and

- (c) every private Company having turnover of ₹ 200 crore or more; during preceding financial year or outstanding loans of ₹ 100 crore or more at any point of time during the preceding financial year.

4.9.3 Audit Findings

As per the criteria, 11 SPSEs as listed in **Appendix 4.7** were required to appoint an Internal Auditor. However, two SPSEs (PUNGRAIN and PUNSUP) have not appointed Internal Auditors and in case of two SPSEs (PSPCL and PSTCL), the Internal Audit was being conducted departmentally by assigning the duties of Internal Auditor to qualified regular employees of the Company.

Three SPSEs (PUNBUS, PWRMDC and PSIDC) stated that they had appointed the Internal Auditors for the year 2022-23, however, the Internal Audit report was not submitted.

PUNGRAIN stated (January 2024) that the Corporation appoints qualified Chartered Accountants as Internal Auditors of the Corporation on year-to-year basis for conducting the audit. Since the Financial Statements of 2019-20 were being finalised, the Corporation had appointed Internal Auditors for the FY 2019-20. Further appointments of Internal Auditors shall be made with the commencement of the audit of subsequent financial years.

The status regarding SPSEs having an Internal Audit mechanism in place, where reports are being submitted to the management, is detailed in **Table 4.8**:

Table 4.8: Status of Internal Audit in SPSEs

| Sr. No. | Name of Company | Particulars |
|---------|---|--|
| 1. | Punjab Communications Limited | Internal Auditors were appointed; Internal Audit Report was submitted quarterly to Audit Committee of the Company. The Audit Committee discussed the report and gave its recommendations to the Board. |
| 2. | Punjab State Power Corporation Limited | Internal Audit was conducted departmentally on half yearly basis and the Internal Audit Reports were considered by the Audit Committee. |
| 3. | Punjab State Transmission Corporation Limited | Internal Audit was conducted departmentally on half yearly basis and the Internal Audit Reports were discussed by the Audit Committee. |
| 4. | Punjab Agro Foodgrains Corporation Limited | Internal Auditors were appointed. The frequency of reporting is quarterly. Audit Committee discussed the reports of Internal Audit and found it satisfactory. |
| 5. | Punjab Police Housing Corporation Limited | Internal Auditors were appointed. Internal Audit Reports were submitted annually. |

Source: Information provided by the SPSEs

4.10 Conclusion

Out of 29 SPSEs, 15⁵⁸ did not hold the required number of Board meetings in a year, and 11 SPSEs had not complied with the requirement of maximum time gap of 120 days between two consecutive meetings of the Board. Four SPSEs did not have any Independent Director on their Board as on 31 March 2023 while there was shortfall in requisite number of Independent Directors in two SPSEs. In four SPSEs, where Independent Directors were appointed, formal letter of appointment was sent in only three SPSEs. Out of seven SPSEs required to have a Woman Director on their Board, two SPSEs did not have any Woman Director on their Board. Similarly, out of eight SPSEs that were required to establish vigil mechanism, four SPSEs did not have any such mechanism in place. In five SPSEs, the Audit Committee did not review internal control systems of the Company, performance of Statutory Auditors and Internal Auditors and adequacy of Internal Audit functions. Two SPSEs did not have an Internal Audit mechanism in place while in case of three SPSEs, Internal Audit Report has not been submitted.

4.11 Recommendations

- The respective Administrative Departments may direct the SPSEs to conduct the Board meetings in accordance with the requirement of Companies Act, 2013 and to appoint the requisite number of Independent Directors and Women Directors, where applicable.
- The SPSEs may:
 - Conduct Board Meetings in accordance with the requirement of Companies Act, 2013;
 - Constitute Audit Committee and Nomination and Remuneration Committee, wherever applicable;
 - Establish Vigil Mechanism;
 - Strengthen their Internal Audit functions; and
 - Ensure that Audit Committee carries out the functions cast upon it by the Companies Act, 2013.

⁵⁸ As referred to in Table 4.3 and paragraph.4.4.

Chapter-V

Integrated Power Development Scheme in Punjab State Power Corporation Limited

Chapter-V

POWER DEPARTMENT

Punjab State Power Corporation Limited

Subject Specific Compliance Audit on Integrated Power Development Scheme in Punjab State Power Corporation Limited

Under the IT enablement and ERP components, there were instances of irregular/inadmissible claims of grant to the tune of ₹ 6.86 crore whereas due to non-execution of sanctioned works under RT-DAS component, grant of ₹ 4.74 crore could not be claimed. Additional available 15 per cent grant of ₹ 61.08 crore, admissible under the Scheme, was not received due to non-achievement of milestones stipulated in the Scheme.

5.1 Introduction

The Ministry of Power, Government of India (GoI) introduced the ‘Integrated Power Development Scheme’ (the Scheme) in December 2014, to provide financial assistance for capital expenditure, aimed at addressing gaps in sub-transmission and distribution networks, as well as metering in urban areas. The Scheme aimed to supplement the resources of Distribution Companies (Discoms)/Power Departments. The key components of the Scheme were:

- (i) Strengthening of sub-transmission and distribution network in urban areas and provisioning of solar panels on Government buildings including net-metering⁵⁹.
- (ii) Metering of feeders/distribution transformers/consumers in urban areas.
- (iii) IT enablement of distribution sector and strengthening of distribution network (extended to towns having population more than 5,000 as per Census 2011).

Power Finance Corporation Limited (PFC) was designated as ‘Nodal Agency’ for operationalisation and implementation of the Scheme under guidance of Ministry of Power.

5.1.1 Project Funding Mechanism

Under the Scheme, GoI was to provide 60 per cent of project cost as grant, a minimum of 10 per cent (maximum 40 per cent) was to be contributed by the Discom and remaining 30 per cent was to be arranged by the Discom as

⁵⁹ Net metering is a billing mechanism that credit solar energy system owners for the electricity they add to the power grid.

loan/finance from PFC/Financial Institutions/Banks or financed from own sources. There was provision for additional grant of 15 per cent (50 per cent of loan component) on achievement of following prescribed milestones:

- (i) Timely completion of the Scheme as per laid down milestones *i.e.*, 30 months from the date of sanction.
- (ii) Reduction in AT&C losses as per trajectory finalised by GoI in consultation with State Government.
- (iii) Upfront release of admissible revenue subsidy by the State Government based on metered consumption.

5.2 Implementation of the Scheme

Punjab State Power Corporation Limited (Company) was State's Project Implementing Agency. For implementation of the Scheme, a tripartite agreement was signed (January 2016) between PFC, the Government of Punjab and the Company. Separate Detailed Project Reports (DPRs) for various components of the Scheme were approved by PFC between March 2016 to December 2018 and the Scheme was financially closed by March 2022, as shown in **Table 5.1**.

The scope of work, prescribed implementation timelines *vis-à-vis* those achieved, sanctioned costs, actual cost, status of financial closure and grants received by the Company under the Scheme were as below:

Table 5.1: Scope of work, timelines and financial implication of the Scheme

| (₹ in crore) | | | | | |
|----------------------|--|---|-----------------|-----------------|---|
| Project | Scope of work | Project implementation details | Sanctioned cost | Completion cost | Status of financial closure of project and grant received |
| System strengthening | Strengthening of sub-transmission and distribution network. To be implemented in five distribution zones ⁶⁰ covering 102 towns. | Sanctioned: 21 March 2016 Scheduled completion date: 21 September 2018. Extension up to: 31 March 2021 Completed on: 31 March 2021 | 329.99 | 308.52 | Closed (March 2022) 184.27 |
| IT enablement | Aimed at IT enablement of distribution sector. To be implemented in 97 towns. | Sanctioned: 06 July 2017 Scheduled Completion date: 05 January 2020 Extension up to: 30 September 2021 Completed on: 30 September 2021 | 73.28 | 58.70 | Closed (February 2022) 35.21 |

⁶⁰ Border, Central, North, South and West zones.

| Project | Scope of work | Project implementation details | Sanctioned cost | Completion cost | Status of financial closure of project and grant received |
|--|--|---|-----------------|-----------------|---|
| Smart Metering | Aimed at installation of 88,107 smart meters. | Sanctioned: 27 April 2018 Scheduled completion date: 26 October 2020. Extension up to: 31 December 2021. Completed: 17 February 2022. | 17.62 | 17.62 | Closed (February 2022) 10.57 |
| Enterprise Resource Planning (ERP) | Aimed at implementation of ERP in PSPCL. | Sanctioned: 31 January 2018 Scheduled completion date: 30 July 2020. Extension up to: 31 December 2021 Short closed on: 31 December 2021 | 33.63 | 22.37 | Short closed (February 2022) 13.45 |
| Real Time Data Acquisition system (RT-DAS) | Aimed to accurately measure reliability of power distribution network. | Sanctioned: 11 December 2018 Scheduled completion date: 10 June 2021. | 7.90 | - | Cancelled |

Source: The Scheme guidelines, communication from PFC regarding sanction/extension of projects and information provided by the Company.

5.3 Audit objectives, criteria, scope and methodology

5.3.1 Audit Objectives

The present audit was conducted to assess whether:

- the planning and implementation of the Scheme/works was done in an efficient manner;
- financial management and utilisation of funds was done efficiently and in adherence to the guidelines of the Scheme;
- an effective control mechanism was put in place for implementation of the projects; and
- overall objectives of the Scheme were achieved.

5.3.2 Audit Criteria

The audit criteria encompassed adherence to the:

- Guidelines for the Scheme issued (December 2014) by the GoI;
- Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff), Regulations, 2005;

- Tripartite agreement (January 2016) executed between PFC, Government of Punjab and the Company; and
- Agreement/contracts for execution of the Scheme works.

5.3.3 Scope and methodology of audit

The Scheme was implemented mainly through three offices *viz.* Superintending Engineer (SE), RE & APDRP (Design), Patiala; SE, APDRP (Construction), Ludhiana; and Chief Engineer, Information Technology (IT), Patiala which were under the overall administrative control of Director (Distribution) of the Company.

Audit examination involved scrutiny (May to September 2023) of records pertaining to the Scheme for the period *i.e.*, December 2014 to March 2023 in the above three offices and four out of nine APDRP construction cells (under SE, APDRP (Construction), Ludhiana) which had executed the system strengthening works. The four⁶¹ APDRP construction cells were related to two⁶² out of the five distribution zones, which were selected using Simple Random Sampling method through IDEA⁶³ software. An Entry Conference was held with Chairman-cum-Managing Director of the Company in May 2023 wherein scope of audit, objectives and methodology were explained to the Management.

An Exit Conference with the Management and the State Government was held in May 2024 to discuss the audit observations. The replies of the State Government/Management have been considered and incorporated in the relevant paragraphs appropriately.

5.4 Audit findings

The important issues noticed in Audit are discussed below:

IT enablement

5.4.1 Installation of meter cubicles

The Scheme guidelines mandated installation of meters on distribution transformers (DTs) to ensure seamless accounting and auditing of energy in the distribution system. As per sanction (July 2017) of IT works by PFC, the Company was required to award the works within three months of sanction *i.e.*, by October 2017. The Company, however, floated (September 2018) tender enquiry for the work of installation and commissioning of metering cubicles

⁶¹ Bathinda and Faridkot in West zone and Sangrur and SAS Nagar (Mohali) in South zone

⁶² South zone and West zone

⁶³ Interactive Data Extraction and Analysis

(MC)⁶⁴ on DTs. The tender enquiry was dropped (February 2019) as no eligible bidder was found. The Company floated (February 2019) another tender enquiry against which work order for installation of 11,193 MCs was issued (December 2019) to L-1 Firm. The work was to be completed within six months from the date of award of work order *i.e.*, up to 11 June 2020.

Audit observed (August 2023) that the Company initiated tendering as late as in September 2018 *i.e.*, after delay of 11 months against the scheduled date of award of work (October 2017) as per sanction letter (July 2017) of the IT component. Consequently, the work order could be awarded after a period of more than two years from the date of sanction. Since the progress of the work was slow, the Company split the quantity as per clause 3 of the General Terms and Conditions (Annexure I) of the work order and awarded (June 2021) part of the work (2,523 MCs) to L-2 Firm. However, the work still could not be completed by date of financial closure (February 2022). It was short closed with installation of only 6,496⁶⁵ MCs against the allotted quantity of 11,193 MCs, thereby resulting in non-achievement of energy accounting of all the DTs approved under the Scheme.

The Company/State Government attributed (May 2024) the installation of lesser number of MCs to inclusion of the said work under different DPRs of system strengthening and IT works and opined that had the work been included under single DPR and executed through turnkey, this work could have been completed.

5.4.2 Claiming of grants under the Scheme

As per the Scheme guidelines, the Company submitted project completion certificate to PFC for release of final tranche of grant under the Scheme containing a declaration that all the works included in the closure report were completed and commissioned as stipulated in the Scheme guidelines.

Audit observed that:

(i) Hardware for go-live of sites

For a town to go live, the billing data needed to be migrated into SAP and energy data of feeders needed to be uploaded on National Power Portal. Further, as per Scheme Guidelines, the Company was to ensure that the grants were not to be diverted for purposes other than the Scheme.

The Company awarded (February 2018, January/September 2019) work orders for supply and installation of computer hardware and peripherals valuing

⁶⁴ Meters, Meter Metal Box and LT CTs.

⁶⁵ 1,088 (out of 2,523 MCs allotted to L-2) and 5,408 (out of 8,670 MCs remaining with L-1)

₹ 10.61 crore for go-live of 318 sites. During the execution of above work, the number of sites were reduced from 318 to 234 on account of revised field requirement. The Company further decided (14 November 2019) to scrap 107 substation sites on account of use of modem instead of Data Concentrator Units. Accordingly, the scope of the work was restricted to 127 sites only. The extra material valuing ₹ 6.37⁶⁶ crore procured was diverted to sites other than those approved in the Scheme.

Audit observed (August 2023) that though the Company executed work in only 127 sites approved under the Scheme, yet it claimed grant in respect of all 318 sites. This resulted in an irregular claim of grant amounting to ₹ 3.82 crore (60 per cent of the proportionate cost of 191 sites *i.e.*, ₹ 10.61 crore x 191/318).

The Company/State Government stated (May 2024) that as on date entire material had been utilised.

The reply was not satisfactory since as per the Scheme Guidelines the claim in respect of material utilised up to February 2022 (*i.e.*, date of financial closure of the Scheme) only was admissible. Further, the material was diverted to purposes other than those approved in the Scheme.

(ii) Modems under Automated Meter Reading

As per sanction (July 2017) of IT works by PFC, the Company was required to award the works within three months of sanction *i.e.*, by October 2017. The Company awarded (January 2019) the work orders for supply, installation and commissioning of 13,394 modems to two Firms⁶⁷ after a delay of 14⁶⁸ months. The work was to be completed in six months. As one of the Firms failed to start work till November 2020, the Company allotted (December 2020) its work to another Firm, against a subsequent tender enquiry.

Audit observed (September 2023) that the work could not be completed by February 2022 (*i.e.*, date of financial closure of the Scheme) and 11,628⁶⁹ modems were installed against 13,394 modems. The short installation of 2,416⁷⁰ modems was attributed to delayed placement of work orders. Further, the work was to be completed in six months, however, the Company took another 17 months in cancelling/reallotting the work allotted to one of the Firms.

Due to short installation of 2,416 modems, the Company was deprived of eligible grant of ₹ 0.45 crore (2,416 modems x ₹ 3,124.28 per modem x

⁶⁶ ₹ 10.61 crore × 191/318

⁶⁷ 7,911 and 5,483 modems

⁶⁸ November 2017 to December 2018

⁶⁹ Including 650 modems relating to (DDUGJY) claimed under the Scheme

⁷⁰ 13,394 minus: (11,628 – 650) modems

60 per cent) besides not being able to achieve the objective of the automatic meter readings for energy accounting and auditing.

(iii) Claiming of revenue expenditure

As per the Scheme, the revenue expenditure on maintenance (such as Annual Technical Support, Annual Maintenance charges, Facility Management Services, Bandwidth charges, etc.) of application software was to be borne by the Company. However, the Company claimed irregular grant of ₹ 1.64⁷¹ crore on Software Assurance fees (a revenue expenditure) for two years, after excluding first year fee on 39 Microsoft software⁷² licenses and 432 CIS server 2019 software licences.

The Company/State Government stated (May 2024) that these software/licences included ATS/assurance fees mandatorily and thus were treated as capital expenditure. The reply was not acceptable as claim of ATS/assurance fees being of revenue nature was specifically inadmissible under the Scheme.

(iv) Claiming of grant against the works executed under another scheme

While claiming (March 2022) the grant against IT works, the Company also claimed the cost of 650 modems valuing ₹ 0.20⁷³ crore pertaining to another scheme of GoI i.e., Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY) under the Scheme. Audit observed that the claim of grant against these modems had already been rejected by the nodal agency for DDUGJY Scheme. Claiming the grant, against the expenditure of another scheme, to the extent of ₹ 0.12 crore (60 per cent of ₹ 0.20 crore) was not in order.

The Company/State Government accepted (May 2024) the audit observation.

Enterprise Resource Planning

5.4.3 Non-completion of Enterprise Resource Planning project

PFC sanctioned (31 January 2018) ERP project of the Company to be implemented in the areas of Human Resource Management, Finance & Accounts and Material Management under the Scheme. The broad objective of the project was streamlining and automation of business processes and implementing other ERP enabled best business practices and processes at cost of ₹ 33.63 crore. As per the sanction letter, the work order for ERP was to be

⁷¹ 60 per cent of ₹ 2.73 crore (Microsoft Server: 39 licences x ₹ 2,01,132.48 per licence per year x 2 years = ₹ 1.57 crore + CIS Server: 432 licences x ₹ 13,428.40 per licence per year x 2 years = ₹ 1.16 crore)

⁷² Microsoft SQL Server 2019 Enterprise Edition 2 Core

⁷³ 650 modems at the rate of ₹ 3,124.28 per modem.

awarded within six months from the date of sanction. The Company, however, placed (August 2019) the work order for ERP implementation on M/s Tech Mahindra, Noida with a delay of more than one year for ₹ 42.48⁷⁴ crore (capital cost of ₹ 31.69 crore- eligible for grant *plus*: annual maintenance cost of ₹ 10.79 crore- not eligible for grant). As per the contract agreement, the work was to be completed/go-live within 16 months *i.e.*, by December 2020.

Audit observed (August 2023) that:

- (i) Due to late deployment/frequent changes of manpower by the contractor, the work could not be completed within the scheduled time (up to 31 December 2021) and was short closed (26 February 2022) with total expenditure of ₹ 25.97 crore (including expenditure on unapproved quantity of additional Oracle SSHR licenses amounting to ₹ 1.55 crore). The Company decided (9 February 2022) to complete the left-over work on its own. The work was still under progress (May 2024). Due to delay in awarding/execution of work, the Company could not avail grant of ₹ 4.37 crore (60 *per cent* of left over work of ₹ 7.27⁷⁵ crore).

The Company/State Government stated (May 2024) that there was frequent change of work force by the contractor and a penalty of 10 *per cent* on overall work order cost has been recovered. Audit observed that the Company was still to complete the work as of May 2024.

- (ii) The expenditure on ERP Project included an amount of ₹ 1.55 crore on account of 33,184 additional Oracle SSHR licenses, which was not part of the approved DPR and thus, was not eligible for claiming grant. The Scheme guidelines specifically mentioned that the expenditure on additional licences was to be borne by the Company. The Company, however, claimed and received grant of ₹ 0.93 crore (60 *per cent* of ₹ 1.55 crore) against these additional licences, which was irregular.
- (iii) As per guidelines of the Scheme, any interest earned on grant shall be remitted to Ministry of Power (MoP) at least once in a quarter. The Company, however, retained an amount of ₹ 0.58 crore on account of interest earned on advance payment made to contractor. Over and above this, the Company irregularly claimed 60 *per cent* grant (₹ 0.35 crore) without adjusting it from the total project cost.

⁷⁴ Capital cost of ₹ 31.69 crore (Hardware cost: ₹ 3.85 crore, ERP Software cost: ₹ 15.10 crore, Implementation & installation cost: ₹ 12.74 crore) and Annual Maintenance cost: ₹ 10.79 crore

⁷⁵ Capital cost: ₹ 31.69 crores *less*: ₹ 24.42 crore (Gross cost of works claimed to be actually executed by the Company: ₹ 25.97 crore *less*: expenditure of ₹ 1.55 crore on additional SSHR licenses, not eligible for claiming grant)

The Company/State Government stated (May 2024) that the grant was claimed on final implemented quantity including additional licences. The full quantity has been got approved from the State level Distribution Reforms Committee (DRC) and licenses are now being used. Claim of interest charged on mobilisation advance has also been allowed by the DRC. PFC agreed with Company's claim and grant has been received.

The reply was not acceptable as the claim for grant on additional items and non-remittance of the interest earned was not in accordance with guidelines of the scheme. Further, role of the DRC was only to recommend the DPRs to the Monitoring Committee of Ministry of Power.

Real Time Data Acquisition System (RT-DAS)

5.4.4 Inability to avail grant due to delay in tendering

The objective of RT-DAS project was to accurately measure reliability of power distribution network and facilitate utility to take suitable action for enhancement of power reliability. PFC sanctioned (December 2018) ₹ 7.90 crore as project cost for implementation of RT-DAS. The project was to be awarded within six months (*i.e.*, up to June 2019) and to be completed within 30 months (June 2021) from the date of sanction.

Audit observed (July 2023) that the Company floated the tender enquiry in September 2019. Two Firms submitted (December 2019) their bids, out of which one was found (25 June 2020) technically qualified but in view of the directions of GoI regarding security concerns on import of equipment, the tender enquiry could not be processed. Meanwhile, IPDS Monitoring Committee of MoP decided (3 August 2020) to cancel the cases where tendering was yet to be initiated or tendering process was initiated but work orders were yet to be issued by the power utilities as on 31 July 2020 and recover/adjust the grant released. Subsequently, the Company decided (30 September 2020) to drop the tender enquiry.

Audit observed (July 2023) that inability on the part of the Company to timely initiate and finalise the process of tendering resulted into the Company not being able to avail grant amounting to ₹ 4.74 crore (60 *per cent* of approved cost of ₹ 7.90 crore) besides non-availability of real time data⁷⁶ to measure the reliability of power distribution network.

The Company/State Government accepted (May 2024) the audit observation.

⁷⁶ SAIDI = Number of consumer interruption duration/Total number of consumers served
SAIFI = Number of consumer interruption/Total number of consumers served

Monitoring and achievement of the Scheme objectives

5.4.5 Inadequate monitoring by the State Distribution Reforms Committee

As per the Scheme guidelines, the DRC was required to recommend the DPRs and monitor the progress, quality control and resolve issues relating to the implementation of projects *viz.* allocation of land for sub-stations, right of way, forest/safety clearance, *etc.*

Audit observed (June 2023) that during June 2015 to February 2022, only nine meetings of the DRC were held for approval of DPRs, deviation in Standard Bidding Document, revision of cost in four towns under South zone and final closure of the Scheme. Further after awarding the works in October/November 2017, no meeting of the DRC was held in next three years to monitor the progress/delay in execution of the Scheme work and resolving the issues relating to implementation of the projects, which indicated inadequate monitoring of the Scheme by the DRC.

The Company/State Government stated (May 2024) that progress of the Scheme was discussed in the meetings of Whole Time Directors and minutes of these meetings were noted by Board of Directors of the Company and most of them were also members of the DRC. They assured that in future, quarterly meetings of the DRC would be conducted.

The reply is not specific to the audit observation since as per the Scheme guidelines, the DRC was to monitor the progress and resolve the issues relating to the implementation of projects.

5.4.6 Non-availment of additional grant

As per the Scheme, an additional grant of 15 *per cent* of the project cost was receivable, subject to achievement of prescribed milestones. The status of achievement of these milestones (March 2022) was as under:

- (i) **Timely completion of the Scheme:** The Company could not complete the works as per the timelines prescribed in the sanction letters for each component of the Scheme. However, these works were completed/short closed by the extended timelines, allowed by the PFC on the request of the Company.
- (ii) **Reduction in AT&C losses:** The position of achievement of AT&C losses by the Company *vis-à-vis* the trajectory finalised (December 2014 and April 2017) by the MoP was as follows:

Table 5.2: Table showing achievement of reduction in AT&C losses by the Company

| Year | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
|--|---------|---------|---------|---------|---------|
| AT&C losses as per trajectory finalised by MoP | 14.50 | 14.00 | 14.50 | 14.25 | 14.00 |
| Actual AT&C losses of the Company | 17.24 | 12.83 | 15.34 | 18.03 | 11.67 |

Source: Information provided by the Company

The above table shows that MoP finalised target for AT&C losses in the range of 14.50 per cent to 14.00 per cent for 2017-18 to 2021-22, which could not be achieved by the Company during three years (2017-18, 2019-20 and 2020-21). Audit analysis of losses of 97 towns covered in the Scheme revealed that during 2021-22, the Company could achieve the target only in four towns whereas in remaining 93 towns, the losses ranged between 14.08 and 82.53 per cent. Further analysis revealed that AT&C losses were more than 30 per cent during 2021-22 in 67⁷⁷ towns. Management agreed to provide reasons for high AT&C losses during the Exit Conference (May 2024). However, the same were awaited as of February 2025.

- (iii) **Upfront release of admissible revenue subsidy by State Government based on metered consumption:** The State Government did not release subsidy in advance as the consumer subsidy receivable from State Government at the end of year ranged between ₹ 3,011.57 crore to ₹ 7,117.90 crore during April 2017 to March 2022.

Due to non-achievement of the prescribed milestones, the Company could not avail of grant amounting to ₹ 61.08 crore (15 per cent of ₹ 407.21 crore i.e., total expenditure incurred on the Scheme).

The Company/State Government stated (May 2024) that due to non-coding of new feeders, calculation of AT&C losses could not be done with accuracy and Government subsidy is large component of the Company's revenue. The reply was silent on the non-release of upfront subsidy.

5.4.7 Non-compliance of directions of Punjab State Electricity Regulatory Commission

As per the Regulation 22(6)(iii) Punjab State Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations,

⁷⁷ Ajnala, Amlloh, Badhni Kalan, Bagha Purana, Banur, Bareta, Bassi Pathana, Begowal, Bhadaur, Bhadson, Bhagta Bhai Ka, Bhikhi, Bholath, Bhucho, Budhlada, Chamkaur Sahib, Cheema, Dera Baba Nanak, Dhanaula, Dhariwal, Dhilwan, Dina Nagar, Dirba, Fatehgarh Churian, Gardhiwala, Ghagga, Ghanour, Goniana, Garaya, Guru Har Sahai, Handiaya, Jandiala, Kartarpur, Khumano, Khanauri, Khemkaran, Kot Fateh, Kurali, Longowal, Machiwara, Majitha, Makhu, Mallanwala, Malaud, Maur, Moonak, Mudki, Nadala, Nayagaon, Patran, Payal, Phillaur, Qadian, Raikot, Rajasansi, Ramdas, Sahnawal, Samrala, Sangat, Sanaur, Sardulgarh, Shri Hargobindpur, Sujampur, Talwandi Bhai, Talwandi Sabo, Tanda and Tapa.

2005 as amended vide notification dated 17 September 2012, the distribution licensee was to obtain prior approval of the Punjab State Electricity Regulatory Commission (Commission) to each scheme (other than that relating to release of connections) where capital expenditure is estimated to exceed ₹ 10 crore.

While approving (January 2017) capital expenditure under the Scheme, the Commission directed that the Company would submit a report regarding benefits accrued due to the implementation of the Scheme after its completion. Further, any slackness on the part of the Company resulting in disallowance of available grant from MoP shall not be allowed while determining the Tariff.

Audit observed (August 2023) that the Company did not prepare/submit any Report to the Commission regarding benefits accrued after implementation of the Scheme. In absence of such report, Audit could not evaluate the extent to which the Scheme benefited the Company. Further, the fact regarding non-receipt of grant was also not brought to the notice of the Commission.

The Company/State Government stated (May 2024) that a combined Report on benefits of the Scheme would be submitted to the Commission. Further development in this regard would be awaited.

5.5 Conclusion

Under the IT enablement and ERP components, there were instances of irregular/inadmissible grants. Additional available 15 per cent grant, admissible under the Scheme, was not received due to non-achievement of milestones stipulated in the Scheme. The monitoring of the Scheme by the DRC remained inadequate.

5.6 Recommendations

The Company may:

- **ensure timely award and completion of contracts for execution of works sanctioned under the sponsored schemes to avoid short closure of works and loss of admissible grants;**
- **exercise due diligence in claiming grants; in respect of works executed within the stipulated timeframe and for components of expenditure allowed under the scheme; and**
- **ensure compliance with the conditions/milestones stipulated under a sponsored scheme and avail the maximum grant available under such scheme.**

Chapter-VI
Compliance Audit Observations

Chapter-VI

Compliance Audit Observations

Important audit findings emerging from test-check of transactions of State Government Companies and Statutory Corporations have been included in this Chapter. This Chapter contains eight audit observations having financial implication of ₹ 158.03 crore.

POWER DEPARTMENT

Punjab State Power Corporation Limited

6.1 Metering Operations

Prescribed time-limits for metering of new connections/replacement of defective/burnt meters were not being adhered to in violation of statutory provisions resulting in revenue loss of ₹ 1.03 crore. Energy consumption valuing ₹ 64.37 crore in respect of AP consumers fed from urban feeders was not considered for calculating AP consumption by Punjab State Electricity Regulatory Commission due to unmetered connections/incomplete and invalid meter readings. The Company was unable to compute distribution losses of AP feeders despite incurring an expenditure of ₹ 2.88 crore. Long delayed replacement of electro-mechanical meters with non-smart electronic meters resulted in injudicious expenditure of ₹ 13.75 crore. The Company incurred avoidable expenditure of ₹ 22.44 crore on procurement of conventional meters, despite mandatory requirement of smart meters.

6.1.1 Introduction

Section 55 of the Electricity Act, 2003 provides that no licensee shall supply electricity, except through installation of a correct meter in accordance with the regulations. Punjab State Power Corporation Limited (Company/Discom) has been entrusted with the functions and activities relating to generation and distribution of electricity in the State of Punjab as a sole distribution licensee. The electricity pumped into an electricity distribution network and delivered to the ultimate consumers through energy meters over a defined time period has to be measured and billed. This exercise is conducted during metering operations by the Company.

6.1.2 Audit Findings

An audit exercise was conducted to assess the efficiency of metering operations of the Company and the findings are discussed as follows:

Metering of consumers

6.1.2.1 Provision of new connections

Electricity Act, 2003 provides for Discoms to give supply of electricity within one month after receipt of the application. The Punjab State Electricity Regulatory Commission (Electricity Supply Code and Related Matters) Regulations 2014 (Supply Code 2014) provides for supply of electricity to domestic and non-residential supply (DS and NRS) consumers within seven days from the date of compliance of demand notice failing which the Discom is liable to pay a compensation of ₹ 200 per day for each day of default to the affected consumers subject to a maximum compensation limit of ₹ 20,000. Supply Code 2014 also provides for the Discom to furnish information annually, to the Punjab State Electricity Regulatory Commission (Commission), on levels of performance achieved with reference to specified standards. The Punjab Transparency and Accountability in Delivery of Public Service Act, 2018, also provides similar time-limits for release of new electricity connections.

Analysis of data⁷⁸ relating to metering of 1.21 lakh new DS and NRS consumers in five distribution circles⁷⁹ during 2019-22 revealed that only 26 per cent of new connections (31,291 connections) had been released within prescribed time, with delays in release of remaining 74 per cent connections ranging up to more than one year (**Appendix 6.1**). Circle-wise analysis revealed disproportionately higher proportion of delays in Tarn Taran (97 per cent) and Hoshiarpur (91 per cent) circles (**Appendix 6.1**).

Thus, the prescribed time-limits for metering of new connections were not being adhered to by the Company in violation of statutory provisions resulting in revenue loss for the delayed period. The *ibid* delays in releasing new connections to DS and NRS consumers in five distribution circles during 2019-22 has resulted in revenue loss of ₹ 1.03 crore on account of fixed energy charges alone. Besides, *ibid* delays also make the Company liable to pay compensation of ₹ 58.25 crore to the affected consumers, which though was not paid in the absence of related claims, implying lack of consumer awareness.

It is pertinent to mention here that despite large scale delays noticed in release of connections, the Company was showing 99 per cent of connections as having been released within prescribed time-limits in the annual reports on standards of performance furnished to the Commission for the years 2019-20 and 2020-21. Thus, the Company was not only violating the applicable

⁷⁸ For SAP sub-divisions provided by the Company.

⁷⁹ Hoshiarpur, Ludhiana West, Muktsar, Sangrur and Tarn Taran.

regulations but also submitting inconsistent data to the Commission.

6.1.2.2 Replacement of defective and burnt meters

Regulation 21.4, 22, 26 of Supply Code 2014 provides for replacement of defective/dead stop and burnt meters within ten and five working days respectively of receiving the complaint or its detection by distribution licensee failing which, Discom is liable to pay a compensation of ₹ 200 and ₹ 300 per day respectively for delays to the affected consumers subject to a maximum compensation limit of ₹ 10,000 per consumer. Supply Code 2014 also provides for Discom to furnish half yearly and annual information to the Commission on levels of performance achieved with reference to specified standards.

Analysis of data⁸⁰ relating to replacement of 1.49 lakh defective/dead stop and burnt meters in five distribution circles during 2019-22 revealed that only 38 per cent of defective/dead stop and burnt meters had been replaced within laid down time⁸¹ frame. The delays in replacement of remaining 62 per cent defective/dead stop and burnt meters were ranging up to more than two years (*Appendix 6.2*). Circle-wise analysis of data revealed disproportionately higher proportion of delayed replacement in Tarn Taran (80 per cent) and Muktsar (71 per cent) circles (*Appendix 6.2*). Analysis of data⁸² relating to defective/dead stop and burnt meters pending replacement in five distribution circles as on 31 March 2022 revealed that 95 per cent defective/dead stop and burnt meters were pending replacement for more than fifteen and ten days respectively. The *ibid* delays in replacement of defective/dead stop and burnt meters in five distribution circles during 2019-22 makes the Company liable to pay compensation of ₹ 70.41 crore to the affected consumers, which though was not paid in the absence of related claims, implying lack of consumer awareness.

It is pertinent to mention here that despite inordinate delays in replacement of large number of defective/dead stop and burnt meters, the Company has been showing 96.69 per cent and 98.47 per cent of such meters as having been replaced in time in the annual reports furnished to the Commission for the years 2019-20 and 2020-21 respectively.

Thus, the Company not only violated the timeframe prescribed for replacement of defective/dead stop and burnt meters but also did not submit a realistic picture to the Commission.

⁸⁰ For SAP sub-divisions provided by the Company.

⁸¹ After providing a margin of five days over prescribed time frame of ten and five working days for replacement of defective/dead stop and burnt meters respectively to compensate for intervening holidays.

⁸² Data provided by the Company for five selected circles.

6.1.2.3 Metering of Agricultural Pumpset consumers

Section 55(1) of Electricity Act 2003 provides that no Discom shall supply electricity without installation of a correct meter. Accordingly, the Commission has been directing (since 2007) the Company to prepare a time bound roadmap and submit the plan to achieve 100 *per cent* metering of Agriculture Pumpset (AP) consumers as per the mandate of the Act against which, the Company has not made any progress.

The consumption of electricity by AP consumers is fully subsidised by the State Government and in the absence of 100 *per cent* metering, AP consumption is being estimated by the Commission on the basis of pumped energy data.

In this connection, Audit observed as under:

(i) Non-metering of AP consumers fed from urban feeders

The Commission has been specifically directing the Company since 2013-14, to ensure compliance of already standing instruction of metering all AP connections fed from urban feeders for counting energy consumption of such connections in metered AP sale regularly. Owing to lapse of the Company in ensuring compliance, the Commission, while finalising tariff orders for the year 2017-18 had decided that unmetered AP load fed from urban feeders shall not be considered for calculating AP consumption.

Audit observed that 14 *per cent* AP consumers (1,291 out of 8,956) fed from urban feeders were yet to be metered (September 2022). Resultantly, their energy consumption was not being considered for calculating AP consumption. Analysis of metered AP consumption fed from urban feeders approved by the Commission in the true-up of tariff for the years 2019-20 to 2021-22 revealed that:

- The energy consumption of unmetered AP consumers fed from urban feeders was not being considered for calculating AP consumption. Resultantly, 209.53 lakh units valuing ₹ 11.44 crore could not be included in the AP consumption for 2019-22 due to non-metering leading to revenue loss.
- The Company could not provide complete, accurate and valid meter readings, even for the metered AP consumers fed from urban feeders to support its claimed consumption. The Company could provide only 60 *per cent* to 73 *per cent* of valid meter readings during 2019-22. Resultantly, metered AP consumption of 986.30 lakh units valuing ₹ 52.93 crore was disallowed by the Commission for 2019-22 solely

due to non-maintenance and submission of incomplete, inaccurate and invalid meter readings.

Thus, disallowance of energy consumption in respect of AP consumers fed from urban feeders by the Commission resulted in loss of ₹ 64.37 crore.

(ii) Unfruitful expenditure on metering for assessment of distribution losses

To accurately assess distribution losses for AP feeders, the Commission directed (May 2015) the Company to cover at least five *per cent* of AP feeders under 100 *per cent* metering by December 2015 and to engage an independent agency to collect data of pumped and billed energy to calculate losses of these feeders on regular basis. Subsequently, in a meeting with the Commission, it was decided (October 2016) to install 100 *per cent* meters on one *per cent* pure AP feeders for assessing distribution losses within that year. The Commission had also suggested 55 AP feeders (out of total 5,671 AP feeders) in different zones for above purpose.

However, the Company decided (April 2017) to provide 100 *per cent* metering on 82 AP feeders with estimated expenditure of ₹ 4.37⁸³ crore and completed (January 2018) the work in 76 AP feeders (14,892 connections) (involving expenditure of ₹ 2.88 crore). Since, 100 *per cent* metering on more than one *per cent* pure AP feeders had been completed, the Company decided (June 2018) to initiate tendering process for engaging an independent agency for meter reading to calculate distribution losses on a quarterly basis.

The tendering process to engage an independent agency to take meter readings of 11,143 AP consumers of 60 AP feeders commenced (May 2019) after a lapse of around one year due to non-availability of technical data regarding name of feeders and number of connections, *etc.* The tender enquiry had to be dropped (September 2019) due to poor response of bidders and high rates quoted by the sole bidder. A fresh tender enquiry floated (November 2019) with amended clauses had to be dropped (June 2020) again due to poor response of bidders and it was decided (July 2020) to club the *ibid* work with spot billing of DS/NRS consumers. Two Firms were finally engaged (March 2022) for taking meter readings of 11,143 AP consumers of 60 AP feeders. However, the meter reading work could not be commenced (October 2022) by Firms due to non-providing of complete master data of AP feeders and AP consumers by the Company and it was decided (October 2022) to carry out data collection for five feeders only.

⁸³ 22,575 AP consumers to be metered at the rate of ₹ 1,933.60 each (cost of meter, meter cup board, wires and accessories, *etc.*)

The Commission had also directed (May 2019) the Company to record monthly readings of AP consumers on AP feeders covered under 100 *per cent* metering departmentally till engagement of independent agency and provide loss computation to it. The directive was regularly reiterated in the subsequent tariff orders, but the Company did not provide departmental computation of distribution losses even after a lapse of more than four years of having installed (January 2018) 100 *per cent* meters in 76 feeders.

Audit observed that the Company could not compute distribution losses of AP feeders even after lapse of more than seven years of regular directives of the Commission and despite incurring an expenditure of ₹ 2.88 crore.

(iii) *Non-completion of Automatic Meter Reading of AP feeders*

In order to minimise the error on account of human intervention while recording the pumped energy data of AP feeders, the Commission has been regularly directing the Company since 2013-14, to ensure that Automatic Meter Reading (AMR) meters are installed on all AP feeders and monthly AMR data of all AP feeders is supplied regularly along with feeder-wise sanctioned load of AP consumers. However, the Company could not complete the installation of AMR meters on all AP feeders and ensure regular supply of AMR data of all AP feeders despite repeated directives for last 10 years.

While carrying out the true up⁸⁴ of tariff for the years 2019-20 to 2021-22, the Commission observed that the AMR data was partially available for only about 1,400 to 2,500 AP feeders against a total of about 6,000 to 6,500 AP feeders and did not contain true feeder-wise sanctioned load of AP consumers. Thus, it could not be used for accurately estimating the AP consumption of the State as a whole. Resultantly, the Commission continued with the estimation of the AP consumption on the basis of pumped energy data supplied by the Company.

While finalising (March 2022) the tariff order for the year 2022-23, the Commission again directed the Company to ensure regular and timely availability of monthly AMR data as well as monthly AP ledger data of all AP feeders along with the updated sanctioned load of AP consumers connected to respective feeders, as the same was not commensurate with AP energy for some feeders. The Commission also directed the Company to make the existing AMR system functional within three months and operationalise AMR facility on remaining AP feeders within one year failing which it would be constrained to revisit the methodology for computing AP consumption.

⁸⁴ True Up is the process of reconciling and revising the provisional tariff for a financial year initially based on estimated expenses and income with actual expenses and income based on the audited accounts for the year.

However, instead of improvement, the availability of AMR data had reduced (June 2022) to only 29 feeders out of 6,580 AP feeders.

Thus, the Company could not complete installation and operationalisation of AMR meters on all AP feeders and ensure regular supply of AMR data of all AP feeders despite repeated directives of the Commission.

6.1.2.4 Replacement of electro-mechanical meters

Regulation 4 of Metering Regulations 2006 had provided for all meters to be of static type (electronic) and the meters not complying with *ibid* regulations to be replaced. Accordingly, the Commission had also been regularly directing the Company since 2011-12 to complete replacement of all the electro-mechanical consumer meters with electronic meters which are known for sustained accuracy and anti-tampering features.

Audit observed that 4.37 lakh electro-mechanical consumer meters were yet to be replaced (December 2019) with electronic meters despite a lapse of more than 13 years of the regulations and repeated Commission directives for more than eight years.

In December 2019, the amended Metering Regulations 2019 provided for replacement of existing non-smart meters with smart meters with prepayment feature for which the Government of India (GoI) notified (August 2021) a final timeline of March 2025.

Audit observed that despite *ibid* amendment, the Company kept replacing the electro-mechanical meters with non-smart electronic meters. During January 2020 to September 2022, the Company had replaced 2.10 lakh electro-mechanical meters with non-smart electronic meters by incurring an expenditure of ₹ 13.75⁸⁵ crore which could be avoided by prioritising the replacement of existing electro-mechanical meters directly with smart meters. Thus, continuation of long delayed electro-mechanical meter replacement work with non-smart electronic meters even after change of regulations has resulted in injudicious expenditure of ₹ 13.75 crore.

6.1.2.5 Non-shifting of meters outside consumers premises

Regulation 7 of Metering Regulations 2006 provide for consumer meter to be installed either at the consumer premises or outside the consumer premises. Electricity Supply Instructions Manual 2011 (ESIM) provides that the energy meters of DS, NRS and Small Power connections shall only be installed in Meter Cup Board or pillar boxes on the pole/under the distribution

⁸⁵ Rate of electronic meters taken from purchase order placed during November 2019.

transformers or outer wall of the consumer premises and not inside the consumer premises. The Commission has been regularly directing the Company since 2010-11 to complete the shifting of meters outside consumer premises in a time bound manner so as to reduce the distribution losses.

Audit observed that 4.24 lakh consumer meters were yet (September 2022) to be shifted outside consumer premises despite lapse of more than 11 years, which was not only a violation of ESIM and the Commission directives but was also adversely affecting the reduction in distribution losses.

6.1.2.6 Real time display units

Regulation 7 of Metering Regulations 2006 provides that where the meters are installed outside the consumers' premises, then Real Time Display Unit (RTDU) are required to be provided at the consumers' premises on his request for information of electricity consumption. ESIM 2011 had made the Company responsible for ensuring installation of RTDU in consumers' premises wherever the meters are installed outside the consumers' premises in a time bound manner.

Audit observed that no action to install RTDU in consumers' premises had been taken despite a lapse of more than 11 years which indicates deficiency in consumer services.

Procurement of meters

Central Electricity Authority (CEA) amended (December 2019) Metering Regulations⁸⁶ providing for all new consumer meters to be smart meters with prepayment feature and the existing meters to be replaced with such meters within a specified time frame. The GoI notified (August 2021) a final timeline of March 2025 for *ibid* replacement. The GoI also notified (December 2020) Electricity (Rights of Consumers) Rules, 2020 providing that no connection shall be given without a smart/prepayment meter and any exception shall have to be duly approved by the Commission, which shall record proper justification for the same.

In this connection, Audit observed as follows:

6.1.2.7 Additional expenditure due to delay in procurement of smart energy meters

A tender enquiry for procurement of three lakh single phase smart energy meters was floated (August 2021) in which four Firms participated. After

⁸⁶ CEA (Installation and Operation of Meters) Regulations 2019

sample testing and techno-commercial evaluation of bids, only two Firms were found (March 2022) eligible for price bid opening and a Firm quoting a price of ₹ 5,555 per meter emerged (March 2022) as lowest bidder. In negotiation, the lowest bidder Firm reduced (April 2022) the price to ₹ 5,550 per meter (₹ 5,325.43 per meter without polycarbonate meter box).

In the meantime, Information Technology (IT) wing of the Company had informed (25 April 2022) that procurement of single Meter Data Management⁸⁷ (MDM) was being considered for catering to all conventional AMR systems as well as smart meters. A Committee constituted by the Chairman-cum-Managing Director recommended (May 2022) procurement of single MDM. Resultantly, procurement of smart meters was held up as the tender enquiry had been floated for procurement of meters along with MDM. After, resolving the issue of procuring smart meters without MDM, the Company placed (August 2022) purchase order for three lakh single phase smart energy meters at a price of ₹ 4,975.43 per meter valuing ₹ 149.26 crore on the Firm after a lapse of more than one year from floating of tender. In the meantime, the Company had twice amended⁸⁸ (May/July 2022) existing purchase orders for supply of additional quantity of 3.30 lakh conventional meters⁸⁹ valuing ₹ 22.44 crore citing field requirements and non-finalisation of *ibid* tender enquiry.

Audit observed that due to delay in finalisation of tender enquiry for procurement of single phase smart energy meters, despite smart meters having been made (December 2019) mandatory, the Company incurred additional expenditure of ₹ 22.44 crore on procurement of conventional meters, which would have to be replaced in near future in view of the GoI mandated timelines.

6.1.2.8 Irregular procurement of single-phase static energy meters

A tender enquiry for procurement of 7.50 lakh single phase static energy meters was floated (January 2021) based on the field requirements, minimum inventory requirements and pending supplies against existing purchase orders. Based on lowest negotiated price of ₹ 680 per meter, purchase orders for procurement of four lakh energy meters were placed (October 2021) on three Firms. The purchase orders were later amended (March/May 2022) for procuring additional quantity (20 *per cent* of original ordered quantity) of 80,000 meters in accordance with Purchase Regulations 2017 of the Company. Subsequently, observing critical stock position of single-phase meters, the

⁸⁷ Software that performs long term data storage and management for the vast quantities of data delivered by smart metering system

⁸⁸ Amended after April 2022

⁸⁹ Static intelligent energy meters

Company decided (July/September 2022) to procure 2.70 lakh additional single phase meters from these three Firms by describing the same as unallocated quantity of original tender *i.e.*, tendered quantity of 7.50 lakh meters *minus*: 4.80 lakh procured meters.

Audit observed that the Purchase Regulations provide only for variations in the quantities at tendered rates up to 20 *per cent* of the original order value and there was no provision for allocating additional quantities over and above 20 *per cent* of original order value. Thus, procurement of 2.70 lakh additional meters from these three Firms by describing the same as unallocated quantity of original tender was irregular and resulted in irregular procurement of ₹ 18.36 crore without tendering.

6.1.2.9 Irregular procurement of three-phase bi-directional energy meters

A tender enquiry was floated (July 2021) for procurement of 10,000 three-phase bi-directional consumer energy meters for net metering of grid interactive roof-top solar power plants. Only one Firm out of the three participating Firms met (February 2022) the technical specifications. In view of nil stock position, price bid of sole qualified bidder was opened (February 2022) and after negotiations, purchase order for procurement of 10,000 meters valuing ₹ 2.10 crore was placed (March 2022).

Audit observed that the tender enquiry for procurement of three-phase bi-directional consumer energy meters had been floated after more than 19 months and the purchase order had been placed after more than 27 months from smart meters having been made (December 2019) mandatory. No exception/exemption for procurement of conventional meters, with proper justification for deviation, had been sought/obtained from the Commission. Audit further observed that the final price of single eligible bidder was 17 *per cent* higher from the previous procurement (October 2020). However, despite higher price, usage constraints and mandatory replacement requirements in near future, the Company procured full quantity required over a period of 12 to 15 months. This has resulted in irregular and avoidable expenditure of ₹ 2.10 crore.

6.1.2.10 Delay in finalisation of tender enquiries

The Punjab Transparency in Public Procurement Act, 2019 provides for every procuring entity to pre-determine a reasonable time frame for completion of various stages of procurement process and to endeavor to adhere to such time frame.

The systems, procedures, rules and regulations for purchase of various

items/materials in the Company are contained in its Purchase Regulations. However, no time-limit for finalisation of tenders has been fixed, though Purchase Regulations mandate that all offers received from the bidders are to be valid for a period of at least 120 days.

Scrutiny of 18 tenders floated/finalised during 2021-22 for procurement of various metering equipment revealed that an average of eight months had been taken to finalise procurements valuing ₹ 258.33 crore from the date of Notice Inviting Tender to issuance of purchase order. The time taken to finalise these tenders had ranged from two months to 23 months with 12 tenders taking six months to one year and three tenders taking more than a year. Further, on an average seven months had been taken to finalise procurements from the last date/revised last date of bid submission to issuance of purchase order.

Thus, the Company was taking inordinately long time in finalisation of tenders and could not finalise the purchase proposals within the original validity period of 120 days in most of the cases. The routine delays in finalisation of tenders exposes the Company to risk attached with non-availability of stocks in emergent situations.

6.1.2.11 Maintenance of minimum stock levels

An efficient inventory management requires an organisation to maintain optimum levels of inventory at all times to keep inventory costs at minimum and prevent stock-out which may result in loss of sale. For this purpose, various stock levels *viz.* minimum level, maximum level, re-ordering level, danger level, *etc.* are fixed. The minimum stock level represents the quantity below which the stock should not fall, to ensure that the work of an organisation is not stopped due to shortage of materials.

Energy meter, particularly single-phase energy meter, is the primary inventory item required by Discoms to ensure release of power connections to new consumers and replacement of dead/defective and burnt meter of existing consumers in a timely manner to ensure maximisation of revenue from sale of power.

The minimum stock level of single-phase energy meters had been fixed at 1.10 lakh units. A review of fortnightly stock position of single-phase energy meters during 2021-22 revealed that the stock position during June 2021 to March 2022 had remained low and ranged between 7,991 meters (December 2021) to 81,490 meters (June 2021).

Audit observed that the inventory levels were grossly insufficient for meeting these requirements, indicating insufficient procurement, which was leading to delayed release of connections and replacement of dead/defective and burnt

meters, ultimately resulting in revenue loss to the Company (as discussed in paragraphs 6.1.2.1 and 6.1.2.2).

Compliance and Control Issues

6.1.2.12 Accreditation of metering equipment laboratories

Regulation 17 of Metering Regulations 2006 and Regulation 21 of Supply Code 2014 provided for setting up appropriate number of accredited testing laboratories or utilise services of other accredited testing laboratories and take immediate action to get the accreditations of existing meter testing laboratories from National Accreditation Board for Testing and Calibration Laboratories (NABL). The Commission has also been regularly directing the Company since May 2019 to get accreditation of its existing meter testing labs from NABL.

Audit observed that as on January 2023, the Company had got accreditation for only one metering equipment (ME) laboratory (Jalandhar) out of its 14 ME laboratories spread across Punjab. The process for accreditation of metering equipment laboratories at Patiala and Ludhiana was initiated during 2020-21 and for Amritsar and Bathinda was initiated during 2021-22 but the same were yet to be completed (January 2023) despite a lapse of 17 years of the Regulations. The status/proposal for accreditation of remaining nine laboratories was not on records.

The matter was referred (July 2023) to the State Government and the Company; their replies were awaited (January 2025).

6.1.3 Conclusion

The Company did not adhere to the prescribed time-limits for metering of new connections/replacement of defective/burnt meters in violation of statutory provisions. Energy consumption valuing ₹ 64.37 crore in respect of AP consumers fed from urban feeders was not considered for calculating AP consumption by Punjab State Electricity Regulatory Commission due to unmetered connections/incomplete and invalid meter readings. The Company could not compute distribution losses of AP feeders despite incurring an expenditure of ₹ 2.88 crore. Long delayed replacement of electro-mechanical meters with non-smart electronic meters resulted in injudicious expenditure of ₹ 13.75 crore. The Company incurred avoidable expenditure of ₹ 22.44 crore on procurement of conventional meters, despite mandatory requirement of smart meters. The Company did not maintain minimum stock levels of energy meters.

6.1.4 Recommendations

The Company may:

- adhere to the prescribed time-limits for metering of new connections/replacement of defective/burnt meters; and
- ensure compliance with the directives of the Punjab State Electricity Regulatory Commission with respect to installation of meters at Agricultural Pumpset consumers.

6.2 Avoidable expenditure due to delay in taking over SAP system

Delayed deployment of adequate and trained manpower to take over outsourced work of Facility Management Services of SAP system from the Firm and consequent extensions of the work order resulted into an avoidable expenditure of ₹ 3.23 crore.

Punjab State Power Corporation Limited (Company) awarded (29 April 2010) a work order to M/s SPANCO for implementation of Information Technology (IT) works in 47 towns under the Restructured Accelerated Power Development and Reform Programme (R-APDRP) of Ministry of Power, Government of India. As M/s SPANCO failed to complete the work, the work order was terminated and another work order for completion of the remaining work *i.e.*, closure of open issues and deployment of System Applications and Products (SAP⁹⁰)/Industrial Solution for Utilities (ISU) in all R-APDRP towns was placed (12 June 2014) on M/s Accenture Services Private Limited (The Firm). All the towns covered under the R-APDRP were declared Go-live in April 2015.

The Firm developed the main modules of the SAP-ISU and integrated the same with other modules, however, in view of the non-availability of manpower who could be trained for the requisite skills to monitor and to maintain the application for IT implementation, the Company amended (22 January 2016) the said work order and awarded the work of Facility Management Services (FMS⁹¹) of the SAP-ISU to the Firm for a period of five years *w.e.f.* 01 February 2016 to 31 January 2021 with FMS charges amounting to ₹ 15.43 crore. As per provisions of the amended work order, the Firm was to deploy 9.5 manpower resources in the Company and whenever such resources of the Firm were available, the Company was to utilise its time for internal training of its officials. Besides, the Firm was also required to do

⁹⁰ SAP framework comprises of several modules which covers, for all intents and purposes, in every perspective of Business Administration.

⁹¹ Services which are dedicated to supporting people. It ensures the functionality, comfort, safety, sustainability, and efficiency of the built environment.

knowledge transition of the SAP-ISU application deployed in the Company.

Audit, however, observed that the Company decided to prepare the roadmap for creating in-house IT team to take over the work of FMS from the Firm only in December 2020 *i.e.*, two months before the expiry of the contract. A Committee⁹² constituted (December 2020) by the Company to prepare the roadmap concluded (January 2021) that the complete take over may take at least 9-10 months and would require a team of additional six or seven Assistant Managers, IT. It further recommended (January 2021) to extend the work order by one year and reduce the annual manpower deployed by the Firm from 9.5 to 7.5. In view of the recommendation, the Company extended (29 January 2021) the work order for the period from 01 February 2021 to 31 January 2022 along with reducing manpower resources of the Firm from 9.5 to 7.5.

After expiry of six months from the date of recommendation of the Committee, a team comprising of nine members⁹³ was constituted (July 2021) to take over the SAP work from the Firm by December 2021. The team was strengthened (December 2021) by including three additional officers. However, as the task of SAP takeover from the Firm was not found feasible due to strikes/lockdowns and election duty of the team members, the Company extended (March 2022) the work order by another six months *i.e.*, up to 31 July 2022. In April 2022, the Company further supplemented the SAP takeover team by deputing additional four officials, making the total team strength to 16 members (nine existing officers and seven newly recruited officers). Finally, the team of the Company took over the SAP system from the Firm on 31 July 2022.

Audit observed (December 2022) that though the Company had sufficient timeframe of five years (period of amended work order for FMS) to arrange the required manpower and get them trained for taking over the SAP work from the Firm, it did not take timely action in this regard. Due to delay in deploying the team to take over the SAP related work from the Firm, it had to extend the work order for another 18 months which resulted into avoidable expenditure of ₹ 3.23 crore (₹ 5.03 – ₹ 1.80⁹⁴ crore *i.e.*, FMS charges paid to the Firm for the period February 2021 to July 2022 *minus*: corresponding salary of the employees designated to take over SAP system).

The State Government/Company stated (November 2024/September 2024) that the staff requirement could not be met by the Company from the

⁹² Comprising of Director (Finance), Director (Distribution) and Chief Engineer, Information Technology of the Company

⁹³ Five old and four newly recruited officials of the Company

⁹⁴ Salary of 16 employees designated for taking over SAP

commencement of the SAP FMS work in the year 2016 due to various additional crucial activities being looked after by IT manpower. Besides, taking over the SAP work from M/s Accenture was also affected by the resignation of five Assistant Managers of the IT wing. Further, the SAP system being very complex and not directly taught during university education, new staff requires exhaustive on the job training for handling SAP related work.

The reply was not acceptable as the Company did not utilise the available resources of the Firm for internal training of its officials as a part of knowledge transition process of the SAP-ISU application deployed in the Company. Further, nine out of 16 members of the subsequently constituted SAP takeover team were working with the Company since the year 2012/2016 and the Company had sufficient time frame of five years to constitute a team from its existing IT officers and get these members trained, particularly, when the Firm was handling the SAP/ISU work with manpower of 9.5/7.5 only. Further, of the 28 ITs personnel recruited up to 2016, seven were posted⁹⁵ out of IT wing of the Company. Besides, the Company could have assigned the routine operational activities pertaining to IT to non-IT staff, as was done later (August 2022) by deputing seven officers/officials from accounts/clerical cadre to take over the routine day to day SAP related operational activities of field issues and enable the SAP takeover team to focus on module development work.

Recommendation: The Company may devise a robust governance framework to monitor and ensure training of its staff in relevant field to avoid delays in taking over outsourced works in the overall financial interests of the Company.

6.3 Under billing due to incorrect application of tariff

Non-levy of fixed energy charges in energy bills of a co-generation power plant during the period January 2018 to March 2023 resulted in under billing of ₹ 1.68 crore and interest loss of ₹ 0.57 crore.

Punjab State Power Corporation Limited (Company) had entered (December 2012) into a Power Purchase Agreement (PPA) with a Firm⁹⁶ for purchase of 20 MW surplus power from their 23 MW co-generation power plant established at their sugar mill for a period of 20 years from its date of commissioning (October 2007).

The terms of PPA governing purchase of energy by the generating company

⁹⁵ Office of Director (Distribution) at Patiala: 3 and outside Patiala: 4.

⁹⁶ M/s AB Sugars Limited, New Delhi.

provided that if the generating company *i.e.*, the Firm is also a consumer of the Company, then the agreement setting out the terms and conditions for sale of power by the Company to the Firm will be treated as distinct and separate from this agreement for all intents and purposes *i.e.*, all charges such as advance consumption deposit, service connection charges or any other charges payable by the Firm as a consumer of the Company as per relevant tariff will continue to be paid by it without reference to this agreement during the construction period and the crushing season of co-generation sugar mill. The energy supplied to the Firm during this period as measured on export meter of the Company (import meter of the Firm) is to be billed by the Company at the tariff applicable to Large Supply industrial consumers (General Category) or sale rate of energy generated from the project applicable for that period, whichever is higher.

Punjab State Electricity Regulatory Commission (Commission) had introduced (October 2017) two-part tariff structure comprising of fixed energy charges and variable energy charges for all categories of consumers from January 2018 onwards. In case of consumers covered under contract demand system, the tariff structure provided for levy of fixed charges⁹⁷ apart from variable energy charges. While approving the two-part tariff structure⁹⁸, Commission observed that since the requirement of the load/contract demand for utilisation by the co-generation power plants has to be met by the Company, it has to tie up the power and keep its capacity reserved, for which it has to commit the fixed costs. Therefore, co-generation power plants are also liable to pay the fixed charges for the same to the Company.

Audit observed (March 2023) that the Firm had consumed (imported) 47.58 lakh units of power from the Company's system during January 2018 to March 2023 for which separate energy bills, comprising of variable energy charges alone amounting to ₹ 3.86 crore had been raised and recovered by the Company. Since the Company had not obtained the requirement of the load/contract demand from the Firm, it had not levied the applicable fixed charges.

Thus, non-obtaining of the contract demand from the Firm and consequent non-levy of applicable fixed charges during January 2018 to March 2023 resulted in under billing of the Firm to the extent of ₹ 1.68 crore⁹⁹ and interest loss of ₹ 0.57 crore (up to September 2024) thereon.

The matter was referred (September 2023) to the State Government and the

⁹⁷ Calculated at the rate of 80 *per cent* of the sanctioned contract demand or actual demand recorded during the billing cycle/month, whichever is higher, restricted to sanctioned demand.

⁹⁸ Tariff order for Multi Year Tariff Control Period from 2017-18 to 2019-20.

⁹⁹ Excluding demand surcharge.

Company; their replies were awaited (January 2025).

Recommendation: The Company may ensure billing of its consumers as per tariff structure approved by the Commission to safeguard its financial interests.

6.4 Avoidable interest loss due to unjustified delay in payments

Withholding of principal amount of deferred tax materialisation payments in violation of tariff regulations and without any objections thereagainst resulted in avoidable interest loss of ₹ 6.81 crore.

Punjab State Power Corporation Limited (Company) receives power from NHPC Limited (NHPC) under long term Power Purchase Agreements (PPAs) as per allocations issued by the Ministry of Power, Government of India. The tariff of hydroelectric power stations of NHPC is determined by the Central Electricity Regulatory Commission (CERC) based on applicable tariff regulations issued by it from time to time. Tariff regulations issued by the CERC for control periods 2009-14¹⁰⁰, 2014-19¹⁰¹ and 2019-24¹⁰² provide that the deferred tax liabilities for the period up to 31 March 2009, whenever they materialise, shall be recoverable directly by the generating companies from the beneficiaries and the long-term customers. The tariff regulations for control periods 2009-14¹⁰³, 2014-19¹⁰⁴ and 2019-24¹⁰⁵ also provide for levying Late Payment Surcharge (LPS) at the rate of 1.25 *per cent* to 1.50 *per cent* per month for payments of any bill for charges payable under these regulations delayed beyond a period of 45 to 60 days from the date of billing.

NHPC had raised (June 2018) supplementary bill of ₹ 31.88 crore which included an amount of ₹ 29.59 crore on account of deferred tax up to 31 March 2009 which materialised during 2017-18. This amount of ₹ 29.59 crore comprised of deferred tax materialisation (DTM) of ₹ 19.35 crore *plus*: grossing up of ₹ 10.24 crore. The Company objected (July/August 2018) grossing up of DTM stating that the same was not provided under the tariff regulations and consequently withheld payment of entire bill despite having reservations only over the grossed up amount of ₹ 10.24 crore. Resultantly, NHPC filed (September 2019) a petition¹⁰⁶ before the CERC for adjudication of dispute regarding payment of deferred tax materialised during 2017-18 wherein the Company had raised objections only on the issue of grossing up of DTM. After hearing both the parties, the CERC decided (February 2021) the

¹⁰⁰ Regulation 39 of CERC (Terms and Conditions of Tariff) Regulations, 2009

¹⁰¹ Regulation 49 of CERC (Terms and Conditions of Tariff) Regulations, 2014

¹⁰² Regulation 67 of CERC (Terms and Conditions of Tariff) Regulations, 2019

¹⁰³ Regulation 35 of CERC (Terms and Conditions of Tariff) Regulations, 2009

¹⁰⁴ Regulation 45 of CERC (Terms and Conditions of Tariff) Regulations, 2014

¹⁰⁵ Regulation 59 of CERC (Terms and Conditions of Tariff) Regulations, 2019

¹⁰⁶ Petition no. 294/MP/2019

case in favour of NHPC and allowed its claim of DTM with grossing up. Meanwhile, NHPC had also raised (June 2019/July 2020) supplementary bills of ₹ 23.20 crore and ₹ 17.73 crore on account of deferred tax up to 31 March 2009 which materialised during 2018-19 and 2019-20 respectively. Pending the CERC decision in *ibid* case, these bills, comprising of original DTM of ₹ 26.62 crore *plus* grossing up of ₹ 14.31 crore, had also been withheld in full by the Company.

Based on legal opinion, the Company decided (March 2021) to file an appeal in the Appellate Tribunal for Electricity (APTEL) and release principal amount of DTM without grossing up, which had not been contested, so as to avoid further levy of LPS. Accordingly, an amount of ₹ 45.97 crore representing principal amount of deferred tax materialised during 2017-18 to 2019-20, without grossing up was provisionally paid (April 2021) to NHPC. Subsequently, apprehending accumulation of further LPS owing to delay in decision by the APTEL, the Company provisionally paid (September 2021) balance amount of ₹ 24.54 crore also, representing grossing up of deferred tax materialised during 2017-18 to 2019-20 subject to outcome of appeal filed (June 2021) in the APTEL. After clearance of principal outstanding dues relating to DTM including its grossing up, NHPC requested (October 2021) the Company for payment of LPS. After obtaining (November 2021) legal opinion, LPS amounting to ₹ 24.50 crore on delayed payment of DTM bills of ₹ 70.51 crore (including grossing up) for the years 2017-18 to 2019-20 was also paid (November/December 2021) by the Company at rates ranging from 1.25 *per cent* to 1.50 *per cent* per month.

Audit observed (August 2022) that the decision of the Company to withhold principal amount of DTM bills for the period up to three years when it had objection on the issue of grossing up of DTM only, was neither justified nor financially prudent in view of penal LPS obligations. Consequently, the Company had to incur ₹ 14.94 crore as LPS on principal amount of DTM at interest rates ranging from 15 *per cent* to 18 *per cent per annum* during 2018-21, when the effective rate of interest on working capital of the Company had ranged from 8.01 *per cent* to 10.13 *per cent* only, which resulted in avoidable interest loss of ₹ 6.81 crore.

The State Government/Company in their replies (May 2024/April 2024) stated that the bills were kept pending as the matter was *sub judice* before the CERC and that the deferred tax liability cannot be considered as ascertained liability. The State Government/Management further replied (January 2025/October 2024) that timely payment for the supplementary bills of deferred tax materialisation bills was being made from 2022 onwards, under protest.

The reply was not acceptable since the Company had objection only over the grossing up of amount and not the principal amount of DTM, therefore,

withholding of the entire bill of DTM was not justified and ultimately, the Company had to pay the billed amount along with LPS.

Recommendation: The Company may ensure payment of its undisputed dues in a timely manner to avoid the payment of penal charges thereagainst, in the overall financial interests of the Company.

INDUSTRIES AND COMMERCE DEPARTMENT

Punjab State Industrial Development Corporation Limited

6.5 Undue favour to the collaborator

Non-initiation of action for sale of shares in the market and settling the outstanding dues of the collaborator under One Time Settlement resulted into loss of ₹ 4.21 crore.

Punjab State Industrial Development Corporation Limited (Company) entered (August 1986) into a Financial Collaboration Agreement (FCA) with a collaborator for setting up a unit¹⁰⁷ for the manufacturing of drug intermediates. As per the terms of FCA, the collaborator was bound to buy back the equity shareholding of the Company in the unit after expiry of five years from the date of commencement of commercial production. In case of failure of the collaborator to buy back the shares, the Company was entitled to sell its shareholding in the market at the risk and cost of the collaborator.

Further, as per Clause 35 of the agreement with Collaborator, the agreement becomes null and void if the shareholding of the Company fell below 10 *per cent* at any time. The Company invested (January 1987 to February 1991) ₹ 3.29 crore in the equity of the unit. The unit commenced commercial production in July 1992. Thus, the collaborator was to buy back its share in June 1997. The controlling interest of the unit was transferred (July 1997) from the collaborator to M/s DSM Adeno BV with the knowledge of the Company and the shareholding of the Company and collaborator got reduced to 8.69 *per cent* and 6.34 *per cent* respectively.

The Company could not safeguard its financial interest as its shareholding fell below 10 *per cent* which made FCA null and void as per clause 35. The Company took up (February 1999, January 2000, September 2001 and April 2003) the matter with the collaborator for buy back of shares. The unit was

¹⁰⁷ M/s Alpha Drugs India Limited (merged with M/s Punjab Chemicals and Crop Protection Limited)

later merged (March 2006) with another unit¹⁰⁸ and the Company got 1,22,027 shares in that merged unit. Since the collaborator did not buy back the shares, the Company invoked (December 2007) arbitration clause as per FCA. The Arbitrator decided (September 2011) in favour of the Company but the collaborator challenged the award in the High Court which set aside (December 2016) the award of the Arbitrator. Against this, the Company filed (April 2017) a special leave petition before the Supreme Court which was pending for final disposal. Meanwhile, the State Government announced (December 2021) One Time Settlement Scheme 2021 (OTS) for equity. The collaborator opted for OTS (18 January 2022) offered (December 2021) by the Company and the Company accepted (19 January 2022) the OTS amount of ₹ 14.70¹⁰⁹ crore. Upon receipt of OTS amount (April 2022), the Company transferred (June 2022) the shares to the collaborator.

Audit observed (August 2022) that the shares of the merged unit were quoting at rates above ₹ 1,745 during 31 August 2021 to 15 September 2021 in the National Stock Exchange. Instead of selling its shareholding in the open market, the Company settled the account at OTS amount of ₹ 14.70 crore against recoverable dues of ₹ 45.10 crore (as per the FCA). The rate per share was ₹ 1,550¹¹⁰ as on the date of acceptance of OTS valuing the shareholding of the Company at ₹ 18.91 crore.

Thus, the Company did not safeguard its financial interest and passed on undue favour of ₹ 4.21 crore¹¹¹ to the Collaborator by accepting the settlement in OTS below market value.

The State Government/Company replied (January 2025/November 2023) that the OTS is sacrosanct and its financial interest would be protected. The reply of the Company is not satisfactory as audit has not questioned the OTS but pointed out that the Company has not protected its financial interests by offering OTS to the collaborator instead of selling shares in the market which could have fetched a higher amount than the amount realised in OTS.

Recommendation: The Company may judiciously protect its financial interests while recovering its outstanding dues.

¹⁰⁸ M/s Punjab Chemicals and Crop Protection Limited

¹⁰⁹ Calculated at simple interest rate of 11 per cent per annum and deduction of ₹ 0.16 crore on account of dividend received from the unit during September 2007 to August 2021 as per the terms of the OTS.

¹¹⁰ As on 19 January 2022

¹¹¹ ₹ 18.91 crore (equity shares 1,22,027 * ₹ 1,550 per share) minus ₹ 14.70 crore

Punjab Small Industries and Export Corporation Limited

6.6 Undue favour to an allottee

Disregard of the terms and conditions of the allotment letter resulted in an undue favour to the allottee and a resultant revenue loss of ₹ 71.63 lakh.

Punjab Small Industries and Export Corporation Limited (Company) allots industrial plots on leasehold basis in its industrial estates for setting up industries as per the land allotment policy of the State Government. As per the provisions of the land allotment policy, 2013 which was partially amended in January 2019, after an applicant is declared successful in the bidding process, the concerned developing agency shall issue a regular allotment letter with detailed terms and conditions.

The Company allotted (28 January 2021) an industrial plot measuring 4,333.33 square yards located in SAS Nagar for Information Technology Services to an allottee¹¹² at total cost of ₹ 9.50 crore which was revised to ₹ 9.55 crore based on actual measurement of the plot sold¹¹³. The allottee was required to pay 10 *per cent* of cost of plot as earnest money along with the application, down payment amounting to 15 *per cent* of the cost of plot payable within 30 days of allotment and remaining 75 *per cent* in five yearly equated installments along with interest at the rate of 9.5 *per cent per annum*. If lump sum payment of remaining 75 *per cent* was made within 60 days of allotment, the allottee was entitled to 10 *per cent* rebate. The allotment letter clearly mentioned that the site was to be allotted on “as is where is basis” and the Company was not responsible for leveling of uneven site or removing the structure, if any thereon. The only basis of change in the date of allotment mentioned was in case the basic development works related to allotted plot were completed on a later stage.

The allottee deposited ₹ 95.43 lakh as earnest money and ₹ 1.43 crore towards the down payment in January 2021 and February 2021 respectively within the prescribed time-limit. However, to claim the rebate of 10 *per cent* of the remaining payment, the allottee was required to make the entire balance payment of ₹ 7.16 crore within 60 days (up to 29 March 2021) from the issue of the allotment letter. The allottee after lapse of 42 days from date of allotment requested (12 March 2021) the Company to remove grown up trees from the site. It was also informed that no payment of the interest or penal interest on the balance payment of the plot would be made till the site was free from all types of encumbrances. In the meantime, allottee took possession of

¹¹² M/s Mohali Techspace later M/s A.S. Enterprises.

¹¹³ Actual measurement of plot was 4,355 square yards.

the plot on 27 April 2021 by signing on the possession certificate which mentioned that there was no encroachment on the plot and four trees were standing on the front side of the plot.

The Company considered (May 2021) the request of the allottee by referring to the internal guidelines¹¹⁴ (August 2003) and directed its Horticulture wing to remove the trees by 30 May 2021. The Company intimated (11 May 2021) to the allottee that the period from 28 January 2021 to 30 May 2021 was to be treated as zero period for all intents and purposes *i.e.*, any interest, penal interest *etc.* shall not be charged. Further, the allottee was allowed to deposit the balance 75 *per cent* of the cost of plot in lumpsum on or before 30 May 2021. The allottee made the payment of ₹ 6.46 crore after availing the rebate of ₹ 71.63 lakh¹¹⁵ on 28 May 2021.

Audit observed (July 2023) that relaxation in the clearly mentioned condition of “as is where is basis” of allotment letter was granted on the basis of the guidelines issued twenty years ago by the then Managing Director. It is pertinent to mention that these guidelines were neither approved by the Board of Directors of the Company nor by the State Government. Moreover, there is no mention of existence of trees to be considered as lack of encumbrance free land in the said guidelines. Audit further observed (November 2024) that the Horticulture wing has not taken any action to cut the trees which were the very basis to allow the relaxation in payment terms and allowing rebate.

Thus, treating the period from 28 January 2021 to 30 May 2021 as zero period for all intents and purposes by disregarding the terms of the allotment letter resulted in undue favour to the allottee and loss of revenue amounting to ₹ 71.63 lakh to the Company.

The matter was referred (March 2024) to the State Government and the Company; their reply was awaited (January 2025).

Recommendation: It is recommended that the Company may ensure compliance with all the terms and conditions of the allotment letter so as to safeguard the financial interest of the Company.

¹¹⁴ Approved by Managing Director of that time stating that in cases where Company could not provide the clear possession of the plot due to the operation of the stay by the Court/encroachment/encumbrances/dispute *etc.*, the contentious period was to be treated as zero period for all intent and purposes.

¹¹⁵ Total value of plot after increase in area = ₹ 9,55,13,860
75 *per cent* of the total value (after depositing 10 *per cent* earnest money and 15 *per cent* down payment) = ₹ 7,16,35,395. Therefore, rebate of 10 *per cent* = ₹ 71,63,539.50

**FOOD, CIVIL SUPPLIES AND CONSUMER AFFAIRS
DEPARTMENT**

Punjab State Grains Procurement Corporation Limited

6.7 Loss of interest due to avoidable deductions from subsidy claims

The Company could not prepare annual accounts for the years 2018-19 to 2022-23 and submit the same along with the supporting documents for claiming the provisional subsidy from the Government of India. This resulted in avoidable deduction of ₹ 94.79 crore from the provisional subsidy claims by the Government of India and consequential interest loss of ₹ 8.05 crore to the Company.

The Government of India (GoI) enacted the National Food Security Act (NFSA), 2013 to provide food and nutritional security to identified households by ensuring access to adequate quantity of quality food at affordable prices. Punjab State Grains Procurement Corporation Limited (Company) was nodal agency in the State of Punjab for procuring food grains for NFSA and distributing it under the decentralised procurement (DCP) to the beneficiaries at the rate of ₹ two per kg through Fair Price Shops. The GoI fixes provisional rates of incidentals¹¹⁶ of wheat *i.e.*, Rabi Marketing Season (RMS) for DCP of each crop year separately. Based on these provisional rates, the Company claims the provisional subsidy on account of differential amount *i.e.*, cost of incidentals fixed by the GoI less ₹ two per kg received from the beneficiaries on the basis of delivery of wheat on quarterly basis from the GoI.

The GoI while considering (24 February 2020) the long delay in submission of the annual audited accounts (including supporting documents) and non-adherence to the timeliness by some of the State Governments, withheld a part of provisional subsidy for long defaulting States *w.e.f.* 31 March 2021 and stated that the States which failed to submit the annual accounts beyond five years, five *per cent* of the admissible provisional subsidy in the 6th year and further by two *per cent per annum* would be deducted. The withheld subsidy would be released only at the time of settlement of final subsidy of the concerned year. The GoI further stated (December 2021 and May 2022) that the State Government should send its claims for final rates of incidentals along with accounts audited by the auditors appointed by the Comptroller and Auditor General of India (CAG) and documentary proof as well as detailed justification for each item at the earliest after the end of the season and in any

¹¹⁶ Several items of expenditure on procurement/distribution are called procurement incidentals such as statutory charges, Dami/Arthia Commission, Mandi Labour charges, cost of new gunny/HDPE bags, Transportation charges, Custody and Maintenance charges, Interest charges and Handling/Forwarding charges.

case not later than 12 months from the end of the financial year in which the season was ended.

The Company has finalised (January 2020) its annual accounts only up to the year 2017-18 and annual accounts for the years 2018-19 to 2022-23 have not been finalised despite appointment (October 2018 to September 2022) of the statutory auditors for the years 2018-19 to 2022-23 by the CAG.

Audit observed (July 2023) that while making payment of provisional subsidy for the period April 2021 to December 2021 and April 2022 to December 2022, the GoI deducted ₹ 47.39 crore (March 2022) and ₹ 47.40 crore (March 2023) respectively on account of five *per cent* on gross amount of subsidy claim raised by the Company due to non-submission of annual accounts/supporting documents as per the *ibid* instruction of the GoI. Records produced to Audit revealed that the Company submitted the Balance Sheet and supporting documents pertaining to the crop year 2014-15 and 2015-16 as late as in April 2020 and the requisite annual audited accounts/documents for crop year 2016-17 onwards were not sent to the GoI.

Thus, lapse on the part of the Company to submit annual audited accounts/supporting documents resulted in avoidable deduction of ₹ 94.79¹¹⁷ crore from the provisional subsidy claims from the GoI and consequential interest loss of ₹ 8.05 crore¹¹⁸ to the Company.

The matter was referred (October 2023) to the State Government and the Company; their reply was awaited (January 2025).

Recommendation: The Company may ensure timely finalisation and submission of annual audited accounts and supporting documents in compliance of the instructions of the GoI so as to avoid any deductions from subsidy claims by the GoI.

¹¹⁷ ₹ 94.79 crore (₹ 47.39 crore and ₹ 47.40 crore deducted as per subsidy release order dated 21 March 2022 and 28 March 2023 of the GoI respectively).

¹¹⁸ ₹ 8.05 crore (₹ 5.75 crore calculated conservatively at simple interest rate of 7.28 *per cent* on ₹ 47.39 crore for 20 months *i.e.*, April 2022 to November 2023 and ₹ 2.30 crore at 7.28 *per cent* on ₹ 47.40 crore for eight months *i.e.*, April 2023 to November 2023 availed on cash credit limit).

AGRICULTURE AND FARMER'S WELFARE DEPARTMENT

Punjab Agro Industries Corporation Limited

6.8 Implementation of Mega Food Park Scheme

The Detailed Project Report prepared by the Company was deficient as it did not include some of the facilities/services mandated by statute and under planned the required capacities. The land selected for Primary Processing Centre, Amritsar was unsuitable which increased the cost. Extension fees of ₹ 0.90 crore from allottees of the Mega Food Park was still pending and the silos were not lent out. Due to delayed implementation of the project, the Company could not avail maximum grant-in-aid from the Government of India and was also got penalised.

6.8.1 Introduction

Punjab Agro Industries Corporation Limited (Company) submitted expression of interest (July 2014) to set up a Mega Food Park (MFP), under MFP Scheme (February 2014) of the Ministry of Food Processing Industries (MoFPI), Government of India (GoI). MoFPI granted the in-principle approval for establishment of MFP in March 2015. The objective of the Scheme was to facilitate the establishment of a strong food processing industry backed by an efficient supply chain, which included Central Processing Centre (CPC), Primary Processing Centres (PPCs) and Collection Centres (CCs). The CPC was to be equipped with state of art infrastructure for setting up food processing units and PPC was to cater to the raw material requirements of the industrial units situated in CPC. Planning and Execution Committee¹¹⁹ was to oversee and monitor the project.

The Company submitted (July 2015) Detailed Project Report (DPR) to establish a MFP comprising of one CPC (at Ladhawal, Ludhiana) and four PPCs (at Amritsar, Hoshiarpur, Talwandi Sabo and Abohar) under the Scheme. The GoI granted final approval of the Scheme in November 2015 with approved project cost of ₹ 117.61 crore. The Scheme was to provide a capital grant by MoFPI, at the rate of 50 *per cent* of the eligible project cost (EPC) in general areas and at the rate of 75 *per cent* of EPC in difficult and hilly areas¹²⁰ subject to a maximum of ₹ 50 crore per project. EPC included total project cost excluding cost of land, pre-operative expenses and margin money for working capital. However, interest during construction as part of preoperative expenses and fee to Project Management Consultant (PMC) up to

¹¹⁹ Set up in September 2014 comprising Finance Commissioner (Development), Secretary Food Processing, Managing Director of the Company, Chief Engineer Public Works Department (Building and Roads), Chief Environmental Engineer, Punjab Pollution Control Board *etc.*

¹²⁰ North East Region including Sikkim, Jammu and Kashmir, Himachal Pradesh, Uttarakhand and ITDP notified areas of the States

two *per cent* of the approved grant was to be considered under eligible project cost.

The time schedule for completion and operationalisation of project as intimated by MoFPI was 30 months from the date of final approval of the project. As the final approval was received from MoFPI on 27 November 2015, the stipulated date of completion of project was May 2018. However, the financial closure of the project was still awaited (November 2024). An expenditure of ₹ 129.46 crore¹²¹ had been incurred on the project (March 2023).

6.8.2 Audit Findings

The Scheme, implemented by the Company was reviewed (June 2023 to August 2023). Audit findings are discussed below:

6.8.2.1 Planning

Preparing an accurate and realistic DPR, after conducting detailed feasibility studies and survey of proposed project sites is the critical requirement at planning stage to ensure successful implementation of projects. Geo-technical investigation for a construction project needs to be undertaken with adequate understanding of the local and regional environment as it significantly impacts the design, construction, and operation of the project.

6.8.2.2 Claim and receipt of grant-in-aid under the MFP Scheme

As per the conditions of the “In Principal Approval” to the Company to establish a MFP, a PMC was to be appointed and DPR for the project to be submitted to MoFPI for Final Approval. The DPR was also to include contour survey reports and plan/map of proposed land, site analysis for elements like soil analysis, flood history and onsite features for realistic cost estimates of the project.

Accordingly, the Company appointed a PMC¹²² and a DPR was submitted (July 2015) for establishment of MFP. The DPR was approved for a project cost of ₹ 117.61 crore with eligible project cost of ₹ 101.90 crore. Based on this DPR, final approval was given (November 2015) by MoFPI. But, due to various changes made during the implementation of the project, a revised DPR (April 2022) of ₹ 112.80 crore was sent to MoFPI for approval. The MoFPI approved (August 2022) the revised DPR with eligible project cost at ₹ 75.46 crore. Hence, Grant-in-Aid (GIA) of ₹ 37.73 crore (50 *per cent* of eligible project cost) was admissible.

¹²¹ Including expenditure on operation and maintenance of MFP
¹²² M/s Grant Thornton India LLP (GT)

Audit observed (August 2023) that several components, though mandatory as per statutory requirements, were either left out from DPR or were not planned correctly in the original DPR. Due to these deficiencies in DPR, MoFPI rejected the claims of these components/revised capacities in revised DPR, and the Company could not avail the maximum benefit of GIA from GoI. However, no penalty thereagainst has been deducted from the bills of the PMC. Later on, these components were added/capacity increased by the Company at its own cost. The list of the works left out in the original DPR or wherein the capacities were not properly assessed is given in *Appendix 6.3*. Thus, deficient DPR led to the Company not being able to avail benefit of additional GIA from MoFPI to the extent of ₹ 4.46 crore.

The State Government/Management stated (February/August 2024) that reduction in the grant was due to receiving of lesser tender rates and deleting of a few components. The reply was not acceptable as the Company would have received additional grant had it included the statutory required components/correct capacities in the original DPR.

6.8.2.3 Selection of unsuitable land for Primary Processing Centre, Amritsar

As per the Scheme, the Implementing Agency was responsible to procure/purchase land and ensure external infrastructure linkages for the project. The Company approached (November 2016) the State Government for allotment of four acres of land lying at Verka Road for setting up PPC at Amritsar and took possession in July 2017. The PMC in their report (May 2018) stated that this land was about 15 feet below the service road of national highway due to which water used to get collected at the backside of the site. A portion of the site also had deposition of fly ash, garbage and *malba*. The soil bearing capacity of the land was very low as it contained deposition of fly ash, silt, *etc.* It recommended an alternate site and if that was not feasible, it advised soil compaction with good earth with an extra expenditure of up to ₹ four crore.

Audit observed (August 2023) that the Company did not conduct any survey of the proposed land for establishment of PPC before approaching the State Government. It was proposed (June 2018) to drop the project and to appraise the facts before the Planning and Execution Committee in their next meeting. The State Government asked (June 2018) the Company to fix responsibility for selection of unsuitable site. This matter was, however, neither brought before the Planning and Execution Committee nor any enquiry was conducted by the Company. The Company, however, went ahead with the project and took possession of the land for PPC (July 2017) and construction of the PPC was completed in April 2021. An expenditure of ₹ 8.26 crore was incurred (August 2023) on PPC, Amritsar and selection of unsuitable land was one of

the main reasons for huge increase of ₹ 4.88¹²³ crore in the cost of PPC.

Audit further observed (August 2023) that no metalled/*Pucca* road was available between PPC and the nearby national highway. The Company had applied multiple times (June 2021, April 2022) to the National Highways Authority of India (NHAI) for issuance of a “No Objection Certificate” (NOC) for laying of service road for getting access to national highway. However, the requests were rejected (June 2022, November 2022) by NHAI on the ground that the proposed entry/exit approach road of the PPC was not as per guidelines issued by the Ministry of Road Transport and Highway. This caused inconvenience due to non-availability of the approach road.



(Picture-1: Non-availability of pucca road between NH and PPC, Amritsar (25 July 2023))

The State Government/Management stated (February/August 2024) that the land was provided by the State Government and the Company had no role in allocation of land and it was the most sought after PPC among all the PPCs of Food Park. Further, the survey could be conducted only after possession of land given by the State Government.

The reply was not satisfactory as it contradicts the earlier stance of the State Government where it was admitted that the land was unsuitable and therefore, the Company was directed to fix the responsibility of official concerned for selecting unsuitable land.

6.8.3 Execution of works

6.8.3.1 Delay in completion of works

The Company decided (February 2016) to carry out the civil works of MFP through Public Works Department (Building and Roads) (PWD-B&R) on “deposit work” basis. However, the Company did not enter into a formal arrangement with PWD-B&R defining the timeframe for completion of various works and instead adopted the timelines of works as conveyed by the PWD-B&R. The copies of detailed notice inviting tenders and work orders

¹²³ as actual cost arrived at ₹ 8.26 crore against the estimated cost of ₹ 3.38 crore.

issued by PWD-B&R to contractors for works were not made available to audit.

Audit observed (August 2023) that there was delays in completion of works, ranging from seven to 26 months, against the scheduled date of completion set by the execution agency. Reasons of delay were change in foundation designs of piles due to poor bearing capacity of the soil, delay in approval of plan of site, increase in scope of the works, late possession of site and change in approved plan at the later stage *etc.* Also, the issues of the land free of any charge and encroachment, were not addressed properly before starting the works. Thus, improper planning led to delayed execution of works which delayed realisation of envisaged benefits from the project.

The State Government/Management stated (February/August 2024) that MoFPI had given the time up to November 2019 for completion of MFP and all the works (except a few) had been completed till then. So, there was no delay in work. Further, if the Company would have installed these components without looking at the demand, the machinery would have been deteriorated besides the blockade of funds.

The reply is not tenable as MoFPI had given time up to November 2019 but the MFP was still not complete as of March 2024.

6.8.3.2 Recovery of extension fees from allottees in MFP

Scrutiny of records related to the allottees of industrial plots in CPC Ladhwal, revealed that only seven units out of 19 allotted units were made operational (December 2023) which showed a very slow progress in achieving the objectives of setting up the MFP. Due to not taking effective steps for implementation of project within one year from the date of issuance of Letter of Intent (LOI) and commencement of commercial production within a period of three years, an extension fee of ₹ 1.92 crore was recoverable from nine allottees of MFP as per conditions of LOI. However, notices for deposit of extension fee were issued with a lapse of 10 to 67 months from the due date of deposit of extension fees which shows lackadaisical approach of the Company.

The State Government/Management stated (February/August 2024) that on the basis of request of allottees for relaxation due to COVID-19 and delay by MoFPI for approval of their cases for subsidy under SAMPADA¹²⁴ scheme, case was sent to the State Government for issuance of notification.

The State Government had issued (March 2024) notification to change the

¹²⁴ Pradhan Mantri Kisan Sampada Yojana

clause of allotment policy which will give relief to the allottees and waived off the interest for the period 01 March 2020 to 31 August 2020 on account of COVID-19 resulting into recoverable amount of ₹ 0.90 crore. Audit noticed that extension fees of ₹ 0.90 crore had not been recovered so far.

6.8.3.3 Non-utilisation of silos

The Company floated (January 2021) an e-tender to lease out two silos constructed at CPC, Ludhiana. The tenders were opened (03 February 2021) and the highest bid (H-1) received¹²⁵ was ₹ 1.80 lakh per month (excluding GST and other taxes) for a contract period of five years. But, instead of issuing the acceptance letter to H-1 bidder, the Company decided to lease out these silos to MARKFED, being a government agency. Later on, MARKFED refused to take silos on lease. The Company then asked H-1 bidder to take possession of silos but H-1 bidder also refused (August 2021) as the Rabi Marketing Season was over. This led to non-utilisation of silos for the last 39 months and loss of opportunity to earn rental income of ₹ 70.20¹²⁶ lakh.

The State Government/Management stated (February/August 2024) that worldwide storage of foodgrains in silos was the latest and most scientific technology and Food Corporation of India had floated tenders to install silos at 66 locations. The *ibid* silos were rented out (June 2024) by the Company to a private party.

The reply was not tenable as audit has not raised the issue of the utility of silos but underscored the delay on the part of the Company in leasing these silos.

6.8.3.4 Penalties due to non-fulfillment of preconditions

The time-schedule for completion and operationalisation of project was 30 months from the date of final approval of the project (November 2015). MoFPI prescribed timeline for release of GIA in four installments and each installment of GIA was to be released on fulfillment of the precondition prescribed in the MFP guidelines.

Table 6.1 shows the eligible grants, grants released by the GoI, date of release of grants and penalty deducted/non-release of grants.

¹²⁵ M/s Total Shipping Group

¹²⁶ ₹ 1.80 lakh for 39 months *i.e.*, from March 2021 to May 2024

Table 6.1: Details of grants

(₹ in crore)

| Installments of grants | Details of grants | | | | Penalty | |
|-------------------------------|---------------------|-------------------|--------------|---------------------|-------------|---|
| | Due date of release | Date of release | Eligible | Released by GoI | Deducted | Reasons for deduction/non-release of grant |
| 1st installment (30 per cent) | 27 May 2016 | 23 August 2016 | 15.00 | 15.00 | Nil | Not applicable |
| 2nd installment (30 per cent) | 27 January 2017 | 27 September 2017 | 15.00 | 14.23 | 0.77 | The Company could not submit documents related to title of land for PPC Amritsar and PPC Talwandi Saboo |
| 3rd Installment (20 per cent) | 27 September 2017 | 30 September 2019 | 10.00 | 8.39 ¹²⁷ | 1.00 | The Company could not submit the proof of expenditure/proof of allotment of at least 25 per cent of total allottable plots. |
| 4th Installment (20 per cent) | 27 May 2018 | Not released | 10.00 | 0.00 | NA | The Company could not submit the proof of expenditure/proof of allotment of at least 75 per cent of total allottable plots. |
| Total | | | 50.00 | 37.62 | 1.77 | |

Source: Information provided by the Company

The MoFPI had prescribed penalty of one per cent of quantum of installment of GIA for each month of delay with maximum limit of 10 per cent in case of non-adherence of timeline. The first installment amounting to ₹ 15 crore was released by MoFPI on 23 August 2016 and next three installments were to be released as per the time schedule and conditions stipulated in MFP Scheme.

Audit observed the following:

- The second installment of GIA was due on 27 January 2017 and one of the pre-conditions for release of second installment was to submit the document related to possession of land in respect of all the PPCs. However, the Company could not submit documents related to title of

¹²⁷

₹ 61 lakh deducted as interest on unspent balance of grant.

land for PPC at Amritsar and Talwandi Sabo before the due date of release of second installment. Due to this, the MoFPI released (September 2017) second installment of GIA of ₹ 14.23 crore against the due amount of ₹ 15 crore resulting in deduction of penalty of ₹ 0.77 crore.

- The third installment of GIA was due on 27 September 2017. However, due to non-compliance with the conditions of MFP guidelines 2014 for release of third installment viz. proof of expenditure of at least 40 per cent of total proposed cost for PPC as per approved DPR and proof of allotment of at least 25 per cent of total allottable plots, MoFPI deducted ₹ one crore on account of penalty and released (September 2019) an amount of ₹ 8.39 crore as third installment against the due amount of ₹ 10 crore.
- The fourth installment of GIA of ₹ 0.11¹²⁸ crore, has not been released so far due to non-compliance of conditions for release viz. allotment of at least 75 per cent of total allottable plots, proof of expenditure of 100 per cent envisaged contribution of the Company including term loan and equity and certificate from PMC confirming completion of the project as per approval.

The State Government/Management replied (August 2024) that the Company has used its own funds to develop MFP and deductions by MoFPI were regularly apprised to its Board of Directors.

The reply was not acceptable as the GoI had made deduction from GIA due to non-fulfillment of preconditions.

6.8.4 Conclusion

The Detailed Project Report prepared by the Company was deficient as it did not include some of the facilities/services mandated by the Statute and also underestimated the required capacities. The land selected for Primary Processing Centre, Amritsar was unsuitable which became one of the reasons for huge increase of ₹ 4.88 crore in the cost. Further, the Company was yet to recover extension fees of ₹ 0.90 crore from allottees of the Mega Food Park and could not lease out the silos. Besides, due to delay in implementation of the project, the Company could not avail maximum Grant in Aid from the Government of India and was also got penalised.

¹²⁸ As Ministry of Food Processing Industries, Government of India revised the eligible project cost at ₹ 75.46 crore in August 2022, the eligible grant-in-aid was ₹ 37.73 crore out of which ₹ 37.62 crore already received.

6.8.5 Recommendations

The Company may:

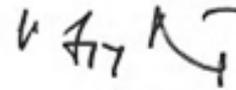
- strengthen its system of preparation of DPR so as to plan and implement the future projects more realistically.
- devise a plan to allot remaining plots in the Mega Food Park so that the infrastructure may be optimally utilised and envisaged benefits of the project may be realised.



Chandigarh
The 26 June 2025

(NAZLI J. SHAYIN)
Principal Accountant General (Audit), Punjab

Countersigned



New Delhi
The 11 July 2025

(K. SANJAY MURTHY)
Comptroller and Auditor General of India

Appendices

Appendix 2.1*(Referred to in paragraph 2.1)***List of State Public Sector Enterprises**

| Sr. No. | State Public Sector Enterprises | Remarks |
|--|---|----------------------------|
| Power Sector SPSEs | | |
| 1. | Gidderbaha Power Limited | Working |
| 2. | Punjab Genco Limited | Working |
| 3. | Punjab State Power Corporation Limited | Working |
| 4. | Punjab Thermal Generation Limited | Working |
| 5. | Punjab State Transmission Corporation Limited | Working |
| Agriculture and Allied Sector SPSEs | | |
| 6. | Punjab State Grains Procurement Corporation Limited | Working |
| 7. | Punjab State Civil Supplies Corporation Limited | Working |
| 8. | Punjab State Warehousing Corporation | Working |
| 9. | Punjab Agro Foodgrains Corporation Limited | Working |
| 10. | Punjab Agro Industries Corporation Limited | Working |
| 11. | Punjab State Seeds Corporation Limited | Working |
| 12. | Punjab Agri Export Corporation Limited | Working |
| 13. | Punjab State Container and Warehousing Corporation Limited | Working |
| 14. | Punjab State Forest Development Corporation Limited | Working |
| 15. | Punjab Water Resources Management and Development Corporation Limited | Working |
| 16. | Punjab Land Development and Reclamation Corporation Limited | Inactive |
| 17. | Punjab Poultry Development Corporation Limited | Inactive |
| 18. | Punjab Micro Nutrients Limited | Inactive-under liquidation |
| Other SPSEs | | |
| 19. | Gulmohar Tourist Complex (Holiday Home) Limited | Working |
| 20. | Punjab Police Security Corporation Limited | Working |
| 21. | Punjab State Bus Stand Management Company Limited | Working |
| 22. | Punjab Tourism Development Corporation Limited | Working |
| 23. | Punjab State Biotech Corporation (Mohali Biotechnology Park) | Working |
| 24. | PEPSU Road Transport Corporation | Working |
| 25. | Punjab Small Industries and Export Corporation Limited | Working |
| 26. | Punjab Information and Communication Technology Corporation Limited | Working |

| Sr. No. | State Public Sector Enterprises | Remarks |
|----------------|---|----------------------------|
| 27. | Punjab Police Housing Corporation Limited | Working |
| 28. | Amritsar Smart City Limited | Working |
| 29. | Jalandhar Smart City Limited | Working |
| 30. | Ludhiana Smart City Limited | Working |
| 31. | Punjab Municipal Infrastructure Development Company | Working |
| 32. | Punjab Communications Limited | Working |
| 33. | Punjab State Industrial Development Corporation Limited | Working |
| 34. | Punjab Financial Corporation | Working |
| 35. | Punjab Scheduled Castes Land Development and Finance Corporation | Working |
| 36. | Punjab Rural Water Utility | Working |
| 37. | Punjab Venture Capital Limited | Inactive |
| 38. | Punjab Venture Investors Trust Limited | Inactive |
| 39. | Punjab Film and News Corporation Limited | Inactive |
| 40. | Amritsar Hotel Limited | Inactive |
| 41. | Neem Chameli Tourist Complex Limited | Inactive |
| 42. | Punjab State Handloom and Textile Development Corporation Limited | Inactive |
| 43. | Punjab State Hosiery and Knitwear Development Corporation Limited | Inactive |
| 44. | Punjab State Leather Development Corporation Limited | Inactive |
| 45. | Punjab Recorders Limited | Inactive |
| 46. | Punjab Footwears Limited | Inactive |
| 47. | Electronic Systems Punjab Limited | Inactive-under liquidation |
| 48. | Punjab Bio-Medical Equipments Limited | Inactive-under liquidation |
| 49. | Punjab Power Packs Limited | Inactive-under liquidation |

Source: Information provided by SPSEs

Appendix 2.2

(Referred to in paragraph 2.1 and 2.3.1)

Summarised financial position and working results of Government Companies and Statutory Corporations
as per their latest finalised accounts as on 30 September 2023(*₹ in crore*)

| Sr. No. | Name of SPSE | Period of accounts | Paid-up capital | Long-term Loans | Net profit/loss before interest and tax | Net profit/loss after interest and tax | Turnover | Net worth | Capital employed | Accumulated profit (+)/ Loss (-) | Total Assets |
|--|---|--------------------|------------------|------------------|---|--|------------------|--------------------|------------------|----------------------------------|------------------|
| A Power Sector SPSEs | | | | | | | | | | | |
| 1 | Gidderbaha Power Limited | 2022-23 | 0.05 | 12.03 | (-) 0.01 | (-)0.01 | D | (-)0.01 | 12.02 | (-)0.06 | 12.32 |
| 2 | Punjab Genco Limited | 2021-22 | 22.90 | 0.00 | 0.27 | 0.13 | 6.79 | 151.38 | 151.38 | 128.48 | 193.66 |
| 3 | Punjab State Power Corporation Limited | 2022-23 | 21,709.73 | 12,851.77 | (-) 3,422.10 | (-)4,775.93 | 37,490.92 | 11,309.82 | 24,161.59 | (-)10,419.99 | 58,430.80 |
| 4 | Punjab Thermal Generation Limited | 2022-23 | 0.05 | 0.00 | (-) 0.005 | (-)0.005 | D | 0.00 | 0.00 | (-)0.05 | 0.01 |
| 5 | Punjab State Transmission Corporation Limited | 2022-23 | 605.88 | 3,771.01 | 446.88 | 100.90 | 1,594.43 | 1,289.42 | 5,060.43 | 681.54 | 8,171.60 |
| | Total A | | 22,338.61 | 16,634.81 | (-) 2,974.97 | (-)4,674.92 | 39,092.14 | 12,750.61 | 29,385.42 | (-)9,610.08 | 66,808.39 |
| B Agriculture and Allied Sector SPSEs | | | | | | | | | | | |
| 6 | Punjab State Grains Procurement Corporation Limited | 2017-18 | 1.05 | 6,873.58 | (-) 224.05 | (-)224.05 | 15,587.31 | (-)3,720.86 | 3,152.72 | (-)3,721.91 | 9,416.98 |
| 7 | Punjab State Civil Supplies Corporation Limited | 2019-20 | 3.73 | 0.00 | 841.41 | (-)28.48 | 10,386.18 | (-)2,010.31 | (-)2,010.31 | (-)2,014.04 | 17,422.03 |
| 8 | Punjab State Warehousing Corporation | 2019-20 | 8.00 | 7,798.47 | 163.67 | 163.02 | 6,656.93 | (-)334.98 | 7,463.49 | (-)369.46 | 8,604.05 |
| 9 | Punjab Agro Foodgrains Corporation Limited | 2021-22 | 5.00 | 5,981.21 | 38.52 | (-)49.90 | 414.24 | (-)1,156.50 | 4,824.71 | (-)1,161.50 | 5,792.24 |
| 10 | Punjab Agro Industries Corporation Limited | 2021-22 | 49.21 | 3.08 | 2.82 | 2.01 | 121.23 | 68.82 | 71.90 | 19.61 | 225.02 |
| 11 | Punjab State Forest Development Corporation Limited | 2021-22 | 0.25 | 0.00 | 1.06 | 0.78 | 35.36 | 63.01 | 63.01 | 58.57 | 148.57 |
| 12 | Punjab State Seeds Corporation Limited | 2021-22 | 5.62 | 0.00 | (-) 2.86 | (-)2.85 | 18.02 | 11.60 | 11.60 | 5.98 | 30.79 |
| 13 | Punjab Water Resources Management and Development Corporation Limited | 2021-22 | 300.00 | 229.46 | (-) 6.36 | (-)6.36 | 0.00 | 71.36 | 300.82 | (-)228.64 | 434.04 |
| 14 | Punjab Agri Export Corporation Limited | 2021-22 | 5.00 | 0.00 | (-) 6.78 | (-)6.19 | 8.68 | 42.50 | 42.50 | 37.50 | 130.59 |
| 15 | Punjab Agro Juices Limited | 2021-22 | 50.00 | 30.00 | (-) 5.03 | (-)5.05 | 16.69 | (-)25.01 | 4.99 | (-)75.01 | 45.86 |
| 16 | Punjab State Container and Warehousing Corporation Limited | 2021-22 | 25.00 | 0.00 | 16.97 | 12.12 | 31.40 | 209.31 | 209.31 | 184.31 | 215.67 |
| | Total B | | 452.86 | 20,915.80 | 819.37 | (-)144.95 | 33,276.04 | (-)6,781.06 | 14,134.74 | (-)7,264.59 | 42,465.84 |

Compliance Audit Report on SPSEs for the period ended March 2023

| Sr. No. | Name of SPSE | Period of accounts | Paid-up capital | Long-term Loans | Net profit/loss before interest and tax | Net profit/loss after interest and tax | Turnover | Net worth | Capital employed | Accumulated profit (+)/ Loss (-) | Total Assets |
|----------|---|-----------------------------|------------------|------------------|---|--|------------------|------------------|------------------|----------------------------------|--------------------|
| C | Other SPSEs | | | | | | | | | | |
| 17 | Punjab Small Industries and Export Corporation Limited | 2020-21 | 50.01 | 0.00 | 38.91 | 29.09 | 159.98 | 429.71 | 429.71 | 379.70 | 1,026.05 |
| 18 | Gulmohar Tourist Complex (Holiday Home) Limited | 2019-20 | 0.02 | 1.04 | (-) 0.27 | (-)0.27 | 0.01 | (-)5.46 | (-)4.42 | (-)5.48 | 2.07 |
| 19 | Punjab Information and Communication Technology Corporation Limited | 2021-22 | 19.23 | 0.00 | 5.02 | 3.99 | 11.99 | 50.94 | 50.94 | 31.71 | 116.42 |
| 20 | Punjab Police Security Corporation Limited | 2021-22 | 0.05 | 0.00 | B | B | B | 0.05 | 0.05 | B | 0.14 |
| 21 | Punjab State Bus Stand Management Company Limited | 2015-16 | 56.15 | 22.13 | 13.07 | 7.91 | 455.89 | 78.40 | 100.53 | 22.25 | 691.81 |
| 22 | Punjab Tourism Development Corporation Limited | 2018-19 | 6.66 | 0.00 | (-) 0.02 | (-)0.02 | 0.00 | 22.01 | 22.01 | 13.97 | 37.32 |
| 23 | Punjab Municipal Infrastructure Development Company | 2019-20 | 0.05 | 948.70 | B | B | B | 0.05 | 948.75 | B | 1,240.53 |
| 24 | Punjab State Biotech Corporation (Mohali Biotechnology Park) | 2021-22 | 0.00 | 0.00 | B | B | B | 0.00 | 0.00 | B | 49.77 |
| 25 | Punjab State Industrial Development Corporation Limited | 2021-22 | 78.21 | 554.64 | 15.45 | 0.02 | 5.08 | (-)583.39 | (-)28.75 | (-)661.60 | 200.03 |
| 26 | Punjab Communications Limited | 2022-23 | 12.05 | 0.00 | (-) 15.77 | (-) 15.77 | 10.59 | (-)54.45 | (-)54.45 | (-)75.46 | 78.95 |
| 27 | Punjab Police Housing Corporation Limited | 2021-22 | 0.05 | 140.63 | B | B | B | 0.05 | 140.68 | B | 474.18 |
| 28 | Punjab Scheduled Castes Land Development and Finance Corporation | 2021-22 | 131.15 | 17.03 | (-) 4.89 | (-)5.27 | 8.72 | 99.09 | 116.12 | (-)32.06 | 144.76 |
| 29 | PEPSU Road Transport Corporation | 2017-18 | 331.44 | 73.38 | 13.19 | (-)2.67 | 518.55 | (-)64.76 | 8.62 | (-)396.20 | 465.89 |
| 30 | Punjab Financial Corporation | 2019-20 | 40.39 | 175.48 | (-) 0.16 | (-)0.29 | 3.30 | (-)217.00 | (-)41.52 | (-)257.39 | 16.08 |
| 31 | Amritsar Smart City Limited | 2020-21 | 0.01 | 0.00 | 0.00 | 0.00 | 0.00 | 0.15 | 0.15 | 0.14 | 48.03 |
| 32 | Jalandhar Smart City Limited | 2020-21 | 0.01 | 0.00 | (-) 6.57 | (-)6.57 | 0.04 | (-)6.62 | (-)6.62 | (-)6.63 | 33.44 |
| 33 | Ludhiana Smart City Limited | 2019-20 | 0.01 | 0.00 | (-) 0.04 | (-)0.04 | 0.00 | (-)0.19 | (-)0.19 | (-)0.20 | 204.97 |
| 34 | Punjab Rural Water Utility | First accounts not received | | | | | | | | | |
| | Total C | | 725.49 | 1,933.03 | 57.92 | 10.11 | 1,174.15 | (-)251.42 | 1,681.61 | (-)987.25 | 4,830.44 |
| | Grand Total (A+B+C) | | 23,516.96 | 39,483.64 | (-)2,097.68 | (-)4,809.76 | 73,542.33 | 5,718.13 | 45,201.77 | (-)17,861.92 | 1,14,104.67 |

Source: Latest financial statements

- Note:**
1. 'B' represents SPSEs working on no profit no loss basis.
 2. 'D' represents SPSEs which have not commenced commercial operations.
 3. Net worth = paid-up share capital + free reserves and surplus – (accumulated loss + deferred revenue expenditure).

Appendix 2.3

(Referred to in paragraph 2.2)

Statement showing position of equity and outstanding loans in SPSEs as on 31 March 2023

(₹ in crore)

| Sr. No. | Name of SPSE | Name of the Department | Month and year of incorporation | Paid-up Share Capital | | | | Long-term Loans outstanding | | | |
|---------|---|---|---------------------------------|-----------------------|------|--------|-----------|-----------------------------|-----|-----------|-----------|
| | | | | GoP | GoI | Others | Total | GoP | GoI | Others | Total |
| 1 | Gidderbaha Power Limited | Power | August 14, 2008 | - | - | 0.05 | 0.05 | - | - | 12.03 | 12.03 |
| 2 | Punjab Genco Limited | Power | March 5, 1998 | - | - | 22.90 | 22.90 | - | - | - | - |
| 3 | Punjab State Power Corporation Limited | Power | April 16, 2010 | 21,709.73 | - | - | 21,709.73 | 3.64 | - | 12,848.13 | 12,851.77 |
| 4 | Punjab Thermal Generation Limited | Power | July 20, 2013 | - | - | 0.05 | 0.05 | - | - | 0.01 | 0.01 |
| 5 | Punjab State Transmission Corporation Limited | Power | April 16, 2010 | 605.88 | - | - | 605.88 | - | - | 3,771.01 | 3,771.01 |
| 6 | Punjab State Grains Procurement Corporation Limited | Food, Civil Supplies and Consumer Affairs | March 10, 2003 | 1.05 | - | - | 1.05 | 6,715.74 | - | - | 6,715.74 |
| 7 | Punjab State Civil Supplies Corporation Limited | Food, Civil Supplies and Consumer Affairs | February 14, 1974 | 3.73 | - | - | 3.73 | 10,343.70 | - | - | 10,343.70 |
| 8 | Punjab State Warehousing Corporation | Agriculture | November 1, 1967 | 4.00 | 4.00 | - | 8.00 | 3,686.47 | - | 97.40 | 3,783.87 |
| 9 | Punjab Agro Foodgrains Corporation Limited | Agriculture | July 8, 2002 | - | - | 5.00 | 5.00 | 5,568.50 | - | 755.05 | 6,323.55 |
| 10 | Punjab Agro Industries Corporation Limited | Agriculture | February 11, 1966 | 45.46 | 1.25 | 2.50 | 49.21 | - | - | - | - |
| 11 | Punjab State Seeds Corporation Limited | Agriculture | March 27, 1976 | 4.51 | - | 1.11 | 5.62 | - | - | - | - |
| 12 | Punjab Agri Export Corporation Limited | Agriculture | January 17, 1997 | - | - | 5.00 | 5.00 | 30.00 | - | - | 30.00 |
| 13 | Punjab State Container and Warehousing Corporation Limited | Agriculture | April 26, 1995 | 25.00 | - | - | 25.00 | - | - | - | - |
| 14 | Punjab State Forest Development Corporation Limited | Forest and Wild Life Preservation | May 23, 1983 | 0.25 | - | - | 0.25 | - | - | - | - |
| 15 | Punjab Water Resources Management and Development Corporation Limited | Water Resources | December 26, 1970 | 300.00 | - | - | 300.00 | 222.26 | - | - | 222.26 |
| 16 | Gulmohar Tourist Complex (Holiday Home) Limited | Tourism and Cultural Affairs | July 9, 2003 | 0.02 | - | - | 0.02 | - | - | - | - |
| 17 | Punjab Police Security Corporation Limited | Home Affairs and Jails | January 18, 2008 | - | - | 0.05 | 0.05 | - | - | - | - |

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| Sr. No. | Name of SPSE | Name of the Department | Month and year of incorporation | Paid-up Share Capital | | | | Long-term Loans outstanding | | | |
|--------------|---|-------------------------------------|---------------------------------|-----------------------|---------------|--------------|------------------|-----------------------------|----------|------------------|------------------|
| | | | | GoP | GoI | Others | Total | GoP | GoI | Others | Total |
| 18 | Punjab State Bus Stand Management Company Limited | Transport | March 7, 1995 | 56.15 | - | - | 56.15 | - | - | 122.12 | 122.12 |
| 19 | Punjab Tourism Development Corporation Limited | Tourism and Cultural Affairs | March 26, 1979 | 6.66 | - | - | 6.66 | - | - | - | - |
| 20 | Punjab State Biotech Corporation (Mohali Biotechnology Park) | Science, Technology and Environment | January 25, 2011 | - | - | - | - | - | - | - | - |
| 21 | PEPSU Road Transport Corporation | Transport | January 7, 1956 | 307.08 | 24.36 | - | 331.44 | 23.75 | - | 70.55 | 94.30 |
| 22 | Punjab Small Industries and Export Corporation Limited | Industries and Commerce | March 17, 1962 | 49.86 | 0.15 | - | 50.01 | - | - | - | - |
| 23 | Punjab Information and Communication Technology Corporation Limited | Industries and Commerce | March 27, 1976 | 19.23 | - | - | 19.23 | - | - | - | - |
| 24 | Punjab Police Housing Corporation Limited | Home Affairs and Jails | March 30, 1989 | 0.05 | - | - | 0.05 | - | - | 128.13 | 128.13 |
| 25 | Amritsar Smart City Limited | Local Government | December 13, 2016 | 0.005 | 0.005 | - | 0.010 | - | - | - | - |
| 26 | Jalandhar Smart City Limited | Local Government | December 8, 2016 | 0.005 | 0.005 | - | 0.010 | - | - | - | - |
| 27 | Ludhiana Smart City Limited | Local Government | April 28, 2016 | 0.005 | 0.005 | - | 0.010 | - | - | - | - |
| 28 | Punjab Municipal Infrastructure Development Company | Local Government | March 16, 2009 | - | - | 0.05 | 0.05 | - | - | 767.50 | 767.50 |
| 29 | Punjab Communications Limited | Industries and Commerce | July 21, 1981 | - | - | 12.05 | 12.05 | - | - | - | - |
| 30 | Punjab State Industrial Development Corporation Limited | Industries and Commerce | January 31, 1966 | 78.21 | - | - | 78.21 | - | - | 201.05 | 201.05 |
| 31 | Punjab Financial Corporation | Industries and Commerce | February 1, 1953 | 29.31 | 10.47 | 0.61 | 40.39 | 9.84 | - | 79.03 | 88.87 |
| 32 | Punjab Scheduled Castes Land Development and Finance Corporation | Welfare of SCs and BCs | January 18, 1971 | 70.14 | 63.06 | - | 133.20 | - | - | 14.03 | 14.03 |
| 33 | Punjab Rural Water Utility | Water Supply and Sanitation | March 11, 2022 | 0.01 | - | - | 0.01 | - | - | - | - |
| Total | | | | 23,316.35 | 103.31 | 49.37 | 23,469.03 | 26,603.90 | - | 18,866.04 | 45,469.94 |

Note: 1. Government of India = GoI, Government of Punjab = GoP
2. SPSEs at Sr. No. 25 to 27 are 'Government Controlled Other Companies' as the share contribution shown in respect of GoI by respective SPSEs has actually been routed through their respective Municipal Corporation.

Appendix 2.4

(Referred to in paragraph 2.4.3)

Statement showing State Government funds infused in SPSEs during the period from 2010-11 to 2022-23

(₹ in crore)

| Sr. No. | 1 | | 2 | | 3 | | 4 | | 5 | | 6 | | 7 | | 8 | |
|--------------|---|-------------|--|--------------------|---|-------------|---|-------------|--|-------------|--|-------------|--|-------------|--|-------------|
| | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL |
| Year | Punjab Agro Industries Corporation Limited (11 February 1966) | | Punjab Agri Export Corporation Limited (17 January 1997) | | Punjab State Forest Development Corporation Limited (23 May 1983) | | Punjab State Grains Procurement Corporation Limited (10 March 2003) | | Punjab State Seeds Corporation Limited (27 March 1976) | | Punjab Small Industries and Export Corporation Limited (17 March 1962) | | Punjab Water Resources Management and Development Corporation Limited (26 December 1970) | | Gulmohar Tourist Complex (Holiday Home) Limited (09 July 2003) | |
| Upto 2010-11 | 45.46 | 0.00 | 0.00 | 0.00 | 0.25 | 0.00 | 1.05 | 0.00 | 4.51 | 0.00 | 49.86 | 0.00 | 296.16 | 0.00 | 0.02 | 0.00 |
| 2011-12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2012-13 | 0.00 | 0.00 | 0.00 | 30.00 ¹ | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 11.00 | 0.00 | 0.00 | 0.00 |
| 2013-14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 16.93 | 0.00 | 0.00 | 0.00 |
| 2014-15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 41.65 | 0.00 | 0.00 | 0.00 |
| 2015-16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 26.82 | 0.00 | 0.00 | 0.00 |
| 2016-17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.41 | 0.00 | 0.00 | 0.00 |
| 2017-18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2018-19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (-) 97.97 | 0.00 | 0.00 | 0.00 |
| 2019-20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2020-21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2021-22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2022-23 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total | 45.46 | 0.00 | 00.00 | 30.00 | 0.25 | 0.00 | 1.05 | 0.00 | 4.51 | 0.00 | 49.86 | 0.00 | 300.00 | 0.00 | 0.02 | 0.00 |

¹ Interest free loan (IFL) of ₹ 30 crore was given to Punjab Agro Juices Limited during the year 2012-13. As Punjab Agro Juices Limited has been merged with Punjab Agri Export Corporation Limited, as such, loan has been shown against Punjab Agri Export Corporation Limited.

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| Sr. No. | 9 | | 10 | | 11 | | 12 | | 13 | | 14 | | 15 | | 16 | |
|--------------|---|-------------|---|-------------|--|-------------|--|-------------|--|-------------|---|-------------|--|-------------|--|-------------|
| Year | Punjab Information and Communication Technology Corporation Limited (27 March 1976) | | Punjab State Bus Stand Management Company Limited (07 March 1995) | | Punjab State Civil Supplies Corporation Limited (14 February 1974) | | Punjab State Container and Warehousing Corporation Limited (26 April 1995) | | Punjab Tourism Development Corporation Limited (26 March 1979) | | Punjab State Warehousing Corporation (01 November 1967) | | Punjab Scheduled Castes Land Development and Finance Corporation (18 January 1971) | | PEPSU Road Transport Corporation (07 January 1956) | |
| | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL |
| Upto 2010-11 | 19.23 | 0.00 | 56.15 | 0.00 | 3.73 | 0.00 | 25.00 | 0.00 | 6.66 | 0.00 | 4.00 | 0.00 | 33.32 | 0.00 | 86.82 | 0.00 |
| 2011-12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.67 | 0.00 | 195.26 | 0.00 |
| 2012-13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.91 | 0.00 | 0.00 | 0.00 |
| 2013-14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.42 | 0.00 | 0.00 | 0.00 |
| 2014-15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.42 | 0.00 | 25.00 | 0.00 |
| 2015-16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.42 | 0.00 | 0.00 | 0.00 |
| 2016-17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.42 | 0.00 | 0.00 | 0.00 |
| 2017-18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2018-19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2019-20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.09 | 0.00 | 0.00 | 0.00 |
| 2020-21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 5.42 | 0.00 | 0.00 | 0.00 |
| 2021-22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2022-23 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 2.05 | 0.00 | 0.00 | 0.00 |
| Total | 19.23 | 0.00 | 56.15 | 0.00 | 3.73 | 0.00 | 25.00 | 0.00 | 6.66 | 0.00 | 4.00 | 0.00 | 70.14 | 0.00 | 307.08 | 0.00 |

| Sr. No. | 17 | | 18 | | 19 | | 20 | | 21 | | 22 | | 23 | | Total | | Grand Total |
|--------------|---|-------------|---|-------------|---|-------------|--|-------------|---|-------------|--|-------------|---|-------------|------------------------------|--------------|------------------|
| Year | Punjab State Industrial Development Corporation Limited (31 January 1966) | | Punjab Financial Corporation (01 February 1953) | | Punjab Police Housing Corporation Limited (30 March 1989) | | Punjab State Power Corporation Limited (16 April 2010) | | Punjab State Transmission Corporation Limited (16 April 2010) | | Punjab Rural Water Utility (11 March 2022) | | Punjab Agro Juices Limited (01 February 2006) | | Total | | |
| | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | Equity | IFL | |
| Upto 2010-11 | 78.21 | 0.00 | 29.31 | 0.00 | 0.05 | 0.00 | 6,081.47 | 0.00 | 605.88 | 0.00 | 0.00 | 0.00 | 50.00 | 0.00 | 7,477.14 | 0.00 | 7,477.14 |
| 2011-12 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 196.93 | 0.00 | 196.93 |
| 2012-13 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15.91 | 30.00 | 45.91 |
| 2013-14 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 22.35 | 0.00 | 22.35 |
| 2014-15 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 72.07 | 0.00 | 72.07 |
| 2015-16 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 32.24 | 0.00 | 32.24 |
| 2016-17 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 10.83 | 0.00 | 10.83 |
| 2017-18 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2018-19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (-)97.97 | 0.00 | (-)97.97 |
| 2019-20 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,628.26 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 15,629.35 | 0.00 | 15,629.35 |
| 2020-21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | (-) 50.00 | 0.00 | (-)44.58 | 0.00 | (-)44.58 |
| 2021-22 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| 2022-23 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 2.06 | 0.00 | 2.06 |
| Total | 78.21 | 0.00 | 29.31 | 0.00 | 0.05 | 0.00 | 21,709.73 | 0.00 | 605.88 | 0.00 | 0.01 | 0.00 | 0.00 | 0.00 | 23,316.33² | 30.00 | 23,346.33 |

Source: Information provided by SPSEs

² Excluding GCOs investment of ₹ 0.02 crore

Appendix-2.5

(Referred to in Paragraph 2.6)

Statement showing details of SPSEs having accumulated losses and status of erosion of capital as per their latest finalised accounts upto September 2023

(₹ in crore)

| Sr. No. | Name of SPSE | Period of accounts | Year in which finalised | Net profit/loss after interest and tax | Paid up capital | Long-term Loans | Free Reserves | Accumulated Losses (-) | Capital employed | Net worth | Period since when Net worth has remained negative (no. of years) | State Government Equity as on 31 March 2023 | Long Term Loans of State Government in SPSEs as on 31 March 2023 |
|--|---|--------------------|-------------------------|--|------------------|------------------|---------------|------------------------|------------------|--------------------|--|---|--|
| i | ii | iii | iv | v | vi | vii | viii | ix | x | xi | xii | xiii | xiv |
| (A) Government Companies | | | | | | | | | | | | | |
| A1. Power Sector SPSEs | | | | | | | | | | | | | |
| 1. | Punjab State Power Corporation Limited | 2022-23 | 2023-24 | (-)4,775.93 | 21,709.73 | 12,851.77 | 20.08 | (-)10,419.99 | 24,161.59 | 11,309.82 | Not eroded | 21,709.73 | 3.64 |
| 2. | Punjab Thermal Generation Limited | 2022-23 | 2023-24 | (-)0.005 | 0.05 | 0.00 | 0.00 | (-)0.05 | 0.00 | 0.00 | 2022-23(0) | 0.00 | 0.00 |
| 3. | Gidderbaha Power Limited | 2022-23 | 2023-24 | (-)0.01 | 0.05 | 12.03 | 0.00 | (-)0.06 | 12.02 | (-)0.01 | 2021-22 (1) | 0.00 | 0.00 |
| Total A1 | | | | (-)4,775.95 | 21,709.83 | 12,863.80 | 20.08 | (-)10,420.10 | 24,173.61 | 11,309.81 | | 21,709.73 | 3.64 |
| A2. Agriculture and Allied Sector SPSEs | | | | | | | | | | | | | |
| 4. | Punjab Water Resources Management and Development Corporation Limited | 2021-22 | 2023-24 | (-)6.36 | 300.00 | 229.46 | 0.00 | (-)228.64 | 300.82 | 71.36 | Not eroded | 300.00 | 222.26 |
| 5. | Punjab State Grains Procurement Corporation Limited | 2017-18 | 2019-20 | (-)224.05 | 1.05 | 6,873.58 | 0.00 | (-)3,721.91 | 3,152.72 | (-)3,720.86 | 2003-04 (19) | 1.05 | 6,715.74 |
| 6. | Punjab State Civil Supplies Corporation Limited | 2019-20 | 2023-24 | (-)28.48 | 3.73 | 0.00 | 0.00 | (-)2,014.04 | (-)2,010.31 | (-)2,010.31 | Prior to 1999-00 | 3.73 | 10,343.70 |
| 7. | Punjab Agro Foodgrains Corporation Limited | 2021-22 | 2022-23 | (-)49.90 | 5.00 | 5,981.21 | 0.00 | (-)1,161.50 | 4,824.71 | (-)1,156.50 | 2014-15 (8) | 0.00 | 5,568.50 |
| 8. | Punjab Agro Juices Limited | 2021-22 | 2022-23 | (-)5.05 | 50.00 | 30.00 | 0.00 | (-)75.01 | 4.99 | (-)25.01 | 2014-15 (8) | 0.00 | 30.00 |
| Total A2 | | | | (-)313.84 | 359.78 | 13,114.25 | 0.00 | (-)7,201.10 | 6,272.93 | (-)6,841.32 | | 304.78 | 22,880.20 |

| Sr. No. | Name of SPSE | Period of accounts | Year in which finalised | Net profit/loss after interest and tax | Paid up capital | Long-term Loans | Free Reserves | Accumulated Losses (-) | Capital employed | Net worth | Period since when Net worth has remained negative (no. of years) | State Government Equity as on 31 March 2023 | Long Term Loans of State Government in SPSEs as on 31 March 2023 |
|--|--|--------------------|-------------------------|--|------------------|------------------|---------------|------------------------|------------------|------------------|--|---|--|
| i | ii | iii | iv | v | vi | vii | viii | ix | x | xi | xii | xiii | xiv |
| A3. Other SPSEs | | | | | | | | | | | | | |
| 9. | Gulmohar Tourist Complex (Holiday Home) Limited | 2019-20 | 2021-22 | (-)0.27 | 0.02 | 1.04 | 0.00 | (-)5.48 | (-)4.42 | (-)5.46 | 2003-04 (19) | 0.02 | 0.00 |
| 10. | Punjab State Industrial Development Corporation Limited | 2021-22 | 2022-23 | 0.02 | 78.21 | 554.64 | 0.00 | (-)661.60 | (-)28.75 | (-)583.39 | 2000-01 (22) | 78.21 | 0.00 |
| 11. | Punjab Communications Limited | 2022-23 | 2023-24 | (-)15.77 | 12.05 | 0.00 | 8.96 | (-)75.46 | (-)54.45 | (-)54.45 | 2018-19 (4) | 0.00 | 0.00 |
| 12. | Jalandhar Smart City Limited | 2020-21 | 2023-24 | (-)6.57 | 0.01 | 0.00 | 0.00 | (-)6.63 | (-)6.62 | (-)6.62 | 2019-20 (3) | 0.005 | 0.00 |
| 13. | Ludhiana Smart City Limited | 2019-20 | 2022-23 | (-)0.04 | 0.01 | 0.00 | 0.00 | (-)0.20 | (-)0.19 | (-)0.19 | 2018-19 (4) | 0.005 | 0.00 |
| Total A3 | | | | (-)22.63 | 90.30 | 555.68 | 8.96 | (-)749.37 | (-)94.43 | (-)650.11 | | 78.24 | 0.00 |
| Total A (A1+A2+A3) | | | | (-)5,112.42 | 22,159.91 | 26,533.73 | 29.04 | (-)18,370.57 | 30,352.11 | 3,818.38 | | 22,092.75 | 22,883.84 |
| (B) Statutory Corporations | | | | | | | | | | | | | |
| B1. Agriculture and Allied Sector SPSEs | | | | | | | | | | | | | |
| 14. | Punjab State Warehousing Corporation | 2019-20 | 2023-24 | 163.02 | 8.00 | 7,798.47 | 26.48 | (-)369.46 | 7,463.49 | (-)334.98 | 2004-05 (18) | 4.00 | 3,686.47 |
| Total B1 | | | | 163.02 | 8.00 | 7,798.47 | 26.48 | (-)369.46 | 7,463.49 | (-)334.98 | | 4.00 | 3,686.47 |
| B2. Other SPSEs | | | | | | | | | | | | | |
| 15. | Punjab Scheduled Castes Land Development and Finance Corporation | 2021-22 | 2022-23 | (-)5.27 | 131.15 | 17.03 | 0.00 | (-)32.06 | 116.12 | 99.09 | Not eroded | 70.14 | 0.00 |
| 16. | PEPSU Road Transport Corporation | 2017-18 | 2020-21 | (-)2.67 | 331.44 | 73.38 | 0.00 | (-)396.20 | 8.62 | (-)64.76 | Prior to 1999-00 | 307.08 | 23.75 |
| 17. | Punjab Financial Corporation | 2019-20 | 2021-22 | (-)0.29 | 40.39 | 175.48 | 0.00 | (-)257.39 | (-)41.52 | (-)217.00 | Prior to 1999-00 | 29.31 | 9.84 |
| Total B2 | | | | (-)8.23 | 502.98 | 265.89 | 0.00 | (-)685.65 | 83.22 | (-)182.67 | | 406.53 | 33.59 |

Compliance Audit Report on SPSEs for the period ended March 2023

| Sr. No. | Name of SPSE | Period of accounts | Year in which finalised | Net profit/loss after interest and tax | Paid up capital | Long-term Loans | Free Reserves | Accumulated Losses (-) | Capital employed | Net worth | Period since when Net worth has remained negative (no. of years) | State Government Equity as on 31 March 2023 | Long Term Loans of State Government in SPSEs as on 31 March 2023 |
|---|--------------|--------------------|-------------------------|--|-----------------|-----------------|---------------|------------------------|------------------|-------------|--|---|--|
| i | ii | iii | iv | v | vi | vii | viii | ix | x | xi | xii | xiii | xiv |
| Total B (B1+B2) | | | | 154.79 | 510.98 | 8,064.36 | 26.48 | (-1,055.11) | 7,546.71 | (-517.65) | | 410.53 | 3,720.06 |
| Grand Total (A+B) | | | | (-4,957.63) | 22,670.89 | 34,598.09 | 55.52 | (-19,425.68) | 37,898.82 | 3,300.73 | | 22,503.28 | 26,603.90 |
| Total of SPSEs whose net worth has eroded (excluding SPSEs at Sr. No. 1, 4 and 15) | | | | (-170.07) | 530.01 | 21,499.83 | 35.44 | (-8,744.99) | 13,320.29 | (-8,179.54) | | 423.41 | 26,378.00 |
| Seven SPSEs (Sr. No. 5,6,7,8,14,16 and 17) whose Capital has eroded and where Government loans are outstanding | | | | (-147.42) | 439.61 | 20,932.12 | 26.48 | (-7,995.51) | 13,402.70 | (-7,529.42) | | 345.17 | 26,378.00 |

Source: Information provided by SPSEs (Column xiii and xiv) and their latest finalised accounts

Appendix 3.1

(Referred to in paragraph 3.3.1.1)

Information regarding accounts in arrear of State Public Sector Enterprises

| Sr. No. | Name of the SPSE | Year for which Accounts are in arrear | Number of accounts in arrear |
|---|---|---------------------------------------|------------------------------|
| Working SPSEs (including GCOCs): | | | |
| 1. | Punjab State Power Corporation Limited | NIL | 0 |
| 2. | Punjab State Transmission Corporation Limited | NIL | 0 |
| 3. | Punjab Thermal Generation Limited | NIL | 0 |
| 4. | Gidderbaha Power Limited | NIL | 0 |
| 5. | Punjab Communication Limited | NIL | 0 |
| 6. | Punjab Rural Water Utility | NIL | 0 |
| 7. | Punjab State Bus Stand Management Company Limited | 2016-17 to 2022-23 | 7 |
| 8. | Punjab State Grains Procurement Corporation Limited | 2018-19 to 2022-23 | 5 |
| 9. | Punjab Tourism Development Corporation Limited | 2019-20 to 2022-23 | 4 |
| 10. | Punjab State Civil Supplies Corporation Limited | 2020-21 to 2022-23 | 3 |
| 11. | Gulmohar Tourist Complex (Holiday Home) Limited | 2020-21 to 2022-23 | 3 |
| 12. | Punjab Municipal Infrastructure Development Company | 2020-21 to 2022-23 | 3 |
| 13. | Ludhiana Smart City Limited | 2020-21 to 2022-23 | 3 |
| 14. | Amritsar Smart City Limited | 2021-22 to 2022-23 | 2 |
| 15. | Jalandhar Smart City Limited | 2021-22 to 2022-23 | 2 |
| 16. | Punjab Small Industries and Export Corporation Limited | 2021-22 to 2022-23 | 2 |
| 17. | Punjab Police Security Corporation limited | 2022-23 | 1 |
| 18. | Punjab Police Housing Corporation Limited | 2022-23 | 1 |
| 19. | Punjab State Forest Development Corporation Limited | 2022-23 | 1 |
| 20. | Punjab State Biotech Corporation (Mohali Biotechnology Park) | 2022-23 | 1 |
| 21. | Punjab Information and Communication Technology Corporation Limited | 2022-23 | 1 |
| 22. | Punjab State Container and Warehousing Corporation Limited | 2022-23 | 1 |
| 23. | Punjab Water Resources Management and Development Corporation Limited | 2022-23 | 1 |
| 24. | Punjab Agro Foodgrains Corporation Limited | 2022-23 | 1 |
| 25. | Punjab State Seeds Corporation Limited | 2022-23 | 1 |
| 26. | Punjab Agro Industries Corporation Limited | 2022-23 | 1 |
| 27. | Punjab Genco Limited | 2022-23 | 1 |
| 28. | Punjab State Industrial Development Corporation Limited | 2022-23 | 1 |
| 29. | Punjab Agri Export Corporation Limited | 2022-23 | 1 |
| Total (A) | | | 47 |

| Sr. No. | Name of the SPSE | Year for which Accounts are in arrear | Number of accounts in arrear |
|---------------------------------|---|--|-------------------------------------|
| Inactive SPSEs: | | | |
| 30. | Punjab Land Development and Reclamation Corporation Limited | 1995-96 to 2022-23 | 28 |
| 31. | Punjab State Hosiery and Knitwear Development Corporation Limited | 2006-07 to 2022-23 | 17 |
| 32. | Punjab Film and News Corporation Limited | 2015-16 to 2022-23 | 8 |
| 33. | Punjab Poultry Development Corporation Limited | 2016-17 to 2022-23 | 7 |
| 34. | Punjab State Handloom and Textile Development Corporation Limited | 2019-20 to 2022-23 | 4 |
| 35. | Amritsar Hotel Limited | 2020-21 to 2022-23 | 3 |
| 36. | Neem Chameli Tourist Complex Limited | 2020-21 to 2022-23 | 3 |
| 37. | Punjab Footweares Limited | 2020-21 to 2022-23 | 3 |
| 38. | Punjab State Leather Development Corporation Limited | 2020-21 to 2022-23 | 3 |
| 39. | Punjab Recorders Limited | 2022-23 | 1 |
| 40. | Punjab Venture Investors Trust Limited | 2022-23 | 1 |
| 41. | Punjab Venture Capital Limited | 2022-23 | 1 |
| Total (B) | | | 79 |
| SPSEs Under Liquidation: | | | |
| 42. | Punjab Micro Nutrients Limited | 1992-93 to 2022-23 | 31 |
| 43. | Punjab Bio-Medical Equipments Limited | 1997-98 to 2022-23 | 26 |
| 44. | Punjab Power Packs Limited | 1998-99 to 2022-23 | 25 |
| 45. | Electronic Systems Punjab Limited | 2014-15 to 2022-23 | 9 |
| Total (C) | | | 91 |
| Statutory Corporations: | | | |
| 46. | PEPSU Road Transport Corporation (2017-18 under revision) | 2018-19 to 2022-23 | 5 |
| 47. | Punjab Financial Corporation | 2020-21 to 2022-23 | 3 |
| 48. | Punjab State Warehousing Corporation | 2020-21 to 2022-23 | 3 |
| 49. | Punjab Scheduled Castes Land Development and Finance Corporation | 2022-23 | 1 |
| Total (D) | | | 12 |
| Grand Total (A+B+C+D) | | | 229 |

Source: Compiled on the basis of annual accounts received in this office during the period October 2022 to September 2023.

Appendix 3.2

(Referred to in paragraphs 3.5.2 and 3.7)

Position of accounts of SPSEs and Status of Comments of CAG thereon

| Sr. No. | Name of the SPSE | Financial Year | Comments |
|--|---|----------------|--|
| SPSEs where comments/Management Letters were issued | | | |
| 1. | Punjab State Transmission Corporation Limited | 2022-23 | Comments and Management letter issued. |
| 2. | Punjab Agro Juices Limited | 2021-22 | Comments and Management letter issued. |
| 3. | Punjab Information and Communication Technology Corporation Limited (SFS and CFS) | 2021-22 | Comments and Management letter issued. |
| 4. | Punjab Scheduled Castes Land Development and Finance Corporation | 2021-22 | Comments and Management letter issued. |
| 5. | Punjab State Industrial Development Corporation Limited | 2021-22 | Comments and Management letter issued. |
| 6. | Punjab State Power Corporation Limited (SFS and CFS) | 2021-22 | Comments and Management letter issued. |
| 7. | Punjab State Seeds Corporation Limited | 2021-22 | Comments and Management letter issued. |
| 8. | Punjab Water Resources Management and Development Corporation Limited | 2021-22 | Comments and Management letter issued. |
| 9. | Punjab Agri Export Corporation Limited | 2021-22 | Comments and Management letter issued. |
| 10. | Punjab Recorders Limited | 2020-21 | Comments and Management letter issued. |
| 11. | Punjab Small Industries and Export Corporation Limited | 2020-21 | Comments and Management letter issued. |
| 12. | Punjab State Warehousing Corporation | 2019-20 | Comments and Management letter issued. |
| 13. | Punjab Agro Industries Corporation Limited (CFS) | 2020-21 | Comments and Management letter issued. |
| 14. | Punjab Agro Industries Corporation Limited (CFS) | 2021-22 | Comments and Management letter issued. |
| 15. | Punjab Agro Foodgrains Corporation Limited | 2021-22 | Nil Comments and Management letter issued. |
| 16. | Punjab Police Security Corporation Limited | 2021-22 | Nil Comments and Management letter issued. |
| 17. | Punjab State Container and Warehousing Corporation Limited (SFS and CFS) | 2021-22 | Nil Comments and Management letter issued. |
| 18. | Punjab Footwears Limited | 2019-20 | Nil Comments and Management letter issued. |
| 19. | Punjab Municipal Infrastructure Development Company | 2019-20 | Nil Comments and Management letter issued. |
| 20. | Punjab State Leather Development Corporation Limited | 2019-20 | Nil Comments and Management letter issued. |
| 21. | Punjab Water Resources Management and Development Corporation Limited | 2019-20 | Nil Comments and Management letter issued. |

| Sr. No. | Name of the SPSE | Financial Year | Comments |
|--|---|-----------------------|--|
| SPSEs where comments/Management Letters were issued | | | |
| 22. | Amritsar Hotel Limited | 2019-20 | Nil Comments and Management letter issued. |
| 23. | Ludhiana Smart City Limited | 2019-20 | Nil Comments and Management letter issued. |
| 24. | Punjab Municipal Infrastructure Development Company | 2018-19 | Nil Comments and Management letter issued. |
| 25. | Punjab Water Resources Management and Development Corporation Limited | 2020-21 | Nil Comments issued. |
| SPSEs where Audits under process | | | |
| 26. | Punjab State Power Corporation Limited | 2022-23 | Audit under process. |
| 27. | Jalandhar Smart City Limited | 2020-21 | Audit under process. |
| 28. | Punjab State Civil Supplies Corporation Limited | 2019-20 | Audit under process. |
| SPSEs where NRC was issued | | | |
| 29. | Gidderbaha Power Limited | 2022-23 | NRC issued. |
| 30. | Punjab Communication's limited | 2022-23 | NRC issued. |
| 31. | Punjab Thermal Generation Limited | 2022-23 | NRC issued. |
| 32. | Gidderbaha Power Limited | 2021-22 | NRC issued. |
| 33. | Punjab Agro Industries Corporation Limited | 2021-22 | NRC issued. |
| 34. | Punjab Genco Limited | 2021-22 | NRC issued. |
| 35. | Punjab Police Housing Corporation Limited (SFS and CFS) | 2021-22 | NRC issued. |
| 36. | Punjab Recorders Limited | 2021-22 | NRC issued. |
| 37. | Punjab State Biotech Corporation (Mohali Biotechnology Park) | 2021-22 | NRC issued. |
| 38. | Punjab State Forest Development Corporation Limited | 2021-22 | NRC issued. |
| 39. | Punjab Thermal Generation Limited | 2021-22 | NRC issued. |
| 40. | Punjab Venture Investors Trust Limited | 2021-22 | NRC issued. |
| 41. | Amritsar Smart City Limited | 2020-21 | NRC issued. |
| 42. | Jalandhar Smart City Limited | 2019-20 | NRC issued. |
| 43. | Punjab State Handloom and Textile Development Corporation Limited | 2018-19 | NRC issued. |
| 44. | Punjab State Leather Development Corporation Limited | 2018-19 | NRC issued. |

Source: Compiled on the basis of annual accounts finalised in this office during the period October 2022 to September 2023.

Appendix 3.3

(Referred to in Paragraph 3.6)

Details of SPSEs where there was non-compliance with Accounting Standards as reported by the Statutory Auditors

| Sr. No. | Name of the SPSE | Financial Year | Accounting Standard/Ind AS |
|---------|---|----------------|--|
| 1. | Punjab State Power Corporation Limited (SFS as well as CFS) | 2022-23 | Ind AS 1 – Presentation of Financial Statements Ind AS 12 – Income Taxes Ind AS 19 – Employees Benefits Ind AS 23 – Borrowing Costs Ind AS 105 – Non-current assets held for sale and discontinued operations Ind AS 109 – Financial Instruments Ind AS 113 – Fair value Measurement |
| 2. | Punjab State Transmission Corporation Limited | 2022-23 | Ind AS 16 – Property, Plant and Equipment Ind AS 37 – Provision, Contingent Liabilities and Contingent Assets Ind AS 105 – Non-current assets held for sale and discontinued operations |
| 3. | Punjab State Civil Supplies Corporation Limited | 2019-20 | AS 2 – Valuation of Inventories AS 5 – Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies AS 9 – Revenue Recognition AS 29 – Provision, Contingent Liabilities and Contingent Assets |
| 4. | Punjab State Warehousing Corporation | 2019-20 | AS 2 – Valuation of Inventories AS 6 – Depreciation Accounting AS 17 – Segment Reporting AS 28 – Impairment of Assets |
| 5. | Punjab State Container and Warehousing Corporation Limited (SFS as well as CFS) | 2021-22 | Ind AS 17 – Leases |
| 6. | Punjab Agro Foodgrains Corporation Limited | 2021-22 | AS 2 – Valuation of Inventories AS 9 – Revenue Recognition AS 15 – Employee Benefits AS 22 – Taxes on Income |
| 7. | Punjab Agro Industries Corporation Limited (SFS as well as CFS) | 2021-22 | AS 13 – Accounting for Investments |
| 8. | Punjab Small Industries and Export Corporation Limited | 2020-21 | Ind AS 2 – Inventories Ind AS 19 – Employee Benefits Ind AS 36 – Impairment of Assets |
| 9. | Punjab Water Resources Management and Development Corporation Limited | 2021-22 | AS 7 – Construction Contracts AS 15 – Employee Benefits AS 18 – Related Party Disclosures |

| Sr. No. | Name of the SPSE | Financial Year | Accounting Standard/Ind AS |
|----------------|---|-----------------------|--|
| 10. | Punjab Water Resources Management and Development Corporation Limited | 2020-21 | AS 2 – Valuation of Inventories AS 7 – Construction Contracts AS 15 – Employee Benefits AS 18 – Related Party Disclosures |
| 11. | Punjab Police Housing Corporation Limited (SFS as well as CFS) | 2021-22 | Ind AS 19 – Employee Benefits |

Source: Statutory Auditors' Reports

Appendix 4.1

(Referred to in Paragraph 4.1.4)

List of Government Companies covered in Chapter-IV

| Sr. No. | Name of SPSEs |
|---|---|
| (a) List of working SPSEs covered | |
| 1 | Punjab Communications Limited |
| 2 | Punjab State Power Corporation Limited |
| 3 | Punjab State Transmission Corporation Limited |
| 4 | Punjab Thermal Generation Limited |
| 5 | Gidderbaha Power Limited |
| 6 | Punjab Police Security Corporation Limited |
| 7 | Punjab Police Housing Corporation Limited |
| 8 | Punjab Agro Foodgrains Corporation Limited |
| 9 | Punjab Agro Industries Corporation Limited |
| 10 | Punjab Agri Export Corporation Limited |
| 11 | Gulmohar Tourist Complex (Holiday Home) Limited |
| 12 | Punjab Information and Communication Technology Corporation Limited |
| 13 | Punjab State Industrial Development Corporation Limited |
| 14 | Punjab State Biotech Corporation (Mohali Biotechnology Park) |
| 15 | Amritsar Smart City Limited |
| 16 | Jalandhar Smart City Limited |
| 17 | Ludhiana Smart City Limited |
| 18 | Punjab Genco Limited |
| 19 | Punjab State Grains Procurement Corporation Limited |
| 20 | Punjab State Seeds Corporation Limited |
| 21 | Punjab Tourism Development Corporation Limited |
| 22 | Punjab State Civil Supplies Corporation Limited |
| 23 | Punjab Municipal Infrastructure Development Company |
| 24 | Punjab State Forest Development Corporation Limited |
| 25 | Punjab Rural Water Utility |
| 26 | Punjab State Container and Warehousing Corporation Limited |
| 27 | Punjab Water Resources Management and Development Corporation Limited |
| 28 | Punjab Small Industries and Export Corporation Limited |
| 29 | Punjab State Bus Stand Management Company Limited |
| (b) List of non-working SPSEs excluded | |
| 30 | Punjab Micro Nutrients Limited |
| 31 | Electronic Systems Punjab Limited |
| 32 | Punjab Bio-Medical Equipments Limited |
| 33 | Punjab Power Packs Limited |
| 34 | Amritsar Hotel Limited |
| 35 | Neem Chameli Tourist Complex Limited |

| | |
|----|---|
| 36 | Punjab Land Development and Reclamation Corporation Limited |
| 37 | Punjab Poultry Development Corporation Limited |
| 38 | Punjab Venture Capital Limited |
| 39 | Punjab Venture Investors Trust Limited |
| 40 | Punjab Recorders Limited |
| 41 | Punjab Film and News Corporation Limited |
| 42 | Punjab State Handloom and Textile Development Corporation Limited |
| 43 | Punjab State Hosiery and Knitwear Development Corporation Limited |
| 44 | Punjab State Leather Development Corporation Limited |
| 45 | Punjab Footwears Limited |

Appendix 4.2

(Referred to in Paragraphs 4.2.1, 4.6.1 and 4.7.1)

List of SPSEs where criteria of Independent Directors, Audit Committee and Nomination and Remuneration Committee is applicable

| Sr. No. | Name of SPSEs |
|---------|---|
| 1 | Punjab Communications Limited |
| 2 | Punjab State Power Corporation Limited |
| 3 | Punjab State Transmission Corporation Limited |
| 4 | Punjab Genco Limited |
| 5 | Punjab State Grains Procurement Corporation Limited |
| 6 | Punjab State Container and Warehousing Corporation Limited |
| 7 | Punjab Water Resources Management and Development Corporation Limited |
| 8 | Punjab State Bus Stand Management Company Limited |

Appendix 4.3

(Referred to in Paragraph 4.2.2)

List of SPSEs where criteria of Woman Director is applicable

| Sr. No. | Name of SPSEs |
|---------|---|
| 1. | Punjab Communications Limited |
| 2. | Punjab State Power Corporation Limited |
| 3. | Punjab State Transmission Corporation Limited |
| 4. | Punjab Agro Foodgrains Corporation Limited |
| 5. | Punjab State Grains Procurement Corporation Limited |
| 6. | Punjab Water Resources Management and Development Corporation Limited |
| 7. | Punjab State Bus Stand Management Company Limited |

Appendix 4.4

(Referred to in Paragraph 4.5)

List of SPSEs where criteria of Key Managerial Mechanism is applicable

| Sr. No. | Name of SPSEs |
|---------|---|
| 1 | Punjab Communications Limited |
| 2 | Punjab State Power Corporation Limited |
| 3 | Punjab State Transmission Corporation Limited |
| 4 | Punjab Genco Limited |
| 5 | Punjab State Container and Warehousing Corporation Limited |
| 6 | Punjab Water Resources Management and Development Corporation Limited |
| 7 | Punjab State Bus Stand Management Company Limited |

Appendix 4.5

(Referred to in Paragraph 4.5)

List of Private Companies where criteria of Whole Time Company Secretary is applicable

| Sr. No. | Name of SPSEs |
|---------|---|
| 1 | Punjab Agro Industries Corporation Limited |
| 2 | Punjab Small Industries and Export Corporation Limited |
| 3 | Punjab Information and Communication Technology Corporation Limited |
| 4 | Punjab State Industrial Development Corporation Limited |

Appendix 4.6

(Referred to in Paragraph 4.8)

List of SPSEs where criteria of Whistle Blower Mechanism is applicable

| Sr. No. | Name of SPSEs |
|---------|---|
| 1. | Punjab Communications Limited |
| 2. | Punjab State Power Corporation Limited |
| 3. | Punjab State Transmission Corporation Limited |
| 4. | Punjab Agro Foodgrains Corporation Limited |
| 5. | Punjab State Grains Procurement Corporation Limited |
| 6. | Punjab Municipal Infrastructure Development Company |
| 7. | Punjab State Civil Supplies Corporation Limited |
| 8. | Punjab Police Housing Corporation Limited |

Annexure 4.7*(Referred to in Paragraph 4.9.3)***List of SPSEs where criteria of Internal Audit is applicable**

| Sr. No. | Name of SPSEs |
|---------|---|
| 1. | Punjab Communications Limited |
| 2. | Punjab State Power Corporation Limited |
| 3. | Punjab State Transmission Corporation Limited |
| 4. | Punjab Agro Foodgrains Corporation Limited |
| 5. | Punjab State Industrial Development Corporation Limited |
| 6. | Punjab State Grains Procurement Corporation Limited |
| 7. | Punjab State Civil Supplies Corporation Limited |
| 8. | Punjab Municipal Infrastructure Development Company |
| 9. | Punjab Police Housing Corporation Limited |
| 10. | Punjab Water Resources Management and Development Corporation Limited |
| 11. | Punjab State Bus Stand Management Company Limited |

Appendix 6.1

(Referred to in Paragraph 6.1.2.1)

Details of Circle-wise time taken and proportion of delay in metering of new domestic and non-residential supply connections in 5 distribution circles of PSPCL during 2019-22

| Period | Number of DS/NRS Connections Released | | | | | |
|---------------------|---------------------------------------|---------------|---------------|---------------|---------------|-----------------|
| | Tarn Taran | Hoshiarpur | Muktsar | Sangrur | Ludhiana West | TOTAL |
| 0-7 days | 216 | 1,597 | 6,368 | 4,956 | 18,154 | 31,291 |
| 8-15 days | 407 | 2,825 | 2,435 | 5,841 | 13,967 | 25,475 |
| 16-30 days | 852 | 2,802 | 3,359 | 3,388 | 11,426 | 21,827 |
| 1-2 months | 1,789 | 3,897 | 4,926 | 1,200 | 10,242 | 22,054 |
| 2-3 months | 1,155 | 3,670 | 3,143 | 196 | 1,869 | 10,033 |
| 3-6 months | 1,981 | 3,371 | 2,311 | 152 | 556 | 8,371 |
| 6 months – 1 year | 436 | 357 | 608 | 82 | 97 | 1,580 |
| More than 1 year | 59 | 42 | 136 | 5 | 37 | 279 |
| TOTAL | 6,895 | 18,561 | 23,286 | 15,820 | 56,348 | 1,20,910 |
| Connections Delayed | 6,679 | 16,964 | 16,918 | 10,864 | 38,194 | 89,619 |
| Percentage | 97% | 91% | 73% | 69% | 68% | 74% |

Source: Information provided by the Company

Appendix 6.2

(Referred to in Paragraph 6.1.2.2)

Details of Circle-wise time taken and proportion of delay in replacement of defective/dead stop and burnt meters in 5 distribution circles of PSPCL during 2019-22

| Period | Number of Defective/Burnt Meters Replaced | | | | | | | | | | | | | | | | | |
|----------------------|---|--------------|--------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|---------------|-----------------|
| | Tarn Taran | | | Muktsar | | | Hoshiarpur | | | Ludhiana West | | | Sangrur | | | TOTAL | | |
| | Def. | Burnt | Total | Def. | Burnt | Total | Def. | Burnt | Total | Def. | Burnt | Total | Def. | Burnt | Total | Def. | Burnt | Total |
| 0-10 days | 997 | 820 | 1,817 | 5,737 | 4,974 | 10,711 | 4,234 | 2,802 | 7,036 | 10,162 | 12,977 | 23,139 | 4,072 | 3,873 | 7,945 | 25,202 | 25,446 | 50,648 |
| 11-15 days | 130 | 82 | 212 | 1,212 | 1,077 | 2,289 | 451 | 105 | 556 | 2,653 | 693 | 3,346 | 1,480 | 695 | 2,175 | 5,926 | 2,652 | 8,578 |
| 16-30 days | 572 | 406 | 978 | 2,180 | 1,854 | 4,034 | 1,016 | 209 | 1,225 | 5,453 | 1,420 | 6,873 | 2,841 | 1,441 | 4,282 | 12,062 | 5,330 | 17,392 |
| 1-2 months | 944 | 671 | 1,615 | 1,992 | 1,729 | 3,721 | 1,748 | 312 | 2,060 | 6,000 | 1,447 | 7,447 | 2,202 | 1,047 | 3,249 | 12,886 | 5,206 | 18,092 |
| 2-3 months | 764 | 557 | 1,321 | 1,429 | 1,166 | 2,595 | 2,131 | 302 | 2,433 | 4,224 | 842 | 5,066 | 1,002 | 367 | 1,369 | 9,550 | 3,234 | 12,784 |
| 3-6 months | 1,104 | 867 | 1,971 | 2,801 | 1,872 | 4,673 | 2,869 | 389 | 3,258 | 6,237 | 1,043 | 7,280 | 1,145 | 256 | 1,401 | 14,156 | 4,427 | 18,583 |
| 6 months – 1 year | 842 | 680 | 1,522 | 4,135 | 2,335 | 6,470 | 2,323 | 214 | 2,537 | 4,654 | 468 | 5,122 | 360 | 159 | 519 | 12,314 | 3,856 | 16,170 |
| More than 1 years | 137 | 140 | 277 | 4,106 | 2,114 | 6,220 | 290 | 0 | 290 | 161 | 17 | 178 | 1 | 0 | 1 | 4,695 | 2,271 | 6,966 |
| TOTAL | 5,490 | 4,223 | 9,713 | 23,592 | 17,121 | 40,713 | 15,062 | 4,333 | 19,395 | 39,544 | 18,907 | 58,451 | 13,103 | 7,838 | 20,941 | 96,791 | 52,422 | 1,49,213 |
| Timely Replacement | 1,127 | 820 | 1,947 | 6,949 | 4,974 | 11,923 | 4,685 | 2,802 | 7,487 | 12,815 | 12,977 | 25,792 | 5,552 | 3,873 | 9,425 | 31,128 | 25,446 | 56,574 |
| Percentage | 21% | 19% | 20% | 29% | 29% | 29% | 31% | 65% | 39% | 32% | 69% | 44% | 42% | 49% | 45% | 32% | 49% | 38% |
| Delayed Replacement | 4,363 | 3,403 | 7,766 | 16,643 | 12,147 | 28,790 | 10,377 | 1,531 | 11,908 | 26,729 | 5,930 | 32,659 | 7,551 | 3,965 | 11,516 | 65,663 | 26,976 | 92,639 |
| Percentage | 79% | 81% | 80% | 71% | 71% | 71% | 69% | 35% | 61% | 68% | 31% | 56% | 58% | 51% | 55% | 68% | 51% | 62% |

Source: Information provided by the Company

Appendix-6.3

(Referred to in paragraph 6.8.2.2)

List of the works left out in the original DPR for Mega Food Park and the works wherein the capacities were not properly assessed

(₹ in crore)

| Name of the work | Deviation from DPR | Reasons of deviation | Revised grant-in-aid demanded | Grant-in-aid approved | Short approval of grant-in-aid | Actual expenditure incurred |
|--|---|--|-------------------------------|-----------------------|--------------------------------|-----------------------------|
| Firefighting System | No provision of Fire Fighting System | Inadvertently, the component of FF missed in the DPR despite a Statutory requirement | 2.00 | 0.00 | 2.00 | 0.92 |
| Water Pumping storage, secondary storage Rainwater harvesting incl. tube wells | Installation of Rainwater harvesting system as per norms of Central Ground Water Authority (CGWA) | No provision of rainwater harvesting was made in accordance with CGWA Guidelines 2012 despite the fact the MFP fell in "Over Exploited Water Zone" | 4.52 | 2.87 | 1.65 | 4.40 |
| Cold and Frozen stores | The plinth height changed from 450 mm to 1200 mm. This increases the quantity of steel, bricks, plaster and earth filling etc. Installing the Racking System in the cold and frozen stores. | Soil bearing capacity was very less. But it was not considered while preparing DPR even after conducting the survey in year 2015. Pre-survey of viability of usage of stores for fruits and vegetables was not done. | 15.90 | 8.75 | 7.15 | 15.22 |
| Total | | | 22.42 | 11.62 | 10.80 | 20.54 |

Difference between actual cost (₹ 20.54 crore) and grant approved (₹ 11.62 crore) = ₹ 8.92 crore

Short claim of grant-in-aid (50 per cent of difference) = ₹ 4.46 crore.

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