

CHAPTER-IV
Functioning of State PSUs
(Non-Power Sector)

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Functioning of State Public Sector Undertakings (Non-Power Sector)

Introduction

4.1 There were 73 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power. These State PSUs were incorporated between 1942-43 and 2016-17. These include 70 Government Companies (26 were inactive companies) and three Statutory Corporations *i.e.* Odisha State Road Transport Corporation, Odisha State Warehousing Corporation and Odisha State Financial Corporation. Out of the 70 Government Companies, 26 are subsidiary/joint venture companies owned by other Government/Private Companies. 11 Government Companies did not commence commercial activities till 2018-19, out of which one company named Inland Waterways Consortium of Odisha Limited have not submitted their first account. Two companies namely Lanjigarh Project Area Development Foundation and Odisha Sports Development and Promotion Company are registered under Section 25(1) of the Companies Act, 1956 and one company named Odisha Mineral Bearing Area Development Corporation is registered under Section 8(1) of the Companies Act, 2013.

The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 73 State PSUs, the State Government invested funds in only 46 State PSUs (including 18 inactive companies and three Statutory Corporation). State Government did not infuse any fund in the rest of 27 State PSUs (including eight inactive Companies) which were incorporated as joint venture/ subsidiary of other Government Companies. Equity of these 27 joint venture/subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

Contribution to Economy of the State

4.2 The table below provides the details of turnover of State PSUs (non-power sector) and GSDP of Odisha for a period of five years ending March 2019:

Table 4.1: Details of turnover of State PSUs (non-power sector) *vis-a-vis* GSDP of Odisha
(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	8470.35	11544.28	13065.71	15521.43	17461.97
Percentage change of Turnover over Previous Year	10.69	36.29	13.18	18.80	12.50
GSDP of Odisha	310810.24	332329.13	314363.78	415981.68	486003.80
Percentage change of GSDP over Previous Year	7.77	6.92	-5.41	32.32	16.83
Percentage of Turnover to GSDP of Odisha	2.73	3.47	4.16	3.73	3.59

(Source: Compiled based on Turnover figures of working PSUs (non-power) and GSDP figures as per information furnished by Finance Department of Government of Odisha)

In 2018-19, the turnover of the PSUs relative to GSDP was 3.59 *per cent* and had decreased from 3.73 *per cent* in the previous year. The compounded annual growth³⁴ of GSDP was 10.99 *per cent* during last five years, while the turnover of Public Sector Undertakings (non-power sector) recorded compounded annual growth of 17.93 *per cent* during the same period. This resulted in increase in share of turnover of these PSUs to the GSDP from 2.73 *per cent* in 2014-15 to 3.59 *per cent* in 2018-19.

Investment in State PSUs (Non-Power Sector)

4.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have, therefore, been analysed under two major classifications *viz.*, those in the social sector and those functioning in competitive environment. Besides, three³⁵ of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 73 State PSUs in form of equity and long-term loans up to 31 March 2019 are detailed in *Annexure-3*.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 4.2: Sector-wise investment in State PSUs (non-power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	18	242.89	37.88	280.77
PSUs in Competitive Environment	52	1274.54	886.08	2160.62
Others	3	505.63	0.00	505.63
Total	73	2,023.06	923.96	2947.02

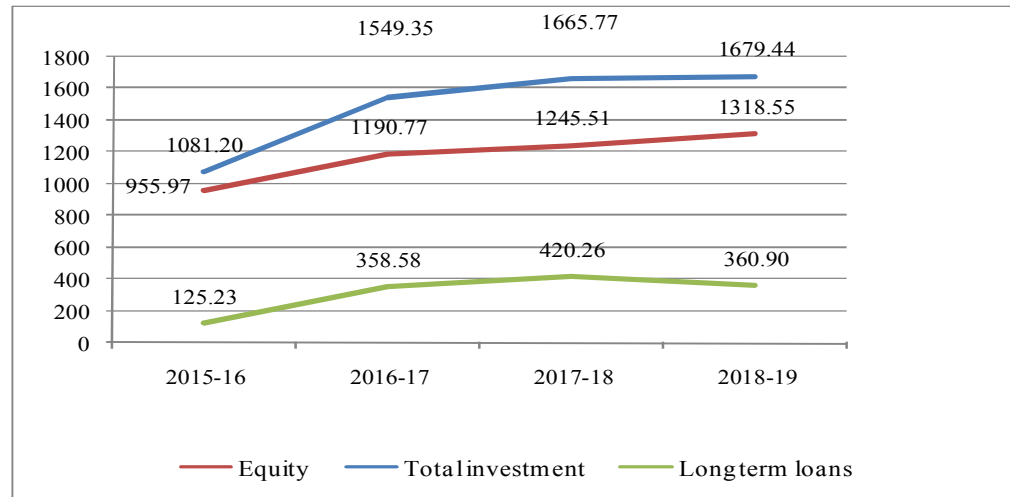
(Source: Compiled based on information received from PSUs)

As on 31 March 2019, the total investment (equity and long term loans) in 73 PSUs was ₹2947.02 crore. Out of the total long-term loans of ₹923.96 crore, ₹360.89 crore (39.06 *per cent*) was availed from the State Government and ₹563.07 crore (60.94 *per cent*) was availed from financial institutions.

The year wise statement of investment of GoO in the State PSUs (non-power sector) during the period 2014-15 to 2018-19 is as follows:

34 Rate of Compounded Annual Growth $\left[\left\{ \frac{\text{Value of 2018-19}}{\text{Value of 2013-14}} \right\}^{(1/5 \text{ years})} - 1 \right] * 100$ where turnover and GSDP for the year 2013-14 was ₹7652.64 crore and ₹288414.31 crore respectively.

35 Odisha State Police Housing and Welfare Corporation Limited, Bhubaneswar Smart City Limited and Rourkela Smart City Limited.

Chart 4.1: Total investment of GoO at the end of the year State PSUs (non-power sector)

Disinvestment, restructuring and privatisation of State PSUs

4.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs. The government did not furnish information about disinvestments during 2018-19, despite correspondence.

Budgetary Support to State PSUs

4.6 The Government of Odisha (GoO) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last four years ending March 2019 are as follows:

Table 4.3: Details regarding budgetary support to State PSUs (non-power sector)*(₹ in crore)*

Particulars ³⁶	2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	0	0	1	20.00	1	40.00	0	0
Loans given (ii)	0	0	0	0	0	0	0	0
Grants/Subsidy provided (iii)	11	1296.31	11	1040.25	13	1725.75	11	1211.75
Total Outgo (i+ii+iii)	11	1296.31	11	1060.25	13*	1765.75	11	1211.75
Loan repayment written off	0	0	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0	0	0
Guarantees issued	0	0	0	0	0	0	0	0
Guarantee Commitment	0	0	0	0	0	0	0	0

(Source: As per information furnished by PSUs)

The budgetary assistance to these PSUs ranged between ₹1060.25 crore and ₹1765.75 crore during the period 2015-16 to 2018-19. The budgetary assistance of ₹1211.75 crore given during the year 2018-19 was in the form of

36 Amount represents outgo from State Budget only.

grants/subsidy. The State Government did not provide any loan to these PSUs during the period of 2014-15 to 2018-19. The grants/subsidy given by the State Government was primarily to provide food security, free medicines, irrigation and urban development. During the year 2018-19, maximum grants/subsidy was provided to Odisha State Civil Supplies Corporation Limited (₹1061.86 crore), Odisha Lift Irrigation Corporation limited (₹57.49 crore) and Odisha State Road Transport Corporation (₹38.38 crore).

GoO provides guarantee in accordance with criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India to seek financial assistance from Banks and financial institutions, for which guarantee commission is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned. During 2014-15 to 2018-19, GoO neither issued any guarantee nor made any guarantee commitment to any non-power sector PSUs. IDCOL did not pay guarantee commission during the year 2018-19 and accumulated outstanding guarantee commission against it was ₹7.87 crore.

Reconciliation with Finance Accounts of Government of Odisha

4.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (non-power sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Odisha. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences.

It was observed that out of 73 State PSUs, such differences occurred in respect of 39 PSUs as shown in **Annexure-4**. The differences between the figures are persisting for last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Odisha Rural Housing and Development Corporation Limited, Rourkela Smart City Limited, Bhubaneswar Smart City Limited, Odisha State Seeds Corporation Limited and The Industrial Development Corporation of Odisha Limited. It is, therefore, recommended that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs

4.8 Of the total 73 State PSUs, there were 47 working PSUs *i.e.*, 44 Government Companies and three Statutory Corporations and 26 inactive PSUs under the purview of CAG as on 31 March 2019. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

4.8.1 Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 44 working Government Companies, 13 Government Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 whereas accounts of 31 Government Companies were in arrears. Out of three

Statutory Corporations, the CAG is the sole auditor in one Statutory Corporation (Odisha State Road Transport Corporation). Accounts of two Statutory Corporations for the year 2018-19 were awaited as on 30 September 2019.

Details of arrears in submission of accounts of working PSUs as on 30 September 2019 are given below:

Table 4.4: Position relating to submission of accounts by the working State PSUs (non-power sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of Working PSUs	39	44	48	48	47
2.	Number of accounts submitted during current year	36	42	48	40	44
3.	Number of working PSUs which finalised accounts for the current year	12	10	14	10	14
4.	Number of previous year accounts finalised during current year	24	32	34	30	30
5.	Number of working PSUs with arrears in accounts	27	32	34	37	33
6.	Number of accounts in arrears	52	56	59	63	63 ³⁷
7.	Extent of arrears	1 to 7 years	1 to 8 years	1 to 8 years	1 to 9 years	1 to 10 years

(Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019)

Of these 47 working State PSUs, 36 PSUs had finalised 44 annual accounts during the period 1 October 2018 to 30 September 2019 which included 14 annual accounts for the year 2018-19 and 30 annual accounts for previous years. Further, 63 annual accounts were in arrears which pertain to 33 PSUs as detailed in **Annexure-5**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Chief Secretary to the Government of Odisha is informed quarterly regarding arrear in accounts.

The GoO had provided ₹1179.39 crore (Grants/Subsidy: ₹1179.39 crore) to eight of the 33 working State PSUs, accounts of which had not been finalised by 30 September 2019 as prescribed under the Companies Act 2013/ The Road Transport Corporations Act, 1950. No investment was made in remaining 25 PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Annexure-5**. However, accounts of 14 of these working State PSUs for the period 2018-19 were finalised and submitted for audit during the period from October 2018 to September 2019. 63 accounts pertaining to 33 working State PSUs were awaited till September 2019.

In absence of finalisation of accounts and their subsequent audit in remaining 33 PSUs, no assurance could be given whether the investments and expenditure incurred had been properly accounted for and the purpose for

37 This relates to 33 PSUs whose accounts are in arrears ranging between one and ten years.

which the amount was invested was achieved. The GoO investment in these PSUs, therefore, remained outside the oversight of State Legislature.

4.8.2 In addition to above, as on 30 September 2019, there were arrears in finalisation of accounts by inactive PSUs. Out of 26 inactive PSUs, 16 PSUs were in the process of liquidation whose accounts were in arrears for 5 to 53 years. Remaining 10 inactive PSUs had arrears of accounts for 18 to 48 years

Table 4.5: Position relating to arrears of accounts in respect of inactive State PSUs (non-power sector)

No. of Inactive companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
26	1966-67 to 2018-19	5 to 53 years

(Source: Database of inactive PSUs maintained in the AG Office)

Placement of Separate Audit Reports of Statutory Corporations

4.9 Out of three working Statutory Corporations, one Corporation had forwarded its account of 2018-19 by 30 September 2019.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

Table 4.6: Status of placement of SAR of the Statutory Corporations

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1.	Odisha State Financial Corporation	2017-18	2018-19	23/10/2019
2.	Odisha State Warehousing Corporation	2016-17	2017-18	Accounts not finalised
			2018-19	Accounts not finalised
3.	Odisha State Road Transport Corporation	2016-17	2017-18	25/03/2018
			2018-19	Accounts not finalised

(Source: Information furnished by Statutory Corporations)

Delay in placement of SAR dilutes the financial accountability of Statutory Corporations. Government should ensure prompt placement of SARs of the Corporations in the Legislature.

Impact of non-finalisation of accounts of State PSUs (Non-Power Sector)

4.10 As pointed in paragraph 4.8, the delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (non-power sector) to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Recommendation: It is, therefore, recommended that the Administrative Departments should strictly monitor and issue necessary directions to clear the

arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

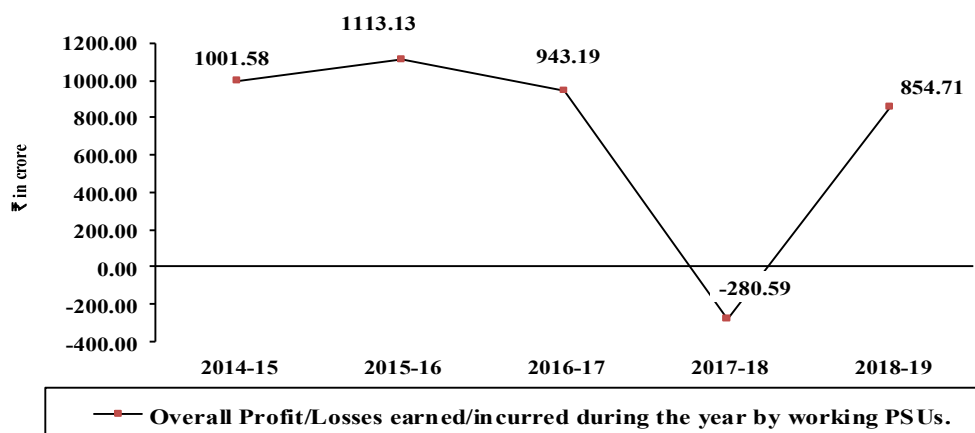
Performance of State PSUs (Non-Power Sector)

4.11 The financial position and working results of the 73 State PSUs (Non Power Sector) as per their latest finalised accounts as on 30 September 2019 are detailed in *Annexure-6*.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed.

4.12 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses³⁸ earned/incurred by the working State PSUs (non-power sector) during 2014-15 to 2018-19 is depicted in chart 4.2:

Chart 4.2: Profit/Losses earned/incurred by working PSUs (non-power sector) during the years



The profit of ₹1,001.58 crore earned by these working PSUs in 2014-15 decreased to ₹854.71 crore in 2018-19 due to losses incurred by Industrial Development Corporation of Odisha Limited, Odisha Rural Housing and Development Corporation Limited and IDCOL Kalinga Iron Works Limited. As per latest finalised accounts for the year 2018-19, out of 47 working State PSUs, 30 PSUs earned profit of ₹1,024.07 crore and 11 PSUs incurred losses of ₹169.36 crore as detailed in *Annexure-6*. Odisha State Civil Supplies Corporation Limited prepared its accounts on ‘no profit no loss’³⁹ basis. One⁴⁰ non-power sector company had not yet submitted its first account. Four⁴¹ non-power sector companies have earned nil profit.

38 Figures are as per the latest finalised accounts of the respective years.

39 The excess of expenditure over income was met from the subsidy from Government of Odisha/ Government of India as such there was no profit or loss.

40 Inland Waterways Consortium of Odisha Limited.

41 Odisha Mineral Bearing Areas Development Corporation Limited, Rourkela Smart City Limited, Odisha Mineral Exploration Corporation Limited and Kalinga Studios Limited.

The top profit making companies were Odisha Mining Corporation Limited (₹789.88 crore), Odisha Construction Corporation Limited (₹67.16 crore) and Odisha State Beverages Corporation Limited (₹29.99 crore) while, The Industrial Development Corporation of Odisha Limited and (₹89.54 crore) Odisha Rural Housing and Development Corporation Limited (₹42.93 crore) and IDCOL Kalinga Iron Works Limited (₹14.35 crore) incurred losses.

Rate of Real Return (RoRR) on the basis of historical cost of investment

4.13 For the purposes of calculation of the RORR, the total figure of investment of Government of Odisha, Government of India and others in these non-power sector PSUs has been arrived at by considering the equity, adding interest free loans and deducting interest free loans which were later converted into equity/interest bearing loans for each year, grants, subsidies for operational and management expenses minus disinvestments.

Accordingly, the investment of equity of the GoO, GoI and others PSUs as on 31 March 2019 in these 73 was ₹2023.06 crore and grants, subsidies for operational & management expense of ₹43,080.32 crore. Out of the released long term loans of ₹923.96 crore, ₹23.28 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment in these 73 PSUs on the basis of historical cost stood at ₹45,126.66 crore (₹2023.06 crore + ₹43,080.32 crore + ₹23.28 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is given below:

Table 4.7: Return on Investment on the basis of historical cost

(₹ in crore)

Year wise Sector-wise break-up	Total Earning for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Rate of Real Return on investment on historical cost basis (%)
2014-15						
Social Sector	61.08	8853.22	17384.24	22.71	26260.17	0.23
Competitive Sector	917.79	948.70	105.94	236.47	1291.11	71.09
Others	13.35	5.63	0.00	0.00	5.63	237.12
Total	992.22	9807.55	17490.18	259.18	27556.91	3.60
2015-16						
Social Sector	95.10	10108.04	20714.34	22.72	30845.10	0.31
Competitive Sector	997.02	994.37	105.94	241.54	1341.85	74.30
Others	15.51	5.63	0.00	0.00	5.63	275.49
Total	1107.63	11108.04	20820.28	264.26	32192.58	3.44
2016-17						
Social Sector	177.02	11072.15	24562.06	23.43	35657.64	0.50
Competitive	757.57	1061.61	116.16	238.75	1416.52	53.48

Year wise Sector-wise break-up	Total Earning for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Rate of Real Return on investment on historical cost basis (%)
Sector						
Others	2.37	244.25	276.12	48.00	568.37	0.42
Total	936.96	12378.01	24954.34	310.18	37642.53	2.49
2017-18						
Social Sector	134.76	12585.46	29695.63	23.48	42304.57	0.32
Competitive Sector	-428.17	1102.46	118.49	280.88	1501.83	-28.51
Others	7.97	470.25	388.62	50.00	908.87	0.88
Total	-285.44	14158.17	30202.74	354.36	44715.27	-0.64
2018-19						
Social Sector	102.14	12658.92	29731.96	23.46	42414.34	0.24
Competitive Sector	743.53	1144.03	53.92	379.50	1577.45	47.13
Others	4.19	660.25	199.62	275.00	1134.87	0.37
Total	849.86	14463.20	29985.50	677.96	45126.66	1.88

(Source: Compiled based on information received from PSUs)

The Rate of Real Return on investment has been worked out by dividing the total earnings⁴² of these PSUs by the cost of the investments made by GoO, GoI and others. The Rate of Real Return earned on investment of the 73 State PSUs (non-power sector) in 2018-19 was positive due to high profit earned by Odisha Mining Corporation Limited (competitive sector) (₹789.88 crore) and Odisha Construction Corporation Limited (Competitive sector) (₹67.16 crore).

Return on Investment on the basis of Present Value of Investment

4.14 Traditional calculation of return based only on historical cost however ignores the present value of money. Calculating the RORR on the basis of PV is a more adequate assessment of RORR. During the period from 2014-15 to 2018-19, these 73 PSUs had a positive rate of real return on investment except in 2017-18. The rate of real return on investment for these four years have, therefore, been calculated and depicted on the basis of PV.

The PV of the total investment in the 73 PSUs was computed on the following assumptions:

- The equity infused minus disinvestment, interest free loans and funds made available in the form of the grants, subsidies for operational & management expenses have been reckoned as investment for calculating the rate of real return on investments. In case of repayment of loans by the PSUs, the PV

⁴² This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

was calculated on the reduced balances of interest free loans over the period.

- The average rate of interest on government borrowings for the concerned financial year⁴³ was adopted as compounded rate for arriving at Present Value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

4.15 PSU wise position of State Government investment in these 73 State PSUs in the form of equity, interest free loans and grants, subsidies on historical cost basis for the period from 2000-01 to 2018-19 is indicated in *Annexure-7*.

The investment by the GoO, GoI and others in these PSUs at the end of the year 2018-19 was ₹45,126.66 crore consisting equity ₹2023.06 crore, interest free loans ₹23.28 crore and grants, subsidies ₹43,080.32 crore. The PV of funds infused by the GoO, GoI and others up to 31 March 2019 amounted to ₹83769.01 crore.

4.16 As during the years 2014-15, 2015-16, 2016-17 and 2018-19, the 73 PSUs earned profit, sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given in Table 4.8.

Table 4.8: Return on State Government Funds

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	PV of the total investment at end of the year	Rate of Real Return on total investment considering the present value of the investments (%)	Rate of Real Return on total investment on historical cost basis (%)
2014-15								
Social Sector	61.08	8853.22	17384.24	22.71	26260.17	39283.16	0.16	0.23
Competitive Sector	917.79	948.70	105.94	236.47	1291.11	7658.99	11.98	71.09
Others	13.35	5.63	0.00	0.00	5.63	69.97	19.08	237.12
Total	992.22	9807.55	17490.18	259.18	27556.91	47012.12	2.11	3.60
2015-16								
Social Sector	95.10	10108.04	20714.34	22.72	30845.10	46526.48	0.20	0.31
Competitive Sector	997.02	994.37	105.94	241.54	1341.85	8177.06	12.19	74.30
Others	15.51	5.63	0.00	0.00	5.63	74.21	20.90	275.49
Total	1107.63	11108.04	20820.28	264.26	32192.58	54777.75	2.02	3.44
2016-17								
Social Sector	177.02	11072.15	24562.06	23.43	35657.64	55251.06	0.32	0.50
Competitive	757.57	1061.61	116.16	238.75	1416.52	8880.65	8.53	53.48

43 The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Odisha) for the concerned year wherein the average rate for interest paid = Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoO in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	Funds invested by the GoI in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Funds invested by others in form of Equity and grants, subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis	PV of the total investment at end of the year	Rate of Real Return on total investment considering the present value of the investments (%)	Rate of Real Return on total investment on historical cost basis (%)
Sector								
Others	2.37	244.25	276.12	48.00	568.37	685.49	0.35	0.42
Total	936.96	12378.01	24954.34	310.18	37642.53	64817.20	1.45	2.49
2018-19								
Social Sector	102.14	12658.92	29731.96	23.46	42414.34	71862.18	0.14	0.24
Competitive Sector	743.53	1144.03	53.92	379.50	1577.45	10474.14	7.10	47.13
Others	4.19	660.25	199.62	275.00	1134.87	1432.68	0.29	0.37
Total	849.86	14463.20	29985.50	677.96	45126.66	83769.00	1.01	1.88

(Source: Compiled based on information received from PSUs)

The return earned on total investment on historical cost basis was 3.60 per cent in 2014-15 which decreased to 1.88 per cent during 2018-19 due to decrease in overall profits though there was infusion of additional equity, grants, subsidies, whereas the returns earned on total investment considering the present value of the investments was 2.11 per cent and 1.01 per cent during the same period. Further, during this period, the returns from competitive sector on present value worked out to 11.98 per cent and 7.10 per cent only as against return of 71.09 per cent and 47.13 per cent respectively based on the historical cost of investment.

Erosion of Net worth

4.17 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment, free reserves, surpluses and accumulated losses of these 47 State PSUs (non-power sector) as per their latest financial accounts were as on 31 March 2019 as detailed in *Annexure-6*.

Analysis of investment and accumulated losses revealed that net worth has been eroded fully in eight out of 47 working PSUs (non-power sector) as the capital investment, free reserve and accumulated losses of these eight PSUs were ₹688.89 crore, ₹56.19 crore and ₹965.46 crore respectively as on 31 March 2019. Of these eight PSUs, the maximum net worth erosion was in Odisha Rural Housing Development Corporation Limited (₹97.89 crore), Odisha State Financial Corporation (₹46.60 crore), Konark Jute Limited (₹32.21 crore) and Odisha Forest Development Corporation Limited (₹27.59 crore). Of these eight PSUs where net worth had been fully eroded, three⁴⁴

44 Odisha Forest Development Corporation Limited, Odisha Pisciculture Development Corporation Limited, Odisha State Financial Corporation.

PSUs earned profit as per their latest finalised accounts although there were substantial accumulated losses.

The table below indicates total paid up capital, total free reserves, total surpluses, total accumulated losses and net worth of the 47 working PSUs (non-power sector) during the period 2014-15 to 2018-19:

Table 4.9: Net worth of State PSUs (non-power sector)

Year	No. of non-power sector PSUs	Paid up Capital	Free Reserves	Surplus	Accumulated Losses	Net worth
1	2	3	4	5	6	7=3+4+5-6
2014-15	39	1229.65	2199.32	4176.27	913.19	6692.05
2015-16	44	1241.95	2213.58	4095.00	1070.73	6479.80
2016-17	48	1635.16	2367.78	4346.74	1131.88	7217.80
2017-18	48	1845.92	2399.38	4056.27	1079.26	7222.31
2018-19	47	1957.76	2404.91	4249.56	1156.86	7455.37

(Source: Compiled based on information received from PSUs)

As can be seen, the net worth of the State PSUs (non-power sector) was positive during the five year period. The net worth has increased from ₹6,692.05 crore in 2014-15 to ₹7,455.37 crore in 2018-19 due to increase in paid up capital, free reserves and surpluses.

Dividend Payout

4.18 The State Government had formulated (December 2011) dividend policy under which all profit making PSUs are required to pay annual dividend of 20 per cent of the State government equity or 20 per cent of the profit after tax, whichever is higher. The minimum dividend payout in respect of PSUs in the mining and power generation sector should be 30 per cent of profit after tax. Subsequently, GoO issued revised (February 2016) guideline for payment of dividend at the rate of 30 per cent for all PSUs. Dividend Payout relating to the PSUs (non-power sector) where equity was infused by GoO during the period is shown in table below:

Table 4.10: Dividend Payout of the State PSUs (non-power sector) during 2014-15 to 2018-19

(₹ in crore)

Year	Total PSUs where equity infused by GoO		PSUs which earned profit during the year			PSUs which declared/paid dividend during the year			Dividend Payout Ratio (%)	Dividend Payout Ratio excluding the share of OMC Limited (%)
	Number of PSUs	Equity infused by GoO	Number of PSUs	Equity infused by GoO	Equity infused by GoO excluding OMC Limited	Number of PSUs	Dividend declared/paid by PSUs	Dividend declared/paid by PSUs excluding the share of OMC Limited		
1	2	3	4	5	6	7	8	9	10=8/5*100	11=9/6*100
2014-15	44	959.75	21	504.10	472.65	6	514.79	14.79	102.12	3.13
2015-16	45	955.97	22	500.32	468.87	8	530.51	30.51	106.03	6.51
2016-17	47	1190.77	19	444.88	413.43	8	532.48	32.48	119.69	7.86
2017-18	46	1245.51	20	868.12	868.12	7	37.49	37.49	4.32	4.32
2018-19	47	1308.55	23	913.01	881.56	9	540.60	40.60	60.95	4.75

(Source: Compiled based on information received from PSUs)

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 19 and 23. During this period, number of PSUs which declared/paid dividend to GoO ranged between six and nine.

The Dividend Payout Ratio (DPR) in 2018-19 increased to 60.95 *per cent* from 4.32 *per cent* in 2017-18 as Odisha Mining Corporation Limited had declared dividend in 2018-19. The DPR which was 102.12 *per cent* in 2014-15 increased to 119.69 *per cent* in 2016-17 due to consistent earning of profit and payment of dividend of ₹500 crore (1590 *per cent* of share capital) in each year by OMC Limited. OMC Limited had been earning profit because of higher market price of chrome ore and iron ore than its cost of production. Excluding the share of payment of dividend by OMC Limited the DPR, however, ranged between 3.13 to 7.86 *per cent* during the period 2014-15 to 2018-19.

Of the nine PSUs which declared/paid dividend during 2018-19, three⁴⁵ PSUs declared dividend higher than the prescribed limit, while six⁴⁶ PSUs declared dividend lower than the prescribed limit.

Return on Equity

4.19 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits. It is calculated and expressed as a percentage by dividing net income (i.e., net profit after taxes) by shareholders' funds.

Shareholders' funds of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' funds reveals that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets. Return on Equity has been computed in respect of all the non-power sector undertakings which included the holding and subsidiary companies.

Return on Equity computed in respect of all working State PSUs (non-power sector) which have earned profit or incurred loss as per their latest annual financial account is detailed in the table below:

Table 4.11: Return on Equity relating to State PSUs (non-power sector)

(₹ in crore)					
	Year	No. of non-power sector PSUs	Net Profit/Loss	Shareholders' fund	RoE in <i>per cent</i>
	1	2	3	4	5=3*100/4
Profit Earning	2014-15	26	1099.37	6750.44	16.29
	2015-16	29	1154.22	6538.75	17.65
	2016-17	30	1044.16	6861.64	15.22
	2017-18	31	237.92	1345.26	17.69
	2018-19	30	1024.07	7053.61	14.52
Loss Incurring	2014-15	6	-97.79	-88.73	-
	2015-16	8	-41.09	-69.98	-
	2016-17	13	-100.97	209.63	-
	2017-18	11	-518.51	5615.79	-

45 The Odisha Mining Corporation Limited, Odisha Construction Corporation Limited and The Odisha State Police Housing and Welfare Corporation Limited.

46 The Agricultural Promotion and Investment Corporation of Odisha Limited, Odisha State Cashew Development Corporation Limited, Odisha Forest Development Corporation Limited, Odisha State Beverage Corporation Limited, Orissa Bridge and Construction Corporation Limited and Odisha Tourism Development Corporation Limited.

	Year	No. of non-power sector PSUs	Net Profit/Loss	Shareholders' fund	RoE in per cent
	1	2	3	4	5=3*100/4
	2018-19	11	-169.36	141.79	-
Total*	2014-15	32	1001.58	6661.71	15.03
	2015-16	37	1113.13	6468.77	17.21
	2016-17	43	943.19	7071.27	13.34
	2017-18	42	-280.59	6961.05	-
	2018-19	41	854.71	7195.4	11.88

(Source: Compiled based on information received from PSUs)

* PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.

During 2018-19, 11 out of 41 PSUs were loss making. Since the Net Income was negative, the Return on Equity of loss making PSUs was not worked out. Shareholders' fund for loss making company was negative during 2014-15 and 2015-16. During the last five years ending March 2019, the Net Income was positive during 2014-15, 2015-16, 2016-17 and 2018-19 and the RoE during these years ranged between 11.88 per cent and 17.21 per cent. The negative RoE of the PSUs in the non-power sector in 2017-18 was attributable to the net loss of ₹463.48 crore incurred by Odisha Mining Corporation Limited. Return on Equity in respect of all working PSUs is given in a table below:

Table 4.12: Return on Equity relating to all working State PSUs (non-power sector)
(₹ in crore)

Year	No. of non-power sector PSUs	Net Profit/Loss	Shareholders' fund	RoE in per cent
1	2	3	4	5=3*100/4
2014-15	39	1001.58	6692.05	14.97
2015-16	44	1113.13	6479.80	17.18
2016-17	48	943.19	7217.80	13.07
2017-18	48	-280.59	7222.31	-
2018-19	47	854.71	7455.37	11.46

(Source: Compiled based on information received from PSUs)

Return on Capital Employed

4.20 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁴⁷. The details of total RoCE of all the profit making and loss incurring working State PSUs (non-power sector) during the period from 2014-15 to 2018-19 are given in table below:

Table 4.13 Return on Capital Employed relating to State PSUs (non-power sector)
(₹ in crore)

	Year	No. of non-power sector PSUs	EBIT	Capital Employed	RoCE (in per cent)
	1	2	3	4	5=3*100/4
Profit Earning	2014-15	26	1713.85	7342.17	23.34
	2015-16	29	1753.06	7117.77	24.63
	2016-17	30	1723.44	7509.05	22.95

47 Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

	Year	No. of non-power sector PSUs	EBIT	Capital Employed	RoCE (in per cent)
	1	2	3	4	5=3*100/4
	2017-18	31	341.1	2173.18	15.70
	2018-19	30	1628.39	7202.97	22.61
Loss Incurring	2014-15	6	-113.65	26.73	-
	2015-16	8	-39.57	41.85	-
	2016-17	13	-69.27	920.72	-
	2017-18	11	-877.31	6135.94	-
	2018-19	11	-131.4	884.95	-
	Total	2014-15	32	1600.2	7368.9
2015-16		37	1713.49	7159.62	23.93
2016-17		43	1654.17	8429.77	19.62
2017-18		42	-536.21	8309.12	-
2018-19		41	1496.99	8087.92	18.51

(Source: Compiled based on information received from PSUs)

* PSUs which earned neither profit nor incurred loss and PSUs which had not submitted their first accounts since inception had been excluded.

During 2018-19, 11 out of 41 working PSUs were loss making. Since the EBIT was negative in respect of these 11 PSUs, the RoCE of Loss making PSUs could not be worked out. The RoCE of PSUs ranged between 18.51 per cent and 23.93 per cent during the period 2014-15 to 2018-19. The RoCE of 42 PSUs during 2017-18 could not be worked out due to negative EBIT.

Analysis of Long Term Loans of the State PSUs (Non-Power Sector)

4.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in respect of PSUs which had interest burdened during the period from 2014-15 to 2018-19 are given in table below:

Table 4.14: Interest Coverage Ratio relating to State PSUs (non-power sector)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	48.87	1600.20	18	14	04
2015-16	46.44	1713.49	15	13	02

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2016-17	87.48	1654.17	17	12	05
2017-18	63.38	-536.21	14	12	02
2018-19	67.82	1469.51	12	09	03

(Source: Compiled based on information received from PSUs)

Of the 12 State PSUs (Non Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2018-19, nine PSUs had interest coverage ratio of more than one whereas remaining three PSUs had interest coverage ratio below one. This indicates that these three PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

4.23 During the last five years, the turnover of the 73 PSUs recorded compounded annual growth of 17.90 *per cent* and compounded annual growth of debt was 5.36 *per cent* due to which the debt turnover ratio improved from 0.093 in 2013-14 to 0.089 in 2017-18 but again decreased to 0.053 in 2018-19 as given in table below:

Table 4.15: Debt Turnover Ratio relating to the State PSUs (non-power sector)

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	4525.67	721.51	1389.16	1378.73	923.96
Turnover	8488.72	11562.65	13084.08	15539.81	17480.34
Debt-Turnover Ratio	0.53:1	0.06:1	0.11:1	0.089:1	0.053:1

(Source: Compiled based on information received from PSUs)

The debt-turnover ratio ranged between 0.053 and 0.53 during this period.

Winding up of Inactive State PSUs

4.24 Twenty six of the 73 State PSUs (other than Power Sector) were inactive companies having a total investment of ₹95.96 crore towards capital (₹65.30 crore) and long term loans (₹30.66 crore) as on 31 March 2019. The number of inactive PSUs at the end of each year during last five years ended 31 March 2019 is given below:

Table 4.16: Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	28	28	28	26	26

(Source: Compiled from the information included in Audit Report (PSUs) and information obtained from Registrar of Companies-cum-Official Liquidator, Odisha of respective years)

Sixteen of these inactive PSUs were under liquidation. As these PSUs are not functional for many years, the Government may take appropriate decision regarding these PSUs.

Comments on Accounts of State PSUs (Non-Power Sector)

4.25 Thirty three working companies forwarded 41 audited accounts to the Principal Accountant General during the period from 1 October 2018 to 30 September 2019. Of these, 17 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 4.17: Impact of audit comments on working companies (non-power sector)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1.	Decrease in profit	15	217.30	12	733.82	12	183.53
2.	Increase in profit	4	10.70	7	19.77	09	211.58
3.	Increase in loss	4	85.26	3	296.95	4	22.81
4.	Decrease in loss	2	10.84	0	0	0	0
5.	Non-disclosure of material facts	6	145.20	5	208.99	2	564.09
6.	Errors of classification	Nil	Nil	4	3.89	Nil	Nil

(Source: Audit Comments of the C&AG and Statutory Auditors)

During the year 2018-19, the Statutory Auditors had issued qualified certificates on twenty five accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 19 instances of non-compliance to the Accounting Standards in 10 accounts and four instances of non-compliance to the Indian Accounting Standards in one account.

4.26 Odisha has three Statutory Corporations *i.e.* (i) Odisha State Road Transport Corporation (OSRTC), (ii) Odisha State Financial Corporation (OSFC) and (iii) Odisha State Warehousing Corporation (OSWC). Out of three working Statutory Corporations, one Corporation forwarded its annual accounts for the year 2018-19 whereas two corporations forwarded annual accounts for the year 2017-18 during 01 October 2018 to 30 September 2019. Of these, the CAG is the sole auditor for the accounts of Odisha State Road Transport Corporation. The remaining two accounts were selected for supplementary audit. Qualified certificates were issued to all the three accounts based on comments towards decrease in profit and increase in loss. The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in the following table:

Table 4.18: Impact of audit comments on Statutory Corporations

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1.	Decrease in profit	1	1.19	2	6.71	2	2.14
2.	Increase in profit	0	0	0	0	1	0.11

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
3.	Increase in loss	1	5.00	1	1.68	0	0
4.	Decrease in loss	0	0	0	0	0	0
5.	Non-disclosure of material facts	0	0	0	0	0	0
6.	Errors of classification	0	0	0	0	0	0

(Source: Database maintained in the AG Office)

Performance and Compliance Audit Paragraphs

4.27 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2019, one Performance Audit on the Infrastructure Development and Project Management Activities of the Odisha Industrial Infrastructure Development Corporation (IDCO) and six compliance audit paragraphs were issued to Secretaries of the departments concerned with request to furnish replies within six weeks. Replies in respect of all compliance audit paragraphs have been received from the State Government and suitably incorporated in this report. The total financial impact of these paragraphs is ₹261.98 crore.

Follow up action on Audit Reports

Replies outstanding

4.28 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Odisha issued (December 1993) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

Table 4.19: Position of explanatory notes on Audit Reports related to State PSUs non-power sector (as on 30 September 2019)

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total non-power sector Performance Audits (PAs) and Paragraphs in the Audit Report		Number of non-power sector PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2010-11	29 March 2012	3	13	-	1
2013-14	24 August 2015	2	6	1	1
2014-15	26 September 2016	1	11	-	2
2015-16	16 September 2017	1	10	1	5
2016-17	26 March 2018	1	5	1	5
Total	--	8	45	3	14

(Source: Database maintained in the AG Office)

Explanatory notes on 17 Paragraphs/Performance Audits were pending with five departments till September 2019.

Discussion of Audit Reports by CoPU

4.29 The status of discussion of Performance Audits and paragraphs related to State PSUs (non-power sector) that appeared in Audit Reports (PSUs) by the CoPU as on 30 September 2019 was as under:

Table 4.20: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019

Period of Audit Report	Number of non-power sector Performance Audits/ Paragraphs			
	Appeared in Audit Reports		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	1	11.5	0	8
2009-10	1	10	1	9
2010-11	3	13	1	12
2011-12	1	12	1	12
2012-13	1	7	1	7
2013-14	2	6	0	5
2014-15	1	11	0	1
2015-16	1	10	0	0
2016-17	1	5	0	0
Total	12	85.5	4	54

(Source: Database maintained in the AG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (June 2018). During 2018-19, with the co-ordination and assistance of PAG, CoPU had in its six meetings, discussed one Performance Audit (Industrial Development Corporation of Odisha Limited) and six paragraphs relating to Audit Reports of 2012-13 to 2014-15.

Compliance to Reports of CoPU

4.30 Action Taken Notes (ATNs) on two Paragraphs pertaining to two Reports of the CoPU presented to the State Legislature between August 2001 and March 2019 had not been received (September 2019) as detailed below:

Table 4.21: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2001-02	1	8	8
2007-08	1	1	1
Total	2	9	9

(Source: Database maintained in the AG Office)

These reports of CoPU contained recommendations in respect of Paragraphs pertaining to two departments which appeared in the Reports of the CAG of India for the years 1989-90 to 2003-04.