

Chapter V: Financial Performance of State Public Sector Undertakings

5.1 Introduction

This Chapter presents the summary of financial performance of State Public Sector Undertakings of the Government of Chhattisgarh for the year 2020-21. The term State Public Sector Undertakings (PSUs) encompasses the Government Companies set up under the Companies Act, 2013 and the Statutory Corporations set up under Statutes enacted by the Parliament/State Legislature.

This Chapter gives the summarised position of financial performance of the State Government Companies and Corporations as revealed from their accounts. Significant comments¹ issued as a result of supplementary audit/sole audit of the financial statements of the Government Companies/Corporations conducted by the CAG for the year 2020-21 (or of earlier years which were finalised during the current year) have been covered in this Report.

5.2 Definition of Government Companies/Corporations

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 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.

A Statutory Corporation is set up under a statute enacted by Parliament/State Legislature.

5.3 Mandate of audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of Comptroller and Auditor General of India's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the Comptroller and Auditor General of India appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the Comptroller and Auditor General of India have the right to conduct a supplementary audit.

The statutes governing Statutory Corporations require the Comptroller and Auditor General of India to conduct audit of their accounts either as a sole auditor or to conduct supplementary audit after the audit is conducted by the Chartered Accountants appointed under the statutes.

5.4 State Public Sector Undertakings and their contribution to the Gross State Domestic Product

As on 31 March 2021, there were 30 PSUs in Chhattisgarh State (including 29 Government Companies and one² Statutory Corporation) under the audit jurisdiction of the Comptroller

¹Based on the certificates finalized/issued from 1 January 2020 to 30 September 2021.

² Chhattisgarh State Warehousing Corporation (CSWC).

and Auditor General of India (CAG). None of the PSUs were listed on the stock exchange (s). Out of the 30 State PSUs, 28 were working PSUs (27 Companies and one Statutory Corporation) and two PSUs³ were inactive. Out of the 28 working PSUs, only 25 PSUs (24 Companies and one Statutory Corporation), whose accounts were in arrears for two or less years as on 30 September 2021 have been considered for detailed analysis of financial performances in this Report. Three PSUs whose accounts were in arrears for three or more years (two PSUs⁴) or first accounts were not submitted (one PSU⁵) have not been considered for detailed analysis in this Report (*Appendix 5.1*).

A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. On the basis of nature of activities undertaken, these 25 PSUs have been categorised into six sectors. The turnover (₹39,964.32 crore) of these 25 PSUs for 2020-21 was 11.41 per cent of the GSDP of Chhattisgarh (₹3,50,270 crore) for the year. Power sector alone accounts for over 57 per cent of the total turnover of the PSUs during 2020-21(**Table 5.1**).

Table 5.1: Sector wise turnover vis-a-vis share of turnover of Public Sector Undertakings in Gross State Domestic Product of Chhattisgarh during 2020-21

Sl. No.	Name of the Sector	Number of PSUs	Turnover for the year (₹ in crore)	Share of Turnover in GSDP
1	Energy and Power	6	23,153.77	6.61
2	Infrastructure	5	25.42	0.01
3	Finance	1	2.77	0.01
4	Agriculture, Food and Allied Industries	2	545.01	0.16
5	Services	9	16,215.65	4.63
6	Others	2	21.70	0.01
	Total	25	39,964.32	11.41

Source: Information compiled on the basis of latest financial statements of PSUs.

5.5 Audit of Public Sector Undertakings including Government Companies and Corporations

The Comptroller and Auditor General of India, as per his mandate, conducts supplementary audit of the annual accounts of all 30 Companies (29 Government Companies and one Statutory Corporation). The status of submission of financial statements by the PSUs as on 30 September 2021 is presented in **Table 5.2**.

³ Chhattisgarh Sondiha Coal Company Limited, CMDC ICPL Coal Limited

⁴ Chhattisgarh State Industrial Development Corporation Limited, Raipur Smart City Limited

⁵ Chhattisgarh State Information Infrastructure Corporation Limited

Table 5.2: Status of submission of financial statements by PSUs

Type of PSUs	Total Number of PSUs	Status of finalisation of Accounts by PSUs as of 30 September 2021 ⁶				Number of PSUs whose accounts were in arrears (No. of Accounts in arrears)
		Accounts for 2020-21	Accounts for 2019-20	Accounts up to 2018-19	Total	
Government Companies	27	6	12	9	27	21 (36)
Statutory Corporation	1	-	-	1	1	1 (2)
Total Working PSUs	28	6	12	10	28	22 (38)
Inactive PSUs	2	1	-	1	2	1 (2)
Total	30	7	12	11	30	23 (40)

Source: Annual accounts submitted by PSUs

The summary of financial performance based on the latest finalized accounts of 25 PSUs covered in this report is detailed in **Table 5.3**.

Table 5.3: Summary of financial performance of PSUs (Government Companies and Statutory Corporation)

Summary of financial performance of PSUs	
Total Number of State PSUs	30
Number of PSUs covered in this Report	25
Paid up capital (25 PSUs)	₹6,907.41 crore
Long term loans(25 PSUs)	₹13,283.01 crore
Net profit (15 PSUs)	₹697.56 crore
Net loss (7 PSU)	₹978.50 crore
Zero Profit / loss (Three PSUs)	--
Dividend declared (Two PSUs)	₹3.84 crore
Net worth (25 PSUs)	₹2,400.05 crore

Source: Compiled on the basis of latest finalized accounts of PSUs

5.6 Investment in Public Sector Undertakings and Budgetary support

5.6.1 Equity holding and loans

The Government investments in the PSUs as equity and loans for the three year period ended 31 March 2021 is given in **Table 5.4**.

Table 5.4: Equity investment and loans in Public Sector Undertakings

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	6,672.52	889.62	7,562.14	6,672.52	707.14	7,379.66	6,672.52	724.83	7,397.35
Central Government	25.42	0	25.42	25.42	286.53	311.95	25.42	292.78	318.20
Others	315.76	12,716.13	13,031.89	315.76	11,795.90	12,111.66	315.76	12,847.58	13,163.34
Total	7,013.70	13,605.75	20,619.45	7,013.70	12,789.57	19,803.27	7,013.70	13,865.19	20,878.89

⁶ Due date for conduct of annual general meeting was extended by two months (i.e. by 30 November 2021) beyond normal due date (i.e by 30 September 2021) by ROC, Ministry of Corporate affairs in view of Covid-19 pandemic.

Sources of investment	As on 31 March 2019			As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
Share of State Government in total investment (in %)	95.14	6.54	36.67	95.14	5.53	37.26	95.14	5.23	35.43

Source: Compiled from latest financial statements received as on 30 September 2021 and information provided by PSUs.

The total investment in these PSUs increased marginally by 1.26 per cent in 2019-21. As on 31 March 2021, the total investment in 30 State PSUs comprised 33.59 per cent of equity capital and 66.41 per cent of long term loans. The long term loans in 30 State PSUs consisted of ₹1,017.61 crore advanced by the Central and State Governments and ₹12,847.58 crore raised from other sources (*Appendix 5.2*). The thrust of the State Government's investment in PSUs was mainly in power sector during the last three years. Out of the total investment (equity, loans and subsidies/grants) of ₹778.30 crore during the period from 2018-19 to 2020-21, the share of power sector was 78.12 per cent (₹607.98 crore).

5.6.2 Adequacy of Assets

In order to be considered solvent, the value of an entity's assets must be greater than the sum of its long-term loans/debts. Seven Public Sector Undertakings do not meet this criterion as 31 March 2021 (*Table 5.5*).

Table 5.5: Coverage of long-term loans with total assets

(₹ in crore)

Type of PSUs	Positive Coverage				Negative Coverage			
	Number PSUs	Long Term Loans	Total Assets	Percentage of Assets to Loans	Number of PSUs	Long Term Loans	Total Assets	Percentage of Assets to Loans
Government Companies	3	1,703.36	3,090.58	181.44	7	11,862.14	7,593.19	64.01
Statutory Corporations	1	67.98	656.62	965.90	--	--	--	--

Source: Compiled on the basis of latest finalized accounts of PSUs

5.6.3 Information on Subsidy, Grants by Central/State Government

The State Government provides financial support to PSUs in the form of loan, grants and subsidies through annual budget. In addition, the Government provides Guarantee for loans raised by PSUs for which it charges Guarantee commission upto the rate of half a per cent. Details are in *Table 5.6*.

Table 5.6: Details of budgetary support to Public Sector Undertakings

(₹ in crore)

Particulars ⁷	2018-19		2019-20		2020-21	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
(i) Loans	2	82.71	2	51.89	1	62
(ii) Grants/Subsidy	10	6,190.2	11	9,546.26	9	8,445.74
Total Outgo (i+ii)	12	6,272.91	13	9,598.15	10	8,507.74
Guarantees Outstanding	4	2,398.25	4	3,764.41	2	3,426.34
Guarantee Commitment	4	6,753.59	4	6,752.59	3	6,682.28

Source: Information furnished by PSUs

As can be seen from the Table above, annual budgetary assistance received by the PSUs increased from ₹6,272.91 crore in 2018-19 to ₹8,507.74 crore during the period 2020-21. Budgetary assistance in the form of loan (₹62 crore) was given to Chhattisgarh Mineral Development Corporation Limited for mineral exploration work. The major portion of subsidy/grants was given to Chhattisgarh State Power Distribution Company Limited (₹4,752.85 crore) for implementation of various schemes such as single Bulb Connection, free supply of Electricity to Agriculture pump, *Mukhyamantri Majra-tola Vidyutikaran Yojana*, energisation of Agriculture pumps etc. and revenue subsidy and Chhattisgarh State Civil Supplies Corporation Limited (₹3,417.77 crore) to provide food grains at concessional rate to the public.

5.7 Returns from Public Sector Undertakings

5.7.1 Profit earned by PSUs

The profit earned by 15 PSUs out of 25 PSUs (covered in this report) was ₹697.56 crore in 2020-21 as compared to 14 PSUs which earned profit of ₹991.41 crore in 2018-19. The main reason for decrease in profit was due to increase in loss of Chhattisgarh State Power Distribution Company Limited from ₹42.27 crore (2018-19) to ₹972.64 crore (2020-21). Four top PSUs that earned profit in 2020-21 are summarised in **Table 5.7**.

Table 5.7: PSUs which contributed maximum profit

Name of State Public Sector Undertaking	Net profit earned (₹ in crore)
Chhattisgarh State Power Generation Company Limited	402.68
Chhattisgarh State Warehousing Corporation	138.69
Chhattisgarh State Power Transmission Company Limited	78.13
Chhattisgarh <i>Rajya Van Vikas Nigam</i> Limited	30.26
Total	649.76

Source: Compiled on the basis of latest finalized accounts of PSUs

5.7.2 Dividend paid by Public Sector Undertakings

The State Government had not formulated any dividend policy under which all profit making PSUs are required to pay a minimum *per cent* of return of the profit after tax/paid up capital.

Dividend payout relating to 19 PSUs where equity was infused by the State Government during the period is shown in **Table 5.8**.

⁷Amount represents outgo from State Budget.

Table 5.8: Details of Dividend Payout of PSUs

Year	Total PSUs where equity infused by State Government		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoCG	Number of PSUs	Profit	Number of PSUs	Dividend declared/paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=7/5*100)
2018-19	19	6,670.87	13	991.25	2	3.14	0.38
2019-20	19	6,670.87	13	950.52	2	3.84	0.48
2020-21	19	6,670.87	14	697.51	2	3.84	0.72

Out of these 19 PSUs, 14 PSUs earned an aggregate profit of ₹697.51 crore. Only two PSUs viz. *Chhattisgarh Rajya Van Vikas Nigam Limited* and *Chhattisgarh State Warehousing Corporation* declared/paid dividend of ₹3.03 crore and ₹0.81 crore respectively.

5.8 Debt Servicing

5.8.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. A ratio below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of PSUs which had outstanding loans during the period from 2018-19 to 2020-21 are given in **Table 5.9**.

Table 5.9: ICR of Public Sector Undertakings

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No. of PSUs having interest burden	No. of PSUs having ICR more than one	No. of PSUs having ICR less than one
2018-19	1,451.82	2,486.19	10	6	2
2019-20	1,480.67	1,024.85	12	5	3
2020-21	1,490.98	1,303.82	12	6	2

Source: Compiled on the basis of latest finalized accounts of PSUs

It was observed that out of 12 PSUs having interest burden, one PSU (*Chhattisgarh State Power Distribution Company Limited*) had ICR of less than one throughout the period from 2018-19 to 2020-21. The number of PSUs having ICR of less than one included, *Chhattisgarh Rural Housing Corporation Limited*, which received long term loans from public sector banks on the guarantee of State Government.

Further, the Statutory Auditors report on the annual accounts of those Government Company, whenever available shows that *Chhattisgarh Nishakt Jan Vitt Avam Vikas Nigam* defaulted in servicing their debts during 2019-20.

5.9 Operating Efficiency of Government Companies

5.9.1 Profit earned (analysis of profit reporting from operating activities/other income)

As on 31 March 2021, 15 profit earning PSUs earned total profit of ₹697.56 crore. Major

profit making PSUs during 2020-21 were, Chhattisgarh State Power Generation Company Limited (₹402.68 crore), Chhattisgarh State Warehousing Corporation (₹138.69 crore), Chhattisgarh State Power Transmission Company Limited (₹78.13 crore), while Chhattisgarh State Power Distribution Company Limited reported substantial losses (₹972.64 crore).

Out of 15 profit earning State Public Sector Undertakings, seven State Public Sector Undertakings earned profit only from its operations⁸ and eight State Public Sector Undertakings earned profit only from other/extraordinary income as detailed in **Appendix 5.3**.

5.9.2 Return on Capital Employed

Return on Capital Employed measures a company's profitability and the efficiency with which its capital is employed. It is calculated by dividing a company's earnings before interest and taxes by the capital employed⁹.

Table 5.10: Return on Capital Employed

Nature of PSUs	Year	No. of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	Return on Capital Employed (in per cent)
	1	2	3	4	5 = 3/4*100
Profit Earning	2018-19	14	2,233.28	15,720.66	14.21
	2019-20	14	2,138.93	15,473.92	13.82
	2020-21	15	1,931.44	16,115.05	11.99
Loss incurring	2018-19	8	316.31	-385.52	-82.05
	2019-20	8	-539.41	-649.71	83.02
	2020-21	7	-569.71	-988.77	57.62
Nil Profit / Loss	2018-19	3	0	1,151.98	0.00
	2019-20	3	0	200.93	0.00
	2020-21	3	0	200.93	0.00
Total	2018-19	25	2,549.59	16,487.12	15.46
	2019-20	25	1,599.52	15,025.14	10.65
	2020-21	25	1,361.73	15,327.21	8.88

Source: Compiled on the basis of latest finalized accounts of PSUs

Return on Capital Employed is on downward trend from 15.46 per cent to 8.88 per cent during the period 2019-21 (**Table 5.10**).

5.9.3 Rate of Real Return on the basis of Historical Cost of Investment

As on 31 March 2021, total investment of State Government in 25 PSUs on the basis of historical cost stood at ₹20,540.89 crore. The sector-wise RoI on historical cost basis for the period 2018-19 to 2020-21 is given in **Table 5.11**.

⁸ Profit from Operating activities = Turnover – Total expenditure.

⁹ Capital employed = Paid up share capital + long term loans + accumulated profit / – accumulated losses. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table 5.11: Return on the basis of historical cost of investment

(₹ in crore)

Year	Funds invested by State Government in Equity and Long term loans	Funds invested by Central Government in Equity and Long term loans	Funds invested by Others in Equity and Long term loans	Total investment in Equity and Long term loans	Total Earnings/ Losses for the year	RoRR (in per cent)
Government Companies						
2018-19	7,421.47	25.42	12,693.52	20,140.41	788.12	3.9
2019-20	7,263.70	311.95	11,773.29	19,348.94	-165.78	-0.9
2020-21	7,325.70	318.20	12,824.97	20,468.87	-422.34	-2.1
Statutory Corporations						
2018-19	139.02	0.00	2.02	141.04	138.69	98.3
2019-20	114.31	0.00	2.02	116.33	138.69	119.2
2020-21	70.00	0.00	2.02	72.02	138.69	192.6
Grand Total						
2018-19	7,560.49	25.42	12,695.54	20,281.45	926.81	4.6
2019-20	7,378.01	311.95	11,775.31	19,465.27	-27.09	-0.1
2020-21	7,395.70	318.20	12,826.99	20,540.89	-283.65	-1.4

Source: Latest finalised accounts and information furnished by PSUs

During the years 2018-19 to 2020-21, the return of Government companies on the basis of historical cost of Investment ranged from -2.1 per cent to 3.9 per cent, while the return of Statutory Corporation on the basis of historical cost of Investment ranged from 98.3 per cent to 192.6 per cent.

5.9.4 Return on Investment on the basis of Present Value of Investment

Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, real return on investment has also been calculated after considering the Present Value of money.

The Present Value (PV) of the investment in these PSUs was computed on the basis of following assumptions:

- The State Government's investment was computed where funds were infused in the form of equity, defaulted long term loans and operational/management expenses as on 31 March 2021.
- Long term loans on which interest payments were defaulted by the PSUs were considered as investment of State Government. In case of repayment of loans by these PSUs, the PV was calculated on the reduced balances of loans over the period.
- The funds provided in the form of Grants/Subsidy have not been reckoned as investment except capital grant since they do not qualify to be considered as investment.

- The average rate of interest on Government borrowings for the concerned financial year¹⁰ was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year and therefore, considered as the minimum expected Rate of Return on investments made by the Government.

Further, consolidated position of Present Value of the State Government investment relating to these PSUs for the same period is indicated in **Table 5.12**.

Table 5.12: Year wise details of investment by the State Government and Present Value of Government investment

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Net Interest Free Loan / Defaulted Loan	Interest free loans converted during the year	Capital and Establishment Grant / Subsidy	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	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	Percentage of Total earnings for the year
A	B	C	D	E	F	G = (C+D-E+F)	H = B + G	I	J = H*(1+I/100)	K = H*I/100	L	M = L*100/H
Upto 2016-17		6649.27	268.64	20.11	2253.92	9151.72	13635.69	6.62	14538.38			
2017-18	14538.38	21.6	84.23	0	1353.68	1459.51	15997.89	6.38	17018.55	1020.66	1124.26	7.03
2018-19	17018.55	0	81.86	0	269.88	351.74	17370.29	6.1	18429.89	1059.58	928.65	5.35
2019-20	18429.89	0	-57.77	0	271.8	214.03	18643.92	6.83	19917.29	1273.38	-25.07	-0.13
2020-21	19917.29	0	0	0	331.89	331.89	20249.18	6.57	21579.56	1330.37	-280.83	-1.39
Total		6670.87	376.96	20.11	4481.17	11508.89						

Source: Compiled on the basis of latest finalized accounts of PSUs

The total investment of the State Government in 19 PSUs at the end of the year 2020-21 was ₹11,508.89 crore consisting of equity (₹6,670.87 crore), defaulted long term loans (₹356.85 crore excluding ₹20.11 crore interest free loan converted into equity) and capital grants/subsidy (₹4,481.17 crore). The PV of investments of the State Government as on 31 March 2021 was worked out to ₹21,579.56 crore. Since 2017-18, the returns have been coming down and turned negative during 2019-20 and 2020-21.

5.10 Public Sector Undertakings incurring losses

5.10.1 Losses incurred

There were seven PSUs that incurred losses as per their latest finalised accounts at the end of March 2021. The losses incurred by these PSUs increased to ₹978.50 crore as per their latest finalised accounts from ₹62.70 crore in 2018-19 as given below in **Table 5.13**.

¹⁰The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Chhattisgarh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table 5.13: Number of Public Sector Undertakings that incurred losses during 2018-19 to 2020-21

(₹ in crore)

Year	No of loss making State PSUs	Net loss for the year	Accumulated loss	Net worth
Government Companies				
2018-19	8	-62.70	-6,338.60	-3,668.41
2019-20	8	-980.19	-7,259.71	-4,915.14
2020-21	7	-978.50	-7,259.77	-4,915.20
Statutory Corporation				
2018-19	-	-	-	-
2019-20	-	-	-	-
2020-21	-	-	-	-
Total				
2018-19	8	-62.70	-6,338.60	-3,668.41
2019-20	8	-980.19	-7,259.71	-4,915.14
2020-21	7	-978.50	-7,259.77	-4915.2

Source: Compiled on the basis of latest finalized accounts of PSUs

In 2020-21, out of total loss of ₹978.50 crore incurred by seven PSUs, loss of ₹972.64 crore was contributed by one power sector PSU¹¹.

5.10.2 Erosion of Capital in Public Sector Undertakings

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.

As against the equity (paid up capital *plus* defaulted loans) of ₹7,263.26 crore, overall accumulated losses reported by 25 PSUs were ₹4,872.05 crore, resulting in depletion in net worth to ₹2,391.21 crore as on 31 March 2021. One PSU viz., Chhattisgarh State Power Distribution Company Limited (CSPDCL) which incurred losses amounting to ₹972.64 crore during the year 2020-21, reported total accumulative loss of ₹7,290.33 crore as on 31 March 2021.

The net worth of three¹² out of 25 PSUs had been completely eroded by accumulated losses and their net worth was either zero or negative. Out of these three PSUs, whose capital had been eroded (being zero or negative net worth), two¹³ PSUs had earned profit of ₹5.03 crore during 2020-21.

5.11 Oversight role of Comptroller and Auditor General of India

5.11.1 Audit of Public Sector Undertakings

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India as per the provisions of Section 139 (5) or (7) of

¹¹ Chhattisgarh State Power Distribution Company Limited

¹² Chhattisgarh State Civil Supplies Corporation Limited, Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Power Trading Company Limited

¹³ Chhattisgarh State Civil Supplies Corporation Limited and Chhattisgarh State Power Trading Company Limited

the Companies 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 sixty days from the date of receipt of the audit report under the provisions of Section 143(6) of the Companies Act, 2013.

Audit of Statutory Corporations is governed by their respective legislations. In respect of Chhattisgarh State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the Comptroller and Auditor General of India.

Further, as per sub-Section 7 of Section 143 of the Companies Act, 2013, Comptroller and Auditor General of India may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General of India'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.

5.11.2 Appointment of Statutory Auditors of Public Sector Undertakings by Comptroller and Auditor General of India

The Comptroller and Auditor General of India appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the Comptroller and Auditor General of India within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the Comptroller and Auditor General of India within sixty days from the date of registration of the company and in case Comptroller and Auditor General of India does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

The Statutory Auditors of all the PSUs (except Chhattisgarh State Power Distribution Company Limited and Chhattisgarh State Industrial Development Corporation) for the year 2020-21 were appointed by the Comptroller and Auditor General of India during August 2020.

5.12 Submission of accounts by Public Sector Undertakings

5.12.1 Need for timely submission

According to Section 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual

General Meeting (AGM) and as soon as may be after such preparation laid before the House or both Houses of the State Legislature 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 control over the utilisation of public funds invested in the Companies and Corporations from the Consolidated Fund of State.

5.12.2 Timeliness in preparation of accounts by Public Sector Undertakings

Section 96 of the Companies Act, 2013 requires every company to hold Annual General Meeting 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 Annual General Meeting and that of the next. The section further provides that in case of the first Annual General Meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year. Accordingly, the Companies were required to hold Annual General Meeting upto 30 September 2021¹⁴ for the financial year 2020-21.

Further, Section 129 of the Act 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said Annual General Meeting for their consideration. 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 Companies Act, 2013.

As of 31 March 2021, there were 29 Government Companies and one Statutory Corporation under the purview of Comptroller and Auditor General of India's audit. Of these, only seven Government Companies submitted its account (2020-21) for audit by Comptroller and Auditor General of India on or before 30 November 2021.

The break-up of arrears in accounts of Government Companies and Statutory Corporation are detailed in **Table 5.14**.

Table 5.14: Break up of arrear in accounts

Particulars		State Public Sector Undertakings		
		Government companies	Statutory corporation	Total
Number of accounts in arrears		38	2	40
Extent of arrear		Up to 4 years	2 years	
Break- up of arrears	(i) Under Liquidation	-	-	-
	(ii) Inactive	2	--	2
	(iii) First Accounts not submitted	4	--	4
	(iv) Others	32	2	34

Source: Compiled on the basis of latest finalised accounts of PSUs

¹⁴ Due date for conduct of annual general meeting was extended by two months (i.e. by 30 November 2021) beyond normal due date (i.e. by 30 September 2021) by ROC, Ministry of Corporate affairs in view of Covid-19 pandemic.

5.13 Comptroller and Auditor General of India's oversight-Audit of accounts and supplementary audit

5.13.1 Financial reporting framework

Companies are required to prepare their financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Listed Companies and Companies having net worth of more than ₹ 250 crore are required to comply with the Indian Accounting Standards. Further parent, subsidiary, associate and joint venture of aforesaid companies are also required to comply with Indian Accounting Standards. The Companies not covered by the above shall continue to apply Accounting Standards. Out of the 29 Government Companies, eight Companies follow the Indian Accounting Standards while the remaining prepare their accounts as per Accounting Standards.

The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the Comptroller and Auditor General of India and any other specific provision relating to accounts in the Act governing such Corporations.

5.13.2 Supplementary Audit of accounts of Public Sector Undertakings

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

The statutory auditors appointed by the Comptroller and Auditor General of India are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the Comptroller and Auditor General of India. The statutory auditors are required to submit the Audit Report to the Comptroller and Auditor General of India under Section 143 of the Companies Act, 2013. The Statutory Auditors reported that three PSUs¹⁵ did not comply with mandatory Accounting Standards (AS)/Ind AS.

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

5.14 Result of Comptroller and Auditor General of India's oversight role

5.14.1 Audit of accounts of Public Sector Undertakings under Section 143 of the Companies Act, 2013

During the period under review (January 2020 to September 2021), 19 financial statements were received for audit, out of which 14 pertained to the previous years. The status of the

¹⁵ Chhattisgarh State Power Distribution Company Limited, Chhattisgarh Rural Housing Corporation Limited and Chhattisgarh Infrastructure Development Corporation Limited

financial statements received, reviewed and comments issued is given in **Table 5.15**.

Table 5.15: Status of Financial Statements of Public Sector Undertakings

Particulars of Financial Statement	Financial Year 2020-21			Previous Years		
	Government Company	Statutory Corporation	Total	Government Company	Statutory Corporation	Total
Received	7	--	7	14	-	14
Not Reviewed	1	--	1	1	--	1
Reviewed	-	--	-	8	--	8
Audit in progress*	5	-	5	5	--	5
Nil comment issued	1	-	1	3	0	3
Comments issued	--	--	--	5	--	5

*As on 30 September 2021

Comments of the Comptroller and Auditor General of India on financial statements of five PSUs were issued during the period under review.

5.14.2 Significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' reports

Subsequent to the audit of the financial statements by the Statutory Auditors, the Comptroller and Auditor General of India conducted supplementary audit of the financial statements of the PSUs. Some of the significant comments issued on the financial statements of the Government Companies are listed below:

Comments on Profitability

Sl. No.	Name of Company	Comment
1.	Chhattisgarh Rural Housing Corporation Limited (2018-19)	Finance Costs did not include ₹6.05 crore towards interest accrued but not due on loan received from the Canara Bank for the period from 2 March 2019 to 31 March 2019. This resulted in understatement of Finance cost, Short Term Provision and Loss by ₹6.05 crore.
2.	Chhattisgarh Medical Services Corporation Limited (2018-19)	Other expenses did not include ₹58.60 lakh being the liability towards disposal of expired drugs dispatched from various Drug warehouses during the year 2018-19. Non provision resulted in understatement of Current Liabilities (Short Term Provisions), Other Expenses-Disposal of expiry drug and corresponding overstatement of Profit by ₹58.60 lakh.
3.	Chhattisgarh State Beverages Corporation Limited (2019-20)	Current liabilities did not include ₹1.26 crore being the amount payable to various parties as on 31 March 2020 resulting in understatement of Short Term Provisions and overstatement of profit by ₹1.26 crore.
4.	Chhattisgarh State Power Distribution Company Limited (2018-19)	Other income includes interest of ₹6.32 crore received from fixed deposit of State Government shares for scheme fund of SAUBHAGYA, IPDS and DDUGJY. This resulted in overstatement of Other Income by ₹6.32 crore and understatement of Current Liabilities and Loss to the same extent.

Comments on Financial Position

Sl. No.	Name of Company	Comment
1.	Chhattisgarh Infrastructure Development Corporation	Other current liabilities include ₹2.63 crore being the amount of unspent grant received from Government of Chhattisgarh instead of current liability resulting in overstatement of current liability and understatement of non-

	Limited (2017-18)	current liability by ₹2.63 crore.
2.	Chhattisgarh Medical Services Corporation Limited (2018-19)	The Long Term Liabilities (Fund from Govt.) did not include ₹76.47 lakh recoverable from various suppliers of drugs on account of rate difference resulting in understatement of “Long Term Liabilities (Fund from Govt.)” and understatement of “Other Current Assets- Recovery Against Drug Payment” by ₹76.47 lakh each.
3.	Chhattisgarh Rajya Van Vikas Nigam Limited (2019-20)	Non-current assets includes ₹2.00 crore advance given to Chhattisgarh Housing Board for construction of residential building for Company’s employees instead of recognising as capital work-in-progress resulting in understatement of Capital Work-in-Progress and overstatement of other non-current assets by ₹2.00 crore.
4.	Chhattisgarh State Power Generation Company Limited (2019-20)	The non- current assets have been reduced by ₹45 crore being the amount of liquidated damages recovered for Plant, machinery and equipments (capitalized in September 2013) along with corresponding depreciation of ₹15.56 crore. instead of recognising it as Other Income resulting in understatement of Gross Block (Assets) & Other Income by ₹45 crore, Depreciation by ₹15.56 crore and Profit by ₹29.44 crore.
5.	Chhattisgarh State Power Transmission Company Limited (2019-20)	Non- current assets includes 29 capital works amounting to ₹32.47 crore which were completed up to 2019-20; however, the same were not capitalised resulting in overstatement of Capital Work in Progress by ₹32.47 crore, understatement of Property, Plant and Equipments by ₹19.79 crore understatement of Depreciation by ₹12.68 crore and overstatement of Profit to the same extent.

Comments on Auditor's Report

Independent Auditor’s Report of four¹⁶ PSUs failed to report upon all the CAG’s Sub-directions in compliance with Section 143(5) of the Companies Act, 2013.

5.15 Non-compliance with provisions of Accounting Standards/Indian Accounting Standards

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. Besides these, the Central Government notified 42 Indian Accounting Standards through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Three Indian Accounting Standards namely Indian Accounting Standards 11, 17 & 18 have been withdrawn after the notification of Indian Accounting Standard 115 & 116.

During the course of supplementary audit carried out between January 2020 and September 2021, the Comptroller and Auditor General of India observed that the following companies had also not complied with the Accounting Standards/Indian Accounting Standards which were not reported by their statutory auditors:

¹⁶ Chhattisgarh State Beverages Corporation Limited (2019-20), Chhattisgarh Road & Infrastructure Development Corporation Limited (2018-19), Chhattisgarh State Power Holding Company Limited (2018-19) and Uttar Chhattisgarh Rajya Vidyut Utpadan Limited (2018-19)

Accounting Standards/ Indian Accounting Standards	Name of the Company	Deviation
Indian AS 110 - Consolidated Financial Statements	Chhattisgarh State Power Holding Company Limited	Consolidated Financial Statements were not prepared although the Company was parent Company of its subsidiary Companies namely IFFCO Chhattisgarh Power Company Ltd. (now <i>Uttar Chhattisgarh Rajya Vidyut Utpadan Limited</i>) and CSPGCL AEL <i>Parsa Collieries Limited</i> .
AS 12 - Government Grants	Chhattisgarh Rural Housing Corporation Limited	The company did not disclose any accounting policy for government grant in their notes to financial statement.

5.16 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 PSUs were reported as comments by the Comptroller and Auditor General of India under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by Comptroller and Auditor General of India in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action.

During the period 1 January 2020 to 30 September 2021 Management Letters were issued to three¹⁷ PSUs. The deficiencies were generally related to:

- adjustments arising out of audit that could have a significant effect on the financial statements;
- lack of internal Control on the part of Management; and
- application and interpretation of accounting policies and practices.

5.17 Conclusion

As on 31 March 2021, there were 30 PSUs including one Statutory Corporation. Out of 30, there are two inactive PSUs. Out of 28 working PSUs, only 25 PSUs (24 Companies and one Statutory Corporation), whose accounts were in arrears for two or less years as on 30 September 2021 have been considered for detailed analysis of financial performances.

During 2020-21, these 25 PSUs registered turnover of ₹39,964.32 crore, which was equal to 11.41 per cent of the GSDP of Chhattisgarh. The contribution of Power sector PSUs alone accounts for over 57 per cent of the total turnover of PSUs during 2020-21.

The investment of the State Government in equity and long-term loans in 30 PSUs was ₹7,397.35 crore against total investment of ₹20,878.89 crore at the end of 31 March 2021. The outstanding long term loans of these PSUs as on 31 March 2021 increased to ₹13,865.19 crore from ₹12,789.57 crore during the previous year (2019-20).

¹⁷Chhattisgarh State Power Holding Company Limited, Chhattisgarh Police Housing Corporation Limited and Chhattisgarh State Marketing Corporation Limited

The Profit earned by 15 PSUs out of 25 PSUs (covered in this Report) was ₹697.56 crore in 2020-21 as compared to 14 PSUs which earned profit of ₹991.45 crore in 2018-19. Chhattisgarh State Power Generation Company Limited (₹402.68 crore) and Chhattisgarh State Warehousing Corporation (₹138.69 crore) contributed the major portion of the profit. Out of the total loss of ₹978.50 crore incurred by seven PSUs, major loss was incurred by Chhattisgarh state Power Distribution company Limited (₹972.64 crore).

Out of 30 PSUs, accounts of 23 PSUs were in arrears (22 Government Companies, one Statutory Corporation) for various reasons for the year 2020-21. PSUs were not adhering with the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 40 accounts of 23 PSUs were in arrears.

5.18 Recommendations

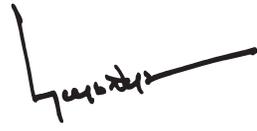
- (i) Government of Chhattisgarh may review the functioning of all loss making PSUs and take necessary steps to improve their financial performance.
- (ii) Government of Chhattisgarh may issue necessary instructions to Administrative Departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrears, and take steps expeditiously in order to liquidate the arrears in finalisation of accounts.
- (iii) Government of Chhattisgarh may review the inactive Government Companies and take appropriate decision on their revival/winding up.

Raipur
The 25 April 2022


(DINESH R. PATIL)
Principal Accountant General (Audit)
Chhattisgarh

Countersigned

New Delhi
The 27 April 2022


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India