

Chapter III
Economic Sector
(Public Sector Undertakings)

CHAPTER III

ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

3.1 Functioning of Public Sector Undertakings

3.1.1 Introduction

As of 31 March 2020, the State of Manipur had 13 PSUs (all Government Companies) as detailed in the table given below.

Table 3.1.1 Total number of PSUs as on 31 March 2019

| Type of PSUs | Working PSUs | Non-working PSUs | Total |
|------------------------------------|--------------|------------------|-----------|
| Government Companies ³⁶ | 10 | 3 | 13 |
| Statutory Corporations | Nil | Nil | Nil |
| Total | 10 | 3 | 13 |

None of these companies were listed on the Stock Exchange, which means that shares of the PSUs cannot be traded in the stock exchange. During the year 2019-20, no new PSU was incorporated and no existing PSU was closed down.

3.1.2 Investment in PSUs

The State's investment in its PSUs was by way of share capital/loans and special financial support by way of revenue grants.

As on 31 March 2020, investment of the State Government (capital and long-term loans) in 12 PSUs³⁷ was ₹ 66.07 crore³⁸ as per details given in the table below.

Table 3.1.2 Details of State's investment in PSUs

| Year | Equity Capital | Long term Loans | Total |
|---------|----------------|-----------------|-------|
| 2019-20 | 65.39 | 0.68 | 66.07 |
| 2015-16 | 65.34 | 0.75 | 66.09 |

(₹ in crore)

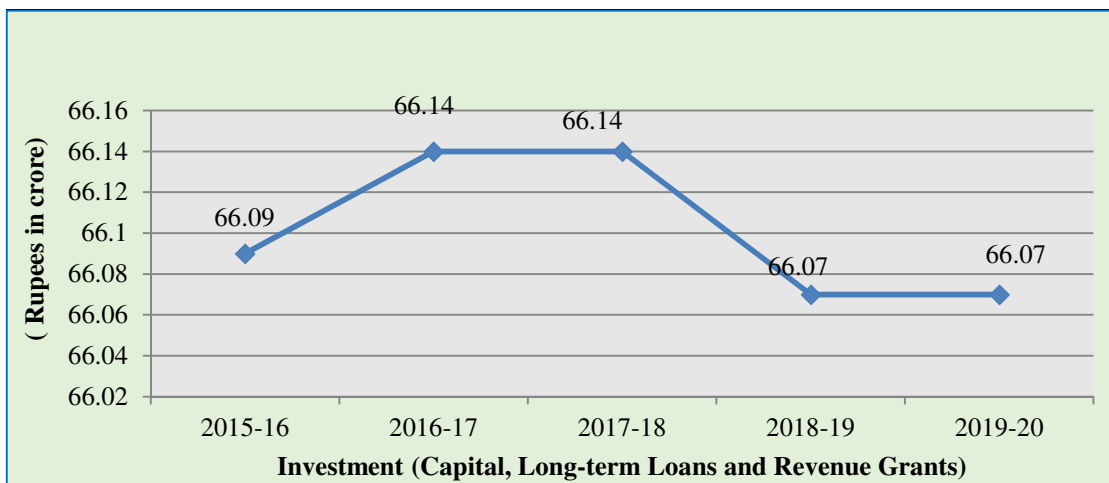
State Government's investment as on 31 March 2020 consisted of ₹ 65.39 crore (98.97 per cent) towards capital and ₹ 0.68 crore (1.03 per cent) in long-term loans as against 99.12 per cent (capital) and 0.88 per cent (long-term loans) as on 31 March 2016. A graphical presentation of the State Government's investment in PSUs during the last five years (2015-16 to 2019-20) has been given in **Chart 3.1.1**.

³⁶ Government Companies include other companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013. presentation of State Government's investment in PSUs during the last five years (2015-16 to 2019-20) has been given in **Chart No. 3.1.1**.

³⁷ Excluding one PSU (Manipur Pulp & Allied Products Limited, subsidiary of Manipur Industrial Development Corporation Limited), which has no direct investment from the State Government as on 31 March 2020.

³⁸ Investment figures are provisional and as per the information provided by the PSUs as none of the 13 PSUs has finalised accounts for 2019-20 as of September 2020.

Chart 3.1.1 Total investment in PSUs



Source: Departmental Records.

As can be noticed from the **Chart** above, State Government's investment in PSUs during the last five years marginally increased from ₹ 66.09 crore in 2015-16 to ₹ 66.14 crore in 2016-17 and remained steady up to the period 2017-18. Thereafter, the investment slightly decreased to ₹ 66.07 crore during 2018-19 and remained the same during 2019-20. The State's investment marginally decreased by 0.03 *per cent* from ₹ 66.09 crore in 2015-16 to ₹ 66.07 crore in 2019-20.

During 2019-20, out of 10 working PSUs, seven PSUs incurred loss (₹ 41.85 crore) and only one PSU earned profit (₹ 0.29 crore) as per the latest finalised accounts. Remaining two PSUs³⁹ had not finalised their first accounts as of September 2020. The profit-making PSU had not declared any dividend. There was no recorded information about existence of any specific policy of the State government regarding payment of minimum dividend by the PSUs.

The State Government's investment (historical value) in PSUs had eroded by 3.19 *per cent* in 2019-20, and the losses of five working PSUs⁴⁰ (accumulated losses of ₹ 158.74 crore) had completely eroded the State's investment in their paid-up capital (₹ 42.23 crore), as per their latest finalised accounts.

3.1.2.1 Total Sector-wise investment in PSUs

Total investment (equity capital and long term loans) of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, etc.) in PSUs under various important sectors at the end of 31 March 2016 and 31 March 2020 has been given in the table below.

Table 3.1.3 Sector-wise details of total investments (equity capital & long term loans) in PSUs
(₹ in crore)

| Name of Sector | Government Companies | |
|----------------|----------------------|---------|
| | 2015-16 | 2019-20 |
| Power | 161.56 | 381.46 |
| Manufacturing | 8.24 | 10.15 |
| Finance | 18.10 | 16.02 |

³⁹ Serial No. A9 and A10 of *Appendix 3.2*.

⁴⁰ Serial No. A1, A5, A6, A7 and A8 of *Appendix 3.2*.

| Name of Sector | Government Companies | |
|-----------------------------|----------------------|---------------|
| | 2015-16 | 2019-20 |
| Agriculture & Allied | 0.90 | 15.17 |
| Miscellaneous ⁴¹ | 16.52 | 15.52 |
| Total | 205.32 | 438.32 |

It can be noticed from the table above that as compared to 2015-16, the combined investment of State Government and other stakeholders increased significantly during 2019-20 in Power sector (₹ 219.90 crore) and marginally in Agriculture & Allied Sector (₹ 14.27 crore) and Manufacturing sector (₹ 1.91 crore). The increase in investment under power sector was on account of the long terms borrowings (₹ 219.90 crore) of two power sector companies, availed during 2016-20.

3.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by State Government as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State for that year. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as of 31 March 2020 is shown in the table below.

Table 3.1.4 Equity, long term loans, guarantees outstanding as per the State Finance Accounts vis-à-vis the records of PSUs

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of SPSUs | Difference |
|---------------------------|--------------------------------|--------------------------------|--------------|
| | | | (₹ in crore) |
| Equity | 62.38 | 45.39 ⁴² | 16.99 |
| Loans | - | 0.68 | 0.68 |
| Guarantee | 384.49 ⁴³ | 390.55 | 6.06 |

Source: As per the Finance Accounts and information furnished by the Companies.

From the table above, it can be noticed that there were unreconciled differences in the figures of equity (₹ 16.99 crore), loans (₹ 0.68 crore) and guarantees (₹ 6.06 crore). The difference in equity occurred in respect of 12 PSUs⁴⁴ and some of the differences were pending reconciliation over a period of more than 22 years.

As regards Loan figures, Finance Department disburses loans to various Departments of State Government for different sectoral activities and books the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective PSUs functioning under their administrative control. Hence, PSU-wise figures of State Government loans provided to various PSUs are not available in the State Finance Accounts.

Though Principal Secretary, Finance Department, Government of Manipur as well as

⁴¹ Includes investment of ₹ 0.02 crore in one working Company under infrastructure sector.

⁴² Excluding equity worth ₹ 20.00 Crore not made in cash but as assets transferred from the erstwhile State Electricity Department to the two power sector companies (MSPCL and MSPDCL).

⁴³ This represents the Guarantee outstanding against the borrowings of Manipur State Power Distribution Company Limited (₹ 334.64 crore) and Manipur State Power Company Limited (₹ 49.85 crore) availed from Power Finance Corporation Limited and Rural Electrification Corporation Limited respectively.

⁴⁴ Except one PSU (Manipur Police Housing Corporation Limited), for which the figures were matching.

the Management of PSUs concerned were appraised regularly about the differences, impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

Recommendation: *State Government and the PSUs concerned may take concrete steps to reconcile the differences in a time-bound manner. Government should ensure that the system of financing the PSUs gets reflected in their Finance Accounts.*

3.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

➤ ***Statutory Audit/Supplementary Audit***

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

➤ ***Role of Government and Legislature***

State Government exercises control over the affairs of PSUs through its administrative departments. The Chief Executives and Directors on the Board of these PSUs are appointed by Government.

The State Legislature also monitors the accounting and utilisation of Government investment in PSUs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies are placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. These reports are further discussed by the Committee on Public Undertakings (CoPU) of the State Legislature. The CoPU sends its recommendations to the State Government for taking appropriate action.

3.1.5 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by the end of September in accordance with the provisions of Section 96 (1) of the Companies Act, 2013 and Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 in respect of the financial statements pertaining to the period prior to 1 April 2014. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013 and Section 210 (5) of the Companies Act 1956.

Timely finalisation of accounts is important for the State Government to assess the financial health of the PSUs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013.

Table 3.1.5 provides details of progress made by working PSUs in finalisation of their annual accounts as of 30 September 2020.

Table 3.1.5 Position relating to finalisation of accounts of working PSUs

| Sl. No. | Particulars | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
|---------|---|---------------|---------------|---------------|---------------|---------------|
| 1. | Number of Working PSUs | 9 | 10 | 10 | 10 | 10 |
| 2. | Number of accounts finalised during the year | 4 | 3 | 1 | 10 | 1 |
| 3. | Number of accounts in arrears | 78 | 85 | 94 | 94 | 103 |
| 4. | Number of Working PSUs with arrears in accounts | 9 | 10 | 10 | 10 | 10 |
| 5. | Extent of arrears (numbers in years) | 1 to 28 years | 1 to 29 years | 2 to 30 years | 1 to 31 years | 2 to 32 years |

Source: Departmental Records.

As can be seen from the above table, the arrears of accounts had shown an increasing trend during 2015-16 to 2019-20. It can further be observed that as against total 40 Accounts, which became due for finalisation during the last four years (2016-17 to 2019-20), the PSUs finalised only 15 Accounts during this period leaving a shortfall of 25 Accounts. Consequently, the number of PSU accounts in arrears had increased from 78 (2015-16) to 103 (2019-20). Further, out of 103 accounts pending finalisation by 10 PSUs as of 2019-20, 54 Accounts (52 per cent) pertained to two PSUs namely, Manipur Tribal Development Corporation Limited (32 Accounts) and Manipur Police Housing Corporation Limited (22 Accounts).

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the stipulated period.

The Reports of the CAG have repeatedly highlighted the issue of arrears in preparation of accounts. Keeping in view the seriousness of the matter, the Principal Accountant General (Audit) Manipur took up the matter with the Chief Secretary to review the reasons for the huge pendency of accounts of the State PSUs and to initiate actions to clear the arrears of accounts in a time bound manner. Further, meetings were also held with the Heads of PSUs from time to time for clearance of their pending accounts.

The suggestions given to State PSUs included engaging experts/professionals to guide and help the PSUs in finalisation of the pending accounts wherever the PSUs lacked skilled manpower in this area. However, the State Government and the PSUs concerned have not addressed the issue of clearing the arrears of PSU accounts in a time bound manner.

Recommendations

- a. State Government may make special arrangements to oversee the clearance of arrears and set the targets for individual PSUs, which may be monitored strictly by them;
- b. State Government may ensure that existing vacancies in the accounts department of PSUs are filled up with knowledgeable persons having experience; and
- c. The PSUs may get the figures of equity and loans reconciled with the State Government Departments to reflect correct position in the State Finance Accounts.

3.1.6 Investment by State Government in PSUs whose accounts were in arrears

The State Government had invested ₹ 1,865.79 crore in seven PSUs (equity: ₹ 2.10 crore and grants: ₹ 1,863.69 crore) during the years for which these PSUs had not finalised their accounts as detailed in **Appendix 3.1**. Two power sector PSUs were the major recipients of State Government funding amounting to ₹ 1,834.47 crore (Grants) during the period when their accounts were in arrears as detailed in the table given below.

Table 3.1.6 Major recipients of State Government funding during the period of arrear of accounts

| (₹ in crore) | | | | |
|--------------|--|-------------------------|--------------------------------------|---|
| Sl. No. | Name of PSU | Accounts finalised upto | No. of Accounts pending finalisation | Investment by State Government during the period of arrears(Grants) |
| 1 | Manipur State Power Company Limited | 2015-16 | 04 | 845.07 |
| 2 | Manipur State Power Distribution Company Limited | 2015-16 | 04 | 989.40 |
| Total | | | | 1,834.47 |

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

Recommendation: Government may consider setting up a special cell under Finance Department to oversee the expeditious clearance of arrears of accounts of PSUs. Where there is lack of staff expertise, Government may consider outsourcing the work relating to preparation of accounts and take punitive action against Company Management responsible for arrears of accounts. Until the accounts are made as current as possible, Government may consider not giving further financial assistance to such companies.

3.1.7 Special support and returns during the year

The State Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of the State PSUs for the last three years ended 2019-20 are shown in **Table 3.1.7**.

Table 3.1.7 Details of budgetary support to PSUs

| Sl. No. | Particulars | 2017-18 | | 2018-19 | | 2019-20 | |
|---------|----------------------------------|-------------|---------------|-------------|---------------|-------------|----------------------|
| | | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| 1 | Equity Capital outgo from budget | - | - | - | - | - | - |
| 2 | Loans given from budget | - | - | - | - | - | - |
| 3 | Grants/ subsidy from budget | 3 | 286.89 | 3 | 299.36 | 4 | 281.94 |
| 4 | Total outgo (1+2+3) | 3 | 286.89 | 3 | 299.36 | | 281.94 |
| 5 | Guarantee issued | - | - | - | - | - | - |
| 6 | Guarantee commitment | 1 | 390.55 | 2 | 440.44 | 1 | 390.55 ⁴⁵ |

Source: As furnished by PSUs.

As can be noticed from the table above, the budgetary support provided by State Government to PSUs during the last three years (2017-20) witnessed an increase from ₹ 286.89 crore in 2017-18 to ₹ 299.36 crore in 2018-19 and thereafter decreased to ₹ 281.94 crore in 2019-20. The budgetary support provided to PSUs during the last three years mainly comprised grants/subsidy of ₹ 537.36 crore provided to one PSU (Manipur State Power Distribution Company Limited) during 2017-18 (₹ 213.06 crore), 2018-19 (₹ 220.11 crore) and 2019-20 (₹ 104.19 crore).

3.1.8 Performance of PSUs as per their latest finalised accounts

The financial position and working results of working Government Companies and Statutory Corporations are detailed in *Appendix 3.2*. **Table 3.1.8** provides the comparative details of working PSUs turnover and State GDP for a period of five years ending 2019-20.

Table 3.1.8 Details of working PSUs turnover vis-à-vis State GDP

| Particulars | 2015-16 | | | | | 2016-17 | | | | | 2017-18 | | | | | 2018-19 | | | | | 2019-20 | | | | |
|---------------------------------------|---------|--|--|--|--|---------|--|--|--|--|----------------------|--|--|--|--|--------------|--|--|--|--|--------------|--|--|--|--|
| | | | | | | | | | | | | | | | | | | | | | | | | | |
| Turnover⁴⁶ | 34.70 | | | | | 161.02 | | | | | 161.02 ⁴⁷ | | | | | 232.60 | | | | | 232.63 | | | | |
| GSDP⁴⁸ | 19,531 | | | | | 21,294 | | | | | 25,789.23 | | | | | 27,868.71(Q) | | | | | 31,989.49(A) | | | | |
| Percentage of Turnover to GSDP | 0.18 | | | | | 0.76 | | | | | 0.62 | | | | | 0.83 | | | | | 0.73 | | | | |

As can be noticed from the table above, the GSDP had shown an increasing trend during the last five years and increased from ₹ 19,531 crore (2015-16) to ₹ 31,989.49 crore (2019-20). On the other hand, the turnover of PSUs had increased sharply from ₹ 34.70 crore in 2015-16 to ₹ 161.02 crore in 2016-17. The PSU turnover remained constant during 2017-18 but again increased to ₹ 232.60 crore in 2018-19 and thereafter, increased marginally to ₹ 232.63 crore in 2019-20. The increase in the turnover of PSUs was mainly attributable to increase in turnover of two power sector

⁴⁵ Manipur State Power Distribution Company Limited.

⁴⁶ Turnover of working PSUs as per their latest finalised accounts as on September 2020.

⁴⁷ During 2017-18, only one working PSU (Serial No. A4 of *Appendix 3.2*) finalised one year accounts and did not have any turnover during that year. Hence, 'turnover' of working PSUs during 2017-18 remained unchanged.

⁴⁸ Source: Department of Economics and Statistics, GoM (at current price, (Q)=Quick Estimate, (A)=Advance estimates).

PSUs from ₹ 33.26 crore (2015-16) to ₹ 159.58 crore (2016-17) and further, to ₹ 231.00 crore (2019-20).

It could be seen that despite an overall increase of more than six folds in the PSU turnover from ₹ 34.70 crore (2015-16) to ₹ 232.63 crore (2019-20) during the last five years, the contribution of PSU turnover to the GSDP remained meagre at 0.73 per cent during 2019-20.

➤ **Erosion of capital due to losses**

The paid-up capital and accumulated losses of 10 working PSUs as per their latest finalised accounts as on 30 September 2020 were ₹ 53.14 crore and ₹ 159.26 crore respectively (*Appendix 3.2*).

During 2019-20, only one working PSU⁴⁹ earned profit as per the latest finalised accounts of the PSUs as on September 2020. ROE in respect of the lone profit-making PSU was 47.54 per cent⁵⁰. The Return on Equity (RoE) in respect of the other two PSUs⁵¹ whose capitals have not been eroded was negative as per their latest finalised accounts while two other PSUs⁵² had not finalised their first annual accounts. ROE of the remaining five working PSUs⁵³ was not workable as the accumulated losses (₹ 158.74 crore) had completely eroded their paid-up capital (₹ 47.19 crore) as per their latest finalised accounts.

Primary erosion of equity capital by the accumulated losses occurred in respect of three working PSUs as detailed in the table given below.

Table 3.1.9 PSUs with primary erosion of paid up capital

| (₹ in crore) | | | |
|---|---------------------------|-----------------|--------------------|
| Name of PSU | Latest finalised accounts | Paid up capital | Accumulated losses |
| Manipur State Power Distribution Company Limited | 2015-16 | 10.05 | 62.04 |
| Manipur State Power Company Limited | 2015-16 | 10.05 | 41.63 |
| Manipur Industrial Development Corporation Limited | 2009-10 | 12.14 | 31.78 |
| Total | | 32.24 | 135.45 |

Accumulation of huge losses by these PSUs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these PSUs to improve their profitability.

The overall position of losses incurred by the working PSUs during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 3.1.2**.

⁴⁹ Manipur Police Housing Corporation Limited.

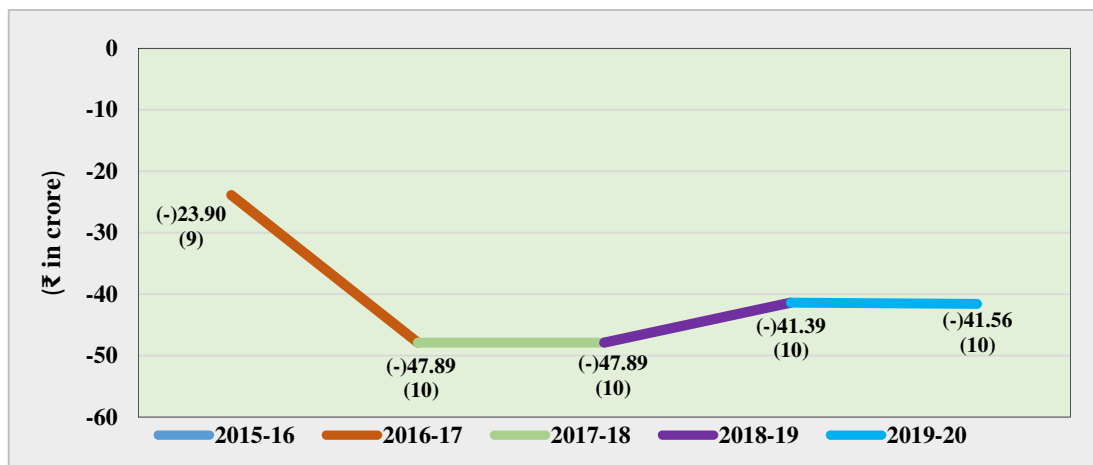
⁵⁰ ROE = Net Profit (₹ 0.29 crore) ÷ Equity (₹ 0.61 crore) % = 47.54 per cent.

⁵¹ Manipur Tribal Development Corporation Limited & Manipur Food Industries Corporation Limited.

⁵² Manipur IT SEZ Project Development Company Limited & Tourism Corporation of Manipur Limited.

⁵³ MANIDCO, MANITRON, MSPCL, MSPDCL & MHHDC.

Chart 3.1.2 Overall losses of working PSUs



Figures in bracket show the number of working PSUs in the respective years

It can be noticed from the **Chart** above that the working PSUs had incurred overall losses during all the five years under reference, which ranged between ₹ 23.90 crore (2015-16) and ₹ 47.89 crore (2016-17 and 2017-18⁵⁴). During 2016-17, the losses of working PSUs had doubled as compared to 2015-16 mainly due to losses (₹ 44.04 crore⁵⁵) incurred by power sector PSUs. During the year 2019-20⁵⁶, out of ten working PSUs, only one PSU⁵⁷ earned profit of ₹ 0.29 crore as per the latest finalised accounts (1997-98) of the PSU while two PSUs⁵⁸ had not finalised their first annual Accounts. Rest of the seven PSUs incurred losses aggregating ₹ 41.85 crore. The major contributors to PSU-losses were two power sector PSUs as detailed in the table given below.

Table 3.1.10 Major contributors to the losses of working PSUs

| Name of PSU | Latest finalised accounts | Losses (₹ in crore) |
|--|---------------------------|---------------------|
| Manipur State Power Company Limited | 2015-16 | 20.08 |
| Manipur State Power Distribution Company Limited | 2015-16 | 19.50 |
| Total | | 39.58 |

There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the PSUs. As per the latest finalised accounts as on 30 September 2020, only one working PSU (Manipur Police Housing Corporation Limited) earned profit of ₹ 0.29 crore but did not declare any dividend during the year 2019-20.

⁵⁴ During 2017-18, only one working PSU (Serial No. A4 of **Appendix 3.2**) finalised one year accounts and did not have any turnover or profit/loss during that year. Hence, 'overall losses' of working PSUs during 2017-18 remained unchanged.

⁵⁵ Losses of two power sector PSUs as per their latest finalised accounts (2014-15) as of September 2017.

⁵⁶ As per the latest finalised accounts of working PSUs as on 30 September 2020.

⁵⁷ Manipur Police Housing Corporation Limited.

⁵⁸ Manipur IT SEZ Project Development Company Limited and Tourism Corporation of Manipur Limited.

3.1.9 Key parameters

Some other key parameters of PSUs performance as per their latest finalised accounts as on 30 September of the respective year are given in the table given below.

Table 3.1.11 Key parameters of PSUs

| Particulars | (<i>₹ in crore</i>) | | | | |
|------------------------------|-----------------------|---------|----------------------|---------|---------|
| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 |
| Debt | 27.31 | 79.23 | 83.59 | 151.71 | 160.56 |
| Turnover⁵⁹ | 34.70 | 161.02 | 161.02 ⁶⁰ | 232.60 | 232.63 |
| Debt/Turnover Ratio | 0.79:1 | 0.49:1 | 0.52:1 | 0.65:1 | 0.69:1 |
| Interest Expenses | 0.32 | 0.35 | 0.61 | 0.89 | 0.89 |
| Accumulated losses | 77.20 | 121.24 | 124.53 | 166.35 | 166.52 |

➤ *Debt-Turnover Ratio*

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

As can be seen from **Table 3.1.11**, during the last five years (2015-16 to 2019-20), the PSU debts and PSU turnover had registered an overall increase of ₹ 133.25 crore (around five times) and ₹ 197.93 crore (more than five times) respectively. The DTR had, however, decreased from 0.79:1 (2015-16) to 0.69:1 (2019-20) and remained below one. Hence, the DTR indicated manageable position of the PSUs to service their long term debts. Increase of ₹ 8.85 crore in PSU debts during 2019-20 was attributable to increase in the long term loans of one⁶¹ PSU. Further, the accumulated losses of PSUs during the last five years (2015-16 to 2019-20) increased by ₹ 89.32 crore mainly due to increase of ₹ 83.62 crore in the accumulated losses of two power sector PSUs from ₹ 20.05 crore (2015-16) to ₹ 103.67 crore (2019-20).

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

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government⁶² in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less the disinvestments (if any), should be considered, and indexed to their Present Value (PV) and summated. The RORR is then to be calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the investments.

⁵⁹ Turnover of working PSUs as per their latest finalised accounts as of 30 September of respective year.

⁶⁰ During 2017-18, only one working PSU (serial No. A4 of **Appendix 3.2**) finalised one year accounts and did not have any turnover during that year. Hence, 'turnover' of working PSUs during 2017-18 remained unchanged.

⁶¹ During 2019-20, long term loans of Manipur Food Industries Corporation Limited increased from ₹ 6.89 crore (2018-19) to ₹ 15.74 crore (2019-20) as per their latest finalised accounts.

⁶² State Government investment in PSUs as per the records of respective PSUs.

During 2019-20, overall losses of 13 PSUs (10 working and 3 non-working) stood at ₹ 42.43 crore⁶³ (**Appendix 3.2**). On the basis of return on historical value of investment, the State Government investment eroded by 3.19 per cent during 2019-20. Further, as per the Rate of Real Return worked out based on the present value of investment, the State Government investment eroded by 2.59 per cent as shown in **Appendix 3.3**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

3.1.11 Impact of Audit Comments on Annual Accounts of PSUs

During October 2019 to September 2020, only one PSU forwarded one⁶⁴ audited accounts to the Principal Accountant General (Audit), Manipur. ‘Non-review certificate’ was issued on the accounts. Hence, no supplementary audit was conducted during the year.

The Statutory Auditors had given qualified certificate on the Accounts of the PSU (Manipur Food Industries Corporation Limited). The Statutory Auditors reported that the PSU did not comply with the Accounting Standard 15 on ‘Employee benefits’. There was, however, no significant money value of comments of the Statutory Auditors.

3.1.12 Winding up of non-working PSUs

As on 31 March 2020, there were three non-working PSUs (**Appendix 3.2**), which had been non-functional for last 16 to 20 years. The said PSUs were in the process of liquidation under Section 560 of the Companies Act, 1956. Since the non-working PSUs were neither contributing to the State economy nor meeting the intended objectives of their formation, the liquidation process to wind up these PSUs needs to be expedited.

3.1.13 Follow up action on Audit Reports

Replies/Explanatory notes outstanding

The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. As per the recommendation of the Shakhder Committee⁶⁵, all Administrative Departments are required to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG within a period of three months⁶⁶ of their presentation to the State Legislature in the prescribed

⁶³ As per latest finalised accounts of PSUs as on 30 September 2020 and after considering the profit (₹ 0.29 crore) earned by the lone PSU (Manipur Police Housing Corporation Limited).

⁶⁴ Manipur Food Industries Corporation Limited.

⁶⁵ Shakhder Committee under the Chairmanship of Shri. S.L. Shakhder, formerly Chief Election Commissioner of India was formed (01 August 1992) with a view (i) to study the response of the State Government (and their public enterprises) to the Audit Reports of CAG and the response of the State Governments to the recommendations of the respective PAC/CoPU in the context of the Audit Reports; and (ii) to examine how far the Audit Reports of CAG are effective in enhancing the Executive’s financial accountability to the Legislature in the States.

⁶⁶ As per the prescribed time schedule, *suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/CoPU during this period.

format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

The position of explanatory notes to paragraphs/performance audits pending to be received from the State Government/Administrative Departments concerned has been shown in given table below.

Table 3.1.12 Status of explanatory notes not received (as on 31 March 2022)

| Year of the Audit Report (Commercial/ PSU) | Date of placement of Audit Report in the State Legislature | Total number of Performance Audits (PAs) and Paragraphs included in the Audit Report | | Number of PAs/ Paragraphs for which explanatory notes were not received | |
|--|--|--|------------|---|------------|
| | | PAs | Paragraphs | PAs | Paragraphs |
| 2013-14 | 29 June 2015 | - | 3 | - | 3 |
| 2014-15 | 2 September 2016 | 2 | 1 | 1 | - |
| 2015-16 | 21 July 2017 | - | 2 | - | - |
| 2016-17 | 23 July 2018 | - | 1 | - | - |
| 2017-18 | 17 February 2020 | - | 1 | - | - |
| 2018-19 | 25 March 2022 | 1 | 2 | 1 | 2 |
| Total | | 3 | 10 | 2 | 5 |

Source: Records of the Principal Accountant General (Audit), Manipur.

From **Table 3.1.12**, it could be seen that explanatory notes to three paragraphs and one performance audit relating to two PSUs⁶⁷, included in the Audit Reports 2013-14 and 2014-15 respectively, were not submitted by the State Government (March 2022).

3.1.14 Discussion of Audit Reports by CoPU

The status as on 31 March 2022 of performance audits (PAs) and compliance audit paragraphs relating to PSUs that appeared in the Audit Reports of CAG for the last six years (2013-14 to 2018-19) and discussed by the Committee on Public Undertakings (CoPU) is shown in **Table 3.1.13**.

Table 3.1.13 Position on discussion of Audit Reports by CoPU

| Period of Audit Report ⁶⁸ | Number of performance audits/ paragraphs | | | |
|--------------------------------------|--|------------|----------------------|------------|
| | Appeared in Audit Report | | Paragraphs discussed | |
| | PAs | Paragraphs | PAs | Paragraphs |
| 2013-14 | Nil | 3 | Nil | Nil |
| 2014-15 | 2 | 1 | Nil | 1 |
| 2015-16 | Nil | 2 | Nil | 2 |
| 2016-17 | Nil | 1 | Nil | 1 |
| 2017-18 | Nil | 1 | Nil | Nil |
| 2018-19 | 1 | 2 | Nil | Nil |
| Total | 3 | 10 | - | 4 |

Source: Records of the Principal Accountant General (Audit), Manipur.

From the above table, it may be seen that three PAs and six compliance audit paragraphs had been pending discussion by the CoPU.

⁶⁷ Manipur Tribal Development Corporation Limited and Manipur Police Housing Corporation Ltd.

⁶⁸ For periods prior to 2013-14, 37 audit paragraphs (6 PA and 31 CA) pertaining to Audit Reports for the years from 1995-96 to 2006-07, 2009-10 and 2012-13 are yet to be discussed by CoPU.

➤ **Compliance to Reports of the CoPU**

Action Taken Notes (ATNs) relating to 114 recommendations pertaining to five Reports of the CoPU presented to the State Legislature between March 1986 and March 2020 had not been received from the Government (September 2020) as indicated in the table below.

Table 3.1.14 Compliance to CoPU Reports

| Year of COPU Report | Total number of CoPU Reports | Total No. of recommendations in CoPU Report | No. of recommendations where ATNs not received |
|-----------------------------------|------------------------------|---|--|
| 10 th Report (1986-87) | 1 | 8 | 8 |
| 11 th Report (1995-96) | 1 | 53 | 53 |
| 12 th Report (1998-99) | 1 | 9 | 9 |
| 13 th Report (2010-11) | 1 | 40 | 40 |
| 14 th Report (2018-19) | 1 | 4 | 4 |
| Total | 5 | 114 | 114 |

Source: Records of Principal Accountant General (Audit), Manipur.

The above Reports of CoPU contained recommendations in respect of paragraphs pertaining to the five departments of the State Government, which appeared in the Reports of the CAG of India for the years 1983-84 to 2016-17.

Recommendations: State Government may review and revamp the mechanism of responding to audit observations. They may ensure that responses and explanatory notes to draft paragraphs/performance audits and ATNs on the recommendations of CoPU are provided as per the prescribed time schedule and the loss/outstanding advances/overpayments flagged in audit are recovered within the prescribed period.

This chapter contain one compliance audit paragraph as discussed as follows.

COMPLIANCE AUDIT

MANIPUR FOOD INDUSTRIES CORPORATION LIMITED

3.2 Idle investment

The Cold Storage facility constructed at Food Park, Nilakuthi remained un-utilised even after nine years of its completion, resulting in idle and unfruitful expenditure of ₹ 2.79 crore by Manipur Food Industries Corporation Limited.

Rule 26 (iv) of General Financial Rules, 2005 states that the duty and responsibility of a Controlling Officer in respect of funds placed at his disposal is to ensure that adequate control mechanism is functioning in his Department for prevention, detection of errors and irregularities in the financial proceedings of his Subordinate Offices and to guard against waste and loss of public. A similar practice needs to be followed by the Public Sector Undertakings.

On scrutiny of records (September to October 2018) of Managing Director (MD), Manipur Food Industries Corporation Limited (MFICL), Imphal for the period from April 2016 to March 2018, it was noticed that Government of Manipur had proposed⁶⁹

⁶⁹ As per DPR Vol-II prepared in 2006-07.

to develop a 30 acre Industrial Area at Nilakuthi, Imphal as Food Park to provide hassle free production environment to major industries in Fruits Processing Sector by providing various facilities like Cold Storage, raw material warehousing, etc.

Accordingly, the Cold Storage building was constructed at a cost of ₹ 44.71 lakh and handed over to MFICL⁷⁰ on 22 April 2013 by the work agency⁷¹. Meanwhile, the Company had also incurred (December 2009 to December 2011) an expenditure of ₹ 2.24 crore on construction of Raw Materials Collection Centre, Washing Centre, etc. and for purchase of machineries for Cold Storage as detailed in **Appendix 3.4**. All these machineries/ equipment were supplied/ installed during 2009-10 to 2011-12. The Company further incurred (October 2015 to April 2016) an expenditure of ₹ 10.17 lakh⁷² on inspection and repair work of Cold Storage after 3 years to 6 years from the date of installation due to faulty electrical connections.

Company invited applications twice (February 2013 and September 2016) from interested entrepreneurs to utilise the Cold Storage facilities. Although few entrepreneurs⁷³ expressed their willingness however, the Company failed to make any allotment till April 2019. Thus, Cold Storage remained un-utilised for more than six years⁷⁴, the reason of which was attributed to non-fixation of rental fee for usage of Cold Storage.

In reply (December 2021), Company informed that Cold Storage chambers have been made functional and three out of the five Cold Storage Chambers were utilised by Manipur Organic Mission Agency (MOMA)⁷⁵ for storage of perishable products. Audit, however, observed that the facility was utilised by MOMA for a period of two months only (July 2020 and August 2020) on payment of ₹ 0.60 lakh. But, no further plan for allotment of Cold Storage facility to entrepreneurs was finalised by the Company (March 2022).

Thus, the Cold Storage facility created at a cost of ₹ 2.79 crore at Food Park, Nilakuthi remained idle and unfruitful for more than nine years⁷⁶ without any concrete plan for renting to parties as envisaged in the project.

Recommendations:

- *State Government should conduct proper investigation to ascertain the bottlenecks leading to these Cold Storages remaining idle.*
- *Keeping in mind that the PSU is running into losses, this was an injudicious/ not well thought out investment and the Corporation should be more careful in investment/ expenditure and operationalise these facilities.*

⁷⁰ Since MFICL is a State Undertaking, final ownership of the cold storage lies with State Government

⁷¹ M/s Construction & Design Services, Uttar Pradesh Jal Nigam, Noida

⁷² ₹ 0.68 lakh as Inspection charge paid (October 2015) to M/s Blue Star Limited and ₹ 9.49 lakh (₹ 30.1 lakh + 6.48 lakh) as repair cost paid (March 2016 and April 2016) to M/s Thangtech Global Infra Private Limited (entrusted by M/s Blue Star Limited)

⁷³ Five and four in 2013 and 2016 respectively.

⁷⁴ As reckoned from April 2013 (date of construction of Cold Storage) to April 2019 (Date of JPV)

⁷⁵ An agency under the Department of Horticulture and Soil Conservation, Manipur

⁷⁶ From date of completion (April 2013) till date (March 2022)