

## **Chapter V**

# **Financial Performance of State Public Sector Undertakings**

### **5.1 Introduction**

This Chapter presents the summary of financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Gujarat as revealed from their accounts/information furnished by them and results of oversight role of the Comptroller & Auditor General of India (CAG). It highlights some of significant comments issued as a result of supplementary audit of the Financial Statement (FS) of the State Public Sector Undertakings conducted by the CAG and the impact of comments issued by the CAG on the financial statements received during the current year in respect of the Statutory Corporations.

State Public Sector Undertakings (SPSUs) are established by Governments to carry out activities of commercial nature for the development of the State and to cater to the welfare of its people.

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.

The Statutory Corporations are established by State Government and governed by their respective legislations.

Besides, any other company<sup>1</sup> owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

In this Report, SPSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Gujarat (GoG).

#### **5.1.1 Mandate**

CAG of India appoints the Statutory Auditors for Government Companies and issue directions on the manner in which the FSs are to be audited under Sections 139 (5) and (7) the Companies Act, 2013. Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India under Section 143 of the Companies Act, 2013 read with Section 19 of the CAG (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made

<sup>1</sup> Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs (04.09.2014).

there under. CAG of India has the right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditors under Section 143 of the Companies Act, 2013.

The statutes governing Statutory Corporations also require that their FSs be audited by the CAG of India and a report be submitted to the State Legislature.

### 5.1.2 Number of SPSUs and status of Financial Statements

At the beginning of the year 2021-22, there were 97 SPSUs in Gujarat under the jurisdiction of C&AG of India for audit. During the financial year 2021-22, three<sup>2</sup> SPSUs came under the audit jurisdiction of CAG of India. As a result, the number of SPSUs under the jurisdiction of CAG of India stood at 100 in Gujarat. These included 64 Government Companies (GC) (including 12 inactive companies), four Statutory Corporations<sup>3</sup> and 32 Government Controlled Other Companies (GCOC) (including four inactive companies) as on 31 March 2022. Out of the 64 GCs, two are listed companies<sup>4</sup>. Similarly, Statutory Corporations included one listed Corporation<sup>5</sup> and GCOC included two listed companies<sup>6</sup>. The 100 SPSUs are listed in **Appendix 5.1**. Out of the 12 inactive GC, six<sup>7</sup> are under liquidation as at the beginning of 2021-22. Further, no GC went under liquidation in F.Y. 2021-22.

The financial performance of the 100 SPSUs, based on the latest finalised financial statements (FSs) received till 30 September 2022 and as per information received from SPSUs, is covered in this Report. The nature of SPSUs and the position of FSs of these SPSUs as on 30 September 2022 are given in **Table 5.1**.

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<sup>2</sup> G-Ride Bedi Port Rail Limited, Smart ICT Services Private Limited and Gujarat Education Technologies Limited.

<sup>3</sup> Gujarat State Financial Corporation, Gujarat Industrial Development Corporation, Gujarat State Warehousing Corporation and Gujarat State Road Transport Corporation.

<sup>4</sup> Gujarat Mineral Development Corporation Limited and Gujarat State Investments Limited.

<sup>5</sup> Gujarat State Financial Corporation.

<sup>6</sup> Gujarat Gas Limited and Gujarat State Petronet Limited.

<sup>7</sup> Alcock Ashdown (Gujarat) Limited, Gujarat Communication and Electronics Limited, Gujarat Leather Industries Limited, Gujarat State Construction Corporation Limited, Gujarat Small Industries Corporation Limited and Gujarat State Textile Corporation Limited.

Table 5.1: Coverage and nature of SPSUs

Sl. No.	Nature of SPSUs	Total SPSUs	Number of SPSUs of which FSs received during the reporting period <sup>8</sup>				Number of SPSUs of which FSs are in arrears (total FSs in arrear) as on 30 September 2022
			2021-22	2020-21	2019-20	Total	
1.	Government Companies (GC)	52	17	14	4	35	35 (64)
2.	Inactive Government Companies	12	1	1	-	2	10 (54 <sup>9</sup> )
3.	Total GC (1+2)	64	18	15	4	37	45 (118)
4.	Statutory Corporations	4	1	1	-	2	3 (11)
5.	Total (3+4)	68	19	16	4	39	48 (129)
6.	Government Controlled Other Companies (GCOC)	28	23	1	-	24	4 (4)
7.	Inactive Government Controlled Other Companies	4	1	-	-	1	3 (24)
8.	Total GCOC (6+7)	32	24	1	-	25	7 (28)
9.	Grand Total (5 + 8)	100	43	17	4	64	55 (157)

Source: Information compiled as per the latest finalised financial statements received from SPSUs.

### 5.1.3 Summary of financial performance of SPSUs

The Details of financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies is given in **Appendix 5.2**. Summary of financial performance of SPSUs is given in **Table 5.2**:

Table 5.2: Summary of financial performance of SPSUs as on 30 September 2022

Particulars	No. of SPSUs	Amount (₹ in crore)
<b>Government Companies and Statutory Corporations</b>		
Number of State PSUs	68	-
Paid-up capital (including share application money pending allotment)	67 <sup>10</sup>	1,25,160.60
Long-term loans	35	19,319.57
Net profit after tax	43	4,211.26
Net loss after tax	16	1,487.59
Zero profit/ loss	8	--
Dividend Paid	3	149.52
Total assets	67	3,07,254.73

<sup>8</sup> 16 December 2021 to 30 September 2022.

<sup>9</sup> This includes 11 FSs of Gujarat Foundation for Mental Health and Allied Sciences which presented its financial statement upto 2010-11. The SPSU become inactive since 2012-13. Thus, FS of the SPSU is shown in arrear since 2012-13 to 2021-22.

<sup>10</sup> Excludes one SPSU Gujarat Education Technologies Limited whose first financial statement is awaited.

Particulars	No. of SPSUs	Amount (₹ in crore)
Net worth	67	1,41,514.64
<b>Government Controlled Other Companies</b>		
Number of State PSUs	32	-
Paid-up capital (including share application money pending allotment)	32	7,078.32
Long-term loans	11	7,930.37
Net profit after tax	18	2,845.33
Net loss after tax	14	264.04
Zero profit/loss	-	-
Dividend Paid	1	9.00
Total assets	32	38,324.53
Net worth	32	20,192.43

Source: Information compiled as per latest finalised financial statements received from SPSUs.

## 5.2 Contribution of SPSUs to the Economy of the State

The ratio of turnover of the SPSUs to the Gross State Domestic Product (GSDP) shows the contribution of SPSUs to the economy of the State.

On the basis of nature of activities undertaken, Government Companies and Statutory Corporations have been categorized into five sectors. Sector wise turnover *vis-à-vis* share of turnover of these SPSUs in GSDP of Gujarat during three years period ended 31 March 2022 are given in **Table 5.3**:

**Table 5.3: Details of turnover of SPSUs *vis-à-vis* GSDP of GoG**

(₹ in crore)				
Sl. No.	Sector	2019-20	2020-21	2021-22
1	Power	1,10,297.90	1,05,661.08	1,20,127.13
2	Finance	3,628.82	3,214.91	2,891.74
3	Service	8,461.01	8,367.31	8,526.24
4	Infrastructure	2,319.62	2,461.97	2,571.21
5	Others <sup>11</sup>	17,928.06	16,141.71	28,275.68
<b>Total turnover</b>		<b>1,42,635.41</b>	<b>1,35,846.98</b>	<b>1,62,392.00</b>
GSDP of Gujarat		16,29,638.00	16,55,917.00	19,44,107.00
Percentage of turnover to GSDP of Gujarat		<b>8.75</b>	<b>8.20</b>	<b>8.35</b>

Source: GSDP figures are as per Finance Accounts of GoG of respective years and turnover figures are as per latest finalised financial statements received from SPSUs.

The contribution of SPSUs to GSDP of Gujarat declined from 8.75 *per cent* in 2019-20 to 8.35 *per cent* in 2021-22 though the turnover of these SPSUs increased by 13.85 *per cent* during 2021-22 compared to turnover in 2019-20. During the last three years, the compounded annual growth rate (CAGR) of GSDP was 9.22 *per cent*, while the CAGR of turnover was 6.70 *per cent*.

<sup>11</sup> 'Others' includes Gujarat State Petroleum Corporation Limited, which has earned major revenue during previous four Financial years from gas trading business (98 *per cent* in 2021-22). Since it is not carrying on its core business of petroleum extraction and exploration, therefore, it has been categorised as 'Others'.

During 2021-22, the SPSUs in Power Sector have contributed maximum turnover constituting 73.97 per cent of the total turnover.

### Investments in Government Companies and Statutory Corporations and budgetary support

#### 5.2.1 Investment in SPSUs

The amount of equity and loans in 67 Government Companies and Statutory Corporations as at the end of 31 March 2022 is given in **Table 5.4**.

**Table 5.4: Equity<sup>12</sup> and long-term loans in SPSUs**

Sources of investment	As on 31 March 2021			As on 31 March 2022		
	Equity	Long-term loans	Total	Equity	Long-term loans	Total
State Government	98,352.91	5,970.64	1,04,323.55	98,775.80	5,933.27	1,04,709.07
Central Government	1,554.16	41.33	1,595.49	1,850.16	91.00	1,941.16
SPSUs	13,280.62	6,123.56	19,404.18	13,948.47	4,911.75	18,860.22
Others <sup>13</sup>	5,387.29	8,362.78	13,750.07	5,862.58	8,383.55	14,246.13
<b>Total</b>	<b>1,18,574.98</b>	<b>20,498.31</b>	<b>1,39,073.29</b>	<b>1,20,437.01</b>	<b>19,319.57</b>	<b>1,39,756.58</b>
Percentage of investment of State Government to Total investment	82.95	29.13	75.01	82.01	30.71	74.92

Source: Information compiled as per latest finalised financial statements received from SPSUs.

Out of the total Equity holding, the Equity held by the State Government constituted 82.01 per cent during the year 2021-22.

Further, Government Controlled Other Companies had equity of ₹ 7,016.85 crore as on 31 March 2022, out of which State Government equity investment was ₹ 374.50 crore.

The Sector wise investment of State Government in Government Companies and Statutory Corporations during 2020-21 to 2021-22 is given in **Table 5.5**:

**Table 5.5: Sector wise investment of State Government in Government Companies and Statutory Corporations**

Nature of Sector	2020-21			2021-22		
	Equity	Loans	Total	Equity	Loans	Total
Power	25,504.39	888.58	26,392.97	25,504.39	808.07	26,312.46
Finance	1,547.62	1,340.83	2,888.45	1,547.62	1,340.83	2,888.45
Service	3,499.53	3,260.05	6,759.58	3,499.53	3,260.05	6,759.58
Infrastructure	67,340.10	141.50	67,481.60	67,762.99	184.64	67,947.63
Others	461.27	339.68	800.95	461.27	339.68	800.95
<b>Total</b>	<b>98,352.91</b>	<b>5,970.64</b>	<b>1,04,323.55</b>	<b>98,775.80</b>	<b>5,933.27</b>	<b>1,04,709.07</b>

Source: Information compiled as per latest finalised financial statements received from SPSUs.

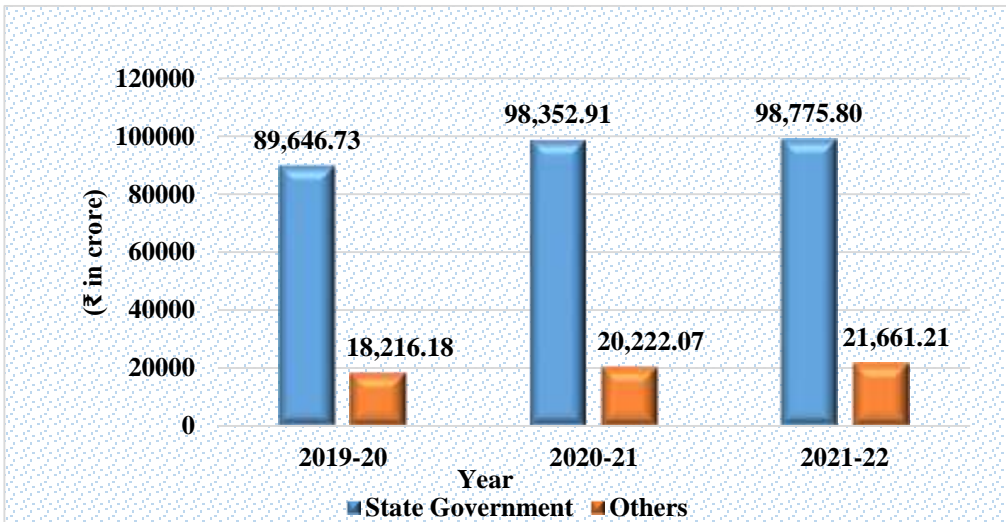
<sup>12</sup> Equity does not include 'share application money' of ₹ 4,723.59 crore pending allotment.

<sup>13</sup> Financial Institutions, Banks and Central SPSUs.

As on 31 March 2022, State Government’s total investment of ₹ 1,04,709.07 crore in Government Companies and Statutory Corporations comprised of equity capital ₹ 98,775.80 crore (94.33 per cent) and long-term loans of ₹ 5,933.27 crore (5.67 per cent). The thrust of State Government’s equity investment was mainly in Infrastructure Sector which constituted 68.60 per cent during 2021-22.

Holding in equity by State Government and Others (Central Government, State PSUs, Financial Institutions and Bank etc.) during the three years ended 31 March 2022 in Government Companies and Statutory Corporations is depicted in **Chart 5.1** below.

**Chart 5.1: Holding in Equity in SPSUs**



Details of significant Equity holding (more than ₹ 1,000 crore) of the State Government as at the end of March 2022 in the paid-up capital of the SPSUs is given in **Table 5.6** below.

**Table 5.6: Significant Equity holding of the State Government as on 31 March 2022**

Sl. No.	Name of the State PSU	Name of the Department	Amount (₹ in crore)
1.	Sardar Sarovar Narmada Nigam Limited	Narmada, Water Resources, Water supply and Kalpsar	65,835.85
2.	Gujarat Urja Vikas Nigam Limited	Energy and Petrochemicals	25,010.46
3.	Gujarat State Road Transport Corporation	Ports and Transport	3,317.95
4.	Gujarat Metro Rail Corporation Limited	Urban Development and Urban Housing	1,537.00
5.	Gujarat State Investments Limited	Finance	1,042.77
<b>Total</b>			<b>96,744.03</b>

Source: Information compiled as per latest finalised financial statements received from SPSUs.

It was observed that out of the total equity investment by State Government in Government Companies and Statutory Corporations, a significant amount *i.e.* 97.94 per cent was invested in the above five SPSUs.

### 5.2.2 Budgetary support to SPSUs

State Government provides financial support to the SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans repayment/ written off and outstanding guarantees of the Government Companies and Statutory Corporations for the last three years ending 31 March 2022 are given in the **Table 5.7** below.

**Table 5.7: Statement showing details regarding budgetary support to Government Companies and Statutory Corporations**

(Amount: ₹ in crore)

Sl. No	Particulars	2019-20		2020-21		2021-22	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
<b>Power Sector SPSUs</b>							
(i)	Equity Capital Outgo	2	3,349.26	2	3,334.57	2	3,710.23
(ii)	Grants/ Subsidy provided	4	221.08	2	40.00	8	1,552.89
(iii)	<b>Total outgo (i+ii)</b>		<b>3,570.34</b>		<b>3,374.57</b>		<b>5,263.12</b>
<b>Non-Power Sector SPSUs</b>							
(i)	Equity Capital Outgo	7	3,875.97	6	1,009.46	9	3,221.81
(ii)	Loans given	5	889.94	6	159.91	5	380.94
(iii)	Grants/ Subsidy provided	22	5,274.73	12	2,248.13	12	3,466.75
(iv)	<b>Total outgo (i+ii+iii)</b>		<b>10,040.64</b>		<b>3,417.50</b>		<b>7,069.50</b>
(v)	Loan repayment/written off	1	60.00	-	-	1	115.00
(vi)	Guarantees issued	-	-	-	-	2	55.32
(vii)	Outstanding Guarantees commitment	3	69.33	2	37.85	2	50.92

Source: Compiled as per information received from SPSUs.

State Government helps the SPSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. As can be seen from the above table, the budgetary support by State Government to Power Sector SPSUs towards equity capital and grants/ subsidy increased from ₹ 3,374.57 crore (2020-21) to ₹ 5,263.12 crore (2021-22). There was no loans or guarantee given by State Government during the last three years to power sector SPSUs. The budgetary support to Non-Power Sector SPSUs towards equity, loans and grants/ subsidy ranged between ₹ 3,417.50 crore (2020-21) and ₹ 10,040.64 crore (2019-20) during the last three years.

State Government also provided budgetary support in form of Equity and grants/ subsidy to three Government Controlled Other Companies amounting to ₹ 96.56 crore during 2021-22.

The outstanding guarantee commitments given to Non-Power Sector SPSUs decreased from ₹ 69.33 crore in 2019-20 to ₹ 50.92 crore in 2021-22. The State Government recovers guarantee fee at the rate of 0.25 to one *per cent per annum* depending upon the loanees for availing loan from banks/ financial institutions. To the extent of information received from SPSUs, guarantee fee of ₹ 27.18 crore was paid by two<sup>14</sup> SPSUs to the Government during 2021-22.

<sup>14</sup> Gujarat State Petroleum Corporation Limited and Gujarat Gas Limited.



### 5.2.3 Submission of Annual Accounts of SPSUs

According to Section 395 of the Companies Act, 2013, every State Government shall cause the Annual Report on the working and affairs of the Government Company to be prepared within three months of its Annual General Meeting and as soon as may be after such preparation, lay before the House or both Houses of the State Legislature together with a copy of the Audit Report and comments upon or supplement by the Comptroller and Auditor General of India to the Audit Report.

Annual Financial Statements of 55 SPSUs (157 Financial Statements) were not submitted to Audit as of September 2022 as given in **Appendix 5.1**. Out of the 43 SPSUs, which submitted their Annual Financial Statements up to 2021-22, 28 SPSUs were not reflected in statement of Investments of Finance Accounts 2021-22, as no direct investment in form of equity or loan is made by Government of Gujarat.

The figures in respect of Equity and outstanding loan as per the records of the remaining 15 SPSUs should agree with the corresponding figures appearing in the Finance Accounts of GoG. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. There was no difference in the figures of equity in respect of three SPSUs<sup>15</sup>. In this regard, the position of remaining 12 SPSUs as per Annual Financial Statements furnished as on 31 March 2022 *vis-à-vis* Finance Accounts for the year ended on that date is given in **Table 5.8** below:

**Table 5.8: Equity and loans outstanding as on 31 March 2022 as per Finance Accounts *vis-à-vis* records of SPSUs**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Net Differences
Equity	8,786.57	2,024.73	6,761.84
Loans	5,646.23	1,661.42	3,984.81

Source: As per latest annual financial statement of SPSUs and Finance Accounts.

It can be observed from the above table that there is a net difference of ₹ 6,761.84 crore in respect of investments in form of Equity as detailed in **Appendix 5.3**. Further, there is a net difference of ₹ 3,984.81 crore in respect of loans<sup>16</sup>. Thus, there is a need for reconciliation of investments as per Government Accounts and as per the Annual Financial Statements of SPSUs.

### 5.2.4 Restructuring, Disinvestment and Privatisation of SPSUs

During the year 2021-22, there was neither disinvestment of any SPSUs nor was any SPSU privatised.

<sup>15</sup> Gujarat Mineral Development Corporation Limited, Gujarat State Financial Services Limited and Gujarat State Investments Limited.

<sup>16</sup> SPSUs wise loan amount outstanding is not available in Finance Accounts therefore the same is not reflected in the **Appendix 5.3**.



## 5.2.5 Analysis of outstanding loans given to SPSUs

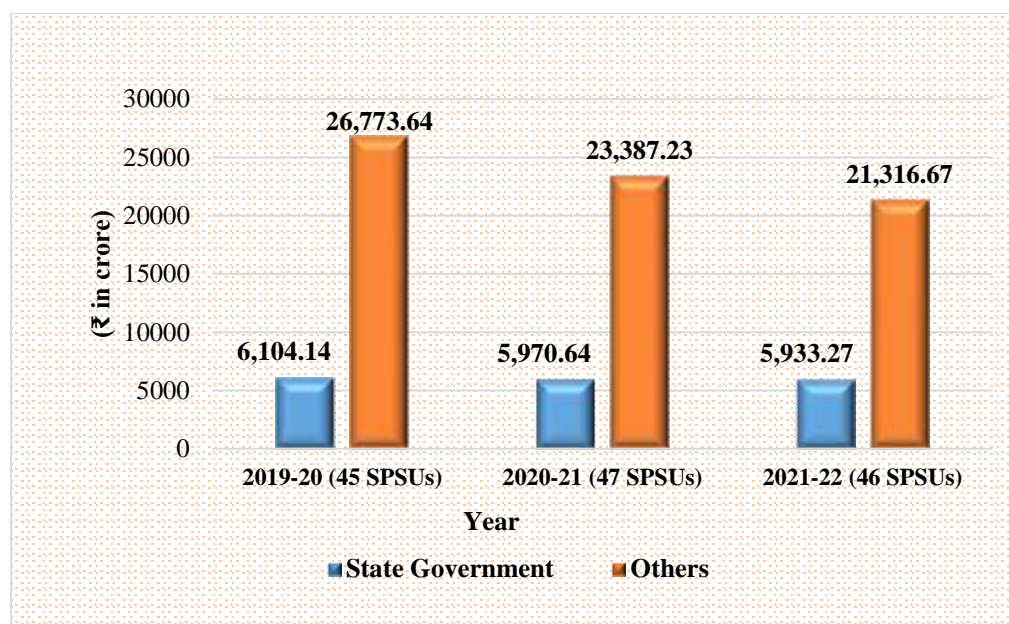
### 5.2.5.1 Long-term loans outstanding as on 31 March 2022

As on 31 March 2022, the total long-term loans outstanding in 46 out of 99 SPSUs<sup>17</sup> from all sources was ₹ 27,249.94 crore. The outstanding long-term loans of SPSUs registered a net decrease of ₹ 2,107.93 crore during 2021-22 (₹ 27,249.94 crore) from previous year 2020-21 (₹ 29,357.87 crore).

Out of the total outstanding loans as on 31 March 2022, loans from State Government were ₹ 5,933.27 crore of which significant amount (₹ 4,990.09 crore) pertained to three Non-power sector SPSUs viz. Gujarat State Road Transport Corporation (GSRTC) (₹ 3,146.07 crore), Gujarat State Financial Corporation (GSFC) (₹ 661.68 crore), Gujarat State Investments Limited (GSIL) (₹ 385 crore) and One Power sector SPSU viz. Gujarat Energy Transmission Corporation Limited (GETCO) (₹ 797.34 crore). It was observed that GSIL and GETCO regularly repaid their loans whereas no repayment of loan was reported by GSRTC and GSFC during the preceding three years ended on 31 March 2022.

The year-wise details of outstanding long-term loans of SPSUs is depicted in **Chart 5.2**.

**Chart 5.2. Long-term loans outstanding in SPSUs as on 31 March of the respective year**



### 5.2.5.2 Adequacy of assets to meet loan liabilities

Ratio of long-term loan to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than its long-term loans. The coverage of long-

<sup>17</sup> Excludes one SPSU Gujarat Education Technologies Limited whose first financial statement is awaited.

term loans by value of total assets in 42 SPSUs<sup>18</sup> which had outstanding loans as on 31 March 2022 is given in **Table 5.9** below.

**Table 5.9: Coverage of long-term loans with total assets as on 31 March 2022**

Nature of SPSU	Positive Coverage				Negative Coverage			
	No. of SPSUs	Long term loans	Assets	Percent- age of assets to loan	No. of SPSUs	Long term loans	Assets	Percent- age of assets to loan
		(₹ in crore)				(₹ in crore)		
<b>Listed</b>								
Government Companies	2	775.97	16,625.25	2,142.52	-	-	-	-
Statutory Corporation	1	661.68	3,235.42	488.97	-	-	-	-
<b>Non-listed</b>								
Government Companies	33	22,292.28	1,86,235.14	835.42	5	336.93	176.87	52.49
Statutory Corporation	1	3,146.07	8,623.59	274.11	-	-	-	-
<b>Total</b>	<b>37</b>	<b>26,876.00</b>	<b>2,14,719.40</b>		<b>5</b>	<b>336.93</b>	<b>176.87</b>	

Source: Information compiled as per latest finalised financial statements received from SPSUs.

Out of 42 SPSUs, securities of three SPSUs are listed in Stock exchange. Further, it can be observed that in five inactive SPSUs *viz.* Gujarat Dairy Development Corporation Limited, Gujarat State Construction Corporation Limited, Alcock Ashdown (Gujarat) Limited, Gujarat State Machine Tools Corporation Limited and Gujarat Trans Receivers Limited; the value of long-term loans outstanding exceeded total assets.

### 5.2.5.3 Interest coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by comparing a company's earnings before interest and taxes (EBIT) with interest expenses for the same period. A lower ratio signifies lower ability of the Company to pay interest on debt. An ICR below one signifies that the company did not generate sufficient revenues to meet its interest expenses. The details of positive and negative interest coverage ratio of SPSUs, which had outstanding long-term loans during the period from 2019-20 to 2021-22 are given in **Table 5.10** below.

<sup>18</sup> Out of 46 SPSUs having long-term loan outstanding, the details of total assets of four Inactive SPSUs is not available, thus not considered in the table.

Table 5.10: Interest Coverage Ratio of SPSUs

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of SPSUs with outstanding loans and interest	Number of SPSUs having Interest Coverage Ratio	
				ICR>=1	ICR<1
<b>Listed</b>					
2019-20	485.43	2,858.05	3	2	1 <sup>19</sup>
2020-21	339.57	3,158.64	3	2	1 <sup>19</sup>
2021-22	189.71	1,775.31	2	1	1 <sup>19</sup>
<b>Non-listed</b>					
2019-20	2,841.62	4,436.46	30	20	10 <sup>20</sup>
2020-21	2,364.89	5,101.83	32	22	10 <sup>21</sup>
2021-22	1,668.60	4,974.34	32	22	10 <sup>21</sup>

Source: Information compiled as per latest finalised financial statements received from SPSUs.

It can be observed from the above **Table 5.10** that the interest coverage ratio in the SPSUs with debt has not varied significantly both in listed and non-listed SPSUs during 2019-22. Further, the number of PSUs with ICR equal to one or more than one has decreased from 24 in 2020-21 to 23 in 2021-22. On the other hand, the number of SPSUs with ICR less than one remained constant during 2019-22.

### 5.3 Returns from SPSUs

Out of 67 Government Companies and Statutory Corporations, 43 SPSUs earned profit, 16 SPSUs reported losses and eight SPSUs had neither profit nor loss during the year 2021-22. Further out of 32 Government Controlled Other Companies, 18 SPSUs earned profit while 14 SPSUs reported losses during the year 2021-22.

#### 5.3.1 Profit earned by SPSUs

The overall profit of these 43 SPSUs was ₹ 4,211.26 crore. The list of SPSUs which earned profit of more than ₹ 100 crore during the year 2021-22 is given in **Table 5.11**.

<sup>19</sup> Gujarat State Financial Corporation.

<sup>20</sup> Alcock Ashdown (Gujarat) Limited, GSPC LNG Limited, GSPL India Gasnet Limited, GSPL India Transco Limited, Gujarat Minorities Finance and Development Corporation Limited, Gujarat Metro Rail Corporation Limited, Gujarat Nomadic and Denotified Tribes Development Corporation, Gujarat State Construction Corporation Limited, Gujarat State Road Transport Corporation and Sardar Sarovar Narmada Nigam Limited.

<sup>21</sup> Same as Footnote no. 20 above except one SPSU GSPL India Gasnet Limited. In lieu of this, one SPSU Gujarat International Finance Tec City Company Limited is included.

**Table 5.11: SPSUs that earned profit after tax more than ₹ 100 crore during 2021-22**  
(₹ in crore)

Sl. No.	Name of the SPSUs	Net Profit after tax
1	Gujarat State Petroleum Corporation Limited (GSPC)	1,183.73
2	Gujarat Energy Transmission Corporation Limited (GETCO)	971.46
3	Gujarat Mineral Development Corporation Limited (GMDC)	404.28
4	Gujarat Industrial Development Corporation (GIDC)	286.73
5	Gujarat State Electricity Corporation Limited (GSECL)	283.03
6	Diamond Research and Mercantile City Limited (DRMCL)	145.59
7	Gujarat State Financial Services Limited (GSFS)	140.10
8	Madhya Gujarat Vij Company Limited (MGVCL)	103.49
<b>Total</b>		<b>3,518.41</b>

Source: Information compiled as per latest finalised financial statements received from SPSUs.

It may be seen that the above eight SPSUs earned 83.55 per cent of the total profit earned by 43 SPSUs during 2021-22. Out of these, GSPC is one of the main SPSU in the State for trading of natural gas. GETCO is functioning under Power Sector in monopolistic conditions. GMDC earned significant revenue from sale of Lignite, the mineral for which the Company is the largest seller in the country. GIDC is the main PSU in the State which has right to develop and allot land for industrial/ institutional purposes on cost plus overhead charges basis. GSECL and MGVCL are in profit due to its normal operating activity *i.e.* sale of power. DRMCL earned exceptional income on account of reversal of revenue from sale of land. GSFS is registered as a Non-Banking Financial Company that earned profit by providing financial services to GoG entities at a competitive rate.

Further, out of 18 Government Controlled Other Company that earned profit of ₹ 2,845.33 crore during the year 2021-22, three SPSUs<sup>22</sup> (including two listed SPSUs) earned profit of more than ₹ 100 crore.

### 5.3.2 Losses incurred by SPSUs

During the year 2021-22, 16 SPSUs (14 Government Companies and two Statutory Corporations) reported losses. However, the overall net losses incurred by SPSUs decreased from ₹ 1,978.68 crore in 2019-20 to ₹ 1,487.59 crore in 2021-22 as given in **Table 5.12**.

**Table 5.12: Number of SPSUs that incurred losses**

Year	Number of SPSUs which incurred loss	Net loss after tax	Accumulated losses
2019-20	18	1,978.68	14,515.85
2020-21	17	1,525.64	13,913.26
2021-22	16	1,487.59	15,340.54

Source: Information compiled as per latest finalised financial statements received from SPSUs.

<sup>22</sup> Gujarat Gas Limited (₹ 1,285.64 crore), Gujarat State Petronet Limited (₹ 1,009.75 crore) and Sabarmati Gas Limited (₹ 346.55 crore).

The SPSUs which incurred losses above ₹ 100 crore during the year 2021-22 are shown in **Table 5.13**.

**Table 5.13: SPSUs that incurred losses of more than ₹ 100 crore in 2021-22**

		(₹ in crore)
Sl. No.	Name of the State PSU	Net loss after tax
1	Sardar Sarovar Narmada Nigam Limited	739.32
2	Gujarat State Textile Corporation Limited (Inactive SPSU)	300.58
3	Gujarat State Road Transport Corporation (Statutory Corporation)	173.62
4	Gujarat State Financial Corporation ( <i>Listed SPSU</i> )	127.81
<b>Total</b>		<b>1,341.33</b>

Source: Information compiled as per latest finalised financial statements received from SPSUs.

It may be seen from the above **Table 5.13** that these four SPSUs contributed 90.17 *per cent* of the total losses incurred by 16 SPSUs during 2021-22.

Further, 14 Government Controlled Other Companies reported losses of ₹ 264.04 crore during the year 2021-22.

### 5.3.3 Erosion of Net worth of SPSUs

Net worth means the sum total of the paid-up capital, free reserves and surplus *minus* accumulated losses and deferred revenue expenditure. It is essentially a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2022, 22 SPSUs had accumulated losses of ₹ 29,312.55 crore, 37 SPSUs had surplus of ₹ 16,440.60 crore and eight SPSUs had neither accumulated losses nor surplus, as per their latest financial statements. The maximum accumulated losses were reported by Gujarat State Petroleum Corporation Limited (₹ 12,896.70 crore), Sardar Sarovar Narmada Nigam Limited (₹ 6,741.42 crore), Gujarat State Road Transport Corporation (₹ 3,830.72 crore), Gujarat State Financial Corporation (₹ 3,055.46 crore), Gujarat Water Infrastructure Limited (₹ 678.21 crore) and Alcock Ashdown (Gujarat) Limited (₹ 660.90 crore). Thus, the overall accumulated losses of 67 SPSUs was ₹ 12,871.95 crore, though, the overall net worth was positive which stood at ₹ 1,41,514.64 crore.

Out of 22 SPSUs which had accumulated losses, the net worth of 15 had been completely eroded and had thus become negative. The total negative net worth of these 15 SPSUs was ₹ 5,219.35 crore against the paid up capital of ₹ 3,902.88 crore as on 31 March 2022.

The maximum erosion of net worth was noticed in Gujarat State Financial Corporation (₹ 2,947.45 crore), Alcock Ashdown (Gujarat) Limited (₹ 609.90 crore), Gujarat Water Infrastructure Limited (₹ 523.19 crore) and Gujarat State Road Transport Corporation (₹ 406.49 crore) at the end of March 2022. Of these 15 SPSUs<sup>23</sup> whose net worth had been completely eroded (negative net worth), six SPSUs had earned profit of ₹ 159.70 crore, seven

<sup>23</sup> Out of 15 SPSUs the data of profit or loss of two SPSUs is not available.

SPSUs had incurred losses of ₹ 397.63 crore as on 31 March 2022. Details of SPSUs having negative net worth as on 31 March 2022 are given in **Appendix 5.4**.

In 15 SPSUs whose net worth had been completely eroded, Equity and Outstanding loans of State Government as on 31 March 2022 were ₹ 4,833.83 crore and ₹ 4,430.90 crore respectively.

### 5.3.4 Dividend pay-out by SPSUs

The Finance Department, GoG has issued standing instructions in October 1994 by which all SPSUs were required to pay maximum dividend to the Government. The instruction, however, did not prescribe the minimum/maximum rate of dividend to be paid by the SPSUs.

Out of 67 SPSUs (Government Companies and Statutory Corporations), the State Government had infused equity in 57 SPSUs. Dividend payout relating to these 57 SPSUs for the period 2019-20 to 2021-22 is shown in **Table 5.14**.

**Table 5.14: Dividend Payout of SPSUs during 2019-20 to 2021-22**

(₹ in crore)							
Year	Total PSUs where equity infused by GoG		SPSUs which earned profit during the year		SPSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	No. of SPSUs	Equity infused	No. of SPSUs	Amount of equity infused	No. of SPSUs	Dividend paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2019-20	56	89,646.73	33	24,825.34	4 <sup>24</sup>	74.31	0.30
2020-21	57	98,352.91	34	27,653.02	5 <sup>25</sup>	73.66	0.27
2021-22	57	98,775.80	34	27,674.07	3 <sup>26</sup>	149.52	0.54

During the period 2019-20 to 2021-22, the number of SPSUs which earned profits ranged between 33 and 34 whereas the number of SPSUs which paid dividend to the State Government ranged between 3 to 5. The Dividend Payout Ratio during 2019-20 to 2021-22 ranged between 0.27 to 0.54 *per cent* only.

Out of the 32 Government Controlled Other Companies, One SPSU *viz.* Gujarat Gas Limited paid dividend amounting ₹ 5.62 crore to State Government during 2021-22.

### 5.3.5 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures a company's long-term profitability and the efficiency with which total capital is

<sup>24</sup> Gujarat State Seeds Corporation Limited, Gujarat State Forest Development Corporation Limited, Gujarat Mineral Development Corporation Limited and Gujarat State Financial Services Limited.

<sup>25</sup> Same as Footnote no. 24 above, in addition to one SPSU Gujarat State Investments Limited.

<sup>26</sup> Same as Footnote no. 25 above, except two SPSUs Gujarat State Financial Services Limited and Gujarat State Forest Development Corporation Limited.

employed by the company. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>27</sup>.

SPSU-wise details of RoCE for the period 2019-20 to 2021-22 are given in **Appendix 5.5**. The consolidated RoCE of Government Companies and Statutory Corporations during the period from 2019-20 to 2021-22 is given in **Table 5.15** below.

**Table 5.15: Return on Capital Employed of SPSUs**

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	RoCE (in percentage)
2019-20	7,723.48	1,44,901.55	5.33
2020-21	7,824.68	1,55,258.93	5.04
2021-22	8,463.68	1,60,777.19	5.26

Source: Information compiled as per latest finalised financial statements received from SPSUs.

It was observed that ROCE of these SPSUs decreased marginally from 5.33 *per cent* during 2019-20 to 5.26 *per cent* during 2021-22. Further, in case of 32 Government Controlled Other Companies, the EBIT for the year 2021-22 was ₹ 4,018.33 crore whereas the Capital Employed in these SPSUs was ₹ 28,122.79 crore. Hence, ROCE worked out to 14.29 *per cent* during 2021-22.

### 5.3.6 Return on Equity of SPSUs

Return on Equity (RoE) is a measure of financial performance to assess how effectively the management is using company's assets to create profits and is calculated by dividing net profit after taxes by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund 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 shareholders if all assets were sold and all debts repaid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders fund means that liabilities exceed its assets.

RoE has been computed in respect of 57 SPSUs where fund had been infused by the State Government. SPSU wise details of ROE for the period 2019-20 to 2021-22 are given in **Appendix 5.6**. The details of shareholders' fund and ROE relating to these SPSUs during the period from 2019-20 to 2021-22 is given in **Table 5.16** below.

<sup>27</sup> Capital employed = Paid up share capital *plus* free reserves and surplus *plus* long term loans *minus* accumulated losses *minus* deferred revenue expenditure.



**Table 5.16: Return on Equity of SPSUs**

Year	Number of PSUs for which ROE calculated	Net Income for the year (₹ in crore)	Shareholders' fund (₹ in crore)	ROE (in percentage)
2019-20	56	-615.18	84,462.70	-0.73
2020-21	57	193.08	93,618.88	0.21
2021-22	57	784.06	95,967.44	0.82

Source: Information compiled as per latest finalised financial statements received from SPSUs.

As can be seen from the above table, the Net Income of the PSUs increased significantly from net loss of ₹ 615.18 crore in 2019-20 to net income of ₹ 784.06 crore in 2021-22. The RoE has also increased to 0.82 *per cent* in 2021-22.

### 5.3.7 Rate of Real Return on Investment

In view of the significant investment by Government in the SPSUs, Rate of Real Return or RORR on such investment is essential from the perspective of State Government. Traditional calculation of Return on Investment (ROI) is based on historical cost of investment, which may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. Therefore, in addition to ROI, RORR is calculated considering the PV of historical cost of investment. PV of the State Government investment was computed where funds had been infused by the State Government as equity, grants/ subsidies and interest free loans since inception of these Companies till 31 March 2022.

The RORR of State Government investment in the SPSUs was computed on the basis of the following assumptions:

- Interest free loans (IFL) have been considered as investment infusion by the State Government. However, in case of repayment of loans by SPSUs, the PV was calculated on the reduced balances of IFLs over the period.
- The average rate of interest on State Government borrowings for the relevant financial year<sup>28</sup> was adopted as compound rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year.

Of the 100 SPSUs, the State Government has made direct investment in the form of equity, long term loans, grants and subsidies in 76 SPSUs. **Table 5.17** shows the RORR calculation of State Government investment in these 76 SPSUs considering the PV of historical cost of investments, since 2017-18 till 2021-22.

<sup>28</sup> The average rate of interest on Government borrowings is as depicted in Table 2.27.

**Table 5.17: Year-wise details of investments made by the State Government in SPSUs and their present value till 2021-22**

(₹ in crore)

Financial year	PV of investment at beginning of year	Investment during the year	Investment at the end of year	Avg. rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Min. expected return to recover cost of funds for the year	Total earnings after tax for the year	RORR in per centage
i	ii	iii	iv=ii+iii	v	vi=iv× (1+(v÷100))	vii=vi×(v÷ 100)	viii	ix=viii *100/vi
2017-18	2,41,400.63*	17,337.05	2,58,737.68	7.59	2,78,375.87	19,638.19	(1,443.64)	(-)0.52
2018-19	2,78,375.88	18,366.67	2,96,742.55	7.44	3,18,820.20	22,077.65	(530.42)	(-)0.17
2019-20	3,18,820.20	13,285.65	3,32,105.85	7.47	3,56,914.15	24,808.31	(741.29)	(-)0.21
2020-21	3,56,914.15	6,822.87	3,63,737.03	7.19	3,89,889.71	26,152.69	2,117.19	0.54
2021-22	3,89,889.71	12,731.23	4,02,620.94	7.12	4,31,287.55	28,666.61	5,304.96	1.23

Source: Information provided by SPSUs and latest finalised FSs received up to 30 September 2022.

Note: \*Actual Equity at present value at the beginning of the year.

RoRR ranged between (-) 0.17 per cent and (-) 0.52 per cent during 2017-18 to 2019-20, but increased continuously thereafter and improved to 1.23 per cent in 2021-22. The year wise details of the investment and present value of such investment infused by the State Government for the period 2004-05 to 2021-22 is depicted in **Appendix 5.7**. Rate of Return on State Government Investment (Historical cost *viz-a-viz* present value) is depicted in **Table 5.18**.

**Table 5.18: Rate of Return on State Government Investment**

(₹ in crore)

Financial year	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at end of the year	ROR (%)
2021-22	5,304.96	2,13,821.62	2.48	4,31,287.55	1.23

## 5.4 Oversight Role of C&AG

### 5.4.1 Appointment of statutory auditors of SPSUs by C&AG

C&AG of India appoints the statutory auditors of a Government Controlled Company and Government Controlled Other Company as per Section 139 (5)/(7) of the Companies Act, 2013 (Act), which stipulates that the statutory auditors, in case of a Government Company or Government Controlled Other Company, are to be appointed by the CAG of India within a period of 180 days from the commencement of the financial year and 60 days from the registration in case of first auditor. The CAG of India has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their FSs be audited by the CAG of India and a report submitted to

the State Legislature.

## 5.4.2 Submission of Accounts by SPSUs

### 5.4.2.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the activity and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before the Legislative Assembly, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. 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.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Consequently, the Financial Statements need to be prepared and placed in the AGM by 30 September of the following year.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

### 5.4.2.2 Timeliness in preparation of FSs by SPSUs

As on 31 March 2022, there were 100 SPSUs under the purview of CAG's audit in Gujarat. Out of these 100 SPSUs, 16 are inactive which are either under liquidation or defunct. A total of 43 SPSUs have submitted their FSs for 2021-22 for audit by CAG of India until 30 September 2022. The financial statement of two SPSUs (Gujarat State Textile Corporation Limited and GSPC offshore Limited) were not due to be submitted and had no arrears. Remaining 55 SPSUs did not provide their 157 Annual Financial Statements by 30 September 2022. Details of FSs received from SPSUs as on 30 September 2022 are given in **Table 5.19** below.

**Table 5.19: Details of status of FSs received from SPSUs**

Particulars		SPSUs under audit jurisdiction of C&AG					
		GCC <sup>29</sup>		GCOC		Total	
		Listed	Unlisted	Listed	Unlisted	Listed	Unlisted
<b>Total number of SPSUs as on 31 March 2022</b>		<b>68</b>		<b>32</b>		<b>100</b>	
<b>Number of Listed/ Unlisted Companies</b>		<b>3</b>	<b>65</b>	<b>2</b>	<b>30</b>	<b>5</b>	<b>95</b>
Less: Companies from which financial statements for 2021-22 were not due and had no arrears		-	1 <sup>30</sup>	-	1 <sup>31</sup>	-	2
SPSUs from which FSs for 2021-22 were due		3	64	2	29	5	93
Active SPSUs from which FSs were received by 30 September 2022		3	15	2	21	5	36
Inactive SPSUs from which FSs were received by 30 September 2022		-	1	-	1	-	2
SPSUs with arrears in financial statements		-	48	-	7	-	55
<b>No. of financial statements in arrears</b>		<b>-</b>	<b>129</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>157</b>
Break-up of arrears	SPSUs under Liquidation	-	6	-	-	-	6
	Inactive SPSUs	-	48	-	24	-	72
	First financial statement not submitted	-	1 <sup>32</sup>	-	-	-	1
	‘Others’(active and due)	-	74	-	4	-	78
Age-wise analysis of arrears against ‘Others’ category	One year (2021-22)	-	20	-	4	-	24
	Two years (2020-21 and 2021-22)	-	10	-	-	-	10
	Three years and more	-	44	-	-	-	44

Source: As compiled by office of Pr. AG (Audit-I) and AG (Audit-II), Gujarat.

The list of the SPSUs and status of FSs in arrears is indicated in **Appendix 5.1**. The GCC discussed in the **Table 5.19** include three listed SPSUs *viz.*, Gujarat Mineral Development Corporation Limited, Gujarat State Investments Limited and Gujarat State Financial Corporation and the GCOC includes two listed SPSUs *viz.*, Gujarat State Petronet Limited and Gujarat Gas Limited. The FSs for 2021-22 were received from all these five listed SPSUs.

Audit of four<sup>33</sup> Statutory Corporations is conducted by the CAG of India as per provisions of the relevant Act. CAG of India is the sole auditor for Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation. Of the four Statutory Corporations, only one Statutory Corporation *viz.*, Gujarat State Financial Corporation submitted FSs for 2021-22. The FSs of other three Statutory Corporations were in arrears (including financial year 2021-22) as on 30 September 2022.

<sup>29</sup> Government Controlled Companies include the four Statutory Corporations.

<sup>30</sup> Gujarat State Textile Corporation Limited.

<sup>31</sup> The name of GSPC offshore Limited was struck-off from the Register of Companies.

<sup>32</sup> Gujarat Education Technologies Limited has not submitted its first Financial statement from 9 March 2021 to 31 March 2022.

<sup>33</sup> Gujarat State Warehousing Corporation, Gujarat State Financial Corporation, Gujarat State Road Transport Corporation and Gujarat Industrial Development Corporation.

Delay in submission of Accounts is being brought to the notice of the State Government periodically through Audit Reports. In the absence of annual FSs and their audit, proper utilisation of the grants and loans disbursed to those SPSUs and their accounting cannot be vouched. Apart from reflecting on the inadequate monitoring by the State Government, absence of FSs indicates lack of accountability from these SPSUs over the funds released by Government of Gujarat.

### **5.4.3 C&AG's oversight- Audit of annual Financial Statements and supplementary audit**

#### **5.4.3.1 Financial reporting framework**

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their FSs in the format prescribed under their respective rules, framed in consultation with the CAG and any other specific provision relating to FSs in the Act governing such Corporations.

#### **5.4.3.2 Audit of Financial Statements of Government Companies by Statutory Auditors**

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

The CAG of India plays an oversight role by monitoring the performance of the statutory auditors in the audit of public sector undertakings with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

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

#### **5.4.3.3 Supplementary audit of annual Financial Statements of Government Companies**

The primary 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 CAG of India under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on an

independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG of India. The statutory auditors are required to submit the Audit Report to the CAG of India under Section 143 of the Companies Act, 2013.

The FSs of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG of India by conducting a supplementary audit. Based on such review, significant audit observations, if any, reported under Section 143 (6) of the Companies Act, 2013 are to be placed before the AGM of respective SPSU.

## **5.5 Results of C&AG’s oversight role**

### **5.5.1 Audit of Financial Statements of Government Companies under Section 143 of the Companies Act, 2013**

As on 30 September 2022, 43 SPSUs submitted their 43 FSs for the year 2021-22. The remaining 55 SPSUs did not submit their 157 Annual Financial Statements for various reasons by 30 September 2022. Out of these 55 SPSUs, 26 SPSUs submitted 28 Financial Statement for previous years spanning from 2018-19 to 2020-21.

Out of the total 71 FSs received during 2021-22, Non-Review Certificates were issued in respect of seven FSs, and 43 FSs were reviewed upto 30 September 2022. The audit in respect of 21 FSs were in progress as on 30 September 2022. The results of the review are summarised below:

#### **5.5.1.1 Amendment of Financial Statements**

As a result of supplementary audit conducted by the CAG of India of the financial statements received till 30 September 2022, Gujarat State Construction Corporation Limited has amended its Financial Statements for the three years 2017-18 to 2019-20.

#### **5.5.1.2 Revision of Auditors Report**

As a result of supplementary audit conducted by the CAG of India of the financial statements received till 30 September 2022, the Statutory Auditors of five<sup>34</sup> SPSUs revised their report before laying of the Financial Statements of these Companies in their AGM.

#### **5.5.1.3 Significant comments of the CAG issued as supplement to the Statutory Auditors’ Reports on SPSUs**

Subsequent to the audit of the financial statements received until 30 September 2022 by the Statutory Auditors, the CAG conducted supplementary audits of 43 FSs of 41 SPSUs. Some of the significant comments issued on financial statements of Government Controlled Companies and

<sup>34</sup> Gujarat State Aviation Infrastructure Company Limited, Gujarat State Petroleum Corporation Limited, GSPL India Transco Limited, Gujarat Mineral Development Corporation Limited and G-ride Bedi Port Rail Limited.



Government Controlled Other Companies are given below.

### Comments on Profitability

Sl. No.	Name of the PSU	Comment
1	Gujarat Industrial Development Corporation (2020-21)	<p><b>Income</b>  <b>Interest received/accrued on deposits with Companies - ₹ 243.69 crore</b></p> <p>The Government Resolution dated 22 December 2015 requires that interest earned should be adjusted in the account maintained for that scheme or project. The GR also states that the accrued income forms the part of the grant for a particular scheme/ project and the same shall be utilised towards the implementation of the scheme/ project. Audit noticed that on 01 April 2020, the Corporation has not adjusted the interest payable amounting to ₹ 240.18 crore and interest paid/adjusted during the year 2020-21 of ₹ 45.36 crore in grant account. Thus, the interest accrued on grant for the year 2020-21 was not calculated on ₹ 194.82 crore at the rate of 5.8 per cent per annum in accordance with Note 21 of Notes of Accounts.</p> <p>This has resulted in understatement of interest liability for the year 2020-21 and overstatement of "Interest income on deposits with companies" by ₹ 11.30 crore { ₹ 240.18 crore - ₹ 45.36 crore (amount paid/ adjusted during the year as per Schedule-G) x 5.8 per cent simple interest rate as mentioned in Note – 21 }.</p>
2	Gujarat State Forest Development Corporation Limited (2020-21)	<p><b>Other Income – ₹ 771.07 lakh (Note No. 17)</b></p> <p>Above does not include ₹ 406.95 lakh (principal – ₹ 241.73 lakh and interest – ₹ 165.22 lakh) being the amount of VAT refund for the year 2009-10 for which the refund order was received in May 2021 before finalisation of the Financial Statements for the year 2020-21. The principal amount of ₹ 241.73 lakh was accounted for in the Prior Period Income and debited as VAT Refund receivable whereas interest amount of ₹ 165.22 lakh was not accounted for in the FY 2020-21.</p> <p>Since the VAT refund is neither an error nor an omission, the same cannot be accounted as Prior Period Item. This resulted in overstatement of Prior Period Income and understatement of other income by ₹ 241.73 lakh. Also non-accounting of interest of VAT Refund resulted in understatement of other income as well as interest receivable by ₹ 165.22 lakh.</p>

### Comments on Financial Position

Sl. No.	Name of the PSU	Comment
1	Gujarat Industrial Development Corporation (2020-21)	<p><b>Assets</b>  <b>Capital Expenditure towards cost of land and development of industrial estates (Schedule B) - ₹ 13,442.08 crore</b></p> <p>The gross block of Asset under the head “Capital Expenditure towards Cost of Development” for computing depreciation as per the Replacement and Renewal regulations considered was ₹ 4,159.63 crores. However, the same was depicted as ₹ 4,136.72 crore in Schedule-B forming part of the Balance Sheet. Hence, there is a difference of ₹ 22.91 crore which needs to be reconciled. In the absence of reconciliation, the impact on depreciation on account of unreconciled balance of assets audit could not be ascertained.</p>
		<p><b>Current Assets</b>  <b>Cash and Bank Balance - ₹ 394.98 crore</b></p>



Sl. No.	Name of the PSU	Comment
		<p>The Corporation has 103 bank accounts of which reconciliation statement in respect of 77 bank accounts has been prepared whereas in 26 bank accounts, bank reconciliation statement has not been prepared for reconciling difference between bank balance and trial balance. In only five (5) bank accounts out of 26 bank accounts, balance confirmation certificates were available, while in remaining 21 bank accounts, balance confirmation certificates were not available. The details of discrepancies noticed are discussed below;</p> <ol style="list-style-type: none"> <li>Out of 77 (103 - 26) bank accounts, in 50 bank accounts, there was un-reconciled balance of ₹ 92.35 crore as on March 2021 due to difference in book balances as per reconciliation statement and trial balance.</li> <li>In 26 bank accounts out of 103 bank accounts, reconciliation statement has not been prepared while bank balance certificate in respect of only five (5) accounts was available. As per bank balance confirmation certificate, one (1) account was closed with NIL balance, however trial balance was showing a balance of ₹ 3.24 lakh in this bank account. In respect of three (3) accounts there was difference of ₹ 3.81 lakh in trial balance and bank certificate while the remaining one (1) account, there was no difference in balance between trial balance and balance certificate.</li> <li>In respect of 21 (26-5) bank accounts out of 26 bank accounts, reconciliation statement has not been prepared and balance confirmation certificate was also not submitted by the Corporation. In absence of the same audit could not verify the correctness of the bank balance of ₹ 12.28 crore. Furthermore, two (2) accounts were closed however trial balance was showing a balance of ₹ 1.55 crore (₹ 6,28,564.73 + ₹ 1,48,94,215.06) in those two accounts.</li> </ol> <p>Hence, in the absence of proper reconciliation, audit could not verify the extent of liability/ expenditure that needed to be provided during the year and its impact on Income &amp; Expenditure Account and Balance Sheet for the year 2020-21.</p>
2	Sarigam Clean Initiative (2020-21)	<p><b>Non-Current Assets</b>  <b>Property, Plant and Equipment's – ₹ 51.77 crore (Note No. 7)</b></p> <p>The Company was formed on 08 June 2015 and took the physical possession of the Common Effluent Treatment Plant (CETP) of Gujarat Industrial Development Corporation (GIDC) in June 2015. The Company capitalised CETP <i>w.e.f.</i> 01 April 2019 with a capital cost of ₹ 59.00 crore. The Company started billing to members for use of CETP from 01 August 2015. Since the CETP was commercialised and the risk and rewards of the asset vested with the Company from 01 August 2015, CETP should have been capitalised <i>w.e.f.</i> 01 August 2015 and depreciation should have been charged accordingly.</p> <p>Further, the Company had incorrectly applied the rate of depreciation on Straight Line Method (SLM) as provided in the Schedule II of the Companies Act, 2013 on the residual value (<i>i.e.</i> 95 <i>per cent</i> of the Gross Block) of the assets instead of the Gross Block of the assets. This has resulted in understatement of depreciation for the year as well as prior periods.</p> <p>The net impact of the above has resulted in understatement of Prior Period Expenses by ₹ 15.19 crore, understatement of negative balance of Reserve and Surplus by ₹ 15.19 crore, understatement of depreciation for the year by ₹ 0.19 crore and consequent overstatement of profit before tax by ₹ 0.19 crore. Resultantly, Net Block of Property, Plant and Equipments is overstated by ₹ 15.38 crore.</p>

Sl. No.	Name of the PSU	Comment
3	Gujarat State Forest Development Corporation (2020-21)	<p><b>Equity and Liabilities: Shareholders' Funds</b>  <b>Reserves and Surplus – ₹ 9180.83 lakh (Note No.3)</b>  <b>Subsidy from Government</b></p> <p>(i) The Company informed that Grant for Capital assets includes, Grant for Infrastructure (MSP) which has unutilized balance of ₹ 586.35 lakh. However, the balance of all the Grants for Capital Assets as included in Reserves &amp; Surplus is ₹ 209.85 lakh. Further, the Company does not have any mechanism for reconciliation between grant received for capital assets and that received for other than capital assets. As such, the audit cannot vouchsafe the correctness of balance under each head.</p> <p>(ii) Above includes ₹ 101.30 lakh which was utilized towards honey collection activities and debited under subsidy from Government on Capital Assets, though it should have been booked as Expenditure under Subsidy/ Grant received (other than capital assets). Incorrect accounting for utilization of the Grant resulted in understatement of balance of subsidy from Government on Capital Assets and overstatement of Subsidy/Grant received (other than Capital Assets) by ₹ 101.30 lakh.</p> <p>(iii) Above includes unutilized grant amounting to ₹ 1,594.84 lakh (Capital Assets – ₹ 209.85 lakh and Other than Capital Assets – ₹ 1,384.99 lakh). Since the above grants are not having obligation for issue of equity shares, the same should not have been included in Reserves and Surplus and should have been shown separately as Deferred Government Grants/ Other Current Liabilities based on the nature of grant (either Capital or Revenue). This has resulted in overstatement of Reserves and Surplus by ₹ 1594.84 lakh, understatement of Deferred Government Grants/Other Current Liabilities by ₹ 1,594.84 lakh.</p>

### Comments on Disclosures

Sl. No.	Name of the PSU	Comment
1	Gujarat Industrial Development Corporation (2020-21)	As per the Replacement and Renewal Fund Regulations approved (June 1979) by Industries and Mines Department of Government of Gujarat for the Corporation, the rates of replacement should have been reviewed from time to time but no later than once in five years. However, these rates have not been changed since 2006-07. In view of this, the Corporation should have disclosed the reason(s) of non-review and stated in the Notes to Accounts whether the rates decided were adequate or the same could not be reviewed for any other reason.
2	Gujarat State Construction Corporation Limited (2019-20)	<p><b>Notes to Financial Statements</b></p> <p>Financial Statement of the Company had been earlier audited by Statutory Auditor and they had issued audit report on 30 November 2021. The Comptroller and Auditor General of India (C&amp;AG) carried out audit and issued provisional comments on 20 January 2022. Thereafter the financial statements of the Company were revised to give effect to the Provisional Comments issued by C&amp;AG and the same have been audited by Statutory Auditor.</p> <p>However, the above fact with respect to revision of financial statements of the Company has not been disclosed in the Notes to Accounts.</p>
3	Sarigam Clean Initiative (2020-21)	<p><b>Note 13 (I): Provision Contingent Liabilities – Contingent Assets</b></p> <p>Above does not include an amount of ₹ 20.09 crore being payable to Gujarat Industrial Development Corporation (GIDC) towards consideration for the Common Effluent Treatment Plant (CETP) at Sarigam. The Company initialised CETP from 01 April 2019 with a cost of ₹ 59.00 crore. The total consideration for CETP as initialised by GIDC</p>

Sl. No.	Name of the PSU	Comment
		<p>in October 2021 is ₹ 79.09 crore which included interest amount of ₹ 27.31 crore (₹ 12.42 crore charged up to 31 July 2015 and ₹ 14.89 crore charged after 31 July 2015) for delayed payment of consideration for the transferred assets. The Company has started making payment as per this consideration; however, a final consensus on the consideration is yet to be reached between the Company and GIDC.</p> <p>Since the final consideration between the company and GIDC is yet to be finalized, the amount of ₹ 20.09 crore being payable to Gujarat Industrial Development Corporation (GIDC) towards consideration for the Common Effluent Treatment Plant (CETP) at Sarigam should have been disclosed as Contingent Liabilities. Hence, Note no. 13 (I) Provision Contingent Liabilities – Contingent Assets is deficient to that extent.</p> <p><b>Note No. 4: Trade Payables</b></p> <p>Trade payables under Current Liabilities should be bifurcated in two part as required in the Para 8.6 of the Guidance Note on Division I Non-IND AS schedule III to the Companies Act, 2013 revised in July 2019 – (a) total outstanding dues of micro enterprises and small enterprises; and (b) total outstanding dues of creditors other than micro enterprises and small enterprises.</p> <p>The Company has not complied with the above minimum disclosure requirement despite assurance to do the needful in previous two financial years, the Note No. 4 to the Financial Statements is deficient to that extent.</p>
4	Gujarat State Financial Corporation (2021-22)	<p><b>Contingent Liabilities</b></p> <p>The Corporation has not disclosed the fact that penalty of ₹ 0.12 crore for the quarter ended March 2022 has been imposed by BSE for non-compliance of provisions of SEBI (LODR) Regulations 2015. Penalty has been levied for non Compliance to various Corporate Governance Issues like non appointment of independent directors, non formation of Nomination and Remuneration Committee, non compliance to Minimum Public Shareholding condition etc. The Corporation has objected the imposition of fine stating that State Financial Corporation (SFC) Act either does not contain required conditions or contradicts the conditions specified by SEBI.</p> <p>SEBI has advised (20 December 2021) the Corporation to amend SFC Act. The Corporation took up the matter relating to amendment of SFC Act with Government of India, Finance Ministry, and Department of Financial Services (through the administrative department-Industries &amp; Mines Department) in January 2022. The matter is still under consideration and the penalty has still not been waived.</p> <p>The disclosure under Contingent Liabilities is deficient to that extent.</p>
5	GSPL India Gasnet Limited (2021-22)	<p><b>1. Notes to Standalone Ind AS financial statements</b></p> <p><b>Contingent Liabilities (Note -27)</b></p> <p>Petroleum and Natural Gas Regulatory Board (PNGRB) issued (March 2016) order for encashment of Performance Bank Guarantee (PBG) amounting to ₹ 880 Lakh<sup>35</sup> due to slow progress of work. The Company challenged the same and as the matter was sub-judice at Appellate Tribunal for Electricity (APTEL), the Company was disclosing the payment of ₹ 880 Lakh as Payment Under Protest up to 31 March 2021.</p> <p>During 2021-22, PNGRB refunded the encashed PBG of ₹ 500 Lakh for MBPL to the Company based on APTEL's judgement, which was received by the Company during the year. PNGRB also approved the</p>

<sup>35</sup> (₹ 500 Lakh for Mehsana-Bhatinda-Natural Gas Pipeline (MBPL) and ₹ 380 lakh for Bhatinda-Jammu-Srinagar Natural Gas Pipeline (BJSPL).)

Sl. No.	Name of the PSU	Comment
		<p>foreclosure of BJSPL pipeline project by terminating it at Gurdaspur subject to condition that the encashed PBG of ₹ 380 lakh will be retained by PNGRB. Therefore, the Company recognized this amount in Statement of Profit &amp; loss under the head “Other Expenses” during the year 2021-22.</p> <p>The above facts being material should have been disclosed by the Company in Notes to the Ind AS financial statements.</p> <p>Furthermore, the Company classified the expenses of ₹ 380 lakh as miscellaneous expenses under the head “Other Expenses” and not shown the same separately in the financial statements even though the same exceeds one percent of revenue.</p> <p>In view of the above, Notes to Financial Statements is deficient to the above extent.</p>

#### 5.5.1.4 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 SPSUs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a ‘Management Letter’ for taking corrective action. The deficiencies generally related to (a) application and interpretation of accounting policies (b) adjustments arising out of audit and (c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned SPSU gave assurances that corrective action would be taken in the subsequent year. The list of SPSUs to whom these 57 Management letters were issued is given in **Appendix 5.8**.

#### 5.6 Conclusion

As on 31 March 2022, there were 100 SPSUs including 64 Government Companies (12 inactive companies) and four Statutory Corporations and 32 Government Controlled Other Companies.

During 2021-22, Government Companies and Statutory Corporation registered an annual turnover of ₹ 1,62,392.00 crore, which was equal to 8.35 *per cent* of the GSDP of Gujarat. The investment of the State Government in equity and long-term loans in these SPSUs was ₹ 1,04,709.07 crore against total investment of ₹ 1,39,756.58 crore at the end of 31 March 2022. The outstanding long term loans of these PSUs as on 31 March 2022 decreased to ₹ 19,319.57 crore from ₹ 20,498.31 crore during the previous year (2020-21).

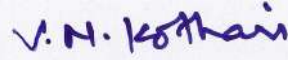
Out of the 67 Government Companies, 43 SPSUs earned profit after tax (₹ 4,211.26 crore), while 16 SPSUs incurred losses (₹ 1,487.59 crore) and eight SPSUs neither reported profit nor loss. As on 31 March 2022, 22 SPSUs had accumulated losses of ₹ 29,312.55 crore. Out of 32 Government controlled other Companies 18 SPSUs made profit of ₹ 2,845.33 crore and 14 SPSUs

incurred losses of ₹ 264.04 crore.

Further one hundred fifty seven financial statements of 55 SPSUs including three Statutory Corporation were in arrears.

### 5.7 Recommendations

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



(VIJAY N. KOTHARI)

Accountant General (Audit-II), Gujarat

Ahmedabad  
The 20 March 2023

*Countersigned*



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi  
The 21 March 2023

