CHAPTER V

Functioning of State Public Sector Enterprises

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5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies of the Government of West Bengal (GoWB) and within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These State Public Sector Enterprises were established to carry out activities of commercial nature and to contribute to the economic development of the State. In the Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of GoWB is 51 *per cent* or more and subsidiaries of such Government companies. The Statutory Corporations set up under Statutes enacted by the Parliament and the West Bengal Legislative Assembly, as well as other companies owned or controlled, directly or indirectly, by GoWB, have also been categorized as SPSEs.

According to Section 2 (45) of the Companies Act, 2013, a Government Company is any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government/ Governments, or partly by the Central Government and partly by one or more State Governments. This includes a company which is a subsidiary company of such a Government Company. Further, a Government-controlled company is any other company[74] 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.

5.2 Mandate of Audit

Audit of 'Government Companies' and 'Government controlled other Companies' is conducted by the CAG under the provisions of section 143(5) to 143(7) of the Companies Act, 2013 read with section 19 of the CAG's (duties, powers and conditions of service) act, 1971 and the regulations made thereunder. Under the Companies Act, 2013, the CAG appoints chartered accountants as statutory auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG conducts supplementary audit of the company's financial statements after the audit of Statutory Auditors. The

[74] Companies (Removal of Difficulties) Seventh Order 2014 issued by Ministry of Corporate Affairs, Government of India vide Gazette Notification dated 04 September 2014

statutes governing some statutory corporations require their accounts to be audited only by CAG.

5.3 Number of SPSEs

As on 31 March 2022, there were 85 SPSEs *(including 19 inactive SPSEs)* in West Bengal, as shown in **Table 5.1**. The status of finalization of the year-wise accounts and other details of these 85 SPSEs is given in ***Appendix 5.1***. The financial performance of the SPSEs has been drawn up on the basis of latest finalised accounts, as on 30 September 2022. In 2021-22, the working SPSEs registered an annual turnover of ₹ 60,421 crore. This turnover was equal to 3.93 *per cent* of the Gross State Domestic Product (GSDP) for the year 2021-22 (₹ 15,36,681 crore). The working SPSEs earned overall profit of ₹ 124.30 crore, as per their latest financial accounts.

Table 5.1: Details of Working and Inactive SPSEs

Sector	Government Companies		Statutory Corporations		Total	Turnover of Working SPSEs (₹ in crore)	Percentage of Turnover to GSDP
	Working	Inactive	Working	Inactive			
(1)	(2)	(3)	(4)	(5)	(6)=(2+3+4+5)	(7)	(8)
Agriculture & Allied	10	1	1	-	12	791.67	0.05
Finance	6	1	3	-	10	649.83	0.04
Infrastructure	11	-	1	-	12	1,353.65	0.09
Manufacturing	10	16	-	-	26	183.62	0.01
Power	6	-	-	-	6	39,182.77	2.55
Service	11	-	3	1	15	17,470.04	1.14
Others	4	-	-	-	4	789.23	0.05
Total	**58**	**18**	**8**	**1**	**85**	**60,420.81**	**3.93**

Source: Latest finalised accounts of SPSEs

The above table indicates that the working SPSEs in the Power and Service sectors had contributed 2.55 and 1.14 *per cent*, respectively, to the GSDP, in 2021-22. Trends of contribution of the SPSEs turnover, to the State GSDP, during 2017-22, are shown below (**Table 5.2**).

Table 5.2: Contribution of SPSEs-turnover to GSDP

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
SPSEs-Turnover (₹ in crore)	42,832.03	51,264.41	53,805.82	54,521.69	60,420.81
GSDP (₹ in crore)	9,74,700	11,02,283	12,07,823	13,01,017	15,36,681
Percentage of turnover to GSDP	4.39%	4.65%	4.45%	4.19%	3.93%

Source: Latest finalised accounts of SPSEs

As can be seen from the above table, the contribution of SPSEs to GSDP ranged between 3.93 and 4.65 *per cent* during the last five years. The major share of SPSEs' turnover, during 2021-22, was from the West Bengal State Electricity

Distribution Company Limited (WBSEDCL) - ₹ 26,667 crore (44.14 *per cent*), West Bengal State Beverages Corporation Limited (WBSBCL) - ₹ 12,892 crore (21.34 *per cent*) and West Bengal Power Development Corporation Limited (WBPDCL) - ₹ 9,784 crore (16.19 *per cent*).

5.4 Investment in Government Companies & Corporations and Budgetary Support

The Government of West Bengal (GoWB) has investment in the SPSEs by way of Share capital and Loans. Besides, Grants and Subsidies are also given to SPSEs, as a measure of financial support. GoWB also gives guarantees to SPSEs on loans raised from Financial Institutions. **Table 5.3** shows the details of equity investment to SPSEs by GoWB, GoI and Others, as on 31 March 2022.

Table 5.3: Investment of State Government in Equity in SPSEs

Sector	No. of SPSEs	Equity holdings of			Total Paid Up Capital	% of Equity of GoWB
		GoWB	GoI	Others		
		(₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)	(7)=(3/6)*100
Agriculture & Allied	12	113.29	0.95	3.80	118.04	95.98
Finance	10	1,332.02	132.21	0.41	1,464.64	90.95
Infrastructure	12	1,927.33	0.00	5.15	1,932.48	99.73
Manufacturing	26	411.61	0.00	12.12	423.73	97.14
Power	6	12,980.96	0.00	5.09	12,986.05	99.96
Service	15	240.46	5.82	0.65	246.93	97.38
Others	4	5.78	0.00	0.81	6.59	87.71
Total	**85**	**17,011.45**	**138.98**	**28.03**	**17,178.46**	**99.03**

Source: Latest finalised accounts of SPSEs

The above table shows that the equity investment of GoWB (₹17,011 crore) in SPSEs comprised 99 *per cent* of their total equity. The Power sector (76.31 *per cent*) has the majority of Equity investment from GoWB, followed by the Infrastructure (11.33 *per cent*) and Finance (7.83 *per cent*) sectors. GoI had equity investment of ₹ 139 crore, mainly in the Finance, Service and Agriculture & allied sectors, while Others[75] had contributed equity holding of ₹ 28 crore in SPSEs, mainly in the Manufacturing sector (43.24 *per cent*).

5.5 Debt position of SPSEs

Long term loans from GoWB are also an important means of financing SPSEs. Besides taking loans from Government, SPSEs have also taken loans from the market and financial institutions. Government has also given guarantee on loans raised by SPSEs from the market or financial institutions, by way of charging

[75] Companies which had invested equity share capital in SPSEs apart from GoI and GoWB

guarantee commission. **Table 5.4** depicts the details of loans taken by SPSEs from the State Government and Other sources.

Table 5.4: Details of borrowing of SPSEs as on 31 March 2022

Sector	No. of SPSEs	Borrowings from sources other than the State Government	Borrowings from the State Government	Total Borrowings	% of State Government loan
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)=(3+4)	(6)=(4/5)*100
Agriculture & Allied	12	41.21	143.25	184.46	77.66
Finance	10	5,967.69	182.65	6,150.34	2.97
Infrastructure	12	0.03	193.58	193.61	99.98
Manufacturing	26	33.67	1,821.39	1,855.06	98.18
Power	6	19,786.08	1,459.56	21,245.64	6.87
Service	15	297.34	2,320.90	2,618.24	88.64
Others	4	0.13	84.61	84.74	99.85
Total	**85**	**26,126.16**	**6,205.94**	**32,332.10**	**19.19**

Source: Latest finalised accounts of SPSEs

As can be seen from the above table, the State Government had given loans of ₹ 6,206 crore to SPSEs, which accounted for 19.19 *per cent* of the total loans taken by SPSEs. The remaining loans (₹ 26,126 crore), which accounted for 80.81 *per cent* of the total loans, came from market borrowings, and loans from financial institutions backed by Government guarantees. Against the loans taken from other sources, the Power sector accounted for 75.73 *per cent*, followed by the Finance Sector at 22.84 *per cent.*

5.6 Reconciliation of Equity and Loan of SPSEs with Finance Accounts of the Government of West Bengal

The figures in respect of equity and loans, as per the records of SPSEs, should agree with the figures appearing in the Finance Accounts of the Government of West Bengal. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of the differences. **Table 5.5** shows the variation in the figures for Equity investment and loans provided to the SPSEs between these two sources.

Table 5.5: Difference of equity and loans of SPSEs with Finance Accounts

In respect of	As per Finance Accounts	As per records of SPSEs	Difference in 2021-22
	(₹ in crore)		
(1)	(2)	(3)	(4)=(2-3)
Equity	16,734.09	17,011.45	(-)277.36
Loans	9,049.78	6,205.94	2,843.84

Source: Finance Accounts and Information furnished by SPSEs for the year ended March 2022

Audit analysis revealed that there was discrepancy of figures reported in the State Finance Accounts and the financial statements of SPSEs. It was observed that there were variations in the figures of Equity, in regard to 60 SPSEs and variation of Loan amount figures, in respect of 55 SPSEs.

5.7 Adequacy of Assets

The asset coverage ratio is a solvency ratio. It measures how well a company can cover its short-term debt obligations with its assets. A company that has more assets than its short-term debt and liability obligations indicates to the lender that the company has a better chance of paying back the funds it lends in the event of its liquidation or closure of business. Therefore, a company with a high asset coverage ratio is considered to be less risky than a company with a low asset coverage ratio[76]. Asset Coverage Ratio is calculated as ((Total Assets – Intangible Assets) – (Current Liabilities – Short-term Portion of Long-term Debt))/Total Debt. **Table 5.6** shows the Asset Coverage ratio of SPSEs, as on 31 March 2022.

Table 5.6: Asset Coverage ratio of SPSEs as on 31 March 2022

Sector	Nos. of SPSEs	Assets	Intangible assets	Current liabilites	Short Term portion of Long-Term Debts	Long Term Borrowings	Assets Coverage Ratio
		(₹ in crore)					
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)={(3-4)-(5-6)}/7
Agriculture & Allied	12	1,928.00	2.05	1,659.88	-	184.46	1.44
Finance	10	14,010.13	0.38	2,385.92	-	6,150.34	1.89
Infrastructure	12	8,383.74	0.68	2,548.12	24.02	193.61	30.26
Manufacturing	26	2,177.15	0.04	3,084.76	19.57	1,855.06	(-)0.48
Power	6	88,848.59	1,520.62	39,302.95	4,743.89	21,245.64	2.48
Service	15	10,067.74	2.69	9,704.06	131.92	2,618.24	0.19
Others	4	746.58	0.13	481.06	5.76	84.74	3.20
Total	**85**	**1,26,161.92**	**1,526.59**	**59,166.74**	**4,925.16**	**32,332.10**	**2.18**

Source: Latest finalised accounts of SPSEs

As can be seen from the above, the assets coverage ratio of SPSEs in the manufacturing and service sectors are less than one or even negative. In case of manufacturing sector, the ratio being negative denotes that the SPSEs in these sectors are not financially solvent and will not be able to repay its debts in the event of their closure or liquidation. The 'Infrastructure' sector which comprises mainly three SPSEs – WBHIDCL[77], WBHDCL[78] and WBEIDCL[79] had good

[76] Asset Adequacy Ratio is otherwise called Asset Coverage Ratio
[77] West Bengal Housing Infrastructure Development Corporation Limited
[78] West Bengal Highway Development Corporation Limited
[79] West Bengal Electronics Industry Development Corporation Limited

assets coverage ratio of 30.26 followed by 'Others' and 'Power' sectors at 3.20 and 2.48 respectively.

5.8 Budgetary assistance to SPSEs

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. Summarized details of the budgetary support in the form of Equity, Loans and Grants/Subsidies, in regard to SPSEs, during the last three years, are given in **Table 5.7**.

Table 5.7: Budgetary assistance to SPSEs

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)	Number of SPSEs	Amount (₹ in crore)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	Equity Capital	6	725.37	2	108.16	2	128.27
(ii)	Loans	25	840.79	10	136.31	12	164.46
(iii)	Grants/Subsidy	20	984.05	19	1,715.95	16	2,043.77
Total Outgo (i+ii+iii)			**2,550.21**		**1,960.42**		**2,336.50**

Source: Latest finalised accounts of SPSEs

The above table indicates that there has been a significant decline in the infusion of equity in SPSEs, by GoWB, during the last three years. Equity infusion has declined from the level of ₹ 725 crore in 2019-20 to ₹ 128 crore in 2021-22. In 2021-22, GoWB has made equity capital infusion of ₹ 13 and ₹ 115 crore in Biswa Bangla Marketing Corporation and WBSEDCL respectively. However, there has been substantial increase in Grants/Subsidy, which have risen from ₹ 984 crore in 2019-20 to ₹ 2,044 crore in 2021-22.

5.9 Disinvestment, restructuring and privatisation

Government of West Bengal decided (February 2017) to restructure SPSEs for improving operational efficiency and optimally utilising their manpower/ assets. Accordingly, one SPSE, namely, Gluconate Health Limited, was amalgamated with one existing SPSE, viz. West Bengal Medical Services Corporation Limited, with effect from 01 April 2019 under the administrative control of Department of Health & Family Welfare.

5.10 Return from Government Companies and Corporations

Out of 66 Working SPSEs, 32 SPSEs earned profit of ₹ 1,197 crore whereas 34 SPSEs had suffered losses of ₹ 1,073 crore during the year 2021-22. Profit earned and Dividend paid by SPSEs, during 2021-22, is shown in **Table 5.8**.

Table 5.8: Profit Earned and Dividend paid by SPSEs during 2021-22

Sector	Working SPSEs	Net Profit/Loss after tax	Dividend paid to GoWB
		(₹ in crore)	
Agriculture & Allied	**11**	6.17	0.00
Finance	**9**	149.10	0.00
Infrastructure	**12**	9.20	0.00
Manufacturing	**10**	(-)186.48	0.00
Power	**6**	575.05	75.79
Service	**14**	(-)515.12	0.00
Others	**4**	86.38	0.55
Total	**66**	**124.30**	**76.34**

Source: Latest finalised accounts of SPSEs

It can be noticed from the above that, in spite of earning net profit of ₹ 124.30 crore by working SPSEs, dividend of ₹ 76.34 crore only (61.42 *per cent* of the profit earned) was received by the Government. The Finance sector which earned profit of ₹ 149.10 crore did not pay any dividend to the Government. Only West Bengal Power Development Corporation Limited and Saraswaty Press Limited had paid dividend of ₹ 75.79 crore and ₹ 0.55 crore, respectively, to the State Government, during 2021-22.

5.11 Repayment of Principal Debt and servicing of Interest charges

Table 5.9 shows the details of borrowings of SPSEs and repayments (including interest) during 2021-22.

Table 5.9: Repayment of Long-term Debt and Interest by SPSEs during 2021-22

Sector	Loans from Source other than State Govt.			Loans from State Govt.		
	Outstanding Loan	Repayment of Principal	Repayment of Interest	Outstanding Loan	Repayment of Principal	Repayment of Interest
	(₹ in crore)					
Agriculture & Allied	41.21	10.00	0.01	143.25	-	-
Finance	5,967.69	-	-	182.65	0.03	-
Infrastructure	0.03	-	-	193.58	0.90	0.13
Manufacturing	33.67	-	6.48	1,821.39	-	69.34
Power	19,786.08	156.76	2,652.50	1,459.56	53.73	367.02
Service	297.34		51.13	2,320.90	50.18	56.10
Others	0.13	-		84.61		0.54
Total	**26,126.16**	**166.76**	**2,710.12**	**6,205.94**	**104.84**	**493.13**

Source: Latest finalised accounts of SPSEs

It can be seen from the above, the major portion of repayment of principal and interest on loans was from SPSEs in the Power sector, which accounted for 77.50 and 94.26 *per cent* respectively, of the total principal and interest amount of loans. SPSEs in the Service sector had, however, paid interest accounting for only 3.35 *per cent.*

5.12 Outstanding loans disbursed by Government in respect of SPSEs

As per the available audited 52 accounts, for the financial years 2005-22 (upto September 2022), pertaining to 85 SPSEs, repayments of ₹ 13,463.65 crore (Principal: ₹ 6,205.94 crore and Interest: ₹ 7,257.71 crore) were in arrears (**Table 5.10**). This assumes significance since 61.18 *per cent* of SPSEs have arrear in repayments. Due to non-availability of accounts of 62 out of 85 SPSEs during 2021-22, a comprehensive position of outstanding repayments could not be arrived at.

Table 5.10: Status of outstanding loans disbursed by Government in respect of State Public Sector Enterprises (SPSEs)

Sl. No.	Accounts available upto	Number of SPSEs who had submitted their Accounts	Number of SPSEs against which repayments were in arrears	Outstanding Principal	Outstanding Interest
				(₹ in crore)	
1.	2021-22	23	12	1,804.29	1,386.94
2.	2020-21	32	22	3,274.08	4,592.25
3.	2019-20	7	4	484.27	655.25
4.	2018-19	9	4	268.46	431.35
5.	2017-18	6	3	112.59	69.24
6.	2016-17	2	2	122.63	3.48
7.	2015-16	1	1	2.21	6.39
8.	2013-14	1	-	-	-
9.	2011-12	1	1	26.78	25.98
10.	2010-11	1	1	2.34	4.91
11.	2007-08	1	1	26.69	47.43
12.	2005-06	1	1	81.60	34.49
Total		**85**	**52**	**6,205.94**	**7,257.71**

Source: Latest finalised accounts of SPSEs

PSUs of the Power sector, like WBPDCL[80] and DPL[81], stated that cash crunch did not permit them to repay the government loans. DPL also stated that GoWB has approved the conversion of government loan of ₹ 391.69 crore into equity but without waiver of interest of ₹ 447.96 crore. No guarantee commission was paid by WBPDCL and DPL. WBSEDCL had repaid principal of ₹ 5.23 crore and ₹ 1.71 crore as interest, while WBSETCL had repaid ₹ 48.50 crore as principal and ₹ 46.70 crore as interest, during 2021-22, respectively.

[80] West Bengal Power Development Corporation Limited
[81] Durgapur Projects Limited

Operating efficiency of Government Companies

5.13 Analysis of Profit reported from Operating and non-operating activities

Operating income is the income generated through the company's core business operations. Non-operating income includes the gains and losses (expenses) generated by other activities or factors unrelated to its core business operations. **Table 5.11** shows the sector-wise details of operating income and non-operating income[82] of all working SPSEs during 2021-22.

Table 5.11: Sector-wise details of Revenue from operations and other income of SPSEs during 2021-22

Sector	Number of Working SPSEs	Turnover/Revenue from Operations	State Government Subsidy	Other Income	Total Revenue	% of Turnover of Total Revenue
		(₹ in crore)				
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)	(7)=(3/6)*100
Agriculture & Allied	11	791.67	64.28	90.48	946.43	83.65%
Finance	9	649.83	13.56	168.71	832.10	78.09%
Infrastructure	12	1,353.65	-	120.58	1,474.23	91.82%
Manufacturing	10	183.62	-	28.66	212.28	86.50%
Power	6	39,182.77	797.25	1,029.39	41,009.41	95.55%
Service	14	17,470.04	781.25	218.85	18,470.14	94.59%
Others	4	789.23	-	7.05	796.28	99.11%
Total	**66**	**60,420.81**	**1,656.34**	**1,663.72**	**63,740.87**	**94.79%**

Source: Latest finalised accounts of SPSEs

Table 5.11 indicates that SPSEs in the Agriculture & Allied, Finance and Manufacturing sectors have lower percentage of operating income, ranging from 78.09 to 86.50 *per cent* of their total revenue, in comparison to other sectors like Infrastructure, Power and Service, which contributed around 92 to 99 *per cent*. Out of 66 working SPSEs, 11 had no revenue from operations, indicating that their core activities had been discontinued. This included three from each of the Infrastructure & Service sectors, two from the Manufacturing sector and one each from the Agriculture, Finance and Power sectors. The Power and Service sectors have received a significant portion of subsidy, accounting for 48 and 47 *per cent* of the total amount of subsidy disbursed. In the Service sector, a major portion of the subsidy was given to five transport corporations[83].

[82] Operating Income is also known as “Revenue from Operations/ Turnover” and Non-operating income refers to “Other Income”.

[83] (i) Calcutta State Transport Corporation, (ii) Calcutta Tramways Company Limited, (iii) South Bengal State Transport Corporation, (iv) North Bengal State Transport Corporation and (v) West Bengal Surface Transport Corporation Limited

5.14 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and efficiency with which its capital is employed. ROCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by its capital employed.

Capital Employed is the total amount of money invested in the business of a Company. It is calculated as Total assets *minus* current liabilities or Shareholders' Equity *plus* Long-term Liabilities. Negative Capital Employed refers to a situation where the current liability of a company is more than its total assets.

Details of ROCE of the working SPSEs, during 2021-22, are depicted in **Table 5.12**.

Table 5.12: Return on Capital Employed of working SPSEs during 2021-22

Sector	No. of Working SPSEs	EBIT	Capital Employed	ROCE
		(₹ in crore)		(in *per cent*)
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	83.54	382.20	21.86
Finance	9	496.62	9,273.17	5.36
Infrastructure	12	57.29	2,932.99	1.95
Manufacturing	10	(-)90.53	(-)503.36	-
Power	6	5,171.02	38,071.51	13.58
Service	14	(-)118.96	(-)4,702.59	-
Others	4	132.41	263.76	50.20
Total	**66**	**5,731.39**	**45,717.69**	**12.54**

Source: Latest finalised accounts of SPSEs

Note: ROCE in respect of Manufacturing and Service sectors could not be worked out as their capital employed are negative.

5.15 Return on Equity by SPSEs

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

Shareholders' funds of a Company are calculated by adding paid-up capital including share application money and free reserves net of accumulated losses and deferred revenue expenditure. Shareholders' funds are also known as equity. A positive shareholders' fund implies that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets. It is also known as net worth. If the accumulated loss of a company is more than its share capital, its shareholder's fund is negative.

Sector-wise RoEs, computed in respect of all working SPSEs, as per their latest audited financial accounts, are detailed in **Table 5.13**.

Table 5.13: Return on Equity

Sector	No. of Working SPSEs	Net Profit/ Loss after tax	Shareholders fund[84]	ROE
		(₹ in crore)		(in *per cent*)
(1)	(2)	(3)	(4)	(5)=(3/4)*100
Agriculture & Allied	11	6.17	305.46	2.02
Finance	9	149.10	3,127.64	4.77
Infrastructure	12	9.20	2,739.38	0.34
Manufacturing	10	(-)186.48	(-)1,272.07	-
Power	6	575.05	16,825.87	3.42
Service	14	(-)515.12	(-)7,304.49	-
Others	4	86.38	179.02	48.25
Total	**66**	**124.30**	**14,600.81**	**0.85**

Source: Latest finalised accounts of SPSEs
Note: ROE in respect of Manufacturing and Service sectors could not be worked out as their Shareholders' fund were negative.

The highest Return on Equity of SPSEs was in the sector 'Others'. This was due to the good performance of two SPSEs, namely (i) Saraswaty Press Limited and (ii) West Bengal Text Books Corporation Limited *(Subsidiary of Saraswaty Press Limited).*

5.16 SPSEs incurring losses

Sector-wise details of working SPSEs which had incurred losses, as per their last audited accounts, are detailed in **Table 5.14**.

Table 5.14: SPSEs incurring losses as per last audited accounts

Sector	No. of working SPSEs which had incurred losses	Profit/Loss after tax (₹ in crore)
(1)	(2)	(3)
Agriculture & Allied	5	(-)50.72
Finance	4	(-)17.71
Infrastructure	3	(-)58.98
Manufacturing	9	(-)188.21
Power	2	(-)207.05
Service	9	(-)535.28
Others	2	(-)15.16
Total	**34**	**(-)1,073.11**

Source: Latest finalised accounts of SPSEs

[84] Represents 'Paid-up share capital' *plus* 'free reserves and surplus' *minus* 'accumulated losses' *minus* 'deferred revenue expenditure'.

It was observed that SPSEs which had incurred significant losses were WBSEDCL (₹ 205 crore), CSTC[85] (₹ 194 crore) and WBTC[86] (₹ 90 crore).

5.17 Dues of Power Distribution Companies (DISCOMs) towards the Power Generation Companies (both Central and State Generation Companies)

Electricity is a rate regulated business. The business of electric power generation and supply in the State of West Bengal is mainly carried out by the West Bengal Power Development Corporation Limited (WBPDCL), with the West Bengal State Electricity Distribution Company Limited (WBSEDCL) carrying out the business of distribution and hydro generation of electricity. The West Bengal State Electricity Transmission Company Limited (WBSETCL) is responsible for transmitting electricity from generating sources to load centers, through a transmission network operating across West Bengal.

The outstanding dues payable to WBPDCL, DPL[87], PGCIL[88], WBSETCL, in the "Trade Payable" head under "Current liabilities", in the books of WBSEDCL, during the last three years, have been shown in **Table 5.15.**

Table 5.15: Outstanding dues payable towards the Power Generation and Transmission Companies

Liability towards power dues	2019-20	2020-21	2021-22	Average payable in last 3 years
	(₹ in crore)			
Liability for purchase of power (WBPDCL & DPL)	6,116.04	9,332.13	7,349.52	7,599.23
Liability for Transmission of Power- PGCIL	215.24	208.71	154.52	192.82
Liability for Transmission of Power-WBSETCL	225.34	626.55	572.02	474.64

Source: Accounts of WBSEDCL

As can be seen from the above, average dues of ₹ 7,599 crore were payable to the Power Generating Companies (WBPDCL & DPL) in the last three years. At the end of 2021-22, the outstanding dues to Power Generating Companies stood at ₹ 7,350 crore. The ageing schedule of Trade payables, in the annual accounts of WBSEDCL for 2021-22, indicated that the outstanding dues, for more than one year, were ₹ 3,415 crore.

Since Electricity business is rate-regulated, the annual tariffs (or rates) are notified in advance by the West Bengal Electricity Regulatory Commission (WBERC) before commencement of each year. They are which are subsequently reviewed through Annual Performance Reviews (APRs) and adjusted in future years. Based on WBERC notified regulations and past tariff/APR orders, WBSEDCL estimates the quantum of Regulatory Assets (RAs) to be reflected in

[85] Calcutta State Transport Corporation
[86] West Bengal Transport Corporation
[87] Durgapur Projects Limited
[88] Power Grid Corporation of India Limited

its financial statements. It is pertinent to mention that the APRs of WBSEDCL have been pending with WBERC, since 2018-19, as on 31 March 2022. WBERC has increased average tariff in the past eight years from ₹ 6.56 per unit in 2014-15 to ₹ 7.12 per unit in 2021-22 i.e. an increase of 56 paisa per unit. The amounts admitted by WBERC and their recovery through the tariff mechanism have not been commensurate with the claims booked by WBSEDCL, which has resulted in accumulation of Regulatory Assets (RAs) in every successive year. As on March 2022, WBSEDCL has accumulated RAs of ₹ 18,330 crore, the recovery of which, either through the tariff mechanism, or from Government Grants is uncertain. Government of West Bengal had also intimated (July 2021) WBERC that the current scale of regulatory receivables, of WBSEDCL, was so large that it was beyond their means to liquidate the RA as they had done before.

The financial position of WBSEDCL, at the end of 31 March 2022, has been shown in **Table 5.16**.

Table 5.16: Financial position of WBSEDCL as on 31 March 2022

Sl. No.	Particulars	Amount (₹ in crore)
1.	WB State Govt equity	2,480.89
2.	Reserve & Surplus/Other Equity	419.22
3.	Total Shareholders' Funds/Net Worth (1+2)	2,900.11
4.	Long Term Borrowings from WB Govt	93.65
5.	Stake of West Bengal Government in WBSEDCL (3+4)	2,993.76
6.	Long Term Borrowings other than WB Govt	9,554.14
7.	Turnover/Revenue from Operation	26,667.05
8.	Profit/Loss after tax	(-) 205.37
9.	Guarantee on loans by WB Govt upto 2021-22	2,233.34
10.	WB govt subsidy/Grants-in-Aid during 2021-22	741.27

Source: Accounts of WBSEDCL

On review of its loan book, it was observed that WBSEDCL has Non-Convertible Redeemable Bonds of ₹ 998 crore secured by hypothecation of Fixed Assets, 8.5 % Pension Trust Bonds 2016 of ₹ 1,173 crore against State Government Guarantee and Loans from Power Finance Corporation (PFC), Rural Electrification Corporation Limited (RECL), West Bengal Infrastructure Development Finance Corporation Limited (WBIDFCL), Bank of Baroda and Government of West Bengal, amounting to ₹ 7,477 crore.

Thus, recovery of the Regulatory Assets of ₹ 18,330 crore seems remote. Further, WBSEDL has outstanding loans of ₹ 9,648 crore, secured by its Fixed Assets and State Government Guarantees.

5.18 Erosion of Capital in SPSEs

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

Essentially, it is a measure of what an entity is worth to the shareholders and is also referred to as shareholders' funds. A negative net worth indicates that the entire investment by the shareholders has been wiped out by accumulated losses and deferred revenue expenditure. **Table 5.17** indicates the total paid-up capital, total free reserves, total surpluses and total accumulated losses of those SPSEs, whose net worth had turned negative.

Table 5.17: Sector wise details of SPSEs having negative Net Worth

Sector	No. of SPSEs	Paid up Capital	Free Reserves	Reserve & Surplus	Shareholders' Funds/Net Worth
		(₹ in crore)			
(1)	(2)	(3)	(4)	(5)	(6)=(3+4+5)
Agriculture & Allied	3	67.29	-	(-)661.54	(-)594.25
Finance	2	51.96	-	(-)168.58	(-)116.62
Manufacturing	21	406.82	11.14	(-)4,377.10	(-)3,959.14
Power	3	1,820.38	-	(-)3,566.41	(-)1,746.03
Service	7	53.81	751.24	(-)8,788.55	(-)7,983.50
Others	2	0.99	-	(-)227.47	(-)226.48
Total	**38**	**2,401.25**	**762.38**	**(-)17,789.65**	**(-)14,626.02**

Source: Latest finalised accounts of SPSEs

As can be seen from **Table 5.17**, the manufacturing sector has the maximum number of SPSEs with negative net worth, while the Service sector, which comprises of Transport Companies, has the highest value of negative net worth. The SPSEs which had highest negative net worth were (i) CSTC (₹ 2,892 crore) (ii) WBTCL[89] (₹ 2,674 crore) and (iii) Durgapur Projects Limited (₹ 1,743 crore).

Moreover, all 38 SPSEs had entirely eroded their net worth and depended on the Government for funding. Hence, the loanees were not in a position to generate enough revenue to repay the principal and interest accrued thereon. This should have been considered by the loan sanctioning authorities before sanctioning the loans.

5.19 Erosion of Net Worth of SPSEs

As on 31 March 2022, there were 38 SPSEs whose net worth had eroded and turned negative (***Appendix 5.2***). In respect of these SPSEs, the State Government had extended equity and loans of ₹ 2,382 crore and ₹ 4,107 crore respectively. Against these SPSEs, upto 2020-21, the net worth had eroded and turned negative for 37 SPSEs. Even though 37 SPSEs had negative net worth, the State Government provided loans of ₹ 161 crore to 11 of these SPSEs in 2021-22. Further, out of the 11 SPSEs, only three SPSEs had finalised their accounts upto 2021-22. In regard to the remaining eight SPSEs, whose net worth had turned negative, annual accounts had been finalised only upto 2018-19 to 2020-21.

[89] West Bengal Transport Corporation Limited

Delays in this regard ranged between one and three years. Even in the absence of accounts to assess the demands for financial support, the State Government had extended loans to eight SPSEs. Since the Companies have negative net worth, it is doubtful whether the State Government loans of ₹ 4,107 crore can be recovered.

OVERSIGHT ROLE OF COMPTROLLER & AUDITOR GENERAL OF INDIA

5.20 Audit of State Public Sector Enterprises (SPSEs)

The audit of Government Companies is governed by the relevant provisions of Sections 139 and 143 of the Companies Act, 2013 (the Act). Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, by an order, conduct test-audit on the accounts of such a company, if considered necessary. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to such Audit. An audit of the financial statements of a company, in respect of the financial years that commenced on or before 31 March 2014, shall continue to be governed by the provisions of the Companies Act, 1956.

The CAG is also the sole auditor in respect of six out of nine[90] Statutory Corporations and WBERC. Although CAG is not the statutory auditor, it prepares Separate Audit Reports (SAR) for the West Bengal Financial-Corporation, and prepares supplementary reports on the West Bengal Warehousing Corporation.

5.21 Appointment of Statutory Auditors of SPSEs by CAG

The financial statements of Government Companies are audited by Statutory Auditors, appointed by CAG, as per the provisions of Sections 139(5) or 139(7) of the Act, as applicable, who are required to submit copies of their audit reports, including the financial statements of the Company, to the CAG, under Section 143(5) of the Act. These financial statements are subject to supplementary audit, to be conducted by CAG, within 60 days from the date of receipt of the audit report, under the provisions of Section 143(6) of the Act.

5.22 Submission of Accounts by SPSEs

According to section 394 of the Companies Act 2013, an annual report on the working and affairs of a Government company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, laid before the State legislature, together with a copy of the audit

[90] CAG is not the Sole auditor of the Corporations - The Great Eastern Hotel Authority, West Bengal Financial Corporation, West Bengal Warehousing Corporation under the provisions of the applicable statutes.

report and any comments upon or supplement to the audit report, made by the CAG. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the State budget.

Section 96 of the Companies Act, 2013, requires every company to hold an AGM of the shareholders, once in every calendar year. It also states 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 its consideration.

Section 129(7) of the Companies Act, 2013, also provides for levy of penalty, such as 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. Despite the above, the annual accounts of various SPSEs were pending, and were in arrears, as on 30 September 2022, as discussed in **Paragraph 5.23**.

5.23 Timeliness in preparation of Accounts by SPSEs

Accounts for the year 2021-22 were required to be submitted, by all the 85 SPSEs, by 30 September 2022. Details of arrears in submission of accounts of all SPSEs, as of 30 September, during the last five financial years, ending 31 March 2022, are given in **Table 5.18**.

Table 5.18: Details of arrears in submission of accounts of all SPSEs

Year	Upto date Accounts		Accounts delayed Upto 1 year		Accounts delayed for 2-3 years		Accounts delayed for 4-5 years		Accounts delayed for more than 5 years		Total no. of SPSEs with Arrear Accounts	
	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts	SPSEs	Accounts
2017-18	41	41	33	33	9	19	5	21	6	57	53	130
2018-19	35	35	30	30	8	17	5	21	6	52	49	120
2019-20	7	7	53	53	14	32	5	23	6	58	78	166
2020-21	25	28	32	32	16	38	6	26	7	69	61	165
2021-22	23	26	32	35	16	43	8	31	6	65	62	174

Source: Accounts of SPSEs

5.24 CAG'S Oversight - Audit of Accounts and Supplementary Audit

Financial Reporting Framework

Companies are required to prepare their financial statements in the format laid down in Schedule (iii) to the Companies Act, 2013 and in adherence to the mandatory accounting standards prescribed by the Central Government, in consultation with the National Advisory Committee on accounting standards. Statutory Corporations are required to prepare their accounts in the format prescribed under the rules framed in consultation with the CAG and any other specific provision, relating to accounts, in the Acts governing such Corporations.

5.25 Audit of Accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG, under Section 139 of the Companies Act 2013, are required to conduct audit of accounts of government companies and submit their reports thereon, in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of the public sector enterprises, 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.

5.26 Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements, in accordance with the financial reporting framework prescribed under the Companies Act, 2013, or other relevant Acts, is of the management of an entity. The statutory auditors appointed by the CAG, 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 independent audit, in accordance with the standard auditing practices of the Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit their audit report to the CAG, under Section 143 of the Companies Act, 2013.

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

5.27 Result of CAG’s oversight role

Audit of Accounts of SPSEs

During 2022-23, 66 working Companies/Corporations had forwarded 75 accounts to the Office of the Principal Accountant General (Audit-I), West Bengal and Office of the Principal Accountant General (Audit-II), West Bengal.

Supplementary audit of 44 accounts of 36 companies was conducted upto October 2022. Non-review certificates (NRCs) were issued against 30 accounts of 30 companies. The audit reports of statutory auditors appointed by the CAG and the supplementary audit conducted by the CAG, indicated that the quality of maintenance of SPSE's accounts needs to be improved substantially.

Some of the significant comments, issued on supplementary audit of financial statements of the government companies, are detailed in **Table 5.19**.

Table 5.19: Gist of significant comments on the accounts of the SPSEs issued from 01.04.2021 to 31.03.2022

Name of SPSEs	Year of audit	Significant observations
West Bengal Power Development Corporation Limited	2020-21	The Company does not present Regulatory Assets (RAs) as a separate line item in the financial statements, distinguishable from assets as required under Ind AS 114. Instead, the Company classifies RAs as FLCR (Fuel Cost Recoverable) - ₹ 3,707.63 crore & FDCR (Fixed Cost Recoverable) - ₹ 2,695.86 crore aggregated to ₹ 6,403.49 crore under Other Current Assets. RAs are required to be recovered through (i) fuel and power purchase cost adjustment in respect of FLCR, and (ii) annual performance review (APR) in respect of FDCR. West Bengal Electricity Regulatory Commission (WBERC) had increased average tariff in the past six years from ₹ 3.27 per unit in 2014-15 to ₹ 4.04 per unit in 2019-20, *i.e., an average annual increase of 15 paisa per unit.* However, amounts admitted by WBERC and their recovery through tariff mechanism has not been commensurate with the claims booked by the Company, resulting in increasing amounts of RAs recoverable in every successive year. Besides, the State Government has intimated (July 2021) to WBERC that current scale of regulatory receivables was so large that it was beyond their means to liquidate RAs as they had done before. Recovery of aggregate accumulated RAs of ₹ 6,403.49 crore, either through tariff mechanism or from Government grants, is uncertain. Therefore, the depiction of RAs in the financial statements as receivables appears not reasonable.
West Bengal State Electricity Distribution Company Limited	2020-21	The Company has recognised Regulatory Assets (RAs) of ₹ 19,580.57 crore without reasonably considering past trends of tariff fixation by West Bengal Electricity Regulatory Commission (WBERC). it had not revised the rate of Monthly Variable Cost Adjustment (MVCA) since 2016 contrary to WBERC's directions. The State Government has also expressed their inability to liquidate RAs. The recovery of aggregate accumulated RAs of ₹ 19,580.57 crore either through tariff mechanism or from Government grants is uncertain. Therefore, the depiction of RAs of ₹ 19,580.57 crore in the financial statements as receivables appears not reasonable.
South Bengal State Transport Corporation	2018-19	SBSTC facilitates online advance booking of tickets to the passengers. On receipt of advance from booking Agents, SBSTC permits them to sell day/advance tickets to travellers within the limits of such advance. During March 2019, 7,519 tickets were issued to passengers by the booking agents where the date of journey was scheduled to be performed by the passengers in the month of April 2019. Since the service was to be rendered subsequent to the accounting period 2018-19, the said revenue should not have been booked as income in the year 2018-19 as it relates to the income for the year 2019-20. It had resulted in overstatement of Traffic Revenue and understatement of Current Liabilities by ₹ 15.16 lakh each.

Name of SPSEs	Year of audit	Significant observations
South Bengal State Transport Corporation	2018-19	The assets of the SBSTC under Computers comprised of end users devices like desktops, laptops, printers, *etc*. SBSTC had charged depreciation on computers at 10 *per cent* rate following straight line method without any valid basis instead of 33.33 *per cent* as stated in the Companies Act, 2013. As such, the depreciation on Computers was undercharged by ₹ 32.55 lakh during the year 2018-19. The same has resulted in overstatement of 'Fixed Assets' and understatement of 'Depreciation' by ₹ 32.55 lakh each.
West Bengal Infrastructure Development Finance Corporation Limited	2020-21	The company did not recognise the Income Tax refund of ₹ 4.20 crore *(including of interest of ₹ 0.38 crore)* as per the assessment order (13 November 2019) received from Income Tax Department in contrary to the significant accounting policies & Notes to Accounts, which inter-alia states that *Current Tax Assets and Liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the Taxation Authorities.* It has resulted in understatement of Other Equity by ₹ 0.38 crore, understatement of Receivables by ₹ 4.20 crore and overstatement of Current Tax Assets by ₹ 3.81 crore.
West Bengal Financial Corporation	2020-21	The company did not make provision of ₹ 0.69 crore in respect of outstanding dues of two defaulting loanees to whom doubtful advances were not covered fully by the realizable value of security as ascertained by the empanelled valuers of the Company on valuation of the movable and/or immovable properties of the defaulters, in pursuance of the Clause 5.3 of the Master Circular of RBI-Prudential Norms on Income Recognition, Assets Classification and Provisioning pertaining to Advances resulting in understatement of Other Non-Current Assets and consequent understatement of Loss by ₹ 0.69 crore.
West Bengal Medical Services Corporation Ltd.	2019-20	The company did not account for ₹ 35.71 lakh of Management fees receivable on different Running Account bills of ₹ 892.77 lakh in respect of construction works executed during 2019-20 and bills received in the same year; however the payment of bills were made in subsequent year resulting in understatement of Other Current Assets and Profit by ₹ 35.71 lakh.
West Bengal Police Housing and Infrastructure Development Corporation Ltd.	2020-21	Other Current liabilities were understated by ₹ 1.71 crore due to non-provision of the value of works either measured or completed but not paid within 31 March 2021, resulting in understatement of Inventories (WIP) by ₹ 1.71 crore.

5.28 Non-Compliance with provisions of Accounting Standards (ASs)/Indian ASs

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129(1), Section 132 and Section 133 of the said Act, the Central Government prescribed accounting standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards through the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. During the course of supplementary audit, CAG observed that some companies had not complied with the Accounting Standards/Indian ASs, as shown in **Table 5.20**.

Table 5.20: Non-Compliance with the Accounting Standards/Indian Accounting Standards

Accounting standard/IND AS	Name of the Corporation	Year	Deviation
AS -12	Calcutta State Transport Corporation	2018-19	The Company booked ₹ 21,629.35 lakh as Operating Revenue which was not in line with AS-12 since the same was received by way of Government Grants during 2018-19. Therefore, operating revenue was overstated to the tune of ₹ 21,629.35 lakh with corresponding understatement of Non-Operating Revenue.
AS -13	Calcutta State Transport Corporation	2018-19	Inclusion of Security Deposit of ₹ 40.86 lakh under 'Investment' was not in consonance with AS-13 as the same was not held by CSTC for earning income by way of dividend, interest and rental for capital appreciation.
AS- 14	West Bengal Livestock Development Corporation Ltd.	2019-20	As per AS-14, Goodwill arising on amalgamation is to be amortized over a period not exceeding five years. It was observed that Goodwill of ₹ 503.98 lakh, so arisen, on amalgamation (w.e.f. 1 April 2018), had not been amortized (1/5th per year) by the company during the years 2018-19 and 2019-20. It had resulted in understatement of Other Expenses (Amortisation) by ₹ 201.60 lakh (₹ 100.80 lakh each in 2018-19 (prior period) and 2019-20 (current period) with corresponding overstatement of Goodwill to the same extent.

5.29 Management Letters

One of the objectives of financial audit is to establish communication on audit matters, arising from the audit of financial statements, between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by CAG, under Section 143(6)(b) of the Companies Act, 2013. Besides these comments on accounts, irregularities or deficiencies observed by CAG, in the financial reports or in the reporting process, are also communicated to the management, through a 'management letter', for taking corrective action. These deficiencies generally relate to the application and interpretation of accounting policies and practices; adjustments arising out of audit, that could have a significant effect on the financial statements and inadequate or non-disclosure of certain information on which managements of the concerned SPSEs had given assurances that corrective action would be taken in the subsequent year.

As per latest finalised accounts, as on 30 November of the respective years, 'management letters' were issued to four SPSEs, as shown in **Table 5.21**.

Table 5.21: List of SPSEs where Management Letters were issued

Sl. No.	Name of the SPSEs (Year of Accounts Finalised)
1	West Bengal Medical Services Corporation Limited (2021-22)
2	Electro Medical and Allied Industries Limited (2020-21)
3	West Bengal Scheduled Castes, Scheduled Tribes & Other Backward Classes Development & Finance Corporation (2021-22)
4	West Bengal State Beverages Corporation Limited (2020-21)

5.30 Recommendations

1. *The State Government and the SPSEs concerned may reconcile the differences in the investment figures (Equity and Long-term Loans) of the State Government, as appearing in the State Finance Accounts vis-à-vis financial statements of SPSEs, in a time bound manner.*
2. *The State Government may review the SPSEs whose Net Worth have been eroded and take appropriate decision on their revival/winding up.*
3. *The Administrative departments overseeing the SPSEs, having backlog of Accounts, may take concerted efforts to ensure that the SPSEs finalise and adopt their Accounts within the stipulated time.*

Kolkata
The 30 MAR 2023

(SATISH KUMAR GARG)
Principal Accountant General
(Audit-I)
West Bengal

Countersigned

New Delhi
The 5 APR 2023

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India