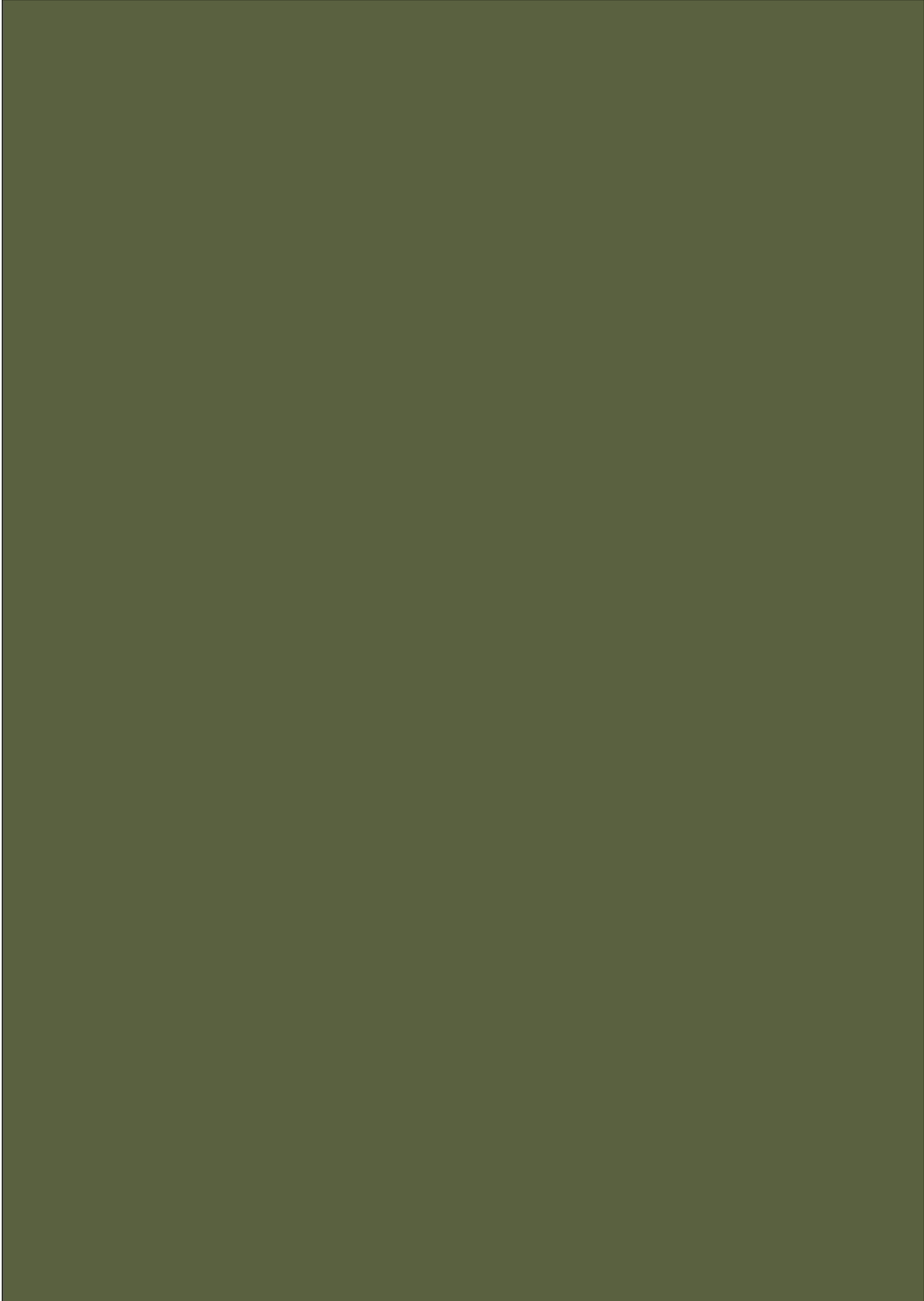


CHAPTER V
STATE PUBLIC
SECTOR
UNDERTAKINGS



CHAPTER V

STATE PUBLIC SECTOR UNDERTAKINGS

This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government controlled Other Companies (herein after referred to as Public Sector Undertakings (PSUs)) as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these PSUs conducted by the CAG of India for the year 2022-23 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 Definition of Government Companies

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.

Besides, any other company¹ 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.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India 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 the Chartered Accountants as statutory auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 PSUs and their contribution to the GSDP of the State

PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 102 PSUs in Tamil Nadu, including one

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

Statutory Corporation² (including two³ inactive PSUs⁴) under the audit jurisdiction of the CAG. The names of these PSUs are given in **Appendix 5.1**. The inactive PSUs have investment of ₹5.27 crore towards capital invested by the State Government. Tamil Nadu State Construction Corporation Limited had outstanding liabilities of ₹29.64 crore, whereas there were no liabilities outstanding in respect of Tamil Nadu Goods Transport Corporation Limited as per their latest finalised accounts. This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State.

A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the State economy. The details of turnover of PSUs and GSDP for a period of three years ending 31 March 2023 are given in **Table 5.1** below:

Table 5.1: Details of turnover of PSUs vis-à-vis GSDP of Tamil Nadu

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23
Turnover	1,14,334.72	1,27,829.39	1,67,841.57
GSDP of Tamil Nadu	17,88,074	20,71,286	23,64,514
Percentage of Turnover to GSDP of Tamil Nadu	6.39	6.17	7.10

(Source: Latest Financial Statement of PSUs)

It can be seen from the table above that the turnover of these PSUs recorded increase during 2022-23 as compared to 2020-21 by 46.80 per cent as per their latest audited accounts available in respective years. However, the contribution of PSUs in GSDP is marginal.

5.4 Investment in PSUs and Budgetary support

5.4.1 Equity holding and Loans in PSUs

The sector-wise Total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by State Government as on 31 March 2023 is given below in **Table 5.2**.

² Tamil Nadu Warehousing Corporation.

³ Tamil Nadu State Construction Corporation Limited and Tamil Nadu Goods Transport Corporation Limited.

⁴ Inactive Government Company means a Company which has not been carrying on any business or operation, or has not made any significant accounting transaction, or has not filed financial statements and annual returns during last two financial years

Table 5.2: Sector-wise investment⁵ in PSUs

(₹ in crore)

Name of Sector	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	55,075.17	29,142.94	1,31,723.21	4,578.45	1,86,798.38
Finance	3,621.92	3,435.30	2,048.42	5.04	5,670.34
Service	7,086.67	7,051.86	15,436.57	4,352.80	22,523.24
Infrastructure	807.63	225.74	2,976.95	392.49	3,784.58
Others	744.86	478.93	1,983.78	386.11	2,728.64
Total	67,336.25	40,334.77	1,54,168.93	9,714.89	2,21,505.18

(Source: Latest Financial Statement of PSUs)

The thrust of PSUs investment was mainly on power sector. The Power sector had received 84.33 per cent (₹1,86,798.38 crore) of total investment of ₹2,21,505.18 crore.

5.4.2 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of privatisation of PSUs.

5.4.3 Power Sector Companies

As on 31 March 2023, there were five Power Sector PSUs in the State. The Generation and Distribution activities are carried through Tamil Nadu Generation and Distribution Corporation Limited (TANGEDCO) and transmission activities through Tamil Nadu Transmission Corporation Limited (TANTRANSCO) which are subsidiaries of TNEB Limited (Holding company). The other two Power Sector PSUs are Udangudi Power Corporation Limited and Tamil Nadu Power Finance and Infrastructure Development Corporation Limited through which funds are mobilised from public to finance the development activities of the above PSUs. State Government has been providing financial support to Power Sector PSUs in various forms through the annual budget. As of March 2023, the budgetary outgo towards equity, loans and grants/subsidies in respect of Power Sector PSUs for the past three years are as shown in **Table 5.3**:

⁵ Investment includes equity and long term loans.

Table 5.3: Details regarding budgetary support to Power Sector PSUs by State Government

(₹ in crore)

Sl. No	Particulars	2020-21		2021-22		2022-23	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital	1	437.00	3	842.39	0	0.00
2	Loans Given	2	889.37	2	2,180.44	1#	394.55
3	Grants/Subsidy Provided	2	14,277.55	2	15,656.29	1@	26,472.14
	Total		15,603.92		18,679.12		26,866.69
4	Waiver of Loans and interest	0	0.00	0	0.00	0	0.00
5	Guarantees issued	1	36,414.31	1	1,500.00	1	6,000.00
6	Guarantee Commitment	2	1,22,949.36	2	1,39,521.76	2	1,50,313.19

Tamil Nadu Transmission Corporation Limited

@ Tamil Nadu Generation and Distribution Corporation Limited

The grants/subsidy provided by the Government to Tamil Nadu Generation and Distribution Corporation Limited represents tariff subsidy (₹13,783.68 crore) and other revenue grants (₹12,688.46 crore).

5.5 Returns from PSUs

5.5.1 Profit earned by PSUs

Out of 95 PSUs (excluding two inactive PSUs and five PSUs from whom first accounts were not received), 54 earned profit in 2022-23 as per the latest finalised accounts as compared to 43 in 2021-22. The profit earned increased to ₹2,560.42 crore in 2022-23 from ₹1,721.03 crore in 2021-22. The Return on Equity (RoE) of the 54 profit earned PSUs increased to 13.15 per cent in 2022-23 as compared to 10.77 per cent in 43 PSUs in 2021-22. The RoE in all the 95 PSUs including 35 loss making was (-) 0.09 per cent in 2022-23.

The details of top three PSUs which contributed maximum profit are summarised in Table 5.4 below:

Table 5.4: Top three PSUs which contributed maximum profit

Name of PSU	Net profit earned (₹ in crore)	Percentage of Profit to total PSUs profit
Tamil Nadu Power Finance and Infrastructure Development Corporation Limited	1,017.17	39.73
Tamil Nadu Newsprint and Papers Limited	387.87	15.14
Tamil Nadu Industrial Development Corporation Limited	228.79	8.94
Total	1,633.83	63.81

(Source: Latest Financial Statements of PSUs)

During 2022-23, net profit of ₹1,633.83 crore constituting 63.81 per cent of total profit of PSUs was contributed by these three PSUs.

5.5.2 Dividend paid by PSUs

The dividend declared/paid by PSUs to GoTN is shown in **Table 5.5** below:

Table 5.5: Dividend Payout of PSUs

(₹ in crore)

Year	No. of PSUs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1	2	3	4	5
2019-20	14	2,372.27	716.53	221.63
2021-22	14	2,808.74	681.50	295.22
2022-23	17	3,808.86	1,150.68	311.21

(Source: Latest Financial Statement of PSUs)

17 PSUs paid/declared dividend during 2022-23 as against 14 PSUs during 2019-20 and 2020-21. PSUs in Power Sector had not declared/paid dividend.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in 37 PSUs which had interest burden are given below in **Table 5.6**.

Table 5.6: Interest coverage ratio of PSUs

Particulars	PSUs having Interest Coverage Ratio ≥ 1			PSUs having Interest Coverage Ratio < 1		
	No. of PSUs	Interest	EBIT	No. of PSUs	Interest	EBIT
		(₹ in crore)			(₹ in crore)	
PSUs	20	1,280.56	2,690.81	17	17,191.04	1,182.65
Total	20	1,280.56	2,690.81	17	17,191.04	1,182.65

(Source: Latest Financial Statement of PSUs)

It was observed that 20 PSUs (including one Statutory Corporation) having interest liability had ICR equal to or more than one indicating that sufficient revenues were available to meet the interest liability. Similarly, 17 PSUs had ICR less than one indicating that these PSUs could not generate adequate revenue to pay off their interest liability.

5.7 Performance of PSUs

5.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's EBIT by the capital employed⁶. The details of RoCE during the period from 2020-21 to 2022-23 are given below in **Table 5.7**.

Table 5.7: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	(-) 4,301.19	21,646.31	(-) 19.87
2021-22	(-) 1,131.29	11,304.11	(-)10.01
2022-23	6,840.83	6,364.64	107.48

(Source: Latest Financial Statement of PSUs)

It was observed that EBIT was negative in 2020-21 primarily due to poor financial performance of TANGEDCO and TANTRANSOCO. The EBIT registered improvement in 2021-22 (though negative) and became positive during 2022-23 due to increase in revenue of TANGEDCO after the implementation of revised tariff from September 2022 onwards. Further, the Capital employed registered decrease successively from 2020-21 onwards mainly due to increase in accumulated losses of TANGEDCO. Consequently, the RoCE became positive during 2022-23.

5.7.2 Return on Equity by PSUs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* 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 is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

⁶ Capital Employed = Paid up Share capital *plus* Free Reserves and surplus *plus* Long term loans *less* Accumulated losses *less* Deferred Revenue Expenditure.

The consolidated RoE of PSUs during the period from 2020-21 to 2022-23 shows that both the Net Profit after Tax and Shareholders' Equity were negative, thus no return was available during these three years.

5.8 PSUs incurring losses

5.8.1 Losses incurred

There were 35 PSUs⁷ that incurred losses as per their latest finalised accounts at the end of March 2023. The losses incurred by these PSUs decreased to ₹16,047.99 crore in 2022-23 as per their latest finalised accounts from ₹25,542.52 crore in 2020-21 as given below in **Table 5.8**.

Table 5.8: Number of PSUs that incurred losses during 2020-21 to 2022-23
(₹ in crore)

Year	No of loss making PSUs	Net loss for the year	Accumulated loss	Net Worth ⁸
2020-21	33	25,542.52	1,64,785.03	(-)1,05,425.53
2021-22	34	22,232.33	1,83,123.14	(-)1,25,300.27
2022-23	35	16,047.99	2,26,051.29	(-)1,67,419.82

It is pertinent to mention that the State Government had invested ₹32,583.71 crore as on 31 March 2023 in the form of equity in these 35 loss making PSUs without any return in the form of dividend. In 2022-23, out of total loss of ₹16,047.99 crore incurred by 35 PSUs, significant loss of ₹9,847.75 crore was incurred by two power sector PSUs⁹ and ₹6,077.86 crore was incurred by eight¹⁰ transport undertakings. Out of the above 35 loss making PSUs in 2022-23, 31 PSUs had accumulated loss of ₹2,26,184.21 crore and four PSUs¹¹ had accumulated profit of ₹132.92 crore aggregating to net accumulated loss of ₹2,26,051.29 crore. Out of 31 PSUs which had accumulated losses, the net worth of 21 PSUs had been completely eroded.

⁷ excludes two non-workings PSUs.

⁸ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

⁹ Tamil Nadu Generation and Distribution Corporation Limited and Tamil Nadu Transmission Corporation Limited

¹⁰ Metropolitan Transport Corporation Limited, State Express Transport Corporation Limited, Tamil Nadu State Transport Corporation (Coimbatore) Limited, Tamil Nadu State Transport Corporation (Kumbakonam) Limited, Tamil Nadu State Transport Corporation (Salem) Limited, Tamil Nadu State Transport Corporation (Villupuram) Limited, Tamil Nadu State Transport Corporation (Madurai) Limited and Tamil Nadu State Transport Corporation (Tirunelveli) Limited.

¹¹ Overseas Manpower Corporation Limited, IT Expressway, Tamil Nadu Handicrafts Development Corporation Limited and Poompuhar Shipping Corporation Limited.

5.8.2 Erosion of Capital in PSUs

As on 31 March 2023, there were 39 PSUs (31 PSUs which made loss during the year 2022-23 and also have accumulated losses as mentioned in **Para 5.8.1** and eight PSUs which made profit during the year but had accumulated losses) with accumulated losses of ₹2,26,542.53 crore. Of these 39 PSUs, 31 PSUs incurred losses amounting to ₹16,016.09 crore and eight PSUs had not incurred loss, even though they had accumulated loss of ₹358.32 crore as per their latest accounts finalised.

The net worth of 23 out of 39 PSUs had been completely eroded by accumulated loss and their net worth was negative. The details are indicated in **Appendix 5.2**. The net worth of these 23 PSUs was (-) ₹1,93,132.99 crore against equity investment of ₹33,263.46 crore as on 31 March 2023. Out of 23 PSUs, whose capital had been eroded (being negative net worth), two PSUs¹² had earned profit of ₹25.57 crore during 2022-23.

The 23 PSUs whose net worth was eroded included two power sector PSUs and 21 non power sector PSUs. The two power sector PSUs incurred operational expenditure of ₹95,878.96 crore as against operational income of ₹84,290.71 crore. The 21 non-power sector PSUs incurred operational expenditure of ₹48,247.51 crore as against operational income of ₹39,573.58 crore as per their latest finalised accounts. Thus the 23 PSUs¹³ whose net worth was eroded incurred operational expenditure of ₹1,44,126.47 crore as against operational income of ₹1,23,864.29 crore. It is pertinent to mention that the State Government had been continuing budgetary support in the form of grants/subsidies etc., amounting to ₹26,472.14 crore to one power sector PSU (TANGEDCO) and ₹2,945.01 crore to nine non power sector PSUs during 2022-23, of which eight belong to Transport sectors.

Out of the above 23 PSUs, 22 PSUs finalised their accounts for 2022-23 and only one PSU's accounts was in arrears for one year.

5.9 Audit of PSUs

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG 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 accounts be audited by the CAG and a report be submitted to the Legislature.

5.10 Appointment of statutory auditors of PSUs by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company

¹² Perambalur Sugar Mills Limited and Pallavan Transport Consultancy Services Limited

¹³ The liabilities/establishment expenditure of the net worth eroded PSUs were met from internal generation, working capital arrangement with banks etc.

are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

The statutory auditors of the above Companies for the year 2022-23 were appointed by the CAG from September 2022 onwards.

5.11 Submission of accounts by PSUs

5.11.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Body Meeting¹⁴ (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, 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 from the Consolidated Fund of State.

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 Statements for the financial year have to be placed in the said AGM for their consideration.

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.

The annual accounts of various PSUs which were pending are detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by PSUs

As of 31 March 2023, there were 102 PSUs (including one statutory corporation) under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from 100 PSUs (excluding two inactive PSUs). However, 91 PSUs submitted their accounts (including accounts of previous years) for audit by CAG by 31 December 2023. Accounts of 16 PSUs were in arrears for various reasons. Details of arrears in submission of accounts by PSUs are given in **Table 5.9**.

¹⁴ In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year *i.e.* 30 September.

Table 5.9: Details of arrears in submission of accounts by PSUs

Sl. No.	Particulars	No. of PSUs	
1	Total number of Companies under the purview of CAG's audit as on 31.03.2023	102	
2	Less: New Companies from which accounts for 2022-23 were not due	00	
3	Number of companies from which accounts for 2022-23 were due	100 ¹⁵	
4	Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 31 December 2023.	84 ¹⁶	
5	Number of accounts in arrears (16 PSUs)	22	
6	Break- up of Arrears	(i) Under Liquidation	0
		(ii) Defunct	0
		(iii) Others	22
7	Age-wise analysis of arrears against 'Others' category	(i) One year (2022-23)	11
		(ii) Two years (2021-22 and 2022-23)	8
		(iii) Three years and more	3

The State Government had made investment in the form of equity and loans in the PSUs whose accounts had been falling in arrears and hence, the non-finalisation of accounts by these companies would lead to the Government investments remaining outside the oversight of Audit as well as the State Legislature thereby making them highly susceptible to instances of fraud and misappropriation.

5.12 CAG's oversight – Audit of accounts and supplementary audit

5.12.1 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, in consultation with National Advisory Committee on Accounting Standards. The 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 Act governing such Corporations.

5.12.2 Audit of accounts of Government Companies by statutory auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

¹⁵ Excludes two inactive companies

¹⁶ Represents number of accounts received and certified by CAG for 2022-23

The CAG plays an oversight role by monitoring the performance of the statutory auditors in 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
- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

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

The certified accounts of selected PSUs along with the report 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 AGM.

5.13 Result of CAG's oversight role

5.13.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

The Financial Statements of 91 PSUs (including one Statutory Corporation) pertaining to the year 2022-23 and previous years were received for audit by CAG by 31 December 2023. Of which, 59 Financial Statements of PSUs were reviewed in audit by the CAG and Non Review Certificate was issued for 27 PSUs (five under process). The results of the review are detailed below:

5.13.2 Revision of Auditors Report

The statutory auditors' reports on eight Financial Statements were revised as a result of supplementary audit of the Financial Statements conducted by the CAG.

5.13.3 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

Subsequent to the audit of the Financial Statements for the year 2022-23 and previous years by statutory auditors, the CAG conducted supplementary audit of the Financial Statements of 59 PSUs by 31 December 2023.

Comments were issued on Financial Statements of three PSUs, the financial impact of which was ₹393.52 crore on the profitability.

5.14 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 Public Sector Undertakings were reported as comments by the CAG under Section 143 (5) 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 ‘Management Letter’ for taking corrective action. During the year, CAG issued Management Letters to 27 PSUs on the deficiencies related to accounting treatment and policies, non-compliance to accounting standards on disclosures and non-compliance to assurances to audit on rectification of errors, etc.

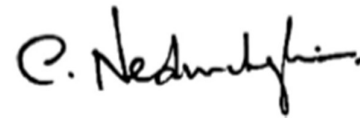
5.15 Conclusion

This Chapter presents the financial performance of Public Sector Undertakings measured by ratios indicating their operating efficiency and return on investment. This Chapter also deals with oversight role of CAG by monitoring the performance of the statutory auditors with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively.

- As on 31 March 2023, there were 102 PSUs including one Statutory Corporation. Of these PSUs, two were inactive.
- Out of the total profit of ₹2,560.42 crore earned by PSUs, 63.81 *per cent* was contributed by only three PSUs. Out of total loss of ₹16,047.99 crore incurred by 35 PSUs, loss of ₹15,926.60 crore was contributed by three Power and eight Transport sector PSUs.
- Analysis revealed that 39 PSUs had an aggregate accumulated losses of ₹2,26,542.53 crore and of these 39 PSUs, the net worth of 23 PSUs had been completely eroded by accumulated losses and their net worth was negative. The net worth of these 23 PSUs was (-)₹1,93,132.99 crore against equity investment of ₹33,263.46 crore.
- The overall Return on Equity in all PSUs was negative as the overall net income and shareholders’ fund of these PSUs were negative during 2022-23.
- PSUs were not adhering to the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As a result, 22 accounts of 16 PSUs were in arrears.

5.16 Recommendations

- Government may consider setting up an expert committee to identify and fix the operational inefficiencies and prepare a time bound action plan for revival of the loss making PSUs.
- The State Government should analyse the business models of the loss making PSUs in order to address the root cause of the losses and further consider the sustainability of these business models employed as they are a drain on the public exchequer.
- State Government may ensure timely submission of Financial Statements of PSUs, as in the absence of finalisation of accounts, Government investments in such PSUs remain outside the oversight of the State Legislature.



(C. NEDUNCHEZHIAN)
Principal Accountant General (Audit-I),
Tamil Nadu

Chennai
The 18 June 2024

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 27 June 2024