

CHAPTER-5
STATE PUBLIC SECTOR ENTERPRISES

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This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General (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 of the company's financial statements. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs 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 33 SPSEs in Uttarakhand, including four² Statutory Corporations and

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

² Uttarakhand Parivahan Nigam, Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam, Uttarakhand Forest Development Corporation and Uttarakhand State Warehousing Corporation

28 Government Companies (including nine inactive government companies³) and one⁴ Government Controlled Other Companies (GCOCs) under the audit jurisdiction of the CAG. The names of these SPSEs are given in **Appendix-5.1**. None of the SPSE was listed on the stock exchange.

During exit conference, the Government accepted the facts.

There are nine inactive SPSEs (including seven under liquidation) in the State. These inactive SPSEs have investment of ₹ 36.19 crore, towards capital ₹ 12.31 crore (State Government: ₹ 9.54 crore and Others: ₹ 2.77 crore) and long-term loans ₹ 23.88 crore (State Government: ₹ 5.15 crore and Others: ₹ 18.73 crore). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State.

A ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of turnover of working SPSEs are given in **Appendix-5.2**. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2023 are given in **Table-5.1**.

Table-5.1: Details of turnover of SPSEs vis-à-vis GSDP of Uttarakhand

(₹ in crore)			
Particulars	2020-21	2021-22♣	2022-23♥
Turnover			
Power Sector SPSEs	7735.80	8483.51	9936.49
Other SPSEs	2324.25	2513.40	2513.40
Total	10060.05	10996.91	12449.89
GSDP of Uttarakhand	236860.00	272159.00	302621.00
Percentage of Turnover to GSDP of Uttarakhand			
Power Sector SPSEs	3.27	3.12	3.28
Other SPSEs	0.98	0.92	0.83
Total	4.25	4.04	4.11

Source: Ministry of Statistics and Programme implementation and Directorate of Economics and Statistics, Uttarakhand. ♥Provisional Estimate, ♣Revised Estimate

The contribution of SPSEs to the GSDP of Uttarakhand increased to 4.11 per cent in 2022-23 in comparison to 4.04 per cent in 2021-22. The contribution of Power sector SPSEs to the GSDP was 3.28 per cent in 2022-23.

Other sector SPSEs contribution to the GSDP though was minimal (from 0.92 to 0.83 per cent) but were having staff of 8,958⁵ employees (Permanent/on deputation/contract basis). As on 31 March 2023, State Government had investment of ₹ 687.97 crore (Equity ₹ 334.23 crore and long-term loans ₹ 353.74 crore) in these SPSEs. In addition to it, ₹ 4,082.56 crore of Grants and Subsidies was provided to nine of these SPSEs by Government of Uttarakhand (GoU) during the period 2020-23.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Uttarakhand Seeds and Tarai Development Corporation.

⁵ Includes 6,800 employees in four SPSEs namely Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation, Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam and Garhwal Mandal Vikas Nigam Limited.

5.4 Investment in SPSEs and Budgetary Support

5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long-Term Loans including the loans given by State Government in 21 working SPSEs (excluding three⁶ working companies, where no investment was made by the State Government) as on 31 March 2023 is given below in **Table-5.2**.

Table-5.2: Sector-wise investment in SPSEs

Particulars	Investment ⁷ (₹ in crore)					Percentage of Total Equity and Long-Term Loans
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power Sector SPSEs	3660.29	3655.29	4431.50	581.77	8091.79	90.49
Other SPSEs	375.67	334.23	474.49	353.74	850.16	9.51
Total	4035.96	3989.52	4905.99	935.51	8941.95	100

Source: Information as per financial statement and furnished by the SPSEs.

The thrust of SPSEs investment was mainly on power sector SPSEs which had received as much as 90.49 per cent (₹ 8,091.79 crore) of total investment of ₹ 8,941.95 crore as on 31 March 2023. The State Government share was 55.08 per cent (₹ 4,925.03 crore) of total investment of ₹ 8,941.95 crore. Further, the investment made by State Government in SPSEs are also discussed in Paragraph 2.6.3.2(ii).

During exit conference, the Government accepted the facts.

5.4.2 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment, restructuring and privatisation of working as well as in-active SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

The number of SPSEs⁸ that earned profit was 12 in 2022-23 which was same as in 2021-22. The profit earned decreased to ₹ 232.20 crore in 2022-23 from ₹ 257.19 crore in 2021-22.

The top three SPSEs which contributed maximum profit are summarised in **Table-5.3**.

⁶ Uttarakhand Forest Development Corporation, SIIDCUL Plastic Park Limited and NICDC Uttarakhand Industrial Township Limited

⁷ Investment includes equity and long-term loans.

⁸ Accounts received upto 30 September 2023.

Table-5.3: Top three SPSEs which contributed maximum profit

Name of SPSE	Net profit (₹ in crore)	Percentage of profit to total profit of SPSEs
UJVN Limited	117.76	50.71
Uttarakhand Forest Development Corporation	48.65	20.95
Kichha Sugar Company Limited	20.26	8.73
Total	186.67	80.39

Source: Latest Financial Statements of SPSEs

These three SPSEs alone had contributed as much as 80.39 per cent of the total profit (₹ 232.20 crore) earned by 12 SPSEs during 2022-23. Net profit ratio⁹ of SPSEs is depicted in **Table-5.4**.

Table-5.4: Net Profit Ratio of SPSEs

(₹ in crore)

Sector	Net Profit	Turnover	Net profit Ratio (in per cent)
Power Sector SPSEs	(-)1088.76	9936.49	-
Other SPSEs	48.06	2513.40	1.91
Total	(-)1040.70	12449.89	-

Source: Latest Financial Statement of SPSEs.

5.5.2 Dividend paid by SPSEs

The GoU has not formulated any dividend policy under which SPSEs are required to pay a minimum return on the paid-up share capital contributed by the State Government. The dividend paid by SPSEs is shown in **Table-5.5**.

Table-5.5: Dividend Payout by SPSEs

(₹ in crore)

Year	Particulars	No. of SPSEs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1		2	3	4	5
2020-21	Power Sector SPSEs	2	1941.65	178.56	45.01
	Other SPSEs	-	-	-	-
	Total	2	1941.65	178.56	45.01
2021-22	Power Sector SPSEs	1	1372.68	121.86	30.00
	Other SPSEs	-	-	-	-
	Total	1	1372.68	121.86	30.00
2022-23	Power Sector SPSEs	2	2120.38	134.88	25.01
	Other SPSEs	-	-	-	-
	Total	2	2120.38	134.88	25.01

Source: Latest Financial Statement of SPSEs.

During 2022-23, out of 12 SPSEs which earned profits as per their latest finalised accounts, only two SPSEs namely UJVN Limited and Power Transmission Corporation of Uttarakhand Limited (PTCUL) paid/declared dividend. UJVN Limited and PTCUL

⁹ Net Profit/Turnover *100

had paid/declared dividend at the rate of 1.50 *per cent* and 1.46 *per cent* respectively of their retained earnings during 2022-23. None of the other 10 profit making SPSEs had declared/paid dividend during 2022-23.

During exit conference, the Government accepted the findings.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio 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 SPSEs which had interest burden are given below in **Table-5.6**.

Table-5.6: Interest coverage ratio of SPSEs

Year	Particulars	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans from Government, and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2020-21	Power Sector SPSEs	246.94	308.32	3	2	1
	Other SPSEs	58.85	6.15	9	4	5
	Total	305.79	314.47	12	6	6
2021-22	Power Sector SPSEs	280.12	464.13	3	3	0
	Other SPSEs	59.14	54.01	9	5	4
	Total	339.26	518.14	12	8	4
2022-23	Power Sector SPSEs	380.20	(-)666.83	3	2	1
	Other SPSEs	59.14	54.01	9	5	4
	Total	439.34	(-)612.82	12	7	5

Source: Latest Financial Statement of SPSEs.

It was observed that out of three SPSEs pertaining to Power Sector which had the liability of loans, two had interest coverage ratio of more than one and one had interest coverage ratio of less than one during 2022-23. However, in case of Other SPSEs, which have the liability of loans, only five SPSEs had interest coverage ratio of more than one and remaining four SPSEs had interest coverage ratio of less than one. Thus, these SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 Financial performance of SPSEs

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 earnings before interest and taxes (EBIT) by the capital employed¹⁰. 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	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Power Sector SPSEs	308.32	5601.92	5.50
	Other SPSEs	69.91	370.82	18.85
	Total	378.23	5972.74	6.33
2021-22	Power Sector SPSEs	464.13	5769.31	8.04
	Others SPSEs	119.81	366.14	32.72
	Total	583.94	6135.45	9.52
2022-23	Power Sector SPSEs	(-)666.83	4475.66	(-)14.90
	Others SPSEs	120.76	366.08	32.99
	Total	(-)546.07	4841.74	(-)11.28

Source: Latest Financial Statement of working SPSEs

It was observed that RoCE was positive during 2020-21 to 2021-22, however the same was negative in 2022-23. The RoCE reduced in 2022-23 as compared to 2021-22 due to decrease in EBIT and Capital Employed resulting from exceptional loss in Uttarakhand Power Corporation Limited (UPCL) due to higher power purchase cost.

5.7.2 Return on Equity by SPSEs

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.

The Return on Equity¹¹ (RoE) of the profit earning 12 working SPSEs stood at 5.07 per cent in 2022-23. The overall RoE in all the 19¹² working SPSEs including seven loss making SPSEs was negative in 2022-23.

¹⁰ Capital Employed=Paid up Share Capital +Free Reserves and surplus +Long term loans-Accumulated losses -Deferred Revenue Expenditure.

¹¹ Return on equity = (Net Profit after Tax/Shareholder's Equity) X 100 where Shareholder's equity = paid up capital +free reserves-accumulated losses-deferred revenue expenditure.

¹² Excluding five SPSEs out of which three SPSEs (SIIDCUL Plastic Park Limited, NICDC Uttarakhand Industrial Township Limited and Eco Tourism Development Corporation of Uttarakhand) have not submitted their accounts and two SPSEs (Dehradun Smart City Limited and Kishau Corporation Limited) have zero turnover.

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

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table-5.8**.

Table-5.8: Return on Equity relating to SPSEs

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2020-21	Power Sector SPSEs	26.81	1023.69	2.62
	Others SPSEs	(-)2.13	(-)215.33	-
	Total	24.68	808.36	3.05
2021-22	Power Sector SPSEs	138.45	1227.04	11.28
	Others SPSEs	47.28	(-)219.23	-
	Total	185.73	1007.81	18.43
2022-23	Power Sector SPSEs	(-)1088.76	44.16	-
	Others SPSEs	48.06	(-)219.29	-
	Total	(-)1040.70	(-)175.13	-

Source: As per latest finalised accounts of SPSEs

During 2020-21 and 2021-22, overall RoE was positive attributable to two¹³ Power sector SPSEs reporting profits. However, during 2022-23 RoE could not be ascertained as the overall net income of SPSEs was negative mainly due to loss suffered by one SPSE i.e. UPCL of ₹ 1,223.64 crore for the year 2022-23.

5.7.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its present value at the end of each year upto 31 March 2023, the past investments/ year-wise funds infused by the State Government in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any less: disinvestments since inception of these Companies till 31 March 2023.

The PV of the State Government investment in SPSEs was computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by SPSEs. Further, in those cases where interest free loans given to the SPSEs were later

¹³ UJVN Limited and PTCUL

converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.

- The average rate of interest on Government borrowings for the concerned financial year¹⁴ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE wise position of State Government investment in the 21 SPSEs (excluding three¹⁵ SPSEs where no investment was made by the State Government) in the form of equity and interest free loans on historical cost basis for the period from 2001-02 to 2022-23 have been given in **Appendix-5.3**.

The consolidated position of the PV of the State Government investment and the total earnings relating to 22 SPSEs (excluding two¹⁶ SPSEs) for the same period is indicated below in **Table-5.9**.

Table-5.9: Year-wise details of investment by the State Government and its present value (PV) of Government investment for the period from 2001-02 to 2022-23

(₹ in crore)

Financial Year	Present value of total investment at the beginning of the year	Equity Infused by the State Government during the year	Interest Free loans given by the State Government during the year	Interest Free loans converted during the year	Grants/ subsidies given by State Government for operational and Management Expenditure	Total Investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year ¹⁷	Total earning for the year ¹⁸
i	ii	iii	iv	v	vi	vii	viii	ix	x	xi	xii
						vii=iii+iv+v+vi	viii=ii+vii		x=viii*(1+ix/100)	xi=x-viii	
OB		37.75	0.00	0.00	0.00	37.75	37.75	0.00	37.75		
2001-02	37.75	18.20	0.00	0.00	0.00	18.20	55.95	8.36	60.63	4.68	-30.78
2002-03	60.63	18.30	3.72	0.00	0.00	22.02	82.65	10.40	91.24	8.60	-17.19
2003-04	91.24	14.68	0.00	0.00	0.25	14.93	106.17	8.51	115.21	9.04	-48.12
2004-05	115.21	195.37	0.00	0.00	0.40	195.77	310.98	9.10	339.28	28.30	-189.20
2005-06	339.28	263.90	9.72	0.00	1.88	275.50	614.78	7.47	660.70	45.92	-135.13
2006-07	660.70	144.35	-0.25	0.00	4.50	148.60	809.30	7.79	872.35	63.04	-178.02
2007-08	872.35	232.42	23.42	0.00	4.20	260.04	1132.39	7.99	1222.86	90.48	-194.93
2008-09	1222.86	73.58	5.49	0.00	6.75	85.82	1308.68	7.75	1410.11	101.42	-311.25
2009-10	1410.11	697.83	0.00	0.00	9.18	707.01	2117.12	7.64	2278.86	161.75	-505.96
2010-11	2278.86	31.78	0.00	0.00	0.37	32.15	2311.01	7.34	2480.64	169.63	-172.58
2011-12	2480.64	44.00	100.52	0.00	3.40	147.92	2628.56	7.83	2834.38	205.82	-35.39

¹⁴ The average rate of interest on Government borrowing was adopted from the reports of the CAG on State Finances (Government of Uttarakhand) for the concerned year wherein the average rate for interest paid +Interest payment/ {(Amount of previous year's Fiscal Liabilities + Current years' Fiscal Liabilities)/2} *100

¹⁵ Uttarakhand Forest Development Corporation, SIIDCUL Plastic Park and NICDC Uttarakhand Industrial Township Limited.

¹⁶ SIIDCUL Plastic Park and NICDC Uttarakhand Industrial Township Limited.

¹⁷ Present value of total investment at the end of the year less: Total investment at the end of the year.

¹⁸ Total Earnings for the year depict total of net earnings (profit/loss) as per latest finalised Accounts relating to those 22 SPSEs where funds were infused by the State Government.

2012-13	2834.38	518.41	25.00	0.00	2.20	545.61	3379.99	8.50	3667.29	287.30	-53.95
2013-14	3667.29	259.91	10.00	0.00	4.59	274.50	3941.79	7.57	4240.18	298.39	289.80
2014-15	4240.18	330.82	1.00	158.86	6.25	179.21	4419.39	7.73	4761.01	341.62	-179.42
2015-16	4761.01	208.94	8.00	0.00	22.85	239.79	5000.80	8.19	5410.37	409.57	94.96
2016-17	5410.37	130.10	0.00	0.00	16.96	147.06	5557.43	8.91	6052.59	495.17	-203.35
2017-18	6052.59	53.15	0.00	0.00	63.01	116.16	6168.75	8.27	6678.91	510.16	-236.69
2018-19	6678.91	194.03	0.00	0.00	234.02	428.05	7106.96	8.15	7686.17	579.22	-578.67
2019-20	7686.17	133.34	0.00	0.00	222.90	356.24	8042.41	7.26	8626.29	583.88	-208.34
2020-21	8626.29	147.58	0.00	0.00	214.51	362.09	8988.38	6.83	9602.29	613.91	24.68
2021-22	9602.29	107.81	0.00	0.00	202.01	309.82	9912.11	6.55	10561.35	649.24	185.73
2022-23	10561.35	133.27	0.00	0.00	166.15	299.42	10860.77	6.56	11573.24	712.47	-1040.70
Total		3989.52	186.62	158.86	1186.38						

The balance of investment by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹ 10,860.77 crore in 2022-23 from ₹ 55.95 crore at the end of 2001-02. The State Government made further investment in shape of equity (₹ 3,951.77 crore) and interest free loans (₹ 186.62 crore) and grants/subsidies for operational and management expenses (₹ 1,186.38 crore) during the period 2001-02 to 2022-23 in these SPSEs. The PV of funds infused by the State Government upto 31 March 2023 amounted to ₹ 11,573.24 crore. During all the years 2001-02 to 2022-23, total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were seven working SPSEs that incurred losses as per their latest finalised accounts. The State Government Investment in these SPSEs was ₹ 2001.94 crore (Equity: ₹ 1785.43 crore and Long Term Loan: ₹ 216.51 crore) as on March 2023. Out of these seven SPSEs, State Government Investment was ₹ 1531.50 crore (76.50 per cent) in one SPSE *i.e.* UPCL. The losses incurred by seven SPSEs increased to ₹ 1,272.90 crore in 2022-23 as compared to loss of ₹ 230.14 crore incurred by nine SPSEs in 2020-21. The loss in one Power Sector SPSE (UPCL) increased from ₹ 151.75 crore in 2020-21 to ₹ 1,223.64 crore in 2022-23 as given below in **Table 5.10**.

Table-5.10: Number of SPSEs that incurred losses during 2020-21 to 2022-23

(₹ in crore)

Year	Particulars	No of lossmaking SPSEs	Net loss for the year	Accumulated loss	Net Worth ¹⁹
2020-21	Power Sector SPSEs	01	(-)151.75	(-)3851.01	(-)2376.10
	Other SPSEs	08	(-)78.39	(-)1550.37	(-)1267.22
	Total	09	(-)230.14	(-)5401.38	(-)3643.32
2021-22	Power Sector SPSEs	01	(-)21.42	(-)3872.44	(-)2382.53
	Other SPSEs	06	(-)50.04	(-)1271.89	(-)1007.13
	Total	07	(-)71.46	(-)5144.33	(-)3389.66
2022-23	Power Sector SPSEs	01	(-)1223.64	(-)5288.07	(-)3758.16
	Other SPSEs	06	(-)49.26	(-)1271.95	(-)1007.19
	Total	07	(-)1272.90	(-)6560.02	(-)4765.35

Source: As per latest finalised accounts of SPSEs

¹⁹ Net worth = 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.

In 2022-23, out of total loss of ₹ 1,272.90 crore incurred by seven SPSEs, loss of ₹ 1,223.64 crore was attributed to one Power Sector SPSE (UPCL).

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2023, there were eight SPSEs with accumulated losses of ₹ 6,892.07 crore as given in **Appendix-5.4**. Of these, six SPSEs incurred losses amounting to ₹ 1,264.97 crore as per latest finalised accounts as of 30 September 2023.

The net worth of six SPSEs out of these eight had been completely eroded by accumulated losses and their net worth was negative. The net worth of these six SPSEs has remained negative for a period ranging from five to 22 years. The net worth of these six SPSEs was (-) ₹ 4,787.16 crore against equity investment of ₹ 1,796.68 crore as on 31 March 2023. Out of six SPSEs, whose capital had eroded, two²⁰ had earned profit of ₹ 22.83 crore during 2022-23. Out of six, there were five SPSEs with outstanding Government loan of ₹ 317.24 crore as on 31 March 2023 as detailed in **Table-5.11**.

Table-5.11: Details of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit (+)/(-) after Interest and Tax	Accumulated Losses	Net worth	Period since when Net Worth has remained negative	State ²¹ Government Equity as on 31 March 2023	State ²¹ Government Loans as on 31 March 2023
1	Uttarakhand Power Corporation Limited	2022-23	1529.91	(-)1223.64	(-)5288.07	(-)3758.16	2001-02	1529.91	1.59
2	Doiwala Sugar Company Limited ²²	2021-22	6.00	(-)16.59	(-)441.65	(-)435.65	2002-03	6.00	127.99
3	Kichha Sugar Company Limited ²²	2021-22	17.99	20.26	(-)294.40	(-)276.41	2002-03	17.54	119.32
4	Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Limited ²²	2022-23	0.10	(-)0.06	(-)3.10	(-)3.06	2018-19	0.10	0.00

²⁰ Kichha Sugar Company Limited and Uttarakhand Seeds & Tarai Development Corporation Limited.

²¹ These figures are part of total investment figures in para no. 5.4.1.

²² During 2022-23, State Government had provided grant and subsidies of ₹ 106.16 crore (Doiwala Sugar Company Limited- ₹ 61.27 crore, Kichha Sugar Company Limited- ₹ 36.39 crore and Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Limited – ₹ 8.50 crore for payment of liabilities/ establishment expenses.

Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit (+)/ (-) after Interest and Tax	Accumulated Losses	Net worth	Period since when Net Worth has remained negative	State ²¹ Government Equity as on 31 March 2023	State ²¹ Government Loans as on 31 March 2023
5	Uttarakhand Seed & Tarai Development Corporation Limited	2020-21	4.08	2.57	(-)24.84	(-)20.76	2015-16	1.20	19.50
6	Uttarakhand Parivahan Nigam	2019-20	238.60	(-)3.87	(-)531.72	(-)293.12	2003-04	229.36	48.84
Grand Total			1796.68	(-)1221.33	(-)6583.84	(-)4787.16		1784.11	317.24

Source: As per latest finalised accounts of SPSEs

5.9 Audit of State Public Sector Enterprises

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

5.11 Submission of accounts by State Public Sector Enterprises

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 Meeting²³ (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.

²³ In case of 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.

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 SPSEs were pending as on 30 September 2023, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2023, there were 29 SPSEs²⁴ under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from 29 SPSEs including seven²⁵ under liquidation. However, only five SPSEs submitted their accounts for the year 2022-23 for audit by CAG by 30 September 2023. 282 Accounts of 24 SPSEs were in arrears, as detailed in **Appendix-5.5**, for various reasons. Details of arrears in submission of accounts of SPSEs are given in **Table-5.12**.

Table-5.12: Details of arrears in submission of accounts

Particulars	SPSEs	Number of Accounts	
Total number of Companies under the purview of CAG's audit as on 31.03.2023	29	--	
Less: New Companies from which accounts for 2022-23 were not due	0	0	
Number of companies from which accounts for 2022-23 were due	29	29	
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023	5	5	
Number of accounts in arrears	24	282	
Break- up of Arrears	(i) Under Liquidation	07	152
	(ii) Defunct	02	59
	(iii) Others	15	71
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	07	07
	Two years (2021-22 and 2022-23)	01	02
	Three years and more	07	62

Source: Complied on the basis of annual accounts received in the office of Principal Accountant General (Audit) Uttarakhand.

During exit conference, the Government stated that the letters will be written to MDs of the concerned SPSEs for early submission of accounts.

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of four²⁶ statutory corporations is conducted by the CAG and out of these, for three²⁷ Statutory Corporations, CAG is the sole auditor. No Statutory Corporations presented the accounts for the year 2022-23 for audit before 30 September 2023. As on 30 September 2023, 10 accounts of four Statutory Corporations were in arrears.

²⁴ Excluding four Statutory Corporations discussed in paragraph 5.11.3.

²⁵ UPAI; Uttar Pradesh Digitals Limited (UPDL), a subsidiary of KMVN Limited; Kumtron Limited (KUMTRON), a subsidiary of HILTRON; Uttar Pradesh Hill Electronics Corporation Limited (HILTRON), Uttar Pradesh Hill Phones Limited (UPHPL), a subsidiary of HILTRON; Uttar Pradesh Hill Quartz Limited (UPHQL), a subsidiary of HILTRON; Garhwal Anusuchit Janjati Vikas Nigam Limited (GAJVNL), a subsidiary of Garhwal Limited.

²⁶ Uttarakhand State Warehousing Corporation, Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

²⁷ Uttarakhand Parivahan Nigam, Uttarakhand Forest Development Corporation and Uttarakhand Peyjal Sansadhan Vikas Evam Nirman Nigam.

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 renamed as National Financial Reporting Authority²⁸. 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.

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 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 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 Government Companies 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 Annual General Meeting.

²⁸ Effective from 01 October 2018

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

22 Financial Statements (FSs) for the year 2022-23 and previous years were received from 14 SPSEs from 01 October 2022 to 30 September 2023. 17 FSs of 12²⁹ SPSEs were reviewed in audit by the CAG and Non-Review Certificate (NRC) was issued for the five FSs of three SPSEs. The results of the review are detailed below:

5.13.2 Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on Government Companies

Subsequent to the audit of the FSs for the year 2022-23 and previous years by the Statutory Auditors, the CAG conducted supplementary audit of the FSs of 12 Government Companies. Some of the significant comments issued on these FSs indicating the financial impact of ₹ 58.45 crore on the profitability and ₹ 147.61 crore on the financial position-assets/liabilities are as detailed in *Appendix-5.6 & 5.7*.

5.13.3 Statutory Corporations where CAG is the sole/ supplementary auditor

Some of the significant comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole/supplementary auditor, indicating the financial impact of ₹ 339.60 crore on the profitability and financial position-assets/liabilities, are as detailed in *Appendix-5.8*.

5.14 Conclusion

As on 31 March 2023, there were 33 SPSEs including four Statutory Corporations. Out of 33 SPSEs, there are nine inactive SPSEs. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 282 accounts of 24 SPSEs in arrears.

Out of the total profit of ₹ 232.20 crore earned by 12 SPSEs, 80.39 per cent was contributed by three SPSEs. Out of total loss of ₹ 1,272.90 crore incurred by seven SPSEs, loss of ₹ 1,223.64 crore was incurred by one SPSEs (UPCL). Out of 12 SPSEs which earned profits as per the latest finalised accounts, only two SPSEs declared dividend.

5.15 Recommendations

- *State Government may impress upon the management of SPSEs to ensure timely submission of their Financial Statements. As many as 282 accounts of 24 SPSEs were in arrears;*
- *The State Government may frame a dividend policy to ensure return on Equity investment made;*

²⁹ One company- Kishau Corporation Limited is included herein, and also in SPSEs, in which, NRC was issued as Two FSs of this company for the year 2021-22 and 2022-23 were received. One FSs (2021-22) was reviewed in audit, and NRC was issued for the other FSs (2022-23).

- *The nine inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. Out of nine, seven SPSEs are under liquidation and the process of liquidation may be expedited. The GoU may take decision regarding commencement of liquidation process in respect of two SPSEs which are inactive for a considerable period;*
- *State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded, by implementing measures to enhance their efficiency and profitability and further decide on continuation of their operations.*

Dehradun
The 10 April 2024



(PRAVINDRA YADAV)
Principal Accountant General (Audit),
Uttarakhand

Countersigned



New Delhi
The 26 April 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

