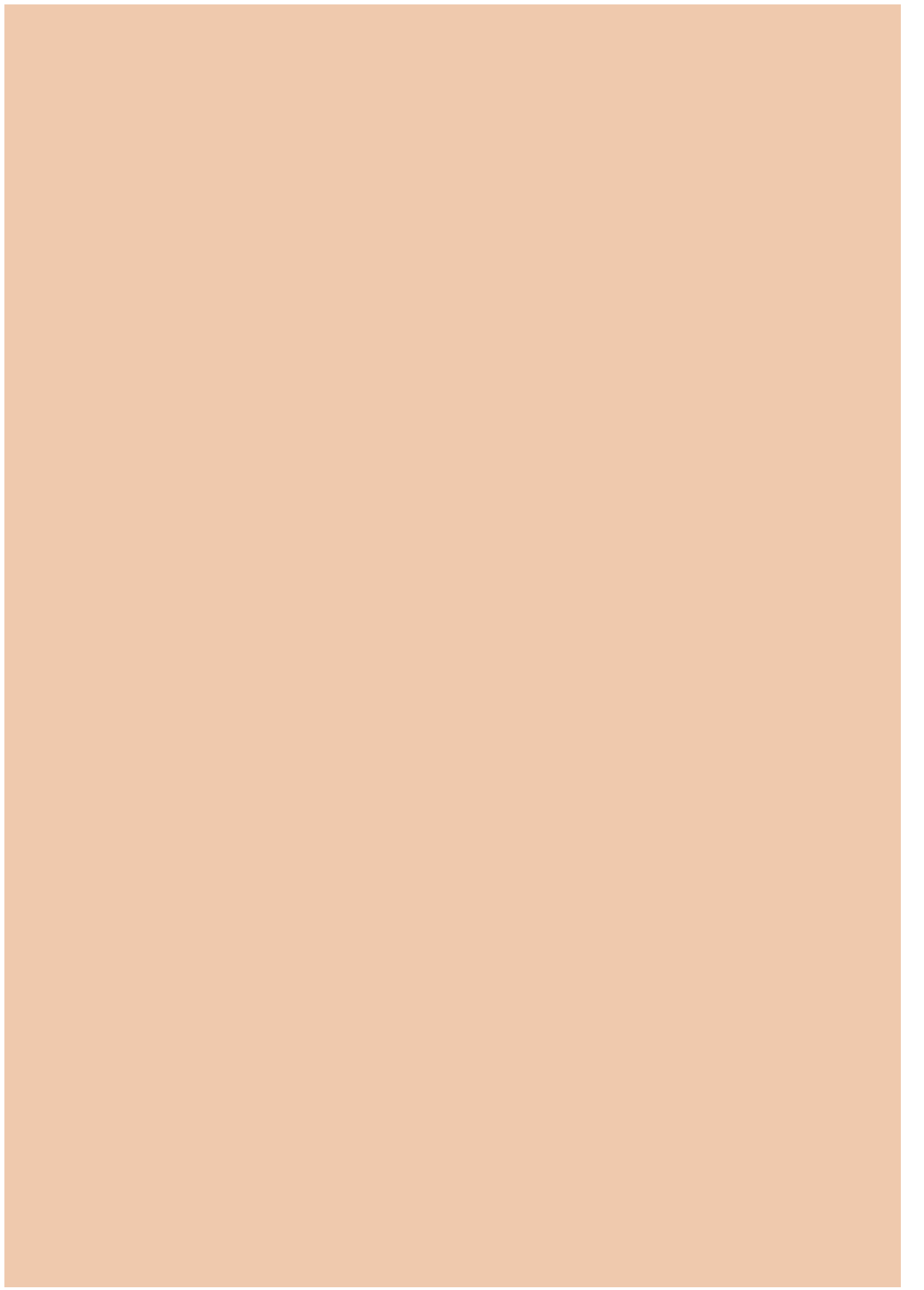


CHAPTER-I
General Purpose Financial Report on State
Public Sector Enterprises



CHAPTER-I

GENERAL PURPOSE FINANCIAL REPORT ON STATE PUBLIC SECTOR ENTERPRISES

Section 1: Financial Performance of State Public Sector Enterprises

1.1.1 Introduction

This Report presents the financial performance of Government Companies, Statutory Corporations and Government controlled other Companies. The term State Public Sector Enterprises (SPSEs) encompasses the State Government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Legislature. 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 company 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’.

1.1.2 Mandate

Audit of ‘Government companies’ and ‘Government controlled other companies’ is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Sections 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 (CAs) as Statutory Auditors for ‘Government/Government controlled other companies’ and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG. Besides, CAG is also the sole auditor for the Assam Electricity Regulatory Commission (Regulatory Commission). The audit arrangements of Statutory Corporations and Regulatory Commission are as shown in **Table 1.1.1**.

Table 1.1.1: Details of Statutory Corporations and Regulatory Authority

Sl. No.	Corporation/Regulatory Authority	Authority for audit by CAG	Audit arrangement
1	Assam State Transport Corporation	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG under Section 19(2) of the DPC Act, 1971
2	Assam Financial Corporation	Section 37(6) of the State Financial Corporations Act, 1951	Audit conducted by CA and supplementary audit by CAG under Section 19(2) of the DPC Act, 1971
3	Assam State Warehousing Corporation	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit conducted by CA and supplementary audit by CAG under Section 19(2) of the DPC Act, 1971
4	Assam Electricity Regulatory Commission ¹	Section 104(2) of the Electricity Act, 2003	Sole audit by CAG under Section 19(2) of the DPC Act, 1971

1.1.3 What this Report contains

This Report gives an overall picture of the financial performance of State Government Companies and Corporations as revealed from their financial statements. Significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the CAG during the years 2020-21 and 2021-22 (or of earlier years which were finalised during the current year) is given in this Report. This Report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor. Besides this, it gives an overall picture of the status of the adherence of SPSEs to the guidelines issued by the Department of Public Enterprises (DPE), Government of Assam and compliance with provisions of Companies Act, 2013 on Corporate Governance and Corporate Social Responsibility related issues.

1.1.4 Number of SPSEs

As on 31 March 2022, there were 51 SPSEs and one State Electricity Regulatory Commission under the audit jurisdiction of the CAG. These SPSEs include 48 Government Companies (including 10² subsidiaries of different State Government Companies and two³ Government-controlled other companies) and three Statutory Corporations. Out of the 51 SPSEs, there were 35 working SPSEs and 16 non-working SPSEs (all Government Companies). None of these Government Companies was listed on the stock exchange. The summary of the working and non-working SPSEs are given in *Table 1.1.2*.

¹ The Assam Electricity Regulatory Commission (Commission) had finalised its accounts upto the financial year 2017-18, the Separate Audit Report for which was issued (May 2020). The accounts of the Commission for the subsequent four years (2018-19 to 2021-22) were pending finalisation as on 30 September 2022.

² Sl. No. B25, B26, B31, D7, D9, D11, D12, D13, D15 and D16 of *Appendix 3*.

³ Sl. No. B22 and B32 of *Appendix 3*.

Table 1.1.2: Details of working and non-working SPSEs

Type of SPSEs	Working SPSEs	Non-working SPSEs ⁴	Total
Government Companies	32	16	48
Statutory Corporations	03	-	03
Total	35	16	51

1.1.5 Contribution to State Economy

The SPSEs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector has also contributed to the growth of Gross State Domestic Product (GSDP). A ratio of SPSEs' Turnover to GSDP shows the extent of SPSEs' activities in the State economy. **Table 1.1.3** provides the details of turnover of the SPSEs against the GSDP during 2019-20 to 2021-22.

Table 1.1.3: Details of SPSEs' turnover vis-à-vis GSDP

Particulars	(₹ in crore)		
	2019-20	2020-21	2021-22
SPSEs' Turnover ⁵	6,858.34	7,471.99	7,556.36
GSDP	3,46,850.68	3,40,177.45	4,33,925.44
Percentage of Turnover to GSDP	1.98	2.20	1.74

Source: Latest finalised accounts of SPSEs and information provided by the Directorate of Economic & Statistics, GoA; Figure of GSDP relating to 2021-22 is at current prices.

As can be noticed from **Table 1.1.3**, the turnover of the working SPSEs had shown a gradual increase from ₹ 6,858.34 crore (2019-20) to ₹ 7,556.36 crore (2021-22). However, the pace of increase in SPSEs' turnover during 2019-22 (10.18 per cent) was not commensurate with the overall growth in GSDP of (25.10 per cent) during the corresponding period leading to decrease in the contribution of SPSEs' turnover to GSDP from 1.98 per cent (2019-20) to 1.74 per cent (2021-22).

The major contributors to SPSEs turnover during 2021-22 were three power sector SPSEs viz., Assam Power Distribution Company Limited (₹ 5,695.97 crore), Assam Power Generation Corporation Limited (₹ 489.69 crore) and Assam Electricity Grid Corporation Limited (₹ 379.29 crore). Further, Assam Gas Company Limited (₹ 253.24 crore) and Assam Seeds Corporation Limited (₹ 128.23 crore) also contributed substantially to the SPSEs overall turnover. The SPSEs had employed 36,957 employees as at the end of 31 March 2022 (**Appendix 2**).

1.1.6 Investment in SPSEs

Table 1.1.4 depicts the total investment (GoA and Others) in the SPSEs as on 31 March 2022.

⁴ Non-working SPSEs are those which have ceased to carry on their operations.

⁵ As per the latest finalised accounts of working SPSEs as on 30th September of respective years.

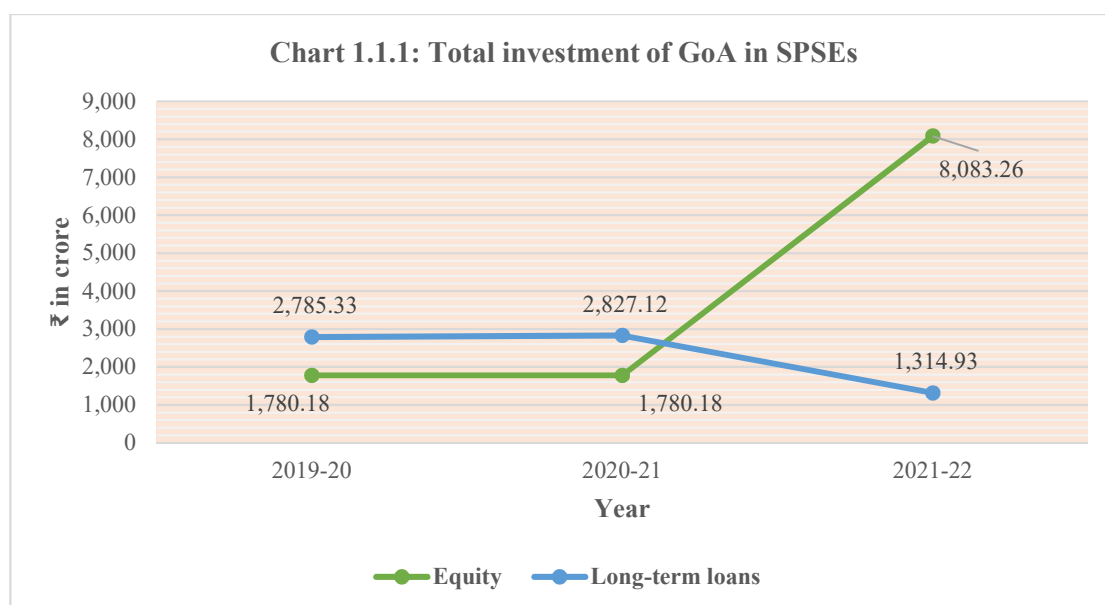
Table 1.1.4: Details of total investment⁶ in SPSEs

(₹ in crore)			
Particulars	GoA	Others	Total
Equity	8,083.26	648.52	8,731.78
Long-term loans	1,314.93	1,865.50	3,180.43
Total investment	9,398.19	2,514.02	11,912.21

Source: As per information furnished by the SPSEs; 'Others' include Central Government, banks and other financial institutions

As can be noticed from **Table 1.1.4**, the total investment (equity and long-term loans) in the 51 SPSEs was ₹ 11,912.21 crore as on 31 March 2022 (**Appendix 2**). The investment consisted of 73.30 per cent in equity and 26.70 per cent in long-term loans. Further, the investment by GoA (₹ 9,398.19 crore) consisted of 86.01 per cent towards equity and 13.99 per cent in long-term loans.

Chart 1.1.1 depicts the comparative details of GoA's total investment in the SPSEs at the end of last three years from 2019-20 to 2021-22.



As can be noticed from **Chart 1.1.1**, the total investment of GoA in SPSEs has registered a net overall increase of 105.85 per cent (₹ 4,832.68 crore) from ₹ 4,565.51 crore (2019-20) to ₹ 9,398.19 crore (2021-22) comprising increase of ₹ 6,303.08 crore (354 per cent) in equity investment and decrease of ₹ 1,470.40 crore (53 per cent) in GoA loans to SPSEs. The increase in the equity investment by GoA was mainly attributable to conversion of grants/loans (₹ 6,263.08 crore⁷) of two power sector SPSEs⁸ into equity as well as infusion of equity capital of ₹ 40 crore in Assam Hydro-Carbon and Energy Company Limited during the year 2021-22. As a result of the conversion of loans into equity, there was a net reduction of ₹ 1,509.67 crore⁹ in

⁶ Investment figures are provisional and as provided by the SPSEs except for nine SPSEs (Sl. No. A1, A2, B22, B30, B31, B32, C1, D4 and D6 of **Appendix 2**), which finalised their accounts for 2021-22.

⁷ Capital grants: ₹ 4,684.18 crore and loans: ₹ 1,578.90 crore.

⁸ Assam Power Distribution Company Limited and Assam Power Generation Corporation Limited.

⁹ Total GoA loans converted to equity: ₹ 1,578.90 crore less infusion of new loans to the three power sector SPSEs during 2021-22: ₹ 69.23 crore.

GoA loans of power sector SPSEs from ₹ 2,121.63 crore (2020-21) to ₹ 611.96 crore (2021-22).

1.1.7 Reconciliation with Finance Accounts of GoA

The figures in respect of equity and long-term loans extended by GoA as per records furnished by SPSEs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the SPSEs concerned and the Finance Department are required to carry out reconciliation of differences in figures. The position in this regard of the SPSEs as on 31 March 2022 is summarised in **Table 1.1.5**.

Table 1.1.5: Equity and loans outstanding as per the State Finance Accounts vis-à-vis records of SPSEs

(₹ in crore)			
Particulars	Amount as per Finance Accounts of GoA	Amount as per records of SPSEs	Difference
Equity	5,472.32	8,083.26	2,610.94
Long-term loans	2,586.69	1,314.93	1,271.76

Source: State Finance Accounts, 2021-22 and information furnished by the SPSEs

From **Table 1.1.5**, it can be noticed that there were significant unreconciled differences in the figures of equity (₹ 2,610.94 crore) and long-term loans (₹ 1,271.76 crore) as per two sets of records. The difference in equity figures was mainly because of non-reflection of GoA's investment towards equity of 12¹⁰ out of 40 SPSEs¹¹ in the State Finance Accounts, where GoA had infused funds in the form of equity. Analysis of reasons for difference in loan figures was, however, not possible as the Finance Accounts did not provide the SPSE-wise details of the loans provided by GoA.

The concerned departments of GoA and the SPSEs should take concrete steps to reconcile the differences in the investment figures (equity and long-term loans) of the GoA as appearing in the State Finance Accounts vis-à-vis SPSE records in a time-bound manner.

To reconcile the equity differences, GoA should obtain the share certificates from the SPSEs concerned issued in favour of the GoA and reconcile the differences with the Finance Accounts. Regarding loan figures, GoA needs to compile/include SPSE-wise loan figures in the Finance Accounts and reconcile the differences by obtaining the balance confirmation certificates from the SPSEs concerned.

1.1.8 Budgetary outgo of GoA

GoA provided financial support to the SPSEs in various forms through the annual State budget. The details of year-wise budgetary outgo towards equity, loans and grants/subsidies in respect of the SPSEs during 2019-20 to 2021-22 are given in **Table 1.1.6**.

¹⁰SPSEs at Serial No. A1, A2, A3, B6, B9, B12, B20, B21, B24, D2, D3 and D5 of **Appendix 2**.

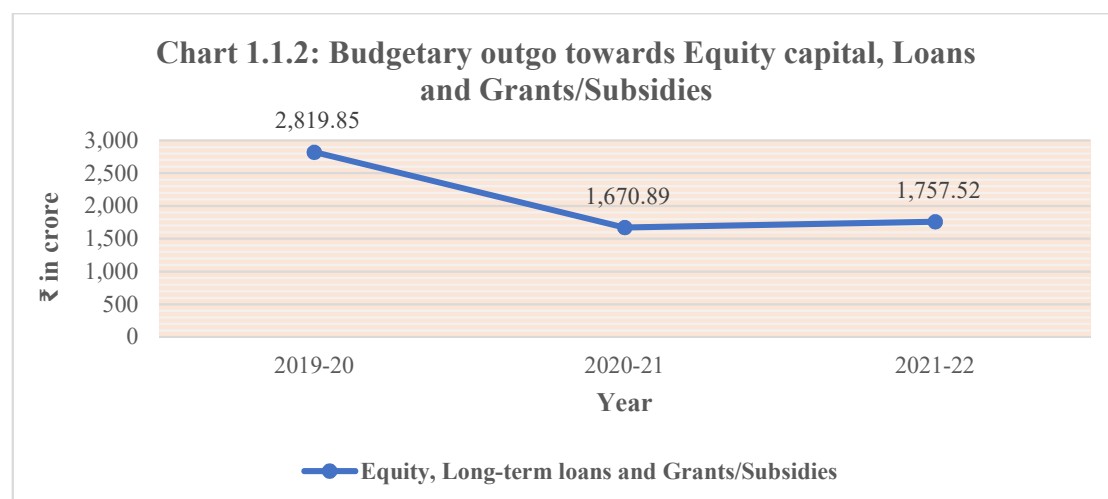
¹¹Excluding 11 SPSEs (Serial No. B25, B26, B31, B32, D7, D9, D11, D12, D13, D15 and D16 of **Appendix 2**), which had no direct equity investment by the State Government.

Table 1.1.6: Year-wise budgetary support by GoA to SPSEs

Particulars	2019-20		2020-21		2021-22	
	SPSEs	Amount	SPSEs	Amount	SPSEs	Amount
Equity capital outgo from Budget	2	303.13	-	-	1	40.00
Loans given from budget	7	312.86	4	64.43	5	87.17
Grants ¹² /subsidies from budget	10	2,203.86	11	1,606.46	12	1,630.35
Total Outgo¹³	14	2,819.85	12	1,670.89	14	1,757.52
Waiver of interest	-	-	-	-	3	929.88
Conversion of loans to Equity ¹⁴	-	-	-	-	2	1,578.90
Conversion of Capital grants to Equity ¹³	-	-	-	-	2	4,684.18

Source: Information furnished by the SPSEs

The details regarding budgetary outgo towards equity, loans and grants/subsidies during 2019-20 to 2021-22 have been presented in **Chart 1.1.2**.



As can be noticed from **Chart 1.1.2**, the budgetary outgo (equity, loans and grants/subsidies) was at the highest during 2019-20 (₹ 2,819.85 crore) as compared to the subsequent two years. Major recipients of budgetary assistance during 2019-20 to 2021-22 were three power sector SPSEs, which received 89.75 per cent (₹ 2,530.90 crore), 85.52 per cent (₹ 1,429.01 crore) and 82.22 per cent (₹ 1,444.85 crore) of total budgetary allocation to SPSEs during 2019-20, 2020-21 and 2021-22 respectively. Further, 89.14 per cent (₹ 1,288.00 crore) of the total grants/subsidy released by GoA (₹ 1,444.85 crore) to power sector SPSEs during 2021-22, was provided to one power sector SPSE (Assam Power Distribution Company Limited) towards capital grants (₹ 365.30 crore) and revenue grants/subsidies (₹ 922.70 crore).

¹² Includes Capital and Revenue grants.

¹³ Actual number of SPSEs which received equity, loans, grants/subsidies from GoA

¹⁴ Excluding the loans (₹ 638.41 crore) and Capital grants (₹ 1,955.05 crore) of Assam Electricity Grid Corporation Limited converted (February 2022) by GoA into equity which was not given effect in its accounts for 2021-22 due to inadequacy of authorised share capital.

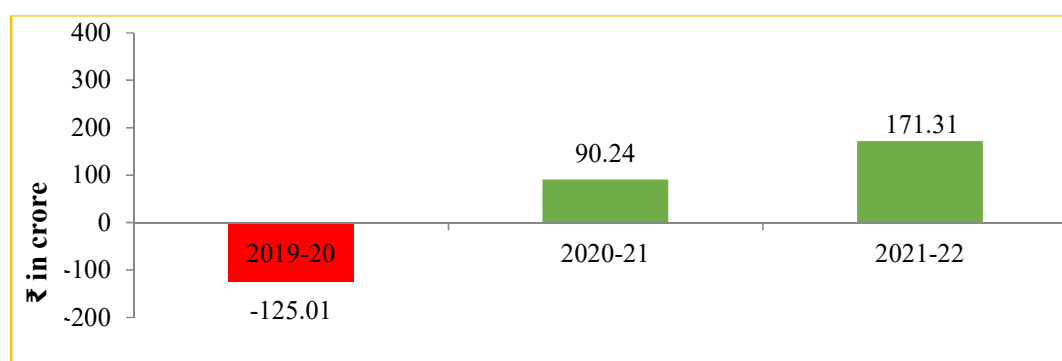
Further, it can be seen from **Table 1.1.6**, that besides releasing budgetary support to SPSEs, GoA had waived off (February 2022) the interest of ₹ 929.88 crore¹⁵ outstanding as on 31 March 2021, against GoA loans of three power sector SPSEs. At the same time, GoA sanctioned (February 2022) conversion of capital grants and GoA loans of three power sector SPSEs as on 31 March 2021, into equity capital. Accordingly, two¹⁶ power sector SPSEs had converted ₹ 6,263.08 crore of capital grants and loans into equity capital. However, the third power sector SPSE (Assam Electricity Grid Corporation Limited) had not given effect of such conversion of grants (₹ 1,955.05 crore) and loans (₹ 638.41 crore) into equity in their annual accounts (2021-22) due to inadequacy of the authorised share capital.

1.1.9 Returns from SPSEs

1.1.9.1 Operational performance of working SPSEs

The overall position of profit earned/loss¹⁷ incurred by the 35 working SPSEs during 2019-20 to 2021-22 is depicted in **Chart 1.1.3**.

Chart 1.1.3: Profit earned/(loss) incurred by working SPSEs



Source: Latest finalised accounts of the SPSEs as on 30 September 2022

As can be noticed from **Chart 1.1.3**, the performance of the working SPSEs had shown a significant improvement during 2020-22. During 2020-21, the working SPSEs had registered an overall profit of ₹ 90.24 crore mainly because of the higher profit of ₹ 202.69 crore earned by one power sector SPSE (Assam Power Distribution Company Limited) as compared to the profit of ₹ 21.01 crore registered during the previous reporting year (2019-20). During the current year (2021-22), out of 35 working SPSEs, 24 SPSEs had earned profits of ₹ 513.40 crore while 11 SPSEs had incurred loss of ₹ 342.09 crore (**Appendix 3**). The overall increase of ₹ 81.07 crore in the profits of working SPSEs from ₹ 90.24 crore (2020-21) to ₹ 171.31 crore (2021-22) was mainly

¹⁵ Assam Power Generation Corporation Limited (₹ 455.08 crore), Assam Electricity Grid Corporation Limited (₹ 128.42 crore) and Assam Power Distribution Company Limited (₹ 346.38 crore)

¹⁶ Assam Power Generation Corporation Limited (Capital grants: ₹ 1,324.86 crore and Loans: ₹ 647.99 crore) and Assam Power Distribution Company Limited (Capital grants: ₹ 3,359.32 crore and Loans: ₹ 930.91 crore).

¹⁷ Figures are as per the latest finalised accounts during the respective years.

due to waiver of interest on GoA loans (₹ 524.90 crore¹⁸) of power sector SPSEs and accounting the same as income in their accounts for 2021-22.

1.1.9.2 Profit earned and Dividend paid by working SPSEs

As per Public Enterprise Policy, 2019, of GoA, the SPSEs having no accumulated loss and having operating profit shall pay a minimum dividend to its shareholders out of the profit earned after payment of tax dues by the SPSE during the preceding financial year provided such provision is laid down in Articles of Association/Articles of Incorporation of the SPSE. Dividend payout relating to working SPSEs during 2019-22, in which GoA had direct equity infusion, is given in **Table 1.1.7**.

Table 1.1.7: Dividend Payout by working SPSEs to GoA

Year	SPSEs which earned profit during the year	GoA Equity (₹ in crore)	SPSEs who had declared/ paid ¹⁹ dividend	Total dividend declared/ paid (₹ in crore)	Dividend Payout Ratio (per cent)
i	ii	iii	iv	v	$vi = v \div iii \times 100$
2019-20	14	830.09	1	5.07	0.61
2020-21	17	1,015.99	1	5.07	0.50
2021-22	22	999.56	1	5.07	0.51

As can be seen from **Table 1.1.7**, during 2019-22, the number of profit-making SPSEs having direct equity infusion by GoA ranged between 14 and 22, against which only Assam Gas Company Limited paid a total dividend of ₹ 15.21 crore to GoA. The Dividend Payout ratio of the SPSEs during the period ranged between 0.50 per cent and 0.61 per cent.

1.1.10 Long-term Debts of working SPSEs

The position of outstanding long-term debts of working SPSEs during 2019-20 to 2021-22 as per their latest finalised accounts is given in **Table 1.1.8**.

Table 1.1.8: Position of Long-Term Loans (GoA and Others) of the working SPSEs

Particulars	(₹ in crore)		
	2019-20	2020-21	2021-22
Government Companies	4,798.06	4,202.76	3,854.67
Statutory Corporations	54.25	58.25	64.12
Total	4,852.31	4,261.01	3,918.79

Source: As per latest finalised accounts as on 30 September 2022

As can be seen from **Table 1.1.8**, the long-term loans (GoA and Others) of working SPSEs registered a decrease of ₹ 342.22 crore during 2021-22 as compared to 2020-21. This decrease was attributable mainly to decrease of ₹ 569.77 crore in debts of Assam

¹⁸ Excluding partial interest waiver of Assam Power Generation Corporation Limited (₹ 58.60 crore) booked as reduction in Capital Work-in-progress and interest waiver relating to Assam Power Distribution Company Limited (₹ 346.38 crore), which did not finalise any accounts during 2021-22.

¹⁹ **Table 1.1.8** excludes the details of one profit earning SPSE (Assam Mineral Development Corporation Limited), which had 'proposed dividend' of ₹ 0.49 crore in its latest finalised Accounts (2018-19) but the status of actual payment there against or dividend declared/paid during subsequent years was not known pending finalisation of subsequent accounts.

Power Generation Corporation Limited from ₹ 994.11 crore (2020-21) to ₹ 424.34 crore (2021-22) as well as increase of ₹ 209.35 crore in long-term loans of Assam Petro-Chemicals Limited from ₹ 692.47 crore (2020-21) to ₹ 901.82 crore (2021-22).

The major loans (₹ 3,918.79 crore) during 2021-22 were borrowed by three power sector SPSEs, which had total outstanding loans of ₹ 2,631.23 crore (67.14 per cent) as per their latest finalised accounts as on 30 September 2022.

1.1.10.1 Adequacy of assets to meet Long-term Debts of working SPSEs

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. *To be considered solvent, the value of an entity's assets must be greater than its unpaid aggregate loans/debts.*

As per their latest finalised accounts as of September 2022, 22 out of 35 working SPSEs had outstanding long-term loans. The coverage of long-term debts by value of total assets in respect of these 22²⁰ working SPSEs as per their latest finalised accounts as on 30 September 2022 is given in **Table 1.1.9**.

Table 1.1.9: Coverage of long-term loans with total assets

Nature of SPSEs	Positive coverage				Negative coverage			
	SPSEs	Long-term loans	Assets	Percentage of assets to loan	SPSEs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	3	64.12	349.92	545.73	-	-	-	-
Government Companies	17	3,832.85	28,354.38	739.77	2	21.82	9.48	43.45
Total	20	3,896.97	28,704.30	736.58	2	21.82	9.48	43.45

Source: As per latest finalised accounts as on 30 September 2022

As can be seen from **Table 1.1.9**, out of 22 working SPSEs, two SPSEs²¹ had higher outstanding loans than the value of their assets as per their latest finalised accounts as on 30 September 2022. The long-term loans of rest of the 20 working SPSEs had been adequately covered by their assets, which is a positive indication to affirm their solvency.

1.1.10.2 Interest Coverage

Interest Coverage Ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by 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 below one indicates that the company was not generating sufficient revenues to meet its expenses on interest.

²⁰ Serial No. A1, A2, A3, B4, B7, B8, B9, B10, B11, B13, B14, B15, B16, B17, B22, B23, B26, B28, B30, C1, C2 and C3 of **Appendix 3**.

²¹ Assam Hills Small Industries Development Corporation Limited and Assam State Fertilizers and Chemicals Limited.

The details of ICR in respect of working SPSEs²² having interest burden against long-term loans during 2019-20 to 2021-22 are given in **Table 1.1.10**.

Table 1.1.10: Interest Coverage Ratio relating to working SPSEs having interest burden

Year	Interest (₹ in crore)	EBIT (₹ in crore)	SPSEs having interest burden on long-term loans	SPSEs having interest coverage ratio more than 1	SPSEs having interest coverage ratio of less than 1
2019-20	267.39	84.02	9	3	6
2020-21	174.15	176.15	8	4	4
2021-22	120.74	78.51	11	7	4

Source: Latest finalised accounts of SPSEs as on 30 September of the respective year

As can be noticed from **Table 1.1.10**, out of 9 to 11 SPSEs having interest burden against long-term borrowing during 2019-20 to 2021-22, 4 to 6 SPSEs had ICR of 'less than one' during the respective year. This indicated that these SPSEs were not in a comfortable position to service their long-term debts. Analysis of four SPSEs having ICR of less than one during 2021-22, further revealed that one SPSE (Assam Financial Corporation) had a negative interest coverage ratio ranging between (-) 1.73 and (-) 0.31 consistently during 2019-20 to 2021-22

1.1.11 Operating Efficiency of SPSEs

1.1.11.1 Key parameters

Some of the key parameters of the operational efficiency of working SPSEs during 2019-20 to 2021-22 as per their latest finalised accounts as on 30 September of the respective year are given in **Table 1.1.11**.

Table 1.1.11: Key parameters of operational efficiency of working SPSEs

Year	No. of working SPSEs	Paid up capital	Accumulated losses (-)	Free reserve & surplus	Net overall profits (+)/ losses (-)	EBIT	Capital Employed ²³
2019-20	35	1,982.27	(-) 5,113.57	1,069.20	(-) 125.01	182.66	2,790.21
2020-21	35	1,982.52	(-) 5,017.77	1,166.90	90.24	306.70	2,392.66
2021-22	35	2,266.02	(-) 3,295.95	1,371.18	171.31	374.42	4,260.04

Source: As per latest finalised accounts as on 30 September of the respective year

From **Table 1.1.11**, it can be seen that the net overall losses of SPSEs during 2019-20 (₹ 125.01 crore), had turned into profits of ₹ 90.24 crore (2020-21). This was mainly due to the increase in the profits of one power sector SPSE (Assam Power Distribution Company Limited) from ₹ 21.01 crore²⁴ (2019-20) to ₹ 202.69 crore²⁵ (2020-21)

²² Excluding three SPSEs (Serial No. A1, B22 & B30 of Appendix 3), which capitalised the interest expenses and other eight SPSEs (Serial No. B4, B8, B11, B13, B14, B15, B16 & B17 of Appendix 3), which did not provide for the interest liability in their Accounts.

²³ Capital Employed= Paid-up share capital plus Free reserves & Surplus plus Long-term loans minus Accumulated losses minus Deferred revenue expenditure.

²⁴ As per SPSE's latest finalised accounts for the year 2018-19.

²⁵ As per SPSE's latest finalised accounts for the year 2019-20.

indicating improvement in the performance of SPSE. The profits of the working SPSEs further increased from ₹ 90.24 crore (2020-21) to ₹ 171.31 crore (2021-22) mainly due to the increase (₹ 203.56 crore) in the profits of one power sector SPSE (Assam Power Generation Corporation Limited) during the reporting year 2021-22. This has caused corresponding increase in the EBIT of working SPSEs from ₹ 306.70 crore (2020-21) to ₹ 374.42 crore (2021-22).

The accumulated losses of the working SPSEs during 2021-22 have recorded a reduction of ₹ 1,721.82 crore (34.31 per cent) from ₹ 5,017.77 crore (2020-21) to ₹ 3,295.95 crore (2021-22). Major contributors to the accumulated losses to the extent of ₹ 2,867.67 crore (87.01 per cent) during 2021-22 were four SPSEs namely, Assam State Transport Corporation (₹ 1,037.83 crore), Assam Power Distribution Company Limited (₹ 1,232.67 crore²⁶), Assam Electricity Grid Corporation Limited (₹ 313.14 crore) and Assam Tea Corporation Limited (₹ 284.03 crore).

1.1.11.2 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency of the total capital employed by a company. *Companies create value when they generate returns on the capital employed in excess of the cost of capital.* RoCE is an important metric for long-term lenders. RoCE is calculated by dividing a company's EBIT by the Capital Employed.

The RoCE is not workable in respect of SPSEs having negative capital employed. During 2021-22, out of 35 working SPSEs, 24²⁷ SPSEs had positive capital employed while remaining 11 SPSEs had negative capital employed as detailed in **Appendix 3**. The details of RoCE in respect the working SPSEs having positive capital employed during the last three years (2019-20 to 2021-22) have been given in **Table 1.1.12**.

Table 1.1.12: Return on Capital Employed

Year	Working SPSEs	SPSEs having positive Capital Employed			
		Number	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2019-20	35	24	107.70	4,180.30	2.58
2020-21	35	23	110.55	4,552.03	2.43
2021-22	35	24	369.53	5,423.04	6.81

Source: As per latest finalised accounts as on 30 September 2022

As can be seen from **Table 1.1.12**, during the last three years, the SPSEs with positive capital employed had registered increase of ₹ 1,242.74 crore (29.73 per cent) in their aggregate capital employed from ₹ 4,180.30 crore (2019-20) to ₹ 5,423.04 crore (2021-22). The EBIT of these SPSEs had also increased by ₹ 261.83 crore (243.11 per cent) from ₹ 107.70 crore (2019-20) to ₹ 369.53 crore (2021-22). As a result, the RoCE of

²⁶ After netting off the Free reserve and surplus (₹ 18.54 crore).

²⁷ SPSEs at Serial No. A1, A2, A3, B5, B6, B8, B9, B12, B15, B16, B18, B19, B20, B21, B22, B24, B26, B27, B29, B30, B31, B32, C1 and C3 of **Appendix 3**.

the working SPSEs having positive capital employed had also improved from 2.58 per cent (2019-20) to 6.81 per cent (2021-22) during last three years.

1.1.11.3 Return on Equity

Return on equity²⁸ (RoE) is a measure of financial performance of companies calculated by dividing the 'net income earned' by the equity.

During 2021-22, 24 working SPSEs earned profits of ₹ 513.40 crore as compared to the profits of ₹ 363.11 crore earned by 20 working SPSEs during 2020-21. Further, out of 24 SPSEs which earned profit during 2021-22, 16 SPSEs²⁹ had positive equity or shareholders' fund. The RoE of these 16 SPSEs was 13.60³⁰ per cent during 2021-22 as compared to the RoE of 6.77 per cent during 2020-21 in respect of 15 SPSEs (having positive equity or shareholders' fund). In case of the remaining eight³¹ SPSEs which earned profit during 2021-22, the accumulated losses (₹ 819.57 crore) had completely eroded their paid-up capital (₹ 149.75 crore) as per their latest finalised accounts.

1.1.11.4 SPSEs incurring Losses

The position of aggregate losses incurred by loss-making working SPSEs during the past three years as per their latest finalised accounts is given in **Table 1.1.13**.

Table 1.1.13: Details of loss making working SPSEs

Year	2019-20	2020-21	2021-22
Total number of working SPSEs	35	35	35
Number of loss making working SPSEs	19	15	11
Aggregate losses (₹ in crore)	(-) 312.16	(-) 272.87	(-) 342.09

Source: As per latest finalised accounts of working SPSEs as on 30 September

The details of losses of 11 loss-making working SPSEs and their turnover from core activities (*i.e.* excluding income from bank interest and other ancillary activities) during the year 2021-22 are given in **Table 1.1.14**.

Table 1.1.14: The details of losses and turnover of loss making SPSEs during 2021-22
(₹ in crore)

Sl. No.	Name of the SPSE	Latest finalised accounts	Net Loss	Turnover
1	Assam Power Distribution Company Limited	2020-21	292.42	5,695.97
2	Assam State Transport Corporation	2018-19	38.67	88.44
3	Assam Financial Corporation	2021-22	3.94	6.24
4	Assam Small Industries Development Corporation Limited	2014-15	3.11	44.86
5	Assam Police Housing Corporation Limited	2015-16	2.54	2.91
6	Assam State Film (Finance & Development) Corporation Limited	2015-16	0.47	0.03
7	Assam Livestock and Poultry Corporation Limited	2017-18	0.36	0.28
8	Assam State Fertilizers and Chemicals Limited	2011-12	0.20	1.98
9	Assam Plantation Crops Development Corporation Limited	2013-14	0.16	1.99

²⁸ **Return on Equity** = (Net profit after tax and preference dividend ÷ Equity) x 100; where, **Equity**=paid up capital *plus* free reserves and accumulated profits *minus* accumulated losses and deferred revenue expenditure.

²⁹ SPSEs at serial no. A1, B5, B9, B12, B16, B18, B19, B21, B22, B24, B27, B29, B30, B31, B32 and C3 of **Appendix 3**.

³⁰ Net Profit (₹ 365.50 crore) ÷ Shareholders' fund (₹ 2,688.10 crore) x 100.

³¹ SPSEs at serial no. A2, B4, B7, B10, B11, B13, B23 and B28 of **Appendix 3**.

Sl. No.	Name of the SPSE	Latest finalised accounts	Net Loss	Turnover
10	Amtron Informatics (India) Limited	2015-16	0.12	Nil
11	Assam Hills Small Industries Development Corporation Limited	2004-05	0.10	0.01
Total			342.09	5,842.71

Source: As per latest finalised accounts of SPSEs as on 30 September 2022

From **Table 1.1.14**, it can be seen that 96.78 per cent (₹ 331.09 crore) of the losses incurred by working SPSEs (₹ 342.09 crore) during 2021-22 were contributed by two SPSEs, namely, Assam Power Distribution Company Limited (APDCL) and Assam State Transport Corporation (ASTC). APDCL had contributed highest losses (₹ 292.42 crore) mainly due to reduction in its turnover by ₹ 175.99 crore³² as well as increase in power purchase cost by ₹ 258.41 crore³³ during 2021-22.

Further, based on the core activities undertaken by working SPSEs, the 11 loss-making SPSEs are classified under Agriculture & Allied sector (2 SPSEs), Finance sector (2 SPSEs), Infrastructural sector (3 SPSEs), Manufacturing sector (2 SPSEs), Power sector (1 SPSE) and Service sector (1 SPSE). It was further seen that except for the two SPSEs under Power and Service Sectors (APDCL and ASTC), the remaining nine SPSEs are relatively less essential as per their activities performed. It may be noticed from **Table 1.1.14** above that the turnover of eight out of these nine SPSEs during 2021-22 (except Assam Small Industries Development Corporation Limited) was negligible ranging between zero (Amtron Informatics (India) Limited) and ₹ 6.24 crore (Assam Financial Corporation) indicating that their present core activities are at negligible levels. *In view of this scenario, the GoA may review the working of these loss-making SPSEs for their sustainability and initiate appropriate action.*

1.1.11.5 SPSEs having complete erosion of paid-up capital

Complete erosion of equity capital by the accumulated losses (net after free reserves) represents negative net worth of the SPSEs.

The aggregate paid-up capital and overall accumulated losses (net after adjusting free reserves & surplus) of 35 working SPSEs as per their latest finalised accounts as on 30 September 2022 were ₹ 2,266.02 crore and (-) ₹ 1,924.77 crore respectively. Analysis of investment and net accumulated losses of these SPSEs revealed that the accumulated losses (net after adjusting free reserves & surplus) of 16 working SPSEs (₹ 3,142.23 crore) had completely eroded their paid-up capital (₹ 782.09 crore) as detailed in **Table 1.1.15**.

Table 1.1.15: Erosion of Capital of SPSEs

(₹ in crore)				
Sl. No.	Name of the SPSE	Latest finalised accounts	Paid-up capital	Accumulated losses (net after adjusting free reserves)
1	Assam Power Distribution Company Ltd.	2020-21	445.90	(-)1,232.67

³² ₹ 5,871.96 crore (2019-20) - ₹ 5,695.97 crore (2020-21)

³³ ₹ 5,807.24 crore (2020-21) - ₹ 5,548.83 crore (2019-20)

Sl. No.	Name of the SPSE	Latest finalised accounts	Paid-up capital	Accumulated losses (net after adjusting free reserves)
2	Assam State Transport Corporation	2018-19	167.73	(-)1,037.83
3	Assam Electricity Grid Corporation Ltd.	2021-22	99.93	(-)313.14
4	Assam Tea Corporation Ltd.	2014-15	27.54	(-)284.03
5	Ashok Paper Mill (Assam) Ltd.	2018-19	0.01	(-)99.43
6	Assam Plains Tribes Development Corporation Ltd.	2020-21	2.95	(-)41.88
7	Assam State Development Corporation for Scheduled Castes Ltd.	2016-17	10.10	(-)32.39
8	Assam State Development Corporation for Other Backward Classes Ltd.	2020-21	3.40	(-)18.82
9	Assam Small Industries Development Corporation Ltd.	2014-15	6.67	(-)17.63
10	Assam Government Marketing Corporation Ltd.	2018-19	4.36	(-)17.50
11	Assam Plantation Crops Development Corporation Ltd.	2013-14	5.00	(-)13.71
12	Assam Hills Small Industries Development Corporation Ltd.	2004-05	2.00	(-)11.47
13	Assam Seeds Corporation Ltd.	2016-17	1.46	(-)10.03
14	Assam State Fertilizers and Chemicals Ltd.	2011-12	4.93	(-)7.28
15	Amtron Informatics (India) Ltd.	2015-16	0.01	(-)4.13
16	Assam State Film (Finance & Development) Corporation Ltd.	2015-16	0.10	(-)0.29
Total			782.09	(-)3,142.23

Source: As per latest finalised accounts as on 30 September 2022

It was seen that the net worth of 13 out of 16 SPSEs mentioned above continued to be negative for more than 10 years, while the net worth of remaining three SPSEs³⁴ was negative for less than 10 years. The gradual increase in the losses of above SPSEs over the years is a drain on the State's economy and resources.

Accumulation of losses of above SPSEs had eroded public wealth, which is a cause of concern and the State Government needs to review the working of these SPSEs to either improve their profitability or close their operations.

1.1.12 Return on Investment by GoA based on Present Value of Investment

The Rate of Real Return (RoRR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value.

To determine the RoRR on investment, the investment of GoA in the form of equity, interest-free loans and grants/subsidies given by the GoA for operational and management expenses less disinvestments (if any) has been considered and indexed to their Present Value (PV) and summated. The RoRR is then calculated by dividing the 'Profit After Tax' (PAT) by the sum of the PV of the GoA investment.

GoA infused funds in the form of equity and loans (all interest bearing) in 40 SPSEs and revenue grants/subsidies in all 51 SPSEs since inception of the SPSEs. During

³⁴ Assam State Film (Finance & Development) Corporation Limited, Assam Power Distribution Company Limited and Assam Electricity Grid Corporation Limited.

2021-22, the 35 working SPSEs earned an overall profit of ₹ 171.31 crore comprising profit of ₹ 513.40 crore (24 SPSEs) and loss of ₹ 342.09 crore (11 SPSEs). In addition, 16 non-working SPSEs incurred an overall loss of ₹ 3.37 crore as per their latest finalised accounts (*Appendix 4*). Based on historical value of investment, the return on investment by GoA during 2021-22 was 1.10 *per cent*. On the other hand, when the present value of investment is considered, the RoRR on investment by GoA during 2021-22 worked out at 0.75 *per cent* as shown in *Appendix 4*. This difference in the percentage of return on investment by GoA was on account of adjustments made in the investment amount for time value of money.

1.1.13 Performance of SPSEs having no arrear of accounts

Seven out of 35 working SPSEs had finalised their accounts up to the financial year 2021-22. The financial position and working results of the seven SPSEs³⁵ as per their accounts for the years from 2019-20 to 2021-22 is given in *Table 1.1.16*.

Table 1.1.16: Performance of SPSEs having no arrear of Accounts

Particulars	Year of Accounts		
	2019-20	2020-21	2021-22
Turnover ³⁶	1,226.27	1,240.20	1,340.09
Profit/(Loss)	(-)80.12	55.67	419.40
Paid-up Capital	1,369.52	1,369.52	1,369.52
Capital grant for projects	15.28	320.14	87.72
Long-term loans (GoA)	1,225.93	1,244.72	590.27
Long-term loans (GoI/Financial Institutions)	869.00	1,134.27	1,449.16
Interest expenses	102.40	117.61	26.26
Accumulated Loss (-)	(-)527.73	(-)589.36	(-)350.43
Free reserves and surplus	940.31	1,024.13	1,193.26
GSDP	3,46,850.68	3,40,177.45	4,33,925.44
Percentage of turnover to GSDP	0.35	0.36	0.31

It can be seen from *Table 1.1.16* that:

SPSE-turnover to GSDP

The turnover of the seven SPSEs had shown a gradual increase from ₹ 1,226.27 crore (2019-20) to ₹ 1,340.09 crore (2021-22). The major contributors to SPSEs' turnover during 2021-22 were two power sector SPSEs *viz.*, Assam Power Generation Corporation Limited (APGCL) (₹ 489.69 crore) and Assam Electricity Grid Corporation Limited (AEGCL) (₹ 379.29 crore). Further, Assam Gas Company Limited (₹ 253.24 crore) also contributed substantially to the SPSEs overall turnover. The increase in SPSEs'-turnover during 2019-22 was 8.49 *per cent* as against the growth rate of the GSDP of 25.10 *per cent* leading to decrease in the contribution of SPSEs' turnover to GSDP from 0.35 *per cent* (2019-20) to 0.31 *per cent* (2021-22).

³⁵ Assam Power Generation Corporation Limited, Assam Electricity Grid Corporation Limited, Assam Petro-Chemicals Limited, Assam Gas Company Limited, DNP Limited, Purba Bharti Gas Private Limited and Assam Financial Corporation.

³⁶ 'Turnover' represents SPSEs' income from their core activities and excludes 'other income'.

Operational results

The seven SPSEs earned an aggregate profit of ₹ 419.40 crore during 2021-22 as against an aggregate loss of ₹ 80.12 crore incurred during 2019-20. The improvement in the performance of the SPSEs was mainly due to the turnaround of Assam Electricity Grid Corporation Limited from a loss of ₹ 181.60 crore (2019-20) to profit of ₹ 105.46 crore (2021-22) and increase in the profit of Assam Power Generation Corporation Limited from ₹ 4.28 crore (2019-20) to ₹ 207.84 crore (2021-22). This improvement in the operational results of two SPSEs was mainly due to accounting of interest waiver (₹ 524.90 crore) on GoA loans as their income during 2021-22. This has correspondingly reduced the overall accumulated losses of the above seven SPSEs from ₹ 527.73 crore (2019-20) to ₹ 350.43 crore (2021-22). The increase in free reserves and surplus from ₹ 940.31 crore (2019-20) to 1,193.26 crore (2021-22) was mainly attributable to the continuous profits earned by Assam Gas Company Limited and DNP Limited during the last three years.

Capital Grants for power projects

During 2019-22, two SPSEs (Assam Electricity Grid Corporation Limited and Assam Power Generation Corporation Limited) out of the seven SPSEs having no arrear of accounts received total capital grants of ₹ 423.14 crore from GoA ranging between ₹ 15.28 crore (2019-20) to ₹ 320.14 crore (2021-22) for creation of power sector projects.

Long-term borrowings

As on 1 April 2019, four³⁷ out of the above seven SPSEs had outstanding long-term loans of ₹ 1,691.66 crore comprising loans availed from GoA (₹ 1,156.40 crore) and Banks/Financial Institutions (₹ 535.26 crore). Major portion of GoA loans was outstanding against AEGCL (₹ 504.33 crore), APGCL (₹ 602.07 crore) and AFC (₹ 50 crore). During the last three years (2019-20 to 2021-22), GoA further extended loans aggregating ₹ 101.11 crore to AEGCL (₹ 47.19 crore), APGCL (₹ 49.92 crore) and AFC (₹ 4 crore) while two other SPSEs (Assam Petro-Chemicals Limited and Assam Gas Company Limited) borrowed fresh loans (₹ 880.58 crore) from Financial Institutions.

Audit observed that against the total GoA loans of ₹ 1,156.40 crore outstanding as on 1 April 2019 against three SPSEs³⁸, only one SPSE (AFC) repaid ₹ 19.25 crore during 2019-22 while the loans outstanding (₹ 647.99 crore) of APGCL as on 31 March 2021, was converted by GoA into equity. The reduction in the interest expenses of SPSEs from ₹ 102.40 crore (2019-20) to ₹ 26.26 crore (2021-22) was mainly attributable to this conversion of GoA loan into equity.

³⁷ Assam Power Generation Corporation Limited, Assam Electricity Grid Corporation Limited, Assam Petro-Chemicals Limited and Assam Financial Corporation.

³⁸ Assam Financial Corporation: ₹ 50.00 crore; Assam Power Generation Corporation Limited: ₹ 602.07 crore and Assam Electricity Grid Corporation Limited: ₹ 504.33 crore.

Section 2: Oversight Role of CAG

1.2.1 Audit of State Public Sector Enterprises

The Comptroller & Auditor General of India (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 supplement or comment upon the Audit Report of the statutory auditor. In addition, statutes governing some Statutory Corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

1.2.2 Appointment of statutory auditors of SPSEs by CAG

Section 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. The statutory auditors of 48 SPSEs³⁹ out of total 51 SPSEs in Assam are appointed by the CAG.

1.2.3 Submission of accounts by SPSEs

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 Meeting (AGM) and as soon as may be after such preparation, laid before both the Houses of Parliament together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. In the case of State-owned Government companies, the State Government shall cause a copy of the Annual Report together with a copy of the Audit Report and the comments made thereon by the CAG to be laid before both the Houses of the State Legislature. Similar provisions exist in the respective Acts regulating Statutory Corporations.

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. Despite the above, annual accounts of various SPSEs were pending as on 30 September 2022, as discussed in the succeeding paragraphs.

³⁹ Excluding Assam State Transport Corporation where CAG is the sole auditor and other two corporations, namely, Assam Financial Corporation, whose auditors are appointed by the Corporation out of the panel of auditors provided by Reserve Bank of India and Assam State Warehousing Corporation, whose auditors are appointed by the State Government on the advice of CAG.

1.2.4 Timeliness in preparation of accounts by SPSEs

As on 31 March 2022, there were 51 SPSEs under the audit jurisdiction of the Principal Accountant General (Audit), Assam. These SPSEs include 48⁴⁰ Government Companies/Government controlled other companies and three Statutory Corporations. Details of submission of accounts by SPSEs and age-wise analysis of arrears of the accounts of SPSEs as on 30 September 2022 are given in *Table 1.2.1 and Table 1.2.2* below:

Table 1.2.1: Details of submission of accounts by SPSEs

Particulars	No. of SPSEs
Total number of SPSEs under the purview of CAG's audit	51
Number of SPSEs having no arrear of accounts	09 ⁴¹
Number of SPSEs which submitted their accounts for CAG's audit during October 2021 to September 2022	33

Table 1.2.2: Age-wise analysis of arrears of accounts of SPSEs

Particulars	Accounts in arrears	SPSEs
Break-up of accounts in arrears	Working SPSEs	185
	Companies	178
	Statutory Corporations	7
	Non-working SPSEs	203
	All Companies	203
	Total	388
Age-wise Analysis of the arrears (No. of accounts)	No arrears	09
	Working	07
	Non-working	02
	One year (2020-21)	07
	Working	06
	Non-working	01
	Two to five years (2016-17 and 2020-21)	50
	Working	41
	Non-working	09
	More than five years	331
	Working	138
	Non-working	193

Source: Compiled based on accounts of SPSEs received during October 2021 to September 2022

As mentioned earlier, the provisions of the Companies Act, 2013 (*refer Section 96, 129 and 143*) make it mandatory for all companies to place their audited accounts and auditors' report thereon (along with CAG's supplementary comments in case of Government companies/Government controlled other companies) before the AGM of shareholders within a period of six months, from the date of closing of the financial year concerned for their consideration. However, it can be observed from *Table 1.2.2*

⁴⁰ Government Companies at serial no. A1, A2, A3, B4, B5, B6, B7, B8, B9, B10, B11, B12, B13, B14, B15, B16, B17, B18, B19, B20, B21, B23, B24, B27, B28, B29, B30, D1, D2, D3, D4, D5, D6, D8, D10 & D14; Subsidiaries of Government companies at serial no. B25, B26, B31, D7, D9, D11, D12, D13, D15 & D16; Government controlled other companies at serial no. B22 & B32 of *Appendix 3*.

⁴¹ SPSEs at serial no. A1, A2, B22, B30, B31, B32, C1 (all working), D4 and D6 (non-working) of *Appendix 3*.

above that 42 SPSEs (28 working and 14 non-working) had 388 accounts pending finalisation as on 30 September 2022. The delay in finalisation of accounts ranged between 1 and 39 years. The highest number of accounts pending finalisation amongst working and non-working SPSEs pertained to Assam Plantation Crop Development Corporation Limited (29 accounts) and Assam Tanneries Limited (39 accounts) respectively.

Delay in finalisation of accounts may entail the risk of fraud/misappropriation and leakage of public money apart from violation of the provisions of the relevant statutes. Further, in absence of up-to-date accounts of SPSEs, the actual status regarding utilisation and current worth of the public money invested in these SPSEs could not be ascertained and reported to the Legislature and other stakeholders including the State Government.

The Administrative Departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts of SPSEs under their control are finalised and adopted by the SPSEs within the stipulated period. In view of the huge arrears in finalisation of accounts by the SPSEs, the Principal Accountant General (Audit), Assam had been taking up (February 2021, September 2021, December 2021, April 2022 and June 2022) the matter regularly with the GoA and the administrative departments concerned for liquidating the arrears of accounts of SPSEs. However, the GoA and the SPSEs concerned could not address the issue to clear pendency of accounts of the SPSEs in a time-bound manner.

1.2.5 Investment made by GoA in SPSEs having arrear in Accounts

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. Audit analysis revealed that GoA had invested ₹ 2,336.25 crore⁴² in 18 SPSEs during the years for which their accounts were in arrears, as detailed in *Appendix 1*. The details of eight SPSEs, which were major recipients of GoA funding of ₹ 2,253.02 crore during the period for which their accounts were in arrears have been given in *Table 1.2.3*.

Table 1.2.3: Major recipients (SPSEs) of GoA funding having accounts in arrears

(₹ in crore)

Sl. No.	SPSEs	Accounts finalised up to	Accounts in arrears	Investment by GoA during the period of arrears		
				Equity	Loans	Grants
1	Assam Power Distribution Company Ltd.	2020-21	1	-	56.44	1,288.00
2	Assam Livestock and Poultry Corporation Ltd.	2017-18	4	-	-	21.43
3	Assam Tea Corporation Ltd.	2014-15	7	-	295.23	25.00
4	Assam State Development Corporation for Scheduled Castes Ltd.	2016-17	5	-	-	32.30
5	Assam Food & Civil Supplies Corporation Ltd.	2019-20	2	-	-	35.00
6	Assam Hydro-Carbon and Energy Company Ltd.	2020-21	1	40.00	-	-

⁴²Equity: ₹ 43.50 crore (2 SPSEs), loans: ₹ 388.35 crore (5 SPSEs) and grants: ₹ 1,904.40 crore (14 SPSEs).

Sl. No.	SPSEs	Accounts finalised up to	Accounts in arrears	Investment by GoA during the period of arrears		
				Equity	Loans	Grants
7	Assam Tourism Development Corporation Ltd.	2020-21	1	-	-	58.29
8	Assam State Transport Corporation	2018-19	3	-	-	401.33
Total				40.00	351.67	1,861.35

As can be seen from **Table 1.2.3**, two SPSEs having arrear of accounts of five years or more received budgetary support of ₹ 352.53 crore by way of loans (₹ 295.23 crore) and grants (₹ 57.30 crore), out of which the budgetary support of ₹ 318.73 crore⁴³ was meant to meet the salary-related expenses of their employees, which was a burden on the State budget. In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred thereagainst have been properly accounted for.

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

1.2.6 Audit of accounts and supplementary audit

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.

1.2.7 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 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

⁴³ Government Loan (₹ 295.23 crore) to Assam Tea Corporation Limited and Grants (₹ 23.50 crore) to Assam State Development Corporation for Scheduled Castes Limited.

- to supplement or comment upon the statutory auditor's report under Section 143(6) of the Companies Act, 2013.

1.2.8 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of the financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is that of the Management of the entity (SPSE) concerned.

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 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 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 of the company concerned.

1.2.9 Result of CAG's oversight role

During October 2021 to September 2022, 33 SPSEs forwarded their 62 accounts to the Principal Accountant General (Audit), Assam. Of these, 51 accounts (eight accounts for the year 2021-22 and 43 accounts for previous years) of 26 SPSEs were selected for supplementary audit. For the remaining 11 accounts (one for the year 2021-22 and 10 accounts for previous years) of eight SPSEs⁴⁴, non-review certificates (NRCs) were issued. In addition to the above, three Consolidated Financial Statements (CFS) forwarded by three SPSEs⁴⁵ were also selected for supplementary audit.

Some of the significant comments issued on the financial statements of the SPSEs are given in **Table 1.2.4**.

A. Government Companies

Table 1.2.4: Comments on Profitability

Sl. No.	SPSEs	Comment
1	Assam Electricity Grid Corporation Limited (FY 2021-22)	(a) Based on the truing up tariff order issued (March 2022) by the Regulator (Assam Electricity Regulatory Commission) for the financial year 2020-21, the Company was liable to refund the Revenue Surplus of ₹ 29.76 crore to Assam Power Distribution Company Limited (APDCL) in twelve equal instalments during the FY 2022-23. The Company, however, did not provide for this Regulatory Liability in its Accounts resulting in

⁴⁴ Cachar Sugar Mills Limited had forwarded three accounts (2014-15, 2015-16 and 2016-17) for which supplementary audit was conducted for 2014-15 and NRC was issued for the year 2015-16 & 2016-17.

⁴⁵ Assam Gas Company Limited, Assam Electronics Development Corporation Limited and Assam Mineral Development Corporation Limited.

Audit Report on SPSEs for the year ended 31 March 2022

Sl. No.	SPSEs	Comment
		overstatement of 'profit for the year' and understatement of 'Regulatory Liabilities' to that extent. (b) Consequent upon conversion (December 2021) of outstanding Government Loans as on 31 March 2021 into equity and waiver of interest accrued thereon by GoA, the Company was liable to refund the interest component (₹ 24.06 crore) already recovered from APDCL based on the approved tariff order for 2021-22. The Company, however, did not provide for this Regulatory Liability in its Accounts resulting in overstatement of 'profit for the year' and understatement of 'Regulatory Liabilities' to that extent.
2	Assam Power Generation Corporation Limited (FY 2021-22)	The Company de-recognised the borrowing cost (₹ 14.72 crore) capitalised under 'property, plant and equipment' (PPE) after waiver (December 2021) of this cost by GoA but did not write back the corresponding value of depreciation (₹ 7.37 crore) charged on PPE. This has resulted in understatement of 'PPE' and 'Other Equity' to the same extent.
3	Assam Power Distribution Company Limited (FY 2020-21)	The Company received (September 2021) supplementary bills amounting to ₹ 15.67 crore for the year 2020-21 from three power suppliers before approval (December 2021) of the Accounts for 2020-21 but did not account the same in the financial statements. This has resulted in understatement of 'Loss for the year' and 'Current Liabilities' to the same extent.

Table 1.2.5: Comments on Financial Position

Sl. No.	SPSEs	Comment
1	Assam Electricity Grid Corporation Limited (FY 2021-22)	As on 31 March 2022, the Company incurred ₹ 162.66 crore on Asian Infrastructure Investment Bank funded projects but accounted only ₹ 119.26 crore (₹ 112.28 crore: CWIP and ₹ 6.98 crore: converted to Assets) till 31 st March 2022. Short capitalisation of project expenses already incurred resulted in understatement of the 'Capital WIP' by ₹ 43.40 crore with corresponding understatement of 'Current Liabilities' to the same extent.
2	Assam Power Generation Corporation Limited (FY 2021-22)	Based on the truing up tariff order issued (March 2022) by the Regulator (Assam Electricity Regulatory Commission) for the financial year 2020-21, the Company was liable to refund the Revenue Surplus of ₹ 32.32 crore (including the interest component of ₹ 1.35 crore for 2022-23) to Assam Power Distribution Company Limited (APDCL) in twelve equal instalments during the FY 2022-23. The Company instead of providing for this Regulatory Liability of ₹ 30.97 crore (net of the interest component pertaining to 2022-23) in its Accounts for 2021-22, adjusted the entire amount (₹ 32.32 crore) against 'Current Assets-Trade Receivables' by debiting 'Revenue from Sale of Power'. This resulted in understatement of 'Profit for the year' by ₹ 1.35 crore, 'Regulatory Liabilities' by ₹ 30.97 crore with corresponding understatement of 'Trade Receivable' by ₹ 32.32 crore.
3	Assam Power Distribution Company Limited (FY 2020-21)	The Company commissioned (December 2015-March 2020) 'intangible assets' costing ₹ 78.44 crore but recognised only ₹ 17.36 crore under 'Non-Current Assets' and wrongly kept the balance amount (₹ 61.08 crore) under 'Capital WIP'. This has resulted in understatement of 'Non-Current Assets-

Sl. No.	SPSEs	Comment
		Intangible Assets' and overstatement of 'Non-Current Assets- Capital WIP' by ₹ 61.08 crore each.

B. Statutory Corporations

Table 1.2.6: Comments on Profitability

Sl. No.	SPSEs	Comment
1	Assam State Warehousing Corporation (FY 2017-18)	The Corporation short accounted the interest liability payable towards Contributory Provident Fund (CPF) for the current year (2017-18) by ₹ 1.21 crore resulting in overstatement of 'Profit for the year' and understatement of 'Other Liabilities' to that extent.

1.2.10 Management Letters

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

The material observations on the financial statements of Government Companies were reported in the form of 'comments on accounts' 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 separately through 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit observations that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which Management of the concerned company provided assurances that corrective action would be taken in the subsequent year.

As per latest finalised accounts as on 30 September of respective years, 'Management Letters' were issued⁴⁶ to six Government companies as shown in **Table 1.2.7**.

Table 1.2.7: List of SPSEs where Management Letters were issued

Sl. No.	Name of SPSE	Year of accounts
1	Assam Hydrocarbon and Energy Company Ltd.	2019-20
2	Assam Electronics Development Ltd.	2016-17
3	DNP Ltd.	2021-22
4	Assam Fisheries Development Corporation Ltd.	2017-18
5	Assam Hills Small Industries Development Corporation Ltd.	2004-05
6	Assam Hydrocarbon and Energy Company Ltd.	2019-20

⁴⁶ Issued during the years 2020-21 and 2021-22.

Section 3: Corporate Governance

1.3.1 Introduction

The Companies Act, 2013 was notified on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. The requirement *inter alia* provides for:

- matter regarding composition of the Board of Directors (BoD), qualification, remuneration, retirements of directors, frequencies of meetings of BoD, *etc.*
- constitution of various committees like, Audit Committee, Corporate Social Responsibility Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, *etc.* in the case of the Listed Companies as well as companies meeting specified financial criteria.
- appointment of special categories of directors *viz.* independent directors, nominee director, *etc.*

1.3.2 Guidelines on Corporate Governance

In addition to the provisions contained in the Companies Act, 2013 the Security and Exchange Board of India (SEBI) notified⁴⁷ (2 September 2015) the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015. These Regulations are applicable to the Listed Companies. At present, no company has been listed on the stock exchanges and hence, the provisions of the Regulation and Listed Agreements are not applicable for the purpose of this Report.

The Public Enterprises Department, Government of Assam (PED, GoA) has issued (September 2011) 'Code of Conduct' for Directors and Senior Management for the State Public Sector Enterprises. This was followed by Guidelines on Corporate Governance issued by PED, GoA in the year 2012-13. Both these guidelines were issued while the Companies Act 1956 was in force. After enactment of the Companies Act 2013, the Code and the Guidelines were not modified.

1.3.3 Exemption allowed to Government Companies

The Central Government under Section 462 of the Companies Act, 2013 may in public interest either exempt or modify certain provisions of the Act in respect of specified class or classes of companies. GoI issued (5 June 2015) notification regarding exemption, modification and adoption of various provisions of the Companies Act in respect of Government Companies. The notification, among others, covered provisions relating to appointment, retirement, remuneration of directors, committees of directors,

⁴⁷ SEBI LODR Regulation was amended on 22 December 2015, 25 May 2016, 8 July 2016, 4 January 2017, 15 February 2017 and as modified from time to time.

related party transactions *etc.* These exemptions, modifications and adoptions were taken into account while assessing status of the Corporate Governance in the State companies.

1.3.4 Coverage of State PSEs for Corporate Governance

While assessing the status of compliance to the principle of Corporate Governance, the SPSEs established under an Act other than the Companies Act⁴⁸ have been excluded from the review. Further, non-working companies which operate only with skeleton management structure have also been excluded from the audit scrutiny as these SPSEs are not expected to comply with these provisions. Further, certain provisions of Corporate Governance related rules, guidelines, *etc.* are limited to companies fulfilling prescribed financial criteria. As the information/documents on the Corporate Governance related compliance by companies are not in the public domain, required information was called from the State-owned companies to assess the status of compliance to the principle of Corporate Governance by these companies. Out of 32 working Government companies in the State, the required information was furnished by 31 companies. Thus, this Section basically covered these 31 companies⁴⁹ for general provisions of Corporate Governance while for provisions requiring fulfilment of prescribed financial criteria, the assessment was done against specified number of companies.

1.3.5 Summarised provisions on Corporate Governance

A summarised position of the important provisions on the Corporate Governance related issues as applicable to State Companies has been given in **Table 1.3.1**.

Table 1.3.1: Provisions of Corporate Governance

Sl. No.	Particulars	Components
1	Interested parties	<ul style="list-style-type: none"> Stakeholders
2	Structural requirement	<ul style="list-style-type: none"> Board of Directors Audit Committee Corporate Social Responsibility Committee (CSR Committee) Nomination and Remuneration Committee Shareholders Relationship Committee Independent Directors Women Directors
3	Functional requirement	<ul style="list-style-type: none"> Attendance Frequency of meetings Code of conduct, training of Directors
4	Factors limiting application of Corporate Governance	<ul style="list-style-type: none"> 27 Government companies are Private Limited Companies. All the 48 Government companies are unlisted companies. Smaller size companies. 16 Government companies are non-working. Exemption allowed to Government companies.

⁴⁸ Companies Act, 1956 and Companies Act, 2013

⁴⁹ Excluding Assam Minorities Development and Finance Corporation Limited.

1.3.6 Board of Directors

1.3.6.1 Formation and Role of Board of Directors

Section 149 of the Companies Act, 2013 (Act) provides that every company shall have a Board of Directors and prescribes the minimum and maximum number of directors. Further, as per Section 179, the Board shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do.

1.3.6.2 Meeting of the Board of Directors

As per Section 173(1) of the Companies Act, 2013, a company is required to hold a minimum number of four meetings of its Board every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board. In case of Section 8 company⁵⁰, gap of six calendar months is allowed between two meetings of the Board⁵¹.

Out of 31 working companies, which furnished the required information, 9 companies⁵² were able to hold required minimum number of Board meetings each year during 2017-18 to 2021-22. Of the remaining 22 companies, 10 companies could not hold the prescribed number of meetings in any of the five years. A summarised position of organisation of the Board meetings has been depicted under **Table 1.3.2**.

Table 1.3.2: Position of Board meeting by working companies

Sl. No.	Companies	Number of Board meetings held				
		2017-18	2018-19	2019-20	2020-21	2021-22
1	Assam Power Generation Corporation Ltd.	5	7	8	4	5
2	Assam Electricity Grid Corporation Ltd.	5	7	6	4	4
3	Assam Power Distribution Company Ltd.	5	8	7	4	8
4	Assam Seeds Corporation Ltd.	1	1	1	1	3
5	Assam Fisheries Development Corporation Ltd.	2	2	2	2	3
6	Assam Livestock and Poultry Corporation Ltd.	3	3	5	2	0
7	Assam Tea Corporation Ltd.	2	4	4	2	4
8	Assam Plantation Crop Development Corporation Ltd.	1	2	3	1	0
9	Assam Food and Civil Supplies Corporation Ltd.	3	3	4	4	9
10	Assam Plains Tribes Development Corporation Ltd.	4	4	3	2	2
11	Assam State Development Corporation for Other Backward Classes Ltd.	2	0	1	2	2
12	Assam State Development Corporation for Scheduled Castes Ltd.	0	0	1	4	2
13	Assam State Film (Finance & Development) Corporation Ltd.	2	3	3	2	2

⁵⁰ A company registered as a Non-Profit Organization (NPO) with the objectives of promoting commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object and intends to apply its profits (if any) or other income in promoting its objectives.

⁵¹ As per Gazette (extraordinary) No. 375 issued by Government of India on 5 June 2015.

⁵² Including Assam Trade Promotion Organisation, a Section 8 company, which is permitted to hold two Board meetings with a gap of six calendar months.

Sl. No.	Companies	Number of Board meetings held				
		2017-18	2018-19	2019-20	2020-21	2021-22
14	Assam Hills Small Industries Development Corporation Ltd.	2	1	3	1	1
15	Assam Industrial Development Corporation Ltd.	4	6	4	3	6
16	Assam Small Industries Development Corporation Ltd.	3	5	3	2	2
17	Assam Electronics Development Corporation Ltd.	3	7	4	6	4
18	Assam Mineral Development Corporation Ltd.	5	5	6	6	4
19	Assam Police Housing Corporation Ltd.	3	5	4	2	3
20	Assam Trade Promotion Organisation	2	2	3	2	3
21	Assam Petro-Chemicals Ltd.	9	11	6	5	9
22	Ashok Paper Mill (Assam) Ltd.	2	3	1	2	1
23	Assam Hydro-Carbon and Energy Company Ltd.	3	3	4	3	4
24	Amtron Informatics (India) Ltd.	4	4	6	4	4
25	Assam State Fertilizers and Chemicals Ltd.	3	5	4	3	4
26	Assam Tourism Development Corporation Ltd.	2	1	1	0	1
27	Assam Government Marketing Corporation Ltd.	1	2	2	3	2
28	Assam State Text Book Production and Publication Corporation Ltd.	3	0	1	1	1
29	Assam Gas Company Ltd.	6	7	10	6	7
30	DNP Ltd.	10	10	6	7	8
31	Purba Bharti Gas Private Ltd.	Not incorporated		2	7	6

Source: Information furnished by the companies

During 2017-18 to 2021-22, as against the permissible gap of 120 days between two Board meetings, 27 companies held as many as 113 meetings with intervening period ranging from 124 to 1,349 days. Similarly, during 2017-18 to 2021-22, there were gaps of 235 to 320 days in holding 3 meetings by Assam Trade Promotion Organisation⁵³ against the permissible gap of 6 months. The summarised position of the companies, which organised their Board meetings beyond the permissible intervening periods during 2017-18 to 2021-22 has been depicted in **Table 1.3.3**.

Table 1.3.3: Summarised range of gap between two Board meetings which are beyond 120 days

Sl. No.	Companies	No. of meetings	Gap between two meetings (days)
1	Amtron Informatics (India) Ltd.	1	141
2	Ashok Paper Mill (Assam) Ltd.	8	139 to 433
3	Assam Electricity Grid Corporation Ltd.	2	156 to 163
4	Assam Electronics Development Corporation Ltd.	2	141 to 177
5	Assam Fisheries Development Corporation Ltd.	6	171 to 371
6	Assam Food & Civil Supplies Corporation Ltd.	6	124 to 251
7	Assam Government Marketing Corporation Ltd.	6	124 to 272
8	Assam Hills Small Industries Development Corporation Ltd.	7	129 to 388
9	Assam Hydro-Carbon and Energy Company Ltd.	6	133 to 173
10	Assam Industrial Development Corporation Ltd.	1	165
11	Assam Livestock and Poultry Corporation Ltd.	3	154 to 270

⁵³ Section 8 company

Sl. No.	Companies	No. of meetings	Gap between two meetings (days)
12	Assam Mineral Development Corporation Ltd.	1	159
13	Assam Petro-Chemicals Ltd.	1	145
14	Assam Plains Tribes Development Corporation Ltd.	4	125 to 350
15	Assam Plantation Crop Development Corporation Ltd.	5	145 to 526
16	Assam Police Housing Corporation Ltd.	4	152 to 219
17	Assam Power Distribution Company Ltd.	2	151 to 189
18	Assam Power Generation Corporation Ltd.	1	173
19	Assam Seeds Corporation Ltd.	5	328 to 536
20	Assam Small Industries Development Corporation Ltd.	5	159 to 229
21	Assam State Development Corporation for Other Backward Classes Ltd.	7	145 to 617
22	Assam State Development Corporation for Scheduled Castes Ltd.	4	169 to 1,349
23	Assam State Fertilizers and Chemicals Ltd.	1	178
24	Assam State Film (Finance & Development) Corporation Ltd.	8	130 to 287
25	Assam State Text Book Production and Publication Corporation Ltd.	6	191 to 605
26	Assam Tea Corporation Ltd.	6	126 to 198
27	Assam Tourism Development Corporation Ltd.	6	152 to 502
28	Assam Trade Promotion Organisation	3	235 to 320
Total		116	

Source: Information furnished by the companies

1.3.7 Independent Directors

1.3.7.1 Role of Independent Directors

As per Section 149(6) of the Act, an Independent Director is a Director other than a Managing Director or a Whole Time Director or a nominee Director, who in the opinion of the Board, is a person of integrity and possess relevant expertise and experience. The Independent Directors shall help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.

1.3.7.2 Number of Independent Directors

As per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, public companies having paid up share capital of ₹ 10 crore or more; turnover of ₹ 100 crore or more and aggregate outstanding loans, debentures and deposits, exceeding ₹ 50 crore shall have at least two directors as Independent Directors.

Based on the financial criteria mentioned above, seven Government companies⁵⁴ were required to have independent directors on the Board. Three out of these seven companies either did not have any Independent Director on their Board or had lesser number of Independent Directors than the statutory requirement as per details given in **Table 1.3.4**.

⁵⁴ Assam Electricity Grid Corporation Limited, Assam Power Distribution Company Limited, Assam Petro-Chemicals Limited, Assam Power Generation Corporation Limited, Assam Hydro-Carbon and Energy Company Limited, Assam Tea Corporation Limited and Assam Food and Civil Supplies Corporation Limited.

Table 1.3.4: Position of Independent Director

Sl. No.	Companies	Strength of the Board	Number of Independent Directors	
			Required	Actual
1	Assam Hydro-Carbon and Energy Company Ltd.	6	2	Nil
2	Assam Tea Corporation Ltd.	4	2	Nil
3	Assam Food & Civil Supplies Corporation Ltd.	7	2	1

Source: Information furnished by the companies

1.3.7.3 Separate meetings of Independent Directors

As per the Code for Independent Directors prescribed under Schedule IV of the Companies Act, 2013, the Independent Directors of a company were required to hold at least one meeting in a year, without the attendance of non-independent directors and members of management.

A summarised position of the separate meetings of Independent Directors during 2021-22 has been given in *Table 1.3.5*.

Table 1.3.5: Position of compliance to code of conduct of Independent Directors

Sl No	Companies	Independent Directors	
		Number	Separate meetings
1	Assam Electricity Grid Corporation Ltd.	3	No separate meeting
2	Assam Power Distribution Company Ltd.	3	No separate meeting
3	Assam Petro-Chemicals Ltd.	2	No separate meeting
4	Assam Power Generation Corporation Ltd.	2	One separate meeting held

Source: Information furnished by the companies

Out of five companies where Independent Directors were appointed as per the requirement of the Act, separate meeting of the Independent Directors was organised by only one company⁵⁵ during 2021-22. In case of Assam Food and Civil Supplies Corporation Limited, however, no separate meeting was feasible as there was only one Independent Director on the Board.

1.3.7.4 Appointment of woman director

As per Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014, other than listed companies, every public company having paid-up share capital of ₹ 100 crore or more; or turnover of ₹ 300 crore or more shall appoint at least one woman director on its Board.

Based on the criteria mentioned above, all five companies⁵⁶ which were required to have woman-director on their Board have complied with the above requirement. In addition, 13 companies had voluntarily appointed woman directors on their Board although these companies were not legally required to do so. This indicated compliance to the statutory provisions and the spirit of gender sensitisation by these companies.

⁵⁵ Assam Power Generation Corporation Limited.

⁵⁶ Assam Power Distribution Company Limited, Assam Electricity Grid Corporation Limited, Assam Power Generation Corporation Limited, DNP Limited and Assam Petro-Chemicals Limited.

1.3.8 Committees of BoD

1.3.8.1 Audit committee

As per Rule 6 of the Companies (Meeting of Board and its Power) Rules, 2014, other than listed companies, all public companies having paid-up capital of ₹ 10 crore or more; turnover of ₹ 100 crore or more; and outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more as per last audited Financial Statements are required to constitute an Audit Committee. Further, as per Section 177 of the Companies Act, 2013, the Audit Committee shall consist of a minimum of three directors with independent directors forming a majority.

Based on the criteria mentioned above, out of eight companies, which were required to constitute an Audit Committee, six companies had formed Audit Committees during 2021-22 as shown in **Table 1.3.6**.

Table 1.3.6: Status of formation of Audit Committee during 2021-22

Sl. No	Companies	Number of member of Audit Committee (AC)	No. of Independent Directors in AC		Criteria applied
			Required	Actual	
1	Assam Power Distribution Company Ltd.	3	2	2	Loan, Share capital and Turnover
2	Assam Electricity Grid Corporation Ltd.	4	2	3	Loan, Share capital and Turnover
3	Assam Power Generation Corporation Ltd.	3	2	2	Loan, Share capital and Turnover
4	Assam Petro-Chemicals Ltd.	3	2	2	Loan, Share capital and Turnover
5	Assam Hydro-Carbon and Energy Company Ltd.	3	2	--	Share capital
6	Assam Tea Corporation Ltd.	Not Formed	2	--	Loan and Share Capital
7	Assam Food & Civil Supplies Corporation Ltd.	3	2	1	Share capital
8	Assam Trade Promotion Organisation	Not Formed	-- ⁵⁷	--	Share capital

Source: Information furnished by the companies

As can be seen from **Table 1.3.6**, all three power sector companies⁵⁸ have complied with the provisions relating to formation and composition of Independent Directors in the Audit Committee. Further, three private limited companies/Joint Ventures⁵⁹ which were under no legal obligation to constitute Audit Committee also formed Audit Committees during 2021-22, indicating a gesture of good Corporate Governance on their part.

⁵⁷ Provision of independent director not applicable for Section 8 companies.

⁵⁸ Assam Power Distribution Company Limited, Assam Electricity Grid Corporation Limited, Assam Power Generation Corporation Limited.

⁵⁹ Assam Gas Company Limited, Assam Industrial Development Corporation Limited and DNP Limited.

1.3.8.2 Nomination and Remuneration Committee

As per Rule 6 of Companies (Meetings of Board and its Powers) Rules, 2014, other than listed companies, all public companies having paid up capital of ₹ 10 crore or more; turnover ₹ 100 crore or more; and outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more as per last audited Financial Statements are required to constitute a Nomination and Remuneration (N&R) Committee. Further, as per Section 178(1) of the Companies Act, 2013, the N&R Committee shall consist of three or more non-executive directors out of which not less than one-half shall be Independent Directors.

Out of eight companies covered under the above criteria, three companies did not constitute the Committee during 2021-22, as shown in **Table 1.3.7**.

Table 1.3.7: Position of constitution of Remuneration Committee

Sl No	Companies	Criteria applied	No. of members
1	Assam Power Distribution Company Ltd.	Loan, Share capital, Turnover	3
2	Assam Electricity Grid Corporation Ltd.	Loan, Share capital, Turnover	2
3	Assam Power Generation Corporation Ltd.	Loan, Share capital, Turnover	3
4	DNP Ltd.	Share capital, Turnover	3
5	Assam Hydro-Carbon and Energy Company Ltd.	Share capital	Not formed
6	Assam Petro-Chemicals Ltd.	Loan, Share capital, Turnover	3
7	Assam Tea Corporation Ltd.	Loan, Share capital,	Not formed
8	Assam Food & Civil Supplies Corporation Ltd.	Share capital,	Not formed

Source: Information furnished by the companies

Further, one company (*viz.* Assam Gas Company Limited), being a private limited Company and not required to constitute the above committee, had voluntarily formed the Committee comprising of four members.

1.3.8.3 Stakeholders Relationship Committee

As per Section 178(5) of the Act, the Board of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee consisting of a Chairperson who shall be a non-executive Director and such other members as may be decided by the Board.

Based on the criteria mentioned above, none of the companies was required to constitute the Stakeholders Relationship Committee. One company (Assam Petro-Chemicals Limited) although not covered under the above provisions, had voluntarily constituted Stakeholders Relationship Committee to look after grievances of its 368 shareholders.

1.3.9 Other statutory requirements

1.3.9.1 Annual Return

As per Section 92 of the Act, every company shall prepare an Annual Return in the prescribed form containing the particulars as they stood at the close of the financial

year, containing various information on the prescribed matters in the Act. An extract of the Annual Return in such form as may be prescribed shall form part of the Board's Report. A copy of Annual Return is required to be filed with the Registrar of Companies (RoC) within 60 days from the date on which the Annual General Meeting (AGM) was held or where no AGM was held in any year, within 60 days from the date on which the AGM meeting should have been held, together with the statement specifying the reasons for not holding the AGM, with such fees or additional fees as may be prescribed.

As per information furnished by 30⁶⁰ out of 32 working companies, 7 companies⁶¹ had filed Annual Return for the year 2021-22. In case of remaining 23 companies, there were pendency of 1 to 17 years in filing of the Annual Returns as detailed in **Table 1.3.8**.

Table 1.3.8: Position of pendency in filing of Annual return by working companies

Sl. No.	Companies	Annual Returns	
		Filed up to	Pendency (years)
1	Assam Trade Promotion Organisation Ltd.	2020-21	1
2	Assam Power Generation Corporation Ltd.	2020-21	1
3	Assam Food & Civil Supplies Corporation Ltd.	2019-20	1
4	Assam Electronics Development Corporation Ltd.	2019-20	2
5	Assam Mineral Development Corporation Ltd.	2019-20	2
6	Ashok Paper Mill (Assam) Ltd.	2019-20	2
7	Assam Plains Tribes Development Corporation Ltd.	2019-20	2
8	Amtron Informatics (India) Ltd.	2019-20	2
9	Assam Power Distribution Company Ltd.	2020-21	1
10	Assam Hydro-Carbon and Energy Company Ltd.	2020-21	1
11	Assam State Development Corporation for Other Backward Classes Ltd.	2019-20	2
12	Assam State Development Corporation for Scheduled Castes Ltd.	2019-20	2
13	Assam State Fertilizers and Chemicals Ltd.	2019-20	2
14	Assam Tourism Development Corporation Ltd.	2019-20	2
15	Assam Police Housing Corporation Ltd.	2019-20	2
16	Assam Small Industries Development Corporation Ltd.	2018-19	3
17	Assam Tea Corporation Ltd.	2017-18	4
18	Assam Livestock and Poultry Corporation Ltd.	2016-17	5
19	Assam Fisheries Development Corporation Ltd.	2015-16	6
20	Assam Seeds Corporation Ltd.	2019-20	2
21	Assam Hills Small Industries Development Corporation Ltd.	2008-09	13
22	Assam Government Marketing Corporation Ltd.	2008-09	13
23	Assam State Text Book Production and Publication Corporation Ltd.	2004-05	17

Source: Information furnished by SPSEs

⁶⁰ Two companies (Assam Plantation Crops Development Corporation Limited and Assam Minorities Development and Finance Corporation Limited) did not provide the information on the actual date of filing of Annual return.

⁶¹ 1. Assam Electricity Grid Corporation Limited, 2. Assam Industrial Development Corporation Limited, 3. Assam Petro-Chemicals Limited, 4. Assam Gas Company Limited, 5. DNP Limited, 6. Purba Bharati Gas Private Limited and 7. Assam State Film (Finance & Development) Corporation Limited.

Further, 24 companies filed their Annual Returns belatedly on 88 occasions with a delay ranging from 13 to 1,532 days⁶² than the prescribed timeline as detailed in **Table 1.3.9**.

Table 1.3.9: Range of delays in filing of Annual return by companies

Sl. No.	Companies	Latest return	No. of returns filed belatedly	Range of delay (in days)
1	Assam Electricity Grid Corporation Ltd.	2021-22	6	21 to 881
2	Assam Gas Company Ltd.	2021-22	1	27
3	Assam Trade Promotion Organisation Ltd.	2021-22	5	13 to 1177
4	DNP Ltd.	2021-22	1	20
5	Purba Bharati Gas Private Ltd.	2021-22	2	18 to 54
6	Assam Food & Civil Supplies Corporation Ltd.	2020-21	5	48 to 1476
7	Assam Hydro-Carbon and Energy Company Ltd.	2020-21	3	28 to 144
8	Assam Power Distribution Company Ltd.	2020-21	4	28 to 114
9	Assam Power Generation Corporation Ltd.	2020-21	4	27 to 368
10	Amtron Informatics (India) Ltd.	2019-20	3	127 to 254
11	Ashok Paper Mill (Assam) Ltd.	2019-20	5	25 to 761
12	Assam Electronics Development Corporation Ltd.	2019-20	5	125 to 246
13	Assam Mineral Development Corporation Ltd.	2019-20	3	27 to 204
14	Assam Plains Tribes Development Corporation Ltd.	2019-20	5	144 to 1298
15	Assam Police Housing Corporation Ltd.	2019-20	4	82 to 1127
16	Assam State Development Corporation for Other Backward Classes Ltd.	2019-20	4	245 to 1399
17	Assam State Fertilizers and Chemicals Ltd.	2019-20	5	121 to 849
18	Assam Tourism Development Corporation Ltd.	2019-20	5	233 to 1477
19	Assam Small Industries Development Corporation Ltd.	2018-19	5	81 to 1532
20	Assam Syntex Ltd.	2018-19	4	161 to 1048
21	Fertichem Ltd.	2018-19	4	161 to 1041
22	Assam Tea Corporation Ltd.	2017-18	1	305
23	Assam Livestock and Poultry Corporation Ltd.	2016-17	1	1384 to 1384
24	Assam State Weaving and Manufacturing Company Ltd.	2015-16	3	161 to 1043
Total			88	

Source: Information furnished by the companies

1.3.9.2 Annual General Meeting

As per Section 96 of the Act, every company other than a One Person Company shall hold its annual general meeting (AGM) each year, within six months⁶³ from the date of closing of the financial year, The gap between two AGMs should not be more than fifteen months. This means AGM is to be conducted by 30 September following the close of the financial year concerned unless an extension is granted by RoC. For the financial year 2021-22, the Central Government had relaxed the deadline to hold the AGM by companies up to 30 December 2022.

⁶² Assam Small Industries Development Corporation Limited filed the annual return for 2015-16 on 09 February 2021 against due date of 30 November 2016.

⁶³ 9 months in case of 1st AGM.

As discussed under *paragraph 1.2.4 supra*, 26 out of 32 working companies had arrears of 178 accounts with pendency ranging from one to 29 years. These companies held the AGMs but undertook businesses/agenda items other than adoption of the audited annual accounts and thereafter the AGMs were adjourned. Status of holding and conclusion of AGMs as submitted by 28 out of 32 working companies as on 30 September 2022 is given in *Table 1.3.10*.

Table 1.3.10: Status of holding and conclusion of AGMs by working companies

Sl. No.	Working companies	Annual General Meetings	
		held up to	concluded up to
1	Assam Electricity Grid Corporation Ltd.	2021-22	2021-22
2	Assam Gas Company Ltd.	2021-22	2021-22
3	Assam Petrochemicals Ltd.	2021-22	2021-22
4	Assam Power Generation Corporation Ltd.	2021-22	2021-22
5	DNP Ltd.	2021-22	2021-22
6	Purba Bharati Gas Private Ltd.	2021-22	2021-22
7	Assam Hydro-Carbon and Energy Company Ltd.	2021-22	2020-21
8	Assam Livestock and Poultry Corporation Ltd.	2021-22	2020-21
9	Assam Plains Tribes Development Corporation Ltd.	2020-21	2020-21
10	Assam Power Distribution Company Ltd.	2021-22	2020-21
11	Assam Food & Civil Supplies Corporation Ltd.	2021-22	2019-20
12	Assam Industrial Development Corporation Ltd.	2021-22	2019-20
13	Assam State Development Corporation for Other Backward Classes Ltd.	2020-21	2019-20
14	Assam Trade Promotion Organisation Ltd.	2020-21	2019-20
15	Assam Tourism Development Corporation Ltd.	2020-21	2018-19
16	Assam State Film (Finance & Development) Corporation Ltd.	2021-22	2015-16
17	Ashok Paper Mill (Assam) Ltd.	2020-21	2015-16
18	Assam Fisheries Development Corporation Ltd.	2020-21	2015-16
19	Assam Livestock and Poultry Corporation Ltd.	2020-21	2015-16
20	Assam Small Industries Development Corporation Ltd.	2019-20	2014-15
21	Assam Electronics Development Corporation Ltd.	2020-21	2013-14
22	Assam Police Housing Corporation Ltd.	2019-20	2013-14
23	Assam Seeds Corporation Ltd.	2019-20	2013-14
24	Assam Tea Corporation Ltd.	2019-20	2012-13
25	Assam State Development Corporation for Scheduled Castes Ltd.	2019-20	2009-10
26	Assam State Fertilizers and Chemicals Ltd.	2019-20	2009-10
27	Assam Government Marketing Corporation Ltd.	2019-20	2008-09
28	Assam Hills Small Industries Development Corporation Ltd.	2019-20	2000-01

Source: Information furnished by the companies

As can be seen from *Table 1.3.10*, out of 28 working companies who had organised AGMs 12 companies held AGM up to the financial year 2021-22, eight companies had organised AGM up to 2020-21, while the remaining eight companies had organised AGM up to 2019-20. As regard to conclusion of AGMs, six working companies having finalised their accounts for 2021-22 had concluded the AGM for the year 2021-22, while remaining 22 companies had concluded the AGMs for the year ranging between 2000-01 and 2020-21.

Section 4: Corporate Social Responsibility

1.4.1 Introduction

Section 135 and Schedule VII of the Companies Act, 2013 along with the Companies (Corporate Social Responsibility Policy) Rules, 2014 mandate and regulate the Corporate Social Responsibility (CSR) activities by the Companies. Section 135 of the Act further lays down the qualifying criteria based on net worth, turnover and net profit during any financial year for companies which are required to undertake CSR activities and *inter alia* specifies the broad modalities of selection, implementation and monitoring of the CSR activities by the Board of Directors of the company concerned. The activities which may be included by the companies in their CSR policies are listed in Schedule VII of the Act. The provisions of Section 135 of the Act and Schedule VII of the Act are applicable to all companies registered under the Act.

1.4.2 Coverage

As per Section 135 of the Act, every company having net worth of ₹ 500 crore or more, *OR* turnover of ₹ 1,000 crore or more *OR* a net profit of ₹ 5 crore or more during any financial year shall constitute a CSR committee of the Board consisting of three or more directors, out of which at least one director shall be an independent director.

As on 31 March 2022, there were 48 companies (32 working and 16 non-working). As the non-working companies have stopped functioning, Audit considered 32 working companies for analysis purpose. As per the latest finalised accounts of 32 working companies, Section 135 was applicable to eight companies as detailed in **Table 1.4.1**.

Table 1.4.1: Section 135 of the Companies Act, 2013 applicable companies

Sl. No.	Companies	Applicable criteria	Financial year when criteria was applicable to the Company
1	Assam Petro-Chemicals Ltd.	Net profit and net worth	2018-19 to 2021-22
2	Assam Power Distribution Company Ltd.	Turnover and net profit	2017-18 to 2020-21
3	Assam Electricity Grid Corporation Ltd.	Turnover and net profit	2018-19 to 2021-22
4	Assam Gas Company Ltd.	Net worth and net profit	2018-19 to 2021-22
5	DNP Ltd.	Net profit	2018-19 to 2021-22
6	Assam Mineral Development Corporation Ltd.	Net profit	2016-17 to 2018-19
7	Assam Industrial Development Corporation Ltd.	Net profit	2015-16 to 2018-19
8	Assam Power Generation Corporation Ltd.	Net profit	2018-19 to 2021-22

Source: As per latest finalised accounts of the companies

1.4.3 Status of compliance of the provisions of CSR

1.4.3.1 Constitution of CSR Committee

Eight companies were required to constitute the CSR committee as per the requirement of the Act, as detailed in **Table 1.4.2**.

Table 1.4.2: Details of Companies who are required to constitute CSR committee

Sl. No.	Name of the Company	No. of members of CSR Committee	No. of Independent members	
			Required ⁶⁴	Actual
1	Assam Power Distribution Company Ltd.	3	1	2
2	Assam Industrial Development Corporation Ltd.	3	Exempted	-
3	Assam Power Generation Corporation Ltd.	3	1	3
4	Assam Gas Company Ltd.	4	Exempted	-
5	DNP Ltd.	4	Exempted	-
6	Assam Petro-Chemicals Ltd.	4	1	1
7	Assam Mineral Development Corporation Ltd.	2	1	-
8	Assam Electricity Grid Corporation Ltd.	Not formed	1	-

Source: Information furnished by the companies

As can be seen from **Table 1.4.2** out of eight working companies covered under the provisions of Section 135 of the Act, seven companies have constituted the CSR Committee, while one company (Assam Electricity Grid Corporation Limited) had not constituted the CSR committee, contrary to the requirement of the Act. Regarding composition of the CSR Committee, there was shortfall in appointment of ‘Independent Directors’ in case of one company (Assam Mineral Development Corporation Limited) while three other companies, being Private Limited Companies/Joint Ventures, were exempted from the requirement of appointing minimum number of Independent Directors on CSR Committee.

1.4.3.2 Spending under CSR activities

The CSR committee is required to recommend the amount of expenditure to be incurred on eligible activities. As per Section 135(5), a company is required to spend at least two *per cent* of the average net profit made during three immediate preceding financial years.

Based on the above criteria, eight companies were required to spend on CSR activities. The detailed status on CSR spending by these Companies as per their latest finalised accounts as on 30 September 2022 is given in **Table 1.4.3**.

Table 1.4.3: Details of CSR spending by SPSEs

Sl. No.	Name of the SPSEs	Latest applicable year	Avg. net profit for previous 3 years	Applicable amount	Previous shortfall in CSR activities	Approved amount	Amount Spent	Shortfall	Excess expenditure
1	Assam Petro-Chemicals Ltd.	2021-22	0.41	0.01	-	0.09	0.09	-	0.08
2	Assam Power Distribution Company Ltd.	2020-21	129.37	2.59	1.01	-	-	3.60	-

⁶⁴ Provision of independent directors are not applicable to three Companies at Serial No. 2, 4 & 5 of **Table 1.4.2** as these are either Private Limited Company or formed as JV Company.

Sl. No.	Name of the SPSEs	Latest applicable year	Avg. net profit for previous 3 years	Applicable amount	Previous shortfall in CSR activities	Approved amount	Amount Spent	Shortfall	Excess expenditure
3	Assam Electricity Grid Corporation Ltd.	2021-22	-10.48	-	0.83	-	-	0.83	-
4	Assam Gas Company Ltd.	2021-22	66.82	1.34	-	1.80	1.80	-	0.46
5	DNP Ltd.	2021-22	49.44	0.62 ⁶⁵	-	0.92	0.92	-	0.30
6	Assam Mineral Development Corporation Ltd.	2018-19	17.32	0.35	0.17	-	-	0.52	-
7	Assam Industrial Development Corporation Ltd.	2019-20	10.68	0.21	0.00	0.18	0.18	0.03	-
8	Assam Power Generation Corporation Ltd.	2021-22	3.54	0.07	0.26	-	-	0.33	-
Total		-	-	5.19	2.27	2.99	2.99	5.31	0.84

As can be seen from **Table 1.4.3**, out of eight working companies which were required to spend on CSR activities, four companies did not incur any expenditure on CSR. There was an overall shortfall of ₹ 5.31 crore in mandatory CSR spending by the five working companies covered under the provisions of Section 135 of the Act. There was also excess expenditure amounting to ₹ 0.84 crore by three working companies.

⁶⁵ After setting off ₹ 0.36 crore, being the excess expenditure incurred on CSR activities during the previous years.

