

CHAPTER IV
STATE PUBLIC SECTOR
ENTERPRISES

CHAPTER IV – STATE PUBLIC SECTOR ENTERPRISES

4.1 Functioning of State Public Sector Enterprises

4.1.1 Introduction

This Chapter presents a summary of the financial performance of Government Companies, Corporations and Government controlled other companies. In the Chapter, 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.

As on 31 March 2023, the State of Meghalaya had 21 SPSEs (including two non-working) as detailed in **Table 4.1.1**.

Table 4.1.1: Total number of SPSEs as on 31 March 2023

| Type of SPSEs | Working SPSEs | Non-working SPSEs | Total |
|------------------------------------|---------------|-------------------|-----------|
| Government Companies ⁹³ | 17 | 2 | 19 |
| Statutory Corporations | 2 | Nil | 2 |
| Total | 19 | 2 | 21 |

During the year, no new company was added to CAG's audit purview and no existing company was closed down. None of the Government companies were listed on the stock exchange. Both the non-working companies in the State, were under the liquidation process since 1986 (Meghalaya Electronics Development Corporation) and 2021 (Meghalaya Bamboo Chips Limited).

4.1.2 Investment in SPSEs

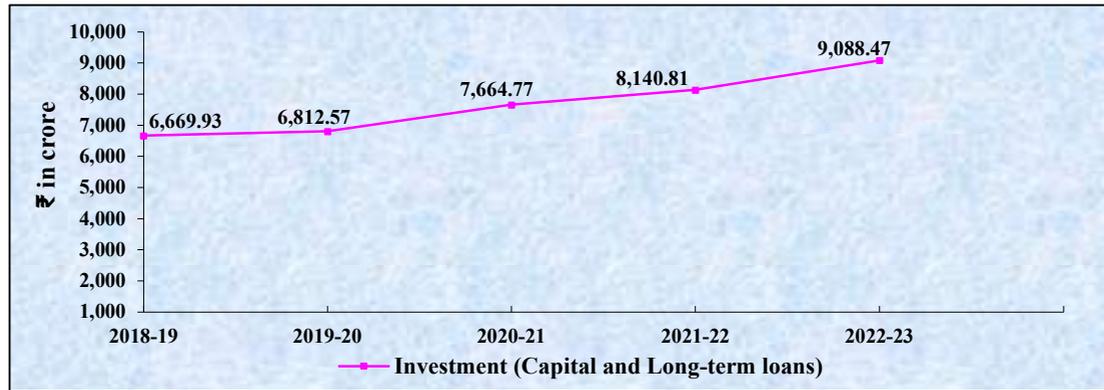
4.1.2.1 Investment in SPSEs by all stake holders

The investors in Meghalaya PSEs include Government of Meghalaya, Government of India and others. As on 31 March 2023, total investment in 21 SPSEs was ₹ 9,088.47 crore⁹⁴, which consisted of 64.37 *per cent* towards capital (₹ 5,850.15 crore) and 36.26 *per cent* in long-term loans (₹ 3,238.32 crore). Investment has grown by 34.42 *per cent* from ₹ 6,669.93 crore in 2018-19 to ₹ 9,088.47 crore in 2022-23 as shown in **Chart 4.1.1**.

⁹³ Government Companies include 'Other Companies' referred to in Section 139(5) and 139(7) of the Companies Act 2013.

⁹⁴ Investment figures are provisional and as per the information provided by the PSEs as none of the 21 SPSEs had finalised their accounts for 2022-23 as of September 2023.

Chart 4.1.1: Total investment in SPSEs



Source: Information furnished by the Companies.

As seen from **Chart 4.1.1**, there was a significant increase (₹ 947.66 crore) in SPSEs investment during 2022-23 from ₹ 8,140.81 crore in 2021-22 to ₹ 9,088.47 crore in 2022-23. The increase was mainly due to increase of ₹ 909.94 crore in the equity capital of Meghalaya Energy Corporation Limited (MeECL): ₹ 575.47 crore, Meghalaya Power Distribution Corporation Limited (MePDCL): ₹ 267.99 crore and Meghalaya Power Generation Corporation Limited (MePGCL): ₹ 66.48 crore besides long-term borrowings (₹ 68.04 crore) of MePGCL during the year.

4.1.2.2 Sector-wise investment in SPSEs by all stake holders

Comparative growth in investment over a period of five years in SPSEs under various sectors at the end from 2018-19 to 2022-23 has been given in **Table 4.1.2**.

Table 4.1.2: Sector-wise details of total investments in SPSEs

| Name of Sector | (₹ in crore) | | | | | |
|----------------------|----------------------------|-----------------|------------------------|---------------|------------------|-----------------|
| | Government/Other Companies | | Statutory Corporations | | Total Investment | |
| | 2018-19 | 2022-23 | 2018-19 | 2022-23 | 2018-19 | 2022-23 |
| Power | 6,053.64 | 8,455.77 | 0 | 0 | 6,053.64 | 8,455.77 |
| Manufacturing | 347.36 | 313.31 | | | 347.36 | 313.31 |
| Infrastructure | 143.34 | 178.34 | 0 | 0 | 143.34 | 178.34 |
| Service | 10.51 | 10.51 | 99.44 | 108.24 | 109.95 | 118.75 |
| Agriculture & Allied | 2.45 | 1.97 | 0 | 0 | 2.45 | 1.97 |
| Miscellaneous | 9.83 | 12.46 | 3.36 | 7.87 | 13.19 | 20.33 |
| Total | 6,567.13 | 8,972.36 | 102.80 | 116.11 | 6,669.93 | 9,088.47 |

Source: Information furnished by the Companies.

The comparative figures of 2018-19 and 2022-23 show that more than 90 per cent of total Investment in SPSEs was in the power sector SPSEs. Further, during last five years (2018-23), combined investment of State Government and Other Stakeholders in monetary terms, mainly increased in Power Sector (by ₹ 2,403.13 crore) and Infrastructure Sector (by ₹ 35.00 crore). Increase in investment under Power sector was mainly on account of investment made by the State Government towards equity

(₹ 709.29 crore) and long terms loans (₹ 274.74 crore) of four power sector companies⁹⁵. Similarly, the overall increase (₹ 35.00 crore) in investment under Infrastructure Sector during 2018-23 was mainly on account of equity investment (₹ 31.35 crore) by the State Government in Meghalaya Industrial Development Corporation Limited. The investment in Service Sector SPSEs which was the main driver of GSDP in the State (Service Sector contribution: 58.91 *per cent* in 2022-23) was meagre at around 1.65 *per cent* of total investment in 2018-19 and it further declined to 1.31 *per cent* during 2022-23. This is an area of concern and Government needs to find ways of attracting higher investment in this sector to boost economic growth.

4.1.2.3 State Government's investment in SPSEs

The State Government's investment in its SPSEs is in the form of share capital, loans and special financial support by way of revenue grants.

As on 31 March 2023, the investment of the State Government in 21 SPSEs was ₹ 3,885.07 crore⁹⁶. Comparative change in Government investment in SPSEs from 2018-19 to 2022-23 is depicted in **Table 4.1.3**.

Table 4.1.3: State Government investment Equity and Long terms loans in SPSEs

| (₹ in crore) | | | |
|--------------|----------------|-----------------|-----------------|
| Year | Equity Capital | Long term Loans | Total |
| 2022-23 | 3,291.06 | 594.01 | 3,885.07 |
| 2018-19 | 2,532.97 | 353.32 | 2,886.29 |

Source: Information furnished by SPSEs.

It can be seen from **Table 4.1.3** that during last five years Government's equity in absolute terms has increased by ₹ 758.09 crore from ₹ 2,532.97 crore in 2018-19 to ₹ 3,291.06 in 2022-23. However, as a percentage of total investment, Government's equity in SPSEs declined to 85 *per cent* in 2022-23 from 88 *per cent* in 2018-19.

On the other hand, long term loans provided by the State Government to SPSEs, went up by ₹ 240.06 crore during the five years period (2019-23) from ₹ 353.32 crore in 2018-19 to ₹ 594.01 crore in 2022-23. As a percentage of Government's total investment in SPSEs, long term loans comprised 15 *per cent* in 2022-23 compared to 12 *per cent* in 2018-19.

Chart 4.1.2 below presents the trend of State Government investment in Equity and Loans in SPSEs during last five years (2018-19 to 2022-23).

⁹⁵ Meghalaya Energy Corporation Limited (equity: ₹ 709.29 crore), Meghalaya Power Generation Corporation Limited (loan: ₹ 103.90 crore), Meghalaya Power Distribution Corporation Limited (loan: ₹ 170.13 crore) and Meghalaya Power Transmission Corporation Limited (loan: ₹ 0.71 crore).

⁹⁶ Investment figures are provisional and as per the information provided by the SPSEs as only two of 21 SPSEs had finalised their accounts for 2022-23 as of 30 September 2023.

Chart 4.1.2: State Government's investment in SPSEs



Source: Information furnished by the Companies.

From **Chart 4.1.2**, it can be observed that, equity investment from the State Government grew by 29.93 per cent from ₹ 2,532.97 crore in 2018-19 to ₹ 3,291.06 crore in 2022-23. In comparison, however, the loans from the State Government had increased significantly by 68.63 per cent from ₹ 353.32 crore in 2018-19 to ₹ 594.01 crore in 2022-23.

During 2022-23, out of 18 working SPSEs⁹⁷ where State Government had made direct investment, 14 SPSEs incurred combined losses (₹ 572.28 crore). Three SPSEs⁹⁸ earned combined profit of ₹ 1.61 crore as per their latest finalised accounts while one SPSE⁹⁹ was functioning on 'no profit no loss' basis.

During 2022-23 none of the profit making SPSEs had declared any dividend. There was no information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs.

The State Government's investment in SPSEs at historical value in SPSEs had eroded by 9.96 per cent in 2022-23. The losses of seven SPSEs¹⁰⁰ which accumulated to ₹ 3,057.36 crore had completely eroded the State's investment of ₹ 1,164.85 crore in their paid-up capital as per their latest finalised accounts.

4.1.2.4 State Government Investment in Power Sector PSEs

The details of investment (equity and long-term loans) in the four Power sector SPSEs as on 31 March 2023 is given in **Table 4.1.4**.

⁹⁷ Excluding one working SPSE (Livelihood Improvement Finance Company of Meghalaya), which had no direct investment (Equity and Loans) by the State Government and the SPSE had also not submitted its first Accounts (since 2018-19) after it was covered under the purview of CAG audit.

⁹⁸ (1) Meghalaya Mineral Development Corporation Limited, (2) Meghalaya Tourism Development Corporation Limited and (3) Meghalaya State Warehousing Corporation.

⁹⁹ Meghalaya Basin Management Agency.

¹⁰⁰ Serial No. A3, A4, A6, A7, A10, A12, & B18 of **Appendix 4.1.1**.

Table 4.1.4: Investment in Power sector SPSEs as on 31 March 2023

| Name of SPSE | Investment (₹ in crore) | | | | | | | | |
|-----------------------|-------------------------|-----------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------|-----------------|
| | Equity | | | Long-Term Loans | | | Total | | Grand Total |
| | GoM | Others ¹⁰¹ | Total | GoM | Others ¹⁰² | Total | GoM | Others | |
| MeECL ¹⁰³ | 2,789.59 | 0.00 | 2,789.59 | 0.00 | 389.30 | 389.30 | 2,789.59 | 389.30 | 3,178.89 |
| MePGCL ¹⁰⁴ | 0.00 | 991.84 | 991.84 | 260.34 | 804.62 | 1,064.96 | 260.34 | 1,796.46 | 2,056.80 |
| MePDCL ¹⁰⁵ | 0.00 | 1,127.26 | 1,127.26 | 175.45 | 1,443.72 | 1,619.17 | 175.45 | 2,570.98 | 2,746.43 |
| MePTCL ¹⁰⁶ | 0.00 | 425.59 | 425.59 | 42.19 | 5.87 | 48.06 | 42.19 | 431.46 | 473.65 |
| Total | 2,789.59 | 2,544.69 | 5,334.28 | 477.98 | 2,643.51 | 3,121.49 | 3,267.57 | 5,188.20 | 8,455.77 |

Source: Information furnished by the Companies.

As can be seen from **Table 4.1.4**, the total investment of ₹ 8,455.77 crore in Power Sector SPSEs as on 31 March 2023, was made up of 63.08 *per cent* (₹ 5,334.28 crore) equity and 36.92 *per cent* (₹ 3,121.49 crore) long-term loans. The State Government's investment in power sector was 38.64 *per cent* (₹ 3,267.57 crore) of the total investment of ₹ 8,455.77 crore.

4.1.3 Budgetary support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/subsidies in respect of SPSEs for three years ended 2022-23 are given in **Table 4.1.5**.

Table 4.1.5: Details of budgetary support to SPSEs

(₹ in crore)

| Sl. No. | Particulars | 2020-21 | | 2021-22 | | 2022-23 | |
|---------|---|--------------|-------------------------|--------------|------------------------|--------------|------------------------|
| | | No. of SPSEs | Amount | No. of SPSEs | Amount | No. of SPSEs | Amount |
| 1. | Equity Capital outgo from budget. | 4 | 31.26 | 7 | 13.43 | 3 | 577.77 |
| 2. | Loans given from budget | 3 | 107.17 | 2 | 151.26 | 0 | 0 |
| 3. | Grants/Subsidy from budget (including Capital Grants) | 11 2 | (G) 184.23 (S) 19.77 | 14 1 | (G) 498.58 (S) 5.00 | 13 1 | (G) 791.84 (S) 1.83 |
| 4. | Total Outgo¹⁰⁷ (1+2+3) | 14 | 342.43 | 17 | 668.27 | 15 | 1,371.44 |
| 5. | Guarantees issued during the year | 0 | 0 | 0 | 0 | 0 | 0 |
| 6. | Guarantee Commitment (Cumulative) | 4 | 1,689.82 | 4 | 1,689.82 | 4 | 2,960.54 |

Source: As furnished by Companies/Corporations. (G): Grants; (S): Subsidies.

¹⁰¹ Investment of MeECL in its three subsidiary companies (MePGCL, MePDCL and MePTCL).

¹⁰² Includes banks and other financial Institutions, etc.,

¹⁰³ Meghalaya Energy Corporation Limited.

¹⁰⁴ Meghalaya Power Generation Corporation Limited.

¹⁰⁵ Meghalaya Power Distribution Corporation Limited.

¹⁰⁶ Meghalaya Power Transmission Corporation Limited.

¹⁰⁷ Actual number of SPSEs, which received equity, loans, grants/subsidies from the State Government.

Budgetary support to SPSEs in 2022-23 increased by more than 300 *per cent* from ₹ 342.43 crore (2020-21) to ₹ 1,371.44 crore (2022-23). Major recipients of budgetary support during 2022-23 were (i) Meghalaya Energy Corporation Limited received equity of ₹ 575.47 crore (ii) Meghalaya Basin Management Agency received grant of ₹ 400.00 crore for rural livelihood schemes (iii) Meghalaya Infrastructure Development and Finance Corporation Limited received Grant of ₹ 232.00 crore for implementation of Meghalaya Integrated Transport Programme and construction of prime hub for uplifting and promoting entrepreneurs in the State, and Meghalaya Age Limited (₹ 105.46 crore) for culture and tourism related activities.

As on 31 March 2023, the Government of Meghalaya has extended guaranteed to loans amounting to ₹ 2,960.54 crore in respect of four¹⁰⁸ SPSEs availed from various institutions (Bank, Financial Institutions and others).

4.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed under the provisions of the Companies Act, 2013 (Act) whereas audit of the financial statements in respect of financial years that commenced earlier than 01 April 2014 are governed under the Companies Act, 1956. The Companies Act of 2013 has brought about enhanced regulatory framework, wider management responsibility and higher professional accountability.

4.1.4.1 Statutory Audit/Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of two Statutory Corporations in Meghalaya, CAG is the sole auditor for Meghalaya Transport Corporation. In respect of the other Corporation (*viz.* Meghalaya State Warehousing Corporation), Chartered Accountants conduct the audit and the CAG conducts supplementary audit.

4.1.4.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Government appoints the Chief Executives and Directors on the Board of these SPSEs.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit

¹⁰⁸ Meghalaya Energy Corporation Limited (₹ 630.00 crore), Meghalaya Power Generation Corporation Limited (₹ 590.08 crore), Meghalaya Power Distribution Corporation Limited (₹ 1,739.46 crore) and Meghalaya Government Construction Corporation Limited (₹ 1 crore).

Reports of CAG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the State Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.5 Arrears in finalisation of accounts

Financial statements of Government companies are required to be finalised within six months after the end of the financial year *i.e.* by September in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are to be finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

Timely finalisation of accounts is important for the State Government to assess the financial health of the SPSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of provisions of the Act.

Table 4.1.6 provides the details of finalisation of annual accounts of SPSEs as on 30 September 2023.

Table 4.1.6: Position relating to finalisation of accounts of working SPSEs

| Sl. No. | Particulars | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---------|--|---------|---------|---------|-------------------|---------|
| 1. | Number of Working SPSEs | 16 | 17 | 17 | 19 ¹⁰⁹ | 19 |
| 2. | Number of accounts finalised during the year | 16 | 20 | 16 | 14 | 19 |
| 3. | Number of accounts in arrears | 32 | 29 | 30 | 38 | 39 |
| 4. | Number of Working SPSEs with arrears in accounts | 16 | 17 | 17 | 19 | 18 |
| 5. | Extent of arrears (numbers in years) | 1 to 5 | 1 to 4 | 1 to 5 | 1 to 6 | 1 to 7 |

Source: Information furnished by the Companies.

As can be seen from **Table 4.1.6**, total numbers of accounts pending finalisation marginally declined from 32 (2018-19) to 29 (2019-20), but gradually increased to 39 accounts in 2022-23. The highest pendency of Accounts related to Meghalaya Transport Corporation (seven Accounts) and Livelihood Improvement Finance Company of Meghalaya¹¹⁰ (five Accounts) as on 30 September 2023.

¹⁰⁹ During 2021-22, three new SPSEs (Meghalaya Infratech Consultancy and Innovation Limited, Meghalayan Age Limited and Livelihood Improvement Finance Company of Meghalaya) having total 7 accounts in arrear were added under the audit purview of CAG while one company (Meghalaya Bamboo Chips Limited) having one year's accounts in arrear was categorised as a non-working company.

¹¹⁰ The Company had not submitted any Accounts (since 2018-19) after it was covered under the definition of a Government company.

4.1.6 Investment by State Government in SPSEs whose accounts are in arrears

The State Government invested ₹ 1,466.72 crore in 16 SPSEs (equity: ₹ 590.27 crore and grants: ₹ 876.45 crore) during the years for which the accounts of these SPSEs had not been finalised as detailed in Table 4.1.7.

Table 4.1.7: Investment by State Government in SPSEs having accounts in arrears

(₹ in crore)

| Sl. No. | Name of the Public Sector Undertaking | Year up to which accounts finalised | Period of accounts pending finalisation | Investment made by State Government during the year of which accounts are in arrears | | |
|--------------|--|-------------------------------------|---|--|-------------|-----------------|
| | | | | Equity | Loans | Grants/ Subsidy |
| 1 | Forest Development Corporation of Meghalaya Limited | 2018-19 | 2019-20 to 2022-23 | 0.00 | 0.00 | 7.49 |
| 2 | Meghalaya Government Construction Corporation Limited | 2021-22 | 2022-23 | 0.50 | 0.00 | 1.83 |
| 3 | Meghalaya Infrastructure Development and Finance Corporation Limited | 2020-21 | 2021-22 & 2022-23 | 0.00 | 0.00 | 232.00 |
| 4 | Meghalaya Infratech Consultancy and Innovation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 0.14 |
| 5 | Meghalaya Mineral Development Corporation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 0.95 |
| 6 | Meghalaya Energy Corporation Limited | 2021-22 | 2022-23 | 575.47 | 0.00 | 0.00 |
| 7 | Meghalaya Power Generation Corporation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 0.90 |
| 8 | Meghalaya Power Transmission Corporation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 0.76 |
| 9 | Meghalaya Power Distribution Corporation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 10.40 |
| 10 | Meghalaya Tourism Development Corporation Limited | 2018-19 | 2019-20 to 2022-23 | 0.00 | 0.00 | 17.13 |
| 11 | Meghalaya Handloom & Handicraft Development Corporation Limited | 2021-22 | 2022-23 | 0.00 | 0.00 | 1.87 |
| 12 | Meghalaya Basin Management Agency | 2021-22 | 2022-23 | 0.00 | 0.00 | 400.00 |
| 13 | Meghalayan Age Limited | 2020-21 | 2021-22 & 2022-23 | 0.00 | 0.00 | 105.46 |
| 14 | Livelihood Improvement Finance Company of Meghalaya | ** | 2021-22 & 2022-23 | 0.00 | 0.00 | 23.00 |
| 15 | Meghalaya Transport Corporation | 2015-16 | 2016-17 to 2022-23 | 14.30 | 0.00 | 74.52 |
| Total | | | | 590.27 | 0.00 | 876.45 |

Source: Information furnished by the SPSEs.

**The Company had not submitted its Accounts (since 2018-19) after it was covered under the definition of a Government company.

In the absence of accounts and their subsequent audit, it cannot be verified if the investments made, and the expenditure incurred thereagainst have been properly accounted for and the purpose for which the amount was invested was achieved or not.

Finance Department should monitor the expeditious clearance of arrears of accounts of SPSEs.

4.1.7 Financial Performance

4.1.7.1 Share of SPSEs in State GDP

Table 4.1.8 provides comparative details of working SPSEs turnover and State GDP for a period of five years ending 2022-23, based on the latest available annual accounts.

Table 4.1.8: Details of working SPSEs turnover vis-a-vis State GDP

| Particulars | (₹ in crore) | | | | |
|-------------------------------------|--------------|-----------|-----------|-----------|-----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Turnover ¹¹¹ | 1,121.40 | 1,203.88 | 1,386.14 | 1,366.75 | 1,447.72 |
| State GDP ¹¹² | 32,175.82 | 34,770.40 | 33,776.16 | 38,784.70 | 42,697.08 |
| Percentage of Turnover to State GDP | 3.49 | 3.46 | 4.10 | 3.52 | 3.39 |

Source: Information furnished by the Companies.

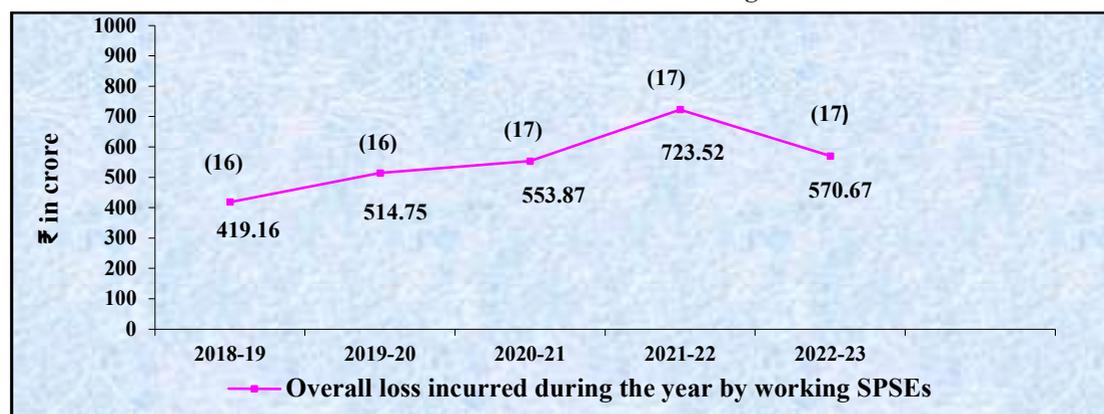
As seen from **Table 4.1.8**, the overall turnover of SPSEs during last five years had appreciated by 29.10 *per cent* (₹ 326.32 crore) from ₹ 1,121.40 crore (2018-19) to ₹ 1,447.72 crore (2022-23). However, the contribution of SPSE-turnover to GSDP during the five years' period had remained almost static at 3.49 *per cent* (2018-19) and 3.39 *per cent* (2022-23). This indicates that the increase in the SPSE-turnover during 2018-19 to 2022-23 was not commensurate with the corresponding growth in GSDP during the same period. The major contributors to SPSE-turnover during 2022-23 were three Power Sector SPSEs namely, Meghalaya Power Distribution Corporation Limited (₹ 1,099.25 crore), Meghalaya Power Generation Corporation Limited (₹ 144.50 crore) and Meghalaya Power Transmission Corporation Limited (₹ 56.55 crore) and one infrastructure SPSE namely Meghalaya Government Construction Corporation Limited (₹ 87.54 crore).

4.1.7.2 Trends of Profit and losses in SPSEs

The overall position of losses incurred by the working SPSEs during 2018-19 to 2022-23 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 4.1.3**.

¹¹¹ Turnover of working SPSEs as per the latest finalised accounts as on 30 September of respective year.

¹¹² Source: Directorate of Economics and Statistics, Government of Meghalaya.

Chart 4.1.3: Overall losses of working SPSEs¹¹³


Figures in brackets show the number of working SPSEs in respective years.

From **Chart 4.1.3**, it can be observed that overall losses of working SPSEs during last four years 2018-19 to 2021-22 had generally shown an increasing trend. The SPSEs losses declined to ₹ 570.67 crore during 2022-23 from the losses of ₹ 723.52 crore incurred during 2021-22 mainly due to reduction in the losses of one Power Sector Company (Meghalaya Power Distribution Corporation Limited) from ₹ 425.48 crore (2021-22) to ₹ 152.83 crore (2022-23). During 2022-23 the share of losses of power sector SPSEs was to the extent of 90.81 per cent (₹ 518.24 crore). The details of profit earned and losses incurred by the SPSEs during 2022-23 are given in **Table 4.1.9**.

Table 4.1.9: Details of profit/losses by the SPSEs during 2022-23

| Particulars | 2022-23 |
|---|------------------|
| Total No. of working SPSEs | 19 |
| Number of Loss-incurring working SPSEs | 14 |
| Aggregate Loss (₹ in crore) | 572.28 |
| Number of Profit-making working SPSEs | 3 |
| Aggregate Profit (₹ in crore) | 1.61 |
| Number of SPSEs functioning on 'no profit no loss' basis | 1 |
| Number of SPSEs which have not submitted their first Accounts | 1 ¹¹⁴ |

Source: As per latest finalised accounts of the SPSEs.

The details of major contributors to overall losses of working SPSEs during 2022-23 as per their latest finalised accounts are given in **Table 4.1.10**.

Table 4.1.10: Major contributors to profits and losses of working SPSEs

| Name of SPSE | 2022-23 | |
|--|---------------------------|----------------------|
| | Latest finalised accounts | Profit (+)/ loss (-) |
| Major losses | | |
| Meghalaya Power Generation Corporation Limited | 2021-22 | (-) 218.34 |
| Meghalaya Power Distribution Corporation Limited | 2021-22 | (-) 152.83 |
| Meghalaya Power Transmission Corporation Limited | 2021-22 | (-) 81.79 |

¹¹³ As per the latest finalised accounts as on 30 September of the respective year.

¹¹⁴ Livelihood Improvement Finance Company of Meghalaya incorporated in May 2009, which has not submitted any accounts (since 2018-19) after it was covered under CAG's audit purview.

| Name of SPSE | 2022-23 | |
|---|---------------------------|----------------------|
| | Latest finalised accounts | Profit (+)/ loss (-) |
| Meghalaya Energy Corporation Limited | 2021-22 | (-) 65.28 |
| MawmluhCherra Cements Limited | 2019-20 | (-) 38.04 |
| Major profits | | |
| Meghalaya Tourism Development Corporation Limited | 2018-19 | (+) 1.18 |
| Meghalaya State Warehousing Corporation | 2022-23 | (+) 0.40 |

Source: As per latest finalised accounts of the SPSEs.

4.1.7.3 Losses of Power Sector SPSEs

The position of aggregate losses incurred by four power sector SPSEs during the past five years as per their latest finalised accounts is given in **Table 4.1.11**.

Table 4.1.11: Details of aggregate losses of power sector SPSEs

| Year | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|---|----------|----------|----------|----------|----------|
| Total No. of power sector SPSEs | 4 | 4 | 4 | 4 | 4 |
| Number of loss making SPSEs | 3 | 4 | 4 | 4 | 4 |
| Number of profit earning SPSEs ¹¹⁵ | 1 | 0 | 0 | 0 | 0 |
| Net overall losses in power sector (₹ in crore) | 369.19 | 478.54 | 518.58 | 676.15 | 518.24 |
| Accumulated losses (₹ in crore) | 1,836.03 | 2,314.57 | 3,027.36 | 3,719.57 | 3,850.45 |

Source: Latest finalised accounts of the SPSEs.

4.1.7.4 Erosion of capital in SPSEs

The paid-up capital and accumulated losses of 18¹¹⁶ working SPSEs as per their latest finalised accounts as on 30 September 2023 were ₹ 4,903.36 crore and ₹ 4,340.01 crore respectively (**Appendix 4.1.1**).

The Return on Equity (RoE) in respect of 11 out of 18 working SPSEs was (-)15 per cent¹¹⁷ as per their latest finalised accounts, which included the only SPSE (Meghalaya State Warehousing Corporation) having positive RoE of 5.38 per cent. The accumulated losses (₹ 3,057.36 crore) of remaining seven¹¹⁸ working SPSEs had completely eroded their paid-up capital (₹ 1,164.85 crore) as per their latest finalised accounts. Of these seven SPSEs, the primary erosion of paid-up capital was in respect of three SPSEs as detailed in **Table 4.1.12**.

¹¹⁵ During 2018-19, Meghalaya Power Transmission Corporation Limited was the only power sector SPSE, which registered profit of ₹ 8.15 crore (2018-19) as per its latest finalised accounts.

¹¹⁶ Excluding one newly added SPSEs (Serial No. 17 of **Appendix 4.1.1**) incorporated in May 2009, which has not submitted any accounts (since 2018-19) after it was covered under CAG's audit purview (August 2021).

¹¹⁷ The said 11 SPSEs had overall net worth of ₹ 2,459.86 crore and overall net losses of ₹ 368.93 crore.

¹¹⁸ Serial No. A3, A4, A6, A7, A10, A12 & B18 of **Appendix 4.1.1**.

Table 4.1.12: SPSEs with primary erosion of paid-up capital

(₹ in crore)

| Name of SPSE | Latest finalised accounts | Paid up capital | Accumulated losses |
|--|---------------------------|-----------------|--------------------|
| Meghalaya Power Distribution Corporation Limited | 2021-22 | 859.26 | 2,627.66 |
| Mawmluh Cherra Cement Limited | 2019-20 | 197.51 | 272.84 |
| Meghalaya Transport Corporation | 2015-16 | 93.05 | 106.69 |

Source: As per latest finalised accounts of the SPSEs.

Erosion of Capital in Power Sector PSEs

The details of the capital erosion of four power sector SPSEs by their losses as per their latest finalised accounts as on 30 September 2023 has been presented in **Table 4.1.13**.

Table 4.1.13: Capital Erosion in Power Sector SPSEs during 2022-23

(₹ in crore)

| Sl. No. | Name of the Company | Latest finalised accounts | Paid up capital | Net Loss for the year | Accumulated losses | Net worth ¹¹⁹ |
|---------|--|---------------------------|------------------|-----------------------|---------------------|--------------------------|
| 1 | Meghalaya Power Distribution Corporation Limited | 2021-22 | 859.26 | 152.83 | 2,627.66 | (-) 1,768.40 |
| 2. | Meghalaya Power Generation Corporation Limited | 2021-22 | 925.36 | 218.34 | 733.86 | (+) 191.50 |
| 3 | Meghalaya Energy Corporation Limited | 2021-22 | 2,214.12 | 65.28 | 321.26 | (+) 1,892.86 |
| 4 | Meghalaya Power Transmission Corporation Limited | 2021-22 | 425.59 | 81.79 | 167.67 | (+) 257.92 |
| | Total | | 4,4420.59 | (-) 518.24 | (-) 3,850.45 | |

Source: As per latest finalised accounts of the SPSEs.

It can be seen from **Tables 4.1.13** that during 2022-23, the net worth of one power sector SPSE (MePDCL) was negative at (-) ₹ 1,768.40 crore due to complete erosion of its equity capital by the accumulated losses. The net worth of MePDCL turned negative for the first time during 2016-17 when it's paid-up capital (₹ 801.20 crore) was completely eroded by accumulated losses (₹ 961.42 crore) as per it's latest finalised accounts (2014-15) as on 30 September 2017. During October 2017 to September 2023, MePDCL had finalised seven annual accounts (2015-16 to 2021-22). However, the net worth of the Company remained negative during all these years.

This gradual process of incurring losses by the power sector SPSEs is a drain on the State's economy and resources. Despite constant deterioration in the overall performance of four power sector SPSEs, the State Government continued to provide significant budgetary support to these SPSEs. Analysis of records of power sector SPSEs revealed that the State Government provided budgetary support aggregating ₹ 1,021.24 crore to four power sector SPSEs during 2020-21 (₹ 234.63 crore), 2021-22 (₹ 199.08 crore) and 2022-23 (₹ 587.53 crore) by way of equity (₹ 591.11 crore), loans (₹ 258.43 crore) and grants/subsidy (₹171.70 crore). This included budgetary support of ₹ 251.88 crore

¹¹⁹ Net Worth means the sum total of the 'paid-up capital' and 'free reserves and surplus' minus 'accumulated losses' and 'deferred revenue expenditure'.

provided to MePDCL during 2020-21 (₹ 118.88 crore), 2021-22 (₹ 122.60 crore) and 2022-23 (₹ 10.40 crore) by way of loans (₹ 156.52 crore) and grants/subsidy (₹ 95.36 crore).

To enable SPSEs to obtain financial assistance from Banks and Financial Institutions, State Government provides guarantee subject to the prescribed limits. The guaranteed amount committed by the GoM in respect of four SPSEs¹²⁰ for loans raised from various institutions (Bank, Financial Institutions and others) was ₹ 2,960.54 crore during all three years (2020-21 to 2022-23). These guarantees may become liabilities of the State Government in case of default by the borrowers as all of them were loss making SPSEs having huge accumulated losses.

4.1.8 Financial parameters

Key parameters of SPSEs financial performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.1.14**.

Table 4.1.14: Key Parameters of SPSEs

| Particulars | (₹ in crore) | | | | |
|--|--------------|----------|----------|----------|----------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| Debt | 1,939.59 | 1,921.98 | 1,916.66 | 2,753.56 | 3,209.73 |
| Turnover ¹²¹ | 1,121.40 | 1,203.88 | 1,386.14 | 1,366.75 | 1,447.72 |
| Debt/Turnover Ratio ¹²² (DTR) | 1.73:1 | 1.60:1 | 1.38:1 | 2.01:1 | 2.22:1 |
| Interest Payments | 166.87 | 251.67 | 241.57 | 302.40 | 322.52 |
| Accumulated losses | 2,229.77 | 2,747.35 | 3,466.72 | 4,202.56 | 4,340.01 |

Source: As per latest finalised accounts of the SPSEs.

4.1.8.1 Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can be a signal of having too much of debt against the income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to successfully manage their debt servicing and repayments.

4.1.8.2 SPSE Debt

As can be seen from **Table 4.1.14**, SPSEs-debt had increased significantly by ₹ 1,293.07 crore during last two years from ₹ 1,916.66 crore (2020-21) to ₹ 3,209.73 crore (2022-23). This was mainly due to the borrowings (₹ 757.50 crore) availed by three power sector companies for implementation of Atmanirbhar Bharat Abhiyan (Meghalaya Power Distribution Corporation Limited: ₹ 428.50 crore), restructuring of high cost borrowings of subsidiaries (Meghalaya Energy Corporation Limited: ₹ 199.00 crore) and construction/payment of overdue relating to one small hydro project (Meghalaya Power Generation Corporation Limited: ₹ 130.00 crore).

¹²⁰ MePGCL, MePTCL, MePDCL and Meghalaya Government Construction Corporation Limited.

¹²¹ Turnover of working SPSEs as per the latest finalised accounts as on 30 September of the respective year.

¹²² Arrived at 'total debt of all SPSEs divided by total turnover of all SPSEs' as per their latest finalised accounts.

During the period of five years (2018-23), the Debt to Turnover Ratio (DTR) had increased from 1.73:1 (2018-19) to 2.22:1 (2022-23), which indicated a deteriorated position of SPSEs in servicing and repayment of their long-term debts as compared to previous years. The deterioration in the DTR was mainly due to the disproportionate growth in SPSE-debts (65.48 *per cent*) during 2018-23 compared to the increase in SPSE-turnover (29.10 *per cent*) during the corresponding period. Increase in the SPSE-debts has also caused corresponding increase (93.28 *per cent*) in the interest expenditure of SPSEs from ₹ 166.87 crore (2018-19) to ₹ 322.52 crore (2022-23).

4.1.9 Return on Investment on the basis of 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 Rate of Real Return on Government Investment (RORR), the investment of State Government in the form of equity, interest free loans and grants/ subsidies given by the State Government 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 Government investment.

During 2022-23, out of 17 working SPSEs¹²³, 14 PSEs incurred losses (₹ 572.28 crore) while only three SPSEs earned profits (₹ 1.61 crore) as per their latest finalised accounts as on 30 September 2023. On the basis of return on historical value, the State Government investment eroded by 9.96 *per cent* during 2022-23. On the other hand, when the present value of investment been considered, the State Government investment eroded by 6.24 *per cent* as shown in **Appendix 4.1.2**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

4.1.10 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2022 to September 2023, 13 working companies had forwarded 17 audited accounts to the Principal Accountant General (Audit), Meghalaya for review. All the 17 accounts submitted by the 13 working SPSEs were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicated that the quality of maintenance of accounts needed to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG are given in **Table 4.1.15**.

Table 4.1.15: Impact of audit comments on working Companies

(₹ in crore)

| Sl. No. | Particulars | 2020-21 | | 2021-22 | | 2022-23 | |
|---------|--------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 1. | Decrease in profit | 2 | 0.48 | 0 | 0 | 2 | 0.24 |
| 2. | Increase in loss | 11 | 261.12 | 7 | 134.48 | 13 | 38.58 |

¹²³ Excluding two SPSEs at serial no. A14 (functioning on 'no profit no loss' basis) and A17 (not submitted since 2018-19 after it was covered under the definition of a Government company) of **Appendix 4.1.1**.

| Sl. No. | Particulars | 2020-21 | | 2021-22 | | 2022-23 | |
|---------|----------------------------------|-----------------|--------|-----------------|--------|-----------------|--------|
| | | No. of accounts | Amount | No. of accounts | Amount | No. of accounts | Amount |
| 3. | Non-disclosure of material facts | 3 | 57.16 | 8 | 132.82 | 4 | 0.63 |
| 4. | Errors of classification | 4 | 49.87 | 4 | 10.97 | 3 | 66.15 |

Source: As per latest finalised annual accounts of SPSEs.

During the year 2022-23, the statutory auditors had given qualified certificates for all 17 accounts of 13 companies. In addition, CAG had also issued supplementary comments on these 17 accounts selected for supplementary audit. The compliance of companies with the Accounting Standards (AS)/ Indian Accounting Standards (Ind AS) remained inadequate as there were 62 instances of non-compliance with AS/Ind AS relating to twelve accounts of nine companies.

During the year 2022-23, one Statutory Corporation (Meghalaya State Warehousing Corporation) submitted its audited Accounts for the year 2021-22 and 2022-23 to Principal Accountant General (Audit), Meghalaya, which were audited and separate audit reports (SARs) issued. The other Statutory Corporation (Meghalaya Transport Corporation) where the CAG is the sole auditor, had not submitted any Accounts during 2022-23.

4.1.10.1 Gist of some of the significant comments of the statutory auditors and CAG in respect of accounts of the SPSEs are as under:

Table 4.1.16: Gist of Significant comments on the accounts of the SPSEs

| Sl. No. | Name of the SPSEs | Comments on Accounts |
|---------|--|---|
| 1 | Meghalaya Power Distribution Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Power Purchase Costs was understated by ₹ 7.61 crore (Current Year- ₹ 2.18 crore; Prior-period - ₹ 5.43 crore) due to non-accounting of revised bill for Annual Fixed Charges raised (May 2022) by North Eastern Electric Power Corporation Limited (NEEPCO) for the period from 2019-20 to 2021-22. This has correspondingly resulted in understatement of 'Current Financial Liabilities- Trade Payables' and 'Loss for the year' by ₹ 7.61 crore each. Revenue from sale of power through Franchisee is understated by ₹ 2.70 crore due to non-accounting of the revenue receivable from Input Based Distribution Franchisees against the energy bills pertaining to the month of March 2022. This has correspondingly resulted in overstatement of 'Loss for the year' and understatement of 'Current Assets-Trade Receivables' to the same extent. Interest paid/payable on RAPDRP loan (₹ 10.46 crore) and IPDS loan (₹ 0.59 crore) wrongly charged to Revenue (Profit and Loss Account) instead of capitalising the same under the corresponding assets being created under two schemes (RAPDRP and IPDS) and lying in CWIP. The accounting treatment of interest as an expense was not in accordance with the principles of IND AS 23 (Borrowing Costs) resulting in overstatement of 'Loss for the year' and understatement of CWIP is understated by ₹ 11.05 crore. |

| Sl. No. | Name of the SPSEs | Comments on Accounts |
|---------|---|---|
| 2 | Meghalaya Power Transmission Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Land is understated by ₹ 2.11 crore, due to incorrect accounting of land value under 'Capital Work-in Progress' as commissioning of the related Sub-Station was pending. Since land is a separate tangible asset for which, the title and possession has already been transferred (October 2015) in Company's favour, it should have been accounted under 'Property, Plant and Equipment' without waiting for completion of the related Sub-Station. This has correspondingly resulted in overstatement of 'Capital work-in-Progress' to that extent. Despite the issue being underlined during 2020-21, the mistake was not rectified. The head Capital Work-in-Progress is overstated by ₹ 116.23 crore, being the cost of capital works completed and commissioned prior to 31 March 2022 and hence, the same should have been accounted under 'Property Plant and Equipment' and depreciation charged accordingly. This has also resulted in understatement of 'Property, Plant and Equipment' (Gross block) by ₹ 116.23 crore with corresponding understatement of 'Depreciation' and 'Loss for the year' by ₹ 9.60 crore (Prior periods: ₹ 5.37 crore; current year: ₹ 4.23 crore) each. |
| 3 | Meghalaya Power Generation Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Capital Work in progress (Ganol Small Hydro Project) is understated by ₹ 2.36 crore due to non-accounting of dues payable to State Government towards Forest Royalty (₹ 1.27 crore) Meghalaya Minor Mineral Restoration Fund (₹ 0.71 crore) and District Mineral Foundation (₹ 0.38 crore) despite the same already having been recovered from the Contractor's Bill. This has correspondingly resulted in understatement of 'Current Liabilities' to that extent. Other Expenses is understated by ₹ 1.14 crore due to non-accounting of Repair and Maintenance expenses relating to Hydro Power Generating Station at Myntdu Leshka Civil Division, Nohkum. This has correspondingly resulted in understatement of 'Loss for the year' and 'Current Liabilities' to the same extent. |
| 4 | Meghalaya Energy Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Liabilities for Capital Supplies is understated by ₹ 2.24 crore due to non-accounting of the stock/material purchased/received during the year. This has correspondingly resulted in understatement of 'Materials Stocks Account' to the same extent. As per the inventory verification report of the Company under Area Store/MeECL, the value of inventories as on 31 March 2022 stood at ₹ 28.14 crore as against the book value of ₹ 7.12 crore depicted in the Accounts. The difference of ₹ 21.02 crore in the value of the inventories as on 31 March 2022 was significant and needs to be reconciled. |
| 5 | Shillong Smart City Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Other Long Term Liabilities include ₹ 4.48 crore, being the interest earned by the Company on Project Grants received from the Government of India (GoI), which was to be remitted to GoI immediately after finalisation of the Annual Accounts of the Company as per the GoI directions (March/June 2021)¹²⁴. Since the Company was required to finalise its Annual Accounts within six months of the end of the financial year (refer Section 96 and Section 129 of the Companies Act, 2013), the above liability should have been classified as 'Current Liability' (due for payment within 12 months of the Balance Sheet date). |

¹²⁴ Refer to GoI O.M dated 30th June 2021 which is also mentioned in the Notes to Accounts (Sl. No. H).

| Sl. No. | Name of the SPSEs | Comments on Accounts |
|---------|---|---|
| | | <ul style="list-style-type: none"> ‘Long-Term Loans and Advances’ (Non-Current Assets) included unreleased portion (₹ 68.00 crore) of the Project Grants-in-Aid of ₹ 136.00 crore sanctioned by the GoI during the year, which should have been accounted under the sub-head ‘Other Non-Currents Assets’ (Non-Current Assets) instead of the above sub-head (Long-Term Loans and Advances). |
| 6 | Meghalaya Mineral Development Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> The Company had invested (book value: ₹ 207.84 lakh) in the Equity capital of its Joint Venture Company (Mandikini B Coal Corporation Limited) formed (February 2009) with three other JV partners having the prime objective to carry out prospecting exploration & mining activities. The JV Company, which was to be liquidated in 2014, discontinued its operations prior to 2012 due to de-allocation of Mandakini B Coal Block by Government of India. Since there was no possibility of the JV Company’s revival, all three JV partners (other than the Company) had already given assent for its dissolution and the JV agreement was also in the process of winding up. Under these circumstances, the Company’s investment in the Equity capital of JV Company has been substantially impaired. Since the diminution in Company’s investment in the Equity capital of the JV Company (Mandikini B Coal Corporation Limited) was permanent in nature, necessary provisions for the same should have been kept in the Accounts in terms of the Accounting Standard-13 (<i>refer para 32</i>), which was not done. |
| 7 | Meghalaya Government Construction Corporation Limited (Year of Accounts: 2021-22) | <ul style="list-style-type: none"> Work in progress under Inventories includes ₹ 20.85 crore, being the cost of 11 completed projects already handed over to the respective Client Departments and as such, this amount should have been settled/adjusted against ‘Trade Payable – Advance against Works (Note 6)’. This has resulted in overstatement of the above head (Work in progress-Inventories) with corresponding overstatement of ‘Current Liabilities - Trade Payable – Advance against Works (Note 6)’ by ₹ 20.85 crore each. |

4.1.11 Coverage of this Chapter

This Chapter on SPSEs contains two compliance audit paragraphs pertaining to Meghalaya Transport Corporation and Meghalaya Energy Corporation Limited as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

TRANSPORT DEPARTMENT

MEGHALAYA TRANSPORT CORPORATION

4.2 Working of Meghalaya Transport Corporation

4.2.1 Introduction

The Meghalaya Transport Corporation (MTC/ Corporation) was incorporated under Section 3 of the Road Transport Corporation Act, 1950 (RTC Act) on 01 October 1976, as a wholly owned Statutory Corporation of Government of Meghalaya (GoM). The MTC is mandated to provide an efficient, adequate, economical, and properly co-ordinated system of road transport service in the State and in extended areas.

The Management of MTC consists of 10 Board members¹²⁵ including the Chairman. The Managing Director manages the day-to-day affairs of MTC with the assistance of two Deputy General Managers. As on 31 March 2023, MTC had a fleet strength of 67 buses in eight routes¹²⁶, MTC's staff strength as on 31 March 2023 stands at 213¹²⁷. MTC is also operating nine depots/sub-depots (Guwahati¹²⁸-Shillong Depot, Shillong General Depot, Silchar Sub-Depot, Karimganj Sub-Depot, Ramkrishnanagar/ Hailakandi Sub-Depot, Phulbari Sub-Depot, Jowai Depot, Tura Depot, Williamnagar Depot), two Inter State Bus Terminus¹²⁹ at Tura and Shillong, one Central Workshop at Shillong and one Fuel Depot¹³⁰ at Shillong, as on 31 March 2023. Annual Gross Revenue earned by MTC during 2019-20 to 2022-23 was ₹ 1,618.72 lakh, ₹ 1,480.84 lakh, ₹ 1,739.38 lakh and ₹ 1,992.89 lakh respectively.

The Committee on Public Undertakings (COPU) in their Report of 2008-09 (November 2010), had made the following major recommendations for improving the working of MTC:

- i. Steps should be taken to cross minimise dependence on subsidy from the State Government.
- ii. Steps should be taken at the earliest to find avenues other than conventional means for increasing its revenue;
- iii. Improve administrative functions and take appropriate steps to ensure discipline and sincere work among all sections of workers.

¹²⁵ Four members, including the Chairman, are public representatives (MLA), four officials are from various State Government Departments viz., Transport Department, Finance Department, Planning Department & Public Works Department, one official from the North East Council (Government of India) and Managing Director of MTC.

¹²⁶ Including four inter-state routes viz. Meghalaya and Assam – Guwahati, Silchar, Karimganj and Ramkrishnanagar.

¹²⁷ Regular employees= 115 and contractual staff= 98

¹²⁸ Guwahati Depot and Silchar, Karimganj and Ramkrishnanagar/ Hailakandi Sub-Depots are being operated in Assam due to stable demand of service in this route.

¹²⁹ MTC was entrusted to operate ISBT, Tura w.e.f September 2019 and ISBT, Shillong w.e.f September 2021.

¹³⁰ This is non-operational since December 2021.

Further, in 2014-15, a Performance Audit¹³¹ of ‘State Transport Utilities in the State of Meghalaya’ found that MTC’s financial health was worsening and that majority of the COPU recommendations had not been complied by MTC.

4.2.2 Audit Findings

The Subject Specific Compliance Audit of Working of MTC was taken up covering the period from April 2019 to March 2023 to assess the Corporation’s compliance to financial regulations, operational standards and enforcement of internal controls. Audit found that MTC’s net worth as of March 2023 had completely been eroded. The Statutory Corporation did not finalise¹³² its Annual Accounts for the period 2016-17 to 2021-22 till March 2024. Compliance Audit was conducted during August – September 2022 and figures were updated up to 31 March 2023 based on the information obtained from MTC. Audit findings are discussed below:

4.2.2.1 Financial Position and Fund Management

Key indicators of financial performance of MTC for the period from 2019-20 to 2022-23 are summarised in **Table 4.2.1**:

Table 4.2.1: Financial position of MTC during 2019-20 to 2022-23

| (₹ in lakh) | | | | | |
|-------------|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Sl. No | Description | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
| 1. | Equity Capital (A) | 10,176.31 | 10,376.31 | 10,876.31 | 10,954.61 |
| 2. | Operating Revenue | 488.29 | 302.07 | 177.92 | 486.22 |
| 3. | Non-Operating Revenue | 1,130.43 | 1,178.77 | 1,561.46 | 1,506.67 |
| 4. | Total Revenue | 1,618.72 | 1,480.84 | 1,739.38 | 1,992.89 |
| 5. | Total Operating Expenditure | 1,584.62 | 1,527.08 | 1,937.48 | 2,177.17 |
| 6. | Non-Operating Expenditure | 183.17 | 611.48 | 398.19 | 107.48 |
| 7. | Total Expenditure (5+6) | 1,767.79 | 2,138.56 | 2,335.67 | 2,284.65 |
| 8. | Profit (+)/ Loss (-)(4) - (7) | (-) 149.07 | (-) 657.72 | (-) 596.29 | (-) 291.76 |
| 9. | Accumulated Losses (B) | 11,685.89 | 12,343.61 | 12,939.90 | 13,231.66 |
| 10. | Net Worth (A - B) | (-) 1,509.58 | (-) 1,967.30 | (-) 2,063.59 | (-) 2,277.05 |

Source: Provisional figures provided for the years 2019-20 to 2021-23.

The accumulated losses of MTC increased by 13.23 per cent during last four years from ₹ 11,685.89 lakh in 2019-20 to ₹ 13,231.66 lakh in 2022-23. Due to continuous losses suffered over the years (accumulated losses ₹ 13,231.66 lakh), Equity Capital (₹ 10,954.61 lakh) of MTC was completely eroded as on 31 March 2023 as indicted by its negative Net Worth of (-) ₹ 2,277.05 lakh.

I. Excessive dependence on State Government Funding

As discussed in the introductory paragraph, COPU had highlighted the Corporation’s heavy dependence on Government grants and recommended that MTC should minimise its dependence from GoM.

Analysis of the Revenue and Expenditure of MTC during the period from 2019-20 to 2022-23 is given in **Table 4.2.2**.

¹³¹ Included in Para 4.2 of the Comptroller and Auditor General of India for the year 2014-15.

¹³² The Accounts for 2016-17, 2017-18, 2018-19 and 2019-20 were submitted in April 2024.

Table 4.2.2: Year-wise Revenue and Expenditure of MTC during 2019-20 to 2022-23.

(₹ in lakh)

| Year | Revenue | | | | Expenditure | | | | Excess of expenditure over revenue | |
|--------------|-----------------|------------------------|--------------------|----------------|-----------------|-----------------------|----------------------------|-------------------|------------------------------------|----------|
| | From GoM | | Passenger Earnings | Other receipts | Total | Salary and Allowances | Welfare and Superannuation | Other expenditure | | Total |
| | GIA (Salary) | Rehabilitation Package | | | | | | | | |
| 2019-20 | 1,000.00 | 60.66 | 431.69 | 126.37 | 1,618.72 | 827.01 | 238.88 | 701.89 | 1,767.78 | 149.07 |
| 2020-21 | 1,039.09 | 68.33 | 268.64 | 104.78 | 1,480.84 | 939.28 | 252.84 | 946.44 | 2,138.56 | 657.72 |
| 2021-22 | 1,416.36 | 90.00 | 128.39 | 104.63 | 1,739.38 | 937.24 | 678.45 | 719.99 | 2,335.68 | 596.30 |
| 2022-23 | 1,405.78 | 80.00 | 355.37 | 151.74 | 1,992.89 | 917.70 | 403.30 | 963.65 | 2,284.65 | 291.76 |
| Total | 4,861.23 | 298.99 | 1,184.09 | 487.52 | 6,831.83 | 3,621.23 | 1,573.47 | 3,331.97 | 8,526.67 | 1,694.84 |
| | 71% | 5% | 17% | 7% | 100% | 43% | 18% | 39% | 100% | |

Source: Provisional figures provided for the years 2019-20 to 2022-23.

From the Table above, it can be seen that during the four years period (2019-23), primary source of funds for MTC was the State Government Grants amounting to ₹ 5,160.22 lakh which constituted 76 per cent of total revenue of the Corporation. Earnings from Passengers during the period were ₹ 1,184.09 lakh *i.e.*, merely 17 per cent which was not even sufficient for payment of salary and other emoluments to its employees amounting to ₹ 5,194.70 lakh during the period. It can also be seen that total revenue generated (inclusive of GoM grants) was ₹ 6,831.83 lakh against expenditure of ₹ 8,526.67 lakh resulting in working capital deficit of ₹ 1,694.84 lakh which MTC had met by utilising Capital Contribution received from GoM, in contravention of the Board's directions {as discussed in **Paragraph 4.2.2.1 (II)**}.

II. Utilisation of Capital Contribution made by the State Government

During the period 2019-20 to 2021-22, MTC through its Annual Plans submitted proposals to GoM totalling ₹ 1,200.00 lakh against which GoM released Capital Contribution amounting to ₹ 800.00 lakh. These contributions were made to enable MTC meet its requirements as per the proposed Annual Plans. The Board of Directors (Board) had advised (October 2018) MTC not to divert Capital contribution for revenue expenses.

Comparison of Annual Plans submitted by MTC to GoM with utilisation of capital contribution sanctioned by GoM is depicted in **Table 4.2.3**:

Table 4.2.3: Details of amounts proposed, sanctioned and utilised by MTC during the period from 2019-20 to 2021-22.

(₹ in lakh)

| Sl. No | Purpose of scheme/expenditure | Amount proposed | | | Amount sanctioned | | | Amount utilised | | |
|--------|---|-----------------|---------|---------|-------------------|---------|---------|-----------------|---------|---------|
| | | 2019-20 | 2020-21 | 2021-22 | 2019-20 | 2020-21 | 2021-22 | 2019-20 | 2020-21 | 2021-22 |
| 1. | Rationalisation of Operation-Acquisition of Fleet | 125.00 | 300.00 | 300.00 | 100.00 | 200.00 | 500.00 | 43.00 | - | 398.00 |
| 2. | Renovation/Repair of Existing Depots (including Staff Quarters at Central Workshop, Sawlad) | 50.00 | - | - | | | | 4.00 | - | - |
| 3. | Operationalisation of ISBT, Tura and Shillong | 25.00 | | 30.00 | | | | - | 1.99 | 23.00 |

| Sl. No | Purpose of scheme/expenditure | Amount proposed | | | Amount sanctioned | | | Amount utilised | | |
|--------------------|--|-----------------|---------------|---------------|-------------------|---------------|---------------|-----------------|-------------|---------------|
| | | 2019-20 | 2020-21 | 2021-22 | 2019-20 | 2020-21 | 2021-22 | 2019-20 | 2020-21 | 2021-22 |
| 4. | Revamping of Central Workshop | - | 50.00 | 35.00 | | | | - | - | - |
| 5. | Creation of additional facilities and amenities to existing depots, workshop and store | - | 70.00 | 55.00 | | | | - | - | - |
| 6. | Computerisation | - | 15.00 | 15.00 | | | | 0.39 | 0.55 | 3.93 |
| 7. | Smoke Emission test centres at Shillong, Tura and Williamnagar | - | 25.00 | 25.00 | | | | - | - | - |
| 8. | Overhauling and re-conditioning of old but serviceable vehicles | - | 40.00 | 40.00 | | | | - | - | - |
| Total | | 200.00 | 500.00 | 500.00 | 100.00 | 200.00 | 500.00 | 47.39 | 2.54 | 424.93 |
| Grand Total | | 1200.00 | | | 800.00 | | | 474.86 | | |

Source: Information furnished by MTC.

It was observed that out of ₹ 800 lakh sanctioned by the GoM, the Corporation had utilised ₹ 474.86 lakh (59 per cent) for the sanctioned purpose whereas ₹ 206 lakh (26 per cent) was utilised for payment to Income Tax Department (₹ 50 lakh) and Pensionary Benefits (₹ 197 lakh).

Table 4.2.3 shows that:

- (i) Although the entire amount proposed during 2021-22 was sanctioned by the State Government, MTC undertook the work proposed at Sl. No. 1 fully, works proposed at Sl. Nos. 3 and 6 partially and did not undertake the works proposed at Sl. Nos. 4, 5, 7 and 8 at all.
- (ii) The proposed scheme at Sl. nos. 4, 5, 7 and 8 has not been executed by MTC.

On being pointed out by Audit, MTC stated (July 2023) that the amount released by the GoM was much below the proposed Annual Plans hence affecting the implementation of the Annual Plan. It also stated that on account of insufficient funds available it had to divert capital contribution towards retirement benefits and statutory payments.

The reply is not acceptable since non-execution or partial execution of planned works and utilisation of Capital funds for establishment expenses cannot be justified on the grounds of insufficient funds sanctioned by GoM. Further, utilisation of Capital Contribution for establishment expenses was also not regularised by GoM.

4.2.2.2 Operational Performance

In order to examine the adequacy of operating revenue, Audit examined the data relating to MTCs core operations of its transport activity in kilometres covered *per annum* and revenue earned per kilometre *vis-à-vis* expenditure incurred. **Table 4.2.4** shows operational performance of MTC during 2019-2020 to 2022-23.

Table 4.2.4: Operational performance of MTC for the year 2019-20 to 2022-23.

| Sl. No. | Description | 2019-20 | 2020-21 | 2021-22 | 2022-23 | |
|---------|--|---------------------------|---------------|---------------|---------------|---------------|
| 1. | Operating Revenue (₹ in lakh) | By excluding GIA (Salary) | 488.29 | 302.07 | 177.99 | 486.22 |
| | | By Including GIA (Salary) | 1,488.29 | 1,341.15 | 1,594.28 | 1892.00 |
| 2. | Operating Expenditure (₹ in lakh) | 1,584.62 | 1,527.08 | 1,937.48 | 2177.17 | |
| 3. | Gross Kilometer Operated (in lakh) | 16.12 | 8.94 | 6.96 | 11.75 | |
| 4. | Operating Revenue Per Kilometer (1)/(3) (in ₹) | By excluding GIA (Salary) | 30.29 | 33.79 | 25.57 | 45.57 |
| | | By Including GIA (Salary) | 92.33 | 150.02 | 229.06 | 161.02 |
| 5. | Operating expenditure per Kilometer (2)/ (3) (in ₹) | 98.30 | 170.81 | 278.37 | 204.05 | |
| 6. | Net operating loss per Kilometer (4) - (5) (in ₹) | By excluding GIA (Salary) | 68.01 | 137.02 | 252.80 | 158.48 |
| | | By Including GIA (Salary) | 5.98 | 20.80 | 49.31 | 43.03 |

During 2019-20 to 2022-23, the operating revenue as percentage of operating expenditure ranged between 9 to 31 *per cent* if GIA (Salary) received from GoM is not taken into account for arriving at Operating Revenue of the Corporation, indicating that MTC was barely able to cover its operation costs from the revenue earned from its core operations. Further, the Gross Kilometer Operated declined during 2020-21 and 2021-22 from 16.12 lakh km (2019-20) to 6.96 lakh km (2021-22) which was attributed mainly to cancellation of scheduled trips on account of Covid pandemic. However, there was improvement during 2022-23.

Audit further examined the utilisation of MTCs fleet of buses for transport operations. Total fleet strength and deployment of buses, year-wise, is shown in **Table 4.2.5**.

Table 4.2.5: Fleet Strength of MTC for the period 2019-20 to 2021-22

| Sl. No | Particulars | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--------|--|---------|---------|---------|---------|
| 1. | Buses available at the beginning of the year | 60 | 55 | 55 | 63 |
| 2. | Additions during the year | 3 | - | 8 | 4 |
| 3. | Buses scrapped during the year | 8 | - | - | - |
| 4. | Buses available at the end of the year | 55 | 55 | 63 | 67 |
| 5. | Buses on Road | 45 | 44 | 49 | 55 |

Source: Information furnished by MTC.

It was observed that during 2019-20 to 2022-23 on an average MTC operated 87 *per cent* of buses out of its total fleet, with remaining buses being under repair and maintenance. Audit noticed from records that as of March 2023, 12 buses were under repair and maintenance (R&M) of which seven buses could not be made operational and continued to be shown under R&M for periods ranging from 16 to 62 months (**Appendix 4.2.1**). Expenditure incurred on R&M was ₹ 181.99 lakh during the period from 2019-20 to 2022-23. There was nothing on record to show whether MTC had examined non-serviceability of these buses with plans of scrapping them and procuring new buses.

Further, the Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) that the desirable age of a bus was up to eight years or five lakh

kilometres, whichever was earlier. Audit examination of MTC's existing fleet of buses as of 31 March 2023 is shown in **Table 4.2.6**.

Table 4.2.6: Age profile of on-road buses of MTC as on 31 March 2023

| Age of buses | 0-4 years | 4-8 years | 8-10 years | 10 years and above | Total |
|------------------------|-----------|-----------|------------|--------------------|-------|
| Number of buses (in %) | 17 (30%) | 7 (13%) | 7 (13%) | 24 (44%) | 55 |

Source: Information furnished by MTC.

As seen from the table above, 57 per cent of the fleet is more than eight years old. MTC's expenditure on R&M of buses was ₹ 61.92 lakh (2019-20), ₹ 26.06 lakh (2020-21), ₹ 46.65 lakh (2021-22) and ₹ 47.36 lakh (2022-23) which ranged from 1.71 per cent to 3.91 per cent of its total operating expenditure during 2019-20 to 2022-23.

Audit examined the revenue yield from the route plans of MTC in order to assess economic and uneconomic routes. During 2019-20 to 2022-23, MTC operated through four depots and four sub depots and deployed 55 buses. Depot-wise details of revenue earned are shown in **Table 4.2.7**.

Table 4.2.7: Depot-wise details of revenue earned during 2019-20 to 2022-23

| Sl. No | Name of Depot/ Sub-Depot | Year | | | | Total | (% of revenue) |
|--------|---|---------------|---------------|---------------|---------------|-----------------|----------------|
| | | 2019-20 | 2020-21 | 2021-22 | 2022-23 | | |
| 1. | Shillong General (SG) Depot including school buses and chartered buses. | 241.66 | 112.37 | 102.35 | 249.81 | 706.18 | 62 |
| i. | Guwahati Sub-Depot | 0.17 | 0 | 0.01 | 0 | 0.18 | 0 |
| ii. | Silchar Sub-Depot under SG Route | 43.84 | 4.68 | 10.75 | 34.22 | 93.49 | 8 |
| iii. | Karimganj Sub-Depot under SG Route | 44.31 | 2.95 | 7.20 | 20.58 | 75.03 | 7 |
| iv. | Ramkrishna Nagar/ Hailakandi Sub-Depot Sub-Depot under SG Route | 28.52 | 3.76 | 8.57 | 19.80 | 60.65 | 5 |
| 2. | Jowai Depot | 18.87 | 3.45 | 10.53 | 22.70 | 55.56 | 5 |
| 3. | Tura Depot | 36.00 | 7.35 | 6.56 | 32.69 | 82.60 | 7 |
| 4. | Williamnagar Depot | 32.06 | 3.05 | 5.11 | 19.08 | 59.30 | 5 |
| | Total | 445.43 | 137.61 | 151.08 | 398.88 | 1,132.99 | 100 |

Source: Actual cash earned in counter as furnished by MTC.

Note: Sl. nos. 1 and 4 are inclusive of revenue generated from Phulbari Sub Depot.

From **Table 4.2.7**, it can be seen that Shillong General depot contributed 62 per cent of revenue of MTC, whereas the contribution of the remaining three depots and four sub-depots to MTC's revenue was in the range of zero to eight per cent. Meagre revenue contribution from other depots like Jowai, Tura and Williamnagar could be partly due to less number of buses being operated from their depots. For example, only four buses were deployed in Jowai depot to cater to the Jowai township which had a population of 28,420 (as per 2011 census).

Audit noted that MTC had not deployed any bus in Guwahati-Shillong (GS) Route despite this route being one of the busiest routes in terms of tourist inflow/outflow to and from Shillong. The total tourist arrival in Meghalaya was 23.98 lakh from 2019

to 2022. These instances show that MTC's deployment of buses is not geared towards enhancing its revenue earning as it is evident that MTC could not effectively capitalise on the revenue potential of Shillong-Guwahati route or did not deploy more number of buses in the bigger districts of the State. Further, MTC has not put in place any scientific and revenue optimising business model and data driven pricing of fares along the routes that it operates.

In response to Audit observations, MTC stated (July 2023) that with the imposition of lockdown on account of Covid-19 w.e.f. March 2020, the operations came to a near standstill which continued till the later part of 2021. The vehicles were only transporting residents of the State arriving from other parts of India and medical duty in Shillong city. The MTC also stated that the increase in losses were due to low vehicle operations on account of travel regulations while the operating expenditure during 2020-21 and 2021-22 was due to clearance of many outstanding payments due to suppliers.

MTC stated that the overall poor performance was attributable to the Covid pandemic and regulations thereon during which the functioning of the MTC including vehicle operations came to a near standstill. MTC is trying hard to improve its R&M works and timely scrapping/auction/disposal of unserviceable/uneconomical buses thereby improving fleet utilisation and generation of additional revenue. Further, it also stated that the inability on the part of MTC to invest in new buses may be attributed to inability of MTC to generate sufficient revenue on its own and also receipt of inadequate Capital Contribution from Government.

The impact of Covid pandemic on MTC's operations and revenue is undeniable. However, poor revenue earning and loss making operations of MTC cannot solely be attributed to Covid-19 pandemic. Findings in the preceding paragraphs clearly show that not only is MTC's fleet inadequate to cater to the optimal utilisation of the routes being operated by MTC, but also the buses in MTC's fleet are aged and prone to frequent breakdown, thus adding to the burden of operating cost of the MTC's core operations. It is also evident that MTC's route operations are sub-optimal and that MTC's Board has not put in place a scientific and revenue optimising business model by introducing scientific and data driven pricing of fares along the routes that it operates.

4.2.2.3 Income from ancillary Operating Activities

COPU in its Fourth Report (2008-09), had recommended the MTC to explore various options to enhance revenue from ancillary activities like renting bus space for business hoardings and opening of shopping malls in all the Transport Complexes in the State wherever feasible.

Audit noticed that MTC was in possession of landed property of 69,948.49 square meters (Buildings-13,009 sq. mtrs; Vacant plot-23,341.89 sq. mtrs; Temporary building-33,597.60 sq. mtrs) in 11 plots spread across five districts¹³³ in Meghalaya. MTC was earning rental income from 68 properties which had been rented out for running shops/hotels/ offices. Audit found that the 68 rented properties of MTC amounted to merely

¹³³ East Khasi Hills (40,168.89 sq. mtr), West Garo Hills (1,138.98 sq. mtr), Jaintia Hills (23,777.32 sq. mtr), West Khasi Hills (140.96 sq. mtr) and East Garo Hills (4,722.34 sq. mtr)

seven *per cent* (4,974.63 square meters) of the total land possessed by MTC. The annual rental income earned from these properties during 2019-20 to 2022-23 is detailed in **Table 4.2.8**.

Table 4.2.8: Rental revenue earned by MTC during 2019-20 to 2022-23

(₹ in lakh)

| Year | Rental Income | | Number of tenants | |
|--------------|---------------|---------------|-------------------|----------------------------------|
| | Receivable | Received | Total | Who paid rent (as of March 2023) |
| 2019-20 | 236.62 | 66.09 | 68 | 57 |
| 2020-21 | 229.30 | 58.77 | 68 | 57 |
| 2021-22 | 220.70 | 50.17 | 68 | 57 |
| 2022-23 | 171.10 | 0.31 | 4 ¹³⁴ | 4 |
| Total | | 175.90 | | |

As seen from the Table above, total rental income collected by MTC during 2019-20 to 2022-23 was ₹ 175.90 lakh and additional amount of ₹ 170.79 lakh was yet to be recovered from 11 tenants.

Further, Audit noted that, there was an agreement (February 2011) between MTC and the representatives of tenants to increase rent by 20 *per cent* effective from 01 April 2011 and thereafter by 20 *per cent* every five years. However, on completion of five years (i.e., 01 April 2016 and 01 April 2021), MTC did not increase the rent by 20 *per cent* as agreed in the meeting held during February 2011 and instead increased the rent only by five *per cent*. This resulted in a revenue loss of ₹ 57.98 lakh (**Appendix 4.2.2**) over a period of approximately five years from 01 April 2016 to 31 December 2021. Reasons for imposition of a rate lesser than agreed were not found available on records made available, indicating inability to effectively optimise the revenue earning potential of its properties.

MTC's inability to monetise 93 *per cent* of its landed property as well as collect rent accrued on its existing rental properties was indicative of sub-optimal revenue earning by the MTC. Further, Audit noted that though COPU had recommended that MTC should explore new avenues to improve its revenue, no tangible effort was made by the MTC in this regard.

4.2.2.4 Human Resource position

Human Resource position of MTC as on 01 April 2019 and 31 March 2022 is shown in **Table 4.2.9**.

Table 4.2.9: Details of Manpower Position in MTC

| Particulars | As on 01.04.2019 | As on 31.03.2022 | As on 31.03.2023 |
|-----------------------------|---------------------|---------------------|---------------------|
| A. Sanctioned Strength (SS) | 187 | 187 | 184 |
| B. Person-in-Position (PIP) | 235 | 198 | 213 |
| (i) Regular Staff | 179 | 120 | 115 |

¹³⁴ During August 2021, MTC had issued advance Notice to 64 tenants to vacate the rented area at Police Bazar Shillong in order to hand over the land and building for construction of a commercial cum shopping complex under Shillong Smart City Project.

| Particulars | As on 01.04.2019 | As on 31.03.2022 | As on 31.03.2023 |
|--|---------------------|---------------------|---------------------|
| (ii) Contractual | 56 | 78 | 98 |
| Excess PIP over the SS (<i>per cent</i>) | 48 (26) | 11 (6) | 29 (16) |

As can be seen from the above table, against the sanctioned strength, the MTC had excess persons in position to the extent of 26 *per cent* (April 2019), 6 *per cent* (March 2022) and 16 *per cent* (March 2023). At the same time, hiring of contractual staff increased from 56 (30 *per cent* of sanctioned strength) to 98 (53 *per cent* of sanctioned strength). MTC stated (August 2023) that it had submitted a proposal to GoM in April 2011 for VRS of 105 staff involving financial implication of ₹ 1,750.00 lakh. However, the Government has not taken any decision on the matter till date. MTC further stated that GoM had taken over pensionary liability of MTC *w.e.f.* 2013-14. The reply has to be seen in light of the fact that MTC's dependence on Government grants for salary and relief packages had gone up from ₹ 1,060.66 lakh to ₹ 1,506.36 lakh during 2019-20 to 2021-22 (**Table 4.2.2**).

Thus, not only was MTC being burdened with the salary costs of excess manpower, but there was also a trend towards hiring of more contractual staff despite the fact that there is high deficit of revenue over expenditure.

4.2.2.5 Annual Accounts

The MTC Rules, 1976 under Rule 42 provide that the Annual Accounts of MTC for each financial year showing the financial results should be drawn up within six months from the close of the financial year. The Annual Accounts, duly approved by the MTC Board, are to be submitted for audit certificate to the Comptroller and Auditor General of India by 30th September of respective year. The Annual Accounts, along with the Audit Certificate are to be laid before the State Legislature (Section 32 of the RTC Act, 1950). As such, the Annual Accounts for each financial year are required to be finalised by the end of September every year. Audit, however, noticed that the MTC had finalised its accounts only up to 2015-16. Accounts of six years (*i.e.* from 2016-17 to 2021-22) were yet to be finalised on the date of audit. Since the audited Annual Accounts have not been placed in the State Legislature, Government's investment had remained outside the scrutiny and control of the State Legislature.

MTC in reply (July 2023) stated that the finalisation of annual accounts was delayed due to retirement of the Chief Accounts Officer in March 2017 and there was no Accounts Officer till August 2019 which was followed by Covid pandemic. The annual accounts for 2016-17 to 2019-20 have been finalised and the annual accounts for 2020-21 and 2021-22 will be presented to the Board for approval in the Board meeting in August 2023.

4.2.6 Conclusion

MTC plays an important role in ensuring availability of public transport in the State, especially in areas which are not served by any other transport utility. As a public service utility, MTC is expected to maximise its operational viability in order to become a sustainable and reduce the burden of exchequer to support its survival. However, as

the Audit findings have revealed, MTC's sustained losses have resulted in complete erosion of its equity and enhanced its dependence on Government grants for salary and relief packages which had gone up from ₹ 1,060.66 lakh to ₹ 1,506.36 lakh during 2019-20 to 2021-22.

Bus fleet operated by MTC is beset with inefficiency as a large part of it is composed of old and inefficient vehicles resulting in high R&M costs. The income from monetisation of land/property owned by MTC could have been another profitable source of revenue for the Corporation. However, MTC has been able to monetise only seven *per cent* of its total land and property. MTC's expenditure on salary of staff and increasing hiring costs on outsourced staff has an adverse impact on its operational efficiency. Non-submission of its Annual Accounts since 2015-16 reflects weak internal controls and is a matter of high concern.

4.2.7 Recommendations

1. *MTC may put in place short to medium term plans for improving its operational efficiency by phasing out old buses and hiring of new fuel efficient buses as well as by increasing the frequency of buses on profitable routes.*
2. *MTC should take effective steps to monetise its landed property by exploring the possibility of commercial utilisation of the available surplus land and periodic revision of the building rent in consonance with market rates.*
3. *MTC may carry out manpower review vis-à-vis its scale of operations to determine an optimal staff strength.*
4. *MTC Board may ensure timely submission of Annual Accounts by deputing required manpower and by appointing a consultant (Chartered Accountant), if required.*

POWER DEPARTMENT

MEGHALAYA ENERGY CORPORATION LIMITED

4.3 Avoidable expenditure

Procurement of Distribution Transformers at IPDS rates which were substantially higher than the rates of supply of DTs under a GoM scheme, resulted in avoidable expenditure of ₹ 1.63 crore by MeECL.

The Rules 257 and 261 of the Meghalaya Financial Rules (MFR), 1981 stipulates that when a work is to be executed, sealed tender should be invited as to ensure competitive rates, accountability, and transparency. Further, OM No. FEG48/98/145 dated 5th April 2002 placed under Annexure-I of Meghalaya Delegation of Financial Power Rules (MDOFP), 2006 states that Notice Inviting tender (NIT) for settlement of works and Notice Inviting Quotation (NIQ) for purchase of goods and services by any Department or Organisation of the State Government where the total value of works to be settled or purchases to be made during any financial year exceeds ₹ 100 lakh should be drawn by the Tendering Authority and screened by the Departmental Tender Committee or Departmental Purchase Board with technical and price bids separately.

The Ministry of Power, Government of India (GoI) vide its notification (December 2016), specified that Distribution Transformers (DTs) to be procured from January 2017 onwards, should be of the standard BEE¹³⁵ 4-star rated.

The Additional Chief Engineer (Material Management) (ACE(MM)) of Meghalaya Energy Corporation Limited (MeECL) is entrusted with the responsibility of preparing estimates and getting the same approved from the competent authority for procurement of materials for deposit, operation & maintenance and capital works of the three¹³⁶ subsidiaries of MeECL.

Scrutiny of records of the Office of the ACE (MM) with regard to procurement of DTs revealed that during the period from February 2019 to June 2022, ACE (MM) purchased 333 DTs of BEE 4-star rated specification for various works under deposit works, operation & maintenance works and capital works amounting to ₹ 6.62 crore.

On further scrutiny of records, Audit found that a proposal by ACE (MM) was placed for inviting tender for supply of 4-star DTs for fixation of rate contract and till such rate was arrived at, the rates approved for Integrated Power Development Scheme (IPDS) for procurement of DTs would be applied as an interim measure so that it will not affect the works relating to Deposit, O&M and capital works on the plea that the tendering process for procurement of DTs was time consuming. This proposal was approved (January 2019) by the Chairman-cum-Managing Director (CMD). Though, ACE(MM) had procured the DTs by adopting the IPDS rates tender had not been invited for fixation

¹³⁵ Bureau of Energy Efficiency.

¹³⁶ (i) Meghalaya Power Generation Corporation Limited (MePGCL), (ii) Meghalaya Power Transmission Corporation Limited (MePTCL) and (iii) Meghalaya Power Distribution Corporation Limited (MePDCL).

of the rates for DTs during the period from February 2019 till June 2022 which was in contravention of the provisions of MFR, 1981 and MDOFP, 2006 stated above.

Audit scrutinised this decision and action taken by ACE (MM) which showed that during December 2017 and February 2018 MeECL had finalised two separate tenders for procurement of BEE 4-star rated DTs for GoI's IPDS and Government of Meghalaya (GoM) Scheme of replacement of DTs as per details shown in **Table 4.3.1**.

Table 4.3.1: Details of DTs finalised under IPDS and replacement of DTs under financial assistance from GoM

| Sl. No. | Name of Scheme | Date of Tendering | Tender finalised | Rate approved by | Issue of work order | Name of Suppliers |
|---------|---|-------------------|------------------|--|---------------------|--|
| 1 | IPDS | March 2017 | February 2018 | Tender Evaluation Committee (TEC) | March 2018 | 1. M/s Eastern Transformers & Equipment Pvt. Ltd. |
| 2 | Replacement of failed DTs under financial assistance from GoM | September 2017 | December 2017 | TEC and subsequently by Boards of Director, MePDCL | December 2017 | 1. M/s Eastern Transformers & Equipment Pvt. Ltd. 2. M/s Stanelec Pvt. Ltd (both the bidders had agreed to share the supply of the transformers at L1 rates). |

In this regard, Audit noticed the following.

(i) The supply orders placed for the IPDS as well as GoM scheme were based on two separate rates finalised through two separate tenders and not based on a rate contract.

(ii) While the tenders for the two schemes were finalised within a short period of three months i.e. between December 2017 and February 2018 and the specifications of the DTs to be procured under IPDS and GoM scheme were identical¹³⁷, the approved rates for the DTs under IPDS were, however, significantly higher than those approved for the GoM scheme. It was observed that variation in rates of 250 KVA and 500 KVA between two contracts ranged between 73.08 per cent to 107.10 per cent as depicted in **Table 4.3.2**.

Table 4.3.2: Comparative rates under IPDS and replacement of DT under financial assistance from GoM.

(Amount in ₹)

| Type of DTs (in KVA) | Unit Ex-work price under IPDS | Unit Ex-works price For replacement of DTs | Difference in rates | |
|----------------------|-------------------------------|--|---------------------|--------|
| | | | (in ₹) | (in %) |
| 63 | 88,320 | 85,500 | 2,820 | 3.30 |
| 100 | 1,19,070 | 1,17,000 | 2,070 | 1.77 |
| 250 | 3,68,400 | 2,12,850 | 1,55,550 | 73.08 |
| 500 | 7,26,000 | 3,50,550 | 3,75,450 | 107.10 |

(iii) Audit observed that while also seeking interim approval of the CMD for adoption of IPDS rate which was higher, the ACE (MM) did not highlight the rates approved under the GoM scheme which were much lower and that the suppliers under both

¹³⁷ Four-star DTs for 63 KVAs, 100 KVAs, 250 KVAs and 500 KVAs.

the schemes were the same. This indicates that the CMD was not kept informed of such variation in the approved rates of DTs and suppliers finalised under these two Schemes.

(iv) Even though, approval by the CMD was for till a new rate was finalised, yet, the procurement of DTs at the rate continued for a period of 40 months. This indicates that, ACE (MM) did not take action in tendering for fixation of a rate contract.

(v) Out of 333 DTs procured during the period from February 2019 till June 2022, 206 DTs (62 *per cent*) were procured from the same suppliers, i.e. M/s Eastern Transformers & Equipment Pvt. Ltd. and M/s Stanelec Pvt. Ltd. who had also supplied DTs under the GoM scheme at lower rates.

Thus, procurement of 333 DTs of BEE – 4 star rated specifications by MeECL at a cost of ₹ 6.62 crore, without following the due tendering procedure was in gross violation of the rules prescribed under MFR, 1981 and MDOFP, 2006. Also, non-fixation of a rate-contract and continued placement of purchase orders of DTs at IPDS rates, led to avoidable expenditure of ₹ 1.63 crore as indicated in **Appendix 4.3.1**.

The Department in its reply (June 2023) stated that the Company considered the latest approved tender rate (approved rate) as the departmental supply rate of DTs, even if the latest tender is lower or higher than the previous rate.

The reply is not acceptable since acceptance of the latest rate which is not that of a rate contract, is not as per the rules prescribed under MFR, 1981 and is also against the tenets of financial propriety. Further, the approval by the CMD was for invitation of tender while adoption of IPDS rates for making purchases of DTs was only for the time being i.e. till finalisation of a new rate. By continued procurement of DTs at IPDS rates which were substantially higher than the rates of supply of DTs for GoM scheme, MeECL extended undue benefits to the two suppliers.

The matter was reported to the Government (October 2023); their reply is awaited (April 2024).