

CHAPTER-V

STATE PUBLIC SECTOR UNDERTAKING

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State Public Sector Undertakings

5.1 Introduction

State Public Sector Undertakings (SPSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. SPSUs consist of State Government Companies, Government controlled other Companies and Statutory Corporations. This Chapter presents the investment in SPSUs, budgetary support to SPSUs, dividend paid by SPSUs, erosion of net worth of SPSUs and submission of accounts by SPSUs.

5.1.1 Definition of Government Companies, Government Controlled Other Companies and Statutory Corporations

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 the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

Besides, any other company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this chapter as Government Controlled Other Companies. The Statutory Corporations are those corporations which were set up under Statutes enacted by the Legislature.

5.1.2 Mandate of Audit

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 Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

5.1.3 Nature of State Public Sector Undertakings and their coverage in the Chapter

As on 31 March 2022, there were 18 SPSUs in Delhi, including two² Statutory Corporations, one Government controlled other Company and 15 Government

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

² Delhi Transport Corporation and Delhi Financial Corporation.

Companies under the audit jurisdiction of the CAG as detailed in **Table 5.1**. 15 Government Companies include four inactive subsidiaries of DSIIDC which are not carrying out any activities for the last several years. None of the State PSUs were listed on the stock exchange.

Table 5.1: List of SPSUs

Government Companies	
Finance	
1.	Delhi SC /ST /OBC Minorities and Handicapped Financial Development Corporation Limited (DSCFDC)
Infrastructure	
2.	Shahjahanabad Redevelopment Corporation (SRDC)
3.	Delhi State Industrial & Infrastructure Development Corporation Limited (DSIIDC)
Power	
4.	Indraprastha Power Generation Company Limited (IPGCL)
5.	Pragati Power Corporation Limited (PPCL)
6.	Delhi Transco Limited (DTL)
7.	Delhi Power Company Limited (DPCL)
Services	
8.	Delhi Tourism and Transportation Development Corporation Limited (DTTDC)
9.	Delhi State Civil Supplies Corporation Limited (DSCSC)
10.	Geospatial Delhi Limited (GDL)
Transport	
11.	Delhi Transport and Infrastructure Development Corporation Limited (DTIDC)
Statutory Corporations	
Finance	
12.	Delhi Financial Corporation (DFC)
Transport	
13.	Delhi Transport Corporation (DTC)
Government Controlled other Company	
Services	
14.	Intelligent Communication Systems India Limited (ICSIL- Associate Company of DSIIDC)
Inactive Government Companies	
15.	Delhi Creative Arts Development Limited (DCADL- Subsidiary of DSIIDC)
16.	DSIIDC Liquor Limited (DLL- Subsidiary of DSIIDC)
17.	DSIIDC Maintenance Services Limited (DMSL- Subsidiary of DSIIDC)
18.	DSIIDC Energy Limited (DEL- Subsidiary of DSIIDC)

5.2 Investment in SPSUs and Budgetary support

5.2.1 Equity holding and Long Term Loans in SPSUs

The sector-wise total equity, equity contribution by GNCTD and total long-term loans and the loans given by GNCTD in all the 18 SPSUs as on 31 March 2022 is given in **Table 5.2**:

Table 5.2: Sector-wise investment in SPSUs as on 31 March 2022

(₹ in crore)

Name of Sector	Companies/ Statutory Corporation	No. of SPSUs	Total Investment				
			Equity		Long Term Loans		Total Equity and Long-Term Loans
			Total	State Government	Total	State Government	
(A) Power	Companies	5	7,506.79	7,106.78	4,345.26	3,815.64	11,852.05
(B) Other than Power							
i. Finance	Company	1	50.00	38.12	68.24	68.24	118.24
	Statutory Corporation	1	26.54	18.05	33.00	33.00	59.54

(₹ in crore)

Name of Sector	Companies/ Statutory Corporation	No. of SPSUs	Total Investment				
			Equity		Long Term Loans		Total Equity and Long- Term Loans
			Total	State Govern- ment	Total	State Govern- ment	
ii. Service	Companies	7	25.07	24.04	2.25	2.14	27.32
iii. Infrastruc- ture	Companies	2	21.00	21.00	0.00	0.00	21.00
iv. Transport	Company	1	10.65	10.65	0.00	0.00	10.65
	Statutory Corporation	1	1,983.85	1,983.85	11,676.14	11,676.14	13,659.99
Total B (i+ii+iii+iv)		13	2,117.11	2,095.71	11,779.63	11,779.52	13,896.74
Total (A) + (B)		18	9,623.90	9,202.49	16,124.89	15,595.16	25,748.79

Source: Latest Financial Statements and information furnished by the SPSUs (Long term loans include current maturities of GNCTD loans)

The financial health of power sector SPSUs are detailed as under:

There are total four active power sector companies namely DPCL, IPGCL, PPCL and DTL. Besides, there are three power distribution companies (in private sector) in which DPCL has only 49 per cent stake. As on 31 March 2022, the total investment of ₹ 11,852.05 crore (equity and long-term loans) in five power sector SPSUs consisted of 63.34 per cent towards equity and 36.66 per cent in long-term loans. The equity contributed by the State Government (₹ 7,106.78 crore) constituted 94.67 per cent of the total equity. The long-term loans advanced by the State Government (₹ 3,815.64 crore) constituted 87.81 per cent of the total long-term loans whereas 12.19 per cent (₹ 529.62 crore) of the total long-term loans were availed from others as detailed in **Appendix-5.1**.

No dividend was paid by any of the four SPSUs for the last three years as per their latest finalized accounts.

As on 31 March 2022, total loan and interest of four Power sector SPSUs payable to GNCTD amounting to ₹ 3,815.64 crore and ₹ 3,349.23 crore respectively were outstanding. Out of this, major amount of ₹ 3,326.39 (87.17 per cent) and ₹ 2,587.80 (77.26 per cent) pertained to DPCL. The said loan was disbursed by GoI to GNCTD who in turn disbursed it to DPCL for meeting the liability towards Power Purchase Cost payable to CPSUs & Ministry of Railways. DPCL has referred the matter to GNCTD for treating the outstanding amount of the loan as 'Non-refundable Financial Support' from GNCTD as CPSUs dues of Delhi Electricity Supply Undertaking period were not part of liabilities of the DPCL as per Transfer Scheme Rules, 2001 on unbundling of Delhi Vidyut Board. The GNCTD in turn had taken up the matter with the GoI for converting the said loan into one time grant. The decision on the matter is still pending (December 2022).

PPCL has outstanding loan of ₹ 489.25 crore against which there was no default in payment of principal amount due. Against the outstanding interest of ₹ 870.55 crore against GNCTD loan, IPGCL had made a payment of ₹ 276.79 crore (2021-22) whereas PPCL against outstanding interest of ₹ 983.30 crore had made a payment of ₹ 859.87 crore (2019-22).

As on 31 March 2022, the total investment (equity and long term loans) in 13 SPSUs (other than power sector) was ₹ 13,896.74 crore. The investment consisted of 15.23 per cent towards equity and 84.77 per cent in long-term loans. The equity contributed by the State Government (₹ 2,095.71 crore) constituted 98.99 per cent of the total equity. The long-term loans advanced to SPSUs (other than power sector) by the State Government constituted 99.99 per cent (₹ 11,779.52 crore) of the total long-term loans as detailed in **Appendix-5.1**.

5.2.2 Budgetary Support to State Public Sector Undertakings

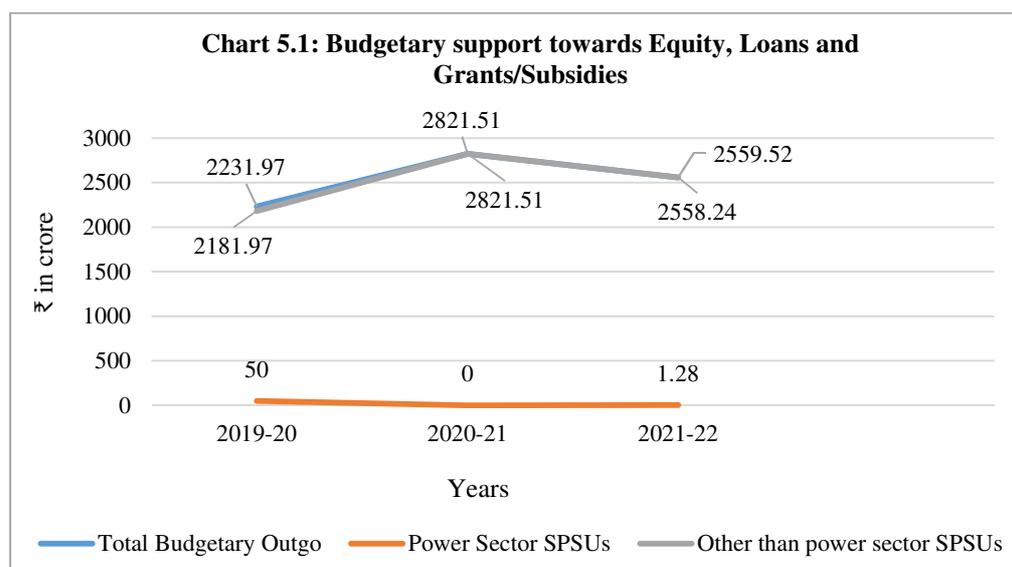
Government of NCT of Delhi (GNCTD) provides financial support to SPSUs in various forms through the annual budget. The summarized details of budgetary outgo (equity, loans and grants/subsidies) in respect of SPSUs for the last three years ending 31 March 2022 are given in **Table 5.3**:

Table 5.3: Details of budgetary support³ to SPSUs during the years 2019-20 to 2021-22

Particulars	2019-20		2020-21		2021-22	
	No of SPSUs	Amount (₹ in crore)	No of SPSUs	Amount (₹ in crore)	No of SPSUs	Amount (₹ in crore)
(A) Power Sector SPSUs						
Equity Capital outgo (i)	-	-	-	-	-	-
Loans given (ii)	1	50.00	-	-	-	-
Grants/Subsidies provided (iii)	-	-	-	-	1	1.28
Total outgo (A)	1	50.00	-	-	1	1.28
(B) Other than Power Sector SPSUs						
Equity Capital outgo (i)	1	4.80	-	-	-	-
Loans given (ii)	-	-	-	-	-	-
Grants/Subsidies provided (iii)	4	2,177.17	4	2,821.51	4	2,558.24
Total outgo (B)	4	2,181.97	4	2,821.51	4	2,558.24
Grand Total outgo (A + B)	5	2,231.97	4	2,821.51	5	2,559.52

Source: Figures compiled based on annual accounts and information received from PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2022 are given in **Chart 5.1**:



³ Amount represents outgo from the State Budget only.

The annual budgetary assistance received by the SPSUs (power sector) was loan of ₹ 50 crore and grants/ subsidies of ₹ 1.28 crore during the years 2019-20 and 2021-22, respectively.

The annual budgetary assistance to SPSUs (other than power sector) during the years 2019-20, 2020-21 and 2021-22 were ₹ 2,181.97 crore, ₹ 2,821.51 crore and ₹ 2,558.24 crore, respectively. The budgetary assistance of ₹ 2,558.24 crore to the SPSUs (other than power sector) during 2021-22 mainly included the grants and subsidies of ₹ 2501.91 crore to DTC for carrying out its operations during 2021-22.

5.2.3 Reconciliation with Finance Accounts of Government of NCT of Delhi

The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of NCT of Delhi. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2022 such differences existed in respect of loans of four SPSUs as detailed in **Appendix-5.2** and summarised in **Table 5.4**:

Table 5.4: Loans outstanding as per Finance Accounts of Government of NCT of Delhi vis-à-vis records of State PSUs

(₹ in crore)

Outstanding in respect of	Sector	Amount as per records of State PSUs	Amount as per Finance Accounts	Difference
Loans	Power Sector	489.25	485.70	3.55
	Other than Power Sector	70.38	77.33	-6.95
	Total	559.63	563.03	-3.40

Source: Information received from PSUs and Finance Accounts

5.3 Dividend paid by SPSUs

GNCTD had formulated (17 August 2021) dividend policy under which SPSUs would be required to pay a minimum annual dividend of 30 *per cent* of Profit after Tax or five *per cent* of the Net Worth, whichever is higher, subject to maximum dividend permitted under the extant legal provisions. Prior to August 2021 there was no dividend policy and no SPSUs had paid/declared dividend during 2019-20 and 2020-21.

During 2021-22, two SPSUs (DSI IDC & GDL) paid/ declared dividend of ₹ 66.37 crore at the rate of 30 *per cent* of Profit after Tax and one SPSU (DTTDC) paid dividend of ₹ 11.06 crore at the rate of five *per cent* of net worth, respectively. None of the other four⁴ profit making SPSUs, which earned profit as per their latest finalised accounts received during 2021-22 and 2022-23 and in which GNCTD had made investment, had declared/paid dividend.

⁴ DPCL, DTL, DSCSC and DTIDC.

5.4 Erosion of Net Worth of SPSUs

As on 31 March 2022, out of 18 SPSUs there is only one SPSU (Delhi Transport Corporation) whose net worth was completely eroded by accumulated losses of ₹ 52,242.68 crore. The net worth of DTC was (-) ₹ 50,258.83 crore against equity investment of ₹1,983.85 crore as per its latest finalised accounts for the year 2020-21. The capital of DTC has eroded whereas its outstanding GNCTD Loans and interest thereon were ₹ 11,676.14 crore and ₹ 39,424.50 crore, respectively. DTC had not repaid the outstanding Loan since 2007-08 and interest thereon since 2011-12 to GNCTD. The losses incurred by DTC were mainly due to non-economic fare structure, issuance of various concessional passes, increase in price of men/material input cost and interest burden of Plan and Non-Plan loans released by the GNCTD. The GNCTD had released way and means grant of ₹ 2,030 crore, ₹ 2,475 crore and ₹ 2,320 crore during 2019-20, 2020-21 and 2021-22 respectively to meet the deficit after excluding interest cost. Thus, DTC is dependent upon the financial assistance of GNCTD for its operations.

DTC requested GNCTD (December 2016, June 2017, October 2021 & October 2022) to convert Plan loans in equity and Non Plan loans and interest accrued into Grants/ Subsidy for improving its financial position which was still pending for decision (December 2022).

5.5 Submission of accounts by State Public Sector Undertakings

5.5.1 Need for timely submission of Annual Report and Accounts

Section 96 of the Companies Act, 2013 requires every company to hold AGM⁵ 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.

According to Section 394 of the Companies Act, 2013, an Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report must be laid before the Legislature. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the Companies/ Corporations from the Consolidated Fund of the State.

⁵ In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year i.e. 30 September.

As of 31 March 2022, there are 18 SPSUs in Delhi, including two⁶ Statutory Corporations, one Government controlled other Company and 15 Government Companies under the audit jurisdiction of the CAG. 15 Government Companies include four inactive subsidiaries companies of DSIIDC which are not carrying out any activities for the last several years.

5.5.2 Timeliness in preparation of accounts by Government Companies

- Accounts for the year 2021-22 were required to be submitted by all the 16 SPSUs by 30 September 2022. Six⁷ Government Companies, out of 16 Government Companies, submitted their accounts for audit by CAG by 30 September 2022. Accounts of ten Government Companies were in arrears.
- Audit of two Statutory Corporations (DFC and DTC) is conducted by the CAG. Accounts of both Statutory Corporations for the year 2021-22 were not submitted as on 30 November 2022.

Details of arrears in submission of accounts by the SPSUs are given in **Table 5.5:**

Table 5.5: Details of arrears in submission of accounts of SPSUs

Particulars	Government Companies	Statutory Corporations
Total number of SPSUs from which accounts for 2021-22 were due	16	2
Number of SPSUs which submitted the accounts for CAG's audit by 30 September 2022/ 30 November 2022	6	0
Number of accounts in arrears (ten Government Companies and 2 Corporations)	17	2
Break-up of arrears	Arrear for one year (2021-22)	07 ⁸
	Two years (2020-21 and 2021-22)	2 ⁹
	Arrear for more than three years	1 ¹⁰

GNCTD invested ₹ 2,572.53 crore (Equity: ₹ 4.80 crore, Loan: Nil, Grant: ₹ 2,567.73 crore) in six SPSUs out of 12 SPSUs during the said period the accounts were in arrears. SPSU-wise details of investment made by State Government during the years for which accounts were in arrears are shown in **Appendix-5.3.**

The administrative departments have the responsibility to oversee the activities of these SPSUs and to ensure that the accounts are finalised and adopted by these SPSUs within the stipulated period. The concerned departments were informed regularly regarding arrears in accounts.

⁶ Delhi Transport Corporation and Delhi Financial Corporation.

⁷ DTL, ICSIL, DCADL, DLL, DMSL and DEL

⁸ DSIIDC, DTTDC, DTIDC, DSCSC, DPCL, SRDC and GDL. Accounts of DSIIDC and DTTDC were received in October 2022 and DTIDC in November 2022.

⁹ PPCL, IPGCL

¹⁰ Six accounts of DSCFDC were in arrears for 2016-17 to 2021-22.

5.5.3 Impact of non-finalisation of accounts of State Public Sector Undertakings

Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. In the absence of finalisation of accounts by these SPSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government.

5.6 Inactive companies

The four subsidiaries companies of DSIIDC viz. DSIIDC Energy Limited, Delhi Creative Arts Development Limited, DSIIDC Liquor Limited and DSIIDC Maintenance Services Limited were created in 2011 to increase profitability and wealth with investment of ₹ one lakh each by DSIIDC. These companies except one¹¹ (during 2012-13 to 2014-15), did not commence their business and have remained inactive so far (December 2022). In September 2014, the assets and liabilities of these subsidiary companies were taken over by DSIIDC. During 2012-13 to 2021-22, these companies earned negligible income but incurred annual expenses on audit fee and Registrar of Companies filing fee. DSIIDC, during its 293rd Board of Directors (BoD) meeting (March 2022), decided to close Delhi Creative Arts Development Limited and DSIIDC Liquor Limited and deferred the proposal of the management for revival of DSIIDC Energy Ltd and DSIIDC Maintenance Services Ltd. However, due to order of Excise Department (August 2022) announcing reversion of old policy regime of government companies resuming liquor sale, an action plan for revival of DSIIDC Liquor was sought and the decision for closure of DSIIDC Liquor was decided to be kept in abeyance by the 295th BoD meeting held in September 2022.

5.7 Conclusion

- As on 31 March 2022, the total investment (equity and long-term loans) in 18 SPSUs was ₹ 25,748.79 crore. The investment consisted of 37.38 per cent towards equity and 62.62 per cent in long-term loans. Out of this, GNCTD has investment of ₹ 24,797.65 crore in these SPSUs consisting of equity of ₹ 9,202.49 crore and long-term loans of ₹ 15,595.16 crore.
- As on 31 March 2022, differences in loans existed in respect of four SPSUs between records of SPSUs and the Finance accounts, which needed to be reconciled by the SPSUs and Finance Department, GNCTD.
- Two SPSUs, out of six SPSUs, which earned profit and in which GNCTD had made investment had declared/paid dividend during the year 2021-22. One SPSU although not earned profit paid dividend based on its Net Worth.
- Delhi Transport Corporation's net worth has been completely eroded by its accumulated losses and as on 31 March 2022, the net worth was (-) ₹ 50,258.83 crore against equity investment of ₹ 1,983.85 crore.

¹¹ DEL

- Out of 18 SPSUs, only six SPSUs had submitted their annual accounts for the year 2021-22 and remaining 12 SPSUs had arrears of 19 accounts. GNCTD had provided ₹ 2,572.53 crore (Equity: ₹ 4.80 crore, Loan: ₹ Nil crore, Grants and Subsidies: ₹ 2,567.73 crore) in six out of the 12 State PSUs during the period for which their accounts were in arrears.
- The four subsidiaries companies of DSIIDC have remained inactive since inception. While the BoDs have decided to close Delhi Creative Arts Development Limited, no decision has been taken in respect of the remaining three subsidiaries.

5.8 Recommendations

The State Government may:

- reconcile the differences in figures of loans outstanding as per records of the SPSUs and as per the Finance Accounts in a time bound manner.
- ensure payment of dividend as per dividend policy framed.
- formulate plan for making DTC viable.
- ensure timely submission of financial statements of SPSUs.
- decide on closure/operation of three inactive subsidiaries of DSIIDC.

New Delhi
Dated: 08 May 2023


(AMAN DEEP CHATHA)
Principal Accountant General (Audit), Delhi

Countersigned

New Delhi
Dated: 16 May 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

