

CHAPTER 5

State Public Sector Enterprises

Chapter 5: State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General (CAG) of India for the year 2021-22 (or of earlier years which were finalised during the current year) have also been discussed in the chapter.

5.1 Definition of Government Company

According to Section 2 (45) of the Companies Act, 2013 (Act 2013), a Government Company means any 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 company of such a Government Company. The procedures for audit of Government companies are laid down in Section 139 and 143 of the Act 2013. The Comptroller and Auditor General of India (CAG) appoints the statutory auditors of a Government company and Government controlled other company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government company or Government controlled other company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government company or Government controlled other company, the first auditor are to be appointed by the CAG within sixty days from the date of registration of the company and in case the CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

5.2 Mandate of Audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG at his/her discretion within sixty days from

the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013. Audit of Statutory Corporations is governed by their respective legislations. In respect of Haryana State Warehousing Corporation and Haryana Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2022, there were 37¹ SPSEs in Haryana, including two² Statutory Corporations and 35 Government Companies (including four inactive Government companies³) under the audit jurisdiction of the CAG. The names of these SPSEs are given in *Appendix 5.1*. The SPSEs included seven Government Controlled Other Companies.

Only one SPSE i.e. Haryana Financial Corporation is listed on stock exchange. Four⁴ of the 37 SPSEs were inactive SPSEs. The inactive SPSEs had total investment of ₹ 21.67 crore comprising of investment towards capital (₹ 17.98 crore) and long-term loans (₹ 3.69 crore) as on 31 March 2022. The liquidation process of two⁵ SPSEs has been going on from 18 to 23 years ago and remains to be completed. The Government may consider to wind up these SPSEs early as these investments do not contribute to the economic growth of the State.

The ratio of turnover of SPSEs to Gross State Domestic Product (GSDP) shows the contribution of activities of the SPSEs in the State economy. The details of turnover of the SPSEs and GSDP of the State for a period of three years ending 31 March 2022 is given in *Table 5.1*.

¹ The details of 30 SPSEs are discussed as the first accounts of three SPSEs viz. Faridabad City Transport Services Limited, Karnal Smart City Limited and Drone Imaging & Information Services of Haryana Limited have not been received since their formation. Further, the details of four inactive SPSEs namely Haryana Minerals Limited, Haryana State Minor Irrigation and Tubewells Corporation Limited, Haryana Concast Limited and Haryana State Housing Finance Corporation Limited are not included.

² Haryana Financial Corporation and Haryana State Warehousing Corporation.

³ Inactive Government company means a company which has not been carrying on any business or operation, or has not made any significant accounting transaction, has not filed financial statements and annual returns during last two financial years.

⁴ Haryana Minerals Limited (inactive since 2001-02), Haryana State Minor Irrigation and Tubewells Corporation Limited (inactive since July 2002), Haryana Concast Limited (inactive since 1998-99) and Haryana State Housing Finance Corporation Limited (inactive since 2003-04).

⁵ Haryana Concast Limited and Haryana State Housing Finance Corporation Limited.

Table 5.1: Details of turnover of SPSEs vis-a-vis GSDP of Haryana

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover	38,077	38,869	41,051
GSDP of Haryana	7,62,044	7,58,507	8,95,672
Percentage of Turnover to GSDP of Haryana	5.00	5.12	4.58

Source: Compilation based on turnover figures of SPSEs and GSDP figures as per information supplied by Department of Economic and Statistical Analysis, Government of Haryana at current prices of the respective years for year to year comparison.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector wise total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by State Government is given in *Table 5.2*.

Table-5.2: Sector-wise investment in SPSEs

Name of Sector	Investment (₹in crore)				
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	36,781.25	35,651.99	9,750.26	0.00	46,531.51
Finance	320.61	303.62	74.92	0.00	395.53
Service	121.09	55.77	0.00	0.00	121.09
Infrastructure	524.25	261.36	4,646.20	66.32	5,170.45
Others	17.74	9.78	77.94	36.87	95.68
Total	37,764.94	36,282.52	14,549.32	103.19	52,314.26

Source: Latest financial statements of SPSEs.

The thrust of SPSEs investment was mainly on power sector. This sector received 88.95 per cent (₹ 46,531.51 crore) of the total investment of ₹ 52,314.26 crore.

5.4.2 Budgetary Support

The Government of Haryana (GoH) provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans repaid/ written off and loans converted into equity in respect of SPSEs⁶ during the last three years ending March 2022 are given in *Table 5.3*.

⁶ No investment/budgetary support was made to the inactive companies during 2021-22

Table 5.3: Details regarding budgetary support to SPSEs during the years**(₹ in crore)**

Particulars	2019-20		2020-21		2021-22	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
(i) Equity Capital outgo	10	5,838.78	6	631.67	4	151.93
(ii) Loans given	1	108.74	5	104.98	5	101.09
(iii) Grants/Subsidy provided	9	142.72	7	438.52	8	442.54
Total Outgo (i+ii+iii)		6,090.24		1,175.17		
Loan repayment/ written off	4	487.41	4	254.66	6	245.72
Loans converted into equity	3	5,190.00	Nil	Nil	Nil	Nil
Guarantees issued	5	1,975.62	5	3,793.00	6	2,336.85
Guarantee Commitment	7	8,067.63	8	8,698.72	9	9,148.73

Source: Compilation based on information received from SPSEs.**5.4.3 Market Capitalisation of equity investment in SPSEs**

Only one SPSE i.e. Haryana Financial Corporation (HFC) is listed on stock exchange. Though HFC is a listed corporation, the corporation has not sanctioned fresh loan since May 2010 and the last trading of shares of corporation took place on 13 July 2011 at a price of ₹ 24.65.

5.4.4 Disinvestment, Restructuring and Privatisation

During the year 2021-22, there was no case of privatisation of SPSEs. The State Government has not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

5.5 Returns from SPSEs**5.5.1 Profit earned by SPSEs**

The number of SPSEs⁷ that reported profits in their latest financial statements available during 2021-22 were 20 as against 19 in 2020-21. The reported profit earned decreased from ₹ 1,698.89⁸ crore in 2020-21 to ₹ 648.75 crore in 2021-22. The Return on Equity (RoE) of the 20 profit earning SPSEs also decreased to 10.32 per cent in 2021-22 as compared to 36.97 per cent of the 19 profit earning SPSEs in 2020-21. The RoE for all the 30 working SPSEs was 1.41 per cent in 2021-22 as per their latest financial statements.

The top three SPSEs which contributed maximum profit are mentioned in **Table 5.4.**

⁷ Exclude one SPSE i.e. Faridabad Smart City Limited which has no profit and no loss for the annual accounts 2020-21.

⁸ Figures of profit of SPSEs have been taken after taking into consideration the effect of other comprehensive income/ expenses.

Table 5.4: Top three SPSEs which contributed to profit during the year 2021-22

Name of SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSEs' profit
Dakshin Haryana Bijli Vitran Nigam Limited	185.26	28.56
Haryana State Industrial and Infrastructure Development Corporation Limited	171.03	26.36
Haryana State Warehousing Corporation	109.74	16.92
Total	466.03	71.84

5.5.2 Dividend payout by SPSEs

Eleven SPSEs finalised their accounts for the financial year 2021-22. Of these six SPSEs reported cumulative profit of ₹ 296.88 crore and other five reported loss in their operations. None of the six SPSEs which reported profit for the financial year 2021-22 declared any dividend.

However, two⁹ SPSEs had declared dividend of ₹16.52 crore against their net profit of ₹ 112.50 crore on their results declared during the year 2021-22. The Haryana Forest development Corporation Limited declared dividend of ₹ 0.06 crore (30 *per cent*) and Haryana State Warehousing Corporation declared dividend of ₹ 16.46 crore (282 *per cent*) on their accounts for the year 2018-19 and 2020-21, respectively.

5.5.3 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed¹⁰. The details of RoCE of 30 SPSEs during the period from 2019-20 to 2021-22 are given in **Table 5.5**.

Table 5.5: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in <i>per cent</i>)
2019-20	3,533.51	26,933.23	13.12
2020-21	4,457.74	28,917.91	15.42
2021-22	3,664.86	27,959.05	13.11

Source: Latest financial statement of SPSEs.

5.5.4 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if both its net income and shareholders' fund are positive numbers.

⁹ Haryana State Warehousing Corporation and Haryana Forest Development Corporation Limited

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

Shareholders' fund or net worth is calculated by adding paid up capital and free reserves reduced by net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts were paid. A positive net worth (shareholders fund) reveals that the company has enough assets to cover its liabilities while a negative net worth means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to the 30 working SPSEs are given below in **Table 5.6**.

Table 5.6: Return on Equity relating to SPSEs

Year	Net Income	Shareholders' Fund	ROE (Percentage)
	(₹ in crore)		
2019-20	937.68	10,630.91	8.82
2020-21	1,273.18	12,477.82	10.20
2021-22	189.10	13,409.43	1.41

The low ROE during 2021-22 was mainly due to decrease in net income of two¹¹ SPSEs.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not even generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of SPSEs which had interest burden are given below in **Table 5.7**.

¹¹ Haryana State Industrial & Infrastructure Development Corporation Limited and Uttar Haryana Bijli Vitran Nigam Limited.

Table 5.7: Interest coverage ratio of SPSEs

Year	Interest (₹ in crore)	Earnings Before Interest and Tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans from Government and other financial institutions	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than one
2019-20	2,293.45	3,509.60	13	11	2 ¹²
2020-21	2,245.23	4,457.74	14	11	3 ¹³
2021-22	2,047.68	3576.55	14	9	5 ¹⁴

Source: Latest financial statement of SPSEs.

It was observed that nine SPSEs had interest coverage ratio of more than one during 2021-22. Five SPSEs had interest coverage ratio of less than one during 2021-22 i.e. these five SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 SPSEs incurring losses

5.7.1 Losses incurred

There were nine¹⁵ SPSEs that incurred losses as per their latest finalised accounts at the end of March 2022. The losses incurred by the SPSEs increased to ₹ 459.65 crore as per their latest finalised accounts from ₹ 38.10 crore in 2019-20 as given below in *Table 5.8*.

Table 5.8: Number of SPSEs that incurred losses during 2018-19 to 2020-21

Year	No of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated Profit (₹ in crore)	Net Worth (₹ in crore)
Government Companies				
2019-20	8	38.10	(-) 2.55	140.21
2020-21	11	425.71	382.71	7,882.78
2021-22	9	459.65	357.74	7,119.95

Out of total loss of ₹ 459.65 crore reported to be incurred during 2021-22 by nine SPSEs as per their latest financial results, loss of ₹ 395.08 crore is attributed (85.96 per cent) to Haryana Power Generation Corporation Limited which functioned in Energy and Power Department.

¹² Haryana Roadways Engineering Corporation Limited and Haryana Police Housing Corporation Limited.

¹³ Haryana Agro Industries Corporation Limited, Haryana Roadways Engineering Corporation Limited and Haryana Police Housing Corporation Limited.

¹⁴ Haryana Agro Industries Corporation Limited, Haryana Roadways Engineering Corporation Limited and Haryana Police Housing Corporation Limited, Haryana Tourism Corporation Limited and Haryana Mass Rapid Transport Corporation Limited

¹⁵ (i) Haryana Power Generation Corporation Limited, (ii) Haryana Vidyut Prasaran Nigam Limited, (iii) Haryana Mass Rapid Transport Corporation Limited, (iv) Haryana Roadways Engineering Corporation Limited, (v) Haryana Tourism Corporation Limited, (vi) Haryana Police Housing Corporation Limited, (vii) Haryana Orbital Rail Corporation Limited (viii) Haryana Agro Industries Corporation Limited and (ix) Haryana International Horticultural Marketing Corporation Limited.

It was also observed that two¹⁶ SPSEs which had earned profits during 2020-21, have incurred losses in 2021-22. Whereas, three¹⁷ SPSE which had incurred loss in 2020-21, have reported profit during 2021-22.

5.7.2 Erosion of Capital in SPSEs

As on 31 March 2022, there were 13 SPSEs with accumulated losses of ₹ 28,237.99 crore. Of these 13 SPSEs, seven¹⁸ SPSEs incurred losses amounting to ₹ 425.02 crore as per their latest financial results available. Six¹⁹ SPSEs had not incurred loss, though they had accumulated losses of ₹ 27,277.63 crore as per their latest finalised accounts. Out of these six, two SPSEs (Uttar Haryana Bijli Vitran Nigam Limited and Dakshin Haryana Bijli Vitran Nigam Limited) had accumulated losses of ₹ 27,136.62 crore.

Net worth of four SPSEs out of 30 SPSEs had been completely eroded due to accumulated losses. The net worth of these four SPSEs was (-) ₹ 184.47 crore against equity investment of ₹ 61.94 crore as on 31 March 2022. The details of SPSEs whose net worth was completely eroded is given in **Table 5.9**.

Table 5.9: Detail of SPSEs whose Net worth was eroded as per their latest finalised accounts

(₹ in crore)

Sr. No.	Name of the SPSE	Latest year of accounts	Paid-up capital as on 31 March 2022	Net Profit (+)/ Loss (-) after interest, tax, and dividend	Accumulated Losses	Net Worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
	1	2	3	4	5	6	7	8
1	Haryana Agro Industries Corporation Limited	2019-20	4.14	(-) 13.01	(-) 181.51	(-) 177.37	2.54	0.00*
2	Gurugram Metropolitan City Bus Limited	2020-21	50.00	3.13	(-) 54.83	(-) 4.83	0.00	0.00
3	Haryana Roadways Engineering Corporation	2021-22	6.80	(-) 5.82	(-) 8.97	(-) 2.17	6.80	0.00
4	Haryana International Horticultural Marketing Corporation Limited	2021-22	1.00	(-) 0.70	(-) 1.10	(-) 0.10	0.00	0.00
Total			61.94	(-) 16.40	(-) 246.41	(-) 184.47	9.34	0.00

Source: Information in respect of Column 3 to 6 as per latest finalised accounts and in respect of Column 7 and 8, information obtained from concerned SPSEs.

* Note: As on 31 March 2022, under Statement No. 18 on Loans and advances by the Government, loan to Haryana Agro Industries Corporation under Rural Infrastructure was shown as ₹ 31.17 crore.

¹⁶ (i) Haryana Mass Rapid Transport Corporation Limited and (ii) Haryana Agro Industries Corporation Limited

¹⁷ (i) Gurugram Metropolitan City Bus Limited, (ii) Panipat Plastic Park Haryana Limited and (iii) Haryana Finance Corporation.

¹⁸ (i) Haryana Mass Rapid Transport Corporation Limited, (ii) Haryana Power Generation Corporation Limited, (iii) Haryana Roadways Engineering Corporation Limited, (iv) Haryana Police Housing Corporation Limited, (v) Haryana Agro Industries Corporation Limited, (vi) Haryana Orbital Rail Corporation Limited and (vii) Haryana International Horticultural Marketing Corporation Limited.

¹⁹ (i) Dakshin Haryana Bijli Vitran Nigam Limited, (ii) Uttar Haryana Bijli Vitran Nigam Limited, (iii) Haryana Women Development Corporation Limited (iv) Panipat Plastic Park Haryana Limited (v) Gurugram Metropolitan City Bus Limited and (vi) Haryana Financial Corporation

5.8 Return on the basis of Present Value of Investment

The Present Value (PV) of the State Government investment has been computed in respect of 27 SPSEs where the State Government has invested in equity/grant/subsidy to assess the rate of return/loss on the present value of investments of State Government in these SPSEs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2022, the past investments/ year wise funds infused by the State Government in these SPSEs have been compounded at the year wise weighted average interest rate on State Government securities which is considered as the minimum cost of funds to the Government for the concerned year.

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

- In addition to actual infusion by the State Government in the SPSEs in the form of equity; grants/subsidy (for operational and administrative expenses) given by the State Government to the SPSEs have been considered as investment infusion by the State Government.
- In the cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

For the purpose of PV calculation of State Government investment, the period beginning 1999-2000 till 2021-22 has been taken considering the investment of State Government in SPSEs as on 31 March 2000 as PV of State Government investment in the beginning of 2000-01.

The details of State Government investment in SPSEs in the form of equity and grants/subsidy (there were no instances of interest free loans and investment) alongwith the consolidated position of the PV of such State Government investment in the SPSEs is indicated in **Table 5.10**.

Table 5.10: Present value (Real Return) of Government Investment from 1999-2000 to 2021-22

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Grants/Subsidies given by State Government for operational and administrative Expenditure	Total investment during the year	Total investment at the end of the year	Average rate of interest on Government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return	Total earnings for the year	Return on Investment (in percentage)
1	2	3	4	5=(3+4)	6=2+5	7	8=(6x7/100)+6	9=6x7/100	10	11=10/8*100
1999-2000		612.33*	49.95	662.28	662.28	12.05	742.09	79.80	(-) 436.59	-
2000-01	742.09	310.48	73.50	383.98	1,126.07	11.40	1,254.44	128.37	(-) 221.85	-
2001-02	1,254.44	59.75	98.18	157.93	1,412.37	10.50	1,560.66	148.30	(-) 174.72	-
2002-03	1,560.66	125.40	77.49	202.89	1,763.55	10.74	1,952.96	189.41	36.70	1.88
2003-04	1,952.96	123.78	80.43	204.21	2,157.17	10.20	2,377.20	220.03	236.76	9.96
2004-05	2,377.20	165.41	22.23	187.64	2,564.84	8.49	2,782.60	217.75	(-) 368.24	-
2005-06	2,782.60	417.07	31.59	448.66	3,231.26	8.95	3,520.46	289.20	(-) 327.89	-
2006-07	3,520.46	789.96	25.90	815.86	4,336.32	9.20	4,735.26	398.94	(-) 442.18	-
2007-08	4,735.26	1,002.23	83.03	1,085.26	5,820.52	7.43	6,252.97	432.46	(-) 730.53	-
2008-09	6,252.97	951.64	67.39	1,019.03	7,272.00	7.82	7,840.68	568.67	(-) 1,070.16	-
2009-10	7,840.68	903.80	41.96	945.76	8,786.44	9.29	9,602.70	816.26	(-) 1,406.59	-
2010-11	9,602.70	888.59	98.80	987.39	10,590.09	9.22	11,566.50	976.41	-453.63	-
2011-12	11,566.50	594.63	167.40	762.03	12,328.53	9.73	13,528.09	1,199.57	(-) 10,096.15	-
2012-13	13,528.09	176.64	61.71	238.35	13,766.44	9.86	15,123.81	1,357.37	(-) 3710.51	-
2013-14	15,123.81	102.93	94.88	197.81	15,321.62	9.83	16,827.74	1,506.12	(-) 3,943.54	-
2014-15	16,827.74	75.76	153.74	229.50	17,057.24	9.33	18,648.69	1,591.44	(-) 2,648.04	-
2015-16	18,648.69	1,638.52	4,076.41	5,714.93	24,363.62	8.64	26,468.64	2,105.02	(-) 1,779.65	-
2016-17	26,468.64	1,931.09	4,199.98	6,131.07	32,599.71	8.00	35,207.68	2,607.98	63.68	0.18
2017-18	35,207.68	5462.30	176.82	5,639.12	40,846.80	8.10	44,155.39	3,308.59	910.95	2.06
2018-19	36,370.39**	13,327.92	350.46	13,678.38	50,048.77	8.81	54,458.07	4,409.30	960.37	1.76
2019-20	54,458.07	5,838.78	11.15	5,849.93	60,308.00	8.31	65,319.59	5,011.59	968.29	1.48
2020-21	65,319.59	631.67	104.78	736.45	66,056.04	6.50	70,349.68	4,293.64	1,273.18	1.81
2021-22	70,349.68	151.93	50.31	202.24	70,551.92	6.73	75,300.06	4,748.14	165.39	0.22
Total		36,282.61	2,413.09[#]	38,695.70[#]						

* Equity infused amounting to ₹ 844.23 crore less initial accumulated residual losses of ₹ 231.90 crore transferred to Power Sector SPSEs. Information in respect of column no. 3, 4 and 10 is compiled from printed Audit Reports of respective years.

**The difference of ₹ 7,785 crore in opening balance was due to grant received under UDAY Scheme (₹ 3,892.50 crore during 2015-16 and 2016-17 in each year) which was converted into Equity during 2018-19 as its impact had already been taken in grant of respective years.

Total grants exclude ₹ 7,785 crore converted into equity during the year 2018-19.

The balance of investment of the State Government in these SPSEs at the end of 2021-22 increased to ₹ 38,695.70 crore from ₹ 612.33 crore (equity infused ₹ 844.23 crore minus initial residual accumulated losses of ₹ 231.90 crore) in 1999-2000 as the State Government made further investments in the shape of equity and grant/subsidy of ₹ 38,083.37 crore. The PV of investments of the State Government up to 31 March 2022 worked out to ₹ 75,300.06 crore.

The total earnings for the years 1999-2000 to 2001-02 and 2004-05 to 2015-16 for these SPSEs were negative which indicates that Government could not recover its cost of funds. Though there were positive total earning during 2002-03 and during 2016-17 to 2021-22 yet they were substantially below the minimum expected returns. The Return on Present Value of Investment for the last four years *i.e.* 2018-19 to 2021-22 ranged between 0.22 and 1.76 *per cent*, which was mainly due to infusion of funds under Ujjwal Discom Assurance Yojna (UDAY) scheme in the power distribution companies.

5.9 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

5.10 Appointment of statutory auditors of State Public Sector Enterprises by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

5.11 Submission of accounts by State Public Sector Enterprises

5.11.1 Need for timely submission

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

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year and 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.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2022, there were 35 Government Companies under the purview of CAG's audit. Of these, accounts for the year 2021-22 were due from 33 Government Companies (including from inactive cases) except Haryana Concast Limited and Haryana State Housing Finance Limited (under liquidation). However, only 10 Government Companies submitted their accounts of the year 2021-22 for audit by CAG by 30 September 2022. Accounts of 23 Government Companies were in arrears for a period of one to five years.

Details of arrears in submission of accounts of Government Companies are given in **Table 5.11**.

Table 5.11: Details of arrears in submission of accounts of Government Companies

Particulars		State Government Companies
Total number of Companies under the purview of CAG's audit as on 31 March 2022		35
Less: Companies under liquidation from which accounts for 2021-22 were not due		2
Number of companies from which accounts for 2021-22 were due		33
Number of companies which presented the accounts for CAG's audit by 30 September 2022		10
Number of companies with accounts in arrears		23
Breakup of Arrears	(i) Inactive	2
	(ii) First Accounts not submitted	3
	(iii) Others	18
Age-wise analysis of arrears	One year	7
	Two years	10
	Three years and above	6

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two statutory corporations²⁰ is being conducted by the Chartered Accountants and supplementary audit is conducted by the CAG. One Corporation (Haryana Financial Corporation) presented its accounts for the year 2021-22 for audit before September 2022.

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

5.12.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.12.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013. The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.12.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of Financial Statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of the entity.

²⁰ Haryana Financial Corporation and Haryana State Warehousing Corporation

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the Financial Statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

5.13 Result of CAG's oversight role

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

Twenty nine financial statements for the year 2021-22 and previous years were received from 22 Government Companies during December 2021 to September 2022. Twenty-six of these 29 Financial Statements were reviewed in audit by the CAG and Non Review Certificate was issued for three SPSEs. The results of the review are detailed below:

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

Subsequent to the audit of the Financial Statements for the year 2021-22 and previous years by statutory auditors, the CAG conducted supplementary audit of the 10 Financial Statements of 10 Government Companies. Some of the significant comments issued on Financial Statements of Government Companies for the year 2021-22, the financial impact of which was ₹ 28.56 crore on the profitability and ₹ 3,969.47 crore on financial position, have been detailed in *Table 5.12* and *Table 5.13*.

Table 5.12: Impact of the Comments on the Profitability of Government Companies

Sr. No.	Name of the Company	Comments
1.	Haryana Vidyut Parsaran Nigam Limited for the year 2021-22	The Company capitalised 78 works amounting to ₹ 290.84 crore in August 2021, December 2021 and March 2022 which were commissioned from June 2007 to March 2022. Depreciation to these assets was calculated from the date of transfer i.e. August 2021, December 2021 and March 2022 instead of date of commissioning of the respective projects. The company had booked less depreciation of ₹ 18.09 crore on these projects. This has resulted in understatement of depreciation and amortization expenses and overstatement of profit by ₹ 18.09 crore.
2		The Company (HVPNL) awarded (24 May 2017) the work for construction of 220KV GIS Sub-Station, Sector-77, Gurugram to M/s KPTL Power Transmission Ltd. However, due to manifold enhancement of compensation of land, State Govt. decided to drop the land acquisition proceedings in village Shikhopur falling in Sector-77, Gurugram. The Company further decided to dismantle and shift the (partially constructed) 220 KV GIS Sub-station Sector-77, Gurugram to an alternate site (Sector-75A, Gurugram). Further, the dismantling cost was estimated at ₹ 2.48 crore (50 per cent of which is to be borne by HVPNL). The company should have written off assets recorded in work in process (WIP) of ₹ 9.23 crore (Civil & Erection) and made provision of ₹ 1.24 crore (50 per cent of the dismantling cost estimated at ₹ 2.48 crore) for the expected loss. This has resulted in overstatement of Work in progress by ₹ 9.23 crore, understatement of provision for dismantling by ₹ 1.24 crore and overstatement of profit by ₹ 10.47 crore.

Table-5.13: Impact of the Comments on Financial Position of Government Companies

Sr. No.	Name of the Company	Comments
1	Uttar Haryana Bijli Vitran Nigam Limited for the year 2021-22	Para 63 of Ind AS-19 requires that an entity shall recognise the net defined benefit liability (asset) in the balance sheet. As per actuarial valuation report, net defined benefit liability as on 31 March 2022 for funded benefits and non-funded benefits works out to ₹ 4,535.50 crore and ₹ 362.96 crore respectively. The Company has provided liability/ provision of ₹ 928.99 crore against funded benefits and nil against non-funded benefits in the accounts. Resultantly, liability/provision for employees benefits is understated by ₹ 3,969.47 crore and other equity is overstated by the same extent.

5.14 Management Letters

One of the objectives of financial audit is to establish communication, on audit matters arising from the audit of Financial Statements, between the auditor and

those charged with the responsibility of governance of the corporate entity. The material observations on the Financial Statements of Public Sector Enterprises were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, Management Letters were issued to 11 Government Companies and one Statutory Corporation. The deficiencies related to application/ interpretation of accounting policies/practices and inadequate or non-disclosure of certain important information were pointed out in the Management Letters.

5.15 Conclusion

As on 31 March 2022, there were 37 SPSEs in Haryana, including two Statutory Corporations and 35 Government Companies (including four inactive Government Companies) under the audit jurisdiction of the CAG.

- The number of SPSEs that reported profit, as per their latest financial statements, is 20 in 2021-22 as against 19 in 2020-21. The profit earned decreased from ₹ 1,698.89 crore in 2020-21 to ₹ 648.75 crore in 2021-22.
- Out of total loss of ₹ 459.65 crore incurred during 2021-22 by nine SPSEs, loss of ₹ 395.08 crore is attributed (85.96 per cent) to one SPSEs which function in Energy and Power Department.
- SPSEs were not adhering with the prescribed timeline regarding submission of their Financial Statements as per the Companies Act, 2013. As of 31 March 2022, out of 35 Government companies, accounts for the year 2021-22 were due from 33 Government Companies (except two SPSEs under liquidation). However, only 10 Government Companies submitted their accounts of the year 2021-22 for audit by CAG by 30 September 2022. Accounts of 23 Government Companies were in arrears for a period of one to five years.

5.16 Recommendations

1. State Government may impress upon those SPSEs with arrear in accounts to ensure early finalisation of their Financial Statements as in the absence of their finalisation, Government investments in such SPSEs remain outside the oversight of the State Legislature.

2. The State Government needs to take an early decision regarding commencement of liquidation/expedite the liquidation process in respect of the four inactive SPSEs as they are neither contributing to State economy nor meeting the objectives for which they were set up.
3. The State Government needs to identify the focus areas of operation in respect of SPSEs whose Net worth is eroded and devise an effective long-term plan for improvement in their operational results.



Chandigarh

Dated: 07 February 2023

(NAVNEET GUPTA)

Principal Accountant General (Audit), Haryana

Countersigned



New Delhi

Dated: 10 February 2023

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India