

**CHAPTER V:  
FINANCIAL PERFORMANCE OF STATE PUBLIC  
SECTOR UNDERTAKINGS**



## **Chapter V:**

# **Financial Performance of State Public Sector Undertakings**

### **5.1 Introduction**

This Chapter presents the summary of financial performance of Government Controlled Companies, Government Controlled Other Companies and Statutory Corporations of Government of Maharashtra as revealed from their accounts/ information furnished by them and results of oversight role of the Comptroller & Auditor General of India (CAG). It highlights some of significant comments issued as a result of supplementary audit of the Financial Statement (FS) of the State Public Sector Undertakings (SPSUs) conducted by the CAG and the impact of comments issued by the CAG on the financial statements received during the current year in respect of the Statutory Corporations.

SPSUs are established by Governments to carry out activities of commercial nature for the development of the State and to cater to the welfare of its people.

### **5.2 Definition of Government Companies.**

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a Company in which not less than 51 per cent of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company, which is a subsidiary of a Government Company.

The Statutory Corporations are established by the State Government and governed by their respective legislations.

Besides, any other Company<sup>1</sup> owned or controlled, directly or indirectly, by the Central Government, or by any State Governments or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

In this Report, SPSUs encompass Government Controlled Companies (GCC), Government Controlled Other Companies (GCOC) and Statutory Corporations (SC) of the Government of Maharashtra (GoM).

### **5.3 Mandate of Audit**

CAG of India appoints the Statutory Auditors for Government Companies and issue directions on the manner in which the FSs are to be audited under Sections 139 (5) and (7) of the Companies Act, 2013. Audit of Government Companies and GCOC is conducted by the CAG of India under the provisions of Section 143 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. CAG of India has the right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditors under Section 143 of the Companies Act, 2013.

The statutes governing Statutory Corporations also require that their FSs be audited by the CAG of India and a report be submitted to the State Legislature.

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<sup>1</sup> Companies (Removal of difficulties) Seventh Order 2014 issued by Ministry of Corporate Affairs (04.09.2014)

#### 5.4 Number of SPSUs and Status of Financial Statements

At the beginning of the year 2022-23, there were 105 SPSUs in Maharashtra under the audit jurisdiction of CAG of India. During the financial year 2022-23, six<sup>2</sup> SPSUs came under the audit jurisdiction of CAG of India and one<sup>3</sup> SPSU has been struck off during the year. As a result, the number of SPSUs under the jurisdiction of CAG of India as on 31 March 2023 stood at 110, in Maharashtra. These included the following types of SPSUs as given in **Table 5.1**.

**Table 5.1: Details of types of SPSUs**

Particulars	Government Controlled Companies	Statutory Corporations	Total	Government Controlled Other Companies	Grand Total
1	2	3	4=2+3	5	6=4+5
Active	68	10	78	13	91
Inactive	19	0	19	0	19
<b>Total</b>	<b>87</b>	<b>10</b>	<b>97</b>	<b>13</b>	<b>110</b>

(Source: Compiled as per information received from SPSUs)

None of these SPSUs were listed on the stock exchange. The list and the details of arrear of accounts of these 110 SPSUs are detailed in **Appendix 5.1**.

Out of 19 inactive SPSUs, the closure of seven<sup>4</sup> subsidiaries of Marathwada Development Corporation Limited (MDCL) was pending, though GoM had approved its closure on 25 October 2011. These inactive SPSUs have investment of ₹ 1,699.40 crore, which includes capital<sup>5</sup> of ₹ 298.28 crore (State Government ₹ 271.23 crore and Others ₹ 27.05 crore) and long-term loans of ₹ 1,401.12 crore (State Government ₹ 332.69 crore and Others ₹ 1,068.43 crore).

This is a critical area as the investments in inactive SPSUs do not contribute to the economic growth of the State.

The financial performance of the 110 SPSUs, based on the latest finalised FSs received till 30 September 2023 and as per information received from SPSUs is covered in this Report. The nature of SPSUs and the position of FSs as on 30 September 2023, is summarised in **Table 5.2**.

<sup>2</sup> Maha ARC Limited, MSRDC Pune Ring Road Limited, MSRDC Jalna Nanded Expressway Limited, MSRDC Multi Model Corridor Limited, Maharashtra Housing Development Corporation Limited, Mahatma Phule Renewable Energy and Infrastructure Technology Limited

<sup>3</sup> Maha Tourism Corporation Limited

<sup>4</sup> Ellora Milk Product Limited, Dairy Development Corporation of Marathwada Limited, Parbhani Krishi Gosanvardhan Limited, Godavari Garments Limited, Kinwat Roofing Tiles Limited, Marathwada Ceramic Complex Limited, Leather Industries Corporation of Marathwada Limited

<sup>5</sup> Including Share application money ₹ 81.57 crore

Table 5.2: Coverage and nature of SPSUs

S. No.	Nature of SPSUs	Total No. of SPSUs	Number of SPSUs whose FSs were received as of 30 September 2023				No. of SPSUs of which FSs are in arrears as on 30 September 2023
			FSs for the period 2022-23	FSs for the period 2021-22	FSs for the period 2020-21 and earlier.	Total	
1.	Government controlled Companies	68	7	26	10	43	25
2.	Government controlled Other Companies	13	3	2	-	5	8
3.	Statutory Corporations	10	0	4	-	4	6
4.	<b>Total Working SPSUs (1+2+3)</b>	<b>91</b>	<b>10</b>	<b>32</b>	<b>10</b>	<b>52</b>	<b>39</b>
5.	Inactive Government Companies	19	4	9	1	14	5
6.	<b>Total Inactive SPSUs (5)</b>	<b>19</b>	<b>4</b>	<b>9</b>	<b>1</b>	<b>14</b>	<b>5</b>
7.	<b>Grand Total (4+6)</b>	<b>110</b>	<b>14</b>	<b>41</b>	<b>11</b>	<b>66</b>	<b>44</b>

(Source: Information compiled on the basis of FSs received upto 30 September 2023)

The detailed analysis in this regard is given in Paragraph No 5.14.2.2 ahead.

### 5.5 SPSUs and their Contribution to the GSDP of the State

The ratio of turnover of the State SPSUs to the Gross State Domestic Product (GSDP) shows the contribution of SPSUs to the economy of the State.

On the basis of nature of activities undertaken, the turnover of 45 active GCCs and seven SCs have been categorised into seven sectors. Remaining SPSUs have nil<sup>6</sup> turnover. Sector wise turnover *vis-à-vis* share of turnover of these SPSUs in GSDP of Maharashtra during three years period ended 31 March 2023 are given in **Table 5.3**.

Table 5.3: Details of turnover of SPSUs *vis-a-vis* GSDP of GoM

(₹ in crore)

S. No.	Sector	No. of SPSUs	Turnover 2020-21	Sector-wise Percentage of turnover to GSDP of Maharashtra	No. of SPSUs	Turnover 2021-22	Sector-wise Percentage of turnover to GSDP of Maharashtra	No. of SPSUs	Turnover 2022-23	Sector-wise Percentage of turnover to GSDP of Maharashtra
1	Power	3	102140.30	3.89	4	100751.42	3.24	4	112847.35	3.20
2	Finance	16	156.23	0.01	16	137.26	0.00	16	140.75	0.00
3	Service	2	7865.17	0.30	2	7628.92	0.25	2	2628.20	0.07
4	Infrastructure	13	2134.44	0.08	12	2354.85	0.08	11	2415.73	0.07
5	Agriculture & Allied	11	1807.94	0.07	12	1853.62	0.06	12	1727.81	0.05
6	Manufacturing	4	210.68	0.01	4	128.79	0.00	4	455.49	0.01
7	Miscellaneous	2	614.36	0.02	3	1613.72	0.05	3	1939.37	0.05
<b>Total turnover</b>			<b>114929.12</b>	<b>4.37</b>		<b>114468.58</b>	<b>3.68</b>		<b>122154.70</b>	<b>3.46</b>

<sup>6</sup> FAAs of Eight SPSUs awaited and remaining 40 SPSUs have nil Turnover

(₹ in crore)

S. No.	Sector	No. of SPSUs	Turnover 2020-21	Sector-wise Percentage of turnover to GSDP of Maharashtra	No. of SPSUs	Turnover 2021-22	Sector-wise Percentage of turnover to GSDP of Maharashtra	No. of SPSUs	Turnover 2022-23	Sector-wise Percentage of turnover to GSDP of Maharashtra
	GSDP of Maharashtra		2627542			3108022			3527084	
	Percentage of turnover to GSDP of Maharashtra		4.37			3.68			3.46	

(Source: GSDP figures as per Economic Survey of Maharashtra 2022-23 and turnover figures as per latest finalised FSs upto 30 September 2023)

The contribution of SPSUs to GSDP of Maharashtra decreased from 3.68 per cent in 2021-22 to 3.46 per cent in 2022-23, though the turnover of these SPSUs increased by 6.71 per cent during 2022-23 as compared to turnover in 2021-22. During the last three years the Compounded Annual Growth Rate (CAGR)<sup>7</sup> of GSDP was 15.86 per cent, while the CAGR of turnover of the SPSUs was 3.10 per cent.

During 2022-23, the SPSUs in Power Sector have contributed the maximum turnover constituting 92.38 per cent of the total turnover.

### 5.5.1 Summary of Financial Performance of SPSUs

The Details of the financial performance of all Government Controlled Companies, Statutory Corporations and GCOC is given in **Appendix 5.2**. Summary of financial performance of SPSUs is given in **Table 5.4**.

**Table 5.4: Summary of financial performance of SPSUs as on 30 September 2023**

Particulars	No. of SPSUs	Amount (₹ in crore)
<b>Government Controlled Companies and Statutory Corporations</b>		
Number of SPSUs	97	
Paid-up capital <sup>8</sup> (including share application money pending allotment)	93	347628.64
Long-term loans	47	97991.69
Net profit after tax	42	1781.72
Net loss after tax <sup>9</sup>	42	-3545.33
No profit No loss (NPNL)	9	-
Dividend Paid	6	4.66
Total assets	93	653782.52
Net worth	93	317566.95
First Accounts Awaited (FAA)	4	-

7 Rate of compounded annual Growth  $[\{(Value\ of\ 2022-23 / value\ of\ 2020-21) ^{(1/2\ years)} - 1\} * 100]$

8 This includes five SPSUs with zero Paid-up capital (Maharashtra Bamboo Promotion Foundation, Babasaheb Ambedkar Samata Pratishthan, Chhatrapati Shahu Maharaj Research Training & Human Development Institute, Mahatma Jyotiba Phule Research and Training Institute and Maharashtra Industrial Development Corporation)

9 This includes nine inactive SPSUs which have zero Profit /Loss during 2022-23

Particulars	No. of SPSUs	Amount (₹ in crore)
<b>Government Controlled Other Companies</b>		
Number of State SPSUs	13	
Paid-up capital (including share application money pending allotment)	9	6170.88
Long-term loans	2	65.39
Net profit after tax	5	51.57
Net loss after tax	3	-78.07
No profit No loss (NPNL)	1	-
Dividend Paid	1	0.84
Total assets	9	10010.54
Net worth	9	6171.65
First Accounts Awaited (FAA)	4	-

(Source: Information compiled as per latest finalised FSs received from SPSUs).

## 5.6 Investments in SPSUs and Budgetary Support

### 5.6.1 Equity holding and Loans in SPSUs

The sector-wise total contribution by the GoM in the form of equity and long term loans in 110 SPSUs as on 31 March 2023 is given below in **Table 5.5**.

**Table 5.5: Sector-wise investment of State Government in SPSUs as on 31 March 2023**

(₹ in crore)

Nature of Sector	Investment							
	Total Equity	GoM Equity	Total Long term loans	GoM Loans	Total Sector-wise Investment	Total Sector-wise Investment of GoM	Sector-wise Percentage of Total Investment of GoM	Sector-wise Percentage of GoM's Investment
1	2	3	4	5	6=2+4	7=3+5	8=7/6*100	9
<b>Power</b>	172484.42	89216.21	107339.18	283.10	279823.60	89499.31	31.98	38.31
<b>Finance</b>	2548.29	2461.39	491.01	195.09	3039.30	2656.48	87.40	1.14
<b>Service</b>	5700.50	5641.73	204.40	204.40	5904.90	5846.13	99.00	2.50
<b>Infrastructure</b>	28623.89	932.99	32977.66	301.52	61601.55	1234.51	2.00	0.53
<b>Agriculture and Allied</b>	139277.04	133841.39	243.31	1.10	139520.35	133842.49	95.93	57.29
<b>Manufacturing</b>	307.54	283.15	361.15	235.62	668.69	518.77	77.58	0.22
<b>Miscellaneous</b>	30.33	29.20	6.30	-	36.63	29.20	79.72	0.01
<b>Total</b>	<b>348972.01</b>	<b>232406.06</b>	<b>141623.01</b>	<b>1220.83</b>	<b>490595.02</b>	<b>233626.89</b>	<b>47.62</b>	<b>100</b>

(Source: Compiled as per information received from SPSUs.)

As on 31 March 2023, State Government's total investment of ₹ 2,33,626.89 crore in 110 SPSUs comprised of equity capital ₹ 2,32,406.06 crore (99.48 per cent) and long-term loans of ₹ 1,220.83 crore (0.52 per cent). The thrust of State Government's investment was mainly in Agriculture and Allied Sector (57.29 per cent) and Power Sector (38.31 per cent).

The list of SPSUs having significant investment (more than ₹ 1,000 crore) of the State Government as at the end of March 2023 is given in **Table 5.6**.

**Table 5.6: Significant investment of the State Government as on 31 March 2023**

S. No.	Name of the SPSUs	Name of the Department	Amount (₹ in crore)
1	M.S.E.B. Holding Company Limited	Industries, Energy and Labour	89216.21
2	Maharashtra Krishna Valley Development Corporation	Water Resources (Irrigation)	35778.41
3	Konkan Irrigation Development Corporation	Water Resources (Irrigation)	10938.02
4	Vidarbha Irrigation Development Corporation	Water Resources (Irrigation)	47901.02
5	Tapi Irrigation Development Corporation	Water Resources (Irrigation)	13071.45
6	Godavari Marathwada Irrigation Development Corporation	Water Resources (Irrigation)	23442.22
7	Maharashtra Water Conservation Corporation	Water Resources (Irrigation)	2323.27
8	Maharashtra State Road Transport Corporation	Home (Transport)	5826.34

(Source: Compiled as per information received from SPSUs.)

### 5.6.2 Budgetary support to SPSUs

The State Government provides financial support to the SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans repayment/ written off and outstanding guarantees of the SPSUs for the last three years ending 31 March 2023 are given in the **Table 5.7**.

**Table 5.7: Statement showing details regarding budgetary support to Government Companies and Statutory Corporations**

(₹ in crore)

S. No.	Particulars	2020-21		2021-22		2022-23	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
<b>Power Sector SPSUs</b>							
(i)	Equity Capital Outgo	-	-	-	-	1	468.05
(ii)	Grants/ Subsidy provided	1	10715.76	1	12141.97	1	13446.81
(iii)	Loans given	-	-	-	-	2	86.28
<b>(iv)</b>	<b>Total outgo (i+ii+iii)</b>	<b>1</b>	<b>10715.76</b>	<b>1</b>	<b>12141.97</b>	<b>4</b>	<b>14001.14</b>
(v)	Loan repayment/written off	-	-	-	-	-	-
(vi)	Guarantees issued	-	-	2	13867.93	1	5,244.00
(vii)	Outstanding Guarantees commitment	-	-	1	14201.00	1	15,785.00
<b>Other than Power</b>							
(i)	Equity Capital Outgo	1	0.30	2	3181.56	3	3,307.66
(ii)	Grants/ Subsidy provided	4	1600.29	9	6182.74	12	3065.62
(iii)	Loans given	-	-	-	-	1	0.20
<b>(iv)</b>	<b>Total outgo (i+ii+iii)</b>	<b>5</b>	<b>1600.59</b>	<b>11</b>	<b>9364.30</b>	<b>16</b>	<b>6373.48</b>
(v)	Loan repayment/written off	-	-	-	-	-	-
(vi)	Guarantees issued	1	4000	1	0.43	1	6.78
(vii)	Outstanding Guarantees commitment	1	48.49	5	907.25	5	317.27

(Source: Compiled as per information received from SPSUs.)

State Government helps the SPSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. As can be seen from the above table, the budgetary support by State Government to Power Sector SPSUs towards equity capital and grants/subsidy and loan increased from ₹ 12,141.97 crore (2021-22) to ₹ 14,001.14 crore (2022-23). The budgetary support to Non-Power Sector SPSUs towards equity, grants/subsidy and loans during the last three years ranged between ₹ 1,600.59 crore (2020-21) to ₹ 6,373.48 crore (2022-23).



Further, during 2022-23, State Government also provided budgetary support by way of Grant/Subsidy to one<sup>10</sup> GCOC amounting to ₹ 4.86 crore.

The outstanding guarantee commitments given to Non-Power Sector SPSUs decreased from ₹ 907.25 crore in 2021-22 to ₹ 317.27 crore in 2022-23. The State Government recovers guarantee fee at the rate of 0.50 to two *per cent* per annum depending upon the loans for availing loan from banks/financial institutions. To the extent of information received from SPSUs, guarantee fee of ₹ 0.93 crore was paid by two SPSUs to the Government during 2022-23.

### 5.7 Market Capitalisation of Equity investment in SPSUs

Market Capitalisation represent market value of shares of Companies, which are listed. As on 31 March 2023, none of the SPSUs were listed.

### 5.8 Restructuring, Disinvestment and Privatisation of SPSUs

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

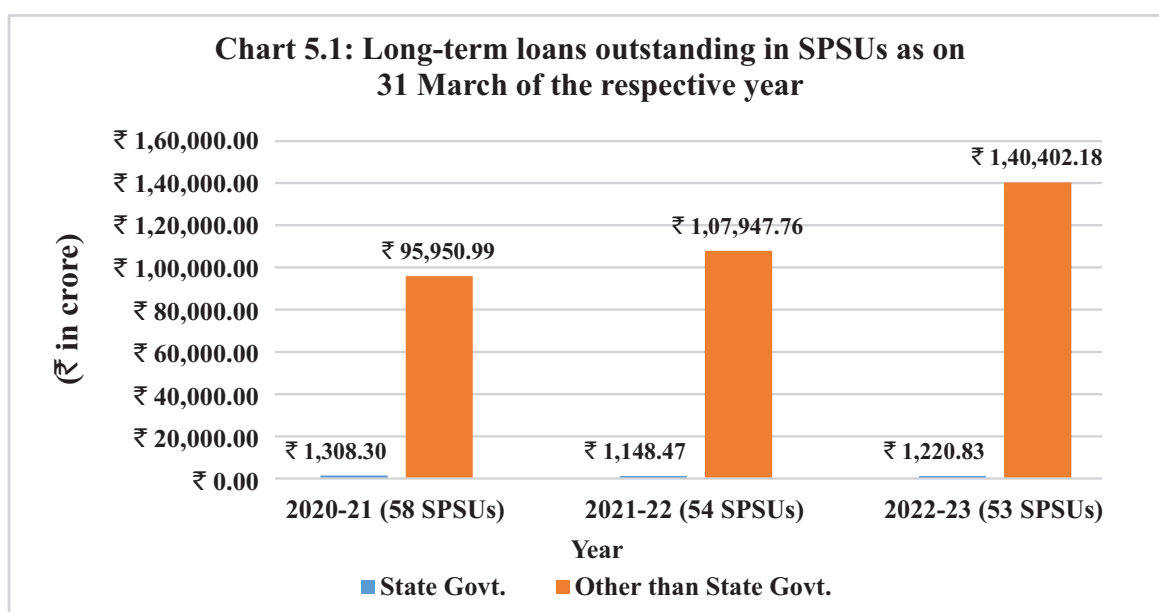
### 5.9 Analysis of Outstanding loans given to SPSUs

#### 5.9.1 Long-term loans outstanding as on 31 March 2023

As on 31 March 2023, the total long-term loans outstanding in 53 out of 110 SPSUs from all sources was ₹ 1,41,623.01 crore. The outstanding long-term loans of SPSUs registered a net increase of ₹ 32,526.78 crore during 2022-23 from previous year 2021-22 (₹ 1,09,096.23 crore).

Out of the total long-term outstanding loans as on 31 March 2023, loans from State Government were ₹ 1,220.83 crore of which significant amount (₹ 937.73 crore) pertained to Non-Power Sector SPSUs.

The year-wise details of outstanding long-term loans of SPSUs is depicted in **Chart 5.1**.



(Source: Compiled as per information received from SPSUs.)

<sup>10</sup> Maharashtra State Seeds Corporation Limited

The number of SPSUs having long term loans has decreased to 53 in 2022-23 from 54 in 2021-22. Out of the total long-term loans outstanding (₹ 1,41,623.01 crore), loans from State Government was ₹ 1,220.83 crore of which significant amount (₹ 689.42 crore) pertained to four<sup>11</sup> non Power Sector SPSUs and one Power Sector SPSU *i.e* Maharashtra State Electricity Distribution Company Limited (MSEDCL) (₹ 198.64 crore).

### 5.9.2 Adequacy of Assets to meet Loan liabilities

Ratio of total assets to long-term loan is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than its long-term loans. The coverage of long-term loans by value of total assets in 49 SPSUs which had outstanding loans as on 31 March 2023 is given in **Table 5.8**.

**Table 5.8: Coverage of long-term loans with total assets as on 31 March 2023**

Nature of SPSU	Positive Coverage				Negative Coverage			
	No. of SPSUs	Long term loans	Assets	Percent- age of assets to loan	No. of SPSUs	Long term loans	Assets	Percent- age of assets to loan
		(₹ in crore)				(₹ in crore)		
GCC	32	95793.00	348836.02	364.16	12	1411.80	110.69	7.84
GCOC	2	65.39	2367.65	3620.81	0	-	-	-
Statutory Corporation	3	786.89	50293.43	6391.42	0	-	-	-
<b>Total</b>	<b>37</b>	<b>96645.28</b>	<b>401497.10</b>	<b>415.43</b>	<b>12</b>	<b>1411.80</b>	<b>110.69</b>	<b>7.84</b>

(Source: Information compiled as per latest finalised FSs received from SPSUs.)

None of the SPSUs are listed in the Stock Exchange. Out of the 12 SPSUs with negative coverage, nine SPSUs were inactive and their long terms loans of ₹ 1,310.32 crore exceeded its assets (₹ 51.64 crore). Further three active SPSUs with negative coverage had long term loans of ₹ 101.48 crore which exceeded its assets (₹ 59.05 crore).

### 5.10 Returns from SPSUs

Out of the 110 SPSUs, as per their latest FSs, 47 SPSUs earned profit (42 GCC & five GCOC) and 45<sup>12</sup> (42 GCC & three GCOC) SPSUs reported losses. Out of the remaining 18 SPSUs, ten SPSUs were NPPL and the remaining eight SPSUs have not furnished even their first FSs.

#### 5.10.1 Profit earned by SPSUs

The overall profit of these 47<sup>13</sup> SPSUs (38 GCC, 4 SC and 5 GCOC) was ₹ 1,833.29 crore as reported in their latest FSs. Sector wise details are given in **Table 5.9**.

<sup>11</sup> Maharashtra State Road Transport Corporation, Maharashtra State Road Development Corporation Limited, Maharashtra State Textile Corporation Limited and Maharashtra State Financial Corporation

<sup>12</sup> 45 GCC includes 8 SPSUs which has zero profit and zero loss as the expenditure was borne by the holding Company

<sup>13</sup> This includes one NPPL SPSU which has profit

Table 5.9: Details of Sector wise Profit making SPSUs

Year	Particulars	No of Profit making SPSUs	Net Profit after tax (₹ in crore)	Accumulated losses/surplus (₹ in crore)	Net worth (₹ in crore)
2020-21	Power	3	541.12	-26205.21	121074.52
	Finance	11	124.92	506.81	2297.96
	Service	2	1.02	13.94	34.59
	Infrastructure	13	499.65	-3006.05	8207.94
	Agriculture & Allied	11	242.03	1310.29	52275.52
	Manufacturing	4	5.36	53.78	98.11
	Miscellaneous	2	43.37	156.37	181.32
	<b>Total</b>	<b>46</b>	<b>1457.47</b>	<b>-27170.07</b>	<b>184169.96</b>
2021-22	Power	3	1082.20	290.15	98491.38
	Finance	10	89.42	580.50	2262.97
	Service	2	1.34	15.22	32.61
	Infrastructure	10	49.39	594.67	7129.46
	Agriculture & Allied	13	344.16	1849.17	61602.87
	Manufacturing	2	2.88	-4.91	11.81
	Miscellaneous	3	24.87	174.85	199.80
	<b>Total</b>	<b>43</b>	<b>1594.26</b>	<b>3499.65</b>	<b>169730.90</b>
2022-23	Power	3	1240.58	-18949.97	128543.24
	Finance	11	94.48	683.17	2433.77
	Service	2	1.34	15.35	32.74
	Infrastructure	12	91.37	695.65	7257.61
	Agriculture & Allied	13	369.15	2208.36	66782.84
	Manufacturing	3	3.77	46.80	65.59
	Miscellaneous	3	32.60	204.17	232.98
	<b>Total</b>	<b>47</b>	<b>1833.29</b>	<b>-15096.47</b>	<b>205348.77</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

The list of top 10 profit earning SPSUs is given in Table 5.10.

Table 5.10: List of top 10 profit-making SPSUs during 2022-23

S. No.	Name of the SPSUs	Net Profit after Tax (₹ in crore)	Percentage of Profit to the Total Profit of SPSUs
<b>GCC &amp; Statutory Corporations</b>			
1	Maharashtra State Electricity Transmission Company Limited	955.36	52.11
2	Maharashtra State Electricity Distribution Company Limited	279.93	15.27
3	Forest Development Corporation of Maharashtra Limited	98.68	5.38
4	The Maharashtra State Farming Corporation Limited.	93.62	5.11
5	Vidarbha Irrigation Development Corporation	69.37	3.78
6	Maharashtra State Warehousing Corporation	43.09	2.35
7	Konkan Irrigation Development Corporation	41.03	2.24
8	Maharashtra Film, Stage and Cultural Development Corporation Limited	26.83	1.46
9	Maharashtra State Police Housing and Welfare Corporation Limited	25.23	1.38

S. No.	Name of the SPSUs	Net Profit after Tax (₹ in crore)	Percentage of Profit to the Total Profit of SPSUs
<b>GCOC</b>			
1	Mihan India Limited	33.79	1.84
<b>Total</b>		<b>1666.93</b>	<b>90.93</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

It can be seen that the above ten SPSUs contributed 90.93 *per cent* of the total profit earned by 47 SPSUs during 2022-23. These SPSUs except Mihan India Limited are functioning under monopolistic conditions.

Details of sector-wise profitability is given in **Table 5.11**.

**Table 5.11: Sector-Wise Profitability (During 2022-23)**

Sector	Number of SPSUs	Profit earned after tax (₹ in crore)	Percentage of Sector's profit to total SPSUs profit
Power	3	1240.58	67.67
Finance	11	94.48	5.15
Service	2	1.34	0.07
Infrastructure	12	91.37	4.98
Agriculture & allied	13	369.15	20.14
Manufacturing	3	3.77	0.21
Miscellaneous	3	32.60	1.78
<b>Total</b>	<b>47</b>	<b>1833.29</b>	<b>100</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

During 2022-23, 28 SPSUs under Power, Infrastructure and Agriculture & Allied sectors contributed maximum profit of ₹ 1,701.10 crore, constituting 92.79 *per cent* of total profit (₹ 1,833.29 crore) of the SPSUs.

## 5.11 SPSUs incurring Losses

### 5.11.1 Losses incurred

During the year 2022-23, 45 SPSUs (39 GCCs<sup>14</sup>, three SC and three GCOC) reported losses as per their latest FSs. The overall net losses incurred by SPSUs decreased from ₹ 4,388.37 crore in 2021-22 to ₹ 3,623.40 crore in 2022-23 as given in **Table 5.12**.

**Table 5.12: Number of SPSUs that incurred losses.**

Year	Sector	No of loss making SPSUs	Net loss after tax (₹ in crore)	Accumulated losses (₹ in crore)	Net worth <sup>15</sup> (₹ in crore)
2020-21	Power	5	-125.76	-8111.00	17297.55
	Finance	5	-21.17	-798.69	-561.25
	Service	2	-939.88	-4603.16	97.49
	Infrastructure	12	-414.37	-959.73	12678.58
	Agriculture & allied	6	-62.84	291.83	2616.12
	Manufacturing	12	-72.77	-1483.67	-1197.06
	Miscellaneous	3	-0.10	-5.68	-4.03
	<b>Total</b>	<b>45</b>	<b>-1636.89</b>	<b>-15670.10</b>	<b>30927.40</b>

<sup>14</sup> Includes Eight SPSUs which are zero profit zero loss SPSUs, as their expenditure is born by the Holding Companies

<sup>15</sup> Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure

Year	Sector	No of loss making SPSUs	Net loss after tax (₹ in crore)	Accumulated losses (₹ in crore)	Net worth <sup>16</sup> (₹ in crore)
2021-22	Power	5	-2966.26	-33883.00	39760.03
	Finance	6	-26.88	-814.42	-594.04
	Service	2	-716.15	-5319.30	-51.46
	Infrastructure	16	-530.04	-5161.42	9298.32
	Agriculture & allied	4	-62.82	292.22	2616.11
	Manufacturing	13	-86.19	-1530.79	-1240.31
	Miscellaneous	2	-0.03	-1.97	-0.46
	<b>Total</b>	<b>48</b>	<b>-4388.37</b>	<b>-46418.68</b>	<b>49788.19</b>
2022-23	Power	5	-1644.70	-9253.37	16665.73
	Finance	5	-26.30	-804.80	-614.40
	Service	1	-1146.57	-8237.20	-2610.86
	Infrastructure	16	-665.99	-5529.04	16755.59
	Agriculture & allied	4	-62.88	294.81	2618.70
	Manufacturing	12	-76.58	-1752.77	-1343.50
	Miscellaneous	2	-0.38	-2.34	-0.83
	<b>Total</b>	<b>45<sup>17</sup></b>	<b>-3623.40</b>	<b>-25284.71</b>	<b>31470.43</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

Out of total loss of (-) ₹ 3,623.40 crore incurred by 45 SPSUs for the period 2022-23, loss of (-) ₹ 3,355.13 crore were contributed by four SPSUs. These top four loss making SPSUs, which have incurred losses of more than ₹ 200 crore are given in **Table 5.13**.

The Net loss after tax amounting to (-) ₹ 3,623.40 crore was reported by 39 GCCs (₹ 2,322.19 crore), three SC (₹ 1,223.14 crore) and three GCOC (₹ 78.07 crore).

**Table 5.13: SPSUs that incurred losses of more than ₹ 200 crore as per the latest finalised FSs of the respective SPSUs**

S. No.	Name of the SPSUs	Net loss after tax (₹ in crore)	Percentage of Loss to the Total Losses of SPSUs
1	Maharashtra State Power Generation Company Limited	-1644.34	45.38
2	Maharashtra State Road Transport Corporation	-1146.57	31.64
3	MSRDC Sea Link Limited	-297.67	8.22
4	Mumbai Pune Expressway Limited	-266.55	7.36
	<b>Total</b>	<b>-3355.13</b>	<b>92.60</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

The four SPSUs shown in **Table 5.13** above contributed 92.60 per cent of the total losses incurred by 45 SPSUs during 2022-23.

<sup>16</sup> Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure

<sup>17</sup> Nine SPSUs did not report any profit or loss (other than NPPL SPSUs)

### 5.11.2 Net Profit/Loss Ratio

The overall sector-wise Net Profit/Loss Ratio of 110 SPSUs is depicted in Table 5.14 below:

Table 5.14: Sector wise Net Profit/Loss Ratio

Sector	Net Profit/Loss of the Sector (₹ in crore)	Turnover (₹ in crore)	Net Profit Ratio (in per cent)
Power	(-)404.12	112847.35	(-) 0.36
Finance	68.18	140.75	48.44
Service	(-) 1145.23	2628.20	(-) 43.57
Infrastructure	(-)574.62	2415.73	(-)23.79
Agriculture & Allied	306.27	1727.81	17.73
Manufacturing	(-) 72.81	455.49	(-) 15.98
Miscellaneous	32.22	1939.37	1.66

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

### 5.11.3 Dividend Pay-out by SPSUs

The Finance Department, GoM issued Government Resolution in 2012 which required all profit making SPSUs to declare minimum dividend of five *per cent* of profits. Out of 110 SPSUs in Maharashtra, 47 SPSUs reported profit during 2022-23. Out of these, 31 SPSUs had earned profit, without accumulated losses and are liable to pay dividend. However, only seven SPSUs have declared/ paid the dividend during 2022-23. Details of dividend paid/declared during the three-year period from 2020-21 to 2022-23 is shown in Table 5.15 below.

Table 5.15: Dividend Payout by SPSUs from 2020-21 to 2022-23

(₹ in crore)

Year	SPSUs having GoM Equity Holding, which earned profit during the year and had no accumulated losses		Total Equity (excluding pending allotment)	GoM Equity	Total Dividend payable	Dividend Payable to GoM	No. of SPSUs who have declared/ Paid Dividend	Dividend Declared/ Paid	Amount paid to GoM	Dividend Payout Ratio (%)
	No. of SPSUs	Net profit after tax								
1	2	3	4	5	6=5%*3	7=6*5/4	8	9	10	11=10/5*100
2020-21	27	671.30	58401.99	58321.60	33.56	33.52	7	14.39	13.32	0.023
2021-22	24	469.602	60987.29	60907.34	23.48	23.45	8	7.56	5.37	0.009
2022-23	31	543.64	150265.19	150184.77	27.18	27.17	7	5.50	3.85	0.003

(Source: Information compiled as per latest finalised FSs and information received from SPSUs.)

The details of dividend declared by the seven SPSUs are given in **Table 5.16**.

**Table 5.16 : Details of Dividend paid/declared during the year 2022-23**

(₹ in crore)

S. No.	Name of SPSU	Total Paid-up Capital	State Govt. Equity	Net Profit after tax	Five per cent of Net Profit	Dividend Payable to GoM as per its Equity Holding	Dividend declared/paid	Dividend declared/paid to GoM as per its Equity Holding
1	2	3	4	5	6=5%*5	7=6*4/3	8	9=8*4/3
1	Maharashtra Agro Industries Development Corporation Limited	5.50	3.00	5.25	0.26	0.14	0.28	0.15
2	Maharashtra State Seeds Corporation Limited	4.18	2.05	12.49	0.63	0.31	0.84	0.41
3	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited	24.97	22.84	1.31	0.07	0.06	0.19	0.18
4	Maharashtra State Warehousing Corporation	8.71	4.36	43.08	2.15	1.08	2.16	1.08
5	Maharashtra Film, Stage and Cultural Development Corporation Limited	12.30	12.30	26.83	1.34	1.34	1.34	1.34
6	Western Maharashtra Development Corporation Limited	3.06	3.06	9.23	0.46	0.46	0.65	0.65
7	Maharashtra State Mining Corporation Limited	2.07	2.07	0.54	0.03	0.03	0.04	0.04
	<b>Total</b>	<b>60.79</b>	<b>49.68</b>	<b>98.73</b>	<b>4.94</b>	<b>3.42</b>	<b>5.50</b>	<b>3.85</b>

(Source: Information compiled as per latest finalised FSs and information received from SPSUs.)

From the above table it can be seen that these seven SPSUs paid the minimum dividend of five *per cent* to the GoM.

## 5.12 Debt Servicing

### 5.12.1 Interest Coverage Ratio

Interest Coverage Ratio (ICR) is used to determine the ability of a company to pay interest on outstanding long term/short term 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 the ability of the company to pay interest on debt. An ICR below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSUs, which had finance cost during the period from 2020-21 to 2022-23 are given in **Table 5.17**.

Table 5.17: Interest Coverage Ratio

Year	Sector	Interest	EBIT	No. of SPSUs having outstanding loan and interest	No. of SPSUs having ICR>=1	No. of SPSUs having ICR<1
		(₹ in crore)				
2020-21	Power	8965.54	10107.96	3	3	0
	Finance	109.31	196.64	15	11	4
	Service	1.90	-937.06	2	1	1
	Infrastructure	751.65	519.26	7	3	4
	Agriculture & Allied	4.85	65.67	6	6	0
	Manufacturing	60.11	-8.72	5	2	3
	Miscellaneous	0.58	13.92	1	1	0
	<b>Total</b>	<b>9893.94</b>	<b>9957.67</b>	<b>39</b>	<b>27</b>	<b>12</b>
2021-22	Power	9692.49	7844.68	3	1	2
	Finance	96.44	145.73	14	10	4
	Service	4.36	-710.23	2	1	1
	Infrastructure	759.18	280.84	10	4	6
	Agriculture & Allied	4.73	32.75	5	5	0
	Manufacturing	62.08	-17.82	4	1	3
	Miscellaneous	73.26	96.10	2	2	0
	<b>Total</b>	<b>10692.54</b>	<b>7672.05</b>	<b>40</b>	<b>24</b>	<b>16</b>
2022-23	Power	9124.82	8491.17	3	2	1
	Finance	95.58	143.17	14	11	3
	Service	2.03	-1142.99	2	1	1
	Infrastructure	785.06	200.64	9	4	5
	Agriculture & Allied	0.88	105.81	5	5	0
	Manufacturing	62.47	-8.85	4	1	3
	Miscellaneous	14.04	49.05	2	2	0
	<b>Total</b>	<b>10084.88</b>	<b>7838.00</b>	<b>39</b>	<b>26</b>	<b>13</b>

(Source: Information compiled on the basis of latest finalised FSs upto 30 September 2023)

It can be observed from the above table that the Interest coverage ratio in the SPSUs which had long term debts has not varied significantly. The number of SPSUs with ICR equal to one or more than one has decreased from 27 in 2020-21 to 26 in 2022-23. Similarly, the number of SPSUs with ICR less than one had also increased from 12 in 2020-21 to 13 in 2022-23.

### 5.13 Financial Performance of SPSUs

#### 5.13.1 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures a company's long-term profitability and the efficiency with which total capital is employed by the company. ROCE is calculated by dividing a company's EBIT by the capital employed<sup>18</sup>.

<sup>18</sup> Capital employed = Paid up share capital plus free reserves and surplus plus long term loans minus accumulated losses minus deferred revenue expenditure.



Sector wise consolidated ROCE of 110 SPSUs during the period 2020-21 to 2022-23 is given in **Table 5.18**.

**Table 5.18 : Return on Capital Employed of SPSUs**

Year	Sector	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in per cent)
2020-21	Power	10110.64	198554.71	5.09
	Finance	228.33	3078.09	7.42
	Service	-936.97	338.86	-276.51
	Infrastructure	601.09	33598.72	1.79
	Agriculture & Allied	235.55	122820.52	0.19
	Manufacturing	-8.02	-795.17	-1.01
	Miscellaneous	56.29	188.44	29.87
	<b>Total</b>		<b>10286.91</b>	<b>357784.17</b>
2021-22	Power	7853.21	201105.85	3.91
	Finance	169.02	2970.60	5.69
	Service	-710.14	191.35	-371.12
	Infrastructure	305.67	41712.49	0.73
	Agriculture & Allied	350.82	151385.08	0.23
	Manufacturing	-20.74	-894.00	-2.32
	Miscellaneous	97.50	231.10	42.19
	<b>Total</b>		<b>8045.34</b>	<b>396702.47</b>
2022-23	Power	8496.10	209048.91	4.06
	Finance	173.40	3144.74	5.51
	Service	-1142.89	-2367.92	-48.27
	Infrastructure	247.16	56166.09	0.44
	Agriculture & Allied	353.32	156561.16	0.23
	Manufacturing	-8.28	-946.88	-0.87
	Miscellaneous	49.44	238.24	20.75
	<b>Total</b>		<b>8168.25</b>	<b>421844.34</b>

(Source: Information compiled on the basis of latest financial statement upto 30 September 2023.)

It was observed that ROCE of SPSUs decreased from 2.88 *per cent* during 2020-21 to 1.94 *per cent* during 2022-23 as the EBIT decreased and capital employed increased in 2022-23 as compared to 2020-21. ROCE of 76 active SPSUs and nine inactive SPSUs were represented for the year 2022-23. The remaining 25 SPSUs (including eight SPSUs whose first accounts were awaited) had nil ROCE as either EBIT or capital employed was zero. Details of ROCE of State SPSUs for the three years ended 31 March 2023 is given in **Appendix 5.3**.

### 5.13.2 Return on Equity of SPSUs

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

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves and surplus less accumulated losses and deferred revenue expenditure and

reveals how much would be left for a Company's shareholders, if all assets were sold and all debts are repaid. A positive shareholders' fund reveals that the Company has enough assets to cover its liabilities, while negative shareholders fund means that liabilities exceed its assets. Return on equity has been computed in respect of 58 SPSUs<sup>19</sup> where funds have been infused by State Government. SPSUs wise details of ROE for the period 2022-23 are given in **Appendix 5.4**.

The details of shareholders' fund and ROE relating to these SPSUs during the period 2020-21 to 2022-23 are given in **Table 5.19**.

**Table 5.19: Return on Equity of SPSUs**

Year	Sector	Number of PSUs for which ROE Calculated	Net Profit after Tax (₹ in crore)	Shareholders' fund (₹ in crore)	ROE (in per cent)
2020-21	Power	2	19.73	86005.87	0.02
	Finance	17	101.39	1573.55	6.44
	Service	2	-938.93	126.15	-744.30
	Infrastructure	13	427.82	452.88	94.47
	Agriculture & Allied	14	178.72	132044.19	0.14
	Manufacturing	6	-64.75	-1045.12	-6.20
	Miscellaneous	5	43.28	198.35	21.82
	<b>Total</b>	<b>59</b>	<b>-232.74</b>	<b>219355.87</b>	<b>-0.11</b>
2021-22	Power	2	8.68	86079.83	0.01
	Finance	17	60.18	1646.20	3.66
	Service	2	-714.87	-21.52	-3321.89
	Infrastructure	13	25.04	-2200.71	-1.14
	Agriculture & Allied	14	280.82	151130.66	0.19
	Manufacturing	6	-82.04	-1147.52	-7.15
	Miscellaneous	5	19.66	230.82	8.52
	<b>Total</b>	<b>59</b>	<b>-402.53</b>	<b>235717.76</b>	<b>-0.17</b>
2022-23	Power	1	5.29	92352.05	0.01
	Finance	17	66.73	1795.19	3.72
	Service	2	-1145.30	-2580.94	-44.38
	Infrastructure	13	33.29	-2144.81	-1.55
	Agriculture & Allied	14	304.49	156303.97	0.19
	Manufacturing	6	-71.72	-1197.72	-5.99
	Miscellaneous	5	32.22	238.17	13.53
	<b>Total</b>	<b>58</b>	<b>-775.00</b>	<b>244765.91</b>	<b>-0.32</b>

(Source: Information compiled on the basis of latest FSs as on 30 September 2023)

As can be seen from the above table, RoE of 58 SPSUs stood at (-)0.32 *per cent* in 2022-23. These included 35 profit making SPSUs and 15 loss making SPSUs of which RoE stood at 0.34 *per cent* and (-)27.69 *per cent* respectively in 2022-23. Eight SPSUs did not report any profit or loss. Further, it can also be seen from the Table above that Net Income of the SPSUs decreased significantly from (-)₹ 232.74 crore in 2020-21 to (-)₹ 775.00 crore in 2022-23, which consequently led to decrease in

<sup>19</sup> This includes Maharashtra Industries Development Corporation directly held by GoM but does not have share capital.

RoE from (-)0.11 *per cent* in 2020-21 to (-)0.32 *per cent* in 2022-23. Out of above 58 SPSUs, in case of 55 GCCs, the net profit after tax was (-)₹ 787.44 crore whereas the Shareholders' fund in these SPSUs was ₹ 2,44,355.94 crore. Similarly, in case of three GCOCs, the net profit after tax was ₹ 12.44 crore whereas the Shareholders' fund in these SPSUs was ₹ 409.97 crore. During the period from 2020-21 to 2022-23, though the shareholders' fund increased, the net Income was negative resulting in negative return on equity. Details of ROE of SPSUs for the three years ended 31 March 2023 is given in **Appendix 5.4**.

### 5.13.3 Rate of Real Return on Investment

Rate of Real Return on Investment (RORR) measures the profitability and efficiency with which equity and similar non-interest-bearing capitals have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the Profit After Tax by the sum of all such investments counted on historical cost basis.

In view of the significant investment by the State Governments in the SPSUs, RORR on such investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the RORR on the Investment since such calculations ignore the present value of money. Present Value (PV) of the investment has been computed to assess the RORR on the PV of Investments in the SPSUs 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 2023, the past investments/year-wise funds infused in the SPSUs have been compounded at the year-wise average rate of interest on government borrowings, which is considered as the minimum cost of funds for the concerned year.

The PV of the investment in SPSUs was computed on the basis of following assumptions.

- The equity infused minus disinvestment has been reckoned as investment for calculating the RORR.
- The funds made available in the form of interest-free loans and interest free loans converted as equity have been reckoned as investment.
- 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 towards investment of funds for the year and therefore considered as the minimum expected RORR.

Year wise position of GoM investment in SPSUs in the form of equity and interest free loans on historical cost basis for the period upto 2022-23 have been given in **Appendix 5.5**.

**Table 5.20** shows the RORR calculation of State Government investment considering the PV of historical cost of investment, since 2017-18 till 2022-23.

**Table 5.20: Year-wise details of investments made by the State Government in SPSUs and their present value till 2022-23**

(₹ in crore)

Financial year	PV of Investment at beginning of year	Investment during the year	Investment at the end of year	Avg. rate of interest on Government borrowings (in per cent)	Present value of total Investment at the end of the year	Min. expected return to recover cost of funds for the year	Total earnings after tax for the year	RORR in per cent
i	ii	iii	iv=ii+iii	v	vi=iv× (1+(v÷100))	vii=iv× (v÷100)	viii	ix=viii* 100/vi
2017-18	344433.91	8535.84	352969.75	8.00	381207.33	28237.58	-3347.01	-0.88
2018-19	381207.33	1933.32	383140.65	7.80	413025.62	29884.97	72.59	0.02
2019-20	413025.62	10151.16	423176.78	7.30	454068.68	30891.90	674.73	0.15
2020-21	454068.68	1253.98	455322.66	7.19	488060.36	32737.70	-179.42	-0.04
2021-22	488060.36	6380.05	494440.41	6.96	528853.46	34413.05	-2794.11	-0.53
2022-23	528853.46	641.27	529494.73	6.58	564335.48	34840.75	-1790.11	-0.32

(Source: Information compiled as per latest finalised FSs and information received from SPSUs)

The balance of investment by the GoM in the SPSUs at the end of the year 2022-23 increased to ₹ 5,29,494.73 crore from ₹ 3,52,969.75 crore as at the end of 2017-18. As can be seen from the above table, RORR varied between (-)0.88 per cent to 0.15 per cent during the period 2017-18 to 2022-23.

Consolidated ROR and RORR on present value of Investments for period ended 31 March 2023 is as given in **Table 5.21**.

**Table 5.21: Consolidated RORR on present value of investments for the year ended 2022-23**

Financial year	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year (₹ in crore)	ROR (per cent)	Investment by the State Government at Present value of investment at the end of the year (₹ in crore)	RORR (per cent)
	(a)	(b)	(c)={a}/ (b)*100	(d)	(e)={a}/ (d)*100
2022-23	(-)1790.11	232406.06	(-)0.77	564335.48	(-)0.32

(Source: Information compiled as per latest finalised FSs and information received from SPSUs)

#### 5.13.4 Erosion of Net worth of SPSUs

Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure. It is essentially a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2023, 41 SPSUs had accumulated losses of ₹ 50,098.55 crore, 49 SPSUs had accumulated surplus of ₹ 9,717.76 crore and 12 SPSUs had neither accumulated losses nor surplus, as per their latest financial statements.

Out of 41 SPSUs which had accumulated losses, the net worth of 31 SPSUs including 13 inactive SPSUs had been completely eroded. The total Negative net worth of these 31 SPSUs was (₹ 9,887.19 crore) against the paid up capital of ₹ 7,551.83 crore as on 31 March 2023. Details regarding the above 31 SPSUs are given in **Appendix 5.6**. Further, out of the 31 SPSUs whose net worth has been completely eroded, the net worth of 22<sup>20</sup> SPSUs were continuously eroded for more than three years as depicted (alongwith detailed income and expenses) in **Appendix 5.7**.

The maximum erosion of net worth was noticed in Maharashtra State Road Development Corporation Limited (₹ 2,948.11 crore), Maharashtra State Road Transport Corporation (₹ 2,610.86 crore), Maharashtra Power Development corporation Limited (₹ 1,013.63 crore) and Maharashtra State Textile Corporation Limited (₹ 1,006.74 crore).

## 5.14 Oversight Role of CAG

### 5.14.1 Appointment of Statutory Auditors of SPSUs by CAG

CAG of India appoints the statutory auditors of a Government Company and GCOG as per Section 139 (5)/(7) of the Companies Act, 2013, which stipulates that the statutory auditors, in case of a Government Company or GCOGs, are to be appointed by the CAG within a period of 180 days from the commencement of the financial year and 60 days from the registration in case of first auditor. The CAG has the 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 FSs be audited by the CAG and a report submitted to the State Legislature.

### 5.14.2 Submission of FSs by SPSUs

#### 5.14.2.1 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 possible after such preparation, the Annual Report must be laid before the Legislative Assembly, 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 SC. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the SPSUs.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited FSs for the financial year has to be placed in the said AGM for their consideration. Consequently, the Financial Statements need to be prepared and placed in the AGM by 30 September of the following year.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment of the persons, including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

<sup>20</sup> The SPSUs are operational either with the Grant/Subsidy of Government/Conversion of loan into equity and lower generation of income from the regular business of SPSUs.

#### 5.14.2.2 Timeliness in preparation of FSs by SPSUs

As on 31 March 2023, there were 110 SPSUs under the purview of CAG's audit in Maharashtra. Out of these 110 SPSUs, 19 SPSUs are inactive. Remaining 91 working SPSUs (including 10 SC), a total of 14 SPSUs submitted their FSs for 2022-23 for audit by CAG on or before 30 September 2023. FSs of 96 SPSUs including 10 SC were in arrears for various reasons. However, 52 State SPSUs including four SC have submitted 70 FSs for the previous years by 30 September 2023. Details of arrears in submission of FSs as on 30 September 2023 are given in **Table 5.22**.

**Table 5.22: Status of FSs for the year ending 31 March 2023 received from SPSUs upto 30 September 2023**

Particulars	SPSUs under Audit Jurisdiction of C&AG			
	GCC	GCOC	Statutory Corporations	Total
<b>Total number of SPSUs as on 31 March 2023</b>	87	13	10	110
Active SPSUs from which FSs for the year 2022-23 were received	7	3	0	10
Inactive SPSUs from which FSs for the year 2022-23 were received	4	-	-	4
SPSUs with arrears in financial statements	76	10	10	96
<b>No. of financial statements in arrears</b>	211	23	27	261
Break-up of arrears	SPSUs under Liquidation	-	-	-
	Inactive SPSUs which are not under liquidation	35	-	-
	'Others'(active and due)	176	23	27
Age-wise analysis of arrears against 'Others' category	One year (2022-23 )	34	4	4
	Two years (2021-22 and 2022-23)	14	2	2
	Three years and more	128	17	21

(Source: As compiled by office of AG (Audit)-II, Maharashtra)

The list of the State SPSUs and status of FSs in arrears is indicated in **Appendix 5.1**. Out of the 10 SC, CAG is the sole auditor of eight SC except Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation.

The Annual FSs of all the SC for the year 2022-23 were in arrears as on 30 September 2023. Further, the annual FSs of five<sup>21</sup> SC were in arrears for a period ranging from three to eight years.

Delay in submission of Accounts is being brought to the notice of the State Government periodically through Audit Reports. In the absence of annual FSs and their audit, proper utilisation of the grants and loans disbursed to those SPSUs and their accounting cannot be vouched. Apart from reflecting on the inadequate monitoring by the State Government, absence of FSs indicates lack of accountability from these SPSUs over the funds released by Government of Maharashtra.

<sup>21</sup> Maharashtra Krishna Valley Development Corporation, Tapi Irrigation Development Corporation, Godavari Marathwada Irrigation Development Corporation, Maharashtra Water Conservation Corporation and Maharashtra State Financial Corporation

### **5.14.3 CAG's Oversight- Audit of FSs and Supplementary audit**

#### **5.14.3.1 Financial reporting framework**

Companies are required to prepare the FSs in the format laid down in Schedule III of the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India (ICAI), after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their FSs in the format prescribed under their respective rules, framed in consultation with the CAG and any other specific provision relating to FSs in the Act governing such Corporations.

#### **5.14.3.2 Audit of FSs of Government Companies by Statutory Auditors**

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013 conduct audit of FSs of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG of India plays an oversight role by monitoring the performance of the Statutory Auditors in the audit of SPSUs 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 Auditors' Report under Section 143(6) of the Companies Act, 2013.

#### **5.14.3.3 Supplementary audit of FSs of Government Companies**

The primary responsibility for preparation of FSs in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The Statutory Auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of ICAI 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 FSs 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, reported under Section 143 (6) of the Companies Act, 2013 are to be placed before the AGM of the respective SPSUs.

### **5.15 Results of CAG's Oversight role**

#### **5.15.1 Audit of FSs of SPSUs under Section 143 of the Companies Act, 2013**

As on 30 September 2023, 14 SPSUs submitted their FSs for the year 2022-23. Further, 52 SPSUs submitted 70 FSs for previous years spanning from 2013-14 to 2021-22.

During the reporting period, Non-Review Certificates were issued in respect of 28 FSs and 43 FSs were reviewed by 30 September 2023, which includes FSs received prior to reporting period but finalised during the reporting period.

#### **5.15.2 Amendment of FSs**

As a result of supplementary audit conducted by the CAG on the FSs received during the period ended 30 September 2023, Maharashtra State Road Transport Corporation amended the FSs before laying the same in the AGM.

#### **5.15.3 Revision of Auditors Report**

During 2022-23, there is no case of revision of Statutory Auditors' Report as a result of supplementary audit of the FSs conducted by the CAG.

#### **5.16 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 SPSUs were reported as comments by the CAG under Section 143 (6) 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 a 'Management Letter' for taking corrective action. The deficiencies generally related to (a) application and interpretation of accounting policies (b) adjustments arising out of audit and (c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned SPSU gave assurances that corrective action would be taken in the subsequent year. The list of 30 SPSUs to whom Management letters were issued is given in **Appendix 5.8**.

#### **5.17 Conclusion**

As on 31 March 2023, there were 110 SPSUs of which 91 are working SPSUs and 19 are inactive SPSUs in Maharashtra under the audit jurisdiction of CAG. Out of 110 SPSUs, 39 working SPSUs and five inactive SPSUs did not furnish any FSs by 30 September 2023. As a result of non-submission of FSs there is no assurance whether the investment and expenditure had been properly accounted for and the purpose for which the amount was invested by the State Government was achieved.

During 2022-23, these 52 SPSUs registered an annual turnover of ₹ 1,22,154.70 crore, which was equal to 3.46 *per cent* of the GSDP of Maharashtra.

The investment of the State Government in equity and long-term loans in these SPSUs was ₹ 2,33,626.89 crore as against total investment of ₹ 4,90,595.02 crore at the end of 31 March 2023.


Out of the 110 SPSUs, 47 SPSUs earned profits (₹ 1,833.29 crore), while 45 SPSUs incurred losses (₹ 3,623.40 crore) and 10 SPSUs had reported neither profit nor loss. As on 31 March 2023, 41 SPSUs had accumulated losses of ₹ 50,098.55 crore.

Out of the 110 SPSUs, FSs for the year 2022-23 were received only from 14 SPSUs within the stipulated time (30 September 2023). Eight SPSUs have not submitted their first FSs since their inception.



### 5.18 Recommendations

- (i) Government of Maharashtra may review the functioning of all loss-making SPSUs and take necessary steps to improve their financial performance.
- (ii) Government may issue necessary instructions to administrative departments to set targets for individual SPSUs to furnish the FSs in time and to strictly monitor the clearance of arrears.
- (iii) Government may review the inactive Government Companies and may take appropriate decisions on their revival/winding up.
- (iv) Government may impress upon the management of profit making SPSUs to declare dividend as per the Government of Maharashtra Resolution of 2012.



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Principal Accountant General (Audit)-I,  
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Mumbai  
The 29 April 2024

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi  
The 6 May 2024