

Chapter-V

State Public Sector Enterprises

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This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). 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 2022-23 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 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.

Besides, any other Company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit of the Company's Financial Statements. The statutes governing some Statutory Corporations require their accounts to be audited only by 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

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

view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 49 SPSEs in Punjab, including four² Statutory Corporations and 42 Government Companies (including 16 inactive Government companies³) and three⁴ Government Controlled Other Companies (GCOCs) under the audit jurisdiction of the CAG. During the year, the supplementary audit of a new SPSE *i.e.* Punjab Rural Water Utility⁵ has been entrusted to this office. Further, Punjab Agro Juices Limited has been merged⁶ with Punjab Agri Export Corporation Limited during the year. The names of these SPSEs are given in **Appendix 5.1**. One SPSE (Punjab Communications Limited) was listed on the stock exchange.

There are 16 inactive SPSEs (including four under liquidation) in the State. These inactive SPSEs have investment of ₹ 60.73 crore. This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State.

A ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of turnover of working SPSEs are given in **Appendix 5.2**. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2023 are given in **Table 5.1**.

Table 5.1: Details of turnover of SPSEs vis-à-vis GSDP of Punjab

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23 ⁷
Turnover			
Power sector SPSEs	33,113.25	35,478.80	39,092.14
Agriculture and Allied sector SPSEs	36,595.60	35,144.11	33,276.04
Other SPSEs	1,315.79	1,333.23	1,174.15
Total	71,024.64	71,956.14	73,542.33
GSDP of Punjab	5,40,853.00	6,14,227.00	6,73,107.00
Percentage of turnover to GSDP of Punjab			
Power sector SPSEs	6.12	5.77	5.81
Agriculture and Allied sector SPSEs	6.77	5.72	4.94
Other SPSEs	0.24	0.22	0.17
Total	13.13	11.71	10.92

Source: Compilation based on Turnover figures as per latest financial statements of SPSEs and GSDP figures as per Ministry of Statistics and Programme Implementation (MoSPI).

The contribution of SPSEs to the GSDP of Punjab reduced from 11.71 per cent in 2021-22 to 10.92 per cent in 2022-23. The contribution of Power sector SPSEs to GSDP was 5.81 per cent while Agriculture and Allied sector SPSEs contributed 4.94 per cent in the year 2022-23.

² Punjab State Warehousing Corporation, Punjab Scheduled Castes Land Development and Finance Corporation, PEPSU Road Transport Corporation and Punjab Financial Corporation.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.

⁵ Registered with Registrar of Companies in March 2022.

⁶ Accounts of Punjab Agri Export Corporation after merger with Punjab Agro Juices Limited have not been received yet. As such, latest available finalised accounts of both SPSEs have been taken.

⁷ Turnover as per financial statement received up to September 2023.

Though other sector SPSEs contribution to GSDP was minimal (ranging from 0.17 to 0.24 *per cent* during the last three years), they were having staff of 9,121⁸ employees (Permanent/on deputation/contract basis) including staff in district offices. As on 31 March 2023, State Government had investment of ₹ 650.33 crore (Equity ₹ 616.74 crore and long-term loans ₹ 33.59 crore) in these SPSEs. In addition to these, ₹ 2,167.40 crore of grants and subsidies were provided to ten of these SPSEs by the State Government during the period 2020-23.

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 loans given by the State Government in 33 working SPSEs as on 31 March 2023 are given below in **Table 5.2**.

Table 5.2: Sector-wise investment in SPSEs

Name of sector	Investment ⁹ (₹ in crore)					Percentage of Total Equity and Long Term Loans
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power sector SPSEs	22,338.61	22,315.61	16,634.81	3.64	38,973.42	56.53
Agriculture and Allied sector SPSEs	402.86	384.00	27,419.12	26,566.67	27,821.98	40.36
Other SPSEs	727.55	616.74	1,416.00	33.59	2,143.55	3.11
Total	23,469.02	23,316.35	45,469.93	26,603.90	68,938.95	100.00

Source: Information provided by the SPSEs

The thrust of SPSEs investment was mainly on Power sector SPSEs which had received as much as 56.53 *per cent* (₹ 38,973.42 crore) of total investment of ₹ 68,938.95 crore as on 31 March 2023. The State Government share was 72.41 *per cent* (₹ 49,920.25 crore) of total investment of ₹ 68,938.95 crore. Out of the total loans of ₹ 45,469.93 crore, an amount of ₹ 25,029.82 crore was outstanding for a period of more than five years due to paucity of funds, pending reconciliation etc. Of ₹ 25,029.82 crore, ₹ 24,541.88 crore (98.05 *per cent*) pertains to four¹⁰ PSUs.

⁸ Includes 7,948 employees in two SPSEs of transport sector (PEPSU Road Transport Corporation and Punjab State Bus Stand Management Company Limited).

⁹ Investment includes equity and long-term loans.

¹⁰ Punjab Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation, Punjab Agro Foodgrains Corporation and Punjab State Warehousing Corporation.

5.4.2 Market Capitalisation of equity investment in SPSEs

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2023, shares of only one SPSE (Punjab Communications Limited) was listed on the Bombay Stock Exchange (BSE) in India. This SPSE having total equity investment of ₹ 12.05 crore is a subsidiary of Punjab Information & Communication Technology Corporation Limited (₹ 8.57 crore *i.e.* 71.12 *per cent* of total equity investment of ₹ 12.05 crore) and has no investment of equity either by the State Government or the Central Government. The total market value of shares of the above listed SPSE stood at ₹ 34.28 crore¹¹ as on 31 March 2023 as compared to ₹ 43.28 crore¹² as on 31 March 2022.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment or privatisation of working as well as inactive SPSEs. However, Punjab Agro Juices Limited was merged (January 2023) with Punjab Agri Export Corporation Limited.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

The number of working SPSEs¹³ that earned profit was 11¹⁴ in 2022-23 as compared to 12 in 2021-22. The profit earned decreased to ₹ 319.97 crore in 2022-23 from ₹ 1,710.77 crore in 2021-22 mainly due to loss of ₹ 4,775.93 crore incurred by Punjab State Power Corporation Limited in 2022-23 which earned profit of ₹ 1,069.21 crore in 2021-22.

The top three SPSEs which contributed maximum profit are summarised in **Table 5.3**.

Table 5.3: Top three SPSEs which contributed maximum profit

Name of SPSE	Net profit (₹ in crore)	Percentage of profit to total profit of SPSEs
Punjab State Warehousing Corporation	163.02	50.95
Punjab State Transmission Corporation Limited	100.90	31.53
Punjab Small Industries and Export Corporation Limited	29.09	9.09
Total	293.01	91.57

Source: Latest Financial Statements of SPSEs

These three SPSEs alone had contributed as much as 91.57 *per cent* of the

¹¹ 1,20,23,565 shares * ₹ 28.51 per share against face value of ₹ 10 per share.

¹² 1,20,23,565 shares * ₹ 36 per share against face value of ₹ 10 per share.

¹³ Accounts received upto 30 September 2023.

¹⁴ Including one SPSE (Amritsar Smart City Limited) which earned Zero profit/loss but having accumulated profits.

total profit (₹ 319.97 crore) earned by 11 SPSEs during 2022-23.

Net profit ratio¹⁵ of SPSEs is depicted in **Table 5.4**.

Table 5.4: Net Profit Ratio of SPSEs

(₹ in crore)

Sector	Net Profit	Turnover	Net profit Ratio (in per cent)
Power sector SPSEs	(-)4,674.92	39,092.14	-
Agriculture and Allied sector SPSEs	(-)144.95	33,276.04	-
Other SPSEs	10.11	1,174.15	0.86
Total	(-)4,809.76	73,542.33	-

Source: Latest Financial Statements of SPSEs

5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five *per cent* on Government equity should be paid by all enterprises. The State Government adopted the recommendations and directed (July 2011) all its Public Sector Enterprises (PSEs) to pay a minimum return of five *per cent* on the funds invested by the State Government. The dividend paid by working SPSEs during the period 2020-21 to 2022-23 is shown in **Table 5.5**.

Table 5.5: Dividend Payout by SPSEs

(₹ in crore)

Year	Sector	No. of SPSEs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1	2	3	4	5	6
2020-21	Power sector SPSEs	-	-	-	-
	Agriculture and Allied sector SPSEs	2	25.25	4.96	1.38
	Other SPSEs	1	50.01	76.15	2.50
	Total	3	75.26	81.11	3.88
2021-22	Power sector SPSEs	1	22.90	1.73	1.83
	Agriculture and Allied sector SPSEs	2	25.25	4.80	1.38
	Other SPSEs	1	50.01	76.15	2.50
	Total	4	98.16	82.68	5.71
2022-23	Power sector SPSEs	-	-	-	-
	Agriculture and Allied sector SPSEs	2	25.25	12.90	1.38
	Other SPSEs	1	50.01	29.09	2.50
	Total	3	75.26	41.99	3.88

Source: Latest Financial Statements of SPSEs

¹⁵ Net Profit/Turnover*100

During 2022-23, out of 11 SPSEs which earned profits as per the latest finalised accounts, only three SPSEs declared dividend, four¹⁶ SPSEs did not earn enough profit to declare dividend and the remaining four SPSEs which earned aggregate profit of ₹ 275.82 crore had not declared/paid dividend. In case of two major profit earning SPSEs (Punjab State Warehousing Corporation: ₹ 163.02 crore and Punjab State Transmission Corporation Limited: ₹ 100.90 crore) during the year 2022-23, minimum dividend payable as per guidelines worked out to ₹ 30.69 crore¹⁷. However, no dividend was declared/ paid by them.

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 generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in working SPSEs which had long-term loans and interest burden during the period 2020-21 to 2022-23 are given below in **Table 5.6**.

Table 5.6: Interest coverage ratio of SPSEs

Year	Sector	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having interest burden and liability of long term loans	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2020-21	Power sector SPSEs	2,004.42	3,471.29	2	2	0
	Agriculture and Allied sector SPSEs	360.12	480.16	2	1	1
	Other SPSEs	32.29	46.14	5	2	3
	Total	2,396.83	3,997.59	9	5	4
2021-22	Power sector SPSEs	1,684.84	2,969.15	2	2	0
	Agriculture and Allied sector SPSEs	193.23	369.68	2	1	1
	Other SPSEs	30.96	57.91	5	2	3
	Total	1,909.03	3,396.74	9	5	4
2022-23	Power sector SPSEs	1,674.08	(-)3,000.95	2	1	1
	Agriculture and Allied sector SPSEs	89.07	202.19	2	1	1
	Other SPSEs	33.22	36.66	5	2	3
	Total	1,796.37	(-)2,762.10	9	4	5

Source: Latest Financial Statements of SPSEs

¹⁶ Punjab Genco Limited, Punjab Agro Industries Corporation Limited, Punjab State Industrial Development Corporation Limited and Amritsar Smart City Limited.

¹⁷ PSTCL: ₹ 30.29 crore (₹ 605.88 crore * five per cent) and PSWC: ₹ 0.40 crore (₹ 8.00 crore * five per cent).

It was observed that out of two¹⁸ SPSEs pertaining to Power sector which had the liability of loans, one¹⁹ had interest coverage ratio of more than one and other had interest coverage ratio of less than one during 2022-23. Also, in case of Agriculture and Allied sector SPSEs and other SPSEs, which have the liability of loans, only three²⁰ SPSEs had interest coverage ratio of more than one and remaining four²¹ SPSEs had interest coverage ratio of less than one. Thus, these SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 Financial Performance of SPSEs

5.7.1 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 employed²². The details of RoCE in working SPSEs during the period from 2020-21 to 2022-23 are given below in **Table 5.7**.

Table 5.7: Return on Capital Employed

Year	Sector	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Power sector SPSEs	3,474.72	33,799.47	10.28
	Agriculture and Allied sector SPSEs	199.34	11,521.74	1.73
	Other SPSEs	140.76	872.08	16.14
	Total	3,814.82	46,193.29	8.26
2021-22	Power sector SPSEs	2,971.50	35,203.79	8.44
	Agriculture and Allied sector SPSEs	104.91	12,357.09	0.85
	Other SPSEs	147.15	980.98	15.00
	Total	3,223.56	48,541.86	6.64
2022-23	Power sector SPSEs	(-)2,974.97	29,385.42	-
	Agriculture and Allied sector SPSEs	819.37	14,134.74	5.80
	Other SPSEs	57.92	1,681.61	3.44
	Total	(-)2,097.68	45,201.77	-

Source: Latest Financial Statements of working SPSEs

It was observed that RoCE was positive during 2020-21 to 2021-22, but during 2022-23, RoCE could not be calculated as total EBIT was negative

¹⁸ Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited

¹⁹ Punjab State Transmission Corporation Limited

²⁰ Punjab State Warehousing Corporation, Punjab State Bus Stand Management Company Limited and Punjab State Industrial Development Corporation Limited

²¹ Punjab Agro Foodgrains Corporation Limited, PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab Scheduled Castes Land Development and Finance Corporation

²² Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

mainly due to heavy losses incurred by one major Power sector SPSE *i.e.* Punjab State Power Corporation Limited.

5.7.2 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 net income and shareholders' fund are both positive numbers.

The Return on Equity (RoE) of the profit earning 11 working SPSEs stood at 22.49 *per cent* in 2022-23. The RoE in all the 29²³ working SPSEs including 18 loss making SPSEs could not be calculated as net income was negative in 2022-23.

Shareholders' Fund is calculated by adding paid up capital and free reserves minus net of 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 paid. A positive shareholders' fund reveals that the Company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.8**.

Table 5.8: Return on Equity relating to SPSEs

Year	Sector	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2020-21	Power sector SPSEs	1,469.08	16,144.56	9.10
	Agriculture and Allied sector SPSEs	(-)175.91	(-)7,052.96	--
	Other SPSEs	80.21	(-)281.80	--
	Total	1,373.38	8,809.80	15.59
2021-22	Power sector SPSEs	1,286.04	17,425.53	7.38
	Agriculture and Allied sector SPSEs	(-)103.40	(-)6,881.87	--
	Other SPSEs	87.26	(-)254.99	--
	Total	1,269.90	10,288.67	12.34
2022-23	Power sector SPSEs	(-)4,674.92	12,750.61	--
	Agriculture and Allied sector SPSEs	(-)144.95	(-)6,781.06	--
	Other SPSEs	10.11	(-)251.57	--
	Total	(-)4,809.76	5,717.98	--

Source: Latest Financial Statements of SPSEs

²³ Excluding four SPSEs working on no profit/no loss basis: Punjab Police Security Corporation Limited, Punjab Municipal Infrastructure Development Company, Punjab State Biotech Corporation and Punjab Police Housing Corporation Limited.

Overall RoE was positive during 2020-21 to 2021-22 due to profits earned by Power sector SPSEs. However, net income was negative during 2022-23 due to heavy losses incurred by one major Power sector SPSE *i.e.* Punjab State Power Corporation Limited and RoE could not be calculated.

5.7.3 Rate of Return on the basis of Present Value of Investment

In order to bring the Historical Cost of investment to its Present Value (PV) at the end of each year upto 31 March 2023, the past investments/ year-wise funds infused by the State Government in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the year concerned. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any less disinvestments since inception of these companies till 31 March 2023.

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

- Interest-free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by SPSEs. Further, in those 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 year²⁴ was adopted as compounded rate for arriving at PV since it represents the cost incurred by the Government towards investment of funds for the year and is therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE-wise position of State Government investment in 22 SPSEs (Other than GCOCs) in the form of equity and interest-free loans on historical cost basis for the period from 2010-11 to 2022-23 has been given in **Appendix 5.3**. The consolidated position of the PV of the State Government investment and the total earnings relating to 22 SPSEs for the same period is indicated below in **Table 5.9**.

²⁴ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances (Government of Punjab) for the concerned year wherein the average rate for interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/ 2] *100.

Table 5.9: Year-wise details of investment by the State Government and its Present Value for the period from 2010-11 to 2022-23*(₹ in crore)*

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Grants/ Subsidies given by State Government for operational and management expenses	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 to recover cost of funds for the year	Total earnings for the year ²⁵
i	ii	iii	iv	v	vi= iii + iv + v	vii = ii + vi	viii	ix={vii*(1 + viii/100)}	x= ix-vii	xi
Upto 2010-11	789.79 ²⁶	6,687.35 ²⁷	-	-	6,687.35	7,477.14	7.73	8,055.12	577.98	(-)1,696.24
2011-12	8,055.12	196.93	-	108.48	305.41	8,360.53	7.96	9,026.03	665.50	(-)779.63
2012-13	9,026.03	15.91	30.00	190.29	236.20	9,262.23	7.79	9,983.76	721.53	43.23
2013-14	9,983.76	22.35	-	242.25	264.60	10,248.36	8.04	11,072.33	823.97	(-)55.02
2014-15	11,072.33	72.07	-	337.75	409.82	11,482.15	8.35	12,440.91	958.76	(-)673.78
2015-16	12,440.91	32.24	-	324.21	356.45	12,797.36	8.09	13,832.67	1,035.31	(-)2,315.70
2016-17	13,832.67	10.83	-	504.28	515.11	14,347.78	7.48	15,420.99	1,073.21	(-)4,327.30
2017-18	15,420.99	-	-	168.62	168.62	15,589.61	8.12	16,855.49	1,265.88	(-)2,799.39
2018-19	16,855.49	(-) 97.97 ²⁸	-	205.76	107.79	16,963.28	8.00	18,320.34	1,357.06	(-)604.73
2019-20	18,320.34	15,629.35	-	160.28	15,789.63	34,109.97	7.93	36,814.89	2,704.92	(-)1,228.59
2020-21	36,814.89	(-)44.58	-	145.59	101.01	36,915.90	7.44	39,662.44	2,746.54	1,503.72
2021-22	39,662.44	-	-	439.14	439.14	40,101.58	7.05	42,928.74	2,827.16	1,421.97
2022-23	42,928.74	2.06	-	165.19	167.25	43,095.99	6.66	45,966.18	2,870.19	(-)4,732.54
Total			30.00	2,991.84	25,548.38					

The balance of investment by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹ 43,095.99 crore from ₹ 7,477.14 crore at the end of 2010-11. The State Government made further investments in the shape of equity (₹ 15,839.19 crore) and interest-free loans (₹ 30 crore) and grants/subsidies for operational and management expenses (₹ 2,991.84 crore) during the period 2011-12 to 2022-23 in these SPSEs. The PV of funds infused by the State Government upto 31 March 2023 amounted to ₹ 45,966.18 crore. During all the years 2011-12 to 2022-23, total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

²⁵ Total Earnings for the year depicts total of net earnings (profit/loss) as per latest finalised Accounts relating to those 22 SPSEs (excluding GCOCs) where funds were infused by State Government.

²⁶ ₹ 789.79 crore is the investment, on historical cost basis, by Government of Punjab upto financial year 2010-11.

²⁷ It represents equity of PSPCL and PSTCL created out of transfer of assets and liabilities on unbundling erstwhile Punjab State Electricity Board. No accumulated losses were transferred to Power sector SPSEs as accumulated losses of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.

²⁸ While finalising the accounts for the year 2017-18, Punjab Water Resources Management & Development Corporation Limited (PWRMDC) treated the capital grant amounting to ₹ 97.97 crore received from the State Government for sinking and installation of tubewells as deferred revenue which was earlier being treated as 'Share application money pending allotment'.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were 18 working SPSEs that incurred losses as per their latest finalised accounts. The losses incurred by SPSEs increased to ₹ 5,129.73 crore as per their latest finalised accounts from ₹ 446.35 crore in 2020-21 as given below in **Table 5.10**.

Table 5.10: Number of SPSEs that incurred losses during 2020-21 to 2022-23

(₹ in crore)					
Year	Sector	No. of loss making SPSEs	Net loss for the year	Accumulated loss	Net worth ²⁹
2020-21	Power sector SPSEs	2	-	(-)0.10	-
	Agriculture and Allied sector SPSEs	6	(-)423.56	(-)6,907.27	(-)6,541.87
	Other SPSEs	8	(-)22.79	(-)714.65	(-)194.39
	Total	16	(-)446.35	(-)7,622.02	(-)6,736.26
2021-22	Power sector SPSEs	2	-	(-)0.11	(-)0.01
	Agriculture and Allied sector SPSEs	7	(-)420.71	(-)7,060.18	(-)6,689.78
	Other SPSEs	8	(-)20.16	(-)731.80	(-)199.76
	Total	17	(-)440.87	(-)7,792.09	(-)6,889.55
2022-23	Power sector SPSEs	3	(-)4,775.95	(-)10,420.10	11,309.81
	Agriculture and Allied sector SPSEs	7	(-)322.88	(-)7,157.62	(-)6,787.22
	Other SPSEs	8	(-)30.90	(-)759.45	(-)227.38
	Total	18	(-)5,129.73	(-)18,337.17	4,295.21

Source: Latest Financial Statements of SPSEs

In 2022-23, out of total loss of ₹ 5,129.73 crore incurred by 18 SPSEs, loss of ₹ 5,049.88 crore (98.44 per cent) was attributed to three SPSEs (Punjab State Power Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab Agro Foodgrains Corporation Limited).

As on 31 March 2023, out of total equity investment of ₹ 22,554.01 crore in loss making SPSEs, the share of the State Government and the Central Government was ₹ 22,432.24 crore and ₹ 98.86 crore respectively.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2023, there were 17 working SPSEs with accumulated losses of ₹ 19,425.68 crore as given in **Appendix 5.4**. Of these, 15 SPSEs incurred losses amounting to ₹ 5,120.67 crore as per latest finalised accounts as of 30 September 2023.

The net worth of 14 out of these 17 SPSEs had been completely eroded by

²⁹ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits but do not include reserves created out of revaluation of assets and write back of depreciation provision.

accumulated losses and their net worth was either zero or negative. Out of these 14 SPSEs, the net worth of 11 SPSEs has remained negative for a period ranging from 0 to 22 years and in case of three SPSEs, the erosion is prior to 1999-2000 as given in *Appendix 5.4*. The net worth of these 14 SPSEs was (-) ₹ 8,179.54 crore against equity investment of ₹ 530.01 crore. Out of 14 SPSEs, whose capital had eroded, two³⁰ had earned profit of ₹ 163.04 crore as per latest finalised accounts. Out of 14 SPSEs, there were seven SPSEs with outstanding Government loans of ₹ 26,378.00 crore as on 31 March 2023 (*Referred to in para 2.4.2.2 under Chapter II*).

Out of 14 SPSEs whose net worth had been eroded, an amount of ₹ 420.62 crore was given as grants/ subsidies to three³¹ SPSEs during the year 2022-23 for meeting operational expenses/ funding of liabilities.

The age wise analysis of arrear in submission of accounts by SPSEs whose net worth had been eroded has been given in *Para 5.11.2 and 5.11.3*.

5.9 Audit of State Public Sector Enterprises

CAG appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Sections 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

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

The Statutory Auditors of the above companies for the year 2022-23 were appointed by the CAG up to September 2023.

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

³⁰ Punjab State Warehousing Corporation and Punjab State Industrial Development Corporation Limited.

³¹ PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab State Industrial Development Corporation Limited.

months of its Annual General Meeting³² (AGM). As soon as, may be after such preparation, the Annual Report must be laid before the Legislature, together with a copy of the Audit Report and comments of the CAG upon or as a 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 the AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

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

The annual accounts of various SPSEs were pending as on 30 September 2023, as detailed in the following paragraph:

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2023, there were 45 SPSEs³³ under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from 44 SPSEs including four under liquidation. However, only five SPSEs submitted their accounts for the year 2022-23 for audit by CAG by 30 September 2023. 217 accounts of 39 SPSEs were in arrears, as detailed in **Appendix 5.5**, for various reasons. Details of arrears in submission of accounts of SPSEs are given in **Table 5.11**.

Table 5.11: Details of arrears in submission of accounts

Particulars	SPSEs	Number of Accounts
Total number of Companies under the purview of CAG's audit as on 31 March.2023	45	--
Less: New Companies from which accounts for 2022-23 were not due	01	01
Number of companies from which accounts for 2022-23 were due	44	44
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023	05	05

³² In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the Company and in any other case within a period of six months, from the date of closing of the financial year *i.e.* 30 September.

³³ Excluding four Statutory Corporations as discussed in paragraph 5.11.3.

Particulars		SPSEs	Number of Accounts
Number of accounts in arrears		39	217
Break- up of Arrears	(i) Under Liquidation	04	91
	(ii) Inactive	12	79
	(iii) Others	23	47
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	13	13
	Two years (2021-22 and 2022-23)	03	06
	Three years and more	07	28
Age-wise analysis of arrears against Companies whose net worth has been eroded	One year (2022-23)	02	02
	Two years (2021-22 and 2022-23)	01	02
	Three years and more	04	14

Source: Compiled on the basis of annual accounts received in the office of Pr. Accountant General (Audit), Punjab.

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of four³⁴ Statutory Corporations is conducted by the CAG and out of these, for two³⁵ Statutory Corporations, CAG is the sole auditor. No Statutory Corporation presented the accounts for the year 2022-23 for audit before 30 September 2023. As on 30 September 2023, 12 accounts of four Statutory Corporations were pending out of which 11 accounts (arrear ranging between three to five years) pertained to three Statutory Corporations whose net worth has been eroded.

The State Government stated (November 2023) that the matter was continuously being monitored and it was expected that the submission would improve.

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 renamed as National Financial Reporting Authority³⁶. 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.

³⁴ Punjab State Warehousing Corporation, PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab Scheduled Castes Land Development and Finance Corporation.

³⁵ Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation.

³⁶ Effective from 01 October 2018.

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 Enterprises with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

- issue directions to the Statutory Auditors under Section 143 (5) of the Companies Act, 2013; and
- 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 primary 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 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 the 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 the 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 SPSEs

Thirty seven Financial Statements (including five Consolidated Financial Statements) for the year 2022-23 and previous years were received from 29 SPSEs from 01 October 2022 to 30 September 2023. Twenty two Financial Statements of 18 SPSEs were reviewed in audit by the CAG and Non-Review

Certificate³⁷ was issued for 15 accounts of 14³⁸ SPSEs. Financial impact of comments issued during October 2022 to September 2023 on Financial Statements of SPSEs was ₹ 67.30 crore on profitability and ₹ 519.92 crore on the financial position.

5.13.2 Amendment of Financial Statements

During 2022-23, there was no case of SPSEs amending their Financial Statements before laying the same in the AGM.

5.13.3 Revision of Auditors Report

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

5.14 Conclusion

As on 31 March 2023, there were 49 SPSEs including four Statutory Corporations. Out of 49 SPSEs, there are 16 inactive SPSEs. Forty three SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 229 accounts of 43 SPSEs in arrears.

Out of total profit of ₹ 319.97 crore earned by 11 SPSEs, 91.57 per cent was contributed by three SPSEs. Out of total loss of ₹ 5,129.73 crore incurred by 18 SPSEs, loss of ₹ 5,049.88 crore was incurred by three SPSEs. Out of 11 SPSEs which earned profits as per the latest finalised accounts, only three SPSEs declared dividend. Four SPSEs did not earn enough profit to declare dividend and the remaining four SPSEs which earned aggregate profit of ₹ 275.82 crore had not declared/paid dividend.

Financial impact of comments issued during October 2022 to September 2023 on Financial Statements of SPSEs was ₹ 67.30 crore on profitability and ₹ 519.92 crore on the financial position.

5.15 Recommendations

The State Government may:

- (i) *impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature;*
- (ii) *take a policy decision regarding commencement of liquidation process in respect of the remaining 12 inactive SPSEs;*

³⁷ Financial Statements received but not selected for audit.

³⁸ One account was audited and NRC was issued for another account in case of three SPSEs.

- (iii) *ensure for declaration/payment of dividend (minimum return of five per cent) from the profit making SPSEs for compliance of the directives of the State Government; and*
- (iv) *analyse the reasons for losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable.*



Chandigarh
The 7 June 2024

(NAZLI J. SHAYIN)
Principal Accountant General (Audit), Punjab

Countersigned



New Delhi
The 11 June 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

