

## CHAPTER-V

# FUNCTIONING OF STATE PUBLIC SECTOR ENTERPRISES

## FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR ENTERPRISES

### 5.1 Introduction

This chapter discusses the financial performance of the *Government Companies* and *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.

#### 5.1.1 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 company<sup>24</sup> 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.

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<sup>24</sup> Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014.

### 5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 16 SPSEs<sup>25</sup> in Tripura (one<sup>26</sup> Statutory Corporation, 14 Government Companies and one<sup>27</sup> Government Controlled Other Company) under the audit jurisdiction of the CAG, which included one inactive/ non-working Government company<sup>28</sup>. The details of these SPSEs are given in **Appendix 5.1**. None of these SPSEs were listed on the stock exchange.

The inactive SPSE had total investment of ₹ 0.04 crore wholly contributed by the State Government towards equity capital of the SPSE, which was under liquidation.

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 ratio for a period of last 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 Tripura**

(₹ in crore)			
Particulars	2020-21	2021-22	2022-23
<b>Turnover</b>			
Power	1468.40	1562.76	1671.15
Manufacturing	21.09	11.13	8.37
Financing	4.24	5.37	6.89
Service	10.92	9.57	11.89
Agriculture & Allied	115.81	120.68	115.28
Miscellaneous	121.85	169.17	263.59
<b>Total</b>	<b>1,742.31</b>	<b>1,878.68</b>	<b>2077.17</b>
<b>GSDP of Tripura</b>	<b>53,504.12</b>	<b>62,550.44</b>	<b>72,635.62</b>
<b>Percentage of Turnover to GSDP of Tripura</b>			
Power	2.74	2.50	2.30
Manufacturing	0.04	0.02	0.01
Financing	0.01	0.01	0.01
Service	0.02	0.01	0.02
Agriculture & Allied	0.22	0.19	0.16
Miscellaneous	0.23	0.27	0.36
<b>Total</b>	<b>3.26</b>	<b>3.00</b>	<b>2.86</b>

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

<sup>25</sup> Excluding two new PSEs incorporated during 2022-23 (Tripura Nature Trails and Resort Limited incorporated on 21 November 2022 and Tripura Power Transmission Limited incorporated on 19 January 2023) whose first accounts were not finalized as on 30 September 2023.

<sup>26</sup> Tripura Road Transport Corporation.

<sup>27</sup> Tripura Natural Gas Company Limited.

<sup>28</sup> Tripura State Bank Limited

As can be noticed from **Table 5.1** above, the contribution of SPSE-turnover to the GSDP of Tripura during last three years has shown a decreasing trend and it reduced from 3.26 *per cent* in 2020-21 to 2.86 *per cent* in 2022-23. The power sector SPSEs were the major contributor to GSDP during all three years under reference. During 2022-23, the contribution of power sector SPSE-turnover to GSDP of Tripura was 2.30 *per cent*.

As per information furnished by the SPSEs, State Government had an investment of ₹ 1,881.79 crore (Equity ₹ 1,652.33 crore and long-term loans ₹ 229.46 crore) in 15 SPSEs<sup>29</sup> as on 31 March 2023. In addition, the State Government had also provided Grants/subsidies aggregating ₹ 160.70 crore to four SPSEs<sup>30</sup> during the year 2022-23.

## 5.4 Investment in SPSEs and Budgetary Support

### 5.4.1 Equity holding and Loans in SPSEs

The sector wise details of the Total Investment (Equity and Long Term Loans) in 16 SPSEs (15 working and 1 non-working) and contribution by the State Government towards the Equity and Long-Term Loans of these SPSEs as on 31 March 2023 is given below in **Table 5.2**.

**Table 5.2: Sector-wise investment in SPSEs**

Particulars	Investment <sup>31</sup> (₹ in crore)					Sector-wise investment to total investment (per cent)
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
1	2	3	4	5	6 (2+4)	7
Power	665.86	665.86	798.83	100.00	1,464.69	56.07
Manufacturing	498.28	498.28	1.05	1.05	499.33	19.12
Financing	16.21	16.21	128.41	128.41	144.62	5.54
Service	369.61	368.56	0.00	0.00	369.61	14.15
Agriculture & Allied	103.72	103.42	0.00	0.00	103.72	3.97
Miscellaneous	30.00	0.00	0.12	0.00	30.12	1.15
<b>Total</b>	<b>1,683.68</b>	<b>1,652.33</b>	<b>928.41</b>	<b>229.46</b>	<b>2,612.09</b>	<b>100.00</b>

*Source: Information provided by the SPSEs*

As can be noticed from **Table 5.2** above, the thrust of total SPSEs-investment was in power sector SPSEs, which had received as much as 56.07 *per cent* (₹ 1,464.69 crore)

<sup>29</sup> Excluding one SPSE (Tripura Natural Gas Company Limited), which had no direct investment (equity or long term loans) by State Government as on 31 March 2023.

<sup>30</sup> Tripura State Electricity Corporation Limited (₹ 129.09 crore); Agartala Smart City Limited (₹ 25.27 crore); Tripura Industrial Development Corporation Limited (₹ 5.79 crore) and Tripura Tourism Development Corporation Limited (₹ 0.55 crore)

<sup>31</sup> Investment figures are provisional and as provided by the SPSEs except for three SPSEs (serial no. A8, A9 and A14 of **Appendix 5.2**), which have finalised their Accounts for the year 2022-23.

of total investment (₹ 2,612.09 crore) as on 31 March 2023. The State Government contributed around 72.04 per cent (₹ 1,881.79 crore) of the total investment of ₹ 2,612.09 crore.

#### 5.4.2 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per the records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the PSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2023 is given in **Table 5.3**.

**Table 5.3: Equity, Loans outstanding as per the Finance Accounts vis-à-vis records of SPSEs**

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSEs	Difference
Equity	1,593.00	1,652.33	59.33
Loans	156.90	229.46	72.56

Source: Finance Accounts 2022-23 and PSEs records

As on 31 March 2023, there were unreconciled differences in the figures of equity (₹ 59.33 crore) and loan (₹ 72.56 crore) as per two sets of records. The differences in equity occurred in respect of 13 SPSEs<sup>32</sup> falling under Agriculture and Allied Sector (four SPSEs), Service Sector (four SPSEs), Manufacturing Sector (two SPSEs), Power Sector (two SPSEs) and Finance Sector (one SPSE).

As regards Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective PSEs functioning under their administrative control. Hence, PSE-wise figures of State Government loans provided to various PSEs are not available in the State Finance Accounts. However, the State Government loan figure booked in the Finance Accounts (₹ 156.90 crore) pertained to the PSEs under Power Sector (₹ 156.75 crore) and Service Sector (₹ 0.15 crore).

*The State Government and the PSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of recording the funding provided to SPSEs in the State Finance Accounts and the Finance Accounts be updated.*

#### 5.4.3 Market Capitalisation of equity investment in SPSEs

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2023, none of the SPSEs in Tripura was listed on the Stock Exchange.

#### 5.4.4 Disinvestment, Restructuring and Privatisation

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

<sup>32</sup> SPSEs at Sl. Nos. A.1 to A.12 and B.1 of **Appendix 5.2**.

## 5.5 Returns from SPSEs

### 5.5.1 Profit earned by working SPSEs

Total four SPSEs<sup>33</sup> earned profit (₹ 21.14 crore) during the current (2022-23) as against five SPSEs during the previous year (2021-22). The profit earned by the profit making SPSEs during 2022-23 decreased to ₹ 21.14 crore as compared to the aggregate profit of ₹ 28.26 crore earned during 2021-22.

The details of the major contributors to SPSE-profits during the year 2022-23 have been summarised in **Table 5.4**.

**Table 5.4: SPSEs which contributed maximum profit during 2022-23**

Name of SPSE	Year of Accounts	Net profit (₹ in crore)	Contribution to total SPSE-profits (per cent)
Tripura Natural Gas Company Limited	2022-23	20.25	95.79
<b>Total</b>		<b>20.25</b>	<b>95.79</b>

Source: Latest Financial Statements of SPSEs

As could be noticed from **Table 5.4** above, the SPSE had contributed as much as 95.79 per cent of the total SPSE-profit (₹ 21.14 crore) earned during 2022-23.

Net Profit Ratio<sup>34</sup> assesses a company's ability to earn profits from its sales (turnover). A higher net profit ratio indicates that a company is more efficient at converting sales into actual profit. As a thumb rule, Net Profit Ratio of 5 per cent is considered to be a low margin, 10 per cent a healthy margin, while 20 per cent or more is a high margin.

Net profit ratio of working SPSEs during the year 2022-23 is depicted in **Table 5.5**.

**Table 5.5: Net Profit Ratio of working SPSEs**

(₹ in crore)

Sector	No. of SPSEs	Net Profit/ (Net Loss)	Turnover	Net profit Ratio (per cent)
Power	02	(284.34)	1,671.15	Negative
Manufacturing	02	(24.01)	8.37	Negative
Financing	01	(1.67)	6.89	Negative
Service	05	(3.55)	11.89	Negative
Agriculture & Allied	04	(6.57)	115.28	Negative
Miscellaneous	01	20.25	263.59	7.68
<b>Total</b>	<b>15</b>	<b>(299.89)</b>	<b>2,077.17</b>	<b>Negative</b>

<sup>33</sup> 1. Tripura Natural Gas Company Limited (₹ 20.25 crore); 2. Tripura Road Transport Corporation (₹ 0.52 crore); 3. Tripura Tourism Development Corporation Limited (₹ 0.35 crore) and 4. Tripura Urban Transport Company Limited (₹ 0.02 crore).

<sup>34</sup> Net Profit/Turnover\*100

It could be noticed from **Table 5.5** above, the Net Profit Ratio of all the SPSEs was negative excepting the SPSE in Miscellaneous Sector. The SPSE in Miscellaneous Sector, which had positive Net Profit Ratio (7.68 *per cent*) is represented by Tripura Natural Gas Company Limited, which was the highest contributor to the profits of the SPSEs during 2022-23.

### 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. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the PSEs.

Out of the four working SPSEs which earned aggregate profits of ₹ 21.14 crore during 2022-23 as per the latest finalised accounts, no SPSEs had declared dividend.

## 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 SPSEs which had interest burden are given below in **Table 5.6**.

**Table 5.6: Interest Coverage Ratio of SPSEs**

Year	Particulars	Interest <sup>35</sup> (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having long term debts/loans (Government, and others)	Number of SPSEs having interest coverage ratio of more than 1	Number of SPSEs having interest coverage ratio of less than 1
2020-21	Power	11.82	(-)36.20	1	0	1
	Financing	0.64	1.86	1	1	0
	Miscellaneous	0.43	31.21	1	1	0
	<b>Total</b>	<b>12.89</b>	<b>(-)3.13</b>	<b>3</b>	<b>2</b>	<b>1</b>
2021-22	Power	13.35	(-)88.75	1	0	1
	Financing	0.64	(-)0.78	1	0	1
	Miscellaneous	0.41	37.92	1	1	0
	<b>Total</b>	<b>14.40</b>	<b>(-)51.61</b>	<b>3</b>	<b>1</b>	<b>2</b>
2022-23	Power	23.98	(-)260.35	1	0	1
	Financing	0.64	(-)1.38	1	0	1
	Miscellaneous	1.40	30.98	1	1	0
	<b>Total</b>	<b>26.02</b>	<b>(-)230.75</b>	<b>3</b>	<b>1</b>	<b>2</b>

Source: Latest Financial Statement of SPSEs

<sup>35</sup> Interest figures as charged to revenue in the Profit and Loss Account of the SPSEs concerned.

It can be noticed from **Table 5.6** above that during the latest two years (2021-22 and 2022-23), out of three SPSEs having long term debts, only one SPSE<sup>36</sup> (Miscellaneous sector) had Interest Coverage Ratio of more than one as compared to two such SPSEs during the year 2020-21. The other two SPSEs (one each under the Power and Financing sectors), had Interest Coverage Ratio of less than one. This indicated that these two SPSEs (one SPSE each in Power and Financing Sectors) were not generating sufficient revenues to meet their expenses on interest consecutively for last two years.

## 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 Employed<sup>37</sup>. The details of RoCE in 15 working SPSEs during the three years from 2020-21 to 2022-23 are given below in **Table 5.7**.

**Table 5.7: Return on Capital Employed**

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2020-21	Power	(-)36.20	734.64	(-)4.93
	Manufacturing	(-)38.22	16.16	(-)236.51
	Financing	1.86	120.53	1.54
	Service	(-)8.48	(-)96.92	Not workable
	Agriculture & Allied	(-)6.88	135.34	(-)5.08
	Miscellaneous	31.21	155.82	20.03
	<b>Total</b>	<b>(-)56.71</b>	<b>1,065.57</b>	<b>(-)5.32</b>
2021-22	Power	(-)88.75	864.73	(-)10.26
	Manufacturing	(-)30.76	10.70	(-)287.48
	Financing	(-)0.78	119.21	(-)0.65
	Service	(-)3.09	(-)39.73	Not workable
	Agriculture & Allied	(-)4.06	139.94	(-)2.90
	Miscellaneous	37.92	182.12	20.82
	<b>Total</b>	<b>(-)89.52</b>	<b>1,276.97</b>	<b>(-)7.01</b>

<sup>36</sup> Tripura Natural Gas Company Limited

<sup>37</sup> Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2022-23	Power	(-)260.36	722.17	(-)36.05
	Manufacturing	(-)24.01	13.66	(-)175.77
	Financing	(-)1.38	117.54	(-)1.17
	Service	(-)3.50	(-)87.02	Not workable
	Agriculture & Allied	(-)6.77	158.66	(-)4.27
	Miscellaneous	30.98	197.23	15.71
	<b>Total</b>	<b>(-)265.04</b>	<b>1,122.24</b>	<b>(-)23.62</b>

Source: Latest Financial Statement of working SPSEs

It can be observed from **Table 5.7** above that RoCE of the working SPSEs under different sectors was negative in all three years (2020-21 to 2022-23) except for the Finance Sector (2020-21) and Miscellaneous Sector (2020-21, 2021-22 and 2022-23). The overall RoCE of the working SPSEs showed a deteriorating trend and was worst during 2022-23 mainly because of poor EBIT of power sector SPSEs. Further, RoCE in respect of Service sector SPSEs was not workable for any of the three years under reference due to complete erosion of the overall capital employed, which was mainly due to the negative capital employed of Tripura Road Transport Corporation. The accumulated losses (₹ 288.04 crore) of Tripura Road Transport Corporation had completely eroded its paid-up capital (₹ 163.96 crore) as per its latest finalised accounts as on 30 September 2023.

### 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 both are positive numbers. Shareholders' Fund is calculated by adding 'paid up capital' and 'free reserves & surplus/accumulated profits' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

The Shareholders' Fund reveals how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders' Fund indicates that the company has enough assets to cover its liabilities while negative Shareholders Fund means liabilities exceed assets.



During 2022-23, the Return on Equity<sup>38</sup> (RoE) of three<sup>39</sup> out of four profit earning working SPSEs ranged between 0.68 *per cent* (Tripura Urban Transport Company Limited) and 10.27 *per cent* (Tripura Natural Gas Company Limited) while overall RoE of these SPSEs stood at 9.73 *per cent* in 2022-23. RoE of one profit earning SPSE (Tripura Road Transport Corporation) was not workable due to negative net worth. Similarly, RoE of two<sup>40</sup> out of eleven loss making working SPSEs was negative due to negative net worth while the RoE of remaining nine loss making working SPSEs remained not workable due to their negative net income (loss) during 2022-23.

The sector-wise details of Shareholders' Fund and RoE relating to working SPSEs for last three years (2020-21 to 2022-23) are given below in **Table 5.8**.

**Table 5.8: Return on Equity relating to SPSEs**

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2020-21	Power	(-)56.57	336.27	Negative
	Manufacturing	(-)38.22	14.90	Negative
	Financing	1.65	(-)7.88	Not workable
	Service	(-)8.82	(-)101.19	Not workable
	Agriculture & Allied	(-)7.03	135.34	Negative
	Miscellaneous	21.75	155.82	13.96
	<b>Total</b>	<b>(-)87.24</b>	<b>533.26</b>	<b>Negative</b>
2021-22	Power	(-)102.10	230.96	Negative
	Manufacturing	(-)30.76	9.44	Negative
	Financing	(-)1.31	(-)9.20	Not workable
	Service	(-)3.19	(-)44.25	Not workable
	Agriculture & Allied	(-)3.86	139.94	Negative
	Miscellaneous	25.81	179.35	14.39
	<b>Total</b>	<b>(-)115.41</b>	<b>506.24</b>	<b>Negative</b>
2022-23	Power	(-)284.34	(-)76.66	Not workable
	Manufacturing	(-)24.01	12.40	Negative
	Financing	(-)1.67	(-)10.87	Not workable
	Service	(-)3.55	(-)91.54	Not workable
	Agriculture & Allied	(-)6.57	158.66	Negative
	Miscellaneous	20.25	197.11	10.27
	<b>Total</b>	<b>(-)299.89</b>	<b>189.10</b>	<b>Negative</b>

Source: As per latest finalised accounts of SPSEs

<sup>38</sup> Return on Equity= (Net Profit after Tax÷ Shareholders' Fund) X 100; where Shareholders' Fund represents paid up capital *plus* free reserves& accumulated profits *minus* accumulated losses and deferred revenue expenditure.

<sup>39</sup> Serial no. A11, A12 and A14 of *Appendix 5.2*.

<sup>40</sup> Serial no. A5 and A8 of *Appendix 5.2*

As can be noticed from **Table 5.8** above, the RoE of working SPSEs was positive during all the three years under reference only in one sector (Miscellaneous Sector) while the RoE of SPSEs in all other sectors was either 'negative' or 'not workable' due to the losses incurred or complete erosion of 'Shareholders' Fund'. The positive RoE in Miscellaneous Sector represents the RoE of Tripura Natural Gas Company Limited, which falls under the category of a 'Government Owned Other Company' and had no direct investment (equity or long term loans) by the State Government.

### 5.7.3 Return on the basis of Present Value (PV) of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government<sup>41</sup> in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered, and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the Government investment.

During 2022-23, out of 15 working SPSEs, 11 PSEs incurred loss (₹ 321.03 crore) and only four SPSEs earned profits (₹ 21.14 crore) as per their latest finalised accounts as on 30 September 2023. On the basis of return on historical value, the State Government investment eroded by 11.92 per cent during 2022-23. On the other hand, the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 4.57 per cent as shown in **Appendix 5.3**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

During the year 2022-23, 11 out of 15 working SPSEs incurred losses of ₹ 321.03 crore as compared to the losses of ₹ 111.60 crore incurred by 11 SPSEs during the year 2020-21. The losses of working SPSEs was mainly driven by the losses incurred by the power sector SPSEs. A sector-wise comparative position of the loss incurring SPSEs during last three years from 2020-21 to 2022-23 has been given below in **Table 5.9**.

<sup>41</sup> As per the records of PSEs

Table 5.9: Number of SPSEs that incurred losses during 2020-21 to 2022-23

(₹ in crore)

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss(-)/ profit(+)	Net Worth <sup>42</sup>
2020-21	Power	2	(-)56.57	(-)390.67	(+) 336.27
	Manufacturing	2	(-)38.22	(-)398.69	(+) 14.90
	Service	3	(-)9.78	(-)435.86	(-) 116.82
	Agriculture & Allied	4	(-)7.03	(+) 66.39	(+) 135.34
	<b>Total</b>	<b>11</b>	<b>(-)111.60</b>	<b>(-)1158.83</b>	<b>(+) 369.69</b>
2021-22	Power	2	(-)102.10	(-)495.97	(+) 230.96
	Manufacturing	2	(-)30.76	(-)437.42	(+) 9.44
	Financing	1	(-)1.31	(-)25.37	(-)9.20
	Service	2	(-)4.52	(-)154.17	(+) 7.16
	Agriculture & Allied	3	(-)4.98	(+) 94.38	(+) 113.02
	<b>Total</b>	<b>10</b>	<b>(-)143.67</b>	<b>(-)1,018.55</b>	<b>(+) 351.38</b>
2022-23	Power	2	(-)284.34	(-)803.59	(-)76.66
	Manufacturing	2	(-)24.01	(-)453.45	(+) 12.40
	Financing	1	(-)1.67	(-)27.04	(-)10.87
	Service	2	(-)4.44	(-)158.62	(+) 17.63
	Agriculture & Allied	4	(-)6.57	(+) 77.72	(+) 158.66
	<b>Total</b>	<b>11</b>	<b>(-)321.03</b>	<b>(-)1,364.98</b>	<b>(+)101.16</b>

Source: As per latest finalised accounts of SPSEs

As can be noticed from **Table 5.9** above, total 11 working SPSEs under various sectors continued to incur losses during 2020-21 and 2022-23 while 10 working SPSEs incurred losses during 2021-22. As a result, the Net Worth of these SPSEs in two Sectors (Power and Financing) turned 'negative' during the year 2022-23. Further, during the year 2022-23, around 88.57 per cent (₹ 284.34 crore) of total SPSE-losses (₹ 321.03 crore) was contributed by one Power sector SPSE (Tripura State Electricity Corporation Limited).

### 5.8.2 Erosion of Capital in SPSEs

During 2022-23, 11 out of 15 working SPSEs had the accumulated losses of ₹ 1,765.45 crore as per their latest finalised accounts as on 30 September 2023 (**Appendix 5.2**). Of these, nine SPSEs<sup>43</sup> incurred losses amounting to ₹ 316.79 crore as per latest finalised accounts.

<sup>42</sup> 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.

<sup>43</sup> Serial no. A2, A3, A5, A6, A7, A8, A9, A10 and A13 of **Appendix 5.2**.

Analysis further revealed that the equity (₹ 845.99 crore) of four out of the 15 working SPSEs had been completely eroded by their accumulated losses (₹ 1,057.82 crore) and their net worth was 'negative' as per their latest finalised accounts as on 30 September 2023. Out of four SPSEs whose capital had eroded, one<sup>44</sup> had earned profit of ₹ 0.52 crore during 2022-23. As on 31 March 2023, the said four SPSEs had total Government Investment of ₹ 1,074.35 crore by way of equity (₹ 845.94 crore) and long term loans (₹ 228.41 crore) as detailed in **Table 5.10**.

**Table 5.10: Details of SPSEs whose Net Worth was eroded as per their latest finalised accounts**

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit/ (loss) after Interest and Tax	Accumulated Losses	Net worth	Since when Net Worth remained negative	State Government's Investment as on 31 March 2023*	
								Equity	Loans
1	Tripura Industrial Development Corporation Limited	2021-22	16.17	(-)1.67	(-)27.04	(-)10.87	2018-19	16.17	128.41
2	Tripura State Electricity Corporation Limited	2022-23	665.76	(-)284.33	(-)742.50**	(-)76.74	2022-23	665.76	100.00
3	Tripura Road Transport Corporation	2019-20	163.96	0.52	(-)288.04	(-)124.08	2008-09	163.96	Nil
4	Agartala Smart City Limited	2021-22	0.10	(-) 0.07	(-)0.24	(-)0.14	2020-21	0.05	Nil
<b>Grand Total</b>			<b>845.99</b>	<b>(-)285.55</b>	<b>(-)1,057.82</b>	<b>(-)211.83</b>		<b>845.94</b>	<b>228.41</b>

\*Figures are provisional and as provided by the SPSEs. \*\*After netting off the Free Reserves (₹ 61.07 crore).

## 5.9 Audit of State Public Sector Enterprises

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

<sup>44</sup> Tripura Road Transport Corporation.

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

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

## 5.11 Submission of accounts by State Public Sector Enterprises

### 5.11.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting<sup>45</sup> (AGM). As soon as may be after such preparation, the Annual Report must be laid before Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report.

Audit of Statutory Corporations is governed by their respective Legislations. The State of Tripura had only one Statutory Corporation (Tripura Road Transport Corporation), which was working. The C&AG is the sole auditor of this Corporation in terms of Section 19 (2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 33(2) of the Road Transport Corporations Act, 1950. The Annual Reports of Statutory Corporations along with the Separate Audit Reports of C&AG are required to be placed before the Legislature as per the stipulations made under their respective governing Acts.

The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies/Corporations from the Consolidated Fund of State.

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

Timely finalisation of accounts is important for the State Government to assess the financial health of the PSEs and to avoid financial misappropriation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

<sup>45</sup> 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.* by 30 September.

The annual accounts of various SPSEs were pending finalisation as on 30 September 2023, as discussed in the following paragraph.

### 5.11.2 Timeliness in preparation of accounts by working Government companies

As on 31 March 2023, there were 14 working Government companies<sup>46</sup> in the State of Tripura under the purview of CAG's audit. Of these, only three companies submitted their accounts for the year 2022-23 for audit by CAG while the accounts of remaining 11 companies for the year 2022-23 were pending for submission as on 30 September 2023. Further, 22 Accounts of 11 working Government companies were in arrears as on 30 September 2023, as detailed in **Appendix 5.4**, for various reasons. Details of arrears in submission of accounts of working Government companies are given in **Table 5.11**.

**Table 5.11: Details of arrears in submission of accounts by working Government companies as on 30 September 2023**

Particulars		Government companies	Number of Accounts
Total number of working Companies under the purview of CAG's audit as on 31 March 2023		14	-
Less: New Companies from which accounts for 2022-23 were not due		-	-
Number of companies from which accounts for 2022-23 were due for submission		14	14
Number of companies which submitted the accounts for the year 2022-23 for CAG's audit		3	3
<b>Total Number of accounts in arrears</b>		<b>11</b>	<b>22</b>
Age-wise analysis of arrears	One year (2022-23)	7	7
	Two years (2021-22 and 2022-23)	2	4
	Three years and more	2	11

**Source:** Complied on the basis of annual accounts received in the office of Principal Accountant General (Audit) Tripura

### 5.11.3 Timeliness in preparation of accounts by Statutory Corporations

CAG is the sole auditor for the audit of one<sup>47</sup> Statutory Corporation. As on 30 September 2023, however, the Statutory Corporation did not submit the accounts for the year 2022-23 for audit. As on 30 September 2023, total 3 accounts of the Statutory Corporation (2020-21 to 2022-23) were pending finalisation.

<sup>46</sup> Excluding one non-functional (inactive) Government company (Tripura State Bank Limited), which was under the process of liquidation.

<sup>47</sup> Tripura Road Transport Corporation.

## 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 the National Advisory Committee on Accounting Standards renamed as National Financial Reporting Authority<sup>48</sup>. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

### 5.12.2 Audit of accounts of Government Companies by Statutory Auditors

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

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector 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 auditors' 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 the Company concerned.

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

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

<sup>48</sup> Effective from 01 October 2018.

## 5.13 Result of CAG's oversight role

### 5.13.1 Audit of accounts of SPSEs

During 1 October 2022 to 30 September 2023, 11 SPSEs (all Government companies) submitted their 13 Financial Statements (Accounts) for current (2022-23) and previous years. Eleven Financial Statements of nine SPSEs were reviewed in audit by the CAG and Non-Review Certificate was issued for the two accounts of two SPSEs. The results of the review are detailed below:

### 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 16 SPSEs (including one Statutory Corporation) in the State of Tripura under the audit purview of CAG. Out of 16 SPSEs, one SPSE (Government company) was inactive and under liquidation. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 25 Accounts of 12 SPSEs in arrears (22 Accounts of 11 Government companies and 3 Accounts of one Statutory Corporation) as on 30 September 2023.

Out of the total profit of ₹ 21.14 earned by four working SPSEs during 2022-23, 95.79 per cent was contributed by one SPSE (Tripura Natural Gas Company Limited). Similarly, during the year 2022-23, around 88.57 per cent (₹ 284.34 crore) of the total loss (₹ 321.03 crore) incurred by 11 working SPSEs was contributed by one Power sector SPSE (Tripura State Electricity Corporation Limited). Further, none of the four SPSEs which earned profits as per the latest finalised accounts had declared dividend.

## 5.15 Recommendations

- i. *State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 25 accounts of 12 SPSEs were in arrears. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature;*



- ii. *The one inactive SPSE under the process of liquidation is neither contributing to State economy nor meeting the intended objectives. The State Government needs to expedite the liquidation process to wind up the non-working SPSE;*
- iii. *State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded, initiate steps to make their operations efficient and profitable and consider continuance of their operations.*



Agartala  
The: 8 April 2024

(H.K. DHARMADARSHI)  
Principal Accountant General (Audit), Tripura

Countersigned



New Delhi  
The: 9 April 2024

(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India