CHAPTER – III
ECONOMIC SECTOR (STATE PUBLIC SECTOR ENTERPRISES)

CHAPTER-III

ECONOMIC SECTOR
(State Public Sector Enterprises)

3.1 Functioning of State Public Sector Enterprises

3.1.1 Introduction

The State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. The SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and the State economy. As of 31 March 2024, there were six SPSEs (all Government companies) in Mizoram as detailed in **Table-3.1**:

Table-3.1: Total number of SPSEs as of 31 March 2024

Type of SPSE	Working SPSEs	Non-working SPSEs	Total
Government Companies[43]	6	0	6
Total	**6[44]**	**0**	**6**

None of these companies were listed on the stock exchange, which meant that the shares of the SPSEs could not be traded on the stock exchange. A Special Purpose Vehicle namely, Aizawl Smart City Limited (ASCL) was established by the State Government and registered (March 2018) under the Companies Act, 2013.

3.1.2 Investment in SPSEs

3.1.2.1 State Government's investment in SPSEs

The State's investment in its SPSEs was by way of share capital/ loans and special financial support by way of grants.

As of 31 March 2024, the investment by the Government of Mizoram (GoM) (capital and long-term loans) in six SPSEs was ₹ 53.57 crore[45] as detailed in **Table-3.2**:

Table-3.2: Details of State's investment in SPSEs

(₹ in crore)

Year	Equity Capital	Long term Loans	Total
2023-24	54.07	9.45	**63.52**
2019-20	53.94	9.45	**63.39**

Source: Information furnished by SPSEs

The State Government's investment as of 31 March 2024 consisted of ₹ 54.07 crore (85.12 *per cent)* towards equity capital and ₹ 9.45 crore (14.88 *per cent*) in long-term loans as against ₹ 53.94 crore (85.09 *per cent*) towards equity capital and ₹ 9.45 crore

---

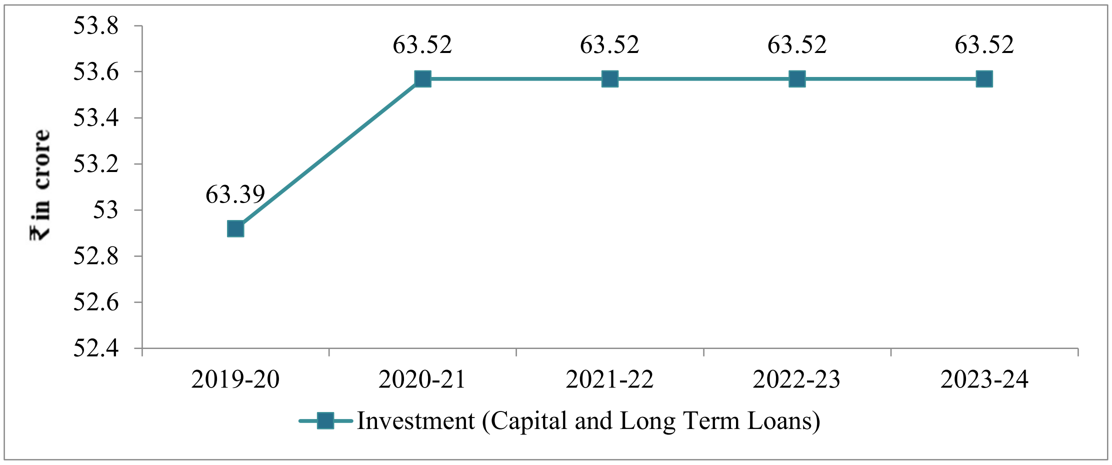
[43] Government Companies includes '*Other Companies*' referred to in Section 139(5) and 139(7) of the Companies Act, 2013

[44] (1) Mizoram Agricultural Marketing Corporation Limited (MAMCO) (2) Mizoram Food & Allied Industries Corporation Limited (MIFCO) (3) Zoram Infrastructure and Industrial Development Corporation Limited (ZIDCO) (4) Zoram Electronics Development Corporation Limited (ZENICS) (5) Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANDCO) (6) Aizawl Smart City Limited (ASCL)

[45] The figures of investment are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their accounts for 2023-24 as of September 2024

(14.91 *per cent*) in long-term loans as of 31 March 2020. A graphical presentation of the State Government's investment in SPSEs during the last five years (2019-20 to 2023-24) has been given in **Chart-3.1**:

Chart-3.1: State's total investment in SPSEs



Source: Information furnished by SPSEs

As evident from **Chart-3.1**, the State Government's investment in State Public Sector Enterprises (SPSEs) increased marginally by ₹ 0.13 crore (0.21 *per cent*) from ₹ 63.39 crore in 2019-20 to ₹ 63.52 crore in 2020-21 and remained unchanged through 2023-24. This increase was on account of equity infusion in Mizoram Agriculture Marketing Corporation Limited (₹ 0.08 crore) and Aizawl Smart City Limited (₹ 0.05 crore), both linked to sectors of potential developmental importance. However, the limited scale and one-off nature of these investments do not reflect a consistent or strategic investment approach. The absence of further capital infusion over subsequent years indicates a conservative stance by the State Government toward equity participation in SPSEs.

During 2023-24, all six SPSEs with direct State Government investment incurred losses totalling ₹ 3.02 crore. Furthermore, the accumulated losses of ₹ 31.23 crore in two SPSEs fully eroded the State's investment of ₹ 25.97 crore in their paid-up capital. The Government has also not instituted any policy mandating minimum dividend payouts by SPSEs.

Audit concludes that public funds invested in SPSEs are at risk due to continued financial losses and absence of returns. The lack of a performance-linked investment strategy and absence of a dividend policy have weakened financial discipline. The erosion of equity in two SPSEs raises serious concerns about their viability and poses a recurring fiscal burden on the State.

3.1.2.2 Total Sector-wise investment in SPSEs

Total investment of State Government and Other Stakeholders (Central Government, holding companies, Banks, Financial Institutions, *etc.*) in SPSEs across various key economic sectors for the period ending 31 March 2024 has been given in **Table-3.3**.

Table-3.3: Sector-wise details of total investments[46] in SPSEs

(₹ in crore)

Sector	Investment					
	Total Equity	State Govt. Equity	Total Long-term loans	State Govt. Loans	Total Equity and Long-term Loans	Sector wise Investment to total Investment *(per cent)*
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6) = (2) + (4)*	*(7)*
Agricultural Marketing Sector SPSEs[47]	26.05	24.69	Nil	Nil	26.05	28.49
Other SPSEs	37.61	29.38	27.78	9.45	65.39	71.51
Total	**63.66**	**54.07**	**27.78**	**9.45**	**91.44**	**100**

Source: Information as furnished by SPSEs

As may be noticed from the **Table-3.3** above, the Agricultural Marketing Sector SPSEs (only two) received as much as 28.49 *per cent* (₹ 26.05 crore) of total investment (₹ 91.44 crore). On the other hand, the remaining four SPSEs under Other Sectors (Financing, Manufacturing and Miscellaneous Sectors), received the balance 71.51 *per cent* (₹ 65.39 crore) of total SPSE investment as on 31 March 2024. Further, the State Government had contributed 69.47 *per cent* (₹ 63.52 crore) of the total investment (₹ 91.44 crore) in the SPSEs as on 31 March 2024.

The State Government's investment strategy in SPSEs reflects a concentrated exposure to a small number of Agricultural Marketing entities, which received 28.49 *per cent* of total investment despite comprising only two enterprises. While this distribution may reflect developmental priorities, the limited number of SPSEs receiving large allocations underscores the need for periodic risk assessments. Furthermore, the State contributed nearly 70 *per cent* of total SPSE funding, indicating significant fiscal exposure. The sectoral distribution of investments suggests the need for a more balanced and risk-informed allocation strategy to enhance returns and minimise concentration risks.

3.1.3 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 SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as of 31 March 2024 is given in **Table-3.4**.

[46] The figures of investment are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their accounts for 2023-24 as of September 2024

[47] Mizoram Agricultural Marketing Corporation Limited and Mizoram Food & Allied Industries Corporation Limited

Table-3.4: Equity, loans, guarantees 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 SPSEs	Difference
Equity	6.99	54.07	47.08
Loans[48]	29.34	9.45	19.89
Guarantee	19.24	39.78	20.54

Source: State Finance Accounts 2023-24 and SPSEs' records

As evident from **Table 3.4** above, there were significant and longstanding unreconciled differences in the figures of equity (₹ 47.08 crore), loans (₹ 19.89 crore) and guarantees outstanding (₹ 20.54 crore) between the State Government's accounts and those maintained by the SPSEs. The differences in equity occurred in respect of all six SPSEs where State Government had made direct investment and reconciliation of these differences had been pending for several years. These discrepancies indicate systemic weaknesses in financial reconciliation and oversight.

As regards the Loan figures, the Finance Department of the State Government allocates loans to various departments for specific sectoral purposes. The loan amounts are recorded in the Finance Accounts based on the sector they are allocated to. The departments receiving the loans then disburse the same to the SPSEs under their control. However, the actual SPSE-wise details of loans received by the SPSEs from the State Government/ departments concerned were not available in the State Finance Accounts. The discrepancies indicate that both the State Government's Finance Accounts and the SPSEs' financial statements may not accurately reflect the true quantum of public investment and liabilities, compromising the credibility of reported figures. Unreconciled guarantees and investments may obscure the actual fiscal exposure of the State, affecting strategic decisions related to funding, restructuring, or disinvestment.

The issue of non-reconciliation of investment figures of the State Government in SPSEs was taken up with the Commissioner, Finance Department, Government of Mizoram (28 February 2025). The Finance Commissioner had assured that the issue would be looked into and the respective Administrative Departments/ SPSEs would be asked to reconcile the discrepancy between the figures contained in the Finance Accounts with those in the accounts of the SPSEs as required.

Recommendations:

- ***The State Government may institutionalise a quarterly reconciliation mechanism between the Finance Department, Administrative Department concerned and SPSEs to reconcile figures of equity, loans, and guarantees;***
- ***The Finance Department may issue instructions to all departments concerned to maintain and report SPSE-wise loan disbursement details, and these should be incorporated into the Finance Accounts; and***

[48] 'Loans as per Finance Accounts' represent the aggregate of the Loans and Advances given by the Government to 'Public Sector and Other Undertakings' as depicted under Statement 18 to the State Finance Accounts for 2023-24

➢ ***The State Government may institutionalise a reconciliation certificate mechanism and made mandatory for all SPSEs at the end of each financial year.***

3.1.4 Special support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/ subsidies in respect of SPSEs for last three years ended 2023-24 are given in **Table-3.5**:

Table-3.5: Details of budgetary support to SPSEs

(₹ in crore)

Particulars	2021-22		2022-23		2023-24	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital outgo from budget	-	-	-	-	-	-
Loans given from budget	-	-	-	-	-	-
Grants/ subsidy	2	6.22	3	14.74	3	30.21
Total Outgo	**2**	**6.22**	**3**	**14.74**	**3**	**30.21**
Guarantees issued during the year	-	-	-	-	-	-
Guarantee Commitment (Cumulative)	1	30.56	1	30.56	1	30.56

Source: As furnished by the SPSEs

As may be noticed from **Table-3.5,** during 2021-24 the budgetary support provided by the State Government to SPSEs in the form of Grants/Subsidy showed an increasing trend and had increased by almost five-fold in the last three years from ₹ 6.22 crore (2021-22) to ₹ 30.21 crore (2023-24). During 2023-24, the State Government provided Grants/ subsidy of ₹ 30.21 crore to three SPSEs[49] mainly to meet the salaries and other operating expenses, which were highest in the last three years. However, the State Government did not provide any financial support in the form of equity capital or long-term loans to any of the SPSEs during the last three years (2021-22 to 2023-24).

Government of Mizoram provides guarantees under the Mizoram Guarantee Act, 2011 allowing SPSEs to secure long-term loans from Banks and other financial institutions. As on 31 March 2024, Guarantee commitments of ₹ 30.56 crore were outstanding against one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited).

During the period 2021-24, the State Government extended increasing financial support to SPSEs in the form of grants and subsidies, which rose nearly fivefold - from ₹ 6.22 crore in 2021–22 to ₹ 30.21 crore in 2023–24 primarily to meet operational expenses such as salaries. However, no equity capital or long-term loans were provided during this period, indicating a shift in the nature of support from investment to

[49] Aizawl Smart City Limited (₹ 24.50 crore); Zoram Infrastructure & Industrial Development Corporation Limited (₹ 3.43 crore) and Mizoram Food & Allied Industries Corporation Limited (₹ 2.28 crore)

sustenance. Despite the rising grant-based outflow, the State continued to hold significant financial exposure, with ₹ 54.07 crore in equity and ₹ 9.45 crore in loans as of 31 March 2024, and a cumulative guaranteed commitment of ₹ 30.56 crore concentrated in a single SPSE. This trend suggests increasing reliance of SPSEs on non-repayable support, raising concerns about their financial self-reliance, sustainability and also the effectiveness of oversight on fund utilisation. Furthermore, the State's significant exposure through cumulative guarantees and unreconciled investments highlights the need for stronger performance accountability and outcome-based fund monitoring.

3.1.5 Accountability framework

The audit of the financial statements of Government Companies in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of Section 139 and 143 of the Companies Act, 2013. The audit of a Company in respect of the financial years prior to 01 April 2014, continues to be governed by the Companies Act, 1956. The new Act has brought about an expanded Regulatory Framework, wider management responsibility and higher professional accountability.

3.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors, appointed by the Comptroller and Auditor General of India (CAG), audit the financial statements of a Government Company. In addition, the CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Companies Act, 2013.

3.1.5.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its administrative departments. The Government appoints the Chief Executive and Directors on the Board of these SPSEs.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this purpose, the Annual Reports of the State Government Companies together with Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Companies Act, 2013.

3.1.6 Arrears in finalisation of accounts

The financial statements of the SPSEs for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by 30 September in accordance with the provisions of Section 96(1), read with Section 129(2) of the Companies Act, 2013 (Act). Failure to do so may attract penal provisions under Section 99 of the Act. As per the Act, the SPSE and every officer of the SPSE who is at default shall be punishable with a fine which may extend up to ₹ One lakh and in the case of a continuing default, with a further fine which may extend up to ₹ 5,000 for every day during which such default continues.

Timely finalisation of financial statements is crucial for the State Government to evaluate the financial stability of the SPSEs and to prevent financial inaccuracies and mismanagement. Persistent delay in finalisation of financial statements poses significant risks, including the potential risk of undetected fraud and misappropriation of public funds besides violation of the provisions outlined in the Companies Act, 2013.

Details of progress made by the working SPSEs in finalising their annual accounts for the period 2019-20 to 2023-24 are given in **Table-3.6**.

Table-3.6: Position relating to finalisation of accounts of working SPSEs

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Number of SPSEs	5[50]	6[51]	6	6[52]	6
Number of accounts finalised during current year	2	1	4	4	3
Number of SPSEs with arrears in accounts	5	6	6	6	6
Number of accounts in arrears	27	33	35	37	40
Extent of arrears in years	1 to 10	2 to 11	1 to 12	2 to 13	1 to 14

As may be noticed from **Table-3.6**, the number of SPSE-accounts in arrears had increased over the last five years. It was further noticed that during the last five years (2019-20 to 2023-24), only five SPSEs could finalise a total of 14 accounts, leading to a gradual increase in the backlog of SPSE-accounts from 27 Accounts (2019-20) to 40 Accounts (2023-24).

During 2023-24, only two out of six working SPSEs were able to finalise three[53] Annual Accounts. As of 30 September 2024, none of the SPSEs had prepared their accounts for 2023-24. The oldest Accounts in arrears was since 2010-11 (14 Accounts), which related to Zoram Electronics Development Corporation Limited (***Appendix-3.1.1***).

The administrative departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the SPSEs within the stipulated timeline.

The Principal Accountant General, Mizoram has been regularly pursuing with the Chief Secretary of Mizoram and the administrative departments concerned for liquidating the arrears of accounts of the SPSEs. However, the State Government and the SPSEs concerned could not address the issue effectively, so as to clear the pendency of accounts of the SPSEs in a time bound manner.

This chronic delay indicates serious weaknesses in financial governance and accountability mechanisms. Non-compliance with statutory timelines exposes SPSEs and their officers to penal provisions under Section 99 of the Companies Act, 2013 and risks the State's financial oversight. The continued non-finalisation of accounts raised

50 One SPSE (Mizoram Mineral Development Corporation Limited) with backlog of four Accounts dissolved during 2019-20

51 One new SPSE (Aizawl Smart City Limited) with backlog of two Accounts was added under CAG's audit purview

52 Zoram Electronics Development Corporation Limited (ZENICS) reconstitution order issued by the State Government on 31 March 2023

53 Zoram Infrastructure & Industrial Development Corporation Limited (2021-22, 2022-23) & Mizoram Food and Allied Industries Corporation Limited (2019-20)

the risk of undetected fraud, misappropriation of public funds and misinformed decisions regarding budgetary support and guarantees.

Furthermore, the administrative departments responsible for oversight did not enforce compliance, allowing arrears to accumulate year after year. This reflects inadequate monitoring, poor enforcement of reporting requirements, and a weak culture of accountability in SPSE management.

Recommendations:

The State Government may consider-

- ***to direct all administrative departments to prepare and implement a time-bound action plan for clearance of backlog of accounts in SPSEs under their control, with priority accorded to the most delayed cases;***
- ***to establish a dedicated monitoring cell/ mechanism to oversee clearance of arrears in SPSE-accounts and set targets for individual SPSEs;***
- ***to ensure that vacancies in the Accounts departments of SPSEs are filled expeditiously with personnel possessing adequate domain knowledge and relevant experience; and***
- ***to organise structured and focused training programmes on statutory compliance, financial reporting and corporate governance for finance personnel of SPSEs as well as nodal officers in administrative departments.***

3.1.7 Investment by State Government in SPSEs whose accounts are in arrears

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. Audit analysis revealed that Government of Mizoram had provided budgetary support aggregating to ₹ 65.80 crore by way of equity (₹ 0.21 crore) and grants (₹ 65.59 crore) to five SPSEs during the years for which these SPSEs had not finalised their accounts as shown in **Table-3.7**.

Table-3.7: Investment by State Government in SPSEs having accounts in arrears as on 30 September 2024

(₹ in crore)

Sl. No.	Name of SPSE	Accounts finalised up to	Accounts pending finalisation		Budgetary support by State Government during the period of accounts in arrears	
			Period	Number	Equity	Grants
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	2012-13 to 2023-24	12	0.21	4.02
2.	Zoram Infrastructure and Industrial Development Corporation Limited	2022-23	2023-24	01	-	3.43
3.	Zoram Electronics Development Corporation Limited	2009-10	2010-11 to 2023-24	14	-	8.53
4.	Mizoram Food and Allied Industries Corporation Limited	2019-20	2020-21 to 2023-24	04	-	9.44
5.	Aizawl Smart City Limited	2019-20	2020-21 to 2023-24	04	-	40.17
Total					**0.21**	**65.59**

Source: Information as furnished by the SPSEs

As can be seen from **Table-3.7**, two SPSEs (serial no. 1 and 3) having the highest pendency of accounts (12 and 14 years) received Government investment aggregating to ₹ 12.76 crore by way of equity (₹ 0.21 crore) grants (₹ 12.55 crore) during the years for which their accounts were in arrears. In the absence of accounts and their subsequent audit, it could not be ascertained whether the investment made and the expenditure incurred there against have been properly accounted for and the purpose for which the amount was invested, had been achieved or not.

Recommendation: The State Government may take special measures for expeditious clearance of arrears of accounts of the SPSEs. Until these accounts are brought up to date, the State Government may contemplate withholding the financial assistance to such companies.

3.1.8 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working SPSEs as per their latest finalised accounts as on 30 September 2024 are detailed in ***Appendix-3.1.1***. **Table-3.8** provides comparative details of working SPSEs' turnover and Gross State Domestic Product (GSDP) for a period of five years ending 2023-24.

Table-3.8: Details of working SPSEs turnover *vis-a-vis* State GDP

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Turnover[54]	10.78	10.50	82.19	86.41	64.85
GSDP[55]	24,990	23,923	26,695	30,690	35,579
Percentage of Turnover to GSDP	0.04	0.04	0.31	0.28	0.18

Source: GSDP figures rounded off to nearest 'Rupees in crore'

As may be noticed from **Table-3.8** above, the contribution of SPSE-turnover to GSDP of Mizoram during the last five years was negligible ranging between 0.04 *per cent* (2019-20) and 0.31 *per cent* (2021-22). The overall contribution of SPSE-turnover to the GDSP increased in 2022-23 from ₹ 10.50 crore (2020-21) to ₹ 86.41 crore (2022-23) mainly because of the growth of ₹ 71.69 crore (737.55 *per cent*) in the turnover of one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) from ₹ 9.72 crore (2020-21) to ₹ 81.41 crore (2022-23). The decrease in turnover of this SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) again to ₹ 64.57 crore (2023-24) caused a corresponding decrease in the overall SPSE-turnover to ₹ 64.85 crore in 2023-24.

Thus, the financial performance of the SPSE sector is heavily reliant on this one entity, exposing the State's public sector portfolio to a concentration risk. A downturn in that one SPSE can significantly distort overall sectoral performance, as seen in 2023-24 when turnover dropped to ₹ 64.85 crore. Further, negligible contribution of SPSE-turnover to GSDP indicates that SPSEs play a minimal role in the State's economic output, raising concerns about the relevance, scale, and impact of public sector commercial activities in the region.

54 Turnover of working SPSEs as per their latest finalised accounts
55 Information furnished by the Directorate of Economics and Statistics, GoM

3.1.8.1 Key parameters

Some other key parameters of SPSEs' performance as per their latest finalised accounts up to the year 2023-24 as of 30 September of the respective years are given in **Table-3.9**.

Table-3.9: Key Parameters of SPSEs

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Debt[56]	27.78	27.78	27.78	27.78	27.78
Turnover[57]	10.78	10.50	82.19	86.41	64.85
Debt-Turnover Ratio (DTR)	2.58:1	2.65:1	0.34:1	0.32:1	0.43:1
Interest Payments[58]	0.02	0.02	0.02	0.02	0.02
Accumulated losses	54.89	55.18	56.28	57.64	56.93

Source: Latest finalised accounts of SPSEs

The debt of SPSEs remained unchanged at ₹ 27.78 crore from 2019-20 to 2023-24, while turnover increased sharply in 2021-22 and 2022-23 before declining in 2023-24. While debt stability may suggest prudence, the absence of new borrowings or capital restructuring may also indicate either cautious fiscal policy, constrained access to credit, or lack of active investment planning, though no definitive reason was recorded. SPSEs may be undercapitalised or lacking expansion plans, limiting their contribution to the economy. Interest payments recorded during the five years were disproportionate and meagre (₹ 0.02 crore) compared to the SPSE-Debts (₹ 27.78 crore). This was mainly due to non-provisioning towards interest liability by one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) against its borrowings (₹ 27.68 crore) during any of the five years for which no explanation was furnished. This raises questions about debt servicing norms, possible interest waivers, or accounting delays - highlighting lack of transparency in debt servicing practices and potential misstatement of liabilities.

Accumulated losses rose from ₹ 54.89 crore in 2019-20 to ₹ 56.93 crore in 2023-24, reflecting operational inefficiencies across multiple SPSEs. The steady rise in losses despite turnover increases suggests structural issues in financial management, pricing, or cost recovery. Left unchecked, this could result in erosion of the SPSEs' equity.

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can be a signal of having too much of debt against the

[56] Long term loans (Debts) represent the SPSE borrowings with repayment tenure of more than three years. Hence, the short term borrowings of the SPSE (repayable within three years' period) have been excluded and figures of debt accordingly modified

[57] Turnover of working SPSEs as per their latest finalised accounts as of 30 September of the respective year

[58] One SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) had total 'Long term borrowings (Unsecured)' of ₹ 27.68 crore (GoM: ₹ 9.35 crore; Others: ₹ 18.33 crore) during all the five years (2019-20 to 2023-24) as per its latest finalised accounts. The SPSE, however, had not charged any interest liability against these borrowings in its Profit and Loss Account during any of the five years, for which no explanation has been furnished by the SPSE

income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

The DTR dropped from 2.65:1 (2020-21) to 0.32:1 (2022-23), before marginally rising to 0.43:1 in 2023-24. These variations are a result of turnover fluctuations rather than active debt management. The volatility in DTR underscores operational inconsistency and over-reliance on a few revenue-generating SPSEs. This exposes the sector to fiscal and operational vulnerability in the event of underperformance by a single entity.

SPSE Debt

As shown in **Table-3.9**, SPSE-debts for the period from 2019-20 to 2023-24 remained constant at ₹ 27.78 crore, which pertained to two SPSEs[59]. On the other hand, the SPSE-turnover increased significantly after 2020-21 mainly because of the growth of ₹ 71.69 crore in the turnover of one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) from ₹ 9.72 crore (2020-21) to ₹ 81.41 crore (2022-23) as discussed under **Paragraph 3.1.8** supra. As a result, the DTR of SPSEs had improved significantly from 2.65:1 (2020-21) to 0.34:1 (2021-22) and further to 0.32:1 (2022-23), which indicated the comfortable position of the SPSEs for servicing their long-term debts as compared to previous years. During 2023-24, the DTR slightly deteriorated to 0.43:1 due to reduction in the SPSE-turnover from ₹ 86.41 crore (2022-23) to ₹ 64.85 crore (2023-24).

Further, the accumulated losses of the SPSEs had shown a mixed trend during 2019-20 to 2023-24 and had recorded a marginal increase of ₹ 2.04 crore (3.72 *per cent*) from ₹ 54.89 crore (2019-20) to ₹ 56.93 crore (2023-24).

3.1.8.2 Erosion of capital due to losses

As per the latest finalised accounts of SPSEs on 30 September 2024 ***(Appendix-3.1.1)***, the paid-up capital and accumulated losses of six SPSEs were ₹ 63.58 crore and ₹ 56.93 crore respectively.

During 2023-24, the overall Return on Equity[60] (RoE) of three[61] out of four SPSEs having positive 'Net worth' was (-) 8.26 *per cent*[62] due to the losses (₹ 0.98 crore) incurred by these SPSEs as per their latest finalised accounts (***Appendix-3.1.1***). The fourth SPSE[63] operated on 'no profit no loss basis' as its losses were recouped from Government Grants. The 'Net worth' of the remaining two SPSEs was negative due to complete erosion of their paid-up capital (₹ 25.97 crore) by the accumulated losses (₹ 31.23 crore) as detailed in the **Table-3.10**.

---

[59] Zoram Infrastructure and Industrial Development Corporation Limited (₹ 27.68 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 0.10 crore)

[60] Return on Equity = Net Profit after taxes *less* preference dividend ÷ Shareholders' Fund/ Equity; Where, Shareholders' Fund/ Equity represents 'Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

[61] Zoram Infrastructure and Industrial Development Corporation Limited, Zoram Electronics Development Corporation Limited and Mizoram Handloom and Handicrafts Development Corporation Limited.

[62] Overall loss (₹ 0.98 crore) ÷Overall Shareholders' Fund (₹ 11.86 crore) x 100

[63] Aizawl Smart City Limited

Table-3.10: SPSEs with complete erosion of paid-up capital

(₹ in crore)

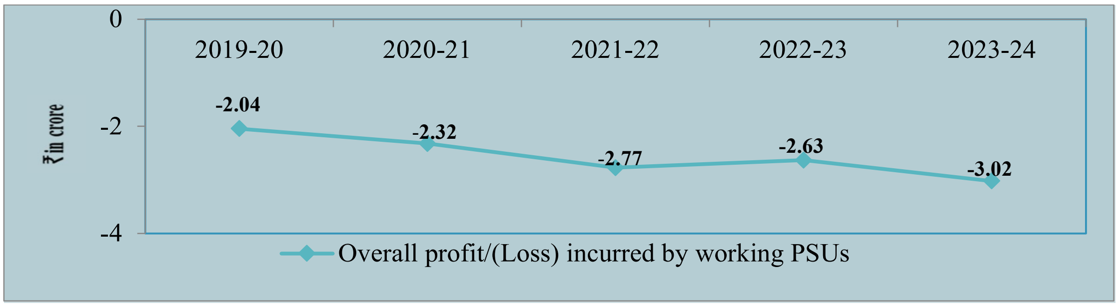
Sl. No.	Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated loss
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	5.97	8.54
2.	Mizoram Food and Allied Industries Corporation Limited	2019-20	20.00	22.69
Total			**25.97**	**31.23**

Source: Latest finalised accounts of SPSEs.

The consistent losses incurred by the above SPSEs have resulted in a significant depletion of public wealth, raising serious concerns. In light of this, it is imperative that the State Government re-evaluate the functioning of these SPSEs and take necessary measures to either enhance their financial viability or shut down their operations if deemed necessary.

Analysis of the operational results of the SPSEs in Mizoram revealed that the SPSEs had incurred overall losses during all the previous years from 2019-20 to 2023-24. A graphical presentation of the overall losses incurred by the working SPSEs during 2019-20 to 2023-24 as per their latest finalised accounts upto the year 2023-24 as on 30 September of the respective years have been depicted in **Chart-3.2:**

Chart-3.2: Overall losses (-) of SPSEs (all working)



It may be seen from **Chart-3.2** above that during the last five years, the SPSEs incurred overall losses ranging between ₹ 2.04 crore (2019-20) and ₹ 3.02 crore (2023-24). The SPSE-losses showed a deteriorating trend during four out of the last five years except during 2022-23 when the SPSE losses had decreased marginally from ₹ 2.77 crore (2021-22) to ₹ 2.63 crore (2022-23). The SPSE losses were highest during 2023-24 (₹ 3.02 crore) in the last five years. More than 82 *per cent* (₹ 2.49 crore) of SPSE-losses was contributed by three SPSEs as detailed in **Table-3.11**.

Table-3.11: Major Contributors to profits and losses of working SPSEs

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to SPSE-losses		
Mizoram Agricultural Marketing Corporation Limited	2011-12	(-) 1.63
Zoram Infrastructure and Industrial Development Corporation Limited	2022-23	(-) 0.45
Mizoram Food and Allied Industries Corporation Limited	2019-20	(-) 0.41
Total	-	**(-) 2.49**

The financial performance of SPSEs in Mizoram remains a matter of concern, with all entities reporting sustained losses and several showing signs of structural financial distress. As of 30 September 2024, two SPSEs had completely eroded their paid-up capital, and the overall Return on Equity for SPSEs with positive net worth was negative at (-) 8.26 *per cent*. Operating losses have persisted over five consecutive years, peaking at ₹ 3.02 crore in 2023-24, with over 82 *per cent* of the losses concentrated in just three SPSEs.

The continued accumulation of losses, outdated accounts in key loss-making entities, and reliance on Government grants point to systemic inefficiencies and poor financial oversight. These trends raise significant concerns about the long-term viability of SPSEs and the potential for further erosion of public funds unless urgent corrective measures, including restructuring or divestment, are undertaken.

3.1.8.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long-term profitability and efficiency of the total capital employed by an entity. Companies create value when they generate returns on the Capital Employed. ROCE is an important decision metric for long term lenders. ROCE is calculated by dividing a *Company's Earnings before Interest and Taxes (EBIT) by the Capital Employed*[64].

During 2023-24, the overall Capital Employed of six working SPSEs as per their latest finalised accounts as on 30 September 2024 stood at ₹ 34.43 crore. The ROCE of two SPSEs[65] was, however, 'not workable' due to complete erosion of their capital employed by the accumulated losses while the ROCE of other three SPSEs[66] was 'negative' due to the losses incurred by them during 2023-24. The remaining one SPSE (Aizawl Smart City Limited) had been operating on 'no profit no loss' basis as its losses were recouped from the Government Grants (***Appendix-3.1.1***).

3.1.9 Return on Investment on the basis of Present Value 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 their time value. To determine the RORR on Government Investment in the State SPSEs, the investment of State Government in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less the 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) of the SPSEs by the sum of the PV of Government investment.

The State Government's investment in SPSEs yielded negative returns in 2023–24, out of six directly funded SPSEs, five SPSEs incurring losses and one SPSE which

64 Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure
65 Mizoram Agricultural Marketing Corporation Limited & Mizoram Food and Allied Industries Corporation Limited
66 SPSEs at serial no. 3, 4 and 5 of ***Appendix-3.1.1***

operating on a no-profit-no-loss basis (***Appendix-3.1.1***). The Rate of Real Return (RORR), which factors in the time value of money, indicated an erosion of 1.02 *per cent* of the Present Value (PV) of Government investment. When measured on historical cost basis, the erosion was 2.24 *per cent* (***Appendix-3.1.2***). This persistent negative return reflected inefficient utilisation of public funds, with capital not generating commensurate economic or financial returns over time. The fact that the erosion persists even after adjusting for inflation underscores a systemic lack of profitability in State-owned enterprises. These trends raise concerns about the financial sustainability and strategic purpose of continued government investment in such entities and highlight the urgent need for a re-evaluation of their viability, performance monitoring mechanisms, and possible restructuring or divestment.

3.1.10 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2023 to September 2024, two SPSEs *viz*., Zoram Infrastructure and Industrial Development Corporation Limited (ZIDCO) and Mizoram Food and Allied Industries Corporation Limited (MIFCO) submitted three Accounts for previous years. All three[67] Accounts of these SPSEs were selected for supplementary audit and their audits were completed during 2023-24. The audit reports of statutory auditors appointed by the CAG and the supplementary audit of the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG during last three years from 2021-22 to 2023-24 are given in **Table-3.12**.

Table-3.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2021-22		2022-23		2023-24	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	3	10.65
2.	Increase in loss	1	21.34	4	2.66	3	2.51
3.	Non-disclosure of material facts	2	2.61	1	1.65	2	7.69
4.	Errors of classification	3	14.87	4	15.22	1	2.43

Source: As per latest finalised annual accounts of SPSEs.

During 2023-24, CAG issued comments on all three accounts of Zoram Infrastructure and Industrial Development Corporation Limited (2021-22 and 2022-23) and Mizoram Food and Allied Industries Corporation Limited (2019-20). The statutory auditors had given qualified certificates on all the three Accounts of two SPSEs.

Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of above two SPSEs audited during the year are as under:

[67] Zoram Infrastructure and Industrial Development Corporation Limited (2021-22 & 2022-23) and Mizoram Food and Allied Industries Corporation Limited (2019-20)

Zoram Infrastructure and Industrial Development Corporation Limited (2021-22)

- The Company invested the Grant (₹ 2.43 crore) received (2020-21 & 2021-22) from North Eastern Council (NEC) under Public Private Partnership (PPP) mode on the specified purpose (setting up of Mechanized Brick Industry), by signing an agreement with a private party. On completion of the work (April 2022), the Company wrongly accounted the above investment under 'Other Non-Current Assets–Security Deposit (Note-8)' instead of 'Non-Current Investment (Note-6)'. This resulted in overstatement of 'Other Non-Current Assets and understatement of 'Non-Current Investment' by ₹ 2.43 crore each.
- The Company did not depict the prior period interest income (₹ 0.10 crore) recovered during current year (2021-22) separately as 'prior period income' contrary to the requirement of Accounting Standard-5.

Zoram Infrastructure and Industrial Development Corporation Limited (2022-23)

- The Company established a Call Centre in Aizawl by forming a Joint venture with M/s Public Soft Corporation India (PSCI), New Delhi out of the Capital Grants of ₹ One crore received (2008) from Government of Mizoram and released the whole amount to M/s PSCI. The Call Centre was closed down (December 2009) after nine months of operation due to strike by the staff. The assets (mainly consisted of computers and furniture with depreciation rates of 63.16 *per cent* and 25.89 *per cent* respectively) procured for the venture could not be disposed of even after ten years from the date of procurement due to pending ACB/ CBI case. As such, the depreciated value of the said assets would have been negligible or zero as on 31 March 2023. Hence, the above investment in Call Centre (₹ One crore) should have been written-off from the Annual Accounts, which was not done.

This resulted in overstatement of Short-term Loans and Advances (Investment in Call Centre) and Other Reserves (Capital Grant for Call Centre) (Note-2) by ₹ One crore each.

Mizoram Food and Allied Industries Corporation Limited (2019-20)

- The Company paid ₹ 1.16 crore to M/s ESS DEE Enterprises (May-July 2019) as an advance for supply and installation of Plant and Machinery under an ongoing project namely, 'Modernisation of Abattoir' and accounted it as 'Advance for capital works' in the Balance Sheet. Since the supply of the plant and machinery has already been completed, the above advance should have been adjusted and accounted under 'Capital Work in Progress – Modernisation of Abattoir'. This has resulted in overstatement of the head 'Other non-current assets-Advance for capital works' and understatement of 'Capital Work in Progress' by ₹ 1.16 crore each.

- Note 5 (Capital work-in-progress) to the Annual Accounts of the Company included the mobilisation advance of ₹ 0.13 crore paid (November 2019) towards construction and renovation works to be carried out at Pork & Poultry Processing Plant, Zemabawk under the ongoing project (Modernisation of Abattoir). Since the above works were yet to be completed, the advances paid there against should have been accounted under 'Short term loans and Advances'. This resulted in overstatement of the head 'Capital Work-in-Progress – Modernisation of Abattoir' and understatement of 'Short term loans and Advances' by ₹ 0.13 crore each.