

**CHAPTER-V**  
**STATE PUBLIC SECTOR**  
**ENTERPRISES**



## CHAPTER – V

### STATE PUBLIC SECTOR ENTERPRISES

This chapter discusses the financial performance of Government Companies (GCs), Statutory Corporations (SCs) 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 company<sup>1</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 there under. Under the Companies Act, 2013, the CAG appoints 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 view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 30 SPSEs in Himachal Pradesh under the jurisdiction

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

of CAG. They included 26 Government Companies (including two<sup>2</sup> statutory Corporations) and four<sup>3</sup> Government Controlled Other Companies (GCOC).

Out of the aforementioned Government and Government Controlled Other Companies, there are three inactive<sup>4</sup> SPSEs (including one under liquidation) in the State. These inactive SPSEs have investment of ₹ 79.79 crore (Capital ₹ 19.64 crore - State Government: ₹17.75 crore and others: ₹1.89 crore; State Government loans: ₹ 60.15 crore). This is a critical area and the Government may like to take an early decision to liquidate the inactive SPSEs, as these investments do not contribute to the economic growth of the State.

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

**Table 5.1: Details of turnover of working SPSEs vis-a-vis GSDP**

(₹ in crore)

Particulars	2020-21	2021-22	2022-23
<b>Turnover</b>			
Power sector SPSEs	6,758.43	6,732.16	7,335.16
Services sector SPSEs	2,805.45	2,427.27	2,792.64
Other SPSEs	495.51	473.46	529.30
<b>Total</b>	<b>10,059.39</b>	<b>9,632.89</b>	<b>10,657.10</b>
GSDP of Himachal Pradesh	1,55,251	1,76,269	1,95,404
<b>Percentage of Turnover of working SPSEs to GSDP</b>			
Power sector SPSEs	4.35	3.82	3.75
Services sector SPSEs	1.81	1.38	1.43
Other SPSEs	0.32	0.27	0.27
<b>Total</b>	<b>6.48</b>	<b>5.47</b>	<b>5.45</b>

Source: Compilation based on turnover figures of SPSEs as per their latest finalised accounts and GSDP figures at current and constant prices as supplied by Government of Himachal Pradesh.

The contribution of SPSEs to GSDP of the State was on a declining trend from 2020-21 to 2022-23. It stood at 6.48 per cent in 2020-21, 5.47 per cent in 2021-22 and was marginally lower at 5.45 per cent in 2022-23. The contribution of Power sector SPSEs to GSDP was 3.75 per cent while Services Sector SPSEs contributed 1.43 per cent in the year 2022-23.

Though the contribution of all other sector SPSEs to GSDP was low (from 0.27 per cent to 0.32 per cent), they were having staff of 1,794 employees (permanent/ deputation/ contract basis). As on 31 March 2023, State Government

<sup>2</sup> Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

<sup>3</sup> Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Worsteds Mills Limited (under liquidation).

<sup>4</sup> Inactive SPSEs are those which have ceased to carry out their operations. – Agro Industrial Packaging India Limited and Himachal Pradesh Beverages Limited are the two inactive SPSEs and Himachal Pradesh Worsteds Mills Limited (a GCOC) is under liquidation.

investment in these other sectors SPSE was ₹ 350.83 crore (equity: ₹ 276.21 crore and long term loans: ₹ 74.62 crore). In addition, ₹ 118.74 crore of grants and subsidies were provided to three<sup>5</sup> of these SPSEs by Government of Himachal Pradesh 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 the loans given by the State Government in 27 working SPSEs as on 31 March 2023 is given below in **Table 5.2**.

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

Name of Sector	Investment <sup>6</sup> (₹ in crore)					Percentage of Total Equity and Long term loans to Total
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power Sector SPSEs	4,073.35	2,346.72	12,524.64	7,648.65	16,597.99	90
Services Sector SPSEs	1,275.20	1,259.00	161.29	0.00	1,436.49	8
Other SPSEs	292.56	276.21	159.53	74.62	452.09	2
<b>Total</b>	<b>5,641.11</b>	<b>3,881.93</b>	<b>12,845.46</b>	<b>7,723.27</b>	<b>18,486.57</b>	<b>100</b>

Source: Information provided by the SPSEs.

The thrust of SPSEs investment was mainly on power sector. It received as much as 90 per cent (₹ 16,597.99 crore) of total investment of ₹ 18,486.57 crore as on 31 March 2023. The State Government share was 62.78 per cent (₹ 11,605.20 crore) of total investment of ₹ 18,486.57 crore (**Appendix 5.1**).

### 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 (Himachal Pradesh General Industries Corporation Limited) was listed<sup>7</sup> on the Bombay Stock Exchange (BSE). This SPSE has a total equity investment of ₹ 7.16 crore.

The Himachal Pradesh State Electricity Board Limited is the other listed Government Company whose debts are listed on the BSE.

### 5.4.3 Disinvestment, Restructuring and Privatisation

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

<sup>5</sup> Dharamshala Smart City Limited: ₹ 5.00 crore, Himachal Pradesh Road & Other Infrastructure Development Corporation Limited: ₹ 110.00 crore and Shimla Smart City Limited: ₹ 3.74 crore

<sup>6</sup> Investment includes equity and long-term loans.

<sup>7</sup> The shares of the Company have now been delisted. The Bombay Stock Exchange informed (1 February 2022) the Company that its name has been removed from the Dissemination Board. Accordingly, Govt of Himachal Pradesh notified (13 April 2023) that the delisted shares have been issued in the name of the Principal Secretary (Industries). – Source: Audited annual accounts of the Company for the year 2022-23.

## 5.5 Returns from SPSEs

### 5.5.1 Profit earned by SPSEs

Of the 27 working SPSEs, the number of SPSEs that earned profit, as per their latest finalised financial statements, stood at 13 in 2022-23 as compared to 10 SPSEs in 2021-22. However, the profit earned decreased marginally to ₹ 20.21 crore in 2022-23 from ₹ 21.47 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 to profit**

Name of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs
Himachal Pradesh State Industrial Development Corporation Limited	7.68	38.00
Himachal Pradesh General Industries Corporation Limited	3.44	17.02
Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2.89	14.30
<b>Total</b>	<b>14.01</b>	<b>69.32</b>

Source: Latest financial statements of SPSEs.

Net profit ratio<sup>8</sup> of SPSEs is depicted in **Table 5.4** below:

**Table 5.4: Net Profit ratio of SPSEs<sup>9</sup>**

Sector	Net Profit	Turnover	Net Profit ratio (in per cent)
Power sector SPSEs	(-) 461.52	7,335.16	-
Services sector SPSEs	(-) 132.30	2,792.64	-
Other SPSEs	18.53	1,073.27	1.73
<b>Total</b>	<b>-575.29</b>	<b>11,201.07</b>	

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 public sector enterprises. The State Government adopted the recommendation and directed (July 2011) all its SPSEs (except those in welfare and utility sector) to ensure a minimum return of five *per cent* on the funds invested by the State Government subject to a ceiling of 50 *per cent* of profit after tax. The dividend paid in the last three years by SPSEs is shown in **Table 5.5**.

<sup>8</sup> Net Profit/Turnover\*100

<sup>9</sup> Including turnover and net profit of the three inactive SPSEs

**Table 5.5: Dividend Payout by SPSEs***(₹ in crore)*

Year	Particulars	Number of SPSEs which declared dividend	Paid up Capital	Net Profit	Dividend declared
2020-21	Power Sector SPSEs	-	-	-	-
	Service Sector SPSEs	1	3.51	1.18	0.35
	Other SPSEs	2	37.98	14.75	1.90
	<b>Total</b>	<b>3</b>	<b>41.49</b>	<b>15.93</b>	<b>2.25</b>
2021-22	Power Sector SPSEs	-	-	-	-
	Service Sector SPSEs	1	3.51	1.18	0.35
	Other SPSEs	1	7.16	3.36	0.36
	<b>Total</b>	<b>2</b>	<b>10.67</b>	<b>4.54</b>	<b>0.71</b>
2022-23	Power Sector SPSEs	-	-	-	-
	Service Sector SPSEs	-	-	-	-
	Other SPSEs	1	7.16	3.44	0.36
	<b>Total</b>	<b>1</b>	<b>7.16</b>	<b>3.44</b>	<b>0.36</b>

Source: Latest financial statements of SPSEs.

During 2022-23, out of 13 SPSEs which earned profit, as per their latest finalised accounts, only one SPSE (Himachal Pradesh General Industries Corporation Limited) declared dividend, four SPSEs<sup>10</sup> were not required to declare dividend (being in welfare and utility sector) while eight SPSEs<sup>11</sup> which earned aggregate profit of ₹14.88 crore had not declared/ paid 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 will be 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**.

<sup>10</sup> (i) Himachal Backward Classes, Finance and Development Corporation, (ii) Himachal Pradesh Mahila Vikas Nigam (iii) Himachal Pradesh Kaushal Vikas Nigam and (iv) Himachal Consultancy Organisation Limited.

<sup>11</sup> (i) Himachal Pradesh State Civil Supply Corporation Limited, (ii) Himachal Pradesh State Industrial Development Corporation Limited, (iii) Himachal Pradesh State Forest Development Corporation Limited, (iv) Himachal Pradesh Handicrafts and Handlooms Corporation Limited (v) Himachal Pradesh State Electronics Corporation Limited, (vi) Himachal Pradesh Agro Industries Corporation Limited, (vii) Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited and (viii) Himachal Pradesh Road & Other Infrastructure Development Corporation Limited.

**Table 5.6: Interest coverage ratio of SPSEs**

Year	Particulars	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans	Number of companies having interest coverage ratio more than one	Number of companies having interest coverage ratio less than one
2020-21	Power sector SPSEs	617.06	270.45	3	0	3
	Services sector SPSEs	16.44	-118.88	2	1	1
	Other SPSEs	13.14	13.08	6	3	3
	<b>Total</b>	<b>646.64</b>	<b>164.65</b>	<b>11</b>	<b>4</b>	<b>7</b>
2021-22	Power sector SPSEs	717.54	271.92	3	0	3
	Services sector SPSEs	9.70	-29.62	2	0	2
	Other SPSEs	12.58	28.98	6	2	4
	<b>Total</b>	<b>739.82</b>	<b>271.28</b>	<b>11</b>	<b>2</b>	<b>9</b>
2022-23	Power sector SPSEs	792.22	330.70	3	0	3 <sup>12</sup>
	Services sector SPSEs	6.33	-124.89	4	2	2 <sup>13</sup>
	Other SPSEs	12.31	26.76	7	5	2 <sup>14</sup>
	<b>Total</b>	<b>810.86</b>	<b>232.57</b>	<b>14</b>	<b>7</b>	<b>7</b>

Source: Latest financial statement of SPSEs.

### 5.6.2 Age-wise analysis of interest outstanding on State Government Loans on power sector companies

Interest liability of ₹ 3,268.81 crore<sup>15</sup> had accrued on the long-term loans provided by the State Government in respect of three power sector SPSEs (except Beas Valley Power Corporation Limited which is a subsidiary of Himachal Pradesh Power Corporation Limited) as per latest finalised accounts as on 30 September 2023. The age-wise analysis of interest accrued on State Government loans is given in **Table 5.7**.

**Table 5.7: Outstanding interest on State Government loans**

(₹ in crore)				
Sr. No.	Name of SPSEs	Outstanding interest on State Government Loans	Interest on State Government loans outstanding for less than one year	Interest on State Government loans outstanding for more than one year
1	HPSEBL	430.56	227.78	202.78
2	HPPCL	2,203.26	242.96	1,960.30
3	HPPTCL	634.99	22.79	612.20
<b>Total</b>		<b>3,268.81</b>	<b>493.53</b>	<b>2,775.28</b>

Source: Information as per latest finalised accounts of Power Sector SPSEs and provided by the SPSEs.

<sup>12</sup> (i) Himachal Pradesh State Electricity Board Limited; (ii) Himachal Pradesh Power Corporation Limited; and (iii) Himachal Pradesh Power Transmission Corporation Limited

<sup>13</sup> (i) Himachal Pradesh Tourism Development Corporation; and (ii) Himachal Road Transport Corporation

<sup>14</sup> (i) Himachal Pradesh Minorities Finance & Development Corporation; and (ii) Himachal Pradesh Financial Corporation

<sup>15</sup> As per information collected from SPSEs. Interest liability on SPSEs functioning in other sectors was insignificant in comparison to Power sector companies, hence they were not analysed.



## 5.7 Financial Performance of State Public Sector Enterprises

### 5.7.1 Return on Capital Employed of SPSEs

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>16</sup>. The details of RoCE during the period from 2020-21 to 2022-23 is given in **Table 5.8**.

**Table 5.8: Return on Capital Employed**

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Power Sector SPSEs	270.45	11,791.00	2.29
	Service Sector SPSEs	-104.61	-543.76	0
	Other SPSEs	13.03	203.26	6.40
	<b>Total</b>	<b>178.87</b>	<b>11,450.50</b>	<b>1.56</b>
2021-22	Power Sector SPSEs	271.92	12,941.45	2.10
	Service Sector SPSEs	-15.35	-561.40	0
	Other SPSEs	28.93	218.15	13.26
	<b>Total</b>	<b>285.50</b>	<b>12,598.20</b>	<b>2.27</b>
2022-23	Power Sector SPSEs	330.70	11,057.96	2.99
	Service Sector SPSEs	-110.62	-574.42	0
	Other SPSEs	26.71	224.80	11.88
	<b>Total</b>	<b>246.79</b>	<b>10,708.34</b>	<b>2.30</b>

Source: Latest financial statement of SPSEs.

It was observed that RoCE was positive during 2020-21 to 2022-23. The overall RoCE increased in 2022-23 as compared to 2021-22 due to decrease in capital employed in power sector. The losses incurred by Himachal Road Transport Corporation contributed significantly to the overall Service sector EBIT remaining negative.

### 5.7.2 Return on Equity by State Public Sector Enterprises

Return on Equity<sup>17</sup> (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profit. 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.

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

The Return on Equity of the profit earning 13 working SPSEs stood at 14.32 *per cent* in 2022-23. As the net income of all the 27 working SPSEs during the period 2022-23 was negative, the RoE could not be calculated.

<sup>16</sup> Capital employed = Paid up share capital + Free reserves and surplus + Long term loans – Accumulated losses - Deferred revenue expenditure.

<sup>17</sup> Return on equity=(Net profit after tax/share holder's equity)X100 where share holder's equity = paid up capital + free reserves – accumulated losses – deferred revenue expenditure.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.9**.

**Table 5.9: Return on Equity relating to SPSEs**

Year	Particulars	Net income (₹ in crore)	Shareholders' Fund (₹ in crore)	RoE (Per cent)
2020-21	Power Sector SPSEs	(-)346.61	1,466.71	-
	Service Sector SPSEs	(-)137.24	(-)629.97	-
	Other SPSEs	(-)6.52	(-)17.16	-
	<b>Total</b>	<b>(-)490.37</b>	<b>819.58</b>	
2021-22	Power Sector SPSEs	(-)445.62	1486.20	-
	Service Sector SPSEs	(-)40.42	(-)611.43	-
	Other SPSEs	9.01	0.02	-
	<b>Total</b>	<b>(-)477.03</b>	<b>874.79</b>	
2022-23	Power Sector SPSEs	(-)461.52	1124.34	-
	Service Sector SPSEs	(-)132.30	(-)602.92	-
	Other SPSEs	9.09	7.22	125.95
	<b>Total</b>	<b>(-)584.73</b>	<b>528.63</b>	

Source: Latest financial statement of SPSEs.

During the period 2020-21 to 2022-23, the overall RoE could not be calculated as the net income of all SPSEs remained negative.

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

In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2023, the past investments / year-wise funds infused by the GoHP 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 concerned year. 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 following assumptions:

- Interest-free loans have been considered as investment infusion by the State Government. 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 year<sup>18</sup> was adopted as compounded rate for arriving at the PV since these represent the cost incurred by the Government towards investment of funds for the year and therefore is considered as the minimum expected rate of return on investments made by the Government.

<sup>18</sup> Calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.

- Disinvestment has been deducted while calculating total investment at the end of the year.

SPSE wise position of State Government investment in 26 SPSEs (other than GCOCs) in the form of equity and interest-free loan on historical cost basis during the period 1999-2000 to 2022-23 have been given in **Appendix 5.3**. The consolidated position of PV of the State Government investment and total earnings relating to 26 SPSEs for the same period is indicated below in **Table 5.10**.

**Table 5.10: Year-wise details of investment by the State Government and present value (PV) of Government funds from 1999-2000 to 2022-23**

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/subsidies given by State Government for operational and administrative expenditure	Disinvestment by the State Government during the year at face value	Total investment during the year	Total investment at the end of the year	Weighted 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	Return on Investment
A	B	C	D	E	F	G	H	I	J	K	L	M	N
							H=C+D+E+F+G	I=B+H		K=I*(1+J/100)	L=K-I		N=M/K*100
Upto 1999-2000	0.00	300.04	0.49	0.00	0.00	0.00	300.53	300.53	8.83	327.07	26.54	0.00	-
2000-01	327.07	32.48	1.51	0.00	0.00	0.00	33.99	361.06	10.15	397.70	36.65	-49.50	-
2001-02	397.70	13.01	0.00	0.00	0.00	0.00	13.01	410.71	11.06	456.14	45.42	-36.70	-
2002-03	456.14	12.43	0.00	0.00	0.00	0.00	12.43	468.57	10.37	517.16	48.59	-29.19	-
2003-04	517.16	28.60	0.00	0.00	0.00	0.00	28.60	545.76	10.98	605.68	59.92	-31.10	-
2004-05	605.68	16.06	0.00	0.00	0.00	0.00	16.06	621.74	10.60	687.65	65.90	-43.44	-
2005-06	687.65	13.59	0.15	0.00	0.00	0.00	13.74	701.39	9.20	765.92	64.53	-30.72	-
2006-07	765.92	14.30	0.00	0.00	0.00	0.00	14.30	780.22	9.40	853.56	73.34	-62.08	-
2007-08	853.56	118.42	2.25	0.00	0.00	0.00	120.67	974.23	9.09	1,062.78	88.56	-46.66	-
2008-09	1,062.78	306.29	-0.10	0.00	0.00	0.00	306.19	1,368.97	9.19	1,494.78	125.81	-33.88	-
2009-10	1,494.78	405.28	0.00	0.00	0.00	0.00	405.28	1,900.06	8.59	2,063.27	163.22	-55.92	-
2010-11	2,063.27	506.89	0.00	0.00	0.00	0.00	566.89	2,630.16	7.78	2,834.78	204.63	-190.77	-
2011-12	2,834.78	124.99	9.50	0.00	0.00	645.85	-511.36	2,323.42	7.80	2,504.65	181.23	-224.68	-
2012-13	2,504.65	303.72	5.00	0.00	0.00	0.00	308.72	2,813.37	8.08	3,040.69	227.32	-404.40	-
2013-14	3,040.69	287.24	2.54	0.00	0.00	0.00	289.78	3,330.47	7.71	3,587.25	256.78	-625.17	-
2014-15	3,587.25	339.21	14.54	0.00	0.00	550.00	-196.25	3,391.00	7.91	3,643.53	268.23	-455.69	-
2015-16	3,643.53	217.30	3.55	0.00	0.00	0.00	220.85	3,864.38	8.37	4,187.83	323.45	-332.71	-
2016-17	4,187.83	250.82	6.52	0.00	0.00	0.00	257.34	4,445.17	8.13	4,806.56	361.39	-105.47	-
2017-18	4,806.56	233.67	8.00	0.00	0.00	0.00	241.67	5,048.23	8.41	5,472.79	424.56	-123.81	-
2018-19	5,472.79	313.90	10.00	0.00	0.00	0.00	323.90	5,796.69	8.32	6,296.58	482.28	-183.99	-
2019-20	6,296.58	335.91	0.00	0.00	114.89	0.00	450.80	6,747.38	7.98	7,285.82	538.44	-270.79	-
2020-21	7,285.82	263.25	0.90	0.00	236.84	0.00	500.99	7,786.81	7.59	8,377.83	591.02	-480.93	-
2021-22	8,377.83	272.12	0.00	0.00	153.33	0.00	425.45	8,803.28	7.33	9,448.56	645.28	-467.18	-
2022-23	9,448.56	305.35	-2.83	0.00	110.12	0.00	412.64	9,861.20	6.74	10,525.85	664.64	-575.29	-
		<b>5,074.87</b>	<b>62.02</b>	<b>0.00</b>	<b>615.18</b>	<b>1,195.85</b>	<b>4,556.22</b>						

Source: Statistical information received from SPSEs in respect of Column nos. C, D, E, F and G.

The balance of the investment by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹9,861.20 crore in 2022-23 from ₹ 300.53 crore at the end of 1999-2000. The State Government made further investment in the shape of equity (₹ 5,074.87 crore) and grants/subsidies for operational and management expenses (₹ 615.18 crore) during the period 2000-01 to 2022-23. The PV of funds infused by the State Government up to 31<sup>st</sup> March 2023 amounted to ₹ 10,525.85 crore. During the years 2000-01 to 2022-23, total earnings always remained below the minimum expected return to recover the cost of funds infused in these SPSEs.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

There were eight working SPSEs that incurred losses as per their latest finalised accounts. The losses incurred by SPSEs increased to ₹ 604.94 crore as per their latest finalised accounts from ₹ 518.60 crore in 2021-22. Major loss incurring SPSEs were Himachal Pradesh Power Corporation Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh State Electricity Board Limited and Himachal Road Transport Corporation. The position of loss incurring SPSEs during 2022-23 is given below in **Table 5.11**.

**Table 5.11: 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	Net worth
2020-21	Power Sector SPSEs	3	346.61	2,036.28	1,166.71
	Service sector SPSEs	1	146.43	1,533.70	(-)674.83
	Other SPSEs	6	25.56	383.72	(-)224.36
	<b>Total</b>	<b>10</b>	<b>518.60</b>	<b>3,953.70</b>	<b>267.52</b>
2021-22	Power Sector SPSEs	3	445.62	2,296.57	1,186.20
	Service sector SPSEs	3	42.69	1,598.47	(-)662.52
	Other SPSEs	6	10.24	356.73	(-)169.56
	<b>Total</b>	<b>12</b>	<b>498.55</b>	<b>4,251.77</b>	<b>354.12</b>
2022-23	Power Sector SPSEs	3	461.52	2,757.59	824.34
	Service sector SPSEs	3	135.97	1,734.42	(-)658.00
	Other SPSEs	2	7.45	186.69	(-)75.78
	<b>Total</b>	<b>8</b>	<b>604.94</b>	<b>4,678.70</b>	<b>90.56</b>

Source: Latest financial statement of SPSEs

### 5.8.2 Erosion of net worth of SPSEs

As on 31 March 2023, there were 14 SPSEs with accumulated losses of ₹ 4,985.18 crore (**Appendix 5.4**). Of these, 10 SPSEs incurred losses amounting to ₹ 604.99 crore as per latest finalised accounts as of 30 September 2023.

The net worth of nine SPSEs, out of these 14 SPSEs, had been completely eroded by their accumulated losses and their net worth was negative. The net worth of these nine SPSEs was (-) ₹ 1,932.38 crore against equity investment of ₹ 2,085.59 crore as on 31 March 2023. Out of these nine SPSEs whose capital had eroded, three had earned profit of ₹ 4.88 crore as per their latest financial statements finalised during 2022-23. Out of nine, three SPSEs (including one inactive) had outstanding Government loans of ₹ 3,132.34 crore as on 31 March 2023 as detailed in **Table 5.12**.

**Table 5.12: Details of SPSEs whose net worth has eroded as per their latest finalised accounts***(₹ in crore)*

Sl. No	Name of the Company	Latest year of Account finalised	Total Paid-up Capital	Net Profit/Loss after interest, tax & dividend	Accumulated Losses (-)	Net Worth	Period since when Net worth has remained negative	State Government equity as on 31 March 2023	State Government loans as on 31 March 2023
1	2	3	4	5	6	7	8	9	10
1.	Himachal Pradesh State Electricity Board Limited	2021-22	832.23	-103.69	-1,809.61	-977.38	2010-11	882.23	3,012.10
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2021-22	38.77	2.89	-83.87	-45.1	1983-84	31.2	60.09
3.	Himachal Pradesh State Forest Development Corporation Limited	2018-19	11.71	0.98	-113.04	-101.33	2002-03	11.71	0
4.	Himachal Pradesh Financial Corporation	2021-22	99.57	-7.16	-180.97	-81.40	1996-97	106.59	0
5.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2020-21	9.25	1.01	-12.42	-3.17	1989-90	9.22	0
6.	Himachal Pradesh Tourism Development Corporation Limited	2017-18	12.3	-2.76	-27.27	-14.97	NA	14.3	0
7.	Himachal Road Transport Corporation	2021-22	1,063.12	-133.18	-1,707.12	-644.00	1999-2000	1,227.68	0
8.	Agro Industrial Packaging India Limited	2013-14	17.72	-0.04	-78.23	-60.51	Inactive	16.75	60.15
9.	Himachal Worsteds Mills Limited	2000-01	0.92	-0.01	-5.44	-4.52	Under liquidation	0	0
<b>Grand Total</b>			<b>2,085.59</b>	<b>-241.96</b>	<b>-4,017.97</b>	<b>-1,932.38</b>		<b>2,299.68</b>	<b>3,132.34</b>

\* Figures in the Column 9 and 10 are unaudited figures.

## 5.9 Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. 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 Submission of accounts by State SPSEs

#### 5.10.1 Need for timely submission

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

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. 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 Statement for the financial year has to be placed in the said AGM for 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.

### **5.10.2 Timeliness in preparation of accounts by SPSEs**

As of 31 March 2023, there were 27 SPSEs<sup>19</sup> under the purview of CAG's audit. No SPSEs submitted their accounts for the financial year 2022-23 for audit by CAG by 30 September 2023. Seventy three accounts of 27 SPSEs were in arrears as detailed in **Appendix 5.5**. They included 22 accounts of six SPSEs<sup>20</sup> whose net worth had been eroded. Details of arrears in submission of accounts of SPSEs are given in **Table 5.13**:

**Table 5.13: Details of arrears in submission of accounts**

Particulars	SPSEs	Number of accounts
Total number of working Companies under the purview of CAG's audit as on 31 March 2023	27	
Number of Companies from which accounts for 2022-23 were due	27	27
Number of Companies which presented the accounts for the year 2022-23 for CAG audit by 30 <sup>th</sup> September 2023	0	0
<b>Number of accounts in arrears</b>	<b>27</b>	<b>73</b>
Breakup of arrears	(i) Under liquidation	1
	(ii) Inactive	2
	(iii) Others	25
Age-wise analysis of arrears against Others' category	One year (2022-23)	11
	Two years (2021-22 and 2022-23)	4
	Three years and more	10

Source: Compiled on the basis of annual accounts received in the office of the PAG (Audit) Himachal Pradesh.

The names of companies and number of accounts in arrear as of 30 September 2023 are indicated in **Appendix 5.5**.

### **5.10.3 Timeliness in preparation of accounts by Statutory Corporation**

Audit of two<sup>21</sup> Statutory Corporations is conducted by the CAG and out of these, for one<sup>22</sup> Statutory Corporation, CAG is the sole Auditor. Neither of the two Statutory Corporation's presented their accounts for the year 2022-23 for audit before 30 September 2023. As on 30 September 2023, two accounts of the two Statutory Corporations were pending.

<sup>19</sup> Excluding two Statutory Corporations discussed in paragraph 5.10.3 and one company under liquidation.

<sup>20</sup> 1. Himachal Pradesh State Electricity Board Limited (1 year); 2. Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited (1 year); 3. Himachal Pradesh State Forest Development Corporation Limited (4 years); 4. Himachal Pradesh State Handicrafts and Handloom Corporation Limited (2 years); 5. Himachal Pradesh Tourism Development Corporation Limited (5 years); and 6. Agro Industrial Packaging India Limited (9 years).

<sup>21</sup> Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

<sup>22</sup> Himachal Road Transport Corporation.

## **5.11 CAG's oversight - Audit of Accounts and supplementary audit**

### **5.11.1 Financial Reporting Framework**

Companies are required to prepare the financial statements in the format laid down in Schedule III of the Companies Act 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 Authority. 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 provisions relating to accounts in Act governing such specifications.

### **5.11.2 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 State 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
- to supplement or comment upon the Statutory Auditor's report under Section 143 (6) of the Companies Act, 2013.

### **5.11.3 Supplementary Audit of accounts of Government Companies**

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of 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 independent audit in accordance with the Standard Auditing Practices of the Institute of Chartered Accountants of India (ICAI) and sub 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 Annual General Meeting.

## **5.12 Result of CAG's Oversight Role**

### **5.12.1 Audit of accounts of SPSEs**

Twenty two financial statements for the year 2021-22 and the previous years were received from 17 companies from 1 October 2022 to 30 September 2023.

Twenty one financial statements of 16 companies were reviewed in audit by the CAG (**Appendix 5.6**) and Non-Review Certificate was issued to one account of one SPSE (Himachal Pradesh General Industries Corporation Limited for the year 2021-22). The important results of the review are detailed below:

**Table 5.14: Significant comment issued on financial statements**

Sr. No.	Name of the SPSE	Comments
<b>Comments on Profitability</b>		
1.	Himachal Pradesh State Electronics Development Corporation Limited (2021-22)	Employee Benefits expenses were understated by ₹ 161.28 lakh (estimated expenditure of pay revision arrear for the period January 2016 to March 2022) resulting in overstatement of profit by ₹ 161.28 lakh.
2.	Himachal Pradesh State Electricity Board Limited (2021-22)	Current liability was understated by ₹ 90.75 crore on account of non-provision for arrear of 6th pay commission revision for the period 1 January 2022 to 31 March 2022. This resulted into understatement of Employee benefit expenses and 'Loss for the year' as well as 'Current Liabilities-Provisions' by ₹ 90.75 crore.
<b>Comments on Financial Position</b>		
3.	Himachal Pradesh State Electricity Board Limited (2021-22)	<p>There was overstatement of "Current Liabilities-Provisions" and understatement of "Other Current Liabilities" by ₹ 24.59 crore as they were definite liabilities and not the estimated amounts which was a non-observance of the guidance of Para 10 of IND AS-37.</p> <p>As per State Hydro Policy 2006, 1.5 per cent of the final cost of project above 5 MW has to be contributed to a Local Area Development Fund (LADF). Total expenditure of UHL Stage-III Hydro Electric Project of Beas Valley Power Corporation Limited was ₹ 2276.50 crore (as on 31 March 2022) and accordingly proportional contribution towards LADF should have been at ₹ 34.15 crore. However, BVPCL had expended ₹ 16.69 crore and kept a provision of ₹ 15.93 crore towards LADF as on 31 March 2022 resulting in understatement of Current Liabilities and Capital Work in Progress by ₹ 1.53 crore.</p> <p>Property Plant and equipment did not include ₹ 12.05 crore being the value of self executed works by various consumers in Electrical Division (ED) of Nahan, Paonta Sahib, Rajgarh, Kangra, Nagrota Bagwan, Karsog and Hamirpur, which become property of the company at the time of release of connections to that particular consumer. There was, thus, understatement of Property Plant and equipment as well as Other Non-Current Liability –Consumer contribution towards cost of capital by ₹ 12.05 crore.</p>

Sources: Comments finalised and issued by CAG.

### **5.12.2 Amendment of financial statements**

During 2022-23, there was no case of Government Companies or Government Controlled Other Companies revising their financial statements on the basis of comments of CAG.

### **5.12.3 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.

### **5.13 Conclusion**

As on 31 March 2023, there were 30 SPSEs including two Statutory Corporations under the purview of CAG audit. Of these 30 SPSEs, three were inactive.



Twenty-two financial statements for the year 2021-22 and the previous years were received from 17 companies. Twenty one financial statements of 16 companies were reviewed in audit by the CAG.

Thirteen SPSEs earned net profit of ₹ 20.21 crore as per their financial statements. This was in comparison to 10 SPSEs reporting profit of ₹ 21.47 crore in 2021-22. Out of 13 SPSEs which earned profit, only one SPSE declared dividend. Four SPSEs did not earn enough profit to declare dividend and the remaining eight SPSEs which earned aggregate profit of ₹ 14.88 crore had not declared/paid dividend.

SPSEs did not adhere to the prescribed timeline for submission of their financial statements. Seventy three accounts of 27 SPSEs were in arrears.

#### 5.14 Recommendations

*The State Government may:*


- 1. Impress upon the managements of SPSEs to expedite finalisation of their financial statements which are in arrears and ensure their timely submission so that they remain within the oversight of the State Legislature; and*
- 2. Analyse the reasons for losses in those SPSEs whose net worth had been eroded and initiate steps to make their operations efficient and profitable.*

Shimla  
Dated: 29 October 2024

  
(SUSHIL THAKUR)  
Principal Accountant General (Audit)  
Himachal Pradesh

*Countersigned*

New Delhi:  
Dated: 06 November 2024

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

