

OVERVIEW

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The Report of the Comptroller and Auditor General of India on State Public Sector Enterprises for the year ended 31 March 2024 - Government of Assam, is brought out in three Chapters.

CHAPTER-I includes ‘General Purpose Financial Report on State Public Sector Enterprises (SPSEs)’ containing four Sections.

CHAPTER-II includes Performance Audit relating to ‘Working of Assam Seeds Corporation Limited’.

CHAPTER-III includes five Compliance Audit Paragraphs on SPSEs emerging from the compliance audit of SPSEs.

The major findings included in the Audit Report are as follows:

Chapter I: General Purpose Financial Report on State Public Sector Enterprises

Section 1: Financial performance of State Public Sector Enterprises

As on 31 March 2024, there were 47 SPSEs and one State Electricity Regulatory Commission under the audit jurisdiction of CAG in Assam. These SPSEs include 44 Government Companies (including eight non-working) and three Statutory Corporations (all working). As per the latest finalised accounts of working SPSEs as on 30 September 2024, the turnover of 39 working SPSEs stood at ₹ 12,030.60 crore. The turnover of working SPSEs during last three years had registered an overall increase of 59.21 *per cent* compared to the growth of 38.84 *per cent* in GSDP during the corresponding period. Higher pace of growth in SPSE-turnover than GSDP during 2021-2024, led to increase in contribution of SPSE-turnover to GSDP from 1.84 *per cent* (2021-22) to 2.11 *per cent* (2023-24). Further, the turnover of Statutory Corporations increased from ₹ 111.04 crore in 2021-22 to ₹ 126.11 crore in 2023-24).

The major contributors to working Companies turnover during 2023-24 were three power sector Companies *viz.*, Assam Power Distribution Company Limited (₹ 9,267.01 crore), Assam Power Generation Corporation Limited (₹ 675.57 crore) and Assam Electricity Grid Corporation Limited (₹ 621.54 crore). Further, Assam Gas Company Limited (₹ 655.66 crore) and Assam Seeds Corporation Limited (₹ 138.26 crore) contributed substantially to the overall turnover. Among Statutory Corporations, Assam State Transport Corporation, having turnover of ₹ 104.16 crore, was the highest contributor towards SPSE-turnover during 2023-24.

(Paragraphs 1.1.4 and 1.1.5)

As on 31 March 2024, the total investment in 47 SPSEs was ₹ 17,196.56 crore (86.78 *per cent* in equity and 13.22 *per cent* in long-term loans). Out of total investment of ₹ 17,196.56 crore, the investment by Government of Assam (GoA) was ₹ 14,218.33 crore (82.68 *per cent*), which consisted of ₹ 14,087.68 crore towards equity and ₹ 130.65 crore towards long-term loans. During 2021-22 to 2023-24, the total investment of GoA in SPSEs increased by 51.29 *per cent* (₹ 4,820.14 crore) from ₹ 9,398.19 crore (2021-22) to ₹ 14,218.33 crore (2023-24).

(Paragraph 1.1.6)

During 2023-24, GoA provided budgetary support of ₹ 1,671.36 crore to 14 SPSEs (including two Statutory Corporations) in the form of long-term loans (₹ 61.61 crore) and grants/subsidy (₹ 1,609.75 crore). Major recipients of budgetary assistance during 2023-24 were three power sector SPSEs, which received 85.64 *per cent* (₹ 1,431.27 crore) of total budgetary allocation to SPSEs during 2023-24.

(Paragraph 1.1.8)

The working Companies earned overall profit of ₹ 612.11 crore during 2023-24 compared to ₹ 507.14 crore in 2022-23. The increase was mainly attributable to rise of ₹ 153.36 crore in the profit of Assam Electricity Grid Corporation Limited, primarily driven by increase of ₹ 177.48 crore in transmission charges. In case of Statutory Corporations, their overall losses declined by ₹ 24.89 crore from ₹ 110.37 crore (2022-23) to ₹ 85.48 crore (2023-24) mainly due to improved operational performance of Assam State Transport Corporation, which reported reduced loss of ₹ 82.79 crore during 2023-24 compared to ₹ 106.53 crore (2022-23).

During 2021-24, the number of profit-making working Companies having direct equity infusion by GoA ranged between 18 and 22, of which only one company *viz.*, Assam Gas Company Limited paid dividend aggregating ₹ 25.14 crore during 2021-2024 to GoA. Further, eight out of nine profit earning working Companies having no accumulated losses did not declare any dividend during 2023-24.

(Paragraphs 1.1.9.1 and 1.1.9.2)

The long-term loans (GoA and Others) of all the SPSEs registered an increase of ₹ 297.91 crore during 2023-24 (₹ 2,488.62 crore) as compared to 2022-23 (₹ 2,190.71 crore). Major borrowings as on 31 March 2024 pertained to Assam Petro-Chemicals Limited with a total outstanding of ₹ 1,149.71 crore (46.20 *per cent*) and two power sector Companies, which had total outstanding loans of ₹ 697.11 crore (28.01 *per cent*).

(Paragraph 1.1.10)

Of 28 SPSEs, the long-term loans of 17 working Companies, three Statutory Corporations and five non-working Companies were adequately covered by their assets, which is a positive sign of their solvency. However, in case of two working Companies (Assam Hills Small Industries Development Corporation Limited and Assam State Fertilizers and Chemicals Limited) and one non-working Company (Assam State Minor

Irrigation Development Corporation Limited), the outstanding loans exceeded the value of their assets.

(Paragraph 1.1.10.1)

The overall net profit of working Companies increased by ₹ 398.25 crore (186.22 *per cent*) from ₹ 213.86 crore (2021-22) to ₹ 612.11 crore (2023-24). The total accumulated losses (net off free reserves and surplus) of all the SPSEs were ₹ 2,644.27 crore as on 31 March 2024. Accumulated losses of the working Companies (₹ 667.34 crore) were mainly attributable to the losses of Assam Power Distribution Company Limited (₹ 1,312.25 crore), Assam Electricity Grid Corporation Limited (₹ 158.44 crore) and Assam Tea Corporation Limited (₹ 303.77 crore). Likewise, the accumulated losses of the Statutory Corporations (₹ 1,815.29 crore) were attributable mainly to the losses of Assam State Transport Corporation (₹ 1,772.22 crore), which was 97.63 *per cent* of total accumulated losses of Statutory Corporations.

(Paragraph 1.1.11.1)

During 2023-24, 28 out of 47 SPSEs (24 working Companies, two Statutory Corporations and two non-working Companies) had positive capital employed while the remaining 19 SPSEs had negative capital employed. The working Companies with positive capital employed registered increase of ₹ 1,475.70 crore (11.28 *per cent*) in aggregate capital employed from ₹ 13,086.61 crore (2022-23) to ₹ 14,562.31 crore (2023-24). The Earnings Before Interest and Taxes (EBIT) of working Companies also increased by ₹ 225.61 crore (37.06 *per cent*) from ₹ 608.72 crore (2022-23) to ₹ 834.33 crore (2023-24). As a result, Return on Capital Employed (RoCE) of working Companies having positive capital employed had shown an overall improvement from 4.65 *per cent* (2022-23) to 5.73 *per cent* during the current reporting year (2023-24).

On the contrary, the Statutory Corporations having positive capital employed registered a decrease of ₹ 7.60 crore (17.12 *per cent*) in their aggregate capital employed from ₹ 44.39 crore (2022-23) to ₹ 36.79 crore (2023-24). The EBIT of Statutory Corporations was, however, positive during 2023-24 and their RoCE was worked out at 3.23 *per cent* (2023-24).

(Paragraph 1.1.11.2)

During 2023-24, out of 47 SPSEs, 25 SPSEs (22 working Companies, one Statutory Corporation and two non-working Companies) earned profit of ₹ 741.03 crore. Of these, 16 SPSEs (15 Companies and one Statutory Corporation) had positive Equity/Shareholders' fund. During 2023-24, the Return on Equity (RoE) of these 15 working Companies having positive equity was 6.21 *per cent* as compared to the RoE of 5.30 *per cent* for 13 working Companies during 2022-23. In case of remaining seven working Companies which earned profit during 2023-24, the accumulated losses (₹ 219.62 crore) had completely eroded their paid-up capital (₹ 22.28 crore). In case of the only profit making Statutory Corporation (Assam State Warehousing Corporation), the RoE was 3.25 *per cent* during 2023-24.

(Paragraph 1.1.11.3)

During 2023-24, six loss-making working SPSEs (Assam Tea Corporation Ltd., Assam Small Industries Development Corporation Ltd., Assam Hills Small Industries Development Corporation Ltd., Assam State Film (Finance and Development) Corporation Ltd., Assam Financial Corporation and Assam State Transport Corporation) received budgetary support of ₹ 176.79 crore by way of loans (₹ 28.14 crore) and grants (₹ 148.65 crore), out of which the budgetary support of ₹ 170.21 crore was meant to meet the salary-related expenses of their employees. It is pertinent to mention that the aggregate losses of loss-making companies and statutory corporations have reduced from ₹ 342.09 crore (2021-22) to ₹ 206.41 crore (2023-24).

(Paragraphs 1.1.12 and 1.1.12.1)

Analysis of investment and net accumulated losses of 39 working SPSEs revealed that the accumulated losses (net after adjusting free reserves and surplus) of 16 working SPSEs (₹ 2,392.83 crore) had completely eroded their paid-up capital (₹ 270.70 crore). In fact, the net worth of 14 out of 16 SPSEs continued to be negative for more than 10 years.

(Paragraph 1.1.12.2)

Section 2: Oversight role of CAG

Out of 47 SPSEs, eight working SPSEs finalised their up-to-date accounts (2023-24). Further, 25 SPSEs (20 working Companies, three Statutory Corporations and two non-working Companies) had 58 accounts in arrears for period of one to five years, while the remaining 14 SPSEs (eight working Companies and six non-working Companies) had 187 accounts in arrears for more than five years as on 30 September 2024. The highest number of accounts pending finalisation amongst working and non-working Companies pertained to Assam Minorities Development and Finance Corporation Limited (26 accounts) and Assam Powerloom Development Corporation Limited (30 accounts) respectively.

Moreover, GoA invested ₹ 485.57 crore in 18 SPSEs during the years for which their accounts were in arrears.

(Paragraphs 1.2.4 and 1.2.5)

During October 2023 to September 2024, 29 SPSEs forwarded 72 accounts to Accountant General (Audit) Assam for review. Of these, 67 accounts (eight accounts for the year 2023-24 and 59 accounts for previous years) of 27 SPSEs were selected for supplementary audit and Non-review certificates were issued for the remaining five accounts of four SPSEs. Significant comments were issued on financial statements of SPSEs.

(Paragraph 1.2.9)

Irregularities and deficiencies in financial reports or in the reporting process observed during supplementary audit which were not material were communicated to the Management of eight SPSEs during 2023-24 separately through 'Management Letter' for taking corrective action.

(Paragraph 1.2.10)

Section 3: Corporate Governance

During 2019-20 to 2023-24, out of 32 working Companies who had furnished the required information, 10 Companies (including one Section 8 Company) were able to hold the minimum required number of Board meetings each year. Of the remaining 22 working Companies, four working Companies held the prescribed number of meetings in four years, 10 Companies held the prescribed number of meetings in one to three years, and eight working Companies did not hold the prescribed number of meetings in any of the five years.

(Paragraphs 1.3.6.2)

Of 36 working Companies, seven were required to appoint independent directors to their Board. However, two of these seven Companies had no Independent Director and one company had only one Independent Director against the required two.

(Paragraphs 1.3.6.4)

Five Companies were required to have women directors on their Board. Of these, four Companies complied with the requirement. Additionally, seven other Companies, though not legally obligated, voluntarily appointed women directors. This reflects both compliance with the statutory provisions and the spirit of promoting gender sensitisation in these Companies.

(Paragraphs 1.3.6.6)

Out of seven Companies, which were required to constitute Audit Committee, two Companies did not form the Committee contrary to the requirement of Companies Act, 2013. Further, three private limited Companies/Joint Ventures, which were under no legal obligation to constitute Audit Committee also formed Audit Committees during 2023-24, indicating a commitment to good Corporate Governance on their part.

(Paragraph 1.3.7.1)

Out of 29 working Companies who had organised Annual General Meeting (AGM), 12 Companies held AGM up to the financial year 2023-24, 11 Companies organised AGM up to 2022-23 while, remaining six Companies had organised AGM up to 2021-22 (two companies), 2020-21 (two companies), and 2019-20 (two companies).

(Paragraph 1.3.8.2)

Section 4: Corporate Social Responsibility

As per latest finalised accounts of 36 working Companies, Section 135 of the Companies Act, 2013 relating to Corporate Social Responsibility (CSR) was applicable to seven Companies. All the seven working Companies constituted the CSR Committee.

(Paragraphs 1.4.2 and 1.4.3.1)

Out of four working Companies which were required to spend on CSR activities, one Company (Assam Mineral Development Corporation Limited) did not incur any expenditure on CSR activities. As such, there was shortfall of ₹ 1.22 crore in mandatory

CSR spending by this Company as per its latest finalised accounts. Two working companies surpassed their statutory obligations by incurring an additional ₹ 0.64 crore on CSR activities, demonstrating their enhanced commitment to social responsibility.

(Paragraph 1.4.3.2)

Chapter II: Performance Audit relating to SPSEs

Working of Assam Seeds Corporation Limited

The present activities of the Company are limited to production of seeds in its own farms and procurement of seeds for supply of Foundation/Certified Seeds to the Department of Agriculture (DoA), GoA for implementation of various developmental schemes. The present Performance Audit (PA) covered the activities of the Company for last six years from 2018-19 to 2023-24. The Performance Audit was conducted to assess whether:

- the production activities were carried out by efficiently utilizing the production capacities of the Company for producing quality seeds as per demand;
- the procurement process of seeds was transparent and competitive, following due financial rules;
- the infrastructure facilities for storage, processing and handling of seeds were utilised by the Company in an efficient manner; and
- an effective mechanism for marketing of seeds existed in the Company.

Brief details of the important audit observations are as follows:

During 2018-2024, there was an overall shortfall of 34.02 *per cent* (1,223.04 MT) and 90.42 *per cent* (331.63 MT) in achievement of annual production targets of paddy and non-paddy seeds respectively. The year-wise shortfall ranged between 6.70 and 49.86 *per cent* (paddy seeds) and 18.71 and 100 *per cent* (non-paddy) during the said period.

The Department of Agriculture (DoA), Government of Assam (GoA) prepared Seed Rolling Plan (SRP) during 2018-24 containing crop wise and variety wise advance production plan for different seed producing agencies including the Company. The Company, however, did not prepare any perspective or long term plan during 2018-2024 for carrying out its production activities duly linking with the SRP prepared by DoA, GoA. GoA also did not insist on the Company for implementation of the SRP.

Further, DoA, had been placing the indents on the Company for supply of seeds for distribution under various schemes on ‘annual basis’. Despite Company’s request to communicate their seed requirement at least three years in advance, DoA, continued to place indents on ‘annual basis’. As a result, the Company had to plan its production targets on annual basis without linking with the SRP, thereby defeating the objectives of GoI’s Seeds Policy.

The production of seed during 2018-2024, was lower than the seed multiplication norm resulting in shortfall of 1,166.52 MT (Paddy: 1,152.04 MT; Non-paddy: 14.48 MT) in

production of seed. The Company also could not utilise 7.07 MT of Breeder seeds despite availability of cultivable land due to constraints like shortage of technical manpower, inadequate basic farm infrastructure (like, irrigation and drainage facilities, farm fencing, *etc.*) and mechanical support.

According to Seed Procurement Policy of the GoA (September 1999), the Company shall make effort for production of seeds in the State either through its seed farms or by encouraging Registered Growers (RGs) to undertake large-scale seed production under buy-back agreements. During 2018-2024, the Company supplied 1.59 lakh MT of seeds to DoA, out of which merely 0.28 *per cent* was supplied from its own production and the balance supplied through outside procurement. As such, the Company was predominantly dependent upon private seed producers/suppliers to meet the demand of GoA. Further, the Company could not expand its market potential by increasing its own production of seeds as well as through Registered Growers by entering into agreements for ‘buy-back’ of seeds produced by them.

Against total cultivable land of 250.50 ha available during all the six years (2018-2024), the land ranging between 39 ha (15.57 *per cent*) and 124.50 ha (49.70 *per cent*) remained unutilised due to reasons like, unauthorised encroachment of land, non-availability of proper irrigation and drainage facilities, *etc.* Resultantly, the Company’s average yield of paddy seeds during 2018-2024 was 2.38 MT per ha as against the State’s average of 3.49 MT *per* ha.

The Company had no robust system for collection and analysis of vital market information relating to the Seed sector like, data on demand and supply of seeds in the State, availability of seed stock, prices in local markets, *etc.* Further, the Company neither had any marketing information of its neighbouring States nor formulated a strategy to discover yearly total requirements of seeds, pricing policies adopted by other suppliers including the qualities and varieties of seeds *etc.*

The Company did not maintain any Seed Bank on its own for scientific storage of genetically pure variety of seeds for utilisation in future in the event of natural calamities. In absence of any such facility, the Company had to depend on private growers to meet the physical targets for storage of seeds allotted by GoI under National Seed Reserve (NSR). The Company was also unable to avail the benefits of GoI Scheme relating to: one-time Revolving fund to meet the procurement cost of seeds to be stored; financial assistance for infrastructural development, purchase of machinery, plant, *etc.*

Recommendations:

The Company may:

- *ensure tentative seed requirement of the State at least three years in advance and draw up a production and procurement plan, in line with the Seed Rolling Plan prepared by the State Government;*

- *create and maintain proper infrastructure facilities (irrigation and drainage, godowns for seed storage, seed processing plants, fencing of farms, etc.) essential to fully utilise the cultivable land and maximise the production of the seed farms;*
- *increase production of seed by entering into agreement with the registered growers for seed multiplication and buying back their produce for supply to DoA and other prospective buyers;*
- *make all efforts to avail the full benefits of all the schemes of GoI/GoA for creation/modernisation of infrastructure;*
- *strengthen the marketing activities by creating a dealer network to supply quality seeds at reasonable price so as to become self-reliant and reduce dependency on GoA for company's economic viability.*

Chapter III: Compliance Audit Paragraphs relating to SPSEs

Compliance Audit paragraphs included in this Chapter highlight deficiencies in the management of SPSEs. Brief details of the important audit observations have been given here:

Assam Power Distribution Company Limited

Loss of revenue due to irregular modification of tariff

The Chief General Manager (Commercial) of Assam Power Distribution Company Limited (the Company) unilaterally modified the tariff order without obtaining approval of the Assam Electricity Regulatory Commission (AERC); and issued an order in November 2017, stating that all consumers availing power through open access sources would be billed under the Time-of-Day (ToD) tariff, and the non-ToD tariff would no longer be applicable to them. Based on this directive, the Company began billing a consumer under the ToD tariff from November 2017, which was irregular and resulted in a revenue loss of ₹ 5.82 crore up to March 2024.

(Paragraph 3.1)

Loss due to unjustified delay in load enhancement

Injudicious decisions of the Company in dealing with the enhancement of contract demand of a Consumer led to revenue loss in the form of fixed charges amounting to ₹ 0.97 crore during October 2021 to June 2023.

(Paragraph 3.2)

Assam State Transport Corporation

Avoidable expenditure

The Corporation engaged a Consultant for implementation of a State sponsored Scheme without having administrative and budgetary approval, which led to avoidable committed expenditure of ₹ 1.67 crore.

(Paragraph 3.4)

Assam Industrial Development Corporation Limited

Non-realisation of processing fee

Due to the Company's inaction in collecting the processing fee for issuing Eligibility Certificates, as mandated by the Industrial and Investment Policy of Assam, 2014, it could not earn revenue of ₹ 1.23 crore.

(Paragraph 3.5)

