CHAPTER IV
ECONOMIC SECTOR
(STATE PUBLIC SECTOR ENTERPRISES)

4.1 Functioning of State Public Sector Enterprises

4.1.1 Introduction

As of 31 March 2024, the State of Manipur had 14 State Public Sector Enterprises (SPSEs) (all Government Companies including three non-working) as detailed in **Table 4.1.1**.

Table 4.1.1: Total number of SPSEs as on 31 March 2024

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Companies[65]	11	3	14
Statutory Corporations	Nil	Nil	Nil
Total	**11**	**3**	**14**

Source: Information furnished by SPSEs

None of these SPSEs were listed on the Stock Exchange, which means that shares of these SPSEs cannot be traded in the Stock Exchange. During the year 2023-24, no new company was incorporated under the Companies Act, 2013.

4.1.2 Investment in SPSEs

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

As on 31 March 2024, investment of the State Government (capital and long-term loans) in 13 SPSEs[66] was ₹45.90 crore[67] as per details given in **Table 4.1.2**.

Table 4.1.2: Details of State's investment in SPSEs

(₹ in crore)

Year	Equity Capital	Long term Loans	Total
2023-24	45.32	0.58	45.90
2019-20	40.07	0.68	40.75

Source: Information furnished by SPSEs

State Government's investment as on 31 March 2024 consisted of 98.74 *per cent* (₹45.32 crore) towards capital and 1.26 *per cent* (₹0.58 crore) in long-term loans as against 98.33 *per cent* (capital) and 1.67 *per cent* (long-term loans)

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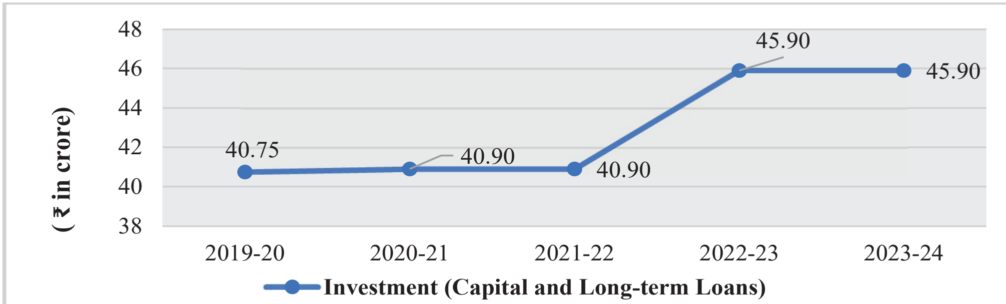
65 Government Companies include 'Other Companies' referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013 SPSEs.

66 Excluding one company (serial No. B3 of ***Appendix 4.2***, a subsidiary of company at serial No. A1), which had no direct equity investment from the State Government as on 31 March 2024.

67 Since none of the SPSEs had finalised their Accounts for the year 2023-24, the Investment figures are provisional and as provided by the SPSEs.

as on 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 4.1.1**.

Chart 4.1.1: State's investment in SPSEs during 2019-24



Source: As provided by the SPSEs.

As can be noticed from the **Chart 4.1.1** above, State Government's investment in SPSEs during the first three years (2019-20 to 2021-22) remained almost steady but increased to ₹45.90 crore (2022-23) and remained unchanged during the year 2023-24. During the last five years, the State's investment grew by 12.64 *per cent* (₹5.15 crore) from ₹40.75 crore (2019-20) to ₹45.90 crore (2023-24).

During 2023-24, out of 11 working SPSEs, eight SPSEs incurred loss (₹190.48 crore) and only one SPSE earned profit (₹0.29 crore[68]) as per their latest finalised accounts. Remaining two SPSEs[69] had not finalised their first accounts (2016-17 & 2022-23) as of September 2024. The profit-making SPSE had not declared any dividend during the year. There was no recorded information about existence of any specific policy of the State Government regarding payment of minimum dividend by the SPSEs – such a policy would have ensured a minimum return on State investments.

The equity-heavy structure of investment, constituting 98.74 *per cent* of the total funding, also reflects weak fiscal discipline, as it does not incentivise operational efficiency. In view of the persistent losses, absence of dividends, and non-finalisation of accounts, a comprehensive performance review and rationalisation of SPSEs is warranted to ensure effective utilisation of public funds.

4.1.2.1 Sector-wise total investment in SPSEs

The summarised details of total investment (equity capital and long term loans) of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, *etc.*) in SPSEs (all Government companies) under various important sectors at the end of 31 March 2020 and 31 March 2024 have been given in **Table 4.1.3**.

68 The profit (₹ 0.29 crore) pertained to one SPSE (Manipur Police Housing Corporation Limited) as per its latest finalised accounts (1997-98), which has not finalised any accounts for last 26 years after 1997-98.

69 Serial Nos. A9 & A11 of ***Appendix 4.2***.

Table 4.1.3: Sector-wise details of total investments[70] (equity capital & long term loans) in SPSEs

(₹ in crore)

Name of Sector	Investment in SPSEs	
	2019-20	2023-24
Power	381.46	781.21
Manufacturing	10.15	14.15
Finance	16.02	12.92
Agriculture & Allied	15.17	3.54
Miscellaneous	15.52	18.11
Total	**438.32**	**829.93**

Source: Information furnished by SPSEs

During the five-year period from 2019–20 to 2023–24, the total investment by the State Government and other stakeholders in State Public Sector Enterprises (SPSEs) increased significantly by 89.34 *per cent* from ₹438.32 crore to ₹829.93 crore. This growth was overwhelmingly concentrated in the power sector, which alone accounted for an increase of ₹399.75 crore (over 104 *per cent*), driven entirely by a surge in long-term borrowings. In contrast, investments in critical sectors like Agriculture & Allied activities and Finance declined sharply by 76.66 *per cent* and 19.35 *per cent*, respectively. The decline in Agriculture sector investment from ₹15.17 crore to ₹3.54 crore is particularly concerning given its direct link to rural livelihoods.

4.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by State Government as per the records of SPSEs should agree with the figures appearing in the Finance Accounts of the State for that year. In case the figures do not agree, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2024 is shown in **Table 4.1.4**.

Table 4.1.4: Equity, long term loans, guarantees outstanding as per the State Finance Accounts *vis-à-vis* the records of SPSEs

(₹ in crore)

Investment in the form of	Investment as per		Difference
	Finance Accounts	SPSEs records	
Equity	75.40	45.32[71]	30.08
Loans	-	0.58	0.58
Guarantee	1,022.44[72]	985.98[73]	36.46

Source: State Finance Accounts and information furnished by the SPSEs.

70 Since none of the SPSEs had finalised their Accounts for the year 2023-24, the Investment figures are provisional and as provided by the SPSEs.

71 Excluding equity contribution (₹10.00 crore) in the form of Assets transferred from the erstwhile State Electricity Department to the newly formed State DISCOM (MSPDCL) consequent upon implementation of power sector reform.

72 Represents the Guarantee outstanding against the borrowings of Manipur State Power Distribution Company Limited (₹827.74 crore) and Manipur Police Housing Corporation Limited (₹194.70 crore).

73 Only one SPSE (Manipur State Power Distribution Company Limited) had confirmed the Government Guarantee outstanding of ₹985.98 crore against its borrowings as on 31 March 2024.

From **Table 4.1.4** above, it can be noticed that there were longstanding unreconciled differences in the figures of equity (₹30.08 crore), loans (₹0.58 crore) and guarantees (₹36.46 crore) between the State Government's accounts and those maintained by the SPSEs. The difference in equity occurred in respect of 13 SPSEs[74] and some of the differences were pending reconciliation over a period of more than 25 years.

As regards Loan figures, Finance Department of the State Government allocates loans to various departments for specific sectoral activities. 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.

Despite periodic engagement with the Finance Department, the absence of an institutionalised reconciliation mechanism has hindered the resolution of these mismatches. The continued non-reconciliation compromises the integrity of public financial reporting and may result in misstatement of the State's liabilities and assets. Immediate institutionalisation of a quarterly reconciliation process, mandatory reconciliation certification by SPSEs, and explicit reporting of SPSE-wise disbursements in Finance Accounts are critical to ensure fiscal accuracy and accountability.

Recommendation:

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.

A reconciliation certificate mechanism may be institutionalised and made mandatory for all SPSEs at the end of each financial year.

4.1.4 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 01 April 2014 continued to be governed by the Companies Act,1956. The new Act has brought about increased Regulatory Framework, wider Management Responsibility and higher Professional Accountability.

74 Except for one SPSE (Manipur Police Housing Corporation Limited) in which no difference in equity investment was noticed.

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, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143(6) of the Act.

Role of Government and Legislature

State Government exercises control over the affairs of SPSEs through its administrative departments. The Chief Executives and Directors on the Board of these SPSEs are appointed by Government.

The State Legislature also monitors the accounting and utilisation of Government investment in SPSEs. For this purpose, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government companies are placed before the Legislature under Section 394 of the Act. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. These reports are further discussed by the Committee on Public Undertakings (CoPU) of the State Legislature. The CoPU sends its recommendations to the State Government for taking appropriate action.

4.1.5 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by the end of September in accordance with the provisions of Section 96(1), read with Section 129(2) of the Companies Act, 2013 (Act). Non-compliance 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 ₹1.00 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 accounts 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 accounts poses significant risks, including the potential risk of undetected fraud and misappropriation of public funds besides violation of the provisions of the Companies Act, 2013.

Table 4.1.5 provides details of progress made by working SPSEs in finalisation of their annual accounts during the last five years from 2019-20 to 2023-24:

Table 4.1.5: Position relating to finalisation of accounts of working SPSEs

Sl. No.	Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
1	Number of Working SPSEs	10	11	10	11	11
2	Number of accounts finalised during the year	1	5	7	2	3
3	Number of accounts in arrears	103	109	105[75]	114	122
4	Number of Working SPSEs with arrears in accounts	10	10	9	11	11
5	Extent of arrears (numbers in years)	2 to 32 years	1 to 33 years	1 to 34 years	1 to 35 years	1 to 36 years

Source: Departmental Records.

As can be seen from **Table 4.1.5** above, during the last five years, the overall pendency of SPSE accounts has shown an increasing trend. It can further be noticed that as against total 53 Accounts due for finalisation during last five years, the SPSEs could finalise only 18 Accounts leading to overall increase of 19 Accounts in the pendency of SPSE-accounts from 103 Accounts (2019-20) to 122 Accounts (2023-24). The major arrear of 62 accounts (51 *per cent)* pertained to two SPSEs namely, Manipur Tribal Development Corporation Limited (36 Accounts) and Manipur Police Housing Corporation Limited (26 Accounts) ***(Appendix 4.1)***.

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 period.

The Reports of the CAG have repeatedly highlighted the issue of arrears in preparation of accounts. Keeping in view the seriousness of the matter, the Principal Accountant General (Audit) Manipur took up (22 November 2023) the matter with the Chief Secretary of the State impressing upon to review the reasons for the huge pendency of State PSE accounts and initiate appropriate action to clear the arrears of accounts in a time bound manner. However, the State Government and the SPSEs concerned could not address the issue effectively, so as to clear the pendency of accounts 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 delay in finalising accounts raises the risk of undetected fraud, misappropriation of public funds and misinformed decisions regarding budgetary support and guarantees.

Furthermore, the administrative departments responsible for oversight have neglected to 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.

[75] Excluding seven accounts of erstwhile Manipur IT SEZ Project Development Company Limited pending finalisation as on 31 March 2021, which ceased to exist with effect from 15 March 2022

Recommendations:

The State Government may-

- ***a.*** ***mandate each administrative department to prepare a time-bound action plan for SPSEs under their control to clear the backlog of accounts, starting with the most delayed cases.***
- ***b.*** ***set up a special cell to oversee the clearance of arrears of SPSE-accounts and set the targets for individual SPSEs, which may be monitored by the cell.***
- ***c.*** ***ensure that existing vacancies in the Accounts departments of SPSEs are filled up in a timely manner with persons having domain knowledge and experience.***
- ***d.*** ***organise focused training sessions on statutory compliance, financial reporting, and governance for SPSE finance personnel and nodal officers in administrative departments.***

4.1.6 Investment by State Government in SPSEs whose accounts were 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 the State Government had provided investment aggregating ₹124.12 crore to nine SPSEs (equity: ₹7.05 crore and grants: ₹117.07 crore) during the years for which these SPSEs had not finalised their accounts as detailed in ***Appendix 4.1***. One Power sector SPSE (Manipur State Power Company Limited) was the major recipient of State Government funding amounting to ₹45.55 crore (Grants) during the period (2023-24) when its accounts were in arrears.

In the absence of accounts and their subsequent audit, it could not be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested, was achieved or not.

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

4.1.7 Special support and Guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocation. The summarised details of budgetary outgo towards equity, loans and grants/subsidies in respect of the State SPSEs for the last three years ended 2023-24 are shown in **Table 4.1.6**.

Table 4.1.6: Details of budgetary support to SPSEs

(₹ in crore)

Sl. No.	Particulars	2021-22		2022-23		2023-24	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
1	Equity Capital outgo from Budget	-	-	1	5.00	-	-
2	Loans given from budget	-	-	-	-	-	-
3	Grants/ subsidy from budget (including Capital Grant)	6	495.69	5	328.40	4	373.30
	Total outgo (1+2+3)	**6**	**495.69**	**6**	**333.40**	**4**	**373.30**
4	Guarantee issued	1	193.62	1	290.33	1	-
5	Guarantee commitment[76]	1	695.65	1	985.98	1	985.98

Source: As furnished by SPSEs.

As can be noticed from **Table 4.1.6** above, the budgetary support provided by the State Government to SPSEs during the last three years (2021-24) showed a decreasing trend. The budgetary support to SPSEs, which was mainly in the form of Grant/subsidy witnessed an overall decrease of ₹122.39 crore in last three years from ₹495.69 crore (2021-22) to ₹373.30 crore (2023-24). The major recipient of the grants/ subsidy during last three years was one power sector SPSE (Manipur State Power Distribution Company Limited), which received the grant/subsidy of ₹323.23 crore (2021-22), ₹286.60 crore (2022-23) and ₹325.86 crore (2023-24).

Over the last three years, the State Government's budgetary support to SPSEs showed a declining trend, with overall grants and subsidies reducing from ₹495.69 crore in 2021–22 to ₹373.30 crore in 2023–24. Notably, a significant portion of this support was extended to the power sector, particularly to Manipur State Power Distribution Company Limited. While the continued assistance reflects the State's commitment to supporting key sectors, the reduction in overall support underscores the importance of financial sustainability and efficient utilisation of public funds by the SPSEs.

4.1.8 Performance of SPSEs as per their latest financial accounts

The financial position and working results of working SPSEs (Government Companies) are detailed in ***Appendix 4.2***. **Table 4.1.7** provides the comparative details of turnover of working SPSEs and State GDP for the period of previous five years ending 2023-24.

[76] Guarantee commitment of the State Government for all three years pertained to the borrowings availed by Manipur State Power Distribution Company Limited.

Table 4.1.7: Details of working SPSEs turnover *vis-à-vis* State GDP

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Turnover[77]	232.63	480.88	584.92	583.87	583.08
GSDP[78]	29,813.03	29,776.09	35,027.48	40,242.94#	44,994.89#
Percentage of Turnover to GSDP	0.78	1.61	1.67	1.45	1.30

 # Note: GSDP for 2022-23 & 2023-24 are Provisional Estimates

It can be noticed from **Table 4.1.7** above that during 2019-24, the GSDP had increased by 50.92 *per cent* from ₹29,813.03 crore (2019-20) to ₹44,994.89 crore (2023-24). In comparison, the SPSE-turnover during the corresponding period had grown by 150.65 *per cent* from ₹232.63 crore (2019-20) to ₹583.08 crore (2023-24). Higher pace of growth in SPSE-turnover compared to that of GSDP has led to increase in the contribution of SPSE-turnover to GSDP from 0.78 *per cent* (2019-20) to 1.30 *per cent* (2023-24). The increase in the SPSE-turnover was mainly driven by increase in turnover of power sector from ₹231.00 crore (2019-20) to ₹581.46 crore (2023-24).

Erosion of capital due to losses

The paid-up capital and overall accumulated losses of nine[79] working SPSEs as per their latest finalised accounts as on 30 September 2024 were ₹53.39 crore and ₹515.87 crore[80], respectively ***(Appendix 4.2)***.

During 2023-24, out of the nine working SPSEs, only one SPSE[81] earned profit (₹0.29 crore) as per its latest finalised accounts. Return on Equity (RoE) in respect of this profit-making SPSE was 47.54 *per cent*[82].

Further, out of eight loss-making SPSEs, ROE of three[83] out of eight was negative due to the losses incurred by them as per their latest finalised accounts. ROE of the remaining five loss making SPSEs[84] was not workable as the accumulated losses (₹515.34 crore) of these SPSEs had completely eroded their paid-up capital (₹47.19 crore) as per their latest finalised accounts.

Primary erosion of equity capital by the accumulated losses occurred in respect of three working SPSEs as detailed in **Table 4.1.8**.

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77 Turnover of working SPSEs as per their latest finalised accounts as on 30 September of the respective year.
78 Source: Department of Economics and Statistics, GoM (at current price).
79 Excluding two newly incorporated SPSEs, *viz*., Tourism Corporation of Manipur Limited (13 July 2016) and Manipur Food & Distribution Corporation Limited (14 November 2022) which have not finalised their first Annual Accounts.
80 After netting off the accumulated profits (₹0.59 crore) of Manipur Police Housing Corporation Limited.
81 Manipur Police Housing Corporation Limited.
82 ROE = Net Profit (₹0.29 crore) ÷ Shareholders' Fund (₹0.61 crore) % = 47.54 *per cent.*
83 Serial No. A2, A4 and A10 of ***Appendix 4.2***.
84 Serial No. A1, A5, A6, A7 and A8 of ***Appendix 4.2***.

Table 4.1.8: SPSEs with primary erosion of paid-up capital

(₹ in crore)

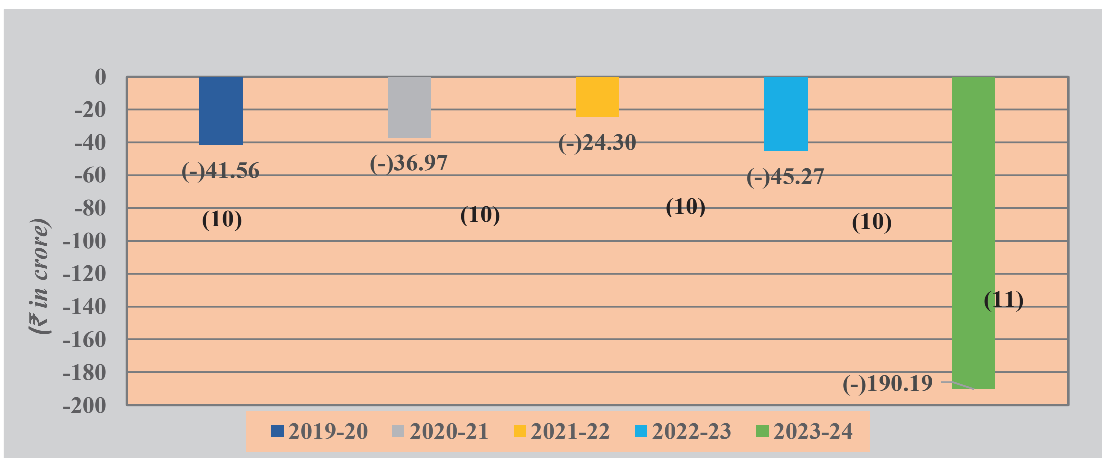
Name of PSE	Latest finalised accounts	Paid up capital	Accumulated losses
Manipur State Power Distribution Company Limited	2022-23	10.05	285.86
Manipur State Power Company Limited	2022-23	10.05	174.41
Manipur Industrial Development Corporation Limited	2009-10	12.14	31.78
Total		**32.24**	**492.05**

Source: Information furnished by SPSEs.

Accumulation of huge losses by these SPSEs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these SPSEs to improve their profitability.

The overall position of losses incurred by the working SPSEs during 2019-20 to 2023-24 as per their latest finalised accounts as on 30 September of the respective year has been depicted in **Chart 4.1.2**.

Chart 4.1.2 Overall losses of working SPSEs



(Figures in bracket show the number of working SPSEs in the respective years)

As depicted in the **Chart** above, the overall losses of working SPSEs showed a decreasing trend up to the year 2021-22 but increased thereafter. The SPSE-losses had increased by more than six times (₹165.89 crore) during 2023-24 (₹190.19 crore) as compared to the losses incurred during 2021-22 (₹24.30 crore). This deterioration in the performance of SPSEs during 2023-24 was attributable to increase (₹165.89 crore) in losses of the two power sector SPSEs from ₹22.30 crore (2021-22) to ₹188.19 crore (2023-24).

During the year 2023-24, out of 11 working SPSEs, only one SPSE[85] earned profit of ₹0.29 crore while eight SPSEs incurred losses aggregating ₹190.48 crore as per their latest finalised accounts. Remaining two SPSE[86] had not finalised their 'first accounts' as of September 2024. The major contributors

[85] Manipur Police Housing Corporation Limited earned profit of ₹0.29 crore as per its latest finalised Accounts (1997-98) and the SPSE had not finalised any of its accounts thereafter.

[86] Tourism Corporation of Manipur Limited (incorporated on 13 July 2016) and Manipur Food & Distribution Corporation Limited (incorporated on 14 November 2022).

to SPSE-losses during 2023-24 were two power sector SPSEs as detailed in **Table 4.1.9**.

Table 4.1.9: Major contributors to the losses of working SPSEs

(₹in crore)

SPSE	Latest finalised accounts	Losses
Manipur State Power Company Limited	2022-23	59.03
Manipur State Power Distribution Company Limited	2022-23	129.16
Total		**188.19**

Source: Information furnished by SPSEs.

The financial position of working SPSEs in the State reflects a complex picture of increased operational turnover but deteriorating profitability. While the combined turnover of SPSEs grew significantly, primarily driven by the power sector, the contribution to GSDP remains modest at 1.30 *per cent* in 2023-24. This modest contribution is overshadowed by serious financial concerns, most notably the persistent accumulation of losses. As of September 2024, eight out of nine working SPSEs had incurred losses, with the overall accumulated losses standing at ₹515.87 crore against a total paid-up capital of ₹53.39 crore, indicating severe erosion of public investment.

Two SPSEs, particularly the Manipur State Power Distribution Company Limited and the Manipur State Power Company Limited, accounted for the bulk of these losses, with accumulated losses of ₹285.86 crore and ₹174.41 crore, respectively. These losses have fully eroded their equity base, rendering their Return on Equity either negative or not computable. Notably, only one SPSE reported a marginal profit of ₹0.29 crore in 2023-24.

Furthermore, the rise in SPSE losses during 2023–24 by over six times compared to 2021-22 signals a marked deterioration in financial performance, despite ongoing State support. This raise concerns over the long-term sustainability of such enterprises and the effectiveness of the current oversight and accountability mechanisms.

4.1.9 Key parameters

Some other key parameters of SPSEs performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table 4.1.10.**

Table 4.1.10: Key parameters of SPSEs

(₹ in crore)

Particulars	2019-20	2020-21	2021-22	2022-23	2023-24
Debt	160.56	493.11	477.51	477.51	644.97
Turnover[87]	232.63	480.88	584.92	583.87	583.08
Debt/Turnover Ratio	0.69:1	1.03:1	0.82:1	0.82:1	1.11:1
Interest Expenses	0.89	2.73	10.70	10.70	19.14
Accumulated losses	166.52	250.06	302.77	334.94	523.12

Source: Information furnished by SPSEs.

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

- ***Debt-Turnover Ratio***

A low debt-to-turnover ratio (DTR) demonstrates a good balance between Debt and Income. Conversely, a high DTR can signal of having too much of Debt against the Income of SPSEs from core activities. Thus, the SPSEs having lower DTR are more likely to comfortably manage their Debt servicing and repayments.

As can be seen from **Table 4.1.10**, during the period of five years (2019-20 to 2023-24), the SPSE debts had increased by ₹484.41 crore (301.70 *per cent*) from ₹160.56 crore (2019-20) to ₹644.97 crore (2023-24) while the pace of growth of the SPSE-turnover during the corresponding period was comparatively low at around 151 *per cent* (₹350.45 crore) from ₹232.63 crore (2019-20) to ₹583.08 crore (2023-24). As a result, the Debt to Turnover Ratio during 2019-24, has increased from 0.69:1 (2019-20) to 1.11:1 (2023-24), which indicated the deteriorating position of SPSEs in servicing their long-term debts as compared to previous years.

Further, the accumulated losses of SPSEs during the last five years (2019-24) increased by ₹356.60 crore (214 *per cent*) due to increase in the accumulated losses of power sector SPSEs from ₹103.67 crore (2019-20) to ₹460.27 crore (2023-24).

This imbalance suggests a growing reliance on debt without commensurate growth in revenue-generating capacity. Simultaneously, interest expenses almost doubled between 2021–22 and 2023–24, reflecting increased borrowing costs. Most notably, accumulated losses surged by 214 *per cent* to ₹523.12 crore, driven predominantly by power sector SPSEs. These trends collectively indicate weakening debt servicing capacity and call for urgent corrective measures, including financial restructuring, better cost control, and performance-based monitoring.

4.1.10 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 Rate of Real Return on Government Investment (RORR), the investment of State Government[88] 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), should be considered, and indexed to their Present Value (PV) and summated. The RORR is then to be calculated by dividing the ‘profit after tax’ (PAT) by the sum of the PV of the investments.

[88] State Government investment in SPSEs as per the records of respective SPSEs.

In Manipur, 13[89] out of 14 SPSEs (including two non-working) had direct equity investment by the State Government. During 2023-24, said 13 SPSEs had incurred an overall loss of ₹190.23 crore as per their latest finalised accounts as on 30 September 2024 ***(Appendix 4.2)***.

On the basis of return on historical value of investment, the State Government investment eroded by 7.80 *per cent* during 2023-24. Further, as per the Rate of Real Return worked out based on the present value of investment, the State Government investment eroded by 5.45 *per cent* as shown in ***Appendix 4.3***. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

4.1.11 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2023 to September 2024, three SPSEs submitted their three Financial Statements (Accounts) for the previous year (2022-23). Out of the submitted three Accounts, two[90] Accounts were selected for supplementary audit by CAG, while Non-Review Certificate was issued to the remaining one[91] Accounts. The Statutory Auditors had given qualified opinion on all the three Accounts. The Statutory Auditors reported (i) non-compliance with the Accounting Standard - 12 on 'Government Grants' and Accounting Standard - 15 on 'Employee benefits'[92] and (ii) non-provision of liability towards interest on security deposits of consumers[93].

Gist of some of the important comments of the CAG in respect of the accounts of the SPSEs are as under:

Manipur State Power Distribution Company Limited (2022-23)

Non-accounting of revenue income:

Revenue amounting to ₹6.75 crore generated from sale of power relating to the accounting year 2022-23 (₹0.65 crore) and 2021-22 (₹6.19 crore) was not accounted. This has correspondingly resulted in overstatement of 'Accumulated Losses' and understatement of 'Current Assets – Trade Receivables' by ₹6.75 crore each.

Non-accounting of revenue expenses:

(i) Vending charges

Vending charges of ₹9.39 crore (current year: ₹2.61 crore *plus* prior period: ₹6.78 crore) payable by the Company to the Metering Agencies was not

89 Excluding one SPSE at serial no. B3 of ***Appendix 4.2,*** (subsidiary of SPSE at serial No. A1), which had no direct equity investment from the State Government as on 31 March 2024.
90 Two Accounts: (i) Manipur State Power Company Limited - (2022-23) and (ii) Manipur State Power Distribution Company Limited - (2022-23)
91 One Accounts: Cyber Corporation Manipur Limited (2022-23)
92 Manipur Power Company Limited (2022-23) and Manipur Power Distribution Company Limited (2022-23)
93 Manipur Power Distribution Company Limited (2022-23)

accounted for in the Statement of Profit and Loss resulting in understatement of 'Accumulated Losses' and 'Other Current Liabilities' (Note – 8) by ₹9.39 crore each.

(ii) Power purchase bills

Non-accounting of supplementary power purchase bills payable for the current year (2022-23) amounting to ₹1.81 crore resulted in understatement of 'Loss for the year' and 'Other Current Liabilities' (Note – 8) to that extent.

Manipur State Power Company Limited (2022-23)

Comments on financial position:

(i) Capital Work-in Progress

Incorrect capitalisation of revenue expenditure amounting to ₹0.38 crore incurred on account of operation & maintenance of three (existing) Transmission Lines (fixed assets) resulted in understatement of 'Capital Work-in Progress' and 'Loss for the year' by ₹0.38 crore.

(ii) Non-Current Investments

The investments of ₹60.21 crore in the equity shares of two Government Sector power companies (*viz*., North East Transmission Company Limited (NETC): ₹24.68 crore and Loktak Downstream Hydro Electric Corporation Limited (LDHEC): ₹35.53 crore) booked as 'Non-Current Investment' in the Balance sheet of the Company, were held by Government of Manipur in the name of the Governor of the State and not in the name of the Company.

As such, the same should be adjusted/ written off against the 'Capital Reserves' in the financial statements. This has resulted in overstatement of 'Non-Current Investment' and 'Capital Reserves' by ₹60.21 crore each.

(iii) Capital Reserves

Capital Reserves include State Government's contribution of ₹13.40 crore towards equity capital of the Company which should have been depicted as 'Share application money pending allotment' on the Liabilities side of the Balance Sheet as per the requirement of the Companies Act, 2013 (*refer Schedule – III, Part I-Balance Sheet*) instead of the Capital Reserve. This has resulted in understatement of 'Share application money pending allotment' and overstatement of 'Capital Reserves' by ₹13.40 crore each.

(iv) General

The authenticity of seven items (aggregate value: ₹322.70 crore) of Balance Sheet (one item) and Statement of Profit and Loss (six items) could not be vouchsafed in audit due to damage/ loss of the supporting records in flood.

4.1.12 Winding up of non-working SPSEs

As on 31 March 2024, there were three non-working SPSEs (***Appendix 4.2***), which had been non-functional for last 20 to 24 years. Since the non-working SPSEs were neither contributing to the State economy nor meeting the intended objectives of their formation, the liquidation process to wind up these SPSEs needs to be expedited.

4.1.13 Follow up action on Audit Reports

Replies/ Explanatory notes outstanding

The Reports of the CAG represent the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive authorities. As per the recommendation of the Shakdher Committee[94], all Administrative Departments are required to submit Replies/ Explanatory notes to paragraphs/ performance audits included in the Audit Reports of the CAG within a period of three months[95] of their presentation to the State Legislature in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

The position of Explanatory notes to paragraphs/ performance audits pending to be received from the State Government/ Administrative Departments concerned has been shown in the **Table 4.1.11.**

Table 4.1.11: Status of Explanatory notes not received (as on 30 September 2025)

Year of the Audit Report (Commercial/SPSE)	Date of placement of AuditReport in the State Legislature	Total number of Performance Audits (PAs) and Paragraphs included in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	29 June 2015	-	3	-	3
2014-15	2 September 2016	2	1	-	-
2015-16	21 July 2017	-	2	-	-
2016-17	23 July 2018	-	1	-	-
2017-18	17 February 2020	-	1	-	-
2018-19	25 March 2022	1	2	-	-
2019-20	22 February 2023		1	-	1
2021-22 (combined Report for 2020-21 and 2021-22)	29 February 2024	-	-	-	-
Total		**3**	**11**	**0**	**4**

Source: Records of O/o the Accountant General (Audit), Manipur.

94 Shakdher Committee under the Chairmanship of Shri. S.L Shakdher, formerly Chief Election Commissioner of India was formed (01 August 1992) with a view (i) to study the response of the State Government (and their public enterprises) to the Audit Reports of CAG and the response of the State Governments to the recommendations of the respective PAC/ CoPU in the context of the Audit Reports; and (ii) to examine how far the Audit Reports of CAG are effective in enhancing the Executive's financial accountability to the Legislature in the States.

95 As per the prescribed time schedule, *suo moto* replies to be furnished within three months in case Audit Paragraphs are not selected by the PAC/ CoPU during this period.

From **Table 4.1.11**, it could be seen that explanatory notes to four paragraphs relating to two SPSEs[96], included in the Audit Reports 2013-14 and 2019-20 respectively, were not submitted by the State Government (September 2025).

4.1.14 Discussion of Audit Reports by CoPU

The status as on 30 April 2025 of Performance Audits (PAs) and compliance Audit paragraphs relating to SPSEs that appeared in the Audit Reports of CAG for the last nine years (2013-14 to 2021-22) and discussed by the Committee on Public Undertakings (CoPU) is shown in **Table 4.1.12**.

Table 4.1.12: Position on discussion of Audit Reports by CoPU

Period of AuditReport[97]	Number of performance audits/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	Nil	3	Nil	Nil
2014-15	2	1	Nil	1
2015-16	Nil	2	Nil	2
2016-17	Nil	1	Nil	1
2017-18	Nil	1	Nil	Nil
2018-19	1	2	1	2
2019-20	Nil	1	Nil	Nil
2021-22 (combined Audit Report for the years 2020-21 and 2021-22)	Nil	Nil	Nil	Nil
2022-23	Nil	Nil	Nil	Nil
Total	**3**	**11**	**1**	**6**

Source: Records of O/o the Accountant General (Audit), Manipur.

From the **Table** above, it may be seen that two PAs and five compliance audit paragraphs had been pending discussion by the CoPU.

4.1.15 Compliance to Reports of the CoPU

Action Taken Notes (ATNs) relating to 122 recommendations pertaining to six Reports of the CoPU presented to the State Legislature between March 1986 and March 2023 had not been received from the Government (30 September 2025) as indicated in the following **Table 4.1.13**.

Table 4.1.13: Compliance to CoPU Reports

Year of COPU Report	Total number of CoPU Reports	Total No. of recommendations inCoPU Report	No. of recommendations where ATNs not received
10th Report (1986-87)	1	8	8
11th Report (1995-96)	1	53	53
12th Report (1998-99)	1	9	9
13th Report (2010-11)	1	40	40
14th Report (2018-19)	1	4	4
15th Report (2022-23)	1	8	8
Total	6	122	122

Source: Records of O/o the Accountant General (Audit), Manipur.

[96] Manipur Tribal Development Corporation Limited and Manipur Police Housing Corporation Limited.

[97] For periods prior to 2013-14, 37 audit paragraphs (6 performance audits and 31 compliance audit paragraphs) pertaining to Audit Reports for the years from 1995-96 to 2006-07, 2009-10 and 2012-13 are yet to be discussed by CoPU.

The above Reports of CoPU contained recommendations in respect of paragraphs pertaining to the five departments of the State Government, which appeared in the Reports of the CAG of India for the years 1983-84 to 2016-17.

Recommendation: State Government may review and revamp the mechanism of responding to audit observations. The Government may ensure that responses and explanatory notes to draft paragraphs/ performance audits and ATNs on the recommendations of CoPU are provided as per the prescribed time schedule and the loss/ outstanding advances/ overpayments flagged in audit are recovered within the prescribed period.

This chapter contains one Performance Audit and one compliance audit paragraph as discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

DEPARTMENT OF POWER

4.2 "The System of Energy Billing and Collection of Revenue by Manipur State Power Distribution Company Limited (MSPDCL)".

Highlights:

- ***The Company could not achieve the target of 100 percent metering set by Joint Electricity Regulatory Commission (JERC) (Manipur and Mizoram) (M&M) as 65,587 consumers were unmetered out of total 5,60,238 consumers.***

  (Paragraph 4.2.9.1)

- ***The Company had not completed the installation of feeder meters and Distribution Transformer (DT) meters. Percentage of installation of 11kV feeder meters was 57 per cent while the percentage of installation of DT meters was 15 per cent as on 31 March 2024.***

  (Paragraph 4.2.9.4)

- ***In the absence of energy meters, the Company prepared the energy bills of the unmetered consumers based on the formula which was already withdrawn by the JERC (M&M)[98].***

  (Paragraph 4.2.10.2)

- ***The Company has not yet updated computerised billing programme to facilitate adoption of power factor rebate/ surcharge.***

  (Paragraph 4.2.10.3)

- ***In the absence of energy meters, meter reading was not possible in respect of 65,587 unmetered consumers and the Company prepared the energy bills without ascertaining the actual quantum of energy consumed by these consumers.***

  (Paragraph 4.2.10.6)

[98] M&M: Manipur and Mizoram

- ***The Company could not achieve the target of revenue collection during 2018-19 to 2023-24. The percentage of revenue collected against the target set by the JERC ranged between 69 per cent and 90 per cent.***

  (Paragraph 4.2.12.1)

- ***The Company did not initiate adequate steps to recover the dues from the consumers or to disconnect the lines of the defaulted consumers. The position of outstanding revenue rose from ₹515.51 crore in 2018-19 to ₹691.09 crore as at the end of March 2024.***

  (Paragraph 4.2.12.3)

- ***The Company incurred avoidable expenditure of ₹10.33 crore towards payment of Late Payment Surcharge for delay in payment of power purchase bills.***

  (Paragraph 4.2.12.4)

- ***There was short remittance of revenue of ₹54.63 lakh with the possibility of the amount having been misappropriated.***

  (Paragraph 4.2.12.8)

- ***There was no Internal Audit Wing in the Company. IT security audit was conducted only once in 2021 by external agency during audit coverage period.***

  (Paragraph 4.2.13.2)

4.2.1 Introduction

The Manipur State Electricity Department (EDM) was unbundled and corporatised into two independent State-owned entities *viz.* Manipur State Power Company Limited (MSPCL) and Manipur State Power Distribution Company Limited (MSPDCL) with effect from 1 February 2014. MSPCL is the holding company with the core function of transmission, generation and operation of the State Load Despatch Centre (SLDC) while the distribution of power through 11 kV and below distribution lines and the implementation of the Energy Billing System (EBS) in the State is done by MSPDCL.

MSPDCL uses e-Billing software, a web-based platform for its billing and online payment and the system is managed by the in-house IT cell of MSPDCL while the data is hosted by M/s. Cyfuture India Limited with its Data Centre at Noida. The integrated IT billing system aimed to achieve:

- regular bill preparation, distribution and revenue collection for post-paid consumers;
- centralised monitoring and report generation for all post-paid and prepaid consumers;
- generation of prepaid recharge vouchers for different prepaid meter manufacturers from a single window/ platform.

For post-paid consumers, the system generates the bill online which can also be viewed by the consumers for payment of their bills through a payment interface. In case of post-paid consumers with meters, the respective sub-divisions feed the actual meter reading, while for un-metered consumers, the sub-divisions provide data of the number of hours supplied for a particular area for computation of energy bills using the formula provided by Joint Electricity Regulatory Commission (JERC), Manipur & Mizoram (M&M).

In the case of prepaid consumers, consumers can recharge their meter either at the designated counter by payment of cash as well as online portal pay upfront in amounts not less than ₹500. After their payment, MSPDCL server fetches a new voucher code from the corresponding Meter vendor[99]. Consumer finally punches in the voucher code into his/ her meter box. The prepaid interface is also integrated with recovery of outstanding dues of the consumers once the pre-paid meter is activated 20 *percent* of the amount of prepaid recharge value done by a consumer is adjusted towards outstanding dues of previous period (postpaid period, if any).

The integrated energy billing system became operational in August 2019. The entire consumer base is divided into 18 Revenue divisions. Each division is further broken down into multiple sub-divisions for easy administration and functioning. In total there were 49 Sub-divisions in the state.

4.2.2 Organisational Setup

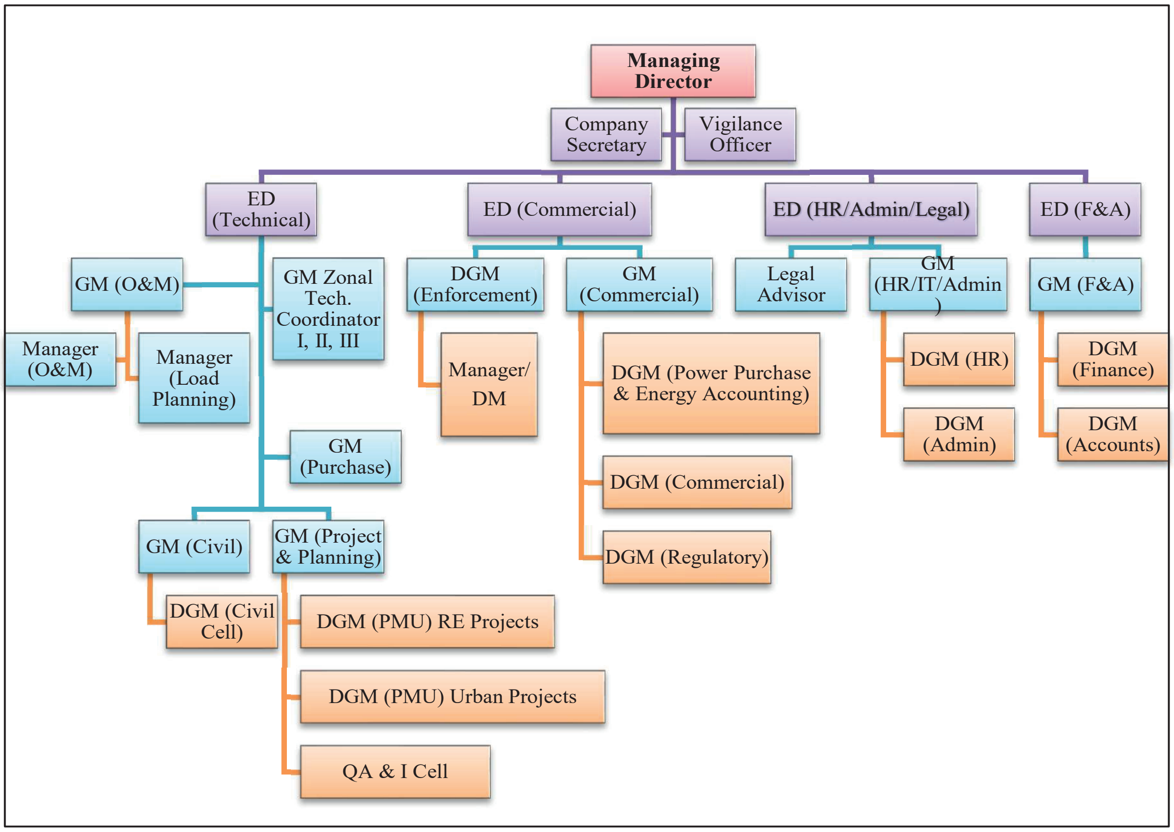
Manipur State Power Distribution Company Limited (MSPDCL) functions under the administrative control of the Department of Power, Government of Manipur. The Management of MSPDCL is vested with a Board of Directors appointed by the State Government. The day-to-day operations are carried out by the Managing Director (MD), who is the Chief Executive of MSPDCL, with the assistance of four Executive Directors (EDs)[100].

[99] Three vendors namely HPL Meters, Genus Meters and Secure Meters

[100] (i) Technical, (ii) Commercial, (iii) HR/ Admin/ Legal & (iv) Finance & Accounts

The organisational hierarchy of MSPDCL is depicted in **Chart 4.2.1**.

Chart 4.2.1: Organisational hierarchy of MSPDCL



4.2.3 Audit objectives

The objectives of the Performance Audit were to ascertain:

1. the adequacy of the IT-enabled energy billing system adopted by MSPDCL for both Pre-paid and Post-paid consumers;
2. whether the metering and energy billing were managed economically, efficiently & effectively;
3. steps taken to improve customer service and satisfaction;
4. whether Company's revenue is collected promptly and arrears are not allowed to accumulate; and
5. the existence of an adequate monitoring and internal control system.

4.2.4 Scope of Audit and Methodology

The Performance Audit of "The System of Energy Billing and Collection of Revenue by MSPDCL" was conducted covering the period from 2018-19 to 2023-24. Audit includes scrutiny of records of the Corporate Office and six[101] sampled divisions/ offices of the Deputy General Managers (DGMs) of MSPDCL.

[101] Out of six sampled divisions, only four divisions could be covered due to law-and-order situation. However, information/ data available in respect of the two remaining divisions (Churachandpur and Kangpokpi) were also incorporated in the Report.

An Entry Conference was held on 14 July 2023 with the management of MSPDCL in which the audit objectives, criteria to be adopted and samples selected were explained. Exit Conference with Commissioner, Department of Power, Government of Manipur and management of MSPDCL was held on 13 February 2025 where the audit findings were discussed. The draft report was issued to the State Government/ MSPDCL on 13 December 2024. The replies of the Company received on 13 February 2025 are incorporated in the respective paragraphs in the report.

4.2.5 Audit Criteria

The audit criteria for assessing the achievements of audit objectives were derived from the following:

- the Electricity Act, 2003;
- the Information Technology Act, 2000;
- Joint Electricity Regulatory Commission (JERC), Manipur & Mizoram (M&M) Electricity Supply Code Regulations, 2013;
- Tariff orders issued by the JERC for (M&M);
- Agenda and Minutes of Board of Directors' meeting (BoD), circulars and orders of MSPDCL;
- General Financial Rules, 2017 & Central Treasury Rules;
- User Manuals/ operation manual of the IT systems;
- MSPDCL's IT Policy including access controls; and
- National Tariff Policy.

4.2.6 Financial performance

The financial performance of MSPDCL for the period 2018-19 to 2023-24 as per annual accounts of MSPDCL is depicted in **Table 4.2.1** below:

Table 4.2.1: financial performance of MSPDCL for the period 2018-19 to 2023-24

(₹ in crore)

Sl. No.	Particulars	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
1	Paid up Capital	10.05	10.05	10.05	10.05	10.05	10.05
2	Long Term Borrowings	334.86	360.06	467.55	451.95	619.41	729.98
3	Accumulated Losses	(-) 116.08	(-) 130.69	(-) 145.58	(-) 156.70	(-) 285.86	(-) 294.81
4	Total revenue	645.69	667.74	721.35	911.29	820.09	931.80
5	Total expenditure	652.20	673.59	728.28	921.03	936.46	943.76
6	Financial cost	0.01	0.11	2.73	10.12	18.56	29.43
7	Profit/ Loss of the year	(-) 6.51	(-) 5.85	(-)6.93	(-) 9.74	(-) 116.37	(-) 11.96

(*Source: Annual accounts of MSPDCL*)

4.2.7 Sample selection

MSPDCL has three Electrical Circles, 18 Divisions and 46 Sub-Divisions which are involved in energy billing and collection of revenue from sale of power. For sample selection of divisional offices, a minimum of 30 *per cent* of the total number of the divisional offices were selected on the basis of 'Stratified Random Sampling' based on average revenue actually collected during the last five years.

4.2.8 Acknowledgement

Audit acknowledges the co-operation extended by the MSPDCL and sampled units, during the conduct of the Performance Audit.

Audit Findings

The results of the Performance Audit are discussed in the succeeding paragraphs.

4.2.9 Audit Objective: To ascertain adequacy of the IT-enabled energy billing system adopted by MSPDCL for both Pre-paid and Post-paid consumers

4.2.9.1 Existence of unmetered connections

As per Electricity Act, 2003, no service connection be released without meter. Para 5.1 of the JERC (M&M) Electricity Supply Code Regulations, 2013 also provides that no installation shall be serviced without meter that conform to requirements as laid down in the Central Electricity Authority (Installation & Operation of Meters) Regulations, 2006 and all subsequent amendments issued under Section 55 of the Electricity Act.

Further, JERC (M&M) in its Tariff Orders for the financial years 2019-20 to 2023-24, directed MSPDCL to install meters for all its consumers. As per the Tariff Orders, 100 *per cent* metering was to be achieved within September 2019.

As of 31 March 2024, there were 5,60,238 consumers in the State with a connected load of 1,296.57 MW under different categories as depicted in the **Table 4.2.2**.

Table 4.2.2: Consumers in the State under different categories

Sl. No.	Category of consumers	Number of consumers	Connected load (MW)
	LT Supply		
1	Kutir Jyoti	9,721	4.70255
2	Domestic	5,13,147	1,013.228
3	Non-Domestic (Commercial)	33,491	134.005
4	Public Lighting	504	1.7812
5	Public Water Works	20	0.24
6	Irrigation & Agriculture	53	0.219
7	Small Industry	1,270	12.26673
	Sub-Total	**5,58,206**	**1,166.44248**
	HT Supply		
1	Commercial	1,193	42.388
2	Public Water Works	221	14.993
3	Irrigation & Agriculture	18	0.781
4	Medium Industry	110	7.295
5	Large Industry	43	11.755
6	Bulk Supply	447	52.914
	Sub-Total	**2,032**	**130.126**
	Total	**5,60,238**	**1,296.56848**

(Source: Information furnished by MSPDCL)

Audit noticed that as of March 2024, out of the total of 5,60,238 consumers, 4,94,651 consumers (88 *per cent*) were metered, while the remaining 65,587 (12 *per cent*) were unmetered as shown in the **Table 4.2.3**.

Table 4.2.3: Metered and unmetered consumers as of March 2024

Category of consumers	Pre-paid	Post-paid Metered	Post-paid unmetered	Total
HT	668	660	704	2,032
LT	4,91,152	2,171	64,883	55,8206
Total	**4,91,820**	**2,831**	**65,587**	**5,60,238**

(Source: Information furnished by MSPDCL)

As such, there was inadequacy in metering as the target of 100 *per cent* metering set by JERC could not be achieved by MSPDCL even after a lapse of more than four years. In the absence of energy meters, the Company generated energy bills of the unmetered consumers based on the formula LxHxFxD[102] as prescribed by JERC (M&M) irrespective of the actual quantum of energy consumed by the unmetered consumers.

The Company in its reply (February 2025) acknowledged the gaps while stating that all new connections are provided with prepaid meters and targets to achieve the balance by March 2025.

4.2.9.2 Non-installation of Energy Meters

As per Electricity Act, 2003, no service connection be released without meter. Para 5.1 of the JERC (M&M) Electricity Supply Code Regulations, 2013 also provides that no installation shall be serviced without meter that conform to requirements as laid down in the Central Electricity Authority (Installation & Operation of Meters) Regulations, 2006 and all subsequent amendments issued under Section 55 of the Electricity Act.

Para 5.2 states that, for Low Tension (LT) loads, Miniature Circuit Breakers (MCBs) and, for High Tension/ Extra High tension (HT/ EHT) loads, Circuit breakers (CBs) of appropriate rating and specifications shall be installed along with the meter.

Further, JERC (M&M) in its Tariff Orders, directed MSPDCL to install meters for all its consumers. As per the Tariff Orders, 100 *per cent* metering was to be achieved within September 2019. It was, however, noticed in audit that MSPDCL was yet to complete the installation of meters even for the HT consumers as of March 2024. The status of installation of energy meters in respect of HT consumers is shown in **Table 4.2.4**.

[102] L= Connected load in kW or billing demand in KVA.
H= Total number of hours in a month during which power is actually supplied to that consumer through that feeder/through that DT concerned whichever is less.
F= Load factor.
D= Demand factor.

Table 4.2.4: Status of installation of energy meters in respect of HT consumers

As on	Total Nos. of HT consumers in the State	Total Nos. of HT consumers with meters (*percentage*)	Total Nos. of HT consumers without meter (*percentage*)
31 March 2019	1194	NA	NA
31 March 2020	1401	NA	NA
31 March 2021	1747	1016 *(58)*	731 *(42)*
31 March 2022	1866	1122 *(60)*	744 *(40)*
31 March 2023	1913	1251 *(65)*	662 *(35)*
31 March 2024	2032	1328 *(65)*	704 *(35)*

(Source: Information furnished by MSPDCL)

As could be seen from the Table above, the percentage of installation of energy meters ranged between 58 *per cent* and 65 *per cent* during 2020-21 and 2023-24 while information for the years 2018-19 and 2019-20 were not available with MSPDCL.

Scrutiny of records in the six sampled Divisions also revealed the existence of unmetered post-paid consumers both in the HT and LT categories as of 31 March 2024 as shown in **Table 4.2.5**.

Table 4.2.5: Unmetered post-paid in HT and LT categories in six sampled Divisions as of 31 March 2024

Period upto	Total no. of HT consumers	Total no. of unmetered HT consumers	Total no. of LT consumers	Total no. of unmetered post-paid LT consumers
31 March 2024	954	292	3,21,311	38,375

(Source: Information furnished by MSPDCL)

MSPDCL's persistent inability to ensure 100 *per cent* metering, despite explicit provisions in the Electricity Act, 2003, the JERC (M&M) Electricity Supply Code Regulations, 2013 and repeated directions in Tariff Orders, constitutes a serious regulatory non-compliance. As of March 2024, 35 *per cent* of HT consumers and 38,375 LT post-paid consumers remained unmetered, undermining accurate energy accounting, facilitating potential revenue leakage, and impairing effective demand-side management. The absence of complete metering not only violates statutory requirements but also exposes the utility to continued commercial losses and weakens its ability to enforce billing discipline.

The Company in its reply (February 2025) stated that it has initiated the installation of smart meters for all Distribution Transformers (DTs) including those serving HT consumers, and the project is expected to be completed by 2025-26.

4.2.9.3 Non-installation of Smart meters

Smart meters have the advantages of remote metering and billing, implementation of peak and off-peak tariff and demand side management through demand response. In order to enable energy audit in the distribution system, all distribution companies shall ensure smart meters in their electricity system throughout the chain from transformers at 132 kV level right down to distribution transformer level at 11 kV and further down to each consumer.

The National Tariff Policy issued (28 January 2016) by the Government of India mandated smart meters[103] for:

a. Consumers with monthly consumption of 500 units and more at the earliest but not later than 31 March 2017;
b. Consumers with monthly consumption above 200 units by 31 December 2019.

Audit scrutiny however revealed that MSPDCL was yet to install any Smart Meters as of March 2024. Thus, the mandatory target for installation of Smart Meters as per the National Tariff Policy was not met besides depriving MSPDCL of easier monitoring mechanisms. This lapse not only violated statutory targets for consumers with higher monthly consumption but also deprived the utility of critical benefits such as remote metering and billing, implementation of peak/ off-peak tariffs, demand-side management, and comprehensive energy auditing across the distribution network, thereby perpetuating inefficiencies, revenue leakages, and weak load management.

The Company in its reply (February 2025) stated that a pilot phase was rolled out under the Revamped Distribution Sector Scheme (RDSS) where 2,263 smart meters were installed out of the total 1,54,000 provisioned and targets to achieve 50 *per cent* by 2025-26.

4.2.9.4 Non-completion of installation of Feeder meter and DT meter

As per JERC (M&M) Tariff Orders issued during 2018-19 to 2023-24, MSPDCL was to complete installation and energisation of all 11 kV feeder meters by September 2018 and calculate the energy injected by MSPCL to MSPDCL on monthly basis. MSPDCL was also to complete the Distribution Transformer (DT) metering by September 2018 and conduct a case study of feeder wise energy loss for all 11 kV lines. MSPDCL was further directed to come-up with LT line loss for individual DT fed LT lines.

Audit noticed that MSPDCL had not completed the installation of feeder meter and DT meters as of March 2024. The status for the last six years is shown in the **Table 4.2.6**.

Table 4.2.6: Status of installation of feeder meter and DT meters as of March 2024

Year	Total Nos. of 11 kV feeders in the State	Total Nos. of 11 kV feeders where meters installed *(percentage)*	Total Nos. of DTs	Total Nos. of DTs where meters installed *(percentage)*
2018-19	188	146 *(78)*	7,391	NA
2019-20	192	148 *(77)*	8,061	NA
2020-21	192	148 *(77)*	8,205	1,016 *(12)*

[103] They have General Packet Radio Service (GPRS) enabled communication device (Modem) for enabling meter reading from consumers premises to the data centre of the Company remotely without human intervention.

Year	Total Nos. of 11 kV feeders in the State	Total Nos. of 11 kV feeders where meters installed *(percentage)*	Total Nos. of DTs	Total Nos. of DTs where meters installed *(percentage)*
2021-22	216	134 *(62)*	8,593	1,122 *(13)*
2022-23	232	133 *(57)*	8,743	1,255 *(14)*
2023-24	232	133 *(57)*	9,139	1,332 *(15)*

Source: Information furnished by the Corporate Office, MSPDCL

As could be seen from the Table above, the status of installation of feeder meters and DT meters was as under:

- During 2018-19, against the 188, 11 kV feeder, 146 (78 *per cent*) feeder meter were installed whereas in 2023-24, 133 (57 *per cent*) feeder meter were installed against 232, 11kV feeder in the State.
- There was no DT meter during 2018-19 and 2019-20. In 2023-24, only 1332 (15 *per cent*) DT meter were installed against total 9139 DTs in the State.

Due to non-completion of installation of Feeder meters and DT meters, feeder wise energy loss for all 11 kV lines and LT line loss for individual DT fed LT lines could not be ascertained.

The Company stated that Smart Metering Project for all 11 kV feeders and DTs has commenced under the Revamped Distribution Sector Scheme (RDSS) with targeted completion by 2025-26.

The MSPDCL had not achieved 100 *per cent* metering of its consumers till March 2024 though the target set by JERC (M&M) was September 2019. The company was yet to install any smart meters as of March 2024 as per the National Tariff Policy, 2016. As on March 2024 the company could achieve installation of 57 *per cent* metering of 11 kV feeder and 15 *per cent* metering of DTs.

4.2.9.5 Overall Conclusion:

The Manipur State Power Distribution Company Limited (MSPDCL) has significantly lagged in implementing the mandated installation of feeder and distribution transformer (DT) meters, despite clear targets set by the Joint Electricity Regulatory Commission (JERC) and provisions under the National Tariff Policy. Over the six-year period from 2018-19 to 2023-24, meter installation coverage for 11 kV feeders declined in percentage terms, and DT metering remains critically low at only 15 *per cent*. This persistent shortfall has hindered accurate assessment of technical and commercial losses, limiting the company's ability to undertake effective loss reduction measures. Although the Smart Metering Project under the Revamped Distribution Sector Scheme is underway, its delayed completion target of 2025-26 indicates continued operational inefficiencies and regulatory non-compliance.

Recommendations:

The Company may consider-

- ***prioritising completion of feeder and DT metering within the next 12 months, with quarterly milestones and penalties for contractors for delays.***
- ***adopting sampling-based energy audit methods to estimate feeder-wise and DT-wise losses, enabling targeted corrective measures until full metering is achieved.***
- ***establishing a dedicated project management unit to oversee the Smart Metering Project to ensure vendor performance tracking, and report progress monthly to the regulator and the Board.***

4.2.10 Audit Objective: To ascertain whether the metering and energy billing were managed economically, efficiently & effectively

4.2.10.1 Non-installation of Maximum Demand Indicator Meter

As per the JERC (M&M) Tariff Orders for the years 2018-19 to 2023-24 (Directive-17), MSPDCL was to install Maximum Demand Indicator (MDI) meters for all high value connections.

Audit noticed that MSPDCL did not install MDI meters for the high value connections as it was evident from the fact that the MDI readings were not captured in the consumers' bills generated by MSPDCL for the high value connections.

As per Clause 2.3 (12) of the JERC (M&M) Electricity Supply Code Regulations, 2013 Billing Demand means the highest of the following:

(i) The contract demand; or

(ii) The maximum demand indicated by the meter during the billing cycle; or

(iii) The sanctioned load wherever contract demand has not been provided in the supply agreement.

In the absence of MDI meters, MSPDCL defaulted to billing high-value consumers solely on contract demand, without recording actual maximum demand. This practice creates a systemic risk of short-billing demand charges, resulting in potential and recurring revenue losses for the utility. Furthermore, it undermines billing accuracy, weakens revenue assurance mechanisms, and reflects gaps in regulatory compliance and operational oversight.

The Company acknowledged the lapse and stated that it has now incorporated MDI readings in the bills of high tension (HT) consumers.

4.2.10.2 Computation of energy consumed for unmetered supply.

No installation should be serviced without appropriate and correct meter. MSPDCL is responsible to install energy meters for all categories of consumers. The formula for computation of energy consumed for unmetered supply was withdrawn *vide* JERC (M&M) Tariff Order 2019-20.

Audit however noticed that out of 2,032 HT postpaid and 5,58,206 LT postpaid consumers in the State, there were 704 unmetered HT postpaid and 64,883 unmetered LT postpaid consumers respectively as of March 2024.

Audit noticed that in the absence of energy meters, MSPDCL continued to prepare the energy bills for the unmetered consumers by adopting the formula LxHxFxD[104] as per the Tariff order for the financial year 2018-19, irrespective of the actual quantum of energy consumed by the consumers.

Thus, in-spite of aforesaid withdrawal of the formula for computation of energy consumed for unmetered supply by JERC (M&M) Tariff Order, MSPDCL, did not install the energy meters, continued to prepare the energy bills of the unmetered consumers by adopting the already withdrawn formula. The preparation of energy bills of the consumers on the basis of formula was against the Tariff orders and the actual quantum of energy consumed could not be verified.

The Company in its reply stated that best efforts are being given to ensure 100 *per cent* metering at the earliest and to avoid accumulation of consumers' electric usage charges, they are being served unmetered bills. However, the fact remained that the energy meters were not installed.

4.2.10.3 Rebate/ Surcharge for availing supply at voltage higher/ lower than base voltage

General Conditions of Supply (Paragraph 1.2) of the Tariff Order 2018-19 to 2023-24 allows rebate to those who avail supply at higher voltage than the classified supply voltage for corresponding load as per clause 3.2 of the JERC (M&M) (Electricity Supply Code) Regulations, 2013. Those availing at lower voltage than the specified voltage shall be levied surcharge. The rebate/ surcharge shall be applied as detailed below:

(i) For consumers having contracted load upto 50 kW - if the supply is given at HV/ EHV, a rebate of 5 *per cent* would be admissible on the rate of energy charge and fixed charge of the applicable tariff.

(ii) For consumers having contracted load above 50 kW-if the supply is given at voltage lower than the base voltage for corresponding load as

[104] L=contracted load in KW or billing demand in KVA
H=Total number of hours in a month during which power is actually supplied to that consumer through that feeder/ through that DT concerned whichever is less.
F= Load factor
D=Demand factor

per clause mentioned above, the consumer shall be required to pay an extra charge of 10 *per cent* on the bill amount (Energy charge + Fixed charge) calculated at the applicable tariff.

JERC (M&M) in its Tariff Order for 2023-24 (Directive 21) directed that MSPDCL should up to date computerised billing programme to facilitate adoption of power factor rebate/ surcharge as indicated in the tariff schedule.

It was, however, noticed in audit that MSPDCL had not yet updated computerised billing programme to facilitate adoption of power factor rebate/ surcharge. MSPDCL had not complied with the provisions of Paragraph 1.2 of the Tariff Orders (2018-19 to 2023-24) and Directive 21 of the JERC (M&M) Tariff Order 2023-24 by omitting to update its computerised billing programme to implement the mandated power factor rebate/ surcharge mechanism. This lapse has resulted in systemic non-enforcement of tariff provisions - eligible consumers had not received the rebates due to them, and defaulters operating below the prescribed voltage had not been charged the applicable surcharge.

The non-operationalisation of this functionality has led to potential financial losses from unrecovered surcharge, denial of legitimate benefits to compliant consumers and continued billing inefficiencies. It also reflects weak internal controls over tariff implementation and undermines transparency and fairness in billing practices.

MSPDCL assured that computerised billing program to enable the implementation of power factor rebates and surcharges will be addressed through the installation of smart meters under RDSS commencing from 2025-26 onwards.

4.2.10.4 Annual Review of Contract Demand

As per Paragraph 4.108 of the JERC (M&M), Electricity Supply Code Regulations, 2013, in case of High Tension (HT) and Extra High Tension (EHT) connections, if the maximum demand was recorded to be in excess of contract demand by five *per cent* or more for at least four times during the last financial year, the licensee should issue a 30 day notice to the consumer for submitting an application form for enhancement of load. If there was no response from the consumer by the end of the notice period, the licensee should start the procedure for enhancing the consumer’s contract demand to the average of four readings of maximum demand shown by the consumer’s Maximum Demand Indicator (MDI) meter in the last financial year. In case of LT connections, similar review shall be carried out for connections equipped with an MDI meter.

It was, however, noticed in audit that the maximum demand indicated by energy meters during the billing cycle was not captured in the energy bills of the HT consumers and LT consumers due to non-installation of MDI meters. Consequently, annual review of contract demand was not carried out in respect of both HT and LT consumers. This resulted in non-compliance of the JERC (M&M), Electricity Supply Code Regulations, 2013. This lapse has also prevented automatic detection and correction of under-contracted loads, allowing consumers to continue drawing power in excess of their sanctioned demand without corresponding contract demand enhancement. The impact includes potential loss of revenue from unbilled demand charges, inefficient utilisation of network capacity, and non-compliance with regulatory requirements, ultimately weakening the company's load management and billing accuracy.

The Company in its reply (February 2025) stated that DT meters for all DTs and HT consumers in the state will be installed under RDSS. These meters shall have the capability to detect any surge in load that exceed the sanctioned load and disconnect temporarily as a warning to the consumer. The execution of the work is targeted for completion by 2025-26.

4.2.10.5 Incorrect Billing of Temporary Connections

Temporary connection shall be granted for a maximum period of three months at a time. For extension of the period of temporary supply the procedure is detailed in clause 4.68 of JERC (M&M) Electricity Supply Code Regulations, 2013. Temporary power supply shall be given through correct meter and carried out as per procedure laid down in clause 4.56 to 4.70 of the JERC for Manipur & Mizoram (Electricity Supply Code) Regulations, 2013.

Before release of the connection, probable consumption was to be assessed and consumption of energy for temporary connection shall be: -

Units assessed = Assessed Connected Load x Number of days x 24 hours x 0.5

and energy charges and demand charges were to be billed at 1.5 times of the highest applicable tariff of the category applicable.

The analysis of billing records for four temporary electricity connections revealed substantial under-billing due to incorrect application of tariff categories and possibly flawed assessment methodology. The total under-billed amount across the sampled cases amounted to ₹3,44,769, representing a significant revenue leakage for MSPDCL.

In each case, the actual energy and fixed charges, calculated based on connected load, duration, and applicable prevailing tariff, were markedly higher than the amounts billed. The shortfall arose primarily from:

- Presumption of tariff category without proper verification, leading to lower tariff rates being applied.
- Assessment based on reduced load factors rather than actual applicable load and consumption duration.

The impact is twofold: direct financial loss to the utility from uncollected dues, and non-compliance with prescribed billing procedures, which undermines billing integrity and creates scope for disputes and irregular practices.

Thus, incorrect billing for temporary connections resulted in under billing of ₹3.45 lakh between 2019-22 (details shown at ***Appendix 4.4***).

The Company replied (February 2025) that the number of hours adopted was as per feeder data of power availability. The reply is not acceptable as JERC regulation specifically states the 24 hours to be adopted for calculation of energy charges. The Company was in violation of JERC norms by adopting number of hours as per feeder data instead of 24 hours specified by JERC for these cases.

4.2.10.6 Non-reading of Consumers' Meters

Paragraph 5.17 of the JERC (M&M) Electricity Supply Code Regulations, 2013 provides that the meter shall be read once in every billing cycle and the consumer shall extend all facilities to the licensee or his authorised representatives to read the meter.

Paragraph 5.22 of the Code *ibid* provides that in case, for any reason, the meter is not read during a billing cycle, the licensee shall prepare a provisional bill based on the average consumption of last three billing cycles when readings were taken. Such provisional billing shall not continue for more than two billing cycles at a stretch and the licensee shall not generate more than two provisional bills for a consumer during one financial year.

It was noticed in audit that there were 704 numbers of unmetered HT consumers out of 2,032 HT consumers in the State as of March 2024. In respect of LT consumers, 64,883 numbers of consumers were unmetered out of total 5,58,206 numbers of LT consumers. In the absence of energy meters, reading of meters was not possible in respect of these 65,587 consumers. Consequently, MSPDCL had to prepare the energy bills by adopting the formula for preparation of bills for the unmetered consumers. Consequently, loss of revenue cannot be ruled out.

Audit, thus, observed that MSPDCL did not comply with the provisions of JERC Regulations regarding the reading of meters in every billing cycle. The absence of meters made it impossible to record actual consumption, resulting in billing based on estimation formulas rather than actual readings. This practice not only violates regulatory provisions but also exposes MSPDCL to significant revenue risk, as consumption may be understated and potential energy losses remain unidentified. It further undermines billing accuracy, transparency, and the utility's ability to detect theft or inefficiencies in the distribution network.

The Company replied (February 2025) that efforts are being made to expedite the installation of meters for the unmetered consumers.

4.2.10.7 Testing of Meters

As per Para 5.28 JERC (M&M) Electricity Supply Code Regulations, 2013, the licensee shall conduct periodical inspection/ testing and calibration of the meters as specified by the Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006 and all subsequent amendments.

Further Para 5.29 of the regulations *ibid* provides that the licensee shall conduct periodical inspection/ testing of the meters as per the following schedule:

(1) Single phase meters: *Once in five years*
(2) LT 3-phase meters: *Once in every three years*
(3) HT meters including MDI: *Annually*

Wherever applicable, Current Transformer (CT) and Potential Transformer (PT) shall also be tested along with meters.

As per information furnished to audit, there were 1,328 numbers of metered HT consumers (Pre-paid-668; Post-paid metered-660) and 4,93,323 numbers of metered LT consumers (Pre-paid-4,91,152; Post-paid-2,171) as of March 2024 in the State. In respect of the six sampled Divisions, there were 662 numbers of metered HT consumers (pre-paid-244; Post-paid-418) and 2,82,936 numbers of metered LT consumers (Pre-paid-2,81,797; Post-paid-1,139) as of March 2024.

It was, however, noticed in audit that MSPDCL/ Divisions did not have any system of periodical inspection/ testing of meters as specified by the Central Electricity Authority (Installation and Operation of Meters) Regulations, 2006 and all subsequent amendments.

Further, Section 163 of Electricity Act, 2003, authorises the Distribution Company to enter the premises of a consumer for inspection and testing the apparatus.

MSPDCL stated (February 2025) that it analysed periodical recharge patterns for prepaid meter consumers after analysing the recharge history of the last six months and inspections were carried out at the premises of consumers whose prepaid recharge pattern deviates from the average consumption pattern. Physical verification of consumer meters was also conducted when consumers complain about excessive meter reading. The reply of MSPDCL is silent about its policy for regular inspection and testing of the consumers' apparatus. Moreover, no analysis/ study was conducted with regard to post-paid consumers and MSPDCL did not have a specific policy in this regard. The Company assured that sample based testing and calibration of meters would be conducted from 2025-26 onwards.

Instead of adhering to the mandated schedule, MSPDCL relied on ad-hoc inspections triggered by abnormal prepaid recharge patterns or consumer complaints, with no inspection system for post-paid consumers. This regulatory non-compliance, coupled with the absence of a structured policy and manpower constraints, has compromised assurance over meter accuracy, increased the risk of billing errors and revenue leakage, and weakened consumer confidence in billing integrity.

4.2.10.8 Monthly joint meter reading of the 11 kV incoming meter

As per the JERC (M&M) Tariff Orders for the years 2018-19 to 2023-24 (Directive-30), MSPDCL along with MSPCL (Transmission Company) was to conduct monthly joint meter reading of the 11 kV incoming meter (which is the injection point of energy from MSPCL to MSPDCL). The JERC further directed

MSPDCL to complete the installation and energisation of all 11 kV feeder meters by September 2018 and calculate the energy injected by MSPCL to MSPDCL on monthly basis. MSPDCL was further directed to complete the DT metering by September 2018 and conduct a case study of feeder-wise energy loss for all 11 kV lines.

In response to the directive, MSPDCL admitted that energy accounting through DT metering could not be done and 100 *per cent* metering could not be completed due to non-availability of meters. It was further stated that month wise feeder-wise energy report is required to be reconciled with MSPCL and State Load Despatch Centre (SLDC) report. MSPDCL, stated (February 2025), that joint meter reading with MSPCL was not conducted.

From the above facts, audit concludes that MSPDCL was yet to comply with the directives of the JERC with the result that the quantum of energy injected by MSPCL to MSPDCL on monthly basis as well as feeder-wise energy loss for all 11 kV lines could not be ascertained. Resultantly, MSPDCL could not ascertain the quantum of energy loss and identification of theft in particular feeder could not be done.

The Company stated (February 2025) that Smart Metering Project for 11 kV feeder and DTs has been initiated under RDSS with the installation of 80 feeder meters out of the total 230 11 kV feeder meters till date and targets to cover all 230 feeders by 2025-26. Once completed, all readings from the feeders can be fetched remotely at any point of time.

4.2.10.9 Delayed filing of Tariff Petition to JERC

MSPDCL files Aggregate Revenue Requirement (ARR) with JERC for determination of tariff. The ARR projects the revenue requirements to meet the costs in a year which can be passed on to consumers by way of tariff. The JERC reviews the ARR and issues Tariff Orders detailing the revenue requirement which can be passed on by MSPDCL to the consumers, by way of tariff.

The ARR for a year is required to be filed 120 days before commencement of the respective financial year, *i.e.,* by 30 November of the preceding year. Timely tariff fixation was mandatory under the Financial Restructuring Plan of the Government of India (GoI).

It was observed during audit that MSPDCL had delayed filing its ARR since the last six years The delay in filing ranged from 15 to 64 days as briefly depicted in the **Table 4.2.7**.

Table 4.2.7: Delay in filing ARR

Tariff Year	Due date for Filling	Actual date of filling	Delay (days)
2018-19	30-11-2017	15-01-2018	46
2019-20	30-11-2018	24-12-2018	24
2020-21	30-11-2019	31-12-2019	31
2021-22	30-11-2020	02-02-2021	64
2022-23	30-11-2021	24-12-2021	24
2023-24	30-11-2022	15-12-2022	15

(Source: Information furnished by the Corporate Office, MSPDCL)

As there was delay of 64 days in filing the ARR for 2021-22, the approval from JERC was also delayed. During the pendency of approval of the new tariff, the Tariff Order of the previous year (2020-21) was in effect till 30 April 2021 instead of 31 March 2021. The delay in submission of tariff petition for the tariff year 2021-22 ultimately resulted in lower revenue for one month *i.e.* April 2021. The Company replied (February 2025) that there was delay during 2021 due to delay in collection of data from divisions owing to Covid-19 pandemic.

MSPDCL consistently did not adhere to the prescribed timeline of 30 November for filing its Aggregate Revenue Requirement (ARR) for six consecutive years (2018-19 to 2023-24), with delays ranging from 15 to 64 days. This persistent non-compliance with JERC regulations and the Financial Restructuring Plan timelines directly impacts timely tariff determination.

The most significant consequence was in 2021-22, when a 64-day delay in filing led to a corresponding delay in issuance of the Tariff Order, forcing the company to operate on the previous year's tariff for April 2021. This resulted in foregone revenue from the higher revised tariff for that month, compounding financial strain. The justification citing COVID-19 for 2021-22 is untenable, as delays were a recurring pattern in all audited years, indicating systemic weaknesses in data consolidation, internal coordination and regulatory compliance

In absence of energy meters MSDPCL continued to prepare the energy bills for un-metered consumers by adopting a formula which was discontinued in 2019-20 and irrespective of energy actually consumed by the consumer. The Company adopted lesser number of hours than the prescribed number of hours for billing of four temporary connections. The Company suffered a revenue loss due to the absence of energy meters in 65,587 connections (HT: 2032 and LT: 64,803) for which the Company had prepared energy bill by adopting the formula. There was no system of periodical inspection/ testing of meter. Audit also noticed delays in filling of Tariff Petitions to JERC (M&M).

4.2.10.10 Overall Conclusion

The audit reveals systemic weaknesses in MSPDCL's metering, billing, and regulatory compliance processes, resulting in recurring revenue losses, billing inaccuracies, and persistent violations of JERC and CEA regulations. Key irregularities include non-installation of MDI meters for high-value consumers, continued use of a withdrawn formula for unmetered billing, non-implementation of mandated rebate/ surcharge mechanisms, omission to conduct annual contract demand reviews, under-billing of temporary connections, non-reading of meters for a significant share of consumers, absence of periodic meter testing, non-conduct of joint meter readings at injection points and chronic delays in filing tariff petitions. These lapses have led to substantial and recurring financial losses, weakened revenue assurance, poor load management, and reduced transparency in billing operations, undermining both regulatory compliance and consumer confidence.

Recommendations

The Company may consider-

- ***implementing a comprehensive metering and billing compliance plan with metering of all HT and LT consumers, prioritising high-value and unmetered connections.***
- ***completing DT and feeder metering as per RDSS timelines and initiate monthly joint meter readings with MSPCL.***
- ***establishing a data-driven energy accounting cell to reconcile injection, distribution, and billed energy, enabling theft detection and targeted loss reduction.***
- ***developing and enforcing a standard operating procedure for periodic meter testing, contract demand review, and timely ARR filings.***

4.2.11 Audit Objective: To ascertain whether steps taken to improve customer service and satisfaction was sufficient

4.2.11.1 Consumers complaints

The "JERC M&M" recognising the urgency and need for enhancing the levels of service to the electricity consumers in the State of Manipur and Mizoram accords high importance to the rights of the consumers. With the objective of safeguarding their interests, JERC M&M proposes that the Distribution Licensees (in the states of Manipur and Mizoram as defined in Clause 17 of Section 2 of Electricity Act, 2003, to the extent of its activities of distribution and supply of electricity) implement these "Redressal of Consumer Grievances" Regulations to streamline and simplify the process for registration and resolution of complaints. The Distribution Licensee shall have Internal Grievance Redressal Cells (IGRC) at different appropriate locations headed by officers of different levels of the Distribution Licensee and each Cell shall maintain a register for registering the complaints received. IGRC Level-I shall be the Local Office in-charge of the Distribution Licensee, IGRC Level-II shall be the Office in-charge of Division concerned and IGRC Level-III shall be the Office in-charge of Circle concerned.

The consumer complaints shall be duly registered under the above categories within two hours of the receipt of the complaint. In the event the grievance of the consumer is not redressed satisfactory to the consumer within the period specified in Schedule–I to these regulations and the consumer does not accept in writing of such satisfactory resolution of the grievance, the officer concerned of the IGR cell shall within three days forward the complaint together with his comments to the higher Level and the Forum for further action.

MSPDCL has not complied with the JERC (M&M) "Redressal of Consumer Grievances" Regulations, which mandate the establishment of Internal Grievance Redressal Cells (IGRC) at multiple levels and the maintenance of complaint registers. Audit observed that the Company maintained no records or data on consumer complaints received, their registration, or their resolution status.

This lapse undermines consumer rights protection, prevents effective monitoring of service quality, and obstructs regulatory oversight. The absence of complaint data also limits the Company's ability to identify recurring service issues, address systemic deficiencies, and demonstrate accountability in grievance redressal.

The Company stated (February 2025) that it had restructured (August 2023) the existing Consumer Grievances Redressal Forum in a 3-tier model headed by the Sub-Division Manager, Deputy General Manager and General Manager respectively. The Chairmen of all the three tiers were to maintain quarterly grievance report at all the three levels. During the period from 2022 to 2024, MSPDCL received and disposed 91,490 complaints.

4.2.12 Audit Objective: To ascertain whether Company's revenue is collected promptly and arrears are not allowed to accumulate

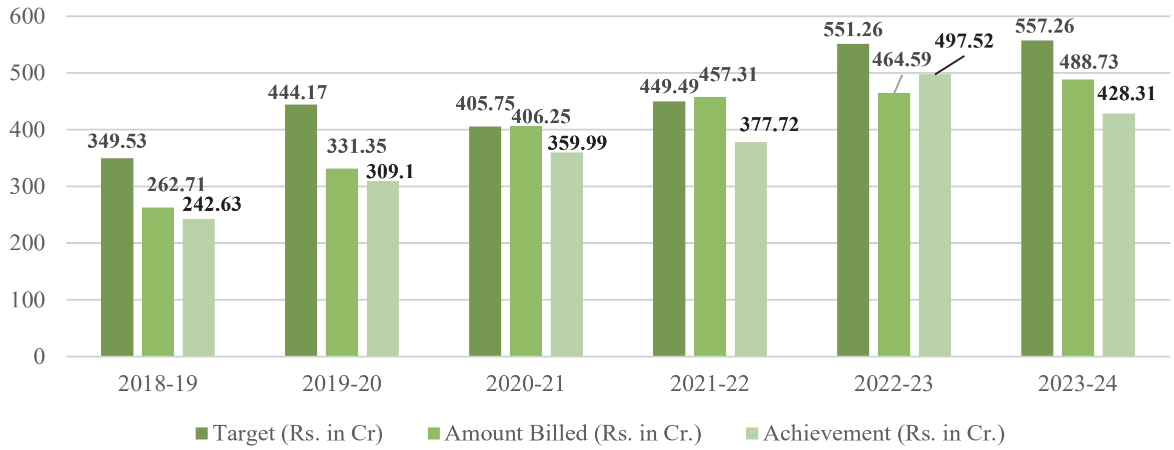
The revenue billed in respect of all categories of consumers is collected at respective Divisions/ Sub-divisions. It is imperative that revenue due to MSPDCL is collected promptly and recorded and arrears are not allowed to accumulate.

MSPDCL has 18 revenue divisions which maintain respective revenue account with scheduled banks. The deposited amount is transferred to MSPDCL's corporate account. The deficiencies in collection and remittance of revenue noticed during audit are highlighted in the subsequent paragraphs.

4.2.12.1 Shortfall in achievement of target of revenue collection

While finalising the Tariff Orders for MSPDCL, JERC (M&M) fixed the target for collection of revenue from distribution of energy by MSPDCL. It was, however, noticed in audit that MSPDCL did not achieve the target in each of the financial years covered by audit. The position of revenue target fixed *vis-a-vis* revenue collected by MSPDCL is depicted in the **Chart 4.2.2**.

Chart 4.2.2: Revenue Collected *w.r.t* Targets.



(*Source*: *Information furnished by the Corporate Office, MSPDCL*

As seen from the Chart above, the *percentage* of revenue collected against the target set by the JERC (M&M) ranged between 69 *per cent* (2018-19) and 90 *per cent* (2022-23) during the period covered by audit. Further, the Company could not achieve cent *per cent* revenue collection on amount billed except during the year 2022-23 indicating poor collection efficiency. As a result, the outstanding arrears continued to increase during the period covered by audit as discussed in **Paragraph 4.2.12.3.**

It was noticed in audit that MSPDCL approached (January 2023) the State Government with a proposal for waiver of all accumulated Surcharge amount and 70 *per cent* of Principal Energy charges. As per the proposal of MSPDCL, the overall outstanding dues as on 31 March 2014 was ₹425.73 crore (Accumulated Surcharge: ₹118.28 crore and Principal Energy charges: ₹307.45 crore). MSPDCL proposed the waiver scheme as under:

(a) For all non-State Government consumers, all the accumulated surcharge amount along with 70 *per cent* of the total Principal Energy charges amount be waived off against their total payable outstanding dues as on 31 March 2014.

(b) For all State government consumers, the consumers shall pay 100 *per cent* of their total payable outstanding dues as on 31 March 2014.

As per the proposed waiver scheme, MSPDCL was expected to recover an amount of ₹107.17 crore against the due amount of ₹425.73 crore. Since the outstanding dues were the cost of power purchase which were already paid to the Central Generating Companies from time to time, MSPDCL requested the State Government for subsidy of ₹318.56 crore to compensate the revenue loss of the same amount if the proposed waiver scheme is implemented. However, as on the date of audit (September 2024), the State Government was yet to approve the proposal of MSPDCL and, as such, the outstanding dues continued to increase and stood at ₹691.09 crore as of March 2024, resulting in continued accumulation of arrears and tying up funds equivalent to the cost of power already paid to generating companies, thereby straining the company's financial position and liquidity.

The Company in its reply (February 2025) stated that best efforts are being made to improve revenue collection by conducting regular raids of illegal connections/ tapping, recovering outstanding dues from prepaid recharges *etc.* With 100 *per cent* metering expected to be completed in near future, this issue can be effectively resolved.

4.2.12.2 Delay in release of subsidy by State Government

Section 65 of the Electricity Act, 2003 mandates the State Government to release subsidy amount due to the licensee in advance in each month so as to enable the licensee to implement the subsidised tariffs to their consumers as per Revised Subsidised Tariff Schedule. Hence, the State Government was to release the annual subsidy amount in advance in 12 equal monthly instalments. In the event of non-receipt of subsidy in any month from the government, the licensee (DISCOM) was to adopt the applicable Full Cost Tariff Schedule while issuing the monthly energy bill for that relevant month.

Scrutiny of records revealed that the State Government did not release the subsidy amount in advance in monthly instalments. The position of subsidy receivable from the State Government and the subsidy actually received by MSPDCL during the period covered by audit is depicted in **Table 4.2.8**.

Table 4.2.8: Subsidy receivable and received by MSPDCL from the State Government

(₹ in crore)

Year	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Subsidy receivable	301.70	219.55	172.48	285.38	301.38	300.93
Subsidy actually received	220.12	209.27	191.84	213.87	195.00	284.00
(+)Excess/(-) Short	(-) 81.58	(-) 10.28	(+) 19.36	(-) 71.51	(-) 106.38	(-) 16.93

Source: JERC Tariff Orders & information furnished by MSPDCL

As seen from the **Table 4.2.8** above, the State Government did not release the full amount of assured subsidy to MSPDCL in five out of six years covered by audit. Though MSPDCL did not receive the subsidy amount in advance from the State Government in monthly instalments, MSPDCL also did not adopt the full cost tariffs as mandated by the Electricity Act, 2003.

During the financial year 2020-21, MSPDCL received excess amount of subsidy to the extent of ₹19.36 crore (₹191.84 crore received against ₹172.48 crore). Since the tariffs were fixed by the JERC after considering the subsidy receivable from the State Government, MSPDCL had to sustain the losses due to non-receipt of full amount of subsidy from the State Government.

The State Government repeatedly did not to comply with Section 65 of the Electricity Act, 2003 by neither releasing the assured subsidy in full nor providing it in advance through 12 equal monthly instalments. In five out of six years covered by audit, MSPDCL received less than the subsidy amount determined by JERC, with shortfalls ranging from ₹10.28 crore to ₹106.38 crore.

Despite the shortfalls and delays, MSPDCL did not adopt the Full Cost Tariff Schedule as mandated in the absence of timely subsidy payments, thereby sustaining financial losses. Although there was an excess receipt of ₹19.36 crore in 2020-21, this was an exception, and overall subsidy deficits weakened MSPDCL's cash flow, increased reliance on borrowings and undermined its ability to fully recover the cost of supply as approved by the regulator.

The Company, in its reply (February 2025), stated that the Government of Manipur has been releasing subsidies on quarterly basis depending on availability of funds and has been supporting MSPDCL in meeting its Aggregate Revenue Requirement (ARR) gap.

4.2.12.3 Non-realisation of revenue from the consumers

The position of amount billed and revenue collected for sale of energy from the consumers during the period covered by audit (2018-19 to 2023-24) is depicted in **Table 4.2.9**.

Table 4.2.9: position of amount billed and revenue collected for sale of energy

(₹ in crore)

Year	Opening Balance of outstanding revenue	Amount billed	Amount collected	Percentage of collection	Closing Balance of outstanding revenue
2018-19	495.43	262.71	242.63	*92*	515.51
2019-20	515.51	331.35	309.10	*93*	537.76
2020-21	537.76	406.25	359.99	*89*	584.02
2021-22	584.02	457.31	377.72	*83*	663.61
2022-23	663.61	464.59	497.52	*107*	630.68
2023-24	630.68	488.73	428.32	*88*	691.09

Source: Information furnished by MSPDCL

As could be seen from the **Table 4.2.9** above, MSPDCL could not realise the whole of the billed amount during the financial years 2018-19 to 2021-22 and 2023-24. The *percentage* of amount collected as against the amount billed ranged between 83 *per cent* and 93 *per cent* during these five years while MSPDCL could achieve 107 *per cent* collection against the amount billed during the financial year 2022-23.

The outstanding revenue rose from ₹515.51 crore in 2018-19 to ₹691.09 crore as at the end of March 2024, which was attributable to the MSPDCL's inability to collect the entire billed amounts from the consumers.

Clause 6.32 of the JERC (M&M) Electricity Supply Code Regulations, 2013 stipulates issue of disconnection notices for default in payment of dues after a notice period of 15 days. However, MSPDCL did not disconnect defaulting consumers, indicating ineffective enforcement of recovery measures. Non-recovery of arrears from the consumers adversely impacted the financial condition of MSPDCL, as MSPDCL was further compelled to pay a surcharge for the late payment of bills to the Central Generating Stations as discussed at **Paragraph 4.2.12.4**.

The persistent non-recovery of arrears not only weakened MSPDCL's liquidity position but also compelled it to incur additional expenditure in the form of surcharge payments to Central Generating Stations for delayed settlement of dues.

The Company, in its reply (February 2025), stated that the total dues at ₹691.09 crore includes an amount of ₹425.73 crore (*61.60 per cent)* which was transferred over to the Company during unbundling of the Electricity Department and the Company is persistent in its efforts of recovering outstanding dues. However, the fact remains that the outstanding revenues continue to increase over the years, thus exposing the Company's inefficiency in revenue collection.

4.2.12.4 Payment of Surcharge due to late payment of Power Purchase Bills; avoidable expenditure of ₹10.33 crore

Regulation 59 of the CERC (Terms & Conditions of Tariff) Regulations 2019 provides that in case the payment of any bill for charges payable under these regulations is delayed by a beneficiary or long term customers as the case may be, beyond a period of 45 days from the date of presentation of bills, a late payment surcharge at the rate of 1.50 *per cent* per month shall be levied by the generating company or the transmission licensee, as the case may be.

Further, as per the Electricity (Late Payment Surcharge) Rules, 2021, all payments by a distribution licensee to a generating company or a trading licensee for power procured from it or by a user of a transmission system to a transmission licensee shall be first adjusted towards Late Payment Surcharge and thereafter, towards monthly charges, starting from the longest overdue bill.

Test check of records revealed that MSPDCL paid (March 2021) a sum of ₹15.00 crore to North Eastern Electric Power Corporation Ltd. (NEEPCO) towards purchase of power during 2017-18 to 2020-21. Further scrutiny of records disclosed that NEEPCO informed (March 2021) MSPDCL that an amount of ₹10.33 crore had been adjusted from the amount paid of ₹15.00 crore for outstanding Late Payment Surcharge (LPS). The late payment surcharge related to the period from 2017-18 to 2020-21.

In view of the above, it has been observed that MSPDCL had to incur avoidable expenditure of ₹10.33 crore towards payment of Late Payment Surcharge which could have been avoided had MSPDCL not defaulted in payment of power purchase bills. The lapse in ensuring timely payment of dues to generating companies not only violated regulatory provisions but also resulted in a significant and avoidable financial burden on MSPDCL, adversely impacting its already strained financial position.

The Company, in its reply (February 2025), stated that there was delay in payment due to inadequate funds which will be mitigated in the future by taking appropriate steps.

4.2.12.5 Non-disconnection despite accumulation of huge arrears

Paragraph 6.32 of JERC (M&M) (Electricity Supply Code) Regulations, 2013 provides that the licensee (MSPDCL) may issue a disconnection notice in writing, as per Section 56 of Electricity Act, 2003, to any consumer who defaults on his payment of dues, after giving him a notice period of 15 clear days to pay the dues.

Para 8.3 of the Code further provides that MSPDCL may disconnect the consumer's installation on expiry of the said notice period by removing the service line/ meter as MSPDCL may deem fit.

Test check of consumers' bills in respect of HT consumers in the six sampled Divisions[105]revealed that huge arrears were outstanding against some of the HT consumers. However, no disconnection was done in respect of these HT consumers inspite of having significant amount of arrears. The list of the HT consumers along with arrears against each of them are shown at **Table 4.2.10**.

Table 4.2.10: Statement showing outstanding arrears in respect of HT consumers as on 31 March 2024

(₹ in lakh)

Sl. No.	Name of Divisions	No. of HT consumers	Current bill	Previous arrears	Accumulated surcharge	Total
1	Imphal Electrical Division-I	16	21.09	578.17	567.14	1,166.40
2	Imphal Electrical Division-II	16	15.33	178.47	62.69	256.49
3	Imphal Electrical Division-III	11	8.60	73.93 4	26.59	109.13
4	Thoubal Electrical Division	22	34.23	465.76	160.92	660.91
5	Kangpokpi Electrical Division	13	6.79	120.44	24.97	152.21
6	Churachandpur Electrical Division	10	4.78	46.96	7.50	59.44
Total		**88**	**90.82**	**1,463.73**	**849.81**	**2,404.58**

Source: Documents of MSDPCL

As could be seen from the **Table 4.2.10** above, an amount of ₹24.05 crore remains outstanding in respect of 88 HT consumers as of March 2024. However, neither the Corporate office nor the Divisions initiated any steps to recover the dues nor disconnected the lines of the consumers in contravention of the provisions of the JERC (M&M) (Electricity Supply Code) Regulations, 2013. Division wise names of the consumers along with outstanding amount is shown in ***Appendix 4.5***. The inaction by both the Corporate Office and divisional offices not only reflects weak enforcement of recovery provisions but also contributed to the continued accumulation of arrears, adversely impacting MSPDCL's liquidity and its ability to meet power purchase obligations in a timely manner.

[105] IED-I, IED-II, IED-III, DGM Thoubal, DGM Churachandpur & DGM Kangpokpi Divisions

The Company, in its reply (February 2025, stated that disconnection notices had been served (between September 2023 to August 2024) to the defaulting consumers and some part payments have also been recovered from some of the consumers.

4.2.12.6 Non revision of tariff on supply of power

An agreement for supply of electricity to Tamu town in Myanmar was signed (5 March 2016) between MSPDCL and Tamu District Committee (TDC), Myanmar. It was agreed to draw 3 MW power through MSPCL's 11 kV, 33/ 11 kV substation at Moreh and the tariff for the supply was fixed at ₹6/ kWh till March 2017, which would be subject to annual escalation rate as notified by CERC.

MSPDCL intimated (June 2019) the District Electric Power Committee (DEPC), Tamu, Myanmar for revising the tariff from ₹6.40/ kwh to ₹7.33/ kwh *w.e.f.* 01 April 2019 which was as per the non-subsidized tariff prescribed by JERC. In response, the DEPC requested (16 July 2019) MSPDCL for fixing the tariff at ₹7/kwh for the period 2019-20 and consequently, the GoM fixed the tariff at ₹7/kwh for the period 2019-20. The basis for fixing the tariff at ₹7/ kwh as requested by DEPC was not available on records indicating that power purchase cost and other associated cost were not considered though JERC had prescribed the tariff for bulk consumers at ₹8.5/ kwh for the period 2019-20.

It was observed that the rate of ₹7/kwh fixed during 2019-20 was not revised till March 2024 though tariff was revised yearly by JERC. As the consumer was from outside the country, subsidy released by the State Government was not applicable and MSPDCL should have revised the tariff as per the non-subsidised tariff prescribed by JERC.

Further, DEPC, Tamu delayed payment of bills for periods even up to 15 months after the actual billing cycle. In the absence of any security deposits or sovereign guarantee, the accumulation of huge outstanding bills puts MSPDCL at risk of defaulting as well as losing considerable interest due to delayed payments.

Audit computed the bills as per the applicable tariff from January 2019 till March 2024 and found that there was under billing of ₹11.65 crore due to non-adoption of approved rates issued by JERC which also amounted to contempt of the JERC.

The manner in which MSPDCL approved the rates without considering the tariff, which was arrived at after accounting power purchase costs and other costs, was highly irregular. Further, the gap/shortfall of the supplied tariff and prevailing tariff was not reimbursed by the GoM to MSPDCL.

The decision to accept a tariff below JERC's approved rate not only amounted to contempt of the regulator's orders but also created a recurring revenue loss, as the gap between the applied rate and the prevailing tariff was not reimbursed by the Government of Manipur. Further, the absence of security deposits or sovereign guarantees, coupled with payment delays of up to 15 months, exposed MSPDCL to significant financial risk, cash flow strain, and interest losses.

The Company replied (February 2025) that due to Covid-19 pandemic, proper communication could not be made with TDC, Myanmar. It is also stated that the Commissioner, JERC (M&M) had not allowed any tariff hike for the last three years.

The reply is not acceptable as the Company did not furnish any documentary evidence on JERC's directive.

4.2.12.7 Non-levy of surcharge for delayed payment

As per Clause 5 of the terms of Power Purchase Agreement signed between MSPDCL and Tamu District Committee, Myanmar, a surcharge of 1.5 *per cent* per month is applicable if the bills are not paid within 60 days from date of billing.

MSPDCL supplies electricity to Tamu town in Myanmar. The bills for which are served to Chairman, DEPC Tamu, Myanmar.

Due date for payment of monthly bill through cheques shall be **three days** in advance from the normal due date for that bill payment. While, in the case of payment through online bank transfer/ credit card, it shall be **one day** in advance from the normal due date specified for that bill. The licensee shall ensure that the bill is delivered to the consumer by hand/post/courier at **least 10 days** prior to the payment due date of the bill. (Clause 6.1 & 6.5 of the JERC for Manipur and Mizoram (Electricity Supply Code Regulations, 2013 with latest amendments).

During audit, it was observed that MSPDCL issued bills to the above consumer after a delay ranging from one month to nine months. While there was delay in issue of the bills, the due dates mentioned as per the bills depicted due date as on date of issue of the bills and not the actual billing cycle period of consumption, further distorting payment timelines. MSPDCL was also into the practice of accumulating several months bills before issuing collectively on a certain date. Further, though the bills were not cleared in time, arrears were not depicted in the bills.

Despite the prolonged delay in clearing of bills, MSPDCL did not claim surcharge from the consumer. While there was delay from the particular consumer in clearing bills, MSPDCL was also partly at fault as the bills were not served in a timely manner to the consumer.

During the period between April 2020 to June 2023, though there was delay in payments of bills ranging from two to 19 months from the date of issue of bills, MSPDCL did not raise surcharge bills for the above period amounting to ₹3.19 crore. The lapse was compounded by the utility's own omission to issue bills promptly, undermining contractual enforceability, weakening revenue discipline, and causing avoidable financial loss.

The Company attributed (February 2025) the delay to communication challenges and the complex banking process owing to transaction with a sovereign country as Myanmar's authorities could not deposit funds to Indian Banks. The reply reflects the inaction on the part of management to streamline the payment process considering that the supply to Myanmar was ongoing since 2016 and the standard protocol for timely payment should have been put in place since the first supply commenced. However, no reply had been received on non-levy of surcharge.

4.2.12.8 Non-adherences to Cash-Handling Protocols and misappropriation of Revenue

On examining the adherence to cash handling procedures, as outlined in MSPDCL's Meeting Minutes (July 2019) and reiterated in MSPDCL's Office Order (August 2023), audit uncovered deviation from the recommended practices. The stipulation that cash collected at vending stations for both prepaid and post-paid meters should be promptly deposited at the bank was found to be disregarded, leading to a potential risk of financial mismanagement.

MSPDCL's Meeting Minutes specifically recommended that cash deposits at the bank be conducted at least once or twice a week, with daily entries detailing the cash in hand at the end of each day. However, audit found a lapse in compliance with these directives during the examination of records, indicating a laxity in the implementation of crucial internal controls.

The Office Order (August 2023) further emphasized the urgency of depositing all cash collected by concerned officers into respective bank accounts by 31 August 2023. Non-compliance with this order adds another layer of concern regarding MSPDCL's commitment to timely financial transactions.

Moreover, Rule 7 of the GFR 2017, emphasizing the swift transfer of government funds into designated accounts without delay, was not adhered to as per the findings. This non-compliance with established rules and internal orders raises serious questions about MSPDCL's commitment to financial discipline and regulatory compliance.

Audit examination of records for the collection of prepaid and post-paid revenue by sampled Revenue Divisions and Sub-Divisions revealed serious lapses. Revenue amounting to ₹54.63 lakh was collected by the Yairipok Sub-Division under Thoubal Electrical Division during January 2021 to January 2024, however, records indicating its remittance to the bank were absent. As the amount collected was not remitted in to the Bank Account, the amount should have been retained in the custody of the cashier/ chest. However, the amount was not found in the custody of cashier/ chest as well. The absence of both bank deposit records and physical cash indicates a strong possibility of misappropriation. These lapses reflect serious weaknesses in internal controls, disregard for financial discipline, and non-compliance with statutory and internal directives, exposing MSPDCL to risks of revenue loss and fraud.

The Company in its reply (February 2025) stated that the concerned official involved has been placed under suspension and also stated that an amount of ₹48.20 lakh was recovered between October 2023 to January 2024. However, the Company's reply was not acceptable as there was no sufficient documentary evidence to indicate that the amount stated to be deposited was actually part of non-remittance of ₹54.63 lakh.

4.2.12.9 Delay in remittance of revenue

Scrutiny of records of sampled divisions revealed a broader pattern of delay in depositing revenue, exceeding the recommended timeframe of deposit of revenue weekly or twice a week. The cumulative delay involved prepaid revenue (₹10.48 crore), post-paid revenue (₹1.74 crore), Security Deposits (₹92.83 lakh) and Raid/ Miscellaneous (₹1.83 lakh), amounting to a staggering ₹13.17 crore. This delay in remittance of revenue ranged from 30 to 1,072 days for prepaid revenue, 30 to 962 days for post-paid revenue, 30 to 1,054 days for Security Deposits and 30 to 496 days for Raid/ Miscellaneous by four Electrical Divisions[106].

The delay in remittance of revenue equates to a temporary misappropriation of funds.

The Company in its reply (February 2025) stated that it has started taking remedial actions and a module called 'Cash Tracker' has been introduced to monitor cash revenue collected at any cash counter of MSPDCL on a daily basis. This shall ensure that cash collection and remittance is streamlined by the end of March 2025 and no cash shall remain in hand of the concerned officials.

4.2.12.10 Overall Conclusion

Audit revealed systemic weaknesses in MSPDCL's revenue management, subsidy realisation, billing practices, and enforcement of recovery measures. Persistent shortfalls in revenue collection against JERC targets, non-recovery of significant arrears, delays and shortfalls in State Government subsidy releases and did not to adopt full cost tariffs in the absence of timely subsidies have adversely impacted liquidity. Ineffective enforcement of disconnection provisions, non-revision of international supply tariffs, and non-levy of surcharge led to substantial under-billing and avoidable financial losses. Weak cash handling protocols, instances of suspected misappropriation, and delays in remitting collected revenue ranging up to nearly three years reflect serious lapses in internal controls and financial discipline. These deficiencies not only contravened statutory and regulatory provisions but also exposed the company

[106] IED-I,II,III and Thoubal ED.

to high financial risk, undermining its ability to meet power purchase obligations and maintain operational stability.

Recommendations:

The Company may consider-

- ***Enforcing JERC-mandated disconnection procedures for chronic defaulters and link reconnection to full settlement of arrears.***
- ***Aligning all consumer billing, including cross-border supply, strictly with JERC-approved tariffs and surcharge provisions, with no deviations without regulatory approval.***
- ***Enforcing daily or weekly bank deposits of collections, backed by electronic reconciliation between cash counters and bank credits.***
- ***Fully deploying and monitoring the 'Cash Tracker' module, with monthly audit checks***

4.2.13 Audit objective: To ascertain the existence of an adequate monitoring and internal control system

4.2.13.1 Non-formulation and adoption of Information Technology (IT) related policies

IT Policy is crucial for any company which relies its operations heavily on network systems. The IT policy would help to ensure the effective management and utilisation of technological assets. These policies are also crucial for security, data integrity, preventing unauthorised access, preventing system downtime, disaster recovery *etc.*

MSPDCL forwarded (July 2023) its draft IT Policy to the Department of Information Technology (IT), Government of Manipur for review and vetting. The draft IT Policy contains the procedures/ guidelines on the following aspects, *viz*. purchase of IT assets, IT assets management policy, Personal Computer standards, internet usage policy, information security policy, *e-mail* & chat policy and software usage policy.

Department of IT, Government of Manipur communicated (February 2024) to MSPDCL that the draft IT policy appeared to be too specific and suggested that a more generic approach may be considered so that the policy can remain relevant for a longer period. The fact, however, remains that MSPDCL does not have an IT policy as of March 2024.

The Company in its reply (February 2025) stated that draft IT policy had been sent (July 2023) to the Department of IT, Government of Manipur for approval, and any reply/ approval from the Department of IT was awaited (September 2025).

4.2.13.2 IT Audit mechanisms

Regular internal IT audits by the in-house IT Department are essential for an organisation's operational integrity and data security. Without regular internal audits, the IT infrastructure remains vulnerable to undetected security breaches, inefficiencies, and non-compliance with regulatory standards. This oversight can lead to unauthorized access to sensitive data, system downtimes, financial losses, undermining the trust of stakeholders and customers.

There was no internal audit wing in MSPDCL. IT security audit by external agency was conducted only once (2021) during the period of audit. However, MSPDCL did not conduct any internal audit of its IT resources and environment indicating weak internal control mechanisms.

The Company in its reply (February 2025) stated that regular in-house audits for IT-infrastructure will soon be implemented after the implementation of IT-policy.

4.2.13.3 Weak Access controls of IT assets

Audit observed that the IT billing systems were allowing logon in multiple systems at the same time using the same user ID. The IT system does not have mechanism to prevent such multiple access and allow only one logon.

Further, it was seen during audit that in some divisions outsourced staff who were recruited as bill dispatchers and meter readers were deployed at billing counters by providing them with access user IDs. Issuing the outsourced/ contractual staffs with user IDs and deploying these staff as meter readers and bill distributers for bill collection was irregular as the misuse of these IDs by unauthorised contractual staff could not be ruled out and the cash collected by them too was rendered vulnerable to theft or defalcation.

MSPDCL's IT billing system lacked basic access controls, permitting simultaneous logins from multiple systems using the same user ID, thereby creating vulnerabilities for unauthorised access and potential data manipulation. Additionally, the practice of issuing system access credentials to outsourced contractual staff, originally recruited as bill dispatchers and meter readers but deployed at billing counters, was irregular and contrary to prudent security and financial management practices. This arrangement increased the risk of misuse of user IDs, unauthorised transactions, and potential theft or defalcation of collected revenue, reflecting weak IT governance and inadequate safeguarding of both financial and consumer data.

The Company admitted (February 2025) the fact that in some Sub-Divisions/ Divisions the account is being utilised by non-regular staff but they are constantly being monitored by Cashiers and their concerned Managers/ DGMs.

4.2.13.4 Non-adjustment of Interest on Security Deposit from Consumers

JERC's Supply Code Regulations, Clause 4.128 stipulates that the licensee shall pay interest to the consumer at the State Bank of India base rate prevailing on the 1st of April for the year, payable annually on the consumer's security deposit with effect from date of such deposit. The interest accrued during the year shall be adjusted in the consumer's bill for the first billing cycle of the ensuing financial year.

Audit observed that the rules and application of such interest to entitled consumers was not mapped in the IT billing systems. As per the Annual Accounts, MSPDCL collected an amount of ₹29.75 crore as security deposit from various categories of consumers as of March 2024. MSPDCL also did not maintain consumer wise security deposits in its IT database nor such data was available on paper ledgers, a fact which the management accepted.

This could lead to accumulation of huge interest burden in the future as well as exposing MSPDCL to legal complications in the future.

The Company replied that necessary provision shall be made in the books of accounts from the current financial year to cover the interest cost and non-accumulation of huge liabilities in future.

4.2.13.5 Non-migration of Consumers to the Web-based Billing Database System

As per Guidelines for pre-paid metering (December 2015), data of all outstanding dues including security deposits and service connection charges should be submitted to the Corporate Office.

All outstanding dues will be deducted from pre-paid consumers through automated deduction at the rate of 20 *per cent* of recharge value after data migration.

As per records made available to audit for the period from April 2018 to March 2024, it was observed that 75,612 pre-paid consumers out of 4,91,820 pre-paid consumers (LT and HT) were not migrated to the Web-based Billing System as on 31 March 2024. The outstanding amount related to the consumers whose accounts were not migrated to billing system was not available.

The absence of migrated data, including details of outstanding dues, security deposits, and service connection charges, prevented automated recovery of arrears through the mandated 20 *per cent* deduction from recharge value. This lapse resulted in loss of opportunity for systematic arrear recovery, weakened revenue assurance, and indicated deficiencies in project execution and data management, with completion now deferred to 2025-26.

Non-updation of consumers' data onto the Web-based billing database resulted in non-recovery of arrears through monthly bills/ recharges. The Company in its reply (February 2025) assured that the *JERC* will be completed by 2025-26.

4.2.13.6 Non-conduct of energy audit

Periodical review of energy injected into distribution feeders is essential to examine if there is excessive distribution losses in a particular feeder. MSPDCL lacks a functional system for conducting energy audits due to the absence of metering at both incoming and outgoing points of substations and transformers. Without such metering, the utility cannot accurately measure feeder-wise energy losses, detect leakages, or identify instances of power theft. This deficiency undermines effective loss monitoring, prevents targeted corrective action, and impedes compliance with best practices in distribution system management, thereby contributing to sustained technical and commercial losses.

4.2.13.7 Overall conclusion

Audit revealed significant gaps in MSPDCL's monitoring and internal control framework, particularly in IT governance, revenue assurance, and operational oversight. The absence of an approved IT policy and regular IT audits, weak user access controls, and irregular deployment of contractual staff at billing counters exposed the organisation to heightened risks of unauthorised transactions, data compromise, and misappropriation. The deficiency in mapping and adjusting interest on consumer security deposits, maintaining consumer-wise records and migrating over 75,000 prepaid consumers to the web-based billing database hindered systematic recovery of arrears and created potential legal and financial liabilities. Furthermore, the complete lack of a functional energy audit system due to non-installation of meters at feeder and transformer levels prevented identification of technical losses, leakages and theft, undermining loss control and regulatory compliance. Collectively, these deficiencies point to systemic weaknesses in MSPDCL's internal controls, data management, and risk mitigation measures.

Recommendations

The company may consider-

- ***Finalising and adopting a comprehensive IT policy within a fixed timeline, covering asset management, access control, cyber security, and disaster recovery.***
- ***Completing the migration of all consumer accounts to the web-based billing system, ensuring outstanding dues, security deposits, and service charges are accurately captured.***
- ***Installing metering at all incoming and outgoing points of substations and transformers to enable feeder-wise energy accounting.***

4.2.14 Conclusion

The performance audit revealed systemic deficiencies in planning, execution, monitoring, and compliance in the functioning of Manipur State Power Distribution Company Limited (MSPDCL). Persistent delays in tariff filing, partial or non-implementation of regulatory directives and inadequate enforcement of revenue recovery measures contributed to sustained financial stress. The absence of complete metering and energy accounting systems hindered accurate loss assessment, while non-migration of a significant number of consumers to the web-based billing platform limited arrear recovery.

Weak internal controls, such as inadequate restrictions on IT system access, lax cash handling practices and irregular deployment of outsourced staff for sensitive revenue functions exposed the organisation to financial and operational risks. The non-enforcement of disconnection provisions against chronic defaulters, coupled with non-revision of tariffs for cross-border supply and non-collection of surcharges, resulted in significant unrealised revenue.

Consumer service delivery and grievance redressal mechanisms remained largely non-functional due to non-compliance with Joint Electricity Regulatory Commission (JERC) regulations, absence of complaint data, and lack of structured monitoring. Additionally, irregularities in subsidy management and delayed payments to generating companies led to avoidable financial burdens such as Late Payment Surcharge.

Overall, the audit underscores the need for comprehensive reforms in metering, billing, collection efficiency, cash management, internal controls, and consumer service frameworks. Unless these systemic weaknesses are addressed in a time-bound manner, MSPDCL's operational sustainability and ability to deliver reliable, consumer-centric services will remain at risks.

4.2.15 Recommendations

1. Metering & Energy Accounting

1.1 MSPDCL may ensure 100 per cent metering of all High Tension (HT), Low Tension (LT), and Distribution Transformers (DTs) as mandated, including installation of smart meters to facilitate real-time energy audit.

1.2 Meters may be installed at all incoming and outgoing points of substations and feeders to enable feeder-wise energy loss analysis and timely detection of theft or leakages.

1.3 The migration of all pre-paid consumers to the web-based billing system may be completed without delay to enable automated recovery of arrears from recharge amounts.

2. Billing & Tariff Compliance

2.1 Contractual provisions for surcharge on delayed payments may be enforced, and secure payment arrangements such as advance payments or sovereign guarantees may be put in place for high-risk consumers.

2.2 IT billing systems may be upgraded to restrict logins to one active session per user ID and access may be granted only to authorised personnel.

3. Revenue Collection & Arrear Management

3.1 MSPDCL may enforce disconnection provisions under the JERC Supply Code for chronic defaulters, including HT consumers with high arrears.

3.2 Targeted arrear recovery drives may be undertaken, linking future supply to settlement of outstanding dues.

3.3 Billed, collected and outstanding revenue may be reconciled regularly with clear accountability fixed for deviations.

4. Subsidy Management

4.1 The State Government may release subsidies in monthly advance instalments in accordance with Section 65 of the Electricity Act, 2003.

4.2 In cases of delayed subsidy release, MSPDCL may adopt the full-cost tariff as required under the Act.

5. Cash Handling & Internal Controls

5.1 Cash handling protocols may be strictly enforced, ensuring daily deposit of collections into bank accounts and real-time monitoring through tools such as the 'Cash Tracker' module.

5.2 Retention of cash beyond prescribed timelines may be prohibited, with accountability fixed for delays or non-remittance.

5.3 Surprise inspections may be conducted at cash counters, vending stations, and revenue collection points to verify compliance.

6. Power Purchase & Payment Discipline

6.1 MSPDCL may adhere to timelines for payment to generating companies to avoid Late Payment Surcharges.

7. Consumer Grievance Redressal & Regulatory Compliance

7.1 Internal Grievance Redressal Cells (IGRCs) may be established at all mandated levels, maintaining complete registers of complaints, action taken, and resolution timelines.

7.2 Periodic internal audits may be conducted to ensure full compliance with JERC directives and provisions of the Electricity Act, 2003.

COMPLIANCE AUDIT

Manipur State Power Company Limited

4.3 Undue benefit to Contractor

MSPCL extended undue benefit to the Contractor in the form of excess mobilisation advance of ₹3.63 crore and interest amount of ₹0.92 crore on mobilisation advance not yet recovered.

Paragraph 32.5 of Central Public Works Department (CPWD) Works Manual 2014 (as adopted by Government of Manipur) states that in respect of certain specialised and capital-intensive works with estimated cost put to tender of ₹2.00 crores and above, mobilisation advance limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest calculated from the date of payment to the date of recovery can be sanctioned to the contractors on specific request as per terms of the contract.

Scrutiny of records of Manipur State Power Company Limited (Company) conducted in February 2022 and updated in February 2025 revealed that in August 2015 the Company issued a work order to M/s Shyama Power India Limited (Contractor) for the "Installation of 2x12.5 MVA, 132/33 KV Sub-station at Moreh", along with the associated 132 KV Single Circuit Transmission Line on Double Circuit Towers and related civil works at a cost of ₹81.63 crore (exclusive of taxes and other deductions). The terms and conditions of the contract (Paragraphs 6.1.1 and 6.2.1) provided for an interest-bearing mobilisation advance of 20 *per cent* of the contract value against submission of an irrevocable and unconditional Bank Guarantee of equivalent amount. However, this provision was in violation of Paragraph 32.5 of the CPWD Works Manual 2014, which limits mobilisation advance to 10 *per cent* of the contract value for works above ₹2.00 crore.

Further scrutiny of records revealed that the Company released mobilisation advance of ₹11.79 crore (14.44 *per cent*) against the permissible amount of ₹8.16 crore[107] resulting in excess release of mobilisation advance of ₹3.63 crore

[107] 10 *per cent* of ₹81.63 crore

(₹11.79 crore – ₹8.16 crore) in September 2015 against Bank Guarantees (BG) submitted by the contractor. Payment of excess mobilisation advance contrary to the provisions of CPWD Manual resulted in undue benefit to the contractor.

Audit also noticed that although the Company recovered the principal amount of the mobilisation advance from running bills of the contractor, it recovered only ₹0.76 crore towards interest component (as of February 2025) against the recoverable interest of ₹1.68 crore (calculated @ 10 *per cent*). This resulted in short recovery of ₹0.92 crore. The details of recovery of mobilisation advance and interest recoverable are shown in ***Appendix 4.6***.

The Company stated (April 2025) that Bank Guarantees amounting to ₹13.37 crore were obtained against the release of mobilisation advance to the contractor. However, the reply is not acceptable as it referred only to availability of Bank Guarantees and is silent on violation of CPWD norms and non-recovery of interest.

As per records (Measurement Book) provided to Audit, the mobilisation advance was fully recovered from March 2016 till March 2019. The Company, in its reply (April 2025), stated that the interest amounting to ₹0.76 crore was recovered at the rate of nine *per cent* by computing from date of receipt of materials till August 2016. However, this is in violation of the provisions of CPWD Manual which state that interest at the rate of 10 *per cent* should be recovered calculated from the date of payment to the date of recovery.

The reply confirmed that the Company extended undue benefit to the contractor to the tune of ₹4.55 crore[108].

Thus, due to non-adherence to the provisions of CPWD Manual, and erroneous calculation of interest, the Company extended undue benefit to the Contractor in the form of excess mobilisation advance of ₹3.63 crore (₹11.79 crore - ₹8.16[109] crore) and short recovery of interest amount of ₹0.92 crore on mobilisation advance which is not yet recovered (October 2025). Further, as the Company also stated in its reply that the bank guarantees had been returned to the contractor (January 2019 and February 2024), the Company had forgone the opportunity to recover the remaining amount of interest.

[108] Unrecovered interest of ₹0.92 crore + excess mobilisation advance of ₹3.63 crore.
[109] Admissible mobilisation advance (10 per cent) of tendered amount of ₹81.63 crore