

CHAPTER – IV

ECONOMIC SECTOR
(STATE PUBLIC SECTOR
UNDERTAKINGS)

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4.1 Introduction

The State Public Sector Undertakings (SPSUs) comprise of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State economy. As on 31 March 2017, in Mizoram there were six SPSUs. The details of the SPSUs in Mizoram as on 31 March 2017, as per latest finalised accounts and latest information furnished by the SPSUs, are as given below:

Table-4.1.1:- Total number of SPSUs as on 31 March 2017

Sl. No.	Name of the SPSU	Year upto which accounts finalised	Paid up capital	Accumulated profit (+)/ Loss(-)	Turnover ¹	Net profit(+)/ Loss ² (-)
Working Government Companies						
1.	Mizoram Agricultural Marketing Corporation Limited	2010-11	5.45	(-) 6.43	0.28	(-) 1.02
2.	Zoram Industrial Development Corporation Limited	2014-15	15.78	(-) 20.66	0.89	(-) 0.71
3.	Zoram Electronics Development Corporation Limited	2009-10	7.23	(-) 6.59	0.27	(-) 0.24
4.	Mizoram Food & Allied Industries Corporation Limited	2014-15	20.00	(-) 20.91	2.23	(-) 1.59
5.	Mizoram Handloom and Handicrafts Development Corporation Limited	2015-16	10.00	(-) 7.32	0.10	(-) 1.88
6.	Mizoram Mineral Development Corporation Limited	2014-15	0.15	(-) 0.18	--	(-) 0.01
Total			58.61	(-) 62.09	3.77	(-) 5.45

Source: Annual accounts and information furnished by the SPSUs

As per the latest finalised accounts and provisional figures furnished by the Companies (September 2017), the working SPSUs registered a turnover of ₹ 3.77 crore. This turnover was equal to 0.03 per cent of State Gross Domestic Product (GDP) for 2016-17. The working SPSUs incurred loss of ₹ 5.45 crore as per their latest finalised accounts as of September 2017 and provisional figures furnished by the Companies. These SPSUs had employed 60³ employees as at the end of March 2017.

4.2 Accountability framework

The audit of the financial statements of a company in respect of financial years commencing on or after 01 April 2015 is governed by the provisions of the Companies Act, 2013.

¹ As per provisional figures furnished by the Companies

² As per provisional figures furnished by the Companies

³ Affairs of one Company viz. Mizoram Mineral Development Corporation Limited are being managed by Zoram Industrial Development Corporation Limited. 60 employees are regular employees of two Companies (ZIDCO & MIFCO)

However, the audit of a company in respect of financial years that commenced earlier than 01 April 2015 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/ or State Government(s) and includes a subsidiary of a Government Company. The process of audit of the Government companies under the Act is governed by respective provisions of Section 139 and 143 of the Act.

4.3 Statutory Audit

The financial statements of a Government Company (as defined in Section 2 (45) of the Companies Act, 2013) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as *per* the provisions of Section 139 (5) or (7) of the Companies Act. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

Further, the Statutory Auditors of any other company owned or controlled, directly or indirectly, by the Central and/or State Government (s) are also appointed by the CAG as *per* the provisions of Section 139 (5) or (7) of the Act.

As *per* the provisions of Section 143 (7) of the Act, the CAG, may in case of any company (Government Company or Other Company) covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company and Other Company) and the provisions of Section 19 A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

4.4 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of the State Government Companies are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

4.5 Stake of Government of Mizoram

The State Government has mainly three types of financial stake in these SPSUs, as stated below:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.

- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the SPSUs from the Financial Institutions.

4.6 Investment in State PSUs

As on 31 March 2017, the investment (capital and long-term loans) in six SPSUs was ₹ 89.29 crore as per details given below:

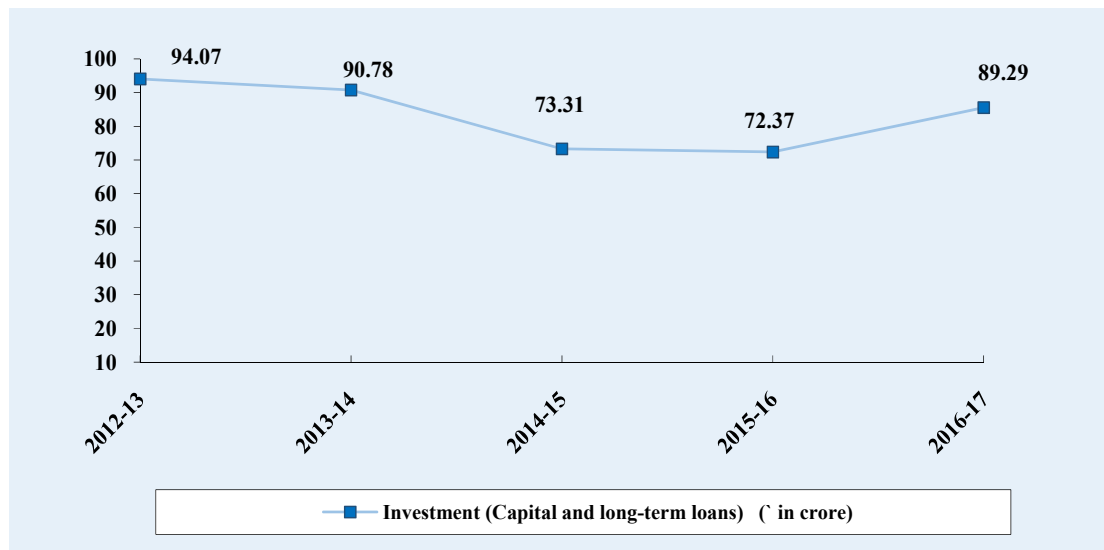
Table-4.1.2:- Total investment in SPSUs

Type of SPSUs	Government Companies		Total
	Capital	Long Term Loans	
Working SPSUs	58.61	30.685	89.29
Total	58.61	30.68	89.29

Source: Annual accounts and information furnished by the SPSUs

This total investment consisted of 65.64 per cent towards capital and 34.36 per cent in long-term loans. The investment has declined by 5.08 per cent from ₹ 94.07 crore in 2012-13 to ₹ 89.29 crore in 2016-17 as shown in the graph below:

Graph-4.1.1:- Total investment in SPSUs



4.7 The sector wise summary of investments in the SPSUs as on 31 March 2017 is given below:

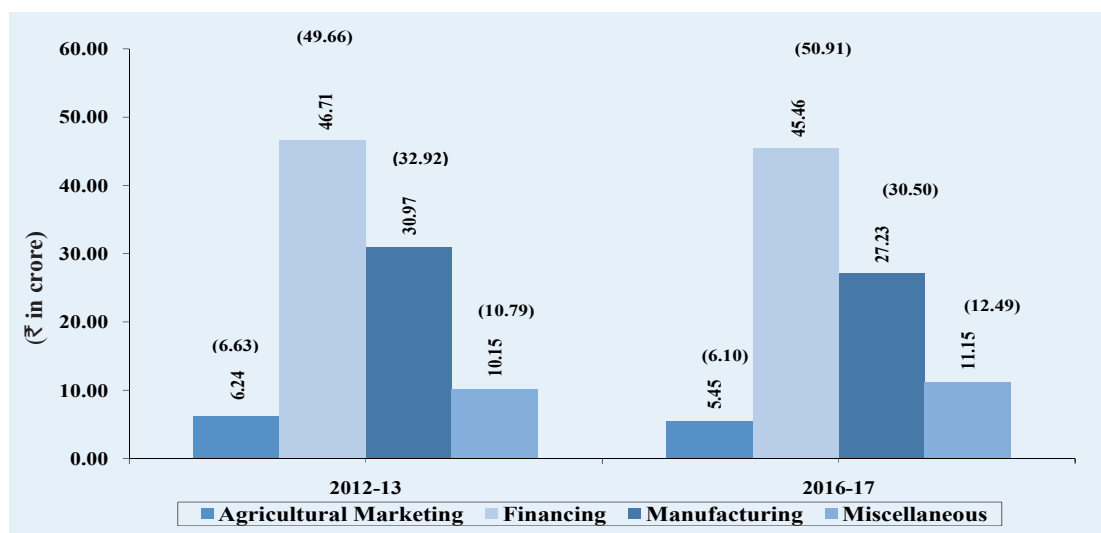
Table-4.1.3:- Sector-wise investment in SPSUs

Name of Sector	No. of Government Companies	Investment (₹ in crore)
Agricultural Marketing	1	5.45
Financing	1	45.46
Manufacturing	2	27.23
Miscellaneous	2	11.15
Total	6	89.29

Source: Information furnished by the Finance Department, Government of Mizoram

The investment in four sectors and percentage thereof at the end of 31 March 2013 and 31 March 2017 are as indicated below in the bar chart:

Chart-4.1.1:- Sector wise investment in SPSUs



(Figures in brackets show the percentage of sector investment to total investment)

From the bar chart above, it is noticed that the thrust of the State Government investment was mainly on SPSUs pertaining to financing and manufacturing sectors. However, the State Government investment in these sectors had decreased by ₹ 1.29 crore (2.68 per cent) and ₹ 3.74 crore (12.08 per cent) respectively as compared with the respective investment in 2012-13. The investment in agricultural marketing sector had also shown a considerable decline by ₹ 0.79 crore (12.66 per cent) and miscellaneous sectors had witnessed an increase of 8.97 per cent as compared with the investment during 2012-13.

4.8 Special support and returns during the year

The State Government provides financial support to SPSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of SPSUs are given below for five years ended 2016-17:

Table-4.1.4:- Details regarding budgetary support to SPSUs

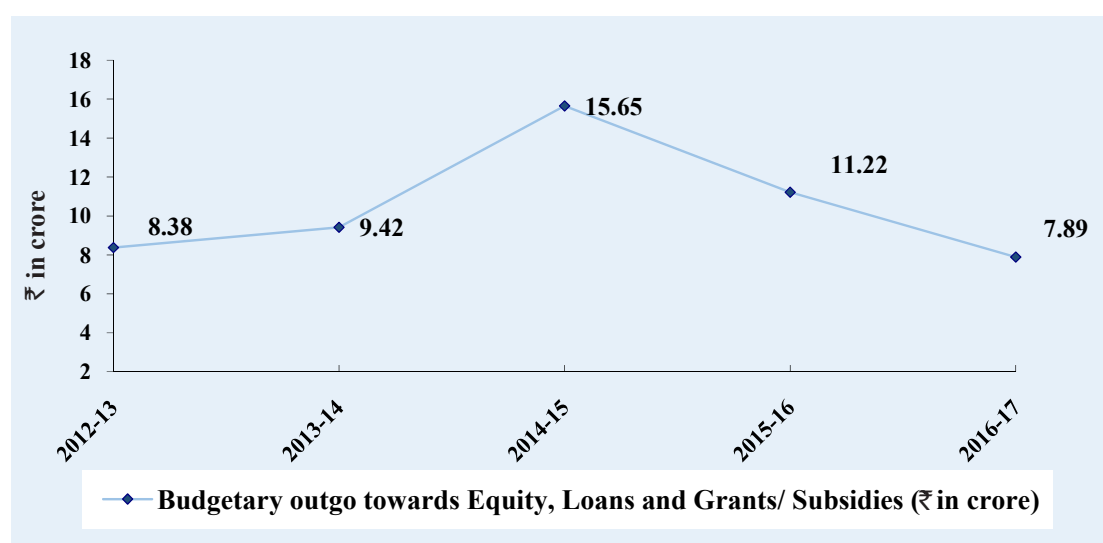
Sl. No.	Particulars	₹ in crore)									
		2012-13		2013-14		2014-15		2015-16		2016-17	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity capital outgo from budget	1	1.27	1	1.22	1	1.69	1	1.30	-	-
2.	Loans given from budget	-	-	-	-	-	-	-	-	1	1.00
3.	Grants/Subsidy received	2	7.11	3	8.20	4	13.96	3	9.92	4	6.89
4.	Total Outgo	3	8.38	4	9.42	5	15.65	4	11.22	5	7.89
6.	Waiver of loan and interest	-	-	-	-	-	-	-	-	-	-
7.	Guarantee issued	-	-	-	-	-	-	-	-	-	-
6.	Guarantee Commitment	1	23.07	1	18.61	2	23.63	1	22.68	1	24.93

Source: Annual accounts and information furnished by the SPSUs

In order to enable SPSUs to obtain financial assistance from Banks and Financial Institutions, State Government gives guarantee under the Mizoram Guarantee Act, 2011 subject to the limits prescribed by the Constitution of India, for which the guarantee fee is being charged. The Government charges a minimum of 0.75 per cent of the guarantee amount as guarantee commission vide Mizoram Ceiling of Government Guarantees Act 2011 which is effective from 15 July 2011. As on 31 March 2017, guarantees amounting to ₹ 24.93 crore were outstanding against Zoram Industrial Development Corporation Limited (ZIDCO). No Guarantee Commission was payable by ZIDCO to the Government of Mizoram as guarantees were given by the Government prior to enactment of Mizoram Ceiling of Government Guarantees Act, 2011.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below:

Graph-4.1.2:- Budgetary outgo towards Equity, Loans and Grants/Subsidies



There was no case of conversion of Government loan into equity, moratorium in repayment of Loan and waiver of interest during this year.

4.9 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as *per* records of the SPSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 is stated below:

Table-4.1.5: Equity, loans, guarantees outstanding as *per* finance accounts *vis-a-vis* records of SPSUs
(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per finalised accounts of SPSUs	Difference
Equity	6.98	58.61	51.63
Loans	--	30.68	30.68
Guarantees	24.93	24.93	--

Source: Annual accounts and Finance Accounts, GoM

Audit observed that the differences occurred in respect of all SPSUs and the differences were pending reconciliation for more than ten years. The Accountant General appraised the matter to the Chief Secretary, Government of Mizoram, Administrative Departments of respective SPSUs and the Managing Directors of SPSUs periodically and had drawn their attention to the need to reconcile figures as appearing in the Finance Accounts and in their respective accounts. However, no significant progress was noticed in this regard. The Government and the SPSUs need to take concrete steps to reconcile the differences in a time-bound manner.

4.10 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 September end in accordance with the provisions of Section 96(1) the Act. Failure to do is liable to attract penal provisions under Section 99 of the Act.

The table below provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2017:

Table-4.1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1.	Number of working SPSUs	6	6	6	6	6
2.	Number of accounts finalised during the year	3	1	1	15	15
3.	Number of accounts in arrears	28	33	38	29	20
4.	Number of working SPSUs with arrears in Accounts	6	6	6	6	6
5.	Extent of arrears in years	1 to 11	1 to 8	1 to 13	2 to 10	1 to 7

It can be observed that the number of accounts in arrears has decreased from 28 (2012-13) to 20 (2016-17). The major arrears of accounts pertained to the Zoram Electronics Development Corporation Limited (ZENICS) which was having arrears of seven accounts as of September 2017.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSUs within the prescribed period. Though the Accountant General (AG) had brought the position of arrears of Accounts to the notice of the concerned Administrative Departments and officials of the Government periodically, no remedial measures were taken. As a result of this the net worth of these SPSUs could not be assessed in audit.

4.11 The State Government had invested ₹ 29.13 crore (Equity: ₹ 8.49 crore, Loans: ₹ 1.00 crore, and Grants: ₹ 19.64 crore in five SPSUs) during the years for which Accounts have not been finalised as detailed in **Appendix-4.1.1**. In the absence of the finalisation of the accounts, it cannot be ascertained whether the income and expenditure have been properly accounted for and the purpose for which the State Government made the investment has been achieved. Non-finalisation of accounts also meant that the contribution of the SPSUs to the State GDP cannot be reported to the State Legislature. Further, delay in finalisation of Accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956 and 2013.

In view of the arrears in accounts it is recommended that the Government should monitor and ensure timely finalisation of accounts in conformity with the provisions of the Companies Act, 1956 and 2013.

4.12 Performance of SPSUs

The financial position and working results of working Government companies and Statutory Corporations are detailed in **Appendix-4.1.2**. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. Table below provides the details of working SPSU turnover and State GDP for a period of five years ending 2016-17:

Table-4.1.7: Details of working SPSUs turnover vis-a vis State GDP

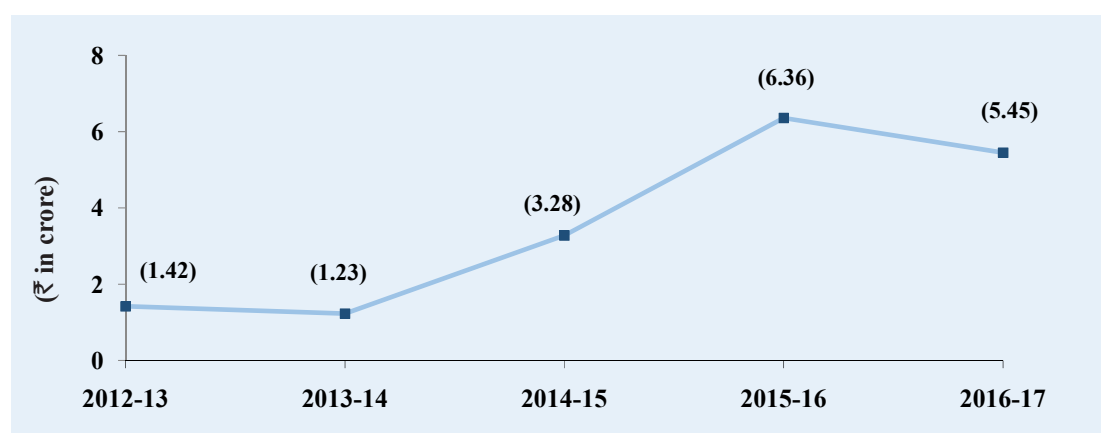
Particulars	(₹ in crore)				
	2012-13	2013-14	2014-15	2015-16	2016-17
Turnover ⁴	5.00	16.32	17.43	5.86	3.77
State GDP ⁵	8053.09	10296.98	12498.69	13373.83	13890.97
Percentage of Turnover to State GDP	0.06	0.16	0.14	0.04	0.03

Source: Annual accounts and information furnished by the SPSUs

It can be seen from the above Table that the percentage of turnover to State GDP decreased from 0.06 per cent in 2012-13 to 0.03 per cent in 2016-17.

4.13 Overall losses incurred by working SPSUs during 2012-13 to 2016-17 are given below in the graph:

Graph-4.1.3:- Overall loss incurred by working SPSUs



The six SPSUs were incurring losses continuously during the period between 2012-13 and 2016-17. During the year 2016-17, six SPSUs incurred loss of ₹ 5.45 crore. Two major loss making SPSUs were Mizoram Handloom and Handicrafts Development Corporation Limited and Mizoram Food & Allied Industries Corporation Limited (MIFCO).

⁴ Turnover as per the latest finalised accounts as of 30 September 2017

⁵ The final figures of State GDP, provided by the Economic and Statistics Department of State Government have been adopted

4.14 Some other key parameters of the SPSUs are given below:

Table-4.1.8:- Key Parameters of SPSUs

Particulars	(₹ in crore)					
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
Return on Capital Employed (<i>per cent</i>)	-	-	-	-	-	-
Debt	30.93	30.93	30.93	39.67	22.68	24.93
Turnover ⁶	1.57	5.00	15.26	17.43	5.86	3.77
Debt/ Turnover Ratio	19.70:1	6.19:1	2.03:1	2.28:1	3.87:1	6.88:1
Interest Payments	0.30	0.30	0.06	0.07	0.06	0.02
Accumulated losses	50.58	51.34	58.04	57.89	57.89	62.09

Source: Annual accounts and information furnished by the SPSUs

The State Government had not formulated any dividend policy for payment of any minimum return by the SPSUs on the paid up share capital contributed by the State Government. As *per* the latest finalised Accounts as of 30 September 2017 none of the SPSU earned a profit during the year 2016-17.

4.15 Accounts Comments

Six working companies forwarded their 16 audited accounts to Accountant General, Mizoram during the year 2016-17. Of these, 13⁷ accounts were issued Non Review Certificate (NRC), two⁸ accounts were issued final comments and one⁹ account was selected for supplementary audit and yet to be audited (September 2017).

4.16 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General (CAG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that it elicits appropriate and timely response from the executive. The Finance Department, Government of Mizoram issued (August 2015) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation to the legislature, in the prescribed format without waiting for any questionnaires from the CoPU.

Table-4.1.9:- Explanatory notes not received from CoPU (as on 30 September 2017)

Year of the Audit Report (Commercial/ SPSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2012-13	09.07.2014	-	1	-	1
2013-14	08.07.2015	2	-	2	-
2014-15	31.08.2016	-	1	-	1
2015-16	25.05.2017	-	1	-	1
Total	--	2	3	2	3

⁶ Turnover of working PSUs as per the latest finalised accounts as of 30 September 2017 and provisional figures furnished by the Companies

⁷ ZIDCO (2013-14), MMDCL (2014-15), MIFCO (2012-13, 2014-15), ZOHANDCO (2011-12 to 2015-16), ZENICS (2006-07 to 2009-10)

⁸ ZIDCO (2014-15) and MIFCO (2013-14)

⁹ ZOHANDCO (2016-17)

From the above, it can be seen that explanatory notes on two PAs and three Paragraphs were not received (December 2017).

4.17 Discussion of Audit Reports by CoPU

The status as on 30 September 2017 of PAs and Paragraphs that appeared in Audit Reports (SPSUs) and discussed by the Committee on Public Undertakings (CoPU) was as follows:

**Table-4.1.10:- Reviews/Paragraphs appeared in Audit Reports
vis-a-vis discussed as on 30 September 2016**

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	01	04	01	04
2009-10	-	02	-	02
2010-11	01	01	01	01
2011-12	01	03	01	03
2012-13	-	01	-	01
2013-14	02	-	02	-
2014-15	-	01	-	Yet to be discussed
2015-16	-	01	-	
Total	5	13	05	11

From the above, it could be seen that out of five reviews and 13 paragraphs that appeared in Audit Report between 2008-09 and 2015-16, 02 paragraphs were pending for discussion by CoPU as on September 2017.

4.18 Compliance to Reports of Committee on Public Undertakings (CoPU)

Action Taken Notes (ATN) to paragraphs pertaining to one Report of the CoPU presented to the State Legislature had not been received (December 2017) as indicated below:

Table-4.1.11:- Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total no. of recommendations in CoPU Report	No. of recommendations where ATNs not received
2007-08	1	3	3
2010-11	1	2	2
Total	2	5	5

These reports of CoPU contained recommendations in respect of five paragraphs pertaining to five companies, which appeared in the Audit Reports of the CAG of India for the years 2007-08 and 2010-11.

It is recommended that the Government may ensure that replies to explanatory Notes and ATNs, on the recommendations of CoPU, are sent as per the prescribed time schedule of two months.

