

This Chapter presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies in Bihar. In the Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under statutes enacted by the State Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorized as SPSEs.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Chapter as Government controlled other Companies.

The total number of SPSEs in the State as on March 2021 was 79 which included 37 functional SPSEs and 42 non-functional SPSEs. Whereas based on the latest accounts finalized up to last three years i.e. 2018-19, 2019-20 and 2020-21, the number of SPSEs being covered in this Chapter is 18 (15 Government Companies, one Statutory Corporation and two Government controlled other companies). Remaining 61³⁶ SPSEs whose accounts were in arrears for three years or more or were defunct / under liquidation or first accounts were not received has not been covered in this Chapter as the actual contribution of these SPSEs to Gross State Domestic Product and their profitability including profit earned/loss incurred for the year 2020-21 could not be ascertained due to arrears of account. Hence, their contribution to the State exchequer was also not reported to the State Legislature.

5.1 Summary of Financial Performance of State Public Sector Enterprises

5.1.1 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by CAG.

5.1.2 What this Chapter contains

This Chapter gives an overall picture of the financial performance of the State Government Companies, Statutory Corporations and Government controlled other Companies as revealed from their accounts.

Impact of significant comments issued during supplementary audit of the financial statements of the SPSEs conducted by the CAG during the year 2020-21 is given in this Chapter.

³⁶ Out of 61, 11 SPSEs including eight non-functional SPSEs have not submitted/finalised their first accounts and the accounts of remaining 50 SPSEs, which included 33 non-functional SPSEs, were in arrears for three years or more.

5.1.3 Number of SPSEs

As on 31 March 2021, there were 79 State Public Sector Enterprises under the audit jurisdiction of the CAG. These include 72 State Government Companies, three Statutory Corporations and four State Government controlled other companies.

Of these, summary of financial performance of 18 SPSEs is covered in this Chapter and the nature of these SPSEs is indicated in **Table 5.1**.

Government Companies	72
Statutory Corporations	3
Government Controlled other companies	4
Total SPSEs	79

Table 5.1: Coverage and Nature of SPSEs covered in this Chapter

Nature of SPSEs	Total Number of SPSEs	Number of SPSEs covered in the Chapter				Number of SPSEs not covered in the Chapter
		Accounts up to			Total	
		2020-21	2019-20	2018-19		
Functional Government Companies	30	2	10	2	14	16
Statutory Corporations	3	0	1	0	1	2
Total Government Companies/ Corporations	33	2	11	2	15	18
Government Controlled Other Companies	4	0	0	2	2	2
Total functional SPSEs	37	2	11	4	17	20
Non-functional Government Companies	42	0	1	0	1	41
Non-functional Statutory Corporations	-	-	-	-	-	-
Total non-functional SPSEs	42	0	1	0	1	41
Total	79	2	12	4	18	61

(Source: Compiled based on the latest finalised accounts of SPSEs.)

The details of State Government Companies/Government controlled other Companies/ Statutory Corporations under the purview of CAG's audit during 2020-21 are given in *Appendix-5.1*.

Summary of financial performance of SPSEs covered in this Chapter as on 31 March 2021

(Government Companies and Statutory Corporations)

Number of SPSEs	79
SPSEs Covered	18
Paid up capital (18 SPSEs)	₹ 38,807.43 crore
Long term Loans (10 SPSEs)	₹ 6,990.69 crore
Net profit (Nine SPSEs)	₹ 724.17 crore
Net loss (Five SPSEs)	₹ 3,213.13 crore
Zero Profit/loss (Four SPSEs)³⁷	
Dividend declared (One SPSE)	₹ 6.02 crore³⁸
Turnover (18 SPSEs)	₹ 19,352.10 crore
Net Worth (18 SPSEs)	₹ 20,568.55 crore

(Source: Compiled based on latest finalised accounts of SPSEs.)

This Chapter does not include 61 SPSEs as shown in *Appendix-5.2*.

³⁷ Out of 18, there were four SPSEs, which earned no profit or incurred no loss during 2020-21 since either operations were not started or losses/net expenses were allocated to their subsidiaries and profit were distributed among beneficiaries. Further, in respect of SPSEs, where any particular year's accounts were not received before 30th September 2021, the figures from the latest finalised accounts i.e. 2018-19, 2019-20 and 2020-21 have been adopted.

³⁸ During the year 2018-19

5.1.4 Contribution to Economy of the State

A ratio of turnover of the 18 SPSEs covered in this Chapter to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The table below provides the details of turnover of SPSEs and GSDP of State of Bihar for a period of three years ending March 2021.

Table 5.2: Details of turnover of SPSEs vis-à-vis GSDP of Bihar

(₹ in crore)

Particulars	2018-19			2019-20			2020-21		
	Power	Non-Power	Total	Power	Non-Power	Total	Power	Non-Power	Total
Turnover	15,077.91	2,028.31	17,106.22	17,077.90	2,021.84	19,099.74	17,330.26	2,021.84	19,352.10
Percentage change in turnover as compared to turnover of preceding year	-	-	-	13.26	(-)0.32	11.65	1.48	0.00	1.32
GSDP of State of Bihar	5,27,976			5,94,016			6,18,628		
Percentage change in GSDP as compared to GSDP of preceding year	-			12.51			4.14		
Percentage of Turnover to GSDP of Bihar	2.86	0.38	3.24	2.87	0.34	3.22	2.80	0.33	3.13

(Source: Compiled based on Turnover figures of SPSEs and GSDP figures as submitted by Government of Bihar)

The turnover of eight power sector SPSEs increased from ₹ 15,077.91 crore in 2018-19 to ₹ 17,330.26 crore in 2020-21. The growth rate of turnover ranged between 1.32 *per cent* and 11.65 *per cent* during the period 2018-19 to 2020-21, whereas growth rate of GSDP of the State ranged between 4.14 *per cent* and 12.51 *per cent* during the same period. The compounded annual growth³⁹ of GSDP was 8.24 *per cent* during the last two years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 8.24 *per cent* of the GSDP, the turnover of power sector SPSEs recorded compounded annual growth of 7.21 *per cent* during the last two years. This resulted in decrease in share of turnover of these power sector PSUs to the GSDP from 2.86 *per cent* to 2.80 *per cent*.

Further, the turnover of 10 non-power SPSEs decreased by 0.32 *per cent* from ₹ 2,028.31 crore in 2018-19 to ₹ 2,021.84 crore in 2020-21. Against the compounded annual growth of 8.24 *per cent* of the GSDP, the turnover of these SPSEs recorded negative compounded annual growth of 0.16 *per cent* during the last two years.

5.2 Investment in Government Companies and Corporations and Budgetary support

The amount of investment in equity and loans in 18 Government Companies and Corporations as at the end of 31 March 2021 is given in **Table 5.3**.

³⁹ Rate of Compounded Annual Growth = $[(\text{Value of 2020-21}/\text{Value of 2018-19})^{(1/2 \text{ years})} - 1] * 100$.

Table 5.3: Equity and loans in Government Companies and Corporations

(₹ in crore)

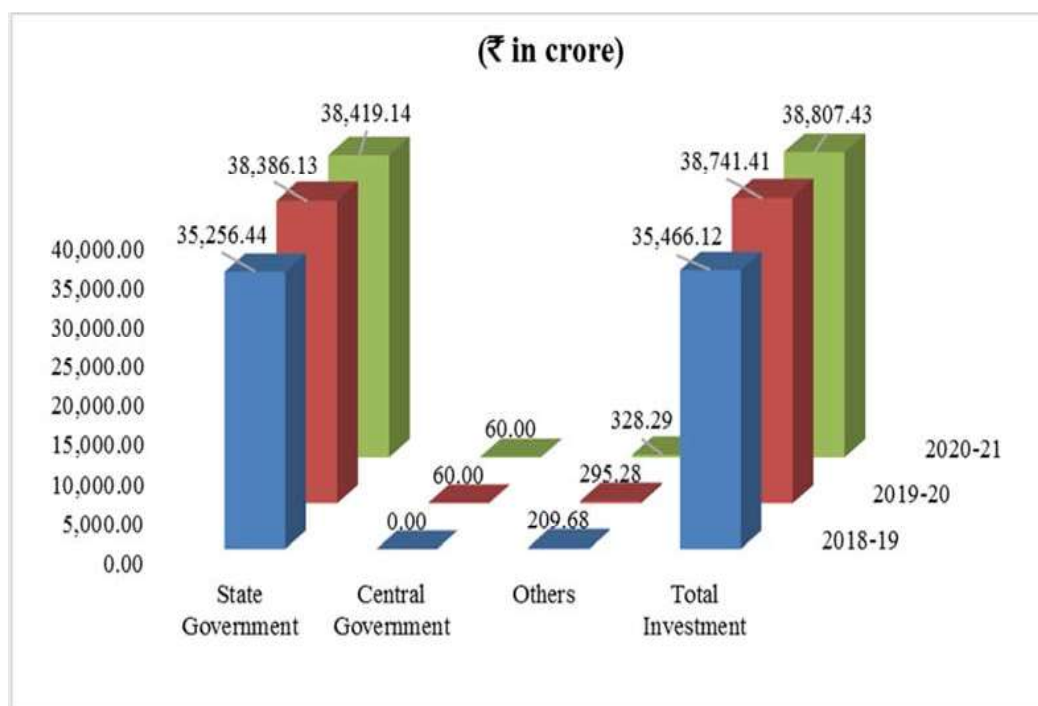
Sources of investment	As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	38,386.13	1,897.21	40,283.34	38,419.14	1,897.21	40,316.35
Central Government	60.00	0.00	60.00	60.00	0.00	60.00
Others	295.28	4,856.68	5,151.96	328.29	5,093.48	5,421.77
Total Investment	38,741.41	6,753.89	45,495.30	38,807.43	6,990.69	45,798.12
Percentage of investment of State Government to Total Investment	99.08	28.09	88.54	99.00	27.14	88.03

(Source: Compiled based on latest finalised accounts of SPSEs.)

5.2.1 Equity Holding

During 2020-21, the total equity holding at face value in the 18 SPSEs covered in this Chapter registered a net increase of ₹ 66.02 crore⁴⁰. The equity holding of State Government at face value in SPSEs increased to ₹ 38,419.14 crore in 2020-21 from ₹ 38,386.13 crore in 2019-20.

Holding in equity by State Government and others during three years ended 31 March 2021 in Government Companies and Corporations is depicted in **Chart 5.1**.

Chart 5.1: Investment of Equity in SPSEs

(Source: Compiled based on the latest finalised accounts of SPSEs.)

Out of equity investment of ₹ 38,419.14 crore, State Government invested ₹ 38,246.11 crore in Power sector. Details of significant holding of the State Government as in the year 2020-21 in the paid up capital of the SPSEs is given in **Table 5.4**.

⁴⁰ Out of ₹ 66.02 crore, 50 per cent i.e. ₹ 33.01 crore was invested in Bihar Grid Company Limited.

Table 5.4: Significant holding of the State Government

Name of the SPSE	Name of the Department	Amount (₹ in crore)	Percentage of holding with respect to total investment in 18 SPSEs
South Bihar Power Distribution Company Limited (SBPDCL)	Energy	12,267.96	31.93
North Bihar Power Distribution Company Limited (NBPDCCL)	Energy	11,653.84	30.33
Bihar State Power Transmission Company Limited (BSPTCL)	Energy	7,949.99	20.69
Bihar State Power Generation Company Limited (BSPGCL)	Energy	4,812.96	12.53
Bihar State Power Holding Company Limited (BSPHCL)	Energy	1,271.06	3.31
Bihar State Financial Corporation (BSFC)	Industries	39.95	0.10

(Source: Compiled based on the latest finalised accounts of SPSEs.)

Investment in Government Controlled other Companies

The capital invested by the State Governments in Government Controlled other Companies is given in Table 5.5.

Table 5.5: Composition of Share Capital in Government Controlled other Companies
(₹ in crore)

Sl. No.	Name of SPSEs	Paid up Capital			Total Paid up Capital
		GoB	GoI	Others	
1	Bhagalpur Smart City Limited	0.05	0.00	0.05	0.10
2	Patna Smart City Limited	0.05	0.00	0.05	0.10
	Total	0.10	0.00	0.10	0.20

(Source: Compiled based on the latest finalised accounts of SPSEs.)

5.2.2 Loans given to State Government Companies and Corporations

5.2.2.1 Computation of long-term loans outstanding as on 31 March 2021

The total long-term loans outstanding in 10⁴¹ SPSEs out of 18 from all sources as on 31 March 2021 was ₹ 6,990.69 crore. Remaining eight SPSEs did not have any long-term loans as on 31 March 2021. A year wise detail of outstanding long term loans of SPSEs is depicted in Table 5.6.

Table 5.6: Long Term Loans in SPSEs

(₹ in crore)

Sources of loan	2018-19	2019-20	2020-21
State Government	1,771.84	1,897.21	1,897.21
Central Government	0.00	0.00	0.00
Others ⁴²	3,436.76	4,856.68	5,093.48
Total Investment	5,208.60	6,753.89	6,990.69

(Source: Compiled based on latest finalised accounts of SPSEs.)

⁴¹ Bihar State Power Holding Company Limited (BSPHCL), Bihar State Power Transmission Company Limited (BSPTCL), South Bihar Power Distribution Company Limited (SBPDCL), North Bihar Power Distribution Company Limited (NBPDCCL), Bihar Grid Company Limited (BGCL), Bihar State Agro Industries Development Corporation Limited (BSAIDCL), Patna Smart City Limited (PSCL), Bihar State Education Finance Corporation Limited (BSEFCL), Patna Metro Rail Corporation (PMRC) and Bihar State Financial Corporation (BSFC).

⁴² The figure of loan from other sources includes loan from Rural Electrification Corporation, Power Finance Corporation, Banks and Bihar Urban Development Agency.

During the period 2018-19 to 2020-21, the long term loans given by State Government in SPSEs registered an increase of ₹ 125.37 crore while loan from other sources increased by ₹ 1,656.72 crore. Out of the total loans of SPSEs as on 31 March 2021, loans from State Government was ₹ 1,897.21 crore (27.14 per cent).

Out of total loans by State Government, ₹ 1,240.33 crore (65.38 per cent) was outstanding with Power Companies and rest was with other companies (₹ 656.88 crore) while 99.93 per cent of loans from others (₹ 5,089.90 crore) belonged to Power companies.

Bihar State Agro Industries Development Corporation Limited and Bihar State Financial Corporation did not repay the principal as well as interest amount during the last three years.

5.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in 10 SPSEs which had outstanding loans as on 31 March 2021 is given in **Table 5.7**.

Table 5.7: Coverage of long-term loans with total assets

(₹ in crore)

Nature of SPSEs	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term Loans	Assets	Percentage of assets to loans	No of SPSEs	Long term Loans	Assets	Percentage of assets to loans
Statutory Corporation	-	-	-	-	1	228.47	209.72	91.79
Government Company	8	6,731.24	1,15,347.92	1,713.62	1	30.98	25.35	81.83
Total	8	6,731.24	1,15,347.92	1,713.62	2	259.45	235.07	90.60

(Source: Compiled based on the latest finalised accounts of SPSEs.)

Out of the 10 SPSEs, in respect of two SPSEs⁴³, the value of total assets was less than the long-term loans outstanding.

5.2.3 Budgetary Support to SPSEs

The Government of Bihar provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies to SPSEs covered in this Chapter for the last three years ending March 2021 are given in **Table 5.8**.

⁴³ Bihar State Financial Corporation and Bihar State Agro Industries Development Corporation Limited.

Table 5.8: Details regarding budgetary support to SPSEs*(₹ in crore)*

Particulars ⁴⁴	2018-19		2019-20		2020-21	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
Power						
Equity Capital outgo (i) ⁴⁵	1	5,035.36	1	3,079.20	1	33.01 ⁴⁶
Loans given (ii)	4	440.78	3	116.56	-	-
Grants/Subsidies provided (iii)	3	7,521.42	2	6,685.17	-	-
Total Outgo (i+ii+iii) Power	5	12,997.56	4	9,880.93	1	33.01
Non-Power						
Equity Capital outgo (i)	1	9.50	-	-	-	-
Loans given (ii)	1	16.00	-	-	1	600.00
Grants/Subsidies provided (iii)	2	400.24	1	8.81	-	-
Total Outgo (i+ii+iii) Non-Power	2	425.74	1	8.81	1	600.00
Grand Total Outgo	7	13,423.30	5	9,889.74	2	633.01

(Source: Compiled based on latest finalised accounts of SPSEs.)

The budgetary assistance received by these SPSEs during the year ranged between ₹ 633.01 crore and ₹ 13,423.30 crore during the period 2018-19 to 2020-21. During 2020-21, equity capital of ₹ 33.01 crore was invested in Bihar Grid Company Limited. Further, the budgetary assistance as loan of ₹ 600.00 crore was allotted to Bihar State Education Finance Corporation Limited (BSEFCL) under Bihar Student Credit Card Scheme for distribution of loan to student for the year 2020-21. The same has been categorised under ‘Other Current Liabilities’ in the books of accounts of BSEFCL.

5.3 Returns from Government Companies and Corporations

5.3.1 Profit earned by SPSEs

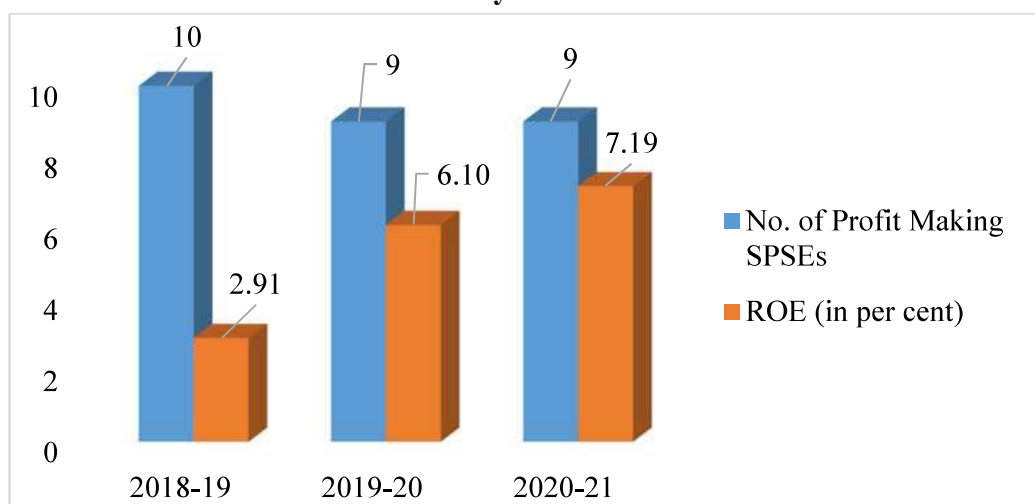
The number of SPSEs that earned profit was nine during 2019-20 and 2020-21. The profit increased to ₹ 724.17 crore in 2020-21 from ₹ 600.99 crore in 2019-20. Out of 18 SPSEs, four SPSEs have been incurring losses since 2018-19 and one SPSE since 2019-20. The Net worth of nine SPSEs that earned profit during 2020-21 was ₹ 10,072.57 crore. The Return on Equity (ROE) of these nine SPSEs was 7.19 *per cent* as compared to 6.10 *per cent* of nine SPSEs in 2019-20. ROE of all the 18 SPSEs i.e. including five loss making and four no profit no loss companies was (-)12.10 *per cent* in 2020-21.

Number of SPSEs that earned profit during the period from 2018-19 to 2020-21 is depicted in **Chart 5.2**.

⁴⁴ Amount represents outgo from State Budget only.

⁴⁵ GoB released equity directly to the two DISCOMs and two subsidiaries on behalf of their holding company i.e. BSPHCL against which these subsidiaries issued shares to their holding company. Therefore, for the purpose of infusion of Government's fund, only holding company on behalf of its subsidiaries has been considered. The remaining one Power Sector Enterprise is a Joint venture company.

⁴⁶ The accounts of power sector SPSEs for the year 2020-21 has not been received except Bihar Grid Company Limited.

Chart 5.2: Number of companies earning profits and their ROE during last three years

(Source: Compiled based on latest finalised accounts of SPSEs.)

The details of sectors which contributed maximum profit during 2020-21 are summarised in **Table 5.9**.

Table 5.9: Top sectors which contributed maximum profit during the year 2020-21

Sectors	No. of Profit earning SPSEs	Net Profit Earned (₹ in crore)	Percentage of profit to total SPSEs' profit
Power	2	614.98	84.92
Non-Power	7	109.19	15.08
Total	9	724.17	100.00

(Source: Compiled based on latest finalised accounts of SPSEs.)

During 2020-21, net profit of ₹ 614.98 crore constituting 84.92 *per cent* of total profit of SPSEs was contributed by Power Sector. The list of SPSEs which earned profit of more than ₹ 10 crore as per their latest finalised accounts during the year 2020-21 is given in **Table 5.10**.

Table 5.10: List of SPSEs which earned profit of more than ₹ 10 crore

Sl. No.	Name of SPSEs	Year of Finalised Account	Net profit
1	Bihar State Power Transmission Company Limited	2019-20	460.16
2	Bihar Grid Company Limited	2020-21	154.82
3	Bihar State Road Development Corporation Limited	2018-19	35.78
4	Bihar State Electronics Development Corporation Limited	2018-19	23.57
5	Bhagalpur Smart City Limited	2018-19	23.86
6	Bihar State Financial Corporation	2019-20	18.58

(Source: Compiled based on latest finalised accounts of SPSEs.)

5.3.2 Dividend Paid by SPSEs

The details of dividend pay-out during 2018-19 to 2020-21 in respect of SPSEs covered in this Chapter is given in **Table 5.11**.

Table 5.11: Dividend Pay-out of SPSEs during 2018-19 to 2020-21

Year	Total SPSEs where equity infused by GoB		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Pay-out Ratio (%)
	Number of SPSEs	Equity infused by GoB (₹ in crore)	Number of SPSEs	Profit earned (₹ in crore)	Number of SPSEs	Dividend declared/paid by PSEs (₹ in crore)	
1	2	3	4	5	6	7	8=7/5*100
2018-19	17	35,256.44	10	269.51	1	6.02	2.23
2019-20	18	38,386.13	9	600.99	-	-	-
2020-21	18	38,419.14	9	724.17	-	-	-

(Source: Compiled based on latest finalised accounts of SPSEs.)

The State Government had not formulated a dividend policy under which all profit making SPSEs are required to pay a minimum return. During the period 2018-19 to 2020-21, SPSEs ranging from nine to 10 earned profits. However, only one⁴⁷ SPSE declared/paid dividend to State Government as per their latest finalised account. The Dividend Pay-out Ratio was 2.23 per cent during 2018-19.

5.4 Debt servicing

5.4.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR of below one indicate that the company was not generating sufficient revenues to meet its expenses on interest. Out of 18 SPSEs, the long-term loans were outstanding in 10⁴⁸ SPSEs. Remaining eight SPSEs did not have any long-term loans as on 31 March 2021. During the year 2020-21, only seven SPSEs accounted for interest amount in their accounts and three⁴⁹ SPSEs did not account for interest amount in their account. The details of positive and negative interest coverage ratio of SPSEs having outstanding loans during the period from 2018-19 to 2020-21 are given in Table 5.12.

Table 5.12: Interest Coverage Ratio

(₹ in crore)

Year	Interest	Earnings before interest and taxes	No of SPSEs	No. of SPSEs having ICR ≥ 1	No. of SPSEs having ICR < 1
Statutory Corporations					
2018-19	18.09	4.64	1	-	1
2019-20	17.68	36.26	1	1	-
2020-21	17.68	36.26	1	1	-
Government Companies					
2018-19	392.64	(-)1344.01	4	2	2
2019-20	517.02	(-)1998.16	6	3	3
2020-21	591.33	(-)1764.01	6	3	3

(Source: Compiled based on latest finalised accounts of SPSEs.)

⁴⁷ Bihar State Road Development Corporation Limited (₹ 6.02 crore including taxes)

⁴⁸ BSPHCL, BSPTCL, SBPDCL, NBPCL, BGCL, BSAIDCL, PSCL, BSEFCL, PMRC and BSFC.

⁴⁹ Bihar State Power Holding Company Limited, Patna Metro Rail Corporation and Patna Smart City Limited

During the year 2020-21, the ICR of three State Government companies i.e. South Bihar Power Distribution Company Limited, North Bihar Power Distribution Company Limited and Bihar State Agro Industries Development Corporation Limited were less than one. This shows that the SPSE's earning is not sufficient to pay their interest due to heavy losses as on March 2021. This also indicates high risk of insolvency.

5.4.2 Age Wise Analysis of Interest Outstanding on State Government Loans

As on 31 March 2021, interest amounting to ₹ 491.36⁵⁰ crore was outstanding on the long-term loans of six SPSEs provided by GoB. The age wise analysis of interest outstanding on State Government Loans in SPSEs is depicted in **Table 5.13**.

Table 5.13: Interest Outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of SPSEs	Total outstanding Interest on Loan	Interest on loans outstanding for less than 1 year	Interest on loans outstanding for 1-3 years	Interest on loans outstanding for more than 3 years
1	North Bihar Power Distribution Company Limited	45.39	7.66	15.32	22.41
2	South Bihar Power Distribution Company Limited	20.40	1.65	3.30	15.45
3	Bihar State Power Transmission Company Limited	170.38	48.93	97.86	23.59
4	Bihar State Financial Corporation Limited	233.92	17.68	35.36	180.88
5	Bihar State Agro Industries Development Corporation Limited	18.92	0.00	0.00	18.92
6	Bihar State Education Finance Corporation Limited	2.35	0.77	1.58	0.00
Grand Total		491.36	76.69	153.42	261.25

(Source: Compiled based on the latest finalised accounts of SPSEs.)

It can be seen from the table that interest amounting to ₹ 261.25 crore was outstanding for more than three years. Bihar State Agro Industries Development Corporation Limited failed to repay the interest as well as principle of loan outstanding during the period as the Company became non-functional while Bihar State Financial Corporation also failed to repay as the Corporation is not undertaking any new business i.e. new lending which is the main source of its earning/revenue.

5.5 Operating efficiency of Government Companies

5.5.1 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁵¹. The SPSE

⁵⁰ Bihar Grid Company Limited received loans from others financial institutions. Hence, the interest amount of BGCL has not been considered.

⁵¹ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

wise details of ROCE are given in *Appendix-5.1*. The consolidated ROCE of 18 SPSEs during the period 2018-19 to 2020-21 are given in **Table 5.14**.

Table 5.14: Return on Capital Employed

Sectors	No. of SPSEs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (In percentage)
2018-19				
Power	8	(-)1,643.11	24,297.58	(-)6.76
Non Power	9	120.04	1,011.52	11.87
Total	17	(-)1,523.07	25,309.10	(-)6.02
2019-20				
Power	8	(-)2,256.03	25,947.01	(-)8.69
Non Power	10	149.72	1,156.58	12.95
Total	18	(-)2,106.31	27,103.59	(-)7.77
2020-21				
Power	8	(-)2,022.64	26,404.64	(-)7.66
Non Power	10	146.50	1,154.60	12.69
Total	18	(-)1,876.14	27,559.24	(-)6.81

(Source: Compiled based on latest finalised accounts of SPSEs.)

It was observed that ROCE of 18 Government companies and corporations was lower during the year 2020-21 in comparison to that for the year 2018-19 mainly because of decrease in ROCE of power companies.

5.5.2 Rate of Real Return on Government Investment (RORR)

In view of the significant investment by Government of Bihar in 18 companies, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the return on investment has been calculated after considering the Present Value (PV) of money to arrive at the real return on investment made by GoB. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted long term loans and Capital grants from 2014-15 in these SPSEs till 31 March 2021.

The PV of the State Government investment in 18 SPSEs was computed on the basis of following assumptions:

- Interest free/defaulted long term loans and Capital Grants have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of revenue grants and subsidies have not been reckoned as investment.
- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

The position of State Government investment in 18 companies in the form of equity, interest free/defaulted loans and capital grants since inception of these companies till 31 March 2021

and the consolidated position of the PV of the State Government investment relating to these SPSEs for the same period is indicated in **Table 5.15**.

Table 5.15: Year wise details of investment by the State Government and RORR of Government funds from 2014-15 to 2020-21

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state Government during the year	Interest free/ defaulted Loans and capital grants given by the state Government during the year	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earning for the year	RORR in Percent
i	ii	iii	iv	v = iii+iv	vi	vii = ii+v	viii = {vii* (100+vi)/100}	ix = {vii*vi}/100}	x	xi = (x*100/viii)
Up to 2014-15	0.00	9,017.54	6,243.75	15,261.29	6.59	15,261.29	16,267.01	1,005.72	-906.11	-5.57
2015-16	16,267.01	6,931.91	1,423.49	8,355.40	6.58	24,622.41	26,242.56	1,620.15	-907.07	-3.46
2016-17	26,242.56	5,291.39	5,212.82	10,504.21	6.42	36,746.77	39,105.92	2,359.14	-1,312.85	-3.36
2017-18	39,105.92	8,970.73	222.89	9,193.62	6.13	48,299.54	51,260.30	2,960.76	-7,780.58	-15.18
2018-19	51,260.30	5,044.86	3,477.65	8,522.51	6.18	59,782.81	63,477.39	3,694.58	-2,455.36	-3.87
2019-20	63,477.39	3,129.70	1,966.80	5,096.50	5.68	68,573.89	72,468.88	3,895.00	-2,612.14	-3.60
2020-21	72,468.88	33.01	0.00	33.01	5.94	72,501.89	76,808.50	4,306.61	-2,488.96	-3.24
Total		38,419.14	18,547.40	56,966.54						

(Source: Compiled based on the latest finalised accounts of SPSEs.)

The balance of investment of the State Government in these 18 companies at the end of the year increased to ₹ 56,966.54 crore in 2020-21 from ₹ 15,261.29 crore in 2014-15 as the State Government made further investments in shape of equity (₹ 29,401.60 crore), and capital grants (₹ 12,303.65 crore). The PV of investments of the State Government up to 31 March 2021 worked out to ₹ 76,808.50 crore.

It could be seen that total earnings and RORR of these SPSEs remained negative during 2014-15 to 2020-21 due to losses of power companies which indicates that instead of generating returns on the invested funds to recover the cost of funds to the Government, they have accumulated huge losses over the years making them commercially unviable.

5.5.3 Return on Investment in SPSEs (ROI)

Return on Investment (ROI)⁵² is a measure of financial performance of companies calculated by dividing net income by total investment. Sector wise ROI of SPSEs for three years ended 31 March 2021 is depicted in **Table 5.16**.

Table 5.16: Sector wise Return on Investment

Sector	2018-19	2019-20	2020-21
Power	(-)4.08	(-)4.97	(-)4.41
Non-Power	7.13	8.25	8.07
Total	(-)3.63	(-)4.46	(-)3.94

(Source: Compiled based on latest finalised accounts of SPSEs.)

It can be seen from the table that ROI of 18 Government companies and corporations improved during the year 2020-21 in comparison to that for the year 2019-20 mainly because of increase in ROI of power companies.

⁵² Return on Investment = (Net Profit before Interest, Tax and preference Dividend/ Equity)*100/ Investment where Investment = Paid up Capital + Free Reserves + Long term loan.

5.5.4 Return on Equity of SPSEs (ROE)

Return on equity (ROE)⁵³ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of SPSEs for three years ended 31 March 2021 is depicted in **Table 5.17**.

Table 5.17: Sector wise Return on Equity

<i>(in per cent)</i>			
Sector	2018-19	2019-20	2020-21
Power	(-)12.85	(-)13.66	(-)12.90
Non-Power	22.11	20.10	20.18
Total	(-)12.22	(-)12.84	(-)12.10

(Source: Compiled based on latest finalised accounts of SPSEs.)

It can be seen from the table that ROE of 18 Government companies and corporations remained negative during the period between 2018-19 and 2020-21 due to losses and negative ROE of power companies.

5.6 SPSEs incurring losses and erosion of capital

5.6.1 Losses incurred by SPSEs

The number of SPSEs that incurred losses ranged between five to six during the year 2018-19 to 2020-21, as given in **Table 5.18**.

Table 5.18: Number of SPSEs that incurred losses during 2018-19 to 2020-21

Year	No of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated Losses (₹ in crore)	Net Worth ⁵⁴ (₹ in crore)
Statutory Corporations				
2018-19	1	13.45	511.85	(-)423.96
2019-20	-	-	-	-
2020-21	-	-	-	-
Government Companies				
2018-19	5	2,711.42	16,115.00	10,118.21
2019-20	5	3,213.13	19,629.17	9,223.73
2020-21	5	3,213.13	19,629.17	9,223.73
Total				
2018-19	6	2,724.87	16,626.85	9,694.25
2019-20	5	3,213.13	19,629.17	9,223.73
2020-21	5	3,213.13	19,629.17	9,223.73

(Source: Compiled based on latest finalised accounts of SPSEs.)

Out of total loss of ₹ 3,213.13 crore incurred by five SPSEs during the year 2020-21, loss of ₹ 3,203.65 crore was attributed to three SPSEs, as listed in **Table 5.19**.

⁵³ Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure

⁵⁴ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Table 5.19: SPSEs that incurred losses of more than ₹ 10 crore*(₹ in crore)*

Sl. No.	Name of SPSEs	Year of Finalised Account	Net profit/ loss after tax and preference dividend
1	South Bihar Power Distribution Company Limited	2019-20	(-)1,664.84
2	North Bihar Power Distribution Company Limited	2019-20	(-)1,282.88
3	Bihar State Power Generation Company Limited	2019-20	(-)255.93

*(Source: Compiled based on latest finalised accounts of SPSEs.)***5.6.2 Erosion of capital in Government Companies**

As on 31 March 2021, out of 18 SPSEs, net worth of 13 SPSEs (all functional) was positive. The net worth of remaining five SPSEs, including four⁵⁵ functional and one⁵⁶ non-functional SPSE was negative. The net worth of these four functional SPSEs and one non-functional SPSE was completely eroded by their accumulated losses as the net worth of these SPSEs was (-) ₹ 405.51 crore and (-) ₹ 182.31 crore against equity investment of ₹ 77.96 crore and ₹ 7.64 crore respectively as on 31 March 2021. Further, net worth was less than half of their paid-up capital in respect of two⁵⁷ SPSEs and net worth of one SPSE i.e. North Bihar Power Distribution Company Limited was ₹ 6,482.83 crore (55.63 per cent) against equity investment of ₹ 11,653.84 crore at the end of 31 March 2021, indicating their potential financial sickness.

5.7 Winding up of non-functional SPSEs

The number of non-functional SPSEs at the end of each year during last three years ended 31 March 2021 is given below:

Table 5.20: Non-functional SPSEs

Particulars	2018-19	2019-20	2020-21
No. of non-functional SPSEs	42	42	42
Out of above, No. of SPSEs which were under liquidation	5	5	5

(Source: Compiled from the information included in Audit Report (PSUs), GoB of respective years and in Appendix 5.2.)

All 42 SPSEs as in 2020-21, are non-functional for more than five years. The status of non-functional SPSEs are shown in the following table:

Table 5.21: Status on non-functional SPSEs

Sl. No.	Status	No. of SPSEs
1	Under liquidation	5
2	Application made to ROC for strike off	6
3	State Government has decided to take back the winding up petition from court.	12
4	Liquidation procedure pending due to non bi-furcation of assets and liabilities between Bihar and Jharkhand.	6
5	Under process with Company Law Tribunal.	2
6	Pending due to finalisation of accounts.	1
7	No action taken by Government	10
Total		42

(Source: Compiled based on the information furnished by the SPSEs.)

⁵⁵ Lakhisarai Bijlee Company Private Limited, Pirpainti Bijlee Company Private Limited, Patna Smart City Limited and Bihar State Financial Corporation

⁵⁶ Bihar State Agro Industries Development Corporation Limited

⁵⁷ Bihar State Power Generation Company Limited and South Bihar Power Distribution Company Limited.

Government of Bihar (GoB) has already decided to wind up 32 non-functional SPSEs⁵⁸ and these are under various stages of liquidation. However, no action has been taken in respect of remaining 10 SPSEs.

Accounts of non-functional SPSEs are in arrear from one⁵⁹ year to 44⁶⁰ years (since inception). Viability of these non-functional SPSEs is also doubtful as there is no contribution in GSDP by these non-functional SPSEs.

Besides, the continued existence of these non-functional SPSEs constitute a substantial drain on the public exchequer in the form of establishment expenditure.

5.8 Budgetary support to SPSEs whose accounts were in arrears

The Companies Act, 2013 stipulates that the financial statement 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 30 September of the next financial year. Failure to submit Accounts on time renders the officers of the company liable to penal provisions under the Act.

Government provided budgetary support (equity, loans, grants, subsidies and accepted guarantee) to the tune of ₹ 20,145.84 crore to 15 functional State Public Sector Enterprises (SPSEs), two Statutory Corporations and 16 non-functional SPSEs up to August 2021 whose Accounts were in arrears as on 31 March 2021. These SPSEs have not finalised their Accounts for the last one to 44 years in violation of provisions of the Companies Act/Acts of the respective Statutory Corporations/ PSUs (*Appendix 5.3*).

During scrutiny of Finance Account (five years data), it was observed that GoB had regularly invested in Bihar State Minority Finance Corporation Limited⁶¹ from 2016-17 to 2020-21 except in 2018-19 whereas the annual accounts of the company are in arrears since 2014-15. There were several⁶² other companies also who have not submitted their accounts for past several years but are getting investment from Government since the last five years.

Due to non-finalisation of Accounts, the CAG has been unable to perform the supplementary audit of Companies as stipulated in the Companies Act and statutory audit of the corporations as stipulated in their respective acts. In the absence of timely finalisation of accounts, results of the investment of the Government remain outside the purview of the State Legislature and escape scrutiny by Audit. Consequently, corrective measures, if any, required for ensuring accountability and improving efficiency cannot be taken in time. The risk of fraud and mis-utilisation of public money cannot be ruled out.

⁵⁸ Out of 42 non-functional SPSEs, 32 non-functional SPSEs are under various stages of liquidation.

⁵⁹ Bihar State Agro Industries Development Corporation Limited.

⁶⁰ Bihar Scooters Limited.

⁶¹ 2016-17-₹ 85.11 crore, 2017-18-₹ 100 crore, 2019-20-₹ 91.80 crore, 2020-21- ₹ 35.64 crore

⁶² Patna Metro Rail Corporation Limited (2018-19-₹ 3.00 crore, 2019-20-₹ 160 crore, 2020-21-₹ 50.00 crore), Bihar State Mining Corporation Limited (2017-18-₹ 20.00 crore), Bihar State Industrial Development Corporation Limited (2018-19-₹ 5.00 crore) etc.

5.9 Audit of State Public Sector Enterprises (SPSEs)

Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a State Government Company and State Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.10 Appointment of statutory auditors of SPSEs by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a State Government Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year.

5.11 Submission of Accounts by SPSEs

5.11.1 Need for timely submission

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

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite above provisions, annual accounts of various SPSEs were pending as on 30 September 2021, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by State Government Companies/ Statutory Corporations

As of 31 March 2021, there were 72 State Government Companies, three Statutory Corporations and four Government controlled other companies under the purview of CAG's audit (total 79 SPSEs). Of these, accounts for the year 2020-21 were due from all State Government Companies / Statutory Corporations as on 30 September 2021. Out of 79 SPSEs, only two⁶³ State Government Companies submitted their accounts for the year 2020-21 for audit by CAG on or before 30 September 2021. Accounts of rest 70 State Government Companies, three Statutory Corporations and four Government Controlled Other Companies (total 77 SPSEs) were in arrears for various reasons.

⁶³ Bihar Grid Company Limited and Bihar State Education Finance Corporation Limited

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, the CAG is the sole auditor for Bihar State Road Transport Corporation. In respect of Bihar State Financial Corporation and Bihar State Warehousing Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

The accounts of Bihar State Financial Corporation for the year 2019-20 and 2020-21, Bihar State Road Transport Corporation from 2017-18 to 2020-21 and Bihar State Warehousing Corporation from 2016-17 to 2020-21 were awaited as on 30 September 2021.

Details of arrears in submission of accounts of SPSEs as on 30 September 2021 are given in **Table 5.22**.

Table 5.22: Position relating to submission of accounts by the SPSEs

Particulars		Government Companies/Government Controlled Other Companies/Statutory Corporations			
		Government Companies	Government controlled other Companies	Statutory Corporations	Total
Total number of SPSEs under the purview of CAG's audit as on 31 March 2021		72	04	03	79
Less: New SPSEs from which accounts for 2020-21 were not due		-	-	-	-
Number of SPSEs from which accounts for 2020-21 were due		72	04	03	79
Number of SPSEs which presented the accounts for 2020-21 for CAG's audit by 30 September 2021		02	-	-	02
Number of SPSEs having arrear accounts as of 30 September 2021		70	04	03	77
Number of accounts in arrears		1,339 ⁶⁴	12	11	1,362
Break-up of Arrears	Under Liquidation	100	-	-	100
	Non-functional	1,100	-	-	1,100
	Functional	139	12	11	162
Age-wise analysis of arrears against 'Functional' category	One year (2020-21)	08	-	-	08
	Two years (2019-20 and 2020-21)	04	02	02	08
	Three years and more	127	10	09	146

(Source: Compiled based on the latest finalised accounts of SPSEs.)

The names of these companies are indicated in **Appendix 5.4**. Out of 77 SPSEs, 35 functional SPSEs had arrears of 162 accounts ranging from one to 23 years whereas 42 non-functional SPSEs had arrears of 1,200 accounts ranging from one to 44 years.

5.12 CAG's oversight - Audit of accounts and supplementary audit

5.12.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory

⁶⁴ As per the circular of ROC Patna dated 23.09.2021, the date of holding the AGM by a period of two months from the due date by which the AGM ought to have been held was extended for the companies, which are unable to hold their AGM. Therefore, the accounts of SBPDCL and NBPDCCL for the year 2020-21, though received subsequently, have been considered as arrear due to non-compliance of ROC circular dated 23.09.2021.

Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

5.12.2 Audit of accounts of SPSEs by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the State Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

5.12.3 Supplementary Audit of accounts of SPSEs

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected State Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

5.13 Result of CAG's oversight role

5.13.1 Audit of accounts of SPSEs under Section 143 of the Companies Act, 2013

Financial statements for the year 2020-21 were received from two⁶⁵ State Government Companies by 30 September 2021. The review of these two accounts of State Government Companies is under process.

⁶⁵ Bihar Grid Company Limited and Bihar State Education Finance Corporation Limited

5.13.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on SPSEs

The statutory auditors forwarded 28 accounts (21 Non-Power and seven Power) during January 2021 to September 2021 subsequent to the audit of the financial statements by them. The CAG issued non-review certificate on one accounts and conducted supplementary audit of the financial statements of the remaining SPSEs. During January 2021 to September 2021, CAG issued disclaimer on 29⁶⁶ accounts (25 Non-Power and four Power) and comments on nine accounts (eight Non-Power and one Power) including one account of Bihar State Road Development Corporation Limited for the year 2018-19 on which adverse⁶⁷ comment stating that the accounts of the company does not provide true and fair view under Section 143(6) (b) of the Companies Act, 2013, was issued.

The list of SPSEs covered in this Chapter in respect of whom comments were issued during January 2021 to September 2021 is given in **Table 5.23**.

Table 5.23: List of SPSEs covered in this Chapter where comments were issued by CAG

Sl. No.	Name of the SPSE	Year of the Account
1	Bihar State Educational Infrastructure Development Corporation Limited	2018-19
2	Bihar State Road Development Corporation Limited	2018-19
3	Bihar State Education Finance Corporation Limited	2018-19
4	Bihar Grid Company Limited	2019-20

(Source: Compiled based on the comments issued by CAG on accounts of SPSEs.)

Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹ 1,521.20 crore and on assets/liabilities was ₹ 65.71 crore, have been tabulated below:

A Comments on Profitability

Sl. No.	Name of the SPSE	Comments
1	Bihar State Educational Infrastructure Development Corporation Limited (2018-19)	<ul style="list-style-type: none"> ➤ Due to non-adherence of the GoB guidelines on centage income, an amount of ₹ 3.55 crore of centage income was not accounted for during the year 2018-19. This resulted in understatement of Revenue from Operations (Centage Income) and Current Assets for the year 2018-19 by ₹ 3.55 crore each. ➤ An amount of ₹ 13.58 lakh being the interest accrued but not due on fixed deposit during the period 2018-19 (from 25.03.2019 to 31.03.2019) was not accounted for in the same year. This resulted in understatement of Other Income and Current Assets for the year by ₹ 13.58 lakh.

⁶⁶ The figure also includes accounts which were received and audited prior to January 2021 and report on accounts issued during January 2021 to September 2021.

⁶⁷ Related significant matters are depicted in Table A and B (Comments on Profitability/Financial Position).

Sl. No.	Name of the SPSE	Comments
		➤ A sum of ₹ 6.32 lakh being the interest amount received on Corporate Social Responsibility (CSR) fund for the year 2018-19 was treated as Company's income and booked in the Profit and Loss account. This resulted in overstatement of Other Income and understatement of CSR fund by ₹ 6.32 lakh.
2	Bihar State Road Development Corporation Limited (2018-19)	<p>➤ The Company in deviation of the opinion of ICAI's expert Advisory committee, wrongly accounted for ₹ 1,498.79 crore as revenue from operations which pertained to contract expenses on works executed on cost plus basis in profit & loss account. This resulted in overstatement of Revenue from operations by ₹ 1,498.79 crore and contract expense by the same extent.</p> <p>➤ The Company (CPIU-Patna) had accounted the civil cost on the project (SS-81) during the year 2018-19 in the books of accounts but had not accounted for the Income earned thereon as agency and contingency charges. This resulted in understatement of Revenue from operation and work in progress by ₹ 18.22 crore.</p> <p>➤ The Company had not charged a sum of ₹ 0.44 crore being the amount of depreciation on Temporary shed (Value: ₹ 0.70 crore) in profit and loss account as per the provisions of Schedule II of the Companies Act, 2013. This resulted in overstatement of profit for the year by ₹ 0.44 crore.</p>

B Comments on Financial Position

Sl. No.	Name of the SPSE	Comments
1	Bihar State Educational Infrastructure Development Corporation Limited (2018-19)	<p>➤ Due to non-adherence of the GoB guidelines on centage income, an amount of ₹ 15.28 crore of centage income on projects executed during the period 25.01.2016 to 31.03.2018, had not been accounted for in FY 2018-19. This resulted in understatement of Reserve and Surplus and Current Assets for the year 2018-19 by ₹ 15.28 crore.</p> <p>➤ Wrong accountal of ₹ 23.82 crore being the amount refunded by Income Tax Department against the total amount paid as advance Income Tax of ₹ 25.79 crore resulted in overstatement of Other Current Liabilities and Other Non-current Assets by ₹ 23.82 crore.</p>

Sl. No.	Name of the SPSE	Comments
		<p>➤ The short term provisions includes a total sum of ₹ 2.04 crore towards provision for CSR comprising ₹ 0.71 crore for current year and ₹ 1.33 crore for previous years.</p> <p>In view of the Guidance Note on Accounting for Expenditure on Corporate Social Responsibility Activities issued by ICAI, no provision for the amount which is not spent on CSR activities should have been made in the financial statements and reasons for not spending should have been in Directors' Report. However, the company neither spent any amount on CSR activities nor gave any reasons in the Director's report as per the provision of Section 135 (5) of the Companies Act, 2013.</p> <p>➤ Bills amounting to ₹ 7.84 crore received during the period 2018-19 were not accounted for in the same year on accrual basis. This resulted in understatement of Work-in-Progress by ₹ 8.39 crore, Trade Payable by ₹ 7.84 crore and centage income by ₹ 0.55 crore.</p>
2	Bihar State Road Development Corporation Limited (2018-19)	<p>➤ A sum of ₹ 29.11 crore being the amount of Income tax refund claimed by the Company. As per the assessment done by the Income Tax authorities, the Company is not eligible to get refunds amounting to ₹ 14.20 crore for the assessment year 2011-12, 2012-13 and 2014-15. This resulted in overstatement of Other Current Assets and understatement of expense by ₹ 14.20 crore.</p>
3	Bihar State Education Finance Corporation Limited (2018-19)	<p>➤ Non-provision of ₹ 2.47 lakh, being the penalty payable towards EPF contribution, resulted in understatement of Other Current Liabilities and profit to the extent of ₹ 2.47 lakh.</p> <p>➤ Non-charging of ₹ 8.24 lakh, being the amount of Preliminary Expenses to be charged in the year 2018-19 as per AS 26, resulted in overstatement of other non-current assets and profit to the extent of ₹ 8.24 lakhs.</p>
4	Bihar Grid Company Limited (2019-20)	<p>➤ A sum of ₹ 1.88 crore being the cost of general overhead costs which were not directly attributable to the cost of construction project, booked under "Expenditure during construction (EDC)". Incorrect inclusion of overhead costs resulted in overstatement of Capital work in progress and Profit to the extent of ₹ 1.88 crore.</p>

C Comments on Disclosure

Sl. No.	Name of the SPSE	Comments
1	Bihar State Education Finance Corporation Limited (2018-19)	➤ The Company did not disclose the clarification of Government of Bihar in the accounts that the company on behalf of Bihar Government will calculate interest chargeable on the loan under Bihar Student Credit Card Scheme and collect the same from the Beneficiaries.
2	Bihar Grid Company Limited (2019-20)	➤ The Company did not disclose the borrowing costs capitalization rate charged to statement of Profit and Loss during the year. Hence, the company has not complied with the disclosure requirement under Ind AS 23.

5.13.3 Statutory Corporation

Out of three Statutory Corporations, no Corporation had finalised and forwarded their accounts of 2020-21 by 30 September 2021. The details regarding submission of accounts and arrear of accounts of these Statutory Corporations are summarised in the **Table 5.24**.

Table 5.24: Position relating to submission of accounts and arrear of accounts of Statutory Corporations

Sl. No.	Name of the Corporation	Name of Department	Year of latest Finalised Accounts	Period for which the accounts are in arrear	Number of accounts in arrear
1	Bihar State Warehousing Corporation	Co-operative	2015-16	2016-17 to 2020-21	05
2	Bihar State Road Transport Corporation	Transport	2016-17	2017-18 to 2020-21	04
3	Bihar State Financial Corporation	Industry	2018-19	2019-20 to 2020-21	02

(Source: Compiled based on the latest finalised accounts of SPSEs.)

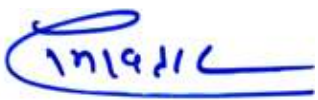
5.14 Non-compliance with provisions of Accounting Standards/ Ind-AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that two SPSEs did not comply with mandatory Accounting Standards/Ind AS depicted in **Appendix 5.5**. As can be seen from the appendix, the statutory auditors reported two cases of non-compliance of Accounting Standards by two SPSEs.

During the course of supplementary audit, the CAG observed that three SPSEs had also not complied with the Accounting Standards/Ind AS which was not reported by their statutory auditors depicted in *Appendix 5.6*. As can be seen from the appendix that there were five cases of non-compliance of Accounting Standards/Ind AS by three SPSEs.


Patna
The 11 April 2022



(RAMAWATAR SHARMA)
Accountant General (Audit), Bihar

COUNTERSIGNED

New Delhi
The 21 April 2022



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India