CHAPTER-5

STATE PUBLIC SECTOR ENTERPRISES

Chapter - 5

State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies and Statutory Corporations as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General (CAG) of India for the year 2019-20 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 Definition of Government Companies

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary of a Government Company.

5.2 Mandate of Audit

Audit of Government Companies is conducted by the CAG of India under the provisions of Sections 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 Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG[1].

5.3 SPSEs and their contribution to the GSDP of the State

State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of a commercial nature keeping in view the welfare of the people and occupy an important place in the State economy. As on 31 March 2020, there were 18 SPSEs in Delhi, including two[2] Statutory Corporations and 16 Government Companies under the audit jurisdiction of the CAG. The names of these SPSEs are given in **Table 5.1**:

[1] CAG is the sole auditor of Delhi Transport Corporation

[2] Delhi Transport Corporation and Delhi Financial Corporation.

Table 5.1: List of SPSEs[3]

Sl. No.	Sector and Name of the State Public Sector Enterprises
Government Companies	
Finance	
1.	Delhi SC /ST /OBC Minorities and Handicapped Financial and Development Corporation Limited (DSCFDC)
Infrastructure	
2.	Shahjahanabad Redevelopment Corporation (SRDC)
3.	Delhi State Industrial & Infrastructure Development Corporation Limited (DSIIDC)
Power	
4.	Indraprastha Power Generation Company Limited (IPGCL)
5.	Pragati Power Corporation Limited (PPCL)
6.	Delhi Transco Limited (DTL)
7.	Delhi Power Company Limited (DPCL)
8.	DSIIDC Energy Limited (DEL- Subsidiary of DSIIDC)
Services	
9.	Delhi Tourism and Transportation Development Corporation Limited (DTTDC)
10.	Delhi Creative Arts Development Limited (DCADL- Subsidiary of DSIIDC)
11.	DSIIDC Liquor Limited (DLL- Subsidiary of DSIIDC)
12.	DSIIDC Maintenance Services Limited (DMSL- Subsidiary of DSIIDC)
13.	Delhi State Civil Supplies Corporation Limited (DSCSC)
14.	Intelligent Communication Systems India Limited (ICSIL- Associate Company of DSIIDC)
15.	Geospatial Delhi Limited (GDL)
Transport	
16.	Delhi Transport and Infrastructure Development Corporation Limited (DTIDC)
Statutory Corporations	
Finance	
17.	Delhi Financial Corporation (DFC)
Transport	
18.	Delhi Transport Corporation (DTC)

The ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of turnover of SPSEs and GSDP of GNCTD for a period of three years ending 31 March 2020 are given in **Table 5.2**.

[3] One company (NDMC Smart City Limited) has since been transferred from the audit jurisdiction of the office of the PAG (Audit), Delhi from 2019-20 accounts.

Table 5.2: Details of turnover of SPSEs *vis-à-vis* GSDP of GNCTD

(₹ in crore)

Particulars	2017-18	2018-19	2019-20
Turnover	8,119.06	9,318.69	9,573.56
GSDP of Delhi	6,86,824.00	7,74,870.00	8,56,112.00
Percentage of turnover to GSDP of Delhi	1.18	1.20	1.12

Source: Turnover has been taken as per the latest Financial Statements of SPSEs and GSDP has been taken from Directorate of Economics and Statistics.

It can be seen from the table above that the turnover of these SPSEs has shown an increase of 17.91 *per cent* during the three years from 2017-18 to 2019-20 as per their latest audited accounts. However, the contribution of SPSEs in the GSDP remained marginal.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector-wise total equity, equity contribution by GNCTD and long-term loans including the loans given by GNCTD as on 31 March 2020 is given in **Table 5.3**.

Table 5.3: Sector-wise investment in SPSEs as on 31 March 2020

Name of Sector	Investment[4] *(₹ in crore)*				
	Equity		Long Term Loans		
	Total	State Government	Total	State Government	Total Equity and Long-Term Loans
Power	7,506.79	7,106.78	3,322.09	1,943.78	**10,828.88**
Finance	71.68	51.38	99.63	86.48	**171.31**
Service	25.07	24.04	2.24	2.14	**27.31**
Infrastructure	21.00	21.00	0.00	0.00	**21.00**
Transport	1,994.50	1,994.50	11,676.14	11,676.14	**13,670.64**
Total	**9,619.04**	**9,197.70**	**15,100.10**	**13,708.54**	**24,719.14**

Source: Latest Financial Statements of SPSEs

It can be seen from the above table that the thrust of investment in SPSEs was mainly on the Transport and Power sector, which received 55.30 *per cent* and 43.81 *per cent* respectively of the total investment of ₹ 24,719.14 crore.

5.4.2 Disinvestment, Restructuring and Privatisation

During the year 2019-20, there was no case of privatisation of SPSEs. GNCTD has not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

In 2019-20, there were 10 profit-earning SPSEs[5], as compared to eight in

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[4] Investment includes equity and long term loans.

[5] DSIIDC, PPCL, IPGCL, DTL, DPCL, ICSIL, DSCSC, DTTDC, GDL, DTIDC. One SPSE (SRDC) is a non-profit making Company registered under Section 8 of the Companies Act, 2013.

2018-19. The profit earned by the profit-making SPSEs increased to ₹1,123.10 crore in 2019-20 from ₹ 894.74 crore in 2018-19.

The details of the top five profit earning SPSEs in 2019-20 is given in **Table 5.4**.

Table 5.4: Top 5 SPSEs which contributed maximum profit

Name of SPSE	Net profit earned (*₹in crore*)	Percentage of profit to total SPSEs profit
DSIIDC	312.75	27.85
PPCL	264.38	23.54
IPGCL	190.93	17.00
DTL	171.36	15.26
DPCL	126.87	11.29
Total	**1,066.29**	**94.94**

Source: Latest Financial Statements of SPSEs

During 2019-20, net profit of ₹1,066.29 crore constituting 94.94 *per cent* of total profit of the 10 SPSEs was contributed by these five SPSEs.

5.5.2 Dividend paid by SPSEs

GNCTD had not formulated any dividend policy under which SPSEs would be required to pay a minimum return on the paid-up share capital contributed by the State Government. None of the 13 SPSEs[6] in which GNCTD had made investment had declared/paid dividend.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest.

The details of interest coverage ratio in SPSEs which had interest burden are given in **Table 5.5**.

Table 5.5: Interest coverage ratio of SPSEs

Year	Interest liability (*₹in crore*)	Earnings before interest and tax (EBIT) (*₹in crore*)	Number of SPSEs having interest liability from Government and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2017-18	4,452.87	1,853.94	8	6	2
2018-19	5,005.46	1,645.16	6	3	3
2019-20	5,701.94	1,382.53	6	3	3

Source: Latest Financial Statement of SPSEs

[6] DSCFDC, SRDC, DSIIDC, IPGCL, PPCL, DTL, DPCL, DTTDC, DSCSC, GDL, DTIDC, DFC, DTC

It was observed that three SPSEs[7] had interest coverage ratio of more than one during 2019-20. Three[8] SPSEs had interest coverage ratio of less than one during 2019-20. Thus, these SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 Performance of SPSEs

5.7.1 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 employed[9]. The details of RoCE of 13 SPSEs in which GNCTD had invested during the period from 2017-18 to 2019-20 are given in **Table 5.6**.

Table 5.6: Return on Capital Employed

Year	EBIT (₹*in crore*)	Capital Employed (₹*in crore*)	RoCE (in *per cent*)
2017-18	1,969.95	-1,605.81	-122.68
2018-19	2,036.61	-6,198.10	-32.86
2019-20	2,022.62	-11,192.35	-18.07

Source: Latest Financial Statement of SPSEs.

It was observed that the RoCE was negative in all the years.

5.7.2 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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

The details of net income and shareholders' fund relating to 13 SPSEs with GNCTD investment are given in **Table 5.7**.

Table 5.7: Return on Equity relating to SPSEs where funds were infused by GNCTD

Year	Net Income (₹ *in crore*)	Shareholders' Fund (₹ *in crore*)	ROE *(Percentage)*
2017-18	-2,895.56	-18,616.67	-
2018-19	-3,489.59	-22,120.85	-
2019-20	-4,175.27	-26,292.35	**-**

7 DTL, IPGCL, PPCL

8 DSCFDC, DFC, DTC

9 Capital Employed = Paid up Share Capital + Free Reserves and Surplus + Long-term Loans – Accumulated Losses – Deferred Revenue Expenditure

As the net income of SPSEs during 2018-19 and 2019-20 was negative, RoE could not be calculated. The net income for all the years from 2017-18 to 2019-20 was negative due to the huge losses incurred by DTC as per its latest finalised account which wiped out the profits earned by other SPSEs. The shareholder's fund was negative mainly on account of accumulated losses of DTC which had increased to ₹ 38,753.47 crore as per its latest finalised accounts.

5.7.3 Return on Investment

Return on investment is the percentage of profit or loss to the total investment. Out of 18 SPSEs of the State, GNCTD infused funds in the form of equity, loans and grants/subsidies in 13 SPSEs only. GNCTD did not infuse any direct funds in remaining five[10] SPSEs.

The Return on Investment from the SPSEs has been calculated on the investment made by GNCTD in the SPSEs in the form of equity and loans. In the case of loans, only interest-free loans are considered as investment since the Government does not receive any interest on such loans and these are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Further, the funds made available in the form of the grants/subsidy for other than for management and operational expenses have not been reckoned as investment since they do not qualify to be considered as investment.

5.7.4 Rate of Real Return (RORR) on Government Investments

In view of the significant investment by GNCTD in 13 SPSEs, the return on such investment is essential from the perspective of the State Government, which has been calculated keeping in view the Present Value (PV) of money. The PV of Government investments has been computed to assess the rate of return on the PV of investments of GNCTD in the State SPSEs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year upto 31 March 2020, the past investments/year-wise funds infused by GNCTD in the SPSEs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of GNCTD investment has been computed where funds have been infused by GNCTD in the form of equity, interest-free loans and grants and subsidies for operational and management expenses since 2002-03[11] till 31 March 2020.

The PV of GNCTD's investment in SPSEs was computed on the basis of the following assumptions:

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[10] DEL, DCAD, DMSL and DLL are subsidiary companies of DSIIDC, which contributed towards their capital. Further, in case of ICSIL, capital was contributed by DSIIDC, TCIL and two other companies.

[11] As per figures received from the SPSEs.

- The funds made available in the form of grant/subsidy other than for management and operational expenses have not been reckoned as investment.
- The average rate of interest on Government borrowings for the concerned financial year[12] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and was therefore considered as the minimum expected rate of return on investments made by the Government.

The consolidated position of the PV of GNCTD investment relating to the 13 SPSEs since 2002-03 till 31 March 2020 is indicated in **Table 5.8.**

Table 5.8: Year-wise details of investment by the GNCTD and Present Value (PV) of government funds from 2002-03 to 2019-20

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Govt. during the year	Interest free loans given by the State Govt. during the year	Grants and subsidies for operational and management expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
i	ii	iii	iv	v	vi=iii+iv +v	vii=ii+vi	viii	ix={vii* (1+ viii)/ 100}	x={viii*vii)/100}	xi
2002-03	183.06[13]	324.41	0.00	0.20	324.61	507.67	11.17	564.38	56.71	-1872.94
2003-04	564.38	0.00	0.00	0.20	0.20	564.58	10.65	624.70	60.13	-534.27
2004-05	624.70	0.00	0.00	0.20	0.20	624.90	10.34	689.52	64.62	-1375.28
2005-06	689.52	0.00	0.00	130.87	130.87	820.39	8.87	893.16	72.77	-1859.78
2006-07	893.16	3.11	0.00	42.07	45.18	938.34	9.35	1026.07	87.73	-864.09
2007-08	1026.07	4471.80	0.00	33.56	4505.36	5531.43	9.84	6075.73	544.29	-1749.46
2008-09	6075.73	715.19	0.00	19.25	734.44	6810.17	9.90	7484.37	674.21	-1672.67
2009-10	7484.37	1128.25	0.00	96.25	1224.50	8708.87	9.52	9537.96	829.08	-1788.68
2010-11	9537.96	464.00	0.00	402.98	866.98	10404.94	9.10	11351.79	946.85	-1557.81
2011-12	11351.79	665.48	40.00	764.59	1470.07	12821.86	9.77	14074.55	1252.70	-1969.18
2012-13	14074.55	498.55	50.00	1310.54	1859.09	15933.64	9.73	17483.98	1550.34	-1775.75
2013-14	17483.98	745.00	1.00	1409.70	2155.70	19639.68	9.21	21448.50	1808.81	-2034.69
2014-15	21448.50	-1.15	7.00	1438.75	1444.60	22893.10	8.59	24859.62	1966.52	-942.51
2015-16	24859.62	0.00	0.00	1416.93	1416.93	26276.55	8.54	28520.56	2244.02	-2049.81
2016-17	28520.56	0.00	0.00	1792.66	1792.66	30313.22	8.65	32935.32	2622.09	-2867.88
2017-18	32935.32	0.00	0.00	2079.72	2079.72	35015.04	8.58	38019.33	3004.29	-2895.56
2018-19	38019.33	0.00	0.00	1894.52	1894.52	39913.85	8.64	43362.40	3448.56	-3489.59
2019-20	43362.40	0.00	0.00	2036.00	2036.00	45398.40	8.14	49093.83	3695.43	-4175.27
Total		**9014.64**	**98.00**	**14868.99**	**23981.63**					

Source: Information received from SPSEs and Finance Accounts of GNCTD of respective years.

The equity investment of GNCTD in these 13 SPSEs at the end of the year increased to ₹ 9,197.70 crore in 2019-20 from ₹ 507.67 crore in 2002-03. The PV of investments of GNCTD up to 31 March 2020 worked out to ₹ 49,093.83 crore. It can be seen from the table that total earnings of the companies have remained lower than the minimum expected return throughout the period from 2002-03 to 2019-20.

12 The average rate of interest on government borrowings was adopted from the Reports of the CAG of India on State Finances (GNCTD) for the concerned year.

13 Closing balance of investment made by GNCTD in 13 SPSEs till the year 2001-02.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were seven[14] SPSEs that incurred losses as per their latest finalised accounts at the end of March 2020. The losses incurred by these loss-incurring SPSEs increased to ₹5,294.16 crore in 2019-20 as per their latest finalised accounts from ₹ 3,859.78 crore in 2017-18 and ₹ 4,386.79 crore 2018-19 as given in **Table 5.9**.

Table 5.9: Number of SPSEs that incurred losses

(₹in crore)

Year	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth[15]
2017-18	9[16]	3,859.78	-29,103.14	-26,836.33
2018-19	11[17]	4,386.79	-32,499.28	-29,436.93
2019-20	7[18]	5,294.16	-38,741.28	-36,685.71

Out of total loss of ₹ 5,294.16 crore incurred by these seven loss-incurring SPSEs during 2019-20, loss of ₹ 5,280.55 crore (99.74 *per cent*) was contributed by Delhi Transport Corporation alone.

The losses incurred by DTC were mainly due to non-revision of fares since November 2009, increased AMC costs, and pay revision of DTC employees. Resultantly, DTC has not been in a position to repay either the loans received from GNCTD or the interest thereon. From 2011-12 onwards GNCTD has been releasing grants-in-aid (GIA) to DTC as financial assistance. DTC had received GIA amounting to ₹ 11,766 crore during the period 2011-2020. Prior to 2011, DTC had received interest bearing loans of ₹ 11,676 crore from GNCTD. As of March 2019, accumulated interest amounted to ₹ 26,070 crore. Thus, out of the total accumulated losses of ₹ 38,753 crore (as on March 2019), 67 *per cent* i.e. ₹ 26,070 crore was due to accumulated interest.

DTC submitted (2016) the following proposal to the Delhi Government for improving its financial position which was still pending (June 2021).

a. Conversion of outstanding plan loan of ₹ 511 crore into equity.
b. Conversion of outstanding non plan loan of ₹ 11,165 crore into GIA and conversion of accumulated interest of ₹ 16,330.59 crore (as on 31 March 2017) into GIA.
c. Revision of fares as there was no revision since 1.11.2009.

14 SRDC earns no profit/loss in 2019-20 hence, not considered in loss making SPSEs.

15 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.

16 4 Subsidiaries of DSIIDC, SRDC, DTC, DSCSC, NDMC Smart City and DSCFDC.

17 4 Subsidiaries of DSIIDC, SRDC, DTC, NDMC Smart City, IPGCL, DFC, DSIIDC and DSCFDC.

18 4 Subsidiaries of DSIIDC, DTC, DFC and DSCFDC.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2020, there were three SPSEs with accumulated losses of ₹ 40,483.26 crore in which GNCTD had invested equity and loans. Of these three SPSEs, one SPSE (DTC) incurred loss amounting to ₹ 5,280.55 crore and two[19] SPSEs had not incurred loss, even though they had accumulated loss of ₹ 1,729.79 crore as per their latest finalised accounts.

The net worth of two[20] out of these three SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these two SPSEs was (-) ₹ 37,124.89 crore against equity investment of ₹ 2,728.90 crore as on 31 March 2020. Out of two SPSEs, whose capital had been eroded (being zero or negative net worth), one[21] SPSE had earned profit of ₹ 126.87 crore during 2019-20. In two out of three SPSEs whose capital had been eroded, Government loans outstanding as on 31 March 2020 amounted to ₹ 12,341.42 crore.

5.9 Audit of State Public Sector Enterprises

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

5.10 Appointment of statutory auditors of State Public Sector Enterprises by CAG

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

The statutory auditors of the above Companies for the year 2019-20 were appointed by the CAG during 2019.

5.11 Submission of accounts by State Public Sector Enterprises

5.11.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, an Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting[22] (AGM). As soon as may be after such preparation, the Annual Report must be laid before the Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the

[19] DPCL and DTL
[20] DPCL and DTC
[21] DPCL
[22] In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year i.e. 30 September

necessary legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of the State.

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

The annual accounts of various SPSEs were pending as on 31 December 2020, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2020, there were 16 Government Companies under the purview of CAG's audit. Of these, accounts for the year 2019-20 were due from 16 Government Companies. However, only 11 Government Companies submitted their accounts for audit by CAG by 31 December 2020[23]. Accounts of five Government Companies were in arrears for various reasons. Details of arrears in submission of accounts of Government Companies are given in **Table 5.10**.

Table 5.10: Details of arrears in submission of accounts of Government Companies

<table>
<tr><th colspan="2">Particulars</th><th>Government Companies</th></tr>
<tr><td colspan="2">Total number of Companies under the purview of CAG's audit as on 31.03.2020</td><td>16</td></tr>
<tr><td colspan="2">Less: New Companies from which accounts for 2019-20 were not due</td><td>0</td></tr>
<tr><td colspan="2">Number of companies from which accounts for 2019-20 were due</td><td>16</td></tr>
<tr><td colspan="2">Number of companies which presented the accounts for CAG's audit by 31 December 2020</td><td>11</td></tr>
<tr><td colspan="2">Number of accounts in arrears (5[24] Government Companies)</td><td>11</td></tr>
<tr><td rowspan="3">Break-up of arrears</td><td>(i) Under Liquidation</td><td>-</td></tr>
<tr><td>(ii) Defunct</td><td>-</td></tr>
<tr><td>(iii) Others</td><td>11</td></tr>
<tr><td rowspan="3">Age–wise analysis of arrears against 'Others' category</td><td>One year (2019-20)</td><td>4</td></tr>
<tr><td>Two years (2018-19 and 2019-20)</td><td>-</td></tr>
<tr><td>Three years and more</td><td>1[25]</td></tr>
</table>

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two Statutory Corporations is conducted by the CAG. Of the two statutory corporations, accounts of DFC for the year 2019-20 was presented for

23 Date of holding AGM of Companies for the financial year 2019-20 was extended upto 31 December 2020 by Government of India, Ministry of Corporate Affairs vide order dated 17 August 2020.

24 PPCL, DSCSC, ICSIL, DTIDC, DSCFDC.

25 Seven accounts of DSCFDC were in arrear since 2013-14.

audit before 31 December 2020 while accounts of DTC for the year 2019-20 was in arrear.

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 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 Government Companies by Statutory Auditors

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

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of 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
- 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 Government Companies

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

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of the Institute of Chartered Accountants of India 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 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 AGM.

5.13 Result of CAG's oversight role

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

Nineteen financial statements for the year 2019-20 and previous years were received from 16 Government Companies[26] by 31 December 2020. Thirteen financial statements of SPSEs were reviewed in audit by the CAG and Non-Review Certificate was issued for six SPSEs. The results of the review are detailed below:

5.13.2 Amendment of Financial Statements

During 2019-20, there was no case of any Government Company amending its financial statement before laying the same in the AGM.

5.13.3 Revision of Auditors Report

During 2019-20, there was no case of revision of statutory auditors' report as a result of supplementary audit of the financial statements for the year ended 31 March 2020 conducted by the CAG.

5.13.4 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies

Subsequent to the audit of the financial statements for the year 2019-20 and previous years by statutory auditors, the CAG conducted supplementary audit of the financial statements of 13 Government Companies. Some of the significant comments issued on financial statements of Government Companies, the financial impact of which was ₹ 10.67 crore on the profitability and ₹ 103.16 crore on assets/liabilities, have been detailed in **Tables 5.11** and **5.12**.

Table 5.11: Impact of the Comments on the Profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	PPCL (2018-19)	• PPCL has neither adhered to its accounting policy 11.1 nor followed Ind AS-10 which resulted in understatement of sale of energy by ₹ 7.30 crore and consequent understatement of profit and other equity by ₹ 5.73 crore and tax expenses by ₹ 1.57 crore.
2	IPGCL (2018-19)	• IPGCL has not adhered to its accounting policy 12.1 resulting in overstatement of revenue from operations by ₹ 12.86 crore and consequent understatement of loss for the year by the same amount.

[26] One account of NDMC Smart City Limited for 2018-19 was received and audited during 2020. This company has since been transferred from the audit jurisdiction office of the PAG (Audit) Delhi.

3	DTIDC (2016-17)	• DTIDC received loan of ₹ 70 crore from Transport Department for renovation of ISBT Kashmere Gate which was repaid in March 2017. Due to delay in repayment, penal interest of ₹ 5.68 crore was payable but the Company had booked only ₹ 0.85 crore which resulted in overstatement of profit by ₹ 4.83 crore. This comment was repeated in 2017-18 accounts.
4	DTIDC (2017-18)	• DTIDC incorrectly included in the finance cost an amount of ₹ 3.23 crore (interest relating to income tax - ₹ 2.75 crore and interest relating to GPF - ₹ 0.48 crore). This has resulted in overstatement of finance cost by ₹ 3.73 crore and understatement of other expenses by ₹ 2.75 crore and employee benefit by ₹ 0.48 crore.
5	DTIDC (2018-19)	• Profit has been understated by ₹ 1.48 crore due to non-inclusion of license fee receivable from advertising agencies.
6	DSIIDC (2019-20)	• DSIIDC had not booked revenue from transfer/sale of parcel land measuring 6.253 square meter to DMRC in 2013-14 amounting to ₹ 4.64 crore. This has resulted in understatement of revenue from operations and profit and overstatement of other liabilities by ₹ 4.64 crore.

Table 5.12: Impact of the Comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	IPGCL (2018-19)	• IPGCL has not recognised the impact of true-up order issued by DERC for the year 2017-18 in respect of its Gas Turbine Power Station plant resulting in overstatement of revenue from operations, other equity and trade receivables and understatement of loss for the year by ₹ 12.86 crore.
2	DSIIDC (2019-20)	• DSIIDC had not made provision for liability of ₹ 1.28 crore which was payable to the concessionaire of Narela industrial area as per award of High Court pronounced in February 2019. Non-provision of liability resulted in understatement of current liability and expenditure as well as overstatement of profit by ₹ 1.28 crore.
3	DSCFDC (2009-10)	• DSCFDC received grants-in-aid of ₹ 30.00 lakh from GNCTD for onward transmission to Apparel Training & Design Centre (ATDC) for setting up a training centre at its corporate office at Rohini. DSCFDC disbursed the amount to ATDC in December 2007 and booked the same as advance against expenditure. However, as ATDC had not submitted any bills in support of expenditure incurred, the same was not adjusted resulting in overstatement of grants-in-aid and advance against expenditure by ₹ 30.00 lakh. The comment was also issued in the years 2010-11 and 2011-12.
4	DSCFDC (2010-11)	• DSCFDC received grants from the Department for Welfare of SC/ST/OBC/PH/Minorities for providing training programs to the youths belonging to SC/ST/OBC/Minorities. But the Company had not provided any liabilities against the grants received in respect of training programs for which bills amounting to ₹ 13.42 lakh were received. This resulted in overstatement of grants-in-aid and understatement of current liabilities and provisions by ₹ 13.42 lakh.
5	DSCFDC (2011-12)	• A sum of ₹ 2.28 crore on account on rent, interest etc. recoverable from Delhi Financial Corporation had been booked under long term loans and advances instead of current assets. This resulted in overstatement of long term loans and understatement of current assets by ₹ 2.28 crore. • DSCFDC had not made provision for bad and doubtful debts in respect of dues of ₹ 2.73 crore against those beneficiaries who had either died or their whereabouts were not available. This resulted in overstatement of long

		term loans and advances and understatement of provision for doubtful debts by ₹ 2.73 crore.
6	DTL (2018-19)	• DTL paid ₹ 119.78 crore in advance for the work on 220/66KV/GIS sub-station at Tughalakabad. The same was commissioned on 5th November 2018 but the Company capitalised work valuing ₹ 54.25 crore only in 2018-19 resulting in understatement of plant and machinery and overstatement of advances by ₹ 65.53 crore. Consequently, depreciation was understated by ₹ 1.59 crore and profit was overstated to the same extent. • DTL capitalised ₹ 44.25 crore being interest cost on loan availed from GNCTD and charged depreciation amounting to ₹ 20.64 crore which was inconsistent with Ind AS-23 as no payment of this interest amount had been made up to 31.03.2019. This resulted in overstatement of depreciation by ₹ 20.64 crore, overstatement of Property, Plant and Equipment by ₹ 23.61 crore and understatement of finance cost by ₹ 44.25 crore. • Other financial liabilities include ₹ 44.25 crore being the interest portion of outstanding loan of ₹ 412.38 crore availed from GNCTD in July, 2010, out of which ₹ 239 crore was converted into equity in July 2010 and the remaining amount of loan of ₹ 173.38 crore was re-paid in December 2010. The Company worked out interest of ₹ 44.25 crore payable to GNCTD on this loan in the accounts for the year 2010-11 however, DTL neither paid the outstanding interest of ₹ 44.25 crore till 31.03.2019 nor paid/provided for penal interest liability of ₹ 10.72 crore @ 2.75% p.a. on interest of ₹ 44.25 crore. This resulted in understatement of penal interest liability and finance cost by ₹ 10.72 crore.
7	DSIIDC (2018-19)	• DSIIDC sold plots at Bhorgarh at notified rates of ₹ 15,566 per sqm. whereas the inventory of plots was accounted for at the rate of ₹ 42,164 per sq mtr. As per IND AS-2 inventories are to be measured at lower of cost and net realisable value. Non-valuation of inventory at notified rates had resulted in overstatement of inventory by ₹ 111.68 crore. • Cash and cash equivalent includes term deposits amounting to ₹ 2,410 crore having maturity date of beyond three months from the date of Balance Sheet. This is not consonance with Ind AS-7 and Guidance note on division-II-Ind AS Schedule III to the Companies Act, 2013 which specifies that such deposits be classified as other bank balances. This has resulted in overstatement of cash and cash equivalents and understatement of other bank balances by ₹ 2,410 crore. • Loan includes ₹ 292.51 crore being advance income tax, balance with Central Excise Department, service tax recoverable, sales tax/vat recoverable etc. As per para AG12 of Appendix A of Ind AS-32, liabilities or assets that are not contractual are not financial liabilities or financial assets rather, these are in the nature of other current assets. Thus, the depiction of non-contractual assets as financial assets has resulted in overstatement of current assets-financial assets (loans and advances) and understatement of other current assets by ₹ 292.51 crore. • Trade payables include ₹ 1.80 crore pertaining to various divisions which were lying in the books of accounts for more than five years for which no statutory obligation was pending. These liabilities therefore should be written back. This has resulted in overstatement of current liabilities by ₹ 1.80 crore and understatement of income to the same extent. The comment was also issued in 2019-20.
8	DTIDC (2018-19)	• Trade receivables have been overstated by ₹ 25.63 crore due to non-making of provision for doubtful debts in respect of concessionaire.

5.13.5 Statutory Corporations where CAG is the sole/ supplementary auditor

Some of the significant comments issued by the CAG on the accounts of Statutory Corporations where CAG is the sole/supplementary auditor, the financial impact of which was ₹ 1,297.24 crore on the profitability and ₹ 925.57 crore on assets/liabilities, are detailed below:

Impact of the Comments on the financial statements of Statutory Corporations

Delhi Transport Corporation (2017-18)

- Provision for gratuity liability as per actuarial valuation as on 31 March 2018 was ₹ 906.98 crore but DTC had booked only ₹ 58.63 crore which resulted in understatement of provision for gratuity to the extent of ₹ 848.35 crore.
- DTC had not provided liability for interest payable to Indraprastha Gas Limited (IGL) of ₹ 16.51 crore which resulted in understatement of current liabilities by ₹ 16.51 crore, prior period adjustment account by ₹ 16.01 crore and operating expenses by ₹ 0.50 crore.
- DTC had not provided liability of ₹ 1.28 crore payable to Delhi Transport Infrastructure Development Corporation Limited on account of bus stand fees which resulted in understatement of current liabilities, operating expenses and net loss by ₹ 1.28 crore.
- DTC had not provided liability for demand of ₹ 7.19 crore raised by Service Tax Department resulting in understatement of net loss, other liabilities and expenditure by ₹ 7.19 crore.
- DTC had not provided liability of ₹ 13.16 crore for difference in revised/amended rates of CNG w.e.f July 2017 which resulted in understatement of current liabilities and operating expenses by ₹ 13.16 crore.
- DTC had shown receivable of ₹ 2.40 crore from Delhi Tourism and Transportation Development Corporation Limited (DTTDC) towards rent/electricity/ water charges for parking of Hop-on Hop-off buses. However, DTTDC citing absence of written agreement agreed to pay only ₹ 0.44 crore. This resulted in overstatement of sundry debtors and other receivables and income by ₹ 1.96 crore.
- DTC had included under sundry debtors and other receivables ₹ 118.68 crore as recoverable from Transport Department as on 31 March 2018 on account of space/area given to Transport Department for operating cluster buses. However, as per records of Estate department of DTC ₹ 124.11 crore was recoverable instead of ₹ 118.68 crore which resulted in understatement of sundry debtors and other receivables and income by ₹ 5.43 crore.

Delhi Financial Corporation (2018-19)

- DFC had not provided liability towards DFC Employee Pension Fund of ₹ 42.55 crore as per actuarial valuation report.

Impact of the Comments on the profitability of Statutory Corporations

Delhi Transport Corporation (2017-18)

- DTC Employees superannuation pension trust shows a balance of ₹ 16.60 crore in the corpus fund as against the lowest actuarial valuation of pension liability of ₹ 1,203.58 crore, assessed by SBI Life Insurance Company. Thus, there is a shortfall of ₹ 1,186.98 crore which has to be made good by DTC as per regulation of Pension Scheme. Non-provision of ₹ 1,186.98 crore resulted in understatement of employer's contribution towards Employee's Pension scheme as well as net loss by ₹ 1,186.98 crore.
- DTC booked interest earned by it on short term deposit twice which resulted in overstatement of income by ₹ 3.90 crore and understatement of net loss to the same extent.
- DTC in violation of the requirement of Accounting Standard 12 treated grants-in-aid for specific fixed assets as income and capitalised the fixed assets created out of grant as its fixed assets. This had resulted in overstatement of fixed assets gross block and income by ₹ 139.46 crore. Further, depreciation fund was overstated by ₹ 33.10 crore and net loss for the year was understated by ₹ 106.36 crore.

Delhi Financial Corporation (2018-19)

- DFC booked penal interest of ₹ 3.18 crore on loan from GNCTD of prior period as current year expenditure in violation of AS-5.

5.14 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of Public Sector Enterprises were reported as comments by the CAG under Section 143(5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the Management through 'Management Letter' for taking corrective action. During the year, CAG issued Management Letters to 14 Companies/Corporations. The deficiencies requiring attention of the management were highlighted in these management letters.

5.15 Conclusion

- As on 31 March 2020, there were 18 SPSEs including two Statutory Corporations.

- Out of the total profit of ₹ 1,123.10 crore earned by 10 profit-earning SPSEs on 2019-20, 94.94 *per cent* was contributed by only five[27] SPSEs. Out of total loss of ₹ 5,294.16 crore incurred by seven loss-incurring SPSEs, loss of ₹ 5,280.55 crore was contributed by Delhi Transport Corporation. One SPSE (SRDC) earns no profit/loss.
- SPSEs were not adhering with the prescribed timeline regarding submission of their financial statements as per the Companies Act, 2013. As a result, 11 accounts of five Government Companies and one account of one Statutory Corporation were in arrears as on 31 December 2020.
- During 2019-20, the impact of CAG's comments on the financial statements of the SPSEs amounted to ₹ 1,307.91 crore on profitability and ₹ 1,028.73 crore on the financial position.

5.16 Recommendations

The State Government may:

- ensure timely submission of financial statements of SPSEs, as in the absence of finalisation of accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.
- formulate a dividend policy specifying minimum rate of dividend to be contributed by profit earning SPSEs.

New Delhi **(SAMAR KANT THAKUR)**
Dated: 20 September 2021 **Principal Accountant General (Audit), Delhi**

Countersigned

New Delhi **(GIRISH CHANDRA MURMU)**
Dated: 21 September 2021 **Comptroller and Auditor General of India**

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[27] DSIIDC, PPCL, IPGCL, DTL and DPCL