

Chapter-V

State Public Sector Enterprises

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This chapter discusses the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). 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 2021-22 (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 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.

Besides, any other company¹ 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 Report as Government Controlled Other Companies.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG of India 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 the right to conduct a supplementary audit of the company's financial statements. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

view the welfare of people and occupy an important place in the State economy. As on 31 March 2022, there were 49 SPSEs in Punjab, including four² Statutory Corporations and 42 Government Companies (including 16 inactive government companies³) and three⁴ Government Controlled Other Companies (GCOCs) under the audit jurisdiction of the CAG. The names of these SPSEs are given in **Appendix 5.1**. One SPSE (Punjab Communications Limited) was listed on the stock exchange.

There are 16 inactive SPSEs (including four under liquidation) in the State. These inactive SPSEs have investment of ₹ 57.23 crore, towards capital ₹ 23.24 crore (State Government: ₹ 17.05 crore and Others: ₹ 6.19 crore) and long-term loans ₹ 33.99 crore (State Government: ₹ 14.71 crore and Others: ₹ 19.28 crore). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State.

A 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 working SPSEs are given in **Appendix 5.2**. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2022 are given in **Table 5.1**.

Table 5.1: Details of turnover of SPSEs vis-à-vis GSDP of Punjab

(₹ in crore)

Particulars	2019-20	2020-21	2021-22
Turnover			
Power Sector SPSEs	33,262.60	33,113.25	35,478.80
Agriculture and Allied sector SPSEs	38,884.93	36,595.60	35,144.11
Other SPSEs	1,142.59	1,315.79	1,333.23
Total	73,290.12	71,024.64	71,956.14
GSDP of Punjab			
	5,39,687.00	5,29,703.00	5,84,042.00
Percentage of Turnover to GSDP of Punjab			
Power Sector SPSEs	6.16	6.25	6.07
Agriculture and Allied sector SPSEs	7.21	6.91	6.02
Other SPSEs	0.21	0.25	0.23
Total	13.58	13.41	12.32

Source: Compilation based on Turnover figures as per latest finalised accounts of SPSEs and GSDP figures as per Economic and Statistical Organisation, Government of Punjab

² Punjab State Warehousing Corporation, Punjab Scheduled Castes Land Development and Finance Corporation, PEPSU Road Transport Corporation and Punjab Financial Corporation.

³ Inactive SPSEs are those which have ceased to carry out their operations.

⁴ Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.

The contribution of SPSEs to the GSDP of Punjab reduced from 13.41 per cent in 2020-21 to 12.32 per cent in 2021-22. The contribution of Power sector SPSEs to the GSDP was 6.07 per cent while Agriculture and Allied sector SPSEs contributed 6.02 per cent in the year 2021-22.

Other sector SPSEs contribution to the GSDP though was minimal (from 0.21 to 0.25 per cent) but were having staff of 6,657⁵ employees (Permanent/on deputation/ contract basis) including staff in district offices. As on 31 March 2022, State Government had investment of ₹ 648.28 crore (Equity ₹ 614.69 crore and long-term loans ₹ 33.59 crore) in these SPSEs. In addition to it, ₹ 1,288.79 crore of Grants and subsidies was provided to nine of these SPSEs by GoP during the period 2019-22.

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 State Government and Long Term Loans including the loans given by State Government in 33 working SPSEs as on 31 March 2022 is given below in **Table 5.2**.

Table-5.2: Sector-wise investment in SPSEs

Particulars	Investment ⁶ (₹ in crore)					Percentage of Total Equity and Long-Term Loans
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power Sector SPSEs	22,338.61	22,315.61	18,057.20	8.86	40,395.81	57.69
Agriculture and Allied SPSEs	452.86	384.00	26,674.20	25,894.79	27,127.06	38.74
Other SPSEs	725.47	614.69	1,776.44	33.59	2,501.91	3.57
Total	23,516.94	23,314.30	46,507.84	25,937.24	70,024.78	100.00

Source: Information provided by the SPSEs

The thrust of SPSEs investment was mainly on power sector SPSEs which had received as much as 57.69 per cent (₹ 40,395.81 crore) of total investment of ₹ 70,024.78 crore as on 31 March 2022. The State Government share was 70.33 per cent (₹ 49,251.54 crore) of total investment of ₹ 70,024.78 crore.

⁵ Includes 5,363 employees in two SPSEs of transport sector (PEPSU Road Transport Corporation and Punjab State Bus Stand Management Company Limited).

⁶ Investment includes equity and long-term loans.

5.4.2 Market Capitalisation of equity investment in SPSEs

Market Capitalisation represents market value of shares of companies which are listed. As on 31 March 2022, shares of only one SPSE (Punjab Communications Limited) was listed on the Bombay Stock Exchange (BSE) in India. This SPSE having total equity investment of ₹ 12.02 crore is a subsidiary of Punjab Information & Communication Technology Corporation Limited (₹ 8.55 crore i.e. 71.13 *per cent* of total equity investment of ₹ 12.02 crore) and has no investment of equity either by the State Government or the Central Government. The total market value of shares of the above listed SPSE stood at ₹ 43.28⁷ crore as on 31 March 2022 as compared to ₹ 24.17⁸ crore as on 31 March 2021.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2021-22, there was no case of disinvestment, restructuring and privatisation of working as well as in-active SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

The number of SPSEs⁹ that earned profit was 12¹⁰ in 2021-22 as compared to 13 in 2020-21. The profit earned decreased to ₹ 1,710.77 crore in 2021-22 from ₹ 1,819.73 crore in 2020-21.

The top three SPSEs which contributed maximum profit are summarised in **Table 5.3**.

Table 5.3: Top three SPSEs which contributed maximum profit

Name of SPSE	Net profit (₹ in crore)	Percentage of profit to total profit of SPSEs
Punjab State Power Corporation Limited	1,069.21	62.50
Punjab State Warehousing Corporation	311.53	18.21
Punjab State Transmission Corporation Limited	215.10	12.57
Total	1,595.84	93.28

Source: Latest Financial Statements of SPSEs

These three SPSEs alone had contributed as much as 93.28 *per cent* of the total profit (₹ 1,710.77 crore) earned by 12 SPSEs during 2021-22.

⁷ 1,20,23,565 shares * ₹ 36 per share against face value of ₹ 10 per share.

⁸ 1,20,23,565 shares * ₹ 20.10 per share against face value of ₹ 10 per share.

⁹ Accounts received upto 30 September 2022.

¹⁰ Including one SPSE which earned Zero profit/loss but having accumulated profits.

Net profit ratio¹¹ of SPSEs is depicted in **Table 5.4**.

Table 5.4: Net Profit Ratio of SPSEs

Sector	Net Profit	Turnover	Net profit Ratio (in per cent)
Power Sector SPSEs	1,286.04	35,478.80	3.62
Agriculture and Allied sector SPSEs	(-)103.40	35,144.11	
Other SPSEs	87.26	1,333.23	6.55
Total	1,269.90	71,956.14	1.76

5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five *per cent* on Government equity should be paid by all enterprises. The State Government adopted the recommendations and directed (July 2011) all its Public Sector Enterprises (PSEs) to pay a minimum return of five *per cent* on the funds invested by the State Government. The dividend paid by SPSEs is shown in **Table 5.5**.

Table 5.5: Dividend Payout by SPSEs

(₹ in crore)					
Year	Particulars	No. of SPSEs which declared dividend	Paid Up Capital	Net Profit	Dividend Declared
1		2	3	4	5
2019-20	Power Sector SPSEs	1	22.90	3.93	1.83
	Agriculture and Allied sector SPSEs	2	25.25	16.78	1.38
	Other SPSEs	-	-	-	-
	Total	3	48.15	20.71	3.21
2020-21	Power Sector SPSEs	-	-	-	-
	Agriculture and Allied sector SPSEs	2	25.25	4.96	1.38
	Other SPSEs	1	50.01	76.15	2.50
	Total	3	75.26	81.11	3.88
2021-22	Power Sector SPSEs	1	22.90	1.73	1.83
	Agriculture and Allied sector SPSEs	2	25.25	4.80	1.38
	Other SPSEs	1	50.01	76.15	2.50
	Total	4	98.16	82.68	5.71

Source: Latest Financial Statement of SPSEs.

During 2021-22, out of 12 SPSEs which earned profits as per their latest finalised accounts, only four SPSEs declared dividend, three¹² SPSEs didn't earn enough profit to declare dividend and remaining five SPSEs which earned aggregate profit of ₹ 557.18 crore had not declared/paid dividend. In

¹¹ Net Profit/Turnover*100

¹² Punjab State Power Corporation Limited (PSPCL), Punjab Agro Industries Corporation Limited and Punjab Information & Communication Technology Corporation Limited.

case of three major profit earning SPSEs (Punjab State Warehousing Corporation: ₹ 311.53 crore, Punjab State Transmission Corporation Limited (PSTCL): ₹ 215.10 crore and Punjab State Industrial Development Corporation Limited: ₹ 22.64 crore) during the year 2021-22, minimum dividend payable as per guidelines worked out to ₹ 34.60¹³ crore. However, no dividend was declared/ paid by the Companies.

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 below in **Table 5.6**.

Table 5.6: Interest coverage ratio of SPSEs

Year	Particulars	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans 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
2019-20	Power Sector SPSEs	3,461.24	2,269.47	2	0	2
	Agriculture and Allied sector SPSEs	333.87	418.54	2	1	1
	Other SPSEs	31.27	51.83	6	3	3
	Total	3,826.38	2,739.84	10	4	4
2020-21	Power Sector SPSEs	2,004.42	3,471.29	2	2	0
	Agriculture and Allied sector SPSEs	360.12	480.16	2	1	1
	Other SPSEs	32.29	46.14	5	2	3
	Total	2,396.83	3,997.59	9	5	4
2021-22	Power Sector SPSEs	1,684.84	2,969.15	2	2	0
	Agriculture and Allied sector SPSEs	193.23	369.68	2	1	1
	Other SPSEs	30.96	57.91	5	2	3
	Total	1,909.03	3,396.74	9	5	4

Source: Latest Financial Statement of SPSEs

¹³ PSTCL ₹ 30.29 crore (₹ 605.88 crore * five per cent), PSWC ₹ 0.40 crore (₹ 8.00 crore * five per cent) and PSIDC ₹ 3.91 crore (₹ 78.22 crore * five per cent).

It was observed that both the SPSEs pertaining to Power Sector which had the liability of loans, had interest coverage ratio of more than one during 2021-22. However, in case of Agriculture and Allied sector SPSEs and Other SPSEs, which have the liability of loans, only three SPSEs had interest coverage ratio of more than one and remaining four SPSEs had interest coverage ratio of less than one. Thus, these SPSEs were not generating sufficient revenues to meet their expenses on interest.

5.7 Financial 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 employed¹⁴. The details of RoCE during the period from 2019-20 to 2021-22 are given below in **Table 5.7**.

Table-5.7: Return on Capital Employed

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2019-20	Power Sector SPSEs	2,274.97	31,148.54	7.30
	Agriculture and Allied sector SPSEs	138.29	11,512.37	1.20
	Other SPSEs	36.69	86.94	42.20
	Total	2,449.95	42,747.85	5.73
2020-21	Power Sector SPSEs	3,474.72	33,799.47	10.28
	Agriculture and Allied sector SPSEs	199.34	11,521.74	1.73
	Others SPSEs	140.76	872.08	16.14
	Total	3,814.82	46,193.29	8.26
2021-22	Power Sector SPSEs	2,971.50	35,203.79	8.44
	Agriculture and Allied sector SPSEs	104.91	12,357.09	0.85
	Others SPSEs	147.15	980.98	15.00
	Total	3,223.56	48,541.86	6.64

Source: Latest Financial Statement of working SPSEs

It was observed that RoCE was positive during 2019-20 to 2021-22. However, the RoCE reduced in 2021-22 as compared to 2020-21 due to decrease in EBIT and increase in Capital Employed.

¹⁴ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

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.

The Return on Equity¹⁵ (RoE) of the profit earning 12 working SPSEs stood at 9.96 *per cent* in 2021-22. The RoE in all the 29¹⁶ working SPSEs including 17¹⁷ loss making SPSEs was 12.34 *per cent* in 2021-22.

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 shareholders if all assets were sold and all debts paid. A positive shareholder's fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means liabilities exceed assets.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.8**.

Table-5.8: Return on Equity relating to SPSEs

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2019-20	Power Sector SPSEs	(-) 1,187.84	14,675.57	--
	Agriculture and Allied sector SPSEs	(-) 200.33	(-) 6,913.01	--
	Others SPSEs	(-) 3.94	(-) 387.88	--
	Total	(-) 1,392.11	7,374.68	--
2020-21	Power Sector SPSEs	1,469.08	16,144.56	9.10
	Agriculture and Allied sector SPSEs	(-) 175.91	(-) 7,052.96	--
	Others SPSEs	80.21	(-) 281.80	--
	Total	1,373.38	8,809.80	15.59
2021-22	Power Sector SPSEs	1,286.04	17,425.53	7.38
	Agriculture and Allied sector SPSES	(-) 103.40	(-) 6,881.87	--
	Others SPSEs	87.26	(-) 254.99	--
	Total	1,269.90	10,288.67	12.34

Source: As per latest finalised accounts of SPSEs

¹⁵ Return on equity= (Net Profit after Tax/ Shareholder's Equity) X 100 where Shareholder's equity= paid up capital + free reserves -accumulated losses- deferred revenue expenditure.

¹⁶ Excluding four SPSEs working on no profit/no loss basis: Punjab Police Security Corporation Limited, Punjab Municipal Infrastructure Development Company, Punjab State Biotech Corporation (Mohali Biotechnology Park) and Punjab Police Housing Corporation Limited.

¹⁷ Including one SPSE which earned Zero profit/loss and also having Zero accumulated profits/losses.

During 2019-20 RoE could not be calculated as the net income of all SPSEs was negative, whereas during 2020-21 and 2021-22, overall RoE turned positive attributable to Power sector SPSEs reporting profits. However, RoE reduced from 15.59 per cent in 2020-21 to 12.34 per cent in 2021-22 due to decrease in net income earned and increase in shareholder's funds of PSPCL.

5.7.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its present value at the end of each year upto 31 March 2022, the past investments/ year-wise funds infused by the State Government 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 the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any less: disinvestments since inception of these Companies till 31 March 2022.

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

- Interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by SPSEs. 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 average rate of interest on Government borrowings for the concerned financial year¹⁸ 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 therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE wise position of State Government investment in the 21 SPSEs (Other than GCOCs) in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2021-22 have been given in **Appendix 5.3**. The consolidated position of the PV of the State Government investment and the total earnings relating to 21 SPSEs for the same period is indicated below in **Table 5.9**.

¹⁸ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances (Government of Punjab) for the concerned year wherein the average rate for interest paid = Interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/ 2] *100.

Table 5.9: Year-wise details of investment by the State Government and its present value (PV) of Government investment for the period from 2010-11 to 2021-22

(₹ 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 loans given by the State Government during the year	Grants/subsidies given by State Government 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 per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year ¹⁹	Total Earning for the year ²⁰
i	ii	iii	iv	v	vi= iii + iv + v	vii = ii + vi	viii	ix={vii*(1 + viii/100)}	x= ix-vii	xi
Upto 2010-11	789.79 ²¹	6,687.35 ²²	-	-	6,687.35	7,477.14	7.73	8,055.12	577.98	(-)1,696.24
2011-12	8,055.12	196.93	-	108.48	305.41	8,360.53	7.96	9,026.03	665.50	(-)779.63
2012-13	9,026.03	15.91	30.00	190.29	236.20	9,262.23	7.79	9,983.76	721.53	43.23
2013-14	9,983.76	22.35	-	242.25	264.60	10,248.36	8.04	11,072.33	823.97	(-)55.02
2014-15	11,072.33	72.07	-	337.75	409.82	11,482.15	8.35	12,440.91	958.76	(-)673.78
2015-16	12,440.91	32.24	-	324.21	356.45	12,797.36	8.09	13,832.67	1,035.31	(-)2,315.70
2016-17	13,832.67	10.83	-	504.28	515.11	14,347.78	7.48	15,420.99	1,073.21	(-)4,327.30
2017-18	15,420.99	-	-	168.62	168.62	15,589.61	8.12	16,855.49	1,265.88	(-)2,799.39
2018-19	16,855.49	(-) 97.97 ²³	-	205.76	107.79	16,963.28	8.00	18,320.34	1,357.06	(-)604.73
2019-20	18,320.34	15,629.35	-	160.28	15,789.63	34,109.97	7.93	36,814.89	2,704.92	(-)1,228.59
2020-21	36,814.89	(-)44.58	-	145.59	101.01	36,915.90	7.44	39,662.44	2,746.54	1,503.72
2021-22	39,662.44	-	-	439.14	439.14	40,101.58	7.05	42,928.74	2,827.16	1421.97
Total			30.00	2,826.65	25,381.13					

The balance of investment by the State Government in the SPSEs at the end of the year 2021-22 increased to ₹ 40,101.58 crore in 2021-22 from ₹ 7,477.14 crore at the end of 2010-11. The State Government made further investments in shape of equity (₹ 15,837.13 crore) and interest free loans (₹ 30 crore) and grants/subsidies for operational and management expenses (₹ 2,826.65 crore) during the period 2011-12 to 2021-22 in these SPSEs. The PV of funds infused by the State Government upto 31 March 2022 amounted to ₹ 42,928.74 crore. During all the years 2011-12 to 2021-22, total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

- ¹⁹ Present value of total investment at the end of the year *less*: Total investment at the end of the year.
- ²⁰ Total Earnings for the year depicts total of net earnings (profit/loss) as per latest finalised Accounts relating to those 22 SPSEs (excluding GCOCs) where funds were infused by State Government.
- ²¹ ₹ 789.79 crore is the investment, on historical cost basis, by Government of Punjab upto financial year 2010-11.
- ²² It represents equity of PSPCL and PSTCL created out of transfer of assets and liabilities on unbundling of erstwhile Punjab State Electricity Board. No accumulated losses were transferred to Power Sector SPSEs as accumulated losses of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.
- ²³ While finalising the accounts for the year 2017-18, Punjab Water Resources Management & Development Corporation Limited (PWRMDC) treated the capital grant amounting to ₹ 97.97 crore received from the State Government for sinking and installation of tubewells as deferred revenue which was earlier being treated as 'Share application money pending allotment'.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were 17 working SPSEs that incurred losses as per their latest finalised accounts. The losses incurred by these SPSEs decreased to ₹ 440.87 crore as per their latest finalised accounts from ₹ 1,680.13 crore in 2019-20 due to loss incurring Power Sector SPSEs (PSPCL and PSTCL), earning profit during 2021-22 as given below in **Table 5.10**.

Table-5.10: Number of SPSEs that incurred losses during 2019-20 to 2021-22

(₹ in crore)

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ²⁴
2019-20	Power Sector SPSEs	2	(-)1,191.77	(-) 7,811.36	14,526.33
	Agriculture and Allied SPSEs	5	(-) 460.39	(-) 6,777.91	(-)6,418.13
	Other SPSEs	8	(-) 27.97	(-) 1,116.94	(-) 546.49
	Total	15	(-) 1,680.13	(-) 15,706.21	7,561.71
2020-21	Power Sector SPSEs	2	-	(-) 0.10	-
	Agriculture and Allied SPSEs	6	(-)423.56	(-) 6,907.27	(-) 6,541.87
	Other SPSEs	8	(-) 22.79	(-) 714.65	(-) 194.39
	Total	16	(-) 446.35	(-) 7,622.02	(-) 6,736.26
2021-22	Power Sector SPSEs	2	-	(-) 0.11	(-) 0.01
	Agriculture and Allied SPSEs	7	(-) 420.71	(-) 7,060.18	(-) 6,689.78
	Other SPSEs	8	(-) 20.16	(-) 731.80	(-) 199.76
	Total	17	(-) 440.87	(-) 7,792.09	(-) 6,889.55

Source: As per latest finalised accounts of SPSEs

In 2021-22, out of total loss of ₹ 440.87 crore incurred by 17 SPSEs, loss of ₹ 396.30 crore was attributed to three Agriculture and Allied sector SPSEs (Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited and Punjab Agro Foodgrains Corporation Limited).

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2022, there were 16 SPSEs with accumulated losses of ₹ 14,712.33 crore. Of these, 11 SPSEs incurred losses amounting to ₹ 431.25 crore as per latest finalised accounts as of 30 September 2022.

The net worth of 13 out of these 16 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. The net worth of these 13 SPSEs was (-) ₹ 8,263.51 crore against equity investment of ₹ 529.98 crore as on 31 March 2022. Out of 13 SPSEs, whose capital had

²⁴ 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 but do not include reserves created out of revaluation of assets and write back of depreciation provision.

eroded, two²⁵ had earned profit of ₹ 334.17 crore during 2021-22. Out of 13, there were seven SPSEs with outstanding Government loans of ₹ 25,706.12 crore as on 31 March 2022 as detailed in **Table 5.11**.

Table 5.11: Details of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSE	Latest year of Account	Total Paid up capital	Net profit (+)/ (-) after Interest and Tax	Accumulated Losses	Net worth	State Government Equity as on 31 March 2022	State Government Loans as on 31 March 2022
1	Punjab Thermal Generation Limited	2021-22	0.05	0.00	-0.05	0.00	0.00	0.00
2	Gidderbaha Power Limited	2021-22	0.05	0.00	-0.06	-0.01	0.00	0.00
3	Punjab State Grains Procurement Corporation Limited	2017-18	1.05	-224.05	-3,721.91	-3,720.86	1.05	6,764.37
4	Punjab State Civil Supplies Corporation Limited	2018-19	3.73	-37.17	-1,985.55	-1,981.82	3.73	9,806.24
5	Punjab Agro Foodgrains Corporation Limited	2020-21	5.00	-135.08	-1,111.59	-1,106.59	0.00	5,597.01
6	Punjab Agro Juices Limited	2021-22	50	-5.05	-75.01	-25.01	0.00	30.00
7	Punjab State Warehousing Corporation	2018-19	8.00	311.53	-554.17	-519.69	4.00	3474.91
8	Gulmohar Tourist Complex (Holiday Home) Limited	2019-20	0.02	-0.27	-5.48	-5.46	0.02	0.00
9	Punjab State Industrial Development Corporation Limited	2020-21	78.22	22.64	-661.62	-583.4	78.22	0.00
10	Punjab Communications Limited	2021-22	12.02	-12.49	-59.7	-38.72	0.00	0.00
11	PEPSU Road Transport Corporation	2017-18	331.44	-2.67	-396.2	-64.76	307.08	23.75
12	Punjab Financial Corporation	2019-20	40.39	-0.29	-257.39	-217	29.31	9.84
13	Ludhiana Smart City Ltd	2019-20	0.01	-0.04	-0.2	-0.19	0.005	0.00
	Grand Total		529.98	-82.94	-8,828.93	-8,263.51	423.42	25,706.12

²⁵ Punjab State Industrial Development Corporation Limited and Punjab State Warehousing Corporation.

5.9 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a Government Company and 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 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 or Government Controlled Other 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 2021-22 were appointed by the CAG upto September 2022.

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, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting²⁶ (AGM). As soon as may be after such preparation, the Annual Report must be laid before 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 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 Statements for the financial year have to be placed in the said AGM for their consideration.

²⁶ 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.

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 30 September 2022, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2022, there were 45 SPSEs²⁷ under the purview of CAG's audit. Of these, accounts for the year 2021-22 were due from 45 SPSEs including four under liquidation. However, only nine SPSEs submitted their accounts for the year 2021-22 for audit by CAG by 30 September 2022. 202 Accounts of 36 SPSEs were in arrears, as detailed in *Appendix 5.4*, for various reasons. Details of arrears in submission of accounts of SPSEs are given in **Table 5.12**.

Table-5.12: Details of arrears in submission of accounts

Particulars		SPSEs	Number of Accounts
Total number of Companies under the purview of CAG's audit as on 31.03.2022		45	--
Less: New Companies from which accounts for 2021-22 were not due		0	0
Number of companies from which accounts for 2021-22 were due		45	45
Number of companies which presented the accounts for the year 2021-22 for CAG's audit by 30 September 2022		9	9
Number of accounts in arrears		36	202
Break- up of Arrears	(i) Under Liquidation	04	87
	(ii) Defunct	10	72
	(iii) Others	22	43
Age-wise analysis of arrears against 'Others' category	One year (2021-22)	11	11
	Two years (2020-21 and 2021-22)	05	10
	Three years and more	06	22

Source: Complied on the basis of annual accounts received in the office of Accountant General (Audit) Punjab

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of four²⁸ statutory corporations is conducted by the CAG and out of these, for two²⁹ Statutory Corporations, CAG is the sole auditor. No Statutory Corporations presented the accounts for the year 2021-22 for audit before 30 September 2022. As on 30 September 2022, 10 accounts of four Statutory Corporations were pending.

²⁷ Excluding four Statutory Corporations discussed in paragraph 5.11.3.

²⁸ Punjab State Warehousing Corporation, PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab Scheduled Castes Land Development and Finance Corporation.

²⁹ Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation.

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 renamed as National Financial Reporting Authority³⁰. 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 primary 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 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

³⁰ Effective from 01 October 2018.

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 SPSEs

Twenty seven Financial Statements for the year 2021-22 and previous years were received from 24 SPSEs from 01 December 2021 to 30 September 2022. 21 Financial Statements of 18 SPSEs were reviewed in audit by the CAG and Non-Review Certificate was issued for the six accounts of six SPSEs. The results of the review are detailed below:

5.13.2 Amendment of Financial Statements

During 2021-22 there is no case of SPSEs amending their Financial Statements before laying the same in the AGM.

5.13.3 Revision of Auditors Report

During 2021-22, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements conducted by the CAG.

5.14 Conclusions

As on 31 March 2022, there were 49 SPSEs including four Statutory Corporations. Out of 49 SPSEs, there are 16 inactive SPSEs. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 212 accounts of 40 SPSEs in arrears.

Out of the total profit of ₹ 1,710.77 crore earned by 12 SPSEs 93.28 *per cent* was contributed by three SPSEs. Out of total loss of ₹ 440.87 crore incurred by 17 SPSEs, loss of ₹ 396.30 crore was incurred by three SPSEs (Punjab Agro Foodgrain Corporation Limited, Punjab State Grains Procurement Corporation Limited and Punjab State Civil Supplies Corporation Limited). Out of 12 SPSEs which earned profits as per the latest finalised accounts, only four SPSEs declared dividend. Three SPSEs didn't earn enough profit to declare dividend and remaining five SPSEs which earned aggregate profit of ₹ 557.18 crore had not declared/paid dividend.

Financial impact of significant comments issued during December 2021 to September 2022 on Financial Statement of SPSEs was ₹ 1,639.47 crore on profitability and ₹ 354.88 crore on the financial position.

5.15 Recommendations

(i) State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 212 accounts of 40 SPSEs were in arrears in the absence of finalised accounts,


Government investments in such SPSEs remain outside the oversight of the State Legislature;

(ii) The 16 inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. Out of 16, process of liquidation for four SPSEs has been started. The State Government needs to take a policy decision regarding commencement of liquidation process in respect of remaining 12 inactive SPSEs;

(iii) Out of 12 SPSEs which earned profits as per the latest finalised accounts only four SPSEs declared dividend, three SPSEs didn't earn enough profit to declare dividend and remaining five SPSEs which earned aggregate profit of ₹ 557.18 crore had not declared/paid dividend; and


(iv) State Government may analyse the reasons of losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable.

Chandigarh
The 13 February 2023


(NAZLI J. SHAYIN)
Principal Accountant General (Audit), Punjab

Countersigned

New Delhi
The 13 February 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

