

CHAPTER 5

GENERAL PURPOSE FINANCIAL REPORTING

5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies and Government controlled other Companies. 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 subsidiary of such Government companies. The other companies owned or controlled, directly or indirectly by the State Government have also been categorised as State Public Sector Undertakings (SPSUs).

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 State Government, or by any State Government or Governments, or partly by the State 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 Chapter as Government controlled other Companies.

The total number of SPSEs in the State as on 2020-21 is 31 whereas based on the latest finalized accounts upto last three years *i.e.*, 2018-19 to 2020-21, 16 SPSEs (15 Government companies and one Government controlled other company) are being covered in this Chapter.

5.2 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 there under. 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. The statutes governing some Statutory Corporations require their accounts to be audited only by CAG.

¹ Companies (Removal of difficulties) seventh order, 2014 issued by ministry of corporate affairs vied Gazette notification dated: 04-09-2014.

5.3 What this Chapter contains

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

This chapter also gives an overall picture of the status of the adherence of SPSEs to the guidelines issued by the Department of Public Enterprises (DPE), compliance with provisions of Companies Act, 2013 on Corporate Governance, analysis of Memorandum of Understanding (MoU) between State Government and SPSEs, disinvestment in SPSEs, expenditure on research and development by SPSEs and the impact of implementation of Indian Accounting Standards (Ind-AS) on the financial statements of SPSEs.

5.4 Number of SPSEs

As on 31 March 2021, there were 31 State Public Sector Enterprises under the audit jurisdiction of the CAG. These include 30 State Government Companies, and one State Government controlled other companies. Nature of SPSEs is given in **Table 5.1**.

Table 5.1: Nature of SPSEs covered

Nature of PSUs	Total Number	Number of SPSEs of which accounts received during the reporting period				Number of SPSEs not covered
		Accounts upto 2020-21	Accounts upto 2019-20	Accounts upto 2018-19	Total	
Functional Government Companies ²	27	01	04	07	12	15
Functional Government Controlled Other Companies	01	00	01	00	01	00
Total functional SPSEs	28	01	05	07	13	15
Non-functional Government Companies	03	00	03	00	03	00
Total non-functional SPSEs	03	00	03	00	03	00
Total	31	01	08	07	16	15

Source: Latest finalized Accounts of SPSEs as on 31st October 2021

The details of State Government companies/State Government controlled other companies under the purview of CAG's audit during 2020-21, are given in **Appendix 5.1**. This chapter does not include 15 SPSEs whose accounts are in arrear since more than three year or those which are under liquidation. These SPSEs are shown in **Appendix 5.2**.

² Government PSUs include Government controlled other Companies referred to in Section 139(5) and 139(7) of the Companies Act 2013.

Out of 16 SPSEs, only one³ finalized their accounts for the year 2020-21, eight SPSEs finalized accounts for the year 2019-20 and seven SPSEs finalized their accounts for the year 2018-19 till 31 March 2021. The result/summary of financial performance of SPSEs covered in this chapter for 2020-21 is given in **Table 5.2**.

Table 5.2: Result/ summary of financial performance of SPSEs

Particulars	Details
Number of SPSEs	31
SPSEs Covered in this Chapter	16
Paid up capital (SPSEs)	` 4,395.33 crore
Long term Loans (SPSEs)	` 14,524.98 crore
Net profit (4 SPSEs)	` 37.47 crore
Net loss (10 SPSEs)	- ` 1,383.36 crore
Zero Profit/loss (SPSE)	2
Dividend declared (SPSEs)	Nil
Total Assets (SPSEs)	` 43,055.30 crore
Turnover (SPSEs)	` 5,603.41 crore
Net Worth (SPSEs)	- ` 3,567.84 crore

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

5.5 Contribution of turnover of the SPSEs to the GSDP

The ratio of turnover of the 16 SPSEs covered in this chapter to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. **Table 5.3** provides the details of turnover of SPSEs and GSDP of State of Jharkhand for a period of three years ending March 2021.

Table 5.3: Details of turnover of State PSUs vis-à-vis GSDP of Jharkhand

Particulars	(` in crore)		
	2018-19	2019-20	2020-21
Turnover	4,433.80	5,605.82	5,603.41
Percentage change in turnover as compared to turnover of preceding year	19.58	26.43	-0.04
GSDP of Jharkhand	3,05,695	3,21,157	3,17,079
Percentage change in GSDP as compared to GSDP of preceding year	13.30	5.06	-1.27
Percentage of Turnover to GSDP of Jharkhand	1.45	1.75	1.77

Source: Compiled based on Turnover figures of functional SPSEs and GSDP figures as per Directorate of Economics and Statistics of the Jharkhand state

The turnover of 16 SPSEs increased from ` 4,433.80 crore in 2018-19 to ` 5,605.82 crore in 2019-20 and decreased to ` 5603.41 crore in 2020-21. The rate of change in turnover ranged between -0.04 per cent and 26.43 per cent during the period 2018-19 to 2020-21, whereas rate of change in GSDP of the State ranged between -1.27 per cent and 13.30 per cent during the same period. The compounded annual growth⁴ of GSDP was 0.07 per cent during the last three years.

³ Jharkhand Police Housing Corporation Limited (JPHCL)

⁴ Rate of Compounded Annual Growth $\{[(\text{Value of 2020-21}/\text{Value of 2018-19})^{(1/3 \text{ years})}]-1\} * 100$.

Against the compounded annual growth of 0.07 *per cent* of the GSDP, the turnover of the SPSEs recorded compounded annual growth of 0.01 *per cent* during the last three years. The increase in turnover in 2019-20 was due to increase in turnover of power sector companies *i.e.*, ` 4,362.87 crore in 2018-19 to ` 5,536.97 crore in 2019-20. The slight decline in turnover in 2020-21 was due to decrease in turnover of non-power sector companies *i.e.*, ` 68.85 crore in 2019-20 to ` 66.44 crore in 2020-21. This resulted in marginal increase in the share of turnover of these SPSEs to the GSDP from 1.45 *per cent* in 2018-19 to 1.77 *per cent* in 2020-21.

5.6 Investment in Government Companies & Government controlled other company

The amount of investment in equity and loans in 30 Government Companies and one Govt. controlled other company as at the end of 31 March 2021 is given in **Table 5.4**.

Table 5.4: Equity investment and loans in Government Companies and Others

(` in crore)

Sources of investment	As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loan	Total	Equity	Long Term Loan	Total
State Government	4,604.13	13,569.42	18,173.55	5,237.13	17,053.93	22,291.06
Central Government	0.00	1,192.76	1,192.76	0.00	1,233.36	1,233.36
Others (including Government Companies)	14.93	488.29	503.22	17.45	487.56	505.01
Total Investment	4,619.06	15,250.47	19,869.53	5,254.58	18,774.85	24,029.43
Percentage of investment of State Government to Total Investment	99.68	88.98	91.46	99.67	90.83	92.77

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears.

5.7 Equity Holding in SPSEs

During 2020-21, total equity holding at face value in the 31 SPSEs registered a net increase of ` 635.52 crore. The equity holding of State Government at face value in SPSEs increased to ` 5,237.13 crore in 2020-21 from ` 4,596.21 crore in 2018-19. Details of investment in equity in SPSEs by State Government during 2018-19 to 2020-21 are depicted in **Table 5.5** and **Chart 5.1**.

Table 5.5: Investment in Equity

(` in crore)

Sources of investment	2018-19	2019-20	2020-21
State Government	4,596.21	4,604.13	5,237.13
Central Government	0	0	0
Others*	9.38	14.93	17.45
Total Investment	4,605.59	4,619.06	5,254.58

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears.

* Others include Companies and Corporations

Details of significant holding of the State Government during 2020-21 in the paid-up capital of the SPSEs is given in **Table 5.6**.

Table 5.6: Significant holding of the State Government

Name of the CPSE	Name of the Department	Amount (` in crore)
JBVNL	Energy	3111.03
JUSNL	Energy	1601.06
TVNL	Energy	105.00
GRDA	Urban housing	164.14
Total		4981.23

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears.

5.8 Investment in Government Controlled other Companies

The capital invested in Government controlled other Companies by the State Governments and others up to the year 2020-21 are given in **Table 5.7**.

Table 5.7: Composition of share capital in Government controlled other Companies

(` in crore)

Sl. No.	Name of PSUs	Paid up Capital			Total Paid up Capital
		GoJ	GoI	Others	
1	Jharkhand Railway Infrastructure Development Corporation Limited (JRIDCL)	5.00	0.00	4.08	9.08
Total		5.00	0.00	4.08	9.08

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears

5.9 Loans given to State Government Companies

Out of 31 SPSEs, 21 SPSEs did not have any long-term loans as on 31 March 2021. Audit noticed that no company had repaid the principal as well as interest amount during the years 2018-19 to 2020-21. Year wise detail of outstanding long-term loans of SPSEs is depicted in **Table 5.8**.

Table 5.8: Outstanding Long Term Loans in 10 SPSEs

(` in crore)

	2018-19	2019-20	2020-21
State Government	13,387.34	13,569.42	17,053.93
Central Government	906.63	1,192.76	1,233.36
Others	471.87	488.29	487.56
Total Long-Term Loans	14,765.84	15,250.47	18,774.85

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears.

The total long-term loans outstanding in 10⁵ out of 31 SPSEs as on 31 March 2021 was ` 18,774.85 crore which includes loans from State Government (` 17,053.93 crore (90.83 per cent)). During the period 2018-19 to 2020-21, the long-term loans given by State Government in SPSEs

⁵ Patratu Energy Limited (PEL), Karpura Energy Limited (KEL), Jharkhand UrjaSancharan Nigam Limited (JUSNL), Jharkhand BijaliVitrana Nigam Limited (JBVNL), Jharkhand UrjaUtpadan Nigam Limited (JUUNL), TenughatVidyut Nigam Limited (TVNL), Jharkhand State Food & Civil Supply Corporation (JSFCS) Limited, Jharkhand Hill Area Lift Irrigation Corporation (JHALCO) Limited, Jharbhar Colliery Limited (JCL) and Jharkhand Plastic Park Limited (JPPL).

registered an increase of ` 3,666.59 crore and loans from other sources also increased by ` 15.69 crore.

Out of the total loans of State Government as on 31 March 2021, ` 49.86 crore (0.27 per cent) was outstanding with Non-Power Sector. The rest was with Power Sector while loan from 'others' was totally concerned with Power Sector.

None of the company had repaid the principal as well as interest amount during the year 2018-19 to 2020-21 to the State Government.

5.10 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 5.9**.

Table 5.9: SPSEs which had outstanding loans as on 31 March 2021

(` in crore)

	Positive Coverage				Negative Coverage			
	No. of SPSE	Long term Loans	Assets	Percentage of assets to loans	No of SPSEs	Long term Loans	Assets	Percentage of assets to loans
Government Company	8	18,699.49	42,344.74	226.45	2	31.4	24.37	77.61

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

Out of the 10 SPSEs, in two SPSEs⁶ the value of total assets was less than the loans outstanding

5.11 Budgetary Support to State PSUs

The Government of Jharkhand provides financial support to SPSEs in the form of equity, loan, subsidy and grant through annual budget. In six out of 16 SPSEs, State Government provided financial support in form of equity, loan and grants during the period 2018-19 to 2020-21 (six during 2018-20 and five in 2020-21). The details of budgetary support towards equity, loan, grants and subsidies to SPSEs during 2018-19 and 2020-21 are as given in **Table 5.10**.

Table 5.10: Details regarding budgetary support to State PSUs

(` in crore)

Particulars ⁷	2018-19		2019-20		2020-21	
	No of SPSEs	Amount	No of SPSEs	Amount	No of SPSEs ⁸	Amount
Power						
Equity Capital outgo (i)	0	0	0	0	0	626.00
Loans given (ii)	2	1,493.11	2	182.08	1	3,485.51

⁶ Jharbihar Colliery Limited and Karnpura Energy Ltd.

⁷ Amount represents outgo from State Budget only

⁸ Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited, Jharkhand Plastic Parks Limited and Jharkhand Urban Infrastructure Development Company Limited

Particulars ⁷	2018-19		2019-20		2020-21	
	No of SPSEs	Amount	No of SPSEs	Amount	No of SPSEs ⁸	Amount
Power						
Grants/Subsidies provided (iii)	1	1250	1	600	1	0
Total Outgo (i+ii+iii) Power	2	2,743.11	2	782.08	1	4,111.51
Non-Power						
Equity Capital outgo (i)	3	67.08	3	7.92	2	7
Loans given (ii)	0	0	0	0	0	0
Grants/Subsidies provided (iii)	1	286.36	1	699.90	1	348.55
Total Outgo (i+ii+iii)	4	353.44	4	707.82	3	355.55
Grand Total Outgo	6	3,096.55	6	1,489.90	4	4,467.06

Source: Information provided by SPSEs as the accounts of the SPSEs are in arrears.

5.12 Disinvestment, restructuring and privatization of State PSUs

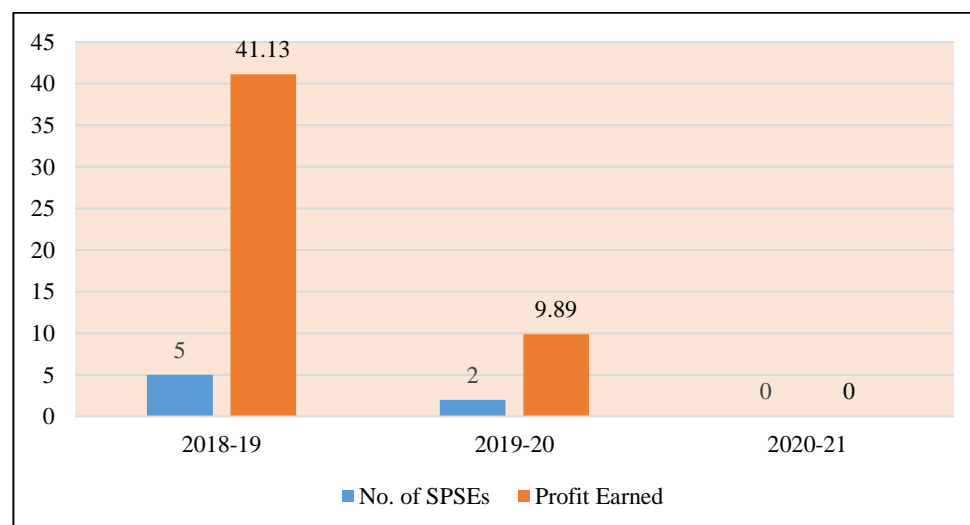
During the years from 2018-19 to 2020-21, no disinvestment, restructuring or privatisation was done by the State Government in SPSEs.

5.13 Returns from Government Companies

Profit earned by SPSEs

Based on latest finalised accounts five SPSEs pertaining to Non-powers sector reported a profit of ` 41.13 crore in 2018-19, two reported a profit of ` 9.89 crore in 2019-20 and no SPSEs reported a profit during 2020-21. The Number of SPSEs that earned profit during the period from 2018-19 to 2020-21 are depicted in **Chart 5.1**.

Chart 5.1: SPSEs earning profits during last three years



Out of these five profit making SPSEs, the Jharkhand State Building Construction Corporation Limited earned profit of more than ` 10 crore as per latest finalised accounts.

Dividend Paid by SPSE

The State Government had not formulated a dividend policy under which all profit-making SPSEs are required to pay a minimum return.

5.14 Debt servicing and legal compliances**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 below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative ICR of SPSEs during the period from 2018-19 to 2020-21 are given in **Table 5.11**.

Table 5.11: Interest Coverage Ratio

(` in crore)

Year	Interest	Earnings before interests & Taxes (EBIT)	No of SPSEs	No. of SPSEs having ICR less than 1
2018-19	623.24	-963.52	3	3
2019-20	806.97	-1343.00	3	3
2020-21	899.11	-1343.00	3	3

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

It can be seen from the table that the ICR of three SPSEs⁹ was less than one. All the three are Power Sector SPSEs. It indicates that these SPSE's earning was not sufficient to pay their interest which also indicates high risk of insolvency.

Age wise Analysis of Interest Outstanding on State Government Loans

As on 31 March 2021, interest amounting to ` 3,676.63 crore was outstanding on the long-term loans of three SPSEs (JBVNL, JUSNL and JUUNL) provided by State Government. The age wise analysis of interest outstanding on State Government loans in these SPSEs is depicted in **Table 5.12**.

Table 5.12: Age wise Analysis of Interest Outstanding on State Government Loans

(` in crore)

Sl. No	Name of SPSE	Total outstanding Interest on Loan	Interest on loans outstanding for		
			less than 1 year	1 to 3 years	more than 3 years
Power					
1	JBVNL	2,007.28	587.93	807.85	611.5
2	JUSNL	1,636.85	304.68	609.36	722.81
3	JUUNL	32.5	6.5	13	13
Total		3,676.63	899.11	1,430.21	1,347.31

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

It can be seen from the Table that interest amounting to ` 1,347.31 crore was outstanding for more than three years. All the companies failed to

⁹ JBVNL, JUSNL and JUUNL.

repay the interest as well as principal of loans outstanding during the period.

5.15 Operating efficiency of Government Companies

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 EBIT by the capital employed¹⁰. The details of ROCE of 16 SPSEs (6 Power and 10 Non-Power sector) during the period from 2018-19 to 2020-21 are given in **Table 5.13**.

Table 5.13: Return on Capital Employed

Year wise Sector-wise break-up	EBIT (` in crore)	Capital Employed (` in crore)	ROCE (in %)
2020-21			
Power	-1,357.8	2,1138.36	-6.42
Non-Power	26.76	2,357.09	1.14
Total	-1,331.04	23,495.45	-5.67
2019-20			
Power	-1,357.8	21,137.88	-6.42
Non-Power	36.32	2,757.93	1.32
Total	-1,321.48	23,895.81	-5.53
2018-19			
Power	-969.8	20,797.19	-4.66
Non-Power	39.96	2,333.44	1.71
Total	-929.84	23,130.63	-4.02
Grand Total	-3,582.36	70,521.89	-5.08

Source: Compiled based on latest finalized Annual Accounts of SPSEs

It can be seen from the table that ROCE of Power Sector SPSEs in 2018-19 was (-) 4.66 per cent which decreased to (-) 6.42 per cent during 2019-20 and 2020-21 due to loss of ` 969.80 crore (2018-19) to ` 1,357.80 crore (2020-21) incurred by Power Sector SPSEs.

During the period 2018-19 to 2020-21, the ROCE of Non-Power Sector has reduced from 1.71 per cent to 1.14 per cent.

Rate of Real Return on Government Investment

In view of the significant investments by Government of Jharkhand (GoJ) in the reported 16 SPSEs, return on such investment is essential from the perspective of State finances. 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

¹⁰ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

calculated after considering the Present Value (PV) of money to arrive at the real return on investment made by State Government. 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.

Out of 16 SPSEs (including Power Sector and Non-Power Sector), three¹¹ SPSEs were non-working. Therefore, in remaining 13 SPSEs, PV of the State Government investments was computed based on the 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 investments.
- The average rate of interest on government borrowings for the concerned financial year¹² was adopted as the discount rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year.

During the period 2017-18 to 2020-21 when the Power Sector SPSEs incurred losses, a more appropriate measure of performance is the erosion of net worth due to losses. The erosion of net worth of the companies is commented upon in *Paragraph 5.16*.

Net Present Value of State Government Investment

The position of State Government investment in 13 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 them since 2017-18 till 31 March 2021 are indicated in **Appendix 5.3**.

The investment of the State Government in these 13 companies at the end of the year increased to ` 5,020.80 crore in 2020-21 from ` 4,313.47 crore in 2016-17 as the State Government made further investments in shape of equity ` 707.33 crore. The PV of investments of the State Government up to 31 March 2021 worked out to ` 8,135.52 crore.

It could be seen that total earnings for the year relating to these companies remained negative during 2017-18 to 2020-21 which indicates that instead of generating returns on the invested funds to recover the cost of funds to

¹¹ JCL, PEL and KEL.

¹² *The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Jharkhand) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.*

the Government, they have accumulated losses over the years making them commercially unviable.

Return on investment in SPSE/ Government controlled other Company

Return on investment (ROI)¹³ is a measure of financial performance of companies calculated by dividing net income by total investment. Sector wise ROI of SPSEs/ Government controlled other company for three years ended 31 March 2021 is depicted in **Table 5.14**.

Table 5.14: Sector wise Return on Investment

(` in crore)

Sector	2018-19	2019-20	2020-21
Power	-5.30	-7.30	-
Non Power	13.53	11.71	8.63

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

It can be seen from the above table that ROI of Power Sector in 2018-19 was (-) 5.30 per cent which was due to loss incurred of ` 961.69 crore by JBVNL and JUSNL which declined to (-) 7.30 percent 2019-20. The ROI of Non-Power Sector reduced from 13.53 per cent in 2018-19 to 8.63 per cent in 2020-21. The decrease of ROI of Non-Power Sector was due to slippage of JPHCL from profit earning to loss incurring, i.e., earning profit of ` 3.47 crore in 2018-19 to incurring loss of ` 9.72 crore in 2020-21.

Return on Equity of SPSEs

Return on equity (ROE)¹⁴ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of SPSEs/Government controlled other company for three years ended 31 March 2021 is depicted in **Table 5.15**.

Table 5.15: Sector wise Return on Equity of SPSEs

(` in crore)

Sector	2018-19	2019-20	2020-21
Power	- 33.55	- 34.09	- 34.09
Non Power	5.51	5.05	2.87

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

It can be seen from the above table that ROE of Power Sector in 2018-19 was (-) 33.55 per cent which was due to loss incurred of ` 961.69 crore by JBVNL and JUSNL while the ROE of Non-Power Sector decreased from 5.51 per cent in 2018-19 to 2.87 per cent in 2020-21.

¹³ *Return on Investment = (Net Profit before Interest, Tax and preference Dividend/Equity)*100/Investment where Investment = Paid up Capital + Free Reserves + Long term loan.*

¹⁴ *Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure*

5.16 SPSEs incurring losses**SPSEs that incurred losses during 2018-19 to 2020-21**

There were 10¹⁵ SPSEs/Government controlled other company that incurred losses during the year 2018-19 to 2020-21 as given in **Table 5.16**.

Table 5.16: Number of SPSEs that incurred losses during 2018-19 to 2020-21

(` in crore)

Year	No of SPSEs/ Government controlled other company incurred loss	Net loss for the year	Net Worth ¹⁶
2018-19	10	986.65	-2,929.34
2019-20	6	1,147.40	-4,150.93
2020-21	1*	9.72	8.15
Total		2,143.77	-7,072.12

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

** only one company (JPHCL) finalized their final accounts for the year 2020-21 upto 31 October 2021*

Out of total loss of ` 2,143.77 crore incurred by 10 SPSEs/Government controlled other company, loss of ` 2,093.22 crore was attributed to two¹⁷ SPSEs which functioned in Power Sector. SPSEs listed in **Table 5.17** incurred loss of more than ` 10 crore as per their latest information provided.

Table 5.17: SPSEs that incurred losses of more than ` 10 crore

(` in crore)

Sl. No.	Name of SPSEs	Year of Finalised Account	Net loss after tax and preference dividend
Power			
1	Jharkhand Bijli Vitran Nigam Limited	2019-20	-1,131.53
2	Jharkhand Urja Sancharan Nigam Limited	2018-19	-210.6
Total Power			-1,342.13
Non-Power			
1	Jharkhand Silk Textile & Handicraft Development Corporation Limited	2018-19	-13.04
Total Non -Power			-13.04
Grand Total			-1,355.17

Source: Latest finalized Annual Accounts of SPSEs as on 31st October 2021

¹⁵ JBVNL, JUSNL, JUUNL, JCL, PEL, KEL, JPHCL, JHARCRAFT, JPPL and JFDCL.

¹⁶ 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.

¹⁷ JBVNL in 2018-19 and 2019-20 and JUSNL in 2018-19.

Erosion of capital in Government Companies

Out of 16 SPSEs/Government controlled other company, 10 SPSEs incurred losses amounting to ` 1,383.36 crore as on 31 March 2021. There were 10 SPSEs with accumulated losses of ` 8,153.02 crore of which net worth of six SPSEs was negative ` 4,252.60 crore and four SPSEs was positive ` 232.62 crore against equity investment of ` 4,133.04 crore as on 31 March 2021.

5.17 Implementation of Ujwal Discom Assurance Yojana (UDAY)

The Ministry of Power, Government of India (GoI) had launched (November 2015) the Ujwal Discom Assurance Yojana (UDAY) Scheme for the financial turnaround of Power Distribution Companies (DISCOMs).

With an objective to improve the operational and financial efficiency of the State DISCOMs, a tripartite Memorandum of Undertaking (MoU) was executed between Ministry of Power (GoI), concerned State Government and State Power Distribution Companies. This scheme facilitated State Governments to take over 75 *per cent* of DISCOM's outstanding debt over a period of two years.

The outstanding debt of the DISCOMs was to be taken over in the form of equity, loan and grant/subsidy. The loan extended to DISCOMs under UDAY has to be converted into grant and equity in the subsequent three years. Accordingly, the States had to convert loan into equity and subsidy.

Further, the State Government would have to take over losses, if any, of the DISCOMs in a graded manner as below:

Year	2017-18	2018-19	2019-20	2020-21
Loss to be taken over by State.	5% of loss of 2016-17	10% of loss of 2017-18	25% of loss of 2018-19	50% of loss of previous year

The State of Jharkhand took over 100 *per cent* liabilities of outstanding dues of JBVNL with Central Public Sector Undertakings (CPSUs) and 75 *per cent* of the outstanding debt of JBVNL as on 30.09.2015. State issued a loan of ` 6,136 crore to JBVNL of which, ` 5,553 crore was raised as borrowings on UDAY bonds and ` 583.00 crore was given from the consolidated fund of the State. Borrowings on UDAY bond have been raised at an interest rate of 8 to 8.99 *per cent* per annum which were to be repaid between the years 2021-22 to 2030-31, whereas the loan was given to JBVNL at an interest rate of 13 *per cent* per annum.

The loan by the State government to DISCOM was not converted into grant and/or equity as per requirement of the scheme as of 31 October 2021. However, as per latest finalised accounts, JBVNL was running a loss of ` 1,131.54 crore during 2019-20. The net worth of JBVNL was completely eroded and stood at negative ` 4,187.57 crore as on 31 March 2020. No borrowing was made on UDAY bond by the State after 2015-16.

5.18 Oversight Role of CAG

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.

Appointment of statutory auditors of SPSEs by CAG

Section 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.

Submission of Accounts by SPSEs

➤ 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 utilization 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 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 the above, annual accounts of various SPSEs were pending as on 31 October 2021, as detailed in the following paragraph.

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

As of 31 March 2021, there were 30 State Government Companies and one Government controlled other company under the purview of CAG's audit. Of these, accounts for the year 2020-21 were due from 30 State

Government Companies. One¹⁸ State Government Company submitted their accounts for the year 2020-21 for audit by CAG before 31 October 2021. Accounts of rest 30 State Government Companies were in arrears for various reasons.

Details of arrears in submission of accounts of SPSEs as on 31 October 2021 are given in **Table 5.18**.

Table 5.18: Position relating to submission of accounts by the SPSEs

Particulars		Government Companies	Government controlled other Companies	Total
Total number of SPSEs under the purview of CAG's audit as on 31 March 2021		30	01	31
Less: New SPSEs from which accounts for 2020-21 were not due		-	-	-
Number of SPSEs from which accounts for 2020-21 were due		30	01	31
Number of SPSEs which presented the accounts for 2020-21 for CAG's audit by 31 October 2021		01	00	01
Number of SPSEs having arrear accounts as of 31 October 2021		29	01	30
Number of accounts in arrears		98	01	99
Break-up of Arrears	(i) Under Liquidation	00	00	00
	(ii) Non-functional	03	00	03
	(iii) Others	95	01	96
Age-wise analysis of arrears against 'Others' category	One year (2020-21)	10	01	11
	Two years (2018-19 and 2019-20)	13	00	13
	Three years and more	06	00	06

5.19 Audit of accounts and supplementary audit

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.

¹⁸ *Jharkhand Police Housing Corporation Limited (JPHCL)*

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.

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.

Departmental Commercial Undertakings/Corporations/Companies

The Companies Act, 2013 stipulates that the financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year i.e., by 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.

Table 5.19 below provides the details of progress made by the PSUs in finalisation of accounts as of 31 October 2021.

Table 5.19: Position relating to finalisation of accounts of working and inactive PSUs

Sl. No.	Particulars	Working	Inactive	Total
1	Number of PSUs	28	03	31
2	Number of PSUs having accounts in arrears	27	03	30
3	Number of accounts in arrear	81	03	84
4(a)	Number of PSUs with arrears of more than six years	03	00	03
4(b)	Number of accounts in arrear in the above PSUs	26	00	26
5(a)	Number of PSUs with arrears between three to five years	12	00	12
5(b)	Number of accounts in arrear in the above PSUs	41	00	41
6(a)	Number of PSUs with arrears between one to two years	12	03	15
6(b)	Number of accounts in arrear in the above PSUs	14	03	17
7	Extent of arrears (in years)	1 to 10	1 to 2	1 to 10

Source: Data compiled from the information furnished by the companies

The above position reflects the failure of the concerned administrative departments and specifically of the Finance Department to ensure that the defaulting companies comply with the provisions of the Companies Acts. However, accounts of the companies for the year 2020-21 have not been received as of October 2021.

It was observed that 15 companies were persistent defaulters in submitting their accounts and in violation of the provisions of the Companies Act their outstanding accounts ranged between three to 10 annual accounts as on 30 September 2021.

5.20 Result of CAG's oversight role

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

Financial statements for the year 2020-21 was received only from one Company i.e. Jharkhand Police Housing Corporation Limited by 31 October 2021.

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

Subsequent to the audit of the financial statements by statutory auditors, the CAG conducted supplementary audit of the financial statements of the State Government Companies and Government Controlled Other Company up to October 2021.

Twenty-five financial statements were received in the current year which were finalized up to 31 October 2021. Out of these 25 financial statements, 15 financial statements were finalized wherein 10 Nil Comments were issued and Non- review certificate were given in four financial statements. Out of 10 financial statements, where nil comments were issued, in case of three financial statements, Statutory Auditor had revised their Independent Audit Report at the instance of our supplementary audit.

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 four SPSEs did not comply with mandatory Accounting Standards/Ind AS as given in the **Table 5.20**.

Table 5.20: Details of Companies where there were non-compliance with Accounting Standards (AS) as reported by the Statutory Auditors

Sl. No.	Name of SPSE	Year of Finalised Account	AS	Ind AS
1.	Jharkhand Bijli Vitran Nigam Limited	2018-19 & 2019-20	-	1,2,16,17, 23, 26, 36 and 37
2.	Jharkhand Urja Utpadan Nigam Limited	2017-18 & 2018-19	22	-
3.	Greater Ranchi Development Agency	2018-19	29	-
4.	Jharkhand State Forest Development Corporation Ltd.	2017-18	3, 22 and 29	-

5.21 Conclusions

There were 31 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG. Of these, financial performance based on updated accounts upto 2020-21 (previous three years) of 16 SPSEs (including one State Government Controlled other Company), only one finalized their accounts for the year 2020-21, eight SPSEs finalized accounts for the year 2019-20 and seven SPSEs finalized their accounts for the year 2018-19 till 31 March 2021.

The turnover of SPSEs increased from ` 4,433.80 crore in 2018-19 to ` 5,605.82 crore in 2019-20 which decreased to ` 5,603.41 crore in 2020-21.

Out of 16 SPSEs, there were 10 SPSEs incurred losses amounting to ` 1,383.36 crore as on 31 March 2021. Further, there were 10 SPSEs with accumulated loss of ` 8,153.02 crore of which, net worth of six SPSEs was negative ` 4,252.60 crore and four SPSEs was positive ` 232.62 crore against equity investment of ` 4,133.04 crore as on 31 March 2021.

ROCE of Power Sector in 2018-19 was (-) 4.66 *per cent* which decreased to (-) 6.42 *per cent* during 2019-20 and 2020-21 due to loss of ` 969.80 crore (2018-19) to ` 1,357.80 crore (2020-21) incurred by Power Sector SPSEs. During the period 2018-19 to 2020-21, the ROCE of Non-Power Sector has reduced from 1.71 *per cent* to 1.14 *per cent*.

Ranchi
The

(INDU AGRAWAL)
Pr. Accountant General (Audit) Jharkhand

Countersigned

New Delhi
The

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India