

Summary of Financial Performance of State Public Sector Enterprises

5.1 Introduction

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

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.

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

5.1.1 Mandate of Audit

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

5.1.2 What this Chapter contains

This Chapter gives an overall picture of the financial performance of the State Government companies and Corporations as revealed from their accounts.

5.1.3 Number of SPSEs

As on 31 March 2021, there were 80²⁹ SPSEs under the audit jurisdiction of the CAG as detailed in *Appendix 5.1*. These include 62 Government Companies, 03 Statutory Corporations and 15 Government controlled other Companies. Of these, summary of financial performance of 45 SPSEs is covered in this report and the nature of these SPSEs is indicated in the table below:

Table 5.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSE	Total number of SPSEs	Number of SPSEs covered in the Report				Number of SPSEs not covered in the Report
		Accounts up to				
		2020-21	2019-20	2018-19	Total	
Government Companies	62	13	12	5	30	32
Statutory Corporations	3	0	1	2	3	0
Total Companies/ Corporations	65	13	13	7	33	32
Government Controlled other Companies	15	2	9	1	12	3
Total	80	15	22	8	45	35

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

This Chapter does not include 35 SPSEs (including 03 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/ under liquidation as indicated in *Appendix 5.2A* and *Appendix 5.2B*.

5.1.4 Contribution to the GSDP of the State

The table below provides the details of turnover of 33 Government SPSEs and 12 Government Controlled other SPSEs and GSDP of Odisha for a period of three years ending March 2021:

Table 5.2: Details of turnover of State PSEs vis-a-vis GSDP of Odisha

Particulars	₹ in crore)			
	2017-18	2018-19	2019-20	2020-21
Turnover	18,879.25	20,947.39	21,149.69	23,876.47
Percentage change of Turnover over Previous Year	13.06	10.95	0.97	12.89
GSDP of Odisha at current price	4,40,879	4,87,805	5,21,275	5,09,574.29
Percentage of Turnover to GSDP of Odisha	4.28	4.29	4.06	4.69

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

²⁹One Government company named Konark Jute Limited went out from the purview of CAG's audit during 2020-21 due to disinvestment and one Government controlled other Company named Kalinga Bidyut Prasaran Nigam Private Limited went out from the purview of CAG's audit during 2020-21 due to liquidation.

In 2020-21, the turnover of the SPSEs relative to GSDP was 4.69 *per cent* and had increased from 4.06*per cent* in the previous year. The department wise position has been given in **Appendix 5.3**. The compounded annual growth³⁰ of GSDP was 6.72*per cent* during last four years, while the turnover of Power Public Sector Enterprises and Non-Power Public Sector Enterprises recorded compounded annual growth of 9.66 *per cent* and 9.03 *per cent* respectively during the same period. This resulted in increase in the share of turnover of these State PSEs to the GSDP from 4.28 *per cent* in 2017-18 to 4.69 *per cent* in 2020-21.

5.1.5 Budgetary Support to State PSEs

The Government of Odisha (GoO) provides financial support to State PSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of 37³¹ State PSEs for the last three years ending March 2021 are as follows:

Table 5.3: Details regarding budgetary support to State PSEs
(Amount in ₹ crore)

Particulars ³²	2018-19		2019-20		2020-21	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	3	272.42	2	118.70	2	32.54
Loans given (ii)	1	45.48	0	100.05	1	0
Grants/Subsidy provided (iii)	8	95.19	8	1,136.03	9	758.19
Total Outgo (i+ii+iii)	11^s	413.09	8[#]	1,354.76	9[*]	790.73
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0
Guarantees issued	1 [@]	2,350.00	1 [@]	600.00	1 [@]	2,000.00
Guarantee ³³ Commitment	1 [@]	4,186.00	1 [@]	913.50	1 [@]	6233.90

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

^s One Government SPSE i.e., Odisha Power Transmission Corporation Limited received both equity and loans in 2018-19.

[#] One Government SPSE i.e., Odisha Power Transmission Corporation Limited received equity, loans and grants in 2019-20 and One Government SPSE i.e., Odisha Hydro Power Corporation Limited received both equity and grants in 2019-20.

^{*} One Government SPSE i.e., Odisha Hydro Power Corporation Limited received equity and grants in 2020-21.

[@] GRIDCO Limited.

³⁰ Rate of Compounded Annual Growth $\left[\left\{ \frac{\text{Value of 2020-21}}{\text{Value of 2016-17}} \right\}^{(1/4 \text{ years})} - 1 \right] * 100$ where turnover and GSDP for the year 2016-17 were ₹8530.83 crore and ₹314363.78 crore respectively.

³¹ Out of 45 Government SPSE and Government Controlled Other SPSEs, information relating to budgetary support from State Government could be received from 37 Government SPSEs and Government Controlled Other SPSEs. Out of these 37, budgetary support was given to 09 SPSEs and Government Controlled Other SPSEs only.

³² Amount represents outgo from State Budget only.

³³ Closing balance of Government guarantee in respect of SPSEs at the end of a particular year

The budgetary assistance of ₹ 790.73 crore given during the year 2020-21 was in the form of equity and grants/ subsidy. During the year 2020-21, maximum grants/subsidy was provided to Water Corporation of Odisha Limited (₹ 639.54 crore) and the Agricultural Promotion and Investment Corporation of Odisha Limited (₹ 67.59 crore).

GoO provides guarantee in accordance with the criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India. A guarantee commission is charged at the rate of 0.50 *per cent* on the maximum of the guarantee sanctioned. Outstanding guarantee commitments of GoO increased during the financial year by 26.87 *per cent* from ₹4,913.50 crore in 2019-20 to ₹ 6233.90 crore in 2020-21. This increase was because GRIDCO Limited sought additional guarantee commitment from GoO to avail loans from banks/financial institutions. GRIDCO Limited paid guarantee commission of ₹30.94 crore during 2020-21.

The overall summary position of financial performance of SPSEs (Govt. companies & Statutory Corporations) covered in this Report, is summarized in Table below.

Table 5.4: Financial performance of SPSEs for 2020-21 covered in this Report (Government Companies and Statutory Corporations)

Number of SPSEs	65
SPSEs covered	33
Paid up capital (33 SPSEs)	₹ 5,746.68 crore
Long term loans (33 SPSEs)	₹ 16,007.81 crore
Net profit (23 SPSEs)	₹ 1,937.72 crore
Net loss (10 SPSEs)	₹ 3,568.19 crore
Dividend declared (08 SPSEs)	₹ 1,049.73 crore
Total assets (33 SPSEs)	₹ 66,138.27 crore
Value of production (11 SPSEs)	₹ 4,771.79 crore
Net worth (33 SPSEs)	₹ 7,068.74 crore

5.2 Investment in Government Companies and Corporations and Government controlled other Companies

The amount of equity and loans in 33³⁴ Government companies and Corporations as of 31 March 2021, is given in the table below:

³⁴ (65-32) SPSEs whose accounts were in arrears for more than or equal to three years were defunct/under liquidation.

Table 5.5: Equity and loans in Government Companies and Corporations
(₹ in crore)

Sources of investment	As on 31.03.2021			As on 31.03.2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total
1. State Government	4,116.06	1,245.22	5,361.28	3,998.06	1,272.30	5,270.36
2. State Government Companies/ Corporations/Autonomous Bodies	614.84	595.34	1,210.18	528.84	791.76	1,320.60
3. Central Governments/ Central Government Companies/Corporations	46.75	7,241.53	7,288.28	46.75	6,882.83	6,929.58
4. Financial Institutions and Others	969.04	6,947.77	7,916.81	969.03	4,223.55	5,192.58
Total	5,746.68	16,007.91	21,754.59	5,542.68	13,170.44	18,713.12
Percentage of investment of State Government to total investment	71.60	7.77	24.62	72.13	9.66	28.16

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

The amount of equity and loans in 12 Government controlled other companies as of 31 March 2021 is given in the table below.

Table 5.6: Equity and loans in Government controlled other Companies
(₹ in crore)

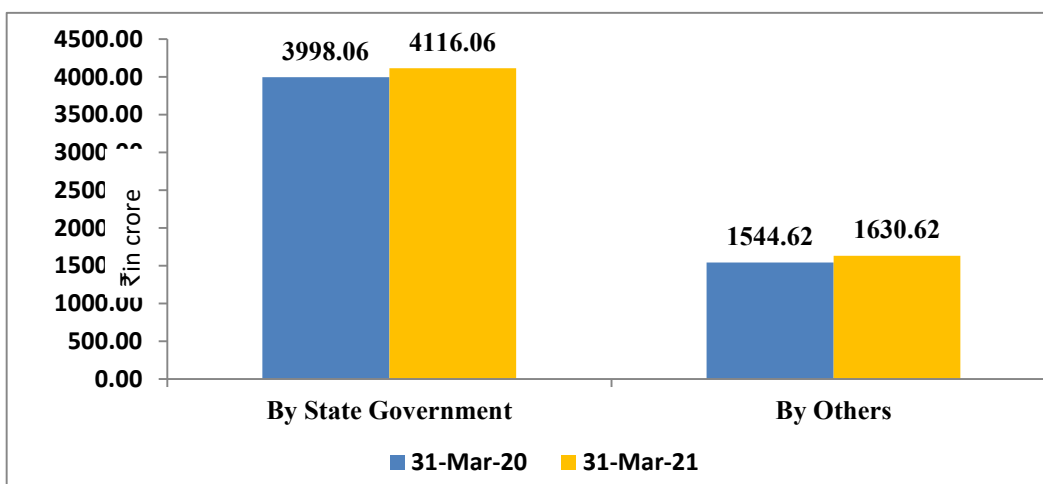
Sources of investment	As on 31.03.2021			As on 31.03.2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	933.08	23.29	956.37	887.08	23.29	910.37

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

5.2.1 Equity holding

During 2020-21, the total equity holding at face value in the 33 SPSEs covered in this Report registered a net increase of ₹ 204.00 crore due to increase in state government equity share capital of ₹ 49.00 crore in Odisha Hydro Power Corporation Limited and ₹ 69.00 crore in Odisha Power Transmission Corporation Limited and increase in equity share capital of holding State Government companies of ₹ 86.00 crore in Odisha Coal Power Limited.

Holding in equity by State Government and others during two years ended 31 March 2021 in Government Companies and Corporations is depicted in the Chart below:

Chart 5.1: Holding in equity in Government Companies and Corporations

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

Details of significant holding (holding of more than ₹ 200 crore) of the State Government during 2020-21 in the paid-up capital of the SPSEs is given in the table below:

Table 5.7: Significant holding of the State Government

(₹ in crore)

Name of the SPSE	Name of the Department	Amount	Percentage of State Government holding in this individual SPSE with the total holding of the state government
Statutory Corporation			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	8.35
Odisha State Road Transport Corporation	Commerce and Transport	278.54	6.78
Government Companies			
Odisha Power Generation Corporation Limited	Energy	929.47	22.61
Odisha Power Transmission Corporation Limited	Energy	859.77	20.92
Odisha Hydro Power Corporation Limited	Energy	810.65	19.72
GRIDCO Limited	Energy	576.71	14.03

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

5.2.2 Loans given to Government Companies and Corporations

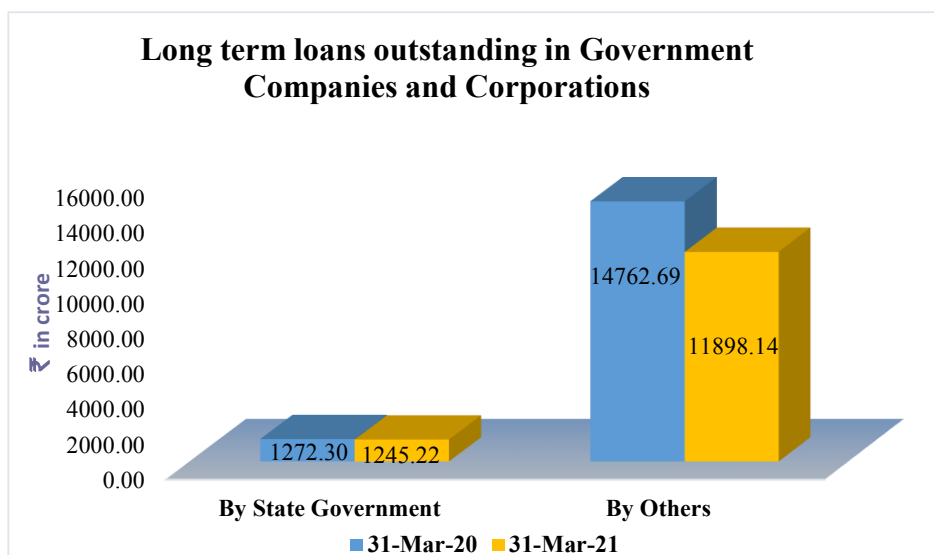
5.2.2.1 Computation of long-term loans outstanding as on 31 March 2021

Out of the 33 Government Companies and Corporations covered in this report, 11 SPSEs had outstanding long term loans amounting to ₹16,007.91 crore from all sources as on 31 March 2021. During 2020-21, the long-term loans of Government Companies and

Corporations registered an increase of ₹2837.47 crore in three SPSEs viz. GRIDCO Limited, Odisha Hydro Power Corporation Limited and Odisha Power Transmission Corporation Limited.

Year wise details of outstanding long-term loans of Government Companies and Corporations is depicted in the chart below:

Chart 5.2: Long term loans outstanding in Government Companies and Corporations



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

5.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in 11 Government SPSEs which had outstanding loans as on 31 March 2021 is given in the table below:

Table 5.8: Coverage of long term loans with total assets

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	%age of assets to loans	No. of SPSEs	Long term loans	Assets	%age of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	2	99.91	648.78	649.36	-	-	-	-
Government Companies	9	15,907.90	31,713.75	199.36	-	-	-	-
Total	11	16,007.81	32,362.53		-	-	-	-

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

From the above table, it is revealed that all the 11 Government Companies and Corporations have positive coverage ratio, which indicates that all the Companies and Corporations possess adequate assets to meet their loan liabilities.

5.2.2.3 Interest Coverage

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 indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2018-19 to 2020-21 are given in the table below:

Table 5.9: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having ICR ≥ 1	No. of SPSEs having ICR < 1
Statutory Corporations					
2018-19	1.58	9.53	2	2	-
2019-20	0.47	5.73	1	1	-
2020-21	0.47	-1.59	1	-	1
Government Companies					
2018-19	653.60	625.87	6	4	2
2019-20	662.75	911.48	6	4	2
2020-21	1,640.31	70.61	7	5	2

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

It was observed that the number of SPSEs with ICR equal to or more than one has increased in case of Government Companies and decreased in case of Statutory Corporations during 2020-21 as compared to the previous year.

5.2.2.4 Age Wise Analysis of interest outstanding on State Government loans

As on 31 March 2021, interest amounting to ₹ 1,767.81 crore was outstanding on long term loans of four SPSEs provided by State Government. The age wise analysis of interest outstanding on State Government loans in SPSEs is depicted in the table below:

Table 5.10: Interest outstanding on State Government Loans**(₹ in crore)**

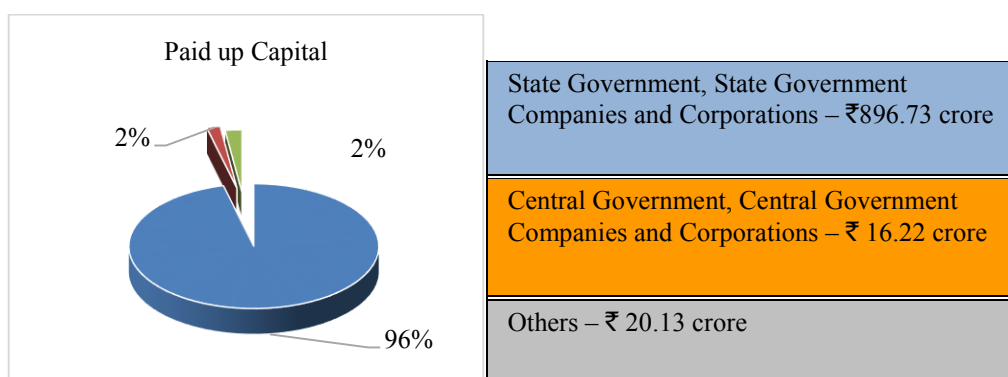
Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	GRIDCO Limited	935.64	106.04	212.08	617.52
2	Odisha Hydro Power Corporation Limited	775.32	69.05	144.46	561.81
3	Odisha State Seeds Corporation Limited	1.98	-	-	1.98
4	Industrial Development Corporation Limited	54.87	1.86	6.04	46.97
Total		1,767.81	176.95	362.58	1,228.28

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

It is revealed from the above table that the companies failed to pay the interest liabilities which should have been paid within one year, resulting in accumulation of interest on State Government loans year after year.

5.2.3 Investment in Government controlled other Companies

The capital invested by the State Government, Central Government and by Companies and Corporations controlled by them in 12³⁵ Government Controlled other Companies during the year 2020-21 is depicted in the chart below:

Chart 5.3: Composition of share capital in Government controlled other Companies*(Source: Compiled on the basis of latest finalised accounts of SPSEs)*

³⁵ 15 minus 3 Government controlled other companies whose accounts were in arrears for three years or more or were defunct/under liquidation.

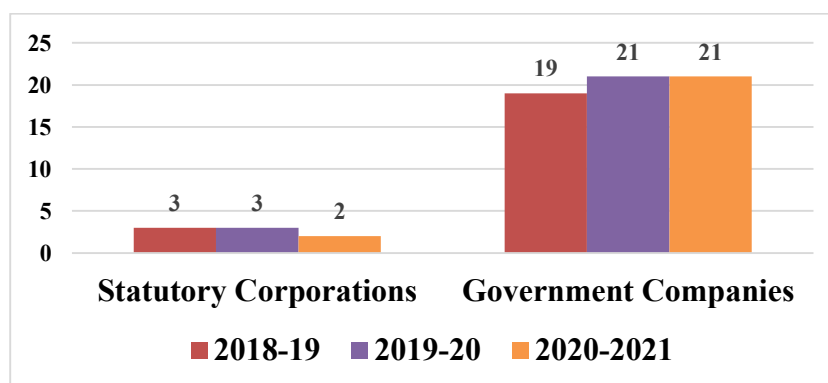
As on 31 March 2021, equity in these Government controlled other companies has increased by ₹46 crore, *i.e.*, from ₹887.08 crore in 2019-20 to ₹933.08 crore in 2020-21. Increase was mainly due to increase in equity in one SPSE of Energy sector *i.e.*, Odisha Thermal Power Corporation Limited.

5.3 Returns from the Government Companies and Corporations

5.3.1 Profit earned by Government companies and Corporations

The profit earned by SPSEs increased to ₹1,937.72 crore in case of 23 profit earned SPSEs in 2020-21 from ₹1,686.08 crore in case of 24 profit earned SPSEs in 2019-20. The Return on Equity (ROE) of the 23 SPSEs was 20.04 *per cent* in 2020-21 as compared to 12.51 *per cent* in 24 SPSEs in 2019-20. Number of SPSEs that earned profit during the period from 2018-19 to 2020-21 is depicted in the chart below:

Chart 5.4: Number of Profit Earning SPSEs



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

The details of top three departments, which contributed maximum profit during 2020-21 are summarised in the table below:

Table 5.11: Top three departments which contributed maximum profit during the years 2019-20 and 2020-21

Name of the Department	2020-21			2019-20		
	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit
Agriculture & Farmers Empowerment						
Government Companies	4	30.63	-	4	21.08	0.07
Water Resources						
Government Companies	1	49.88	-	1	49.88	3.61
Excise						
Government Companies	1	20.88	-	1	29.99	2.17
Total	6	101.39	-	6	100.95	7.31

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

The list of Government companies which earned profit of more than ₹ 50 crore during the year 2020-21 is given in the table below:

Table 5.12: List of SPSEs which earned profit of more than ₹50 crore
(₹in crore)

Sl. No.	Name of the SPSE	Net Profit
1	Odisha Mining Corporation Limited	1,586.27
2	Odisha Hydro Power Corporation Limited	158.06
3	Odisha Construction Corporation Limited	50.13
Total		1,794.46

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

It can be seen that these three SPSEs contributed 92.61 per cent of the total profit earned by 23 SPSEs during 2020-21.

Of the 12 Government Controlled other companies, eight companies earned profit of ₹ 3.78 crore during the year ended 31 March 2021. One Government controlled other companies, Rourkela Smart City Limited earned no profit no loss during 2020-21.

5.3.2 Loss incurred by Government companies and Corporations

There were 10 Government companies that incurred losses during the year 2020-21. These SPSEs incurred loss of ₹ 3568.19 crore in 2020-21 as compared to profit of ₹ 340.28 crore earned by these SPSEs during 2019-20 as given in **Appendix 5.4**. The details of SPSEs that incurred loss from 2018-19 to 2020-21 is given in the table below:

Table 5.13: Number of SPSEs that incurred losses during 2018-19 to 2020-21

Year	No of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net worth ³⁶ (₹ in crore)
Government Company				
2018-19	8	313.26	4,686.92	-3,576.24
2019-20	7	304.52	4,982.95	-3,873.27
2020-21	10	3,568.19	7,453.93	-2,936.07

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

Out of total loss of ₹ 3,568.19 crore incurred by 10 Government SPSEs, loss of ₹ 3,200.73 crore was contributed by two SPSEs (GRIDCO Limited & Odisha Mineral Bearing Area Development Corporation Limited) which function in Energy and Steel & Mines sectors respectively. Five companies which incurred major loss during 2020-21 are as follows:

- IDCOL Ferro Chrome and Alloys Limited (IFCAL):** The loss of ₹ 22.76 crore during 2019-20 was mainly due to expenditure towards Cost of material consumed and Manufacturing expenses.

³⁶ 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.

- ii) **GRIDCO Limited:** Loss of ₹ 1,382.35 crore during 2020-21 was mainly due to the expenditure towards Power Purchase being more than the Revenue from Sale of Power. The other reason being expenditure towards finance costs.
- iii) **Odisha Power Generation Corporation Limited (OPGC):** The loss of ₹ 190.51 crore during 2020-21 was mainly due to expenditure towards Cost of material consumed and Generation expenses.
- iv) **Odisha Mineral Bearing Areas Development Corporation (OMBADC) Limited:** The loss of ₹1,818.38 crore during 2020-21 OMBADC was mainly due to expenditure towards Project expenses.
- v) **Odisha Power Transmission Corporation Limited (OPTCL):** The loss of ₹144.37 crore during 2019-20 was due to decrease in Total revenue and increase in total expenses and tax expenses.

5.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2021, out of 33 there were 11 Government companies and corporations with accumulated losses of ₹ 8,579.06 crore. Of the 11 SPSEs, eight SPSEs incurred losses in the year 2020-21 amounting to ₹1,559.30 crore, three SPSEs had not incurred loss in the year 2020-21, even though they had accumulated loss of ₹ 305.96 crore.

Net worth of six out of 11 SPSEs had been completely eroded by accumulated loss and was negative. The net worth of these six was ₹ (-) 6,999.58 crore against total equity investment of ₹ 1,208.43 crore in these SPSEs as on 31 March 2021. Out of six SPSEs, whose capital had been eroded (negative net worth), two SPSEs had earned profit of ₹ 13.00 crore during 2020-21 (*Appendix 5.5*).

Net worth was less than half of their paid up capital in respect of three³⁷ out of 22 SPSEs whose net worth was positive at the end of 31 March 2021, indicating their potential financial sickness. Overall, net worth of all the 33 Government companies and corporations was ₹ 7,068.74 crore against their total paid up capital of ₹ 5,746.68 crore.

5.3.4 Dividend pay-out by SPSEs

The State Government had formulated (December 2011) dividend policy under which all profit-making PSUs are required to pay annual dividend of 20 *per cent* of the State government equity or 20 *per cent* of the profit after tax, whichever is higher. The minimum dividend pay-out in respect of PSUs in power generation sector should be 30 *per cent* of profit after tax. Subsequently, GoO issued revised (February 2016) guidelines for payment of dividend at the rate of 30 per cent for all PSUs. However, five SPSEs had not declared dividend prescribed by the Government as given in *Appendix 5.6*. The total shortfall on this account was ₹ 226.92 crore in 2020-21.

³⁷ Odisha State Road Transport Corporation, Water Corporation of Odisha Limited and IDCOL Ferro Chrome & Alloys Limited

The details of profit earned and dividend declared/paid by Government companies and corporations is given in the table below:

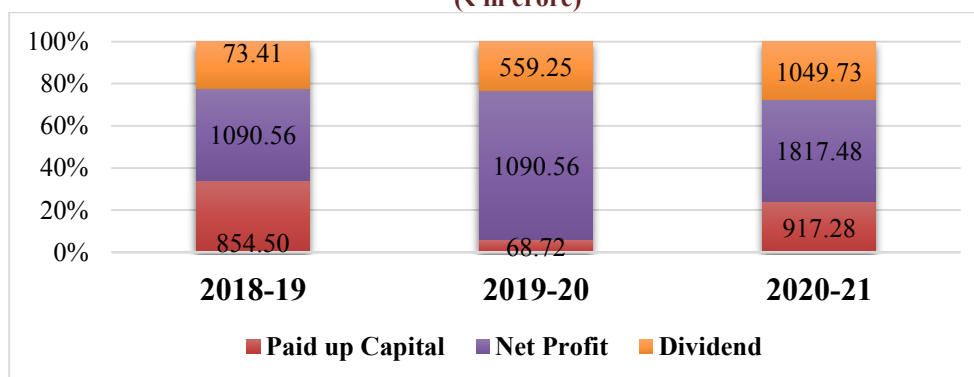
Table 5.14: Profit earned and dividend declared/paid

Category	No. of SPSEs	Total Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Government Company	8	917.28	1,817.48	1,049.73

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

Out of 33 Government companies and Corporations, eight SPSEs declared dividend in 2020-21. Out of six SPSEs which had declared/paid dividend during 2019-20 three SPSEs had not declared/paid dividend during 2020-21. The dividend declared as a percentage of net profit increased to 57.76 per cent in 2020-21 from 32.98 per cent in 2019-20. In absolute terms, the dividend declared by the SPSEs in 2020-21 increased by ₹ 779.73 crore compared to previous year. The chart below depicts the dividend declared vis-a-vis net profit earned and paid-up capital of SPSEs which declared dividend during the last three years.

**Chart 5.5: Dividend declared vis-a-vis net profit earned and paid up capital
(₹ in crore)**



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

Out of total dividend of ₹ 1,049.73 crore declared by eight SPSEs for the year 2020-21, dividend received/ receivable by State Government was ₹ 1,046.59 crore (99.70 per cent of total dividend declared) in all the eight SPSEs having total equity investment of ₹ 917.28 crore (State Government equity investment ₹ 914.07 crore).

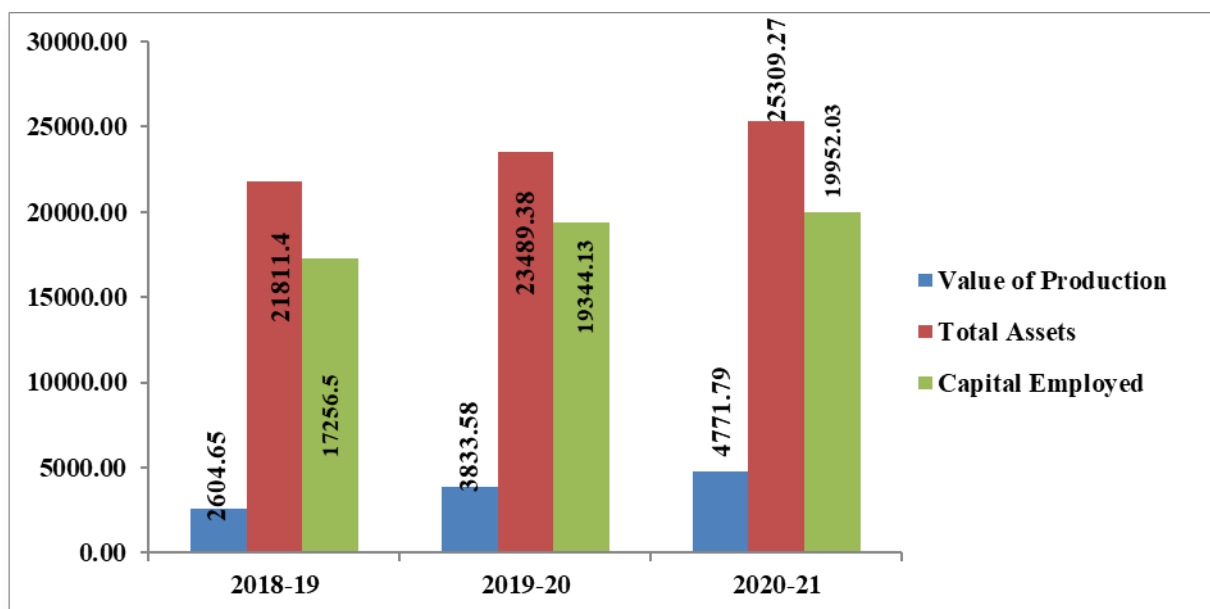
Of the 12 Government Controlled Other Companies, eight companies earned profit of ₹3.78 crore during the year ended 31 March 2021. However, none of these companies declared dividend during 2020-21.

Operating efficiency of Government Companies and Corporations

5.4. Value of production

The summary indicating value of production, total assets and capital employed in Government companies and corporations related to 11 SPSEs over a period of three years is depicted in the chart below:

Chart 5.6: Value of Production, Assets and Capital Employed



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

There was an increase in the value of production, total assets and capital employed in the year 2020-21 compared to the previous year. The SPSE wise details of value of production, total assets and capital employed is given in *Appendix 5.7*.

5.4.1 Return on Capital Employed (ROCE)

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 employed³⁸. The SPSE wise details of ROCE are given in *Appendix 5.8*. The consolidated ROCE of 33 Government companies and corporations during the period from 2018-19 to 2020-21 is given in Table below.

Table 5.15: Return on Capital Employed

Year	EBIT (₹in crore)	Capital employed (₹in crore)	ROCE (in percentage)
2018-19	1,909.90	20,303.35	9.41
2019-20	2,776.42	22,905.73	12.12
2020-21	928.02	23,076.55	4.02

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

It was observed that ROCE of 33 Government companies and corporations was lower during the year 2020-21 in comparison to that for the year 2019-20.

³⁸ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

5.4.2 Return on Equity (ROE) of SPSEs

ROE³⁹ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE wise details of ROE are given in **Appendix 5.9**. The consolidated ROE of 33 Government companies and corporations during the period from 2018-19 to 2020-21 is given in the table below:

Table 5.16: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in %age)
2018-19	873.88	8,571.46	10.20
2019-20	1,394.39	9,733.43	14.33
2020-21	-1,630.46	7,068.15	-23.07

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

It was observed that ROE of 33 Government companies and corporations had decreased to turn negative during the year 2020-21 in comparison to that for the year 2018-19. Sector wise ROE of Government companies and corporations where total equity of the sector is more than ₹ 50 crore during 2018-19 to 2020-21 is depicted in the table below:

Table 5.17: ROE of sectors with total equity of ₹ 50 crore and more

(In percentage)

Sl. No.	Name of the Department	2018-19	2019-20	2020-21
1	Industries ⁴⁰	-66.94	-15.42	-9.58
2	Commerce and Transport	3.97	2.57	2.57
3	Energy	-1.26	3.64	-194.59
4	Steels and Mines	14.05	18.00	-3.57
5	Home	13.82	13.82	14.57
6	Water Resources	56.89	33.30	33.30
7	Excise	9.37	9.37	6.32
8	Health & Family Welfare	15.59	15.59	14.32
9	Cooperation	16.34	9.75	13.63

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

³⁹ Return on Equity = (Net Profit after Tax and preference Dividend/Equity) *100 where Equity = Paid up Capital + Free Reserves & Surplus – Accumulated Loss – Deferred Revenue Expenditure

⁴⁰ The wide fluctuation in the case of Industry Department was mainly due to loss of ₹ 89.50 crore by Industrial Development Corporation of Odisha Limited in the year 2018-19 against profit of ₹2.46 crore in 2020-21. That was again due to compensation paid for illegal mining and additional interest cost on loan taken for payment of VR dues.

From the above table it can be seen that the Return on Equity has drastically reduced in Energy sector during the year 2020-21.

5.4.3 Sales and Marketing

During 2020-21, the total sales of 20 out of 33 Government Companies was ₹ 22,902.67 crore as compared to ₹ 20,567.00 crore in 2019-20. Out of 20 SPSEs, 10 SPSEs sold goods/rendered services worth ₹ 3,922.86 crore to the Government sector in 2020-21. The overall percentage of sales of these 10 SPSEs to the Government sector with reference to their total sales worked out to 17.13 per cent. No SPSEs exported or imported goods/services during the period.

The details of total sales, sales to Government sector and others thereon in respect of 20 SPSEs for three years are given in the table below:

Table 5.18: Sales details of 20 SPSEs

Year	Total Sales	(₹ in crore)	
		Sales to Government sector	Sales to others
2018-19	19,866.34	2,524.81	17,341.53
2019-20	20,567.00	3,125.16	17,441.84
2020-21	22,902.67	3,922.86	18,979.81

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

5.5 Audit of State Public Sector Enterprises

Comptroller & Auditor General of India (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 State Legislature.

5.6 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 SPSEs for the year 2020-21 were appointed by the CAG during August and September 2020.

5.7 Submission of accounts by SPSEs

5.7.1 Need for timely submission

According to Section 394 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report shall be laid before State Legislature, together with a copy of the Audit Report and comments of the C&AG 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 utilization 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 also states 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 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 a company for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

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

5.7.2 Timeliness in preparation of accounts by Government SPSEs and Government Controlled Other SPSEs

As of 31 March 2021, there were 65 Government SPSEs and 15 Government Controlled Other SPSEs under purview of CAG's audit. Out of these 65 Government SPSEs, three are Statutory Corporations.

Accounts for the year 2020-21 were due from all 65 Government SPSEs and 15 Government Controlled Other SPSEs. The details of accounts which are in arrears are indicated in *Appendix 5.2A and 5.2B* for government companies and government controlled other companies separately. The number of accounts in arrears for the aforesaid two groups are given below:

Table 5.19: Details of submission of accounts of Government Companies

Particulars		Government SPSEs/Government Controlled Other SPSEs		
		Government SPSEs	Government Controlled Other SPSEs	Total
Total number of SPSEs under the purview of CAG's audit as on 31.03.2021		65	15	80
Unlisted		65	15	80
Less: New SPSEs from which accounts for 2020-21 were not due		-	-	-
Number of SPSEs from which accounts for 2020-21 were due		65	15	80
Number of SPSEs which presented the accounts for CAG's audit by 30 September 2021 for F Y 2020-21		11	2	13
Number of SPSEs whose accounts are in arrears		54	13	67
Break- up of SPSEs whose accounts are in Arrears	(i) Under Liquidation	15	0	15
	(ii) Defunct	11	0	11
	(iii) First Accounts not submitted	0	0	0
	(iv) Others	28	13	41
Number of accounts in arrears		931	21	952
Age-wise analysis of arrears	One year (2020-21)	14*	8	22
	Two years (2019-20 and 2020-21)	14**	2	16
	Three years and more	903	11	914

* Includes one Statutory Corporation named Odisha State Financial Corporation.

** Includes two Statutory Corporations viz. Odisha State Road Transport Corporation and Odisha State Warehousing Corporation.

Delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2020-21 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature. Hence, the Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

5.8 CAG's oversight- Audit of Accounts and Supplementary Audit

5.8.1 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.

5.8.2 Audit of accounts of SPSEs by Statutory Auditors

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

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

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

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

5.9 Results of CAG's oversight role

5.9.1 Audit of accounts of Government Companies/ Government Controlled Other Companies under Section 143 of the Companies Act, 2013

Financial statements for the year 2020-21 were received from eleven Government Companies and two Government Controlled Other Companies by 30 September 2021. Of these, accounts of eight Government Companies and two Government Controlled Other Companies were reviewed in audit by the CAG.

5.9.1.1 Revision of Auditors Report

As a result of supplementary audit of the financial statements for the year ended 31 March 2021 conducted by the CAG, the statutory auditors of one Government Company namely Odisha Coal and Power Limited (OCPL) revised their report before laying of the financial statements of the Company in its Annual General Meeting.

5.9.1.2 Significant comments of the CAG issued as supplement to the statutory auditors' reports on Government Companies/Government Controlled Other Companies

Subsequent to the audit of the financial statements by statutory auditors which were received during the period from October 2020 to September 2021, the CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of SPSEs in respect of whom comments were issued is given in **Appendix 5.10**. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was, ₹ 2.12 crore increase in profit and ₹ 191.22 crore increase in loss as also, increase in assets (₹ 192.66 crore) and decrease in liabilities (₹ 8.65 crore). These are detailed in **Tables 5.20 to 5.23** below:

Table 5.20: Significant comments on profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	Financial Liabilities (Liability to Others) was understated by ₹ 9.96 crore with overstatement of Other Income by ₹9.96 crore due to adjustment of revenue from Water Resource Department (DoWR) which is pending for confirmation in violation to OHPC's own Significant Accounting Policies. This also resulted in understatement of profit by same extent.
2	Odisha Coal and Power Limited	Expenses (Finance Cost) was understated by ₹ 15.91 crore as the Company has failed to account for the interest on borrowed capital used for acquisition of land after its capitalization. This has also resulted in understatement of Loss for the year and overstatement of Capital Work in Progress by ₹ 15.91 crore (₹ 14.14 crore of 2018-19 + ₹ 1.77 crore in 2019-20). Though the same was pointed out in C&AG comment No. A(1) for the year ended 31 March 2018-19 no corrective action has been taken by the Management.
3.	GRIDCO Limited	I. Expenses (Cost of Power) was understated by ₹ 22.21 crore due to non-accounting of energy bills claimed by PGCIL, GKEL, OPGC and OHPC towards cost of power relating to the period 2017-18 to 2019-20, which were received before authentication of annual accounts and should have been accounted for as per Ind AS 10. Non-accounting of the same also resulted in understatement of current liabilities and loss for the year by ₹ 22.21 crore each. II. Revenue from Operation was overstated by ₹ 53.75 crore due to wrong accounting of disputed energy bills of the M/s Vedanta Limited under the head Revenue from Operation in contravention of Ind AS 18. This has also resulted in overstatement of Trade Receivables and understatement of loss by ₹53.75 crore each.
4	Odisha Mineral Bearing Areas Development Corporation	The Project Expenses (SD& T E Department) were overstated by ₹ 2.52 crore with corresponding understatement of Loans and Advances by the same amount due to erroneous booking of advance given to the Skill Development and Technical Education (SD & TE) Department of Government of Odisha for which no Utilization Certificate has been obtained. This also resulted in overstatement excess of expenditure over income by the same amount.
5.	Odisha State Seeds Corporation Limited	The other income (interest on deposit) includes ₹ 1.57 crore towards interest earned on the corpus fund kept under the ESCROW (Revolving) account. The Government of Odisha in Agriculture Department had constituted (14 May 2015) a corpus fund for Odisha State Seeds Corporation Limited and had sanctioned ₹ 60.00 crore for that purpose. Para 6(xi) of

Sl. No.	Name of the Company	Comments
		Government notification regarding constitution of corpus fund stipulates that the interest accruing from this corpus fund would also form a part of the fund and it should be available exclusively for the seeds/quality planting materials business. Hence the interest of ₹ 1.57 crore earned on the corpus fund (₹ 60.00 crore) should not have been considered as income of the corporation. This has resulted in overstatement of other income as well as profit by ₹ 1.57 crore and understatement of short term borrowing to that extent.
6.	Odisha State Warehousing Corporation	According to comment no.1 of comments of C&AG of India, issued on the accounts of the Corporation for the year 2017-18, the Corporation was required to account for the misappropriated food grains of ₹ 1.22 crore at two warehouses viz. Durgapalli and Balasore by the employees during the year 2017-18. In spite of the comment, the Corporation has neither accounted for nor disclosed the misappropriation of food grains by the employees of the Corporation in the accounts for the year 2018-19. This has resulted in understatement of provision for disallowance by the depositor and overstatement of profit by ₹1.22 crore with corresponding understatement of current liabilities to that extent.
7.	Odisha State Beverages Corporation Limited	Other expenses (Go down rent and insurance) is understated by ₹2.18 crore due to non-accounting of provision for payment of interest on unpaid rent payable to OIL Odisha in respect of Khurda Go down. This has also resulted in understatement of Other Current Liability and overstatement of profit to the same extent.
8.	Odisha Power Transmission Corporation Limited	<p>i. Other Income (Deferred income for assets received from customer) is overstated by ₹ 1.96 crore with corresponding understatement of liability (deferred income) due to wrong recognition of depreciation withdrawn on asset created out of equity support of Government of Odisha as deferred income in the financial statements, by same amount. This also resulted in understatement of loss of the Company by ₹ 1.96 crore.</p> <p>ii. Current Liabilities (Provisions) were understated by ₹2.73 crore due to short provision of obligation towards gratuity to match with actuarial valuation as on 31st March 2020 with corresponding understatement of Employees benefit expenses by the same amount. This also resulted in understatement of loss by ₹2.73 crore.</p> <p>iii. Employee benefit expenses (ex-gratia) is understated by ₹5.20 crore with corresponding understatement of provision by same amount due to non-provision of liability towards payment of one time lump-sum Ex-gratia for the FY 2019-20 to all eligible employees of OPTCL.</p>
9	GRIDCO Limited	i. Expenses (Cost of Power) was understated by ₹4.00 crore due

Sl. No.	Name of the Company	Comments
	2020-21	<p>to non-provision of capacity charges payable to Vedanta Ltd as per order of OERC. This has resulted in understatement of cost of power by ₹ 4.00 crore and corresponding understatement of loss to the same extent. This has also resulted in understatement of current liability by ₹ 4.00 crore.</p> <p>ii. Expenses (Cost of Power) is understated by ₹ 23.26 crore due to non-provision for Delayed Payment Surcharge (DPS) payable to Power Grid Corporation of India Limited (PGCIL). This has resulted in understatement of cost of power by ₹ 23.26 crore and corresponding understatement of loss to the same extent. This has also resulted in understatement of current liability by ₹ 23.26 crore.</p>
10	IDCOL Kalinga Iron Works Limited	Other expenses do not include (i) ₹ 2.32 crore towards payment of Royalty, Contributions to District Mineral Foundations (DMF) and National Mineral Exploration Trust (NMET) on the sale of iron ore made out of Roida 'C' Mines and (ii) ₹6.69 crore towards raising contractor's bill, salary of employees engaged in mining operations and vehicle hiring expenses, for the period from April 2019 to June 2019. This has resulted in understatement of "Other Expenses" and "Losses" by ₹9.01 crore (₹ 2.32 crore + ₹ 6.69 crore) each.
11	Industrial Development Corporation of Odisha Limited	Other expenses were overstated by ₹ 1.67 crore being inclusion of expenditure on payment of Royalty, DMF and NMET on sales of Iron Ore from Roida 'C' mines pertaining to IDCOL Kalinga Iron Works Limited (IKIWL) for the period from April 2019 to June 2019. This has resulted in understatement of Profit for the year to the tune of ₹ 1.67 crore.

Table 5.21: Significant comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1	Odisha Power Generation Corporation Limited (Standalone Financial Statement)	Non-Current Assets (Building) was understated by ₹ 16.98 crore due to non-capitalization of assets created and handed over to the management under the expansion project 3 & 4 during the FY 2019-20. This also resulted in overstatement of CWIP to the same extent. Further due to non-capitalization of these assets the depreciation on these fixed assets has been understated to the extent of ₹ 7.32 lakh with corresponding understatement of loss to the same extent.
2.	Odisha Hydro Power Corporation Limited	Current Liabilities (Payable to APGENCO on Machhakund A/C) was understated by ₹ 1.66 crore due to non-payment of bill of APGENCO i.e. 30 per cent cost towards construction of E-type and F-type blocks in respect of Machhakund Project with

Sl. No.	Name of the Company	Comments
	(Standalone Financial Statement)	corresponding understatement of PPE by same amount.
3.	Odisha Coal and Power Limited	Non-Current Assets (Other Non-Current Assets) was understated by ₹ 45.66 crore (₹ 42.05 crore of 2018-19 + ₹ 3.61 crore in 2019-20) with corresponding overstatement of Capital Work in Progress by ₹ 45.66 crore due to non-capitalization of borrowing cost. Further, other expenses is understated by ₹ 2.92 crore (₹ 1.40 crore for 2018-19 + ₹ 1.52 for 2019-20) with corresponding understatement of loss to the same extent due to non-accounting of amortisation of land on the above amount.
4.	Odisha Mineral Bearing Areas Development Corporation	Current Assets (Accrued interest) were understated by an amount of ₹ 291.54 crore due to non-accountal of accrued interest in respect of nine Auction Treasury Bills (ATBs) invested for a period of 364 and 182 days on different dates during 2019-20, in violation of Para No. 2.1 of the Significant Accounting Policy of the Company. This also resulted in understatement of Other Income and Reserve & Surplus by ₹ 291.54 crore each.
5.	Odisha State Financial Corporation Limited	Capital & Liabilities (Borrowings) does not include ₹ 4.76 crore being the interest accrued on the default and delayed payment of OTS installment amounting to ₹ 42 crore in accordance with the OTS agreement made with SIDBI. This has resulted in understatement of "Other Financial Expenses", "Borrowings" and "Operating Loss" by ₹ 4.76 crore.
6.	Odisha Small Industries Corporation	Current Liabilities (Other Current Liabilities) does not include ₹ 1.75 crore being the pending dues payable to M/s Cable India Private Limited as per the order (05.12.2018) of MSEFC, Cuttack. This has resulted in understatement of other current liabilities by ₹ 1.75 crore and overstatement of profit to the same extent.
7.	Odisha State Medical Corporation Limited	I. Current Liabilities (Short Term Provision) included an amount of ₹ 3.84 crore towards provision for income tax for the year 2017-18. The Deputy Commissioner of income tax computed the tax on income filed by the company for the financial year 2017-18 and passed (17.11.2019) the summary assessment order of income tax for the Company. So the provision for income tax liability for the financial year 2017-18 should have been written back as the order was passed by the assessing officer in the month of November 2019. The resulted in overstatement of Current Liability by ₹ 3.84 crore with corresponding overstatement of TDS on Bank interest to the same extent II. The Additional Chief Secretary to Government of Odisha in Finance Department issued (17 February 2016) guideline for the payment of dividend by the State Public Sector undertaking (SPSU). According to the guidelines, a SPSU would pay the

Sl. No.	Name of the Company	Comments
		annual dividend of 30 <i>per cent</i> of the profit after tax (PAT) or 30 <i>per cent</i> equity of the State Government., whichever is higher. The profit of the Company after tax was ₹ 9.78 crore for the year 2019-20 and the equity share of the Company was ₹ 1.000 lakh as on 31 March 2020. Accordingly, the Company is liable to pay dividend of ₹ 3.00 crore and dividend distribution tax of ₹ 0.62 crore (@ 20.56 % of Dividend) for the year 2019-20. However, in contravention to the above guideline, the company did not make any provision for dividend and dividend distribution tax for the financial year 2019-20. This resulted in overstatement of Reserve and Surplus by ₹ 3.62 crore with consequential understatement of provision for dividend by ₹ 3 crore and provision for dividend distribution tax by ₹ 0.62 crore for the year 2019-20.
8.	Odisha State Warehousing Corporation	<p>(i) According to comment no.3 of C&AG of India, issued on the accounts of the Corporation for the year 2017-18, the Corporation was required to make provision of ₹ 1.57 crore towards doubtful recovery of storage loss of 15 depots for the period from February 2011 to March 2017 under Private Entrepreneur Guarantee (PEG) Scheme. In spite of the comment, the Corporation has not made any provision of doubtful recovery in the accounts for the year 2018-19. This has resulted in understatement of provision for disallowance by depositors and understatement of other liabilities by ₹ 1.57 crore with corresponding overstatement of profit to the same extent.</p> <p>(ii) As per para 63 of the Accounting Standard (AS)-15 (revised in 2005), an entity shall recognize the net defined benefit liability in the balance sheet. The present value of obligation of the Corporation towards gratuity for the year ended 31 March 2019 was ₹ 12.53 crore against which the fair value of the plan assets was ₹ 11.31 crore. Thus, the net liability of ₹ 1.22 crore should have been recognized in the balance sheet as per gratuity valuation report for the financial year 2018-19. This has resulted in understatement of other liabilities by ₹ 1.22 crore with corresponding overstatement of profit to the same extent.</p> <p>(iii) Sundry Debtors (Amount deducted by the FCI for differential H&T rates) was overstated by ₹ 16.29 crore due to non-provision of doubtful recovery of the amount deducted by Food Corporation of India (FCI) towards excess Handling and Transportation (H&T) charges for non-finalisation of H&T contract during the extended period of contract 2015-17. This has resulted in overstatement of sundry debtors and understatement of Handling and Transport charges by ₹ 16.29</p>

Sl. No.	Name of the Company	Comments
		crore with consequential overstatement of profit to the same extent.
9.	Odisha State Beverages Corporation Limited	Capital work in Progress (Intangible assets under development) was overstated by ₹ 2.90 crore due to wrong accounting of advance given to Bridge & Roof Co. (India) Ltd., NBCC and OCAC for construction of go downs at Khurda and Sonepur respectively. This has also resulted in understatement of advance to contractors to the same extent.
10	Odisha Power Transmission Corporation Limited	Equity (Other Equity) was overstated by ₹ 15.00 crore with corresponding understatement of loan to the same extent due to wrong accounting of Government loan as other equity in anticipation of the approval of the Government to convert loan into grant.
11	Industrial Promotion and Investment Corporation of Odisha Limited	<p>I. Non-Current Investment includes ₹ 88.87 crore being impairment value of investment in Neelachal Ispat Nigam Limited (NINL). As per provisions in para no. 1.6.2 of the Significant Accounting Policies (Note-20). On Investments, if audited accounts at the year-end in respect of investee companies are not available, entire investment is to be valued at Rupee 1/-. Hence, the Company should have been impaired entire investment of NINL at ₹ 1/- as per above policy. This has resulted in overstatement of Non-current Assets and Non-current liabilities by ₹ 88.87 crore.</p> <p>II. Long term loans and advances (advance to OSEB (Bond Accounts) includes ₹ 3.48 crore being the amount spent towards installation of 220KV Transformer and 6 nos. 33KV bays at Duburi Sub-station out of the advance received from state government (Bond Account) which have already been completed. This was in properly accounted under the above head. This has resulted in overstatement of above head as well as non-current liabilities by an equal amount of ₹ 3.48 crore</p>

Table 5.22: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Odisha Power Generation Corporation Limited (Standalone Financial Statement)	A reference is invited to Paragraph No.2.12 (inventories) of Significant Accounting Policies where in it is stated that “ <i>Transit and handling losses/gain arises on physical verification including carpeting of coal are included in the cost of coal</i> ”. However, as per the Power Purchase Agreement of the Company, the normative transit and handling losses is 0.2% of the coal dispatched by the coal supply company and is to be considered for calculation of Energy Charge. Thus, any loss beyond 0.2% is abnormal loss and as per Para 16(a) of Ind AS-2, should be excluded from the inventory and to be

Sl. No.	Name of the Company	Comments
		<p>recognized as expenses. Hence, transit and handling losses should be limited to normative transit and handling losses and the policy needs to be suitably modified accordingly.</p> <p>Further, as disclosed in Note-30 (ii) and (iii) the quantity of coal consumption for Unit-3 & 4 including shortage has been shown as 29,45,572.18 MT (22,81,522.58 MT+6,64,049.60MT) but as per Physical Verification Report the quantity of coal consumption is 33,10,130.80 MT which needs reconciliation. Similarly, in Note-30 the amount of coal consumption has been shown as ₹ 869.44 crore but in the detail explanation to Note-30 (Para- i, ii and iii) the total amount shown as ₹ 870.30 crore (₹380.24 crore + ₹ 378.60 crore + ₹ 111.46 crore) which needs reconciliation.</p>
2.	Odisha Hydro Power Corporation Limited (Standalone Financial Statement)	Disclosure made on contingent Liability is understated by ₹ 0.83 crore as interest on working capital claimed by APGENCO on Machhkund Project has not been accounted for.
3.	Odisha Forest Development Corporation Limited	The Company has disclosed an amount of ₹ 24.98 crore as Contingent Liability against the total demand of ₹ 46.42 crore by the Income Tax Department towards tax and interest from the Assessment Year 2009-10 to 2017-18. This has resulted in understatement of Contingent Liability under the head of Income Tax & Penalty by ₹ 21.44 crore.
4	Odisha Thermal Power Corporation Limited	The coal based thermal power plant proposed to be set up by the Company in one of the identified area (Rengali, Odisha) was cancelled due to restriction imposed by the Ministry of Environment, Forest and Climate Change (MoEF & CC), Govt. of India. Accordingly, the Company decided to stop all the ongoing work and issued a foreclosure notice to one of the 'consultants' M/s Visiontek Consultancy Services Pvt. Limited and requested to prefer its claim for payment of work done till the cancellation of the contract. However, the consultant disputed the matter and went into an arbitration for a claim amounting to ₹ 6.07 crore. The Company paid ₹ 1.34 crore against the claim of ₹ 6.07 crore to the consultant and went for a Special Leave Petition before the Hon'ble Supreme Court of India (SCI) in March 2020. Since the balance amount of ₹ 4.73 crore payable to the consultant is uncertain and dependent on the future decision of the apex court, the amount should have been disclosed as contingent liability in the Financial Statements of the Company as per the provisions of Ind AS 37.
5	GRIDCO	(i) M/s Vedanta was not supplied with sufficient quantum

Sl. No.	Name of the Company	Comments
	Limited	<p>of Linkage Coal to generate state entitlement of power supply to GRIDCO. But IPP was making false submission of Declared Capacity to SLDC during the period from 06.01.2020 to 29.01.2020 in absence of sufficient Linkage Coal supply and raised as usual bill to GRIDCO. The said claim was denied and disputed by GRIDCO vide letter No dated 15.02.2020 and 27.05.2020. M/s Vedanta Ltd. filed petition in OERC on this matter. As the matter is sub-judice, the claim of M/s Vedanta Limited amounting to ₹ 21.64 crore should have been shown as Contingent Liabilities.</p> <p>(ii) M/s GKEL-IPP filed petition with CERC and the Commission directed (04.02.2020) GRIDCO to pay the capacity charges to GKEL based on the corrected PAFM for the period 01.04.2015 to 31.03.2017 for an amount of ₹ 117 crore along with late payment surcharges of ₹ 76 crore. The said order of CERC was challenged by GRIDCO in APTEL. But the Company showed ₹ 123.76 crore as contingent liability instead of total ₹ 193.00 crore, resulted in understatement of contingent liabilities by ₹ 69.24 crore.</p>
6	Odisha State Seeds Corporation Limited	946 quintals of paddy seeds were stolen from the Kotpad godown on 11.5.2017 for which FIR was lodged on 11 March 2018. Police treated it as a false case under 457/380 IPC and the matter is sub-judice before JMFC Kotpad (Case No.GR.82 of 2017). This should have been suitably disclosed in the Notes on Accounts forming part of financial statements. The Notes on Accounts is deficient.
7	Odisha State Warehousing Corporation	<p>(i) Sundry Debtors include ₹ 0.54 crore receivable from Women and Child Development Department, Government of Odisha towards storage and allied charges since 2009 under the head 'Outstanding Warehousing Charges against various depositors'. As the Corporation could not produce the debtor's confirmation certificate for the amount shown as receivable, the same should have been suitably disclosed in the Notes on Accounts forming part of financial statements. The Notes on Accounts is deficient to that extent.</p> <p>(ii) In OSWC Durgapalli 1,194 bags (597 qtl.) of rice were damaged and decision was taken in the 159th Board of Directors meeting for its disposal. As per proceeding (8 June 2020) of the meeting of the tender committee for disposal of damaged rice stock lying at SWC, Durgapalli decision was taken for disposal of the damaged rice stock @ ₹ 915 per quintal; the cost of which comes to ₹ 15,09,371 (@ ₹ 2,528.26 qtl). This should have been suitably disclosed in the Notes on accounts forming part of financial statements. The Notes on Accounts is therefore, deficient to that extent.</p>

Sl. No.	Name of the Company	Comments
8	Odisha Power Transmission Corporation Limited	As per the Paragraph 39 (b) of Ind AS-20 relating to Accounting for Government Grants and Disclosure of Government Assistance, the nature and extent of Government grants recognized in the financial statements and an indication of other forms of Government assistance from the entity directly benefited should be disclosed in the financial statements. However, fixed assets include assets valuing ₹ 262.96 crore created out of the Government Grants has not been disclosed to the notes forming part of the financial statements. Further, the depreciation on these assets amounting to ₹ 12.89 crore has also not been disclosed in the accounts as deferred income.
9	GRIDCO Limited	<p>a. Jindal Stainless Steel Limited (JSSL) has claimed an amount of ₹ 133.47 crore (₹ 44.17 crore towards arrear energy bill + ₹ 89.30 crore for DPS) which was not agreeable to GRIDCO. As a result, JSSL has filed a petition before Hon'ble OERC which is yet to be finalized. As the matter is sub-judice the claim of JSSL amounting to ₹ 133.47 crore should have been shown under Contingent Liabilities. Non-disclosure of the same has resulted in understatement of the Contingent Liabilities by ₹ 133.47 crore.</p> <p>b. Appellate Tribunal for Electricity in its judgment dated 15th October 2020 directed GRIDCO to refund an amount of ₹ 359.69 Crore to NTPC within 7 days towards fixed cost of BARH-II generating units of NTPC. GRIDCO challenged the order of Appellate Tribunal in Supreme Court of India. Due to non-payment of the disputed amount of ₹ 359.69 crore NTPC charged Late Payment Surcharge (LPSC) of ₹ 164.17 Crore on the outstanding dues which was recognized by GRIDCO but no accounting effect was given. Considering the Court case, the same should have been shown under Contingent Liabilities. Due to non-disclosure of the claim of LPSC, the Contingent Liabilities have been understated by ₹ 164.17 Crore.</p> <p>c. Kanti Bijlee Utpadan Nigam Limited claimed outstanding dues of ₹ 229.46 crore and LPSC on outstanding dues as ₹ 61.11 crore as on 31.03.2021 as per CERC tariff order. GRIDCO recognized the outstanding electricity bill as ₹ 229.45 crore and made provision for the same. However, the LPSC on the outstanding dues was not recognized by GRIDCO. As the matter is pending before the Hon'ble OERC and CERC, the same should have been shown under Contingent Liabilities. Due to non-recognition of LPSC, the Contingent Liabilities have been understated by ₹ 61.11 crore.</p>
10	IDCOL Ferro Chrome And Alloys	A reference is invited to paragraph D3 of Notes on Accounts in which it was specified that, out of total receipt of Government Grant of ₹ 12,99,99,000, ₹ 4,89,06.809 has been utilized till the

Sl. No.	Name of the Company	Comments
	Limited (IFCAL)	financial year 2019-20 of which ₹.2,25,000,00 (Metal Recovery Plant) is shown under Reserves and Surplus (Note-2) and the balance of ₹ 2,64,06,809 is accounted as fixed assets. As no fixed assets amounting to ₹ 2.64 crore under Govt. Grant is shown in the Asset Schedule (Note-10), the disclosure is deficient to this extent.
11	Industrial Development Corporation of Odisha Limited	The sales tax & GST does not include an amount of ₹ 2.12 crore being Penalty and Interest on Sales Tax & GST in respect of the subsidiary company IDCOL Kalinga Iron Works Limited (IKIWL) as demanded by Tax Authority and subsequent appealing of IKIWL before the 1st Appellate Authority against the demand.

Table 5.23: Significant comments on Auditor's Report

Sl. No.	Name of the Company	Comments
1.	Odisha State Financial Corporation Limited	A reference is invited to the para no. 2 of the report wherein, it is mentioned that, the Corporation's Management is responsible for the matters stated in Section 134 (5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these Financial Statements that give a true and fair view of the financial position, financial performance and cash flows of the Corporation in accordance with the accounting standards and principles generally accepted in India including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. However, the fact is that, the Corporation's Management neither preparing their financial statements in accordance with the provisions of the above Act nor required to do so as per the earlier clarification of SIDBI vide letter no. 17209 dated 21 May 2012. Hence, the Auditor's Report is deficient to that extent.
2.	Odisha Small Industries Corporation	A reference is invited to the para no. 5 (A) of the Independent Auditor's Report wherein it is mentioned that, the Company is not maintaining any Fixed Asset Register. However, the Company is maintaining a Fixed Asset Register without recording individual item wise assets nomenclature, which is not proper. Hence, instead of highlighting the faulty procedure adopted in maintaining the requisite register, the qualification of the Independent Auditor on non-maintenance of Fixed Asset Register is not proper. Hence, the Independent Auditor's Report is deficient to this extent.
3	Odisha State Beverages Corporation Limited	As per Rule 158 of the Odisha Excise Rules 2017, the accounting of issuance and end utilization of EALs on liquor products from manufacturing to retail point is required to be maintained.

Sl. No.	Name of the Company	Comments
		<p>The Corporation is responsible for maintaining the data base for supply chain management of all liquor products sold to retailers in the State, and the Excise Department does not maintain any separate database of its own, for this purpose. Under Rule 158, the Corporation has also been assigned the responsibility of requisitioning the number of EALs required to be issued to suppliers from outside the State.</p> <p>In response to the queries of the Independent Auditor in pursuance of the Sub-Directions issued under Section 143 (5) of the Companies Act 2013, the Corporation has stated that it has not been assigned any responsibility for monitoring the issuance and end utilization of Excise Adhesive Labels (EALs) and hence, has not adopted any internal controls for such monitoring.</p> <p>In the absence of internal controls for monitoring the utilization of EALs affixed on the liquor products received in the depots of the Corporation, there are material revenue risks to the Corporation (Profit Margin) and to the State Government (Value Added Tax) due to</p> <p>Direct sale at retail point by liquor suppliers, by affixing unutilized EALs on liquor products, without routing them through the supply chain involving the Corporation.</p> <p>Diversion of Excise Duty paid liquor products from the depots of the Corporation, in view of the deficient storage and documentation controls reported by the Independent Auditor.</p>

5.10 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 six companies as detailed in *Appendix 5.11* did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit, the CAG observed that the following companies had also not complied with the Accounting Standards/Ind AS which were not reported by their statutory auditors as detailed in **Table 5.24**.

Table 5.24: Non-compliance to Accounting Standards/Ind AS observed during supplementary audit

Accounting Standard/Ind AS		Name of the Company	Deviation
AS 12	Wrong accounting of intangible asset acquired out of Grants.	Industrial Promotion and Investment Corporation of Odisha Limited	The Company had wrongly accounted an intangible asset of GO-Swift Software Portal in violation of AS 12 during 2019-20 resulting in understatement of Non-current liabilities and overstatement of Current Liabilities by an amount of ₹ 54.41 lakh.
Ind AS 12	Non-Disclosure of Fixed Assets created out of Government Grants	Odisha Power Transmission Corporation Limited	The company did not disclose fixed assets of ₹ 262.96 crore created out of Government Grants in the notes to accounts forming part of the Financial Statements. Similarly, depreciation of ₹ 12.89 crore on that asset has not been disclosed in the accounts as deferred income.
Ind AS 37	Non-Disclosure of Contingent Liabilities	Odisha Thermal Power Corporation Limited	The Company has not disclosed its contingent liability of ₹ 4.73 crore against a disputed claim of the consultant, the special leave petition of which is pending before Hon'ble Supreme Court.
Ind AS 10	Non accounting of energy bills claimed by the Generating Companies	GRIDCO Limited	The company has not accounted for energy bills claimed by PGCIL, GKEL,OPGC and OHPC towards cost of power relating to the period 2017-18 to 2019-20 in violation of Ind AS 10.
Ind AS18	Wrong accounting of disputed energy bills	GRIDCO Limited	The company has wrongly accounted for disputed energy bills of M/S Vedanta Limited as Revenue from operation in contravention of Ind AS 18 resulting in overstatement of Revenue from operation and Trade Receivables by ₹ 53.75 crore each.
AS 2	Wrong valuation of Inventories	Odisha Small Industries Corporation Limited	The company has valued all its inventories at net realizable value instead of cost or net realizable value whichever is lower in violation of Accounting Standard 2.

5.11 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 PSEs 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 a 'Management Letter' for taking corrective action. These deficiencies generally related to:

- application and interpretation of accounting policies and practices;
- adjustments arising out of audit that could have a significant effect on the financial statements; and
- inadequate or non-disclosure of certain information on which management of the concerned PSE gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 'Management Letters' to 26 SPSEs as listed in *Appendix 5.12*.

5.12 Recommendation

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.



Bhubaneswar

(BIBHUDUTTA BASANTIA)

The 16th March 2022

Principal Accountant General (Audit-I), Odisha

COUNTERSIGNED



New Delhi

(GIRISH CHANDRA MURMU)

The 24th March 2022

Comptroller & Auditor General of India