

Chapter - 5

State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General (CAG) of India for the year 2020-21 (or of earlier years which were finalised during the current year) has also been discussed.

5.1 Definition of Government Companies

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

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.

5.2 Mandate of Audit

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

5.3 State Public Sector Enterprises and their contribution to the GSDP of the State

5.3.1 State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of a commercial nature keeping in view the welfare of the people and occupy an important place in the State economy. As on 31 March 2021, there

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

were 18 SPSEs in Delhi, including two² Statutory Corporations, one Government controlled other Company and 15 Government Companies under the audit jurisdiction of the CAG. 15 Government Companies include four inactive subsidiaries companies of DSIIDC which are not carrying out any activities for last more than three years. These SPSEs are detailed in **Table 5.1:**

Table 5.1: List of SPSEs

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

² Delhi Transport Corporation and Delhi Financial Corporation.

5.3.2 The ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of total turnover of SPSEs and GSDP of Government of National Capital Territory of Delhi (GNCTD) for a period of three years ending 31 March 2021 are given in **Table 5.2**:

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

Particulars	₹ in crore)		
	2018-19	2019-20	2020-21
Total turnover	9,318.69	9,573.56	11,505.87
GSDP of Delhi	7,50,961.61	8,30,872.49	7,98,309.81
Percentage of turnover to GSDP of Delhi	1.24	1.15	1.44

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

It can be seen from the table above that the total turnover of these SPSEs has shown an increase of 23.47 per cent during the three years from 2018-19 to 2020-21 as per their latest audited accounts. However, the contribution of SPSEs in the GSDP remained marginal.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector-wise total equity, equity contribution by GNCTD and long-term loans including the loans given by GNCTD as on 31 March 2021 (**Appendix 5.2**) is given in **Table 5.3**:

Table 5.3: Sector-wise investment in SPSEs as on 31 March 2021

Name of Sector	Companies/ Statutory Corporation	Total Investment (₹ in crore)				
		Equity		Long Term Loans		Total Equity and Long-Term Loans
		Total	State Government	Total	State Government	
Power	Companies	7,506.79	7,106.78	4,713.62	4,036.24	12,220.41
Finance	Company	50.00	38.12	68.24	68.24	118.24
	Statutory Corporation	26.48	18.05	33.00	33.00	59.48
Service	Companies	25.07	24.04	2.19	2.14	27.26
Infrastructure	Companies	21.00	21.00	0.00	0.00	21.00
Transport	Company	10.65	10.65	0.00	0.00	10.65
	Statutory Corporation	1,983.85	1,983.85	11,676.14	11,676.14	13,659.99
Total		9,623.84	9,202.49	16,493.19	15,815.76	26,117.03

Source: Financial Statements of 2020-21 and information furnished by the SPSEs (Long term loans include current maturities of GNCTD loans)

It can be seen from the above table that the thrust of investment in SPSEs was mainly on the Transport and Power sector, which received 52.34 per cent and 46.79 per cent respectively, of the total investment of ₹ 26,117.03 crore. Statutory Corporation (DTC) under Transport sector received 99.92 per cent of total investment in Transport sector.

5.4.2 Grants and Subsidies to SPSEs

The sector-wise total grants and subsidies given by GNCTD and Central Government during the period 2018-19 to 2020-21 is given in **Table 5.4**:

Table-5.4: Details of Grants/ Subsidies in SPSEs

Year	Grant and Subsidy from		Total
	State Government	Central Government	
2018-19	1,969.82	41.23	2,011.05
2019-20	2,176.67	8.04	2,184.71
2020-21	2,761.56	0.00	2,761.56
Total	6,908.05	41.23	6,957.32

Source: As per the information furnished by SPSEs

It can be seen from the above table that the support in the form of grants and subsidies to SPSEs was mainly received from GNCTD i.e. 99.02 per cent. GNCTD granted funds amounting to ₹ 6,761.69 crore (97.19 per cent) to DTC for its operation.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2020-21, there was no case of disinvestment/restructuring/privatisation of SPSEs. GNCTD has not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

In 2020-21 also there were 10 profit-earning SPSEs³, as in 2019-20. The profit earned by the profit-making SPSEs increased to ₹ 2,809.65 crore in 2020-21 from ₹ 1,123.10 crore in 2019-20.

The details of the top five profit earning SPSEs in 2020-21 (**Appendix 5.1**) is given in **Table 5.5**:

Table 5.5: Top five profit earning SPSEs

Name of SPSE	Net profit earned (₹ in crore)	Percentage of profit to total SPSEs profit
PPCL	1562.16	55.60
DTL	606.60	21.59
DSI IDC	219.09	7.80
IPGCL	190.93	6.80
DPCL	126.87	4.51
Total	2,705.65	96.30

Source: Latest Financial Statements of SPSEs

³ DSI IDC, PPCL, IPGCL, DTL, DPCL, ICSIL, DSCSC, DTTDC, GDL, DTIDC. One SPSE (SRDC) is a non-profit making Company registered under Section 8 of the Companies Act, 2013.

During 2020-21, net profit of ₹ 2,705.65 crore constituting 96.30 per cent of total profit of the 10 SPSEs was contributed by these five SPSEs, out of which PPCL earned maximum profit.

5.5.2 Dividend paid by SPSEs

GNCTD had formulated (17 August 2021) dividend policy under which SPSEs would be required to pay a minimum annual dividend of 30 per cent of Profit after Tax or five per cent of the Net Worth, whichever is higher, subject to maximum dividend permitted under the extant legal provisions. None of the nine SPSEs—which earned profit and in which GNCTD had made investment had declared/paid dividend for the year 2020-21.

5.6 Debt Servicing

5.6.1 Interest Coverage Ratio

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

The details of interest coverage ratio in SPSEs which had interest burden are given in **Table 5.6**:

Table 5.6: Interest coverage ratio of SPSEs

Year	Interest liability (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having interest liability from Government and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2018-19	5,005.46	1,645.16	6	3	3
2019-20	5,701.94	1,382.53	6	3	3
2020-21	6,844.49	3,470.25	7	3	4

Source: Latest Financial Statement of SPSEs

It was observed that three SPSEs⁴ had interest coverage ratio of more than one, but four⁵ other SPSEs had interest coverage ratio of less than one during 2020-21. Thus, these four SPSEs were not generating sufficient revenues even to meet their interest liability. DPCL had interest liability of ₹ 316.01 crore against loan of ₹ 3,326.39 crore which was not booked as expenditure but shown as recoverable from the GNCTD and State Government in turn requested the Government of India for writing off of loan, however no approval for same was received (December 2021). DTC and DFC had also not paid interest on GNCTD Loans.

⁴ DTL, IPGCL and PPCL

⁵ DSCFDC, DFC, DTC and DPCL

5.6.2 Age wise analysis of interest unpaid on GNCTD Loans

As on 31 March 2021, interest amounting to ₹ 35,522.14 crore was unpaid on loans of five SPSEs provided by GNCTD. The age wise analysis of interest unpaid on GNCTD loans in SPSEs is depicted in **Table 5.7**:

Table 5.7- Interest unpaid on GNCTD Loans

(₹ in crore)

Name of SPSE	Interest unpaid on GNCTD Loans	Interest on GNCTD loans unpaid for less than 1 year	Interest on GNCTD loans unpaid for 1 – 3 years	Interest on GNCTD loans unpaid for more than 3 years
IPGCL	814.30	74.59	195.86	543.85
PPCL	485.64	116.20	289.21	80.23
DFC	18.15	3.30	6.60	8.25
DTC	32,248.27	6,144.54	9,752.65	16,351.08
DPCL	1,955.78	316.01	632.02	1,007.75
Total	35,522.14	6,654.64	10,876.34	17,991.16

Source: Information received from SPSEs and latest financial statements of SPSEs.

It may be seen from above table IPGCL and PPCL despite earning profits defaulted in payment of interest amounting to ₹ 1,109.15 crore to GNCTD for more than one year. In case of DTC it had neither repaid Principal (since 2007-08) of ₹ 11,676.14 crore nor interest (since 2011-12) amounting to ₹ 32,248.27 crore.

5.7 Performance of SPSEs**5.7.1 Return on Capital Employed**

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁶. The details of RoCE of 13 SPSEs in which GNCTD had invested (**Appendix 5.1**) during the period from 2018-19 to 2020-21 are given in **Table 5.8**:

Table 5.8: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2018-19	2,036.61	(-) 6,198.10	(-) 32.86
2019-20	2,022.62	(-) 11,192.35	(-) 18.07
2020-21	3,762.72	(-) 15,597.80	(-) 24.12

Source: Latest Financial Statement of SPSEs.

It was observed that the RoCE was negative in all the years mainly due to negative capital employed (accumulated losses are more than sum total of paid-up share capital, free reserves and surplus and long-term loans) of DTC of ₹ 31,240.53 crore. If capital employed of DTC is excluded the capital employed of remaining 12 SPSEs was ₹ 15, 642.73 crore and RoCE was 23.92 per cent.

⁶ Capital Employed = Paid up Share Capital + Free Reserves and Surplus + Long-term Loans – Accumulated Losses – Deferred Revenue Expenditure

5.7.2 Return on Equity by SPSEs

Return on Equity (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund⁷. It is expressed as a percentage and can be calculated for any company, if net income and shareholders' fund are both positive numbers.

Shareholders' fund reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholder fund means liabilities exceed assets.

The details of total net income and shareholders' fund relating to 13 SPSEs with GNCTD investment (**Appendix 5.1**) are given in **Table 5.9**:

Table 5.9: Return on Equity relating to SPSEs where funds were infused by GNCTD

Year	Total net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2018-19	-3,489.59	(-) 22,120.85	-
2019-20	-4,175.27	(-) 26,292.35	-
2020-21	-3,358.75	(-) 29,918.53	-

As the net income as well as shareholders' fund of SPSEs during 2018-19 to 2020-21 was negative, RoE was not calculated. The net income for all the years from 2018-19 to 2020-21 was negative due to the losses incurred by DTC, which wiped out the profits earned by other SPSEs. The shareholder's fund was negative mainly on account of accumulated losses of DTC which had increased to ₹ 44,900.52 crore as per its latest finalised accounts (2019-20).

5.7.3 Return on Investment

Return on investment is the percentage of profit or loss to the total investment. Out of 18 SPSEs of the State, GNCTD infused funds in the form of equity, loans and grants/subsidies in 13 SPSEs only. GNCTD did not infuse any direct funds in remaining five⁸ SPSEs.

5.7.4 Rate of Real Return (RORR) on Government Investments

RORR measures the profitability and efficiency with which equity and similar non interest bearing capitals have been employed, after adjusting for their time value (Present Value (PV)), assumes significance when compared with the conventional rate of return (ROR) which is calculated by dividing the Profit after Tax by the sum of all such investments counted on historical cost.

⁷ Shareholders' fund = Paid up capital + free Reserves – Accumulated Losses - Deferred Revenue Expenditure

⁸ DEL, DCAD, DMSL and DLL are subsidiary companies of DSIIDC, which contributed towards their capital. Further, in case of ICSIL, capital was contributed by DSIIDC, TCIL and two other companies.

The RORR of GNCTD investment in 13 SPSEs was computed on the basis of following assumption:

- Actual infusion by GNCTD in the SPSEs in the form of equity, interest-free loans and grants and subsidies for operational and administrative expenses given by GNCTD to the SPSEs have been considered as investment infusion by GNCTD.
- The average rate of interest on Government borrowings for the concerned financial year⁹ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and was therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of RORR calculation of GNCTD investment, the period beginning 2002-03¹⁰ till 2020-21 has been taken considering the investment in these 13 SPSEs as on 31 March 2002 as PV of GNCTD investment in the beginning of 2002-03.

The consolidated position of the RORR of GNCTD investment relating to the 13 SPSEs since 2002-03 till 31 March 2021 is indicated in **Table 5.10**:

Table 5.10: Year-wise details of investment by the GNCTD and RORR on government funds from 2002-03 to 2020-21

(₹ in crore)										
Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Govt. during the year	Interest free loans given by the State Govt. during the year	Grants and subsidies for operational and administrative expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings/ Losses (-) for the year
i	ii	iii	iv	v	vi=iii+iv+v	vii=ii+vi	viii	ix=(vii*(1+ viii)/100}	x=(viii*vii)/100}	xi
2002-03	183.06 ¹¹	324.41	0.00	0.20	324.61	507.67	11.17	564.38	56.71	-1,872.94
2003-04	564.38	0.00	0.00	0.20	0.20	564.58	10.65	624.70	60.13	-534.27
2004-05	624.70	0.00	0.00	0.20	0.20	624.90	10.34	689.52	64.62	-1,375.28
2005-06	689.52	0.00	0.00	130.87	130.87	820.39	8.87	893.16	72.77	-1,859.78
2006-07	893.16	3.11	0.00	42.07	45.18	938.34	9.35	1,026.07	87.73	-864.09
2007-08	1,026.07	4,471.80	0.00	33.56	4,505.36	5,531.43	9.84	6,075.73	544.29	-1,749.46
2008-09	6,075.73	715.19	0.00	19.25	734.44	6,810.17	9.90	7,484.37	674.21	-1,672.67
2009-10	7,484.37	1,128.25	0.00	96.25	1,224.50	8,708.87	9.52	9,537.96	829.08	-1,788.68
2010-11	9,537.96	464.00	0.00	402.98	866.98	10,404.94	9.10	11,351.79	946.85	-1,557.81
2011-12	11,351.79	665.48	40.00	764.59	1,470.07	12,821.86	9.77	14,074.55	1,252.70	-1,969.18
2012-13	14,074.55	498.55	50.00	1,310.54	1,859.09	15,933.64	9.73	17,483.98	1,550.34	-1,775.75
2013-14	17,483.98	745.00	1.00	1,409.70	2,155.70	19,639.68	9.21	21,448.50	1,808.81	-2,034.69
2014-15	21,448.50	-1.15	7.00	1,438.75	1,444.60	22,893.10	8.59	24,859.62	1,966.52	-942.51
2015-16	24,859.62	0.00	0.00	1,416.93	1,416.93	26,276.55	8.54	28,520.56	2,244.02	-2,049.81
2016-17	28,520.56	0.00	0.00	1,792.66	1,792.66	30,313.22	8.65	32,935.32	2,622.09	-2,867.88
2017-18	32,935.32	0.00	0.00	2,078.18	2,078.18	35,013.50	8.58	38,017.66	3,004.16	-2,895.56
2018-19	38,017.66	0.00	0.00	1,890.95	1,890.95	39,908.61	8.64	43,356.71	3,448.10	-3,489.59
2019-20	43,356.71	4.80	0.00	2,162.44	2,167.24	45,523.95	8.14	49,229.60	3,705.65	-4,175.27
2020-21	49,229.60	0.00	0.00	2,639.68	2,639.68	51,869.28	7.04	55,520.88	3,651.60	-3,358.75
Total		9,019.44	98.00	17,630.00	26,747.44					

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

⁹ The average rate of interest on government borrowings was adopted from Finance Account of GNCTD of respective year.

¹⁰ As per information received from the SPSEs.

¹¹ Closing balance of investment made by GNCTD in 13 SPSEs till the year 2001-02.

The investment of GNCTD in these 13 SPSEs at the end of the year increased to ₹ 9,202.50 crore in 2020-21 from ₹ 507.67 crore in 2002-03. The PV of investments of GNCTD up to 31 March 2021 worked out to ₹ 55,520.88 crore. It can be seen from the table that total earnings of the companies have remained negative throughout the period from 2002-03 to 2020-21. This was because the losses suffered by DTC (in losses since inception 1996-97) mainly wipes out the profit earned by other SPSEs.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were seven¹² SPSEs that incurred losses as per their latest finalised accounts at the end of March 2021. The losses incurred by these loss-incurring SPSEs increased to ₹ 6,162.64 crore in 2020-21 as per their latest finalised accounts from ₹ 4,386.79 crore in 2018-19 and ₹ 5,294.16 crore in 2019-20 as given in **Table 5.11**:

Table 5.11: Details of SPSEs that incurred losses

(₹ in crore)				
Year	No. of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ¹³
2018-19	11 ¹⁴	4,386.79	-32,499.28	-29,436.93
2019-20	7 ¹⁵	5,294.16	-38,741.28	-36,685.71
2020-21	7 ¹⁶	6,162.64	-44,889.77	-42,834.20

Out of total loss of ₹ 6,162.64 crore incurred by these seven loss-incurring SPSEs during 2020-21, loss of ₹ 6,147.06 crore (99.75 per cent) was contributed by Delhi Transport Corporation alone. The reasons for losses are as under:

a. DTC:

The losses incurred by DTC were mainly due to lack of revision of fares since November 2009 and interest burden of Plan and Non-Plan loans released by the Government of NCT of Delhi. Resultantly, DTC has not been in a position to repay either the loans (since 2007-08) received from GNCTD or the interest thereon (since 2011-12). From 2011-12 onwards GNCTD had released grants-in-aid (GIA) to DTC as financial assistance. DTC had received GIA amounting

¹² SRDC earns no profit/loss in 2019-20 hence, not considered in loss making SPSEs.

¹³ 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.

¹⁴ Four Subsidiaries of DSIIDC, SRDC, DTC, NDMC Smart City, IPGCL, DFC, DSIIDC and DSCFDC.

¹⁵ Four Subsidiaries of DSIIDC, DTC, DFC and DSCFDC.

¹⁶ Four Subsidiaries of DSIIDC, DTC, DFC and DSCFDC

to ₹ 14,241 crore during the period 2011-2021. Prior to 2011, DTC had received interest bearing loans of ₹ 11,676 crore from GNCTD. As of March 2020, accumulated unpaid interest amounted to ₹ 32,248 crore. Thus, out of the total accumulated losses of ₹ 44,900 crore (as on March 2020), 72 *per cent* i.e. ₹ 32,248 crore was due to accumulated unpaid interest.

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

- a. Conversion of outstanding plan loan of ₹ 511 crore into equity.
- b. Conversion of outstanding non plan loan of ₹ 11,165 crore into GIA and conversion of accumulated interest of ₹ 16,330.59 crore (as on 31 March 2017) into GIA.
- c. Revision of fares as there was no revision since November 2009.

b. DFC

Losses incurred by DFC were due to its Non-Performing Asset (NPA) of ₹ 20.19 crore as on 31.3.2020 which was 41.83 *per cent* of total Loans disbursed, declining business due to very high cost of funds at 10 *per cent* as compared to six *per cent* on bank loans, discontinuation of refinance from SIDBI and high rate of interest on GNCTD loan of ₹ 33 crore.

c. Others:

The four loss making subsidiaries companies of DSIIDC viz. DSIIDC Energy Limited, Delhi Creative Arts Development Limited, DSIIDC Liquor Limited and DSIIDC Maintenance Services Limited were created in 2011 to increase profitability and wealth with investment of ₹ one lakh each. These companies except one¹⁷ (during 2012-13 to 2014-15), did not commence their business and has remained inactive so far (December 2021). In September 2014, the assets and liabilities of these subsidiary companies were taken over by DSIIDC. During 2012-13 to 2019-20, these companies earned negligible income but incurred annual expenses on audit fee and Registrar of Companies filing fee. Despite takeover of assets and liabilities by DSIIDC in 2014-15, it has so far failed to take decision on closure of these companies and objective of creating these companies remained unfulfilled due to not functioning of these companies leading to loss of ₹ 20.64 lakh to DSIIDC.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2021, there were three SPSEs with accumulated losses of ₹ 46,003.49 crore in which GNCTD had invested equity and loans. Of these three SPSEs, two SPSE (DTC and DFC) incurred losses amounting to

¹⁷ DEL

₹ 6,147.06 crore and ₹ 12.38 crore respectively and one¹⁸ SPSE had not incurred loss, even though it had accumulated loss of ₹ 1,100.32 crore as per its latest finalised accounts (2019-20).

The net worth of two¹⁹ out of these three SPSEs had been completely eroded by accumulated losses and their net worth were negative. As on 31 March 2021 the net worth of these two SPSEs was (-) ₹ 43,271.94 crore against equity investment of ₹ 2,728.90 crore. Out of these two SPSEs, whose capital had been eroded, DPCL had earned profit of ₹ 126.87 crore during 2020-21. In these two SPSEs, outstanding Government loans as on 31 March 2021 were ₹ 12,341.42 crore.

5.9 Audit of State Public Sector Enterprises

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

5.10 Appointment of statutory auditors of Government Companies by CAG

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

The statutory auditors of the Government Companies for the year 2020-21 were appointed by the CAG during 2020.

5.11 Submission of accounts by State Public Sector Enterprises

5.11.1 Need for timely submission of Annual Report and Accounts

According to Section 394 of the Companies Act, 2013, an Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting²⁰ (AGM). As soon as may be after such preparation, the Annual Report together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report must be laid before the Legislature. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative

¹⁸ DPCL

¹⁹ DPCL and DTC

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

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

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

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

The annual accounts of various SPSEs were in arrears as on 30 November 2021, as detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by Government Companies

As of 31 March 2021, there were 16 Government Companies under the purview of CAG's audit. However, only seven Government Companies had prepared and submitted their accounts for audit by CAG by 30 November 2021²¹. Accounts of nine Government Companies were in arrears. Details of arrears in submission of accounts of Government Companies are given in **Table 5.12**:

Table 5.12: Details of arrears in submission of accounts of Government Companies

Particulars		Number
Total number of Companies from which accounts for 2020-21 were due		16
Number of companies which prepared and submitted the accounts for CAG's audit by 30 November 2021		07
Number of accounts in arrears (nine Government Companies)		14
Break-up of arrears	Arrear for one year (2020-21)	08 ²²
	Two years (2019-20 and 2020-21)	-
	Arrear for more than three years	1 ²³

Accounts of PPCL, DSCSC, DTIDC, IPGCL, DPCL, DEL, DCADL and GDL were in arrear for 2020-21 and of DSCFDC accounts were in arrear for six years (2015-16 to 2020-21). GNCTD invested ₹ 19.56 crore in DSCFDC (Equity: ₹ 4.80 crore, Loans: ₹ 6.00 crore and Grant: ₹ 8.76 crore) during the period its accounts were in arrears. In the absence of finalisation of accounts, government

²¹ Date of holding AGM of Companies for the financial year 2020-21 was extended upto 30 November 2021 by Government of India, Ministry of Corporate Affairs vide order dated 23 September 2021.

²² PPCL, DSCSC, DTIDC, IPGCL, DPCL, DEL, DCADL and GDL.

²³ Six accounts of DSCFDC were in arrear for 2015-16 to 2020-21.

investments in DSCFDC remained outside the oversight of the audit and State Legislature.

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two Statutory Corporations (DFC and DTC) is conducted by the CAG. Accounts of both Statutory Corporations for the year 2020-21 were not prepared and submitted as on 30 November 2021. GNCTD invested ₹ 2,575.24 crore (Grants/subsidies) inspite of DTC not finalizing their accounts during 2020-21. This remained outside the oversight of the audit and State Legislature because of not submitting of accounts by DTC.

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

5.12.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.12.2 Audit of accounts of Government Companies by Statutory Auditors

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

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

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

5.12.3 Supplementary Audit of accounts of Government Companies

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

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

Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

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

5.13 Result of CAG's oversight role

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

Fourteen financial statements for the year 2020-21 and previous years were received from twelve Government Companies from 1 January 2021 to 30 November 2021. Out of these, ten financial statements of SPSEs were reviewed in audit by the CAG and in respect of remaining four financial statements it was decided not to review the same. The results of the review are detailed in following paragraph.

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

Subsequent to the audit of the financial statements for the year 2020-21 and previous years by statutory auditors, the CAG conducted supplementary audit of the financial statements of 11 Government Companies. Significant comments issued on financial statements of Government Companies, the financial impact of which was ₹ 25.29 crore on the profitability as well as assets/liabilities, have been detailed in **Tables 5.13** and **5.14**:

Table 5.13: Impact of the Comments on the Profitability of Government Companies

Sl. No.	Name of the Company	Comments
1	DTIDC (2019-20)	<ul style="list-style-type: none"> • Profit of DTIDC was understated by ₹ 1.06 crore due to lack of inclusion of license fee receivable from advertising agencies. Similar comment was issued during 2018-19. • Profit of DTIDC was overstated by ₹ 4.83 crore due to lack of provision for penal interest of ₹ 4.83 crore in the accounts. Similar comment was issued during 2016-17 to 2018-19. • DTIDC had not made provision of liability for 50 per cent share of Municipal Corporation of Delhi on revenue earned from Bus Queue Shelters, amounting to ₹ 13.87 crore which resulted in understatement of other Current Liabilities and overstatement of Profit by ₹ 13.87 crore. • Profit was overstated by ₹ 74.39 lakh as no provision for watch and ward services as per order of the Arbitrator/ court was made in accounts. This also resulted in understatement of Short term Provision by ₹ 74.39 lakh.

2	ICSIL (2019-20)	<ul style="list-style-type: none"> ICSIL profit was overstated by ₹ 1.69 crore due to lack of provision for rent payable to DSIIDC for premises and interest payable thereon amounting to ₹ 1.69 crore.
3	DSCFDC (2013-14)	<ul style="list-style-type: none"> DSCFDC Profit was overstated by ₹ 113.19 lakh due to lack of booking of expenditure for various Electrical Installations and Mechanical Equipment for the period 2009-14. It has also resulted in understatement of Current Liabilities by ₹ 130.86 lakh, and overstatement of Current Assets (advances) by ₹ 17.67 lakh. DSCFDC had not made provision for bad and doubtful debts in respect of dues of ₹ 4.08 crore against those beneficiaries who had either died or their whereabouts were not available. This resulted in overstatement of Long Term Loans and Advances and overstatement of Profit by ₹ 4.08 crore. Similar comment was made on 2012-13 accounts.

Table 5.14: Impact of the Comments on Financial Position of Government Companies

Sl. No.	Name of the Company	Comments
1.	DPCL (2019-20)	<ul style="list-style-type: none"> DPCL in violation of Accounting Policy No.10 and Ind AS 7 has included Term deposits of ₹ 35.01 crore with less than 3 months maturity under bank balance and deposits instead of cash and cash equivalent.
2	DSCFDC (2013-14)	<ul style="list-style-type: none"> DSCFDC has treated loans from Department for the Welfare of SC/ST/OBC/PH/Minorities as grants against the conditions of sanction orders, resulting in overstatement of Grant-in-Aid and understatement of Unsecured Loan by ₹ 14.46 crore. Similar comment was made on 2012-13 accounts.

5.13.3 Statutory Corporations where CAG is the sole/ supplementary auditor

The significant comments issued by the CAG on the accounts of Statutory Corporations where CAG is the sole/supplementary auditor, the financial impact of which was ₹ 786.23 crore on the profitability and as well as on assets/liabilities, are detailed below:

Impact of the Comments on the profitability and financial position of Statutory Corporations

Delhi Transport Corporation (2018-19)

- Provision for gratuity liability as per actuarial valuation as on 31 March 2019 was ₹ 798.11 crore but DTC had booked only ₹ 58.63 crore which resulted in understatement of Provision for Gratuity to the extent of ₹ 739.48 crore.
- DTC had not provided liability for Service tax of ₹ 5.07 crore raised by Service Tax Department for which curative petition filed by the Corporation was dismissed by Hon'ble Supreme Court, resulting in understatement of net Loss, Other Liabilities and Expenditure by ₹ 5.07 crore.

- DTC had shown receivable of ₹ 2.40 crore from Delhi Tourism and Transportation Development Corporation Limited (DTTDC) towards rent/electricity/ water charges for parking of Hop-on Hop-off buses. However, the Corporation agreed to waive off parking charges and raised a bill of ₹ 9.33 lakh towards electricity, security and water charges, but did not write off parking charges of ₹ 2.31 crore. This resulted in overstatement of Current Assets and understatement of Expenditure and Loss by ₹ 2.31 crore.
- DTC had given advances of ₹ 2.07 crore to Delhi State Industrial and Infrastructure Development Corporation Limited (DSIIDC) in respect of secured parking at I.P Power Station. These advances were more than nine years old, but no provision for doubtful advances was made in this regard. This resulted in overstatement of Advances and understatement of Expenditure and Loss by ₹ 2.07 crore.
- DTC had not provided for ₹ 9.33 crore being difference of gratuity due to increase in gratuity limit from ₹ 10 lakh to ₹ 20 lakh as per Payment of Gratuity (Amendment) Act, 2018 which resulted in understatement of contribution towards Gratuity Fund as well as net Loss by ₹ 9.33 crore.
- DTC had booked penalty imposed on M/s Trimax IT Infrastructure & Services Ltd. against which insolvency proceedings have been initiated which resulted in overstatement of Sundry Debtors and understatement of net Loss by ₹ 15.67 crore.

Delhi Financial Corporation (2019-20)

- DFC has not booked liability for DFC Employees' Pension Trust of ₹ 12.30 crore plus interest which resulted in understatement of Liabilities and Loss to the same extent.

5.14 Lack of 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 five SPSEs had not complied with mandatory Accounting Standards/Ind AS as detailed in **Table 5.15**.

Table 5.15: Non-compliance with Accounting Standards (AS)/Indian Accounting Standards (Ind AS) as reported by the Statutory Auditors

S. No.	Name of the Company	Year of accounts	Number of AS/Ind AS
1	Indraprastha Power Generation Company Limited	2019-20	Ind AS 109
2	Delhi Transport Infrastructure Development Corporation Limited	2019-20	AS-19, AS-29, AS-3, AS-5
3	Pragati Power Corporation Limited	2019-20	Ind AS 109, 24, 114,116
4	Delhi SC/ ST/ OBC Minorities Handicapped Financial and Development Corporation Limited	2012-13 and 2013-14	AS-15

During the course of supplementary audit, the CAG observed that the following SPSEs detailed in **Table 5.16** had also not complied with the Accounting Standards/Ind AS, which was not reported by their statutory auditors:

Table 5.16: CAG Comments on Accounting Standards/IndAS

Sl. No.	Name of the Company	AS/IndAS	Comment
1	IPGCL (2019-20)	Ind AS - 115 Revenue from Contracts with Customers	<ul style="list-style-type: none"> The company had not disclosed the method used to recognise revenue and explanation of why the method used provides a faithful depiction of the transfer of goods or services in violation of requirement of Ind AS 115.
2	DPCL (2019-20)	Ind AS – 39 Financial Instruments: Recognition and Measurement	<ul style="list-style-type: none"> In violation of Ind AS 39, DPCL had not disclosed a brief description of the nature of the contingent liability in respect of 19 claims disclosed under Contingent Liabilities.
3	DTC (2018-19)	AS – 12 Accounting for Government Grants AS – 15 Employee Benefits	<ul style="list-style-type: none"> Accounting Policy on treatment of Grant-in-Aid for Capital works (Construction of Bus Depots/Terminals) for specific fixed assets is reflected as income of the Corporation in the Profit and Loss Account which was in contravention of the requirement of Accounting Standard 12. During the period 2006-07 to 2018-19, the Corporation had shown income of ₹ 159.31 crore on account of utilised Grants for Construction of Bus Depots. The Corporation in violation of the requirement of Accounting Standard - 15 did not make the provision for leave encashment on actuarial basis.

4	DTIDC (2019-20)	AS – 3 Cash Flow Statements	<ul style="list-style-type: none"> An amount of ₹ 2.61 crore was paid to Delhi Integrated Multi-Modal Transit System (DIMTS) during the financial year 2019-20 on account of Capital Advance for renovation and up-gradation of ISBTs. This amount was incorrectly included under Cash Flow from Financing Activities instead of Cash Flow from Investing Activities which was in violation of Accounting Standard-3.
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5.15 Management Letters

Material observations on the financial statements of Public Sector Enterprises were reported as comments by the CAG under Section 143(5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the Management through Management Letters for taking corrective action. During the year, CAG issued Management Letters to 10 SPSEs. The deficiencies requiring attention of the management were highlighted in these management letters.

5.16 Conclusion

- As on 31 March 2021, there were four inactive Government Companies since incorporation (2011), for which no decision/action for their operation/closure was taken by DSIIDC.
- Out of the total profit of ₹ 2,809.65 crore earned by 10 profit-earning SPSEs in 2020-21, 96.30 per cent was contributed by five²⁴ SPSEs. None of the profit earning SPSEs declared /paid dividend to GNCTD during the year 2020-21.
- Out of total loss of ₹ 6,162.64 crore incurred by seven loss-incurring SPSEs, loss of ₹ 6,147.06 crore was contributed by Delhi Transport Corporation alone.
- DSCFDC did not adhere to the prescribed timelines regarding submission of its financial statements as per the Companies Act, 2013 and its accounts were arrear for six years. Further, accounts for 2020-21 of eight Government Companies and two Statutory Corporations were not finalised as of 30 November 2021.
- During 2020-21, the impact of CAG's comments on the financial statements of the SPSEs amounted to ₹ 811.52 crore on profitability.

²⁴ DSIIDC, PPCL, IPGCL, DTL and DPCL

5.17 Recommendations

The State Government may:

- decide on closure/operation of four inactive subsidiaries of DSIIDC;
- ensure timely submission of financial statements of SPSEs;
- ensure payment of dividend as per dividend policy framed; and
- formulate plan for making DTC viable.

New Delhi

Dated:

(SAMAR KANT THAKUR)

Principal Accountant General (Audit), Delhi

Countersigned

New Delhi

Dated:

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India