

CHAPTER – V

**FINANCIAL PERFORMANCE OF STATE
PUBLIC SECTOR UNDERTAKINGS**

Chapter V: Financial Performance of State Public Sector Undertakings

5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Maharashtra as revealed from their accounts/ information furnished by them and results of oversight role of the Comptroller and Auditor General of India (CAG). It highlights some of significant comments issued as a result of supplementary audit of the accounts of the State Public Sector Undertakings (PSUs) conducted by the CAG and their impact on comments issued by the CAG on the financial statements received during the current year in respect of the Statutory Corporations.

State Public Sector Undertakings (PSUs) are established by Governments to carry out activities of commercial nature for the development of the State as well as to cater to the welfare of its people.

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

The Statutory Corporations are established by State Government and governed by their respective legislations.

Besides, any other company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Governments, 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.

In this Report, PSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Maharashtra (GoM).

5.1.1 Mandate

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143 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 provisions of Sections 139 (5) and (7) the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Government 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 and issue comments upon or supplement the Audit Report of the Statutory Auditors under Section 143 of the Companies Act, 2013.

¹ Companies (Removal of difficulties) Seventh Order 2014 issued by Ministry of Corporate Affairs (4.9.2014)

The statutes governing Statutory Corporations also require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.2 Number of PSUs and status of accounts

At the beginning of the year 2021-22 there were 109 PSUs under the audit jurisdiction of the CAG. Further four² PSUs were wound up during 2021-22. As a result, the number of PSUs under the audit jurisdiction of CAG whose accounts of 2021-22 were to be audited stood at 105. Further, these PSUs included 75 working Government Companies (including 28 subsidiary Companies), 17 inactive Government Companies (including ten subsidiary Companies), three Government Controlled Other Companies and 10 Statutory Corporations as on 31 March 2022 as listed in **Appendix 5.1**. Inactive PSUs are those which have ceased to carry out their operations. None of these Government Companies were listed in the stock exchange.

The financial performance of the 105 PSUs, based on the latest finalised financial statements received till 30 September 2022³ and as per information received from PSUs is covered in this report. The nature of State PSUs and the position of accounts as on 30 September 2022, are given in **Table 5.1**.

Table 5.1: Status of accounts and nature of PSUs

Nature of PSUs	Total No. of PSUs	Number of PSUs whose accounts were received as of 30 September 2022				No. of PSUs, whose accounts were not received upto 30 September 2022
		Accounts for 2021-22	Accounts for 2020-21	Accounts upto 2019-20	Total	
Government Companies	75	9	36	12	57	18
Government controlled Other Companies	3	1	-	-	1	2
Statutory Corporations	10	0	2	5	7	3
Total Working PSUs	88	10	38	17	65	23
Inactive Government Companies	17	3	10	1	14	3
Total Inactive PSUs	17	3	10	1	14	3
Grand Total	105	13	48	18	79	26

(Source: Information compiled on the basis of accounts received upto 30 September 2022)

The figures in **Table 5.1** above indicate position of accounts received as on 30 September 2022 *i.e.*, cut-off date for finalisation of accounts by PSUs.

Out of 88 working PSUs, accounts of 11 PSUs were in arrears for three years and the accounts of 13 PSUs were in arrears for a period ranging from more than three years to eighteen years. Four PSUs, out of the 105 PSUs did not furnish their first annual accounts (FAA). Based on the accounts and information furnished by PSUs (both Power and Non-power sectors), analysis of financial performance of 105 PSUs has been covered in this Chapter. The position of accounts of all 105 PSUs, both working and inactive as on 30 September 2022 is given in **Appendix-5.1**.

² Vidarbha Quality Seeds Limited, Gondwana Paints and Minerals Limited, Vidharbha Tanneries Limited and Maharashtra Industrial Gas Transmission Company Limited

³ Due date for submission of financial statements for the year 2021-22

5.2.1 Details of inactive PSUs

As on 31 March 2022, there were 17 inactive PSUs, compared to 19 inactive PSUs as on 31 March 2021. Four inactive PSUs were wound up in the year 2021-22. The closure of seven⁴ subsidiaries of Marathwada Development Corporation Limited (MDCL) was pending, though GoM had approved its closure on 25 October 2011. The accumulated loss of these seven PSUs was ₹ 29.26 crore as against the paid-up share capital of ₹ 2.37 crore as on 31 March 2022. Further, two⁵ working PSUs became inactive⁶ due to deallocation (2014) of coal blocks allotted. The total investment of these 17 inactive PSUs as on 31 March 2022 was ₹ 681.29 crore.

5.2.2 Summary of financial performance of PSUs

The details of financial performance of Government Companies, Statutory Corporations and Government controlled Other Companies is given in **Appendix 5.2**.

Summary of financial performance of PSUs is given in **Table 5.2**.

Table 5.2: Summary of financial performance of State PSUs covered in this Report

Particulars	No. of PSUs	Amount (₹ in crore)
Government Companies and Statutory Corporations		
Number of State PSUs	102	
Paid up capital	100	339365.09
Long term loans	52	90187.95
Net profit before Tax	43	2309.95
Net loss before Tax	46	-4955.81
No profit No loss (NPNL) ⁷	11	-
Dividend Paid/Payable	8	7.56
Total assets	100	620786.46
Net worth/shareholder fund	100	306460.78
First Accounts awaited (FAA)	2 ⁸	-
Government Controlled Other Companies		
Number of State PSUs	3 ⁹	
Paid up capital	1	5.00
Long term loans	-	-
Net profit before Tax	-	-
Net loss before Tax	1	-1.35
No profit No loss (NPNL)	-	-
Dividend Paid/Payable	-	-
Total assets	1	52.53
Net worth/shareholder fund	1	3.16
First Accounts awaited (FAA)	2 ¹⁰	-

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

⁴ Ellora Milk Product Limited, Dairy Development Corporation of Marathwada Limited, Parbhani Krishi Gosanvardhan Limited, Godavari Garments Limited, Kinwat Roofing Tiles Limited, Marathwada Ceramic Complex Limited, Leather Industries Corporation of Marathwada Limited.

⁵ MSMC Adkoli Natural Resources Limited and MSMC Warora Collieries Limited.

⁶ As intimated by the Companies in November 2022.

⁷ These companies are either limited by guarantee (Not for Profit) /expenditure is recouped by way of capital contribution / grants.

⁸ Waghadi Nadi Punarjeevan Foundation Ltd and AITL Auric Skill Foundation

⁹ Maha Mumbai Metro (M3) Operation Corporation Limited, SPPU Research Park Foundation and SPPU Edutech Foundation.

¹⁰ SPPU Research Park Foundation and SPPU Edutech Foundation.

5.3 Contribution of PSUs to the Economy of the State

The ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State.

The details of turnover of the State PSUs and GSDP from 2019-20 to 2021-22 are given in **Table 5.3**.

Table 5.3: Details of turnover of PSUs vis-à-vis GSDP of GoM

(₹ in crore)				
S. No.	Sector	2019-20	2020-21	2021-22
1	Power	98216.91	102140.30	100751.42
2	Finance	170.77	156.23	137.26
3	Service	7865.17	7865.17	7628.92
4	Infrastructure	1446.91	2134.44	2354.85
5	Agriculture & Allied	2013.23	1807.94	1853.62
6	Manufacturing	299.61	210.68	128.79
7	Miscellaneous	243.86	614.36	1613.72
Total turnover		110256.46	114929.12	114468.58
	GSDP of Maharashtra	2734552	2711685	3197782
	Percentage of turnover to GSDP of Maharashtra	4.03	4.24	3.58

(Source: GSDP figures as per Economic Survey of Maharashtra 2021-22 and turnover figures as per latest finalised accounts upto 30 September 2022)

The contribution of PSUs to GSDP of Maharashtra increased from 4.03 *per cent* in 2019-20 to 4.24 *per cent* in 2020-21 and further decreased to 3.58 *per cent* in 2021-22 though the turnover of these PSUs increased by 4.24 *per cent* during 2020-21 and 3.82 *per cent* in 2021-22 compared to turnover in 2019-20. However, the overall turnover of 105 PSUs during 2021-22 decreased marginally by 0.40 *per cent* compared to the turnover during 2020-21. During the last three years the Compounded Annual Growth Rate (CAGR)¹¹ of GSDP was 8.14 *per cent*, while the CAGR of turnover of the 105 working PSUs was 1.89 *per cent*.

The PSUs in Power Sector have contributed 88.02 *per cent* of the total turnover of 105 PSUs during 2021-22.

5.4 Investments in Government Companies and Statutory Corporations and Budgetary Support

The total amount of equity and loans in 105 PSUs as at the end of 31 March 2022 is given in **Table 5.4**.

¹¹ Rate of compounded annual Growth $[\{(Value\ of\ 2021-22 / value\ of\ 2019-20) ^{(1/2\ years)} - 1\} * 100]$.

Table 5.4: Equity and long-term loans in State PSUs

(₹ in crore)

Sl. No.	Sources of investment	As on 31.03.2022			As on 31.03.2021		
		Equity	Long term loans	Total	Equity	Long termloans	Total
1	State Government	231764.79	1148.47	232913.26	225384.18	1308.30	226692.48
2	Central Government	5573.60	17.20	5590.80	3490.54	195.86	3686.40
3	Others (State PSUs, Financial Institutions, Banks and Central PSUs)	110430.64	107930.56	218361.20	96975.38	95755.13	192730.51
	Total	347769.03	109096.23	456865.26	325850.10	97259.29	423109.39
	Percentage of investment of State Government to total investment	66.64	1.05	50.98	69.17	1.35	53.58

(Source: As per the information furnished by PSUs during the reporting period)

Out of the total Equity holding, the Equity held by the State Government constituted 66.64 per cent.

The Sector wise investment of State Government by way of Equity and Loans in these PSUs during the three-year period 2019-20 to 2021-22 is given in Table 5.5.

Table 5.5: Sector wise investment of State Government in PSUs

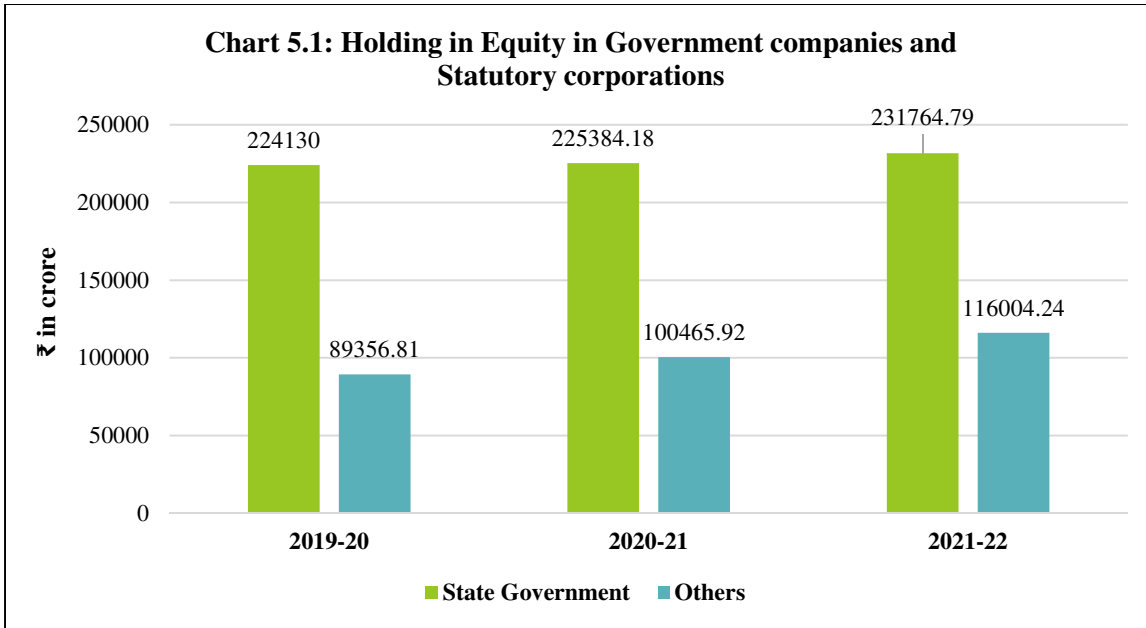
(₹ in crore)

Sector-wise Investment									
Nature of Sector	2019-20			2020-21			2021-22		
	Equity	Loans	Total	Equity	Loans	Total	Equity	Loans	Total
Power	88940.67	217.58	89158.25	89216.66	212.02	89428.68	89216.66	208.59	89425.25
Finance	2345.79	336.73	2682.52	2345.79	336.73	2682.52	2345.79	194.89	2540.68
Service	5194.83	204.40	5399.23	5414.42	204.40	5618.82	5414.42	204.40	5618.82
Infrastructure	932.99	313.86	1246.85	932.99	313.86	1246.85	932.99	303.87	1236.86
Agriculture & Allied	126405.67	1.10	126406.77	127162.87	1.10	127163.97	133542.58	1.10	133543.68
Manufacturing	280.85	240.39	521.24	282.25	240.19	522.44	283.15	235.62	518.77
Miscellaneous	29.20	-	29.20	29.20	-	29.20	29.20	0	29.20
Total	224130.00	1314.06	225444.06	225384.18	1308.30	226692.48	231764.79	1148.47	232913.26

(Source: As per the information furnished by PSUs during the reporting period)

As on 31 March 2022, the total investment in PSUs comprised 99.51 per cent of equity capital and 0.49 per cent of long-term loans. The thrust of State Government's investment in PSUs was mainly in two sectors namely Agriculture (57.34 per cent) and Power Sector PSUs (38.39 per cent) which constituted 96.11 per cent of Equity and 18.26 per cent of Loans during 2021-22.

Holding in equity by State Government and Others (Central Government, Financial Institutions etc.) during the three years ended 31 March 2022 is depicted in Chart 5.1.



(Source: As per the information furnished by PSUs during the reporting period)

Details of significant holding (holding of more than ₹ 500 crore) of the State Government as at the end of March 2022 in the paid-up capital of the State PSUs is given in **Table 5.6**.

Table 5.6: Significant holding of the State Government

Sl. No.	Name of the State PSU	Name of the Department	Amount (₹ in crore)
Statutory Corporations			
1	Maharashtra State Road Transport Corporation	Transport	5399.03
2	Konkan Irrigation Development Corporation	Water Resources	10938.02
3	Tapi Irrigation Development Corporation	Water Resources	13071.45
4	Godavari Marathwada Irrigation Development Corporation	Water Resources	23442.22
5	Maharashtra Krishna Valley Development Corporation	Water Resources	35778.41
6	Vidarbha Irrigation Development Corporation	Water Resources	47901.02
7	Maharashtra Water Conservation Corporation	Water Resources	2063.26
Government Companies			
1	Mahatma Phule Backward Class Development Corporation Limited	Social Justice and Special Assistance	568.57
2	Maharashtra State Road Development Corporation Limited	Public works	773.56
3	M.S.E.B. Holding Company Limited	Industries, Energy and Labour	89216.21
	Total		229151.75

(Source: As per the information furnished by PSUs during the reporting period)

Out of the total equity investment by State Government in 105 PSUs, a significant amount i.e., 98.87 per cent was in the above PSUs.

5.4.1 Budgetary support to PSUs

State Government provides financial support to the State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans converted to equity, interest written-off and outstanding guarantees of the State PSUs for the last three years ending March 2022 are given in the **Table 5.7**:

Table 5.7: Statement showing details regarding budgetary support to PSUs

Sl. No.	Particulars	2019-20		2020-21		2021-22	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
Power Sector PSUs							
(i)	Equity Capital Outgo	-	-	-	-	-	-
(ii)	Loans given	-	-	-	-	-	-
(iii)	Grants/Subsidy provided	-	-	1	10715.76	1	12141.97
	Total outgo (i+ ii+ iii)	-	-	1	10715.76	1	12141.97
(iv)	Loan repayment written off	-	-	-	-	-	-
(v)	Loans converted into equity	-	-	-	-	-	-
(vi)	Guarantees issued	-	-	-	-	2	13867.93
(vii)	Guarantees commitment	-	-	-	-	1	14201.00
Non-Power Sector PSUs							
(i)	Equity Capital Outgo	1	3180.66	1	0.30	2	3181.56
(ii)	Loans given	-	-	-	-	-	-
(iii)	Grants / Subsidy provided	8	6578.89	4	1600.29	9	6182.74
	Total outgo (i+ ii+ iii)	9	9759.55	5	1600.59	11	9364.30
(iv)	Loan repayment written off	-	-	-	-	-	-
(v)	Loans converted into equity	-	-	-	-	1	0.56
(vi)	Guarantees issued	1	11.85	1	4000	1	0.43
(vii)	Guarantees commitment	2	56.95	1	48.49	5	907.25

(Source: Information compiled to the extent of information received from the PSUs)

State Government helps the PSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. As can be seen from the above table, the budgetary support by State Government towards equity, loans and grants/subsidy was ₹ 12,141.97 crore in 2021-22 in power sector PSUs and ranged between ₹ 9,759.55 crore (2019- 20) to ₹ 9,364.30 crore (2021-22) in Non-Power sector PSUs. The total outstanding guarantee commitments given for PSUs increased from ₹ 56.95 crore in 2019-20 to ₹ 907.25 crore in 2021-22. The State Government charges guarantee fee at the rate of 0.50 per cent to two per cent per annum for the entire guarantee period in the case of loans availed by PSUs from banks/financial institutions. To the extent of information received from PSUs, guarantee fee of ₹ 604.66 crore is payable by seven PSUs to the Government as on 31 March 2022.

5.4.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2021-22, there was neither disinvestment of any State PSUs nor was any PSU privatized.

5.4.3 Analysis of outstanding loans given to PSUs

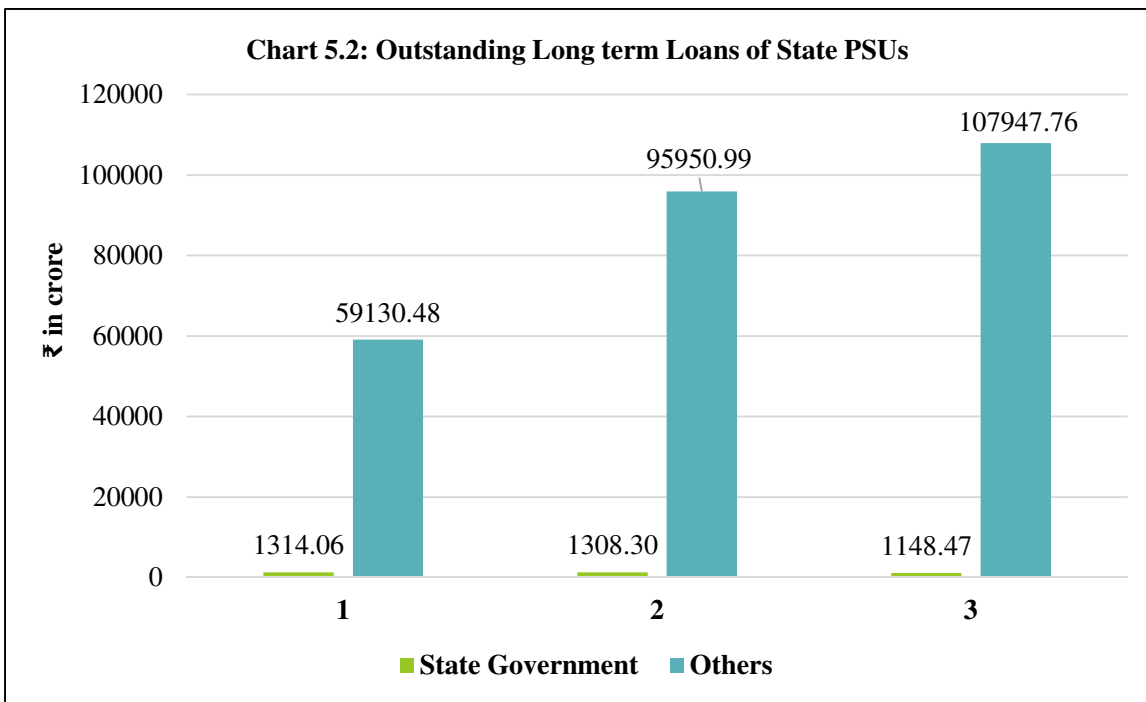
5.4.3.1 Long-term loans outstanding as on 31 March 2022

As on 31 March 2022, the total long-term loans outstanding in 54 out of 105 PSUs from all sources was ₹ 1,09,096.23 crore (Table 5.4). The outstanding long-term loans of these PSUs

registered an increase of ₹ 11,836.94 crore during 2021-22 (₹ 1,09,096.23 crore) from the previous year (₹ 97,259.29 crore). The major increase was noticed in two PSUs¹² and major decrease was noticed in two PSUs¹³.

Out of the total outstanding loans as on 31 March 2022, loans from State Government were ₹ 1,148.47 crore, out of which a significant amount (₹ 576.61 crore) pertained to three PSUs only viz., Maharashtra State Road Transport Corporation (₹ 200.00 crore), Maharashtra State Electricity Transmission Company Limited (₹ 197.59 crore) and Maharashtra State Road Development Corporation Limited (₹ 179.02 crore).

Year-wise details of outstanding long-term loans of PSUs are depicted in **Chart 5.2**.



(Source: As per the information furnished by the PSUs during the reported period)

5.4.3.2 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 assets in 52 PSUs which had outstanding long term loans as on 31 March 2022 is given in **Table 5.8**.

¹² Nagpur Mumbai Super Communication Expressway Limited and Maharashtra State Electricity Distribution Company Limited both subsidiary companies of Maharashtra State Road Development Corporation limited and MSEB Holding Company Limited respectively.

¹³ Mumbai Pune Expressway Limited and Maharashtra State Power Generation Company Limited both subsidiary companies of Maharashtra State Road Development Corporation Limited and MSEB Holding Company Limited respectively.

Table 5.8: Coverage of long-term loans with total assets

Nature of StatePSU	Positive Coverage				Negative Coverage			
	No. of PSUs	Long term Loans	Assets	Percent- age of assets to loans	No. of PSUs	Long term loans	Assets	Percent- age of assets to loans
		₹ in crore)				₹ in crore)		
Government Companies	35	87939.54	325639.96	370.03	4	1118.77	65.29	5.84
Statutory Corporations	3	786.89	49241.41	6257.72	-	-	-	-
Inactive Government Companies	1	2.96	2.97	100.34	9	339.79	47.10	13.86
Total	39	88729.39	374884.34		13	1458.56	112.39	

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

Out of 52 PSUs, in respect of 13 PSUs the value of total assets was less than the loans outstanding.

5.4.3.3 Interest coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding long term/short term debt and is calculated by dividing a company's earnings before interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs, which had finance cost during the period from 2019-20 to 2021-22 are given in **Table 5.9**.

Table 5.9: Interest Coverage Ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No. of State PSUs having liability of loan and interest	No. of State PSUs having ICR>=1	No. of State PSUs having ICR<1
2019-20	8957.19	9842.69	36	27	9
2020-21	9893.94	9957.67	39	27	12
2021-22	10692.54	7672.05	40	24	16

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

It was observed that the number of PSUs with ICR equal to one or more than one has decreased from 27 in 2020-21 to 24 in 2021-22. Similarly, the number of PSUs with ICR less than one had also increased from 12 in 2020-21 to 16 in 2021-22 as shown in **Appendix 5.3**.

5.5 Returns from PSUs

Out of 105 PSUs, 43 PSUs earned profit, 47 PSUs reported losses and 11 PSUs had neither profit nor loss during the year 2021-22. Four PSUs did not furnish their first accounts.

5.5.1 Profit earned by PSUs

The overall profit of these 43 PSUs was ₹ 2,309.95 crore. The list of PSUs, which earned profit of more than ₹ 100 crore during the year 2021-22 is given in **Table 5.10**.

Table 5.10: List of top profit-making PSUs during 2021-22

(₹ in crore)

Sl. No.	Name of the State PSUs	Net Profit
1	Maharashtra State Electricity Transmission Company Limited (MSETCL)	1688.14
2	Maharashtra State Warehousing Corporation	110.74
3	Forest Development Corporation Limited	103.12
Total		1902.00

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

It can be seen that three PSUs contributed 82.34 *per cent* of the total profit earned by 43 PSUs during 2021-22. All these PSUs are working under monopolistic¹⁴ conditions.

During 2021-22, 26 State PSUs under three sectors contributed maximum profit of ₹ 2205.23 crore, constituting 95.46 *per cent* of total profit (₹ 2,309.95 crore) of the State PSUs. The details of top three sectors, which contributed maximum profit during 2021-22 are summarised in **Table 5.11**.

Table 5.11: Top 3 sectors which contributed maximum profit during 2021-22

Sector	No. of profit earning State PSUs	Profit earned (₹ in crore)	Percentage of Sector's profit to total State PSUs profit
Power	4	1696.98	73.46
Agriculture & Allied	12	408.91	17.70
Finance	10	99.34	4.30
Total	26	2205.23	95.46

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

5.5.2 Losses incurred by PSUs

There were 47¹⁵ PSUs, which reported losses during the year 2021-22. The losses incurred by PSUs, during the last three year period is as given in **Table 5.12**.

Table 5.12: Number of State PSUs that incurred losses

Year	No of State PSUs which incurred loss	Net loss for the year (₹ in crore)	Accumulated losses (₹ in crore)	Net worth (₹ in crore)
2019-20	34	-1805.08	-18905.99	22117.42
2020-21	39	-1651.00	-12338.54	15173.97
2021-22	47	-4957.16	-46412.43	53102.63

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

Out of total loss of ₹ 4,957.16 crore incurred by 47 PSUs, loss of ₹ 4,746.73 crore was contributed by five PSUs. These top five loss making PSUs, which have incurred losses of more than ₹ 200 crore are given in **Table 5.13**.

¹⁴ PSUs mainly dependent on Government for their operations and earnings

¹⁵ Includes seven PSUs (out of which six were subsidiaries) which has not booked profit/loss in view of non-activity /expenditure borne by holding Company.

Table 5.13: State PSUs that incurred losses of more than ₹ 200 crore during 2021-22

(₹ in crore)		
Sl. No.	Name of the State PSU	Net loss
1	Maharashtra State Power Generation Company Limited (MSPGCL)	-2103.61
2	Maharashtra State Electricity Distribution Company Limited (MSEDCL)	-1432.34
3	Maharashtra State Road Transport Corporation.	-716.14
4	Mumbai Pune Expressway Limited	-266.55
5	MSRDC Sea Link Limited	-228.09
	Total	-4746.73

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

The five PSUs shown in **Table 5.13** above contributed 95.76 per cent of the total losses incurred by 47 PSUs during 2021-22.

5.5.3 Erosion of Net worth of PSUs

Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure. It is essentially a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 30 September 2022, 49¹⁶ PSUs had accumulated losses of ₹ 49,373.39 crore, 45¹⁷ PSUs had accumulated profit of ₹ 6,466.28 crore and seven PSUs had neither accumulated profit nor loss as per their latest accounts. Four PSUs did not furnish their first accounts. Out of the overall accumulated losses of ₹ 42,907.11 crore, the overall net worth was negative which stood at ₹ 3,06,463.94 crore against the paid up capital of ₹ 3,39,370.09 crore. The net worth of 13 out of 21 PSUs had been completely eroded by accumulated loss (₹12,755.42 crore) as their net worth was negative at ₹ 6,263.94 crore. Of these 13 PSUs, whose net worth had been completely eroded (negative net worth), three PSU¹⁸ had earned profit of ₹ 18.66 crore and 10 PSUs had incurred losses of ₹ 812.91 crore during 2021-22.

The net worth of two PSUs had eroded by more than ₹ 1,000 crore (Maharashtra State Road Development Corporation Limited by ₹ 2,948.11 crore and Maharashtra Power Development Corporation Limited by ₹ 1,013.45 crore) Details of PSUs having negative net worth as on 31 March 2022 are given in **Appendix-5.4**.

In ten out of 13 PSUs whose shareholders' fund had been completely eroded, State Government equity and long term loans outstanding as on 31 March 2022, as per information provided by the PSUs were ₹ 6,591.34 crore and ₹ 879.77 crore respectively.

5.5.4 Dividend pay-out by PSUs

As per the guidelines issued (2012) by Government of Maharashtra, every state PSU shall

¹⁶ Includes one PSU (accumulated loss of ₹ 0.02 crore) which is a section 8 company (a non profit organisation).

¹⁷ Includes three PSUs (accumulated profit of ₹ 0.98 crore) out of which one PSU is a section 8 company and two PSUs recoups its expenditure from Grants and is no profit no loss company.

¹⁸ The three PSUs incurred profit, the accumulated losses (Deferred revenue expenditure was 'Nil') during the reporting year eroded the paid up capital and free reserves and hence their net worth was negative.

finalise its account within the prescribed period after the end of the financial year and on the basis of these accounts and the provisions of the relevant Act, every State PSU that has made a profit, shall declare a dividend of minimum five *per cent* or at a more reasonable rate.

Out of 105 PSUs, none of the three Government Controlled Other Companies declared/paid dividend to State Government during 2021-22.

In the case of remaining 102 PSUs (Government Companies and Statutory Corporations), the State Government had infused equity in 59¹⁹ PSUs only. Dividend Payout relating to these 59 PSUs for the period 2019-20 to 2021-22 is shown in **Table 5.14**:

Table 5.14: Dividend Payout of PSUs during 2019-20 to 2021-22

Year	Total PSUs where equity infused by the State Government		PSUs which earned Profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio(%)
	Number of PSUs	Equity Infused	Number of PSUs	Equity Infused	Number of PSUS	Dividend declared/paid by PSUS	
1	2	3	4	5	6	7	8=7/5*100
2019-20	59	224130.00	38	147890.97	5	6.09	0.004
2020-21	59	225384.18	36	148173.26	7	14.39	0.01
2021-22	59	231764.79	43	165459.63	8	7.56	0.005

(₹ in crore)

Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022)

Even though there were 43 PSUs which were in profit, only eight PSUs declared dividend of ₹ 7.56 crore during the year 2021-22 as given in **Appendix-5.5**.

During the period 2019-20 to 2021-22, the number of PSUs which earned profits ranged between 38 and 43, whereas the number of PSUs which declared /paid dividend to the State Government ranged between five and eight. The dividend Payout Ratio during 2019-20 to 2021-22 ranged between 0.004 *per cent* to 0.005per cent.

5.5.5 Return on Capital Employed

Return on Capital Employed (ROCE) measures a company's profitability and the efficiency with which total capital is employed. ROCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed.

PSU-wise details of ROCE for the period 2019-20 to 2021-22 are given in **Appendix-5.6**. The consolidated ROCE of 105 PSUs during the period 2019-20 to 2021-22 is given in **Table 5.15**.

Table 5.15: Return on Capital Employed of PSUs

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2019-20	10005.87	322971.65	3.10
2020-21	10286.91	357784.17	2.88
2021-22	8045.34	396702.47	2.03

(Source: Information compiled on the basis of latest finalised accounts upto 30 September 2022.)

¹⁹ Includes Maharashtra Industrial Development Corporation, though directly held by GoM, does not have a share capital.

It was observed that ROCE of State PSUs decreased from 3.10 *per cent* during 2019-20 to 2.03 *per cent* during 2021-22 as the EBIT decreased in 2021-22 as compared to 2019-20.

5.5.6 Return on Equity of PSUs

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

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

Return on equity has been computed in respect of 59²⁰ PSUs where funds have been infused by the State Government. PSU wise details of ROE for the period 2021-22 are given in **Appendix-5.7**.

The details of shareholders' fund and ROE relating to these PSUs during the period 2019-20 to 2021-22 are given in **Table 5.16**.

Table 5.16: Return on Equity of PSUs

Year	Net Income (₹ in crore)	Shareholders' fund (₹ in crore)	ROE (in percentage)
2019-20	-459.42	212948.89	-0.22
2020-21	-232.74	219355.87	-0.11
2021-22	-402.53	235717.76	-0.17

(Source: Information compiled on the basis of Annual Accounts as on 30 September 2022)

During the period from 2019-20 to 2021-22, though the shareholder's' fund increased, the net Income was negative resulting in negative return on equity. Further out of 59 PSUs only 36 PSUs have positive net income and shareholders' fund.

The details of shareholders' fund and ROE relating to PSUs where funds had been infused by the State Government during the period 2019-20 to 2021-22 are given in **Appendix-5.7**.

5.5.7 Rate of Real Return on Investment

Rate of Real Return on Investment (RORR) measures the profitability and efficiency with which equity and similar non-interest-bearing capitals have been employed, after adjusting them for their time value, and 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 basis.

²⁰ Including Maharashtra Industrial Development Corporation Limited though directly held by State Government but does not have share capital.

In view of the significant investment by the state Governments in the PSUs, RORR on such investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the RORR on the Investment since such calculations ignore the present value of money. Present Value (PV) of the investment has been computed to assess the RORR on the PV of Investments in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2022, the past investments/ year-wise funds infused in the PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Considering the equity and net interest free loans infused in these 59 PSUs, the State Government Investment on historical cost at the end of 2021-22 stood at ₹ 3,72,688.26 crore, as given in **Appendix-5.8**.

The PV of the investment in PSUs was computed on the basis of following assumptions.

- The equity infused minus disinvestment have been reckoned as investment for calculating the RORR.
- The funds made available in the form of interest-free loans and interest free loans converted as equity have been reckoned as investment.
- The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected RORR.

Table 5.17: Year wise details of investment by the State Government and RORR from 2017-18 to 2021-22

(₹ in crore)

Financial Year	PV of the total investment at the beginning of the year	Investment during the year by GoM ²¹	Total Investment	Average Rate of Investment (per cent)	PV of the Total Investment at the end of the year	Minimum expected return	Total earnings/ losses for theyear	Rate of Real RoI Considering PV of the investment (per cent)
(A)	(B)	C	(D)= (B+C)	E	(F)=(D)+ ((D *E)/100)	(G)= (D) *E/100	(H)	(I)=H*100/F
2017-18	344433.91	8535.84	352969.75	8.00	381207.33	28237.58	(-)3622.76	(-)0.95
2018-19	381207.33	1933.32	383140.65	7.80	413025.62	29884.97	(-)497.60	(-)0.12
2019-20	413025.62	10151.16	423176.78	7.30	454068.68	30891.90	1049.65	0.23
2020-21	454068.68	1253.98	455322.66	7.19	488060.36	32737.70	392.96	0.08
2021-22	488060.36	6380.05	494440.41	6.96	528853.46	34413.05	(-)2647.21	(-)0.50

(Source: Total investment as per information received from PSUs)

Even though the total investment by the State Government increased every year from ₹ 3,52,969.75 crore in 2017-18 to ₹ 4,94,440.41 crore in 2021-22, the RORR was positive in 2019-20 and 2020-21 and declined in 2021-22 mainly due to losses incurred by power sector PSUs

²¹ Investments includes equity, interest free loans given by the State Government less interest free loans repaid and loans converted during the year

as compared to 2020-21. Further, as compared to the profit of ₹ 439.02 crore and ₹ 210.49 crore in MSEDCL and MSPGCL in 2020-21, the loss incurred by these PSUs were ₹ 1,432.34 crore and ₹ 2,103.61 crore respectively in 2021-22.

Table 5.18: Consolidated RORR on present value of investments for the year 2021-22

Financial year	Total earnings/Loss(-)	Investment by the State Government at historical cost of investment at the end of the year (₹ in crore)	ROR (%)	Investment by the State Government at Present value of investment at the end of the year (₹ in crore)	RORR (%)
2021-22	(-)2647.21	232205.68	(-)1.14	528853.46	(-)0.50

5.6 Oversight Role of CAG

5.6.1 Appointment of statutory auditors of State PSUs by CAG

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company as per Section 139 (5)/ (7) of the Companies Act, 2013 (Act), which stipulates 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 and 60 days from the registration in case of first auditor. The 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 submitted to the State Legislature.

5.6.2 Submission of Accounts by PSUs

5.6.2.1 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 must be laid before the Legislative Assembly, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the PSUs.

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Consequently, the Financial Statements need to be prepared and placed in the AGM by 30 September of the following year.

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.

5.6.2.2 Timeliness in preparation of accounts by PSUs

As on 31 March 2022, there were 105 State PSUs under the purview of CAG’s audit in Maharashtra. Out of these 105 PSUs, 17 are inactive and defunct. Out of remaining 88 working PSUs (including 10 Statutory Corporations), a total of 13 working State Government Companies submitted their accounts for 2021-22 for audit by CAG on or before 30 September 2022. Annual Accounts of 92 PSUs including 10 Statutory Corporations were in arrears for various reasons. However, 66 State PSUs including seven Statutory Corporations have submitted 90 annual accounts for the previous years by 30 September 2022. Details of arrears in submission of accounts as on 30 September 2022 are given in **Table 5.19**.

Table 5.19: Details of finalisation of accounts by PSUs

Particulars		Government Companies		Statutory Corporations		Total PSUs	
Total number of PSUs on 31 March 2022		95		10		105	
Number of State PSUs which presented the accounts of 2021-22 for CAG’s audit by 30 September 2022		13		0		13	
Number of PSUs which submitted Accounts for previous years (Number of Accounts)		59(79)		7(11)		66 (90)	
Break-up of Arrears of Accounts		Govt. Companies	No. of Arrears	Statutory Corporations	No. of Arrears	No. of PSUs	No. of Arrears
Age-wise analysis of arrears against ‘Others’ category	One year (2021-22)	48	48	2	2	50	50
	Two years (2019-20 and 2020-21)	10	20	5	10	15	30
	Three years and more	24	144	3	13	27	157
Total of Arrears of Accounts		82	212	10	25	92	237

(Source: Information compiled by office of AG (Audit)-II, Maharashtra)

The list of the State PSUs and status of accounts in arrears is indicated in **Appendix 5.1**. Out of the 10 Statutory Corporations, CAG is the sole auditor of eight Statutory Corporations except Maharashtra State Warehousing Corporation and Maharashtra State Financial Corporation.

The Annual Accounts of all the Statutory Corporations were in arrears as on 30 September 2022, out of which the annual accounts of three²² Statutory Corporations were in arrears for a period ranging from three to seven years.

²² Maharashtra Water Conservation Corporation, Maharashtra State Financial Corporation and Maharashtra Industrial Development Corporation

5.6.3 CAG's oversight- Audit of annual accounts and supplementary audit

5.6.3.1 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, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. 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.

5.6.3.2 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 the 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.

5.6.3.3 Supplementary audit of annual 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 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, reported under Section 143 (6) of the Companies Act, 2013 are to be placed before the AGM of the respective PSU.

5.7 Results of CAG's Audit of Accounts

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

As on 30 September 2022, 13 PSUs submitted their Financial Statements for the year 2021-22. Further, 73 PSUs (including nine PSUs which submitted accounts for 2020-21 and 2021-22) submitted 90 Financial Statements/account for previous years spanning from 2011-12 to 2020-21.

Of the 103 accounts, Non-Review Certificates were issued in respect of 33 accounts, and 62 accounts were reviewed by 30 September 2022. The audit in respect of eight accounts were in progress by 30 September 2022. The results of the review are detailed below:

5.7.1.1 Amendment of Financial Statements

As a result of supplementary audit conducted by the CAG on the financial statements received during the period ended 30 September 2022, Maharashtra State Road Transport Corporation amended the Financial Statements before laying the same in the AGM.

5.7.1.2 Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on State PSUs

Subsequent to the audit by the Statutory Auditors, of the financial statements for the year 2021-22 and that of the financial statements for the previous years received by 30 September 2022, CAG conducted supplementary audits of the financial statements of the selected State PSUs. Some of the significant comments issued on financial statements of Government Companies and Corporations, the financial impact of which on the profitability was ₹ 386.63 crore and on assets/liabilities was ₹ 2,959.97 crore, are given below:-

Comments on Profitability

Sl. No.	Name of the Company	Comment
1.	Shivshahi Punarvasan Prkalp Limited (2018-19)	<p>Expenses Other expenses (Note No. 21): ₹ 29.74 Cr. Other expenses included ₹ 23.11 crore being advance tax payments written off for previous and current years. The Company should have adjusted the payment of advance tax against the tax liabilities for the previous and current year and the net payment should have been accounted for as tax expenses for the respective years. Instead, the company booked the full tax expenses for the previous and current years and to adjust the net tax expenses, has written off the above amount of advance tax paid, during the current year. This has resulted in overstatement of other expenses and understatement of other financial assets by ₹23.11 crore</p>

Sl. No.	Name of the Company	Comment
2.	Maharashtra State Power Generation Company Limited (2020-21)	<p>Statement of Profit and Loss Expenses - Other Expenses (Note 28): ₹ 1,903.60 Cr.</p> <p>Above did not include ₹ 5.98 crore being expenses in connection with renewal of SAP HANA Enterprise Cloud (HEC) services for running SAP- ERP System for the period April 2020 to January 2021 which should have been adjusted against payment (September 2020) (₹ 7.17 crore for the period February 2020 to January 2021) shown as advance payment. The advance remained unadjusted despite completion of service in January 2021.</p> <p>This resulted in understatement of Other Expenses and overstatement of Profit for the year by ₹ 5.98 crore, understatement of Prior Period Expenses and overstatement of Retained Earnings by ₹ 1.19 crore (for the period 01/02/2020 to 31/03/2020) and overstatement of Other Current Assets (Advances for O&M Supplier/ Works) by ₹ 7.17 crore.</p>

Comments on Financial Position

Sl. No.	Name of the Company	Comment
1.	Maharashtra State Electricity Transmission Company Limited (2020-21)	<p>Capital Work in Progress (Note 4.2): ₹ 3,342.81 crore</p> <p>The Company decided to dismantle 79 tower foundations and 69 towers constructed at a cost of ₹25.17 crore in the Giant Metrewave Radio Telescope (GMRT) area of the National Centre for Radio Astrophysics (NCRA). As no future economic benefits can be derived from the same, cost of the towers should have been withdrawn from the capital work in progress in terms Ind AS 16 and the Accounting Policy of the Company, which was not done. This has resulted in-</p> <ol style="list-style-type: none"> Overstatement of Capital Work-in-progress to the extent of ₹ 25.17 crore. Understatement of Expenses to the extent of ₹3.23 crore being the irrecoverable cost of the civil foundation of towers and consequent overstatement of Profit for the year to the extent of ₹3.23 crore. Out of ₹21.94 crore, cost of useable towers should have been taken into stock and the balance charged to Profit and Loss account. Financial impact on this account was not ascertainable for want of details.
2.	Sant Rohidas Leather Industries & Charmakar Development Corporation Limited (2018-19)	<p>Equity and liabilities Other current Liabilities (Note 8) : ₹29.70 crore</p> <p>This did not include ₹3.97 crore being the amount of dividend not provided for by the Company since 2011-12. As per Resolution (21/06/2010 and 22/02/2012) of Government of Maharashtra (GoM) all the profit-making companies of the GoM are mandated to pay a minimum dividend of five <i>per cent</i> of their net profit, to the state Government. If the Companies do not want to pay dividend, they are mandated to pass a Board resolution regarding the same and get it approved from the Ministry of Finance of the GoM. The Company had neither passed any board resolution regarding the non-payment of dividend to the GoM nor provided for the dividend, despite earning profit since the issue of G.R.922/02/2012. Non-provision of dividend liability has led to the understatement of Current Liabilities and overstatement of Reserve and Surplus by ₹ 3.97 crore.</p>

Sl. No.	Name of the Company	Comment
3.	City and Industrial Development Corporation of Maharashtra Limited (2019-20)	<p>Balance Sheet Equity and Liabilities Non-current Liabilities Other long-term Liabilities (Note 5): ₹ 11,445.42 crore Deposit from tenement holder against tenements: ₹ 4,367.97 crore</p> <p>This did not include ₹ 31.79 crore being buyer's contribution received (March 2019) from Govt. of India as central assistance towards payment of prospective beneficiaries of EWS category under Pradhan Mantri Awas Yojna (PMAY). As the housing project was incomplete as on 31 March 2020, PMAY funds of ₹ 31.97 crore received from GoI should have been accounted for as Deposit against buyer's contribution under other Long-Term Liabilities instead of treating is as receipt under Navi Mumbai Project.</p> <p>This had resulted in understatement of Other Long-Term Liabilities by ₹ 31.97 crore and overstatement of surplus to that extent.</p>
4.	Aurangabad Industrial Township Ltd. (2020-21)	<p>Capital Work-in-progress (Note 4): ₹ 179.30 crore</p> <p>This did not include expenditure of ₹ 44.43 crore on construction of CETP and STP in Bidkin IA. The said expenditure was incorrectly accounted for as Inventories (Work-in-progress).</p> <p>This resulted in understatement of Capital Work-in-progress and Overstatement of Inventories (Work-in-progress) by ₹ 44.43 crore.</p>
5.	Mihan India Limited (2020-21)	<p>Balance Sheet, Assets, Non-current assets, Other non-current assets (Note 2.3) ₹ 8.53 Crore</p> <p>This included an amount of ₹. 3.65 crore pertaining to TDS (Tax deducted at source) receivable of the past periods. This pertained to tax refund due immediately and was to be classified as "Current assets" and not as "Non-Current Assets". As per para 12 of Ind As 12, current tax assets represented the amount already paid in respect of current and prior periods exceeding the amount due for those periods.</p> <p>Moreover, the TDS receivable prior to the year 2011-12 was ₹ 0.39 crore. The tax assessments for those periods were already completed and there was no claim outstanding with the Income tax authorities. In the absence of specific claims from the company no further refund was receivable. In view of this, the said amount was not recoverable and had to be written off.</p> <p>This resulted in overstatement of "Non-current assets" by ₹ 3.65 crore, understatement of "Current assets" by ₹ 3.26 crore and understatement of "Loss for the year" by ₹ 0.39 crore.</p>
6.	Maharashtra State Police Housing and Welfare Corporation Limited (2020-21)	<p>Balance sheet Assets Current Assets Other Current Assets Project work in progress (Note No.15): ₹ 2,495.45 crore Project WIP (Note No. 15) ₹ 2,495.45 crore</p> <p>It has been mentioned in the Notes to accounts that the project expenditure of ₹ 1,459.16 crore on 56 completed and handed over projects was not adjusted against the Government Grants resulting in overstatement of both Grants (Note No. 5) and Project Work in Progress (Note No. 15)</p>

Sl. No.	Name of the Company	Comment
7	Maharashtra State Electricity Distribution Company Limited (2020-21)	<p>Other Non-Current Assets (Note 8): ₹ 313.63 Cr.</p> <p>This included ₹ 181.01 crore paid as an advance to Ratnagiri Gas and Power Private Limited (RGPPL) in March 2014. MSEB Holding Company Ltd, the Holding Company was one of the promoters of RGPPL, holding equity shares worth ₹ 516.28 crore. As mandated under Ind As 109, RGPPL assessed the fair value of its equity as negative ₹ 3355.00 crore. Hence the Holding Company considered the fair value of its equity as Nil, with effect from the date of adoption of Ind AS i.e. 01.04.2015. Considering the compliance of Holding Company to the Ind AS 109 as above, the Company should have fully provided for the Expected Credit Loss (ECL) and considered the fair value of the above unsecured advance to RGPPL as Nil. Not doing so resulted in overstatement of other non-current Assets by ₹ 181.01 crore with corresponding overstatement of retained earnings.</p> <p>Though this was commented upon by C&AG in its supplementary audit report of 2017-18 and 2018-19, no corrective action was taken by Management.</p>

Comments on Cash Flow Statement

Sl. No.	Name of the Company	Comment
1	Maharashtra State Electricity Distribution Company Limited (2020-21)	<p>Cash flow from Financing Activity</p> <p>Grant Received: ₹ 917.67 crore</p> <p>The above represented capital grant received from Govt. of India (GoI) for execution of IPDS & DDUGJY Scheme. The amount of grant should have been classified under Investing Activities in accordance with Ind AS 7.</p> <p>As per Para 6 of the Ind AS 7 “Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents” while “Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the entity”. Further, ICAI’s Expert Advisory Committee against Query no. 07 in compendium of opinions volume XXXVII on classification of capital grant received from GoI stated that capital grants received from GoI should be classified as cash flows from investing activities in Cash flow statements.</p> <p>This had resulted in overstatement of cash from Financing activities and understatement of cash from Investing activities.</p>

Comments on Statutory Auditors

Sl. No.	Name of the Company	Comment
1	Maharashtra State Electricity Transmission Company Limited (2020-21)	<p>The Company stated in Note 49 to the Financial Statements for the year 2020-21 that expenses appearing as of previous years amounting to ₹ 15.29 crore (R&M ₹ 0.0005 crore, Employee related ₹ 0.19 crore, Admin related ₹ 0.12crore and Depreciation ₹14.98 crore) have not been recasted as the same pertain to current period. As the above disclosure is related to expenditure only and there was no mention on prior period income in Note: 49, qualification made by the Auditors on the prior period income under para 2.15 of their Audit Report on the Standalone Financial Statements for the year 2020-21 is not correct.</p>

Comments on Disclosures

Sl. No.	Name of the Company	Comment
1	Punyashloka Ahilyadevi Maharashtra Mendi Va Sheli Vikas Mahamandal Limited (2020-21)	The Company's Income tax assessment for the FY 2016-17 and FY 2017-18, amounting to ₹ 0.15 crore has not been finalised by the Income tax department pending the adjudication regarding levy of penalty under section 270A and 148A on the Income tax Act, 1961. As per ASA 29 Provision, Contingent Liabilities and Contingent assets, the company is liable to disclose Contingent Liabilities at the balance sheet date along with a brief description of the nature of Contingent Liabilities and the possibility of any reimbursement or payment due to it. Pending the finalisation, the same, the Company was liable to disclose the status of tax liability for 2016-17 and 2017-18 under Contingent Liabilities. Not doing the same has led to the violation of the AS 29 Provision, Contingent Liabilities and Contingent assets.

5.7.1.3 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 PSUs were reported as comments by the CAG under Section 143 (6) 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. The deficiencies generally related to (a) application and interpretation of accounting policies (b) adjustments arising out of audit and (c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned PSU gave assurances that corrective action would be taken in the subsequent year.

During the year, 'Management Letters' were issued to ten PSUs. Details are given in **Appendix 5.9**.

5.8 Conclusion

As on 31 March 2022, there were 105 PSUs of which 88 are working PSUs and 17 are inactive PSUs in Maharashtra under the audit jurisdiction of CAG. Out of 105 PSUs, 23 working PSUs and three inactive PSUs did not furnish any accounts by 30 September 2022. As a result of non submission of accounts there is no assurance whether the investment and expenditure had been properly accounted for and the purpose for which the amount was invested by the State Government was achieved.

During 2021-22, these 105 PSUs registered an annual turnover of ₹ 1,14,468.58 crore, which was equal to 3.58 *per cent* of the GSDP of Maharashtra.

The investment of the State Government in equity and long-term loans in these PSUs was ₹ 2,32,913.26 crore as against total investment of ₹ 4,56,865.26 crore at the end of 31 March 2022. The outstanding long-term loans of these PSUs as on 31 March 2022 decreased from ₹ 1308.30 crore in 2020-21 to ₹ 1148.47 crore.

Out of the 105 PSUs, 43 PSUs earned profits (₹ 2,309.95 crore), while 47 PSUs incurred losses (₹ 4,957.16 crore) and 11 PSUs had reported neither profit nor loss. As on 31 March 2022, 49 PSUs had accumulated losses of ₹ 49,373.40 crore.

Out of the 105 PSUs, Financial Statements for the year 2021-22 were received only from 13 PSUs within the stipulated time (30 September 2022). Four PSUs have not submitted their first accounts since their inception.

As a result of the supplementary audit of the CAG, significant comments highlighting misstatements in the Financial Statements of the PSUs impacting profitability by ₹ 386.63 crore and assets/ liabilities by ₹ 2,959.97 crore were issued.

5.9 Recommendations

- Government of Maharashtra may review the functioning of all loss-making PSUs and take necessary steps to improve their financial performance.
- Government may issue necessary instructions to administrative departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrear.
- Government may review the inactive Government Companies and may take appropriate decisions on their revival/winding up.



(R. THIRUPATHI VENKATASAMY)
Accountant General (Audit)-II,
Maharashtra, Nagpur

Nagpur
The 09 March 2023

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 10 March 2023

