

CHAPTER – III

**ECONOMIC SECTOR
(PUBLIC SECTOR
UNDERTAKINGS)**

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ECONOMIC SECTOR (PUBLIC SECTOR UNDERTAKINGS)

3.1 Functioning of Public Sector Undertakings

3.1.1 Introduction

The State Public Sector Undertakings (PSUs) consist of the State Government Companies and Statutory Corporations. The PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and the State economy. As of 31 March 2020, there were five PSUs (all Government companies) in Mizoram as detailed in **Table-3.1**:

Table-3.1: Total number of PSUs as of 31 March 2020

Type of PSU	Working PSUs	Non-working PSUs	Total
Government Companies ⁵²	4	1 ⁵³	5
Total	4	1	5

None of these companies were listed on the stock exchange which means that the shares of the PSUs cannot be traded in the stock exchange. During the year 2019-20, no new PSU was incorporated.

3.1.2 Investment in PSUs

3.1.2.1 State Government's investment in PSUs

The State's investment in its PSUs was by way of share capital/ loans and special financial support by way of grants.

As of 31 March 2020, the investment by the Government of Mizoram (GoM) (capital and long-term loans) in five PSUs was ₹ 62.27 crore⁵⁴ as detailed in **Table-3.2**:

Table-3.2: Details of State's investment in PSUs

Year	Equity Capital	Long term Loans	Total
2019-20	52.82	9.45	62.27
2015-16	54.04	10.44	64.48

(₹ in crore)

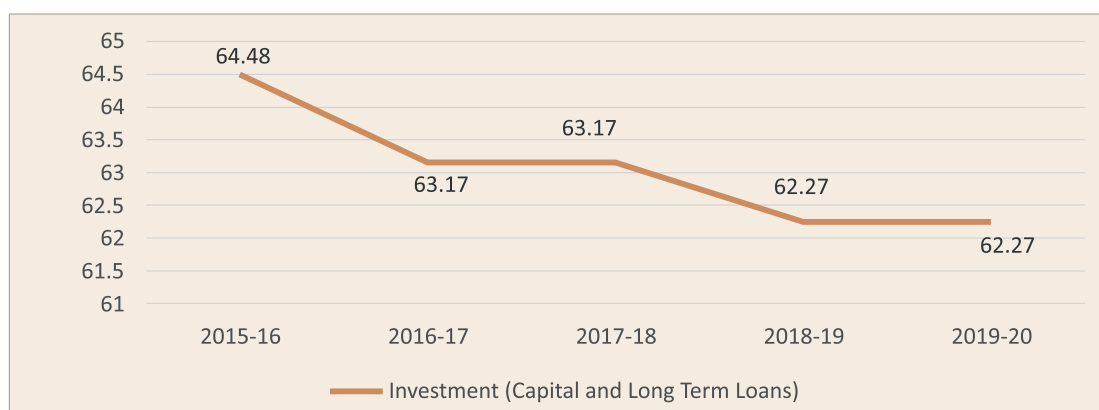
⁵² Government Companies includes other companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013

⁵³ Pursuant to the decision taken by the Government of Mizoram to close the Company viz., Zoram Electronics Development Corporation Limited (ZENICS), all the assets of the Company had been transferred to Mizoram e-Governance Society (MSeGS) during 2015-16. However, the process of liquidation has not been initiated till date, therefore, necessary action needs to be taken by the Government

⁵⁴ The figures of investment are provisional and as provided by the PSUs as none of the five PSUs had finalised their accounts for 2019-20 as of September 2020

The State Government's investment as on 31 March 2020 consisted of ₹ 52.82 crore (84.82 per cent) towards equity capital and ₹ 9.45 crore (15.18 per cent) in long-term loans as against ₹ 54.04 crore (83.81 per cent) towards equity capital and ₹ 10.44 crore (16.19 per cent) in long-term loans as on 31 March 2016. A graphical presentation of State Government's investment in PSUs during last five years (2015-16 to 2019-20) has been given in **Chart-3.1.1**:

Chart-3.1.1: State's total investment in PSUs



As can be noticed from the **Chart-3.1.1** above, the State Government's investment in PSUs during last five years has declined by 3.43 per cent from ₹ 64.48 crore in 2015-16 to ₹ 62.27 crore as of 31 March 2020 mainly due to reduction (₹ 0.99 crore) in the loans of Mizoram Handloom and Handicrafts Development Corporation Limited, reduction (₹ 1.00 crore) in the equity of Mizoram Agriculture Marketing Development Corporation and reduction (₹ 0.22 crore) in the equity of Zoram Electronics Development Corporation Limited.

During 2019-20, out of five PSUs where State Government had made direct investment, four PSUs incurred losses and only one PSU (Zoram Industrial Development Corporation Limited) earned profit (₹ 0.82 crore) as per their latest finalised accounts (**Appendix-3.1.1**). However, this profit making PSU had not declared any dividend. There was no recorded information about the existence of any specific policy of the State Government regarding payment of minimum dividend by the PSUs.

The State Government's investment (historical value) in the five PSUs mentioned above had eroded by 1.46 per cent in 2019-20 and the losses of two⁵⁵ out of these five PSUs (accumulated losses of ₹ 27.34 crore) had completely eroded the State's investment in their paid-up capital (₹ 25.72 crore) as per their latest finalised accounts.

3.1.2.2 Total Sector-wise investment in PSUs

Total investment of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, etc.) in PSUs in various important sectors of economy at the end of 31 March 2016 and 31 March 2020 has been given in **Table-3.3**.

⁵⁵ Serial no. one and four of **Appendix-3.1.1**

Table-3.3: Sector-wise details of total investments in PSUs

(₹ in crore)

Sector	Number of PSUs	Total Investment	
		2015-16	2019-20 ⁵⁶
Agricultural Marketing	1	6.45	7.54
Financing	1	39.24	45.46
Manufacturing	2	27.45	27.23
Miscellaneous	1	11.24	10.10
Total	5	84.38	90.33

It can be seen from the **Table-3.3** above that as compared to 2015-16, the combined investment of State Government and Other Stakeholders during 2019-20 increased in Financing sector by ₹ 6.22 crore (15.85 *per cent*) on account of increase (₹ 6.22 crore) in long term loans of Zoram Industrial Development Corporation Limited and decrease in Miscellaneous Sector ₹ 1.14 crore (10.14 *per cent*) on account of decrease (₹ 0.99 crore) in long term loans of Mizoram Handloom and Handicrafts Development Corporation Limited.

3.1.3 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs should agree with the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the Finance Department and the PSUs concerned should carry out reconciliation of differences. The position in this regard as on 31 March 2020 is given in **Table-3.4**.

Table-3.4: Equity, loans, guarantees outstanding⁵⁷ as per the Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	6.99	52.82	45.83
Loans ⁵⁸	33.02	9.45	23.57
Guarantee	31.09	30.60	0.49

Source: Finance Accounts 2019-20 and PSUs' records

As on 31 March 2020, there were unreconciled differences in the figures of equity (₹ 45.83 crore), loans (₹ 23.57 crore) and guarantees (₹ 0.49 crore) as per two sets of records. The differences occurred in respect of all five PSUs where State Government had made direct investment and reconciliation of these two sets of figures has been pending for more than ten years.

⁵⁶ The figures of investment are provisional and as provided by the PSUs as none of the five PSUs had finalised their accounts for 2019-20 as of September 2020

⁵⁷ Figures of investment (equity and loans) as per PSU records are provisional and as provided by the PSUs as none of the six PSUs had finalised their up-to-date accounts during any of the last three years

⁵⁸ Loans as per Finance Accounts represent the aggregate of 'Loans to Public Sector and Other Undertakings' as depicted under Statement 18 to the State Finance Accounts for the respective year

Regarding the Loan figures as per State Finance Accounts, the Finance Department disbursed the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disbursed these loans to respective PSUs functioning under their administrative control. Hence, the details of the State Government loans provided to various PSUs are not available in the State Finance Accounts.

Though the Principal Secretary, Finance Department, GoM as well as the Management of the PSUs concerned were apprised regularly about the differences impressing upon the need for early reconciliation, no significant progress was noticed in this regard.

State Government and the PSUs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of financing the PSUs and the Finance Accounts be updated.

3.1.4 Special support and guarantees to PSUs during the year

State Government provides financial support to PSUs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/subsidies in respect of PSUs for five years ended 2019-20 are given in **Table-3.5**:

Table-3.5: Details of budgetary support to PSUs

(₹ in crore)

Particulars	2015-16		2016-17		2017-18		2018-19		2019-20	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Equity Capital outgo from budget	-	-	-	-	-	-	-	-	-	-
Loans given from budget	-	-	-	-	-	-	-	-	-	-
Grants provided	3	9.92	4	6.88	2	5.17	2	4.54	2	5.53
Total Outgo (1+2+3)	3	9.92	4	6.88	2	5.17	2	4.54	2	5.53
Guarantees issued during the year	-	-	-	-	-	-	-	-	-	-
Guarantee Commitment (Cumulative)	1	22.68	1	24.93	1	27.34	1	28.49	1	30.60

Source: As furnished by the state PSUs

As can be seen from the **Table-3.5** above, the budgetary support provided by the State Government to PSUs decreased from ₹ 9.92 crore in 2015-16 to ₹ 5.53 crore in 2019-20. During last five years (2015-20), the State Government has not provided any budgetary support in the form of equity capital and long term loans. During 2019-20, the budgetary assistance of ₹ 5.53 crore in the form of grants/ subsidy was provided mainly to meet the salaries and other establishment expenditure of two PSUs⁵⁹. The State Government did not provide equity assistance to any PSUs during 2019-20.

⁵⁹ Zoram Industrial Development Corporation Limited (₹ 3.42 crore) and Mizoram Food and Allied Industries Corporation Limited (₹ 2.11 crore)

Government of Mizoram provides guarantee under Mizoram Guarantee Act, 2011 for PSUs to avail long-term borrowings from Banks and other financial institutions. During 2019-20, Guarantee commitments of ₹ 30.60 crore were outstanding pertaining to one PSU (Zoram Industrial Development Corporation Limited).

3.1.5 Accountability framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 01 April 2014 is governed by the provisions of the Companies Act, 2013 (Act) and audit of the financial statements in respect of financial years that commenced earlier than 01 April 2014 continued to be governed by the Companies Act, 1956. The new Act has brought about increased Regulatory Framework, wider Management responsibility and higher Professional Accountability.

3.1.5.1 Statutory Audit/ Supplementary Audit

Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG) audit the financial statements of a Government Company. In addition, CAG conducts the supplementary audit of these financial statements under the provisions of Section 143 (6) of the Act.

3.1.5.2 Role of Government and Legislature

State Government exercises control over the affairs of these PSUs through its administrative departments. The Government appoints the Directors of the Board of these PSUs.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are required to be placed before the Legislature under Section 394 of the Act.

3.1.6 Arrears in finalisation of accounts

The financial statements of the companies are required to be finalised within six months after the end of the financial year *i.e.*, by September end to comply with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Timely finalisation of accounts is important for the State Government to assess the financial health of the PSUs and to avoid financial misrepresentation and mismanagement. Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money going undetected apart from violation of the provision of the Companies Act, 2013.

Table-3.6 provides the details of progress made by the working PSUs in finalisation of their annual accounts as on 30 September 2020.

Table-3.6: Position relating to finalisation of accounts of working PSUs

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Number of PSUs	6	6	6	6	5 ⁶⁰
Number of accounts finalised during current year	15	15	2	2	2
Number of PSUs with arrears in accounts	6	6	6	6	5
Number of accounts in arrears	29	20	24	28	27
Extent of arrears in years	2 to 10	1 to 7	2 to 8	1 to 9	1 to 10

As could be noticed from the **Table-3.6** above, the number of PSU accounts in arrears had reduced from 29 Accounts (2015-16) to 20 Accounts (2016-17) due to finalisation of 30 Accounts by the PSUs during 2015-16 and 2016-17. During the subsequent three years (2017-20), two PSUs finalised only six Accounts and consequently, the backlog of PSU accounts increased to 27 Accounts as on 31 March 2020.

During 2019-20, out of the four working PSUs, only one PSU⁶¹ had finalised two Annual Accounts. Final Comment was issued on the accounts for the year 2017-18 and Non-Review Certificate was issued on the accounts for the year 2018-19. None of the PSUs had prepared up-to-date accounts (2019-20) as of 30 September 2020. The earliest accounts in arrears were since 2009-10 (nine Accounts) related to Zoram Electronics Development Corporation Limited as detailed in **Appendix-3.1.1**.

The administrative departments concerned have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the stipulated period.

The Principal Accountant General, Mizoram had been regularly pursuing with the Chief Secretary of Mizoram and the administrative departments concerned for liquidating the arrears of accounts of PSUs. However, the State Government and the PSUs concerned could not address the issue to clear pendency of accounts of the PSUs in a time bound manner.

Recommendations

1. State Government may ensure clearance of arrears and set the targets for individual PSUs, which may be monitored.
2. The PSUs may get the figures of equity and loans reconciled with the State Government Departments and clear their arrear of accounts.

3.1.7 Investment by State Government in PSUs whose accounts are in arrears

The State Government invested ₹ 27.70 crore in four PSUs (equity: ₹ 0.25 crore and grants: ₹ 27.45 crore) during the years for which the accounts of these PSUs had not been finalised as detailed in **Table-3.7**.

⁶⁰ One PSU viz. MMDCL has been dissolved.

⁶¹ Zoram Industrial Development Corporation Limited (2017-18 & 2018-19)

Table-3.7: Investment by State Government in PSUs having accounts in arrears

(₹ in crore)

Sl. No	Name of PSU	Accounts finalised up to	Details of Accounts in arrears		Investment made by State Government during the period for which accounts are in arrears		
			Period	Number	Equity	Grants	Total
1.	Mizoram Agricultural Marketing Corporation Limited	2010-11	2011-12 to 2019-20	09	0.25	1.12	1.37
2.	Zoram Industrial Development Corporation Limited	2018-19	2019-20	01	-	3.42	3.42
3.	Zoram Electronics Development Corporation Limited	2009-10	2010-11 to 2019-20	10	-	8.41	8.41
4.	Mizoram Food and Allied Industries Corporation Limited	2014-15	2015-16 to 2019-20	05	-	14.50	14.50
Total					0.25	27.45	27.70

Source: Information as furnished by the PSUs

In the absence of finalised accounts and their subsequent audit, it cannot be verified if the investments made and the expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

Government may take special steps for expeditious clearance of arrears of accounts of PSUs. Until the accounts are made current, Government may consider not giving further financial assistance to such companies.

3.1.8 Performance of PSUs as per their latest finalised accounts

The financial position and working results of the PSUs are detailed in **Appendix-3.1.1**. **Table-3.8** provides the comparative details of the PSUs' turnover and State GDP for a period of five years ending 2019-20.

Table-3.8: Details of working PSUs turnover vis-a-vis State GDP

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover ⁶²	5.86	3.77	17.58	13.87	10.78
State GDP ⁶³	13,373.83	17,191.91	19,475.69	22,192.07	25,148.57
Percentage of Turnover to State GDP	0.04	0.02	0.09	0.06	0.04

Source: Latest finalised accounts, Economics and Statistics Department

From the **Table-3.8** above, it can be seen that contribution of the PSU turnover to the State GDP has reduced from 0.04 per cent (2015-16) to 0.02 per cent (2016-17). This was mainly due to the overall decline of ₹ 2.09 crore (35.67 per cent) in PSU turnover from

⁶² Turnover of working PSUs as per their latest finalised accounts

⁶³ Information furnished by the Directorate of Economics and Statistics, GoM

₹ 5.86 crore (2015-16) to ₹ 3.77 crore (2016-17). However, it increased to 0.09 per cent (2017-18) due to overall increase in turnover to ₹ 17.58 crore (2017-18). Again, the contribution of PSU turnover to the State GDP declined to 0.04 per cent in 2019-20 due to the overall decline in turnover to ₹ 10.78 crore (2019-20). This was mainly due to the turnover decrease in the Financing sector by ₹ 3.09 crore (24.12 per cent) from ₹ 12.81 crore (2018-19) to ₹ 9.72 crore (2019-20).

3.1.8.1 Key parameters

Some other key parameters of PSUs performance as per their latest finalised accounts as on 30 September of the respective year are given in **Table-3.9** below:

Table-3.9: Key Parameters of PSUs

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Debt	24.55	30.68	30.68	31.87	31.87
Turnover ⁶⁴	5.86	3.77	17.58	13.87	10.78
Debt/ Turnover Ratio (DTR)	4.19:1	8.14:1	1.75:1	2.30:1	2.96:1
Interest Payments	0.06	0.02	0.02	0.02	0.02
Accumulated losses	57.89	62.09	59.14	57.10	54.89

Source: Latest finalised accounts

Debt-Turnover Ratio

A low debt-to-turnover ratio (DTR) demonstrates a good balance between debt and income. Conversely, a high DTR can be a signal of having too much of debt against the income of PSUs from core activities. Thus, the PSUs having lower DTR are more likely to comfortably manage their debt servicing and repayments.

PSU Debt

As could be seen from the **Table-3.9** above, the PSU debt during the period of five years, has increased by ₹ 7.32 crore (29.82 per cent) from ₹ 24.55 crore (2015-16) to ₹ 31.87 crore (2019-20). The PSU turnover during the five years had also increased by ₹ 4.92 crore (83.96 per cent) from ₹ 5.86 crore (2015-16) to ₹ 10.78 crore (2019-20). Consequently, the DTR decreased from 4.19:1 (2015-16) to 2.96:1 (2019-20). Further, the accumulated losses of the PSUs during the five years (2015-20) have recorded marginal decrease of ₹ 3.00 crore (5.18 per cent) from ₹ 57.89 crore (2015-16) to ₹ 54.89 crore (2019-20).

3.1.8.2 Erosion of capital due to losses

The paid-up capital and accumulated losses of five PSUs as per their latest finalised accounts as on 30 September 2020 were ₹ 58.73 crore and ₹ 54.89 crore respectively (**Appendix-3.1.1**).

⁶⁴ Turnover of working PSUs as per the latest finalised accounts as on 30 September of the respective year

The Return on Equity⁶⁵ (RoE) in respect of three working PSUs⁶⁶ was 10.44 *per cent* as per their latest finalised accounts. The accumulated losses (₹ 27.34 crore) of remaining two PSUs has completely eroded their paid-up capital (₹ 25.72 crore) as detailed in the **Table-3.10**.

Table-3.10: PSUs with primary erosion of paid-up capital

(₹ in crore)

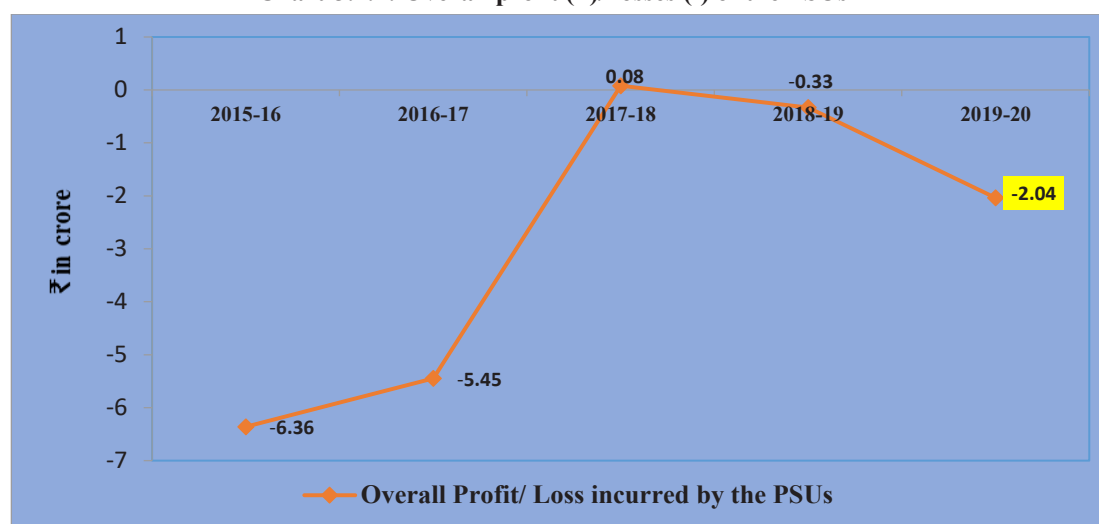
Sl. No.	Name of PSU	Latest finalised accounts	Paid up capital	Accumulated loss
1.	Mizoram Agricultural Marketing Corporation Limited	2010-11	5.72	6.43
2.	Mizoram Food and Allied Industries Corporation Limited	2014-15	20.00	20.91
Total			25.72	27.34

Source: Latest finalised accounts of PSUs

The accumulated losses of PSUs had eroded public wealth, which is a cause of serious concern and the State Government needs to review the working of these PSUs to either improve their profitability or close their operations.

The overall position of profit/ losses incurred by the PSUs during 2015-16 to 2019-20 as per their latest finalised accounts as on 30 September of the respective years has been depicted in **Chart-3.1.2**:

Chart-3.1.2: Overall profit (+)/ losses (-) of the PSUs⁶⁷



From the **Chart-3.1.2** above, it can be seen that during the last five years, PSUs earned profits (₹ 0.08 crore) during one year (2017-18) only and incurred losses during the remaining four years ranging between ₹ 6.36 crore (2015-16) and ₹ 2.04 crore (2019-20).

⁶⁵ Return on Equity = Net Profit after taxes *less* preference dividend ÷ Shareholders' Fund/ Equity; Where, Shareholders' Fund/ Equity represents 'Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

⁶⁶ Serial no. two, three and five of **Appendix-3.1.1**

⁶⁷ As per the latest finalised accounts as on 30 September of the respective years

The profits (₹ 0.08 crore) earned by the PSUs during 2017-18 were mainly due to profits aggregating ₹ 2.94 crore earned by Zoram Industrial Development Corporation Limited (₹ 1.66 crore) and Mizoram Handloom and Handicrafts Development Corporation Limited (₹ 1.28 crore).

During the year 2019-20, out of five PSUs, one PSU (Zoram Industrial Development Corporation Limited) earned profit of ₹ 0.82 crore while remaining four PSUs incurred aggregate losses of ₹ 2.87 crore. The details of major contributors to profits and losses of working PSUs are given in **Table-3.11**:

Table-3.11: Major Contributors to profits and losses of working PSUs

(₹ in crore)

Name of PSU	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to profit		
Zoram Industrial Development Corporation Limited	2018-19	(+) 0.82
Contributors to losses		
Mizoram Food and Allied Industries Corporation Limited	2014-15	(-) 1.59
Mizoram Agricultural Marketing Corporation Limited	2010-11	(-) 1.02

3.1.8.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by a company. Companies create value when they generate returns on the capital employed. ROCE is an important decision metric for long term lenders. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁶⁸.

During 2019-20, the overall Capital Employed in the five PSUs as per their latest accounts was ₹ 35.71 crore. The ROCE of the PSUs ranged from (-) 111.11 *per cent* (Mizoram Agricultural Marketing Corporation Limited) to (+) 2.68 *per cent* (Zoram Industrial Development Corporation Limited⁶⁹). Further, out of five PSUs, one PSU⁷⁰ had negative Capital employed as well as negative ROCE (**Appendix-3.1.1**).

3.1.9 Return on Investment on the basis of Present Value of Investment

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for their time value. To determine the RORR on Government Investment in the State PSUs, the investment of State Government in the form of equity, interest free loans and grants/subsidies given by the State Government for operational and management expenses less the disinvestments (if any), has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) of the PSUs by the sum of the PV of Government investment.

⁶⁸ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure

⁶⁹ The only PSU with positive ROCE

⁷⁰ Serial no. four of **Appendix-3.1.1**

During 2019-20, out of the five⁷¹ PSUs where State Government had made direct investment, four PSUs incurred loss and only one PSU⁷² earned profit (**Appendix-3.1.1**). On the basis of return on historical value, the State Government's investment eroded by 1.46 *per cent* during 2019-20. On the other hand, as per the RORR where the PV of investment is considered, the State Government's investment eroded by 1.08 *per cent* as shown in **Appendix-3.1.2**. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

3.1.10 Impact of Audit Comments on Annual Accounts of PSUs

During October 2019 to September 2020, three⁷³ companies had forwarded nine audited accounts to the Principal Accountant General (Audit), Mizoram. Of these, two accounts⁷⁴ of two Companies were audited while one account of one Company⁷⁵ was issued 'non-review certificate'. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG are given in **Table-3.12** below:

Table 3.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2017-18		2018-19		2019-20	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	-	-	-	-	1	10.01
3.	Non-disclosure of material facts	-	-	-	-	1	4.59
4.	Errors of classification	-	-	-	-	-	-

Source: As per latest finalised annual accounts of PSUs

During the year, the statutory auditors had given qualified opinion for all three accounts of two companies. In addition, CAG had also issued qualified opinion on two accounts to Zoram Industrial Development Corporation for the year 2017-18 and 2018-19. Issue of final comment for Mizoram Handloom and Handicrafts Corporation Limited (2018-19) is under process. No adverse certificates or disclaimers were issued by the CAG or statutory auditors on any of the accounts during the year. The compliance of companies with the Accounting Standards (AS) remained inadequate as there were 15 instances (one instance in CAG audit and 14 instances in statutory audit) of non-compliance with AS relating to two accounts of one company.

⁷¹ Excluding one PSU (at serial no. six of **Appendix-3.1.1**), which is subsidiary of another Government Company (serial no. two of **Appendix-3.1.1**) and had no direct investment from the State Government

⁷² Zoram Industrial Development Corporation Limited

⁷³ Zoram Industrial Development Corporation Limited (2017-18 & 2018-19), Mizoram Handloom and Handicrafts Development Corporation Limited (2018-19) & Zoram Electronics Development Corporation Limited (2010-11 to 2015-16 received on May 2020)

⁷⁴ Zoram Industrial Development Corporation Limited (2017-18) & Mizoram Handloom and Handicrafts Development Corporation Limited (2018-19)

⁷⁵ Zoram Industrial Development Corporation (2018-19)

3.1.10.1 Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the PSUs are as under:

Zoram Industrial Development Corporation Limited (2017-18)

- The Company has defaulted in repayment of interest accrued and due to NMDFC and HUDCO amounting to ₹ 30.29 crore as on 31 March 2018.
- The closing balance of inventories (₹ 0.44 crore) as depicted under Note-13 (Changes in Inventories) to the ‘financial statements’ could not be authenticated in the absence of complete supporting records. Further, missing/ shortage of 26,151 liquor bottles of different brands pertaining to the period 2015-16 as reported (18 March 2018) during internal audit/ physical verification of inventories (15 March 2018) was not suitably disclosed in the accounts.
- The current liability was understated by ₹ 0.05 crore due to non-accounting of ‘travelling and medical expenses’ pertaining to the current year but paid during 2018-19 and ROC filing fees relating to prior periods (2009-10 to 2015-16) paid (November 2018) during 2018-19.
- Due to absence of appropriate and sufficient evidence, fairness of the following balances amounting to ₹ 31.10 crore could not be commented upon:
 - 1) Borrowings from NMDFC, HUDCO re-financing and Directorate of Industries: ₹ 29.68 crore (Credit Balance)
 - 2) Security Deposits (Bamboo Development): ₹ 0.01 crore (Cr. Balance)
 - 3) Sundry Creditors (Mr. Ravi Gulgulia): ₹ 0.40 crore (Cr. Balance)
 - 4) Fixed Deposits with Financial Institution (KVP): ₹ 0.01 crore (Dr. Balance)
 - 5) Investment in Call Centre: ₹ 1.00 crore (Dr. Balance).