

## Summary of Financial Performance of State Public Sector Enterprises

### 5.1 Introduction

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

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

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

#### 5.1.1 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG, under the provisions of 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 the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner, in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations, require their accounts to be audited only by the CAG.

### 5.1.2 Number of State Public Sector Enterprises

As on 31 March 2023, there were 76<sup>1</sup> SPSEs under the audit jurisdiction of the CAG, as detailed in **Appendix 5.1**. These included 58 Government Companies, three Statutory Corporations and 15 Government Controlled Other Companies. Out of the 58 Government Companies, seven were power sector companies and 51 were non-power sector companies. Out of the 51 non-power sector companies, 24 were inactive. Out of the 15 Government Controlled Other Companies, one was a power sector company and 14 were non-power sector companies. Of these, a summary of the financial performance of 41 SPSEs (27 Government Companies, two Corporations and 12 Government Controlled Other Companies) is covered in this report and the nature of these SPSEs, is indicated in **Table 5.1**. This Report does not include 35 SPSEs (31 Government Companies, one Statutory Corporation and three Government Controlled Other Companies), whose accounts had been in arrears for three years or more, or were defunct/ under liquidation.

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

SPSE	Total number of SPSEs	Number of SPSEs covered in the Report				Number of SPSEs not covered in the Report
		Accounts up to				
		2022-23	2021-22	2020-21	Total	
Government Companies	58	6	17	4	27	31
Statutory Corporations	3	0	1	1	2	1
<b>Total Companies/ Corporations</b>	<b>61</b>	<b>6</b>	<b>18</b>	<b>5</b>	<b>29</b>	<b>32</b>
Government Controlled Other Companies	15	1	9	2	12	3
<b>Total</b>	<b>76</b>	<b>7</b>	<b>27</b>	<b>7</b>	<b>41</b>	<b>35</b>

(Source: Compiled on the basis of the accounts received from PSUs during the respective years)

The Government Companies, Statutory Corporations and Government Controlled Other Companies, which have accounts in arrears / under liquidation, are indicated in **Appendix 5.2 A** and **Appendix 5.2 B**. Age Analysis of accounts in arrears of PSUs whose Net worth has been eroded are indicated in **Appendix 5.2 C**.

<sup>1</sup> Four working Government Companies viz., (i) Industrial Development Corporation of Odisha Limited (ii) IDCOL Kalinga Iron Works Limited (iii) IDCOL Ferro Chrome and Alloys Limited and (iv) Odisha Mineral Exploration Corporation Limited, went outside the purview of CAG's audit during FY 2022-23, due to their merger with the Odisha Mining Corporation Limited and two inactive Government Companies, viz. Orissa Electricals Manufacturing Company Limited and Hira Steels and Alloys Limited, went outside the purview of CAG's audit during FY 2022-23, due to liquidation and dissolution, respectively.

### 5.1.3 Contribution to the Gross State Domestic Product

A ratio of the turnover of the Government companies and corporations to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. The Compounded Annual Growth Rate (CAGR) is a useful method to measure growth rate over multiple time periods. **Table 5.2** provides the details of turnover of 29 Government SPSEs, 12 Government controlled other SPSEs and the GSDP of Odisha, for a period of three years from FYs 2020-21 to 2022-23.

**Table 5.2: Turnover of SPSEs vis-a-vis GSDP of Odisha**

Particulars	(Amount in ₹ crore)		
	2020-21	2021-22	2022-23
Turnover	23,876.47	38,169.90	47,685.82
Percentage of increase of Turnover over Previous Year	12.89	59.86	24.93
GSDP of Odisha at current prices	5,40,150	6,70,881	7,74,869
Percentage of Turnover to GSDP of Odisha	4.42	5.69	6.15

(Source: Turnover reported in the latest finalised accounts of Government Companies and Corporations till 20<sup>th</sup> July 2023 and GSDP figures obtained from Central Statistical Office (2020-21: Second Revised, 2021-22: First Revised and 2022-23: Advance Estimates)

In FY 2022-23, the turnover of the SPSEs relative to GSDP, was 6.15 per cent. The department-wise position, in this regard, is given in **Appendix 5.3**.

### 5.1.4 Budgetary Support to State Public Sector Enterprises

The Government of Odisha (GoO) provides financial support to SPSEs in various forms, through the annual budget. During 2022-23, there was budgetary outgo towards equity, loans, grants/ subsidies by GoO, in regard to 10 Government SPSEs and 01 Government controlled other SPSEs. Summarized details, in this regard, for the last three years ending March 2023, are as follows:

**Table 5.3: Budgetary support to State PSEs**

Particulars <sup>2</sup>	2020-21		2021-22		2022-23	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	2	32.54	4	572.80	2	246.72
Loans given (ii)	0	0	2	118.40	2	710.00
Grants/Subsidy provided (iii)	9	758.19	16	1,436.14	7	3,131.96
<b>Total Outgo (i+ii+iii)</b>	<b>10*</b>	<b>790.73</b>	<b>19<sup>§</sup></b>	<b>2,127.34</b>	<b>11</b>	<b>4,088.68</b>
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	2	2,439.69	0	0
Guarantees issued	1 <sup>@</sup>	2,000.00	1 <sup>@</sup>	600.00	0	0
Guarantee <sup>3</sup> Commitment	1 <sup>@</sup>	6,233.90	1 <sup>@</sup>	8,277.50	1 <sup>@</sup>	7,256.72

(Source: Compiled on the basis of information received from SPSEs.)

\* One SPSE i.e., Odisha Hydro Power Corporation Limited received equity and grants in FY 2020-21.

§ One SPSE i.e., Industrial Development Corporation of Odisha Limited received equity and grants in FY 2021-22,

One SPSE i.e., Odisha Power Transmission Corporation Limited received both equity and loan in FY 2021-22 and

One SPSE i.e., Odisha Pisciculture Development Corporation Limited received both loans and grants in FY 2021-22.

@ GRIDCO Limited.

<sup>2</sup> Amount represents outgo from State Budget only.

<sup>3</sup> Closing balance of Government guarantee, in respect of SPSEs, at the end of a particular year

The budgetary assistance of ₹4,088.68 crore, given during the year 2022-23, was in the form of equity, loan and grants/ subsidy. During the year 2022-23, maximum grants/subsidy were provided to the Odisha State Civil Supplies Corporation Limited (₹1,169.27 crore), Odisha Lift Irrigation Corporation Limited (₹1,176.09 crore) and Water Corporation of Odisha Limited (₹379.55 crore). These three SPSEs did not furnish their annual accounts for the financial year 2022-23. The summary position of financial performance of SPSEs<sup>4</sup> (Government Companies and Statutory Corporations), covered in this Report, is summarised in **Table 5.4**.

**Table 5.4: Financial performance of 29 SPSEs (Government Companies and Statutory Corporations), covered in this Report, for FY 2022-23**

(₹ in crore)

Particulars	Amount
Paid up capital (29 SPSEs)	9,315.98
Long term loans (09 SPSEs)	13,763.57
Net profit (17 SPSEs)	7,072.32
Net loss (08 SPSEs)	797.19
Dividend declared (09 SPSEs)	621.60
Total assets (29 SPSEs)	96,135.21
Value of production (08 SPSEs)	22,627.22
Net worth (29 SPSEs)	17,253.29

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

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

Details of equity and loans in 29 Government Companies and Corporations and 12 Government Controlled Other Companies, as of 31 March 2022 and 31 March 2023, are given in **Table 5.5**.

**Table 5.5: Equity and loans in Government Companies & Corporations and Government Controlled Other Companies**

(₹ in crore)

	Sources of investment	As on 31.03.2023			As on 31.03.2022		
		Equity	Long term loans	Total	Equity	Long term loans	Total
<b>Government Companies and Corporations</b>	1. State Government	8,915.05	1,861.27	10,776.32	7,313.82	1,015.57	8,329.39
	2. State Government Companies/ Corporations/Autonomous Bodies	278.23	516.20	794.43	1,549.14	722.83	2,271.97
	3. Central Governments/ Central Government Companies/Corporations	44.95	5,500.47	5,545.42	44.95	6,760.81	6,805.76
	4. Financial Institutions and Others	77.75	5,885.63	5,963.38	77.28	6,888.20	6,965.48
	<b>Total</b>	<b>9,315.98</b>	<b>13,763.57</b>	<b>23,079.55</b>	<b>8,985.19</b>	<b>15,387.41</b>	<b>24,372.60</b>
<b>Government Controlled Other Companies</b>	State Government	235.01	0	235.01	235.00	0	235.00

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

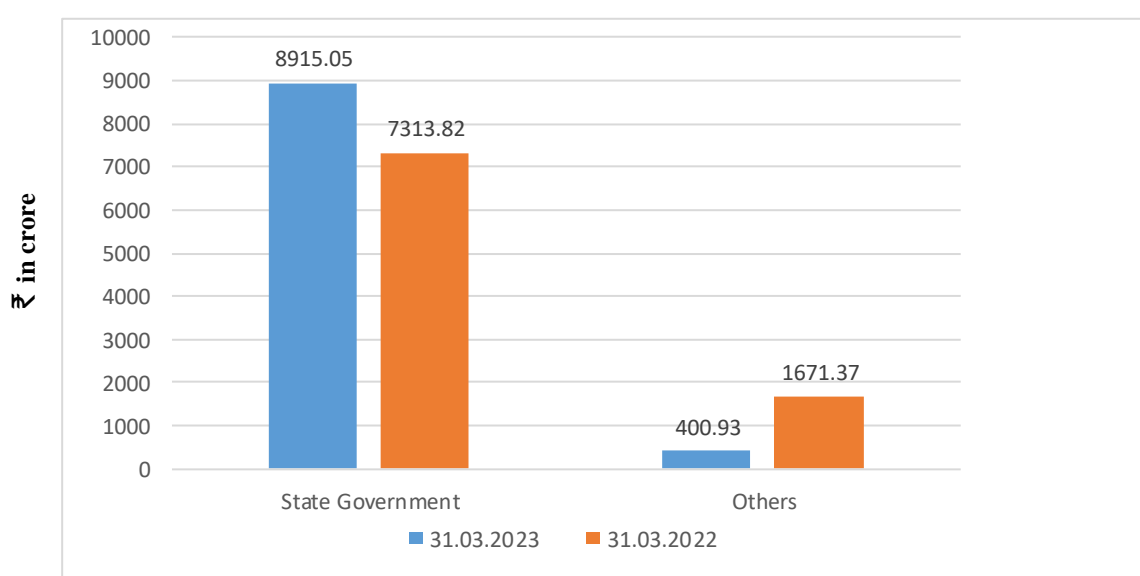
<sup>4</sup> Out of 61 Government Companies and Corporations, accounts of only 29 were considered, leaving 32 which were in arrears for three years or more/ were defunct/ under liquidation

### 5.2.1 Equity Holding

During FY 2022-23, the total equity holding at face value, in the 29 Government Companies and Corporations covered in this Report, registered a net increase of ₹330.79 crore. This was mainly due to increase in the State Government's equity share capital in GRIDCO Limited and Odisha Power Transmission Corporation Limited.

Holdings in equity by the State Government and others, during the last two years ended 31 March 2022 and 31 March 2023, in Government Companies and Corporations, are depicted in **Chart 5.1**.

**Chart 5.1: Holdings in equity in Government Companies and Corporations**



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

**Table 5.6** shows the details of significant holdings (holdings of more than ₹200 crore) of the State Government, during FY 2022-23, in the paid-up capital of the SPSEs.

**Table 5.6: Significant holdings of the State Government**  
(Amount in ₹ crore)

SPSE	Department	Amount	Percentage of State Government holding in individual SPSE with holding of the State Government in Government Companies and Corporations
<b>Statutory Corporations</b>			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	3.84
Odisha State Road Transport Corporation	Commerce and Transport	328.54	3.69
<b>Government Company</b>			

SPSE	Department	Amount	Percentage of State Government holding in individual SPSE with holding of the State Government in Government Companies and Corporations
Odisha Power Generation Corporation Limited	Energy	2,067.50	23.19
Odisha Power Transmission Corporation Limited	Energy	1,886.71	21.16
Odisha Hydro Power Corporation Limited	Energy	833.19	9.35
GRIDCO Limited	Energy	3,002.04	33.67
Odisha Coal and Power Limited	Energy	208.72	2.34

(Source: Compiled from the latest finalised accounts of SPSEs)

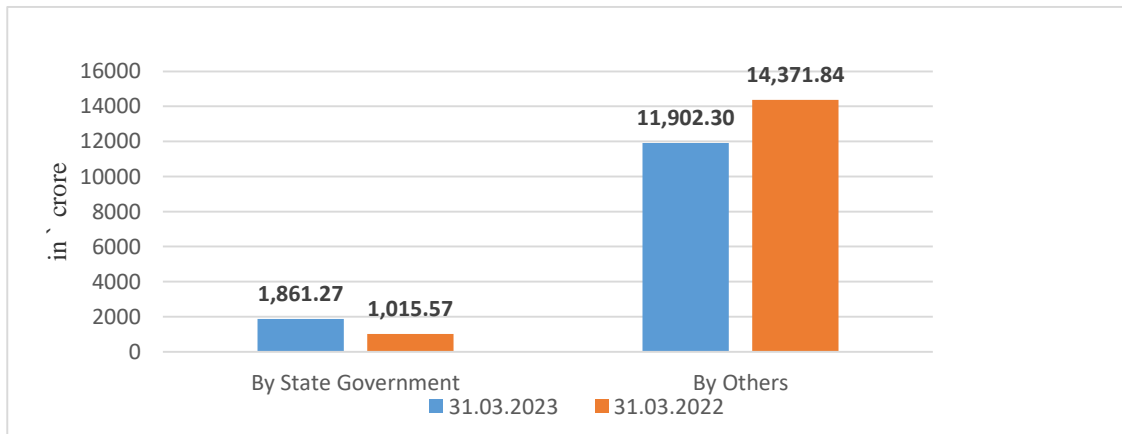
## 5.2.2 Loans given to Government Companies and Corporations

### 5.2.2.1 Computation of long-term loans, outstanding as on 31 March 2023

Out of the 29 Government Companies and Corporations covered in this report, 09 had outstanding long-term loans from all sources, amounting to ₹13,763.57 crore, as on 31 March 2023. During FY 2022-23, the long-term loans of Government Companies and Corporations registered a decrease of ₹1,623.84 crore, in mainly four SPSEs, viz. GRIDCO Limited, Odisha Hydro Power Corporation Limited, Odisha Power Generation Corporation Limited and Odisha Coal and Power Limited.

Year-wise details of the outstanding long-term loans of Government Companies and Corporations, covered in this report, are depicted in **Chart 5.2**.

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



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

### 5.2.2.2 Adequacy of assets to meet loan liabilities.

The 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 the value

of total assets, in 09 Government SPSEs, which had outstanding loans as on 31 March 2023, is shown in **Table 5.7**.

**Table 5.7: Coverage of long-term loans with total assets**

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans
		₹ in crore)				₹ in crore)		
Statutory Corporations	2	107.33	1135.59	1058.04	-	-	-	-
Government Companies	7	13,656.24	35,450.14	259.59	-	-	-	-
<b>Total</b>	<b>9</b>	<b>13,763.57</b>	<b>36,585.73</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

From **Table 5.7**, it can be seen that all the 09 Government Companies and Corporations had a positive coverage ratio, which indicates that all these Companies and Corporations possessed adequate assets to meet their loan liabilities.

### 5.2.2.3 Interest Coverage

The Interest Coverage Ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by its interest expenses for 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 is not generating sufficient revenues to meet its expenses on interest. Details of the Interest Coverage Ratio of Government companies and corporations, which had outstanding loans during the period from FYs 2020-21 to 2022-23, are given in **Table 5.8**.

**Table 5.8: Interest Coverage Ratio**

Financial Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having ICR ≥ 1	No. of SPSEs having ICR < 1
<b>Statutory Corporations</b>					
2020-21	0.47	-1.59	1	-	1
2021-22	0.47	-0.45	1	-	1
2022-23	0.47	8.77	1	1	-
<b>Government Companies</b>					
2020-21	1,640.31	70.61	7	5	2
2021-22	1,745.21	1,547.32	9	8	1
2022-23	1,356.66	3,041.89	6	5	1

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

### 5.2.2.4 Age-Wise Analysis of interest outstanding on State Government loans

As on 31 March 2023, interest amounting to ₹1,478.90 crore, was outstanding on long-term loans of three Government companies provided by the State Government. The age-wise analysis of interest, outstanding on State Government loans in Government companies, is shown in **Table 5.9**.

Table 5.9: Interest outstanding on State Government Loans

(₹ in crore)					
Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	GRIDCO Limited	5.38	5.38	-	-
2	Odisha Rural Housing and Development Corporation Limited	566.43	-	-	566.43
3	Odisha Hydro Power Corporation Limited	907.09	64.82	136.00	706.27
<b>Total</b>		1,478.90	70.20	136.00	1,272.70

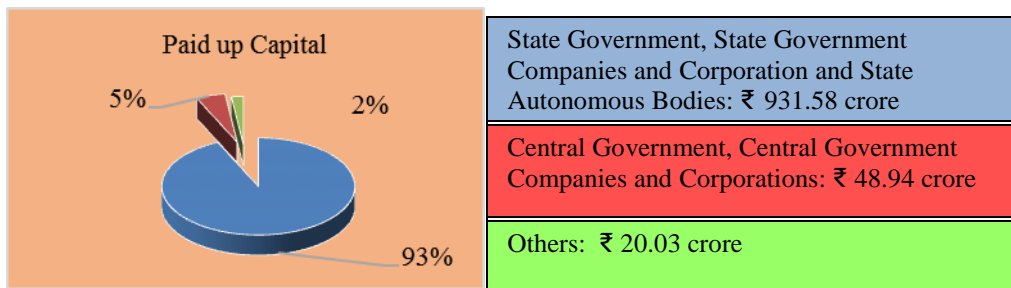
(Source: Compiled on the basis of information received from SPSEs)

Table 5.9 indicates that these companies had failed to pay their annual interest liabilities, resulting in accumulation of interest on State Government loans, year after year.

### 5.2.3 Investment in Government Controlled Other Companies

The capital invested in 12<sup>5</sup> Government Controlled Other Companies, by the State Government, Central Government and by Companies and Corporations controlled by them, during the year 2022-23, is depicted in Chart 5.3.

Chart 5.3: Composition of share capital in Government Controlled Other Companies



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

As on 31 March 2023, the share capital in these 12 Government Controlled Other Companies was ₹1,000.55 crore.

## 5.3 Returns from Government Companies and Corporations

### 5.3.1 Profit earned by Government Companies and Corporations

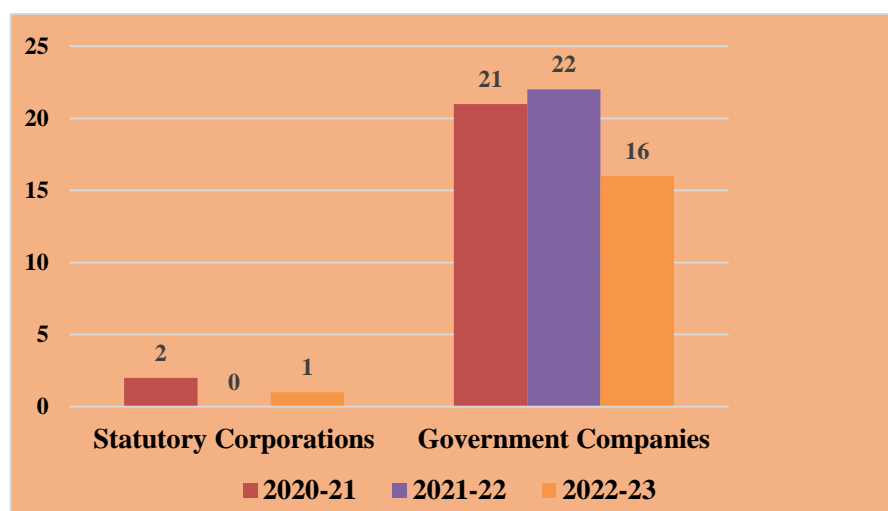
Out of the 29 Government Companies and Corporations covered in this report, 17 SPSEs had earned profit of ₹7,072.32 crore during FY 2022-23, as against the profit of ₹3,289.58 crore, earned by 22 SPSEs in FY 2021-22. The Return on Equity (ROE) of these 17 SPSEs was 31.27 per cent in FY 2022-23, as compared to 22.92 per cent in 22

<sup>5</sup> 15 minus 3 (Government Controlled Other Companies whose accounts were in arrears for three years or more).



SPSEs in FY 2021-22. **Chart 5.4** shows the number of Government Companies and Corporations that had earned profit, during the period from FYs 2020-21 to 2022-23.

**Chart 5.4: Number of Profit Earning SPSEs**



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

Details of the top three departments, the SPSEs under which, contributed the maximum profit during FY 2022-23, are summarised in **Table 5.10**.

**Table 5.10: Top three departments, SPSEs under which contributed the maximum profit during the year 2022-23**

Department	No. of profit earning SPSEs (Government Companies)	Net profit earned (₹ in crore)	Net profit earned by 29 SPSEs (17 profit making and 08 loss making) (₹ in crore)	Percentage of profit to total SPSE profit
Steel and Mines	1	4,734.04	6,275.13	75.44
Energy	5	1,032.98		16.46
Industries	1	432.04		6.88

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

Government companies, which earned profit of more than ₹50 crore during the year 2022-23, are shown in **Table 5.11**.

**Table 5.11: SPSEs which earned profit of more than ₹ 50 crore**

Sl. No.	SPSE	Net Profit (₹ in crore)
1	Odisha Mining Corporation Limited	4,734.04
2	Odisha Power Generation Corporation Limited	839.99
3	Odisha Coal and Power Limited	807.47
4	The Industrial Promotion and Investment Corporation of Odisha Limited	434.77
5	Odisha Hydro Power Corporation Limited	88.86
6	Odisha Power Transmission Corporation Limited	61.97
<b>Total</b>		<b>6,967.10</b>

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

### 5.3.2 Loss incurred by Government Companies and Corporations

There were eight<sup>6</sup> Government companies and corporations, that had incurred losses during the year 2022-23. In these SPSEs, the losses had increased to ₹797.19 crore in FY 2022-23, as compared to losses of ₹452.01 crore, incurred during FY 2021-22, as detailed in *Appendix 5.4*. The SPSEs, that incurred loss from FYs 2020-21 to 2022-23, are given in **Table 5.12**.

**Table 5.12: SPSEs that incurred loss during FYs 2020-21 to 2022-23**

Financial Year	No. of SPSEs, which incurred loss	Net loss for the year (₹ in crore)	Accumulated Profit/ loss (₹ in crore)	Net worth <sup>7</sup> (₹ in crore)
2020-21	10	3,568.19	7,453.93	-2,936.07
2021-22	10	2,423.10	8,035.72	-2,116.89
2022-23	08	797.19	8,801.15	-5,373.32

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

Out of the total loss of ₹797.19 crore, incurred by eight Government Companies and Corporations, losses of ₹788.73 crore were mainly contributed by two SPSEs, which function under the Energy and Commerce and Transport departments, respectively. These two SPSEs, which had incurred major losses during FY 2022-23, are as follows:

- i) **GRIDCO Limited:** the loss of ₹ 778.18 crore, during FY 2022-23, was mainly due to the high cost of purchase of Power.
- ii) **Odisha State Road Transport Corporation (OSRTC):** the loss of ₹10.55 crore, during FY 2022-23, was mainly due to decrease in Revenue from Operations.

### 5.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2023, there were seven Government companies and corporations with accumulated losses of ₹9,449.36 crore. Of these seven SPSEs, three SPSEs had incurred losses in the year 2022-23, amounting to ₹788.89 crore; and four SPSEs had not incurred losses in the year 2022-23, even though they had accumulated losses of ₹597.89 crore.

The net worth of four out of 07 SPSEs, had been completely eroded by the accumulated loss and was negative. The net worth of these four SPSEs was ₹ (-) 5,735.80 crore, as on 31 March 2023.

<sup>6</sup> This does not include the Odisha Mineral Bearing Areas Development Corporation (OMBADC), as it has been incorporated under Section 8 of the Companies Act, 2013. OMBADC, in its annual accounts for 2021-22, has shown a negative balance of ₹2,200.28 crore, as expenditure for the period, in its Income & Expenditure statement. The said amount has been adjusted in Other Current Liabilities (Corpus Fund) and the Corporation has shown Nil balance in Reserve and Surplus.

<sup>7</sup> 'Net worth' means the sum total of the paid-up share capital and free reserves and surplus less accumulated losses and deferred revenue expenditure. 'Free reserves' mean all reserves created out of profits and the share premium account, but do not include reserves created out of the revaluation of assets and write back of depreciation provision.

**Table 5.13: SPSEs, whose Net Worth had been eroded, as per their latest finalised accounts**  
(₹ in crore)

Sl. No.	SPSE	Latest year of finalised accounts	Total paid up capital	Receipt	Expenditure	Net Profit (+) / Loss (-) after interest, tax and dividend	Accumulated Losses	Net Worth	State Government Equity, as on 31 March 2023	State Government Loans, as on 31 March 2023
1	Odisha Forest Development Corporation Limited	2021-22	5.00	169.36	141.94	19.43	57.17	-30.07	5.00	0
2	Odisha State Financial Corporation	2021-22	420.01	11.65	3.34	8.30	469.30	-41.57	342.72	0
3	GRIDCO Limited	2022-23	3,002.04	12090.82	12884.03	-778.18	8,664.36	-5,662.32	3,002.04	483.35
4	Kalinga Studios Limited	2020-21	1.75	0.12	0.28	-0.16	3.59	-1.84	0	0
	<b>Total</b>							<b>-5,735.80</b>		

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

From the above table, it may be seen that out of the four SPSEs, whose net worth had eroded completely, two SPSEs viz., Odisha Forest Development Corporation Limited and Odisha State Financial Corporation have turned around, posting profit, as per their latest finalised accounts.

Regarding GRIDCO Limited, it is observed that the company is not involved in any of the core activities of power Generation, Transmission and Distribution. It purchases power from power generators through Power Purchase Agreements (PPAs) and sells the same to distribution companies (DISCOMs). In both the cases, rates are fixed by Odisha Electricity Regulatory Commission (OERC). In this arrangement, the company normally should not incur any loss, yet it was continuously incurring losses, mainly due to the following reasons:

- Non-procurement of agreed power from IPPs at lesser rates as per PPAs.
- Purchase of high cost power from unapproved sources.
- Non-recovery of huge outstanding dues from DISCOMs.
- Non-procurement of cheapest hydro-power, due to ineffective power planning.
- Huge interest burden on loans taken from commercial banks to manage its affairs.

In this backdrop a Detailed Compliance Audit paragraph has been incorporated in the Compliance Audit Report for PSUs (Report No. 1 of 2024 on Government of Odisha), wherein recommendations to examine its viability for continuation, have been given.

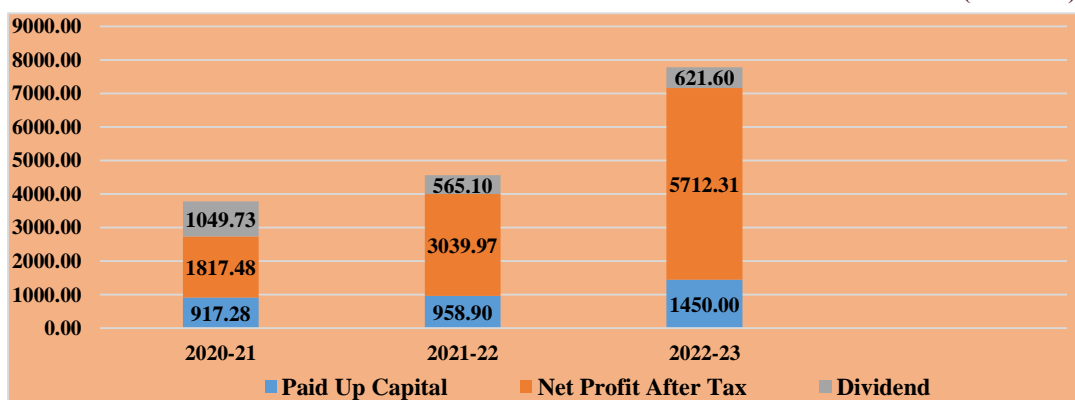
Another SPSE i.e. Kalinga Studios Limited was operating a film studio and running into losses. It had borrowed funds from its holding company (Odisha Film Development Corporation Limited) to manage its affairs. Government of Odisha may review the viability of this company and take a suitable decision regarding its continued operations in a competitive industry.

### 5.3.4 Dividend pay-out by SPSEs

The State Government had formulated (December 2011) its dividend policy, under which all profit-making PSUs are required to pay annual dividend of 20 *per cent* of the State government equity or 20 *per cent* of the profit after tax, whichever is higher. The minimum dividend pay-out, in regard to PSUs in the power generation sector, should be 30 *per cent* of the profit after tax. Subsequently, GoO had issued revised (February 2016) guidelines for payment of dividend at the rate of 30 *per cent*, for all PSUs. However, seven SPSEs had not declared the dividend, in terms of the prescribed guidelines of the State Government, as detailed in **Appendix 5.5**. The total shortfall on this account was ₹1,095.67 crore in FY 2022-23. Nine Government Companies, with total paid up capital of ₹1,450 crore and net profit of ₹5,712.31 crore, had declared dividend of ₹621.60 crore, during FY 2022-23.

Out of the 29 Government Companies and Corporations, nine SPSEs had declared dividends in FY 2022-23. The dividends declared as a percentage of the net profits decreased to 10.88 *per cent* in FY 2022-23, from 18.59 *per cent* in FY 2021-22. In absolute terms, the dividends declared by the SPSEs in FY 2022-23, increased by ₹56.50 crore, compared to the previous year. **Chart 5.5** depicts the dividends declared, *vis-a-vis* the net profit earned and the paid-up capital of the SPSEs which had declared dividends during the last three years.

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



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

Of the 12 Government Controlled Other Companies, six companies had earned profits of ₹3.84 crore, during the year ended 31 March 2023. However, none of these companies had declared dividends during FY 2022-23.

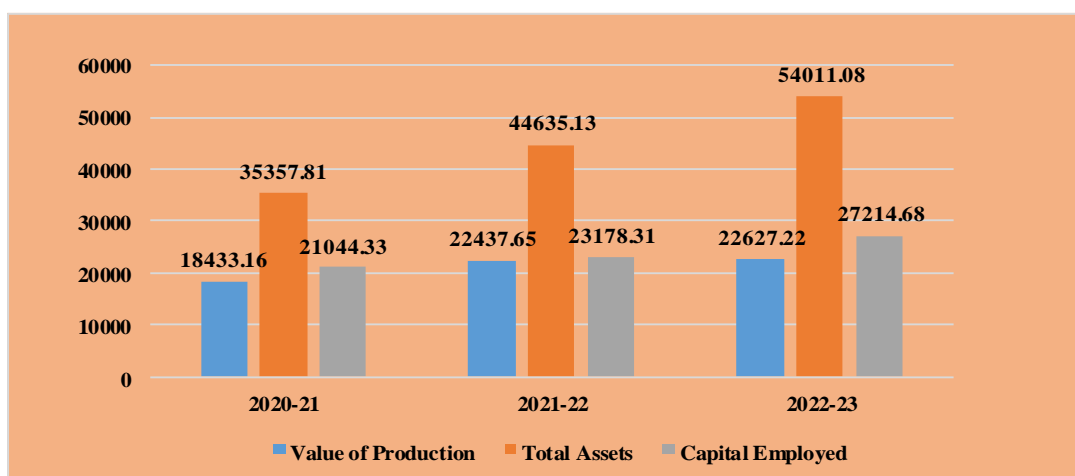
### Operating efficiency of Government Companies and Corporations

#### 5.4 Value of production

The summary of the value of production, total assets and capital employed in

Government Companies and Corporations, related to eight SPSEs<sup>8</sup>, over a period of three years, is depicted in **Chart 5.6**.

**Chart 5.6: Value of Production, Assets and Capital Employed (₹ in crore)**



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

There was an increase in the value of production, total assets and capital employed, in the year 2022-23, compared to the previous year. SPSE-wise details of the value of production, total assets and capital employed, are given in **Appendix 5.6**.

#### 5.4.1 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 employed<sup>9</sup>. The SPSE-wise details of ROCE are given in **Appendix 5.7**. The consolidated ROCE of 29 Government Companies and Corporations, during the period from FYs 2020-21 to 2022-23, is given in **Table 5.14**.

**Table 5.14: Return on Capital Employed**

Financial Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2020-21	819.81	22,504.78	3.64
2021-22	3,736.83	27,208.13	13.73
2022-23	9,794.15	31,016.86	31.58

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

It was observed that the ROCE of 29 Government Companies and Corporations was higher by 17.85 per cent, during the year 2022-23, in comparison to the year 2021-22.

<sup>8</sup> OHPC, OSCSCL, OAICL, OCPL, OPGC, GEDCOL, OMC and OTDC

<sup>9</sup> Capital Employed = Paid up Share capital + Free Reserves and Surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

### 5.4.2 Return on Equity of SPSEs

Return on Equity (ROE<sup>10</sup>) is a measure of the financial performance of companies, calculated by dividing the net income by shareholders' equity. The SPSE-wise details of ROE are given in **Appendix 5.8**. The consolidated ROE of 29 Government Companies and Corporations, during the period from FYs 2020-21 to 2022-23, is given in **Table 5.15**.

**Table 5.15: Return on Equity**

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in per cent)
2020-21	-1,683.23	6,751.46	-24.93
2021-22	852.47	12,085.53	7.05
2022-23	6,275.13	17,253.29	36.37

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

It was observed that the ROE of 29 Government Companies and Corporations had increased during FY 2022-23, in comparison to FY 2021-22. Department-wise details of the ROE of Government Companies and Corporations, where the total equity of the department was more than ₹50 crore, during FYs 2020-21 to 2022-23, are shown in **Table 5.16**.

**Table 5.16: RoE of departments with total equity of ₹ 50 crore and more**

Sl. No.	Department	2020-21	2021-22	2022-23 (in per cent)
1	Industries <sup>@</sup>	-9.58	0.77	70.27
2	Steel and Mines	-3.57	10.20	38.91
3	Excise	9.37	6.07	7.57
4	Health & Family Welfare Department	15.59	2.97	4.66
5	Agriculture & Framers' Empowerment	18.67	6.43	6.29
6	Home	14.57	13.75	13.74
7	Commerce and Transport	2.57	-6.26	-6.26
8	Energy <sup>#</sup>	-194.59	-4.77	28.33

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

<sup>@</sup> The wide variation in the RoE was due to increase in the profits of the Industrial Promotion and Investment Corporation of Odisha Limited, from ₹9.73 crore in FY 2021-22, to ₹434.77 crore in FY 2022-23.

<sup>#</sup> The wide variation in the RoE was due to increase in the profits of the Odisha Coal and Power Limited, from ₹157.90 crore in FY 2021-22, to ₹807.47 crore in FY 2022-23, and due to the profit of ₹839.99 crore by the Odisha Power Generation Corporation Limited in FY 2022-23, in comparison to the loss of ₹102.83 crore in FY 2021-22.

From **Table 5.16**, it can be seen that the RoE had significantly increased in the Industries, Steel & Mines and Energy Departments, during the year 2022-23.

<sup>10</sup> Return on Equity = (Net Profit after Tax and preference Dividend/Equity) \*100, where Equity = Paid up Capital + Free Reserves & Surplus – Accumulated Loss – Deferred Revenue Expenditure

### 5.4.3 Sales and Marketing

During FY 2022-23, the total sales of 11 out of 29 Government Companies, were ₹45,539.27 crore, as compared to ₹39,963.81 crore in FY 2021-22. Out of 11 SPSEs, 04 SPSEs had sold goods/ rendered services worth ₹4,839.87 crore, to the Government sector, in FY 2022-23, which worked out to 10.63 per cent of their total sales. No SPSEs had exported or imported goods/ services during the period.

The details of total sales, sales to the Government sector and sales to others, in regard to 11 SPSEs, for the last three years, are given in **Table 5.17**.

**Table 5.17: Sales to the Government sector and others**

Financial Year	(₹ in crore)		
	Total Sales	Sales to the Government sector	Sales to others
2020-21	23,253.96	3,765.63	19,488.33
2021-22	39,963.81	4,138.75	35,825.06
2022-23	45,539.27	4,839.87	40,699.40

(Source: Compiled on the basis of information furnished by the SPSEs)

## 5.5 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors for a Government Company and Government Controlled Other Company, under Sections 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

### 5.6 Appointment of statutory auditors of State Public Sector Enterprises by CAG

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

The statutory auditors of the SPSEs, for the year 2022-23, were appointed by the CAG during August and September 2022.

## 5.7 Submission of accounts by SPSEs

### 5.7.1 Need for timely submission

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 Meeting (AGM). As soon as may be after such preparation, the Annual Report is to be laid before the State Legislature, together with a copy of the Audit Report and the comments of the C&AG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the 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 an Annual General Meeting (AGM) of its shareholders, once in every calendar year. It also states that, not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013, stipulates that the audited Financial Statements, for the financial year, have to be placed in the said AGM for its consideration.

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

Despite the above, the annual accounts of various SPSEs were pending, as on 20 July 2023, as detailed in the following paragraph.

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

As of 31 March 2023, there were 61 Government SPSEs and 15 Government Controlled Other SPSEs, under the purview of CAG’s audit. Out of these 61 Government SPSEs, three were Statutory Corporations.

Accounts for the year 2022-23, were due from all 61 Government SPSEs and 15 Government Controlled Other SPSEs, as of July 2023. Details of the accounts which were in arrears, are indicated in *Appendices 5.2 A and 5.2 B*, for Government Companies and Government Controlled Other Companies, separately. The number of accounts in arrears, for the aforesaid two groups, are given in **Table 5.18**.

**Table 5.18: Submission of accounts of Government Companies**

Particulars	Government SPSEs/Government Controlled Other SPSEs		
	Government SPSEs	Government Controlled Other SPSEs	Total
<b>Total number of SPSEs under the purview of CAG’s audit, as on 31.03.2023</b>	<b>61</b>	<b>15</b>	<b>76</b>
Unlisted	61	15	76
Number of SPSEs, from which accounts for FY 2022-23 were due	61	15	76



Number of SPSEs, which presented the accounts for CAG's audit by 20 July 2023, for FY 2022-23		6	1	7
<b>Number of SPSEs, whose accounts were in arrears</b>		<b>55</b>	<b>14</b>	<b>69</b>
Break-up of SPSEs, whose accounts are in Arrears	(i) Under Liquidation	14	0	14
	(ii) Defunct	10	0	10
	(iii) First Accounts not submitted	0	0	0
	(iv) Others	31	14	45
<b>Number of accounts in arrears</b>		<b>903<sup>#</sup></b>	<b>26</b>	<b>929</b>
Age-wise analysis of arrears	One year (2022-23)	18*	9	27
	Two years (2021-22 and 2022-23)	10**	4	14
	Three years and more	875***	13	888

# 903 (arrear accounts of working Government companies number 70, while, in case of non-working Government companies, the arrear accounts number 833)

\* Includes one Statutory Corporation, viz. Odisha State Financial Corporation.

\*\* Includes one Statutory Corporation, viz. Odisha State Road Transport Corporation.

\*\*\* Includes one Statutory Corporation, viz. Odisha State Warehousing Corporation.

Delay in the finalisation of accounts carries the risk of fraud and leakage of public money, apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs, to the State GDP, for the year 2022-23, could not be ascertained and their contribution to the State exchequer was also not reported to the State Legislature. Hence, the Administrative Departments should strictly monitor and issue necessary directions to clear the arrears in accounts. Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

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

### 5.8.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013, and in adherence to the mandatory Accounting Standards, prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in

consultation with the CAG and any other specific provision relating to accounts in the Act, governing such corporations.

### **5.8.2 Audit of accounts of SPSEs by Statutory Auditors**

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

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 powers:

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

### **5.8.3 Supplementary Audit of accounts of Government Companies**

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

The statutory auditors, appointed by the CAG, under Section 139 of the Companies Act, 2013, are responsible for expressing an opinion on the financial statements, under Section 143 of the Companies Act, 2013, based on independent audit, in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG, under Section 143 of the Companies Act, 2013.

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

## **5.9 Results of CAG's oversight role**

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

Financial statements for the year 2022-23 had been received from six Government companies and one Government Controlled Other Company, as of July 2023.

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

Subsequent to the audit of the financial statements by statutory auditors, which were received during the period from 01 October 2022 to 20 July 2023, CAG conducted supplementary audit of the financial statements of the selected Government Companies and Government Controlled Other Companies. The list of SPSEs, in regard to which comments were issued, is given in **Appendix 5.9**. Some of the significant comments, issued on financial statements of Government Companies and Government Controlled Other Companies, for the year 2021-22, are detailed in **Tables 5.19 to 5.21**.

**Table 5.19: Significant comments on profitability of Government Companies on the accounts for the year 2021-22**

Sl. No.	Name of the Company	Comments
1	Odisha Mineral Bearing Areas Development Corporation	Project Expenses (Expenses) were overstated by ₹8.19 crore, due to booking of ₹312.51 crore, as project expenditure of the Rural Water Supply and Sanitation (RWSS) Division, Rourkela, in place of ₹304.32 crore. RWSS Division, Rourkela, submitted Utilisation Certificate of ₹304.32 crore, but the company had booked ₹312.51 crore as Project Expenses, with respect to the RWSS Division, Rourkela. This resulted in overstatement of Project Expenses by ₹8.19 crore, leading to overstatement of deficit (excess of expenditure over income), with corresponding understatement of the Corpus Fund by the same amount.

**Table 5.20: Significant comments on Financial Position of Government Companies on the accounts for the year 2021-22**

Sl. No.	Name of the Company	Comments
1	Odisha Hydro Power Corporation Limited	Inventories were overstated by ₹3.31 crore, due to inclusion of store materials, which were unserviceable/obsolete/damaged, lying in stores of the Upper Indravati Hydro Electric Project (UIHEP), Khatiguda and the Hirakud Hydro Electric Project (HHEP), Burla. As these store materials were very old and in an unserviceable condition, necessary provision should have been made in the accounts. Non-provision towards these stores resulted in overstatement of inventories (Note-9) by ₹3.31 crore, as well as profit, to the same extent.

Sl. No.	Name of the Company	Comments
2	<b>Green Energy Development Corporation of Odisha Limited</b>	Other Current Liabilities were overstated by ₹6.68 crore, due to non-adjustment of the Liquidated Damages (LD) already imposed on M/s BHEL (₹6.00 crore) and M/s Azure Power Mercury Private Limited (₹0.68 crore), from the money withheld from the respective companies and shown under Other Current Liabilities. As the LD had already been imposed due to delay in implementation of the project, this should have been deducted from the withheld amount. Non-adjustment of the LD imposed from the Other Current Liabilities, resulted in overstatement of Other Current Liabilities by ₹6.68 crore, with corresponding understatement of other income, with consequential understatement of profit by ₹6.68 crore.

Table 5.21: Significant comments on Disclosure

Sl. No.	Name of the Company	Comments
1	Nuagaon Coal Company Limited (accounts for the year 2016-17)	The Ministry of Coal, Government of India, had allotted the Nuagaon-Telisahi Block, in favour of the Odisha Mining Corporation (OMC) and the Andhra Pradesh Mineral Development Corporation (APMDC), on a 50:50 sharing basis, in 2006 and subsequently, the Nuagaon Coal Company Limited (NCCL) was formed (11.05.2011) as a joint venture of OMC and APMDC (Promoters), for development of the coal block. Allotment of Nuagaon-Telisahi Coal Block was subsequently cancelled by the Hon'ble Supreme Court of India, vide order dated 24.09.2014. In line with Section 16 of the Coal Mines (Special Provision) Ordinance, 2014, relating to payment of compensation for land and mine infrastructure, the Company provided all details of Nuagaon-Telisahi Coal Block, to the Ministry of Coal, and claimed an amount of ₹19.27 crore as compensation, in lieu of the cancelled coal block. The said claim amount included ₹15.39 crore, spent by the promoters and ₹3.89 crore by the company for development of the coal block, which is yet to be received from the Ministry of Coal, Gol. However, the company had not disclosed this fact in the Notes to Accounts. Hence, the Notes to Accounts were deficient to that extent.

### 5.10 Statutory Corporations, where CAG is the sole auditor

Significant comments, issued by the CAG on the accounts of Odisha State Road Transport Corporation (OSRTC), a statutory corporation, for the year 2020-21, where CAG is the sole auditor, were as follows:

- (i) Employee Benefit Expenses, payable to the contractual employees towards revised minimum wages, during the financial years 2019-20 to 2020-21 were understated by ₹70 lakh (₹26 lakh for FY 2020-21 and ₹44 lakh for FY 2019-20). Non-accounting of the revised minimum wages payable to contractual workers, also resulted in understatement of short term provisions, as well as losses by ₹70 lakh each.
- (ii) Capital Work in Progress was understated by ₹227.96 lakh, being the expenditure incurred towards construction of bus terminal at Motu, Malkangiri (₹148.71 lakh) and construction of boundary wall around the proposed bus stand at Gopalpur, Cuttack (₹79.25 lakh), as on 31 March 2021. Non-accounting of this expenditure had also resulted in understatement of Grants and Assistance (State Government Capital Outlay) by the same amount.
- (iii) OSRTC employees are getting salary as per Orissa Revised Scale of Pay (ORSP) Rules, 2008, as per the recommendations of the 6<sup>th</sup> Pay Commission, with 58 *per cent* DA (the actual DA was 164 *per cent*, as on 31.03.2021). Though the revision of pay, as per the 6<sup>th</sup> Pay Commission, had been effected from 01.01.2006, it was made applicable to the employees of OSRTC w.e.f. 01.04.2012. Pay had been fixed notionally w.e.f. 01.01.2016, without any arrear or financial effect. Further, the employees had been paid at the Revised Scales of Pay, as per the OSRP Rules, 1998 (5<sup>th</sup> pay commission) w.e.f. 16.02.2009, though the same was effected from 01.01.1996. The Hon'ble High Court, Odisha, passed order (March 2018) for calculation of the differential salary and to complete the entire exercise within a period of four months. OSRTC had filed writ appeals, which were pending. As the impact of the arrear dues would be material to the Corporation, the same should have been disclosed in the financial statements of the company.
- (iv) The Hon'ble High Court of Odisha passed (18.07.2022) order in WP(C) No. 16386 of 2022, regarding payment of arrears of differential amount, out of the unutilized leave salary and dearness allowance, relating to the Orissa Revised Scale of Pay (ORSP Rules, 1998, w.e.f. from 01.01.1996) to 2,389 ex-STs employees, who were on deputation to OSRTC. As the order had been passed

within the accounts authentication date (15.10.2022), the financial implication, arising out of the judgment, should have been calculated and its impact shown. Thus, the Notes to Account were deficient, as per AS-04.

- (v) The Corporation was accounting for rent collection from shops/stalls *etc.* during the year of realisation and the outstanding rent collections were not reflected in the accounts. On review of accounts for the last three years (2019-21), it was observed that outstanding rent had increased from ₹72.25 lakh (2018-19) to ₹432.46 lakh (2020-21), which was substantial and material. Notes forming part of the financial statements should have incorporated this fact.

### **5.11 Management Letters**

One of the objectives of financial audit is to establish communication on audit matters, arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations, on the financial statements of PSEs, were reported as comments by the CAG, under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG, in the financial reports or in the reporting process, were also communicated to the management, through a 'Management Letters' for taking corrective action. These deficiencies generally related to:

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

During the year, CAG had issued 'Management Letters' to 10 SPSEs, as listed in **Appendix 5.10**.

## **5.12 Recommendations**

1. It is recommended that the process of voluntary winding up of inactive companies under the Companies Act, may be pursued vigorously.
2. State Government may look into the constraints in preparation of the accounts of the PSUs and take necessary steps to clear the arrears in accounts.
3. State Government may ensure timely submission of Financial Statements of SPSEs, as, in the absence of finalisation of accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.
4. State Government may institute a mechanism to ensure that companies, under their direct/indirect control, are identified for audit, by the CAG, under Section 143 of the Companies Act, 2013.

Bhubaneswar  
Dated 06.06.2024

**(RAJ KUMAR)**

**Principal Accountant General (Audit-I)  
Odisha**

Countersigned

New Delhi  
Dated 10.06.2024

**(GIRISH CHANDRA MURMU)**

**Comptroller and Auditor General of India**

