
Chapter-5

GENERAL PURPOSE FINANCIAL REPORTING

CHAPTER 5

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5.1 Introduction

This Chapter presents the summary of the financial performance of Government Companies and Government controlled other Companies. In the Chapter, 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 subsidiaries of such Government companies. The other companies owned or controlled, directly or indirectly, by the State Government, have also been categorised as State Public Sector Undertakings (SPSUs).

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

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

The total number of SPSEs in the State, as on 31 March 2022, was 31. Based on the latest finalised accounts received within the last three years *i.e.*, 2019-20 to 2021-22, 16 SPSEs (15 Government companies and one Government controlled other company) are being covered in this Chapter.

5.2 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG, under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013, read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints 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 Statutory Corporations require their accounts to be audited only by the CAG.

5.3 What this Chapter contains

This chapter gives an overview of the financial performance of the State Government Companies and Government controlled other Companies as revealed from their accounts.

5.4 Number of SPSEs

As on 31 March 2022, there were 31 State Public Sector Enterprises under the audit jurisdiction of the CAG. These included 30 State Government Companies, and one State Government controlled other company. The SPSEs covered in this chapter are given in **Table 5.1**.

Table 5.1: SPSEs covered in this chapter

Nature of PSUs	Total Number	Number of SPSEs of which accounts received during the reporting period				SPSEs not covered in the chapter
		upto 2021-22	upto 2020-21	upto 2019-20	Total	
Functional Government Companies ¹	27	1	5	6	12	15
Functional Government Controlled Other Companies	1	0	1	0	1	0
Total functional SPSEs	28	1	6	6	13	15
Non-functional Government Companies	3	1	2	0	3	0
Total non-functional SPSEs	3	1	2	0	3	0
Total	31	2	8	6	16	15

Source: Latest finalised accounts of SPSEs as on 30 Sept 2022

The details of State Government companies/State Government controlled other companies, under the purview of CAG's audit during 2021-22, are given in **Appendix 5.1**. This chapter does not cover 15 SPSEs, whose accounts are in arrears for over three years. These SPSEs are shown in **Appendix 5.2**.

Out of the 16 SPSEs covered in this chapter, two SPSEs had finalised their accounts for the year 2021-22, eight SPSEs had finalised their accounts for the year 2020-21 and six SPSEs had finalised their accounts for the year 2019-20 (as of 30 September 2022). The result/ summary of financial performance of SPSEs covered in this chapter for 2021-22 is given in **Table 5.2**.

Table 5.2: Summary of financial performance of 16 SPSEs

Particulars	Details
Total number of SPSEs	31
SPSEs covered in this chapter	16
Paid up capital (SPSEs)	4,433.97 crore
Long term Loans (SPSEs)	19,095.16 crore
Net profit (10 SPSEs)	23.35 crore
Net loss (5 SPSEs)	-2,707.78 crore
Zero Profit/loss (1 SPSE)	0
Dividend declared (SPSEs)	Nil
Total Assets (SPSEs)	45,663.99 crore
Turnover (SPSEs)	5,045.76 crore
Net Worth (SPSEs)	-6,366.87 crore

Source: Latest finalised Annual Accounts of SPSEs as on 30th Sept 2022

The ratio of turnover of the 16 SPSEs covered in this chapter, to the Gross State Domestic Product (GSDP), shows the extent of commercial activities of the SPSEs in the State economy. Details are given in **Table 5.3**.

¹ Government PSUs include Government controlled other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

Table 5.3: Details of turnover of State PSEs vis-à-vis GSDP of Jharkhand

(₹ in crore)			
Particulars	2019-20	2020-21	2021-22
Turnover	5,553.53	5,042.14	5,045.76
Percentage change in turnover as compared to turnover of preceding year	26.16	-9.21	0.07
GSDP of Jharkhand	3,21,157	3,17,079	3,63,085
Percentage of Turnover to GSDP of Jharkhand	1.73	1.59	1.39

Source: Compiled based on Turnover figures of functional SPSEs and GSDP figures as per Directorate of Economics and Statistics of the Jharkhand state

The turnover of 16 SPSEs decreased from ₹ 5,553.53 crore in 2019-20, to ₹ 5,045.76 crore in 2021-22. As shown in **Table 5.3**, turnover growth during last three years ranged between -9.21 per cent and 26.16 per cent over the previous years.

5.5 Investment in Government Companies & Government controlled other company

The amount of investment in equity and loans in 30 Government Companies and one Government controlled other company, as at the end of 31 March 2022, is given in **Table 5.4**.

Table 5.4: Equity investment and loans in Government Companies and Others

Sources of investment	As on 31 March 2021			As on 31 March 2022		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	5,223.92	17,053.97	22,277.89	5,320.82	17,615.84	22,936.66
Others (including Government Companies)	17.46	1,755.03	1,772.49	22.34	1,855.74	1,878.08
Total Investment	5,241.38	18,809.00	24,050.38	5,343.16	19,471.58	24,814.74
Percentage of investment of State Government to Total Investment	99.67	90.67	92.63	99.58	90.47	92.43

Source: Information provided by SPSEs.

The capital invested in the Government controlled other Company (Jharkhand Railway Infrastructure Development Corporation Limited) by the State Government and others, up to the year 2021-22, was ₹ 19.80 crore and is included in the above table.

5.6 Equity Holding in SPSEs

During 2021-22, the total equity holding, at face value, in the 31 SPSEs, registered a net increase of ₹ 101.78 crore. Investment in equity in SPSEs, by the State Government, increased from ₹ 4,610.86 crore in 2019-20 to ₹ 5,343.16 crore in 2021-22, of which, JBVNL and JUSNL accounted for ₹ 3,195.83 crore and ₹ 1,598.96 crore, respectively.

5.7 Loans given to State Government Companies

Out of 31 SPSEs, 21 SPSEs did not have any long-term loans, as on 31 March 2022. 10 SPSEs had ₹ 19,471.58 crore, as long term loans outstanding on that date, as detailed in **Table 5.5**.

Table 5.5: Outstanding Long Term Loans in 10 SPSEs

(₹ in crore)

	2019-20	2020-21	2021-22
State Government	13,569.42	17,053.93	17,615.84
Central Government	1,192.76	1,233.36	1,334.07
Others	488.29	487.56	521.67
Total Long Term Loans	15,250.47	18,774.85	19,471.58

Source: Information provided by SPSEs

5.8 Impact of dues of power purchase by the State DISCOM on State finances

As per the tripartite agreement (TPA) (25.11.2016) between the Government of India, the Government of Jharkhand and the Reserve Bank of India, the State Government had agreed to assume the liability for discharging the payment obligations of the State DISCOM, in the event of default arising out of the agreement signed with the Central Public Sector Undertakings (CPSU), for supply of power. In case any amount is paid to a CPSU, by the GoI, on behalf of the DISCOM, on account of dues after a period of 90 days from the date of billing, such dues shall be recoverable by GoI, from the State Government, along with interest at the admissible rate.

In Jharkhand, there is only one DISCOM owned by the State, viz. Jharkhand Bijli Vitran Nigam Limited (JBVNL). Power purchase and dues of power purchase of JBVNL, from State PSUs and Central PSUs, for the last five years, are given in **Table 5.6**.

Table 5.6: Liabilities of JBVNL due to power purchase (PP)

Year	Particulars	₹ in crore)			Year-wise CB of liabilities w.r.t PP (in per cent)
		State PSU	Central PSUs	Total	
2017-18	Opening balance	2,712.62	2,441.73	5,154.35	94.20
	Power purchase	877.03	5,060.39	5,937.42	
	Payments & adjustments	875.98	4,622.87	5,498.85	
	Closing balance	2,713.68	2,879.25	5,592.93	
2018-19	Opening balance	2,713.68	2,879.25	5,592.93	111.21
	Power purchase	823.74	4,791.36	5,615.09	
	Payments & adjustments	569.76	4,393.60	4,963.36	
	Closing balance	2,967.65	3,277.01	6,244.66	
2019-20	Opening balance	2,967.65	3,277.01	6,244.66	128.06
	Power purchase	216.68	5,989.32	6,205.99	
	Payments & adjustments	-696.90	5,200.44	4,503.54	
	Closing balance	3,881.23	4,065.89	7,947.12	
2020-21	Opening balance	3,881.23	4,065.89	7,947.12	132.57
	Power purchase	917.49	5,037.24	5,954.74	
	Payments & adjustments	532.60	5,474.80	6,007.40	
	Closing balance	4,266.13	3,628.33	7,894.45	
2021-22	Opening balance	4,266.13	3,628.33	7,894.45	144.03
	Power purchase	741.07	5,689.76	6,430.83	
	Payments & adjustments	654.09	4,408.60	5,062.69	
	Closing balance	4,353.11	4,909.49	9,262.59	

As shown in **Table 5.6**, the closing balance of power purchase dues of JBVNL, both from Central and State PSUs, increased from ₹ 5,592.93 crore (94.20 per cent) in 2017-18, to ₹ 9,262.59 crore (144.03 per cent) in 2021-22. The outstanding dues payable to Central PSUs increased from ₹ 2,879.25 crore in 2017-18, to ₹ 4,909.49 crore in 2021-22. Since, the Government of Jharkhand is liable to pay the outstanding dues for power purchase, as per tripartite agreement ₹ 2,845.50 crore was debited from the

Jharkhand Government's Account with RBI by GoI as detailed in **Table 5.7:**

Table 5.7: Details of amount debited from State Government's account in RBI

(₹ in crore)

Date	Amount debited
27.10.2020	1,417.50
22.01.2021	714.00
26.08.2021	714.00
Total	2,845.50

In the year 2021-22, dues payable to the State and Central PSUs increased exponentially due to lower collections, in view of COVID-19. During reconciliation of accounts between the DVC and JBVNL, it was noticed that dues shown in the books of DVC against power purchase was more than that shown in JBVNL account. The difference was accepted and taken in the accounts of JBVNL leading to increase in liability of JBVNL.

The huge outstanding dues of power purchase could have an adverse impact on State Finances, as the State Government is liable to pay the dues, as per the tripartite agreement with GoI.

5.9 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 the value of total assets, in 10 SPSEs which had outstanding loans, as on 31 March 2022, is given in **Table 5.8.**

Table 5.8: SPSEs with outstanding loans as on 31 March 2022

(₹ in crore)

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term Loans	Assets	Assets to loans per cent	No of SPSEs	Long term Loans	Assets	Assets to loans per cent
Government Company	6	19,376.77	44,942.86	231.94	4	94.81	25.66	27.06

Source: Latest finalized Annual Accounts of SPSEs as on 30th September 2022

In four² out of 10 SPSEs having outstanding loans, the value of total assets was lower than their outstanding loans.

5.10 Budgetary Support to State PSUs

The Government of Jharkhand provides financial support to SPSEs, in the form of subsidy and grant, through the annual budget. Out of 16 SPSEs whose latest accounts were finalised, the State Government had provided financial support, in the form of subsidy and grants, to six SPSEs (₹ 1,357.84 crore, ₹ 4,645.55 crore and ₹ 2,146.43 crore, in 2019-20, 2020-21 and 2021-22, respectively).

Profit earned by SPSEs

As per their latest finalised accounts, six non-power sector SPSEs reported a profit of ₹ 23.66 crore in 2019-20, nine reported a profit of ₹ 20.72 crore

² Jharkhand State Food and Civil Supplies Corporation Ltd., Jharbihar Colliery Limited, Patratu Energy Ltd. and Karanpura Energy Ltd.

in 2020-21 and ten SPSEs reported a profit of ₹ 23.35 crore during 2021-22.

Out of these ten profit making SPSEs in 2021-22, the Jharkhand Urban Infrastructure Development Company Ltd. earned a profit of more than ₹ 10 crore, as per its latest finalised accounts.

No dividend policy had been framed by the State Government (as of October 2022) and no dividend was paid by these SPSEs, during 2021-22.

5.11 Debt servicing and legal compliances

Interest Coverage Ratio

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 the 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 in the last three years. The position of the three functional power sector SPSEs, in this regard, is shown in **Table 5.9**.

Table 5.9: Interest Coverage Ratio of the three functional power sector companies
(₹ in crore)

Year	Interest	Earnings before interests & Taxes (EBIT)	No of SPSEs	SPSEs having ICR less than 1
2019-20	995.08	-1,131.54	3	3
2020-21	1,254.86	-2,702.94	3	3
2021-22	1,254.86	-2,705.21	3	3

Source: Latest finalised Annual Accounts of SPSEs as on 30th Sept 2022

As shown in **Table 5.9**, the ICR of the three functional power sector SPSEs³ was less than one, which was indicative of insufficient earnings for paying interest on their loans, and entailed a high risk of insolvency.

Age wise Analysis of Interest Outstanding on State Government Loans

As on 30 June 2022, interest, amounting to ₹ 3,676.63 crore, was outstanding on the long-term loans provided by the State Government, to three power sector SPSEs (JBVNL, JUSNL and JUUNL). The age-wise analysis of interest outstanding, is depicted in **Table 5.10**.

Table 5.10: Age-wise analysis of Interest Outstanding on State Government Loans
(₹ in crore)

Sl. No	SPSE	Total outstanding Interest on Loan	Interest on loans outstanding for		
			less than 1 year	1 to 3 years	more than 3 years
Power					
1	JBVNL	2,930.49	755.57	1,251.36	923.56
2	JUSNL	2,505.86	492.79	985.58	1,027.49
3	JUUNL	39.00	6.50	13.00	19.50
Total		5,475.35	1,254.86	2,249.94	1,970.55

Source: Latest finalised Annual Accounts of SPSEs as on 30th Sept 2022

It can be seen from **Table 5.10** that interest, amounting to ₹ 1,970.55 crore, was outstanding for more than three years. The companies had failed to repay the interest, as well as the principal, of the outstanding loans.

³ JBVNL, JUSNL and JUUNL.

5.12 Loss incurred by SPSEs

There were 8⁴ SPSEs/Government controlled other companies that had incurred losses during the years 2019-20 to 2021-22, as shown in Table 5.11.

Table 5.11: Number of SPSEs that incurred losses during 2019-20 to 2021-22
(₹ in crore)

Year	No of SPSEs/ Government controlled other companies that incurred losses	Net loss for the year	Net Worth ⁵
2019-20	8	-1,651.19	-4,555.38
2020-21	7	-2,717.53	-6,730.62
2021-22	5	-2,707.78	-6,722.38

Source: Latest finalised Annual Accounts of SPSEs as on 30thSept, 2022

During 2021-22, losses amounting to ₹ 2,707.78 crore were incurred by the five power sector companies.

5.13 Delayed preparation of accounts by State Government Companies/ Statutory Corporations

As per the Companies Act, 2013, the financial statements of each company, for every financial year, are required to be finalised within six months from the end of the relevant financial year, *i.e.* by 30 September of the next financial year. Failure to submit accounts on time renders the officers of the company liable to penal provisions under the Act.

Table 5.12 provides the details of progress made by the PSUs in finalisation of their accounts (as of 30 September, 2022).

Table 5.12: Position of accounts finalisation of working and inactive PSUs

Sl. No.	Particulars	Working	Inactive	Total
1	Number of PSUs	28	3	31
2	Number of PSUs having accounts in arrears	27	2	29
3	Number of accounts in arrear	101	2	103
4(a)	Number of PSUs with arrears of more than six years	2	0	2
4(b)	Number of accounts in arrear in the above PSUs	24	0	24
5(a)	Number of PSUs with arrears between three to five years	13	0	13
5(b)	Number of accounts in arrear in the above PSUs	59	0	59
6(a)	Number of PSUs with arrears between one to two years	12	2	14
6(b)	Number of accounts in arrear in the above PSUs	18	2	20
7	Extent of arrears (in years)	1 to 12	1	1 to 12

Source: Data compiled from the information furnished by the companies

The above position reflects the failure of the concerned administrative departments and specifically of the Finance Department, in ensuring compliance of the defaulting companies, with the provisions of the Companies Act.

⁴ JBVNL, JUSNL, JUUNL, JCL, PEL, KEL, JPHCL and JHARCRAFT.

⁵ 'Net worth' means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. 'Free reserves' mean all reserves created out of profits and the share premium account but do not include reserves created out of revaluation of assets and write back of the depreciation provision.

It was observed that 11⁶ companies were persistent defaulters in submitting their accounts and their outstanding accounts ranged between four to 12 annual accounts (as on 30 September, 2022).

5.14 Erosion of net worth of SPSEs

Net worth is the aggregate value of the paid-up share capital and all reserves created out of the profits, securities and debit or credit balance of Profit and Loss Accounts, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserve created out of revaluation of assets and write back of depreciation. Details are given in the **Table 5.13**

Table 5.13: Erosion of net worth of SPSEs as on 31 March 2022

(₹ in crore)

Name of SPSEs	Latest Finalised Accounts	Total Paid up Capital	Net profit/loss after tax and preference dividend	Turnover	Accumulated Losses	Net worth	Assets (WDV)	State Equity as on 31 March 2022	State Loans as on 31 March 2022
Jharkhand Bijli Vitran Nigam Limited	2020-21	3,108.93	-2,200.05	5,289.52	-9,499.81	-6,390.88	31,785.11	3,108.93	11,910.63
Jharkhand Sancharan Urja Nigam Limited	2019-20	972.96	-502.94	230.00	-1,289.52	-316.56	6,020.03	972.96	4,905.13
Jharbihar Colliery Ltd.	2020-21	1.00	-0.02	0.00	-3.99	-2.99	1.04	1.00	0
Patratu Energy Ltd. Non-working	2020-21	0.05	0.02	0.00	-16.44	-16.39	26.05	0.05	19.85
Karanpura Energy Limited. Non-working	2020-21	0.05	-2.50	0.01	-26.27	-26.22	23.33	0.05	15.12
Jharkhand Silk Textile & Handicraft Development Corporation Ltd.	2020-21	10.00	0.09	5.62	-46.94	-36.94	200.92	10.00	0
Total		4,092.99	-2,705.40	5,525.15	-10,882.97	-6,789.98	38,056.48	4,092.99	16,850.73

As per the latest finalised accounts received from 16 companies, accumulated losses of six companies was ₹ 10,882.97 crore, against their paid-up capital of ₹ 4,092.99 crore. Hence, the net worth of those companies were completely eroded and their cumulative net worth stood at (-) ₹ 6,789.98 crore, as on 31 March 2022.

5.15 Conclusion


There were 31 State Public Sector Enterprises (SPSEs) under the audit jurisdiction of the CAG. Of these, 16 SPSEs submitted their accounts for audit. As of 30 September 2022, two SPSEs had finalised their accounts for the year 2021-22, eight SPSEs had finalised accounts for the year 2020-21 and six SPSEs had finalised their accounts for the year 2019-20.

The turnover of these SPSEs decreased from ₹ 5,553.53 crore in 2019-20, to ₹ 5,045.76 crore in 2021-22.

⁶ Jharkhand Tourism Development Corporation Limited, Jharkhand State Food and Civil Supplies Corporation Ltd., Jharkhand Urban Transport Corporation Limited, Atal Bihari Vajpayee Innovation Lab, Jharkhand State Forest Development Corporation Ltd., Jharkhand Hill Area Lift Irrigation Corporation Limited, Tenughat Vidyut Nigam Limited, Jharkhand Urja Vikas Nigam Limited, Jharkhand State Beverage Corporation Ltd., Jharkhand State Minority Finance Development Corporation, Jharkhand State Mineral Development Corporation Ltd.


The outstanding dues payable, against purchase of power, by the State DISCOM, to Central PSUs, increased from ₹ 2,879.25 crore in 2017-18, to ₹ 4,909.49 crore in 2021-22. As the Government of Jharkhand is liable to pay the outstanding dues for power purchase, as per the tripartite agreement with the GoI, ₹ 2,845.50 crore was debited by GoI from the Jharkhand Government's account with RBI.

Ranchi
The 03 April 2023


(ANUP FRANCIS DUNG DUNG)
Accountant General (Audit) Jharkhand

Countersigned

New Delhi
The 10 April 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

