

Chapter 5
**Financial Performance
of State Public Sector
Enterprises**

Chapter 5: Financial Performance of State Public Sector Enterprises

5.1 Introduction

This chapter presents the summary of financial performance of State Public Sector Enterprises (SPSE)¹ as reflected in their accounts/information furnished by them, and results of oversight functions of the Comptroller and Auditor General of India (CAG). It highlights some of the significant comments issued by the CAG as a result of supplementary audit of the accounts of SPSE, and the impact of such comments on the succeeding financial statements.

SPSE are established by State Governments to carry out activities of a commercial nature for the development of the State as well as to cater to the welfare of its people.

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

Statutory corporations are established by State Governments and governed by their respective legislations.

5.1.1 Mandate of Audit

Audit of Government companies is conducted by the CAG under the provisions of Section 143 of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the regulations made thereunder. Under the provisions of Sections 139 (5) and (7) of Companies Act, 2013, CAG appoints the chartered accountants as statutory auditors for Government companies and gives directions on the manner in which the accounts are to be audited.

In addition, CAG has the right to conduct a supplementary audit and issue comments upon or supplement the audit reports of the statutory auditors under Section 143 of the Companies Act, 2013.

Audit of statutory corporations are conducted as per the respective governing acts of the corporations.

5.2 Status of accounts of SPSE and their performance

At the beginning of 2021-22, there were 16 SPSE under the purview of CAG audit, which included 14 Government companies and two statutory corporations². Details of 16 SPSE is given in Appendix 5.1.

Apart from 14 Government companies, one company *i.e.* Goa Auto Accessories Limited was dissolved by National Company Law Tribunal (NCLT) during 2021-22.

¹ SPSE include Government companies and Statutory corporations of Government of Goa

² Goa Industrial Development Corporation and Goa Information Technology Development Corporation

This chapter analyses the financial performance of 15³ SPSE, based on their latest finalised financial statements received till 30 September 2022⁴ and as per information received from these SPSE.

5.2.1 Status of accounts of SPSE

Table 5.1 shows the status of accounts of all the 16 SPSE as on 30 September 2022.

Table 5.1: Status of accounts of SPSE

Nature of SPSE	Total No.	No. of SPSE which submitted their accounts during the reporting period ⁵				No. of SPSE whose accounts were in arrears as on 30 September 2022 (No. of accounts in arrears)
		Accounts for 2021-22	Accounts for 2020-21	Accounts up to 2019-20	Total	
Government Companies	14	01	07	00	08	13(43)
Statutory Corporations	2	00	01	00	01	2(17)
Total	16	01	08	00	9	15(60)

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Thus, 15 out of 16 SPSE had 60 accounts in arrears as on September 2022.

5.2.2 Summary of financial performance of SPSE

Appendix 5.2 shows the detailed financial position and working results of all the 16 SPSE, as per their latest finalised accounts as on 30 September 2022. Table 5.2 shows the summarised financial position of these 16 SPSE.

Table 5.2: Summary of financial performance of SPSE

(₹ in crore)

Particulars	No. of SPSE	Amount
Number of State SPSE	16	Not applicable
Paid-up capital	16	382.16
Long term loans	09	889.51
Net profit	07	70.42
Net loss	08	32.81
Dividend Paid/Payable	02	1.41
Total assets	15	3408.75
Shareholders' Fund/Net Worth	16	449.86

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.3 Contribution of SPSE to economy of the State

Ratio of turnover of SPSE to the Gross State Domestic Product (GSDP) shows the contribution of SPSE to State's economy.

On the basis of nature of activities undertaken, Government companies and statutory corporations have been categorised into seven sectors. Sector-wise

³ One Statutory corporation namely, Goa Information and Technology Development Corporation Limited has not submitted accounts since its inception in 2006-07. Therefore, financial performance of only 15 SPSE has been analysed in this chapter, unless mentioned otherwise.

⁴ Due date for submission of financial statements for the year 2021-22

⁵ From October 2021 to September 2022

turnover of 15 SPSE *vis-à-vis* their share in State's GSDP during the last three years (2019-22) is shown in Table 5.3.

Table 5.3: Turnover of SPSE *vis-a-vis* GSDP

(₹ in crore)				
Sr. No.	Sector	2019-20	2020-21	2021-22
1	Public Works	536.13	586.22	294.02
2	Transport	200.99	204.82	150.80
3	Industries and Commerce	167.02	157.98	131.50
4	Agriculture, Food and Allied Industries	123.23	126.78	107.60
5	Information Technology and Communication	25.40	21.66	101.41
6	Culture and Tourism	37.77	27.02	27.02
7	Others	15.01	12.00	12.00
Total Turnover		1105.55	1136.47	824.35
GSDP of Goa		80449	81502	85380
Percentage of turnover to GSDP of Goa		1.37	1.39	0.97

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Contribution of SPSE to State's GSDP declined from 1.37 *per cent* in 2019-20 to 0.97 *per cent* in 2021-22. Further, turnover of SPSE decreased by 25.44 *per cent* during 2021-22 compared to 2019-20. During the last three years, Compound Annual Growth Rate (CAGR) of GSDP was 3.02 *per cent* while CAGR of turnover of SPSE was (-) 13.65 *per cent*.

Public works sector had the highest turnover in all the three years (2019-22) and constituted 35.67 *per cent* of the combined turnover of all the seven sectors during 2021-22. This was followed by transport sector at 18.29 *per cent*.

However, turnover of public works sector decreased by ₹ 292.20 crore from ₹ 586.22 crore in 2020-21 to ₹ 294.02 crore in 2021-22. This was mainly due to decrease in turnover of Goa State Infrastructure Development Corporation (GSIDC) by almost 50 *per cent* from ₹ 583.32 crore in 2020-21 to ₹ 288.15 crore during 2021-22.

5.4 Investments in SPSE and budgetary support to SPSE

Investments in SPSE

Quantum of investments (equity and loans) in SPSE at the end of 31 March 2021 and March 2022 is shown in Table 5.4.

Table 5.4: Equity and long-term loans in SPSE

(₹ in crore)

Source of investment	As on 31 March 2021			As on 31 March 2022		
	Equity	Long-term loans	Total	Equity	Long-term loans	Total
State Government	315.42	4.75	320.17	309.20	4.75	313.95
Central Government	51.63	3.14	54.77	53.06	3.14	56.20
SPSE	1.80	-	1.80	1.80	-	1.80
Others (Financial Institutions, Banks and Central PSE)	18.10	1034.63	1052.73	18.10	881.62	899.72
Total	386.95	1042.52	1429.47	382.16	889.51	1271.67
Share of investment of State Government in SPSE (per cent)	81.51	0.46	22.39	80.91	0.53	24.69

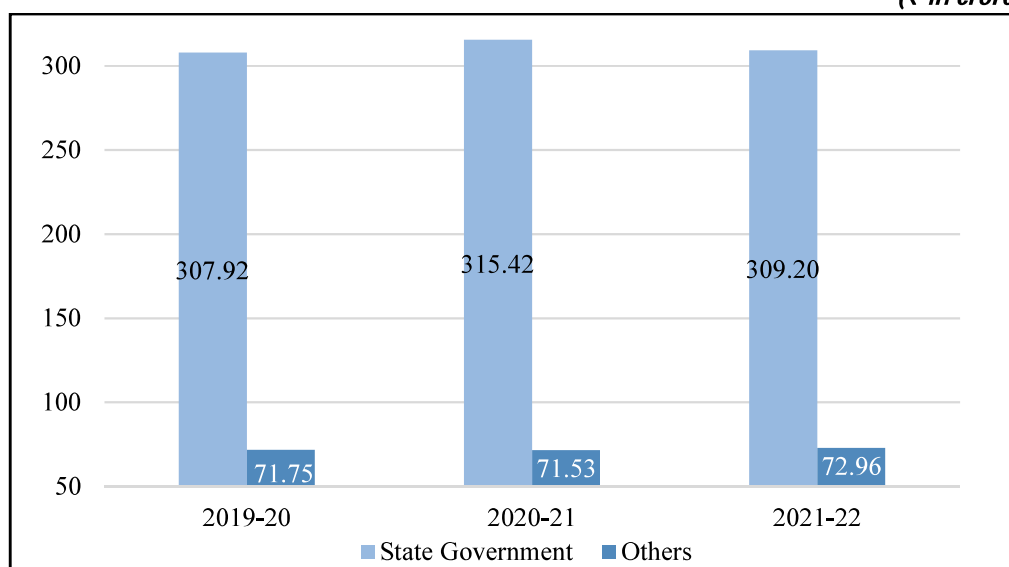
(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Out of total equity holding, equity held by the State Government in SPSE constituted 80.91 *per cent* during 2021-22.

Equity holding of State Government and others (Central Government, SPSE, Financial Institutions, banks *etc.*) in SPSE during 2019-22 is depicted in Chart 5.1.

Chart 5.1: Equity holding of State Government and others in SPSE

(₹ in crore)



(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Sector-wise investments of State Government in SPSE during the last two years (2020-22) is given in Table 5.5.

Table 5.5: Sector-wise investments of State Government in SPSE*(₹ in crore)*

Sector-wise investments by State Government						
Sector	2020-21			2021-22		
	Equity	Loans	Total	Equity	Loans	Total
Industries and Commerce	117.72	0.00	117.72	111.50	0.00	111.50
Public Works	11.20	0.00	11.20	11.20	0.00	11.20
Information Technology & Communication	13.40	0.00	13.40	13.40	0.00	13.40
Agriculture, Food and Allied Industries	5.25	1.24	6.49	5.25	1.24	6.49
Culture and Tourism	22.65	2.06	24.71	22.65	2.06	24.71
Transport	108.45	0.00	108.45	108.45	0.00	108.45
Others	36.75	1.45	38.20	36.75	1.45	38.20
Total	315.42	4.75	320.17	309.20	4.75	313.95

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

As on 31 March 2022, State Government's total investment of ₹ 313.95 crore in SPSE comprised equity capital of ₹ 309.20 crore (98.49 *per cent*) and long-term loans of ₹ 4.75 crore (1.51 *per cent*). State Government invested mainly in Industries and Commerce and Transport sectors, which together constituted 71 *per cent* of the total equity during 2021-22.

Budgetary support to SPSE

State Government provides financial support to SPSE in various forms through its annual budget. Further, State Government also helps SPSE in raising loans from banks and public financial institutions by giving guarantees for repayment of principal and interest.

Summarised details of budgetary outgo in the form of equity, loans, grants/subsidies, loans converted to equity, outstanding guarantees *etc.* for the last three years ending March 2022 are given in Table 5.6.

Table 5.6: Budgetary support to SPSE*(₹ in crore)*

Sr. No.	Particulars	2019-20		2020-21		2021-22	
		No. of SPSE	Amount	No. of SPSE	Amount	No. of SPSE	Amount
(i)	Equity Capital Outgo	Nil	Nil	Nil	Nil	Nil	Nil
(ii)	Loans given	1	1.20	Nil	Nil	1	1.20
(iii)	Grants/Subsidies provided	8	370.08	10	493.68	11	784.58
(iv)	Total outgo (i+ii+iii)		371.28		493.68		785.78
(v)	Loans written off	Nil	Nil	Nil	Nil	Nil	Nil
(vi)	Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
(vii)	Guarantees issued	1	30.00	2	312.87	1	363.30
(viii)	Outstanding Guarantees	3	499.85	3	677.67	2	385.44

(Source: Information furnished by SPSE)

As can be seen from table above, budgetary support by State Government towards equity, loans and grants/subsidies ranged between ₹ 371.28 crore and ₹ 785.78 crore during last three years (2019-22). Outstanding guarantee commitments of the State Government decreased from ₹ 499.85 crore in 2019-20 to ₹ 385.44 crore in 2021-22.

5.4.1 Restructuring, disinvestment and privatisation of SPSE

During 2021-22, no disinvestment, restructuring or privatisation of SPSE was done by the State Government. As already indicated in paragraph 5.2, one SPSE (Goa Auto Accessories Limited), which was under liquidation process since August 2020, had been dissolved by NCLT on 28 February 2022.

5.4.2 Analysis of outstanding loans given to SPSE

5.4.2.1 Outstanding long-term loans

As on 31 March 2022, outstanding long-term loans in nine out of 15 SPSE was ₹ 889.51 crore (Table 5.4). Outstanding long-term loans of nine SPSE decreased by ₹ 153.01 during 2021-22 (₹ 889.51 crore) over the previous year (₹ 1,042.52 crore).

Out of total outstanding loans as on 31 March 2022 (₹ 889.51 crore), loans amounting to ₹ 884.76 crore was given by the Central Government, financial institutions, banks, Central PSE *etc.* The remaining loan of ₹ 4.75 crore was extended by the State Government, of which, a significant amount (₹ 2.05 crore) was given to Goa Tourism Development Corporation.

5.4.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts.

Coverage of long-term loans by value of total assets in nine SPSE as on 31 March 2022 was positive, as shown in Table 5.7.

Table 5.7: Coverage of long-term loans with total assets in nine SPSE

Nature of SPSE	Positive Coverage			
	No. of SPSE	Long-term loans	Assets	Percentage of assets to loans
		(₹ in crore)		
Government Companies	8	762.52	2651.37	347.72
Statutory Corporations	1	126.99	613.34	482.98
Total	9	889.51	3264.71	367.02

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.4.2.3 Interest coverage

Interest Coverage Ratio (ICR) is used to determine the ability of a company to pay interest on its outstanding long-term/short-term debts. It is calculated by dividing the company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on its debts. An ICR below one indicates that the company was not generating sufficient revenues to meet its expenses on interest.

Details of positive and negative ICR of nine SPSE during last three years (2019-22) are given in Table 5.8.

Table 5.8: Interest Coverage Ratio of nine SPSE

Year	No. of SPSE having liability of loan and interest	No. of SPSE with ICR \geq 1	No. of SPSE with ICR $<$ 1
2019-20	9	4	5 ⁶
2020-21	9	5	4 ⁷
2021-22	9	5	4 ⁸

(Source: Information complied on the basis of accounts finalised up to 30 September 2022)

As may be seen from the table above, four out of nine SPSE had an ICR of less than one during 2021-22.

5.5 Returns from SPSE

Out of 15 SPSE, seven earned profits (₹ 70.42 crore) and eight reported losses (₹ 32.81 crore), as per latest accounts received by Audit up to 30 September 2022.

5.5.1 Profits earned by SPSE

Details of SPSE which earned profits of more than ₹ one crore is shown in Table 5.9.

Table 5.9: SPSE which earned profit of more than ₹ one crore

(₹ in crore)

Sr. No.	Name of SPSE	Profit
1	Goa State Infrastructure Development Corporation Limited	2.04
2	Economic Development Corporation Limited	66.69
Total		68.73

(Source: Information complied on the basis of accounts finalised up to 30 September 2022)

The above two SPSE contributed 98 *per cent* of the total profits earned by seven SPSE. These two SPSE could register profits largely because they were working in a monopolistic or near monopolistic environment. For instance, EDC, a premier financial institution, lends primarily to Government companies. Similarly, GSIDC executes works on behalf of the State Government for which it gets development fees, in addition to expenses incurred by it on project implementation. The remaining five SPSE (Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited, Goa Handicrafts, Rural & Small-Scale Industries Development Corporation Limited, Sewerage and Infrastructural Development Corporation of Goa Limited, Imagine Panaji Smart City Development Limited and Goa Electronics Limited) were engaged in social sector/other activities and earned marginal profits during the year.

⁶ Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited, Sewerage and Infrastructural Development Corporation of Goa Limited, Kadamba Transport Corporation Limited, Information Technology Corporation of Goa Limited and Goa Industrial Development Corporation

⁷ Goa Tourism Development Corporation Limited, Kadamba Transport Corporation Limited, Goa Industrial Development Corporation and Information Technology Corporation of Goa Limited

⁸ Goa State Horticulture Corporation Limited, Goa Tourism Development Corporation Limited, Kadamba Transport Corporation Limited and Goa Industrial Development Corporation

5.5.2 Losses incurred by SPSE

Eight⁹ out of 15 SPSE incurred losses, as per latest accounts received by Audit up to 30 September 2022. Losses incurred by these SPSE decreased from ₹ 140.91 crore in 2019-20 to ₹ 32.81 crore in 2021-22, as shown in Table 5.10.

Table 5.10: Number of SPSE incurring losses

(₹ in crore)

Year	No. of SPSE which incurred loss	Loss during the year	Accumulated losses at the end of March 2022
2019-20	06	140.91	259.47
2020-21	09	56.63	296.87
2021-22	08	32.81	303.51

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Out of total loss of ₹ 32.81 crore incurred by eight SPSE, loss of ₹ 12.51 crore (38 *per cent*) was incurred by one statutory corporation (Goa Industrial Development Corporation), which falls under Industries, Trade and Commerce sector.

Details of SPSE which incurred losses of ₹ one crore and above is shown in Table 5.11.

Table 5.11: SPSE that incurred losses of ₹ one crore and above

Sr. No.	Name of SPSE	Loss (₹ in crore)
1	Kadamba Transport Corporation Limited	7.67
2	Goa Industrial Development Corporation Limited	12.51
3	Goa Meat Complex Limited	1.22
4	Goa State Scheduled Tribes Finance and Development Corporation Limited	2.92
5	Goa Tourism Development Corporation Limited	4.98
6	Info Tech Corporation of Goa Limited	2.33
Total		31.63

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

These six SPSE accounted for nearly 97 *per cent* of the total losses incurred by eight SPSE.

5.5.3 Erosion of net worth of SPSE

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

As on 31 March 2022, net worth of three¹⁰ out of 15 SPSE had been completely eroded due to accumulated losses. Total net worth of these three

⁹ Goa Forest Development Corporation Limited, Goa Meat Complex Limited, Goa State Scheduled Tribes Finance and Development Corporation Limited, Sewerage and Infrastructural Development Corporation of Goa Limited, Kadamba Transport Corporation Limited, Goa State Horticulture Corporation Limited, Goa Tourism Development Corporation Limited and Goa Industrial Development Corporation Limited

¹⁰ Goa Meat Complex Limited, Kadamba Transport Corporation Limited and Goa Industrial Development Corporation

SPSE was (-) ₹ 114.87 crore, against their paid-up capital of ₹ 163.54 crore.

Maximum erosion of net worth was noticed in two SPSE namely, Kadamba Transport Corporation Limited and Goa Industrial Development Corporation, whose negative net worth was ₹ 61.37 crore and ₹ 52.80 crore respectively at the end of March 2022. Details of SPSE having negative net worth as on 31 March 2022 are shown in Appendix 5.3.

In three SPSE whose net worth had been completely eroded, equity of State Government as on 31 March 2022 was ₹ 126.17 crore and there were no loans outstanding from the State Government.

Recommendation 1: State Government may review the functioning of all loss-making SPSE, including those whose net-worth had been completely eroded, and take necessary steps to improve their financial performance.

5.5.4 Dividends paid by SPSE

A higher dividend pay-out ratio means that a larger portion of a company's earnings is being distributed to shareholders as dividends, while a lower dividend pay-out ratio means that a smaller portion of earnings is being paid out.

Out of 16 SPSE, State Government infused equity in 15¹¹ SPSE. Dividends paid by these 15 SPSE for the period 2019-22 is shown in Table 5.12.

Table 5.12: Dividends paid by SPSE during 2019-22

(₹ in crore)

Year	No. of SPSE where equity infused by State Government		No. of SPSE which earned profits during the year		No. of SPSE which declared/paid dividends during the year		Dividend pay-out ratio (percentage)
	No. of SPSE	Equity infused	No. of SPSE	Equity infused	No. of SPSE	Dividends declared/paid by SPSE	
1	2	3	4	5	6	7	8=7/5*100
2019-20	15	307.92	08	191.05	02 ¹²	1.41	0.74
2020-21	15	314.92	05	118.99	02 ¹³	1.41	1.18
2021-22	15	309.20	06	126.54	02 ¹⁴	1.41	1.11

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.5.5 Return on capital employed

Return on Capital Employed (ROCE) is a profitability metric that measures a company's long-term profitability and the efficiency with which total capital

¹¹ Goa Electronics Limited being a subsidiary of Economic Development Corporation Limited, State Government does not hold any equity in Goa Electronics Limited.

¹² Economic Development Corporation Limited and Goa State Infrastructure Development Corporation Limited

¹³ Economic Development Corporation Limited and Goa State Infrastructure Development Corporation Limited

¹⁴ Economic Development Corporation Limited and Goa State Infrastructure Development Corporation Limited

is employed by a company. ROCE is calculated by dividing company's earnings before interest and taxes (EBIT) by capital employed¹⁵. A higher ROCE means that a company is using its capital more efficiently to generate profits.

ROCE of 15 SPSE for the period 2019-22 is detailed in Appendix 5.4 while the summarised position is shown in Table 5.13.

Table 5.13: Return on capital employed by SPSE

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2019-20	151.26	1516.22	9.98
2020-21	110.95	1457.24	7.61
2021-22	145.24	1339.11	10.85

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.5.6 Return on equity of SPSE

Return on Equity or RoE shows how effectively the management is using the company's assets to create profits. RoE is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund.

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

RoE is expressed as a percentage and can be calculated for any company if the net income and shareholders' fund are both positive. A higher RoE indicates that a company is generating more profits relative to the amount of money that shareholders have invested in the company, while a lower RoE indicates that the company is generating less profit per rupee of shareholders' equity.

RoE of 15 SPSE for the period 2019-22 is shown in Appendix 5.5 while the summarised position is indicated in Table 5.14.

Table 5.14: Return on equity of SPSE

Year	No. of SPSE for which RoE calculated	Net income for the year (₹ in crore)	Shareholders' fund (₹ in crore)	RoE (in per cent)
2019-20	15	(-)98.47	427.82	(-)23.02
2020-21	15	(-)14.58	414.74	(-)3.52
2021-22	15	37.61	449.86	8.36

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.5.7 Rate of real return on investment

Rate of Real Return on Investments (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, and assumes

¹⁵ Paid-up share capital + free reserves and surpluses + long-term loans - accumulated losses - deferred revenue expenditure

significance when compared with the conventional Rate of Return (RoR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis.

By the end of 31 March 2022, Government of Goa infused capital of ₹ 1,034 crore in 15¹⁶ SPSE in the form of equity and interest free loans (IFL). In view of significant investments, RoRR on such investments is essential. Traditional calculation of return based only on historical cost of investments may not be a correct indicator of the adequacy of the RoRR on the investments, because, such calculations ignore the present value (PV) of money. Therefore, PV of the investments is computed to assess the RoRR.

In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2022, past investments/year-wise capital infused in SPSE have been compounded at the year-wise average rate of interest on Government borrowings, which is considered as the minimum cost of funds for the year concerned.

PV of investments in SPSE was computed on the basis of following assumptions:

- For the purpose of calculation of RoRR, information furnished by the SPSE in respect of equity/loans/loans converted as on 31 March 2022 has been considered.
- Average rate of interest on Government borrowings for the financial year concerned was adopted as the compound rate for arriving at PV, since it represents the cost incurred towards investment for the year and therefore, considered as the minimum expected RoRR.

Year-wise details of the investments and the present value of such investments made by the State Government for the period 2000-2001 to 2021-22 is depicted in Appendix 5.6. As may be seen from the Appendix, State Government's investment as on 31 March 2022 stood at ₹ 313.95 crore *i.e.* ₹ 309.20 crore as equity and ₹ 4.75 crore as IFL.

Table 5.15 summarises the details of investment made by the State Government and RoRR during the last five years (2017-22).

¹⁶ Goa Electronics Limited being a subsidiary of Economic Development Corporation Limited, State Government does not hold any equity in Goa Electronics Limited.

Table 5.15: Summary of year-wise details of investment made by State Government and RoRR during 2017-22

(₹ in crore)

Year	PV of total investment at the beginning of the year	Investment during the year by State Government	Total investment	Average rate of interest (per cent)	PV of total investment at the end of the year	Minimum expected return	Total earnings/ losses for the year	RoRR, considering PV of investment (per cent)
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)=H/F x100
2017-18	781.69	(0.55)	781.14	7.03	836.05	54.91	49.52	5.92
2018-19	836.05	11.43	847.48	6.95	906.38	58.90	53.01	5.85
2019-20	906.38	0.01	906.39	6.82	968.21	61.82	(98.47)	(10.17)
2020-21	968.21	1.28	969.49	6.48	1032.31	62.82	(14.58)	(1.41)
2021-22	1032.31	1.20	1033.51	6.41	1099.76	66.25	37.61	3.42

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

Figures in parenthesis indicate losses

As may be seen from the table above, RoRR ranged between 5.92 *per cent* and (-) 10.17 *per cent* during the last five years. However, it improved from (-) 1.41 *per cent* in 2020-21 to 3.42 *per cent* in 2021-22.

Rate of Return (RoR) on State Government investments (historical cost *vis-a-vis* present value) is depicted in Table 5.16.

Table 5.16: Rate of Return on State Government investment

(₹ in crore)

Year	Total earnings/ losses (-)	Investment by the State Government at historical cost at the end of year	RoR (per cent)	Investment by the State Government at present value at end of year	RoRR (per cent)
2021-22	37.61	313.95	11.98	1099.76	3.42

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

5.6 Oversight role of CAG

5.6.1 Appointment of statutory auditors by CAG

CAG appoints statutory auditors for Government companies as per Section 139 (5)/(7) of the Companies Act, 2013 (Act). The Sections stipulate that statutory auditors in case of Government companies are to be appointed by the CAG within a period of 180 days from the commencement of the financial year and 60 days from the date of registration, in case of appointment of first auditor. CAG has the right to conduct a supplementary audit and issue comments there upon or supplement the Audit Report of the statutory auditor. Statutes governing some corporations require that their accounts be audited by the CAG and a report submitted to the State Legislature.

5.6.2 Submission of accounts by SPSE

5.6.2.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working of a Government company is to be prepared within three months of its Annual General Meeting (AGM). The Annual Report must be laid before the Legislative Assembly, together with a copy of comments of the CAG there upon or as supplement to the Audit Report. Almost similar provisions exist in

the respective Acts regulating statutory corporations. This mechanism provides necessary legislative control over the utilisation of public funds invested in the companies.

Section 96 of the Companies Act, 2013 requires every company to hold an AGM of its shareholders once in every calendar year. Further, not more than 15 months shall elapse between the date of one AGM and that of the next.

Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year shall be placed in the AGM by 30 September of the following year, for their consideration.

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

5.6.2.2 Timeliness in preparation of accounts

As of 31 March 2022, there were 16 SPSE under the purview of CAG's audit. Out of 16 SPSE, only one¹⁷ SPSE submitted accounts for the year 2021-22 while the remaining 15 had their accounts in arrears. Ten out of 15 SPSE submitted accounts for the previous years up to 30 September 2022.

Details of arrears in submission of accounts as on 30 September 2022 is shown in Table 5.17.

Table 5.17: Details of finalisation of accounts

Particulars		Government companies		Statutory corporations		Total SPSE	
Total No. of SPSE		14		02		16	
No. of SPSE which presented accounts of 2021-22 for CAG's audit by 30 September 2022		01		00		01	
No. of accounts in arrears		43 (of 13 companies)		17 (of 02 corporations)		60	
No. of SPSE which submitted accounts for previous years (No. of accounts)		09(09)		01(01)		10(10)	
Break-up of arrears of accounts		Govt. companies	No. in arrears	Statutory corporations	No. in arrears	No. of SPSE	No. in arrears
Age-wise analysis of arrears	One year (2021-22)	13	13	02	02	15	15
	Two years (2019-20 and 2020-21)	05	10	01	02	06	12
	Three years and more	05	20	02	13	07	33
	Total		43		17		60

(Source: Information compiled on the basis of accounts finalised up to 30 September 2022)

List of SPSE with status of accounts in arrears is shown in Appendix 5.1.

Recommendation 2: State Government may issue necessary instructions to administrative departments to set targets for timely submission of accounts by SPSE and ensuring speedy clearance of accounts in arrears.

¹⁷ Goa Electronics Limited

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

5.6.3.1 Financial reporting framework

Companies are required to prepare financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India (ICAI), after consultation with and after examination of the recommendations made by the National Financial Reporting Authority.

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 in the Act governing such corporations.

5.6.3.2 Audit of accounts of Government companies by statutory auditors

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

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

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

5.6.3.3 Supplementary audit of annual accounts of Government companies

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

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

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

5.7 Results of CAG's oversight role

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

As on 30 September 2022, only one¹⁸ out of 16 SPSE submitted its financial statements for the year 2021-22. Further, during the period 01 October 2021 to 30 September 2022, 10 SPSE submitted 10 financial statements/accounts for previous years, the oldest being for the year 2013-14. The remaining five did not submit any financial statements/accounts during the period 01 October 2021 to 30 September 2022.

Of these 11 accounts, Non-Review Certificates were issued in respect of four accounts and seven accounts¹⁹ were reviewed. The results of the review are detailed below.

5.7.1.1 Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on SPSE

Significant comments issued by the CAG on the supplementary audit are detailed below. Due to impact of these comments, losses increased by ₹ 20.10 crore. Similarly, assets and liabilities increased by ₹ 3.42 crore and ₹ 23.52 crore, respectively. Further, material facts of ₹ 23.48 crore were not disclosed under notes to accounts.

Comments on profitability

Sr. No.	Name of Company	Comment
1	Goa Industrial Development Corporation (2020-21)	<p>Non-accounting/provisioning of liability of interest on lease rent of ₹ 1.59 crore was refundable to two SEZ allottees on account of orders (December 2004) of Hon'ble High Court of Bombay at Goa. Subsequently, the Company, with the approval of Government of Goa, decided to settle the issue by refunding the amount collected from allottees along with interest. This resulted in understatement of deficit for the year – Contingent Expenses (Schedule No. 3) with corresponding understatement of sundry creditors (Schedule No. 14) by ₹ 20.08 crore.</p> <p>State Government allowed deferment of payment of annual instalments of premium by lessees for the year 2020-21 without interest and penalty. Accordingly, the Company waived the interest receivable of ₹ 0.76 crore for the year 2019-20. This resulted in overstatement of deficit with corresponding understatement of 'Interest Accrued but not Received on Plots' under income accrued but not due (Schedule No. 10) by ₹ 0.76 crore.</p>

¹⁸ Goa Electronics Limited

¹⁹ Goa Electronics Limited, Sewerage and Infrastructure Development Corporation of Goa Limited, Economic Development Corporation Limited, Kadamba Transport Corporation Limited, Goa Industrial Development Corporation, Goa State Infrastructure Development Corporation Limited and Goa State Horticulture Corporation Limited

Comments on financial position

Sr. No.	Name of Company	Comment
1	Goa Industrial Development Corporation (2020-21)	Instalment amount of ₹ 10.05 crore, including interest of ₹ 2.77 crore, collected from entrepreneurs against sheds given on hire-purchase scheme remained unadjusted. This resulted in: <ul style="list-style-type: none"> • overstatement of ‘Shed Account’ under development of industrial areas/estate (Schedule No. 2) by ₹ 10.05 crore and ‘Sheds given on Hire Purchase Scheme’ by ₹ 12.82 crore; and • understatement of income by ₹ 2.77 crore with consequent overstatement of accumulated deficit by ₹ 2.77 crore.
		Incorrect accounting of refund of license fee to five SEZ allottees under taxes and fees, resulted in understatement of liabilities – sundry creditors and deficit by ₹ 6.21 crore.
		Credit balance in sundry debtors for hire-purchase of shed was not supported by relevant documents/details to confirm the liability. Therefore, the veracity of the liability to the extent of ₹ 1.70 crore could not be vouched by Audit.
		Non-recognition of enhancement in the value of land, due to additional compensation payable to landlords, as per orders (December 2004) of Hon’ble High Court of Bombay at Goa in respect of land acquired in Kerim village of Ponda taluka, resulted in: <ul style="list-style-type: none"> • understatement of creditors (Schedule No. 14) for land acquisition by ₹ 0.37 crore; • understatement of fixed assets - freehold land under development of industrial areas/estate (Schedule No. 2) by ₹ 5.12 crore; and • overstatement of deposits by ₹ 4.75 crore.
		Incorrect accounting of lease rent receivable due to difference in amount shown in the balance sheet (₹ 15.35 crore) and that shown in the records of Estate Division (₹ 18.01 crore), resulted in understatement of assets - sundry debtors for lease rent of land (Schedule No. 9) by ₹ 2.66 crore.

Comments on disclosure/general

Sr. No.	Name of Company	Comment
1	Goa Industrial Development Corporation (2020-21)	Ministry of Coal, GoI declared (September 2019) the Company as the successful allottee for the Dongri Tal II Coal Block, Madhya Pradesh. As per provisions of the allotment agreement executed on 30 October 2019, Company was to remit an upfront fee of ₹ 9.07 crore, ₹ 14.41 crore as fixed amount and a bank guarantee of ₹ 163.96 crore for issue of allotment order. State Government granted approval (December 2019) to the Company to raise funds from the open market. This material fact was not suitably disclosed in the notes to financial statements.
		Paragraph 4 (Revenue Recognition) of the significant accounting policies of the Company states that revenue in respect of annual rent on plots/sheds and annual rent on leased assets should be accounted for on accrual basis. However, in the absence of detailed working of individual cases of annual rent leviable, accrued and due in respect of all the leased assets of the Company (including sheds), adherence to the stated accounting policy could not be verified in audit.

Sr. No.	Name of Company	Comment
2	Goa State Horticultural Corporation Limited (2016-17)	The Company did not disclose the fact of uncertainty in recovery of trade receivables (Note No. 11) of amount outstanding from various debtors (₹ 0.42 crore) prior to 2013-14. The Company did not recover the amount even at the time of preparing the subsequent financial statements. Therefore, the chances of recovery appeared to be remote and this material fact should have been disclosed.
3	Sewerage and Infrastructure Development Corporation of Goa Limited (2020-21)	The Company did not disclose contingent liabilities of ₹ 30 lakh payable on account of its share of damages, as per lower courts' judgement, which was under appeal.

Comments on auditor's report

Sr. No.	Name of Company	Comment
1	Goa State Horticultural Corporation Limited (2016-17)	Independent auditor's report under point No.1 on 'Basis for qualified opinion' showed that out of total grant of ₹ 3,81,18,285 received during the year from Government of Goa under 'Government intervention for control of price rise scheme', an amount of ₹ 3,64,91,540 was credited to Profit and Loss account and the balance of ₹ 16,26,745 was shown as refundable to the Government. Opinion of the independent auditor was found to be factually incorrect, as the amount finally credited to the Profit and Loss account was only ₹ 2,61,83,661, as shown under item (b) of Note No. 15 - Other Income. Thus, the amount refundable to the Government worked out to ₹ 1,19,34,624 and not ₹ 16,26,745.
2	Sewerage and Infrastructure Development Corporation of Goa Limited (2020-21)	Independent auditor's report was not in conformity with the requirements of Standards of Auditing (SA) 700 and 705 as (a) auditors expressed a 'qualified opinion' on the financial statements, and (b) auditors also expressed a 'disclaimer opinion' on the financial statements for the matters mentioned under basis for disclaimer opinion. As the auditors were responsible to form and express an opinion on the financial statements as a whole, expressing a qualified opinion as well as a disclaimer opinion on the same financial statements was misleading. Besides, as per paragraph 22 of SA 705, the title of the first para of the report should have been 'Qualified Opinion' instead of 'Opinion'.

Comments on cash flows

Sr. No.	Name of Company	Comment
1	Goa Electronics Limited (2020-21)	Interest received (₹ 28.07 lakh) was incorrectly shown as an item of cash outflow instead of cash inflow. Consequently, net cash flow from investing activities (outflow) was overstated by ₹ 56.14 lakh and the net cash flow from operating activities (inflow) was overstated by ₹ 56.14 lakh.

5.7.2 Management letter

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.

Material observations on financial statements of SPSE are reported as comments by the CAG under Section 143(6) of the Companies Act, 2013. Besides, irregularities or deficiencies observed by the CAG in the financial reports or during the reporting process are also communicated to the management through management letters for taking corrective action.

Such irregularities or deficiencies generally relate to (a) non-provisioning for various liabilities, (b) adjustments arising out of audit findings, and (c) inadequate disclosures or non-disclosure of certain information on which management assured that corrective action would be taken in the subsequent year.

During 2021-22, Audit issued three management letters to three SPSE, as shown in Appendix 5.7

5.8 Submission of Accounts/Separate Audit Reports of autonomous bodies

Audit of accounts of 14 autonomous bodies/authorities in the State has been entrusted to the CAG under Section 19(2), 19(3) and 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

As of January 2023, accounts of only one out of 14 autonomous bodies namely, Goa Secondary and Higher Secondary Education Board was received up to the accounting year 2021-22. Accounts of remaining 13 autonomous bodies were pending for different periods, as detailed in Appendix 4.2. The Appendix showed that accounts of North Goa Zilla Panchayat had been pending since 2009-10. Pendency of accounts for submission to Audit was brought to the notice of the departments concerned of the State Government from time-to-time. Paragraph 4.9 shows the details of delay in submission of accounts from autonomous bodies.

No adverse opinion was issued for accounts audited during 2021-22.

5.9 Conclusion

- During 2021-22, SPSE (Government companies and statutory corporations) registered an annual turnover of ₹ 824.35 crore, which was 0.97 *per cent* of the GDP of the State.
- At the end of 31 March 2022, investment of State Government in SPSE in the form of equity and long-term loans was ₹ 313.95 crore, against the total investment of ₹ 1,271.67 crore. Outstanding long-term loans of SPSE as on 31 March 2022 decreased by ₹ 153.01 crore, from ₹ 1,042.52 crore in 2020-21 to ₹ 889.51 crore in 2021-22.
- Out of 15 SPSE, seven SPSE earned profits of ₹ 70.42 crore, while eight incurred losses of ₹ 32.81 crore. As on 31 March 2022, eight SPSE had accumulated losses of ₹ 303.51 crore. Sixty accounts of 15 SPSE were in arrears.


- As on 31 March 2022, net worth of three out of 15 SPSE had been completely eroded due to accumulated losses. Total net worth of these three SPSE was (-) ₹ 114.87 crore, against their paid-up capital of ₹ 163.54 crore.

Panaji
The 23 June 2023


(ANITHA BALAKRISHNA)
Principal Accountant General, Goa

Countersigned

New Delhi
The 27 June 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India