

CHAPTER – III

**ECONOMIC SECTOR
(STATE PUBLIC SECTOR
ENTERPRISES)**

CHAPTER-III

ECONOMIC SECTOR (State Public Sector Enterprises)

3.1 Functioning of State Public Sector Enterprises

3.1.1 Introduction

The State Public Sector Enterprises (SPSEs) consist of State Government Companies and Statutory Corporations. The SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and the State economy. As of 31 March 2023, there were six SPSEs (all Government companies) in Mizoram as detailed in **Table-3.1**:

Table-3.1: Total number of SPSEs as of 31 March 2023

Type of SPSE	Working SPSEs	Non-working SPSEs	Total
Government Companies ⁹⁷	6	0	6
Total	6⁹⁸	0	6

None of these companies were listed on the stock exchange, which means that the shares of the SPSEs cannot be traded in the stock exchange. A Special Purpose Vehicle namely, Aizawl Smart City Limited (ASCL) was established (November 2017) by the State Government and registered under the Companies Act, 2013 (March 2018).

3.1.2 Investment in SPSEs

3.1.2.1 State Government's investment in SPSEs

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

As of 31 March 2023, the investment by the Government of Mizoram (GoM) (capital and long-term loans) in six SPSEs was ₹ 53.57 crore⁹⁹ as detailed in **Table-3.2**:

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

(₹ in crore)

Year	Equity Capital	Long term Loans	Total
2022-23	53.47	0.10	53.57
2018-19	52.82	0.10	52.92

Source: Information furnished by SPSEs

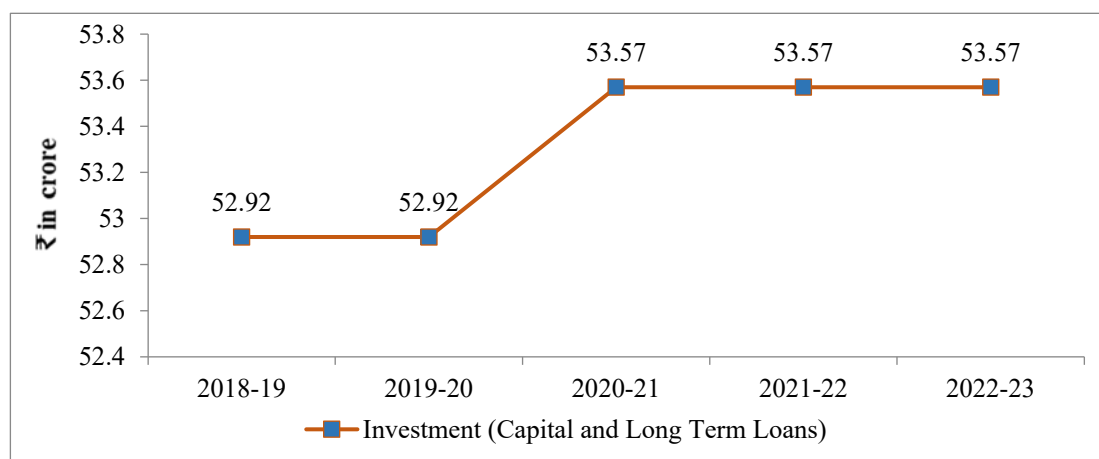
The State Government's investment as of 31 March 2023 consisted of ₹ 53.47 crore (99.81 *per cent*) towards equity capital and ₹ 0.10 crore (0.19 *per cent*) in long-term loans as against ₹ 52.82 crore (99.81 *per cent*) towards equity capital and ₹ 0.10 crore (0.19 *per cent*) in long-term loans as of 31 March 2019. A graphical presentation of the State Government's investment in SPSEs during the last five years (2018-19 to 2022-23) has been given in **Chart-3.1**:

⁹⁷ Government Companies include 'Other Companies' referred to in Section 139(5) and 139(7) of the Companies Act, 2013

⁹⁸ (1) Mizoram Agricultural Marketing Corporation Limited (MAMCO) (2) Mizoram Food & Allied Industries Corporation Limited (MIFCO) (3) Zoram Infrastructure and Industrial Development Corporation Limited (ZIDCO) (4) Zoram Electronics Development Corporation Limited (ZENICS) (5) Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANDCO) (6) Aizawl Smart City Limited (ASCL)

⁹⁹ The figures of investment are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their accounts for 2022-23 as of September 2023

Chart-3.1: State's total investment in SPSEs



Source: Information furnished by SPSEs

As can be noticed from **Chart-3.1** above, the State Government's investment in State Public Sector Enterprises (SPSEs) has increased marginally by 1.23 *per cent* (₹ 0.65 crore) from ₹ 52.92 crore in 2018-19 to ₹ 53.57 crore in 2022-23. This increase was attributable to State's contribution of ₹ 0.65 crore in the equity capital of Mizoram Agriculture Marketing Corporation Limited (₹ 0.60 crore) and Aizawl Smart City Limited (₹ 0.05 crore) during the said period.

During 2022-23, out of six SPSEs in which the State Government had directly invested, only one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) earned profit (₹ 0.98 crore) while remaining five SPSEs incurred losses (₹ 3.61 crore) as per their latest finalised accounts (**Appendix-3.1.1**). Despite the profit earned, Zoram Infrastructure and Industrial Development Corporation Limited did not declare any dividend during 2022-23. As of 30 September 2023, the State Government had not established any policy mandating a minimum dividend payout by the SPSEs.

The State Government's investment (historical value) in SPSEs had eroded by 1.37 *per cent* in 2022-23 (**Appendix-3.1.2**) and the accumulated losses (₹ 30.81 crore) of two SPSEs¹⁰⁰ had completely eroded the State's investment (₹ 25.97 crore) in their paid-up capital, as per their latest finalised accounts.

3.1.2.2 Total Sector-wise investment in SPSEs

Total investment of State Government and Other Stakeholders (Central Government, Holding companies, Banks, Financial Institutions, *etc.*) in SPSEs across various key economic sectors for the period ending 31 March 2023 has been given in **Table-3.3**.

¹⁰⁰ Serial No. 1 and 2 of **Appendix-3.1.1**

Table-3.3: Sector-wise details of total investments¹⁰¹ in SPSEs

(₹ in crore)

Sector	Investment					
	Total Equity	State Govt. Equity	Total Long-term loans	State Govt. Loans	Total Equity and Long-term Loans	Sector wise Investment to total Investment (per cent)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Agricultural Marketing Sector SPSEs ¹⁰²	26.05	24.69	Nil	Nil	26.05	44.00
Other SPSEs	33.06	28.78	0.10	0.10	33.16	56.00
Total	59.11	53.47	0.10	0.10	59.21	100

Source: Information as furnished by SPSEs

The thrust of investment in SPSEs was mainly in 'Agricultural Marketing Sector' (total two SPSEs), which received as much as 44.00 per cent (₹ 26.05 crore) of total investment of (₹ 59.21 crore). On the other hand, remaining four SPSEs under Other Sectors (Financing, Manufacturing and Miscellaneous Sectors), received balance 56 per cent (₹ 33.16 crore) of total SPSE investment as of 31 March 2023. Further, the State Government had contributed 90.47 per cent (₹ 53.57 crore) of the total investment (₹ 59.21 crore) in the SPSEs as of 31 March 2023.

3.1.3 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per the records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as of 31 March 2023 is given in Table-3.4.

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

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSEs	Difference
Equity	6.99	53.47	46.48
Loans ¹⁰³	30.03	0.10	29.93
Guarantee	29.46	39.68	10.22

Source: Finance Accounts 2022-23 and SPSEs' records

As of 31 March 2023, there were unreconciled differences in the figures of equity (₹ 46.48 crore), loans (₹ 29.93 crore) and Guarantee outstanding (₹ 10.22 crore) as per two sets of records. The differences in equity occurred in respect of all six SPSEs where State Government had made direct investment and reconciliation of these differences had been pending for more than ten years.

¹⁰¹ The figures of investment are provisional and as provided by the SPSEs as none of the six SPSEs had finalised their accounts for 2022-23 as of September 2023

¹⁰² Mizoram Agricultural Marketing Corporation Limited and Mizoram Food & Allied Industries Corporation Limited

¹⁰³ Loans as per Finance Accounts represent the aggregate of 'Detailed Statement of Loans and Advances given by the Government' as depicted under Statement 18 to the State Finance Accounts for the respective year

As regards the Loan figures, the Finance Department of the State Government allocates loans to various departments for specific sectoral purposes. The loan amounts are recorded in the Finance Accounts based on the sector they are allocated to. The departments receiving the loans then disburse the same to the SPSEs under their control. However, the actual details of loans received by the SPSEs from the State Government/ departments concerned, are not available in the State Finance Accounts.

Recommendation: *The State Government and the SPSEs concerned should take prompt and effective action to reconcile the figures between records of the SPSEs and the Finance Accounts in a time-bound manner. The Government should correct the system of recording the funds provided to SPSEs in the State Finance Accounts.*

3.1.4 Special support and guarantees to SPSEs during the year

The State Government provides financial support to SPSEs in various forms through annual budgetary allocations. The details of budgetary outgo towards equity, loans and grants/ subsidies in respect of SPSEs for last three years ended 2022-23 are given in Table-3.5.

Table-3.5: Details of budgetary support to SPSEs

(₹ in crore)

Particulars	2020-21		2021-22		2022-23	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital outgo from budget	1	0.05	-	-	-	-
Loans given from budget	-	-	-	-	-	-
Grants/ subsidy	3	13.49	2	6.22	3	14.74
Total Outgo	4	13.54	2	6.22	3	14.74
Guarantees issued during the year	-	-	-	-	-	-
Guarantee Commitment (Cumulative)	1	29.46	1	30.56	1	39.68

Source: As furnished by the SPSEs

As can be noticed from Table-3.5, the State Government's budgetary support for SPSEs was lowest during 2021-22 at ₹ 6.22 crore in last three years. During 2022-23, the State Government provided Grants/ subsidy of ₹ 14.74 crore to three SPSEs¹⁰⁴ mainly to meet the salaries and other operating expenses, which was highest in last three years. However, the State Government did not provide any financial support in the form of equity capital or long-term loans to any of the SPSEs during previous two years (2021-22 and 2022-23).

Government of Mizoram provides guarantee under Mizoram Guarantee Act, 2011 allowing SPSEs to secure long-term loans from Banks and other financial institutions. As on 31 March 2023, Guarantee commitments of ₹ 39.68 crore were outstanding against one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited).

3.1.5 Accountability framework

The financial statements of a Company in respect of financial years starting on or after 1 April 2014, are subject to audit under the provisions of the Companies Act, 2013. Financial statements for years starting before 1 April 2014, continue to be audited

¹⁰⁴ Aizawl Smart City Limited (₹ 8.11 crore); Zoram Infrastructure & Industrial Development Corporation Limited (₹ 4.02 crore) and Mizoram Food & Allied Industries Corporation Limited (₹ 2.61 crore)

under the Companies Act, 1956. The new act brings about a more comprehensive regulatory framework, increased management responsibility, and greater professional accountability.

3.1.5.1 Statutory Audit/ Supplementary Audit

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

3.1.5.2 Role of Government and Legislature

The State Government oversees the operation of these SPSEs through its administrative departments and appoints the Board of Directors.

The State Legislature also monitors the accounting and usage of Government investments in the SPSEs through the examination of Annual Reports, Statutory Auditors' Reports and comments of the CAG thereon, which are placed before the Legislature under Section 394 of the Act.

3.1.6 Arrears in finalisation of accounts

The companies must finalise their financial statements within six months after the end of the fiscal year *i.e.*, by September end, in accordance with Section 96 (1) of the Companies Act 2013. Non-compliance may result in penalties under Section 99 of the Act. Timely completion of financial accounts is crucial for the State Government to evaluate the financial stability of the SPSEs, prevent financial inaccuracies and mismanagement. Persistent delay in finalisation of financial accounts poses significant risks, including the potential risk against undetected fraud and misappropriation of public funds besides violation of the provisions outlined in the Companies Act, 2013.

Details of progress made by the working SPSEs in finalisation of their annual accounts for the period 2018-19 to 2022-23 are given in **Table-3.6**.

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

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Number of SPSEs	6	5 ¹⁰⁵	6 ¹⁰⁶	6	6 ¹⁰⁷
Number of accounts finalised during current year	2	2	1	5	4
Number of SPSEs with arrears in accounts	6	5	6	6	6
Number of accounts in arrears	28	27	34	35	37
Extent of arrears in years	1 to 9	1 to 10	2 to 11	1 to 12	2 to 13

As can be noticed from **Table-3.6**, the number of SPSE-accounts in arrears has increased over the period of last five years. It can further be noticed that during the last five years (2018-23), only five SPSEs could finalise total 14 accounts, leading to gradual increase in the backlog of SPSE-accounts from 28 Accounts (2018-19) to 37 Accounts (2022-23).

¹⁰⁵ One SPSE (Mizoram Mineral Development Corporation Limited) with backlog of four Accounts dissolved during 2019-20

¹⁰⁶ One new SPSE (Aizawl Smart City Limited) with backlog of two Accounts was added under CAG's audit purview

¹⁰⁷ Zoram Electronics Development Corporation Limited (ZENICS) reconstitution order issued by the State Government on 31 March 2023

During 2022-23, only one out of six working SPSEs (Mizoram Food and Allied Industries Corporation Limited) was able to finalise four Annual Accounts. As of 30 September 2023, none of the SPSEs had prepared their accounts for 2022-23. The oldest Accounts in arrears was since 2010-11 (13 Accounts), which related to Zoram Electronics Development Corporation Limited (**Appendix-3.1.1**).

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

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

Recommendations:

The State Government may ensure that existing vacancies in the accounts department of SPSEs are timely filled up with persons having domain expertise and experience.

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

Persistent delay in finalisation of accounts is fraught with the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. Audit analysis revealed that as of 31 March 2023, Government of Mizoram had provide Grants of ₹ 42.38 crore to five SPSEs during the years for which these SPSEs had not finalised their accounts as shown in **Table-3.7**.

Table-3.7: Grants by State Government in SPSEs having accounts in arrears as of 31 March 2023

(₹ in crore)

Sl. No.	Name of SPSE	Accounts finalised up to	Details of Accounts in arrears		Grants made by State Government during the period for which accounts are in arrears
			Period	Number	
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	2012-13 to 2022-23	11	1.12
2.	Zoram Infrastructure and Industrial Development Corporation Limited	2020-21	2021-22 & 2022-23	02	7.91
3.	Zoram Electronics Development Corporation Limited	2009-10	2010-11 to 2022-23	13	8.41
4.	Mizoram Food and Allied Industries Corporation Limited	2018-19	2019-20 to 2022-23	04	9.27
5.	Aizawl Smart City Limited	2019-20	2020-21 to 2022-23	03	15.67
Total					42.38

Source: Information as furnished by the SPSEs

As can be seen from **Table-3.7**, two SPSEs (serial no. 1 and 3 of **Table-3.7**) having highest pendency of accounts (11 and 13 years) received budgetary support of ₹ 9.53 crore by way of Grants during the years for which their accounts were in arrears. In the

absence of accounts and subsequent audit, it could not be ascertained as to whether the Grants provided to these five SPSEs and expenditures incurred there against have been properly accounted for.

Recommendation: *The Government may take special measures for expeditious clearance of arrears of accounts of the SPSEs. Until these accounts are brought up to date, Government may contemplate withholding the financial assistance to such companies.*

3.1.8 Performance of SPSEs as per their latest finalised accounts

The financial position and working results of working SPSEs are detailed in **Appendix-3.1.1. Table-3.8** provides comparative details of working SPSE's turnover and State GSDP for a period of five years ending 2022-23.

Table-3.8: Details of working SPSEs turnover vis-à-vis State GDP

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Turnover ¹⁰⁸	13.87	10.78	10.50	82.19	86.41
State GSDP ¹⁰⁹	21,912	24,990	23,923	27,824	32,829
Percentage of Turnover to State GSDP	0.06	0.04	0.04	0.30	0.26

Source: GSDP figures rounded off to nearest 'Rupees in crore'

As can be noticed from **Table-3.8** above, the contribution of SPSEs-turnover to GSDP of Mizoram during the last five years was negligible ranging between 0.04 per cent (2019-20) and 0.30 per cent (2021-22). However, overall contribution of SPSEs-turnover to the GDSP increased significantly after 2020-21 from ₹ 10.50 crore (2020-21) to ₹ 86.41 crore (2022-23) mainly because of growth of ₹ 71.69 crore (737.55 per cent) in the turnover of one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) from ₹ 9.72 crore (2020-21) to ₹ 81.41 crore (2022-23).

3.1.8.1 Key parameters

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

Table-3.9: Key Parameters of SPSEs

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Debt ¹¹⁰	0.10	0.10	0.10	0.10	0.10
Turnover ¹¹¹	13.87	10.78	10.50	82.19	86.41
Debt/ Turnover Ratio (DTR)	0.007:1	0.009:1	0.009:1	0.001:1	0.001:1
Interest Payments	-	-	-	-	-
Accumulated losses	57.10	54.89	55.18	56.28	57.64

Source: Latest finalised accounts of SPSEs

¹⁰⁸ Turnover of working SPSEs as per their latest finalised accounts

¹⁰⁹ Information furnished by the Directorate of Economics and Statistics, GoM

¹¹⁰ Long term loans (Debts) represent the SPSE borrowings with repayment tenure of more than three years. Hence, the short term borrowings of the SPSE (repayable within three years' period) have been excluded and figures of debt accordingly modified

¹¹¹ Turnover of working SPSEs as per their latest finalised accounts as of 30 September of the respective year

Debt-Turnover Ratio

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

SPSE Debt

As shown in **Table-3.9**, SPSE-debts for the period from 2018-19 to 2020-21 remained constant at ₹ 0.10 crore, which was an 'interest free loan' provided by the State Government to Mizoram Handloom and Handicrafts Development Corporation Limited. As such, there was no interest expenditure against long-term borrowings availed by any of the SPSEs in Mizoram during last five years (2018-23). Further, the SPSE-turnover during the five years had increased significantly from ₹ 13.87 crore (2018-19) to ₹ 86.41 crore (2022-23). This has resulted in fractional improvement in the DTR in the last five years from 0.007:1 (2018-19) to 0.001:1 (2022-23). However, as the SPSEs in Mizoram had no long term borrowings bearing interest liability during 2018-23, the analysis of DTR in Mizoram SPSEs did not have much relevance.

During 2018-23, the accumulated losses of the SPSEs had shown a mixed trend and had recorded a marginal increase of ₹ 0.54 crore (0.95 *per cent*) from ₹ 57.10 crore (2018-19) to ₹ 57.64 crore (2022-23).

3.1.8.2 Erosion of capital due to losses

As of 30 September 2023 (**Appendix-3.1.1**), the paid-up capital and accumulated losses of six working SPSEs were ₹ 59.03 crore and ₹ 57.64 crore respectively as per their latest finalised accounts.

During 2022-23, the Return on Equity¹¹² (RoE) in respect of four SPSEs¹¹³ was 7.27 *per cent*¹¹⁴ as per their latest finalised accounts. The accumulated losses (₹ 30.81 crore) of remaining two SPSEs have completely eroded their paid-up capital (₹ 25.97 crore) as detailed in **Table-3.10**.

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

(₹ in crore)

Sl. No.	Name of SPSE	Latest finalised accounts	Paid up capital	Accumulated loss
1.	Mizoram Agricultural Marketing Corporation Limited	2011-12	5.97	8.54
2.	Mizoram Food and Allied Industries Corporation Limited	2018-19	20.00	22.27
Total			25.97	30.81

Source: Latest finalised accounts of SPSEs

¹¹² Return on Equity = Net Profit after taxes *less* preference dividend ÷ Shareholders' Fund/ Equity; Where, Shareholders' Fund/ Equity represents 'Paid up Share Capital *plus* Free Reserves and Surplus *minus* Accumulated Loss *minus* Deferred Revenue Expenditure

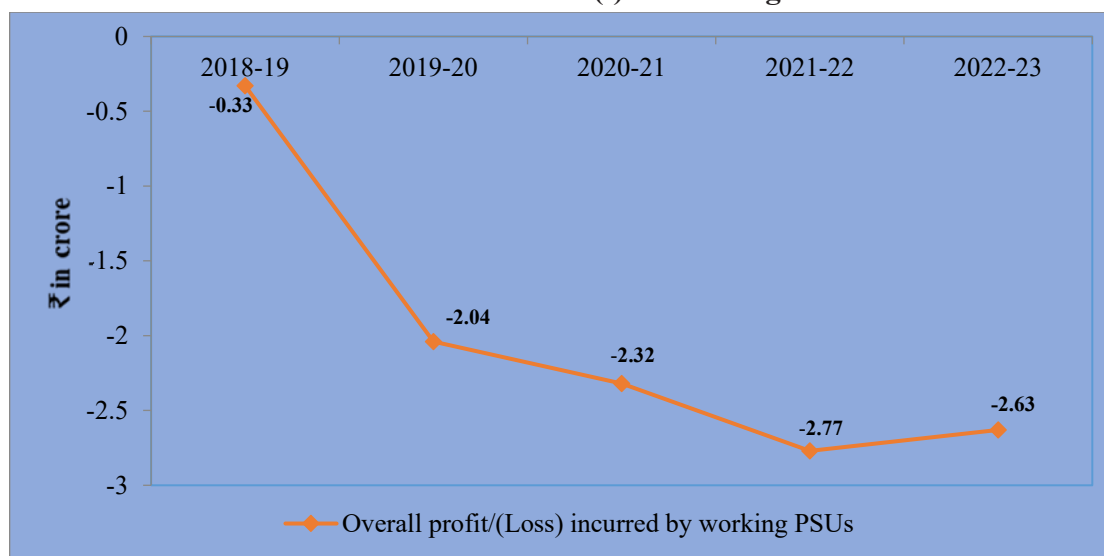
¹¹³ Zoram Infrastructure and Industrial Development Corporation Limited (ZIDCO), Zoram Electronics Development Corporation Limited (ZENICS), Mizoram Handloom and Handicrafts Development Corporation Limited (ZOHANDCO) and Aizawl Smart City Limited

¹¹⁴ Overall profit (₹ 0.45 crore) ÷ Overall Shareholders' Fund (₹ 6.19 crore) x 100

The continued losses incurred by the SPSEs have resulted in a significant depletion of public assets, raising serious concerns. In the light of this, it is imperative for the State Government to re-evaluate the functioning of these SPSEs and take necessary measures to either enhance their financial viability or shut down their operations if deemed necessary.

Analysis of the operational results of the SPSEs in Mizoram revealed that the SPSEs have incurred overall losses during all the previous years from 2018-19 to 2022-23. A graphical presentation of the overall losses incurred by the working SPSEs during 2018-19 to 2022-23 as per their latest finalised accounts as of 30 September of the respective years have been depicted in **Chart-3.2**.

Chart-3.2: Overall losses (-) of working SPSEs



It can be seen from **Chart-3.2** above that during the last five years, the SPSEs incurred overall losses ranging between ₹ 0.33 crore (2018-19) and ₹ 2.63 crore (2022-23). The SPSE-losses were highest during 2021-22 (₹ 2.77 crore) in last five years.

During the year 2022-23, out of six SPSEs, one SPSE (Zoram Industrial Development Corporation Limited) earned profit of ₹ 0.98 crore while the remaining five SPSEs incurred aggregate losses of ₹ 3.61 crore. The details of major contributors to profits and losses of working SPSEs are given in **Table-3.11**.

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

(₹ in crore)

Name of SPSE	Latest finalised accounts	Profit (+)/ loss (-)
Contributors to SPSE-profits		
Zoram Industrial Development Corporation Limited	2020-21	(+) 0.98
Contributors to SPSE-losses		
Mizoram Agricultural Marketing Corporation Limited	2011-12	(-) 1.63
Mizoram Food and Allied Industries Corporation Limited	2018-19	(-) 1.45

3.1.8.3 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures the long term profitability and efficiency of the total capital employed by an entity. Companies create value when they generate returns on the Capital Employed. ROCE is an important

decision metric for long term lenders. ROCE is calculated by dividing a *Company's Earnings before Interest and Taxes (EBIT) by the Capital Employed*¹¹⁵.

During 2022-23, the overall Capital Employed in six working SPSEs as per their latest accounts was ₹ 1.49 crore. However, the ROCE of three SPSEs¹¹⁶ was 'not workable' due to complete erosion of their capital employed by the accumulated losses while the ROCE of other two SPSEs¹¹⁷ was 'negative' due to the losses incurred by them during 2022-23. The ROCE of the remaining one SPSE (Zoram Infrastructure and Industrial Development Corporation Limited) was positive at 52.13 *per cent* (**Appendix-3.1.1**).

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

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

In 2022-23, out of the six SPSEs where State Government had made direct investment, four SPSEs incurred loss while only one SPSE¹¹⁸ earned profit. Further, one SPSE (Aizawl Smart City Limited) had shown 'no profit no loss' as per its latest finalised accounts (**Appendix-3.1.1**). On the basis of return on historical value, the State Government's investment eroded by 1.37 *per cent* during 2022-23. On the other hand, as per the RORR where the Present Value of investment is considered, the State Government's investment eroded by 1.04 *per cent* as shown in **Appendix-3.1.2**. This difference in the percentage of investment erosion was on account of the adjustment made in the investment amount for time value of money.

3.1.10 Impact of Audit Comments on Annual Accounts of SPSEs

During October 2022 to September 2023, one SPSE (Mizoram Food & Allied Industries Corporation Limited) submitted four Accounts for previous years (2015-16 to 2018-19). All four Accounts of this SPSE were selected for supplementary audit and same was completed during 2022-23. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of the comments of statutory auditors and CAG during last three years from 2020-21 to 2022-23 are given in **Table-3.12** below:

¹¹⁵ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure

¹¹⁶ One SPSE (Aizawl Smart City Limited) did not have profit/ loss, while other two SPSEs (Mizoram Agricultural Marketing Corporation Limited & Mizoram Food and Allied Industries Corporation Limited) had negative Capital employed, hence, the percentage of ROCE of these SPSEs could not be calculated.

¹¹⁷ SPSEs at serial no. 4 and 5 of Appendix-3.1.1.

¹¹⁸ Zoram Infrastructure and Industrial Development Corporation Limited

Table 3.12: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in loss	1	42.15	1	21.34	4	2.66
3.	Non-disclosure of material facts	1	16.76	2	2.61	1	1.65
4.	Errors of classification	-	-	3	14.87	4	15.22

Source: As per latest finalised annual accounts of SPSEs

During 2022-23, CAG had issued qualified opinion on the accounts of Mizoram Food and Allied Industries Corporation Limited for the years 2015-16, 2016-17, 2017-18 and 2018-19. The statutory auditors had also given qualified certificates on all the four Accounts of the above mentioned SPSE.

Gist of some of the important comments of the statutory auditors and CAG in respect of accounts of the SPSE (Mizoram Food and Allied Industries Corporation Limited) are as under:

Mizoram Food and Allied Industries Corporation Limited (2015-16 to 2018-19)

- The Company charged ₹ 4.31 crore to revenue under 'Other Expenses' towards Excise Duty during the financial year 2015-16. Scrutiny of Deposit Challan for the year 2015-16 showed that the actual amount paid against Excise Duty was ₹ 4.34 crore. As such, Other Expenses were understated by ₹ 0.03 crore with corresponding overstatement of profit for the year by the same amount.
- The Company booked ₹ 0.15 crore towards Advances disbursed to the officials against TA/ DA (₹ 0.14 crore) and Medical Advances (₹ 0.01 crore) in the annual accounts. Though the advances were lying unadjusted/unrecovered for more than three years without complete details of officials/ parties concerned, no provision for doubtful advances has been made in the accounts. This has resulted in overstatement of Advances (Current Assets) and understatement of 'loss for the year' by ₹ 0.15 crore each.

