

CHAPTER-V
STATE PUBLIC SECTOR
ENTERPRISES

CHAPTER - V

State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies (GCs), Government Controlled Other Companies (GCOCs) and Statutory Corporations (SCs) as revealed from their accounts. Impact of significant comments issued as a result of supplementary audit of the Financial Statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General of India (CAG) for the year 2021-22 (or of earlier years which were finalised upto 30 September 2022) has also been discussed.

5.1 Definition of Government Companies/Corporations

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

Besides, any other company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

5.2 Mandate of Audit

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

5.3 State Public Sector Enterprises (SPSEs) and their contribution to the Gross State Domestic Product of the State

State Public Sector Enterprises (SPSEs) consist of State Government Companies, Government Controlled Other Companies and Statutory Corporations. SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2022, there were 29 SPSEs under the audit jurisdiction of the CAG. These include 25 SPSEs (Other than Power Sector) and four Power Sector SPSEs. Out of 25 SPSEs (Other

¹ *Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014.*

than Power Sector), there are 19 Government Companies, two² Statutory Corporations and four³ Government Controlled Other Companies. The names of these SPSEs along with description of their activities are detailed in **Appendix-5.1**.

Of the four SPSEs functioning in Power Sector, three⁴ are Government Companies and the one⁵ is a Government Controlled Other Company. One SPSE, Himachal Pradesh State Electricity Board Limited is debt listed Government Company on the stock exchange. One SPSE, Beas Valley Power Corporation Limited, has not started its commercial operation so far (30 September 2022).

Of the 29 SPSEs, 26 companies are active. Two Companies⁶ out of 19 Government Companies and one Company⁷ out of four Government Controlled Other Companies are inactive. These are inactive for the last four to 22 years and have investment of ₹ 77.90 crore, towards capital (₹ 17.75 crore) and long-term loans (₹ 60.15 crore). This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State. The State Government may consider to take an early decision for closure of the inactive companies.

A ratio of turnover of SPSEs to the Gross State Domestic Product (GSDP) shows the contribution of activities of these SPSEs in the State economy. **Table-5.1** below provides the details of turnover of all the SPSEs and GSDP of Himachal Pradesh for the period of five years ending 31 March 2022.

Table-5.1: Details of turnover of SPSEs vis-à-vis GSDP of Himachal Pradesh

Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
Total turnover of all SPSEs	8,814.81	9,725.96	9,912.71	10,603.36	10,176.86
GSDP of Himachal Pradesh (at Current Prices)	1,38,351	1,53,845	1,65,472	1,56,622	1,72,174
Percentage of SPSE's Turnover to GSDP of Himachal Pradesh	6.37	6.32	5.99	6.77	5.91

Source: Compilation based on turnover figures of SPSEs as per their latest finalised accounts and GSDP figures supplied by Government of Himachal Pradesh.

The percentage of SPSEs' turnover⁸ to GSDP decreased from 6.37 in 2017-18 to 5.91 per cent in 2021-22. The major contributors to SPSEs' turnover were Himachal Pradesh State Electricity Board Limited (₹ 6,548.60 crore – turnover for 2020-21), Himachal Road Transport Corporation (₹ 788.16 crore – turnover for 2020-21) and Himachal Pradesh State Civil Supplies Corporation Limited (₹ 1,359.11 crore – turnover for 2018-19).

² Himachal Pradesh Financial Corporation and Himachal Road Transport Corporation.

³ Dharamshala Smart City Limited, Himachal Consultancy Organisation Limited, Shimla Jal Prabandhan Nigam Limited and Himachal Worsted Mills Limited (Inactive Company).

⁴ Himachal Pradesh State Electricity Board Limited, Beas Valley Power Corporation Limited and Himachal Pradesh Power Transmission Corporation Limited.

⁵ Himachal Pradesh Power Corporation Limited.

⁶ Agro-Industrial Packaging India Limited and Himachal Pradesh Beverages Limited.

⁷ Himachal Worsted Mills Limited.

⁸ Turnover based on latest finalised financial statements of the respective SPSE.

5.4 Investment by Government of Himachal Pradesh in SPSEs and Budgetary Support

5.4.1 Equity holding and Loans in SPSEs

The sector wise Total Equity, Equity Contribution by State Government and Long Term Loans including the loans given by the State Government in 26 working SPSEs as on 31 March 2022 is given below in **Table-5.2**.

Table-5.2: Sector-wise investment in SPSEs as on 31 March 2022

Name of Sector	Investment ⁹ (₹ in crore)				
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans
Power	3,973.00	2,246.37	12,133.29	7,602.37	16,106.29
Finance	146.63	139.94	160.40	84.68	307.03
Industries and Infrastructure	62.99	62.87	2.97	2.97	65.96
Agriculture and Allied	69.33	59.80	72.05	71.65	141.38
Service	1,095.20	1,079.00	24.56	0	1,119.76
Total	5,347.15	3,587.98	12,393.27	7,761.67	17,740.42

Source: Information provided by the SPSEs.

The thrust of SPSEs investment was mainly on power sector which had received 90.80 per cent (₹ 16,106.29 crore) of total investment of ₹ 17,740.42 crore. The details of State Government's investment in the form of equity and loan made in SPSEs as on 31 March 2022 is depicted in **Appendix-5.2**.

5.4.2 Budgetary Support by Government of Himachal Pradesh

The Government of Himachal Pradesh (GoHP) provides financial support to SPSEs in various forms through annual budget from time to time. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity in respect of SPSEs during the last three years ending 31 March 2022 are given in **Table-5.3** below:

Table-5.3: Details of budgetary support to all SPSEs

Particulars ¹⁰	2019-20		2020-21		2021-22	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Equity Capital	7	335.89	7	263.25	7	272.12
Loans given	2	571.26	2	268.83	2	258.72
Grants/Subsidies provided	9	691.15	9	983.68	10	885.32
Total Outgo		1,598.30		1,515.76		1,416.16
Loan repayment/written off			2	4.18 ¹¹	-	-
Loans converted into equity			-	-	-	-
Guarantees issued during the year	7	673.60	8	491.44	8	455.84
Guarantee Commitment/outstanding	8	1,447.15	4	93.74	4	111.37

Source: Compiled based on information received from SPSEs.

⁹ Investment includes equity and long-term loans.

¹⁰ Amount represents outgo from State Budget only.

¹¹ Repayment of ₹ 1.93 crore and ₹ 2.25 crore was made by Himachal Pradesh State Electronics Development Corporation Limited and Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited respectively.

Equity was mainly infused by the State Government during 2021-22 in one other than Power Sector SPSE (Himachal Road Transport Corporation: ₹ 140.48 crore) and two Power Sector SPSEs¹² (₹ 117.00 crore). The State Government has also provided loans to one Power Sector SPSE (Himachal Pradesh Power Transmission Corporation Limited: ₹ 258.14 crore). Major portion of grants/subsidies was provided by the State Government to Himachal Road Transport Corporation (₹ 521.69 crore¹³), Himachal Pradesh Road & Other Infrastructure Development Corporation Limited (₹ 101.00 crore) and Shimla Smart City Limited (₹ 147.00 crore¹⁴).

5.4.3 Adequacy of assets to meet loan liabilities

Ratio of total debt/loans 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 value of total assets in working SPSEs which had outstanding loans as per their latest finalised accounts as on 30 September 2022 is given in Table-5.4.

Table-5.4: Coverage of long-term loans with total assets as per latest finalized accounts of SPSEs as of 30 September 2022

Sector of SPSEs	No. of SPSEs	Assets	Long-term loans	Ratio of Assets to
		(₹ in crore)		Long-term loans
Government Companies	11	23,226.48	11,576.30	2.00:1
Statutory Corporations	2	1,219.74	141.49	8.62:1
Total	13	24,446.22	11,717.79	2.09:1

Source: Compiled based on accounts finalised by SPSEs

The value of assets in respect of working SPSEs was greater than the sum of their loans/debts.

5.4.4 Market Capitalisation of equity investment in SPSEs

Himachal Pradesh General Industries Corporation Limited is the only listed company in the State. However, its shares have not been traded since 1976 and is under the process of delisting. Hence the market capitalisation of the company which represents market value of shares of a company does not apply here.

The Himachal Pradesh State Electricity Board Limited is the other listed Government Company on the Stock Exchange. Its debts are listed on the Bombay Stock Exchange (BSE),

5.4.5 Disinvestment, Restructuring and Privatisation

During the year 2021-22, there was no case of disinvestment/ restructuring/ privatisation of any SPSE. The State Government had not prepared any policy on disinvestment of State Government equity invested in the SPSEs.

¹² Himachal Pradesh State Electricity Board Limited (₹ 50.00 crore and Himachal Pradesh Power Transmission Corporation Limited (₹ 67.00 crore).

¹³ Grant for reimbursement of cost of free/concessional travel allowed to various categories of population in the Himachal Pradesh.

¹⁴ For meeting out operational and administrative expenses.

5.5 Returns from State Public Sector Enterprises

5.5.1 Profit earned by SPSEs

Out of 26 working SPSEs, 10 working SPSEs earned profit of ₹ 21.47 crore as per their latest finalised accounts as on 30 September 2022 as compared to 11 SPSEs which earned profit of ₹ 28.18 crore in 2020-21. Five¹⁵ SPSEs had either not prepared their first accounts/profit and loss account or their excess of expenditure over income was reimbursed by the State Government.

Himachal Pradesh State Industrial Development Corporation Limited (₹ 13.18 crore) and Himachal Pradesh General Industries Corporation Limited (₹ 3.36 crore) contributed maximum profit as per their latest finalised accounts as of 30 September 2022. These two SPSEs had contributed as much as 77 per cent of the total profit of ₹ 21.47 crore during 2021-22. The summary of financial position of all SPSEs as per latest finalised accounts as of 30 September 2022 is depicted in **Appendix-5.3**.

Net profit ratio of SPSEs is depicted in **Table 5.5** below:

Table 5.5: Net Profit ratio of SPSEs

Sector	Net Profit	Turnover	Net Profit ratio
Power	-445.62	6,732.16	-6.62
Non-Power	21.97	3,444.70	-0.63
Total	467.59	10,176.86	-4.6

5.5.2 Dividend Payout by SPSEs

The State Government had formulated (April 2011) a policy that all profit making SPSEs (except those in welfare and utility sector) should pay a minimum return of five per cent on the paid-up share capital contributed by the State government, subject to a ceiling of 50 per cent of the profit after tax. As per their latest finalised accounts as of 30 September 2022, 10 working SPSEs earned an aggregate profit of ₹ 21.47 crore (excluding inactive SPSE – Himachal Pradesh Beverages Limited) and out of which six¹⁶ SPSEs were required to declare dividend as per State Government policy.

However, only two SPSEs declared/paid dividend of ₹ 0.71 crore (Himachal Pradesh State Civil Supplies Corporation Limited: ₹ 0.35 crore and Himachal Pradesh General Industries Corporation Limited: ₹ 0.36 crore). Four profit making SPSEs did not pay/

¹⁵ SPSEs whose excess of expenditure over income is reimbursed by State Government or SPSEs who did not prepare their profit and loss accounts: (i) Dharamshala Smart City Limited, (ii) Shimla Jal Prabandhan Nigam Limited (iii) Himachal Pradesh Road and Other Infrastructure Development Corporation Limited, (iv) Ropeway and Rapid Transport System Development Corporation HP Limited and v) Beas Valley Power Corporation Limited.

¹⁶ (i) Himachal Pradesh State Civil Supply Corporation Limited, (ii) Himachal Pradesh State Industrial Development Corporation Limited, (iii) Himachal Pradesh State Forest Development Corporation Limited, (iv) Himachal Pradesh General Industries Corporation Limited, (v) Himachal Pradesh Handicrafts and Handlooms Corporation Limited and (vi) Himachal Pradesh State Electronics Corporation Limited.

provide dividend of ₹ 2.42 crore¹⁷ to the State Government as per their latest finalised accounts as of 30 September 2022. Four profit making SPSEs¹⁸ were not eligible to pay dividend as per State Government policy.

5.6 Debt servicing

5.6.1 Interest Coverage Ratio

Interest Coverage Ratio 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 interest expenses of the same period. The lower the ratio, the lesser will be the ability of the company to pay interest on debt. An interest coverage ratio of less than one indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in Power Sector SPSEs and in Statutory Corporations which had maximum interest burden during the period from 2018-19 to 2020-21, are given in **Table-5.6**.

Table-5.6: Interest Coverage ratio of SPSEs

Name of the SPSEs	2019-20			2020-21			2021-22		
	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio	Interest cost	EBIT	Interest coverage ratio
	(₹ in crore)		ratio	(₹ in crore)		ratio	(₹ in crore)		ratio
Power Sector SPSEs									
HPSEBL	457.06	460.72	1.01	476.22	290.90	0.61	476.22	290.90	0.61
HPPCL	96.23	17.11	0.18	11.04	(-) 44.27	(-) 4.01	129.55	1.31	0.01
HPPTCL	9.13	(-) 31.79	(-) 3.48	129.80	23.82	0.18	111.77	-20.29	(-) 0.18
Statutory Corporations									
HRTC	19.90	(-) 134.90	(-) 6.78	15.24	(-) 131.19	(-) 8.61	8.54	(-)31.69	(-)3.71
HPFC ¹⁹	7.62	2.12	0.28	7.62	2.12	0.28	7.62	2.12	0.28

Source: As per latest finalised accounts of the Power Sector SPSEs and Statutory Corporations.

Note: Interest coverage ratio of Non-Power Sector SPSEs (23) has not been calculated as the loans/liabilities of these SPSEs is only ₹ 121.05 crore out of ₹ 11,777.94 crore as per their latest finalised accounts as of 30 September 2022.

None of the Power Sector's SPSEs and Statutory Corporations had interest coverage ratio of greater than one. Thus, the SPSEs were not generating sufficient revenues to meet out their expenses on interest.

5.6.2 Age-wise analysis of interest outstanding on State Government Loans

Interest liability of ₹ 2,750.44 crore has accrued on the long-term loans provided by the State Government in respect of three power sector SPSEs (except Beas Valley Power Corporation Limited) as per latest finalised accounts as on 30 September 2022. The SPSEs (Other than Power Sector) were not analysed due to insignificant amount

¹⁷ Himachal Pradesh State Forest Development Corporation Limited (₹ 0.49 crore), Himachal Pradesh State Industrial Development Corporation Limited (₹ 1.54 crore), Himachal Pradesh State Electronics Corporation Limited (₹ 0.12 crore) and Himachal Pradesh Handicrafts and Handlooms Corporation Limited (₹ 0.27 crore).

¹⁸ Himachal Backward Classes Finance and Development Corporation and Himachal Pradesh Mahila Vikas Nigam, Himachal Pradesh Kaushal Vikas Nigam and Himachal Consultancy Organisation Limited.

¹⁹ Figures for the years 2018-22 are same due to no accounts was finalised by the SPSE after 2018-19.

of loans provided by the State Government to these SPSEs (seven). The age-wise analysis of interest accrued on State Government loans in Power Sector SPSEs is given in **Table-5.7**.

Table-5.7: Outstanding interest on State Government loans

(₹ in crore)				
Sr. No.	Name of SPSEs	Outstanding interest on State Government Loans	Interest on State Government loans outstanding for less than one year	Interest on State Government loans outstanding for more than one year
1	HPSEBL	226.69	202.78	23.91
2	HPPCL	1,960.30	242.96	1,717.34
3	HPPTCL	563.45	85.13	478.32
	Total	2,750.44	530.87	2,219.57

Source: Information as per latest finalised accounts of Power Sector SPSEs and provided by the SPSEs.

From the above it can be seen that interest accrued amounting to ₹ 2,750.44 crore was pending for payment as on 31 March 2022 and out of which interest of ₹ 2,219.57 crore was payable for more than one year.

5.7 Financial Performance of State Public Sector Enterprises

5.7.1 Return on Capital Employed of SPSEs

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed²⁰. The detail of total ROCE of all the SPSEs during the period from 2019-20 to 2021-22 is given in **Table-5.8**.

Table-5.8: Return on Capital Employed of SPSEs

Year	Earnings before interest and tax	Capital Employed	Return on Capital Employed
	(₹ in crore)		(Per cent)
2019-20	342.93	9,678.45	3.54
2020-21	178.87	11,450.50	1.56
2021-22	285.50	12,598.20	2.27

Source: Information as per latest finalised accounts as on 30 September 2022

The RoCE of all SPSEs decreased from 3.54 per cent in 2019-20 to 2.27 per cent in 2021-22 due to progressive increase in Capital Employed and reduction in EBIT. The Return on Capital employed in Power Sector in 2021-22 was ₹ 5.18 crore in comparison to ₹ 4.58 crore in the year 2020-21. Similarly, ROCE of other than power Sector SPSEs was ₹ 203.64 crore for the year 2021-22 versus ₹ 322.01 crore for the year 2020-21.

5.7.2 Return on Equity by State Public Sector Enterprises

Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' fund. It is

²⁰ Capital employed = Paid up share capital + Free reserves and surplus + Long term loans – Accumulated losses - Deferred revenue expenditure.

expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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

The Return on Equity of the profit earning 10 working SPSEs stood at 16.45 *per cent* as per latest finalised accounts as on 30 September 2022.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table-5.9**.

Table-5.9: Return on Equity relating to working SPSEs

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2019-20	(-)280.23	856.81	-
2020-21	(-) 490.37	819.58	-
2021-22	(-) 477.92	782.91	-

Source: As per latest finalised accounts of working SPSEs

As the net income of all 26 working SPSEs during the period 2019-22 was negative, the RoE could not be calculated.

5.7.3 Return on the basis of Present Value (PV) of Investment

To bring the historical cost of investments to its present value at the end of each year up to 31 March 2022, the past investments / year-wise funds infused by the GoHP in the SPSEs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government, for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, and not including disinvestments since inception of these Companies till 31 March 2022. The Company wise position of State Government investment in the 26 SPSEs in the form of equity and interest free loans on the historical cost basis for the period from 1999-2000 to 2021-22 is indicated in **Appendix-5.4**.

The PV of the State Government investment in SPSEs was computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.

- The average rate of interest on Government borrowings for the concerned financial year²¹ was adopted as compounded rate for arriving at the PV since these represent the cost incurred by the Government towards investment of funds for the year and therefore is considered as the minimum expected rate of return on investments made by the Government.
- Disinvestment has been deducted while calculating total investment at the end of the year.

Table-5.10: Year-wise details of investment by the State Government and present value (PV) of Government funds from 1999-2000 to 2021-22

(₹ in crore)

Year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Net Interest free loans given by the State Government during the year	Interest free loans converted into equity during the year	Grants/ subsidies given by State Government for operational and administrative expenditure	Disinvest-ment by the State Government during the year at face value	Total investment during the year	Total invest-ment at the end of the year	Weighted Average rate of interest on Govern-ment borrowings (in per cent)	Present value of total invest-ment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year	Return on Invest-ment
A	B	C	D	E	F	G	H	I	J	K	L	M	N
							H=C+D+E+F-G	I=B+H		K=I*(1+J/100)	L=K-I		N=M/K*100
Up-to 1999-2000	-	300.04	0.49	-	-	-	300.53	300.53	8.83	327.07	26.54	-	-
2000-01	327.07	32.48	1.51	-	-	-	33.99	361.06	10.15	397.70	36.65	-49.50	-
2001-02	397.70	13.01	-	-	-	-	13.01	410.71	11.06	456.14	45.42	-36.70	-
2002-03	456.14	12.43	-	-	-	-	12.43	468.57	10.37	517.16	48.59	-29.19	-
2003-04	517.16	28.60	-	-	-	-	28.60	545.76	10.98	605.68	59.92	-31.10	-
2004-05	605.68	16.06	-	-	-	-	16.06	621.74	10.60	687.65	65.90	-43.44	-
2005-06	687.65	13.59	0.15	-	-	-	13.74	701.39	9.20	765.92	64.53	-30.72	-
2006-07	765.92	14.30	-	-	-	-	14.30	780.22	9.40	853.56	73.34	-62.08	-
2007-08	853.56	118.42	2.25	-	-	-	120.67	974.23	9.09	1062.78	88.56	-46.66	-
2008-09	1062.78	306.29	-0.10	-	-	-	306.19	1368.97	9.19	1494.78	125.81	-33.88	-
2009-10	1494.78	405.27	-	-	-	-	405.27	1900.05	8.59	2063.27	163.21	-55.92	-
2010-11	2063.27	566.89	-	-	-	-	566.89	2630.16	7.78	2834.78	204.63	-190.77	-
2011-12	2834.78	124.99	9.50	-	-	645.85	-511.36	2323.42	7.80	2504.65	181.23	-224.68	-
2012-13	2504.65	303.72	5.00	-	-	-	308.72	2813.37	8.08	3040.69	227.32	-404.40	-
2013-14	3040.69	287.24	2.54	-	-	-	289.78	3330.47	7.71	3587.25	256.78	-625.17	-
2014-15	3587.25	339.20	-	-	-	550.00	-210.80	3376.45	7.91	3643.53	267.08	-455.69	-
2015-16	3643.53	217.31	14.54	-	-	-	231.85	3875.38	8.37	4199.75	324.37	-332.71	-
2016-17	4199.75	250.82	10.07	-	-	-	260.89	4460.64	8.13	4823.29	362.65	-105.47	-
2017-18	4823.29	232.91	8.00	-	-	-	240.91	5064.20	8.41	5490.10	425.90	-123.81	-
2018-19	5490.10	312.85	10.00	-	-	-	322.85	5812.95	8.32	6296.58	483.64	-183.99	-
2019-20	6296.58	335.91	-	-	114.89	-	450.80	6747.38	7.97	7285.15	537.77	-270.79	-
2020-21	7285.15	263.25	-1.35	-	236.84	-	498.74	7783.89	7.59	8374.69	590.80	-480.93	-
2021-22	8374.69	272.12	-	-	153.33	-	425.45	8800.14	7.37	9448.71	648.57	-467.18	-
		4,767.70	62.60	-	505.06	1,195.85	4,139.51						

Source: Statistical information received from SPSEs.

The net investment of the State Government in these companies as of 31 March 2022 was ₹ 4,139.51 crore, after adjustment of ₹ 1,195.85 crore (Himachal Pradesh Power

²¹ Calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Corporation Limited: ₹ 537.15 crore in 2011-12 and ₹ 550.00 crore in 2014-15 and Himachal Pradesh Power Transmission Corporation Limited: ₹ 108.70 crore in 2011-12) due to disinvestment by the State Government. The PV of investments of the State Government up to 31 March 2022 worked out to ₹ 9,448.71 crore. The net earnings of these SPSEs during the year 2021-22 was (-) ₹ 467.18 crore. Thus, the rate of real return for these SPSEs for the year 2021-22 was (-) 4.94 per cent. The total earnings of the companies remained negative continuously from 2000-01 onwards, which indicates that instead of generating returns on the invested funds these companies were not able to even recover the cost of funds.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

Details of SPSEs that incurred losses during last three years ending 31 March 2022 as per latest finalised accounts are given in **Table-5.11**.

Table-5.11: Losses incurred by SPSEs during 2019-20 to 2021-22

Year	No. of SPSEs incurred loss	Net loss for the year	Accumulated Loss	Net Worth ²²
		(₹ in crore)		
Statutory Corporations (A)				
2019-20	2	160.30	1,553.84	(-) 674.78
2020-21	2	151.93	1,700.26	(-) 741.82
2021-22	2	45.73	1,740.49	(-) 718.27
Government Companies(B)				
2019-20	7	156.22	436.91	1,804.39
2020-21	8	366.67	2,253.44	1,009.34
2021-22	10	452.82	2,511.28	1,072.39
Total (A+B)				
2019-20	9	316.52	1,990.75	1,129.61
2020-21	10	518.60	3,953.70	267.52
2021-22	12	498.55	4,251.77	354.12

Source: As per latest finalised accounts of SPSEs

Out of total loss of ₹ 498.55 crore incurred during 2021-22 by 12 SPSEs, Himachal Road Transport Corporation reported loss of ₹ 40.23 crore. Besides this, loss of ₹ 185.32 crore, ₹ 132.06 crore and ₹ 128.24 crore is also attributed to Himachal Pradesh State Electricity Board Limited, Himachal Pradesh Power Transmission Corporation Limited and Himachal Pradesh Power Corporation Limited respectively as per their latest finalised accounts as of 30 September 2022.

5.8.2 Erosion of net worth of SPSEs

There were 14 SPSEs with accumulated losses of ₹ 4,378.24 crore. Of these, 12 SPSEs incurred losses amounting to ₹ 498.55 crore as per latest finalised accounts as of 30 September 2022.

²² 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 means all reserves created out of Profits and share premium account.

The net worth of nine SPSEs had been completely eroded by accumulated losses and their net worth was negative. The net worth of nine SPSEs was (-) ₹ 1,847.69 crore against equity investment of ₹ 1,920.12 crore as per latest finalised accounts as of 30 September 2022. There were eight SPSEs with Government equity of ₹ 2,081.07 crore and four SPSEs with outstanding Government loans of ₹ 3,219.98 crore as on 31 March 2022. Out of nine SPSEs, whose capital had eroded, two²³ had earned profit of ₹ 1.52 crore as per their latest finalised accounts as of 30 September 2022 as detailed in **Table-5.12**.

Table-5.12: Detail of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)								
Sl. No.	Name of the Company	Latest year of Account	Total Paid-up Capital	Net Profit/Loss after interest, tax & dividend	Accumulated Losses (-)	Net Worth	State Government equity as on 31 March 2022	State Government loans as on 31 March 2022
1.	2.	3.	4.	5.	6.	7.	8.	9.
1.	Himachal Pradesh State Electricity Board Limited	2020-21	807.23	-185.32	-1,705.92	-898.69	857.23	3,015.13
2.	Himachal Pradesh Horticultural Produce Marketing and Processing Corporation Limited	2020-21	38.77	-1.66	-86.75	-47.98	31.20	60.09
3.	Himachal Pradesh State Forest Development Corporation Limited	2018-19	11.71	0.98	-113.04	-101.33	11.71	0
4.	Himachal Pradesh Financial Corporation	2017-18	99.57	-5.5	-166.56	-66.99	92.98	84.61
5.	Himachal Pradesh State Handicrafts and Handloom Corporation Limited	2019-20	9.25	0.54	-13.43	-4.18	9.22	0.00
6.	Himachal Pradesh Tourism Development Corporation Limited	2016-17	12.30	-2.43	-24.51	-12.21	14.30	0.00
7.	Himachal Road Transport Corporation	2020-21	922.65	-40.23	-1,573.93	-651.28	1047.68	0.00
8.	Agro Industrial Packaging India Limited	2013-14	17.72	-0.04	-78.23	-60.51	16.75	60.15
9.	Himachal Worsted Mills Limited	2000-01	0.92	-0.01	-5.44	-4.52	0	0
Grand Total			1,920.12	-233.67	-3,767.81	-1,847.69	2,081.07	3,219.98

* Figures in the Column 8 and 9 are unaudited figures.

5.9 Implementation of Ujwal DISCOM Assurance Yojana (UDAY) Scheme

The status of implementation of the UDAY Scheme is detailed below:

5.9.1 Financial Turnaround

As per provisions of UDAY Scheme and tripartite Memorandum of Understandings (MoU), out of total outstanding debt (₹ 3,854.00 crore) pertaining to the State DISCOM (Himachal Pradesh State Electricity Board Limited) as on 15 September 2015, the Government of Himachal Pradesh took over total debt of ₹ 2,890.50 crore

²³ Himachal Pradesh Forest Development Corporation Limited and Himachal Pradesh State Handicrafts and Handloom Corporation Limited.

during 2016-17 by taking over the loan. The amount of ₹ 2,890.50 crore which was provided by way of interest bearing loans under UDAY Scheme, was to be converted into 75 per cent grant and 25 per cent equity during 2020-21. However, loan of ₹ 2,890.50 crore under UDAY scheme was not converted into grant (₹ 2167.50 crore) and equity (₹ 723.00 crore) so far (March 2022). The DISCOM paid interest of ₹ 912.00 crore, for the period February 2017 to March 2021 and for the period of April 2021 to March 2022 total interest liability was ₹ 228.00 crore out of which ₹ 25.00 crore was adjusted as equity in HPSEBL by GoHP, thus as on 31 March 2022 there was outstanding interest liability of ₹ 203.00 crore, on the loans given by the GoHP under UDAY Scheme. The loans were extended by the GoHP at rates of interest ranging between 7.49 per cent and 8.19 per cent per annum. The impact of non-conversion of the interest bearing loans is that the Revenue Surplus of the State for the year 2021-22 (₹ 1,114.76 crore) will turn into Revenue Deficit of ₹ 1,052.74 crore.

5.10 Audit of Public Sector Enterprises

Comptroller & Auditor General of India (CAG) appoints the Statutory Auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report be submitted to the Legislature.

5.11 Appointment of Statutory Auditors of State Public Sector Enterprises (SPSEs) by CAG

Section 139 (5) of the Companies Act, 2013 provides that the Statutory Auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. The Statutory Auditors of the above Companies for the year 2021-22 were appointed by the CAG between August 2021 and June 2022.

5.12 Submission of accounts by SPSEs

5.12.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

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

Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for 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. The annual accounts of various SPSEs were pending as on 30 September 2022, as detailed in the following paragraph.

5.12.2 Timeliness in preparation of accounts by Government Companies and Government Controlled Other Companies

As of 31 March 2022, there were 26 Companies (22 Government Companies and four²⁴ Government Controlled Other Companies - excluding Himachal Worsteds Mills Limited which is under liquidation since 2000-01) under the purview of CAG's audit. Of these, one²⁵ Company submitted accounts for the year 2021-22 and accounts of remaining 25 SPSEs for the year 2020-21 or earlier years. Twenty²⁶ annual financial statements of 18 SPSEs²⁷ were submitted for audit and finalised by CAG on or before 30 September 2022²⁸. Seventy three annual accounts of 26 SPSEs (excluding statutory corporations) were in arrears for various reasons as of 30 September 2022. Details of annual accounts which are in arrears in respect of 26 SPSEs (Government Companies: 22 and Government Controlled Other Companies: 4) are given in **Table-5.13** below:

Table 5.13: Detail of number of Companies, accounts finalised and accounts in arrear as of 30 September 2022

Particulars	Government Companies	Government Controlled Other Companies	Total
1.	2.	3.	4.
Total number of Companies under the purview of CAG's audit as on 31 March 2022	22	04	26
Number of accounts in arrears as on 30 November 2021	56	06	62
Number of Companies, accounts of which became due on for the year 2021-22	22	04	26
Total number of accounts due for Supplementary Audit	78	10	88
Number of companies which presented the accounts for CAG's audit from 01 December 2021 to 30 September 2022	16	04	20
Number of accounts finalised	11	04	15
Number of accounts in arrears as on 30 September	67	06	73

²⁴ Himachal Consultancy Organisation Limited, Himachal Pradesh Power Corporation Limited, Dharamshala Smart City Limited and Shimla Jal Prabandhan Nigam Limited.

²⁵ Beas Valley Power Corporation Limited.

²⁶ Dharamshala Smart City Limited and Shimla Smart City Limited: two each and from other 16 SPSEs: one each.

²⁷ Government Companies: 15 and Government Controlled Other Companies: three.

²⁸ Date of holding AGM of Companies for the financial year 2021-22 was 30 September 2022.

Particulars	Government Companies	Government Controlled Other Companies	Total
1.	2.	3.	4.
2022			
Age-wise analysis of arrears of accounts	Number of SPSEs (accounts in arrears as on 30 September 2022)		
One year	7 (7)	2(2)	9 (9)
Two years and Three years	9(23)	2(4)	11 (27)
More than Three years	6(37)	-	6(37)
Total	22 (67)	4 (6)	26 (73)

The names of companies and number of accounts in arrear as of 30 September 2022 are indicated in **Appendix-5.5**.

Oversight by the Statutory Auditors appointed by the CAG and Supplementary Audit by the CAG could not be conducted in absence of accounts leading to absence of assurance about whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. Besides, their contribution to the State exchequer as well as their activities were also not reported to the Legislature.

The matter of arrears of accounts has been taken up (September 2021) with the Additional Chief Secretary (Finance) of Government of Himachal Pradesh and respective Administrative Department/Head of Companies. However, there were still six Companies whose accounts were in arrears for more than three years as of 30 September 2022.

5.12.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of Statutory Corporations is governed by their respective legislations. Out of the two Statutory Corporations²⁹, CAG is the sole auditor for Himachal Road Transport Corporation. In respect of Himachal Pradesh Financial Corporation (HPFC), the audit is conducted by Chartered Accountants and supplementary audit is conducted by CAG. Five accounts of these two Statutory Corporations (HPFC: four and Himachal Road Transport Corporation: one) were pending for audit as on 30 September 2022.

5.13 CAG's oversight - Audit of Accounts and Supplementary Audit

5.13.1 Financial reporting framework

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

²⁹ Himachal Road Transport Corporation and Himachal Pradesh Financial Corporation.

format prescribed under the rules, framed in consultation with the CAG and any other specific provisions relating to accounts in the Act governing such Corporations.

5.13.2 Audit of Accounts of Government Companies by Statutory Auditors

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

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of State Public Sector Enterprises with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function 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.

5.13.3 Supplementary Audit of Accounts of Government Companies

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

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

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

5.14 Result of CAG's Oversight Role

5.14.1 Audit of Accounts of SPSEs

Twenty accounts of 18 Companies³⁰ were reviewed in audit by the CAG from 01 December 2021 to 30 September 2022. In total, CAG reviewed all 20 accounts³¹ of 18 Companies for the years³², which were received/finalised up to 30 September 2022. The results of the review are detailed below:

³⁰ Government Companies: 15 and Government Controlled Other Companies: three.

³¹ Dharamshala Smart City Limited and Shimla Smart City Limited: two each and from other 16 SPSEs: one each.

³² 2014-15: one; 2015-16: one; 2017-18: two; 2018-19: five; 2019-20: 11 and 2020-21: three.

5.14.2 Amendment of Financial Statements

During 2021-22, there is no case of Government Companies or Government Controlled Other Companies amending their financial statements on the comments of CAG. However, Financial Statements received (April 2022) from Agro-Industries Corporation Limited for the period from 01 April 2020 to 31 March 2021 for Supplementary Audit were audited by the Statutory Auditor, but same were not approved from the Board of Directors, hence, returned (April 2022) to the SPSE for approval of the BoDs and preparation of Statutory Auditors' Report thereon.

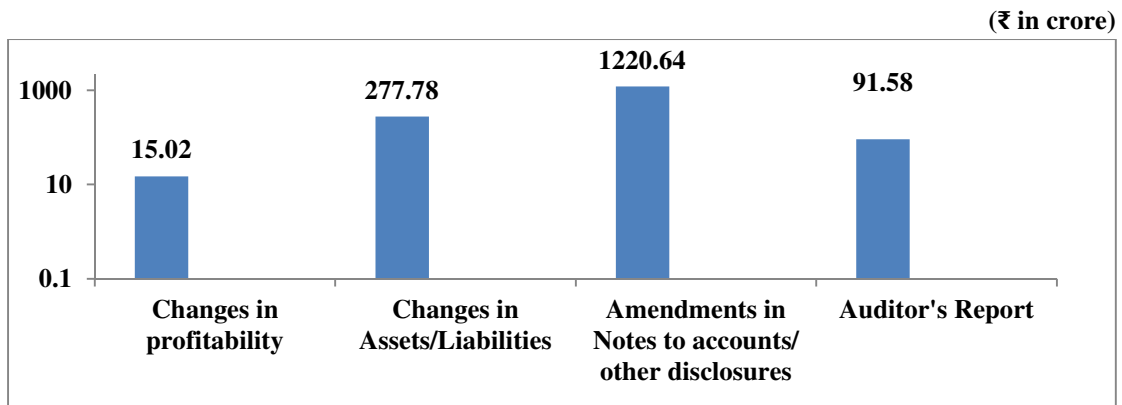
5.14.3 Revision of Auditors Report

During 2021-22, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements for the year 2021-22 or prior years conducted by the CAG between 01 December 2021 and 30 September 2022.

5.14.4 Result of Supplementary Audit

As a result of Supplementary Audit conducted in 14 SPSEs as indicated in **Appendix-5.6**, a number of quantitative as well as qualitative changes were made by the SPSEs in their financial statements which led to improvement in the quality of their financial statements. The value addition made by Supplementary Audit of financial statements of these SPSEs for the accounts audited was on the net financial impact (₹ 189.67³³ crore on profitability and ₹ 2,081.07 crore on assets/liabilities) as depicted in the following **Chart-5.1** given below:

Chart 5.1: Details of value addition made by CAG during Supplementary Audit of financial statements finalised from January 2022 to September 2022.



5.15 Conclusions

- As on 31 March 2022, there were 29 SPSEs including two Statutory Corporations. Of these, three SPSEs were inactive. There were 78 accounts of SPSEs in arrears as on 30 September 2022.
- There were 14 SPSEs with accumulated losses of ₹ 4,378.24 crore. Of these, 12 SPSEs incurred losses amounting to ₹ 498.55 crore as per latest finalised accounts as of 30 September 2022.


³³ Overstatement: {Profit (₹ 17.36 crore) and Loss (₹ 47.88 crore)} and understatement: {Loss (₹ 124.20 crore) and Profit (₹ 0.23 crore)}.

- Two SPSEs declared/paid dividend of ₹ 0.71 crore while four profit making SPSEs did not pay/provide dividend of ₹ 2.42 crore, in compliance of the State Government policy as per their latest finalised accounts as of 30 September 2022.

5.16 Recommendations


- State Government may ensure timely submission of Financial Statements of SPSEs, as in the absence of finalisation of accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.
- The inactive SPSEs are neither contributing to State economy nor meeting the intended objectives. The State Government needs to take a decision regarding commencement/completion of liquidation process of inactive SPSEs.
- State Government may ensure declaration/payment of dividend from the profit making SPSEs for compliance of the directives of the Dividend Policy
- State Government may like to analyse the reasons of losses in those SPSEs whose net worth had been eroded and initiate steps to make their operations efficient and profitable.

Shimla
Dated: 22 March 2023


(CHANDA MADHUKAR PANDIT)
Principal Accountant General (Audit)
Himachal Pradesh

Countersigned

New Delhi
Dated: 24 March 2023


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

