

**CHAPTER-V**  
**STATE PUBLIC SECTOR**  
**ENTERPRISES**



## CHAPTER-V

# STATE PUBLIC SECTOR ENTERPRISES

This chapter discusses the financial performance of State Public Sector Enterprises (SPSEs), which consist of Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). Impact of significant comments issued as a result of supplementary/sole audit of the Financial Statements of these SPSEs conducted by the Comptroller and Auditor General (CAG) of India for the year 2022-23 (or of earlier years which were finalised during the current year) has also been discussed.

### 5.1 Definition of Government Companies

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 company<sup>53</sup> 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 company's financial statements. The statutes governing some Statutory Corporations require their accounts to be audited solely by the CAG.

### 5.3 SPSEs and their contribution to the GSDP of the State

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 2023, there were 21 SPSEs including two<sup>54</sup> Statutory Corporations and 19 Government Companies (including two non-working Government companies which

<sup>53</sup> Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

<sup>54</sup> Meghalaya Transport Corporation and Meghalaya State Warehousing Corporation.

are under process of liquidation<sup>55</sup>) under the audit jurisdiction of the CAG. None of the Government companies was listed on the stock exchange, which means that the shares of the SPSEs cannot be traded in the stock exchange.

A ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The details of turnover of working SPSEs are given in **Appendix 5.1**. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2023 are given in **Table 5.1**.

**Table 5.1: Details of turnover of SPSEs vis-à-vis GSDP of Meghalaya**

(₹ in crore)

| Particulars  | 2020-21         | 2021-22         | 2022-23         |
|--|-----------------|-----------------|-----------------|
| <b>Turnover</b>                                    |                 |                 |                 |
| Power Sector SPSEs                                 | 1,289.79        | 1,255.86        | 1,300.30        |
| Non Power SPSEs                                    | 96.35           | 110.89          | 147.42          |
| <b>Total</b>                                       | <b>1,386.14</b> | <b>1,366.75</b> | <b>1,447.72</b> |
| <b>GSDP of Meghalaya</b>                           | 33,776.16       | 38,784.70       | 42,697.08       |
| <b>Percentage of Turnover to GSDP of Meghalaya</b> |                 |                 |                 |
| Power Sector SPSEs                                 | 3.82            | 3.24            | 3.04            |
| Non Power SPSEs                                    | 0.28            | 0.28            | 0.35            |
| <b>Total</b>                                       | <b>4.10</b>     | <b>3.52</b>     | <b>3.39</b>     |

Source: **SPSE-Turnover** as per latest finalised accounts of SPSEs and **GSDP** as per Ministry of Statistics & Programme Implementation, Government of India.

As seen from **Table 5.1** above, though the overall turnover of SPSEs during last three years had appreciated by 4.44 per cent (₹ 61.58 crore) from ₹ 1,386.14 crore (2020-21) to ₹ 1,447.72 crore (2022-23), the contribution of SPSE-turnover to GSDP had decreased from 4.10 per cent (2020-21) to 3.39 per cent (2022-23). This indicates that the increase in the SPSE-turnover during 2020-21 to 2022-23 was not in commensurate with the growth in GSDP during the same period. The major contributors to SPSEs-turnover during 2022-23 were three power sector SPSEs namely, Meghalaya Power Distribution Corporation Limited (₹ 1,099.25 crore), Meghalaya Power Generation Corporation Limited (₹ 144.50 crore) and Meghalaya Power Transmission Corporation Limited (₹ 56.55 crore) and one infrastructure SPSE namely Meghalaya Government Construction Corporation Limited (₹ 87.54 crore). However, the contribution of power sector SPSEs to the GSDP during last three years had shown a diminishing trend and was decreased from 3.82 per cent (2020-21) to 3.04 per cent (2022-23).

As per information furnished by the SPSEs, State Government made an investment of ₹ 3,885.07 crore (Equity ₹ 3,291.06 crore and long-term loans ₹ 594.01 crore) in 21 SPSEs<sup>56</sup> as on 31 March 2023. In addition, the State Government had also provided Grants/subsidies aggregating ₹ 797.67 crore to 13 SPSEs<sup>57</sup> during the year 2022-23.

<sup>55</sup> Meghalaya Electronics Development Corporation since 1986 and Meghalaya Bamboo Chips Limited since 2021.

<sup>56</sup> Including six SPSEs (serial no. A9, A10, A11, A17, C20 and C21 of **Appendix 5.1**), where State Government had no direct equity investment as on 31 March 2023.

<sup>57</sup> SPSEs at serial no. A1, A3, A4, A5, A7, A9, A10, A11, A13, A14, A16, A17 and B18 of **Appendix 5.1**.

## 5.4 Investment in SPSEs and Budgetary Support

### 5.4.1 Equity holding and Loans in SPSEs

The details of Total Investment (Equity and Long Term Loans) in 21 SPSEs (19 working and two non-working) under power and non-power sectors and contribution by the State Government towards the Equity and Long-Term Loans of these SPSEs as on 31 March 2023 is given below in **Table 5.2**.

**Table-5.2: Sector-wise investment in SPSEs**

(₹ in crore)

| Particulars        | Total Equity    | State Government Equity | Investment <sup>58</sup> |                        | Total Equity and Long Term Loans | Sector-wise investment to total investment (per cent) |
|--------------------|-----------------|-------------------------|--------------------------|------------------------|----------------------------------|---|
|                    |                 |                         | Total Long Term Loans    | State Government Loans |                                  |   |
| Power Sector SPSEs | 5,334.28        | 2,789.59                | 3,121.49                 | 477.98                 | 8,455.77                         | 93.04   |
| Non Power SPSEs    | 515.87          | 501.47                  | 116.83                   | 116.03                 | 632.70                           | 6.96  |
| <b>Total</b>       | <b>5,850.15</b> | <b>3,291.06</b>         | <b>3,238.32</b>          | <b>594.01</b>          | <b>9,088.47</b>                  | <b>100</b>  |

Source: Information provided by the SPSEs.

As can be noticed from **Table 5.2** above, the thrust of total SPSEs-investment was mainly in power sector SPSEs, which had received as much as 93.04 per cent (₹ 8,455.77 crore) of total investment (₹ 9,088.47 crore) as on 31 March 2023. The State Government contributed around 42.75 per cent (₹ 3,885.07 crore) of the total investment (₹ 9,088.47 crore).

### 5.4.2 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 on 31 March 2023 is given in **Table 5.3**.

**Table 5.3: Equity, Loans outstanding as per the Finance Accounts vis-à-vis records of SPSEs**

(₹ in crore)

| Particulars     | Investment as per |                | Difference |
|-----------------|-------------------|----------------|------------|
|                 | Finance Accounts  | SPSEs' records |            |
| Equity          | 3,123.57          | 3,291.06       | 167.49     |
| Long Term Loans | 774.05            | 594.01         | 180.04     |

Source: State Finance Accounts 2022-23 and the information provided by the SPSEs.

From **Table 5.3** above, it can be noticed that as on 31 March 2023, there were unreconciled differences in the figures of Equity (₹ 167.49 crore) and Loan (₹ 180.04 crore) as per two sets of records. The differences in Equity occurred in respect of 11 SPSEs<sup>59</sup> falling under Power Sector (one SPSE) and non-power Sector (ten SPSEs).

<sup>58</sup> Investment figures are provisional and as provided by the SPSEs except for two SPSEs (serial no. B19 and C21 Appendix 5.1), which have finalised their Accounts for the year 2022-23.

<sup>59</sup> SPSEs at Sl. Nos. A1, A2, A4, A5, A6, A8, A13, A14, A15, A16 and B18 of **Appendix 5.1**.

As regards Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective SPSEs functioning under their administrative control. Hence, SPSE-wise figures of State Government loans provided to various SPSEs were not available in the State Finance Accounts. However, the State Government loan figure booked in the Finance Accounts (₹ 774.05 crore) pertained to the projects under Power Sector (₹ 772.79 crore), Tourism Sector (₹ 1.20 crore) and Social Sector (₹ 0.06 crore).

*The State Government and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of recording the funding provided to SPSEs in the State Finance Accounts and the Finance Accounts be updated.*

### 5.4.3 Market Capitalisation of equity investment in SPSEs

None of the SPSEs were listed on the stock exchange as on 31 March 2023.

### 5.4.4 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment, restructuring and privatisation of working as well as in-active SPSEs.

## 5.5 Returns from SPSEs

### 5.5.1 Profit earned by SPSEs

During 2022-23, only three SPSEs<sup>60</sup> earned profit as compared to five<sup>61</sup> SPSEs, which earned profit during 2021-22. The profit earned by SPSEs during 2022-23 was decreased to ₹ 1.61 crore from ₹ 3.13 crore earned during 2021-22.

The details of the major contributors to SPSE-profits during the year 2022-23 have been summarised in **Table 5.4**.

**Table 5.4: SPSEs which contributed maximum profit during 2022-23**

| Name of SPSE                                      | Year of Accounts | Net profit (₹ in crore) | Contribution to total SESE-profits (per cent) |
|---|------------------|-------------------------|---|
| Meghalaya Tourism Development Corporation Limited | 2018-19          | 1.18                    | 73.29   |
| <b>Total</b>                                      |                  | <b>1.18</b>             | <b>73.29</b>                                  |

Source: Latest Financial Statements of SPSE.

<sup>60</sup> Meghalaya Tourism Development Corporation Limited (₹ 1.18 crore); Meghalaya State Warehousing Corporation (₹ 0.40 crore) and Meghalaya Mineral Development Corporation Limited (₹ 0.03 crore).

<sup>61</sup> Meghalaya Tourism Development Corporation Limited (₹ 1.18 crore); Meghalaya Mineral Development Corporation Limited (₹ 0.65 crore); Meghalaya State Warehousing Corporation (₹ 0.47 crore); Forest Development Corporation of Meghalaya Limited (₹ 0.46 crore) and Shillong Smart City Limited (₹ 0.37 crore).

As could be noticed from **Table 5.4** above, the SPSE had contributed as much as 73.29 *per cent* of the total SPSE-profit (₹ 1.61 crore) earned during 2022-23.

Net Profit Ratio<sup>62</sup> assesses a company's ability to earn profits from its sales (turnover). A higher net profit ratio indicates that a company is more efficient at converting sales into actual profit. Net Profit Ratio of 5 *per cent* is considered to be a low margin, 10 *per cent* a healthy margin, while 20 *per cent* or more is a high margin.

Net profit ratio of working SPSEs during the year 2022-23 is depicted in **Table 5.5**.

**Table 5.5: Net Profit Ratio of SPSEs**

| (₹ in crore) |              |                          |                 |   |
|--------------|--------------|--------------------------|-----------------|---|
| Sector       | No. of SPSEs | Net Profit (+)/ Loss (-) | Turnover        | Net profit Ratio<br>( <i>per cent</i> ) |
| Power        | 04           | (-) 518.24               | 1300.30         | Negative                                |
| Non power    | 15           | (-) 52.43                | 147.42          | Negative                                |
| <b>Total</b> | <b>19</b>    | <b>(-) 570.67</b>        | <b>1,447.72</b> | <b>Negative</b>                         |

As can be seen from **Table 5.5** above, the SPSEs under both the sectors (power and non-power sectors) had incurred overall losses during the year 2022-23 leading to 'negative' Net Profit ratio, which indicated absence of reasonable level of efficiency in the overall operations of these SPSEs.

### 5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five *per cent* on Government equity should be paid by all enterprises. There was, however, no information available on record regarding the existence of any specific policy of the State Government on payment of minimum dividend by the SPSEs. As per their latest finalised accounts as on 30 September 2023, none of the three SPSEs, which earned aggregate profit of ₹ 1.61 crore had declared any dividend during 2022-23.

## 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 is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in SPSEs which had interest burden are given below in **Table 5.6**.

<sup>62</sup> Net Profit/Turnover\*100.

**Table 5.6: Interest coverage ratio of SPSEs**

| Year    | Particulars            | Interest<br>(₹ in crore) | Earnings<br>before<br>interest<br>and tax<br>(EBIT)<br>(₹ in crore) | Number of<br>SPSEs having<br>liability of<br>loans from<br>Government, and<br>other financial<br>institutions | Number of<br>companies<br>having<br>interest<br>coverage<br>ratio more<br>than one | Number of<br>companies<br>having<br>interest<br>coverage<br>ratio less<br>than one |
|---------|------------------------|--------------------------|---|---|--|--|
| 2020-21 | Power Sector SPSEs     | 229.72                   | (-)289.99   | 4   | 0  | 4  |
|         | Non Power Sector SPSEs | 11.85                    | (-)12.13  | 2   | 1  | 1  |
|         | <b>Total</b>           | <b>241.57</b>            | <b>(-)302.12</b>  | <b>6</b>  | <b>1</b>   | <b>5</b>   |
| 2021-22 | Power Sector SPSEs     | 289.57                   | (-)386.58   | 4   | 0  | 4  |
|         | Non Power Sector SPSEs | 12.83                    | (-)23.69  | 2   | 1  | 1  |
|         | <b>Total</b>           | <b>302.40</b>            | <b>(-)410.27</b>  | <b>6</b>  | <b>1</b>   | <b>5</b>   |
| 2022-23 | Power Sector SPSEs     | 309.69                   | (-)208.55   | 4   | 0  | 4  |
|         | Non Power Sector SPSEs | 12.83                    | (-)23.69  | 2   | 1  | 1  |
|         | <b>Total</b>           | <b>322.52</b>            | <b>(-)232.24</b>  | <b>6</b>  | <b>1</b>   | <b>5</b>   |

Source: As per their latest Financial Statement of SPSEs.

It can be noticed from **Table 5.6** above that during all the three years (2020-21 to 2022-23), out of six SPSEs having long term debts, only one SPSE<sup>63</sup> (non-power Sector) had Interest Coverage Ratio of more than one. The remaining five SPSEs (power sector: four; non-power sector: one) had Interest Coverage Ratio of more than one. This indicated that these five SPSEs were not generating sufficient revenues to meet their expenses on interest consecutively for last three years.

## 5.7 Financial performance of SPSEs

### 5.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>64</sup>. The details of RoCE during the period from 2020-21 to 2022-23 are given below in **Table 5.7**.

<sup>63</sup> Meghalaya Tourism Development Corporation Limited.

<sup>64</sup> Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.



**Table 5.7: Return on Capital Employed**

| Year    | Particulars            | EBIT<br>(₹ in crore) | Capital Employed<br>(₹ in crore) | RoCE<br>(in per cent) |
|---------|------------------------|----------------------|----------------------------------|-----------------------|
| 2020-21 | Power Sector SPSEs     | (-)289.99            | 3,126.09                         | (-)9.28               |
|         | Non Power Sector SPSEs | (-)23.08             | 188.45                           | (-)12.25              |
|         | <b>Total</b>           | <b>(-)313.07</b>     | <b>3,314.54</b>                  | <b>(-)9.45</b>        |
| 2021-22 | Power Sector SPSEs     | (-)386.58            | 3,298.30                         | (-)11.72              |
|         | Non Power Sector SPSEs | (-)34.20             | 145.21                           | (-)25.55              |
|         | <b>Total</b>           | <b>(-)420.78</b>     | <b>3,443.51</b>                  | <b>-12.22</b>         |
| 2022-23 | Power Sector SPSEs     | (-)208.55            | 3,627.34                         | (-)5.75               |
|         | Non Power Sector SPSEs | (-)39.26             | 150.44                           | (-)26.10              |
|         | <b>Total</b>           | <b>(-)247.81</b>     | <b>3,777.78</b>                  | <b>(-)6.56</b>        |

Source: Latest Financial Statement of working SPSEs.

It can be observed from **Table 5.7** above that RoCE of the working SPSEs under power and non-power sectors was negative in all three years (2020-21 to 2022-23). The RoCE of working SPSEs under non-power sector showed a deteriorating trend and was worst during 2022-23 mainly because of poor (negative) EBIT (-₹ 25.44 crore) of one SPSE (Mawmluh Cherra Cement Limited). The RoCE of SPSEs under power sector, however, had slightly improved during three years from (-) 9.45 per cent (2020-21) to (-) 6.56 per cent (2022-23).

### 5.7.2 Return on Equity by SPSEs

Return on Equity<sup>65</sup> (RoE) is a measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing Net Income (*i.e.* net profit after taxes) by Shareholders' Fund. It is 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 & surplus/accumulated profits' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

The Shareholders' Fund reveals how much would be left for a company's shareholders if all assets were sold and all debts paid. A positive Shareholders' Fund indicates that the company has enough assets to cover its liabilities while negative Shareholders Fund means liabilities exceed assets.

During 2022-23, the Return on Equity<sup>66</sup> (RoE) of two<sup>67</sup> out of three profit earning working SPSEs was not workable due to complete erosion of their net worth while the

<sup>65</sup> Return on equity= (Net Profit after Tax/ Shareholder's Equity) X 100 where Shareholder's equity=paid up capital + free reserves -accumulated losses- deferred revenue expenditure.

<sup>66</sup> Return on Equity= (Net Profit after Tax÷ Shareholders' Fund) X 100; where Shareholders' Fund represents paid up capital plus free reserves& accumulated profits minus accumulated losses and deferred revenue expenditure.

<sup>67</sup> Meghalaya Mineral Development Corporation Limited and Meghalaya Tourism Development Corporation Limited.

RoE of third profit earning SPSE<sup>68</sup> was 5.38 per cent. RoE of five<sup>69</sup> out of 14<sup>70</sup> loss making working SPSEs was not workable due to negative net worth while the RoE of remaining nine loss making working SPSEs remained negative due to their negative net income (loss) during 2022-23.

The details of Shareholders' Fund and RoE relating to working SPSEs under power and non-power sectors for last three years (2020-21 to 2022-23) are given below in **Table 5.8**.

**Table 5.8: Return on Equity relating to SPSEs**

| Year    | Particulars  | Net Income<br>(₹in crore) | Shareholders'<br>Fund<br>(₹in crore) | ROE<br>(per cent) |
|---------|--------------|---------------------------|--------------------------------------|-------------------|
| 2020-21 | Power        | (-)518.58                 | 1,365.70                             | Negative          |
|         | Non-power    | (-)35.29                  | 32.18                                | Negative          |
|         | <b>Total</b> | <b>(-)553.87</b>          | <b>1,397.88</b>                      | <b>Negative</b>   |
| 2021-22 | Power        | (-)676.15                 | 701.02                               | Negative          |
|         | Non-power    | (-)47.37                  | (-)11.07                             | Not workable      |
|         | <b>Total</b> | <b>(-)723.52</b>          | <b>689.95</b>                        | <b>Negative</b>   |
| 2022-23 | Power        | (-)518.24                 | 573.88                               | Negative          |
|         | Non-power    | (-)52.43                  | (-)5.83                              | Not workable      |
|         | <b>Total</b> | <b>(-)570.67</b>          | <b>568.05</b>                        | <b>Negative</b>   |

Source: As per latest finalised accounts of SPSEs.

As can be noticed from **Table 5.8** above, the RoE of working SPSEs under power sector was negative during all the three years under reference. The RoE of SPSEs under non-power sector was also 'negative' during 2020-21 but it was not workable during subsequent two years (2021-22 and 2022-23) due to complete erosion of its 'net worth/Shareholders' Fund' by accumulated losses. Further, during last three years, despite increase (₹ 31.27 crore) in the overall equity capital of power sector SPSEs, the Shareholders' Fund (net worth) of these SPSEs had eroded by around 58 per cent (₹ 791.82 crore) due to increase (₹ 823.09 crore) in the accumulated losses from ₹ 3,027.36 crore (2020-21) to ₹ 3,850.45 crore (2022-23).

### 5.7.3 Rate of Return 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 the time value. To determine the Rate of Real Return on Government Investment (RORR), 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 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) by the sum of the PV of the Government investment.

<sup>68</sup> Meghalaya State Warehousing Corporation (net worth: ₹ 7.44 crore; net profit after tax: ₹ 0.40 crore)

<sup>69</sup> SPSEs at serial no. A3, A4, A6, A10 and B18 of **Appendix 5.1**.

<sup>70</sup> Excluding two SPSEs at serial no. A14 (functioning on 'no profit no loss' basis) and A17 (not submitted since 2018-19 after it was covered under the definition of a Government company) of **Appendix 5.1**.

During 2022-23, out of 17 working SPSEs<sup>71</sup>, 14 PSEs incurred losses (₹ 572.28 crore) and only three SPSEs earned profits (₹ 1.61 crore) as per their latest finalised accounts as on 30 September 2023. On the basis of return on historical value, the State Government investment eroded by 9.96 per cent during 2022-23. On the other hand, the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 6.24 per cent as shown in **Appendix 5.2**. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

## 5.8 SPSEs incurring losses

### 5.8.1 Losses incurred

During the year 2022-23, 14 working SPSEs incurred losses of ₹ 572.28 crore as compared to the losses of ₹ 555.90 crore incurred by 12 SPSEs during the year 2020-21. The losses of working SPSEs was mainly driven by the losses incurred by the power sector SPSEs. A comparative position of the loss incurring SPSEs under power and non-power sectors during last three years from 2020-21 to 2022-23 has been given below in **Table 5.9**.

**Table 5.9: Number of Working SPSEs that incurred losses during 2020-21 to 2022-23**

(₹ in crore)

| Year    | Particulars            | No of loss making SPSEs | Total investment | Net loss for the year | Accumulated loss | Net Worth <sup>72</sup> |
|---------|------------------------|-------------------------|------------------|-----------------------|------------------|-------------------------|
| 2020-21 | Power Sector SPSEs     | 4                       | 6,153.45         | 518.58                | 3027.36          | (+) 1365.70             |
|         | Non Power Sector SPSEs | 8                       | 627.82           | 37.32                 | 423.88           | (+) 32.02               |
|         | <b>Total</b>           | <b>12</b>               | <b>6,781.27</b>  | <b>555.90</b>         | <b>3,451.24</b>  | <b>(+) 1,397.72</b>     |
| 2021-22 | Power Sector SPSEs     | 4                       | 7,017.87         | 676.15                | 3,719.57         | (+) 701.02              |
|         | Non Power Sector SPSEs | 7                       | 627.50           | 50.50                 | 469.47           | (-) 13.31               |
|         | <b>Total</b>           | <b>11</b>               | <b>7,645.37</b>  | <b>726.65</b>         | <b>4,189.04</b>  | <b>(+) 687.71</b>       |
| 2022-23 | Power Sector SPSEs     | 4                       | 7,477.79         | 518.24                | 3,850.45         | (+) 573.88              |
|         | Non Power Sector SPSEs | 10                      | 635.30           | 54.04                 | 476.19           | (-) 8.81                |
|         | <b>Total</b>           | <b>14</b>               | <b>8113.09</b>   | <b>572.28</b>         | <b>4,326.64</b>  | <b>(+) 565.07</b>       |

Source: As per latest finalised accounts of SPSEs.

It can be noticed from **Table 5.9** above that during last three years, the overall accumulated losses of SPSEs under power and non-power sectors showed an increasing trend, which correspondingly deteriorated their net worth position from ₹ 1,397.72 crore (2020-21) to ₹ 565.07 crore (2022-23). Further, during the year 2022-23, around 65 per cent (₹ 371.17 crore) of total SPSE-losses (₹ 572.28 crore)

<sup>71</sup> Excluding two SPSEs at serial no. A14 (functioning on 'no profit no loss' basis) and A17 (not submitted since 2018-19 after it was covered under the definition of a Government company) of **Appendix 5.1**.

<sup>72</sup> Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits but do not include reserves created out of revaluation of assets and write back of depreciation provision.

was contributed by two Power sector SPSE (Meghalaya Power Generation Corporation Limited and Meghalaya Power Distribution Corporation Limited).

### 5.8.2 Erosion of Capital in SPSEs

During 2022-23, 15 out of 17 working SPSEs<sup>73</sup> had the accumulated losses of ₹ 4,341.71 crore as per their latest finalised accounts as on 30 September 2023 (**Appendix 5.1**). Of these, 13 SPSEs incurred losses amounting to ₹ 572.26 crore as per latest finalised accounts.

Analysis further revealed that the equity (₹ 1,164.85 crore) of 7 out of the 15 working SPSEs had been completely eroded by their accumulated losses (₹ 3,057.36 crore) and their net worth was 'negative' as per their latest finalised accounts as on 30 September 2023. Out of seven SPSEs whose capital had eroded, while two SPSEs<sup>74</sup> had earned profit of ₹ 1.21 crore during 2022-23. Three<sup>75</sup> out of seven SPSEs whose capital had eroded have received ₹ 16.84 crore during 2022-23 for their establishment expenses. As on 31 March 2023, seven SPSEs had total Government Investment of ₹ 605.04 crore by way of equity (₹ 313.56 crore) and long term loans (₹ 291.48 crore) as detailed in **Table 5.10**.

**Table 5.10: Details of SPSEs whose net worth was eroded as per their latest finalised accounts**

(₹ in crore)

| Sl. No. | Name of the SPSE                                      | Year of Accounts | Total paid up Capital | Income <sup>76</sup> | Expenditure <sup>77</sup> | Net Profit(+)/loss (-) | Accumulated Loss | Net Worth | Period Since when Net Worth remained negative | State Government's Investment* as on 31 March 2023 |        |
|---------|---|------------------|-----------------------|----------------------|---------------------------|------------------------|------------------|-----------|---|--|--------|
|         |   |                  |                       |                      |                           |                        |                  |           |   | Equity   | Loans  |
| 1       | 2   | 3                | 4                     | 5                    | 6                         | 7                      | 8                | 9         | 10  | 11   | 12     |
| 1       | Meghalaya Power Distribution Corporation Limited      | 2021-22          | 859.26                | 1197.42              | 1350.25                   | -152.83                | 2627.66          | -1768.40  | 2014-15                                       | 0  | 175.45 |
| 2       | Mawmluh Cherra Cements Limited                        | 2019-20          | 197.51                | 28.79                | 66.83                     | -38.04                 | 272.84           | -75.33    | -   | 197.40   | 113.48 |
| 3       | Meghalaya Government Construction Corporation Limited | 2021-22          | 3.75                  | 88.79                | 91.95                     | -3.62                  | 29.91            | -26.16    | -   | 4.25   | 0.00   |
| 4       | Meghalaya Transport Corporation                       | 2015-16          | 93.05                 | 0.55                 | 4.98                      | -4.43                  | 106.69           | -13.64    | -   | 100.63   | 0.00   |

<sup>73</sup> Excluding two SPSEs at serial no. A14 (functioning on 'no profit no loss' basis) and A17 (not submitted since 2018-19 after it was covered under the definition of a Government company) of **Appendix 5.1**.

<sup>74</sup> SPSEs at serial no. A7 and A12 of **Appendix 5.1**.

<sup>75</sup> Meghalaya Transport Corporation (₹ 14.06 crore), Meghalaya Government Construction Corporation Limited (₹ 1.83 crore) and Meghalaya Mineral Development Corporation Limited (₹ 0.95 crore).

<sup>76</sup> Income includes revenue from operation and other income.

<sup>77</sup> This includes total expenditure as reflected in Annual accounts.

| Sl. No.      | Name of the SPSE   | Year of Accounts | Total paid up Capital | Income <sup>76</sup> | Expenditure <sup>77</sup> | Net Profit(+)/ loss (-) | Accumulated Loss | Net Worth      | Period Since when Net Worth remained negative | State Government's Investment* as on 31 March 2023 |               |
|--------------|--|------------------|-----------------------|----------------------|---------------------------|-------------------------|------------------|----------------|---|--|---------------|
|              |  |                  |                       |                      |                           |                         |                  |                |   | Equity   | Loans         |
| 1            | 2  | 3                | 4                     | 5                    | 6                         | 7                       | 8                | 9              | 10  | 11   | 12            |
| 5            | Meghalaya Infrastructure Development and Financial Corporation Limited | 2020-21          | 1.00                  | 22.04                | 26.07                     | -4.03                   | 5.52             | -4.52          | 2019-20                                       | 1.00   | 0.00          |
| 6            | Meghalaya Mineral Development Corporation Limited                      | 2021-22          | 2.32                  | 1.27                 | 1.24                      | 0.03                    | 6.32             | -4.00          | -   | 2.32   | 0.00          |
| 7            | Meghalaya Tourism Development Corporation Limited                      | 2018-19          | 7.96                  | 20.41                | 19.23                     | 1.18                    | 8.42             | -0.46          | 2017-18                                       | 7.96   | 2.55          |
| <b>Total</b> |  |                  | <b>1,164.85</b>       | <b>1359.27</b>       | <b>1560.55</b>            | <b>-201.74</b>          | <b>3057.36</b>   | <b>1892.51</b> | <b>--</b>                                     | <b>313.56</b>                                      | <b>291.48</b> |

\*Figures are provisional and as provided by the SPSEs.

## 5.9 Audit of State Public Sector Enterprises

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.

### 5.10 Appointment of statutory auditors of State Public Sector Enterprises by the CAG

Sections 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 2022-23 were appointed by the CAG up to September 2023.

### 5.11 Submission of accounts by State Public Sector Enterprises

#### 5.11.1 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<sup>78</sup> (AGM). As soon as may be after such preparation, the Annual Report

<sup>78</sup> In case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case within a period of six months, from the date of closing of the financial year *i.e.* 30 September.

must be laid before Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of 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 Statements for the financial year have to be placed in the said AGM 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.

The annual accounts of various SPSEs were pending as on 30 September 2023, as detailed in the following paragraph.

#### 5.11.2 Timeliness in preparation of accounts by Government companies

As of 31 March 2023, there were 21 SPSEs under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from 21 SPSEs including two under liquidation. However, only two SPSEs (including one SPSE under liquidation) submitted their accounts for the year 2022-23 for audit by CAG by 30 September 2023. Further, 40 Accounts of 19 SPSEs were in arrears as on 30 September 2023, as detailed in **Appendix 5.3** for various reasons. Details of arrears in submission of accounts of Government companies are given in **Table 5.11**.

**Table 5.11: Details of arrears in submission of accounts**

| Particulars  |                                 | SPSEs     | Number of Accounts |
|--|---------------------------------|-----------|--------------------|
| Total number of Companies under the purview of CAG's audit as on 31 March 2023                             |                                 | 19        | --                 |
| Less: New Companies from which accounts for 2022-23 were not due   |                                 | 0         | 0                  |
| Number of companies from which accounts for 2022-23 were due   |                                 | 19        | 19                 |
| Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023 |                                 | 1         | 1                  |
| <b>Number of accounts in arrears</b>   |                                 | <b>18</b> | <b>33</b>          |
| Break- up of Arrears   | (i) Under Liquidation           | 1         | 1                  |
|  | (ii) Others                     | 17        | 32                 |
| Age-wise analysis of arrears against 'Others' category   | One year (2022-23)              | 10        | 10                 |
|  | Two years (2021-22 and 2022-23) | 03        | 06                 |
|  | Three years and more            | 04        | 16                 |

Source: Compiled on the basis of annual accounts received in the office of PAG (Audit) Meghalaya.



### 5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two<sup>79</sup> Statutory corporations is conducted by the CAG and out of these, one Statutory corporation (Meghalaya Transport Corporation), CAG is sole auditor. During the year (October 2022 to September 2023) Meghalaya State Warehousing Corporation submitted two account (2021-22 and 2022-23). As on 30 September 2023, total seven Accounts (2016-17 to 2022-23) of one Statutory corporation (Meghalaya Transport Corporation) were pending finalisation.

## 5.12 CAG's oversight - Audit of accounts and supplementary audit

### 5.12.1 Financial reporting framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards renamed as National Financial Reporting Authority<sup>80</sup>. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

### 5.12.2 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 public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

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

### 5.12.3 Supplementary Audit of accounts of Government Companies

The primary 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

<sup>79</sup> Meghalaya Transport Corporation and Meghalaya State Warehousing Corporation.

<sup>80</sup> Effective from 01 October 2018.

with the Standard Auditing Practices of Institute of Chartered Accountants of India and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

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

### 5.13 Result of CAG's oversight role

#### 5.13.1 Audit of accounts of SPSEs

During 1 October 2022 to 30 September 2023, 16 SPSEs submitted their 25 Financial Statements (Accounts) for current (2022-23) and previous years. Twenty three Financial Statements of 15 SPSEs were reviewed in audit by the CAG and Non-Review Certificate was issued for the two accounts one<sup>81</sup> SPSE. The results of the review are detailed below:

#### 5.13.2 Amendment of Financial Statements

During 2022-23 there is no case of SPSEs amending their Financial Statements before laying the same in the AGM.

#### 5.13.3 Revision of Auditors Report

During 2022-23, there is no case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements conducted by the CAG.

### 5.14 Conclusion

As on 31 March 2023, there were 21 SPSEs (including two Statutory Corporation) in the State of Meghalaya under the audit purview of CAG. Out of 21 SPSEs, two SPSEs (Government companies) was inactive and under liquidation. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 40 Accounts of 19 SPSEs in arrears (33 Accounts of 18 Government companies and seven Accounts of one Statutory Corporation) as on 30 September 2023.

Out of the total profit of ₹ 1.61 earned by three working SPSEs during 2022-23, 73.29 *per cent* was contributed by one SPSE (Meghalaya Tourism Development Corporation Limited). Similarly, during the year 2022-23, around 65 *per cent* (₹ 371.17 crore) of the total loss (₹ 572.28 crore) incurred by 14 working SPSEs was contributed by two Power sector SPSEs (Meghalaya Power Generation Corporation Limited and Meghalaya Power Distribution Corporation Limited).

Further, none of the three SPSEs which earned profits as per the latest finalised accounts had declared dividend.

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<sup>81</sup> Meghalaya Bamboo Chips Limited.



### 5.15 Recommendations

- (i) *State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 40 Accounts of 19 SPSEs were in arrears. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature.*
- (ii) *The two inactive SPSEs under the process of liquidation were neither contributing to State economy nor meeting the intended objectives. The State Government needs to expedite the liquidation process to wind up these non-working SPSEs.*
- (iii) *Accumulation of huge losses by seven out of 15 working SPSEs had eroded public wealth, which is a cause of concern due to the burden on the exchequer to support their operations. The State Government needs to analyse the viability of continuing with the SPSEs and review the working of these SPSEs to either improve their profitability or close their operations.*
- (iv) *The State Government and the SPSEs concerned may take concrete steps to reconcile the differences in a time-bound manner. The Government should correct the system of recording the funding provided to SPSEs in the State Finance Accounts and the Finance Accounts be updated.*



**Shillong**  
**The: 02 May 2024**

**(Shefali Srivastava Andaleeb)**  
**Principal Accountant General (Audit), Meghalaya**

**Countersigned**



**New Delhi**  
**The: 06 May 2024**

**(Girish Chandra Murmu)**  
**Comptroller and Auditor General of India**

