

CHAPTER-5
STATE PUBLIC SECTOR ENTERPRISES

Chapter - 5

State Public Sector Enterprises

This chapter discusses the financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations as revealed from their Financial Statements (FSs). Impact of significant comments issued as a result of supplementary audit of the FSs of these State Public Sector Enterprises (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 the 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 chapter as Government Controlled Other Companies.

5.2 Mandate of Audit

Audit of Government Companies is conducted by the CAG of India under the provisions of Sections 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints Chartered Accountants as Statutory Auditors for the Government Companies and gives directions on the manner in which the FSs are to be audited. In addition, the CAG has the right to conduct a supplementary audit, subsequent to the audit of these FSs by the statutory Auditors. Further, with respect to the Statutory Corporations established by the Delhi Government, the statutes governing Delhi Transport Corporation require their FSs to be audited only by the CAG, whereas for Delhi Financial Corporation, CAG conducts a supplementary audit.

5.3 State Public Sector Enterprises and their contribution to the GSDP of the State

5.3.1 SPSEs consist of State Government Companies and Statutory Corporations. SPSEs are established to carry out activities of a commercial

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

nature keeping in view the welfare of the people and these occupy an important place in the State economy. As on 31 March 2023, there were 18 SPSEs in Delhi, including 15 Government Companies, two² Statutory Corporations and one Government controlled other Company under the audit jurisdiction of the CAG. 15 Government Companies include four inactive subsidiaries companies of Delhi State Industrial and Infrastructure Development Corporation Limited, which have not been carrying out any activities for the last several years. None of the state SPSEs (State PSEs) was listed on the Stock Exchange. The names of these SPSEs are given in **Appendix 5.1**:

5.3.2 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 total turnover of working SPSEs and GSDP of National Capital Territory of Delhi (NCTD) for a period of three years ending 31 March 2023 are given in **Table 5.1**:

Table 5.1: Details of total turnover of SPSEs vis-à-vis GSDP of NCTD

(₹ in crore)

Name of Sector of SPSEs	2020-21	2021-22	2022-23
Power	4711.71	4870.96	4,870.96
Finance	4.44	4.55	4.26
Services	2533.39	1722.61	1722.61
Infrastructure	1,112.45	789.65	789.65
Transport	518.08	636.54	636.54
Total turnover	8880.07	8024.31	8024.02
GSDP of Delhi	76,3435	9,04,642	10,43,759
Percentage of turnover to GSDP of Delhi	1.16	0.89	0.77
Sectoral percentage of turnover to GSDP			
Power	0.62	0.54	0.47
Finance	0.00	0.00	0.00
Services	0.33	0.19	0.16
Infrastructure	0.14	0.09	0.08
Transport	0.07	0.07	0.06

Source: The figures of Turnover have been taken as per the latest finalised Financial Statements of SPSEs and those of GSDP have been taken from Directorate of Economics and Statistics.

The contribution of SPSEs to the GSDP of Delhi reduced from 0.89 *per cent* in 2021-22 to 0.77 *per cent* in 2022-23. Out of this, contribution of Power Sector SPSEs to the GSDP of Delhi was highest i.e. 0.62 *per cent* of GSDP of Delhi. It can be seen from the table above that the total turnover of these SPSEs has shown a decrease of 9.64 *per cent* from 2020-21 to 2021-22 and then remained almost same from 2021-22 to 2022-23 as per their latest finalised financial statements. However, the contribution of SPSEs in the GSDP remained marginal.

² Delhi Transport Corporation and Delhi Financial Corporation.

5.4 Investment in SPSEs and Budgetary support

5.4.1 Equity holding and Loans in SPSEs

The sector-wise total equity, equity contribution by GNCTD and long-term loans including the loans given by GNCTD as on 31 March 2023 (Appendix 5.2) is given in Table 5.2:

Table 5.2: Sector-wise investment in SPSEs as on 31 March 2023

Name of Sector of SPSEs	Total Investment (₹ in crore)				Sector-wise Percentage of Total Equity and Long-Term Loans	
	Equity		Long Term Loans			
	Total	State Government	Total	State Government		
Power	7,506.79	7,106.78	811.06	441.98	8,317.85	37.36
Finance	76.60	64.60	101.24	101.24	177.84	0.80
Services	25.06	24.03	52.20	52.14	77.26	0.35
Infrastructure	21.00	21.00	0	0	21.00	0.09
Transport	1,994.50	1,994.50	11,676.14	11,676.14	13,670.64	61.40
Total	9,623.95	9,210.91	12,640.64	12,271.50	22,264.59	100

Source: Latest finalised Financial Statements and information furnished by the SPSEs (Long term loans include current maturities of GNCTD loans)

It can be seen from the above table that the thrust of investment in SPSEs was mainly on the Transport and Power sector, which received 61.40 *per cent* and 37.36 *per cent* respectively, of the total investment of ₹ 22,264.59 crore. Delhi Transport Corporation, a statutory corporation under Transport sector received 99.92 *per cent* of total investment in Transport sector.

5.4.2 Market Capitalisation of Equity Investment in SPSEs

Market Capitalisation represents market value of shares of the listed companies. As on 31 March 2023, shares of none of the Government companies were listed in Stock Exchange in India.

5.4.3 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment/ restructuring/ privatisation of SPSEs.

5.5 Returns from SPSEs

5.5.1 Profit earned by SPSEs

There were eight profit-earning SPSEs³ in 2022-23. The profit earned by the profit-making SPSEs increased marginally to ₹ 1,873.65 crore in 2022-23 from ₹ 1,814.08 crore in 2020-21.

The details of the top five profit earning SPSEs in 2022-23 (Appendix 5.3) is given in Table 5.3:

³ DSIIDC, PPCL, IPGCL, DTL, DPCL, ICSIL, GDL, and DTIDC. One SPSE (SRDC) is a non-profit making Company registered under Section 8 of the Companies Act, 2013.

Table 5.3: Top five profit earning SPSEs

Name of SPSE	Net profit earned (₹ in crore)	Percentage of profit to total SPSEs profit (of ₹ 1873.65 crore)
DTL	766.22	40.89
PPCL	652.47	34.82
DSIIDC	144.68	7.72
IPGCL	141.77	7.57
DPCL	139.64	7.46
Total	1844.78	98.46

Source: Latest finalised Financial Statements of SPSEs

During 2022-23, net profit of ₹ 1,844.78 crore constituting 98.46 *per cent* of total profit of the 8 SPSEs was contributed by these five SPSEs, out of which DTL earned maximum profit.

Table 5.4: Net Profit to Turnover Ratios to SPSEs

Sector	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net Profit to Turnover Ratio (in <i>per cent</i>)
Power	1,700.10	4,870.96	34.90
Finance	(-)27.72	4.26	--
Service	2.91	1722.61	0.17
Infrastructure	144.68	789.65	18.32
Transport	(-)8,477.56	636.54	--
Total	(-)6,657.59	8024.02	--

Source: Latest finalised Financial Statements of SPSEs

The above table indicates that Net Profit to turnover ratio was maximum (34.90 *per cent*) and minimum (0.17 *per cent*) in Power Sector and Service Sector respectively in the year 2022-23. Further, in Transport Sector, the net loss worked out to 1,331.82 *per cent* to the Turnover in the year 2022-23.

5.5.2 Dividend paid by SPSEs

GNCTD had formulated (17 August 2021) dividend policy under which SPSEs would be required to pay a minimum annual dividend of 30 *per cent* of Profit after Tax or five *per cent* of the Net Worth, whichever is higher, subject to maximum dividend permitted under the extant legal provisions. The dividend declared/paid by SPSEs is shown in **Table 5.5**.

Table 5.5: Dividend declared by SPSEs

(₹ in crore)					
Year	Particulars	No. of SPSEs which declared dividend	Paid Up Capital (in crore)	Net Profit (in crore)	Dividend Declared (in crore)
2022-23	Power	--	--	--	--
	Finance	--	--	--	--
	Services	2 ⁴	25.07	2.91	0.84
	Infrastructure	1 ⁵	21.00	144.68	60.08
	Transport	--	--	--	--

Source: Latest finalised Financial Statements of SPSEs

During 2022-23, out of eight SPSEs which earned profit as per latest finalised accounts, only three SPSEs, had declared/paid dividend. Out of the top five profit earning SPSEs, only DSIIDC declared dividend in the year 2022-23 and other four SPSEs, which earned profit of ₹ 1,700.10 crore did not declare any dividends.

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 interest liabilities. The details of interest coverage ratio in SPSEs having interest liability are given in **Table 5.6:**

Table 5.6: Interest coverage ratio of SPSEs

Year	Interest liability (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having interest liability from Government and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2020-21	7,474.05	1,926.05	6	3	3
2021-22	8,663.58	2,106.11	6	3	3
2022-23	8,663.58	2,101.65	6	3	3

Source: Latest finalised Financial Statements of SPSEs

It was observed that three SPSEs⁶ had interest coverage ratio of more than one, but three⁷ other SPSEs had interest coverage ratio of less than one during 2022-23. Thus, these three SPSEs were not generating sufficient revenues even to meet their interest liability.

⁴ GSDL & ICSIL

⁵ DSIIDC

⁶ DTL, PPCL & IPGCL

⁷ DTC, DSCFDC & DFC

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 employed⁸. The details of RoCE of 13 SPSEs in which GNCTD had invested during the period from 2020-21 to 2022-23 are given in **Appendix 5.3** and summarised in **Table 5.7**:

Table 5.7: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	2574.58	16596.04	15.51
2021-22	2567.63	17235.98	14.90
2022-23	2563.17	17218.84	14.89

Source: Latest finalised Financial Statements of SPSEs.

It can be seen from the above that RoCE has declined from 15.51 *per cent* to 14.89 *per cent* during the period 2020-21 to 2022-23. The above RoCE represents 12 SPSEs excluding DTC as the capital employed of DTC was **negative** in all the three years, which ranged from ₹ 38582.69 crore to ₹ 47,081.04 crore. Further, EBIT of DTC ranged from (-) 108.33 crore to (-) ₹ 163.90 crore during the above period.

5.7.2 Return on Equity by SPSEs

Return on Equity (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' fund⁹. 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 reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means liabilities exceed assets.

The details of total net income and shareholders' fund relating to 13 SPSEs with GNCTD investment are given in **Appendix 5.3** and summarised in **Table 5.8**:

⁸ Capital Employed = Paid up Share Capital + Free Reserves and Surplus + Long-term Loans – Accumulated Losses – Deferred Revenue Expenditure

⁹ Shareholders' fund = Paid up capital + Free Reserves – Accumulated Losses - Deferred Revenue Expenditure

Table 5.8: Return on Equity relating to SPSEs where funds were infused by GNCTD

Year	Total net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2020-21	(-) 5,537.79	(-) 35,274.30	-
2021-22	(-) 6,658.68	(-) 43,012.79	-
2022-23	(-) 6,663.14	(-) 43,029.93	-

Source: Latest finalised Financial Statement of SPSEs.

As the net income as well as shareholders' fund of SPSEs during 2020-21 to 2022-23 was negative, RoE was not calculated. The net income for all the years from 2020-21 to 2022-23 was negative due to the heavy losses incurred by DTC, which wiped out the profits earned by other SPSEs. The shareholders' fund was negative mainly on account of accumulated losses of DTC, which had increased to ₹ 60,741.03 crore as per its latest finalised financial statements.

5.7.3 Return on Investment

Return on investment is the percentage of profit or loss to the total investment. Out of 18 SPSEs, GNCTD infused funds in the form of equity, loans and grants/subsidies in 13 SPSEs only. GNCTD did not infuse any direct funds in remaining five¹⁰ SPSEs.

5.7.4 Rate of Real Return (RORR) on Government Investments

In order to bring the historical cost of investment to its present value (PV) at the end of each year upto 31 March 2023, the past investments/ year-wise funds infused by the State Government 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, (less: disinvestment) from inception of these Companies to 31 March 2023.

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

- Interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by SPSEs. 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.

¹⁰ DEL, DCAD, DMSL and DLL are subsidiary companies of DSIIDC, which contributed towards their capital. Further, in case of ICSIL, capital was contributed by DSIIDC, TCIL and two other companies.

- The average rate of interest on Government borrowings for the concerned financial year¹¹ was adopted as compounded rate for arriving at PV as it represents the cost incurred by the Government towards investment of funds for the year and was therefore considered as the minimum expected rate of return on investments made by the Government.
- For the purpose of RORR calculation of GNCTD investment, the period beginning 2002-03¹² till 2022-23 has been taken considering the investment in the 13 SPSEs as on 31 March 2002 as PV of GNCTD investment in the beginning of 2002-03.

The consolidated position of the RORR of GNCTD investment relating to the 17 SPSEs (including four subsidiary companies of DSIIDC) from 2002-03 to 31 March 2023 is indicated in **Table 5.9**:

Table 5.9: Year-wise details of investment by the GNCTD and RORR on government funds from 2002-03 to 2022-23

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Govt. during the year	Interest free loans given by the State Govt. during the year	Grants and subsidies for operational and administrative expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings in per cent	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings/ Losses (-) for the year
i	ii	lii	iv	v	vi=iii +iv +v	vii=ii +vi	viii	ix={vii*(1+viii)/100}	x={viii*vii}/100}	xi
2002-03	183.06 ¹³	324.41	0.00	0.20	324.61	507.67	11.17	564.38	56.71	-1,872.94
2003-04	564.38	0.00	0.00	0.20	0.20	564.58	10.65	624.70	60.13	-534.27
2004-05	624.70	0.00	0.00	0.20	0.20	624.90	10.34	689.52	64.62	-1,375.28
2005-06	689.52	0.00	0.00	130.87	130.87	820.39	8.87	893.16	72.77	-1,859.78
2006-07	893.16	3.11	0.00	42.07	45.18	938.34	9.35	1,026.07	87.73	-864.09
2007-08	1,026.07	4,471.80	0.00	33.56	4,505.36	5,531.43	9.84	6,075.73	544.29	-1,749.46
2008-09	6,075.73	715.19	0.00	19.25	734.44	6,810.17	9.90	7,484.37	674.21	-1,672.67
2009-10	7,484.37	1,128.25	0.00	96.25	1,224.50	8,708.87	9.52	9,537.96	829.08	-1,788.68
2010-11	9,537.96	464.00	0.00	402.98	866.98	10,404.94	9.10	11,351.79	946.85	-1,557.81
2011-12	11,351.79	665.48	40.00	764.59	1,470.07	12,821.86	9.77	14,074.55	1,252.70	-1,969.18
2012-13	14,074.55	498.55	50.00	1,310.54	1,859.09	15,933.64	9.73	17,483.98	1,550.34	-1,775.75
2013-14	17,483.98	745.00	1.00	1,409.70	2,155.70	19,639.68	9.21	21,448.50	1,808.81	-2,034.69
2014-15	21,448.50	-1.15	7.00	1,438.75	1,444.60	22,893.10	8.59	24,859.62	1,966.52	-942.51
2015-16	24,859.62	0.00	0.00	1,416.93	1,416.93	26,276.55	8.54	28,520.56	2,244.02	-2,049.81
2016-17	28,520.56	0.00	0.00	1,792.66	1,792.66	30,313.22	8.65	32,935.32	2,622.09	-2,867.88
2017-18	32,935.32	0.00	0.00	2,078.18	2,078.18	35,013.50	8.58	38,017.66	3,004.16	-2,895.56
2018-19	38,017.66	0.00	0.00	1,890.95	1,890.95	39,908.61	8.64	43,356.71	3,448.10	-3,489.59
2019-20	43,356.71	4.80	0.00	2,162.44	2,167.24	45,523.95	8.14	49,229.60	3,705.65	-4,175.27
2020-21	49,229.60	0.00	0.00	2,639.68	2,639.68	51,869.28	7.04	55,520.88	3,651.60	-3,358.75
2021-22	55,520.87	0.00	0.00	2,472.19	2,472.19	57,993.06	6.50	61,762.61	3,769.55	-4,520.55
2022-23	61,762.61	0.00	0.00	2,602.08	2,602.08	64,364.69	6.15	68,323.12	3,958.43	-6,657.59
Total		9,019.44	98.00	22,704.27	31,821.71					

Source: Information received from SPSEs and Finance Accounts of GNCTD of respective years.

¹¹ The average rate of interest on government borrowings was adopted from Finance Accounts of GNCTD of the respective year.

¹² As per information received from the SPSEs.

¹³ Closing balance of investment made by GNCTD in 13 SPSEs till the year 2001-02.

The investment of GNCTD in these 13 SPSEs at the end of the year increased to ₹ 64,364.69 crore in 2022-23 from ₹ 507.67 crore in 2002-03. The PV of investments of GNCTD up to 31 March 2023 worked out to ₹ 68,323.12 crore. It can be seen from the table that total earnings of the companies have remained negative throughout the period from 2002-03 to 2022-23. This was because of the losses suffered by DTC since long, which mainly wiped out the profit earned by other SPSEs.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were nine¹⁴ SPSEs that incurred losses as per their latest finalised accounts at the end of March 2023. The losses incurred by these SPSEs increased to ₹ 8,531.24 crore as per their latest finalised accounts from ₹ 7,362.06 crore in 2020-21 and ₹ 8,526.78 crore in 2021-22 as given in **Table 5.10**:

Table 5.10: Details of SPSEs that incurred losses

(₹ in crore)				
Year	No. of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ¹⁵
2020-21	7 ¹⁶	7,362.06	(-)52,269.29	(-)50,213.6
2021-22	9 ¹⁷	8,526.78	(-)60,527.54	(-)58,458.57
2022-23	9 ¹⁸	8,531.24	(-)60,544.69	(-)58,475.72

Source: Latest finalised Financial Statement of SPSEs.

Out of total loss of ₹ 8,531.24 crore incurred by these nine loss-incurring SPSEs during 2022-23, loss of ₹ 8,498.35 crore (99.61 *per cent*) was contributed by Delhi Transport Corporation alone.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2023, there were five SPSEs¹⁹ whose Net Worth has eroded. Out of these five SPSEs, three SPSEs viz. DSIIDC Liquor Limited, DSIIDC Maintenance Limited and DSIIDC Creative Arts Limited, in which there is no investment by GNCTD, are inactive.

The remaining two SPSEs are Delhi Transport Corporation (DTC) and Delhi Financial Corporation (DFC) in which GNCTD had invested equity and loans.

¹⁴ SRDC earns no profit/loss in 2020-21 hence, not considered in loss making SPSEs.

¹⁵ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

¹⁶ DTC, DFC and DSCFDC and four Subsidiaries of DSIIDC

¹⁷ DTC, DFC, DTTDC, DSCSC, DSCFDC and four Subsidiaries of DSIIDC

¹⁸ DSCFDC, DFC, DTC, DSCSCL, DTTDC, DCAD, DSIIDC Maintenance Services Limited, DSIIDC Liquor Limited, DSIIDC Energy Limited

¹⁹ Delhi Transport Corporation, Delhi Finance Corporation, DSIIDC Liquor Limited, DSIIDC Maintenance Limited and DSIIDC Creative Arts Limited

DTC, incurred loss of ₹ 8,498.35 crore as per its latest finalised Financial Statements as of September 2023. Its receipts were mainly on account of Traffic earnings, rent receipts etc., which were not sufficient to service its operational expenditure (Pay & Allowances, Fuel Cost etc.) which resulted in accumulation of losses to ₹ 60,741.03 crore as per its latest finalised financial statements.

Its net worth has been completely eroded by accumulated losses and as on 31 March 2023, the net worth was (-) ₹ 58,757.18 crore²⁰ against equity investment of ₹ 1,983.85 crore and loans of ₹ 11,676.14 crore, which also remained unpaid.

DFC, which had accumulated losses of ₹ 39.31 crore incurred loss of ₹ 17.14 crore as per its latest finalised Financial Statements as of September 2023. Its net worth has been completely eroded by accumulated losses and as on 31 March 2023, the net worth was (-) ₹ 12.71 crore against equity investment of ₹ 26.60 crore and loans of ₹ 33 crore, which also remained unpaid.

5.9 Audit of State Public Sector Enterprises

The Comptroller and Auditor General of India appoints the statutory auditors of a Government Company under Sections 139 (5) and 139 (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 Corporations require that their Financial Statements (FSs) be audited by the CAG and audited FSs and separate audit report be submitted to the Legislature.

5.10 Appointment of statutory auditors of Government Companies by CAG

Sections 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government 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 Government Companies for the year 2022-23 were appointed by the CAG up to September 2022.

5.11 Submission of accounts by State Public Sector Enterprises

5.11.1 Need for timely submission of Annual Report and Accounts

According to Section 394 of the Companies Act, 2013, an Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting²¹ (AGM). As soon as may be after such

²⁰ DTC to meet its operational expenditures is wholly dependent on the Revenue Grants received from GNCTD. DTC have received ₹18,911 crore as Grants from GNCTD during the period 2010-11 to 2022-23.

²¹ 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.

preparation, the Annual Report together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report must be laid before the State Legislature in case of a Government Company where State Government is also a member in addition to the Central Government. 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 the 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 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 Financial Statements (FSs) of various SPSEs were in arrears 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 16 Government Companies under the purview of CAG's audit. Of these, FSs for the year 2022-23 were due from 16 SPSEs. However, only one Government Company²² had prepared and submitted its FSs for the year 2022-23 for audit by CAG by 30 September 2023. 22 FSs of 15 Government Companies were in arrears as of 30 September 2023. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature. Details of arrears in submission of accounts of Government Companies are given in **Table 5.11**.

²² DSIIDC Liquor Ltd.

Table 5.11: Details of arrears in submission of accounts of Government Companies

Particulars		Government Companies	Number of Accounts
Total number of Companies from which accounts for 2022-23 were due		16	16
Number of companies which prepared and submitted the financial statements for CAG's audit by 30 September 2023		01 ²³	01
Number of accounts in arrears		15	22
Break-up of arrears	Arrear for one year (2022-23)	10 ²⁴	10
	Two years (2021-22 and 2022-23)	4 ²⁵	8
	Arrear for more than three years	1 ²⁶	4

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two Statutory Corporations (DFC and DTC) is conducted by the CAG. While DFC submitted its FSs for the year 2022-23 in time, DTC's FSs for the year 2022-23 were not prepared and submitted as on 30 September 2023.

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 Authority²⁷. 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:

²³ DSIIDC Liquor Ltd,

²⁴ DTTDC, DTL, DSIIDC, DSIIDC Energy Ltd., DCADL, DSIIDC MSL, GSDL, DSCSC, DTIDC and ICSIL.

²⁵ SRDC, DPCL, IPGCL and PPCL

²⁶ Four FSs of DSCFDC were in arrears for 2019-20 to 2022-23.

²⁷ Effective from 01 October 2018

- 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 with the Standard Auditing Practices of the 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 Annual General Meeting.

5.13 Result of CAG's oversight role

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

Eleven financial statements (FSs)²⁸ for the year 2022-23 and previous years were received from nine Government Companies from 1 October 2022 to 30 September 2023. Out of these, 10 FSs of SPSEs were reviewed in audit by the CAG and in respect of remaining one FSs²⁹, it was decided not to review the same. Some of the significant comments issued on these FSs of Government Companies indicating the financial impact of ₹ 98.31 crore on the profitability and ₹ 34.69 crore on financial position-assets/liabilities are detailed in **Appendix 5.4** and **Appendix 5.5**.

²⁸ DTTDC (2021-22), IPGCL(2020-21), PPCL (2020-21), DSIIDC (2021-22), DSIIDC Liquor Ltd (2022-23), GSDL (2021-22), DSCSC (2021-22), DTIDC (2021-22), DSFDC (2016-17, 2017-18 and 2018-19)

²⁹ DSIIDC Liquor Ltd. (2022-23)

5.13.2 Statutory Corporations where CAG is the sole/ supplementary auditor

Some of the significant comments issued by the CAG on the accounts of Statutory Corporations where CAG is the sole/supplementary auditor, indicating the financial impact of ₹ 47.76 crore on the profitability and financial position assets/liabilities, are detailed in **Appendix 5.6**.

5.14 Conclusion

- As on 31 March 2023, there were 18 SPSEs including two Statutory Corporations.
- Out of the total profit of ₹ 1,873.65 crore earned by eight profit-earning SPSEs in 2022-23, 98.46 per cent was contributed by five³⁰ SPSEs. Three of the profit earning SPSEs declared /paid dividend to GNCTD during the year 2022-23.
- Out of total loss of ₹ 8,531.24 crore incurred by nine loss-incurring SPSEs, loss of ₹ 8,498.35 crore was contributed by Delhi Transport Corporation alone.
- DSCFDC did not adhere to the prescribed timelines regarding submission of its financial statements as per the Companies Act, 2013 and its accounts were in arrears for four years. Further, accounts for 2021-22, 2022-23 of four Government Companies and accounts for 2022-23 of ten Government Companies and one Statutory Corporation were not finalised as of 30 September 2023.
- During 2022-23, the impact of CAG's comments on the financial statements of the SPSEs amounted to ₹ 180.76 crore on profitability as well as on assets/liabilities.

5.15 Recommendations

1. State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 23 accounts of 16 SPSEs were in arrears. In the absence of finalised accounts, government investments in such SPSEs remained outside the oversight of the State Legislature.
2. Out of eight SPSEs, which earned profits as per the latest finalised accounts, only three SPSEs declared dividend. Out of the top five profit earning SPSEs, only DSIIDC declared dividend in the year 2022-23 and other four SPSEs which earned profit of ₹ 1700.10 crore did not declare any dividend. These SPSEs should declare/ pay dividend as per the dividend policy of GNCTD (August 2021).

³⁰ DSIIDC, PPCL, IPGCL, DTL and DPCL

3. State Government may analyse the reasons for losses in those SPSEs whose net worth had been fully eroded and take decision about continuance of operation of these SPSEs.

New Delhi
Dated: 17 May 2024


(AMAN DEEP CHATHA)
Principal Accountant General (Audit), Delhi

Countersigned

New Delhi
Dated: 7 June 2024


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

