
Chapter-5

**STATE PUBLIC SECTOR
ENTERPRISES**

CHAPTER 5

STATE PUBLIC SECTOR ENTERPRISES

5.1 Introduction

This Chapter presents the summary of the financial performance of Government Companies and Government controlled other Companies. In the Chapter, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and subsidiaries of such Government companies. The other companies owned or controlled, directly or indirectly, by the State Government, have also been categorised as State Public Sector Undertakings (SPSUs).

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 State Government, or by any State Government or Governments, or partly by the State 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 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.

The total number of SPSEs in the State, as on 31 March 2023, was 32. Based on the latest finalised accounts received within the last three years *i.e.*, 2020-21 to 2022-23, 16 SPSEs (15 Government companies and one Government controlled other company) are being covered in this Chapter.

5.2 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG, 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 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. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

5.3 What this Chapter contains

This chapter gives an overview of the financial performance of the State Government Companies and Government controlled other Companies as revealed from their accounts.

5.4 SPSEs and their contribution to the Gross State Domestic Product (GSDP) of the State

SPSEs consist of State Government 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 2023, there were 32 SPSEs (including three non-working government companies¹ and one² Government Controlled Other Company) in Jharkhand, under the audit jurisdiction of the CAG. The 16 SPSEs, whose accounts for any of the last three years (2020-21 to 2022-23) have been received, are given in **Appendix 5.1**. The 16 SPSEs whose accounts have been in arrear for over three years, are shown in **Appendix 5.2**.

There are three SPSEs in Jharkhand that have been non-working since inception, having an investment of ₹ 48.99 crore towards capital (₹ 1.10 crore) and long-term loans (₹ 47.89 crore). This is a critical area as the investments in these non-working SPSEs do not contribute to the economic growth of the State. Initiation of winding up process of Patratu Energy Limited and Jharbihar Colliery Limited has been approved by their Boards³.

The 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 turnover of working SPSEs and GSDP, for a period of three years ending 31 March 2023, is given in **Table 5.1**.

Table 5.1: Details of turnover of SPSEs vis-a-vis GSDP of Jharkhand

(₹ in crore)			
Particulars	2020-21	2021-22	2022-23
Turnover			
Power Sector SPSEs	5,018.57	6,138.67	6,138.67
Non-Power Sector SPSEs	63.02	81.25	81.25
Total	5,081.59	6,219.92	6,219.92
Percentage change in turnover as compared to turnover of preceding year	-9.36	22.40	0.00
GSDP of Jharkhand	2,96,664	3,58,863	3,93,722
Percentage of Turnover to GSDP of Jharkhand	1.71	1.73	-

Source: Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available. GSDP figures are as per Ministry of Statistics and Programme Implementation, GoI.

The turnover of 16 SPSEs increased from ₹ 5,081.59 crore in 2020-21 to ₹ 6,219.92 crore in 2022-23. As shown in **Table-5.1**, the turnover growth over the previous year, registered during the year 2020-21, was (-) 9.36 per cent and during the year 2021-22, it was 22.40 per cent.

The contribution of SPSEs, to the GSDP of Jharkhand, increased from 1.71 per cent in 2020-21 to 1.73 per cent in 2021-22.

¹ Karanpura Energy Limited (KEL), Patratu Energy Limited (PEL), Jharbihar Colliery Limited (JCL).

² Jharkhand Railway Infrastructure Development Corporation Limited.

³ PEL: 5th AGM (15 September 2017), JCL: 16th (02 February 2018).

5.5 Investment in SPSEs and Budgetary Support

Equity Holding and Loans in SPSEs

The amount of investment in equity and loans in 30 Government Companies and one Govt. controlled other company, as at the end of 31 March 2023, is given in **Table 5.2**.

Table 5.2: Equity investment and loans in Government Companies and Government controlled other company

(₹ in crore)

Sources of investment	As on 31 March 2022			As on 31 March 2023		
	Equity	Long Term Loan	Total	Equity	Long Term Loan	Total
State Government	9,456.18	16,926.61	26,382.79	9,509.80	19,967.47	29,477.27
Others (including Government Companies)	52.34	2,163.01	2,215.35	52.34	2,531.97	2,584.31
Total Investment	9,508.52	19,089.62	28,598.14	9,562.14	22,499.44	32,061.58
Percentage of investment of State Government to Total Investment	99.45	88.67	92.25	99.45	88.75	91.94

Source: Information provided by SPSEs. The figures of the year 2021-22 has been rectified/modified after receipt of accounts of the year from more companies.

The capital invested in the Government controlled other Company (Jharkhand Railway Infrastructure Development Corporation Limited) by the State Government and others, up to the year 2022-23, was ₹ 19.80 crore and is included in **Table 5.2**.

During 2022-23, the total equity holding at face value, in 31⁴ SPSEs, registered a net increase of ₹ 53.62 crore. Investment in equity in SPSEs, by the State Government, increased from ₹ 9,456.18 crore in 2021-22 to ₹ 9,509.80 crore in 2022-23. Two power sector SPSEs, i.e. JBVNL and JUSNL, accounted for ₹ 3,246.45 crore and ₹ 1,598.96 crore, respectively.

The sector-wise Total Equity, Equity Contribution by State Government and Long-Term Loans, including the loans given by State Government, in 31 working SPSEs, as of 31 March 2023, is given in **Table 5.3**.

⁴ No information/accounts have been received from Jharkhand Exploration & Mining Corporation Limited.

Table 5.3: Sector-wise investment in SPSEs

Particulars	Investment ⁵ (₹ in crore)					Percentage of Total Equity and Long-Term Loans
	Total Equity	State Government Equity	Total Long Term Loans	State Government Loans	Total Equity and Long Term Loans	
Power Sector	9,121.25	9,120.15	22,411.14	19,916.20	31,532.39	98.35
Non-Power Sector	440.89	389.65	88.30	51.27	529.19	1.65
Total	9,562.14	9,509.80	22,499.44	19,967.47	32,061.58	100.00

Source: Information provided by the SPSEs.

The thrust of investment in SPSEs was mainly on the power sector SPSEs which had received as much as 98.35 *per cent* (₹ 31,532.39 crore) of the total investment of ₹ 32,061.58 crore as of 31 March 2023. The State Government share was 91.94 *per cent* (₹ 29,477.27 crore) of the total investment of ₹ 32,061.58 crore.

5.6 Return from SPSEs

5.6.1 Profit earned by SPSEs

Based on the latest finalised accounts, seven SPSEs, pertaining to the non-power sector, reported a profit of ₹ 31.11 crore in 2020-21 and 10 SPSEs (two power and eight non-power sector) reported a profit of ₹ 53.57 crore during the year 2021-22, out of which 77.26 *per cent* was contributed by two SPSEs (JUUNL and JSBCCL). The number of SPSEs that earned profit, during FY 2020-21 and 2021-22, is shown in **Table 5.4**.

Table 5.4: SPSEs earning profit during FY 2020-21 and 2021-22

Sl. No.	Name of SPSE	2020-21		2021-22	
		Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs
1	Greater Ranchi Development Authority	4.94	15.88	1.30	2.43
2	Jharkhand Industrial Infrastructure Development Corporation Ltd.	1.30	4.18	0.96	1.79
3	Jharkhand Silk Textile & Handicraft Development Corporation Ltd.	0.09	0.29	0.79	1.47
4	Jharkhand Urban Infrastructure Development Company Ltd.	9.80	31.50	4.02	7.50
5	Jharkhand Railway Infrastructure Development Corporation Ltd.	0.06	0.19	-	-
6	Jharkhand Plastic Park Ltd.	-	-	0.33	0.62

⁵ Investment includes equity and long-term loan.

Sl. No.	Name of SPSE	2020-21		2021-22	
		Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs
7	Jharkhand Medical & Health Infrastructure Procurement Development Corporation Limited	2.13	6.85	2.13	3.98
8	Jharkhand State Building Construction Corporation Limited	12.79	41.11	29.49	55.05
9	Jharkhand Police Housing Corporation Ltd.	-	-	2.63	4.91
10	Jharkhand Urja Utpadan Nigam Limited	-	-	11.90	22.21
11	Patratu Energy Ltd.	-	-	0.02	0.04
Total		31.11	100.00	53.57	100.00

Out of the above seven profit making SPSEs during the year 2020-21, only one SPSE *i.e.*, Jharkhand State Building Construction Corporation Limited (JSBCCL) had earned profit of more than ₹10 crore whereas as per latest finalised accounts, out of the above 10 profit making SPSEs during the year 2021-22, only two SPSEs *i.e.*, JUUNL and JSBCCL had earned profit of more than ₹ 10 crore.

5.6.2 Dividend Paid by SPSE

The State Government had not formulated a dividend policy under which all profit-making SPSEs are required to pay a minimum return on the equity held by the State Government.

5.7 Debt Servicing

5.7.1 Interest Coverage Ratio

Interest coverage ratio (ICR) 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 the ability of the company to pay interest on debt. The interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest in the last three years. The position of the three⁶ functional power sector SPSEs, in this regard, is shown in **Table 5.5**.

⁶ JBVNL, JUSNL and JUUNL.

Table 5.5: Interest coverage ratio of SPSEs

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No of SPSEs ⁷	No. of SPSEs having ICR equal to or more than 1	No. of SPSEs having ICR less than 1
2020-21	936.93	0	3	0	3
2021-22	1,049.56	14.15	3	1	2
2022-23	1,049.56	14.15	3	1	2

Source: Latest finalized Annual Accounts of SPSEs as on 30th September 2023. Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available

As shown in **Table 5.5**, the ICR of the three functional power sector SPSEs was less than one during the year 2020-21 whereas ICR of the two functional power sector SPSEs⁸ was less than one during the year 2021-22 which was indicative of insufficient earning for paying interest on their loans and entailed a high risk of insolvency.

5.7.2 Age-wise analysis of Interest Outstanding on State Government Loans

As on 31st March 2023, interest, amounting to ₹ 5,943.53 crore, was outstanding on the long-term loans provided by the State Government, to three power sector SPSEs (JBVNL, JUSNL and JUUNL). The age-wise analysis of interest outstanding, is depicted in **Table 5.6**.

Table 5.6: Age wise Analysis of Interest Outstanding on State Government Loans

Sl. No.	Name of SPSE	Outstanding Interest on Loan	Interest on loans outstanding for		
			less than 1 year	1 to 3 years	more than 3 years
(₹ in crore)					
Power Sector					
1	JBVNL	2,864.76	544.18	970.60	1,349.98
2	JUSNL	3,033.21	501.43	1,002.86	1,528.92
3	JUUNL	45.56	3.95	13.03	28.58
Total		5,943.53	1,049.56	1,986.49	2,907.48

Source: Latest finalized Annual Accounts of SPSEs as on 30th September 2023

It can be seen from **Table 5.6** that interest amounting to ₹ 2,907.48 crore was outstanding for more than three years. The companies had failed to repay the interest, as well as the principal of the outstanding loan.

5.8 Financial performance of SPSEs

5.8.1 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 employed⁹. Details of RoCE, of 16 SPSEs (6 Power and 10 Non-Power sector), during the period from 2020-21 to 2022-23, are given in **Table 5.7**.

⁷ Loans from the Government were taken by JBVNL, JUSNL and JUUNL.

⁸ JBVNL and JUSNL

⁹ 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

Financial Year	Year-wise/ Sector-wise break-up	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2022-23	Power	-2,583.55	8,923.22	-28.95
	Non-Power	55.26	547.14	10.10
	Total	-2,528.29	9,470.36	-26.70
2021-22	Power	-2,583.55	8,923.22	-28.95
	Non-Power	55.26	547.14	10.10
	Total	-2,528.29	9,470.36	-26.70
2020-21	Power	-2,711.66	11,740.56	-23.10
	Non-Power	33.76	493.74	6.84
	Total	-2,677.90	12,234.30	-21.89
Grand Total		-7,734.48	31,175.02	-24.81

Source: As per latest finalised accounts. Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available

It can be seen from **Table 5.7** that RoCE of Power Sector SPSEs in 2020-21 was (-) 23.10 *per cent* which decreased to (-) 28.95 *per cent* during 2021-22 and 2022-23 due to reduction in losses incurred by Power Sector SPSEs (₹ 2,711.66 crore in 2020-21 to ₹ 2,583.55 crore in 2021-22 & 2022-23).

However, the RoCE of Non-Power Sector SPSEs increased from 6.84 *per cent*, to 10.10 *per cent*, during the period 2020-21 to 2022-23.

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

Shareholders fund is calculated by adding paid up capital and free reserves minus net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's shareholders 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 equity means liabilities exceed assets.

Sector wise RoE of SPSEs, for the three years ended 31 March 2023, is shown in **Table 5.8**.

Table 5.8: Sector wise Return on Equity of SPSEs

Year wise Sector-wise break-up	EAIT/ Net Income (₹ in crore)	Shareholders Fund (₹ in crore)	RoE (in per cent)
2022-23			
Power	-2,585.80	-9,954.76	-
Non-Power	41.65	502.97	8.28
Total	-2,544.15	-9,451.79	-
2021-22			
Power	-2,585.80	-9,954.76	-
Non-Power	41.65	502.97	8.28
Total	-2,544.15	-9,451.79	-
2020-21			
Power	-2,711.71	-7,199.86	-
Non-Power	21.01	448.98	4.68
Total	-2,690.70	-6,150.88	-

Source: As per latest finalised accounts. Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available

It can be seen from **Table 5.8** that the RoE of the Non-Power Sector increased from 4.68 per cent, in 2020-21, to 8.28 per cent, in 2022-23. The RoE of the Power Sector, for the period from 2020-21 to 2022-23, cannot be determined, as both net income and shareholder's equity was negative.

5.8.3 Rate of Return on the basis of Present Value of Investment

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: disinvestments, since inception of these companies, till 31 March 2023.

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 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.
- The average rate of interest on Government borrowings for the concerned financial year¹⁰ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards

¹⁰ The average rate of interest on Government borrowings was adopted from the Finance Accounts of the Government of Jharkhand for the concerned year wherein the average rate for interest paid = interest payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] * 100

investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

SPSE-wise position of State Government investment in the 13 SPSEs (Other than the three non-working companies *i.e.*, KEL, PEL, JCL) in the form of equity and interest free loans on historical cost basis along with consolidated position of the PV of the State Government investment and the total earnings for the period from 2018-19 to 2022-23 have been given in **Appendix 5.3**.

The balance of investment by the State Government in the SPSEs, at the end of the financial year 2022-23, increased to ₹ 8,704.81 crore from ₹ 6,114.49 crore at the end of 2018-19. The State Government made further investments in the form of equity (₹ 739.90 crore) during the period 2018-19 to 2022-23 in these SPSEs. The PV of funds infused by the State Government up to 31 March 2023 amounted to ₹ 9,183.58 crore. During the years 2018-19 to 2022-23, the total earnings remained below the minimum expected return to recover cost of funds in these SPSEs.

5.9 SPSEs incurring losses

5.9.1 Loss incurring SPSEs

There were eight¹¹ SPSEs that incurred losses during the year 2020-21 and three¹² SPSEs that incurred losses during 2021-22 to 2022-23, as given in **Table 5.9**.

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

(₹ in crore)

Year	No of SPSEs which incurred loss	Net loss for the year	Net Worth ¹³
2020-21	8	-2,721.81	-7,185.21
2021-22	3	-2,597.72	-9,971.20
2022-23	3	-2,597.72	-9,971.20
Total		-7,917.25	-27,127.61

Source: As per latest finalised accounts. Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available

The loss of ₹ 2,597.72 crore during 2021-22 was incurred by three Power Sector SPSEs. Two SPSEs listed in **Table 5.10** incurred loss of more than ₹ 10 crore, as per the latest information provided.

¹¹ JBVNL, JUSNL, JUUNL, JCL, PEL, KEL, JPHCL and JPPL.

¹² JBVNL, JUSNL and KEL

¹³ 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.

Table 5.10: SPSEs that incurred losses of more than ₹ 10 crore

(₹ in crore)

Sl. No.	Name of SPSEs	Year of Finalised Account	Net loss ¹⁴ after tax and preference dividend
Power Sector			
1	Jharkhand Bijli Vitran Nigam Limited	2021-22	-2,088.35 (80.39%)
2	Jharkhand Urja Sancharan Nigam Limited	2020-21	-506.84 (19.51%)
Total			-2,595.19

Source: As per latest finalised accounts. Figures of 2021-22 has been taken as figures of 2022-23 since no data for 2022-23 was available.

5.9.2 Erosion of net worth of SPSEs

Net worth is the aggregate value of the paid-up share capital and all reserves created out of the profits, securities and debit or credit balance of Profit and Loss Accounts, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserve created out of revaluation of assets and write back of depreciation. Details are given in **Table 5.11**.

Table 5.11: Erosion of net worth of SPSEs as on 31 March 2023

(₹ in crore)

Name of SPSEs	Latest Finalised Accounts	Total Paid up Capital	Net profit/ loss after tax and preference dividend	Turnover	Accumulated Losses	Net worth	Assets (WDV)	State Equity as on 31.03.23	State Loans as on 31.03.23
JBVNL	2021-22	3,108.93	-2,088.38	5,869.90	-11,588.19	-9,119.08	32,129.05	3,108.93	12,244.08
JUSNL	2020-21	972.96	-506.84	229.58	-1,796.36	-823.40	8,026.00	972.96	6,566.17
JCL	2021-22	1.00	0.00	0.00	-3.99	-2.99	0.98	1.00	3.92
PEL	2021-22	0.05	0.02	0.00	-16.42	-16.34	1.34	0.05	0.00
KEL	2021-22	0.05	-2.50	0.00	-28.77	-28.72	23.31	0.05	43.97
JHARCRAFT	2021-22	10.00	0.79	3.63	-46.15	-36.15	184.27	10.00	0.00
Total		4,092.99	-2,596.91	6,103.11	-13,479.88	-10,026.68	40,364.95	4,092.99	18,858.14

As per the latest finalised accounts received from 16 SPSEs, accumulated losses of six SPSEs were ₹ 13,479.88 crore, against their paid-up capital of ₹ 4,092.99 crore. Hence, the net worth of those SPSEs was completely eroded and their cumulative net worth stood at (-) ₹ 10,026.68 crore as on 31 March 2023.

¹⁴ Loans provided by the State Government ₹ 3,470.37 crore to JBVNL and ₹ 261.45 crore to JUSNL.

Age-analysis of accounts in arrear of SPSEs, whose net-worth has been eroded, are shown in **Table 5.12**.

Table 5.12: Age-analysis of accounts in arrear of SPSEs whose net-worth has been eroded

	Number of SPSEs	Name of SPSEs	Number of Accounts
One year (2022-23)	5	JBVNL, JCL, KEL, PEL, JHARCRAFT	5
Two years (2021-22 and 2022-23)	1	JUSNL	2

Out of the companies listed in **Table 5.11**, investment in the form of equity was made by the State Government in JBVNL (₹ 137.52 crore) and JUSNL (₹ 729.96 crore) during 2020-21 to 2022-23. During the same period, while loans amounting to ₹ 6,834.85 crore was provided to JBVNL, ₹ 1,983.09 crore to JUSNL. No support was given to JHARCRAFT in these years.

Income and expenditure of the six loss making companies are shown in **Table 5.13**.

Table 5.13: Income and expenditure of loss making companies

(₹ in crore)					
Name of SPSEs	Financial Year	Income	Expenditure	Profit/Loss	Net Worth
JBVNL	2021-22	6,947.56	9,035.94	-2,088.38	-9,119.00
JUSNL	2020-21	242.37	749.20	-506.83	-823.40
JHARCRAFT	2021-22	26.95	26.19	0.76	-36.15
KEL	2021-22	0.005	2.50	-2.50	-28.72
PEL	2021-22	0.044	0.026	0.02	-16.34
JCL	2021-22	0.023	0.028	0.00	-2.99

Out of three non-working SPSEs, initiation of winding up process of Patratu Energy Limited and Jharbihar Colliery Limited has been approved by their Boards.

5.10 Audit of State Public Sector Enterprises

The Comptroller & Auditor General of India (CAG) appoints the statutory auditors of Government Companies and Government Controlled Other Companies, under Sections 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 by 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 those Companies, whose accounts were finalised till 2021-22 (as per **Appendix 5.1**), were appointed by the CAG.

5.12 Submission of accounts by State Public Sector Enterprises

5.12.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, the Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting¹⁵ (AGM). As soon as may be after such preparation, the Annual Report must be laid before the 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.

5.12.2 Timeliness in preparation of accounts by SPSEs

Age-analysis of accounts in arrears of PSUs:

As of 31 March 2023, there were 32 SPSEs under the purview of CAG's audit. Accounts for the year 2022-23 were due from all the 32 SPSEs. As on 30 September 2023, none of the SPSEs submitted their accounts for the year 2022-23, for audit by CAG. 107 Accounts of 32 SPSEs were in arrears, for various reasons. Details of arrears in submission of accounts of SPSEs are given in **Table 5.14**.

Table 5.14: Details of arrears in submission of accounts

Particulars		SPSEs	No. of Accounts
Total number of Companies under the purview of CAG's audit as on 31 March 2023		32	32
<i>Less:</i> New Companies from which accounts for 2022-23 were not due		0	0
Number of companies from which accounts for 2022-23 were due		32	32
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023		0	0
Number of accounts in arrears		32	107
Age-wise analysis of arrears	One year (2022-23)	14	14
	Two years (2021-22 and 2022-23)	03	06
	Three years and more	15	87

Source: Compiled on the basis of annual accounts received

¹⁵ 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 the closing of the financial year i.e., 30 September.

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 prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards renamed as National Financial Reporting Authority¹⁶. 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.

5.13.2 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 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.

5.13.3 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,

¹⁶ Effective from 01 October 2018.

if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

5.14 Results of CAG's oversight role

5.14.1 Audit of accounts of SPSEs

No Financial Statements of any SPSEs, for the year 2022-23, were received. However, 32 Financial Statements of 19 SPSEs, for the year 2021-22 and previous years, were received from 01 October 2022 to 30 September 2023. Out of these, 25 Financial Statements of 15 SPSEs were reviewed in audit by the CAG and non-review Certificate was issued for seven Financial Statements of five SPSEs.

5.14.2 Amendment of Financial Statements

During the period from 01 October 2022 to 30 September 2023, one SPSE (*i.e.*, Ranchi Smart City Corporation Limited) amended its Financial Statements, after supplementary audit, for the year 2021-22, before laying the same in the AGM.

5.14.3 Revision of Auditors Report

During the period from 01 October 2022 to 30 September 2023, there were four¹⁷ cases where statutory auditors' reports were revised, based on the results of the supplementary audit of the Financial Statements, conducted by the CAG.

5.15 Conclusions

As on 31 March 2023, there were 32 SPSEs, including three non-working SPSEs. None of the 32 SPSEs adhered to the prescribed timeline regarding submission of their Financial Statements. 107 accounts, of 32 SPSEs, were in arrears.

Out of the total profit of ₹ 53.57 crore earned by 10 SPSEs (two power and eight non-power sectors) during 2021-22, 77.26 *per cent* was contributed by two SPSEs (JUUNL and JSBCCL), whereas, out of the total loss of ₹ 2,597.72 crore, incurred by three SPSEs, during 2021-22 and 2022-23, loss of ₹ 2,088.35 crore (*i.e.*, 80.39 *per cent*) had been incurred by one SPSE (JBVNL).


5.16 Recommendations

- (i) *State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 107 accounts of 32 SPSEs were in arrears. In the absence of finalised accounts, government investments in such SPSEs remain outside the oversight of the State Legislature.*

¹⁷ JUSNL, JPPL, JIIDCO, GRDA.


- (ii) *The three non-working SPSEs are neither contributing to the economy of the State, nor meeting the intended objectives. Out of these three SPSEs, initiation of the winding-up process (between September 2017 and February 2018) of Patratu Energy Limited and Jharbihar Colliery Limited, has been approved by their Boards. The State Government needs to take a policy decision regarding commencement of the liquidation process in respect of the remaining non-working SPSE (Karanpura Energy Limited) as well.*
- (iii) *State Government may analyse the reasons for losses in those SPSEs whose net worth has been eroded and initiate steps to make their operations efficient and profitable.*

Ranchi
The 23 April 2024


(ANUP FRANCIS DUNG DUNG)
Accountant General (Audit) Jharkhand

Countersigned

New Delhi
The 6 May 2024


(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

