

Chapter V: Financial Performance of State Public Sector Enterprises

This Chapter discusses the financial performance of Government Companies and Statutory Corporations. Impact of significant comments issued as a result of supplementary/statutory audit of the financial statements of these State Public Sector Enterprises (SPSEs) conducted by the Comptroller and Auditor General of India (CAG) for the year 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.

5.2 Mandate of Audit

Audit of Government 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 the Chartered Accountants as Statutory Auditors for these 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 only by CAG.

5.2.1 Number of SPSEs and Status of accounts

At the beginning of 2022-23, there were 16 SPSEs under the purview of CAG audit. One company¹ came under the audit jurisdiction of CAG in June 2023 with entrustment of supplementary audit of accounts from the Financial Year 2019-20. As a result, the number of SPSEs under jurisdiction of CAG stood at 17 as per the details given below.

Type of SPSEs	Working SPSEs	Non-working SPSEs	Total
Government Company	15	Nil	15
Statutory Corporation	1	1 ²	2

¹ Goa State Minorities Finance and Development Corporation Limited

² Goa Information Technology Development Corporation

None of the companies included in these SPSEs was listed on the stock exchange. The list of above SPSEs are given in **Appendix 5.1**. This chapter analyses the financial performance of SPSEs³, based on their latest finalised financial statements received till 30 September 2023⁴ and as per information received from these SPSEs.

The nature of SPSEs and the position of accounts of all the 17 SPSEs as on 30 September 2023, is given in **Table 5.1**.

Table 5.1: Status of accounts of SPSEs

Nature of SPSEs	Total No.	No. of SPSEs which submitted their accounts during the reporting period ⁵				No. of SPSEs whose accounts were in arrears as on 30 September 2023 (No. of accounts in arrears)
		Accounts for 2022-23	Accounts for 2021-22	2020-21 and earlier	Total	
Companies	15	03	08	08	19	12(42)
Corporations	2	00	01	01	02	2(17)
Total	17	03	09	09	21	14(59)

(Source: Information compiled by office of PAG, Goa)

Thus, 14 out of 17 SPSEs had 59 accounts in arrears as on 30 September 2023.

Delay in submission of accounts is being brought to the notice of the State Government periodically for necessary intervention. In the absence of annual Financial Statements (FSs) and their audit, proper utilisation of grants and loans disbursed to those SPSEs and their accounting cannot be vouched for. Apart from reflecting on the inadequate monitoring by the State Government, absence of FSs indicates lack of accountability from these SPSEs over the funds released by the Government of Goa.

5.2.2 Summary of financial performance of SPSEs

Table 5.2 shows the detailed financial position and working results of all the 17 SPSEs, as per their latest finalised accounts as 30 September 2023.

Table 5.2 shows the summarised financial position of these 17 SPSEs.

Table 5.2: Summary of financial performance of SPSEs

(₹ in crore)

Particulars	No. of SPSEs	Amount
Number of SPSEs	17	-
Paid-up capital	17	390.84
Long-term loans	8	669.34
Net profit	8	61.40
Net loss	8	18.12
Dividend Paid/Payable	3	1.83
Total assets	16	4179.68
Shareholders' Fund/Net Worth	17	510.72

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

³ One Company namely, Goa State Minorities Finance & Development Corporation Limited has not submitted its first accounts since 2019-20. Therefore, financial performance of only 16 SPSEs has been analysed.

⁴ Due date for submission of financial statements for the year 2022-23

⁵ From October 2022 to September 2023

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs are established to carry out activities of a commercial nature and occupy an important place in the State's economy.

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's economy. The details of turnover of working SPSEs are given in **Appendix 5.2**. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2023 is given in **Table 5.3**.

Table 5.3: Details of turnover of SPSEs vis-à-vis GSDP of Goa

(₹ in crore)

Sl. No.	Sector	2020-21	2021-22	2022-23
1	Public Works	586.22	294.02	408.30
2	Transport	204.82	150.80	195.32
3	Industries, Trade & Commerce	157.98	131.50	143.04
4	Agriculture, Food and Allied Industries	126.78	107.60	119.67
5	Information Technology and Communication	21.66	101.41	66.24
6	Culture and Tourism	27.02	27.02	71.47
7	Others	12.00	12.00	10.77
Total Turnover		1136.47	824.35	1014.81
GSDP of Goa		75705	82604	90642
Percentage of turnover to GSDP of Goa		1.50	1.00	1.12

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

Contribution of SPSEs to GSDP of Goa declined from 1.50 per cent in 2020-21 to 1.12 per cent in 2022-23.

Major contribution to GSDP by SPSEs was from Public Work Sector (0.45 per cent) and Transport Sector (0.22 per cent) during the year 2022-23.

As on 31 March 2023, State Government had invested ₹ 320.58 crore (Equity of ₹ 313.65 crore and long-term loans of ₹ 6.93 crore) in these SPSEs. In addition to it, ₹ 812.81 crore of grants and subsidies was provided to 10 of these SPSEs by Government of Goa during the period 2022-23.

5.4 Investments in SPSEs and budgetary support to SPSEs

5.4.1 Equity holding and loans in SPSEs

The sector-wise equity contribution by State Government and long-term loans including the loans given by State Government in 16 working SPSEs during the last two years (2021-23) is given in **Table 5.4**.

Table 5.4: Sector-wise investments of State Government in SPSEs

(₹ in crore)

Sector-wise investment ⁶ by State Government						
Sector	2021-22			2022-23		
	Equity	Loans	Total	Equity	Loans	Total
Industries, Trade & Commerce	111.50	0.00	111.50	116.50	0.00	116.50
Public Works	11.20	0.00	11.20	11.21	0.00	11.21
Information Technology & Communication	13.40	0.00	13.40	13.40	0.00	13.40
Agriculture, Food and Allied Industries	5.25	1.24	6.49	5.24	1.24	6.48
Culture and Tourism	22.65	2.06	24.71	22.65	1.84	24.49
Transport	108.45	0.00	108.45	108.45	0.00	108.45
Others	36.75	1.45	38.20	36.20	3.85	40.05
Total	309.20	4.75	313.95	313.65	6.93	320.58

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

As on 31 March 2023, State Government's total investment of ₹ 320.58 crore in SPSEs comprised equity capital of ₹ 313.65 crore (97.84 per cent) and long-term loans of ₹ 6.93 crore (2.16 per cent). Major share of State Government's investment was in Industries and Commerce and Transport sectors, which together constituted 71.72 per cent of the total equity during 2022-23.

5.4.2 Budgetary support to SPSEs

State Government provides financial support to SPSEs in various forms through its annual budget. Further, State Government also helps SPSEs in raising loans from banks and public financial institutions by giving guarantees for repayment of principal and interest.

Summarised details of budgetary outgo in the form of equity, loans, grants/subsidies, loans converted to equity, outstanding guarantees, etc. for the last three years ending March 2023 are given in Table 5.5.

Table 5.5: Budgetary support to SPSEs

(₹ in crore)

Sl. No	Particulars	2020-21		2021-22		2022-23	
		No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
(i)	Equity Capital Outgo	Nil	Nil	Nil	Nil	Nil	Nil
(ii)	Loans given	Nil	Nil	1	1.20	1	1.20
(iii)	Grants/Subsidies provided	10	493.68	11	784.58	10	812.81
(iv)	Total outgo (i+ii+iii)		493.68		785.78		814.01
(v)	Loans written off	Nil	Nil	Nil	Nil	Nil	Nil
(vi)	Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
(vii)	Guarantees issued	2	312.87	1	363.30	Nil	Nil
(viii)	Outstanding Guarantees	3	677.67	2	385.44	2	303.90

(Source: Information furnished by SPSEs)

⁶ Investment includes equity and long-term loans.

As can be seen from **Table 5.5**, budgetary support by State Government towards equity, loans and grants/subsidies ranged between ₹ 493.68 crore and ₹ 814.01 crore during last three years (2020-23). Outstanding guarantee commitments of the State Government decreased from ₹ 677.67 crore in 2020-21 to ₹ 303.90 crore in 2022-23.

5.4.3 Disinvestment, restructuring and privatisation of SPSEs

During 2022-23, no disinvestment and restructuring or privatisation of SPSEs were done by the State Government.

5.4.4 Analysis of outstanding loans given to SPSEs

5.4.4.1 Outstanding long-term loans

As on 31 March 2023, outstanding long-term loans in eight out of 16⁷ SPSEs was ₹ 669.34 crore (**Table 5.2**). Outstanding long-term loans of SPSEs decreased by ₹ 220.17 crore during 2022-23 over the previous year (₹ 889.51 crore).

Out of total outstanding loans as on 31 March 2023 (₹ 669.34 crore), loans amounting to ₹ 662.41 crore was given by the Central Government, financial institutions, banks, Central PSE, *etc.* The remaining loan of ₹ 6.93 crore was extended by the State Government, of which, a significant amount (₹ 3.85 crore) was given to Goa State Scheduled Tribes Finance and Development Corporation Limited.

5.4.4.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts.

Coverage of long-term loans by value of total assets in eight SPSEs as on 31 March 2023 was positive, as shown in **Table 5.6**.

Table 5.6: Coverage of long-term loans with total assets in eight SPSEs

Nature of SPSEs	Positive Coverage			
	No. of SPSEs	Long-term loans	Assets	Percentage of assets to loans
		(₹ in crore)		
Government Companies	7	599.23	2362.82	394.31
Statutory Corporations	1	70.11	626.18	893.14
Total	8	669.34	2989.00	446.56

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

⁷ One Company namely, Goa State Minorities Finance & Development Corporation Limited has not submitted its first accounts since 2019-20. Therefore, financial performance of only 16 SPSEs has been analysed

It is thus, evident that the eight SPSEs having positive coverage had assets (₹ 2,989 crore) more than their long-term loans.

5.5 Returns from SPSEs

5.5.1 Profits earned by SPSEs

As per the latest accounts finalised up to September 2023 (16 SPSEs) there were eight SPSEs⁸ that earned profit as compared to seven reported during the previous year. The profits earned decreased to ₹ 61.40 crore from ₹ 70.42 crore reported in 2021-22.

Details of the top three SPSEs which contributed maximum profit are given in **Table 5.7**.

Table 5.7: Top three SPSEs which contributed maximum profit

Sl. No.	Name of SPSEs	Net Profit (₹ in crore)	Percentage of profit to total profit of SPSEs
1	Economic Development Corporation Limited	52.47	85.46
2	Goa State Infrastructure Development Corporation Limited	3.33	5.42
3	Goa Handicrafts, Rural & Small-Scale Industries Development Corporation Limited	2.46	4.00
Total		58.26	94.89

(Source: Latest financial Statements of SPSEs)

The above three SPSEs contributed 94.89 per cent of the total profits (₹ 61.40 crore) earned by eight SPSEs during 2022-23.

Net profit ratio⁹ is depicted in **Table 5.8**.

Table 5.8: Net Profit Ratio of SPSEs

Sector	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net profit Ratio (in per cent)
Industries, Trade and Commerce	43.22	143.04	30.22
PWD	2.95	408.30	0.72
Information Technology &	(-)2.57	66.24	(-) 3.88
Agriculture, Food and Allied Industries	(-)0.76	119.67	(-)0.63
Culture and Tourism	0.60	71.47	0.83
Transport	(-)0.83	195.32	(-) 0.43
Others	0.68	10.77	6.31
Total	43.29	1014.81	4.27

(Source: Latest Financial Statements of SPSEs)

5.5.2 Dividend paid by SPSEs

A higher dividend pay-out ratio means that a larger portion of a company's earnings is being distributed to shareholders as dividends, while a lower

⁸ Accounts received up to 30 September 2023

⁹ Net profit/Turnover*100

dividend pay-out ratio means that a smaller portion of earnings is being paid out.

Out of eight SPSEs that registered profits as per their latest finalised accounts, three declared dividends during 2022-23 as remaining five SPSEs did not earn enough profits to declare dividend. The details are provided in **Table 5.9** below.

Table 5.9: Dividends payout by SPSEs

(₹ in crore)

Year	No. of SPSEs where equity infused by State Government		No. of SPSEs which earned profits during the year		No. of SPSEs which declared/paid dividends during the year		Dividend payout ratio (percentage)
	No. of SPSEs	Equity infused	No. of SPSEs	Equity infused	No. of SPSEs	Dividends declared/ paid	
1	2	3	4	5	6	7	8=7/5*100
2020-21	15	314.92	05	118.99	02 ¹⁰	1.41	1.18
2021-22	15	309.20	06	126.54	02 ¹¹	1.41	1.11
2022-23	16 ¹²	313.65	08	128.42	03 ¹³	1.83	1.42

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

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 in **Table 5.10**.

¹⁰ EDC Limited and Goa State Infrastructure Development Corporation Limited

¹¹ EDC Limited and Goa State Infrastructure Development Corporation Limited

¹² Goa Electronics Limited (GEL) being a subsidiary of Economic Development Corporation (EDC) Limited, State Government does not hold any equity in GEL.

¹³ EDC Limited, Goa State Infrastructure Development Corporation Limited and Goa Tourism Development Corporation Limited

Table 5.10: Interest coverage ratio of SPSEs

Year	Particulars	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans 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	Industries, Trade & Commerce	31.95	55.33	2	1	1
	Public Works Department (PWD)	73.89	77.04	1	1	0
	Culture & Tourism	0.04	(-)4.94	1	0	1
	Transport	1.95	(-)10.73	1	0	1
	Information Technology & Communication	0.44	0.27	1	0	1
	Other	0.11	0.18	1	1	0
	Total	108.38	117.15	7	3	4
2021-22	Industries, Trade & Commerce	25.11	86.52	2	1	1
	PWD	67.46	70.40	1	1	0
	Culture & Tourism	0.04	(-) 4.94	1	0	1
	Agriculture, Food & Allied Industries	0.02	(-) 0.22	1	0	1
	Other	0.11	0.18	1	1	0
	Total	92.74	151.94	6	3	3
2022-23	Industries, Trade & Commerce	8.56	(-) 3.14	1	0	1
	PWD	46.19	50.34	1	1	0
	Information Technology & Communication	10.36	7.06	1	0	1
	Other	0.11	(-) 0.03	1	0	1
	Total	65.22	54.23	4	1	3

(Source: Latest Financial Statements of SPSEs)

It was observed that one SPSE (Goa State Infrastructure Development Corporation Limited) pertaining to PWD Sector which had the highest liability of ₹ 372.92 crore in long-term loans (as on 31 March 2023), had an interest coverage ratio of more than one, meaning that the company's income was sufficient to cover its interest expenses during 2022-23.

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 employed¹⁴. The details of RoCE during the period from 2020-21 to 2022-23 are given below in **Table 5.11**.

Table 5.11: Return on Capital Employed

Year	Cluster	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	Industries, Trade & Commerce	55.64	504.15	11.04
	PWD	74.22	810.21	9.16
	Information Technology & Communication	1.87	115.36	1.62
	Agriculture food & allied industries	(-)1.61	5.41	(-) 29.76
	Culture & Tourism	(-)4.94	9.68	(-)51.03
	Transport	(-)10.73	(-)47.62	22.53
	Others	(-)3.5	60.35	(-)5.8
	Total	110.95	1457.54	7.61
2021-22	Industries, Trade & Commerce	86.83	504.81	17.20
	PWD	70.86	719.01	9.86
	Information Technology & Communication	3.75	103.10	3.64
	Agriculture food & allied industries	(-)1.15	3.78	(-)30.42
	Culture & Tourism	(-)4.94	9.68	(-)51.03
	Transport	(-) 6.61	(-)61.37	10.77
	Others	(-)3.50	60.35	(-)5.8
	Total	145.24	1339.36	10.85
2022-23	Industries, Trade & Commerce	72.42	477.61	15.16
	PWD	49.96	584.81	8.54
	Information Technology & Communication	8.30	81.99	10.12
	Agriculture food & allied industries	(-)0.67	4.27	(-)15.69
	Culture & Tourism	0.60	25.40	2.36
	Transport	(-)0.82	(-)66.76	1.23
	Others	0.81	72.74	1.11
	Total	130.60	1180.06	11.07

(Source: Latest Financial Statements of working SPSEs)

It was observed that the overall RoCE for 17 SPSEs was positive during the three-year period 2020-21 to 2022-23. However, the Agriculture and allied industries sector reported a negative RoCE throughout this 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' fund. It is expressed as a percentage and can be calculated for any company, if net income and shareholders' fund are both positive.

The Return on Equity¹⁵ (RoE) of the eight profit earning SPSEs stood at 11.08 *per cent* in 2022-23. The RoE in all the 16 working SPSEs including eight loss-making SPSEs was 8.48 *per cent* in 2022-23.

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

¹⁴ Capital Employed = Paid-up Share capital + Free Reserves and surplus + Long-term loans – Accumulated losses – Deferred Revenue Expenditure.

¹⁵ 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

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.

The details of Shareholders' Fund and RoE relating to working SPSEs are given below in **Table 5.12**.

Table 5.12: Return on Equity relating to SPSEs

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (Percentage)
2020-21	Industries, Trade & Commerce	7.73	333.94	2.31
	PWD	(-)0.63	57.72	--
	Information Technology & Communication	1.40	20.21	6.93
	Agriculture food & allied Industries	(-)1.80	4.17	--
	Culture & Tourism	(-)4.98	7.62	--
	Transport	(-)12.68	(-)64.64	--
	Others	(-)3.61	55.71	--
	Total	(-)14.57	414.73	--
2021-22	Industries, Trade & Commerce	54.48	365.89	14.89
	PWD	2.38	59.29	4.01
	Information Technology & Communication	(-)1.37	19.86	--
	Agriculture food & allied Industries	(-)1.63	2.55	--
	Culture & Tourism Sector SPSEs	(-)4.98	7.63	--
	Transport Sector SPSEs	(-)7.67	(-)61.37	--
	Others SPSEs	(-)3.61	55.76	--
	Total	37.60	449.61	8.36
2022-23	Industries, Trade & Commerce	43.22	407.50	10.61
	PWD	2.95	61.88	4.77
	Information Technology & Communication	(-)2.57	16.58	--
	Agriculture food & allied Industries	(-) 0.76	3.03	--
	Culture & Tourism	0.60	23.56	2.55
	Transport	(-)0.83	(-)66.76	--
	Others	0.68	64.93	1.05
	Total	43.29	510.72	8.48

(Source: As per latest finalised accounts of SPSEs)

During 2020-21 RoE could not be calculated as the total net income of all SPSEs was negative, whereas during 2021-22 and 2022-23 overall RoE turned positive attributable to Industries, Trade & Commerce Sector SPSEs reporting profits.

5.7.3 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 up to 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, and reduced by disinvestments (if any) 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.
- The average rate of interest on Government borrowings for the concerned financial year¹⁶ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards 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 17 SPSEs in the form of equity and interest-free loans on historical cost basis for the period up to 2010-11 to 2022-23 have been given in **Appendix 5.3**. The consolidated position of the PV of the State Government investment and the total earnings relating to 17 SPSEs for the last five years (2018-23) is indicated below in **Table 5.13**.

Table 5.13: Year-wise details of investments by State Government and its present value (PV) for the period 2018-19 to 2022-23

Year	PV of total investment at the beginning of the year	Total investment during the year	Average rate of interest on Government borrowings (in per cent)	Total investment at the end of the year	PV of total investment at the end of the year	Minimum expected return	Total earnings for the year ¹⁷
2018-19	836.05	11.43	6.90	847.48	905.95	58.48	53.01
2019-20	905.95	0.01	6.82	905.96	967.75	61.79	(98.47)
2020-21	967.75	1.28	6.48	969.03	1031.82	62.79	(14.58)
2021-22	1031.82	1.2	6.41	1033.02	1099.24	66.22	37.61
2022-23	1099.24	6.63	6.11	1105.87	1173.44	67.57	43.29

(₹ in crore)

(Source: Information compiled on the basis of accounts finalised up to 30 September 2023)

The balance of investment by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹ 1,105.87 crore in 2022-23 from ₹ 847.48 crore at the end of 2018-19. The PV of funds infused by the State Government up to 31 March 2023 amounted to ₹ 1,173.44 crore. During the period 2018-19 to 2022-23 total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

¹⁶ The average rate of interest on Government borrowings was adopted from the Reports of the CAG on State Finances.

¹⁷ Total earnings for the year depicts total of net earnings (profit/loss) for the year concerned relating to 15 SPSEs where capital was infused by the State Government.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

There were eight working SPSEs that incurred losses as per their latest finalised accounts. Losses incurred by these SPSEs decreased from ₹ 56.63 crore in 2020-21 to ₹ 18.12 crore in 2022-23, as shown in **Table 5.14**.

Table 5.14: Number of SPSEs incurring losses during 2020-21 to 2022-23

(₹ in crore)

Year	Particulars	No of loss making SPSEs	Net loss for the year	Accumulated loss	Net Worth ¹⁸
2020-21	Industries, Trade & Commerce Sector SPSEs	1	(-)30.72	(-)98.89	(-)39.62
	PWD Sector SPSEs	1	(-)2.73	0.00	19.43
	Information Technology & Communication Sector SPSEs	1	(-)0.02	0.00	17.34
	Agriculture food & allied Industries Sector SPSEs	2	(-)1.80	(-)1.45	4.17
	Culture & Tourism Sector SPSEs	1	(-)4.98	(-)15.02	7.63
	Transport Sector SPSEs	1	(-)12.68	(-)173.09	(-)64.64
	Others SPSEs	2	(-)3.70	0.00	51.84
	Total	9	(-) 56.63	(-) 288.45	(-)3.85
2021-22	Industries, Trade & Commerce Sector SPSEs	1	(-)12.51	(-)107.30	(-)52.81
	Information Technology & Communication Sector SPSEs	1	(-)2.33	(-)1.32	15.01
	Agriculture food & allied Industries Sector SPSEs	2	(-)1.63	(-)3.07	2.54
	Culture & Tourism Sector SPSEs	1	(-)4.98	(-)15.02	7.63
	Transport Sector SPSEs	1	(-)7.67	(-)169.82	(-)61.37
	Others SPSEs	2	(-)3.70	0.00	51.84
	Total	8	(-) 32.82	(-) 296.54	(-) 37.16
2022-23	Industries, Trade & Commerce Sector SPSEs	1	(-)11.71	(-)119.01	(-)55.89
	PWD Sector SPSEs	1	(-)0.38	0.00	19.41
	Information Technology & Communication Sector SPSEs	2	(-)3.53	(-)4.85	11.73
	Agriculture food & allied Industries Sector SPSEs	1	(-)0.91	(-)1.22	(-)0.61
	Transport Sector SPSEs	1	(-)0.83	(-)175.21	(-)66.76
	Others SPSEs	2	(-)0.76	(-)0.77	48.36
	Total	8	(-) 18.12	(-) 301.06	(-) 43.76

(Source: As per latest finalised accounts of SPSEs)

¹⁸ 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.

In 2022-23, out of total loss of ₹18.12 crore incurred by eight SPSEs, loss of ₹ 15.22 crore (84 *per cent*) was incurred by two SPSEs (Goa Industrial Development Corporation and Info Tech Corporation of Goa Limited), which fall under Industries, Trade and Commerce sector and Information Technology & Communication sector respectively.

5.8.2 Erosion of Capital in SPSEs

As on 31 March 2023, there were eight SPSEs with accumulated losses of ₹ 306.06 crore as detailed in **Appendix 5.4**. These eight SPSEs incurred losses amounting to ₹ 14.51 crore as per latest finalised accounts as of 30 September 2023.

The net worth of three out of these eight SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. The net worth of these three SPSEs has remained negative since 2017-18. The net worth of these three SPSEs was (-) ₹ 123.26 crore, against equity investment of ₹ 131.17 crore.

There were no outstanding Government Loan in these SPSEs as on 31 March 2023 as detailed in **Table 5.15**.

Table 5.15: Details of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSEs	Latest Year accounts	Total Paid Up Capital	Net loss after Interest, Tax and Dividend	Accumulated Losses (-)	Net Worth	Period since Net worth has remained negative	State Government Equity as on 31 March 2023	State Government Loans as on 31 March 2023
1	Goa Meat Complex Limited	2021-22	0.62	0.91	1.22	(-)0.61	2017-18	0.25	0.00
2	Kadamba Transport Corporation Limited	2021-22	108.45	0.83	175.21	(-)66.76	2017-18	108.45	0.00
3	Goa Industrial Development Corporation	2021-22	63.12	11.71	119.01	(-)55.89	2017-18	22.47	0.00
		Total	172.19	13.45	295.44	(-)123.26		131.17	0.00

(Source: As per latest finalised accounts of SPSEs)

Total expenditure and revenue of these three SPSEs and Government revenue grant received by them as per the financial statements for the year 2021-22 were as given in **Table 5.16**.

Table 5.16: Details of revenue, expenditure and grants in respect of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)

Name of SPSEs	Total Revenue (excluding Government grant)	Total Expenditure	Grant received	Percentage of own revenue to total expenditure
Goa Meat Complex Limited	0.18	5.58 ¹⁹	4.50	3.23
Kadamba Transport Corporation Limited	55.32	196.65 ²⁰	140.00	28.13
Goa Industrial Development Corporation	37.71	49.42	-	76.30

(Source: As per the latest accounts finalised till September 2023)

As could be seen from the above Table, there was huge shortfall in revenue generation by the SPSEs *vis-à-vis* its expenditure. Goa Meat Complex Limited and Kadamba Transport Corporation Limited were largely dependent on Government grants for meeting major share of their operational and administrative expenses. The revenue generated by Goa Meat Complex Limited and Kadamba Transport Corporation Limited were only sufficient to meet 3.23 *per cent* and 28.13 *per cent* respectively of their operational and administrative expenses. Goa Industrial Development Corporation was not dependent on Government grant as the Corporation had adequate fund to meet its expenses.

Recommendation 1: State Government may review the functioning of all loss-making SPSEs, especially those whose net worth had been completely eroded and take necessary steps to improve their financial performance.

5.9 Audit of State Public Sector Enterprises

CAG appoints the statutory auditors of a Government Company and Government Controlled Other 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 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 nine Companies for the year 2023-24 were appointed by the CAG up to September 2023. Appointments of statutory auditors of other six companies were not made as their accounts of previous years were in arrears.

¹⁹ Includes establishment/administrative expenditure of ₹ 5.32 crore

²⁰ Includes establishment/administrative expenditure of ₹ 148.55 crore

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 Meeting²¹ (AGM). The Annual Report 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 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.

Details of pendency of annual accounts of various SPSEs as on 30 September 2023, are detailed in the following paragraph.

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2023, there were 17 SPSEs under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from 17 SPSEs. However, only three SPSEs submitted their accounts for the year 2022-23 for audit by the CAG by 30 September 2023. 59 accounts of 14 SPSEs were in arrears, as detailed in **Appendix 5.5**, for various reasons.

Details of arrears in submission of accounts of SPSEs are given in **Table 5.17**.

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.

Table 5.17: Details of arrears in submission of accounts

Particulars		SPSEs	Number of Accounts
Total number of SPSEs under the purview of CAG's audit as on 31/03/2023		17	00
Less: New SPSEs from which accounts for 2022-23 were not due		00	00
Number of SPSEs from which accounts for 2022-23 were due		17	17
Number of SPSEs which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023		03	03
Number of accounts in arrears		14	59
Break- up of Arrears	(i) Under Liquidation	00	00
	(ii) Defunct	00	00
	(iii) Others	14	59
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	14	14
	Two years (2020-21 and 2021-22)	07	14
	Three years and more	06	31

(Source: Information compiled by Audit)

5.11.3 Timeliness in preparation of accounts by Statutory Corporations

Audit of two statutory corporations (Goa Industrial Development Corporation and Goa Information Technology Development Corporation) is conducted by the CAG as a sole auditor. No statutory corporations presented its accounts for the year 2022-23 for audit before 30 September 2023. As on 30 September 2023, 17 accounts of two Statutory Corporations were pending.

The Finance Department during the exit conference (21/02/2024) assured of intervention in ensuring that the accounts by different SPSEs are submitted in a timely manner.

Recommendation 2: State Government may issue necessary instructions to administrative departments to set targets for timely submission of accounts by SPSEs and for speedy clearance of accounts in arrears.

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 Authority²². 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

²² Effective from 01 October 2018.

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 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 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

Twenty-one Financial Statements for the year 2022-23 and previous years were received from 15 SPSEs during the period from 01 October 2022 to 30 September 2023. 14 Financial Statements of 13 SPSEs were reviewed in audit by the CAG and Non-Review Certificates were issued for seven accounts of five SPSEs. The results of the review are detailed below:

5.13.2 Amendment of Financial Statements

During 2022-23 there was 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 was one²³ case of revision of statutory auditors' report as a result of supplementary audit of the Financial Statements conducted by the CAG.

5.13.4 Significant comments of the CAG issued as a supplement to the Statutory Auditors' Report on SPSEs

Financial impact of significant comments issued during October 2022 to September 2023 on Financial Statements of SPSEs was ₹ 24.65 crore on profitability and ₹ 24.67 crore on the financial position.

5.14 Conclusion

- As on 31 March 2023, there were 17 SPSEs including two Statutory Corporations in the State. Out of 17 SPSEs, 14 did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 59 accounts of 14 SPSEs in arrears.
- Out of the total profit of ₹ 61.40 crore earned by eight SPSEs, 94.89 *per cent* was contributed by three SPSEs. Out of eight SPSEs which earned profits as per the latest finalised accounts, only three SPSEs declared dividend.
- Out of total loss of ₹ 18.12 crore incurred by SPSEs, loss of ₹ 15.22 crore was incurred by two SPSEs (Goa Industrial Development Corporation Limited and Info Tech Corporation of Goa Limited).

²³ Independent Auditors' Report on the financial statements of Goa Tourism Development Corporation Limited

- Financial impact of significant comments issued during October 2022 to September 2023 on Financial Statements of SPSEs was ₹ 24.65 crore on profitability and ₹ 24.67 crore on the financial position.

Panaji
The 21 June 2024



(ANITHA BALAKRISHNA)
Principal Accountant General, Goa

Countersigned

New Delhi
The 27 June 2024



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India