CHAPTER-V

STATE PUBLIC SECTOR ENTERPRISES

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

5.1 Introduction

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

Besides, any other company[26] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as '*Government Controlled Other Companies' (GCOCs)*.

5.2 Mandate of Audit

Audit of 'Government companies' and 'Government Controlled Other Companies' is conducted by the CAG of India under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has right to conduct a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

5.3 SPSEs and their contribution to the GSDP of the State

SPSEs are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. As on 31 March 2023, there were 14 SPSEs (all Government companies) in Manipur under the jurisdiction of the CAG, which consist of 11 working and three non-working Companies as listed in ***Appendix 5.1***. None of the SPSEs were listed on the stock exchange, which means that the shares of the SPSEs cannot be traded in the stock exchange.

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

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. Turnover of working SPSEs and GSDP for a period of three years ending 31 March 2023 are given in **Table 5.1**.

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

(₹ in crore)

Particulars	2020-21	2021-22	2022-23
SPSE-Turnover (total)	**480.88**	**584.92**	**583.87**
Power Sector SPSEs	479.25	583.29	582.24
Finance Sector SPSEs	0.09	0.09	0.09
Manufacturing Sector SPSEs	1.28	1.28	1.28
Other SPSEs	0.26	0.26	0.26
GSDP* of Manipur	**29,776.09**	**36,594.47 (Q)**	**40,661.97 (A)**
Power Sector SPSEs	1.60	1.59	1.43
Other Sectors	0.01	0.01	0.01
Overall percentage of SPSE-turnover to GSDP	**1.61**	**1.60**	**1.44**

Source ***SPSE-turnover*** *as per latest finalised accounts of SPSEs and* ***GSDP*** *as per Department of Economics and Statistics, Manipur.*

* *Q-Quick Estimate, A-Advance Estimates.*

As can be seen from **Table 5.1** above, the contribution of SPSE-turnover to the GSDP of Manipur was negligible and had shown a diminishing trend during previous three years (2020-21 to 2022-23). The major contributor to SPSEs-turnover during all the three years under reference had been the power sector SPSEs, while the contribution of other sector SPSEs was restricted to a meagre of 0.01 *per cent* during each of the three years from 2020-21 to 2022-23.

As per the information furnished by the SPSEs, the State Government had an investment of ₹ 45.90 crore (Equity: ₹ 45.32 crore and long-term loans: ₹ 0.58 crore) in 14 SPSEs[27] as on 31 March 2023. In addition, the State Government had also provided grants/ subsidies aggregating ₹ 328.40 crore (capital grant: ₹ 79.16 crore; revenue grant: ₹ 129.24 crore and subsidy: ₹ 120.00 crore) to five SPSEs[28] during the year 2022-23.

5.4 Investment in SPSEs and Budgetary Support

5.4.1 Equity holding and Loans in SPSEs

The sector-wise details of Total Investment (Equity and Long Term Loans) in 14 SPSEs (11 working and 3 non-working) and contribution by the State Government towards the Equity and Long-Term Loans of these SPSEs as on 31 March 2023 is given below in **Table 5.2**.

[27] Including the equity investment of ₹ 0.83 crore in two non-working SPSEs at serial No. B1 and B2 of ***Appendix 5.2.***

[28] SPSEs at serial No. A4, A6, A7, A8 and A10 of ***Appendix 5.2.***

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

(Rupees in crore)

Sector	Investment[29] (*₹ in crore*)					Sector-wise investment to total investment (*per cent*)
	Total Equity	State Government Equity	Total Long-Term Loans	State Government Loans	Total investment (Equity and Loans)	
Power SPSEs	20.10	10.10	760.48	-	780.58	94.04
Finance	12.92	8.71	2.61	-	15.53	1.87
Manufacturing	8.15	8.15	6.00	-	14.15	1.70
Other SPSEs	19.25	18.36	0.58	0.58	19.83	2.39
Total	**60.42**	**45.32**	**769.67**	**0.58**	**830.09**	**100**

Source: Information provided by the SPSEs.

As can be noticed from **Table 5.2** above, the thrust of total SPSEs-investment was in power sector SPSEs, which had received as much as 94.04 *per cent* (₹ 780.58 crore) of total investment (₹ 830.09 crore) as on 31 March 2023. The State Government contributed around 5.53 *per cent* (₹ 45.90 crore) of the total investment (₹ 830.09 crore).

5.4.2 Reconciliation with Finance Accounts

The figures in respect of equity and loans provided by the State Government as per the records of SPSEs should agree with the corresponding figures appearing in the Finance Accounts of the State. In case of differences in the figures, the SPSEs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as on 31 March 2023 is given in **Table 5.3**.

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

(₹ in crore)

Particulars	Investment as per		Difference
	Finance Accounts	SPSEs' records	
Equity	72.31	45.32	26.99
Long Term Loans	Nil	0.58	0.58

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

From **Table 5.3** above, it can be noticed that as on 31 March 2023, there were unreconciled differences in the figures of Equity (₹ 26.99 crore) and Loan (₹ 0.58 crore) as per two sets of records. The differences in Equity occurred in respect of 12 SPSEs[30] falling under Power Sector (2 SPSEs) and Other Sectors (10 SPSE).

As regards Loan figures, the Finance Department disburses the loans to various Departments of the State Government for different sectoral activities and booked the amount sector-wise in the Finance Accounts. In turn, the Departments disburse these loans to respective SPSEs functioning under their administrative control. Hence, SPSE-wise figures of State Government loans provided to various SPSEs were not available in the State Finance Accounts. As verified from the State Finance Accounts[31], no Long Term Loans had been shown outstanding against any of the SPSEs as on 31 March 2023.

[29] Investment figures are provisional and as provided by the SPSEs as none of the SPSE had finalised their Accounts for the year 2022-23.

[30] SPSEs at Sl. Nos. A1, A2, A4 to A10, B1, B2 and B3 of ***Appendix 5.2***.

[31] Statement No. 7 of State Finance Accounts (Volume I) for the year 2022-23.

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

5.4.3 Market Capitalisation of equity investment in SPSEs

Market capitalization represents the market value of shares of companies listed on the Stock Exchange. In Manipur, however, none of the SPSEs was listed on the Stock Exchange as on 31 March 2023.

5.4.4 Disinvestment, Restructuring and Privatisation

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

5.5 Returns from SPSEs

5.5.1 Profit/loss earned by SPSEs

During 2022-23, only one SPSEs earned profit (₹ 0.29 crore) as per its latest finalised accounts as on 30 September 2023 as detailed in **Table 5.4** below:

Table 5.4: SPSE which contributed the profit during 2022-23

Name of SPSE	Year of Accounts	Net profit *(₹ in crore)*	Contribution to total SPSE-profits *(per cent)*
Manipur Police Housing Corporation Limited	1997-98	0.29	100
Total		**0.29**	**100**

As can be noticed from **Table 5.4**, only one SPSE out of total 11 working SPSEs had earned profit during 2022-23 as per its latest finalised accounts (1997-98) and no other SPSEs had not contributed towards the profit of the SPSE profits during 2022-23. Since the SPSE had not finalised any of its accounts during last three years, the position remained same during 2020-21 to 2022-23.

5.5.2 Dividend paid by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five *per cent* on Government equity should be paid by all enterprises. There was, however, no information available on record regarding the existence of any specific policy of the State Government on payment of minimum dividend by the SPSEs. As per their latest finalised accounts as on 30 September 2023, the lone profit-making SPSE[32] had not declared any dividend during the past three years.

[32] Manipur Police Housing Corporation Limited

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 working SPSEs which had interest burden (charged to revenue) as per their latest finalised accounts are given below in **Table 5.5**.

Table 5.5: Interest coverage ratio of working SPSEs

Year	Particulars	Interest[33] (₹ 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	Power Sector	2.73	-5.33	1	-	1
	Other Sectors	-	-	-	-	-
	Total	**2.73**	**-5.33**	**1**	**-**	**1**
2021-22	Power Sector	10.12	-22.52	1	-	1
	Other Sectors	-	-	-	-	-
	Total	**10.12**	**-22.52**	**1**	**-**	**1**
2022-23	Power Sector	10.12	-22.52	1	-	1
	Other Sectors	-	-	-	-	-
	Total	**10.12**	**-22.52**	**1**	**-**	**1**

Source: Latest Financial Statements of SPSEs.

It can be noticed from **Table 5.5** above that during all the three years (2020-21 to 2022-23), only one out of 11 working SPSE (Manipur State Power Distribution Company Limited) had the interest burden against outstanding long term loans charged to revenue in the profit and loss account. The Interest Coverage Ratio of this SPSE had been 'less than one' during all the three years under reference (2020-21 to 2022-23). This indicated that this SPSE was not generating sufficient revenues to meet its expenses on interest consecutively for last three years.

5.7 Financial performance of SPSEs

5.7.1 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by the Capital Employed. The details of RoCE of working SPSEs as per their latest finalised accounts during the years from 2020-21 to 2022-23 are given below in **Table 5.6**.

[33] Interest figures as charged to revenue in the Profit and Loss Account of the SPSEs concerned.

Table-5.6: Return on Capital Employed of working SPSEs

Year	Particulars	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2020-21	Power Sector SPSEs	-11.58	300.44	-3.85
	Finance Sector SPSEs	-1.57	-13.03	Not workable
	Manufacturing Sector SPSEs	-0.40	15.90	-2.52
	Other SPSEs	-0.03	-1.43	Not workable
	Total	**-13.58**	**301.88**	**-4.50**
2021-22	Power Sector SPSEs	-35.06	232.13	-15.10
	Finance Sector SPSEs	-1.57	-13.03	Not workable
	Manufacturing Sector SPSEs	-0.40	15.90	-2.52
	Other SPSEs	-0.03	-1.43	Not workable
	Total	**-37.06**	**233.57**	**-15.87**
2022-23	Power Sector SPSEs	-60.58	199.96	-30.31
	Finance Sector SPSEs	-1.57	-13.03	Not workable
	Manufacturing Sector SPSEs	-0.40	15.90	-2.52
	Other SPSEs	-0.02	-1.43	Not workable
	Total	**-62.57**	**201.40**	**-31.07**

Source: Latest Financial Statement of working SPSEs.

It can be observed from **Table 5.6** above that RoCE of the working SPSEs under power and manufacturing sectors was negative in all three years (2020-21 to 2022-23) while the RoCE of Finance sector SPSEs was not workable due to complete erosion of Capital Employed. The RoCE of working SPSEs under power sector showed a deteriorating trend and was worst during 2022-23 mainly because of high accumulated losses (₹ 272.09 crore) of two power sector SPSEs. The RoCE of SPSEs under manufacturing sector, however, remained constant (-2.52 *per cent*) due to non-finalisation of any accounts by any of the two SPSEs under this sector during 2020-21 to 2022-23.

5.7.2 Return on Equity by SPSEs

Return on Equity[34] (RoE) is to measure of financial performance to assess how effectively a company's assets are being used to create profits. RoE is calculated by dividing Net Income (*i.e. net profit after taxes*) by Shareholders' Fund. It is expressed as a percentage and can be calculated for any company if Net Income and Shareholders' Fund are both positive numbers. 'Shareholders' Equity/Fund is calculated by *adding* 'paid up capital' and 'free reserves & surplus/accumulated profits' *minus* 'accumulated losses' and 'deferred revenue expenditure'.

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

The Return on Equity (RoE) of the only profit earning working SPSE[35] stood at 47.54 *per cent* in 2022-23. Out of 11 working SPSEs, two[36] SPSEs had not finalized their first

[34] **Return on Equity**= (Net Profit after Tax/ Shareholder's Equity) X 100 where Shareholders' equity/fund = paid up capital *plus* free reserves and accumulated profits *minus* accumulated losses and deferred revenue expenditure

[35] Manipur Police Housing Corporation Limited

[36] SPSEs at serial No. A9 and A11 of ***Appendix 5.2***.

Annual Accounts. The RoE of five[37] out of eight loss making working SPSEs was not workable due to negative net worth while the RoE of remaining three loss making SPSEs[38] was 'negative' due to their negative net income (loss) during 2022-23.

The sector-wise details of Shareholders' Fund and RoE relating to working SPSEs for last three years (2020-21 to 2022-23) are given below in **Table 5.7**.

Table-5.7: Return on Equity (sector-wise) relating to SPSEs

Year	Particulars	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (*per cent*)
2020-21	Power Sector	-34.97	-167.11	Not workable
	Finance Sector	-1.57	-19.34	
	Manufacturing Sector	-0.40	0.16	Negative
	Other Sectors	-0.03	-3.12	Not workable
	Total	**-36.97**	**-189.41**	**Not workable**
2021-22	Power Sector	-22.30	-219.82	Not workable
	Finance Sector	-1.57	-19.34	
	Manufacturing Sector	-0.40	0.16	Negative
	Other Sectors	-0.03	-3.12	Not workable
	Total	**-24.30**	**-242.12**	**Not workable**
2022-23	Power Sector	-43.28	-251.99	Not workable
	Finance Sector	-1.57	-19.34	
	Manufacturing Sector	-0.40	0.16	Negative
	Other Sectors	-0.02	-3.12	Not workable
	Total	**-45.27**	**-274.29**	**Not workable**

Source: As per latest finalised accounts of SPSEs.

As can be noticed from **Table 5.7** above, the RoE of working SPSEs under manufacturing sector was negative during all the three years under reference. The RoE of SPSEs under all other sectors (power, finance and other sectors) was, however, not workable during all the three years (2020-21 to 2022-23) due to complete erosion of their 'net worth/Shareholders' Fund' by accumulated losses.

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

The Rate of Real Return (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing capital have been employed, after adjusting them for the time value. To determine the Rate of Real Return on Government Investment (RORR), the investment of State Government in the form of equity, interest free loans and grants/ subsidies given by the State Government for operational and management expenses less disinvestments (if any) has been considered and indexed to their Present Value (PV) and summated. The RORR is then calculated by dividing the 'profit after tax' (PAT) by the sum of the PV of the Government investment.

During 2022-23, out of nine working SPSEs[39], eight PSEs incurred losses (₹ 45.56 crore) and only one SPSE earned profit (₹ 0.29 crore) as per their latest finalised accounts as on 30 September 2023 ***(Appendix 5.2)***. On the basis of return on historical value, the State

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[37] SPSEs at serial No. A1, A5, A6, A7 and A8 of ***Appendix 5.2***.

[38] Serial No. A2, A4 and A10 of ***Appendix 5.2***.

[39] Excluding two SPSEs at serial Nos. A9 and A11 of ***Appendix 5.2***, which had not submitted their first Accounts.

Government investment eroded by 2.17 *per cent* during 2022-23. On the other hand, the Rate of Real Return where the present value of investment is considered, the State Government investment eroded by 1.56 *per cent* as shown in ***Appendix 5.3***. This difference in the percentage of investment erosion was on account of adjustments made in the investment amount for the time value of money.

5.8 SPSEs incurring losses

5.8.1 Losses incurred

During the year 2022-23, eight working SPSEs incurred losses of ₹ 45.56 crore as compared to the losses of ₹ 37.26 crore incurred by same number of SPSEs (eight) during the year 2020-21. The losses of working SPSEs was mainly driven by the losses incurred by the power sector SPSEs. A comparative position of the loss incurring SPSEs under power and non-power sectors during last three years from 2020-21 to 2022-23 has been given below in **Table 5.8**.

Table-5.8: Number of working SPSEs that incurred losses during 2020-21 to 2022-23

(₹ in crore)

Year	Particulars	No. of loss making SPSEs	State Govt's investment	Net loss for the year	Accumula-ted loss	Net Worth[40]
2020-21	Power Sector SPSEs	2	10.10	-34.97	-187.21	-167.11
	Finance Sector SPSEs	2	8.71	-1.57	-32.00	-19.34
	Manufacturing Sector SPSEs	2	8.15	-0.40	-7.99	0.16
	Other SPSEs	2	13.04	-0.32	-16.19	-3.73
	Total	**8**	**40.00**	**-37.26**	**-243.39**	**-190.02**
2021-22	Power Sector SPSEs	2	10.10	-22.30	-239.92	-219.82
	Finance Sector SPSEs	2	8.71	-1.57	-32.00	-19.34
	Manufacturing Sector SPSEs	2	8.15	-0.40	-7.99	0.16
	Other SPSEs	2	13.04	-0.32	-16.19	-3.73
	Total	**8**	**40.00**	**-24.59**	**-296.10**	**-242.73**
2022-23	Power Sector SPSEs	2	10.10	-43.28	-272.09	-251.99
	Finance Sector SPSEs	2	8.71	-1.57	-32.00	-19.34
	Manufacturing Sector SPSEs	2	8.15	-0.40	-7.99	0.16
	Other SPSEs	2	13.04	-0.31	-16.19	-3.73
	Total	**8**	**40.00**	**-45.56**	**-328.27**	**-274.90**

Source: As per latest finalised accounts of SPSEs.

It can be noticed from **Table 5.8** above that during last three years, the overall accumulated losses of SPSEs under power and non-power sectors showed an increasing trend, which correspondingly deteriorated their net worth position from ₹ 190.02 crore (2020-21) to ₹ 274.90 crore (2022-23). Further, during the year 2022-23, around 95 *per cent* (₹ 43.28 crore) of total SPSE-losses (₹ 45.56 crore) was contributed by two Power sector SPSEs (Manipur State Power Company limited and Manipur State Power Distribution Company Limited).

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40 **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

Further, it can be seen that the State Government's investment in the form of equity and loans in these loss making SPSEs has remained constant at ₹ 40.00 crore (Equity: ₹ 39.42 crore plus Loans: ₹ 0.58 crore) throughout the last three years from 2020-21 to 2022-23.

The State Government and the SPSEs may re-consider the viability and need of continuance of operation of the loss making SPSEs in view of the continuous losses incurred by the SPSEs.

5.8.2 Erosion of Capital in SPSEs

During 2022-23, eight out of nine working SPSEs[41] had the accumulated losses of ₹ 328.27 crore as per their latest finalised accounts as on 30 September 2023 (***Appendix 5.2***). All of them incurred losses aggregating to ₹ 45.56 crore as per latest finalised accounts.

Analysis further revealed that the equity (₹ 47.19 crore) of five out of these eight working SPSEs had been completely eroded by their accumulated losses (₹ 327.16 crore) and their net worth was 'negative' as per their latest finalised accounts as on 30 September 2023. As on 31 March 2023, the said five SPSEs had total Government Investment of ₹ 33.56 crore by way of equity (₹ 32.98 crore) and long term loans (₹ 0.58 crore) as detailed in **Table 5.9**.

Table 5.9: Details of SPSEs whose net worth has eroded as per their latest finalised accounts

(₹ in crore)

Sl. No.	Name of SPSEs[42]	Latest year of Account	Total Paid up capital	Receipts	Expenses	Net profit (+)/(-)	Accumu-lated Losses	Net worth	State Government's investment as on 31 March 2023	
									Equity	Loans
1	2	3	4	5	6	7	8	9	10	11
1	Manipur State Power Company Limited	2021-22	10.05	82.34	114.51	-32.17	115.39	-105.34	10.05	-
2	Manipur State Power Distribution Company Limited	2021-22	10.05	911.29	922.40	-11.11	156.70	-146.65	0.05	-
3	Manipur Industrial Development Corporation Limited	2009-10	12.14	0.79	2.24	-1.45	31.78	-19.64	7.93	-
4	Manipur Electronics Development Corporation Limited	2017-18	2.74	3.63	3.86	-0.23	7.11	-4.37	2.74	-
5	Manipur Handloom & Handicrafts Development Corporation Limited	2009-10	12.21	0.28	0.59	-0.31	16.18	-3.97	12.21	0.58
		Total	**47.19**	**998.33**	**1043.60**		**327.16**	**279.97**	**32.98**	**0.58**

5.9 Audit of State Public Sector Enterprises

CAG appoints statutory auditors of Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. CAG has a

[41] Excluding two SPSEs at serial No. A9 and A11 of ***Appendix 5.1***, which had not submitted their First accounts.

[42] The liabilities/establishment expenditure of five SPSEs under Table 5.9 were funded mainly through Government Grants (SPSEs at Serial Nos. 1 and 2) and equity contribution/borrowings/advances from customers, etc. (SPSEs at Serial Nos. 3, 4 and 5).

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 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.

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 the Annual General Meeting[43] (AGM). As soon as may be after such preparation, 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. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the Companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year have to be placed in the said AGM for their consideration.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

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

5.11.2 Timeliness in preparation of accounts by SPSEs

As of 31 March 2023, there were 14 SPSEs (all Government companies) under the purview of CAG's audit. Of these, accounts for the year 2022-23 were due from all the 14 SPSEs including three non-working SPSEs. However, none of the 14 SPSEs had submitted their Accounts for the year 2022-23 as on 30 September 2023. Further, total 207 Accounts of 14 SPSEs were in arrears, as detailed in ***Appendix 5.1***, for various reasons. Details of arrears in submission of accounts of Government companies are given in **Table 5.10**.

[43] 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-5.10: Details of arrears in submission of accounts by SPSEs

Particulars		SPSEs	No. of Accounts
Total number of Companies under the purview of CAG's audit as on 31.03.2023		14	-
Less: New Companies from which accounts for 2022-23 were not due		0	0
Number of companies from which accounts for 2022-23 were due		14	14
Number of companies which presented the accounts for the year 2022-23 for CAG's audit by 30 September 2023		Nil	Nil
Number of accounts in arrears		**14**	**207**
	(i) Under Liquidation	-	-
	(ii) Defunct	3	93
	(iii) Others	**11**	**114**
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	4	4
	Two years (2021-22 and 2022-23)	Nil	Nil
	Three years and more	7	110

Source: *Complied on the basis of annual accounts received in the office of the Principal Accountant General (Audit), Manipur.*

As on 31 March 2023, there was no Statutory Corporation in the State.

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 a National Financial Reporting Authority[44]. 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. In Manipur, however, there was no Statutory corporation under the audit purview of CAG as on 30 September 2023.

5.12.2 Audit of accounts of Government Companies by Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013. The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of public sector undertakings with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power to:

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

5.12.3 Supplementary Audit of accounts of Government Companies

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

[44] Effective from 01 October 2018

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 the CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the AGM.

5.13 Result of CAG's oversight role

5.13.1 Audit of accounts of SPSEs

During 1 October 2022 to 30 September 2023, two SPSEs submitted their two Financial Statements (Accounts) for previous years (2021-22). Both the Financial Statements of two SPSEs were reviewed in audit by the CAG.

5.13.2 Amendment of Financial Statements

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

5.13.3 Revision of Auditors Report

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

5.14 Conclusion

- As on 31 March 2023, there were 14 SPSEs (all Government companies) in the State of Manipur under the audit purview of CAG. Out of 14 SPSEs, three SPSEs (Government companies) were inactive. SPSEs did not adhere to the prescribed timeline regarding submission of their Financial Statements. There were 207 Accounts of 14 SPSEs (all Government companies) in arrears (114 Accounts of 11 working SPSEs and 93 Accounts of three non-working SPSEs) as on 30 September 2023.
- Out of the total 11 working SPSEs, only one SPSE (Manipur Police Housing Corporation Limited) earned profit (₹ 0.29 crore) during 2022-23. Further, during the year 2022-23, around 95 *per cent* (₹ 43.28 crore) of total SPSE-losses (₹ 45.56 crore) was contributed by two Power sector SPSEs (Manipur State Power Company Limited and Manipur State Power Distribution Company Limited).
- The only SPSE, which earned profit during 2022-23 as per its latest finalised accounts had not declared any dividend.

5.15 Recommendations

- *State Government may impress upon the managements of SPSEs to ensure timely submission of their Financial Statements. As many as 207 Accounts of 14 SPSEs (including 93 Accounts of three non-working SPSEs) were in arrears. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature;*
- *The three inactive SPSEs were neither contributing to State economy nor meeting the intended objectives. The State Government needs to expedite the liquidation process to wind up these non-working SPSEs;*
- *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.*

Imphal
Dated: 10 April 2024

(STEPHEN HONGRAY)
Principal Accountant General (Audit), Manipur

Countersigned

New Delhi
Dated: 12 April 2024

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India