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CAG urges govt. to shut down or divest stake in loss-making PSUs

Recommendation comes in CAG's report on SPSEs for 2022-23. The govt. needs to evaluate the business models of loss-making SPSEs to address the underlying cause of their financial losses, says report tabled in Assembly

The Hindu Bureau
THIRUVANANTHAPURAM

The Comptroller and Auditor General of India (CAG) has urged the Kerala government to review loss-making State Public Sector Enterprises (SPSE) and consider shutting down or divesting its stake in such companies if their business models are unsustainable.

The recommendation has come in the CAG's report on SPSEs for the year ended March 2023 tabled in the Assembly on Tuesday. "The government needs to evaluate the busi-

ness models of loss-making SPSEs to address the underlying cause of their financial losses. If the business model is not sustainable, the government may review and consider shutting down/divesting its stake in such companies, especially in those whose net worth has been completely eroded," the report said.

18 defunct firms

Further, the government should consider speeding up the process of winding up defunct SPSEs to avoid further strain on public finances. Of the 149 SPSEs in

Kerala, 18 are "non-working." "These companies are either defunct or at various stages of liquidation since 1986-87. Given the prolonged delay, the government may speed up the process of winding up the defunct SPSEs to avoid further strain on public finances," it said.

Of 149 SPSEs under the audit jurisdiction of the CAG as of March 31, 2023, the report dealt with the financial position and performance of 131 working PSEs. Eighteen PSEs which were defunct/non-working/under liquidation were not covered.

As of March 31, 2023, the total investment by the Kerala government in 131 working PSEs stood at ₹22,318.09 crore, comprising an equity share capital of ₹10,015.46 crore and long-term loans of ₹12,302.63 crore. Out of 131 PSEs, 58 earned a profit of ₹1,368.72 crore, while 66 PSEs incurred losses to the tune of ₹1,873.89 crore. Four PSEs incurred neither profit nor loss during the period under audit.

Seventy-seven working PSEs had aggregate accumulated losses to the tune of ₹18,026.49 crore as per their latest finalised ac-

counts. Of these, the net worth of 44 PSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these PSEs was (-) ₹11,227.04 crore against equity investment of ₹5,954.33 crore, the report said.

CPI(M) for PPP model

Interestingly, the recent State conference of the CPI (M) endorsed a proposal by Chief Minister Pinarayi Vijayan to restructure the PSUs beyond the scope of redemption using the public private partnership (PPP) model.