

Section A (Part-II)
Chapter-III
Functioning of
State Public Sector Undertakings
(Non-Power Sector)

Part-II

Chapter-III

Functioning of State Public Sector Undertakings (Non-Power Sector)

3. Introduction

3.1 There were 80 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to Non-Power Sector. These State Non-Power Sector PSUs were incorporated between 1954-55 and 2017-18 and included 77 Government Companies and three Statutory Corporations⁶². The Government Companies included eight Subsidiary Companies⁶³ and one JV Company⁶⁴ (the holding Companies of which are other PSUs) and 20 inactive PSUs.

The State Government provides financial support to the State Non-Power Sector PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 80 State PSUs (Non-Power Sector), the State Government invested funds in 73 State PSUs⁶⁵ including two Subsidiary Companies of other State PSUs.

Contribution to economy of the State

3.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of GSDP of Andhra Pradesh and turnover of State PSUs (Non-Power Sector) as per their last finalised accounts during each of the four years ending March 2018:

Table 3.1 – Details of turnover of State PSUs (Non-Power Sector) vis-a-vis GSDP of Andhra Pradesh

Particulars	2014-15	2015-16	2016-17	2017-18
Total no. of PSUs	63	72	79	80
Turnover as per the last finalised accounts during the year	19,433.10	19,293.48	22,989.36	13,650.31
Percentage change of turnover compared to previous year	--	(-)0.72	19.16	(-)40.62
GSDP of Andhra Pradesh for the year	5,24,976.00	6,00,298.00	6,95,491.00	8,03,873.00
Percentage change of GSDP compared to previous year	--	14.35	15.86	15.58
Percentage of Turnover to GSDP	3.70	3.21	3.30	1.70

(Source : GSDP figures as per Socio Economic Review 2017-18 of GoAP)

⁶² Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation.

⁶³ Andhra Pradesh Heavy Machinery and Engineering Limited, Ongole Iron Ore Mining Company Private Limited, Godavari Gas Private Limited, Andhra Pradesh Gas Distribution Corporation Limited, Andhra Pradesh Gas Infrastructure Corporation Private Limited, Visakhapatnam Urban Transport Company Limited, Vijayawada Urban Transport Company Limited and Krishnapatnam International Leather Complex Private Limited.

⁶⁴ Greater Visakhapatnam Smart City Corporation Limited.

⁶⁵ Though Andhra Pradesh Heavy Machinery and Engineering Limited is subsidiary of The Singareni Collieries Company Limited (Telangana Company), Greater Visakhapatnam Smart City Corporation Limited which is a Joint Venture Company of Government of Andhra Pradesh and Greater Visakhapatnam Municipal Corporation, GoAP had invested in equity ₹ 0.15 crore and ₹ 100 crore respectively in these subsidiary Companies. Hence, the total number of PSUs in which GoAP has invested in equity is 73.

The turnover of State PSUs (Non-Power Sector) had fluctuated over the last four years with a drastic decline by 41 per cent in 2017-18 compared to 2016-17. The increase in GSDP of the State ranged between 14.35 and 15.86 per cent during last four years. Further, the compounded annual growth⁶⁶ of GSDP was 15.26 per cent during last four years as against which the compounded annual growth of turnover of State PSUs (Non-Power Sector) was (-) 11.12 per cent. As a result, the share of turnover of State PSUs (Non-Power Sector) in the GSDP reduced from 3.70 per cent in 2014-15 to 1.70 per cent in 2017-18.

Investment in State PSUs (Non-Power Sector)

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs (Non-Power Sector) have therefore been analysed under two major classifications viz., those in the social sector and those functioning in competitive environment. Besides, five⁶⁷ of these State PSUs (Non-Power Sector) incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'Others'. Details of investment made in these 80 State PSUs (Non-Power Sector), in the form of equity and long-term loans upto 31 March 2018 are detailed in *Annexure-2*.

3.4 The sector-wise summary of investment in these State PSUs (Non-Power Sector), as on 31 March 2018 is given in the table below:

Table 3.2 – Sector-wise investment in State PSUs (Non-Power Sector)

(₹ in crore)

Sector wise financial year	Number of PSUs	Equity	Long term loans	Total
Social Sector				
2014-15	21	426.24	12,317.33	12,743.57
2015-16	27	429.38	401.60	830.98
2016-17	31	724.05	9,972.50	10,696.55
2017-18	36	685.83	12,576.72	13,262.55
Competitive environment				
2014-15	37	674.02	13,179.08	13,853.10
2015-16	40	724.08	10,033.46	10,757.54
2016-17	42	637.49	8,245.30	8,882.79
2017-18	39	595.27	11,072.15	11,667.42
Others				
2014-15	5	23.95	20.61	44.56
2015-16	5	15.10	4.67	19.77
2016-17	6	19.24	10.00	29.24
2017-18	5	18.18	36.00	54.18

⁶⁶ Rate of Annual Compounded Growth $\{(Value\ of\ 2017-18/Value\ of\ 2014-15)^{(1/3\ years)} - 1\} * 100$, where turnover and GSDP for the year 2014-15 was ₹ 19,433.10 and ₹ 5,24,976 respectively and that for 2017-18 was ₹ 13,650.31 and ₹ 8,03,873.00 respectively. Thus CAGR = $\{(\frac{₹\ 8,03,873}{₹\ 5,24,976})^{1/3} - 1\} * 100$.

⁶⁷ Andhra Pradesh State Police Housing Corporation Limited, Andhra Pradesh Aviation Corporation Limited, Andhra Pradesh Centre for Financial Systems and Services, Andhra Pradesh Forest Development Corporation Limited and Andhra Pradesh Technology Services Limited.

Sector wise financial year	Number of PSUs	Equity	Long term loans	Total
Total				
2014-15	63	1,124.21	25,517.02	26,641.23
2015-16	72	1,168.56	10,439.73	11,608.29
2016-17	79	1,380.78	18,227.80	19,608.58
2017-18	80	1,299.28	23,684.87	24,984.15

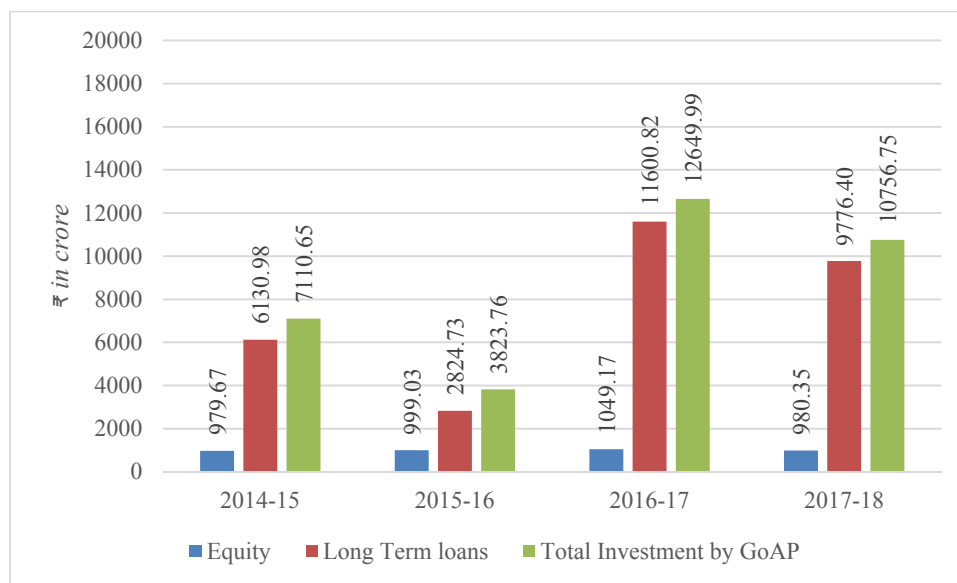
(Source : Information received from PSUs(Non-Power Sector))

As on 31 March 2018, the total investment (equity and long term loans) in these 80 PSUs (Non-Power Sector) was ₹ 24,984.15 crore. The investment consisted of 5.20 per cent equity and 94.80 per cent long-term loans.

Of the total equity of ₹ 1,299.28 crore, the equity investment by GoAP was ₹ 980.35 crore, while by others (GoI, other PSUs) it was ₹ 318.93 crore. The long term loans advanced by the State government was ₹ 9,776.40 crore whereas the loans availed from banks and other financial institutions was ₹13,908.47 crore in the total long-term loans.

The chart showing year wise investment of GoAP in the State PSUs (Non-Power Sector) during the period 2014-15 to 2017-18 is as follows:

Chart 3.1: Total investment of GoAP in PSUs (Non-Power Sector)



The investment of GoAP increased by 51.28 per cent from ₹ 7,110.65 crore in 2014-15 to ₹ 10,756.75 crore in 2017-18. The investment of GoAP increased due to incorporation of many new PSUs (Non-Power Sector) after bifurcation of Andhra Pradesh.

Disinvestment, restructuring and privatisation of State PSUs (Non-Power Sector)

3.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (Non-Power Sector).

Budgetary Support to State PSUs (Non-Power Sector)

3.6 The Government of Andhra Pradesh (GoAP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (Non-Power Sector) for the last three years ending March 2018 are given in the below table:

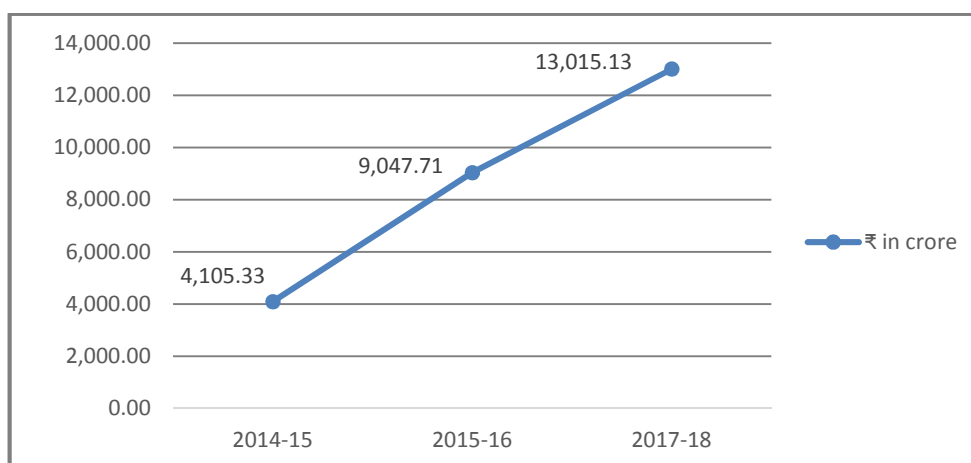
Table 3.3 – Details regarding budgetary support to State PSUs (Non-Power Sector) during the last three years

Particulars ⁶⁸	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
(i) Equity Capital outgo	7	16.28	11	224.84	4	105.24
(ii) Loans given	3	536.94	6	423.68	4	613.16
(iii) Grants/Subsidy provided	16	3,552.11	25	8,399.19	24	12,296.73
Total Outgo (i+ii+iii)	19	4,105.33	30	9,047.71	28⁶⁹	13,015.13
Loan repayment written off	0	0	0	0	0	0
Loans converted into equity	0	0	0	0	0	0
Guarantees issued ⁷⁰	0	0	2	1,200.00	2	1,420.00
Guarantee Commitment ⁷¹	3	1,267.21	6	8,518.99	6	5,523.93

(Source : Information received from PSUs(Non-Power Sector)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2018 are given in a graph below:

Chart 3.2: Budgetary outgo towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance to these PSUs (Non-Power Sector) ranged

⁶⁸ Amount represents outgo from State Budget only.

⁶⁹ The figure represents number of PSUs (Non-Power Sector) which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

⁷⁰ Government guarantee issued to the PSUs (Non-Power Sector) during the year.

⁷¹ Guarantee commitment is the balance of the loans remaining to be repaid by the PSUs for which the State Government has given guarantee.

between ₹ 4,105.33 crore and ₹13,015.13 crore during the period 2015-16 to 2017-18. The budgetary assistance of ₹13,015.13 crore given to Non-Power Sector State PSUs during the year 2017-18 included ₹ 613.16 crore⁷² and ₹ 12,296.73 crore⁷³ in the form of loans and grants/subsidy respectively. The State Government had provided equity assistance of ₹ 105.24 crore⁷⁴ to these PSUs (Non-Power Sector) during 2017-18.

State Government helps the PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. The State Government charges guarantee commission at the rate of half to two *per cent* consolidated for the entire guarantee period in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the guidelines issued in GO Ms.No.446 dated 29 September 2003.

Outstanding guarantee commitments marginally decreased from ₹ 7,351.51 crore in 2014-15 to ₹ 5,523.93 crore in 2017-18. During the year 2017-18 guarantee commission of ₹ 12.08 crore was paid by two⁷⁵ State PSUs (Non-Power Sector).

Reconciliation with Finance Accounts of GoAP

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (Non-Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Andhra Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is given in the Table 3.4:

⁷² Loans to Andhra Pradesh State Housing Corporation Limited (₹ 178.19 crore), Andhra Pradesh State Road Transport Corporation (₹ 249 crore), Andhra Pradesh State Fibernet Limited (₹144.07 crore), Andhra Pradesh Power Finance Corporation Limited (₹ 41.90 crore).

⁷³ Grants/ Subsidy to Andhra Pradesh State Housing Corporation Limited (₹ 1,056.17 crore), Andhra Pradesh State Road Transport Corporation Limited (₹ 350.50 crore), Leather Industries Development Corporation of Andhra Pradesh Limited (₹ 2.00 crore), Andhra Pradesh Greening and Beautification Corporation (₹ 15.99 crore), Amaravati Metro Rail Corporation Limited (₹ 5.25 crore), Infrastructure Corporation of Andhra Pradesh Limited (₹ 3.85 crore), Andhra Pradesh Medtech Zone Limited (₹ 52.05 crore), Andhra Pradesh State Minorities Finance Corporation Limited (₹ 107.10 crore), Andhra Pradesh State Fibernet Limited (₹ 2.00 crore), Andhra Pradesh State Film, Television and Theatre Development Corporation Limited (₹ 5.10 crore), Swachha Andhra Corporation (₹ 65.44 crore), Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited (₹ 553.54 crore), Andhra Pradesh Power Finance Corporation Limited (₹ 293.75 crore), Rythu Sadhikara Samstha (₹ 3,600.00 crore), Andhra Pradesh State Christian Minorities Finance Corporation Limited (₹ 59.20 crore), Andhra Pradesh State Agro Industries Development Corporation Limited (₹ 5.40 crore), Andhra Pradesh Township and Infrastructure Development Corporation Limited (₹ 420), Andhra Pradesh Handicrafts Development Corporation Limited (₹ 12.00 crore), Andhra Pradesh Brahmin Welfare Corporation (₹ 75.00 crore), Andhra Pradesh State Civil Supplies Corporation Limited (₹ 2,373.51 crore), Andhra Pradesh State Skill Development Corporation (₹ 306.06 crore), Andhra Pradesh State Kapu Welfare and Development Corporation Limited (₹ 737.00 crore), Andhra Pradesh Mahila Sadhikara Samstha (₹ 2,364.79 crore) and Andhra Pradesh Aviation Corporation Limited (₹ 31.05 crore).

⁷⁴ Equity to AP Towers Limited (₹ 5.00 crore), Greater Visakhapatnam Smart City Corporation Limited (₹ 99.97 crore) and Andhra Pradesh Drinking Water Supply Corporation Limited (₹ 0.25 crore).

⁷⁵ Andhra Pradesh Industrial Infrastructure Corporation Limited (₹ 10.00 crore) and Andhra Pradesh State Financial Corporation (₹ 2.08 crore).

Table 3.4 – Equity, loans, guarantees outstanding as per Finance Accounts of GoAP vis-à-vis records of State PSUs (Non-Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	809.47	789.32	20.15
Loans	14,876.70	9,576.92	5,299.78
Guarantees	11,328.88	7,324.66	4,004.22

(Source : Information received from O/o AG(A&E),AP and PSUs)

Audit observed that out of 60 working State PSUs (Non-Power Sector), such differences occurred in respect of 50 PSUs (Non-Power Sector) as shown in **Annexure-3**. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs (Non-Power Sector) and the Departments from time to time. Major difference in balances was observed in Andhra Pradesh State Minorities Finance Corporation Limited (Equity: ₹ 145.48 crore) and Andhra Pradesh Power Finance Corporation Limited (Guarantees: ₹ 3,312.90 crore). It is, therefore, recommended that the State Government and the respective PSUs (Non-Power Sector) should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (Non-Power Sector)

3.8 Of the total 80 State PSUs (Non-Power Sector), there were 60 working PSUs *i.e.*, 57 Government Companies and three Statutory Corporations and 20 inactive PSUs under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

3.8.1 Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. Out of 57 working Government Companies, 9 Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018. The accounts of remaining 48 Government Companies were in arrears. Out of the 3 Statutory Corporations, the CAG is the sole Auditor for one Statutory Corporation⁷⁶. Of these three Statutory Corporations, accounts of one Statutory Corporation for the year 2017-18 were presented for audit in time. The accounts of other two Statutory Corporations was in arrears as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (Non-Power Sector) as on 30 September 2018 are given in the below table:

⁷⁶ Andhra Pradesh State Road Transport Corporation.

Table 3.5 – Position relating to submission of accounts by the working State PSUs (Non-Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	41	50	57	60
2.	Number of accounts submitted during the reporting period ⁷⁷	35	23	50	42
3.	Number of working PSUs which finalised accounts for the current year during the reporting period	5	4	9	10
4.	Number of previous years' accounts finalised during the reporting period	30	19	41	32
5.	Number of working PSUs with accounts in arrears	36	45	48	50
6.	Number of accounts in arrears	83	115	114	129
7.	Extent of arrears	1 to 13 Years	1 to 14 Years	1 to 12 Years	1 to 13 Years

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh as per accounts received during the period October 2017 to September 2018)

Of these 60 working State PSUs (Non-Power Sector), 32 PSUs had finalised 42 annual accounts during the period 1 October 2017 to 30 September 2018 which included 10 annual accounts for the year 2017-18 and 32 annual accounts for previous years. Further, 129 annual accounts were in arrears which pertain to 50 PSUs (Non-Power Sector) as detailed in **Annexure-4**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The arrears in accounts persists though the concerned Departments were informed quarterly regarding arrears in accounts.

The GoAP had provided ₹14,177.85 crore (Equity: ₹ 341.04, Loan: ₹ 1,596.41 crore, Grants: ₹ 12,240.40 crore) to 28 of the 50 working State PSUs (Non-Power Sector), accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013/Andhra Pradesh State Road Transport Corporation Rules, 1964/Andhra Pradesh State Warehousing Corporation Regulations, 1965. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Annexure-4**. Accounts of seven of these working State PSUs (Non-Power Sector) for the period 2017-18 were, however, finalised and submitted for audit during the period from October 2018 to December 2018.

In the absence of finalisation of accounts and their subsequent audit in 43 PSUs (Non-Power Sector), it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoAP investment in these PSUs (Non-Power Sector), therefore, remained outside the oversight of State Legislature.

Timeliness in preparation of accounts by inactive State PSUs

3.8.2 There were arrears in finalisation of accounts of all the 20 inactive

⁷⁷ October 2017 to September 2018.

PSUs. The arrears in accounts ranged between three years to 26 years. Out of these 20 inactive PSUs, 11 PSUs had arrears of accounts for more than 20 years. The details of these PSUs are given in the table below:

Table 3.6 – Details of arrears in accounts of 11 inactive State PSUs, (more than 20 years)

Sl. No.	Name of inactive PSUs	Period for which accounts were in arrears
1	Proddutur Milk Foods Limited	1984-85 to 2017-18
2	Allwyn Auto Limited	1995-96 to 2017-18
3	Andhra Pradesh Steels Limited	1993-93 to 2017-18
4	Hyderabad Chemicals and Fertilisers Limited	1985-86 to 2017-18
5	Marine and Communication Electronics (India) Limited	1993-94 to 2017-18
6	Republic Forge Company Limited	1992-93 to 2017-18
7	Southern Transformers and Electricals Limited	1994-95 to 2017-18
8	Andhra Pradesh Automobile Tyres and Tubes Limited	1993-94
9	Krishi Engineering Limited	1985-86 to 2017-18
10	P J Chemicals Limited	1990-91 to 2017-18
11	Vidyut Steels Limited	1986-87 to 2017-18

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh)

Further, of the 20 inactive PSUs, two PSUs viz., Andhra Pradesh Meat Development Corporation Limited and Andhra Pradesh Essential Commodities Corporation Limited have submitted accounts for 2014-15 (2 months) and 2013-14 (12 months) respectively during the period October 2017 to September 2018.

Placement of Separate Audit Reports by Statutory Corporations

3.9 Separate Audit Reports (SARs) are Audit Reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Out of three working Statutory Corporations, one Corporation had forwarded its accounts of 2017-18 by 30 September 2018. Status of annual accounts of Statutory Corporations and placing of their SARs in Legislature is detailed below:

Table 3.7: Status of placing of SAR of the Statutory Corporations

Sl. No.	Name of the Statutory Corporation	Year upto which SAR placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to Government
1	Andhra Pradesh State Financial Corporation	2014-15	2015-16	14-02-2017
			2016-17	09-11-2017
			2017-18	12-12-2018
2	Andhra Pradesh State Warehousing Corporation	2013-14 (upto 1 June 2014)	Accounts for 2014-15 (10 months) to 2017-18 are in arrears	Not applicable
3	Andhra Pradesh State Road Transport Corporation	2013-14 (upto 1 June 2014)	2014-15 (10 months) to 2016-17	SAR under finalisation
			Accounts for 2017-18 are in arrears	Not applicable

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh from the information furnished by the Corporations)

Impact of non-finalisation of accounts by State PSUs (Non-Power Sector)

3.10 As pointed out in **Paragraph 3.8**, the delay in finalisation of accounts is in violation of the provisions of the relevant Statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Departments should strictly monitor and issue necessary directions to set targets for individual PSUs and strictly monitor the clearance of arrears. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

Performance of State PSUs (Non-Power Sector)

3.11 The financial position and working results of the 80 State PSUs (Non-Power Sector) as per their latest finalised accounts as of 30 September 2018 are detailed in *Annexure-5*.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government. The total amount of investment in the 60 working Non-Power Sector PSUs as on 31 March 2018 was ₹ 39,016.33 crore consisting equity of ₹ 1230.88 crore, long term loans of ₹ 23,511.53 crore and grants and subsidies for operational & management expenses of ₹ 14,273.92 crore. Out of this, investment of Government of Andhra Pradesh in the 53 holding PSUs (Non-Power Sector) was ₹38,898.34 crore consisting of equity of ₹ 1,125.23 crore, long term loans of ₹ 23,499.19 crore and grants and subsidies for operational & management expense of ₹ 14,273.92 crore.

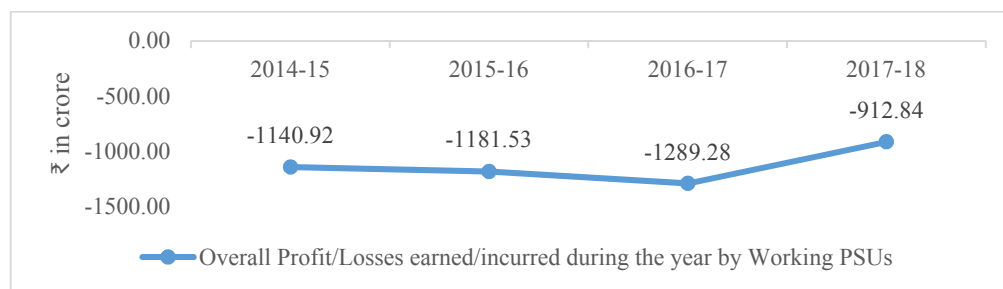
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. The Rate of Real return on investment is the profit or loss made in a fixed year relating to the Present Value (PV) of the investment made over the years and is expressed as a percentage of profit to the PV of total investment. Investment for the purpose included equity, grants, subsidies for operational and management expenses. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Rate of Real Return on Investment

3.12 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses⁷⁸ earned/incurred by the working State PSUs (Non-Power Sector) during 2014-15 to 2017-18 is depicted below in a chart:3.3:

⁷⁸ Figures are as per the latest finalised accounts of the respective years.

Chart 3.3: Profit/Losses earned/incurred by working State PSUs (Non- Power Sector) during the years



The overall loss of ₹ 1,140.92 crore incurred by these working PSUs (Non-Power Sector) in 2014-15 improved, though still negative, to ₹ 912.84 crore in 2017-18. The PSUs (Non-Power Sector) incurred losses during the period 2014-15 and 2017-18 due to substantial losses incurred by Andhra Pradesh State Housing Corporation Limited ((-)₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation((-)₹ 789.93 crore). As per latest finalised accounts for the year 2017-18, out of 60 working State PSUs (Non-Power Sector), 18 PSUs earned profit of ₹ 767.01 crore and 29 PSUs incurred losses of (-)₹ 1,679.85 crore as detailed in *Annexure-5*.

The top 3 profit making companies were Andhra Pradesh Mineral Development Corporation Limited (₹ 307.40 crore), Andhra Pradesh Forest Development Corporation Limited (₹ 176.80 crore) and Andhra Pradesh State Skill Development Corporation (₹ 162.38 crore) while Andhra Pradesh State Housing Corporation Limited (₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation (₹ 789.93 crore) incurred heavy losses. For the year 2017-18, 9 PSUs (Non-Power Sector) had not submitted their accounts since its inception and 4 PSUs have earned nil profit.

Of the 60 working PSUs (Non-Power Sector) as on 31 March 2018, position of working PSUs (Non-Power Sector) which earned/incurred profit/loss during 2014-15 to 2017-18 is given below:

Table 3.8 – Details of working State PSUs (Non-Power Sector) which earned/ incurred profit/loss during 2014-15 to 2017-18

Financial year	Total number of PSUs (Non-Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had not earned/incurred profit/ loss during the year ⁷⁹	No. of PSUs which did not submit their first Account after their inception
2014-15	41	16	17	3 ⁸⁰	5 ⁸¹
2015-16	50	17	17	3 ⁸²	13 ⁸³

⁷⁹ 2014-15: Five Companies had not submitted their first accounts, 2015-16: Thirteen Companies had not submitted their first accounts, 2016-17: Eleven Companies had not submitted their first accounts and 2017-18: Nine Companies had not submitted their first accounts.

⁸⁰ Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Police Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

⁸¹ Andhra Pradesh State Skill Development Corporation, Andhra Pradesh Mahila Sadhikara Samstha, Andhra Pradesh State Christian Minorities Finance Corporation Limited, Andhra Pradesh Aviation Corporation Limited and Andhra Pradesh Tribal Power Company Limited.

Financial year	Total number of PSUs (Non-Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had not earned/incurred profit/ loss during the year ⁷⁹	No. of PSUs which did not submit their first Account after their inception
2016-17	57	18	24	4 ⁸⁴	11 ⁸⁵
2017-18	60	18	29	4 ⁸⁶	9 ⁸⁷

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh)

Rate of Real Return on the basis of historical cost of investment

3.13(a) An analysis of the earnings *vis-a-vis* investments in respect of those working PSUs (Non-Power Sector) where funds had been infused by the State Government in the form of equity and loans was carried out to assess the profitability of these PSUs. Out of 60 State PSUs (Non-Power Sector) of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 53 PSUs (Non-Power Sector) only. The investment in 53 holding companies consisted of equity, loans, grants, subsidies for operational & management purpose. The investment for 60 PSUs (Non-Power Sector) stood at ₹ 39,016.33 crore consisting equity of ₹ 1230.88 crore, long term loans of ₹ 23,511.53 crore and grants and subsidies for operational & management expenses of ₹ 14,273.92 crore.

The Rate of Real Return on investment from the 60 PSUs (Non-Power Sector) has been calculated on the investment made by the Government of Andhra Pradesh, Government of India and others in these PSUs (Non-Power Sector) in

⁸² Andhra Pradesh Meat Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Andhra Pradesh State Police State Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

⁸³ Bhogapuram International Airport Corporation Limited, Andhra Pradesh State Fibernet Limited, Kakinada Smart City Corporation Limited, Amaravati Metro Rail Corporation Limited, Andhra Pradesh State Beverages Corporation Limited, Vijayawada Urban Transport Company Limited, Rythu Sadhikara Samstha, Andhra Pradesh Mahila Sadhikara Samstha, Swacha Andhra Corporation, Andhra Pradesh Greening and Beautification Corporation, Andhra Pradesh Tribal Power Company Limited, Andhra Pradesh State Christian Minorities Finance Corporation Limited, Andhra Pradesh Aviation Corporation Limited.

⁸⁴ Andhra Pradesh Meat Development Corporation Limited, as Bhogapuram International Airport Corporation Limited has not commenced its operations, it has prepared only Balance Sheet and has not prepared Statement of Profit and Loss as part of its financial statements, Andhra Pradesh Power Finance Corporation Limited, and Andhra Pradesh State Police Housing Corporation Limited have prepared accounts on No-Profit-No-Loss basis.

⁸⁵ Andhra Pradesh State Kapu Welfare and Development Corporation Limited, Amaravati Development Corporation Limited, Andhra Pradesh Township and Infrastructure Development Corporation Limited, AP Towers Limited, Greater Visakhapatnam Smart City Corporation Limited, Kakinada Smart City Corporation Limited, Andhra Pradesh Medtech Zone Limited, Vijayawada Urban Transport Company Limited, Andhra Pradesh Mahila Sadhikara Samstha, Rythu Sadhikara Samstha, Andhra Pradesh Tribal Power Company Limited, Andhra Pradesh Aviation Corporation Limited.

⁸⁶ As Bhogapuram International Airport Corporation Limited has not commenced its operations, it has prepared only Balance Sheet and has not prepared Statement of Profit and Loss as part of its financial statements, Greater Visakhapatnam Smart City Corporation Limited has neither incurred loss nor profit, Rythu Sadhikara Samstha and Andhra Pradesh State Police Housing Corporation Limited have prepared financial statements on No-Profit-No-Loss basis.

⁸⁷ Andhra Pradesh State Kapu Welfare and Development Corporation Ltd, Kakinada Smart City Corporation Limited, Tirupati Smart City Corporation Limited, Eluru Smart City Corporation Limited, Amaravati Smart & Sustainable City Corporation Limited, Vijayawada Urban Transport Company Limited, Andhra Pradesh Drinking Water Supply Corporation Limited, Andhra Pradesh Mahila Sadhikara Samstha, Andhra Pradesh Aviation Corporation Limited.

the form of equity and grants, subsidies for operational & management purpose as detailed in Table 3.9. Loans are not considered as investment for calculation of rate of real return as they are liable to be repaid as per terms and conditions of repayment.

As on 31 March 2018, equity of the GoAP, GoI and others in these 60 PSUs (Non-Power Sector) was ₹1,230.88 crore and grants, subsidies for operational & management expense of ₹ 14,273.92 crore. Thus, the investment in these 60 PSUs (Non-Power Sector) on the basis of historical cost stood at ₹15,504.80 crore (₹ 1,230.88 + ₹ 14,273.92 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2017-18 is given in Table 3.9:

Table 3.9 – Return on Investment on the basis of historical cost of investment

(₹ in crore)

Year wise	Total Earnings for the year (₹ in crore)	Funds invested by the GoAP in the form of Equity, Grants, and Subsidies for operational & management expense on historical cost basis	Funds invested by the GoI and others in the form of Equity, Grants and Subsidies for operational & management expense on historical cost basis	Total Investment in the form of equity, Grants and Subsidies for operational & management expense on historical cost basis	Rate of Real Return on investment on historical cost basis (%)
Sector-wise break-up					
2014-15					
Social Sector	(-)612.32	3,415.02	2,003.27	5,418.29	(-)11.30
Competitive Sector	(-)718.70	1,086.08	179.30	1,265.38	(-)56.80
Others	190.10	54.68	0.50	55.18	344.51
Total	(-)1,140.92	4,555.78	2,183.07	6,738.85	(-)16.93
2015-16					
Social Sector	(-)651.84	3,662.79	1,565.31	5,228.10	(-)12.47
Competitive Sector	(-)713.88	799.20	174.41	973.61	(-)73.32
Others	184.19	28.07	0.29	28.36	649.47
Total	(-)1,181.53	4,490.06	1,740.01	6,230.07	(-)18.96
2016-17					
Social Sector	(-)790.82	8,570.88	4,258.50	12,829.38	(-)6.16
Competitive Sector	(-)684.31	766.42	226.38	992.80	(-)68.93
Others	185.85	49.99	0.29	50.28	369.63
Total	(-)1,289.28	9,387.29	4,485.17	13,872.46	(-) 9.29
2017-18					
Social Sector	(-)669.51	12,326.88	1,994.69	14,321.57	(-)4.67
Competitive Sector	(-)424.27	840.93	293.07	1,134.00	(-)37.41
Others	180.94	49.23	0.00	49.23	367.54
Total	(-)912.84	13,217.04	2,287.76	15,504.80	(-)5.89

(Source: As per the Annual Accounts of the PSUs(Non-Power Sector))

The Rate of Real Return on investment is worked out by dividing the total earnings⁸⁸ of these PSUs (Non-Power Sector) by the cost of the investments

⁸⁸ This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government, GOI and others.

made by GoAP, GoI and others. The Rate of Real Return earned on investment of the 60 State PSUs (Non-Power sector) during the period 2014-15 to 2017-18 was negative. The negative ROI was the result of huge losses of Andhra Pradesh State Housing Corporation Limited (2014-15: (-)₹ 661.98 crore; 2017-18: (-)₹ 844.33 crore) and Andhra Pradesh State Road Transport Corporation (2014-15: (-) ₹ 1,155.27 crore, 2017-18: (-)₹ 789.93 crore) despite some PSUs viz., Andhra Pradesh Mineral Development Corporation Limited (2014-15: ₹ 324.78 crore, 2017-18: ₹ 307.40 crore) and Andhra Pradesh State Warehousing Corporation (2014-15: ₹ 122.83 crore, 2017-18: ₹ 9.13 crore) etc. earning good profits.

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

3.13 (b) An analysis of the earnings *vis-a-vis* investments in respect of those 60 State PSUs (Non-Power Sector) where funds had been infused by the State Government, Central Government and others was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the real rate of return on the investment since such calculations ignore the present value of money. The present value of the total investments has been computed to assess the rate of real return on the present value of total investments in the State PSUs (Non-Power Sector) as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2018, the past investments/year-wise funds infused in the State PSUs (Non-Power Sector) have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, Present Value (PV) of the total investment was computed where funds had been infused by the State Government, Central Government and others in the form of equity and grants, subsidies for operational & management expense since inception of these companies till 31 March 2018. During the period from 2014-15 to 2017-18, these PSUs (Non-Power Sector) had negative rate of real return on investment on present value of investment. The reason for the negative rate of real return was huge losses incurred by some PSUs (Non-Power Sector) as mentioned above.

Erosion of Net worth

3.14 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment, free reserves, surplus and accumulated losses of these 60 State PSUs (Non-Power Sector) as per their latest finalised accounts were ₹ 909.98 crore, ₹ 530.36 crore, ₹ 2,646.68 crore and (-)₹ 12,869.69 crore respectively resulting in net worth of (-)₹ 8,782.67 crore as detailed in *Annexure-5*. Analysis of investment, free reserves and surplus and accumulated losses

disclosed that at the end of 2017-18, out of 60 PSUs (Non-Power Sector), the funds of shareholders had been eroded completely in 11 PSUs, by more than 50 per cent in 6 PSUs, between 20 to 50 per cent in 2 PSUs and by less than 20 per cent in 7 PSUs. Nine PSUs (Non-Power Sector) did not submit their first accounts since inception. Of these 11 PSUs (Non-Power Sector), the maximum net worth erosion was in Andhra Pradesh State Housing Corporation Limited ((-) ₹ 7,872.60 crore), Andhra Pradesh State Road Transport Corporation ((-) ₹ 4,643.68 crore), Leather Industries Development Corporation of Andhra Pradesh Limited ((-) ₹ 77.85 crore) and Andhra Pradesh State Minorities Finance Corporation Limited ((-) ₹ 26.87 crore). None of these PSUs (Non-Power Sector) earned profits during the year.

Further the following table indicates total paid up capital, total free reserve, total surplus, total accumulated loss, and total net worth of these 60 Non-Power Sector PSUs where the State Government has made direct investment:

Table 3.10: Net worth of State PSUs (Non-Power Sector) during 2014-15 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Free Reserve	Surplus	Accumulated loss	Net Worth
2014-15	1,049.37	354.24	2,272.13	(-)8,474.32	(-)4,798.58
2015-16	919.90	355.29	2,282.67	(-)8,515.78	(-)4,957.92
2016-17	960.73	400.35	2,490.74	(-)11,962.25	(-)8,110.43
2017-18	909.98	530.36	2,646.68	(-)12,869.69	(-)8,782.67

(Source: As per the Annual Accounts of the PSUs (Non-Power Sector))

As can be seen, the net worth of the State PSUs (Non-Power Sector) was negative during the four year period. It substantially decreased from (-) ₹ 4,798.58 crore in 2014-15 to (-) ₹ 8,782.67 crore in 2017-18. During 2014-15 and 2015-16, net worth was negative due to heavy accumulated losses of Andhra Pradesh State Road Transport Corporation. Further, in the year 2017-18, net worth got eroded due to heavy accumulated losses of Andhra Pradesh State Road Transport Corporation and Andhra Pradesh State Housing Corporation Limited.

Dividend Payout

3.15 As per the guidelines issued (2002) by Public Enterprises Department, GoAP, a PSU shall declare or pay dividend for any financial year out of the profits for that year arrived at after providing for depreciation in accordance with the Companies Act. A minimum rate of dividend was, however, not prescribed in respect of Statutory Corporations, the respective Acts⁸⁹ provided for payment of dividend out of the profits during the year.

Dividend Payout ratio relating to 53 Working State PSUs (Non-Power Sector) where equity was infused by GoAP is shown in table below:

⁸⁹ Though as per Section 5 of the Warehousing Corporations Act, 1962 provided for payment of dividend, the provision was amended in 2015, as per which no dividend was required to be paid by the State Warehousing Corporations.

Table 3.11 – Dividend payout of working State PSUs (Non-Power Sector) during 2014-15 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoAP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend payout Ratio (%)
	Number of PSUs	Equity infused by GoAP	Number of PSUs	Equity infused by GoAP	Number of PSUs	Dividend declared/ paid by PSUs	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(7/5*100)
2014-15	36	918.59	16	498.38	3	26.23	5.26
2015-16	44	937.95	17	444.12	5	9.11	2.05
2016-17	50	988.09	18	516.04	5	19.72	3.82
2017-18	53	920.31	18	386.96	4	14.06	3.63

(Source: Information received from PSUs(Non-Power Sector))

During the period 2014-15 to 2017-18, the number of PSUs (Non-Power Sector) which earned profits ranged between 16 and 18. During this period, number of PSUs (Non-Power Sector) which declared/paid dividend to GoAP ranged between three and five PSUs. The Dividend Payout Ratio during 2014-15 to 2017-18 ranged between 2.05 per cent and 5.26 per cent only.

Return on Equity

3.16 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and 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' fund of a Company is calculated by adding paid-up capital and free reserves 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 shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means that liabilities exceed assets.

Return on Equity (RoE) has been computed in respect of Non-Power Sector PSUs.

Table 3.12: Return on Equity relating to State PSUs (Non Power Sector)

	Year	No. of Non-Power Sector PSUs	Net Profit/Loss	Shareholders' fund	(ROE in per cent)
			(4)	(5)	(6)=(4/5*100)
(1)	(2)	(3)	Amount (₹ in crore)		
Profit Earning	2014-15	16	771.68	3,063.54	25.19
	2015-16	17	752.73	2,864.38	26.28
	2016-17	18	782.43	3,303.80	23.68
	2017-18	18	767.01	3,508.11	21.86
Loss incurring	2014-15	17	(-)1,912.60	(-)7,882.00	-
	2015-16	17	(-)1,934.26	(-)7,830.09	-
	2016-17	24	(-)2,071.71	(-)11,423.02	-
	2017-18	29	(-)1,679.85	(-)12,296.15	-
Total*	2014-15	33	(-)1,140.92	(-)4,818.46	-
	2015-16	34	(-)1,181.53	(-)4,965.71	-
	2016-17	42	(-)1,289.28	(-)8,119.22	-
	2017-18	47	(-)912.84	(-)8,788.04	-

*PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.

During 2017-18 29 out of 47 Non-Power Sector PSUs were loss making. Return on Equity in respect of these 29 PSUs (Non-Power Sector) could not be worked out as the Net Income and the Shareholders' funds were negative. The negative shareholders' funds indicates that the public money invested in these PSUs (Non-Power Sector) had eroded completely.

Return on Equity in respect of all working PSUs (including subsidiaries) is given below in Table 3.13. The same could not be worked out as the Net Income and the Shareholders' funds were negative.

Table 3.13 – RoE relating to State PSUs (Non-Power Sector) including subsidiaries

Year	No. of Non-Power sector Undertakings	Net Profit/Loss	Shareholders' fund	(ROE in per cent)
(1)	(2)	(3)	(4)	(5)=(3/4*100)
		Amount (₹ in crore)		
2014-15	41	(-)1,140.92	(-)4,798.58	-
2015-16	50	(-)1,181.53	(-)4,957.92	-
2016-17	57	(-)1,289.28	(-)8,110.43	-
2017-18	60	(-)912.84	(-)8,782.67	-

Return on Capital Employed

3.17 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 employed⁹⁰. The details of total RoCE of all the 60 State PSUs (Non-Power Sector) together during the period from 2014-15 to 2017-18 are given in table below:

Table 3.14: Return on Capital Employed

	Year	No. of Non-Power sector PSUs	EBIT	Capital employed	(RoCE in per cent)
(1)	(2)	(3)	(4)	(5)	(6)=(4/5*100)
		Amount (₹ in crore)			
Profit Earning	2014-15	16	1,442.76	5,948.82	24.25
	2015-16	17	1,253.33	5,853.86	21.41
	2016-17	18	1,452.88	5,744.70	25.29
	2017-18	18	1,503.46	6,767.63	22.22
Loss incurring	2014-15	17	(-)819.08	8,914.71	-
	2015-16	17	(-)841.35	8,902.32	-
	2016-17	24	(-)991.89	11,290.42	-
	2017-18	29	(-)492.95	11,407.98	-
Total	2014-15	33	623.68	14,863.53	4.20
	2015-16	34	411.98	14,756.18	2.79
	2016-17	42	460.99	17,035.12	2.71
	2017-18	47	1,010.51	18,175.61	5.56

(Source: As per the Annual Accounts of the PSUs (Non-Power Sector))

Note: PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.

⁹⁰ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

During 2017-18 29 out of 47 Non-Power Sector PSUs were loss making. Return on Capital Employed in respect of these 29 PSUs could not be worked out as the EBIT was negative.

Analysis of Long Term Loans of the PSUs (Non-Power Sector)

3.18 The Long Term Loans of the PSUs (Non-Power Sector) were analysed to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions using the Interest Coverage Ratio and Debt Turnover Ratio.

Interest Coverage Ratio

3.19 Interest Coverage Ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. Lower the ratio, lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs (Non-Power Sector) which had interest burden during the period from 2014-15 to 2017-18 are given in Table 3.15:

Table 3.15 – Interest Coverage Ratio relating to State PSUs (Non-Power Sector)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having interest expense and liability of loans from Government/Banks/other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	1,861.63	751.14	12	7	5
2015-16	1,553.80	385.35	14	8	6
2016-17	1,714.27	85.82	13	9	4
2017-18	1,707.47	340.34	15	8	7

(Source: As per the Annual Accounts of the PSUs(Non-Power Sector))

It can be seen that, during the year 2017-18, eight PSUs (Non-Power Sector) had interest coverage ratio of more than one while the remaining seven PSUs had interest coverage ratio below one which indicates that these seven PSUs could not generate sufficient revenues even to meet their expenses on interest liabilities during the period.

Debt Turnover Ratio

3.20 The details of Debt-Turnover Ratio during the last four years ended March 2018 is given in the below table:

Table 3.16 – Debt Turnover Ratio relating to the State PSUs (Non-Power Sector)

Particulars	(₹ in crore)			
	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	25,332.49	21,866.28	27,298.73	27,469.64
Turnover	19,419.97	19,280.35	22,976.23	13,637.29
Debt-Turnover Ratio	1.30:1	1.13:1	1.19:1	2.01:1

(Source: As per the Annual Accounts of the PSUs(Non-Power Sector))

During the last four years, it was observed that the turnover of the 60 PSUs (Non-Power Sector) showed a fluctuating trend as indicated in **Para 3.2** while the debt increased in 2017-18 compared to that of 2014-15. It can be seen that the debt-turnover ratio ranged between 1.13 and 2.01 during the four-year period ending March 2018. The Debt-Turnover ratio improved during the year 2015-16 in comparison to 2014-15. It, however, deteriorated in the later years.

Winding up of inactive State PSUs (Non-Power Sector)

3.21 Twenty of the 80 State PSUs (Non-Power Sector) were inactive having a total investment of ₹ 241.74 crore towards capital (₹ 68.40 crore) and long term loans (₹ 173.34 crore) as on 31 March 2018. The number of inactive PSUs at the end of each year during last four years ended 31 March 2018 are given below:

Table 3.17 – Inactive State PSUs

Particulars	2014-15	2015-16	2016-17	2017-18
No. of Inactive PSUs	22	22	22	20
Liquidation by Court (Liquidator appointed)	10	10	10	8

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh)

Out of these inactive PSUs, 8 were reported to be in the process of liquidation since decades. The Official Liquidator was appointed in respect of these Companies as far back as 11 to 27 years. Audit enquired (February 2018 and March 2018) their status from the Public Enterprises Department of the State Government. The Public Enterprise Department stated (July 2018) that they are following up with the Liquidator on the progress of winding up of the inactive PSUs. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may like to consider winding-up of remaining inactive PSUs, where no decision about their continuation or otherwise has so far been taken after they became inactive.

Comments on Accounts of State PSUs (Non-Power Sector)

3.22 Thirty-two working companies forwarded 42 audited accounts (**Table 3.5**) to the Principal Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 31 accounts of Companies were selected for supplementary audit. Further, 2 Statutory Corporations forwarded their four Accounts. The Audit Reports of Statutory Auditors and supplementary audit of the Companies conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 3.18 – Impact of audit comments on Working Companies and Statutory Corporations (Non-Power Sector)

Sl. No.	Particulars	2016-17		2017-18	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1.	Decrease in profit	13	289.38	6	329.97
2.	Increase in profit	6	10.98	4	27.83

Sl. No.	Particulars	2016-17		2017-18	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
3.	Increase in loss	6	31.21	3	4.15
4.	Decrease in loss	5	115.19	2	6.33
5.	Non-disclosure of material facts	6	178.16	4	2,209.57
6.	Errors of classification	0	0.00	0	0.00

(Source: Comments of the Statutory Auditors/ C&AG in respect of Government Companies)

During the year 2017-18, the Statutory Auditors had issued qualified certificates in respect of ten accounts. Compliance to the Accounting Standards by the PSUs (Non-Power Sector) remained poor as the Statutory Auditors pointed out fifteen instances of non-compliance to the Accounting Standards in six accounts.

3.23 The State has three Statutory Corporations viz., (i) Andhra Pradesh State Road Transport Corporation (APSRTC), (ii) Andhra Pradesh State Financial Corporation (APSFC) and (iii) Andhra Pradesh State Warehousing Corporation (APSWC). The CAG is sole auditor in respect of APSRTC.

Out of three working Statutory Corporations, one Corporation viz., Andhra Pradesh State Financial Corporation forwarded its annual accounts for the year 2017-18.

Compliance Audit Paragraphs

3.24 For Part II of the Report of the Comptroller and Auditor General of India (Economic Sector and Public Sector Undertakings) for the year ended 31 March 2018, one compliance audit paragraph related to Andhra Pradesh State Housing Corporation Limited was issued to the Principal Secretary/ Secretary of the Administrative Department with a request to furnish replies. Replies have been received from the State Government and taken into account while finalising this report. The total financial impact of the compliance audit paragraph is ₹ 16.77 crore.

Follow up action on Audit Reports

Replies outstanding

3.25 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit replies/ Explanatory Notes (ENs) to Paragraphs/ Performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 3.19: Position of Explanatory Notes on Audit Reports related to PSUs (Non-Power Sector) as on 30 September 2018

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which ENs were not received			
		PAs	Paragraphs	Exclusive to State		Common ⁹¹	
				PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		39 [*]	252	0	1	14	46
2014-15	30-03-2016	1	3	1	3	0	0
2015-16	31-03-2017	0	4	0	4	0	0
2016-17	06-04-2018	1	3	1	3	0	0
Total		41	262	2	11	14	46

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh)

Discussion of Audit Reports by COPU

3.26 The status of Performance Audits and Paragraphs related to PSUs (Non-Power Sector) that appeared in Audit Reports (PSUs) as on 30 September 2018 and discussed by the Committee on Public Undertakings (COPU) was as Table 3.20:

Table 3.20—PAs/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018

Year of the Audit Report (Commercial/ PSU)	Number of PAs/Paragraphs					
	Appeared in Audit Report [^]		Discussed [#]		Pending discussion [#]	
	PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14	39	251	13	139	26	98
2014-15	1	3	0	0	1	3
2015-16	0	4	0	0	0	4
2016-17	1	3	0	0	1	3
Total	41	261	13	139	28	108

(Source: Compiled by O/o PAG (Audit), Andhra Pradesh)

[^] Include paras which are exclusive to Andhra Pradesh, exclusive to Telangana as well as common to both Andhra Pradesh and Telangana.

[#] Includes paras either exclusive to Andhra Pradesh or common to Andhra Pradesh and Telangana.

Compliance to Reports of COPU

3.27 Action Taken Notes (ATNs) on 443 Paragraphs pertaining to 38 Reports of the COPU presented in the State Legislature between April 1983 and March 2007 had not been received (September 2018). The details are as given below:

Table 3.21—Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Reports	No. of recommendations where ATNs not received
Upto 1998-99	19	568	378
2000-01	10	93	52
2002-03	1	24	0
2004-05	4	23	7
2004-06	1	14	0
2006-07	3	12	6
Total	38	734	443

(Source: As compiled by office of PAG (Audit), Andhra Pradesh)

Note 1: The above information pertaining to erstwhile composite State of Andhra Pradesh.

Note 2: After 2006-07 no Report was issued by the COPU.

⁹¹ PAs and Paragraphs which deal with issues relating to both Andhra Pradesh and Telangana.

These reports of COPU contained recommendations in respect of Paragraphs pertaining to 11 Departments⁹², which appeared in the Reports of the CAG of India for the years 1983-84 to 2006-07.

It is recommended that the Government may ensure (a) submission of Explanatory Notes to Draft Paragraphs/ PAs and ATNs on the recommendations of COPU as per the prescribed time schedule (b) recovery of loss/outstanding advances/over payments within the prescribed period and (c) revamping of the system of responding to audit observations.

⁹² (1) Industries & Commerce (2) Irrigation and Command Area Development (CAD) (3) Revenue (4) Animal Husbandry (5) Agriculture & Co-operation (6) Transport, Roads & Buildings (7) Housing (8) Youth Advancement, Tourism and Culture, (9) Consumer Affairs, Food and Civil Supplies (10) General Administration and (11) Home.