

Financial Performance of Central Public Sector Enterprises

1.1 Introduction

This Report presents the financial performance of Government Companies, Statutory Corporations and Government Controlled Other Companies. The term Central Government Public Sector Enterprises (CPSEs) encompasses the union government owned companies set up under the Companies Act, 2013 and Statutory Corporations set up under the statutes enacted by the Parliament.

A Government Company is defined in section 2(45) of the Companies Act, 2013 as a company in which not less than fifty one 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.

Government Company

Any company in which not less than 51 *per cent* of paid-up share capital is held by Central Government or by one or more State Governments or partly by Central Government and partly by State Government(s) and includes subsidiary of a Government company.

Besides, any other company¹ 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.

Department of Public Enterprises (DPE) stated (January 2017) in the Survey published by DPE, that, CPSEs meant those Government Companies, besides Statutory Corporations, wherein more than 50 *per cent* of the equity shares was held by the Union Government. The subsidiaries of these companies, if registered in India, were also categorised as CPSEs. It did not cover departmentally run public enterprises, banking institutions and insurance companies. In view of difference in definition adopted by the Comptroller &

¹ Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014

Auditor General of India (CAG) and DPE, there may be differences in the number of companies considered as CPSEs by CAG and by DPE.

1.1.1 Mandate

Audit of Government companies and Government Controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made 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 CAG.

The Acts governing Reserve Bank of India, Export-Import Bank of India, National Bank for Agricultural and Rural Development and National Housing Bank contain provisions whereby the Central Government can appoint the CAG, at any time, as the auditor to examine and report upon the accounts of these institutions. No such appointment was made during 2016-17.

1.1.2 What this Report contains

This Report provides an overall picture of the financial performance of Central Government owned Companies and Corporations as revealed from their accounts.

Impact of revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the CPSEs conducted by the CAG for the year 2016-17 (or of earlier years which were finalised during the current year) is given in this Report. The Report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor.

The Report also gives an overall picture of the status of the adherence of CPSEs to the guidelines issued by the Securities and Exchange Board of India (SEBI) and DPE on Corporate Governance, compliance with provisions of Companies Act, 2013 and guidelines issued by DPE on Corporate Social Responsibility, analysis of Memorandum of Understanding (MoU) between Central Government and CPSEs, joint ventures of CPSEs, Compliance with provisions of Public Procurement Policy, 2012 for Micro and Small Enterprises and the impact of implementation of Indian Accounting Standards (Ind-AS) on the financial statements of CPSEs.

1.1.3 Number of CPSEs and Government Controlled other Companies

As on 31 March 2017, there were 636 CPSEs under the audit jurisdiction of the CAG. These include 438 Government Companies, 06 Statutory Corporations² and 192 Government Controlled Other Companies. Of these, financial performance of 579 CPSEs is covered in this report and the nature of these CPSEs is indicated in Table 1.1:

• Government Companies	438
• Government Controlled other Companies	192
• Statutory Corporations	6
• Total CPSEs	636

Table 1.1: Coverage and nature of CPSEs covered in this report

Nature of the CPSE's	Total number	Number of CPSEs covered in the Report				Number of CPSEs not covered in the Report
		Accounts up to 2016-17	Accounts up to		Total	
			2015-16	2014-15		
Government Companies	438	376	21	3	400	38
Statutory Corporations	6	6	0	0	6	0
Total number of Companies/Corporations	444	382	21	3	406	38
Government Controlled other Companies	192	168	3	2	173	19
Total	636	550	24	5	579	57

The details of Government Companies/Government Controlled Other Companies which came under/went out from the purview of CAG's audit during 2016-17 are given in **Appendix I**.

This Report does not include 57 CPSEs (including 19 Government Controlled Other Companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due. These CPSEs are identified by two asterisks (**) in **Appendix II A & Appendix II B**.

² Airports Authority of India, Central Warehousing Corporation, Damodar Valley Corporation, Food Corporation of India, Inland Waterways Authority of India and National Highways Authority of India

**Summary of financial performance of CPSEs covered in this report
(Government Companies and Statutory Corporations)**

Number of CPSEs	444
CPSEs covered	406
Paid up capital (406 CPSEs)	₹ 4,34,734 crore
Long term Loans (406 CPSEs)	₹ 11,70,568 crore
Market capitalisation (46 listed Government Companies)	₹ 15,14,177 crore
Net profit (212 CPSEs)	₹ 1,58,373 crore
Net loss (157 CPSEs)	₹ 30,678 crore
Zero Profit/Loss (37 CPSEs) ³	
Dividend declared (111 CPSEs)	₹ 82,491 crore
Total Assets (406 CPSEs)	₹ 39,98,986 crore
Value of production (406 CPSEs)	₹ 17,26,452 crore
Net worth (406 CPSEs)	₹ 14,28,319 crore

1.2 Investment in Government Companies and Corporations

The amount of investment in equity and long term loans in 406⁴ Government Companies and Corporations as at the end of 31 March 2017 is given in Table 1.2:

**Table 1.2: Equity investment and loans in Government Companies and Corporations
(₹ in crore)**

Sources of investment	As on 31 March 2017			As on 31 March 2016		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
1. Central Government	324270	79671	403941	298800	67872	366672
2. Companies/ Corporations owned by Central Government	48699	24777	73476	38640	24072	62712
3. State Governments/ State Government owned Companies and Corporations	26572	12196	38768	24480	9839	34319
4. Financial Institutions/ Others	35193	1053924	1089117	31822	970084	1001906
Total	434734	1170568	1605302	393742	1071867	1465609
Percentage of investment of Central Government to Total investment	74.59	6.81	25.16	75.89	6.33	25.02

³ Out of 406, there were 37 CPSEs which earned no profit or incurred no loss during 2016-17 since either operations were not started or losses/net expenses were adjusted with Fund or Project Cost. In case of Inland Waterways Authority of India (IWAI), net loss of ₹145.83 crore was adjusted with IWAI Fund constituted as per IWAI Act, 1985 whereas in case of National Highways Authority of India (NHAI) set up as per NHAI Act, 1988 for the development, maintenance and management of national highways and for matter connected therewith or incidental thereto, net loss of ₹278.72 crore was adjusted with its Fixed Assets.

⁴ 444 CPSEs– 38 CPSEs whose accounts were in arrears

1.2.1 Investment in equity

1.2.1.1 Equity Information

During 2016-17, the total investment at face value of equity⁵ in the 406 CPSEs covered in this Report registered a net increase of ₹40,992 crore. The equity of holding of Central Government at face value in CPSEs increased by ₹25,470 crore⁶. The increase of ₹25,470 crore was the net result of issue of shares having face value of ₹28,153 crore in 54 CPSEs and disinvestment and buy back of shares having face value of ₹2,683 crore in 11⁷ CPSEs. Out of the new equity investment of ₹28,153 crore by Central Government during the year 2016-17, new investment of ₹22,297 crore was in the form of equity leading to cash inflow to the concerned CPSE and ₹5,856 crore was in the form of issue of bonus shares and conversion of loan into equity not involving cash inflow to the concerned CPSE. Review in audit of the purpose of additional investment of equity of ₹22,297 crore involving cash flow in CPSEs indicated that investment of ₹21,499 crore was for meeting capital items of expenditure in 28 CPSEs, ₹509.89 crore for meeting expenditure on social sector schemes which were of revenue nature in 04 CPSEs, ₹66.78 crore for meeting revenue items of expenditure like payment towards salaries, provident fund, statutory dues etc. in Bharat Wagon and Engineering Company Limited and investment of ₹221 crore in Mumbai Metro rail corporation Limited was towards meeting both capital and revenue expenditure.

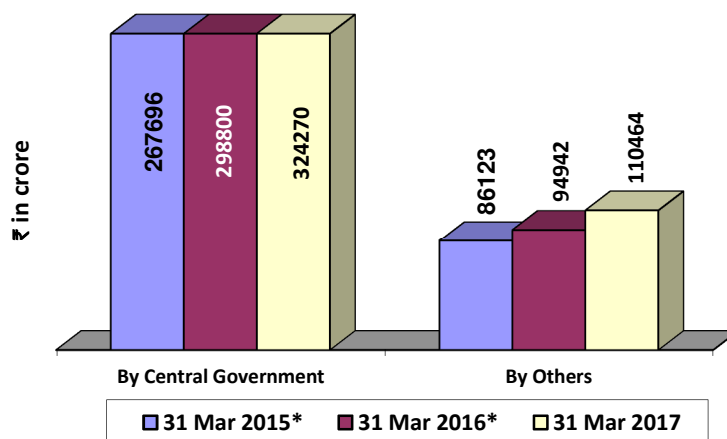
Investment in equity by Central Government and others during the three years ended 31 March 2017 in Government Companies and Corporations is depicted in Chart I.

⁵ *Equity/Shareholders Fund= Paid up Share Capital (+) Free Reserves and Surplus (-) Accumulated loss (-) Deferred Revenue Expenditure*

⁶ *The provisional figures of 21 CPSEs including Air India Limited have been included in this audit report on the basis of figures from their last audited accounts as the accounts for the year 2016-17 were not received before cut off date i.e. 30 September 2017 for preparation of the report. Hence, equity infusion of ₹2,465.21 crore by Central Government in Air India Limited during 2016-17 had not been included in total equity infusion of ₹28,153 crore. Further, in case of Hindustan Cables Limited and Mumbai Metro Rail Corporation Limited, equity of ₹4,755.56 crore and ₹100 crore respectively were infused by Central Government during 2016-17, however the same was not included in total equity infusion of ₹28,153 crore as allotment of shares was pending during 2016-17.*

⁷ *The equity was disinvested in case of 14 CPSEs, however in case of 03 CPSEs. i.e. Engineers India Limited, Indian Oil Corporation Limited and NBCC (India) Limited, the disinvestment was adjusted with the amount of bonus shares issued and the net amount of bonus shares was depicted as equity infusion.*

Chart I: Investment in Equity in Government Companies and Corporations



(*Previous years' figures updated during 2016-17 as accounts of that year were received)

Details of significant investments (investment of more than ₹2,000 crore) made by the Central Government during 2016-17 in the paid up capital of the CPSEs is given in Table 1.3:

Table 1.3: Significant investments made by the Central Government

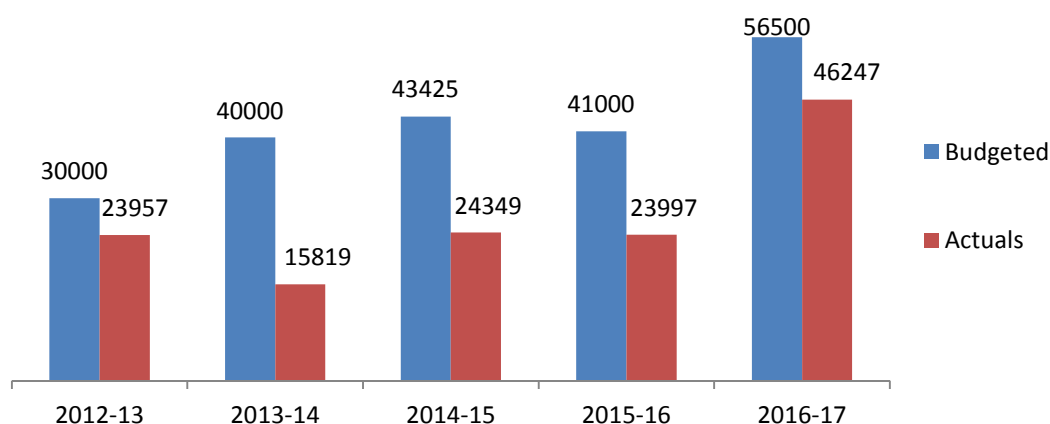
(₹ in crore)

Name of the CPSEs	Name of the Ministry	Amount
Statutory Corporations		
National Highways Authority of India	Road Transport and Highways	14,079
Government Companies		
Dedicated Freight Corridor Corporation Limited	Railways	2,856
Indian Railway Finance Corporation Limited	Railways	2,000

1.2.1.2 Disinvestment

The year wise target of disinvestment in CPSEs and the amount realised there against by Central Government during last five years ending 31 March 2017 is depicted in Chart II:

Chart II: Disinvestment target and actual realisation (₹ in crore)



During 2016-17, the Central Government realised ₹46,246.58 crore⁸ against a budgeted receipt of ₹ 56,500 crore on disinvestment in CPSEs. The realised amount consisted of ₹8,499.98 crore from CPSE Exchange Traded Fund (CPSE-ETF)⁹, ₹10,778.71 crore from disinvestment of strategic holdings of Specified Undertaking of the Unit Trust of India (SUUTI)¹⁰ investment and balance ₹26,967.89 crore from disinvestment of holdings in 14 CPSEs. The CPSE wise disinvestment proceeds is given in Table 1.4.

Table 1.4: Receipt of Disinvestment proceeds

Sl No	Name of the CPSEs	Percentage of shares disinvested	Number of shares disinvested	Amount realised (₹ in crore)
1	Bharat Electronics Limited (Buyback; OFS ¹¹)	5.61	2,49,96,910	3475.26
2	Coal India Limited (Buyback)	1.25	7,88,42,816	2638.24
3	Container Corporation of India Limited (Employee OFS)	0.25	82,340	9.34
4	Dredging Corporation of India Limited (Employee OFS)	0.09	25,687	0.93
5	Engineers India Limited (Employee OFS)	0.5	124,75,256	31.38
6	Hindustan Copper Limited (OFS)	7	154,78,59,450	399.93

⁸ Source: Department of Investment & Public Asset Management

⁹ CPSE ETF is made up of a basket of shares of different CPSEs that tracks an index fund, but trades like a stock on the exchange. ₹8,499.98 crore was realised from disinvestment of shares of 10 CPSEs consisting of ONGC Limited, Coal India Limited, Indian Oil Corporation Limited, GAIL India Limited, Power Finance Corporation Limited, Rural Electrification Corporation Limited, Container Corporation of India Limited, Bharat Electronics Limited, Oil India Limited, Engineers India Limited.

¹⁰ SUUTI was formed by the restructuring of the erstwhile Unit Trust of India (UTI) into UTI Trustee Company Private Limited. It came into effect from 1st February 2003 on the passing of Unit Trust of India (transfer of Undertakings and Repeal) Act 2002. SUUTI has been entrusted with the responsibility of managing the schemes mentioned in Schedule I of the Repealed Act. During 2016-17 ₹10,778.70 crore was realised by SUUTI through sale of shares of L&T Limited and ITC Limited.

¹¹ OFS: Offer for sale (OFS) is a segment wherein Promoter/Promoter Group Entities/Non Promoters can sell shares in a transparent manner through the bidding platform of the Exchange.

7	Indian Oil Corporation Limited(Employee OFS)	0.5	71,39,518	262.49
8	MOIL Limited (Buyback; OFS)	15.36	4,53,66,245	1278.82
9	National Aluminium Company Limited (Buyback)	6.36	64,43,00,132	2831.71
10	NBCC (India) Ltd (OFS)	15	13,50,00,000	2201.14
11	NHPC Limited (Employee OFS; Buyback)	11.46	187,28,02,821	4686.34
12	NLC India Ltd. (Buyback)	0.68	14,45,46,266	1429.38
13	NMDC Limited (Buyback)	5.06	800,820,108	7519.15
14	NTPC Limited (Employee OFS)	0.22	1,75,82,590	203.78
	Total			26967.89

The guidelines on capital restructuring of CPSEs issued by the Department of Investment & Public Asset Management (DIPAM), Ministry of Finance in May 2016 envisaged that every CPSE having net-worth of at least ₹2,000 crore and cash and bank balance of over ₹1,000 crore should exercise the option to buy-back its shares. However, CPSEs given in Table 1.5 had not complied with these guidelines (30 September 2017):

Table 1.5: CPSEs which did not comply with guidelines on buy back shares

Sl no	Name of the CPSE
1	Rural Electrification Corporation Limited
2	Nuclear Power Corporation of India Limited
3	Cochin Shipyard Limited
4	Power Finance Corporation Limited
5	SJVN Limited
6	Bharat Heavy Electricals Limited
7	National Insurance Company Limited
8	Security Printing and Minting Corporation of India Limited
9	General Insurance Corporation of India

The guidelines further envisaged that every CPSE should issue bonus shares if its defined reserves and surplus was equal to or more than 10 times of its paid up equity share capital. However, CPSEs given in Table 1.6 had not complied with these guidelines (30 September 2017):

Table 1.6: CPSEs which did not comply with guidelines on issue of bonus shares

Sl no	Name of the CPSE	Paid up Capital	Defined Reserves	Remarks
		as on 31 March 2017 ₹ in crore		
1	The FCI Aravali Gypsum and Minerals India Limited	7.33	211.05	Applied for approval of issue bonus shares
2	BEML Limited	41.77	2139.78	Approval for exemption sought for
3	Antrix Corporation Limited	4.00	1422.59	

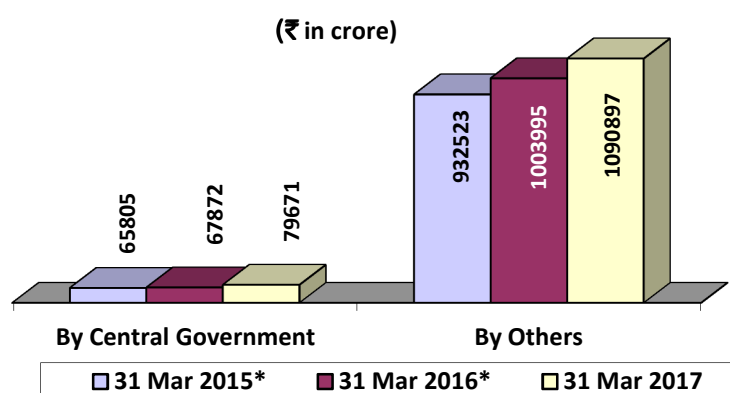
4	General Insurance Corporation of India	430.00	18015.77	Issue of Initial Public Offer (IPO) in Oct 2017
5	National Insurance Company Limited	100.00	3779.24	--
6	Broadcast Engineering Consultants India Limited	1.37	15.33	--
7	Cochin Shipyard Limited	113.28	1905.72	Issue of IPO in Aug 2017
8	Dredging Corporation of India Limited	28.00	1220.00	Approval for amendment of Articles sought for

1.2.2 Loans given to Government Companies and Corporations

1.2.2.1 Computation of long term loans outstanding as on 31 March 2017

The total long term loans from all sources outstanding in 406 CPSEs as on 31 March 2017 was ₹11,70,568 crore. Compared to long term loans from all sources as on 31 March 2016, CPSEs registered an increase of ₹98,701 crore as on 31 March, 2017. Out of the total loans of CPSEs as on 31 March 2017, loans from Central Government was ₹79,671 crore. Year wise details of outstanding long term loans of Government Companies and Corporations is depicted in Chart III.

Chart III: Long term loans outstanding in Government Companies and Corporations



(*Previous years' figures updated during 2016-17 when accounts of that year were received)

Out of 406 CPSEs, there were 243 CPSEs (including 01 Statutory Corporation) which did not have any outstanding long term loan.

1.2.2.2 Adequacy of assets to meet loan liabilities

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

total assets in 163 CPSEs which had outstanding loans as on 31 March 2017 is given in Table 1.7.

Table 1.7: Coverage of long term loans with total assets

	Positive coverage				Negative coverage			
	No. of CPSEs	Long term loans	Assets	Percentage of assets to loans	No. of CPSEs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	5	107167	489139	456.43				
Listed Companies	31	681449	1779915	261.20	3	2292	1869	81.54
Unlisted Companies	105	375784	850000	226.19	19	3877	910	23.47
Total	141	1164400	3119054		22	6169	2779	

Out of the 163 CPSEs which had outstanding loans as on 31 March 2017, in respect of 22 CPSEs (Appendix III) the value of total assets was lower than the loans outstanding.

1.2.2.3 Interest Coverage

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 the ability of the company to pay interest on debt. An interest coverage ratio below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period from 2014-15 to 2016-17 are given in Table 1.8:

Table 1.8: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of CPSEs ¹²	No. of CPSEs having interest cover ratio more than 1	No. of CPSEs having interest cover ratio less than 1
Statutory Corporations					
2014-15	10971	12223	4	2	2
2015-16	11421	13747	4	2	2
2016-17	10163	13389	5	2	3
Listed Government Companies					
2014-15	47569	111861	34	24	10
2015-16	53045	123300	33	23	10
2016-17	56564	153194	34	23	11

¹² excluding CPSEs which have no interest liability

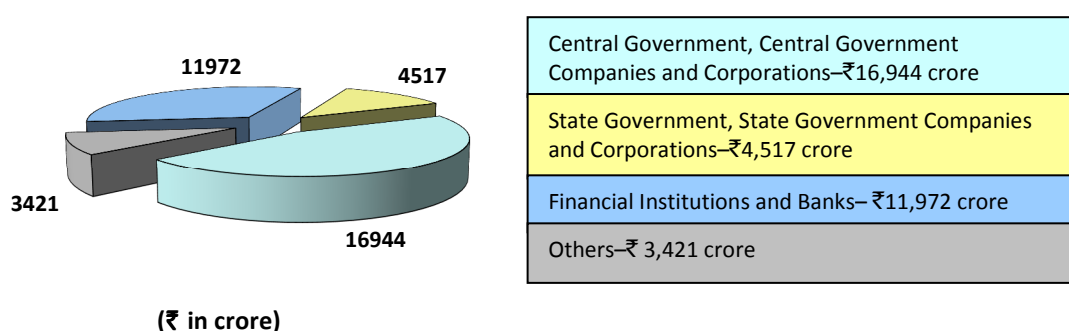
Unlisted Government Companies					
2014-15	18880	35784	129	61	68
2015-16	16111	30989	133	62	71
2016-17	18724	34470	124	58	66

It was observed that the number of CPSEs with interest coverage ratio of more than one decreased marginally in case of unlisted Government Companies during 2016-17, compared to the previous year. In respect of 11¹³ CPSEs, the interest payable on loans was higher than the value of their total assets as on 31 March 2017 which indicates a high risk of insolvency in these companies.

1.2.3 Investment in Government Controlled other Companies

The capital invested by the Central Government, State Governments and by Companies and Corporations controlled by them in 173¹⁴ Government Controlled other Companies during the year 2016-17 is depicted in chart IV:

Chart IV: Composition of share capital in Government Controlled other Companies



As on 31 March 2017, equity in these government controlled other companies was ₹36,854 crore which showed an increase of ₹4,320 crore in 2016-17.

1.2.4 Market capitalisation of equity investment in listed Government Companies

Market capitalisation represents market value of the shares of companies whose shares are listed. As on 31 March 2017, shares of 59 Government Companies consisting of 46 Government companies, 05 subsidiaries of Government Companies and 08¹⁵

¹³ Andaman Fisheries Limited, Andaman & Nicobar Islands Forest and Plantation Development Corporation Limited, Bharat Gold Mines Limited, Birds Jute and Exports Limited, Hindustan Cables Limited, Hindustan Photofilms (Manufacturing) Company Limited, Hindustan Vegetable Oils Corporation Limited, National Bicycle Corporation of India Limited, STCL Limited, TCIL Bina Toll Road Limited, Tungabhadra Steel Products Limited.

¹⁴ 173=192 Government Controlled other Companies – 19 whose accounts were in arrears

¹⁵ (1) Indbank Housing Limited, (2) Indbank Merchant Banking Services Limited, (3) PNB Gilts Limited, (4) The Bisra Stone Lime Company Limited, (5) Orissa Minerals Development Company Limited, (6) Tamil Nadu Telecommunication Limited, (7) Tourism Finance Corporation of India Limited, and (8) IFCI Limited

Government Controlled Other Companies were listed on the various stock exchanges in India.

In respect of 46 listed Government Companies, the shares of 42 companies were traded and the shares of 4 companies¹⁶ were not traded during 2016-17. In respect of 05 subsidiaries of Government Companies, shares of 04 were traded and shares of Eastern Investments Limited was not traded during the year.

The total market value of shares of 46 listed Government Companies (including 04 subsidiary companies) stood at ₹15,14,177 crore as compared to ₹8,36,741 crore equity investment as on 31 March 2017. The total market value of shares increased by ₹4,07,638 crore (36.8 per cent) as on 31 March 2017 as compared to 31 March 2016. The market value of shares of 42 listed Government Companies (excluding 04 subsidiary companies) stood at ₹14,87,365 crore as on 31 March 2017, out of which, the market value of shares held by the Central Government amounted to ₹ 9,79,564 crore.

During this period, S&P BSE Sensex¹⁷ increased by 16.9 per cent from 25,341.86 as on 31 March 2016 to 29,620.50 as on 31 March 2017. S&P BSE CPSE Index¹⁸ increased by 41.42 per cent from 1,171.64 as on 31 March 2016 to 1,657 as on 31 March 2017.

The market value of shares of 04 subsidiary Government Companies, the shares of which were traded during 2016-17, stood at ₹26,812.07 crore as on 31 March 2017. The total market value of shares held by Government Companies in four subsidiary Government Companies had increased by ₹10,449.65 crore (63.86 per cent) as on 31 March 2017 as compared to 31 March 2016.

The top 10 CPSEs with highest market capitalisation as on 31 March 2017 is given in Table 1.9:

Table 1.9: CPSEs with highest market capitalisation (₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation
1	Oil and Natural Gas Corporation Limited	2,37,479
2	Indian Oil Corporation Limited	1,83,294
3	Coal India Limited	1,81,753
4	NTPC Limited	1,36,833
5	Power Grid Corporation of India Limited	1,03,167
6	Bharat Petroleum Corporation Limited	93,849
7	GAIL (India) Limited	63,669

¹⁶ (1) Hindustan Cables Limited, (2) Hindustan Photo-films (Manufacturing) Company Limited, (3) IRCON International Limited, and (4) KIOCL Limited

¹⁷ S&P BSE SENSEX is calculated on a "Market Capitalisation-Weighted" methodology of 30 component stocks representing large, well-established and financially sound companies across key sectors

¹⁸ S&P BSE CPSE Index consists of stock of Central Public Sector Enterprises listed on BSE.

8	Hindustan Petroleum Corporation Limited	53,380
9	NMDC Limited	42,111
10	Bharat Heavy Electricals Limited	39,920

There was an increase in the market capitalisation in respect of 40 CPSEs out of 42 listed Government Companies as on 31 March 2017. CPSEs with increase in market capitalisation of more than ₹ 20,000 crore is given in Table 1.10:

Table 1.10: CPSEs with increase in Market Capitalisation of more than ₹20,000 crore (₹ in crore)

Sl. No.	Name of the CPSE	Market Capitalisation as on 31 March 2016	Market Capitalisation as on 31 March 2017	Difference in capitalisation
1	Indian Oil Corporation Limited	95,528	1,83,294	87,766
2	Oil and Natural Gas Corporation Limited	1,83,729	2,37,479	53,750
3	NTPC Limited	1,06,202	1,36,833	30,631
4	Power Grid Corporation of India Limited	72,771	1,03,167	30,396
5	Bharat Petroleum Corporation Limited	65,193	93,849	28,656
6	Hindustan Petroleum Corporation Limited	26,601	53,380	26,779

The guidelines issued by DIPAM in May 2016 envisaged that every CPSE where market price or book value of its share exceeded 50 times of its face value should split its shares appropriately provided its existing face value of the share was equal to or more than ₹1. However, CPSEs given in Table 1.11 had not complied with these guidelines (30 September 2017).

Table 1.11: CPSEs not complied with splitting up of shares guidelines

Name of the CPSE	Face value as on 31 March 2017 (₹)	Market value as on 31 March 2017 (₹)	Book value as on 31 March 2017 (₹)	50 times face value (₹)	Excess Market value (₹)	Remarks
BEML Limited	10	1360.7	524	500	860.7	--
Dredging Corporation of India Limited	10	687.55	543.08	500	187.55	The proposal for amendment of Articles awaited
Bharat Petroleum Corporation Ltd	10	648.95	225.45	500	148.95	Post bonus market price was expected not to exceed 50 times
NBCC (India) Limited	2	172.1	18.60	100	72.1	The face value of shares was split only in 2016.

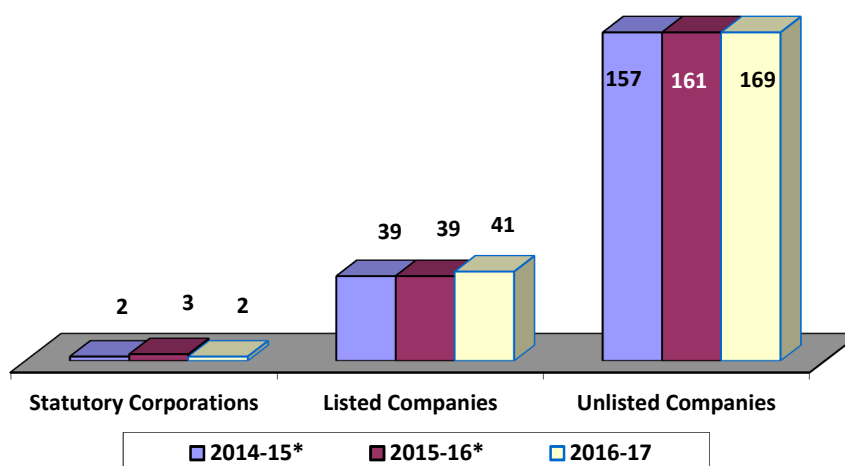
1.3 Return on Equity in Government Companies and Corporations

1.3.1 Profit earned by CPSEs

The number of CPSEs that earned profit in 2016-17 was 212 as compared to 203 in 2015-16. The profit earned increased to ₹1,58,373 crore in 2016-17 from ₹1,54,497 crore in 2015-16. The Return on Equity (ROE)¹⁹ of these 212 CPSEs was 13.78 per cent in 2016-17 as compared to 14.83 per cent in 203 CPSEs in 2015-16. Return on Equity in all the 406 CPSEs i.e. including 157 loss making and 37 zero profit companies was 8.91 per cent in 2016-17.

Number of CPSEs that earned profit during the period from 2014-15 to 2016-17 is depicted in chart V:

Chart V: Number of profit earning CPSEs



(*Previous years' figures updated during 2016-17 when accounts of that year were received)

The details of top 3 sectors which contributed maximum profits during 2016-17 are summarised in Table 1.12:

¹⁹ *Return on Equity = Net Profit after tax and preference dividend/Equity x 100*
Where Equity= Paid up Capital + Free Reserves – Accumulated losses-Deferred Revenue Expenditure

Table 1.12: Top 3 sectors which contributed maximum profit during the year 2016-17

Sector	No. of Profit earning CPSEs	Net Profit earned (₹ in crore)	Percentage of profit to total CPSE profit
1. Petroleum			
Listed Government Companies	8	60969	38.5
Unlisted Government Companies	7	4570	2.89
Total	15	65539	41.39
2. Coal and Lignite			
Listed Government Companies	2	16843	10.64
Unlisted Government Companies	5	10010	6.32
Total	7	26853	16.96
3. Power			
Listed Government Companies	4	21095	13.32
Unlisted Government Companies	23	4786	3.02
Total	27	25881	16.34
Total (1) to (3)	49	118273	74.69

During 2016-17, net profit of ₹1,18,273 crore constituting 74.69 per cent of total profit of CPSEs was contributed by 49 CPSEs in these three sectors as compared to 72.75 per cent contributed by 47 CPSEs during 2015-16.

Net profit of ₹34,721 crore was contributed by 25 CPSEs which functioned in defence, coal, atomic energy and space sectors which were not open to market competition. This constituted 21.92 per cent of total profit of ₹1,58,373 crore in all 212 CPSEs during 2016-17. ROE of these 25 CPSEs in 2016-17 was 31.83 per cent as compared to 13.76 per cent in 187 CPSEs functioning in competitive environment.

Of the 173²⁰ Government Controlled Other Companies, 119 companies earned profit of ₹7666 crore during the year ended 31 March 2017. ROE in these 119 CPSEs was 4.81 per cent in 2016-17. ROE in 173 Government Controlled other companies (i.e. including 41 loss making and 13 zero profit companies) was 2.01 per cent.

The list of CPSEs which earned profit of more than ₹5,000 crore during the year 2016-17 is given in the Table 1.13:

²⁰ 173=192 Government Controlled other Companies – 19 whose accounts were in arrears

Table 1.13: List of CPSEs which earned profit of more than ₹5,000 crore

Sl. No.	Name of CPSE	Net Profit (₹ in crore)
1	Indian Oil Corporation Limited	19,106
2	Oil and Natural Gas Corporation Limited	17,900
3	Coal India Limited	14,501
4	NTPC Limited	9,182
5	Bharat Petroleum Corporation Limited	8,039
6	Power Grid Corporation of India Limited	7,570
7	Rural Electrification Corporation Limited	6,246
8	Hindustan Petroleum Corporation Limited	6,209
	Total	88,753

It may be seen that these 08 CPSEs contributed 56 *per cent* of the total profit earned by 212 CPSEs during 2016-17.

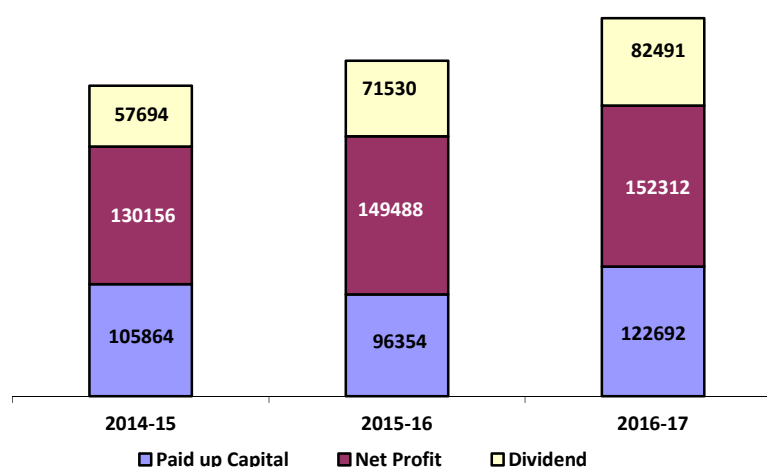
1.3.2 Dividend payout by CPSEs

The details of profits earned and dividends declared is given in the Table 1.14:

Table 1.14: Profit earned and dividend declared

Category	CPSEs declared dividend			
	No. of CPSEs	Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Statutory Corporations	2	725	3,347	1,031
Listed Companies	35	63,288	1,15,446	62,655
Unlisted Companies	74	58,679	33,518	18,805
Total	111	1,22,692	1,52,311	82,491

There were 111 CPSEs which declared dividends in 2016-17. The dividends declared as a percentage of net profit earned by the CPSEs increased from 47.85 *per cent* in 2015-16 to 54.16 *per cent* in 2016-17 as depicted in Chart VI. In absolute terms, the dividends declared by the CPSEs in 2016-17 increased by ₹10,961 crore compared to previous year.

Chart VI: Dividends declared vis-a-vis net profit earned and paid up capital (₹ in crore)

Out of a total dividend of ₹82,491 crore declared by 111 CPSEs for the year 2016-17, dividend received/receivable by Central Government was ₹47,226 crore. The return on aggregate investment of ₹3,24,270 crore made by the Central Government in equity capital of 406 CPSEs was 14.57 *per cent* as compared to 13.68 *per cent* during 2015-16. Similarly, 38 CPSEs received ₹17,799 crore as dividend on paid up capital of ₹23,844 crore on the equity holdings in other CPSEs.

Sixteen CPSEs under the Ministry of Petroleum and Natural Gas, declared dividends amounting to ₹34,918 crore which was 42.33 *per cent* of the total dividend of ₹82,491 crore declared by 111 CPSEs in 2016-17.

The guidelines issued by DIPAM in May 2016 envisaged that every CPSE would pay a minimum annual dividend of 30 *per cent* of profit after tax or 5 *per cent* of the net worth, whichever was higher subject to the maximum dividend permitted under the extant legal provisions. However, 20 CPSEs (including 5 listed CPSEs) had not declared dividend prescribed by the Government as given in **Appendix IV**. The total shortfall on this account was ₹5,456.56 crore in 2016-17.

There were 60 Government Controlled Other Companies in 2016-17 which declared dividend amounting to ₹1,495 crore which represented 13 *per cent* of their paid up capital of ₹11,472 crore. Sector wise classification of these Government Controlled Other Companies which declared dividend during 2016-17 is given in Table 1.15:

Table 1.15: Dividend declared by Government Controlled other Companies

(₹ in crore)

Sector	No. of Companies	Paid up Capital	Net Profit earned	Dividend declared
Financial services	39	4957	2535	796
Power	4	4488	1307	321
Petroleum	3	260	166	156
Insurance	1	1000	955	150
Transportation Services	2	264	47	38
Contract & Construction Services	3	446	232	22
Trading and Marketing	1	41	13	6
Industrial Development and Technical Consultancy	6	15	21	5
Minerals and Metals	1	1	7	1
Total	60	11472	5283	1495

1.4 CPSEs incurring losses

There were 157 CPSEs that incurred losses during the year 2016-17. The losses incurred by these CPSEs reduced to ₹30,678 crore in 2016-17 from ₹31,957 crore during 2015-16 as given in Table 1.16.

Table 1.16: Number of CPSEs that incurred losses during the year

Listed / Unlisted Year	No of CPSEs incurred loss	Net loss for the year	Accumulated loss	Net Worth ²¹
(₹ in crore)				
Statutory Corporations				
2014-15	1	1334	0	13944
2015-16	1	1143	0	13268
2016-17	1	907	0	12891
Listed Government Companies				
2014-15	12	8841	26366	-12634
2015-16	12	11830	31297	75113
2016-17	10	9713	29770	10425
Unlisted Government Companies/Corporations				
2014-15	119	20686	81685	47916
2015-16	140	18984	73459	91747
2016-17	146	20058	74960	86885
Total				
2014-15	132	30861	108051	49226
2015-16	153	31957	104756	180128
2016-17	157	30678	104730	110201

²¹ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision

CPSEs listed in Table 1.17 incurred a loss of more than ₹1,000 crore²² during the year 2016-17.

Table 1.17: CPSEs that incurred losses of more than ₹1,000 crore during 2016-17

Sl. No.	Name of the CPSE	Net loss (₹ in crore)
1	Steel Authority of India Limited	3187
2	Mahanagar Telephone Nigam Limited	2941
3	Hindustan Photofilms (Manufacturing) Company Limited	2917
4	United India Insurance Company Limited	1914
5	Oriental Insurance Company Limited	1691
6	Rashtriya Ispat Nigam Limited	1263

Out of 173 Government Controlled Other Companies, 41 companies incurred losses of ₹4,308 crore during 2016-17 and 13 companies had not finalised their accounts or had not started commercial operations.

1.4.1 Erosion of capital in Government Companies

As on 31 March 2017 there were 188 CPSEs with accumulated losses of ₹1,23,194 crore. Of the 188 CPSEs, 127 CPSEs incurred losses in the year 2016-17 amounting to ₹16,274 crore and 61 CPSEs had not incurred loss in the year 2016-17, even though they had accumulated losses of ₹ 18,465 crore.

Net worth of 71 out of 188 CPSEs had been completely eroded by accumulated losses and their net worth was negative. The net worth of these 71 CPSEs was ₹(-)71,935 crore against equity investment of ₹36,290 crore in these Government as on 31 March 2017. This included seven listed companies whose net worth was ₹(-)27,686 crore against equity investment of ₹7,178 crore. Out of 71 CPSEs, whose capital had been eroded (being negative net worth), 11 CPSEs had earned profit of ₹2958 crore during 2016-17 (**Appendix V**).

In 22 out of 71 CPSEs whose capital had been eroded (being negative net worth), Government loans outstanding as on 31 March 2017 amounted to ₹6,147 crore. This included four listed companies with outstanding Government loan of ₹1,948 crore.

Net worth was less than half of their paid up capital in respect of 28 out of 332 CPSEs whose net worth was positive at the end of 31 March 2017, indicating their potential financial sickness.

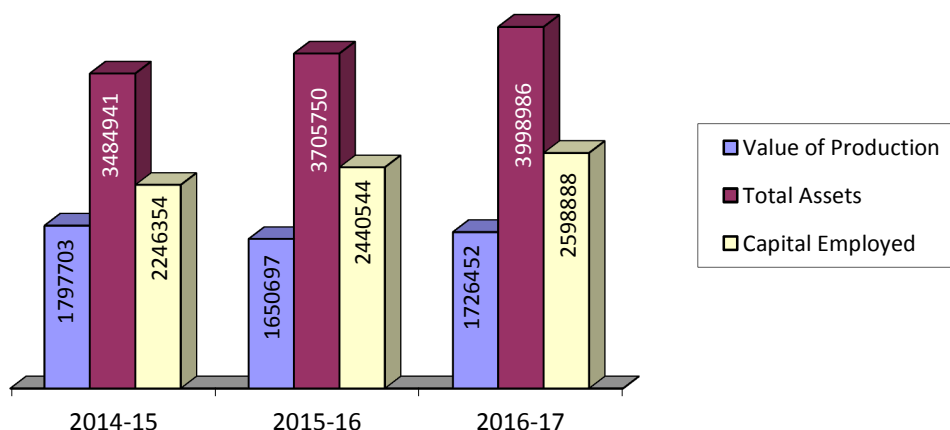
²² In 21 CPSEs including Air India Limited figures from their last audited accounts have been included in this audit report as the accounts for 2016-17 were not received before cut-off date i.e. 30 September 2017 for preparation of the report. However, Air India Limited had suffered loss of ₹5,765 crore during 2016-17.

1.5 Operating efficiency of Government Companies

1.5.1 Value of production

The summary indicating value of production, total assets and capital employed of 406 CPSEs over a period of three years is depicted in the chart VII:

Chart VII: Value of Production, Assets and Capital Employed (₹ in crore)



There was an increase in the value of production, total assets and capital employed in year 2016-17 compared to the previous year.

1.5.2 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 employed²³. The details of ROCE of 406 CPSEs during the period from 2014-15 to 2016-17 are given in Table 1.18 below:

Table 1.18: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2014-15	159868	2246354	7.12
2015-16	168036	2440544	6.89
2016-17	201053	2598888	7.74

It was observed that ROCE of 406 CPSEs was marginally higher during the year 2016-17 in comparison to that for the year 2015-16.

²³ *Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure*

1.5.3 Sales and Marketing

During 2016-17, the total sales of 406 CPSEs was ₹ 19,49,214 crore. Out of these, 120 CPSEs sold goods/rendered services worth ₹ 2,23,433 crore to Government sector out of their net sales of ₹ 9,75,073 crore. The overall percentage of sales of these 120 CPSEs to the Government sector with reference to their total net sales worked out to 22.91 per cent.

There were 53 CPSEs which exported goods/ services worth ₹ 72,752 crore. This worked out to 6.07 per cent against their net sales of ₹ 11,99,017 crore. Against the total sales of ₹ 19,49,214 crore by 406 CPSEs, the export sales amounted to 3.73 per cent. The CPSEs with export sales of more than ₹ 5,000 crore is given in Table 1.19:

Table 1.19: CPSEs with export sales of more than ₹ 5,000 crore during 2016-17

Sl. no.	Name of the CPSE	Export sales (₹ in crore)
1	Indian Oil Corporation Limited	14666
2	Mangalore Refinery and Petrochemicals Limited	14457
3	Bharat Heavy Electricals Limited	8923
4	ONGC Videsh Limited	7448
Total		45494

The export sales of these four CPSEs accounted for 62.53 per cent of the total export of all CPSEs.

1.5.4 Research & Development

Table 1.20: R & D expenditure and patents registered

2014-15		2015-16		2016-17	
R&D Expenditure (₹ in crore)	Patents Registered	R&D Expenditure (₹ in crore)	Patents Registered	R&D Expenditure (₹ in crore)	Patents Registered
4551.70	327	5171.40	320	4621.79	356

Further, the CPSEs that had incurred R&D expenditure of more than ₹ 500 crore during the year 2016-17 is given in Table 1.21.

Table 1.21: CPSEs with R & D expenditure of more than ₹ 500 crore²⁴

Sl. no.	Name of the CPSE	Total R&D expenditure (₹ in crore)	Net profit (₹ in crore)	Percentage of R&D exp to Net Profit
1	Hindustan Aeronautics Limited	1284	2616	49.08
2	Bharat Electronics Limited	777	1548	50.19
3	Oil and Natural Gas Corporation Limited	592	17900	3.31

²⁴ In BHEL, the expenditure on R&D of the company as per Statement of Profit and Loss was ₹240.74 crore. However, as per Director's Report of the company, an amount of ₹793.62 crore was shown as R&D expenditure which included the expenditure incurred on R&D efforts made at manufacturing units for major modifications/improvements in products/designs against customer requirements which were not covered in R&D projects. Hence, it was not included in table 1.21 above.