



CHAPTER 3

Part II

Chapter 3

Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

3.1 There were 63 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1925-26 and 2016-17 and included 60 Government Companies and three Statutory Corporations *i.e.* Madhya Pradesh Financial Corporation (MPFC) and Madhya Pradesh Warehousing and Logistics Corporation (MPWLC) and the non-functional Corporation, viz., Madhya Pradesh State Road Transport Corporation (MPSRTC). Six Government Companies did not commence commercial activities till 2017-18. These Government Companies further included 15 non-functional companies and 31 subsidiary companies owned by other Government Companies. Three¹ companies were added during the year.

Of the 63 State PSUs, financial performance of 38 PSUs is covered in this report (*Annexure-3.1*) and the nature of these PSUs is indicated in Table 3.1:

Table 3.1: Coverage and nature of PSUs covered in this report

Nature of the PSUs	Total number	Number of PSUs covered in the Report				Number of PSUs not covered in the Report
		Accounts up to			Total	
		2017-18	2016-17	2015-16		
Government Companies	60	17	14	05	36	24
Statutory Corporations	03	02	-	-	02	01
Total Companies/ Corporations	63	19	14	05	38	25
Government Controlled other Companies	-	-	-	-	-	-
Total	63	19	14	05	38	25

This Report does not include 25 PSUs whose accounts are in arrears for three years or more or were defunct/ under liquidation or first accounts were not received or were not due or have not commenced operations till 2017-18 as detailed in *Annexure-3.2*.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/ subsidy from time to time. Of the 47 working State PSUs, the State Government invested funds in 25 State PSUs only. The State Government did not infuse any funds in 22² companies, which are Joint Venture/ Subsidiaries of above State PSUs. Equity of these 22 joint venture/

¹ MP Hotel Corporation Limited, Singrauli Airport Company Limited and MP Tourism Board.

² Loan of ₹ 0.71 crore to AKVN (Rewa) and Equity of ₹ 0.02 crore to SRHHVN has been given by GoMP.

subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

Contribution to Economy of the State

3.2 A ratio of turnover of the 38 PSUs covered in this Report to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The Table 3.2 provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Madhya Pradesh for a period of three years ending March 2018:

Table 3.2: Details of turnover of State PSUs (other than Power Sector) vis-a-vis GSDP of (Madhya Pradesh)

(₹ in crore)			
Particulars	2015-16	2016-17	2017-18
Turnover	21,623.72	15,499.77	15,651.26
Percentage change in turnover as compared to turnover of preceding year	-	-28.32	0.98
GSDP of Madhya Pradesh	5,30,442.61	6,39,219.67	7,07,046.99
Percentage change in GSDP as compared to GSDP of preceding year	10.48	20.51	10.61
Percentage of Turnover to GSDP of Madhya Pradesh	4.08	2.42	2.21

Source: Compiled based on Turnover figures of functional PSUs (other than power) and GSDP figures as per Economic Review 2017-18 of Government of Madhya Pradesh.

The turnover of these 38 PSUs has decreased till 2016-17, but showed slight increase during 2017-18. The increase/ decrease in turnover ranged between 0.98 per cent and -28.32 per cent during the period 2015-18, whereas increase in GSDP of the State ranged between 10.48 per cent and 20.51 per cent during the same period. The compounded annual growth³ of GSDP was 10.05 per cent during last three years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 10.05 per cent of the GSDP, the turnover of non-power sector undertakings recorded negative compounded annual growth of -10.21 per cent during last three years. This resulted in decrease in the share of turnover of these PSUs to the GSDP from 4.08 per cent in 2015-16 to 2.21 per cent in 2017-18.

Investment in State PSUs (other than Power Sector)

3.3 Details of investment in equity and long term loans in 38⁴ State PSUs upto 31 March 2018 are detailed in **Annexure-3.3**.

The PSUs covered in this Report fall in the following three categories:

1. PSUs not in open market competition (monopolistic PSUs): In Madhya Pradesh, out of 38 covered PSUs, three⁵ PSUs fall under this category as they have monopolistic/ oligopolistic nature of operations i.e. their operations do not have any competition or have very limited competition.

³ Rate of Compounded Annual Growth $\{[(\text{Value of 2017-18} / \text{Value of 2015-16})^{(1/3 \text{ years})} - 1] * 100\}$.

⁴ Total 63 PSUs -21 PSUs whose accounts were in arrear for more than three years or more or were defunct/ under liquidation or first accounts were not received or were not due.

⁵ MP Van Vikas Nigam Limited, MP Jal Nigam Maryadit and MP State Mining Corporation Limited.

2. PSUs with assured income: This category includes PSUs whose major income comes from assured sources of income such as Government grants/ subsidies, centage, commission, interest on bank deposits etc. 31 PSUs fall under this category.
 3. PSUs in competitive sector: This category includes four⁶ PSUs, which are open to market competition.
- 3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in Table 3.3:

Table 3.3: Sector-wise investment in State PSUs (other than power sector)

Sector	Number of PSUs	Investment (₹ in crore)						Total
		Equity			Long term loans			
		GoMP	GoI	Others ⁷	GoMP	GoI	Others	
PSUs in Monopolistic Sector	03	140.13	1.39	0.00	0.00	0.00	0.00	141.52
PSUs with Assured Income	31	76.33	1.87	1041.62	1783.09	0.00	891.76	3794.67
PSUs in Competitive Environment	04	497.67	0.00	85.22	0.00	0.00	868.33	1451.22
PSUs not covered in this Report	25	268.76	42.53	91.68	895.33	0.00	33.90	1332.20
Total	63	982.89	45.79	1218.52	2678.42	0.00	1793.99	6719.61

Source: Compiled based on annual accounts of PSUs and sanction/ release orders for equity and loans.

As on 31 March 2018, the face value⁸ of total investment (equity and long term loans) in 38 PSUs covered in this report was ₹ 5,387.41 crore. The investment consisted of 34.23 per cent towards equity and 65.77 per cent in long-term loans. The long term loans advanced by the State Government constituted 50.17 per cent (₹ 1,783.09 crore) of the total long term loans whereas 49.83 per cent (₹ 1,760.09 crore) of the total long term loans were availed from other financial institutions like HUDCO, SIDBI, etc.

The investment has reduced by 33.51 per cent from ₹ 8,103.05 crore in 2015-16 to ₹ 5,387.41 crore in 2017-18. The investment decreased due to addition of ₹ 1,041.28 crore and reduction of ₹ 3,756.92 crore towards equity and long term loans respectively during 2015-16 to 2017-18.

Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)

3.5 During the year 2017-18, no disinvestment, restructuring or privatization was done by the State Government in State PSUs.

Budgetary Support to State PSUs (other than Power Sector)

3.6 The Government of Madhya Pradesh 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

⁶ MPSTDCL, MPJP Minerals, MP Hotel Corporation Ltd. and MPFC.

⁷ Others includes investment by Holding Companies, financial institutions, banks, etc.

⁸ The original cost of the equity shares paid by the subscribers to the equity shares.

loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are as detailed in Table 3.4:

Table 3.4: Details regarding budgetary support to State PSUs (other than Power Sector) during the years

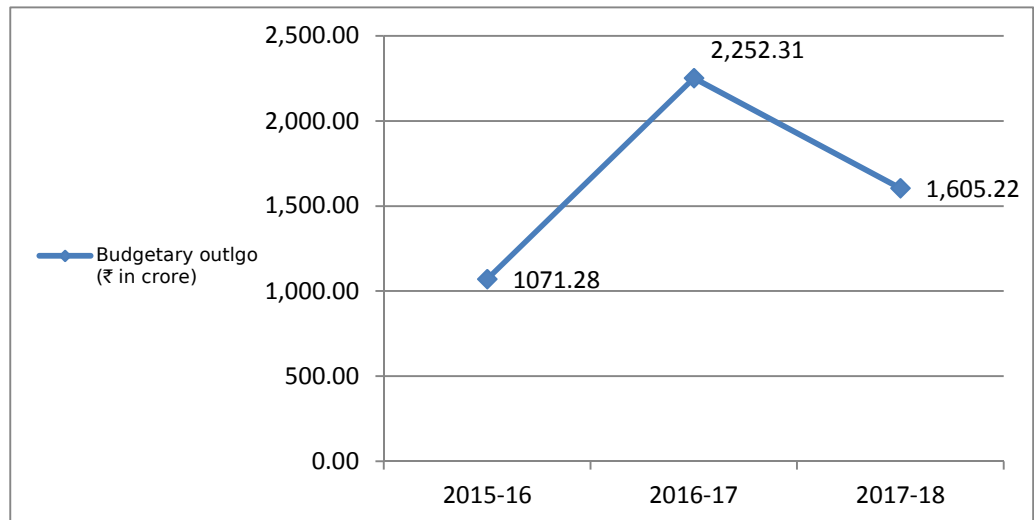
(₹ in crore)

Particulars ⁹	2015-16		2016-17		2017-18	
	No of PSUs	Amount	No of PSUs	Amount	No of PSUs	Amount
Equity Capital outgo (i)	3	20.52	4	110.58	1	25.00
Loans given (ii)	2	256.28	3	310.47	3	273.50
Grants/Subsidy provided (iii)	12	794.48	17	1,831.26	19	1,306.72
Total Outgo (i+ii+iii)	15	1,071.28	21	2,252.31	21	1,605.22
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	-	-	-	-	-	-
Guarantees Outstanding	4	1,327.00	5	1,737.68	6	313.17
Guarantee Commitment	4	1,405.99	5	1,727.80	6	1,129.11

Source: Compiled based on annual accounts of PSUs and sanction/ release orders for equity, loans and guarantees.

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the last three years ending March 2018 are given in a Chart 3.1:

Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



The annual budgetary assistance to these PSUs during the year ranged between ₹ 1,071.28 crore and ₹ 2,252.31 crore during the period 2015-16 to 2017-18. The budgetary assistance ₹ 1,605.22 crore received during the year 2017-18 included ₹ 25 crore, ₹ 273.50 crore and ₹ 1,306.72 crore in form of equity, loans and grants/ subsidy respectively. The subsidy/ grants given by the State Government was primarily to develop industrial infrastructure and promote investment and development of smart cities.

GoMP provides guarantee under Madhya Pradesh Government Guarantees Rules (MPGGR), 2009 for PSUs to seek financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of half a per cent to one per cent per annum in case of loan availed by PSUs from banks/ financial institutions without any exception under the provisions of the MPGGR 2009. Outstanding guarantee

⁹ Amount represents outgo from State Budget only.

commitments stood at ₹ 1,129.11 crore in 2017-18. During the year 2017-18, no guarantee commission was paid by the PSUs (other than Power Sector).

Reconciliation with Finance Accounts of Government of Madhya Pradesh

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of all State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Madhya 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 stated in Table 3.5:

Table 3.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Madhya Pradesh vis-à-vis records of State PSUs (other than Power Sector)

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	565.31	633.36	68.50
Loans	1,416.58	1,502.94	86.36
Guarantees	873.24	1,129.11	255.87

Source: Compiled based on information received from PSUs and Finance Accounts.

Audit observed that out of 63 State PSUs, such differences occurred in respect of 26 PSUs as shown in *Annexure-3.4*. The differences between the figures have been persisting for last many years. The issue of reconciliation of differences is being taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Madhya Pradesh Trade and Investment Facilitation Corporation Limited. We, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (other than Power Sector)

3.8 Of the total 63 State PSUs, there were 47 functional PSUs *i.e.* 45 Government Companies and two Statutory Corporations and 16 non-functional PSUs *i.e.* 15 Government Companies and one Statutory Corporations under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts by the state PSUs is as detailed under:

Timeliness in preparation of accounts by the State PSUs

3.8.1 Accounts for the year 2017-18 were required to be finalized by all the functional PSUs by 30 September 2018. However, out of 63 PSUs, 28 PSUs submitted their accounts for the year 2017-18 for audit by CAG on or before 31 December 2018 whereas accounts of 35 PSUs were in arrears.

Details of arrears in submission of accounts of State PSUs (other than Power Sector) as on 31 December 2018¹⁰ are given in Table 3.6.

¹⁰ For the year 2015-16, 2016-17 and 2017-18, Accounts received till 31 December were considered.

Table 3.6: Position relating to submission of accounts by the State PSUs (other than Power Sector)

Particulars		Government Companies/ Government Controlled Other Companies/ Statutory Corporations			
		Government Companies	Government Controlled other Companies	Statutory Corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31.03.2018		60	-	03	63
Less: PSUs from which accounts for 2017-18 were not due		-	-	-	-
Number of PSUs from which accounts for 2017-18 were due		60	-	03	63
Number of PSUs which presented the accounts for CAG's audit by 31 December 2018		26	-	02	28
Number of accounts in arrears		173	-	10	183
Break-up of Arrears	(i) Under Liquidation	56	-	0	56
	(ii) Non-functional	34	-	10	44
	(iii) First Accounts not submitted	31	-	0	31
	(iv) Others	52	-	0	52
Age-wise analysis of arrears against 'Others' category	One year (2017-18)	16	-	0	16
	Two years (2016-17 and 2017-18)	12	-	0	12
	Three years and more	24	-	0	24

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 concerned Departments were informed regularly regarding arrears in accounts.

The GoMP had provided ₹ 1,431.94 crore (Equity: ₹ 10.03 crore Loan: ₹ 53.08 crore, Grant: ₹ 375.81 crore and Subsidy: ₹ 993.02 crore) in 11 of the 27 working State PSUs accounts of which had not been finalised by 31 December 2018 whereas no investment was made in remaining 16 PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in *Annexure-3.5*.

In the absence of finalisation of accounts and their subsequent audit in remaining 35 PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilized for the purpose for which these were provided by the State Government.

Winding up of non-functional State PSUs

3.9 Sixteen State PSUs were non-functional companies having a total investment of ₹ 793.34 crore mainly, in Madhya Pradesh Road Transport Corporation (₹ 683.31 crore), Madhya Pradesh State Textile Corporation Limited (₹ 86.71 crore) and Optel Telecommunication Limited (₹ 17.12 crore)

towards capital (₹ 116.16 crore) and long term loans (₹ 677.18 crore) as on 31 March 2018. The number of non-functional PSUs at the end of each year during last three years ended 31 March 2018 are given in Table 3.7:

Table 3.7: Non-functional State PSUs

Particulars	2015-16	2016-17	2017-18
No. of non-functional PSUs	9	17	16
Out of above, No. of PSUs which were under liquidation	4	4	4

Source: Compiled from the information included in Audit Report (PSU), GoMP of respective years and in Annexure-3.2.

As regards 12 non-functional PSUs from last six to 28 years¹¹, the Government may take appropriate decision regarding winding up of these PSUs.

Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

3.10 As pointed in Paragraph 3.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP and their profitability including profit earned/ loss incurred 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 Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

Placement of Separate Audit Reports of Statutory Corporations

3.11 Out of three Statutory Corporations, two Corporations had forwarded their accounts of 2017-18 by 31 December 2018.

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. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed in Table 3.8:

Table 3.8: Status of placement of SAR of the Statutory Corporations

Name of the Corporation	Year of Accounts	Month of placement of SAR
Madhya Pradesh State Warehousing Corporation	2016-17	SAR issued in December 2018 but not placed
	2017-18	Pending finalisation
Madhya Pradesh Financial Corporation	2016-17 and 2017-18	Pending finalisation
Madhya Pradesh State Road Transport Corporation	2007-08	No information furnished
	2008-09 onwards	Accounts not finalised

Source: Compiled based on information available on the website of Madhya Pradesh Legislative Assembly.

¹¹ Companies at Sr. No. IIIA 10 to IIIA 20 and IIIB 21 of the Annexure-3.2.

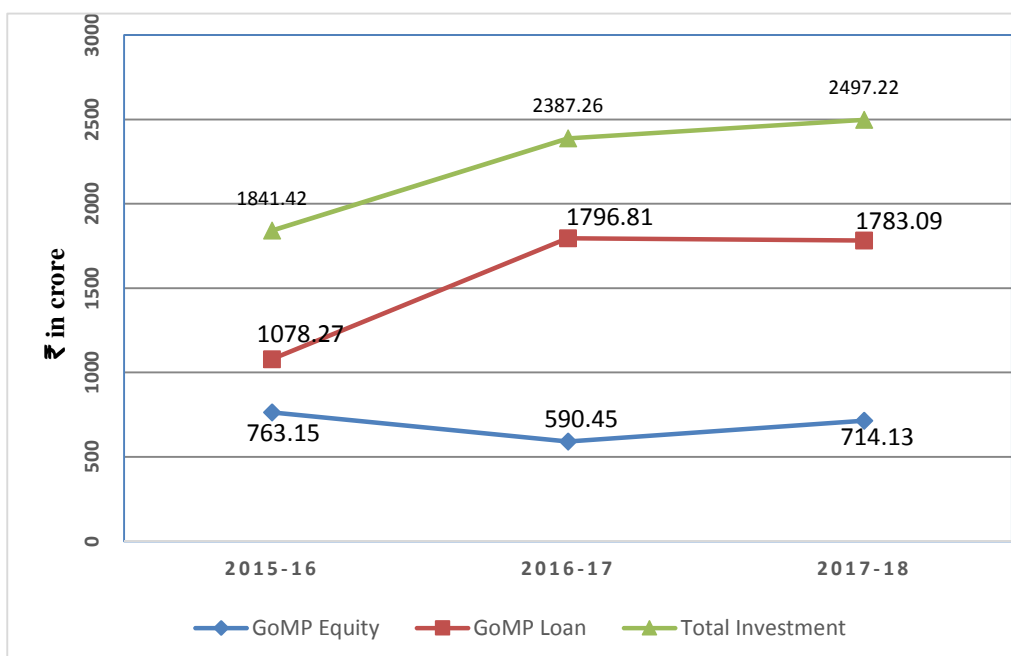
Performance of State PSUs (other than Power Sector)

3.12 The financial position and working results of the 38 State PSUs covered in this report as per their latest finalised accounts¹² as of 31 December 2018 are detailed in *Annexure-3.1*.

The PSUs are expected to yield reasonable return on investments made by Government in the undertakings. The total investment of State Government and others in these PSUs was ₹ 5,387.41 crore consisting of equity of ₹ 1,844.23 crore and long term loans of ₹ 3,543.18 crore. Out of this, Government of Madhya Pradesh has investment of ₹ 2,497.22 crore in the 18 PSUs consisting of equity of ₹ 714.13 crore and long term loans of ₹ 1,783.09 crore.

The year wise statement of investment of GoMP in the PSUs other than power sector covered in this report during the period 2015-16 to 2017-18 is as follows:

Chart 3.2: Total investment of GoMP in PSUs (other than power sector)



The profitability of a company is traditionally assessed through Return On Investment (ROI), Return On Equity (ROE) and Return On Capital Employed (ROCE). Return On Investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return On Equity is a measure of performance calculated by dividing net profit after tax by shareholders’ fund. 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.

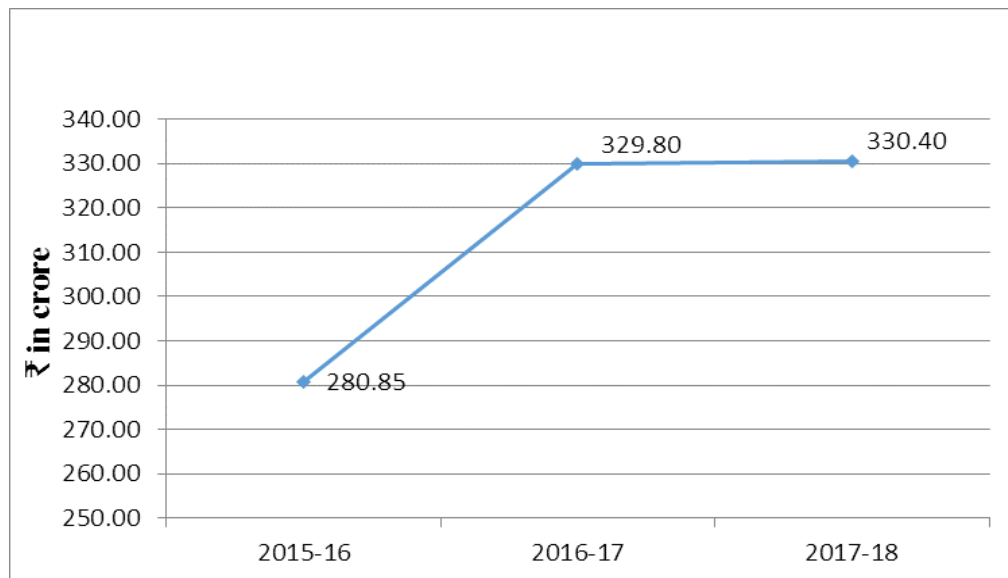
Return on Investment

3.13 The Return on investment is the percentage of profit or loss to the total

¹² Latest finalised accounts for the years 2015-16 to 2017-18.

investment. The overall position of Profit/ losses¹³ earned/ incurred by the 38 State PSUs covered in this report during 2015-16 to 2017-18 is depicted below in a chart:

Chart 3.3: Profit/ Losses earned/ incurred by functional PSUs (other than Power Sector)



The profit of ₹ 280.85 crore earned by these covered PSUs in 2015-16 increased to ₹ 330.40 crore in 2017-18. According to latest finalised accounts of these 38 State PSUs covered in this report, 18 PSUs earned profit of ₹ 380.01 crore and eight PSUs incurred losses of ₹ 49.61 crore as detailed in *Annexure-3.1*.

3.13.1 The number of PSUs that earned profit was 18 in 2017-18 as compared to 22 in 2016-17. The profit earned increased to ₹ 330.40 crore from ₹ 329.80 crore in 2016-17.

The details of sector wise profit of PSUs during 2017-18 are summarized in Table no.3.9:

Table No 3.9: Sector wise profitability of PSUs

Sector	Number of Profit earning PSUs	(₹ in crore)	
		Profit after Tax	Percentage of profit to total profit after tax
PSUs in Monopolistic Sector	02	154.86	40.75
PSUs with Assured Income	14	218.81	57.58
PSUs in Competitive Environment	02	6.34	1.67
Total	18	380.01	100.00

Source: Compiled based on latest finalized annual accounts of PSUs

It may be seen from above table that out of 18 PSUs, 16 PSUs earned 98.33 per cent profit (₹ 373.67 crore) which were either having monopolistic advantage or were having assured income from budgetary support, cantage, commission, interest on bank deposits etc.

Thus in audit view sustainability of these PSUs is State dependent.

¹³ Figures are as per the latest finalised accounts of the respective years.

Real Return on the basis of Present Value of Investment

3.14 An analysis of the earnings *vis-a-vis* investments in respect of those 18 State PSUs (covered in this report) where funds had been infused by the State Government 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 return on the investment since such calculations ignore the present value of money. Therefore, real return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/ defaulted loans and capital grants starting from 2000-01 in these companies till 31 March 2018. During the period from 2000-01 to 2017-18, these PSUs had a positive/ negative return on investment during the years 2013-14 to 2017-18. The real return on investment for these years have, therefore, been calculated and depicted on the basis of PV.

The PV of the State Government investments in these PSUs was computed on the following assumptions:

- Loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of loans over the period. The funds made available in the form of grant/ subsidy have not been reckoned as investment except capital grant since they do not qualify to be considered as investment.
- The average rate of interest on Government borrowings for the concerned financial year¹⁴ was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

3.15 PSU wise position of State Government investment in these 18 State PSUs in the form of equity, interest free/ defaulted loans and capital grants on historical cost basis for the period from 2000-01 to 2017-18 is indicated in **Annexure-3.6**. Further, consolidated position of NPV of the State Government investment relating to these PSUs for the same period is indicated in Table 3.10:

¹⁴ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Madhya Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Table 3.10: Year wise details of investment by the State Government and Present Value (PV) of Government investment for the period from 2000-01 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free/ defaulted Loans and capital grants given by the State Government during the year ¹⁵	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year ¹⁶
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1 + vi)/ 100}	ix={vii*vi}/ 100}	x
2000-01	224.62	4.00	-16.13	-12.13	9.94	212.49	233.61	21.12	6.13
2001-02	233.61	-4.10	-25.13	-29.23	9.19	204.38	223.16	18.78	19.01
2002-03	223.16	17.42	16.46	33.88	8.81	257.05	279.69	22.65	9.22
2003-04	279.69	1.79	-47.40	-45.61	9.41	234.08	256.11	22.03	0.70
2004-05	256.11	12.30	-	12.30	8.96	268.41	292.46	24.05	33.78
2005-06	292.46	11.89	58.57	70.46	7.33	362.92	389.52	26.60	40.73
2006-07	389.52	174.38	0.38	174.76	7.86	564.28	608.63	44.35	93.50
2007-08	608.63	65.00	-58.50	6.50	7.72	615.13	662.62	47.49	91.17
2008-09	662.62	16.20	-	16.20	7.24	678.82	727.96	49.15	67.60
2009-10	727.96	6.00	15.69	21.69	6.94	749.65	801.68	52.03	124.97
2010-11	801.68	26.38	-2.10	24.28	7.07	825.96	884.36	58.40	141.55
2011-12	884.36	10.00	9.45	19.45	6.91	903.81	966.26	62.45	156.03
2012-13	966.26	-15.38	72.89	57.51	6.75	1,023.77	1,092.87	69.10	221.73
2013-14	1,092.87	30.00	90.43	120.43	6.69	1,213.30	1,294.47	81.17	287.49
2014-15	1,294.47	94.28	136.32	230.60	6.73	1,525.07	1,627.71	102.64	324.23
2015-16	1,627.71	41.72	73.76	115.48	6.86	1,743.19	1,862.77	119.58	366.79
2016-17	1,862.77	-50.73	1,349.49	1,298.76	6.72	3,161.53	3,373.99	212.46	343.39
2017-18	3,373.99	160.00	-2.73	157.27	6.67	3,531.26	3,766.79	235.53	287.96
Total		601.15	1,671.45	2,272.60					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 2,497.22 crore in 2017-18 from ₹ 224.62 crore in 2000-01 as the State Government made further investments in shape of equity (₹ 601.15 crore) and loans/ capital grant (₹ 1,671.45 crore) during the period 2000-01 to 2017-18. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 3,766.79 crore. During 2000-01 to 2003-04, these companies earned some profits, though, total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. 2004-05 onwards, these companies started earning sufficient profits to recover cost of funds infused as eight¹⁷ of these PSUs incurred substantial profits during this period.

¹⁵ Negative figures of loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

¹⁶ Total Earning for the year depicts total of net earnings (profit/ loss) for the concerned year relating to those 18 PSUs (other than Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/ loss) for that year has been taken as per latest audited accounts of the concerned PSU.

¹⁷ MPRVFN, MPSMCL, MPLUN, TPFCL, MPRDCL, MPTRIFAC, MPWLCL and MPPHCL.

Return On Equity of PSUs

3.16 Return On Equity (ROE)¹⁸ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of PSUs is depicted in Table 3.11

Table 3.11: Return on Equity Sector wise

Sl. No.	Sector	ROE during 2015-16		ROE during 2016-17		ROE during 2017-18	
		No of PSUs	ROE	No of PSUs	ROE	No of PSUs	ROE
1	PSUs in Monopolistic Environment	3	31.51	03	21.79	3	20.33
2	PSUs with Assured Income	20	11.18	25	11.78	25	12.52
3	PSUs in Competitive Environment	2	10.34	2	3.56	3	(-) 1.12
	Total	25		30		31	

It could be seen that ROE of competitive sector PSUs are significantly lower than monopolistic/ assured income sector PSUs during the previous three years. In competitive sector ROE in 2017-18 was negative due to loss of ₹ 11.39 crore incurred by MP Financial Corporation.

This reflects that the PSUs operating in competitive environment are not self-sustainable.

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 employed¹⁹. The details of ROCE of 38 PSUs (PSUs covered in this Report) during the period from 2015-16 to 2017-18 are given in Table 3.12.

Table 3.12: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in %)
2015-16	391.36	4,896.38	7.99
2016-17	592.83	5,959.63	9.95
2017-18	503.39	5,709.65	8.82

It was observed that ROCE ranged between 7.99 per cent and 9.95 per cent during the period 2015-16 to 2017-18.

PSUs incurring losses

3.18 There were eight PSUs that incurred losses during the year 2017-18. The losses incurred by these PSUs increased to ₹ 49.61 crore in 2017-18 from ₹ 0.12 crore during 2016-17 as given in Table 3.13.

¹⁸ Return on Equity = (Net Profit after Tax and preference Dividend/ Equity)*100 where Equity = Paid up Capital + Loans + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

¹⁹ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

Table 3.13: Number of PSUs that incurred losses during 2015-16 to 2017-18

Year	No of PSUs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net Worth ²⁰ (₹ in crore)
PSUs in Monopolistic Environment				
2015-16	0	0.00	0.00	0.00
2016-17	0	0.00	0.00	0.00
2017-18	1 ²¹	0.12	5.31	105.31
PSUs with Assured Income				
2015-16	4	76.53	185.03	378.91
2016-17	2	0.12	5.44	7.49
2017-18	6	38.10	60.83	142.71
PSUs in Competitive Environment				
2015-16	1	88.67	-90.02	-28.80
2016-17	0	0.00	0.00	0.00
2017-18	1	11.39	12.09	418.19

Out of total loss of ₹ 214.93 crore incurred by 10 PSUs during three years, loss of ₹ 0.12 crore was contributed by one PSUs in Monopolistic Environment despite not being open to market competition. This reflects adversely on the sustainability of this Company. Although MP Jaypee Minerals Limited had not suffered loss in 2017-18 but its accumulated loss amounted to ₹ 149.67 crore during the year 2017-18. Due to accumulated loss net worth of the PSU was in negative.

State PSUs listed in Table 3.14 incurred losses of more than ₹ 10 crore during the year 2017-18 as per latest finalised accounts.

Table 3.14 - List of loss making PSUs incurred loss of more than ₹ 10 crore

Sl. No.	Name of PSU	Net loss (₹ in crore)
1	Madhya Pradesh State Civil Supplies Corporation Limited (2016-17)	27.24
2	MP Financial Corporation	11.39

Erosion of Net worth of PSUs

3.19 As on 31 March 2018 there were five²² PSUs with accumulated losses of ₹ 161.66 crore. Of the five PSUs, one PSU incurred loss in the year 2017-18 amounting to ₹ 3.89 crore and four PSUs had not incurred loss in the year 2017-18, even though they had accumulated loss of ₹ 158.82 crore.

Net worth of three²³ out of 38 covered PSUs had been completely eroded by accumulated loss and their net worth was either zero or negative. The net worth of these three PSUs was (-) ₹ 91.21 crore against equity investment of ₹ 62.49 crore in these PSUs as on 31 March 2018 (***Annexure-3.1***).

²⁰ 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.

²¹ MP Jal Nigam Maryadit is under construction and not commenced business upto 2017-18.

²² MP Urban Development Corporation, MP Plastic City Development Corp. Limited, Pithampur Auto Cluster, JP Minerals and MP Hotel Corporation Limited.

²³ MP Urban Development Corporation, JP Minerals and Plastic City Development Corporation Limited.

Net worth was less than half of their paid up capital in respect of one²⁴ PSU out of 38 covered PSUs in this report, whose net worth was positive at the end of 31 March 2018, indicating their potential financial sickness.

Dividend Payout

3.20 The State Government had formulated (July 2005) a dividend policy under which all profit making PSUs are required to pay a minimum return of 20 per cent of the profit after tax.

Dividend Payout relating to 17 PSUs (covered in this report) where equity was infused by State Government during the period is shown in Table 3.15:

Table 3.15: Dividend Payout of 17 PSUs (other than Power Sector) during 2015-16 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoMP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoMP	Number of PSUs	Equity infused by GoMP	Number of PSUs	Dividend declared/ paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2015-16	16	545.13	14	354.15	2	12.10	3.41
2016-17	17	600.13	14	337.69	4	43.38	12.85
2017-18	17	714.13	12	374.70	6	45.63	12.18

During the period 2015-16 to 2017-18, the number of PSUs which earned profits ranged between 12 and 14 PSUs. During this period, number of PSUs which declared/ paid dividend to GoMP ranged between two and six PSUs.

The Dividend Payout Ratio during 2015-16 to 2017-18 ranged between 3.41 per cent and 12.85 per cent only. Further analysis disclosed that the PSUs declared/ paid dividend and the Dividend Payout Ratio was increased from 3.41 per cent in 2015-16 to 12.18 per cent in 2017-18.

Of these six PSUs which declared/ paid dividend during 2017-18, one²⁵ PSU declared dividend higher than the prescribed limit, while two²⁶ PSUs declared dividend lower than the prescribed limit and three²⁷ PSUs declared dividend as per the dividend policy.

Analysis of Long Term Loans of the PSUs (other than Power Sector)

3.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2015-16 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio.

Interest Coverage Ratio

3.22 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. The lower the ratio, the lessor the ability of the PSU to pay interest on debt. An

²⁴ Pithampur Auto Cluster.

²⁵ MPSAIDCL.

²⁶ MPWLC and MPPHCL.

²⁷ MPRVVNL, MPSMCL and MPLUN.

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 of PSUs which had outstanding loans covered in the report during the period from 2015-16 to 2017-18 are given in Table 3.16:

Table 3.16: Interest coverage ratio of functional State PSUs (other than Power Sector) having liability of loans

Year	Interest (₹ in crore)	Earnings Before Interest and Tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2015-16	96.17	224.75	16	10	6 ²⁸
2016-17	122.70	16.06	15	12	3 ²⁹
2017-18	84.32	106.71	15	11	4 ³⁰

Of the 15 State PSUs (other than Power Sector) having liability of loans during 2017-18, 11 PSUs had interest coverage ratio of more than one whereas remaining four PSUs had interest coverage ratio below one which indicates that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period. Madhya Pradesh State Civil Supply Corporation and Madhya Pradesh Trade and Investment Facilitation Corporation received interest free long term loan from government.

Comments on Accounts of State PSUs (other than Power Sector)

3.23 Thirty-three functional companies forwarded 41 audited accounts to the Accountant General during the period from 1 January 2018 to 31 December 2018. Of these, 39 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit 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 detailed in Table 3.17:

Table 3.17: Impact of audit comments on Functional Companies (other than Power Sector)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	7	168.64	11	446.68	02	0.27
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	2	1,410.37	3	-1.52	02	0.74
4.	Decrease in loss	-	-	-	-	01	0.12
5.	Non-disclosure of material facts	5	26.54	3	1.87	01	107.02
6.	Errors of classification	10	221.35	6	36.11	07	521.14

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies.

²⁸ MPAKVN (Indore) Ltd., MPAKVN (Ujjain) Ltd., MPJML, MPSCML, MPSCSCL and AICTCL.

²⁹ MPAKVN (Indore) Ltd., MPAKVN (Rewa) Ltd. and MPJML.

³⁰ MPAKVN (Indore) Ltd., MPPCDC (Gwalior) Ltd., MPSCSCL and MPFC.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 17 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 23 instances of non-compliance to the Accounting Standards in 11 accounts.

3.24 The State has three Statutory Corporations *i.e.* (i) Madhya Pradesh State Road Transport Corporation (MPSRTC), (ii) Madhya Pradesh Financial Corporation (MPFC) and (iii) Madhya Pradesh Warehousing and Logistics Corporation (MPWLC). The CAG is sole auditor in respect of the only non-working corporation, *viz.* MPSRTC.

Both working Statutory Corporations, forwarded their annual accounts for the year 2017-18. Both accounts were selected for supplementary audit.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in Table 3.18:

Table 3.18: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	1.54	2	7.04	-	-
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	-	-	-	-	1	17.51
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	-	-
6.	Errors of classification	1	17.23	-	-	1	103.31

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Statutory Corporations.

Performance Audit and Compliance Audit Paragraphs

3.25 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, one Performance Audit Report and one compliance audit paragraph were issued to the Principal Secretary of the respective Administrative Department with request to furnish replies within four weeks. Replies have been received for the compliance audit paragraph from the State Government. Further, replies have not been received for the PA.

Follow up action on Audit Reports

Replies outstanding

3.26 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 Madhya Pradesh issued (May 2016) instructions to all Administrative Departments to submit replies/ explanatory notes 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).

As on 31 December 2018 reply/ explanatory notes to two out of six paragraphs of Audit Report 2016-17 were not received from the department.

Discussion of Audit Reports by COPU

3.27 The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under:

Table 3.19: Performance Audits/ Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2019

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	2	9	-	9
2016-17	-	5	-	-

Source: Compiled based on the discussions of COPU on the Audit Reports.

Compliance to Reports of COPU

3.28 Action Taken Notes (ATNs) on 41 reports of the COPU presented to the State Legislature in 1973-74 to 2011-12 had not been received (31 December 2018) from the State PSUs (other than Power Sector) as indicated in the Table 3.20:

Table 3.20: Compliance to COPU Reports

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
Upto 2003-04	14	625	108
2004-05	7	132	41
2005-06	5	89	29
2006-07	3	82	15
2007-08	1	23	14
2008-09	1	26	26
2010-11	7	38	14
2011-12	3	3	3
Total	41	1018	250

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoMP.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to 10 Departments which appeared in the Reports of the CAG of India for the year 1973-74 to 2011-12.

