

Chapter V

Functioning of PSUs (Non-Power Sector)

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5.1 Introduction

As on 31 March 2019, there were 84 PSUs in sectors other than Power, which included 81 Government Companies and three Statutory Corporations. Of these, 64 were working PSUs (all three Statutory Corporations¹⁸¹ and 61 Companies) and 20 were inactive Companies. Of these 64 working PSUs, the accounts of 22 PSUs were in arrears for three or more years. Further, the accounts of 20 inactive PSUs were also in arrears for three or more years. The State Government provides financial support to the PSUs in the form of equity, loans and grants/subsidy from time to time.

5.1.1 Contribution to economy of the State

The ratio of turnover of the State PSUs (Non-Power Sector) to the GSDP of the State shows the extent of activities of these PSUs in the State economy. In 2018-19, 42 workings PSUs contributed 1.87 per cent of the GSDP of AP (*Table 5.1*). The increase in GSDP of the State ranged between 15.10 per cent and 16.06 per cent during last five years. The compounded annual growth rate (CAGR¹⁸²) of GSDP of AP was 15.47¹⁸³ per cent during the five-year period 2014-19 while the CAGR of turnover of the working PSUs was 11.68¹⁸⁴ per cent.

Table 5.1 below provides the details of turnover of the working State PSUs and GSDP of Andhra Pradesh for the five-year period ended 31 March 2019.

Table 5.1: Details of turnover of working PSUs vis-à-vis GSDP of AP

Particulars	₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Total No. of PSUs	24	33	39	40	42
Turnover as per annual accounts	11,208.18	15,677.58	20,210.97	8,754.75	17,435.77
Percentage change of turnover compared to previous year	--*	39.88	28.92	(-) 56.68	99.16
GSDP of Andhra Pradesh for the year	5,24,976.00	6,04,229.00	6,97,508.00	8,09,547.00	9,33,402.00
Percentage change of GSDP compared to previous year (₹ 4,64,272 crore for 2013-14)	13.08*	15.10	15.44	16.06	15.30
Percentage of Turnover to GSDP	2.13	2.59	2.90	1.08	1.87

Source: GSDP figures as per State Finances Audit Report for the year ended 31 March 2019 of AP and turnover figures as per Annual Accounts of the Non-Power Sector PSUs

* Residual State of AP was formed with effect from 2 June 2014

¹⁸¹ Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation

¹⁸² CAGR = $\{(Value\ of\ 2018-19 / Value\ of\ 2014-15)^{1/4\ years} - 1\} * 100$

¹⁸³ CAGR of GSDP = $\{(\text{₹ } 9,33,402 / \text{₹ } 5,24,976)^{1/4} - 1\} * 100$

¹⁸⁴ CAGR of Turnover = $\{(\text{₹ } 17,435.77 / \text{₹ } 11,208.18)^{1/4} - 1\} * 100$

5.2 Investment in PSUs (Non-Power Sector)

The State PSUs function as instruments of the State Government to provide certain services which the private sector might be unwilling to extend such as those in the social sector 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 State PSUs which do not conform to the above two categories are classified as 'Others'. The position of the Non-Power Sector PSUs have therefore, been analysed under these three categories, viz., Social Sector, Competitive environment and Others.

The sector-wise summary of the investment in State PSUs during the period from 2014-15 to 2018-19 is given in **Table 5.2**.

Table 5.2: Sector wise investment in Non-Power Sector PSUs

(₹ in crore)

Sector wise financial year	Number of PSUs	Equity	Long term loans	Total
Social Sector				
2014-15	11	158.30	285.35	443.65
2015-16	15	288.02	233.51	521.53
2016-17	18	298.66	891.06	1,189.72
2017-18	19	501.61	1,339.50	1,841.11
2018-19	19	502.60	4,291.31	4,793.91
Competitive environment				
2014-15	11	415.29	7,197.29	7,612.58
2015-16	15	439.29	7,592.86	8,032.15
2016-17	18	455.80	8,402.83	8,858.63
2017-18	18	467.30	10,622.26	11,089.56
2018-19	18	513.80	10,825.52	11,339.32
Others				
2014-15	2	2.12	0	2.12
2015-16	3	2.17	0	2.17
2016-17	3	2.17	0	2.17
2017-18	3	2.17	0	2.17
2018-19	5	2.18	0	2.18
Grand Total				
2014-15	24	575.71	7,482.64	8,058.35
2015-16	33	729.48	7,826.37	8,555.85
2016-17	39	756.63	9,293.89	10,050.52
2017-18	40	971.08	11,961.76	12,932.84
2018-19	42	1,018.58	15,116.83	16,135.41

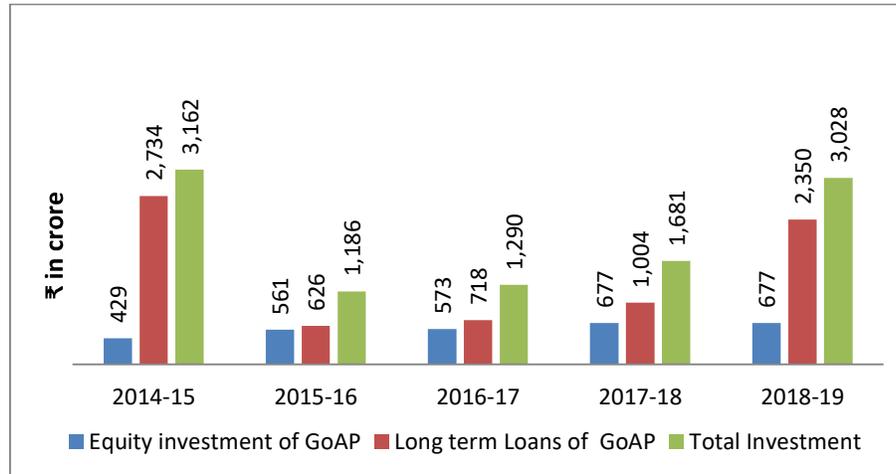
Source: Annual Accounts of Non-Power Sector PSUs

As on 31 March 2019, the total equity investment in the PSUs in Non-Power Sector was ₹16,135.41 crore consisting of ₹1,018.58 crore as equity and ₹15,116.83 crore as long-term loans. Out of this, the State Government's investment was ₹3,027.57 crore comprising 66.48 per cent (₹677.14 crore) of total equity and 15.55 per cent (₹2,350.43 crore) in long-term loans. Others (GoI and other PSUs) invested 33.52 per cent (₹341.44 crore) in equity,

whereas the loans availed from banks and other Financial Institutions was 84.45 per cent (₹12,766.40 crore). The details are presented in *Appendix-3.2*.

The pattern of investment made by the State Government in these 42 PSUs during the five-year period 2014-19 is given in **Chart 5.1**.

Chart 5.1 Investment of Government in PSUs (Non-Power Sector)



5.3 Restructuring, Disinvestment and Privatisation of PSUs (Non-Power Sector)

During the year 2018-19, no disinvestment or privatisation of PSUs (Non-Power Sector) was done by the State Government.

5.4 Budgetary Support to PSUs (Non-Power Sector)

The State Government provides financial support to PSUs in various forms through its annual budget. The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2019 are given in **Chart 5.2**.

Chart 5.2: Budgetary outgo towards Equity, Loans and Grants/Subsidy



The summarised details of budgetary support in respect of Non-Power Sector PSUs during the last three years ending March 2019 are given in *Table 5.3*.

Table 5.3: Details regarding budgetary support to PSUs

(₹ in crore)

Particulars ¹⁸⁵	2016-17		2017-18		2018-19	
	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
(i) Equity Capital outgo	11	224.84	4	105.24	0	0.00
(ii) Loans given	6	423.68	4	613.16	1	208.49
(iii) Grants/Subsidy provided	25	8,399.19	24	12,296.73	16	3,423.71
Total Outgo (i+ii+iii)	30	9,047.71	28	13,015.13	16¹⁸⁶	3,632.20
Loan repayment written off	0	0.00	0	0.00	0	0.00
Loans converted into equity	0	0.00	0	0.00	0	0.00
Guarantees issued ¹⁸⁷	2	1,200.00	2	1,420.00	3	9,901.59
Guarantee Commitment¹⁸⁸	6	8,518.99	6	5,523.93	8	30,530.91

Source: Information furnished by PSUs

As can be seen from the Table above, annual budgetary assistance received by the PSUs in Non-Power Sector fluctuated between ₹3,632.20 crore and ₹13,015.13 crore during the three-year period 2016-19. During the year 2018-19, the budgetary assistance of ₹3,632.20 crore given to Non-Power Sector PSUs includes ₹208.49 crore¹⁸⁹ towards loans and ₹3,423.71 crore towards grants/subsidy. There was a decrease in grants received by PSUs during 2018-19 compared to 2017-18 mainly on account of the lesser grants given to Andhra Pradesh Mahila Sadhikara Samstha, Rythu Sadhikara Samstha, Andhra Pradesh Urban Finance Infrastructure and Development Corporation Limited, Andhra Pradesh State Housing Corporation Limited and Andhra Pradesh State Skill Development Corporation.

Budgetary support of ₹2,623.64 crore (Loan: ₹208.49 crore, Grants and Subsidy: ₹2,415.15 crore) was provided by the State to 13 Non-Power Sector PSUs, whose accounts were in arrears. The investment made by State Government in PSUs whose accounts are in arrears is shown in *Appendix-5.1*.

State Government helps the PSUs in raising loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. The outstanding guarantee commitments given for State PSUs increased substantially from ₹8,518.99 crore in 2016-17 to ₹30,530.91 crore in 2018-19 mainly due to increase in guarantee commitments in respect of Andhra Pradesh State Civil Supplies Corporation Limited towards cash credit of ₹19,000 crore availed from SBI for procurement of Paddy, Levy Rice and PDS rice and in respect of Andhra Pradesh Township & Infrastructure Development Corporation Limited towards loan of ₹3,951.59 crore for lands and external Infrastructure for five lakh EWS Houses across the State of Andhra Pradesh.

The State Government charges guarantee fee at the rate of 0.50 per cent per annum or two per cent consolidated for the entire guarantee period in case of loan availed of by PSUs from banks/financial

¹⁸⁵ amount represents outgo from State Budget only

¹⁸⁶ the figure represents number of Non-Power Sector PSUs which have received outgo from budget under one or more heads i.e., equity, loans and grants/ subsidies

¹⁸⁷ Government guarantee issued to the Non-Power Sector PSUs during the year

¹⁸⁸ Guarantee commitment is the balance of the loans remaining to be repaid by the PSUs for which the State Government has given guarantee

¹⁸⁹ Andhra Pradesh State Fibernet Limited

institutions. Since the Guarantee register for the year 2018-19 has not been furnished by the State Government, the actual amount of guarantee fee paid/payable by the PSUs in Non-Power Sector could not be ascertained.

5.5 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of PSUs should agree with those appearing in the Finance Accounts of the State. In case the figures do not tally, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in **Table 5.4**:

Table 5.4: Equity, Loans, Guarantees as per Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Outstanding in respect of	No. of Non-Power Sector PSUs with difference	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	16	617.83	417.44	200.39
Loans	12	3,107.76	2,299.05	808.71
Guarantees	6	8,016.03	25,685.79	17,669.76

Source: Finance Accounts of AP for 2018-19 and Annual Accounts/Information received from PSUs

It was observed that the major differences have been persisting for many years. Major difference in balances was observed in Andhra Pradesh State Minorities Finance Corporation Limited (APSMFCL) (Equity: ₹145.48 crore), Andhra Pradesh Industrial Infrastructure Corporation (Loan: ₹277.04 crore) and Andhra Pradesh State Civil Supplies Corporation Limited (Guarantees: ₹19,000 crore) as per **Appendix-4.1**. The matter was taken up (July 2020) with the State Government and reply is awaited. The State Government needs to initiate expeditious action to analyse the reasons for the variations in figures between the two sets of figures in consultation with the concerned PSUs and ensure reconciliation in a time-bound manner.

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

Out of 61 working Government Companies, eight submitted their annual accounts for the year 2018-19 for audit by CAG on or before 30 September 2019. The accounts of remaining 53 Government Companies were in arrears. Out of the three Statutory Corporations, APSFC submitted its accounts within the prescribed timeline, while the accounts of the other two Statutory Corporations were in arrears. The status of timeliness followed by these 54 working PSUs in preparing accounts is detailed below;

5.6.1 Timeliness in preparation of Accounts by the working PSUs

As prescribed under the Companies Act, 2013, all the working State PSUs were required to submit accounts for the year 2018-19 by 30 September 2019. Details of arrears in submission of accounts of working Non-Power Sector PSUs as on 30 September 2019 are given in the **Table 5.5**.

Table 5.5: Position of submission of Accounts by working PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of working PSUs	41	50	57	60	64
2	Number of accounts submitted during the reporting period ¹⁹⁰	35	23	50	42	46
3	Number of working PSUs which finalised accounts for the current year during the reporting period	5	4	9	10	9
4	Number of previous years' accounts finalised during the reporting period	30	19	41	32	37
5	Number of working PSUs with accounts in arrears	36	45	48	50	55
6	Number of accounts in arrears	83	115	114	129	146
7	Extent of arrears	1 to 13 years	1 to 14 years	1 to 12 years	1 to 13 years	1 to 14 years

Source: Compiled based on Annual Accounts of Non-Power Sector PSUs received during the period October 2018 to September 2019

Of these 64 working PSUs, 36 PSUs finalised 46 annual accounts during the period 1 October 2018 to 30 September 2019, which included nine annual accounts for the year 2018-19 and 37 annual accounts for previous years. Further, 146 annual accounts were in arrears, which pertain to 55 Non-Power Sector PSUs. However, 13 more PSUs finalised and submitted their annual accounts for the year 2018-19 by August 2020.

In respect of the Non-Power Sector PSUs, whose accounts were in arrears, 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 Non-Power Sector PSUs, therefore, remained outside the oversight of State Legislature.

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.

5.6.2 Timeliness for preparation of accounts by inactive State PSUs

There were arrears in finalisation of accounts of all the 20 inactive PSUs. Out of these 20 inactive PSUs, 12 PSUs had arrears of accounts for more than 20 years. Further, of these, two PSUs viz., Andhra Pradesh Meat Development Corporation Limited and Andhra Pradesh Essential Commodities Corporation Limited have submitted accounts for 2014-15 (10 months) as on 30 September 2019. The financial position of the 20 inactive PSUs as per their last annual accounts is given in *Appendix-5.2*.

¹⁹⁰ October 2018 to September 2019

5.7 Impact of non-finalisation of accounts by Non-Power Sector PSUs

As pointed out in **Paragraph 5.6**, 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 going undetected. In view of the above state of arrears of accounts, the actual contribution of the Non-Power Sector PSUs to State GDP for the year 2018-19 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 issue necessary directions and set a specific timeframe for individual PSUs to clear the pendency in accounts and monitor compliance with the timeframe closely. The Government may also look into the constraints in preparation of the accounts by the PSUs and take necessary steps to clear the arrears in accounts.

5.8 Placement of Separate Audit Reports by Statutory Corporations

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, viz., APSFC had forwarded its annual accounts for the year 2018-19 by 30 September 2019. Status of annual accounts of Statutory Corporations and placing of their SARs in Legislature is detailed in **Table 5.6**.

Table 5.6: Status of placing of SAR of the Statutory Corporations

Name of the Statutory Corporation	Year up to which SAR placed in Legislature	Year for which SARs yet to be placed in Legislature	
		Year of SAR	Date of issue to Government
Andhra Pradesh State Financial Corporation	2014-15	2015-16	14-02-2017
		2016-17	09-11-2017
		2017-18	12-12-2018
		2018-19	02-03-2020
Andhra Pradesh State Warehousing Corporation	2013-14 (up to 1 June 2014)	2014-15	04-10-2019
		Accounts for 2015-16 to 2018-19 are in arrears	Not applicable
Andhra Pradesh State Road Transport Corporation	2013-14 (up to 1 June 2014)	2014-15 (10 months) to 2016-17	17-07-2020
		Accounts for 2017-18 & 2018-19 are in arrears	Draft SAR under finalisation

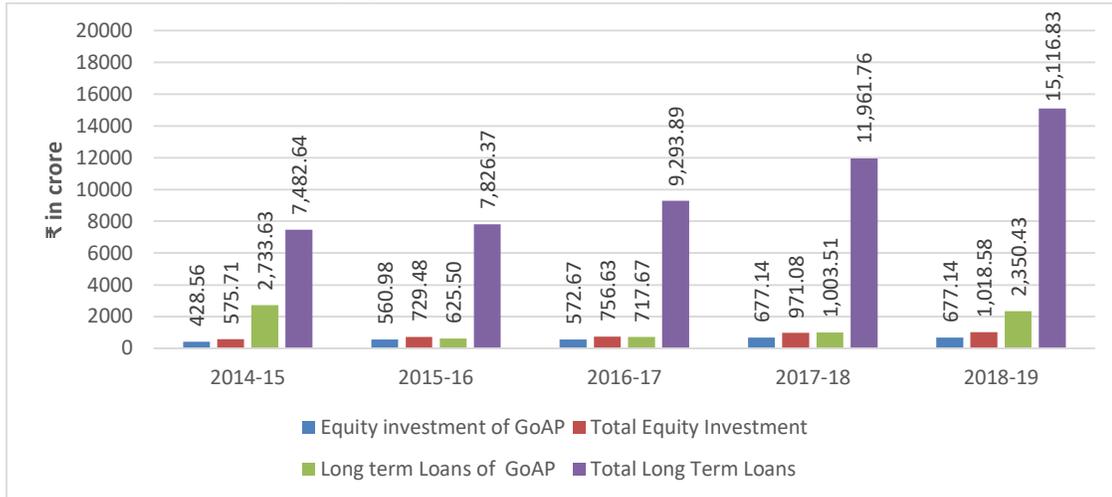
Source: Information furnished by the Corporations

5.9 Performance of PSUs (Non-Power Sector)

Financial position and working results of the 42 working PSUs as on 31 March 2019 are detailed in **Appendix-5.3** and of 22 PSUs, whose annual accounts were in arrears for three or more years are detailed in **Appendix-5.4**.

PSUs are expected to yield reasonable return on investment made by Government. The total amount of equity investment in the Non-Power Sector PSUs as on 31 March 2019 was ₹1,018.58 crore. In addition, the long term loans of these PSUs was ₹15,116.83 crore. Out of this, equity investment by GoAP was ₹677.14 crore and the GoAP had also provided long term loans of ₹2,350.43 crore. The total equity investment and Loans and GoAP equity investment and loans in Non-Power Sector PSUs is given in **Chart 5.3:**

Chart 5.3: Equity investment and Loans in Non-Power Sector PSUs



The profitability of a company is traditionally assessed through Return on Investment (RoI), Return on Equity (RoE) and Return on Capital Employed (RoCE). 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 the total investment. Equity is taken as investment for this purpose. RoE is a measure of performance calculated by dividing net profit after tax by Shareholders' fund.

5.9.1 Rate of Real Return on Investment

Return on Investment (RoI) is the percentage of profit or loss to the total investment. The overall position of Profit earned /Losses incurred by the working Non-Power Sector PSUs during 2014-15 to 2018-19 is depicted below in **Chart 5.4.**

Chart 5.4: Profit/Losses earned/incurred by working Non-Power Sector PSUs during the years



The overall loss of ₹976.32 crore incurred by the working PSUs in 2014-15 reduced to ₹538.95 crore in 2016-17 before increasing to ₹1,001.67 crore in 2018-19 due to substantial losses incurred by APSRTC (₹961.28 crore) and Andhra Pradesh State Skill Development Corporation (₹70.63 crore).

Major profitmaking PSUs were APSFC (₹89.08 crore) and Andhra Pradesh State Beverages Corporation Limited (₹16.05 crore). These profits were off-set by loss of ₹961.28 crore and ₹70.63 crore reported by APSRTC and Andhra Pradesh State Skill Development Corporation respectively.

Certain PSUs (Andhra Pradesh Gas Distribution Corporation Limited, Godavari Gas Private Limited and Infrastructure Corporation of Andhra Pradesh Limited) engaged in business activities, have been incurring losses consistently during the last five years/since inception. Government needs to review the performance of these PSUs; analyse the reasons for the losses reported by them; issue necessary directions to revamp their functioning and strengthen their operational performance.

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

An analysis of the earnings *vis-à-vis* investments was carried out in respect of the Non-Power Sector PSUs to assess the profitability of these PSUs. The Rate of Real Return on investment from the Non-Power Sector PSUs has been calculated on the investment made by the GoAP, GoI and others in these Non-Power Sector PSUs in the form of equity as detailed in **Table 5.7**. 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 2019, equity of the State Government, GoI and Others in the Non-Power Sector PSUs was ₹1,018.58 crore. The sector-wise Rate of Real Return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is given in **Table 5.7**.

Table 5.7: Return on Investment on the basis of historical cost of investment

(₹ in crore)

Year wise	Total Earnings for the year	Funds invested by GoAP in the form of Equity on historical cost basis	Funds invested by GoI and others in the form of Equity on historical cost basis	Total Investment in the form of Equity on historical cost basis	Rate of Real Return on investment on historical cost basis (per cent)
Sector-wise break-up					
2014-15					
Social Sector	(-)2.16	113.30	45.00	158.30	(-) 1.36
Competitive Sector	(-) 981.65	313.14	102.15	415.29	(-) 236.38
Others	7.49	2.12	0	2.12	353.30
Total	(-) 976.32	428.56	147.15	575.71	(-) 169.59
2015-16					
Social Sector	14.00	231.67	56.35	289.02	4.86
Competitive Sector	(-) 688.37	327.14	112.15	439.29	(-) 156.70
Others	9.95	2.17	0	2.17	458.53
Total	(-) 664.42	560.98	168.50	729.48	(-) 91.08

Year wise	Total Earnings for the year	Funds invested by GoAP in the form of Equity on historical cost basis	Funds invested by GoI and others in the form of Equity on historical cost basis	Total Investment in the form of Equity on historical cost basis	Rate of Real Return on investment on historical cost basis (per cent)
Sector-wise break-up					
2016-17					
Social Sector	171.71	236.85	61.81	298.66	57.49
Competitive Sector	(-) 724.87	333.65	122.15	455.80	(-) 159.03
Others	14.21	2.17	0	2.17	654.84
Total	(-) 538.95	572.67	183.96	756.63	(-) 71.23
2017-18					
Social Sector	85.06	339.82	161.79	501.61	16.96
Competitive Sector	(-) 1,176.55	335.15	132.15	467.30	(-) 251.78
Others	21.02	2.17	0	2.17	968.66
Total	(-) 1,070.47	677.14	293.94	971.08	(-) 110.23
2018-19					
Social Sector	(-) 111.61	339.82	162.78	502.60	(-) 22.21
Competitive Sector	(-) 910.73	335.15	178.65	513.80	(-) 177.25
Others	20.67	2.17	0.01	2.18	948.17
Total	(-) 1,001.67	677.14	341.44	1,018.58	(-) 98.34

Source: Annual Accounts of the Non-Power Sector PSUs

The Rate of Real Return on investment is worked out by dividing the total earnings of these Non-Power Sector PSUs by the cost of the investments made by GoAP, GoI and others. The Rate of Real Return earned on investment of the Non-Power Sector PSUs during the period 2014-15 to 2018-19 was negative. The negative RoI during 2018-19 was the result of huge losses of APSRTC (₹961.28 crore) and Andhra Pradesh State Skill Development Corporation (₹70.63 crore).

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

In view of the significant investment by the Government in the Non-Power Sector PSUs, Rate of Real Return on such investment is essential. Present Value (PV) of the investment was computed where funds had been infused by the State Government, Central Government and others in the shape of equity since inception of these companies till 31 March 2019. The Non-Power Sector PSUs, however, had a negative rate of real return on investment as the PSUs had overall losses.

The PV of the investment in Non-Power Sector PSUs was computed on the basis of following assumptions;

- The equity infused minus disinvestment have been reckoned as investment for calculating the Rate of Real Return on Investments.

- The average rate of interest on Government borrowings for the concerned financial year¹⁹¹ was adopted as compounded rate for arriving at Present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected Rate of Real Return on investments.

The sector-wise Real Rate of Return on the basis of present value of investment for the period 2014-15 to 2018-19 is given in **Table 5.8**.

Table 5.8: Return on Investment on the basis of present value of investment

(₹ in crore)

Sector wise, Accounting Year	PV of the total investment at the beginning of the year	Funds invested by the GoAP in the form of Equity	Funds invested by the GoI and others in the form of Equity	Total investment in the form of Equity	Average Rate of Interest (per cent)	PV of the total investment at the end of the year	Total earnings for the year	Rate of Real return on investment on historical cost basis (per cent)	Rate of Real RoI considering PV of the investment (per cent)
2014-15									
Social Sector	-	113.30	45.00	158.30	5.91	167.66	(-) 2.16	(-) 1.36	(-) 1.29
Competitive Sector	-	313.14	102.15	415.29	5.91	439.83	(-) 981.65	(-) 236.38	(-) 223.19
Others	-	2.12	0	2.12	5.91	2.25	7.49	353.30	333.59
Sub total (a)	-	428.56	147.15	575.71	-	609.73	(-) 976.32	(-) 169.59	(-) 160.12
2015-16									
Social Sector	167.66	231.67	56.35	288.02	6.11	315.55	14.00	4.86	4.44
Competitive Sector	439.83	327.14	112.15	439.29	6.11	492.17	(-) 688.37	(-) 156.70	(-) 139.86
Others	2.25	2.17	0	2.17	6.11	2.44	9.95	458.53	408.53
Sub total (b)	609.73	560.98	168.50	729.48	-	810.15	(-) 664.42	(-) 91.08	(-) 82.01
2016-17									
Social Sector	315.55	236.85	61.81	298.66	6.31	346.77	171.71	57.49	49.52
Competitive Sector	492.17	333.65	122.15	455.80	6.31	540.78	(-) 724.87	(-) 159.03	(-) 134.04
Others	2.44	2.17	0	2.17	6.31	2.59	14.21	654.84	548.81
Sub total (c)	810.15	572.67	183.96	756.63	-	890.14	(-) 538.95	(-) 71.23	(-) 60.55
2017-18									
Social Sector	346.77	339.82	161.79	501.61	6.52	585.56	85.06	16.96	14.53
Competitive Sector	540.78	335.15	132.15	467.30	6.52	588.29	(-) 1176.55	(-) 251.78	(-) 199.99
Others	2.59	2.17	0	2.17	6.52	2.76	21.02	968.66	762.14
Sub total (d)	890.14	677.14	293.94	971.08	-	1,176.61	(-) 1,070.47	(-) 110.23	(-) 90.98
2018-19									
Social Sector	585.56	339.82	162.78	502.60	6.37	623.91	(-) 111.61	(-) 22.21	(-) 17.89
Competitive Sector	588.29	335.15	178.65	513.80	6.37	675.23	(-) 910.73	(-) 177.25	(-) 134.88
Others	2.76	2.17	0.01	2.18	6.37	2.94	20.67	948.17	702.02
Sub total (e)	1,176.61	677.14	341.44	1,018.58	-	1,302.08	(-) 1,001.67	(-) 98.34	(-) 76.93

¹⁹¹ the average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on State Finances (GoAP) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

As can be seen from the table, during the period 2014-15 to 2018-19, the Non-Power Sector PSUs had a negative rate of real return on investment on the basis of PV, as the PSUs had recorded overall losses.

Further, for the period 2014-15 to 2018-19, when the Non-Power Sector PSUs incurred overall loss, a more appropriate measure of performance is the erosion of net worth due to the losses.

5.9.2 Erosion of Net worth

The capital investment, free reserves, accumulated surplus and accumulated losses of the Non-Power Sector PSUs as at the end of 2018-19 were ₹1,018.58 crore, ₹23.51 crore, ₹1,354.22 crore and ₹7,276.58 crore respectively resulting in negative Net worth of ₹4,880.27 crore. As at the end of 2018-19, the funds of Shareholders had been eroded completely in respect of 12 PSUs, by more than 50 per cent in three PSUs, between 20 to 50 per cent in three PSUs and by less than 20 per cent in three PSUs. Of the 12 Non-Power Sector PSUs, where the Net worth has completely eroded, and the maximum Net worth erosion was in APSRTC ((-)₹6,810.34 crore), Andhra Pradesh Gas Infrastructure Corporation Limited (APGIC) ((-)₹62.51 crore) and APSMFCL ((-)₹21.07 crore).

The following table indicates total paid up capital, total free reserve, total accumulated surplus, total accumulated loss and total net worth of these PSUs;

Table 5.9 : Net worth of working PSUs during 2014-15 to 2018-19

(₹ in crore)					
Year	Paid up Capital at end of the year	Free Reserve	Accumulated Surplus	Accumulated loss	Net Worth
2014-15	575.71	32.12	712.16	(-) 3,376.47	(-) 2,056.48
2015-16	729.48	32.72	812.16	(-) 4,119.09	(-) 2,544.73
2016-17	756.63	33.07	1,119.36	(-) 4,933.92	(-) 3,024.86
2017-18	971.08	33.36	1,274.84	(-) 6,253.46	(-) 3,974.18
2018-19	1,018.58	23.51	1,354.22	(-) 7,276.58	(-) 4,880.27

Source: Annual Accounts /information furnished by PSUs

It is evident from the above that the net worth of the working PSUs was negative during the five year period. It substantially decreased from (-) ₹2,056.48 crore in 2014-15 to (-) ₹4,880.27 crore in 2018-19.

5.9.3 Dividend Pay-out

During the period 2014-15 to 2018-19, the number of PSUs, which earned profits ranged between 11 and 14, of which, only two PSUs had declared/paid dividend of ₹4.36 crore¹⁹² to State Government during the year 2018-19.

¹⁹² Andhra Pradesh State Seeds Development Corporation Limited (₹0.39 crore) and Andhra Pradesh State Financial Corporation (₹3.97 crore)

5.9.4 Return on Equity

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. RoE has been computed in respect of Non-Power Sector PSUs as shown in **Table 5.10**.

Table 5.10: Return on Equity relating to working PSUs

	Year	No. of PSUs	Net Profit /Loss	Shareholders' fund	RoE (per cent)
(1)	(2)	(3)	(4)	(5)	(6) = (4) / (5) * 100
			Amount (₹ in crore)		
Profit Earning	2014-15	11	108.52	983.30	11.04
	2015-16	13	121.75	1,156.39	10.53
	2016-17	13	291.39	1,393.76	20.91
	2017-18	13	212.10	1,301.88	16.29
	2018-19	14	138.18	853.19	16.20
Loss incurring	2014-15	11	(-) 1,084.84	(-) 3,058.51	-
	2015-16	17	(-) 786.17	(-) 3,720.85	-
	2016-17	22	(-) 830.34	(-) 4,439.90	-
	2017-18	25	(-) 1,282.57	(-) 5,281.88	-
	2018-19	26	(-) 1,139.85	(-) 5,739.28	-
Total	2014-15	22	(-) 976.32	(-) 2,075.21	-
	2015-16	30	(-) 664.42	(-) 2,564.46	-
	2016-17	35	(-) 538.95	(-) 3,046.14	-
	2017-18	38	(-) 1,070.47	(-) 3,980.00	-
	2018-19	40	(-) 1,001.67	(-) 4,886.09	-

Source: Annual Accounts of the working PSUs

Note: Two PSUs which neither earned profit nor incurred loss had been excluded

During 2018-19, 26 Non-Power Sector PSUs incurred losses while 14 Non-Power Sector PSUs reported profits. RoE in respect of the loss making Non-Power Sector PSUs could not be worked out as the Net Income and the Shareholders' funds were negative. The negative Shareholders' Fund indicates that the public money invested in these Non-Power Sector PSUs had eroded completely.

5.9.5 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability ratio that measures company's profitability and the efficiency with which its capital is employed. RoCE is an important decision metric for long term lenders. The significance of RoCE becomes obvious when it is juxtaposed against RoE, which measures the efficiency with which a company's assets have been used to create profits for its shareholders. RoCE is calculated by dividing a company's EBIT by the capital employed¹⁹³.

¹⁹³ Capital employed = Paid up share capital (+) free reserves and surplus (+) long term loans (-) accumulated losses (-) deferred revenue expenditure

The details of total RoCE of working PSUs during the period from 2014-15 to 2018-19 are given in **Table 5.11**.

Table 5.11: Return on Capital Employed relating to working PSUs

	Year	No. of Non-Power Sector PSUs	EBIT	Capital employed	RoCE (per cent)
			Amount (₹ in crore)		
(1)	(2)	(3)	(4)	(5)	(6)=(4)/(5)*100
Profit Earning	2014-15	11	366.77	3,818.99	9.60
	2015-16	13	360.28	3,720.51	9.68
	2016-17	13	517.74	3,704.75	13.98
	2017-18	13	485.34	4,212.01	11.52
	2018-19	14	553.61	8,679.38	6.38
Loss incurring	2014-15	11	(-) 918.03	(-) 555.95	-
	2015-16	17	(-) 580.42	(-) 602.99	-
	2016-17	22	(-) 593.56	(-) 247.69	-
	2017-18	25	(-) 702.55	3,094.75	(-) 22.70
	2018-19	26	(-) 826.93	(-) 876.36	-
Total	2014-15	22	(-) 551.26	3,263.04	(-) 16.89
	2015-16	30	(-) 220.14	3,117.52	(-) 7.06
	2016-17	35	(-) 75.82	3,457.06	(-) 2.19
	2017-18	38	(-) 217.21	7,306.76	(-) 2.97
	2018-19	40	(-) 273.32	7,803.02	(-) 3.50

Source: Annual Accounts of working Non-Power Sector PSUs

Note: Two PSUs, which neither earned profit nor incurred loss were not considered in above Table

The RoCE of the PSUs was negative and ranged between (-) 16.89 per cent and (-)2.19 per cent during the period 2014-15 to 2018-19 as their EBIT was negative.

5.9.6 Analysis of Long Term Loans of the Non-Power Sector PSUs

Analysis of the Long Term Loans of 42 working PSUs during 2014-15 to 2018-19 was carried out to assess the ability of the PSUs to service the debt owed by them to the Government, banks and other financial institutions. This was assessed through the Interest Coverage Ratio (ICR) and Debt-Turnover Ratio (DTR).

5.9.6.1 Interest Coverage Ratio

Interest Coverage Ratio (ICR) is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. The details of positive and negative ICR in respect of eight working PSUs, which had interest burden during the period from 2014-15 to 2018-19 are given in **Table 5.12**.

Table 5.12: Interest Coverage Ratio relating to working Non-Power Sector PSUs

Year	Interest (₹ in crore)	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	632.18	(-) 377.97	6	3	3
2015-16	632.62	(-) 41.87	6	4	2
2016-17	669.88	(-) 95.61	8	2	6
2017-18	802.41	(-) 323.97	9	4	5
2018-19	664.26	(-) 177.89	8	4	4

Source: Annual Accounts of PSUs

Of the eight PSUs having liability of loans from Government as well as banks and financial institutions, four PSUs had ICR of more than one whereas remaining four PSUs had ICR below one indicating that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

5.9.6.2 Debt-Turnover Ratio

During the last five years ended 31 March 2019, the Debt-Turnover Ratio of 42 working PSUs ranged between 0.46 and 1.37: 1. Further, the Debt-Turnover Ratio decreased during the year 2018-19 in comparison to 2017-18. The details of Debt-Turnover Ratio during the last five years ended March 2019 is given in the **Table 5.13**.

Table 5.13: Debt Turnover Ratio relating to the working Non-Power Sector PSUs

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government/ Banks and Financial Institutions	7,482.64	7,826.37	9,293.89	11,961.76	15,116.83
Turnover	11,208.18	15,677.58	20,210.97	8,754.75	17,435.77
Debt-Turnover Ratio	0.67:1	0.50:1	0.46:1	1.37:1	0.87:1

Source: Annual Accounts and information furnished by PSUs

5.10 Winding up inactive PSUs (Non-Power Sector)

As on 31 March 2019, there were 20 inactive PSUs under demerger process. The total investment in these 20 inactive PSUs was ₹238.87 crore. The number of inactive PSUs and their stage of closure at the end of each year during last five years ended 31 March 2019 are given in **Table 5.14**.

Table 5.14: Details of Inactive PSUs and status of liquidation

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Number of Inactive PSUs	22	22	22	20	20
Liquidation by Court (Liquidator appointed)	10	10	10	8	9

Source: Compiled from the information as furnished by Official Liquidator

Out of the 20 inactive PSUs, nine were reported to be in the process of liquidation for several decades, although Official Liquidator had already been appointed in respect of nine inactive PSUs.

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

Thirty-four working PSUs forwarded their 44 audited accounts (**Table 5.5**) to the Principal Accountant General (Audit), Andhra Pradesh during the period from 1 October 2018 to 30 September 2019. Of these, 44 accounts, 31 accounts of 24 PSUs were selected for supplementary audit and Non-Review Certificate was issued in respect of the remaining 11 accounts. The Audit Reports of Statutory Auditors and supplementary audit of the Companies/Statutory Corporations 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 given in **Table 5.15**.

Table 5.15: Impact of audit comments on State PSUs (Non-Power Sector)

Particulars	2016-17		2017-18		2018-19	
	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
Decrease in profit	13	289.38	6	329.97	6	85.76
Increase in profit	6	10.98	4	27.83	8	486.19
Increase in loss	6	31.21	3	4.15	4	5.23
Decrease in loss	5	115.19	2	6.33	1	5.42
Non-disclosure of material facts	6	178.16	4	2,209.57	6	1,282.64
Errors of classification	0	0.00	0	0.00	3	50.16

Source: Comments of the Statutory Auditors/ CAG in respect of working Non-Power Sector PSUs

During the year 2018-19, the Statutory Auditors had issued qualified certificates in respect of eleven accounts. Compliance to the Accounting Standards by the Non-Power Sector PSUs remained poor as the Statutory Auditors pointed out twelve instances of non-compliance to the Accounting Standards in five accounts.

**Hyderabad
The**

**(CHANDA M. PANDIT)
Accountant General (Audit)
Andhra Pradesh**

Countersigned

**New Delhi
The**

**(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India**