

Chapter 2 Financial Performance of Railway Public Sector Undertakings

2.1 Introduction

This Chapter presents the financial performance of Government Companies and Government controlled Companies falling under the Administrative control of Ministry of Railways (MoR).

A Government Company is defined in Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *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.

Besides, any other company²³ 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 as Government controlled Other Companies in this Chapter.

The Companies falling under the Administrative control of MoR have been referred as Railway PSUs in this Chapter.

2.2 Mandate

Audit of Government Companies and Government Controlled other companies is conducted by the CAG under the provisions of Section 143(5) to Section 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.

2.3 What this chapter contains

This chapter gives an overall picture of the financial performance of the Railway PSUs.

2.4 Number of Railway PSUs

As on 31 March 2020, there were 40²⁴ Railway Public Sector Undertakings (Railway PSUs) under the administrative control of the Ministry of Railways (MoR)

²³ *Companies (Removal of difficulties) Seventh Order, 2014 issued by the Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014*

²⁴ *The 40 Railway PSUs do not include Railway Sports Promotion Board, which is a non-profit making Company registered under Section 25 of the Companies Act 1956. This Company does not have any share capital and is limited by Guarantee of Govt. of India.*

(Annexure-1). The 40 Railway PSUs included 16 Major Railway Companies, 12 Subsidiaries, five Joint Ventures (JVs) and seven Special Purpose Vehicles (SPVs) as detailed in Table 2.1:

Table 2.1: Total number of Railway PSUs as on 31 March 2020			
Type of Railway PSUs	Working Railway PSUs	Non-working Railway PSUs [#]	Total
Major Railway Companies ²⁵	13	3	16
Subsidiaries	12	-	12
Joint Ventures	5	-	5
Special Purpose Vehicles	7	-	7
Total	37	3	40

Non-working Railway PSUs are those which have ceased to carry on their operations.

These Railway PSUs carry out various activities like execution of construction projects, financing, logistics services, consultancy, catering, hospitality, telecommunication, tourism etc.

2.5 Summary of Financial Performance of 40 Railway PSUs as on 31 March 2020

(₹ in crore)

Table 2.2: Financial Performance of Railway PSUs			
Paid-up Capital	GoI		42,894
	Others		5,417
	Total		48,311
Profitability	Profit	30 Railway PSUs	6,979
	Loss	9 Railway PSUs	443
	Zero profit	1 Railway PSU	-
	Total		6,536
Dividend	11 Railway PSUs		1,856
Net worth (Total)			86,747
Return on Equity (in per cent)			7.53

2.6 Investment in Railway PSUs

The amount of investment in equity and loans in Railway PSUs (Annexure-2 & 3) as at the end of March 2020 was ₹3,16,437 crore as given in Table 2.3:

²⁵ Major Railway Companies which are under direct administrative control of Ministry of Railways.

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long Term loans	Total	Equity	Long Term loans	Total
Central Government	32,210	1,683	33,893	42,894	2,538	45,432
Central Govt. Companies	2,252	6,541	8,793	2,716	7,473	10,189
State Governments/ State Govt. Companies	1,529	96	1,625	1,626	102	1,728
Financial Institutions and others	993	1,90,265	1,91,258	1,075	2,58,013	2,59,088
Total	36,984	1,98,585	2,35,569	48,311	2,68,126	3,16,437

From the above, it can be seen that during the last two years, the major contribution of investment in the Railway PSUs was through Long Term Loans from Financial Institutions and others. The Long-Term Loans increased from ₹1,98,585 crore in 2018-19 (84 per cent of the total Investment) to ₹2,68,126 crore during 2019-20 (85 per cent of the total investment). The contribution of the investment in Railway PSUs from equity increased from ₹36,984 crore (16 per cent of total Investment) in 2018-19 to ₹48,311 crore (15 per cent of total Investment) in 2019-20.

2.6.1 Investment in Equity

During 2019-20, the total investment of equity in 40 Railway PSUs registered an increase of ₹11,327 crore. The increase was mainly due to increase of share capital amounting to ₹5,100 crore in National High Speed Rail Corporation, ₹3,308 crore in DFCCIL and ₹2,500 crore Indian Railway Finance Corporation.

2.6.2 Long Term Loans given to Railway PSUs

The total outstanding Long-Term Loans of 40 Railway PSUs from all sources as on 31 March 2020 was ₹2,68,126 crore as against the total outstanding long term loans of ₹1,98,585 crore as on 31 March 2019. During 2019-20, there was an increase of ₹69,541 crore of Long-Term Loans which was mainly due to raising of finances by two Railway PSUs from Financial Institutions (Dedicated Freight Corridor Corporation of India- ₹7,154 crore and Indian Railway Finance Corporation- ₹59,725 crore).

2.6.3 Market Capitalisation of Equity Investment

Market capitalization is the market value of publicly traded company's outstanding shares. It represents market value of the shares of companies whose shares are listed in stock exchanges. As on 31 March 2020, shares of the following five Railway PSUs were listed on the various stock exchanges in India.

- Container Corporation of India Limited (listed since May 1997)
- RITES Limited (listed in July 2018)
- IRCON International Limited (listed in September 2018)
- Rail Vikas Nigam Limited (listed in April 2019).
- Indian Railway Catering and Tourism Corporation Limited (listed in October 2019).

The total value of market capitalization of the shares of these Railway PSUs as on 31 March 2020 was ₹48,337 crore. The position of market capitalization of the equity of Railway PSUs is given in Table 2.4:

Railway PSU	Market Price (₹/share)	Market Capitalisation (₹ in crore)
Container Corporation of India Limited	331	20,195
Indian Railway Catering and Tourism Corporation Limited	982	15,718
RITES Limited	246	6,149
IRCON International Ltd	381	3,585
Rail Vikas Nigam Limited	13	2,690

2.7 Return on Investment

2.7.1 Profit Earned by Railway PSUs

The Railway PSUs registered a steady increase in profits from the years 2017-18 to 2019-20 (*Annexure-4*) as can be seen from the Table 2.5.

Type of Railway PSU	Profit/ loss (₹ in crore)		
	2017-18	2018-19	2019-20
Major Railway Companies	4,681	5,710	6,375
Subsidiaries	25	2	11
SPVs	274	351	75
Joint-Ventures	19	80	75
Total	4,999	6,143	6,536

Source: Compiled from Financial statements of the Railway PSUs

The overall profits of the Railway PSUs during the past three years had increased from ₹4,999 crore (2017-18) to ₹6,536 crore (2019-20). Of the 16 Major Railway PSUs, three Railway PSUs (Dedicated Freight Corridor Corporation Limited – ₹91 crore, Kolkata Metro Rail Corporation – ₹237 crore and Bharat Wagon & Engineering Limited- ₹1 crore) had incurred losses during 2019-20, 12 Railway PSUs

had made profits and one Railway PSU (Wagon India Limited) was under liquidation. Closure proceedings of Burn Standard Corporation Limited²⁶ have already been initiated. Bharat Wagon & Engineering Limited is also under the process of winding up.

During 2019-20, 3 out of 12 subsidiaries and one out of five JVs had incurred losses. Two SPVs out of seven SPVs had incurred losses during 2019-20. The profitability of the SPVs and subsidiaries had shown a fluctuating trend in last three years. The overall profits of SPVs had steeply decreased from ₹351 crore in 2018-19 to ₹75 crore during 2019-20. The Subsidiaries had registered a profit of ₹25 crore in 2017-18 which reduced to ₹2 crore in 2018-19. But the subsidiaries improved their performance during 2019-20 by registering an overall profit of ₹11 crore.

A list of the loss-making Railway PSUs in 2019-20 is stated below:

Type of Railway PSU	Loss making Railway PSU
Major Railway PSU	1. Dedicated Freight Corridor Corporation of India 2. Kolkata Metro Rail Corporation 3. Bharat Wagon and Engineering Limited
Subsidiaries	4. Fresh and Healthy Enterprises 5. IRCON PB Tollway Limited 6. IRCON Shivpuri Guna Tollway Limited
SPVs	7. Bharuch Dahej Rail Company Limited 8. Krishnapatnam Rail Company Limited
JVs	9. Maharashtra Rail Infrastructure Development Ltd.

2.7.2 Activity-wise Profitability of the Railway PSUs

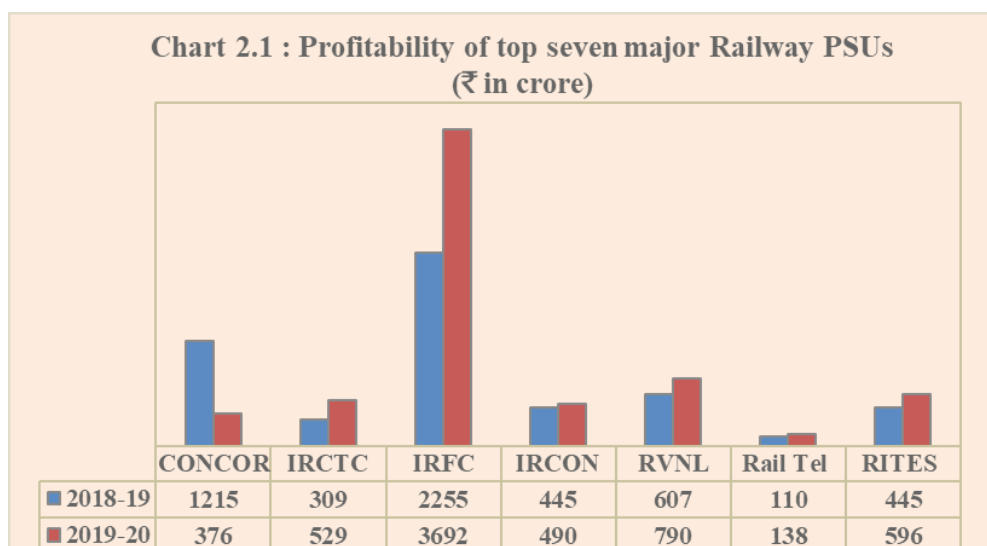
Operating results of the Railway PSUs as per the activities carried out by them is summarized in the Table 2.6:

Type of Activity of Railway PSU	Profit/ loss (₹ in crore)		
	2017-18	2018-19	2019-20
Financing	2,007	2,255	3,692
Construction	1,331	1,576	1,093
Consultancy	337	445	597
Catering, Tourism & Hospitality	219	309	529
Logistics	1,022	1,191	384
Communication and Network	158	112	141
Others	32	47	39
Wagon Building	-107	208	61
Total	4,999	6,143	6,536

From the above it can be seen that profitability in financing, consultancy and catering, tourism & hospitality activities had steadily increased over past three years. However,

²⁶ Vide cabinet decision (GoI) dated 4/4/2018 the company was ordered for closure. The GoI had provided one-time financial grant amounting to ₹ 417.10 crore in May 2018.

the profitability had decreased in construction, logistics and communication & network activities. The loss-making wagon building activity in 2017-18 had registered profits during 2018-19 and 2019-20. The trend of profitability of top seven Railway PSUs is given in Chart 2.1.



Source: Compiled from financial statements of the Railway PSUs

2.7.3 Payment of Dividend

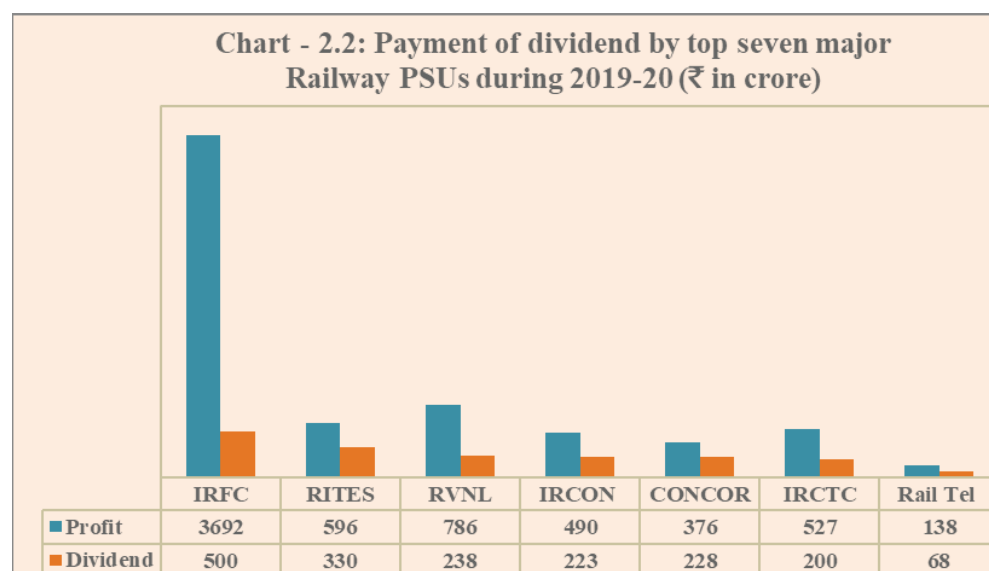
The position of dividend declared by the Railway PSUs during 2019-20 is summarised in the Table 2.7. From the table it is noticed that out of 30 Profit earning Railway PSUs which had earned a profit of ₹6,979 crore, only 11²⁷ Railway PSUs had declared dividend of ₹1,856 crore during 2019-20.

Table 2.7: Profit earned and dividend declared during 2019-20 (₹ in crore)			
Type of Railway PSU	No of Railway PSUs	Profit (Profit making Railway PSUs only)	Dividend Declared (Dividend declaring Railway PSUs)
Major Railway Companies	16	6,704 (12)	1,787 (7)
Subsidiaries	12	65 (9)	34 (2)
SPVs	7	135 (5)	35 (2)
Joint-Ventures	5	75 (4)	0 (0)
Total	40	6,979 (30)	1,856 (11)

Source: Compiled from financial statements of the Railway PSUs

²⁷ CONCOR, IRCTC, IRCON International, IRFC, Rites Lt, RVNL, RailTel Corporation of India, CONCOR AIR, Rail Energy Management Company Ltd, Kutch Railway Company Ltd and Pipav Railway Corporation Limited

The details of dividend due and paid by various Railway PSUs in 2019-20 is given in **Annexure-5**. Department of Investment and Public Assets Management (DIPAM) instructed²⁸ (May 2006) that every Central Public Sector Enterprise should pay a minimum annual dividend of 30 per cent of Profit after Tax or 5 per cent of net worth, whichever is higher, subject to the maximum dividend permitted under the extant legal provisions. It was noticed that out of 40 Railway PSUs, 30 Railway PSUs had earned profits after tax during 2019-20. However, 11 Railway PSUs have declared dividend amounting to ₹1,856 crore²⁹ during the year. The profit earned and dividend paid by top seven Railway PSUs is given in Chart 2.2.



2.7.4 Return on Equity of Railway PSUs

Return on Equity (RoE)³⁰ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. RoE of Railway PSUs during 2019-20 is depicted in Table 2.8:

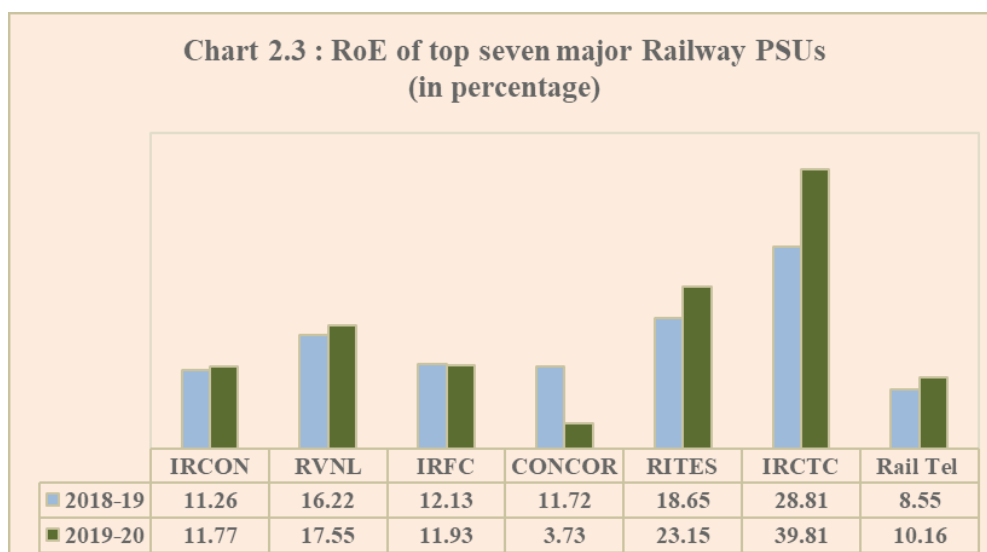
Type of Railway PSU	2017-18	2018-19	2019-20
Major Railway Companies	9.60	10.04	8.73
Subsidiaries	2.81	0.18	0.87
SPVs	6.71	7.24	1.66
Joint-Ventures	2.46	2.44	0.94
All 40 Railway PSUs	9.17	9.31	7.53

²⁸ letter F. No. 512/2016 dated 27.05.2016

²⁹ Due to accumulated losses in the books of account in some Companies, no dividend was paid

³⁰ Return on Equity = (Net Profit after Tax and preference Dividend/Equity)*100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure

It can be seen that the RoE of the Railway PSUs had steadily decreased from 9.17 per cent in 2017-18 to 7.53 per cent in 2019-20, though there was a slight increase in the RoE during 2018-19. The decrease was largely due to decrease in RoE of Major Railway PSUs which had registered a decline of RoE from 9.60 per cent during 2017-18 to 8.73 per cent during 2019-20. RoE of top seven Railway PSUs is given in Chart 2.3. It was revealed that among these seven Railway PSUs, IRCTC has the highest RoE of 39.81 per cent during 2019-20 followed by RITES Limited (23.15 per cent) and RVNL (17.55 per cent). Whereas the RoE in respect of five out of the seven mentioned Railway PSUs had increased as compared to the previous year, the performance of two Railway PSUs viz. IRFC and CONCOR had decreased.



Activity wise RoE of Railway PSUs is given in Table 2.9:

Table 2.9: Activity wise Return on Equity			
Name of activity	2017-18	2018-19	2019-20
Catering, Tourism & Hospitality	23.22	28.81	39.81
Consultancy	15.37	18.65	23.15
Wagon Building	-46.18	47.22	13.14
Financing	14.80	12.13	11.93
Others	20.21	22.58	14.42
Communication and Network	12.49	8.59	10.23
Logistics	10.54	11.16	3.69
Construction	4.95	5.03	2.78

Source: Compiled from financial statements of the Railway PSUs

Activity wise analysis of RoE of Railway PSUs (*Annexure 6*) indicates that only Consultancy and Catering & Tourism activities had shown an increase of RoE. The RoE had increased from 15.37 per cent (2017-18) to 23.15 per cent (2019-20) in respect of Consultancy whereas the RoE had increased from 23.22 per cent (2017-18) to 39.81 per cent (2019-20) in respect of Catering & Tourism activities. In respect of all other activities, the RoE had decreased during the past three years.

2.8 Share Capital and Net Worth of Railway PSUs

The share capital and net worth of Railway PSUs as on 31 March 2020 (*Annexure-7*) is given in Table 2.10.

Table: 2.10: Share capital and net-worth of Railway PSUs			
Type of Railway PSU	No of Companies	Share capital (₹ in Crore)	Net-worth (₹ in Crore)
Major Railway Companies	16	36,327	73,042
Subsidiaries	12	1,185	1,219
SPVs	7	3,001	4,532
Joint-Ventures	5	7,798	7,953
Total	40	48,311	86,746

Source: Compiled from financial statements of the Railway PSUs

From the details (*Annexure-7*) of the net-worth and equity of the Railway PSUs it can be seen that the equity of Bharat Wagon and Engineering Limited had completely eroded as on March 2020. Winding-up process for this Company had already been initiated. Winding up process of another Company viz., Burn Standard Corporation Limited had also been initiated. Wagon India Limited is already a defunct Railway PSU.

The draft Chapter on financial performance of Railway Public Sector Undertakings was issued to the Ministry of Railways. The facts and figures as confirmed by MoR (June 2021) have been incorporated in the Chapter.

Summary of Audit findings

- **The overall Profitability and net worth of the Railway PSUs had increased during past three years though some Railway PSUs had incurred losses and three Railway PSUs were non-working.**

2.9 Recommendations

Ministry of Railways may consider -

- Speeding up the winding-up process of non-working Railway PSUs.*
- Reviewing the working of loss making Railway PSUs.*