

Chapter 5 General Purpose Financial Report of State Public Sector Undertakings

5.1 Introduction

This Chapter presents the summary of financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Andhra Pradesh as revealed from their accounts/ information furnished by them and results of oversight role of the Comptroller & Auditor General of India (CAG). It highlights some of significant comments issued as a result of supplementary audit of the accounts of the PSUs conducted by the CAG and the impact on comments issued by the CAG on the financial statements received during the current year in respect of the Statutory Corporations where CAG is the Sole Auditor.

State Public Sector Undertakings (PSUs) are established by Governments to carry out activities of commercial nature for the development of the State as well as to cater to the welfare of its people.

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.

The Statutory Corporations are established by State Government and governed by their respective legislations.

Besides, any other company⁵⁸ owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

In this Report, PSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Andhra Pradesh (GoAP).

5.1.1 Mandate

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143 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 thereunder. Under the provisions of Sections 139 (5) and (7) the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Government Companies and gives directions on the manner in

⁵⁸Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs (04.09 2014)

which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditors under Section 143 of the Companies Act, 2013.

The statutes governing Statutory Corporations also require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.2 Number of State PSUs and status of accounts

As on 31 March 2022, there were 118 State PSUs in Andhra Pradesh State (including 11 Government Companies in Power Sector and 101 Government Companies, three Government Controlled Other Companies and three Statutory Corporations in other than power sector) under the audit jurisdiction of the CAG. Out of these 118 PSUs, 97 are working and 21 inactive PSUs⁵⁹. Further 97 working PSUs include 11 Power Sector PSUs and 86 PSUs of other Sectors. During the year 2021-22, six Government Companies came under the audit jurisdiction of CAG. Details are given in *Appendix-5.1*.

The nature of PSUs and the position of State PSUs as on 30 September 2022 are given in **Table 5.1**.

Table 5.1: Coverage and nature of PSUs

Nature of PSUs	Total No. of PSUs	Number of PSUs whose accounts were received as of 30 September 2022			
		Accounts up to			Total
		2021-22	2020-21	2019-20	
Government Companies	91	13	20	10	43
Government Controlled other Companies ⁶⁰	3	0	2	1	3
Statutory Corporations ⁶¹	3	1	0	0	1
Total Working PSUs	97	14	22	11	47
Inactive Government Companies	21	0	1	0	1
Grand Total	118	14	23	11	48

Source: Compiled based on accounts furnished by State PSUs.

Out of 97 working PSUs, accounts of 53 PSUs (including first accounts of six PSUs) were in arrears for less than three years and accounts of 44 PSUs were in arrears for three or more years as on 30 September 2022. Out of 53 PSUs, 47 PSUs submitted their Annual Accounts for various financial years i.e., 2019-20 to 2021-22, as mentioned in the above Table. This Chapter covered detailed analysis of financial performance of 34 working PSUs based on accounts and information furnished by the PSUs,. Further, this Chapter also covered analysis of investments and related financial position in respect of 54 working PSUs (including 34 PSUs), which furnished information pending finalisation of annual accounts. As on 30 September 2022,

⁵⁹Inactive PSUs are those which have effectively ceased to carry out their operations or under liquidation process.

⁶⁰Kakinada Smart City Corporation Limited, Greater Visakhapatnam Smart City Corporation Limited and Amaravati Smart & Sustainable City Corporation Limited.

⁶¹Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Warehousing Corporation.

21 PSUs out of 97 have not furnished their first accounts. Further, detailed analysis of 21 inactive PSUs has not been covered in this Chapter. The position of accounts of all 118 PSUs, both working and inactive as on 30 September 2022 is given in **Appendix-5.1**.

The figures in **Table 5.1** indicate position of accounts received as on 30 September 2022 i.e., the cutoff date for finalisation of accounts by PSUs (as explained in **Paragraph 5.5.2**)

5.2.1 Details of Inactive PSUs

As on 31 March 2022, there were 21 inactive PSUs⁶², compared to 19 inactive PSUs as on 31 March 2021. The total investment in these 21 inactive State PSUs was ₹ 240.51 crore. Out of 21 inactive PSUs, eight were reported to be in the process of liquidation for several decades, although Official Liquidator had already been appointed.

5.2.2 Summary of financial performance of PSUs

The summary of financial performance of 34 working State PSUs is given in **Table 5.2**.

Table 5.2: Summary of financial performance of working PSUs

Particulars	No. of State PSUs	Amount (₹ in crore)
Number of working PSUs	97	---
PSUs covered	34	---
Paid up capital	34	7,010.42
Long term loans	34	89,235.62
Net profit	17	1,483.96
Net loss	17	3,723.98
Zero profit/loss	--	--
Dividend Paid	2	1.05
Total assets	34	1,76,169.99
Net worth	34	(-) 16,535.20

Source: Annual Accounts and information furnished by State PSUs

5.3 Contribution of PSUs to the Economy of the State

The ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State.

The details of turnover of the working PSUs and GSDP of Andhra Pradesh during three-year period ended 31 March 2022 are given in **Table 5.3**.

⁶² ABC NEXT (India) Private Limited and Rayalaseema Steel Corporation Limited ceased to carry out their operations.

Table 5.3: Details of turnover of working PSUs vis-a-vis GSDP of Andhra Pradesh

(₹ in crore)

S. No.	Sector	2021-22		2020-21		2019-20	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Power	8	57,651.52	8	50,306.31	7	57,073.24
2	Finance	5	3,169.45	5	1,562.11	4	1,015.64
3	Service	3	23,273.60	3	18,310.02	3	9,316.21
4	Infrastructure	8	289.97	8	238.36	8	169.29
5	Others	10	1,716.49	10	1,731.95	10	2,097.17
	Total turnover	34	86,101.03	34	72,148.75	32	69,671.55
	GSDP of Andhra Pradesh	--	12,01,736	--	10,14,374	--	9,66,099
	Percentage of turnover to GSDP of Andhra Pradesh	--	7.16	--	7.11	--	7.21

Source: GSDP figures as per Finance Accounts of GoAP of respective year and turnover figures as per annual accounts and information of PSUs

The contribution of PSUs to GSDP of Andhra Pradesh decreased to 7.16 per cent in 2021-22 compared to 7.21 per cent in 2019-20. Further, the turnover of these PSUs increased by 23.58 per cent during 2021-22 compared to turnover in 2019-20. During the last three years the compounded annual growth rate (CAGR) of GSDP was 11.53 per cent, while the CAGR of turnover of these working PSUs was 11.16 per cent.

The PSUs in Power Sector have contributed maximum turnover constituting 66.96 per cent followed by Service sectors contributing 27.03 per cent of the total turnover of 34 PSUs during 2021-22. While the PSUs in other sectors contributed less than four per cent each of the total turnover during 2021-22.

5.4 Investments in Government Companies and Statutory Corporation and Budgetary Support

As per the Accounts and Information furnished by 54 PSUs, analysis of equity and loans in these 54 working PSUs as at the end of 31 March 2022 is given in Table 5.4.

Table 5.4: Equity and long-term loans in working PSUs

(₹ in crore)

Sources of investment	As on 31.03.2022			As on 31.03.2021			As on 31.03.2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total	Equity	Long term loans	Total
1.State Government	4,966.32	881.81	5,848.13	4,366.72	593.46	4,960.18	4,316.85	610.11	4,926.96
2.Central Government	102.91	0.41	103.32	102.91	0.41	103.32	2.91	0.00	2.91
3.State PSUs	2,079.21	8,897.61	10,976.82	2,028.73	5,603.30	7,632.03	1,577.91	4,103.89	5,681.80
4.Others ⁶³	1,355.52	99,824.39	1,01,179.91	1,318.47	95,047.94	96,366.41	967.75	84,690.80	85,658.55
Total	8,503.96	1,09,604.22	1,18,108.18	7,816.83	1,01,245.11	1,09,061.94	6,865.42	89,404.80	96,270.22

⁶³Financial Institutions, Banks and Central PSUs

Sources of investment	As on 31.03.2022			As on 31.03.2021			As on 31.03.2020		
	Equity	Long term loans	Total	Equity	Long term loans	Total	Equity	Long term loans	Total
Percentage of investment of State Government to total investment	58.40	0.80	4.95	55.86	0.59	4.55	62.88	0.68	5.12

Source: Annual Accounts and information of PSUs

Out of the total Equity holding, the Equity held by the State Government constituted 58.40 per cent for the year 2021-22. The Sector wise investment of State Government in 54 working PSUs during the three-year period 2019-20 to 2021-22 is given in Table 5.5.

Table 5.5: Sector wise investment of State Government in PSUs

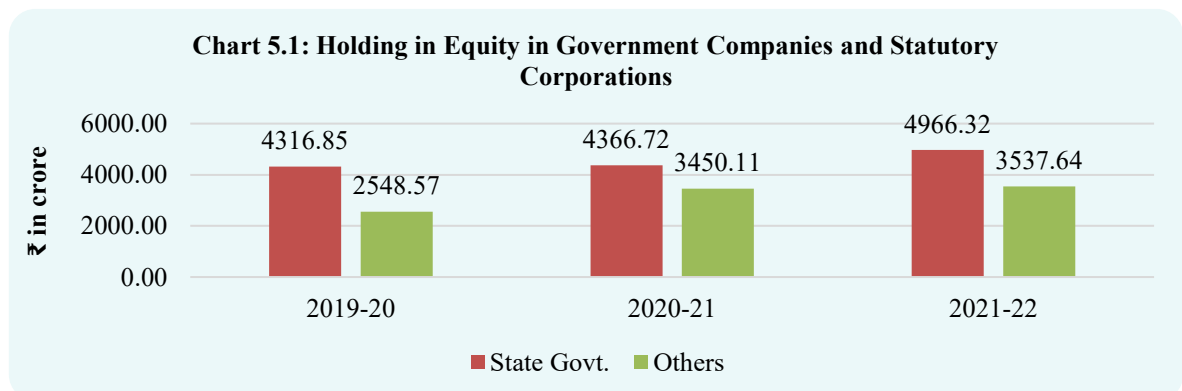
(₹ in crore)

Sector-wise Investment												
Nature of Sector	2021-22				2020-21				2019-20			
	No. of PSUs	Equity	Loans	Total	No. of PSUs	Equity	Loans	Total	No. of PSUs	Equity	Loans	Total
Power	9	3,141.60	629.98	3,771.58	9	3,141.50	380.86	3,522.36	8	3,141.50	396.59	3,538.09
Finance	7	1,251.94	45.34	1,297.28	7	651.94	45.34	697.28	5	602.07	47.28	649.35
Service	6	7.08	19.42	26.50	6	7.08	19.42	26.5	6	7.08	19.42	26.5
Infrastructure	18	448.30	0.16	448.46	18	448.80	0.16	448.96	18	448.80	8.06	456.86
Others	14	117.40	186.91	304.31	14	117.40	147.68	265.08	14	117.40	138.76	256.16
Total	54	4,966.32	881.81	5,848.13	54	4,366.72	593.46	4,960.18	51	4,316.85	610.11	4,926.96

Source: Annual Accounts and information of PSUs

As on 31 March 2022, the total investment of State Government in these 54 PSUs comprised of 84.92 per cent equity capital and 15.08 per cent long-term loans. The thrust of State Government's investment in PSUs was mainly in Power Sector PSUs which constituted 63.28 per cent of Equity and 71.44 per cent of Loans during 2021-22.

Holding in equity by State Government and Others (Central Government, Financial Institutions and Banks etc.) during the three years ended 31 March 2022 in working PSUs is depicted in Chart 5.1.



Details of significant holding (holding of more than ₹ 100 crore) of the State Government as at the end of March 2022 in the paid-up capital of the State PSUs is given in **Table 5.6**.

Table 5.6: Significant holding of the State Government

Sl. No.	Name of the State PSU	Name of the Department	Amount (₹ in crore)
Statutory Corporations			
1	Andhra Pradesh State Financial Corporation	Industries and Commerce	206.01
Government Companies			
2	Andhra Pradesh Power Generation Corporation Limited	Energy	2,106.80
3	Transmission Corporation of Andhra Pradesh Limited	Energy	454.44
4	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	121.23
5	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	358.72
6	Andhra Pradesh Power Finance Corporation Limited	Energy	348.47
7	Andhra Pradesh State Financial Services Corporation Limited	Finance	602.00
Total			4,197.67

Source: Annual Accounts and information of PSUs

We observed that out of the total equity investment by State Government in 54 PSUs, a significant amount i.e., 84.52 per cent was made in the above seven PSUs.

5.4.1 Budgetary support to PSUs

State Government provides financial support to the State PSUs in various forms through annual budget. Summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans converted to equity, interest written-off and outstanding guarantees of the State PSUs for the last three years ending March 2022 are given in **Table 5.7**.

Table 5.7: Statement showing details regarding budgetary support to PSUs

Sl. No	Particulars	2021-22		2020-21		2019-20	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
Power Sector PSUs							
(i)	Equity Capital Outgo	0	0.00	1	0.10	0	0.00
(ii)	Loans given	1	297.66	0	0.00	0	0.00
(iii)	Grants/Subsidies provided	2	2,646.37	3	737.24	2	1,472.77
(iv)	Total outgo (i+ii+iii)	3	2,944.03	4	737.34	2	1,472.77
(v)	Loan repayment written off	0	0.00	0	0.00	0	0.00
(vi)	Loans converted into equity	0	0.00	0	0.00	0	0.00
(vii)	Guarantees issued	2	1,458.79	2	2,982.00	0	0.00
(viii)	Guarantees commitment	3	4,272.08	3	2,918.68	2	1,544.37
Other than Power Sector PSUs							
(i)	Equity Capital Outgo	2	600.05	3	143.90	1	289.06
(ii)	Loans given	2	51.25	1	8.00	0	0.00
(iii)	Grants / Subsidies provided	10	2,109.13	8	3,435.27	10	1,989.37
(iv)	Total outgo (i+ii+iii)	14	2,760.43	12	3587.17	11	2,278.43
(v)	Loan repayment written off	0	0.00	0	0.00	0	0.00
(vi)	Loans converted into equity	0	0.00	0	0.00	0	0.00
(vii)	Guarantees issued	2	3,168.00	1	1,000.00	1	15,741.33
(viii)	Guarantees commitment	6	11,476.86	7	15,726.65	1	6,741.33

Source: Information compiled as per information furnished by 51 PSUs

State Government helps the PSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. As can be

seen from the above table, the budgetary support by State Government towards equity, loans and grants/subsidies ranged between ₹ 737.34 (2020-21) to ₹ 2,944.03 crore (2021-22) in Power Sector PSUs and ranged between ₹ 2,278.43 (2019-20) to ₹ 2,760.43 crore (2021-22) in Other than Power Sector PSUs. The major support of Grants/Subsidies of ₹ 2,645.87 crore (2021-22) was given to Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) in Power Sector, ₹ 706.04 crore to Andhra Pradesh Township and Infrastructure Development Corporation Limited (APTIDCO) and ₹ 1,278.72 crore to Andhra Pradesh State Kapu Welfare and Development Corporation Limited (APSKWDCL) in Other than power Sector by State Government, even the accounts of APSKWDCL were in arrears for the year 2017-18 to 2021-22.

The outstanding guarantee commitments given for PSUs increased from ₹ 2,918.68 crore in 2020-21 to ₹ 4,272.08 crore in 2021-22 of Power Sector PSUs and decreased from ₹ 15,726.65 crore in 2020-21 to ₹ 11,476.86 crore in 2021-22 in Other than Power Sector PSUs. The major guarantee commitments of ₹ 2,508.46 crore (2021-22) belongs to APEPDCL in Power Sector and of ₹ 7,277.20 crore to APTIDCO in Other than power Sector by State Government.

The State Government charges guarantee fee at the rate of 0.50 *per cent* per annum to two *per cent* consolidated for the entire guarantee period in case of loan availed by PSUs from banks / financial institutions. To the extent of information received from PSUs, guarantee fee of ₹ 39.40 crore have been paid by two PSUs viz APEPDCL, Andhra Pradesh Power Finance Corporation limited and ₹ 52.08 crore is payable by two PSUs viz Andhra Pradesh Road Transport Corporation, Andhra Pradesh State Finance Corporation to the Government as on 31 March 2022.

5.4.2 Restructuring, Disinvestment and Privatisation of PSUs

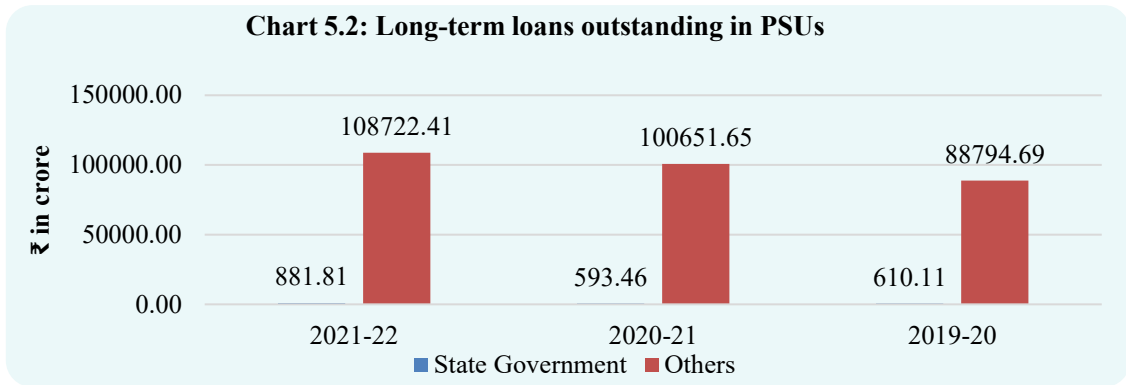
During the year 2021-22, there was neither disinvestment of any State PSUs nor was any PSU privatized.

5.4.3 Analysis of outstanding loans given to PSUs

5.4.3.1 Long-term loans outstanding as on 31 March 2022

As on 31 March 2022, the total long-term loans outstanding in 54 working PSUs from all sources was ₹ 1,09,604.22 crore. The outstanding long-term loans of PSUs registered an increase of ₹ 8,359.11 crore during 2021-22 (₹ 1,09,604.22 crore) from previous year 2020-21 (₹ 1,01,245.11 crore).

Out of the total outstanding loans as on 31 March 2022, loans from State Government were ₹ 881.81 crore of which significant amount (₹ 745.09 crore) pertained to three PSUs only viz., Transmission Corporation of Andhra Pradesh Limited (₹ 620.50 crore), Andhra Pradesh State Seeds Development Corporation Limited (₹ 77.93 crore) and YSR Steel Corporation Limited (₹ 46.66 crore). Year-wise details of outstanding long-term loans of PSUs is depicted in *Chart 5.2*.



5.4.3.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long-term loans by value of total assets in 33 PSUs which had outstanding loans as on 31 March 2022 is given in **Table 5.8**.

Table 5.8: Coverage of long-term loans with total assets

Nature of State PSU	Positive Coverage			
	No. of PSUs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)		
Government Companies	30	1,09,105.05	2,10,038.96	192.51
Government Controlled other companies	1	230.46	723.06	313.75
Statutory Corporations	2	268.71	2,634.27	980.34
Total	33	1,09,604.22	2,13,396.29	

Source: As per Annual Accounts and information of PSUs

It was observed that all 33 PSUs covered in this report have positive coverage.

5.4.3.3 Interest coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative ICR of PSUs, which had outstanding loans during the period from 2019-20 to 2021-22 are given in **Table 5.9**.

Table 5.9: Interest Coverage Ratio

Year	Interest (₹ in crore)	EBIT (₹ in crore)	No. of State PSUs having liability of loan and interest	No. of State PSUs having ICR ≥ 1	No. of State PSUs having ICR < 1
Statutory Corporations					
2019-20	111.33	183.55	1	1	0
2020-21	71.25	162.85	1	1	0
2021-22	44.34	232.42	1	1	0
Government Companies					
2019-20	8,360.93	6,987.97	9	4	5
2020-21	7,462.30	8,125.04	9	5	4
2021-22	7,755.55	5,319.90	8	5	3

Total					
2019-20	8,472.26	7,171.52	10	5	5
2020-21	7,533.55	8,287.89	10	6	4
2021-22	7,799.89	5,552.32	9	6	3

Source: Annual Accounts and information of PSUs

It was observed that the number of PSUs with ICR more than one were increased during 2021-22 compared to 2019-20, whereas number of PSUs with ICR less than one decreased.

5.5 Returns from PSUs

5.5.1 Profit earned by PSUs

Out of 34 PSUs, 17 PSUs earned profits and 17 PSUs reported losses during the year 2021-22.

The overall profit of these 17 PSUs was ₹ 1,483.96 crore. The list of PSUs which earned profit of more than ₹ 25 crore during the year 2021-22 is given in **Table 5.10**.

Table 5.10: List of top profit-making PSUs during 2021-22

(₹ in crore)		
Sl. No.	Name of the State PSUs	Net Profit
1	Eastern Power Distribution Company of Andhra Pradesh Limited	396.78
2	Andhra Pradesh Mineral Development Corporation Limited	352.12
3	Transmission Corporation of Andhra Pradesh Limited	242.82
4	Andhra Pradesh Power Finance Corporation Limited	149.61
5	Andhra Pradesh State Financial Corporation	142.56
6	Andhra Pradesh State Beverages Corporation Limited	103.42
7	Andhra Pradesh State Warehousing Corporation	38.22
Total		1,425.53

Source: As per Annual Accounts and information of PSUs

It may be seen that seven PSUs contributed 96.06 per cent of the total profit earned by 17 PSUs during 2021-22.

During 2021-22, net profit of ₹ 1,472.61 crore constituting 99.24 per cent of total profit of State PSUs was contributed by 10 State PSUs. The details of the top three sectors, which contributed maximum profit during 2021-22 are summarised in **Table 5.11**.

Table 5.11: Top 3 sectors which contributed maximum profit during the year 2021-22

Sector	No. of profit earning State PSUs	Net profit earned (₹ in crore)	Percentage of Sector's profit to total State PSUs profit
Power	2	639.6	43.10
Others	3	355.30	23.94
Finance	4	292.61	19.72
Total	9	1,287.51	86.76

Source: As per Annual Accounts and information of PSUs

5.5.2 Losses incurred by PSUs

There were 17 PSUs, which reported losses during the year 2021-22. The losses incurred by PSUs increased from ₹ 1,123.82 crore in 2019-20 to ₹ 3,723.98 crore in

2021-22 as given in **Table 5.12**.

Table 5.12: Number of State PSUs that incurred losses

Year	No of State PSUs which incurred loss	Net loss for the year (₹ in crore)	Accumulated losses (₹ in crore)	Net worth (₹ in crore)
2019-20	16	1,123.82	10,191.40	(-)3,441.79
2020-21	18	202.85	2,659.28	234.93
2021-22	17	3,723.98	26,531.43	(-)18,084.34

Source: Annual Accounts and information of PSUs

Out of total loss of ₹ 3,723.98 crore incurred by 17 PSUs, loss of ₹ 3,387.91 crore was contributed by three PSUs. These top three loss making PSUs were Southern Power Distribution Company of Andhra Pradesh Limited (₹ 2,054.24 crore), Andhra Pradesh Central Power Distribution Corporation Limited (₹ 800.86 crore) and Andhra Pradesh Power Development Company Limited (₹ 532.81 crore).

The details of PSUs which have incurred losses of more than ₹ 25 crore are given in **Table 5.13**.

Table 5.13: State PSUs that incurred losses of more than ₹ 25 crore during 2021-22

Sl. No.	Name of PSU	Net loss (₹ in crore)
1	Southern Power Distribution Company of Andhra Pradesh Limited	2,054.24
2	Andhra Pradesh Central Power Distribution Corporation Limited	800.86
3	Andhra Pradesh Power Development Company Limited	532.81
4	Andhra Pradesh Power Generation Corporation Limited	208.77
5	Andhra Pradesh State Irrigation Development Corporation Limited	56.40
	Total	3,653.08

Source: As per Annual Accounts and information of PSUs

The above five PSUs contributed 98.10 per cent of the total losses reported by 17 PSUs during 2021-22.

5.5.3 Erosion of Net worth of PSUs

Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure. It is essentially a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Out of 97 working PSUs, 76 PSUs are considered for this analysis as 21 PSUs have not submitted their First accounts. Of these 76 PSUs, 41 PSUs had accumulated losses of ₹ 57,356.89 crore, 29 PSUs had surplus of ₹ 7,513.16 crore and six PSUs had neither accumulated losses nor surplus, as per their latest accounts. Due to accumulated losses, the overall net worth of 76 PSUs was negative which stood at ₹ 49,843.73 crore against the shareholders' funds of ₹ 11,703.98 crore (Paid-up Capital: ₹ 8,064.91 crore + Free Reserves: ₹ 3,639.07 crore).

The shareholders' funds of 25 out of 76 PSUs had been completely eroded by accumulated losses as their net-worth was either zero or negative. The total net worth of these 25 PSUs was negative at ₹ 54,409.04 crore against paid up capital of

₹ 2,844.23 crore in these PSUs as per their latest financial statements.

Of these 25 PSUs whose shareholders' funds had been completely eroded (zero or negative net worth), the maximum erosion of shareholders' funds was noticed in three State DISCOMs, where negative net worth of APSPDCL, APCPDCL and APEPDCL was ₹ 13,456.10 crore, ₹ 9,406.98 crore and ₹ 7,136.41 crore respectively as on 31 March 2022. Further, of these 25 PSUs, 21 PSUs incurred losses of ₹ 21,175.79 crore, three PSUs earned profit of ₹ 397.83 crore, and one PSU reported neither profit nor loss, as per their latest financial statements. State Government loans outstanding as on 31 March 2022 was ₹ 1,148.05 crore in respect of five PSUs having negative net worth. Details of PSUs having negative net worth as on 31 March 2022 are given in **Appendix-5.2**.

5.5.4 Dividend pay-out by PSUs

As per the guidelines issued (2002) by Public Enterprises Department, GoAP, no dividend shall be declared or paid by a Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with provisions of Companies Act. The guidelines, however, did not prescribe any fixed rate of dividend to be paid by the State PSUs.

During the year 2021-22, only two PSUs viz., Andhra Pradesh State Financial Corporation and Andhra Pradesh State Seeds Development Corporation paid dividend of ₹ 0.47 crore and ₹ 0.58 crore respectively.

5.5.5 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures company's long-term profitability and the efficiency with which total capital is employed by a company. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁶⁴.

PSU-wise details of ROCE for the period 2019-20 to 2021-22 are given in **Appendix-5.3**. The consolidated ROCE of working PSUs during respective year from 2019-20 to 2021-22 is given in **Table 5.14**.

Table 5.14: Return on Capital Employed of PSUs

Year	No. of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in percentage)
2019-20	32	8,073.37	68,407.10	11.80
2020-21	34	9,097.54	62,831.18	14.48
2021-22	34	6,944.60	72,700.42	9.55

Source: Annual Accounts and information furnished by PSUs

It was observed that ROCE of working State PSUs decreased from 11.80 per cent during 2019-20 to 9.55 per cent during 2021-22 as the EBIT decreased during 2021-22 compared to 2019-20.

⁶⁴ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses -deferred revenue expenditure

5.5.6 Return on Equity of PSUs

Return on Equity (RoE) is a measure of financial performance to assess how effectively the management is using company's assets to create profits and is calculated by dividing net income (i.e., net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a Company's shareholders if all assets were sold and all debts repaid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders fund means that liabilities exceed its assets.

PSU wise details of RoE for the period 2019-20 to 2021-22 are given in *Appendix-5.4*. The consolidated RoE of working PSUs during the period from 2019-20 to 2021-22 is given in **Table 5.15**.

Table 5.15: Return on Equity of PSUs

Year	No. of PSUs	Net Profit/loss (₹ in crore)	Equity (₹ in crore)	ROE (in percentage)
2019-20	32	(-)415.52	6,278.79	(-)6.62
2020-21	34	352.30	6,323.29	5.57
2021-22	34	(-)2,240.02	7,010.42	(-)31.95

Source: Annual Accounts and information furnished by PSUs

The ROE of these PSUs decreased to (-) 31.95 per cent during 2021-22 compared to previous year 2020-21 due to losses reported by the PSUs in Power Sector.

5.5.7 Rate of Real Return on Investment

Rate of Real Return on Investment (RORR) measures the profitability and efficiency with which equity and similar non-interest-bearing capitals have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis.

In view of the significant investment by the Governments and Others in the PSUs, Rate of Real Return on such investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the Rate of Real Return on the Investment since such calculations ignore the present value of money. Present Value (PV) of the investment has been computed to assess the Rate of Real Return on the PV of Investments in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2022, the past investments/year-wise funds infused in the PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. There were no interest free loans during 2017-18 to 2021-22.

The PV of the investment in PSUs was computed on the basis of following assumptions;

- The equity infused minus disinvestment was reckoned as investment for calculating the RORR.
- The funds made available in the form of interest-free loans, have been reckoned as investment.
- The average rate of interest on Government borrowings for the concerned financial year 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 RORR.

Table 5.16: Investment by the State Government, Central Government and Others and RORR for the period from 2017-18 to 2021-22

(₹ in crore)

Financial Year	PV of the total investment at the beginning of the year	Equity invested during the year by State Govt.	Equity Invested by Central Govt. and Others during the year	Infusion of Interest free loans by GoAP during the year	Infusion of Interest free loan by GoI & others during the year	Total Investment	Average Rate of Investment (per cent)	PV of the Total Investment at the end of the year	Minimum expected return	Total earnings/ losses for the year	Rate of Real RoI Considering PV of the investment (per cent)
(A)	(B)	(C)	(D)	(E)	(F)	(G)=(B+C+D+E+F)	(H)	(I)=(G)+(G*H)/100	(J)=(G*H)/100	(K)	(L)=K*100/I
2017-18	5,946.85	97.39	83.73	5.92	0.00	6,133.89	6.52	6,533.82	399.93	1,206.18	18.46
2018-19	6,533.82	0.00	46.51	0.03	0.00	6,580.36	6.37	6,999.53	419.17	(-)12,853.48	(-)183.63
2019-20	6,999.53	289.06	142.07	0.00	0.00	7,430.66	6.31	7,899.53	468.87	-904.82	(-)11.45
2020-21	7,899.53	42.40	0.00	0.00	0.00	7,941.93	6.16	8,431.16	489.22	220.66	2.62
2021-22	8,431.16	0.00	87.14	0.00	0.00	8,518.30	6.71	9,089.87	571.58	(-)1,823.78	(-)20.06
Total		428.85	359.44	5.95	0.00						

Source: Annual Accounts and information of PSUs.

Note: *Actual Equity and interest free loan at historical cost at the beginning of the year. The ROI for the year 2017-18 is on historical cost basis.

RORR declined to (-) 20.06 per cent in 2021-22 compared to 18.46 per cent in 2017-18. This was mainly on account of two PSUs in Power Sector viz., Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Power Development Company Limited which incurred huge losses in 2021-22.

Table 5.17: Consolidated RORR on present value of investments of 34 PSUs for the year 2021-22

Total Earnings/ Loss in 2021-22 (₹ in crore)	Investment by the State Government, Central Government and Others since 2017-18 to 2021-22 (₹ in crore)	Return on investment on the basis of historical value (in percentage)	Present value of investment at the end of 2021-22 (₹ in crore)	RORR on investment considering the present value of investments (in percentage)
(A)	(B)	(C)	(D)	(E)
Value of column (K) of above table	Total of OB of 2017-18+ Column (C to F)	(A)*100/(B)	Value of Column (I) of above table	(A)*100/(D)
(-),823.78	6,741.10 (5,946.85+428.85+359.44+5.95+0)	(-),27.05	9,089.87	(-),20.06

Source: Annual Accounts and information furnished by PSUs

5.5.8 Dues of APDISCOMs to Power Generation Companies

As on 31 March 2022, there are three Power Distribution Companies (DISCOMs) of Andhra Pradesh as mentioned in the **Appendix 5.1**. The outstanding dues from the AP DISCOMs to APGENCO, State Power Generation Company, and various Central Power Generation Companies like National Thermal Power Corporation (NTPC) and NTPC's subsidiaries, NPCIL (Kaiga Plant) and Neyveli Lignite Corporation Limited, etc., increased from ₹ 3,634.69 crore as on 31 March 2020 to ₹ 5,836.07 crore as on 31 March 2022, as detailed in below **Table 5.18**.

Table 5.18: Statement showing dues of APDISCOMs to State and Central Power Generation Companies during last three years

DISCOM Name	As on 31 March 2020			As on 31 March 2021			As on 31 March 2022		
	Amount dues	LPS*/Penalties etc.,	Total outstanding Dues	Amount dues	LPS*/Penalties etc.,	Total outstanding Dues	Amount dues	LPS*/Penalties etc.,	Total outstanding Dues
A. Dues from AP DISCOMs to State Generating Company (₹ in crore)									
APEPDCL	557.44	0.00	557.44	1049.29	0.00	1049.29	1599.51	0.00	1599.51
APSPDCL	1069.24	0.00	1069.24	1171.55	0.00	1171.55	1785.87	0.00	1785.87
APCPDCL	0.00	0.00	0.00	676.16	0.00	676.16	1030.72	0.00	1030.72
Total	1626.69	0.00	1626.69	2897.00	0.00	2897.00	4416.10	0.00	4416.10
B. Dues from AP DISCOMs to Central Generating Companies (₹ in crore)									
APEPDCL	292.17	55.86	348.03	405.64	67.58	473.22	363.07	28.25	391.31
APSPDCL	1513.97	145.99	1659.97	797.12	82.03	879.14	732.23	37.50	769.73
APCPDCL	0.00	0.00	0.00	280.04	46.40	326.45	239.59	19.34	258.93
Total	1806.14	201.86	2008.00	1482.80	196.01	1678.81	1334.88	85.09	1419.97
	3432.83	201.86	3634.69	4379.80	196.01	4575.81	5750.98	85.09	5836.07

Source: Information furnished by State PSUs/AP Power Coordination Committee. * Late Payment Surcharge.

As evident from the above Table, outstanding dues from APDISCOMs to State Power Generation Company and various Central Power Generation Companies increased

year-on-year basis by 25.89 *per cent* and 27.54 *per cent* as on 31 March 2021 and 2022 compared to previous year ended on that date respectively.

Further, outstanding dues of APDISCOMs to the Power Generation Companies would increase in future after considering the Late Payment Surcharge (LPS) on outstanding dues as on 31 March 2022 as per Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 notified on 3 June 2022 by the Union Ministry of Power, though LPS and penalties are shown as nil during the respective year.

5.6 Oversight Role of CAG

5.6.1 Appointment of statutory auditors of State PSUs by CAG

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company as per Section 139 (5)/(7) of the Companies Act, 2013 (Act), which stipulates that the statutory auditors, in case of a Government Company or Government Controlled Other Company, are to be appointed by the CAG within a period of 180 days from the commencement of the financial year and 60 days from the registration in case of first auditor. The CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report submitted to the State Legislature.

5.6.2 Submission of Accounts by PSUs

5.6.2.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). After such preparation, as soon as possible the Annual Report must be laid before the Legislative Assembly, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilization of public funds invested in the companies.

Section 96 of the Companies Act, 2013 requires every Company to hold an AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial statement for the financial year has to be placed in the said AGM for their consideration. Consequently, the Financial Statements need to be prepared and placed in the AGM by 30 September of the following year ended 31 March.

Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

5.6.2.2 Timeliness in preparation of accounts by PSUs

As on 31 March 2022, there were 118 State PSUs under the purview of CAG’s audit in Andhra Pradesh. Out of these 118 PSUs, 21 are inactive which are under either liquidation or defunct. Out of remaining 97 working PSUs (including three Statutory Corporations), a total of 14 working State Government Companies submitted their accounts for 2021-22 for audit by CAG on or before 30 September 2022. Annual Accounts of 83 PSUs including three Statutory Corporations were in arrears for various reasons. However, 39 State PSUs including one Statutory Corporation have submitted 52 annual accounts for the previous years by 30 September 2022. Details of arrears in submission of accounts as on 30 September 2022 are given in **Table 5.19**.

Table 5.19: Details of finalisation of accounts by PSUs

Particulars		Government Companies ⁶⁵		Statutory Corporations		Total PSUs	
Total number of PSUs on 31 March 2022		94		3		97	
Number of State PSUs which presented the accounts of 2021-22 for CAG’s audit by 30 September 2022		13		1		14	
Number of PSUs which submitted Accounts for previous years (Number of Accounts)		38(51)		1(1)		39(52)	
Break-up of Arrears of Accounts		Govt. Companies	No. of Accounts in Arrears	Statutory Corporations	No. of Accounts in Arrears	No. of PSUs	No. of Accounts in Arrears
Age-wise analysis of arrears against ‘Others’ category	One year (2021-22)	25	25	0	0	25	25
	Two years (2020-21 and 2021-22)	14	28	0	0	14	28
	Three years and more	42	220	2	10	44	232
Total		81	273	2	10	83	283

Source: Compiled based on the accounts received from PSUs

The list of the State PSUs and status of accounts in arrears is indicated in **Appendix 5.1**. Further, 232 accounts of 44 PSUs constituting 82 per cent of total accounts in arrears (283) were due for three and more years as on 30 September 2022. The matter was taken up with the respective PSUs and Administrative Department of Statutory Corporations concerned to clear the arrears. Audit of three Statutory Corporations viz., Andhra Pradesh Road Transport Corporation, Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation (APSFC) is conducted by the CAG as per provisions of relevant Act. Of the three Statutory Corporations, CAG is the sole auditor for Andhra Pradesh Road Transport Corporation. Of the three Statutory Corporations only APSFC has no Accounts in

⁶⁵Including Government controlled other companies

arrears. However, the last Separate Audit Report (SAR) of APSFC for the Year 2014-15 was laid before the State legislature in August 2016 and thereafter SARs up to 2019-20 are yet to be placed before the State legislature. The Annual Accounts of the two Statutory Corporations were in arrears (including financial year 2021-22) as on 30 September 2022.

5.6.3 CAG's oversight- Audit of annual accounts and supplementary audit

5.6.3.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.6.3.2 Audit of accounts of Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in the audit of public sector undertakings with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- To issue directions to the Statutory Auditors under Section 143(5) of the Companies Act, 2013 and
- To supplement or comment upon the Statutory Auditor's Report under Section 143(6) of the Companies Act, 2013.

5.6.3.3 Supplementary audit of annual accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The Statutory Auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, reported under Section 143 (6) of the Companies Act, 2013 are to be placed before the AGM of respective PSU.

5.7 Results of CAG's oversight role

5.7.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

As on 30 September 2022, 14 PSUs submitted their Financial Statements for the year 2021-22. Further, 39 PSUs submitted 52 Financial Statements/accounts for previous years spanning from 2016-2017 to 2020-21.

Of the 66 accounts, Non-Review Certificates were issued in respect of 18 accounts, and 12 accounts were reviewed by 30 September 2022. The audits in respect of 36 accounts were in progress by 30 September 2022. The results of the review are detailed below:

5.7.1.1 Amendment of Financial Statements

As a result of supplementary audit of the financial statements received during the period ended 30 September 2022 conducted by the CAG, none of the State PSUs has amended the Financial Statements before laying the same in the AGM.

5.7.1.2 Revision of Auditors Report

As a result of supplementary audit of the financial statements received during the period ended 30 September 2022 conducted by the CAG, the statutory auditors of three State PSUs viz Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Central Power Distribution Corporation Limited revised their report before laying of the Financial Statements of these Companies in their AGMs.

5.7.1.3 Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on State PSUs

Subsequent to the audit of the financial statements for the year 2021-22 and that of the financial statements for the previous years received by 30 September 2022, by Statutory Auditors, the CAG conducted 12 Supplementary Audits of the financial statements of the selected State PSUs. Some of the significant comments issued on financial statements of Government Companies, the financial impact of which on the profitability was ₹ 25.54 crore and on assets/liabilities was ₹ 2,001.68 crore, are given below.

Sl. No	Name of the Company	Comment
Comments on Profitability		
1	Andhra Pradesh Power Finance Corporation Limited	<p>Revenue from Operations</p> <p>Interest Income: ₹ 1,278.98 crore</p> <p>The Company recognized ₹ 2.04 crore of interest earned on Fixed Deposits of Company's funds. Instead of this, it should be accounted as other income. Subsequently, this has been resulted in overstatement of interest Income and Understatement of Other income by ₹ 2.04 crore.</p>
2	Andhra Pradesh Central Power Distribution Corporation Limited	<p>Other Income: ₹ 499.18 crore</p> <p>Amortization of Capital Contributions: ₹ 203.39 crore</p> <p>The Company recognized income of ₹ 31.38 crore towards Amortization of Capital Contributions additions of assets (Plant & Machinery, lines and cable networks, metering equipment) of ₹ 649.33 crore for the year instead of ₹ 7.88 crore calculated at weighted average rate of depreciation of 4.83 per cent based on the consumer contributions of ₹ 163.25 crore received during the year. This resulted in overstatement of Income and understatement of Deferred Capital contributions by ₹ 23.50 crore and corresponding overstatement of profit for the year by same amount.</p>
Comments on Financial Position		
1	Andhra Pradesh Power Finance Corporation Limited	<p>Financial Liabilities</p> <p>Other Non-Financial Liabilities: ₹ 90.86 crore</p> <p>The company recognized liabilities of ₹ 90.76 crore in Other Non-Financial Liabilities which should have been classified as financial liabilities in terms of Schedule III, Section 129 of Companies Act, 2013. This resulted in overstatement of Non-Financial Liabilities and understatement of Other Financial Liabilities by ₹ 90.76 crore.</p>
2	AP Rural Agriculture Power Limited	<p>Financial Assets</p> <p>Cash and Cash Equivalents: ₹ 9.30 crore</p> <p>The company recognized balance with banks amounting to ₹ 9.18 crore being the amount in Personal Deposit (PD) Account.</p>

Sl. No	Name of the Company	Comment
		<p>As PD account cannot be termed as equivalent to bank balance or cash and cash equivalents of the Company, the same should have been disclosed under 'Other Current Assets'. Incorrect classification resulted in overstatement of Cash and Cash Equivalents and understatement of Other Current Assets.</p> <p>Further, suitable disclosures on the restrictions on the withdrawal of the funds in PD account and sources of funds were not given.</p>
3	Andhra Pradesh Central Power Distribution Corporation Limited	<p>Non-current liabilities</p> <p>Long term provisions: ₹ 1,257.75 crore Provisions for employee benefits</p> <p>Pension & Gratuity: ₹ 1,218.96 crore</p> <p>As per the Actuarial Valuation report, the liability in respect of pension and gratuity benefits of employees on roll as on 01.02.1999 and employees retired before 01.02.1999 as on 31.03.2021 was ₹ 2,075.37 crore (Unit Trust) and ₹ 2,023.29 crore (Master Trust). However, in case of Unit Trust, the Company made provision of only ₹ 819.90 crore as against ₹ 2,075.37 crore assessed towards pension and gratuity benefits liability. This resulted in understatement of long-term provisions and employee benefit expenses by ₹ 1,255.47 crore and corresponding overstatement of Profit for the year by same amount.</p> <p>With respect to Master Trust, the Company neither made any provision nor disclosed the Master Trust provision liability in respect of the employees on rolls as on 01.02.1999.</p> <p>Earned Leave Encashment Trust: ₹ 24.12 crore</p> <p>The company understated Earned Leave Encashment by ₹ 506.91 crore due to provision of liability of ₹ 24.12 crore instead of ₹ 531.03 crore net liability assessed as per actuarial valuation as on 31 March 2021. This also resulted in overstatement of Profit for the year by ₹ 506.91 crore.</p> <p>Current Assets</p> <p>Cash and cash equivalents: ₹ 292.27 crore</p> <p>The Company recognized ₹ 139.36 crore of cash and cash equivalents as kept in Personal Deposit (PD) Account. Instead,</p>

Sl. No	Name of the Company	Comment
		<p>the same should have been shown under Other Current Assets as the same cannot be drawn without the concurrence of Finance Department. This resulted in overstatement of Cash and Cash Equivalents and understatement of Other Current Assets by ₹ 139.36 crore.</p> <p>Further, the Company did not disclose the restrictions on the amounts kept in PD account and the source of those funds in notes to accounts.</p>
Comments on Disclosures		
1	Transmission Corporation of Andhra Pradesh Limited	<p>Notes to the Standalone Financial Statements</p> <p>Other Equity</p> <p>The Company treated the funds received from Government of Andhra Pradesh (GoAP) towards Deposit contribution works for extension of electricity lines and substations for Lift irrigation schemes in line with other grants received and it included the same in “Other Equity” instead of “Grants”. This resulted in misclassification of an amount of ₹ 1,121.99 crore i.e., overstatement of “Other Equity” and understatement of “Grants” by ₹ 1,121.99 crore.</p>
2	AP Rural Agriculture Power Limited	<p>Notes to Financial Statements</p> <p>A case pending in Hon’ble High Court of Andhra Pradesh, wherein orders were passed directing the Company not to enter into any agreements in relation to draft Power Purchase Agreement (PPA) with successful bidders, until further orders regarding 6400 MW of solar power projects. However, this information is not disclosed in the Notes to Financial Statements.</p>

5.7.1.4 Management Letters

One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSUs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a ‘Management Letter’ for taking corrective action. The deficiencies generally related to (a) application and interpretation of accounting policies (b)

adjustments arising out of audit and (c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned PSU gave assurances that corrective action would be taken in the subsequent year.

During the year, 'Management Letters' were issued to 12 PSUs. Details are given in **Appendix-5.5**.

5.8 Conclusion

As on 31 March 2022, there were 118 PSUs of which 97 are working PSUs and 21 are inactive PSUs in Andhra Pradesh under the audit jurisdiction of CAG. Out of 97 working PSUs, eleven PSUs were related to Power sector and 86 PSUs were related to other than power sector. Of these 97 working PSUs, 47 PSUs having arrears of accounts for less than three years as at the end of 30 September 2022. Based on the accounts and information furnished by PSUs, analysis of financial performance of 34 working PSUs and financial position of 54 working PSUs have been covered in this Chapter.

During 2021-22, 34 PSUs registered an annual turnover of ₹ 86,101.03 crore, which was equal to 7.16 per cent of the GSDP of Andhra Pradesh.

As on 31 March 2022, the investment of the State Government in equity and long-term loans in 54 PSUs was ₹ 5,848.13 crore against total investment of ₹ 1,18,108.19 crore as on that date. The outstanding long terms loans of State Government in these PSUs as on 31 March 2022 increased to ₹ 881.81 crore from ₹ 593.46 crore during the year 2020-21.

Out of the 34 PSUs, 17 PSUs earned profits (₹ 1,483.96 crore), while 17 PSUs incurred losses (₹ 3,723.98 crore). As on 31 March 2022, the accumulated losses (₹ 26,531.43 crore) in 17 loss-making PSUs has completely eroded the net worth (₹ (-) 18,084.34 crore) of these PSUs. The maximum erosion of shareholders' funds was noticed in three State DISCOMs, where negative net worth of APSPDCL, APCPDCL and APEPDCL was ₹13,456.10 crore, ₹ 9,406.98 crore and ₹ 7,136.41 crore respectively as on 31 March 2022.

Out of the 97 working PSUs, Financial Statements for the year 2021-22 were received only from 14 PSUs up to 30 September 2022. Financial Statements of 44 PSUs were in arrears for three or more years. 21 PSUs have not even submitted their first accounts since their inception.

As a result of the audit of CAG during the period October 2021 to September 2022, Statutory Auditors of three PSUs revised their Audit Report. Significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹ 25.54 crore and assets/ liabilities by ₹ 2,001.68 crore were issued.

5.9 Recommendations

- 1. Government of Andhra Pradesh may review the functioning of all loss-making PSUs and take necessary steps to improve their financial performance.*

2. *Government may issue necessary instructions to Administrative Departments to set targets for individual PSU to furnish the accounts in time and to strictly monitor the clearance of arrears and take steps expeditiously in order to liquidate the arrears in finalisation of accounts so as to ensure compliance of State PSUs with respective governing Acts.*
3. *Government may increase the transparency and disclosure of Budgetary Support given to State PSUs in the form of Grants/Subsidies and Guarantees, as well as Government Guarantees commission receivable from such PSUs in the Annual Accounts.*
4. *Government may review the inactive Government Companies and take appropriate decision on their revival / winding up.*

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(INDU AGRAWAL)
Principal Accountant General (Audit)
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Comptroller and Auditor General of India