

## **CHAPTER - V**

# **Financial Performance of State Public Sector Undertakings**



## CHAPTER-V

### FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR UNDERTAKINGS

#### 5.1 Introduction

State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. PSUs consist of State Government Companies, Government controlled other Companies and Statutory Corporations. This Chapter presents the summary of financial performance of PSUs.

##### 5.1.1 Definition of Government Companies, Government controlled other Companies and Statutory Corporations

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 company<sup>46</sup> 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 Chapter as Government controlled other Companies. The Statutory Corporations are those corporations which were set up under Statutes enacted by the Legislature.

##### 5.1.2 Mandate of Audit

Audit of Government Companies and Government controlled other Companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143 (5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. 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, the CAG conducts a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

##### 5.1.3 Nature of Public Sector Undertakings and their coverage in the Chapter

As on 31 March 2021, there were 115 PSUs (94 Government Companies, 15 Government controlled other Companies and six Statutory Corporations<sup>47</sup>)

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<sup>46</sup> Companies (Removal of Difficulties), Seventh order 2014 issued vide gazette notification dated 04 September 2014.

<sup>47</sup> Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam, Uttar Pradesh Financial Corporation, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation.

including 44 non-functional PSUs<sup>48</sup> under the audit jurisdiction of the CAG in Uttar Pradesh. During the year 2020-21, two new Government controlled other Companies viz. Noida International Airport Limited (NIAL) and DMIC Integrated Industrial Township Greater Noida Limited were added. None of the State PSUs were listed on the stock exchange.

The financial performance of 38 PSUs (consisting of 11 PSUs of power sector and 27 PSUs of other than power sector, as detailed in *Appendix-5.1*) on the basis of their latest finalised accounts received upto 30 November 2021 is covered in this Chapter. This Chapter does not include analysis of financial performance of 77 PSUs (including 70 Government Companies, four Government controlled other Companies and three Statutory Corporations) as these PSUs have accounts in arrears for three years or more or were defunct/under liquidation or their first accounts were not received as of 30 November 2021, as detailed in *Appendix-5.2*. However, this Chapter covers investment in State PSUs, Budgetary Support and Reconciliation with Finance Accounts of Government of Uttar Pradesh (**Paragraphs 5.2, 5.2.2 and 5.2.2.1**) in respect of all State PSUs.

#### 5.1.4 Turnover of Public Sector Undertakings vis-à-vis Gross State Domestic Product of State

The PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, these PSUs also add significantly to the Gross State Domestic Product (GSDP) of the State. The ratio of PSUs' turnover to GSDP shows the extent of activities of PSUs in the State economy. **Table 5.1** provides the details of turnover of PSUs (PSU-wise details in *Appendix 5.1*) and GSDP of Uttar Pradesh for a period of four years ending 31 March 2021<sup>49</sup>.

**Table 5.1: Details of turnover of Public Sector Undertakings vis-à-vis GSDP of Uttar Pradesh**

Particulars	(₹ in crore)			
	2017-18	2018-19	2019-20	2020-21
<b>Turnover of 11 Power Sector PSUs</b>	56,651	61,857	66,378	66,378 <sup>50</sup>
<b>Turnover of 27 Other than power sector PSUs</b>	7,433	7,316	6,752	6,664
<b>Total turnover (38 PSUs)</b>	64,084	69,173	73,130	73,042
<b>GSDP of Uttar Pradesh<sup>51</sup></b>	14,16,006	15,84,764	16,87,818	17,05,593
<b>Percentage of turnover of Power Sector PSUs to GSDP of Uttar Pradesh</b>	4.00	3.90	3.93	3.89
<b>Percentage of turnover of other than Power Sector PSUs to GSDP of Uttar Pradesh</b>	0.52	0.46	0.40	0.39

<sup>48</sup> Non-functional PSUs are those which have ceased to carry on their operations.

<sup>49</sup> As per the latest finalised accounts till 30 November 2021.

<sup>50</sup> Turnover of power sector PSUs for the year 2019-20 and 2020-21 has been considered same, as accounts for the year 2020-21 were not received.

<sup>51</sup> GSDP at current prices for the years 2017-18 to 2019-20 was revised by Central/State Government, hence percentage ratio/buoyancies of various parameters with reference to GSDP for 2017-18 to 2019-20 indicated in earlier Audit Reports have also been revised.

Particulars	2017-18	2018-19	2019-20	2020-21
Percentage change in turnover of Power Sector PSUs as compared to turnover of preceding year	-	9.19	7.31	0.00
Percentage change in turnover of other than power sector PSUs as compared to turnover of preceding year	-	(-)1.57	(-)7.71	(-)1.30
Percentage change in GSDP as compared to GSDP of preceding year	-	11.92	6.50	1.05

Source: Compiled based on turnover figures of PSUs and GSDP figures issued by Ministry of Statistics and Program Implementation, Government of India dated 02 August 2021.

The turnover of 11 power sector PSUs has shown an increasing trend during the years 2018-19 and 2019-20 as compared to the year 2017-18 with growth ranging between 7.31 per cent and 9.19 per cent. Since accounts for the year 2020-21 were not submitted by any power sector PSU, growth rate during the current year could not be analysed.

However, the turnover of 27 other than power sector PSUs has shown a decreasing trend during the period 2018-19 to 2020-21. The decrease in turnover ranged between 1.30 per cent and 7.71 per cent during the period 2018-19 to 2020-21 whereas increase in GSDP of Uttar Pradesh was between 1.05 per cent and 11.92 per cent during 2018-19 to 2020-21.

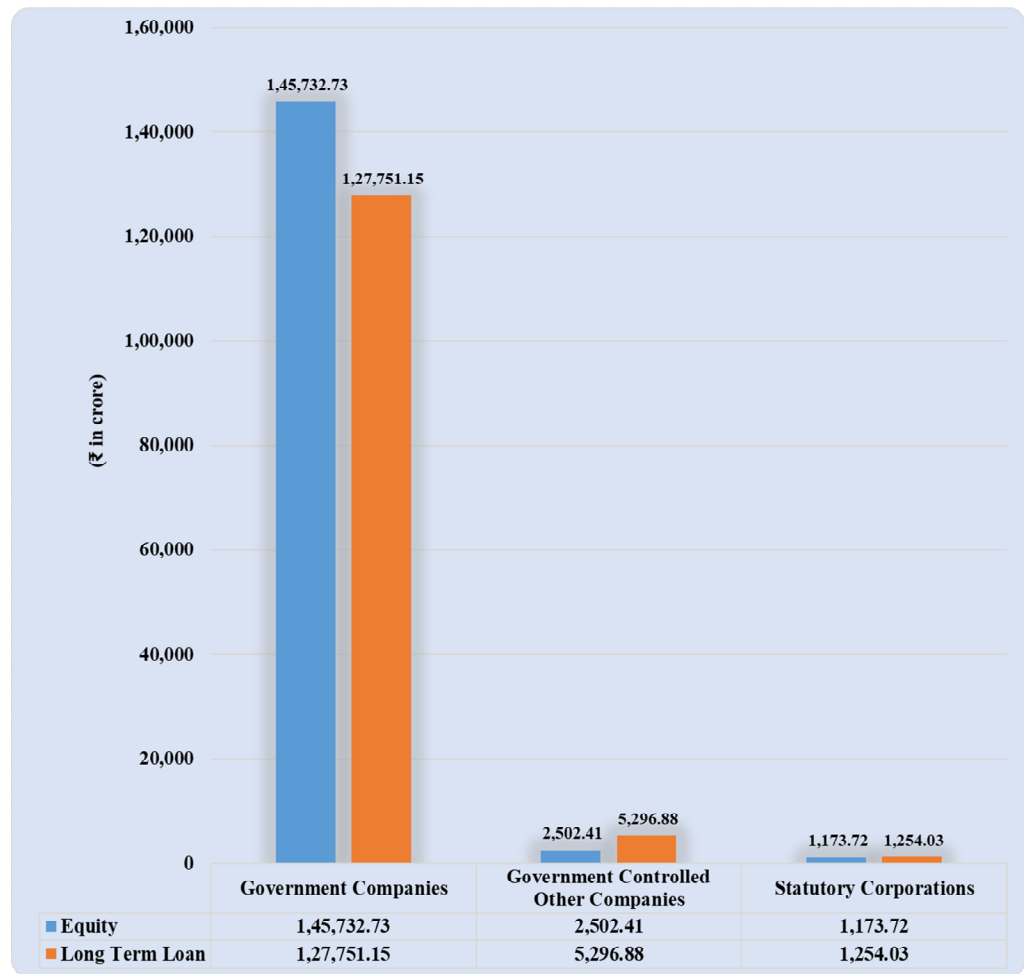
Compounded annual growth is a useful method to measure growth rate over long time periods. Against the compounded annual growth of 6.40 per cent of GSDP, the turnover of 38 PSUs recorded lower compounded annual growth of 4.46 per cent during the last three years. This resulted in decrease in share of turnover of PSUs (11 power sector PSUs and 27 other than power sector PSUs) to GSDP from 4.00 per cent to 3.89 per cent and 0.52 per cent to 0.39 per cent respectively during the period 2017-18 to 2020-21.

## 5.2 Investment in State Public Sector Undertakings and Budgetary Support

The Capital invested by Central Government, State Government and others<sup>52</sup> in 115 PSUs (94 Government Companies, 15 Government controlled other Companies and six Statutory Corporations) as on 31 March 2021 is depicted in **Chart 5.1**.

<sup>52</sup> 'Others' include investment by holding companies, financial institutions, banks, etc.

**Chart 5.1: Composition of Investment in Government Companies, Government controlled other Companies and Statutory Corporations**



The sector-wise summary of investment (equity and long term loans) in 115 State PSUs as on 31 March 2021 is given in **Table 5.2**.

**Table 5.2: Sector-wise investment in Public Sector Undertakings**

(₹ in crore)

Sector	No. of PSUs	Investment								Grand Total
		Equity				Long-term loans				
		GoUP	GoI	Others	Total	GoUP	GoI	Others	Total	
<b>PSUs covered in this Chapter</b>										
Power Sector PSUs	11	1,34,515.87	0.00	2,213.50	1,36,729.37	406.11	0.00	1,13,207.97	1,13,614.08	2,50,343.45
Other than Power Sector PSUs	27	2,841.40	2,345.56	2,736.83	7,923.79	5,215.14	4,915.95	4,144.51	14,275.60	22,199.39
<b>Total of PSUs covered in this Chapter</b>	<b>38</b>	<b>1,37,357.27</b>	<b>2,345.56</b>	<b>4,950.33</b>	<b>1,44,653.16</b>	<b>5,621.25</b>	<b>4,915.95</b>	<b>1,17,352.48</b>	<b>1,27,889.68</b>	<b>2,72,542.84</b>
<b>PSUs not covered in this Chapter</b>										
Power Sector PSUs	2	0.00	0.00	2.27	2.27	0.00	0.00	0.00	0.00	2.27
Other than Power Sector PSUs	75	3,468.88	132.56	1,151.99	4,753.43	2,434.15	1.10	3,977.13	6,412.38	11,165.81
<b>Total of PSUs not covered in this Chapter</b>	<b>77</b>	<b>3,468.88</b>	<b>132.56</b>	<b>1,154.26</b>	<b>4,755.70</b>	<b>2,434.15</b>	<b>1.10</b>	<b>3,977.13</b>	<b>6,412.38</b>	<b>11,168.08</b>
<b>Grand Total</b>	<b>115</b>	<b>1,40,826.15</b>	<b>2,478.12</b>	<b>6,104.59</b>	<b>1,49,408.86</b>	<b>8,055.40</b>	<b>4,917.05</b>	<b>1,21,329.61</b>	<b>1,34,302.06</b>	<b>2,83,710.92</b>

Source: Figures compiled based on annual accounts and information received from PSUs.

As on 31 March 2021, the total investment (equity and long-term loans) in 11 power sector PSUs covered in this Chapter was ₹ 2,50,343.45 crore. The investment consisted of 54.62 per cent towards equity and 45.38 per cent in long-term loans. The long-term loans advanced by the State Government

(₹ 406.11 crore) constituted 0.36 *per cent* of the total long-term loans whereas 99.64 *per cent* (₹ 1,13,207.97 crore) of the total long-term loans were availed from financial institutions as detailed in *Appendix-5.3*.

As on 31 March 2021, the total investment (equity and long term loans) in 27 other than power sector PSUs covered in this Chapter was ₹ 22,199.39 crore. The investment consisted of 35.69 *per cent* towards equity and 64.31 *per cent* in long-term loans. The long-term loans advanced by the State Government constituted 36.53 *per cent* (₹ 5,215.14 crore) of the total long-term loans whereas 63.47 *per cent* (₹ 9,060.46 crore) of the total long-term loans were availed from Government of India and financial institutions as detailed in *Appendix-5.3*.

### 5.2.1 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the parameters 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. As per the latest finalised accounts, the coverage of long-term loans by value of total assets in 21 PSUs (18 Government Companies, two Government controlled other Companies and one Statutory Corporation) which had outstanding loans as on 31 March 2021 is given in *Appendix-5.4* and its summarised details are given under **Table 5.3**.

**Table 5.3: Coverage of long term loans by total assets**

	Positive Coverage				Negative Coverage			
	No. of PSUs	Long term loans	Assets	Percentage of assets to loans	No. of PSUs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
<b>Government Companies</b>	17	88,812.95	2,55,810.83	288.03	1	101.41	43.19	42.59
<b>Government controlled other Companies</b>	2	3,607.42	3,633.47	100.72	-	-	-	-
<b>Statutory Corporations</b>	1	41.72	3,024.95	7,250.60	-	-	-	-
<b>Total</b>	<b>20</b>	<b>92,462.09</b>	<b>2,62,469.25</b>	<b>-</b>	<b>1</b>	<b>101.41</b>	<b>43.19</b>	<b>-</b>

Out of the 21 PSUs, 20 PSUs had positive coverage while one PSU (Uttar Pradesh State Spinning Company Limited) had assets valuing ₹ 43.19 crore only, against the total outstanding long-term loan of ₹ 101.41 crore which includes interest free loan of ₹ 95.39 crore from State Government for Voluntary Retirement Scheme. This indicates that this PSU is not in a position to pay off its liabilities on its own and is not sustainable.

### 5.2.2 Budgetary Support to Public Sector Undertakings

Government of Uttar Pradesh (GoUP) provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo (equity, loans and grants/subsidies) in respect of PSUs for the last three years ending March 2021 are given in **Table 5.4**.

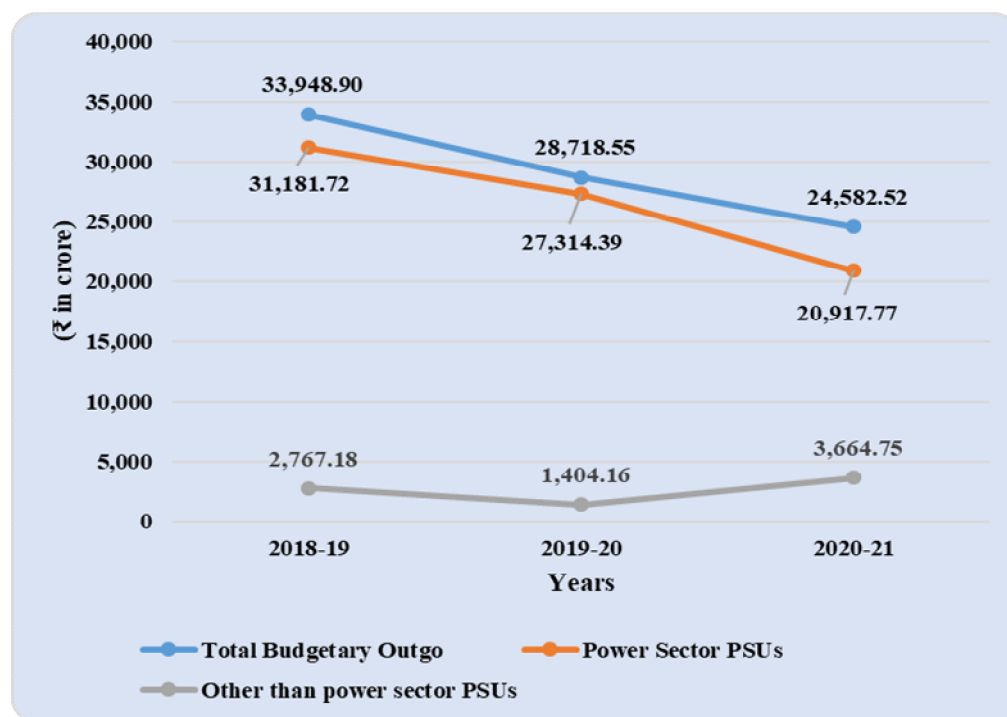
Table 5.4: Details of budgetary support to PSUs during the years 2018-19 to 2020-21

Particulars	2018-19		2019-20		2020-21	
	No of PSUs	Amount <sup>53</sup> (₹ in crore)	No of PSUs	Amount <sup>53</sup> (₹ in crore)	No of PSUs	Amount <sup>53</sup> (₹ in crore)
<b>(A) Power Sector PSUs</b>						
Equity Capital outgo (i)	3 <sup>54</sup>	13,409.18	3 <sup>54</sup>	8,248.83	3 <sup>54</sup>	10,568.47
Loans given (ii)	1	615.45	-	0.00	-	0.00
Grants/Subsidies provided (iii)	2	17,157.09	2	19,065.56	2	10,349.30
<b>Total outgo (i+ii+iii)</b>	<b>3<sup>55</sup></b>	<b>31,181.72</b>	<b>3<sup>55</sup></b>	<b>27,314.39</b>	<b>3<sup>55</sup></b>	<b>20,917.77</b>
<b>(B) Other than Power Sector PSUs</b>						
Equity Capital outgo (i)	3	55.60	4	288.63	7	529.13
Loans given (ii)	8	990.49	8	403.32	6	1,673.16
Grants/Subsidies provided (iii)	15	1,721.09	17	712.21	18	1,462.46
<b>Total outgo (i+ii+iii)</b>	<b>25<sup>55</sup></b>	<b>2,767.18</b>	<b>27<sup>55</sup></b>	<b>1,404.16</b>	<b>25<sup>55</sup></b>	<b>3,664.75</b>

Source: Figures compiled based on annual accounts, Government orders and information received from PSUs

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2021 are given in Chart 5.2.

Chart 5.2: Budgetary support towards Equity, Loans and Grants/Subsidies



The annual budgetary assistance received by the power sector PSUs during the years 2018-19, 2019-20 and 2020-21 were ₹ 31,181.72 crore,

<sup>53</sup> Amount represents outgo from the State Budget only.

<sup>54</sup> GoUP infuses equity in Uttar Pradesh Power Corporation Limited, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Electronics Corporation Limited for investment in their subsidiaries. Therefore, for the purpose of infusion of equity, only holding companies on behalf of their subsidiaries have been considered.

<sup>55</sup> The figure represents number of PSUs which have received outgo from budget under one or more heads i.e., equity, loans, grants/subsidy.



₹ 27,314.39 crore and ₹ 20,917.77 crore respectively. The budgetary assistance of ₹ 20,917.77 crore received during 2020-21 included ₹ 10,568.47 crore and ₹ 10,349.30 crore in the form of equity and grants/subsidy respectively.

Grants/subsidies provided by State Government to power sector PSUs increased in 2019-20 and decreased in 2020-21 as compared to previous years. The increase in grants/subsidies during 2019-20 was primarily on account of increase in subsidy for loss funding under Ujjwal DISCOM Assurance Yojana (UDAY) from ₹ 761.09 crore in 2018-19 to ₹ 2,400 crore in 2019-20. In 2020-21 power sector PSUs have not been provided any assistance under UDAY scheme.

The annual budgetary assistance to other than power sector PSUs during the years 2018-19, 2019-20 and 2020-21 were ₹ 2,767.18 crore, ₹ 1,404.16 crore and ₹ 3,664.75 crore respectively. The budgetary assistance of ₹ 3,664.75 crore received during 2020-21 included ₹ 529.13 crore, ₹ 1,673.16 crore and ₹ 1,462.46 crore in the form of equity, loans and grants/subsidy respectively. Out of total grants of ₹ 1,462.46 crore given by the State Government, grants were mainly provided to Uttar Pradesh Scheduled Caste Finance and Development Corporation Limited (₹ 202.06 crore), Prayagraj Smart City Limited (₹ 220.00 crore) and Agra Smart City limited (₹ 294.00 crore) during 2020-21.

### 5.2.2.1 Reconciliation with Finance Accounts of Government of Uttar Pradesh

The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Uttar Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2021 such differences existed in respect of 66 PSUs (59 Government Companies, two Government controlled other Companies and five Statutory Corporations) as detailed in *Appendix-5.5* and summarised in **Table 5.5**.

**Table 5.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Uttar Pradesh vis-à-vis records of State PSUs**

(₹ in crore)

Outstanding in respect of	Sector	Amount as per records of State PSUs	Amount as per Finance Accounts	Difference
Equity	Power Sector	32,290.91	29,467.94	2,822.97
	Other than Power Sector	6,272.72	6,184.92	87.80
	<b>Total</b>	<b>38,563.63</b>	<b>35,652.86</b>	<b>2,910.77</b>
Loans	Power Sector	64.65	0.00	64.65
	Other than Power Sector	7,649.29	3,531.60	4,117.69
	<b>Total</b>	<b>7,713.94</b>	<b>3,531.60</b>	<b>4,182.34</b>
Guarantees	Power Sector	28,171.54	28,805.76	(-634.22)
	Other than Power Sector	3,955.23	3,548.44	406.79
	<b>Total</b>	<b>32,126.77</b>	<b>32,354.20</b>	<b>(-227.43)</b>

Source: Information received from PSUs and Finance Accounts

The differences between the figures are persisting for many years in past. The issue of reconciliation of differences has been taken up by Audit with the concerned PSUs and the Departments from time to time. Major difference in

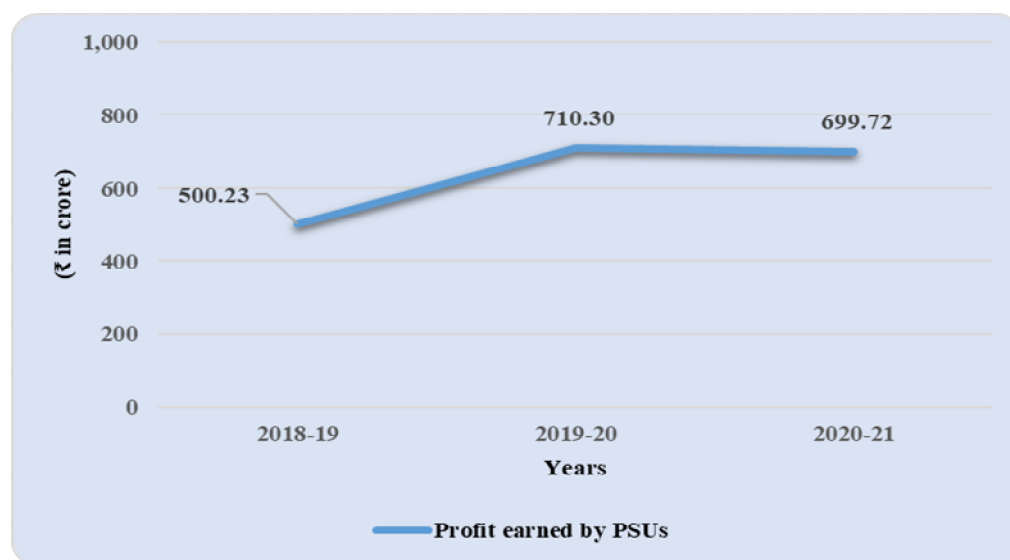
balances was observed in case of two power sector PSUs<sup>56</sup> and five other than power sector PSUs<sup>57</sup>.

### 5.3 Returns from Public Sector Undertakings

#### 5.3.1 Profit earning Public Sector Undertakings

The Profit earned by PSUs<sup>58</sup> during 2018-19 to 2020-21 are depicted in **Chart 5.3**.

Chart 5.3: Profit earned by PSUs



Out of total 38 PSUs, 18 PSUs earned profit in 2018-19. The number of profit-making PSUs increased to 22 during 2020-21. Profit-making PSUs earned profit amounting to ₹ 500.23 crore, ₹ 710.30 crore and ₹ 699.72 crore during 2018-19, 2019-20 and 2020-21 respectively. According to the latest finalised accounts of PSUs, top profit-making PSUs were Uttar Pradesh Power Transmission Corporation (₹ 351.89 crore) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 116.91 crore) during the year 2020-21 (*Appendix-5.1*).

#### 5.3.2 Dividend payout

The State Government had formulated (October 2002) a dividend policy under which PSUs running in profit are required to pay a minimum dividend of five *per cent* on the share capital contributed by the State Government.

Dividend payout by PSUs where equity was infused by GoUP during the period 2018-19 to 2020-21 is shown in **Table 5.6**.

<sup>56</sup> Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Power Transmission Corporation Limited

<sup>57</sup> The Pradeshiya Industrial and Investment Corporation of UP Limited, Uttar Pradesh Food and Essential Commodities Corporation Limited, Uttar Pradesh Rajkiya Nirman Nigam Limited, Uttar Pradesh State Bridge Corporation Limited and NOIDA International Airport Limited

<sup>58</sup> As per the latest finalised accounts upto 30 November 2021.

Table 5.6: Dividend Payout of PSUs during 2018-19 to 2020-21

During the year	Total PSUs where equity infused by GoUP		PSUs running in profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in per cent) (7/5*100)
	Number of PSUs	Equity infused by GoUP (₹ in crore)	Number of PSUs	Equity infused by GoUP (₹ in crore)	Number of PSUs	Dividend declared/paid by PSUs (₹ in crore)	
1	2	3	4	5	6	7	8
<b>I. Power Sector PSUs</b>							
2018-19	4	1,17,911.92	1	12,305.55	-	-	-
2019-20	4	1,26,160.75	2	30,776.70	-	-	-
2020-21	4	1,34,515.87	-	-	-	-	-
<b>II. Other than Power Sector PSUs</b>							
2018-19	11	2,173.58	7	888.89	3 <sup>59</sup>	0.39	0.04
2019-20	11	2,496.95	2	10.59	1 <sup>60</sup>	0.02	0.19
2020-21	11	2,841.40	1	0.05	-	-	-

In case of power sector PSUs, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited was running in profit in 2018-19 as well as 2019-20 while Uttar Pradesh Power Transmission Corporation Limited was running in profit in 2019-20. However, these companies had not declared/paid any dividend to GoUP. Further, none of the power sector PSUs finalised their accounts for the year 2020-21 (till 30 November 2021).

In case of other than power sector PSUs, during the period 2018-19 to 2020-21, the number of PSUs running in profit ranged between one and seven. During the period 2018-19 and 2019-20, the number of PSUs, which declared/paid dividend to GoUP, ranged from one to three. One other than power sector PSU viz. Uttar Pradesh Export Promotion Council has finalised its accounts for the year 2020-21 and earned profit, however, no dividend has been declared by the company.

Thus, no PSU declared/paid any dividend to GoUP in 2020-21.

#### 5.4 Analysis of Long term loans of Public Sector Undertakings (Debt Servicing)

An analysis of the long-term loans of the PSUs which had liability of interest on loan from Government, Banks and other financial institutions etc., during 2018-19 to 2020-21, was carried out to assess the ability of the PSUs to service the debt owed by them. This is assessed through the interest coverage ratio.

##### 5.4.1 Interest Coverage Ratio

Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the less is the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues even to meet its expenses on

<sup>59</sup> Uttar Pradesh Development Systems Corporation Limited, Uttar Pradesh Purva Sainik Kalyan Nigam Limited and Uttar Pradesh Projects Corporation Limited

<sup>60</sup> Uttar Pradesh Purva Sainik Kalyan Nigam Limited

interest. The details of interest coverage ratio of PSUs which had outstanding loans during the period from 2018-19 to 2020-21 are given in **Table 5.7**.

**Table 5.7: Interest coverage ratio of the PSUs having liability of interest on Long Term Loans**

During the year	Type of PSUs	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of PSUs having liability of interest on loans	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
<b>Power Sector PSUs</b>						
2018-19	All Government Companies	6,405.53	152.90	8	1	7
2019-20	All Government Companies	4,733.42	1,699.28	6	1	5
2020-21	All Government Companies	4,733.42	1,699.28	6	1	5
<b>Other than Power Sector PSUs</b>						
2018-19	Government Companies	24.07	(-)42.69	5	2	3
	Government controlled other Companies	0.02	0.48	1	1	-
	Statutory Corporations	-	-	-	-	-
	<b>Total</b>	<b>24.09</b>	<b>(-)42.21</b>	<b>6</b>	<b>3</b>	<b>3</b>
2019-20	Government Companies	90.72	(-)240.24	5	2	3
	Government controlled other Companies	0.04	(-)0.24	1	-	1
	Statutory Corporations	-	-	-	-	-
	<b>Total</b>	<b>90.76</b>	<b>(-)240.48</b>	<b>6</b>	<b>2</b>	<b>4</b>
2020-21	Government Companies	113.38	(-)283.01	5	2	3
	Government controlled other Companies	0.04	(-)0.24	1	-	1
	Statutory Corporations	-	-	-	-	-
	<b>Total</b>	<b>113.42</b>	<b>(-)283.25</b>	<b>6</b>	<b>2</b>	<b>4</b>

In power sector PSUs, out of six to eight PSUs having liability of interest-bearing loans during the period 2018-19 to 2020-21, only one PSU<sup>61</sup> had interest coverage ratio of more than one whereas the remaining five to seven PSUs had negative/less than one interest coverage ratio. This indicates that these PSUs could not generate sufficient revenue even to meet their expenses on interest during the period.

Of the six other than power sector PSUs having liability of loans during the period 2018-19 to 2020-21, three PSUs<sup>62</sup> in 2018-19 and two PSUs<sup>63</sup> in 2019-20 and 2020-21 had interest coverage ratio of more than one. Three to four PSUs had interest coverage ratio below one, which indicates that these PSUs could not generate sufficient revenue to meet their expenses on interest during the period.

<sup>61</sup> Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited

<sup>62</sup> The Pradeshiya Industrial and Investment Corporation of UP Limited, Shretron India Limited and Almora Magnesite Limited

<sup>63</sup> The Pradeshiya Industrial and Investment Corporation of UP Limited and Shretron India Limited

### 5.4.2 Age-wise analysis of interest outstanding on Public Sector Undertakings

As on 31 March 2021, interest amounting to ₹ 594.16 crore was outstanding on the long-term loans provided by GoUP to five PSUs. The age wise analysis of interest outstanding on GoUP loans in PSUs is depicted in **Table 5.8**.

**Table 5.8: Age – wise analysis of interest outstanding on Public Sector Undertakings**

(₹ in crore)				
Name of PSU	Outstanding interest on loans as on 31 March 2021	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
<b>I. Power Sector PSUs</b>				
Uttar Pradesh Jal Vidyut Nigam Limited	235.97	10.60	21.19	204.18
Uttar Pradesh Power Corporation Limited	240.59	54.85	122.07	63.67
<b>Sub Total (I)</b>	<b>476.56</b>	<b>65.45</b>	<b>143.26</b>	<b>267.85</b>
<b>II. Other than Power Sector PSUs</b>				
The Pradeshiya Industrial and Investment Corporation of UP Limited	32.88	-	-	32.88
Uttar Pradesh Electronics Corporation Limited	51.46	2.16	6.47	42.83
Uttar Pradesh State Spinning Company Limited	33.26	4.75	12.08	16.43
<b>Sub Total (II)</b>	<b>117.60</b>	<b>6.91</b>	<b>18.55</b>	<b>92.14</b>
<b>Grand Total</b>	<b>594.16</b>	<b>72.36</b>	<b>161.81</b>	<b>359.99</b>

The above table indicate that out of total interest amount of ₹ 594.16 crore, ₹ 359.99 crore was outstanding for more than three years which indicates that these PSUs were not regular in paying interest.

## 5.5 Operating efficiency of Public Sector Undertakings

### 5.5.1 Turnover *vis-à-vis* Total Assets and Capital Employed in PSUs

The value of turnover, total assets and capital employed in respect of Power Sector PSUs and Other than power sector PSUs for the last three years ending 31 March 2021 are given in **Table 5.9**.

**Table 5.9: Turnover, Assets and Capital Employed of Power Sector and Other than Power Sector PSUs**

(₹ in crore)					
Year	Type of PSUs	No. of PSUs	Turnover	Total Assets	Capital employed
<b>Power Sector PSUs</b>					
2018-19	Government Companies	11	61,857.13	2,99,516.08	27,311.01
2019-20		11	66,378.02	3,29,501.90	30,222.96
2020-21		11	66,378.02	3,29,501.90	30,222.96
<b>Other than Power Sector PSUs</b>					
2018-19	Government Companies	13	1,365.79	18,184.78	10,358.93
	Government controlled other Companies	11	199.12	3,085.30	1,820.46
	Statutory Corporations	3	5,751.44	22,521.78	6,506.44
	<b>Total</b>	<b>27</b>	<b>7,316.35</b>	<b>43,791.86</b>	<b>18,685.83</b>

Year	Type of PSUs	No. of PSUs	Turnover	Total Assets	Capital employed
2019-20	Government Companies	13	1,534.55	18,929.72	11,229.64
	Government controlled other Companies	11	24.73	6,669.90	5,412.32
	Statutory Corporations	3	5,192.22	24,480.48	6,545.38
	<b>Total</b>	<b>27</b>	<b>6,751.50</b>	<b>50,080.10</b>	<b>23,187.34</b>
2020-21	Government Companies	13	1,447.41	20,504.85	12,485.02
	Government controlled other Companies	11	24.73	6,731.43	5,429.74
	Statutory Corporations	3	5,192.22	24,480.48	6,545.38
	<b>Total</b>	<b>27</b>	<b>6,664.36</b>	<b>51,716.76</b>	<b>24,460.14</b>
2018-19	All PSUs	38	69,173.48	3,43,307.94	45,996.84
2019-20	All PSUs	38	73,129.52	3,79,582.00	53,410.30
2020-21	All PSUs	38	73,042.38	3,81,218.66	54,683.10

There was marginal decrease in the turnover while increase in total assets and capital employed in the year 2020-21 compared to the previous year in 38 PSUs covered in the Chapter. PSU-wise details of turnover, total assets and capital employed are given in *Appendix-5.1*.

In respect of 11 power sector PSUs, there was increase in the turnover, total assets and capital employed in the year 2019-20 compared to previous year. This increase was mainly due to increase in turnover of Madhyanchal Vidyut Vitran Nigam Limited and Uttar Pradesh Power Transmission Corporation Limited and increase in the total assets and capital employed of Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Power Transmission Corporation Limited.

In respect of 27 other than power sector PSUs, total assets and capital employed has shown an increasing trend while the turnover has shown a decreasing trend during the period 2018-19 to 2020-21 as compared to previous years. Increase in total assets and capital employed was mainly due to increase in total assets as well as capital employed of Uttar Pradesh Metro Rail Corporation Limited and Noida International Airport Limited, whereas decrease in turnover was mainly due to decrease in turnover of Uttar Pradesh Avas Evam Vikas Parishad and DMIC Integrated Industrial Township Greater Noida Limited.

### 5.5.2 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>64</sup>. The details of RoCE of 11 Power Sector PSUs (All Government Companies) during the period from 2018-19 to 2020-21 are given in **Table 5.10**.

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

**Table 5.10: Return on Capital Employed for Power Sector PSUs**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
<b>Power Sector PSUs</b>			
<b>2018-19</b>	(-)8,093.59	27,311.01	(-)29.63
<b>2019-20</b>	(-)1,539.02	30,222.96	(-)5.09
<b>2020-21</b>	(-)1,539.02	30,222.96	(-)5.09

The overall RoCE of the power sector PSUs ranged between (-)5.09 *per cent* and (-)29.63 *per cent* during the period 2018-19 to 2020-21.

The details of RoCE of 27 Other than power sector PSUs (13 Government Companies, 11 Government controlled other Companies and three Statutory Corporations) during the period from 2018-19 to 2020-21 are given in **Table 5.11**.

**Table 5.11: Return on Capital Employed for other than Power Sector PSUs**

Year	Type of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
<b>2018-19</b>	Government Companies	27.39	10,358.93	0.26
	Government controlled other Companies	(-)447.15	1,820.46	(-)24.56
	Statutory Corporation	277.27	6,506.44	4.26
	<b>Total</b>	<b>(-)142.49</b>	<b>18,685.83</b>	<b>(-)0.76</b>
<b>2019-20</b>	Government Companies	(-)131.53	11,229.64	(-)1.17
	Government controlled other Companies	26.32	5,412.32	0.49
	Statutory Corporation	91.40	6,545.38	1.40
	<b>Total</b>	<b>(-)13.81</b>	<b>23,187.34</b>	<b>(-)0.06</b>
<b>2020-21</b>	Government Companies	(-)173.58	12,485.02	(-)1.39
	Government controlled other Companies	11.43	5,429.74	0.21
	Statutory Corporation	91.40	6,545.38	1.40
	<b>Total</b>	<b>(-)70.75</b>	<b>24,460.14</b>	<b>(-)0.29</b>

Source: Figures compiled based on latest finalised accounts till 30 November 2021

The overall RoCE of the other than power sector PSUs ranged between (-)0.06 *per cent* and (-)0.76 *per cent* during the period 2018-19 to 2020-21. RoCE of Government Companies was 0.26 *per cent* during 2018-19 and it was negative during 2019-20 and 2020-21, RoCE of Government controlled other Companies were 0.49 *per cent* and 0.21 *per cent* during the year 2019-20 and 2020-21 respectively and it was negative during 2018-19 whereas, RoCE of Statutory Corporations remained positive and ranged between 1.40 *per cent* and 4.26 *per cent* during 2018-19 to 2020-21.

The RoCE of Government Companies of other than power sector PSUs decreased from 0.26 *per cent* to (-)1.39 *per cent* which was mainly due to significant increase in capital employed in Uttar Pradesh Metro Rail Corporation Limited (from ₹ 6,509.65 crore to ₹ 8,073.06 crore) and Noida

Metro Rail Corporation Limited (from ₹ 2,557.59 crore to ₹ 3,030.83 crore) during 2018-19 to 2020-21.

### 5.5.3 Return on Equity

Return on Equity (RoE)<sup>65</sup> is a measure of financial performance of a company calculated by dividing net income (i.e. net profit after taxes) by shareholders' fund. It is expressed in terms of percentage of Shareholders' fund and can be calculated for any company if shareholders' fund is positive.

RoE of 11 power sector PSUs (All Government Companies) covered in the chapter during the period from 2018-19 to 2020-21 is given in **Table 5.12**.

**Table 5.12: Return on Equity in Power Sector PSUs**

		2018-19	2019-20	2020-21
<b>Government Companies</b>	Net Income for the year	(-)14,537.38	(-)6,499.10	(-)6,499.10
	Shareholders' Fund	(-)52,131.87	(-)50,030.35	(-)50,030.35
	RoE (in per cent)	-	-	-

Source: Figures compiled based on latest finalised accounts till 30 November 2021.

In case of power sector PSUs, the net income and shareholders' fund were negative during the last three years ending March 2021. RoE in respect of these years could not be worked out as shareholders' fund was negative which indicates that the liabilities of these PSUs have exceeded the assets and instead of paying returns on the share capital, the accumulated losses have wiped out the entire share capital.

RoE of 27 Other than power sector PSUs (13 Government Companies, 11 Government controlled other Companies and three Statutory Corporations) covered in the chapter during the period from 2018-19 to 2020-21 is given in **Table 5.13**.

**Table 5.13: Return on Equity in other than Power Sector PSUs**

		(₹ in crore)		
		2018-19	2019-20	2020-21
<b>Government Companies</b>	Net Income/Total earnings for the year	(-)8.28	(-)242.22	(-)306.93
	Shareholders' Fund	3,341.69	3,487.27	3,823.97
	RoE (in per cent)	(-)0.25	(-)6.95	(-)8.03
<b>Government controlled other Companies</b>	Net Income/Total earnings for the year	(-)450.69	14.27	3.01
	Shareholders' Fund	1,820.39	1,804.90	1,822.32
	RoE (in per cent)	(-)24.76	0.79	0.17
<b>Statutory Corporations</b>	Net Income/Total earnings for the year	277.27	91.40	91.40
	Shareholders' Fund	6,464.72	6,503.66	6,503.66
	RoE (in per cent)	4.29	1.41	1.41
<b>Total</b>	<b>Net Income/Total earnings for the year</b>	<b>(-)181.70</b>	<b>(-)136.55</b>	<b>(-)212.52</b>
	<b>Shareholders' Fund</b>	<b>11,626.80</b>	<b>11,795.83</b>	<b>12,149.95</b>
	<b>RoE (in per cent)</b>	<b>(-)1.56</b>	<b>(-)1.16</b>	<b>(-)1.75</b>

Source: Figures compiled based on latest finalised accounts till 30 November 2021.

In case of other than power sector PSUs, overall RoE as well as RoE of Government Companies was negative during the years 2018-19 to 2020-21.

<sup>65</sup> Return on Equity = (Net Profit after Tax and preference Dividend/Equity) X 100 where equity = paid up capital + free reserves – accumulated losses – deferred revenue expenditure.



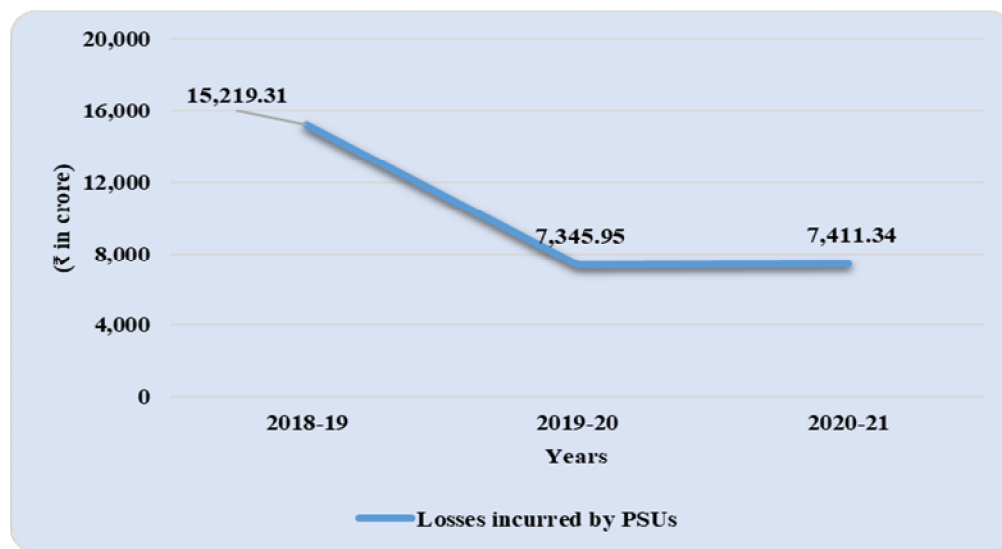
However, the RoE of Statutory Corporations remained positive and ranged between 1.41 per cent and 4.29 per cent. RoE of Government controlled other Companies were 0.79 per cent and 0.17 per cent during 2019-20 and 2020-21 respectively and it was negative in 2018-19.

## 5.6 Public Sector Undertakings incurring losses

### 5.6.1 Losses incurred by Public Sector Undertakings

The losses incurred by PSUs during 2018-19 to 2020-21 are depicted in Chart 5.4.

Chart 5.4: Losses incurred by PSUs



Out of total 38 PSUs covered in the Chapter, number of PSUs incurring losses has decreased from 20 to 16 during 2018-19 to 2020-21. These PSUs incurred losses amounting to ₹ 15,219.31 crore, ₹ 7,345.95 crore and ₹ 7,411.34 crore during 2018-19, 2019-20 and 2020-21 respectively. According to the latest finalised accounts of PSUs, top loss incurring PSUs were Uttar Pradesh Power Corporation Limited (₹ 3,158.92 crore), Purvanchal Vidyut Vitran Nigam Limited (₹ 1,204.30 crore) and Paschimanchal Vidyut Vitran Nigam Limited (₹ 1,067.87 crore) (*Appendix-5.1*).

### 5.6.2 Erosion of Net Worth

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is 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.

**Table 5.14** indicates paid-up capital, accumulated profit/loss and net worth of the 11 power sector PSUs (all Government Companies) during the period 2018-19 to 2020-21 as per latest finalised accounts till 30 November 2021.

**Table 5.14: Net worth of Power Sector PSUs during 2018-19 to 2020-21**

(₹ in crore)

Year	Paid-up Capital at the end of the year	Accumulated Profit (+)/Loss (-) at the end of the year	Deferred Revenue Expenditure	Net worth
(1)	(2)	(3)	(4)	(5)=(2)+(3)-(4)
2018-19	1,17,724.33	(-)1,69,856.02	0.18	(-)52,131.87
2019-20	1,25,973.16	(-)1,76,003.33	0.18	(-)50,030.35
2020-21	1,25,973.16	(-)1,76,003.33	0.18	(-)50,030.35

As on 31 March 2021<sup>66</sup>, overall accumulated losses of 11 power sector PSUs were ₹ 1,76,003.33 crore. Of these, seven PSUs incurred losses amounting to ₹ 6,969.96 crore as per their latest finalised accounts. Further, four PSUs earned profit of ₹ 470.86 crore as per their latest finalised accounts. Out of four profit earning PSUs, two PSUs<sup>67</sup> were having accumulated profit of ₹ 1,294.79 crore while remaining two PSUs<sup>68</sup> were having accumulated losses of ₹ 808.18 crore.

Net worth of six power sector PSUs had been completely eroded due to accumulated losses. The net worth of these six PSUs<sup>69</sup> was (-)₹ 84,086.46 crore against equity investment of ₹ 76,465.59 crore in these PSUs as on 31 March 2021 (*Appendix-5.1*). Net worth was less than half of the paid-up capital in respect of two<sup>70</sup> out of five<sup>71</sup> PSUs, whose net worth was positive at the end of March 2021, indicating their potential financial sickness.

**Table 5.15** indicates paid-up capital, accumulated profit/loss and net worth of the 27 Other than power sector PSUs (13 Government Companies, 11 Government controlled other Companies and Three Statutory Corporations) as per latest finalised accounts till 30 November 2021.

**Table 5.15: Net worth of Other than Power Sector PSUs during 2018-19 to 2020-21**

(₹ in crore)

Year	Type of PSU	Paid up Capital at the end of the year	Accumulated Profit (+)/Loss (-) at the end of the year	Deferred revenue Expenditure	Net worth
(1)		(2)	(3)	(4)	(5)=(2)+(3)-(4)
2018-19	Government Companies	3,696.31	(-)354.62	0.00	3,341.69
	Government controlled other Companies	1,506.66	314.20	0.47	1,820.39

<sup>66</sup> As per the latest finalised accounts till 30 November 2021.

<sup>67</sup> Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Jawaharpur Vidyut Utpadan Nigam Limited

<sup>68</sup> Uttar Pradesh Power Transmission Corporation Limited and UCM Coal Company Limited

<sup>69</sup> Purvanchal Vidyut Vitran Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited, Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited, Uttar Pradesh Power Corporation Limited and UCM Coal Company Limited

<sup>70</sup> Uttar Pradesh Jal Vidyut Nigam Limited and Madhyanchal Vidyut Vitran Nigam Limited

<sup>71</sup> Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Uttar Pradesh Jal Vidyut Nigam Limited, Jawaharpur Vidyut Utpadan Nigam Limited, Uttar Pradesh Power Transmission Corporation Limited and Madhyanchal Vidyut Vitran Nigam Limited

Year	Type of PSU	Paid up Capital at the end of the year	Accumulated Profit (+)/Loss (-) at the end of the year	Deferred revenue Expenditure	Net worth
	<b>Statutory Corporations</b>	926.19	5,538.53	0.00	6,464.72
	<b>Total</b>	<b>6,129.16</b>	<b>5,498.11</b>	<b>0.47</b>	<b>11,626.80</b>
2019-20	<b>Government Companies</b>	4,102.52	(-)615.25	0.00	3,487.27
	<b>Government controlled other Companies</b>	1,506.66	298.45	0.21	1,804.90
	<b>Statutory Corporations</b>	926.19	5,577.47	0.00	6,503.66
	<b>Total</b>	<b>6,535.37</b>	<b>5,260.67</b>	<b>0.21</b>	<b>11,795.83</b>
2020-21	<b>Government Companies</b>	4,846.32	(-)1,022.35	0.00	3,823.97
	<b>Government controlled other Companies</b>	1,506.66	315.87	0.21	1,822.32
	<b>Statutory Corporations</b>	926.19	5,577.47	0.00	6,503.66
	<b>Total</b>	<b>7,279.17</b>	<b>4,870.99</b>	<b>0.21</b>	<b>12,149.95</b>

In case of other than power sector PSUs, as on 31 March 2021, out of 27 PSUs, nine PSUs had accumulated losses of ₹ 2,678.47 crore. Of these nine PSUs, as per their latest finalised accounts, five PSUs incurred losses amounting to ₹ 428.77 crore and four PSUs had earned profit of ₹ 56.85 crore, though they had an accumulated losses of ₹ 1,425.90 crore.

Net worth of six<sup>72</sup> other than power sector PSUs had been completely eroded by accumulated losses and their net worth was (-)₹ 561.47 crore against an equity investment of ₹ 1,157.52 crore as on 31 March 2021. However, out of six PSUs whose net worth had been eroded, three<sup>73</sup> PSUs had earned profit of ₹ 56.46 crore as per their latest finalised accounts which included profit of ₹ 39.85 crore earned by the Uttar Pradesh State Road Transport Corporation.

## 5.7 Conclusion

- As on 31 March 2021, the total investment (equity and long-term loans) in 38 PSUs, whose financial performance is covered in this report, was ₹ 2,72,542.84 crore. The investment consisted of 53.08 *per cent* towards equity and 46.92 *per cent* in long-term loans. Out of this, GoUP has investment of ₹ 1,42,978.52 crore in these PSUs consisting of equity of ₹ 1,37,357.27 crore and long-term loans of ₹ 5,621.25 crore.
- Out of 38 PSUs, 22 PSUs earned profit of ₹ 699.72 crore and 16 PSUs incurred loss of ₹ 7,411.34 crore as per their latest finalised accounts up to

<sup>72</sup> The Pradesiya Industrial and Investment Corporation of UP Limited, Uttar Pradesh State Spinning Company Limited, Lucknow Smart City Limited, Agra Smart City Limited, Noida International Airport Limited and Uttar Pradesh State Road Transport Corporation

<sup>73</sup> UCM Coal Company Limited, The Pradesiya Industrial and Investment Corporation of UP Limited and Noida International Airport Limited

the year 2020-21. The major profit-making PSUs were Uttar Pradesh Power Transmission Corporation Limited (₹ 351.89 crore) and Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (₹ 116.91 crore). The major loss-making PSUs were Uttar Pradesh Power Corporation Limited (₹ 3,158.92 crore), Purvanchal Vidyut Vitran Nigam Limited (₹ 1,204.30 crore) and Paschimanchal Vidyut Vitran Nigam Limited (₹ 1,067.87 crore).

- As on 31 March 2021, differences in equity, loans and guarantee existed in respect of 66 PSUs. These differences between the figures are persisting since last many years, though the issue of reconciliation of differences was also taken up by the audit with the concerned PSUs and the Departments from time to time.
- Out of 12 PSUs having liability of interest-bearing loans during 2020-21, nine PSUs had negative (less than one) interest coverage ratio which indicates that these PSUs could not generate sufficient revenue even to meet their expenses on interest.
- Net worth of 12 PSUs had been completely eroded due to accumulated losses. The net worth of these PSUs was (-)₹ 84,647.93 crore against equity investment of ₹ 77, 623.11 crore in these PSUs.

#### **5.8 Recommendations**

- *The Finance Department of GoUP and the respective PSUs should reconcile the differences in figures of equity, loans and guarantees outstanding as per records of the PSUs and as per the Finance Accounts of GoUP in a time bound manner.*
- *The State Government may review the performance of loss making PSUs and invest cautiously in these PSUs.*