

## Chapter 6 General Purpose Financial Report of State Public Sector Undertakings

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### 6.1 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 company<sup>52</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 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).

#### 6.1.1 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 which the accounts are to be audited. In addition, CAG has the right to conduct a

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<sup>52</sup>Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs (04.09 2014)

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.

## 6.2 Number of State PSUs and status of accounts

As on 31 March 2021, there were 112 State PSUs in Andhra Pradesh State (including 11 Government Companies in Power Sector and 101 Government Companies, Government Controlled Other Companies and three Statutory Corporations in non-power sector) under the audit jurisdiction of the CAG. Out of these 112 PSUs, 93 were working and 19 inactive PSUs<sup>53</sup>. Further 93 working PSUs include 11 Power Sector PSUs and 82 PSUs of other Sectors. During the year 2020-21, 13 Government Companies came under the audit jurisdiction of CAG. Details are given in *Appendix-6.1*.

The nature of PSUs and the position of State PSUs as on 30 September 2021 are given in **Table 6.1**.

**Table 6.1: Coverage and nature of PSUs**

Nature of PSUs	Total No. of PSUs	Number of PSUs whose accounts were received as of 30 September 2021 <sup>54</sup>				No. of PSUs, whose analysis is not covered in the Report
		Accounts up to			Total	
		2020-21	2019-20	2018-19		
Government Companies	88	5	26	12	43	45
Government Controlled other Companies <sup>55</sup>	2	--	2	--	2	0
Statutory Corporations <sup>56</sup>	3	0	1	1	2	1
<b>Total Working PSUs</b>	<b>93</b>	<b>5</b>	<b>29</b>	<b>13</b>	<b>47</b>	<b>46</b>
<b>Inactive Government Companies</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19</b>
<b>Grand Total</b>	<b>112</b>					<b>65</b>

*Source:* As compiled by office of PAG (Audit), Andhra Pradesh.

*Note:* One inactive PSU had submitted account for 2019-20 by November 2021.

Out of 93 working PSUs, financial performance of 46 working PSUs (21 PSUs in respect of which first accounts were awaited and 25 PSUs whose accounts were in arrears for three or more years as on 30 September 2021 or information was not furnished to Audit) and 19 inactive PSUs has been not covered in this Chapter. Based on the accounts and information furnished by PSUs (both Power and Non-power sectors), analysis of financial performance of 47 working PSUs has been covered in this Chapter. The position of accounts of all 112 PSUs, both working and inactive as on

<sup>53</sup>Inactive PSUs are those which have ceased to carry out their operations.

<sup>54</sup>Due date for conduct of Annual General Meeting (AGM) was extended by two months beyond normal due date for the financial year ended on 31.03.2021 vide order on 23.09.2021 by ROC, Vijayawada, Ministry of Corporate Affairs, GoI in view of the Covid-19 pandemic.

<sup>55</sup>Kakinada Smart City Corporation Limited and Greater Visakhapatnam Smart City Corporation Limited.

<sup>56</sup>Andhra Pradesh State Road Transport Corporation (APSRTC), Andhra Pradesh State Financial Corporation and Andhra Pradesh State Warehousing Corporation.

30 September 2021 is given in **Appendix-6.1**.

The figures in **Table 6.1** above indicate position of accounts received as on 30 September 2021 i.e., the original cut of date for finalisation of accounts by PSUs Details of inactive PSUs.

As on 31 March 2021, there were 19 inactive PSUs, compared to 20 inactive PSUs as on 31 March 2020. One inactive PSU<sup>57</sup> was dissolved in the year 2020-21. The total investment in these 19 inactive State PSUs was ₹ 237.51 crore. Out of the 19 inactive PSUs, eight were reported to be in the process of liquidation for several decades, although Official Liquidator had already been appointed. We are unable to make any assessment of the investment of State Government in these 19 PSUs due to non-furnishing of accounts / information, despite being requested for every year.

### 6.2.1 Summary of financial performance of PSUs

The summary of financial performance of 47 working PSUs is given in **Table 6.2**:

**Table 6.2: Summary of financial performance of working State PSUs covered in this Report**

Particulars	No. of PSUs	Amount
Number of working State PSUs	93 PSUs	--
State PSUs covered	47 PSUs	--
Paid up capital	47 PSUs	₹ 6,792.62 crore
Long term loans	47 PSUs	₹ 90,944.74 crore
Net profit	15 PSUs	₹ 322.09 crore
Net loss	28 PSUs	₹ 1,363.45 crore
Zero profit/loss	4 PSUs	--
Dividend Paid/Payable	1 PSU	₹ 0.78 crore
Total assets	47 PSUs	₹ 2,09,463.70 crore
Networth	47 PSUs	(-) ₹ 24,678.08 crore

Source: As per Annual Accounts of PSUs

### 6.3 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 during three years period ended 31 March 2021 are given in **Table 6.3**:

**Table 6.3. Details of turnover of 47 working PSUs vis-a-vis GSDP of AP**

(₹ in crore)

S. No.	Sector	2018-19	2019-20	2020-21
1	Power	42,820.43	45,297.05	45,294.61
2	Finance	815.46	1,177.85	1,179.34
3	Service	20,177.25	23,080.21	23,080.21
4	Infrastructure	622.36	828.44	828.44
5	Others	898.92	926.03	907.34

<sup>57</sup> Southern Transformers and Electricals Limited.

S. No.	Sector	2018-19	2019-20	2020-21
	<b>Total turnover</b>	<b>65,334.42</b>	<b>71,309.58</b>	<b>71,289.94</b>
	GSDP of Andhra Pradesh	8,70,849.00	9,71,224.00	9,86,611.00
	Percentage of turnover to GSDP of Andhra Pradesh	<b>7.50</b>	<b>7.34</b>	<b>7.23</b>

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

The contribution of PSUs to GSDP of Andhra Pradesh declined from 7.50 per cent in 2018-19 to 7.23 per cent in 2020-21 though the turnover of these PSUs increased by 9.12 per cent during 2020-21 compared to turnover in 2018-19. However, the overall turnover of 47 PSUs during 2020-21 decreased marginally by 0.03 per cent compared to the turnover during 2019-20. During the last three years the compounded annual growth rate (CAGR) of GSDP was 6.44 per cent, while the CAGR of turnover of the 47 working PSUs was 4.46 per cent.

The PSUs in Power Sector have contributed maximum turnover constituting 63.54 per cent followed by Service sectors contributing 32.38 per cent of the total turnover of 47 PSUs during 2020-21. While the PSUs in other sectors contributed less than two per cent each of the total turnover during 2020-21.

#### 6.4 Investments in Government Companies and Statutory Corporations and Budgetary Support

The amount of equity and loans in 47 PSUs as at the end of 31 March 2021 is given in **Table 6.4**.

**Table 6.4: Equity and long-term loans in working Government Companies and Statutory Corporations**

Sl. No.	Sources of investment	As on 31.03.2021			As on 31.03.2020		
		Equity	Long term loans	Total	Equity	Long term loans	Total
1	State Government	4,212.96	1,407.18	5,620.14	4,212.96	1,407.18	5,620.14
2	Central Government Companies	37.73	0	37.73	37.73	0	37.73
3	State PSUs	1,578.42	4,063.89	5,642.31	1,578.42	3,651.89	5,230.31
4	Others (Financial Institutions, Banks and Central PSUs)	963.51	85,473.67	86,437.18	963.51	82,653.12	83,616.63
	<b>Total</b>	<b>6,792.62</b>	<b>90,944.74</b>	<b>97,737.36</b>	<b>6,792.62</b>	<b>87,712.19</b>	<b>94,504.81</b>
5	Percentage of investment of State Government to total investment	62.02	1.55	5.75	62.08	1.60	5.95

Source: As per Annual Accounts of PSUs

Out of the total Equity holding, the Equity held by the State Government constituted 62.02 per cent.

The Sector wise investment of State Government in 47 PSUs during the three-year period 2018-19 to 2020-21 is given in **Table 6.5**:

**Table 6.5: Sector wise investment of State Government in PSUs**

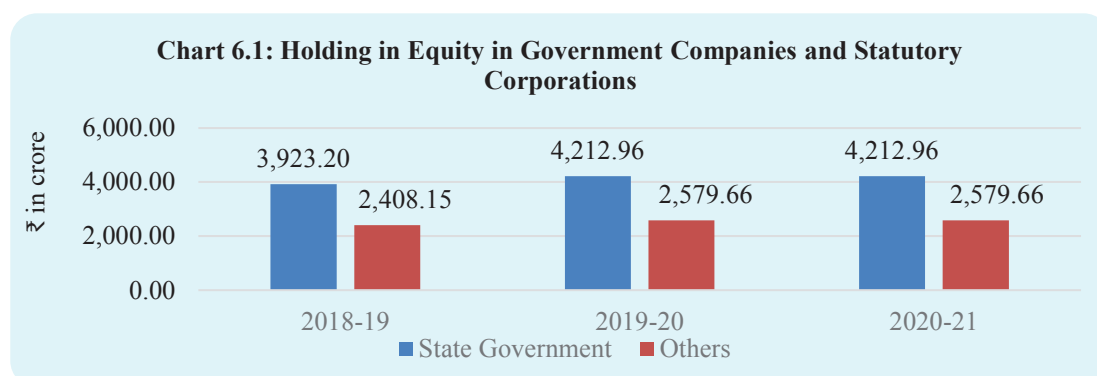
(₹ in crore)

Sector-wise Investment									
Nature of Sector	2018-19			2019-20			2020-21		
	Equity	Loans	Total	Equity	Loans	Total	Equity	Loans	Total
Power	5,110.51	51,426.73	56,537.24	5,110.61	63,534.08	68,644.69	5,110.61	66,766.63	71,877.24
Finance	259.37	3,671.41	3,930.78	548.43	12,000.30	12,548.73	548.43	12,000.30	12,548.73
Service	141.01	4,197.32	4,338.33	170.45	4,177.14	4,347.59	170.45	4,177.14	4,347.59
Infrastructure	698.05	6,228.13	6,926.18	840.62	7,792.57	8,633.19	840.62	7,792.57	8,633.19
Others	122.41	206.90	329.31	122.51	208.10	330.61	122.51	208.10	330.61
<b>Total</b>	<b>6,331.35</b>	<b>65,730.49</b>	<b>72,061.84</b>	<b>6,792.62</b>	<b>87,712.19</b>	<b>94,504.81</b>	<b>6,792.62</b>	<b>90,944.74</b>	<b>97,737.36</b>

Source: As per Annual Accounts of PSUs

As on 31 March 2021, the total investment in PSUs comprised 6.95 per cent of equity capital and 93.05 per cent of long-term loans. The thrust of State Government's investment in PSUs was mainly in Power Sector PSUs which constituted 75.24 per cent of Equity and 73.41 per cent of Loans during 2020-21.

Holding in equity by State Government and Others (Central Government, Financial Institutions and Bank etc.) during the three years ended 31 March 2021 in 47 PSUs is depicted in **Chart 6.1**.



Details of significant holding (holding of more than ₹ 100 crore) of the State Government as at the end of March 2021 in the paid-up capital of the State PSUs is given in **Table 6.6**.

**Table 6.6: Significant holding of the State Government**

Sl. No.	Name of the State PSU	Name of the Department	Amount (₹ in crore)
<b>Statutory Corporations</b>			
1	Andhra Pradesh State Financial Corporation	Industries and Commerce	206.01
<b>Government Companies</b>			
2	Andhra Pradesh Power Generation Corporation Limited	Energy	2,106.80
3	Transmission Corporation of Andhra Pradesh Limited	Energy	454.44
4	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	358.72
5	Andhra Pradesh Power Finance Corporation Limited	Energy	305.97
6	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	121.23
	<b>Total</b>		<b>3,553.17</b>

Source: As per Annual Accounts of PSUs

We observed that out of the total equity investment by State Government in 47 PSUs, a significant amount i.e., 84.34 *per cent* was in the above PSUs.

#### 6.4.1 Budgetary support to PSUs

State Government provides financial support to the State PSUs in various forms through annual budget. The 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 2021 are given in the **Table 6.7:**

**Table 6.7: Statement showing details regarding budgetary support to PSUs.**

Sl. No	Particulars	2018-19		2019-20		2020-21	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
<b>Power Sector PSUs</b>							
(i)	Equity Capital Outgo	0	0	0	0	0	0
(ii)	Loans given	1	119.46	3	5,671.32	0	0
(iii)	Grants/Subsidy provided	2	2,116.57	1	1,181.75	2	757.92
(iv)	Total outgo (i+ii+iii)	3	2,236.03	3	6,853.07	2	757.92
(v)	Loan repayment written off	0	---	0	0	0	0
(vi)	Loans converted into equity	0	---	0	0	0	0
(vii)	Guarantees issued	1	50.60	0	0	2	2,982.00
(viii)	Guarantees commitment	3	1,679.10	2	1,544.37	2	1,910.20
<b>Non-Power Sector PSUs</b>							
(i)	Equity Capital Outgo	0	0	2	294.93	0	0
(ii)	Loans given	0	0	1	4,000.00	2	15.92
(iii)	Grants / Subsidy provided	7	1,615.68	9	1,853.27	8	1,799.41
(iv)	Total outgo (i+ii+iii)	7	1,615.68	10	6,148.20	10	1,815.33
(v)	Loan repayment written off	0	0	0	0	0	0
(vi)	Loans converted into equity	0	0	0	0	0	0
(vii)	Guarantees issued	3	9,901.59	2	21,741.33	2	1,632.97
(viii)	Guarantees commitment	7	29,476.91	2	31,741.33	5	3,252.89

Source: Information received from PSUs.

Note: Information compiled to the extent of information received from the PSUs among the 47 PSUs covered in this Report for analysis.

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/subsidy ranged between ₹ 757.92 crore (2020-21) to ₹ 6,853.07 crore (2019-20). The outstanding guarantee commitments given for PSUs decreased from ₹ 29,476.91 crore in 2018-19 to ₹ 3,252.89 crore in 2020-21. 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 ₹ 72.08 crore is payable by three PSUs to the Government as on 31 March 2021.

#### 6.4.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2020-21, there was neither disinvestment of any State PSUs nor was any PSU privatized.

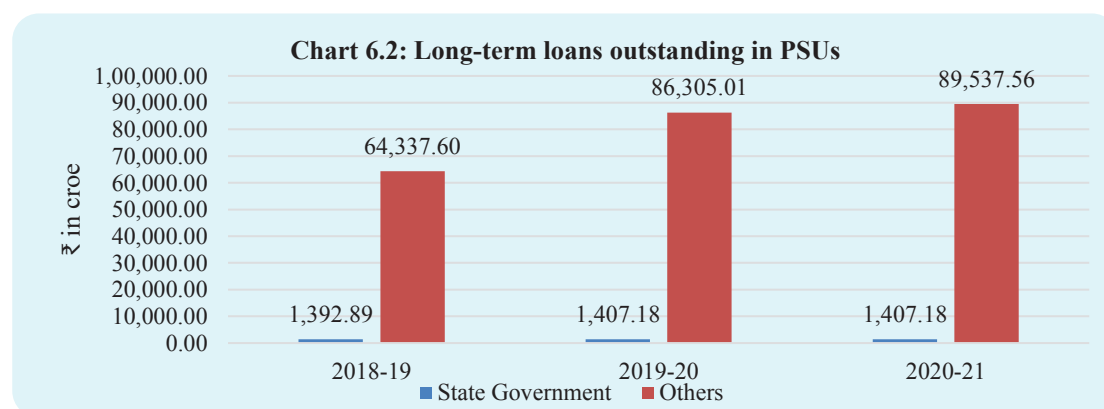
### 6.4.3 Analysis of outstanding loans given to PSUs

#### 6.4.3.1 Long-term loans outstanding as on 31 March 2021

As on 31 March 2021, the total long-term loans outstanding in 21 out of 47 working PSUs from all sources was ₹ 90,944.74 crore. The outstanding long-term loans of PSUs registered an increase of ₹ 3,232.55 crore during 2020-21 (₹ 90,944.74 crore) from previous year 2019-20 (₹ 87,712.19 crore). The increase was noticed in three PSUs viz., Andhra Pradesh Power Development Company Limited (₹ 527.11 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 719.67 crore), Eastern Power Distribution Company of Andhra Pradesh Limited (₹ 1,985.77 crore).

Out of the total outstanding loans as on 31 March 2021, loans from State Government were ₹ 1,407.18 crore of which significant amount (₹ 1,270.17 crore) pertained to three PSUs only viz., APSRTC (₹ 749.44 crore), Transmission Corporation of Andhra Pradesh Limited (₹ 387.11 crore) and Andhra Pradesh State Seeds Development Corporation Limited (₹ 133.62 crore).

Year-wise details of outstanding long-term loans of PSUs is depicted in **Chart 6.2**.



#### 6.4.3.2 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 21 PSUs which had outstanding loans as on 31 March 2021 is given in **Table 6.8**.

**Table 6.8: Coverage of long-term loans with total assets**

Nature of State PSU	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)		
Government Companies	18	85,922.75	1,80,856.65	210.49	1	5.65	5.23	92.57
Statutory Corporations	2	5,016.34	21,220.34	423.02	--	--	--	--
<b>Total</b>	<b>20</b>	<b>90,939.09</b>	<b>2,02,076.99</b>		<b>1</b>	<b>5.65</b>	<b>5.23</b>	

Source: As per Annual Accounts of PSUs

Out of 21 PSUs, in respect of one PSU viz., Ongole Iron Ore Mining Company Private Limited the value of total assets was less than the loans outstanding.

### 6.4.3.3 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 interest coverage ratio of PSUs, which had outstanding loans during the period from 2018-19 to 2020-21 are given in **Table 6.9**.

**Table 6.9: 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
<b>Statutory Corporations</b>					
2018-19	140.61	229.20	1	1	0
2019-20	111.33	183.55	1	1	0
2020-21	111.33	183.55	1	1	0
<b>Government Companies</b>					
2018-19	6,166.37	-5,714.23	10	6	4
2019-20	6,358.11	6,806.73	11	7	4
2020-21	6,643.47	7,270.58	11	7	4
<b>Total</b>					
2018-19	6,306.98	-5,485.03	11	7	4
2019-20	6,469.44	6,990.28	12	8	4
2020-21	6,754.80	7,454.13	12	8	4

Source: As per Annual Accounts of PSUs

It was observed that the number of PSUs with ICR equal to or more than one has remained almost same during the year 2020-21, compared to the previous year. Similarly, the number of PSUs with ICR less than one also remained same during the last three years.

## 6.5 Returns from PSUs

### 6.5.1 Profit earned by PSUs

Out of 47 PSUs, 15 PSUs earned profit, 28 PSUs reported losses and four PSUs had neither profit nor loss during the year 2020-21.

The overall profit of these 15 PSUs was ₹ 322.09 crore. The list of PSUs which earned profit of more than ₹ 25 crore during the year 2020-21 is given in **Table 6.10**.



**Table 6.10: List of top profit-making PSUs during 2020-21**

(₹ in crore)		
Sl.No.	Name of the State PSUs	Net Profit
1	Transmission Corporation of Andhra Pradesh Limited	115.03
2	Andhra Pradesh State Financial Corporation	70.08
3	Eastern Power Distribution Company of Andhra Pradesh Limited	39.94
4	Andhra Pradesh Industrial Infrastructure Corporation Limited	28.29
<b>Total</b>		<b>253.34</b>

Source: As per Annual Accounts of PSUs

It may be seen that four PSUs contributed 78.66 per cent of the total profit earned by 15 PSUs during 2020-21. Out of these, PSUs at Sl. No (1) & (3) are working under monopolistic conditions in Power Sector and Sl. No (2) & (4) are working in Competitive sector.

During 2020-21, net profit of ₹ 287.31 crore constituting 89.20 per cent of total profit of State PSUs was contributed by 10 State PSUs. The details of top three sectors, which contributed maximum profit during 2020-21 are summarised in **Table 6.11**.

**Table 6.11: Top 3 sectors which contributed maximum profit during the year 2020-21**

Sector	No. of profit earning State PSUs	Net profit earned (₹ in crore)	Percentage of Sector's profit to total State PSUs profit
<b>Power</b>	5	180.83	56.14
<b>Finance</b>	3	75.69	23.50
<b>Service</b>	2	30.79	9.56
<b>Total</b>	<b>10</b>	<b>287.31</b>	<b>89.20</b>

Source: As per Annual Accounts of PSUs

### 6.5.2 Losses incurred by PSUs

There were 28 PSUs, which reported losses during the year 2020-21. The losses incurred by PSUs decreased from ₹ 14,061.76 crore in 2018-19 to ₹ 1,363.45 crore in 2020-21 as given in **Table 6.12**.

**Table 6.12: 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)
2018-19	25	14,061.76	37,432.79	(-)28,993.28
2019-20	29	1,835.86	17,153.76	(-)13,465.69
2020-21	28	1,363.45	9,566.33	(-)6,014.57

Source: As per Annual Accounts of PSUs

Out of total loss of ₹ 1,363.45 crore incurred by 28 PSUs, loss of ₹ 1,179.82 crore was contributed by three PSUs. These top three loss making PSUs were Andhra Pradesh State Road Transport Corporation Limited (₹ 961.28 crore), Kakinada Smart City Corporation Limited (₹ 111.62 crore) and Andhra Pradesh Power Development Company Limited (₹ 106.92 crore).

The details of PSUs which have incurred losses of more than ₹ 25 crore are given in **Table 6.13**.

**Table 6.13: State PSUs that incurred losses of more than ₹ 25 crore during 2020-21**

(₹ in crore)		
Sl.No.	Name of the State PSU	Net loss
1	Andhra Pradesh State Road Transport Corporation	961.28
2	Kakinada Smart City Corporation Limited	111.62
3	Andhra Pradesh Power Development Company Limited	106.92
4	Andhra Pradesh State Skill Development Corporation	70.63
5	Amaravati Development Corporation Limited	25.25
	<b>Total</b>	<b>1,275.70</b>

Source: As per Annual Accounts of PSUs

It may be seen that these five PSUs contributed 93.56 per cent of the total losses incurred by 28 PSUs during 2020-21.

### 6.5.3 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.

As on 31 March 2021, of the 47 PSUs, 29 PSUs had accumulated losses of ₹ 38,419.60 crore, 15 PSUs had surplus of ₹ 5,172.47 crore and three PSUs had neither accumulated losses nor surplus, as per their latest accounts. Due to the overall accumulated loss of ₹ 33,247.13 crore of the 47 PSUs, the overall net worth was negative which stood at (-) ₹ 24,678.08 crore against the shareholders' funds of ₹ 8,569.05 crore (Paid-up Capital: ₹ 6,792.62 crore + Free Reserves: ₹ 1,776.43 crore).

The shareholders' funds of 18 out of 29 PSUs had been completely eroded by accumulated loss as their net worth was either zero or negative. The total net worth of these 18 PSUs was negative at ₹ 35,322.03 crore against shareholders' funds of ₹ 2,862.15 crore in these PSUs as on 31 March 2021.

The maximum erosion of shareholders' funds was noticed in two State DISCOMs, where negative net worth of Eastern Power Distribution Company of Andhra Pradesh Limited (APEPDCL) was ₹ 7,533.18 crore, Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) was ₹ 20,813.19 crore and in Andhra Pradesh State Road Transport Corporation ₹ 6,810.35 crore as at the end of March 2021. Of these 18 PSUs, whose shareholders' funds had been completely eroded (zero or negative net worth), three PSUs had earned profit of ₹ 43.24 crore and 14 PSUs had incurred losses of ₹ 1,144.19 crore during 2020-21 and one PSU reported neither profit nor loss. Details of PSUs having negative net worth as on 31 March 2021 are given in *Appendix-6.2*.

In four out of 18 PSUs whose shareholders' fund had been completely eroded, State Government loans outstanding as on 31 March 2021 was ₹ 804.26 crore.

In addition, net worth was less than half of their shareholders' funds in respect of two<sup>58</sup> out of 29 PSUs, whose net worth was positive at the end of 31 March 2021, indicating their potential financial sickness.

#### 6.5.4 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 2020-21, only one PSU viz., Andhra Pradesh State Seeds Development Corporation paid dividend of ₹ 0.78 crore.

#### 6.5.5 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 employed<sup>59</sup>.

PSU-wise details of ROCE for the period 2018-19 to 2020-21 are given in *Appendix-6.3*. The consolidated ROCE of 47 PSUs during the period from 2018-19 to 2020-21 is given in **Table 6.14**.

**Table 6.14: Return on Capital Employed of PSUs**

Year	EBIT (₹ in crore)	Capital employed (₹ in crore)	ROCE (in percentage)
2018-19	(-)5,356.64	41,111.90	(-)13.03
2019-20	7,786.92	63,100.36	12.34
2020-21	8,247.65	66,266.66	12.45

Source: As per Annual Accounts of PSUs

It was observed that ROCE of 47 State PSUs increased from (-) 13.03 *per cent* during 2018-19 to 12.45 *per cent* during 2020-21 as the EBIT improved from during 2020-21 compared to that during 2018-19.

#### 6.5.6 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.

<sup>58</sup> Kakinada Smart City Corporation Limited (Net worth 54.59 crore against Shareholders' Fund of ₹200 crore), Andhra Pradesh State Irrigation Development Corporation Limited (Net worth ₹30.42 crore against Shareholders' Fund of ₹ 78.04 crore).

<sup>59</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure

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 2018-19 to 2020-21 are given in *Appendix-6.4*. The consolidated ROE of 47 PSUs during the period from 2018-19 to 2020-21 is given in **Table 6.15**.

**Table 6.15: Return on Equity of PSUs**

Year	Net Profit/loss (₹ in crore)	Equity (₹ in crore)	ROE (in percentage)
2018-19	-13,835.86	6,331.35	(-)218.53
2019-20	-1,455.33	6,792.62	(-)21.43
2020-21	-1,041.36	6,792.62	(-)15.33

Source: As per Annual Accounts of PSUs

As the 47 State PSUs had overall losses during all the 3 years, the ROE was negative in all the three years. However, the ROE improved from (-)218.53 *per cent* in 2018-19 to (-)15.33 *per cent* in 2020-21.

### 6.5.7 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 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 2021, 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 2016-17 to 2020-21.

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

- The equity infused minus disinvestment have been reckoned as investment for calculating the RORR.

- The funds made available in the form of interest-free loans<sup>60</sup>, 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 6.16: Year wise details of investment by the State Government, Central Government and Others and RORR from 2016-17 to 2020-21**

(₹ in crore)

Financial Year	PV of the total investment at the beginning of the year	Investment during the year by GoAP	Investment during the year by GoI and Others	Total Investment in the form of Equity	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)=(B+C+D)	(F)	(G)=(E)+((E *F)/100)	(H)	(I)	(J)=I*100/G
2016-17	5,976.41*	100.25	0	6,076.66	6.31	6,460.10	383.44	2,515.97	38.95
2017-18	6,460.10	96.63	83.73	6,640.46	6.52	7,073.42	432.96	(-)39.28	(-)0.56
2018-19	7,073.42	0.02	74.31	7,147.75	6.37	7,603.06	455.31	(-)13,835.86	(-)181.98
2019-20	7,603.06	289.76	171.51	8,064.33	6.31	8,573.19	508.86	(-)1,455.33	(-)16.98
2020-21	8,573.19	0.00	0.00	8,573.19	6.14	9,099.58	526.39	(-)1,041.36	(-)11.44
<b>Total</b>		<b>486.66</b>	<b>329.55</b>						

Source: Annual Accounts of PSUs.

Note: \*Actual Equity at historical cost the beginning of the year. The ROI for the year 2018-19 is on historical cost basis.

RORR has shown an improving trend in the last three years as the RORR, though negative in all the three years, improved from (-) 181.98 per cent in 2018-19 to (-) 11.44 per cent in 2020-21. This was mainly on account of two PSUs in Power Sector which earned profits during 2019-20 compared to loss reported in 2018-19. Similarly, two PSUs in Power Sector improved their profitability during 2020-21, compared to the year 2019-20, which contributed to the improved RORR.

<sup>60</sup> There were no interest free loans during the years 2016-17 to 2020-21.

**Table 6.17: Consolidated RORR on present value of investments for the year 2020-21**

Total Earnings/ Loss in 2020- 21 (₹ in crore)	Investment by the State Government, Central Government and Others since 2018-19 to 2020-21 (₹ in crore)	Return on investment on the basis of historical value (in percentage)	Present value of investment at the end of 2020-21 (₹ in crore)	RORR on investment considering the present value of investments (in percentage)
(A)	(B)	(C)	(D)	(E)
Value of column (I) of above table	Total of OB of 2018-19+ Column (C) + Column (D)	(A)*100/(B)	Value of Column (G) of above table	(A)*100/(D)
(-),041.36	6,792.62 (5,976.41+486.66+329.55)	(-),15.33	9,099.58	(-),11.44

Source: As per Annual Accounts of PSUs

## 6.6 Oversight Role of CAG

### 6.6.1 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.

### 6.6.2 Submission of Accounts by PSUs

#### 6.6.2.1 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). As soon as may be after such preparation, 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. Almost 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 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 paced in the AGM by 30 September of the following year.

However, Registrar of Companies, Andhra Pradesh, Ministry of Corporate Affairs extended (23.09.2021) the due date to hold AGM (other than first AGM) by two months i.e. up to 30 November 2021 under Section 96 of the Act in respect of financial year ended on 31 March 2021 in view of the Covid-19 pandemic. Consequently, the financial statements also need to be prepared and placed in the AGM by 30 November 2021.

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.

#### 6.6.2.2 Timeliness in preparation of accounts by PSUs

As on 31 March 2021, there were 112 State PSUs under the purview of CAG's audit in Andhra Pradesh. Out of these 112 PSUs, 19 are inactive which are under either liquidation or defunct. Out of remaining 93 working PSUs (including three Statutory Corporations), a total of 16 working State Government Companies submitted their accounts for 2020-21 for audit by CAG on or before 30 November 2021. Annual Accounts of 77 PSUs including three Statutory Corporations were in arrears for various reasons. However, 35 State PSUs including one Statutory Corporation have submitted 45 annual accounts for the previous years by 30 September 2021. Details of arrears in submission of accounts as on 30 November 2021 are given in **Table 6.18**.

**Table 6.18: Details of finalisation of accounts by PSUs**

Particulars		Government Companies		Statutory Corporations		Total PSUs	
		Govt. Companies	No. of Arrears	Statutory Corporations	No. of Arrears	No. of PSUs	No. of Arrears
Total number of PSUs on 31 March 2021		90		3		93	
Number of State PSUs which presented the accounts of 2020-21 for CAG's audit by 30 November 2021		16		0		16	
Number of PSUs which submitted Accounts for previous years Number of Accounts)		34(44)		1(1)		35(45)	
Break-up of Arrears of Accounts		Govt. Companies	No. of Arrears	Statutory Corporations	No. of Arrears	No. of PSUs	No. of Arrears
Age-wise analysis of arrears against 'Others' category	One year (2020-21)	23	23	1	1	24	24
	Two years (2019-20 and 2020-21)	12	24	1	2	13	26
	Three years and more	39	181	1	6	40	187
<b>Total of Arrears of Accounts</b>		<b>74</b>	<b>228</b>	<b>3</b>	<b>9</b>	<b>77</b>	<b>237</b>

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

The list of the State PSUs and status of accounts in arrears is indicated in **Appendix 6.1** Audit of three Statutory Corporations viz., Andhra Pradesh Road Transport Corporation, Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation 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 Corporation only one Statutory Corporation viz., Andhra Pradesh Financial Corporation submitted Annual Accounts for the 2019-20. The Annual Accounts of all the three Statutory Corporations were in arrears (including financial year 2020-21) as on 30 September 2021.

### **6.6.3 CAG's oversight- Audit of annual accounts and supplementary audit**

#### **6.6.3.1 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.

#### **6.6.3.2 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.

#### **6.6.3.3 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.

## **6.7 Results of CAG's oversight role**

### **6.7.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013**

As on 30 November 2021, 16 PSUs submitted their Financial Statements for the year 2020-21. Further, 37 PSUs submitted 50 Financial Statements/account for previous years spanning from 2006-2007 to 2019-20.

Of the 66 accounts, Non-Review Certificates were issued in respect of 20 accounts, and 16 accounts were reviewed by 30 November 2021. The audit in respect of 31 accounts were in progress by 30 November 2021. The results of the review are detailed below:

#### **6.7.1.1 Amendment of Financial Statements**

As a result of supplementary audit of the financial statements received during the period ended 30 November 2021 conducted by the CAG, none of the State PSUs has amended the Financial Statements before laying the same in the AGM.

#### **6.7.1.2 Revision of Auditors Report**

As a result of supplementary audit of the financial statements received during the period ended 30 September 2021 conducted by the CAG, the statutory auditors of four State PSUs as detailed in *Appendix-6.5* revised their report before laying of the Financial Statements of these Companies in their AGM.

#### **6.7.1.3 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 2020-21 and that of the financial statements for the previous years received by 30 November 2021, by Statutory Auditors, the CAG conducted 16 supplementary audits of the financial statements of the selected State PSUs. Some of the significant comments issued on financial statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹ 1,448.18 crore and on assets/liabilities was ₹ 590.21 crore, are given below.

**Comments on Profitability**

Sl. No	Name of the Company	Comment
1	Andhra Pradesh State Irrigation Development Corporation	<p><b>Other Current Liabilities: ₹ 0.31 crore</b></p> <p>The Company adjusted Trade Receivable of ₹ 31.83 crore against the total outstanding interest of ₹ 45.63 crore payable on the loan from GoAP as on 31 March 2019 and did not show the balance of ₹ 13.81 crore as Other Current Liabilities, resulting in understatement of Other Current Liabilities by ₹ 13.81 crore and overstatement of Prior Period Adjustment (Income) to that extent.</p>
2	Southern Power Distribution Company of Andhra Pradesh Limited	<p><b>Trade Payables-Power Purchase: ₹ 16,528.27 crore</b></p> <p>The Company did not account ₹ 163.46 crore as liability towards the compensation payable by it due to change in Law as per CERC orders for payment of claims of power developer as per Article 10 (Change in law) of PPAs resulting in understatement of Expenses and Trade Payables each by ₹ 163.46 crore and overstatement of Profit for the year by ₹ 163.46 crore.</p> <p><b>Trade Receivables: ₹ 6,773.55 crore</b></p> <p>As against ₹ 1,458.04 crore of trade receivables (for sale of power) outstanding for more than four years as on 31 March 2020, the Company made provision to the extent of only ₹ 196.90 crore, which was not in line with the Accounting Policy for provision for bad and doubtful debts resulting in understatement of provision for bad and doubtful debts and overstatement of trade receivables, each by ₹ 1,261.14 crore and consequent overstatement of Profit for the year by ₹ 1,261.14 crore.</p>

Sl. No	Name of the Company	Comment
3	Transmission Corporation of Andhra Pradesh Limited	<p><b>Depreciation and Amortisation Expenses: ₹ 681.68 crore</b></p> <p>As per Accounting Policy of the Company, Depreciation on property, Plant and Equipment is provided using Straight line Method based on useful life of assets as per the Electricity (Supply) (Annual Accounts) Rules, 1985 and as per the rates notified in the GoI Gazette Notification of 29 March 1994. In case of intangible assets (Computer software), the Company disclosed that the amortization would be over a period of five years. However, depreciation was not provided as per the rates allowed resulting in overstatement of Fixed Assets (net block) as well as Profit for the year by ₹ 9.77 crore.</p>

#### Comments on Financial Position

Sl. No	Name of the Company	Comment
1	Andhra Pradesh State Irrigation Corporation Limited	<p><b>Amount Due to Corporation: ₹ 19.98 crore</b></p> <p>The Company did not make separate disclosure of the amount of ₹ 6.87 crore lying in its PD Account, which was not in line with the GoAP orders on PD Accounts issued on 14 August 2019 resulting in overstatement of ₹ 6.87 crore under “Amount due to Corporation” and understatement of “PD Accounts–Centage Charges” under Cash and Cash equivalents to that extent.</p>
2	Andhra Pradesh Industrial Infrastructure Corporation Limited	<p><b>Other Non-current Liabilities (Note-15)</b> <b>Land Conversion Charges: ₹ 262.93 crore</b></p> <p>Though there was no provision for retrospective exemption as per the amended Andhra Pradesh Agricultural Land (Conversion for Non-Agricultural Purposes) Act, 2006 which was</p>

Sl. No	Name of the Company	Comment
		made effective from 1 February 2018 for the lands allotted to the Company, the Company had disclosed the amount ₹ 552.41 crore payable to GoAP towards conversion charges for the period up to 2014-15 as Contingent Liability , instead of recognizing it as liability and also did not account for ₹ 30.93 crore for the years 2015-16 to 2017-18 payable for lands allotted before 1 February 2018. This resulted in understatement of ‘Other Non-Current Liabilities and Inventories by ₹ 583.34 crore each and overstatement of ‘Contingent Liabilities’ by ₹ 552.41 crore.

#### Comments on Statutory Auditors

Sl. No	Name of the Company	Comment
1	Andhra Pradesh State Irrigation Corporation Limited	The Statutory Auditors in their Report stated that as per C&AG Compliance Report, Trade receivable of ₹ 31.83 crore is adjusted by netting off with interest accrued & due amounting to ₹ 45.63 crore against loans received from GoAP outstanding as on 31.03.2019 wherein the difference of ₹ 13.81 crore was offered to revenue and shown in P&L by management under head “Prior Period adjustment”. This qualification was factually incorrect as in CAG’s Compliance Report dated 15-07-2020 it was only suggested to take up with the GoAP the issue of adjustment in the books of accounts.
2	Andhra Pradesh Industrial Infrastructure Corporation Limited	It was stated in Auditors’ Report that Assets and Liabilities and Profit or Losses pertaining to Industrial Area Local Authority (IALA) were not brought into books of accounts and they were not in a position to quantify the impact due to failure on the part of the Management to provide necessary information. It was further stated that by not clubbing the income of IALA would

Sl. No	Name of the Company	Comment
		tantamount to non-compliance of Ind AS-18 (Revenue Recognition). This qualification in Auditor's Report is not correct in the context of IALA's nature of transactions explained in Note 26 of Financial Statements and in view of the fact that Ind AS-18 was withdrawn from 1 April 2018.

#### Comments on Disclosures

Sl. No	Name of the Company	Comment
1	Transmission of Andhra Pradesh Corporation limited	<p>Lift Irrigation Scheme (LIS) Reserve of ₹ 1,079.26 crore included in 'Other Equity' represents the LIS Funds (Including interest earned) received from GoAP towards deposit works for extension of electricity lines and substations for LIS works. However, accounting policy for the accounting treatment of the above along with financial effect was not disclosed in the Financial Statements for the year ended 31st March 2020</p> <p>Company disclosed the Pension and Gratuity benefits amount to ₹ 547.80 crore only relating to APSEB origin employees on rolls as on 1 February 1999 belonging to the Company. However, it did not disclose the particulars of Pension and Gratuity liability of APSEB origin employees on rolls as on 1 February 1999 of Master Trust as per actuarial valuation for the year ended 31 March 2020 and reasons for non-recognition of liability as per the agreements under Master Trust/actuarial valuation and their financial effect on the Financial Statements.</p>

#### 6.7.1.4 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 seven PSUs. Details are given in **Appendix-6.6**.

## **6.8 Conclusion**

*As on 31 March 2021, there were 112 PSUs of which 93 are working PSUs and 19 are inactive PSUs in Andhra Pradesh under the audit jurisdiction of CAG. Out of 93 working PSUs, eleven PSUs were related to Power sector and 82 PSUs were related to other sectors. Of these 93 working PSUs, 47 PSUs having arrears of accounts for less than three years as at the end of 30 September 2021 were considered for analysis of financial performance.*

*During 2020-21, these 47 PSUs registered an annual turnover of ₹ 71,289.94 crore, which was equal to 7.23 per cent of the GSDP of Andhra Pradesh.*

*The investment of the State Government in equity and long-term loans in these 47 PSUs was ₹ 5,620.14 crore against total investment of ₹ 97,737.36 crore at the end of 31 March 2021. The outstanding long terms loans of these PSUs as on 31 March 2021 increased to ₹ 90,944.74 crore from ₹ 87,712.19 crore during the previous year (2019-20).*

*Out of the 47 PSUs, 15 PSUs earned profits (₹ 322.09 crore), while 28 PSUs incurred losses (₹ 1,363.45 crore) and four PSUs had reported neither profit nor loss. As on 31 March 2021, 29 PSUs had accumulated losses of ₹ 38,419.60 crore.*

*Out of the 93 working PSUs, Financial Statements for the year 2020-21 were received only from 16 PSUs within extended time (30 November 2021). Financial Statements of 40 PSUs were in arrears for three or more than three years. 20 PSUs have not even submitted their first accounts since their inception.*

*As a result of the audit of CAG during the period October 2020 to November 2021, Statutory Auditors of four PSUs revised their Audit Report. Significant comments highlighting misstatements in the Financial Statements impacting profitability by ₹ 1,448.18 crore and assets/ liabilities by ₹ 590.21 crore were issued.*

## 6.9 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 PSUs 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.*
3. *Government may review the inactive Government Companies and take appropriate decision on their revival / winding up.*

**Vijayawada**  
**The 06 JUL 2022**



**(HEMA MUNIVENKATAPPA)**  
**Principal Accountant General (Audit)**  
**Andhra Pradesh**

**New Delhi**  
**The 12 JUL 2022**



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