

Chapter-II

Summary of Financial Performance of State Public Sector Enterprises

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2.1 Introduction

State Public Sector Enterprises (SPSEs) consist of State Government Companies, Statutory Corporations and Government Controlled Other Companies (GCOCs). A Government Company is defined in Section 2(45) of the Companies Act, 2013 (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 Company¹ 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 is referred to in this Report as Government Controlled Other Companies (GCOCs).

Statutory Audit

The financial statements of the Government Companies (as defined in Section 2(45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 139(5) or 139(7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143(6) of the Act, 2013. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Audit of Statutory Corporations is governed by their respective legislations. The CAG is the sole auditor for Punjab Scheduled Castes Land Development and Finance Corporation and PEPSU Road Transport Corporation. In respect of Punjab State Warehousing Corporation and Punjab Financial Corporation, audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs *vide* Gazette Notification dated 4 September 2014.

There were 49 SPSEs (including five Power Sector SPSEs) in the State of Punjab as on 31 March 2023 (*Appendix 2.1*). These SPSEs, incorporated during the period from 1952-53 to 2021-22, included 42 Government Companies, three² GCOCs and four³ Statutory Corporations. The Government Companies included 16⁴ inactive Companies and 12⁵ subsidiaries of Government Companies. During the period under consideration, Punjab Rural Water Utility (a Government Company) has been incorporated (March 2022). Further, Punjab Agro Juices Limited was merged⁶ (January 2023) with Punjab Agri Export Corporation Limited. One Company viz. Punjab Communications Limited, was listed on a stock exchange.

The financial performance of 33 working SPSEs (*Appendix 2.2*) on the basis of their latest finalised accounts as on 30 September 2023 is covered in this Chapter as summarised in **Table 2.1** below:

Table 2.1: Summary of financial performance of working SPSEs

Particulars	Power Sector	Other than Power Sector	Total
Number of SPSEs	5	44	49
SPSEs covered (Working)	5	28	33
Paid-up Capital	₹ 22,338.61 crore	₹ 1,178.35 crore	₹ 23,516.96 crore
Long-term Loans	₹ 16,634.82 crore	₹ 22,848.83 crore	₹ 39,483.64 crore
Net Profit	₹ 101.03 crore	₹ 218.94 crore	₹ 319.97 crore (11 ⁷ SPSEs)
Net Loss	₹ 4,775.95 crore	₹ 353.78 crore	₹ 5,129.73 crore (18 ⁸ SPSEs)
Working on “No Profit No Loss” basis	Zero	Four SPSEs	Four ⁹ SPSEs
Overall Profit/Loss	₹ (-) 4,674.92 crore	₹ (-) 134.84 crore	₹ (-) 4,809.76 crore
Dividend Declared	-	₹ 3.88 crore	₹ 3.88 crore (three ¹⁰ SPSEs)
Total Assets	₹ 66,808.39 crore	₹ 47,296.28	₹ 1,14,104.67 crore
Turnover	₹ 39,092.14 crore	₹ 34,450.19 crore	₹ 73,542.33 crore
Net Worth	₹ 12,750.61 crore	₹ (-) 7,032.48 crore	₹ 5,718.13 crore

The ratio of turnover of SPSEs to the Gross State Domestic Product (GSDP)

² Amritsar Smart City Limited, Ludhiana Smart City Limited and Jalandhar Smart City Limited.
³ PEPSU Road Transport Corporation, Punjab Financial Corporation, Punjab Scheduled Castes Land Development and Finance Corporation and Punjab State Warehousing Corporation.
⁴ Sr. No. 16 to 18 and 37 to 49 of *Appendix 2.1*.
⁵ Sr. No. 1, 4, 9, 12, 18, 20, 32 and 45 to 49 of *Appendix 2.1*.
⁶ Annual Accounts of Punjab Agri Export Corporation Limited, after merger with Punjab Agro Juices Limited, for the year 2022-23 have not been received yet. As such, latest available finalised accounts of both the SPSEs for the year 2021-22 have been taken.
⁷ Sr. No. 2, 5, 8, 10, 11, 16, 17, 19, 21, 25 and 31 of *Appendix 2.2*.
⁸ Sr. No. 1, 3, 4, 6, 7, 9, 12, 13, 14, 15, 18, 22, 26, 28, 29, 30, 32 and 33 of *Appendix 2.2*.
⁹ Punjab Police Security Corporation Limited, Punjab State Biotech Corporation (Mohali Biotechnology Park), Punjab Police Housing Corporation Limited and Punjab Municipal Infrastructure Development Company.
¹⁰ Punjab State Container and Warehousing Corporation Limited, Punjab State Forest Development Corporation Limited and Punjab Small Industries and Export Corporation Limited.

shows the contribution of activities of these SPSEs in the State economy. **Table 2.2** provides the details of turnover of working SPSEs and GSDP of Punjab for a period of five years ending March 2023:

Table 2.2: Details of turnover of SPSEs vis-à-vis GSDP of Punjab

Particulars	(₹ in crore)				
	2018-19	2019-20	2020-21	2021-22	2022-23
Turnover:					
Power Sector SPSEs	32,040.21	33,262.60	33,113.25	35,478.80	39,092.14
Agriculture and Allied Sector SPSEs	39,723.72	38,884.93	36,595.60	35,144.11	33,276.04
Other SPSEs	1,159.77	1,142.59	1,315.79	1,333.23	1,174.15
Total	72,923.70	73,290.12	71,024.64	71,956.14	73,542.33
GSDP of Punjab	5,12,510.00	5,37,031.00	5,40,853.00	6,14,227.00	6,73,107.00
Percentage of turnover to GSDP of Punjab					
Power Sector SPSEs	6.25	6.19	6.12	5.77	5.81
Agriculture and Allied Sector SPSEs	7.75	7.24	6.77	5.72	4.94
Other SPSEs	0.23	0.21	0.24	0.22	0.17
Total	14.23	13.64	13.13	11.71	10.92

Source: Compilation based on Turnover figures as per latest finalised statements of SPSEs and GSDP figures as per Ministry of Statistics and Programme Implementation (MoSPI)

The annual increase/decrease in turnover ranged between (-) 3.09 per cent and 2.20 per cent during the period 2018-23, whereas increase in GSDP of the State ranged between 0.71 per cent and 13.57 per cent during the same period. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 7.05 per cent of the GSDP, the turnover of the SPSEs recorded compounded annual growth of 0.21 per cent during last five years. There is decrease in share of turnover of the SPSEs to the GSDP, in percentage terms, from 14.23 per cent in 2018-19 to 10.92 per cent in 2022-23. During the last five years (2018-23) percentage of turnover of power sector SPSEs to GSDP of Punjab reduced from 6.25 per cent to 5.81 per cent. During the same period in respect of Agriculture & Allied sector SPSEs percentage of turnover to GSDP of Punjab reduced from 7.75 per cent to 4.94 per cent.

2.2 Investment in SPSEs and Budgetary Support

The sector-wise investment in equity and long-term loans in 33 SPSEs for the period of three years ending 31 March 2023 (SPSE-wise equity and long-term loans as on 31 March 2023 are detailed in **Appendix 2.3**) is given in **Table 2.3:**

Table 2.3: Equity investment and long-term loans in SPSEs

(₹ in crore)

Source of Investment	Sector	As on 31 March 2021			As on 31 March 2022			As on 31 March 2023		
		Equity	Long-term Loans	Total	Equity	Long-term Loans	Total	Equity	Long-term Loans	Total
State Government	Power Sector	22,315.61	14.07	22,329.68	22,315.61	8.86	22,324.47	22,315.61	3.64	22,319.25
	Other than Power Sector	998.68	25,389.69	26,388.37	998.68	25,928.38	26,927.06	1,000.74	26,600.26	27,601.00
	Total	23,314.29	25,403.76	48,718.05	23,314.29	25,937.24	49,251.53	23,316.35	26,603.90	49,920.25
Central Government	Power Sector	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Other than Power Sector	103.31	0.00	103.31	103.31	0.00	103.31	103.31	0.00	103.31
	Total	103.31	0.00	103.31	103.31	0.00	103.31	103.31	0.00	103.31
Others	Power Sector	23.00	17,640.84	17,663.84	23.00	18,048.34	18,071.34	23.00	16,631.18	16,654.18
	Other than Power Sector	76.37	2,475.87	2,552.24	76.37	2,522.26	2,598.63	26.37	2,234.86	2,261.23
	Total	99.37	20,116.71	20,216.08	99.37	20,570.60	20,669.97	49.37	18,866.04	18,915.41
Total	Power Sector	22,338.61	17,654.91	39,993.52	22,338.61	18,057.20	40,395.81	22,338.61	16,634.82	38,973.43
	Other than Power Sector	1,178.36	27,865.56	29,043.92	1,178.36	28,450.64	29,629.00	1,130.42	28,835.12	29,965.54
	Total	23,516.97	45,520.47	69,037.44	23,516.97	46,507.84	70,024.81	23,469.03	45,469.94	68,938.97
Percentage of State Government Investment to Total Investment	Power Sector	99.90	0.08	55.83	99.90	0.05	55.26	99.90	0.02	57.27
	Other than Power Sector	84.75	91.11	90.86	84.75	91.13	90.88	88.53	92.25	92.11
	Total	99.14	55.81	70.57	99.14	55.77	70.33	99.35	58.51	72.41

Source: Information provided by the SPSEs

During 2022-23, the total investment at face value of the equity in the two¹¹ SPSEs registered an increase of ₹ 2.06 crore which was entirely contributed by the State Government.

The thrust of SPSEs investment was mainly on Power Sector SPSEs which had received as much as 56.53 per cent (₹ 38,973.43 crore) of total investment of ₹ 68,938.97 crore as on 31 March 2023. The State Government share was 72.41 per cent (₹ 49,920.25 crore) of total investment of ₹ 68,938.97 crore. Out of the total loans of ₹ 45,469.94 crore, an amount of ₹ 25,029.82 crore was outstanding for a period of more than five years due to paucity of funds, pending reconciliation etc. Of the ₹ 25,029.82 crore, ₹ 24,541.88 crore (98.05 per cent) pertains to four¹² SPSEs.

The State Government provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards

¹¹ ₹ 2.05 crore as additional equity capital to Punjab Scheduled Castes Land Development and Finance Corporation and ₹ 0.01 crore as initial share capital to Punjab Rural Water Utility

¹² Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab Agro Foodgrains Corporation Limited and Punjab State Warehousing Corporation

equity, loans, grants/subsidies, loans repayments/written-off and loans converted into equity in respect of SPSEs during the last five years ending March 2023 are given in **Table 2.4**.

Table 2.4: Details of budgetary support to SPSEs during last five years

(₹ in crore)

Particulars ¹³	2018-19		2019-20		2020-21		2021-22		2022-23	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
(i) Equity Capital Outgo	0	-	2	15,629.35	2	(-) 44.58	0	-	2	2.06
(ii) Loans given (interest bearing)	0	-	1	(-) 15,628.26	0	-	0	-	0	-
(iii) Grants/Subsidy	9	9,364.50	11	9,769.82	11	10,059.50	15	14,965.12	14	20,429.78
Total Outgo (i+ii+iii)		9,364.50		9,770.91		10,014.92		14,965.12		20,431.84
Loan repayment written off	0	-	1	0.84	0	-	0	-	0	-
Loans converted into equity	0	-	1	15,628.26	0	-	0	-	0	-
Guarantees issued	3	2,983.89	3	4,164.35	4	4,763.51	3	3,588.73	2	3,899.84
Guarantee Commitment	12	12,518.16	12	16,276.20	12	15,724.36	14	17,300.79	11	17,296.70

Source: Information provided by the SPSEs

During the year 2022-23, out of the total subsidy of ₹ 20,429.78 crore, subsidy amounting to ₹ 18,902 crore (92.52 per cent) was provided to Punjab State Power Corporation Limited only.

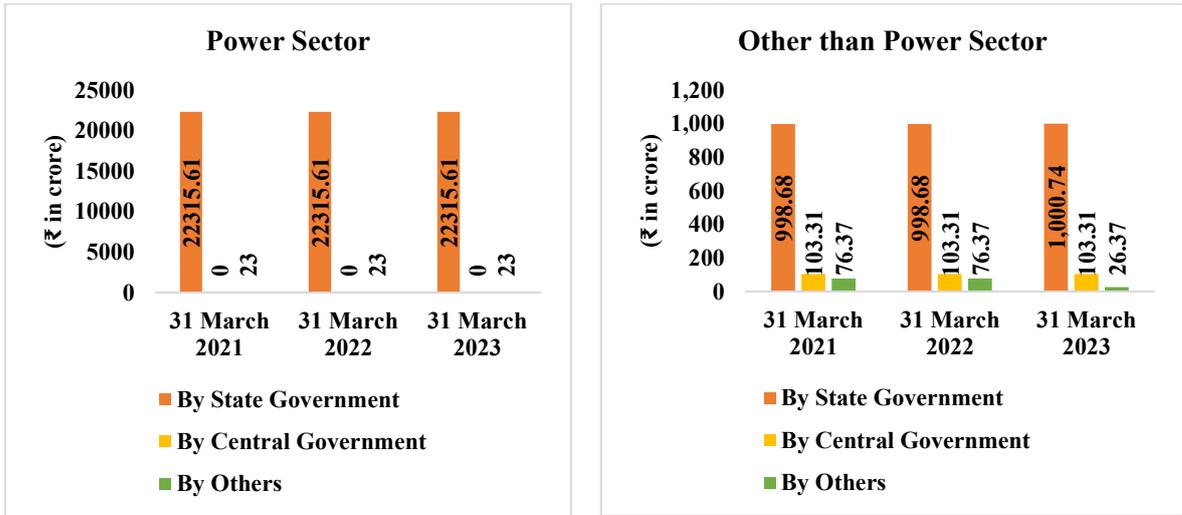
2.2.1 Equity holding in SPSEs

As on 31 March 2023, the total investment (equity and long-term loans) in 33 SPSEs was ₹ 68,938.97 crore. The investment consisted of 34.04 per cent towards equity and 65.96 per cent in long-term loans. During the year 2022-23, there was increase in equity of Punjab Scheduled Castes Land Development and Finance Corporation by ₹ 2.05 crore and ₹ 0.01 crore in one newly formed SPSE (Punjab Rural Water Utility) due to infusion of equity by the State Government.

Equity holdings by the State Government, the Central Government and Others in SPSEs for the period of three years ending March 2023 is depicted in **Chart 2.1**:

¹³ Amount represents outgo from the State budget only.

Chart 2.1: Investment in equity in Power Sector and Other than Power Sector SPSEs



Details of significant investments (investment of more than ₹ 100 crore) made by the State Government as on 31 March 2023 in the paid-up capital of the SPSEs is given in **Table 2.5** below:

Table 2.5: Significant investments made by the State Government in equity of SPSEs

Name of SPSE	Name of the Department	Amount (₹ in crore)
Punjab State Power Corporation Limited	Power	21,709.73
Punjab State Transmission Corporation Limited	Power	605.88
PEPSU Road Transport Corporation	Transport	307.08
Punjab Water Resources Management and Development Corporation Limited	Water Resources	300.00

Source: Information provided by the SPSEs

2.2.2 Investment in Government Controlled Other Companies

The capital invested by the State Government and the Central Government in three¹⁴ GCOCs as on 31 March 2023 was ₹ 0.03 crore which was equally shared by the State Government and the Central Government.

2.2.3 Loans Given to SPSEs

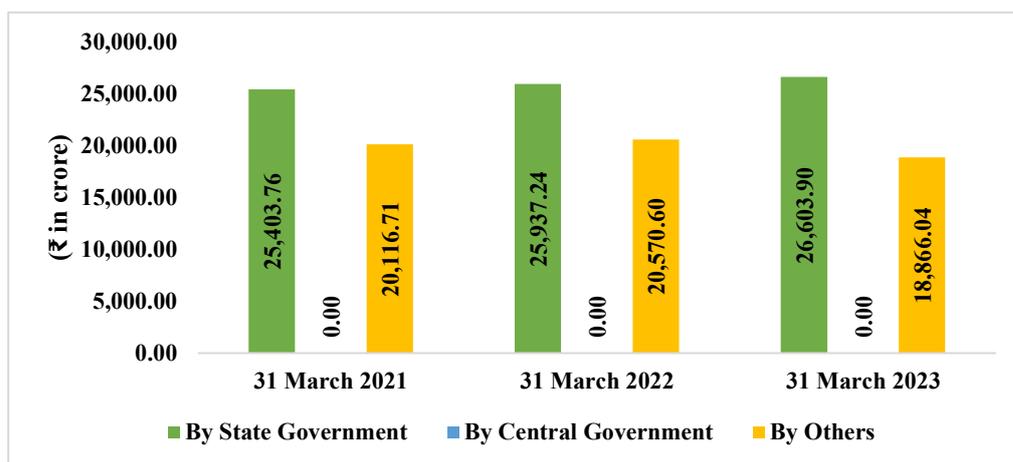
2.2.3.1 Computation of Long-term Loans Outstanding as on 31 March 2023

Of the 33 working SPSEs, 17 SPSEs had outstanding long-term loans availed from various sources, as on 31 March 2023. The total outstanding long-term loan was ₹ 45,469.94 crore. Of the long-term loans, those advanced by the State Government constituted 58.51 per cent (₹ 26,603.90 crore) whereas

¹⁴ Amritsar Smart City Limited, Jalandhar Smart City Limited and Ludhiana Smart City Limited.

41.49 per cent (₹ 18,866.04 crore) were availed from other financial institutions. Two¹⁵ SPSEs defaulted in repayment of loans to the State Government amounting to ₹ 33.59 crore. Both SPSEs had taken up the matter with the State Government for conversion of their loan into equity. The details of outstanding long-term loans of SPSEs during the last three years ending 31 March 2023 are depicted in the **Chart 2.2**:

Chart 2.2: Long-term loans outstanding in SPSEs



2.2.3.2 Adequacy of assets to meet loan liabilities

Ratio of long-term 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 a Company's assets must be greater than the sum of its long-term loans/debts (termed as positive coverage). The coverage of long-term loans by value of total assets in 17 SPSEs, which had long-term loans, as per latest finalised accounts is given in **Table 2.6** below:

Table 2.6: Coverage of long-term loans with total assets

Nature of SPSEs	Positive Coverage				Negative Coverage			
	Number of SPSEs	Assets	Long-term Loans	Ratio of Assets to Long-term loans	Number of SPSEs	Assets	Long-term Loans	Ratio of Assets to Long-term loans
Government Companies	11	79,145.21	24,883.43	3.18	2	5,992.27	6,535.85	0.92
Statutory Corporations	3	9,214.70	7,888.88	1.17	1	16.08	175.48	0.09

Source: Latest Financial Statements of SPSEs

In 17 SPSEs having long-term loans, 14 SPSEs had positive coverage and

¹⁵ PEPSU Road Transport Corporation since 2012-13 and Punjab Financial Corporation since 1991-92.

balance three¹⁶ SPSEs had negative coverage of long-term loans.

2.2.3.3 Interest Coverage

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 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 to meet its expenses on interest. The details of interest coverage ratio in SPSEs charging interest on long-term loans in their accounts during the period from 2020-21 to 2022-23 are given in **Table 2.7** below:

Table 2.7: Interest coverage ratio of SPSEs

Year	Sector	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of SPSEs having interest burden and liability of long-term loans	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2020-21	Power Sector SPSEs	2,004.42	3,471.29	2	2	0
	Agriculture and Allied Sector SPSEs	360.12	480.16	2	1	1
	Other SPSEs	32.29	46.14	5	2	3
	Total	2,396.83	3,997.59	9	5	4
2021-22	Power Sector SPSEs	1,684.84	2,969.15	2	2	0
	Agriculture and Allied Sector SPSEs	193.23	369.68	2	1	1
	Other SPSEs	30.96	57.91	5	2	3
	Total	1,909.03	3,396.74	9	5	4
2022-23	Power Sector SPSEs	1,699.81	(-),2,975.22	2	1	1
	Agriculture and Allied Sector SPSEs	89.07	202.19	2	1	1
	Other SPSEs	33.22	36.66	5	2	3
	Total	1,822.10	(-) 2,736.37	9	4	5

Source: Latest Financial Statements of SPSEs

In 2022-23, number of SPSEs with interest coverage ratio more than one was four against five in the years 2020-21 and 2021-22. Other five SPSEs¹⁷ had interest coverage ratio below one which indicates that these SPSEs could not generate sufficient revenue to meet their expenses on interest during the period.

¹⁶ Punjab Agro Foodgrains Corporation Limited, Punjab Financial Corporation and Punjab State Industrial Development Corporation Limited

¹⁷ Punjab State Power Corporation Limited, Punjab Agro Foodgrains Corporation Limited, PEPSU Road Transport Corporation, Punjab Financial Corporation and Punjab Scheduled Castes Land Development and Finance Corporation

2.2.3.4 Age-wise analysis of interest outstanding on long-term loans

As on 31 March 2023, interest amounting to ₹ 28.84 crore was outstanding in respect of one SPSE on the long-term loans provided by the State Government and ₹ 127.44 crore was outstanding in respect of two SPSEs on the long-term loans obtained from others/financial institutions. The age-wise analysis of interest outstanding on long-term loans in the SPSEs is depicted in **Table 2.8** below:

Table 2.8: Interest outstanding in SPSEs

(₹ in crore)					
Sr. No.	Name of SPSE	Interest Outstanding	Interest outstanding for less than 1 year	Interest outstanding for 1 to 3 years	Interest outstanding for more than 3 years
A. Interest outstanding on the State Government Loans					
1.	PEPSU Road Transport Corporation	28.84	-	9.50	19.34
	Total (A)	28.84	-	9.50	19.34
B. Interest outstanding on Loans obtained from others/financial institutions					
1.	Punjab Agro Foodgrains Corporation Limited	46.82	46.82	-	-
2.	Punjab State Industrial Development Corporation Limited	80.62	2.32	16.47	61.83
	Total (B)	127.44	49.14	16.47	61.83

Source: Information provided by the SPSEs

State Foodgrains Procuring Agencies¹⁸ (SPAs) had not made any provision for interest on the State Government Loan (Legacy Account)¹⁹ as no instructions for the payment of interest on said loans were issued by the State Government.

2.2.4 Market Capitalisation of Equity Investment in SPSEs

Market Capitalisation represents market value of shares of Companies which are listed. As on 31 March 2023, shares of only one SPSE (Punjab Communications Limited) was listed on the Bombay Stock Exchange in India. This SPSE having total equity investment of ₹ 12.05 crore is a subsidiary of Punjab Information and Communication Technology Corporation Limited (equity investment of ₹ 8.57 crore *i.e.*, 71.12 *per cent* of total equity investment of ₹ 12.05 crore) and has no investment of equity either by the State Government or the Central Government. The total market value of shares

¹⁸ Punjab State Grains Procurement Corporation Limited, Punjab State Civil Supplies Corporation Limited, Punjab State Warehousing Corporation and Punjab Agro Foodgrains Corporation Limited.

¹⁹ The SPAs had unsettled cash credit liabilities of ₹ 31,000 crore against banks as on December 2016. To settle this liability, the State Government entered (December 2016) into an agreement with State Bank of India for its one-time settlement. A loan of ₹ 30,584 crore was raised by the State Government during 2016-17 against which ₹ 29,920 crore was given as long-term loans to five SPAs (including Punjab State Cooperative Supply and Marketing Federation Limited). This loan is to be repaid by the year 2036 including interest.

of the above listed SPSE stood at ₹ 34.28²⁰ crore as on 31 March 2023 as compared to ₹ 43.28²¹ crore as on 31 March 2022.

2.2.5 Disinvestment, Restructuring and Privatisation

During the year 2022-23, there was no case of disinvestment or privatisation of working or inactive SPSEs. However, Punjab Agro Juices Limited has been merged (January 2023) with Punjab Agri Export Corporation Limited.

2.3 Return on Investment in SPSEs

2.3.1 Profit Earned by SPSEs

As per latest finalised accounts, 11 SPSEs (including GCOCs) earned profit in 2022-23 as compared to 12 in 2021-22. The profit earned was ₹ 319.97 crore in 2022-23 as against profit of ₹ 1,710.77 crore in 2021-22. Return on Equity (RoE)²² of nine profit-earning SPSEs was 6.70 per cent in 2022-23 as compared to 7.53 per cent in ten SPSEs in 2021-22. RoE in respect of other two SPSEs could not be calculated as their net worth was negative.

The position of Profit/Losses²³ earned/incurred by the 33 working SPSEs during 2020-21 to 2022-23 is depicted in **Table 2.9** below:

Table 2.9: Profits/Losses earned/incurred by working SPSEs during 2020-21 to 2022-23

(₹ in crore)			
Year	Power Sector	Other than Power Sector	Total
2020-21	1,469.08	(-) 95.70	1,373.38
2021-22	1,286.04	(-) 16.14	1,269.90
2022-23	(-) 4,674.92	(-) 134.84	(-) 4,809.76

Source: Latest Financial Statements of SPSEs

The profits of ₹ 1,269.90 crore earned by the working SPSEs in 2021-22 has turned into losses of ₹ 4,809.76 crore in 2022-23. This was primarily due to one SPSE i.e., Punjab State Power Corporation Limited that incurred loss of ₹ 4,775.93 crore in 2022-23 as compared to profit of ₹ 1,069.21 crore in 2021-22 on account of substantial increase in power purchase costs, cost of fuel consumption and employees benefit expenses.

According to latest finalised accounts of 34²⁴ working SPSEs, 11²⁵ earned

²⁰ 1,20,23,565 shares * ₹ 28.51 per share against face value of ₹ 10 per share

²¹ 1,20,23,565 shares * ₹ 36 per share against face value of ₹ 10 per share

²² Return on Equity= ((Net profit after taxes)/(Net worth)) *100

²³ Figures as per the latest finalised accounts

²⁴ Including one SPSE i.e., Punjab Agro Juices Limited which was merged with another SPSE i.e., Punjab Agri Export Corporation Limited. Accounts of Punjab Agri Export Corporation Limited after merger with Punjab Agro Juices Limited for the year 2022-23 have not been received yet. As such, latest available finalised accounts of both SPSEs for the year 2021-22 have been taken.

²⁵ Sr. No. 2, 5, 8, 10, 11, 16,17, 19, 21, 25 and 31 of **Appendix 2.2**.

profit of ₹ 319.97 crore and 18²⁶ SPSEs incurred losses of ₹ 5,129.73 crore as detailed in **Appendix 2.2**. Out of the remaining five SPSEs, four²⁷ are functioning on “No Profit No Loss” basis and the first accounts of one²⁸ SPSE were not due yet.

Position of working SPSEs which earned profit/incurred loss during 2020-21 to 2022-23 is given in **Table 2.10** below:

Table 2.10: Working SPSEs which earned profit/incurred loss during 2020-21 to 2022-23

Financial Year	Total number of SPSEs	Number of SPSEs which earned profit during the year	Number of SPSEs which incurred loss during the year	Number of SPSEs		
				No profit No loss	Under construction	First Accounts were not due as on 30 September 2023
2020-21	33	13	16	4	-	-
2021-22	33	12	17	4	-	-
2022-23	34	11	18	4	-	1

Source: Compiled on the basis of Appendix 2.2

Sector-wise contribution to total profit during 2022-23 is summarised in **Table 2.11** below:

Table 2.11: Sector-wise contribution to profit during the year 2022-23

Sector	Number of profit-earning SPSEs	Net Profit Earned (₹ in crore)	Percentage of profit to total SPSEs' profit
Power Sector	2	101.03	31.58
Other than Power Sector:			
Agriculture and Allied Sector	4	177.93	55.61
Industries	3	33.10	10.34
Transport and Others	2	7.91	2.47
Total	11	319.97	100.00

Source: Latest finalised Statements of SPSEs

The SPSEs which earned profit of more than ₹ 10 crore during the year 2022-23 are given in **Table 2.12**:

²⁶ Sr. No. 1, 3, 4, 6, 7, 9, 12, 13, 14, 15, 18, 22, 26, 28, 29, 30, 32 and 33 of **Appendix 2.2**.

²⁷ Sr. No. 20, 23, 24 and 27 of **Appendix 2.2**.

²⁸ Sr. No. 34 of **Appendix 2.2**.

Table 2.12: SPSEs which earned profit of more than ₹ 10 crore

Sr. No.	Name of the SPSE	Net Profit (₹ in crore)
1.	Punjab State Warehousing Corporation	163.02
2.	Punjab State Transmission Corporation Limited	100.90
3.	Punjab Small Industries and Export Corporation Limited	29.09
4.	Punjab State Container and Warehousing Corporation Limited	12.12
	Total	305.13

Source: Latest financial statements of SPSEs

It may be seen that these four SPSEs had contributed 95.36 per cent of the total profit (₹ 319.97 crore) earned by 11 SPSEs during 2022-23. Also, as per latest finalised accounts of three GCOCs, two GCOCs had incurred losses during this period.

2.3.2 Dividend Payout by SPSEs

The Thirteenth Finance Commission had recommended (December 2009) that a minimum dividend of five per cent on Government equity should be paid by all SPSEs. The State Government adopted the recommendations and directed (July 2011) all its SPSEs to pay a minimum return of five per cent on the funds invested by the State Government.

As on 31 March 2023, there were total 24 SPSEs in which the State Government held equity amounting to ₹ 23,316.35 crore. Further, as per latest finalised accounts, there were 11 SPSEs which earned profits but only three of these paid dividends. Of the 11 SPSEs which earned profits, one²⁹ SPSE did not have any equity of the State Government.

The details of equity holding, profit earned and dividend payout during 2020-21 to 2022-23 are given in **Table 2.13** below:

Table 2.13: Dividend Payout by SPSEs during 2020-21 to 2022-23

(₹ in crore)

Year	Equity infused by the State Government		Profit earned during the year		Dividend declared/paid during the year	
	SPSEs	Equity	SPSEs	Net Profit	SPSEs	Dividend declared/paid by SPSEs
2020-21	23	23,314.29	13	1,819.73	3	3.88
2021-22	23	23,314.29	12	1,710.77	4	5.71
2022-23	24	23,316.35	11	319.97	3	3.88

Source: Latest financial statements of SPSEs

During the period 2020-21 to 2022-23, the number of SPSEs which earned profits ranged between 11 and 13, out of which number of SPSEs which

²⁹ Punjab Genco Limited

declared/paid dividend to the State Government ranged between three and four.

Three SPSEs which declared dividend as per latest finalised accounts as on 30 September 2023 are given in **Table 2.14**:

Table: 2.14: Profit earned and dividend declared

Name of SPSE	(₹ in crore)		
	Paid-up capital	Net profit after Interest and Tax	Dividend declared
Punjab State Forest Development Corporation Limited	0.25	0.78	0.13
Punjab State Container and Warehousing Corporation Limited	25.00	12.12	1.25
Punjab Small Industries and Export Corporation Limited	50.01	29.09	2.50
Total	75.26	41.99	3.88

Source: Latest Financial Statements of SPSEs

During 2022-23, out of 11 SPSEs which earned profits as per the latest finalised accounts, four³⁰ SPSEs did not earn enough profits to declare dividend. The remaining four³¹ SPSEs which earned aggregate profit of ₹ 275.82 crore and wherein minimum dividend payable as per the guidelines worked out to ₹ 34.46 crore, had not declared/paid any dividend.

2.3.3 Return on Equity of SPSEs

Return on Equity³² (RoE) is a measure of financial performance of Companies calculated by dividing net income by shareholders' equity. It is expressed as a percentage and can be calculated for any Company if net income and shareholders' equity are both positive numbers.

The details of Shareholders' Fund and RoE relating to 29³³ working SPSEs are given in **Table 2.15**.

³⁰ Punjab Genco Limited, Punjab Agro Industries Corporation Limited, Punjab State Industrial Development Corporation Limited and Amritsar Smart City Limited.

³¹ Punjab State Transmission Corporation Limited: ₹ 30.29 crore (₹ 605.88 crore * five per cent), Punjab State Warehousing Corporation ₹ 0.40 crore (₹ 8.00 crore * five per cent), Punjab State Bus Stand Management Company Limited ₹ 2.81 crore (₹ 56.15 crore * five per cent) and Punjab Information and Communication Technology Corporation Limited ₹ 0.96 crore (₹ 19.23 crore * five per cent).

³² Return on equity= ((Net profit after tax)/(Shareholder's Equity))*100
where Shareholder's equity= paid-up capital + free reserves-accumulated losses- deferred revenue expenditure.

³³ Excluding four SPSEs working on no profit no loss basis: Punjab Police Security Corporation Limited, Punjab Municipal Infrastructure Development Company, Punjab State Biotech Corporation and Punjab Police Housing Corporation Limited.

Table 2.15: Return on Equity relating to working SPSEs

Year	Net Income/Total Earnings for the year (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (Percentage)
2020-21	1,373.38	8,809.80	15.59
2021-22	1,269.90	10,288.67	12.34
2022-23	(-) 4,809.76	5,717.98	-

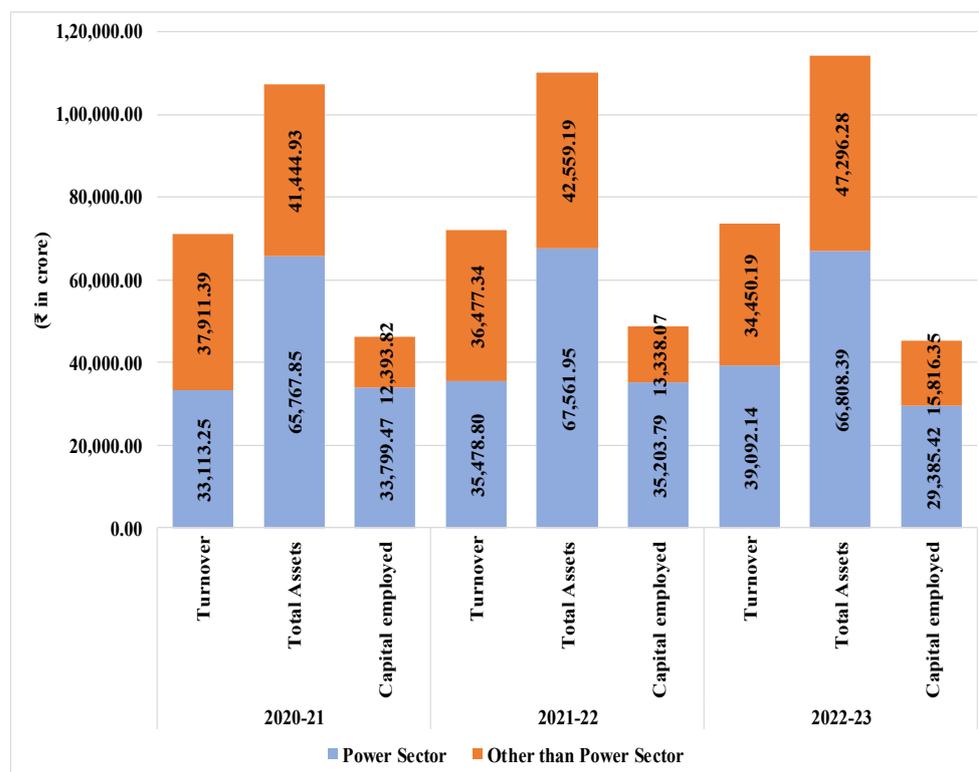
Source: Latest Financial Statements of SPSEs

Overall RoE was positive during 2020-21 (15.59 per cent) and 2021-22 (12.34 per cent) due to profits earned by Power Sector SPSEs, however due to heavy loss incurred by one major SPSE i.e. Punjab State Power Corporation Limited, net income turned negative during 2022-23, and as such, the composite RoE of 29 working SPSEs could not be calculated.

2.4 Operating efficiency of SPSEs

2.4.1 Turnover

The summary indicating turnover, total assets and capital employed of SPSEs over a period of three years is depicted in the **Chart 2.3** below:

Chart 2.3: Turnover, Total Assets and Capital Employed

The type of SPSEs and their turnover, total assets and capital employed of all the SPSEs during 2020-21 to 2022-23 are given in **Table 2.16**:

Table 2.16: Turnover, total assets and capital employed of all SPSEs*(₹ in crore)*

Nature of SPSE	Turnover	Total Assets	Capital employed
2020-21			
Power Sector	33,113.25	65,767.85	33,799.47
Other than Power Sector	37,911.39	41,444.93	12,393.82
Total	71,024.64	107,212.78	46,193.29
2021-22			
Power Sector	35,478.80	67,561.95	35,203.79
Other than Power Sector	36,477.34	42,559.19	13,338.07
Total	71,956.14	110,121.14	48,541.86
2022-23			
Power Sector	39,092.14	66,808.39	29,385.42
Other than Power Sector	34,450.19	47,296.28	15,816.35
Total	73,542.33	114,104.67	45,201.77

Source: Latest financial statements of SPSEs

There was increase in the turnover and total assets whereas capital employed was reduced in the year 2022-23 as compared to the previous years.

2.4.2 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 EBIT by the capital employed³⁴. The details of RoCE of working SPSEs during the period from 2020-21 to 2022-23 are given in **Table 2.17** below:

Table 2.17: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in per cent)
2020-21	3,814.82	46,193.29	8.26
2021-22	3,223.56	48,541.86	6.64
2022-23	(-) 2,097.68	45,201.77	-

Source: Latest financial statements of SPSEs

The RoCE of the SPSEs reduced drastically from 8.26 *per cent* in 2020-21 to 6.64 *per cent* in 2021-22 and during the year 2022-23, RoCE was not calculated due to negative EBIT as Punjab State Power Corporation Limited incurred heavy losses.

2.4.3 Rate of Return on the basis of Present Value of Investment

In order to bring the historical cost of investment to its Present Value (PV) at the end of each year up to 31 March 2023, the past investments/year-wise

³⁴ Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure.

funds infused by the State Government in the SPSEs have been compounded at the year-wise average rate of interest on the State Government borrowings which is considered as the minimum cost of funds to the State Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free loans and grants/subsidies for operational and management expenses, if any, less disinvestments since inception of these Companies till 31 March 2023.

The PV of the State Government investments in SPSEs was computed on the basis of following assumptions:

- Interest free loan has been considered as investment by the State Government as the amount of interest free loan has not been repaid by the SPSE (Punjab Agri Export Corporation Limited).
- The average rate of interest on the State Government borrowings for the concerned financial year³⁵ was adopted as compounded rate for arriving at PV since it represents the cost incurred by the State Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the State Government.

SPSE-wise position of the State Government investment in the 22 SPSEs (Other than GCOCs) in the form of equity and interest free loans on historical cost basis for the period from 2010-11 to 2022-23 has been given in **Appendix 2.4**. The consolidated position of the PV of the State Government investment and the total earnings relating to 22 SPSEs for the same period is indicated in **Table 2.18**.

³⁵ The average rate of interest on the State Government borrowings was adopted from the Reports of the CAG on State Finances (Government of Punjab) for the year concerned wherein the average rate for interest paid = Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2] *100.

Table 2.18: Year-wise details of investment by the State Government and its Present Value for the period from 2010-11 to 2022-23

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Grants/Subsidies given by State Government for operational and management expenses	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in per cent)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year ³⁶
i	ii	iii	iv	v	vi= iii + iv + v	vii = ii + vi	viii	ix = {vii*(1 + viii/100)}	x= ix-vii	xi
Upto 2010-11	789.79 ³⁷	6,687.35 ³⁸	-	-	6,687.35	7,477.14	7.73	8,055.12	577.98	(-) 1,696.24
2011-12	8,055.12	196.93	-	108.48	305.41	8,360.53	7.96	9,026.03	665.50	(-) 779.63
2012-13	9,026.03	15.91	30.00	190.29	236.20	9,262.23	7.79	9,983.76	721.53	43.23
2013-14	9,983.76	22.35	-	242.25	264.60	10,248.36	8.04	11,072.33	823.97	(-) 55.02
2014-15	11,072.33	72.07	-	337.75	409.82	11,482.15	8.35	12,440.91	958.76	(-) 673.78
2015-16	12,440.91	32.24	-	324.21	356.45	12,797.36	8.09	13,832.67	1,035.31	(-) 2,315.70
2016-17	13,832.67	10.83	-	504.28	515.11	14,347.78	7.48	15,420.99	1,073.21	(-) 4,327.30
2017-18	15,420.99	-	-	168.62	168.62	15,589.61	8.12	16,855.49	1,265.88	(-) 2,799.39
2018-19	16,855.49	(-) 97.97 ³⁹	-	205.76	107.79	16,963.28	8.00	18,320.34	1,357.06	(-) 604.73
2019-20	18,320.34	15,629.35	-	160.28	15,789.63	34,109.97	7.93	36,814.89	2,704.92	(-) 1,228.59
2020-21	36,814.89	(-) 44.58	-	145.59	101.01	36,915.90	7.44	39,662.44	2,746.54	1,503.72
2021-22	39,662.44	-	-	439.14	439.14	40,101.58	7.05	42,928.74	2,827.16	1,421.97
2022-23	42,928.74	2.06	-	165.19	167.25	43,095.99	6.66	45,966.18	2,870.19	(-) 4,732.54
Total			30.00	2991.84	25,548.38					

Source: Information provided by the SPSEs

The balance of investments by the State Government in the SPSEs at the end of the year 2022-23 increased to ₹ 43,095.99 crore from ₹ 7,477.14 crore at the end of 2010-11. The State Government made further investments in shape of equity (₹ 15,839.19 crore) and interest free loans (₹ 30 crore) and grants/subsidies for operational and management expenses (₹ 2,991.84 crore) during the period 2011-12 to 2022-23 in these SPSEs. The PV of funds infused by the State Government up to 31 March 2023 amounted to ₹ 45,966.18 crore. During all the years 2011-12 to 2022-23, total earnings remained below the minimum expected return to recover cost of funds infused in these SPSEs.

³⁶ Total earnings for the year depicts total of net earnings (profit/loss) as per latest finalised accounts relating to those 22 SPSEs (excluding GCOCs) where funds were infused by the State Government.

³⁷ ₹ 789.79 crore is the investment, on historical cost basis, by the State Government upto financial year 2010-11.

³⁸ It represents equity of Punjab State Power Corporation Limited and Punjab State Transmission Corporation Limited created out of transfer of assets and liabilities on unbundling erstwhile Punjab State Electricity Board. No accumulated losses were transferred to Power Sector SPSEs as accumulated losses of ₹ 10,180.35 crore were set off against capital reserve created on land revaluation.

³⁹ While finalising the accounts for the year 2017-18, Punjab Water Resources Management and Development Corporation Limited treated the capital grant amounting to ₹ 97.97 crore received from the State Government for sinking and installation of tubewells as deferred revenue which was earlier being treated as 'Share application money pending allotment'.

2.5 SPSEs incurring losses

There were 18 working SPSEs that incurred losses during the year 2022-23. The losses increased to ₹ 5,129.73 crore in 2022-23 from ₹ 446.35 crore during 2020-21 as given in **Table 2.19** below:

Table 2.19: Number of SPSEs that incurred losses during 2020-21 to 2022-23

Year	Sector	No of loss making SPSEs	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net Worth ⁴⁰ (₹ in crore)
2020-21	Power Sector SPSEs	2	-	(-) 0.10	-
	Other than Power Sector:				
	Agriculture and Allied Sector SPSEs	6	(-) 423.56	(-) 6,907.27	(-) 6,541.87
	Others SPSEs	8	(-) 22.79	(-) 714.65	(-) 194.39
	Total	16	(-) 446.35	(-) 7,622.02	(-) 6,736.26
2021-22	Power Sector SPSEs	2	-	(-) 0.11	(-) 0.01
	Other than Power Sector:				
	Agriculture and Allied Sector SPSEs	7	(-) 420.71	(-) 7,060.18	(-) 6,689.78
	Others SPSEs	8	(-) 20.16	(-) 731.80	(-) 199.76
	Total	17	(-) 440.87	(-) 7,792.09	(-) 6,889.55
2022-23	Power Sector SPSEs	3	(-) 4,775.95	(-) 10,420.10	11,309.81
	Other than Power Sector:				
	Agriculture and Allied Sector SPSEs	7	(-) 322.88	(-) 7,157.62	(-) 6,787.22
	Others SPSEs	8	(-) 30.90	(-) 759.45	(-) 227.38
	Total	18	(-) 5,129.73	(-) 18,337.17	4,295.21

Source: Latest Financial Statements of SPSEs

In 2022-23, out of total loss of ₹ 5,129.73 crore incurred by 18 SPSEs, loss of ₹ 4,775.93 crore (93.10 per cent of total losses) was incurred only by Punjab State Power Corporation Limited.

As on 31 March 2023, out of total equity investment of ₹ 22,554.01 crore in loss making SPSEs, the share of the State Government and the Central Government was ₹ 22,432.24 crore and ₹ 97.90 crore respectively.

2.6 Erosion of Capital in SPSEs

There were 17 working SPSEs with accumulated losses of ₹ 19,425.68 crore as given in **Appendix 2.5**. Of these, 15 SPSEs incurred losses amounting to ₹ 5,120.67 crore as per latest finalised accounts as of 30 September 2023.

The net worth of 14 out of these 17 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. Out of these 14 SPSEs, the net worth of 11 SPSEs has remained negative for a period

⁴⁰ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits but do not include reserves created out of revaluation of assets and write back of depreciation provision.

ranging up to 22 years and in case of three SPSEs, the erosion is prior to 1999-2000 as given in *Appendix 2.5*. The net worth of these 14 SPSEs was (-) ₹ 8,179.54 crore against equity investment of ₹ 530.01 crore. Out of 14 SPSEs, whose capital had eroded, two⁴¹ had earned profit of ₹ 163.04 crore as per latest finalised accounts. Out of 14 SPSEs, there were seven SPSEs with outstanding State Government loans of ₹ 26,378.00 crore as on 31 March 2023.

Out of 14 SPSEs whose net worth had been eroded, an amount of ₹ 420.62 crore was given as grants/subsidies to three⁴² SPSEs during the year 2022-23 for meeting operational expenses/funding of liabilities.

2.7 Conclusion

The total investment (equity and long-term loan) in 33 working SPSEs was ₹ 68,938.97 crore as on 31 March 2023. The thrust of SPSEs investment was mainly on Power Sector SPSEs which had received as much as 56.53 per cent (₹ 38,973.43 crore) of total investment. These SPSEs registered an annual turnover of ₹ 73,542.33 crore during 2022-23 as per their latest finalised accounts. This turnover was 10.92 per cent of the GSDP of the State for the year 2022-23. As per latest finalised accounts, 11 SPSEs (including GCOCs) earned profit of ₹ 319.97 crore in 2022-23 as against profit of ₹ 1,710.77 crore in 2021-22 and 18 working SPSEs incurred losses which increased to ₹ 5,129.73 crore in 2022-23 from ₹ 446.35 crore during 2020-21. The net worth of 14 SPSEs had been completely eroded by accumulated losses and their net worth was either zero or negative. There were 11 SPSEs which earned profits but only three of these paid dividends.

2.8 Recommendations

- The Management of SPSEs may strive to augment their turnover in view of declining ratio of turnover to GSDP of the State since the last five years.
- SPSEs which earned profit may declare and pay dividend in view of recommendations of the Thirteenth Finance Commission adopted by the Government of Punjab.
- The State Government may review the functioning of the loss making SPSEs as well as those SPSEs where the net-worth was completely eroded.

⁴¹ Punjab State Warehousing Corporation and Punjab State Industrial Development Corporation Limited.

⁴² PEPSU Road Transport Corporation: ₹ 74.12 crore, Punjab Financial Corporation: ₹ 92.41 crore and Punjab State Industrial Development Corporation Limited: ₹ 254.09 crore.

