



**CHAPTER V**  
**FINANCIAL PERFORMANCE**  
**OF STATE PSUs**



## CHAPTER V

### FINANCIAL PERFORMANCE OF STATE PUBLIC SECTOR UNDERTAKINGS

#### 5.1 Introduction

Public Sector Undertakings (PSUs) are Government owned undertakings. There are 150 State PSUs in Kerala as on 31 March 2022. This Chapter presents the summary of financial performance as revealed from the latest accounts of 131<sup>38</sup> State PSUs.

#### 5.2 Role of Public Sector Undertakings in the economy of Kerala

##### 5.2.1 Status of PSUs

The State PSUs are categorised based on the legal status and pattern of ownership as shown in **Table 5.1**.

**Table 5.1 : Status of PSUs**

Category	Existing	Newly added	Total	Non working	Net
Government Companies	115	6	121	9	130
Statutory Corporations	4	0	4	0	4
Government controlled other Companies	6	0	6	10	16
<b>Total</b>	<b>125</b>	<b>6</b>	<b>131</b>	<b>19</b>	<b>150</b>

These PSUs operate in six sectors<sup>39</sup> and are controlled by 34 departments. However, there are no listed PSUs in the State, unlike Central PSUs or PSUs of other States like Gujarat, Haryana, Tamil Nadu, etc.

##### 5.2.2 Contribution of the State PSUs to the GSDP of the State

The contribution of the PSUs based on turnover to GSDP was around four *per cent* as shown in the **Table 5.2**.

<sup>38</sup> Including four Statutory Corporations (19 State PSUs are non-working).

<sup>39</sup> Agriculture and allied, Finance, Infrastructure, Manufacturing, Power, Services.

**Table 5.2 : Turnover of State PSUs vis-a-vis GSDP of Kerala***(₹ in crore)*

Particulars	2019-20	2020-21	2021-22
Turnover	33,839.65	34,769.57	35,767.90
GSDP	8,24,374.20	7,99,571.11	9,01,997.83
Percentage of Turnover to GSDP	4.10	4.35	3.97
Percentage of growth of turnover	7.41	2.75	2.87
Percentage of growth of GSDP	4.58	(-)3.01	12.81

Source : Turnover reported in the latest finalised accounts of State PSUs and GSDP figures as per Ministry of Statistics and Programme Implementation website as on 15/03/2022.

### 5.3 Investment in State PSUs

The amount of equity and loans in 131 working State PSUs as of 31 March 2022 is given in **Table 5.3**.

**Table 5.3 : Investment in State PSUs***(₹ in crore)*

Particulars	State Govt	GoI	Others <sup>40</sup>	Total
<b>As on 31 March 2021</b>				
Equity	9,430.95	135.07	916.15	10,482.17
Loan	8,365.16	50.54	29,830.88	38,246.58
<b>Total</b>	<b>17,796.11</b>	<b>185.61</b>	<b>30,747.03</b>	<b>48,728.75</b>
Percentage	36.52	0.38	63.10	
Guarantee received	22,244.31			
<b>As on 31 March 2022</b>				
Equity	9,817.46	158.09	971.92	10,947.47
Loan	10,621.58	1.11	33,803.65	44,426.34
<b>Total</b>	<b>20,439.04</b>	<b>159.20</b>	<b>34,775.57</b>	<b>55,373.81</b>
Percentage	36.91	0.29	62.80	
Guarantee received	22,024.97			
<b>Change during 2021-22</b>				
Equity	386.51	23.02	55.77	465.30
Loan	2,256.42	(-)49.43	3,972.77	6,179.76
<b>Total</b>	<b>2,642.93</b>	<b>(-)26.41</b>	<b>4,028.54</b>	<b>6,645.06</b>
Percentage	15	(-)14	13	14
Guarantee received	219.34			

Source: Details as received from State PSUs; apart from figures of latest finalised accounts including provisional figures

<sup>40</sup> State Government Companies, Holding Companies, Financial Institutions, others.

During 2021-22, the Government invested ₹37.46 crore in Statutory Corporations, ₹278.28 crore in Government Companies, ₹105.11 crore in Joint Stock Companies and ₹34.49 crore in Co-operative Banks and Societies. Progressive expenditure on investments decreased by ₹76.02 crore in Government Companies and ₹60.27 crore in Co-operative Banks and Societies. The State Government investment increased by ₹1,785.67 crore from ₹7,981.81 crore in 2017-18 to ₹9,767.48 crore in 2021-22.

Out of the total investment of ₹455.34 crore, ₹84.63 crore was invested in two Corporations and six Government Companies, whose networth were completely eroded as shown in **Table 5.4** below.

**Table 5.4 : Investment made in Corporations/ Companies whose networth is completely eroded**

(₹ in crore)

Name of the Company/ Corporation	Year upto which accounts finalized	Networth	Investment made during 2021-22	Cumulative investment as on 31 March 2022
Kerala State Warehousing Corporation	2018-19	(-)4.26	0.25	7.75
Kerala State Road Transport Corporation	2015-16	(-)5,297.62	37.21	789.55
Kerala Electrical & Allied Engineering Co. Ltd	2020-21	(-)21.07	14.21	123.06
Kerala State Handloom Development Corporation	2019-20	(-)51.46	0.50	54.94
The Kerala State Cashew Development Corporation Limited	2019-20	(-)1,126.02	22.00	531.84
Meat Products of India Limited	2018-19	(-)31.65	0.04	2.18
Kerala State Horticultural Products Development Corporation Limited	2015-16	(-)3.19	0.20	8.13
Keltron Component Complex Limited	2020-21	(-)9.77	10.22	17.52
<b>Total</b>			<b>84.63</b>	<b>1,534.97</b>

Source: Data collected from Audit Wing and Finance Accounts.

**Table 5.5: Investments made in loss making companies***(₹ in crore)*

Company	Year upto which accounts finalised	Loss after tax and interest	Investment made during 2021-22	Cumulative Investment as on 31/03/2022
Kerala Tourism Development Corporation Limited	2018-19	(-)19.19	0.84	187.44
The Kerala State Development Corporation for Scheduled Caste and Scheduled Tribes Limited	2018-19	(-)12.36	3.27	210.85
The Kerala Forest Development Corporation Limited	2019-20	(-)6.10	3.00	12.27
The Kerala State Film Development Corporation Limited	2016-17	(-)1.35	13.55	79.93
Kerala Shipping and Inland Navigation Corporation Limited	2018-19	(-)4.66	4.52	83.10
Kerala State Development Corporation for the Welfare of Christian Converts from Scheduled Castes and the Recommended Communities Limited	2018-19	(-)0.14	5.00	80.55
Indian Institute of Information Technology and Management Kerala	2019-20	(-)0.67	22.84	204.47
Vision Varkala Infrastructure Development Corporation Limited	2018-19	(-)0.40	2.57	17.30
Development of Azhikkal Port	2019-20	(-)0.38	2.26	56.07
Kerala State Pottery Manufacturing & Marketing Development Corporation	2018-19	(-)0.09	0.70	1.95
Overseas Keralites Investment & Holding Limited	2020-21	(-)0.24	2.11	2.11
Kerala Rubber Limited	2020-21	(-)0.009	4.50	4.50
Kannur International Airport Limited	2019-20	(-)6.10	10.99	1,394.23
<b>Total</b>			<b>76.15</b>	<b>2,334.77</b>

Source: Data collected from Audit Wing and Finance Accounts

Thirteen companies in which an amount of ₹76.15 crore was invested during the year are loss making. The total investment of the Government upto 31 March 2022 in these loss making Companies was ₹2,334.77 crore. Details of investments made in loss making companies is given in **Table 5.5** above.

The cumulative investment blocked in 16 non-working companies was ₹33.87 crore.

## 5.4 Non-reconciliation

Audit observed that in 112 out of 131 working State PSUs, differences between figures as per Finance Accounts and figures as per records of State PSUs occurred as shown in **Appendix 5.1**. Such differences are persisting for so many years.

The issue of reconciliation of differences was taken up with the State PSUs and the Departments concerned from time to time. However, the reconciliation has not been done yet.

## 5.5 Returns from the State PSUs

The State PSUs are expected to yield reasonable return on investment made by the State Government in such PSUs. The performance of working PSUs is discussed in the subsequent paragraphs:

### 5.5.1 Summary of financial performance

The Summary of financial performance of 131 working State PSUs as on 31 March 2022 is given in **Table 5.6** below.

**Table 5.6 : Summary of financial performance of State PSUs covered in this Chapter (Government Companies and Statutory Corporations)**

Particulars	No.	Amount (₹ in crore)
Profit making PSUs	55	654.99
Loss making PSUs	63	4,065.38
Zero profit/loss State PSUs	4	
First accounts not received <sup>41</sup>	9	
State PSUs selected for this Chapter	131 <sup>42</sup>	
Dividend declared/paid	3	3.23

Source: Latest finalised accounts of State PSUs

As seen from the table above, 55 State PSUs (earned a profit of ₹654.99 crore), while 63 State PSUs (including one Statutory Corporation) incurred loss of ₹4,065.38 crore, as shown in **Table 5.7**.

**Table 5.7: Number of State PSUs that incurred losses**

(₹ in crore)

Year <sup>43</sup>	No. of State PSUs	Net Loss for the year	Accumulated loss	Paid up Capital	Networth
2019-20	69	(-)2,620.46	(-)14,197.46	7,487.00	(-)6,650.90
2020-21	68	(-)4,496.12	(-)16,651.62	7,553.67	(-)9,058.15
2021-22	63	(-)4,065.38	(-)18,047.00	7,634.10	(-)10,412.90

Source: As per latest finalised accounts of respective State PSUs.

<sup>41</sup> Including newly formed six PSUs

<sup>42</sup> 127 working Companies and four Statutory Corporations.

<sup>43</sup> The figures from the last available accounts have been considered in this Chapter for the purpose of arriving at working results.

Though the Return on Equity (ROE) of the 55 State PSUs was 10.32 per cent, the Return of Equity of all the 122<sup>44</sup> State PSUs taken together was negative as the overall net income of these State PSUs was negative during 2021-22.

**Table 5.8** shows the list of those PSUs that contributed to 77.25 per cent of the total profit:

**Table 5.8: Top six State PSUs which contributed maximum profit**

Sector	Name of State PSUs	Period of Accounts	Net profit after Interest and Tax (₹ in crore)	Percentage of profit to total PSU profit
Manufacturing	The Kerala Minerals and Metals Limited	2021-22	226.91	44.84
Service	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2018-19	113.13	22.36
Finance	The Kerala State Financial Enterprises Limited	2018-19	77.62	15.34
Manufacturing	Kerala Feeds Limited	2020-21	38.38	7.58
	Kerala State Industrial Development Corporation Limited	2020-21	25.50	5.04
	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2018-19	24.47	4.84
<b>Total</b>			<b>506.01</b>	

Source: As per the latest finalised accounts of State PSUs

Out of total loss of ₹4,065.38 crore incurred by 63 State PSUs, loss of ₹3,474.65 crore was incurred by four State PSUs (including two Statutory Corporations). **Table 5.9** shows those State PSUs which incurred a loss of more than ₹100 crore during the year 2021-22.

**Table 5.9: State PSUs that incurred losses of more than ₹100 crore**

Sl. No	Name of Company/Corporation	Period of Accounts	Net Loss after tax and interest (₹ in crore)
1	Kerala State Electricity Board Limited	2020-21	1,822.35
2	Kerala State Road Transport Corporation	2015-16	1,007.18
3	Kerala State Civil Supplies Corporation Limited	2016-17	403.81
4	Kerala Transport Development Finance Corporation Limited	2018-19	241.31

Source: As per latest finalised accounts of respective State PSUs .

<sup>44</sup> Excluding nine working PSUs which had not submitted their first accounts.



## 5.5.2 Dividend payout by State PSUs

The details of profit earned and dividend declared during 2021-22 by the Government Companies and Statutory Corporations are given in the **Table 5.10**.

**Table 5.10: Profit earned and dividend declared**

(₹ in crore)

Particulars	No. of State PSUs	Paid up capital	Net profit	Dividend declared
Statutory Corporation <sup>45</sup>	1	426.50	13.20	1.07
Government Company <sup>46</sup>	1	1.61	0.48	0.16
Government controlled other Company <sup>47</sup>	1	0.25	0.93	2.00
<b>Total</b>	<b>3</b>	<b>428.36</b>	<b>14.61</b>	<b>3.23</b>

Source: As per latest Financial Statements of State PSUs.

The State Government had formulated (December 1998) a dividend policy, under which all PSUs are required to pay a minimum return of 20 *per cent* on the paid up share capital or 30 *per cent* of the allocable surplus, whichever is lower. However, 51 PSUs which earned profit had not declared dividend or declared lesser than the amount prescribed by the Government. The total shortfall on this account was ₹226.47 crore.

## 5.6 Operating efficiency of State PSUs

A review of operational issues of PSUs were pointed out in the successive reports of the CAG of India. A recent study on five loss making PSUs *viz.*, Traco Cable Company Limited, The Plantation Corporation of Kerala Limited, Kerala Shipping and Inland Navigation Corporation Limited, Kerala Transport Development Finance Corporation Limited and Roads and Bridges Development Corporation of Kerala Limited revealed that the major cause of loss was attributed by factors like inefficient working capital management, investment in unviable projects, inefficiencies in production, operation and labour, under utilisation of available capacity, *etc.*

## 5.7 Erosion of capital in State PSUs

As per the latest finalised accounts submitted till 30 September 2022, out of the 131 working State PSUs, 75 PSUs had an aggregate accumulated loss of ₹19,169.12 crore, out of which 12 PSUs are profit making during the current year. Networth of 46 out of these 75 State PSUs were completely eroded by

<sup>45</sup> Kerala Financial Corporation (2020-21)

<sup>46</sup> Kerala Agro Machinery Corporation Limited (2021-22)

<sup>47</sup> Kinfra Export Promotion Industrial Parks Limited (2020-21)

accumulated loss and their networth was (-)₹12,460.21 crore against equity investment of ₹6,081.18 crore.

The networth of all the 131 working State PSUs was negative at ₹3,968.29 crore against their paid up capital of ₹10,093.98 crore.

### 5.7.1 Return on Equity (ROE) of State PSUs

ROE<sup>48</sup> is a measure of financial performance of Companies calculated by dividing net income by shareholders' equity. The consolidated ROE of State PSUs during the period from 2019-20 to 2021-22 is given in **Table 5.11**.

**Table 5.11: Return on Equity**

(₹ in crore)

Year	Number of State PSUs	Net Profit after tax and dividend	Shareholder's Equity	ROE (in percentage)
2019-20	126	(-)2,139.05	(-)998.35	0
2020-21	126	(-) 4,035.68	(-)3,290.51	0
2021-22	131	(-)3,410.39	(-)3,968.29	0

Source: As per the latest finalised accounts of State PSUs

It was observed from the table above, during the three years ended 2021-22, both the net profit after tax and the shareholder's equity were negative. Since equity was negative the ROE was not worked out for these periods. Negative equity indicates that the liabilities of these State PSUs have exceeded their assets.

Sector wise ROE of State PSUs during the three years ended 2021-22 is depicted in **Table 5.12**.

**Table 5.12: Sector wise ROE of State PSUs**

Sl. No	Sector	ROE in percentage		
		2019-20	2020-21	2021-22
1	Agriculture and Allied	(-)7.89	(-)8.70	(-)5.00
2	Finance	6.17	(-)7.19	(-)6.82
3	Infrastructure	1.03	2.30	1.10
4	Manufacturing	*	*	*
5	Power	*	*	*
6	Service	*	*	*

Source: As per latest finalised accounts of State PSUs for respective years.

\*The net income was negative and hence, ROE was not worked out.

<sup>48</sup> Return on Equity= (Net profit after tax and preference Dividend/Equity)\*100 where Equity = Paid up capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

Sector wise analysis indicated that the State PSUs in Infrastructure sector reported positive ROE in all the three years. State PSUs in Finance sector reported positive ROE in 2019-20, but reported negative ROE in subsequent years. State PSUs in remaining sectors reported negative ROE for all the three years which indicated that the liabilities exceeded assets of the State PSUs.

The major reasons for negative ROE was low rate of sales realisation by companies, high rate of procurement, operational inefficiencies, etc.

## 5.8 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 i.e., ideally, the Debt Asset ratio should be less than one. As of 31 March 2022, 74 working State PSUs had outstanding loans and coverage of their long term loans by value of total assets is given in **Table 5.13**.

**Table 5.13: Coverage of long term loans with total assets**

Particulars	State PSUs having Debt Asset ratio < 1				State PSUs having Debt Asset ratio > 1			
	No of State PSUs	Long term loans	Assets	Ratio of debts to assets	No of State PSUs	Long term loans	Assets	Ratio of debts to assets
	(₹ in crore)				(₹ in crore)			
Government Companies	63	24,915.99	91,145.89	0.27	7	239.88	115.32	2.08
Statutory corporations	3	4,199.88	8,748.18	0.48	1	4,091.37	1,420.42	2.88
<b>Total</b>	<b>66</b>	<b>29,115.87</b>	<b>99,894.07</b>		<b>8</b>	<b>4,331.25</b>	<b>1,535.74</b>	

Source: As per the latest finalised accounts of State PSUs

It may be seen from the above table that Debt Asset ratio in respect of 66 State PSUs (including three Statutory Corporations) was less than one indicating that these State PSUs are solvent. However, in respect of eight State PSUs the Debt Asset ratio was more than one which indicated that they are not solvent as the values of total assets of these State PSUs were less than the loans outstanding.

## 5.9 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 is not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs, which had loans outstanding for the period 2021-22 are given in **Table 5.14**.

**Table 5.14: Interest Coverage Ratio**

Particulars	State PSUs having Interest Coverage Ratio < 1			State PSUs having Interest Coverage Ratio ≥ 1		
	No of State PSUs	Interest	Profit before interest and tax	No of State PSUs	Interest	Profit before interest and tax
Government companies	39	2,324.41	(-)628.97	27	142.56	627.81
Statutory corporations	1	495.73	(-)511.45	2	268.60	291.23
<b>Total</b>	<b>40</b>	<b>2,820.14</b>	<b>(-)1,140.42</b>	<b>29</b>	<b>411.16</b>	<b>919.04</b>

Source: As per the latest finalised accounts of State PSUs

It was observed that 29 State PSUs (including two Statutory Corporations) had ICR equal to or more than one. Similarly, 40 State PSUs (including one Statutory corporation) had ICR less than one indicating that these State PSUs could not generate adequate income to pay off its interest liability.

### 5.10 Age wise analysis of interest outstanding on State Government loans

As on 31 March 2022, data collected from 131 working PSUs showed that interest amounting to ₹2,395.37 crore from 36 State PSUs was outstanding on long term loans provided by State Government. Out of this, interest amounting to ₹133.26 crore was outstanding for less than one year, ₹1,217.58 crore was outstanding between one to three years and ₹1,044.53 crore was outstanding for more than three years.

### 5.11 Conclusions

As on 31 March 2022, the total investment by Government of Kerala in 131 State PSUs was ₹20,439.04 crore. The GoK infused equity of ₹386.51 crore in 22 State PSUs during 2021-22. Seventy-five working State PSUs had an aggregate accumulated losses of ₹19,169.12 crore as per their latest finalised accounts. During the year 2021-22, 63 State PSUs incurred a net loss of ₹4,065.38 crore as per their latest finalised accounts which included a net loss of ₹1,007.18 crore by one statutory corporation (Kerala State Road Transport Corporation). Out of 131 working State PSUs three State PSUs (including one Statutory Corporation-Kerala Financial Corporation) declared a dividend of ₹3.23 crore in 2021-22.

## 5.12 Recommendation

1. *The inactive State PSUs are neither contributing to State economy nor meeting the intended objectives. The State Government needs to take a decision regarding commencement of liquidation process in respect of inactive State PSUs.*
2. *The Government may direct the departments concerned to reconcile the difference, in the form of equity, loans and guarantees appearing in the Finance Accounts and records of State PSUs.*

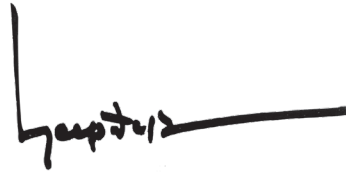
Thiruvananthapuram,  
The **09 MAY 2023**



(Dr. BIJU JACOB)  
Principal Accountant General  
(Audit II), Kerala

Countersigned

New Delhi,  
The **10 MAY 2023**



(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India