

CHAPTER–II

Financial Performance of State Public Sector Undertakings

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Introduction

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

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

2.1.1 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 the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Chapter as Government controlled other Company. The Statutory Corporations are those corporations which were set up under Statutes enacted by the Legislature.

Mandate of Audit

2.1.2 Audit of Government Companies and Government controlled other Companies¹ is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 143 (5) to 143 (7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG conducts a supplementary audit. The statutes governing some Statutory Corporations require their accounts to be audited only by the CAG.

Nature of Public Sector Undertakings and their coverage in the Chapter

2.1.3 As on 31 March 2022, there were 114 PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations²) including 42 non-functional PSUs³ under the audit jurisdiction of the CAG in Uttar Pradesh. During the year 2021-22, one Government Company *viz.*, Uttar Pradesh State Mineral Development Corporation has been deleted as company has been wound up. None of the State PSUs were listed on the stock exchange.

¹ Companies (Removal of Difficulties), Seventh order, 2014 issued vide gazette notification dated 04 September 2014.

² Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam, Uttar Pradesh Financial Corporation, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation.

³ Non-functional PSUs are those which have ceased to carry on their operations.

The financial performance of 37 PSUs (consisting of 11 PSUs of power sector and 26 PSUs of other than power sector, as detailed in **Appendix-2.1**) on the basis of their latest finalised accounts received upto 30 September 2022 is covered in this Chapter. This Chapter does not include analysis of financial performance of 77 PSUs (including 70 Government Companies, four Government controlled other Companies and three Statutory Corporations) as these PSUs have accounts in arrears for three years or more or were defunct/under liquidation or their first accounts were not received as of 30 September 2022, as detailed in **Appendix-2.2**. However, this Chapter covers investment in State PSUs, budgetary support and reconciliation with Finance Accounts of Government of Uttar Pradesh (**Paragraphs 2.2, 2.2.2 and 2.2.2.1**) in respect of all State PSUs.

Turnover of Public Sector Undertakings vis-a-vis Gross State Domestic Product of State

2.1.4 The PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, these PSUs also add significantly to the Gross State Domestic Product (GSDP) of the State. The ratio of PSUs' turnover to GSDP shows the extent of activities of PSUs in the State economy. **Table 2.1** provides the details of turnover of PSUs (PSU-wise details in **Appendix-2.1**) and GSDP of Uttar Pradesh for a period of four years ending 31 March 2022⁴.

Table 2.1: Details of turnover of Public Sector Undertakings vis-a-vis GSDP of Uttar Pradesh

(₹ in crore)

Particulars	2018-19	2019-20	2020-21	2021-22
Turnover of 11 Power Sector PSUs	61,857	66,378	67,006	68,932
Turnover of 26 Other than Power sector PSUs	7,245	6,930	7,227	7,257
Total turnover (37 PSUs)	69,102	73,308	74,233	76,189
GSDP of Uttar Pradesh ⁵	15,82,180	17,00,273	16,48,567	18,63,221
Percentage of turnover of Power sector PSUs to GSDP of Uttar Pradesh	3.91	3.90	4.06	3.70
Percentage of turnover of Other than Power sector PSUs to GSDP of Uttar Pradesh	0.46	0.41	0.44	0.39
Percentage change in turnover of Power sector PSUs as compared to turnover of preceding year	-	7.31	0.95	2.87
Percentage change in turnover of Other than Power sector PSUs as compared to turnover of preceding year	-	(-)4.35	4.29	0.42
Percentage change in GSDP as compared to GSDP of preceding year	-	7.46	(-)3.04	13.02

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

The turnover of 11 power sector PSUs has shown an increasing trend during the years 2019-20 to 2021-22, with growth ranging between 0.95 per cent and 7.31 per cent. The turnover of 26 other than power sector PSUs has shown a decrease of 4.35 per cent during the 2019-20 and increase of 4.29 per cent & 0.42 per cent respectively during the year 2020-21 and 2021-22. GSDP of

⁴ As per the latest finalised accounts till 30 September 2022.

⁵ GSDP at current prices for the years 2018-19 to 2020-21 was revised by Central/State Government, hence percentage ratio/buoyancies of various parameters with reference to GSDP for 2018-19 to 2020-21 indicated in earlier Audit Reports have also been revised.

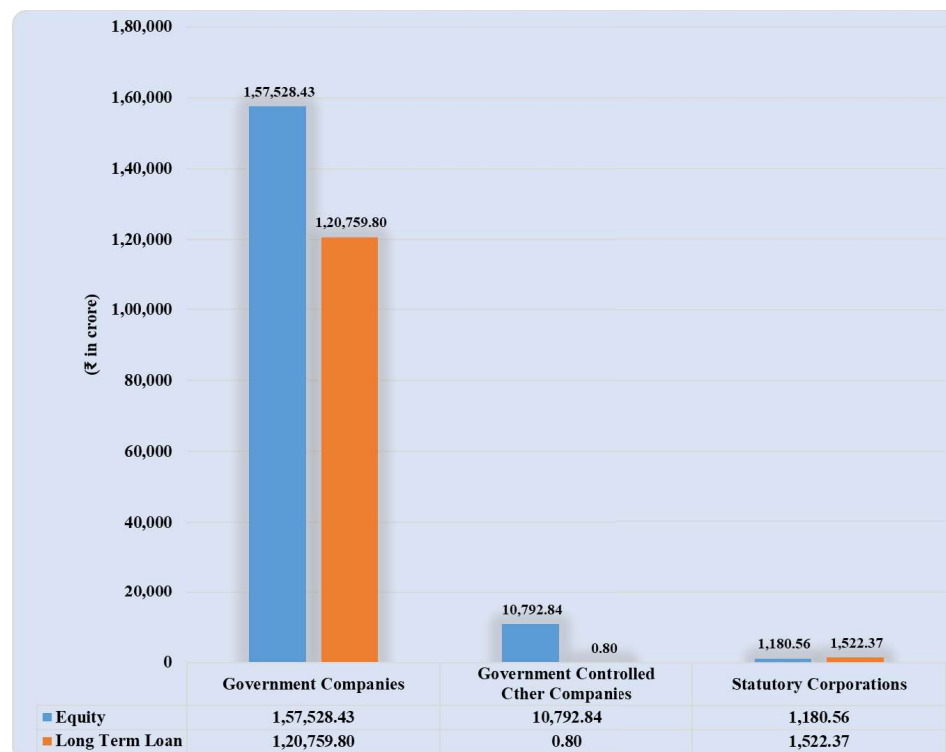
Uttar Pradesh has shown a decrease of 3.04 *per cent* during the 2020-21 and increase of 7.46 *per cent* & 13.02 *per cent* respectively during the year 2019-20 and 2021-22.

Compounded annual growth is a useful method to measure growth rate over long time periods. Against the compounded annual growth of 5.60 *per cent* of GSDP, the turnover of 37 PSUs recorded lower compounded annual growth of 3.31 *per cent* during the last three years. This resulted in decrease in share of turnover of 11 power sector PSUs and 26 other than power sector PSUs to GSDP from 3.91 *per cent* to 3.70 *per cent* and 0.46 *per cent* to 0.39 *per cent* respectively during the period 2018-19 to 2021-22.

Investment in State Public Sector Undertakings and Budgetary Support

2.2 The Capital invested by Central Government, State Government and others⁶ in 114 PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations) as on 31 March 2022 is depicted in **Chart 2.1**.

Chart 2.1: Composition of Investment in Government Companies, Government controlled other Companies and Statutory Corporations



The sector-wise summary of investment (equity and long term loans) in 114 State PSUs as on 31 March 2022 is given in **Table 2.2**.

⁶ 'Others' include investment by holding companies, financial institutions, banks, etc.

Table 2.2: Sector-wise investment in Public Sector Undertakings

(₹ in crore)

Sector	No. of PSUs	Investment								Grand Total
		Equity				Long-term loans				
		GoUP	GoI	Others	Total	GoUP	GoI	Others	Total	
A. PSUs which had submitted its accounts for 2019-20 or later years (Appendix 2.3)										
Power Sector PSUs	11	1,45,389.99	0.00	2,213.43	1,47,603.42	433.92	0.00	1,04,361.55	1,04,795.47	2,52,398.89
Other than Power Sector PSUs	26	6,994.10	3,144.42	6,501.26	16,639.78	2,582.62	7,582.83	1,528.85	11,694.30	28,334.08
Total A	37	1,52,384.09	3,144.42	8,714.69	1,64,243.20	3,016.54	7,582.83	1,05,890.40	1,16,489.77	2,80,732.97
B. PSUs whose accounts were in arrear for three years or more or were defunct/under liquidation or whose first accounts were not received as on 31 March 2022 (Appendix 2.2)										
Power Sector PSUs	2	0.00	0.00	2.27	2.27	0.00	0.00	0.00	0.00	2.27
Other than Power Sector PSUs	75	3,970.81	605.99	679.56	5,256.36	2,582.20	12.27	3,198.73	5,793.20	11,049.56
Total B	77	3,970.81	605.99	681.83	5,258.63	2,582.20	12.27	3,198.73	5,793.20	11,051.83
Grand Total (A+B)	114	1,56,354.90	3,750.41	9,396.52	1,69,501.83	5,598.74	7595.10	1,09,089.13	1,22,282.97	2,91,784.80

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

As on 31 March 2022, the total investment (equity and long-term loans) in 11 power sector PSUs covered in this Chapter was ₹ 2,52,398.89 crore. The investment consisted of 58.48 per cent towards equity and 41.52 per cent in long-term loans. The long-term loans advanced by the State Government (₹ 433.92 crore) constituted 0.41 per cent of the total long-term loans whereas 99.59 per cent (₹ 1,04,361.55 crore) of the total long-term loans were availed from financial institutions as detailed in **Appendix-2.3**.

As on 31 March 2022, the total investment (equity and long term loans) in 26 other than power sector PSUs covered in this Chapter was ₹ 28,334.08 crore. The investment consisted of 58.73 per cent towards equity and 41.27 per cent in long-term loans. The long-term loans advanced by the State Government constituted 22.08 per cent (₹ 2,582.62 crore) of the total long-term loans whereas 77.92 per cent (₹ 9,111.68 crore) of the total long-term loans were availed from Government of India and financial institutions as detailed in **Appendix-2.3**.

Adequacy of assets to meet loan liabilities

2.2.1 Ratio of total debt to total assets is one of the parameters used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. As per the latest finalised accounts, the coverage of long-term loans by value of total assets in 21 PSUs (18 Government Companies, two Government controlled other Companies and one Statutory Corporation) which had outstanding loans as on 31 March 2022 is given in **Appendix-2.4** and its summarised details are given under **Table 2.3**.

Table 2.3: Coverage of long term loans with total assets

	No. of PSUs	Positive Coverage			Negative Coverage			Percentage of assets to loans
		Long term loans	Assets	Percentage of assets to loans	Long term loans	Assets		
		(₹ in crore)			(₹ in crore)			
Government Companies	18	1,16,771.52	3,02,554.31	259.10	-	-	-	-
Government controlled other Companies	2	3,607.51	3,633.47	100.72	-	-	-	-
Statutory Corporations	1	35.00	3,152.03	9,005.80	-	-	-	-
Total	21	1,20,414.03	3,09,339.81	-	-	-	-	-

Though all 21 PSUs had positive coverage, but two PSUs viz. Noida International Airport Limited and The Pradeshiya Industrial and Investment

Corporation of UP Limited had asset coverage of only 100.09 *per cent* and 106.17 *per cent* respectively against outstanding long term loan which indicates that any further loan may adversely affect the financial stability of these PSUs.

Budgetary Support to Public Sector Undertakings

2.2.2 Government of Uttar Pradesh (GoUP) provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo (equity, loans and grants/subsidies) in respect of PSUs for the last three years ending March 2022 are given in **Table 2.4**.

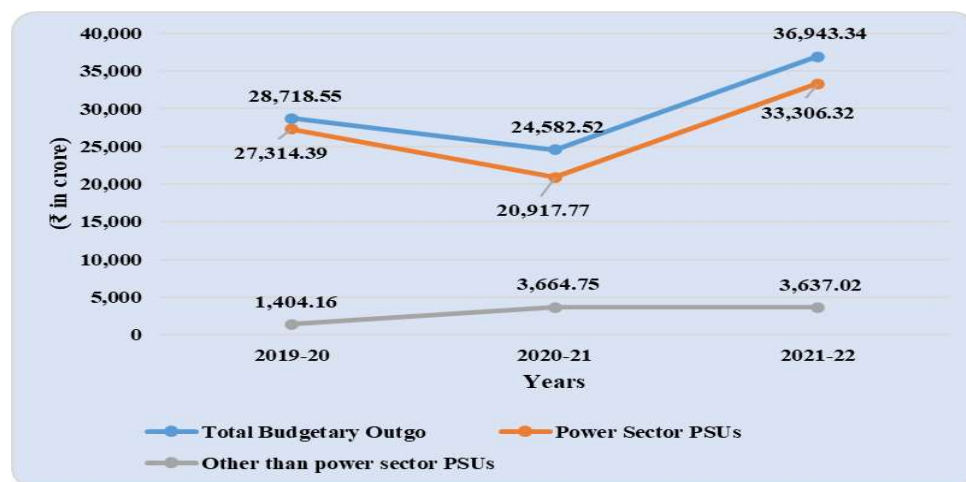
Table 2.4: Details of budgetary support to PSUs during the years 2019-20 to 2021-22

Particulars	2019-20		2020-21		2021-22	
	No of PSUs	Amount ⁷ (₹ in crore)	No of PSUs	Amount ⁷ (₹ in crore)	No of PSUs	Amount ⁷ (₹ in crore)
(A) Power Sector PSUs						
Equity Capital outgo (i)	3 ⁸	8,248.83	3 ⁸	10,568.47	3 ⁸	10,874.05
Loans given (ii)	-	0.00	-	0.00	-	0.00
Grants/Subsidies provided (iii)	2	19,065.56	2	10,349.30	2	22,432.27
Total outgo (i+ii+iii)	3⁹	27,314.39	3⁹	20,917.77	3⁹	33,306.32
(B) Other than Power Sector PSUs						
Equity Capital outgo (i)	4 ⁸	288.63	7 ⁸	529.13	8 ⁸	808.92
Loans given (ii)	8	403.32	6	1,673.16	5	330.01
Grants/Subsidies provided (iii)	17	712.21	18	1,462.46	19	2498.09
Total outgo (i+ii+iii)	27⁹	1,404.16	25⁹	3,664.75	26⁹	3,637.02
Grand Total (A) +(B)	30	28,718.55	28	24,582.52	29	36,943.34

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

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2022 are given in **Chart 2.2**.

Chart 2.2: Budgetary outgo towards Equity, Loans and Grants/Subsidies



⁷ Amount represents outgo from the State Budget only.

⁸ GoUP releases equity in Uttar Pradesh Power Corporation Limited, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Electronic Corporation Limited for investment in their subsidiaries. Therefore, for the purpose of infusion of equity, only holding companies on behalf of their subsidiaries have been considered.

⁹ The figure represents number of PSUs which have received outgo from budget under one or more heads *i.e.*, equity, loans, grants/subsidy.

It may be seen from the above that major share ranging from 85 per cent to 95 per cent of total annual budgetary assistance to State PSUs by GoUP was received by the power sector PSUs during the years 2019-20 to 2021-22. The budgetary assistance of ₹ 33,306.32 crore received by these PSUs during 2021-22 included ₹ 10,874.05 crore and ₹ 22,432.27 crore in the form of equity and grants/subsidy respectively.

Grants/Subsidies provided by State Government to power sector PSUs decreased by 46 per cent in 2020-21 and increased by 117 per cent in 2021-22 as compared to previous year. The decrease in grants/subsidies during 2020-21 was primarily on account of decrease in revenue grants assistance to Uttar Pradesh Power Corporation Limited to ₹ 621.65 crore in 2020-21 from ₹ 6,302.57 crore in 2019-20 and increase in grants/subsidies during 2021-22 was primarily on account of increase in revenue subsidy to Uttar Pradesh Power Corporation Limited from ₹ 9,657.17 crore in 2020-21 to ₹ 21,888.16 crore in 2021-22.

The share of other than power sector PSUs in the total annual budgetary assistance to State PSUs by GoUP ranged from 5 per cent to 15 per cent during 2019-20 to 2021-22. Out of total grants/subsidy of ₹ 2,498.09 crore given to these PSUs by the State Government during 2021-22, major share was provided to Agra Smart City Limited (₹ 782.50 crore), Uttar Pradesh Jal Nigam (₹ 322.84 crore), Noida Metro Rail Corporation Limited (₹ 320.65 crore) and UP Metro Rail Corporation Ltd (₹ 235 crore).

Reconciliation with Finance Accounts of Government of Uttar Pradesh

2.2.2.1 The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Uttar Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2022 such differences existed in respect of 74 PSUs (57 Government Companies, 12 Government controlled other Companies and five Statutory Corporations) as detailed in **Appendix-2.5** and summarised in **Table 2.5**.

Table 2.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Uttar Pradesh vis-à-vis records of State PSUs

(₹ in crore)				
Outstanding in respect of	Sector	Amount as per records of State PSUs	Amount as per Finance Accounts	Difference
Equity	Power Sector	1,47,605.28	1,32,877.22	14,728.06
	Other than Power Sector	10,910.65	6,108.80	4,801.85
	Total	1,58,515.93	1,38,986.02	19,529.91
Loans	Power Sector	433.92	516.82	(-)82.90
	Other than Power Sector	5,164.81	3,474.41	1,690.40
	Total	5,598.73	3,991.23	1,607.50
Guarantees	Power Sector	1,21,555.08	1,29,374.07	(-)7,818.99
	Other than Power Sector	389.84	634.47	(-)244.63
	Total	1,21,944.92	1,30,008.54	(-)8,063.62

Source: Information received from PSUs and Finance Accounts

The differences between the figures are persisting for many years in past. The issue of reconciliation of differences was also taken up by the audit with the

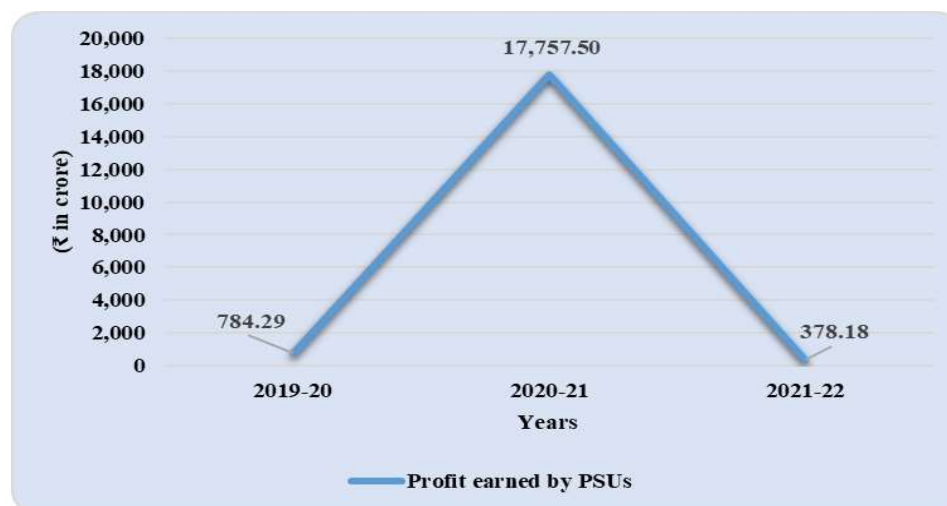
concerned PSUs and the Departments from time to time. Major difference in balances was observed in case of three power sector PSUs¹⁰ and five other than power sector PSUs¹¹.

Returns from Public Sector Undertakings

Profit earning Public Sector Undertakings

2.3.1 The Profit earned by PSUs¹² during 2019-20 to 2021-22 are depicted in Chart 2.3.

Chart 2.3: Profit earned by PSUs



Out of 37 PSUs, 17 PSUs earned profit during 2019-20 to 2020-21. The number of profit-making PSUs decreased to 16 in 2021-22. The Profit-making PSUs earned profit amounting to ₹ 784.29 crore, ₹ 17,757.50 crore and ₹ 378.18 crore during 2019-20, 2020-21 and 2021-22 respectively. During the year 2020-21 profit has been extraordinarily increased due to write back of provision for bad debts amounting to ₹ 1,7381.56 crore by Uttar Pradesh Power Corporation Limited. According to the latest finalised accounts of PSUs, top Profit-making PSUs were Uttar Pradesh State Road Transport Corporation (₹ 142.70 crore) and Uttar Pradesh Awas Evam Vikas Parishad (₹ 105.16 crore) during the year 2021-22 (**Appendix-2.1**).

Dividend payout

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

Dividend payout by PSUs where equity was infused by GoUP during the period 2019-20 to 2021-22 is shown in **Table 2.6**.

¹⁰ Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Uttar Pradesh Power Transmission Corporation Limited and Uttar Pradesh Power Corporation Limited.

¹¹ Uttar Pradesh Metro Rail Corporation Limited, Noida Metro Rail Corporation Limited, The Pradeshiya Industrial and Investment Corporation of UP Limited, Uttar State Sugar Corporation Limited, and NOIDA International Airport Limited.

¹² As per the latest finalised accounts upto 30 September 2022.

Table 2.6: Dividend Payout of PSUs during 2019-20 to 2021-22

During the year	Total PSUs where equity infused by GoUP		PSUs running in profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (in per cent)
	No. of PSUs	Equity infused by GoUP (₹ in crore)	No. of PSUs	Equity infused by GoUP (₹ in crore)	No. of PSUs	Dividend declared/paid by PSUs (₹ in crore)	
1	2	3	4	5	6	7	8 (7/5 x 100)
I. Power Sector PSUs							
2019-20	4	1,26,160.55	2	30,776.70	-	-	-
2020-21	4	1,34,515.87	2	1,02,660.29	-	-	-
2021-22	4	1,45,389.99	-	-	-	-	-
II. Other than Power Sector PSUs							
2019-20	9	2,387.35	4	995.72	2 ¹³	0.04	0.004
2020-21	3	1,678.48	2	0.48	1 ¹⁴	0.02	4.17
2021-22	4	2,641.42	2	107.05	-	-	-

In case of power sector PSUs, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited & Uttar Pradesh Power Transmission Corporation Limited in 2019-20 and Uttar Pradesh Jal Vidyut Nigam Limited & Uttar Pradesh Power Corporation Limited in 2020-21 were running in profit. However, these companies had not declared/paid any dividend to GoUP. Seven power sector PSUs have finalised its accounts for the year 2021-22 but all were running in losses.

In case of other than power sector PSUs, during the period 2019-20 to 2021-22, the number of PSUs running in profit ranged between two and four. During 2019-20, two PSUs and during 2020-21, one PSU declared/paid dividend to GoUP. During 2021-22, two other than power sector PSUs viz., Agra Smart City Limited and Uttar Pradesh Export Promotion Council have finalised earned profit, however, no dividend has been declared by these PSUs. The dividend payout ratio was 0.004 per cent in 2019-20 and 4.17 per cent in 2020-21.

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

2.4 An analysis of the long-term loans of the PSUs which had liability of interest on loan from Government, banks and other financial institutions etc., during 2019-20 to 2021-22 was carried out to assess the ability of the PSUs to service the debt owed by them. This is assessed through the interest coverage ratio.

Interest Coverage Ratio

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

¹³ Uttar Pradesh Purva Sainik Kalyan Nigam Limited and Uttar Pradesh State Construction and Infrastructure Development Corporation Limited.

¹⁴ Uttar Pradesh Purva Sainik Kalyan Nigam Limited.

interest. The details of interest coverage ratio of PSUs which had outstanding loans during the period from 2019-20 to 2021-22 are given in **Table 2.7**.

Table 2.7: Interest coverage ratio of the PSUs having liability of interest on Long Term Loans

During the year	Type of PSUs	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of PSUs having liability of interest on loans	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
Power Sector PSUs						
2019-20	Government Companies	6,892.20	3,776.62	8	2	6
2020-21	Government Companies	8,008.39	2,625.34	8	2	6
2021-22	Government Companies	10,174.48	3,202.78	8	1	7
Other than Power Sector PSUs						
2019-20	Government Companies	85.21	-257.69	4	1	3
	Government controlled other Companies	0.04	-0.93	1	-	1
	Statutory Corporations	1.12	143.82	1	1	-
	Total	86.37	-114.80	6	2	4
2020-21	Government Companies	107.92	-298.78	4	1	3
	Government controlled other Companies	0.06	-1.46	1	-	1
	Statutory Corporations	1.12	143.82	1	1	0
	Total	109.10	-156.42	6	2	4
2021-22	Government Companies	107.43	-300.93	4	1	3
	Government controlled other Companies	0.06	-1.46	1	-	1
	Statutory Corporations ¹⁵	1.12	143.82	1	1	-
	Total	108.61	-158.57	6	2	4

In power sector PSUs, out of eight PSUs having liability of interest-bearing loans during the period 2019-20 to 2021-22, only two PSUs¹⁶ in 2019-20 & 2020-21 and one PSU¹⁷ in 2021-22 had interest coverage ratio of more than one whereas the remaining six/ seven PSUs had negative/less than one interest coverage ratio. This indicates that these PSUs could not generate sufficient revenue even to meet their expenses on interest during the period.

Of the six other than power sector PSUs having liability of loans during the period 2019-20 to 2021-22, only two PSUs¹⁸ had interest coverage ratio of more than one. Four PSUs had interest coverage ratio below one, which indicates that these PSUs could not generate sufficient revenue to meet their expenses on interest during the period.

Age-wise analysis of interest outstanding on Public Sector Undertakings

2.4.2 As on 31 March 2022, interest amounting to ₹ 559.40 crore was outstanding on the long-term loans provided by GoUP to five PSUs. The age wise analysis of interest outstanding on GoUP loans in PSUs is depicted in **Table 2.8**.

¹⁵ As no accounts of Statutory Corporations for the year 2021-22 were received, the financial performance of the Statutory Corporations has been considered same as for the year 2020-21.

¹⁶ Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Power Transmission Corporation Limited in 2019-20 and Uttar Pradesh Jal Vidyut Nigam Limited and Uttar Pradesh Power Transmission Corporation Limited in 2020-21.

¹⁷ Uttar Pradesh Jal Vidyut Nigam Limited.

¹⁸ Shretron India Limited and Uttar Pradesh State Road Transport Corporation.

Table 2.8: Age-wise analysis of interest outstanding on Public Sector Undertakings

(₹ in crore)				
Name of PSU	Outstanding interest on loans as on 31 March 2022	Outstanding for less than 1 year	Outstanding for 1 to 3 years	Outstanding for more than 3 years
I. Power Sector PSUs				
Uttar Pradesh Jal Vidyut Nigam Limited	246.56	10.59	21.19	214.78
Uttar Pradesh Power Corporation Limited	185.76	47.77	100.83	37.16
Sub Total (I)	432.32	58.36	122.02	251.94
II. Other than Power Sector PSUs				
The Pradeshiya Industrial and Investment Corporation of UP Limited	34.63	0.00	0.00	34.63
Uttar Pradesh Electronics Corporation Limited	53.62	2.16	6.47	44.99
Uttar Pradesh State Spinning Company Limited	38.83	4.99	13.29	20.55
Sub Total (II)	127.08	7.15	19.76	100.17
Grand Total	559.40	65.51	141.78	352.11

The above table indicate that out of total interest amount of ₹ 559.40 crore, ₹ 352.11 crore was outstanding for more than three years which indicates that these PSUs are not regular in paying interest.

Operating efficiency of Public Sector Undertakings

Turnover vis-à-vis Total Assets and Capital Employed in PSUs

2.5.1 The turnover, total assets and capital employed in respect of Power sector PSUs and Other than power sector PSUs for the last three years ending 31 March 2022 are given in Table 2.9.

Table 2.9: Turnover, Assets and Capital Employed of Power Sector and Other than Power Sector PSUs

(₹ in crore)					
Year	Type of PSUs	No. of PSUs	Turnover	Total Assets	Capital employed
Power Sector PSUs					
2019-20	Government companies	11	66,378.02	3,29,501.90	30,223.19
2020-21		11	67,006.25	4,10,377.35	1,14,120.68
2021-22		11	68,931.87	4,15,720.42	1,03,215.16
Other than Power Sector PSUs					
2019-20	Government companies	12	1,649.72	19,021.88	11,303.26
	Government controlled other companies	11	24.27	6,323.37	5,213.71
	Statutory Corporations	3	5,256.32	24,607.56	6,713.79
	Total	26	6,930.31	49,952.81	23,230.76
2020-21	Government companies	12	1,524.07	20,648.45	12,617.31
	Government controlled other companies	11	21.73	7,169.27	5,413.34
	Statutory Corporations	3	5,681.08	25,110.76	6,875.25
	Total	26	7,226.88	52,928.48	24,905.90
2021-22	Government companies	12	1,553.97	24,937.36	16,098.88
	Government controlled other Companies	11	21.73	7,377.37	5,413.35
	Statutory Corporations	3	5,681.08	25,110.76	6,875.25
	Total	26	7,256.78	57,425.49	28,387.48
2019-20	All PSUs	37	73,308.33	3,79,454.71	53,453.95
2020-21	All PSUs	37	74,233.13	4,63,305.83	1,39,026.58
2021-22	All PSUs	37	76,188.65	4,73,145.91	1,31,602.64

There was increase in turnover and total assets while decrease in capital employed in the year 2021-22 compared to the previous year in 37 PSUs covered in the Chapter. PSU-wise details of turnover, total assets and capital employed are given in **Appendix-2.1**.

In respect of 11 power sector PSUs, there was increasing trend in turnover and total assets during the period from 2019-20 to 2021-22 while capital employed has increased in 2020-21 and decreased in 2021-22 as compared to previous years. The increase in turnover was mainly in Purvanchal Vidyut Vitran Nigam Limited and Paschimanchal Vidyut Vitran Nigam Limited while increase in total assets was mainly in Uttar Pradesh Power Corporation Limited and Uttar Pradesh Power Transmission Corporation Limited. The increase in the capital employed in 2020-21 was mainly in Uttar Pradesh Power Corporation Limited, Purvanchal Vidyut Vitran Nigam Limited and Dakshinanchal Vidyut Vitran Nigam Limited while decrease in capital employed in 2021-22 was mainly in Uttar Pradesh Power Corporation Limited.

In respect of 26 other than power sector PSUs, turnover, total assets and capital employed has shown an increasing trend during the period 2019-20 to 2021-22 as compared to previous years. Increase in total assets and capital employed was mainly due to increase in total assets as well as capital employed of Uttar Pradesh Metro Rail Corporation Limited whereas increase in turnover was mainly due to increase in turnover of Uttar Pradesh Avs Evam Vikas Parishad.

Return on Capital Employed

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

RoCE is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed¹⁹. The details of RoCE of 11 Power Sector PSUs (All Government Companies) during the period from 2019-20 to 2021-22 are given in **Table 2.10**.

Table 2.10: Return on Capital Employed for Power Sector PSUs

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
Power Sector PSUs			
2019-20	619.76	30,223.19	2.05
2020-21	14,826.12	1,14,120.68	12.99
2021-22	-5,101.75	1,03,215.16	(-)4.94

The overall RoCE of the power sector PSUs ranged between (-) 4.94 *per cent* and 12.99 *per cent* during the period 2019-20 to 2021-22. RoCE of the power sector PSUs increased in 2020-21 mainly due to increase in EBIT of Uttar Pradesh Power Corporation Limited. RoCE of the power sector PSUs decreased in 2021-22 mainly due to decrease in EBIT of Uttar Pradesh Power Corporation Limited, Uttar Pradesh Power Transmission Corporation Limited and Madhyanchal Vidyut Vitran Nigam Limited.

The details of RoCE of 26 Other than Power Sector PSUs (12 Government Companies, 11 Government controlled other Companies and three Statutory

¹⁹ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure.

Corporations) during the period from 2019-20 to 2021-22 are given in **Table 2.11**.

Table 2.11: Return on Capital Employed for other than Power Sector PSUs

Year	Type of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (per cent)
2019-20	Government Companies	(-)179.35	11,303.26	(-)1.59
	Government controlled other Companies	28.97	5,213.71	0.56
	Statutory Corporation	195.37	6,713.79	2.91
	Total	44.99	23,230.76	0.19
2020-21	Government Companies	(-)229.66	12,617.31	(-)1.82
	Government controlled other Companies	2.92	5,413.34	0.05
	Statutory Corporation	277.47	6,875.25	4.04
	Total	50.73	24,905.90	0.20
2021-22	Government Companies	(-)232.41	16,098.88	(-)1.44
	Government controlled other Companies	2.92	5,413.35	0.05
	Statutory Corporation	277.47	6,875.25	4.04
	Total	47.98	28,387.48	0.17

Source: Figures compiled based on latest finalised accounts till 30 September 2022

The overall RoCE of the other than Power Sector PSUs ranged between 0.17 per cent and 0.20 per cent during the period from 2019-20 to 2021-22. RoCE of Government controlled other Companies as well as Statutory Corporations remained positive between the range of 0.05 per cent to 0.56 per cent and 2.91 per cent to 4.04 per cent respectively during 2019-20 to 2021-22. However, RoCE of Government Companies remained negative and ranged between (-) 1.44 per cent and (-) 1.82 per cent during 2019-20 to 2021-22.

The negative RoCE of Government Companies of other than power sector PSUs further increased in 2020-21 from previous year mainly due to decrease in EBIT and increase in capital employed of Uttar Pradesh Metro Rail Corporation Limited and Uttar Pradesh Purva Sainik Kalyan Nigam Limited. The negative RoCE decreased in 2021-22 from previous year mainly due to significant increase in capital employed of Uttar Pradesh Metro Rail Corporation Limited from ₹ 8,073.06 crore in 2020-21 to ₹ 11,709.19 crore in 2021-22.

The RoCE of Government controlled other Companies of other than power sector PSUs decreased from 0.56 per cent to 0.05 per cent which was mainly due to decrease in EBIT of DMIC Integrated Industrial Township Greater Noida Limited and Moradabad Smart City Limited and increase in capital employed of Varanasi Smart City Limited during 2019-20 to 2020-21.

The RoCE of Statutory Corporation of other than power sector PSUs increased from 2.91 per cent to 4.04 per cent which was mainly due to significant increase in EBIT of Uttar Pradesh Awas Evam Vikas Parishad from ₹ 29.25 crore in 2019-20 to ₹ 105.06 crore in 2020-21.

Return on Equity

2.5.3 Return on Equity (RoE)²⁰ is a measure of financial performance of a company/corporation calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed in terms of percentage of Shareholders' fund and can be calculated for any company/corporation if shareholders' fund is positive.

RoE of 11 Power Sector PSUs covered in the Chapter during the period from 2019-20 to 2021-22 is given in **Table 2.12**.

Table 2.12: Return on Equity in Power Sector PSUs

		(₹ in crore)		
Type of PSUs	Particulars	2019-20	2020-21	2021-22
Government Companies	Net Income/Total earnings for the year	-6,499.10	6,680.53	-15,399.66
	Shareholders' Fund	-50,030.12	6,603.68	(-)1,994.66
	RoE (in per cent)	-	101.16	-

Source: Figures compiled based on latest finalised accounts till 30 September 2022

In case of power sector PSUs, net income and shareholders' fund were negative in 2019-20 and 2021-22 and positive during 2020-21. It was observed that positive net income of power sector PSUs in 2020-21 was mainly on account of net profit of ₹ 17,378.72 crore shown by Uttar Pradesh Power Corporation Limited during the year as against Loss of ₹ (-) 3,158.92 crore in 2019-20. Audit further observed that net profit shown by Uttar Pradesh Power Corporation Limited during 2020-21 was mainly due to reversal of provisions amounting to ₹ 17,380.02 crore (Impairment of Assets: ₹ 17,111.68 crore and Other Provisions: ₹ 268.34 crore). In 2021-22, the net income of Power Sector PSUs again turned negative (₹ -15,399.66 crore).

Further, Shareholders fund of power sector PSUs became positive in 2020-21 mainly due to creation of General Reserve by Paschimanchal Vidyut Vitran Nigam limited and Dakshinanchal Vidyut Vitran Nigam Limited of ₹ 11,925.59 crore and ₹ 2,159.69 crore respectively on the basis of GoUP order dated 5 March 2021 for release of additional revenue subsidy over a period of 10 years commencing from 2021-22. Accordingly, Shareholders fund of Paschimanchal Vidyut Vitran Nigam limited and Dakshinanchal Vidyut Vitran Nigam Limited became positive ₹ 6,996.21 and ₹ 435.35 crore in 2020-21, which was ₹ (-) 2,067.34 and ₹ (-) 8,713.04 respectively in 2019-20.

As net income and shareholders' fund of power sector PSUs was negative in 2019-20 and 2021-22, RoE could not be worked out for these years. The positive RoE in 2020-21 was mainly on account of net profit of ₹ 17,378.72 crore shown by UPPCL during the year due to reversal of provisions amounting to ₹ 17,380.02 crore as discussed above. The negative shareholders' fund in 2021-22 indicates that the liabilities of these PSUs have exceeded the assets and instead of paying returns on the share capital, the accumulated losses have wiped out the entire share capital.

²⁰ Return on Equity = (Net Profit after Tax and preference Dividend/Equity) x 100 where equity = paid up capital + free reserves – accumulated losses – deferred revenue expenditure.

RoE of 26 Other than Power Sector PSUs (12 Government Companies, 11 Government controlled other Companies and three Statutory Corporations) covered in the chapter during the period from 2019-20 to 2021-22 is given in **Table 2.13**.

Table 2.13: Return on Equity in other than Power Sector PSUs

		(₹ in crore)		
		2019-20	2020-21	2021-22
Government Companies	Net Income/Total earnings for the year	-274.55	-347.47	-349.73
	Shareholders' Fund	3,564.34	3,960.11	4,537.18
	RoE (in per cent)	-7.70	-8.77	-7.71
Government controlled other Companies	Net Income/Total earnings for the year	17.00	-5.71	-5.71
	Shareholders' Fund	1,606.29	1,805.83	1,805.84
	RoE (in per cent)	1.06	-0.32	-0.32
Statutory Corporations	Net Income/Total earnings for the year	194.25	276.35	276.35
	Shareholders' Fund	6,678.79	6,840.25	6,840.25
	RoE (in per cent)	2.91	4.04	4.04
Total	Net Income/Total earnings for the year	-63.30	-76.83	-79.09
	Shareholders' Fund	11,849.42	12,606.19	13,183.27
	RoE (in per cent)	-0.53	-0.61	-0.60

Source: Figures compiled based on latest finalised accounts till 30 September 2022

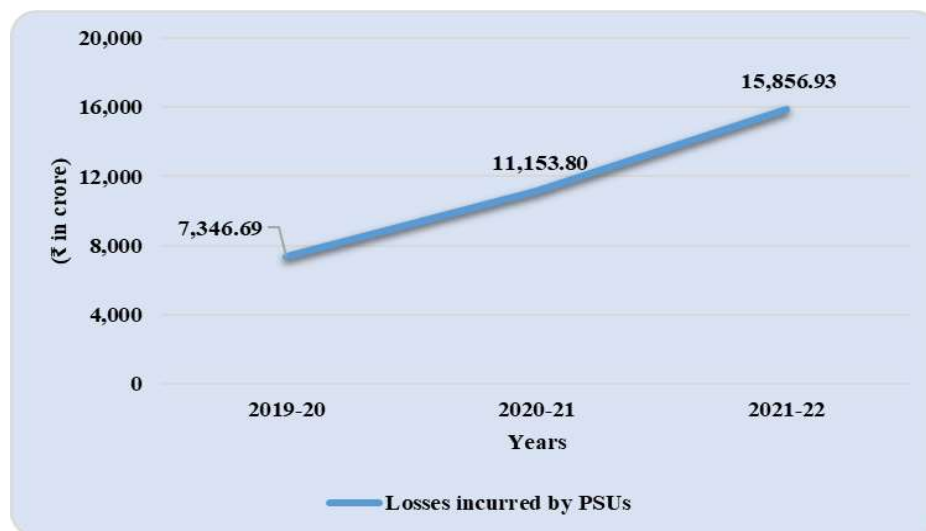
In case of other than power sector PSUs, overall RoE as well as RoE of Government Companies was negative during the years 2019-20 to 2021-22. However, the RoE of Statutory Corporations remained positive and ranged between 2.91 per cent and 4.04 per cent. RoE of Government controlled other Companies was positive during 2019-20 and it was negative in 2020-21 and 2021-22.

Public Sector Undertakings incurring losses

Losses incurred by Public Sector Undertakings

2.6.1 The losses incurred by PSUs during 2019-20 to 2021-22 are depicted in **Chart 2.4**.

Chart 2.4: Losses incurred by PSUs



Out of total 37 PSUs covered in the Chapter, 20 PSUs incurred losses during 2019-20 to 2020-21. The number of PSUs incurring losses has increased to 21 in 2021-22. These PSUs incurred losses amounting to ₹ 7,346.69 crore, ₹ 11,153.80 crore and ₹ 15,856.93 crore during 2019-20, 2020-21 and 2021-22

respectively. According to the latest finalised accounts of PSUs, top loss incurring PSUs were Uttar Pradesh Power Corporation Limited (₹ 8,305.27 crore), Dakshinanchal Vidyut Vitran Nigam Limited (₹ 2,957.52 crore) and Madyanchal Vidyut Vitran Nigam Limited (₹ 2,042.20 crore) during the year 2021-22 (**Appendix-2.1**).

Erosion of Net Worth

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

Table 2.14 indicates paid-up capital, accumulated profit/loss and net worth of the 11 power sector PSUs during the period 2019-20 to 2021-22 as per latest finalised accounts till 30 September 2022.

Table 2.14: Net worth of Power Sector PSUs during 2019-20 to 2021-22

(₹ in crore)				
Year	Paid-up Capital at the end of the year	Accumulated Profit (+)/Loss (-) at the end of the year	Deferred Revenue Expenditure	Net worth
(1)	(2)	(3)	(4)	(5)=(2)+(3)-(4)
2019-20	1,25,973.16	-1,76,003.10	0.18	-50,030.12
2020-21	1,36,548.49	-1,44,029.92	0.18	6,603.68 ²¹
2021-22	1,45,387.51	-1,60,387.42	0.18	-1,994.66 ²²

As on 31 March 2022²³, overall accumulated losses of 11 power sector PSUs were ₹ 1,60,387.42 crore. Of these, nine PSUs incurred losses amounting to ₹ 15,403.54 crore as per their latest finalised accounts. Further, two PSUs earned profit of ₹ 3.88 crore as per their latest finalised accounts. Out of two profit earning PSUs, one PSU²⁴ was having accumulated profit of ₹ 4.81 crore while other one PSU²⁵ was having accumulated losses of ₹ 419.30 crore.

Net worth of four power sector PSUs had been completely eroded due to accumulated losses. The net worth of these four PSUs²⁶ was (-) ₹ 62,500.04 crore against equity investment of ₹ 1,36,898.47 crore in these PSUs as on 31 March 2022 (**Appendix-2.1**). Net worth was less than half of the paid-up capital in respect of two²⁷ out of remaining seven²⁸ power sector PSUs, whose net worth was positive at the end of March 2022, indicating their potential financial sickness.

²¹ Net Worth: ₹ 1,36,548.49 crore (paid-up capital) - ₹ 1,44,029.92 crore (accumulated loss) - ₹ 0.18 crore (deferred revenue expenditure) + ₹ 11,925.60 crore (free reserve PVVNL) + ₹ 2,159.69 crore (free reserve DVVNL) = ₹ 6,603.68 crore.

²² Net Worth: ₹ 1,45,387.51 crore (paid-up capital) - ₹ 1,60,387.42 crore (accumulated loss) - ₹ 0.18 crore (deferred revenue expenditure) + ₹ 11,052.01 crore (free reserve PVVNL) + ₹ 1,953.42 crore (free reserve DVVNL) = - ₹ 1,994.66 crore.

²³ As per the latest finalised accounts till 30 September 2022.

²⁴ Jawaharpur Vidyut Utpadan Nigam Limited.

²⁵ Uttar Pradesh Jal Vidyut Nigam Limited.

²⁶ Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited, Uttar Pradesh Power Corporation Limited and UCM Coal Company Limited.

²⁷ Uttar Pradesh Jal Vidyut Nigam Limited and Madhyanchal Vidyut Vitran Nigam Limited.

²⁸ Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Uttar Pradesh Jal Vidyut Nigam Limited, Jawaharpur Vidyut Utpadan Nigam Limited, Paschimanchal Vidyut Vitran Nigam Limited, Uttar Pradesh Power Transmission Corporation Limited, Purvanchal Vidyut Vitran Nigam Limited and Madhyanchal Vidyut Vitran Nigam Limited.

Table 2.15 indicates paid-up capital, accumulated profit/loss and net worth of the 26 Other than Power Sector PSUs (12 Government Companies, 11 Government controlled other Companies and three Statutory Corporations) during the period 2019-20 to 2021-22 as per latest finalised accounts till 30 September 2022.

Table 2.15: Net worth of Other than Power Sector PSUs during 2019-20 to 2021-22

(₹ in crore)					
Year	Type of PSU	Paid up Capital at the end of the year	Accumulated Profit (+)/Loss (-) at the end of the year	Deferred revenue Expenditure	Net worth
(1)		(2)	(3)	(4)	(5)=(2)+(3)-(4)
2019-20	Government Companies	4,006.94	-442.60	0.00	3,564.34
	Government controlled other Companies	1,506.66	99.84	0.21	1,606.29
	Statutory Corporations	963.62	5,715.17	0.00	6,678.79
	Total	6,477.22	5,372.41	0.21	11,849.42
2020-21	Government Companies	4,750.74	-790.63	0.00	3,960.11
	Government controlled other Companies	1,656.91	149.32	0.40	1,805.83
	Statutory Corporations	963.62	5,876.63	0.00	6,840.25
	Total	7,371.27	5,235.32	0.40	12,606.19
2021-22	Government Companies	5,736.74	-1,199.56	0.00	4,537.18
	Government controlled other Companies	1,656.91	149.33	0.40	1,805.84
	Statutory Corporations	963.62	5,876.63	0.00	6,840.25
	Total	8,357.27	4,826.40	0.40	13,183.27

In case of other than power sector PSUs, as on 31 March 2022, out of 26 PSUs, nine PSUs had accumulated losses of ₹ 2,694.86 crore. Of these nine PSUs, as per their latest finalised accounts, seven PSUs incurred losses amounting to ₹ 441.24 crore and two PSUs had earned profit of ₹ 144.31 crore, though they had an accumulated losses of ₹ 907.55 crore.

Net worth of six²⁹ other than power sector PSUs had been completely eroded by accumulated losses and their net worth was (-) ₹ 279.23 crore against an equity investment of ₹ 143.50 crore as on 31 March 2022. However, out of six PSUs whose net worth had been eroded, one³⁰ PSU had earned profit of ₹ 1.61 crore as per their latest finalized accounts. In these six PSUs, Government loans outstanding as on 31 March 2022 amounted to ₹ 1,138.53 crore.

2.7 Conclusion

- As on 31 March 2022, the total investment (equity and long-term loans) in 37 PSUs, whose financial performance is covered in this report, was ₹ 2,80,732.97 crore. The investment consisted of 58.51 per cent towards equity and 41.49 per cent in long-term loans. Out of this, GoUP has investment of ₹ 1,55,400.63 crore in these PSUs consisting of equity of ₹ 1,52,384.09 crore and long-term loans of ₹ 3,016.54 crore.

²⁹ The Pradesiya Industrial and Investment Corporation of UP Limited, Prayagraj City Transport Services Limited, Aligarh Smart City Limited, Prayagraj Smart City Limited, Moradabad Smart City Limited and Noida International Airport Limited

³⁰ Noida International Airport Limited

- Out of 37 PSUs, 16 PSUs earned profit of ₹ 378.18 crore and 21 PSUs incurred loss of ₹ 15,856.93 crore as per their latest finalised accounts up to the year 2021-22. The major profit-making PSUs were Uttar Pradesh State Road Transport Corporation (₹ 142.70 crore) and Uttar Pradesh Awas Evam Vikas Parishad (₹ 105.16 crore). The major loss-making PSUs were Uttar Pradesh Power Corporation Limited (₹ 8,305.27 crore), Dakshinanchal Vidyut Vitran Nigam Limited (₹ 2,957.52 crore) and Madhyanchal Vidyut Vitran Nigam Limited (₹ 2,042.20 crore).
- As on 31 March 2022, differences in equity, loans and guarantee existed in respect of 74 PSUs. These differences between the figures are persisting since last many years, though the issue of reconciliation of differences was also taken up by the audit with the concerned PSUs and the Departments from time to time.
- Out of 14 PSUs having liability of interest-bearing loans during 2021-22, 11 PSUs had negative (less than one) interest coverage ratio which indicates that these PSUs could not generate sufficient revenue even to meet their expenses on interest.
- Net worth of 10 PSUs had been completely eroded due to accumulated losses. The net worth of these PSUs was (-) ₹ 62,779.27 crore against equity investment of ₹ 1,37,041.97 crore in these PSUs.

2.8 Recommendations

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