

## **Chapter-1**

# **Summary of Financial Performance of State Public Sector Enterprises**



# CHAPTER-1

## Summary of Financial Performance of State Public Sector Enterprises

This Chapter presents an analysis of the financial performance of State Public Sector Enterprises regarding government investments in equity and long-term loans, various ratios indicating the financial performance of State Public Sector Enterprises, and return on investment.

### 1.1 Introduction

The term State Public Sector Enterprises (SPSEs) encompasses Government Companies and Government Controlled Other Companies, incorporated under the Companies Act, 2013, and Statutory Corporations established under an Act of the Parliament or the State Legislature.

#### Government Company

A Government Company is defined under 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 such a Government Company.

#### Government Controlled Other Company

Any other company<sup>1</sup> owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, is referred to as a Government Controlled Other Company.

#### Statutory Corporation

A Corporation is set up under a statute enacted by the Parliament or the State Legislature.

As on 31 March 2023, there were 32 SPSEs in Uttarakhand under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Out of the 32 SPSEs, 27 were Government Companies, one was Government Controlled Other Companies, and four were Statutory Corporations. No SPSE was listed on any stock exchange. Further, out of the 32 SPSEs, 23 SPSEs<sup>2</sup> were functional, and nine SPSEs were inactive (including eight SPSEs under liquidation), which had ceased their operations. Based on the nature of activities undertaken by the SPSEs, the 23 functional SPSEs have been categorised into two sectors, *viz.*, Power Sector (four SPSEs) and Other than Power Sector (19 SPSEs).

#### 1.1.1 Audit mandate

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the

<sup>1</sup> Companies (Removal of Difficulties) Seventh Order, 2014 notified (04 September 2014) by the Ministry of Corporate Affairs, Government of India.

<sup>2</sup> 18 Government Companies, One Government Controlled Other Companies, and four Statutory Corporations.

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 Chartered Accountants as Statutory Auditors of Government Companies and Government Controlled Other Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit of the financial statements of these Companies.

The statutes governing Statutory Corporations either require the CAG to conduct the audit of their accounts as the sole auditor, or to conduct a supplementary audit after the audit is conducted by Chartered Accountants appointed under the respective statutes governing the Statutory Corporations.

### **1.1.2 Role of Government and Legislature**

The State Government exercises control over the affairs of the SPSEs through its administrative departments. The State Legislature also monitors the annual financial results of the SPSEs. For this, Annual Reports together with the Statutory Auditors' Reports and comments of the CAG on the accounts of Government Companies, and Separate Audit Reports on the accounts of Statutory Corporations are to be placed before the State Legislature under Sections 394/395 of the Companies Act, 2013 or as stipulated in the respective statutes governing the Statutory Corporations.

### **1.1.3 Status of financial statements**

Out of the 23 functional SPSEs, only five SPSEs had submitted their financial statements for the year 2022-23. Further, two SPSEs, viz., SIIDCUL Plastic Park Limited and Ecotourism Development Corporation of Uttarakhand, had not submitted even their first financial statements. The sector-wise status of financial statements submitted by the 21 SPSEs<sup>3</sup> up to 30 September 2023 is given in **Table-1.1**.

**Table-1.1: Sector-wise status of financial statements of functional SPSEs**

Sector	No. of SPSEs	Status of the latest financial statements submitted up to 30 September 2023		
		No. of SPSEs that submitted financial statements for the year 2022-23	No. of SPSEs that submitted financial statements for the year 2021-22	No. of SPSEs that submitted financial statements for the year 2020-21 or previous years
Power Sector	04	04	-	-
Other than Power Sector	17	01	07	09
<b>Total</b>	<b>21</b>	<b>05</b>	<b>07</b>	<b>09</b>

*Source: Compiled based on the latest finalised financial statements of the SPSEs.*

The financial position and working results of the 21 functional SPSEs as per their latest financial statements submitted up to 30 September 2023 are given in **Appendix-1.1** and summarised in **Table-1.2**.

<sup>3</sup> Excluding two SPSEs that had not submitted even their first financial statements up to 30 September 2023.

**Table-1.2: Summary of financial position and working results of functional SPSEs<sup>4</sup>**

Particulars	Amount (₹ in crore)
Paid-up share capital including share application money (21 SPSEs) <sup>5</sup>	4,001.62
Long-term loans (13 SPSEs)	5,027.21
Turnover (18 SPSEs)	12,569.17
Net profit (10 SPSEs)	231.34
Net loss (nine SPSEs)	(-),279.69
Zero Profit/Loss (two SPSEs)	--
Dividend declared/ paid (two SPSEs)	25.01
Total Assets	32,432.58
Net worth	(-) 180.72

Source: Compiled based on the latest finalised financial statements of the SPSEs.

### 1.1.4 Contribution of SPSEs to the Gross State Domestic Product

A ratio of turnover of the SPSEs to the Gross State Domestic Product (GSDP) shows the extent of their activities in the State economy. Sector-wise turnover<sup>6</sup> *vis-à-vis* share of turnover of the 18 functional SPSEs<sup>7</sup> in the GSDP of Uttarakhand for the year 2022-23 (₹ 3,03,781.00 crore)<sup>8</sup> is detailed in **Table 1.3**.

**Table-1.3: Sector-wise turnover *vis-à-vis* share of turnover of SPSEs in the GSDP of Uttarakhand**

Sl. No.	Sector	No. of SPSEs	Turnover (₹ in crore)	Share of turnover in GSDP (in per cent)
1.	Power Sector	03	9,936.49	3.27
2.	Other than Power Sector	15	2,632.68	0.87
<b>Total</b>		<b>18</b>	<b>12,569.17</b>	<b>4.14</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

From **Table-1.3**, it can be seen that the turnover (₹ 12,569.17 crore) of these 18 functional SPSEs was 4.14 *per cent* of the GSDP of Uttarakhand for the year 2022-23. The highest share of turnover in the GSDP was from the Power Sector, which contributed 3.27 *per cent*, while the Other than Power Sector contributed only 0.87 *per cent*.

## 1.2 Investment in SPSEs

Investment in SPSEs consists of equity and long-term loans provided by the Government of Uttarakhand (GoU). The GoU also provides financial support to the SPSEs in the form of grants and subsidies through annual budgets. The investment in the 23 functional SPSEs is discussed in the succeeding paragraphs.

### 1.2.1 GoU's stake in SPSEs

The sector-wise investment made by GoU in the 23 functional SPSEs, in the form of equity and long-term loans, as on 31 March 2023, is given in **Table-1.4**.

<sup>4</sup> The figures in Table 1.2 have been compiled based on financial data of SPSEs for different years as indicated in Table 1.1.

<sup>5</sup> Excluding two SPSEs *i.e.* SIIDCUL Plastic Park Limited and Ecotourism Development Corporation of Uttarakhand from whom even the first financial statement had not been received

<sup>6</sup> As per the latest finalised financial statements of the SPSEs received up to 30 September 2023.

<sup>7</sup> Out of 23 functional SPSEs, 18 SPSEs had Turnover.

<sup>8</sup> As per the data by the Directorate of Economics & Statistics, Department of Planning, GoU.

**Table-1.4: Details of investment made by GoU in SPSEs as on 31 March 2023**

Sector	No. of SPSEs	Total investment			Investment by GoU		
		Equity	Long-term loans	Total	Equity	Long-term loans	Total
Power Sector	04	3660.29	4431.49	8091.78	3655.29	618.28	4273.57
Other than Power Sector	19	370.67	399.03	769.70	334.23	331.73	665.96
<b>Total</b>	<b>23</b>	<b>4030.96</b>	<b>4830.52</b>	<b>8861.48</b>	<b>3989.52</b>	<b>950.01</b>	<b>4939.53</b>

Source: Information provided by the SPSEs and as per latest finalised financial statements.

From **Table-1.4**, it can be seen that GoU had invested ₹ 4,939.53 crore (Equity: ₹ 3,989.52 crore and Long-term loans: ₹ 950.01 crore) in the SPSEs, which accounted for 56 per cent of the total investment in these SPSEs. It can further be seen that 87 per cent of the total investment made by GoU in the SPSEs was in Power Sector SPSEs.

Further, the investment in equity and long-term loans in the 23 functional SPSEs as on 31 March 2022 and 31 March 2023 is given in **Table-1.5**.

**Table-1.5: Details of investment in equity and long-term loans in SPSEs**

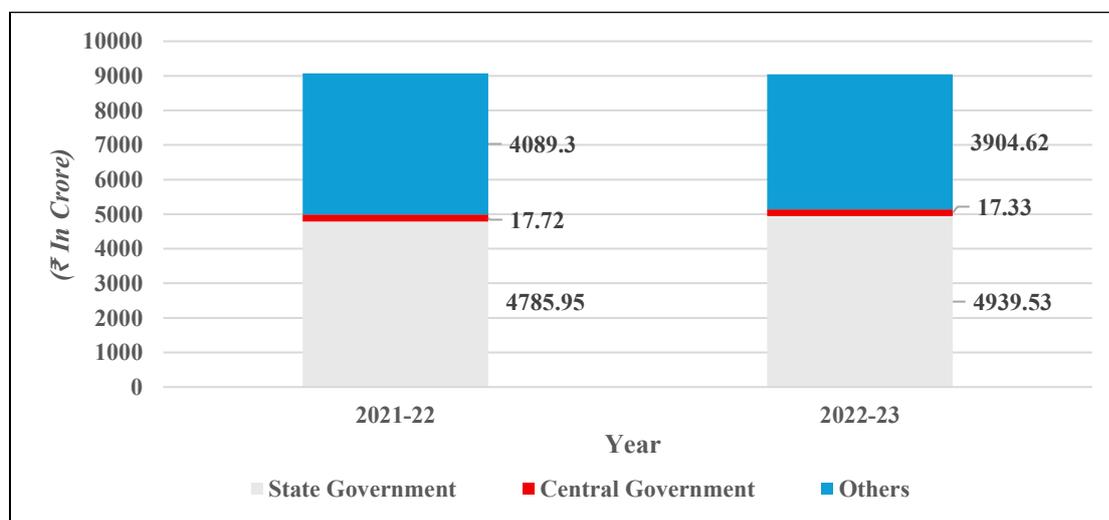
Particulars	As on 31 March 2022			As on 31 March 2023		
	Equity	Long-term loans	Total	Equity	Long-term loans	Total
State Government	3856.25	929.70	4785.95	3989.52	950.01	4939.53
Central Government	15.42	2.30	17.72	15.42	1.91	17.33
Others	16.03	4073.27	4089.30	26.02	3878.60	3904.62
<b>Total</b>	<b>3887.70</b>	<b>5005.27</b>	<b>8892.97</b>	<b>4030.96</b>	<b>4830.52</b>	<b>8861.48</b>
Share of GoU in total investment (in per cent)	99.19	18.57	53.82	98.97	19.67	55.74

Source: Compiled based on information provided by the SPSEs.

From **Table-1.5**, it can be seen that the total investment in the SPSEs decreased from ₹ 8,892.97 crore as on 31 March 2022 to ₹ 8,861.48 crore as on 31 March 2023.

The year-wise break-up of sources of total investment in the SPSEs at the end of the 2021-22 and 2022-23 is depicted in **Chart-1.1** below.

**Chart-1.1: Sources of total investment in SPSEs**



Source: Compiled based on information provided by the SPSEs.

### 1.2.2 Investment in equity by GoU

GoU invested an amount of ₹ 234.68 crore as equity in four SPSEs during the last two years 2021-22 and 2022-23. The equity infused by GoU in SPSEs increased from ₹ 101.41 crore in 2021-22 to ₹ 133.27 crore in 2022-23. Further, SPSE-wise equity infused by GoU during the two years 2021-22 and 2022-23 is given in **Table-1.6**.

**Table-1.6: SPSE-wise details of equity infused by GoU during 2021-22 and 2022-23**

Sl. No.	Name of the SPSE	Equity investment		
		2021-22	2022-23	Total
1.	Uttarakhand Power Corporation Limited	15.00	40.00	55.00
2.	Power Transmission Corporation of Uttarakhand Limited	20.00	69.00	89.00
3.	UJVN Ltd.	65.91	23.82	89.73
4.	Uttarakhand Alpsankhyak Kalyan Tatha Wakf Vikas Nigam	0.50	0.45	0.95
<b>Total</b>		<b>101.41</b>	<b>133.27</b>	<b>234.68</b>

Source: Compiled based on information provided by the SPSEs.

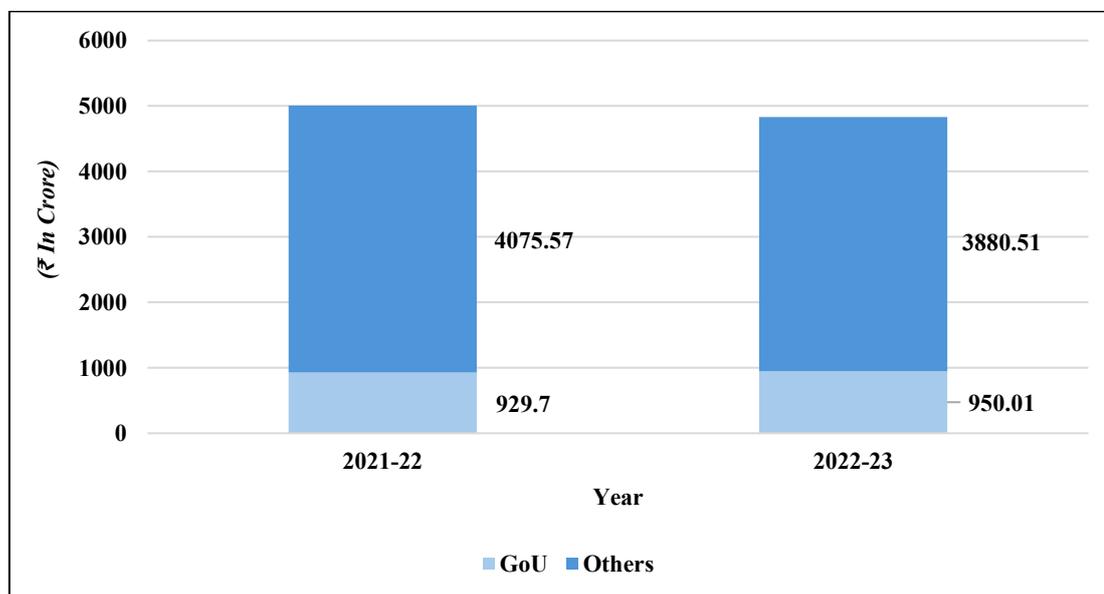
From **Table-1.6**, it can be seen that the maximum equity was infused in three Power Sector SPSEs viz., UJVN Limited (38.24 per cent), Power Transmission Corporation of Uttarakhand Limited (37.92 per cent), and Uttarakhand Power Corporation Limited (23.44 per cent).

### 1.2.3 Loans provided to SPSEs

On the basis of information furnished by the SPSEs, 10 functional SPSEs had total outstanding long-term loans aggregating to ₹ 4,830.52 crore as on 31 March 2023 against ₹ 5,005.27 crore as on 31 March 2022. Of these, loans from GoU stood at ₹ 950.01 crore (19.67 per cent) as on 31 March 2023 against ₹ 929.70 crore (18.57 per cent) as on 31 March 2022.

The year-wise position of outstanding long-term loans of SPSEs is depicted in **Chart-1.2**.

**Chart-1.2: Outstanding long-term loans of SPSEs**



Source: Compiled based on information provided by the SPSEs.

From **Chart-1.2**, it can be seen that the outstanding long-term loans given by GoU to the SPSEs increased from ₹ 929.70 crore as on 31 March 2022 to ₹ 950.01 crore as on 31 March 2023. Further, outstanding long-term loans from other sources decreased from ₹ 4,075.57 crore as on 31 March 2022 to ₹ 3,880.51 crore as on 31 March 2023.

#### 1.2.4 Other Budgetary Support

Apart from investing in equity and providing long-term loans to the SPSEs, GoU also provides financial support to the SPSEs in the form of grants and subsidies through annual budgets. The details of budgetary support extended by GoU to SPSEs in the form of grants and subsidies during the last two years ended 31 March 2023 are summarised in **Table-1.7**. During the above period, GoU also provided guarantees to SPSEs seeking financial assistance from banks and financial institutions.

**Table-1.7: Details of budgetary support and guarantees provided by GoU to SPSEs**

Particulars	(₹ in crore)			
	2021-22		2022-23	
	No. of SPSEs	Amount	No. of SPSEs	Amount
Grants and Subsidies	09	1284.27	11	2097.31
Guarantees issued during the year	04	318.71	03	225.57
Outstanding guarantee commitments at the end of the year	04	186.48	03	101.18

Source: Compiled based on information provided by the SPSEs.

From **Table-1.7**, it can be seen that budgetary support by GoU to SPSEs in the form of grants and subsidies increased from ₹ 1,284.27 crore in 2021-22 to ₹ 2,097.31 crore in 2022-23.

#### 1.2.5 Investment and other budgetary support to SPSEs with accounts in arrears

The Administrative Departments have the responsibility to oversee the activities of the SPSEs and to ensure that the accounts are finalised and adopted by the SPSEs within the stipulated period. The concerned Administrative Departments are regularly<sup>9</sup> informed about the status of accounts in arrears by the Principal Accountant General/ Accountant General.

Out of the 23 functional SPSEs, GoU provided budgetary support of ₹ 2,208.10 crore (equity: ₹ 13.20 crore; long-term loans: ₹ 46.17 crore; grants and subsidies: ₹ 2,148.73 crore) to 10 SPSEs during the period for which accounts of these SPSEs were in arrears as on 31 March 2023. SPSE-wise details of investments made and other budgetary support provided by GoU during the period for which accounts were in arrears are given in **Appendix-1.2**.

In the absence of finalisation of accounts and their subsequent audit, it could not be ensured that the purpose for which the amount was invested/provided, was achieved. The investment/other budgetary support by GoU in these SPSEs, therefore, remained outside the oversight of the State Legislature.

<sup>9</sup> On quarterly basis.

### 1.2.6 Reconciliation with the Finance Accounts of GoU

The figures in respect of equity, long-term loans and guarantees outstanding as per records of the SPSEs should agree with the figures appearing in the Finance Accounts of GoU. In case, the figures do not agree, the concerned SPSE and the Finance Department of GoU should carry out reconciliation of the differences. The differences in figures of equity, loans and guarantees<sup>10</sup> as on 31 March 2023 are given in **Table-1.8**.

**Table-1.8: Details of equity, loans, and guarantees outstanding as per the Finance Accounts of GoU vis-à-vis records of SPSEs**

Particular	(₹ in crore)	
	Amount as per the records of SPSEs	Amount as per the Finance Accounts
Equity	3989.52	4043.90
Loans	950.01	731.13
Guarantee	101.18	33.45

Source: Compiled based on information provided by the SPSEs and Finance Accounts for the year 2022-23.

### 1.2.7 Winding up of inactive SPSEs

There were nine inactive SPSEs (including eight under liquidation) in the State. These SPSEs had an investment of ₹ 16.26 crore, towards capital ₹ 12.14 crore (State Government: ₹ 9.45 crore and Others: ₹ 2.69 crore) and long-term loans ₹ 4.12 crore (State Government: ₹ 4.09 crore and Others: ₹ 0.03 crore) as per the latest information provided by the SPSEs. This is a critical area as the investments in inactive SPSEs do not contribute to the economic growth of the State. GoU may take urgent and appropriate action regarding these SPSEs.

## 1.3 Analysis of loans

As per the latest finalised financial statements submitted by the SPSEs up to 30 September 2023, out of 23 functional SPSEs, 13 SPSEs had outstanding long-term loans aggregating to ₹ 5027.21 crore as detailed in **Appendix-1.1**. An analysis of loans of these SPSEs was done to assess the ability of the SPSEs to service the debt owed to GoU, Banks, and other Financial Institutions. This was assessed based on the interest coverage ratio and the ratio of total assets to long-term debts. Further, an age-wise analysis of interest outstanding on GoU loans was also done. The results of the analysis are discussed in the succeeding paragraphs.

### 1.3.1 Interest Coverage Ratio

The interest coverage ratio is used to determine the ability of an entity to pay interest on outstanding debt and is calculated by dividing the entity's earnings before interest and taxes (EBIT) by interest expenses for the same period. The lower the ratio, the less is the ability of the entity to pay interest on debt. An interest coverage ratio below one indicates that the entity is not generating sufficient income to meet its expenses on interest. The details of the interest coverage ratio of 12 SPSEs that had outstanding loans and finance cost, as per the latest finalised financial statements, are given in **Table-1.9**.

<sup>10</sup> Equity in respect of 20 SPSEs, Loan in respect of eight SPSEs and Guarantee in respect of three SPSEs.

**Table-1.9: Details of Interest Coverage Ratio of SPSEs**

Type of SPSE	No. of SPSEs that had outstanding loans and finance cost	Interest (₹ in crore)	EBIT (₹ in crore)	No. of SPSEs with an interest coverage ratio equal to or more than one	No. of SPSEs with an interest coverage ratio of less than one
Government Companies	10	429.03	-611.16	5	5
Government Controlled Other Companies	1	2.17	-2.65	-	1
Statutory Corporations	1	8.35	-10.95	-	1
<b>Total</b>	<b>12<sup>11</sup></b>	<b>439.55</b>	<b>- 624.76</b>	<b>5</b>	<b>7</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

From **Table-1.9**, it can be seen that seven SPSEs had an interest coverage ratio of less than one, which indicates that these SPSEs could not generate sufficient income to pay off their interest liability.

### 1.3.2 Adequacy of assets to meet long-term loan liabilities

The ratio of long-term loans to total assets is one of the methods used to determine whether an entity can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its long-term loans. Coverage of long-term loans by value of total assets in the 21 SPSEs, as per the latest finalised financial statements, is given in **Table-1.10**.

**Table-1.10: Details of coverage of long-term loans with total assets of SPSEs**

Type of SPSE	Positive coverage				Negative coverage			
	No. of SPSEs	Long-term loans (₹ in crore)	Total assets (₹ in crore)	Ratio of total assets to total long-term loans	No. of SPSEs	Long-term loans (₹ in crore)	Total Assets (₹ in crore)	Ratio of total assets to total long-term loans
Government Companies	15	4770.56	22710.94	4.76	1	131.14	105.66	0.81
Government Controlled Other Companies	1	19.5	78.89	4.05	0	0	0	0
Statutory Corporations	4	106.01	9537.09	89.96	0	0	0	0
<b>Total</b>	<b>20</b>	<b>4896.07</b>	<b>32326.92</b>	<b>6.60</b>	<b>1</b>	<b>131.14</b>	<b>105.66</b>	<b>0.81</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

From **Table-1.10**, it can be seen that out of the 21 SPSEs, the value of total assets in 20 SPSEs exceeded the outstanding long-term loans, whereas only one SPSE, viz. Doiwala Sugar Company Limited had total assets lower than the outstanding long-term loans.

### 1.3.3 Servicing of interest charges and repayment of principal

Out of the 13 SPSEs that had loan liability, top three SPSEs, as given in **Table-1.11**, had defaulted in servicing their debt (principal/interest charges) as per the Statutory Auditors' Report on the latest finalised financial statements.

<sup>11</sup> One SPSE i.e. Uttarakhand Transport Corporation has loan liability but finance cost (interest) is reimbursed by GoU. Thus, finance cost is "Nil".

Table-1.11: Details of SPSEs that defaulted in servicing their debt

(₹ in crore)

Sl. No.	Name of the SPSE	Source of loan	Year of latest finalised financial statements	Amount of default
1.	UJVN Limited	GoU	2022-23	42.03
2.	Doiwala Sugar Company Limited	GoU and Mandi Parishad	2021-22	388.33
3.	Uttarakhand Seeds & Tarai Development Corporation Limited	GoU and Bank	2021-22	2.11
<b>Total</b>				<b>432.47</b>

Source: Compiled based on the Statutory Auditors' Reports.

From Table-1.11, it can be seen that the highest amount of default (89.79 per cent of the total default amount) in the servicing of debt was on the part of Doiwala Sugar Company Limited.

### 1.3.4 Age-wise analysis of interest outstanding on GoU loans

On the basis of information furnished by the SPSEs, interest of ₹ 512.36 crore was outstanding against four SPSEs on long-term loans provided by GoU as on 31 March 2023. The age-wise analysis of interest outstanding on GoU loans is depicted in Table-1.12.

Table-1.12: Age-wise details of interest outstanding on GoU loans

(₹ in crore)

Sl. No.	Name of the SPSE	Total outstanding interest on GoU loans	Interest outstanding for less than 1 year	Interest outstanding for 1 year to 3 years	Interest outstanding for more than 3 years
1.	UJVN Ltd.	10.16	3.33	4.17	2.66
2.	Doiwala Sugar Company Limited	273.12	21.29	63.87	187.96
3.	Kichha Sugar Company Limited	223.79	0	0	223.79
4.	Uttarakhand Seeds & Tarai Development Corporation Ltd.	5.29	0.88	2.82	1.59
<b>Total</b>		<b>512.36</b>	<b>25.50</b>	<b>70.86</b>	<b>416.00</b>

Source: Compiled based on information provided by the SPSEs.

From Table-1.12, it can be seen that a major part of the interest outstanding for more than three years pertained to two SPSEs, viz. Doiwala Sugar Company Limited and Kichha Sugar Company Limited.

### 1.4 Liquidity analysis of SPSEs

Current Ratio is a liquidity ratio that measures an entity's ability to pay its short-term obligations or those dues that are payable within one year. It compares the entity's current assets with its current liabilities. It is a useful measure of an entity's short-term solvency. A current ratio of less than one indicates that the entity's short-term obligations are greater than its short-term assets, and it is not able to pay off such dues with its available current assets. A current ratio of more than one indicates that the entity has sufficient short-term assets to meet its short-term obligations. The formula for current ratio is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Audit analysed the current ratio of the 21 functional SPSEs<sup>12</sup>, as per their latest finalised financial statements, and observed that seven SPSEs had a current ratio of less than one at the year-end, which indicates that these SPSEs did not have sufficient short-term assets to meet their short-term obligations. Details of SPSEs with a current ratio of less than one are given in **Table-1.13**.

**Table-1.13: Details of SPSEs with a current ratio of less than one**

Sl. No.	Name of the SPSE	Year of latest finalised financial statements	Current Assets (₹ in crore)	Current Liabilities (₹ in crore)	Current Ratio
1.	Uttarakhand Power Corporation Limited	2022-23	1442.78	7786.93	0.19
2.	Doiwala Sugar Company Limited	2021-22	103.05	526.56	0.20
3.	Kichha Sugar Company Limited	2021-22	149.92	426.13	0.35
4.	Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Limited	2022-23	2.78	6.43	0.43
5.	Uttarakhand Seeds & Tarai Development Corporation Ltd.	2021-22	63.51	72.85	0.87
6.	Uttarakhand Transport Corporation	2019-20	159.41	435.63	0.37
7.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2021-22	1033.66	2086.88	0.50

Source: Compiled based on the latest finalised financial statements of the SPSEs.

#### 1.4.1 Return on investment in SPSEs

The return on investment in SPSEs was assessed using the Return on Equity and Return on Capital Employed ratios. Further, the dividend payout by profit-earning SPSEs was also analysed. The results of the analysis are discussed in the succeeding paragraphs.

#### 1.4.2 Return on Equity

Return on Equity (ROE) is a measure of financial performance that assesses how effectively the management is using an entity's assets to generate profits. It is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any entity where shareholders' fund is positive. Shareholders' fund of an entity is calculated by adding paid-up capital and free reserves, net of accumulated losses and deferred revenue expenditure. It represents the amount that would be left for the entity's stakeholders if all assets were sold and debts paid off. A positive shareholders' fund indicates that the entity has sufficient assets to cover its liabilities, while a negative shareholders' fund means that liabilities exceed assets.

Out of the 21 SPSEs, seven SPSEs had negative shareholders' fund. Audit computed the ROE for the remaining 14 SPSEs based on their latest finalised financial statements and observed that nine SPSEs had a positive ROE, three SPSEs had a negative ROE<sup>13</sup>, and two SPSEs had a 'Nil' ROE<sup>14</sup>, as detailed in **Table-1.14**.

<sup>12</sup> Excluding two SPSEs that have not submitted their first financial statements.

<sup>13</sup> The ROE was negative as these SPSEs had incurred losses, as per their latest finalised financial statements.

<sup>14</sup> The ROE was 'Nil' as these SPSEs had neither earned profits nor incurred losses, as per their latest finalised financial statements.

Table-1.14: Details of Return on Equity of SPSEs

Type of SPSE	No. of SPSEs having a negative ROE	No. of SPSEs having a 'Nil' ROE	No. of SPSEs having a positive ROE	
			Up to 10 per cent	Above 10 per cent
Government Companies	3	2	3	4
Government Controlled Other Companies	-	-	-	-
Statutory Corporations	-	-	1	1
<b>Total</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>5</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

Further, the sector-wise ROE of the above mentioned 14 SPSEs is given in Table-1.15.

Table-1.15: Sector-wise Return on Equity

Sector	No. of SPSEs	Net income (₹ in crore)	Shareholders' fund (₹ in crore)	ROE (in per cent)
Power	3	137.51	3802.32	3.62
Other than Power	11	62.16	1116.52	5.57
<b>Total</b>	<b>14</b>	<b>199.67</b>	<b>4918.84</b>	<b>4.06</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

From Table-1.15, it can be seen that while the Power Sector had ROE of 3.62 per cent, the Other than Power Sector had ROE of 5.57 per cent.

### 1.4.3 Erosion of Net Worth

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

The paid-up capital, free reserves and surplus/accumulated losses, deferred revenue expenditure, and net worth of the 21 SPSEs<sup>15</sup>, as per their latest finalised financial statements, are detailed in Appendix-1.1 and summarised in Table-1.16.

Table-1.16: Details of Net worth of SPSEs

(₹ in crore)

Type of SPSE	Paid-up capital	Free reserves and surplus (+)/ accumulated losses (-)	Deferred revenue expenditure	Net Worth
Government Companies	3758.57	-3847.64	Nil	-89.07
Government Controlled Other Companies	4.08	-29.68		-25.60
Statutory Corporations	238.97	-305.02		-66.05
<b>Total</b>	<b>4001.62</b>	<b>-4182.34</b>		<b>-180.72</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

An analysis of the net worth of the 21 SPSEs revealed that, the net worth of six SPSEs had completely eroded, as per their latest finalised financial statements. The paid-up capital, and free reserves and surplus of these SPSEs were ₹ 1,796.68 crore, while the accumulated losses stood at (-) ₹ 6,588.68 crore. The details of these six SPSEs, are given in Table-1.17.

<sup>15</sup> Two SPSEs did not submit their first accounts.

**Table-1.17: Details of SPSEs with maximum net worth erosion**

(₹ in crore)

Sl. No.	Name of the SPSE	Eroded net worth
1	Uttarakhand Power Corporation Limited	-3758.16
2	Doiwala Sugar Company Limited	-435.65
3	Kichha Sugar Company Limited	-276.41
4	Uttarakhand Metro Rail, Urban Infrastructure & Building Construction Limited	-3.06
5	Uttarakhand Seeds & Tarai Development Corporation Limited	-25.60
6	Uttarakhand Transport Corporation	-293.12
	<b>Grand Total</b>	<b>-4792.00</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

#### 1.4.4 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures an entity's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing the EBIT by the capital employed<sup>16</sup>. Out of the 21 SPSEs, seven SPSEs had negative capital employed. Audit computed the ROCE of the remaining 14 SPSEs, based on their latest finalised financial statements, and observed that nine SPSEs had a positive ROCE, three SPSEs had a negative ROCE, and two SPSEs had 'Nil' ROCE, as detailed in **Table-1.18**.

**Table-1.18: Details of Return on Capital Employed of SPSEs**

Type of SPSE	No. of SPSEs with a negative ROCE	No. of SPSEs with 'Nil' ROCE	No. of SPSEs with a positive ROCE	
			Up to 10 per cent	Above 10 per cent
Government Companies	3	2	4	3
Government Controlled Other Companies	-	-	-	-
Statutory Corporations	-	-	1	1
<b>Total</b>	<b>3</b>	<b>2</b>	<b>5</b>	<b>4</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

Further, the sector-wise ROCE of all 21 SPSEs is detailed in **Table 1.19**.

**Table 1.19: Sector-wise Return on Capital Employed**

(₹ in crore)

Sl. No.	Sector	No. of SPSEs	EBIT	Capital employed	ROCE (in per cent)
1.	Power Sector	4	-666.83	4475.66	-14.90
2.	Other than Power Sector	17	108.85	370.83	29.35
	<b>Total</b>	<b>21</b>	<b>-557.98</b>	<b>4846.49</b>	<b>-11.51</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

From Table-1.19, it can be seen that while the Power Sector had ROCE of (-) 14.90 per cent, the Other than Power Sector had ROCE of 29.35 per cent.

#### 1.4.5 Dividend Payout in SPSEs

The GoU has not formulated any dividend policy under which SPSEs are required to pay a minimum dividend on the paid-up share capital contributed by the State

<sup>16</sup> Capital employed = Paid-up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure.

Government. Out of ten SPSEs<sup>17</sup> which earned profit as per their latest finalised accounts, only two power sector SPSEs namely UJVN Limited and Power Transmission Corporation of Uttarakhand Limited paid/declared dividend amounting to ₹ 20.01 crore and ₹ 5.00 crore respectively.

## 1.5 Operating efficiency of SPSEs

The operating efficiency of the SPSEs was assessed by analysing the profits earned and losses incurred by them. Further, their Net Profit Margin against Turnover was also assessed. The results of the analysis are discussed in the succeeding paragraphs.

### 1.5.1 Profits earned by SPSEs

As per the latest finalised financial statements, 10 SPSEs earned profits aggregating to ₹ 231.34 crore. Details of the four SPSEs that earned a profit of ₹ 20 crore or more are given in **Table-1.20**.

**Table-1.20: Details of SPSEs that earned a profit of ₹ 20 crore or more**

Sl. No.	Name of the SPSE	Year of latest finalised financial statements	Net profit after tax (₹ in crore)	Percentage of profit to total profit of SPSEs
1.	Power Transmission Corporation of Uttarakhand Limited	2022-23	21.87	9.45
2.	UJVN Limited	2022-23	115.64	49.99
3.	Kichha Sugar Company Limited	2021-22	20.26	8.76
4.	Uttarakhand Forest Development Corporation	2020-21	48.65	21.03
<b>Total</b>			<b>206.42</b>	<b>89.23</b>

*Source: Compiled based on the latest finalised financial statements of the SPSEs.*

From **Table-1.20**, it can be seen that the above mentioned four SPSEs contributed about 89 per cent of the total profit (₹ 231.34 crore) earned by the 10 SPSEs, with UJVN Limited alone accounting for about 50 per cent of the total profit.

### 1.5.2 Losses incurred by SPSEs

As per the latest finalised financial statements, nine SPSEs incurred losses aggregating to ₹ 1,279.69 crore. Details of the top three SPSEs that incurred losses of ₹ 1,259.53 crore are given in **Table-1.21**.

**Table-1.21: Details of top three SPSEs that incurred losses of ₹ 1,259.53 crore**

Sl. No.	Name of the SPSE	Year of latest finalised financial statements	Amount of loss	Percentage of loss to total loss of SPSEs
1.	Uttarakhand Power Corporation Limited	2022-23	1223.64	95.62
2.	Doiwala Sugar Company Limited	2021-22	16.59	1.30
3.	Uttarakhand Pey Jal Sansadhan Vikas Evam Nirman Nigam	2021-22	19.30	1.51
<b>Total</b>			<b>1259.53</b>	<b>98.43</b>

*Source: Compiled based on the latest finalised financial statements of the SPSEs.*

<sup>17</sup> One SPSE viz, Kichha Sugar Company Limited had accumulated losses of ₹ 294.40 crore as per its latest finalized financial statement.

From **Table-1.21**, it can be seen that the above mentioned three SPSEs accounted for more than 98 *per cent* of the total loss (₹ 1,279.69 crore) incurred by the nine SPSEs, with Uttarakhand Power Corporation Limited alone contributing around 96 *per cent* of the total loss.

### 1.5.3 Net Profit Margin against Turnover

Net Profit Margin against Turnover measures the profit generated as a percentage of turnover during a period. It is a key indicator of an entity's financial health. It helps stakeholders in assessing the operational efficiency of the entity and determining if the entity is generating adequate earnings from its turnover. It is calculated as the percentage of net profit relative to the entity's turnover.

Out of the 21 SPSEs, nine SPSEs incurred losses, two SPSEs reported no profit or loss, and three<sup>18</sup> SPSEs reported 'Nil' turnover, as per their latest finalised financial statements. Details of the Net Profit Margin against Turnover of the remaining 10 SPSEs are given in **Table-1.22**.

**Table-1.22: Details of Net Profit Margin against Turnover of SPSEs**

Type of SPSE	No. of SPSEs with net profit margin less than 10 <i>per cent</i>	No. of SPSEs with net profit margin between 10 and 20 <i>per cent</i>	No. of SPSEs with net profit margin above 20 <i>per cent</i> <sup>19</sup>
Government Companies	5	1	2
Government Controlled Other Companies	-	-	-
Statutory Corporations	1	-	1
<b>Total</b>	<b>6</b>	<b>1</b>	<b>3</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

Further, the sector-wise Net Profit Margin against Turnover of the above mentioned 10 SPSEs is given in **Table-1.23**.

**Table-1.23: Sector-wise Net Profit Margin against Turnover**

Sector	No. of SPSEs	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net Profit Margin (in <i>per cent</i> )
Power	2	137.51	1,382.19	9.95
Other than Power	8	93.83	1,564.66	6.00
<b>Total</b>	<b>10</b>	<b>231.34</b>	<b>2946.85</b>	<b>7.85</b>

Source: Compiled based on the latest finalised financial statements of the SPSEs.

<sup>18</sup> Included in SPSEs which incurred losses/no profit-no loss.

<sup>19</sup> Ranging between 22.63 *per cent* and 261.76 *per cent*.