

CHAPTER–I
Financial Performance of State
Public Sector Enterprises

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

Introduction

1.1 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 company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, is referred to 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 113 SPSEs in Uttar Pradesh under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Out of the 113 SPSEs, 86 were Government Companies, 21 were Government Controlled Other Companies, and six were Statutory Corporations. No SPSEs were listed on any stock exchange. Further, out of the 113 SPSEs, 72 SPSEs² were functional, and 41 SPSEs³ were inactive (including 13 under liquidation), which had ceased their operations. Based on the nature of activities undertaken by the SPSEs, the 72 functional SPSEs have been categorised into two sectors, *viz.*, Power Sector (12 SPSEs) and Other than Power Sector (60 SPSEs).

Audit mandate

1.2 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 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

¹ Companies (Removal of Difficulties) Seventh Order, 2014 notified (4 September 2014) by the Ministry of Corporate Affairs, Government of India.

² 47 Government Companies, 19 Government Controlled Other Companies, and six Statutory Corporations.

³ 39 Government Companies and two Government Controlled Other Companies.

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 such 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.

Role of Government and Legislature

1.3 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.

Status of financial statements

1.4 Out of the 72 functional SPSEs, only 10 SPSEs had submitted their financial statements for the year 2022-23 up to 30 September 2023. Further, four SPSEs, viz., Lucknow City Transport Services Limited (Date of Incorporation - 1 February 2010), Agra-Mathura City Transport Services Limited (Date of Incorporation – 8 July 2010), Varanasi City Transport Services Limited (Date of Incorporation – 15 June 2010), and Uttar Pradesh Rajya Krishi Evam Gramin Vikas Nigam Limited (Date of Incorporation – 4 October 2018), had not submitted even their first financial statements. The sector-wise status of financial statements submitted by the 68 SPSEs⁴ 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	12	6	5	1
Other than Power Sector	56	4	12	40
Total	68	10	17	41

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

The financial position and working results of the 68 functional SPSEs as per their latest finalised financial statements submitted up to 30 September 2023 are given in **Appendix 1.1** and summarised in **Table 1.2**.

⁴ Excluding four 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 SPSEs⁵

Particulars	Amount
Paid-up share capital including share application money (65 SPSEs) ⁶	₹ 2,69,767.43 crore
Loan (38 SPSEs)	₹ 1,22,425.56 crore
Turnover	₹ 92,696.60 crore
Net profit after finance cost & tax (39 SPSEs)	₹ 2,169.50 crore
Net loss after finance cost & tax (27 SPSEs)	(-) ₹ 32,393.08 crore
Zero Profit/Loss after finance cost & tax (2 SPSEs)	--
Total Assets	₹ 5,56,531.58 crore
Net worth	₹ 85,820.10 crore

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

Contribution of SPSEs to the Gross State Domestic Product

1.5 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 turnover⁷ *vis-à-vis* share of turnover of the 68 functional SPSEs in the Gross State Domestic Product (GSDP) of Uttar Pradesh for the year 2022-23 (₹ 22,57,575 crore)⁸ is detailed in **Table 1.3**.

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

Sl. No.	Sector	No. of SPSEs	Turnover (₹ in crore)	Share of turnover in GSDP (in per cent)
1.	Power Sector	12	77,053.32 ⁹	3.41
2.	Other than Power Sector	56	15,643.28	0.69
Total		68	92,696.60	4.10

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

From **Table 1.3**, it can be seen that the turnover (₹ 92,696.60 crore) of these 68 functional SPSEs was 4.10 *per cent* of the Gross State Domestic Product (GSDP) of Uttar Pradesh (₹ 22,57,575 crore) for the year 2022-23. The highest share of turnover in the GSDP was from the Power Sector, which contributed 3.41 *per cent*, while the Other than Power Sector contributed only 0.69 *per cent*.

Investment in SPSEs

1.6 Investment in SPSEs consists of equity and long-term loans provided by the Government of Uttar Pradesh (GoUP). The GoUP also provides financial support to the SPSEs in the form of grants and subsidies through annual budgets. The investment in the 72 functional SPSEs is discussed in the succeeding paragraphs.

⁵ The figures in Table 1.2 have been compiled based on financial data of SPSEs for different years as indicated in Table 1.1.

⁶ There was no paid-up capital in the case of Uttar Pradesh Jal Nigam, Uttar Pradesh Forest Corporation, and Uttar Pradesh Avas Evam Vikas Parishad.

⁷ As per the latest finalised financial statements of the SPSEs received up to 30 September 2023.

⁸ As per the data published by the Ministry of Statistics and Programme Implementation, Government of India.

⁹ Excluding the turnover of Uttar Pradesh Power Corporation Limited (Holding Company of DISCOMs), as its turnover becomes the purchase of power of DISCOMs, which is further sold by DISCOMs.

GoUP's stake in SPSEs

1.7 The sector-wise investment made by GoUP in the 72 functional SPSEs, in the form of equity and long-term loans, as on 31 March 2023, is given in **Table 1.4**.

Table 1.4: Details of investment made by GoUP in SPSEs as on 31 March 2023

(₹ in crore)

Sector	No. of SPSEs	Total investment			Investment by GoUP		
		Equity	Long-term loans	Total	Equity	Long-term loans	Total
Power Sector	12	2,56,815.30	1,13,418.40	3,70,233.70	1,57,818.01	64.65	1,57,882.66
Other than Power Sector	60	25,713.99	16,821.20	42,535.19	11,500.47	4,949.91	16,450.38
Total	72	2,82,529.29	1,30,239.60	4,12,768.89	1,69,318.48	5,014.56	1,74,333.04

Source: Compiled based on information provided by the SPSEs

From **Table 1.4**, it can be seen that GoUP had invested ₹ 1,74,333.04 crore (Equity - ₹ 1,69,318.48 crore and Long-term loans - ₹ 5,014.56 crore) in the SPSEs, which accounted for 42 per cent of the total investment in these SPSEs. It can further be seen that 91 per cent of the total investment made by GoUP in the SPSEs was in Power Sector SPSEs.

Further, the investment in equity and long-term loans in the 72 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

(₹ in crore)

Particulars	As on 31 March 2022			As on 31 March 2023		
	Equity	Long-term loans	Total	Equity	Long-term loans	Total
State Government	1,56,855.64	4,023.07	1,60,878.71	1,69,318.48	5,014.56	1,74,333.04
Central Government	4,103.89	812.00	4,915.89	4,159.10	979.03	5,138.13
Others ¹⁰	99,136.09	1,32,345.00	2,31,481.09	1,09,051.71	1,24,246.01	2,33,297.72
Total	2,60,095.62	1,37,180.07	3,97,275.69	2,82,529.29	1,30,239.60	4,12,768.89
Share of GoUP in total investment (in per cent)	60.31	2.93	40.50	59.93	3.85	42.24

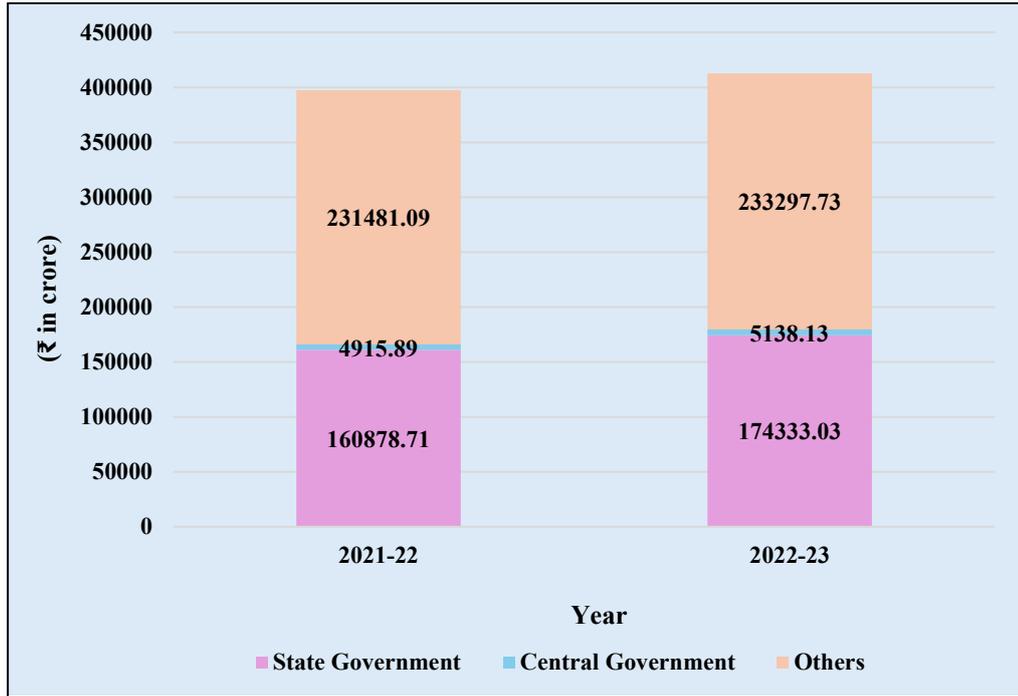
Source: Compiled based on information provided by the SPSEs

From **Table 1.5**, it can be seen that the total investment in the SPSEs increased from ₹ 3,97,275.69 crore as on 31 March 2022 to ₹ 4,12,768.89 crore as on 31 March 2023. This included infusion of equity of ₹ 12,462.84 crore and long-term loans of ₹ 991.49 crore by GoUP.

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

¹⁰ Includes investment made by SPSEs and Autonomous bodies.

Chart 1.1: Sources of total investment in SPSEs



Source: Compiled based on information provided by the SPSEs

Investment in equity by GoUP

1.8 GoUP invested an amount of ₹ 24,795.13 crore as equity in 12 SPSEs during the two years from 2021-22 to 2022-23. The equity infused by GoUP in SPSEs increased from ₹ 12,332.29 crore in 2021-22 to ₹ 12,462.84 crore in 2022-23. Further, SPSE-wise equity infused by GoUP 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 GoUP during 2021-22 and 2022-23

Sl. No.	Name of the SPSE	Equity investment (₹ in crore)		
		2021-22	2022-23	Total
1.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	2,035.05	1,522.32	3,557.37
2.	Uttar Pradesh Power Transmission Corporation Limited	1,066.87	1,277.25	2,344.12
3.	Uttar Pradesh Power Corporation Limited	7,772.14	7,413.24	15,185.38
4.	Noida Metro Rail Corporation Limited	387.57	25.00	412.57
5.	Uttar Pradesh State Road Transport Corporation	9.05	220.00	229.05
6.	Noida International Airport Limited	222.88	1,102.79	1,325.67
7.	Uttar Pradesh Medical Supplies Corporation Limited	0.68	2.49	3.17
8.	Bareilly Smart City Limited	-	185.75	185.75
9.	UP Metro Rail Corporation Limited	543.05	714.00	1,257.05
10.	Kanpur Smart City Limited	0.25	-	0.25
11.	Moradabad Smart City Limited	50.00	-	50.00
12.	Prayagraj Smart City Limited	244.75	-	244.75
Total		12,332.29	12,462.84	24,795.13

Source: Compiled based on information provided by the SPSEs

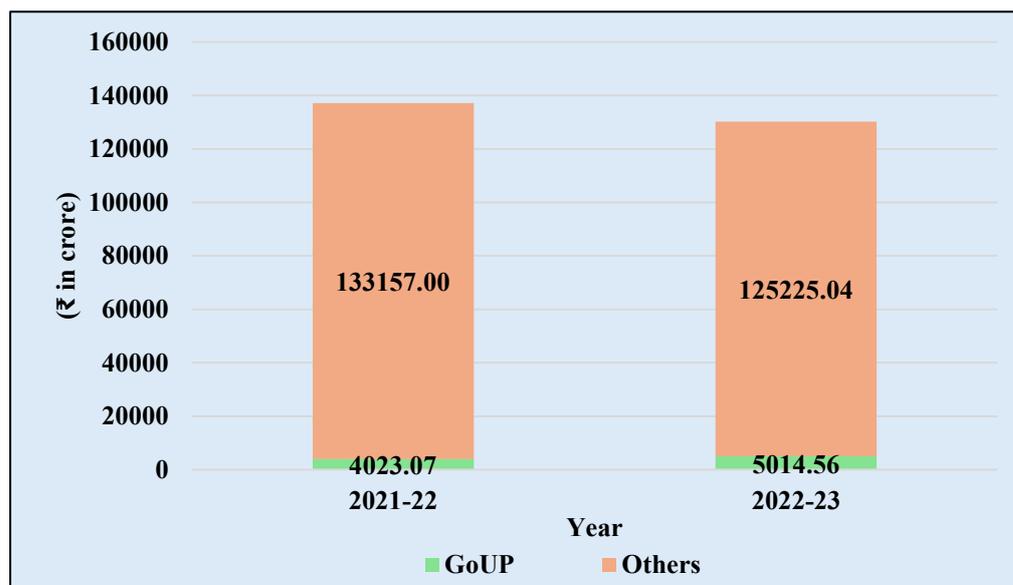
From **Table 1.6**, it can be seen that the maximum equity was infused in three Power Sector SPSEs viz., Uttar Pradesh Power Corporation Limited (61 per cent), Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited (14 per cent) and Uttar Pradesh Power Transmission Corporation Limited (9 per cent).

Loans provided to SPSEs

1.9 On the basis of information furnished by the SPSEs, 37 functional SPSEs had total outstanding long-term loans aggregating to ₹ 1,30,239.60 crore as on 31 March 2023 against ₹ 1,37,180.07 crore as on 31 March 2022. Of these, loans from GoUP stood at ₹ 5,014.56 crore (3.85 per cent) as on 31 March 2023 against ₹ 4,023.07 crore (2.93 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 GoUP to the SPSEs increased from ₹ 4,023.07 crore as on 31 March 2022 to ₹ 5,014.56 crore as on 31 March 2023 *i.e.*, an increase of 25 per cent. On the other hand, outstanding long-term loans from other sources decreased from ₹ 1,33,157 crore as on 31 March 2022 to ₹ 1,25,225.04 crore as on 31 March 2023.

Other Budgetary Support

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

Table 1.7: Details of budgetary support and guarantees provided by GoUP to SPSEs

Particulars	(₹ in crore)			
	2021-22		2022-23	
	No. of SPSEs	Amount	No. of SPSEs	Amount
Grants and Subsidies	19	23,439.82	26	28,318.69
Guarantees issued during the year	1	347.09	1	5,242.68
Outstanding guarantee commitments at the end of the year	4	37,387.30	5	46,641.91

Source: Compiled based on information provided by the SPSEs

From **Table 1.7**, it can be seen that budgetary support by GoUP to SPSEs in the form of grants and subsidies increased from ₹ 23,439.82 crore in 2021-22 to ₹ 28,318.69 crore in 2022-23. Further, the outstanding guarantee commitments at the end of the year also increased from ₹ 37,387.30 crore as on 31 March 2022 to ₹ 46,641.91 crore as on 31 March 2023.

Investment and other budgetary support to SPSEs with accounts in arrears

1.11 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 regularly¹¹ informed about the status of accounts in arrears by the concerned Principal Accountant General(s)/ Accountant General(s).

Out of the 72 functional SPSEs, GoUP provided budgetary support of ₹ 10,846.19 crore (equity: ₹ 4,560.68 crore; long-term loans: ₹ 1,107.15 crore; grants: ₹ 4,387.07 crore; and subsidies: ₹ 791.29 crore) to 30 SPSEs during the period for which accounts of these SPSEs were in arrears. SPSE-wise details of investments made and other budgetary support provided by GoUP 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 GoUP in these SPSEs, therefore, remained outside the oversight of the State Legislature.

Reconciliation with the Finance Accounts of GoUP

1.12 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 GoUP. In case the figures do not agree, the concerned SPSE and the Finance Department of GoUP should carry out reconciliation of the differences.

Audit observed that, as on 31 March 2023, there were differences in the figures of equity, long-term loans, and outstanding guarantees as per the Finance Accounts and the records of SPSEs in 44 SPSEs out of the 72 functional SPSEs. Details are given in **Appendix 1.3** and summarised in **Table 1.8**.

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

Outstanding in respect of	(₹ in crore)	
	Amount as per the records of SPSEs	Amount as per the Finance Accounts
Equity ¹²	1,69,237.72	1,62,252.55
Long-term loans	5,014.56	3,606.78
Outstanding guarantees	58,803.39	1,31,221.14

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

Winding up of inactive SPSEs

1.13 During the year 2022-23, one inactive SPSE (Southern-UP Power Transmission Company Limited) was struck off (May 2022) from the register of companies by the Office of the Registrar of Companies, Ministry of Corporate Affairs, and the SPSE was dissolved.

¹¹ On quarterly basis.

¹² Paid up capital including share application money.

Further, as on 31 March 2023, there were 41 inactive SPSEs in the State that had ceased their operations. Out of these, 13 SPSEs were under liquidation. The remaining 28 SPSEs had an investment of ₹ 1,074.36 crore (GoUP - ₹ 515.02 crore¹³ and Others - ₹ 559.34 crore¹⁴) as per their latest finalised financial statements and information provided by the SPSEs. GoUP may take urgent and appropriate action regarding these SPSEs.

Analysis of loans

1.14 As per the latest finalised financial statements submitted by the SPSEs up to 30 September 2023, 38 functional SPSEs had outstanding long-term loans aggregating to ₹ 1,22,425.56 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 GoUP, 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 GoUP loans was also done. The results of the analysis are discussed in the succeeding paragraphs.

Interest Coverage Ratio

1.15 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 25 SPSEs¹⁵ that had outstanding loans and finance costs, as per their latest finalised financial statements, are given in **Table 1.9**.

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)	Earnings before interest and tax (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	22	12,326.52	-3,388.90	11	11
Government Controlled Other Companies	1	0.07	0.61	1	-
Statutory Corporations	2	52.90	-180.40	1	1
Total	25	12,379.49	-3,568.69	13	12

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

From **Table 1.9**, it can be seen that 13 SPSEs had an interest coverage ratio of more than one, indicating adequate earnings to meet their interest obligation. However, 12 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.

¹³ Equity - ₹ 291.67 crore and long-term loans - ₹ 223.35 crore.

¹⁴ Equity - ₹ 506.74 crore) and long-term loans - ₹ 52.60 crore.

¹⁵ The remaining 13 SPSEs didn't have any finance costs during the year despite having outstanding loans.

Adequacy of assets to meet long-term loan liabilities

1.16 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 38 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	28	1,16,801.06	3,07,760.31	2.63	2	103.89	45.57	0.44
Government Controlled Other Companies	4	3,616.59	3,652.68	1.01	-	-	-	-
Statutory Corporations	4	1,904.02	71,667.62	37.64	-	-	-	-
Total	36	1,22,321.67	3,83,080.61	3.13	2	103.89	45.57	0.44

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

From **Table 1.10**, it can be seen that out of the 38 SPSEs, 36 SPSEs had total assets exceeding their outstanding long-term loans, indicating a relatively stronger asset position in relation to their debt obligations. However, two SPSEs, viz., Uttar Pradesh State Spinning Company Limited and Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited, had total assets less than the outstanding long-term loans.

Servicing of interest charges and repayment of principal

1.17 Out of the 38 SPSEs that had loan liability, as per their latest finalised financial statements, six 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.

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

Sl. No.	Name of the SPSE	Source of loan	Year of latest finalised financial statements	Amount of default (₹ in crore)
1.	Uttar Pradesh Jal Vidyut Nigam Limited	GoUP	2021-22	64.65
2.	Uttar Pradesh State Agro Industrial Corporation Limited	Bank	2010-11	2.28
3.	Uttar Pradesh Small Industries Corporation Limited	GoUP	2011-12	0.21
4.	Uttar Pradesh Handicraft and Marketing Development Corporation Limited	GoUP	2008-09	0.02
5.	Uttar Pradesh (Madhya) Ganna Beej Evam Vikas Nigam Limited	Uttar Pradesh Sugar Special Fund	2017-18	1.30
6.	Shreetron India Limited	GoUP	2021-22	0.80
Total				69.26

Source: Compiled based on the Statutory Auditors' Reports

From **Table 1.11**, it can be seen that the highest amount of default (93 per cent of the total default amount) in the servicing of debt was on the part of Uttar Pradesh Jal Vidyut Nigam Limited.

Age-wise analysis of interest outstanding on GoUP loans

1.18 On the basis of information furnished by the SPSEs, interest of ₹ 1,561.90 crore was outstanding against eight SPSEs on long-term loans provided by GoUP as on 31 March 2023. The age-wise analysis of interest outstanding on GoUP loans is depicted in **Table 1.12**.

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

(₹ in crore)					
Sl. No.	Name of the SPSE	Total outstanding interest on GoUP loans	Interest outstanding for less than 1 year	Interest outstanding for 1 year to 3 years	Interest outstanding for more than 3 years
1.	The Pradeshiya Industrial & Investment Corporation Limited	36.38	0	0	36.38
2.	Uttar Pradesh State Spinning Company Limited	44.91	5.16	14.25	25.50
3.	Uttar Pradesh State Handloom Corporation Limited	33.95	0	3.61	30.34
4.	Uttar Pradesh Jal Vidyut Nigam Limited	267.76	10.60	31.79	225.37
5.	Uttar Pradesh Small Industries Corporation Limited	2.53	0.11	0.36	2.06
6.	Uttar Pradesh Pichhara Varg Vitta Evam Vikas Nigam Limited	54.50	7.98	19.27	27.25
7.	Uttar Pradesh Jal Nigam	571.38	13.44	40.32	517.62
8.	Uttar Pradesh State Sugar Corporation Limited	550.49	128.65	361.43	60.41
Total		1,561.90	165.94	471.03	924.93

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 three SPSEs, viz., Uttar Pradesh Jal Nigam, Uttar Pradesh Jal Vidyut Nigam Limited and Uttar Pradesh State Sugar Corporation Limited.

Liquidity analysis of SPSEs

1.19 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 68 functional SPSEs¹⁶, as per their latest finalised financial statements, and observed that 56 SPSEs had a current ratio of more than one at the year-end, indicating they had sufficient short-term assets to cover their short-term obligations. However, 12 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**.

¹⁶ Excluding four SPSEs that have not submitted their first financial statements.

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.	Dakshinanchal Vidyut Vitran Nigam Limited	2022-23	18,172.42	18,701.88	0.97
2.	Kanpur Electricity Supply Company Limited	2022-23	3,483.14	3,817.84	0.91
3.	UPSIDC Power Company Limited	2013-14	0.00 ¹⁷	0.20	0.01
4.	Uttar Pradesh State Agro Industrial Corporation Limited	2010-11	368.36	376.61	0.98
5.	Uttar Pradesh Drugs and Pharmaceuticals Limited	2009-10	4.73	24.35	0.19
6.	Uttar Pradesh State Spinning Company Limited	2018-19	38.85	89.44	0.43
7.	The Pradeshiya Industrial and Investment Corporation of UP Limited	2020-21	68.76	281.47	0.24
8.	Meerut City Transport Services Limited	2017-18	0.95	1.08	0.88
9.	Kanpur City Transport Services Limited	2017-18	2.46	8.70	0.28
10.	Allahabad City Transport Services Limited	2019-20	0.62	6.69	0.09
11.	Noida International Airport Limited	2019-20	4.21	5.86	0.72
12.	Uttar Pradesh State Road Transport Corporation	2020-21	1,525.82	1,801.00	0.85

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

Return on investment in SPSEs

1.20 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.

Return on Equity

1.21 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 68 SPSEs, 16 SPSEs had negative shareholders' fund. Audit computed the ROE for the remaining 52 SPSEs based on their latest finalised financial statements and observed that 34 SPSEs had a positive ROE, 16 SPSEs had a negative ROE¹⁸, and two SPSEs had a 'Nil' ROE¹⁹, as detailed in Table 1.14.

¹⁷ ₹ 27,915.

¹⁸ The ROE was negative as these SPSEs had incurred losses, as per their latest finalised financial statements.

¹⁹ 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	11	-	11	14
Government Controlled Other Companies	4	2	6	0
Statutory Corporations	1	-	2	1
Total	16	2	19	15

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

Further, the sector-wise ROE of the abovementioned 52 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 Sector	8	-25,055.06	74,709.71	-33.54
Other than Power Sector	44	184.27	22,012.55	0.84
Total	52	-24,870.79	96,722.26	-25.71

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 a negative ROE of 33.54 per cent, the Other than Power Sector had a meagre ROE of 0.84 per cent.

Erosion of Net Worth

1.22 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 68 SPSEs²⁰, 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

Type of SPSE	Paid-up capital (including share application money)	Free reserves (+)/ accumulated profit (+)/ losses (-)	Deferred revenue expenditure ²¹	(₹ in crore)
				Net Worth
Government Companies	2,64,033.58	-1,87,972.54	0.18	76,060.86
Government Controlled Other Companies	4,560.14	39.22	0.71	4,598.65
Statutory Corporations	1,173.71	3,990.21	3.33	5,160.59
Total	2,69,767.43	-1,83,943.11	4.22	85,820.10

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

An analysis of the net worth of the 68 SPSEs revealed that, the net worth of 16 SPSEs had completely eroded, as per their latest finalised financial statements. The paid-up capital, and free reserves and surplus of these SPSEs was ₹ 26,891.32 crore, while the accumulated losses and deferred revenue

²⁰ Four SPSEs did not submit their first accounts.

²¹ Deferred Revenue Expenditure being meagre amount is not detailed in Appendix 1.1

expenditure stood at ₹ 37,979.25 crore. Of these 16 SPSEs, the maximum net worth erosion was observed in five SPSEs, as detailed in **Table 1.17**.

Table 1.17: Details of SPSEs with maximum net worth erosion

Sl. No.	Name of the SPSE	Eroded net worth (₹ in crore)
1.	Dakshinanchal Vidyut Vitran Nigam Limited	-6,061.51
2.	Uttar Pradesh Jal Nigam	-1,820.15
3.	Kanpur Electricity Supply Company Limited	-1,755.65
4.	Uttar Pradesh Financial Corporation	-719.11
5.	The Pradeshiya Industrial and Investment Corporation of UP Limited	-241.17

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

Return on Capital Employed

1.23 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 earnings before interest and taxes (EBIT) by the capital employed²². Out of the 68 SPSEs, nine SPSEs had negative capital employed. Audit computed the ROCE of the remaining 59 SPSEs, based on their latest finalised financial statements, and observed that 41 SPSEs had a positive ROCE, 16 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	11	-	17	14
Government Controlled Other Companies	4	2	7	-
Statutory Corporations	1	-	2	1
Total	16	2	26	15

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

Further, the sector-wise ROCE of all 68 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	12	-17,838.09	1,70,259.05	-10.48
2.	Other than Power Sector	56	314.93	37,986.61	0.83
Total		68	-17,523.16	2,08,245.66	-8.41

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

Dividend Payout in SPSEs

1.24 As per the dividend policy formulated (October 2002) by GoUP, SPSEs earning profits shall pay a minimum dividend of five per cent on the share capital contributed by GoUP.

Out of the 68 SPSEs, 39 SPSEs earned profit as per their latest finalised financial statements. Out of these 39 SPSEs, 10 SPSEs had accumulated losses,

²² Capital employed = Paid-up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest finalised financial statements of the SPSEs.

and in seven SPSEs²³ GoUP had not contributed any share capital. Thus, 22 SPSEs were required to pay dividend of ₹ 243 crore²⁴ to GoUP. However, only 11 SPSEs declared dividend amounting to ₹ 8.25 crore. Details are given in **Table 1.20**.

Table 1.20: Details of minimum dividend to be paid and dividend declared by SPSEs

(₹ in crore)					
Type of SPSE	No. of SPSEs that earned profit and had no accumulated losses	Share capital contributed by GoUP	Dividend payable	No. of SPSEs that declared dividend	Dividend declared
Government Companies	18	18,965.94	242.45	10	4.68
Government Controlled Other Companies	3	208.25	0.17	-	0
Statutory Corporations	1	7.60	0.38	1	3.57
Total	22	19,181.79	243.00	11	8.25

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

Operating efficiency of SPSEs

1.25 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.

Profits earned by SPSEs

1.26 As per the latest finalised financial statements, 39 SPSEs earned profits aggregating to ₹ 2,169.50 crore. Details of the six SPSEs that earned a profit of ₹ 100 crore or more are given in **Table 1.21**.

Table 1.21: Details of SPSEs that earned a profit of ₹ 100 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.	Pashchimanchal Vidyut Vitran Nigam Limited	2022-23	991.67	45.71
2.	Uttar Pradesh Jal Vidyut Nigam Limited	2021-22	275.88	12.72
3.	Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited	2021-22	235.66	10.86
4.	Uttar Pradesh State Warehousing Corporation	2020-21	165.53	7.63
5.	Uttar Pradesh Avas Evam Vikas Parishad	2021-22	144.68	6.67
6.	Uttar Pradesh Rajkiya Nirman Nigam Limited	2014-15	120.38	5.55
	Total		1,933.80	89.14

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

From **Table 1.21**, it can be seen that the abovementioned six SPSEs contributed more than 89 per cent of the total profit (₹ 2,169.50 crore) earned by the 39 SPSEs, with Pashchimanchal Vidyut Vitran Nigam Limited alone accounting for about 46 per cent of the total profit.

²³ Jawaharpur Vidyut Utpadan Nigam Limited, Shretron India Limited, Uptron Powertronics Limited, Almora Magnesite Limited, DMIC Integrated Industrial Township Greater Noida Limited, Uttar Pradesh Forest Corporation, and Uttar Pradesh Avas Evam Vikas Parishad.

²⁴ In the case of eight SPSEs, the dividend payable has been restricted to the profit earned.

Losses incurred by SPSEs

1.27 As per the latest finalised financial statements, 27 SPSEs incurred losses aggregating to ₹ 32,393.08 crore. Details of the seven SPSEs that incurred a loss of ₹ 100 crore or more are given in **Table 1.22**.

Table 1.22: Details of SPSEs that incurred a loss of ₹ 100 crore or more

(₹ in 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.	Uttar Pradesh Power Transmission Corporation Limited	2021-22	556.26	1.72
2.	Purvanchal Vidyut Vitran Nigam Limited	2022-23	6,610.27	20.41
3.	Madhyanchal Vidyut Vitran Nigam Limited	2022-23	4,819.92	14.88
4.	Dakshinanchal Vidyut Vitran Nigam Limited	2022-23	5,073.77	15.66
5.	Uttar Pradesh Power Corporation Limited	2022-23	14,572.24	44.99
6.	Uttar Pradesh Metro Rail Corporation Limited	2022-23	319.02	0.98
7.	Uttar Pradesh Jal Nigam	2019-20	250.68	0.77
Total			32,202.16	99.41

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

From **Table 1.22**, it can be seen that the abovementioned seven SPSEs accounted for more than 99 per cent of the total loss (₹ 32,393.08 crore) incurred by the 27 SPSEs, with Uttar Pradesh Power Corporation Limited alone contributing around 45 per cent of the total loss.

Net Profit Margin against Turnover

1.28 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 68 SPSEs, 27 SPSEs incurred losses, two SPSEs reported no profit or loss, and eight SPSEs reported 'Nil' turnover, as per their latest finalised financial statements. Details of the Net Profit Margin against Turnover of the remaining 31 SPSEs are given in **Table 1.23**.

Table 1.23: Details of Net Profit Margin against Turnover of SPSEs

Type of SPSE	No. of SPSEs with net profit margin less than 10 per cent	No. of SPSEs with net profit margin between 10 and 20 per cent	No. of SPSEs with net profit margin above 20 per cent ²⁵
Government Companies	18	3	5
Government Controlled Other Companies	1	-	-
Statutory Corporations	1	1	2
Total	20	4	7

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

²⁵ Ranging between 22.22 per cent and 281.05 per cent.

Further, the sector-wise Net Profit Margin against Turnover of the abovementioned 31 SPSEs is given in **Table 1.24**.

Table 1.24: Sector-wise Net Profit Margin against Turnover

Sector	No. of SPSEs	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net Profit Margin (in per cent)
Power Sector	4	1,503.72	33,917.81	4.43
Other than Power Sector	27	619.91	10,664.57	5.81
Total	31	2,123.63	44,582.38	4.76

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