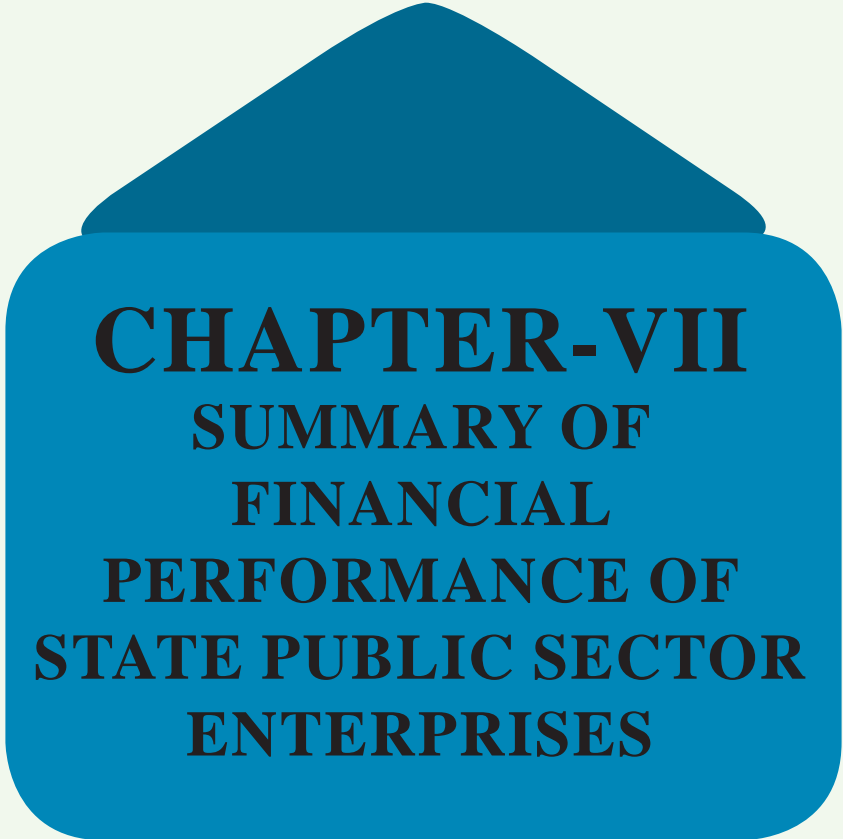




**SECTION-C
PUBLIC SECTOR
UNDERTAKINGS**



CHAPTER-VII
SUMMARY OF
FINANCIAL
PERFORMANCE OF
STATE PUBLIC SECTOR
ENTERPRISES

CHAPTER-VII

Summary of Financial Performance of State Public Sector Enterprises

7.1 Introduction

This Report presents the summary of financial performance of Government Companies, Statutory Corporations and Government controlled other Companies in Bihar. In the Report, the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of the State Government is 51 *per cent* or more and the subsidiaries of such Government companies. The Statutory Corporations set up under statutes enacted by the State Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as SPSEs.

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 Report as Government controlled other Companies.

The total number of SPSEs in the State as on 2019-20 was 79 whereas based on the latest finalised accounts up to last three years *i.e.* 2017-18, 2018-19 and 2019-20, the number of SPSEs being covered in this report was 20 (17 Government Companies, one Statutory Corporation and two Government controlled other companies).

7.1.1 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 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, CAG has right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by CAG.

7.1.2 What this Report contains

This Report gives an overall picture of the financial performance of the State Government Companies, Statutory Corporations and Government controlled other Companies as revealed from their accounts.

Impact of significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the CAG for the year 2019-20 is given in this Report.

7.1.3 Number of SPSEs

As on 31 March 2020, there were 79 State Public Sector Enterprises under the audit jurisdiction of the CAG. These include 72 State Government Companies, three Statutory Corporations and four State Government controlled other companies.

Government Companies	72
Statutory Corporations	3
Government Controlled other companies	4
Total SPSEs	79

Of these, summary of financial performance of 20 SPSEs is covered in this report and the nature of these SPSEs is indicated in **Table 7.1**:

Table 7.1
Coverage and Nature of SPSEs covered in this report

Nature of SPSEs	Total Number of SPSEs	Number of SPSEs covered in the Report				Number of SPSEs not covered in the Report
		Accounts up to				
		2019-20	2018-19	2017-18	Total	
Functional Government Companies	30	2	10	4	16	14
Statutory Corporations	3	0	1	0	1	2
Total Government Companies/ Corporations	33	2	11	4	17	16
Government Controlled Other Companies	4	0	1	1	2	2
Total functional SPSEs	37	2	12	5	19	18
Non-functional Government Companies	42	0	1	0	1	41
Non-functional Statutory Corporations	-	-	-	-	-	-
Total non-functional SPSEs	42	0	1	0	1	41
Total	79	2	13	5	20	59

The details of State Government Companies/Government controlled other Companies/Statutory Corporations under the purview of CAG's audit during 2019-20 are given in **Appendix-7.1A**.

Summary of financial performance of SPSEs covered in this Report as on 31 March 2020 (Government Companies and Statutory Corporations)	
Number of SPSEs	79
SPSEs Covered	20
Paid up capital (20 SPSEs)	₹ 38,644.41 crore
Long term Loans (Seven SPSEs)	₹ 6,352.88 crore
Net profit (10 SPSEs)	₹ 641.60 crore
Net loss (Six SPSEs)	₹ 3,220.84 crore
Zero Profit/loss (Four SPSEs)²⁰⁶	
Dividend declared (Two SPSEs)	₹ 7.28 crore
Turnover (20 SPSEs)	₹ 19,376.01 crore
Net Worth (20 SPSEs)	₹ 20,914.02 crore

Source: Compiled based on latest finalised accounts of SPSEs.

This Report does not include 59 SPSEs whose accounts were in arrears for three year or more or were defunct / under liquidation or first accounts were not received. These SPSEs are shown in **Appendix-7.1B**.

7.1.4 Contribution to Economy of the State

A ratio of turnover of the 20 SPSEs covered in this Report to the Gross State Domestic Product (GSDP) shows the extent of activities of the SPSEs in the State economy. The table below provides the details of turnover of SPSEs and GSDP of State of Bihar for a period of three years ending March 2020:

Table 7.2
Details of turnover of SPSEs vis-à-vis GSDP of Bihar

Particulars	2017-18			2018-19			2019-20		
	Power	Non-Power	Total	Power	Non-Power	Total	Power	Non-Power	Total
Turnover	12,115.85	1,530.63	13,646.48	15,077.91	2,298.11	17,376.02	17,077.90	2,298.11	19,376.01
Percentage change in turnover as compared to turnover of preceding year	-	-	-	24.45	50.14	27.33	13.26	0.00	11.51
GSDP of State of Bihar	4,63,746.00			5,30,363.00			6,11,804.00		
Percentage change in GSDP as compared to GSDP of preceding year	-			14.36			15.36		
Percentage of Turnover to GSDP of Bihar	2.61	0.33	2.94	2.84	0.43	3.27	2.79	0.38	3.17

Source: Compiled based on Turnover figures of SPSEs and GSDP figures as submitted by Government of Bihar

²⁰⁶ Out of 20, there were four SPSEs, which earned no profit or incurred no loss during 2019-20 since either operations were not started or losses/net expenses were allocated to their subsidiaries and profit were distributed among beneficiaries.

The turnover of eight power sector SPSEs increased from ₹12,115.85 crore in 2017-18 to ₹17,077.90 crore in 2019-20. The growth rate of turnover ranged between 24.45 per cent and 13.26 per cent during the period 2017-18 to 2019-20, whereas growth rate of GSDP of the State ranged between 14.36 per cent and 15.36 per cent during the same period. The compounded annual growth²⁰⁷ of GSDP was 14.86 per cent during the last two years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 14.86 per cent of the GSDP, the turnover of power sector SPSEs recorded compounded annual growth of 18.72 per cent during the last two years. This resulted in increase in share of turnover of these power sector PSUs to the GSDP from 2.61 per cent to 2.79 per cent.

Further, the turnover of 12 non-power SPSEs increased from ₹1,530.63 crore in 2017-18 to ₹2,298.11 crore in 2019-20. The growth rate of turnover was 50.14 per cent during the period 2017-18 to 2018-19. Against the compounded annual growth of 14.86 per cent of the GSDP, the turnover of these SPSEs recorded compounded annual growth of 22.53 per cent during the last two years.

7.2 Investment in Government Companies and Corporations and Budgetary support

The amount of investment in equity and loans in 20 Government Companies and Corporations as at the end of 31 March 2020 is given in **Table 7.3**:

Table 7.3
Equity and loans in Government Companies and Corporations

(₹ in crore)

Sources of investment	As on 31 March 2019			As on 31 March 2020		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	35,269.93	1,383.22	36,653.15	38,349.13	1,499.78	39,848.91
Central Government	0.00	0.00	0.00	0.00	0.00	0.00
Others	209.67	3,436.76	3,646.43	295.28	4,853.10	5,148.38
Total Investment	35,479.60	4,819.98	40,299.58	38,644.41	6,352.88	44,997.29
Percentage of investment of State Government to Total Investment	99.41	28.70	90.95	99.24	23.61	88.56

Source: Compiled based on latest finalised accounts of SPSEs.

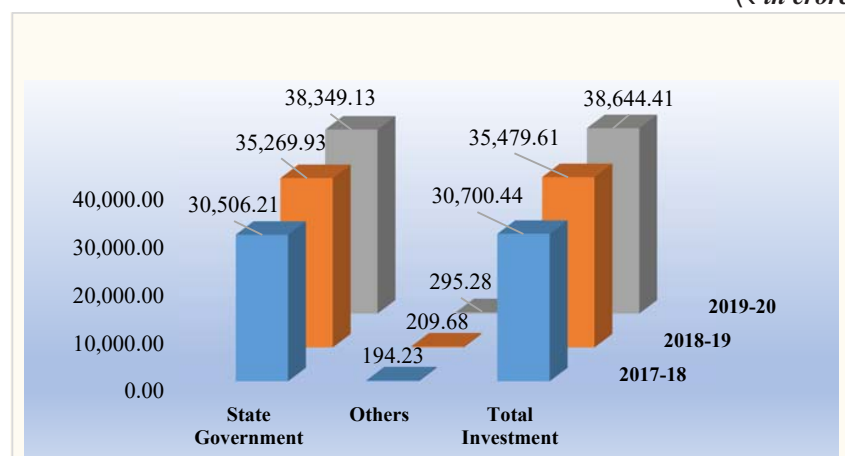
7.2.1 Equity Holding

During 2019-20, the total equity holding at face value in the 20 SPSEs covered in this Report registered a net increase of ₹3,164.81 crore. The equity holding of State Government at face value in SPSEs increased from ₹35,269.93 crore in 2018-19 to ₹38,349.13 crore in 2019-20 due to additional equity investment in Power companies by GoB. It was further observed that new investment in equity amounting to ₹3,079.20 crore was made in power companies for implementation of various Electrification Schemes under State.

²⁰⁷ Rate of Compounded Annual Growth = $\left[\left(\frac{\text{Value of 2019-20}}{\text{Value of 2017-18}} \right)^{\frac{1}{2 \text{ years}}} - 1 \right] \times 100$.

Holding in equity by State Government and others during three years ended 31 March 2020 in Government Companies and Corporations is depicted in **Chart 7.1**.

Chart 7.1
Investment of Equity in SPSEs (₹ in crore)



Details of significant holding of the State Government as in the year 2019-20 in the paid up capital of the SPSEs is given in **Table 7.4**.

Table 7.4
Significant holding of the State Government

Name of the SPSE	Name of the Department	Amount (₹ in crore)	Percentage of holding with respect to total investment in 20 SPSEs
South Bihar Power Distribution Company Limited (SBPDCL)	Energy	12,267.96	31.75
North Bihar Power Distribution Company Limited (NBPDC)	Energy	11,653.84	30.16
Bihar State Power Transmission Company Limited (BSPTCL)	Energy	7,949.99	20.57
Bihar State Power Generation Company Limited (BSPGCL)	Energy	4,812.96	12.45
Bihar State Financial Corporation (BSFC)	Industries	39.95	0.10

Investment in Government Controlled other Companies

The capital invested by the State Governments in Government Controlled other Companies is given in **Table 7.5**:

Table 7.5
Composition of Share Capital in Government Controlled other Companies

Sl. No.	Name of SPSEs	Paid up Capital			Total Paid up Capital
		GoB	GoI	Others	
1	Bhagalpur Smart City Limited	0.05	0.00	0.05	0.10
2	Patna Smart City Limited	0.05	0.00	0.05	0.10
	Total	0.10	0.00	0.10	0.20

7.2.2 Loans given to State Government Companies and Corporations

7.2.2.1 Computation of long term loans outstanding as on 31 March 2020

A year wise detail of outstanding long term loans of SPSEs is depicted in **Table 7.6**.

Table 7.6
Long Term Loans in SPSEs

Sources of loan	2017-18	2018-19	2019-20
State Government	1,426.41	1,383.22	1,499.78
Central Government	0.00	0.00	0.00
Others	6,100.72	3,436.76	4,853.10
Total Investment	7,527.13	4,819.98	6,352.88

(₹ in crore)

Source: Compiled based on latest finalised accounts of SPSEs.

The total long term loans outstanding in seven²⁰⁸ SPSEs out of 20 from all sources as on 31 March 2020 was ₹6,352.88 crore. Remaining 13 SPSEs did not have any long-term loans as on 31 March 2020. During the period 2017-18 to 2019-20, the long-term loans given by State Government in SPSEs registered an increase of ₹73.37 crore while loan from other sources decreased by ₹1,247.62 crore. Out of the total loans of SPSEs as on 31 March 2020, loans from State Government was ₹1,499.78 crore (23.61 per cent).

Out of total loans by State Government, ₹1,240.33 crore (82.70 per cent) was outstanding with Power Companies and rest was with other companies (₹259.45 crore) while loans from others totally belonged to Power companies.

Bihar State Agro Industries Development Corporation Limited and Bihar State Financial Corporation did not repay the principal as well as interest amount during the year 2017-18 to 2019-20.

7.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in seven SPSEs which had outstanding loans as on 31 March 2020 is given in **Table 7.7**:

²⁰⁸ Bihar State Power Holding Company Limited (BSPHCL), Bihar State Power Transmission Company Limited (BSPTCL), South Bihar Power Distribution Company Limited (SBPDCL), North Bihar Power Distribution Company Limited (NBPDC), Bihar Grid Company Limited (BGCL), Bihar State Agro Industries Development Corporation Limited (BSAIDCL) and Bihar State Financial Corporation (BSFC).

Table 7.7
Coverage of long-term loans with total assets

(₹ in crore)

Nature of SPSEs	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term Loans	Assets	Percentage of assets to loans	No of SPSEs	Long term Loans	Assets	Percentage of assets to loans
Statutory Corporation	-	-	-	-	1	228.47	223.91	98.00
Government Company	6	6,124.41	1,14,181.11	1,864.36	-	-	-	-
Total	6	6,124.41	1,14,181.11	1,864.36	1	228.47	223.91	98.00

Out of the seven SPSEs, in respect of one SPSE²⁰⁹, the value of total assets was less than the long-term loans outstanding.

7.2.3 Budgetary Support to SPSEs

The Government of Bihar provides financial support to SPSEs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies to SPSEs covered in this report for the last three years ending March 2020 are given in **Table 7.8**:

Table 7.8
Details regarding budgetary support to SPSEs

(₹ in crore)

Particulars ²¹⁰	2017-18		2018-19		2019-20	
	No of SPSEs	Amount	No of SPSEs	Amount	No of SPSEs ²¹¹	Amount
Power						
Equity Capital outgo (i)	1	8,970.63	1	5,035.36	1	3,079.20
Loans given (ii)	1	20.75	4	440.78	3	116.56
Grants/Subsidies provided (iii)	3	2,650.49	3	7,521.42	2	6,685.17
Total Outgo (i+ii+iii) Power	5	11,641.87	5	12,997.56	4	9,880.93
Non-Power						
Equity Capital outgo (i)	2	0.10	1	9.50	-	-
Loans given (ii)	-	-	1	16.00	-	-
Grants/Subsidies provided (iii)	-	-	2	400.24	-	-
Total Outgo (i+ii+iii) Non-Power	2	0.10	2	425.74	-	-
Grand Total Outgo	7	11,641.97	7	13,423.30	4	9,880.93

Source: Compiled based on latest finalised accounts of SPSEs.

The budgetary assistance received by these SPSEs during the year ranged between ₹9,880.93 crore and ₹13,423.30 crore during the period 2017-18 to 2019-20. The budgetary assistance of ₹9,880.93 crore received during the year 2019-20 included ₹3,079.20 crore as equity which was provided to power companies for implementation of various Electrification Schemes under State

²⁰⁹ Bihar State Financial Corporation

²¹⁰ Amount represents outgo from State Budget only.

²¹¹ GoB released equity directly to the two DISCOMs and two subsidiaries on behalf of their holding company i.e. BSPHCL against which these subsidiaries issued shares to their holding company. Therefore, for the purpose of infusion of Government's fund, only holding company on behalf of its subsidiaries has been considered. The remaining one power company is a Joint venture company.

and ₹6,685.17 crore as grant to meet out the gap between revenue receipt and power purchase cost. It is evident from the table that budgetary support to SPSEs reduced during 2019-20 in comparison to 2018-19.

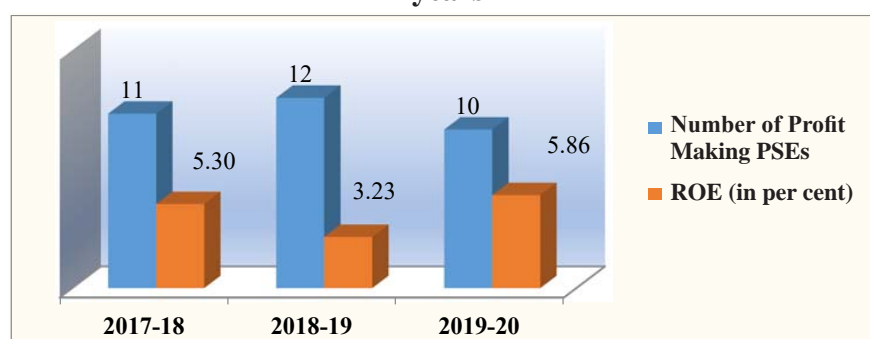
7.3 Returns on Investment

7.3.1 Profit earned by SPSEs

The number of SPSEs that earned profit during 2019-20 was 10 as compared to 12 in 2018-19. The profit earned increased to ₹641.60 crore in 2019-20 from ₹321.95 crore in 2018-19. Out of 20 SPSEs, five SPSEs have been incurring losses since 2017-18 and one SPSE since 2018-19. The Net worth of 10 SPSEs that earned profit during 2019-20 was ₹10,943.09 crore. The Return on Equity (ROE) of these 10 SPSEs was 5.86 per cent as compared to 3.23 per cent of 12 SPSEs in 2018-19. ROE of all the 20 SPSEs i.e. including six loss making and four no profit no loss companies was -12.33 per cent in 2019-20.

Number of SPSEs that earned profit during the period from 2017-18 to 2019-20 is depicted in **Chart 7.2**:

Chart 7.2
Number of companies earning profits and their ROE during last three years



Source: Compiled based on latest finalised accounts of SPSEs.

The details of sectors which contributed maximum profit during 2019-20 are summarised in **Table 7.9**:

Table 7.9
Top sectors which contributed maximum profit during 2019-20

Sectors	No. of Profit earning SPSEs	Net Profit Earned (₹ in crore)	Percentage of profit to total SPSEs' profit
Power	2	491.79	76.65
Non-Power	8	149.81	23.35
Total	10	641.60	100.00

Source: Compiled based on latest finalised accounts of SPSEs.

During 2019-20, net profit of ₹641.60 crore constituting 76.65 per cent of total profit of SPSEs was contributed by Power Sector. The list of SPSEs which earned profit of more than ₹10 crore during the year 2019-20 is given in **Table 7.10**:

Table 7.10
List of SPSEs which earned profit of more than ₹10 crore

Sl. No.	Name of SPSEs	Year of Finalised Account	Net profit
1	Bihar State Power Transmission Company Limited	2019-20	460.16
2	Bihar Rajya Pul Nirman Nigam Limited	2017-18	37.99
3	Bihar State Road Development Corporation Limited	2018-19	35.78
4	Bihar Grid Company Limited	2019-20	31.63
5	Bhagalpur Smart City Limited	2018-19	23.86
6	Bihar State Building Construction Corporation Limited	2017-18	14.95
7	Bihar State Electronics Development Corporation Limited	2017-18	14.13
8	Bihar State Educational Infrastructure Development Corporation Limited	2018-19	13.92

Source: Compiled based on latest finalised accounts of SPSEs.

7.3.2 Dividend Paid by SPSEs

The details of dividend payout during 2017-18 to 2019-20 in respect of SPSEs covered in this report is given in **Table 7.11**:

Table 7.11
Dividend Payout of SPSEs during 2017-18 to 2019-20

Year	Total SPSEs where equity infused by GoB		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of SPSEs	Equity infused by GoB (₹in crore)	Number of SPSEs	Profit earned (₹in crore)	Number of SPSEs	Dividend declared/paid by PSEs (₹in crore)	
1	2	3	4	5	6	7	8=7/5*100
2017-18	19	30,506.21	11	433.81	2	7.28	1.68
2018-19	20	35,269.93	12	321.95	2	7.28	2.26
2019-20	20	38,349.13	10	641.60	2	7.28	1.13

Source: Compiled based on latest finalised accounts of SPSEs.

The State Government had not formulated a dividend policy under which all profit making SPSEs are required to pay a minimum return. During the period 2017-18 to 2019-20, SPSEs ranging from 10 to 12 earned profits. However, only two²¹² SPSEs declared/paid dividend to GoB during the period. The Dividend Payout Ratio was 1.68 per cent, 2.26 per cent and 1.13 per cent during the period.

7.4 Debt servicing

7.4.1 Interest Coverage Ratio

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An

²¹² Bihar State Road Development Corporation Limited (₹6.02 crore including taxes) and Bihar Rajya Pul Nirman Nigam Limited (₹1.26 crore including taxes)

ICR below one indicate that the company was not generating sufficient revenues to meet its expenses on interest. Out of 20 SPSEs, the total long term loans was outstanding in seven²¹³ SPSEs from all sources. Remaining 13 SPSEs did not have any long term loans as on 31 March 2020. During the year 2019-20, only five SPSEs accounted for interest amount in their accounts and two²¹⁴ SPSEs did not account for interest amount in their account. The details of positive and negative interest coverage ratio of SPSEs having outstanding loans during the period from 2017-18 to 2019-20 are given in **Table 7.12**.

Table 7.12
Interest Coverage Ratio

(₹ in crore)

Year	Interest	Earnings before interest and taxes	No of SPSEs	No. of SPSEs having ICR > = 1	No. of SPSEs having ICR < 1
Statutory Corporations					
2017-18	18.24	-27.75	1	-	1
2018-19	18.09	4.64	1	-	1
2019-20	18.09	4.64	1	-	1
Government Companies					
2017-18	526.86	-2,173.47	5	2	3
2018-19	392.64	-1,344.01	4	2	2
2019-20	506.31	-2,000.10	4	2	2

Source: Compiled based on latest finalised accounts of SPSEs.

During the year 2019-20, the ICR of one statutory corporation *i.e.* Bihar State Financial Corporation and two State Government companies *i.e.* South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited were less than one. This shows that the SPSE's earning is not sufficient to pay their interest due to heavy losses as on March 2020. This also indicates high risk of insolvency.

7.4.2 Age Wise Analysis of Interest Outstanding on State Government Loans

As on 31 March 2020, interest amounting to ₹471.58 crore was outstanding on the long-term loans of five SPSEs provided by GoB. The age wise analysis of interest outstanding on State Government Loans in SPSEs is depicted in **Table 7.13**:

²¹³ BSPHCL, BSPTCL, SBPDCL, NBPDC, BGCL, BSAIDCL and BSFC

²¹⁴ Bihar State Power Holding Company Limited and Bihar State Agro Industries Development Corporation Limited

Table 7.13
Interest Outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of SPSEs	Total outstanding Interest on Loan	Interest on loans outstanding for less than 1 year	Interest on loans outstanding for 1-3 years	Interest on loans outstanding for more than 3 years
1	North Bihar Power Distribution Company Limited.	45.39	7.66	15.32	22.41
2	South Bihar Power Distribution Company Limited.	20.40	1.65	3.30	15.45
3	Bihar State Power Transmission Company Limited	170.38	48.93	97.86	23.59
4	Bihar State Financial Corporation Limited	216.49	18.09	36.33	162.07
5	Bihar State Agro Industries Development Corporation Limited	18.92	-	-	18.92
Grand Total		471.58	76.33	152.81	242.44

It can be seen from the table that interest amounting to ₹242.44 crore was outstanding for more than three years. Bihar State Agro Industries Development Corporation Limited failed to repay the interest as well as principle of loan outstanding during the period as the Company became non-functional while Bihar State Financial Corporation is not undertaking any new business *i.e.* new lending.

7.5 Operating efficiency of Government Companies

7.5.1 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed²¹⁵. The SPSE wise details of ROCE are given in **Appendix-7.1A**. The consolidated ROCE of 20 SPSEs during the period 2017-18 to 2019-20 are given in **Table 7.14**.

Table 7.14
Return on Capital Employed

Sectors	No. of SPSEs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (In percentage)
2017-18				
Power	8	-7,205.20	22,846.85	-31.54
Non Power	11	175.51	1,263.28	13.89
Total	19	-7,029.69	24,110.13	-29.16
2018-19				
Power	8	-1,643.11	24,297.58	-6.76
Non Power	12	201.70	1,319.89	15.28
Total	20	-1,441.41	25,617.47	-5.63
2019-20				
Power	8	-2,256.03	25,947.01	-8.69
Non Power	12	201.70	1,319.89	15.28
Total	20	-2,054.34	27,266.90	-7.53

Source: Compiled based on latest finalised accounts of SPSEs.

²¹⁵ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

It was observed that ROCE of 20 Government companies and corporations was lower during the year 2019-20 in comparison to that for the year 2018-19 mainly because of decrease in ROCE of power companies.

7.5.2 Rate of Real Return on Government Investment (RORR)

In view of the significant investment by Government of Bihar in 20 companies, return on such investment is essential from the perspective of State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. Therefore, the return on investment has been calculated after considering the Present Value (PV) of money to arrive at the real return on investment made by GoB. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest free/defaulted long term loans and Capital grants from 2014-15 in these SPSEs till 31 March 2020.

The PV of the State Government investment in 20 SPSEs was computed on the basis of following assumptions:

- Interest free/defaulted long term loans and Capital Grants have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of revenue grants and subsidies have not been reckoned as investment.
- The average rate of interest on government borrowings for the concerned financial year was adopted as discount rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year.

The position of State Government investment in 20 companies in the form of equity, interest free/defaulted loans and capital grants since inception of these companies till 31 March 2020 and the consolidated position of the PV of the State Government investment relating to these SPSEs for the same period is indicated in **Table 7.15**:

Table 7.15
Year wise details of investment by the State Government and RORR of Government funds from 2014-15 to 2019-20

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free/defaulted Loans and capital grants given by the State Government during the year	Total investment during the year	Average rate of interest on Government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earning for the year	RORR in Percent
i	ii	iii	iv	v = iii+iv	vi	vii = ii+v	viii = {vii×(100+vi)/100}	ix = {vii×vi}/100}	x	xi = x×100/viii
Up to 2014-15	0.00	9,031.04	6,243.75	15,274.79	6.59	15,274.79	16,281.40	1,006.61	-773.15	-4.75
2015-16	16,281.40	6,931.91	1,423.49	8,355.40	6.58	24,636.80	26,257.90	1,621.10	-826.30	-3.15
2016-17	26,257.90	5,291.39	5,212.82	10,504.21	6.42	36,762.11	39,122.24	2,360.13	-1,216.53	-3.11
2017-18	39,122.24	8,970.73	222.89	9,193.62	6.13	48,315.86	51,277.62	2,961.76	-7,718.69	-15.05
2018-19	51,277.62	5,044.86	3,477.65	8,522.51	6.18	59,800.13	63,495.78	3,695.65	-2,403.11	-3.78
2019-20	63,495.78	3,079.20	1,966.80	5,046.00	5.68	68,541.78	72,434.95	3,893.17	-2,579.24	-3.56
Total		38,349.13	18,547.40	56,896.53						

The balance of investment of the State Government in these 20 companies at the end of the year increased to ₹56,896.53 crore in 2019-20 from ₹15,274.79 crore in 2014-15 as the State Government made further investments in shape of equity (₹29,318.09 crore), and capital grants (₹12,303.65 crore). The PV of investments of the State Government up to 31 March 2020 worked out to ₹72,434.95 crore.

It could be seen that total earnings and RORR of these SPSEs remained negative during 2014-15 to 2019-20 due to losses of power companies which indicates that instead of generating returns on the invested funds to recover the cost of funds to the Government, they have accumulated huge losses over the years making them commercially unviable.

7.5.3 Return on Investment in SPSEs (ROI)

Return on Investment (ROI)²¹⁶ is a measure of financial performance of companies calculated by dividing net income by total investment. Sector wise ROI of SPSEs covered in this report for three years ended 31 March 2020 is depicted in **Table 7.16**.

Table 7.16
Sector wise Return on Investment

Sector	2017-18	2018-19	2019-20
Power	-19.06	-4.08	-4.97
Non-Power	9.09	10.12	10.12
Total	-9.97	-3.41	-4.34

Source: Compiled based on latest finalised accounts of SPSEs.

²¹⁶ Return on Investment = (Net Profit before Interest, Tax and preference Dividend/Equity) × 100/ Investment where Investment = Paid up Capital + Free Reserves + Long term loan.

It can be seen from the table that ROI of 20 Government companies and corporations was lower during the year 2019-20 in comparison to that for the year 2018-19 mainly because of decrease in ROI of power companies.

7.5.4 Return on Equity of SPSEs (ROE)

Return on equity (ROE)²¹⁷ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. Sector wise ROE of SPSEs for three years ended 31 March 2020 is depicted in **Table 7.17**.

Table 7.17
Sector wise Return on Equity

Sector	2017-18	2018-19	2019-20
Power	-50.18	-12.85	-13.66
Non Power	9.93	12.51	12.51
Total	-46.55	-11.55	-12.33

Source: Compiled based on latest finalised accounts of SPSEs.

It can be seen from the table that ROE of 20 Government companies and corporations was lower during the year 2019-20 in comparison to that for the year 2018-19 due to decrease in ROE of power companies.

7.6 SPSEs incurring losses and erosion of capital

7.6.1 Losses incurred by SPSEs

There were six SPSEs that incurred losses during the year 2017-18 to 2019-20 as given in **Table 7.18**:

Table 7.18
Number of SPSEs that incurred losses during 2017-18 to 2019-20

Year	No of SPSEs incurred loss	Net loss for the year	Accumulated Losses	Net Worth ²¹⁸
Statutory Corporations				
2017-18	1	45.99	498.40	-410.51
2018-19	1	13.45	511.85	-423.96
2019-20	1	13.45	511.85	-423.96
Government Companies				
2017-18	5	8,106.51	14,792.71	8,814.09
2018-19	5	2,711.59	16,115.17	10,118.14
2019-20	5	3,207.39	19,619.86	9,122.64
Total				
2017-18	6	8,152.50	15,291.11	8,403.58
2018-19	6	2,725.04	16,627.02	9,694.18
2019-20	6	3,220.84	20,131.71	8,698.68

Source: Compiled based on latest finalised accounts of SPSEs.

²¹⁷ Return on Equity = (Net Profit after Tax and preference Dividend/Equity) × 100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure

²¹⁸ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.

Out of total loss of ₹3,220.84 crore incurred by six SPSEs during the year 2019-20, loss of ₹3,203.65 crore was attributed to three²¹⁹ SPSEs. SPSEs that incurred losses of more than ₹10 crore are listed in **Table 7.19**:

Table 7.19
SPSEs that incurred losses of more than ₹10 crore

(₹ in crore)

Sl. No.	Name of SPSEs	Year of Finalised Account	Net profit/loss after tax and preference dividend
1	South Bihar Power Distribution Company Limited	2019-20	-1,664.84
2	North Bihar Power Distribution Company Limited	2019-20	-1,282.88
3	Bihar State Power Generation Company Limited	2019-20	-255.93
4	Bihar State Financial Corporation	2018-19	-13.45

Source: Compiled based on latest finalised accounts of SPSEs.

7.6.2 Erosion of capital in Government Companies

As on 31 March 2020, out of 20 SPSEs, there were only six SPSEs which incurred losses amounting to ₹3,220.84 crore. The accumulated losses and net worth of these six SPSEs were ₹20,131.71 crore and ₹8,698.68 crore respectively against equity investment of ₹28,820.34 crore as on 31 March 2020.

The net worth of three SPSEs²²⁰ was completely eroded against their equity investment. The net worth of these three SPSEs was (-) ₹597.22 crore against equity investment of ₹85.58 crore as on 31 March 2020. Net worth was less than half of their paid up capital in respect of two²²¹ SPSEs and net worth of one SPSE *i.e.* North Bihar Power Distribution Company Limited was ₹6,482.83 (55.63 per cent) crore against equity investment of ₹11,653.84 crore at the end of 31 March 2020, indicating their potential financial sickness.

²¹⁹ Bihar State Power Generation Company Limited, North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.

²²⁰ Bihar State Financial Corporation, Bihar State Agro Industries Development Corporation Limited and Patna Smart City Limited.

²²¹ Bihar State Power Generation Company Limited and South Bihar Power Distribution Company Limited.

