

Chapter - 3

Functioning of PSUs (Non-Power Sector)

3.1 Introduction

As on 31 March 2019, there were 60 State Public Sector Undertakings (PSUs) in the Non-Power Sector. These PSUs were incorporated during the period 1925-26 to 2018-19 and included 57 Government Companies and three Statutory Corporations viz. Madhya Pradesh Financial Corporation (MPFC) and Madhya Pradesh Warehousing and Logistics Corporation (MPW&LC) and the non-functional, Madhya Pradesh State Road Transport Corporation (MPSRTC). Nine PSUs¹ had not commenced commercial activities or first accounts were not received as of 31 December 2019. During the year 2018-19, 16 PSUs² were non-functional; five PSUs³ were added; seven PSUs⁴ were merged with MPIDC and MP State Textile Corporation Limited was wound up.

The nature of these 60 PSUs along with status of receipt of annual accounts is indicated in **Table 3.1:**

Table 3.1: Details of coverage and nature of PSUs

Nature of the PSUs	Total number	Number of PSUs covered in the Report			Total	Number of PSUs not covered in the Report
		Accounts received up to				
		2018-19	2017-18	2016-17		
Government Companies	57	10	15	04	29	28
Statutory Corporations	03	02	0	0	02	01
Total PSUs	60	12	15	04	31	29

Of the 60 State PSUs, 44 PSUs had submitted accounts of at least one year from 2016-17 to 2018-19. Of these 44 PSUs, 31 PSUs are covered in this Report (*Annexure 3.1*) as the balance thirteen PSUs were inactive. Thus, the Report does not include 29 PSUs i.e. 13 PSUs whose latest accounts are available but are inactive and 16 PSUs which have been inactive for over two years and up to 30 years or whose accounts are in arrears for three years or more (*Para 1.1 and Annexure 3.2*).

The State Government provides financial support to the PSUs in the form of equity, loans and grants/ subsidy from time to time. Of the 44 PSUs⁵ whose latest accounts are available, the State Government invested funds in only 25 State PSUs. The State Government did not infuse any funds in 19 companies, which are Joint Venture/ Subsidiaries of PSUs. Equity of these 19 Joint venture/ subsidiary companies was contributed by the respective Co-partner/ Holding Companies.

3.1.1 Contribution to Economy of the State

A ratio of turnover of the 31 PSUs covered in this Report (*Annexure 3.1*) to the Gross State Domestic Product (GSDP) shows the extent of activities of these PSUs in the State economy. **Table 3.2** provides the details of turnover of State PSUs (Non-Power Sector) and GSDP of Madhya Pradesh for a period of three years ending March 2019:

¹ Of the nine PSUs, there were five companies which have not submitted their first accounts.

² This includes 15 Government companies (11 non-functional and 04 under-liquidation) and one Statutory Corporation (MPSRTC).

³ (1) B-Nest Foundation, (2) Satna Smart City Development Corporation Limited, (3) Sagar Smart City Corporation Limited, (4) Burhanpur City Transport Services Limited, (5) Ratlam Bus Services Limited.

⁴ Six AKVNs (Rewa, Bhopal, Indore, Jabalpur, Ujjain, Sagar) and IIDC Gwalior.

⁵ This includes 31 PSUs as per *Annexure 3.1* and 13 PSUs at Sl. No. 10 to 13 and 15 to 23 of *Annexure 3.2*.

**Table 3.2: Details of turnover of State PSUs (Non-Power Sector)
vis-à-vis GSDP of Madhya Pradesh**

Particulars	2016-17	2017-18	2018-19
Total no. of working PSUs (covered in this Report)	44	38	31
No. of working PSUs which furnished their Accounts/ information up-to year	21	19	12
Turnover of PSUs (₹ in crore)	15,499.77	15,651.26	15,079.12
Percentage change in turnover as compared to turnover of preceding year	-28.32	0.98	-3.66
GSDP of Madhya Pradesh (₹ in crore)	6,39,219.67	7,07,046.99	8,09,327.00
Percentage change in GSDP as compared to GSDP of preceding year	20.51	10.61	14.47
Percentage of Turnover to GSDP of Madhya Pradesh	2.42	2.21	1.86

(Source: Turnover figures: Information furnished by the Non-Power PSUs and GSDP figures: Economic Review 2018-19 of Government of Madhya Pradesh)

The increase/ decrease in turnover of the PSUs ranged between 0.98 per cent and -28.32 per cent during the period 2016-19, whereas increase in GSDP of the State ranged between 10.61 per cent and 20.51 per cent during the same period. Percentage share of turnover of State PSUs to GSDP of the State has been declining year on year. The compounded annual growth⁶ of GSDP was 8.18 per cent during the last three years. The compounded annual growth rate is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth rate of 8.18 per cent of the GSDP, the turnover of Non-Power Sector PSUs recorded a negative compounded annual growth rate of 0.91 per cent during the last three years. This resulted in decrease in the share of turnover of these PSUs to the GSDP from 2.42 per cent in 2016-17 to 1.86 per cent in 2018-19.

3.2 Investment in PSUs (Non-Power Sector)

Details of investment in equity and long term loans in 31 State PSUs⁷ up to 31 March 2019 are given in *Annexure 3.3*.

The PSUs covered in this Report fall in the following three categories:

- 1. PSUs not in open market competition (monopolistic PSUs):** Out of the 31 PSUs covered in this Report, three PSUs⁸ fall under this category, as they have monopolistic/ oligopolistic nature of operations i.e. their operations do not have any competition or have very limited competition.
- 2. PSUs with assured income:** This category includes PSUs whose major income comes from assured sources of income such as Government grants/ subsidies, centage, commission, interest on bank deposits etc. 25 PSUs fall under this category.
- 3. PSUs in competitive sector:** This category includes three PSUs⁹, which are open to market competition.

The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given in **Table 3.3**:

⁶ Rate of Compounded Annual Growth $\left[\left(\frac{\text{Value of 2018-19}}{\text{Value of 2016-17}}\right)^{\frac{1}{3}} - 1\right] * 100$.

⁷ Total 60 PSUs -29 PSUs whose accounts were in arrear for three years or more or were defunct/ under liquidation or first accounts were not received or were not due.

⁸ MPRVVNL, MPJNM and MPSMCL.

⁹ MPSTDCL, MPHCL and MPFC.

Table 3.3: Sector-wise investment in PSUs (Non-Power sector)

Sector	No. of PSUs	Investment (₹ in crore)								Total
		Equity				Long term loans				
		GoMP	GoI	Others ¹⁰	Total	GoMP	GoI	Others ¹¹	Total	
PSUs in Monopolistic Sector	03	140.13	1.39	0.00	141.52	0.00	0	0.00	0	141.52
PSUs with assured income	25	71.75	1.87	1220.45	1294.07	2019.11	0	1609.42	3628.53	4922.60
PSUs in Competitive Environment	03	497.67	0.00	24.00	521.67	0.00	0	499.69	499.69	1021.36
Sub-total (A)	31	709.55	3.26	1244.45	1957.26	2019.11	0	2109.11	4128.22	6085.48
PSUs not covered in this Report	29	396.72	42.53	114.36	553.61	837.56	0	609.30	1446.86	2000.47
Sub-total (B)	29	396.72	42.53	114.36	553.61	837.56	0	609.30	1446.86	2000.47
Total	60	1106.27	45.79	1358.81	2510.87	2856.67	0	2718.41	5575.08	8085.95

(Source: Annual accounts and information furnished by PSUs)

As on 31 March 2019, the face value¹² of total investment (equity and long term loans) in 31 PSUs covered in this Report was ₹ 6085.48 crore. The investment consisted of 32.16 per cent towards equity and 67.84 per cent in long-term loans. The long term loans advanced by the State Government constituted 48.91 per cent (₹ 2019.11 crore) of the total long term loans whereas 51.09 per cent (₹ 2,109.11 crore) of the total long term loans were availed from other financial institutions like HUDCO, SIDBI and Financial Banks etc.

The investment has increased by 16.64 per cent from ₹ 5,217.35 crore in 2016-17 to 6,085.48 crore in 2018-19. The investment increased due to addition of ₹ 590.20 crore and ₹ 277.93 crore towards equity and long term loans respectively during 2016-17 to 2018-19.

3.3 Disinvestment, Restructuring and Privatisation of PSUs (Non-Power Sector)

During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs.

3.4 Budgetary Support to PSUs (Non-Power Sector)

The Government of Madhya Pradesh (GoMP) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2019 are as detailed in **Table 3.4:**

Table 3.4: Details regarding budgetary support to State PSUs

Sl. No.	Particulars ¹³	(₹ in crore)					
		2016-17		2017-18		2018-19	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
(i)	Equity capital outgo	4	110.58	1	25.00	1	109.00
(ii)	Loans given	3	310.47	3	273.50	3	500.44
(iii)	Grants/Subsidy provided	17	1,831.26	19	1,306.72	13	1,195.80
	Total Outgo (i+ii+iii)	21	2,252.31	21	1,605.22	14	1,805.24
(iv)	Guarantees Outstanding	5	1,737.68	6	313.17	3 ¹⁴	2,739.68

(Source: Annual accounts/ information furnished by the PSUs)

¹⁰ Others includes investment by Holding Companies, Financial Institutions, Banks, etc.

¹¹ Same as F/n 10 above.

¹² The original cost of the equity shares paid by the subscribers to the equity shares.

¹³ Amount represents outgo from State Budget only.

¹⁴ MPFC (₹ 1250.00 crore), MPPH&IDC (₹ 507.18 crore) and MPIDC (₹ 982.50 crore).

The subsidy/ grants given by the State Government was primarily to promote investment and development of smart cities.

GoMP provides guarantees under Madhya Pradesh Government Guarantees Rules (MPGGR), 2009 for PSUs to seek financial assistance from banks and financial institutions. The GoMP decided (February 2011) to charge guarantee commission at the rate of half a *per cent* to one *per cent* per annum in case of loan availed by PSUs from banks/ financial institutions without any exception under the provisions of the MPGGR 2009. Outstanding guarantee commitments stood at ₹ 2,739.68 crore in 2018-19. During the year 2018-19, no guarantee commission was paid by these PSUs to the State Government.

3.5 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per the records of all State PSUs should agree with the figures appearing in the Finance Accounts of the Government of Madhya Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in **Table 3.5**:

Table 3.5: Equity, Loans and Guarantees outstanding as per Finance Accounts *vis-à-vis* records of State PSUs

(₹ in crore)				
Amount outstanding in respect of	No. of PSUs	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
(A)	(B)	(C)	(D)	(E) =(C)-(D)
Equity	19	1,205.23	859.85	345.38
Loans	06	2,195.60	2,265.69	70.09
Guarantees	03	1,270.58	2,739.68	1,469.10

(Source: Information received from PSUs and Finance Accounts)

Audit observed that out of 60 State PSUs, such differences occurred in respect of 20 PSUs as shown in **Annexure 3.4**. The differences between the figures have been persisting for several years. The issue of reconciliation of differences is being taken up with the PSUs and the Departments from time to time. Major difference in balances of equity/ loan/ guarantee was observed in the case of Madhya Pradesh Industrial Development Corporation (₹ 982.50 crore towards guarantee), Madhya Pradesh Urban Development Corporation (₹ 448.00 crore towards equity), Madhya Pradesh Financial Corporation Limited (₹ 487.01 crore towards guarantee) and MP Police Housing and Infrastructure Development Corporation Limited (₹ 107.86 crore towards loans). The State Government and the respective PSUs should reconcile the differences in a time-bound manner.

3.6 Submission of Accounts by PSUs (Non-Power Sector)

3.6.1 Timeliness in preparation of Accounts by the PSUs

Accounts for the year 2018-19 were required to be finalized by all the working PSUs by 30 September 2019. However, out of 60 PSUs only 44 PSUs (including two Statutory Corporations) were required to submit their accounts. Of these 44 PSUs, 31 PSUs submitted 39 latest accounts (of one of the years from 2016-17 to 2018-19). Out of these, only 15 PSUs (including two working Statutory Corporation) submitted their accounts for the year 2018-19 for audit by CAG on or before 31 December 2019¹⁵ and five PSUs have not submitted their first accounts, whereas accounts of 29 PSUs were in arrears.

¹⁵ For 2016-17, 2017-18 and 2018-19, Accounts received till 31 December 2019 were considered.

Details of arrears in submission of accounts of PSUs (Non-Power Sector) as on 31 December 2019 are given in **Table 3.6**:

Table 3.6: Status of submission of Accounts by working PSUs

Particulars	Government Companies/ Statutory Corporations		
	2016-17	2017-18	2018-19
Total No. of PSUs	44	47	60
Total No. of Working PSUs which are required to furnish their accounts	44	47	44
No. of accounts submitted during current year	40	41	39
No. of PSUs whose accounts are current (2018-19)	21	20	15
No. of previous years accounts finalised during current year	19	21	24
No. of PSUs with accounts in arrears	23	27	29
No. of accounts in arrears	48	52	55
Extent of arrears	1 to 13 years	1 to 14 years	1 to 15 years

(Source: Accounts finalised by PSUs as on 31 December of the relevant year)

Following are the PSUs with substantial arrears of accounts:

- MP Adivasi Vitta Evam Vikas Nigam Ltd. (since 2003-04)
- MP Pichhara Varg Tatha Alpsankhyak Vitta Evam Vikas Nigam Ltd. (since 2010-11)
- MP Rajya Setu Nirman Nigam Ltd. (since 1989-90)

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed regularly regarding arrears in accounts.

As of 31 December 2019, GoMP had provided ₹ 2,179.76 crore (Equity: ₹ 134.03 crore Loan: ₹ 575.24 crore, Grant: ₹ 450.34 crore and Subsidy: ₹ 1020.15 crore) to 12 of the 29 working State PSUs during the period for which, their accounts were in arrears. PSU-wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Annexure 3.5**.

In the absence of accounts and their subsequent audit, it could not be ascertained in remaining 36 PSUs whether the investments and expenditure incurred had been properly accounted for and the funds were utilized for the purpose for which these were provided by the State Government.

3.6.2 Timeliness in preparation of Accounts by inactive PSUs

There are 16 non-working/ inactive PSUs out of which nine PSUs submitted their latest accounts for audit as detailed in **Table 3.7**:

Table 3.7: Position of accounts in respect of Inactive PSUs

Sl. No.	Name of the PSU	Last financial Year up to which Accounts finalised	Period for which accounts are in arrears
1.	MP Rajya Setu Nirman Nigam Ltd.	1989-90	1990-91 to 2018-19
2.	MP AMRL (Semaria) Coal Company Ltd.	2018-19	-
3.	MP AMRL (Morga) Coal Company Ltd.	2018-19	-
4.	MP AMRL (Bicharpur) Coal Company Ltd.	2018-19	-
5.	MP AMRL (Marki Barka) Coal Company Ltd.	2018-19	-

6.	MP Jaypee Coal Ltd.	2018-19	-
7.	MP Monnet Mining Company Ltd.	2018-19	-
8.	MP Jaypee Coal Fields Ltd.	2018-19	-
9.	MP Jaypee Minerals Ltd.	2018-19	-
10.	M.P. Sainik Coal Mining Private Ltd.	2018-19	-
11.	MP & Maharashtra Minerals & Chemicals Ltd.	2001-02	2002-03 to 2018-19
12.	MP State Road Transport Corporation	2007-08	2008-09 to 2018-19
13.	MP Panchayati Raj Vitta Evam Gramin Vikas Nigam Ltd.	2005-06	2006-07 to 2018-19
14.	MP Film Development Corporation Ltd.	2009-10	2010-11 to 2018-19
15.	Optel Telecommunication Ltd.	2009-10	2010-11 to 2018-19
16.	MP Vidyut Yantra Ltd.		Under liquidation

(Source: Compiled by O/o the AG (Audit-II) MP, Bhopal)

3.6.3 Impact of non-finalisation of Accounts of PSUs (Non-Power Sector)

The delay in finalisation of accounts may result in risk of fraud and leakage of public money, if any, going undetected apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the PSUs (Non-Power Sector) to State GDP and their profitability including profit earned/ loss incurred for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to set specific timelines for individual PSUs to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts in a time bound manner.

3.7 Placement of Separate Audit Reports of Statutory Corporations

Out of the three Statutory Corporations, two Corporations had forwarded their accounts of 2018-19 by 31 December 2019. The Separate Audit Reports (SARs) of the CAG on the accounts of Statutory Corporations are to be laid before the Legislature as per the provisions of the respective Acts. The status of annual accounts of Statutory Corporations and placement of their SARs in Legislature is detailed in **Table 3.8**:

Table 3.8: Status of placement of SAR of the Statutory Corporations

Sl. No.	Name of the Corporation	Year of Accounts	Month of placement of SAR
1	Madhya Pradesh State Warehousing Corporation	2016-17	Placed before the legislature on 20.12.2019
		2017-18 and 2018-19	Accounts not finalised
2	Madhya Pradesh Financial Corporation	2016-17	Yet to be placed before the legislature
		2017-18 and 2018-19	Accounts not finalised
3	Madhya Pradesh State Road Transport Corporation	2007-08	No information furnished
		2008-09 onwards	Accounts not finalised

(Source: Information provided by Legislative Assembly and website of Madhya Pradesh Legislative Assembly)

3.8 Performance of PSUs (Non-Power Sector)

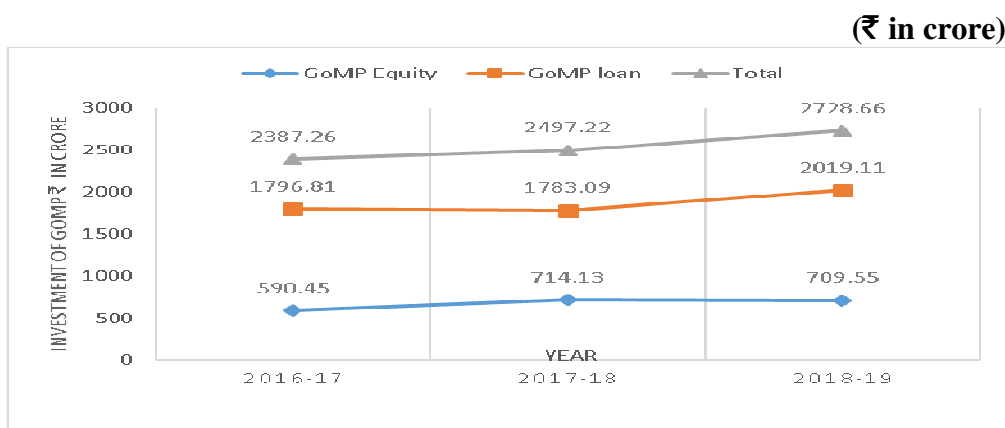
The financial position and working results of the 31 State PSUs covered in this Report as per their latest finalised accounts¹⁶ as of 31 December 2019 are detailed in **Annexure 3.1**.

¹⁶ Latest finalised accounts for the years 2016-17 to 2018-19.

The PSUs are expected to yield reasonable return on investments made by the Government in these PSUs. The total investment of State Government and others in these PSUs was ₹ 6,085.48 crore consisting of equity of ₹ 1,957.26 crore and long term loans of ₹ 4,128.22 crore. Out of this, GoMP has invested ₹ 2,728.66 crore in the 16 PSUs in the form of equity of ₹ 709.55 crore and long term loans of ₹ 2,019.11 crore.

The year- wise investment of GoMP in the PSUs covered in this Report during the period 2016-17 to 2018-19 is as follows:

Chart 3.1: Total investment of GoMP in PSUs



The profitability of a company is traditionally assessed through Return on Investment (RoI), Return on Equity (RoE) and Return on Capital Employed (RoCE). Return on Investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund. Return on Capital Employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed.

3.8.1 Rate of Real Return on Investment

Return on investment is the percentage of profit or loss to the total investment. As per the latest finalized accounts of the 31 State PSUs covered in this Report, 15 PSUs earned a profit of ₹ 428.67 crore and nine PSUs incurred losses of ₹ 100.97 crore as detailed in **Annexure 3.1**. The number of PSUs that earned profit was 15 in 2018-19 as compared to 18 in 2017-18. The profit earned has slightly decreased to ₹ 327.70 crore from ₹ 330.40 crore in 2017-18. Major profit making PSUs during the year 2018-19 were MP Warehousing and Logistic Corporation (₹156.52 crore) and MP State Mining Corporation Limited (₹ 107.47 crore).

The number of PSUs that earned profit/ incurred loss during the three-year period 2016-19 is given in **Table 3.9**:

Table No 3.9: PSUs earned profit/ incurred losses (Non-Power Sector)

Financial Year	Total no. of State PSUs (Non-Power Sector)	No. of PSUs which earned profit during the year	No. of PSUs which incurred loss during the year	No. of PSUs reporting no profit/ no loss during the year
2016-17	44	25	4	15
2017-18	38	18	8	12
2018-19	31	15	9	07

(Source: Compiled based on latest finalized annual accounts of PSUs)

3.8.2 Rate of Real Return on the basis of historical Cost of Investment

Out of 31 PSUs covered in this Report, the State Government infused funds in the form of equity, interest free loans and subsidies/ grants in 16 State PSUs. An analysis of the earnings vis-à-vis investments was carried out to assess the profitability of these PSUs. The Rate of Real Return on Investment (RoI) for the State PSUs (Non-Power Sector) has been calculated on the total investment (investment by State Government, Central Government and Others). In the case of PSUs formed due to demerger, the initial investment in equity and loans is considered at the carrying amounts as on the date of their incorporation. Further, apportionment of assets and liabilities between the successor demerged PSUs resulted in a Reorganisation/ Demerger Adjustment Reserve (surplus/ deficit), which is considered as investment of the State Government.

As on 31 March 2019, total investment of State Government in these 16 PSUs on the basis of historical cost stood at ₹ 2728.66 crore. The sector-wise RoI on historical cost basis for the period 2016-17 to 2018-19 is given in **Table 3.10**:

Table 3.10: Return on the basis of historical cost of investment

(₹ in crore)						
Year	Funds invested by State Government in Equity and Long term loans	Funds invested by Central Government in Equity and Long term loans	Funds invested by Others in Equity and Long term loans	Total investment in Equity and Long term loans	Total Earnings/ Losses for the year	RoRR (in per cent)
Monopolistic Sector						
2016-17	95.13	1.39	0.00	96.52	156.48	162.12
2017-18	140.13	1.39	0.00	141.52	154.74	109.34
2018-19	140.13	1.39	0.00	141.52	196.00	138.50
Assured income						
2016-17	2243.26	12.55	1318.60	3574.41	178.34	4.99
2017-18	1859.42	1.87	1933.38	3794.67	180.71	4.76
2018-19	2090.86	1.87	2829.87	4922.60	178.81	3.63
Competitive Sector						
2016-17	384.44	0.00	1149.88	1534.32	12.66	0.83
2017-18	497.67	0.00	953.55	1451.22	5.05	0.35
2018-19	497.67	0.00	523.69	1021.36	-47.11	-4.61
Grand Total						
2016-17	2722.83	13.94	2468.48	5205.25	347.48	6.68
2017-18	2497.22	3.26	2886.93	5387.41	340.50	6.32
2018-19	2728.66	3.26	3353.56	6085.48	327.70	5.38

(Source: Accounts and information furnished by PSUs)

3.8.3 Return on Investment on the basis of Present Value of Investment

An analysis of the earnings vis-à-vis investments in respect of those 16 PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of 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, real return on investment has also been calculated after considering the Present Value (PV) of money. PV of the State Government investment was computed where funds had been infused by the State Government in the form of equity, interest free/ defaulted loans and capital grants in these companies as of 31 March 2019. During this period, these PSUs had a positive return on investment during the years 2013-14 to 2018-19. The real return on investment for these years has, therefore, been calculated and depicted on the basis of PV.

The PV of the State Government investments in these PSUs was computed on the following assumptions:

- Loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of loans over the period. The funds made available in the form of grant/ subsidy have not been reckoned as investment except capital grant since they do not qualify to be considered as investment.
- The average rate of interest on Government borrowings for the concerned financial year¹⁷ 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 and therefore considered as the minimum expected rate of return on investments made by the Government.

The PSU-wise position in this regard is given in **Annexure 3.6**. Further, consolidated position of PV of the State Government investment relating to these PSUs for the same period is indicated in **Table 3.11**:

Table 3.11: Year-wise details of GoMP investment by State Government and its PV for the period 2000-01 to 2018-19

(₹ 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 grants given by the State Government during the year ¹⁸	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 Earn-ings for the year ¹⁹
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1+vi)/100}	ix={vii*vi}/100}	x
2000-01	224.62	4.00	-16.13	-12.13	9.94	212.49	233.61	21.12	6.13
2001-02	233.61	-4.10	-25.13	-29.23	9.19	204.38	223.16	18.78	19.01
2002-03	223.16	17.42	16.46	33.88	8.81	257.05	279.69	22.65	9.22
2003-04	279.69	1.79	-47.40	-45.61	9.41	234.08	256.11	22.03	0.70
2004-05	256.11	12.30	-	12.30	8.96	268.41	292.46	24.05	33.78
2005-06	292.46	11.89	58.57	70.46	7.33	362.92	389.52	26.60	40.73
2006-07	389.52	174.38	0.38	174.76	.86	64.28	608.63	44.35	93.50
2007-08	608.63	65.00	-58.50	6.50	7.72	615.13	662.62	47.49	91.17
2008-09	662.62	16.20	-	16.20	7.24	678.82	727.96	49.15	67.60
2009-10	727.96	6.00	15.69	21.69	6.94	749.65	801.68	52.03	124.97
2010-11	801.68	26.38	-2.10	24.28	7.07	825.96	884.36	58.40	141.55
2011-12	884.36	10.00	9.45	19.45	6.91	903.81	966.26	62.45	156.03
2012-13	966.26	-15.38	72.89	57.51	6.75	1,023.77	1,092.87	69.10	221.73
2013-14	1,092.87	30.00	90.43	120.43	6.69	1,213.30	1,294.47	81.17	287.49
2014-15	1,294.47	94.28	136.32	230.60	6.73	1,525.07	1,627.71	102.64	324.23
2015-16	1,627.71	41.72	73.76	115.48	6.86	1,743.19	1,862.77	119.58	366.79
2016-17	1,862.77	-50.73	1,349.49	1,298.76	6.72	3,161.53	3,373.99	212.46	343.39
2017-18	3,373.99	160.00	-2.73	157.27	6.67	3,531.26	3,766.79	235.53	287.96
2018-19	3766.79	109.00	392.30	501.30	6.92	4268.09	4563.44	295.35	327.70
Total		710.15	2,063.75	2,773.90					

¹⁷ The average rate of interest on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Madhya Pradesh) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of Previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/ 2]*100.

¹⁸ Negative figures of loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

¹⁹ Total Earning for the year depicts total of net earnings (profit/ loss) for the concerned year relating to those 16 PSUs (Non-Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/ loss) for that year has been taken as per latest audited accounts of the concerned PSU.

Investment by the State Government in these PSUs at the end of the year increased to ₹ 2,998.52 crore in 2018-19 from ₹ 224.62 crore in 2000-01 as the State Government made further investments in form of equity (₹ 710.15 crore) and loans/ capital grant (₹ 2063.75 crore) during the period 2000-01 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 4563.44 crore. During 2000-01 to 2003-04, these companies earned some profits, though, total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs. From 2004-05 onwards, these companies started earning sufficient profits to recover cost of funds infused, as 10 PSUs²⁰ earned substantial profits during this period.

3.8.4 Erosion of Net worth

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

As on 31 March 2019 six PSUs²¹ had accumulated losses of ₹ 22.71 crore. Of these, four PSUs incurred losses during 2018-19²² amounting to ₹ 12.44 crore and two PSUs had not incurred loss in the year 2018-19, even though they had accumulated loss of ₹ 4.91 crore.

Net worth of only one PSUs viz., MP Plastic City Development Corporation Gwalior Limited out of 31 PSUs covered in this Report had been completely eroded. The net worth was (-) ₹ 0.55 crore against equity investment of ₹ 2.27 crore in this PSU as on 31 March 2019 (*Annexure 3.1*).

3.8.5 Dividend Payout

The State Government had formulated (July 2005) a dividend policy under which all profit making PSUs are required to pay a minimum return of 20 per cent of the profit after tax.

Of the 31 PSUs covered in this Report, Dividend Payout relating to 16 PSUs where equity was infused by State Government during the period is shown in **Table 3.12**:

Table 3.12: Details of Dividend Payout of 16 PSUs

Year	PSUs where equity infused by GoMP		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (per cent)
	No. of PSUs	Equity infused by GoMP	No. of PSUs	Profit earned by PSUs where Equity infused by GoMP	No. of PSUs	Dividend declared/ paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2016-17	17	600.13	14	337.69	4	43.38	12.85
2017-18	17	714.13	12	374.70	6	45.63	12.18
2018-19	16	709.55	11	423.78	7	46.62	11.00

During the period 2016-17 to 2018-19, the number of PSUs which earned profits ranged between 11 and 14 PSUs. During this period, number of PSUs which declared/ paid dividend to GoMP ranged between four and seven PSUs.

²⁰ MPRVVN, MPSMCL, MPAIDCL, MPLUN, MPPHSCL, MPRDCL, MPSEDC, MPWLCL, MPIDC and MPSTDCL.

²¹ MPUDC, MPPCDC Gwalior Limited, PACL, JSCDCL, ISCDCL and MPHCL.

²² Annual Accounts for the year 2018-19 of M.P. Urban Development Corporation Limited was not received, thus the information is compiled on the basis of Annual Account of 2017-18.

The Dividend Payout Ratio during 2016-17 to 2018-19 ranged between 11.00 and 12.85 per cent only.

Of these seven PSUs which declared/ paid dividend during 2018-19, two PSUs²³ declared dividend lower than the prescribed limit and five PSUs²⁴ declared dividend as per the dividend policy.

3.8.6 Return on Equity

Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profit. 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 Company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a Company's stakeholders if all assets were sold and all debts paid. A positive Shareholders' fund reveals that the Company has enough assets to cover its liabilities while negative shareholders' funds means that liabilities exceed assets.

In respect of 31 PSUs covered in this Report, where funds had been infused by the State Government, both the Shareholders' fund and the Net Income were positive during the three-year period 2016-17 to 2018-19 as given in **Table 3.13**:

Table 3.13: Return on Equity

(₹ in crore)					
Details	Year	Number of PSUs	Net Profit/ Loss	Shareholders' Fund	RoE (in per cent)
	(i)	(ii)	(iii)	(iv)	(v)=(iii/iv)*100
Profit earning	2016-17	24	350.95	2453.89	14.30
	2017-18	18	380.01	1908.61	19.91
	2018-19	15	428.67	4075.86	10.51
Loss making	2016-17	5	-3.28	-73.47	4.46
	2017-18	8	-49.61	666.21	-7.45
	2018-19	9	-100.95	1624.74	-6.21
No Profit / No Loss	2016-17	15	0	115.28	0.00
	2017-18	12	0	655.72	0.00
	2018-19	7	0	706.72	0.00
Total	2016-17	44	347.67	2495.70	13.93
	2017-18	38	330.40	3230.54	10.23
	2018-19	31	327.72	6407.32	5.11

(Source: Accounts and information furnished by PSUs)

It can be seen from above table that ROE of profit earning PSUs ranged between 10.51 per cent (2018-19) to 19.91 per cent (2017-18). In 2018-19 the Shareholders' fund increased by 113 per cent due to which ROE has decreased.

3.8.7 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency with which the total capital is employed by a company. RoCE is an important decision metric for long term lenders. The significance of RoCE becomes obvious when it is juxtaposed against RoE, which measures the efficiency with which a

²³ MPWLC and MPRVVNL.

²⁴ MPSMCL, MPSAID, SRMPHHVNL, MPPHSCL and MPLUN.

company's assets have been used to create profits for its shareholders. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed.

The details of total RoCE of all the 31 PSUs covered in this Report during the period 2016-17 to 2018-19 are given in **Table 3.14**:

Table 3.14: RoCE of PSUs

(₹ in crore)

Details	Year	Number of PSUs	EBIT	Capital Employed	RoCE (in per cent)
1	2	3	4	5	6=(4/5)*100
Profit earning	2016-17	24	890.66	5646.26	15.77
	2017-18	23	513.20	4926.09	10.42
	2018-19	19	1884.22	8272.38	22.78
Loss making	2016-17	5	10.64	88.83	11.98
	2017-18	5	-9.81	277.35	-3.54
	2018-19	5	-8.73	852.71	-1.02
No Profit / No Loss	2016-17	15	0	224.54	0.00
	2017-18	10	0	506.21	0.00
	2018-19	7	0	516.82	0.00
Total	2016-17	44	592.83	5959.63	9.95
	2017-18	38	503.39	5709.65	8.82
	2018-19	31	1875.49	9641.91	19.45

(Source: Accounts and information furnished by PSUs)

The RoCE of the PSUs ranged between 8.82 per cent and 19.45 per cent during the period 2016-17 to 2018-19.

3.8.8 Analysis of Long Term Loans of the PSUs

Analysis of the Long Term Loans of the PSUs during 2016-17 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed to the Government, banks and other financial institutions. This is assessed through the Interest Coverage Ratio and Debt Turnover Ratio.

3.8.9 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 Earnings before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicates that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of the PSUs covered in the Report which had outstanding loans during the period from 2016-17 to 2018-19 are given in **Table 3.15**:

Table 3.15: Interest coverage ratio of PSUs having liability of loans

Year	Earnings Before Interest and Tax (EBIT) (₹ in crore)	Interest (₹ in crore)	ICR	Number of PSUs having liability of loans	Number of PSUs having ICR more than one	Number of PSUs having ICR less than one
2016-17	16.06	122.70	0.13:1	15	12	3 ²⁵
2017-18	106.71	84.32	1.27:1	15	11	4 ²⁶
2018-19	21.53	78.19	0.27:1	11	0	11

(Source: Accounts and information furnished by PSUs)

²⁵ MPAKVN (Indore) Ltd., MPAKVN (Rewa) Ltd. and MPJML.

²⁶ MPAKVN (Indore) Ltd., MPPCDC (Gwalior) Ltd., MPSCSCL and MPFC.

All 11 State PSUs having liability of loans during 2018-19, had interest coverage ratio of less than one, which indicates that these PSUs could not generate sufficient revenues to meet their expenses on interest during the period. Madhya Pradesh State Civil Supply Corporation received interest free long term loan from the Government.

3.8.10 Debt Turnover Ratio

During the last three years ended March 2019, the debt-turnover ratio of 31 PSUs covered in this Report ranged between 0.23:1 and 0.27:1. Further, the turnover of Non-Power Sector PSUs recorded a negative compounded annual growth rate of 0.91 per cent during last three years, as given in **Table 3.16**:

Table 3.16: Details of Debt Turnover Ratio of PSUs

Particulars	(₹ in crore)		
	2016-17	2017-18	2018-19
Debt from Government/ Banks/ Financial Institutions	3,850.29	3,543.18	4,128.22
Turnover	15,499.77	15,651.26	15,079.12
Debt-turnover Ratio	0.25:1	0.23:1	0.27:1

(Source: Accounts and information furnished by PSUs)

3.9 Winding up of inactive PSUs (Non- Power Sector)

As of 31 March 2019, 16 PSUs having a total investment of ₹ 706.63 crore which were non-functional. Of these, Madhya Pradesh Road Transport Corporation (₹ 683.31 crore) and Optel Telecommunication Limited (₹ 17.12 crore) had maximum investment as on 31 March 2019. The number of non-functional PSUs at the end of each year during last three years ended 31 March 2019 is given in **Table 3.17**:

Table 3.17: Non-functional State PSUs

Particulars	2016-17	2017-18	2018-19
No. of non-functional PSUs	17	16	16
Out of above, no. of PSUs which were under liquidation	4	4	4

(Source: Compiled from the information included in Audit Report (PSU), GoMP of respective years)

As regards remaining 12 non-functional PSUs, with arrears of accounts ranging up to 29 years²⁷, the GoMP may take appropriate decision regarding winding up these PSUs. One of the State PSU i.e. MP State Textile Corporation, having GoMP Equity of ₹ 6.86 crore and loan of ₹ 86.71 crore has been wound-up during the year 2018-19.

3.10 Comments on Accounts of PSUs (Non-Power Sector)

Of the 44 PSUs whose latest accounts were available, 31 PSUs forwarded 39 audited accounts to the Accountant General during the period from 1 January 2019 to 31 December 2019. Of these, 29 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are detailed in **Table 3.18**:

²⁷ Companies at Sl. No. IIIA 14 to IIIA 24 and IIIB 25 of the Annexure-3.2.

Table 3.18: Impact of audit comments on State PSUs (Non-Power Sector)

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	11	446.68	02	0.27	6	26.99
2.	Increase in profit	-	-	-	-	5	2.02
3.	Increase in loss	3	-1.52	02	0.74	-	-
4.	Decrease in loss	-	-	01	0.12	1	0.12
5.	Non-disclosure of material facts	3	1.87	01	107.02	5	6.28
6.	Errors of classification	6	36.11	07	521.14	17	590.58

(Source: Comments of the Statutory Auditors/ C&AG)

During the year 2017-18, the Statutory Auditors had issued qualified certificates on 17 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 23 instances of non-compliance to the Accounting Standards in 11 Accounts.

The State has three Statutory Corporations viz., (i) Madhya Pradesh State Road Transport Corporation (MPSRTC), (ii) Madhya Pradesh Financial Corporation (MPFC) and (iii) Madhya Pradesh Warehousing and Logistics Corporation (MPWLC). The CAG is sole auditor in respect of only one corporation, viz. MPSRTC, which was non-functional. Other two working Statutory Corporations forwarded their annual accounts for the year 2018-19. Both the accounts were selected for supplementary audit.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in **Table 3.19:**

Table 3.19: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	2	7.04	-	-	-	-
2.	Increase in profit	-	-	-	-	1	1.06
3.	Increase in loss	-	-	1	17.51	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	-	-	-	-	1	0.08
6.	Errors of classification	-	-	1	103.31	1	109.80

(Source: Comments of the Statutory Auditors/ C&AG)