

Chapter-I

Financial Performance of State Public Sector Enterprises

This chapter presents the financial performance of State Public Sector Enterprises (SPSEs) as regards to investment of Government in the form of equity and long-term loans, ratios indicating financial performance of SPSEs and return on investment. Analysis revealed that major part of the total investment (92.51 per cent) pertained to the Power Sector SPSEs. Discontinuation of subsidy to the State DISCOMs under Ujwal DISCOM Assurance Yojana affected profitability of the SPSEs adversely and net worth of 15 SPSEs eroded fully as their accumulated losses exceeded their capital investment.

Introduction

1.1 This Report presents the financial performance of State Public Sector Enterprises (SPSEs) of the Government of Rajasthan for the year 2020-21. The term SPSEs encompasses the Government Companies (including Government Controlled other Companies) set up under the Companies Act, 2013 and the Statutory Corporations set up under the statutes enacted by Parliament/State Legislature.

Government Company

- A company in which not less than 51 per cent of paid-up share capital is held by the Central Government, or by one or more State Government(s), or partly by the Central Government and partly by one or more State Government(s), and includes a company which is subsidiary of a Government company. {As defined under Section 2(45) of the Companies Act, 2013}

Government Controlled other Company

- 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 Government(s). {As defined under the Companies (Removal of Difficulties) Seventh Order, 2014 notified (4 September 2014) by the Ministry of Corporate Affairs, Government of India}

Statutory Corporation

- A Corporation set up under a statute enacted by Parliament/State Legislature.

The financial performance of SPSEs depicted in the Report has been taken from their financial statements as well as the information received from the SPSEs. Impact of revision of accounts as well as significant comments¹⁰ issued as a result of sole audit/supplementary audit conducted by the Comptroller and Auditor General of India (CAG) on the financial statements of the SPSEs for

10 Based on the certificates finalised/issued from 1 January 2021 to 30 November 2021.

the year 2020-21 (or of earlier years which were finalised during the current year) have also been covered under **Chapter-II** of this Report.

The Report also highlights overall status of compliance with the provisions of the Companies Act, 2013 in respect of Corporate Governance and implementation of Indian Accounting Standards (Ind AS) in SPSEs under **Chapter-III** and **Chapter-IV** respectively.

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 the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit.

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

Role of Government and Legislature

1.3 The State Government exercises control over the affairs of the SPSEs through its administrative departments. The Chief Executive and Directors to the Board of these SPSEs are appointed by the State Government.

The State Legislature also monitors the accounting and utilization of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394/395 of the Companies Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Nature of SPSEs covered in the Report

1.4 At the beginning of the year 2020-21, there existed 45 SPSEs under the purview of CAG for audit. During the year 2020-21, one newly incorporated (February 2021) Government Company *i.e.* Sangod Transmission Service Limited¹¹ (STSL) came under the purview of CAG for audit. Section 2 (41) of the Companies Act, 2013 provided

SPSEs under purview of CAG for audit for 2020-21	
Government Companies	38
Statutory Corporations	03
Government controlled other Companies	04
Total SPSEs	45

11 Subsidiary of Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPL).

that financial year, in relation to a company which has been incorporated on or after the 1st day of January of a year, means the period ending on the 31st day of March of the following year. Therefore, the first financial statements of STSL are to be prepared and thereafter audited for the period ending on 31st March 2022. As a result, the number of SPSEs under the purview of CAG for audit during 2020-21 remained at 45, including 38 Government Companies, three Statutory Corporations¹² and four Government Controlled other Companies¹³ as on 31 March 2021 as listed in **Annexure 1.1**.

None of the companies were listed on the stock exchanges. Further, the Government Companies included three inactive companies¹⁴ which ceased their operations for the last nine years to 21 years. The investment and liquidation status of these inactive companies is discussed in **Paragraph 1.21**.

On the basis of nature of activities undertaken, these 41 SPSEs (excluding four Government Controlled other Companies) have been categorized into eight sectors. Sector wise turnover *vis-à-vis* share of turnover of these SPSEs in GSDP of Rajasthan is detailed in **Table 1.1**:

Table 1.1: Sector wise turnover *vis-à-vis* share of turnover of SPSEs in GSDP of Rajasthan during 2020-21

Sl. No.	Name of the Sector	Number of SPSEs	Turnover for the year (₹ in crore)	Share of turnover in GSDP
1.	Energy and Power	15	72166.24	7.12
2	Industries and Commerce	6	3078.43	0.30
3	Finance	3	6978.59	0.69
4	Agriculture, Food and Allied Industries	4	963.18	0.09
5	Culture and Tourism	2	62.80	0.01
6	Transport	2	1688.95	0.17
7	Urban Development	2	73.54	0.01
8	Others	7	1974.71	0.19
	Total	41	86986.44	8.58

Source: Information compiled on the basis of latest financial statements of SPSEs.

As evident from the above table, the turnover (₹ 86,986.44 crore) of these 41 SPSEs for 2020-21 was 8.58 *per cent* of the Gross State Domestic Product (GSDP) of Rajasthan (₹ 10,13,323 crore) for the year. The highest share of turnover in the GSDP was from the Energy and Power Sector contributing 7.12 *per cent*.

The turnover of the four Government Controlled other Companies was nil during 2020-21.

12 Rajasthan State Road Transport Corporation (RSRTC), Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC).

13 Ajmer Smart City Limited (ASCL), Jaipur Smart City Limited (JSCL), Kota Smart City Limited (KSCL) and Udaipur Smart City Limited (USCL).

14 Rajasthan State Agro Industries Corporation Limited (RSAICL), Rajasthan Civil Aviation Corporation Limited (RCACL) and Rajasthan Jal Vikas Nigam Limited (RJVN).

Audit of financial statements of SPSEs

1.5 The CAG, as per mandate, conducts supplementary audit of the annual accounts of all the 42 Companies (*i.e.* 38 Government Companies and four Government Controlled other Companies). In the case of the three Statutory Corporations, the CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC) whereas in respect of Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC), the audit is conducted by the Chartered Accountants appointed under the respective statutes and thereafter, supplementary audit is conducted by the CAG.

The financial performance of these 45 SPSEs, based on the latest finalised financial statements received till 30 November 2021¹⁵, is covered in this Report. The nature of SPSEs and the status of financial statements are indicated in **Table 1.2**:

Table 1.2: Nature of SPSEs covered in the Report

Nature of SPSEs	Total Number	Number of SPSEs of which accounts received during the reporting period ¹⁶				Number of SPSEs of which accounts are in arrear (total accounts in arrear) as on 30 November 2021
		Accounts for 2020-21	Accounts for 2019-20	Accounts upto 2018-19	Total	
Government Companies	38	25	5	2 ¹⁷	32	13 (30)
Statutory Corporations	3	1	1	-	2	2 (2)
Total	41	26	6	2	34	15 (32)
Government Controlled other Companies	4	-	-	-	-	4 (5)
Total SPSEs	45	26	6	2	34	19 (37)

Source: Information compiled on the basis of accounts received upto 30 November 2021.

The company wise pendency of the financial statements is depicted in **Annexure-1.2**.

Summary of financial performance of SPSEs covered in this Report (Government Companies and Statutory Corporations)	
Total number of SPSEs	41 ¹⁸
SPSEs covered	41
Paid up capital (41 SPSEs)	₹ 51,787.33 crore
Long term Loans (41 SPSEs)	₹ 1,10,201.27 crore
Net profit (25 SPSEs)	₹ 1,232.32 crore
Net loss (13 SPSEs)	₹ 4,046.23 crore
Zero Profit/Loss (3 SPSEs) ¹⁹	
Dividend declared/paid (7 SPSEs)	₹ 66.08 crore

15 Extended due date for submission of financial statements for the year 2020-21.

16 From January 2021 to November 2021.

17 Financial Statements of Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited for the year 2017-18 and 2018-19.

18 Except Sangod Transmission Service Limited which was due for audit from 2021-22.

19 Chhabra Power Limited (CPL), Dholpur Gas Power Limited (DGPL) and Rajasthan Urja Vikas Nigam Limited (RUVNL).

Total Assets (41 SPSEs)	₹ 2,15,779.56 crore
Net worth (41 SPSEs)	(-) ₹ 45,714.26 crore
Government Controlled other Companies	
Total number of SPSEs	4
SPSEs covered	4
Paid up capital	₹ 600.01 crore
Long term Loans	Nil
Net profit (1 SPSE)	₹ 0.05 crore
Net loss (1 SPSE)	₹ 0.02 crore
Zero Profit/Loss (2 SPSEs)²⁰	
Dividend declared/paid	Nil
Total Assets (4 SPSEs)	₹ 1,363.28 crore
Net worth (4 SPSEs)	₹ 621.21 crore

Source: Information compiled on the basis of accounts received upto 30 November 2021 and information furnished by SPSEs.

Investment in SPSEs

1.6 Investment in SPSEs comprises infusion of equity and extension of long term loans. State Government also provides financial support to the SPSEs in the form of grant and subsidy through the annual budgets. Out of 45 SPSEs, investment aspect of 41 Government Companies and Statutory Corporation (except Government Controlled other Companies) has been discussed in **Paragraph 1.7 to 1.17**.

Based on the functions performed/activities involved, these SPSEs have been categorized into eight sectors. Sector wise investment in these SPSEs as on 31 March 2021 is given in **Table 1.3**:

Table 1.3 Equity investment and long term loans in SPSEs

					<i>(₹ in crore)</i>
S. No.	Sector	Number of SPSEs	Equity	Long term loans	Total
1	Energy and Power	15	48394.41	101458.88	149853.29
2	Industries and Commerce	6	521.49	1774.42	2295.91
3	Finance	3	272.39	0.31	272.70
4	Agriculture, Food and Allied Industries	4	71.45	300.99	372.44
5	Culture and Tourism	2	24.11	77.20	101.31
6	Transport	2	643.45	909.52	1552.97
7	Urban Development	2	1742.71	2723.95	4466.66
8	Others	7	117.32	2956.00	3073.32
	Total	41	51787.33	110201.27	161988.60

Source: Compiled based on information received from SPSEs.

Further investment aspect of 4 Government Controlled other Companies has been discussed in **Paragraph 1.18**.

Stake in Government Companies and Statutory Corporations

1.7 The amount of investment in equity and loans in 41 Government Companies and Statutory Corporations for the three years' period ended 31 March 2021 is given in **Table 1.4**:

Table 1.4 Equity investment and loans in SPSEs

(₹ in crore)

Sources of investment	As on 31 March 2019 ²¹			As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	48435.56	20499.93	68935.49	50531.10	7618.37	58149.47	50934.59	7631.07	58565.66
SPSEs	613.13	0.43	613.56	613.13	13.43	626.56	613.13	0.43	613.56
Central Government	31.02	0	31.02	31.02	0.00	31.02	31.02	0.00	31.02
Others ²²	208.59	91292.43	91501.45	208.59	98572.95	98781.54	208.59	102569.77	102778.36
Total	49288.30	111792.79	161081.52	51383.84	106204.75	157588.59	51787.33	110201.27	161988.60
Share of State Government in Total Investment (in %)	98.27	18.34	42.80	98.34	7.17	36.90	98.35	6.92	36.15

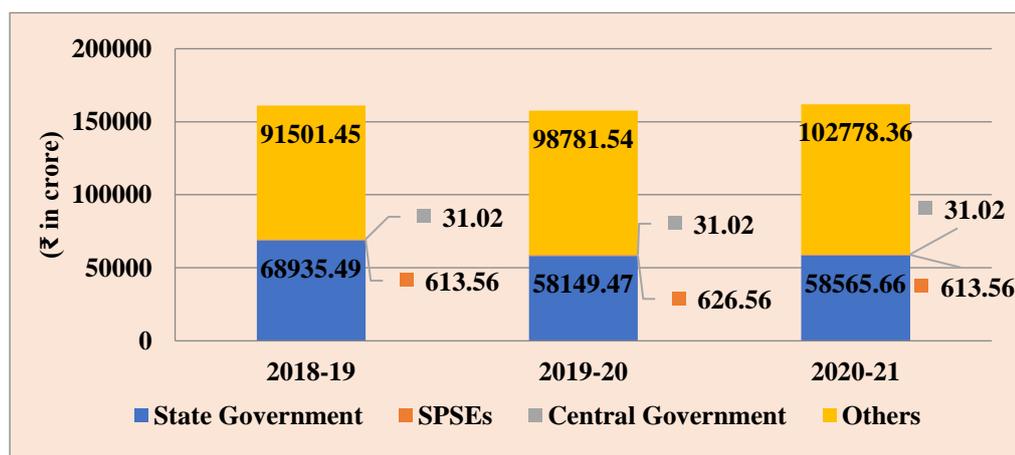
Source: Compiled based on information received from SPSEs.

The total investment in these SPSEs increased by ₹ 4,400.01 crore during 2020-21 as compared to total investment in 2019-20. This includes infusion of Equity worth ₹ 403.49 crore by the State Government and increase in long term loans by ₹ 3,996.52 crore during the year.

92.51 per cent (₹ 1,49,853.29 crore) of the total investment as on 31 March 2021 was infused in the Power Sector SPSEs.

Year wise break-up of sources of total investment in these SPSEs at the end of the periods from 2018-19 to 2020-21 is depicted in **Chart 1.1**.

Chart 1.1: Sources of total investment in 41 SPSEs during 2018-19 to 2020-21



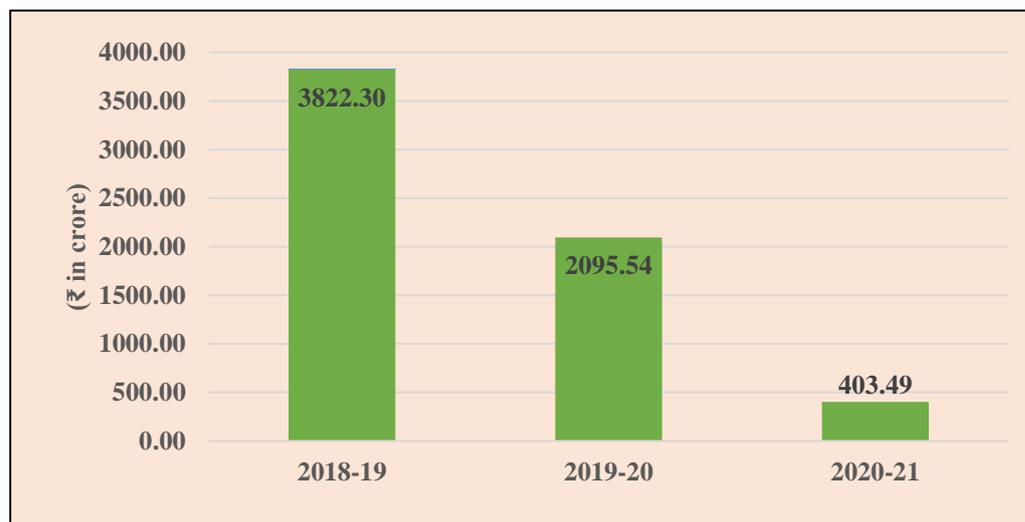
Source: Compiled based on information received from SPSEs.

21 Figures for the year 2018-19 do not consist of figures of two companies wound up during the year 2019-20.
 22 Includes central PSEs, Banks, Financial Institutions, Rajasthan Housing Board etc.

Investment in Equity

1.8 During the three years' period ended 31 March 2021, an amount of ₹ 6,321.33 crore was invested by the State Government as Equity in these 41 SPSEs. Year wise break up of Equity invested by the State Government during 2018-19 to 2020-21 in these SPSEs is depicted in **Chart 1.2**.

Chart 1.2: Equity invested by the State Government in 41 SPSEs during 2018-21



Source: Compiled based on information received from SPSEs.

The Equity investment in the SPSEs during 2020-21 was very less as compared to 2018-19 and 2019-20. The Equity investment in the previous years was high as the State Government had converted loans of ₹ 3000 crore in 2018-19 and ₹ 905.50 crore in 2019-20 of the three State DISCOMs²³ into Equity under Ujwal DISCOM Assurance Yojana (UDAY). No such conversion took place during 2020-21 as UDAY was effective till 2019-20 only.

During the year 2020-21, the Equity was infused entirely in the Power Sector SPSEs through issue of shares.

The Equity infused in the Power Sector SPSEs during 2020-21 is depicted in **Table 1.5**:

Table 1.5: Equity investment during the year 2020-21

S. No.	Name of the SPSE	Amount (₹ in crore)
1	Jaipur Vidyut Vitran Nigam Limited (JVVNL)	114.92
2	Jodhpur Vidyut Vitran Nigam Limited (JdVVNL)	148.97
3	Ajmer Vidyut Vitran Nigam Limited (AVVNL)	106.32
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)	33.28
	Total	403.49

Source: Compiled based on information received from SPSEs.

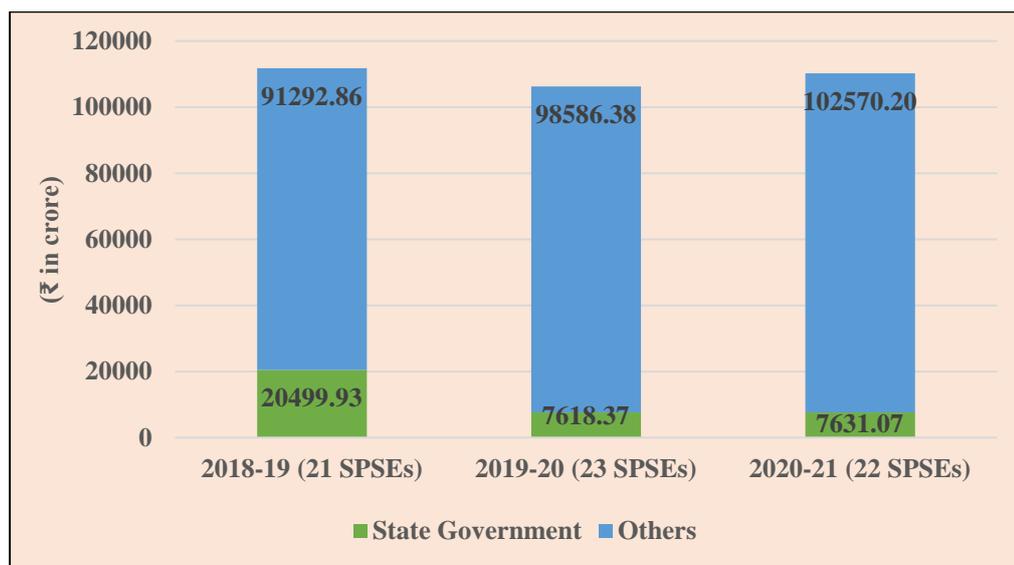
23 Jaipur Vidyut Vitran Nigam Limited (JVVNL), Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) and Ajmer Vidyut Vitran Nigam Limited (AVVNL).

Loans given to Government Companies and Corporations

1.9 The total long term loans outstanding in SPSEs (except Government Controlled other Companies) from all sources as on 31 March 2021 was ₹ 1,10,201.27 crore. During 2020-21, the long term loans of SPSEs registered an increase of ₹ 3996.52 crore. Out of the total loans of SPSEs as on 31 March 2021, loans from State Government were ₹ 7631.07 crore (6.92 per cent).

Year wise details of long term loans outstanding in SPSEs is depicted in **Chart 1.3**.

Chart 1.3: Long term loans outstanding in SPSEs



Source: Compiled based on information received from SPSEs.

It could be seen that balance of outstanding long term loans extended by others increased gradually during last three years whereas the loans of State Government decreased significantly during this period.

Analysis of Loans

1.10 SPSEs, which had loan liability during 2018-19 to 2020-21, were analysed to assess the ability of the SPSEs to service the debt owed to the State Government, Banks and other Financial Institutions (FIs). This is assessed through the interest coverage ratio and ratio of total assets to long term debts. Further, age wise analysis of interest outstanding on State Government loans has also been assessed.

Interest Coverage Ratio

1.11 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of 29 SPSEs which had outstanding loans (long term as well as short term loans) during the period from 2018-19 to 2020-21 are given in **Table 1.6**:

Table 1.6: Interest Coverage Ratio

Year	Number of SPSEs having liability of loans from Government, Banks and other financial institutions ²⁴	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2018-19	28	13287.91	16021.81	18	10 ²⁵
2019-20	28	14534.03	18191.58	18	10 ²⁶
2020-21	29	15199.60	12716.54	17	12 ²⁷

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The number of SPSEs with interest coverage ratio of more than one decreased from 18 in 2018-19 to 17 in 2020-21.

Servicing of interest charges and repayment of principal

1.12 Out of 29 SPSEs which had liability of loans during 2020-21, six SPSEs defaulted in servicing their debts (Principal/interest charges) as per Statutory Auditors' Report on their latest finalised accounts as given in **Table 1.7**:

Table 1.7: SPSEs which defaulted in servicing of interest charges and repayment of principal

(₹ in crore)			
Sl. No.	Name of the SPSE	Source of loan	Amount of default
1	RRVUNL	Banks/FIs	5303.43
2	Giral Lignite Power Limited (GLPL)		39.74
3	Rajasthan Small Industries Corporation Limited (RSICL)	State Government	0.75
4	Jaipur Metro Rail Corporation Limited (JMRCL)		163.65
5	Rajasthan State Handloom Development Corporation Limited (RSHDCL)		3.52
6	Rajasthan Tourism Development Corporation Limited (RTDCL)		20.00

Source: Compiled based on Statutory Auditors' Report.

Out of the six defaulting SPSEs, RRVUNL defaulted for significant amount of loan obtained from Banks/FIs. It was noticed that as on 31 March 2021, 86.21 per cent (₹ 25831.67 crore) of the total current assets (₹ 29964.80 crore) of RRVUNL pertained to the power dues recoverable from the three State

24 SPSEs which had finance cost (pertained to short term loans as well as long term loans) in the latest finalised financial statements.

25 GLPL, Barmer TPCL, RRVUNL, RSICL, JMRCL, RSHCL, RTDCL, BLMCL, RSRTC and RSACIL.

26 GLPL, Barmer TPCL, Banswara TPCL, RSHDCL, JMRCL, RSHCL, RTDCL, RFC, RSRTC and RSACIL.

27 RSHDCL, JMRC, JVVNL, RRVUNL, JdVVNL, Barmer TPCL, Banswara TPCL, GLPL, RSHCL, RTDCL, RSRTC, RSAICL.

DISCOMs²⁸. These recoverable power dues were 1.67 times of the operational revenue (*i.e.* revenue from sale of power) of the year 2020-21. As a result, the SPSE faced liquidity crunch and hence, could not service its debts in time.

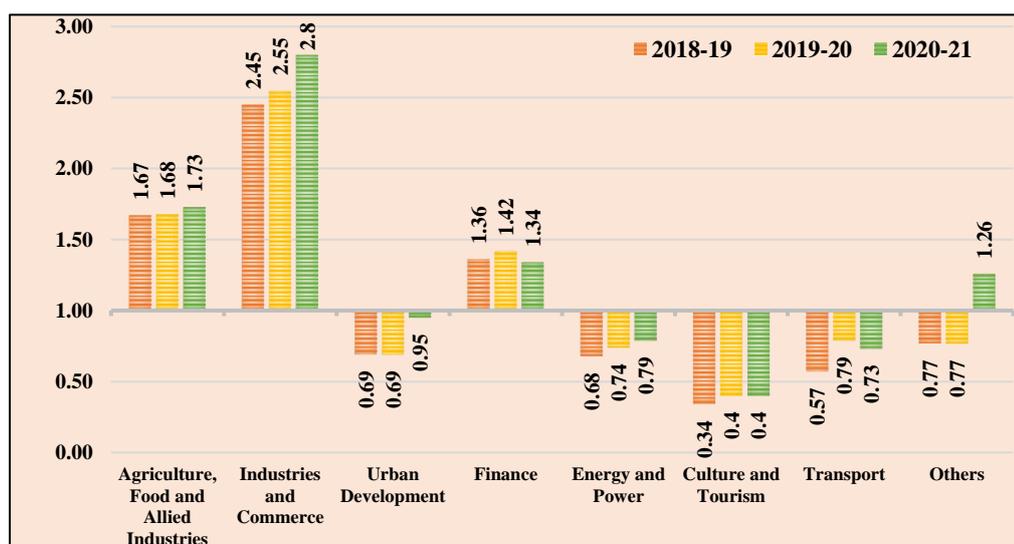
Liquidity analysis

1.13 Current Ratio is a liquidity ratio that measures a company’s ability to pay short term obligations or those dues which are payable within one-year period. It compares all of the company’s current assets with its current liabilities. It is a useful measure of a company’s short term solvency. Current ratio less than one indicates that company’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. Current ratio more than one indicates that company has sufficient short term assets to meet out its short term obligations. The formula of current ratio is as given under:

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

Sector wise details of current ratio of 41 SPSEs at the end of last three years’ period from 2018-19 to 2020-21 is depicted in **Chart 1.4**.

Chart 1.4: Sector wise Current Ratios in SPSEs during 2018-19 to 2020-21



Source: Compiled on the basis of latest finalised accounts of SPSEs.

It could be seen that out of eight sectors, current ratio of five sectors during 2018-20 and four sectors during 2020-21 was less than one. This indicated that these sectors have continuously been in financial distress, particularly in terms of liquidity. Current ratio of two sectors during 2018-20 and three sectors during 2020-21 was higher than one. Further, current ratio of one sector *i.e.* Industries and Commerce was significantly higher than one which indicated that the sector maintained higher liquidity than the requirement.

Age wise analysis of Interest outstanding on State Government Loans

1.14 As on 31 March 2021, interest amounting to ₹ 167.20 crore was outstanding against four SPSEs on the long term loans provided by the State Government. The age wise analysis of interest outstanding on State Government Loans is depicted in **Table 1.8**.

Table 1.8: Interest outstanding on State Government Loans

(₹ in crore)

S. No.	Name of the SPSE	Outstanding interest on State Government Loans	Interest outstanding for less than 1 year	Interest outstanding for 1 year to 3 years	Interest outstanding for more than 3 years
1	Jaipur Metro Rail Corporation Limited	163.65	26.60	79.79	57.26
2	Rajasthan State Hotels Corporation Limited ²⁹	0.79	0.04	0.12	0.63
3	Rajasthan State Ganganagar Sugar Mills Limited ³⁰	0.50	0.00	0.00	0.50
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2.26	2.26	0.00	0.00
	Total	167.20	28.90	79.91	58.39

Source: Information provided by the SPSEs.

It could be seen that major part of the outstanding interest pertained to Jaipur Metro Rail Corporation Limited. Further, the outstanding interest against this SPSE was accumulating continuously as no payment towards the accrued interest on the State Government Loan was being made.

Adequacy of assets to meet loan liabilities

1.15 Ratio of long-term 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 long-term loans/debts. Out of 29 SPSEs which had liability of loans, 22 SPSEs had outstanding long term loans as on 31 March 2021. Coverage of long term loans by value of total assets in these 22 SPSEs is given in **Table 1.9**.

Table 1.9: Coverage of long-term loans with total assets

(₹ in crore)

Type of SPSE	Positive Coverage				Negative Coverage			
	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans
Government Companies	18	107924.40	185829.20	172.18	1	46.61	4.75	10.19
Statutory Corporations	3	1895.24	15503.69	818.03	-	-	-	-

Source: Compiled on the basis of latest finalised accounts of SPSEs.

29 Considering loss making SPSE, State Government deferred repayment of interest and principal amount.

30 Amount belonging to a company merged in RSGSML and application for waiver of interest is pending with the State Government.

Out of the 22 SPSEs, in respect of only one SPSE, (RSAICL) which was an inactive SPSE, the value of total assets was lower than the loans outstanding.

Other Budgetary Support

1.16 Apart from investing in equity and providing long term loans, the State Government also provides financial support to the SPSEs in the form of grant and subsidy through the annual budgets. The State Government also provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 to SPSEs seeking financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of one *per cent* per annum in the case of loan availed by SPSEs from banks/financial institutions without any exception under the provisions of the RSGGR 1970. The summarised details of the budgetary support towards grant and subsidy and the guarantees extended by the State Government in respect of the SPSEs for the last three years ended 31 March 2021 are as given in **Table 1.10**.

Table 1.10: Details of budgetary support to SPSEs

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
Grant and subsidy	11	22012.86	12	23923.10	11	15449.56
Guarantees issued during the year	4	21671.76	7	13298.44	6	15721.00
Guarantee Commitment at the end of the year	8	60926.16	10	69536.24	9	75335.99

Source: Compiled based on information received from SPSEs.

The grant and subsidy received during 2020-21 decreased significantly as compared to previous years due to completion of UDAY in 2019-20 and discontinuation of subsidy to the State DISCOMs thereunder from 2020-21. Further, the grant and subsidy received during 2020-21 mainly included the Tariff Subsidy extended by the State Government to the State DISCOMs. Besides, there were significant increase in the outstanding guarantee commitments at the end of the year 2020-21 as compared to previous years. During 2020-21, Guarantee commission of ₹ 421.54 crore was paid by the nine SPSEs against the due amount of ₹ 722.72 crore.

The guarantee commitment of the State Government towards SPSEs at the end of 2020-21 was significant as it worked out to 56.09 per cent of the total revenue receipt of the State Government (₹ 134307.88 crore)³¹ during 2020-21.

Budgetary support to SPSEs having accounts in arrears

1.17 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 SPSEs within the stipulated period. The concerned

31 As per Annual Budget of the State Government for 2022-23.

Administrative Departments were informed quarterly regarding arrear in accounts.

Out of 19 SPSEs, accounts of which had not been finalised by 30 November 2021 as prescribed under the Companies Act 2013, RSRTC Rules 1964 and RSWC Rules 1975, the State Government provided ₹ 951.35 crore (Loan: ₹ 11.70 crore, Subsidy: ₹ 939.65 crore) to five SPSEs during the period for which accounts of these SPSEs were in arrears. SPSE wise details of investment made by the State Government during the period for which accounts were in arrears, are shown in **Annexure-1.2**. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The State Government investment in these SPSEs, therefore, remained outside the oversight of the State Legislature.

Investment in Government Controlled other Companies

1.18 As on 31 March 2021, the four Government Controlled other Companies had total equity investment of ₹ 600.01 crore. The equity was invested equally by the State Government and by the Municipal Corporations controlled by it. There was no equity investment in these Government Controlled other Companies during the year 2020-21. Besides, none of these Government Controlled other Companies had liability of long term loans as on 31 March 2021.

Reconciliation with Finance Accounts of Government of Rajasthan

1.19 The figures in respect of equity, loans and guarantees outstanding as per records of the SPSEs should agree with the figures appearing in the Finance Accounts of the Government of Rajasthan. In case the figures do not agree, the concerned SPSE and the Finance Department of the State should carry out reconciliation of the differences.

Audit noticed that as on 31 March 2021, there was difference in figures of Equity, Loans and Guarantee outstanding shown in the Finance Accounts and the records of SPSEs in respect of 19 of the 36 SPSEs (excluding nine subsidiaries) as depicted in **Annexure-1.3**. Summarised position of such differences as on 31 March 2021 is stated in **Table 1.11**:

Table 1.11: Equity, loans, guarantees outstanding as per the Finance Accounts of Government of Rajasthan vis-à-vis records of 19 SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per records of the SPSEs	Amount as per Finance Accounts
Equity	49262.73	49294.11
Loans	6279.54	6316.64
Guarantee outstanding	75335.99	74765.89

Source: Compiled based on information received from SPSEs and Finance Accounts.

Disinvestment, restructuring and privatisation of SPSEs

1.20 During the year 2020-21, no disinvestment, restructuring or privatisation was done by the State Government.

Winding up of inactive SPSEs

1.21 The three inactive Government Companies, which ceased their operations for last nine to 21 years, had a total investment of ₹ 28.04 crore³² towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) as on 31 March 2021. One of these three inactive companies (RSAICL) is under process of liquidation as Government Liquidator has been appointed. The other two companies are inactive for last nine to ten years. The Government may take urgent appropriate decision regarding these companies.

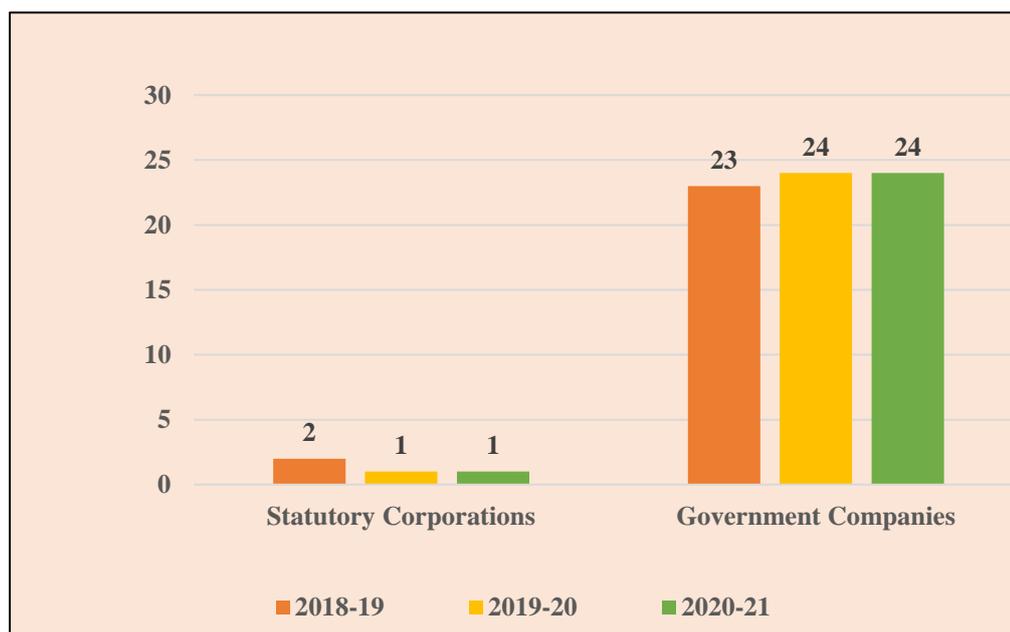
Return on investment in SPSEs

1.22 The financial position and working results of SPSEs as per their latest finalised accounts as of 30 November 2021 are detailed in **Annexure-1.1**.

Profit earned by SPSEs

1.23 Out of 41 SPSEs, 25 SPSEs earned profit during 2018-19 to 2020-21. The profit earned by the profit making SPSEs decreased to ₹ 1232.32 crore in 2020-21 as compared to the profit earned (₹ 3843.10 crore) in 2019-20 by the profit making SPSEs. The reduction in profit of profit making SPSEs was mainly due to discontinuation of subsidy to the State DISCOMs under UDAY as the scheme was effective till 2019-20 only. Number of SPSEs that earned profit during 2018-19 to 2020-21 is depicted in **Chart 1.5**.

Chart 1.5: Number of profit earning SPSEs



Source: As per latest finalised accounts of SPSEs.

The name of the SPSEs which earned profit above ₹ 100 crore during the year 2020-21 is given below in **Table 1.12**.

32 RSAICL (₹ 22.28 crore), RCACL (₹ 4.49 crore) and RJVNL (₹ 1.27 crore).

Table 1.12: SPSEs which earned profit of ₹ 100 crore or more in 2020-21

		(₹ in crore)
S. No.	Name of the SPSE	Profit earned
1	Rajasthan State Industrial Development and Investment Corporation Limited (RIICO)	530.91
2	Ajmer Vidyut Vitran Nigam Limited (AVVNL)	175.73
3	Rajasthan State Mines and Minerals Limited (RSMML)	137.35
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVNL)	105.39

Source: As per latest finalised accounts of SPSEs.

An analysis of these four top profit making SPSEs disclosed that:

- RIICO and RSMML could register profits because of their monopolistic advantage in the market. RIICO is the main agency in the State which has right to develop and allot land for industrial/ institutional purposes on cost plus overhead charges. The percentage of profit from infrastructure activity was 95.59 per cent of the total profits of the Company for the year 2020-21. Besides, RSMML earned significant revenue from sale of rock phosphate, the mineral for which the Company has a near monopoly in the country and it contributes 98 per cent of the country's total production. The share of profit from Rock Phosphate mining was 46 per cent of the total profit for the year.
- In compliance with the decision (September 2021) of the State Government, Return on Equity (ROE) of ₹ 491.71 crore which was charged by RRVNL from AVVNL against the energy bills for 2019-20 and 2020-21, had been withdrawn. This has impacted the working results of AVVNL in 2020-21 significantly as the Company which would have otherwise registered loss, shifted to top profit making SPSE because of this decision.

Out of four Government Controlled other Companies, only one company (JSCL) earned nominal profit of ₹ 0.05 crore during 2020-21.

Dividend Payout in SPSEs

1.24 The State Government had formulated (September 2004) a dividend policy under which all profit making SPSEs are required to pay a minimum return of 10 per cent on the paid-up share capital or 20 per cent of the profit after tax, whichever is lower.

Out of 45 SPSEs, none of the four Government Controlled other Companies declared/paid dividend to State Government during 2020-21.

In the case of remaining 41 SPSEs (Government Companies and Statutory Corporations), the State Government had infused equity in 32 SPSEs only. Dividend Payout relating to these 32 SPSEs for the period 2018-19 to 2020-21 is shown in **Table 1.13**.

Table 1.13: Dividend Payout of SPSEs during 2018-19 to 2020-21

(₹ in crore)

Year	Total SPSEs where equity infused by the State Government		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of SPSEs	Equity infused	Number of SPSEs	Amount of equity infused	Number of SPSEs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2018-19	32	48435.56	23	41800.32	7 ³³	66.11	0.1582
2019-20	32	50531.10	23	48777.36	5 ³⁴	43.75	0.0897
2020-21	32	50934.59	21	16038.85	7 ³⁵	66.08	0.4120

Source: Compiled on the basis of latest finalised accounts of SPSEs.

During the period 2018-19 to 2020-21, the number of SPSEs which earned profits ranged between 21 and 23 whereas the number of SPSEs which declared/paid dividend to the State Government ranged between five and seven. The Dividend Payout Ratio during 2018-19 to 2020-21 ranged between 0.09 per cent and 0.41 per cent only.

Of these seven SPSEs which declared/paid dividend during 2020-21, two³⁶ SPSEs declared dividend higher than the prescribed limit while five³⁷ SPSEs declared dividend as per the dividend policy.

Return on Equity

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

Shareholders' fund of a SPSE 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 SPSE's stakeholders if all assets were sold and all debts were paid. A positive shareholders' fund reveals that the SPSE has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

ROE has been computed in respect of 32 SPSEs where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to these SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.14**.

33 RSM, RIICO, RSWC, RSBCL, RSSCL, RSRDCCL and RRECL.

34 RSM, RSWC, RSBCL, RSSCL and RPIDCL.

35 RSM, RSWC, RSSCL, RIICO, RSBCL, RRECL and RPIDCL.

36 RSM and RSWC.

37 RSSCL, RIICO, RSBCL, RRECL and RPIDCL.

Table 1.14: Return on Equity relating to SPSEs where funds were infused by the State Government

Year	Number of SPSEs for which ROE calculated	Net Income for the year ³⁸ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2018-19	32	2893.35	-47734.69	-
2019-20	32	3550.08	-42199.81	-
2020-21	32	-2504.27	-44456.25	-

Source: Compiled on the basis of latest finalised accounts of SPSEs.

As can be seen from the above table, the Net Income of these 32 SPSEs for the year decreased significantly from ₹ 3550.08 crore in 2019-20 to (-) ₹ 2504.27 crore in 2020-21. During 2018-19 and 2019-20, the Net Income was positive, however, Shareholders' fund was negative. Further, during 2020-21, the Net Income as well as the Shareholders' fund were negative. Since, the Shareholders' fund for all the years was negative, ROE in respect of these SPSEs could not be worked out. However, negative shareholders' fund indicated that the liabilities of these SPSEs had exceeded the assets.

Sector wise ROE of the SPSEs during 2018-19 to 2020-21 is given in **Table 1.15**:

Table 1.15: Sector wise ROE of the SPSEs*(Figure: in per cent)*

S. No.	Name of the Sector (Number of SPSEs in the sector)	2018-19	2019-20	2020-21
1	Industries and Commerce (5)	8.20	5.09	13.29
2	Finance (3)	7.68	13.44	14.50
3	Agriculture, Food and Allied Industries (4)	21.36	17.32	17.70
4	Others (7)	17.57	16.18	11.18

Source: Compiled on the basis of latest finalised accounts of SPSEs.

Further, ROE of three sectors³⁹ could not be worked out as entire capital of these sectors had been eroded due to accumulated losses and these sectors had negative net worth during the period. ROE of Urban Development sector was negative during 2018-19 to 2020-21 as the sector incurred losses during all the three financial years.

Besides, out of four Government Controlled other Companies, only one company (JSCL) earned profit of ₹ 0.05 crore⁴⁰ which was negligible as compared to the shareholders' fund (₹ 204.45 crore). Therefore, the ROE was also negligible.

SPSEs incurring losses

1.26 Out of 41 SPSEs (Government Companies and Statutory Corporations), there were 13 SPSEs that incurred losses during the year 2020-21. The losses

38 Figures are as per the latest finalised accounts of the respective years.

39 Energy and Power Sector, Culture and Tourism Sector and Transport Sector.

40 Latest finalised financial statements of the SPSE.

incurred (₹ 4046.23 crore) by these SPSEs during 2020-21 increased significantly as compared to the losses incurred (₹ 489.54 crore) by the loss making SPSEs during 2019-20 as given in **Table 1.16**.

Table 1.16: SPSEs that incurred losses during 2020-21

(₹ in crore)

Financial year	Total SPSEs	Number of SPSEs which incurred loss during the year	Net loss for the year	Accumulated loss of the loss making SPSEs	Net Worth of the loss making SPSEs
2018-19	43	13	747.61	7974.40	-704.78
2019-20	41	13	489.54	7229.06	-4283.19
2020-21	41	13	4046.23	74246.59	-38830.52

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The name of the SPSEs which incurred losses above ₹ 100 crore during the year 2020-21 is given below in **Table 1.17**.

Table 1.17: SPSEs that incurred losses of ₹ 100 crore or more in 2020-21

(₹ in crore)

S. No	Name of the SPSE	Loss incurred
1	Jodhpur Vidyut Vitaran Nigam Limited (JdVVNL)	1731.68
2	Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)	1031.23
3	Jaipur Vidyut Vitaran Nigam Limited (JVVNL)	660.75
4	Giral Lignite Power Limited (GLPL)	334.44
5	Rajasthan State Road Transport Corporation (RSRTC)	217.06

An analysis of these significant loss making SPSEs revealed that three power sector SPSEs (RRVUNL, JVVNL and JdVVNL) turned from significant profit making SPSEs to significant loss making SPSEs. Further analysis revealed that in compliance with the decision (September 2021) of the State Government, RRVUNL withdrew the Return on Equity (ROE) charges of ₹ 1811.74 crore, charged on the three State DISCOMs against their energy bills for 2019-20 and 2020-21, which impacted its profitability. In the case of JVVNL and JdVVNL, the subsidy under UDAY was discontinued from 2020-21 due to closure of the scheme in 2019-20. As a result, working results of these SPSEs were impacted significantly and the SPSEs turned from top profit making SPSEs to significant loss making SPSEs in 2020-21. Further, the other two SPSEs (GLPL and RSRTC) remained in loss during 2018-19 to 2020-21.

In the case of four Government Controlled other Companies, one company (USCL) incurred loss of ₹ 0.02 crore during 2019-20.

Erosion of Net Worth

1.27 Net worth means the sum total of the 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 entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

The capital investment, accumulated profit/loss and net worth of the 41 SPSEs as per their latest finalised accounts is given in **Table 1.18**.

Table 1.18: Net worth of 41 SPSEs during 2018-19 to 2020-21

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2018-19	49288.17	(-)97771.82	3.00	(-)48486.70
2019-20	51383.84	(-)94469.51	62.48	(-)43148.15
2020-21	51787.33	(-)97441.97	59.62	(-)45714.26

Analysis of investment and accumulated losses for the year 2020-21 disclosed that net worth was eroded fully in 15 of these 41 SPSEs as the capital investment and accumulated losses of these SPSEs were ₹ 33754.35 crore and ₹ 96491.58 crore respectively. Of these 15 SPSEs, the maximum Net worth erosion was in respect of five SPSEs as depicted in **Table 1.19**.

Table 1.19: Five SPSEs with maximum Net worth erosion as on 31 March 2021

Name of the SPSE	Eroded Net worth (₹ in crore)
Power Sector SPSEs	
Jodhpur Vidyut Vitran Nigam Limited	(-)20859.63
Jaipur Vidyut Vitran Nigam Limited	(-)18119.18
Ajmer Vidyut Vitran Nigam Limited	(-)17482.87
Giral Lignite Power Limited	(-)1507.22
Other than Power Sector SPSEs	
Rajasthan State Road Transport Corporation	(-)4547.84

Of these 15 SPSEs whose net worth had been fully eroded, five⁴¹ SPSEs earned profit of ₹ 177.45 crore during 2020-21 which was mainly contributed by AVVNL (₹ 175.73 crore). Despite earning profit during 2020-21, these SPSEs had substantial accumulated losses at the end of the year.

Operating efficiency of SPSEs

Return on Capital Employed

1.28 Return on Capital Employed (ROCE) is a ratio that measures a SPSE's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a SPSE's earnings before interest and taxes (EBIT) by the capital employed⁴². The details of ROCE of all the 41 SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.20**.

41 RSICL, AVVNL, RSLDC, RCACL and RJVNL.

42 Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest period for which accounts of the SPSEs are finalised.

Table 1.20: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2018-19	16085.07	61905.70	25.98
2019-20	18276.19	61841.88	29.55
2020-21	12817.05	64151.99	19.98

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The ROCE of the SPSEs reduced from 29.55 per cent in 2019-20 to 19.98 per cent in 2020-21. This decrease was mainly because of significant decrease in EBIT due to discontinuation of subsidy under UDAY from 2020-21. Further, SPSEs could register ROCE ranging from 19.98 to 29.55 per cent during 2018-19 to 2020-21 as the Capital Employed had been reduced considerably due to significant accumulated losses.

Out of 41 SPSEs, 22 SPSEs had accumulated losses worth ₹ 1,03,639.48 crore of which ₹ 97,604.74 crore and ₹ 5,575.16 crore pertained to six⁴³ Power Sector SPSEs and two⁴⁴ Other than Power Sector SPSEs respectively.

Sector wise ROCE of the 41 SPSEs during 2018-19 to 2020-21 is given in **Table 1.21**.

Table 1.21: Sector wise Return on Capital Employed*(Figure: in per cent)*

S. No.	Name of the Sector	2018-19	2019-20	2020-21
1	Energy and Power	28.86	32.87	21.29
2	Industries and Commerce	9.10	11.57	16.82
3	Finance	18.20	21.00	21.70
4	Agriculture, Food & Allied Industries	16.69	17.01	16.32
5	Others	11.06	12.51	10.36

The ROCE of Energy and Power Sector reduced significantly during 2020-21 as compared to previous years. The reduction in ROCE of the Sector was mainly due to discontinuation of subsidy under UDAY from 2020-21 as the scheme was effective till 2019-20. Despite significant reduction, the ROCE of the sector stood at 21.29 per cent as the Capital Employed had been reduced considerably due to significant accumulated losses. Further, ROCE of two sectors⁴⁵ could not be worked out for 2018-19 to 2020-21 due to negative capital employed whereas ROCE of one sector⁴⁶ remained negative during 2018-19 to 2020-21 as it incurred losses during all the three financial years.

Besides, in case of four Government Controlled other Companies, the EBIT for the year 2020-21 was ₹ 0.54 crore⁴⁷ whereas the Capital Employed in these

43 JVVNL, AVVNL, JdVVNL, RVPNL, RVUNL and GLPL.

44 RSRTC and JMRCL.

45 Culture and Tourism Sector and Transport Sector.

46 Urban Development Sector.

47 Belonged to JSCL.

SPSEs was ₹ 621.21 crore. Hence, the ROCE worked out to 0.09 *per cent* during 2020-21.

Net Profit Margin against Turnover

1.29 Net Profit Margin against SPSE's turnover measures how much profit is generated as percentage of revenue earned during a period. It is an important indicator of measuring the financial health of a SPSE. It helps the stakeholders to oversee PSE's operational efficiency and to assess whether it is generating adequate earnings from its turnover. It is calculated as percentage against SPSE's turnover.

The details of Net Profit Margins of all the 41 SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.22**.

Table 1.22: Net Profit Margins

Year	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net Profit Margin (%)
2018-19	2537.14	75179.32	3.37
2019-20	3353.56	82793.75	4.05
2020-21	-2813.91	86986.44	-3.23

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The Net Profit Margin of all the SPSEs converted from positive in 2019-20 to negative in 2020-21. The conversion was mainly due to significant change in working results of the three State DISCOMs during the year. Despite high ROCE, the Net Profit Margin was poor as the interest component was significant.

Sector wise Net Profit Margin of the 41 SPSEs during 2018-19 to 2020-21 is given in **Table 1.23**.

Table 1.23: Sector wise Net Profit Margins

(Figure: in per cent)

S. No.	Name of the Sector	2018-19	2019-20	2020-21
1	Energy and Power	3.85	4.56	-4.76
2	Industries and Commerce	10.75	9.05	21.75
3	Finance	0.50	0.94	1.29
4	Agriculture, Food and Allied Industries	9.89	9.76	9.76
5	Culture and Tourism	-20.35	-10.92	-10.92
6	Transport	-9.57	-8.92	-12.85
7	Urban Development	-48.40	-231.72	-76.99
8	Others	2.32	3.06	2.37

Source: Compiled on the basis of latest finalised accounts of SPSEs

It could be seen that Net Profit Margin during 2018-19 to 2020-21 was significant in two sectors (S. No. 2 and 4). The high Net Profit Margin of these two sectors was mainly attributable to three SPSEs⁴⁸ which registered

48 RSMML, RIICO and RSWC.

significant profits due to their monopolistic advantage in the market and because of the business they are getting from Government agencies. Further,

Net Profit Margin of the Energy and Power sector converted from positive in 2019-20 to negative in 2020-21 due to discontinuation of subsidy under UDAY. Net Profit Margin in remaining five sectors either remained negative or was negligible.

Return on Government Investment

1.30 The SPSEs are expected to yield reasonable return on investment made by Government in the enterprises. Return on investment measures the Earnings (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 Earnings to total investment.

In view of the significant investment by the Government in the SPSEs, return on such investment is essential from the perspective of the State Government. Therefore, the return on Government investment has been worked out on historical cost as well as present value of the State Government investment as detailed below:

A. Rate of Return on the basis of historical cost of Government Investment (ROR)

ROR has been calculated on the investment made by the State Government in the SPSEs in the form of equity and loans. Only interest free loans are considered as investment since the government does not receive any interest on such loans. These are therefore in the nature of equity investment by government except that the loans are liable to be repaid. Further, the funds made available in the form of grant and subsidy for operational and administrative expenditure have not been reckoned as investment as the bifurcation of grant and subsidy provided for operational and administrative expenditure and for other purpose was not available.

The subsidy given to the three State DISCOMs under UDAY during 2016-17 to 2019-20 has been considered as investment since the subsidy was given by the State Government to take over debts of the State DISCOMs from banks and financial institutions. Return on investment has therefore been calculated after considering subsidy under UDAY as investment and without considering such subsidy as investment.

B. Rate of Real Return on Government Investment (RORR)

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. To assess the RORR on the present value of investments of the State Government in the SPSEs as compared to historical value of such investments, the Present Value (PV) of the Government investments has been computed. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2021, the past investments/year-wise funds infused by the State Government in the SPSEs have been compounded. The compounding has been done at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year.

Therefore, PV of the State Government investment was computed where funds have been infused by the State Government since inception of these SPSEs till 31 March 2021.

Rate of Return on State Government Investment

1.31 The amount of investment in the 41 SPSEs (Government Companies and Corporations) as of 31 March 2021 was ₹ 1,61,988.60 crore consisting of ₹ 51,787.33 crore as equity and ₹ 1,10,201.27 crore as long term loans. The State Government infused funds in 32 of these 41 SPSEs in the form of equity, loans and grant and subsidy. In these 32 SPSEs, State Government investment as of 31 March 2021 was ₹ 57167.80 crore consisting of ₹ 49536.73 crore⁴⁹ as equity and ₹ 7631.07 crore as long term loans. Out of loans extended by the State Government, loans worth ₹ 2267.98 crore were interest free loans. Thus, considering the equity and net interest free loans infused in these 32 SPSEs, the State Government investment on historical cost at the end of 2020-21 stood at ₹ 51804.71 crore. The State Government did not infuse any direct funds in the other nine SPSEs.

The year-wise details of the investment *vis-à-vis* present value of such investment infused by the State Government for the period 2000-01 to 2020-21 is depicted in **Annexure-1.4**. Year wise details of the total earnings *vis-à-vis* minimum expected return (without UDAY as well as with UDAY) for the period 2000-01 to 2020-21 are given in **Chart 1.6**:

Chart 1.6: Total earnings vis-à-vis minimum expected return



Source: Annexure 1.4.

49 Total investment of State Government (₹ 50934.59 crore) - Initial accumulated losses of five Power Sector SPSEs (₹ 1397.86 crore).

It could be seen that during 2000-01 to 2020-21, the total earnings for the year were negative in all the years except during 2003-04 to 2007-08 and 2017-18 to 2019-20. It remained below the minimum expected return to recover cost of funds infused by the State Government in these SPSEs.

The total earnings (net of profits and losses) of these 32 SPSEs for the year converted from profit of ₹ 2893.35 crore in 2018-19 to loss of ₹ 2504.27 crore in 2020-21 mainly due to discontinuation of subsidy under UDAY.

The ROR and RORR in respect of the SPSEs where funds have been infused by the State Government, for the three years' period from 2018-19 to 2020-21 are given in **Table 1.24**.

Table 1.24: Rate of Return on State Government Investment

(₹ in crore)

Financial year	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at end of the year	RORR (%)
Without UDAY					
2018-19	2893.35	49088.66	5.89	84366.64	3.43
2019-20	3550.08	51339.66	6.91	92767.49	3.83
2020-21	-2504.27	51804.71	-4.83	99385.89	-2.52
With UDAY					
2018-19	2893.35	82088.66	3.52	122208.06	2.37
2019-20	3550.08	98156.13	3.62	148093.09	2.40
2020-21	-2504.27	98621.18	-2.54	158362.98	-1.58

As can be seen from the above table, the State Government investment, consisting of equity and interest free loans, in the 32 SPSEs at its historical cost increased from ₹ 49088.66 crore in 2018-19 to ₹ 51804.71 crore in 2020-21. On considering the subsidy received under UDAY as investment, the State Government investment of ₹ 82088.66 crore in 2018-19 (*i.e.* including subsidy of ₹ 33000 crore received under UDAY till 2018-19) increased to ₹ 98621.18 crore in 2020-21 (*i.e.* including subsidy of ₹ 13816.47 crore received under UDAY in 2019-20). As the total earnings of these SPSEs converted from positive in 2018-19 and 2019-20 to negative in 2020-21, both the ROR and RORR became negative. The ROR for the year 2020-21 (without considering UDAY) was (-) 4.83 per cent which changed to (-) 2.54 per cent after considering UDAY. Similarly, the RORR for the same period (without considering UDAY) was (-) 2.52 per cent which changed to (-) 1.58 per cent after considering UDAY.

Sector wise return on State Government investment in 32 SPSEs during 2020-21 is given in **Table 1.25**.

Table 1.25: Sector wise return on State Government Investment*(₹ in crore)*

S. No.	Name of the Sectors	Total Earning/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at the end of the year	RORR (%)
1	Energy and Power (without UDAY)	-3122.32	46901.67	-6.66	84816.13	-3.68
	Energy and Power (with UDAY)	-3122.32	93718.14	-3.33	143793.22	-2.17
2	Industries and Commerce	667.62	475.35	140.45	4883.09	13.67
3	Finance	90.14	272.34	33.10	545.19	16.53
4	Agriculture, Food and Allied Industries	94.05	66.27	141.92	370.95	25.35
5	Culture and Tourism	-6.86	83.71	-8.19	371.39	-1.85
6	Transport	-217.02	1246.99	-17.40	3468.56	-6.26
7	Urban Development	-56.62	2636.06	-2.15	4590.06	-1.23
8	Others	46.74	122.32	38.21	340.51	13.73

During the year 2020-21, return on government investment in four sectors (S. No. 1 and 5 to 7) was negative whereas in other four sectors (S. No. 2 to 4 and 8), the same was positive. In Industries and Commerce and Agriculture, Food and Allied Industries, the ROR at historical cost was 140.45 *per cent* and 141.92 *per cent* whereas RORR at present value at 13.67 *per cent* and 25.35 *per cent* respectively shows the return in realistic terms considering the present value of investment.

