

PART - B

State Public Sector Enterprises

CHAPTER IV

Summary of Financial Performance of State Public Sector Enterprises

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4.1 Introduction

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

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any state government or governments, or partly by the Central Government and partly by one or more State governments and includes a Company which is a subsidiary of a Government.

Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government controlled other Companies.

4.1.1 Mandate

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing some of the Statutory Corporations require their accounts to be audited only by the CAG.

4.1.2 What this Report contains

This Report gives an overall picture of the financial performance of the State Government companies and Corporations as revealed from their accounts.

Impact on revision of accounts as well as significant comments issued as a result of supplementary audit of the financial statements of the SPSEs conducted by the CAG for the year 2019-20 (or of earlier years which were finalised during the current year) is given in this Report. This Report also contains the impact of comments issued by the CAG on the financial statements of the Statutory Corporations where CAG is the sole auditor.

4.1.3 Number of SPSEs

As on 31 March 2020, there were 82 SPSEs under the audit jurisdiction of the CAG as detailed in *Appendix-18*. These include 63 Government Companies³³, 03 Statutory Corporations and 16 Government Controlled other Companies. Of these, summary of financial performance of 46 SPSEs is covered in this report and the nature of these SPSEs is indicated in the table below:

Table 4.1: Coverage and nature of SPSEs covered in this report

Nature of the SPSE	Total number of SPSEs	Number of SPSEs covered in the Report				Number of SPSEs whose accounts were arrear for three years or more, hence not covered
		Accounts up to			Total	
		2019-20	2018-19	2017-18		
Government Companies	63	7	20	3	30	33
Statutory Corporations	3	0	2	1	3	0
Government Controlled other Companies	16	4	7	2	13	3
Total	82	11	29	6	46	36

No Government companies/Government controlled other Companies came under/went out from the purview of CAG's audit during 2019-20.

This Report does not include 36 SPSEs (including 03 Government Controlled other Companies) whose accounts were in arrears for three years or more or were defunct/ under liquidation as indicated in *Appendix-19A* and *Appendix-19B*.

4.1.4 Contribution to Economy of the State

The table below provides the details of turnover of 33 Government SPSEs and 13 Government Controlled other SPSEs and GSDP of Odisha for a period of three years ending March 2020:

Table 4.2: Details of turnover of State PSEs vis-a-vis GSDP of Odisha

Particulars	₹ in crore		
	2017-18	2018-19	2019-20
Turnover	23375.77	25561.39	24850.36
Percentage change of Turnover over Previous Year	17.59	9.35	-2.78
GSDP of Odisha	415981.68	486003.80	533822.46
Percentage change of GSDP over Previous Year	32.32	16.83	9.84
Percentage of Turnover to GSDP of Odisha	5.62	5.26	4.66

In 2019-20, the turnover of the SPSEs relative to GSDP was 4.66 per cent and had decreased from 5.26 per cent in the previous year. The department wise

³³ Government controlled other companies have not been defined in the Companies Act. These are companies which have been entrusted to C&AG for audit, where the government's equity holding is less than 51 per cent

position has been given in *Appendix-20*. The compounded annual growth³⁴ of GSDP was 19.30 per cent during last three years, while the turnover of Power Public Sector Enterprises and Non-Power Public Sector Enterprises recorded compounded annual growth of 5.35 per cent and 9.44 per cent respectively during the same period. This resulted in decrease in the share of turnover of these State PSEs to the GSDP from 5.62 per cent in 2017-18 to 4.66 per cent in 2019-20.

4.1.5 Budgetary Support to State PSEs

The Government of Odisha (GoO) provides financial support to State PSEs 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 46 State PSEs for the last three years ending March 2020 are as follows:

Table 4.3: Details regarding budgetary support to State PSEs

(Amount ₹ in crore)

Particulars ³⁵	2017-18		2018-19		2019-20	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	4	597.69	3	272.42	2	118.70
Loans given (ii)	1	20.00	1	45.48	1	100.05
Grants/Subsidy provided (iii)	12	826.43	9	1157.05	8	2460.36
Total Outgo (i+ii+iii)	16[§]	1444.12	12[§]	1474.95	8*	2679.11
Guarantees issued	0	0	1 [@]	2350.00	1 [@]	600.00
Guarantee ³⁶ Commitment	1 [@]	2836.00	1 [@]	4186.00	1 [@]	4913.50

§ One Government SPSE i.e., Odisha Power Transmission Corporation Limited received both equity and loans in 2017-18 and 2018-19.

* One Government SPSE i.e., Odisha Power Transmission Corporation Limited received equity, loans and grants in 2019-20 and One Government SPSE i.e., Odisha Hydro Power Corporation Limited received both equity and grants in 2019-20.

@ GRIDCO Limited.

The budgetary assistance of ₹2,679.11 crore given during the year 2019-20 was in the form of equity, loans and grants/subsidy. The State Government provided ₹100.05 crore of loan to Odisha Power Transmission Corporation Limited (OPTCL) during 2019-20, the annual accounts of which for the financial year 2019-20 was not received till 30 September 2020. The grants/subsidy given by the State Government was mostly to provide food security. During the year 2019-20, maximum grants/subsidy was provided to Odisha State Civil Supplies Corporation Limited (₹1,324.33 crore) and Odisha Power Transmission Corporation Limited (₹853.69 crore).

³⁴ Rate of Compounded Annual Growth $\left[\left\{ \frac{\text{Value of 2019-20}}{\text{Value of 2016-17}} \right\}^{(1/3 \text{ years})} - 1 \right] * 100$ where turnover and GSDP for the year 2016-17 was ₹19,879.27 crore and ₹3,14,363.78 crore respectively

³⁵ Amount represents outgo from State Budget only

³⁶ Closing balance of Government guarantee in respect of SPSEs at the end of a particular year

GoO provides guarantee in accordance with the criteria and guidelines issued (November 2002) by the Government subject to the limits prescribed by the Constitution of India to seek financial assistance from Banks and financial institutions, for which guarantee commission is being charged. The rate is 0.50 *per cent* on the maximum of the guarantee sanctioned. Outstanding guarantee commitments of GoO increased by 17.38 *per cent* from ₹4,186.00 crore in 2018-19 to ₹4,913.50 crore in 2019-20 as GRIDCO Limited sought additional guarantee commitment from GoO to avail loans from banks/financial institutions. GRIDCO Limited had not paid guarantee commission of ₹32.16 crore during 2019-20.

**Summary of financial performance of SPSEs for 2019-20 covered in this Report
(Government Companies and Statutory Corporations)**

Number of SPSEs	66
SPSEs covered	33
Paid up capital (33 SPSEs)	₹5,519.79 crore
Long term loans (33 SPSEs)	₹13,182.57 crore
Net profit (24 SPSEs)	₹1,686.08 crore
Net loss (07 SPSEs) Zero profit/loss (02 SPSEs) ³⁷	₹304.52 crore
Dividend declared (06 SPSEs)	₹270.00 crore
Total assets (33 SPSEs)	₹69,681.45 crore
Value of production (7 SPSEs)	₹6,589.81 crore
Net worth (33 CPSEs)	₹9,621.32 crore

4.2 Investment in Government Companies and Corporations and Government controlled other Companies

The amount of equity and loans in 33³⁸ Government companies and Corporations as at the end of 31 March 2020 is given in the following table.

³⁷ Odisha Mineral Exploration Corporation Limited and Odisha State Civil Supplies Corporation Limited

³⁸ 66 SPSEs-33 SPSEs whose accounts were in arrears for three years or more or were defunct/under liquidation.

Table 4.4: Equity and loans in Government Companies and Corporations

(₹ in crore)

Sources of investment	As on 31.03.2020			As on 31.03.2019		
	Equity	Long term loans	Total	Equity	Long term loans	Total
1. State Government	3,970.29	1,277.21	5,247.50	3,898.26	1,283.70	5,181.96
2. State Government Companies/ Corporations/Autonomous Bodies	534.78	798.98	1,333.76	534.78	810.13	1,344.91
3. Central Governments/ Central Government Companies/Corporations	45.70	6,882.83	6,928.53	45.70	6,882.83	6,928.53
4. Financial Institutions and Others	969.02	4223.55	5,192.57	969.02	4240.85	5,209.87
Total	5,519.79	13,182.57	18,702.36	5,447.76	13,217.51	18,665.27
Percentage of investment of State Government to total investment	71.93	9.69	28.06	71.56	9.71	27.76

The amount of equity and loans in 13 Government controlled other companies as at the end of 31 March 2020 is given in the table below.

Table 4.5: Equity and loans in Government controlled other Companies

(₹ in crore)

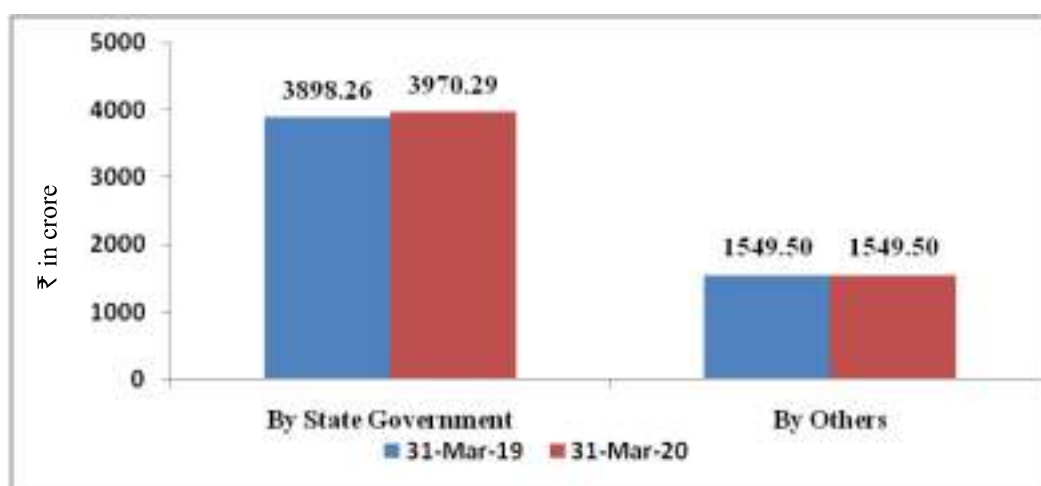
Sources of investment	As on 31.03.2020			As on 31.03.2019		
	Equity	Long term loans	Total	Equity	Long term loans	Total
State Government	1,774.38	46.58	1,820.96	1,774.17	46.58	1,820.75

4.2.1 Equity holding

During 2019-20, the total equity holding at face value in the 33 SPSEs covered in this Report registered a net increase of ₹72.03 crore due to conversion of state government dues to equity share capital of ₹72.03 crore in one SPSEs named Odisha State Road Transport Corporation.

Holding in equity by State Government and others during two years ended 31 March 2020 in Government Companies and Corporations is depicted in the chart below:

Chart-I: Holding in equity in Government Companies and Corporations



Details of significant holding (holding of more than ₹200 crore) of the State Government during 2019-20 in the paid up capital of the SPSEs is given in the table below:

Table 4.6: Significant holding of the State Government

(₹ in crore)

Name of the SPSE	Name of the Department	Amount	Percentage of State Government holding in this individual SPSE with the total holding of the state government
Statutory Corporation			
Odisha State Financial Corporation	Micro, Small & Medium Enterprise	342.72	8.63
Odisha State Road Transport Corporation	Commerce and Transport	278.54	7.02
Government Companies			
Odisha Power Generation Corporation Limited	Energy	929.47	23.41
Odisha Power Transmission Corporation Limited	Energy	790.07	19.90
Odisha Hydro Power Corporation Limited	Energy	761.65	19.18
GRIDCO Limited	Energy	576.71	14.53

4.2.2 Loans given to Government Companies and Corporations

4.2.2.1 Computation of longterm loans outstanding as on 31 March 2020

Out of the 33 Government Companies and Corporations, covered in this report, 10 SPSEs had outstanding long term loans amounting to ₹13,182.57 crore from all sources as on 31 March 2020. During 2019-20, the long term loans of 10 SPSEs registered a decrease of ₹34.94 crore. Out of the total loans of 10 SPSEs as on 31 March 2020, loans from State Government was ₹1,277.29 crore which includes loan of ₹12.13 crore pertaining to 2019-20 in one SPSE named Konark Jute Limited (KJL).

Long term loans of KJL increased during 2018-19 as well as in 2019-20 due to increase in interest payable on Sale Tax Loan ³⁹from Government of Odisha.

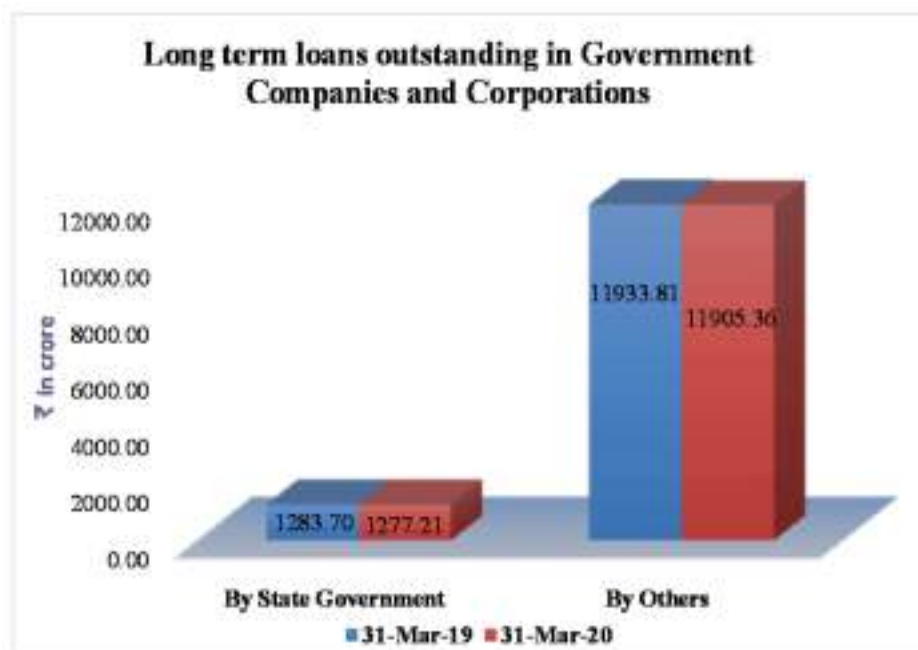
It was noticed from the annual accounts of KJL for the financial year 2019-20 that it has not repaid principal amount of loan/interest on loan during 2019-20.

Out of the 10 SPSEs, in respect of one SPSE *i.e.* KJL, the value of total assets is ₹5.00 crore which was less than the loans outstanding of ₹12.13 crore.

³⁹ Konark Jute Limited failed to pay its Sales Tax dues for which State Government converted the dues to loan.

Year wise details of outstanding long term loans of Government Companies and Corporations is depicted in the chart below:

Chart II: Long term loans outstanding in Government Companies and Corporations



4.2.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts. The coverage of long term loans by value of total assets in 10 Government SPSEs which had outstanding loans as on 31 March 2020 is given in the table below:

Table 4.7: Coverage of longterm loans with total assets

	Positive Coverage				Negative Coverage			
	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans	No. of SPSEs	Long term loans	Assets	Percentage of assets to loans
		(₹ in crore)				(₹ in crore)		
Statutory Corporations	2	99.91	250.94	251.17	-	-	-	-
Government Companies	7	13070.53	30218.93	231.20	1*	12.13	5.00	41.22
Total	9	13170.44	30469.87		1	12.13	5.00	

*Konark Jute Limited, the value of total assets was less than the loans outstanding

4.2.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicated that the company was not generating sufficient revenues to meet its expenses on interest. The details of

positive and negative interest coverage ratio of SPSEs, which had outstanding loans during the period from 2017-18 to 2019-20 are given in the table below:

Table 4.8: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	No. of SPSEs	No. of SPSEs having ICR > = 1	No. of SPSEs having ICR < = 1
Statutory Corporations					
2017-18	1.62	6.04	2	2	-
2018-19	1.58	9.53	2	2	-
2019-20	0.47	5.73	1	1	-
Government Companies					
2017-18	648.81	662.52	7	7	-
2018-19	653.60	625.87	6	4	2#
2019-20	662.75	911.48	6	4	2#

#GRIDCO Limited and Industrial Development Corporation of Odisha Limited

As may be observed, the two SPSEs have ICR less than one in both 2018-19 and 2019-20.

4.2.2.4 Age Wise Analysis of interest outstanding on State Government loans

As on 31 March 2020, interest amounting to ₹1,315.73 crore was outstanding on long term loans of three SPSEs provided by State Government. The age wise analysis of interest outstanding on State Government loans in SPSEs is depicted in the table below:

Table 4.9: Interest outstanding on State Government Loans

(₹ in crore)

Sl. No.	Name of the SPSE	Outstanding interest on State Government loans	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years
1	Odisha Power Transmission Corporation Limited	234.00	26.00	52.00	156.00
2	GRIDCO Limited	1079.75	106.04	212.08	761.63
3	Odisha State Seeds Corporation Limited	1.98	-	-	1.98
	Total	1315.73	132.04	264.08	919.61

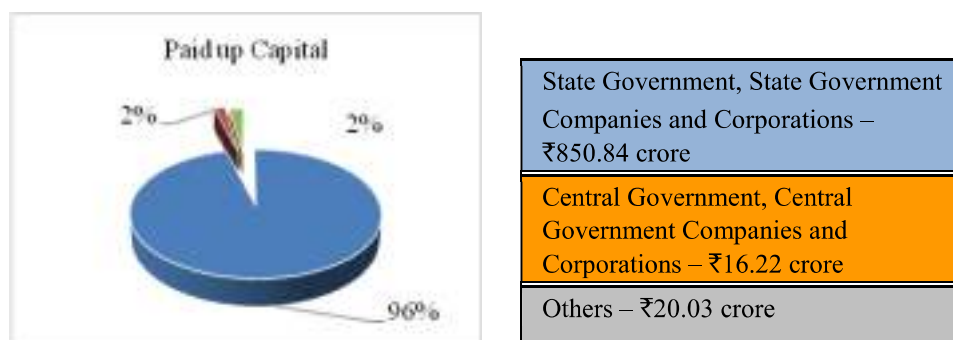
As may be observed from the table, ₹919.61 crore which is outstanding for more than three years constitutes 69.89 per cent of the total outstanding.

4.2.3 Investment in Government Controlled other Companies

The capital invested by the State Government, Central Government and by Companies and Corporations controlled by them in 13⁴⁰ Government Controlled other Companies during the year 2019-20 is depicted in the chart below:

⁴⁰ 16 Government controlled other companies -3 Government controlled other companies whose accounts were in arrears for three years or more or were defunct/under liquidation

Chart III: Composition of share capital in Government controlled other Companies



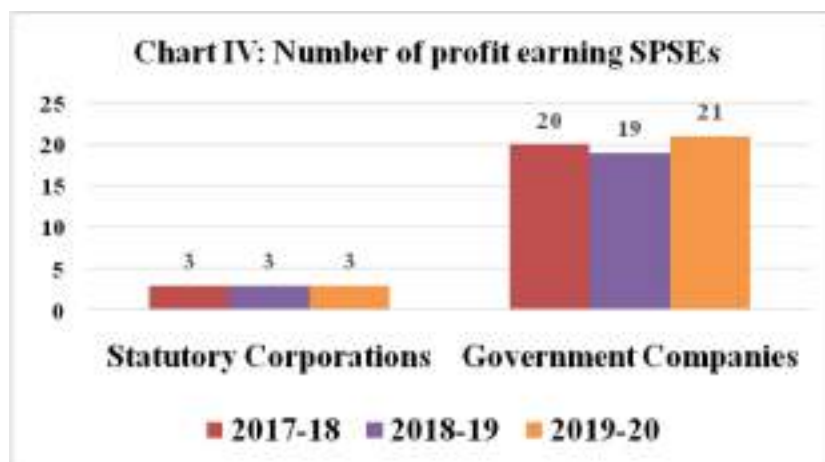
As on 31 March 2020, equity in these government controlled other companies was ₹887.09 crore. The equity in government controlled other companies in 2018-19 was equal to the current year.

4.3 Returns from the Government Companies and Corporations

4.3.1 Profit earned by Government companies and Corporations

The number of SPSEs that earned profit was 24 in 2019-20 as compared to 22 in 2018-19 (two SPSEs added *viz.*, Odisha Mineral Bearing Areas Development Corporation (OMBADC) and GEDCOL SAIL Power Corporation Limited (GSPCL)). Out of these two SPSEs, OMBADC reported profit during the period in its annual accounts for 2018-19 due to interest earned on bank deposits and reported no profit or no loss in the previous annual accounts. The other SPSE, GSPCL reported profit in its annual accounts for the year 2019-20 as compared to loss incurred in the previous year. The profit of GSPCL during 2019-20 was mainly due to Interest earned on Bank deposits.

The profit earned by 24 Government Companies and Corporations increased to ₹1,686.08 crore in 2019-20 from ₹1,174.30 crore by 22 Government Companies and Corporations in 2018-19. The Return on Equity (ROE) of the 24 SPSEs was 12.51 *per cent* in 2019-20 as compared to 9.77 *per cent* in 22 SPSEs in 2018-19. Number of SPSEs that earned profit during the period from 2017-18 to 2019-20 is depicted in the chart below:



The details of top three departments, which contributed maximum profit during 2019-20 are summarised in the table below:

Table 4.10: Top three departments which contributed maximum profit during the years 2018-19 and 2019-20

Name of the Department	2019-20			2018-19		
	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit	No. of profit earning SPSEs	Net profit earned (₹ in crore)	Percentage of profit to total SPSE profit
Steel and Mines						
Government Companies	2	1,155.92	68.56	1	789.88	91.74
Energy						
Government Companies	5	359.94	21.35	6	-19.51	0
Water Resources						
Government Companies	2	50.63	3.00	2	67.04	7.79
Total	9	1,566.49	92.91	9	837.41	97.26

During 2019-20, net profit of ₹1,566.49 crore constituting 92.91 *per cent* of total profit of 24 Government companies and corporations was contributed by nine SPSEs as compared to 88.36 *per cent* contributed by seven SPSEs during 2018-19 in these three departments.

The list of Government companies which earned profit of more than ₹50 crore during the year 2019-20 is given in the table below:

Table 4.11: List of SPSEs which earned profit of more than ₹50 crore

(₹ in crore)

Sl. No.	Name of the SPSE	Net Profit
1	Odisha Mining Corporation Limited	728.72
2	Odisha Mineral Bearing Area Development Corporation	427.20
3	Odisha Power Generation Corporation Limited	171.48
4	Odisha Hydro Power Corporation Limited	144.39
5	Odisha Construction Corporation Limited	50.13
Total		1521.92

It could be seen that these five SPSEs contributed 90.26 *per cent* of the total profit earned by 24 SPSEs during 2019-20.

Of the 13 Government Controlled other companies, eight companies earned profit of ₹4.65 crore during the year ended 31 March 2020. ROE in these eight SPSEs was 1.10 *per cent* in 2019-20. ROE in 13 Government Controlled other companies was (-) 2.19 *per cent*.

4.3.2 Loss incurred by State Public Sector Enterprises

There were seven SPSEs that incurred losses during the year 2019-20. The losses incurred by these SPSEs decreased to ₹304.52 crore in 2019-20 from ₹313.26 crore during 2018-19 as given in the table below:

Table 4.12: Number of SPSEs that incurred losses during 2017-18 to 2019-20

Year	No of SPSEs incurred loss	Net loss for the year (₹ in crore)	Accumulated loss (₹ in crore)	Net worth ⁴¹ (₹ in crore)
Government Company				
2017-18	6	666.65	1348.82	1574.14
2018-19	8	313.26	4686.92	-3576.24
2019-20	7	304.52	4982.95	-3873.27

Out of total loss of ₹304.52 crore incurred by seven Government SPSEs, loss of ₹281.05 crore was contributed by one SPSE (GRIDCO Limited) which functioned in Energy Sector.

Out of 13 Government controlled other companies, three companies incurred losses of ₹24.41 crore during the year 2019-20.

4.3.3 Erosion of capital in Government Companies and Corporations

As on 31 March 2020, out of 33 there were 11 Government companies and corporations with accumulated losses of ₹5,778.34 crore. Of the 11 SPSEs, six SPSEs incurred losses in the year 2019-20 amounting to ₹296.09 crore, five SPSEs had not incurred loss in the year 2019-20, even though they had accumulated loss of ₹785.45 crore.

Net worth of seven out of 11 SPSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these seven SPSEs was (-)₹4,301.47 crore against total equity investment of ₹1,216.11 crore in these SPSEs as on 31 March 2020. Out of seven SPSEs, whose capital had been eroded (negative net worth), three SPSEs had earned profit of ₹20.78 crore during 2019-20 (*Appendix-21*).

In three out of seven SPSEs whose capital had been eroded, State Government loans outstanding as on 31 March 2020 amounted to ₹90.69 crore.

Net worth was less than half of their paid up capital in respect of two⁴² out of 22 SPSEs whose net worth was positive at the end of 31 March 2020, indicating their potential financial sickness. In the overall, net worth of all the 33 Government companies and corporations was ₹9,621.32 crore against their total paid up capital of ₹5,519.79 crore.

4.3.4 Dividend payout by SPSEs

The details of profit earned and dividend declared by Government companies and corporations is given in the table below:

⁴¹ Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision

⁴² Odisha State Road Transport Corporation and Water Corporation of Odisha Limited

Table 4.13: Profit earned and dividend declared

Category	No. of SPSEs	Total Paid up capital (₹ in crore)	Net profit (₹ in crore)	Dividend declared (₹ in crore)
Government Company	6	68.72	818.75	270.00

Out of 33 Government companies and Corporations, six SPSEs declared dividend in 2019-20. The dividend declared as a percentage of net profit of these six profit earning SPSEs decreased from 51.28 *per cent* in 2018-19 to 32.98 *per cent* in 2019-20. In absolute terms, the dividend declared by the SPSEs in 2019-20 decreased by ₹289.25 crore compared to previous year. The chart below depicts the dividend declared *vis-a-vis* net profit earned and paid up capital of SPSEs which declared dividend during the last three years.

Chart V: Dividend declared *vis-a-vis* net profit earned and paid up capital (₹ in crore)



Out of total dividend of ₹270.00 crore declared by six SPSEs for the year 2019-20, dividend received/receivable by State Government was ₹269.45 crore (99.80 *per cent* of total dividend declared) in all the six SPSEs having total equity investment of ₹68.72 crore (State Government equity investment ₹66.92 crore).

The State Government had formulated (December 2011) dividend policy under which all profit making PSUs are required to pay annual dividend of 20 *per cent* of the State government equity or 20 *per cent* of the profit after tax, whichever is higher. The minimum dividend payout in respect of PSUs in power generation sector should be 30 *per cent* of profit after tax. Subsequently, GoO issued revised (February 2016) guidelines for payment of dividend at the rate of 30 *per cent* for all PSUs. However, four SPSEs had not declared dividend prescribed by the Government as given in **Appendix-22**. The total shortfall on this account was ₹8.86 crore in 2019-20.

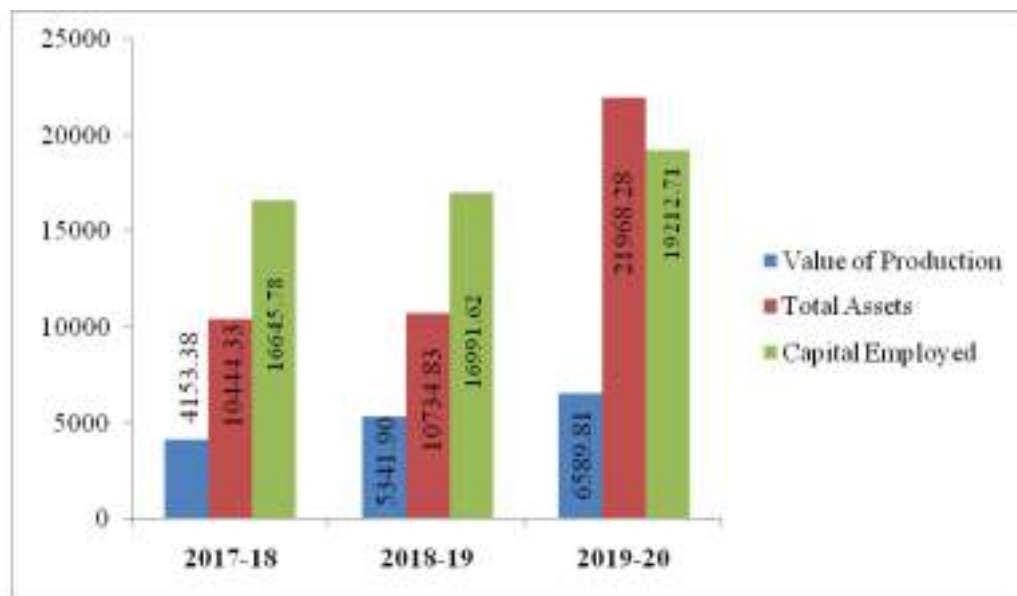
Of the 13 Government Controlled Other Companies, eight companies earned profit of ₹4.65 crore during the year ended 31 March 2020. Out of these eight companies, no company declared dividend during 2019-20.

4.4 Operating efficiency of Government Companies and Corporations

4.4.1 Value of production

The summary indicating value of production, total assets and capital employed in Government companies and corporations related to seven SPSEs over a period of three years is depicted in the chart below:

Chart VI: Value of Production, Assets and Capital Employed
(₹ in crore)



There was an increase in the value of production, total assets and capital employed in the year 2019-20 compared to the previous year. The SPSE wise details of value of production, total assets and capital employed is given in *Appendix-23*.

4.4.2 Return on Capital Employed (ROCE)

ROCE is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed⁴³. The SPSE wise details of ROCE are given in *Appendix-24*. The consolidated ROCE of 33 Government companies and corporations during the period from 2017-18 to 2019-20 is given in **Table 4.14**.

Table 4.14: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital employed(₹ in crore)	ROCE (in percentage)
2017-18	41.02	20257.92	0.20
2018-19	1889.56	20200.17	9.35
2019-20	2755.75	23796.28	11.58

⁴³ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure

It was observed that ROCE of 33 Government companies and corporations was higher during the year 2019-20 in comparison to that for the year 2018-19.

4.4.3 Return on Equity (ROE) of SPSEs

ROE⁴⁴ is a measure of financial performance of companies calculated by dividing net income by shareholders' equity. The SPSE wise details of ROE are given in *Appendix-25*. The consolidated ROE of 33 Government companies and corporations during the period from 2017-18 to 2019-20 is given in the table below:

Table 4.15: Return on Equity

Year	Net Profit after Tax and Preference Dividend (₹ in crore)	Equity (₹ in crore)	ROE (in percentage)
2017-18	-343.78	7057.33	-4.87
2018-19	861.04	8453.37	10.19
2019-20	1381.56	9621.32	14.36

It was observed that ROE of 33 Government companies and corporations was higher during the year 2019-20 in comparison to that for the year 2018-19.

Sector wise ROE of Government companies and corporations where total equity of the sector is more than ₹50 crore during 2018-19 is depicted in the table below:

Table 4.16: ROE of sectors with total equity of ₹50 crore and more

(in percentage)

Sl. No.	Name of the Department	ROE during 2017-18	ROE during 2018-19	ROE during 2019-20
1	Industries ⁴⁵	5.27	-66.94	-15.42
2	Commerce and Transport	19.67	3.97	2.57
3	Energy	-14.25	-1.26	3.64
4	Steels and Mines	-7.45	14.05	18.00
5	Home	16.42	13.82	13.82
6	Water Resources	46.94	56.89	33.30
7	Excise	5.17	9.37	9.37
8	Health & Family Welfare	16.54	15.59	15.59
9	Cooperation	16.34	16.34	9.75

⁴⁴ Return on Equity = (Net Profit after Tax and preference Dividend/ Equity) * 100 where Equity = Paid up Capital + Free Reserves & Surplus – Accumulated Loss – Deferred Revenue Expenditure

⁴⁵ The wide fluctuation in the case of Industry Department in the year 2018-19 was mainly due to loss of ₹89.50 crore by Industrial Development Corporation of Odisha Limited against profit of ₹1.55 crore in 2017-18. That was again due to compensation paid for illegal mining and additional interest cost on loan taken for payment of VR dues

4.4.4 Rate of Real Return on Government Investment (RORR)

RORR measures the profitability and efficiency with which equity and similar non-interest bearing capitals have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the PAT by the sum of all such investments counted on historical cost basis.

Out of 46 SPSEs covered in this Report, State Government has direct investment in 28 SPSEs.

The RORR of the Central Government investment in these SPSEs was computed on the basis of following assumptions:

- In addition to actual infusion by the State Government in the SPSEs in the form of equity, interest free loans and grants/subsidy for operational and administrative expenses given by the State Government to the SPSEs have been considered as investment infusion by the State Government.
- In the cases where interest free loans given to the SPSEs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The weighted average interest rate on State Government securities for the concerned financial year⁴⁶ was adopted as compounded rate for arriving at Present Value (PV) 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.
- For the purpose of RORR calculation of State Government investment, the period beginning 2000-01 till 2019-20 has been taken considering the investment of State Government in these 28 SPSEs as on 31 March 2000 as PV of State Government investment in the beginning of 2000-01.
- Calculation of RORR has been done in respect of 28 SPSEs which is detailed in *Appendix-26*.

As may be observed from the analysis made vide *Appendix-26*, RORR has shown a fluctuating trend during 2000-01 to 2019-20 which ranged between 7.24 per cent and 23.32 per cent.

⁴⁶ The weighted average interest rate on Government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Odisha) for the concerned year wherein the average rate of interest paid = Interest payment / [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities) / 2] * 100

Table 4.17: Consolidated RORR on State Government investment for the year 2019-20

Total Earnings/Loss in 2019-20 (₹ in crore)	Investment by the State Government since inception till 2019-20 (₹ in crore)	Return on State Government investment on the basis of historical value (in percentage)	Present value of State Government investment at the end of 2019-20 (₹ in crore)	RORR on State Government investment considering the present value of investments (in percentage)
A	B	C	D	E
Value of column M of above table	Total of the column H above + Govt. investment in the beginning of 2000-01	$A*100/B$	Value of column K of above table	$A*100/D$
1347.47	22,150.76 (16,213.95 + 5,936.81)	6.08	24,445.82	5.51

4.4.5 Sales and Marketing

During 2019-20, the total sales of 18 out of 33 Government Companies was ₹27,293.56 crore as compared to ₹24,770.49 crore in 2018-19. Out of 18 SPSEs, 10 SPSEs sold goods/rendered services worth ₹2,811.60 crore to Government sector. The overall percentage of sales of these 10 SPSEs to the Government sector with reference to their total sales worked out to 10.30 per cent.

No SPSEs exported or imported goods/services during the period.

The details of total sales, sales to Government sector and others thereon in respect of 18 SPSEs for three years are given in the table below:

Table 4.18: Sales details of 19 SPSEs

Year	Total Sales	Sales to Government sector	
		Sales to Government sector	Sales to others
2017-18	23,062.73	2,629.83	20,432.90
2018-19	24,770.49	2,804.23	21,966.26
2019-20	27,293.56	2,811.60	24,481.96

As against the total sales of ₹27,293.56 crore, sales to other sector in 13 Government Companies was ₹24,481.96 crore (89.70 per cent).