

CHAPTER - V

State Public Sector Undertakings

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STATE PUBLIC SECTOR UNDERTAKINGS

5.1 Introduction

State Public Sector Undertakings (PSUs) are established to carry out activities of commercial nature keeping in view the welfare of people and occupy an important place in the State economy. PSUs consist of State Government Companies, Government controlled other Companies and Statutory Corporations. This Chapter presents the investment of State Government in PSUs, budgetary support to PSUs, submission of account by PSUs, erosion of net-worth of PSUs and dues of Power Distribution Companies (DISCOMs).

5.1.1 Definition of Government Companies, Government controlled other Companies and Statutory Corporations

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 Company. Besides, any other company³⁶ 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 Chapter as Government controlled other Companies. The Statutory Corporations are those corporations which were set up under Statutes enacted by the Legislature.

5.1.2 Mandate of Audit

Audit of Government companies and Government controlled other Companies is conducted by the Comptroller and Auditor General of India (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 conducts a supplementary audit. The Statutes governing some Statutory Corporations require their accounts to be audited by the CAG.

³⁶ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs, Government of India vide gazette notification dated 04 September 2014.

5.1.3 Nature of State Public Sector Undertakings and their coverage in the Chapter

As on 31 March 2022, there were 114 PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations³⁷) including 42 non-functional PSUs³⁸ under the audit jurisdiction of the CAG in Uttar Pradesh. None of the State PSUs were listed on the stock exchange.

The status of 42 Non-functional PSUs as on 31 March 2022 is given in **Table 5.1**.

Table 5.1: Status of the Non-functional PSUs

Sl. No.	Particulars	PSUs
1	Orders/instructions for closure of operation issued by Government/Board of Directors. (liquidation process not yet started)	29
2	Liquidation by the Court (liquidator appointed)	11
3	Voluntary winding up (liquidator appointed by the Government)	2

Thus, out of 42 non-functional PSUs, 13 PSUs (12 Government Companies and one Government controlled other Company) are under liquidation while remaining 29 non-functional PSUs have closed their operation during the period from June 1990 to September 2019.

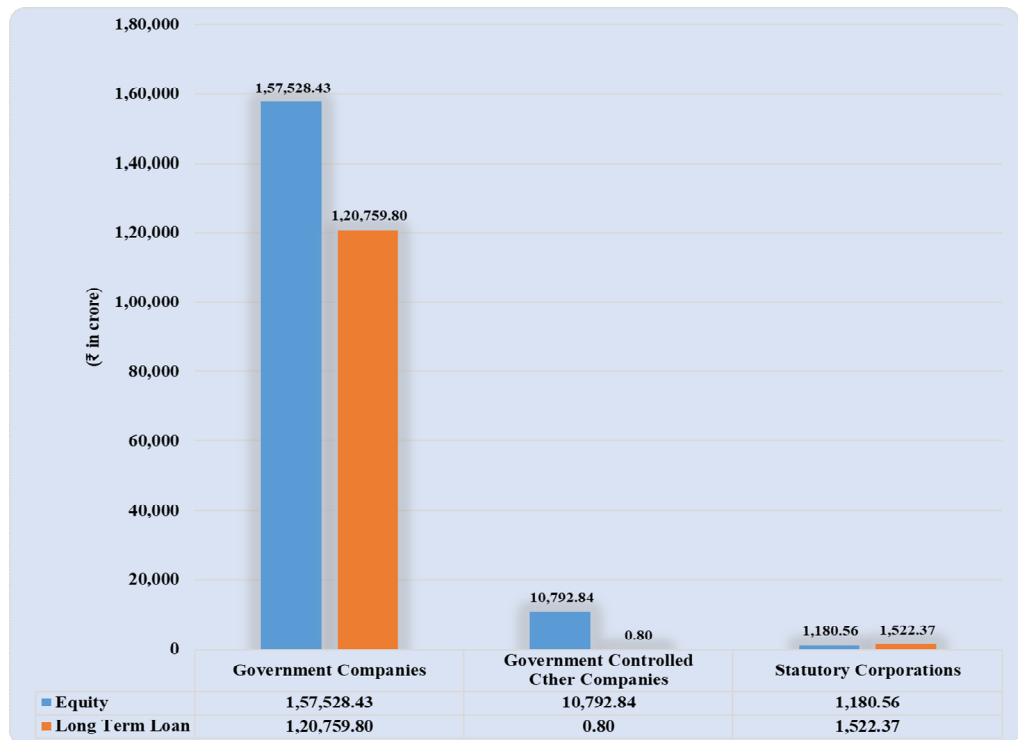
5.2 Investment in State Public Sector Undertakings and Budgetary Support

The Capital invested by Central Government, State Government and others³⁹ in 114 PSUs (93 Government Companies, 15 Government controlled other Companies and six Statutory Corporations) as on 31 March 2022 is depicted in **Chart 5.1**:

³⁷ Uttar Pradesh Avastha Vikas Parishad, Uttar Pradesh Jal Nigam, Uttar Pradesh Financial Corporation, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation.

³⁸ Non-functional PSUs are those which have ceased to carry on their operations.

³⁹ 'Others' include investment by holding companies, financial institutions, banks, etc.

Chart 5.1: Composition of Investment in Government Companies, Government controlled other Companies and Statutory Corporations

The sector-wise summary of investment (equity and long term loans) in 114 State PSUs as on 31 March 2022 is given in **Table 5.2**.

Table 5.2: Sector-wise investment in Public Sector Undertakings

Sector	No. of PSUs	Investment								Grand Total
		Equity				Long-term loans				
		GoUP	GoI	Others	Total	GoUP	GoI	Others	Total	
PSUs which had submitted its accounts upto 2019-20 or onward (Appendix 5.1)										
Power Sector PSUs	11	1,45,389.99	0.00	2,213.43	1,47,603.42	433.92	0.00	1,04,361.55	1,04,795.47	2,52,398.89
Other than Power Sector PSUs	26	6,994.10	3,144.42	6,501.26	16,639.78	2,582.62	7,582.83	1,528.85	11,694.30	28,334.08
Total of PSUs covered in this Chapter	37	1,52,384.09	3,144.42	8,714.69	1,64,243.20	3,016.54	7,582.83	1,05,890.40	1,16,489.77	2,80,732.97
PSUs whose accounts in arrears for three years or more or were defunct/under liquidation or first accounts were not received as on 31 March 2022 (Appendix 5.2)										
Power Sector PSUs	2	0.00	0.00	2.27	2.27	0.00	0.00	0.00	0.00	2.27
Other than Power Sector PSUs	75	3,970.81	605.99	679.56	5,256.36	2,582.20	12.27	3,198.73	5,793.20	11,049.56
Total of PSUs not covered in this Chapter	77	3,970.81	605.99	681.83	5,258.63	2,582.20	12.27	3,198.73	5,793.20	11,051.83
Grand Total	114	1,56,354.90	3,750.41	9,396.52	1,69,501.83	5,598.74	7595.10	1,09,089.13	1,22,282.97	2,91,784.80

Source: Figures compiled based on annual accounts and information received from PSUs.

As on 31 March 2022, the total investment (equity and long-term loans) in 114 PSUs was ₹ 2,91,784.80 crore. Of these, State Government investment was ₹1,61,953.64 crore in the form of equity of ₹1,56,354.90 crore and long-term loans of ₹ 5,598.74 crore. State Government equity of power sector PSUs and other than power sector PSUs were ₹ 1,45,389.99 crore and ₹ 10,964.91 crore

respectively. Long-term loans advance by State Government in power sector PSUs and other power sector PSUs were ₹ 433.92 crore and ₹ 5,164.82 crore respectively as detailed in *Appendix-5.1 and 5.2*.

5.2.1 Investment of State Government in Non-functional State Public Sector Undertakings

As on 31 March 2022, 42 State PSUs (40 Government Companies and two Government controlled other Companies) were non-functional having a total investment of State Government ₹ 753.97 crore in the form of equity (₹ 370.53 crore) and long-term loans (₹ 383.44 crore). Of these, significant investments were in Uttar Pradesh State Textile Corporation Limited (₹ 289.15 crore), Uttar Pradesh Cement Corporation Limited (₹ 193.05 crore) and U.P. State Yarn Company Limited (₹ 120.03 crore) as detailed in *Appendix 5.2*.

5.2.2 Budgetary Support to Public Sector Undertakings

Government of Uttar Pradesh (GoUP) provides financial support to PSUs in various forms through the annual budget. The summarised details of budgetary support (equity, loans and grants/subsidies) in respect of PSUs for the last three years ending March 2022 are given in **Table 5.3**.

Table 5.3: Details of budgetary support to PSUs during the years 2019-20 to 2021-22

Nature of budgetary support	2019-20		2020-21		2021-22	
	No of PSUs	Budgetary Support (₹ in crore)	No of PSUs	Budgetary Support (₹ in crore)	No of PSUs	Budgetary Support (₹ in crore)
(A) Power Sector PSUs						
Equity (i)	3 ⁴⁰	8,248.83	3 ⁴⁰	10,568.47	3 ⁴⁰	10,874.05
Loans (ii)	-	0.00	-	0.00	-	0.00
Grants/Subsidies (iii)	2	19,065.56	2	10,349.30	2	22,432.27
Total (i+ii+iii)	3⁴¹	27,314.39	3⁴¹	20,917.77	3⁴¹	33,306.32
(B) Other than Power Sector PSUs						
Equity (i)	4 ⁴⁰	288.63	7 ⁴⁰	529.13	8 ⁴⁰	808.92
Loans (ii)	8	403.32	6	1,673.16	5	330.01
Grants/Subsidies (iii)	17	712.21	18	1,462.46	19	2498.09
Total (i+ii+iii)	27⁴¹	1,404.16	25⁴¹	3,664.75	26⁴¹	3,637.02

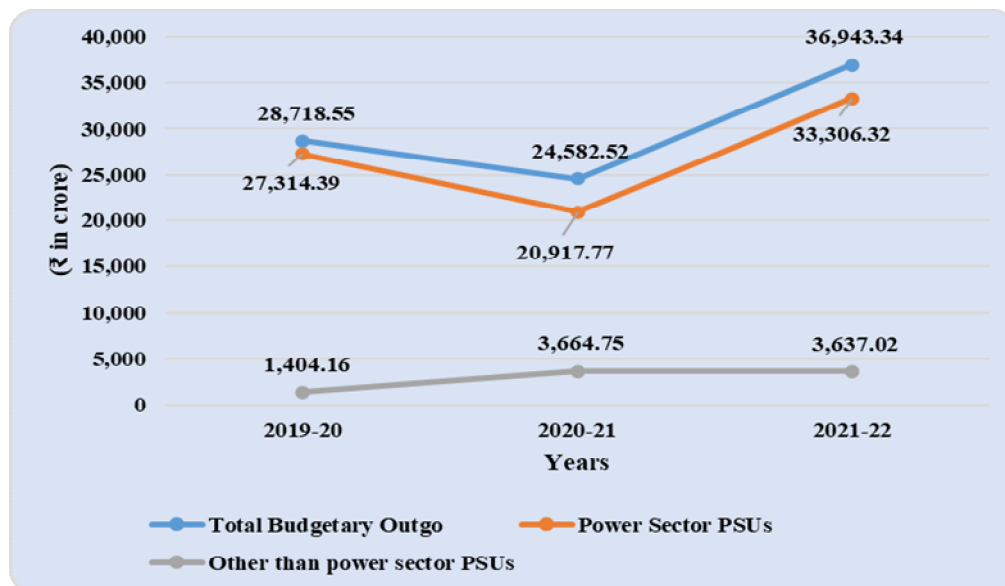
Source: Figures compiled based on annual accounts, Government orders and information received from PSUs

⁴⁰ GoUP releases equity in Uttar Pradesh Power Corporation Limited, Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited and Uttar Pradesh Electronic Corporation Limited for investment in their subsidiaries. Therefore, for the purpose of infusion of equity only holding companies on behalf of their subsidiaries have been considered.

⁴¹ The figure represents number of PSUs which have received budgetary support from the State Government under one or more heads *i.e.*, equity, loans, grants/subsidy.

The details regarding budgetary support towards equity, loans and grants/subsidies for the last three years ending March 2022 in respect of 74 PSUs which provided the relevant information as of September 2022, are given in **Chart 5.2**:

Chart 5.2: Budgetary support towards Equity, Loans and Grants/Subsidies



There was increase of ₹ 12,360.82 crore in budgetary support to PSUs during 2021-22 as compared to 2020-21, which was mainly due to increase in revenue subsidy of Uttar Pradesh Power Corporation Limited from ₹ 9,657.17 crore in 2020-21 to ₹ 21,888.16 crore in 2021-22.

It is evident from **Table 5.3** that major portion of budgetary support was given to power sector PSUs. The annual budgetary support received by the power sector PSUs during the years 2019-20, 2020-21 and 2021-22 were ₹ 27,314.39 crore, ₹ 20,917.77 crore and ₹ 33,306.32 crore respectively. The budgetary supports of ₹ 33,306.32 crore received during 2021-22 included ₹ 10,874.05 crore and ₹ 22,432.27 crore in the form of equity and grants/subsidy respectively. Out of total grants/subsidy of ₹ 22,432.27 crore given by the State Government to power sector PSUs, ₹ 22,395.45 crore was provided to Uttar Pradesh Power Corporation Limited including its distribution companies and ₹ 36.82 crore to Uttar Pradesh Power Transmission Corporation Limited.

Out of total grants/subsidy of ₹ 2,498.09 crore given by the State Government to other than power sector PSUs during 2021-22, grants/subsidy were mainly provided to Agra Smart City Limited (₹ 782.50 crore), Uttar Pradesh Jal Nigam (₹ 322.84 crore) and Noida Metro Rail Corporation Limited (₹ 320.65 crore) during 2021-22. Further, State Government invested ₹ 808.92 crore in equity and provided budgetary support of ₹ 330.01 crore towards loan to other than power sector PSUs. This included equity of ₹ 31.91 crore to Uttar Pradesh State Yarn Company Limited and loan of ₹ 2.03 crore to Uttar Pradesh State Yarn Company Limited (₹ 1.76 crore) and Uttar Pradesh State Textile Corporation Limited (₹ 0.27 crore) which were non-functional and closed their operation.

5.2.3 Reconciliation with Finance Accounts of Government of Uttar Pradesh

The figures in respect of equity, loans and guarantees outstanding as per records of the State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Uttar Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2022 such differences existed in respect of 74 PSUs (57 Government Companies, 12 Government controlled other Companies and five Statutory Corporations) as detailed in *Appendix-5.3* and summarised in **Table 5.4**:

Table 5.4: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Uttar Pradesh vis-à-vis records of State PSUs

(₹ in crore)

Outstanding in respect of	Sector	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference	
				Amount	Percent
Equity	Power Sector	1,32,877.22	1,47,605.28	14,728.06	11.08
	Other than Power Sector	6,108.80	10,910.65	4,801.85	78.61
	Total	1,38,986.02	1,58,515.93	19,529.91	14.05
Loans	Power Sector	516.82	433.92	(-)82.90	(-) 16.04
	Other than Power Sector	3,474.41	5,164.81	1,690.40	48.65
	Total	3,991.23	5,598.73	1,607.50	40.28
Guarantees	Power Sector	1,29,374.07	1,21,555.08	(-)7,818.99	(-) 6.04
	Other than Power Sector	634.47	389.84	(-)244.63	(-) 38.56
	Total	1,30,008.54	1,21,944.92	(-)8,063.62	(-) 6.20

Source: Information received from PSUs, annual accounts of PSUs and Finance Accounts 2021-22

The differences between the figures are persisting and also reported in previous years State Finances Audit Reports. Major difference in balances was observed in case of three power sector PSUs⁴² and five other than power sector PSUs⁴³.

⁴² Uttar Pradesh Rajya Vidyut Utpadan Nigam Limited, Uttar Pradesh Power Transmission Corporation Limited and Uttar Pradesh Power Corporation Limited.

⁴³ Uttar Pradesh Metro Rail Corporation Limited, Noida Metro Rail Corporation Limited, The Pradeshiya Industrial and Investment Corporation of UP Limited, Uttar Pradesh State Sugar Corporation Limited and Noida International Airport Limited.

5.3 Submission of accounts by Public Sector Undertakings

5.3.1 Need for timely submission

According to Section 394 of the Companies Act, 2013, annual report on the working and affairs of a Government Company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the annual report must be laid before both the Houses of Legislature, together with a copy of the audit report and comments upon or supplement to the audit report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislature control over the utilisation of public funds invested in the companies from the Consolidated Fund of State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

The status of timeliness followed by the PSUs in preparation of accounts is as follows:

5.3.2 Timeliness in preparation of accounts by PSUs

Accounts for the year 2021-22 were required to be submitted by all the PSUs by 30 September 2022. Details of arrears in submission of accounts by the State PSUs as on 30 September 2022 are given in *Appendix-5.4* and summarised in **Table 5.5**.

Table 5.5: Position relating of submission of accounts by PSUs

Particulars	Position relating to submission of Accounts			
	Government Companies	Government controlled other Companies	Statutory Corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31 March 2022 (including 13 PSUs under liquidation)	93	15	06	114
Number of PSUs which presented the accounts of 2021-22 by 30 September 2022 for CAG's audit	10	01	-	11

Particulars		Position relating to submission of Accounts			
		Government Companies	Government controlled other Companies	Statutory Corporations	Total
Number of PSUs whose accounts were in arrears (including 11 PSUs under liquidation having arrears in accounts)		81 ⁴⁴	14	06	101
Number of accounts in arrears		929	55	22	1006
Break-up of Arrears	(i) Non-functional PSUs (under Liquidation)	112	08	-	120
	(ii) Non-functional PSUs (others than under liquidation)	551	27	-	578
	(iii) Functional PSUs	266	20	22	308

Out of 72 functional State PSUs, only 11 PSUs had submitted their annual accounts for the year 2021-22 and remaining 61 PSUs had arrears of 308 accounts. Out of 42 non-functional PSUs, 40 PSUs had arrears of 698 accounts.

5.3.2.1 Arrear in submission of accounts by functional State Public Sector Undertakings

- Out of 53 functional Government Companies only 10 PSUs⁴⁵ submitted their accounts upto 30 September 2022 for the year 2021-22 for audit by the CAG. Resultantly, 266 accounts of 43 functional PSUs were in arrears.
- Out of 13 functional Government controlled other Companies only one PSU i.e Agra Smart City Limited submitted its accounts upto 30 September 2022 for the year 2021-22 for audit by the CAG. Resultantly, 20 accounts of 12 functional PSUs were in arrears.
- None of the Statutory Corporations has submitted accounts for the year 2021-22 upto 30 September 2022 for audit by the CAG. Out of six

⁴⁴ It excludes two PSUs namely Uttar Pradesh (Poorva) Ganna Beej Evam Vikas Nigam Limited and Uttar Pradesh (Rohilkhand Tarai) Ganna Beej Evam Vikash Nigam Limited which are under liquidation for which no accounts were in arrear upto the date of going into liquidation.

⁴⁵ Dakshinanchal Vidyut Vitran Nigam Limited, Kanpur Electricity Supply Company Limited, Madhyanchal Vidyut Vitran Nigam Limited, Noida Metro Rail Corporation Limited, Paschimanchal Vidyut Vitran Nigam Limited, Purvanchal Vidyut Vitran Nigam Limited, Uttar Pradesh Export Promotion Council, Uttar Pradesh Metro Rail Corporation Limited, Uttar Pradesh Power Corporation Limited and Uttar Pradesh Power Transmission Corporation Limited.

Statutory Corporations (all functional PSUs) the CAG is the sole auditor in four Statutory Corporations (Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam and Uttar Pradesh Forest Corporation). These four Statutory Corporations had nine accounts⁴⁶ in arrears as of 30 September 2022. In case of other two Statutory Corporations, accounts were in arrear from 2013-14 (Uttar Pradesh Financial Corporation) and from 2018-19 (Uttar Pradesh State Warehousing Corporation).

- Five⁴⁷ functional PSUs have not submitted its first account for audit after their incorporation. 53 accounts were in arrear against these PSUs.

Age-wise analysis of arrear in accounts of functional PSUs is given in the **Table 5.6**

Table 5.6: Age-wise analysis of arrear in accounts of functional PSUs

		Age wise analysis of arrears in accounts			Total
		1-3 years	4-6 years	7 and above	
Number of Functional PSUs with arrear in accounts	Government Companies	17	11	15	43
	Government controlled other Companies	11	1	-	12
	Statutory Corporation	3	2	1	6
	Total	31	14	16	61
Number of Accounts in arrear	Government Companies	31	51	184	266
	Government controlled other Companies	16	4	0	20
	Statutory Corporation	4	9	9	22
	Total	51	64	193	308

5.3.2.2 Arrear in submission of accounts by non-functional State Public Sector Undertakings

Out of 42 non-functional PSUs (including 13 PSUs under liquidation), 698 accounts of 40 non-functional PSUs (38 Government Companies and two Government controlled other Companies) were in arrears as on 30 September 2022 as detailed in **Appendix-5.4** The age-wise analysis of arrear accounts of these PSUs is given in **Table 5.7**.

⁴⁶ Accounts of (i) Uttar Pradesh State Road Transport Corporation for the years 2020-21 & 2021-22; (ii) Uttar Pradesh Avas Evam Vikas Parishad for the year 2021-22; (iii) Uttar Pradesh Jal Nigam for the years 2017-18 to 2021-22; and (iv) Uttar Pradesh Forest Corporation for the year 2021-22.

⁴⁷ Lucknow City Transport Services Limited, Agra Mathura City Transport Services Limited, Kanpur City Transport Services Limited, Varanasi City Transport Services Limited and Uttar Pradesh Rajya Krishi Evam Gramin Vikas Nigam Limited

Table 5.7: Age-wise analysis of arrear in accounts of non-functional PSUs

		Age wise analysis of arrears in accounts				Total
		1-5 years	6-10 years	11-20 years	21 years and above	
Number of Non-functional PSUs with arrear in accounts	Under liquidation	4	1	5	1	11
	Others	6	3	5	15	29
	Total	10	4	10	16	40
Number of Accounts in arrear	PSUs under liquidation	9	8	74	29	120
	Other Non-functional PSUs	16	22	67	473	578
	Total	25	30	141	502	698

5.3.2.3 Impact of non-finalisation of accounts of State Public Sector Undertakings

Delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013. In view of the above status of arrears of accounts, the actual performance including loss incurred/profit earned and contribution of these 101 PSUs⁴⁸ to State GDP during the period of arrear accounts could not be ascertained/reported to the State Legislature. In the absence of finalisation of accounts by these PSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government. This issue is of greater concern in case of those Statutory Corporations where the entire responsibility for certification lies on the CAG as the sole auditor.

5.3.2.4 Investment of State Government in State Public Sector Undertakings during pendency in submission of accounts

PSU-wise details of investment made by State Government during the years for which accounts were in arrears are shown in *Appendix-5.5*. Government of Uttar Pradesh (GoUP) had provided ₹ 2,035.05 crore (Equity: ₹ 2,035.05 crore, Loan: Nil, Grant: Nil and Subsidy: Nil) to only one PSU (i.e. Uttar Pradesh Rajya vidyut Utpadan Nigam Limited) out of six power sector PSUs, accounts of which upto the year 2021-22 had not been finalised by 30 September 2022 whereas no investment was made in the remaining five power sector PSUs during the period for which accounts were in arrears. Further, the GoUP had also provided ₹ 6,575.47 crore (Equity: ₹ 1,432.02 crore, Loan: ₹ 1,187.47 crore, Grant: ₹ 3,542.47 crore and Subsidy: ₹ 413.51 crore) to 37 out of 95 other than power sector PSUs, accounts of which upto the year 2021-22 had not been finalised by 30 September 2022 whereas no investments were made in the remaining 58 other than power sector PSUs during the period for which accounts were in arrears.

The administrative departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and

⁴⁸ Six power sector PSUs and 95 other than power sector PSUs.

adopted by these PSUs within the stipulated period. The concerned departments were informed regularly regarding arrears in accounts.

5.4 Erosion of Net Worth of State Public Sector Undertakings

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 of the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Table 5.8 indicates paid-up capital, accumulated losses, net worth and investment of Government in 12 PSUs whose net worth has been eroded as per their latest finalised accounts till 30 September 2022.

Table 5.8: PSUs whose Net-worth has been eroded

(₹ in crore)

Sl. No.	Name of the PSUs	Latest year of finalised Accounts	Net Profit (+)/Loss (-) after Interest, Tax & Dividend	Total Paid-up Capital as per latest finalized accounts	Free Reserve	Accumulated Losses including Deferred revenue expenditure ⁴⁹	Net worth	State Government Equity as on 31 March 2022	State Government Loan as on 31 March 2022
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (5+6-7)	(9)	(10)
A Power Sector PSUs									
1	Dakshinanchal Vidyut Vitaran Nigam Limited	2021-22	(-) 2,957.52	22,436.61	1,953.42	24,956.84	(-)566.81	22,436.61	132.04
2	Kanpur Electricity Supply Company Limited	2021-22	(-) 215.45	2,249.31	0	4,179.46	(-)1,930.15	2,249.31	0.00
3	Uttar Pradesh Power Corporation Limited	2021-22	(-)8,305.27	1,12,212.39	0	81,877.77	(-) 60,000.85 ⁵⁰	112212.39	369.27
4	UCM Coal Company Limited	2020-21	(-)0.21	0.16	(-)2.39	0.00	(-)2.23	0.16	0.00
5	UPSIDC Power Company Ltd.	2013-14	(-)0.02	0.05	0	0.25	(-)0.20	0.00	0.00
	Total A		(-) 11,478.47	1,36,898.52	1,951.03	1,11,014.32	(-) 62,500.24	1,36,898.47	501.31
B Other than power Sector PSUs									
1	The Pradeshiya Industrial and Investment Corporation of UP Limited	2019-20	(-) 1.56	135.58	0	381.05	(-) 245.47	110.58	1,134.43
2	Prayagraj City Transport Services Limited	2019-20	(-) 10.90	4.91	0	16.48	(-) 11.57	0.00	0.00
3	Aligarh Smart City Limited	2019-20	(-) 11.35	2.00	0	13.66	(-)11.66	1.00	0.00

⁴⁹ Value of deferred revenue expenditure is nil in all PSUs whose net-worth has been eroded.

⁵⁰ Paid capital of ₹ 1,12,212.39 crore includes ₹ 90,335.47 crore which was given by the Government for their subsidiary/associates/joint venture companies. Therefore, this amount has been excluded for calculation of net worth.

Sl. No.	Name of the PSUs	Latest year of finalised Accounts	Net Profit (+)/Loss (-) after Interest, Tax & Dividend	Total Paid-up Capital as per latest finalized accounts	Free Reserve	Accumulated Losses including Deferred revenue expenditure ⁴⁹	Net worth	State Government Equity as on 31 March 2022	State Government Loan as on 31 March 2022
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) = (5+6-7)	(9)	(10)
4	Prayagraj Smart City Limited	2020-21	(-) 0.26	0.50	0	0.62	(-) 0.12	245.00	0.00
5	Moradabad Smart City Limited	2020-21	(-) 8.19	0.50	0	8.17	(-) 7.67	50.25	0.00
6	Noida International Airport Limited (NIAL)	2019-20	1.61	0.01	0	2.75	(-) 2.74	2,807.20	0.00
7	Lucknow Smart City Limited	2018-19	(-) 3.60	0.50	0	6.29	(-) 5.79	186.00	0.00
	Total B		(-) 34.25	144.00	0	429.02	(-) 285.02	3,400.03	1,134.43
	Grand Total (A+B)		(-) 11,512.72	1,37,042.52	1,951.03	1,11,443.34	(-) 62,785.26	1,40,298.50	1,635.74

Net worth of five Power sector PSUs had been completely eroded by accumulated losses and their net worth was (-) ₹ 62,500.24 crore against an equity investment of ₹ 1,36,898.52 crore as on 31 March 2022. In these PSUs as on 31 March 2022, State Government equity and loans were ₹ 1,36,898.47 crore and ₹ 501.31 crore respectively. All these five PSUs were in losses as per their latest finalised accounts.

Further, net worth of seven other than power sector PSUs had been completely eroded by accumulated losses and their net worth was (-) ₹ 285.02 crore against an equity investment of ₹ 144.00 crore as on 31 March 2022. In these PSUs as on 31 March 2022, State Government equity and loans were ₹ 3,400.03 crore and ₹ 1,134.43 crore respectively. Out of seven PSUs whose net worth had been eroded, one PSU, i.e., Noida International Airport Limited had earned profit of ₹ 1.61 crore as per their latest finalised accounts whereas remaining six PSUs were in losses.

5.5 Dues of Power Distribution Companies (DISCOMs)

For maintaining electrical supply in the State, Uttar Pradesh Power Corporation Limited (UPPCL) procures electricity from Central/State power generation companies, power transmission companies, independent power producers, captive power plant (reactive energy) and unscheduled inter-change (UI) on behalf of its five DISCOMs (Madhyanchal Vidyut Vitaran Nigam Limited, Purvanchal Vidyut Vitaran Nigam Limited, Paschimanchal Vidyut Vitaran Nigam Limited, Dakshinchal Vidyut Vitaran Nigam Limited and Kanpur Electricity Supply Company Limited).

DISCOMs supply electricity to its consumers on the rates prescribed in Tariff Order approved and issued by the Uttar Pradesh Electricity Regulatory Commission on the basis of cost-analysis furnished by UPPCL and its DISCOMs. Government provides subsidy against the consumption by consumers falling in the category of Domestic Lifeline, Rural Schedule (unmetered), Rural Schedule (metered) other than below poverty line (BPL), private tube wells/pumping sets, etc., to set off the difference between the cost

and rates prescribed in the tariff order. As per State Government order (March 2021), the outstanding liability of the State Government for payment of tariff subsidy was ₹ 14,661.54 crore as on 31 March 2020.

DISCOMs were running in heavy losses due to payment of interest on the borrowed funds from Financial Institutions and bad debts. For financial turnaround of DISCOMs, an MOU was executed (January 2016) amongst Ministry of Power (GoI), Government of Uttar Pradesh and UPPCL for and on behalf of DISCOMs under Ujwal DISCOM Assurance Yojna (UDAY). According to the provisions of MOU, State Government had taken over outstanding debts of DISCOMs amounting to ₹ 44,403 crore during 2015-16 and 2016-17. Further State Government was also required to take over the future losses, if any, of DISCOMs in graded manner during 2017-18 to 2020-21. As per State Government order (March 2021), the outstanding liability on the State Government for loss funding subsidy was ₹ 6,278.47 crore⁵¹.

The State Government directed UPPCL (July 2020) that for availability of funds for maintaining power supply by power distribution companies during Covid-19 lockdown period, the UPPCL would take the loan upto ₹ 20,940 crore (*i.e.*, outstanding subsidy payable by the State government to UPPCL⁵²) and the State Government would make repayment of this loan in next ten years starting from 2021-22. Accordingly, UPPCL borrowed ₹ 10,470 crore each from Power Finance Corporation (PFC) and Rural Electrification Company (REC) in the year 2020-21. During the year 2021-22 State Government has provided assistance for payment of principal amounting to ₹ 2,000 crore out of its budget for repayment of loan taken by the UPPCL from financial institutions.

Due to heavy losses in DISCOMs and delays in remittance of subsidy by State Government, UPPCL could not pay its dues towards power suppliers. The details of the dues of the electricity suppliers against UPPCL during the last three years are given in **Table 5.9**.

Table 5.9: Outstanding dues against UPPCL in respect of supply of electricity
(₹ in crore)

Name of Electricity supplier	Outstanding dues as on 31 March 2020	Outstanding dues as on 31 March 2021	Outstanding dues as on 31 March 2022
Central/State Power Generation Companies	16,939.14	17,491.93	13,752.23
Power Transmission Companies	1584.62	525.83	249.39
Independent Power Producers	13,102.50	7,561.55	9,519.95
Captive Power Plant (Reactive Energy)	14.65	11.30	19.67
Unscheduled inter-change (UI)	503.50	412.75	176.62
Total	32,144.41	26,003.36	23,717.86

⁵¹ Loss funding subsidy receivable under UDAY (from 2016-17 to 2020-21) was ₹ 12,049.49 crore against which during 2019-20 ₹ 3,571.02 crore was sanctioned by State Government and ₹ 2,200 crore was provided in the budget for financial year 2020-21.

⁵² Tariff subsidy (₹ 14,661.54 crore) plus Loss funding subsidy under UDAY (₹ 6,278.47 crore).

Thus, as on 31 March 2020, the outstanding dues of power generating companies against the purchase of electricity by UPPCL was ₹ 32,144.41 crore, which was reduced to 23,717.86 crore as on 31 March 2022.

5.6 Follow up action on State Finances Audit Report

State Finances Audit Report is being prepared from the year 2008-09 onwards and presented to the State Legislature. The Public Accounts Committee is yet to discuss these reports.

5.7 Conclusion

- As on 31 March 2022, the total investment (equity and long-term loans) in 114 PSUs was ₹ 2,91,784.80 crore. Of these State Government investment was ₹ 1,61,953.64 crore in the form of equity of ₹ 1,56,354.90 crore and long-term loans of ₹ 5,598.74 crore. State Government equity of power sector PSUs and other than power sector PSUs were ₹ 1,45,389.99 crore and ₹ 10,964.91 crore respectively. Long-term loans advance by State Government in power sector PSUs and other than power sector PSUs were ₹ 433.92 crore and ₹ 5,164.82 crore respectively.
- As on 31 March 2022, 42 State PSUs (40 Government Companies and two Government controlled other Companies) were non-functional having a total investment of State Government ₹ 753.97 crore in the form of capital (₹ 370.53 crore) and long-term loans (₹ 383.44 crore). Of these, significant investments were in Uttar Pradesh State Textile Corporation Limited (₹ 289.15 crore), Uttar Pradesh Cement Corporation Limited (₹ 193.05 crore) and U.P. State Yarn Company Limited (₹ 120.03 crore). Further, State Government provided budgetary support of ₹ 33.94 crore to two non-functional PSUs which had already closed their operation.
- As on 31 March 2022, there were difference of figures in equity, loans and guarantee existed in respect of 74 PSUs as per records of State PSUs and those appearing in the Finance Accounts. These differences between the figures are persisting since last many years, though the issue was reported in previous year SFAR.
- Out of 72 functional PSUs, only 11 PSUs had submitted their annual accounts for the year 2021-22 and remaining 61 PSUs had arrears of 308 accounts. Out of 42 non-functional PSUs, 40 PSUs had arrears of 698 accounts and remaining two PSUs had no arrears of accounts up to the date of going into liquidation. GoUP had provided ₹ 8,610.52 crore (Equity: ₹ 3,467.07 crore, Loan: ₹ 1,187.47 crore, Grant ₹ 3,542.47 crore and Subsidies: ₹ 413.51 crore) to 38 State PSUs during the period for which their accounts were in arrears.
- Net-worth of 12 PSUs had been completely eroded due to accumulated losses. The net-worth of these PSU was (-) ₹ 62,785.26 crore against equity investment of ₹ 1,37,042.52 crore.

5.8 Recommendations

- *The State Government may review the status of 29 non-functional PSUs which have closed their operation and invest cautiously in these PSUs.*
- *The Finance Department of GoUP and the respective PSUs should reconcile the differences in figures of equity, loans and guarantees outstanding as per records of the PSUs and as per the Finance Accounts of GoUP in a time bound manner.*
- *The Administrative Departments should strictly monitor and issue necessary directions to liquidate the arrears in accounts of the PSUs and take necessary steps to resolve the constraints in preparing the accounts of the PSUs.*

Lucknow

The **16 JUNE 2023**



(TANYA SINGH)

Accountant General (Audit-II),
Uttar Pradesh

Countersigned



New Delhi

The **20 JUN 2023**

(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

