

## **Chapter 5 Working of State Public Sector Undertakings**

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### **5.1 Introduction**

This Chapter presents the summary of financial performance of Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Andhra Pradesh (GoAP) as revealed from their accounts/ information furnished by them and results of oversight role of the Comptroller & Auditor General of India (CAG). It highlights some of the significant comments issued as a result of supplementary audit of the accounts of the State Public Sector Undertakings (PSUs) conducted by the CAG and the impact on comments issued by the CAG on the financial statements received during the current year in respect of the Statutory Corporations where the CAG is the Sole Auditor.

The State PSUs are established by Government to carry out activities of commercial nature for the development of the State as well as to cater to the welfare of its people.

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.

The Statutory Corporations are established by State Government and governed by their respective legislations.

Besides, any other company<sup>68</sup> 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.

In this Report, PSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of GoAP.

#### **5.1.1 Mandate**

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143 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 there under. Under the provisions of Sections 139 (5) and (7) of Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for Government 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 and issue comments upon or supplement the Audit Report of the Statutory Auditors under Section 143 of the Companies Act, 2013.

The statutes governing Statutory Corporations also require that their accounts be audited

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<sup>68</sup> Companies (Removal of Difficulties) Seventh Order, 2014 issued (04 September 2014) by Ministry of Corporate Affairs

by CAG and a report be submitted to the State Legislature.

## 5.2 Number of State PSUs and status of accounts

As on 31 March 2023, there were 124 State PSUs in Andhra Pradesh State (including 11 Government Companies in Power Sector and 107 Government Companies, three Government Controlled Other Companies and three Statutory Corporations in other than Power Sector) under the audit jurisdiction of CAG. Out of these 124 PSUs, 103 were working and 21 inactive PSUs<sup>69</sup>. Further, 103 working PSUs include 11 Power Sector PSUs and 92 PSUs of other Sectors. During the year 2022-23, six<sup>70</sup> Government Companies came under the audit jurisdiction of CAG as detailed in *Appendix 5.1*. The nature and the position of State PSUs as on 30 September 2023 are given in **Table 5.1**.

**Table 5.1: Coverage and nature of Public Sector Undertakings**

Nature of PSUs	Total Number of PSUs	Number of PSUs whose accounts were received as of 30 September 2023			
		Accounts up to			Total
		2022-23	2021-22	2020-21	
Government Companies	97	12	18	6	36
Government Controlled other Companies <sup>71</sup>	3	0	1	1	2
Statutory Corporations <sup>72</sup>	3	1	2	0	3
<b>Total Working PSUs</b>	<b>103</b>	<b>13</b>	<b>21</b>	<b>7</b>	<b>41</b>
<b>Inactive Government Companies</b>	<b>21</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>2</b>
<b>Grand Total</b>	<b>124</b>	<b>13</b>	<b>22</b>	<b>8</b>	<b>43</b>

*Source: As compiled by office of PAG (Audit), Andhra Pradesh.*

Out of 103 working PSUs, 45 PSUs (including first accounts of four<sup>73</sup> PSUs) were in arrears for less than three years and accounts of 58 PSUs were in arrears for three or more years as on 30 September 2023. Out of 45 PSUs, 41 PSUs have submitted their annual accounts for various financial years *i.e.*, 2020-21 to 2022-23 as mentioned in the above table. During the audit period, 13 PSUs submitted the accounts for the year 2022-23 and seven PSUs submitted information related to financial matters pending finalisation of annual accounts. Hence, this chapter covers detailed analysis of financial performance of 20 working PSUs based on accounts (13 PSUs) and information (seven PSUs) furnished as specified above. The chapter also covers analysis of investment and relevant financial position of the said 20 PSUs. As on 30 September 2023, 27 out of 103 PSUs have not furnished their first accounts. Further, detailed analysis of 21 inactive PSUs has not been covered in this Chapter. The position of accounts of all 124 PSUs, both working and inactive as on 30 September 2023 is given in *Appendix 5.1*.

<sup>69</sup>Inactive PSUs are those which have effectively ceased to carry out their operations or under liquidation process

<sup>70</sup>Andhra Pradesh Bulk Drugs & Infrastructure Corporation Limited, Bhavanapadu Port Development Corporation Limited, Machilipatnam Port Development Corporation Limited, Mark up Private Limited, Meat Development Corporation of Andhra Pradesh & Ramayapatnam Port Development Corporation Limited

<sup>71</sup>Kakinada Smart City Corporation Limited, Greater Visakhapatnam Smart City Corporation Limited and Amaravati Smart & Sustainable City Corporation Limited

<sup>72</sup>Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Warehousing Corporation

<sup>73</sup>Andhra Pradesh Farmers E-Vikraya Corporation Limited, Andhra Pradesh Medical Education and Research Corporation Limited, Mark up Private Limited, Kadapa Steel Corporation Limited

The figures in **Table 5.1** indicate position of accounts received as on 30 September 2023 *i.e.*, the original cutoff date for finalisation of accounts by PSUs (as explained in Paragraph 5.6.2.2).

### 5.2.1 Details of Inactive Public Sector Undertakings

The 21 inactive PSUs in existence as on 31 March 2022, were continued to be inactive as on 31 March 2023. The total investment in these 21 inactive PSUs was ₹240.51 crore. Out of 21 inactive PSUs, eight were reported to be in the process of liquidation for several decades, though Official Liquidator was appointed during the period April 1988 to June 2014. However, one<sup>74</sup> of the PSUs furnished its financial statements upto the financial year 2021-22.

### 5.2.2 Summary of financial performance of Public Sector Undertakings

The summary of financial performance of 20 working PSUs was as given in **Table 5.2**.

**Table 5.2: Summary of financial performance of working PSUs**

Description	Number of PSUs	Amount (₹ in crore)
Number of working PSUs	103	--
State PSUs covered	20	--
Paid up capital	20	6,032.22
Long term loans	20	1,00,728.97
Net profit	14	2,786.83
Net loss	5	1,251.63
Zero profit/loss	1	0
Dividend Paid	0	0
Total assets	13 <sup>75</sup>	1,58,747.26
Net Worth	20	(-22,882.28)

*Source: As per Annual Accounts and information furnished by PSUs*

### 5.3 Contribution of PSUs to the economy of the State

The ratio of turnover of the State PSUs to the Gross State Domestic Product (GSDP) shows the contribution of PSUs to the economy of the State.

The details of turnover of the working PSUs and GSDP of Andhra Pradesh during three-year period ended 31 March 2023 are given in **Table 5.3**.

**Table 5.3: Details of turnover of working PSUs vis-a-vis GSDP of Andhra Pradesh**

Sl. No.	Sector	2022-23		2021-22		2020-21	
		Number of PSUs	Amount (₹ in crore)	Number of PSUs	Amount (₹ in crore)	Number of PSUs	Amount (₹ in crore)
1	Power	7	71,266.97	7	55,804.99	7	48,443.31
2	Finance	3	2,098.92	3	1,934.34	3	1,557.55
3	Service	2	736.00	2	121.04	2	152.88
4	Infrastructure	1	60.20	1	28.31	1	10.36
5	Others	7	14,014.74	7	7,565.72	7	19,059.58
<b>Total turnover</b>		<b>20</b>	<b>88,176.83</b>	<b>20</b>	<b>65,454.40</b>	<b>20</b>	<b>69,223.68</b>
GSDP of Andhra Pradesh		--	13,17,728.00	--	11,33,837.00	--	9,56,788.00
Percentage of turnover to GSDP		--	<b>6.69</b>	--	<b>5.77</b>	--	<b>7.24</b>

*Source: GSDP figures sourced from National Statistical Office, Ministry of Statistics and Programme Implementation (MoSPI) and turnover figures as per annual accounts and information of PSUs*

<sup>74</sup> ABC (NEXT) India Private Limited

<sup>75</sup> information pertains to Finalised Accounts of 2022-23

The contribution of PSUs to GSDP of Andhra Pradesh decreased to 6.69 *per cent* in 2022-23 compared to 7.24 *per cent* in 2020-21. Further, the turnover of these PSUs increased by 27.38 *per cent* during 2022-23 compared to turnover in 2020-21 and increased by 34.71 *per cent* compared to 2021-22. During the last three years the compounded annual growth rate (CAGR) of GSDP was 17.36 *per cent*, while CAGR of turnover of these working PSUs was 12.86 *per cent*.

The PSUs in Power Sector have contributed maximum turnover constituting 80.82 *per cent* of the total turnover of 20 PSUs during 2022-23. While the PSUs in other sectors contributed less than 20 *per cent* of the total turnover during 2022-23.

#### 5.4 Investments in Government Companies and Statutory Corporations and Budgetary Support

As per the Accounts and information furnished by 20 PSUs, analysis of equity and loans of these 20 working PSUs as at the end of 31 March 2023 was as given in **Table 5.4**.

**Table 5.4: Equity and long-term loans in working PSUs**

Sl. No.	Sources of Investment	As on 31.03.2023			As on 31.03.2022			As on 31.03.2021		
		Equity	Long term loans	Total	Equity	Long term loans	Total	Equity	Long term loans	Total
1.	State Government	3,959.81	1,574.61	5,534.42	3,960.05	134.56	4,094.61	3,360.05	95.33	3,455.38
2.	Central Government Companies	1.03	0.00	1.03	0.50	0.00	0.50	0.50	0.00	0.50
3.	State PSUs	1,469.52	7,958.61	9,428.13	1,461.35	8,768.30	10,229.65	1,441.27	5,494.49	6,935.76
4.	Others (Financial Institutions, Banks and Central PSUs)	601.87	91,195.75	91,797.62	599.52	68,070.04	68,669.56	592.47	62,728.24	63,320.71
5.	<b>Total</b>	<b>6,032.23</b>	<b>1,00,728.97</b>	<b>1,06,761.20</b>	<b>6,021.42</b>	<b>76,972.90</b>	<b>82,994.32</b>	<b>5,394.29</b>	<b>68,318.06</b>	<b>73,712.35</b>
6.	Percentage of investment of State Government to total investment	65.64	1.56	5.18	65.77	0.17	4.93	62.29	0.14	4.69

*Source: As per Annual Accounts and information furnished by PSUs*

Out of the total Equity holding, the Equity held by the State Government constituted 65.64 *per cent* for the year 2022-23. The Sector wise investment of State Government in working PSUs during the three-year period 2020-21 to 2022-23 was as given in **Table 5.5**.

**Table 5.5: Sector wise investment of State Government in PSUs**

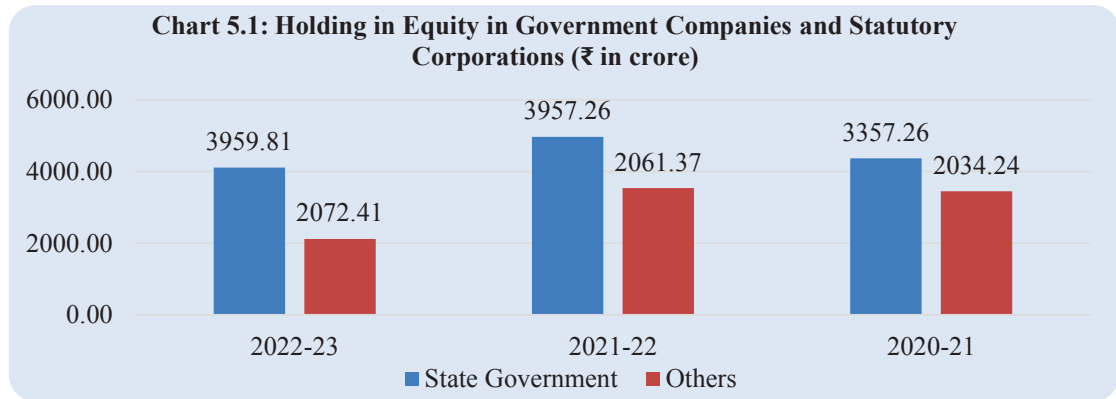
(₹ in crore)

Nature of Sector	Sector-wise Investment											
	2022-23				2021-22				2020-21			
	No. of PSUs	Equity	Loans	Total	No. of PSUs	Equity	Loans	Total	No. of PSUs	Equity	Loans	Total
Power	7	2,687.04	34.09	2,721.13	7	2,687.04	9.48	2,696.52	7	2,687.04	9.48	2,696.52
Finance	3	1,158.93	0.00	1,158.93	3	1,156.38	0.00	1,156.38	3	556.38	0.00	556.38
Service	2	3.94	-	3.94	2	6.73	0.00	6.73	2	6.73	0.00	6.73
Infrastructure	1	0.00	0.00	0.00	1	0.00	0.00	0.00	1	0.00	0.00	0.00
Others	7	109.90	1540.52	1,650.42	7	109.90	125.08	234.98	7	109.90	85.85	195.75
<b>Total</b>	<b>20</b>	<b>3,959.81</b>	<b>1,574.61</b>	<b>5,534.42</b>	<b>20</b>	<b>3,960.05</b>	<b>134.56</b>	<b>4,094.61</b>	<b>20</b>	<b>3,360.05</b>	<b>95.33</b>	<b>3,455.38</b>

Source: As per Annual Accounts and information of PSUs

As on 31 March 2023, the total investment in these 20 PSUs comprised of 71.55 per cent of equity capital and 28.45 per cent of long-term loans. The thrust of State Government's investment in PSUs was mainly in Power Sector PSUs which constituted 67.86 per cent of equity and 2.16 per cent of loans during 2022-23.

Holding in equity by State Government and Others (Central Government, Financial Institutions and Banks etc.) during the three years ended 31 March 2023 in working PSUs is depicted in **Chart 5.1**.



Details of significant holding (holding of more than ₹100 crore) of the State Government as at the end of March 2023 in the paid-up capital of the State PSUs is given in **Table 5.6**.

**Table 5.6: Significant holding of the State Government**

Sl. No.	Name of the State PSU	Name of the Department	Amount (₹ in crore)
<b>Statutory Corporations</b>			
1	Andhra Pradesh State Financial Corporation	Industries and Commerce	206.01
<b>Government Companies</b>			
2	Andhra Pradesh Power Generation Corporation Limited	Energy	2,106.80
3	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	121.23
4	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	358.72
5	Andhra Pradesh Power Finance Corporation Limited	Finance	350.92
6	Andhra Pradesh State Financial Services Corporation Limited	Finance	602.00
<b>Total</b>			<b>3,745.68</b>

Source: As per Annual Accounts and information of PSUs

We observed that out of the total equity investment by State Government in 20 PSUs, a significant amount i.e., 94.59 per cent was made in the above PSUs.

#### 5.4.1 Budgetary support to Public Sector Undertakings

State Government provides financial support to the State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans converted to equity, interest written-off and outstanding guarantees of the 20 test checked State PSUs for the last three years ending March 2023 are given in the **Table 5.7**.

**Table 5.7: Statement showing details regarding budgetary support to PSUs**

Sl. No	Particulars	2022-23		2021-22		2020-21	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
<b>Power Sector PSUs</b>							
(i)	Equity Capital Outgo	0	0	0	0	0	0
(ii)	Loans given <sup>76</sup>	1	5.33	0	0	0	0
(iii)	Grants/Subsidy <sup>77</sup> provided	3	9,674.52	3	8,241.77	3	7,974.24
(iv)	<b>Total outgo (i+ii+iii)</b>	<b>4</b>	<b>9,679.85</b>	<b>3</b>	<b>8,241.77</b>	<b>3</b>	<b>7,974.24</b>
(v)	Loan repayment written off	0	0	0	0	0	0
(vi)	Loans converted into equity	0	0	0	0	0	0
(vii)	Guarantees issued	3	23,223.47	3	4,058.46	4	11,982.00
(viii)	Guarantees commitment	5	30,292.39	5	17,701.85	4	17,530.21
<b>Other than Power Sector PSUs</b>							
(i)	Equity Capital Outgo <sup>78</sup>	1	2.55	1	600.00	1	42.40
(ii)	Loans given <sup>79</sup>	2	1,415.93	1	38.75	1	7.92
(iii)	Grants/Subsidy <sup>80</sup> provided	2	8.57	2	6.52	2	7.35
(iv)	<b>Total outgo (i+ii+iii)</b>	<b>5</b>	<b>1,427.05</b>	<b>4</b>	<b>645.27</b>	<b>4</b>	<b>57.67</b>
(v)	Loan repayment written off	0	0	0	0	0	0
(vi)	Loans converted into equity	0	0	0	0	0	0
(vii)	Guarantees issued	1	231.69	1	2,558.00	3	5,149.20
(viii)	Guarantees commitment	3	11,865.66	4	2,208.57	4	4,937.76

**Source:** Information compiled to the extent of information received from the PSUs

State Government helps the PSUs in raising loans from the banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. As can be seen from the above table, the budgetary support by State Government towards equity, loans and grants/subsidy ranged between ₹7,974.24 crore (2020-21) to ₹9,679.85 crore (2022-

<sup>76</sup> as per Government account, loan given during 2020-23 was nil

<sup>77</sup> as per Government account, grant and subsidy provided was 2020-21: ₹4,274.21 crore, 2021-22: ₹9,462.03 crore and 2022-23: ₹15,223.64 crore

<sup>78</sup> as per Government account, equity capital outgo was 2020-21: ₹two crore, 2022-23: nil

<sup>79</sup> as per Government account, loans given was 2020-21: ₹1,000 crore, 2021-22: ₹1,000 crore and 2022-23: ₹1,412.62 crore

<sup>80</sup> as per Government account, grants and subsidy provided was 2020-21: ₹558.13 crore, 2021-22: ₹450.09 crore and 2022-23: ₹7.42 crore

23) in Power Sector PSUs and ranged between ₹57.67 crore (2020-21) to ₹1,427.05 crore (2022-23) in Other than Power Sector PSUs. The major support of grants/subsidies of ₹4,100.40 crore (2021-22) and ₹5,001.86 crore (2022-23) was to Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL) in Power Sector and ₹6.57 crore<sup>81</sup> (2022-23) and ₹3.82 crore (2021-22) to Andhra Pradesh State Film, Television and Theatre Development Corporation Limited in Other than Power Sector by State Government.

The outstanding guarantee commitments given for PSUs increased from ₹17,530.21 crore in 2020-21 to ₹30,292.39 crore in 2022-23 of Power Sector PSUs. The same also increased from ₹4,937.76 crore (2020-21) to ₹11,865.66 crore (2022-23) in Other than Power Sector PSUs. The major guarantee commitments of ₹15,780.95 crore (2022-23) belongs to APSPDCL in Power Sector and of ₹10,939.72 crore to Andhra Pradesh Power Finance Corporation (APPFC) in other than Power Sector by State Government.

The State Government charges guarantee fee at the rate of 0.50 *per cent* per annum to two *per cent* consolidated for the entire guarantee period in case of loan availed by PSUs from banks / financial institutions. To the extent of information received from PSUs, guarantee fee of ₹30.21 crore is paid/payable by three<sup>82</sup> PSUs to the Government as on 31 March 2023.

## 5.4.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2022-23, there was neither disinvestment of any State PSUs nor was any PSU privatised.

## 5.4.3 Analysis of outstanding loans given to PSUs

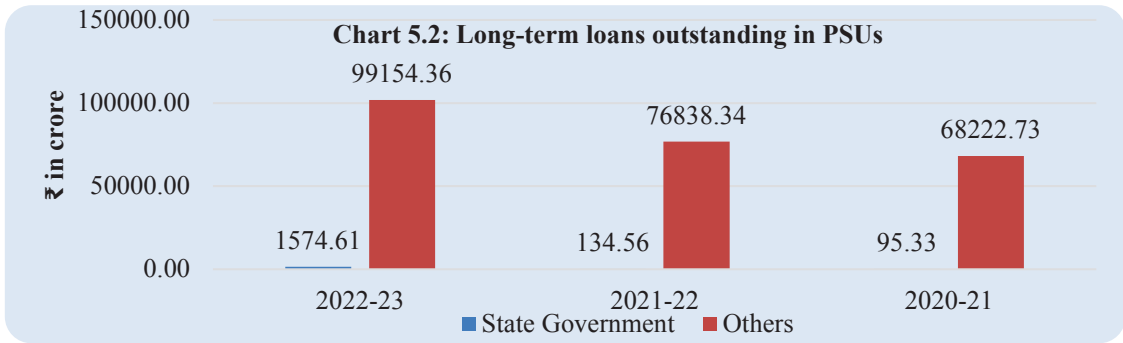
### 5.4.3.1 Long-term loans outstanding as on 31 March 2023

As on 31 March 2023, the total long-term loans outstanding in 20 working PSUs from all sources was ₹1,00,728.97 crore. The outstanding long-term loans of PSUs registered an increase of ₹23,756.07 crore (2022-23: ₹1,00,728.97 crore - 2021-22: ₹76,972.90 crore).

Out of the total outstanding loans as on 31 March 2023, loans from State Government were ₹1,574.61 crore of which significant amount (₹1,412.62 crore) pertained to Andhra Pradesh State Beverages Corporation Limited. Year-wise (2020-21 to 2022-23) details of outstanding long-term loans of PSUs is depicted in **Chart 5.2**.

<sup>81</sup> as per Government account, grants and subsidy provided was 2022-23: ₹5.71 crore and 2021-22: ₹2.86 crore

<sup>82</sup> Andhra Pradesh Power Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited & Andhra Pradesh State Financial Corporation Limited



#### 5.4.3.2 Adequacy of assets to meet loan liabilities

Ratio of total assets to total debt is one of the methods used to determine whether an entity 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 20 PSUs which had outstanding loans as on 31 March 2023 was as given in **Table 5.8**.

**Table 5.8: Coverage of long-term loans with total assets**

Nature of State PSU	Positive Coverage			
	Number of PSUs	Long term loans	Assets <sup>83</sup>	Percentage of assets to loans
		(₹ in crore)		
Government Companies	12	98,224.29	1,56,771.41	1.60
Statutory Corporations	1	45.01	1,975.85	43.90
<b>Total</b>	<b>13</b>	<b>98,269.30</b>	<b>1,58,747.26</b>	<b>1.62</b>

Source: As per Annual Accounts and information of PSUs

Audit noticed that all 20 PSUs covered in this report have positive coverage.

#### 5.4.3.3 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 indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of PSUs, which had outstanding loans during the period from 2020-21 to 2022-23 are given in **Table 5.9**.

**Table 5.9: Showing Interest Coverage Ratio**

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of State PSUs having liability of loan and interest	Number of State PSUs having ICR ≥ 1	Number of State PSUs having ICR < 1
<b>Government Companies</b>					
2020-21	7,046.99	7,404.67	11	5	6
2021-22	7,811.69	4,687.50	11	6	5
2022-23	10,257.77	9,820.88	11	9	2
<b>Statutory Corporations</b>					
2020-21	74.48	189.30	2	2	0
2021-22	48.12	274.42	2	2	0
2022-23	22.52	309.66	2	2	0

<sup>83</sup> Assets of only 13 PSUs of which Accounts were finalised



Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of State PSUs having liability of loan and interest	Number of State PSUs having ICR≥=1	Number of State PSUs having ICR<1
<b>Total</b>					
2020-21	7,121.47	7,593.97	13	7	6
2021-22	7,859.81	4,961.92	13	8	5
2022-23	10,280.29	10,130.54	13	11	2

*Source: As per Annual Accounts and information of PSUs*

It could be seen from above that the number of PSUs with ICR equal to or more than one has increased from seven in 2020-21 to 11 in 2022-23.

## 5.5 Returns from Public Sector Undertakings

### 5.5.1 Profit earned by Public Sector Undertakings

Out of 20 PSUs, 14 PSUs earned profits and five PSUs reported losses while one was at break even during the year 2022-23. The overall profit of these 14 PSUs was ₹ 2,786.83 crore. The list of PSUs which earned profit of more than ₹25 crore during the year 2022-23 is given in **Table 5.10**.

**Table 5.10: List of top profit-making PSUs during 2022-23**

Sl.No.	Name of the State PSUs	Net Profit (₹in crore)
1	Andhra Pradesh Southern Power Distribution Company of Limited	1233.80
2	Andhra Pradesh Central Power Distribution Corporation Limited	482.16
3	Andhra Pradesh State Beverages Corporation Limited	339.72
4	Andhra Pradesh Power Generation Corporation Limited	258.05
5	Andhra Pradesh Power Finance Corporation Limited	192.72
6	Andhra Pradesh State Financial Corporation Limited	186.34
7	Andhra Pradesh State Financial Services Corporation Limited	28.86
<b>Total</b>		<b>2,721.65</b>

*Source: As per Annual Accounts and information of PSUs*

It may be seen that seven PSUs contributed 97.66 per cent of the total profit earned by 14 PSUs during 2022-23.

The details of top three sectors, which contributed maximum profit during 2022-23 are summarised in **Table 5.11**.

**Table 5.11: Top three sectors which contributed maximum profit during the year 2022-23**

Sector	Number of profit earning State PSUs	Net profit earned (₹ in crore)	Percentage of Sector's profit to total State PSUs profit
Power	5	2,003.06	71.88
Others	4	369.29	13.25
Finance	3	407.92	14.64
<b>Total</b>	<b>12</b>	<b>2,780.27</b>	<b>99.77</b>

*Source: As per Annual Accounts and information of PSUs*

### 5.5.2 Losses incurred by Public Sector Undertakings

There were five PSUs, which reported losses during the year 2022-23. The losses incurred by PSUs increased from ₹ 151 crore in 2020-21 to ₹ 1,251.63 crore in 2022-23 as given in **Table 5.12**.

Table 5.12: Number of State PSUs that incurred losses

(₹ in crore)				
Year	Number of State PSUs which incurred loss	Net loss for the year	Accumulated losses	Net worth
2020-21	9	(-) 151.00	2,263.97	122.38
2021-22	9	(-)3,637.66	26,006.34	(-)18,100.17
2022-23	5	(-)1,251.63	4,039.91	(-)1,766.53

Source: As per Annual Accounts and information of PSUs

Out of total loss of ₹ 1,251.63 crore incurred by five PSUs, loss of ₹ 1,227.55 crore was contributed by one PSU i.e., Andhra Pradesh Power Development Company Limited.

### 5.5.3 Erosion of net worth of Public Sector Undertakings

Net worth means the sum total of the paid-up capital, free reserves and surplus minus accumulated losses and deferred revenue expenditure. It is essentially 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.

Out of the 103 working PSUs, 76 PSUs were considered for this analysis as 27 PSUs have not submitted their first accounts. Of these 76 PSUs, 44 PSUs had accumulated losses of ₹73,786.62 crore, 26 PSUs had surplus of ₹9,908.35 crore and six PSUs had neither accumulated losses nor surplus, as per their last available accounts. Due to the accumulated losses, the overall net worth of these 76 PSUs was negative which stood at ₹51,767.87 crore against the shareholders' funds of ₹12,110.40 crore (Paid-up Capital: ₹11,228.36 crore + Free Reserves: ₹882.04 crore).

Out of the 20 PSUs for which detailed analysis of financial performance was covered at Para 5.2 *supra*, nine PSUs had accumulated losses of ₹ 33,585.23 crore, six PSUs had surplus of ₹ 3,955.37 crore and five PSUs had neither accumulated losses nor surplus, as per their latest accounts. Due to these accumulated losses, the overall net worth of these 20 PSUs was negative at ₹22,882.28 crore against the shareholders' funds of ₹ 6747.58 crore (Paid-up Capital: ₹6,032.22 crore + Free Reserves: ₹715.36 crore). Out of these nine PSUs which had accumulated losses, the major portion was due to the losses in three Power Distribution Companies (DISCOMs) of ₹ 29,544.74 (87.97 *per cent*) and one Power Generation PSU of ₹ 3,863.65 crore (11.50 *per cent*). However, the long-term viability of these DISCOMs could not be commented upon as the same are presently monopolies in their areas of operations and the revenue recovery is dependent on various factors like reduction of their aggregate technical and commercial losses, decisions of Sector Regulator *viz.*, Andhra Pradesh Electricity Regulatory Commission (APERC), operational efficiencies, *etc.* Similarly, in case of Andhra Pradesh Power Development Company Limited and Amaravati Development Corporation Limited, their viability would be dependent on the tariff orders of APERC, and the business given by the State Government respectively. Andhra Pradesh Energy University (APEU), which was incorporated in June 2016, did not furnish its financial statements since the first year of incorporation. Based on the information furnished by APEU, it did not have any major operations since incorporation. In this context, the need for continuation of APEU needs to be looked into by the State Government.

The investment of the State Government during the last three years in these nine PSUs which had accumulated losses were as below:

**Table 5.13: Statement showing details regarding budgetary support to PSUs which had accumulated losses**

Sl. No	Particulars	2022-23		2021-22		2020-21	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
<b>Power Sector PSUs</b>							
(i)	Equity Capital Outgo	0	0	0	0	0	0
(ii)	Loans given <sup>84</sup>	1	5.33	0	0	0	0
(iii)	Grants/Subsidy <sup>85</sup> provided	3	9,674.52	3	8,241.77	3	7,974.24
(iv)	<b>Total outgo (i+ii+iii)</b>		<b>9,679.85</b>		<b>8,241.77</b>		<b>7,974.24</b>
(v)	Loan repayment written off	0	0	0	0	0	0
(vi)	Loans converted into equity	0	0	0	0	0	0
(vii)	Guarantees issued	3	23,223.47	3	4,058.46	3	11,570.00
(viii)	Guarantees commitment	3	28,476.94	3	15,938.76	3	15,667.40
<b>Other than Power Sector PSUs</b>							
(i)	Equity Capital Outgo	0	0	0	0	0	0
(ii)	Loans given <sup>86</sup>	1	3.31	1	38.75	1	7.92
(iii)	Grants/Subsidy <sup>87</sup> provided	1	2.00	1	2.70	1	3.60
(iv)	<b>Total outgo (i+ii+iii)</b>		<b>5.31</b>		<b>41.45</b>		<b>11.52</b>
(v)	Loan repayment written off	0	0	0	0	0	0
(vi)	Loans converted into equity	0	0	0	0	0	0
(vii)	Guarantees issued	0	0	0	0	0	0
(viii)	Guarantees commitment	0	0	0	0	0	0

*Source: Information compiled to the extent of information received from the PSUs*

As could be seen from the **Table 5.13**, major portion of the budgetary support was to three DISCOMs in the form of grants towards tariff subsidies.

The shareholders' funds of 31 out of 76 PSUs had been completely eroded by accumulated losses as their net-worth was either zero or negative. The total net worth of these 31 PSUs was negative at ₹68,261.11 crore against paid up capital of ₹5,420.73 crore in these PSUs as per their last financial statements.

Of these 31 PSUs whose shareholders' funds had been completely eroded (zero or negative net worth), the maximum erosion of shareholders' funds was noticed in Andhra Pradesh State Development Corporation Limited having negative net worth of ₹23,819.60 crore along with three DISCOMs whereas negative net worth of APSPDCL,

<sup>84</sup> as per Government account, loan given during 2020-23 was nil

<sup>85</sup> as per Government account, grant and subsidy provided was 2020-21: ₹4,274.21 crore, 2021-22: ₹9,462.03 crore and 2022-23: ₹15,223.64 crore

<sup>86</sup> as per Government account, loans given was 2020-21: ₹1,000 crore, 2021-22: ₹1,000 crore and 2022-23: ₹1,412.62 crore

<sup>87</sup> as per Government account, grants and subsidy provided was 2020-21: ₹3.60 crore, 2021-22: ₹1.24 crore and 2022-23: ₹1.71 crore

APCPDCL and APEPDCL was ₹12,222.29 crore, ₹9,725.69 crore and ₹7,116.71 crore respectively as on 31 March 2023. Further, of these 31 PSUs, 24 PSUs incurred losses of ₹14,603.79 crore, five PSUs earned profit of ₹1,737.10 crore, and two PSUs reported neither profit nor loss, as per their last financial statements. State Government loans outstanding as per the last available accounts/ latest information furnished by PSUs was ₹126.53 crore in respect of five<sup>88</sup> out of 31 PSUs having negative net worth. Details of PSUs having negative net worth as on 31 March 2023 are given in **Appendix 5.2**.

The age-wise analysis of the accounts in arrears of all the 103 working PSUs and the 31 PSUs whose net worth had been eroded is as below:

**Table 5.14: Statement showing the accounts in arrears for all working PSUs and PSUs whose net worth is eroded**

Category	Number of PSUs	Pending for (years)				
		Nil	1-2	3-5	6-10	11 and more
Working PSUs	103	13	32	37	19	2
Total No of Accounts in arrears for Working PSUs		0	43	138	133	28
No of PSUs whose net worth had been eroded	31	5	12	12	2	0
Total No of Accounts in arrears for PSUs whose net worth had been eroded		0	15	43	15	0

*Source: Last available financial statements of the PSUs*

As could be seen from **Table 5.14**, while 43 accounts of 32 PSUs are in arrears for less than three years, 299 accounts of 58 PSUs are in arrears for three or more than three years. Of these 58 PSUs, two PSUs are having 28 accounts in arrears in total for more than a decade. Only 13 of the 103 PSUs does not have any arrears of accounts and have finalised their accounts till 2022-23.

In case of PSUs whose net worth had been eroded, 26 out of the 31 PSUs are not regularly submitting their accounts. Out of these 26 PSUs, 15 accounts of 12 PSUs are in arrears for less than three years and 58 accounts of 14 PSUs are in arrears for three or more than three years. This indicates poor oversight by the Board of Directors in spite of ineffective performance of these PSUs.

Out of the 20 PSUs for which detailed analysis of financial performance was covered at Para 5.2 *supra*, the shareholders' funds of eight PSUs had been completely eroded by accumulated losses and their net worth was negative. The total net worth of these eight PSUs was negative at ₹30,918.52 crore against paid up capital of ₹2,653.48 crore in these PSUs as per their latest financial statements. Further, of these eight PSUs, four PSUs incurred losses of ₹1,247.82 crore, three PSUs earned profit of ₹1,735.66 crore, and one PSU reported neither profit nor loss, as per their latest financial statements. State Government loans outstanding as per the last available accounts/latest information furnished by PSUs was ₹84.06 crore in respect of three out of these eight PSUs.

The details of the receipts and expenditure of these eight PSUs as per their last available accounts are given in **Appendix 5.3**. As could be seen there from, the total income

<sup>88</sup> excluding Andhra Pradesh State Road Transport Corporation (APSRTC) as revised accounts not yet received till cutoff date i.e. 30.09.2023 subsequent to suspension of audit

earned by these eight PSUs was not sufficient to meet the total expenditure excluding Depreciation & Amortisation Expenses. However, the three DISCOMs had met the shortfall from the revenue subsidies and grants received during the year from the State Government. In case of Andhra Pradesh Power Development Company Limited, the shortfall was met from the amounts realised against the previous years' trade receivables. While Andhra Pradesh Metro Rail Corporation Limited and Amaravati Development Corporation Limited met the shortfall from the proceeds realised from sale of their investments, YSR Steel Corporation Limited created long term and short term payables in the Balance Sheet towards the shortfall.

#### 5.5.4 Dividend pay-out by Public Sector Undertakings

As per the guidelines issued (2002) by Public Enterprises Department, GoAP, no dividend shall be declared or paid by a Company for any financial year except out of the profits of the Company for that year arrived at after providing for depreciation in accordance with provisions of Companies Act. The guidelines, however, did not prescribe any fixed rate of dividend to be paid by the State PSUs.

During the year 2022-23, none of the PSUs paid any dividend.

#### 5.5.5 Return on Capital Employed

Return on Capital Employed (ROCE) is a profitability metric that measures company's long-term profitability and the efficiency with which total capital is employed by a company. The ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>89</sup>.

The PSU-wise details of ROCE for the period 2020-21 to 2022-23 are given in *Appendix 5.4*. The consolidated ROCE of working PSUs during respective year from 2020-21 to 2022-23 is given in **Table 5.15**.

**Table 5.15: Return on Capital Employed of PSUs**

Year	Number of PSUs	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in percentage)
2020-21	20	7,627.45	45,272.64	16.85
2021-22	20	5,119.88	53,295.26	9.61
2022-23	20	10,166.63	77,846.35	13.06

*Source: As per Annual Accounts and information of PSUs*

It was observed that ROCE of working State PSUs decreased from 16.85 *per cent* during 2020-21 to 13.06 *per cent* during 2022-23. However, Capital Employed increased by ₹ 32,573.71 crore during 2022-23 compared to that of 2020-21.

#### 5.5.6 Return on Equity of PSUs

Return on Equity (RoE) is a measure of financial performance to assess how effectively the management is using company'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

<sup>89</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses – deferred revenue expenditure

a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

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

The PSU wise details of ROE for the period 2020-21 to 2022-23 are given in **Appendix 5.5**. The consolidated ROE of working PSUs during the period from 2020-21 to 2022-23 is given in **Table 5.16**.

**Table 5.16: Return on Equity of PSUs**

Year	Number of PSUs	Net Profit/loss (₹ in crore)	Equity (₹ in crore)	ROE (in percentage)
2020-21	20	82.25	5,391.49	1.53
2021-22	20	(-),775.88	6,018.62	(-),46.12
2022-23	20	1,535.20	6,032.22	25.45

*Source: As per Annual Accounts and information of PSUs*

The ROE of these PSUs increased to 25.45 *per cent* during 2022-23 compared to previous year 2021-22 due to increase in profits reported by the PSUs in Power Sector.

### 5.5.7 Rate of Real Return on Investment

Rate of Real Return on Investment (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 Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis.

In view of the significant investment by the Governments and Others in the PSUs, Rate of Real Return on such investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the Rate of Real Return on the Investment since such calculations ignore the present value of money. Present Value (PV) of the investment has been computed to assess the Rate of Real Return on the PV of investments in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2023, the past investments/ year-wise funds infused in the PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. There were no interest free loans during 2018-19 to 2022-23.

The PV of the investment in PSUs was computed on the basis of following assumptions;

- The equity infused minus disinvestment reckoned as investment for calculating RORR.
- The funds made available in the form of interest-free loans, have been reckoned

as investment.

- The average rate of interest on Government borrowings for the concerned financial year was adopted as compounded rate for arriving at present value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected RORR.

**Table 5.17: Year wise details of investment in 20 PSUs by the State Government, Central Government and Others and RORR from 2018-19 to 2022-23**

(₹ in crore)

Financial Year	PV of the total investment at the beginning of the year	Equity invested during the year by GoAP	Equity Invested by GoI and Others during the year	Infusion of Interest free loan by GoAP during the year	Infusion of Interest free loan by GoI & others during the year	Total Investment	Average Rate of Investment (per cent)	PV of the Total Investment at the end of the year	Minimum expected return	Total earnings/ losses for the year	Rate of Real RoI Considering PV of the investment (per cent)
(A)	(B)	(C)	(D)	(E)	(F)	(G)=(B+C+D+E+F)	(H)	(I)=(G)+((C*H)/100)	(J)=(G*H)/100	(K)	(L)=K*100/I
2018-19	5,332.39	0.00	21.50	0.00	0.00	5,353.89	6.37	5,694.93	341.04	(-)12,837.73	(-)225.42
2019-20	5,694.93	289.16	30.33	0.00	0.00	6,014.42	6.31	6,393.93	379.51	(-)789.36	(-)12.35
2020-21	6,393.93	44.40	0.00	7.92	0.00	6,446.25	6.16	6,843.34	397.09	68.08	0.99
2021-22	6,843.34	600.00	27.14	38.75	0.00	7,509.23	6.15	7,971.05	461.82	(-)2,789.05	(-)34.99
2022-23	7,971.04	2.55	11.04	3.31	0.00	7,987.94	6.40	8,499.17	511.23	1,535.20	18.06
<b>Total</b>		<b>936.11</b>	<b>90.01</b>	<b>49.98</b>	<b>0.00</b>	<b>33,311.73</b>		<b>35,402.42</b>		<b>(-)14,812.86</b>	

**Source:** Annual Accounts and information of PSUs; **Note:** Actual Equity and interest free loan at historical cost at the beginning of the year.

RORR has been increased to 18.06 per cent in 2022-23 compared to (-) 225.42 per cent of 2018-19. This was mainly on account of increase in profit of four PSUs, three in Power Sector viz., APSPDCL, APGENCO and APCPDCL and one in non-power sector, Andhra Pradesh State Beverages Corporation Limited. Eastern Power Distribution Company Limited of Andhra Pradesh, Andhra Pradesh State Financial Corporation and Andhra Pradesh Power Finance Corporation continued to report profits in 2022-23.

**Table 5.18: Consolidated RORR on present value of investments of 20 PSUs for the year 2022-23**

Total Earnings/ Loss in 2022-23 (₹ in crore)	Investment by the State Government, Central Government and Others since 2018-19 to 2022-23 (₹ in crore)	Return on investment on the basis of historical value (in percentage)	Present value of investment at the end of 2022-23 (₹ in crore)	RORR on investment considering the present value of investments (in percentage)
(A)	(B)	(C)	(D)	(E)
Value of column (K) of above table	Total of OB of 2018-19+ Column (C to F)	(A)*100/(B)	Value of Column (I) of above table	(A)*100/(D)
1,535.20	6,408.49 5,332.39+936.11+90.01+49.98+0	23.96	8,499.17	18.06

**Source:** As per Annual Accounts and information of PSUs

### 5.5.8 Dues of APDISCOMs to Power Generation Companies

As on 31 March 2023, there are three Power Distribution Companies (DISCOMs) of Andhra Pradesh as mentioned in the **Appendix-5.1**. The outstanding dues from Andhra Pradesh DISCOMs to APGENCO, State Power Generation Company, and various Central Power Generation Companies like National Thermal Power Corporation (NTPC) and NTPC's subsidiaries, Nuclear Power Corporation of India Limited (Kaiga

Plant) and Neyveli Lignite Corporation Limited, etc., decreased from ₹4,575.81 crore as on 31 March 2021 to ₹3,479.75 crore as on 31 March 2023, as detailed in below **Table 5.19**.

**Table 5.19: Statement showing dues of APDISCOMs to State and Central Power Generation Companies during last three years**

DISCOM Name	As on 31 March 2021			As on 31 March 2022			As on 31 March 2023		
	Amount dues	LPS*/ Penalties etc.	Total outstanding dues	Amount dues	LPS*/ Penalties etc.	Total outstanding dues	Amount dues	LPS*/ Penalties etc.	Total outstanding dues
<b>A. Dues from AP DISCOMs to State Power Generating Company (₹ in crore)</b>									
APEPDCL	1,049.29	0.00	1,049.29	1,599.50	0.00	1,599.50	706.21	0.00	706.21
APSPDCL	1,171.55	0.00	1,171.55	1,785.86	0.00	1,785.86	788.50	0.00	788.50
APCPDCL	676.16	0.00	676.16	1,030.71	0.00	1,030.71	455.08	0.00	455.08
<b>Total</b>	<b>2,897.00</b>	<b>0.00</b>	<b>2,897.00</b>	<b>4,416.07</b>	<b>0.00</b>	<b>4,416.07</b>	<b>1,949.79</b>	<b>0.00</b>	<b>1,949.79</b>
<b>B. Dues from AP DISCOMs to Central Power Generating Companies (₹ in crore)</b>									
APEPDCL	405.64	67.58	473.22	363.07	28.25	391.32	553.32	0.00	553.32
APSPDCL	797.12	82.03	879.15	732.23	37.50	769.73	618.86	0.00	618.86
APCPDCL	280.04	46.40	326.44	239.59	19.34	258.93	357.78	0.00	357.78
<b>Total</b>	<b>1,482.80</b>	<b>196.01</b>	<b>1,678.81</b>	<b>1,334.89</b>	<b>85.09</b>	<b>1,419.98</b>	<b>1,529.96</b>	<b>0.00</b>	<b>1,529.96</b>
	<b>4,379.80</b>	<b>196.01</b>	<b>4,575.81</b>	<b>5,750.96</b>	<b>85.09</b>	<b>5,836.04</b>	<b>3,479.75</b>	<b>0.00</b>	<b>3,479.75</b>

*Source: Information furnished by State PSUs/AP Power Coordination Committee; \* Late Payment Surcharge.*

As evident from the above Table, outstanding dues from APDISCOMs to State Power Generation Company and various Central Power Generation Companies decreased by 23.95 per cent and 40.37 per cent as on 31 March 2023 as compared to figures on financial year ended March 2021 and 2022 respectively.

Further, outstanding dues of APDISCOMs to the Power Generation Companies would increase in future after considering the Late Payment Surcharge (LPS) on outstanding dues as on 31 March 2023 as per Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 notified on 03 June 2022 by the Union Ministry of Power, though LPS and penalties were shown as nil during the respective year.

## 5.6 Oversight Role of CAG

### 5.6.1 Appointment of statutory auditors of State PSUs by CAG

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company as per Section 139 (5)/ (7) of the Companies Act, 2013 (Act), which stipulates that the statutory auditors, in case of a Government Company or Government Controlled Other Company, are to be appointed by the CAG within a period of 180 days from the commencement of the financial year and 60 days from the registration in case of first auditor. The CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor. Statutes governing some Corporations require that their accounts be audited by the CAG and a report submitted to the State Legislature.



## 5.6.2 Submission of Accounts by PSUs

### 5.6.2.1 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). After such preparation, as soon as possible the Annual Report must be laid before the Legislative Assembly, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary Legislative control over the utilisation of public funds invested in the companies.

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 Statement for the financial year has to be placed in the said AGM for their consideration. Consequently, the Financial Statements need to be prepared and placed in the AGM by 30 September of the following year ended 31 March.

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.

### 5.6.2.2 Timeliness in preparation of accounts by Public Sector Undertakings

As on 31 March 2023, there were 124 State PSUs under the purview of CAG's audit in Andhra Pradesh. Out of these 124 PSUs, 21 were inactive which were either under liquidation or defunct. Out of remaining 103 working PSUs (including three Statutory Corporations), a total of 13 working State Government Companies submitted their accounts for 2022-23 for audit by CAG on or before 30 September 2023. Annual Accounts of 90 PSUs including two Statutory Corporations were in arrears for various reasons. However, 28 State PSUs including two Statutory Corporations have submitted 50 annual accounts for the previous years by 30 September 2023. Details of arrears in submission of accounts as on 30 September 2023 are given in **Table 5.20**.

**Table 5.20: Details of finalisation of accounts by PSUs**

Particulars	Government Companies <sup>90</sup>	Statutory Corporations	Total PSUs
<b>Total number of PSUs on 31 March 2023</b>	100	3	<b>103</b>
<b>Number of State PSUs which presented the accounts of 2022-23 for CAG's audit by 30 September 2023</b>	12	1	<b>13</b>
<b>Number of PSUs which submitted Accounts for previous years (Number of Accounts)</b>	26(40)	2(10) <sup>91</sup>	<b>28(50)</b>

<sup>90</sup>including Government controlled other companies

<sup>91</sup> the Annual Accounts of APSWC for the year 2015-16 which were received on 25.08.2022 were also included in this report

Particulars		Government Companies <sup>90</sup>		Statutory Corporations		Total PSUs	
		Government Companies	Number of Accounts in Arrears	Statutory Corporations	Number of Accounts in Arrears	Number of PSUs	Number of Accounts in Arrears
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	19	19	2	2	21	21
	Two years (2021-22 and 2022-23)	11	22	--	--	11	22
	Three years and more	58	299	--	--	58	299
<b>Total</b>		<b>88</b>	<b>340</b>	<b>2</b>	<b>2</b>	<b>90</b>	<b>342</b>

Source: As compiled by office of PAG (Audit), Andhra Pradesh.

The list of the State PSUs and status of accounts in arrears is indicated in **Appendix-5.1**. Further, 299 accounts of 58 PSUs constituting 87.43 per cent of total accounts in arrears (342) were due for three and more years as on 30 September 2023. The matter was taken up with the respective PSUs and Administrative Department of Statutory Corporations concerned to clear the arrears. In this regard a meeting was conducted in November 2023 with Nodal Authority, Finance Department, GoAP, to coordinate and have oversight on the Statutory compliance of State PSUs. Audit of three Statutory Corporations viz., Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Warehousing Corporation (APSWC) and Andhra Pradesh State Financial Corporation (APSFC) is conducted by the CAG as per provisions of relevant Act. Of the three Statutory Corporations, CAG is the sole auditor for Andhra Pradesh Road Transport Corporation. Of the three Statutory Corporation only APSFC has no Accounts in arrears. However, last Separate Audit Report (SAR) of APSFC for the year 2020-21 was laid before the State legislature in September 2023 and thereafter SARs of 2021-22 was yet to be placed before the State legislature. The SAR of APSWC for the year 2014-15 was laid before State Legislature in November 2020. The SARs of APSRTC for the years 2014-15 to 2018-19 were laid before State Legislature in November 2021. The Annual Accounts of the APSRTC and APSWC were in arrears (for the financial year 2022-23) as on 30 September 2023.

### 5.6.3 CAG's oversight- Audit of annual accounts and supplementary audit

#### 5.6.3.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

#### 5.6.3.2 Audit of accounts of Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government Companies and submit their report

thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in the audit of PSUs with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- To issue directions to the Statutory Auditors under Section 143(5) of the Companies Act, 2013 and
- To supplement or comment upon the Statutory Auditor's Report under Section 143(6) of the Companies Act, 2013.

### **5.6.3.3 Supplementary audit of annual accounts of Government Companies**

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act lies with the Management of an entity.

The Statutory Auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, reported under Section 143 (6) of the Companies Act, 2013 are to be placed before the AGM of respective PSU.

## **5.7 Results of CAG's oversight role**

### **5.7.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013**

As on 30 September 2023, 13 PSUs submitted their Financial Statements for the year 2022-23. Further, 28 PSUs submitted 50 Financial Statements/accounts for previous years spanning from 2014-15 to 2021-22.

Of the 69<sup>92</sup> accounts received during the period (October 2022 to September 2023), Supplementary Audit and issue of CAG Comments in respect of 20 Accounts have been completed (14 accounts-final Comments and six Accounts- Nil comments) and Non-Review Certificate (NRC) was issued for 11 accounts. Further, of the 36<sup>93</sup> accounts pending at the beginning of October 2022, for 32 Accounts CAG comments were issued (27 Accounts-Final Comments, five Accounts- Nil Comments) and NRC was issued for

<sup>92</sup> includes three Accounts of inactive PSU i.e. ABC(Next) India Private Limited and also includes three revised accounts of three entities i.e. Andhra Pradesh State Fiber Net Limited, Andhra Pradesh State Irrigation Development Corporation Limited and Bio Valley Incubation Council

<sup>93</sup> refer to Para 5.7.1 of SFAR for the year 2021-22

two Accounts while Audit certificates of two accounts is under progress. Thus, in total, issue of CAG comments for 40 Accounts is at various stages of which 38 were received during the year and two were of the previous period. The results of the review are detailed below:

#### 5.7.1.1 *Amendment of Financial Statements*

As a result of supplementary audit of the financial statements received during the period ended 30 September 2023 conducted by the CAG, three<sup>94</sup> (excluding one<sup>95</sup>) of the State PSUs has amended the Financial Statements before laying the same in the Annual General Meeting.

#### 5.7.1.2 *Revision of Auditors Report*

As a result of supplementary audit of the financial statements received/processed during the period ended 30 September 2023 conducted by the CAG, the statutory auditors of 11 State PSUs as detailed in *Appendix 5.6* revised their report before laying the Financial Statements of these Companies in their AGMs.

#### 5.7.1.3 *Significant comments of the CAG issued as supplement to the Statutory Auditors' Reports on State PSUs*

Subsequent to the audit of the financial statements for the year 2022-23 and that of the financial statements for the previous years received by 30 September 2023, by Statutory Auditors, the CAG conducted 52<sup>96</sup> Supplementary Audits of the financial statements of the selected State PSUs. Some of the significant comments issued on financial statements of Government Companies, the financial impact of which on the profitability was ₹139.32 crore and on assets/liabilities was ₹1,207.66 crore are given below.

Sl. No	Name of the Company	Comment
<b>Comments on Profitability</b>		
1	Andhra Pradesh Power Finance Corporation Limited	<p><b>Statement of Profit and Loss</b></p> <p><b>Expenses</b></p> <p><b>Impairment on Financial Assets (Note 23): NIL</b></p> <p>Balance of loans amounting to ₹13,901.19 crore (Note-6) as on 31 March 2023 includes ₹570.50 crore and ₹810.75 crore loans given to APGENCO and APPDCL respectively. 'Provision on Standards Assets' at 0.40 <i>per cent</i> required to be created<sup>97</sup> against such loan amount. As per Master Direction<sup>98</sup> provision was provided as disclosed under Note-32. The Board resolved (178<sup>th</sup> meeting held on 31 March 2023) to extend the moratorium period by one year and the</p>

<sup>94</sup> APSFL, APSIDCL, BVIC for the previous years, but not current year

<sup>95</sup> APIIC (refer to Para 5.7.1 of SFAR for the year 2021-22)

<sup>96</sup> out of 52 accounts for which audit was conducted, 20 accounts were received during 01.10.2022 to 30.09.2023 remaining 32 were received prior to 01.10.2022

<sup>97</sup> as per the RBI/DNBR/ 2016-17/45

<sup>98</sup> DNBR.PD.008/03.10.119/ 2016-17

Sl. No	Name of the Company	Comment
		<p>above said loans were restructured.</p> <p>As per master direction read with Prudential Framework for Resolution<sup>99</sup> of Stressed Assets ‘restructuring’ includes alteration in the payment period. Hence, upon restructuring of the said two loans, such assets should have been reclassified as the Sub-standard assets. Provision on the Sub-standard assets at 10 <i>per cent</i> should have been recognised as per the provisions of Para12 and 13 of the Master direction of Reserve Bank of India. Accordingly, the balance short provision for the sub-standard assets at 9.60 <i>per cent</i> on these two loans works out to ₹132.60 crore (after netting the 0.40 <i>per cent</i>). This resulted in understatement of the Provision for Standard Assets by ₹132.60 crore with corresponding overstatement of Profit for the year to that extent.</p> <p><b>Revenue from Operations</b></p> <p><b>Other Income (Note 20): ₹4.09 lakh</b></p> <p>The above does not include ₹19.19 lakh (excluding GST amount of ₹3.46 lakh) towards pre-closure charges at the rate of 0.5 <i>per cent</i> on ₹45.30 crore (out of total ICD of ₹500 crore) of Inter Corporate Deposits (ICDs) withdrawn by Andhra Pradesh Solar Power Corporation Private limited before maturity date. There was neither disclosure of such waiver nor approval of the competent authority / Board of Directors of the Company for waiver of pre-closure charges as on reporting date. Thus, omission to account for the pre-closure charges resulted in understatement of Receivables by ₹22.65 lakh (including GST amount of ₹3.46 lakh) and Profit for the year by ₹19.19 lakh.</p>
2	Transmission Corporation of Andhra Pradesh Limited	<p><b>Revenues</b></p> <p><b>Other Income (Note 21 A) – ₹187.25 crore</b></p> <p><b>Supervision charges – ₹44.73 crore</b></p> <p>The above was overstated by ₹6.53 crore due to incorrect inclusion of development charges collected from four consumers, instead of under Grants (Non-government consumer contributions). This has resulted in overstatement of Profit for the year and understatement of Grants by ₹6.53 crore.</p>
<b>Comments on Financial Position</b>		
1	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	<p><b>Balance Sheet</b></p> <p><b>Assets</b></p> <p><b>Current assets</b></p> <p><b>Trade receivables (Note 16): ₹28.95 crore</b></p> <p>During 2019-20 and 2020-21, the Company recognised trade receivables of ₹1.35 crore and ₹1.64 crore respectively from AP DISCOMs towards expenditure incurred by the Company on account</p>

<sup>99</sup> DBR.No.BP.BC.45/ 21.04.048/2018-19 dated 07.06.2019

Sl. No	Name of the Company	Comment
		<p>of Feasibility and DPRs in connection with Pumped Storage Projects (PSP), as disclosed in the Note-28(6) to the Financial Statements for 2021-22.</p> <p>However, contrary to this, the expenditure incurred amounting to ₹8.27 crore by the Company in connection with PSPs during the current year was not recognised as receivables from DISCOMs, which was not in line with Government orders also. Hence, this resulted in understatement of Trade receivable and overstatement of Loss for the year by ₹8.27 crore.</p>
2	Transmission Corporation of Andhra Pradesh Limited	<p><b>Equity and Liability</b></p> <p><b>Equity</b></p> <p><b>Other Equity (Note-11B): ₹3,133.57crore</b></p> <p>A reference is invited to Comment No. B (2) on the financial statements for the year ended 31 March 2020 and Comment No. A(1) on the financial statements for the year ended 31 March 2021. Though the Company treated the funds received from Government of Andhra Pradesh (GoAP) towards Deposit contribution works for extension of electricity lines and substations for Lift Irrigation schemes (as detailed in Note 34 and 35) in line with other grants received (as per Note 1(h)), it included the same in “Other Equity” (Note 11B) instead of “Grants” (Note12).</p> <p>This has resulted in misclassification of accounts with overstatement of “Other Equity” and understatement of “Grants” by ₹1,168.76 crore.</p> <p><b>Grants (Note12) – ₹1,287.03 crore</b></p> <p>A reference is invited to Note 1 (h) of the Financial Statements wherein it was stated that the grants related to depreciable assets are recognised in profit or loss account over the period and in the proportion in which depreciation expense on those assets is recognised.</p> <p>The company capitalised the assets to the extent of ₹154.05 crore acquired from Solar Energy Corporation of India Limited SECI (₹120 crore) and Power System Development Fund (PSDF) (₹34.05 crore) grants to the end of March 2022 and provided depreciation there on to the extent of ₹30.63 crore. Though the said assets were depreciated over the period, the grants were not amortised with equivalent amount of depreciation in line with the stated accounting policy.</p> <p>This has resulted in overstatement of grants by ₹30.63 crore and of Other Income and Profit for the year by ₹30.63 crore with consequential understatement of “Other equity” by same amount.</p>
<b>Comments on Disclosures</b>		
1	Godavari Gas Private Limited	<p><b>Capital work-in-progress (Note-6): ₹235.45 crore</b></p> <p>According to Division-II (Ind AS) of Schedule III (as amended in March 2021) and the provisions of Section 129 of the Companies Act 2013, Capital Work-in-Progress (CWIP) ageing schedule (Projects in progress and Projects temporarily suspended) in the prescribed format</p>

Sl. No	Name of the Company	Comment
		<p>shall be given in financial statements. Further, CWIP whose completion is overdue or has exceeded its cost compared to its original plan, CWIP completion schedule shall be given separately. As on 31 March 2023, the balance of CWIP disclosed on the face of Balance Sheet and Note-6 was ₹235.45 crore (previous year: ₹221.56 crore) constituting 77.01 <i>per cent</i> of total Property, Plant &amp; Equipment (PPE) as on reporting date.</p> <p>However, the ageing Schedule of CWIP was not disclosed in the financial statements for the year, which is a deviation from the provisions of the Companies Act, 2013. Though the Management should disclose the reasons for deviation and impact, the same has not been complied with.</p> <p><b>Trade receivables (Note-9): ₹4.48 crore</b></p> <p>According to Division-II (Ind AS) of Schedule III (as amended in March 2021) and the provisions of Section 129 of the Companies Act 2013, Trade Receivables ageing Schedule in the prescribed format shall be given in financial statements. Further, similar information shall be given for Trade Receivables where no due date of payment is specified, in that case disclosure shall be from the date of the transaction and unbilled dues shall be disclosed separately.</p> <p>However, the ageing Schedule of Trade Receivables was not disclosed in the financial statements for the year, which is a deviation from the provisions of the Companies Act, 2013. Though the Management should disclose the reasons for deviation and impact, the same has not been complied with.</p>
2	Andhra Pradesh Power Finance Corporation Limited	<p>The Company recognised interest income of ₹406.41 crore as interest serviced by the Government of Andhra Pradesh (GoAP) towards Debt Securities. The company had neither borrowed nor any loan was outstanding from the State Government as per Note-6 (Loans). Hence, the Company should have disclosed the basis for receiving the interest from the Government and the nature of income to the extent of ₹406.41 crore, apart from disclosure in Note-37A.</p> <p>As per the RBI Master direction dated 01.09.2016, NBFC shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per categories considering the period for which principal or interest payment or any other amount wholly or partly overdue. Though ageing schedule of the trade receivables was disclosed, the Company has not adhered to the provisions of RBI Master direction, since loans assets on which the amount of interest and principal has not been received during the last six months was neither disclosed nor classified as SMA.</p>

#### 5.7.1.4 Management Letters

One of the objectives of financial audit is to establish communication on audit matters

arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSUs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. The deficiencies generally related to (a) application and interpretation of accounting policies (b) adjustments arising out of audit and (c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned PSU gave assurances that corrective action would be taken in the subsequent year.

During the year, 43 'Management Letters' were issued to 35 PSUs as detailed in *Appendix 5.7*.

## **5.8 Conclusion**

*As on 31 March 2023, there were 124 PSUs of which 103 are working PSUs and 21 are inactive PSUs in Andhra Pradesh under the audit jurisdiction of CAG. Out of 103 working PSUs, eleven PSUs were related to Power sector and 92 PSUs were related to other than power sector. Of these 103 working PSUs, 45<sup>100</sup> PSUs were having arrears of accounts for less than three years as at the end of 30 September 2023. Based on the accounts and information furnished by PSUs, analysis of financial performance and financial position of 20 working PSUs have been covered.*

*During 2022-23, 20 PSUs registered an annual turnover of ₹ 88,176.83 crore, which was equal to 6.69 per cent of the GSDP of Andhra Pradesh.*

*As on 31 March 2023, the investment of the State Government in equity and long-term loans in 20 PSUs was ₹ 5,534.42 crore against total investment of ₹ 1,06,761.20 crore. The outstanding long terms loans of State Government in these PSUs as on 31 March 2023 was ₹ 1,574.61 crore.*

*Out of the 20 PSUs, 14 PSUs earned profits (₹ 2,786.83 crore), while five PSUs incurred losses (₹ 1,251.63 crore). As on 31 March 2023, five PSUs had accumulated losses of ₹ 4,039.91 crore in these loss-making PSUs.*

*Out of the 103 working PSUs, Financial Statements for the year 2022-23 were received only from 13 PSUs up to 30 September 2023. Financial Statements of 58 PSUs were in arrears for three or more years.*

*As a result of the audit of CAG during the period October 2022 to September 2023, Statutory Auditors of 11<sup>101</sup> PSUs revised their Audit Report. Significant comments*

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<sup>100</sup> including 27 PSUs of which have not submitted their first accounts since their inception

<sup>101</sup> excluding three PSUs i.e. AMTZ Medi Valley Incubation Council, Andhra Pradesh State Agro Industrial Development Corporation Limited, New and Renewable energy development Corporation of Andhra Pradesh of which accounts were received before the cutoff date i.e. 01 October 2022.



highlighting inaccuracies in the Financial Statements impacting profitability by ₹139.32 crore and assets/ liabilities by ₹1,207.66 crore were issued.

## 5.9 Recommendations

- a) Government of Andhra Pradesh may review the functioning of all loss-making PSUs and take necessary steps to improve their financial performance.
- b) Government may issue necessary instructions to Administrative Departments to set targets for individual PSUs to furnish the accounts in time and to strictly monitor the clearance of arrears and take steps expeditiously in order to liquidate the arrears in finalisation of account so as to ensure compliance of State PSUs with respective governing Acts.
- c) Government may increase transparency and disclosure of Budgetary Support given to State PSUs in the form of Grants/Subsidies and Guarantees, as well as Government Guarantees commission receivable from such PSUs in the Annual Accounts.
- d) Government may review the inactive Government Companies and take appropriate decision on their revival / winding up.

Vijayawada  
The 12 JUL 2024

इन्दु अग्रवाल  
(INDU AGRAWAL)  
Principal Accountant General (Audit)  
Andhra Pradesh

Countersigned

New Delhi  
The 15 JUL 2024

  
(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India