

Chapter-I

Financial Performance of State Public Sector Enterprises

Introduction

1.1 This Report presents the financial performance of State Government Public Sector Enterprises (SPSEs) of the Government of Rajasthan for the year 2019-20. The term SPSEs encompasses the Government Companies (including Government Controlled other Companies) set up under the Companies Act, 2013 and the Statutory Corporations set up under the statutes enacted by Parliament/State Legislature.

Government Company

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

Government Controlled other Company

• Any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments. {As defined under the Companies (Removal of Difficulties) Seventh Order, 2014 notified (4 September 2014) by the Ministry of Corporate Affairs, Government of India}

Statutory Corporation

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

The financial performance of SPSEs depicted in the Report has been taken from their financial statements as well as the information received from the SPSEs. Impact of revision of accounts as well as significant comments¹ issued as a result of sole audit/supplementary audit conducted by the Comptroller and Auditor General of India (CAG) on the financial statements of the SPSEs for the year 2019-20 (or of earlier years which were finalised during the current year) have also been covered in this Report.

The Report also gives an overall picture of the status of the compliance with provisions of the Companies Act, 2013 on Corporate Governance and Corporate Social Responsibility as well as adherence to the provisions of the Rajasthan Transparency in Public Procurement Act 2012 and the rules framed thereunder.

Mandate

1.2 Audit of Government Companies and Government Controlled other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made there under. Under the Companies Act, 2013, the CAG appoints the Chartered

1 Based on the certificates finalized/issued from 1 October 2019 to 31 December 2020.

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

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

Role of Government and Legislature

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

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

Nature of SPSEs covered in the Report

1.4 Out of 43 SPSEs (40 Government Companies and three Statutory Corporations) which existed at the beginning of the year 2019-20, two Government Companies² got liquidated during the year and went out from the purview of CAG, whereas four Government Controlled other Companies³ came under the purview of the CAG for audit. Resultantly, the number of SPSEs under the purview of CAG for audit increased to 45 SPSEs, including 38 Government Companies, three Statutory Corporations⁴ and four Government Controlled other Companies as on 31 March 2020 as listed in **Annexure-1.3**. Further, figures for the year 2017-18 and 2018-19 do not include figures of two companies wound up during the year 2019-20. None of the companies were listed on the stock exchange. Further, the Government Companies included three⁵ inactive companies which ceased their operations for last three to 20 years. The investment and liquidation status of these inactive companies is discussed in **Paragraph 1.20**.

On the basis of nature of activities undertaken, these 41 SPSEs (excluding four Government Controlled other Companies) have been categorised into eight sectors. The turnover (₹ 82793.75 crore) of these 41 SPSEs for 2019-20 was 8.11 *per cent* of the Gross State Domestic Product (GSDP) of Rajasthan (₹ 1020989 crore) for the year. Sector wise turnover vis-à-vis share of turnover

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- 2 Keshoraipatan Gas Thermal Power Company Limited and Rajasthan Rajya Vidut Vitran Vitta Nigam Limited.
 - 3 Jaipur Smart City Limited, (JSCL) Udaipur Smart City Limited (USCL), Kota Smart City Limited (KSCL) and Ajmer Smart City Limited (ASCL)
 - 4 Rajasthan State Road Transport Corporation (RSRTC), Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC).
 - 5 Rajasthan State Agro Industries Corporation Limited (RSAICL), Rajasthan Civil Aviation Corporation Limited (RCACL) and Rajasthan Jal Vikas Nigam Limited (RJVNL).

of these SPSEs in GSDP of Rajasthan is detailed in **Table 1.1:**

Table 1.1: Sector wise turnover vis-à-vis share of turnover of SPSEs in GSDP of Rajasthan during 2019-20

Sl. No.	Name of the Sector	Number of SPSEs	Turnover for the year (₹ in crore)	Share of turnover in GSDP
1.	Energy and Power	15	66491.97	6.51
2	Industries and Commerce	6	3146.36	0.31
3	Finance	3	8228.34	0.81
4	Agriculture, Food and Allied Industries	4	923.97	0.09
5	Culture and Tourism	2	62.80	0.01
6	Transport	2	1724.74	0.17
7	Urban Development	2	16.90	0.00
8	Others	7	2198.67	0.21
	Total	41	82793.75	8.11

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

The turnover of the four Government Controlled other Companies was nil during 2019-20.

Audit of financial statements of SPSEs

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

The financial performance of these 45 SPSEs, based on the latest finalized financial statements of the SPSEs received till 31 December 2020⁶, is covered in this Report. The nature of SPSEs and the status of financial statements are indicated in **Table 1.2:**

Table 1.2: Nature of SPSEs covered in the Report

Nature of SPSEs	Total Number	Number of SPSEs of which accounts received during the reporting period ⁷				Number of SPSEs of which accounts are in arrear (total accounts in arrear) as on 31 December 2020
		Accounts for 2019-20	Accounts for 2018-19	Accounts upto 2017-18	Total	
Government Companies	38	27	12	1	40	11 (24)
Statutory Corporations	3	2	1	-	3	1(1)
Total	41	29	13	1	43	12 (25)
Government Controlled other Companies	4	3	-	-	3	1 (1)
Total SPSEs	45	32	13	1	46	13 (26)

Source: Information compiled on the basis of accounts received upto 31 December 2020.

The company wise pendency of the accounts is depicted in **Annexure-1.1.**

6 Extended due date for submission of annual accounts for 2019-20.

7 From October 2019 to December 2020.

Summary of financial performance of SPSEs covered in this Report (Government Companies and Statutory Corporations)	
Total number of SPSEs	41
SPSEs covered	41
Paid up capital (41 SPSEs)	₹ 51383.84 crore
Long term Loans (41 SPSEs)	₹ 106204.75 crore
Net profit (25 SPSEs)	₹ 3843.10 crore
Net loss (13 SPSEs)	₹ 489.54 crore
Zero Profit/Loss (3 SPSEs) ⁸	
Dividend declared/paid (5 SPSEs)	₹ 43.75 crore
Total Assets (41 SPSEs)	₹ 202115.12 crore
Net worth (41 SPSEs)	(-)₹ 43148.15 crore
Government Controlled other Companies	
Total number of SPSEs	4
SPSEs covered	4
Paid up capital	₹ 600.01 crore
Long term Loans	Nil
Net profit (One SPSE)	₹ 0.05 crore
Net loss (One SPSE)	₹ 0.02 crore
Zero Profit/Loss (2 SPSEs) ⁹	
Dividend declared/paid	-
Total Assets (4 SPSEs)	₹ 1363.27 crore
Net worth (4 SPSEs)	₹ 621.21 crore

Investment in SPSEs

Stake in Government Companies and Statutory Corporations

1.6 The amount of investment in equity and loans in 41 Government Companies and Statutory Corporations for the three years' period ended 31 March 2020 is given in **Table 1.3**:

Table 1.3 Equity investment and loans in SPSEs

(₹ in crore)

Sources of investment	As on 31 March 2018			As on 31 March 2019 ¹⁰			As on 31 March 2020		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	44613.26	35092.44	79705.70	48435.56	20499.93	68935.49	50531.10	7618.37	58149.47
SPSEs	513.13	0.43	513.56	513.13	0.43	513.56	513.13	13.43	526.56
Central Government	31.02	0.00	31.02	31.02	0	31.02	31.02	0.00	31.02
Others	308.59	79652.73	79961.32	308.59	91292.43	91601.45	308.59	98572.95	98881.54
Total	45466.00	114745.60	160211.60	49288.30	111792.79	161081.52	51383.84	106204.75	157588.59
Share of State Government in Total Investment (in %)	98.12	30.58	49.75	98.27	18.34	42.80	98.34	7.17	36.90

Source: Compiled based on information received from SPSEs.

8 Chhabra Power Limited, Dholpur Gas Power Limited and Rajasthan Urja Vikas Nigam Limited.

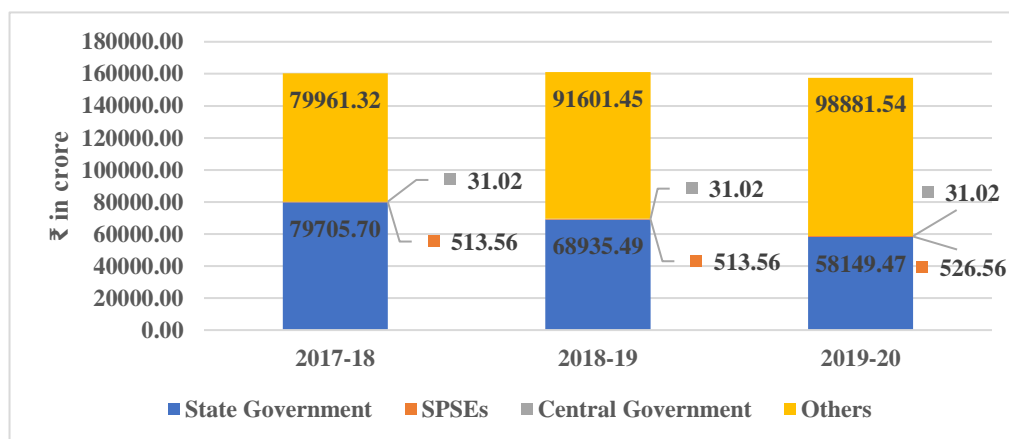
9 ASCL and KSCL.

10 Figures for the year 2017-18 and 2018-19 do not consist of figures of two companies wound up during the year 2019-20.

The total investment in these SPSEs slightly decreased during the year 2019-20 compared to previous years. This was due to conversion of loan amounting to ₹ 14721.97 crore under Ujwal DISCOM Assurance Yojana (UDAY) into equity (₹ 905.50 crore) and subsidy (₹ 13816.47 crore). Major part of the Equity invested in these SPSEs was infused by the State Government.

Year wise break-up of sources of total investment in these SPSEs at the end of the periods from 2017-18 to 2019-20 is depicted in **Chart 1.1**.

Chart 1.1: Sources of total investment in SPSEs during 2017-18 to 2019-20



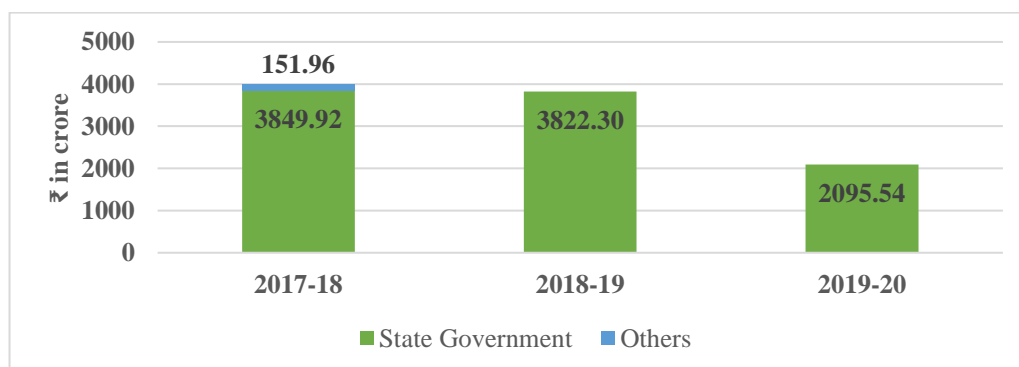
Source: Compiled based on information received from SPSEs.

Major part of the total investment pertained to the Power Sector SPSEs, as 92.22 per cent (₹ 145323.58 crore) of the total investment as on 31 March 2020 was infused in the Power Sector SPSEs.

Investment in Equity

1.7 During 2019-20, Equity investment in the 41 Government Companies and Corporations registered a net increase of ₹ 2095.54 crore. The equity was infused by the State Government through issue of shares (₹ 1190.04 crore) and conversion of loan into equity (₹ 905.50 crore). Equity invested by the State Government and others, in these 41 SPSEs during the last three years ended 31 March 2020 is depicted in **Chart 1.2**.

Chart 1.2: Equity in 41 SPSEs



Source: Compiled based on information received from SPSEs.

During the year 2019-20, the Equity was infused entirely in the Power Sector SPSEs.

The Equity infused in five Power Sector SPSEs during 2019-20 is depicted in **Table 1.4**:

Table 1.4: Equity investment during the year 2019-20

Name of the SPSE	Amount (₹ in crore)
Jaipur Vidyut Vitran Nigam Limited	549.04
Jodhpur Vidyut Vitran Nigam Limited	533.43
Ajmer Vidyut Vitran Nigam Limited	447.54
Rajasthan Rajya Vidyut Utpadan Nigam Limited	350.00
Rajasthan Rajya Vidyut Prasaran Nigam Limited	215.53
Total	2095.54

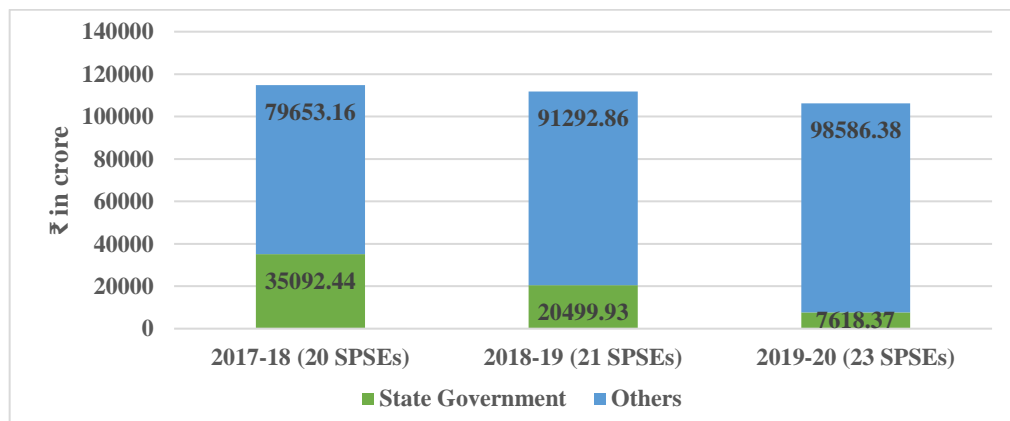
Source: Compiled based on information received from SPSEs.

Loans given to Government Companies and Corporation

1.8 The total long term loans outstanding in SPSEs (except Government Controlled other Companies) from all sources as on 31 March 2020 was ₹ 106204.75 crore. During 2019-20, the long term loans of SPSEs registered decrease of ₹ 5588.04 crore. Out of the total loans of SPSEs as on 31 March 2020, loans from State Government was ₹ 7618.37 crore (7.17 per cent).

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

Chart 1.3: Long term loans outstanding in SPSEs



Source: Compiled based on information received from SPSEs.

It could be seen that balance of outstanding long term loans extended by the State Government reduced significantly whereas balance of outstanding long term loans from others increased.

Analysis of Loans

1.9 SPSEs which had loan liability during 2017-18 to 2019-20 were analysed to assess their ability to service the debt owed to the Government, Banks and other Financial Institutions (FIs). This is assessed through the interest coverage ratio and ratio of total assets to long term debts of the SPSEs based on their latest finalized accounts. Further, age wise analysis of interest outstanding on State Government loans has also been assessed.

Interest Coverage Ratio

1.10 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest

on debt. An interest coverage ratio below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of 28 SPSEs which had outstanding loans (long term as well as short term loans) during the period from 2017-18 to 2019-20 are given in **Table 1.5**.

Table 1.5: Interest Coverage Ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having liability of loans from Government and Banks and other financial institutions ¹¹	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2017-18	16209.42	17308.24	28	21	7 ¹²
2018-19	13287.91	16021.81	28	18	10 ¹³
2019-20	14534.03	18191.58	28	18	10 ¹⁴

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

It was observed that the number of SPSEs with interest coverage ratio of more than one decreased from 21 in 2017-18 to 18 in 2019-20.

Servicing of interest charges and repayment of principal

1.11 Out of 28 SPSEs which had liability of loans during 2019-20, four SPSEs defaulted in servicing their debts (Principal/interest charges) interest charges during 2019-20 as given in **Table 1.6**:

Table 1.6: SPSEs which defaulted in servicing of interest charges and repayment of principal

Sl. No	Name of the SPSE	Source of loan	Amount of default (₹ in crore)
1.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Banks/FIs	546.91
2.	Giral Lignite Power Limited	Bank/FIs	69.00
3.	Rajasthan Small Industries Corporation Limited	GoR	0.75
4.	Jaipur Metro Rail Corporation Limited	GoR	137.06

Source: Compiled based on Statutory Auditor Report.

Age wise analysis of Interest outstanding on State Government Loans

1.12 As on 31 March 2020, interest amounting to ₹ 138.27 crore was outstanding against three SPSEs on the long term loans provided by the State Government. The age wise analysis of interest outstanding on State Government Loans is depicted in **Table 1.7**.

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- 11 SPSEs which had finance cost (pertained to short term loans as well as long term loans) in the latest finalised financial statements.
- 12 Barmer TPCL, GLPL, JMRCL, RSHCL, RTDCL, RSRTC and RSACIL.
- 13 GLPL, Barmer TPCL, RRVNPL, RSICL, JMRCL, RSHCL, RTDCL, BLMCL, RSRTC and RSACIL.
- 14 GLPL, Barmer TPCL, Banswara TPCL, RSHDCL, JMRCL, RSHCL, RTDCL, RFC, RSRTC and RSACIL.
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Table 1.7: Interest outstanding on State Government Loans

(₹ in crore)

S. No	Name of the SPSE	Outstanding interest on State Government Loans	Interest outstanding for less than 1 year	Interest outstanding for 1 year to 3 years	Interest outstanding for more than 3 years
1	Jaipur Metro Rail Corporation Limited	137.06	26.60	53.19	57.27
2	Rajasthan State Hotels Corporation Limited	0.71	0.04	0.11	0.56
3	Rajasthan State Ganganagar Sugar Mills Limited	0.50	0.00	0.00	0.50
	Total	138.27	26.64	53.30	58.33

Source: Information provided by the SPSEs.

Adequacy of assets to meet loan liabilities

1.13 Ratio of long-term debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its long-term loans/debts. Out of 28 SPSEs which had liability of loans, 20 SPSEs had outstanding long term loans. Coverage of long term loans by value of total assets in these 20 SPSEs is given in **Table 1.8**.

Table 1.8: Coverage of long-term loans with total assets

(₹ in crore)

Type of SPSE	Positive Coverage				Negative Coverage			
	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans
Government Companies	16	102997.29	174562.88	169.48	1	46.61	4.75	10.19
Statutory Corporations	3	1946.13	15176.71	779.84	-	-	-	-

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

Out of the 20 SPSEs in respect of only one SPSE (RSAICL) which was an inactive SPSE, the value of total assets was lower than the loans outstanding.

Other Budgetary Support

1.14 Apart from investing equity and providing long term loans, the State Government also provides financial support to the SPSEs in form of grant and subsidy through the annual budgets. The State Government also provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 to SPSEs seeking financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of one per cent per annum in case of loan availed by SPSEs from banks/financial institutions without any exception under the provisions of the RSGGR 1970. The summarised details of the budgetary outgo towards grant and subsidy and the guarantees extended by the State Government in respect of the SPSEs for the last three years ended 31 March 2020 are as given in **Table 1.9**:

Table 1.9: Details of budgetary support to SPSEs*(₹ in crore)*

Particulars	2017-18		2018-19		2019-20	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
Grant and subsidy	12	24396.31	11	22012.86	12	23923.10
Guarantees issued	6	15332.55	4	21671.76	7	13298.44
Guarantee Commitment at the end of the year	8	56482.00	8	60926.16	10	69536.24

Source: Compiled based on information received from SPSEs.

The grant and subsidy received during 2017-18 to 2019-20 mainly included the subsidy received by the State DISCOMs under UDAY¹⁵. Further, there was significant increase in outstanding guarantee commitments at the end of the year in 2019-20 as compared to previous years. During 2019-20, guarantee commission of ₹ 568.90 crore was paid by the nine SPSEs against the due amount of ₹ 619.87 crore.

The guarantee commitment of the State Government towards SPSEs at the end of 2019-20 was significant as it worked out to 46.30 per cent of the total revenue receipt of the State Government (₹ 140113.81 crore)¹⁶ during 2019-20.

Budgetary support to SPSEs having accounts in arrears

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

Out of 13 SPSEs accounts of which had not been finalized by 31 December 2020 as prescribed under the Companies Act 2013/RSRTC Rules 1964, the GoR provided ₹ 324.93 crore (Loan: ₹ 11.70 crore, Subsidy: ₹ 313.23 crore) to five SPSEs during the period for which accounts of these SPSEs were in arrears. SPSE wise details of investment made by the State Government during the period for which accounts were in arrears, are shown in **Annexure-1.1**. In the absence of finalization of accounts and their subsequent audit in 13 SPSEs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoR investment in these SPSEs, therefore, remained outside the oversight of the State Legislature.

Investment in Government Controlled other Companies

1.16 There were four Government Controlled other Companies in the State as on 31 March 2020. The total equity investment in these four companies till 31 March 2020 was ₹ 600.01 crore which was invested equally by the State Government and by the Municipal Corporations controlled by it. In these four Companies, there was no equity investment during 2019-20. Further, none of these Government Controlled other Companies had liability of long term loans as on 31 March 2020.

15 Ujwal DISCOM Assurance Yojana.

16 As per Annual Budget of GoR for 2021-22

Reconciliation with Finance Accounts of Government of Rajasthan

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

Audit noticed that as on 31 March 2020, difference in figures of Equity, Loans and Guarantee outstanding showed in the Finance Accounts and records of SPSEs occurred in respect of 17 of the 45 SPSEs as depicted in **Annexure-1.2**. Summarised position of such differences as on 31 March 2020 is stated in **Table 1.10**:

Table 1.10: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Rajasthan vis-à-vis records of the SPSEs

(₹ in crore)

Outstanding in respect of	Amount as per records of the SPSEs	Amount as per Finance Accounts
Equity	48852.08	48883.71
Loans	6299.60	6427.28
Guarantees	69436.25	69433.00

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

Disinvestment, restructuring and privatisation of SPSEs

1.18 During the year 2019-20, no disinvestment, restructuring or privatisation was done by the State Government.

Winding up of inactive SPSEs

1.19 The three inactive Government Companies, which ceased their operations for last three to 20 years, had a total investment of ₹ 28.04 crore¹⁷ towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) as on 31 March 2020. One of these three inactive companies (RSAICL)¹⁸ is under process of liquidation as Government Liquidator has been appointed. The other two companies are inactive from last three to nine years. The Government may take urgent appropriate decision regarding these companies.

Return on investment in SPSEs

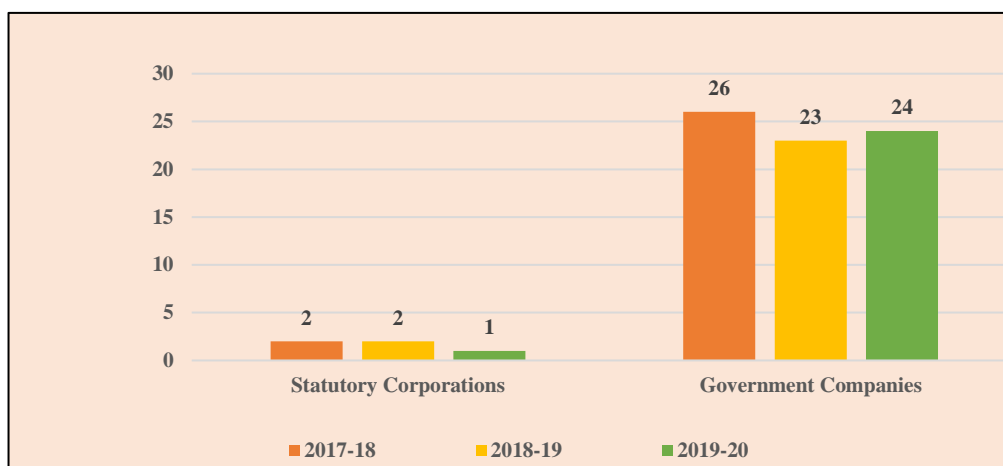
1.20 The financial position and working results of SPSEs as per their latest finalized accounts as of 31 December 2020 are detailed in **Annexure-1.3**.

Profit earned by SPSEs

1.21 Out of 41 SPSEs, 25 SPSEs earned profit in 2018-19 as well as in 2019-20. The profit earned by the profit making SPSEs increased to ₹ 3843.10 crore in 2019-20 from ₹ 3284.75 crore in 2018-19. However, 85.92 per cent of the profit in 2019-20 pertained to the Power Sector. This was due to release of ₹ 13816.47 crore as subsidy to DISCOMs under UDAY. Number of SPSEs that earned profit during 2017-18 to 2019-20 is depicted in **Chart 1.4**.

17 RSAICL (₹ 22.28 crore), RACL (₹ 4.49 crore) and RJVNL (₹ 1.27 crore).

18 Rajasthan State Agro Industries Corporation Limited.

Chart 1.4: Number of profit earning SPSEs

Source: As per latest finalized accounts of SPSEs.

The name of the SPSEs which earned profit above ₹ 100 crore during the year 2019-20 is given below in **Table 1.11**.

Table 1.11: SPSEs which earned profit of ₹ 100 crore or more in 2019-20

Sl. No	Name of the SPSE	Profit earned (₹ in crore)
1	Jaipur Vidyut Vitran Nigam Limited	2188.15
2	Ajmer Vidyut Vitran Nigam Limited	788.06
3	Rajasthan State Mines and Minerals Limited	149.34
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited	148.85
5	Rajasthan Rajya Vidyut Utpadan Nigam Limited	143.80

Source: As per latest finalized accounts of SPSEs.

An analysis of top three profit making SPSEs disclosed that the top two SPSEs earned profit due to the subsidy received from the State Government under UDAY. Further, the third SPSE (RSMML) earned significant revenue from sale of rock phosphate, the mineral for which the Company has a near monopoly in the country and it contributes 98 per cent of the country's total production. The share of profit from Rock Phosphate mining was 44 per cent of the total profit for the year.

Out of four Government Controlled other Companies, only one company (JSCL) earned nominal profit of ₹ 0.05 crore during 2019-20.

Dividend Payout in SPSEs

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

Out of 45 SPSEs, none of the four Government Controlled other Companies declared/paid dividend to State Government during 2019-20.

In case of remaining 41 SPSEs (Government Companies and Statutory Corporations), the State Government had infused equity in 32 SPSEs only. Dividend Payout relating to the 32 SPSEs where equity was infused by the State Government for the period 2017-18 to 2019-20 is shown in **Table 1.12**.

Table 1.12: Dividend Payout of SPSEs during 2017-18 to 2019-20

(₹ in crore)

Year	Total SPSEs where equity infused by the State Government		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of SPSEs	Equity infused	Number of SPSEs	Amount of equity infused	Number of SPSEs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2017-18	32	44613.26	25	41028.11	6 ¹⁹	60.54	0.1476
2018-19	32	48435.56	23	41800.32	7 ²⁰	66.11	0.1582
2019-20	32	50531.10	23	48777.36	5 ²¹	43.75	0.0897

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

During the period 2017-18 to 2019-20, the number of SPSEs which earned profits ranged between 23 and 25 SPSEs whereas the number of SPSEs which declared/paid dividend to the State Government ranged between five and seven SPSEs only. The Dividend Payout Ratio during 2017-18 to 2019-20 ranged between 0.09 per cent and 0.16 per cent only.

Of these five SPSEs which declared/paid dividend during 2019-20, two²² SPSEs declared dividend higher than the prescribed limit while three²³ SPSEs declared dividend as per the dividend policy.

Return on Equity

1.23 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using PSE's assets to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any PSE if net income and shareholders' fund are both positive numbers.

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

Return on Equity has been computed in respect of the 32 SPSEs where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to these SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.13**.

19 RSMM, RSWC, RSBCL, RIICO, RSSCL and RRECL.

20 RSMM, RIICO, RSWC, RSBCL, RSSCL, RSRDCCL and RRECL.

21 RSMM, RSWC, RSBCL, RSSCL and RSPHCL.

22 RSMM and RSWC.

23 RSSCL, RSBCL and RSPHCL.

Table 1.13: Return on Equity relating to SPSEs where funds were infused by the State Government

Year	No. of SPSEs for which ROE calculated	Net Income for the year ²⁴ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2017-18	32	2057.58	-54182.75	-
2018-19	32	2893.35	-47734.69	-
2019-20	32	3550.08	-42199.81	

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

As can be seen from the above table, during the last three years' period ended March 2020, the Net Income was positive, however, Shareholders' fund was negative during all the three years. Since, the Shareholders' fund for all the years was negative, ROE in respect of these SPSEs could not be worked out. However, negative shareholders' fund indicates that the liabilities of these SPSEs have exceeded the assets.

Sector wise ROE of the SPSEs during 2019-20 is given in **Table 1.14**:

Table 1.14: Sector wise ROE of the SPSEs during 2019-20

<i>(in per cent)</i>				
S. No.	Name of the Sector	2017-18	2018-19	2019-20
1	Industries and Commerce	7.02	8.20	5.09
2	Finance	7.43	7.68	13.44
3	Agriculture, Food and Allied Industries	2.74	21.36	17.32
4	Others	14.56	17.57	16.18

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

Further, ROE of three sectors²⁵ could not be worked out as entire capital of these sectors had been eroded due to accumulated losses and these sectors had negative net worth during the period. ROE of Urban Development sector was negative during 2017-18 to 2019-20 as the sector incurred losses during all the three financial years.

Besides, out of four Government Controlled other Companies, only one company (JSCL) earned profit during 2019-20. The profit earned (₹ 0.05 crore) by the Company during 2019-20 was negligible as compared to the shareholders' fund (₹ 204.45 crore) hence, the ROE was also very negligible.

SPSEs incurring losses

1.24 Out of 41 SPSEs (Government Companies and Statutory Corporations), there were 13 SPSEs that incurred losses during the year 2019-20. The losses incurred by these SPSEs decreased from ₹ 747.61 crore during 2018-19 to ₹ 489.54 crore in 2019-20 as given in **Table 1.15**.

Table 1.15: SPSEs that incurred losses during 2019-20

<i>(₹ in crore)</i>					
Financial year	Total SPSEs	Number of SPSEs which incurred loss during the year	Net loss for the year	Accumulated loss of the loss making SPSEs	Net Worth of the loss making SPSEs
2017-18	43	11	1523.38	6003.63	-3139.94
2018-19	43	13	747.61	7974.40	-704.78

24 Figures are as per the latest finalized accounts of the respective years.

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

2019-20	41	13	489.54	7229.06	-4283.19
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Source: Compiled on the basis of latest finalized accounts of SPSEs.

The name of the SPSEs which incurred losses above ₹ 50 crore during the year 2019-20 is given below in **Table 1.16**.

Table 1.16: SPSEs that incurred losses of ₹ 50 crore or more in 2019-20

(₹ in crore)		
S. No	Name of the SPSE	Loss incurred
1.	Giral Lignite Power Limited	278.05
2.	Rajasthan State Road Transport Corporation	153.76

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

Erosion of Net Worth

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

The capital investment, accumulated profit/loss and net worth of the 41 SPSEs as per their latest finalised accounts is given in **Table 1.17**.

Table 1.17: Net worth of 41 SPSEs during 2017-18 to 2019-20

(₹ in crore)				
Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2017-18	45409.39	(-)100039.70	4.18	(-)54634.50
2018-19	49288.17	(-)97771.82	3.00	(-)48486.70
2019-20	51383.84	(-)94469.51	62.48	(-)43148.15

Analysis of investment and accumulated losses for the year 2019-20 disclosed that net worth was eroded fully in 15 of these 41 SPSEs as the capital investment and accumulated losses of these SPSEs were ₹ 33384.14 crore and ₹ 93721.74 crore respectively. Of these 15 SPSEs, the maximum Net worth erosion was in respect of five SPSEs as depicted in **Table 1.18**:

Table 1.18: Five SPSEs with maximum Net worth erosion as on 31 March 2020

Name of the SPSE	Eroded Net worth (₹ in crore)
Power Sector SPSEs	
Jodhpur Vidyut Vitran Nigam Limited	(-)19276.92
Ajmer Vidyut Vitran Nigam Limited	(-)17764.92
Jaipur Vidyut Vitran Nigam Limited	(-)17568.95
Giral Lignite Power Limited	(-)1172.77
Other than Power Sector SPSEs	
Rajasthan State Road Transport Corporation	(-)4330.79

Of these 15 SPSEs where net worth had been fully eroded, five²⁶ SPSEs earned profit ₹ 2988.55 crore during the year 2019-20 although there were substantial accumulated losses.

Operating efficiency of SPSEs

Return on Capital Employed

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

ROCE is calculated by dividing a PSE's earnings before interest and taxes (EBIT) by the capital employed²⁷. The details of ROCE of all the 41 SPSEs during the period from 2017-18 to 2019-20 are given in **Table 1.19**:

Table 1.19: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2017-18	17355.68	60380.28	28.74
2018-19	16085.07	61905.70	25.98
2019-20	18276.19	61841.88	29.55

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

The ROCE of the SPSEs ranged between 25.98 *per cent* and 29.55 *per cent* during the period 2017-18 to 2019-20. The ROCE during 2017-18 to 2019-20 was high as the interest component in the EBIT was significant and the Capital Employed had been reduced considerably due to significant accumulated losses.

Out of 41 SPSEs, 23 SPSEs had accumulated losses worth ₹ 99720.45 crore of which ₹ 93964.36 crore and ₹ 5297.94 crore pertained to six²⁸ Power Sector SPSEs and two²⁹ Other than Power Sector SPSEs respectively.

Sector wise ROCE of the 41 SPSEs during 2019-20 is given in **Table 1.20**:

Table 1.20: Sector wise ROCE of the 41 SPSEs during 2019-20

S. No.	Name of the Sector	<i>(in per cent)</i>		
		2017-18	2018-19	2019-20
1	Energy and Power	36.14	28.86	32.87
2	Industries and Commerce	8.05	9.10	11.57
3	Finance	17.87	18.20	21.00
4	Agriculture, Food & Allied Industries	9.95	16.69	17.01
5	Others	12.26	11.06	12.51

The ROCE of Energy and Power Sector was high during 2017-18 to 2019-20 as EBIT of the sector increased significantly due to receipt of UDAY subsidy during the period. Further, ROCE of two sectors³⁰ could not be worked out due to negative capital employed whereas ROCE of one sector³¹ was negative during 2017-18 to 2019-20 as it incurred losses during all the three financial years.

Further, in case of four Government Controlled other Companies, the EBIT for the year 2019-20 was ₹ 0.54 crore whereas the Capital Employed in these SPSEs was ₹ 621.21 crore. Hence, the ROCE worked out to 0.09 *per cent* during 2019-20.

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

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

29 RSRTC and JMRCL.

30 Culture and Tourism Sector and Transport Sector.

31 Urban Development Sector.

Return on Government Investment

1.27 The SPSEs are expected to yield reasonable return on investment made by Government in the enterprises. Return on investment measures the Earnings (profit or loss) made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of Earnings to total investment.

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

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

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

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

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

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. To assess the RORR on the present value of investments of the State Government in the SPSEs as compared to historical value of such investments, the Present Value (PV) of the Government investments has been computed. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2020, the past investments/year-wise funds infused by the State Government in the SPSEs have been compounded. The compounding has been done at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds have been infused by the State Government since inception of these SPSEs till 31 March 2020.

Rate of Return on State Government Investment

1.28 The amount of investment in the 41 SPSEs (Government Companies and Corporations) as of 31 March 2020 was ₹ 157588.59 crore consisting of

₹ 51383.84 crore as equity and ₹ 106204.75 crore as long term loans. The State Government infused funds in 32 of these 41 SPSEs in the form of equity, loans and grant and subsidy. In these 32 SPSEs, State Government investment as of 31 March 2020 was ₹ 56751.61 crore consisting of ₹ 49133.24 crore³² as equity and ₹ 7618.37 crore as long term loans. The State Government did not infuse any direct funds in the other nine SPSEs.

The year-wise details of the investment vis-à-vis present value of such investment infused by the State Government for the period 2000-01 to 2019-20 is depicted in **Annexure-1.4**. It could be seen from the annexure that during 2000-01 to 2019-20, total earnings for the year remained below the minimum expected return to recover cost of funds infused by the State Government in these SPSEs.

The total earnings (net of profits and losses) of these 32 SPSEs for the year increased from ₹ 2057.58 crore in 2017-18 to ₹ 3550.08 crore in 2019-20. The State Government investment, consisting of equity and interest free loans, in the 32 SPSEs at its historical cost increased from ₹ 45010.16 crore in 2017-18 to ₹ 51339.66 crore in 2019-20. On considering the subsidy received under UDAY as investment, the State Government investment of ₹ 66010.16 crore in 2017-18 (*i.e.* including subsidy of ₹ 21000 crore received under UDAY till 2017-18) increased to ₹ 98156.13 crore in 2019-20 (*i.e.* including subsidy of ₹ 12000 crore and ₹ 13816.47 crore received under UDAY in 2018-19 and 2019-20 respectively).

The ROR and RORR in respect of the SPSEs where funds have been infused by the State Government, for the three year' period from 2017-18 to 2019-20 are given in **Table 1.21**.

Table 1.21: Rate of Return on State Government Investment

(₹ in crore)

Financial year	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at end of the year	RORR (%)
Without UDAY					
2017-18	2057.58	45010.16	4.57	74548.38	2.76
2018-19	2893.35	49088.66	5.89	84366.64	3.43
2019-20	3550.08	51339.66	6.91	92767.49	3.83
With UDAY					
2017-18	2057.58	66010.16	3.12	97815.31	2.10
2018-19	2893.35	82088.66	3.52	122208.06	2.37
2019-20	3550.08	98156.13	3.62	148093.09	2.40

The RORR (3.83 per cent) was less than the ROR (6.91 per cent) as indicated by the comparison of returns during 2019-20. However, on consideration of subsidy given under UDAY also as investment, the ROR for the year 2019-20 get reduced from 6.91 per cent (without considering UDAY) to 3.62 per cent (after considering UDAY) whereas the RORR for the same period get reduced from 3.83 per cent (without considering UDAY) to 2.40 per cent (after considering UDAY).

32 Total investment of State Government (₹ 50531.10 crore) - Initial accumulated losses of five Power Sector SPSEs (₹ 1397.86 crore).

Sector wise Rate of Return on State Government investment in 32 SPSEs during 2019-20 is given in **Table 1.22**:

Table 1.22: Sector wise Rate of Return on State Government Investment
(₹ in crore)

S. No.	Name of the Sectors	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at the end of the year	RORR (%)
1	Energy and Power (without UDAY)	3302.07	46498.18	7.10	79161.36	4.17
	Energy and Power (with UDAY)	3302.07	93314.65	3.54	134486.96	2.46
2	Industries and Commerce	213.35	475.35	44.88	4580.76	4.66
3	Finance	77.08	272.34	28.30	511.43	15.07
4	Agriculture, Food and Allied Industries	90.21	66.27	136.12	347.99	25.92
5	Culture and Tourism	-6.86	68.61	-10.00	333.30	-2.06
6	Transport	-153.82	1275.02	-12.06	3281.84	-4.69
7	Urban Development	-39.16	2559.07	-1.53	4228.88	-0.93
8	Others	67.21	124.82	53.85	321.93	20.88