

## PART-II

### Chapter-III

#### Functioning of State Public Sector Undertakings (other than power sector)

##### Introduction

**3.1** There were 99 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than the power sector. These State PSUs were incorporated during the period between 1954-55 and 2018-19 and included 93 Government Companies and six Statutory Corporations *i.e.* Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam, Uttar Pradesh Financial Corporation, Uttar Pradesh State Road Transport Corporation, Uttar Pradesh State Warehousing Corporation and Uttar Pradesh Forest Corporation. The Government Companies further included 43 non-functional companies and 16 subsidiary companies<sup>1</sup> owned by other Government Companies. Seven companies<sup>2</sup> were added during the year 2018-19.

The nature of these PSUs in other than power sector is indicated in **Table 3.1**.

**Table 3.1: Nature of PSUs (other than power sector) in Uttar Pradesh**

Nature of the PSUs	Total number	Number of PSUs covered in this Chapter			Number of PSUs not covered in this Chapter	
		Accounts up to 2018-19	Accounts up to			Total
			2017-18	2016-17		
Government Companies	82	3	7	5	15	67
Statutory Corporations	6	1	2	2	5	1
<b>Total Companies/ Corporations</b>	<b>88</b>	<b>4</b>	<b>9</b>	<b>7</b>	<b>20</b>	<b>68</b>
Government-controlled other companies	11	3	-	1	4	7
<b>Total</b>	<b>99</b>	<b>7</b>	<b>9</b>	<b>8</b>	<b>24</b>	<b>75</b>

This Chapter covers financial performance of 24 PSUs as detailed in *Appendix-3.1*. It does not include 75 PSUs (including seven Government controlled other companies) whose accounts were in arrears for three years or more or were defunct/under liquidation or first accounts were not received or were not due as detailed in *Appendix-3.2*.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 99 State PSUs, the State Government invested funds in 70 State PSUs (in 68 PSUs equity and in two PSUs<sup>3</sup> only loans). The State Government did not directly infuse any equity in 31 PSUs which includes 15 subsidiary companies in

<sup>1</sup> Sl. No. 14 and 15 of *Appendix-3.1* and 16, 33, 35, 36, 37, 39, 42, 67 and 69 to 74 of *Appendix-3.2*.

<sup>2</sup> (i) Aligarh Smart City Limited, (ii) Uttar Pradesh Medical Supply Corporation Limited, (iii) Uttar Pradesh Rajya Krishi Evam Gramin Vikas Nigam Limited, (iv) Kanpur Smart City Limited, (v) Bareilly Smart City Limited, (vi) Prayagraj Smart City Limited and (vii) Varanasi Smart City Limited.

<sup>3</sup> Uttar Pradesh Jal Nigam and Uttar Pradesh Carbide and Chemical Limited.

which equity was contributed through their holding companies<sup>4</sup>, three companies<sup>5</sup> in which equity was jointly contributed by more than one Government company, eight smart city companies<sup>6</sup>, two companies<sup>7</sup> in which equity was contributed by Government entities and cooperative bodies and three Statutory Corporations<sup>8</sup> in which there was no equity of the State Government.

### ***Contribution to Economy of the State***

**3.2** The ratio of turnover of the 24 PSUs covered in this Chapter to the Gross State Domestic Product (GSDP) shows the extent of activities of these PSUs in the State economy. **Table 3.2** below provides the details of turnover of these 24 State PSUs (other than power sector) and GSDP of Uttar Pradesh for a period of four years ending March 2019:

**Table 3.2: Details of turnover of State PSUs (other than power sector) vis-a-vis GSDP of Uttar Pradesh**

Particulars	(₹ in crore)			
	2015-16	2016-17	2017-18	2018-19
Turnover <sup>9</sup>	7,316	8,584	9,453	9,617
Percentage change in turnover as compared to turnover of preceding year	-	17.33	10.13	1.73
GSDP of Uttar Pradesh	11,37,210	12,48,374	13,76,324	15,42,432
Percentage change in GSDP as compared to GSDP of preceding year	-	9.78	10.25	12.07
Percentage of turnover to GSDP of Uttar Pradesh	0.64	0.69	0.69	0.62

**Source: Compiled based on turnover figures of PSUs (other than power sector) and GSDP figures issued by Ministry of Statistics and Program Implementation, Government of India dated 01 August 2019.**

The turnover of these 24 PSUs has shown an increasing trend during the period 2016-17 to 2018-19. The increase in turnover ranged between 1.73 per cent and 17.33 per cent during 2016-19 whereas increase in GSDP of Uttar Pradesh ranged between 9.78 per cent and 12.07 per cent during the same period. The Compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth<sup>10</sup> of 10.69 per cent of GSDP, the turnover of non-power sector undertakings recorded lower compounded annual growth of 9.54 per cent during the last three years. This resulted in a marginal decrease in the share of turnover of these PSUs to GSDP from 0.64 per cent in 2015-16 to 0.62 per cent in 2018-19.

### **Investment in State PSUs (other than power sector)**

**3.3** Details of investment in equity and long term loans in 24 State PSUs covered in this Chapter upto 31 March 2019 are detailed in **Appendix-3.3**.

<sup>4</sup> Government of Uttar Pradesh released equity to six holding companies (Sl. No. 16 of *Appendix-3.1* and Sl. No. 1, 12, 17, 34 and 41 of *Appendix-3.2*) on behalf of their subsidiary companies.

<sup>5</sup> Sl. No. 3 of *Appendix-3.1* and Sl. No. 63 and 75 of *Appendix-3.2*.

<sup>6</sup> Sl. No. 4, 5, 6 of *Appendix-3.1* and Sl. No. 27 to 31 of *Appendix-3.2*.

<sup>7</sup> Uttar Pradesh Rajya Krishi Evam Gramin Vikas Nigam Limited and Noida Metro Rail Corporation Limited.

<sup>8</sup> Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Forest Corporation and Uttar Pradesh Jal Nigam.

<sup>9</sup> As per latest finalised accounts till 31 December 2019.

<sup>10</sup> Rate of Compounded Annual Growth=  $[(\text{Value of 2018-19}/\text{Value of 2015-16})^{(1/3 \text{ years})}-1]*100$ .

The PSUs covered in this Chapter fall in the following three categories:

- i. PSUs not in open market competition (monopolistic PSUs): In Uttar Pradesh, out of 24 functional PSUs, 11 PSUs<sup>11</sup> fall under this category as they have monopolistic/oligopolistic nature of operations *i.e.* their operations do not have any competition or have very limited competition.
- ii. PSUs with assured source of income: This category includes PSUs whose major income comes from assured sources of income such as centage, commission, revenue grants/subsidies given by the Government, interest on bank deposits *etc.* 11 PSUs<sup>12</sup> fall under this category.
- iii. PSUs in competitive sector: This category includes two PSUs<sup>13</sup>, which are open to market competition.

**3.4** The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given in **Table 3.3**.

**Table 3.3: Sector-wise investment in State PSUs (other than power sector)**

Sector	No. of PSUs	Investment (₹ in crore)								Grand Total
		Equity				Long-term loans				
		GoUP	GoI	Others <sup>14</sup>	Total	GoUP	GoI	Others	Total	
<b>PSUs covered in this Chapter</b>										
PSUs in monopolistic Sector	11	1,911.74	1,946.63	1,098.80	4,957.17	1,392.79	412.00	4,632.07	6,436.86	11,394.03
PSUs with assured source of income	11	101.77	1.00	7.20	109.97	117.48	0.00	9.41	126.89	236.86
PSUs in competitive sector	2	203.82	0.00	25.00	228.82	1,263.75	4.10	0.00	1,267.85	1,496.67
<b>Total of PSUs covered in this Chapter</b>	<b>24</b>	<b>2,217.33</b>	<b>1,947.63</b>	<b>1,131.00</b>	<b>5,295.96</b>	<b>2,774.02</b>	<b>416.10</b>	<b>4,641.48</b>	<b>7,831.60</b>	<b>13,127.56</b>
PSUs not covered in this Chapter	75	2,597.98	319.58	400.48	3,318.04	1,640.41	1.10	4,461.95	6,103.46	9,421.50
<b>Grand Total</b>	<b>99</b>	<b>4,815.31</b>	<b>2,267.21</b>	<b>1,531.48</b>	<b>8,614.00</b>	<b>4,414.43</b>	<b>417.20</b>	<b>9,103.43</b>	<b>13,935.06</b>	<b>22,549.06</b>

*Source: Compiled based on annual accounts of PSUs, sanction/release orders for equity and loans and information provided by PSUs.*

As on 31 March 2019, the face value<sup>15</sup> of total investment (equity and long term loans) in 24 PSUs covered in this Chapter was ₹ 13,127.56 crore. The investment consisted of 40.34 *per cent* towards equity and 59.66 *per cent* in long-term loans. The long-term loans advanced by the State Government constituted 35.42 *per cent* (₹ 2,774.02 crore) of the total long-term loans whereas 64.58 *per cent* (₹ 5,057.58 crore) of the total long term loans were availed from Government of India and financial institutions.

The investment has grown by 72.97 *per cent* from ₹ 7,589.30 crore in 2016-17 to ₹ 13,127.56 crore in 2018-19 and increased due to addition of

<sup>11</sup> Sl. No. 1 to 11 of *Appendix-3.1*.

<sup>12</sup> Sl. No. 12 to 22 of *Appendix-3.1*.

<sup>13</sup> Sl. No. 23 and 24 of *Appendix-3.1*.

<sup>14</sup> Others includes investment by holding companies, financial institutions, banks *etc.*

<sup>15</sup> The original cost of the equity shares paid by the subscribers to the equity shares.

₹ 2,185.15 crore and ₹ 3,353.11 crore towards equity and long-term loans respectively during 2016-17 to 2018-19.

### Disinvestment, restructuring and privatisation of State PSUs (other than power sector)

3.5 During the year 2018-19, no disinvestment, restructuring or privatisation of other than power sector PSUs was done in Uttar Pradesh.

### Budgetary Support to State PSUs (other than power sector)

3.6 The Government of Uttar Pradesh (GoUP) provides financial support to State PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity in respect of State PSUs during the last three years ending March 2019 are given in **Table 3.4**.

**Table 3.4: Details regarding budgetary support to State PSUs (other than power sector) during the years**

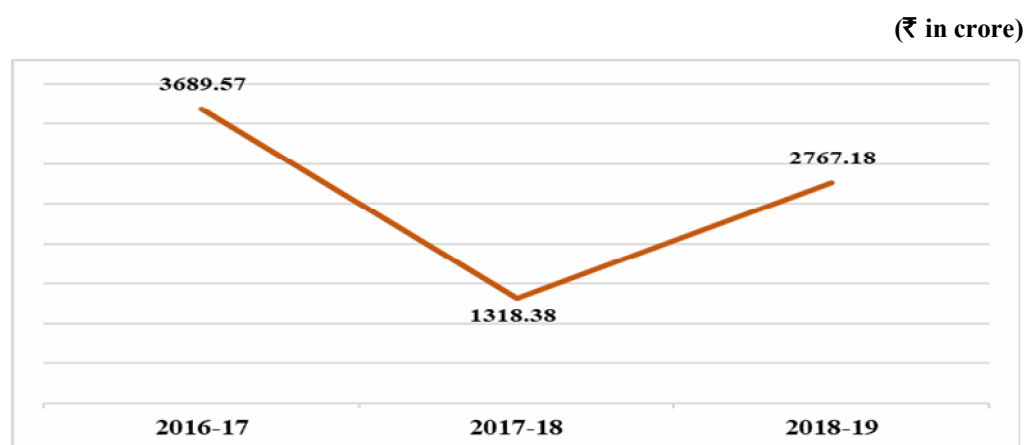
(₹ in crore)

Particulars <sup>16</sup>	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	5	506.71	3	136.26	3	55.60
Loans given (ii)	10	736.42	6	372.40	8	990.49
Grants/Subsidy provided (iii)	11	2,446.44	10	809.72	15	1,721.09
<b>Total Outgo (i+ii+iii)<sup>17</sup></b>	<b>20</b>	<b>3,689.57</b>	<b>18</b>	<b>1,318.38</b>	<b>25</b>	<b>2,767.18</b>
Loan written off/converted into grant	-	-	-	-	-	-
Loans converted into equity	1	6.83	-	-	-	-
Guarantees outstanding	1	52.65	4	154.62	6	3,518.37
Guarantee Commitment	-	-	-	-	-	-

Source: Compiled based on annual accounts of PSUs, sanction/release orders for equity, loans and guarantees and information provided by PSUs.

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last three years ending March 2019 are given in **Chart 3.1**.

**Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



<sup>16</sup> Amount represents outgo from State Budget only.

<sup>17</sup> The figures represent number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/subsidies.

The annual budgetary assistance to these PSUs during the year ranged between ₹ 1,318.38 crore and ₹ 3,689.57 crore during the period 2016-17 to 2018-19. The budgetary assistance of ₹ 2,767.18 crore received during 2018-19 included ₹ 55.60 crore, ₹ 990.49 crore and ₹ 1,721.09 crore in the form of equity, loans and grants/subsidy respectively. Out of grants of ₹ 1,721.09 crore given by the State Government, ₹ 912.92 crore was provided to Uttar Pradesh Jal Nigam to meet project expenditure.

In order to enable PSUs to obtain financial assistance from banks and financial institutions, GoUP gives guarantee for which guarantee commission is being charged at the rate of 0.25 *per cent* to one *per cent* as decided by GoUP (15 September 2000) depending upon the loanees. Outstanding guarantee stood at ₹ 3,518.37 crore in 2018-19. During the year 2018-19, no guarantee commission was paid by the PSUs.

### **Reconciliation with Finance Accounts of Uttar Pradesh**

**3.7** The figures in respect of equity, loans and guarantees outstanding as per records of all State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Uttar Pradesh. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Audit observed that as on 31 March 2019 such differences existed in respect of 58 ‘other than power sector’ PSUs as detailed in *Appendix-3.4* and summarised in **Table 3.5** below:

**Table 3.5: Equity, loans and guarantees outstanding as per Finance Accounts of Government of Uttar Pradesh vis-à-vis records of State PSUs (other than power sector) (₹ in crore)**

<b>Outstanding in respect of</b>	<b>Amount as per records of State PSUs</b>	<b>Amount as per Finance Accounts</b>	<b>Difference</b>
Equity	4,648.75	5,807.25	-1,158.50
Loans	4,412.73	3,047.30	1,365.43
Guarantees	1,138.37	664.75	473.62

*Source: Compiled based on annual accounts of PSUs, sanction/release orders for equity, loans and guarantees, information received from PSUs and Finance Accounts.*

The differences between the figures are persisting since last many years.

The issue of reconciliation of differences was also taken up by the audit with the PSUs and the Departments from time to time. Major difference in balances was observed in, Uttar Pradesh Jal Nigam, The Pradeshia Industrial and Investment Corporation of UP Limited, Uttar Pradesh State Bridge Corporation Limited and Uttar Pradesh Rajya Chini Evam Ganna Vikas Nigam Limited (Sl. No. 5, 11, 17, 19 of *Appendix 3.4*).

**Audit, therefore, recommends that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.**

### **Submission of accounts by State PSUs (other than power sector)**

**3.8** Of the total 99 State PSUs (other than power sector), there were 56 functional PSUs *i.e.* 50 Government companies and six Statutory Corporations and 43 non-functional PSUs under the purview of CAG as of 31 March 2019. The status of timelines followed by the State PSUs in preparation of accounts is as follows:

#### ***Timeliness in preparation of accounts by the State PSUs***

**3.8.1** Accounts for the year 2018-19 were required to be submitted by all the PSUs by 30 September 2019. However, out of 50 functional Government

companies, only six Government companies<sup>18</sup> (including Government controlled other companies) submitted their accounts for the year 2018-19 for audit by CAG on or before even 31 December 2019 whereas accounts of 44 functional Government companies were in arrears. Out of six Statutory Corporations, the CAG is the sole auditor in four Statutory Corporations (Uttar Pradesh State Road Transport Corporation, Uttar Pradesh Avas Evam Vikas Parishad, Uttar Pradesh Jal Nigam and Uttar Pradesh Forest Corporation). Out of six Statutory Corporations only one Statutory Corporation (Uttar Pradesh State Road Transport Corporation) has submitted accounts for the year 2018-19 for audit by the CAG upto 31 December 2019.

Details of arrears in submission of accounts by all PSUs (other than power sector) as on 31 December 2019 are given in **Table 3.6**.

**Table 3.6: Position relating to submission of accounts by all the State PSUs (other than power sector)**

Particulars		Position relating to submission of accounts			
		Government companies	Government controlled other companies	Statutory corporations	Total
Total number of PSUs under the purview of CAG's audit as on 31 March 2019		82	11	6	99
Less: New PSUs from which accounts for 2018-19 were not due		-	-	-	-
Less: PSUs under liquidation from which accounts for 2018-19 were not due		11	1	-	12
Number of PSUs from which accounts for 2018-19 were due		71	10	6	87
Number of PSUs which presented their accounts of 2018-19 for CAG's audit by 31 December 2019.		4	3	1	8
Number of PSUs <sup>19</sup> whose accounts were in arrears		76	8	5	89
Number of accounts in arrears		803	46	12	861
Break-up of Arrears	(i) Under Liquidation	94	8	-	102
	(ii) Non-functional	527	24	-	551
	(iii) First accounts not submitted	39	12	-	51
	(iv) Others	143	2	12	157
Age-wise analysis of arrears against 'Others' category	One year (2018-19)	7	-	2	9
	Two years (2017-18 and 2018-19)	10	2	4	16
	Three years or more	126	-	6	132

GoUP had provided ₹ 3,685.90 crore (Equity: ₹ 48.84 crore, Loan: ₹ 1,161.24 crore and Grant: ₹ 2,475.82 crore) to 27 of the 89 State PSUs

<sup>18</sup> Sl. No. 1, 2, 3, 5, 6 and 21 of *Appendix-3.1 viz.* (i) Uttar Pradesh Metro Rail Corporation Limited, (ii) NOIDA Metro Rail Corporation Limited, (iii) Almorah Magnesite Limited, (iv) Agra Smart City Limited, (v) Aligarh Smart City Limited and (vi) Uttar Pradesh Export Promotion Council.

<sup>19</sup> This include 10 PSUs under liquidation having arrear accounts upto date of their going into liquidation.



accounts of which had not been finalised by 31 December 2019 whereas no investment was made in the remaining 62 PSUs during the period for which accounts were in arrears. PSU-wise details of investment made by State Government during the years for which accounts were in arrears are shown in **Appendix-3.5**.

The administrative departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned departments were informed regularly regarding arrears in accounts.

#### **Impact of non-finalisation of accounts of State PSUs (other than power sector)**

**3.9** The delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 2013 and relevant statutes. In view of the above status of arrears of accounts, the actual performance including loss incurred/profit earned and contribution of these 89 PSUs (other than power sector) to State GDP during the period of arrear accounts could not be ascertained/reported to the State Legislature. In the absence of finalisation of accounts by these PSUs and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the funds were utilised for the purpose for which these were provided by the State Government.

**It is, therefore, recommended that the Administrative Departments should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.**

#### **Winding up of non-functional State PSUs**

**3.10** As on 31 March 2019, 43 State PSUs were non-functional having a total investment of ₹ 1,771.82 crore in the form of capital (₹ 1,049.30 crore) and long-term loans (₹ 722.52 crore). The major investment was in Uttar Pradesh State Textile Corporation Limited (₹ 286.75 crore), Nandganj-Sihori Sugar Company Limited (₹ 256.80 crore) and Uttar Pradesh State Handloom Corporation Limited (₹ 232.18 crore). The non-functional PSUs includes 12 PSUs which were under liquidation.

**The Government may take appropriate decision regarding winding up of these 31 non-functional PSUs.**

#### **Placement of Separate Audit Reports of Statutory Corporations**

**3.11** Out of six Statutory Corporations, only one Corporation (Uttar Pradesh State Road Transport Corporation) had submitted its accounts for 2018-19 by 31 December 2019.

Separate Audit Reports (SARs) are Audit Reports of the CAG on the accounts of Statutory Corporations. Under the provisions of the Acts governing these Statutory Corporations, the SARs are to be laid before the State Legislature.

However, Audit observed that in spite of the statutory provisions making it obligatory to lay the SARs before the State Legislature, SARs of these Statutory Corporations were not placed before the State Legislature for one to four years as detailed in **Table 3.7**.

**Table 3.7: Status of placement of SAR of the Statutory Corporations**

Sl. No.	Name of Corporation	Relevant section of the Act envisaging SAR to be placed in State Legislature	Year of accounts up to which SARs placed in State Legislature	Date of placement of SAR	Years for which SARs not placed in State Legislature	
					Year of accounts	Date of issue to the Government
1	Uttar Pradesh State Road Transport Corporation	Section 33 (4) of State Road Transport Corporation Act, 1952	2012-13	12 February 2016	2013-14 2014-15 2015-16 2016-17	2 September 2015 24 March 2017 18 June 2019 23 September 2019
2	Uttar Pradesh Financial Corporation	Section 37 (7) of State Financial Corporation Act, 1952	2011-12	19 November 2014	2012-13	12 November 2015
3	Uttar Pradesh Forest Corporation	Clause 6 (e) of Chapter-IV of Uttar Pradesh Forest Corporation Act, 1974	2015-16	14 February 2019	2016-17 2017-18	20 November 2018 19 September 2019
4	Uttar Pradesh Avas Evam Vikas Parishad	Chapter-V of the Uttar Pradesh Avas Evam Vikas Parishad Adhiniyam, 1965.	2016-17	27 February 2020	2017-18	08 July 2020
5	Uttar Pradesh Jal Nigam	Section 50(5)(a) of U. P. Water Supply and Sewerage Act, 1975	2007-08	4 December 2012	2008-09 2009-10 2010-11 2011-12	3 August 2011 20 May 2013 12 December 2013 25 May 2017
6	Uttar Pradesh State Warehousing Corporation	Section 31 (11) of Warehousing Corporation Act, 1962	2012-13	29 August 2016	2013-14 2014-15 2015-16	20 July 2016 27 June 2017 30 April 2019

*Source: Information furnished by the Corporations and website of GoUP.*

### Performance of State PSUs (other than power sector)

**3.12** The financial position and working results of the 24 State PSUs covered in this Chapter as per their latest finalised accounts<sup>20</sup> as of 31 December 2019 are detailed in **Appendix-3.1**.

The PSUs are expected to yield reasonable return on investments made by Government in the undertakings. The total investment of the State Government and others in the PSUs was ₹ 13,127.56 crore consisting of equity of ₹ 5,295.96 crore and long-term loans of ₹ 7,831.60 crore (**Appendix-3.3**). Out of this, GoUP has investment of ₹ 4,991.35 crore in 15 PSUs consisting of equity of ₹ 2,217.33 crore and long-term loans of ₹ 2,774.02 crore.

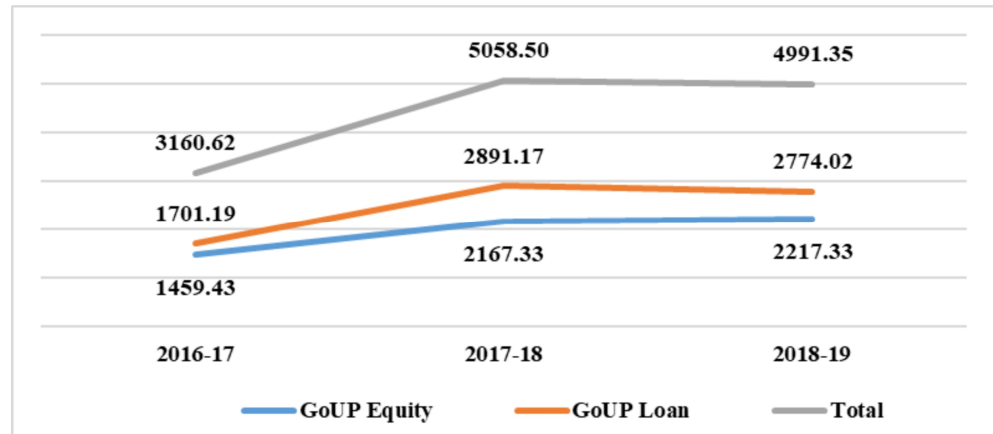
The cumulative status of investment of GoUP in the PSUs (other than power sector) covered in this Chapter at the end of the years 2016-17 to 2018-19 is given in **Chart 3.2**.

<sup>20</sup> Latest finalised accounts for the years 2016-17 to 2018-19.



Chart 3.2: Total investment of GoUP in PSUs (other than power sector)

(₹ in crore)



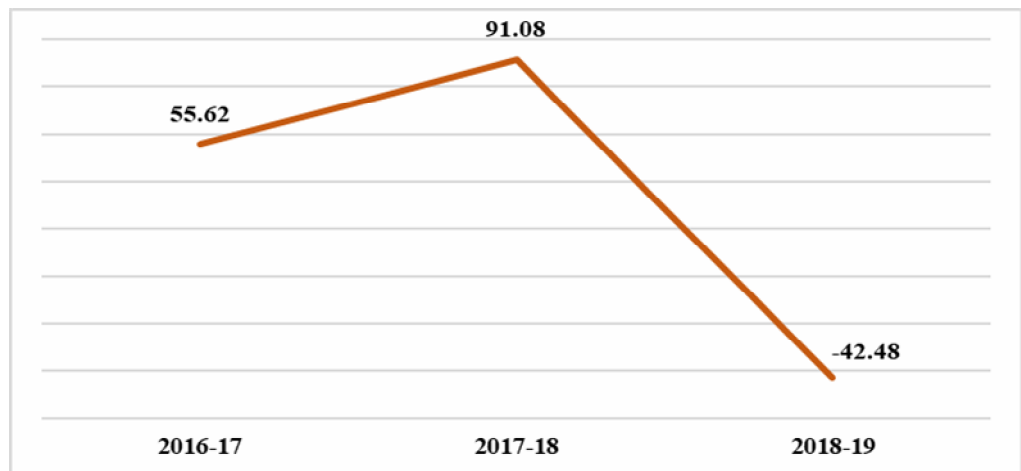
The profitability of a company is traditionally assessed through return on investment (ROI), return on equity (ROE) and return on capital employed (ROCE). Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long-term loans and is expressed as a percentage of profit to total investment. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's earnings before interest and taxes by capital employed.

### Return on Investment

**3.13** Return on investment is the percentage of profit or loss to the total investment. The overall position of profit/losses<sup>21</sup> earned/incurred by the 24 functional State PSUs during 2016-17 to 2018-19 is depicted in **Chart 3.3**.

Chart 3.3: Profit/Losses earned/incurred by 24 functional PSUs (other than power sector) during last three years

(₹ in crore)



**3.13.1** The profit of ₹ 55.62 crore earned by these functional PSUs in the year 2016-17 decreased to loss of ₹ 42.48 crore in the year 2018-19. According to the latest finalised accounts of these 24 functional State PSUs, 15 PSUs earned

<sup>21</sup> Figures are as per the latest finalised accounts of the respective years.

profit of ₹ 374.35 crore and nine PSUs incurred losses of ₹ 416.83 crore as detailed in *Appendix-3.1*. The top profit-making PSUs were Uttar Pradesh Avas Evam Vikas Parishad (₹ 118.11 crore) and Uttar Pradesh Forest Corporation (₹ 80.38 crore). The top loss-making PSUs were Uttar Pradesh Jal Nigam (₹ 317.07 crore) and Uttar Pradesh Metro Rail Corporation Limited (₹ 72.11 crore). The details of sector-wise profit of these PSUs during 2018-19 are summarised in **Table 3.8**.

**Table 3.8: Sector wise profitability of PSUs**

Sector	Number of PSUs	Profit after Tax (₹ in crore)	Percentage of profit/loss to total loss after tax
PSUs in monopolistic sector	11	-113.15	-
PSUs with assured source of income	11	79.01	-
PSUs in competitive sector	2	-8.34	-
<b>Total</b>	<b>24</b>	<b>-42.48</b>	<b>-</b>

*Source: Compiled based on latest finalised annual accounts of PSUs.*

Out of 15 PSUs who earned profit during 2018-19, five PSUs belonged to monopolistic category, nine PSUs belonged to assured source of income category and one PSU belonged to competitive sector. Thus, profits of these PSUs were mainly either due to having monopolistic advantage or having assured source of income from budgetary support, centage, commission, interest on bank deposits *etc.* Further, one PSU working in competitive environment incurred loss of ₹ 11.69 crore during 2018-19.

***Real Return on Investment on the basis of Present Value of Investment***

**3.14** An analysis of the earnings *vis-a-vis* investments in respect of those 15 State PSUs where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. The return on investment has been calculated after considering the present value (PV) of investment to arrive at the real return on investment made by GoUP. PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity, interest-free loan and revenue grant/subsidy given for operational and management expenses in these companies starting from 1999-2000 till 31 March 2019. During the period from 1999-2000 to 2018-19, these PSUs had a positive return on investment during the years 2005-06 to 2012-13. The return on investment for these years have, therefore, been calculated and depicted on the basis of PV.

The present value (PV) of the State Government investments in these PSUs was computed on the following assumptions:

- Interest-free long-term loans and grants/subsidies for operational and management expenses have been considered as investment infusion by the State Government. Further, in those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest-free loans and added to the equity of that year.
- The average rate of interest on Government borrowings for the concerned financial year<sup>22</sup> was adopted as compounded rate for arriving at present value

<sup>22</sup> The average rate of interest on Government borrowings for the concerned year = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.

since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

**3.15** PSU-wise position of State Government investment in these 15 State PSUs in the form of equity, interest-free loan and revenue grant/subsidy on historical cost basis for the period from 2000-01 to 2018-19 is indicated in **Appendix-3.6**. Further, the consolidated position of PV of the State Government investment relating to these PSUs for the same period is indicated in **Table 3.9**.

**Table 3.9: Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2000-01 to 2018-19**

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loan given by the State Government during the year	Grant/subsidy given by GoUP during the year	Total investment during the year	Total investment at the end of the year	Average rate of interest on government borrowings (in %)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total Earnings for the year
i	ii	iii	iv	v	vi=iii+iv+v	vii=ii+vi	viii	ix=vii* (1+ viii/100)	x=vii* viii/100	xi
Upto 1999-2000		546.77	76.10	1.05	623.92	623.92	9.50	683.19	59.27	-191.61
2000-01	683.19	0.00	17.75	1.05	18.80	701.99	9.58	769.24	67.25	-162.10
2001-02	769.24	0.00	-33.53	1.05	-32.48	736.76	9.49	806.68	69.92	-172.76
2002-03	806.68	10.15	18.75	1.05	29.95	836.63	7.22	897.04	60.40	-130.24
2003-04	897.04	0.00	6.25	1.05	7.30	904.34	9.13	986.90	82.57	-204.84
2004-05	986.90	4.59	11.17	1.05	16.81	1,003.71	9.47	1,098.76	95.05	-9.74
2005-06	1,098.76	0.00	68.54	1.45	69.99	1,168.75	6.49	1,244.61	75.85	89.00
2006-07	1,244.61	47.00	82.22	1.45	130.67	1,375.28	6.74	1,467.97	92.69	103.65
2007-08	1,467.97	0.00	0.00	0.80	0.80	1,468.77	6.43	1,563.21	94.44	132.53
2008-09	1,563.21	13.88	-0.44	0.65	14.09	1,577.30	6.29	1,676.51	99.21	179.38
2009-10	1,676.51	0.00	0.00	4.08	4.08	1,680.59	6.16	1,784.12	103.52	106.92
2010-11	1,784.12	0.05	51.52	4.78	56.35	1,840.47	6.67	1,963.23	122.76	46.57
2011-12	1,963.23	39.52	33.11	2.00	74.63	2,037.86	6.62	2,172.76	134.91	64.54
2012-13	2,172.76	6.00	9.88	2.00	17.88	2,190.64	6.73	2,338.08	147.43	35.42
2013-14	2,338.08	23.43	-0.94	0.00	22.49	2,360.57	6.43	2,512.35	151.78	-149.89
2014-15	2,512.35	211.14	175.61	2.00	388.75	2,901.10	6.40	3,086.77	185.67	-173.10
2015-16	3,086.77	633.47	161.79	2.00	797.26	3,884.03	6.35	4,130.67	246.64	-191.58
2016-17	4,130.67	498.38	654.72	7.49	1,160.59	5,291.26	6.82	5,652.12	360.86	-125.51
2017-18	5,652.12	132.95	-115.49	9.89	27.35	5,679.47	6.54	6,050.91	371.44	-104.65
2018-19	6,050.91	50.00	129.97	20.17	200.14	6,251.05	6.50	6,657.36	406.32	-233.82
<b>Total</b>	<b>40,885.12</b>	<b>2,217.33</b>	<b>1,346.98</b>	<b>65.06</b>	<b>3,629.37</b>					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 3,629.37 crore in 2018-19 from ₹ 623.92 crore in 1999-2000 as the State Government made further investments in the shape of equity (₹ 1,670.56 crore) and interest free loans/grant/subsidy (₹ 1,334.89 crore) during the period 2000-01 to 2018-19. PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 6,657.36 crore. During the period 2000-01 to 2004-05, these PSUs continued to suffer overall losses but during the period 2005-06 to 2009-10 earned profit which was more than the minimum expected return to recover cost of funds infused in these PSUs. However, during the years 2010-11 to 2012-13, though these PSUs

earned profits, the total earnings remained below the minimum expected return to recover cost of funds infused in these PSUs during this period. From 2013-14 these PSUs were again in overall losses.

### Return on Equity

**3.16** Return on equity (ROE)<sup>23</sup> is a measure of the financial performance of companies calculated by dividing net income by shareholders' fund. Sector wise ROE of PSUs during 2016-17 to 2018-19 is depicted in **Table 3.10**.

**Table 3.10: Sector wise Return on Equity**

Sl. No.	Sector	ROE during 2016-17		ROE during 2017-18		ROE during 2018-19	
		No of PSUs	ROE (in per cent)	No of PSUs	ROE (in per cent)	No of PSUs	ROE (in per cent)
1	PSUs in monopolistic sector	9	-0.12	11	0.25	11	-1.26
2	PSUs with assured source of income	11	14.76	11	14.43	11	14.49
3	PSUs in competitive sector	2	-	2	-	2	-
<b>Total</b>		<b>22<sup>24</sup></b>	<b>0.72</b>	<b>24</b>	<b>1.08</b>	<b>24</b>	<b>-0.46</b>

The net income and shareholders' fund both were negative in case of PSUs in the competitive environment sector, hence, their ROE could not be worked out. In case of PSUs in monopolistic environment sector, ROE was negative during 2016-17 and 2018-19 despite their monopolistic advantage while in case of PSUs with assured source of income, ROE was positive during the period 2016-17 to 2018-19.

A comparison of ROE of PSUs under monopolistic environment/with assured source of income vs PSUs in competitive environment is depicted in **Table 3.11**.

**Table 3.11: Comparison of ROE of PSUs in monopolistic environment/ with assured source of income vs PSUs in competitive environment Sectors**

Year	Monopolistic/Assured Source of Income PSUs		Competitive PSUs	
	No. of PSUs	ROE (per cent)	No. of PSUs	ROE (per cent)
2016-17	20	0.79	2	-
2017-18	22	1.13	2	-
2018-19	22	-0.36	2	-

### Return on Capital Employed

**3.17** Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and tax (EBIT) by the capital employed<sup>25</sup>.

The details of ROCE of 24 PSUs covered in this Chapter during the period from 2016-17 to 2018-19 are given in **Table 3.12**.

<sup>23</sup> Return on Equity = (Net Profit after Tax and preference Dividend/Equity)\*100 where Equity = Paid up Capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

<sup>24</sup> Two PSUs namely Agra Smart City and Aligarh Smart City was incorporated in 2017-18.

<sup>25</sup> Capital Employed = Paid up Share capital + Free Reserves and surplus + Long term loans – Accumulated losses – Deferred Revenue Expenditure.

Table 3.12: Return on Capital Employed

Year wise Sector wise break-up	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (in per cent)
<b>2016-17</b>			
PSUs in monopolistic environment	93.63	10,853.78	0.86
PSUs with assured source of income	95.39	621.39	15.35
PSUs in competitive sector	-2.38	223.13	-1.07
<b>Total</b>	<b>186.64</b>	<b>11,698.30</b>	<b>1.60</b>
<b>2017-18</b>			
PSUs in monopolistic environment	119.27	13,288.24	0.90
PSUs with assured source of income	98.14	674.08	14.56
PSUs in competitive sector	-2.38	223.13	-1.07
<b>Total</b>	<b>215.03</b>	<b>14,185.45</b>	<b>1.52</b>
<b>2018-19</b>			
PSUs in monopolistic environment	-10.74	15,966.16	-0.07
PSUs with assured source of income	98.54	674.70	14.61
PSUs in competitive sector	-2.38	223.13	-1.07
<b>Total</b>	<b>85.42</b>	<b>16,863.99</b>	<b>0.51</b>

It was observed that overall ROCE decreased from 1.60 *per cent* during 2016-17 to 0.51 *per cent* during 2018-19 due to significant increase in capital employed in Uttar Pradesh Metro Rail Corporation Limited (₹ 3,783.00 crore) and Noida Metro Rail Corporation Limited (₹ 998.51 crore) during 2017-18 and 2018-19. The ROCE of two PSUs<sup>26</sup> in competitive environment was negative during 2016-17 to 2018-19 as EBIT was negative in all the three years. Further, capital employed of one PSU (Uttar Pradesh State Spinning Company Limited) in competitive sector was also negative during 2016-17 to 2018-19.

#### ***PSUs incurring losses***

**3.18** Out of 24 PSUs covered in this Chapter, six to nine PSUs incurred losses during the period 2016-17 to 2018-19. The losses incurred by these PSUs increased to ₹ 416.83 crore in 2018-19 from ₹ 360.03 crore during 2016-17 as given in **Table 3.13**.

<sup>26</sup> Uttar Pradesh State Spinning Company Limited and The Pradeshiya Industrial and Investment Corporation of UP Limited.

**Table 3.13: Number of PSUs that incurred losses during 2016-17 to 2018-19**

During the year	No of PSUs incurring loss	Net loss for the year (₹ in crore)	Accumulated Profit/ Loss (₹ in crore)	Net Worth <sup>27</sup> (₹ in crore)
<b>PSUs in monopolistic sector</b>				
2016-17	4	343.38	-1,209.34	1,085.48
2017-18	6	348.50	-1,242.10	1,646.49
2018-19	6	397.53	-1,366.36	2,268.11
<b>PSUs with assured source of income</b>				
2016-17	1	4.96	-12.69	-7.78
2017-18	2	7.61	10.24	18.15
2018-19	2	7.61	10.24	18.15
<b>PSUs in competitive sector</b>				
2016-17	1	11.69	-260.77	-167.53
2017-18	1	11.69	-260.77	-167.53
2018-19	1	11.69	-260.77	-167.53

Out of total loss of ₹ 416.83 crore incurred by nine PSUs during the year 2018-19, loss of ₹ 317.07 crore was incurred by one PSU alone (Uttar Pradesh Jal Nigam) in monopolistic sector despite not being open to market competition. In competitive sector, one (Uttar Pradesh State Spinning Company Limited) out of two PSUs, has incurred loss as per latest finalised account, however both PSUs have accumulated losses. This reflects adversely on the sustainability of these PSUs.

#### ***Erosion of Net worth of PSUs***

**3.19** Net worth is the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure.

As on 31 March 2019, out of the 24 PSUs (covered in this Chapter), there were 12 PSUs with accumulated losses of ₹ 3,057.98 crore. Of these 12 PSUs, eight PSUs incurred losses in the year 2018-19 amounting to ₹ 416.38 crore. These included one PSU (Uttar Pradesh State Spinning Company Limited) in competitive sector which incurred loss of ₹ 11.69 crore during the year. Further, four PSUs had not incurred loss in the year 2018-19, though they had an accumulated loss of ₹ 1,410.99 crore.

Net worth of seven PSUs including both the PSUs in competitive sector had been completely eroded by accumulated loss and their net worth was (-) ₹ 1,686.44 crore against an equity investment of ₹ 1,162.17 crore as on 31 March 2019. This included negative net worth of (-) ₹ 398.14 crore in two PSUs of competitive sector against equity investment of ₹ 228.82 crore. However, out of seven PSUs whose net worth had been eroded, three PSUs had earned profit of ₹ 43.24 crore during 2018-19 largely on account of profit of ₹ 39.85 crore earned by the Uttar Pradesh State Road Transport Corporation due to its monopolistic advantage.

In all the seven PSUs whose net worth had been eroded, Government loans outstanding as on 31 March 2019 amounted to ₹ 1,729.79 crore.

<sup>27</sup> Net worth means the sum total of the paid-up share capital and free reserves and surplus less accumulated loss and deferred revenue expenditure. Free reserves mean all reserves created out of profits and share premium account but do not include reserves created out of revaluation of assets and write back of depreciation provision.



**Dividend Payout**

**3.20** The State Government had formulated (October 2002) a dividend policy under which PSUs running in profit are required to pay a minimum return of five *per cent* on the paid up share capital contributed by the State Government. Dividend payout relating to 14 out of 24 PSUs (covered in this Chapter) where equity was infused by the State Government during the period from 2016-17 to 2018-19 is shown in **Table 3.14**.

**Table 3.14: Dividend Payout of PSUs (other than power sector) during 2016-17 to 2018-19**

Year	Total PSUs where equity infused by GoUP		PSUs which were running in profit <sup>28</sup>		PSUs which declared/paid dividend for the year		Dividend Payout Ratio (in per cent)
	Number of PSUs	Equity infused by GoUP (₹ in crore)	Number of PSUs	Equity infused by GoUP (₹ in crore)	Number of PSUs	Dividend declared/paid by PSUs (₹ in crore)	
1	2	3	4	5	6	7	8=7/5*100
2016-17	14	1,459.43	8	109.18	7	3.13	2.87
2017-18	14	2,167.33	3	1.48	2	0.07	4.73
2018-19	14	2,217.33	1	0.05	-	-	-

During the period 2016-17 to 2018-19, the number of PSUs running in profits ranged between one and eight. During this period, the number of PSUs which declared/paid dividend to GoUP ranged from none to seven<sup>29</sup>.

The dividend payout ratio increased from 2.87 *per cent* in 2016-17 to 4.73 *per cent* in 2017-18. However, no dividend was paid by any profit-earning PSU during 2018-19.

**Analysis of Long Term Loans of the PSUs (other than power sector)**

**3.21** Analysis of the long term loans of the PSUs which had leverage during 2016-17 to 2018-19 was carried out to assess the ability of the PSUs to serve the debt owed by them to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio.

**Interest Coverage Ratio**

**3.22** Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and tax (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the less is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicates that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio of PSUs covered in this Chapter which had outstanding loans during the period from 2016-17 to 2018-19 are given in **Table 3.15**.

<sup>28</sup> The PSUs which earned profit as per the current accounts for the year and had no accumulated loss have been considered.

<sup>29</sup> SI. No. 10, 12, 13, 16, 17, 18 and 20 of *Appendix-3.1*.

**Table 3.15: Interest coverage ratio of functional State PSUs (other than power sector) having interest liability of loans**

During the year	Number of PSUs having interest liability of loans	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2016-17	6	78.89	-116.06	4	2
2017-18	7	78.23	-65.92	4	3
2018-19	7	83.19	-238.38	3	4

Of the seven State PSUs (other than power sector) having liability of loans during 2018-19, three PSUs had interest coverage ratio of more than one and four PSUs had interest coverage ratio below one which indicates that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

**Age-wise analysis of interest outstanding on State Government Loans**

**3.23** As on 31 March 2019, interest amounting to ₹ 704.39 crore was outstanding on the long-term loans of five PSUs provided by GoUP. The age wise analysis of interest outstanding on GoUP loans in PSUs is depicted in **Table 3.16**.

**Table 3.16: Interest outstanding on State Government Loans**

Sl. No.	Name of PSU	Outstanding interest on loans as on 31 March 2019 (₹ in crore)	Outstanding for less than 1 year (₹ in crore)	Outstanding for 1 to 3 years (₹ in crore)	Outstanding for more than 3 years (₹ in crore)
1	Uttar Pradesh Jal Nigam	604.44	13.44	40.32	550.68
2	Uttar Pradesh Electronics Corporation Limited	47.14	2.20	4.41	40.53
3	Uttar Pradesh Development Systems Corporation Limited	7.00	0.00	7.00	0.00
4	Uttar Pradesh State Spinning Company Limited	16.43	0.00	6.08	10.35
5	The Pradeshiya Industrial and Investment Corporation of UP Limited	29.38	1.75	0.00	27.63
<b>Total</b>		<b>704.39</b>	<b>17.39</b>	<b>57.81</b>	<b>629.19</b>

**Comments on Accounts of State PSUs (other than power sector)**

**3.24** Twenty five functional companies forwarded 35 audited accounts to the Principal Accountant General during the period from 1 October 2018 to 31 December 2019. Of these, 27 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given **Table 3.17**.

**Table 3.17: Impact of audit comments on functional companies (other than power sector)**

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1.	Decrease in profit	13	379.22	12	132.71	12	162.85
2.	Increase in profit	2	0.18	2	0.71	4	32.90
3.	Increase in loss	5	7.23	4	352.13	4	30.23
4.	Decrease in loss	1	0.18	3	5.05	1	0.01
5.	Non-disclosure of material facts	8	121.18	12	718.68	12	385.17
6.	Errors of classification	9	124.80	6	159.23	10	159.94

*Source: Compiled from comments of the Statutory Auditors/CAG in respect of Government Companies.*

During the year 2018-19, the Statutory Auditors had issued qualified certificates on 15 accounts and in case of accounts of Uttar Pradesh Food and Essential Commodities Corporation Limited for the year 2010-11, the Statutory Auditors had given disclaimer/no opinion. In case of accounts of Uttar Pradesh Pichhara Varg Vitta Evam Vikas Nigam Limited, the Statutory Auditors had given adverse opinion for three years viz. 2012-13, 2013-14 and 2014-15. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 80 instances of non-compliance to the Accounting Standards in 18 accounts. The CAG had also issued adverse certificates (not true and fair view presented by the financial statements) in three accounts namely Uttar Pradesh Rajkiya Nirman Nigam Limited for financial year 2013-14, Uttar Pradesh State Bridge Corporation Limited for financial year 2015-16 and for Allahabad City Transport Services Limited for the financial year 2015-16.

**3.25** The State has six Statutory Corporations *i.e.* (i) Uttar Pradesh Avas Evam Vikas Parishad (UPAEVP), (ii) Uttar Pradesh Jal Nigam (UPJN), (iii) Uttar Pradesh Financial Corporation (UPFC), (iv) Uttar Pradesh State Road Transport Corporation (UPSRTC), (v) Uttar Pradesh State Warehousing Corporation (UPSWC) and (vi) Uttar Pradesh Forest Corporation. The CAG is the sole auditor of these Statutory Corporations except UPSWC and UPFC in which CAG conducts supplementary audit as per the provisions of governing Acts.

Out of six functional Statutory Corporations, five Corporations (UPSWC, UPAEVP, UPSRTC, Uttar Pradesh Jal Nigam and Uttar Pradesh Forest Corporation) forwarded 10 annual accounts pertaining to the years 2012-13 to 2018-19 during the period from 01 October 2018 to 31 December 2019. Of these, five accounts were selected for audit. The Statutory Auditors had given qualified certificates on annual accounts of UPSWC for the year 2016-17. Further, CAG had given 'True and Fair' certificate on accounts of Uttar Pradesh Forest Corporation and also given 'Not True and Fair' certificate on accounts of Uttar Pradesh Avas Vikash Parishad for the year 2017-18.

The details of aggregate money value of the comments of Statutory Auditors and sole/supplementary audit by the CAG in respect of Statutory Corporations are given in **Table 3.18**.

**Table 3.18: Impact of audit comments on Statutory Corporations**

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amounts (₹ in crore)	Number of accounts	Amounts (₹ in crore)	Number of accounts	Amounts (₹ in crore)
1.	Decrease in profit	5	7.27	3	26.33	3	65.90
2.	Increase in profit	-	-	2	2.09	3	5.61
3.	Increase in loss	-	-	-	-	-	-
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	5	1,114.38	-	-	1	236.36
6.	Errors of classification	4	1,472.19	1	0.71	2	5.86

Source: Compiled from comments of the Statutory Auditors/CAG in respect of Statutory Corporations.

### Compliance Audits Paragraphs

**3.26** For the Report of the Comptroller and Auditor General of India (Economic and Public Sector Undertakings) for the year ended 31 March 2019, four compliance audit paragraphs related to Uttar Pradesh Rajkiya Nirman Nigam Limited, Uttar Pradesh State Bridge Corporation Limited and Uttar Pradesh Jal Nigam were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies. The replies of two compliance audit paragraphs are awaited (September 2020) from the State Government. The total financial impact of these compliance audit paragraphs is ₹ 13.88 crore.

### Follow-up action on Audit Reports

#### Replies outstanding

**3.27** The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Uttar Pradesh issued (June 1987) instructions to all administrative departments to submit replies/explanatory notes to paragraphs/performance audits included in the Audit Reports of the CAG of India within a period of two to three months of their presentation to the State Legislature, in the prescribed format without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The position of explanatory notes not received is given in **Table 3.19**.

**Table 3.19: Explanatory notes not received (as on 30 September 2020)**

Year of the Audit Report (Commercial/ PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audit (PA) and Paragraphs in the Audit Report		Number of PA/ Paragraphs for which explanatory notes were not received	
		PA	Paragraphs	PA	Paragraphs
2011-12	16 September 2013	1	6	0	0
2012-13	20 June 2014	1	11	0	0
2013-14	17 August 2015	1	9	0	0
2014-15	8 March 2016	2	4	2	0
2015-16	18 May 2017	4	6	2	0
2016-17	7 February 2019	2	3	1	2
2017-18	21-22 August 2020	-	8	-	8
<b>Total</b>		<b>11</b>	<b>47</b>	<b>5</b>	<b>10</b>

Source: Information compiled by Audit.

From the above, it may be seen that, out of 47 paragraphs and 11 Performance Audits, explanatory notes to 10 paragraphs and five Performance Audits in respect of seven Departments<sup>30</sup>, which were commented upon, were awaited (September 2020).

**Discussion of Audit Reports by COPU**

**3.28** The status as on 30 September 2020 of Performance Audits and paragraphs that appeared in Audit Reports (Commercial/PSUs) and on which discussion completed by COPU is given in **Table 3.20**.

**Table 3.20: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2020**

Period of Audit Report	Number of Performance Audits (PAs)/Paragraphs			
	Appeared in Audit Report		PAs and Paragraphs on which discussion completed	
	PAs	Paragraphs	PAs	Paragraphs
1982-83 to 2010-11	76 <sup>31</sup>	475	56	417
2011-12	1	6	0	5
2012-13	1	11	0	7
2013-14	1	9	0	7
2014-15	2	4	0	3
2015-16	4	6	0	0
2016-17	2	3	0	1
2017-18	-	8	-	-
<b>Total</b>	<b>87</b>	<b>522</b>	<b>56</b>	<b>440</b>

*Source: Information compiled by Audit.*

**Compliance to Reports of the Committee on Public Undertakings**

**3.29** The internal working rules of COPU do not provide for vetting of Action Taken Notes (ATNs) by the Principal Accountant General. Hence, the ATNs on the recommendations of COPU are furnished by the Departments to the Principal Accountant General only at the time of discussion of ATNs by COPU. Therefore, the status of ATNs is not discussed here.

<sup>30</sup> Department of Forest, Department of Finance, Housing & Urban Planning Department, Public Work Department, Infrastructure and Industrial Development Department, Urban Development Department and Transport Department.

<sup>31</sup> Included Standalone Performance Audit Report on Sale of Sugar Mills of Uttar Pradesh State Sugar Corporation Limited.