सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Economic Sector and Public Sector Undertakings
for the year ended March 2018

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of Telangana

Report No.1 of 2020

Report of the
Comptroller and Auditor General of India
on
Economic Sector and Public Sector Undertakings

for the year ended March 2018

Government of Telangana

Report No. 1 of 2020

TABLE OF CONTENTS

TABLE OF CONTENTS		
SUBJECT	**Reference to**	
	Paragraph(s)	**Page(s)**
PART – II		
CHAPTER IV		
FUNCTIONING OF STATE PSUs (NON-POWER SECTOR)		
Introduction	4.1-4.2	63 – 64
Investment in State PSUs (Non-Power Sector)	4.3-4.4	64 – 65
Disinvestment, Restructuring and Privatisation of State PSUs (Non-Power Sector)	4.5	65
Budgetary support to State PSUs (Non-Power Sector)	4.6-4.7	66 – 67
Reconciliation with Finance Accounts	4.8	67
Submission of Accounts by State PSUs (Non-Power Sector)	4.9	67 – 69
Placement of Separate Audit Reports of Statutory Corporations	4.10	69
Impact of non-finalisation of accounts by State PSUs (Non-Power Sector)	4.11	70
Performance of State PSUs (Non-Power Sector)	4.12-4.21	70 – 78
Winding up of Inactive State PSUs (Non-Power Sector)	4.22	78 – 79
Comments on Accounts of State PSUs (Non-Power Sector)	4.23-4.24	79
Performance Audit and Compliance Audit Paragraphs	4.25	79
Follow up action on Audit Reports	4.26	79 – 80
Discussion of Audit Reports by the Committee on Public Undertakings (CoPU)	4.27	80
Compliance to Reports of CoPU	4.28	80 - 81
CHAPTER V		
COMPLIANCE AUDIT **STATE PSUs (NON-POWER SECTOR)**		
GOVERNMENT COMPANIES		
Telangana State Civil Supplies Corporation Limited		
Short recovery of ₹ 34.08 crore towards paddy transportation	5.1	85 – 86
Excess contribution of Employer's share of Employees Provident Fund	5.2	87 - 88
SECTION B		
CHAPTER – I		
OVERVIEW OF ECONOMIC SECTOR		
Introduction	1.1	93
Trend of Expenditure	1.2	93 – 95
Authority for Audit	1.3	95
About this Report	1.4	95
Planning and Conduct of Audit	1.5	96
Response to Audit	1.6	96 – 97
CHAPTER– II		
COMPLIANCE AUDIT – ECONOMIC SECTOR		
Irrigation and Command Area Development Department		
Avoidable expenditure due to re-tendering of work	2.1	101 – 103
Loss of revenue due to inefficient disposal of de-silted soil and additional expenditure on lead charges	2.2	103 – 104
Non-recovery of mobilization advances	2.3	105 – 107
ANNEXURES		111 – 133
GLOSSARY		137 – 139

List of Annexures		
Annexure No.	**Subject**	**Page (s)**
1	Statement showing investments made by State Government in Power Sector PSUs whose accounts are in arrears	111
2	Summarised financial position and results of Power Sector PSUs as on 31-03-2018	112
3	Statement showing position of equity and outstanding loans of State PSUs (Non-Power Sector) as on 31st March 2018	113 -116
4	Statement showing differences between figures as per Finance Accounts of Government of Telangana and Accounts of State PSUs (Non-Power Sector) in respect of Equity, Loans and Guarantees as on 31 March 2018	117
5	Statement showing investments made by State Government in working PSUs (Non-Power Sector) whose accounts are in arrears	118 - 121
6	Statement showing financial position and results of State PSUs (Non-Power Sector) as on 31st March 2018	122 – 127
7	Statement showing excess contribution of employer's share of EPF	128 – 131
8	Department-wise details of Outstanding Inspection Reports (IRs) and Paragraphs as on 30 September 2018	132
9	Year wise breakup of Outstanding Inspection Reports and Paragraphs for which first replies have not been received	133

PREFACE

This Report contains two sections. **Section A** deals with the results of audit of Public Sector Undertakings, namely Government Companies and Statutory Corporations of the Government of Telangana comprising both Power Sector and Non-Power Sector. **Section B** deals with results of audit of Departments and Entities under Economic Sector of the Government of Telangana.

The Report on the Public Sector Undertakings for the year ended March 2018 has been prepared for submission to the Government of Telangana under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, for laying before the State Legislature.

2. The accounts of Government Companies (including companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG. The audit arrangements of Statutory Corporations are prescribed under the respective acts through which the corporations are established.

3. This report deals with analysis of performance of 75 Public Sector Undertakings (PSUs) consisting of 72 Government Companies and three Statutory Corporations in the State of Telangana the audit of which have been entrusted to the Comptroller and Auditor General of India. The Report includes an Introductory Chapter on the functioning of all the 75 PSUs. Thereafter, the report has been divided in two parts. Part-I deals with the analysis of the performance of the eight Power Sector PSUs and includes one Performance Audit of "Setting up of Singareni Thermal Power Plant at Jaipur" and four Compliance Audit paragraphs. Part-II of the report deals with the analysis of the performance of the 67 State PSUs (Non-Power Sector) and includes two Compliance Audit paragraphs.

4. The information given in this report pertains to the period since the formation of the Telangana State on 02 June 2014. As the demerged/ successor units of Telangana were incorporated during the years from 2014-15 to 2017-18, the performance of these PSUs have been considered from the date of their incorporation. Further, the information in this report is based on the audited/ provisional accounts of the PSUs and the information furnished by the PSUs for the years for which the accounts were in arrears. The impact of finalization/ revision, if any, of the accounts by the PSUs would be reflected in the future reports.

SECTION-B: DEPARTMENTS AND ENTITIES (OTHER THAN PSUs) UNDER ECONOMIC SECTOR

5. The Report in **Section B** for the year ended 31 March 2018 has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India.

It contains results of the compliance audit of the Department of Irrigation & Command Area Development.

6. The audit observations featured in this Report are those which came to notice in the course of audit during the year 2017-18 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2018 have also been included, wherever necessary.

7. The audit has been conducted in accordance with the Auditing Standards issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW
Section A

Functioning of State Public Sector Undertakings (Power Sector & Non-Power Sector)

Telangana State was formed on 02 June 2014, following the bifurcation of erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganisation Act, 2014.

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG.

As on 31 March 2018, Telangana had 75 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 72 Government Companies (including 20 Inactive Companies) under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Two Government Companies, namely, A.P. Tribal Power Company Limited and Infrastructure Corporation of Andhra Pradesh Limited and 19 Inactive Companies were still under demerger process. The working PSUs as per their latest finalised accounts and information furnished registered a turnover of ₹ 73,561.62 crore during 2017-18. The turnover relative to the Gross State Domestic Product (GSDP) of Telangana was 9.76 *per cent.*

As on 31 March 2018, the investment (Capital and Long Term Loans) in 75 PSUs was ₹ 88,918.89 crore. The power sector received investments of ₹ 5,630.70 crore (73.69 *per cent*) out of total investment of ₹ 7,640.68 crore made during the period from 2014-15 to 2017-18.

1. Functioning of State Power Sector PSUs

As on 31 March 2018, there were eight Power Sector PSUs in Telangana. Out of which, one Government Company *viz*, A.P. Tribal Power Company Limited is still under demerger process. During 2017-18, the aggregate turnover of Power Sector PSUs was ₹ 56,713.81crore. The turnover relative to the Gross State Domestic Product (GSDP) of Telangana was 7.52 *per cent* indicating a fairly important role played by the Power Sector PSUs in the economy of the State. The Government of Telangana's investment in these Power Sector PSUs on historical cost basis was ₹ 20,785.24 crore which included equity infusion of ₹ 7,723.00 crore under UDAY scheme.

Stake of Government of Telangana

As on 31 March 2018, the total investment (equity and long term loans) in eight Power Sector PSUs was ₹ 47,946.37 crore. The investment consisted of ₹ 11,213.63 crore (23.39 *per cent*) towards equity and ₹ 36,732.74 crore (76.61 *per cent*) in long-term loans. Out of the total long term loans of ₹ 36,732.74 crore, ₹ 4,509.85 crore (12.28 *per cent*) was availed from the State Government and balance ₹ 32,222.89 crore (87.72 *per cent*) was availed from financial institutions.

Performance of Power Sector PSUs

The eight Power Sector PSUs at the aggregate level incurred losses of ₹ 13,533.43 crore during the period 2014-18. The Power Generating Companies earned profits of ₹ 3,518.77 crore as also the Transmission Company - TSTRANSCO which earned profits of ₹ 531.12 crore. The distribution companies (DISCOMs) suffered losses amounting to ₹ 17,580.43 crore resulting in a net loss of ₹ 13,533.43 crore in Power Sector in Telangana. Profits of the Singareni Collieries Company Limited in 2017-18 was 1.47 times higher than the previous year, mainly because of increased volume of business in power segment.

Against the paid-up capital investment of ₹ 7,131.53 crore, the accumulated losses in the Power Sector PSUs was ₹ 22,593.14 crore as of March 2018 resulting in negative net worth of ₹ 15,461.61 crore.

Coverage of this Report

Part-I of this report contains one Performance Audit of Setting up of Singareni Thermal Power Plant (STPP) at Jaipur and four compliance audit paragraphs.

2. Performance Audit - Power Sector PSU

The Singareni Collieries Company Limited

Setting up of Singareni Thermal Power Plant at Jaipur

Performance Audit covers the planning and project execution stages of Singareni Thermal Power Plant (STPP) and its operational performance including compliance to environmental norms during the period September 2016 to March 2018. Important audit findings are enumerated below:

Planning

The Project was conceived on the ground that coal generated from the Company's own mines would be used in the STPP. This presumption however, ignored the changed reality brought about by the New Coal Distribution Policy (NCDP: October 2007), under which the coal allocation was to be made centrally. Naini coal mines (in Odisha) allotted by Ministry of Coal was to meet the future (from December 2020) coal needs of STPP. This necessitated supply of coal from Company's own mines under bridge linkage♣ resulting in payment of premium charges of ₹ 289.91 crore on procurement of 83.24 lakh MTs of coal. As a result the generation cost increased from the estimated ₹ 2.37 per unit to ₹ 3.42 per unit (March 2018). The STPP however, did not apply for swapping of coal linkage from Naini coal mines to Company's own mines.

The Company also planned to avail 150 MW (out of 1200 MW) power generated by STPP for its internal consumption. This assumption made in project planning was also ignored as STPP entered (January 2016) into a Power Purchase Agreement (PPA) with the State Power Distribution Companies (DISCOMs) to

♣ Under Bridge Linkage, coal is supplied to end users on short term basis until the commencement of production from the allotted coal mines.

sell the entire 1,200 MW power generated by it. This resulted in purchase of power for mining activity at higher cost from the DISCOMs which entailed an avoidable expenditure of ₹ 288.96 crore during 2017-18.

The STPP was required to sell minimum 85 *per cent* of its generation capacity to DISCOMs and to award contracts through International Competitive Bidding (ICB) to claim Mega Power Project (MPP) status. The STPP however, calculated its net saleable power at 81 *per cent* by incorrectly deducting its Auxiliary Power consumption. STPP also awarded the Boiler-Turbine-Generator (BTG) contract to M/s. BHEL on nomination basis instead of ICB. Thus, the STPP lost the benefit of duty exemptions of ₹ 293.55 crore available under the MPP Policy.

Operational Performance

The STPP maintained the Station Heat Rate nearer to the norms fixed by the Telangana State Electricity Regulatory Commission (TSERC). But, STPP consumed 4.97 lakh MTs of coal valued ₹ 156.10 crore in excess of the norms allowed by the TSERC due to receipt of poor quality coal.

The Company took special measures like increasing the thickness of pressure parts and temperature range, etc., to reduce the boiler tube failures. Audit however, observed that during the year 2017-18, STPP lost a total of 1,053 hours due to multiple tube leakages in the boilers of Unit I & II which caused generation loss of 642.06 MU valued at ₹ 219.58 crore.

As per the boiler Performance Guarantee bestowed by the Original Equipment Manufacturer, the unburnt coal in both fly and bottom ash should be in the range of 1 per cent to 1.80 per cent. The actual presence of unburnt coal in bottom ash however, ranged between 2.14 per cent and 2.65 per cent resulting in loss of generation of 81.51 MU worth ₹ 27.87 crore during 2017-18.

Environmental Compliance

The STPP installed the Ambient Air Quality Monitoring System after two years of its Commercial Operation Date (December 2016). The average level of Sulphur Oxide was abnormally on high side in both the Units. Hence, the Central Pollution Control Board directed STPP to install Fuel Gas De-Sulphurisation Plant costing ₹ 800.00 crore.

Further, STPP incurred only ₹ 12.85 crore (58 *per cent*) of the targeted amount of ₹ 22.00 crore for Corporate Social Responsibility (CSR) activities and did not initiate any activity under the annual component of CSR activities. Annual social audit of schemes identified for CSR activities was also not conducted by STPP as of June 2018.

Monitoring of Outcomes

The STPP did not achieve the envisaged outcomes of use of coal from the Company's own coal mines and use of 150 MW power for its internal consumption. Further, STPP did not provide employment to land losers and local people as envisaged. The Company however, did not ensure that a monitoring mechanism was in place to ensure achievement of envisaged outcomes of STPP.

3. Compliance Audit –Power Sector PSUs

Compliance Audit observations included in this Report highlight deficiencies in the management of Power Sector PSUs with financial implications. The irregularities pointed out are broadly of the following nature:

Southern Power Distribution Company of Telangana Limited

The Company's decision to withdraw interest charges levied as per the Supreme Court's order resulted in loss of ₹ 21.42 crore.

(*Paragraph 3.1*)

The Company also suffered loss of ₹ 0.56 crore due to wrong categorisation and charging lower rates on one HT consumer.

(*Paragraph 3.2*)

Telangana Power Finance Corporation Limited

The Company was incorporated with higher amount of authorised share capital resulting in avoidable expenditure of ₹ 2.40 crore.

(*Paragraph 3.3*)

Telangana State Renewable Energy Development Corporation Limited

The Company did not adhere to the controls prescribed while releasing subsidies under the Bio-Gas Programme. This led to suspected fraud of ₹ 29.99 lakh.

(*Paragraph 3.4*)

4. Functioning of State PSUs (Non-Power Sector)

As on 31 March 2018, Telangana had 67 State Public Sector Undertakings (PSUs) in the Non-Power Sector. These PSUs included 64 Government Companies and three Statutory Corporations. During 2017-18, the aggregate turnover of these PSUs was ₹ 16,847.81 crore. The turnover relative to the GSDP of Telangana was 2.24 *per cent.*

Stake of the Government of Telangana

The amount of investment as on 31 March 2018 in the State PSUs (Non-Power Sector) was ₹ 40,972.32 crore consisting of ₹ 355.44 crore as equity and ₹ 40,616.88 crore as long term loans. Out of this, the State Government invested ₹ 5,742.82 crore (14 *per cent*) in 56 PSUs (38 working PSUs and 18 inactive PSUs) which consisted of ₹ 320.92 crore towards capital and ₹ 5,421.90 crore towards long-term loans.

Performance of Public Sector Undertakings

The 38 working PSUs together incurred loss of ₹ 2,018.50 crore during 2014-18. Out of the 28 PSUs which furnished their accounts/ information as on 31 March 2018, 12 PSUs earned profits and 12 PSUs incurred losses.Three PSUs reported nil profits and one working PSU namely, Telangana State Beverages Corporation Limited had break-even status. Major profit making PSUs during the year 2017-18 were, Telangana State Forest Development Corporation Limited (₹ 94.79 crore), Telangana State Minerals Development Corporation Limited (₹ 27.08 crore), Telangana State Warehousing Corporation (₹ 17.51

crore) and Telangana State Technology Services Limited (₹ 15.14 crore) while Telangana State Road Transport Corporation (TSRTC) incurred heavy losses (₹ 748.85 crore).

5. Compliance Audit – State PSUs (Non-Power Sector)

Compliance Audit observations included in this Report highlight deficiencies in the management of PSUs, with financial implications. The irregularities pointed out are broadly of the following nature:

Telangana State Civil Supplies Corporation Limited

The Company recovered cost of transportation of paddy to miller's premises at rates lower than the prescribed rate. This resulted in short recovery of ₹ 34.08 crore.

(*Paragraph 5.1)*

The Company's failure to restrict its share of contribution towards Employees Provident Fund to the statutory limit resulted in extra expenditure of ₹ 3.80 crore.

(*Paragraph 5.2)*

OVERVIEW
Section B

Departments and Entities (other than Public Sector Undertakings) under Economic Sector

Chapter I: Overview of Economic Sector

There are 32 Departments at the Secretariat level headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them. During the year 2017-18, Economic Sector accounted for 20 *per cent* (₹ 29,758.51 crore) of the total expenditure (₹ 1,49,127.91 crore) of the Government of Telangana. Of the total expenditure of ₹ 29,758.51 crore incurred by 11 Departments during 2017-18, a major portion (94 *per cent*) was incurred by four top spending Departments. These were Irrigation & Command Area Development (44 *per cent*), Energy (21 *per cent*); Agriculture (17 *per cent*) and Roads & Buildings (12 *per cent).* This Report includes the results of audit of Irrigation and Command Area Development Department.

Chapter II: Compliance Audit – Economic Sector

Avoidable expenditure due to re-tendering of work

Lack of technical competence of Department in managing EPC contract led to delay in commencement of work and avoidable expenditure of ₹ 76.86 crore.

(Paragraph 2.1)

Loss of revenue due to inefficient disposal of de-silted soil and additional expenditure on lead charges

By dumping the de-silted soil without usage, contrary to Government instructions, the Department suffered revenue loss of ₹ 30.59 lakh, besides incurring an additional expenditure of ₹ 28.07 lakh on lead charges in transporting the silt to the dumping site.

(Paragraph 2.2)

Non-recovery of mobilization advances

Failure to recover mobilization advances, consequent to pre-closure/ termination of contracts, resulted in non-recovery of ₹ 428.98 crore.

(Paragraph 2.3)

Section A

PUBLIC SECTOR UNDERTAKINGS

Introduction

Functioning of State Public Sector Undertakings (Power Sector & Non-Power Sector)

General

1. The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of the people. They play an important role in the State economy.

2. Telangana State was formed on **02 June 2014**[1], following the bifurcation of erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganisation Act, 2014. As on 31 March 2018, there were 75 State Public Sector Undertakings (PSUs) in Telangana (including 72 Government Companies and three Statutory Corporations[2]) under the audit jurisdiction of the Comptroller & Auditor General of India. During 2017-18, nine Government Companies[3] were newly incorporated and three Inactive PSUs[4] were reported to be dissolved[5]. None of the PSUs was listed on the stock exchange(s).

3. The nature of PSUs and the position of accounts are as given below:

Table 1: Number of State PSUs covered in the Report

Type of PSUs	Total No. of PSUs	No. of PSUs for which Accounts are received during the reporting period[6]				No. of PSUs for which accounts are in arrears (total arrears)
		Upto 2017-18	Upto 2016-17	Upto 2015-16	Total	
Government Companies[7]	52	6	7	8	21	45* (114)
Statutory Corporations	3	0	0	0	0	03 (8)
Total Working PSUs	**55**	**6**	**7**	**8**	**21**	**48 (122)**

1 Date of formation of Telangana State/ Effective Date of bifurcation of Government Companies.
2 Telangana State Warehousing Corporation, Telangana State Financial Corporation and Telangana State Road Transport Corporation.
3 Zaheerabad NIMZ Limited, Telangana Fiber Grid Corporation Limited, Telangana State Most Backward Classes Development Corporation, T-works Foundation, Telangana Industrial Health Clinic Limited, Hyderabad Pharma City Limited, Hyderabad Road Development Corporation Limited, Musi Riverfront Development Corporation Limited and Telangana Water Resources Development Corporation Limited.
4 Andhra Pradesh Scooters Limited, Andhra Pradesh Tourism Finance Limited and Suganthi Alloy Casting Limited.
5 Names of these PSUs were struck off from the Register of Companies by the Registrar of Companies, Hyderabad under Section 248(5) of the Companies Act, 2013. Where the Registrar of Companies has reasonable cause to believe that a company is not carrying on any business or operation for a period of two immediately preceding financial years and has not made any application within such period for obtaining the status of a dormant company, he shall send a notice to the company and all the directors of the company, of his intention to remove the name of the company from the register of companies. At the expiry of the time mentioned in the notice, the Registrar may, unless cause to the contrary is shown by the company, strike off its name from the register of companies, and shall publish notice thereof in the Official Gazette, and on the publication in the Official Gazette of this notice, the company shall stand dissolved.
6 From October 2017 to September 2018.
7 Includes two PSUs namely, A.P. Tribal Power Company Limited and Infrastructure Corporation of Andhra Pradesh Limited which are under demerger.

Type of PSUs	Total No. of PSUs	No. of PSUs for which Accounts are received during the reporting period[8]				No. of PSUs for which accounts are in arrears (total arrears)
		Upto 2017-18	Upto 2016-17	Upto 2015-16	Total	
Inactive Government Companies[9]	20	0	0	0	0	20 (407)
Total	**75**	**6**	**7**	**8**	**21**	**68 (529)#**

Source: Based on annual accounts submitted by Telangana State PSUs

* Accounts of one PSU namely, Telangana Rajiv Swagruha Corporation Limited are not due.
# Pending for four years to 34 years.

4. During 2017-18, the working PSUs as per their latest finalised accounts and information furnished registered an annual turnover of ₹ 73,561.62 crore. The turnover relative to the State Gross Domestic Product (GSDP) (₹ 7,53,804 crore) was 9.76 *per cent.* As on March 2018, the working PSUs had a work force of 1.36 lakh employees and incurred loss of ₹ 4,486.37 crore.

There are 20 Inactive PSUs which have been inactive in the range of four years to 30 years having an investment of ₹ 234.87 crore comprising capital (₹ 61.53 crore) and long term loans (₹ 173.34 crore). This is a critical area as the investments in Inactive PSUs do not contribute to the economic growth of the State.

Accountability framework

5. A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the Comptroller and Auditor General of India (CAG). Audit of Government Companies is governed by respective provisions of Sections 139 and 143 of the Companies Act, 2013. Section 2 (45) defines a "Government Company" as one in which not less than 51 *per cent* of the paid-up share capital is held by the Government(s). A Government Company includes a subsidiary of a Government Company.

6. Statutory Auditors of the Government Companies are appointed by the CAG under Section 139 of the Companies Act, 2013. The Statutory Auditors conduct audit of accounts of PSUs in accordance with Section 143 of the Companies Act, 2013. The accounts of PSUs are subject to supplementary audit by the CAG under Section 143 of the Companies Act, 2013. The CAG plays an oversight role by monitoring the performance of the Statutory Auditors. The overall objective of CAG audit is that the Statutory Auditors discharge the functions assigned to them. This function is discharged by exercising the powers as under:

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

[8] From October 2017 to September 2018.
[9] Includes 19 PSUs which are under demerger.

Audit of Statutory Corporations is governed by their respective legislations. Out of the three Statutory Corporations, CAG is the sole auditor for Telangana State Road Transport Corporation. The audit of Telangana State Warehousing Corporation and Telangana State Financial Corporation is conducted by Chartered Accountants, followed by Supplementary audit by the CAG.

Submission of accounts by State Public Sector Undertakings

7. *Need for timely finalisation and submission*

According to Sections 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the PSUs from the Consolidated Fund of the State.

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

8. *Role of Government and Legislature*

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

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports of State Government Companies, together with the Statutory Auditors' Reports and comments of the CAG, are to be placed before the Legislature under Section 394 of the Companies Act. Separate Audit Reports are also required to be placed before the Legislature in case of Statutory Corporations as stipulated in the respective Acts.

Audit Reports of the CAG are submitted to the Government for placing before the Legislature under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Investment in State Public Sector Undertakings

9. *Stake of Government of Telangana*

The State Government has a significant financial stake in these PSUs. This stake is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the PSUs, as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

10. The sector wise summary of investment (equity and long-term loans) in 75 PSUs as on 31 March 2018, is detailed below:

Table 2: Sector wise investment in State PSUs

(₹ in crore)

Name of Sector	Government Companies		Statutory Corporations		Total	Investments		
	Working	Inactive	Working	Inactive		Equity	Long Term Loans*	Total
Power	8	0	0	0	8	11213.63	36732.74	47946.37
Service	12	1	1	0	14	94.56	23487.41	23581.97
Agriculture & Allied	6	3	1	0	10	143.54	13503.72	13647.26
Infrastructure	14	0	0	0	14	38.65	3395.62	3434.27
Manufacturing	4	15	0	0	19	64.87	211.69	276.56
Finance	4	1	1	0	6	13.82	18.44	32.26
Others	4	0	0	0	4	0.20	0.00	0.20
Total	**52**	**20**	**3**	**0**	**75**	**11569.27**	**77349.62**	**88918.89**

Source: Based on accounts/ information as furnished by PSUs

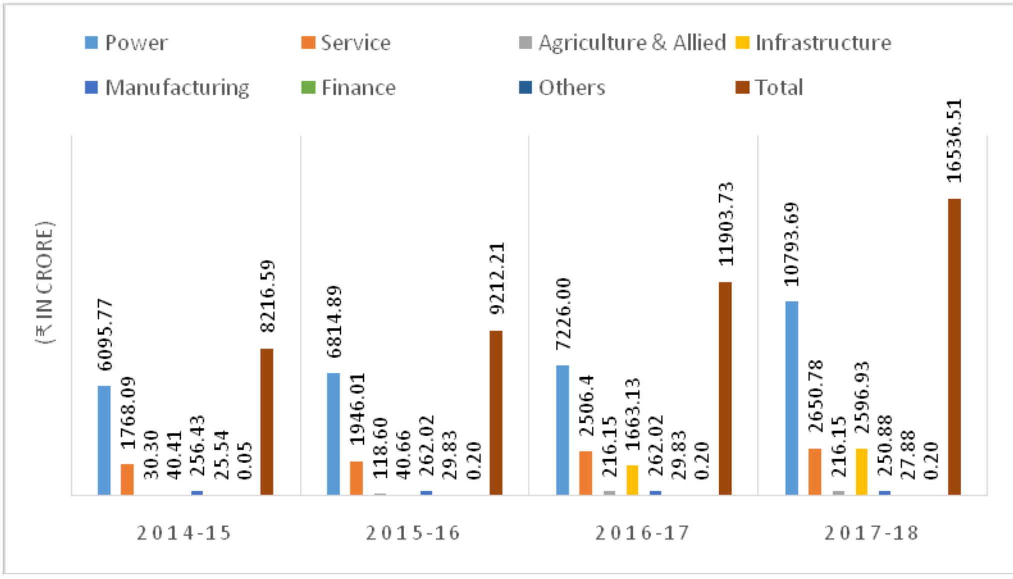
** The long-term loans include loans from Central and State Governments, Public Financial Institutions and Commercial Banks.*

As on 31 March 2018, 13.01 *per cent* of the total investment in State PSUs comprised of equity capital and 86.99 *per cent* of long-term loans. The long-term loans in 55 working PSUs consisted of ₹ 9,931.76 crore advanced by the Government (both Central & State Governments) and ₹ 67,417.86 crore raised from other sources. The thrust of investment in PSUs was mainly in power sector during the last four years. Out of total investment of ₹ 7,640.68 crore made during the period from 2014-15 to 2017-18, the power sector received investments (equity and long term loans) of ₹ 5,630.70 crore (73.69 *per cent*).

The pattern of State Government investment in various important sectors as at the end of the years from 2014-15 to 2017-18 is indicated in **Chart 1**:

Chart 1: Sector wise investment in PSUs

(₹ in crore)



Source: Based on accounts/ information as furnished by PSUs

The functioning of Power Sector PSUs and State PSUs (Non-Power Sector) together with the Performance Audit (PA) observations and compliance audit observations relating to these broad sectors are discussed separately in the succeeding Chapters under Part-I and II of this Report respectively.

PART I

POWER SECTOR PSUs

CHAPTER I

FUNCTIONING OF POWER SECTOR PSUs

PART - I

Chapter I

Functioning of Power Sector PSUs

Introduction

1.1 The Power Sector PSUs play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of Power Sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of Power Sector PSUs in the State economy. The table below provides the details of turnover of the Power Sector PSUs and GSDP of Telangana for a period of four years ending March 2018:

Table 1.1: Turnover of* Power Sector *PSUs vis-a-vis GSDP of Telangana

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
No. of Working PSUs	8	8	8	8
Turnover	40240.47	45294.17	48835.21	56713.81
Percentage change of turnover compared to previous year	-	12.56	7.82	16.13
GSDP of Telangana	505849.00	577902.00	659676.00	753804.00
Percentage change in GSDP compared to previous year	12.02	14.24	14.15	14.27
Percentage of Turnover to GSDP of Telangana	7.96	7.84	7.40	7.52

Source: Turnover figures as per information furnished by the PSUs and GSDP figures as per latest data of Ministry of Statistics and Program Implementation, Government of India.

In 2017-18, the percentage of the turnover of Power Sector PSUs relative to GSDP was 7.52 *per cent* and was more or less around same *per cent* during four years. The compounded annual growth of GSDP of Telangana was 14.22 *per cent* during the years 2014-18. While the turnover of Power Sector PSUs recorded lower compounded annual growth[10]of 12.12 *per cent* during the same period.

Formation of Power Sector PSUs

1.2 The erstwhile Andhra Pradesh State Electricity Board (APSEB) was set up as a Statutory Corporation in April 1959 under Section 5 (1) of the Electricity (Supply) Act, 1948 (the Act) with the objective of promoting coordinated development of generation, transmission and distribution of electricity in an efficient and economic manner. Though the availability of electricity had increased over the years, the APSEB faced problems of shortage of power, high line losses, poor voltage conditions and consequently suffered revenue deficit from the year 1994-95 onwards. Based on the recommendations (April 1995) of the High Level Committee (Committee)[11], the State Government enacted

---

[10] Rate of Compounded Annual Growth ((value of 2017-18/ value of 2014-15) ^ ((1/ 3years) -1) * 100) where turnover and GSDP for the year 2014-15 was ₹ 40,240.47 crore and ₹ 5,05,849.00 crore respectively.

[11] The State Government formed (January 1995) a High Level Committee to examine and present a policy paper on issues relating to ways and means to meet the growing demand, enlistment of private investment in Power Sector, restructuring of APSEB, tariff policy guidelines, etc.

(October 1998) Andhra Pradesh Electricity Reforms Act, 1998 (Reforms Act). The Andhra Pradesh Electricity Regulatory Commission (APERC) was established on 31 March 1999 under the provisions of the Reforms Act and it started functioning from 03 April 1999.

Unbundling of APSEB

1.3 As a part of reforms of Power Sector, the APSEB was functionally unbundled into two distinct Companies[12] namely, Andhra Pradesh Power Generation Corporation Limited (APGENCO) for generation of power and Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) for transmission and distribution of power. The Distribution business was further disaggregated from APTRANSCO by creating[13] four distribution companies (DISCOMs) namely, Eastern Power Distribution Company of Andhra Pradesh Limited (EPDCL), Southern Power Distribution Company of Andhra Pradesh Limited (SPDCL), Northern Power Distribution Company of Andhra Pradesh Limited (NPDCL) and Central Power Distribution Company of Andhra Pradesh Limited (CPDCL).

Other Power Sector PSUs

1.4 The Singareni Collieries Company Limited (SCCL) was formed in December 1920 under the Hyderabad Companies Act of 1320 Fasli. The controlling interest in SCCL devolved on the Government of Andhra Pradesh in 1956 pursuant to the reorganization of States. Thus, the SCCL became a Government Company under the Companies Act in 1956. In 2016-17, the SCCL had set up a power project namely, the Singareni Thermal Power Plant at Jaipur in Mancherial district of Telangana.

The State Government incorporated the Non-Conventional Energy Development Corporation of Andhra Pradesh Limited (NEDCAP)[14] and the Andhra Pradesh Power Finance Corporation Limited (APPFCL)[15] for promotion of generation of electricity through non-conventional sources and for investment in the shares of Power Sector PSUs[16] respectively. Further, the State Government had set up (05 July 2002) the A. P. Tribal Power Company Limited (APTPCL) to promote mini hydel power projects in tribal areas. Also, the APGENCO and the DISCOMs formed (01 March 2016) a Joint Venture Company (JVC) namely the Andhra Pradesh Power Development Company Limited (APPDCL) as a special purpose vehicle for establishment of the Sri Damodaram Sanjeevaiah Thermal Power Station near Krishnapatnam in Nellore district of Andhra Pradesh (AP).

[12] Incorporated on 29 December 1998 under the Companies Act, 1956 which started functioning from 01 February 1999.
[13] Incorporated on 30 March 2000 under the Companies Act, 1956 and started functioning from 01 April 2000.
[14] In October 1969 under the Companies Act, 1956 as a wholly owned Government Company.
[15] In July 2000 under the Companies Act, 1956 as a wholly owned Government Company.
[16] Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited and Distribution Companies (DISCOMs).

Reorganisation of State

1.5 Telangana State was formed on 02 June 2014[17], following bifurcation of erstwhile composite State of AP. Under, the AP Reorganisation Act, 2014, a PSU shall pass to that State where it is exclusively located in or its operations are exclusively confined. Assets and liabilities of PSUs with interstate operations was to be apportioned between the two States as under:

- The operational units on location basis; and
- The headquarters on the basis of population ratio.

As on the date of bifurcation of erstwhile composite State of AP, the APGENCO, the APTRANSCO, the APPFCL and the NEDCAP had interstate operations. Therefore, these entities were bifurcated into AP and Telangana units. Separate Companies namely Telangana State Power Generation Corporation Limited (TSGENCO), Transmission Corporation of Telangana Limited (TSTRANSCO), Telangana Power Finance Corporation Limited (TPFCL) and Telangana State Renewable Energy Development Corporation Limited (TSREDCL) were formed[18] under the Companies Act, 2013 in respect of Telangana units. The transfer of assets and liabilities of these demerged PSUs was, however, yet to be completed.

Of the four DISCOMs, two DISCOMs namely, Central Power Distribution Company of Andhra Pradesh Limited (CPDCL) & Northern Power Distribution Company of Andhra Pradesh Limited (NPDCL) were allotted exclusively to Telangana and renamed as Southern Power Distribution Company of Telangana Limited (TSSPDCL) and Northern Power Distribution Company of Telangana Limited (TSNPDCL). The two other DISCOMs namely, EPDCL & SPDCL were allotted exclusively to AP. As the operations of SCCL were confined to coal mine areas located in Telangana, the SCCL was treated as PSU exclusive to Telangana. The JVC namely, the APPDCL was allotted exclusively to AP. Thus, as on 31 March 2018, there were eight working Power Sector PSUs[19] in the State of Telangana. All the Power Sector PSUs allocated to Telangana State are functioning under the administrative control of the Energy Department of the State Government. The APTPCL however, was still under demerger (separate unit for Telangana State is yet to be formed) though the De-merger Plan was approved (August 2017) by the Expert Committee[20].

Restructuring, Disinvestment and Privatisation of Power Sector PSUs

1.6 The Power Sector PSUs are engaged in all the power supply activities of generation, transmission and distribution of electricity. None of the Power Sector PSUs was listed on the stock exchange(s). There are no statutory corporations in the Power Sector of the State. There was no information of any proposals for disinvestment and privatization of the Power Sector PSUs of the Telangana State.

---

[17] Effective Date of Bifurcation of Government Companies/ Date of formation of Telangana State.

[18] TSGENCO (19.05.2014), TSTRANSCO (29.05.2014), TPFCL (31.07.2014) and TSREDCL (08.08.2014).

[19] 3 PSUs exclusive to Telangana, 4 PSUs formed due to demerger and 1 PSU under demerger.

[20] Sheela Bhide Committee was appointed (May/ June 2014) by the State Government of erstwhile AP to review and approve the demerger proposals of all the Government Companies, Corporations and Entities notified in Schedule 9 of the AP Reorganisation Act, 2014.

Investment in Power Sector PSUs

1.7 The activity wise investment (capital and long-term loans) in the Power Sector PSUs as on 31March 2018 is detailed below:

Table 1.2: Total investment in Power Sector PSUs

(₹ in crore)

Activity	Number of PSUs	Equity$	Long term loans*	Total
Generation of Power	3	2603.09	19684.71	22287.80
Transmission of Power	1	0.05	5585.26	5585.31
Distribution of Power	2	8610.30	7950.20	16560.50
Others	2	0.19	3512.57	3512.76
Total	**8**	**11213.63**	**36732.74**	**47946.37**

Source: Based on information furnished by PSUs

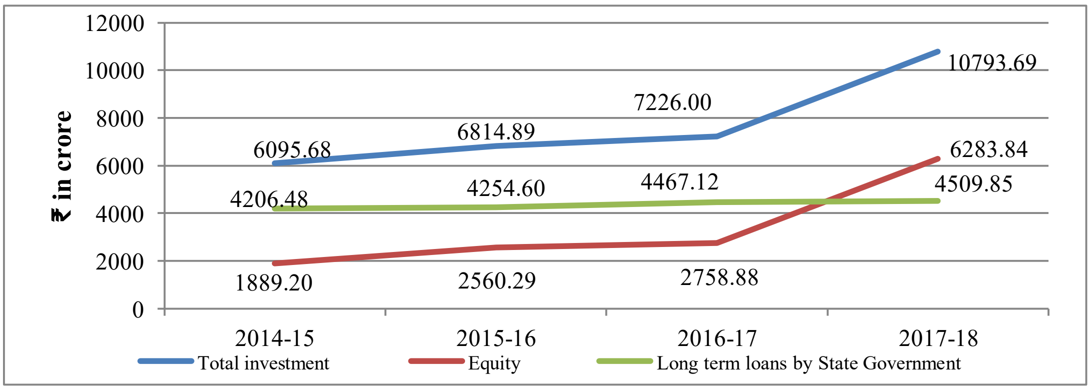
$ Equity includes share application money

** The long-term loans include loans from Central and State Governments, Public Financial Institutions and Commercial Banks.*

As on 31 March 2018, 23.39 *per cent* and 76.61 *per cent* of the total investment in Power Sector PSUs comprised of equity capital and long-term loans respectively. The long-term loans in Power Sector PSUs consisted of ₹ 4,509.85 crore (12.28 *per cent*) advanced by the State Government and ₹ 32,222.89 crore (87.72 *per cent*) raised from other sources. During 2016-17 and 2017-18, the State Government had taken over ₹ 8,922.81 crore (75 *per cent*) of the outstanding debts (₹ 11,897.08 crore) of the DISCOMs as on 30 September 2015 and released ₹ 7,723.00 crore (as on 31st March 2018) as equity contribution under Ujwal DISCOM Assurance Yojana[21] (UDAY) scheme. Equity shares were, however, issued for ₹ 2,846.17 crore only as the allotment of shares for balance equity contribution was not completed by the end of March 2018.

The year-wise status of investment made by the State Government in the form of equity and long term loans in the Power Sector PSUs during the period 2014-15 to 2017-18 was as follows:

Chart 1.1: State Government investment in Power Sector PSUs



Source: Based on information furnished by PSUs

[21] Scheme launched by Ministry of Power, GoI for financial and operational turnaround of DISCOMs.

Budgetary support to Power Sector PSUs

1.8 The State Government provided financial support to Power Sector PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/ subsidies, loans converted into equity, interest written off and guarantees issued/ outstanding in respect of Power Sector PSUs for the last four years ending March 2018 are as follows:

Table 1.3: Details regarding budgetary support to Power Sector PSUs

(₹ in crore)

Sl. No.	Particulars	2014-15		2015-16		2016-17		2017-18	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	4	346.20	1	523.59	2	2262.62	2	2498.29
2	Loans given from budget	0	0.00	0	0	0	0.00	0	0.00
3	Grants/Subsidy given from budget	4	3539.40	4	3967.39	4	4418.68	4	4253.16
4	**Total Outgo**	**5**[22]	**3885.60**	**6**[22]	**4490.98**	**5**[22]	**6681.30**	**4**[22]	**6751.45**
5	Loans converted into equity	0	0	0	0.00	0	0.00	1	2,846.17
6	Interest/ Penal interest written off	0	0	0	0.00	0	0.00	0	0.00
7	Guarantees issued[23]	0	0	0	0.00	0	0.00	0	0.00
8	Guarantee Commitment[24]	4	11316.16	4	9495.06	4	6760.80	5	7989.69

Source: Based on information furnished by PSUs

The extent of budgetary support provided by the State Government towards equity, loans and grants/ subsidies for the last four years ending March 2018 are given in the chart below:

Chart 1.2: Budgetary support towards Equity, Loans and Grants/Subsidies

Source: Based on information furnished by PSUs

Further, the Ministry of Power (MoP), Government of India also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of

[22] The figure represents number of PSUs which have received outgo from the State Government's budget under one or more heads i.e. equity, loans, grants/ subsidy.
[23] Government guarantee issued to the PSUs during a particular year.
[24] Closing balance of Government guarantee in respect of PSUs at the end of a particular year.

the DISCOMs. The provisions of UDAY and status of implementation of the scheme by the DISCOMs are discussed under ***Para 1.23*** of this Chapter.

The addition of ₹ 2,498.29 crore in equity of Power Sector PSUs during 2017-18 was through cash induction while outstanding loans amounting to ₹ 2,846.17 crore were converted into equity during 2017-18 under UDAY scheme. The addition in equity was done in the DISCOMs to plough back the power purchase dues to TSGENCO/ TSTRANSCO and to meet the expenditure on Electricity Duty, VAT and Royalty payable to the State Government. There was marginal decrease in the subsidy/ grants provided by the State Government during the year 2017-18 (₹ 4,253.16 crore) in comparison to previous year ₹ 4,418.68 crore). During 2017-18, subsidy/ grant was given mainly towards tariff subsidy to DISCOMs (₹ 3,928.29 crore).

Guarantee fee

1.9 State Government helps the Power Sector PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. For this purpose, the State Government charges guarantee commission of 0.50 *per cent* per annum or two *per cent* consolidated for the entire guarantee period as decided by the State Government, depending upon the loanees. The outstanding guarantee commitment given for the Power Sector PSUs increased by 18 *per cent* from ₹ 6,760.80 crore in 2016-17 to ₹ 7,989.69 crore in 2017-18. The Power Sector PSUs have, however, not furnished to audit the details of outstanding Guarantee Fee payable by them.

Reconciliation with Finance Accounts of the State Government

1.10 The figures in respect of equity, loans and guarantees outstanding as per records of Power Sector PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2018 was as follows:

Table 1.4: Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of Power Sector PSUs

(₹ in crore)

Outstanding in respect of	No. of PSUs	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
(A)	(B)	**(C)**	**(D)**	**(E) = (C)-(D)**
Equity$	2	13218.89	4528.2 0	8690.69
Loans$	3	287.35	3967.69	(-) 3680.34
Guarantees	5	2965.87	4,628.99	(-) 1663.12

Source: Based on Finance Accounts and information furnished by PSUs

$ Information in respect of only those PSUs whose equity and loans were bifurcated on demerger as per finance accounts is considered

It was observed that the differences in the figures of Equity were due to accounting the State Government Investments as Share Application Money pending allotment of shares. The differences in Loans and Guarantees were however, pending reconciliation since long. The matter was taken up (December 2018) with the State Government and replies were awaited. The State Government and the Power Sector PSUs should take concrete steps to reconcile the differences in a time bound manner.

Submission of accounts by Power Sector PSUs

Timeliness of accounts

1.11 Section 96 (1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013. Table 1.5 provides the details of progress made by the Power Sector PSUs in finalisation of accounts as on 30 September 2018:

Table 1.5: Position relating to finalisation of accounts of Power Sector PSUs

Sl.	Particulars	2014-15	2015-16	2016-17	2017-18
1	Number of Power Sector PSUs	8	8	8	8
2	Number of Accounts submitted during the year	7	5	7	9
3	Number of PSUs which finalised accounts for the current year	1	2	2	3
4	Number of previous year's accounts finalised during current year	6	3	5	6
5	Number of Power Sector PSUs with accounts in arrears	7	6	6	5
6	Number of accounts in arrears	13	16	17	16
7	Extent of arrears	1 to 7 years	1 to 8 years	1 to 9 years	1 to 10 years

Source: Based on accounts finalized by PSUs as on 30 September of the relevant years

It was seen that as on 30 September 2018, 16 accounts of five Power Sector PSUs were in arrears ranging from 1 to 10 years. During the year 2017-18, the State Government infused equity of ₹ 2,498.29 crore and gave grants/ subsidies of ₹ 4,253.16 crore to the Power Sector PSUs whose accounts were in arrears as detailed in ***Annexure 1***. Two Power Sector PSUs (DISCOMs) finalised and submitted their accounts for the year 2017-18 for audit during the period from October 2018 to December 2018 and one PSU (TSTRANSCO) submitted its accounts in March 2019. Accounts of two Power Sector PSUs (TSREDCL, APTPCL) were however awaited, till the end of March 2019. Out of this, one PSU (APTPCL) has not submitted its first accounts (since 2008-09).

The Energy Department, Government of Telangana is the Administrative Department of the Power Sector PSUs. It has the responsibility to oversee the activities of these entities. Therefore, it has to ensure that the accounts are finalised by the Power Sector PSUs and adopted by their respective Boards within the stipulated period. The arrears of accounts continue to exist though the Department concerned was being informed regularly.

Impact of non-finalisation of accounts

1.12 As pointed out above, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, it is recommended that the State Government may:

- set up a cell to oversee the clearance of arrears and set the targets for individual PSU which would be monitored by the cell;
- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of Power Sector PSUs

1.13 The financial position and results of Power Sector PSUs as on 31 March 2018 are detailed in ***Annexure 2***.

The total investment in Power Sector PSUs as on 31 March 2018 was ₹ 47,946.37 crore consisting of ₹ 11,213.63 crore as equity and ₹ 36,732.74 crore as long term loans. Out of this, the State Government has invested ₹ 10,793.69 crore consisting of equity of ₹ 6,283.84 crore and long term loans of ₹ 4,509.85 crore.

The Public Sector Undertakings are expected to yield reasonable return on investment made by the Government in them. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. 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 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 company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by the shareholders' fund.

Return on Investment

1.14 Return on investment is the percentage of profit or loss to the total investment. The overall position of profit earned/ losses incurred by the Power Sector PSUs during 2014-15 to 2017-18 is depicted in the chart below:

Chart 1.3: Profit earned/ Losses incurred by Power Sector PSUs

Source: Based on accounts and information furnished by PSUs

Out of eight Power Sector PSUs during 2017-18, three PSUs (SCCL, TSGENCO & TSTRANSCO) earned profit of ₹ 1,591.67 crore and two PSUs (TSSPDCL & TSNPDCL) incurred loss of ₹ 5,485.29 crore. Two PSUs (TSREDCL & APTPCL) earned marginal loss (₹ 1.07 crore) while one PSU (TSPFCL) had break-even status. Out of the total profit of ₹ 1,591.67 crore, the SCCL alone earned a profit of ₹ 1,212.75 crore while TSSPDCL (₹ 3,924.78 crore) and TSNPDCL (₹ 1,560.51 crore) contributed to the total loss of ₹ 5,485.29 crore.

The position of Power Sector PSUs which earned profit/ incurred loss during the years 2014-15 to 2017-18 is given below:

Table 1.6: Number of Power Sector PSUs which earned profit/ incurred loss

Financial year	Total No. of PSUs	No. of PSUs which reported profits during the year	No. of PSUs which reported loss during the year	No. of PSUs which reported marginal/ Nil profit/ loss during the year
2014-15	8	3	2	3
2015-16	8	3	2	3
2016-17	8	3	2	3
2017-18	8	3	2	3

Source: Based on accounts and information furnished by PSUs

Return on the basis of historical cost of investment

1.15 The State Government infused funds in the form of equity, loans and subsidies/ grants in all the eight Power Sector PSUs. The Return on Investment (RoI) from the Power Sector PSUs has been calculated on the total investment (i.e, investment made by State, Central Governments & Others).In the case of loans, only interest free loans are to be considered as investment since the State Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per the terms and conditions of repayment. Out of the long term loans given by the State Government, however, there were no interest free loans and loans converted into equity. Hence only the equity is considered as investment of the State Government.

Further, apportionment of assets and liabilities between the successor demerged PSUs (as discussed in ***Para 1.5*** of this chapter) resulted in a Re-organisation/ Demerger Adjustment Reserve (surplus/ deficit) which is considered as investment of the State Government since it represented the difference between the balance sheet figures of assets and liabilities as on the date of bifurcation of the erstwhile State of AP and included *inter-alia* the share of equity received by the Power Sector PSUs of Telangana State. Thus, the investment (initial equity net of Re-organisation/ Demerger Adjustment Reserve) of State Government in the Power Sector PSUs as on the date of bifurcation of the erstwhile State of AP has been considered as the initial investment made by the State Government.

The funds made available in the form of the subsidy/ grants also do not qualify to be reckoned as investment since they are in the nature of financial aid. The State Government however, released funds to the DISCOMs in the nature of investment to plough back the power purchase dues to TSGENCO/ TSTRANSCO and to meet the expenditure on Electricity Duty, VAT and Royalty payable to the State Government. Some of these funds were converted into paid-up capital by issue of equity shares. Hence, these funds were considered as investment in the year in which the funds were released. Funds given to DISCOMs under the UDAY scheme during 2016-17 and 2017-18 have also been considered as investment since these funds were given by the State Government only in the form of equity infusion in the DISCOMs and issue of shares was pending (TSSPDCL)/ completed (TSNPDCL).

The investment of State Government in the equity of Power Sector PSUs as on 31 March 2018 was ₹6,283.84 crore. Considering investment of the State Government in the Power Sector PSUs in the form of initial equity of ₹ 7,777.76 crore (equity of ₹ 2,235.29 crore *plus* the Re-organisation/ Demerger Adjustment Reserve of ₹ 5,542.47 crore *minus* accumulated losses of ₹ Nil), equity of ₹ 5,284.48 crore infused during the later years (2014-15 to 2017-18) and funds of ₹ 7,723.00 crore released by State Government under UDAY, the investment on the basis of historical cost at the end of 2017-18 stood at ₹ 20,785.24 crore. The investment of Central Government and Others in the Power Sector PSUs was in the form equity of ₹ 847.56 crore and ₹ 0.13 crore respectively.

The RoI of eight Power Sector PSUs on historical cost basis for the period 2014-15 to 2017-18 was as given below:

Table 1.7: Return on investment on historical cost basis

(₹ in crore)

Financial year	Investment on historical cost basis				Total Earnings/ Losses for the year	Return on Investment (in *per cent)*
	State	Central	Others	Total		
2014-15	7777.76	847.56	0.13	8625.45	-1907.03	-22.11
2015-16	8301.35	847.56	0.13	9149.04	-2321.68	-25.38
2016-17	17553.96	847.56	0.13	18401.65	-5410.03	-29.40
2017-18	20785.24	847.56	0.13	21632.93	-3894.69	-18.00

Source: Based on accounts and information furnished by PSUs

The infusion of funds under UDAY scheme during 2016-17 and 2017-18 had only a marginal effect on improving the profitability of the Power Sector PSUs. This was because the entire funds under UDAY scheme were issued as equity infusion which increased the level of State Government investment in the Power Sector PSUs resulting in reduction of the RoI, despite decrease in the interest burden of DISCOMs.

Erosion of Net worth

1.16 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of the Power Sector PSUs were ₹ 22,593.14 crore as against the paid up capital of ₹ 7,131.53 crore resulting in negative net worth of ₹ 15,461.61 crore as indicated in the table below:

Table 1.8: Net worth of Power Sector PSUs during 2014-15 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Loss (-) at end of the year	Net worth
2014-15	2736.98	-10896.39	-8159.41
2015-16	3407.98	-12835.36	-9427.38
2016-17	3606.57	-18382.55	-14775.98
2017-18	7131.53	-22593.14	-15461.61

Source: Based on accounts and information furnished by PSUs

Of the eight Power Sector PSUs during 2014-15 to 2017-18, four PSUs[25] showed positive net worth while the net worth of four[26] PSUs was in the negative. The net worth was eroded mainly in TSSPDCL (₹ 18,666.55 crore) and TSNPDCL (₹ 5,014.51 crore). The State Government provided financial support to the Power Sector PSUs by infusing equity (paid up capital of ₹ 4,394.55 crore) during the period 2015-18. Despite infusion of substantial equity capital, the accumulated losses of the Power Sector PSUs increased from ₹ 10,896.39 crore in 2014-15 to ₹ 22,593.14 crore in 2017-18. The entire capital infused in the Power Sector PSUs had been eroded and the accumulated losses are increasing every year as the Power Sector PSUs continued to earn negative returns (losses).

Dividend Payout

1.17 As per the guidelines issued by the Public Enterprises Department of the State Government, a PSU shall declare or pay dividend for any financial year out of the profits for that year arrived at after providing for depreciation in accordance with the Companies Act. A minimum rate of dividend on the paid up share capital or the profits for the year was, however, not prescribed. Dividend Payout by the Power Sector PSUs during the period 2014-15 to 2017-18 is shown in the table below:

Table 1.9: Dividend Pay out by Power Sector PSUs during 2014-15 to 2017-18

(₹ in crore)

Year	PSUs where equity is infused by State Government		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio	
	No. of PSUs	Total Paid-up Capital	No. of PSUs	Total Paid-up Capital	No. of PSUs	Amount of Dividend	As % of Total Paid-up Capital	As % of Paid-up Capital of Profit Making PSUs
1	2	3	4	5	6	7	8 (7/3*100)	9 (7/5*100)
2014-15	8	2736.99	4	1733.44	1	129.99	4.75	7.50
2015-16	8	3407.99	4	2404.44	1	156.45	4.59	6.51
2016-17	8	3606.58	3	2602.89	1	156.45	4.34	6.01
2017-18	8	7131.53	4	2603.03	1	156.45	2.19	6.01

Source: Based on accounts and information furnished by PSUs

During the period 2014-15 to 2017-18, the number of working Power Sector PSUs which earned profits ranged between three and four of which only one PSU (SCCL) declared/ paid dividend. None of the other working Power Sector PSUs declared/ paid dividend since inception of the Telangana State till 2017-18.

The Dividend Payout Ratio (DPR) during 2014-15 to 2017-18 ranged between 2.19 *per cent* and 4.75 *per cent* of the total paid up capital of all the Power Sector PSUs and the paid up capital infused by the State Government in the working Power Sector PSUs. The DPR ranged between 6.01 *per cent* and 7.50 *per cent* of the profit making PSUs. The Dividend Payout Ratio reduced from 4.75 *per cent* in 2014-15 to 2.19 *per cent* in 2017-18 as the State Government infused substantial equity in the working Power Sector PSUs during 2015-19.

[25] SCCL, TSGENCO, TSTRANSCO, TSPFCL.
[26] TSSPDCL, TSNPDCL, TSREDCL and APTPCL.

Return on Equity

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

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

The details of Shareholders' fund and RoE of Power Sector PSUs during the period from 2014-15 to 2017-18 are given in the table below:

Table 1.10: Shareholders' fund and RoE of Power Sector PSUs

(₹ in crore)

Year	Shareholders' Fund	Net Income/ Total Earnings for the year	RoE (%)
2014-15	-8159.41	-1907.03	-
2015-16	-9427.38	-2321.68	-
2016-17	-14775.98	-5410.03	-
2017-18	-15461.61	-3894.69	-

As can be seen from above table, both the Shareholders' fund and the Net Income was negative during all the four years ending March 2018. Negative shareholders' fund indicates that the liabilities of the Power Sector PSUs have exceeded the assets and instead of the Power Sector PSUs paying returns to the shareholders, the shareholders owe money to the creditors of working Power Sector PSUs. Since the Shareholders' Fund and the Net income of the working Power Sector PSUs during 2014-15 to 2017-18 was negative, the RoE could not be worked out.

Return on Capital Employed

1.19 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. The RoCE is calculated by dividing a company's profit/ earnings before interest and taxes (EBIT) by the capital employed[27]. The details of RoCE of eight Power Sector PSUs during 2014-15 to 2017-18 are given in table below:

Table 1.11: RoCE of Power Sector PSUs

(₹ in crore)

Year	EBIT	Capital Employed	RoCE (%)
2014-15	749.10	20235.83	3.70
2015-16	1167.68	25352.23	4.61
2016-17	-515. 95	15771.06	-3.27
2017-18	1180.95	21271.13	5.55

Source: Based on accounts and information furnished by PSUs

[27] Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure.

The RoCE of the Power Sector PSUs ranged between (-) 3.27 *per cent* and 5.55 *per cent* during the period 2014-15 to 2017-18. The RoCE decreased during 2016-17 on account of two to three times increase in the losses of DISCOMs as compared to increase of 20 *per cent* to 50 *per cent* in the profit of other PSUs. The RoCE substantially increased during the year 2017-18 in comparison to the previous year mainly due to increase in capital employed on account of equity infusion by the State Government in the DISCOMs under UDAY scheme which was used by the DISCOMs to repay their old outstanding debts which resulted in decrease in their interest burden and consequent increase in EBIT.

Analysis of Long term loans of the Power Sector PSUs

1.20 The ability of the Power Sector PSUs to service the debt owed by them to the Government, banks and other financial institutions is assessed through the Interest Coverage Ratio and the Debt Turnover Ratio.

Interest Coverage Ratio (ICR)

1.21 The ICR is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing the profit/ earnings before interest and taxes (EBIT) by the interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An ICR of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of ICR of eight Power Sector PSUs which had interest burden during 2014-15 to 2017-18 are given in the table below:

Table 1.12: ICR of Power Sector PSUs

(₹ in crore)

Year	EBIT	Interest	ICR	Number of PSUs having long term loans	Number of PSUs having ICR more than 1	Number of PSUs having ICR less than 1
1	**2**	**3**	**4=2/3**	**5**	**6**	**7**
2014-15	749.10	2238.39	0.33	8	4	4
2015-16	1167.68	3470.81	0.34	8	4	4
2016-17	-515. 95	4435.51	-0.12	8	3	5
2017-18	1180.95	4532.73	0.26	8	4[28]	4[29]

Source: Based on accounts and information furnished by PSUs

It was observed that the overall ICR of Power Sector PSUs ranged between (–) 0.12 and 0.34 during 2014-15 to 2017-18. The ICR increased during the year 2017-18 in comparison to the previous year mainly on account of equity infusion by the State Government in the DISCOMs under UDAY scheme which was used by the DISCOMs to repay their old outstanding debts which resulted in decrease in their interest burden and consequent increase in EBIT. During the year 2017-18 out of eight Power Sector PSUs, four PSUs accounted interest expenditure on State Government Loans amounting to ₹ 63.87 crore. However, only Transmission Corporation of Telangana Limited actually paid ₹ 62.04 crore (out of ₹ 62.27 crore) to State Government. Outstanding interest payable to State Government by these four PSUs amounted to ₹ 2.80 crore as on 31 March 2018.

[28] SCCL, TSGENCO, TSTRANSCO and TSREDCL.
[29] TSSPDCL, TSNPDCL, TSPFC and APTPCL.

Debt-Turnover Ratio

1.22 During the last four years, the turnover of seven[30] Power Sector PSUs which had long term loans and which had furnished accounts/ relevant information as stated above recorded compounded annual growth of 12.12 *per cent* and compounded annual growth of debt was 8.96 *per cent* due to which the Debt-Turnover Ratio improved from 0.71 in 2014-15 to 0.65 in 2017-18 as given in the table below:

Table 1.13: DTR of Working Power Sector PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Debt from Government/ Banks and Financial Institutions	28395.24	34779.61	30547.04	36732.74
Turnover	40240.47	45294.17	48835.21	56713.81
Debt-Turnover Ratio	0.71:1	0.77:1	0.63:1	0.65:1

Source: Based on accounts and information furnished by PSUs

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.23 The Ministry of Power (MoP), Government of India (GoI) launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of DISCOMs. As per the provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

Scheme for improving operational efficiency

1.23.1 The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipment, quarterly revision of tariff, comprehensive IEC campaign to check theft of power, assure increased power supply in areas where the AT&C losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C loss to 15 per cent in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

Scheme for financial turnaround

1.23.2 The participating States were required to take over 75 *per cent* of DISCOMs debt outstanding as on 30 September 2015 *i.e.,* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

[30] Except TSREDCL.

- State will issue *'Non Statutory Liquidity Ratio (Non-SLR) bonds'* and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/ FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto 5 years.
- Debt of DISCOMs will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOMs by the State in 2015-16 and 2016-17 will be as a mix of grant (50 *per cent)*, loan (25 *per cent* to be taken over in 2017-18) or equity (25 *per* cent).

Implementation of the UDAY Scheme

1.23.3 The status of implementation of the UDAY Scheme is detailed below:

A. Achievement of operational parameters

The achievements *vis-a-vis* targets of different operational parameters under UDAY Scheme by the two State DISCOMs were as under:

Table 1.14: Parameter wise achievements vis-a-vis targets of operational performance upto 30 September 2018

Parameter of UDAY Scheme	Target	Progress	Achievement (in %)
Feeder metering (in Nos.)	0	0	0
Metering at Distribution Transformers (in Nos.)	244330	316603	100
Urban	52682	80911	100
Rural	191648	235692	100
Feeder Segregation (in Nos.)	4139	330	8
Rural Feeder Audit (in Nos.)	5906	3595	61
Electricity to unconnected household (in lakh Nos.)	6.05	6.92	100
Smart metering (in Nos.)	858080	29649	3
Distribution of LED UJALA (in lakh Nos.)	12.43	13.66	100
AT&C Losses (in %)	9.90	12.50	-
TSSPDCL	9.90	12.87	-
TSNPDCL	10.00	12.87	-
ACS-ARR Gap (₹ per unit)	0.14	1.06	-
Net Income or Profit/Loss including subsidy (₹ in crore) as on 31 March 2019	0	-5702.82	-

Source: State Health Card under UDAY Scheme as per website of the MoP, GoI.

The DISCOMs have performed poorly in areas of feeder segregation and smart metering, whereas the performance has been good in terms of metering of DTs, providing electricity to unconnected households and distribution of LEDs.

Implementation of Financial Turnaround

1.23.4 The State Government conveyed its *'in principle'* consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understanding (MoU) were signed (04 January 2017) between the MoP, the State Government and respective DISCOMs (*i.e*., TSSPDCL and TSNPDCL). As per the provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 11,897.08 crore) as on 30 September 2015, the State Government took over total debt of ₹ 8,922.81 crore upto 2017-18 and released ₹ 7,723.00 crore (as on 31 March 2018) as equity contribution. Equity shares were, however, issued for ₹ 2,846.17 crore only. The balance of ₹ 1,200.00 crore was yet to be released by the State Government. The details of the amount released under UDAY are as detailed below:

Table 1.15: Implementation of UDAY Scheme

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2016-17	6,990.00	-	-	6,990.00
2017-18	733.00	-	-	733.00
Position as on 30 September 2018	**7,723.00**	**-**	**-**	**7,723.00**

Source: As per information furnished by DISCOMs

Comments on Accounts of Power Sector PSUs

1.24 Six Power Sector PSUs forwarded their nine audited accounts to Office of the AG (Audit), Telangana during 01 October 2017 to 30 September 2018. All the nine 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 on the accounts during the years 2015-16 to 2017-18 are as follows:

Table 1.16: Impact of audit comments on Power Sector PSUs

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	266.06	1	826.62	-	-
2.	Increase in profit	-	-	-	-	1	139.26
3.	Increase in loss	2	479.78	1	5.65	1	9.68
4.	Decrease in loss	-	-	-	-	-	-
5.	Non-disclosure of material facts	4	3269.38	1	6.07	1	2543.88
6.	Errors of classification	4	1424.78	1	1246.26	1	295.55

Source: Compiled from comments of the Statutory Auditors/ CAG in respect of working Power Sector PSUs

During the year 2017-18, the Statutory Auditors had issued five qualified, three unqualified and one disclaimer certificate on nine accounts. Compliance to the Accounting Standards by the Power Sector PSUs remained poor as the Statutory Auditors pointed out seven instances of non-compliance to the Accounting Standards in three accounts**.**

Performance Audit and Compliance Audit Paragraphs

1.25 For Part-I of the Report of the CAG for the year ended 31 March 2018, one Performance Audit (PA) on 'Setting up of Singareni Thermal Power Plant at Jaipur' and four compliance audit paragraphs relating to Power Sector PSUs were issued to the Special Chief Secretary of Energy Department, Government of Telangana with request to furnish replies within two weeks. Replies to the performance audit and three compliance audit paragraphs have been received (June 2019) from the State Government and suitably incorporated in this report. The total financial impact of the PA and the compliance audit paragraphs is ₹ 1,857.51 crore.

Follow up action on Audit Reports

1.26 The Report of the CAG 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, erstwhile Government of Andhra Pradesh, had issued (June 2004) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation in the Legislature, in the prescribed format, without waiting for any questionnaires from the CoPU.

As on 30 September 2018, out of 202 PAs/ Paragraphs relating to Power Sector PSUs, Explanatory Notes to 31 PAs/ Paragraphs which were commented upon were awaited as detailed in the table below:

Table 1.17: Explanatory Notes not received

Year of the Audit Report	Date of Placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/Paragraphs for which ENs were not received			
				Exclusive to State		Common (TS & AP)	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		**42**	**148**	**0**	**2**	**8**	**14**
2014-15	30.03.2016	1	1	1	0	NA	NA
2015-16	27.03.2017	1	5	1	1	NA	NA
2016-17	29.03.2018	1	3	1	3	NA	NA
Total		**45**	**157**	**3**	**6**	**8**	**14**

Source: As compiled by O/o AG (Audit) Telangana

NA = Not Applicable as Separate Audit Reports were issued from 2014-15 onwards.

The Energy Department and Managements were addressed (March 2019) regarding non-receipt of Explanatory Notes and Action Taken Notes to the Reviews and Paragraphs of previous Audit Reports.

Discussion of Audit Reports by Committee on Public Undertakings

1.27 The status of PAs and Paragraphs relating to Power Sector PSUs that appeared in Audit Reports (PSUs), as on 30 September 2018 and discussed by the Committee on Public Undertakings (CoPU) was as under:

Table 1.18: PAs/ Paragraphs that appeared in Audit Reports vis-à-vis discussed

Year of the Audit Report (Commercial/ PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14	**42**	**148**	**9**	**80**
2014-15	1	1	NA	NA
2015-16	1	5	NA	NA
2016-17	1	3	NA	NA
Total	**45**	**157**	**9**	**80**

Source: As compiled by O/o AG (Audit) Telangana

NA = Not Applicable as Separate Audit Reports were issued from 2014-15 onwards

Out of 45 PAs and 157 Paragraphs relating to Power Sector PSUs, 9 PAs and 80

Paragraphs were discussed by CoPU. The issue of inadequacy of CoPU meetings to discuss the pending PAs/ Paragraphs and the modalities to reduce the pendency were discussed (July 2018) with CoPU. Response to the letters addressed (May 2018 and August 2018) to CoPU in this regard was awaited.

During 2014-18, seven meetings of the CoPU were conducted to discuss the Reports. The last meeting was held on 24 July 2018.

Compliance to Reports of CoPU

1.28 Action Taken Notes (ATNs) on 15 Paragraphs pertaining to two Reports (Special Report of 1995-96 and Report No.12 of 2006-07) of the CoPU[31] presented in the State Legislature had not been received (September 2018) as detailed in the table given below:

Table 1.19: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total No. of recommendations in CoPU Report	ATNs not received	
			Exclusive to State	Common (TS & AP)
Upto 1998-99	**3**	**24**	**2**	**0**
2000-01	3	21	0	0
2002-03	0	0	0	0
2004-05	5	43	0	0
2006-07	1	13	0	13
Total	**12**	**101**	**2**	**13**

Source: As compiled by O/o AG (Audit) Telangana

Note 1: The above information pertains to erstwhile composite State of Andhra Pradesh

Note 2: After 2006-07 no Report was issued by the CoPU.

It is recommended that the Government may ensure: (a) submission of replies to Explanatory Notes/ Paragraphs/ PAs and ATNs on the recommendations of CoPU, as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

[31] These reports of CoPU contained recommendations in respect of Paragraphs pertaining to APSEB and APTRANSCO which appeared in the Report of the CAG for the years 1993-94, 2000-01 and 2002-03.

CHAPTER - II

PERFORMANCE AUDIT
POWER SECTOR PSU

Setting up of Singareni Thermal Power Plant at Jaipur

Chapter – II

Performance Audit - Power Sector PSU

Setting up of Singareni Thermal Power Plant at Jaipur

2.1 Introduction

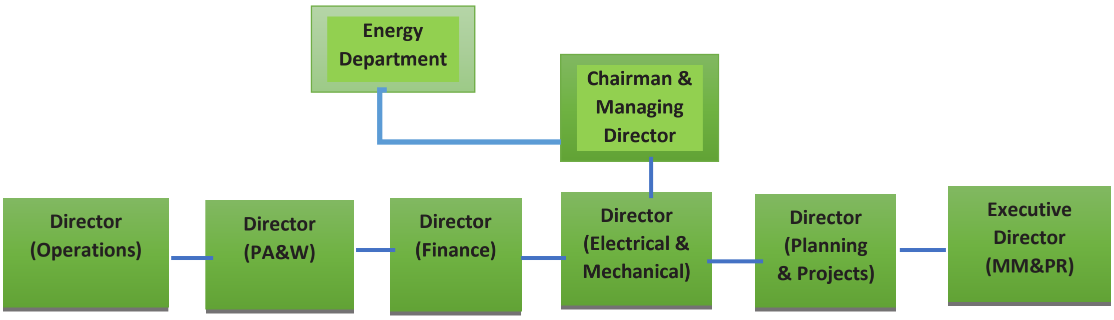
The Singareni Collieries Company Limited (Company), is a coal mining company predominantly owned[32] by the State Government[33] and the Government of India (GoI). The Company operates 50 coal mines[34] (14 open cast and 36 underground) with proved geological reserves of 8,790 million tons. Owing to its depleting profitability, the Company proposed (June 2007) diversification into power generation by setting up a thermal power plant at its own pit head[35].

The Singareni Thermal Power Plant (STPP) was proposed to be set up with 600 Mega Watt[36] (MW) at Jaipur in Adilabad district[37]. In view of increasing gap of demand and supply of power, the State Government enhanced (August 2009) the proposed capacity to 1,200 MW[38] (2 units of 600 MW each). The Unit-I and Unit-II of STPP achieved Commercial Operation Date (COD) in September and December of 2016 respectively.

Singareni Thermal Power Plant

2.2 Organisational Set Up

The Organisational structure of the Company is detailed below:



The activities of STPP were supervised by an Executive Director appointed on contract basis. He was assisted by three General Managers. The STPP did not

---

32 51.096 *per cent* by State Government, 48.902 *per cent* by Government of India and 0.002 *per cent* by private parties.

33 Government of Andhra Pradesh and Government of Telangana with effect from 02nd June 2014.

34 Located in six districts of Telangana viz., Komaram Bheem Asifabad, Mancherial, Peddapalli, Jayashankar Bhupalpalli, Bhadradri Kothagudem and Khammam.

35 Adjacent to coal mines/coal production area.

36 2 units of 250 MW each *plus* 20 *per cent.*

37 Jaipur Village cum Mandal is part of Manchirial district after reorganisation of districts in Telangana with effect from 11th October 2016.

38 1,200 Mega Watt = 12,00,000 Kilo Watts = 1.20 Million Units of electricity per hour.

have established organisational set up and trained manpower to run the plant. Hence, the operation and maintenance (O&M) of the plant was contracted (March 2016) to M/s STEAG Energy Services (India) Private Limited (O&M Contractor) for three years' period.

2.3 Audit Scope and Methodology

Entry conference was held with the Management of STPP on 9th March 2018 and the audit objectives, criteria, scope and methodology of audit were discussed. Scrutiny[39] (March to June 2018) covered the activities involved in setting up of STPP and performance of both Units up to March 2018. Exit Conference was held on 19 November 2018 with the Management and State Government to discuss the audit findings, conclusions and recommendations thereon. The replies of Management to the audit findings were concurred by the Government and were considered in audit while finalizing the Report.

2.4 Audit objectives

The audit was conducted with a view to ascertain whether:

- the project was planned considering all relevant factors;
- the execution of the project and fund management was done economically, effectively and efficiently;
- the operation of plant and consumption of fuel were as per parameters;
- the environmental/ pollution norms were complied with and
- monitoring system ensured that outcomes of the project were achieved.

2.5 Audit Criteria

The audit criteria were derived from the following;

- Norms and guidelines issued by GoI[40], State Government, Central Electricity Authority (CEA), Central Electricity Regulatory Commission (CERC), Telangana State Electricity Regulatory Commission (TSERC), Central Vigilance Commission (CVC), Central Pollution Control Board (CPCB)
- Detailed Project Report (DPR), Other Project Reports
- Terms and conditions of Model Fuel Supply Agreements (Model FSA**),** Memorandum of Understanding (MOU), Purchase/ Work Orders/ Agreements
- Standard procedures for tendering and award of contracts with reference to the principles of economy, efficiency and effectiveness.

2.6 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the officers and management of the Company at various stages of conducting of the audit.

[39] Of records in the Energy Department and in the Company including STPP.
[40] Ministry of Power, Ministry of Coal & Ministry of Environment & Forests.

2.7 Audit Findings

The audit findings are discussed in the succeeding paragraphs.

2.7.1 Planning

The planning process involved identification of:

- project deliverables and stage wise milestones for implementation,
- required resources,
- risks particularly those with potential impact on delays as well as measures to mitigate them.

The Company identified the key project deliverables and milestones[41] in the DPR (March 2010) of STPP. There were three components comprising of:

- The main plant i.e., the Boiler, Turbine and Generator (BTG)
- The Balance of Plant[42] (BOP) being machinery other than the BTG and;
- The ancillary works like railway siding, roads etc., for transportation of raw materials etc.

2.7.1.1 Benefits of Mega Power Projects Policy and ICB not availed

According to the Mega Power Projects policy evolved (November 1995) by the Ministry of Power, GoI, a Thermal Power Plant (TPP) having capacity of 1,000 MW and above would get Mega Power Project (MPP) status with eligibility to draw duty exemptions and tax holidays. In line with the amendments made (December 2009), MPP must sell minimum of 85 *per cent* of its generation capacity to the State Distribution Companies (DISCOM). Moreover, all goods supplied through International Competitive Bidding (ICB) process were exempted from payment of duties as per the Central Excise Notification No. 6/2006-CE dated 1st March 2006.

The Company executed (September 2010) a Power Purchase Agreement (PPA) with the State DISCOMs to sell 1,050 MW (87.50 *per cent* of 1,200 MW) after deducting 150 MW proposed for its internal consumption. Thus, the Company was entitled to get MPP status for its STPP to claim the benefits envisaged in the MPP Policy. By incorrectly deducting, however, (March 2011) auxiliary power consumption[43] of 78 MW (6.50 *per cent*) from 1,050 MW, the Company derived the net saleable power at 972 MW representing 81 *per cent* of generation capacity and concluded that it was not eligible for MPP status and hence not claimed the benefits available under MPP Policy.

The amount of benefits foregone by the Company worked out to ₹ 254.55 crore towards excise duty and ₹ 39.00 crore towards customs duty on the value of imported materials under BTG contract that was awarded on nomination basis instead of ICB route. Thus, by not claiming the MPP status and not adopting the ICB route for procurement, the Company lost the opportunity to avail duty benefits of ₹ 293.55 crore.

---

[41] COD within 40 months from Zero Date (award of BTG).

[42] Including coal handling plant machinery, ash handling plant, water cooling system etc.

[43] Auxiliary consumption represents the power consumed by the equipment, common facilities and transformer losses within the generating station.

In reply (December 2018), Government stated that the net saleable power of STPP was only 81 *per cent* of its generation capacity and construction of the plant was not undertaken through ICB mode. Hence, STPP was not eligible for MPP status. It also stated that though the Company did not avail MPP status, it availed the concessional customs duty by issuing Essentiality Certificate.

The reply was not in consonance with the facts as the MPP Policy had provided for tying up of 85 *per cent* of the (gross) generating capacity and not the net generating capacity. Also, the actual power sold depended on the scheduling done by the State Load Dispatch Centre under Availability Based Tariff mechanism. Further, due to award of BTG contract on nomination basis, Company had paid customs duty at concessional rate instead of availing full duty exemptions.

2.7.1.2 Assessment of external risks

An important factor considered in the setting up of STTP by the Company was that the coal available at the pit head of Company's own mines would be used. The second factor was that the power generated in the STTP could be used for its own internal consumption in mines thus reducing its cost of operations. These presumptions in the planning stage were, however, made without factoring the changes in the GoI policy as detailed below.

A) Allocation of coal

i) Faulty assessment of coal cost

New Coal Distribution Policy (NCDP) announced (October 2007) by Ministry of Coal (MoC), GoI, envisaged allocation of coal by MoC through long term linkage[44]. Disregarding NCDP and without obtaining consent from MoC, the Company assumed (March 2010) supply of coal to STPP from its own mines of Srirampur (SRP) area[45]. Accordingly, the DPR envisaged (March 2010) average coal cost at ₹ 1,933.00 per Metric Tonne (MT) with ₹ 2.37 as cost per unit of generation.

It was observed that the Company applied to MoC for long-term coal linkage from its own mines only in December 2013 after a delay of more than 3 years since the State Government approved (September 2010) the setting up of STPP and after 6 years since the project was originally conceived/ NCDP came into force. In its application the Company stated that the requirement of STPP would be met without affecting the Fuel Supply Agreement (FSA) quantities of its existing customers. The MoC, however, rejected (January 2014) the Company's application as it was already decided (May 2013) to keep the long-term coal linkages in abeyance due to huge gap in demand and supply of coal. Under the NCDP the MoC allotted (August 2015) coal linkage of 4.523 Million Metric Tonnes Per Annum (MMTPA) from the Naini coal mines (Odisha). The reason for allocation of Naini coal mines instead of the Company's own mines was not available from the records produced to audit. Such allotment would entail additional cost to the Company to the extent of ₹ 1,943.30 per MT[46]

[44] Linking sources of coal with the consumers of coal on long term basis.

[45] Situated within a distance of 11 KMs.

[46] ₹ 2,142.00 for the distance slab of 1,241 to 1,260 KMs - ₹ 198.70 for the distance slab of 0 to 100 KMs as per Railway Freight Circular No.02 of 2018 dated 09-01-2018.

towards transportation of coal by rail which was not envisaged in the DPR.

As the Naini coal mines was expected to commence coal production only from December 2020, the MoC granted (February 2016) bridge linkage[47] to STPP from the Company's own mines for a period of three years (extended in May 2018 up to 2023). Under the MoU executed for bridge linkage, STPP had to pay premium charges @ 20 *per cent* of the basic cost of coal supplied from the Company own mines. Hence, the average coal cost increased to ₹ 3,142.00 per MT (March 2018) and the cost of generation rose to ₹ 3.42 per unit.

Thus, assuming, supply of coal to STPP from its own mines of Srirampur (SRP) area by disregarding NCDP and without obtaining consent from MoC (by March 2010), besides delay in making application for coal linkage, the Company lost the opportunity to utilize coal from its own mines on long-term basis as envisaged in the DPR. This resulted in increase in the coal cost per unit.

Government stated (December 2018) that as per the existing bridge linkage policy, the Company supplied coal to STPP at the premium rates as per the MoU on par with the other customers.

The fact, however, remained that the Company not only failed to consider the existing NCDP guidelines but also delayed making of application for long-term coal linkage due to which STPP procured coal on bridge linkage basis by paying premium charges.

ii) Swapping of coal blocks not done

The Ministry of Coal constituted (June 2014) a new Inter Ministerial Task Force (Task Force) to rationalise existing sources of coal of all users in Power, Cement & Steel/ Sponge Iron sectors. This was required to optimise transportation cost and materialisation under the given technical constraints. The consultant[48] engaged (July 2014) by the MoC, recommended (February 2015) implementation of the exercise in two parts. Part-I comprised quick wins in respect of 94 out of 114 TPPs by swapping some relatively easy to implement arrangements. Part-II comprised the balance TPPs.

The Company however, did not apply (as of June 2018) to MoC for swapping the coal linkage from Naini coal mines to Company's own mines. As a result, STPP made avoidable payment of ₹ 289.91 crore upto March 2018 towards premium charges on procurement of 83.24 lakh MTs of coal from the Company own mines on bridge linkage basis.

The Government replied (December 2018) that the STPP was under construction when task force was considering the issue. At present the rationalisation of coal blocks was not done by the MoC as there is no extant policy. The Government also stated that the Company would take up the issue

[47] Bridge Linkage is a policy framed (February 2016) by the MoC to facilitate supply of coal to end users on short term basis until the commencement of production from the allotted coal mines.

[48] The Task Force appointed M/s KPMG Advisory Services Private Limited as its consultant to assist it in mathematical modelling, operations research, optimisation exercises, etc.

with the MoC for swapping of coal blocks once production of coal starts from Naini coal block that was linked to STPP.

It is pertinent to mention that the Task Force agreed to take up the cases of other TPPs under Part-II of the rationalisation exercise and the same was being carried out in respect of TPPs not covered earlier. Also, the Company, while belatedly applying for long-term coal linkage for STPP, had committed to the MoC that it would be able to meet the coal requirement of STPP without affecting the FSA quantities of its existing customers. Therefore, the Company need not have waited for production of coal to start from the Naini coal mines to apply for swapping of coal blocks.

B) Plan for internal consumption of power abandoned

The State Government permitted (September 2010) the Company to avail 150 MW (12.50 *per cent* out of 1,200 MW) power generated by STPP for its internal consumption. Accordingly, STPP entered (September 2010) into PPA with DISCOMs[49] to sell the balance power of 1,050 MW (87.50 *per cent*). But, after the formation of Telangana State, STPP entered (January 2016) into a new PPA with DISCOMs to sell the entire power generated by it. Thus, in the new PPA there was no provision for utilization of 150 MW for internal consumption.

Since COD of Unit-I (September 2016 to March 2018), STPP generated 13,106.62 MU power and exported 12,302.38 MU (93.86 *per cent* of energy generated) into the Grid. Thus, it was observed that the Company was drawing power from DISCOMs for its mining activities. The generation cost of STPP was ₹ 3.42 per unit (March 2018) whereas the Company was drawing power from DISCOMs at ₹ 5.65 per unit. Thus, Company was incurring avoidable expenditure of ₹ 2.23 per unit of energy drawn from DISCOMs. Considering the power requirement of 150 MW, the Company incurred avoidable expenditure of ₹ 24.08 crore per month and ₹ 288.96 crore during 2017-18.

The Government replied (December 2018) that acting upon its directions the Company entered into PPA with DISCOMs for the sale of total 1,200 MW power. It further stated that as per the Electricity Rules, 2005, STPP was not meeting the eligibility criteria[50] to qualify as Captive Generation Plant (CGP).

The reply was not acceptable because STPP was set up to diversify Company's activities. The State Government initially permitted it to use 150 MW for its internal consumption in mining activities and accordingly PPA was executed with DISCOMs. Therefore, STPP was not planned as a CGP. Thus, the initial plan for consumption of 150 MW in its mining activities was abandoned causing avoidable financial burden to the Company.

[49] M/s Northern Power Distribution Company of Telangana Limited and M/s Southern Power Distribution Company of Telangana Limited.

[50] As per Clause 3 (1) (a) (ii) not less than 51 *per cent* of aggregate electricity generated by the plant as determined on an annual basis was to be consumed for captive use.

Recommendation: *The Company should pursue with MoC for swapping of coal supply from Naini coal block to its own mines and also take steps to meet its power requirement from the power generated by STTP.*

2.7.2 Project Execution and Fund Management

The project execution stage involved bringing together of material and financial resources required for setting up of STPP, preparing and implementing the action plan to achieve the stage wise milestones and optimum utilisation of project deliverables so as to ensure that the STPP operated effectively. The STPP was funded in the form of debt and equity in the ratio of 70:30. The equity portion was sourced internally by the Company and the debt portion was funded by obtaining loans from PFC and REC[51]. The Company availed loan of ₹ 4,101.00 crore (out of ₹ 5,300.00 crore) up to March 2018. The observations are detailed below:

2.7.2.1 Delayed commissioning of STPP

As per the CERC Regulations, 2014 adopted by the TSERC, the TPPs completed within 44 months were eligible to earn Additional Return on Equity (AROE) @ 0.50 *per cent* as incentive. The date was to be reckoned from the date of approval by the Cabinet Committee on Economic Affairs (CCEA) or the date of approval of investment by the Board of Directors (BOD).

The CCEA approved the setting up of STPP in July 2009. The Company's Board of Directors cleared (July 2010) the investment proposal of ₹ 5,685.00 crore for STPP. Accordingly, the project should have been completed by March 2014 to claim AROE. The COD was, however, achieved in December 2016. As the STPP failed to achieve COD within scheduled time, it lost the benefit of AROE to the extent of ₹ 13.15 crore[52] (up to March 2018).

Further, the TSERC disallowed ₹ 380.71 crore towards Interest During Construction (IDC) for the delays not reflected in the activity wise delays submitted by the Company.

It was observed that the delays were mainly on account of time taken for award of contracts. There was a delay of 11 months[53] in the award of BTG contract and 15 months[54] in the award of BOP contracts. The delay in award of BOP work was on account of time taken (16 months)[55] by the Project Management Consultant (PMC)[56] to assess the capabilities of foreign firms and to vet the tender documents. Audit also observed that the COD of Unit-I

51 M/s Power Finance Corporation Limited and M/s Rural Electrification Corporation Limited.
52 ₹ 0.14 crore and ₹ 13.01 crore as at the end of March 2017 and 2018 respectively.
53 From August 2010 to October 2011 after excluding 4 months expected time for contract finalization on nomination basis.
54 From November 2011 to September 2013 after excluding 6 months period as per CEA norm.
55 From December 2011 to September 2013 after excluding 6 months from November 2011.
56 M/s National Thermal Power Corporation Limited (NTPC) was appointed as the Project Management Consultant for assistance at both pre award (December 2009) and post award (March 2011) stages of contracts for execution of BTG, BOP and Ancillary works.

and Unit-II were delayed by 19 months[57] and 17 months[58] respectively. The Company, thus, took 76 months[59] from the date of investment approval accorded by its BOD.

The Government replied (December 2018) that BTG was awarded to M/s BHEL[60]on nomination basis keeping in view the relative practice followed by other power generators like APGENCO and NTPC[61]. Also, the time taken for placing order through ICB was about 16 months as compared to just four months required for nomination basis. It further stated that award of BOP contract was delayed on account of delays in the process of enquiry finalization due to huge competition and delayed completion (March 2013) of physical assessment of bidders by the PMC to ascertain their capability to execute the BOP works.

Regarding delays in the execution of project the Government stated that execution of the BTG, BOP and Ancillary Works was affected due to delay in acquisition of private land for water pipeline, obstruction of work by land losers, non-availability of sand and delay in supply of BOP equipment due to Hud-Hud Cyclone. It further stated that the Company has constituted a committee for studying the reasons for delays in execution by the BTG and BOP contractors.

The fact however, remained that the Company took 16 months[62] to award the BTG contract even on nomination basis. Further, the Company failed to prevail upon the PMC to complete the award of BOP contract as per the planned/ agreed schedule. Moreover, observing that many of the reasons stated for the delays were not reflected in the activity-wise delay submitted by the Company in its tariff proposal, the TSERC had in its tariff order[63] observed it to be prudent to condone only 5 months out of the total delay of 17 months.

2.7.2.2 Laying of Railway Siding

The DPR of STPP provided for transportation of coal to STPP by conveyor belts/ rail system from the Company's own mines of Srirampur (SRP) area. Accordingly, a sum of ₹ 90.00 crore was provided for railway line and plant marshalling yard. The Company appointed (September 2012) M/s Anurag Project Management Consultants Private Limited (M/s Anurag) as consultant for preparation of Railway Siding (RS) DPR. It also appointed (March 2014) M/s RITES Limited (RITES)[64] as the RS Project Management Consultant (RSPMC).

---

57 From February 2015 to September 2016 after excluding 39 months from November 2011.
58 From July 2015 to November 2016 after excluding 43 months from November 2011.
59 From August 2010 to November 2016.
60 M/s Bharat Heavy Electricals Limited.
61 M/s Andhra Pradesh Power Generation Corporation Limited and M/s National Thermal Power Corporation Limited.
62 From July 2010 to November 2011.
63 TSERC Tariff Order dated 19-06-2017 on determination of capital cost and generation tariff of STPP for the financial years 2016-17 to 2018-19.
64 M/s RITES Limited was earlier known as Rail India Technical and Economic Services.

A) Loss of financial assistance due to reduced scope

M/s Anurag submitted (October 2012) a draft RS DPR for a proposed track length of 33 KMs at an estimated cost of ₹ 383.76 crore. The Company, however, reduced (January 2013) the scope of the RS project to ₹ 280.00 crore on account of reduction in the cost on earth works, bridges, etc. In addition, overhead lines and general electrical works were shifted from RS project to other heads of STPP. Thus, the Company obtained (December 2013) approval from the CCDAC[65] for one-time, non- repayable financial assistance of ₹ 196.00 crore[66]. The Railways also approved (January 2014) the RS DPR as submitted by the Company.

It was observed that the Company revised the RS cost to ₹ 380.00 crore in the second Revised Capital Estimates (RCE) of April 2017. This was necessitated because items deleted/ reduced earlier from the scope of work, were now included. Thus, due to non-inclusion of cost of entire scope of activities in the approved RS DPR, the assistance received by the Company from the CCDAC was less by ₹ 70.00 crore[67]. This resulted in increase in project cost and consequent burden on consumers to that extent.

The Government replied (December 2018) that the draft RS DPR was restricted to ₹ 280.00 crore by limiting the yard facilities considering optimum operational convenience. The entire scope of railway line was included at the DPR stage but the execution cost increased due to actual site conditions. Accordingly, the revised cost was projected in the RCE proposals.

The fact remained that though the RS DPR was prepared considering the actual site conditions, the scope of railway line was restricted to ₹ 280.00 crore which deprived the Company of the CCDA assistance by ₹ 70.00 crore. Further, from the records produced it was clear that the Company reworked out the cost of RS at ₹ 380.00 crore by *inter alia* considering earlier trimmed activities.

B) Delay in award and execution of contracts

The services to be rendered by RITES in its role as RSPMC covered devising packages of work, processing of tenders (by January 2015[68]), supervision of the execution of works, liaisoning for various approvals, etc. The work was to be completed within 27 months ending on 23 June 2016.

As per the RSPMC contract, LD was leviable @ 0.50 *per cent* per week subject to a maximum of 5 *per cent* of contract value. The LD was leviable on total contract value (₹ 32.22 crore *plus* applicable service tax)[69] if the progress within

---

65 Coal Conservation and Development Advisory Committee of the MoC, GoI provides one-time, non-repayable assistance of 70 *per cent* of the project cost as per DPRs submitted for approval to Railways for the infrastructure development works meant for coal evacuation from mining areas. The subsidy was sourced from the fund created out of the Stowing Excise Duty of ₹ 10.00 per Tonne paid by the coal companies on extraction of coal.

66 ₹ 60.00 crores released by MoC upto March 2018 as per CCDAC recommendations.

67 70 *per cent* of (₹ 380.00 crore - ₹ 280.00 crore).

68 From the date of issue of Letter of Acceptance by the SCCL.

69 8.48 *per cent* of RS Project Cost of ₹ 380.00 crore (as per 2nd RCE) *plus* service tax.

the contract period was less than 75 *per cent*. As on the date of expiry of original RSPMC contract (June 2016), the percentage of completion of works was less than 75 *per cent.* Therefore, the maximum LD was leviable and the same worked out to ₹ 1.61 crore. The Company, however, extended the RSPMC contract upto 31 December 2018 without levying any LD.

The Government replied (December 2018) that the period was fixed with RITES considering ideal conditions/ availability of land. Tendering, award and commencement of work of major contracts for RS had been completed during the initial agreement period of 27 months. The delay in processing of tenders was considered unavoidable as major firms participated in tendering and the delay in execution of RS works was due to land acquisition issues.

RITES was a specialised agency engaged in this field and as per the RSPMC contract, the role of RITES was to ensure award and execution of contracts within 27 months. Further, RITES did not cite the delay in acquisition of land as a reason for the delays in execution of RS works. Therefore, the reasons for delays in award and execution of RS works were within the scope of RITES. But the Company extended the RSPMC contract without levying any LD.

C) Avoidable expenditure on road transportation

Due to delay in commissioning of the RS, the Company proposed (July 2014) to transport 3.00 MMTPA of coal by road from its mines [i.e., SRP and Ramakrishnapur (RK) areas]. The MoC allowed (February 2016) supply of coal to STPP from any of the Company's own mines under bridge linkage arrangement. It was observed that the Company incurred (upto June 2018) an amount of ₹ 49.03 crore for strengthening, widening and laying of roads connecting SRP and RK mines with STPP. Further, during the period 2015-18, the Company spent ₹ 92.14 crore (at an average cost of ₹ 105.47 per Tonne) on transportation of 87.36 Lakh Tonnes of coal. The cost of transportation of above quantity of coal by rail however, worked out to ₹ 1.80 crore only (at an average cost of ₹ 2.06[70] per Tonne). Thus, the Company incurred avoidable expenditure of ₹ 90.34 crore due to delay in the laying of RS.

The Government replied (December 2018) that the RS was a major work and acquisition of private land through revenue department consumed time. The existing road infrastructure was narrow and insufficient for transportation of coal. Hence, roads were strengthened and developed to establish alternate mode of transportation till the RS become operational. Further, these roads served as an additional convenience for men and materials to access STPP.

The fact remained that failure to complete the RS works within time compelled the Company to incur avoidable expenditure on transportation of coal by road.

[70] {[(₹ 164.50 basic fare for 100 KMs) + (₹ 164.50 * 15 *per cent* for Busy Season Surcharge)] X 5 *per cent* for Development Surcharge} X 3.708 *per cent* for Service Tax with effect from August 2016.

2.7.2.3 Avoidable expenditure on widening and laying of roads

The bridge linkage approval accorded by MoC allowed the Company to supply coal from any of its mines to STPP at its discretion. Accordingly, the Company proposed (July 2014) to widen and strengthen the existing coal road of 2.10 KMs in the RK mine area[71](RK-6 to RK-7) and to lay an additional road of 0.47 KMs[72] connecting RK-6 to RK-7 to the National Highway (RK-7 to NH 63) to enable it to supply coal to STPP. A work order was awarded (January 2015) to M/s AMR India Limited at a total cost of ₹ 4.36 crore, to be completed within 9 months from the date of handing over the marked out land.

Audit observed that the marked out land was handed over on 9 February 2015. But only 23 *per cent* of the road work between RK-7 to NH 63 involving expenditure of ₹ 84.00 lakh was completed up to June 2018 due to financial difficulties of the contractor. The Company however, neither levied LD nor terminated the contract as per the contractual terms. Further, during the years 2016-18, a meager quantity of 1,692.78 MTs of coal was supplied to STPP from the said mine area through RK-6 to RK-7 route. Thus, the above road widening and strengthening works were undertaken without carrying out the required assessment proved to be less productive.

The Government replied (December 2018) that widening and strengthening of the road connecting SRP-CHP with NH 63 was planned for transportation of coal to STPP. During 2016-18, a quantity of 21.58 Lakh MTs of coal was transported on the road connecting SRP-CHP with NH 63. Utilization of total stretch of the road has to be considered as a whole and not in part. The Government further stated that as the road RK-7 to NH 63 was partly completed, STPP allowed the contractor to complete the work by December 2018 duly applying the LD.

The reply was not acceptable as the RK-6 to RK-7 route that was specifically laid for transporting coal to STPP from the RK mine area was not put to major use and the laying of new route RK-7 to NH 63 was not yet completed. Further, transportation of 21.58 Lakh MTs of coal did not involve the use of above routes.

2.7.2.4 Loss due to short and delayed billing

As per Clause 3.2 of the PPA, the DISCOMs would reimburse the entire cost of fuel consumed by STPP for generation of infirm power[73]. Further, as per Clause 1.11, the energy bills were to be raised 5 days after the Meter Reading Date in each calendar month. While determining the final tariff of STPP in June 2017, the TSERC directed that the difference between the provisional tariff and the final tariff be claimed in the next month's bill.

It was observed that STPP consumed 7,263.695 Kilo Litres (KL) of High Speed Diesel and Low Sulfur Diesel being secondary fuel[74] valued ₹ 28.19 crore for

[71] From RK-6 incline junction to RK-7 incline weigh bridge junction.
[72] From RK-7 incline weigh bridge junction to National Highway No.63.
[73] Power generated after synchronisation of BTG and BOP equipment but before COD .
[74] Meant to increase calorific value of primary fuel i.e., coal.

generation (June, July and September 2016) of 169.159 MU of infirm power between the date of synchronization and the COD of Unit-I and Unit-II. The STPP however, claimed reimbursement only for 2,850.000 KL valued at ₹ 11.62 crore.

Thus, STPP did not claim reimbursement of cost of the balance quantity of 4,413.695 KL valued at ₹ 16.57 crore. It was further observed that STPP raised the power bills (including bills for the differential tariff) of ₹ 417.74 crore with a delay of 17 to 67 days. This resulted in loss of interest income[75] of ₹ 4.05 crore. Thus, STPP suffered loss of ₹ 20.62 crore due to short and delayed billing.

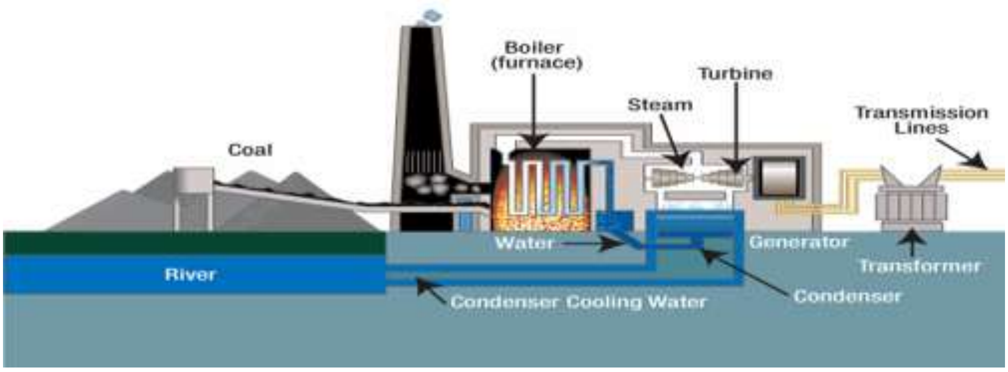
The Government replied (December 2018) that STPP being new to power generation industry claimed only the cost of oil used for generation of infirm power and the cost of oil used during various test prior to synchronization was capitalised. It also stated that the TSERC had in its Tariff Order dated 19th June 2017 directed STPP to raise differential bills with the July month's bill which could only be raised in August.

The fact remained that the cost of oil not claimed by the Company was related to the infirm power generated by Unit-I (during June & July 2016) and Unit-II (during September 2016). Further, the TSERC had in its above Tariff Order directed STPP to raise the differential bills "in the next months' bill", meaning that the differential bills were to be raised along with the June month's bill which could be raised in July. Moreover, there were delays in raising the regular energy bills of Unit-I before the COD of Unit-II and the infirm power bills of Unit-II.

Recommendation: *The Company should review the contract management for non-adherence of contractual conditions and delays in work execution for proper corrective action.*

2.7.3 Operational Efficiency

The diagram given below depicts the process of energy generation in a TPP.



The norms of operation applicable to all TPPs were prescribed at national level by the CEA. These norms prescribed the operational efficiency to be achieved by the TPPs and *inter alia* included norms for PLF, Auxiliary Power

---

75 @ 15 *per cent* as per Clause No.6.3.2 of the PPA with DISCOMs.

Consumption (APC), specific coal consumption and station heat rate[76] (SHR). Based on these norms TSERC allowed tariff to the TPPs operating in the state.

The achievement[77] of key operational norms by the STPP was as given below:

Parameter	Unit	Norm[78]	Actual	Result	Government's response
PLF	*per cent* of generation capacity	> 85	91	Achieved	
SHR	Kcal/ kg.	2303	2325	Achieved	
Specific Coal Consumption	Grams/ kWh	0.560	0.611	STPP maintained the SHR nearer to the TSERC norms. But, due to receipt of poor quality of coal it consumed 4.97 Lakh MTs of coal valued ₹ 156.10 crore in excess of the norms.	The Government confirmed the observation and stated (December 2018) that STPP was putting all out efforts to receive quality coal as per the norms.
Specific Oil Consumption	ml/ kWh	0.50	0.27	Achieved	
APC	*per cent* of gross power generated	5.75	5.96	The STPP consumed 51.15 MU of energy worth ₹ 17.82 crore in excess of the norms. But, it did not analyse the reasons for excess APC to levy penalty, if any, on BTG and BOP contractors.	The Government confirmed the observation and stated (December 2018) that all efforts are being made to stabilize the unit to bring down the APC.

Good Practices

The STPP achieved (March 2018) a PLF of 91 *per cent* and was ranked (January 2018) fourth among 25 TPPs in the country.

2.7.3.1 Joint Sampling not conducted

The prices of different grades[79] of coal were notified by the coal companies based on their gross calorific value (GCV). The MoU entered into between the Company and STPP *inter alia* provided for supply of coal of G10 grade[80] and for joint sampling of coal at loading points. The credit or debit bill as the case may be was to be raised after the confirmation of the grade of coal in the joint analysis of the sample. Further, STPP could utilise[81] the services of third party inspection agencies for collection, preparation of samples at loading points and analysis at the laboratories of their choice. The Coal India Limited notified (August 2014) a panel of 25 such agencies approved by the CEA.

[76] Station Heat Rate refers to the amount of heat energy (Kilo Calories per Kilogram – kcal/ Kg.) required for generating one unit of electrical energy.
[77] For the year 2017-18 being one/ first full year of operation.
[78] As per the generation tariff for STPP approved by TSERC in June 2017.
[79] G1 (GCV > 7,000) to G17 (GCV 2,201 – 2,500) as per GoI Notification dated 30.12.2011.
[80] GCV of 4,301 to 4,600.
[81] As per the decision (June 2014) of Ministry of State for Power, Coal and Renewable Energy.

It was observed that the actual grade of coal determined at STPP's end was on lower side[82] as compared to the grade for which the invoices were raised by the Company. But, the STPP did not initiate any action for joint sampling as of June 2018.

In reply Government confirmed (December 2018) that Joint Sampling protocol was provided in the MoU and that it was being implemented at Bhupalpalli & Srirampur mines and Medigadda Open Cast Project from August 2018 and October 2018 respectively.

The reply, however, does not clarify the specific reasons for not conducting joint sampling of coal at loading points.

2.7.3.2 Slippage in grade of coal

The difference in the grade of coal declared at loading points of Company's mines and as found at STPP's end during 2016-18 was as given below:

Year	Weighted average GCV at Loading Points (kCal/ Kg)	Weighted average GCV at STPP's end (kCal/ Kg)	Difference in GCV (kCal/ Kg)
2016-17	4112	4037	75
2017-18	4240	3751	489

It was observed that STPP commenced analysing the GCV of coal from September 2017 onwards. The GCV analysis reports revealed that as against the agreed grade of G10, the grade of coal supplied ranged from G11 to G15[83] in respect of 17.40 Lakh MTs, being 53 *per cent* of total 32.76 Lakh MTs of coal, received by STPP between November 2017 and March 2018. Even though the slippages in the grade was being notified from October 2017 onwards, STPP could not get any refund as the analysis was done unilaterally and not on joint inspection basis. This caused financial loss of ₹ 92.90 crore to STPP being the differential value of the coal received and paid for.

In reply the Government stated (December 2018) that the variation in coal grades as worked out was statistically correct. Variations in grades of coal are, however, imminent in large supplies due to sudden variations in geo-mining conditions during exploitation of coal. It further stated that the Joint Sampling protocol was being implemented at Bhupalpalli & Srirampur mines and Medigadda Open Cast Project from August 2018 and October 2018 respectively.

The fact is that STPP could not get refund due to slippages in coal grade due to its failure to enforce the joint sampling protocol until August 2018 which resulted in avoidable expenditure of ₹ 92.90 crore.

2.7.3.3 High incidence of boiler tube leakages

The Company, in its submission (December 2014) for first Revised Cost Estimates (RCE), attributed the reasons for escalation in project cost, *inter alia,* to the safety measures (i.e., increase in thickness of pressure parts and

[82] G11 (GCV from 4,001 to 4,300) to G15(GCV from 2,801 to 3,100).

[83] Bhoopalapally Open Cast Mines (G11 to G15), Godavarikhani11 Mines (G10 to G14), Khairguda & Srirampur Open Cast Mines (G11 to G15), Medigadda Open Cast Project Mines (G11 to G14) and Ramakrishapur Open Cast Mines (G11 to G15).

temperature ranges over and above the IBR[84] specifications) taken by it to reduce boiler tube failures. In view of these safety measures, the boiler was expected to perform without any failures.

During the year 2017-18, STPP however, lost a total of 1,053 hours due to multiple tube leakages in the boilers of Unit I & II causing generation loss of 642.06 MU valued at ₹ 219.58 crore. The main reasons identified for such failures in the monthly O&M reports were;

- ineffectiveness of the Mill Rejects System,
- non-functioning of Electrostatic Precipitator,
- oil leakages from servo motor of Forced Draft Fan 1A & 1B,
- high temperature in both the boiler areas all around the furnace and
- non-availability of Long Retractable Soot Blower in Units I & II.

Many of these issues remained unresolved as of date. Failure of the Company to take timely action for their resolution with the BTG and BOP Contractors caused generation loss valued at ₹ 219.58 crore and also hindered the Sustainable Development Goal (SDG)[85] of providing reliable power.

In reply the Government stated (December 2018) that boiler tube leakages increased during initial phase of operation and stabilization due to stopping and restarting of the plant several times as per the OEM requirements. Moreover, the receipt of coal with lesser average GCV than the designed value resulted in erosion of boiler tubes due to ash accumulation. It also stated that action to reduce boiler tube leakages would be taken up during annual overhaul of the Units.

2.7.3.4 Presence of excess unburnt coal in bottom ash

As given in the operating and maintenance (O&M) manual of boiler of the Original Equipment Manufacturer cum BTG contractor – M/s BHEL, the unburnt coal in both fly and bottom ash should be 1 *per cent*. Further, as per the boiler performance guarantee test (PGT) results proposals[86] of OEM, the unburnt carbon content in bottom ash was expected to be at 1.80 *per cent*. It was however, observed that the actual presence of unburnt coal in bottom ash of STPP on average ranged between 2.14 *per cent* and 2.65 *per cent*. Owing to excess presence of unburnt coal in bottom ash during 2017-18, STPP lost 0.50 Lakh MTs of coal that could generate 81.51 MU of energy worth ₹ 27.87 crore. Besides, the boiler tubes also got eroded.

Further, the O&M Contractor reported that unburnt coal in bottom ash was within limits by adopting higher threshold limit of 2.5 to 3 *per cent* without

---

[84] India Boiler Regulations.

[85] Sustainable Development Goals (SDGs) refer to the set of 17 aspirational global goals with 169 targets that were adopted by 194 member countries of the United Nations General Assembly at the UN Sustainable Development Summit held in September 2015. The SDGs cover a broad range of sustainable development issues which *interalia* included ensuring access to affordable, reliable, sustainable and modern energy for all (SDG No.7). In India, NITI Aayog has mapped the SDGs to various Departments of the GoI for implementation and monitoring. The Government of Telangana State (GoTS) also envisaged achievement of SDGs as part of its *Bangaru Telangana* (Golden Telangana) initiative.

[86] January 2017 for Unit-I and September 2017 for Unit-II.

justifying the suggested higher limits. Also, during PGT (January 2017), the unburnt coal in bottom ash was found at 3.65 *per cent*. This established the fact that fuel combustion in the boiler furnace was not taking place at appropriate levels as guaranteed by the OEM.

The Government replied (December 2018) that flame in boiler depends on Temperature, Turbulence and Time (3 Ts). Changes in the fineness of coal fired into the boiler, grades of coal used and the quantity of coal fired would affect combustion and hence excess formation of unburnt coal.

The reply was not acceptable since STPP had installed boilers with Tilting Tangential Type Firing System which enabled the flexibility to form the fire ball in the boiler furnace at the desirable levels to achieve optimum combustion of coal based on the quality and quantity of coal injected/ fired. Hence, the 3 Ts were manageable and should have been maintained to avoid excess unburnt coal.

Recommendation: *The Company should take steps to (i) ensure the grade of coal, (ii) meet the operational parameters as per TSERC norms and (iii) arrest boiler tube leakages.*

2.7.4 Environmental compliance

The Central Pollution Control Board (CPCB) categorised TPPs as a major polluting industry. The emission levels of STPP were abnormally high compared to the environmental norms revised (December 2015) by the Ministry of Environment & Forests (MoEF), GoI. The STPP also failed to comply with the specific conditions stipulated by MoEF while according environmental clearance as detailed in succeeding Paragraphs:

2.7.4.1 Monitoring of Pollution levels

The STPP was required to install Continuous Online Monitoring Equipment (COME) for monitoring the pollution levels. The equipment would measure levels of Sulphur Oxide (SO_2), Oxides of Nitrogen (NO_x) and Particulate Matter (PM). The results so monitored were also required to be displayed at a convenient location near the main gate of the Company in the public domain. The Telangana State Pollution Control Board (TSPCB) instructed (May 2016) the STPP to connect the COME to the websites of CPCB and TSPCB.

Accordingly, the Company placed (September 2013) order for procurement of COME i.e., Ambient Air Quality Monitoring System (AAQMS) at a cost of ₹ 44.00 lakh under the BOP contract. The BOP contractor supplied the AAQMS by July 2016 but the same was installed only in July 2018, i.e., two years after the COD of STPP. Further, STPP initiated action for connecting the COME to the websites of CPCB and TSPCB only in April 2018.

In the absence of AAQMS, an order was placed (May 2012) on Environment Protection Training and Research Institute (EPTRI), to ascertain the emission levels at Company's coal mines and STPP. The Company also awarded (December 2017) the work for environmental monitoring at STPP to the EPTRI at a cost of ₹ 43.07 lakh per annum. Audit observed that the EPTRI conducted the tests as per the National Ambient Air Quality (NAAQ) standards of November 2009 though specific norms for TPPs were prescribed[87] (December 2015) by MoEF. Thus, STPP failed to monitor its emission levels in line with the specific norms applicable for TPPs.

The Government replied (December 2018) that off-line monitoring of Ambient Air Quality was done by EPTRI and the AAQMS is in operation since its commissioning in July 2018. The Government, however, was silent about the reasons for delay in commissioning of the AAQMS and non-conducting of tests by EPTRI as per the specific norms applicable for TPPs.

Recommendation: *STTP must be proactive in preventing delays in commissioning anti-pollution measures considering the adverse impact on public health and environment and may initiate steps to comply with the revised norms prescribed by MoEF for TPPs.*

2.7.4.2 Revised environmental norms not complied

Ministry of Environment & Forests revised (December 2015) the norms for SO_2, NOx, PM and Mercury. All the existing TPPs were required to comply with the new norms within two years (by December 2017). The Company noted (December 2017) that except for Mercury, the average levels of PM and NOx were on higher side and the average levels of SO_2 was abnormally high in both Units. Hence, CPCB directed (December 2017) STPP to retrofit Electrostatic Precipitator (ESP) to comply with PM limit. The CPCB also directed STPP to install Fuel Gas Desulphurisation (FGD) Plant costing about ₹ 800.00 crore.

It was observed that in the case of TPPs of TSGENCO which were operating since 1971 onwards did not have the FGDs installed up to March 2018 as they were meeting the emission norms. Hence, non-adherence to the emission norms by STPP which is a relatively new plant was not justified. This had resulted in the requirement for installation of the FGD soon after two years of COD of STPP. Reasons for high emission levels of SO_2 and NOx were also not analyzed and recorded for appropriate actions.

The Government while accepting the audit observation stated (December 2018) that ESPs had already been installed in STPP and all necessary steps were being taken to maintain emission levels within norms.

2.7.4.3 Adherence to the conditions for environmental clearance

According to the special conditions imposed by MoEF while granting (December 2010) environmental clearance, the STPP was *inter alia* required to;

- construct Sewage Treatment Plant (STP) and utilise the treated water for raising greenbelt,
- earmark one time capital expenditure of ₹ 22.00 crore for Corporate Social Responsibility (CSR) activities,
- incur an expenditure of ₹ 4.40 crore annually on CSR activities and
- ensure monitoring and annual social audit of schemes identified for CSR activities.

[87] Under Air (Prevention and Control of Pollution) Act, 1981 as amended from time to time.

It was observed that (i) the construction of STP was completed and commissioned in August 2018, (ii) during 2010-11 to 2017-18, STPP incurred only ₹ 12.85 crore (58 *per cent*) of the targeted amount of ₹ 22.00 crore for CSR activities and (iii) STPP did not earmark and initiate any activity under the annual component of CSR activities. Annual social audit was also not conducted by STPP as of June 2018.

The Government replied (December 2018) that construction of the STP was delayed due to changing its location considering the proposed establishment of Unit-III of 800 MW within STPP. It also stated that the balance CSR budget would be spent on receiving the relevant proceedings from the District Collector and annual social audit was conducted through EPTRI. The fact, however, remained the same that STP was commissioned after 18 months from the COD of STPP. Further, STPP failed to adhere to the conditions relating to CSR expenditure.

2.7.5 Monitoring of Project Outcomes

While setting up STPP, it was envisaged that the Company would (i) supply coal generated from its own mines to STPP, (ii) utilise 150 MW to 225 MW generated as self-consumption for mining activities and (iii) provide direct employment to 700 local people who lost land for setting up of STPP. Further, as per the SDGs implemented[88] by the State Government, the STPP was required to provide affordable and reliable energy to consumers.

It was, however, observed that the expected outcomes of use of coal from own mines and internal consumption of 150 MW power were not realized. The STPP also neither provided (June 2018) employment to people who lost their lands for setting up of STPP nor provided any training to the local people for eventual employment in STPP. Further, STPP did not contribute to the SDG of providing energy at low cost.

As the BOD was in-charge of the affairs of the Company including STPP it was its primary responsibility to ensure that the expected outcomes of STPP were realised. For this purpose, operational review meetings were to be held periodically to assess the progress made in achievement of the outcomes. The BOD of the Company however, did not ensure that a monitoring mechanism was in place to ensure achievement of envisaged outcomes of STPP.

[88] As part of "*Bangaru Telangana*" (Golden Telangana) initiative.

CHAPTER - III

COMPLIANCE AUDIT
POWER SECTOR PSUs

Chapter III

Compliance Audit - Power Sector PSUs

Southern Power Distribution Company of Telangana Limited

3.1 Loss of ₹ 21.42 crore due to withdrawal of interest charges

The Company's decision to withdraw interest charges levied as per the Supreme Court's order resulted in loss of ₹ 21.42 crore.

The Company[89] levies the Fuel Surcharge Adjustment charges[90] (FSA charges), as fixed by the State Electricity Regulatory Commission[91] (SERC). The FSA charges were billed in the regular electricity bills of consumers.

During audit (January 2018) of the Company it was observed that the FSA charges of ₹ 144.56 crore[92]were not paid by 243 High Tension (HT) consumers. The HT consumers filed Writ Petitions (WP) in the Honourable High Court questioning the SERC's orders[93] under which the FSA charges were determined. The Honourable High Court dismissed (February 2014) the WPs and upheld the levy of FSA charges. The Honourable Supreme Court also dismissed (July 2016) the Special Leave Petitions (119 cases) filed against the High Court's order. The Supreme Court, while observing that appeals of the HT consumers were devoid of merit, also directed them to deposit the FSA amount along with interest at eight *per cent* per annum. This was in addition to other charges for delayed payment. The Company was also allowed to take coercive steps to recover these amounts.

Accordingly, the Company issued (July 2016) notices to the HT consumers for payment of FSA charges (₹ 144.56 crore), delayed payment surcharge (DPS) at 18 *per cent per annum* (₹ 48.66 crore) and additional interest charges at eight *per cent per annum* (₹ 21.42 crore) on FSA charges.[94] Audit however, noticed that the Company collected only the FSA charges and the DPS but not the interest charges amounting to ₹ 21.42 crore. The Company decided (November 2016) to waive interest charges based on the HT consumers' plea for relief. The decision was detrimental to the Company's financial interests.

---

[89] Presently Southern Power Distribution Company of Telangana Limited and erstwhile Central Power Distribution Company of Andhra Pradesh Limited.

[90] The price of coal or fuel (direct purchase of electricity by the DISCOMs) changes every month based on demand and supply of coal, electricity. Thus, the cost of generating, purchasing electricity changes accordingly. The DISCOMs pass on this cost to the consumers in the form of Fuel Surcharge Adjustment (FSA). The FSA is determined usually on a quarterly basis and charged on different categories of consumers as per their consumption of electricity.

[91] Erstwhile Andhra Pradesh Electricity Regulatory Commission (APERC) and present Telangana State Electricity Regulatory Commission (TSERC) with effect from 03rd November 2014.

[92] For the period from July 2010 to June 2012.

[93] Issued in September 2012 and November 2012 by the APERC.

[94] From the date of issue of the current consumption bills to the date of issue of notices.

The matter was, however, not reported to the Board. Thus, the Company's decision to withdraw the interest charges levied as per the Supreme Court's order resulted in loss of ₹ 21.42 crore.

The Government replied (June 2019) that based on the HT consumers' representation for waiver of DPS and additional interest, the State Government directed (August 2016) the Company not to take any coercive measures for collection of the FSA dues as the request of the HT consumers was under examination. The Telangana State Power Coordination Committee considered the issue in its meeting (October 2016) and resolved not to levy the additional interest at eight *per cent* as already 18 *per cent* DPS was levied for delay in payment. As such the additional interest charges levied were withdrawn.

The fact was, observing that the appeals of the HT consumers were devoid of any merit, the Supreme Court had in its order categorically directed the Company to levy the eight *per cent* interest charges in addition to the DPS. Moreover, the Company misinterpreted the directions of the State Government not to take coercive measures and decided to withdraw the additional interest charges even though the issue was still being examined by the State Government. Thus, the decision of the Company not to levy additional interest charges as directed by the Supreme Court was tantamount to contempt of Court besides being irregular and resulted in loss of ₹ 21.42 crore.

3.2 Loss of revenue due to wrong categorization of HT consumer

The Company suffered loss of ₹ 0.56 crore due to wrong categorisation and charging lower rates on one HT consumer.

As per the General Terms and Conditions of Supply[95] of electricity (GTCS), consumers with connected load above 75 HP/ 56 KW are required to avail High Tension (HT) supply[96]. As per the Tariff Orders[97] issued from time to time by the SERC, HT consumers were broadly classified into eight categories. Chargeable tariff on power consumption was based on the category under which the consumer was classified. A consumer wrongly categorised earlier can be reclassified and the bills revised with retrospective effect of six months[98].

Supply of power to a consumer commences after an agreement *inter alia* indicating the purpose for which the supply was required. The validity of agreement was two years. The Company was at liberty to inspect the consumer's premises to check the installations[99] and unauthorised use of electricity. Alteration of the contracted load[100] required execution of fresh agreement and inspection by the Company.

---

95 General Terms and Conditions of Supply of Distribution and Retail Supply Licensees (GTCS) approved (January 2006) by the erstwhile Andhra Pradesh Electricity Regulatory Commission and adopted (December 2014) by the Telangana State Electricity Regulatory Commission.

96 High Tension means supply at High Voltage i.e., the voltage higher than 440 volts but which does not exceed 33,000 volts under normal conditions and which has 50 cycles.

97 Tariff for retail supply of electricity under Low Tension and HT categories.

98 As per clause 3.4 of the GTCS.

99 HT meters were required to be calibrated once in a year.

100 Contracted load means the connected load which the consumer requires in his installation and was so specified in the agreement.

During test check (February 2018) of records of Siddipet Circle Office (Circle Office) of the Company, it was observed that the consumer[101](HT Service No. SDP 1937) having a connected load of 250 KW entered (May 2014) into agreement for supply of 200 KVA for the purpose of "Agriculture". The Circle Office extended the HT service to the consumer under the category HT-IV (A) (Irrigation and Agriculture) and billed accordingly.

It was observed that the Circle Office had initially sanctioned (2012-13) the HT service to the consumer under the category HT-II (Others). But, based on the consumer's representation (October 2013) the HT service was changed (June 2014) to the category HT-IV (A). As per the agreement the consumer required the HT service for its Multi-Crop Research Centre[102].

It was further observed that as per the Tariff Orders, supply for agriculture was meant only for farmers. The agricultural research units were not specifically covered under any of the HT Categories I and III to VIII. The HT-II (Others) category tariff was applicable to all HT consumers other than those who were specifically covered under the HT Categories I and III to VIII. Though the Circle Office was aware that the supply was for agricultural research and not for agriculture, the consumer was wrongly categorized under HT-IV (A) instead of HT-II (Others). This resulted in loss of ₹ 56.08 lakh on account of short billing due to wrong categorization of the HT consumer. Thus, the Company suffered loss of ₹ 0.56 crore due to charging lower rates on account of wrong categorization.

The Company stated that the consumer was correctly categorized and connection was released under HT-IV (A) which is applicable for agricultural purpose.

The reply is not acceptable because the Company was charging tariff under HT-II (Others) category in respect of A.P. Agricultural University, Rajendranagar, Hyderabad[103]which is also engaged in agricultural research activities. Hence, similar tariff should have been applied to the HT Service No. SDP 1937. Not doing so amounted to extension of undue favor to the HT consumer.

The matter was reported to the Government in September 2018 and reminded in December 2018 and March 2019. Their reply has not been received (June 2019).

Telangana Power Finance Corporation Limited

3.3 Avoidable expenditure of ₹ 2.40 crore on Registration Fee

Incorporation of the Company with higher amount of authorised share capital resulted in avoidable expenditure of ₹ 2.40 crore.

According to the Companies Act, 2013 a public company shall have an authorized share capital (ASC) and a minimum paid-up share capital (PSC) of ₹ 5.00 lakh or such higher amount as may be authorized by its Articles of Association. Further, the Companies (Registration of Offices and Fees) Rules,

[101] M/s PHI Seeds Private Limited, Medak District.

[102] The Multi-Crop Research Centre deployed hi-tech trail blazing breeding technologies such as molecular breeding, doubled haploids for development of high quality hybrids.

[103] Commonly known as Acharya NG Ranga Agricultural University.

2014 prescribed a maximum fee of ₹ 2.55 crore[104] for registration of a company. Thus, the amount of registration fee to be paid depended on the ASC. Also, a company could alter its Memorandum of Association to increase its ASC when required. Hence, an objective assessment of the requirement of the ASC was to be carried out to optimize the expenditure on registration fee.

The Andhra Pradesh Power Finance Corporation Limited (APPFCL) was incorporated[105] with an ASC of ₹ 3,000.00 crore for investment in the shares of power sector companies[106]. The APPFCL being a Government Non-Banking Finance Company (NBFC) was exempted from capital limits for raising public deposits. It was also at liberty to make investment from borrowed funds. Its PSC as on the appointed date (02 June 2014) was only ₹ 29.00 crore.

Consequent upon bifurcation[107] of erstwhile Andhra Pradesh (AP) into AP and Telangana, the APPFCL was also to be demerged[108] which was pending[109] (July 2018). As per the demerger proposals, the Telangana Unit was entitled[110] to get ₹ 12.18 crore as its share (42 *per cent*) of PSC.

The Government of Telangana (GoTS) incorporated (July 2014) the Telangana Power Finance Corporation Limited (Company) with an authorized capital of ₹ 1,260.00 crore. A registration fee of ₹ 2.55 crore was accordingly paid. The amount of ₹ 1,260.00 crore was assessed @ 42 *per cent* of ASC of ₹ 3,000.00 crore of APPFCL which was only a notional/ book figure. On the other hand, the GoTS incorporated the Company with an issued, subscribed and PSC of ₹ 5.00 lakh only. The Company's share in the PSC of APPFCL was also ₹ 12.18 crore only. Further, the Company was at liberty to increase its ASC based on its requirements from time to time. Therefore, incorporation of the Company with the ASC at more than 100 times its present PSC was not a prudent decision. This has resulted in avoidable expenditure on registration fee to the extent of ₹ 2.40 crore[111].

The Government replied (September 2018) that the ASC of the Company was fixed at ₹ 1,260.00 crore keeping in view future requirement of funds, operational issues in raising funds from market by the Company and to avoid cumbersome procedure of amending the ASC clause.

---

104 Registration Fee of ₹ 2.50 crore + Stamp Duty of ₹ 5.00 lakh calculated @ 0.15 *per cent* of the ASC.

105 In July 2000 under the Companies Act, 1956 as a wholly owned Government Company.

106 Andhra Pradesh Power Generation Corporation Limited, Transmission Corporation of Andhra Pradesh Limited and Distribution Companies (DISCOMs).

107 As per the AP Reorganization Act, 2014 (APR Act,2014).

108 The APPFCL was included under the Ninth Schedule to the APR Act, 2014 which indicated the list of State Government Companies and Corporations to be bifurcated between the two successor states.

109 Due to dispute regarding allocation, servicing of principal and interest of APPFC Bonds.

110 As per Section 53 of the APR Act, 2014, the Share Capital was to be apportioned between AP and Telangana based on population ratio which was determined as 58:42 between AP and TS respectively.

111 ₹ 2.55 crore - ₹ 0.15 crore = ₹ 2.40 crore, as the Company could have determined its ASC at ₹ 15.00 crore considering its share of the PSC of ₹ 12.18 crore and fresh investments made by the GoTS.

The fact, however, is that the reply does not explain the basis as to how the Government determined that the ASC of ₹ 1,260.00 crore would be sufficient when the Company has operational issues in raising funds from the market. The contention that the ASC was fixed at ₹ 1,260.00 crore as the Company has operational issues in raising funds from the market was also not tenable because, the inability[112] of the Company to commence the NBFC business was only a subsequent event. Further, as per the Companies Act, 2013, only a special resolution in a general meeting was required to increase the ASC.

Telangana State Renewable Energy Development Corporation Limited

3.4 Suspected fraud in implementation of Bio-Gas Programme

Failure to adhere to the controls prescribed while releasing subsidies under the Bio-Gas Programme led to suspected fraud of ₹ 29.99 lakh.

The Bio-Gas Programme[113] was a scheme sponsored (since 1981-82) by the Ministry of New and Renewable Energy, Government of India (MNRE). The Programme provided for setting up of family type biogas plants (BG Plants)[114] mainly for rural/ semi-urban households. A subsidy of ₹ 11,000.00 to Scheduled Caste & Scheduled Tribe beneficiaries and ₹ 9,000.00 to other beneficiaries was provided under the Programme.

As the State Nodal Agency (SNA), the Company implemented the Programme through the Business Development Agencies (BDA)/ Self Employment Workers (SEW). The BDA/ SEW were to construct the BG Plant and provide maintenance after construction. The District offices of the Company (DOs) were to release the subsidy after physical verification of the BG Plants installed.

The guidelines[115] for implementation of the Programme *interalia,* prescribed the following modalities:

- Each BG Plant was to be serialised with pre-determined identification mark and code for District/ Block along with the name of SNA, BDA/ SEW. These details were to be recorded in the permanent register and embossed/ carved on the BG Plant/ metal strip welded on the gas outlet pipe in the dome.
- One photograph at pit digging/ construction stage and another photograph with completed BG Plant along with the inspecting authority

[112] In reply to the Company's request (September 2014) for issue of Certificate of Registration for conducting the NBFC business, the RBI advised (March 2016) the Company to submit the application only after completion of the process of demerger with the APPFCL.

[113] National Biogas and Manure Management Programme.

[114] A BG Plant generates clean gaseous fuel for cooking, lighting from organic substances like cattle dung, farm waste, etc., and thus mitigates the causes of climate change. The BG Plants of 2 – 6 cubic meter capacity were covered under subsidy.

[115] Issued by the MNRE in June 2014 and the Circular Instructions issued by Company in June 2016.

of the Company and beneficiary were to be kept with the subsidy disbursement records.

- Working condition of all the BG Plants commissioned was to be ensured before the release of subsidy. Otherwise, subsidy was recoverable from the official concerned who certified the installation of incomplete/ not working BG Plant.
- Subsidy was to be paid directly to the beneficiary only after commissioning of the BG Plants. From July 2016, however, MNRE permitted payment of subsidy to the BDA/ SEW if they invested money equivalent to the subsidy. An undertaking & authorisation to this effect was to be given by the beneficiary.
- The designated[116]Biogas Development and Training Centre (BDTC) was to conduct inspection of BG Plants on a sample basis[117].

A test-check (May-July 2017) by audit of 1,245[118] subsidy claims (33 *per cent* of the total 3,780 claims) valued ₹ 1.20 crore settled during 2016-17 in selected DOs of Karimnagar and Adilabad revealed the following;

- The application form did not provide for affixing the photograph of the applicant. In respect of all the test-checked claims, only the name of the village was mentioned against the column for address. The beneficiary's caste was also either not mentioned (211 of SC/ ST claims) or was not certified by the competent authority.
- The serial number of the BG Plant, code for District/ Block and name of implementing agency (SNA, BDA/ SEW) were neither allotted nor recorded in the Permanent Register in respect of all test-checked claims. Thus, these details were not embossed on the BG Plants. This left ample scope for submission of photographs of these BG Plants in later years to claim subsidy.
- Photographs were not attached to 164 claims. Out of 1,081 claims with photographs, in 833 claims only single photograph was attached. The requirement of two photographs at two different stages of construction of BG Plant was met in respect of only 248 claims being 20 *per cent* of the total test-checked claims.
- In 154 claims (out of 1,081 claims with photographs), the image of BG Plant was captured without the inspecting officer and the beneficiary.

---

[116] Kalinga Institute of Industrial Technology, Bhubaneswar.

[117] Districts and blocks selected on a random basis.

[118] 778 claims involving subsidy of ₹ 76.24 lakh out of 2,395 claims involving subsidy of ₹ 2.32 crore by DO Karimnagar and 467 claims involving subsidy of ₹ 43.93 lakh out of 1,385 claims involving subsidy of ₹ 1.31 crore by DO Adilabad. (33 *per cent* of 3,780 claims involving subsidy of ₹ 3.63 crore).

- Of the above 248 claims with two photographs, the beneficiary appearing in one photograph differed from the other, within the same claim, in respect of 132 claims (53 *per cent* of the claims with two photographs).
- 297 claims valued ₹ 29.16 lakh were found to have same photographs, indicating possibility of duplicate claims.
- In respect of nine claims valued ₹ 0.83 lakh, the photographs of BG Plants installed in earlier years (2011-12 to 2014-15) were submitted as proof of BG Plants installed during 2015-16 and 2016-17. In 123 claims the BDAs/ SEWs were paid subsidy for BG plants installed during 2015-16 in contravention of the MNRE guidelines.
- Audit did not find any record to show that the BDTC inspected the BG Plants installed in these districts during the said period. Also, there was no record of higher officers of the Company conducting any departmental checks.
- The internal control mechanism was also undermined since the BG Plants were inspected by the same persons who also had the authority to sign the cheques and release the subsidy.

As a result, the procedure for verification with the photographs was met only in respect of 116 claims, i.e., only nine *per cent* of the sample. In addition, the control of embossing serial number and such other details on the BG Plant was not met in respect of any of the claims. In view of the deficient internal controls followed in the disbursal of subsidies, Audit could not give assurance that the Company had passed on the benefit of subsidy only to the *bonafide* beneficiaries. In respect of 306 claims[119] involving subsidy of ₹ 29.99 lakh, the evidence pointed to false claims.

Subsequent to the audit (May-July 2017), the statutory auditor reported (June 2017) the fraud to the MNRE and also revised (March 2018) his earlier opinion on the accounts of 2014-15[120]. The Company while accepting the audit observation stated (August 2018) that the following measures had been taken:

- A police case was filed in respect of the fraudulent claims of 2016-17;
- The State Government's Vigilance Department was investigating the fraudulent claims of 2015-16;
- The DO officials concerned were placed under suspension;
- A letter was addressed to the BDTC to take up evaluation and monitoring of the BG Programme and

[119] 297 claims valued ₹ 29.16 lakh found to have same photographs and 9 claims valued ₹ 0.83 lakh pertaining to earlier years.

[120] As similar fraud cases were noticed by the statutory auditor in respect of claims paid in 2014-15.

- Other steps like appointment of internal auditors, centralised payments, beneficiary tracking system and recruitment of required staff were being taken to improve the internal control system.

The Company also informed that the MNRE, GoI had transferred the Biogas Programme to the Rural Development Department effective from the financial year 2018-19.The State Government concurred with the views of the Company.

Audit was of the opinion that the corrective measures taken by the Company were rendered superfluous due to the transfer of Biogas Programme to the Rural Development Department. The reply also affirmed the fact that requirements of the Programme were not met in respect of any claim and ₹ 29.99 lakh was paid in respect of 306 false claims. A report on the full extent of loss caused by the fraud and the recovery thereof from the concerned officials, was awaited.

PART – II

STATE PSUs (NON-POWER SECTOR)

CHAPTER - IV

FUNCTIONING OF STATE PSUs (NON-POWER SECTOR)

PART - II

Chapter IV

Functioning of State PSUs (Non-Power Sector)

Introduction

4.1 Telangana State was formed on 02 June 2014[121], following the bifurcation of erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganisation Act, 2014. As on 31 March 2018, there were 67 State Public Sector Undertakings (PSUs) which were related to sectors other than Power Sector. These State PSUs (Non-Power Sector) were incorporated between 1937-38[122] and 2017-18[123] and included 64 Government Companies and three Statutory Corporations[124]. The Government Companies further included five[125] subsidiary companies owned by other Government Companies, two[126] Joint Venture Companies (JVC) of other Government Companies and 20[127] Inactive Companies. One Government Company, namely Infrastructure Corporation of Andhra Pradesh Limited (INCAPL) and 19[128] Inactive Companies were still under demerger process.

The State Government provides financial support to the PSUs in the shape of equity, loans and grants/ subsidy from time to time. Of the 47 working PSUs, the State Government invested funds in 38 PSUs. Out of the remaining nine PSUs, in seven PSUs[129] equity capital was contributed by other Government Companies/ Institution, one PSU[130] has no equity capital and the accounts/ information of one PSU[131] was not due as on March 2018.

Contribution to Economy of the State

4.2 A ratio of turnover of the State PSUs (Non-Power Sector) to the Gross State Domestic Product (GSDP) shows the extent of activities of the State PSUs (Non-Power Sector) in the State economy. In Telangana, 47 working State PSUs (Non-Power Sector) contributed to 2.24 *per cent* of the GSDP in

---

121 Date of formation of Telangana State/ Effective Date of bifurcation of Government Companies
122 The Nizam Sugars Limited.
123 27 State PSUs (Non-Power Sector) comprising of 24 Government Companies and three Statutory Corporations were demerged between 2014-15 to 2017-18.
124 Telangana State Warehousing Corporation, Telangana State Financial Corporation and Telangana State Road Transport Corporation.
125 Maheswaram Science Park Limited, eCity Manufacturing Cluster Limited, Fab City SPV (India) Private Limited, Zaheerabad NIMZ Limited and Hyderabad Pharma City Limited as subsidiaries of Telangana State Industrial Infrastructure Corporation Limited.
126 Damodhara Minerals Private Limited and TSMDC-SCCL Suliyari Coal Company Limited as JVC of Telangana State Mineral Development Corporation Limited.
127 Includes TSMDC-SCCL Suliyari Coal Company Limited which is a JVC of Telangana State Mineral Development Corporation Limited.
128 Excluding TSMDC-SCCL Suliyari Coal Company Limited which is exclusive to Telangana.
129 Five subsidiaries, one JVC namely, Damodhara Minerals Private Limited and one PSU namely, Hyderabad Growth Corridor Limited.
130 T-Works Foundation.
131 Telangana Rajiv Swagruha Corporation Limited incorporated on 01-03-2018.

2017-18 (Table 4.1). The compounded annual growth[132] of GSDP of Telangana was 14.22 *per cent* during the years 2014-18. As against this, the turnover of working PSUs recorded higher compounded annual growth of 348.96 *per cent* due to increase (90 times) in the turnover owing to increase (from 21 to 47) in the number of PSUs incorporated during this period.

The details of turnover of the working State PSUs (Non-Power Sector) and GSDP of Telangana during the four years period ending March 2018 is given below:

Table 4.1: Details of turnover of working PSUs vis-a-vis GSDP of Telangana

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Total Number of working PSUs	21	34	39	47
Number of working PSUs which are required to furnish their Accounts/ information upto 2017-18[133]	17	34	38	46
Number of working PSUs which furnished their Accounts/ information upto 2017-18	16	25	24	28
Turnover	186.17	1111.64	12116.79	16847.81
Percentage change of turnover over previous year	-	497.09	990.00	39.05
GSDP of Telangana	505849.00	577902.00	659676.00	753804.00
Percentage change of GSDP over previous year (₹ 4,51,580 for 2013-14)	12.02	14.24	14.15	14.27
Percentage of Turnover to GSDP of Telangana	0.04	0.19	1.84	2.24

Source: Turnover figures as per information furnished by the PSUs and GSDP figures as per data of Ministry of Statistics and Program Implementation, Government of India

Investment in State PSUs (Non-Power Sector)

4.3 There are 32 PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through 31 PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs (Non-Power Sector) have therefore been analyzed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, four[134] PSUs have been incorporated to perform certain specific activities on behalf of the Government and have been categorised under 'others'. Details of total investment in 67 State PSUs (Non-Power Sector) in the form of equity and long term loans as on 31 March 2018 are detailed in ***Annexure 3***.

[132] Rate of Compounded Annual Growth ((value of 2017-18/ value of 2014-15) ^ ((1/ 3years) -1) * 100) where turnover and GSDP for the year 2014-15 were ₹ 186.17 crore and ₹ 5,05,849 crore respectively.

[133] PSUs incorporated between January to March of a year can submit their first accounts for a period of 15 months i.e, up to March of next year. Hence, the number of PSUs which are required to furnish accounts is less than the total number of PSUs during the year.

[134] Telangana State Beverages Corporation Limited, Telangana State Aviation Corporation Limited, Telangana State Police Housing Corporation Limited and Telangana State Technology Services Limited incorporated to perform collection of excise revenue for GoT, scheduled air transport for GoT, buildings construction and civil engineering works for Police Department, GoT and procurement of hardware and software for GoT respectively.

4.4 The sector-wise summary of investment in State PSUs (Non-Power Sector) as on 31 March 2018 is given below:

Table 4.2: Sector-wise investment in PSUs

(₹ in crore)

Sector	Number of PSUs	Investment		
		Equity*	Long term loans*	Total
Social Sector	32	179.50	36756.76	36936.26
Competitive Environment	31	175.74	3860.12	4035.86
Others	4	0.20	0	0.20
Total	**67**	**355.44**	**40616.88**	**40972.32**

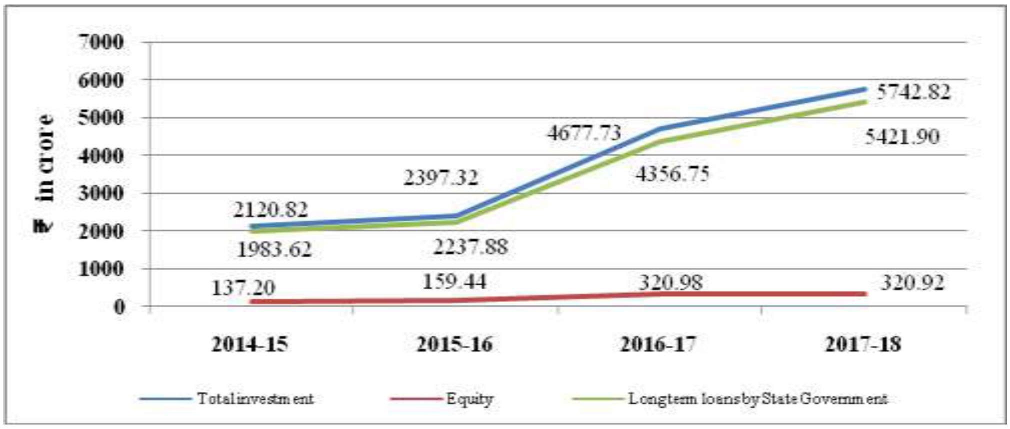
Source: Based on information furnished by PSUs

** The Equity and long-term loans include paid-up capital and loans of Central Government, State Governments and others including Public Financial Institutions and Commercial Banks*

The total investment as on 31 March 2018 in the State PSUs (Non-Power Sector) was ₹ 40,972.32 crore consisting of ₹ 355.44 crore as equity and ₹ 40,616.88 crore as long term loans. Out of this, the State Government's investment was ₹ 5,742.82 crore (14 *per cent*) in 56 State PSUs (Non-Power Sector)[135]comprising ₹ 320.92 crore capital and ₹5,421.90 crore long-term loans.

The status of investment made by the State Government in the 56 State PSUs (Non-Power Sector) during the period 2014-15 to 2017-18 is as follows:

Chart 4.1: Total investment of State Government in PSUs



Source: Based on information furnished by PSUs

Disinvestment, Restructuring and Privatisation of State PSUs (Non-Power Sector)

4.5 During the year 2017-18, no disinvestment, restructuring or privatization of State PSUs (Non-Power Sector) was done by the State Government. One PSU namely, the INCAPL was still under demerger though the De-merger Plan was approved (May 2015) by the Expert Committee[136].

[135] 38 Working PSUs and 18 Inactive PSUs.

[136] Sheela Bhide Committee was appointed (May/ June 2014) by the State Government of erstwhile AP to review and approve the demerger proposals of all the Government Companies, Corporations and Entities notified in Schedule 9 of the AP Reorganisation Act, 2014.

Budgetary Support to State PSUs (Non-Power Sector)

4.6 The State Government provides financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo in respect of State PSUs (Non-Power Sector) for the last four years ending March 2018 are as follows:

Table 4.3: Details regarding budgetary support to PSUs

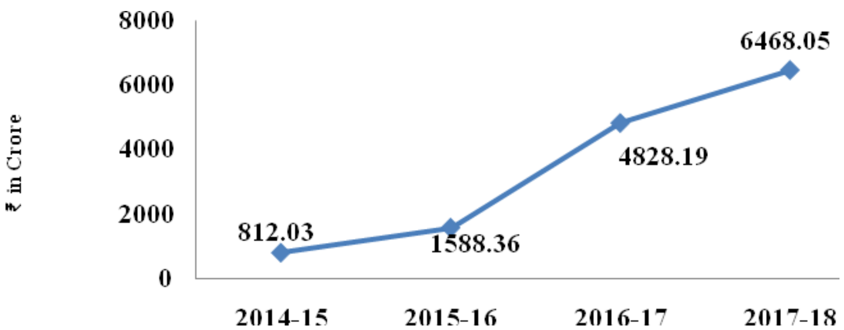
(₹ in crore)

Particulars	2014-15		2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity	8	6.85	14	1.63	5	105.08	10	10.47
Loans	1	454.57	1	176.52	2	110.00	4	1144.86
Grants/ Subsidy	6	350.61	14	1410.21	15	4613.11	21	5312.72
Total Outgo[137]	**9**	**812.03**	**21**	**1588.36**	**18**	**4828.19**	**27**	**6468.05**
Guarantees issued	0	0	0	0	5	30361.21	7	36570.69
Guarantee Commitment	0	0	0	0	6	35779.46	7	47910.75

Source: Based on information furnished by PSUs

The details of budgetary outgo towards equity, loans and grants/ subsidies for the last four years ending March 2018 are given in a graph below:

Chart 4.2: Budgetary outgo towards Equity, Loans and Grants/ Subsidies



Source: Based on information furnished by PSUs

During 2017-18, the equity addition of ₹ 10.47 crore was mainly on account of equity infused (₹ 5.56 crore) in seven[138] out of nine[139] State PSUs (Non-Power Sector) newly incorporated during the year. The grants/ subsidy of ₹ 5,312.72 crore given by the State Government was primarily under the schemes of subsidised food supplies, free/ concessional travel and subsidised housing. Besides, it also included grants/ subsidy provided for construction of Kaleshwaram Irrigation Project Limited.

---

137 The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

138 Hyderabad Road Development Corporation Limited, Musi River Front Development Corporation Limited, Telangana Fiber Grid Corporation Limited, Telangana Industrial Health Clinic Limited, Telangana State Film Development Corporation Limited (demerged unit), Telangana Water Resources Development Corporation Limited and Telangana State Most Backward Classes Development Corporation.

139 In addition to the above seven PSUs, two more PSUs namely, T-works Foundation (no equity PSU) and Telangana Rajiv Swagruha Corporation Limited (not due) were incorporated during 2017-18.

4.7 State Government helps the PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. The outstanding guarantee commitment given for State PSUs (Non-Power Sector) increase by 33.91 *per cent* from ₹ 35,779.46 crore in 2016-17 to ₹ 47,910.75 crore in 2017-18. The guarantee commitment in respect of the Kaleswaram Irrigation Project Corporation Limited (₹ 33,017.36 crore) and the Telangana Drinking Water Supply Corporation Limited (Mission Bhagiratha; ₹ 6,785.14 crore) accounted for 83.08 *per cent* of the total outstanding guarantee commitment.

Reconciliation with Finance Accounts

4.8 The figures in respect of equity, loans and guarantees outstanding as per records of PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Telangana. In case the figures do not match, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard with regard to 47 working State PSUs (Non-Power Sector) as on 31 March 2018 is given below:

Table 4.4: Equity, loans and guarantees outstanding as per Finance Accounts vis-à-vis records of PSUs

(₹ in crore)

Amount outstanding in respect of	No. of PSUs	As per Finance Accounts	As per records of PSUs	Difference
(A)	(B)	**(C)**	**(D)**	**(E) = (C)-(D)**
Equity$	11	101.95	42.17	59.78
Loans$	5	4128.90	4697.10	(-)568.20
Guarantees	11	28670.19	47175.68	(-)18505.49

Source: Based on Finance Accounts and information furnished by PSUs

$ Information in respect of only those State PSUs (Non-Power Sector) whose equity and loans were bifurcated on demerger as per finance accounts is considered

It was observed that the major differences existed with respect to the guarantees given by the State Government for raising loans by the working State PSUs (Non-Power Sector). Such differences occurred in respect of 21 out of 47 PSUs as shown in ***Annexure 4***. The differences in equity, loans and guarantees were pending reconciliation since long period. The matter was taken up (December 2018) with the State Government and replies were awaited. It is therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs (Non-Power Sector)

4.9 Out of 67 State PSUs (Non-Power Sector) under the audit purview of CAG as of 31 March 2018, there were 20 Inactive PSUs and 47 working PSUs comprising of 43 Government Companies, three Statutory Corporations and one Government Company under demerger. Out of three Statutory Corporations, the CAG is the sole auditor of one Statutory Corporation (Telangana State Road Transport Corporation). The status of timelines followed by the 47 working State PSUs (Non-Power Sector) in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working PSUs

4.9.1 As prescribed under the Companies Act 2013, all the working State PSUs (Non-Power Sector) were required to submit accounts for the year 2017-18 by 30 September 2018. Out of 43 working Government Companies only three Government Companies, however, submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018, while all the three Statutory Corporations did not submit their first accounts as on 30 September 2018. Details of arrears in submission of accounts by working State PSUs (Non-Power Sector) as on 30 September 2018 calculated from the date of their incorporation is given below:

Table 4.5: Position of submission of accounts by working PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18
1	Total Number of PSUs	21	34	39	47
2	Total Number of working PSUs which are required to furnish their accounts	17	34	38	46
3	Number of accounts submitted during current year	5	4	14	16
4	Number of PSUs which finalised accounts for the current year	2	2	3	3
5	Number of previous year accounts finalised during current year	3	2	11	13
6	Number of PSUs with accounts in arrears	15	32	35	43
7	Number of accounts in arrears	25	55	79	106*
8	Extent of arrears	1 to 6 years	1 to 7 years	1 to 4 years	1 to 5 Years

Source: Based on accounts finalized by PSUs as on 30 September of the relevant years

* Actual arrears during 2017-18 was 109, as one PSU namely TSMDC-SCCL Suliyari Coal Company Limited became Inactive during 2017-18, its accounts in arrears (three) was reduced from total arrears for working PSUs and considered in arrears of Inactive PSUs

Of the 47 working State PSUs (Non-Power Sector), 15 PSUs finalised 16 annual accounts during the period from 1 October 2017 to 30 September 2018 which included 3 annual accounts for the year 2017-18 and 13 annual accounts of previous years. Further, 106 annual accounts were in arrears pertaining to 43 State PSUs (Non-Power Sector), as detailed in ***Annexure 5***. 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 PSUs within the stipulated period. The arrears in accounts persists though the concerned Departments are being informed regularly (August 2018).

During 2017-18, the State Government provided budgetary support of ₹ 6,465.05 crore (Equity of ₹ 7.47 crore, Loans of ₹ 1,144.86 crore and Grants/ Subsidies of ₹ 5,312.72 crore) to 26 of the 43 working State PSUs (Non-Power Sector) which did not finalise their accounts by 30 September 2018. The PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in ***Annexure 5***.

In the absence of finalisation of accounts and their subsequent audit, 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 State Government's investment in these State PSUs (Non-Power Sector), therefore, remained outside the oversight of State Legislature.

Timeliness in preparation of accounts by Inactive PSUs

4.9.2 There were arrears in finalisation of accounts by 20 Inactive PSUs (including 19 PSUs yet to be demerged), details of which are given below:

Table 4.6: Position relating to arrears of accounts in respect of Inactive PSUs

Sl. No.	Name of non-functional companies	Last financial Year upto which Accounts finalised	Period for which accounts were in arrears
1.	A.P Small Scale Industrial Development Corporation Limited	2001-02	2002-03 to 2017-18
2.	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14M)	2014-15 to 2017-18
3.	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02	2002-03 (10-5-2002 to 31-3-2002) to 2017-18
4.	Allwyn Auto Limited	1994-95	1995-96 to 2017-18
5.	Allwyn Watches Limited	1998-99	1999-00 to 2017-18
6.	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	1993-94 to 2017-18
7.	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 M)	2014-15 to 2017-18
8.	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2003-04 to 2017-18
9.	Andhra Pradesh Steels Limited	1991-92	1993-94 to 2017-18
10.	Aptronix Communications Limited	NA	NA
11.	Golkonda Abrasives Limited	1997-98	1998-99 to 2017-18
12.	Hyderabad Chemicals and Fertilizers Limited	1984-85	1985-86 to 2017-18
13.	Krishi Engineering Limited	1984-85	1985-86 to 2017-18
14.	Marine and Communication Electronics (India) Limited	1992-93	1993-94 to 2017-18
15.	PJ Chemicals Limited	1989-90	1990-91 to 2017-18
16.	Proddutur Milk Foods Limited	1983-84	1984-85 to 2017-18
17.	Republic Forge Company Limited	1991-92	1992-93 to 2017-18
18.	Southern Transformers and Electricals Limited	1993-94	1994-95 to 2017-18
19.	TSMDC-SCCL Suliyari Coal Company Limited	First Accounts not submitted	2014-15 to 2017-18
20.	Vidyut Steels Limited	1985-86	1986-87 to 2017-18

Source: Compiled by O/o AG (Audit), Telangana

Placement of Separate Audit Reports of Statutory Corporations

4.10 Separate Audit Reports (SARs) are the audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the State Legislature as per the provisions of the respective Acts. Out of the three working Statutory Corporations, two Corporations had not submitted their accounts since inception by 30 September 2018. The Telangana State Finance Corporation had however, finalised its accounts up to 2017-18 as single entity along with Andhra Pradesh State Finance Corporation. The same is reflected in the CAG Report of Andhra Pradesh.

Impact of non-finalisation of accounts by State PSUs (Non-Power Sector)

4.11 As pointed out in paragraph 4.9, the delay in finalisation of accounts is in violation of the provisions of the relevant Statutes and entails risk of fraud and leakage of public money. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the State Government should issue necessary directions to the Administrative Departments to set targets for individual PSUs and strictly monitor the clearance of arrears. The State Government may also look into the constraints in preparing the accounts of the PSUs and consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of State PSUs (Non-Power Sector)

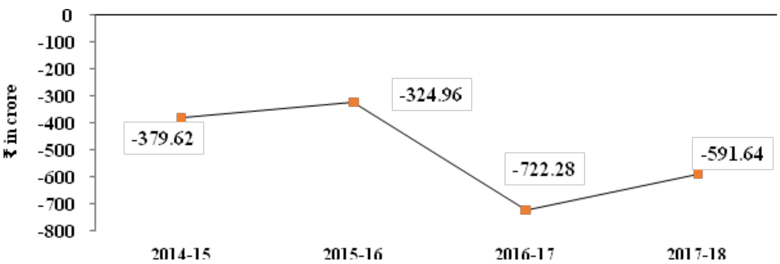
4.12 The financial position and results of the 67 PSUs as on 31 March 2018 are detailed in ***Annexure 6***.

The PSUs are expected to yield reasonable return on investment made by State Government. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. 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 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 company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

4.13 The Return on Investment (RoI) is the percentage of profit or loss to the total investment. The overall position of Profit earned/ losses incurred by the 47 working PSUs during 2014-15 to 2017-18 is depicted below in Chart 4.3:

***Chart 4.3: Profit earned/ Losses incurred by working* State PSUs (Non-Power Sector)**



Source: Based on accounts and information furnished by PSUs

During 2017-18, out of the 28 PSUs which furnished their accounts/ information, 12 PSUs earned profits and 12 PSUs incurred losses. Further, four PSUs made nil profits which included one working PSU namely, Telangana State Beverages

Corporation Limited which prepared its accounts on "no profit no loss"[140] basis. The increase in losses during 2016-17 and 2017-18 was mainly on account of losses of the Telangana State Road Transport Corporation[141].

Major profit making PSUs during the year 2017-18 were, Telangana State Forest Development Corporation Limited (₹ 94.79 crore), Telangana State Minerals Development Corporation Limited (₹ 27.08 crore), Telangana State Warehousing Corporation (₹ 17.51 crore) and Telangana State Technology Services Limited (₹ 15.14 crore) while Telangana State Road Transport Corporation incurred heavy losses (₹ 748.85 crore).

Out of the 12 profit making PSUs, four PSUs namely, Pashamylaram Textiles Park (₹ 0.13 crore), Telangana State Mineral Development Corporation Limited (₹ 27.08 crore), The Nizam Sugars Limited (₹ 0.01 crore) and Telangana State Warehousing Corporation (₹ 17.51 crore) are classified under Competitive Sector.

Out of the remaining eight PSUs, seven are in Social Sector and one PSU namely, Telangana State Technology Services Limited (TSTSL) is classified under 'Others' category. Only the TSTSL is engaged in contract supply (IT equipment & software) works majorly on nomination basis.

It is further observed that all the Social Sector PSUs are merely implementing the Government sponsored schemes wherein the margin/ profit element is subsumed as part of scheme grants/ subsidy released by the Government through budget annually. However, the profit making PSUs in Competitive Sector and Others Sector did not receive any budgetary grant/ subsidy during 2017-18.

The position of State PSUs (Non-Power Sector) which earned profit/ incurred loss during 2014-15 to 2017-18 is given below:

Table 4.7: Number of working PSUs which earned profit/ incurred loss

Financial year	Total number of State PSUs (Non-Power Sector) which furnished their accounts/ information	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which earned nil profit during the year
2014-15	16	6	9	1
2015-16	25	14	8	3
2016-17	24	9	13	2
2017-18	28	12	12	4

Source: Based on accounts and information furnished by PSUs

Return on Investment on the basis of historical cost of investment

4.14 An analysis of the earnings *vis-a-vis* investments was carried out to assess the profitability of these PSUs. Out of 47 working PSUs, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 39 PSUs[142] only. As on 31 March 2018, the State Government invested ₹ 5,512.87

[140] Any difference in expenditure over income was provided by Government.

[141] Incorporated on 01 June 2016.

[142] In addition to investment in equity and loans in 38 working PSUs, the State Government gave (2017-18) a grant of ₹ 3.00 crore to Zaheerabad NIMZ Limited which is a subsidiary of Telangana State Industrial Infrastructure Corporation Limited.

crore in 38 working PSUs comprising equity ₹ 264.31 crore and long term loans ₹ 5,248.56 crore and a grant of ₹ 3.00 crore to Zaheerabad NIMZ Limited which is a subsidiary of Telangana State Industrial Infrastructure Corporation Limited.

The Return on Investment (RoI) from the State PSUs (Non-Power Sector) has been calculated on the total investment (investment includes State, Central Governments & Others). In case of PSUs formed due to demerger, the initial investment in the equity and loans is considered at the carrying amounts as on the date of their incorporation. Further, apportionment of assets and liabilities between the successor demerged PSUs (as discussed in ***Para 1.5*** of Chapter-I) resulted in a Reorganisation/ Demerger Adjustment Reserve (surplus/ deficit) and the same is considered as investment of the State Government since it represented the difference between the balance sheet figures of assets and liabilities as on the date of bifurcation of the erstwhile State of AP. Hence, the investment in equity capital (equity net of Re-organisation/ Demerger Adjustment Reserve) of State Government in the State PSUs (Non-Power Sector) as on the date of bifurcation/ date of incorporation has been considered as the initial investment made by the State Government. In the case of loans, only interest free loans are considered as investment since the State Government does not receive any interest on such loans and are therefore, of the nature of equity investment by State Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. The funds made available in the forms of the grants/ subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

Thus, investment of State Government in these 38 working PSUs has been arrived at by considering the equity and the interest free loans and in cases where interest free loans have been repaid by the PSUs, the value of investment based on historical cost was calculated on the reduced balances of interest free loans over the period.

As on 31 March 2018, the equity of the State government in 38 working PSUs was ₹ 264.31 crore. Out of the outstanding long term loans of ₹ 5,248.56 crore, ₹ 2,215.22 crore were interest free loans based on the reduced balances of interest free loans over the period. Considering initial investment of ₹ 2,235.95 crore made by the State Government in the 38 working State PSUs (Non-Power Sector) in the form of equity of ₹ 265.82 crore (equity of ₹ 211.00 crore as on the date of bifurcation/ date of incorporation *plus* the Reorganisation/ Demerger Adjustment Reserve of ₹ 54.82 crore *minus* accumulated losses of ₹ Nil) and interest free loans of ₹ 1,970.13 crore, additional equity of ₹ 2.55 crore and interest free loans of ₹ 245.09 crore infused during the subsequent years, the investment of State Government in these 38 working PSUs on the basis of historical cost stood at ₹ 2,483.59 crore[143].The investment of Central Government and Others in the State PSUs (Non-Power Sector) was in the form equity of ₹ 26.78 crore and ₹ 2.58 crore respectively.

The sector-wise return on investment on the basis of historical cost of investment for the period 2014-15 to 2017-18 is as given in Table 4.8:

[143] ₹ 265.82 crore + ₹ 1,970.13 crore + ₹ 2.55 crore + ₹ 245.09 crore.

Table 4.8: Return on the basis of historical cost of investment

(₹ in crore)

Financial Year	Investment on historical cost basis				Total Earnings	Return on Investment (in *per cent*)
	State	Central	Others	Total		
Social Sector						
2014-15	1796.31	0	0	1796.31	-353.93	-19.70
2015-16	2051.70	1.33	0	2053.03	-383.11	-18.66
2016-17	2145.19	1.33	0	2146.52	-2.67	-0.12
2017-18	2150.72	1.33	0	2152.05	98.28	4.57
Competitive Sector						
2014-15	260.83	0	0.71	261.54	-25.69	-9.82
2015-16	261.70	0	2.58	264.28	58.11	21.99
2016-17	262.74	25.45	2.58	290.77	-729.30	-250.82
2017-18	332.77	25.45	2.58	360.80	-705.06	-195.42
Others						
2014-15	0.05	0	0	0.05	0	0
2015-16	0.15	0	0	0.15	0.04	26.67
2016-17	0.15	0	0	0.15	9.69	6460.00
2017-18	0.10	0	0	0.10	15.14	15140.00
Total						
2014-15	2057.19	0	0.71	2057.90	-379.62	-18.45
2015-16	2313.55	1.33	2.58	2317.46	-324.96	-14.02
2016-17	2408.08	26.78	2.58	2437.44	-722.28	-29.63
2017-18	2483.59	26.78	2.58	2512.95	-591.64	-23.54

Source: Based on accounts and information furnished by PSUs

The return on investment is worked out by dividing the total earnings by the cost of the investments. The overall return earned on State Government investment was negative in all the years during the period 2014-15 to 2017-18 and ranged between (-) 14.05 *per cent* and (-) 29.99 *per cent*. The negative returns were mainly due to heavy losses incurred by Hyderabad Metro Rail Limited (HMRL) in social sector (₹ -354.14 crore in 2014-15 and ₹ -382.67 crore in 2015-16) and Telangana State Road Transport Corporation (TSRTC) in competitive sector (₹ -749.02 crore in 2016-17 and ₹ -748.85 crore in 2017-18). Further, the profits earned by four PSUs[144] during this period was also off-set by the losses incurred by the HMRL and TSRTC due to which the total earnings remained negative.

The return on investment from social sector showed improving trend (-19.70 *per cent* in 2014-15 to 4.57 *per cent* in 2017-18). The returns from 'Others' sector was relatively high mainly due to lower investment in this sector and increase in turnover (₹ 16.16 crore in 2016-17 to ₹ 58.61 crore in 2017-18) of Telangana State Technology Services Limited which secured orders from Government Departments on nomination basis.

The return on State Government investment from competitive sector showed a fluctuating trend. The returns from competitive sector reduced substantially from (-) 9.85 *per cent* in 2014-15 to (-) 277.57 *per cent* in 2016-17 mainly due to the losses of TSRTC and decrease in profit of Telangana State Mineral

[144] Telangana State Industrial Infrastructure Corporation Limited, Telangana State Mineral Development Corporation Limited, Telangana State Warehousing Corporation and Telangana Technology Services Limited.

Development Corporation Limited and Telangana State Warehousing Corporation. This Sector recorded improved returns during 2017-18 (-211.88 *per cent*) which can be mainly attributed to the increase in investment in TSRTC by way of interest free loans (₹ 70.00 crore) and increased profits of Telangana State Minerals Development Corporation Limited (₹ 27.08 crore) and Telangana State Warehousing Corporation (₹ 17.51 crore).

Erosion of Net worth

4.15 Net worth means the sum of the paid-up capital *plus* free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment[145] and accumulated losses of these 47 working State PSUs (Non-Power Sector)[146] as on 31 March 2018 was ₹ 242.00 crore and ₹ 3,771.25 crore respectively resulting in negative net worth of ₹ 3,529.80 crore after deducting deferred revenue expenditure of ₹ 0.55 crore as detailed in ***Annexure 6***. Analysis of investment and accumulated losses disclosed that net worth was fully eroded in 11 out of these 47 working PSUs. The net worth of these 11 PSUs was ₹ (-) 4,248.26 crore as their capital investment and accumulated losses were ₹ 120.37 crore and ₹ 4,368.63 crore respectively. Of these 11 PSUs, the maximum net worth erosion was in Telangana State Road Transport Corporation (₹ 3,953.26 crore), The Nizam Sugars Limited (₹ 213.19 crore), Telangana State Irrigation Development Corporation Limited (₹ 24.47 crore), Telangana State Leather Industries Promotion Corporation Limited (₹ 38.35 crore) and Telangana State Minorities Finance Corporation (₹ 14.46 crore). Of these 11 PSUs where net worth had been fully eroded, two[147] PSUs earned profit during the year 2017-18 although there were substantial accumulated losses.

The following table indicates total paid up capital, total accumulated profit/ loss, and total net worth of the 38 working PSUs where the State Government has made direct investment.

Table 4.9: Net worth of 38 PSUs during 2014-15 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
Social Sector				
2014-15	30.75	-1182.20	0.00	-1151.45
2015-16	20.62	-1499.84	0.01	-1479.23
2016-17	115.44	120.00	0.00	235.44
2017-18	119.95	192.35	0.00	312.30

145 Includes paid-up capital of Central Government, State Government and Other Parties.

146 Including 38 working PSUs where the State Government had invested funds in the form of equity and interest free loans.

147 The Nizam Sugars Limited and Telangana State Minorities Finance Corporation.

Year	Paid up Capital at end of the year	Accumulated Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
Competitive Sector				
2014-15	41.93	-3.08	0.00	38.85
2015-16	44.71	226.35	0.00	271.06
2016-17	121.74	-3273.34	0.00	-3151.60
2017-18	121.74	-3982.62	0.55	-3861.43
Others				
2014-15	0.05	0.00	0.00	0.05
2015-16	0.15	0.04	0.00	0.19
2016-17	0.15	9.73	0.00	9.88
2017-18	0.10	23.06	0.00	23.16
Total				
2014-15	72.73	-1185.28	0.00	-1112.55
2015-16	65.48	-1273.45	0.01	-1207.98
2016-17	237.33	-3143.61	0.00	-2906.28
2017-18	241.79	-3767.21	0.55	-3525.97

Source: Based on accounts and information furnished by PSUs

It can be seen that the net worth of the 38 working PSUs where State Government had infused funds deteriorated from ₹ -1,112.55 crore in 2014-15 to ₹ -3,525.97 crore in 2017-18. Out of 38 working PSUs during 2017-18, net worth of 8[148] PSUs was fully eroded.

Dividend Payout

4.16 As per the guidelines issued by the Public Enterprises Department of the State Government, a PSU shall declare or pay dividend for any financial year out of the profits for that year arrived at after providing for depreciation in accordance with the Companies Act. A minimum rate of dividend on the paid up share capital or the profit for the year was, however, not prescribed.

During the period 2014-15 to 2017-18, the number of PSUs which earned profits ranged between four and 12 of which only one PSU namely, Telangana State Warehousing Corporation declared/ paid dividend since inception of the Telangana State till 2017-18. It was observed that the Dividend Payout Ratio reduced from 5.35 *per cent* in 2015-16 to 1.45 *per cent* in 2017-18 as the equity infused by the State Government increased substantially during 2016-18.

Dividend Payout Ratio relating to 38 PSUs where equity was infused by the State Government during the period from 2014-15 to 2017-18 is shown in Table 4.10:

[148] Telangana Fiber Grid Corporation Limited, Telangana Overseas Manpower Company Limited, Telangana State Irrigation Development Corporation Limited, Telangana State Leather Industries Promotion Corporation Limited, Telangana State Minorities Finance Corporation, Telangana Water Resources Development Corporation Limited, The Nizam Sugars Limited and Telangana State Road Transport Corporation.

Table 4.10: Dividend Payout of 38 PSUs

(₹ in crore)

Year	PSUs where equity is infused by State Government		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio	
	No. of PSUs	Total Equity	No. of PSUs	Total Equity	No. of PSUs	Amount of Dividend	As % of Total Equity	As % of Equity of Profit Making PSUs
1	2	3	4	5	6	7	8 (7/3*100)	9 (7/5*100)
2014-15	11	72.73	4	12.98	0	0	0	0
2015-16	20	65.48	12	63.99	1	3.50	5.35	5.47
2016-17	21	237.33	9	42.79	1	2.00	0.84	4.67
2017-18	23	241.79	12	169.28	1	3.50	1.45	2.07

Source: Based on accounts and information furnished by PSUs

Return on Equity

4.17 Return on Equity is a measure of financial performance to assess how effectively management is using shareholders' fund to create profit 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 company if net income and shareholders' fund are both positive numbers.

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

In respect of 38 working PSUs of Telangana, where funds had been infused by the State Government, both the Shareholders' fund and the Net Income were negative during all the four years period ended 2017-18 as given in the table below:

Table 4.11: Return on Equity relating to 38 working PSUs

(₹ in crore)

Year	Shareholders' Fund	Net Income/Total Earnings for the year	RoE (%)
2014-15	-1112.55	-379.62	-
2015-16	-1207.98	-324.96	-
2016-17	-2906.28	-722.28	-
2017-18	-3525.97	-591.64	-

Source: Based on accounts and information furnished by PSUs

As can be seen from above table both the Shareholders' fund and the Net Income were negative during all the four years period ended 2017-18. Since the Shareholders' Fund and the Net income during 2014-15 to 2017-18 was negative, the Return on Equity could not be worked out.

Return on Capital Employed

4.18 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 taxes (EBIT) by the capital employed[149]. The details of total RoCE of all the 47 working PSUs during the period from 2014-15 to 2017-18 is given in table below:

[149] Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure.

Table 4.12: RoCE of 47 working PSUs

(₹ in crore)

Year	EBIT	Capital Employed	RoCE (%)
2014-15	-329.60	723.02	-45.59
2015-16	-279.63	2890.35	-9.67
2016-17	317.55	11713.11	2.71
2017-18	436.14	12940.86	3.37

Source: Based on accounts and information furnished by PSUs

The RoCE of the PSUs showed improving trend and ranged between (-) 45.59 *per cent* and 3.37 *per cent* during the period 2014-15 to 2017-18. The RoCE increased substantially during the years 2016-18 in comparison to 2015-16 due to positive EBIT of Telangana State Civil Supplies Corporation Limited during 2016-17 and increase in EBIT of Telangana Forest Development Corporation Limited and Telangana State Horticulture Development Corporation Limited during 2017-18.

Analysis of Long Term Loans of the PSUs

4.19 Analysis of the Long Term Loans of the 47 working PSUs during 2014-15 to 2017-18 was carried out to assess the ability of these PSUs to serve the debt owed by them to the Government, banks and other financial institutions. This was assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

4.20 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 taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of nine working PSUs which had interest burden during the period from 2014-15 to 2017-18 are given in table below:

Table 4.13: ICR of PSUs

(₹ in crore)

Year	EBIT	Interest	ICR	Total Number of PSUs*	Number of PSUs having ICR more than 1	Number of PSUs having ICR less than 1
2014-15	3.32	6.54	0.5 : 1	2	1	1[150]
2015-16	39.64	10.47	4 : 1	7	5	2[151]
2016-17	285.23	1015.24	0.3 : 1	9	3	6[152]
2017-18	410.30	991.01	0.4 : 1	9	6	3[153]

Source: Based on accounts and information furnished by PSUs
** Only those PSUs which had liability for loans interest expenditure are considered*

[150] The Nizam Sugars Limited.
[151] Telangana State Agro Industries Development Corporation Limited and Telangana State Leather Industries Promotion Corporation Limited.
[152] Telangana State Horticulture Development Corporation Limited, Telangana State Irrigation Development Corporation Limited, Telangana State Leather Industries Promotion Corporation Limited, The Nizam Sugars Limited, Telangana Overseas Manpower Company Limited and Telangana State Road Transport Corporation.
[153] Telangana State Leather Industries Promotion Corporation Limited, Telangana Overseas Manpower Company Limited and Telangana State Road Transport Corporation.

Of the nine PSUs having liability of loans from Government as well as banks and other financial institutions during 2017-18, six PSUs had interest coverage ratio of more than one whereas remaining three PSUs had interest coverage ratio below one which indicates that these three PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

During the year 2017-18 out of nine State PSUs (Non-Power Sector), four PSUs accounted interest expenditure on State Government Loans amounting to ₹ 6.12 crore. However, only Telangana State Road Transport Corporation actually paid ₹ 1.38 crore (out of ₹ 4.00 crore) to State Government. Outstanding interest payable to State Government by these four PSUs amounted to ₹ 140.51 crore as on 31 March 2018.

Debt Turnover Ratio

4.21 During the last four years ended March 2018, the debt-turnover ratio of 47 working PSUs ranged between 1:1 and 10:1 during this period. Further, the turnover of the PSUs recorded compounded annual growth of 348.96 *per cent* and compounded annual growth of debt was 107.53 *per cent* due to which the debt turnover ratio improved from 10:1 in 2014-15 to 1:1 in 2017-18 as given in table below:

Table 4.14: DTR of PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18
Debt from Government/ Banks and Financial Institutions	1842.89	4105.85	14623.00	16471.00
Turnover	186.17	1111.64	12116.79	16847.81
Debt-Turnover Ratio	10 : 1	4 : 1	1 : 1	1 : 1

Source: Based on accounts and information furnished by PSUs

Winding up of Inactive State PSUs (Non-Power Sector)

4.22 As on 31 March 2018, there were 20 Inactive PSUs of which 19 PSUs were under demerger. The total investment in these 20 Inactive PSUs was ₹ 234.87 crore, out of which the State Government invested ₹ 229.95 crore in 18 PSUs. The number of Inactive PSUs and their stage of closure at the end of each year during last four years ended 31 March 2018 are given below:

Table 4.15: Inactive PSUs

Particulars	2014-15	2015-16	2016-17	2017-18
Number of Inactive companies	22	22	22	20[154]
Liquidation by Court (liquidator appointed)	10	10	10	8
Voluntary winding up	0	0	0	1

Source: Compiled from the information included in Audit Report (PSU), Government of Telangana of respective years and the information as furnished by Official Liquidator

Out of the 20 Inactive PSUs, eight PSUs were reported to be in the process of liquidation since decades. The official liquidator was appointed in respect of these companies' way back ranging from four years to 30 years. One PSU namely, TSMDC-SCCL Suliyari Coal Company Limited was reported to be under voluntary winding up. The process of voluntary winding up under the

[154] During 2017-18, three non-working PSUs viz., Andhra Pradesh Tourism Finance Limited, Andhra Pradesh Scooters Limited and Suganthy Alloy Castings Limited were reported to be dissolved.

Companies Act is much faster and needs to be adopted/ pursued vigorously. As these PSUs have been Inactive for a period ranging from the last four years to 30 years, the Government may take appropriate action in regard to these PSUs.

Comments on Accounts of State PSUs (Non-Power Sector)

4.23 Fifteen working companies forwarded 16 audited accounts to the O/o AG (Audit), Telangana during the period from 1 October 2017 to 30 September 2018. Of these, 10 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 as follows:

Table 4.16: Impact of audit comments on Working Companies

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	0	0	2	0.33	1	0.51
2.	Increase in profit	0	0	0	0	1	0.52
3.	Increase in loss	0	0	2	8.26	3	43.22
4.	Decrease in loss	0	0	0	0	3	24.18
5.	Non-disclosure of material facts	0	0	2	0	4	71.48
6.	Errors of classification	0	0	0	0	5	242.82

Source: Compiled from comments of the Statutory Auditors/ CAG

During the year 2017-18, the Statutory Auditors issued eight unqualified, six qualified and two adverse certificates on 16 accounts.

4.24 All the three working Statutory Corporations have not furnished their separate annual accounts for audit since their inception. The Telangana State Finance Corporation had however, finalised its accounts up to 2017-18 as single entity along with Andhra Pradesh State Finance Corporation.

Performance Audit and Compliance Audit Paragraphs

4.25 For Part-II of the Report of the CAG for the year ended 31 March 2018, two compliance audit paragraphs were issued to the Secretary of the concerned Administrative Department, Government of Telangana with request to furnish replies within two weeks. Replies for two compliance audit paragraphs have been received from the State Government and taken into account while finalising this report. The total financial impact of these compliance audit paragraphs is ₹ 37.88 crore.

Follow up action on Audit Reports

4.26 The Report of the CAG 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, erstwhile Government of Andhra Pradesh, had issued (June 2004) instructions to all Administrative Departments to submit replies/ explanatory notes to paragraphs/ reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation in the Legislature, in the prescribed format, without waiting for any questionnaires from the CoPU.

As on 30 September 2018, out of 300 PAs/ Paragraphs relating to TS PSUs, Explanatory Notes to 75 PAs/ Paragraphs which were commented upon were awaited as detailed in the table below*:*

Table 4.17: Explanatory Notes not received

Year of the Audit Report	Date of Placement of Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which ENs were not received			
				Exclusive to State		Common (TS & AP)	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14		**39**	**251**	**0**	**2**	**13**	**50**
2014-15	**30.03.2016**	0	2	0	2	0	0
2015-16	**27.03.2017**	0	3	0	3	0	0
2016-17	**29.03.2018**	0	5	0	5	0	0
Total		**39**	**261**	**0**	**12**	**13**	**50**

Source: As compiled by O/o AG (Audit) Telangana

The Administrative Departments and Managements concerned were addressed (March 2019) regarding non-receipt of Explanatory notes and Action Taken Notes to the Reviews and Paragraphs of previous Audit Reports.

Discussion of Audit Reports by Committee on Public Undertakings

4.27 The status of PAs and Paragraphs relating to PSUs that appeared in Audit Reports (PSUs) as on 30 September 2018 and discussed by the Committee on Public Undertakings (CoPU) was as under:

Table 4.18: PAs/ Paragraphs that appeared in Audit Reports vis-à-vis discussed

Year of the Audit Report (Commercial/ PSU)	Number of PAs / Paragraphs			
	Appeared in Audit Report		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
Upto 2013-14	**39**	**251**	**13**	**137**
2014-15	0	2	0	0
2015-16	0	3	0	0
2016-17	0	5	0	0
Total	**39**	**261**	**13**	**137**

Source: As compiled by O/o AG (Audit) Telangana

Out of 39 PAs and 261 Paragraphs relating to PSUs, 13 PAs and 137 Paragraphs were discussed by CoPU. The issue of inadequacy of CoPU meetings to discuss the pending PAs/ Paragraphs and the modalities to reduce the pendency were discussed (July 2018) with CoPU. Response to the letters addressed (May 2018 and August 2018) to CoPU in this regard was awaited.

During 2014-18, seven meetings of the CoPU were conducted to discuss the Reports. The last meeting was held on 24 July 2018.

Compliance to Reports of CoPU

4.28 Action Taken Notes (ATNs) on 443 recommendations pertaining to 39 Reports of the CoPU presented in the State Legislature had not been received (September 2018) as detailed in the Table 4.19:

Table 4.19: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total No. of recommendations in CoPU Report	ATNs not received	
			Exclusive to State	Common (TS & AP)
Upto 1998-99	**20**	**568**	**0**	**378**
2000-01	10	93	0	52
2002-03	1	24	0	0
2004-05	5	37	0	7
2006-07	3	12	0	6
Total	**39**	**734**	**0**	**443**

Source: As compiled by O/o AG (Audit) Telangana
Note 1: The above information pertains to erstwhile composite State of Andhra Pradesh
Note 2: After 2006-07 no Report was issued by the CoPU

It is recommended that the Government may ensure: (a) submission of replies to Explanatory Notes/ Paragraphs/PAs and ATNs on the recommendations of CoPU, as per the prescribed time schedule; (b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and (c) revamping of the system of responding to audit observations.

CHAPTER - V

COMPLIANCE AUDIT

STATE PSUs (NON-POWER SECTOR)

Chapter V

V. Compliance Audit - State PSUs (Non-Power Sector)

Telangana State Civil Supplies Corporation Limited

5.1 Short recovery of ₹ 34.08 crore towards paddy transportation

The Company recovered only ₹ 2.50 per Quintal instead of ₹ 3.00 per Quintal (₹ 6.00 per Quintal from 2014-15 onwards) towards the cost of paddy transported upto 8 KM. This had resulted in short recovery and undue benefit to rice millers to the tune of ₹ 34.08 crore.

The Government of India (GoI) notified[155] the principles for fixation of procurement incidentals/ economic cost of food grains (principles). According to these principles, the transportation charges (TC) payable to a miller for transportation of paddy and rice up to 8 Kilo Meters (KM) was subsumed in the milling charges[156] (MC). If any State Government, however, wished to bear (and subsequently claim from GoI) the TC on paddy and rice for distances up to 8 KM separately, then the MC shall stand reduced by ₹ 5.00 per Quintal (Qtl).Further, the principles had fixed the out-turn ratio[157] at 67 *per cent* for raw rice and at 68 *per cent* for parboiled rice.

The Company being the designated State agency, procured paddy from farmers and transported the paddy up to (entire distance) the rice millers' (millers') premises through the paddy transport contractors appointed by it. The Company paid the paddy TC (for entire distance) to the paddy transport contractors. After milling of paddy into rice, the millers transported the rice (at their own cost) upto (entire distance) the Company's storage points. For milling of paddy into rice, the Company paid MC to the millers. The Company also paid to the millers the TC for rice, at prescribed rates, but for distances in excess of 8 KMs because the TC for rice for distances upto 8 KM were already included in the MC as per the principles. However, since the MC also included paddy TC for distance upto 8 KM and the Company had borne the entire paddy TC, it recovered ₹ 2.50 per Qtl.[158] from the MC paid to millers.

It was observed that the rate of deduction of ₹ 5.00 per Qtl. was a composite rate applicable for transportation of both paddy and rice up to a distance of 8 KMs. Further, as the principles had fixed the out-turn ratio at 67 *per cent* for raw rice and at 68 *per cent* for parboiled rice, the rate of deduction for paddy and rice separately should be worked out in the ratio of 100 (for paddy) : 67.50 (for rice)[159]. Hence, the amount deductible towards transportation of paddy and

---

155 Notified in July 2003 and amended from time to time by the Ministry of Food, Consumer Affairs and Public Distribution, Government of India.

156 Milling Charges are payable to rice millers for conversion (custom milling) of paddy into rice @ ₹ 15.00 per Quintal for raw rice and @ ₹ 25.00 per Quintal for parboiled rice.

157 Out-turn ratio is the ratio of quantity of rice obtained from milling of a given quantity of paddy.

158 Half of the TC included in the MC by taking paddy as one of the two commodities (paddy & rice) transported.

159 67 / 100 + 68 / 100 = 135/ 200 = 67.50*per cent.*

rice separately works out to ₹ 3.00 per Qtl. and ₹ 2.00 per Qtl. respectively[160]. Thus, for transportation of paddy upto 8 KMs, the Company should have deducted ₹ 3.00 per Qtl. instead of ₹ 2.50 per Qtl.

Audit observed that during 2010-11 to 2016-17, the Company transported a total of 138.38 lakh MTs of paddy. The Company recovered an amount of ₹ 28.85 crore[161] @ ₹ 2.50 per Qtl. instead of recovering ₹ 34.62 crore @ ₹ 3.00 per Qtl. This resulted in short recovery of ₹ 5.77 crore[162]. Additional recovery of ₹ 6.89 crore[163] was due on the balance quantity of 22.97 lakh MTs of paddy transported.

Further, the GoTS enhanced the MC from ₹ 15.00 per Qtl. to ₹ 30.00 per Qtl.[164] for raw rice and from ₹ 25.00 per Qtl. to ₹ 50.00 per Qtl. for par-boiled rice[165]. As the State Governments were required to base their proposals on the above principles, the Company should have recovered an extra ₹ 3.00 per Qtl. (i.e., a total of ₹ 6.00 per Qtl.) towards the TC on paddy. In view of enhancement of the MC by the GoTS, additional ₹ 3.00 per Qtl. to the extent of ₹ 21.42 crore[166] was to be recovered. Thus, recovery of cost of paddy transportation at lower rate resulted in undue benefit to millers by ₹ 34.08 crore[167],which needs to be recovered.

The Company accepted (July 2018) the audit observation. It further stated that details of recoveries made would be intimated later.

The GoTS also ordered (May 2019) for recovery of ₹ 3.00 per Qtl instead of ₹ 2.50 per Qtl for the period from KMS 2010-11 to KMS 2016-17. The State Government however, has not agreed to effect recovery of extra ₹ 3.00 per Qtl. stating that the MC were enhanced to ease out the rice milling industry from increased costs and to motivate the millers to quickly deliver the custom milled rice.

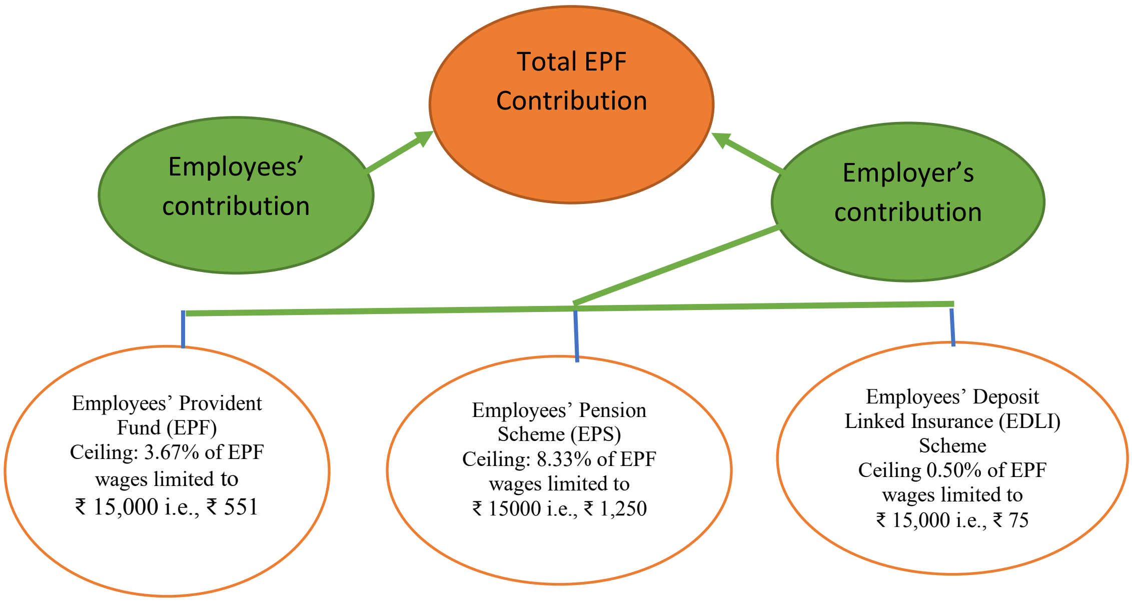
The issue of "Non-revision of milling charges considering the deductible value of by-products resulting in undue benefits to the Millers" was already raised in the CAG Report on Procurement and Milling of Paddy for Central Pool (Para No.5.1.1 of Report No.31 of 2015). Also, in view of the audit objection of undue favour to rice millers due to enhancement of MC raised by the Principal Accountant General (Audit), Telangana, the GoTS itself decided (July 2019) to stop payment of MC enhanced by it as stated above. Therefore, the extra ₹ 3.00 per Qtl. also needs to be recovered along with the recovery of additional ₹ 0.50 per Qtl. as per the instructions of the State Government. The Company however, was yet to furnish the details of recoveries effected.

160 ₹ 5.00 X 100 / (100 + 67.50) for paddy and ₹ 5.00 X 67.50 / (100 + 67.50) for rice.
161 On 115.41 lakh MTs of paddy (out of 138.38 lakh MTs of paddy).
162 ₹ 0.50 X 10 (for conversion of QTL to MTs) X 115.41 lakh MTs.
163 (138.38 Lakh MTs – 115.51 Lakh MTs) X ₹ 3.00 X 10 (for conversion of QTL to MTs).
164 In December 2014 (with effect from Kharif Marketing Season - KMS 2014-15).
165 In December 2015 (with effect from Kharif Marketing Season -KMS 2015-16).
166 71.40 Lakh MTs X ₹ 3.00 X 10 (for conversion of QTL to MTs).
167 ₹ 5.77 crore + ₹ 6.89 crore + ₹ 21.42 crore.

5.2 *Excess contribution of Employer's share of Employees' Provident Fund*

The Company's failure to restrict its share of contribution towards Employees' Provident Fund to the statutory limit resulted in avoidable excess contribution of ₹ 3.80 crore.

The monthly contributions made[168] to the Employees' Provident Fund (EPF) by the Company according to the provisions of the EPF Act[169]were as represented below:



Audit observed that the Company, as an employer, did not restrict its share of contribution to EPF at 3.67 *per cent* of wage ceiling of ₹ 15,000.00 per month. Instead, the Company calculated its contribution at 12 *per cent* of the total EPF wages[170] as under:

$$\text{Employer's share of EPF contribution} = \left(\text{12 \textit{per cent} of total EPF wages}\right) - \left(\text{EPS contribution limited to wage ceiling}\right)$$

This resulted in excess EPF contribution by the Company amounting to ₹ 3.80 crore for the period from June 2014 to March 2017 as detailed in ***Annexure*** *7.*

The Company replied (July 2018) that as per the Trust Rules[171] the Company was required to contribute its share of EPF contribution on 12 *per cent* of the EPF wages. The Trust Rules were framed to provide greater benefits to its members.

Further, the Government in its reply (October 2018) stated that the Company's EPF contribution, which was met totally from the public funds, was in consonance with the provisions of Section 6 and Section 17 of the EPF Act

[168] With effect from 01-09-2014.
[169] Sections 6 (EPF), 6A (EPS) and 6C (EDLI) of Employees' Provident Fund and Miscellaneous Provisions Act, 1952.
[170] EPF wages comprise of basic wages, dearness allowance (including the cash value of any food concession) and retaining allowance, if any actually drawn during the month by the employee.
[171] The Company was exempted under Section 17 of the EPF Act and so it established (1976) the Andhra Pradesh State Civil Supplies Corporation Limited EPF Trust to contribute EPF portion of the total EPF contributions.

which did not prescribe any ceiling amount but only provided that employer's contribution shall be 12 *per cent* of the EPF wages.

The replies of the Company and the Government were not acceptable because (i) the wage ceiling of ₹ 15,000.00 for calculating employer's contribution under the EPF scheme was prescribed vide a separate gazette notification[172] issued under the EPF Act, (ii) the Trust Rules cannot supersede the provisions of the EPF Act, (iii) the condition of higher benefits related only to the interest earned on the Trust funds as compared to the interest declared by the EPFO, (iv) the employer's EPF contribution cannot be considered as a benefit since the expenditure of the Company was met out of public funds and (iv) as per the general principles of financial propriety[173], expenditure from public moneys should not be incurred for the benefit of a particular section of the people (employees of the Company).

Thus, the Company's failure to restrict its share of EPF contribution to the statutory wage ceiling limit in accordance with the provisions of the EPF Act resulted in avoidable excess contribution of ₹ 3.80 crore.

[172] The wage ceiling limit for calculating the employer's shares of EPF contribution under the EPF Scheme was increased from ₹ 6,500.00 to ₹ 15,000.00 per month vide Gazette Notification G.S.R. No. 608 (E) dated 22.08.2014 issued in exercise of the powers conferred by Section 5 read with Sub-section (1) of Section 7 of the EPF Act, 1952.

[173] Rule 21 – Standards of Financial Propriety, General Financial Rules, 2005 as amended upto 2017.

Section - B

Departments and Entities (other than PSUs) under Economic Sector

Chapter I

Overview of Economic Sector

Chapter I

Overview of Economic Sector

1.1 Introduction

This Report covers matters arising out of audit of Departments and Autonomous Bodies under the Economic Sector of Government of Telangana.

For the purpose of administration in Telangana, there are 32 Departments at the Secretariat level headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries who are assisted by Directors/ Commissioners/ Chief Engineers and subordinate officers under them. This report covers the functioning of 11 Departments of the Economic Sector viz. Agriculture & Co-operation, Rain Shadow Areas Development, Animal Husbandry & Fisheries, Energy, Environment, Forests, Science & Technology, Industries & Commerce, Information Technology, Electronics & Communications, Irrigation &Command Area Development, Public Enterprises, Roads & Buildings and Infrastructure & Investment.

1.2 Trend of Expenditure

During the year 2017-18, Economic Sector accounted for 20[174]*per cent* (₹ 29,758.51 crore) of the total expenditure (₹ 1,49,127.91 crore) of the Government of Telangana. Of the total expenditure of ₹ 29,758.51 crore incurred by 11 Departments during 2017-18, a major portion (94 *per cent*) was incurred by four top spending Departments. These were Irrigation & Command Area Development (44 *per cent*), Energy (21 *per cent*); Agriculture (17 *per cent*) and Roads & Buildings (12 *per cent).*

The trend of expenditure incurred by 11 Departments under Economic Sector during the period 2015-16 to 2017-18 is given in **Table 1.1**.

Table 1.1: Trend of expenditure over last three years

(₹ in crore)

Sl. No.	Name of the Department	2015-16	2016-17	2017-18	
					% age of Total Expenditure
1	Agriculture & Co-operation	5668.08	5775.06	4969.48	16.70
2	Rain Shadow Areas Development[175]				
3	Animal Husbandry & Fisheries	543.00	664.91	522.71	1.76
4	Energy	5195.32	15258.32	6411.14	21.54
5	Environment, Forests, Science and Technology	364.71	430.06	485.81	1.63
6	Industries & Commerce	777.56	377.56	733.25	2.46
7	Information Technology, Electronics & Communications	87.33	158.19	129.44	0.44
8	Irrigation and Command Area Development	10978.72	15723.72	13005.31	43.70
9	Public Enterprises	0.80	1.12	1.39	0.01

[174] Source: Appropriation Accounts of Government of Telangana.
[175] Expenditure of this Department is covered under Grant No. XXVII – Agriculture.

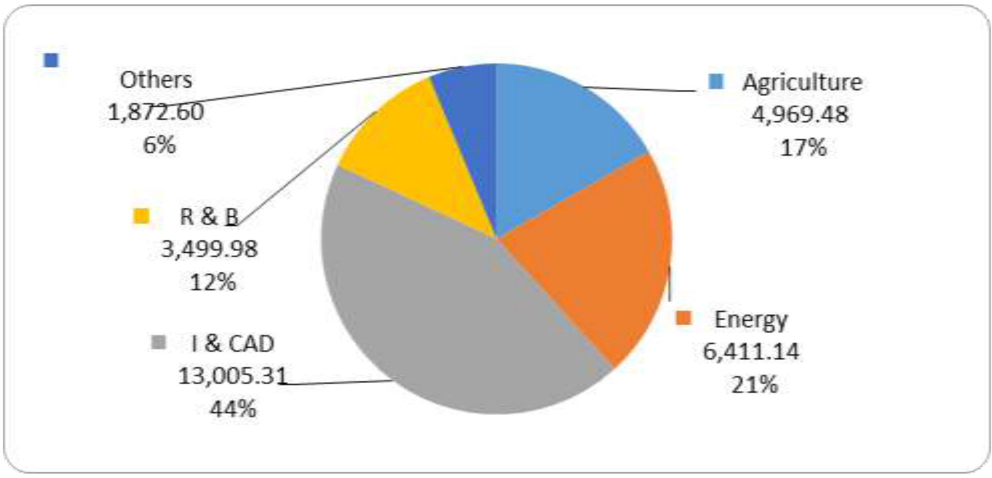
10	Roads and Buildings	2917.20	4463.44	3499.98	11.76
11	Infrastructure & Investment[176]				
Total		**26532.72**	**42852.38**	**29758.51**	

Source: Appropriation Accounts of Government of Telangana for the relevant years

Expenditure by Departments in Economic Sector

The sectoral distribution of expenditure in Economic Sector during 2017-18 is shown in the **Chart 1.1.**

Chart 1.1: Sectoral allocation under Economic Sector



Source: Appropriation Accounts of Government of Telangana

Analysis of outlays in Economic Sector showed the following trends:

- The outlay of the Government in Economic Sector decreased in 2017-18 by 31 *per cent* over previous year (2016-17). The decrease was mainly in respect of Departments of Energy (58 *per cent*) and Irrigation and Command Area Development (I & CAD) (17 *per cent*).
- With regard to Energy sector, there was a spike in 2016-17 due to government investments of ₹ 10,497.62 crore in Power Distribution companies under the UDAY scheme[177]. In 2017-18, the investment returned to normal pattern.
- Similarly, there was a significant increase in investment in irrigation sector in 2016-17 with the inception of Kaleshwaram project on which ₹ 5,072.39 crore was spent. Subsequent to the formation of "Kaleshwaram Irrigation Project Corporation Limited (KIPCL)", a Special Purpose Vehicle created for the purpose, the project was funded mainly through market borrowings of ₹ 10,967.60 crore (2017-18) raised by the SPV. As a result, the outlay in Irrigation Sector registered a decline of 17.29 *per cent* in 2017-18.

[176] Expenditure of Infrastructure & Investment is covered under Grant No. XI – Roads, Buildings and Ports.

[177] Government of India launched (November 2015) Ujwal DISCOM Assurance Yojana (UDAY) scheme under which the State Government was to take over 75 *per cent* of outstanding debt of the DISCOMs and transfer this sum to the DISCOMs in the form of grant (50 *per* cent), loan (25 *per cent*) and equity (25 *per cent*).

Other sectors like Agriculture & Co-operation, Animal Husbandry & Fisheries and Roads and Buildings Departments registered a decrease in expenditure compared to that of 2016-17.

1.3 Authority for Audit

Comptroller and Auditor General of India (CAG) derives authority for audit from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act). CAG audits Economic Sector departments of the Government as per the following:

- ***Audit of expenditure***, as per section 13[178] of the DPC Act;
- ***Financial audit*** of four autonomous bodies (ABs)[179] under Economic Sector, as per sections 19(2)[180], 19(3)[181]and 20(1)[182] of the DPC Act; and
- ***Audit of other ABs,*** which are substantially funded by the Government, as per section 14[183] of the DPC Act.

Regulations on Audit and Accounts - 2007 and Auditing Standards of the CAG, lay down the principles and methodologies for audits.

1.4 About this Report

The primary purpose of Audit Reports is to bring important results of audit to the notice of the State Legislature. The audit findings are expected to enable the executive to take corrective action in cases of lapses/ deficiencies. They also help to frame policies and directives for improved management and better governance.

This Report on Economic Sector relates to matters arising from Compliance Audit[184] of selected programmes and activities of the Departments coming under Economic Sector.

---

[178] Departments delivering economic services, which include (i) General Economic Services; (ii) Agriculture and allied services; (iii) Industry and Minerals; (iv) Water and Power Development; and (v) Transport and Communications.

[179] (i) Telangana State Electricity Regulatory Commission (TSERC) under Section 19(2), (ii) Telangana Khadi and Village Industries Board (TKVIB) under Section 19(3), (iii) Environment Protection Training and Research Institute (EPTRI) under Section 20(1) and (iv) Telangana State Compensatory Afforestation Fund Management and Planning Authority (TSCAMPA) under Section 20(1) of DPC Act.

[180] Audit of the accounts of Corporations (not being Companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations.

[181] Audit of accounts of Corporations (not being companies) established by or under law made by State Legislature in accordance with the provisions of respective legislations.

[182] Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government.

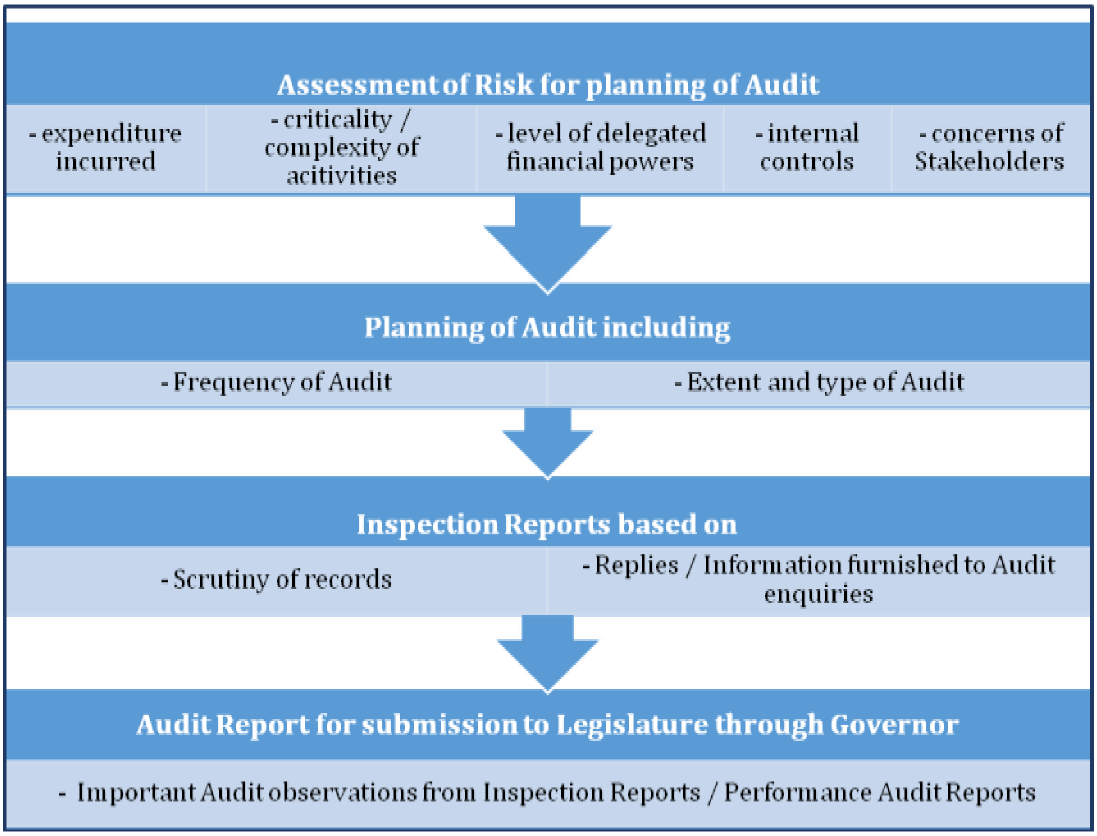
[183] Audit of all receipts and expenditure of (i) any Body or Authority substantially financed by grants or loans from the Consolidated Fund and (ii) any Body or Authority where the grants or loans to such body or authority from the Consolidated Fund in a financial year is not less than ₹ one crore.

[184] Compliance Audit covers examination of transactions relating to expenditure of audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with.

1.5 Planning and conduct of audit

The following flow chart depicts planning and conduct of audit:

Chart 1.2: Planning and conduct of audit



Audit conducted inspection of various Departments/ Organisations under the Economic Sector in 2017-18 and issued 117 Inspection Reports with 1,046 paragraphs.

1.6 Response to Audit

1.6.1 Response to past Inspection Reports

The following process is adopted in respect of Inspection Reports.

- Accountant General (AG) issues Inspection Reports (IRs) to the heads of offices inspected with a copy to the next higher authority.
- Heads of offices and next higher authorities are required to rectify the defects and omissions mentioned in IRs and report compliance to AG.
- Half yearly reports of pending IRs are sent to Secretaries of Departments concerned to monitor outstanding audit observations.

As of 30 September 2018, there were 1,972 IRs issued up to March 2018 consisting of 7,740 paragraphs remained to be settled yet (Department wise break up is given in ***Annexure 8***). Of these, Audit did not receive even first replies in respect of 865 paragraphs in 96 IRs (year-wise break up is given in ***Annexure 9***).

Important audit observations arising out of these Inspection Reports are processed further for inclusion in Audit Reports, which are submitted to the

Governor of the State under Article 151 of the Constitution of India for laying before the State Legislature.

1.6.2 Response to present Compliance Audit Reports

Audit forwarded draft paragraphs to the Principal Secretary concerned during August to November 2018. Replies of the Government have been suitably incorporated in the Report.

1.6.3 Response to recommendations of the Public Accounts Committee

Finance and Planning Department had issued (May 1995) instructions to all Departments for submission of Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) relating to paragraphs included in the Audit Reports. The Departments were to submit ATNs within six months. All Departments have furnished ATNs as of 30 September 2018, except Irrigation and Command Area Development Department in respect of two[185] recommendations.

[185] (i) Para 24.4 and 24.5 in 13th report of X Legislative Assembly and (ii) Para 3.4 in 8th report of XII Legislative Assembly.

CHAPTER –II

COMPLIANCE AUDIT – ECONOMIC SECTOR

Chapter II

Compliance Audit – Economic Sector

Irrigation and Command Area Development Department

2.1 Avoidable expenditure due to re-tendering of work

Lack of technical competence of Department in managing EPC contract led to delay in commencement of work and avoidable expenditure of ₹ 76.86 crore.

Under Engineering, Procurement and Construction (EPC) agreements, changes in basic parameters of projects can be made only with prior approval of Government[186]. The contractor carries the entire risk of the project for schedule and budget, in return for a fixed price.

Administrative approval for the Dindi Balancing Reservoir (DBR), a component of Srisailam Left Bank Canal[187] (SLBC), was accorded for ₹ 2,813.00 crore in August 2005. Technical sanction for DBR was accorded (April 2008) for ₹ 211.00 crore (7.5 *per cent* of ₹ 2,813.00 crore). The work was awarded (February 2009) to a contractor for ₹ 157.74 crore, stipulated for completion in 36 months (February 2012). The basic parameters of the agreement stipulated construction of spillway with radial gates for Maximum Flood Discharge (MFD) of 8,580 cumecs i.e., the spillway could withstand a flood with a maximum discharge of 8,580 cumecs.

During scrutiny (March 2017) of records pertaining to the said work in the Project SLBC Circle, Gandhamvarigudem, Nalgonda, the following observations were made:

The contractor submitted (March 2009) designs and drawings to the Department in accordance with the basic parameters i.e., MFD of 8,580 cumecs. In the course of approval of designs, the Chief Engineer, Hydrology, however, assessed (November 2009) the magnitude of MFD as 18,625[188] cumecs. Accordingly, the Superintending Engineer (SE)[189] ordered (December 2009) the contractor to re-submit designs with MFD of 18,625 cumecs within the agreed value. Being an EPC contract the contractor carried the entire risk of the project for schedule and budget, in return for a fixed price and so any change in basic parameter of the project would necessarily require Government's prior approval, which was not taken. The contractor requested (January 2010) for additional payment of ₹ 150.97 crore (at Standard Schedule of Rates - SSR 2007-08), due to increase in scope of work. This request was denied (January 2010) on the grounds that

[186] Circular Memo No. 34843/Reforms/2006 dated 7th May 2008.

[187] A project contemplated to provide irrigation facilities to three lakh acres in drought prone areas of Nalgonda District and drinking water to fluoride affected villages enroute.

[188] There was a flood in 2009. As per the estimation of Chief Engineer, Hydrology, it was estimated that the flood of 2009 was of the order of 18,625 cumecs.

[189] A.M.R. Project Circle No.1.

the work was awarded under EPC contract[190] and no financial implication would be entertained. Although the contractor submitted the designs for a discharge of 18,625 cumecs, he did not commence the work, pending clear commitment with regard to compensation on the differential cost.

Faced with resistance from the contractor to commence the work, the Chief Engineer requested (November 2010) the Government to accord permission for the change in the basic parameter. Government referred (January 2011) the matter to the State Level Standing Committee (SLSC). The SLSC opined[191] (April 2012) that the spillway was to be constructed for 8,580 cumecs only as laid down in the agreement. A breaching section was also recommended by the SLSC to divert flood waters in excess of the MFD before it hits the spillway (which could rejoin the main course at a point downstream after the spillway).

The Department communicated (May 2012) the instructions of the SLSC to the contractor and directed him to submit designs and drawings as well as a proposal for extension of time. The contractor insisted (May 2012) for revision of agreement value to ₹ 272.59 crore (increase of 73 per cent) due to change in SSR[192] (2011-12), since the validity of the agreement had expired in February 2012. Without addressing this issue, the SE directed (June 2012) the contractor to commence the work within 14 days, failing which action as deemed fit, would be initiated as per agreement and rules in vogue.

Aggrieved by this, the contractor filed (August 2012) a civil suit at the Hon'ble City Civil Court, Hyderabad[193] for an injunction against being forced to undertake the work by the Department. There was, however, no injunction against the Department. It was observed in audit that the contractor had given his consent to the Department (December 2012) for "no objection" for calling of fresh tenders. It took more than two years for Government to permit (February 2015) the Chief Engineer to invite fresh tenders, pending receipt of Government orders for closure of the existing EPC contract. In May 2015, Government terminated the agreement and accorded permission to finalise the fresh tenders. The contractor withdrew (June 2015) his petition and gave consent letter to close the contract at no costs.

The Department awarded (June 2015) the same work to another contractor for an agreement value of ₹ 349.45 crore (SSR 2014-15) with MFD of 8,580 cumecs. Lack of technical competence of the Department to handle the EPC contract led to cost and time overrun as follows:

---

[190] Clause 39.3.2 of the agreement supported the contention of the SE. It stated, "Entrustment of the additional items contingent on the main work will be authorised by the employer and the contractor shall be bound to execute such additional items at no extra cost to the employer and the cost of such items shall be deemed to have been included in the contract price quoted."

[191] SLSC opined that 'in view of huge cost involved in construction of spillway with Probable Maximum Flood (PMF) of 18,625 cumecs and observation of the previous flood history of the River, the spill way and earth dam may be checked for Standard Project Flood (SPF) and a breaching section may be provided at right side of the dam at a convenient location for disposing the balance flood water between PMF and SPF'.

[192] At the time of the agreement, SSR 2007-08 was in vogue.

[193] The contractor also claimed compensation of ₹ 31.77 crore.

Escalation in the costs of work by ₹ 76.86 crore[194] (₹ 349.45 crore – ₹ 272.59 crore) and delay in work of 76 months (more than six years). The extra cost did not add any value to the work as the revised contract was for the same MFD of 8,580 cumecs, which was originally envisaged.

On being pointed out by Audit, the Department replied (March 2017 and October 2018) that the claim of the contractor was unacceptable as per the terms of the agreement. It was also stated that the Department did not make changes to the basic design of the project without the approval of the Government as pointed out by Audit. The fact, however, was that the contractor had submitted the designs and drawings in accordance with the basic parameters i.e., MFD of 8,580 cumecs to the Department in March 2009 as per the EPC agreement. Moreover, in violation of Government orders, the Department changed the basic project parameters without obtaining prior approval of Government, leading to delays and avoidable extra expenditure. The same work with same basic parameter was re-awarded at an avoidable excess expenditure of ₹ 76.86 crore.

Thus, lack of technical competence of the Department in managing an EPC contract led to delay in commencement of work and avoidable expenditure of ₹ 76.86 crore.

2.2 Loss of revenue due to inefficient disposal of de-silted soil and additional expenditure on lead charges

By dumping the de-silted soil without usage, contrary to Government instructions, the Department suffered revenue loss of ₹ 30.59 lakh, besides incurring an additional expenditure of ₹ 28.07 lakh on lead charges[195] in transporting the silt to the dumping site.

The ancient Minor Irrigation tanks built by the rulers of Kakatiyas had become defunct or shrunk due to silting and improper maintenance over the years. Government took up (September 2014) "Mission Kakatiya"[196] to restore these Minor Irrigation tanks in the State. The Mission was to restore irrigation to 10 lakh acres of command area. An important component of the Mission was de-silting of tanks for restoration to their original water storage capacity.

As per the guidelines[197],

(i) private persons are permitted to buy de-silted soil that is unsuitable for agriculture purposes on payment of seigniorage charges[198] at ₹ 30.00 per cum. Should demand for such de-silted soil be high, open auction is to be conducted at Gram Sabha level and sold after due payment of cost of de-silted soils, fixed by the Gram Sabha. Of these receipts, seigniorage

[194] For payment at enhanced rates with SSR 2011-12 against the rates of SSR 2007-08 adopted in the contract agreement.

[195] Charges for transportation of earth/ soil/ stone/ sand from/ to the site to/ from the dumping area/ place of origin of the material.

[196] The name 'Mission Kakatiya' was given to programme in remembrance and tribute to the Kakatiya rulers, who developed large number of irrigation tanks.

[197] Contained in Government Memo.No.5414/MI-T/A2/2015-1 dated 17th June 2015.

[198] Royalty charges payable to the Government for usage of naturally available minerals such as ordinary earth/ gravel, sand, metal, etc., in the work, fixed by the Government from time to time.

charges at the rate of ₹ 30.00 per cum are to be paid to Government exchequer and the balance amount is to be utilized on development activities of the village.

(ii) Wherever the desilted soil could be useful for agricultural purpose, it is used by the farmers. The balance soil left is to be disposed off as mentioned at (i) above.

In July 2016, the Government sanctioned[199] the work of restoration of the tank 'Thimmakka Cheruvu' in Medak District under Mission Kakatiya– Phase II. During execution of the work, 1,18,455 cum of silt was excavated.

The Assistant Director, Soil Testing Laboratory, Sanga Reddy certified (April 2017) that the de-silted soil in the instant case was saline in nature but useful for agricultural purposes, if mixed with farm yard manure and subject to providing proper drainage facility.

In May 2017, the Deputy Executive Engineer concerned reported to the Executive Engineer, North Tanks Division, Hyderabad, that there was a demand for the de-silted soil for use in brick manufacturing. But no further action was taken.

Based on the Superintending Engineer's directions (May 2017), the Executive Engineer disposed off (May 2017) 16,500 cum of silt to the farmers. The remaining 1,01,955 cum of de-silted soil was, however, dumped in the low lying areas, without earning any revenue, as required under the instructions of the Government.

This resulted in a loss of revenue of ₹ 30.59 lakh (@ ₹ 30.00 per cum) to the exchequer. Audit further observed that the Department incurred an additional expenditure of ₹ 28.07 lakh[200] towards lead charges in transporting the silt to the dumping site.

The Government (December 2018) replied that the de-silted soils were mixed with industrial waste and chemicals and thus could not be used for any purpose including manufacturing of bricks. Hence, the de-silted soils could not be auctioned/ utilised and had to be dumped within permissible lead. Further, there was no provision in the sanctioned estimate for mixing with farm yard manure and Department could not ensure proper drainage facility and the desilted soils could not be used for agricultural usage without suitable treatment.

It was, however, observed that the reasons offered by the Government regarding mixing of industrial waste and chemicals in the de-silted soil were not found on record. Further, absence of proper drainage facility was no reason for non-distribution amongst farmers, as the farmers had already lifted 16,500 cum of silt.

Thus, by dumping the de-silted soils without any usage, contrary to Government instructions, the Department suffered a revenue loss of ₹ 30.59 lakh. This also resulted in additional expenditure of ₹ 28.07 lakh on lead charges.

[199] Vide G.O.Rt.No.628 dated 6th July 2016.

[200] Lead charges @ ₹27.53 per cum.

2.3 Non-recovery of mobilization advances

Failure to recover mobilization advances, consequent to pre-closure/ termination of contracts, resulted in non-recovery of ₹ 428.98 crore.

As per Government orders[201], contractors can be provided with mobilization advance, up to 10 *per cent* of the contract value. Recovery of advance and interest thereon shall be made from Running Account (RA) Bills submitted by the contractors during various stages of execution. The recovery shall commence from the RA bill after executed value of the work reaches 10 *per cent* of the contract value. The agreements provide for payment of mobilization advances to the contractors against Bank Guarantee (BG) of an equivalent amount obtained from a scheduled Bank. The BG so provided by the contractors should remain valid until the entire advance, including interest, is recovered from them.

State Public Works Department Code[202], requires a contractor to pay 2.5 *per cent* of contract value, at the time of concluding agreement, towards Earnest Money Deposit (EMD). The EMD shall be retained by the Department till the completion of works including rectification of defects noticed during the defect liability period.

During audit (September 2017 and May 2018) of Superintending Engineer, Dummugudem Project Circle, Khammam, it was observed that the Department failed to effect recovery of mobilization advances along with interest amounting to ₹ 428.98 crore from the Contractors in respect of three projects, as detailed in **Table 2.1**:

Table 2.1: Details of Mobilisation Advances pending for recovery

	Name of the scheme	Period of Administrative approval	Stipulated period of completion	Period providing Mobilisation advance	Mobilisation advance given	Interest
					(₹ in Crore)	
A.	Rajivsagar Dummugudem Lift Irrigation Scheme[203] (RDLIS) Indirasagar Dummugudem Lift Irrigation Scheme[204] (IDLIS)	May-September 2007	August 2011 and March 2012	June 2007 to November 2008	7.59	7.87
B.	Jyothirao Phule Dummugudem Nagarjunasagar Sujala Sravanti[205] (JPDNSS)	June 2008 to October 2009	November 2011 and April 2013	July 2008 to May 2014	276.56	136.96
				Sub Total	**284.15**	**144.83**
				Total	**428.98**	

201 Erstwhile Composite AP Govt. Memo No. 22500/Reforms/2008-1 dated 20.08.2008 duly adopted by GoTS.

202 Para 154(iii) of Section 4 of erstwhile AP Public Works Department Code adopted by GoTS.

203 Administratively approved in March 2005 to irrigate 4,00,000 acres in Khammam district by drawing water from River Godavari.

204 Administratively approved in March 2005 to irrigate 200000 acres in Khammam, Krishna and West Godavari districts by drawing water from the back water of Polavaram Reservoir.

205 Administratively approved in May 2007 to ensure full supply of water at the tail end of irrigated 14.13 lakh acres of Ayacut under the Nagarjuna Sagar Project.

A. In the works of the RDLIS and IDLIS, mobilization advances were granted after obtaining BGs for equivalent amounts. The Department also collected EMDs in the form of BGs aggregating ₹ 9.00 crore from the said contractors.

Government of Telangana, subsequent to its formation (June 2014), re-designed (February 2016) the two projects into a single project viz., Sitarama Lift Irrigation Scheme. Due to slow progress[206], works on the various packages included in all the existing agreements were pre-closed (February 2017).

Audit found that mobilization advances amounting to ₹ 7.59 crore along with interest of ₹ 7.87 crore were, however, not recovered till date (December 2018). The value of BGs covered the mobilization advances but not the interest. Further, Government also returned (July 2017 to September 2018) the BGs amounting to ₹ 9.00 crore obtained towards EMD, thereby entailing loss of an opportunity to recover the amount.

B. In respect of JPDNSS, the contractors were granted (July 2008 to May 2014) with mobilization advances against BGs for equivalent amounts. EMD in the form of BGs amounting to ₹ 333.74 crore was also collected from the contractors.

Consequent upon its formation, Government of Telangana reviewed the project at the instance of public representations questioning advantages of the projects to Telangana State. As the progress on works was slow ranging from 1.75 *per cent* to 3.6 *per cent*, Government terminated (April 2015 to August 2015) nine agreements.

The mobilization advances amounting to ₹ 276.56 crore along with interest[207]of ₹ 136.96 crore were, however, not recovered till date (December 2018). The Department also returned (September 2016 to January 2017) the BGs amounting to ₹ 333.74 crore obtained towards EMDs to the contractors at the instance (August 2016) of Government. This rendered the possibility of recovery of the amount remote.

Thus, mobilization advances amounting to ₹ 428.98 crore (Principal: ₹ 284.15 crore and Interest: ₹ 144.83 crore) remained unrecovered, even after 3.5 to 4 years of pre-closure/ termination of contracts. By returning the BGs obtained for EMD, the Government has put at risk the possibility of recovery of the amounts. Unless banks are approached to invoke the BGs (towards mobilization advance) before expiry of their validity, the recovery of advances also would become bleak.

[206] Ranging between one *per cent* and 7.63 *per cent* in respect of RDLIS and between 2.10 *per cent* and 4.38 *per cent* in respect of IDLIS up to February 2017.

[207] Calculated at the rate of 8 *per cent* per annum (as mentioned in Package 3 of JPDNSS) from the date of last recovery / payment of mobilisation advance, as the case may be.

In the reply, Government confirmed (October 2018) the facts and stated that the mobilization advance of ₹ 276.56 crore along with accrued interest would be recovered in due course of time. The details of recovery of amounts are still awaited from the Department (June 2019).

Sudharajan

(SUDHA RAJAN)
Accountant General (Audit)
Telangana

Hyderabad
The **17 July 2020**

Countersigned

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

New Delhi
The **24 July 2020**

ANNEXURES

Annexure 1

Statement showing investments made by State Government in Power Sector PSUs whose accounts are in arrears

(Referred to in paragraph 1.11)

(Figures in Columns 4 & 6 to 8 are in ₹ crore)

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A	**Generation**						
1	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted	0.25	2008-09	0.00	0.00	2.44
				2009-10	0.00	0.00	1.57
				2010-11	0.00	0.00	0.23
				2011-12	0.00	0.00	0.89
				2012-13	0.00	0.00	0.98
				2013-14	0.00	0.00	0.52
				2014-15	0.00	0.00	0.67
				2015-16	0.00	0.00	1.31
				2016-17	0.00	0.00	1.41
				2017-18	0.00	0.00	1.95
	Total		**0.25**		**0.00**	**0.00**	**11.97**
B	**Transmission**						
2	Transmission Corporation of Telangana Limited	2016-17	0.05	2017-18	0.00	0.00	0.00
C	**Distribution**						
3	Southern Power Distribution Company of Telangana Limited	2016-17	728.48	2017-18	1693.48	0.00	832.91
4	Northern Power Distribution Company of Telangana Limited	2016-17	274.76	2017-18	804.81	0.00	3405.82
	Total		**1003.24**		**2498.29**	**0.00**	**4238.73**
D	**Others**						
5	Telangana State Renewable Energy Development Corporation Limited	2014-15	0.14	2015-16	0.00	0.00	3.10
				2016-17	0.00	0.00	1.12
				2017-18	0.00	0.00	12.48
	Total		**0.14**		**0.00**	**0.00**	**16.70**
	Grand Total		**1003.63**		**2498.29**	**0.00**	**4267.40**

Annexure 2

Summarised financial position and results of Power Sector PSUs as on 31-03-2018

(Referred to in paragraph 1.13)

(Figures in Columns 4 to 12 are in ₹ crore)

Sl. No.	Sector / name of the Company	Period up to which accounts are finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit (+) / loss (-)	Capital employed	Net worth	Turnover	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Net impact of Audit comments	Percentage of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7 (4+5+6)**	**8 (4+6)**	**9**	**10**	**11**	**12**	**13**	**14**
A	**Generation**												
1	Telangana State Power Generation Corporation Limited	2017-18	869.64	15591.31	535.78	16996.73	1405.42	8772.91	1703.08	169.47	Under finalisation	10.02	6328
2	The Singareni Collieries Company Limited	2017-18	1733.20	4088.77	4429.38	10251.35	6162.58	17535.59	2709.74	1212.75	139.26	26.43	56045
3	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted	0.25	4.63	-24.86	-19.98	-24.61	0.00	-2.83	-2.83	NA	14.16	3
	Sub-Total		**2603.09**	**19684.71**	**4940.30**	**27228.10**	**7543.39**	**26308.50**	**4409.99**	**1379.39**	**139.26**	**16.20**	**62376**
B	**Transmission**												
4	Transmission Corporation of Telangana Limited	2016-17	0.05	5585.26	678.99	6264.30	679.04	1475.39	604.23	209.45	Under finalisation	9.65	1894
	Sub-Total		**0.05**	**5585.26**	**678.99**	**6264.30**	**679.04**	**1475.39**	**604.23**	**209.45**	**0.00**	**9.65**	**1894**
C	**Distribution**												
5	Southern Power Distribution Company of Telangana Limited	2016-17	728.48	5744.15	-19395.03	-12922.40	-18666.55	20062.46	-3523.97	-3924.78	880.05	-27.27	8674
6	Northern Power Distribution Company of Telangana Limited	2016-17	3799.72	2206.05	-8814.23	-2808.46	-5014.51	8850.95	-1196.55	-1560.51	59.02	-42.61	7726
	Sub-Total		**4528.20**	**7950.20**	**-28209.26**	**-15730.86**	**-23681.06**	**28913.41**	**-4720.52**	**-5485.29**	**939.07**	**-30.01**	**16400**
D	**Others**												
7	Telangana Power Finance Corporation Limited	2017-18	0.05	3512.57	0.00	3512.62	0.05	0.00	0.00	0.00	3838.71	0.00	1
8	Telangana State Renewable Energy Development Corporation Limited	2014-15	0.14	0.00	-3.17	-3.03	-3.03	16.51	2.48	1.76	0.00	-81.85	116
	Sub-Total		**0.19**	**3512.57**	**-3.17**	**3509.59**	**-2.98**	**16.51**	**2.48**	**1.76**	**3838.71**	**0.07**	**117**
	Total		**7131.53**	**36732.74**	**-22593.14**	**21271.13**	**-15461.61**	**56713.81**	**296.18**	**-3894.69**	**4917.04**	**1.39**	**80787**

Annexure 3
(Referred to in paragraph 4.3)
Statement showing position of equity and outstanding loans of State PSUs (Non-Power Sector) as on 31st March 2018

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Incorporation Date	Paid up Capital				Long Term Loans			
				GoI	GoT	Others	Total	GoI	GoT	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
A	**Social Sector**										
	I. Working Government Companies										
1	Telangana State Agro Industries Development Corporation Limited	Agriculture & Cooperation	15-04-2015	1.12	7.84	0.00	8.96	0.00	10.45	0.00	10.45
2	Telangana State Horticulture Development Corporation Limited	Agriculture & Cooperation	15-07-2016	0.00	0.00	0.00	0.00	0.00	0.00	347.74	347.74
3	Telangana State Seeds Development Corporation Limited	Agriculture & Cooperation	05-02-2015	0.00	0.05	0.00	0.05	0.00	55.69	0.00	55.69
4	Telangana State Most Backward Classes Development Corporation	Backward Classes Welfare Department	25-05-2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5	Telangana State Civil Supplies Corporation Limited	Consumer Affairs, Food & Civil supplies	18-03-2015	0.00	1.35	0.00	1.35	0.00	0.00	5.41	5.41
6	Telangana State Forest Development Corporation Limited	Environment, Forests, Science and Technology	14-05-2015	0.21	8.90	0.00	9.11	0.00	1.00	0.00	1.00
7	Telangana State Film Development Corporation Limited	General Administration (I&PR)	01-09-2017	0.00	0.05	0.00	0.05	0.00	0.00	0.33	0.33
8	Telangana State Housing Corporation Limited	Housing	10-09-2015	0.00	0.25	0.00	0.25	0.00	2555.27	0.00	2555.27
9	Infrastructure Corporation of Andhra Pradesh Limited	Industries & Commerce	31-05-2005	0.00	30.12	0.00	30.12	0.00	0.00	0.00	0.00
10	Maheswaram Science Park Limited	Industries & Commerce	10-10-2013	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
11	Telangana Industrial Health Clinic Limited	Industries & Commerce	07-06-2017	0.00	3.00	0.00	3.00	0.00	0.00	0.00	0.00
12	Telangana State Handicrafts Development Corporation Limited	Industries & Commerce	11-12-2015	0.00	4.05	0.00	4.05	0.00	0.00	0.00	0.00
13	Telangana State Leather Industries Promotion Corporation Limited	Industries & Commerce	27-08-2015	0.00	1.63	0.00	1.63	0.00	4.98	0.01	4.99
14	Telangana State Trade Promotion Corporation Limited	Industries & Commerce	27-09-2014	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00
15	Zaheerabad NIMZ Limited	Industries & Commerce	05-08-2016	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
16	Telangana Fiber Grid Corporation Limited	Information Technology, Electronics and Communications	01-08-2017	0.00	0.01	0.00	0.01	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the PSU	Name of the Department	Incorporation Date	Paid up Capital				Long Term Loans			
				GoI	GoT	Others	Total	GoI	GoT	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
17	T-Works Foundation	Information Technology, Electronics and Communications	28-11-2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
18	Kaleshwaram Irrigation Project Corporation Limited	Irrigation & Common Area Development	05-08-2016	0.00	100.00	0.00	100.00	0.00	0.00	13056.97	13056.97
19	Telangana State Irrigation Development Corporation Limited	Irrigation & Common Area Development	10-04-2015	0.00	0.05	0.00	0.05	0.00	0.00	20.04	20.04
20	Telangana Water Resources Development Corporation Limited	Irrigation & Common Area Development	29-08-2017	0.00	0.50	0.00	0.50	0.00	0.00	0.00	0.00
21	Telangana Overseas Manpower Company Limited	Labour, Employment, Training & Factories	05-08-2015	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
22	Telangana State Christian Minorities Finance Corporation	Minorities Welfare	13-03-2015	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
23	Telangana State Minorities Finance Corporation	Minorities Welfare	01-05-2015	0.00	0.05	0.00	0.05	0.00	4.19	0.00	4.19
24	Hyderabad Growth Corridor Limited	Municipal Administration & Urban Development	26-12-2005	0.00	0.00	0.15	0.15	0.00	0.00	0.00	0.00
25	Hyderabad Metro Rail Limited	Municipal Administration & Urban Development	14-05-2007	0.00	0.57	0.00	0.57	0.00	2101.90	0.00	2101.90
26	Hyderabad Road Development Corporation Limited	Municipal Administration & Urban Development	12-06-2017	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00
27	Musi Riverfront Development Corporation Limited	Municipal Administration & Urban Development	12-06-2017	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00
28	Telangana Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration & Urban Development	21-08-2014	0.00	0.05	0.00	0.05	0.00	0.00	101.92	101.92
29	Telangana Drinking Water Supply Corporation Limited	Panchayat & Rural Development	26-02-2015	0.00	2.00	0.00	2.00	0.00	0.00	18468.26	18468.26
	Total A – I			**1.33**	**162.58**	**0.17**	**164.08**	**0.00**	**4733.48**	**32000.68**	**36734.16**

Sl. No.	Sector & Name of the PSU	Name of the Department	Incorporation Date	Paid up Capital				Long Term Loans			
				GoI	GoT	Others	Total	GoI	GoT	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
	II. Non-Working Government Companies										
30	Andhra Pradesh Fisheries Corporation Limited	Animal Husbandry, Dairy Development and Fisheries		0.00	4.67	0.00	4.67	0.00	8.67	0.00	8.67
31	Andhra Pradesh Essential Commodities Corporation Limited	Consumer Affairs, Food & Civil supplies		0.00	1.13	0.00	1.13	0.00	0.00	0.00	0.00
32	A.P Small Scale Industrial Development Corporation Limited	Industries & Commerce		0.00	9.62	0.00	9.62	0.00	13.92	0.00	13.92
	Total A – II			**0.00**	**15.42**	**0.00**	**15.42**	**0.00**	**22.59**	**0.00**	**22.59**
	Total A (I+II)			**1.33**	**178.00**	**0.17**	**179.55**	**0.00**	**4756.07**	**32000.68**	**36756.75**
B.	**Competitive Environment Sector**										
	I. Working Government Companies										
33	Damodhara Minerals Private Limited	Industries & Commerce	28-01-2000	0.00	0.00	0.04	0.04	0.00	0.00	0.00	0.00
34	eCity Manufacturing Cluster Limited	Industries & Commerce	10-10-2013	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
35	Fab City SPV (India) Private Limited	Industries & Commerce	02-05-2006	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
36	Hyderabad Pharma City Limited	Industries & Commerce	15-03-2017	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
37	Pashamylaram Textiles Park	Industries & Commerce	29-06-2005	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
38	Telangana State Industrial Development Corporation Limited	Industries & Commerce	18-11-2014	0.00	0.01	0.00	0.01	0.00	3.36	0.00	3.36
39	Telangana State Industrial Infrastructure Corporation Limited	Industries & Commerce	04-09-2014	0.00	6.82	0.00	6.82	0.00	0.00	735.07	735.07
40	Telangana State Mineral Development Corporation Limited	Industries & Commerce	08-10-2014	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
41	The Nizam Sugars Limited	Industries & Commerce	17-04-1937	0.00	33.29	0.71	34.00	0.00	35.95	20.00	55.95
42	Telangana Rajiv Swagruha Corporation Limited	Housing	01-03-2018				0.00				0.00
43	Telangana State Tourism Development Corporation Limited	Youth Advancement, Tourism & Culture	28-08-2014	0.00	1.00	0.00	1.00	0.00	0.00	0.00	0.00
	Total B – I			**0.00**	**41.22**	**0.78**	**42.00**	**0.00**	**39.31**	**755.07**	**794.38**
	II. Working Statutory Corporations										
44	Telangana State Warehousing Corporation	Agriculture &Cooperation	26.09.2015	0.00	1.87	1.87	3.74	0.00	0.00	3.16	3.16
45	Telangana State Financial Corporation	Industries & Commerce	31-08-2015	NF	NF	NF	NF	NF	NF	NF	NF
46	Telangana State Road Transport Corporation	Transport, Roads & Buildings Department	01-04-2016	25.45	58.44	0.00	83.89	0.00	475.77	2436.06	2911.83
	Total B – II			**25.45**	**60.31**	**1.87**	**87.63**	**0.00**	**475.77**	**2439.22**	**2914.99**

Sl. No.	Sector & Name of the PSU	Name of the Department	Incorporation Date	Paid up Capital				Long Term Loans			
				GoI	GoT	Others	Total	GoI	GoT	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
	III. Non-Working Government Companies										
47	Proddutur Milk Foods Limited	Animal Husbandry, Dairy Development and Fisheries		0.00	1.96	0.00	1.96	0.00	0.00	0.00	0.00
48	Andhra Pradesh Dairy Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries		0.00	15.00	0.00	15.00	0.00	0.00	0.00	0.00
49	Allwyn Auto Limited	Industries & Commerce		0.00	0.15	0.00	0.15	0.00	14.45	0.00	14.45
50	Allwyn Watches Limited	Industries & Commerce		0.00	0.15	0.00	0.15	0.00	64.93	0.00	64.93
51	Andhra Pradesh Electronics Development Corporation Limited	Industries & Commerce		0.00	12.72	0.00	12.72	0.00	0.68	0.00	0.68
52	Andhra Pradesh Steels Limited	Industries & Commerce		0.00	2.03	0.00	2.03	0.00	2.12	0.00	2.12
53	Aptronix Communications Limited	Industries & Commerce		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
54	Hyderabad Chemicals and Fertilizers Limited	Agriculture & Cooperation		0.00	0.26	0.52	0.78	0.00	8.25	0.00	8.25
55	Marine and Communication Electronics (India) Limited	Industries & Commerce		0.00	0.00	1.89	1.89	0.00	4.77	0.00	4.77
56	Republic Forge Company Limited	Industries & Commerce		0.00	7.07	0.70	7.77	0.00	54.77	0.00	54.77
57	Southern Transformers and Electricals Limited	Industries & Commerce		0.00	0.00	0.58	0.58	0.00	0.78	0.00	0.78
58	Andhra Pradesh Automobile Tyres & Tubes Limited	Industries & Commerce		0.00	0.73	0.02	0.75	0.00	0.00	0.00	0.00
59	Golkonda Abrasives Limited	Industries & Commerce		0.00	0.38	0.17	0.55	0.00	0.00	0.00	0.00
60	Krishi Engineering Limited	Engineering		0.10	0.29	0.13	0.52	0.00	0.00	0.00	0.00
61	PJ Chemicals Limited	Industries & Commerce		0.22	0.16	0.00	0.38	0.00	0.00	0.00	0.00
62	Vidyut Steels Limited	Industries & Commerce		0.31	0.29	0.28	0.88	0.00	0.00	0.00	0.00
63	APMDC-SCCL Suliyari Coal Company Limited	Industries & Commerce		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total B – III			**0.63**	**41.19**	**4.29**	**46.11**	**0.00**	**150.75**	**0.00**	**150.75**
	Total B (I+II+III)			**26.08**	**142.72**	**6.94**	**175.74**	**0.00**	**665.83**	**3194.29**	**3860.12**
C	**Others**										
	I. Working Government Companies										
64	Telangana State Beverages Corporation Limited	Revenue	30-05-2014	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
65	Telangana State Aviation Corporation Limited	Industries & Commerce	15-05-2015	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
66	Telangana State Technology Services Limited	Information Technology, Electronics and Communications	04-11-2015	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
67	Telangana State Police Housing Corporation Limited	Home	11-08-2015	0.00	0.05	0.00	0.05	0.00	0.00	0.00	0.00
	Total C - I			**0.00**	**0.20**	**0.00**	**0.20**	**0.00**	**0.00**	**0.00**	**0.00**
	Total C (I)			**0.00**	**0.20**	**0.00**	**0.20**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A+B+C)			**27.41**	**320.92**	**7.11**	**355.44**	**0.00**	**5421.90**	**35194.97**	**40616.87**

NF = Not Furnished, ND = Not Due.

Annexure 4

(Referred to in paragraph 4.8)

Statement showing differences between figures as per Finance Accounts of Government of Telangana and Accounts of State PSUs (Non-Power Sector) in respect of Equity, Loans and Guarantees as on 31 March 2018

(₹ in crore)

Sl. No.	Sector and Name of the Company	Equity as per			Loans as per			Outstanding Guarantees as per		
		A&E	Company	Difference	A&E	Company	Difference	A&E	Company	Difference
1	Kaleshwaram Irrigation Project Corporation Limited							7,031.89	33,017.36	-25,985.47
2	Telangana State Horticulture Development Corporation Limited							321.24	347.74	-26.50
3	Pashamylaram Textiles Park	0.00	0.05	-0.05						
4	The Nizam Sugars Limited	0.00	33.29	-33.29	0.00	35.95	-35.95			
5	Hyderabad Metro Rail Limited	0.00	0.57	-0.57	2,045.00	2,101.91	-56.91	131.00	236.50	-105.50
6	Telangana Drinking Water Supply Corporation Limited	100.00	2.00	98.00				16,413.28	6,785.14	9,628.14
7	Telangana Industrial Health Clinic Limited	0.00	3.00	-3.00						
8	Hyderabad Road Development Corporation Limited	0.00	1.00	-1.00				600.00	0.00	600.00
9	Musi Riverfront Development Corporation Limited	0.00	1.00	-1.00						
10	Telangana Water Resources Development Corporation Limited	0.00	0.50	-0.50						
11	Telangana State Fibre Grid Corporation Limited	0.00	0.01	-0.01						
12	Telangana State Christian Minorities Finance Corporation	0.00	0.05	-0.05						
13	Telangana State Urban Finance and Infrastructure Development Corporation Limited							10.00	0.00	10.00
14	Telangana State Industrial Infrastructure Corporation Limited				28.84	0.00	28.84			
15	Telangana State Housing Corporation Limited				2,054.04	2,555.27	-501.23	3,021.05	0.00	3,021.05
16	Telangana Leather Industries Promotion Corporation Limited				1.02	3.97	-2.95			
17	Telangana State Civil Supplies Corporation Limited							0.00	6,000.00	-6,000.00
18	Telangana Overseas Manpower Company Limited	1.95	0.70	1.25						
19	Telangana State Warehousing Corporation							3.70	0.00	3.70
20	Telangana State Financial Corporation							398.00	0.00	398.00
21	Telangana State Road Transport Corporation							740.03	788.94	-48.91
	Grand Total*	**101.95**	**42.17**	**59.78**	**4,128.90**	**4,697.10**	**-568.20**	**28,670.19**	**47,175.68**	**-18,505.49**
		11			**5**			**11**		**21**

* In respect of equity and loans, only those PSUs whose figures as per finance accounts were bifurcated on demerger were considered.

Annexure 5

(Referred to in paragraph 4.9.1)

Statement showing investments made by State Government in working State PSUs (Non-Power Sector) whose accounts are in arrears

(₹ in crore)

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
I.	Government Companies						
1	Hyderabad Growth Corridor Limited	2012-13	0.15	2013-14	0.00	0.00	0.00
				2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
2	Hyderabad Metro Rail Limited	2013-14	0.57	2014-15	0.00	454.57	0.00
				2015-16	0.00	176.52	0.00
				2016-17	0.00	100.00	0.00
				2017-18	0.00	60.00	0.00
3	Hyderabad Road Development Corporation Limited	First Accounts not submitted	1.00	2017-18	1.00	0.00	0.00
4	Kaleshwaram Irrigation Project Corporation Limited	2016-17	100.00	2017-18	0.00	0.00	1438.90
5	Maheshwaram Science Park Limited	2014-15	0.01	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
6	Musi Riverfront Development Corporation Limited	First Accounts not submitted	1.00	2017-18	1.00	0.00	0.00
7	Telangana Fiber Grid Corporation Limited	First Accounts not submitted	0.01	2017-18	0.01	0.00	0.00
8	Telangana Drinking Water Supply Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	1198.70
				2017-18	1.95	0.00	56.20
9	Telangana Overseas Manpower Company Limited	2016-17	0.25	2017-18	0.00	0.00	1.03
10	Telangana State Agro Industries Development Corporation Limited	First Accounts not submitted	8.96	2015-16	0.05	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
11	Telangana State Christian Minorities Finance Corporation	First Accounts not submitted	0.05	2015-16	0.05	0.00	26.17
				2016-17	0.00	0.00	17.82
				2017-18	0.00	0.00	20.37
12	Telangana State Civil Supplies Corporation Limited	First Accounts not submitted	0.10	2015-16	0.00	0.00	904.25
				2016-17	0.10	0.00	2016.63
				2017-18	0.00	0.00	2206.92

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
13	Telangana State Film, Development Corporation Limited	First Accounts not submitted	0.05	2017-18	0.05	0.00	20.71
14	Telangana State Forest Development Corporation Limited	First Accounts not submitted	9.10	2015-16	0.01	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
15	Telangana State Handicrafts Development Corporation Limited	First Accounts not submitted	4.05	2015-16	0.05	0.00	0.26
				2016-17	3.00	0.00	0.00
				2017-18	1.00	0.00	2.16
16	Telangana State Horticulture Development Corporation Limited	2016-17	0.00	2017-18	0.00	0.00	0.00
17	Telangana State Housing Corporation Limited	First Accounts not submitted	0.25	2015-16	0.25	0.00	62.50
				2016-17	0.00	0.00	0.00
				2017-18	0.00	1000.00	200.00
18	Telangana State Irrigation Development Corporation Limited	2016-17	0.05	2017-18	0.00	0.00	0.00
19	Telangana State Leather Industries Promotion Corporation Limited	First Accounts not submitted	22.60	2015-16	0.82	0.00	0.00
				2016-17	1.98	0.00	0.00
				2017-18	1.96	1.02	0.00
20	Telangana State Minorities Finance Corporation	2015-16	0.05	2016-17	0.00	0.00	83.17
				2017-18	0.00	0.00	55.29
21	Telangana State Most Backward Classes Development Corporation	First Accounts not submitted	0.00	2017-18	0.00	0.00	4.06
22	Telangana State Seeds Development Corporation Limited	2016-17	0.05	2017-18	0.00	0.00	80.95
23	Telangana State Trade Promotion Corporation Limited	First Accounts not submitted	0.01	2014-15	0.01	0.00	0.42
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	1.50
24	Telangana Water Resources Development Corporation Limited	First Accounts not submitted	0.50	2017-18	0.50	0.00	0.54
25	Telangana Urban Finance and Infrastructure Development Corporation Limited	First Accounts not submitted	0.05	2014-15	0.05	0.00	206.52
				2015-16	0.00	0.00	2.75
				2016-17	0.00	0.00	109.05
				2017-18	0.00	0.00	446.46
26	T-works foundation	First Accounts not submitted	0.00	2017-18	0.00	0.00	0.00

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
27	Zaheerabad NIMZ Limited	First Accounts not submitted	0.01	2016-17	0.01	0.00	0.00
				2017-18	0.00	0.00	3.00
28	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	30.12	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	5.00
				2017-18	0.00	0.00	3.85
29	eCity Manufacturing Cluster Limited	2014-15	0.01	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
30	Fab City SPV (India) Private Limited	2014-15	0.01	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
31	Hyderabad Pharma City Limited	First Accounts not submitted	0.01	2017-18	0.01	0.00	0.00
32	Pashamylaram Textiles Park	2013-14	0.05	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
33	Telangana State Industrial Development Corporation Limited	First Accounts not submitted	0.01	2014-15	0.01	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
34	Telangana State Industrial Infrastructure Corporation Limited	First Accounts not submitted	12.71	2014-15	0.01	0.00	104.10
				2015-16	0.00	0.00	15.26
				2016-17	0.00	0.00	5.80
				2017-18	0.00	0.00	80.70
35	Telangana State Mineral Development Corporation Limited	First Accounts not submitted	0.05	2014-15	0.05	0.00	19.12
				2015-16	0.00	0.00	40.94
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
36	Telangana State Tourism Development Corporation Limited	First Accounts not submitted	2.57	2014-15	1.00	0.00	1.46
				2015-16	0.00	0.00	16.24
				2016-17	0.00	0.00	28.64
				2017-18	0.00	0.00	29.32
37	Telangana State Beverages Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	36.25
				2017-18	0.00	0.00	37.51
38	Telangana State Aviation Corporation Limited	First Accounts not submitted	0.05	2015-16	0.05	0.00	12.07
				2016-17	0.00	0.00	27.55
				2017-18	0.00	0.00	13.25
39	Telangana State Technology Services Limited	2016-17	0.05	2017-18	0.00	0.00	0.00
40	Telangana State Police Housing Corporation Limited	First Accounts not submitted	0.80	2015-16	0.05	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
	Total (I)		**195.41**		**15.03**	**1792.11**	**9643.39**

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
II.	**Statutory Corporations**						
41	Telangana State Warehousing Corporation	First Accounts not submitted	3.74	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
42	Telangana State Financial Corporation	First Accounts not submitted	219.35	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
				2017-18	0.00	0.00	0.00
43	Telangana State Road Transport Corporation	First Accounts not submitted	83.89	2016-17	0.00	10.00	928.50
				2017-18	0.00	83.84	610.00
	Total (II)		**306.98**		**0.00**	**93.84**	**1538.50**
	Grand Total (I+II)		**502.39**		**15.03**	**1885.95**	**11181.89**

Annexure 6

(Referred to in paragraph 4.12)

Statement showing financial position and results of State PSUs (Non-Power Sector) as on 31st March 2018

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
A	**Social Sector**										
	I. Working Government Companies										
1	Hyderabad Growth Corridor Limited	2012-13	0.15	0.00	-3.92	-3.77	0.00	-3.77	-0.02	-0.02	0.89
2	Hyderabad Metro Rail Limited	2013-14	NF	NF	NF	NF	NF	NF	NF	NF	NF
3	Hyderabad Road Development Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
4	Kaleshwaram Irrigation Project Corporation Limited	2016-17	100.00	0.00	2.87	102.87	13056.97	13159.84	4.99	3.72	0.00
5	Maheswaram Science Park Limited	2014-15	NF	NF	NF	NF	NF	NF	NF	NF	NF
6	Musi Riverfront Development Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
7	Telangana Fiber Grid Corporation Limited	First Accounts not submitted	0.01	0.00	-0.20	-0.19	0.00	-0.19	-0.20	-0.20	0.00
8	Telangana Drinking Water Supply Corporation Limited	2015-16	NF	NF	NF	NF	NF	NF	NF	NF	NF
9	Telangana Industrial Health Clinic Limited	2017-18	3.00	0.00	-0.74	2.26	0.00	2.26	-0.74	-0.74	0.00
10	Telangana Overseas Manpower Company Limited	2015-16	0.05	0.00	-0.50	-0.45	0.00	-0.45	-0.11	-0.12	0.09
11	Telangana State Agro Industries Development Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
12	Telangana State Christian Minorities Finance Corporation	First Accounts not submitted	0.05	0.00	0.00	0.05	0.00	0.05	0.00	0.00	0.00

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
13	Telangana State Civil Supplies Corporation Limited	First Accounts not submitted	1.35	0.00	73.43	74.78	5.41	80.19	783.82	5.49	12151.14
14	Telangana State Film Development Corporation Limited	First Accounts not submitted	0.05	0.00	0.12	0.17	0.33	0.50	0.18	0.12	0.95
15	Telangana State Forest Development Corporation Limited	First Accounts not submitted	9.11	0.00	195.81	204.92	1.00	205.92	99.17	94.79	134.43
16	Telangana State Handicrafts Development Corporation Limited	First Accounts not submitted	4.05	0.00	-1.43	2.62	0.00	2.62	-1.14	-1.14	20.67
17	Telangana State Horticulture Development Corporation Limited	2016-17	0.00	0.00	0.38	0.38	347.74	348.12	38.15	2.24	15.80
18	Telangana State Housing Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
19	Telangana State Irrigation Development Corporation Limited	2016-17	0.05	0.00	-24.52	-24.47	20.04	-4.43	-5.76	-5.76	7.50
20	Telangana State Leather Industries Promotion Corporation Limited	First Accounts not submitted	1.63	0.00	-39.98	-38.35	4.99	-33.36	-2.15	-2.62	7.28
21	Telangana State Minorities Finance Corporation	2015-16	0.05	0.00	-14.51	-14.46	4.19	-10.27	2.41	2.41	0.00
22	Telangana State Most Backward Classes Development Corporation	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
23	Telangana State Seeds Development Corporation Limited	2016-17	0.05	0.00	2.17	2.22	55.69	57.91	0.97	0.64	266.29
24	Telangana State Trade Promotion Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
25	Telangana Water Resources Development Corporation Limited	First Accounts not submitted	0.50	0.00	-0.55	-0.05	0.00	-0.05	-0.55	-0.55	0.00

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
26	Telangana Urban Finance and Infrastructure Development Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
27	T-works Foundation	First Accounts not submitted	0.00	0.00	-0.01	-0.01	0.00	-0.01	-0.01	-0.01	0.00
28	Zaheerabad NIMZ Limited	First Accounts not submitted	0.01	0.00	-0.01	0.00	0.00	0.00	0.00	0.00	0.00
29	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	NF	NF	NF	NF	NF	NF	NF	NF	NF
	Total A – I		**120.11**	**0.00**	**188.41**	**308.52**	**13496.36**	**13804.88**	**919.01**	**98.25**	**12605.04**
	II. Non-Working Government Companies										
30	A.P Small Scale Industrial Development Corporation Limited	2001-02	9.62	0.00	-20.03	-10.41	13.92	3.51	2.18	2.18	0.02
31	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14 Months)	1.13	0.00	9.46	10.59	0.00	10.59	-0.04	-0.04	0.00
32	Andhra Pradesh Fisheries Corporation Limited	01.04.02 to 09.05.02	4.67	0.00	-21.75	-17.08	8.67	-8.41	0.00	0.00	0.00
	Total A – II		**15.42**	**0.00**	**-32.32**	**-16.90**	**22.59**	**5.69**	**2.14**	**2.14**	**0.02**
	Total A (I+II)		**135.53**	**0.00**	**156.09**	**291.62**	**13518.95**	**13810.57**	**921.15**	**100.39**	**12605.06**
B.	**Competitive Environment Sector**										
	I. Working Government Companies										
33	Damodhara Minerals Private Limited	2017-18	0.04	0.00	-0.10	-0.06	0.00	-0.06	-0.01	-0.01	0.00
34	eCity Manufacturing Cluster Limited	2014-15	NF	NF	NF	NF	NF	NF	NF	NF	NF
35	Fab City SPV (India) Private Limited	2014-15	NF	NF	NF	NF	NF	NF	NF	NF	NF
36	Hyderabad Pharma City Limited	First Accounts not submitted	0.01	0.00	0.00	0.01	0.00	0.01	0.00	0.00	0.00
37	Pashamylaram Textiles Park	2013-14	0.05	0.00	0.96	1.01	0.00	1.01	0.13	0.13	0.01
38	Telangana Rajiv Swagruha Corporation Limited	First Accounts Not Due	ND	ND	ND	ND	ND	ND	ND	ND	ND

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
39	Telangana State Industrial Development Corporation Limited	First Accounts not submitted	0.01	0.00	34.48	34.49	3.36	37.85	-0.94	-0.94	2.45
40	Telangana State Industrial Infrastructure Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
41	Telangana State Mineral Development Corporation Limited	First Accounts not submitted	0.05	0.00	60.11	60.16	0.00	60.16	43.33	27.08	238.14
42	Telangana State Tourism Development Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
43	The Nizam Sugars Limited	2017-18	34.00	0.00	-247.19	-213.19	55.95	-157.24	6.84	0.01	0.00
	Total B – I		**34.16**	**0.00**	**-151.74**	**-117.58**	**59.31**	**-58.27**	**49.35**	**26.27**	**240.60**
	II. Working Statutory Corporations										
44	Telangana State Financial Corporation	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
45	Telangana State Road Transport Corporation	First Accounts not submitted	83.89	0.00	-4037.15	-3953.26	2911.83	-1041.43	-580.20	-748.85	3804.87
46	Telangana State Warehousing Corporation	First Accounts not submitted	3.74	0.55	206.17	209.36	3.16	212.52	26.53	17.51	138.69
	Total B – II		**87.63**	**0.55**	**-3830.98**	**-3743.90**	**2914.99**	**-828.91**	**-553.67**	**-731.34**	**3943.56**
	III. Non-Working Government Companies										
47	Proddutur Milk Foods Limited	1983-84	1.96	0.00	0.00	1.96	0.00	1.96	0.00	0.00	0.00
48	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 Months)	15.00	0.00	-5.24	9.76	0.00	9.76	0.00	0.00	0.00
49	Allwyn Auto Limited	1994-95	0.15	0.00	-13.54	-13.39	14.45	1.06	-6.46	-6.46	0.00
50	Allwyn Watches Limited	1998-99	0.15	0.00	-248.70	-248.55	64.93	-183.62	-70.69	-70.69	13.00
51	Andhra Pradesh Electronics Development Corporation Limited	2002-03	12.72	0.00	-10.74	1.98	0.68	2.66	-0.74	-0.75	0.00

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
52	Andhra Pradesh Steels Limited	1991-92	2.03	0.00	-6.51	-4.48	2.12	-2.36	-2.09	-2.09	0.00
53	Aptronix Communications Limited		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
54	Hyderabad Chemicals and Fertilizers Limited	1984-85	0.78	0.00	-0.63	0.15	8.25	8.40	0.62	0.62	0.00
55	Marine and Communication Electronics (India) Limited	1992-93	1.89	0.00	-4.21	-2.32	4.77	2.45	-4.70	-4.70	0.00
56	Republic Forge Company Limited	1991-92	7.77	0.00	-23.41	-15.64	54.77	39.13	-3.24	-3.24	0.00
57	Southern Transformers and Electricals Limited	1993-94	0.58	0.00	-5.78	-5.20	0.78	-4.42	-0.57	-0.57	0.00
58	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	0.75	0.00	-0.77	-0.02	0.00	-0.02	0.00	0.00	0.00
59	Golkonda Abrasives Limited	1997-98	0.55	0.00	-7.44	-6.89	0.00	-6.89	-0.01	-0.01	0.00
60	Krishi Engineering Limited	1984-85	0.52	0.00	-3.54	-3.02	0.00	-3.02	-0.52	-0.52	0.00
61	PJ Chemicals Limited	1989-90	0.38	0.00	-3.56	-3.18	0.00	-3.18	-0.51	-0.51	0.00
62	Vidyut Steels Limited	1985-86	0.88	0.00	-1.55	-0.67	0.00	-0.67	-0.40	-0.40	0.00
63	APMDC-SCCL Suliyari Coal Company Limited	First Accounts not submitted	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total B – III		**46.11**	**0.00**	**-335.62**	**-289.51**	**150.75**	**-138.76**	**-89.31**	**-89.32**	**13.00**
	Total B (I+II+III)		**167.90**	**0.55**	**-4318.34**	**-4150.99**	**3125.05**	**-1025.94**	**-593.63**	**-794.39**	**4197.16**
C	**Others**										
	I. Working Government Companies										
64	Telangana State Beverages Corporation Limited	2015-16	0.05	0.00	0.00	0.05	0.00	0.05	0.00	0.00	0.00
65	Telangana State Aviation Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
66	Telangana State Police Housing Corporation Limited	First Accounts not submitted	NF	NF	NF	NF	NF	NF	NF	NF	NF
67	Telangana State Technology Services Limited	2016-17	0.05	0.00	23.06	23.11	0.00	23.11	21.45	15.14	58.61
	Total C - I		**0.10**	**0.00**	**23.06**	**23.16**	**0.00**	**23.16**	**21.45**	**15.14**	**58.61**
	Total C (I)		**0.10**	**0.00**	**23.06**	**23.16**	**0.00**	**23.16**	**21.45**	**15.14**	**58.61**
	Grand Total (A+B+C)		**303.53**	**0.55**	**-4139.19**	**-3836.21**	**16644.00**	**12807.79**	**348.97**	**-678.86**	**16860.83**

Sl. No.	Sector & Name of the PSU	Period upto which accounts finalised	Paid up Capital	Deferred revenue Expenditure	Accumulated profit (+) / loss(-)	Net Worth	Long Term Loans	Capital Employed	Profit (+)/ Loss (-) before interest and tax	Net profit (+)/ Loss (-) after interest and tax	Turnover
1	2	3	4	5	6	7	8	9	10	11	12
	Grand Total Working Government Companies		**154.37**	**0.00**	**59.73**	**214.10**	**13555.67**	**13769.77**	**989.81**	**139.66**	**12904.25**
	Grand Total Working Statutory Corporations		**87.63**	**0.55**	**-3830.98**	**-3743.90**	**2914.99**	**-828.91**	**-553.67**	**-731.34**	**3943.56**
	Grand Total Working State PSUs (Non-Power Sector)		**242.00**	**0.55**	**-3771.25**	**-3529.80**	**16470.66**	**12940.86**	**436.14**	**-591.68**	**16847.81**
	Grand Total Non-working State PSUs (Non-Power Sector)		**61.53**	**0.00**	**-367.94**	**-306.41**	**173.34**	**-133.07**	**-87.17**	**-87.18**	**13.02**
	Grand Total 38 Working State PSUs (Non-Power Sector) where State Government invested funds		**241.87**	**0.55**	**-3767.42**	**-3526.10**	**16470.66**	**12944.56**	**436.17**	**-591.65**	**16846.92**

The data in column no.s 4 to 12 is as per the information furnished by PSUs for the year 2017-18.
NF = Not Furnished, ND = Not Due.

Annexure 7
Statement showing excess contribution of employer's share of EPF
(Referred to in paragraph 5.2)

In respect of employees in Head Quarters Office

(Figures in Columns 3 to 10 are in ₹)

Month	No. of employees in Head Quarters Office	Total EPF wages	EPF wages limited to wage ceiling*	Employee's EPF Contribution	EPF Contribution made by employer for no. of employees having EPF wages more than wage ceiling*		Actual EPF contribution to be made by the employer considering the wage ceiling*		Excess contribution towards EPF made by employer
					EPF$	EPS @ 8.33 %	EPF @ 3.67 %	EPS @ 8.33 %	
1	2	3	4	5	6	7	8	9	10
Jun-14	47	1798186	305500	215781	192679	23102	11212	25448	179121
Jul-14	44	1715382	286000	205852	183671	22181	10496	23824	171532
Aug-14	44	1662984	286000	199562	177381	22181	10496	23824	165242
Sep-14	40	1683185	600000	196468	148968	47500	22020	49980	124468
Oct-14	41	1831568	615000	215239	166489	48750	22571	51230	141439
Nov-14	43	1893451	645000	226016	172388	53628	23672	53729	148616
Dec-14	44	1948859	660000	229497	178247	51250	24222	54978	150297
Jan-15	43	1873560	645000	221035	171035	50000	23672	53729	143635
Feb-15	44	930964	660000	225684	173893	51791	24222	54978	146484
Mar-15	43	1893288	645000	227198	167366	59832	23672	53729	149798
Apr-15	43	2086533	645000	246880	192930	53750	23672	53729	169480
May-15	43	4449730	645000	243737	191237	52500	23672	53729	166337
Jun-15	44	4195973	660000	499886	388636	111250	24222	54978	420686
Jul-15	45	2014744	675000	241303	185134	56169	24773	56228	160303
Aug-15	47	1991563	705000	238990	178776	60214	25874	58727	154390
Sep-15	42	2006059	630000	240723	189473	51250	23121	52479	165123
Oct-15	43	2397406	645000	227177	178427	48750	23672	53729	149777
Nov-15	42	1891376	630000	223804	173437	50367	23121	52479	148204
Dec-15	40	1835907	600000	216691	167941	48750	22020	49980	144691
Jan-16	52	2255741	780000	260445	200445	60000	28626	64974	166845
Feb-16	53	2269179	795000	268206	205663	62543	29177	66224	172806
Mar-16	52	2340277	780000	275587	214337	61250	28626	64974	181987
Apr-16	53	4869393	795000	580235	454146	126089	29177	66224	484835
May-16	55	2659343	825000	305310	242810	62500	30278	68723	206310
Jun-16	54	2544521	810000	299970	237425	62545	29727	67473	202770
Jul-16	57	2638977	855000	296475	231236	65239	31379	71222	193875
Aug-16	53	2428863	795000	286449	225199	61250	29177	66224	191049
Sep-16	55	2509063	825000	299070	235450	63620	30278	68723	200070
Oct-16	57	2739388	855000	323939	255189	68750	31379	71222	221339
Nov-16	48	2090770	720000	246782	190532	56250	26424	59976	160382
Dec-16	47	2065606	705000	241014	187264	53750	25874	58727	156414
Jan-17	51	2215641	765000	261536	201536	60000	28076	63725	169736
Feb-17	51	2110686	765000	249417	191917	57500	28076	63725	157617
Mar-17	50	2298148	750000	259351	200146	59205	27525	62475	169351
TOTAL									**6235009**

* ₹ 6,500.00 upto August 2014 and ₹ 15,000.00 from September 2014 onwards.

$ 12 *per cent* of Total EPF wages (without wage ceiling) - EPS contribution.

In respect of employees in District Offices

(Figures in Columns 3 and 4 are in ₹)

Month	No. of CPF Employees in District Offices	Average excess EPF contribution for the month	Total Excess EPF Contribution
1	2	3	4
Jun-14	378	3255.95	1230749
Jul-14	381	3255.95	1240516
Aug-14	365	3255.95	1188421
Sep-14	343	2846.27	1001887
Oct-14	352	2846.27	976271
Nov-14	351	2846.27	999041
Dec-14	354	2846.27	1007580
Jan-15	344	2846.27	979117
Feb-15	347	2846.27	987656
Mar-15	338	2846.27	962039
Apr-15	337	2846.27	959193
May-15	341	2846.27	970578
Jun-15	343	2846.27	976271
Jul-15	322	2846.27	916499
Aug-15	316	2846.27	899421
Sep-15	330	2846.27	939269
Oct-15	324	2846.27	922191
Nov-15	314	2846.27	893729
Dec-15	320	2846.27	910806
Jan-16	314	2846.27	893729
Feb-16	328	2846.27	933577
Mar-16	317	2846.27	902268
Apr-16	313	2846.27	890883
May-16	297	2846.27	845342
Jun-16	303	2846.27	862420
Jul-16	289	2846.27	822572
Aug-16	294	2846.27	836803
Sep-16	296	2846.27	842496
Oct-16	286	2846.27	814033
Nov-16	293	2846.27	833957
Dec-16	298	2846.27	848188
Jan-17	285	2846.27	811187
Feb-17	267	2846.27	759954
Mar-17	315	2846.27	896575
Total Excess EPF Contribution for District Offices			**31755217**
Total Excess EPF Contribution for Head Quarters Office			**6235009**
GRAND TOTAL			**37990226**

Excess EPF contribution in respect of Employees in District Offices for the month of July 2014

(Figures in Columns 3 to 10 are in ₹)

District Office	Nos. of employees with EPF wages more than wage ceiling*	Total EPF wages	EPF wages limited to wage ceiling*	Employee's EPF contribution	EPF contribution made by employer for no. of employees having wages more than wage ceiling*		Actual EPF contribution to be made by the employer considering the wage ceiling*		Excess contribution towards EPF made by employer
					EPF$	EPS @ 8.33 %	EPF @ 3.67 %	EPS @ 8.33 %	
1	2	3	4	5	6	7	8	9	10
Mahbubnagar	31	1018967	201500	122282	105511	16771	7395	16785	98102
Rangareddy	61	2125681	396500	255079	223701	31378	14552	33028	207499
Hyderabad	66	2164327	429000	259722	225639	34083	15744	35736	208242
Nizamabad	28	1105008	182000	132602	109880	22722	6679	15161	110762
Medak	37	1171324	240500	149150	128592	19476	8826	20034	119208
Karimnagar	28	967429	182000	116096	101170	14926	6679	15161	94256
Adilabad	26	849640	169000	101959	88434	13525	6202	14078	81679
Warangal	35	1028486	227500	123418	106088	17330	8349	18951	96118
Khammam	24	780514	156000	93666	81764	11902	5725	12995	74946
Nalgonda	39	1226443	253500	147175	126076	21099	9303	21117	116755
ZM-Hyderabad	3	153057	19500	18366	16743	1623	716	1624	16026
ZM-Karimnagar	1	66036	6500	7924	7383	541	239	541	7144
ZM-Nalgonda	2	94485	13000	11339	10257	1082	477	1083	9779
TOTAL:	381								**1240516**
Average excess contribution for the month									**3255.95**

* ₹ 6,500.00 upto August 2014 and ₹ 15,000.00 from September 2014 onwards.

$ 12 *per cent* of Total EPF wages (without wage ceiling) - EPS contribution.

Excess EPF contribution in respect of Employees in District Offices for the month of October 2014

(Figures in Columns 3 to 10 are in ₹)

District Office	Nos. of employees with EPF wages more than wage ceiling*	Total EPF wages	EPF wages limited to wage ceiling*	Employee's EPF contribution	EPF contribution made by employer for no. of employees having wages more than wage ceiling*		Actual EPF contribution to be made by the employer considering the wage ceiling*		Excess contribution towards EPF made by employer
					EPF$	EPS @ 8.33 %	EPF @ 3.67 %	EPS @ 8.33 %	
1	2	3	4	5	6	7	8	9	10
Mahbubnagar	29	1098263	435000	131792	95540	36252	15965	36236	79592
Rangareddy	60	2373848	900000	284848	212386	72462	33030	74970	176848
Hyderabad	66	2524468	990000	302925	224531	78394	36333	82467	184125
Nizamabad	24	806350	360000	96761	65617	31144	13212	29988	53561
Medak	32	1233857	480000	148066	106960	41106	17616	39984	90466
Karimnagar	21	883252	315000	105983	78971	27012	11561	26240	68183
Adilabad	24	955540	360000	114659	83413	31246	13212	29988	71459
Warangal	27	930630	405000	111663	77745	33918	14864	33737	63063
Khammam	25	1102866	375000	132340	100242	32098	13763	31238	87340
Nalgonda	38	1339996	570000	160802	112056	48746	20919	47481	92402
ZM-Hyderabad	3	171505	45000	20580	16830	3750	1652	3749	15180
ZM-Karimnagar	1	140028	15000	16804	14304	2500	551	1250	15004
ZM-Nalgonda	2	68879	30000	8264	7014	1250	1101	2499	4664
TOTAL:	**352**								**1001887**
Average excess contribution for the month									**2846.27**

* ₹ 6,500.00 upto August 2014 and ₹ 15,000.00 from September 2014 onwards.

$ 12 *per cent* of Total EPF wages (without wage ceiling) - EPS contribution.

Annexure 8
(Referred to in paragraph 1.6.1)

Department-wise details of Outstanding Inspection Reports (IRs) and Paragraphs as on 30 September 2018

Sl. No.	*Department*	*Number of outstanding*		*Earliest year of the outstanding IRs*	*Number for which even first replies have not been received*	
		IRs	**Paragraphs**		**IRs**	**Paragraphs**
1.	Agriculture and Cooperation	391	1754	1992-93	49	651
2.	Animal Husbandry and Fisheries	120	638	2002-03	16	117
3.	Energy	6	35	2008-09	1	15
4.	Environment, Forests, Science and Technology	270	942	1999-2000	18	156
5.	Industries and Commerce	93	364	1993-94	10	98
6.	Irrigation and Command Area Development (Irrigation Wing)	788	2599	1991-92	67	403
7.	Information Technology, Electronics and communications	8	70	2004-05	-	-
8.	Transport, Roads and Buildings	246	830	1999-2000	25	158
9.	Works and Projects Wing of Finance Department	24	131	2005-06	5	47
10.	Autonomous Bodies	26	377	2003-04	1	11
Total		**1972**	**7740**		**192**	**1656**

Annexure 9
(Referred to paragraph 1.6.1)

Year wise breakup of outstanding Inspection Reports and Paragraphs for which first replies have not been received

Year	Number of Outstanding		Number for which even first replies have not been received	
	IRs	Paragraphs	IRs	Paragraphs
2012-13 and earlier years	1410	3982	-	-
2013-14	96	478	-	-
2014-15	97	528	-	-
2015-16	150	890	-	-
2016-17	102	816	-	-
2017-18	117	1046	96	865
Total	**1972**	**7740**	**96**	**865**

GLOSSARY

Glossary

1 Hectare	2.47105 Acres
1 KW	1,000 Watt hours
1 MW (Mega Watt)	1,000 KW or 10,00,000 Watt hours
1 Watt	Unit of energy consumption per hour
328 cumec per day of discharge	1 TMC (approximately) of quantity of water
AAQMS	Ambient Air Quality Monitoring System
ACQ	Annual Contracted Quantity
AP	Andhra Pradesh
APC	Auxiliary Power Consumption
APERC	Andhra Pradesh Electricity Regulatory Commission
APPFCL	Andhra Pradesh Power Finance Corporation Limited
AROE	Additional Return on Equity
ASC	Authorised Share Capital
ATN	Action Taken Note
BDA	Business Development Agencies
BDTC	Biogas Development and Training Centre
BG	Bio-Gas
BHEL	Bharat Heavy Electricals Limited
BOD	Board of Directors
BOP	Balance of Plant
BTG	Boiler, Turbine and Generator
CAG	Comptroller and Auditor General of India
CC	Compensation Cess, Completion Certificates
CCDAC	Coal Conservation and Development Advisory Committee
CCEA	Cabinet Committee on Economic Affairs
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGP	Captive Generating Plant
CMD	Chairman and Managing Director
COD	Commercial Operation Date
COME	Continuous Online Monitoring Equipment
CoPU	Committee on Public Undertakings
CPCB	Central Pollution Control Board
CSR	Corporate Social Responsibility
Cumec	Cubic meter per second
Cusec	Cubic feet per second
CVC	Central Vigilance Commission
CWC	Central Water Commission
DISCOM	State Power Distribution Companies
DO	District Office
DPR	Detailed Project Report
DPS	Delayed Payment Surcharge
EDLI	Employees' Deposit Linked Insurance
EIA	Environment Impact Assessment
EOT	Extension of Time
EPC	Engineering, Procurement and Construction
EPF	Employees' Provident Fund
EPS	Employees' Pension Scheme
EPTRI	Environment Protection Training and Research Institute

ER	Eastern Railway
ESP	Electro Static Precipitator
FGD	Fuel Gas Desulphurisation
FSA	Fuel Supply Agreement/ Fuel Surcharge Adjustment
GCV	Gross Calorific Value
GoAP	Government of Andhra Pradesh
GoI	Government of India
GoT/ GoTS	Government of Telangana State
GTCS	General Terms and Conditions of Supply
HT	High Tension
ICB	International Competitive Bidding
IDC	Interest During Construction
Kcal	Kilo Calories
Kg	Kilo Grams
KL	Kilo Litres
KM	Kilo Meters
KMS	Kharif Marketing Season
kWh	Kilo Watt Hour
LD	Liquidated Damages
LOA	Letter of Assurance
LT	Low Tension
MC	Milling Charges
MFD	Maximum Flood Discharge
MMTPA	Million Metric Tonnes Per Annum
MNRE	Ministry of New and Renewable Energy
MoC	Ministry of Coal
MoEF	Ministry of Environment and Forests
MoP	Ministry of Power
MoU	Memorandum of Understanding
MPP	Mega Power Project
MSL	Mean Sea Level
MU	Million Units
MW	Mega Watt
NAAQ	National Ambient Air Quality
NBFC	Non-Banking Finance Company
NCDP	New Coal Distribution Policy
NO_x	Oxides of Nitrogen
NTPC	National Thermal Power Corporation Limited
O&M	Operation and Maintenance
PFC	Power Finance Corporation
PGT	Performance Guarantee Test
PLF	Plant Load Factor
PM	Particulate Matter
PMC	Project Management Consultant
PPA	Power Purchase Agreement
PSC	Paid-up Share Capital
PSU	Public Sector Undertaking
Qtl.	Quintal
RCE	Revised Capital Estimates
REC	Rural Electrification Corporation
RITES	Rail India Technical and Economic Services (RITES) Limited
RK	Ramakrishnapur
RoCE	Return on Capital Employed

RoE	Return on Equity
RS	Railway Siding
RSPMC	Railway Siding Project Management Consultant
SAR	Separate Audit Report
SCR	South Central Railways
SDG	Sustainable Development Goals
SE	Superintending Engineer
SERC	State Electricity Regulatory Commission
SEW	Self-Employment Workers
SHR	Station Heat Rate
SNA	State Nodal Agency
SO_2	Sulphur Oxide
SRP	Srirampur
SSR	Standard Schedule of Rates
STP	Sewerage Treatment Plant
STPP	Singareni Thermal Power Plant
TC	Transport Charges
TPP	Thermal Power Plant
TSERC	Telangana State Electricity Regulatory Commission
TSGENCO	Telangana State Power Generation Corporation Limited
TSNPDCL	Northern Power Distribution Company of Telangana Limited
TSPCB	Telangana State Pollution Control Board
TSSPDCL	Southern Power Distribution Company of Telangana Limited
VC&MD	Vice Chairman & Managing Director
WP	Writ Petition