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Report of the Comptroller and Auditor General of India on Public Sector Undertakings For the year ended March 2014

Government of Andhra Pradesh

Report No. 4 of 2015

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Comptroller and Auditor General of India
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Preface

This report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2014.

The accounts of Government Companies (including companies deemed to be Government Companies as per the provisions of the Companies Act, 1956) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956. The accounts certified by the statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by 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.

Reports in relation to the accounts of a Government Company or a Statutory Corporation are submitted to the Government of Andhra Pradesh by CAG for laying before State Legislature of Andhra Pradesh under the provisions of Section 19-A of the CAG's (Duties, Powers and Conditions of Service) Act,1971.

In respect of Andhra Pradesh State Road Transport Corporation which is a Statutory corporation, the CAG is sole auditor. As per the State Financial Corporation (Amendment) Act, 2000, the CAG has right to conduct audit of accounts of Andhra Pradesh State Financial Corporation (APSFC) in addition to audit conducted by Chartered Accountants appointed by the APSFC Corporation out of panel of auditors approved by the Reserve Bank of India. In respect of Andhra Pradesh State Warehousing Corporation, the CAG has the right to conduct audit of accounts in addition to audit conducted by the Chartered Accountant appointed by State Government in consultation with the CAG. Audit Reports on the annual accounts of all these corporations/ Commission are forwarded separately to State Government.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous reports; matters relating to the period subsequent to 2013-14 have also been included, wherever necessary.

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

OVERVIEW

1. Overview of State Public Sector Undertakings

The State Public Sector Undertakings (PSUs), consisting of State Government Companies and Statutory Corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. In Andhra Pradesh, the State PSUs occupy an important place in the State economy. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory corporations is governed by their respective legislations.

- As on 31 March 2014, the State of Andhra Pradesh had 55 working PSUs (52 companies and three Statutory Corporations) and 22 non-working PSUs (all companies). As of the same date the investment (capital and long-term loans) in these 77 PSUs (including 619-B companies) was ₹ 76,239.06 crore. The investment has grown by 88.39 *per cent* from ₹ 40,469.51 crore in 2008-09 to ₹ 76,239.06 crore in 2013-14. Thrust of investment was mainly in the power sector PSUs.
- During 2013-14, the total outgo from the budget of the Government of Andhra Pradesh (GoAP) was ₹ 14704.94 crore, of which equity capital outgo was ₹ 27.33 crore, loans outgo ₹ 1,726.53 crore and grants/ subsidies ₹ 12,951.08 crore.
- There was a difference of ₹ 2,934.00 crore in equity, ₹ 1,614.59 crore in loans and ₹ 7,450.90 crore in guarantees as per the Finance Accounts and the records of PSUs, which needs to be reconciled.
- Out of 55 working PSUs, only 17 PSUs had finalised their annual accounts for 2013-14. The total number of annual accounts in arrears was 84, with arrears ranging from one to nine years.
- Out of the 17 PSUs that had finalised their accounts for 2013-14, seven PSUs earned an aggregate profit of ₹ 1,146.34 crore, eight PSUs incurred a loss of ₹ 1,386.05 crore, one PSU neither earned profit nor loss and one PSU has not started its commercial operations & hence has not prepared profit & loss account. The main profit earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 555.76 crore), Singareni Collieries Company Limited (₹ 418.74 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 102.77 crore). The main loss-incurring PSU was Central Power Distribution Company of Andhra Pradesh Limited (₹ 811.24 crore).

(Chapter I)

2. Performance Audit relating to Government companies

Performance Audit of **Underground Mining Activities in The Singareni Collieries Company Limited** and **Activities of Andhra Pradesh State Agro Industries Development Corporation Limited** were conducted**.** Executive summaries of audit findings are given below:

Underground Mining Activities in The Singareni Collieries Company Limited

Introduction

The Singareni Collieries Company Limited (SCCL/ Company) was incorporated in December 1920 with main objective of development of mines for extraction of coal in the state of Andhra Pradesh. As most of the mines up to a depth of 350 metres have already been opened up by the Company either by underground or opencast method, all future mines will have to be operated in a depth range of 350 metres to 600 metres. Hence incremental production has to come mainly from underground (UG) mining.

Production and Profitability

The production from UG mines was continuously decreasing during 2009-14, except for an increase in 2012-13. In case of UG mining, cost of production increased by 54.79 *per cent* whereas sales realisation increased only by 28.46 *per cent* during the period. The losses increased by 135.63 *per cent*.

Under utilization of Machinery

Overall percentage of machine utilization during the five year period was only 35.85 *per cent*. There was overall shortfall in targeted production from UG mines and 54.41 *per cent* of that shortfall was attributable to under-performance of Side Dump Loaders (SDLs). The Company was using a large number of SDLs past their useful lives which were yet to be surveyed off.

Planning and execution of projects for introduction of Longwall method (LW)

The Company had planned to introduce the state of the art Longwall technologies for bulk production from UG mines in four new projects with a total estimated capital outlay of ₹ 1,608.68 crore and production capacity of 9.01 MT.

The four longwall projects (KTK, Shanthikhani, Adriyala and Jallaram) though planned to achieve total additional production of 9.01 MT by 2012-13, could not commence production till June 2014, for which expenditure of ₹ 1,405.80 crore was incurred till March 2014.

Contrary to the Board's approval for preparation of Notice Inviting Tender (NIT) for global tenders on risk and gain sharing basis, the Company engaged a private consultancy firm for preparation of NIT and identification of a technology provider-cum-operator (TPO). As the TPO failed to obtain the necessary approvals and clearances, Company terminated the agreement in March 2014. The Company had spent ₹ 125.16 crore till March 2014.

Expenditure of ₹ 61.67 crore incurred on Shanthikhani longwall project became unfruitful due to unreasonable delays in decision making at every stage.

Combining two high cost projects, i.e. Jallaram and Adriyala, without assessing the feasibility of implementation and subsequent deferment of Jallaram project has adversely impacted the productivity and viability of Adriyala mine. Failure to take into account the planned overburden (OB) dump before planning the project led to loss of safety in the UG mine.

Irregularities in award of contracts for processing sand from Overburden

The Company decided to process sand from the OB for which four contracts were awarded during the last five years. Amendments to NIT were issued for supply of water and power free of cost to the Contractor instead of chargeable basis without the approval of competent authority. Financial impact of these was ₹ 101.38 crore.

Sales Realization

Loss incurred due to selling coal as Run of the Mine (ROM) coal instead of crushed coal worked out to ₹ 28.40 crore during the period from 2009-10 to 2013-14. Sale of coal without separating into B-grade and D-grade in Vakilpalli mine resulted in loss of revenue of ₹ 29.56 crore in 2012-13.

Manpower

Special Incentive scheme was designed without considering the additional financial burden compared to additional production over the target in case of UG mines.

Environment

Failure to complete the projects on schedule necessitated the company to resort to mining in excess of EC capacity in violation of Environment Laws.

(Chapter 2.1)

Activities of Andhra Pradesh State Agro Industries Development Corporation Limited

Introduction

Andhra Pradesh State Agro Industries Development Corporation (APS Agros) Limited was established on 5 March 1968 to help in growth and modernisation of agriculture, horticulture, sericulture and other allied sectors of the State. The Company is engaged primarily in Land Development Activity (LDA) and is the nodal agency for supply of farm machinery and agriculture inputs to beneficiary farmers. Other activities of the Company include trading of fertilizers and pesticides through Agro Rythu Seva Kendras (ARSK) and maintenance of Agro Service Centres (ASC) for distribution of agricultural implements and sale of tyres, tubes and batteries for government departments. It has two mango processing units at Nuzivedu and Tirupati for exporting mangoes to Japan.

Financial Position

The Company earned profit of ₹ 8.51 crore in 2011-12 and incurred loss of ₹ 2.91 crore in 2012-13 and loss further increased to ₹ 9.14 crore in 2013-14 due to decrease in allocation of business by the Agriculture and Horticulture departments.

Implementation of schemes:

A) Construction of display centres:

Government released (September 2011 & November 2012) ₹ 10.80 crore for construction of farm machinery display centres in Phase-I and Phase-II. Without utilising the sheds constructed under phase-I at a cost of ₹ 3.13 crore, Company further initiated action for construction of display centres under phase-II.

B) Machinery repair centres:

The government released (September 2011 to September 2013) ₹ 1.11 crore for imparting training to unemployed youth to open ‘machinery repair centres’. Company identified and trained only 119 candidates against 1,100 candidates proposed under scheme, by spending ₹ 12.73 lakh and only one trainee opened the repair centre.

C) Construction of Godowns:

Government released (November, 2012) an amount of ₹ 4.01 crore for construction of godowns, at Chintal, Hyderabad. The Company did not commence the works and kept the funds in fixed deposits. Government further released (September, 2013) an amount of ₹ three crore during 2013-14, but the Company dropped the proposal of construction of godown citing paucity of time and surrendered ₹ one crore. Remaining amount of ₹ two crore was proposed to be utilised for procurement of machinery (₹ 1.87 crore) for display centres and machinery repair centre (₹ 0.13 crore). The Company failed to utilise these funds till date (July 2014).

D) Fruit processing plants for export of mangoes:

The Company constructed (2008-09) two fruit processing plants at Nuziveedu (Krishna district) and Tirupati (Chittoor district), at a cost of ₹ 26.40 crore, with an objective of exporting mangoes. But the plants were kept idle without utilisation/ exporting mangoes, rendering the entire expenditure futile.

Agro Service Centres (ASCs)

Unauthorised reduction of service charges from four *per cent* to two *per cent*, by Commissioner and Director of Agriculture, resulted in loss of business. Lack of proper monitoring of Agro Rythu Seva Kendras (ARSKs) resulted in non-renewal of agreements with them resulting in loss of ₹ 82.92 lakh.

Ineffective Land Development Activity (LDA)

Company did not achieve the targeted hours of operation of land development machinery, as well as financial targets in any of the years during the period of review.

The Company revised the rate per hour for land machinery factoring oil cost only and ignoring changes in the other fixed and variable costs which resulted in loss in LDA activity of ₹ 1.39 crore during the five year review period.

Inefficient management of lands and other properties

The Company, on orders of Government, retransferred (1994-96) two lands to other State Government departments and did not receive compensation of ₹ 20.39 lakh, even after 20 years of their transfer due to non pursuance with the departments.

Company took possession (2005) of lands at Hyderabad (23.28 acres) and Bellampally (543.15 acres) from its subsidiary Company i.e. Hyderabad Chemicals and Fertilisers (HCF). Even 10 years after taking possession of the lands, Company had not planned utilisation of the lands which were lying idle.

Internal control mechanism

Monthly review meetings with regional managers to analyse the working of various activities in the regions were not being conducted, which resulted in lack of proper internal control and supervision. Idling of surplus funds in current accounts resulted in loss of interest of ₹ 6.70 crore.

(Chapter 2.2)

3. Compliance Audit Observations

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

Loss of ₹ 1939.50 crore in five cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 3.1.3.8, 3.2.3.1, 3.2.3.6, 3.2.3.7 and 3.3.3.1)

Loss of ₹ 727.10 crore in ten cases due to non-safeguarding the financial interest of organization.

(Paragraphs 3.1.3.3, 3.1.3.4, 3.1.3.5, 3.1.3.7, 3.2.3.2, 3.2.3.3, 3.2.3.4, 3.2.3.6, 3.4 and 3.5)

Loss of ₹ 947.00 crore in two cases due to defective/ deficient planning.

(Paragraphs 3.1.3.2 and 3.3.3.2)

Loss of ₹ 68.48 crore in one case due to inadequate/ deficient planning.

(Paragraphs 3.1.3.6)

Gist of some of the important audit observations is given below:

The Singareni Collieries Company Limited started outsourcing of OB removal works in OC mines in 1992 apart from removal through its own equipment. There was backlog of OBR in 12 OC mines due to delays in award of contracts inspite of outsourcing. The Company awarded OBR contracts at composite weighted average rates instead of bench-wise rates resulting in avoidable expenditure. Contracts were awarded at different rates in same mine resulting in extra expenditure. The Company did not maintain Performance record and fleet of equipment held by the contractors resulting in termination of contracts at incomplete stages. Re-awarding of unexecuted quantities at higher rates resulted in additional expenditure of ₹ 68.48 crore. Contracts were awarded with costlier combination of HEMM resulting in additional expenditure of ₹ 364.80 crore. Payment terms of bonus for less consumption of diesel were changed from 1 April 2012 at the request of the contractors and paid ₹ 45.07 crore before closure of the contracts.

(*Paragraph 3.1*)

Transmission Corporation of Andhra Pradesh Limited and Distribution Companies of Andhra Pradesh Limited Andhra Pradesh Power Co-ordination Committee (APPCC) did not verify documents viz., invoices, ledgers, certified annual accounts etc., before making the payments to Independent Power Producers (IPPs); Public issues expenses of ₹ 10.40 crore though not actually incurred were not reduced from the Capital cost ceilings, resulting in excess payment of ₹ 1.92 crore per annum; adopting station Heat Rate (SHR) of 1,850 kcal/ kWh instead of actual SHR of 1,611 kcal/ kWh for payment of variable charges, resulted in undue favour to an IPP and extra expenditure of ₹ 256 crore; did not collect ₹ 3.64 crore from IPPs on par with other industrial consumers for supply of power; irregularly paid cash advances of ₹ 965 crore during 2010-12 to an IPP; did not avail rebate of ₹ 7.77 crore by insisting on provisional billing as per PPA; paid transmission charges of ₹ 7.59 crore without receiving power from an IPP; did not recover penalty of ₹ 23.30 crore from short term power suppliers for short/ no supply of power.

(*Paragraph 3.2*)

Central Power Distribution Company of Andhra Pradesh Limited & Northern Power Distribution Company of Andhra Pradesh Limited did not develop reliable agricultural power consumption data either by installing meters or by using APERC approved methodology for estimation. Subsidy to the two DISCOMs on free power supply quantity of 4398.93 MU was disallowed by APERC/Government resulting in loss of ₹ 1861.44 crore during 2010-14 to the DISCOMs.

(*Paragraph 3.3*)

Andhra Pradesh Power Generation Corporation Limited reversing its earlier Board decision procured costlier Ductile Iron (DI) pipes for the water supply pipeline of Kakatiya Thermal Power Plant - Stage II instead of MS pipes resulting in an avoidable extra cost of ₹ 43.30 crore.

(Paragraph 3.4)

Andhra Pradesh State Road Transport Corporation, though court decreed to recover with interest an amount of ₹ 85.18 lakh long outstanding from a private party, accepted an out of court settlement with the party and waived ₹ 42.40 lakh without due approval.

(Paragraph 3.5)

(Chapter III)

Chapter I

1. Overview of State Public Sector Undertakings

1.1 Introduction

1.1.1 The State Public Sector Undertakings (PSUs), consisting of State Government Companies and Statutory Corporations, are established to carry out activities of commercial nature, while keeping in view the welfare of the people. In Andhra Pradesh, as on 31 March 2014, there were 77 PSUs as per details given in table 1.1. None of these was, however, listed on the stock exchanges. They employed a total of 2.57 lakh employees as of 31 March 2014.

Table 1.1 –Total number of PSUs

Type of PSUs	Working PSUs	Non-working PSUs[1]	Total
Government Companies	52[2]	22[3]	74
Statutory Corporations	3	-	3
Total	**55**	**22**	**77**

Source: Information furnished by the State Government and PSUs

1.1.2 Out of 55 working State PSUs, 17 PSUs[4] had finalised their annual accounts for 2013-14 as of September 2014, registering a turnover of ₹ 62437.53 crore, which was equal to 7.30 *per cent* of the State Gross Domestic Product (GDP)[5] for 2013-14. These 17 PSUs incurred an aggregate loss of ₹ 239.71 crore in 2013-14 and employed 1.23 lakh employees during the year. State PSUs do not include Departmental Undertakings (DUs), which carry out commercial operations under various Government Departments. Audit findings in respect of these DUs are incorporated, as appropriate, in other Audit Reports of the State.

1.1.3 Three PSUs, namely APMDC-SCCL Suliyari Coal Company Limited, E-City Manufacturing Cluster Limited and Maheswaram Science Park Limited were incorporated during the year 2013-14.

1.2 Audit Mandate

1.2.1 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617 of the Companies Act, 1956, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). Government companies also include

[1] Non-working PSUs are those which have ceased to carry on their operations.

[2] Includes six working companies under Sections 619-B of the Companies Act, 1956 (Sl. No. 6, 14, 15, 21, 32, and 44 of Part – A of Annexure 1.1).

[3] Includes six non-working companies under Sections 619-B of the Companies Act, 1956 (Sl. No. 16, to 21 of Part – C of Annexure 1.1).

[4] 16 Government Companies and 1 Statutory Corporation.

[5] State GDP for the year 2013-14 ₹ 8,54,822.00 crore

subsidiaries of Government companies. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

1.2.2 Accounts of State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956.

1.2.3 Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, CAG is the sole auditor for Andhra Pradesh State Road Transport Corporation. In respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, CAG supplements the audit conducted by their statutory auditors.

1.3 Investment in State PSUs

1.3.1 As on 31 March 2014, the investment (capital and long-term loans)[6] in 77 PSUs (including 619-B companies) was ₹ 76239.06 crore, as per details given below:

Table 1.2 – Investment in State PSUs

(₹ in crore)

Particulars	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	8730.74	59330.58	68061.32	414.89	7503.66	7918.55	75979.87
Non-working PSUs	74.66	184.53	259.19	-	-	-	259.19
Total	**8805.40**	**59515.11**	**68320.51**	**414.89**	**7503.66**	**7918.55**	**76239.06**

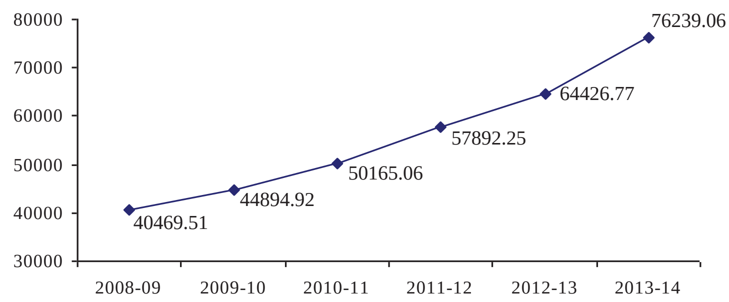
Source: Audited accounts of State PSUs for 2013-14 where available, or information furnished by the PSUs

A summarized position of Government investment in State PSUs is detailed in **Annexure-1.1**.

1.3.2 As on 31 March 2014, out of the total investment in State PSUs, 99.66 *per cent* were in working PSUs and the remaining 0.34 *per cent* in non-working PSUs. This total investment consisted of 12.09 *per cent* towards capital, the remaining 87.91 *per cent* being long-term loans. The investment has grown by 88.39 *per cent* from ₹ 40469.51 crore in 2008-09 to ₹ 76239.06 crore in 2013-14 as shown below.

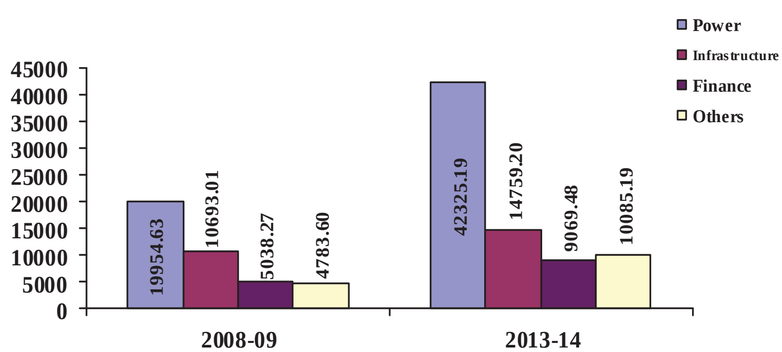
[6] Includes investment (capital and long-term loans) by the State Government, the Central Government and others.

Graph 1.1 Investment (Capital and long term loans) ₹ in crore



1.3.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in graph 1.2. Thrust of PSUs investment was mainly on power sector during the last five years, with the investment in this sector increasing in percentage terms from 49.31 *per cent* in 2008-09 to 55.52 *per cent* in 2013-14. The percentage in the infrastructure sector decreased from 26.42 in 2008-09 to 19.36 in 2013-14.

Graph 1.2 Sectoral Profile of increase in investment during 2008-14 (₹ in crore)



In absolute terms, during the period from 2008-09 to 2013-14, investment in power sector increased by ₹ 22370.56 crore, primarily due to increases in investment in respect of Andhra Pradesh Power Development Company Limited (₹ 9504.39 crore), Central Power Distribution Company of Andhra Pradesh Limited (₹ 3943.88 crore), Northern Power Distribution Company of Andhra Pradesh Limited (₹ 3259.54 crore), Andhra Pradesh Power Generation Corporation Limited (₹ 3390.90 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 1698.19 crore). The investment in infrastructure sector increased by ₹ 4066.19 crore, primarily due to increases in investment in Andhra Pradesh State Housing Corporation Limited (₹ 3392.45 crore) and Hyderabad Growth Corridor Limited (₹ 1185.68 crore).

1.4 Budgetary outgo, grants/ subsidies, guarantees, loans

1.4.1 The details regarding budgetary outgo from Government of Andhra Pradesh (GoAP) towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Annexure-1.4** The summarised details are given below for the three years ended 2013-14.

Table 1.3 – Details of budgetary outgo

(Amount ₹ in crore)

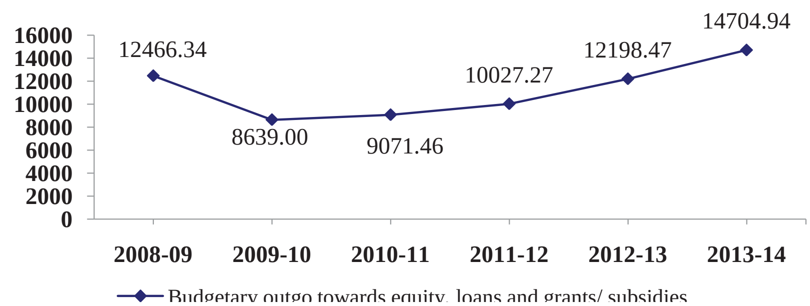
Sl. No	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity capital outgo from budget	05	46.67	05	37.99	04	27.33
2.	Loans given from budget	05	3035.07	04	1868.70	04	1726.53
3.	Grants/Subsidy given from budget	19	6945.53	17	10291.78	16	12951.08
4.	**Total Outgo**	**26**[7]	**10027.27**	**23**[7]	**12198.47**	**22**[7]	**14704.94**
5.	Interest/Penal interest written off	--	--	--	--	--	--
6.	Guarantees issued	04	4316.81	4	675.72	05	9381.43
7.	Guarantee Commitment	14	15279.62	13	14352.52	11	20463.81

Source: As provided by PSUs concerned

[7] The figure represents number of PSUs which have received outgo from the Budget under one or more heads i.e. equity, loans, grants and subsidies.

1.4.2 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given below in graph 1.3.

Graph 1.3 - Budgetary outgo towards equity, loans and grants/ subsidies (₹ in crore)



1.4.3 Budgetary outgo towards equity, loans and grants/subsidies increased from ₹ 12466.34 crore in 2008-09 to ₹ 14704.94 crore in 2013-14. Main beneficiaries of subsidy and grants from GoAP's budget were power and service sectors, which received 48.73 *per cent* (₹ 6311.10 crore) and 44.02 *per cent* (₹ 5701.28 crore) of total amount of subsidy and grants (₹ 12951.08 crore) respectively. Majority of loans given from budget was to infrastructure and power sectors, which received 85.52 *per cent* (₹ 1476.54 crore) and 8.68 *per cent* (₹ 149.91 crore) of total amount of loans (₹ 1726.53 crore) respectively.

1.4.4 The Government charges guarantee commission at concessional rate of half *per cent* to two *per cent* for term loans granted by Financial Institutions and Banks to various PSUs. Guarantee commission is payable as and when loans are guaranteed. Amount of guarantees outstanding increased from ₹ 15300.88 crore in 2008-09 to ₹ 20463.81 crore in 2013-14, showing an increase of 33.74 *per cent*. Guarantees mainly comprise amounts guaranteed for Central Power Distribution Company of Andhra Pradesh Limited, Northern Power Distribution Company of Andhra Pradesh Limited, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Road Transport Corporation. During the year 2013-14, the State Government received ₹ 0.55 crore[8] towards guarantee commission, leaving a due of ₹ 7.23 crore yet to be received.

1.5 Reconciliation with Finance Accounts

1.5.1 Figures in respect of equity, loans and outstanding guarantees of GoAP as per records of State PSUs should agree with corresponding figures appearing in the Finance Accounts of the State. In case of disagreement, concerned PSUs and Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2014 is stated in Table 1.4 which shows that the two sets of figures lack agreement.

[8] Andhra Pradesh Industrial Infrastructure Corporation Limited, Andhra Pradesh State Minorities Finance Corporation Limited and Southern Power Distribution Company of Andhra Pradesh Limited.

Table 1.4 – Differences between Finance Accounts and Records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs#	Difference
Equity	3395.44	6329.44	2934.00
Loans	15330.37	16944.96	1614.59
Guarantees	27914.71	20463.81	7450.90

Source: As per Finance Accounts and data as provided by respective PSUs.

 # Figures from Annual Accounts finalized for 2013-14 or information furnished by the State PSUs.

1.5.2 Audit observed that differences occurred in respect of 44 PSUs and some of the differences were pending reconciliation since long. The matter regarding the difference in figures relating to equity, loans and guarantees as per Finance Accounts and as per records of PSUs was taken up from time to time with the Finance Department of GoAP. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

1.6 Arrears in finalization of Annual Accounts

1.6.1 The accounts of companies for every financial year are required to be finalised within six months from the close of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. Table 1.5 provides the details of progress made by working PSUs in respect of finalisation of accounts by September each year.

Table 1.5 – Arrears in finalization of annual accounts of PSUs

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14*
1.	Number of Working PSUs	45	48	50	52	55
2.	Number of accounts finalised during the year	51	46	54	56	55
3.	Number of accounts in arrears	64	70	78	88	84[9]
4.	Average arrears per PSU (3/1)	1.42	1.46	1.56	1.69	1.53
5.	Number of Working PSUs with arrears in accounts	25	30	28	33	38
6.	Extent of arrears	1 to 12 years	1 to 10 years	1 to 7 years	1 to 8 years	1 to 9 years

**Position up to September 2014 as given in Annexure 1.5.*

1.6.2 As seen from Table 1.5, the number of PSUs with accounts in arrears increased from 64 in 2009-10 to 84 in 2013-14.

[9] Includes arrears of three Companies i.e., IGCARL for six years, Vizag Apparel Park for Exports for six years and A.P. Aviation Corporation Limited for 9 years.

1.6.3 As regards non-working companies, out of 22 such PSUs, 10 were under the process of liquidation, two were wound up and one was under process of merger. The remaining nine non-working PSUs were either under closure having no business activities or having no assets; besides, they had arrears of accounts for periods ranging from 10 to 29 years.

1.6.4 State Government had invested ₹ 18354. 31crore (equity: ₹ 8.44 crore, loans: ₹ 3740.26 crore, grants: ₹ 3906.75 crore and subsidy: ₹ 10698.86 crore) in 40 PSUs (38 working and 2 non-working PSUs) during the years between 2001-02 and 2013-14 for which accounts have not been finalised as detailed in **Annexure-1.5**. In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for, and the purpose for which the amounts were invested had actually been served. Thus, Government's investment in such PSUs remains outside the scrutiny of the State Legislature. Further, delays in finalisation of accounts may also result in risk of fraud and leakage of public money, apart from violation of the provisions of the Companies Act, 1956.

1.6.5 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 prescribed period. Though the concerned administrative departments and officials of the Government were informed of the arrears in finalisation of accounts, no effective remedial measures were taken.

1.7 Performance of PSUs

1.7.1 Out of 55 working PSUs, 17 PSUs (16 Government Companies and one Statutory Corporation) had finalised their annual accounts for 2013-14, as of September 2014. The investment (capital and long-term loans) in these 17 PSUs as on 31 March 2014 was ₹ 55435.54 crore, which represented 72.71 *per cent* of the investment in all State PSUs.

1.7.2 The financial position and working results in respect of these 17 PSUs which had finalised their annual accounts for 2013-14 are detailed in **Annexures – 1.2, 1.6 and 1.8**. Table 1.6 provides the details of turnover of working PSUs for the period from 2012-13 to 2013-14.

Table 1.6 –Turnover vis-à-vis State GDP

(₹ in crore)

Particulars	2012-13	2013-14
Turnover	38280.14	62437.53
State GDP	745782.00	854822.00
Percentage of turnover to State GDP	5.13	7.30
Net profit(+)/loss (-)	784.48	-239.71

Source: Accounts of PSUs and as per Finance Accounts

1.7.3 According to the latest finalised accounts, out of the 17 PSUs which finalised their accounts for 2013-14 (**Annexure 1.2**), 7 PSUs earned aggregate profit of ₹ 1146.34 crore, while 8 PSUs incurred loss of ₹ 1386.05 crore. One Company[10] is preparing accounts on no profit/ no loss basis and another[11] had not started its commercial operations. The main profit-earning PSUs were Andhra Pradesh Power Generation Corporation Limited (₹ 555.76 crore), the Singareni Collieries Company Limited (₹ 418.74 crore) and Transmission Corporation of Andhra Pradesh Limited (₹ 102.77 crore). The main loss-incurring PSU was Central Power Distribution Company of Andhra Pradesh Limited (₹ 811.24 crore).

1.7.4 Some other key parameters pertaining to the 17 PSUs, which had finalized their accounts for 2013-14 are given in table 1.7:

Table 1.7 – Key parameters pertaining to State PSUs

(₹ in crore)

Particulars	2012-13	2013-14
Return on capital employed (*per cent*)	1807.04 (6.47)	4765.39 (9.70)
Debt	23016.39	47112.48
Turnover	38280.14	62437.53
Debt/ Turnover Ratio	0.60:1	0.75:1
Interest Payments	1461.06	5005.10
Accumulated Profits / (losses)	(777.11)	(15901.53)

Source: Accounts of PSUs.

1.7.5 Out of 55 working PSUs, 38 PSUs (including one Statutory Corporation) did not finalise their accounts for 2013-14. Financial position and working results of these 38 PSUs, based on their latest finalized annual accounts, are indicated in **Annexures 1.3, 1.7 and 1.9**.

1.8 Internal Audit and Internal Control System

1.8.1 Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/ internal audit systems in companies audited in accordance with directions issued by the CAG under Section 619(3)(a) of the Companies Act, 1956[12] and to identify areas which needed improvement. An illustrative resume of major comments made by Statutory Auditors on possible improvement in the internal audit/ internal control system for the year 2013-14 are given in Table 1.8:

[10] Andhra Pradesh Power Finance Corporation Limited

[11] Andhra Pradesh Power Development Company Limited

[12] New Companies Act is applicable only w.e.f. 1st April, 2014.

Table 1.8: Deficiencies in internal control system

Sl. No.	Nature of comments made by Statutory Auditor	Number of companies where recommendations were made	Name of the Company
1	Absence of internal audit Manual to Company	01	Andhra Pradesh Gas Infrastructure Corporation Limited
2	Absence of internal audit system commensurate with the nature and size of business of the company	01	Andhra Pradesh Gas Distribution Corporation Limited (619-B)

Source: ***Statutory Auditors' report of respective PSUs.***

1.9 Comments of the CAG of India on Accounts of PSUs

1.9.1 Some of the important comments of the CAG of India in respect of accounts of companies finalised during the year are as follows:

i) Andhra Pradesh Industrial Infrastructure Corporation Limited (2012-13)

Provision of ₹ 785.21 crore was not made towards conversion fee of land held by the Corporation as per the A.P. Agricultural Land (Conversion for Non-agricultural Purposes) Act, 2006 as per the demand of Government. Non creation of any provision in the absence of any exemption has resulted in understatement of expenses, current liabilities and overstatement of profit by same amount.

ii) Southern Power Distribution Corporation of Andhra Pradesh Limited (2013-14)

Non-withdrawal of 50 *per cent* of Restriction and Controls (R&C) penalties levied during the period from 14 September 2012 to 31 August 2013 as per the orders of APERC (April 2014) resulted in overstatement of 'Sundry Debtors' and understatement of 'Loss before Tax' by ₹ 76.96 crore.

iii) Andhra Pradesh Power Generation Corporation Limited (2012-13)

Overstatement of revenue from sale of power resulted in overstatement of Trade receivables and Profit for the period by ₹ 33.38 crore.

iv) Eastern Power Distribution Company of Andhra Pradesh Limited (2013-14)

Non-withdrawal of 50 *per cent* of R&C penalties and belated payment surcharge levied thereon in respect of HT consumer and LT consumers as per the orders of APERC (August 2013) resulted in overstatement of 'Sundry Debtors' and understatement of 'Loss before Tax' by ₹ 19.16 crore.

v) Andhra Pradesh State Irrigation Development Corporation Limited (2012-13)

Overstatement of fixed assets by ₹ 48.76 crore which were already handed over to the respective beneficiaries' long back and hence not available with the Corporation any longer resulted in overstatement of fixed assets by ₹ 48.76 crore and understatement of capital expenditure written-off account under Other Expenses by similar amount. This has also resulted in overstatement of current year's profit by ₹ 48.76 crore.

1.9.2 Some of the important comments in respect of accounts of Statutory Corporations are stated below:

i) Andhra Pradesh State Warehousing Corporation (2012-13)

- Non-accountal of ₹ 108.29 crore being the differential storage charges of investor godowns receivable from depositors resulted in understatement of 'Warehousing Charges' under Income and also understatement of accrued Income under Property and Assets by similar amount.
- Non-accountal of ₹ 69.31 crore to owners of investor godowns resulted in understatement of expenditure towards Godowns Rent/ Storage Charges under the Head 'Rent, Rates and Taxes' and consequential overstatement of Profit and also understatement of outstanding liabilities by similar amount.

ii) Andhra Pradesh State Road Transport Corporation (2012-13)

- Non-provisions towards differential MV taxes payable to the Government for the years 1996-97 to 2011-12 resulted in understatement of 'MV Taxes-Arrears' by ₹ 71.62 crore. Consequently, Loss for the year is understated by similar amount.
- Non-capitalisation of completed works resulted in overstatement of 'Capital Work-in-Progress' by ₹ 10.95 crore. This resulted in short provision of Depreciation and understatement of Loss for the year by ₹ 0.47 crore.
- 'Contribution to Depreciation Funds' is understated by ₹ 4.27 crore due to short provision of depreciation on Ticket Issuing Machines (₹ 2.68 crore) and assets relating to Online Passenger Reservation System project (₹ 1.59 crore). Consequently, Loss for the year was understated by similar amount.
- Non-provision of unsecured receivables (₹ 34.80 crore), shortage of HSD oil (₹ 2.77 crore), penalties, rentals, investments without details and other sundry receivables (₹ 2.15 crore) resulted in understatement of Provisions by ₹ 39.72 crore. Consequently, Loss for the year was understated by like amount.

1.10 Placement of SARs

1.10.1 Table 1.9 shows the status of placement of Separate Audit Reports (SARs) issued by the CAG of India on the accounts of Statutory Corporations, in the Legislature by the Government.

Table 1.9 – Placement of SARs in the Legislature

Sl. No.	Name of the Statutory corporation	Year upto which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Andhra Pradesh State Financial Corporation	2011-12	2012-13	06.12.2013	Issues relating to the re-organisation of the A.P. State.
2	Andhra Pradesh State Warehousing Corporation	2011-12	2012-13	-----	SAR is under printing.
3	Andhra Pradesh State Road Transport Corporation	2011-12	2012-13	11-04-2014	Not known

Source: As provided by respective PSU.

1.11 Follow up action on Audit Reports

1.11.1 Outstanding departmental replies on paragraphs featured in the Audit Reports

Audit Reports of the Comptroller and Auditor General of India represent the culmination of the process of audit scrutiny starting with the initial inspection of accounts and records maintained in various offices and departments of Government. It is, therefore, necessary that appropriate and timely response is elicited from the Executive on the audit findings included in the Audit Reports. Finance Department, Government of Andhra Pradesh issued (June 2004) instructions to all Administrative Departments to submit explanatory notes indicating corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though Audit Reports for the years 1993-94 to 2012-13 were presented to the State Legislature between March 1994 and September 2014, 13 departments did not submit explanatory notes on 105 out of 408 paragraphs/Performance Audits (PA) till September 2014 as indicated in Table 1.10:

Table 1.10 – Non-submission of Explanatory Notes

Year of the Audit Report (Commercial)	Date of presentation to State Legislature	Total Paragraphs/ PAs in Audit Report	No. of Paragraphs/ reviews for which explanatory notes were not received
1993-94	28-04-1995	25	1
1995-96	19-03-1997	28	4
1997-98	11-03-1999	29	8
1998-99	03-04-2000	29	8
1999-2000	31-03-2001	24	8
2000-01	30-03-2002	21	3
2001-02	31-03-2003	23	1
2002-03	24-07-2004	16	2
2003-04	31-03-2005	21	2
2004-05	27-03-2006	23	4
2005-06	31-03-2007	23	3
2006-07	28-03-2008	29	11
2007-08	05-12-2008	25	5
2008-09	30-03-2010	27	10
2009-10	29-03-2011	21	2
2010-11	29-03-2012	25	15
2011-12	21-06-2013	8	7
2012-13	06-09-2014	11	11
Total		**408**	**105**

Source: As compiled by office of AG (E&RSA)/AP

Department-wise analysis of PAs/ paragraphs for which explanatory notes are awaited is given in **Annexure-1.10**. Majority of the cases of non-submission of explanatory notes relate to PSUs under the Departments of Industries and Commerce (43) and Energy (26).

1.11.2 Outstanding action taken notes on the Reports of the Committee of Public Undertakings (COPU)

Action Taken Notes (ATNs) on recommendations of COPU are required to be furnished within six months from the date of presentation of the Report to the State Legislature. ATNs on 607 recommendations pertaining to 37 Reports of the COPU, presented to the State Legislature between April 1991 and March 2014, were not received till September 2014 as indicated in Table 1.11:

Table 1.11 – Non-receipt of Action Taken Notes

Year of COPU Report	Total number of Reports involved	No. of Recommendations where ATNs were not received
1991-92	1	3
1992-93	6	239
1993-94	5	136
1995-96	1	30
1996-97	1	2
1997-98	2	38

1998-99	2	16
2000-01	8	72
2001-02	2	6
2004-05	3	23
2005-06	2	17
2006-07	4	25
Total	**37**	**607**

Source: As compiled by office of AG (E&RSA)/AP

The ATNs/ replies to recommendations were required to be furnished within six months from the date of presentation of the Reports to the State Legislature.

1.11.3 Response to inspection reports, draft paragraphs and Performance Audits

Audit observations noticed during audit and not settled on the spot are communicated to the heads of PSUs and concerned departments of the State Government through inspection reports. Heads of PSUs are required to furnish replies to inspection reports through respective heads of departments within a period of four weeks. Inspection reports issued up to March 2014 pertaining to 55 PSUs disclosed that 2474 paragraphs relating to 668 inspection reports remained outstanding at the end of September 2014. Department wise break-up of Inspection Reports and audit paragraphs outstanding as on 30 September 2014 is given in **Annexure-1.11.** In order to expedite settlement of outstanding paragraphs, one Audit Committee meeting was held during 2013-14 wherein position of outstanding paragraphs was discussed with executive/administrative departments.

Similarly, PAs and draft paragraphs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that one PA and four paragraphs forwarded to various departments during July 2014 to January 2015 as detailed in **Annexure-1.12** had not been replied to so far (February 2015).

It is recommended that (a) the Government should ensure that procedure exists for action against officials who failed to send replies to Inspection Reports/Draft Paragraphs/PAs and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayments in a time-bound schedule, and (c) the system of responding to audit observations is revamped.

CHAPTER II

PERFORMANCE AUDIT RELATING TO GOVERNMENT COMPANIES

2.1 Underground Mining Activities in The Singareni Collieries Company Limited

2.2 Activities of Andhra Pradesh State Agro Industries Development Corporation Limited

Chapter II

2. Performance Audit relating to Government Companies

2.1 Underground Mining Activities in The Singareni Collieries Company Limited

Executive Summary

Introduction

The Singareni Collieries Company Limited (SCCL/ Company) was incorporated in December 1920 with main objective of development of mines for extraction of coal in the state of Andhra Pradesh. As most of the mines up to a depth of 350 metres have already been opened up by the Company either by underground or opencast method, all future mines will have to be operated in a depth range of 350 metres to 600 metres. Hence incremental production has to come mainly from underground (UG) mining.

Production and Profitability

The production from UG mines was continuously decreasing during 2009-14, except for an increase in 2012-13. In UG mining, cost of production increased by 54.79 per cent whereas sales realisation increased only by 28.46 per cent during the period. The losses increased by 135.63 per cent.

Under utilization of Machinery

Overall percentage of machine utilization during the five year period was only 35.85 per cent. There was overall shortfall in targeted production from UG mines and 54.41 per cent of that shortfall was attributable to under-performance of Side Dump Loaders (SDLs). The Company was using a large number of SDLs past their useful lives which were yet to be surveyed off.

Planning and execution of projects for introduction of Longwall method (LW)

The Company had planned to introduce the state of the art Longwall technologies for bulk production from UG mines in four new projects with a total estimated capital outlay of ₹ 1,608.68 crore and production capacity of 9.01 MT.

The four longwall projects (KTK, Shanthikhani, Adriyala and Jallaram) though planned to achieve total additional production of 9.01 MT by 2012-13, could not commence production till June 2014, for which expenditure of ₹ 1,405.80 crore was incurred till March 2014.

Contrary to the Board's approval for preparation of Notice Inviting Tender (NIT) for global tenders on risk and gain sharing basis, the Company engaged a private consultancy firm for preparation of NIT and identification of a technology provider-cum-operator (TPO). As the TPO failed to obtain the necessary approvals and clearances, Company terminated the agreement in March 2014. The Company had spent ₹ 125.16 crore till March 2014.

Expenditure of ₹ 61.67 crore incurred on Shanthikhani longwall project became unfruitful due to unreasonable delays in decision making at every stage.

Combining two high cost projects, i.e. Jallaram and Adriyala, without assessing the feasibility of implementation and subsequent deferment of Jallaram project has adversely impacted the productivity and viability of Adriyala mine. Failure to take into account the planned overburden (OB) dump before planning the project led to loss of safety in the UG mine.

Irregularities in award of contracts for processing sand from Overburden

The Company decided to process sand from the OB for which four contracts were awarded during the last five years. Amendments to NIT were issued for supply of water and power free of cost to the Contractor instead of chargeable basis without the approval of competent authority. Financial impact of these was ₹ 101.38 crore.

Sales Realization

Loss incurred due to selling coal as Run of Mine (ROM) coal instead of crushed coal worked out to ₹ 28.40 crore during the period from 2009-10 to 2013-14. Sale of coal without separating into B-grade and D-grade in Vakilpalli mine resulted in loss of revenue of ₹ 29.56 crore in 2012-13.

Manpower

Special Incentive scheme was designed without considering the additional financial burden compared to additional production over the target in case of UG mines.

Environment

Failure to complete the projects on schedule necessitated the company to resort to mining in excess of EC capacity in violation of Environment Laws.

2.1.1 Introduction

The Singareni Collieries Company Limited (SCCL/ Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal in the State of Andhra Pradesh. Since 1960, the Company is jointly owned by Government of Andhra Pradesh (GoAP) and Government of India (GoI) in the ratio of 51 *per cent* (₹ 885.60 crore) and 49 *per cent* (₹ 847.56 crore) respectively. The paid-up capital as on 31 March 2014 was ₹ 1,733.20 crore.

The demand for coal estimated by the Company for the terminal year of Twelfth Five Year Plan i.e. 2016-17 was around 73.50 million tonnes (MT) and projected production for the same year was 57 MT. Given the demand-supply gap, it was imperative for the Company to complete the new projects as per schedule. Coal can be extracted through either underground (UG) mining or opencast (OC) mining. The Company extracted 257.63 MT of coal during the last five years ending 2013-14 out of which 56.38 MT (21.88 *per cent*) was from UG mining and 201.25 MT (78.12 *per cent*) from OC mining. The Company has proven coal reserves of 9,923.31 MT (8.06 *per cent* of Country's total coal reserves) spread over 17,500 sq kms in Khammam, Karimnagar, Adilabad and Warangal districts of Andhra Pradesh.

OC mining is done by removing the soil layers over coal seams i.e. overburden whereas in UG mining, coal is extracted by means of vertical and inclined shafts. The Company in its Board meeting concluded that coal seams were deep below the surface and it was not practical or economical to strip off the overlaying soil/ rock to extract coal. As most of the mines up to a depth of 350 metres have already been opened up by the Company either by underground or opencast method, all future mines will have to be operated in a depth range of 350 metres to 600 metres. Hence incremental production has to come mainly from underground mining. The Company has 48 operating mines (16- OC and 32- UG mines) as on 31 March 2014.

The Financial Performance of UG mines, OC mines during the period from 2009-10 to 2013-14 is detailed in Table 2.1:

Table 2.1: Financial Performance of SCCL

(₹ in Crore)

	Year	UG	OC	Others[13]	SCCL
Sales Realisation	2009-10	1945.08	5005.20	126.18	7367.54
	2010-11	2183.05	5873.26	76.04	8132.34
	2011-12	2343.04	6646.23	411.96	9401.22
	2012-13	2617.41	7173.31	506.64	10297.36
	2013-14	2498.71	7291.18	453.01	10242.90
Cost of Production	2009-10	2578.52	3891.03	230.86	6970.82
	2010-11	2877.72	4536.27	181.68	7595.67
	2011-12	3477.43	5108.03	246.80	8832.27
	2012-13	3827.78	5637.87	273.17	9738.82

[13] Others represents Investment income and expenditure related to Corporate Office.

	Year	UG	OC	Others[13]	SCCL
	2013-14	3991.26	5745.78	46.40	9783.44
Profit / Loss	2009-10	-633.44	1114.17	-104.68	396.72
	2010-11	-694.67	1336.98	-105.64	536.68
	2011-12	-1134.40	1538.20	165.15	568.96
	2012-13	-1210.37	1535.44	233.47	558.54
	2013-14	-1492.55	1545.40	406.61	459.46

Source: Mine Working Results

It can be seen from the above table that sales realization from OC mining increased by 45.67 *per cent* during the last five years while the cost of production increased by 47.67 *per cent* during the same period resulting in reduction in profit by 38.70 *per cent*. In case of UG mining, cost of production increased by 54.79 *per cent* whereas sales realization increased only by 28.46 *per cent* during the period. The losses increased by 135.63 *per cent*.

Performance Audit of the UG mining activities of the Company was taken up during 2014-15.

2.1.2 Organizational Structure

The management of the Company is vested in Board of Directors (Board). The Chairman and Managing Director (C&MD) is the Chief Executive who is assisted by five Functional Directors looking after Finance, Operations, Personnel, Administration and Welfare (PA&W), Electrical and Mechanical (E&M) and Projects and Planning (P&P), respectively. The Company is operating through 10 administrative areas, each headed by a General Manager responsible for the functioning of mines in the area.

2.1.3 Audit Objectives

The performance audit was conducted with a view to assess whether:

- Effective planning was done for individual projects and proper execution carried out to increase productivity and production of the mines;
- Marketing/ Sales activities ensured revenue optimization with specific focus on optimum product mix; and
- Adequate attention was paid to safety and environmental factors in the operation and closure of the mines.

2.1.4 Scope of Audit and Methodology

The Performance audit was conducted from March to June 2014 and covers Performance of Underground (UG) Mining activities in the Company during the 5 year period from 2009-10. The 32 UG mines in operation as well as six UG projects[14] under implementation during this period were reviewed in audit.

[14] Project is a mine under construction.

Records and related data kept at Corporate Office and the 10 Area offices were test checked with reference to audit criteria.

2.1.5 Audit Criteria

The audit criteria adopted were:

- Agenda and minutes of Board Meetings,
- Guidelines of Ministry of Coal,
- Feasibility Reports and Revised Cost Estimates of mining projects and
- Purchase and works manuals and procedures of the Company.

Audit objectives and audit criteria adopted were explained to the management in an Entry Conference held on 06 March 2014. An Exit Conference was held on 15 December 2014 wherein audit findings were discussed at the Government level.

2.1.6 Audit Findings

Production and Profitability

The Company fixes mine-wise production targets for the ensuing year in advance. The Production performance and profitability was analyzed in audit. The production performance of UG mines and OC mines during the period from 2009-10 to 2013-14 are given in Table 2.2.

Table 2.2: Production Performance of UG mines and OC mines

(Qty in MTs)

Year	Company Total	UG			OC			% of UG production to total production
		Target	Actual	% of Target	Target	Actual	% of Target	
2009-10	50.42	12.80	11.97	93.51	31.70	38.46	121.31	23.74
2010-11	51.33	12.25	11.63	94.92	33.75	39.71	117.65	22.65
2011-12	52.21	12.50	10.64	85.11	38.50	41.57	107.98	20.38
2012-13	53.19	13.00	11.60	89.21	40.10	41.59	103.72	21.80
2013-14	50.47	12.00	10.55	87.90	38.30	39.92	104.23	20.90

Source: Monthly Performance Reports (MPRs)

From the above, it can be observed that there was a fall in production in 2013-14 in both the UG as well as OC mines. The production from UG mines was continuously falling since 2009-10, except for an increase in 2012-13, while the production from OC mines increased till 2012-13 before registering a fall in the next year.

Audit observed that the production from OC mines was in excess of the sanctioned capacity in existing mines as discussed in paragraph 2.1.6.23. Further, production from UG mines was decreasing due to delay in execution of new UG mines and due to failure in processing the envisaged quantity of sand from overburden (OB)[15] as discussed in paragraphs 2.1.6.8 to 2.1.6.12 and 2.1.6.13 to 2.1.6.19 respectively.

Management stated that the fall in production from OC mines in 2013-14 was due to delay in obtaining clearances for forest land diversion, land acquisition and rehabilitation & resettlement issues, while the reduction in UG mines output was due to exploration into increasingly deeper seams of the mines, reducing the efficiency of machines and also due to non-availability of sand for Stowing[16].

However, all these issues are common to any mining activity and not unanticipated. The Company could have addressed these issues effectively by proper planning, coordination and managing activities more efficiently as discussed in the subsequent paragraphs.

2.1.6.1 Non-finalization of the Memorandums of Understanding (MoUs)

GoAP directed the Company to prepare a five year corporate plan and get it approved by the concerned administrative department. Thereafter an MoU was to be entered every year with the administrative department in consultation with Public Enterprises department, which *inter-alia*, was to stipulate the performance targets at the beginning of the year to help evaluate the managerial performance through objective criteria. It was noticed in audit that Government had not finalized the MoUs for the years 2009-14 for reasons not on record. Due to non-finalization of the MoUs for so many years, Company lost the advantage of Government's evaluation of managerial performance.

Management stated that the Company had submitted MoU proposals to GoAP for the years 2012-13 and 2013-14.

No reply has been received from GoAP even after repeated reminders by Audit.

2.1.6.2 Losses due to increased cost of production

Working results of UG Mines during the last five years are shown in Table 2.3. Cost analysis has been shown in Table 2.4.

Table 2.3: Working results of UG Mines

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Sales Realisation	1945.08	2183.05	2343.04	2617.41	2498.71
Cost of Production	2578.52	2877.71	3477.43	3827.78	3991.26
Salaries & Wages (*per cent*)	1900.76 (*73.72*)	2060.35 (*71.60*)	2503.28 (*71.99*)	2920.38 (*76.29*)	3026.95 (*75.84*)

[15]Overburden is the soil above the coal bands which has to be removed and dumped in the earmarked place for extraction of coal.

[16]To avoid damage to surface areas, the void formed due to extraction of coal is immediately filled with stowing material (generally sand which is best suited for hydraulic stowing).

Power	94.56	115.58	117.38	196.07	170.13
Explosives	28.65	30.01	29.90	36.04	32.56
Stores	249.94	246.88	243.89	272.72	259.31
Other Expenses	171.49	273.48	199.73	226.87	290.76
Sand Transport	26.36	26.70	46.26	45.21	68.28
Interest	1.66	1.22	0	5.17	12.01
Depreciation	105.07	123.48	114.00	125.32	131.26

Source: Performance Analysis reports on cost of production and profitability

Table 2.4: Cost Analysis

(₹ per tonne)

Particulars	**2009-10**	**2010-11**	**2011-12**	**2012-13**	**2013-14**	***Per cent* increase over the period**
Average Cost per Tonne	2169.48	2537.94	3316.00	3355.00	3840.00	77.00
Average Sales Realization per Tonne	1636.53	1925.29	2234.00	2294.00	2404.00	46.90
Average Loss per Tonne	532.95	612.65	1082.00	1061.00	1436.00	169.44

Source: Performance Analysis reports on cost of production and profitability

Despite increase in average sales realization per tonne by 46.90 *per cent* over a period of five years, UG mines had been incurring increasing losses every year due to increases in cost of production. Cost of production per tonne increased by 77 *per cent* over the period, while the average loss per tonne increased by 169.44 *per cent* during the same period. Audit observed that the reasons for non-achievement of production targets and increasing cost of production were low machine utilization as well as delay in implementation of new projects which have been discussed in paragraphs 2.1.6.4 and 2.1.6.8 to 2.1.6.12.

Management stated that main factors for increase in cost of production were increase in wages, poor machine utilization, low productivity due to short supply of sand in the mines where sand stowing is practiced.

However, audit observed that while periodical price revisions took into account the increases in costs due to wages and other factors, the Company could not effectively address the issues of poor machine utilization and non-availability of sand as discussed in subsequent paragraphs 2.1.6.4 and 2.1.6.13 to 2.1.6.19

2.1.6.3 Avoidable expenditure due to surrender of coal bearing land and reclaiming the same

The Company acquires land required for coal mining from State Government, Forest Department and Private Parties by making payments of value/ compensation. As per the rules of forest department, for diversion of forest land for coal mining, the Company has to surrender non-forest land and also pay the charges for Compensatory Afforestation (CA).

In 1988, Company had handed over its acquired land measuring 412.40 Hectare (Ha) for CA in lieu of diverted reserve forest land at Manuguru for an OC mine i.e. OC-II. The land was partly covered by underground mines (GDK 9, Vakilpalli Block, GDK 10 and GDK 10A).

In February 2005, the Company reclaimed that land for underground mining (165.40 Ha) and for surface use[17] (247.00 Ha) for which it paid Net Present Value (NPV)[18] amounting to ₹ 23.07 crore. It also surrendered 247 Ha of land in Srikakulam and Bhadrachalam Forest Division towards land for CA and also paid ₹ 1.46 crore towards CA charges.

In August 2009, out of reclaimed 165.40 Ha earmarked for underground mining, Company proposed Ramagundam OC-II Project requiring 147.42 Ha of land for which it had already paid NPV of ₹ 4.61 crore. In lieu of diversion of 147.42 Ha of land for OC mining Company paid CA charges of ₹ 4.57 crore in addition to the NPV.

Audit observed that the Company incurred an avoidable expenditure of ₹ 32.25 crore (₹ 23.07 crore + ₹ 4.57 crore + ₹ 4.61 crore) due to first handing over of coal bearing land to Forest Department for CA and subsequently reclaiming the same land for mining purpose.

Government replied (December 2014) that coal bearing non-forest land was handed over for CA as at that time only conventional underground mining was going on and the Company had to hand over the said land to get the equivalent land for Manuguru OC Project. The reply is not tenable as the Company could have acquired waste land for surrendering towards CA, instead of handing over coal bearing land which required to be reclaimed.

Mining methods in UG Mines

There are three categories of mining methods[19]: manual/ Hand Section (HS) mining, semi-mechanised mining and fully mechanised mining.

HS mining (Bord and Pillar method) was earlier the predominant method of coal extraction from UG mines, under which coal is fragmented by drilling and blasting and is manually loaded into tubs and hauled to surface. With a view to minimise human exposure to hazardous working conditions, improve safety conditions and increase production, the Company introduced mechanisation from 1990 onwards.

[17]Surface use means blanketing the land with overburden material etc., to prevent water seepage in the underground mine beneath that land.

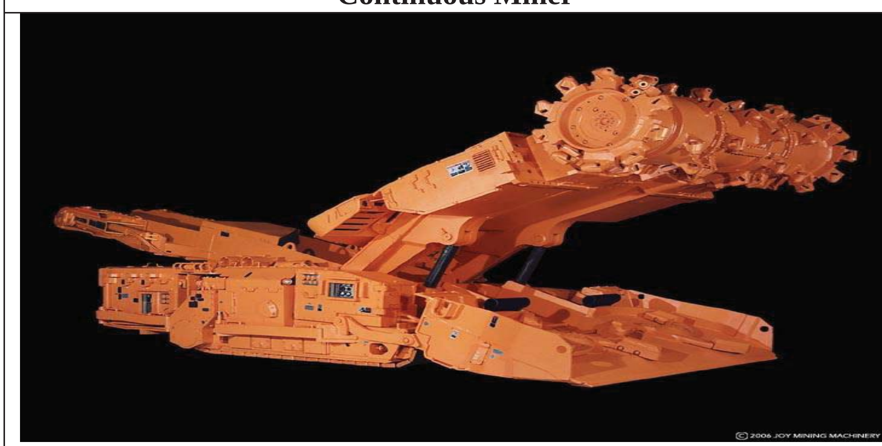
[18]NPV is payable, 100 *per cent* in case of mining activity (opencast mining/ surface use) that causes deforestation and 50 *per cent* in case of underground mining, which doesn't affect the surface environment.

[19] Source: Presentations given by Company

SDL	LHD
	

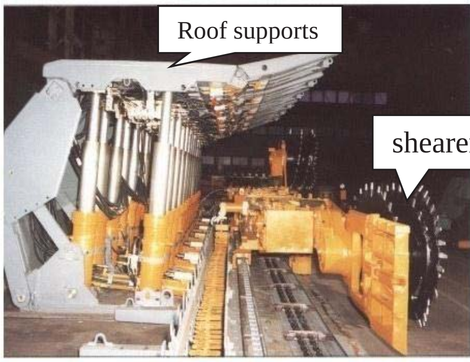
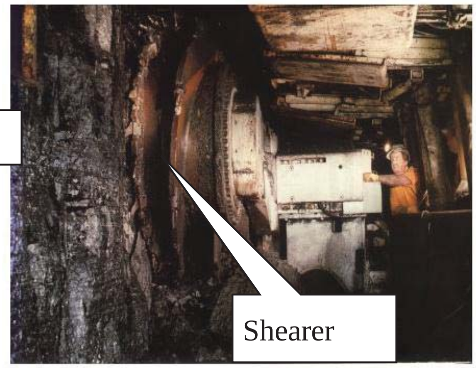
Semi-mechanised method: Under Semi-mechanised methods like SDL[20]s, LHD[21]s and Blasting Gallery (BG), the blasted coal is loaded into tubs by machines i.e. by SDLs, LHDs and remote-controlled LHDs respectively.

Fully mechanised mining methods like Continuous Miner (CM) and Longwall (LW) eliminate the need for blasting. Under these methods, coal is cut by the machines and loaded onto coal conveyors either through shuttle cars or belt conveyors. Longwall mining is used for extracting coal seams beyond 300 metres depth which are devoid of faults. Its initial capital requirement is high and is suitable for bulk production.

Continuous Miner


[20]Side Discharge (Dump) Loader;

[21] Load Haul Dumper;

Longwall	Longwall in operation
	

As on 31 March 2014, in different sections of the 32 operating mines, the Company had deployed different methods as follows: HS (18 mines), SDLs (22 mines), LHDs (9 mines), BG (5 mines), CM (2 mines), Shortwall (1 mine) and LW (2 mines). Further, 2 projects[22] with SDL and 4 projects[23] with LW technology were under implementation.

Audit observations relating to manual mining, semi-mechanised mining and the mechanised mining methods are discussed in the succeeding paragraphs.

2.1.6.4 Under-utilization of Machinery

An analysis of the utilization of underground machinery available/ deployed during the period from 2009-10 to 2013-14 revealed that the machines were utilized for 24.83 lakh work hours against the available[24] 69.27 lakh work hours as detailed in Table 2.5:

Table 2.5: Machine Utilization Hours vis-à-vis available hours during the last five years

(Hours in '000s)

Type of Machinery	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage utilization
	Available	Used	Available	Used	Available	Used	Available	Used	Available	Used	
LW	10.38	4.98	10.03	3.49	5.74	1.60	5.56	1.58	5.93	0.73	32.93
CM	10.26	2.31	10.78	3.89	10.23	2.39	7.69	2.19	9.64	3.99	30.41
RH	39.57	5.69	40.81	9.99	52.00	10.95	58.62	9.94	61.20	5.12	16.53
BG	114.85	45.60	139.61	50.68	149.56	54.74	155.92	57.00	113.76	39.57	36.75
LHDs	262.26	100.59	248.20	88.04	238.24	81.92	225.18	83.81	210.91	76.15	36.34
SDLs	709.04	273.12	928.50	332.16	976.37	321.96	1040.59	397.52	1075.69	411.55	36.71

[22] Kondapuram, Kasipet-2

[23] KTK-Longwall, Adriyala LW, ShanthiKhani LW and Jallaram LW

[24] Available work hours = Standard Schedule Hours – Maintenance hours

Total	**1146.35**	**432.29**	**1377.91**	**488.25**	**1432.14**	**473.57**	**1493.56**	**552.05**	**1477.11**	**537.10**	**35.85**
Percentage utilization of all machinery		**37.71**		**35.43**		**33.07**		**36.96**		**36.36**	
Total Available hours (in lakhs)										**69.27**	
Total hours utilized (in lakhs)										**24.83**	

Source: Machine Utilization Statements

The Company set machine utilization norms for different machines which ranged from 46 *per cent* for RH machines to 100 *per cent* for LW machines up to 2010-11. From 2011-12 onwards, the Company revised these norms and revised norms for different machines ranged between 56 *per cent* and 89 *per cent*. As against these norms, overall percentage of machine utilization during the five year period was only 35.85 *per cent.* The reasons attributed by the Company for low utilization of machines were shifting of machinery, shift change, preparation for roof supports etc.

While confirming the above figures, Management contested that there was any abnormal variation and stated that the machine performance was 'stabilised at practicable levels'.

Management's reply is self-contradictory as the Company could not adhere to the norms fixed by itself in respect of any of the machines in any of years covered in audit.

2.1.6.5 Non-achievement of targets fixed for SDLs

An analysis of Management Control Statements revealed that out of total production of 56.38 MT achieved by the Company from UG mines during the period 2009-14, 24.72 MT was produced by SDLs. It was further observed that there was overall shortfall in targeted production from UG mines and 54.41 *per cent* of that shortfall was attributable to under-performance of SDLs as detailed in Table 2.6.

Table 2.6: Under performance of SDLs

(Qty in MTs)

Machine		2009-10	2010-11	2011-12	2012-13	2013-14	Total
SDLs	Target	4.44	5.85	5.95	6.36	5.45	28.05
	Actual	4.41	5.06	4.81	5.28	5.16	24.72
	Shortfall	0.02	0.79	1.14	1.08	0.29	3.33
	Percentage Shortfall	0.52	13.50	19.16	16.98	5.32	11.87
Overall for all machines	Target	12.75	12.25	12.50	13.00	12.00	62.50
	Actual	11.97	11.63	10.64	11.60	10.55	56.38
	Shortfall	0.78	0.62	1.86	1.40	1.45	6.12
	Percentage Shortfall	6.12	5.06	14.88	10.77	12.08	9.79

Machine		2009-10	2010-11	2011-12	2012-13	2013-14	Total
Share of SDL shortfall in total shortfall (*per cent*)		2.95	127.42	61.29	77.14	20.00	54.41

Source: MPRs

As against the production norm of 54000 tonnes per annum fixed per SDL, production achieved per SDL reduced from 35902 tonnes in 2009-10 to 33416 tonnes in 2011-12. Keeping in view the shortfall in performance of SDLs in these years, Company had reduced production norm for SDL from 54000 tonnes per SDL per annum to 45000 tonnes per SDL in 2012-13. Even after such relaxation the production achieved per SDL was only 33497 tonnes in 2013-14.

Management stated that SDL production varied from 32,600 tonnes per annum to 36,000 tonnes/ per annum due to shortage of working places, seam thickness, floor conditions etc. Management further stated that targets were stretched to motivate the mines to achieve higher performance.

However, the reply of the management is not correct as the targets are fixed for each mine after considering the mine-specific issues. Targets thus fixed are linked to annual dispatch capacity, coal linkage plan and are also committed to GoI. Fixing stretched targets undermines the validity of target fixation process.

2.1.6.6 Use of surveyed-off[25] SDLs

For replacement of old machinery, the Company devised a survey-off policy, according to which SDLs were to be assessed for survey-off after completion of 4 years or 12,000 hours or 1,20,000 tonnes of production whichever was earlier. Audit observed that the Company was using a large number of SDLs past their useful lives which were yet to be surveyed off. The number of such SDLs in use increased from 21 out of total 123 in 2009-10 (17 *per cent*) to 69 out of total 154 in 2013-14 (45 *per cent*). The production targets were fixed by taking into consideration all SDLs including the SDLs which were to have been surveyed off, which led to frequent break-downs and heavy repair costs as shown in Table 2.7, resulting in loss of production due to under-utilization of machine hours.

Table 2.7: Repair cost during the last three years

(₹ in crore)

Particulars	2011-12	2012-13	2013-14
Repairs cost	53.11	69.31	59.45
Percentage Growth over previous year	0	30.50	-14.22

Source: Balance Sheet

[25] To remove a machine from rolls after inspection, following a defined procedure.

Audit could collect data in respect of 78 out of 85 machines identified for surveying off, and found that in respect of 54 machines, the cost of repairs undertaken during the three years 2011-14 exceeded the original cost of the machines. The total cost of spares in respect of these 78 machines amounted to ₹ 21.91 crore, as compared to the total cost of ₹ 16.83 crore for these machines.

Management stated that increase of 12 *per cent* in overall repair costs over three years 2011-14 from ₹ 53.11 crore to ₹ 59.45 crore was in line with inflation and was within ‘acceptable range’ and that the survey-off equipment were used after ensuring their ‘fitness and safety features’ to meet production targets till new machines were acquired. However, Management agreed to re-examine the norms for survey-off of UG machines.

Reply is again self-contradictory as the machines were to be surveyed off because of their unsuitability for the purpose.

2.1.6.7 Discontinuation of Kondapuram Mine

The Kondapuram project was approved (December 2008) with a capital outlay of ₹ 70.68 crore. The production was scheduled to start in 2009-10 and reach the rated capacity[26] of 0.51 MT by 2012-13. The total forest land required was 477.03 Ha which was envisaged to be acquired within a period of two years. Till the forest land acquisition was completed and shaft was constructed, it was proposed to approach the coal seams through punch entries[27] from the adjacent OC mine MNG OC-II project after which the punch entry was to be closed, as 2.257 MT of coal of that mine will remain blocked due to punch entry. The Company started production from Kondapuram project in May 2009 which was stopped in December 2011 as the punch entry had reached the forest land boundary and the Company had not acquired the forest land. From December 2011 to March 2014, no production activity was conducted in Kondapuram project and because of the punch entry, coal reserves of 2.257 MT could not be extracted from MNG OC-II project. Owing to that, the Company finally discontinued the Kondapuram project from April 2014. It was further noticed that the Company continued deployment of manpower in the project till March 2014, despite stoppage of production from December 2011 which resulted in unfruitful expenditure of ₹ 10.22 crore on wages and others. Phased withdrawal of manpower was started only from April 2014.

Management stated that manpower required for statutory inspection, maintenance of ventilation, safety, pumping were continued to be deployed and that the expenditure incurred was not unfruitful as the mine is planned for reopening during 2015-16.

The withdrawal and subsequent re-deployment of labour to nearby coal mines by the Company in April 2014 indicates that reopening of the mine in near future was doubtful. The Company could have undertaken the redeployment in

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[26]Planned production per annum.

[27]Punch entry is an entry into UG mine from the boundary wall of an existing OC mine to reach the UG coal deposits.

2011 itself instead of keeping the manpower idle from November 2011 till March 2014, though there was shortage of manpower in several other areas (4, 6 and 8 out of total 10 areas during 2011-12, 2012-13 and 2013-14 respectively). Apart from deficient planning, this also indicated inefficient labour deployment.

Planning and execution of projects for introduction of Longwall method

Realizing the urgent need for underground bulk production, the Company had planned to introduce the state of the art Longwall technologies for bulk production from UG mines in the following four new projects with a total estimated capital outlay of ₹ 1,608.68 crore and production capacity of 9.01 MTs as detailed in Table 2.8:

Table: 2.8 – Longwall projects under implementation

Sl No.	Name	Date of Approval	Cost (₹ Crore)	Capacity (MT)	Method of working	Scheduled completion	Expenditure incurred (₹ in crore)	Present status
1	KTK Longwall	15/12/2008	453.63	2.75	TPO[28]	2012-13	125.16	Contract with TPO terminated.
2	Adriyala LW	29/09/2006	438.24	2.81	Risk - Gain sharing	2012-13	1206.66	Planned to be commissione d in 2014-15.
3	ShanthiKhani	09/10/2006	249.03	1.17	NA	2011-12	61.67	RFR[29]under preparation.
4	Jallaram	14/09/2007	467.78	2.29	NA	2012-13	12.31	
	Total		1608.68	9.01			1405.80	

Source: Board Minutes

None of the four longwall projects which were planned to achieve total additional production of 9.01 MT by 2012-13 could commence production till June 2014, for which expenditure of ₹ 1,405.80 crore was incurred till March 2014. There was deficient planning leading to deviations from approved project plans, mid-term deviations, loss of extractable reserves affecting project viability and delays in implementation and consequent cost escalations, as discussed in the following paragraphs:

2.1.6.8 KTK longwall project - Induction of TPO in violation of GoI approval

As per coal linkage plan, the Company was to supply about 2.5 MT per annum to Andhra Pradesh Power Generation Corporation Limited (APGENCO) for their Kakatiya Thermal Power Plant (KTPP) at Bhupalpalli. In order to minimize the cost of transportation to APGENCO, the Company formulated Kakatiya (KTK) longwall project in Bhupalpalli Area exclusively for meeting the requirement of KTPP which was approved by the GoI in December 2008

[28] Technology Provider cum Operator.

[29] Revised Feasibility Report.

at a capital outlay of ₹ 453.63 crore with scheduled date of completion in December 2011.

As per the approved feasibility report (FR), the project was to be executed on Risk-gain sharing basis[30] and a tie up was to be entered into with global suppliers for operation and maintenance (O&M) of longwall equipment over a period of five to seven years, with penalty and bonus clauses for guaranteed performance.

Audit noticed that contrary to the Board's approval for preparation of Notice Inviting Tender (NIT) for global tenders on risk and gain sharing basis, the Company engaged a private consultancy firm for preparation of NIT for identification of a suitable technology provider-cum-operator (TPO) who was to provide longwall mining machinery, design longwall panels and operate the mine on cost per tonne basis (Unified Mining Fee (UMF)). As a result, the cost of coal extraction escalated from the earlier estimated ₹ 554.22 per tonne to ₹ 1234.42 per tonne (increase of 123.34 *per cent*). Approval of competent authority for this deviation was not obtained.

Management stated that TPO was inducted as the Company was not having any experience to work longwall in such typical geo-mining conditions.

This contention is not tenable as induction of TPO was in deviation to the FR wherein it was already mentioned that the project was to be executed on risk-gain sharing basis to mitigate the risks associated with lack of experience.

A Global enquiry was floated in May 2009 inviting offers for selection of TPO. On the basis of a global enquiry, a TPO was selected out of two bidders and an agreement was entered with the TPO in April 2012. Coal production was to have commenced within 16 months from date of agreement i.e. from April 2013. However, as the TPO failed to obtain the necessary approvals and clearances, the Company terminated the agreement in March 2014. The Company had spent ₹ 125.16 crore till March 2014 towards land, buildings, plant and machinery (P&M) and other costs. While it encashed the bank guarantees of ₹ 58 crore towards recovery of mobilization advance, the balance amount recoverable from TPO towards penalty of ₹ 50 crore and liquidated damages up to 10 *per cent* of annual contract price for initial roadway development could not be recovered. The assets acquired also were lying idle.

Management stated that coal was being extracted by the Company through SDLs and the assets like buildings, P&M, land will be utilized departmentally. However, since production by SDLs is insignificant as compared to the bulk production envisaged from longwall, the objective remained unachieved.

[30] A method in which the Contractor is eligible for incentive for production above the guaranteed level of production and will be penalized for production below the guaranteed production, thus ensuring a financially viable process and guaranteed production to the Company.

2.1.6.9 Shanthikhani longwall Project- delay in implementation due to delay in placement of orders

Shantikhani longwall project is located on the dip side of the existing Shanthikhani mine in Mandamarri area. The geological reserves of the project were 48.872 MT and the extractable reserves were assessed as 17.77 MT. The rated capacity of the mine was 1.17 MT per annum. Audit noticed however that extensive delays have occurred in placing NITs which led to cost escalations and deferment of mining project. The details are as follows:

One set of continuous miner, three road headers and one set of longwall equipment were proposed in the FR (February 2006) to be introduced within 22 months, 14 months and 46 months respectively. All equipment were to be commissioned and operated at full capacity by fifth year i.e. by 2011. The GoI approved the project in October 2006. Audit found unreasonable delays in decision making at every stage of the project. Though the project was approved in October 2006, NIT for procurement of longwall was floated in March 2008. No reasons have been found on record to justify the delays in placing the NIT. The NIT was dropped in February 2010 as the project was not getting the required Internal Rate of Return (IRR) with the cost quoted by the bidders. Company decided to prepare revised feasibility report (RFR) only in November 2010. However, it was found in Audit that the RFR had not yet been prepared. The expenditure of ₹ 61.67 crore incurred on land, prospecting, boring, plant and machinery and development up to June 2014 became unfruitful.

Management stated that to get the required IRR, additional property was being annexed to the project and the project was expected to start production in Thirteenth Plan period i.e. 2017-22. Therefore the infrastructure will be gainfully utilized in future.

The reply confirms that lack of any serious planning and execution by the Company and the premature nature of investment made by the Company.

Shantikhani was selected for longwall mining because it could yield bulk quantities. However delays in finalizing tenders for mining contracts and RFR have derailed the project which is yet to start even after eight years of approval.

Adriyala and Jallaram Longwall projects

2.1.6.10 Ineffective project planning leading to failure of Adriyala longwall project

Adriyala and Jallaram projects are contiguous mines. Adriyala Project was proposed as a model new generation UG mine with high technology longwall with bulk production of about 2 MT per annum. Government of India had approved the project with capital outlay of ₹ 438.24 crore in September 2006. The project was scheduled to be completed by 2012-13.

Government of India approved Jallaram project with capital outlay of ₹ 512.87 crore in September 2007. The project was scheduled to be completed by 2012-13. Though the Company decided (September 2010) to prepare RFR for the project in view of geological disturbances, it was not yet ready even after a lapse of four years (June 2014).

As per the FRs of the above two projects, four longwalls, i.e. two longwall machines in each project were envisaged. One longwall machine was to extract coal seam with specific thickness of 2.5 metre and the second machine was to extract coal seam with a thickness of 3.5 metre. However, it was decided later (December 2009) to procure only two high capacity longwalls i.e. one each for Adriyala and Jallaram with different specifications[31] and swap the equipment in the two projects as per the need. The two mines were scheduled to be commissioned by September 2012.

However, audit noted that the Jallaram project was not implemented, nor were any RFR prepared to initiate purchase of the planned second longwall machine to extract seams of 2.5 metre thickness. The Company procured one longwall equipment to extract coal from seams of 3.5 metre thickness for the Adriyala project in October 2012 at a cost of ₹ 571.41 crore. Audit noted that the minimum thickness of three out of the four seams planned for extraction in Adriyala Project were having thickness in the range of 1.14 metre to 2.19 metre as per FR which was prepared after geo-mining studies. Despite being aware of the seam thickness and the requirement of a second longwall machine, the Company has not procured the second longwall equipment. Thus combining two high cost projects without assessing the feasibility of implementation and subsequent deferment of Jallaram project has adversely impacted the operation of Adriyala project since it would not be able to mine the 2.5 metre thickness seam with a 3.5 metre longwall machine, thereby affecting the productivity and viability of Adriyala mine.

Management stated that it was now planning to extract all seams with only one high capacity longwall machine and that the viability of Adriyala project was not only independent of the Jallaram project but was improved without it.

The reply indicates that the original plan to swap the equipment was flawed. Further, with one high-capacity machine, the Company would not be able to mine seams upto 2.5 metre thickness. Given that three out of the four seams in Adriyala Project were having thickness outside the range of the longwall equipment procured by the Company, from which 57.19 *per cent* (24.81 MT) of total production (43.38 MT) was estimated to be achieved from the Adriyala mine, it is not clear as to how the project viability had improved as claimed by Management.

Audit noticed that the Company had submitted to GoI (September 2012), for approval, a revised cost estimate as the estimated capital requirement of ₹ 1,237.68 crore exceeded the sanctioned cost. The same was yet to be approved by GoI (June 2014). The project was yet to be commissioned (June

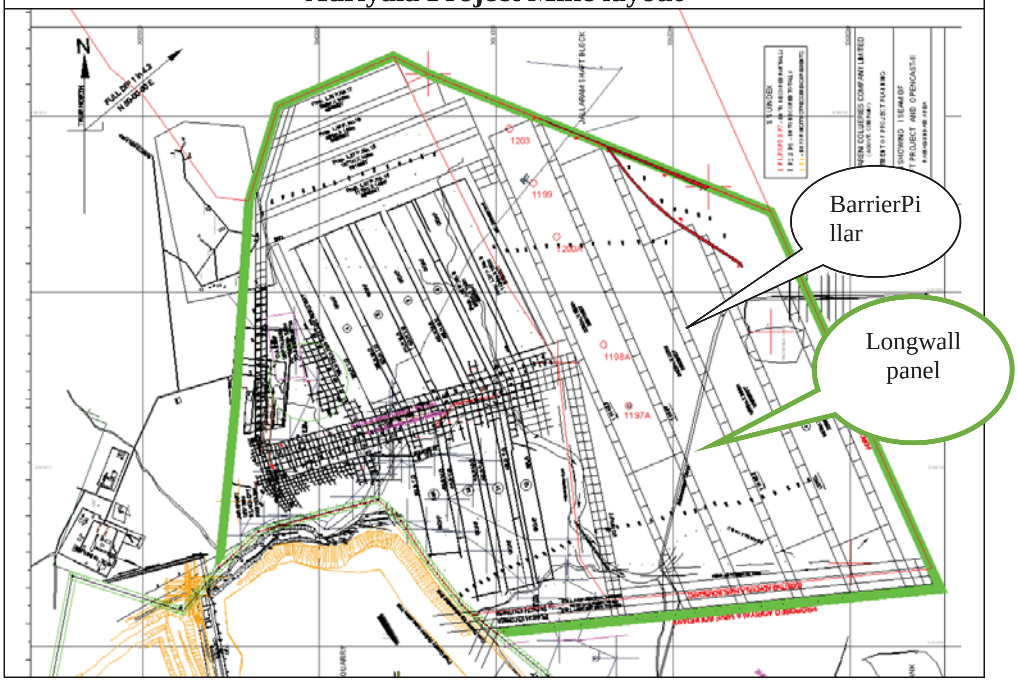
[31] 3.5 metre extracting machine for Adriyala and 2.5 metre extracting machine for Jallaram.

2014). The expenditure incurred by the Company was ₹ 1,387.51 crore so far (May 2014).

2.1.6.11 Ignoring the OB dump over longwall panels led to loss of extractable reserves and safety

In longwall technology, coal seams are divided into number of mining panels. The coal barrier left unextracted between adjacent longwall panels to support roof is called barrier pillar. The width of the barrier pillar is based on estimated vertical stress on the pillar and the required safety factor. In Adriyala project, the width of barrier pillar was estimated as 45 metre. Overall, 21 Barrier pillars for 26 panels were planned in the project.

Adriyala Project Mine layout



Source: Project Planning dept. SCCL

However, it was later realized by the Company that a 120 metre high overburden (OB) dump was planned for Ramagundam OC-II project directly above the proposed longwall panels. A study was conducted (October 2013) by Central Institute of Mining and Fuel Research (CIMFR) to assess the impact of existence of OB dump and its additional stress on barrier pillars. The study confirmed the reduction in safety factor due to the presence of OB dump and suggested to increase the size of the pillars from 45 metre originally planned to 60 metre. However, audit observed that the pillar size between panel-1 and 2 in Seam-1 was already made 50 metre, thereby affecting the safety of the mine. For remaining 20 barrier pillars, as the Company was required to increase the size by 15 metre, the extractable coal quantity was reduced affecting the financial viability of the mine[32].

[32] The quantity of Coal blocked in 3 pillars of Seam-1 alone worked out to 6.63 lakh tonnes.

Audit noted that failure to take into account the planned OB dump before planning the project led to loss of safety in the UG mine. The increase in pillar size implied that lesser quantity of coal could be mined than was justified by the expensive longwall machines, thus affecting the financial viability of the project, besides loss of extractable reserves.

Management stated that while designing the barrier pillars between two adjacent panels, the OB dump was considered and thus there had been an increase in the size of pillars from 45 metre to 60 metre and the loss of reserves or issue of safety did not affect the project.

However, the pillar width between panel-1 and 2 in seam-1 was only 50 metres affecting the safety of the mine. Further, the production estimates were based on lower pillar sizes which had not yet been revised for the increased pillar size.

2.1.6.12 Violation of MoEF approval

Further, audit noted that though the Ministry of Environment and Forests (MoEF) sanctioned the project with a rated capacity of 2.144 MT per annum, the revised proposal was sanctioned with a capacity of 2.81 MT per annum with a peak production of 3.035 MT per annum. No Environmental Clearance Certificate (EC) was obtained for the revised proposals.

Management stated that the proposal for EC enhancement for 3.14 MT per annum was under consideration by MoEF. However, MoEF had not yet sanctioned the EC for enhanced capacity.

Irregularities in award of contracts for processing sand from Overburden

Stowing in underground coal mines is a mandatory activity under the Coal Mines Regulations, 1957. The Company had obtained sand mining leases from State Government to mine the sand for stowing. During the last five years ₹ 212.81 crore were spent on sand transportation for UG mines apart from incidental costs like royalty on sand, power etc.

In view of the problems in sand mining (transportation, availability only during non-rainy season, reduction of sand in riverbeds, ban on sand mining by Courts etc.,), the Company decided to process sand from the overburden (OB). Accordingly, four contracts were awarded to private firms selected on open tender basis during the last five years.

The details of the contracts awarded were as follows:

Table 2.9 – OB processing contracts

Particulars	Contractors	Area wise requirement	Rate per Cu.M (₹)	Qty actually supplied	Value of the Order (₹ in Crore)
1st tender	1st Contractor	BHPL- 17 LCM#	168.75	3.41 LCM up to April 2014	27.86

Particulars	Contractors	Area wise requirement	Rate per Cu.M (₹)	Qty actually supplied	Value of the Order (₹ in Crore)
2nd tender	2nd Contractor	KGM- 8 LCM	140.39	Plant under construction	56.84
		RG1-17 LCM	110.39	Plant under construction	
	3rd Contractor	SRP –19 LCM	89.77	Contract cancelled due to poor performance	
		BPA –8 LCM	128.27	Plant under construction	
3rd tender	1st Contractor	RG1- 90 LCM	185.39	Plant under construction	399.06
		SRP- 108 LCM	200.00		
		BHPL- 36 LCM	182.02		

Source: Contract documents *# Lakh Cubic Metres*

Audit made following observations on the irregularities in award of the contracts for processing sand from OB:

2.1.6.13 Reduction of turnover limit in qualification criteria led to selection of incompetent bidder

As per the original Notice Inviting Tender (NIT) in the first tender in Table 2.9, the bidder should have a turnover of ₹ 1.50 crore for last five/ three years. However this limit was reduced to ₹ 50 lakh without any approval from competent authority and the bid was accepted despite the bidder not having the required turnover of ₹ 50 Lakh. On the basis of its experience in the first tender, the contractor was awarded another contract in third tender valuing ₹ 399.06 crore.

Management stated that there was no reduction in the turnover limit as original limit envisaged was ₹ 50 lakh. The reply is factually incorrect.

2.1.6.14 Award of new contract despite poor performance in existing contract

The contractor selected in first tender supplied only 3,41,499 cubic metre of sand (38 *per cent)* against stipulated quantity of 9,00,000 cubic metre during the four years of operation up to April 2014. A penalty of ₹ 8.30 lakh was levied so far on the contractor for poor performance. Despite the poor performance, Company awarded another contract for ₹ 399.06 crore for production of 36,00,000 cubic metre of sand to the same contractor ignoring the risk to production in fifteen UG mines.

Management stated that the new contract was awarded to meet the additional requirement of sand. However, 62 *per cent* of the quantity in first contract was yet to be supplied.

2.1.6.15 Unauthorized amendment

As per the Original NIT, raw water and power were to be provided by the Company on chargeable basis. However, amendments were issued by Chief General Manager (CGM (Purchase)) to these clauses providing for supply of water and power free of cost without the approval of competent authority. The same clause was continued in 2nd and 3rd tenders as per the table above, without assessing the cost impact on the Company. Audit worked out the financial impact of the amendments in all four contracts to the tune of ₹ 101.38 crore. Board approval was not obtained for any of the changes made.

Management stated that the corrigendum was issued with the approval of head of purchase department i.e. CGM (Purchase) before the closure of the first tender enquiry. As such the supply of water and power free of cost was expected to be factored in the price quoted.

The reply is untenable as the financial powers of CGM (Purchase) are limited to ₹ 0.25 crore only.

2.1.6.16 Allotment of land in violation of delegation of powers (DoPs)

As per NIT of first tender, the Company would provide 4 Ha (i.e. 40,000 Sq. Metre) of land for setting up the plant. However, as per the Delegation of Powers, only the Board can allot Company's land exceeding 1,000 sq. metre per allottee on lease/ license basis to contractors for the contract period. However, no approval of the Board was obtained for allotting the land. Thus, the allotment of land free of cost in the first tender was in violation of the DoPs.

Management stated that the allotting of land to the Contractor did not involve any transfer of land and hence Board approval was not required. Reply is factually incorrect as allotment of land even on lease/ license basis to contractors in excess of the limit required Board approval.

2.1.6.17 Misrepresentation of cost of contracts

As per the DoPs, contracts valuing more than ₹ 30 crore and up to ₹ 500 crore require Board approval. In respect of the first tender the value of proposal was arrived as ₹ 27.86 crore in which the cost of raw water and power provided free of cost by the Company were not included and contract was finalized without the Board approval, although the total cost exceeded ₹ 30 crore. Similarly, the value of the work under third tender was reduced to ₹ 399.06 crore from ₹ 530.73 crore by providing free power and water and excluding the service tax element from the cost estimates. Hence in both the cases cost of tenders was misrepresented and resultantly tenders came within the delegated powers.

Management stated that as per the purchase practice in vogue, the basic value of the proposal was only considered for deciding approving authority as per DoP. Further it was stated that the Company had started (January 2015) inclusion of value of consumables issued free of cost for the purpose of deciding the approving authority.

2.1.6.18 Non-valuation of by-products

While considering the proposal for processing of sand from OB, it was envisaged that by-products like clay etc. were likely to be obtained during the process of preparation of sand which would yield some revenue to the Company and help reduce the cost of sand preparation from OB. However, there was no mention in the agreement regarding the quantity, value adjustment of by-products that would be generated. In the absence of details audit could not estimate the loss to the Company on this account.

Management accepted and stated that use of by-products was in the agenda of the Company and would be taken up in future.

2.1.6.19 Incorrect claim for stowing cost from CCDAC

Coal Conservation and Development Advisory Committee (CCDAC) constituted under the provisions of the Coal Mines (Conservation and Development) Act, 1974 reimburses expenses incurred by the Coal Companies for stowing and environmental protection activities from the proceeds of Stowing Excise Duty (SED) collected by the Government.

The mine-wise normative stowing cost per cubic metre of Sand approved by CCDAC ranged from ₹ 225.25 to ₹ 477.93. According to the approved normative cost, the Company had claimed an amount of ₹ 530.69 crore for stowing 137.22 LCM of sand and received ₹ 228.11 crore during the period from April 2009 to September 2013.

Company had started using Processed OB (POB) for stowing purposes from 2011-12 onwards in Bhupalpalli area. Though the cost of sand processed from OB was not considered while arriving at the normative cost, the Company claimed the cost of POB also from CCDAC at the rates applicable to sand, resulting in incorrect claim of ₹ 10.75 crore during the three year period from 2011-12 to 2013-14.

Management replied that transportation cost, wage cost, power cost of pumping and lighting were not considered while claiming the cost of POB stowed and if the same were included the claim would be much higher.

However, the Company should have followed the procedure prescribed by CCDAC for claiming the reimbursement and should have claimed the correct amount.

Sales Realization

2.1.6.20 Selling run-of-mine coal in deviation of approved FR resulted in loss of revenue of ₹28.40 crore

As per price notification of the Company, crushed coal is sold at higher rate than run-of-mine (ROM) coal. As per the approved FRs of KTK-2 and KTK-5 mines of Bhupalpalli Area, the coal produced was envisaged to be dispatched in crushed form to fetch additional revenue. However, in deviation to the FR the Company has been selling the coal from both the mines as ROM coal. The loss incurred due to selling coal as ROM coal instead of crushed coal works out to ₹ 28.40 crore during the period from 2009-10 to 2013-14.

Management stated the separation of ROM and crushed coal was not taken-up as the required demand was not there.

The reply indicates that projections made in the FR based on which the projects were taken up were not correct.

2.1.6.21 Deviation from approved FR in selling coal resulted in loss of revenue of ₹29.56 crore

Vakilpalli mine has two seams with two different grades of coal, B and D. As per FR, it was envisaged to dispatch B-grade coal and D-grade coal separately to realize optimum revenue. It is to be noted that B-grade coal is higher grade coal which fetches very high price[33].

Audit observed that, contrary to the approved FR, the Company during the year 2012-13, dispatched the entire quantity of coal produced from Vakilpalli mine as single grade of C-grade coal. Selling coal without separating into B-grade and D-grade had resulted in loss of revenue of ₹ 29.56 crore.

Management stated that with the admittance of coal from Vakilpalli mine at common dispatch point (Coal Handling Plant- CHP), lower grade coal from other mines got upgraded from D-grade to C-grade.

The reply is not correct as the Audit scrutinized mine-wise quantities admitted to the CHP and found that the grade in CHP would have remained C-grade even without admittance of B-grade coal of Vakilpalli mine.

2.1.6.22 Manpower

Manpower is an important input for production of coal from UG mines and more than 60 *per cent* of the total manpower was deployed in UG mines. Total manpower deployed by the Company decreased from 70,586 in January 2009

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[33] Price of B-grade coal : ₹ 3319 per tonne.
Price of C-grade coal : ₹ 1840 per tonne.
Price of D-grade coal : ₹ 1500 per tonne.

to 61,778 in March 2014 due to retirements, control on fresh recruitment and mechanisation of operations in UG mines. The manpower deployed in UG mines reduced from 44,849 to 37,419. Audit analysis of wages and incentive costs revealed the following:

Avoidable expenditure of ₹ 7.98 crore on ineffective Special Incentive Schemes

In order to motivate the employees to achieve the targeted production for the year, a special incentive scheme was operated from 2010-11 to 2013-14, under which, in addition to existing wage incentives, special incentive was proposed for employees who attended duty on all working days in a month during the last four months (i.e. December to March) of the financial year when the Company achieved the monthly and annual targets.

Audit observed that individual/ mine-wise targets were not fixed during 2010-11 to 2012-13. The schemes did not take into account the peculiar/ different working conditions in OC and UG mines and was not linked to mine-wise production.

During the first three years, UG mines had not achieved the targets except in March 2011, but earned major portion of the incentives as the Company had achieved the overall target. Employees were paid incentive irrespective of their individual performance, subject only to attendance. The Company did not achieve the targets in 2012-13 despite operation of the above schemes.

The special incentive scheme was modified from the previous scheme and individual mine-wise targets were fixed in the new scheme from 2013-14. The Company did not achieve the overall annual target in 2013-14. The total additional production achieved by UG mines during the four months was only 0.2 MT with an incentive cost of ₹ 1.62 crore, i.e. special incentive cost of ₹ 80 per tonne. Audit observed that the scheme was designed without considering the additional financial burden compared to additional production over the target in case of UG mines.

Management stated that there was an improvement in average monthly production from UG mines. Further it was stated that the objective of monthly incentive scheme was to ensure achievement of annual production targets by reducing the production shortfall from UG mines. Audit noted that UG mines had not achieved the targeted additional production in 11 out of 16 months despite the additional cost incurred.

Environment

2.1.6.23 Mining in excess of EC capacity- Violation of MoEF guidelines

As per the provisions of the Environment (Protection) Act, 1986 mining companies have to obtain Environmental Clearance (EC) for all their mining projects from MoEF which stipulates conditions including the capacity of the project and activities/ protection measures to be taken by the mining Company while executing/ operating the project.

Audit noted that the Company was operating mines in excess of the sanctioned EC capacity in violation of the Guidelines of MoEF, GoI (**Annexure-2.I**). The Company had exceeded the EC capacity by 9.56 MT (0.46 MT from UG mines and 9.10 MT from OC mines) in 2012-13 and 8.18 MT (0.34 MT from UG mines and 7.84 MT from OC mines) in 2013-14. Further, it was observed that even the production targets were fixed above the EC capacity in 20 out of 48 mines in 2014-15.

MoEF directed in June 2013 that production needed to be restricted to the EC capacity till EC was obtained for enhanced capacity and in case of any violation, legal action as per the provisions of Environment (Protection) Act, 1986 would be taken against the project proponent[34] and the case of EC clearance would be summarily rejected.

However, the Management continued mining activities in excess of EC capacity. MoEF then again directed the State Environment Dept. (December 2013) to initiate legal action for violation of Environment Protection (Amendment) Act, 2006 by the Company and to furnish Action Taken Report. Despite this, the Company had continued mining in excess of sanctioned capacity.

State Government requested GoI in January 2014 to exempt the Company from the provisions of Environment (Protection) Act and not to resort to legal action.

The main reason for mining in excess of EC capacity was the failure to complete the new projects as per schedule. Had the Company done so, it would have added an additional production of 26.85 MT coal by 2013-14. Failure to complete the projects on schedule necessitated the Company to resort to mining in excess of EC capacity in violation of Environment Laws.

Though Management stated that the pollution levels were within the EC prescribed limits and the Company was following up with MoEF for upward revision of EC capacities, revised ECs were not issued so far by MoEF (June 2014).

2.1.6.24 Safety

The Company has got Risk Management Plan prepared by a third party in 2008-09 and based on the risk assessment and guidelines given in the plan, safety management plans were prepared and monitored. The number of accidents recorded during the last 6 years is indicated in Table 2.10:

[34] A person who desires to undertake any new project in any part of India or the expansion or modernization of any existing industry or project and applies to MoEF for environmental clearance.

Table: 2.10 – Accidents

Description	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
No. of Accidents	9	9	7	6	4	4
Fatalities	11	12	8	7	5	5
Serious injuries	342	369	244	290	324	267

Source: MIS

Conclusion

Lack of proper planning affected the productivity of the Company. Targeted production was not achieved during 2009-14 in UG mining. Under-utilization of machinery and delays in implementation of new projects led to increased cost of production. The Company could not commence production from any of the four new-generation longwall projects due to delays in procurement and improper planning, leading to mid-term changes rendering the projects unviable. Undue advantages were allowed in awarding contracts for processing of sand from overburden.

Recommendations

The Company should consider the following

- ***obtain approval from competent authority as per DoPs in approving projects, amendment to contract clauses and allotment of land for setting up of plants to improve accountability;***
- ***should consider all the related issues at initial planning stage to avoid deviations and delays in project execution specifically in longwall projects;***
- ***fix production targets within the available EC limits to avoid violation of MoEF norms.***

2.2 Activities of Andhra Pradesh State Agro Industries Development Corporation Limited

Executive Summary

Introduction

Andhra Pradesh State Agro Industries Development Corporation (APS Agros) Limited was established on 5 March 1968 to help in growth and modernisation of agriculture, horticulture, sericulture and other allied sectors of the State. The Company is engaged primarily in Land Development Activity (LDA) and is the nodal agency for supply of farm machinery and agriculture inputs to beneficiary farmers. Other activities of the Company include trading of fertilizers and pesticides through Agro Rythu Seva Kendras (ARSK) and maintenance of Agro Service Centres (ASC) for distribution of agricultural implements and sale of tyres, tubes and batteries for government departments. It has two mango processing units at Nuzivedu and Tirupati for exporting mangoes to Japan.

Financial Position

The Company earned profit of ₹ 8.51 crore in 2011-12 and incurred loss of ₹ 2.91 crore in 2012-13 and loss further increased to ₹ 9.14 crore in 2013-14 due to decrease in allocation of business by the Agriculture and Horticulture departments.

Implementation of schemes:

A) Construction of display centres:

Government released (September 2011 & November 2012) ₹ 10.80 crore for construction of farm machinery display centres in Phase-I and Phase-II. Without utilising the sheds constructed under phase-I at a cost of ₹ 3.13 crore, Company further initiated action for construction of display centres under phase-II.

B) Machinery repair centres:

The government released (September 2011 to September 2013) ₹ 1.11 crore for imparting training to unemployed youth to open 'machinery repair centres'. Company identified and trained only 119 candidates against 1,100 candidates proposed under scheme, by spending ₹ 12.73 lakh and only one trainee opened the repair centre.

C) Construction of Godowns:

Government released (November, 2012) an amount of ₹ 4.01 crore for construction of godowns, at Chintal, Hyderabad. The Company did not commence the works and kept the funds in fixed deposits. Government further released (September, 2013) an amount of ₹ three crore during 2013-14,but the Company dropped the proposal of construction of godown citing paucity of *time and surrendered ₹ one crore. Remaining amount of ₹ two crore was proposed to be utilised for procurement of machinery (₹ 1.87 crore) for display centres and machinery repair centre (₹ 0.13 crore). The Company failed to utilise these funds till date (July 2014).*

D) Fruit processing plants for export of mangoes:

The Company constructed (2008-09) two fruit processing plants at Nuziveedu (Krishna district) and Tirupati (Chittoor district), at a cost of ₹ 26.40 crore, with an objective of exporting mangoes. But the plants were kept idle without utilisation/exporting mangoes, rendering the entire expenditure futile.

Agro Service Centres (ASCs)

Unauthorised reduction of service charges from four per cent to two per cent, by Commissioner and Director of Agriculture, resulted in loss of business. Lack of proper monitoring of Agro Rythu Seva Kendras (ARSKs) resulted in non-renewal of agreements with them resulting in loss of ₹ 82.92 lakh.

Ineffective Land Development Activity (LDA)

Company did not achieve the targeted hours of operation of land development machinery, as well as financial targets in any of the years during the period of review.

The Company revised the rate per hour for land machinery factoring oil cost only and ignoring changes in the other fixed and variable costs which resulted in loss in LDA activity of ₹ 1.39 crore during the five year review period.

Inefficient management of lands and other properties

The Company, on orders of Government, retransferred (1994-96) two lands to other State Government departments and did not receive compensation of ₹ 20.39 lakh, even after 20 years of their transfer due to non pursuance with the departments.

Company took possession (2005) of lands at Hyderabad (23.28 acres) and Bellampally (543.15 acres) from its subsidiary Company i.e. Hyderabad Chemicals and Fertilisers (HCF). Even 10 years after taking possession of the lands, Company had not planned utilisation of the lands which were lying idle.

Internal control mechanism

Monthly review meetings with regional managers to analyse the working of various activities in the regions were not being conducted, which resulted in lack of proper internal control and supervision. Idling of surplus funds in current accounts resulted in loss of interest of ₹ 6.70 crore.

2.2.1 Introduction

Andhra Pradesh State Agro Industries Development Corporation (APS Agros) Limited was established on 5 March 1968 to help in growth and modernisation of agriculture, horticulture, sericulture and other allied sectors of the State. The paid up capital of the Company is ₹ 21.50 crore, out of which Government of India contributed ₹ 2.69 crore and Government of Andhra Pradesh contributed ₹ 18.81 crore.

The Company is engaged primarily in Land Development Activity (LDA) and is the nodal agency for supply of farm machinery and agriculture inputs. Other activities of the Company include trading of fertilizers and pesticides through Agro Rythu Seva Kendras (ARSK), maintenance of 22 Agro Service Centres (ASC) for distribution of agricultural implements and sale of tyres, tubes and batteries for government departments. It has two mango processing units at Nuzivedu and Tirupati for exporting mangoes to Japan.

2.2.2 Organisational structure

The Company is headed by Vice Chairman & Managing Director and is assisted by five functional heads looking after: (i) Projects & Estates, (ii) ARSKs, (iii) Personnel and Administration, (iv) Land Development, (v) Farm Mechanisation, Finance and Accounts at the corporate office. It has 10 Regional Managers at 10 Regional Offices[35] covering 23 districts at the field level.

2.2.3 Scope and Methodology

Performance Audit on the activities of the Company was conducted during the period 2009-14 from November 2013 to May 2014. Five Regional offices in three regions *viz*. Telangana (two), Andhra (two) and Rayalaseema (one) of the composite State of Andhra Pradesh were selected for detailed study. Entry conference was held on 26 February 2014. Audit findings were reported to the Company and Government during August 2014. Management's replies were received (October 2014) and incorporated. An Exit conference was held on 31 October 2014 where audit findings were discussed at Government level along with VC & MD and functional heads of the Company.

2.2.4 Audit objectives

Audit was conducted with the objectives of ascertaining whether:

- the Company successfully planned and implemented various government schemes;

[35] Ananthapur, Chittoor, Eluru, Guntur, Hyderabad, Jagitial, Khammam, Nizamabad, SPSR Nellore and Vizianagaram.

- land development activity was carried out economically, efficiently and effectively;
- financial management, internal control and property management were effective.

2.2.5 Audit criteria

The following audit criteria were adopted:

- Government Orders (GOs) relating to various schemes and operations of the Company.
- Board minutes and Agenda of the Company.
- Guidelines of various Government schemes like Rashtriya Krishi Vikas Yojana (RKVY), Farm Mechanisation (FM), Horticulture etc.
- Management Information Systems statements in respect of scheme implementation, target *vis-à-vis* achievement, internal controls etc.
- Memorandum of Understanding (MoU), which is an Annual Plan containing yearly targets and projections submitted to the State Government.

2.2.6 Audit Findings

Financial Position and working results of the Company for the period 2009-14

The sources of income of the Company are (i) hiring charges for its bulldozers for its land development activities, (ii) service charges collected from the departments of Agriculture and Horticulture for implementation of Government schemes and (iii) commission received from other departments for execution of Department-specific schemes. The Company also receives grants from State and Government of India for execution of various schemes/projects like display centres, machinery servicing centres etc. The summarised financial position of the Company for the period from 2009-14 are given in Table 2.11.

Table 2.11: Financial Position and working results for the period 2009-2014

(₹ in crore)

	2009-10	2010-11	2011-12	2012-13	2013-14*
I. Equity and Liabilities					
1. Shareholder's funds					
(a) Share Capital	21.50	21.50	21.50	21.50	21.50
(b) Reserves and Surplus	8.38	12.32	28.60	46.83	35.79
2. Non-Current Liabilities					
(a) Long Term borrowings	42.01	43.43	44.85	46.27	47.70
(b) Deferred Tax Liability	-	0.02	0.66	0.86	0.86

3. Current Liabilities					
(a) Trade Payables	109.32	147.48	111.79	37.22	33.91
(b) Other Current Liabilities	117.50	137.19	110.21	121.22	95.99
(c) Short Term Provisions	-	0.51	0.66	0.54	0.24
Total	**298.71**	**362.45**	**318.27**	**274.44**	**235.99**
II. Assets					
1. Non-current assets					
(a) Fixed Assets					
(i) Tangible assets	25.31	24.23	25.83	29.64	28.15
(b) Non-current investments	1.44	1.44	1.44	1.44	1.44
(c) Long term loans and advances	0	33.83	36.98	37.78	37.91
2. Current assets					
(a) Inventories	4.81	9.78	4.59	1.93	1.63
(b) Trade receivables	92.45	126.33	119.97	53.95	54.25
(c) Cash and Cash equivalents	137.87	154.33	114.98	137.88	104.56
(d) Short term loans and advances	36.83	12.51	14.48	11.82	8.05
Total	**298.71**	**362.45**	**318.27**	**274.44**	**235.99**

*Source: Annual Accounts *provisional*

2.2.6.1 Irregular use of interest earned on scheme funds

Cash balance of ₹ 104.56 crore includes funds received for execution of various schemes (including unutilised capital grants pertaining to incomplete schemes as discussed in paras 2.2.6.3 to 2.2.6.6). Out of this amount, ₹ 54.25 crore were kept in Fixed Deposits (FDs). The interest of ₹ 21.58 crore earned was utilised for its administrative expenditure during the last five years ending March 2014 which was irregular as the interest should have been credited to the capital grants the funds pertained to.

2.2.6.2 Reduction in activity of the Company resulted in losses

Working results of the Company are shown in Table 2.12.

Table 2.12: Profit and loss account for the years 2009-10 to 2013-14

(₹ in crore)

PARTICULARS	2009-10	2010-11	2011-12	2012-13	2013-14*
INCOME					
I. Revenue from operations	260.88	449.68	436.16	51.67	26.36
II. Other Income	3.81	5.99	8.86	7.98	3.42
III. Total	**264.69**	**455.67**	**445.02**	**59.65**	**29.78**
IV. Expenses					
a. Cost of material consumed	2.05	2.62	2.06	2.11	3.45
b. Purchase of stock in trade	246.08	434.64	412.49	42.35	20.54
c. Changes in inventories	-0.77	-5.04	5.18	2.65	0.46
d. Employee benefits expenses	8.25	12.94	11.28	11.11	10.93

e. Finance Costs	1.43	1.50	1.44	1.43	1.42
f. Depreciation and Amortisation expense	0.13	0.13	0.13	0.15	0.15
g. Other expenses	5.28	3.79	3.93	2.76	1.97
Total	262.45	450.58	436.51	62.56	38.92
V. Profit before tax	2.24	5.09	8.51	-2.91	-9.14
Profit c/f to BS	-7.6	5.08	6.49	-4.48	-9.15

Source: Annual Accounts **provisional*

The major chunk of income of the Company comes from the Agro Service Centres and ARSKs from which it collects service charges; schemes of the departments of Agriculture and Horticulture are implemented through these Centres. As seen from the P&L account, the Company was making profits till 2011-12, but there was reduction in the activities of the Company from the next year onwards as reflected by abrupt decreases in both income and expenditure of the Company in 2012-13; the income and expenditure were only 13.41 *per cent* and 14.33 *per cent* respectively of their 2011-12 levels. In 2013-14, they shrunk further by 51 *per cent* and 38 *per cent*. The Company which had earned profit of ₹ 8.51 crore in 2011-12 incurred loss of ₹ 2.91 crore in 2012-13, which further increased to ₹ 9.14 crore loss in 2013-14. The reduction in its activities was due to decrease in allocation of business by the Agriculture and Horticulture departments as discussed in para 2.2.6.7. As a result, revenue from operations declined from ₹ 436.16 crore in 2011-12 to only ₹ 26.36 crore in 2013-14, thus seriously affecting the financial position of the Company.

Implementation of schemes

The Company implemented various government schemes through grants received by it as shown in Table 2.13:

Table 2.13 - Grants received from Government of India

(₹ in lakh)

Year	Construction of display centres	Purchase of bulldozers (LDA)	Servicing centres	Ware-houses	Procurement of machinery for display centres
2011-12	420.80	655.33	23.87	0	0
2012-13	586.60	1411.00	62.40	401.00	0
2013-14	0	0	13.00	300.00	187.00
Total	**1007.40**	**2066.33**	**99.27**	**701.00**	**187.00**

Source: information submitted by the Management

Utilization of these grants are discussed in the subsequent paragraphs.

2.2.6.3 Non-utilisation of display centres

The Company proposed (28 July 2011) setting up of two 'permanent farm equipment[36] display centres' (one open shed of 3,000 sq.ft. and one closed

[36] Harvesters, Planters, Tractors and Weeders etc.

shed of 2,000 sq. ft.) in each district of the State. Implementation of the scheme was to have been carried out in 2 phases, with 22 sheds to be constructed in 11 districts in phase-I and 22 sheds in 11 more districts in phase-II. The main objective of construction of these display centres was to demonstrate/display agricultural equipment and create awareness among farmers about farm mechanisation. Manufacturing companies of the farm machinery were to be encouraged to display their latest machinery and equipment in these centres. The sheds were to be constructed on the assumption that nearly 5000 farmers would visit these centres in each district in a year and to motivate farmers for use of modern techniques. It was also expected to overcome the labour problems faced by farmers.

Government released (September 2011 & November 2012) ₹ 10.80 crore covering both Phase-I and Phase-II under RKVY scheme to the end of March 2014. Under Phase-I, the Company completed seven open sheds and eight closed sheds in nine districts[37] at total expense of ₹ 3.13 crore, the remaining seven sheds could not be taken up due to non-identification of land (May 2014). It was observed in audit that none of the display centres constructed so far had any equipment to display and were non-functional till the date of Audit (May 2014).

Audit observed that the Company neither carried out any survey nor interacted with the farm equipment manufacturers before proposing the scheme/ centres, nor took any action after the completion of these centres under phase-I for displaying farm equipment. It further initiated action for construction of the remaining display centres under phase-II by calling for tenders.

Management reply was silent on non-utilisation of display centres for the purpose for which they were constructed.

2.2.6.4 Failure in setting up of rural agricultural implements and machinery servicing centres

To facilitate timely repairs and replacements of agricultural machinery[38] at the doorsteps of farmers, Company proposed (July 2011) a 3-months training (including food and shelter of trainees for the period) to the unemployed youth at mandal level. It was proposed to train 1100 youth within a span of 3 years (200, 400 and 500 in first, second and third year respectively). After completion of the training, the trained youths were to be provided special tool kits worth ₹ 25,000 each for establishment of farm equipment repairing centres at mandal headquarters with financial assistance of ₹ 2,000 per month for a period of 6 months. Later, they were expected to run repair centre at their own cost.

The government approved the proposal and released (September 2011 to September 2013) ₹ 1.11 crore (100 *per cent* grant under RKVY scheme) for

[37] Anathapur, Chittoor, Eluru, Guntur, Hyderabad, Jagitial, Kurnool, SPSR Nellore, & Vizianagaram, (Khammam, Nalgonda were not taken up due to non-finalisation of lands for the construction purpose).

[38] Harvesters, multicrop threshers, power tillers, paddy and sugar cane planters, tractors etc.

the period 2011-14. The Company identified 119 candidates for training through a Government agency *viz*. Society for Elimination of Rural Poverty (SERP). It was decided to train the youth in the 'Swamy Ramananda Tirtha Rural Institute' a Government institution by paying for board and lodging for training. Subsequently, tool kits were to be provided by the Company.

Audit noticed that the Company identified and trained only 119 candidates (30 in 1st year, 54 in 2nd year and 35 in 3rd year) against 1,100 targeted and spent only ₹ 12.73 lakh out of ₹ 1.11 crore allocated for the purpose from 2011-12 to 2013-14. Only 22 out of the 119 trained candidates came forward to open repair centres and were provided with toolkits but only one trainee opened the repair centre.

Audit observed that the scheme was not backed by any awareness program among the targeted unemployed youth for the training/ opening of repair centre. There was no direct link between the training, distributions of toolkits and running of repair centre which was voluntary on the part of the trainees. The Company could not motivate the trainees for setting up of repair centre and there was no follow up after the training.

Management in its reply stated that the Company has taken utmost care through paper advertisement and contacting government departments to identify the candidates who were supposed to set up the service centres. It was also stated that the trained candidates were expecting permanent job guarantee for setting up of service centres. Therefore the purpose could not be achieved.

The reply is not tenable as the scheme was designed and implemented without proper planning. There was no component of creating awareness, assessing demand in the estimates prepared to implement the scheme.

2.2.6.5 Non construction of Warehouses

The State Level Sanction Committee (SLSC) of RKVY desired (June 2012) that godowns/ warehouses be constructed in areas where they were required, for storage of fertilisers or produce of farmers where the Company land was readily available for which 100 *per cent* grants would be provided under the scheme. The Company submitted proposal (June 2012) to SLSC (RKVY) for construction of four godowns at Khammam, Medak, Anantharajupet and Chintal, Hyderabad at an estimated cost of ₹ 15 crore. Government released (November 2012) an amount of ₹ 4.01 crore for construction of godown, at Chintal, Hyderabad. Even after one year from the receipt of funds, the Company has not commenced the preliminary work of identification of land, design/ plan etc. till date (May 2014)

For construction of godown at Ananthrajupet (Kadapa district) government released (September 2013) an amount of ₹ three crore for 2013-14 and deposited the amount in PD account of the Company. Company did not initiate any action for construction and rather decided (January 2014) to drop the proposal of construction of godown citing paucity of time and surrendered ₹ one crore and remaining ₹ two crore was proposed to be utilised for procurement of machinery (₹ 1.87 crore) for display centres and machinery repair centre (₹ 0.13 crore). Though the proposal was approved, the Company failed to even utilise these funds till date (May 2014).

Audit further observed that though the Company in its proposal had indicated availability of 15 acres of land at four locations with a proposed built up area of 3,00,000 sq.ft for construction of godowns and accordingly received funds from RKVY, it failed to identify specific locations for construction work and could not utilise the grants received for the purpose.

Management replied that construction of godown at Central workshop, Chintal was being reviewed and comprehensive revised proposal would be submitted. The reply confirms the ad-hoc nature of planning and preparedness.

2.2.6.6 Ineffective planning in construction of mango processing units at two locations for export of mangoes resulted in idling of plants

Andhra Pradesh is one of the leading mango producing States in India. The Government decided to export mangoes to Japan through the Company, by following quality control regulations of Agricultural Processed Food Products Export Development Authority (APEDA), Government of India. As per these regulations, all export consignments to Japan should undergo Vapour Heat Treatment (VHT) against fruit flies in the presence of a Japanese quarantine inspector before their export. For this purpose, the Company constructed (2008-09) two fruit processing plants, with post- harvest processing facilities, i.e., Integrated Pack House and Vapour Heat Treatment Plants (IPH & VHT), at Nuziveedu (Krishna district) and Tirupati (Chittoor district), at a cost of ₹ 26.40 crore (funded by Government). The plants were run by the Company for some time and also leased out to private parties.

It was noticed that the stringent safety regulations for export could not be fulfilled either by the Company or by lessees selected by the Company for running these plants, as a result of which no mangoes could be exported to Japan ever since the two plants were constructed in 2008-09 till the date of audit. Thus, the expenditure of ₹ 26.40 crore incurred for the construction of these plants turned infructuous. The Company incurred expenditure of ₹ 65.54 lakh towards maintenance of these two plants till March 2014 and it was still paying for its maintenance. In addition, there were accumulated liabilities to the extent of ₹ 2.32 crore on account of lease rentals and cost of land (₹ 2.02 crore for Tirupati plant and ₹ 0.30 crore for Nuziveedu plant), which were yet to be discharged by the Company.

Audit observed that lack of planning by the Company to take appropriate measures for meeting the stringent safety standards resulted in non-export of mangoes even for a single year out of seven years since the establishment of these units. The objective of construction of the plants was thus defeated. The Company had neither taken any steps to overcome the quality issues nor explored alternative use of the facilities created in the plants so far. Management in its reply was silent on the utilisation of these plants.

Agro Service Centres (ASCs)

The Government nominated (May 2005) the Company as a nodal agency for distribution of agricultural implements to beneficiary farmers under government schemes of Agriculture and Horticulture departments and sale of tyres, tubes and batteries to government departments. To carry out these functions, Company gets service charges between 4 *per cent* and 11 *per cent*.

2.2.6.7 Unauthorised reduction of service charges by C&DA resulting in loss of business

Departments of Agriculture and Horticulture assign implementation of subsidy schemes to the Company such as supply of farm equipment, fertilizers and seeds to farmers at 50 *per cent* price discounts. The departments identify the beneficiary farmers and collect the remaining 50 *per cent* from them. The Company, after retaining 4 *per cent* of beneficiary contribution as service charge, would pay the remaining amount as advance to the supplier. After supplies are made, Utilisation Certificates (UCs) are submitted by Company to Agriculture Department and then subsidies are claimed from the departments. On receipt of the subsidy from the department, payments are made to the suppliers and the Company earns another 4 *per cent* on the subsidy amounts. This was the major source of income for the Company, but Commissioner & Director of Agriculture (C&DA), reduced (since 2011-12) the service charges from 4 *per cent* to 2 *per cent* and started paying at the reduced rate. The Company has not pursued with Government for restoration of service charge at 4 *per cent* which was its major source of business and income.

Management in its reply stated that C&DA has unilaterally reduced the margin from 4 *per cent* to 2 *per cent.*

2.2.6.8 Lack of proper monitoring of Agro Rythu Seva Kendras (ARSKs)

To supply quality agriculture inputs like seeds, fertilisers and pesticides under one roof, Government directed (May 2005) the Company to set up 30 to 40 ARSK (single window) outlets in each district in a phased manner. ARSK were allotted to private entrepreneurs by the Company specifically to unemployed youth who are allowed to sell the products exclusively supplied/ authorised by the Company or other nodal agencies (AP Seeds, HACA, AP Oil Fed, APMARKFED) at notified prices from time to time. On selling of these products, ARSKs and Company get commission at the rate of 1.5 *per cent* and 0.5 *per cent* respectively. The Company had 450 ARSKs as on 31 March 2014. The performance of the ARSKs was reviewed for the period 2009-14.

It was seen that as per the guidelines, an entrepreneur has to enter into an agreement with the Company for allotment of ARSK dealership renewable on yearly basis. The selected entrepreneur should deposit ₹ three lakh as trade advance and ₹ 10,000 as security deposit. The same is refunded after expiry/ termination of the agreement, after adjusting the dues outstanding, if any. Regional Managers should ensure that stocks are supplied to the entrepreneur only to the extent of amount remitted by them or credit balance available in their account. In case an entrepreneur failed to remit the sale proceeds of the stock supplied, he was liable to pay the entire value of stock with interest at 18 *per cent* p.a.

Audit observed that the Company had not collected trade advance (₹ 3 lakh per entrepreneur) amounting to ₹ 13.50 crore from 450 ARSKs to the end of March 2014. Further, ARSK agreements were not renewed from time to time. Though, the agreement insists on maintenance of stock records, account books etc. and furnishing of monthly reports and returns regarding receipt of stocks, sales etc., the same were not furnished to the Company. Thus, Company failed in monitoring the ARSKs which resulted in non-collection of ₹ 82.92 lakh as discussed below.

Department of Agriculture assigned the task of providing quality seeds to the farming community at 50 *per cent* subsidy. Accordingly, Company had taken up distribution of subsidised seeds from 2005-06 through ARSKs, under the Agriculture departmental subsidy programme.

During 2010, the Company noticed that remitting of non-subsidy amounts to the Company was being delayed by ARSKs resulting in delayed payments to seed nodal agencies (AP Seeds). Therefore, the Company decided (May 2010) that the collection of non-subsidy amounts from ARSKs should be the responsibility of seed nodal agencies. As the ARSKs started remitting the non-subsidy amounts directly to the seeds nodal agencies, the Company had to forego the 0.5 *per cent* commission it used to receive from the seed nodal agencies from 2010-11 onwards. The Company requested (September 2013) AP Seeds to clear the outstanding commission of ₹ 82.92 lakh for the period 2009-13. AP Seeds in turn asked the Company to arrange for remittance of the outstanding dues i.e. sale proceeds amounting to ₹ 4.38 crore from ARSKs so as to settle the commission to the Company. As the Company failed to collect the amounts from ARSKs an amount of ₹ 82.92 lakh remained uncollected from seed nodal agencies.

Management in its reply stated that the commission receivable from the seed agencies is being pursued.

2.2.6.9 Ineffective Land Development Activity (LDA)

The Company was engaged in land development activity (LDA) i.e. tank de-silting, levelling, bunding and ripping works in six out of ten regions. For this purpose, Company was maintaining 54 bulldozers and heavy earth moving equipment. In addition, the Company proposed to take up development of ponds for fish culture and prawn culture extensively in coastal areas, besides taking up soil moisture conservation works etc.

Non achievement of targets

The State has 16.28 lakh acres[39] of cultivable waste land which can be brought under cultivation. No data bank of land to be brought under cultivation had been developed by the Company so far, the absence of which will affect planning for its land development activities.

Targets for land development activities in terms of number of machine hours with financial targets are fixed by the Company from year to year. Company however did not achieve the targeted hours of operation as well as financial targets in any of the years during the period of review which were 166,500 hours and ₹ 20.77 crore respectively during the period covered by audit, against which there were shortfalls of 46,184 hours and ₹ 6.12 crore respectively. Due to this the Company could develop only 20,053 acres (72 *per cent*) out of the targeted 27,749 acres of land (**Annexure 2.2**). The reasons cited by the Company included old machines which are prone to frequent break down and repair, state bifurcation and stiff competition from private owners of bull dozers/excavators/JCBs and wheeled tractors with blade attachment.

It had received (November 2012) a grant of ₹ 14.11 crore for purchase of new machinery, but even after 15 months (March 2014) it did not procure the machinery. Thus Company's own slackness was also responsible for non-achievement of targets and non-utilisation of available funds.

2.2.6.10 Loss due to wrong fixation of machine hour rate for bulldozers

Machine hour rate of bulldozers is fixed by the Company on the basis of life of the machine and its working condition. However, while fixing machine hour rate, the fixed and variable costs needed for its operation are required to be taken into consideration. Company prepares a cost sheet for arriving at the rate per hour of operation of the bulldozers. For bringing land under cultivation, farmers are charged on the basis of actual working hours rendered and rent is collected at hourly rate.

The Company had fixed (July 2008) the rate per hour at ₹ 1,100 considering fixed cost and variable cost[40] (July 2008). It revised the rate three times in September 2010, September 2011 and May 2013 respectively. Audit observed that the revisions were made by factoring oil cost only and ignoring changes in the other fixed and variable costs due to which the rate that was fixed was less than the actual cost incurred. This led to a loss of ₹ 1.39 crore during the last five years.

Management while accepting the observations stated that care would be taken in future to revise the process by taking into account all cost-variants.

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[39]Source: Web site data from Ministry of Agriculture, GoI as on May 2014.

[40]Fixed cost (operator& administrative salaries and overheads expenses) and variable cost (HSD oil, lubricants @10 per cent of HSD, R&M cost, TA&DA to operators).

2.2.6.11 Inefficient management of lands and other properties

The Company holds 617.48 acres of land. Out of this 23.39 acres of lands were transferred (1979) from the Agricultural Department to the Company for its utilisation. It was noticed in audit that land at Suryapet (2.02 acres) and Miryalaguda (1.48 acres) was kept idle for 15 years till 1994. Thereafter the Company on orders of Government re-transferred (1994-96) these lands to other State Government departments for which the Company was to receive compensation of ₹ 20.39 lakh. Even after 20 years of the transfer of the lands, the Company did not get any compensation nor was it pursuing with the departments for claiming the due amounts (May 2014).

Audit further noticed that Company took possession (2005) of lands at Hyderabad (23.28 acres) and Bellampally (543.15 acres) from its subsidiary Company i.e. Hyderabad Chemicals and Fertilisers (HCF). Even after 10 years after taking the possession of the lands, Company had not planned utilising of the land which was lying idle.

Management replied that HCF land was being surveyed after which the land would be protected by fencing (October 2014). However, it was noticed by audit that there were "encroachments on the road side" in the land the extent of which could not be ascertained from the records. Management themselves were unaware of the extent of such encroachments.

2.2.6.12 Internal control mechanism

Internal control is designed for providing reasonable assurance for efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes essential for proper functioning as well as effectiveness of the organisation. It was seen by audit that Company had outsourced its internal audit function to private Chartered Accountants (2009-10). Internal audit reports revealed that the comments focussed more on the establishment matters rather than the core activities of the Company. Though the statutory auditors in their audit report were stating every year that there were several cases of advances, funds in transit and stock in transit remaining unadjusted for long period due to non-reconciliation of advances, debtors and creditors, neither the Company nor the Internal Audit suggested any measures to improve the state of affairs.

Audit further noticed, that as a part of internal control, the VC&MD has to conduct monthly review meetings with regional managers to analyse the working of various activities in the regions viz., ASCs, LDA, FMD etc. Audit however observed that such meetings were not held after December 2011, resulting in lack of proper internal controls and supervision at the top level. On review of the internal control mechanism, the following observations are made by audit.

2.2.6.13 Idling of surplus funds in current account resulted in loss of interest

The Company deposits the funds received in the form of subsidies and grants from Agriculture and Horticulture Departments (GoI/State Government) in fixed deposits (FDs) and also current account of the Company. It was seen in audit that Company was maintaining substantial amounts in current account instead of investing the same in FDs to earn interest. To make best use of the excess funds available, the Company should have planned its working capital requirements carefully. Audit observed that surplus funds of ₹ 41.35 crore (2011-12) and ₹ 42.52 crore (2012-13) were not deposited in FDs but kept in current account thereby losing interest income of ₹ 6.70 crore (at the rate of 8 *per cent* p.a i.e. ₹ 3.30 crore + ₹ 3.40 crore) during 2011-12 and 2012-13.

Management accepted the audit observation and stated that the advice would be taken in right spirit for future compliance.

2.2.6.14 Non realisation of dues

On behalf of the departments of Agriculture and Horticulture, the Company purchases and sells fertilizers, seeds and other farm implements. The sale proceeds are released by the departments after receipt of UC from the Company. In addition, rents due are also shown under the debtors. The debtors position in the last five years from 2009-10 to 2013-14 were as follows:

Table 2.14 – Debtors position

(₹ in crore)

Year	Debtors
2009-10	98.60
2010-11	132.49
2011-12	126.12
2012-13	60.10
2013-14 (provisional)	60.39

Source: Annual Accounts

Audit observed that dues amounting to ₹ 31.95 crore was outstanding for more than three years. Further, ₹ 3.67 crore out of these was due from private parties, i.e., Agro Vikraya Seva Kendra (old form of ARSK) since 2006-07 which were no longer in existence. Hence, the chances of recovery of these amounts were remote.

Lack of effective monitoring from the Head office and delay in initiating action for prompt realization resulted in accumulation of debtors. Company has not reconciled balances against Sundry Debtors.

Management in its reply stated that these dues would be reconciled against the advances available in 2013-14.

Conclusion

There was deficient planning and delay in implementation of various schemes. Infrastructure created for processing and exporting of mangoes and display centres for farm machinery was kept idle for years. The Company did not focus on bringing waste land to cultivation in the State. Funds were kept idle in current accounts of various Regional offices. Review meetings with regional managers to analyse the working of various activities were not being conducted. Internal control was weak and monitoring was poor.

Recommendations

The following are for consideration

- ***Company plan and complete the schemes undertaken;***
- ***Avenues be explored to use the idle infrastructure created in respect of Display centres and mango processing units;***
- ***Company increase its land development activity and strengthen its internal control mechanism.***

CHAPTER III

COMPLIANCE AUDIT OBSERVATIONS

Chapter III

3. COMPLIANCE AUDIT OBSERVATIONS

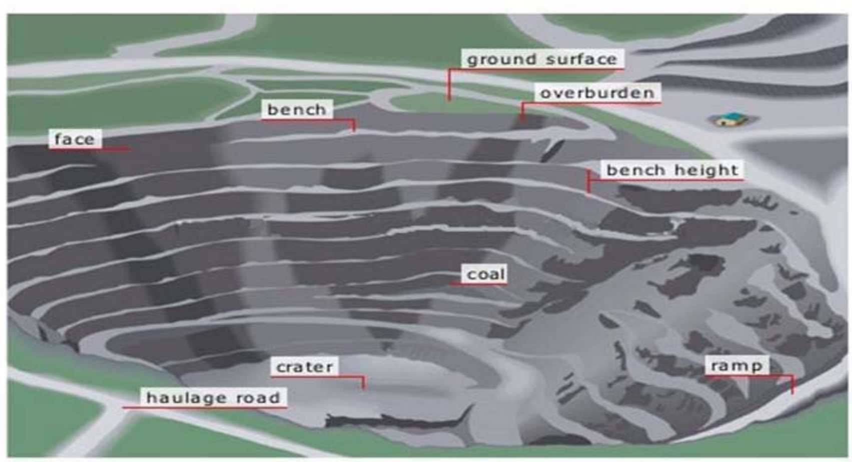
GOVERNMENT COMPANIES

The Singareni Collieries Company Limited

3.1 Award and execution of Overburden removal contracts in Opencast mines

3.1.1 Introduction

The Singareni Collieries Company Limited (Company) was incorporated in December 1920 with the main objective of development of mines for extraction of coal. The Company has both types of coal mines viz., opencast (OC) and underground mines spread over Khammam, Karimnagar, Adilabad and Warangal Districts of Andhra Pradesh State and 78 *per cent* of its annual coal production comes from OC mines. Fifteen opencast mines were in operation as on 01 April 2014. In opencast mining, Overburden (OB) is the soil which lies above the coal bands and has to be removed and dumped in the earmarked place. Overburden Removal (OBR) is one of the most important activities without which coal cannot be exposed and extracted. OB is to be removed as per stripping ratio[41] defined and determined in Feasibility Reports (FR) of mines. FRs indicate the year-wise quantities of OB to be removed, coal production and the method as well as extent of excavation viz., by Company/ outsourcing.



***Source:**http://www.slideshare.net/isnindian/basics-of-openpit-mining*

[41]Stripping Ratio represents ratio between mineable reserves of coal and OB to be removed.

OBR by outsourcing, being cheaper (cost per bcm[42]) as compared to engaging Company's men and machinery, was started in 1992. Soil above the coal is removed to reach the coal bands by reducing the levels of 10 meters height each (called benches) from the ground level. Payment is made to outsourcing agencies on the basis of quantity of OB removed bench-wise to the pre-fixed Reduced Levels (RL). Thus, accuracy in assessment of OB removed is very important.

In the absence of a separate Manual for outsourcing OBR contracts, existing general Purchase Manual (updated upto 2007) is being followed by the Company. Purchase Manual is for purchase procedures i.e. purchase of stores, which also contains a chapter for awarding of OBR works. Purchase Manual does not contain all the aspects of OBR contracts. A draft Survey Manual for OBR procedures prepared in the year 2000 (updated upto October 2008) is a specialised document specific to OB removal wherein survey, excavation and measurement procedures for mining are described but that is yet to be approved by the Board of the Company. However, the provisions of draft Survey Manual are being followed in respect of execution of OBR contracts.

3.1.2 Audit scope, objective and methodology

Award and execution of all the 27 OBR contracts awarded during 2009-14 in all the 15 OC mines was analysed in audit with an objective to see whether effective planning and timely execution was done and targets achieved. This necessitated scrutiny of records at Contract Management Cell (CMC) in Purchase Department established for award of OBR contracts at Corporate Office, Kothagudem.

3.1.3 Audit Findings

3.1.3.1 Targets and achievements of OBR

Project Planning Department of the company fixes mine-wise and year-wise targets for OBR corresponding to targets set for coal production in Government of India's five year plan. Year-wise targets and achievements of OB removal for the five years ended 2013-14 are given in the following table 3.1:

Table: 3.1 Targets and Achievements

(Quantity in lbcm)

Year	Targets			Achievement			Achievement Percentage		
	Company	Out-sourcing	Total	Company	Out-sourcing	Total	Company	Out-sourcing	Total
2009-10	699.90	1867.10	2567.00	527.69	1941.43	2469.12	75.40	103.98	96.19
2010-11	821.41	1716.40	2537.81	645.70	1506.68	2152.38	78.61	87.78	84.81

[42] bank cubic metre (bcm) means one cubic metre of OB excavated, transported and dumped in the earmarked dump yard. OB is measured in lakh bank cubic metres (lbcm).

Year	Targets			Achievement			Achievement Percentage		
	Company	Out-sourcing	Total	Company	Out-sourcing	Total	Company	Out-sourcing	Total
2011-12	974.20	1874.63	2848.83	707.90	1363.41	2071.31	72.66	72.73	72.71
2012-13	919.33	1858.78	2778.11	608.46	1155.19	1763.65	66.19	62.15	63.48
2013-14	939.30	2000.00	2939.30	604.65	1064.40	1669.05	64.37	53.22	56.78

Source: Annual Operational Plans and Annual Accounts (OBR Schedules)

From the table above it is observed that overall percentage of achievement of OBR reduced from 96.19 *per cent* in the year 2009-10 to 56.78 *per cent* in 2013-14. Achievement in respect of Company operations of OBR targets was reduced from 75.40 *per cent* in the year 2009-10 to 64.37 *per cent* in the year 2013-14 and in respect of outsourcing of OBR from 103.98 *per cent* in the year 2009-10 to 53.22 *per cent* in the year 2013-14.

Government stated (December 2014) that the targets were fixed beyond the norms which was the reason for shortfall in achievement. This indicates that the mechanism for fixation of targets was flawed.

3.1.3.2 Backlog of OBR in OC Mines

Quantity of OB to be removed depends upon the stripping ratio which is based on the geological report of the mine. Geological report is prepared by Exploration Department of the Company in the initial stage of planning after surveying the mining area for preparation of feasibility report of an OC mine. Stripping ratios of various OC mines of Company ranged between 1:4.59 and 1:12.56 for the period 2009-10 to 2013-14. These stripping ratios are indicated in FRs of each mine as a basis for determining OBR targets.

Yearly and monthly schedules are prepared by the in-charge of the OC mine projecting the quantum of OBR based on the stripping ratio. Backlogs[43] will result if OB is not removed according to stripping ratio every year. The backlog gives rise to additional liability on account of increased cost of excavation, diesel, explosives due to price escalation, over the previous year.

Scrutiny of OBR statements revealed that there was a backlog of 3460.24 lbcm of OB removal in 12 mines[44] as on 31 March 2014 valuing ₹ 870.17 crore[45] as detailed in **Annexure-3.1**.

Audit noticed that out of these twelve mines where there was backlog, the OBR activity was undertaken in four mines[46] by outsourcing; in three mines[47]

[43]Backlog results when the quantity of OB removed is less than the quantity to be removed according to stripping ratio.

[44]GK OC, JVR OC, JK 5 OC, KYG OC, MNG PK OC II Extn, KHG OCP, BPA OC II Extn, Dorli OC I, SRP OC II, RG II OC III, RG III OC I and RG III OC II.

[45]Represents the difference between the cost of OB removal as in the current year and the cost in the previous year.

by the Company and in five mines[48] by the Company along with outsourcing. There was continuous backlog during the years 2009-10 to 2013-14 in six mines[49] (two outsourced, two Company operated and two operated by Company as well as by outsourcing).

As per the draft OBR surveys Manual which is being followed, proposals for OBR contracts meant for the next financial year must be submitted at least six months in advance, so that work orders are finalised and placed by the end of current financial year. Audit analysis of time taken from proposal to award of contracts revealed that in 14 out of 27 contracts awarded during the five year period 2009-14, delays in contract finalisation and award ranged from nine to 31 months. Thus contracts were not in place at the end of the current financial year. Owing to the delays in finalisation and award of OBR contracts the Company could not reduce the backlog inspite of outsourcing of OBR.

Government stated (December 2014) that major portion of additional expenditure of ₹ 870.17 crore was due to steep increase in OB removal cost in two mines i.e. RG OC II where the increase is 150 *per cent* and in PK OC II by 30 *per cent*. It is further stated that the backlog in OBR was mainly due to delay in finalising OB outsourcing, commencing contracts, non-availability of land etc., and that steps were being taken to clear the backlog. It is also stated that no OBR contract was awarded during 2012-13.

The reply is not tenable as the reasons given for backlog could have been dealt with by proper planning and timely execution of OBR contracts.

OBR by outsourcing

The Project Officer of OC mine prepares and submits outsourcing proposals for OBR works as per the Feasibility Report to CMD through Area GM/ CGM. Approved proposals are then sent to Purchase Department (Contract Management Cell) for issuing Notice Inviting Tender (NIT), evaluation of bids and award of contracts. The deficiencies noticed in evaluation of tenders and award of contracts are as under:

3.1.3.3 Inappropriate changes in NITs – Change from Bench-wise rates to weighted average rate

The Company floated 33 tender enquiries during the period 2009-14 for OBR works and awarded 27 (including two tenders floated in 2008-09 and awarded in 2009-10). Review of terms and conditions (with respect to the elements of scope of work, rate per bcm, payments and taxes etc.,) included in NITs of the awarded contracts revealed that the Company was not following any standard procedure.

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[46]JK5 OC, KYG OC, KHG OCP, Dorli OC I.

[47]BPA OC II Extn. RG III OC I, RG III OC II.

[48]GK OC, JVR OC, MNG PK OC II Extn, SRP OC II, RG II OC III.

[49]GK OC, JVR OC, KYG OC, KHG OCP, BPA OC II Extn and RG III OC II.

OB is removed by forming and removing benches from the surface to expose coal seams. Top benches on the surface contain top soil/ loose soil which do not require drilling and blasting which are expensive processes and are removed by scrapper/ excavator whereas hard OB requires drilling and blasting for excavation. As such, treating removal of topsoil/ sub-soil/ loose soil as a separate item in OBR contracts and applying separate rates as was being done prior to April 2009, is beneficial to the Company.

The excavation cost increases from top to bottom benches. Therefore the rates for different benches have to be called for economy. However, it was noticed that from April 2009, bidders were asked to quote composite weighted average rate for excavation per bcm for the entire quantity instead of bench-wise rates, by deviating from the earlier practice of calling bench wise rates and awarding contracts.

Out of 27 contracts awarded during 2009-14 **(Annexure – 3.2),** 22 contracts were awarded at composite rate for hard OB, top/ sub/ loose soil.

Awarding the contracts on a composite rate in respect of 16 contracts in 13 mines resulted in avoidable expenditure of ₹ 8.28 crore. No cost estimates were available in six contracts to calculate the extra expenditure.

Government stated (December 2014) that migration from benchwise weighted rates to composite weighted average rates was done as a standard industry practice and that there was no infructuous expenditure.

The reply is not specific as to why the Company had not called for separate rates for topsoil/ loose soil which did not require drilling and blasting. Further, the Company's contention that using the weighted average method was now an industry practice should have been mentioned as justification when the migration from the bench-wise rates to composite weighted average rates was done.

A reference is also invited to Para No. 2.1.14 of Audit Report (Commercial) for the year ended 31 March 2006 where non-segregation of top-soil for drilling and blasting purposes was commented upon, after which the management had called for bench-wise rates. However, the Company again adopted the practice of calling of tenders for composite weighted average rate instead of bench-wise rates from 2009 onwards without justification.

3.1.3.4 Splitting up of proposal in JK 5 OC mine, Yellandu

A proposal for 62 lbcm of OBR in JK 5 OC mine was submitted (July 2010) by GM, Yellandu pending approval of revised Feasibility Report (FR) of the mine. The FR was revised due to changes in boundaries and the same was approved by the Board in January 2011. However without taking the revised FR into cognizance, tenders were floated for 62 lbcm of OBR in JK5 OC mine in April 2011. Later based on the revised FR, the mine in-charge submitted another proposal for excavation of further 161.491 lbcm in the same mine (November 2012). The Contract Management Cell processed the two proposals separately, and split the work by issuing two separate OBR orders on two different contractors. Both the orders were placed after the revised FR had been approved by the Board.

Audit noted that while the order for OB removal was based on the proposal of July 2010, and was placed at the rate of ₹ 42.45 per bcm on a contractor in December 2011, the second order based on the proposal of November 2012 was placed on another contractor in August 2013 at a rate of ₹ 44.69 per bcm which was higher by ₹ 2.24 per bcm. As the revised FR for the entire mine was already approved by Board in January 2011, CMC could have invited tenders for OBR of total quantity of 62 lbcm and 161.491 lbcm to avail price benefit. The Company had to spend additional resources on finalization of separate proposals, floating of separate enquiries and award of separate orders, apart from incurring extra expenditure of ₹ 3.62 crore (being the difference of ₹ 42.45 per bcm and ₹ 44.69 per bcm in the two contracts).

Government stated (December 2014) that due to delay in acquiring of land and carrying out development works, the tender enquiry could not be floated for total quantity.

The reply is not correct as both the proposals were submitted after obtaining due clearance of land etc. Therefore, splitting up of proposal resulted in additional expenditure to the Company.

3.1.3.5 Award of OBR work in Khairagura OC mine to two contractors at differential rates

A proposal (January 2013) for OBR excavation of 831.283 lbcm in Khairagura OC was submitted by GM Bellampalli Area. In April 2013, this proposal was split into two proposals i.e. for 369.141 lbcm and 434.518 lbcm citing the reason that the work was too large for a single contractor to execute. Tenders were floated and works were awarded to contractor in August 2013 at ₹ 115.79 per bcm for 434.518 lbcm and on another contractor in October 2013 at ₹ 126.29 per bcm for 369.141 lbcm. Audit observed that though the Company floated tenders at the same time within a span of nine days, it had not finalised the two outsourcing tenders simultaneously. After splitting, the tenders were floated for both proposals separately in April 2013, foregoing the advantage of uniform competitive price for OBR for the total quantity. Thus, the Company incurred extra expenditure of ₹ 38.76[50] crore.

Government stated (December 2014) that in the vendors meet, it was felt that the projected quantities were very high and handling of 831.283 lbcm by a single contractor was not possible and hence the proposal was split into two. It further replied that even simultaneous floating of both the enquiries perhaps would not have resulted in similarity of rates because the scope and geo-mining conditions of both the contracts was different.

The reply is hypothetical as both the tenders were of the same mine for which a single proposal was submitted in the original proposal of January 2013; as

[50](₹126.29 – ₹115.79) * 369.141 lbcm.

such the contention that geo-mining conditions of the contracts were different is not correct.

3.1.3.6 Non-maintenance of Performance records and details of HEMM owned by the contractors

Chapter 7 of the Company's Purchase Manual prescribed maintenance of performance record of various OBR contractors comprising details such as:

i) fleet of Heavy Earth Moving Machinery (HEMM), tippers etc., owned by the contractor;

ii) successful execution of the contracts awarded as per schedule;

iii) number of extensions sought and penalties levied, if any;

iv) adherence to contractual terms and conditions;

v) safety norms, fulfilling statutory obligations etc.;

vi) track records of accidents and

vii) involvement of the Company in unwarranted litigation etc.

These should be submitted to tender evaluation committee on new proposals as per Purchase Manual. However Audit noticed that the company neither maintained any performance record of contractors nor the details of their HEMM fleet held by them.

(i) Non-maintenance of record of deployment of HEMM by contractor

A test check of deployment of HEMM recorded in measurement books at eight mine sites revealed **(Annexure – 3.3)** that in six cases the actual equipment deployed was far less than the deployment agreed by the contractors and the shortfall ranged from 4 to 67 *per cent* for different equipment as detailed below. In two cases the record was not maintained.

HEMM details	Range of shortfall in deployment
Shovels	10 *per cent* to 25 *per cent*
Dumpers	4 *per cent* to 53 *per cent*
Water sprinklers	20 *per cent* to 67 *per cent*
Bull Dozers	33 *per cent* to 50 *per cent*
Motor graders	33 *per cent*
Drills	50 *per cent* to 67 *per cent*

The company did not verify, during the execution of contract, whether the contractor possessed the required number of HEMM as mentioned in the OBR order and as agreed to by the contractor, for deployment in executing the contract. As a result, contracts were left incomplete due to inadequate deployment of HEMM and were subsequently terminated as mentioned in the termination orders. Re-awarding of these contracts at higher rates resulted in additional expenditure of ₹ 68.48 crore to Company as detailed in **Annexure – 3.4**.

Scrutiny of termination orders revealed that the following contracts were terminated due to poor performance as the contractor did not deploy the full equipment. In all these cases contracts were terminated at incomplete stages.

- PK OC II Extn. for contract value of ₹ 182.50 crore
- Koyagudem OC for contract value of ₹ 19.33 crore
- PK OC II Extn., Manuguru for contract value of ₹ 126.81 crore

Government stated (December 2014) that the observation was noted for compliance.

(ii) Non-maintenance of performance record of contractors

Audit also noticed that defaulters who did not execute past OBR contracts successfully were again awarded fresh contracts. Audit found that in Koyagudem OC, a contractor was awarded OBR work (July 2012) for excavation of 63.505 lbcm of OBR over 10 months in Pit-III of Koyagudem. The contractor had started the work in July 2012 and left the work in July 2013 after excavating only 29.619 lbcm (46.64 *per cent*) as against the ordered quantity of 63.505 lbcm. In the meanwhile, the contractor participated in five tenders and was evaluated as L1 in three cases and L3, L5 in balance two cases. By the time the tenders were finalised the contractor was a defaulter in Koyagudem OC mine contract, but was still awarded three contracts, treating his performance as ‘proven’, the tender evaluation committee/ Board not being apprised of his default in respect of Koyagudem OC.

Government replied (December 2014) that due to limited vendor base of OBR contractors, penalties were being levied for non-completion of works while allowing them to participate in future contracts.

The reply is not acceptable as the Company has not been maintaining the performance record of the contractors and submitting the same to the tender evaluation committee as required under the provisions of the Purchase Manual. In the Audit Report (Commercial) 2006, recommendation was made that the Company should take steps for vendor development in order to curb monopolisation of the OBR contracts. No action seems to have been taken by the Company towards this.

3.1.3.7 Award of contracts for OBR works with costlier combination of HEMM

HEMM comprises of shovels, dumpers, water sprinklers, bull dozers, motor graders and drills. Cost per bcm for OBR is estimated based on depth of the quarry, lead (distance) from the quarry to the dump area and diesel requirement of HEMM. The deeper the quarry and longer the lead, the more will be number of trips to be made and more will be the consumption of diesel. A higher or bigger capacity shovel and dumper combination is economical as it reduces both the number of HEMM required and the period of time to carry out OBR.

The Company had carried out (January 2011) a cost benefit analysis in cases where the depth of quarry was more than 100 metres or lead distance four KM or more. A combination of five cubic metre (CUM) Shovel with a 60 Tonne (T) dumper was found to be more economical (by ₹ 6.68 per bcm) than the combination of three cum Shovel with 35 T dumper.

Audit noticed that in 16 contracts awarded after January 2011, where the depth of quarry was more than 100 meters or lead distance was more than four KM, Company floated 15 enquiries for OBR works in various mines with a less viable combination of either 3 cum shovel with 12 cum Dumper or 3 cum Shovel with 16 cum Dumper and awarded contracts for total quantity of 5461.012 lbcm **(Annexure- 3.5)**. As a result, Company had to incur additional expenditure of ₹ 364.80 crore[51] on 15 contracts awarded during the period 2011 to 2014.

Government's reply (December 2014) stressed that the combination of three cum shovel with 16 cum dumper as included in the tender was the 'best equipment combination'. There is no specific reply as to why quotations were not called for the more viable combination indicated by cost benefit analysis carried out by the Company itself.

3.1.3.8 Undue favour to contractors in payment of bonus

Diesel for operation of HEMM is a major component of cost to be considered in OBR contracts. The Company followed a practice of supplying diesel to the contractors, though its cost was paid for by the contractor. While tendering for OBR contracts, the Company fixed an estimated amount of diesel that would be needed to be supplied by it to the contractor. In order to encourage the contractors to effect savings in diesel consumption, the Company had set in

[51]OB quantity ordered 5461.012 lbcm x ₹ 6.68 per bcm being the differential rate per bcm towards costlier combination with lower capacity HEMM.

place a system of bonus and penalties. According to OBR contracts, penalty is recovered for excess consumption over the prescribed quantity of diesel from the monthly bills and bonus is payable for less consumption at the end of the contract. The Company revised (April 2012) the guidelines for payment of bonus towards savings in diesel by the contractors. The change in guidelines for payment of Bonus was done from 'at the end of the contract' to 'at the end of the financial year' on the request of the contractors. Due to this change an amount of ₹ 45.07[52] crore was paid towards bonus in three ongoing contracts in three mines resulting in undue favour and affected the Company's cash flow.

Government stated (December 2014) that the accrued amount saved towards bonus was paid to the contractors due to their operational efficiency.

The reply is not acceptable as modifications to the terms of bonus before closure of the contract without amendment to the OBR order was against the contractual terms.

Conclusion

Non-achievement of production targets by the Company resulted in accumulation of backlog of OBR. Lack of standardized guidelines for contracts led to contracts being managed in ad-hoc manner. Inappropriate changes were effected in NITs offering undue favours to contractors. Splitting up of excavation proposal and awarding to two contractors resulted in foregoing of price advantages. Management control over contract execution was diluted and the contracts terminated at incomplete stages as contractors could not fully execute the works. Re-award of contracts for unexecuted OB at higher rates resulted in extra expenditure while the defaulter contractors were awarded new OBR contracts.

Transmission Corporation of Andhra Pradesh Limited and Distribution Companies of Andhra Pradesh Limited.

3.2 Power Purchases from Independent Power Producers and Suppliers

3.2.1 Introduction

Distribution companies (DISCOMs)[53] of Andhra Pradesh buy power from Andhra Pradesh Power Generation Corporation Limited (APGENCO), AP Gas Power Corporation Limited (APGPCL), Central generating stations (CGS), various private suppliers/ traders and Independent Power Producers

[52] Order Nos.(i) 1685 dt.19.04.2008 – ₹ 28.45 crore Khairagura OC; (ii) 893 dt.26.09.2008 – ₹ 12.35 crore RG OC III and (iii) 4334 dt.20.12.2011 – ₹ 4.27 crore Medapalli OC.

[53] i. Andhra Pradesh Central Power Distribution Company Ltd (APCPDCL) ii. Andhra Pradesh Northern Power Distribution Company Ltd (APNPDCL) iii. Andhra Pradesh Southern Power Distribution Company Ltd (APSPDCL) and iv. Andhra Pradesh Eastern Power Distribution Company Ltd (APEPDCL).

(IPPs[54]) through Power Purchase Agreements (PPAs[55])/ Letters of Intent (LoIs[56]).

Government of Andhra Pradesh (GoAP) created (June 2005) Andhra Pradesh Power Co-ordination Committee (APPCC)[57] to act on behalf of DISCOMs for power purchases. The DISCOMs purchase power from IPPs under long term PPAs (more than seven years) and under medium-term PPAs (one to seven years). DISCOMs also purchase power for short term i.e., for a period of less than one year from traders/ generators through LoIs.

Between the years 1993 to 2013, APSEB[58]/ APTRANSCO/ DISCOMs entered into 12 long-term PPAs with ten IPPs and two medium term PPAs with two IPPs. Out of these, currently nine long-term PPAs and one medium-term PPA are operational. DISCOMs entered into LoIs with more than 80 traders/ generators during 2013-14.

3.2.2 Audit Scope, Objectives and Methodology

Records relating to power purchases during the period 2009-14 were test-checked from November 2013 to March 2014 at APTRANSCO's Corporate Office at Hyderabad. The audit objective was to examine technical and commercial terms and conditions of PPAs and LoIs to bring out deficiencies, if any, in finalisation of PPAs/ LoIs and their implementation.

3.2.3 Audit Findings

The details of power purchases by DISCOMs from IPPs through long-term and medium-term PPAs during 2009-14 are shown in Table-3.2.

Table 3.2 - Statement showing power purchases from IPPs

Year	Total Power purchases (MUs)	Cost of Total Power Purchases ₹ in crore	Power purchased from IPPs (MUs)	Total cost ₹ in crore	Percentage of purchases from IPPs	Average purchase price/ unit from IPPs (₹)
2009-10	73,224.66	20,229.10	16,382.71	4,455.83	22.37	2.72

[54]IPP is an entity, which is not a public utility, but which owns facilities to generate electric power for sale to utilities and end users. The IPPs and the public utilities enter into a contract called Power Purchase agreement which contain the contractual terms to be followed during the purchase by the DISCOMs and sale of power by the IPPs.

[55]PPAs are contracts between IPPs and public utilities, which contain the contractual terms to be followed for purchase of power.

[56]LoIs are contracts between generators/traders and APPCC for purchase of power under short-term.

[57]APPCC is headed by Chairman and Managing Director (C&MD) of Transmission Corporation of Andhra Pradesh Limited (APTRANSCO) with Director (Finance) and Director (Coordination) of APTRANSCO and C&MDs of all four DISCOMs as members.

[58]Andhra Pradesh State Electricity Board (APSEB), the predecessor organisation which managed the PPAs, unbundled in 1999-2000 into APGENCO, APTRANSCO and the four DISCOMs. From 1999-2000 to June 2005, APTRANSCO managed the PPAs.

2010-11	77,364.54	22,450.46	16,535.43	4,756.28	21.37	2.88
2011-12	85,279.20	28,017.23	14,483.28	4,647.12	16.98	3.21
2012-13	81,113.59	32,756.58	7,999.55	2,955.18	9.86	3.69
2013-14	85,673.99	35,097.36	4,071.97	1,784.74	4.75	4.38

MU: Million Units   Source: Accounts Wing of APPCC

It could be seen that though the IPPs' contribution to the total power purchases decreased from 22.37 *per cent* to only 4.75 *per cent* during the period 2009-14, the average purchase price continued to increase.

Long Term Power Purchases from MoU-based PPAs

Memorandum of Understanding (MoU) based PPAs were finalised through negotiations between APSEB and the IPPs. APSEB entered (1996-97) into two MoU based PPAs with two IPPs for purchasing power for 18 years from 216 MW gas-based power project at Jegurupadu (Phase-I) (East Godavari District) and 208 MW gas-based power project at Kakinada (East Godavari District) respectively. As per the PPAs, the IPPs had to include Chairman of APSEB as one of the directors on their respective Boards of Directors, thus ensuring participation in their decision making process.

As per the PPAs, Fixed charges and Variable charges incurred for power generation are required to be paid to IPPs by APPCC. Variable charges as per PPAs are costs relating to fuel consumed by IPP for the process of generation of power which is calculated based on Station Heat Rate (SHR), Gross Calorific Value (GCV) of gas, cost of gas and auxiliary power consumption (APC) whereas fixed charges are costs to be paid on all other expenses incurred during the process of power generation and supply to DISCOMs like Operation and Maintenance charges, interest expenses, Return on Equity, depreciation etc.

3.2.3.1 Payment of Fixed Charges without proper verification

During 2012-14, total fixed charges of ₹ 198.18 crore and ₹ 213.63 crore were paid to the two IPPs respectively. Audit observed that verification of documents such as invoices, ledgers, certified annual accounts etc., was not done before making the payments to IPPs. Each component of fixed charges paid in excess is discussed below:

- The provisional Capital cost ceilings for one IPP (₹ 816 crore) and the other IPP (₹ 748.43 crore) included an amount of ₹ 10.40 crore (₹ 7.20 crore and ₹ 3.20 crore respectively) towards "Public Issue Expenses" which was reimbursable to IPPs as part of fixed charges, if incurred. Audit noted that though neither of the IPPs had incurred any public issues expenditure, the respective amounts were not reduced from the

Capital cost ceilings, resulting in excess payment of ₹ 1.92 crore per annum[59].

- Similarly, works contract tax (₹ 9.50 crore) and customs duty (₹ 78 crore) included in provisional Capital cost ceiling were to be reimbursed as part of fixed charges on actual basis. However, APPCC without ascertaining the expenditure actually incurred towards works contract tax and customs duty, paid the fixed charges as provisionally provided in the Capital cost ceiling. In the absence of any records relating to actual expenditure incurred on these components, audit could not ascertain the amounts to be adjusted, or their exact impact on payment of fixed charges.

Audit further observed that the management of APSEB/APTRANSCO did not participate in IPPs' Boards despite invitation from the IPPs, adversely impacting the interests of APTRANSCO/ DISCOMs.

Deficiencies in Bid-based PPAs

On the basis of competitive bids from IPPs, APSEB/APTRANSCO entered into PPAs with two IPPs (1997-2003) for purchasing power for 15 years. Scrutiny of the provisions and implementation of PPAs revealed the following issues:

3.2.3.2 Improper payment of variable charges

Station Heat Rate (SHR) is the quantum in Kilo Calories of input heat energy required by the Project to generate one energy unit (kWh). SHR is one of the parameters considered for payment of variable charges. The higher the SHR the more would be fuel consumption by the plant and consequential higher variable charge payment to IPPs. As per the PPA with one IPP, SHR after the Date of Commercial Operation (COD) was adopted as 1850 kcal/ kWh. The project started operation from June 2009 i.e. after 12 years from signing of PPA. SHR of the project measured at the time of COD was only 1,611 kcal/ kWh. Audit observed that instead of adopting the actual SHR (1,611 kcal/ kWh) for payment of variable charges, APPCC continued adopting SHR of 1,850 kcal/ kWh which resulted in undue favour to the IPP besides incurring an extra expenditure of ₹ 256 crore for the period 2009-13.

3.2.3.3 Non-recovery of export[60] energy charges

The power projects require power (export energy) for start-up and maintenance of the power plant. This power is supplied to IPPs by APTRANSCO/ DISCOMs. The PPAs envisaged that APTRANSCO would recover charges for the power it is supplying by adjusting it against power

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[59] (₹ 10.40 crore * 16 *per cent* of Return on Equity) + (₹ 10.40 crore * 2.5 *per cent* of O&M charges) = ₹ 1.92 crore.

[60] When APTRANSCO/DISCOMs receive power from IPPs it (power) is termed as import energy. When APTRANSCO/DISCOMs supply power to IPPs it (power) is termed as export energy.

purchased from the IPPs. Audit noted that though neither of the two IPPs had generated any power since April 2013, both the IPPs consumed energy of 74,39,220 units during April 2013 to April 2014. APTRANSCO/DISCOMs did not bill this consumption. Audit observed that the IPPs should be treated as DISCOM's industrial consumers and billed at applicable tariff i.e., HT-I (₹4.90/ unit). However, APPCC did not collect ₹ 3.64 crore (April 2013 to April 2014) from IPPs towards power consumption charges.

Audit further observed that PPAs were deficient to the extent that no clause for export energy charges in case of non-supply of power by IPPs was provided in them.

3.2.3.4 Payment of cash advances in violation of PPA conditions

As per the PPA, fixed and variable charges incurred and claimed by the IPP are to be reimbursed at the end of the month. PPA conditions did not provide for payment of any advances for the same. Audit noted that APPCC, based on the request of an IPP, irregularly paid cash advances of ₹ 965 crore during 2010-12. Audit also noted that the IPP obtained short-term finances of ₹ 146.98 crore from banks through negotiable instruments, i.e., bills of exchange accepted by APPCC during August 2012 to May 2013, in deviation to PPA conditions. Though the amounts were recovered by APPCC from the next monthly bill, bill of exchange amounting to ₹ 0.69 crore along with interest was yet (March 2014) to be recovered from the IPP.

3.2.3.5 Non-measurement of actual Auxiliary Power Consumption[61] (APC)

PPA with an IPP was entered into in May 2003. The original PPA condition of 'SHR of 1,850 kcal/ kWh or actual (after COD), whichever is lower' was changed by APTRANSCO (November 2003) to 'SHR of 1,850 kcal/ kWh (after COD)'. Similarly, the condition of 'auxiliary power consumption (APC) at 3 *per cent* or actual, whichever is less (after COD)' was changed to 'APC 3 *per cent* (after COD)'. However, the PPA stipulated separate Main and Check meters to be provided at the Generator Terminals for arriving at APC. Audit noticed that actual metering arrangements and measurements taken were not available on record. Thus, APPCC failed to ascertain whether the IPP consumed APC of 3 *per cent* or not. Since APC is part of variable charges paid to the IPP, measurement of the same was vital. In the absence of data relating to actual SHR and APC of the IPP, audit could not ascertain the extra expenditure incurred.

Thus, the flaws in the PPAs' terms and conditions coupled with inaction on the part of management, as brought out in the above four cases, resulted in passing on undue benefits to the extent of ₹ 260.33 crore to the IPPs.

[61] APC is the power consumed by power plant during the process of generation of power.

3.2.3.6 Deficiencies in implementation of Medium-term PPA

DISCOMs entered into a medium-term PPA (July 2012) for a period of 3 years from June 2013 to June 2016 with an IPP with fixed charges of ₹ 1.5/ unit and variable charges of ₹ 2.3/ unit. As per the PPA, a monthly provisional bill shall be raised by the IPP on the last business day of the month with fixed charges based on declared capacity for the entire month and variable charges based on final implemented scheduled energy up to 25th day of the month. If the provisional bill, thus raised, is paid to the IPP on the first day of the month, 2.25 *per cent* savings in the form of a rebate is allowed to DISCOMs. Audit observed that the IPP had neither raised the provisional bills nor had APPCC made any efforts to ask for provisional bills and avail the rebate, resulting in foregoing savings of ₹ 7.77 crore for the period August 2013 to March 2014. Audit further noticed that provisional bill for November 2013, though raised by the IPP, was not paid by APPCC. Reasons of non-payment were not made available to audit.

Audit further noticed that though the IPP started supplying power from 14 August 2013, it raised power supply bills amounting to ₹ 65.36 crore for the period 16 June 2013 to 13 August 2013, i.e., before the supply started. The above amount included ₹ 50.18 crore towards fixed charges and ₹ 15.18 crore towards transmission charges. APPCC did not pay any fixed charges for the period of non-supply of power. However, it agreed to pay transmission charges of ₹ 7.59 crore (50 per cent of ₹ 15.18 crore) on the ground of maintaining good relationship. But there was no provision in the PPA to pay any fixed/ variable/ transmission charges by DISCOMs in the absence of any power supply.

Short Term Power Purchases

The Short-Term Power Purchases (STPP) are made from the traders/ generators within or outside the State. Open Access[62] charges, which are paid by generators/ traders to the Load Despatch Centres (LDCs) are reimbursable by APPCC. Ministry of Power (MoP), Government of India (GoI) issued (May 2012) guidelines for STPP which *inter-alia* include procedures to be followed for inviting bids, tariff structure, bidding process, Earnest Money Deposit (EMD) and Contract Performance Guarantee (CPG). The details of power purchased under STPP during the period 2009-14 are given in Table 3.3:

[62]Open access is the access given by Load Dispatch Centres to a power generator/ trader to utilise the State/ Regional/ National transmission network for supplying power to any buyer (public/ private). In case of Andhra Pradesh, Andhra Pradesh State Load Dispatch Centre (APSLDC) and Southern Regional Load Dispatch Centre (SRLDC) approve all open access transactions.

Table 3.3 – Power purchased under Short Term

Year	Short term Power purchased (MUs)	Total cost ₹ in crore	Total Power purchased in MUs#	Percentage of total power purchased	Average STPP price per unit (₹)
1	**2**	**3**	**4**	**5**	**6**
				(col.2/ col.4 x 100)	**(col.3x ₹1 crore/col.2 x 10 lakh)**
2009-10	2694.69	1674.58	73224.66	3.68	6.21
2010-11	4315.07	1935.57	77364.54	5.58	4.49
2011-12	7899.73	3311.76	85279.20	9.26	4.19
2012-13	9596.51	4977.67	81113.59	11.83	5.19
2013-14	14306.00	7867.57	85673.99	16.70	5.50

Source: Accounts Wing of APPCC
MUs: million (10 lakh) units
 # Total power purchased from all sources (Long term, Medium Term & Short term)

STPPs show an increasing trend and accounted for 16.70 *per cent* of total purchases in 2013-14.

3.2.3.7 Non-levy/ Refund of Penalty

Audit findings on STPPs with reference to non-levy of penalty and refund of penalty recovered are explained in the subsequent paragraphs:

- In May 2012, APPCC placed a LoI on a trader for Round the clock (RTC) power supply of 217 to 400 MW at ₹ 5.35 to ₹ 5.65/ kWh for the period June 2012 to May 2013. It was noticed that SRLDC approved open access of 3,00,222.25 MWh for March 2013, whereas the energy supplied by trader during March 2013 was 2,03,710.48 MWh only. As per LoI conditions, if the power supplied is less than 80 *per cent* of approved open access quantum, a penalty @ ₹ 1000 per MWh (i.e. ₹ 1 per kWh) is to be recovered by APPCC. Thus, ₹ 3.65 crore was to be recovered from the trader towards penalty, which was not recovered.
- In response to an offer (October 2012) of a generator, APPCC directly issued a LoI (October 2012) for supply of 100 MW power at the rate of ₹ 4.90/ unit for the period 1 November 2012 to 30 May 2013. Audit observed that APPCC did not obtain CPG of ₹ 3 crore from generator as required under LoI conditions. Audit further observed that as per the LoI, penalty was to be levied at 20 *per cent* of tariff per unit (20 *per cent* of ₹ 4.90 = ₹ 0.98/ unit) for the quantum of shortfall in energy supplied in excess of permitted deviation of 15 *per cent* from approved open access. SRLDC approved open access of 11242.80 MWh for May 2013 but the supply was not made. APPCC issued (June 2013) a

demand notice for payment of ₹ 93,65,253 towards penalty for failure in supplying power for May 2013 as per LoI conditions. Generator responded that due to technical difficulties, power supply could not be made and requested to treat it as force majeure condition, which APPCC did not agree to. However, APPCC could not recover the amount due to not having obtained the required CPG. Chances of recovery are remote.

- Based on offer letters submitted by two traders and a generator (May 2013), APPCC directly and without competitive bidding, placed (June 2013) LoIs on all three firms for STPP for the period June 2013 to May 2014, which was against the GoI's guidelines for STPP issued in May 2012.

  Audit further noted that as per LoI conditions, the traders shall pay a penalty to APPCC at 20 *per cent* of tariff/ kWh for the quantum of shortfall in excess of permitted deviation of 15 *per cent* in the energy to be supplied. One of the traders did not supply any power in June 2013 for which penalty of ₹ 7.47 crore was to be recovered from the trader. The amount of penalty was first adjusted (recovered) against July 2013 bill as per the provisions of the LoI, however, this was later waived off (September 2013) by the management, without taking Board's approval, accepting the trader's claim that the generator's application (18 June 2013) for open access for the period 22 to 30 June 2013 was rejected by APSLDC. Audit observed that there was no specific proof on record in support of the trader's claim of rejection of open access application. Further, for the month of July 2013 also, APPCC did not levy penalty of ₹ 11.24 crore on the trader, though there was short supply of power. Audit noticed that this non-levy of penalty happened due to erroneous calculation. For the purpose of calculating deviation from minimum required supply (85 *per cent*), APPCC considered open access quantum requisitioned by the trader from SRLDC (20,036 MWh), instead of quantum as per LoI (1,86,000 MWh).

  Waiver of penalty and non-levy of penalty for no/ short power supply during June and July 2013 resulted in undue favour of ₹ 18.71 crore to the trader.

Conclusion

In the absence of proper verification of documents before making payments, undue benefits were passed on to IPPs. Cases were noticed wherein PPA conditions were modified against the interests of APTRANSCO/DISCOMs. Prescribed procedures were not followed for STPPs and penalties due not levied/ refunded.

Central Power Distribution Company of Andhra Pradesh Limited and Northern Power Distribution Company of Andhra Pradesh Limited

3.3 Tariff Subsidy to Agricultural Consumers

3.3.1 Introduction

Government of Andhra Pradesh (GoAP) in May 2004 framed a policy to supply free power to farmers. The scheme was expected to give boost to the otherwise sagging farm operations in the upland areas[63] by reducing the cost of irrigation between the upland areas and in assured canal based irrigation areas. Number of agricultural consumers in Andhra Pradesh eligible for free power supply under the policy was 30,53,993 in all four Distribution Companies (DISCOMs) as estimated by DISCOMs.

Audit on agricultural power consumption was conducted earlier and a paragraph on "Incorrect estimation of agricultural consumption" was included in the Performance Audit of Power Distribution Companies in Andhra Pradesh which featured in the CAG's Audit Report (Commercial) for the year ended 31 March 2011. In the present audit, Tariff subsidy to Agricultural Consumers for the period 2010-11 to 2013-14 has been reviewed (December 2013 to January 2014) in respect of two DISCOMs, i.e., Central Power Distribution Company of Andhra Pradesh Limited (APCPDCL) and Northern Power Distribution Company of Andhra Pradesh Limited (APNPDCL) to verify -

- whether the estimate of power consumption by agricultural consumers of APCPDCL and APNPDCL was prepared as per the methodology approved by Andhra Pradesh Electricity Regulatory Commission (APERC);
- whether the projected estimated agricultural consumption made in annual Aggregate Revenue Requirement (ARR) got approved by APERC; and
- whether subsidies as approved in Tariff Order were duly received by both DISCOMs in a timely manner.

Records maintained at Corporate Offices of two DISCOMs at Hyderabad and Warangal were scrutinised during the audit.

3.3.2 Eligibility for getting free power supply

To get free power, farmers have to undertake certain Demand Side Management (DSM) measures like installing capacitors of adequate rating and friction-less foot-valve, wherever required, for their pump sets. Farmers also have to use high density polyethylene (HDPE) or rigid polyvinyl chloride (RPVC) piping and ISI marked pump sets. DISCOMs have to ensure adoption of DSM measures before releasing service connections to agricultural consumers and installation of meters.

[63] Upland means dry areas

Every year, the DISCOMs are required to estimate the power required by the agricultural consumers and submit the same to APERC through ARR. The shortfall in revenue on account of free power provided to eligible agricultural consumers is received from GoAP in the form of subsidy, which is restricted to the estimates approved by APERC in the Tariff Order. Andhra Pradesh Power Coordination Committee (APPCC) claims the subsidy from GoAP on behalf of the DISCOMs every month and GoAP releases the subsidy in monthly instalments in advance to the respective DISCOMs.

3.3.3 Audit Findings

3.3.3.1 Inaccurate estimation of agricultural power consumption

Installation of a meter is a prerequisite for supplying free power. Though APERC directed all DISCOMs to install meters to all agricultural users as early as in June 2005, it was noticed in audit that meters were installed in 0.72 *per cent* (7,998 numbers) and 0.31 *per cent* (2,990 numbers) of cases in APCPDCL and APNPDCL serviced areas respectively, out of total 20,64,790 agricultural service connections (March 2014).

In the Tariff Order of 2004-05, APERC had suggested a methodology[64] for estimation of agricultural consumption for claiming subsidy. As per this methodology, meters were to be fixed on sample DTRs (APCPDCL-6,277; APNPDCL-5,383). Readings were to be taken from all sample DTRs and extrapolated to other agricultural DTRs for estimating the consumption of electricity by agricultural consumers.

Audit observed that though 11,660 meters were fixed on DTRs during 2004-05 itself, readings were taken from only 3,956 to 4,543 DTRs in APCPDCL and 3,299 to 4,193 DTRs in APNPDCL during April 2010 to October 2013. DISCOMs in their ARR filing (2012-13) to APERC, had expressed their difficulties in taking meter reading from all sample DTRs. To overcome the difficulties, the APERC obtained consultancy from Indian Statistical Institute (ISI) to develop a robust methodology[65] of realistic estimation of agricultural consumption for claiming subsidy against the supply.

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[64] Methodology :

a) the connected load under sample DTRs in mandals is taken from census 2001 report.
b) the consumption recorded in the meters on LV side of the sample DTRs in that mandal is taken and the designated LT line losses are deducted to get the actual energy consumed by the Pump sets.
c) the specific consumption per HP /month for the mandal is arrived at by dividing(b) with (a).
d) the total connected load (in HP) in the districts is taken from the census and total consumption in the district is arrived by multiplying specific consumption and connected load in HP.

[65] Robust methodology prescribed:

a) Preparation of circle-wise capacity-wise list of DTRs feeding agricultural loads
b) selection of 3,000 stratified samples from the list of DTRs
c) Meters are to be provided to these 3,000 sample DTRs to arrive at per-KV consumption from the sample meters
d) Specific consumption is extrapolated as per capacity wise list of DTRs and circle wise agricultural power consumption is arrived at.

It was noticed that as a follow up of this, though 3,000 Nos. and 3,168 Nos. of meters were installed in APCPDCL and APNPDCL respectively at a cost of ₹ 3.33 crore (APCPDCL: ₹ 1.95 crore and APNPDCL: ₹ 1.38 crore) during July 2010 to October 2012 and readings started to be taken from November 2012/ November 2013 respectively, the DISCOMs are yet to use these readings for the purpose of ARR.

DISCOMs continued to estimate the agricultural consumption as per the old methodology and filed ARRs during the years 2010-14. Against the ARR proposals, APERC approved agricultural power sales ranging from 6,733.69 Million Units (MU) to 8,073.90 MU (ranging from 86.66 *per cent* to 93.23 *per cent*) in APCPDCL and 3,299.09 MU to 4,361.35 MU (ranging from 81.12 *per cent* to 97.26 *per cent*) in APNPDCL serviced areas during the period from April 2010 to March 2014. APERC did not approve 100 *per cent* estimated agricultural consumption due to the following reasons:

- The estimates were unreliable due to non-inclusion of verifiable breakup data relating to the difference between losses and agricultural sales;
- Neither the meters were installed nor were the meter readings of all sample DTRs taken making it difficult to ensure the accuracy in calculation of estimates.

The details of the estimated agricultural consumption booked under sales and agricultural consumption approved by APERC for subsidy in respect of APCPDCL and APNPDCL during 2010-2014 are given below in table 3.4:

Table: 3.4 Agricultural Power Consumption disallowed by APERC

Year	Agricultural consumption approved by APERC (MUs)	Estimated Agricultural supply filed with APERC (MUs)	Excess supply booked in Sales (MUs)	Cost of Service (CoS) LT Category-V (₹)	Agricultural subsidy allowed by APERC (₹ in crore)	#Extra expenditure., (Excess Sales x CoS) ₹ in crore
1	2	3	4 (3-2)	5	6	7 (4x5)
2010-11						
APCPDCL	*	*	*	*	*	*
APNPDCL	3299.09	3830.09	531.00	3.04	810.78	161.42
2011-12						
APCPDCL	7339.82	8740.15	1400.33	3.03	707.41	424.30
APNPDCL	3596.07	4432.63	836.56	3.32	944.46	277.73
2012-13						
APCPDCL	8073.90	8659.48	585.58	3.90	1148.78	228.37
APNPDCL	3955.61	4066.74	111.13	4.15	1578.90	46.11
2013-14						
APCPDCL	8073.90	9190.49	1116.59	4.71	1283.83	525.91
APNPDCL	3955.61	4361.35	405.74	4.87	1751.27	197.60
DISCOM						

Year	Agricultural consumption approved by APERC (MUs)	Estimated Agricultural supply filed with APERC (MUs)	Excess supply booked in Sales (MUs)	Cost of Service (CoS) LT Category-V (₹)	Agricultural subsidy allowed by APERC (₹ in crore)	#Extra expenditure., (Excess Sales x CoS) ₹ in crore
Total						
APCPDCL	**23487.62**	**26590.12**	**3102.50**		**3140.02**	**1178.58**
APNPDCL	**14806.38**	**16690.81**	**1884.43**		**5085.41**	**682.86**
Grand Total	**38294.00**	**43280.93**	**4986.93**		**8225.43**	**1861.44**

Source: Annual Accounts of DISCOMs and Tariff Orders

**Excess Consumption of energy by agricultural consumers in APCPDCL for the year 2010-11 is already commented in CAG report for the year ending 31 March 2011*

 # this excess expenditure was disallowed by APERC and it is a burden on DISCOMs

It may be seen from the table that free power consumption exceeded the approved quantity by 4,986.93 MU resulting in extra expenditure of ₹ 1,861.44 crore in the last four years ending 31 March 2014. Even after this, DISCOMs had not taken any action to restrict free power supply within the limits approved by APERC or provide accurate estimate to APERC.

APCPDCL management replied (December 2014), that actual agricultural consumption data were filed with APERC instead of estimated consumption. The reply is not correct. APERC also disallowed part of claims on the ground that estimates were unreliable.

3.3.3.2 Delay in receipt of claims for tariff subsidy resulting in loss of interest ₹76.83 crore

The tariff subsidy is to be released by the GoAP to DISCOMs in monthly installment in advance. APPCC, on behalf of DISCOMs, sends the claims to Energy Department for onward transmission to Finance Department of GoAP, which then releases subsidy to DISCOMs.

Audit noticed that during the period 2010-13 there were delays in release of claims by GoAP ranging from 31 to 144 days. As a result DISCOMs suffered loss of interest of ₹ 76.83 crore. It was noticed in audit that DISCOMs delayed the filing of ARR for the year 2010-11 by 140 days due to which, there was a delay of 120 days in receipt of subsidy amounting to ₹ 61.82 crore by APNPDCL.

APCPDCL Management replied (December 2014) that after release of Tariff Order by the end of March for ensuing year, APERC would approve the subsidy claim and thereafter DISCOMs would prefer subsidy claim for the first month of ensuing financial year. The reply is silent about delay in receipt of claims which led to loss of interest.

Conclusion

DISCOMs failed to develop reliable and authentic agricultural power consumption data so as to claim full subsidy from Government and thereby were put to loss of ₹ 1,861.44 crore during 2010-14. Delay in receipt of subsidy resulted in loss of interest of ₹ 76.83 crore.

Andhra Pradesh Power Generation Corporation Limited

3.4 Selection of costlier pipes for raw water pipeline of KTPP Stage-II resulted in avoidable excess cost of ₹ 43.30 crore

Reversing its earlier Board decision, the Corporation procured costlier Ductile Iron (DI) pipes for the water supply pipeline of Kakatiya Thermal Power Plant - stage II instead of MS pipes resulting in an avoidable extra cost of ₹ 43.30 crore.

After getting GoAP's concurrence (July 2008) for establishment of Kakatiya Thermal Power Project (KTPP) Stage-II (1x 600 MW) at Chelpur village, Ghanpur Mandal, in Warangal district, the Board of Directors (BoD) of Andhra Pradesh Power Generation Corporation Limited (APGENCO) accorded administrative approval to execute the project. It was planned to draw water required for the project by laying a pipeline from River Godavari near Kaleswaram, situated at a distance of 62 KMs. In November 2009, Board of APGENCO accorded approval to lay the required pipeline with Mild Steel (MS) pipes of 965 mm dia on considerations of quality in the light of its experience in other thermal power plants including the KTPP Stage-I and on the certified life span of 30 years of MS Pipes, which exceeded the life span of 25 years envisaged for the thermal power plant.

Though APGENCO prepared (November 2009) an estimate for the pipeline with MS pipes, no tender notice was issued for KTPP Stage-II for want of necessary clearances and other works. After a lapse of 12 months, the OSD/Energy Department, GoAP, had asked (November 2010) APGENCO to consider the use of Ductile Iron (DI) Pipes in lieu of MS Pipes, on the basis of a proposal from a private vendor.

APGENCO referred the proposal to the Board of Chief Engineers (BCE) for their remarks on the choice of DI / MS pipes. BCE opined (March 2011) that (i) usage of DI pipes was technically feasible when compared with MS pipes and (ii) DI pipes would be cheaper considering their life span of 60 years compared to MS pipes life span of 30 years. BCE suggested to the Company "to take appropriate decision based on field conditions for laying of DI pipelines", in view of higher initial cost of laying DI pipelines by ₹ 2000 per running metre.

In the proposal note to the BoD meeting (24 March 2011), the FA&CCA (Audit), recommended in favour of MS pipes on the following grounds:

- Considering the life time of power station, MS pipeline may be sufficient to avoid extra initial cost;

- Though satisfactory performance of DI pipes was mentioned by the Engineers-in-Chief of the concerned departments (Public Health and RWS&S), the time period for their laying down was not discussed to determine their longevity;
- Initial cost alone was sufficient for comparison purposes since the 'life time of MS pipes was meeting the life time of the thermal power station'; and
- Opinion of National Metallurgical Laboratory may be obtained on the issue.

In disregard of this opinion, however, on the basis of proposal (23 March 2011) from Chief Engineer (Civil/ Thermal), the BoD approved (March 2011) laying pipeline with DI pipes. For the purpose of preparing estimates, market rates for 900 mm dia DI pipes were obtained (September 2011). The estimates based on the lowest private vendor for laying water pipelines of KTPP Stage-II by using the DI pipes were prepared for ₹ 166 crore for tender notification. The pipeline laying work was awarded (May 2012) to a Contractor at a total price of ₹ 173.96 crore who procured the DI pipes from the two private vendors including the vendor who has proposed the use of DI pipes in KTPP Stage-II. The break-up of the supplies procured from these two vendors were not supplied to Audit despite requests. Replacement of MS pipes with costlier DI pipes as a 'one-time arrangement' disregarding the opinion of BCE and FA&CCA resulted in an avoidable excess cost of ₹ 43.30 crore.

Management replied (May 2014) that Company took this decision considering the advantage of power saving, long life of DI pipes and consequent cost effectiveness at projected inflationary rate after 30 years. It was further stated that APGENCO witnessed the longevity of some power projects whose life would be extended with 'repair & modernization'.

Audit however observed that as per the Company's specification, a 62 KM of running pipeline of 965 mm dia was required and Company itself proposed usage of MS pipes which was sufficiently time tested and suitable to the site condition. As pointed out by FA&CCA their life span was also synchronous with the life span of the power plant.

Reversal of Board's approval to use MS pipes based on GoAP's request to examine private vendor's proposal, was not economical, given the life of the project. Reply is thus not tenable.

Andhra Pradesh State Road Transport Corporation

3.5 Out of court settlement of dues resulted in undue favour to an Agent by ₹ 42.40 lakh

Though court decreed to recover with interest an amount of ₹ 85.18 lakh long outstanding from a private party, APSRTC accepted an out of court settlement with the party and waived ₹ 42.40 lakh without due approval.

Andhra Pradesh State Road Transport Corporation (Corporation) awarded (March 1998) contract to a private advertising Agency to procure advertisements for printing on reverse side of the bus tickets. The contract was valid for a period of five years from 1 April 1998 and during the currency of the contract, the Agency was to pay a total license fee of ₹ 1.11 crore payable in sixty monthly instalments. Delay in payment of instalments would make the Agency liable to pay interest at 36 *per cent* per annum on the amount due. The Agency failed to remit payment of ₹ 42.91 lakh towards license fee due as on 31 October 2002 to Corporation in terms of their contractual agreement.

The Corporation issued (November 2002) a show cause notice to the Agent for payment of the outstanding dues of ₹ 42.91 lakh which was not responded to by the Agency. The Corporation finally terminated (December 2002) the contract. As repeated correspondence with the Agency for payment of dues did not yield any result for three years, Corporation issued (November 2005) a legal notice. It filed (December 2005) a suit against the Agency for recovery of ₹ 57.75 lakh (₹ 42.78 lakh Principal *plus* ₹ 14.97 lakh Interest).

In November 2008, the court passed a decretal order, directing the Managing partners of the Agency to pay to the Corporation an amount of ₹ 42.78 lakh along with penal interest as on the date of filing of suit (December 2005) which worked out to ₹ 14.97 lakh. As the firm continued to default despite the Court decree, Corporation filed an Execution Petition (EP) in October 2009, claiming to issue warrant of attachment of immovable property against the defaulters of said agency, so as to realize the decretal amount with interest.

Meanwhile the Corporation accepted the Agency's request (September 2011) for an out of court settlement on the plea that court proceedings would take much longer time and VC & MD was empowered to waive such dues. The Corporation waived the interest amounting to ₹ 14.97 lakh and accepted (July 2012) a payment of ₹ 42.78 lakh as full and final settlement of dues.

Audit observed that the accumulated dues upto the date of proposal was ₹ 85.18 lakh (Principal ₹ 42.78 lakh + penal interest ₹ 42.40 lakh up to the settlement date). Further delegation of powers did not empower the VC&MD to approve out of court settlements and waive the dues realisable from Court Decree orders. The matter was not put up to/ approved by the Board of Directors, as required.

Thus, the Management's decision on out of court settlement and waiver of penal interest has resulted in loss of ₹ 42.40 lakh to APSRTC and undue favour to the Agency.

Management's reply is awaited (February 2015).

Hyderabad
The

(LATA MALLIKARJUNA)
Accountant General
(Economic & Revenue Sector Audit)
Andhra Pradesh and Telangana

Countersigned

New Delhi
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

Annexure - 1.1

Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2014 in respect of Government Companies and Statutory Corporations

(Referred to in paragraph 1.3.1)

(Figures in Column 5(a) to 6(d) are ₹ in crore)

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
A	**Working Government Companies**												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh State Agro Industries Development Corporation Limited	Agriculture and Co-operation	05 .03.1968	18.81	2.69	0.00	21.50	25.07	0.00	0.00	25.07	**1.17:1 (1.17:1)**	199
2	Andhra Pradesh Forest Development Corporation Limited	Environment, Forest, Science and Technology	16.06.1975	21.32	0.50	0.00	21.82	13.99	0.00	2.84	16.83	**0.77:1 (2.84:1)**	557
3	Andhra Pradesh State Irrigation Development Corporation Limited	Irrigation and CAD	07.09.1974	132.86	0.95	0.00	133.81	48.08	0.00	0.00	48.08	**0.36:1 (0.36:1)**	390
4	Andhra Pradesh Meat Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	31.10.1977	29.02	1.41	0.00	30.43	0.00	0.00	0.00	0.00	**0.00**	0
5	Indira Gandhi Centre for Advanced research on Live stock private Limited	Animal Husbandry, Dairy Development and Fisheries	11.11.2008	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	**0.00**	0
6	Andhra Pradesh State Seeds Development Corporation Limited (619-B)	Agriculture and Co-operation	30.03.1976	1.08	0.90	0.80	2.78	133.62	0.00	0.00	133.62	**48.06:1 (48.46:1)**	219
	Total			**203.10**	**6.45**	**0.80**	**210.35**	**220.76**	**0.00**	**2.84**	**223.60**	**1.11:1 (1.28:1)**	**1365**

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	FINANCE												
7	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	General Administration	10.10.1975	6.22	0.00	0.00	6.22	0.11	0.00	0.00	0.11	**0.02:1 (0.00)**	28
8	Andhra Pradesh Handicrafts Development Corporation Limited	Industries and Commerce	10.11.1981	1.50	0.50	0.00	2.00	0.49	0.00	0.00	0.49	**0.25:1 (0.24:1)**	119
9	Andhra Pradesh State Minorities Finance Corporation Limited	Minorities Welfare	19.01.1985	139.85	0.00	0.00	139.85	0.00	0.00	0.00	0.00	**0 (0.04:1)**	74
10	Andhra Pradesh State Christian Minorities Finance Corporation Limited	Minorities Welfare	11.02.2010	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0**	13
11	Andhra Pradesh Power Finance Corporation Limited	Energy	12.07.2000	29.00	0.00	0.00	29.00	0.00	0.00	5894.60	5894.60	**203.26:1 (204.42:1)**	2
	Total			**176.57**	**0.50**	**0.00**	**177.07**	**0.60**	**0.00**	**5894.60**	**5895.20**	**33.29:1 (33.52:1)**	**236**
	INFRASTRUCTURE												
12	Andhra Pradesh Industrial Development Corporation Limited	Industries and Commerce	16.12.1960	134.08	1.04	0.00	135.12	15.56	1.48	0.00	17.04	**0.13:1 (0.13:1)**	67
13	Andhra Pradesh Industrial Infrastructure Corporation Limited	Industries and Commerce	26.09.1973	16.33	0.00	0.00	16.33	0.70	0.00	325.44	326.14	**19.97:1 (24.17:1)**	425
14	Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B)	Industries and Commerce	02.09.2009	0.00	0.00	40.00	40.00	0.00	0.00	0.00	0.00	**0**	3
15	Andhra Pradesh Gas Distribution Corporation Limited (619-B)	Infrastructure and Investment	10.01.2011	0.00	0.00	20.00	20.00	0.00	0.00	0.00	0.00	**0**	4
16	Andhra Pradesh State Housing Corporation Limited	Housing	05.07.1979	0.25	0.00	0.00	0.25	12704.37	0.00	285.37	12989.74	**51958.96:1 (48092.52:1)**	6792

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
17	Andhra Pradesh State Police Housing Corporation Limited	Home	20.05.1971	1.81	0.00	0.00	1.81	0.00	0.00	0.00	0.00	**0**	180
18	Andhra Pradesh Rajiv Swagruha Corporation Limited	Housing	27.08.2007	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	**0**	186
19	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	Municipal Administration and Urban Development	12.01.1993	0.15	0.00	0.00	0.15	2.43	0.00	0.00	2.43	**16.2:1 (0)**	24
20	Fab City (India) Pvt. Limited (S)	Industries and Commerce	02.05.2006	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	**0**	0
21	Hyderabad Growth Corridor Limited (619-B)	Municipal Administration and Urban Development	25.12.2005	0.00	0.00	0.15	0.15	804.93	380.61	0.00	1185.54	**7903.6:1 (9865.00:1)**	50
22	Infrastructure Corporation of Andhra Pradesh Limited	Infrastructure and Investment	31.05.2005	24.12	0.00	0.00	24.12	0.00	0.00	0.00	0.00	**0**	33
23	Pashamylaram Textile Park	Industries and Commerce	29.06.2005	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	**0**	2
24	Andhra Pradesh Aviation Corporation Limited	Infrastructure and Investment	31.03.2006	0.25	0.00	0.00	0.25	0.00	0.00	0.00	0.00	**0**	18
25	E-City Manufacturing Cluster Limited	Industries and Commerce	10.10.2013	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	**0**	-
26	Maheswaram Science Park Limited	Industries and Commerce	10.10.2013	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	**0**	
	Total			**177.09**	**1.04**	**60.18**	**238.31**	**13527.99**	**382.09**	**610.81**	**14520.89**	**60.94:1 (62.13:1)**	**7784**
	MANUFACTURING												
27	Andhra Pradesh Beverages Corporation Limited	Revenue	23.07.1986	0.24	0.00	0.00	0.24	0.00	0.00	0.00	0.00	**0**	877
28	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	Energy	01.09.1976	0.15	0.00	17.12	17.27	1.00	0.00	0.00	1.00	**0.06:1 (0.06:1)**	432

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
29	Andhra Pradesh Mineral Development Corporation Limited	Industries and Commerce	24.02.1961	6.31	0.00	0.00	6.31	0.00	0.00	0.00	0.00	**0 (0)**	196
30	Damodhara Minerals Private Limited(S)	Industries and Commerce	28.01.2000	0.00	0.00	0.04	0.04	0.00	0.00	0.00	0.00	**0 (0)**	0
31	Leather Industries Development Corporation of Andhra Pradesh Limited	Industries and Commerce	04.10.1973	48.08	0.00	0.00	48.08	9.50	0.00	0.00	9.50	**0.20:1 (2.44:1)**	60
32	Krishnapatnam International Leather Complex Private Limited (619-B)	Industries and Commerce	19.08.2008	0.00	0.00	0.10	0.10	0.00	0.00	0.00	0.00	**0 (0)**	10
33	The Nizam Sugars Limited	Industries and Commerce	17.04.1937	33.29	0.00	0.71	34.00	35.94	0.00	34.57	70.51	**2.07:1 (1.06:1)**	12
34	The Singareni Collieries Company Limited	Energy	18.11.1920	885.60	847.56	0.04	1733.20	0.00	199.00	2172.10	2371.10	**1.37:1 (0.15:1)**	61778
35	Ongole Iron Ore Mining Company Pvt. Limited	Department of Mines and Geology	11.05.2009	0.00	0.00	0.11	0.11	0.00	0.00	0.00	0.00	**0 (0)**	0
36	APMDC-SCCL Suliyari Coal Company Limited	Industries & Commerce (Mines-I) Department	01.07.2013	0.00	0.00	9.80	9.80	0.00	0.00	160.64	160.64	**16.39:1 (0)**	14
	Total			**973.67**	**847.56**	**27.92**	**1849.15**	**46.44**	**199.00**	**2367.31**	**2612.75**	**1.41:1 (0.17:1)**	**63379**
	POWER												
37	Andhra Pradesh Power Generation Corporation Limited	Energy	29.12.1998	2106.80	0.00	0.00	2106.80	0.00	0.00	12543.13	12543.13	**5.95:1 (5.43:1)**	12021
38	Central Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	728.48	0.00	0.00	728.48	20.56	0.00	5081.54	5102.10	**7.00:1 (4.48:1)**	14379
39	Eastern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	121.23	0.00	0.00	121.23	35.71	0.00	285.06	320.77	**2.65:1 (2.58:1)**	7206

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
40	Northern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	274.76	0.00	0.00	274.76	12.51	0.00	4148.21	4160.72	**15.14:1 (4.37:1)**	8447
41	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	Energy	20.10.1969	0.19	0.00	0.03	0.22	0.00	0.00	0.00	0.00	**0 (0)**	137
42	Southern Power Distribution Company of Andhra Pradesh Limited	Energy	30.03.2000	358.72	0.00	0.00	358.72	22.06	0.00	2680.24	2702.30	**7.53:1 (6.42:1)**	13610
43	Transmission Corporation of Andhra Pradesh Limited	Energy	29.12.1998	779.22	0.00	0.00	779.22	686.60	0.00	2935.75	3622.35	**4.65:1 (4.46:1)**	4016
44	Andhra Pradesh Power Development Company Limited (619-B)	Energy	01.03.2006	100.00	0.00	1777.62	1877.62	1806.89	0.00	5819.88	7626.77	**4.06:1 (4.36:1)**	76
	Total			**4469.40**	**0.00**	**1777.65**	**6247.05**	**2584.33**	**0.00**	**33493.81**	**36078.14**	**5.78:1 (4.87:1)**	**59892**
	SERVICES												
45	Andhra Pradesh State Civil Supplies Corporation Limited	Consumer Arrairs, Food and Civil Supplies	31.12.1974	3.00	0.00	0.00	3.00	0.00	0.00	0.00	0.00	0	923
46	Andhra Pradesh Tourism Development Corporation Limited	Youth advancement, Tourism & Culture	18.02.1976	3.76	0.00	0.00	3.76	0.00	0.00	0.00	0.00	0	748
47	Andhra Pradesh Technology Services Limited	Infrormation Technology & Communications	17.01.1985	0.31	0.00	0.00	0.31	0.00	0.00	0.00	0.00	**0**	107
48	Andhra Pradesh Trade Promotion Corporation Limited	Industries and Commerce	05.06.1970	0.85	0.00	0.01	0.86	0.00	0.00	0.00	0.00	**0**	26
49	Hyderabad Metro Rail Limited	Municipal Administration and Urban Development	18.05.2007	0.57	0.00	0.00	0.57	0.00	0.00	0.00	0.00	**0**	161

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
50	Visakhapatnam Urban Transport Company Limited	Municipal Administration and Urban Development	19.01.2012	0.00	0.00	0.05	0.05	0.00	0.00	0.00	0.00	**0**	0
51	Vizag Apparel Park for Export	Handlooms & Textiles	31.03.2004	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	**0**	2
	Total			**8.54**	**0.00**	**0.06**	**8.60**	**0.00**	**0.00**	**0.00**	**0.00**	**0**	**1967**
	MISCELLANEOUS												
52	Oveseas Manpower Company of Andhra Pradesh Limited	Employment and Training	10.01.2006	0.21	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0	9
	Total			**0.21**	**0.00**	**0.00**	**0.21**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**9**
	Total Government Companies: A			**6008.58**	**855.55**	**1866.61**	**8730.74**	**16380.12**	**581.09**	**42369.37**	**59330.58**	**6.80:1 (5.91)**	**134632**
B.	**Working Statutory Corporations**												
	AGRICULTURE AND ALLIED												
53	Andhra Pradesh State Warehousing Corporation	Agriculture and Co-operation	05.08.1985	3.81	0.00	3.81	7.62	0.00	0.00	2.04	2.04	**0.27:1 (0.44:1)**	262
	Total			**3.81**	**0.00**	**3.81**	**7.62**	**0.00**	**0.00**	**2.04**	**2.04**	**0.27:1 (0.44:1)**	**262**
	FINANCE												
54	Andhra Pradesh State Financial Corporation	Industries and Commerce	01.11.1956	176.86	28.87	0.27	206.00	1.94	11.40	2754.30	2767.64	**13.44:1 (12.56:1)**	405
	Total			**176.86**	**28.87**	**0.27**	**206.00**	**1.94**	**11.40**	**2754.30**	**2767.64**	**13.44:1 (12.56:1)**	**405**
	SERVICES												
55	Andhra Pradesh State Road Transport Corporation	Transport, Roads and Buildings	11.01.1958	140.20	61.07	0.00	201.27	562.90	0.00	4171.08	4733.98	**23.52:1 (20.40:1)**	122109
	Total			**140.20**	**61.07**	**0.00**	**201.27**	**562.90**	**0.00**	**4171.08**	**4733.98**	**23.52:1 (20.40:1)**	**122109**
	Total Statutory Corporations: B			**320.87**	**89.94**	**4.08**	**414.89**	**564.84**	**11.40**	**6927.42**	**7503.66**	**18.09:1 (16.14:1)**	**122776**
	Total working PSUs: (A+B)			**6329.45**	**945.49**	**1870.69**	**9145.63**	**16944.96**	**592.49**	**49296.79**	**66834.24**	**7.31:1 (6.40:1)**	**257408**

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
C.	**Non-working Govt. companies**												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Dairy Development Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	07.02.1974	18.72	0.00	0.00	18.72	0.00	0.00	0.00	0.00	**0**	0
2	Andhra Pradesh Fisheries Corporation Limited	Animal Husbandry, Dairy Development and Fisheries	05.07.1974	4.67	0.00	0.00	4.67	8.67	0.00	0.00	8.67	**1.86:1 (1.86:1)**	0
3	Proddutur Milk Foods Limited	Animal Husbandry, Dairy Development and Fisheries	23.10.1978	0.02	0.00	0.00	0.02	0.00	0.00	0.00	0.00	**0**	8
	Total			**23.41**	**0.00**	**0.00**	**23.41**	**8.67**	**0.00**	**0.00**	**8.67**	**0.37:1 (0.37: 1)**	**8**
	FINANCE												
4	Andhra Pradesh Small Scale Industries Development Corporation Limited	Industries and Commerce	18.03.1961	9.62	0.00	0.00	9.62	13.92	0.00	0.00	13.92	**1.45:1 (1.45:1)**	0
5	Andhra Pradesh Tourism Finance Limited	Youth advancement, Tourism &Culture	07.03.2001	0.03	0.00	0.00	0.03	0.00	0.00	0.00	0.00	**0**	
	Total			**9.65**	**0.00**	**0.00**	**9.65**	**13.92**	**0.00**	**0.00**	**13.92**	**1.44:1 (1.44:1)**	
	MANUFACTURING												
6	Allwyn Auto Limited	Industries and Commerce	31.05.1993	0.15	0.00	0.00	0.15	14.45	0.00	0.00	14.45	**96.33:1 (96.33:1)**	
7	Allwyn Watches Limited	Industries and Commerce	19.03.1993	0.15	0.00	0.00	0.15	64.93	0.00	0.00	64.93	**432.87:1 (432.87:1)**	

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
8	Andhra Pradesh Electronics Development Corporation Limited (S)	Industries and Commerce	21.11.1980	12.62	0.00	0.10	12.72	0.68	0.00	0.00	0.68	**0.05:1 (0.05:1)**	
9	Andhra Pradesh Steels Limited (S)	Industries and Commerce	16.11.1973	0.00	0.00	2.03	2.03	2.12	0.00	0.00	2.12	**1.04:1 (1.04:1)**	
10	Andhra Pradesh Scooters Limited	Industries and Commerce	21.08.1974	6.47	0.00	4.64	11.11	5.59	0.00	5.60	11.19	**1.01:1 (1.01:1)**	
11	Aptronix Communications Limited (S)**	Industries and Commerce	27.02.1984	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	**0**	
12	Hyderabad Chemicals and Fertilizers Limited (S)	Agriculture and Co-operation	September, 1942	0.26	0.00	0.53	0.79	8.25	0.00	0.00	8.25	**10.44:1 (10.44:1)**	
13	Marine and Communication Electronics (India) Limited (S)	Industries and Commerce	29.08.1974	0.00	0.00	1.89	1.89	4.77	0.00	0.00	4.77	**2.52:1 (2.52:1)**	
14	Republic Forge Company Limited	Industries and Commerce	15.04.1957	7.07	0.00	0.70	7.77	54.77	0.00	0.00	54.77	**7.05:1 (7.05:1)**	
15	Southern Transformers and Electricals Limited (S)	Industries and Commerce	21.09.1976	0.00	0.00	0.58	0.58	0.78	0.00	0.00	0.78	**1.34:1 (1.34:1)**	
16	Andhra Pradesh Automobile Tyres & Tubes Ltd (619-B)	Industries and Commerce	20.07.1972	0.73	0.00	0.02	0.75	0.00	0.00	0.00	0.00	**0**	
17	Golkonda Abrasives Ltd (619-B)	Industries and Commerce	NA	0.38	0.00	0.17	0.55	0.00	0.00	0.00	0.00	**0**	
18	Krishi Engineering Ltd (619-B)	Engineering	NA	0.29	0.10	0.13	0.52	0.00	0.00	0.00	0.00	**0**	
19	PJ Chemicals Ltd (619-B)	Industries and Commerce	NA	0.16	0.22	0.00	0.38	0.00	0.00	0.00	0.00	**0**	
20	Suganthy Alloy castings Ltd (619-B)	Industries and Commerce	NA	0.10	0.04	0.06	0.20	0.00	0.00	0.00	0.00	**0**	
21	Vidyut Steels Ltd (619-B)	Industries and Commerce	NA	0.29	0.31	0.28	0.88	0.00	0.00	0.00	0.00	**0**	
	Total			**28.67**	**0.67**	**11.13**	**40.47**	**156.34**	**0.00**	**5.60**	**161.94**	**4.00:1 (3.95:1)**	**0**

Sl.No.	Sector and Name of the Company	Name of the Department	Month and Year of incorporation	Paid-up capital@				Loans outstanding at the close of 2013-14*				Debt-equity ratio for 2013-14 (Previous year)	Manpower (No. of employees) (as on 31-03-14)
				State Govt.	Central Govt.	Others	Total	State Govt.	Central Govt.	Others	Total		
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	7	8
	SERVICES												
22	Andhra Pradesh Essential Commodities Corporation Limited	Food, Civil Supplies and Consumer Affairs	21.04.1984	1.13	0.00	0.00	1.13	0.00	0.00	0.00	0.00	**0**	
	Total			1.13	0.00	0.00	1.13	0.00	0.00	0.00	0.00	**0.00:1 (0.02:1)**	**1**
	Total non-working PSUs:C			**62.86**	**0.67**	**11.13**	**74.66**	**178.93**	**0.00**	**5.60**	**184.53**	**2.47:1 (2.47:1)**	**9**
	Total PSUs: A+B+C			**6392.31**	**946.16**	**1881.82**	**9220.29**	**17123.89**	**592.49**	**49302.39**	**67018.77**	**7.27:1 (6.37:1)**	**257417**

Notes:

1. *Sl. No. 6, 14, 15, 21, 32 & 44 of Part-A are working Companies and Sl. Nos. 17 to 22 of Part-C are 619-B non-working Companies*
2. ** Loans outstanding at the close of 2013-14 represent long term loans only*
3. *** No activity since inception*
4. *@ paid up capital includes share application money of Rs.356.85 Crore in respect of the Companies against Sl. No. 4, 9, 12, 22, 27, 31, 36, 44, 52 & 54 of working PSUs except in respect of Companies and Corporations which finalised their accounts for 2013-14 figures are provisional and as provided by the respective Company and Corporation.*

Annexure 1.2

Statement showing summarised financial results of Government Companies and Statutory Corporations which have finalised their accounts for 2013-14

(Referred to in paragraph 1.7.2)

(Figures in columns 5 to 14 are ₹ in crore)

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed ^	Return on capital employed $	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Working Government Companies													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh Meat Development Corporation Limited	2013-14	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	6.87	-17.81	-8.13	0.00	0.00
	Total			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**6.87**	**-17.81**	**-8.13**	0.00	
	INFRASTRUCTURE													
2	Andhra Pradesh Gas Infrastructure Corporation Private Limited (619-B)	2013-14	2014-15	-4.40	0.00	0.02	-4.42	0.00	0.00	40.00	-4.42	35.58	-4.42	-12.42
3	Andhra Pradesh Gas Distribution Corporation Limited (619-B)	2013-14	2014-15	-0.39	0.00	0.01	-0.40	0.00	0.00	20.00	-0.60	19.40	-0.40	-2.06
	Total			**-4.79**	**0.00**	**0.03**	**-4.82**	**0.00**	**0.00**	**60.00**	**-5.02**	**54.98**	**-4.82**	
	MANUFACTURING													
4	Andhra Pradesh Beverages Corporation Limited	2013-14	2014-15	16.16	0.00	0.88	15.28	57.58	0.00	0.24	16.15	16.47	15.28	92.77
5	Andhra Pradesh Heavy Machinery and Engineering Limited (S)	2013-14	2014-15	14.10	0.25	0.20	13.65	101.02	0.00	17.27	38.34	55.61	13.90	25.00
6	The Singareni Collieries Company Limited	2013-14	2014-15	857.76	37.95	401.07	418.74	9893.35	5.39	1733.20	744.43	5842.80	456.69	7.82
7	Damodhara Minerals Private Limited	2013-14	2014-15	-0.01	0.00	0.00	-0.01	0.00	0.00	0.04	-0.07	-0.04	-0.01	25.00
	Total			**888.01**	**38.20**	**402.15**	**447.66**	**10051.95**	**5.39**	**1750.75**	**798.85**	**5914.84**	**485.86**	

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed ^	Return on capital employed $	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	FINANCE													
8	Andhra Pradesh Power Finance Corporation Limited	2013-14	2014-15	552.41	552.41	0.00	0.00	552.94	0.00	29.00	0.00	5679.50	552.41	9.73
	Total			**552.41**	**552.41**	**0.00**	**0.00**	**552.94**	**0.00**	**29.00**	**0.00**	**5679.50**	**552.41**	
	SERVICES													
9	Visakhapatnam Urban Transport Company Limited	2013-14	2014-15	-0.01	0.00	0.00	-0.01	0.00	0.00	0.05	-0.01	0.04	-0.01	**-25.00**
	Total			**-0.01**	**0.00**	**0.00**	**-0.01**	**0.00**	**0.00**	**0.05**	**-0.01**	**0.04**	**-0.01**	
	POWER													
10	Andhra Pradesh Power Generation Corporation Limited	2013-14	2014-15	3725.72	1980.76	1189.20	555.76	13862.60	0.00	2106.80	1880.97	15373.18	2536.52	16.50
11	Transmission Corporation of Andhra Pradesh Ltd	2013-14	2014-15	953.10	387.19	463.14	102.77	1332.40	16.60	779.22	102.77	786.67	489.96	62.28
12	Central Power Distribution Company of Andhra Pradesh Limited	2013-14	2014-15	696.92	1000.62	507.54	-811.24	16765.59	-3.21	728.48	-8641.05	1332.00	189.38	14.22
13	Eastern Power Distribution Company of Andhra Pradesh Limited	2013-14	2014-15	247.47	159.34	223.98	-135.85	6033.81	-35.50	121.23	-1694.45	3046.07	23.49	0.77
14	Northern Power Distribution Company of Andhra Pradesh Limited	2013-14	2014-15	429.23	228.15	232.08	-31.00	6102.49	0.00	274.76	-3544.60	1393.02	197.15	14.15
15	Southern Power Distribution Company of Andhra Pradesh Limited	2013-14	2014-15	459.33	422.84	439.61	-403.12	7327.45	-424.16	358.72	-4931.42	2856.59	19.72	0.69
16	Andhra Pradesh Power Development Company Limited (619-B)	2013-14	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	1804.37	0.00	9239.05	0.00	0.00

Sl. No.	Sector and Name of the Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed ^	Return on capital employed $	Percentage of return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Total			**6511.77**	**4178.90**	**3055.55**	**-722.68**	**51424.34**	**-446.27**	**6173.58**	**-16827.78**	**34026.58**	**3456.22**	
	Total: A			**7947.39**	**4769.51**	**3457.73**	**-279.85**	**62029.23**	**-440.88**	**8020.25**	**-16051.77**	**45667.81**	**4489.66**	
	Working Statutory Corporations													
	FINANCE													
17	Andhra Pradesh State Financial Corporation	2013-14	2014-15	279.34	235.59	3.61	40.14	408.30	0.00	206.01	150.24	3482.39	275.73	7.92
	Total: B			**279.34**	**235.59**	**3.61**	**40.14**	**408.30**	**0.00**	**206.01**	**150.24**	**3482.39**	**275.73**	
	Total Working PSUs: (A+B)			**8226.73**	**5005.10**	**3461.34**	**-239.71**	**62437.53**	**-440.88**	**8226.26**	**-15901.53**	**49150.20**	**4765.39**	

Notes:

Sl. Nos 2, 3 & 16 of Part A are 619-B Companies

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase in profit/decrease in losses and (-) in case of decrease in profit/ increase in losses.

^ Capital employed represents 'Shareholders' fund+Long term borrowings as per revised formula except in case of Andhra Pradesh State Financial Corporation, where the capital employed is worked out as a mean of aggregate value of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure - 1.3

Statement showing summarised financial results of Government Companies and Statutory Corporations whose accounts for 2013-14 are in arrears

(Referred to in paragraph 1.7.5)

(Figures in columns 5 to 14 are ₹ in crore)

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Working Government Companies													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2012-13	2014-15	-2.90	1.43	0.15	-4.48	51.67	-4.33	21.50	-6.77	114.60	-3.05	-2.66
2	Indira Gandhi Centre for Advanced Research on Livestock Private Limited	First accounts not submitted	0	0	0	0	0	0	0	0	0	0	0.00	0.00
3	Andhra Pradesh Forest Development Corporation Limited	2012-13	2013-14	53.73	7.12	1.02	45.59	94.86	0	21.82	178.02	321.02	52.71	16.42
4	Andhra Pradesh State Irrigation Development Corporation Limited	2012-13	2013-14	19.56	6.18	3.37	10.01	54.04	-50.98	133.81	-78.10	104.61	16.19	15.48
5	Andhra Pradesh State Seeds Dev. Corp. Ltd (619-B)	2012-13	2013-14	5.59	0	0.38	5.21	542.99	0	2.76	2.81	205.02	5.21	2.54
	Total			**75.98**	**14.73**	**4.92**	**56.33**	**743.56**	**-55.31**	**179.89**	**95.96**	**745.25**	**71.06**	
	FINANCE													
6	Andhra Pradesh Film and Television and Theatre Development Corporation Limited	2012-13	2014-15	0.44	0.13	0.14	0.17	2.87	-1.47	6.22	1.84	8.17	0.30	3.67
7	Andhra Pradesh Handicrafts Development Corporation Limited	2011-12	2014-15	2.21	0.00	0.71	1.50	74.46	0.00	2.00	8.59	19.81	1.50	7.57

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
8	Andhra Pradesh State Minorities Finance Corporation Limited	2009-10	2011-12	0.57	0.46	0.19	-0.08	0.00	-143.79	139.85	-12.03	145.47	0.38	0.26
9	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First accounts not submitted												
	Total			**3.22**	**0.59**	**1.04**	**1.59**	**77.33**	**-145.26**	**148.07**	**-1.60**	**173.45**	**2.18**	
	INFRASTRUCTURE													
10	Andhra Pradesh State Police Housing Corporation Limited	2012-13	2013-14	2.21	1.83	0.38	0.00	144.27	2.04	1.81	0.01	1.82	1.83	100.55
11	Andhra Pradesh Industrial Development Corporation Limited	2010-11	2013-14	6.64	0.26	0.21	6.17	14.53	-1.63	131.35	50.10	204.37	6.43	3.15
12	Andhra Pradesh Industrial Infrastructure Corporation Limited	2012-13	2014-15	30.66	0.00	3.01	27.65	357.26	-797.72	16.33	471.95	488.27	27.65	5.66
13	Andhra Pradesh State Housing Corporation Limited	2009-10	2013-14	-61.08	598.43	2.47	-661.98	68.26	0.00	0.25	-4213.86	7798.52	-63.55	-0.81
14	Andhra Pradesh Rajiv Swagruha Corporation Limited (No profit/loss)	2010-11	2013-14	75.85	86.97	0.08	-11.20	42.26	-59.50	0.05	-5.53	928.57	75.77	8.16
15	Andhra Pradesh Urban Finance and Infrastructure Development Corporation Limited	2012-13	2014-15	0.00	0.00	0.04	-0.04	0.00	0.00	0.15	-0.04	0.11	-0.04	-36.36
16	Fab City SPV (India) Pvt. Ltd.(Subsidiary to APIIC w.e.f.19-07-2007)	2010-11	2014-15	1.31	0.00	0.10	1.21	1.74	0.00	0.01	2.57	2.58	1.21	46.90
17	Hyderabad Growth Corridor Limited (619-B)	2010-11	2011-12	0.02	0.00	0.04	-0.02	0.39	0.00	0.15	-3.73	-3.58	-0.02	0.56

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
18	Infrastructure Corporation of Andhra Pradesh Limited	2012-13	2013-14	-0.39	0.00	0.07	-0.46	0.78	0.00	22.12	-1.77	20.36	-0.46	-2.26
19	Pashamylaram Textile Park	2008-09	2014-15	0.06	0.00	0.00	0.06	0.00	0.00	0.05	0.12	0.17	0.06	35.29
20	Andhra Pradesh Aviation Corporation Limited	First accounts not submitted	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
21	E-City Manufacturing Cluster Limited (619-B)	First accounts not submitted	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
22	Maheswaram Science Park Limited (619-B)	First accounts not submitted	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total			**55.28**	**687.49**	**6.40**	**-638.61**	**629.49**	**-856.81**	**172.27**	**-3700.18**	**9441.19**	**48.88**	
	MANUFACTURING													
23	Andhra Pradesh Mineral Development Corporation Limited	2012-13	2014-15	328.77	2.24	1.75	324.78	595.40	-68.04	6.31	617.63	752.32	327.02	43.47
24	Krishnapatnam International Leather Complex Private Limited (619-B) (No profit/No loss)	2011-12	2013-14	0.01	0.00	0.01	0.00	0.00	0.00	0.10	0.00	25.10	0.00	0.00
25	Ongole Iron Ore Mining Company Pvt. Limited	2010-11	2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.11	0.00	2.60	0.00	0.00
26	Leather Industries Development Corporation of Andhra Pradesh Limited	2012-13	2013-14	-2.96	1.12	0.27	-4.35	0.01	-1.28	3.90	-73.09	-6.72	-3.23	48.07

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
27	APMDC-SCCL Suliyari Coal Company Limited	First accounts not submitted											0.00	0.00
28	The Nizam Sugars Limited	2012-13	2013-14	2.81	10.44	0.01	-7.64	0.00	1.19	34.00	-228.83	-193.21	2.80	-1.45
	Total			**328.63**	**13.80**	**2.04**	**312.79**	**595.41**	**-68.13**	**44.42**	**315.71**	**580.09**	**326.59**	
	POWER													
29	New & Renewable Energy Development Corporation of Andhra Pradesh	2012-13	2013-14	8.49	0.37	5.80	2.32	34.29	0.00	0.22	20.03	20.64	2.69	13.03
	Total			**8.49**	**0.37**	**5.80**	**2.32**	**34.29**	**0.00**	**0.22**	**20.03**	**20.64**	**2.69**	
	SERVICE													
30	Andhra Pradesh State Civil Supplies Corporation Limited	2010-11	2013-14	21.97	11.78	0.95	9.24	2219.47	21.55	3.00	121.62	418.10	21.02	5.03
31	Andhra Pradesh Trade Promotion Corporation Limited	2012-13	2014-15	4.67	0.07	2.12	2.48	32.82	0.00	0.86	67.59	91.12	2.55	2.80
32	Andhra Pradesh Technology Services Limited	2012-13	2014-15	5.87	0.00	0.45	5.42	7.69	0.00	0.31	35.27	35.83	5.42	15.13
33	Andhra Pradesh Tourism Development Corporation Limited	2012-13	2014-15	14.91	1.07	13.51	0.33	139.91	0.00	3.76	22.43	37.91	1.40	3.69
34	Hyderabad Metro Rail Limited	2012-13	2014-15	0.11	0.00	0.11	0.00	0.00	0.00	0.57	0.54	1.10	0.00	0.00
35	Vizag Apparel Park for Exports	2007-08	2012-13	-0.04	0.00	0.04	-0.08	0.04	0.00	0.05	-0.15	0.05	-0.08	-160.00
	Total			**47.49**	**12.92**	**17.18**	**17.39**	**2399.93**	**21.55**	**8.55**	**247.30**	**584.11**	**30.31**	
	MISCELLANEOUS													
36	Overseas Manpower Company of Andhra Pradesh Limited	2012-13	2013-14	0.13	0.00	0.22	-0.09	0.23	0.00	21.49	0.20	0.42	-0.09	-21.43
	Total			**0.13**	**0.00**	**0.22**	**-0.09**	**0.23**	**0.00**	**21.49**	**0.20**	**0.42**	**-0.09**	

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	TOTAL: A			**519.22**	**729.90**	**37.60**	**-248.28**	**4480.24**	**-1103.96**	**574.91**	**-3022.58**	**11545.15**	**481.62**	
B.	**Working Statutory Corporations**													
	AGRICULTURE AND ALLIED													
37	Andhra Pradesh State Warehousing Corporation	2012-13	2014-15	42.16	0.23	3.45	38.48	165.42	0.00	7.61	261.90	292.00	38.71	13.26
	TOTAL			42.16	0.23	3.45	38.48	165.42	0.00	7.61	261.90	292.00	38.71	13.26
	SERVICES													
38	Andhra Pradesh State Road Transport Corporation	2012-13	2013-14	2448.21	369.92	2159.00	-80.71	6518.47	0.00	201.27	-2649.81	1902.78	289.21	15.20
	TOTAL			2448.21	369.92	2159.00	-80.71	6518.47	0.00	201.27	-2649.81	1902.78	289.21	15.20
	TOTAL:B			**2490.37**	**370.15**	**2162.45**	**-42.23**	**6683.89**	**0.00**	**208.88**	**-2387.91**	**2194.78**	**327.92**	
	TOTAL A+B			**3009.59**	**1100.05**	**2200.05**	**-290.51**	**11164.13**	**-1103.96**	**783.79**	**-5410.49**	**13739.93**	**809.54**	
C	**Non-working Government Companies**													
	AGRICULTURE AND ALLIED													
1	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02		0.00	0.00	0.00	0.00	0.00	0.00	4.67	-21.75	-7.24	0.00	0.00
2	Proddutur Milk Foods Limited	1983-84	1990-91	0.00	0.00	0.00	0.00	0.00	0.00	1.96	0.00	0.00	0.00	0.00
3	Andhra Pradesh Dairy Development Corporation Limited	2001-02	2006-07	0.00	0.00	0.00	0.00	0.00	0.00	18.72	-5.23	20.51	0.00	0.00
	FINANCE													
4	A.P Small Scale Industrial Development Corporation Limited	2001-02	2003-04	2.18	0.00	0.00	2.18	0.02	0.00	9.62	-20.03	2.93	2.18	74.40
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	0.11	0.00	0.00	0.11	0.11	0.00	2.00	0.07	2.05	0.11	5.37
	MANUFACTURING													
6	Allwyn Auto Limited	1994-95		-6.46	0.00	0.00	-6.46	0.00	0.00	0.15	-13.54	-2.97	-6.46	217.51
7	Allwyn Watches Limited	1998-99	2002-03	-70.69	0.00	0.00	-70.69	13.00	0.00	0.15	-248.70	95.75	-70.69	-73.83

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	-0.75	0.00	0.00	-0.75	0.00	0.00	12.72	-10.74	3.68	-0.75	-20.38
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	-3.70	0.00	0.00	-3.70	0.00	0.00	11.11	-34.49	-3.79	-3.70	97.63
10	Andhra Pradesh Steels Limited (S)	1991-92	1993-94	-2.09	0.00	0.00	-2.09	0.00	0.00	2.03	-6.51	-2.51	-2.09	83.27
11	Aptronix Communications Limited (S)*			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Hyderabad Chemicals and Fertilizers Limited (S)	1984-85	1986-87	0.62	0.00	0.00	0.62	0.00	0.00	0.78	-0.63	-1.34	0.62	-46.27
13	Marine and Communication Electronics (India) Limited (S)	1992-93	1994-95	-4.70	0.00	0.00	-4.70	0.00	0.00	1.89	-4.21	7.23	-4.70	-65.01
14	Republic Forge Company Limited	1991-92	1993-94	-3.34	0.00	0.00	-3.24	0.00	0.00	7.77	-23.41	8.82	-3.24	-36.73
15	Southern Transformers and Electricals Limited (S)	1993-94	1996-97	-0.57	0.00	0.00	-0.57	0.00	0.00	0.58	-5.78	-1.45	-0.57	39.31
16	Andhra Pradesh Automobile Tyres & Tubes Ltd. (619-B)	1992-93	NA	0.00	0.00	0.00	0.00	0.00	0.00	0.75	-0.77	0.00	0.00	0.00
17	Golkonda Abrasives Ltd. (619-B)	1997-98	NA	-0.01	0.00	0.00	-0.01	0.00	0.00	0.55	-7.44	0.00	-0.01	0.00
18	Krishi Engineering Ltd. (619-B)	1984-85	NA	-0.52	0.00	0.00	-0.52	0.00	0.00	0.52	-3.54	0.00	-0.52	0.00
19	PJ Chemicals Ltd. (619-B)	1989-90	NA	-0.51	0.00	0.00	-0.51	0.00	0.00	0.38	-3.56	0.00	-0.51	0.00
20	Suganthy Alloy castings Ltd. (619-B)	1983-84	NA	-0.16	0.00	0.00	-0.16	0.00	0.00	0.20	-0.26	0.00	-0.16	0.00
21	Vidyut Steels Ltd. (619-B)	1985-86	NA	-0.40	0.00	0.00	-0.40	0.00	0.00	0.88	-1.55	0.00	-0.40	0.00

Sl. No.	Sector and name of Company	Period of accounts	Year in which finalised	Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss	Turnover	Impact of Accounts Comments #	Paid-up capital	Accumu-lated profit(+)/ loss(-)	Capital employed @	Return on capital employed $	Percentage return on capital employed
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
	SERVICE													
22	Andhra Pradesh Essential Commodities Corporation Ltd.	2010-11	2013-14	0.11	0.00	0.03	0.08	0.07	0.00	1.13	9.53	10.65	0.08	0.75
	TOTAL : C			**-90.88**	**0.00**	**0.03**	**-90.81**	**13.20**	**0.00**	**78.56**	**-402.54**	**132.32**	**-90.81**	
	TOTAL A+B+C			**2918.71**	**1100.05**	**2200.08**	**-381.32**	**11177.29**	**-1103.96**	**862.35**	**-5813.03**	**13872.25**	**718.73**	

Notes: 1. Sl. No. 5, 17, 21, 22, 24 of Part-A and Sl. No. 16 to 21 of Part-C are 619-B Companies

2. # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) in case of increase of profit/decrease in losses and (-) in case of decrease in profit/increase in losses.

3. @ Capital employed represents 'Shareholders' fund+ Long term borrowings as per revised formula.

4. $ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure 1.4

Statement showing subsidy and grants received/receivable, guarantees received, waiver of dues, loans written-off and loans converted into equity during the year and guarantee commitment at the end of March 2014

(Referred to in paragraph 1.4.1)

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
A.	**A. Working Government Companies**												
	AGRICULTURE AND ALLIED												
1	Andhra Pradesh Forest Development Corporation Limited	0.00	0.00	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	0.00	0.00
2	Andhra Pradesh State Seeds Development Corporation Limited	0.00	0.00	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00
3	Andhra Pradesh State Agro Industries Development Corporation Ltd	0.00	0.00	0.00	0.00	5.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**25.05**	**0.00**	**5.00**	**30.05**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	FINANCE												
4	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	0.00	0.00	0.00	9.66	0.00	9.66	0.00	0.00	0.00	0.00	0.00	0.00
5	Andhra Pradesh Handicrafts Development Corporation Limited	0.00	0.00	0.08	0.75	0.00	0.83	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
6	Andhra Pradesh State Minorities Finance Corporation Limited	0.00	0.00	51.04	96.83	0.00	147.87	0.00	6.19	0.00	0.00	0.00	0.00
7	Andhra Pradesh State Christian Minorities Finance Corporation Limited	0.00	0.00	0.00	11.75	0.00	11.75	0.00	0.00	0.00	0.00	0.00	0.00
8	Andhra Pradesh Power Finance Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5894.60	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**51.12**	**118.99**	**0.00**	**170.11**	**0.00**	**5900.79**	**0.00**	**0.00**	**0.00**	**0.00**
	INFRASTRUCTURE												
9	Andhra Pradesh Industrial Infrastructure Corporation Limited	0.00	0.00	17.28	2.50	0.00	19.78	0.00	325.44	0.00	0.00	0.00	0.00
10	Andhra Pradesh State Housing Corporation Limited	0.00	1128.01	1539.50	602.16	0.00	2141.66	1500.00	285.37	0.00	0.00	0.00	0.00
11	Hyderabad Growth Corridor Limited (619-B)	0.00	348.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12	Infrastructure Corporation of Andhra Pradesh Limited	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13	Andhra Pradesh Industrial Development Corporation Limited	0.33	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
14	Andhra Pradesh Aviation Corporation Limited	0.00	0.00	0.00	14.90	0.00	14.90	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**2.33**	**1476.54**	**1556.78**	**619.56**	**0.00**	**2176.34**	**1500.00**	**610.81**	**0.00**	**0.00**	**0.00**	**0.00**
	MANUFACTURING												
15	The Singareni Collieries Company Limited	0.00	0.00	0.00	0.00	83.83	83.83	0.00	0.00	0.00	0.00	0.00	0.00
16	Leather Industries Development Corporation of A.P. Ltd	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**5.00**	**0.00**	**0.00**	**0.00**	**83.83**	**83.83**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	POWER												
17	Andhra Pradesh Power Generation Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3825.52	0.00	0.00	0.00	0.00
18	Central Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	1629.49	0.00	1629.49	4048.69	4411.13	0.00	0.00	0.00	0.00
19	Eastern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	254.86	0.00	254.86	0.00	0.00	0.00	0.00	0.00	0.00
20	Northern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	7.94	2555.28	0.00	2563.22	2969.04	3389.55	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	**(2)**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4(c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6(c)**	**6(d)**
21	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	0.00	0.00	10.32	5.00	0.00	15.32	0.00	0.00	0.00	0.00	0.00	0.00
22	Southern Power Distribution Company of Andhra Pradesh Limited	0.00	0.00	0.00	1866.47	0.00	1866.47	0.00	1.30	0.00	0.00	0.00	0.00
23	Transmission Corporation of Andhra Pradesh Limited	0.00	149.91	0.00	0.00	0.00	0.00	0.00	332.81	0.00	0.00	0.00	0.00
24	Andhra Pradesh Power Development Company Limited	20.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**20.00**	**149.91**	**18.26**	**6311.10**	**0.00**	**6329.36**	**7017.73**	**11960.31**	**0.00**	**0.00**	**0.00**	**0.00**
	SERVICE												
25	Andhra Pradesh State Civil Supplies Corporation Limited	0.00	0.00	1485.42	3197.45	0.00	4682.87	0.00	0.00	0.00	0.00	0.00	0.00
26	Andhra Pradesh Tourism Development Corporation Limited	0.00	0.00	56.45	3.83	0.00	60.28	0.00	0.00	0.00	0.00	0.00	0.00
27	Hyderabad Metro Rail Limited	0.00	0.00	0.00	2500.00	0.00	2500.00	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**0.00**	**0.00**	**1541.87**	**5701.28**	**0.00**	**7243.15**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total A	**27.33**	**1626.45**	**3193.08**	**12750.93**	**88.83**	**16032.84**	**8517.73**	**18471.91**	**0.00**	**0.00**	**0.00**	**0.00**
B	**Working Statutory Corporations**												
	FINANCE												
28	Andhra Pradesh State Financial Corporation	0.00	0.00	0.00	0.00	0.00	0.00	208.00	1052.20	0.00	0.00	0.00	0.00

Sl. No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Subsidy and grants received during the year				Guarantees received during the year and outstanding at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment @	Loans repayment written off	Loans converted into equity	Interest/ Penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
	Total	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**208.00**	**1052.20**	**0.00**	**0.00**	**0.00**	**0.00**
	SERVICE												
29	Andhra Pradesh State Road Transport Corporation	0.00	100.08	0.07	200.15	0.00	200.22	655.70	939.70	0.00	0.00	0.00	
	Total	**0.00**	**100.08**	**0.07**	**200.15**	**0.00**	**200.22**	**655.70**	**939.70**	**0.00**	**0.00**	**0.00**	**0.00**
	Total B	**0.00**	**100.08**	**0.07**	**200.15**	**0.00**	**200.22**	**863.70**	**1991.90**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total A+B	**27.33**	**1726.53**	**3193.15**	**12951.08**	**88.83**	**16233.06**	**9381.43**	**20463.81**	**0.00**	**0.00**	**0.00**	**0.00**

@ Figures indicate total guarantees outstanding at the end of the year.

Annexure 1.5
Statement showing investments made by State Government in PSUs in whose accounts are in arrears
(Referred to in paragraph 1.6.4)

(Figures in Columns 4,6 to 9 are in ₹ in crore)

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
A.	**Working Government companies**								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh State Agro Industries Development Corporation Limited	2012-13	21.50	2013-14	0.00	0.00	5.00	0.00	1
2	Indira Gandhi Centre for Advanced Research on Live Stock Private Limited (11.11.2008)	First account not finalised		2008-09	0.00	0.00	75.00	0.00	6
				2009-10	0.00	0.00	75.00	0.00	
				2010-11	0.00	0.00	37.50	0.00	
				2011-12	0.00	0.00	50.00	0.00	
				2012-13	0.00	0.00	37.50	0.00	
				2013-14					
3	Andhra Pradesh Forest Development Corporation Limited	2012-13	21.82	2013-14	0.00	0.00	0.00	0.00	1
4	Andhra Pradesh Irrigation Development Corporation Limited	2012-13	133.81	2013-14	0.00	0.00	0.00	0.00	1
5	Andhra Pradesh State Seeds Dev. Corp. Ltd.	2012-13	2.76	2013-14	0.00	0.00	0.00	0.00	1
	TOTAL		**179.89**		**0.00**	**0.00**	**280.00**	**0.00**	**10**
	FINANCE								
6	Andhra Pradesh State Film Television and Theatre Development Corporation Limited	2012-13	6.22	2013-14	0.00	0.00	9.66	0.00	1
7	Andhra Pradesh State Minorities Finance Corporation Limited	2009-10	139.85	2010-11	0.00	0.00	199.73	0.00	4

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
				2011-12	0.00	0.00	277.81	0.00	
				2012-13	0.00	0.00	233.88	0.00	
				2013-14	0.00	0.00	96.83	0.00	
8	Andhra Pradesh State Christian Minorities Finance Corporation Limited	First accounts not finalised		2009-10	0.00	0.00	199.73	0.00	5
				2010-11	0.00	0.00	8.00	0.00	
				2011-12	0.00	0.00	17.15	0.00	
				2012-13	0.00	0.00	8.23	0.00	
				2013-14	0.00	0.00	11.75	0.00	
9	Andhra Pradesh Handicrafts Development Corporation Limited	2011-12	2.00	2012-13	0.00	0.00	2.99	0.00	2
				2013-14	0.00	0.00	0.75	0.00	
	TOTAL		**148.07**		**0.00**	**0.00**	**1066.51**	**0.00**	**12**
	INFRASTRUCTURE								
10	Andhra Pradesh Industrial Development Corporation Limited	2010-11	131.35	2011-12	0.56	0.00	0.00	0.00	3
				2012-13	0.88	0.00	0.00	0.00	
				2013-14	0.00	0.00	0.00	0.00	
11	Andhra Pradesh State Police Housing Corporation Limited (No profit/loss)	2012-13	1.81	2013-14	0.00	0.00	0.00	0.00	1
12	Andhra Pradesh Rajiv Swagruha Corporation Limited	2010-11	0.05	2011-12	0.00	0.00	0.00	0.00	3
				2012-13	0.00	0.00	0.00	0.00	
				2013-14	0.00	0.00	0.00	0.00	
13	Andhra Pradesh Urban finance and Infrastructure Development Corporation Limited	2012-13	0.15	2013-14	0.00	0.00	0.00	0.00	1

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
14	Andhra Pradesh Industrial Infrastructure Corporation Limited	2012-13	16.33	2013-14	0.00	0.00	2.50	0.00	1
15	Fab City SPV (India) Pvt. Ltd. (Date of incorporation: 02.05.2006)	2010-11	0.01	2011-12	0.00	0.00	0.00	0.00	3
				2012-13	0.00	0.00	0.00	0.00	
				2013-14	0.00	0.00	0.00	0.00	
16	Andhra Pradesh State Housing Corporation Limited	2009-10	0.25	2010-11	0.00	891.68	0.00	733.46	4
				2011-12	0.00	939.63	0.00	524.58	
				2012-13	0.00	0.00	0.00	658.21	
				2013-14	0.00	1128.01	0.00	602.16	
17	Hyderabad Growth Corridor Limited	2010-11	0.15	2011-12	0.00	331.50	0.00	0.00	3
				2012-13	0.00	0.00	0.00	0.00	
				2013-14	0.00	348.53	0.00	0.00	
18	Andhra Pradesh Aviation Corporation Limited	first accounts not submitted		2005-06	NA	NA	NA	NA	9
				2006-07	NA	NA	NA	NA	
				2007-08	NA	NA	NA	NA	
				2008-09	NA	NA	NA	NA	
				2009-10	NA	NA	NA	NA	
				2010-11	NA	NA	NA	NA	
				2011-12	0.00	0.00	17.68	0.00	
				2012-13	0.00	0.00	17.87	0.00	
				2013-14	0.00	0.00	14.90	0.00	
19	Pashamylaram Textile Park	2008-09	0.05	2009-10	NA	NA	NA	NA	5
				2010-11	NA	NA	NA	NA	
				2011-12	0.00	0.00	0.00	0.00	
				2012-13	0.00	0.00	0.00	0.00	
				2013-14	0.00	0.00	0.00	0.00	
20	Infrastructure Corporation of A.P. Ltd	2012-13	22.12	2013-14	2.00	0.00	0.00	0.00	1

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	2	3	4	5	6	7	8	9	10
21	E-City Manufacturing Cluster Limited	first accounts not submitted	-	2013-14	0.00	0.00	0.00	0.00	1
22	Maheswaram Science Park Limited	first accounts not submitted	-	2013-14	0.00	0.00	0.00	0.00	1
	TOTAL		**172.27**		**3.44**	**3639.35**	**52.95**	**2518.41**	**36**
	MANUFACTURING								
23	Andhra Pradesh Mineral Development Corporation Limited	2012-13	6.31	2013-14	0.00	0.00	0.00	0.00	1
24	Krishnapatnam International Leather Complex Private Limited	2011-12	0.10	2012-13	0.00	0.00	0.00	0.00	2
				2013-14	0.00	0.00	0.00	0.00	
25	Ongole Iron Ore Mining Company Pvt. Limited	2010-11	0.11	2011-12					3
				2012-13					
				2013-14	0.00	0.00	0.00	0.00	
26	Leather Industries Development Corporation of Andhra Pradesh Ltd.	2012-13	3.90	2013-14	5.00	0.00	0.00	0.00	1
27	APMDC-SCCL Suliyari Coal Company Limited	first accounts not submitted2013-14		2013-14	0.00	0.00	0.00	0.00	1
28	The Nizam Sugars Limited	2012-13	34.00	2013-14	0.00	0.00	0.00	0.00	1
	TOTAL		**44.42**		**5.00**	**0.00**	**0.00**	**0.00**	**9**
	POWER								
29	New & Renewable Energy Development Corporation of Andhra Pradesh Limited	2012-13	0.22	2013-14	0.00	0.00	2.00	3.00	1
	TOTAL		**0.22**		**0.00**	**0.00**	**2.00**	**3.00**	**1**

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
	SERVICE								
30	Andhra Pradesh Technology Services Limited	2012-13	0.31	2013-14	0.00	0.00	0.00	0.00	1
31	Andhra Pradesh State Civil Supplies Corporation limited	2010-11	3.00	2011-12	0.00	0.00	0.00	2280.00	3
				2012-13	0.00	0.00	0.00	2500.00	
				2013-14	0.00	0.00	0.00	3197.45	
32	Andhra Pradesh Tourism Development Corporation Limited	2012-13	3.55	2013-14	0.00	0.00	3.83	0.00	1
33	Andhra Pradesh Trade Promotion Corporation Limited	2012-13	0.86	2013-14	0.00	0.00	0.00	0.00	1
34	Hyderabad Metro Rail limited	2012-13	0.57	2013-14	0.00	0.00	2500.00	0.00	1
35	Vizag Apparel Park for Exports	2007-08	0.05	2008-09	0.00	0.00	0.00	0.00	6
				2009-10	0.00	0.00	0.00	0.00	
				2010-11	0.00	0.00	1.25	0.00	
				2011-12	0.00	0.00	0.06	0.00	
				2012-13	0.00	0.00	0.00	0.00	
				2013-14	0.00	0.00	0.00	0.00	
	TOTAL		**8.34**		**0.00**	**0.00**	**2505.14**	**7977.45**	**13**
	MISCELLANEOUS								
36	Overseas Manpower company of Andhra Pradesh Limited	2012-13	0.21	2013-14	0.00	0.00	0.00	0.00	**1**
	TOTAL		**0.21**		**0.00**	**0.00**	**0.00**	**0.00**	**1**
	TOTAL:A		553.42		8.44	3639.35	3906.60	10498.86	**82**
	Working Statutory Corporation								
	AGRICULTURE AND ALLIED								
37	Andhra Pradesh State Warehousing Corporation	2012-13	7.61	2013-14	0.00	0.00	0.00	0.00	1
38	Andhra Pradesh Road Transport	2012-13	201.27	2013-14	0.00	100.00	0.15	200.00	1

Sl. No.	Name of PSU	Year upto which account finalised	Paid up Capital as per latest finalised accounts	Investment made by Government during the years for which accounts are in arrears					No of accounts in arrears
				Year in which Equity Loans/Grants received	Equity	Loans	Grants	Subsidy	
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
	Corporation								
	TOTAL :B		208.88		0.00	100.00	0.15	200.00	2
B	**TOTAL: A+B**		**762.30**		**8.44**	**3739.35**	**3906.75**	**10698.86**	**84**
	Non-Working Government Companies								
	AGRICULTURE AND ALLIED								
1	Andhra Pradesh Fisheries Corporation Limited	01.04.2002 to 09.05.2002	4.67	2002-03	0.00	0.41	0.00	0.00	
	TOTAL		**4.67**	**2002-03**	**0.00**	**0.41**	**0.00**	**0.00**	
	MANUFACTURING								
2	Allwyn Watches Limited	1998-99	0.15	2002-03	0.00	0.25	0.00	0.00	
				2003-04	0.00	0.25	0.00	0.00	
	TOTAL		0.15		0.00	0.50	0.00	0.00	
	TOTAL :C		4.82		0.00	0.91	0.00	0.00	
	TOTAL:A+B+C	**0.00**	**767.12**		**8.44**	**3740.26**	**3906.75**	**10698.86**	**84**

Annexure -1.6

Statement showing the Financial position of Statutory Corporations which have finalised accounts for the year 2013-14

(Referred to in Paragraph 1.7.2)

(₹ in crore)

Andhra Pradesh State Financial Corporation			
Particulars	**2011-12**	**2012-13**	**2013-14**
A. Liabilities			
Paid up Capital	206.01	206.01	206.01
Reserve fund and other reserves and surplus	211.40	235.67	508.71
Borrowings:			
(i) Bonds and Debentures	645.25	870.00	1052.20
(ii) Fixed Deposits	36.47	26.68	16.26
(iii) SIDBI	1203.42	1124.63	940.32
(iv) State Government	1.94	1.94	1.94
(v) Industrial Development Bank of India	11.40	11.40	11.40
(vi) Others (term loan from banks)	331.42	553.36	745.55
Current liabilities and provisions	279.24	247.23	194.04
Total - A	**2926.55**	**3276.92**	**3676.43**
B. Assets			
Cash and Bank Balances	215.51	247.08	276.24
Investments	22.25	77.60	47.06
Loans and Advances	2384.39	2675.72	2817.88
Net Fixed Assets	150.54	150.87	409.36
Other Assets	153.86	125.65	125.89
Accumulated loss	0.00	0.00	0
Total - B	**2926.55**	**3276.92**	**3676.43**
C. Capital Employed*	**2425.36**	**2760.00**	**3482.39**

* Capital employed represents a mean of aggregate of opening and closing balances of paid-up-capital, reserves (other than those which have been funded specially and backed by investments outside), bonds, deposits and borrowings (included refinance).

Annexure-1.7
Statement showing in the financial position of Statutory Corporations whose accounts for the year 2013-14 are in arrears
(Referred to in paragraph 1.7.5)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation		
Particulars	**2011-12**	**2012-13**
A. Liabilities		
Capital (including capital loan and equity capital)	201.27	201.27
Borrowings - Government	711.95	462.33
Others	3094.83	3643.63
Funds(Including expenditure from betterment fund, receipt on capital account and receipt under TGKP scheme)	137.15	246.24
Trade dues and other current liabilities (including provisions)	2849.39	1534.52
Total – A	**6994.59**	**6087.99**
B. Assets		
Gross Block	3308.98	3446.71
Less: Depreciation	1905.12	2159.07
Net Fixed Assets	1403.86	1287.64
Capital works-in-progress (including cost of chassis)	74.94	80.94
Investments	40.62	0.88
Current assets, loans and advances	2906.07	2068.72
Accumulated loss	2569.10	2649.81
Total – B	**6994.59**	**6087.99**
C. Capital Employed*	**1535.48**	**1902.78**

*Capital employed represents net fixed assets (including works-in-progress) plus working capital. While working out working capital, the element of interest on loans is included in current liabilities.

2. Andhra Pradesh State Warehousing Corporation		
Particular	**2011-12**	**2012-13**
A Liabilities		
Paid-up capital	7.61	7.61
Reserve and surplus(incl. subsidy)	253.49	280.95
Borrowings (others)	4.96	3.44
Trade dues and current liabilities (incl. provision)	155.62	193.46
Total A	**421.68**	**485.46**
B Assets		
Gross Block	59.26	77.52
Less-Depreciation	28.74	30.93
Net fixed assets	30.52	46.58
Current assets loan and Advances.	391.16	438.88
Total B	**421.68**	**485.46**
C Capital employed#	**266.06**	**292.00**

Capital employed represents net fixed assets (including works-in-progress) plus working capital.

Annexure - 1.8

Statement showing working results of Statutory Corporations which have finalised accounts for the year 2013-14

(Referred to in Paragraph 1.7.2)

(₹ in crore)

Andhra Pradesh State Financial Corporation				
Sl.No.	**Particulars**	**2011-12**	**2012-13**	**2013-14**
1	Income			
	(a) Interest on loans	330.33	369.68	408.3
	(b) Other income	37.69	41.69	45.1
	Total -1	**368.02**	**411.37**	**453.40**
2	Expenses			
	(a) Interest on long term and short term loans	164.78	202.33	235.59
	(b) Other expenses	91.11	110.94	124.23
	Total – 2	**255.89**	**313.27**	**359.82**
3	Profit before tax (1-2)	112.13	98.1	93.58
4	Add: Prior period adjustments	0	1.08	0.23
5	Less: Provision for tax	30.18	25.31	19.88
6	Profit (+)/ Loss (-) after tax	81.95	73.87	73.93
7	Less: Other appropriations	13.63	10.52	33.79
8	Profit (+)/ Loss (-) after other appropriation	68.32	63.35	40.14
9	**Total return on Capital Employed[$]**	233.10	265.68	**275.73**
10	**Percentage of return on Capital Employed**	**9.61**	**9.63**	**9.31**

[$] Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

Annexure- 1.9

Statement showing working result of Statutory corporations whose accounts for the year 2013-14 are in arrears

(Referred to in Paragraph 1.7.5)

(₹ in crore)

1. Andhra Pradesh State Road Transport Corporation			
Sl.No.	**Particulars**	**2011-12**	**2012-13**
1	Operating:		
	(a) Revenue	5704.66	6518.77
	(b) Expenditure	7031.68	7400.07
	(c) Surplus (+)/ Deficit (-)	-1327.02	-881.3
2	Non-Operating:		
	(a) Revenue	1044.00	1192.71
	(b) Expenditure	301.18	392.12
	(c) Surplus (+)/ Deficit (-)	742.82	800.59
3	Total		
	(a) Revenue	6748.66	7711.48
	(b) Expenditure	7332.86	7792.19
	(c) Net of prior period adjustments	-1.11	0
	(d) Net Profit(+)/ Loss(-)	-585.31	-80.71
4	Interest on capital and loans	272.64	369.92
5	**Total return on Capital Employed ^**	**-312.67**	**289.21**
6	**Percentage of return on Capital Employed**	**NIL**	**15.20**

2. Andhra Pradesh State Warehousing Corporation			
	Particular	**2011-12**	**2012-13**
1	**Income**		
	(a) Warehousing charges	237.82	165.42
	(b) Other income	36.88	32.81
	Total-1	**274.70**	**198.23**
2	**Expenses.**		
	(a) Establishment charges	20.85	22.54
	(b) other expenses	92.27	97.21
	Total -2	**113.12**	**119.75**
3	Profit/ loss before tax	161.58	78.48
4	Provision for tax	52.44	25.92
5	Prior period Adjustments	0	0
6	Other appropriations	2.77	3.29
7	Amount available for dividend	106.37	49.27
8	Dividend for the year	1.52	
9	**Total return on capital employed^**	**162.01**	**38.71**
10	**Percentage of return on capital employed**	**60.89**	**13.26**

^ Total return on capital employed represents net surplus/deficit plus total interest charged to Profit and Loss Account (less interest capitalised).

Annexure - 1.10

Statement showing reviews/paragraphs for which explanatory notes were not received (as on 30 September 2014) (Referred to in paragraph 1.11.1)

Sl. No	Name of the Department	1993-94		1995-96		1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		2010-11		2011-12		2012-13		Total	
		R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P	R	P
1	Industries & Commerce	0	0	0	2	0	3	0	1	1	3	0	0	0	0	0	1	0	0	0	2	0	2	1	4	0	1	0	4	0	0	0	9	1	5	0	3	3	40
2	Agriculture & Co-operation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	2	1	1	0	0	0	0	0	0	0	0	1	0	2	4
3	Irrigation & CAD	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	1	0	0	0	0	0	0	0	0	1	3
4	Food, Civil Supplies & Consumer Affairs	1	0	0	0	0	0	0	1	0	0	0	1	0	1	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	4
5	Housing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	1	0	0	0	0	0	0	0	0	1	1
6	Energy	0	0	0	0	0	4	1	5	1	3	1	0	0	0	0	0	1	0	1	0	1	0	1	0	0	0	1	0	0	0	0	1	0	0	1	4	9	17
7	Forest	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
8	Revenue	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	0	0	2
9	Youth Advancement, Tourism and Culture	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0
10	Municipal Admn. & Urban Development	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	1	2
11	Home	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	1	0	0	0	0	0	0	0	0	0	2
12	Road & Transport	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	4	0	1	0	2	0	7
13	General Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	4
Total		**1**	**0**	**1**	**3**	**0**	**8**	**1**	**7**	**2**	**6**	**1**	**2**	**0**	**1**	**0**	**2**	**1**	**1**	**1**	**3**	**1**	**2**	**3**	**8**	**2**	**3**	**1**	**9**	**1**	**1**	**0**	**15**	**1**	**6**	**2**	**9**	**19**	**86**

Annexure-1.11

Statement showing department wise break-up of outstanding Inspection Reports and Paragraphs to the end of September 2014

(Referred to in Paragraph 1.11.3)

Sl. No.	Name of the Department	No. of PSUs	No. of Irs	No. of Paras	Year from which pending
1	**Agriculture and Co-operation**	3	19	158	2005-06
2	**Animal Husbandry, Dairy Development and Fisheries**	2	2	10	2009-10
3	**Consumer Affairs, Food and Civil Supplies**	1	4	34	2006-07
4	**Energy**	11	393	1284	2004-05
5	**Environment, Forest, Science and Technology**	1	7	36	2004-05
6	**General Administration**	1	5	18	2006-07
7	**Handlooms and Textiles**	1	3	11	2010-11
8	**Home**	1	3	14	2008-09
9	**Housing**	2	9	97	2005-06
10	**Industry and Commerce**	16	49	406	2004-05
11	**Infrastructure and Investment**	3	6	32	2009-10
12	**Irrigation and Command Area Development**	1	8	36	2005-06
13	**Minorities Welfare**	2	3	11	2005-06
14	**Muncipal Administration and Urban Development**	3	12	79	2004-05
15	**Revenue**	1	7	33	2005-06
16	**Transport, Roads and Buildings**	2	231	729	2006-07
17	**Youth Advancement, Tourism & Culture**	1	7	68	2005-06
18	**Mines and Geology**	1	0	0	0
19	**Labour, Emp, Trng and Factories**	1	3	6	2009-10
20	**Information Technology and Communications**	1	3	8	2010-11
		55	**774**	**3070**	

Annexure –1.12

Statement showing the department-wise PAs and draft paragraphs to which replies are awaited

(Referred to in paragraph 1.11.3)

Sl. No.	Name of the Department	No. of Reviews	Period of Issue	No. Of draft paragraphs	Period of Issue
1	Energy	1	September 2014	3	August 2014 and January 2015
2	Transport, Roads and Buildings	0		1	January 2015
-	**Total**	**1**	**-**	**4**	**-**

Annexure- 2.1

(Referred to in Paragraph No. 2.1.6.23)

Statement showing mines where mining was in excess of EC capacity

Qty in Lakh Tonnes

	Name of the Mine	EC Capacity	2012-13			2013-14		
			Annual Target AOP	Actual Production	Production over and above EC capacity	Annual Target AOP	Actual Production	Production over and above EC capacity
	Opencast							
1	JVR OC I	25	32	39.62	14.62	20	48.97	23.97
2	KOC-II	20	20	31.6	11.6	20	26.03	6.03
3	MNG OC IV	12.5	33	35.64	23.14	30	20.2	7.7
4	Dorli OC –I	7	7	15.55	8.55	7	10.91	3.91
5	Dorli OC – II	7	7	10.53	3.53	7	9.99	2.99
6	RG OC I Ex Ph II	33	35	47.05	14.05	30	52.93	19.93
7	Khairaguda OC	25	30	22.56	0	25	29.66	4.66
8	GK OC	20	30	32.08	12.08	20	28.54	8.54
9	SRP -OC-1	6	6	9.4	3.4	25	0.9	0
10	JK5 OC	20	15	14.71	0	20	20.76	0.76
	OC Total	175.5	215	258.74	90.97	204	248.89	78.49
	Underground							
1	KASIPET	1.8	4.05	2.59	0.79	4.15	2.49	0.69
2	RK-5	5	6.75	6.88	1.88	6.35	6.48	1.48
3	GDK-5	3.56	6	4.95	1.39	5.4	4.74	1.18
4	GDK-9 (VKPL)	4.5	6.6	5.05	0.55	6.6	4.3	0
	UG Total	14.86	23.4	19.47	4.61	22.5	18.01	3.35
	Total (OC+UG)	**190.36**	**238.4**	**278.21**	**95.58**	**226.5**	**266.9**	**81.84**

Source: MIS Reports

Annexure – 2.2

Non-achievement of Targets

(Referred to in paragraph 2.2.6.9)

Year	Targets			Achievement			Shortfall		
	Hours	Acres	Financial (₹ in crore)	Hours	Acres	Financial (₹ in crore)	Hours	Acres	Financial (₹ in crore)
2009-10	37500	6250	4.16	22214	3702	2.48	15286	2548	1.68
2010-11	33000	5500	3.72	25085	4181	2.91	7915	1319	0.81
2011-12	29000	4833	4.17	18977	3163	2.37	10023	1670	1.80
2012-13	33500	5583	4.12	27059	4510	3.26	6441	1073	0.86
2013-14	33500	5583	4.60	26981	4497	3.63	6519	1086	0.97
Total	**166500**	**27749**	**20.77**	**120316**	**20053**	**14.65**	**46184**	**7696**	**6.12**

Annexure -3.1
Additional burden due to OBR backlog
(Referred to in paragraph 3.1.3.2)

Sl. No.	Name of the area	Name of the OC Mine	stripping ratio as per Project	Backlog Qty	Rate per cum	Rate per cum	Value	Excess rate per cum over previous year	Additional burden due to backlog
					2012-13	2013-14			
				lbcm	₹	₹	₹ in crore	₹	₹ in crore
1	2	3	4	5	6	7	8 (5*7)	9 (7-6)	10 (5*9)
1	KGM	GK OC	1:5.43	190.32	111.17	149.22	284.01	38.05	72.42
2		JVR OC	1:4.81	455.04	71.36	76.71	349.06	5.35	24.34
3	YLD	KYG II	1:8.52	865.76	69.02	98.18	849.99	29.16	252.46
4		JK 5 OC	1:5.14	49.18	77.40	84.03	41.32	6.63	3.26
5	MNG	PK OC II Extn	1:5.97	165.22	119.97	158.43	261.76	38.46	63.54
		PK OC II Extn PH-2	1:6.27	506.95	98.24	156.32	792.47	58.08	294.44
6	BPA	KHG OCP	1:8.74	596.16	88.65	104.09	620.54	15.44	92.05
7		BPA OC II Extn	1:6.50	58.55	249.84	249.84	146.27	0.00	0.00
8		Dorli OC I	1:8.03	71.87	70.71	81.01	58.22	10.30	7.40
9	SRP	SRP OC II	1:8.46	193.50	81.42	112.08	216.88	30.66	59.33
10	RG II	OC III*	1:6.02	81.92	249.66	207.40	169.89	-42.26	-34.62
11	RG III	OC I*	1:5.81	23.93	249.66	204.56	48.96	-45.10	-10.79
		OC II	1:7.83	201.84	249.66	272.62	550.26	22.96	46.34
Total				**3460.24**			**4389.63**		**870.17**

*Since previous year rates are not available, rates of same area mine were considered for calculation of additional burden due to backlog

Annexure 3.2

Statement showing the quantity of Topsoil/ Sub-soil/ Loose soil which does not require drilling and blasting

(Referred to in paragraph 3.1.3.3)

S. No.	Enquiry No.	Enquiry Date	Purch.Doc.	Doc. Date	Mine	O B Quantity LB CM	Weighted Average Rate	Top soil/ Sub-soil/ Loose soil quantity	Estimated Rate for drilling per bcm	Estimated Rate for blasting per bcm	Estimated Rate for drilling & blasting per bcm	Extra expenditure due to not calling for separate rates for Top soil/ Sub-soil/ Loose soil	*Remarks*
							₹	lbcm	₹	₹	₹	₹ in lakh	
1	C1108O0363	28.02.2009	7600002669	18.09.2009	PK OC II extension MNG	576.000	77.15	13.500	2.50	0.00	2.50	33.75	
2	C1108O0327	09.02.2009	7600002697	26.09.2009	RG OC-II Extn	587.200	78.19	13.700	2.50	0.00	2.50	34.25	
3	C1109O0122	01.06.2009	7600002840	30.11.2009	RG-OC1	31.450	59.32	5.400	2.04	0.00	2.04	11.02	
4	C1109O0460	20.01.2010	7600003376	05.08.2010	PK OC II Extn	436.500	75.35	23.325	2.74	11.00	13.74	320.49	
5	C1110O0368	26.11.2010	7600003941	13.05.2011	DORLI OCP-1	403.220	34.08	16.620	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
6	C1111O0147	13.07.2011	7600004334	20.12.2011	MEDIPALLI OC	248.740	23.49	60.935	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
7	C1111O0012	11.04.2011	7600004339	21.12.2011	JK5 OC YLD	60.980	42.45/ 34.99	4.450	2.96	9.92	12.88	57.32	
8	C1111O0137	02.07.2011	7600004345	27.12.2011	DORLI OCP-2	326.496/ 9.156	25.45/ 24.45	25.092	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
9	C1111O0218	05.09.2011	7600004554	22.05.2012	KTK OC	56.260/ 1.460	32.00/ 29.39	3.190			3.57	11.39	
10	C1111O0326	29.11.2011	7600004634	02.07.2012	Koyagudem OC	61.177/ 2.328	31.59/ 29.09	5.157	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
11	C1111O0325	29.11.2011	7600004949	18.03.2013	JVR OC-1	229.822	26.73	7.665	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
12	E1113O0011	22.03.2013	7600005050	10.06.2013	SRP OC-2	535.729	42.84	37.971	1.86	0.00	1.86	70.63	

S. No.	Enquiry No.	Enquiry Date	Purch.Doc.	Doc. Date	Mine	O B Quantity LB CM	Weighted Average Rate	Top soil/ Sub-soil/ Loose soil quantity	Estimated Rate for drilling per bcm	Estimated Rate for blasting per bcm	Estimated Rate for drilling & blasting per bcm	Extra expenditure due to not calling for separate rates for Top soil/ Sub-soil/ Loose soil	*Remarks*
							₹	lbcm	₹	₹	₹	₹ in lakh	
13	E1113O0013	13.04.2013	7600005284	25.12.2013	KTK OCP	415.85	39.49	15.100	0.00	0.00	0.00	0.00	Rates for drilling & blasting not estimated
14	E1113O0014	13.04.2013	7600005126	16.08.2013	JK5 OC	161.491	43.58	7.192	5.55	0.00	5.55	39.92	
15	E1113O0015	15.04.2013	7600005139	24.08.2013	Koyagudem OC	143.111	41.50	6.960	2.43	0.00	2.43	16.91	
16	E1113O0016	20.04.2013	7600005120	14.08.2013	Khairagura OC	434.518	47.47	13.541	1.72	0.00	1.72	23.29	
17	E1113O0017	29.04.2013	7600005146	29.08.2013	PK OC II extension MNG	262.000	48.49	7.250	1.62	0.00	1.62	11.75	
18	E1113O0165	10.09.2013	7600005265	05.12.2013	RK OCP	298.250	45.45	19.120	2.09	0.00	2.09	39.96	
19	E1113O0264	06.11.2013	7600005350	08.02.2014	RG OC-II	177.900	54.90	4.000	2.35	0.00	2.35	9.40	
20	E1113O0265	03.12.2013	7600005434	26.04.2014	MOCP RG.I	983.636	51.94	39.205	1.99	0.00	1.99	77.82	
21	E1113O0406	31.01.2014	7600005422	18.04.2014	MNG OC.II Extn(Phase-II)	431.030	49.39/ 44.25	8.340	2.96	0.00	2.96	24.69	
22	E1113O0408	03.02.2014	7600005419	15.04.2014	Dorli OC.I	507.610	28.27/ 29.44	16.040	2.84	0.00	2.84	45.55	
Total												**828.12**	

Annexure -3.3

Statement showing the details of equipment to be deployed as per order and actually deployed in eight OBR works (Referred to in paragraph 3.1.3.6 (i))

Sl. No.	Mine	Order no / Date	Deployment of equipment																		Status of the contract
			Shovels			Dumpers			Water sprinklers			Bull dozers			Motor graders			Drills			
			As per order	Actual deployed	Shortfall (*per cent*)	As per order	Actual deployed	Shortfall (*per cent*)	As per order	Actual deployed	Shortfall (*per cent*)	As per order	Actual deployed	Shortfall (*per cent*)	As per order	Actual deployed	Shortfall (*per cent*)	As per order	Actual deployed	Shortfall (*per cent*)	
1	PK OC II extension MNG	**2669** 18.09.2009	12	12	0 (0)	85	40	45 (53)	5	3	2 (40)	6	4	2 (33)	2	2	0 (0)	4	5	-1	Completed in Jan 2013
2	PK OC II EXTN	**3376** 05.08.2010	8	6	2 (25)	50	40	10 (20)	5	4	1 (20)	5	5	0 (0)	3	2	1 (33)	2	1	1 (50)	Terminated in Feb.2013
3	JK5 OC YLD	**4339** 21.12.2011	5	4	1 (20)	30	25	5 (17)	3	1	2 (67)	4	2	2 (50)	1	1	0 (0)	2	1	1 (50)	Completed in July 2013
4	KOYAGUDEM OC	**4634** 02.07.2012	5	5	0 (0)	34	30	4 (12)	3	1	2 (67)	3	2	1 (33)	1	1	0 (0)	3	1	2 (67)	Terminated
5	JK5 OC YLD	**5126** 16.08.2013	10	9	1 (10)	50	48	2 (4)	4	3	1 (25)	4	5	-1	2	2	0 (0)	2	2	0 (0)	Under Execution
6	KOYAGUDEM OC	**5139** 24.08.2013	10	9	1 (10)	90	56	34 (38)	4	3	1 (25)	4	4	0 (0)	3	2	1 (33)	3	4	-1	Under Execution
7	PK OC II extension MNG	**5146** 29.08.2013	12	*Record not maintained*		80	*Record not maintained*		6	*Record not maintained*		6	*Record not maintained*		4	*Record not maintained*		4	*Record not maintained*		Termination under process
8	MNG OC.II EXTN(Phase-II)	**5422** 18.04.2014	10	*Record not maintained*		60	*Record not maintained*		5	*Record not maintained*		8	*Record not maintained*		2	*Record not maintained*		2	*Record not maintained*		Under Execution

Annexure -3.4
Details of re-award of unexecuted quantities and extra expenditure
(Referred to in paragraph 3.1.3.6 (i))

Order No. Date Name of the mine	Un-executed Quantity in lbcm	percentage of executed work to ordered quantity	Rate per bcm (₹)	Subsequent Order for balance quantity in lbcm	Rate per bcm (₹)	Differential rate per bcm (₹)	Extra expenditure (₹ In crore)
1	2	3	4	5	6	7 (6-4)	8 (7*2)
2669/ 18.09.2009 **MNG PK OC**	13.140	97.72	34.35	5146/ 29.08.2013	48.40	14.05	1.85
3376/ 05.08.2010 **MNG PK OC-II Extn.**	184.120	57.63	41.81	5422/ 18.04.2014	49.39	7.58	13.96
4634/ 02.07.2012 **Koyagudem OC**	33.886	46.64	31.59	5139/ 24.08.2013	41.50	9.91	3.36
LOI Dt.15.05.2013 **MNG PK OC-II Extn.**	286.290	0	43.79	5422/ 18.04.2014	49.39	5.60	16.03
5284/ 25.12.2013 **KTK OC**	407.400	2.03	39.49	Enquiry No.461/ dt 05.03.2014, Order to be released	47.66	8.17	33.28
						Total	**68.48**

Annexure -3.5

Statement showing the OBR work orders awarded where the depth is more than 100 meters or lead is more than 4 KMs

(Referred to in paragraph 3.1.3.7)

Sl. No.	Mine	Enquiry No. Date	Order No. Date	Qty. LBCM	Depth Mtrs	Lead KMs	Value ₹ in lakh
1	Dorli OC	137 02.07.2011	4345 27.12.2011	335.652	170	3.644	8533.19
2	Med OC	147 13.07.2011	4334 20.12.2011	248.740	150	2.108	5842.90
3	JVR OC	325 29.11.2011	4949 18.03.2013	229.822	135	2.127	6143.14
4	JK OC 5	14 13.04.2013	5126 16.08.2013	187.375	120	3.877	8166.46
5	SRP OC	11 22.03.2013	5050 10.06.2013	535.729	140	4.220	22950.63
6	Khairagura OC	45 22.05.2013	5223 21.10.2013	369.141	110	6.919	19527.67
7	Khairagura OC	16 20.04.2013	5120 14.08.2013	434.518	90	5.481	20505.73
8	PK OC II Extn	17 29.04.2013	5146 29.08.2013	262.000	150	4.133	12680.80
9	RG OC II	264 06.11.2013	5350 08.02.2014	177.900	122	4.450	9686.09
10	KTK OC	13 13.04.2013	5284 25.12.2013	415.850	152	2.447	16462.12
11	MNG PK OC II Phase II	406 31.01.2014	5422 18.04.2014	431.030	170	2.412	21277.88
12	GK OC	330 18.12.2013	5462 17.05.2014	410.000	130	3.144	16277.00
13	KTK OC	461 05.03.2014	*Order to be released*	542.670	152	2.318	25761.59
14	Dorli OC-I	408 03.02.2014	5419 15.04.2014	507.413	180	2.203	14566.08
15	RG OC III	329 12.12.2013	5457 15.05.2014	373.172	110	6.456	19887.54
Total				**5461.012**			**228268.82**

GLOSSARY

Glossary

APGENCO	Andhra Pradesh Power Generation Corporation Limited
APCPDCL	Central Power Distribution Company of Andhra Pradesh Limited
APEDA	Agricultural Processed Food Products Export Development Authority
APERC	Andhra Pradesh Electricity Regulatory Commission
APGPCL	Andhra Pradesh Gas Power Corporation Limited
APMARKFED	Andhra Pradesh State Co-Operative Marketing Federation Limited
APNPDCL	Northern Power Distribution Company of Andhra Pradesh Limited
APPCC	Andhra Pradesh Power Co-Ordination Committee
APS Agros	Andhra Pradesh State Agro Industries Development Corporation
APSRTC	Andhra Pradesh State Road Transport Corporation
APTRANSCO	Transmission Corporation of Andhra Pradesh Limited
ARR	Aggregate Revenue Requirement
ARSK	Agro Rythu Seva Kendras
ASC	Agro Service Centers
ATNs	Action Taken Notes
BCE	The Board of Chief Engineers
BG	Blasting Gallery
BoD	Board of Directors
C & DA	Commissioner and Director of Agriculture
CA	Compensatory Afforestation
CCDAC	Coal Conservation and Development Advisory Committee
CGM	Chief General Manager
CGS	Central Generating Stations
CHP	Coal Handling Plant
CIMFR	Central Institute of Mining and Fuel Research
CM	Continuous Miner
CMC	Contract Management Cell
COPU	Committee on Public Undertakings
CoS	Cost of Service
CPG	Contract Performance Guarantee
DI	Ductile Iron
DoPs	Delegation of Powers
DSM	Demand Side Management
DTRs	Distribution Transformers
DUs	Departmental Undertakings
EC	Environment Clearance Certificate
EMD	Earnest Money Deposit

EP	Execution Petition
FA & CCA	Financial Advisor and Chief Controller of Accounts
FD	Fixed Deposit
FDSC	Foreign Debt Service Charges
FM	Farm Mechanization
FMD	Farm Mechanization Department
FR	Feasibility Reports
GDK	Godavari Khani
GDP	Gross Domestic Product
GoAP	Government of Andhra Pradesh
GOs	Government Orders
HACA	Hyderabad Agricultural Co-Operative Association
HDPE	High Density Poly Ethylene
HEMM	Heavy Earth Moving Machinery
HS	Hand Section
HSD	High Speed Diesel
IPH	Integrated Pack House
IPPs	Independent Power Producers
IRR	Internal Rate of Return
ISI	Indian Statistical Institute
KTPP	Kakatiya Thermal Power Project
LDA	Land Development Activity
LHD	Load Haul Dumper
LoI	Letter of Intent
LW	Longwall
MoEF	Ministry of Environment and Forests
MoP	Ministry of Power
MoUs	Memorandums of Understanding
MS	Mild Steel
MT	Million Tonnes
MU	Million Units
MV	Motor Vehicle
NIT	Notice Inviting Tender
NPV	Net Present Value
O&M	Operation and Maintenance
OB	Overburden
OBR	Overburden Removal
OC	Opencast
OSD	Officer on Special Duty
PA	Performance Audit
PA&W	Personnel, Administration & Welfare
PPAs	Power Purchase Agreements
PSUs	Public Sector Undertakings
R&C	Restriction and Control

RKVY	Rashtriya Krishi Vikas Yojana
ROM	Run of Mine
RPVC	Rigid Poly Vinyl Chloride
RWS & S	Rural Water Supply and Sewerage
SARs	Separate Audit Reports
SCCL	The Singareni Collieries Company Limited
SDL	Side Discharge (Dump) Loader
SED	Stowing Excise Duty
SERP	Society for Elimination of Rural Poverty
SHR	Station Heat Rate
SLSC	State Level Sanction Committee
STPP	Short Term Power Purchase
TPO	Technology Provider cum Operator
UCs	Utilization Certificates
UG	Under Ground
UMF	Unified Mining Fee
VC & MD	Vice Chairman and Managing Director
VHT	Vapour Heat Treatment