

Chapter I

I. Functioning of State Public Sector Undertakings

1.1 Introduction

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

Reorganisation of State

Telangana State was formed on 2 June 2014, following bifurcation of erstwhile composite State of Andhra Pradesh. Under, the AP Reorganisation Act, 2014, a PSU shall pass to that State where it is exclusively located in or its operations are exclusively confined. Assets and liabilities of PSUs with interstate operations was to be apportioned between the two States as under:

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

Total 33¹ PSUs were identified in the Act, with interstate operations, which were to be demerged. Out of these, 28 PSUs² were functionally bifurcated. However, the transfer of assets and liabilities of these demerged PSUs was yet to be finalised.

As on 31 March 2017, there were 69 PSUs in Telangana. None of the PSU was listed on the stock exchange(s). Two new PSUs (Kaleswaram Irrigation Project Corporation Limited (KIPCL) and Telangana State Horticulture Development Corporation Limited (TSHDCL)) were incorporated in 2016-17. No Company was closed down during the year. The details of the State PSUs in Telangana State as on 31 March 2017 are given below:

Table 1.1: Total number of PSUs as on 31 March 2017

Type of PSUs	Working PSUs	Non-working PSUs	Total
Government Companies	40 ³	0	40
Government Companies (under demerger)/ Non-working Companies (under demerger)	04	22	26
Statutory Corporations	03	0	03
Total	47	22	69

Source: Information furnished by State Government and PSUs

These 43⁴ working PSUs (including Statutory Corporations) had a workforce of 1.38 lakh employees as at the end of March 2017. Of the 43 working PSUs, only 18 PSUs submitted their accounts as of 30 September 2017. The turnover

¹ During 2016-17, Government of Telangana reclassified The Nizam Sugars Limited as a PSU exclusive to Telangana State which was included in Schedule IX of AP Reorganisation Act, 2014

² 25 Government Companies and three Statutory Corporations

³ 15 exclusive to State and 25 PSUs formed due to demerger

⁴ Information in respect of manpower of two PSUs not received

of 18 PSUs was ₹ 47,329.46⁵ crore which represented seven *per cent* of State Gross Domestic Product (GDP)⁶ for 2016-17. ***The Return on Equity and Return on Investment for 18 Working Public Sector Undertakings was (-)17.81 and (-)11 per cent respectively based on latest finalised accounts as on 30 September 2017.*** Six PSUs registered a profit of ₹ 947.51 crore, of which The Singareni Collieries Company Limited accounted for 58.29 *per cent* of total profit. Seven PSUs registered a total loss of ₹ 5,717.40 crore. Five PSUs had no profit/ loss⁷. The total investment in 43⁸ working PSUs was ₹ 58,746.19 crore.

Accountability framework

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

1.3 Statutory Auditors are appointed by the Comptroller and Auditor General of India (CAG) under Section 139 of the Companies Act, 2013. The Statutory Auditors conduct audit of accounts of the Government Companies in accordance with Section 143 of the Companies Act, 2013.

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

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

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

Role of Government and Legislature

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

⁵ ₹ 39,327.37 crore of 11 PSUs as per Annexure 1.2(a) and ₹ 8,002.09 crore of seven PSUs as per Annexure 1.2(c). Other 25 PSUs have not submitted their first accounts

⁶ Gross Domestic Product of Telangana - ₹ 6,54,294 crore

⁷ Any difference in expenditure over income is provided by Government

⁸ Two PSUs did not furnish the information

the Board are appointed by the Government.

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

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

Stake of Government of Telangana

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

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

Investment in State PSUs

1.6 As on 31 March 2017, the Government investment (capital and long term loans) in 69 PSUs is detailed below:

Table 1.2: Total investment in PSUs

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans*	Total	Capital	Long Term Loans*	Total	
43 ⁹ (40+3) Working PSUs	3796.61	50339.86	54136.47	306.98	4302.74	4609.72	58746.19
4 PSUs under demerger-Working	36.64	169.83	206.47	0	0	0	206.47
22 PSUs under demerger-Non-working	74.66	184.53	259.19	0	0	0	259.19
Total	3907.91	50694.22	54602.13	306.98	4302.74	4609.72	59211.85

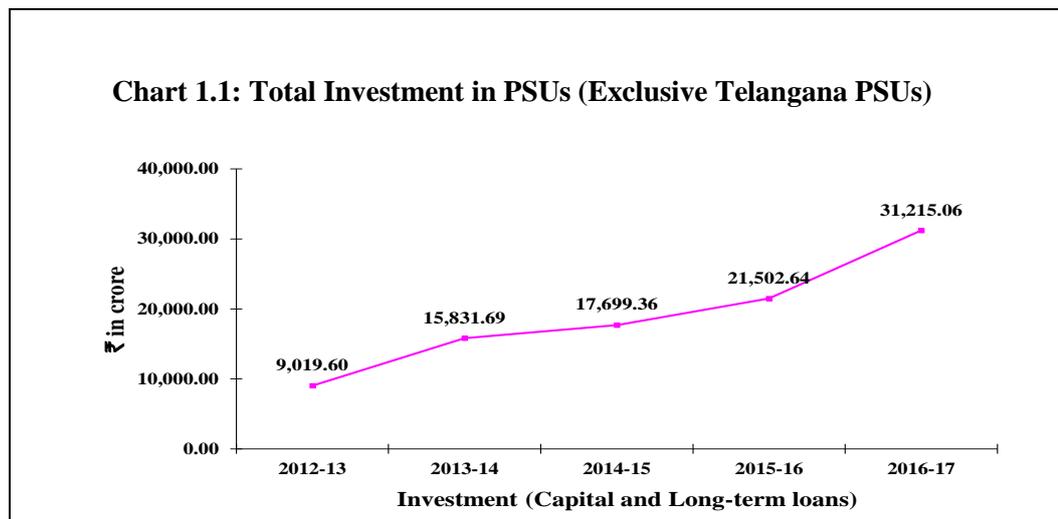
Source: Information as furnished by PSUs

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

As on 31 March 2017, of the total investment in State PSUs, 99.21 per cent was in working PSUs (Exclusive Telangana + PSUs formed due to demerger) and the remaining 0.79 per cent in PSUs under demerger (4 PSUs yet to be

⁹ Two PSUs viz., Pashamylaram Textiles Park and Telangana State Housing Corporation Limited have not furnished information

demerged and 22 Non-working PSUs). This total investment consisted of 7.12 per cent towards capital and 92.88 per cent in long term loans. The investment had grown by 246.08 per cent from ₹ 9019.60 crore in 2012-13 to ₹ 31215.06 crore in 2016-17 as shown in the following graph:



Sectoral analysis of investments

1.7 The sector-wise summary of investments as on 31 March 2017 is given below:

Table 1.3: Sector-wise investment in 69 PSUs

(₹ in crore)

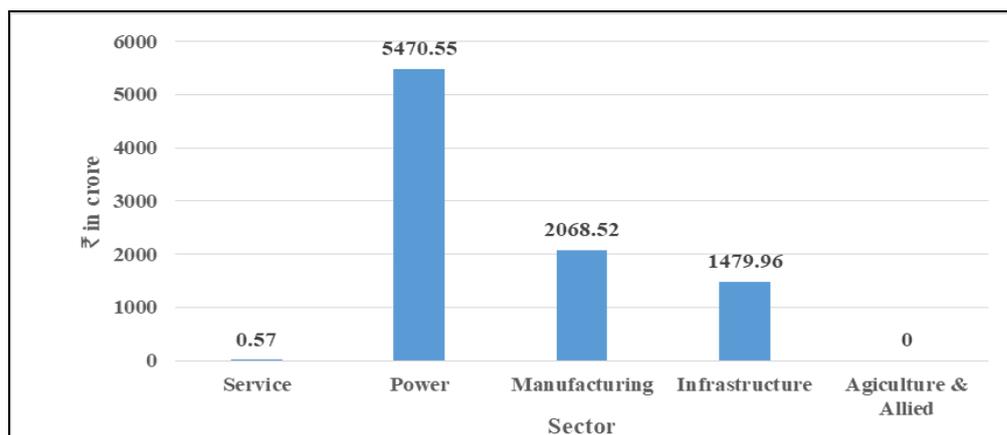
Name of Sector	Government investments		
	2016-17	2015-16	% Increase/ decrease
Power	28579.34	29127.87	(-)1.88
Service	15709.59	4226.82	271.66
Manufacturing	6339.53	6305.20	0.54
Finance*	4477.36	2385.15	87.72
Infrastructure	3231.81	951.33	239.71
Agriculture & Allied	874.17	50.45	1632.75
Miscellaneous	0.05	5.13	(-)99.03
Total	59211.85	43051.95	

Source: Information as furnished by PSUs

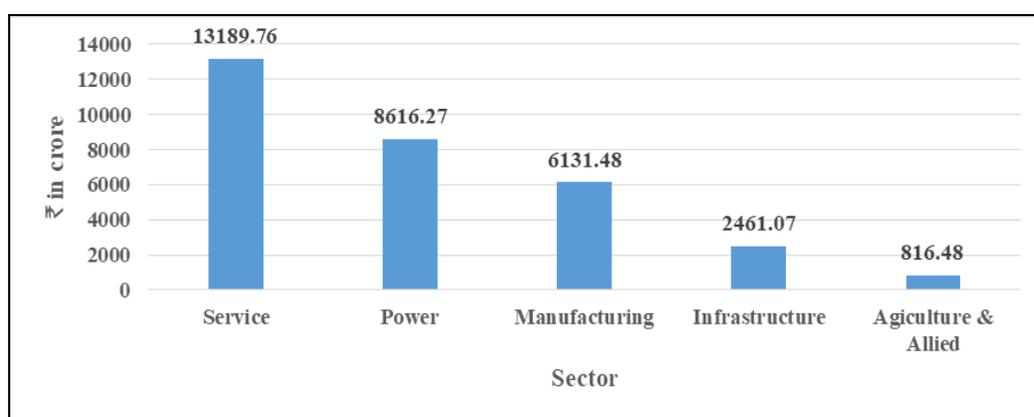
*The corresponding figures of Telangana State Financial Corporation (TSFC) in 2015-16 were not available. Hence, the increase in investment in 2016-17. The information furnished by TSFC for 2016-17 was for the undivided Corporation.

The sector wise investment at the end of 31 March 2013 and 31 March 2017 in 15 Exclusive Telangana PSUs are indicated in the following bar charts:

**Chart 1.2 (a): Sector-wise investment
(15 Exclusive Telangana PSUs) – 2012-13**



**Chart 1.2 (b): Sector-wise investment
(15 Exclusive Telangana PSUs) – 2016-17**



Of the total investments in 2016-17, Government investments were highest in the Power sector followed by Service sector (Table 1.3). *The losses in Power sector accounted for 99.88 per cent of the total losses incurred by the State working PSUs in 2016-17.* There was an increase of 271.66 per cent in investments (loans) in the Service Sector to a large extent through loans raised by Telangana Drinking Water Supply Corporation Limited.

Similarly, there was an increase in investments in Infrastructure and Agriculture & Allied (A&A) sectors mainly due to loans received from GoI in respect of Hyderabad Growth Corridor Limited and Telangana State Horticulture Development Corporation Limited respectively. Further, there was an increase in the investments in A&A sector towards equity from State Government of ₹ 100 crore to Kaleshwaram Irrigation Project Corporation Limited.

Budgetary support to PSUs

1.8 The State Government provided financial support to PSUs in various forms through annual budget. The summarized details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and interest waived off in respect of working PSUs and PSUs under demerger for the year ended March 2017 are as follows:

Table 1.4: Details regarding budgetary support to PSUs

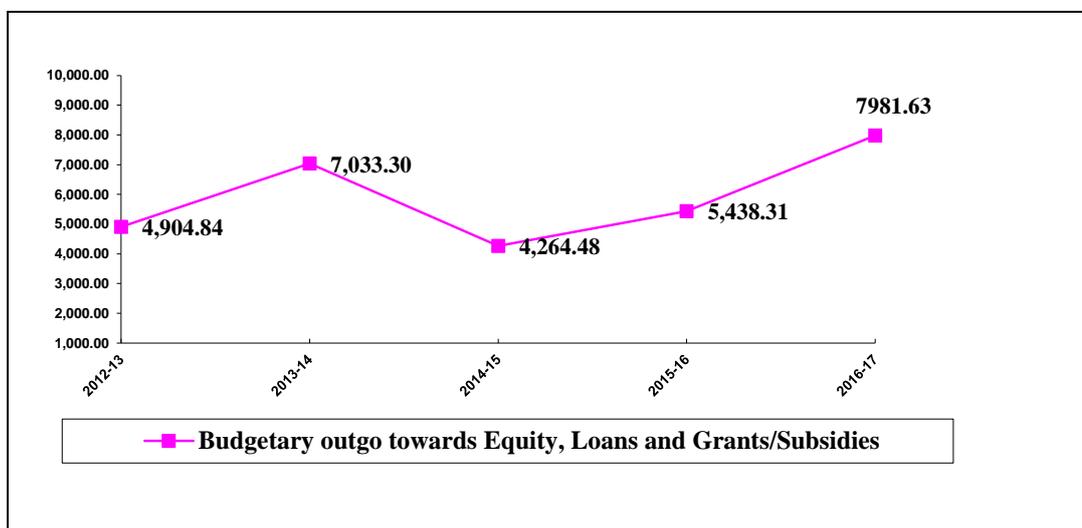
(₹ in crore)

Sl. No.	Particulars	2016-17		2015-16	
		43 ¹⁰ Working PSUs		40 ¹¹ Working PSUs	
		No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	11	2072.46	11	530.92
2	Loans given from budget	02	162.73	08	6991.16
3	Grants/Subsidy given from budget	16	8420.02	12	10316.58
4	Total Outgo	29	10655.21	31	17838.66
5	Interest/Penal interest written off	0	0	0	0
6	Guarantees issued ¹²	05	23514.02	01	646.16
7	Guarantee Commitment ¹³	10	33105.65	05	10422.77
8	Total outgo of 15 PSUs from Sl. No.4 above (Exclusive to Telangana State)	06	7981.63	06	5438.31

Source: Information as furnished by PSUs

Chart 1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies (15 Exclusive Telangana PSUs)

(₹ in crore)



Budgetary support by the State Government in respect of 15 PSUs (exclusive to State) increased from ₹ 5438.31 crore in 2015-16 to ₹ 7981.63 crore during 2016-17 registering an increase of 46.77 per cent over the period 2015-17. This increase was due to budgetary support in the form of (i) equity capital to Kaleshwaram Irrigation Project Corporation Limited and Southern Power Distribution Company of Telangana Limited; and (ii) grants/ subsidy to Telangana State Horticulture Development Corporation Limited, Southern Power Distribution Company of Telangana Limited, Northern Power Distribution

¹⁰ Out of these 43 PSUs, two PSUs have not furnished information

¹¹ Out of these 40 PSUs, only 33 PSUs had furnished information

¹² Government guarantee issued to the PSUs during a particular year

¹³ Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Company of Telangana Limited, Kaleshwaram Irrigation Project Corporation Limited and Telangana Drinking Water Supply Corporation Limited.

Reconciliation with Government

1.9 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2017 was as follows:

Table 1.5 (a): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (Exclusive Telangana)

(₹ in crore)

Outstanding in respect of	No. of PSUs **	Amount as per Finance Accounts	Amount as per records of PSUs #	Difference
(A)	(B)	(C)	(D)	(E)=(C)-(D)
Equity	02 ¹⁴	986.03	885.65	100.38
Loans	02 ¹⁵	1100.00	2065.68	(-)965.68
Guarantees	02 ¹⁶	11517.58	23829.80	(-)12312.22

Table 1.5 (b): Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs (PSUs formed after demerger)

(₹ in crore)

Outstanding in respect of	No. of PSUs **	Amount as per Finance Accounts	Amount as per records of PSUs #	Difference
(A)	(B)	(C)	(D)	(E)=(C)-(D)
Equity	01	0.95	0.75	0.20
Loans	03	393.09	1042.80	(-)649.71
Guarantees	07	6266.84	3642.15	2624.69

Source: Finance Accounts and Information as furnished by PSUs

**Information received for these Companies only.

Information as furnished by PSUs.

Audit observed that there were differences in figures in respect of Equity, Loans and Guarantees in the records of State PSUs and Finance Accounts. These differences were in respect of 13 PSUs (four exclusive Telangana PSUs and nine PSUs formed after demerger). Some of these differences were pending reconciliation more than two decades. The matter was taken up (October 2017) with the State Government and replies are awaited. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

¹⁴ The Singareni Collieries Company Limited & Telangana Drinking Water Supply Corporation Limited

¹⁵ Hyderabad Metro Rail Limited & Telangana Drinking Water Supply Corporation Limited

¹⁶ Telangana Drinking Water Supply Corporation Limited & Kaleshwaram Irrigation Project Corporation Limited

Guarantee fee

State Government helps the PSUs to raise loans from banks and Public Financial Institutions by giving guarantee for repayment of principal and interest. For this purpose the Government charges guarantee commission which varies from 0.25 per cent to one per cent as decided by the State Government, depending upon the loanees. The guarantee commitment increased from ₹ 10422.77 crore in 2015-16 to ₹ 33105.65 crore in 2016-17 in respect of all PSUs, including PSUs under demerger. There were four¹⁷ PSU's which did not pay guarantee fee/commission during the year and accumulated outstanding guarantee fee/commission there against was ₹ 9.43 crore (as on 31 March 2017).

Timeliness of accounts

1.10 Section 96 (1) of the Companies Act, 2013 requires that the PSUs finalise their accounts within six months from the end of the relevant financial year, i.e., by September end. Failure to do so may attract penal provisions under Section 99 of the Companies Act, 2013. 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 1.6 provides the details of progress made by working PSUs in finalisation of accounts as on 30 September 2017:

Table 1.6: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2016-17	2015-16
1.	Number of Working PSUs*	47	45
2.	Number of accounts finalised during the year	22	10
3.	Number of accounts in arrears	102	79
4.	Average arrears per PSU (S. No. 3/ S. No.1)	2.17	1.75
5.	Number of Working PSUs with arrears in accounts	42	41
6.	Extent of arrear of working PSUs (numbers in years)	1 to 9 years	1 to 14 years

Source: As compiled by O/o PAG (Audit) Telangana & O/o PAG (Audit) Andhra Pradesh

*Working PSUs include PSUs exclusive to State, PSUs formed after demerger and PSUs under demerger.

As on 30 September 2017 it was seen that:

- The accounts of 11 PSUs (29 accounts) exclusive to State were in arrears ranging from one to four years. The accounts of 27 PSUs formed due to demerger were in arrears from one to three years. In respect of four PSUs under demerger, accounts were in arrears ranging from one to nine years.
- Except one PSU, the accounts of all 24 PSUs (excluding Statutory Corporations) formed due to demerger were in arrears though nine

¹⁷ Exclusive Telangana: The Nizam Sugars Limited (₹ 0.51 crore); PSUs formed after demerger: Telangana State Industrial Infrastructure Development Corporation Limited (₹ 0.41 crore), Telangana State Horticulture Development Corporation Limited (₹ 6.43 crore) and PSUs yet to be bifurcated between the states: Telangana State Financial Corporation (₹ 2.08 crore)

accounts were received during the year. Of the 25 PSUs, 18 PSUs did not furnish their first accounts (*Annexures 1.1(a) to (c)*).

It is pertinent to note that APMDC-SCCL Suliyari Coal Company Limited (Exclusive Telangana) and AP Tribal Power Corporation Limited (under demerger) have not submitted their first Accounts since their formation (2013-14 and 2008-09 respectively).

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised by the PSUs and adopted by the Boards of the respective PSUs within the stipulated period. The arrears of accounts continue to exist though the Departments concerned were being informed regularly.

Placement of Separate Audit Reports on Statutory Corporations

1.11 Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory Corporations, are required to be tabled in the Legislature. However, all three Statutory Corporations¹⁸ had not submitted their accounts since inception.

Impact of non-finalisation of accounts

1.12 As pointed out above (*Paragraph 1.10 to 1.11*), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money. It is also in violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2016-17 could not be ascertained. Their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Government may:

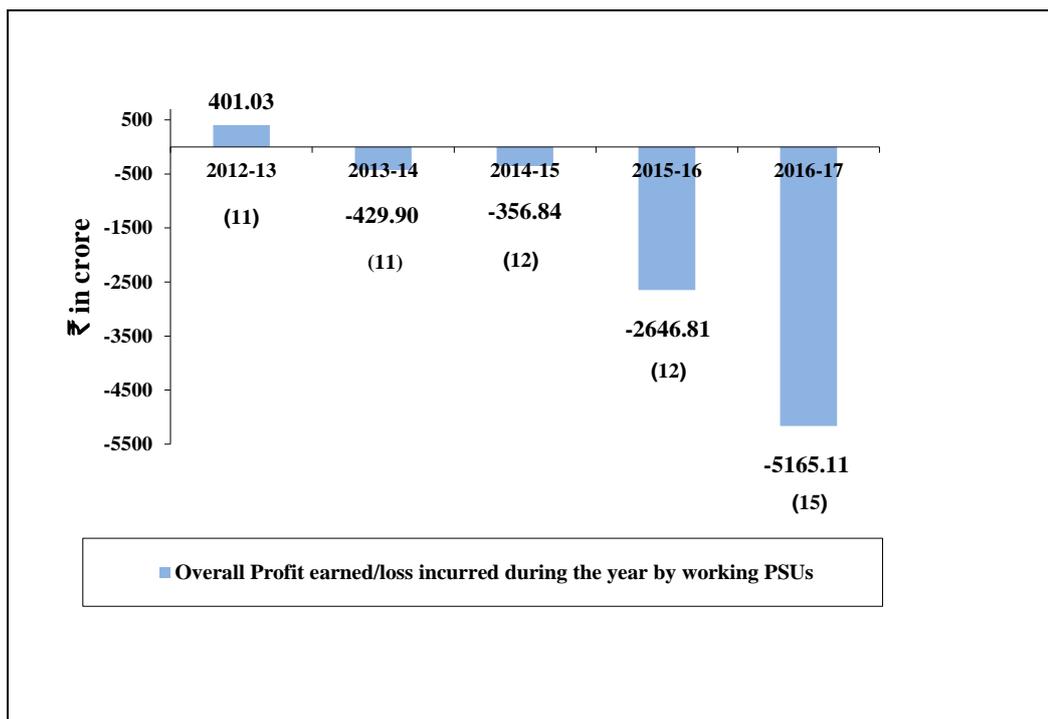
- set up a cell to oversee the clearance of arrears and set the targets for individual PSU which would be monitored by the cell;
- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalised accounts

1.13 Overall profit earned/loss incurred by working PSUs (15 Exclusive to State) during 2012-13 to 2016-17 are given in the Chart 1.4 below. The net loss incurred by the PSUs increased by 95.14 *per cent* over the period 2015-17:

¹⁸ Telangana State Financial Corporation (Date of incorporation 31.08.2015), Telangana State Warehousing Corporation (Date of incorporation 22.09.2015) and Telangana State Road Transport Corporation (Date of incorporation 27.04.2016)

Chart 1.4: Profit/ Loss of working PSUs (Exclusive Telangana PSUs)
(Annexure 1.2 (a))



(Figures in brackets show the number of working PSUs in respective years)

There were 43 working PSUs in the State, out of which 14¹⁹ PSUs finalised their accounts during October 2016 to September 2017. Six working PSUs which finalised their accounts, earned a profit of ₹ 947.51 crore and six PSUs incurred a loss of ₹ 5716.33 crore. Two working PSUs, i.e., Telangana State Beverages Corporation Limited and Telangana Power Finance Corporation Limited had no profit/ loss²⁰.

Major Contributors to profit were The Singareni Collieries Company Limited (₹ 552.29 crore), Telangana State Power Generation Corporation Limited (₹ 336.53 crore), Transmission Corporation of Telangana Limited (₹ 45.91 crore) and Telangana State Technology Services Limited (₹ 7.90 crore).

Heavy losses were incurred by Power Distribution Companies, viz., Southern Power Distribution Company of Telangana Limited (TSSPDCL) (₹ 4700.23 crore) and Northern Power Distribution Company of Telangana Limited (TSNPDCL) (₹ 1,010.08 crore) (Annexures 1.2(a) to (c)). This was mainly due to excess expenditure on power purchase in comparison to the revenue realised and increase in employee costs, operational expenditure etc.

¹⁹ 14 PSUs include seven exclusive Telangana PSUs and seven PSUs formed due to demerger

²⁰ Any difference in expenditure over income is provided by Government

1.14 (a) Some other key parameters of PSUs are given below:

Table 1.7: Key Parameters of Working PSUs and PSUs under demerger

(₹ in crore)

Particulars	2016-17			2015-16		
	Working PSUs exclusive to State	Working PSUs formed due to demerger (including Statutory Corporations) ²¹	PSUs under demerger	Working PSUs exclusive to State	Working PSUs formed due to demerger (including Statutory Corporations)	PSUs under demerger
Return on Equity (%)	(-16)	6	0	(-12)	0.00	0
Return on Capital Employed (%)	(-38.32)	10.66	11.03	(-16.28)	0.00	(-3.94)
Debt	14595.49	11552.92	0.10	15155.44	3.67	56.05
Turnover ²²	39327.37	8002.09	23.88	35084.52	0.10	47.60
Debt/ Turnover Ratio	0.37	1.44	0.00	0.43	0.00	1.18
Interest Payments ²³	1596.77	1575.63	16.00	1197.13	0.00	6.90

Source: As per the latest finalised Annual Accounts of PSUs

Above parameters showed a mixed trend in financial position of the PSUs. In respect of working PSUs exclusive to State, Return on Capital employed (RoCE) decreased to (-)38.32 per cent in 2016-17 as against (-)16.28 per cent in 2015-16. This was due to the negative growth in the RoCE of power distribution companies viz., Southern Power Distribution Company of Telangana Limited (TSSPDCL) and Northern Power Distribution Company of Telangana Limited (TSNPDCL). This was also due to reduction of profits of The Singareni Collieries Company Limited while the capital employed increased during 2016-17. Debt turnover ratio had decreased from 0.43 in 2015-16 to 0.37 in 2016-17 (PSUs exclusive to State).

Erosion of capital due to losses

1.14 (b). The paid-up capital and accumulated losses of the State PSUs as per their finalised accounts were ₹ 3,641.22 crore and ₹ 17,559.78 crore respectively as detailed in *Annexure 1.2 (a) and 1.2(c)*. Analysis of investment and accumulated losses disclosed that net worth had eroded in respect of six out of 18 PSUs for which accounts were finalised as on 30 September 2017. The paid-up capital and accumulated losses of these six PSUs were ₹ 1,037.44 crore and ₹ 21,472.50 crore respectively.

Of these six PSUs, the net worth had primarily eroded in power sector companies, i.e., Southern Power Distribution Company of Telangana Limited ((-₹ 11,696.38 crore) and Northern Power Distribution Company of Telangana Limited ((-₹ 4,801.78 crore). The accumulated losses of power sector PSUs were ₹ 21,220.22 crore as against the paid-up capital of ₹ 1,003.24 crore (*Annexure 1.2 (a)*).

²¹ Out of 28 PSUs (formed due to demerger) only seven PSUs have submitted their accounts

²² Turnover of working PSUs as per their latest finalised accounts as of 30 September 2017

²³ Includes PSUs who have finalised their accounts till September 2017

Among non-power sector PSUs, the net worth had primarily eroded in The Nizam Sugars Limited ((-₹ 211.58 crore), and Hyderabad Growth Corridor Limited ((-₹ 3.66 crore) as detailed in *Annexure 1.2 (a)*.

Thus, the accumulation of huge losses by these PSUs is eroding public wealth which is a cause of serious concern.

Audit of Accounts

Status of audit

1.15 Out of 15 working PSUs, seven PSUs forwarded their 11 audited accounts to PAG during the year 2016-17. Of these 11 accounts, six accounts were selected for supplementary audit²⁴.

Out of 28 PSUs formed due to demerger, seven PSUs submitted their nine accounts after incorporation. All the nine accounts of seven PSUs were selected for supplementary audit.

Out of four PSUs under demerger, two PSUs forwarded their audited accounts to PAG during the year 2016-17 and the accounts were selected for supplementary audit. None of the three working Statutory Corporations submitted their accounts to PAG during the year 2016-17.

Results of audit by the Statutory Auditors

During the year, the Statutory Auditors gave:

- unqualified certificates in respect of five accounts;
- qualified certificates in respect of nine accounts;
- adverse certificate (which means that accounts do not reflect a true and fair position) in respect of one account and;
- disclaimers (meaning the Auditors are unable to form an opinion on accounts) in respect of five accounts pertaining to exclusive Telangana PSUs and PSUs formed after demerger.

Results of audit by CAG

The Audit Reports of Statutory Auditors appointed by CAG and the Supplementary Audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

Table 1.8: Impact of audit comments on working PSUs

(₹ in crore)

Sl. No.	Particulars	2016-17	
		No. of accounts	Amount
1	Decrease in profit	3	826.95
2	Increase in loss	3	13.91
3	Non-disclosure of material facts	3	0
4	Errors of classification	1	0

Source: Comments issued by the CAG and Statutory Auditors

²⁴ Five accounts (Pashamylaram Textiles Park for the years 2010-11 to 2013-14 and Damodhara Minerals Private Limited 2016-17) were given Non-Review Certificates

1.16 Winding up of Non-working PSUs

There were 22 Non-working PSUs as on 31 March 2017. The stages of closure in respect of Non-working PSUs is given below:

Table 1.9: Closure of Non-working PSUs

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of Non-working PSUs	22	0	22
2.	Of (1) above, the No. under			
(a)	Liquidation by Court (liquidator appointed)	10	0	10
(b)	Voluntary winding up	Not available		
(c)	Closure, i.e., closing orders/ instructions issued but liquidation process not yet started.	Not available		

Source: Information as furnished by Official Liquidator

Out of these non-working PSUs, 10 were reported in the process of liquidation since decades. The official liquidator was appointed in respect of these companies as far as back as 11 to 27 years. Audit enquired (May 2017) their status from the Public Enterprises Department of the State Government. It was replied (September 2017) that the matter had been referred to the respective departments.

The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may like to consider winding-up of remaining non-working PSUs, where no decision about their continuation or otherwise has been taken after they became non-working.

Performance Audits and Paragraphs

1.17 For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2017, one Performance Audit and eight audit paragraphs were issued to the Special Chief Secretaries/Principal Secretaries of the respective Departments with the request to furnish replies within six weeks. Replies in respect of one Performance Audit and six compliance audit paragraphs were received from the State Government. Replies in respect of two compliance audit paragraphs were received from the Management (7 February 2018).

Follow up action on Audit Reports

Replies outstanding

1.18 The Report of the Comptroller and Auditor General of India (CAG) represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. *The Finance Department, erstwhile Government of Andhra Pradesh, had issued (June 2004) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the CAG of India within a period of three months of their presentation in the Legislature, in the prescribed format, without waiting for any questionnaires from the CoPU.*

As on 30 September 2017, out of 493 Performance Audits/Paragraphs, Explanatory Notes to 99 Performance Audits/Paragraphs in respect of 11²⁵ departments, which were commented upon, were awaited (Annexure 1.3). The Departments concerned and Managements were addressed (May 2017) regarding non-receipt of Explanatory notes and Action taken notes to the Reviews and Paragraphs of previous Audit Reports.

During 2014-17, eight meetings of the CoPU were conducted to discuss the Reports. The last meeting was held on 29 October 2016.

Discussion of Audit Reports by Committee on Public Undertakings (CoPU)

1.19 The status of Performance Audits and Paragraphs that appeared in Audit Reports (PSUs), as on 30 September 2017 and discussed by the Committee on Public Undertakings (CoPU) is indicated in **Annexure 1.4**.

Out of 83 Performance Audits (PAs) and 410 Paragraphs, 21 PAs and 210 Paragraphs were discussed by CoPU.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.20 Action Taken Notes (ATNs) in respect of 464 paragraphs pertaining to 50 Reports of the CoPU presented in the State Legislature between April 1983 to March 2007 had not been received (September 2017) (**Annexure 1.5**).

These reports of CoPU contained recommendations in respect of paragraphs pertaining to 12²⁶ departments, which appeared in the Reports of the CAG of India for the years 1983-84 to 2006-07.

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

Coverage of this Report

1.21 This Report contains one Performance Audit on “Functioning of Southern Power Distribution Company of Telangana Limited (TSSPDCL)” and eight Compliance Audit Paragraphs including one detailed Compliance Audit on “Non-Operating Revenue in Telangana State Road Transport Corporation”.

These audit findings relate to PSUs which fall under Department of Energy; Industries and Commerce; Environment, Forests, Science and Technology; Municipal Administration & Urban Development and Transport, Roads & Buildings. The number of PSUs, investment, turnover and Return on Equity

²⁵ 1. Industries & Commerce 2. Consumer affairs, Food & Civil Supplies 3. Revenue 4. Home 5. Energy 6. Agriculture & Co-operation 7. Transport and Roads & Buildings 8. Housing 9. Youth Advancement, Tourism and Culture 10. Municipal Administration & Urban Development and 11. General Administration

²⁶ 1. Industries & Commerce 2. Irrigation and Command Area Development 3. Revenue 4. Animal Husbandry 5. Energy 6. Agriculture & Co-operation 7. Transport, Roads & Buildings 8. Home 9. Housing 10. Youth Advancement, Tourism and Culture 11. Consumer affairs, Food and Civil Supplies and 12. General Administration.

(RoE) in respect of PSUs (exclusive Telangana PSUs and PSUs formed due to demerger) under these five departments is given below:

Table 1.10 (a): Key parameters of the Departments covered in the Report

Sl. No.	Name of Sector/ Department	No. of PSUs	Investment (₹ in crore)	Turnover# (₹ in crore)	Return on Equity# (in %)
1	Energy	7	36,933.02	46,741.83	(-18)
2	Industries and Commerce	14	2,794.31	0.92	(-2)
3	Environment, Forests, Science and Technology	1	9.10	NA	NA
4	Municipal Administration & Urban Development	3	4,527.34	278.97	(-2)
5	Transport, Roads & Buildings	1	2,516.06	NA	NA
	Total	26	46,779.83	47,021.72	

out of 26 PSUs, only 14 PSUs have finalised their accounts. Hence, turnover and Return on Equity in respect of these PSUs only have been included.

NA = Information was not available as First Accounts were not finalised.

It can be seen that the investment was very high in PSUs under Energy Department but had a negative RoE, i.e., (-)18 per cent.

The investment, turnover and RoE in respect of the PSUs commented upon in the Report are given below:

Table 1.10 (b): Key parameters of the PSUs covered in the Report

Sl. No.	Name of the PSU	Investment (₹ in crore)	Turnover (₹ in crore)	Return on Equity (in %)
1	Telangana State Power Generation Corporation Limited	14783.40	7038.15	7
2	Northern Power Distribution Company of Telangana Limited	2698.50	7194.87	(-9)
3	Southern Power Distribution Company of Telangana Limited	5917.77	17622.74	(-17)
4	Telangana State Mineral Development Corporation Limited	0.05	NA	NA
5	Telangana State Forest Development Corporation Limited	9.10	NA	NA
6	Hyderabad Growth Corridor Limited	2461.04	0.32	(-1)
7	Telangana State Road Transport Corporation	2516.06	NA	NA
	Total	28385.92	31856.08	

NA = Information was not available as First Accounts were not finalised.