Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2017

Government of Telangana
Report No. 1 of 2018

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PREFACE

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2017.

The accounts of Government Companies (including companies deemed to be Government Companies as per the provisions of the Companies Act) are audited by the CAG under Section 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

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

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2016-17 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Matters relating to the period subsequent to 2016-17 have also been included, wherever necessary.

This Report includes one Performance Audit on "Functioning of Southern Power Distribution Company of Telangana Limited" and eight Compliance Audit paragraphs including one detailed Compliance Audit on "Non-operating revenue in Telangana State Road Transport Corporation".

The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

OVERVIEW

I. Functioning of State Public Sector Undertakings

As on 31 March 2017 there were 69 Public Sector Undertakings (PSU), falling under audit purview. Out of these, 43 were Working PSUs (15 pertain exclusively to Telangana and 28 were formed due to bifurcation of the State). Four other PSUs were under demerger and the remaining 22 were Non-working PSUs (yet to be bifurcated). As on 31 March 2017, the investment (capital & long term loans) in 69 PSUs was ₹ 59,211.85 crore. Of the 43 working Public Sector Undertakings, only 18 PSUs submitted their accounts as of 30 September 2017. The turnover of 18 Public Sector Undertakings was ₹ 47,329.46 crore. ***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.***

(Paragraph 1.1, 1.6)

Investment in Public Sector Undertakings

As on 31 March 2017, investment (capital and long term loans) in 43 Working Public Sector Undertakings was ₹58,746.19 crore. In respect of 15 Public Sector Undertakings (Exclusive Telangana Public Sector Undertakings), the investment has grown by 246.08 *per cent* from ₹ 9,019.60 crore in 2012-13 to ₹ 31,215.06 crore in 2016-17. Increase in investment was due to increase in investment in the service sector to a large extent through loans raised by Telangana Drinking Water Supply Corporation Limited. The accumulated losses of six PSUs were ₹ 21,472.50 crore. The huge accumulation of losses by six PSUs was eroding public wealth which is a cause of serious concern.

(Paragraph 1.6, 1.7,1.14(b))

II. Performance Audit relating to Government Company

A Performance Audit on Functioning of Southern Power Distribution Company of Telangana Limited was conducted. The Overview of the audit findings is given below:

- The Aggregate Revenue Requirement for a year was required to be filed by the Company with State Electricity Regulatory Commission 120 days before commencement of the respective financial year. However, due to delay in submission of Aggregate Revenue Requirement by the Company, application of earlier tariff order resulted in loss of revenue of ₹ 323.89 crore. Control should be put in place to ensure that ARR is filed in a timely manner.

  (Paragraph 2.6.1.2)

- The Company had spent ₹ 6632.62 crore during 2012-17 on creation and strengthening of infrastructure as against the SERC approval of ₹ 5843.43 crore. As SERC does not allow recovery of expenditure in excess of the approved amounts through tariff, the Company was burdened with excess expenditure of ₹ 789.19 crore. The Company should develop a system to adhere to SERC approved norms and file timely truing-up to absorb excess investment.

  (Paragraph 2.6.1.3)

- The Company reported continuous reduction in energy losses during the period 2012-17. However, the losses were higher than the norm fixed by State Electricity Regulatory Commission in all the years. As a result, the Company was burdened with additional loss of ₹ 1306.76 crore during the period 2012-17.

(Paragraph 2.6.2.1 (A))

- State Electricity Regulatory Commission stated (March 2015) that during the truing-up of the power purchase cost, agricultural sale quantum would be limited to actual consumption or the Tariff Order quantity, whichever is less. This was to avoid passing of excess power purchase costs due to increased agricultural sales to other consumers. However, the power supply to agriculture exceeded the approved limits during 2012-17. This resulted in additional burden of ₹ 1744.56 crore on the Company.

(Paragraph 2.6.2.1 (B)(i))

- The Company purchased short term power in excess of State Electricity Regulatory Commission limits and at rates higher than the maximum ceiling limits set by State Electricity Regulatory Commission. This resulted in an extra cost of ₹ 5,820.90 crore during 2012-17.

(Paragraph 2.6.2.2)

- By implementing the directions of the State Government to ensure supply for nine hours to agriculture, without ensuring the funding in advance, Company was forced to meet expenditure of ₹ 585.91 crore from its own funds.

(Paragraph 2.6.2.3 (C))

- National Electricity Fund (Interest Subsidy) Scheme provided for interest subsidy ranging from three to five *per cent* on the interest paid on loans taken for execution of various capital works taken up during 2012-14. The Company, however, claimed (up to March 2017) scheme benefits on only ₹ 4.01 crore of interest paid during the year 2013-14 instead of ₹ 216.91 crore paid during 2013-17.

(Paragraph 2.6.3.1)

- The Government of India formulated (October 2012) the Financial Restructuring Plan to turn-around loss making State owned DISCOMs. As the Company did not approach the SERC for approval of Financial Restructuring Plan, State Electricity Regulatory Commission did not allow the Company to recover interest of ₹140.74 crore on rescheduled loans for 2015-16 through tariff.

(Paragraph 2.6.3.2)

- Audit analysis of Power Factor at 33 kV feeders originating from Extra High Tension sub-stations revealed that the Power Factor was less than the norm.

(Paragraph 2.6.4.1)

- Central Electricity Authority issued specifications on energy efficient outdoor type three phase and single phase distribution transformers in

August 2008. As per these specifications, the quantum of energy conserved would increase with higher star rating. The Company, however, continued to buy three star distribution transformers in its jurisdiction. Audit analysis showed that the Company could have saved 701 to 20586 units per distribution transformer on various capacities of 5 star 3-phase distribution transformers instead of 3 star distribution transformers. This would have enabled the Company to conserve energy of ₹ 2,220.49 crore over the 25 years' lifetime of 5 star distribution transformers.

(Paragraph 2.6.4.3 (B))

- Penalty of ₹ 29.74 crore levied during 2012-17 for delay in supplies, though withheld, were subsequently released based on the representations of the vendors. The Company released penalties without proper verification.

(Paragraph 2.6.6.1)

- The Company continued to incur carrying costs on materials of ₹ 33.86 crore due to non-compliance to the directions of Audit Committee to dispose of the obsolete stocks.

(Paragraph 2.6.8.4)

III. Compliance Audit Observations

Overview of some of the compliance audit observations is given below:

Hyderabad Growth Corridor Limited made excess payment of ₹ 15.35 crore to the concessionaire which was not recovered over a period of six years leading to loss of interest of ₹ 7.37 crore as of June 2017.

(Paragraph 3.1)

Northern Power Distribution Company of Telangana Limited levied electricity duty on kWh units instead of kVAh units in respect of specified Low Tension consumers which resulted in its short collection and consequent loss to the Government by ₹ 28.56 lakh.

(Paragraph 3.2)

Southern Power Distribution Company of Telangana Limited did not adhere to the provisions of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 resulting in extra expenditure of ₹ 100.63 crore during 2012-17.

(Paragraph 3.3)

Telangana State Forest Development Corporation Limited sustained a loss of ₹ 3.14 crore due to the delay in the sale of eucalyptus pulpwood.

(Paragraph 3.4)

Telangana State Mineral Development Corporation Limited failed to comply with the provisions of Value Added Tax Act which resulted in extension of undue benefit of ₹ 18.03 crore to the buyers of sand.

(Paragraph 3.5)

Telangana State Power Generation Corporation Limited adopted faulty drawings resulting in additional expenditure of ₹47.89 lakh which was borne by the Company and not by the firm.

(Paragraph 3.6)

Telangana State Road Transport Corporation

Following the bifurcation of the State in June 2014, the erstwhile Andhra Pradesh State Road Transport Corporation (APSRTC) was bifurcated into APSRTC and Telangana State Road Transport Corporation (TSRTC).

A detailed review of non-operating revenue in TSRTC revealed the following:

- The categorisation of bus stations was not reviewed since 2003 even though the underlying economic factors such as growth of the cities or change in commercial character of the cities had undergone substantial change.

  In the selected five regions, there were vacant stalls in 33 bus stations (out of 358). The Corporation lost the opportunity to earn revenue of ₹ 3.95 crore.

  (Paragraph 3.7.4.1)

- There was a delay of two years in issuance of circular (21 April 2014) by the Corporation for collection of Service Tax from the date of issue of notification (No. 30, dated 20 June 2012) by the Government of India. The Corporation was liable to pay Service Tax of ₹ 5.96 crore.

  (Paragraph 3.7.4.2)

- Due to non-utilisation of the commercial space, the Corporation had lost the opportunity to earn revenue in (i) Commuter Amenity Centre/ Bus Terminal, Kukatpally - ₹ 0.35 crore; (ii) Commuter Amenity Centre/ Bus Terminal, Koti – ₹ 0.82 crore.

  (Paragraph 3.7.4.3)

- Due to non-enforcement of contractual terms, an amount of ₹ 2.62 crore remained unrecovered either from the Private Hire Bus Owners/ Advertising Agencies.

  The Corporation failed to intimate to advertising agencies the number of new buses added which resulted in loss of revenue of ₹ 0.64 crore.

  (Paragraph 3.7.4.4)

- The Corporation, to comply with the directions of Government, to ensure safety and security of girls and women, modified city ordinary buses at a cost of ₹ 3.43 crore without obtaining prior assurance from Government of funds. Of this, an expenditure of ₹ 1.39 crore did not serve its objective.

  (Paragraph 3.8)

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 33[1] PSUs were identified in the Act, with interstate operations, which were to be demerged. Out of these, 28 PSUs[2] 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 43[4] 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 ₹ 47,329.46[5] 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/ loss[7]. The total investment in 43[8] 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**

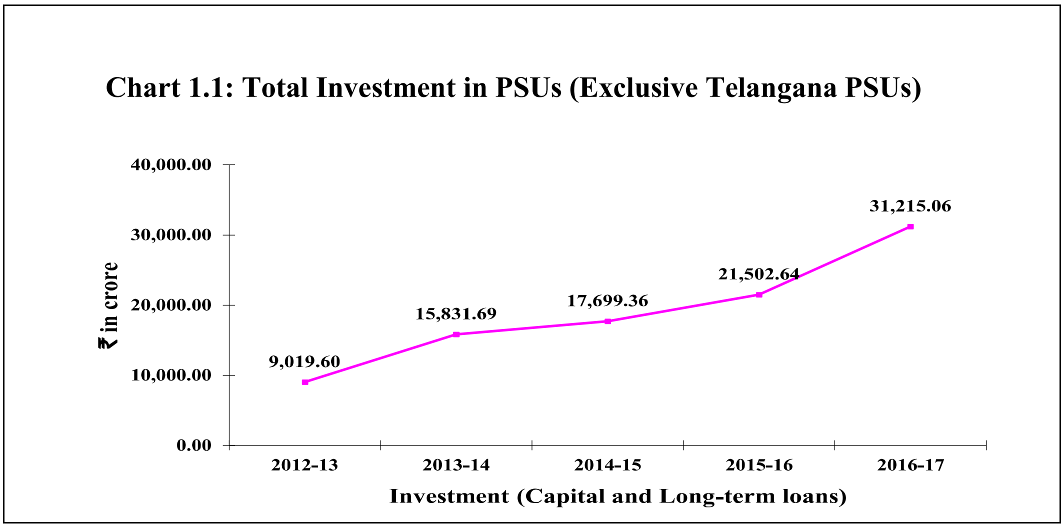
Source: Information as furnished by PSUs

**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

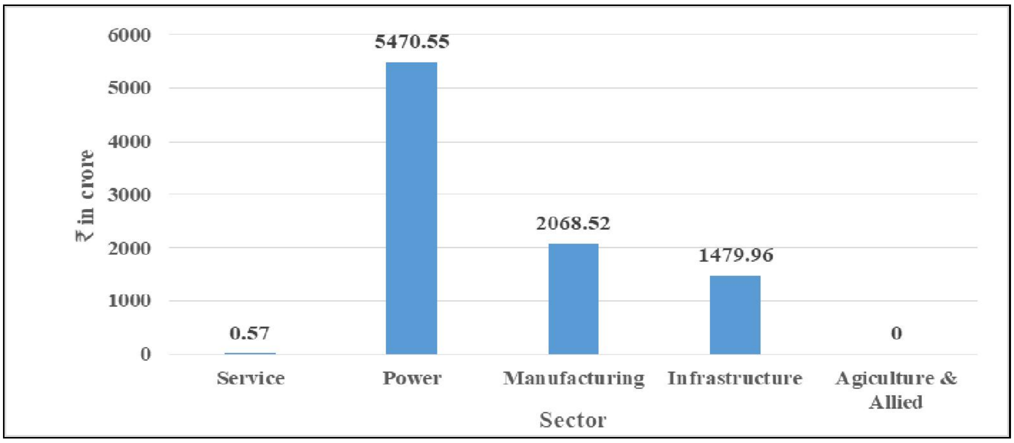
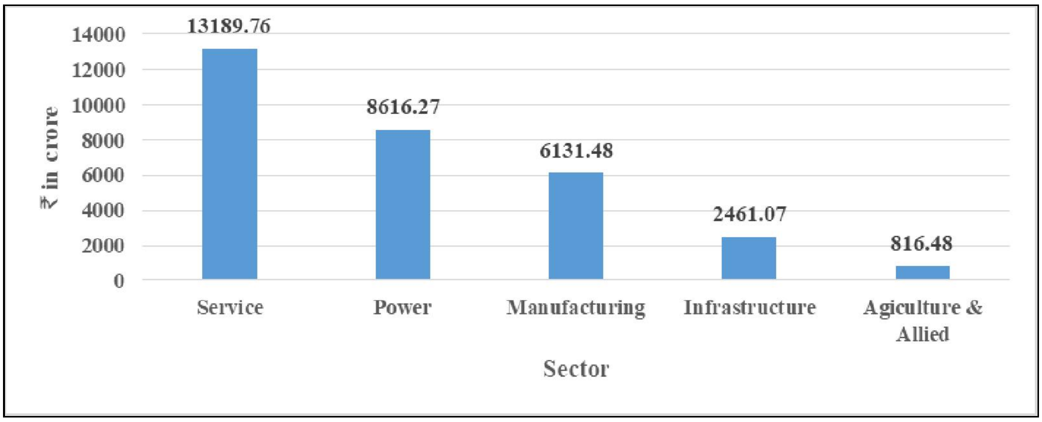


Chart 1.2 (b): Sector-wise investment

(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

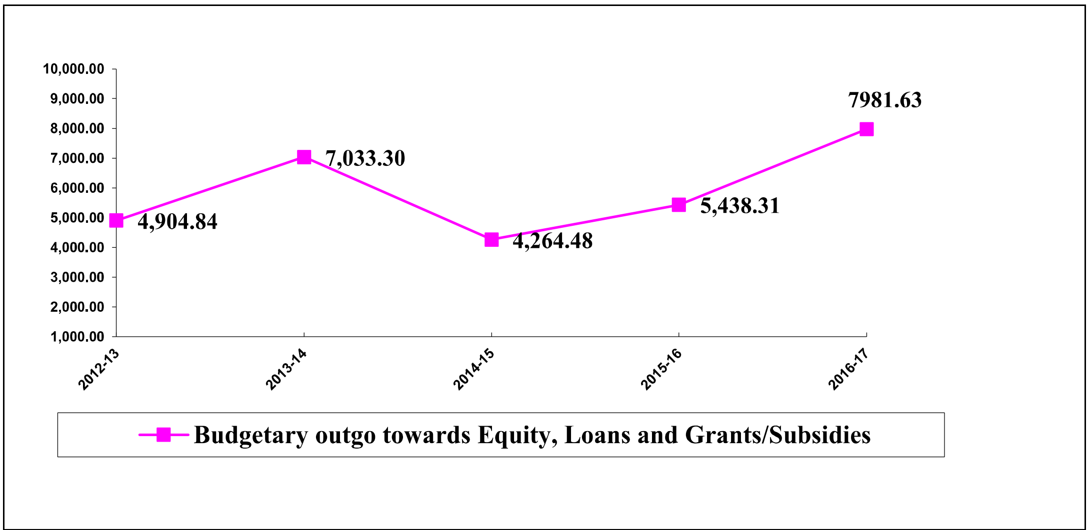
(₹ in crore)

Sl. No.	Particulars	2016-17 43[10] Working PSUs		2015-16 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 four[17] 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 Corporations[18] 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:

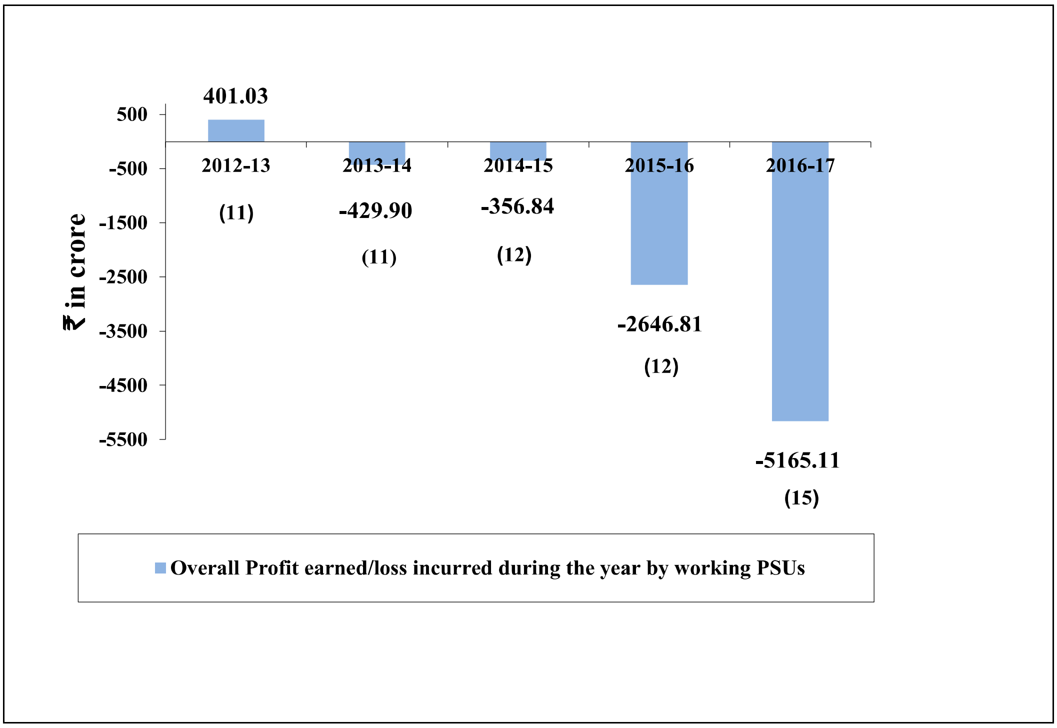
- set up a cell to oversee the clearance of arrears and set the targets for individual PSU which would be monitored by the cell;
- consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

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 14[19] 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/ loss[20].

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 audit[24].

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 11[25] 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 12[26] 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; Municpal 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.

CHAPTER II

PERFORMANCE AUDIT RELATING TO GOVERNMENT COMPANY

Functioning of Southern Power Distribution Company of Telangana Limited

Chapter II

2. Performance Audit relating to Government Company

2.1 Functioning of Southern Power Distribution Company of Telangana Limited

Executive Summary

Introduction

Power distribution in 14 districts of Telangana State is carried out by Southern Power Distribution Company of Telangana Limited (TSSPDCL) under ten Circles. TSSPDCL (Company) functions under the administrative control of Department of Energy, Government of Telangana.

Regulatory Framework in Supply of Electricity

The Aggregate Revenue Requirement (ARR) for a year was required to be filed by the Company with State Electricity Regulatory Commission (SERC) 120 days before commencement of the respective financial year. In the year 2016-17, the old tariff was continued up to June 30, 2016 as the tariff order was issued only on 23 June 2016 due to delay in submission of ARR by the Company. This resulted in loss of revenue of ₹323.89 crore.

The Company had spent ₹ 6632.62 crore during 2012-17 on creation and strengthening of infrastructure as against the SERC approval of ₹ 5843.43 crore. As SERC does not allow recovery of expenditure in excess of the approved amounts through tariff, the Company was burdened with excess expenditure of ₹789.19 crore.

Financial management

The Company reported continuous reduction in energy losses during the period 2012-17. However, the losses were higher than the norm fixed by SERC in all the years. As a result, the Company was burdened with additional loss of ₹1306.76 crore during the period 2012-17.

SERC stated (March 2015) that during the truing-up of the power purchase cost, agricultural sale quantum would be limited to actual consumption or the Tariff Order quantity, whichever is less. This was to avoid passing of excess power purchase costs due to increased agricultural sales to other consumers. However, the power supply to agriculture exceeded the approved limits during 2012-17. This resulted in additional burden of ₹ 1744.56 crore on the Company.

The Company purchased short term power in excess of SERC limits and at rates higher than the maximum ceiling limits set by SERC. This resulted in an extra cost of ₹5,820.90 crore during 2012-17.

By implementing the directions of the State Government to ensure supply for nine hours to agriculture, without ensuring the funding in advance, Company was forced to meet expenditure of ₹585.91 crore from its own funds.

Implementation of Schemes

National Electricity Fund (Interest Subsidy) Scheme (NEF) provided for interest subsidy ranging from three to five per cent on the interest paid on loans taken for execution of various capital works taken up during 2012-14.

The Company, however, claimed (up to March 2017) scheme benefits on only ₹4.01 crore of interest paid during the year 2013-14 instead of ₹216.91 crore paid during 2013-17.

The GoI formulated (October 2012) the Financial Restructuring Plan (FRP) to turn-around loss making State owned DISCOMs and to ensure their long term viability. As the Company did not approach the SERC for approval of FRP, SERC did not allow the Company to recover interest of ₹ 140.74 crore on rescheduled loans for 2015-16 through tariff.

Operational performance

As per the guidelines of Central Electricity Authority, Power Factor (PF) of the distribution system and bulk consumers should not be less than 0.95. Audit analysis of PF at 33 kV feeders originating from Extra High Tension sub-stations revealed that the PF was less than the norm (i.e., 0.95) for more than six months at 75, 72 and 106 feeders in 2014-15, 2015-16 and 2016-17 respectively.

Central Electricity Authority issued specifications on energy efficient outdoor type three phase and single phase distribution transformers (DTRs) in August 2008. As per these specifications, the quantum of energy conserved would increase with higher star rating. The Company, however, continued to buy three star DTRs in its jurisdiction. Audit analysis showed that the Company could have saved 701 to 20586 units per DTR on various capacities of 5 star 3-phase DTRs instead of 3 star DTRs. This would have enabled the Company to conserve energy of ₹ 2,220.49 crore over the 25 years' lifetime of 5 star DTRs.

Contract Management

Penalty of ₹29.74 crore levied during 2012-17 for delay in supplies, though withheld, were subsequently released based on the representations of the vendors. Audit noticed that apart from few force majeure cases, the Company released penalties without proper verification including cases where representations were submitted belatedly. Further, the Company paid ₹ 51.10 crore during the years 2012-17 towards price variations on its purchases, however, it did not call for any documentary evidence.

Information Technology Security

The Company did not formulate a formal IT policy and a long/ medium-term IT strategy indicating lack of strategic planning. The Company did not have Board approved Information Security Policy for protection of its applications/ database as well as the data residing therein.

The Company did not have approved policies on password protection, change management, disaster recovery and business continuity etc.

Internal Control and Monitoring System

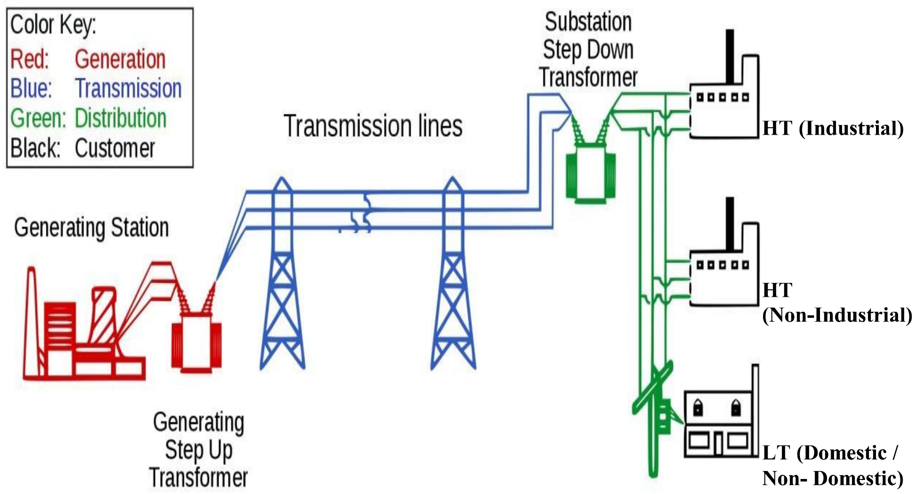
The Company neither had an Internal Audit Manual nor prepared annual Audit plans. There was no periodical review and reconciliation of Electricity Duty (ED) paid to State Government with ED demanded/ collected from consumers. This had resulted in overpayment/ short-payment of ED during the years 2012-17.

The Company continued to incur carrying costs on materials of ₹ 33.86 crore due to non-compliance to the directions of Audit Committee to dispose of the obsolete stocks.

2.1 Introduction

Energy purchased by Transmission Companies from generating companies is distributed through Distribution Companies (DISCOMs). DISCOMs are the first point of contact with the consumers in the electricity sector (Chart 2.1). The objective of the distribution sector is supply of reliable and quality power in an efficient manner and at reasonable rates.

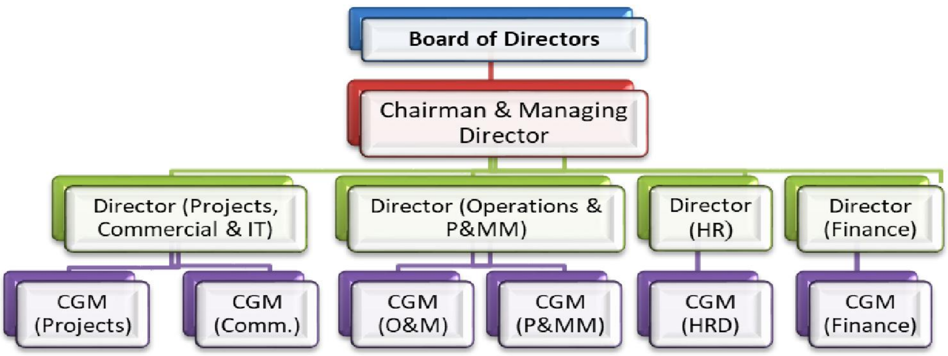
Chart 2.1: Flow of energy from Generation to Consumers



Power distribution in Telangana is carried out by two Distribution Companies[27]. Southern Power Distribution Company of Telangana Limited (TSSPDCL) is the license holder for 14 districts[28] of Telangana covered under ten Circles[29]. TSSPDCL (Company) functions under the administrative control of Department of Energy, Government of Telangana.

2.2 Organisation Chart

The Organisation structure of the Company is detailed below[30]:



[27] Southern Power Distribution Company of Telangana Limited (TSSPDCL) and Northern Power Distribution Company of Telangana Limited (TSNPDCL)

[28] Hyderabad, Jogulamba-Gadwal, Mahabubnagar, Medak, Medchal, Nagarkurnool, Nalgonda, Rangareddy, Sangareddy, Siddipet, Suryapet, Vikarabad, Wanaparthy and Yadadri-Bhuvanagiri districts

[29] Hyderabad (Central), Hyderabad (North), Hyderabad (South), Mahabubnagar, Medak, Nalgonda, Rangareddy (East), Rangareddy (North), Rangareddy (South) and Siddipet Circles

[30] CGM: Chief General Manager

2.3 Scope of Audit

The Audit covers the performance of the Company during the period 2012-17. The Audit was conducted during the months of February to June 2017. Out of ten circles, five circles[31] were selected in Audit for detailed examination. The Entry Conference was held with the Management and State Government on 20 February 2017 to discuss the audit objectives, criteria and methodology. Exit Conference was held on 25 October 2017 to discuss the audit findings, conclusions and recommendations thereon. The replies of the Government to the Audit findings were considered wherever necessary while finalising the Report.

2.4 Audit Objectives

Objectives of the Audit were to seek an assurance that:

- the distribution network was adequate and efficient;
- operations of the Company were financially viable;
- Government schemes were implemented economically, efficiently and effectively; and
- steps were taken to provide reliable and sustainable energy to all.

2.5 Audit Criteria

The sources of audit criterion considered for achievement of audit objectives were:

- Provisions of The Electricity Act, 2003, Companies Act, 2013, National Electricity Policy and the guidelines of the Schemes sponsored by Ministry of Power (MoP), Government of India.
- Guidelines and other directions issued by MoP, State Electricity Regulatory Commission (SERC) and State Government.
- Norms fixed by various agencies[32] with regard to operational activities.
- Agenda and minutes of the meetings of Board of Directors of the Company.
- Standard procedures for award of contracts with reference to principles of economy and effectiveness; norms of technical and non-technical losses.
- Industry Standards for IT infrastructure security.
- Energy Conservation Act, 2001.

Acknowledgement

Audit acknowledges and appreciates the co-operation and assistance extended by the officers and the Management of the Company at various stages of conducting the Performance Audit.

2.6 Audit Findings

The performance of the Company during the years 2012-17 is given in the Table 2.1 below:

[31] Hyderabad (North), Mahbubnagar, Medak, Nalgonda and Rangareddy (North)

[32] Central Electricity Regulatory Commission (CERC), SERC, MoP and the State Government

Table 2.1: Performance indicators

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Financial Performance (₹ in crore)					
A. Liabilities					
Paid Up Capital	728.48	728.48	728.48	728.48	728.48
Reserves & surplus	(-)6038.30	(-)6681.74	(-)5742.01	(-)7901.11	(-)12424.86
Borrowings (Loan Funds)					
Secured	2708.88	4460.34	3181.10	4538.19	1327.94
Unsecured	62.72	2824.92	2830.31	2830.31	7619.67
Current Liabilities & Provisions	14720.17	10722.57	11603.90	14950.73	20052.04
Total	**12181.95**	**12054.57**	**12601.78**	**15146.60**	**17303.27**
B. Assets					
Gross Block	7642.87	8652.99	7806.40	9716.10	11264.81
Less: Depreciation	3501.16	4008.64	3572.51	4115.94	4782.70
Net Fixed Assets	4141.71	4644.35	4233.89	5600.16	6482.11
Capital Work-in-Progress	829.30	915.98	925.56	689.90	767.74
Investments	276.78	295.62	465.35	461.67	460.88
Current Assets, Loans & Advances	6934.16	6198.62	6976.98	8394.87	9592.54
Total	**12181.95**	**12054.57**	**12601.78**	**15146.60**	**17303.27**

Source: Annual Accounts

The following trends can be seen from the above:

- Current liabilities of the Company increased from ₹ 14,720 crore (2012-13) to ₹ 20,052 crore (2016-17). There was an increase in the liabilities despite restructuring of the Company by way of demerger of two out of the then existing 11 Circles (2014).
- The Company invested substantially in augmenting its infrastructure leading to 53 *per cent* increase in fixed assets during 2014-17. This was mainly due to implementation of the State government policy (2015-16) for nine-hour supply to agricultural consumers.

2.6.1 The Regulatory Framework in Supply of Electricity

The Distribution Companies (DISCOMs) file Aggregate Revenue Requirement (ARR) with State Electricity Regulatory Commission (SERC) for determination of tariff. The ARR projects the revenue requirements to meet the costs in a year which can be passed on to consumers by way of tariff. SERC reviews the ARR and issues Tariff Orders detailing the revenue requirement which can be passed on by the DISCOMs to the consumers, by way of tariff.

2.6.1.1 Compliance to Multi-Year Tariff Framework

SERC introduced Multi Year Tariff[33] (MYT) framework in 2005. According to this, ARR proposals are to be submitted to SERC for determination of tariff

[33] Multi-year tariff refers to tariffs proposed and fixed for more than one financial year and is generally for a control period which is normally five years

for Wheeling[34] and Retail sale of electricity for each control period[35]. The Company submitted multi-year proposals[36] for Wheeling tariff. However, the same was not done with respect to retail supply tariff[37] on the ground that reasonable projections could not be made. The Company attributed it to uncertainties surrounding lift irrigation schemes and other policies as well as uncertainty in estimation of power purchase costs. Accordingly, SERC allowed the Company to file ARRs[38] in two parts:

- retail supply tariff for both LT and HT consumers on annual basis projecting their expenditure on power purchase and operation & maintenance and;
- wheeling tariff for distribution business for the control period.

The Government (November 2017) accepted the Audit observation and stated that MYT proposals were not submitted for retail supply tariffs. Controls need to be put in place to ensure that the MYT framework is complied with.

2.6.1.2 Timeliness in filing of ARR

The ARR for a year is required to be filed 120 days before commencement of the respective financial year, i.e., by 30 November of the preceding year. Timely tariff fixation was mandatory under the Financial Restructuring Plan of the Government of India (GoI). This was also mandatory to receive continuous assistance under National Electricity Fund.

The SERC provided extensions of time on the request of the Company. However, the Company could not adhere to extended dates. The delays were particularly marked after the State re-organisation, being 69 days and 99 days in 2015-16 and 2016-17 respectively. The Company suffered a loss of revenue on this account, since during the pendency, the Tariff Order of the previous year was operated. ***In the year 2016-17, the old tariff was continued up to June 30, 2016 as the Tariff Order was issued only on 23 June 2016 due to delay in submission of ARR by the Company. This resulted in loss of revenue of ₹323.89 crore.***

The Government stated (November 2017) that the delay in filing for 2016-17 was due to uncertainties on power requirements for upcoming lift irrigation schemes and policy decisions of State Government. Government further stated that the losses suffered would be adjusted while truing-up[39] with SERC.

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34 Wheeling charges are payable by third parties utilising the infrastructure of Discoms

35 Control period is a multi-year period fixed by the Commission from time to time, usually five years, for which the principles of determination of revenue requirement will be fixed. 2nd Control period was from 2009-14; 3rd control period being from 2015-19

36 For this, the Company includes multi-year projections for the investment required for creation of additional infrastructure (network strengthening, addition of substations, transformers etc.,) to meet the growth in demand

37 Retail sale is direct distribution by the Company to end-users

38 In 2014-15, the Company did not submit the ARR for the remaining period after the formation of the State (June 2014). As a result, the Company had to follow the Tariff Order of 2013-14 for 2014-15. The loss of the Company had increased from ₹ 811.24 crore during 2013-14 to ₹1170.74 crore during 2014-15, mainly due to non-revision of Tariff and adoption of Tariff Order of 2013-14 for 2014-15

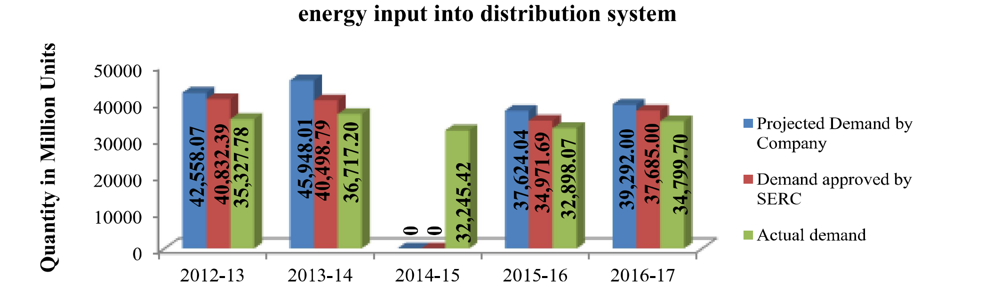
39 Tariff Order is issued by the SERC before the commencement of the relevant period indicating the probable costs and tariff to recover the same. Subsequent to completion of the relevant period, the DISCOMs files for truing-up of tariff indicating the actual costs incurred and the revenue for that period. SERC verifies the same and identifies the deficit/ surplus to be passed on to the consumers in the ensuing Tariff Order

The fact remains that the Company sustained loss in the relevant financial years due to delay in submission of ARR proposals and consequent delay in issue of Tariff Order by SERC. Additionally, the Company did not complete the truing-up exercise despite the completion of the control period. Control should be put in place to ensure that ARR is filed in a timely manner.

2.6.1.3 Adherence to SERC approved ARR

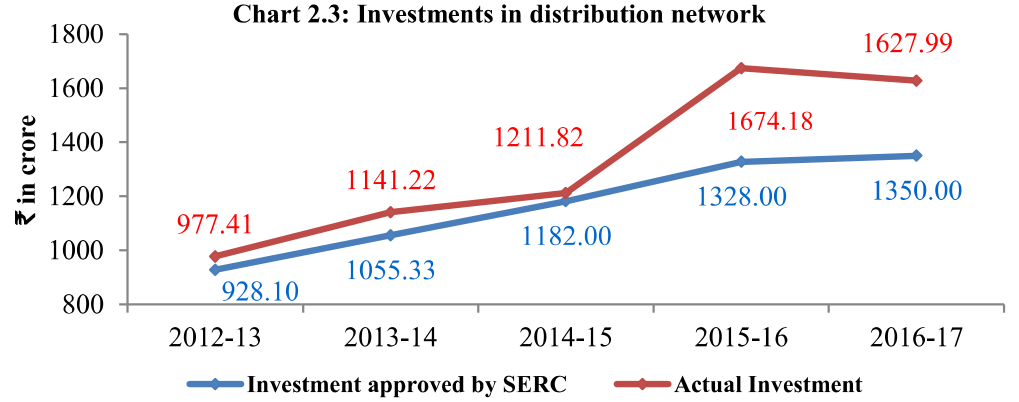
Audit found that the demand projected by the Company was always in excess of the actual demand (Chart 2.2[40]) ranged from 11.43 to 20.09 *per cent* (2012-17). SERC, while approving the Wheeling Tariff for second control period, i.e., 2009-2014, opined that the basis for capital investment for network expansion and strengthening was more based on arithmetic method and lacked technical study.

Chart 2.2: Demand projected by the Company, approved by SERC and the actual energy input into distribution system



The SERC approved ₹ 5843.43 crore (2012-17) towards creation and strengthening of infrastructure. The Company, however, spent (Chart 2.3) ₹ 6,632.62 crore, i.e., an excess of ₹ 789.19 crore (13.51 per cent). SERC allowed recovery of only the amounts approved in the ARR through tariff. The expenditure in excess of the approved amount was not allowed to be recovered through tariff. ***As a result, the Company was burdened with excess expenditure of ₹ 789.19 crore during the period 2012-17***.

Chart 2.3: Investments in distribution network



The Government stated (November 2017) that it made significant investments in augmenting the network to meet the increase in demand (25 *per cent* growth in demand during 2014-17). The investments were based on data gathered at different levels of the Distribution network. The Government also stated that

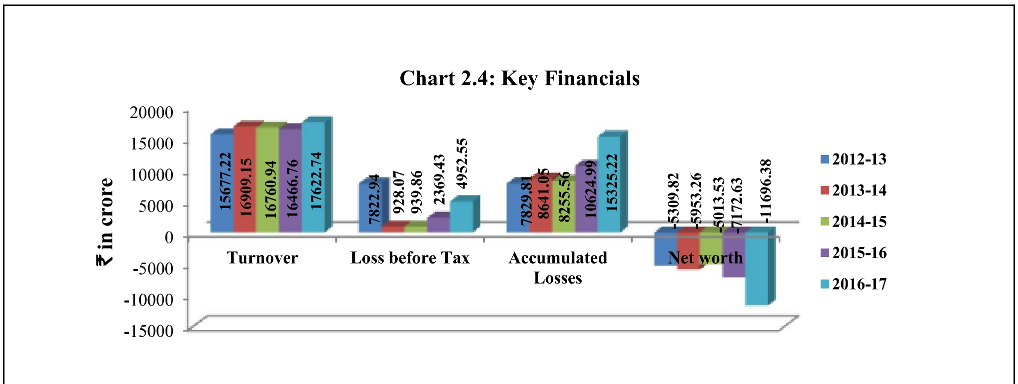
[40] In the absence of Tariff Order for 2014-15, the Company adopted the Tariff Order of 2013-14 for 2014-15 also. As the actual input was without demerged Circles viz., Kurnool and Anantapur Circles, Audit did not compare the same

while SERC made adverse comments on the basis for investments, such comment was not repeated in the 3rd control period. It hoped that excess investments would be absorbed during "truing-up".

The reply was not tenable, as Audit did not find a comprehensive technical study that could have formed the basis for augmentation of the network. The Company did approach SERC for in-principle approval for investments[41]. The SERC did not allow recovery of excess investments from tariff. It advised the Company to approach the State Government to fund the policy. However, the State Government did not accede to the request. Additionally, the Company did not complete the truing-up exercise despite the completion of the control period. It may also be noted that Audit found inefficiencies in procurement (Paragraph No. 2.6.6) which would also lead to excess expenditure in capital projects. The Company should develop a system to adhere to SERC approved norms and file timely truing-up to absorb excess investment.

2.6.2 Financial management

The turnover of the Company increased from ₹ 15,677.22 crore in 2012-13 to ₹ 17,622.74 crore in 2016-17, registering a growth of 12 *per cent* during the period 2012-17. The loss before taxes of the Company decreased during 2012-17. The cumulative loss of the Company, however, as at the end of March 2017 was ₹ 15,325.22 crore due to which the net worth showed a negative balance of ₹ 11,696.38 crore (Chart 2.4).



Audit analysis showed that the continued losses registered by the Company were mainly due to:

- High operating losses;
- High power purchase cost;
- Inability to claim subsidy from State Government; and
- Inability to recover dues from consumers.

The succeeding paragraphs contain detailed analysis:

2.6.2.1 Operating losses

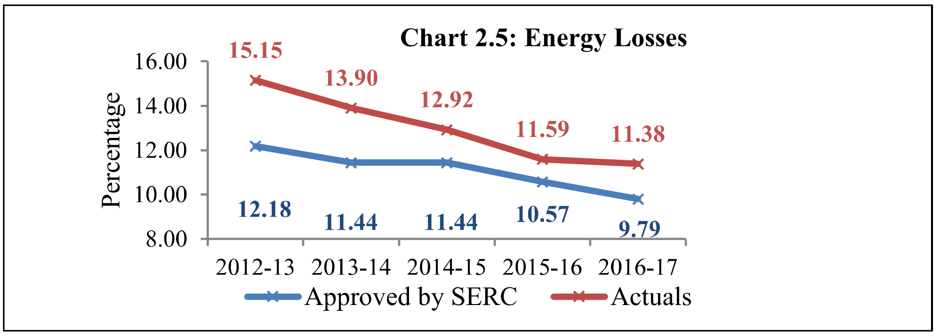
A) Distribution losses in excess of SERC norms

The losses at 33 kV stage are termed as sub-transmission losses while those at 11 kV and below are termed as distribution losses. Above losses may occur mainly on two accounts, i.e., technical losses and commercial losses.

[41] necessitated by the nine-hour free supply to agriculture

Technical losses occur due to inherent character of the equipment used for transmitting and distributing power and resistance in conductors through which energy is transmitted. On the other hand, commercial losses occur due to theft of energy, defective meters, unmetered supply etc.

SERC determined the permissible energy losses and applied them while fixing the distribution tariff for the respective year. Various incentives/ grants under centrally sponsored schemes were also based on achievement of specified reduction in energy losses. Thus, it was imperative for the company to keep energy losses below the level approved by the SERC.



The Company reported continuous reduction in energy losses during the period 2012-17. However, ***the losses were higher than the norm fixed by SERC in all the years (Chart 2.5). As a result, the Company was burdened with additional loss of ₹1306.76 crore (Annexure-2.1) during the period 2012-17.***

A further analysis revealed that Hyderabad South Circle, with losses above 40 *per cent* in all the years under review, was the major contributor to the losses of the Company.

SERC, while fixing the permissible energy losses, drills it down to voltage-wise losses. Audit found that while the Company could control the losses at 33 kV and at 11 kV voltages, the problem area was at the Low Tension (LT) level. While the SERC approved 5.50 *per cent* losses of 11 kV level in 2016-17, the actual losses were 7.92 *per cent*.

Audit further observed that the Company reported lesser energy losses by 2327.18 MU valuing at ₹ 1202.21 crore to the GoI funding agencies like Power Finance Corporation Ltd. (PFC) by adopting incorrect method. While calculating the losses, the purchase and sales should have been measured using the same unit of measurement, which was not done. The input energy (energy purchased) was in kWh and the energy sold was a combination of kWh and kVAh, which cannot be compared.

The Government stated (November 2017) that it was unable to achieve the stringent loss trajectory approved by SERC. It had been able to reduce the losses by adopting several technical[42] and commercial[43] loss reduction measures. The losses in Hyderabad South Circle were attributed to

[42] Replacing aged equipment with energy efficient equipment, load balancing of Distribution Transformers, bifurcation of overloaded feeders etc.

[43] Replacement of defective meters, sealing of meters, effective checks against unauthorised connections, effective revenue collection etc.

unauthorised loads, and intensive inspections were conducted to curb the theft. Further, it was stated that combination of kWh and kVAh was adopted as PFC requested for calculation of losses on the basis of billed units.

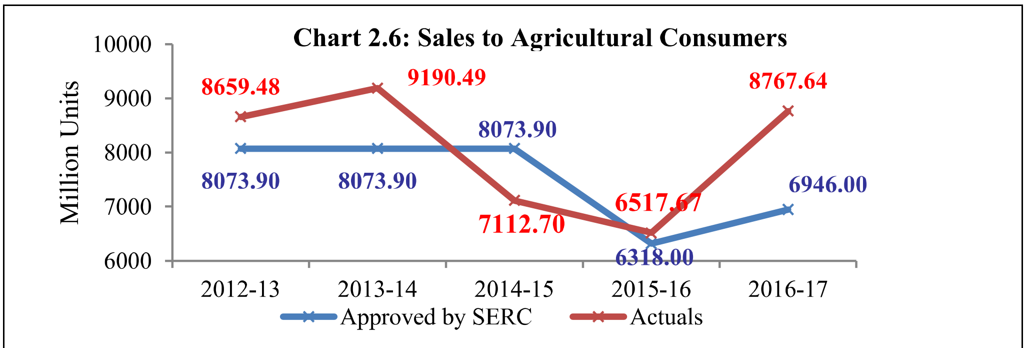
Audit accepts that the Company did undertake measures to reduce losses, however, the SERC norms could not be met. The losses in Hyderabad South Circle continued to be high at 42.02 *per cent* in 2016-17. Further, the Company did not produce any documents to support its contention that PFC requested to calculate Aggregate Technical and Commercial (AT&C) losses on the basis of billed units.

B) Supply of power to agricultural consumers

(i) Adherence to limits levied by SERC

While scrutinising ARR submitted by the Company, SERC fixes and communicates the quantum of supply for agricultural consumers to State Government for deciding subsidy. SERC stated (March 2015) that during the truing-up of the power purchase cost, agricultural sale quantum would be limited to actual consumption or the tariff order quantity, whichever is less. This was to avoid passing of excess power purchase costs due to increased agricultural sales to other consumers.

However, ***the power supply to agriculture exceeded the approved limits during 2012-17 (Chart 2.6). This resulted in additional burden of ₹1744.56 crore (Annexure-2.2) on the Company***.



The SERC objected (2012-13) to the practice of the DISCOMs to resorting to power cuts to other categories[44] in order to divert their energy volumes to agricultural consumers. Audit, observed that the Company, in 2012-13 and 2013-14, had diverted the sales, i.e., from other categories to agriculture consumers. This was evident from the increased sales to agricultural consumers and reduced sales to other categories.

The Government stated (November 2017) that increase in agricultural consumption was due to release of new connections on priority and supply of energy for nine hours in 2016-17. As such, the increase was a fall-out of implementation of State Government policies. Further, the increase would be adjusted during truing-up.

While accepting that the State government policies may have caused the excess supply to agriculture sector, it may be noted that the State Government

[44] like domestic, commercial and industrial

did not compensate the Company for the excess by way of subsidy. The fact remains that the Company had to bear additional burden of ₹ 1744.56 crore.

(ii) Estimation of agricultural consumption

The State Government was paying, every year, subsidy on account of free supply of electricity for agricultural consumption which was unmetered. State Government directed (November 2007) the Company to develop a robust methodology, in consultation with SERC. This methodology was to be used for estimating agricultural power consumption and calculate the subsidy element more accurately. Methodology developed by Indian Statistical Institute (ISI) in 2009 was approved (February 2010) by SERC for implementation from May 2010.

The ISI methodology envisaged a random sample size of 3000 Distribution Transformers (DTRs), stratified on their capacities, and the results to be extrapolated for all the DTRs. Each sampled DTR should be available for reading for the entire 12 months in the particular year in order to be a valid sample. The reliability of the estimates was based on the quality and authenticity of the base data, collected from these readings.

The Company adopted the ISI methodology only from December 2013 instead of May 2010. Further, from April 2014, the Company reduced the DTR sample size in view of demerger of the two Circles (Anantapur and Kurnool). SERC, though accepted the sample data in 2015-16, it was rejected in 2016-17. This was due to large discrepancies in the data like lack of continuous 12 months' readings of the same transformer etc.

Audit observed that the ISI methodology envisaged selection of a sample size based on the existing 1.27 lakh DTRs in 2009. The DTRs, though, increased to 3.55 lakh DTRs by the end of March 2017, the sample size was not increased. It was, instead, reduced on the grounds that two Circles were demerged. During 2012-17, proportion of supply to agriculture to the total supply increased from 22 *per cent* to 25 *per cent,* mainly due to the nine hours a day scheme of 2016-17. The number of connections had also increased from 8.28 lakh to 10.78 lakh during this period. The SERC advised (June 2014) to install new meters at freshly determined locations every quarter and not to release new agricultural services without energy meters. The Company, however, did not comply with the same.

As a result, the figures for consumption of electricity by agriculture were not reliable. This had several consequences. Accurate data for claiming subsidy from the Government was not available. Formulation of policies by the State Government and by the SERC was also impacted in the absence of reliable data. More important, the energy losses were calculated on the basis of total sales which included agriculture sales.

The Government accepted (November 2017) the fact and stated that the meters fixed to the DTRs were in the open fields and prone to getting defective. Meter readings over a continuous and long period, could not be achieved, due to this reason. However, it was assured that proposals to increase the sample size are under process. Further it stated that efforts are being made to develop a new methodology for estimation of agricultural consumption.

2.6.2.2 High power purchase cost

SERC allowed the Company to make short term power purchases (less than one year) within the quantum approved in the Tariff Orders and stipulated the maximum ceiling price per unit. ***Audit observed that the Company purchased short term power in excess of SERC limits and at rates higher than the maximum ceiling limits set by SERC. This resulted in an extra cost of ₹5,820.90 crore during 2012-17*** **(Table 2.2).**

Table 2.2: Statement showing the purchase of short term power

Year	As approved by SERC			Actual Purchases			Excess	
	Units (in MU)	Cost (₹ in crore)	Maximum Ceiling Price (₹/ kWh)	Units (in MU)	Purchase Cost (₹ in crore)	Average Cost (₹/ kWh)	Units (in MU)	Cost (₹ in crore)
(a)	(b)	(c)	(d)	(e)	(f)	(g)=(f)/(e)	(h)=(e)-(b)	(i)=((g)-(d))*(e)
2012-13	6117.39	2549.85	4.17	4439.74	2288.98	5.16	0.00	439.53
2013-14	4649.60	2789.76	6.11	7339.00	3933.41	5.36	2689.40	0.00
2014-15	4649.60	2789.76	6.00	7857.49	4222.09	5.37	3207.89	0.00
2015-16	0.00	0.00	0.00	9762.08	5230.26	5.36	9762.08	5230.26
2016-17[45]	291.33	125.00	4.30	3874.65	1816.48	4.69	3583.32	151.11
Total							**19242.69**	**5820.90**

Source: Power Procurement Committee records

Short term power purchases, though become unavoidable at times, they raise the total power purchase cost as the short term power is costly. This, in turn, burdens the Company and its consumers making the supply of power unreliable and expensive. The high purchase cost of power by the Company was also highlighted as a key concern by the PFC[46] (2016).

The Government accepted (November 2017) the audit observation. It attributed the higher power purchase costs to shortfall in hydel power, delay in commissioning of generation plants, increase in supply to agricultural consumers etc.

However, the Company did not approach SERC for review of the quantity and the rates of power purchase in view of the circumstances stated above.

2.6.2.3 Inability to claim subsidy from State Government

A) Receipt of Tariff Subsidy from State Government

SERC approves the ARR taking into account the subsidy to be released by the State Government, failing which rates contained the full cost recovery tariff[47] would be operative. The subsidy amount as indicated in the Tariff Order, must be paid by the State Government in monthly installments, in advance.

Audit observed from the records pertaining to subsidy claims and receipts maintained at the Corporate office and the Tariff Orders approved by the SERC that:

[45] Provisional

[46] in its Fifth Integrated Rating for State Power Utilities (2016)

[47] Under the Full Cost Recovery Tariff (FCRT), the tariff finalised by SERC is expected to recover the costs of distribution without taking into consideration any budgetary support from State Government

- The Company was entitled to claim ₹ 1074.27 crore towards subsidy in 2016-17 as approved by SERC in the Tariff Order 2016-17. ***The Company, however, claimed ₹ 1,033.40 crore only, resulting in short claim of ₹40.87 crore***.

  The Government attributed (November 2017) the short release of subsidy for 2016-17 to approval of Tariff Order for 2016-17 after the completion of Government Budgetary Process.

  The contention that subsidy was not released in full due to delayed approval of Tariff Order was not tenable as the subsidy was decided only with the approval of State Government.

- As against the claim of ₹ 3,766.66 crore made by the Company towards subsidy in the years 2012-13, 2014-15 and 2015-16, only ₹ 3,498.06 crore was received. The balance subsidy of ₹ 268.60 crore was not received from the Government. The Company, however, did not implement the full cost recovery tariff, which is allowed by the SERC in the event of the Government reneging on the release of subsidy.

  The Management stated (October 2017) that it is pursuing with State Government for release of differential subsidy. Government in its reply (November 2017) endorsed the same.

- The non-receipt of subsidy from the Government affected the working capital of the Company. The Company deferred the payments to the Power Generation Companies, resulting in payment of Delayed Payment Surcharge (DPS) at 15 to 18 *per cent per annum*. The Company paid ₹ 96.07 crore as DPS to the Generating Stations during 2015-16 and 2016-17.

  The Government accepted the Audit observation and stated (November 2017) that the DPS was paid to the generators due to lack of funds owing to delay in release of subsidy.

B) Realisation of non-tariff subsidy

The State Government decided (July/ September 2013) to provide free power to the Scheduled Caste/ Scheduled Tribe (SC/ST) beneficiaries residing in SC/ ST housing colonies. This benefit was only available to consumers with consumption of less than 50 units per month. The arrears of electricity charges as on 31 March 2013 was to be paid by State Government in two installments in 2013-14 and 2014-15. In respect of monthly payments, DISCOMs were to furnish detailed consumption particulars of each beneficiary in SC/ST colonies to Social Welfare Department.

The dues relating to SC consumers were received from the State Government, however, the dues of ₹ 32.53 crore of ST consumers, were not received till date (March 2017). It resulted in blocking up of funds of the Company.

The Management stated (October 2017) that it was pursuing with State Government for release of pending arrears. Government in its reply (November 2017) endorsed the same.

C) Assuring funding before taking up works

The Company strengthened (2015-16) its existing infrastructure to meet the additional power demand to provide nine hours power supply to agriculture. As the approved Tariff Order did not include this expenditure, SERC directed (February 2016) the Company to get the scheme funded by the State Government by way of a special grant. However, the State Government refused to give any grant and asked the Company to meet the scheme expenditure from its own resources. Thus, by implementing the directions of the State Government, without ensuring the fund in advance, Company was forced to meet expenditure of ₹ 585.91 crore from its own funds. A loan of ₹ 527.33 crore was obtained from Rural Electrification Corporation Limited (REC) for these works and ₹ 26.50 crore was paid as interest thereon by the end of March 2017.

The Government accepted (November 2017) the Audit observation.

2.6.2.4 Recovery of electricity dues

A) Arrears of revenue

The performance of the Company showed a dip with regard to collection efficiency over the period 2012-17. The collection efficiency of 101 *per cent* in 2012-13 had reduced to 95 *per cent* in 2016-17. An amount of ₹ 3,645.56 crore[48] was pending recovery as on 31 March 2017 from consumers who defaulted in payment of dues. A detailed analysis showed a build-up of arrears in specific areas as detailed below:

- A sum of ₹ 2,123.72 crore, representing 58 per cent of the total arrears, pertained to Government Departments/ Local Bodies. ***Towards timely collection of dues from the Government/ Local Bodies, SERC advised (March 2012) the Company to install prepaid meters in Government Departments. No initiative was, however, taken (June 2017) by the Company in this regard***.

  The Government accepted (November 2017) the Audit observation and stated that the Company addressed letters to Government departments/ services to realise the arrears.

- There was an increase of 213 *per cent* in arrears from bill stopped[49] services during the period between March 2013 (₹ 152.99 crore) and March 2017 (₹ 478.57 crore). Similarly, arrears from disconnected services had increased from ₹ 227.72 crore (March 2013) to ₹ 253.68 crore (March 2017). Thus, a total of ₹ 732.25 crore which represents 20 *per cent* of the total arrears of revenue, remained unrecoverable (March 2017).

  The Government stated (November 2017) that continuous efforts were being made to realise the arrears.

- Test check was done of HT consumers with arrears of more than ₹ 10 lakh each as on 31 March 2017. In this category of consumers, there were arrears of ₹ 958.94 crore due from 288 HT consumers. Against these arrears, the Company was holding Security Deposit of ₹ 428.21 crore. There was no security for the balance amount of ₹ 530.73 crore as the

[48] LT consumers: ₹ 1830.05 crore and HT consumers: ₹ 1815.51 crore

[49] Services for which billing was stopped after three months from the date of disconnection for default of the consumers

Company had not periodically monitored the sufficiency of Security Deposit. The above consumers were under D-list (Disconnection list) for more than one year, however, supply was not disconnected.

The Government stated (November 2017) that disconnection was not done for Government Departments and consumers whose dues were under dispute in courts. The fact, however, remains that the balance amount of ₹ 530.73 crore was not covered by any Security Deposit.

- Out of ₹ 388.11 crore of Restriction and Control (R&C) penalties imposed during 2012-14 due to power shortage, 50 *per cent* was waived by SERC. This waiver was necessitated, *inter-alia*, due to failure of the Company in monitoring, erroneous interpretations and prolonged delays in levy of penalties. Out of the balance R&C charges of ₹ 194.05 crore, only ₹ 184.40 crore was recovered (March 2017) from the consumers. Out of the remaining ₹ 9.65 crore, an amount of ₹ 3.41 crore[50] was pending recovery from 92 live services since September 2013.

  The Government stated (November 2017) that steps have been taken for recovery of pending arrears.

B) Collection of Additional Consumption Deposit

The consumers should maintain Security Deposit with the Company for an amount equivalent to consumption charges[51] of two months or three months during the agreement period. The Security Deposit amount has to be reviewed on annual basis. After review, Additional Consumption Deposit (ACD) would be demanded by the Company in case of shortfall and refunded in case of excess.

The Company reviewed ACD requirement in all the years under review and had raised demand. During the year 2016-17**,** the Company raised a total demand of ₹ 432.15 crore, of which ₹ 299.30 crore was recovered. Audit observed that 32.19 *per cent* of the recoverable amount (₹ 42.77 crore) pertained to 250 HT consumers.

A detailed analysis of recovery of ACD from HT consumers revealed that 425 HT consumers did not pay the ACD demand during the entire three year period of 2014-17[52]. Apart from the above, another 390 HT consumers did not pay the ACD demanded in two out of the above three years. However, the Company did not conduct any analysis to identify consumers, who are in such continuous default.

The Government stated (November 2017) that ACD demand of previous financial years was not insisted for payment after review of ACD for the next financial year.

The reply was not tenable as the Audit observation was on consumers who were not remitting ACD demand continuously.

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[50] After making deductions for cases which were beyond the control of the Company – bill stopped services (43 cases: ₹ 2.03 crore), terminated services (33 cases: ₹1.37 crore) and under legal dispute (8 cases: ₹ 2.84 crore)

[51] demand charges and energy charges etc., as applicable

[52] Data for 2012-13 and 2013-14 was not furnished by the Company

C) Vigilance on theft of energy

Vigilance team of the Company conducts raids on premises of all HT and LT consumers to detect theft/ pilferage of energy. The Superintending Engineers of the concerned Circles were required to prepare work plans to identify potential cases for conducting raids. Following the raid, additional demand of energy charges would be raised. In case of non-payment of the same, Disconnection Lists (D-lists) are issued to field offices for disconnection of services and follow up action is initiated. Due to ineffective implementation of D-Lists, the Company, however, could collect only 53 *per cent* of the demand and arrears accumulated to ₹ 36.23 crore (Table 2.3) as below:

Table 2.3: Assessment of theft / pilferage of energy

Year	Consumers at the end of year	Raids conducted	No. of cases booked	Assessed Amount	Amount Realised	Unrealised Amount	Percentage of unrealised amount
				₹ in crore			
2012-13	6107235	107305	29295	7.32	4.66	2.66	36
2013-14	6451421	92326	30310	9.75	6.20	3.55	36
2014-15	6783078	80865	35214	25.07	12.87	12.20	49
2015-16	7122118	76292	35702	13.34	6.58	6.76	51
2016-17	7854314	123787	57189	21.15	10.09	11.06	52
Total		**480575**	**187710**	**76.63**	**40.40**	**36.23**	**47**

Source: DPE wing of the Company

Audit further observed that the Company had set a monthly inspection target of 300 services for each officer of the Detection of Pilferage of Energy (DPE) wing from October 2015 only. The set targets cover only 1.4 *per cent* of the consumers in a year.

The Government stated (November 2017) that all the services were inspected by officers of the Company on regular basis.

Audit however observed that the number of raids conducted by DPE wing was low and given the continuing AT&C losses, in certain Circles, the targets would merit review. A mechanism to identify vulnerable areas, based on risk assessment, to carry out focused inspections should be put in place to avoid pilferage of energy.

2.6.3. Implementation of Schemes

2.6.3.1 National Electricity Fund (Interest subsidy) Scheme

Government of India introduced National Electricity Fund (Interest Subsidy) Scheme (NEF) (March 2012) to promote capital investment in distribution sector. The scheme provided for interest subsidy ranging from three to five *per cent* on the interest paid on loans taken for execution of various capital works taken up during 2012-14.

The Company would be entitled to interest subsidy based on the aggregate score as per the parameters of the scheme. The Company had to submit details of loan disbursement and actual interest paid for the approval of the Steering Committee in order to get interest subsidy. The interest subsidy received was to be explicitly indicated in the Aggregate Revenue Requirement (ARR) so as to pass on the benefits to the consumers.

As per the scheme guidelines, an interest subsidy of three *per cent* was allowed on the applicable interest rate on 34 different loans taken by the

Company. Accordingly, an amount of ₹ 97.88 lakh was approved (April 2016) as subsidy in 2013-14.

Audit observed the following shortcomings:

- Interest of ₹ 216.91 crore was paid during the period 2013-2017 on loans of ₹ 899.41 crore taken under NEF. The Company, however, claimed (up to March 2017) scheme benefits on only ₹ 4.01 crore of interest paid during the year 2013-14 instead of ₹ 216.91 crore paid during 2013-17. As a result, the consumers were deprived of the benefit of interest subsidy amounting to ₹ 51.97 crore[53].

  Government stated (November 2017) that the claims for 2014-16 were submitted belatedly in July 2017 due to the delay in finalising the financial statements for 2014-15 and 2015-16.

  The reply was incorrect as the financial statements for the years 2014-15 and 2015-16 were adopted by the Board in December 2015 and September 2016 respectively.

- The assets and liabilities pertaining to the demerged circles were transferred to Southern Power Distribution Company of Andhra Pradesh Limited (APSPDCL). The Company, however, paid interest of ₹ 42.63 crore during the period 2013-14 to 2016-17 on loans taken under NEF scheme for works in these demerged Circles. This included ₹ 3.37 crore paid in 2013-14. This was not considered by Rural Electrification Corporation Limited (REC).

  Thus, the Company did not get any benefit on payment of interest on loans pertaining to another Company, though it affected its working capital.

  The Government stated (November 2017) that APSPDCL was regularly pursued for reimbursement of the amounts paid on the loans of demerged Circles.

  The fact remains that the Company which was availing cash credit facilities for meeting its working capital needs, was further burdened with repayment of loans of another DISCOM (APSPDCL).

2.6.3.2 Schemes for long term viability of DISCOMs

The GoI formulated (October 2012) the Financial Restructuring Plan (FRP) to turn-around loss making State owned DISCOMs and to ensure their long term viability. The FRP, *inter-alia*, required the State Government to takeover 50 *per cent* of Short-Term Liabilities (STL) of Company as on 31 March 2012, which would be converted into bonds. The remaining 50 *per cent* of STL was to be rescheduled by the lenders with moratorium of three years on principal. The repayment of principal and interest would be guaranteed by the State Government.

The State Government agreed (November 2013) to assume liability as on 31 March 2013, which accumulated due to procurement of power beyond SERC approved quantities. The FRP, though, was to be implemented by July

[53] Benefit of ₹ 97.88 lakh on interest of ₹ 4.01 crore (24.41 *per cent)* extrapolated to interest of ₹ 216.91 crore paid -March 2017

2013, the State Government approved the scheme in November 2013, thus delaying the implementation of the scheme. Due to delay, the coupon rate (interest rates) on the bonds increased from 9.30 *per cent* (estimated in June 2013) to 9.95/ 10.00 *per cent* in March 2014. This resulted in additional expenditure of ₹ 18.94 crore[54] per annum (as interest) to the State Government.

As per the guidelines of FRP, the Plan was to be approved by the SERC. The Company, however, did not approach the SERC. As a result, SERC did not allow the Company to recover interest of ₹ 140.74 crore[55] on rescheduled loans for 2015-16 (with private lenders) through tariff.

However, the State Government did not honour its commitment under the FRP to take over the principal amount of the bonds. Further, the Company had also written off receivables of ₹ 4779.04 crore from State Government. These pertained to the commitments of the State Government on short term purchase of power during the years prior to 2012-13.

The Government stated (November 2017) that receivables of ₹ 4779.04 crore were written off to arrive at losses incurred by the Company to the extent felt reasonable by Government. The reply of the Government was silent on the issues of additional expenditure due to delay in issue of bonds and failure to take approval of SERC for the FRP.

In November 2015, the GoI introduced the Ujwal Discom Assurance Yojana (UDAY) scheme to improve the operational and financial efficiency of the State DISCOMs. The State Government would take over 75 *per cent* of the debt of DISCOMs as on 30 September 2015 including the bonds issued under FRP over a period of two years[56]. The balance 25 *per cent* would be converted by the banks/ Financial Institutions into loans or bonds with interest rate not more than the bank's base rate plus 0.1 *per cent*.

A tripartite MoU was signed by Ministry of Power (MoP) with the State Government and the Company in January 2017. As per the MoU, 75 *per cent* of the debt of ₹ 7391.80 crore as on 30 September 2015, i.e., ₹ 5550.21 crore was agreed to be taken over by State Government during the years 2016-18.

Under the UDAY scheme, the DISCOMs were required to ensure 100 per cent metering of distribution transformers and feeders by June 2017. Audit, however, observed that though all 11 kV feeders were metered, only 56.57 per cent of the DTRs were metered by August 2017.

The Government stated (November 2017) that 87 *per cent* of the funds committed under UDAY scheme were already released. It also stated that balance meters would be provided to DTRs in phased manner. Company should evolve a monitoring mechanism to ensure prompt metering of all DTRs to identify energy losses.

2.6.4 Operational performance

The energy received at high voltage from transmission sub-stations is transformed to lower voltage for supply to the end-consumers.

[54] Difference of 0.65 *per cent* on ₹1460.00 crore and 0.70 *per cent* on ₹1349.75 crore

[55] Loans restructured under FRP (1 April 2014) was ₹1223.80 crore. Interest at 11.50 *per cent* thereon for the year worked out to ₹140.74 crore

[56] 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17

2.6.4.1 Installation of capacitor banks

A key parameter to be monitored in a distribution network in relation to operational efficiency is the power factor[57]. If the power factor is less than one, the network has to supply more power to the user for a given amount of power to be consumed, thus leading to more line losses.

As per the guidelines of Central Electricity Authority, Power Factor (PF) of the distribution system and bulk consumers[58] should not be less than 0.95. The power factor is achieved by installation of capacitor banks at the substations. By reducing line losses, capacitor banks reduce the capital investment per Megawatt of the load and also help in strengthening of distribution system. Thus, the capacitor banks enhance the security/ reliability of the power systems.

Audit analysed PF at 104, 136 and 167 33 kV feeders originating from Extra High Tension (EHT)[59] sub-stations, i.e., Transmission-Distribution (T-D) boundary points for the period 2014-15, 2015-16 and 2016-17 respectively. It was revealed that the PF (ranging from 0.94 to 0.03) continued to be less than the norm of 0.95 at 75, 72 and 106 33 kV source feeders for more than six months in 2014-15, 2015-16 and 2016-17 respectively. Further, 42, 25 and 19 feeders lagged behind the norm for the entire year during the above period with corresponding adverse impact on the technical losses. This was due to not utilising the available capacitor banks for the minimum required 80 *per cent* duration as well as due to defective capacitor banks.

The major augmentation of the distribution network happened in 2015-16 while implementing the nine hour per day power supply scheme for agriculture. While preparing for this augmentation, the Company did not provide for capacitor banks, though its counterpart TSNPDCL had made such exercise in 2015-16.

A scheme was belatedly prepared (January 2017) to install capacitor banks at 33/11 kV substations, where the PF was less than 0.90[60] during November 2015 to October 2016. Under the scheme, 247 capacitor banks of 446 MVAR[61] capacity were proposed at a cost of ₹ 28.13 crore (an average cost of ₹ 6.30 lakh per MVAR).

In the absence of any cost-benefit analysis by the Company, Audit used as a criterion, the payback period (23 months) assessed (September 2015) by TSNPDCL for capacitor banks. On this basis, Audit assessed that the Company lost ₹ 14.05 crore[62] per annum on the above 446 MVAR capacitor banks due to delay in installation of capacitor banks.

The Government stated (November 2017) that 203 capacitor banks were installed during 2015-17. It was further stated that capacitor banks were kept in off position during low load periods like lighting (residential) load periods

[57] Power Factor = (Active power (kW)*100)/ Apparent power (kVA)

[58] Like Railways

[59] Voltage exceeding 33 kV

[60] SERC Grid Code, 2014

[61] Mega Volt Ampere Reactive

[62] Total cost of capacitor banks/ Capacity in MVAR/ 2 years= ₹ 3.15 lakh per MVAR *p.a.* * 446 MVAR

in rural areas and during the off season in Agriculture period. The Government did not agree with the audit contention that ₹ 14.05 crore could have been saved but stated that there would be definite savings.

The reply was not correct as the Company had not installed the capacitor banks while taking up the network augmentation works.

2.6.4.2 Performance of Distribution Transformers

Distribution Transformers (DTRs) play a crucial role in power distribution network. Failure of DTRs results in interruption of power supply to consumers, expenditure on repairs and loss of revenue to the Company.

Audit found that the norm of 12 *per cent* followed by the Company for the permissible failure rate of DTR, was fixed in 2003-04. Even this outdated norm could not be achieved in two (2013-14 and 2014-15) out of five years under review. The DTR failures, though reduced in the year 2015-16, had again increased in the year 2016-17.

The Company achieved its norms in the three years 2012-13, 2015-16 and 2016-17, however, the rate of failure of DTRs was on higher side in three Circles[63]. The rate of failures ranged from 12.85 to 21.44 *per cent* in Mahabubnagar, 9.26 to 15.26 *per cent in* Medak and 10.64 to 14.46 *per cent* in Nalgonda during the period 2012-13 to 2016-17.

The failure of the DTRs was due to illegal connections/ tapping, line faults, lengthy lines and overloading of DTRs and unbalanced loads on three phases.

The Company incurred an expenditure of ₹147.48 crore on repairs of the DTRs which failed during the above period. Out of this, 35.14 *per cent*, 27.21 *per cent* and 18.57 *per cent* were spent on repairs in Mahabubnagar, Nalgonda and Medak Circles respectively. These three Circles, thus, accounted for 81 *per cent* of the total expenditure on repairs.

The cost of repairs of DTRs could be decreased by reducing the loss of transformer oil (which acts as a coolant in the DTR) during handling of the failed DTRs. During the monthly review meetings, the officers of the Company were instructed to reduce the loss of transformer oil to 10 litres per DTR. Audit, however, observed that the average loss was 28.54 litres per DTR during the period under review. This resulted in loss of ₹ 21.09 crore.

The Government attributed (November 2017) the higher oil shortage to tank burnt cases and disasters where DTRs fell to ground. Further it stated that the oil shortage had gradually reduced due to addition of DTRs to reduce the loads and that the norm for oil shortage per DTR was 25 litres. However, the Company did not produce any supporting document regarding the fixation of norm as 25 litres.

2.6.4.3 Procurement of Distribution Transformers

A) Procurement of DTRs of non-standard ratings (15 kVA)

The Standard Ratings[64] of single phase DTRs were 5, 10, 16 and 25 kilo Volt Ampere (kVA). Audit observed that the Company had procured

[63] Mahabubnagar, Medak (including newly formed Siddipet Circle) and Nalgonda Circles

[64] As per the specifications of Bureau of Indian Standards, Central Electricity Authority and REC

4171 non-standard 15 kVA capacity DTRs (2012-13 and 2014-15).

These DTRs with maximum full load losses of 275 watts which was higher than the maximum limit allowed (230 watts) for 16 kVA transformers. The permissible energy loss additionally allowed on these 4171 DTRs of 15 kVA worked out to 1.64 MU[65] per annum (i.e., ₹ 76.48 lakh[66]) and resulted in higher distribution losses.

The Government stated (November 2017) that these 15 kVA DTRs were procured for works sanctioned under RGGVY[67] scheme. It further stated it had stopped procuring these 15 kVA DTRs since 2013 and instead is procuring 25 kVA DTRs.

The reply is incorrect as the Company procured 1140 DTRs of 15 kVA capacity in 2014-15. Further, the fact, remains that the Company would continue to incur the excess distribution losses during the entire estimated lifetime of 25 years of these non-standard DTRs procured and installed.

B) Procurement of three star rated DTRs instead of five star rated DTRs

Central Electricity Authority had issued specifications on energy efficient outdoor type three phase and single phase distribution transformers (DTRs) in August 2008. As per these specifications, the quantum of energy conserved would increase with higher energy efficiency level/ star rating[68].

Audit found that the Company continued to buy three star DTRs in its jurisdiction. ***Audit analysis showed that the Company could save 701 to 20586 watts per DTR on various capacities of 5 star 3-phase DTRs instead of 3 star DTRs. This would have enabled the Company to conserve energy of ₹ 2,220.49 crore (Annexure-2.3)*** over the 25 years' lifetime of 5 star DTRs. Audit also noted that its counterpart DISCOM in Andhra Pradesh, APEPDCL[69] was installing 5 star DTRs in its jurisdiction.

The Government stated (November 2017) that cost of DTRs with 5 star rating was more than 3 star rated DTRs. Vendors for repair for 5 star rated DTRs were also less in number than that of 3 star DTRs. It was further stated that full load losses in 3 star DTRs could be reduced to the extent of that of 5 star DTRs.

The reply was not tenable as the capacity to reduce the losses is less in 3 star DTRs whereas capacity to reduce the losses is more in 5 star DTRs.

2.6.5 Consumer Satisfaction and Redressal of Grievances

One of the key elements of the Power Sector Reforms was to protect the interests of the consumers and ensure better service to them.

Regulations require the Company to furnish reliability/ outage indices

[65] {(275-230) watts *24 hours* 365 days * number of DTRs}/1000 and then converted to MU works out to 1.06 MU for 2693 DTRs (2012-13), 0.13 MU for 338 DTRs (2013-14) and 0.45 MU for 1140 DTRs (2014-15)

[66] Average Cost of Supply (ACoS) of ₹ 4.37 per unit (2012-13) and ₹ 5.20 per unit (2013-15)

[67] Rajiv Gandhi Grameen Vidyutikaran Yojana – a Government of India scheme

[68] Energy efficiency levels, i.e., Level 1, Level 2 and Level 3 corresponding to 3 star, 4 star and 5 star ratings

[69] Eastern Power Distribution Company of Andhra Pradesh Limited

viz., (a) System Average Interruption Frequency Index[70] (SAIFI), (b) System Average Interruption Duration Index[71] (SAIDI) and (c) Momentary Average Interruption Frequency Index[72] (MAIFI) to SERC from 2002-03 onwards. Audit, however, observed that while data for MAIFI was not maintained by the Company, SAIFI and SAIDI were calculated from December 2015 only. A review of the SAIFI and SAIDI for 2016-17 revealed that the power was disrupted only 10.17 times for a total duration of 198.30 minutes on an average for each consumer during the year.

2.6.5.1 Addressing complaints: Timelines

SERC Regulation No. 7 of 2004[73] on "Licensees' Standards of Performance", *inter-alia*, prescribed that the Company has to redress the complaints of its consumers. The complaints are to be redressed within the time limits specified therein. In case of non-compliance with the standards, compensation is payable by way of adjustment in consumer bills, within 90 days from the date of violation of the standard. Further, an overall performance standard of 90 *per cent* to 99 *per cent*, depending on the nature of complaint, was contemplated.

A review of the complaints received by the Company and the resolutions thereof during the period under review was as detailed below (Table 2.4):

Table 2.4: Statement of complaints

Sl. No.	Mode of Complaint	No. of Complaints								
		Pending as on 1 April 2012	Received	Resolved			Rejected	Pending as on 31 March 2017		
				Total	In time	Beyond time limit		Total	Within Service Level	Beyond Service Level
1	Web	0	14726	12261	10720	1541	2218	247	145	102
2	R-APDRP	4585	555033	556265	516552	39713	0	3353	3118	3607
3	Others	2064	263035	238023	149684	88339	23704	3372		
	Total	**6649**	**832794**	**806549**	**676956**	**129593**	**25922**	**6972**	**3263**	**3709**

Source: Data from Company Dashboard

As can be seen from above, 1.30 lakh complaints (15.5 *per cent*) out of the total 8.39 lakh complaints were resolved beyond the time limits prescribed by SERC. Further, another 53.20 *per cent* of the pending complaints remained pending beyond the time limits. The overall resolutions within time limits were less than the minimum 90 *per cent* prescribed. This indicates that the Company could not achieve the minimum standards of service set by the SERC. Audit also observed that the Company did not pay any compensation to the consumers towards delay in resolving the complaints within service levels as set by SERC.

The Government accepted (November 2017) the Audit observation and stated that the overall performance would be improved by addressing the complaints pending beyond service level. The Company should review its system of addressing complaints to minimize compensation payments to the consumers towards delay in settlement of the complaints.

[70] Measures the number of interruptions each longer than 5 minutes

[71] Measures the total duration of all interruptions

[72] Measures the number of interruptions each less than or equal to 5 minutes

[73] Revised vide Regulation No. 5 of 2016

2.6.5.2 Redressal of complaints from Consumers in Forums

The Company has a Consumer Care Centre (CCC) facility for resolving the complaints of the consumers. In cases where complaints were not resolved by CCC, the consumers can approach Consumer Grievance Redressal Forum (CGRF). The decision of the CGRF is final as far as the Company is concerned. However, the complainant may make an appeal against the order of the Forum to the Vidyut Ombudsman within 30 days of the receipt of the order of the Forum. The Company has to comply with the orders of the Vidyut Ombudsman which are final and binding on them under SERC Regulation No. 3 of 2015.

Audit observed that the number of complaints registered at CGRF and Vidyut Ombudsman had increased from 962 to 1211 and from 28 to 65 respectively during 2012-13 to 2016-17. Further, compensation/ penalty of ₹ 27.19 lakh were awarded (2012-17) by CGRF and Ombudsman for non-resolving the grievances to the satisfaction of consumers.

The Government accepted (November 2017) the Audit observation and stated that there was delay in redressal of complaints due to shortage of staff. Further it was stated that the increase in number of complaints was due to increased consumer awareness. Grievance redressal mechanism should be invigorated to resolve the grievances to the consumer satisfaction.

2.6.5.3 Supply of power as promised

The proposals in ARR for agricultural consumption, cost of supply and subsidy payable by the State Government were based on the assumption of seven hours supply during 2012-16.

Audit observed that during public hearings on tariff proposals, stakeholders expressed concern regarding non-supply of electricity for seven hours throughout the year.

A test check for the months of January to March each year in three[74] out of the four circles[75], showed that actual supply was less than the promised seven hours during 2012-16 (Table 2.5). This resulted in excess claim of subsidy of ₹ 243.93 crore from the State Government besides non-compliance with the directions of State Government. Audit, however, found that during the year 2016-17, the Company had provided supply for nine hours to all agricultural services as per the policy of the State Government.

Table 2.5: Supply of power to feeders

Circle	2012-13		2013-14		2014-15		2015-16	
	Agricultural feeders (Nos.)	Feeders with less than seven hour supply	Agricultural feeders (Nos.)	Feeders with less than seven hour supply	Agricultural feeders (Nos.)	Feeders with less than seven hour supply	Agricultural feeders (Nos.)	Feeders with less than seven hour supply
Mahabubnagar	664	22	702	65	761	761	796	796
Medak	600	600	613	613	645	645	683	683
Nalgonda	728	5 to 205	728	1 to 728	735	735	972	972

Source: Records of the Circles

[74] Except Hyderabad North Circle where there were no agricultural services

[75] Hyderabad North, Medak, Mahabubnagar and Nalgonda

The Government stated (November 2017) that wherever the agricultural feeders were supplied for less than seven hours, the same was compensated.

The reply was not correct as the feeder-wise data indicated that the supply was always less than seven hours, during the test checked months of January to March of 2012-16.

2.6.5.4 Implementation of Safety Measures

Several consumers had expressed concern in public hearings conducted by SERC on issues relating to poor maintenance of network, leading to loss of human and animal lives.

SERC provided ₹ 5 crore per year as special appropriation expenses in the Multi-Year Tariff (MYT) for 2nd Control period 2009-14. These funds were to be utilised to improve safety in distribution network especially in rural areas and to avoid accidents involving human beings and animals. Similarly, for the years 2014-15, 2015-16 and 2016-17, amounts of ₹ 30 crore, ₹ 35 crore and ₹ 40 crore respectively were provided (3rd control period 2014-19).

The above provisions, however, were subject to the direction (March 2009) by the SERC that the Company should prepare safety improvement plan for the 2nd control period. This report should be filed with the Commission by 31 August 2009 for approval, failing which the amounts would be clawed back with carrying cost. For the 3rd control period, similar plan was to be filed by 31 August 2015. However, the Company had not prepared any such plan either in the second or third control period for submission to SERC.

The SERC while approving the tariff for 2016-17, observed that some of the accidents could be avoided by attending to the defects in the system. This signifies the failure of the Company in preparing and adhering to proper safety plans.

An amount of ₹ 158.13 crore was spent by the Company on safety measures during the period under review. However, the number of accidents was showing an increasing trend (Table 2.6):

Table 2.6: Fatal accidents and payment of ex-gratia

Year	Fatal Accidents		Ex-Gratia paid (₹ in crore)
	Human (No.)	Animals(No.)	
2012-13	66	31	0.57
2013-14	125	144	1.12
2014-15	162	55	2.17
2015-16	232	282	5.97
2016-17	119	330	6.14
Total	**704**	**842**	**15.97**

Source: Company records

The Government stated (November 2017) that safety improvement plan was submitted to TSERC. Further it was stated that Distribution Network Renovation Drive was taken up to rectify the defects in the distribution system at a cost of ₹ 135 crore.

The reply of the Government was not correct. The SERC had called for safety improvement plan after approving the special appropriation amounts in the

Tariff Orders. Audit, however, observed that the Company had not submitted any plan after such appropriations. Company should review its safety measures periodically to reduce the accidents.

2.6.6 Contract Management

The Company procures materials for works executed departmentally or on partial turnkey basis from various suppliers. An efficient contract management will result in timely provision of contracted supplies/ services and also ensures economy in purchases. Audit examined contract management in respect of these three parameters.

2.6.6.1 Imposition of penalties: For timeliness in supplies

As per the Purchase Manual of the Company, liquidated damages are to be levied for delay in supply of materials. This was subject to *force majeure* clause and the supplier submitting necessary evidence within 10 days of its occurrence.

Audit observed that penalty of ₹ 29.74 crore during the period under review, though withheld, were subsequently released based on the representations of the vendors. Audit noticed that apart from few *force majeure* cases, the Company released penalties without proper verification including cases where representations were submitted belatedly.

The Government stated (November 2017) that the penalties were waived off due to delay in release of payments to the vendors by the Company and for various other *force majeure* conditions[76]. The manufacturers had requested for waiver of penalties only after completion of the supplies. It was further stated that the Director of the Company could condone delays up to six months after which approval of concerned Director and Director (Finance) was necessary.

Audit, however, observed that reasons quoted by Company as basis for releasing penalties (except freight embargo) were not *force majeure* conditions. It was also evident from the reply that the Company was unable to enforce the clauses relating to penalties due to their inefficiencies in release of payments.

2.6.6.2 Admitting Price Variations

As per the Purchase Manual of the Company, whenever prices quoted were not firm, they would be subject to adjustment as per specific variation formula. This variation would be based on prices of major raw materials/ components at which the vendors actually purchase from their principal suppliers. Further, the Company could call upon the suppliers to submit documentary evidence regarding the price variations claimed on the raw materials used in their finished products.

Audit observed that ₹ 51.10 crore was paid during the years 2012-17 towards price variations. The Company, however, did not call for any documentary evidence. It relied upon the monthly IEEMA[77] circulars, which list out the base prices of the raw materials as on the first day of each month.

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[76] Like shortage of raw material, unscheduled power cuts, labour problems, freight embargoes, difficulties in getting reliable transport facility, long distance between the suppliers and Company etc.

[77] Indian Electrical and Electronics Manufacturers Association

The Government stated (November 2017) that calling for documentary evidence from the suppliers was not mandatory. It also stated that price variations were allowed based on IEEMA circulars since many years.

The reply was not acceptable as financial prudence requires the Company to ensure that the price variations claimed were genuine. This would help the Company ensure that the vendors had indeed procured the materials at the higher rates as claimed by them.

2.6.6.3 Closure of work orders: Timelines

As per the provisions of Electricity Department Manual, all work orders completed or in-progress should be closed by 31 March. Fresh work orders should be issued for capital-works-in-progress and maintenance works for next year.

Audit observed that the work orders issued for execution of various works in the Company were not being closed at the end of the year. The work orders, including those of capital nature, were kept open for long periods extending even up to seven years. These were mainly due to a) non-completion of works within scheduled period, b) delay in returning of balance unused materials to stores by staff, c) right of way problems in the field and d) non-availability of materials in the stores.

This resulted in non-closure of 82,028 work orders of ₹ 2203.25 crore as at the end of March 2017. Out of these work orders, 21,730 work orders of ₹ 673.09 crore were pending for periods exceeding one year (Table 2.7).

Table 2.7: Age-wise analysis of work orders

(Amount ₹ in crore)

Pendency Period	Capital Works		Service Connections		O&M and Shifting		Total	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
12-18 months	631	82.07	927	22.40	4566	36.28	6124	140.75
18-24 months	313	47.82	476	17.44	3003	63.87	3792	129.13
> 24 months	2403	165.33	2078	124.62	7333	113.26	11814	403.21
Total	**3347**	**295.22**	**3481**	**164.46**	**14902**	**213.41**	**21730**	**673.09**

Source: Data from IT wing and O&M wings of the Company

Delay in closure of work orders resulted in non-capitalisation of the assets, and hence non-charging of depreciation thereon. The Company could thus not recover depreciation of ₹ 12.96 crore[78] per annum by including the same in the ARR. Further, the Company had not completed the work on 3481 service connections for more than one year due to which it lost the opportunity to realise revenue from these connections.

Audit observed that the Company, in cases where work orders were not closed for long period, was closing the work orders at Nil value. This was done by

[78] At 7.84 *per cent* applicable to plant and machinery, lines, cables and network on Straight line method basis on 2403 capital work orders of value ₹ 165.33 crore pending closure for more than two years

transferring the value of the materials drawn to the personal accounts[79]. Audit further observed that an amount of ₹ 8.59 crore was recoverable from the personal accounts of employees, as at the end of March 2017, with some amounts as old as 17 years. Directions were given from the Audit Committee (8 February 2007) for effecting the recoveries from the salaries. Further directions were also given to create employee as a vendor in SAP, so that all temporary advances given to an employee could be tracked. Action was, however, not taken by the Company.

The Government stated (November 2017) that plan of action was called for from the Superintending Engineers for closure of work orders prior to 2013-14 within 3 months.

However, the fact remains that the action was not taken by the Company to close the work orders even after lapse of 10 years of the directions of Audit Committee. The Company should develop a monitoring mechanism to track timely closure of work orders.

2.6.7 Information Technology Security

Information security keeps corporate information safe. Policies address the requirement to protect information from disclosure, unauthorised access, loss, corruption and interference. Information security can be defined in terms of Confidentiality[80], Integrity[81] and Availability[82].

The Company uses various Information Technology (IT) applications like (i) Energy Billing System (EBS) for billing, (ii) SAP-ERP for accounting, material management and project management, (iii) R-APDRP project. In this context, Audit observed the following discrepancies:

- As per the guidelines issued (August 2008) by State Government, the Company was required to develop an IT vision and a road map[83]. The Company, however, did not frame road map to guide the development of IT assets (June 2017). Absence of a formal IT policy and a long/ medium-term IT strategy[84] indicated lack of strategic planning.

  The Company did not have Board approved Information Security Policy for protection of its applications/ database as well as the data residing therein.

  The Company did not have an approved password policy. It also did not enforce any restrictions on password usage by the users/ administrators, for its IT applications except R-APDRP modules. Therefore, there was a risk of unauthorized access and data modifications.

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79 The amounts in Personal accounts refer to the value of the materials, drawn on the work orders which were not completed/ accounted for long periods, and kept for recovery from the concerned employee considering it as misappropriation

80 Information must not be made available or disclosed to unauthorised individuals, entities, or processes

81 Data must not be altered or destroyed in an unauthorised manner, and accuracy and consistency must be preserved regardless of changes

82 Information must be accessible and useable on demand by authorised entities

83 Identifying various objectives and services to be provided, milestones to be achieved etc., within a fixed time frame

84 A strategy incorporating the time frame, key performance indicators and cost benefit analysis for developing various IT applications

- The Company did not have any policy for Change Management[85] and data security for any IT application except R-APDRP. Further, the Company did not have any policy for allowing/ restricting the usage of third party applications on computers used for accessing the IT applications. This increased the risk of failure at user end.
- A business continuity plan outlines the action to be undertaken immediately after a disaster, to ensure that information processing capability can be resumed at the earliest. Audit observed that the Company did not have a business continuity plan for its critical billing systems. Further, it did not also have a disaster recovery plan[86].

  The Company had not prepared System Requirement Specifications and User Requirement Specifications for its in-house developed software. These software include Energy Billing System used for billing of HT, LT and agricultural services. Non-preparation of these blueprints would pose a hindrance in making systematic changes in the software as and when needed.

  The Government stated (November 2017) that approved policies, i.e., Backup Policy, Password Policy, Change Management Policy, Business Continuity and Disaster Recovery Plan and Data Security Policy were implemented. Further, Energy Billing System (EBS) was running successfully for more than a decade with huge changes. The reply was not acceptable as in-house developed applications require more robust change management policies. In the Exit conference, the Company had accepted that they did not have any policy as such.
- The Company had several IT Applications, of which some like EBS, SAP ERP etc., were critical in nature. The Company, however, did not take any initiative to get these IT systems as well as IT infrastructure audited by qualified IT Auditors. This would help in ensuring their robustness, accuracy and adherence to business rules.

  The Government stated (November 2017) that audit had been conducted for the IT systems.

  The reply was not acceptable as the audit certificates produced by the Company were for Energy Billing System and the Company website, which were accessible over intranet/ internet. The certificates only stated that these were free from Open Web Application Security Project vulnerabilities which was safe for hosting with read only permission. The fact remained that all the critical IT assets were not audited in terms of Confidentiality, Integrity and Availability.

The Government stated (November 2017) that policies implemented in the R-APDRP servers were implemented in all legacy systems. In the Exit conference, the Government, however, accepted that they did not have any policies as several of the IT systems were developed in-house. Information Technology security system should be comprehensively reviewed by competent professional.

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[85] Managing the changes in IT hardware / software and other changes necessitated due to changes in policies of the Government and the Company etc.

[86] A disaster recovery plan outlines identities of personnel, their roles/ responsibilities and plan/procedure to support critical IT systems in the event of their failure

2.6.8 Internal Control and Monitoring System

Internal control comprises all the methods and procedures adopted by the management of an entity, which assists in achieving management's objectives.

2.6.8.1 Internal Audit

Internal Audit is one of the constituents of the internal control mechanism. The Company outsourced its Internal Audit function to Chartered Accountant (CA) firms. During the period under review, Audit observed that:

- The Company did not have an Internal Audit Manual indicating the scope and coverage of internal audit. Only checklists were prepared for the guidance of Auditors.

  The Government stated (November 2017) that audit checklists prepared by Corporate office team were followed. The reply was not tenable as a properly approved Internal Audit Manual is more exhaustive and authentic than unapproved checklists.

- The Company had not prepared annual audit plans during 2012-17 and the audits were arranged on *ad hoc* basis.

  The Government stated (November 2017) that monthly audit plans were drawn in such a way that all accounting units of the Company were covered at least twice in a year. The reply was not tenable as the Company did not cover all its accounting units even once in each year under review.

- The Internal Audit Reports were to be received from Internal Auditors within 15 days of completion of Audit. The same was, however, not received within the stipulated period. Further, Internal Audit Reports for 2012-13 to January 2016 were placed before the Committee with delays ranging up to 10 months. Internal Audit Reports subsequent to January 2016 were not placed (June 2017) before the Audit Committee though 17 months had been lapsed since completion of Audits.

  The Government stated (November 2017) that Audit Reports were delayed due to delay in receipt of reply from the auditee offices. The reply was not tenable as delay in receipt of replies could not be a valid reason for delaying reports by Internal Auditors and the Company should insist on their timely submission.

  Top Management should take responsibility for establishing and effective operation of Internal Audit System.

2.6.8.2 Internal Audit of Power Co-ordination Committee

Subsequent to unbundling (April 2000) of transmission and distribution activities in the State, Power Co-ordination Committee (PCC) was formed (June 2005) by Government. PCC comprised of (i) Chairman and Managing Director (CMD), Director (Finance) and Director (Commercial) of Transmission Corporation of Telangana Limited (TSTRANSCO) and (ii) CMDs of the two DISCOMs in the State of Telangana. The Committee is entrusted with the responsibility of (i) power procurement and (ii) energy accounting and billing. The main objective of the PCC was to ensure optimum utilisation of resources for the benefit of State in a coordinated manner. TSTRANSCO outsourced the internal audit of PCC to a private Chartered

Accountant (CA) firm. An analysis of the Internal Audit reports revealed the following:

- Internal Audit reports on the activities of PCC were to be presented to the Audit Committee of the DISCOM as the expenditure pertained to the Company. The same were, however, not presented to the Audit Committee.

  The Government accepted (November 2017) and stated that the Internal Audit reports would be placed in ensuing Audit Committee Meetings.
- Audit observed from the scope, broad terms and conditions of the agreement with Internal Auditors that:
  - The Auditors were entrusted with audit of energy purchases, however, they did not audit the purchases made through Power Exchanges.

    The Government stated (November 2017) that the auditors verify and pass remarks in the Indian Energy Exchange (IEX) purchase file itself instead of in the Internal Audit report.

    The reply was incorrect as there were no remarks of Internal Auditors in the test checked IEX purchase files. Further, the remarks, if any, should also be given in the Internal Audit Report to enable the authorities to take corrective action.
  - The scope of work of the Auditors, *inter-alia,* included review of billing of generators. Internal Audit Reports were, however, prepared with focus on only one generator[87] each month though energy is purchased from various sources[88]. As a result, in-depth analysis was not done on transactions with all generators at least once in a year.

    The Government stated (November 2017) that the scope of audit and terms of reference were given by the DISCOM.

    The reply was factually incorrect as the scope of Audit was given by the TSTRANSCO and not by DISCOM.
  - The CA firm was contracted for the years 2011-13; however, the services were continued by PCC till date (June 2017) without inviting new tenders.

    The Government stated (November 2017) that the Internal Audit firm was continued in view of their experience in power sector.

    The reply could not be accepted as periodic tendering for professional services is a good practice. PCC should ensure compliance for the scope, terms and condition of the agreement by Internal Auditor.

2.6.8.3 Review of payment of Electricity Duty

As per the provisions of Andhra Pradesh Electricity Duty Act, 1939, the

[87] For instance, Telangana State Power Generation Corporation Limited

[88] State/ Central Generating Stations, Individual Power Producers (IPPs), Renewable Energy sources, short term power and through Power Exchanges (more than 100 generators in total)

Company has to pay Electricity Duty (ED) to State Government every month. As per the provisions, ED was payable at the rate of six paisa per unit on all its energy sales, other than to Railways and Central Government. The ED is levied by the State Government to fulfil its social obligations in providing assistance to power sector.

Audit noticed that there was no periodical review and reconciliation of ED paid to State Government with ED demanded and collected from consumers. This had resulted in overpayment/ short-payment during the years 2012-2017 as detailed below (Table 2.8):

Table 2.8: Payment of Electricity Duty

(₹ in crore)

Year	ED included in demand	ED realised from consumers	ED paid to Government	Over payment (-) / short payment (+)
2012-13	129.38	128.42	133.27	(-) 3.89
2013-14	132.97	132.22	143.56	(-) 10.59
2014-15	128.46	127.66	20.65	107.81
2015-16	133.64	133.08	17.72	115.92
2016-17	131.56	131.02	311.46	(-) 179.90
Total	**656.01**	**652.40**	**626.66**	**29.35**

Source: Records from Finance wing of the Company

As seen above, the Company paid ED in excess of the amounts realised from consumers in 2012-13, 2013-14 and 2016-17, while it remitted lesser amounts in 2014-15 and 2015-16. These indicate that there was no periodical review and reconciliation, thus defeating the objectives of enacting the ED Act by State Government, to enable it to fulfil its social obligations.

The Government accepted (November 2017) the audit observation.

2.6.8.4 Material Management

The Company, as a part of its annual physical verification process, segregated its materials held in stores into various categories based on their pattern of usage by field offices. A scrutiny of these reports revealed that the Company is holding huge quantities of non-moving, obsolete and slow moving materials and scrap at its stores. The value of these materials in all stores except Mahabubnagar registered an increase (from 2012-17) ranging between 206 *per cent* (Nalgonda) and 2100 *per cent* (Rangareddy). Similarly, scrap materials had also registered increase in all stores ranging between 28 *per cent* (Nalgonda) and 55 *per cent* (Medak and Siddipet).

Audit observed that though Audit Committee had directed (February 2014) to dispose of the obsolete stocks immediately, the Company had not taken any action as of June 2017. The Company, thus, continued to incur carrying costs on materials of ₹ 33.86 crore due to non-compliance to the directions of Audit Committee.

The Government accepted (November 2017) the Audit observation and stated that the Operation Circles had initiated the process of disposing the non-moving/ obsolete materials. Company needs to review its material management system and dispose of obsolete stock in time.

2.6.9 Access to Reliable and Sustainable Energy

Sustainable energy is energy that meets the needs of the present generations without compromising the ability of future generations to meet their own needs. An analysis of the efforts of the Company to meet the renewable energy requirements set by SERC is as detailed in the following Paragraphs:

2.6.9.1 Achieving Renewable Power Purchase Obligation targets

As per Electricity Act 2003, the responsibility for promotion of Renewable Energy (RE) is on the SERC. The National Tariff Policy, 2006 requires the SERC to fix a minimum percentage of power to be purchased from RE sources. Fixation should take into account availability of such resources in the region and its impact on retail tariffs.

The SERC thus stipulated (March 2012) Renewable Power Purchase Obligation (RPPO) for the Company. Accordingly, the Company should purchase a minimum of 5 *per cent* of its energy requirement through Non-Conventional Energy (NCE) sources during 2012-13 to 2016-17. Out of this, a minimum of 0.25 *per cent* should be procured from solar based generation. The details of total energy purchased and RE purchased during 2012-17 are given below (Table 2.9):

Table 2.9: Total energy purchases and RE purchases

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	Total Energy purchased (in MU)	37733	39317	33443	35202	36050
2	RE Purchases (in MU)	1451	1056	344	514	1723
3	Percentage of RE to total	3.85	2.69	1.03	1.46	4.78
4	Shortfall against norm of 5 *per cent* (in Percentage)	1.15	2.31	3.97	3.54	0.22

Sources: Records of Power Coordination Committee

Further, Audit observed that the Company's purchased energy from solar based generators exceeded the stipulated minimum of 0.25 *per cent* in all years except 2014-15. However, it did not achieve the RPPO in 2012-16 (Table 2.9). The shortfall was also not fulfilled by purchase of Renewable Energy Certificates (RECs) as stipulated by SERC in its Regulation. However, it improved the position significantly in 2016-17.

The Government stated (November 2017) that the approved RPPO trajectory was not met due to absence of RE policies and higher tariffs for power from RE sources. It was also stated that in view of the solar power policy of the State Government and SERC approved tariffs for RE sources, approved RPPO trajectory would be met in the future. The Government had also stated that several Power Purchase Agreements were concluded with various Solar, Municipal Solid Waste (MSW) and Wind energy generators.

2.6.9.2 Power for All

Power for All (24x7 PFA) was a Joint Initiative of the GoI and State Governments. The objective was to provide 24x7 power to all consumer categories (excluding agriculture) by FY 2018-19. For agriculture, power supply would be 9 hours as per the State Government policy. Investments to the tune of ₹ 23,817 crore were planned in the distribution sector across the

State of Telangana. Out of the above investments, ₹ 9,973 crore was towards Integrated Power Development Scheme (IPDS) and Deendayal Upadhyaya Gram Jyoti Yojana (DDUGJY). The key priority in the above Schemes was connecting the unconnected by formulating a plan for electrifying all the unelectrified households in the State by FY 2017-18. This was in addition to improve operational efficiency.

Audit observed from the progress report of PFA scheme that almost all categories of works were lagging behind except capacity augmentation of 33 kV lines. One of the reason for the lag was delay in award of IPDS and DDUGJY works as detailed below:

The GoI sanctioned (December 2014) IPDS and DDUGJY for urban and rural areas respectively. Power Finance Corporation Limited (PFC) and Rural Electrification Corporation Limited were appointed as nodal agencies for implementation of IPDS and DDUGJY respectively. The in-principle approval from Monitoring Committees for IPDS and DDUGJY were received in March 2016 and April 2016 respectively.

The guidelines stipulated that the works were to be awarded within six months from the date of sanction of the scheme. The Power Ministers' Conference envisaged (October 2016) that IPDS works should be awarded by December 2016. Audit, however, observed that works were not awarded to the end of March 2017 for IPDS and DDUGJY due to delay in finalisation of tenders.

Project Management Assistance (PMA) agreement was entered with REC Power Distribution Company Limited (RECPDCL) for both IPDS (February 2016) and DDUGJY (May 2016). The guidelines provided for 0.5 *per cent* of DPR costs only, however, the PMA agreements provided for one *per cent* of each scheme DPR cost. This would result in an additional burden of ₹ 3.93 crore (₹ 2.25 crore-IPDS and ₹ 1.68 crore for DDUGJY) on the Company.

The Government stated (November 2017) that award of the works was delayed due to several time extensions owing to poor response and issue of amendments to tenders. Letter of Awards (LoAs) for DDUGJY and IPDS were awarded in April/ May 2017. Further, it was stated that the PMA agreement concluded with RECPDCL is similar to the agreement concluded with another power distribution Company of Andhra Pradesh.

However, the fact remains that there were delays in award of works and the Company had to absorb the additional burden due to increased PMA costs.

Conclusion

The Company spent more than the SERC approved amount on creation and strengthening the distribution network. Distribution losses during the period were more than the standards fixed by the State Electricity Regulatory Commission (SERC). As a result, energy losses of ₹ 1,306.76 crore could not be recovered by way of tariff. Short term purchase of power at levels higher than SERC approvals pushed up the average input cost. The State Government's policy for nine hour free supply of power to agriculture was not supported by subsidies from the State Government. Waiver of penalties coupled with allowing of price variations to the vendors led to unnecessary burden of ₹ 80.84 crore. Various IT applications were developed and put to use in the Company. But it did not have an IT policy or a strategy to guide the IT activities. Further, policies pertaining to change management, business continuity and disaster recovery plan etc., were not framed for all critical applications.

Recommendations

The Company should

- ***ensure submission of ARRs to SERC in time to avoid losses due to continuation of previous years' tariff. The Company should prepare a plan, with the approval of SERC, for system improvements including reduction of energy losses;***
- ***adhere to the approved methodology to assess the consumption of power in agriculture which can aid accurate calculation of subsidy as well as planning for augmentation of distribution network;***
- ***review and revise the norms for DTR failure and ensure the compliance thereof at Circle level;***
- ***use contractual clauses that protect its interests by way of timeliness and economies in purchases;***
- ***review and implement a comprehensive security policy to safeguard IT assets and devise a plan to strengthen the IT security.***

CHAPTER III

COMPLIANCE AUDIT OBSERVATIONS

Chapter III

3. COMPLIANCE AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Hyderabad Growth Corridor Limited

3.1 Undue favour to a concessionaire

Hyderabad Growth Corridor Limited made excess payment of ₹ 15.35 crore to the Concessionaire which was not recovered over a period of six years leading to loss of interest of ₹ 7.37 crore as of June 2017

Hyderabad Growth Corridor Limited (HGCL) is a Special Purpose Vehicle floated by Hyderabad Metropolitan Development Authority (HMDA)[89]. A Concession agreement[90] was signed between HMDA, HGCL and the Concessionaire in August 2007. The agreement, stipulated semi-annuity payment of ₹ 33.30 crore to the Concessionaire for construction, operation and maintenance of the express way. The Annuity payment was for a period of 12 ½ years from the date occurring after Commercial Operation Date (COD). The COD of the project was to be determined by an Independent Consultant. The agreement also provided for Bonus for early completion and reduction in annuity[91] for delays.

Audit scrutiny of the records of HGCL showed that while the scheduled date of completion was noted as 9 June 2010, the actual COD was determined as 1 March 2011. As per the agreement, the first semi-annuity payment of ₹ 33.30 crore (stated to be due on 6 December 2010) was not due and hence not made. The second semi-annuity payment due on 5 June 2011 amounted to ₹ 17.95 crore (being the proportionate payment for 97 days from 1 March 2011 to 5 June 2011). However, full semi-annuity payment of ₹ 33.30 crore was paid (June 2011) to the Concessionaire. This resulted in excess payment of ₹ 15.35 crore as on that date.

It was further seen that the excess payment (June 2011) had not been adjusted (as of June 2017) from subsequent semi-annuity payments made till June 2017. Non-recovery/adjustment of the excess payment for over a period of six years resulted in blocking of Company's funds. This also entailed loss of interest of ₹ 7.37 crore as of June 2017 (8 *per cent* as per applicable rate of borrowing of Government).

When the matter was pointed out in Audit, the Company confirmed (June 2017) the excess payment. The Company also stated that the recovery of excess payment would be effected after the Independent consultant provides

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89 Earlier known as Hyderabad Urban Development Authority (HUDA)

90 Design, Construction, Development, Finance, Operation and Maintenance of a 13 KM long eight lane access controlled express way between Pedda Amberpet and Bongulur (95.00 KMs to 108 KMs) on a Build, Operate and Transfer (BOT) basis

91 The quantum of Bonus/reduction of annuity would be determined as per the formula (agreed to in the agreement) by an Independent Consultant appointed for the project

calculation on bonus payment/annuity reduction. The Company did not offer comments on loss of interest. The reply of the Company is not acceptable. The bonus/reduction in annuity was to be effected when annuity payment was made (June 2011). The issue was not resolved as of June 2017, i.e., after a lapse of six years. This led to undue favour to the Concessionaire.

Northern Power Distribution Company of Telangana Limited

3.2 Short collection of electricity duty of ₹ 28.56 lakh

The Company levied electricity duty on kWh units instead of kVAh units in respect of specified LT consumers which resulted in its short collection and consequent loss to the Government

Energy supplied by the licensees are required to be billed as per the rates notified by the Electricity Regulatory Commission of the State through its tariff orders from time to time.

As per tariff orders issued by the State Electricity Regulatory Commission (SERC) from 2011-12 onwards, energy charges should be billed on kVAh[92] units instead of kWh[93] units. The orders also required that trivector meters which provide readings in kVAh, kWh and kVArh[94], should be provided to specified LT consumers[95].

As per A.P. Electricity Duty Act, 1939 (Section 3), the licensees have to collect and remit to the State Government, Electricity Duty (ED) at the rate of six paise[96] per unit of energy sold. Review of records of operational circle, Warangal, Northern Power Distribution Company of Telangana Limited (Company**)** ***revealed that even though energy charges were collected on kVAh units, ED was collected on kWh units from the specified LT consumers. As a result, the collection of ED on kWh units resulted in short collection of the same by ₹ 28.56 lakh (Annexure 3.1)*** during 2011-17 in respect of Warangal circle alone.

In its reply, the Government accepted (January 2018) the audit observation and stated that ED was now being levied on kVAh units from April 2017. Further, it was stated that instructions were issued to all circles to raise the shortfall of ED from the concerned consumers by issuing notices and then include the shortfall amounts in the monthly bills.

As per the Electricity Act, 2003, no sums shall be recoverable from any consumer after two years of due date, unless shown continuously as arrears of charges for electricity supplied. In view of this provision, the extent of recovery cannot be ascertained.

Thus, failure of the company to levy ED on kVAh units resulted in short collection of ED and consequent loss to the Government by ₹ 28.56 lakh.

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[92] kVAh – Kilo Volt Ampere Hours, means total energy consumption

[93] kWh – Kilo Watt Hours means units of active energy consumption

[94] kVArh- Kilo Volt Ampere Reactive Hours

[95] LT Category II (non-domestic/commercial) services, for loads of 10 KW and above and LT Category-III services with connected load of 15 KW/20 HP to 37.5 kW/50 HP

[96] Amended in the year 1994 from four paisa to six paisa per unit

Southern Power Distribution Company of Telangana Limited

3.3 Avoidable expenditure

Failure to adhere to the provisions of the Employees Provident Fund and Miscellaneous Provisions Act, 1952, resulted in extra expenditure of ₹ 100.63 crore during 2012-17

According to Section 6 of The Employees Provident Fund and Miscellaneous Provisions Act, 1952 (Act), an employer should contribute its share every month to the Employees Provident Fund (EPF). The contribution should be at the rates prescribed by the Government of India (GoI) from time to time. Out of the employer's contribution, 8.33 *per cent* would be transferred to the Employee's Pension Scheme/Fund and the balance to the employee's Provident Fund account.

Further, the employer should pay 'administrative charges' @ 1.10 *per cent* till 31 December 2014 and 0.85 *per cent* thereafter on the wages[97] on which EPF contribution was made. In addition, as per Section 6C of the Act, *ibid,* the following payments should be made by the employer:

(i) contribution @ 0.50 *per cent* of the wages (subject to ceiling limits as prescribed) to the 'Employees Deposit Linked Insurance Scheme' (EDLI); and

(ii) EDLI administrative charges @ 0.01 *per cent* of the wages (subject to ceiling limits as prescribed).

During the five-year period 2012-17, the employer's contribution stood notified by Government of India at 12 *per cent* of the wages. The wage ceiling limit for the purpose was ₹ 6,500 per month till 31 August 2014 and at ₹ 15,000 thereafter. However, Act provides that any establishment that has at the end of any financial year, accumulated losses equal to or exceeding its entire 'Net worth'[98], such an establishment is allowed to contribute employer's share at 10 *per cent*, instead of 12 *per cent*.

It was observed during Audit that the Company had accumulated losses[99] exceeding its 'Net worth' during 2012-17. Hence, the Company should have restricted the employer's contribution to 10 *per cent* of the wages. However, the Company continued to contribute its share @ 12 *per cent*. Further, the Company had not adhered to the statutory wage ceiling limit of ₹ 6,500/ ₹ 15,000 per month. This, together with administrative charges on EPF contribution, contribution to EDLI and EDLI administrative charges resulted in excess contribution of employer's share. The excess contribution of ₹ 100.63 crore ***(Annexure 3.2)*** for the five-year period 2012-17 resulted in additional burden on the loss making Company.

It was further observed that the Company depicted the excess contribution as part of the 'Operation and Maintenance' expenditure. The break-up of details were not revealed in the 'tariff filings' filed with the State Electricity

97 Pay plus Dearness Allowance

98 Total Assets minus Total Liabilities = Net worth

99 2012-13: ₹ 7,829.81 crore; 2013-14: ₹ 8,641.05 crore; 2014-15: ₹ 8,255.56 crore; 2015-16: ₹ 10,624.99 crore; 2016-17: ₹ 15,325.22 crore

Regulatory Commission. Stakeholders including general public were not provided with the information regarding the excess contribution to EPF.

The Government replied (January 2018) that the issue pertained to employee related payments. In view of the various steps taken by the State Government to strengthen the DISCOMs, the Employer contribution at 12 *per cent* was made.

The reply was not acceptable as the contribution made is in contravention to statutory provisions laid down in the Act.

Thus, failure of the Company to adhere to provisions of the Act resulted in extra expenditure of ₹ 100.63 crore during 2012-17 which was avoidable.

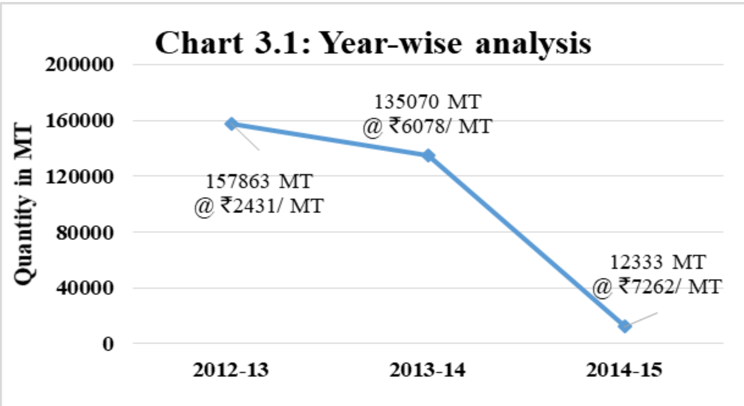
Telangana State Forest Development Corporation Limited

3.4 Loss of revenue due to inordinate delay in the sale of eucalyptus pulpwood

The Company sustained a loss of ₹ 3.14 crore due to the delay in the sale of eucalyptus pulpwood

The Company had an estimated quantity of 2,85,524 MT[100] of pulpwood in the year 2015-16. Harvesting and sale of the same, however, did not take place in 2015-16 as the tenders were deferred due to instructions of the Government. The Government subsequently permitted (November 2016) the Company to sell three lakh MT out of accumulated four lakh MT (2016-17). Of this quantity, the Company sold 2.81 lakh MT in nine different lots at a price ranging from ₹ 3,900 to ₹ 4,365 per MT. This was, however, below the minimum reserve price (₹ 4,400) fixed by the Company.

In this context, the quantum of eucalyptus pulpwood sold and the sale price thereof for the years 2012-15 were depicted in the Chart 3.1.



As could be seen from Chart 3.1, the sale price was inversely proportional to the quantum of eucalyptus pulpwood sold in that year. Likewise, the release of huge quantity of 3 lakh MT into the market by the Company in 2016-17, after deferring the sales during 2015-16, resulted in fall in the sale price below the minimum reserve price set by the Company. Further, due to postponement of

[100] For the year 2014-15, the cumulative estimated quantities of pulpwood (for Telangana) was 1,74,325 MT and the sale did not take place during 2014-15

sale in 2015-16, the pulpwood had over-matured[101] leading to deterioration in quality. This resulted in loss of at least ₹ 3.14 crore in the sale of 2.81 lakh MT of pulpwood ***(Annexure 3.3)***.

The Company accepted (May 2017) the audit observation and attributed the delay in the sale of eucalyptus pulpwood to the instructions of the Government. The Government (August 2017), however, contended that there was no loss to the Company due to the delay in sales as (i) over-matured eucalyptus would fetch more price as it could be utilised for plywood furniture; (ii) reserve price was strategically fixed at higher level so that major buyers do not quote less than reserve price.

The Government reply was not acceptable as (i) out of 2.81 lakh MT of eucalyptus sold, 2.44 lakh MT was sold to a paper mill and not a furniture company; and (ii) the sale price was less than the upset price fixed by the sales sub-committee in five lots.

Thus, inordinate delay in the sale of eucalyptus pulpwood by the Company led to a loss of at least ₹ 3.14 crore to the Company.

Telangana State Mineral Development Corporation Limited

3.5 Extension of undue benefit of ₹ 18.03 crore to the buyers of sand

Failure to comply with the provisions of VAT Act resulted in extension of undue benefit of ₹ 18.03 crore to the buyers of sand

The Government of Telangana (GoT) introduced a New Sand Mining Policy, 2014[102], for the State of Telangana. The Telangana State Sand Mining Rules[103] were formulated to regulate the mining and transportation of sand in the State. The Company was the only agency authorised to sell the sand on behalf of the Government of Telangana.

The Company started the sand sale business with effect from 12 February 2015. The GoT had permitted[104] the Company to retain sand sale proceeds collected from 12 February 2015 to 31 May 2015 as a one-time non-refundable grant. From 01 June 2015 onwards all sand sale proceeds had to be directly credited to Telangana State Government Treasury. The Company could claim operational expenses incurred plus 6 *per cent* supporting charges on sand sale proceeds.

According to Section 2(10) of VAT Act, 2005[105], the Company had to levy VAT @ 5 *per cent* on sale of sand, collect from sand buyers and remit to the Government. The Company however failed to levy VAT on sand sales made during the period from 12 February 2015 to 18 March 2016. The Commercial Tax Officer, Hyderabad issued a show-cause notice (10 March 2016), for non-payment of VAT amounting to ₹ 18.77 crore on the sand sales up to December 2015. The Government of Telangana instructed (18 March 2016)

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[101] Crossed 45 cms. girth (ideal girth is less than 45 cms. for paper industries)

[102] Vide G.O.Ms.No.38, Industries and Commerce (Mines I) Department, dated 12 December 2014

[103] Vide G.O.Ms.No.3, Industries and Commerce (Mines I) Department, dated 08 January 2015

[104] Vide G.O.Ms.No.42, Industries and Commerce (Mines I) Department, dated 14 July 2015

[105] A.P VAT Act, 2005 adopted by Telangana State

the Company to pay VAT on the sales on its behalf for the period mentioned in the show cause notice.

Audit observed that the Company failed to levy and collect VAT as per the provisions of the VAT Act, on the sand sales made during the period 12 February 2015 to 18 March 2016. This led to extension of undue benefit of ₹18.03 crore[106] (as per the actual sales indicated in the Company's portal) to the buyers of the sand.

The Management confirmed (January 2017) that the Company had not collected any VAT on the sale of sand across all the districts of Telangana. It was informed that the Company was under the impression that it would get exemption from payment of VAT, as it was doing business on behalf of the GoT. Further, it was stated that the Company had started collecting VAT from 19 March 2016. In its further reply (June 2017) it was stated that Commercial Tax Department has been requested to make book adjustment in respect of VAT for ₹ 18.03 crore and the matter is yet to be resolved.

Thus, the failure of the Company to comply with the provisions of VAT Act resulted in extension of undue benefit to the buyers of sand amounting to ₹ 18.03 crore.

Telangana State Power Generation Corporation Limited

3.6 Avoidable additional expenditure

Faulty drawings resulted in additional expenditure of ₹ 47.89 lakh which was borne by the Company and not by the firm

Ramagundam Thermal Station (RTS-B) of Telangana State Power Generation Corporation Limited (TSGENCO) (Company)[107] decided (November 2004) to replace 1220 eroded Boiler bank tubes[108] and 36 side wall tubes including LT and HT Super Heaters. The replacement was expected to improve the Boiler performance, and enhance the Company's ability to meet the demand of power.

As the original drawings of the Plant (including Boiler) were not available, the Company decided to develop drawings based on the existing dimensions, on re-engineering. The work was awarded (March 2007) to an experienced Chennai based firm[109](firm 'A'), for ₹ 9.14 lakh. As per the Work Order, the firm was to submit an undertaking that the equipment manufactured based on these drawings submitted would be suitable for one to one replacement. Accordingly, an undertaking was submitted (August 2007) by the firm. The drawings were submitted by the firm in May 2009. The same were approved by the Company.

Based on the approved drawings, the Company awarded (August 2010)[110], the work of manufacture, testing, inspection and supply of 1220 boiler bank tubes along with side water wall tubes, LT & HT super heater coils to a Nagpur

[106] VAT @ 5 *percent* on sand value of ₹ 360,54,09,303 for a quantity of 63,76,445.49 cubic metres

[107] Installed capacity of 62.5 MW (commissioned in 1971)

[108] Boiler Bank Tubes are bent to shape Tubes or Steam Generating Tubes where water is converted to steam. Boiler Bank Tubes carry a mixture of water and steam

[109] M/s U-Tech Consultants & Engineers (P) Limited, Chennai

[110] On limited tender basis

based contractor[111] (firm 'B'), for ₹ 1.04 crore[112] excluding taxes. Accordingly, the material (1220 boiler bank tubes) was supplied by the contractor in 2011.

As a part of overhaul (September 2012), 101 old bank tubes were initially dismantled. While erecting the bank tubes (September 2012), it was found that the tubes supplied by the contractor could not exactly fit into the existing boiler. When the fact was brought to the notice of the contractor, the contractor placed the blame on the approved drawings.

In order to replace the 101 dismantled tubes initially and the remaining 1119 tubes later, an additional/modification work of adding spool piece[113] of approximately 150 to 200 mm length to the bank tubes was entrusted to the same contractor in view of the urgency, at an additional cost of ₹ 47.89 lakh. In the absence of a specific clause/ condition in the work order, in case tubes do not fit owing to faulty drawings, the Company was unable to recover the amount from the firm 'A'.

The Government in its reply (January 2018) cited constraints such as absence of original drawings, spare equipments and inaccessible site conditions. It was further stated that corrections/ adjustments in the final assembling process while replacing bank tubes were inevitable.

The reply was not acceptable as the Company failed to include specific clause in the Work Order of firm 'A' for recovery, in case the tubes manufactured based on drawings did not fit.

This had resulted in additional expenditure of ₹ 47.89 lakh which was borne by the Company and not the firm 'A'.

STATUTORY CORPORATION

Telangana State Road Transport Corporation

3.7 Non-Operating Revenue in Telangana State Road Transport Corporation

3.7.1 Introduction

Following bifurcation of the State (June 2014), the erstwhile Andhra Pradesh State Road Transport Corporation (APSRTC) was bifurcated into APSRTC and Telangana State Road Transport Corporation (TSRTC)[114] (Corporation). Separate records for TSRTC were maintained from 03 June 2015. The Corporation is under the administrative control of Transport, Roads & Buildings Department, Government of Telangana.

The Corporation provided transportation services to commuters within and outside the State through 10,390 buses (including 2153 hired buses), as of 31 March 2017. The Corporation had been running in loss.

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[111] M/s Seam Industries (P) Limited, Nagpur (earlier M/s Sunil Hi-Tech Engineers & Manufacturers (P) Limited) (L-1)

[112] Supply package: ₹ 82.58 lakh plus works package: ₹ 21.26 lakh

[113] Piece of pipe

[114] Formed with effect from 27 April 2016

Non-operating revenue accounted for 2.37 *per cent* of total revenue during 2016-17. Its average for the last three years worked out to 2.12 per cent of the total revenue. Non-operating Revenue (NOR) showed a growth of 27 *per cent* over the three years 2014-17.

The Non-operating revenue of the Corporation mainly included:

- ***Rent***: from leasing of stalls, shops, canteens, open spaces etc. in the bus stations
- ***Advertisements***: Sale of advertising rights for advertisements in the premises of bus stations, on buses, passenger seat backs, etc.
- ***Others***: Sale of scrap (vehicles and materials), interest on deposits, dividends, interest on advances to employees.

3.7.2 Organisational set up

The Management of the Corporation is vested with Board of Directors (Board) headed by a Managing Director.

3.7.3 Audit

Audit was conducted from 31 March 2017 to 31 May 2017. The Corporation had 11 Regional Offices, out of which records at eight Regions[115] were reviewed. The objective was to seek an assurance that the policies and practices for maximising the non-operating revenue from rent and advertisements were effective.

3.7.4 Audit findings

3.7.4.1 Leasing of stalls & shops

The Corporation had 358 bus stations spread throughout the State, which were categorised as 'Major', 'A', 'B' and 'C' class. These bus stations had 3958 shops/stalls which were leased out by the Corporation through tendering.

As per the erstwhile APSRTC circular of 2003[116], the categorisation of bus stations was based on the commercial revenue realised through license fee and number of bus services touching the bus stations. Subsequent to the formation of TSRTC, the same categorisation was continued. The categorisation was not reviewed even though the underlying economic factors such as growth of the cities and commercial character of the cities had undergone substantial change.

The Government replied (February 2018) that the Corporation proposed to reclassify the bus stations and accordingly information was being obtained from the Regions for the same. The work would be completed shortly.

Occupancy of stalls

There was no policy/Manual guiding leasing of space, shops etc. in the Corporation. Review of the records revealed:

- As of 31 March 2017, 88 *per cent* of the stalls stood allotted (Table 3.1).

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[115] Mahbubnagar, Nalgonda, Nizamabad, Medak, Secunderabad, Hyderabad, Warangal and Rangareddy

[116] Major bus station: ₹ 2.50 lakh and above; 'A' Class bus station: ₹ 1.50 lakh to ₹ 2.50 lakh; 'B' Class bus station: ₹ 10,001 to ₹ 1.50 lakh; 'C' Class bus station: below ₹ 10,000 (monthly license fee)

The analysis of occupancy of stalls revealed that the percentage of vacancy was high in 'A' class (20 *per cent*) and 'C' class bus stations (16 *per cent*).

Table 3.1: Vacancy position in bus stations as on 31 March 2017

Details of bus stations		Number of stalls			Percentage of vacancy
Category	**No. of bus stations**	**Total**	**Allotted**	**Vacant**	
Major	8	463	419	44	9.5
'A' class	17	525	418	107	20.4
'B' class	88	2007	1846	161	8
'C' class	245	963	809	154	16
Total	358	3958	3492	466	11.8

Source: Company records

Audit noted that all tenders were issued and finalised at the Regional office level. A monthly statement was received at the Corporate office from the Regional offices indicating the total number of shops/spaces and the total number of shops/spaces allotted. The information received from the Regional offices was merely consolidated at the Corporate office.

Periodical review on the occupancy of stalls was not conducted at the Corporate Office. In the absence of review, there was no regular monitoring mechanism and follow up action at the Corporate Office. The Corporation did not have a comprehensive database of the total shops and spaces available for lease, period of vacancy and the resultant loss of revenue. Thus, the loss on account of vacancy of stalls across the Corporation could not be assessed in audit.

The Government replied (February 2018) that the Corporation was in the process of developing the data base software by M/s Tata Consultancy Services Limited (TCS) to have all the details of the stalls to regularly monitor the occupancy/vacancy position of the stalls.

The reply was not acceptable as the work relating to development of software by TCS started in April 2012 and is yet to make any progress.

- Audit selected five[117] regions for further analysis. It included 33 bus stations of five Regions comprising four in 'Major', six in'A' Class, eight in 'B' Class and 15 in 'C' Class bus stations. In these 33 bus stations, out of 1039 stalls, there were 149 vacant stalls comprising 54 in 'Major', 38 in 'A' Class, 24 in 'B' Class and 33 in 'C' Class bus stations.

In the selected five regions, there were vacant stalls at 33 bus stations (out of 358). Thereby, the Corporation lost the opportunity to earn revenue of ₹3.95 crore.

The Government replied (February 2018) that tenders were called for and attributed the vacancy and non-allotment to several reasons, viz., less quotes received, not meeting eligibility criteria, no response and stalls located in non-potential areas. In respect of JBS and MGBS, Hyderabad, it was replied that less business to stalls were due to bifurcation of the State and introduction of e-tendering system for calling tenders.

[117] Mahbubnagar, Nalgonda, Nizamabad and Medak with three depots each and Rangareddy with two major bus stations. (Out of 8 Regions, in 3 Regions, i.e., Hyderabad, Secunderabad and Warangal Regions, vacancy position was less)

The fact remains that the reasons for vacancy of stalls were not communicated by the Regional Offices to the Corporate Office. Hence, analysis for the vacancy was not done and no directions were issued.

- Corporation directed (13 September 2001 and 2 April 2005) that tenders should be called for three months before the closure of the existing agreement. Tenders were to be called at least once in two months.

Audit observed that the Regional Offices did not comply with these instructions regarding time schedule for issue of tenders. The delay in allotment of stalls before the end of the agreement period of the existing licenses resulted in loss of ₹ 0.68 crore.

The Government replied (February 2018) that tenders were called for 8 times (once in 2015, four times in 2016 and three times in 2017) in Nizamabad Region but stalls could not be allotted due to various reasons like less quotes, no response to tenders etc. In Medak Region, it was replied that tenders were issued once in 2015 and in 2016, while it was issued twice in 2017 but there was no response.

The reply was not acceptable as the instructions contained in circular dated 2 April 2005, for allotment of vacant canteens, stalls/shops etc., at Bus Stations, tenders have to be called for at least once in two months. From the reply, it was clear that the regions did not comply with the instructions of the Corporate Office. As a result, the stalls/shops could not be allotted to the tenderers on time before the completion/closure/termination of agreement period of the existing licenses.

3.7.4.2 Recovery of Service Tax from the Licensees

Rental income from immovable property is taxable under Section 66B of Finance Act, 1994 as per the Notification No. 30/2012 dated 20 June 2012 of Service Tax. Audit observed that the Corporation issued a 'circular' (21 April 2014) for mandatory collection of 'Service Tax' on the license fee, in respect of the agreements entered into after 21 April 2014. In respect of agreements entered before 21 April 2014, the license fee received/to be received was to be considered as inclusive of Service Tax.

Audit observed that there was a delay of two years in issuance of circular (21 April 2014) for collection of Service Tax from the date of issue of notification (No. 30, dated 20 June 2012) by the Government of India.

The Corporation did not furnish the reasons for delay. ***Thus, the Corporation was liable to pay Service Tax of ₹ 5.96 crore[118] from its own resources***. Out of this, only an amount of ₹ 0.64 crore[119] was paid to the tax authorities as of date (March 2017). In addition to an avoidable liability, the Corporation extended an undue benefit to the licensees.

The Audit of agreements of 479 stalls at five bus depots and two major bus stations, showed discrepancies with reference to levy of Service Tax in 96 stall agreements entered into after 21 April 2014 as indicated below:

[118] 2012-13 - ₹ 2.56 crore and 2013-14 - ₹ 3.40 crore

[119] 25 *per cent* for 2012-13

- The Corporation issued instructions regarding inclusion of a suitable clause for the collection of Service Tax from the licensees which were entered after 21 April 2014. However, some of the Regional offices had not included the clause relating to Service Tax in the agreements[120] entered after April 2014. This resulted in extension of undue benefit of ₹ 0.84 crore to 76 licensees, due to non-collection of Service tax and corresponding loss to the Corporation. The Management accepted (April 2017) that the clause of collection of Service Tax was not included in respect of two stalls erroneously. However, the Corporation did not furnish reasons for non-inclusion of the clause in respect of other agreements.

- The clause for collection of Service tax included in the agreements with 6 licensees, however, the Corporation failed to collect the Service Tax amounting to ₹ 11.08 lakh from the date of agreement up to December 2016/January 2017. As a result, the liability has to be borne by the Corporation from its own resources.

- In Siddipet depot, Service Tax clause was incorporated in the agreements executed with 14 licensees from September 2016. This resulted in an avoidable liability of ₹ 3.46 lakh in respect of agreements entered between 21 April 2014 to 31 August 2016**.**

The Government replied (February 2018) that the stalls which were allotted before 2014, there was a clause in the agreements that the Service Tax, if any applicable on renting of immovable properties of the Corporation, would be borne by the Corporation. The licensees of the stalls citing the above clause were not paying the Service Tax.

The reply was not acceptable since as per the Finance Act, 2012, it was mandatory to pay Service Tax on rentals of immovable property. Due to non-inclusion of the Service Tax clause in the agreements entered during 2012-13 and 2013-14, Corporation was liable to pay ₹ 5.96 crore from its own funds. Even after issue of circular (21 April 2014) by the Corporate Office for the inclusion of Service Tax clause, management failed to include the same and allowed undue benefit to the licensees.

3.7.4.3 Commuter Amenity Centres

The Corporation was the implementing agency for setting up Commuter Amenity Centres (CAC) under JNNURM[121] Scheme. CAC is a structure with "ultra-modern" facilities[122].

Integrated CACs were not constructed but only separate Bus Terminals (BT) and bus depots were constructed by the Corporation. Audit findings thereof were included in the *Report No. 5 of 2014* of the C&AG of India (PSUs) for the year ended March 2013. The vacant commercial space and loss of revenue in four Bus Terminals[123] was highlighted in the Report. However, the

[120] Mahbubnagar Region: Mahbubnagar, Kalwakurthy and Shadnagar depots and JBS & MGBS (closed stalls)

[121] Jawaharlal Nehru National Urban Renewal Mission

[122] Like banking, e-seva, cafeteria, pass issue counter, reservation counter, waiting hall, medical assistance, drinking water, internet cafe etc.

[123] Koti, ECIL, Patancheru and Kukatpally

Corporation did not take any corrective action.

A test check conducted in three out of the five CACs/BTs showed that:

- The CAC/BT, Kukatpally, Hyderabad was constructed at a cost of ₹ 7.56 crore. Out of the total area (45,265 Sft.) available in the CAC, 20,877 Sft. was identified as commercial space for generating revenue. The CAC was handed over to the Regional Manager (RM), Secunderabad (17 January 2014). However, the commercial space remained vacant resulting in loss of revenue of ₹ 0.35 crore[124].

  The Government replied (February 2018) that the vacant space to an extent of 10,400 Sft. in CAC/BT Kukatpally was allotted with effect from 15 February 2017.

  The fact remains that the entire space was vacant for over three years and vacant space admeasuring 10,477 Sft. was still lying vacant (December 2017).

- In CAC/BT, Koti, Hyderabad, one stall / space admeasuring 8902 Sft. was proposed for allotment to banks and other commercial institutions. There was no response to the first tender issued. Against the second tender (April 2013), space was allotted for use as a godown, at a monthly license fee of ₹ 50,000 (₹ 5.61 per Sft.). This rate was far less than the rental value in that area (as per the then A.P. Public Works Department 'D' Code ₹ 21.32 per Sft.). On a rethink, the Corporation cancelled the allotment (August 2013) and the stall lay vacant since then. The Corporation should have circulated the availability of space amongst Banks/Financial institutions instead of allotting the space for use as a godown. The vacant commercial space had resulted in loss of revenue of ₹ 0.82 crore (from September 2013 to March 2017).

  The Government replied (February 2018) that the Corporation cancelled the allotment of space for use as a godown as the rental value offered was very less. As the tenderer did not agree with the rate proposed by the Corporation, the tender was cancelled. Against this cancellation, the tenderer filed a Writ Petition.

  The reply was not acceptable as the Corporation after issue of allotment letter ascertained the higher rental value in that area. Considering this the Corporation cancelled the allotment. This led to avoidable litigation in Court besides loss of revenue to the Corporation.

Revenue from Advertisement contracts

The Corporation earns revenue from advertisements on buses, on passenger seat backs, spaces in and around bus stations (including unipoles) and on Ticket Issuing Machine rolls, etc. Advertising on buses included both buses owned by the Corporation and hired buses. Agreements for display of advertisements were entered into with private parties (Contractors), who paid monthly license fee as per the rates agreed in the agreements. The advertisement contracts were awarded through e-tendering, generally for period of five/ten years. The advertising space was generally earmarked and specified in the agreements. The Corporation had 79 advertisement contracts

[124] ₹ 7.56 crore/45,265 Sft.= ₹ 1670 /30 (estimated life) x12 months = ₹ 4.64 per Sft. per month
₹ 4.64 x 20,887 Sft. per month = ₹ 96,916 x 36 months = ₹ 34.89 lakh

as on 31 March 2017. The Corporation did not have a policy for sale and execution of advertisement contracts.

3.7.4.4 Collection of advertising revenue

- The Corporation entered into three separate agreements (September 2013 to September 2015) with advertising agencies[125] (licensee). The agreements provide for display of advertisements on buses owned by the Corporation and on Private Hired Buses (PHB).

The Corporation entered into separate agreements with PHB owners for hiring of buses as per which they were to permit display of advertisements on the buses, by the Corporation or its authorised agent. In case the PHB owner did not permit display of advertisements, or if the displayed advertisement were removed without intimation, the Corporation was entitled to recover the commensurate license fee from the hire charges payable.

Audit observed that the advertising agencies/licensees had stopped payment of license fee amounting to ₹ 2.62 crore to the Corporation. This was on the ground that they could not use the hired buses for display of advertisements in three Regions[126] for the period from August 2015 to March 2017 and in two Regions[127] for the period from May 2014 to March 2017. The PHB owners felt that allowing advertisements with vinyl stickers would entail additional expenditure on re-painting when the stickers were removed.

Failure of the Corporation to enforce and recover the commensurate amount from the Private Hired Bus Owners/Advertising agency (March 2017) resulted in non-recovery of ₹ 2.62 crore from the advertising agency (August 2017).

The Government replied (February 2018) that all the advertising contractors have represented to the Corporation to exempt the private hired buses from the purview of the contracts stating that they were not utilising those buses for display of advertisements due to non-cooperation from the PHB owners. The matter was under examination at the Corporate Office.

The fact remained that the Corporation could not enforce the agreement terms for making PHBs available for advertising purpose, which resulted in the above loss.

- In respect of its own buses, the Corporation failed to conduct a census as per the agreement and to intimate to advertising agencies, the number of new buses added in four Regions[128] during 2014 and 2015. As a result, the Corporation lost revenue of ₹ 0.64 crore.

The Government reply (February 2018) was silent on non-intimation of new buses to the advertising agencies.

Conclusion

The Corporation did not have any policy / Manual guiding the leasing of space, shops resulting in vacant stalls and commercial spaces. There was no

[125] M/s Valayam Creations, M/s Uni Ads and M/s Go Rural India

[126] Mahbubnagar, Medak and Nalgonda

[127] Warangal and Nizamabad

[128] Mahbubnagar, Nalgonda, Nizamabad and Hyderabad region

regular monitoring mechanism and follow up action at the Corporate Office. There was no comprehensive database of the total shops and spaces available for lease, period of vacancy and the resultant loss of revenue. In some of the cases, the agreements with licensees did not include the clause for the collection of Service Tax. Other agreements, provided for collection of Service Tax however, it was not collected resulting in liability on the Corporation. Spaces in Community Amenity Centers remained vacant which lead to loss of revenue. Failure of the Corporation to enforce and recover the commensurate amount from the Private Hired Bus Owners/ Advertising Agencies resulted in non-recovery of revenue.

3.8 Non-fulfillment of objective

The Corporation, to comply with the directions of Government, to ensure safety and security of girls and women, modified city ordinary buses at a cost of ₹ 3.43 crore. However, prior assurance of fund from Government was not obtained. Of this, an expenditure of ₹ 1.39 crore did not serve its objective as the doors were broken and not repaired

On review of measures to ensure safety of women and girls in the city buses, the Government of Telangana directed (August 2014) the Telangana State Road Transport Corporation (Corporation) to propose modifications in the city buses for safety of women commuters. The modifications, in the form of a prototype bus, was submitted (November 2014) to the 'Safety Health and Environment' (SHE) Committee (Committee) for approval. The designs for the prototype contained:

(i) a partition (consisting of "Door Structure" and "Honey Comb mesh") in the middle of the bus with a sliding door facility;

(ii) the partition had a sliding door, from where only the bus conductor was supposed to pass through;

(iii) the grilled partition separated male passengers from female passengers.

The design was approved by the Committee in November 2014.

The Corporation estimated the cost at ₹ 16,711 per partition per bus. The work for providing partition in 2050 'city ordinary' buses, was entrusted to local private fabricators. The work was completed in January 2015 at a total cost of ₹ 3.43 crore. The expenditure was met by the Corporation from borrowed funds[129].

Audit noted (December 2016) that the grill partitions in 834 buses (out of 2050 buses provided), valued ₹ 1.39 crore had broken and were thus non-functional. The Corporation had not undertaken any repairs of the grill partitions in the buses as of July 2017. This defeated the intended purpose, besides rendering the expenditure wasteful.

According to the provisions of the Road Transport Corporations Act, 1950, the Corporation shall carry out its activities on business principles. No sum shall be expended by or on behalf of the Corporation unless the same is covered by

[129] The Corporation had accumulated loss of ₹ 3,552 crore as on 31 March 2014

a current budget grant approved by the State Government. Scrutiny of relevant records however, showed that:

(i) there was no administrative sanction for the expenditure, either by the governing department, i.e., Transport, Roads and Buildings Department or by the Department of Women, Children, Disabled & Senior Citizens.

(ii) the Government had not committed to release funds to the Corporation for the work prior to its commencement. As a result, the Corporation executed the work from borrowed funds. The expenditure incurred by the Corporation had not been reimbursed by the Government as of July 2017 despite pursuance by the Corporation.

The Government replied (January 2018) that partitions were only proposed on experimental basis in city ordinary buses. The partitions were intact and broken sliding doors were removed for repairs and would be refitted. Further, the Government informed (June 2015) the Corporation to meet the expenditure on its own.

The reply was not acceptable as the Corporation installed grill partitions in 2050 City Ordinary buses. Installation in such a large number of buses cannot be treated as experimental basis.

The reply confirmed the fact that the Corporation had to bear the expenditure on grill partitions out of its funds.

Further, the Corporation did not ensure the repairs of grill partitions and sliding doors (December 2017) defeating the objective of providing safety and security of girls and women.

Hyderabad
The 12.03.2018

(AJAIB SINGH)
Principal Accountant General (Audit)
Telangana

Countersigned

New Delhi
The 14.03.2018

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

ANNEXURES

Annexure 1.1(a)

Statement showing investments made by State Government in PSUs (exclusive to state only) whose accounts are in arrears

(Referred to in paragraph 1.10)

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

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A.	**Working Government Companies**						
	AGRICULTURE AND ALLIED						
1	Kaleshwaram Irrigation Project Corporation Limited	First Accounts not submitted	100.00	2016-17	100.00	0.00	7.43
2	Telangana State Horticulture Development Corporation Limited	First Accounts not submitted	0.00	2016-17	0.00	0.00	126.18
	Sub-total		100.00		100.00	0.00	133.61
	INFRASTRUCTURE						
3	Fab City SPV (India) Private Limited	2013-14	0.01	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
4	Pashamylaram Textiles Park	2013-14	0.05	2014-15	0.00	0.00	0.00
				2015-16	NA	NA	NA
				2016-17	NA	NA	NA
5	eCity Manufacturing Cluster Limited	2013-14	0.01	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
6	Maheswaram Science Park Limited	2013-14	0.01	2014-15	0.00	0.00	0.00
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
7	Hyderabad Growth Corridor Limited	2012-13	0.15	2013-14	0.00	348.53	0.00
				2014-15	0.00	322.23	0.00
				2015-16	0.00	156.00	0.00
				2016-17	0.00	0.00	0.00
	Sub-total		**0.23**		**0.00**	**826.76**	**0.00**
	MANUFACTURING						
8	APMDC-SCCL Suliyari Coal Company Limited	First Accounts not submitted	**1.00**	2013-14	NA	NA	NA
				2014-15	NA	NA	NA
				2015-16	NA	NA	NA
				2016-17	0.00	0.00	0.00
	Sub-total		**1.00**		**0.00**	**0.00**	**0.00**

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
	POWER						
9	Northern Power Distribution Company of Telangana Limited	2015-16	274.76	2016-17	0.00	0.00	0.00
	Sub-total		**274.76**		**0.00**	**0.00**	**0.00**
	SERVICES						
10	Hyderabad Metro Rail Limited	2012-13	0.57	2013-14	0.00	0.00	2500.00
				2014-15	0.00	0.00	424.67
				2015-16	0.00	177.46	0.00
				2016-17	0.00	152.73	0.00
11	Telangana Drinking Water Supply Corporation Limited.	First Accounts not submitted	0.05	2015-16	NA	NA	NA
				2016-17	0.00	0.00	1450.00
	Sub-total		**0.62**		**0.00**	**330.19**	**4374.67**
	GRAND TOTAL		**376.61**		**100.00**	**1156.95**	**4508.28**

NA = Not Applicable

Annexure 1.1(b)

Statement showing investments made by State Government in PSUs (under demerger) whose accounts are in arrears

(Referred to in paragraph 1.10)

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

Sl. No.	Sector and name of Company	Year upto which account finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
	Working Government Companies						
	FINANCE						
1	Andhra Pradesh Film, Television and Theatre Development Corporation Limited	2015-16	6.22	2016-17	0.00	0.00	2.62
	Sub Total		**6.22**		**0.00**	**0.00**	**2.62**
	INFRASTRUCTURE						
2	Andhra Pradesh Rajiv Swagruha Corporation Limited	2014-15 (2 Months)	0.05	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
3	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	30.12	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	5.00
	Sub Total		**30.17**		**0.00**	**0.00**	**5.00**
	POWER						
4	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted	0.25	2008-09	0.00	0.00	2.44
				2009-10	0.00	0.00	1.57
				2010-11	0.00	0.00	0.23
				2011-12	0.00	0.00	0.89
				2012-13	0.00	0.00	0.98
				2013-14	0.00	0.00	0.52
				2014-15	0.00	0.00	0.67
				2015-16	0.00	0.00	1.31
				2016-17	0.00	0.00	1.41
	Sub Total		**0.25**		**0.00**	**0.00**	**10.02**
	GRAND TOTAL		**36.64**		**0.00**	**0.00**	**17.64**

Annexure 1.1 (c)

Statement showing investments made by State Government in PSUs (formed due to demerger) whose accounts are in arrears

(Referred to in paragraph 1.10)

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

Sl. No.	Particulars	Year up to which accounts are finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
A.	**COMPANIES FORMED W.E.F. BIFURCATION**						
	AGRICULTURE AND ALLIED						
1	Telangana State Seeds Development Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	4.10
2	Telangana State Agro Industries Development Corporation Limited	First Accounts not submitted	8.96	2015-16	NA	NA	NA
				2016-17	0.00	0.00	0.00
3	Telangana State Irrigation Development Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	0.00
4	Telangana State Forest Development Corporation Limited	First Accounts not submitted	9.10	2015-16	0.01	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		**18.16**		**0.01**	**0.00**	**4.10**
FINANCE							
5	Telangana State Minorities Finance Corporation Limited	First Accounts not submitted	0.02	2015-16	0.00	0.00	62.16
				2016-17	0.00	0.00	76.58
6	Telangana State Christian Minorities Finance Corporation Limited	First Accounts not submitted	0.05	2014-15	NA	NA	NA
				2015-16	0.05	0.00	26.18
				2016-17	0.05	0.00	17.82
7	Telangana Power Finance Corporation Limited	2015-16	0.05	2016-17	0.00	0.00	0.00

Sl. No.	Particulars	Year up to which accounts are finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
8	Telangana State Handicrafts Development Corporation Limited	First Accounts not submitted	3.05	2015-16	0.00	0.00	0.00
				2016-17	3.00	0.00	0.00
	Sub Total		**3.17**		**3.10**	**0.00**	**182.74**
INFRASTRUCTURE							
9	Telangana State Urban Finance and Infrastructure Development Corporation Limited	First Accounts not submitted	0.05	2014-15	0.05	0.00	206.52
				2015-16	0.00	0.00	2.75
				2016-17	0.00	0.00	109.05
10	Telangana State Industrial Infrastructure Corporation Limited	First Accounts not submitted	12.61	2014-15	NA	NA	NA
				2015-16	0.00	0.00	15.26
				2016-17	0.00	0.00	5.80
11	Telangana State Mineral Development Corporation Limited	First Accounts not submitted	0.05	2014-15	NA	NA	NA
				2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
12	Telangana State Industrial Development Corporation Limited	First Accounts not submitted	1.00	2014-15	NA	NA	NA
				2015-16	NA	NA	NA
				2016-17	0.00	0.00	0.00
13	Telangana State Aviation Corporation Limited	First Accounts not submitted	0.05	2015-16	0.00	0.00	12.07
				2016-17	0.00	0.00	27.55
14	Telangana State Housing Corporation Limited	First Accounts not submitted	NA	2015-16	NA	NA	NA
				2016-17	NA	NA	NA
15	Telangana State Police Housing Corporation Limited	First Accounts not submitted	0.75	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		**14.51**		**0.05**	**0.00**	**379.00**

Sl. No.	Particulars	Year up to which accounts are finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
MANUFACTURING							
16	Telangana State Beverages Corporation Limited	2014-15	0.05	2015-16	0.00	0.00	58.56
				2016-17	0.00	0.00	46.55
17	Telangana State Leather Industries Promotion Corporation Limited	First Accounts not submitted	1.63	2015-16	0.82	0.00	0.00
				2016-17	1.98	0.00	0.00
	Sub Total		**1.68**		**2.80**	**0.00**	**105.11**
SERVICES							
18	Telangana State Trade Promotion Corporation Limited	First Accounts not submitted	0.01	2014-15	NA	NA	NA
				2015-16	0.00	0.00	0.00
				2016-17	0.01	0.00	0.00
19	Telangana State Civil Supplies Corporation Limited	First Accounts not submitted	0.10	2015-16	0.00	0.00	0.00
				2016-17	0.10	0.00	0.00
20	Telangana State Tourism Development Corporation Limited	First Accounts not submitted	2.48	2014-15	1.57	0.00	1.46
				2015-16	1.00	0.00	16.24
				2016-17	0.00	0.00	28.64
	Sub Total		**2.59**		**2.68**	**0.00**	**46.34**
	POWER						
21	Telangana State Power Generation Corporation Limited	2015-16	869.64	2016-17	198.59	0.00	0.00
22	Transmission Corporation of Telangana Limited	2014-15	0.05	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
23	Telangana State Renewable Energy Development Corporation Limited	First Accounts not submitted	0.05	2014-15	NA	NA	NA
				2015-16	0.00	0.00	1.12
				2016-17	0.00	0.00	1.12
	Sub Total		**869.74**		**198.59**	**0.00**	**2.24**

Sl. No.	Particulars	Year up to which accounts are finalised	Paid up Capital	Period of accounts pending finalisation	Investment made by State Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
1	2	3	4	5	6	7	8
MISCELLANEOUS							
24	Telangana Overseas Manpower Company Limited	First Accounts not submitted	0.05	2015-16	0.00	0.00	0.00
				2016-17	0.50	0.00	0.00
	Sub Total		**0.05**		**0.50**	**0.00**	**0.00**
	TOTAL (A)		**909.90**		**207.73**	**0.00**	**719.53**
B.	**STATUTORY CORPORATIONS**						
25	**AGRICULTURE AND ALLIED** Telangana State Warehousing Corporation	First Accounts not submitted	3.74	2015-16	0.00	0.00	0.00
				2016-17	0.00	0.00	0.00
	Sub Total		**3.74**		**0.00**	**0.00**	**0.00**
FINANCE							
26	Telangana State Financial Corporation	First Accounts not submitted	219.35	2015-16	NA	NA	NA
				2016-17	0.00	0.00	0.00
	Sub Total		**219.35**		**0.00**	**0.00**	**0.00**
SERVICES							
27	Telangana State Road Transport Corporation	First Accounts not submitted	83.89	2016-17	129.08	10	34.53
	Sub Total		**83.89**		**129.08**	**10.00**	**34.53**
	TOTAL (B)		**306.98**		**129.08**	**10.00**	**34.53**
	GRAND TOTAL (A) + (B)		**1216.88**		**336.81**	**10.00**	**754.06**

NA-Not Available

Annexure 1.2 (a)

Summarised financial position and working results of PSUs (exclusive to state only) as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.13)

(Figures in Columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
A.	**WORKING GOVERNMENT COMPANIES**												
AGRICULTURE AND ALLIED													
1	Kaleshwaram Irrigation Project Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	**0**
2	Telangana State Horticulture Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	**0**
	Sub Total			**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**NA**	**0**
	INFRASTRUCTURE												
3	Fab City SPV (India) Private Limited	2013-14	2016-17	0.01	0	-1.18	0.92	-1.07	0.00	-1.17	-1.07	-91.45	0
4	Pashamylaram Textiles Park	2013-14	2016-17	0.05	0.00	0.46	0.00	-0.02	0.00	0.51	-0.02	-3.92	NA
5	eCity Manufacturing Cluster Limited	2013-14	2014-15	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0
6	Maheswaram Science Park Limited	2013-14	2014-15	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0
7	Hyderabad Growth Corridor Limited	2012-13	2017-18	0.15	3375.60	-3.81	0.32	-0.04	0.01	3,371.95	-0.04	0.00	NA
	Sub Total			**0.23**	**3,375.60**	**-4.53**	**1.24**	**-1.13**	**0.01**	**3,371.31**	**-1.13**		**0**
	MANUFACTURING												
8	The Singareni Collieries Company Limited	2016-17	2017-18	1733.20	4273.72	3463.17	14229.87	552.29	Under finalisation	9470.09	784.27	8.28	56282
9	Damodhara Minerals Private Limited	2016-17	2017-18	0.04	0.00	-0.09	0.00	0.00	0.00	-0.06	0.00	0.00	0

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
10	The Nizam Sugars Limited	2016-17	2017-18	34.00	55.94	-247.20	0.00	-5.96	3.86	-155.63	0.87	0.56	15
11	APMDC-SCCL Suliyari Coal Company Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
	Sub Total			**1767.24**	**4329.66**	**3215.88**	**14229.87**	**546.33**	**3.86**	**9314.40**	**785.14**		**56297**
	POWER												
12	Southern Power Distribution Company of Telangana Limited	2016-17	2017-18	728.48	2714.62	-15325.22	17622.74	-4700.23	Under finalisation	-2748.78	-3667.95	-133.44	9070
13	Northern Power Distribution Company of Telangana Limited	2015-16	2016-17	274.76	4175.61	-5895.00	7194.87	-1010.08	-53.23	-626.17	-684.40	-109.30	7822
	Sub Total			**1003.24**	**6890.23**	**-21220.22**	**24817.61**	**-5710.31**	**-53.23**	**-3374.95**	**-4352.35**		**16892**
	SERVICE												
14	Hyderabad Metro Rail Limited	2012-13	2014-15	0.57	0.00	0.54	278.65	0.00	0.00	1.10	0.00	0.00	136
15	Telangana Drinking Water Supply Corporation Limited.	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
	Sub Total			**0.57**	**0.00**	**0.54**	**278.65**	**0.00**	**0.00**	**1.10**	**0.00**		**136**
	Grand Total			**2771.28**	**14595.49**	**-18008.33**	**39327.37**	**-5165.11**	**-49.36**	**9311.86**	**-3568.34**		**73325**

NOTE: Particulars of Non-working Statutory Corporations, if any, may also be added in the similar fashion

@ Capital employed represents Shareholders fund and long term borrowings

NA=Not Available

Annexure 1.2 (b)

Summarised financial position and working results of PSUs (under demerger) as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.13)

(Figures in Columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
A. WORKING GOVERNMENT COMPANIES													
FINANCE													
1	Andhra Pradesh Film, Television and Theatre Development Corporation Limited	2015-16	2016-17	6.22	0.10	2.17	14.06	0.18	-0.15	8.49	0.32	3.77	24
INFRASTRUCTURE													
2	Andhra Pradesh Rajiv Swagruha Corporation Limited	2014-15 (2 Months)	2015-16	0.05	0.00	-1.67	9.56	-10.97	-24.15	-1.62	4.89	301.85	35
3	Infrastructure Corporation of Andhra Pradesh Limited	2014-15	2015-16	30.12	0.00	-3.82	0.26	-1.55	0.00	26.30	-1.55	-5.89	106
POWER													
4	Andhra Pradesh Tribal Power Company Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	9
	TOTAL: A			**36.39**	**0.10**	**-3.32**	**23.88**	**-12.34**	**-24.30**	**33.17**	**3.66**		**174**

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
B. NON-WORKING COMPANIES													
1	Andhra Pradesh Fisheries Corporation Limited	1.4.02 to 9.5.02	NA	4.67	8.67	-21.75	0.00	0.00	0.00	-7.24	0.00	0.00	
2	Proddutur Milk Foods Limited	1983-84	1990-91	1.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8
3	Andhra Pradesh Dairy Development Corporation Limited	2013-14 (14 Months)	2014-15	15.00	0.00	-5.24	0.00	0.00	0.00	9.76	0.00	0.00	
FINANCING													
4	A.P Small Scale Industrial Development Corporation Limited	2001-02	2003-04	9.62	13.92	-20.03	0.02	2.18	0.00	2.93	2.18	74.40	
5	Andhra Pradesh Tourism Finance Limited	2002-03	2004-05	2.00	0.00	0.07	0.11	0.11	0.00	2.05	0.11	5.37	
MANUFACTURING													
6	Allwyn Auto Limited	1994-95		0.15	14.45	-13.54	0.00	-6.46	0.00	-2.97	-6.46	217.51	
7	Allwyn Watches Limited	1998-99	2002-03	0.15	64.93	-248.70	13.00	-70.69	0.00	95.75	-70.69	-73.83	
8	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2006-07	12.72	0.68	-10.74	0.00	-0.75	0.00	3.68	-0.75	-20.38	
9	Andhra Pradesh Scooters Limited	1992-93	1993-94	11.11	11.19	-34.49	0.00	-3.70	0.00	-3.79	-3.70	97.63	
10	Andhra Pradesh Steels Limited	1991-92	1993-94	2.03	2.12	-6.51	0.00	-2.09	0.00	-2.51	-2.09	83.27	
11	Aptronix Communications Limited			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	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
12	Hyderabad Chemicals and Fertilizers Limited	1984-85	1986-87	0.78	8.25	-0.63	0.00	0.62	0.00	-1.34	0.62	-46.27	
13	Marine and Communication Electronics (India) Limited	1992-93	1994-95	1.89	4.77	-4.21	0.00	-4.70	0.00	7.23	-4.70	-65.01	
14	Republic Forge Company Limited	1991-92	1993-94	7.77	54.77	-23.41	0.00	-3.24	0.00	8.82	-3.24	-36.73	
15	Southern Transformers and Electricals Limited	1993-94	1996-97	0.58	0.78	-5.78	0.00	-0.57	0.00	-1.45	-0.57	39.31	
16	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	NA	0.75	0.00	-0.77	0.00	0.00	0.00	0.00	0.00	0.00	
17	Golkonda Abrasives Limited	1997-98	NA	0.55	0.00	-7.44	0.00	-0.01	0.00	0.00	-0.01	0.00	
18	Krishi Engineering Limited	1984-85	NA	0.52	0.00	-3.54	0.00	-0.52	0.00	0.00	-0.52	0.00	
19	PJ Chemicals Limited	1989-90	NA	0.38	0.00	-3.56	0.00	-0.51	0.00	0.00	-0.51	0.00	
20	Suganthy Alloy Castings Limited	1983-84	NA	0.20	0.00	-0.26	0.00	-0.16	0.00	0.00	-0.16	0.00	
21	Vidyut Steels Limited	1985-86	NA	0.88	0.00	-1.55	0.00	-0.40	0.00	0.00	-0.40	0.00	
SERVICE													
22	Andhra Pradesh Essential Commodities Corporation Limited	2013-14 (14 M)	2017-18	1.13	0.00	9.46	0.00	-0.04	0.00	10.59	-0.04	-0.38	0
	TOTAL : B			**74.84**	**184.53**	**-402.62**	**13.13**	**-90.93**	0.00	**121.51**	**-90.93**		**8**
	GRAND TOTAL			**111.23**	**184.63**	**-405.94**	**37.01**	**-103.27**	**-24.30**	**154.68**	**-87.27**		**182**

NA=Not Available

Annexure 1.2 (c)

Summarised financial position and working results of PSUs (formed due to demerger) as per their latest finalised financial statements/accounts

(Referred to in paragraph 1.13)

(Figures in Columns 5 to 12 are ₹ in crore)

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
1	Telangana State Seeds Development Corporation Limited	2015-16	2017-18	0.05	52.50	0.70	269.14	0.70	-0.66	774.25	0.70	0.09	72
2	Telangana State Agro Industries Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49
3	Telangana State Irrigation Development Corporation Limited	2015-16	2017-18	0.05	20.04	-11.76	15.44	4.18	-22.8	60.95	6.12	10.04	108
4	Telangana State Forest Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	85
	Sub Total			0.10	72.54	-11.06	284.58	4.88	-23.46	835.20	6.82		314
FINANCE													
5	Telangana State Minorities Finance Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36
6	Telangana State Christian Minorities Finance Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	8
7	Telangana Power Finance Corporation Limited	2015-16	2017-18	0.05	3.15	0.00	0.94	0.00	Under finalisation	3.20	0.00	0.00	1

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**
8	Telangana State Handicrafts Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	38
	Sub Total			0.05	3.15	0.00	0.94	0.00	0.00	3.20	0.00		83
INFRASTRUCTURE													
9	Telangana Urban Finance and Infrastructure Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0
10	Telangana State Industrial Infrastructure Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	104
11	Telangana State Mineral Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	13
12	Telangana State Industrial Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	28
13	Telangana State Aviation Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	6
14	Telangana State Housing Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
15	Telangana State Police Housing Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	81
	Sub Total			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		232

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
MANUFACTURING													
16	Telangana State Beverages Corporation Limited	2014-15	2016-17	0.05	0.00	0.00	7.00	0.00	0.00	0.05	0.00	0.00	321
17	Telangana State Leather Industries Promotion Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	26
	Sub Total			0.05	0.00	0.00	7.00	0.00	0.00	0.05	0.00		347
POWER													
18	Telangana State Power Generation Corporation Limited	2015-16	2017-18	869.64	10,764.22	407.96	7,038.15	336.53	Under finalisation	15,915.39	1,666.54	10.47	6,205
19	Transmission Corporation of Telangana Limited	2014-15	2017-18	0.05	713.01	43.73	655.26	45.91	Under finalisation	1,722.73	289.59	16.81	1612
20	Telangana State Renewable Energy Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50
	Sub Total			869.69	11,477.23	451.69	7,693.41	382.44	0.00	17,638.12	1,956.13		7,867
SERVICES													
21	Telangana State Trade Promotion Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	10
22	Telangana State Civil Supplies Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	348
23	Telangana State Tourism Development Corporation Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	910
24	Telangana State Technology Services Limited	2016-17	2017-18	0.05	0.00	7.92	16.16	7.90	0.00	7.97	7.90	99.12	0

Sl. No.	Sector / name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of year	Accumulated profit(+)/ loss(-)	Turnover	Net profit (+)/ loss (-)	Net impact of Audit comments	Capital employed	Return on capital employed	Percentage of return on capital employed	Manpower
1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Sub Total			0.05	0.00	7.92	16.16	7.90	0.00	7.97	7.90		1,268
	MISCELLANEOUS												
25	Telangana Overseas Manpower Company Limited	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	4
	TOTAL (A)			**869.94**	**11,552.92**	**448.55**	**8,002.09**	**395.22**	**-23.46**	**18,484.54**	**1,970.85**		**10,115**
B.	**STATUTORY CORPORATIONS**												
AGRICULTURE AND ALLIED													
26	Telangana State Warehousing Corporation	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	291
FINANCE													
27	Telangana State Financial Corporation	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	285
SERVICES													
28	Telangana State Road Transport Corporation	First Accounts not submitted	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	54117
	TOTAL (B)												54693
	GRAND TOTAL (A) + (B)			**869.94**	**11,552.92**	**448.55**	**8,002.09**	**395.22**	**-23.46**	**18,484.54**	**1,970.85**		**64,808**

NA=Not Available

Annexure 1.3

(Referred to in Paragraph 1.18)

Explanatory Notes not received (as on 30 September 2017)

Year of the Audit Report (Commercial/PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received			
				Exclusive to State		Common	
		PAs	Paragraphs	PAs	Paragraphs	PAs	Paragraphs
1992-93	29-03-1994	7	29	0	0	0	0
1993-94	28-04-1995	6	19	0	0	1	0
1995-96	19-03-1997	5	23	0	0	1	2
1996-97	19-03-1998	6	23	0	0	0	0
1997-98	11-03-1999	6	23	0	0	0	7
1998-99	03-04-2000	4	25	0	1	0	5
1999-00	31-03-2001	6	18	0	0	2	6
2000-01	30-03-2002	4	17	0	0	1	2
2001-02	31-03-2003	3	20	0	0	0	1
2002-03	24-07-2004	3	13	0	0	2	2
2003-04	31-03-2005	2	19	0	0	1	1
2004-05	27-03-2006	2	21	0	0	1	3
2005-06	31-03-2007	4	19	0	1	1	1
2006-07	28-03-2008	5	24	0	0	2	6
2007-08	05-12-2008	3	22	0	0	1	1
2008-09	30-03-2010	3	24	0	0	2	8
2009-10	29-03-2011	3	18	0	0	1	2
2010-11	29-03-2012	3	22	0	0	0	9
2011-12	21-06-2013	2	6	0	0	2	4
2012-13	06-09-2014	2	9	0	1	2	2
2013-14	26-03-2015	2	5	0	1	1	2
2014-15	30-03-2016	1	3	1	2	0	0
2015-16	27-03-2017	1	8	1	6	0	0
Total		**83**	**410**	**2**	**12**	**21**	**64**

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

Annexure 1.4

Performance Audits/Paragraphs that appeared in Audit Reports vis-a-vis discussed as on 30 September 2017

(Referred to in Paragraph 1.19)

Year of the Audit Report (Commercial/PSU)	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
1992-93	7	29	6	**29**
1993-94	6	19	4	**19**
1995-96	5	23	2	**18**
1996-97	6	23	3	**22**
1997-98	6	23	2	**10**
1998-99	4	25	0	**14**
1999-00	6	18	1	**7**
2000-01	4	17	1	**14**
2001-02	3	20	0	**12**
2002-03	3	13	1	**10**
2003-04	2	19	0	**7**
2004-05	2	21	0	**12**
2005-06	4	19	0	**11**
2006-07	5	24	1	**5**
2007-08	3	22	0	**8**
2008-09	3	24	0	**5**
2009-10	3	18	0	**5**
2010-11	3	22	0	**2**
2011-12	2	6	0	0
2012-13	2	9	0	0
2013-14	2	5	0	0
2014-15	1	3	0	0
2015-16	1	8	0	0
Total	**83**	**410**	**21**	**210**

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

Annexure 1.5

Compliance to COPU Reports

(Referred to in Paragraph 1.20)

Year of the COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs not received
1983-84	1	3	3
1990-91	1	4	4
1991-92	7	278	174
1993-94	7	221	141
1995-96	2	32	18
1996-97	2	38	24
1998-99	2	16	16
2000-01	13	114	52
2001-02	0	0	0
2002-03	1	24	0
2004-05	9	66	7
2004-06	1	14	0
2006-07	4	25	25
Total	**50**	**835**	**464**

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

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

Annexure-2.1

Statement showing the loss to the Company due to failure to restrict the distribution losses within the limits allowed by SERC

(Referred to in Paragraph 2.6.2.1(A))

Sl. No.	Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
1	Energy purchased (MU) (kWh)	28736.62	29644.47	32245.42	32898.07	34799.70
2	Total Sales (MU) (kWh)	24383.42	25523.17	28078.42	29083.93	30840.27
3	Energy loss (MU) (kWh) (1-2)	4353.20	4121.30	4167.00	3814.14	3959.43
4	Percentage of Energy losses	15.15	13.90	12.92	11.59	11.38
5	Percentage of energy losses approved by SERC	12.18	11.44	11.44	10.57	9.79
6	Excess losses (in %)	2.97	2.46	1.48	1.02	1.59
7	Excess losses (MU) (kWh)	853.48	729.25	477.23	335.56	553.32
8	Average realization per unit (in ₹)	3.64	4.37	4.66	5.20	5.07
9	Value of excess losses (₹ in crore)	310.67	318.68	222.39	174.49	280.53
	Total value of excess losses for 2012-17 (₹ in crore)					**1306.76**

Source: Energy Trial Balances, Annual Accounts and Tariff Orders

Annexure-2.2

Statement showing the loss incurred by the Company due to supply of power to agricultural consumers in excess of SERC approved quantum

(Referred to in Paragraph 2.6.2.1(B))

Particulars	2012-13[130]	2013-14	2014-15[131]	2015-16	2016-17	Total
Agriculture sales estimate submitted to SERC (in MU)	9079.03	9631.76	9631.76	7528.19	7185.00	**43055.74**
Agriculture supply approved by SERC (in MU)	8073.90	8073.90	8073.90	6318.00	6946.00	**37485.70**
Subsidy approved (₹ in crore)	1148.78	1283.83	1283.83	423.69	946.43	**5086.56**
Actual supply (as estimated by Company) (in MU)	8659.48	9190.49	7112.70	6517.67	8767.64	**40247.98**
Excess supply (in MU)	585.58	1116.59	NA	199.67	1821.64	**3723.48**
Average cost of service for Agricultural supply (₹)	3.90	4.71	4.71	4.80	4.91	**--**
Loss due to excess supply (₹ in crore)	228.38	525.91	NA	95.84	894.43	**1744.56**

Source: Tariff Orders and Energy Trial Balances

[130] Figures for 2012-13 and 2013-14 were for APCPDCL while those for the years 2015-16 and 2016-17 were for TSSPDCL

[131] As the Tariff order for 2014-15 was not issued by SERC, Company adopted the Tariffs of 2013-14. As the estimates, supply approved by SERC and subsidy were for APCPDCL while actual supply was for TSSPDCL, the same were not compared by Audit

Annexure-2.3

Statement showing the value of energy foregone by Company by opting for 3 Star DTRs instead of 5 star DTRs

(Referred to in Paragraph 2.6.4.3(B))

DTR Capacity (in kVA)	Max. load loss allowed as per Standards (in watts)			Energy Savings per annum[132] per DTR (in kWh)	Value of energy saved at 2016-17[133] ACoS during lifetime[134] of one DTR (₹)	Quantity of DTRs procured during 2012-17	Total value of the energy not conserved (₹ in crore)
	3 star DTR	5 star DTR	Savings in load loss				
1	2	3	4=(2)-(3)	5	6=(5)*25 years * ₹ 5.84	7	8=6*7/ 100000
16	480	400	80	701	102317	7281	74.50
25	695	595	100	876	127896	79399	1015.48
63	1250	1050	200	1752	255792	12376	316.57
100	1800	1500	300	2628	383688	13490	517.60
160	2200	1700	500	4380	639480	2569	164.28
250	3150	2700	450	3942	575532	43	2.47
315	3275	2750	525	4599	671454	1321	88.70
500	4750	4100	650	5694	831324	481	39.99
1250	10750	8400	2350	20586	3005556	3	0.90
Total					**6593039**	**116963**	**2220.49**

Source: CEA guidelines and Data from Purchase Wing

[132] Col (4)*24*365/1000

[133] ACoS for 2016-17 was ₹ 5.84 as per tariff Order for 2016-17

[134] 25 years as per CEA guidelines of August 2008

Annexure 3.1

Statement showing the details of electricity duty short levied by TSNPDCL in respect of specified LT consumers who were provided with trivector meters

(Referred to in Paragraph 3.2)

(Amount in ₹)

Year	No. of consumers	kVAh units	kWh units	Difference	Rate of ED per unit (paise)	Short levy of ED
1	**2**	**3**	**4**	**5**	**6**	**7=5*6**
2011-12	1041	55500114	37304427	18195687	0.06	1091741
2012-13	1207	44736512	37515914	7220598	0.06	433236
2013-14	1644	50500984	44743518	5757466	0.06	345448
2014-15	1892	53706374	48977709	4728665	0.06	283720
2015-16	2269	61347064	55372048	5975016	0.06	358501
2016-17	2390	66526603	60809693	5716910	0.06	343015
Total						**2855661**

Annexure 3.2

Statement showing the details of employer's share of contributions made in excess towards EPF

(Referred to in Paragraph 3.3)

(All figures ₹in crore except No. of employees)

Year	Accumulated Loss for the year	Net worth for the year	No. of employees	PF contribution by Company (Employee 12% + Employer 3.67%)	Employer Contribution towards PF @ 3.67%	Pay + DA on which PF was remitted	Pay+DA as per ceiling	Maximum PF contribution to made at @ 10% of celing wages per month	Excess contribution due to not limiting the wages to celing per month	Actual Admn charges on EPF, EDLI and admn charges on EDLI paid	Admn charges on EPF, EDLI and admn charges on EDLI Payable (@1.10/ 0.85+0.50+ 0.01 %)	Excess admn charges due to not limiting the wages to celing per month	Amount contributed by Company towards Pension fund	Amount Payable by Company towards Pension fund by limiting to ceiling wages per month	Excess Amount paid to Pension Fund	Total excess contribution
1	2	3	4	5	6=(5*3.67/ 15.67)	7=(6*100/ 3.67)	8=(4* ceiling wages* 12)	9=(8*1.67%)	10=(6-9)	11	12	13=(11-12)	14	15=(8*8.33%)	16= (14-15)	17=(10+13+16)
2012-13	7829.81	-5309.82	7598	25.88	6.06	165.16	59.26	0.99	5.07	2.65	0.95	1.70	13.74	4.94	8.80	15.57
2013-14	8641.05	-5953.26	7581	29.22	6.84	186.47	59.13	0.99	5.86	2.93	0.95	1.98	15.14	4.93	10.21	18.05
2014-15	8255.56	-5013.53	5351	41.87	9.81	267.20	69.03	1.15	8.65	4.11	1.07	3.04	22.38	5.75	16.63	28.33
2015-16	10624.99	-7172.63	5472	33.75	7.90	215.38	98.50	1.64	6.26	2.90	1.34	1.56	17.74	8.20	9.54	17.36
2016-17	15325.22	-11696.38	5487	38.50	9.02	245.69	98.77	1.65	7.37	3.30	1.34	1.96	20.23	8.23	12.00	21.33
Total				**169.22**	**39.63**	**1079.90**			**33.21**	**15.89**	**5.66**	**10.23**	**89.23**	**32.04**	**57.19**	**100.63**

Note: Maximum PF contribution to be made worked out assuming that the wages of all the employees is ₹6500/ ₹15000 or more per month.

Annexure 3.3

Statement showing quantity and value of pulpwood sold during 2016-17

(Referred to in Paragraph 3.4)

Sl. No	Quantity in Metric Tons (MT) in lakh	Rate obtained per MT	Minimum reserve price per MT	Difference in price per MT	Loss
		(in ₹)			(₹ in crore)
	1	2	3	4=(3-2)	5=(4x1)
1	1.01	4340	4400	60	0.61
2	0.03	4120	4400	280	0.08
3	0.06	4320	4400	80	0.05
4	0.05	4360	4400	40	0.02
5	0.06	4160	4400	240	0.14
6	0.15	3900	4400	500	0.75
7	0.11	3900	4400	500	0.55
8	0.21	4145	4400	255	0.54
9	1.13	4365	4400	35	0.40
Total	**2.81**				**3.14**

GLOSSARY

Glossary

A&A	Agriculture and Allied
ACD	Additional Consumption Deposit
ACoS	Average Cost of Supply
APCPDCL	Central Power Distribution Company of Andhra Pradesh Limited
APED	Andhra Pradesh Electricity Duty
APEPDCL	Eastern Power Distribution Company of Andhra Pradesh Limited
APSRTC	Andhra Pradesh State Road Transport Corporation
ARR	Aggregate Revenue Requirement
AT&C	Aggregate Technical and Commercial
ATN	Action Taken Note
BOT	Build, Operate and Transfer
BT	Bus Terminal
CA	Chartered Accountant
CAC	Commuter Amenity Centre
CAG	Comptroller and Auditor General of India
CCC	Consumer Care Centre
CEA	Central Electricity Authority
CERC	Central Electricity Regulatory Commission
CGRF	Consumer Grievance Redressal Forum
COD	Commercial Operation Date
COPU	Committee on Public Undertakings
DDUGJY	Deen Dayal Upadhyaya Gram Jyoti Yojana
DISCOMs	Distribution Companies
D-list	Disconnection list
DPE	Detection of Pilferage of Energy
DPR	Detailed Project Report
DPS	Delayed Payment Surcharge
DTR	Distribution Transformers
EBS	Energy Billing System
ECIL	Electronics Corporation of India Limited
ED	Electricity Duty
EDLI	Employee Deposit Linked Insurance Scheme
EHT	Extra High Tension
EPF	Employees Provident Fund
ERP	Enterprise Resource Planning
FCRT	Full Cost Recovery Tariff
FRP	Financial Restructuring Plan
GDP	Gross Domestic Product

GoAP	Government of Andhra Pradesh
GoI	Government of India
GoT	Government of Telangana
HGCL	Hyderabad Growth Corridor Limited
HMDA	Hyderabad Metropolitan Development Authority
HT	High Tension
IEEMA	Indian Electrical and Electronics Manufacturers Association
IPDS	Integrated Power Development Scheme
IPPs	Individual Power Producers
ISI	Indian Statistical Institute
IT	Information Technology
JBS	Jubilee Bus Station
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KIPCL	Kaleshwaram Irrigation Project Corporation Limited
kV	kilo Volt
kVA	kilo Volt Ampere
kVAh,	kilo Volt Ampere hours
kW	kilo Watt
kWh	kilo Watt hour
IEX	Indian Energy Exchange
LT	Low Tension
MAIFI	Momentary Average Interruption Frequency Index
MGBS	Mahatma Gandhi Bus Station
MoP	Ministry of Power
MSW	Municipal Solid Waste
MT	Metric Ton
MU	Million Unit
MVAR	Mega Volt Ampere Reactive
MW	Mega Watt
MYT	Multi-Year Tariff
NCE	Non- Conventional Energy
NEF	National Electricity Fund Scheme
O&M	Operation and Maintenance
PAG	Principal Accountant General
PCC	Power Co-ordination Committee
PF	Power Factor
PFA	Power for All
PFC	Power Finance Corporation Limited
PHB	Private Hired Buses

PMA	Project Management Assistance
PSU	Public Sector Undertakings
R&C	Restriction and Control
R-APDRP	Restructured Accelerated Power Development and Reforms Programme
RE	Renewable Energy
REC	Renewable Energy Certificate
RECPDCL	REC Power Distribution Company Limited
RM	Regional Manager
RPPO	Renewable Power Purchase Obligation
RTS	Ramagundam Thermal Station
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SAP	Systems, Applications & Products
SAR	Separate Audit Report
SC	Scheduled Caste
SD	Security Deposit
SERC	State Electricity Regulatory Commission
SHE	Safety Health and Environment
ST	Scheduled Tribe
STL	Short-Term Liabilities
TCS	Tata Consultancy Services Limited
TD	Transmission-Distribution
TSERC	Telangana State Electricity Regulatory Commission
TSFDC	Telangana State Forest Development Corporation Limited
TSGENCO	Telangana State Power Generation Corporation Limited
TSHDCL	Telangana State Horticulture Development Corporation Limited
TSMDCL	Telangana State Mineral Development Corporation Limited
TSNPDCL	Northern Power Distribution Company of Telangana Limited
TSRTC	Telangana State Road Transport Corporation
TSSPDCL	Southern Power Distribution Company of Telangana Limited
TSTRANSCO	Transmission Corporation of Telangana Limited
UDAY	Ujwal Discom Assurance Yojana
VAT	Value Added Tax