

OVERVIEW

1. Overview of State Public Sector Undertakings

The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations which are established to carry out activities of commercial nature, keeping in view the welfare of the people.

The AP Reorganization Act, 2014 came into effect from 2 June 2014 vide which erstwhile State of Andhra Pradesh was bifurcated and Telangana State was formed on the same day. In Telangana, the State PSUs occupy an important place in the State economy. The accounts of these PSUs are subject to supplementary audit conducted by CAG as per the provisions of Section 143 of the Companies Act, 2013. Audit of Statutory Corporations is governed by their respective legislations.

As on 31 March 2015, there were 66 PSUs, falling under our audit purview. Out of these, 11 working PSUs pertain exclusively to Telangana, 33 PSUs are under demerger and remaining 22 are non-working PSUs (yet to be bifurcated). As on 31 March 2015, the investment (capital & long term loans) in 66 PSUs was ₹ 60,233.62 crore. The investment has grown by 56.23 per cent from ₹ 7,700.39 crore in 2010-11 to ₹ 17,594.84 crore in 2014-15 in respect of working PSUs and the thrust of investment was mainly in power sector.

- During 2014-15, the total outgo from the budget of the State of Telangana was ₹ 4,264.48 crore for working PSUs and ₹ 7,117.64 crore for PSUs under demerger.
- As per their latest finalised accounts, 11 working PSUs (Exclusive Telangana) incurred an aggregate loss of ₹ 351.62 crore and one PSU declared a dividend of ₹ 129.99 crore. Thirty three PSUs under demerger, incurred an aggregate loss of ₹ 444.12 crore and four PSUs declared a dividend of ₹ 16.19 crore.
- During the year 2014-15, out of six working PSUs (Exclusive Telangana) which finalised accounts, one PSU (The Singareni Collieries Company Limited) earned profit of ₹ 491.90 crore and three PSUs incurred loss of ₹ 1.35 crore and two working PSUs have not started their commercial operations. Out of 22 PSUs under demerger which finalised accounts, 14 PSUs earned a profit of ₹ 510.27 crore, seven PSUs incurred a loss of ₹ 1,221.54 crore and one PSU prepared its accounts on 'no profit no loss' basis. Major contributors to profit were Andhra Pradesh Forest Development Corporation Ltd, Andhra Pradesh State Warehousing Corporation, Andhra Pradesh Industrial Infrastructure Corporation Ltd. and Andhra Pradesh State Irrigation Development Corporation Ltd.

(Chapter I)

2. Performance Audit relating to Government Company

Performance Audit of **Fuel Management in Telangana State Power Generation Corporation Limited** was conducted. Executive summary of audit findings are given below:

Introduction

In the combined State of Andhra Pradesh, generation of power was carried out by Andhra Pradesh Power Generation Corporation Limited (APGENCO). After the formation of Telangana State as per the Andhra Pradesh Reorganisation Act, 2014, Telangana State Power Generation Corporation Limited (TSGENCO) was incorporated under Companies Act, 2013 on 19 May 2014 and it commenced operations from 2 June 2014. It has a capacity of 2,282.5 MW at three thermal power plants viz. Kothagudem Thermal Power Stations (KTPS, 1,720 MW), Paloncha (Khammam District), Kakatiya Thermal Power Station (KTPP, 500 MW), Bhuppalapalli (Warangal District), and Ramagundam Thermal Power Station (RTS-B, 62.5 MW), Ramagundam (Karimnagar District). The power generation increased from 10,783 MU (Million Units) in 2010-11 to 16,057 MU in 2014-15 and the total cost per unit increased from ₹ 2.01 in 2010-11 to ₹ 3.58 in 2014-15.

Linkage less than the requirement

Though the New Coal Distribution Policy (NCDP) of GoI provides for 100 *per cent* supply as per norms, the Company did not approach the GoI to bridge the gap between the normative requirement and linkage already obtained. Due to this the Company had to procure coal at higher price over and above the linkage quantity and thus incurred an additional expenditure of ₹ 170.56 crore which was avoidable.

Abnormal difference in average GCV of invoiced coal and bunkered coal

The abnormal difference in the Gross Calorific Value (GCV) as per the invoiced coal and the bunkered coal resulted in excess consumption of coal of 76.02 Lakh MT valued ₹ 2,082.44 crore.

Lack of adequate unloading facilities led to delay in unloading of coal

For transportation of coal, Railways changed their fleet from 'N' type to 'BOBR' wagons. Lack of adequate unloading facilities for these wagons led to delay in unloading of coal. The Company had paid ₹ 12.33 crore in the form of demurrages during 2010-15.

Excess payment of freight on diversion of rakes due to lack of timely action

The Company, though being aware that the supplies from Mahanadi Coalfields Limited (MCL) were not meeting the requirement of KTPS, had not planned in advance nor taken any steps to reallocate the coal to KTPS. This has resulted in payment of additional freight charges of ₹ 7.53 crore for diversions from KTPP to KTPS.

Excess unburnt carbon in ash

The high quantum of unburnt coal in fly ash and bottom ash resulted in wastage of 3.53 Lakh MT of coal valued ₹ 66.73 crore (being the cost of unburnt coal) in the ash.

Deficient internal control

Internal control system was found deficient as - there was no proper mechanism to review the coal supplies and their utilisation according to the requirement; no mechanism to review the inventory levels of coal; transit loss/demurrage charges were not monitored.

(Chapter II)

3. Compliance Audit Observations

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

Loss of ₹ 4.35 crore in one case due to defective/ deficient planning.

(Paragraph 3.1)

Loss of ₹ 31.45 lakh in one case due to non-safeguarding the financial interest of organization.

(Paragraph 3.2)

Loss of ₹ 0.66 crore in one case due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraph 3.3)

Gist of the important audit observations is given below:

The Singareni Collieries Company Limited without conducting the economic viability of 20 MW Captive Power Plant, incurred an expenditure of ₹ 4.35 crore on Consultants' fees and other civil works. An amount of ₹ 1.76 crore was finally written off in view of another upcoming Project (Singareni Thermal Power Project) leading to infructuous expenditure.

(Paragraph 3.1)

Telangana State Industrial Infrastructure Corporation Limited did not include rental clause for Full Tank Level (FTL) Land in the Tripartite agreement for lease rent entered into with the Department of Youth Advancement, Tourism & Culture (Department) and the Developer, resulted in non-recovery of ₹ 31.45 lakh and undue favour to the developer.

(Paragraph 3.2)

Andhra Pradesh State Road Transport Corporation had not registered BOT licenses as per the terms of the agreement resulting in loss to exchequer in the form of Stamp duty. Service tax of ₹ 65.82 lakh was not billed and collected from BOT/DOT licensees and remitted to appropriate authorities.

(Paragraph 3.3)

(Chapter III)