

5.1 Introduction

This chapter presents the summary of financial performance of Telangana Government Companies, Government controlled other Companies and Statutory Corporations as revealed from the accounts/information furnished by them and results of oversight role of the Comptroller and Auditor General of India (CAG). It highlights some of the significant comments issued as a result of supplementary audit of the accounts of the SPSUs conducted by the CAG.

State Public Sector Undertakings (SPSUs) are established by Governments to carry out activities of commercial nature for the development of the State as well as to cater to the welfare of its people.

A Government Company is defined in Section 2 (45) of the Companies Act, 2013 as a Company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary of a Government Company.

Besides, any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled Other Companies.

The Statutory Corporations are established by Government and governed by their respective legislations.

State SPSUs encompass Government Companies, Government Controlled Other Companies and Statutory Corporations of Government of Telangana.

5.2 Mandate of Audit

Audit of Government Companies and Government Controlled Other Companies is conducted by the CAG under the provisions of Section 143 of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under Sections 139 (5) and (7) of the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for the Government Companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the Statutory Auditor under Section 143 (6) of the Companies Act, 2013.

Statutes governing Statutory Corporations also require that their accounts be audited by the CAG and a report be submitted to the State Legislature.

5.3 Number of SPSUs and status of accounts

Telangana State was formed on 2 June 2014, following the bifurcation of the erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganization Act, 2014. As per the provisions of the AP Reorganization Act, 2014, a SPSU was allocated to the State in which it is exclusively located, or its operations are exclusively confined to. Assets and liabilities of SPSUs with interstate operations were to be apportioned between the two States as under:

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

As on 31 March 2023, there were 83 SPSUs in Telangana State (including eight Government Companies in power sector and 69 Government Companies, three Government Controlled Other Companies¹ and three Statutory Corporations in non-power sector) under the audit jurisdiction of CAG. Out of the 83 SPSUs, 67 were working and 16 were inactive² SPSUs. Two SPSUs, namely, Andhra Pradesh Tribal Power Company Limited, and Infrastructure Corporation of Andhra Pradesh Limited, under demerger, are included in working SPSUs.

The nature of SPSUs and the position of accounts of 83 SPSUs as on 30 September 2023 are detailed in **Table 5.1**:

Table 5.1: Number of SPSUs and status of accounts

Type of SPSUs	Total No. of SPSUs	No. of SPSUs whose accounts were received as of 30 September 2023				No. of SPSUs whose accounts are in arrears (No. of accounts in arrears)
		Up to 2020-21	Up to 2021-22	Up to 2022-23	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2) - (5)
Government Companies	61	7	13	12	32	49 (162)
Statutory Corporations	3	0	0	0	0	3 (20)
Government Controlled Other Companies	3	0	1	0	1	3 (14)
Total Working SPSUs	67	7	14	12	33	55 (196)
Inactive Government Companies	16	0	0	0	0	16 (405)
Grand Total	83	7	14	12	33	71(601)

Source: Annual accounts submitted by Telangana SPSUs

Out of 67 working SPSUs, 49 SPSUs³ whose accounts were in arrears for three or more years as on 30 September 2023 or which did not furnish information to Audit are not covered in this Chapter. Based on the accounts and/or information for the last three years ended March 2023 as furnished by SPSUs (both power and non-power sectors), analysis of financial performance of 18 working SPSUs has been covered in this Chapter.

¹ (i) Hyderabad Growth Corridor Limited, (ii) Karimnagar Smart City Corporation Limited and (iii) Greater Warangal Smart City Corporation Limited

² Either defunct or under liquidation. Of these, 15 Companies are under demerger

³ Including 13 SPSUs in respect of which first accounts were awaited

The position of arrears of accounts of all 83 SPSUs, both working and inactive as on 30 September 2023 are given in **Appendix 5.1**. The summary of financial performance of 18 working SPSUs is given in **Table 5.2** below:

Table 5.2: Summary of financial performance of 18 SPSUs

(₹in crore)

Number of working SPSUs	67
SPSUs covered in this Report	18
Paid up Capital (18 SPSUs)	₹20,536.93
Long term Loans (18 SPSUs)	₹78,035.15
Net profit (06 SPSUs)	₹3,857.48
Net loss (11 SPSUs)	₹(-)11,969.66
Zero Profit/ Loss (1 SPSU)	-
Dividend declared (01 SPSUs)	₹129.99
Net worth ⁴ (18 SPSUs)	₹(-)33,005.15

Source: Accounts/ information furnished by SPSUs

5.4 Contribution of SPSUs to the Economy of the State

The ratio of turnover of the SPSUs to the Gross State Domestic Product (GSDP) shows the contribution of SPSUs to the economy of the State.

The details of turnover of 18 working SPSUs and GSDP during the three-year period ending March 2023 are as detailed in **Table 5.3**:

Table 5.3: Details of turnover of working SPSUs vis-a-vis GSDP of Telangana

(₹in crore)

Sector	2020-21	2021-22	2022-23
Power	63,217.89	79,334.81	94,793.90
Agriculture	1.00	43.75	25.46
Infrastructure	12.21	16.66	16.19
Manufacturing	276.75	288.35	320.55
Service	2.42	7.36	1.82
Finance	0.00	0.00	0.00
Others	50.08	52.59	46.82
Total Turnover	63,560.35	79,743.52	95,204.74
GSDP of Telangana (as on 1 August 2023)	9,61,800	11,48,115	13,13,391
Percentage of Turnover to GSDP of Telangana	6.61	6.95	7.25

Source: Turnover figures are as per accounts/ information furnished by the SPSUs and GSDP figures are as per Ministry of Statistics and Program Implementation, GoI

The contribution of 18 SPSUs to GSDP of Telangana increased from 6.61 per cent in 2020-21 to 7.25 per cent in 2022-23, as the turnover of these 18 SPSUs was 19.39 per cent higher compared to previous year. Among the 18 SPSUs, power sector SPSUs alone reported 99.57 per cent of the turnover contributing 7.22 per cent to GSDP, whereas remaining SPSUs in non-power sector contributed only 0.03 per cent to GSDP during the

⁴ Net worth = Total share capital – share application money + Accumulated profit- Deferred revenue expenditure

year 2022-23. The Singareni Collieries Company Limited (SCCL) reported 30.88 per cent higher (by ₹5,135.62 crore) revenue from coal operations compared to previous year. Similarly, Southern Power Distribution Company of Telangana Limited reported 28.99 per cent higher (by ₹6,339.35 crore) revenue from LT and HT supply of power compared to the previous year.

5.5 Investment in SPSUs and Budgetary Support

5.5.1 Equity holding and Long-term loans of the State Government in SPSUs

The amount of equity and loans in 18 working SPSUs as at the end of 31 March 2023 is given in **Table 5.4**:

Table 5.4: Total investment in Telangana SPSUs

(₹in crore)

Sources of Investment	Investments as on 31.03.2022			Investments as on 31.03.2023		
	*Equity	Long Term Loans	Total	*Equity	Long Term Loans	Total
(1)	(2)	(3)	(4)=(2)+(3)	(5)	(6)	(7)=(5)+(6)
1. Central Government/ Central Government Companies/Corporations	847.56	0.00	847.56	847.56	0.00	847.56
2. State Government/State Government Companies/ Corporations	19,689.27	7,462.99	27,152.26	19,688.85	8,428.59	28,117.44
3. Financial Institutions and Others	0.82	74,312.26	74,313.08	0.52	69,606.56	69,607.08
Total	20,537.65	81,775.25	1,02,312.90	20,536.93	78,035.15	98,572.08
Percentage of State Government Investment to Total Investment	95.87	9.13	26.54	95.87	10.80	28.52

Equity includes share application money

Source: Accounts/information furnished by SPSUs

The overall decrease in total loan of the 18 SPSUs was ₹3,740.10 crore as compared to the previous year. During the year, there was repayment of loan mainly in Transmission Corporation of Telangana Limited (₹345.02 crore), Telangana Power Finance Corporation Limited (₹633.80 crore) and Telangana State Housing Corporation Limited (₹7,428.10 crore). However, the increase in loans during 2022-23 was mainly in Telangana State Power Generation Corporation Limited (₹2,372.58 crore) and Southern Power Distribution Company of Telangana Limited (₹1,099.69 crore).

Sixteen SPSUs were inactive for nine to 38 years (**Appendix 5.1**). The State Government had invested an amount of ₹198.87 crore in the form of capital (₹34.98 crore) and long-term loans (₹163.89 crore) in the inactive SPSUs. We are unable to make any assessment of this State Government investment due to non-furnishing of accounts/ information by these SPSUs, despite being requested for every year.

The pattern of cumulative investment made by the State Government in 18 working SPSUs at the end of financial years 2020-21 to 2022-23 is given in **Table 5.5**.

Table 5.5: Investment of State Government in SPSUs

(₹in crore)

Sector	Year		
	2020-21	2021-22	2022-23
Power	23,706.21	20,722.96	20,407.16
Agriculture	0.00	0.00	0.11
Infrastructure	4,083.52	6,348.05	7,664.71
Manufacturing	69.31	69.31	32.87
Services	12.12	11.89	12.54
Finance	0.00	0.00	0.00
Others	0.05	0.05	0.05
Total	27,871.21	27,152.26	28,117.44

Source: Accounts / information furnished by SPSUs

As on 31 March 2023, investment of the State Government in equity and long-term loans in these 18 SPSUs was ₹28,117.44 crore. The outstanding loans of State Government in these 18 SPSUs increased from ₹7,462.99 crore as on 31 March 2022 to ₹8,428.59 crore as on 31 March 2023. During 2022-23, there was an equity infusion of ₹0.10 crore in the Manjeera Lift Irrigation Corporation Limited (*Appendix 5.2*).

Details of significant holding (holding of more than ₹500 crore) of the State Government during 2022-23 in the paid-up capital of the SPSUs is given in *Table 5.6*:

Table 5.6: Significant equity holding of the State Government

(₹in crore)

Name of the SPSU	Name of the Administrative Department of Government of Telangana	Amount of Paid-Up Capital Invested
Power Sector SPSUs		
Southern Power Distribution Company of Telangana Limited	Energy Department	12,017.93
Northern Power Distribution Company of Telangana Limited	Energy Department	5,869.20
The Singareni Collieries Company Limited	Energy Department	885.60
Telangana State Power Generation Corporation Limited	Energy Department	869.64
Total		19,642.37

Source: Accounts / information furnished by SPSUs

A significant amount (99.76 per cent) of the total equity investment of ₹19,688.85 crore of the State Government was in the above four SPSUs.

5.5.2 Restructuring, Disinvestment and Privatisation of SPSUs

During the year 2022-23, there was neither disinvestment of any SPSU in Telangana State nor was any SPSU privatized.

5.5.3 Budgetary Support to SPSUs

The State Government provides financial support to SPSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans converted into equity, interest written off and guarantees issued/outstanding to the 18 SPSUs for the last three years ending March 2023 are as follows.

Table 5.7: Details regarding budgetary support to SPSUs

(₹in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
Power Sector SPSUs							
1	Equity capital outgo from budget	1	1.95	0	0.00	0	0.00
2	Loans given from budget	0	0.00	0	0.00	0	0.00
3	Grants/Subsidy given from budget*	3	5,661.39	3	1,517.86	4	8,329.48
4	Total Outgo ⁵	4	5,663.34	3	1,517.86	4	8,329.48
5	Loans converted into equity	0	0.00	0	0.00	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued ⁶	2	12,586.93	0	0.00	2	9,271.70
8	Guarantee Commitment ⁷	5	19,393.40	5	19,151.96	4	25,308.74
Non-Power Sector SPSUs							
1	Equity capital outgo from budget	1	0.02	1	0.50	1	0.10
2	Loans given from budget	1	2,461.06	1	2,264.53	2	950.65
3	Grants/Subsidy given from budget*	3	172.26	2	654.50	3	101.75
4	Total Outgo	4	2,633.34	3	2,919.53	5	1,052.50
5	Loans converted into equity	0	0.00	0	0.00	0	0
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0
7	Guarantees Issued	0	0	0	0	1	1,000
8	Guarantee Commitment	1	482.80	1	307.24	2	1,131.68
Total							
1	Equity capital outgo from budget	2	1.97	1	0.50	1	0.10
2	Loans given from budget	1	2,461.06	1	2,264.53	2	950.65
3	Grants/ Subsidy given from budget*	6	5,833.65	5	2,172.36	7	8,431.23
4	Total Outgo	8	8,296.68	6	4,437.39	8	9,381.98
5	Loans converted into equity	0	0.00	0	0.00	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees Issued	2	12,586.93	0	0.00	3	10,271.70
8	Guarantee Commitment	6	19,876.20	6	19,459.20	6	26,440.42

* Includes grants/subsidy towards operational and management expenses not ascertainable separately
Source: Accounts/information furnished by SPSUs

During the year 2022-23, total outgo from the State Government was ₹9,381.98 crore (**Appendix 5.2**). The outgo in the form of subsidy/ grants to non-power sector SPSUs was lower in 2022-23 (₹101.75 crore) compared to 2021-22 (₹654.50 crore). During the year 2022-23, an amount of ₹1,923.89 crore and ₹6,404.00 crore was released to Southern

⁵ The figure of total outgo represents the SPSUs which have received outgo from the State Government's budget under one or more heads i.e. equity, loans, grants/subsidy

⁶ Government guarantee issued to the SPSUs during a particular year

⁷ Closing balance of Government guarantee in respect of SPSUs at the end of a particular year

Power Distribution Company of Telangana Limited and Northern Power Distribution Corporation Limited towards Power/Tariff subsidy. Similarly, ₹100 crore was released to Telangana State Housing Corporation Limited for construction of 2 BHK houses. However, despite receipt of subsidies/ grants, the financial position of these three Companies remains highly precarious with huge accumulated losses.

Out of ₹9,381.98 crore budgetary support provided by State Government during the year 2022-23, ₹1,051.09 crore was provided to two⁸ working SPSUs whose accounts were in arrears for three or more years. Details are given in *Appendix 5.2*.

5.6 Returns from the SPSUs

During the year 2022-23, out of the 18 SPSUs, 6 SPSUs earned profits, 11 SPSUs earned losses and one SPSU⁹ had reported nil profit or loss.

5.6.1 Profits earned by SPSUs

Out of 18 SPSUs, 6 SPSUs earned profit of ₹3,857.48 crore during 2022-23 as compared to 8 SPSUs which reported profit of ₹1,761.29 crore during 2021-22. All these 6 SPSUs reported profit due to operational income. One SPSU (Telangana Industrial Health Clinic Limited) reported turnaround from previous year. Further, three SPSUs¹⁰ suffered loss after earning profit in the previous year.

The Return on Equity (RoE) of the profit-making six SPSUs was 21.53 *per cent* in 2022-23 as compared to 12.30 *per cent* in 2021-22 for the eight profit making SPSUs. RoE for the SPSUs as a whole (including 11 loss making companies and one nil profit or loss company) could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2023 were negative.

Net profit of ₹3,809.81 crore constituting 98.76 *per cent* of total profits (₹3,857.48 crore) earned by six SPSUs was contributed by three SPSUs in the power sector. During the year 2022-23, the power sector as a whole earned an overall profit of ₹3,809.81 crore.

Table 5.8: List of top profit-making SPSUs in 2022-23

(₹in crore)

Sl. No.	Name of SPSU	Net Profit after Tax
Power Sector SPSUs		
1	The Singareni Collieries Company Limited	2,596.40
2	Telangana State Power Generation Corporation Limited	908.96
3	Transmission Corporation of Telangana Limited	304.45
Non-Power Sector SPSUs		
4	Telangana State Mineral Development Corporation Limited.	38.31
	Total	3,848.12

Source: Accounts/information furnished by SPSUs

⁸ Telangana State Housing Corporation Limited and Telangana State Renewable Energy Development Corporation Limited

⁹ Telangana Power Finance Corporation Limited

¹⁰ (i) Telangana State Renewable Energy Development Corporation Limited (ii) T-works Foundation (iii) Nizam Sugars Limited

The above four SPSUs contributed 99.76 per cent of the total profit earned by the six SPSUs during 2022-23. Out of these, SPSUs at Sl. Nos (1) and (3) are operating under monopolistic conditions.

5.6.2 Dividend Payout

The State Government had not formulated any dividend policy under which SPSUs would be required to pay a minimum return on the paid-up share capital contributed by the State Government. We observed that out of the six-profit making SPSUs, only one SPSU namely, the SCCL paid dividend of ₹86.66 crore and ₹129.99 crore during the financial years 2021-22 and 2022-23 respectively. The dividend declared as a percentage of Net Profit of this one SPSU decreased from 7.06 per cent in 2021-22 to 5.01 per cent in 2022-23. The dividend declared in 2022-23 was higher by ₹43.33 crore (50 per cent) as compared to the previous year.

The return in the form of dividend on total equity of 18 SPSUs was 0.63 per cent in 2022-23 as compared to 0.42 per cent during 2021-22.

5.7 Losses incurred by SPSUs

5.7.1 Losses incurred

Out of 18 SPSUs, 11 SPSUs incurred losses during the year 2022-23. The losses incurred by 7 SPSUs¹¹ drastically increased from ₹1,973.00 crore during 2021-22 to ₹11,925.37 crore in 2022-23. This is mainly due to increase in losses of TSDISCOMS from ₹830.83 crore in 2021-22 to ₹11,103.44 crore in 2022-23. Details of losses incurred by SPSUs during last three financial years are given in **Table 5.9**.

Table 5.9: Number of SPSUs that incurred losses

(₹in crore)

Year	Number of loss-making SPSUs	Net Loss for the Year	Accumulated Loss	Net Worth
Power Sector SPSUs				
2020-21	2	(-)6,686.33	(-)48,982.22	(-)31,095.09
2021-22	2	(-)830.83	(-)49,815.88	(-)31,928.75
2022-23	3	(-)11,107.50	(-)60,922.49	(-)43,033.70
Non-Power Sector SPSUs				
2020-21	7	(-)802.61	(-)7,644.65	(-)7,633.78
2021-22	6	(-)1,142.24	(-)6,589.31	(-)6,577.94
2022-23	8	(-)862.16	(-)7,926.33	(-)7,891.72
Total				
2020-21	9	(-)7,488.94	(-)56,626.87	(-)38,728.87
2021-22	8	(-)1,973.07	(-)56,405.19	(-)38,506.69
2022-23	11	(-)11,969.66	(-)68,848.82	(-)50,925.42

Source: Accounts/information furnished by SPSUs

¹¹ Common loss making 7 SPSUs of 2021-22 and 2022-23 are 1) Southern Power Distribution Company of Telangana Limited, 2) Northern Power Distribution Company of Telangana Limited, 3) Telangana State Housing Corporation Limited, 4) Damodara Mineral Private Limited., 5) Telangana Rajiv Swagraha Corporation Limited, 6) Telangana State Horticulture Development Corporation Limited. and 7) Telangana State Water Resource Development Corporation Limited.

Out of total losses of ₹11,969.66 crore of 11 SPSUs during 2022-23, the power sector's share was ₹11,107.50 crore and non-power sector's share was ₹862.16 crore.

The total accumulated losses of 10 SPSUs¹² in 2022-23 was ₹68,856.49 crore and after setting off accumulated profit of 7 SPSUs (₹15,314.42 crore), the net accumulated losses were at ₹53,542.07 crore.

SPSUs listed in **Table 5.10** below incurred loss of more than ₹50.00 crore during the year 2022-23.

Table 5.10: List of SPSUs which incurred loss of more than ₹50 crore in 2022-23

(₹ in crore)

Sl. No.	Name of PSU	Net Loss	Net Worth
Power Sector SPSUs			
1	Southern Power Distribution Company of Telangana Limited	(-)8,147.48	(-)30,311.57
2	Northern Power Distribution Company of Telangana Limited	(-)2,955.96	(-)12,723.79
Non-Power Sector SPSUs			
3	Telangana State Housing Corporation Limited	(-)795.13	(-) 6,744.56
Total		(-)11,898.57	(-)49,779.92

Source: Accounts/information furnished by SPSUs

Out of total losses of ₹11,969.66 crore incurred by 11 SPSUs during 2022-23, losses of ₹11,898.57 crore constituting 99.41 per cent of total losses incurred was contributed by above three SPSUs. During 2022-23, the loss incurred by Telangana Rajiv Swagruha Corporation Limited was ₹25.26 crore in comparison to previous year of ₹324.23 crore. The losses in two Discoms (TSSPDCL and TSNPDCL) were mainly due to Power Purchase Cost coupled with reduction in revenue due to non-revision of tariff. Similarly, the losses in Telangana State Housing Corporation were due to finance costs and establishments expenses with insignificant revenue from operations. It was observed that a total of ₹43064.96 crores were invested in Loss Making Companies by way of equity, loans, grants/subsidy and guarantees issued on loan in 2022-23 by the State Government. Out of these ₹39881.43 crores were invested in Power Companies while only ₹3183.53 crores were invested in Non-Power Companies.

5.7.2 Erosion of Capital in SPSUs

Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment of the owners has been wiped out by accumulated losses.

As on 31 March 2023, the paid up capital and net accumulated losses of these 18 SPSUs was ₹20,536.93 crore and ₹53,542.07 crore respectively (**Appendix 5.3**), resulting in a negative net worth of ₹33,005.15 crore after adjustment of Deferred Revenue Expenditure of ₹0.01 crore. This indicates that investment made by the State Government in these

¹² Telangana State Horticulture Development Corporation Limited had accumulated profit though incurring loss since 2020-21

SPSUs had been completely wiped off. Out of 18 SPSUs, 10 SPSUs reported accumulated loss of ₹68,856.49 crore, 7 SPSUs reported accumulated profit of ₹15,314.42 crore and one SPSU had reported nil accumulated losses. Out of the total accumulated losses of 10 SPSUs of ₹68,856.49 crore the accumulated losses of three SPSUs¹³ (₹67,667.30 crore) accounted for 98.27 per cent.

Out of 18 SPSUs, net worth of nine SPSUs had been completely eroded due to accumulated losses leading to negative net worth. The net worth of these nine SPSUs has remained negative for a period ranging from one to nine years. The negative net worth of these nine SPSUs was ₹50,930.63 crore due to accumulated losses of ₹68,852.37 crore against their Paid-up Capital of ₹17,921.74 crore as on 31 March 2023 (**Appendix 5.4**). Investment of the State Government in these nine SPSUs as on 31 March 2023 was ₹26,348.38 crore comprising of equity of ₹17,921.33 crore and loans of ₹8,427.05 crore as detailed in **Table.5.11**.

Table 5.11: Details of SPSUs whose net worth has eroded as per their latest finalized accounts

(₹ in crore)

Sl. No.	Sector & Name of the SPSU	Latest year of finalised accounts	Total Paid-Up Capital	Net Profit/ Loss after interest, tax and dividend	Accumulated Loss	Period since when Net worth has remained negative	Net Worth	State Government Equity as on 31 March 2023	State Government Loans as on 31 March 2023
Power Sector									
1	Northern Power Distribution Company of Telangana Limited	2022-23	5,869.20	(-2,955.96)	(-18,592.99)	2014-15	(-12,723.79)	5,869.20	357.35
2	Southern Power Distribution Company of Telangana Limited	2022-23	12,017.93	(-8,147.48)	(-42,329.50)	2014-15	(-30,311.57)	12,017.93	405.29
	Sub-Total		17,887.13	(-11,103.44)	(-60,922.49)		(-43,035.36)	17,887.13	762.64
Non-Power Sector									
3	Damodhara Minerals Private Limited	2022-23	0.04	(-0.01)	(-0.13)	2014-15	(-0.09)	0.00	0.00
4	Telangana Rajiv Swagruha Corporation Limited	Not Received	0.05	(-25.26)	(-890.67)	2018-19	(-890.62)	0.05	0.00
5	Telangana State Housing Corporation Limited	2015-16	0.25	(-795.13)	(-6,744.81)	2015-16	(-6,744.56)	0.25	7,664.41

¹³ i) Southern Power Distribution Company of Telangana Limited, ii) Northern Power Distribution Company of Telangana Limited and iii) Telangana State Housing Corporation Limited

Sl. No.	Sector & Name of the SPSU	Latest year of finalised accounts	Total Paid-Up Capital	Net Profit/Loss after interest, tax and dividend	Accumulated Loss	Period since when Net worth has remained negative	Net Worth	State Government Equity as on 31 March 2023	State Government Loans as on 31 March 2023
6	Telangana Water Resource Development Corporation Limited	2022-23	1.00	(-)0.21	(-)1.28	2022-23	(-)0.28	1.00	0.00
7	The Nizam Sugars Limited	2022-23	33.17	(-)24.90	(-)276.98	2014-15	(-)243.81	32.80	0.00
8	Manjeera Lift Irrigation Corporation Limited	Since inception	0.10	(-)0.15	(-)0.15	2022-23	(-)0.05	0.10	0.00
9	T-Works Foundation	2022-23	0.00	(-)15.18	(-)15.86	2020-21	(-)15.86	0.00	0.00
	Sub Total		34.61	(-)860.84	(-)7,929.88		(-)7,895.27	34.20	7,664.41
	TOTAL		17,921.74	(-)11,964.28	(-)68,852.37		(-)50,930.63	17,921.33	8,427.05

Source: Accounts/information furnished by SPSUs

Out of 9 SPSUs having negative Net Worth, Nizam Sugars is the only SPSU in which revenue i.e. ₹1.69 crores exceeded the expenses i.e. ₹1.56 crores. In the remaining 8 SPSUs, receipts were lower than expenses. The details of Receipts/Revenue, Expenses and Establishment Expenses of SPSUs¹⁴ have been detailed in **Table 5.12**.

Table 5.12: Details of Receipts/Revenue and Expenses of SPSUs whose net worth has eroded as per their latest finalized accounts (2022-23)

(₹ in crore)

Sl. No.	Sector & Name of the SPSU	Net Worth	Receipts/Revenue	Expenses	Establishment Expenses
1	Northern Power Distribution Company of Telangana Limited	(-)12,723.79	15,880.03	18,835.99	2,053.82
2	Southern Power Distribution Company of Telangana Limited	(-)30,311.57	34,254.7	42,243	3,081.80
	Sub-Total	(-)43,035.36	50,134.73	61,078.99	5,135.62
3	Damodhara Minerals Private Limited	(-)0.09	0	0.006	-
4	Telangana Rajiv Swagruha Corporation Limited	(-)890.62	0.98	26.24	-
5	Telangana State Housing Corporation Limited	(-)6,744.56	15.21	793.35	49.75
6	Telangana Water Resource Development Corporation Limited	(-)0.28	0	0.21	-
7	The Nizam Sugars Limited	(-)243.81	1.69	1.56	0.61
8	Manjeera Lift Irrigation Corporation Limited	(-)0.05	0	0.15	-
9	T-Works Foundation	(-)15.86	1.93	17.12	-
	Sub Total	(-)7,895.27	19.81	838.64	50.36
	TOTAL	(-)50,930.63	50,154.54	61,917.626	5,185.98

Source: Accounts/information furnished by SPSUs

¹⁴ Funding of liabilities/establishment expenditure has been met from budgetary support of State Government as detailed in Appendix 5.2

5.8 Debt Servicing

5.8.1 Interest Coverage Ratio

The Interest Coverage Ratio (ICR) is used to determine the ability of a Company to pay interest on outstanding debt. This is calculated by dividing the profit/ Earnings Before Interest and Taxes (EBIT) by the interest expenses of the same period. The lower the ratio, the lesser is the ability of the Company to pay the interest on debt. An ICR of below 'one' indicates that the Company was not generating sufficient revenues to meet its expenses on interest. The details of ICR of SPSUs which paid interest from 2020-21 to 2022-23 on loans from all sources are given in the **Table 5.13**.

Table 5.13: ICR of SPSUs

(₹in crore)

Year	EBIT	Interest	ICR	Number of SPSUs having interest Burden	Number of SPSUs having ICR more than 1	Number of SPSUs having ICR less than 1
(1)	(2)	(3)	(4)	(5)	(6) Out of Column 5	(7) Out of Column 5
Power Sector SPSUs						
2020-21	1,537.87	7,386	0.21:1	6	4	2
2021-22	10,623.88	8,330.72	1.28:1	6	4	2
2022-23	3,167.79	9,017.82	0.35:1	6	3	3
Non-Power Sector SPSUs						
2020-21	26.94	771.47	0.03:1	5	1	4
2021-22	(-758.73)	58.68	(-12.93:1)	2	0	2
2022-23	(-736.00)	62.23	(-11:83)	4	0	4
Total						
2020-21	1,564.81	8,157.47	0.19:1	11	5	6
2021-22	9,865.15	8,389.40	1.18:1	8	4	4
2022-23	2,431.79	9,080.05	0.27:1	10	3	7

Source: Accounts/information furnished by SPSUs

We observed that the overall ICR of SPSUs ranged between 0.03 and 1.28 during 2020-21 to 2022-23. The ICR of non-power sector SPSUs was negative in two years during 2021-22 and 2022-23. The power sector SPSUs fared better. The ICR of power sector SPSUs decreased during the year 2022-23 in comparison to the previous year mainly due to decrease in EBIT of the DISCOMs. The overall ICR of power sector SPSUs remained below 'one' during 2020-21 and 2022-23. This indicates that the power sector SPSUs with interest payment obligations are not generating sufficient revenues to meet their interest obligation.

5.8.2 Age wise analysis of interest outstanding on State Government loans

Out of four SPSUs having interest payment obligations on State Government loans, three SPSUs accounted for interest on State Government loans amounting to ₹750.09 crore during the year 2022-23. Two SPSUs paid an interest amount of ₹982.93 crore to the Government in 2022-23. As on 31 March 2023, interest amounting to ₹159.57 crore was outstanding on

long term loans provided by the State Government. Age-wise analysis of interest outstanding on State Government loans as on 31 March 2023 is detailed in **Table 5.14**.

Table 5.14: Age-wise analysis of interest outstanding on State Government’s Loans

(₹in crore)

Sl. No.	Name of the SPSU	Accounted for interest on state Govt Loans during 2022-23	Interest paid during 2022-23	Outstanding Interest on State Government Loans as on 31 March 2023	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 to 3 years	Interest on State Government loans outstanding for more than 3 years
Power Sector SPSUs							
1	Transmission Corporation of Telangana Limited	14.03	246.93	0	0	0	0
2	Northern Power Distribution Company of Telangana Limited	0.06	0	0.34	0.06	0.12	0.16
Non-Power Sector SPSUs							
3	The Nizam Sugars Limited	0	0	159.23	0	0	159.23
4	Telangana State Housing Corporation Limited	736	736	0	0	0	0
	Total	750.09	982.93	159.57	0.06	0.12	159.39

Source: Accounts/information furnished by SPSUs

It is evident from the above that 99.89 *per cent* of interest on State Government loans was outstanding for more than three years.

Accumulation of outstanding interest indicates that SPSUs have not remitted interest on the State Government loans within time.

5.8.3 Dues of DISCOMs to Power Generation Companies

As on 31 March 2023, there were two DISCOMs (Northern Power Distribution Company of Telangana Limited (TSNPDCL) and Southern Power Distribution Company of Telangana Limited (TSSPDCL) in Telangana. The outstanding dues payable by these DISCOMs to various Central, State and Other power generation companies increased from ₹26,099.00 crore in 2020-21 to ₹37,505.00 crore (43.70 *per cent*) in 2021-22. However, the outstanding power purchase dues reduced to ₹33,776.59 crore (9.94 *per cent*) in 2022-23 as compared to 2021-22.

Table 5.15: Statement showing dues of TSDISCOMs to Central, State and Other Power Generation Companies during last three years.

(₹ in crore)

DISCOM Name	As on March 21			As on March 22			As on March 23		
	Amount dues	LPS/ Penalties	Total outstanding dues	Amount dues	LPS/ Penalties	Total outstanding dues	Amount dues	LPS /Penalties	Total outstanding dues
A. Dues from TSDISCOMs to State Generating Company									
TSNPDCL	4,886	0	4,886	6,983	0	6,983	6,983.70	0	6,983.70
TSSPDCL	11,703	0	11,703	16,729	0	16,729	15,950.90	0	15,950.90
Sub total	16,589	0	16,589	23,712	0	23,712	22,934.6	0	22,934.60
B. Dues from TSDISCOMs to Central Generating Companies									
TSNPDCL	904.71	65.29	970.00	711.66	0.34	712	866.26	1.70	867.97
TSSPDCL	2,223.90	97.10	2,321	1,709.24	0.76	1,710	2,327.82	4.08	2,331.90
Sub total	3,128.61	162.39	3,291	2,420.90	1.10	2,422	3,194.08	5.78	3,199.87
C. Dues from TSDISCOMs to other generating companies									
TSNPDCL	1,525.38	39.62	1,565	2,498.29	20.71	2,519	474.17	144.15	618.32
TSSPDCL	4,561.06	92.94	4,654	8,802.38	49.62	8,852	7,018.59	5.21	7,023.80
Sub total	6,092.38	132.56	6,219	11,300.67	70.33	11,271	7,492.76	149.36	7,642.12
Total (A+B+C)	25,809.99	294.95	26,099	37,433.57	71.43	37,505	33,621.44	155.14	33,776.59

Source: Information furnished by TS DISCOMs

As evident from the above table, outstanding dues from TSDISCOMs to State, Central and other power generating companies increased by 43.70 per cent as on 31 March 2022 and decreased by 9.94 per cent as on 31 March 2023 compared to previous year ended.

Power purchase cost constitutes 82.89 per cent of DISCOM's expenditure. DISCOMs together reported a net loss of ₹11,103.44 crore during 2022-23. Therefore, the dues of DISCOMs to various power generating companies would adversely impact the State Finances.

5.9 Operating Efficiency of SPSUs

5.9.1 Return on Investment

The SPSUs are expected to yield reasonable return on investment made by the Governments. The profitability of a company is assessed through Return on Equity and Return on Capital Employed.

5.9.1.1 Return on Equity

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

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a Company's shareholders if all assets were sold and all debts repaid. A positive

shareholders' fund reveals that the Company has enough assets to cover its liabilities while a negative shareholders' fund means that liabilities exceed its assets.

The SPSU-wise details of RoE are given in **Appendix 5.5**. The consolidated figures of shareholders' fund and RoE of 18 SPSUs during the period from 2020-21 to 2022-23 are given below in **Table 5.16**.

Table 5.16: Share holders' fund and RoE of SPSUs

(₹in crore)

Year	Net Profit/ Loss	Share holders' Fund	RoE (in per cent)
Power Sector SPSUs			
2020-21	(-)5,970.01	(-)18,989.39	-
2021-22	878.80	(-)17,672.44	-
2022-23	(-)7,297.69	(-)25,520.20	-
Non-Power Sector SPSUs			
2020-21	(-)749.16	(-)7,622.41	-
2021-22	(-)1,090.58	(-)6,517.41	-
2022-23	(-)814.49	(-)7,484.99	-
Total			
2020-21	(-) 6,719.17	(-)26,611.80	-
2021-22	(-)211.78	(-)24,189.85	-
2022-23	(-)8,112.18	(-)33,005.15	-

Source: Accounts/information furnished by SPSUs

As can be seen from the above table, the shareholders' fund was negative during all the three years from 2020-21 to 2022-23 for both power sector and non-power sector SPSUs. Hence, the RoE could not be worked out. Negative shareholders' fund indicates that the liabilities of the SPSUs have exceeded the assets and instead of the SPSUs paying returns to the shareholders, the shareholders owe money to the creditors of the working SPSUs. The negative RoE was contributed mainly by Northern Power Distribution Company of Telangana Limited, Southern Power Distribution Company of Telangana Limited and Telangana State Housing Corporation Limited as given in **Appendix 5.5**.

5.9.1.2 Return on Capital Employed

Return on Capital Employed (RoCE) is a profitability metric that measures the long-term profitability and efficiency with which the total capital is employed by a Company. The RoCE is calculated by dividing a company's profit/ earnings before interest and taxes (EBIT) by the capital employed¹⁵. RoCE is an important decision metric for long term lenders. The significance of RoCE becomes obvious when it is juxtaposed against RoE which measures the efficiency with which a company's assets have been used to create profits for its shareholders.

The SPSU wise RoCE is given in **Appendix 5.6**. The consolidated RoCE of 18 SPSUs during 2020-21 to 2022-23 is given in **Table 5.17**.

¹⁵ Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure

Table 5.17: Return on Capital Employed of SPSUs

(₹in crore)

Year	EBIT	Capital Employed	RoCE (in per cent)
(1)	(2)	(3)	(4) Col.2/ Col 3 X 100
Power Sector SPSUs			
2020-21	1,537.87	46,229.79	3.33
2021-22	10,623.88	48,803.54	21.77
2022-23	3,167.79	44,770.35	7.08
Non-Power Sector SPSUs			
2020-21	39.69	4,564.51	0.87
2021-22	(-)1,012.63	8,781.96	(-)11.53
2022-23	(-)736.00	259.65	(-)283.46
Total			
2020-21	1,577.56	50,794.30	3.11
2021-22	9,611.25	57,585.40	16.69
2022-23	2,431.79	45,030.00	5.40

Source: Accounts/information furnished by SPSUs

The RoCE of the 18 SPSUs was increased from 3.11 per cent in 2020-21 to 16.69 per cent in 2021-22 whereas the RoCE decreased to 5.40 per cent during the year 2022-23. The decrease in RoCE of the 18 SPSUs during 2022-23 by three times as compared to 2021-22 was on account of decrease in the EBIT of Power Sector SPSUs.

Further, the RoCE of 7 out of 18 SPSUs (three power sector SPSUs and four non-power sector SPSUs¹⁶) which generate their own revenue and run-on commercial lines was positive in all the three years (12.24 per cent for 2020-21, 14.41 per cent for 2021-22 and 17.70 per cent for 2022-23). The RoCE of the one power sector¹⁷ and two non-power sector SPSUs¹⁸ was negative ranging from (-) 84.97 per cent to (-) 240.36 per cent during the 2022-23, due to negative EBIT.

5.9.1.3 Rate of Real Return on Investment

The Rate of Real Return on Investment (RoRR) measures the profitability and efficiency with which equity and similar non-interest-bearing capitals have been employed, after adjusting them for their time value and assumes significance when compared with the conventional Rate of Return on Investment (RoR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis. Investment for this purpose included equity, interest free loans, subsidies and grants for operational and management expenses. Rate of Real Return on Investment is the percentage of profit or loss to the total investment.

¹⁶ (i) Singareni Collieries Company Limited (ii) Telangana State Power Generation Corporation Limited (iii) Transmission Corporation of Telangana Limited (iv) Telangana Industrial Health Clinic Limited (v) Telangana State Technology Services Limited, (vi) Telangana State Horticulture Development Corporation Limited (vii) Telangana State Mineral Development Corporation Limited

¹⁷ Telangana State Renewable Energy Development Corporation Limited

¹⁸ Telangana State Housing Corporation Limited and T-Works Foundation

(A) Rate of Real Return on the basis of historical cost of investment

The State Government infused funds in the form of equity, loans and subsidies/ grants for operational and management expenses in SPSUs. RoRR from the SPSUs has been calculated on the total investment (i.e., investments made by State, Central Governments & Others) in the form of equity, loans and subsidies/ grants for operational and management expenses. In the case of loans, only interest free loans are to be considered as investment since the State Government does not receive any interest on such loans and are therefore, of the nature of equity investment except to the extent that the loans are liable to be repaid as per the terms and conditions of repayment.

Further, apportionment of assets and liabilities between the successor demerged SPSUs resulted in a Reorganisation/ Demerger Adjustment Reserve (surplus/ deficit) which is considered as investment of the State Government since it represented the difference between the balance sheet figures of assets and liabilities as on the date of bifurcation of the erstwhile State of AP and included *inter-alia* the share of equity received by the SPSUs of Telangana State.

As on 31 March 2023, the investment in 18 working SPSUs of State Government was ₹68,981.41 crore, the investment of Central Government amounted to ₹1,725.63 crore, while the investment of Others was ₹518.33 crore.

The details of investment of State Government, Central Government and Others on historical basis is given in *Appendix 5.7*. It is evident that due to losses during the last nine years, the return on investment was negative throughout the period.

(B) RoRR on the basis of Present Value of Investment

In view of the significant investment made by the Government in the SPSUs, Rate of Real Return on such Investment is essential. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the Rate of Real Return on the Investment since such calculations ignore the present value of money. The Present Value (PV) of the investments has been computed to assess the Rate of Real Return on the PV of investments in the SPSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2023, the past investments/ year-wise funds infused in the SPSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds for the concerned year. Therefore, the PV of the investment in the SPSUs was computed on the basis of following assumptions:

- The equity (initial equity net of Reorganization/ Demerger Adjustment Reserve) of State Government in the SPSUs as on the date of bifurcation of the erstwhile State of AP has been considered as the initial investment made by the State Government.
- The funds made available in the form of interest-free loans and subsidies/ grants for operational and management expenses till 31 March 2023 have been reckoned as investment; and

- The average rate of interest on government borrowings for the concerned financial year was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore, considered as the minimum expected rate of return on investments made by the State Government.

The total investment of the State, Central Governments and Others in these 18 working SPSUs at the end of the year 2022-23 was ₹96,883.99 crore consisting of equity of ₹26,079.40 crore, interest free loan of ₹20.56 crore and subsidies/ grants of ₹45,125.41 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2023 worked out to ₹1,03,249.27 crore. The Rate of Real Return on the PV of investment was negative in all the years due to SPSUs incurring losses during all the nine Financial Years from 2014-15 to 2022-23 as detailed in *Appendix 5.8*.

5.10 Sales and Marketing

5.10.1 Sales and Marketing

During the year 2022-23, the total turnover of 18 SPSUs stood at ₹95,204.74 crore as compared to ₹79,743.52 crore during 2021-22. Out of these 18 SPSUs, seven SPSUs¹⁹ rendered goods/ services worth ₹48,667.41 crore (51.31 *per cent*) to the Government Sector out of their total sales of ₹94,840.72 crore.

None of the SPSUs exported goods/ services during 2022-23.

5.10.2 Research and Development (R&D)

Research and Development (R&D) has numerous benefits for a Company such as:

- R&D can help develop unique/ innovative products and services resulting in improved sales and profits.
- Innovative products can confer competitive advantage to the Company; and
- Tax Benefits for undertaking R&D activities are available under Income Tax Act, 1961

During 2022-23, of the 18 SPSUs, only one SPSU (SCCL) undertook R&D related activities. The Company spent ₹5.93 crore on R&D as against ₹4.30 crore during 2021-22.

As can be seen, the SPSUs are found wanting in the field of R&D expenditure. In view of the benefits, the State Government should encourage SPSUs to undertake R&D activities through budgetary support.

¹⁹ (i) The Singareni Collieries Company Limited, (ii) Telangana State Power Generation Corporation Limited, (iii) Transmission Corporation of Telangana Limited, (iv) Southern Power Distribution Company of Telangana Limited, (v) Northern Power Distribution Company of Telangana Limited, (vi) Telangana State Renewable Energy Development Corporation Limited and (vii) Telangana State Technology Services Limited

5.11 Appointment of Statutory Auditors of SPSUs by CAG

The CAG appoints Statutory Auditors of a Government Company/ Government controlled other Company under Sections 139(5) of the Companies Act, 2013. The CAG has a right to conduct supplementary audit and issue comments upon or supplement the audit report of the statutory auditor. Similar provision exists in case of Statutory Corporations for appointment of auditors in the respective Acts. Sections 139(5) of the Companies Act, 2013 provides that the Statutory Auditors in case of Government Companies are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Accordingly, the Statutory Auditors for the respective years were appointed by the CAG.

5.12 Submission of Accounts by SPSUs

5.12.1 Need for timely submission

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

Section 96 of the Companies Act, 2013 requires every Company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Provided that in case of the first AGM, it shall be held within a period of nine months from the date of closing of the first financial year of the Company and in any other case, within a period of six months, from the date of closing of the financial year. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statements for the financial year must be placed in the said AGM for consideration. Consequently, the Financial Statements needs to be prepared and placed in the AGM by 30 September of the following year.

5.12.2 Penalty for violation of provisions of the Act

Section 99 of the Companies Act 2013 provides that if any default is made in holding a meeting of the Company in accordance with section 96, the Company and every officer of the Company who is in default shall be punishable with fine which may extend to one lakh rupees and in the case of a continuing default, with a further fine which may extend to five thousand rupees for every day during which such default continues.

Further, Section 129 (7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the Company for non-compliance of laying of Financial Statements at every AGM for the financial year.

5.12.3 Submission of annual accounts by SPSUs

As of 31 March 2023, there were 83 SPSUs under the purview of CAG's audit. Out of 83 SPSUs, 16 SPSUs are inactive. Out of the remaining 67 working SPSUs only 12 Companies submitted their accounts for the financial year 2022-23 by 30 September 2023. Accounts of 52 working Government Companies and three Statutory Corporations were in arrears ranging from one to eight years. Details of arrears in submission of accounts of SPSUs are given in **Table 5.18** below:

Table 5.18: Delay in submission of accounts by SPSUs

Particulars		Government Companies	Statutory Corporations	Total
Total number of SPSUs as on 31 March 2023		80	3	83
Number of SPSUs which presented the accounts for CAG's audit by 30 September 2023		12	0	12
Number of Companies whose accounts are in arrears		68	3	71
Break-up of Arrears	(i) Under Liquidation	8	0	8
	(ii) Defunct	8	0	8
	(iii) Others	52	3	55
Age-wise analysis of arrears against 'Others' category	One year (2022-23)	14	0	14
	Two years (2020-21 and 2021-22)	7	0	7
	Three years and more	31	3	34

Source: Accounts/information furnished by SPSUs

Out of the 68 Government Companies, accounts of 31 working Companies were due for three or more years. Out of these 31 working Companies, 11 Companies had not submitted their first accounts as on 30 September 2023 since their incorporation.

Separate Audit Reports (SARs) are the Audit Reports of the CAG on the accounts of Statutory Corporations. These are to be laid before the State Legislature as per the provisions of the respective Acts. Out of all the three working Statutory Corporations (Telangana State Warehousing Corporation, Telangana State Financial Corporation and Telangana State Road Transport Corporation) under the audit of CAG in Telangana, CAG is the sole auditor in respect of TSRTC. Only Telangana State Warehousing Corporation has submitted its accounts up to the year 2017-18. Remaining two Statutory Corporations have not submitted their accounts since inception.

As a result of delay/ non-submission of accounts, the legislative control over the money invested in Government Companies could be jeopardized. The efficiency and effectiveness with which public funds were managed by these Companies could not be ascertained. It may also result in dilution of internal controls in the governance process, inefficient and ineffective delivery of public goods/ services, fraud, corruption and loss to the public exchequer.

5.13 CAG's oversight - Audit of accounts and supplementary audit

5.13.1 Financial Reporting Framework

Companies are required to prepare the Financial Statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, as recommended by the Institute of Chartered Accountants of India, after consultation with and after examination of the recommendations made by the National Financial Reporting Authority. The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such Corporations.

5.13.2 Audit of accounts of Government Companies by Statutory Auditors

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013 conduct audit of accounts of the Government Companies and submit their report there on in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory Auditors in audit of SPSUs with the overall objective that the Statutory Auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

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

5.13.3 Supplementary Audit of accounts of Government Companies

The prime responsibility for preparation of Financial Statements in accordance with the Financial Reporting Framework prescribed under the Companies Act, 2013 or other relevant Act is of the Management of an entity.

The Statutory Auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on independent audit in accordance with the standards on auditing prescribed under Section 143 (9) of the Act and directions given by the CAG. The Statutory Auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the Statutory Auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 which are to be placed before the Annual General Meeting (AGM) of respective Government Company/ Government Controlled Other Company.

5.14 Result of CAG's oversight

5.14.1 Audit of accounts of Government Companies under Section 143 of the Companies Act, 2013

During the period from 1 October 2022 to 30 September 2023, 39 Government Companies submitted 45 accounts for the period spanning from 2016-17 to 2022-23 for audit by CAG. Of these, the CAG reviewed 15 accounts of 14 SPSUs. Non-Review Certificates issued in respect of 10 accounts of 10 SPSUs. Finalization of CAG's comments were pending in respect of 20 accounts as on 30 September 2023.

Further, review of 32 accounts of 26 SPSUs which were submitted prior to 30 September 2022, was finalized during the period 01 October 2022 to 30 September 2023. Non-review certificates were issued in respect of two accounts submitted prior to 30 September 2022.

5.14.2 Amendment of Financial Statements

Telangana Industrial Health Clinic Limited (2021-22) and Musi River Front Development Corporation Limited (2021-22) amended the Financial Statements before laying the same in the AGM.

5.14.3 Revision of Auditors Report

As a result of supplementary audit of Financial Statements conducted by the CAG, the Statutory Auditors of 20 Government Companies revised 20 reports (May 2022 to August 2023) as detailed in *Appendix 5.9*.

5.14.4 Significant comments of the CAG issued as supplement to the Statutory Auditors' reports on Government Companies/ Government Controlled Other Companies

Of the 47 accounts reviewed and finalized during the period from 1 October 2022 to 30 September 2023, CAG's comments were issued in respect of 35 accounts. The list of State SPSUs in respect of whom comments were issued is given in *Appendix 5.10*. Some of the significant comments issued on Financial Statements of Government Companies and Government Controlled Other Companies, the financial impact of which on the profitability was ₹757.21. crore and on assets/ liabilities was ₹31989.68 crore are detailed below:

A) Comments on Profitability

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector SPSUs		
1	Southern Power Distribution Company of Telangana Limited (2022-23)	The power purchase cost of the Company was overstated by ₹76.59 crore, on account of provision for payment of actual metered energy supplied to Singareni Thermal Power Plant (STPP) during 2018-19 to 2022-23, instead of energy charges as per scheduling by SLDC. As the claim for this amount by STPP

Sl. No.	Name of the Company (Year of Accounts)	Comments
		was disallowed by Telangana State Electricity Regulatory Commission, providing for the same in the books of the DISCOM resulted in overstatement of power purchase expenses, current liabilities and consequent loss for the year by ₹76.59 crore.
2	Northern Power Distribution Company of Telangana Limited (2022-23)	The Company had not accounted for ₹20.04 crore being the cost of unutilized banked energy units payable to M/s Singareni Collieries Company Limited (SCCL). This resulted in understatement of power purchase cost, Trade Payables and consequent loss for the year by ₹20.04 crore.
Non-Power Sector SPSUs		
3	Hyderabad Metro Rail Limited (2016-17)	The Company incurred an expenditure of ₹115.22 crore towards shifting utilities, work contracts towards clearing the areas required, relief and rehabilitation expenses, structural compensation paid for acquiring properties for road widening etc. from the funds provided by the Government and receipt of funds is accounted as loans in the financial statements. The Company has neither adjusted the expenditure against the funds provided by the Government nor recognized it as receivable from the Government. This has resulted in overstatement of administrative expenses and understatement of “Receivable from the Government” by ₹115.22 crore and consequently overstatement of loss for the year by the same amount.
4	Telangana Drinking Water Supply Corporation Limited (2019-20)	<p>1. The O&M expenditure of the Company was understated by ₹61.69 crore being expenditure incurred for the year 2019-20 for which payments were pending at the end of year. Not providing for the same in the books of accounts for 2019-20 resulted in understatement of Expenditure, Current Liabilities and consequently Loss for the year by ₹61.69 crore.</p> <p>2. The O&M Expenditure of the Company was understated by ₹19.50 crore being the amount payable to Northern Power distribution Company of Telangana Limited for manning and maintenance of water grid sub- stations, for the period up to 31.03.2020. Non-provision for the same resulted in understatement of Expenditure, Current Liabilities and consequently, Loss for the year by ₹19.50 crore.</p> <p>3. The Company did not recognize an amount of ₹458.50 crore payable to the Telangana State Southern Power Distribution Company Limited (TSSPDCL) towards Current Consumption charges for the period up to 31.03.2020. Non-accountal of the same has resulted in understatement of Current Liabilities, Electricity Consumption charges and Loss for the year by ₹458.50 crore.</p>

Sl. No.	Name of the Company (Year of Accounts)	Comments
5	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted ₹5.67 crore being the interest income earned on the project-specific earmarked funds i.e temporary deposits made with banks from the loans availed from HUDCO (₹725 crore) and NABARD (₹29.44 crore) for establishment of NIMZ at Hyderabad Pharma City and Mega Food Park project at Buggapadu, Khammam respectively. Treating the interest earned on earmarked funds as income of the company has resulted in overstatement of interest income and understatement of Other current liabilities and understatement of loss by ₹5.67 crore.

B) Comments on Financial Position

Sl. No.	Name of the Company (Year of Accounts)	Comments
Non-Power Sector SPSUs		
1	Telangana Civil Supplies Corporation Limited (2016-17)	Reserves and Surplus did not include Demerger Adjustment Account balance of ₹180.44 crore arising due to surplus of Assets over Liabilities, as per the recommendations of the Expert Committee appointed for approval of Demerger proposals of Government Companies/Corporations/Entities in the Schedule IX of AP Reorganization Act, 2014. Accounting for the same as 'Current Liabilities' instead of showing the same separately under 'Reserves and Surplus', resulted in understatement of Reserves and Surplus and overstatement of Current Liabilities by ₹180.44 crore each.
2	Telangana State Police Housing Corporation Limited (2020-21)	The Company had not made a provision of ₹4.56 crore towards Earned Leave encashment payable to regular employees on retirement/ death, as required under Accounting Standard -15. This resulted in understatement of Expenses, Other Current Liabilities and consequent loss for the year by ₹4.56 crore.
3	Hyderabad Growth Corridor Limited (2020-21)	The Company did not include the capital expenditure of ₹7,459.10 crore incurred by the Company for implementation of Hyderabad Growth Corridor Project (HGCP) from the funds provided by Hyderabad Metropolitan Development Authority (HMDA). As per the Memorandum of Understanding (MoU) dated 30th October 2006, the assets created after completion of the project belongs to the HMDA. The Company instead of transferring the completed assets to the HMDA netted off the total capital expenditure of ₹7,459.10 crore against the advances of ₹7,263.75 crore received from HMDA and State Government and balance amount of excess expenditure of ₹195.34 crore incurred by the HGCL was shown as other

Sl. No.	Name of the Company (Year of Accounts)	Comments
		current assets. This has resulted in understatement of Capital work in progress by ₹7,459.10 crore and understatement of liabilities (advances received) by ₹7,263.75 crore and overstatement of other current assets by ₹195.34 crore.
4	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	Scheme Funds (Amrut Scheme) shown under Current Liabilities were overstated by ₹444.72 crore being the amount of grants released to the scheme beneficiaries (ULBs), due to accounting for such releases as Current Assets, instead of debiting to the scheme fund head. This resulted in Overstatement of 'Other Current Liabilities- Scheme Funds from Government' and Other Current Assets- Loans and Advances' by ₹444.72 crore.
5	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company accounted for ₹200.68 crore being the balance in Personal Deposit (PD) account of the Company as on 31 March 2019, under 'Cash and Cash Equivalents - Balances with banks'. As the balances of PD account cannot be used by the Company unless authorized by the Finance Department of Government of Telangana, the same should not have been accounted for under 'Balances with banks' but should have been separately exhibited under the head 'Others' under 'Cash and Cash Equivalents'. This resulted in overstatement of 'Balances with banks' and understatement of 'Others' (specifying the nature as PD Account) under 'Cash and cash equivalents' by ₹200.68 crore.
6	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company did not account for ₹21.00 crore being the value of fixed deposits (with one-year maturity) made with banks, from scheme funds during 2018-19 and ₹0.97 crore being the accrued interest on the above FDs as on 31 March 2019. The fixed deposits and the accrued interest were also not accounted for under 'Current Investments' and 'Other Current Assets' respectively, under Current Assets in Balance Sheet. This resulted in understatement of Current Assets and Current Liabilities by ₹21.97 crore.
7	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company had not accounted the liability of ₹263.97 crore being the amount payable for the works executed and bills submitted by the vendors during 2020-21. Non-provision for the liability has resulted in understatement of Other Current Liabilities and understatement of Capital Work-In-Progress under Non-Current Assets by ₹263.97 crore
8	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not capitalise ₹22564.39 crore incurred towards capital works which were completed before 31 March 2021 and were available for use. This resulted in overstatement of Capital Work-In-Progress (CWIP) and understatement of Property, Plant & Equipment (PPE) by ₹22,564.39 crore.

Sl. No.	Name of the Company (Year of Accounts)	Comments
9	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not recover an amount of ₹18.27 crore being the excess GST paid which was recoverable from the contractor's bills. This resulted in overstatement of Capital WIP by ₹18.27 crore and understatement of 'Current Assets -amount recoverable from contractors' by ₹18.27 crore.
10	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted an amount ₹636.48 crore as receivable from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) being the excess of liabilities over assets consequent to demerger of the Company on account of bifurcation of the erstwhile State of Andhra Pradesh in June 2014. Since, the Assets and Liabilities were apportioned between the resultant entities in different ratios (assets on location and liabilities on the ratio of population basis), they do not match, and the balance needs to be shown as Demerger (Reorganization) Adjustment account under the Reserves and Surplus as per the decision of the Expert Committee. This resulted in overstatement of Other Loans and Advances and overstatement of Demerger (Reorganization) Adjustment Account under Other equity by ₹636.48 crore.
11	Telangana State Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Cash Flow from operating activities of the Company includes ₹46.08 crore being interest income earned by Company, was not shown as Income from Investing Activities as required by Ind AS 7 (Cash Flow Statement) for non-financial institutions. This has resulted in overstatement of Income from Operating activities and understatement of Income from investing activities by ₹46.08 crore in the Cash Flow Statement.
12	TS Fiber Grid Corporation Limited (2020-21)	The Company had not made a provision for the liability of ₹113.63 crore being the payables for the value of works contract / supply of material in respect of 23 invoices which were received on or before 31 March, 2021. This resulted in understatement of Current Liabilities and Capital Work-In-Progress by ₹113.63 crore.
13	Fab City (SPV) India Private Limited (2018-19)	Capital WIP was overstated by ₹35.39 crore being the capital expenditure towards 220 KV Sub-Station and Water supply scheme works which were completed in December 2014 and December 2016 respectively and put to use. This resulted in overstatement of CWIP by ₹35.39 crore, understatement of Property, Plant and Equipment by ₹30.63 crore, Other Equity by ₹2.87 crore, depreciation for the year 2018-19 by ₹1.89 crore and consequently understatement of loss for the year by ₹1.89 crore.

C) Comments on Disclosure

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector SPSUs		
1	Transmission Corporation of Telangana Limited (2021-22)	As per Actual valuation in respect of employees on the rolls as on 31.01.1999 and who retired subsequently as on 31.03.2022, the net defined obligation of ₹5,110.60 crore was determined. As against this, the Company had provided liability to the extent of 26 per cent only. The reason for non-provision of 74% of total liability amounting to ₹3,611.74 crore (₹3,781.85 crore minus ₹170.21 crore) (proportionate share of Master Trust assets) were not disclosed in the Notes to Financial statements.
2	Southern Power Distribution Company of Telangana Limited (2022-23)	Telangana State Electricity Regulatory Commission (TSERC) approved (24.03.2023) ₹9,360.35 crore towards the power purchase True-ups for the period FY 2016-17 to 2021-22 and provisional true-up for 2022-23. Further, an amount of ₹312.65 crore towards true-up of expenses and revenue for distribution business for the 1 st , 2 nd and 3 rd control periods was also approved. However, the Government of Telangana (GoT) gave an assurance (16.03.2023) to TSERC that it was committed to extend the necessary financial support to the State Power Utilities towards true-up of wheeling charges and power purchase true-ups for distribution business and retail supply business respectively over a period of 5 year. The facts pertaining to the communication regarding the form and amount of assistance pending from the GoT were not disclosed in the Notes to accounts to Financial Statements.
3	Telangana State Generation Power Company Limited (2021-22)	The Company was allotted Tadicherla -I Coal Block for captive mining purposes by the Ministry of Coal and was also responsible to implement the mine closure plan. Accordingly, the Company estimated the post and progressive mine closure cost for 25 years at ₹282.57 crore. As per the significant Accounting Policies of the Company, the decommissioning costs are provided at the present value of expected costs to settle the obligation using the estimated cash flows and recognized as a part of the cost of the particular asset. However, the Company has neither created specific provision at present value towards mine closure obligation nor disclosed the fact to Notes to Financial Statements.

Sl. No.	Name of the Company (Year of Accounts)	Comments
Non-Power Sector SPSUs		
4	Telangana State Industrial Infrastructure Corporation Limited (2017-18 SFS&CFS)	The Company contested and filed a writ petition in the High court against the Income tax department demand of ₹1,173.13 crore for the year 2017-18 (AY 2018-19). The Company had not disclosed the fact under Contingent liabilities in the Notes to Financial Statements.
5	Telangana State Civil Supplies Corporation Limited (2016-17)	Government of Telangana vide GO Ms.No.18 dated 23.08.2018 enhanced the margins payable to the Fair Price Shop Dealers from ₹20 to ₹70 per quintal for distribution of Rice to the National Food Security Cards from 1st October 2015 to 31st August 2018. Accordingly, amount payable to the dealers towards enhanced margins in respect of Khammam District for the financial year 2016-17 works out to ₹7.27 crore. However, the Company neither accounted for the liability nor disclosed the above facts in the Notes to Financial Statements.
6	Zaheerabad NIMZ Limited (2018-19)	Telangana State Industrial Infrastructure Corporation Limited (TSIICL), the holding company of Zaheerabad NIMZ Limited has acquired land to an extent of 2924.38 Acres for Zaheerabad NIMZ Limited as on 31 March 2019 and deposited ₹167.10 crore with District Collector, Sangareddy towards payment of land value to the landowner. However, the Company did not disclose this fact in the Notes to the Financial Statements.

5.15 Non-compliance with provisions of Accounting Standards/Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards. Besides these, the Central Government notified 39 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The Statutory Auditors reported that Eight Companies (11 accounts) as detailed in *Appendix 5.11* did not comply with mandatory Accounting Standards/ Ind AS.

During the supplementary audit carried out between October 2022 and September 2023, it was observed that two Companies (three accounts) had not complied with AS/ Ind AS, which was not reported by their Statutory Auditors as given below.

Sl. No.	Accounting Standard/ Ind AS	Name of the Company (Year of Accounts)	Deviation
Power Sector SPSUs			
1	Accounting Standard 26: Intangible Assets	Southern Power Distribution Company of Telangana Limited (2022-23)	The Company had not disclosed the useful lives or amortization rates for the intangible assets as required under AS 26
Non-Power Sector SPSUs			
2	Accounting Standard 15 – Employee Benefits	Telangana State Police Housing Corporation Limited (2019-20)	The Company had not made the provision for the liability (31.03.2020) related to Earned Leave encashment on retirement/ death amounting to ₹5.38 crore to the regular employees as required under Accounting Standard -15.
3	Accounting Standard 15 – Employee Benefits	Telangana State Police Housing Corporation Limited (2020-21)	The Company had not made the provision for the liability (31.03.2021) related to Earned Leave encashment on retirement/ death amounting to ₹4.56 crore to the regular employees as required under Accounting Standard -15.

5.16 Management Letters

One of the objectives of financial audit is to establish communication between the auditor and those charged with the responsibility of governance of the corporate entity on audit matters arising from the audit of Financial Statements.

The material observations on the Financial Statements of the SPSUs were reported as comments by the CAG under Section 143 (6) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial statements or in the reporting process, were also communicated to the management through a ‘Management Letter’ for taking corrective action. These deficiencies are generally related to (a) observations of non-material in nature (b) application and interpretation of accounting policies, (c) adjustments arising out of audit; and (d) Inadequate disclosure or non-disclosure of certain information on which management of the concerned SPSU gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 31 Management Letters to 24 SPSUs as detailed in **Appendix 5.12**.

5.17 Conclusion

As on 31 March 2023, 83 State Public Sector Undertakings in Telangana were under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Of the 83 SPSUs, eight SPSUs relate to power sector and 75 SPSUs relate to non-power sector SPSUs. Out of these SPSUs, 16 companies were inactive and were either defunct or under liquidation.

As per their latest accounts and/ or information furnished by 18 out of the 67 working SPSUs for 2022-23, the 18 SPSUs registered an annual turnover of ₹95,204.74 crore, which was equal to 7.25 per cent of the GSDP of Telangana State during 2022-23. As on 31 March 2023, the investment of the Central and State Governments and Others in equity and long-term loans in these 18 SPSUs was ₹98,572.08 crore. During the year 2022-23, the State Government provided budgetary support of ₹9,381.98 crore to 8 SPSUs. Out of the 18 working SPSUs, 6 SPSUs earned profits (₹3,857.48 crore), 11 SPSUs incurred losses (₹11,969.66 crore) and one SPSE had reported nil profit or loss.

As on 31 March 2023, the accumulated losses of 18 SPSUs were at ₹53,542.07 crore. As a result of losses, the combined net worth of 18 SPSUs was completely eroded and stood at ₹(-)33,005.15 crore as on 31 March 2023.

As on 31 March 2023, the investment in 18 working SPSUs in the form of equity, interest free loans, subsidies and grants of Central and State Governments and Others was ₹96,883.99 crore. The PV of this investment worked out to ₹1,03,249.27 crore.

Out of 67 working SPSUs, Financial Statements for the year 2022-23 were received only from 12 SPSUs in time. Fifty-five SPSUs have defaulted in timely submission of accounts. Of these, accounts of 34 SPSUs were due for more than three years and include 13 SPSUs which have not submitted their first accounts since their incorporation.

As a result of CAG audit, Statutory Auditors of Twenty SPSUs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by and assets/ liabilities were also issued.

Irregularities and deficiencies in the financial statements observed during supplementary audit which are not material, were communicated to the Management of 24 SPSUs through 'Management Letter' for taking corrective action.

5.18 Recommendations

- (i) Government of Telangana may review the functioning of all loss-making SPSUs and take necessary steps to improve their financial performance.
- (ii) Government may issue necessary instructions to the Administrative Departments to (a) set targets for individual SPSUs to furnish the accounts in time, (b) strictly monitor the clearance of arrears; and (c) take steps to expeditiously liquidate the arrears in finalisation of accounts.
- (iii) Government may review the inactive Government Companies and take appropriate decision on their revival/winding up.



(P. MADHAVI)
Accountant General (Audit), Telangana

Hyderabad
The 03 May 2024

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

New Delhi
The 06 May 2024