
Overview

This Report contains four Chapters, as detailed below:

Chapter 1: Functioning of Public Sector Undertakings (PSUs)

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 Reorganisation Act, 2014.

As on 31 March 2019, all 82 State Public Sector Undertakings in Telangana (including 79 Government Companies and three Statutory Corporations) were under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Of the 82 PSUs, eight PSUs relate to Power Sector and 74 relate to sectors other than Power including seven Government Companies newly incorporated during the year 2018-19. Out of these PSUs, eight in Power Sector and 54 (three Statutory Corporations and 51 Companies) in Non-Power Sector are working PSUs. Two working Companies and 19 inactive Companies were in the process of demerger as of 30 September 2019.

As per their latest finalised accounts and information furnished, the State PSUs registered an annual turnover of ₹84,259.06 crore, which was equal to 9.79 *per cent* of the Gross State Domestic Product (GSDP) of Telangana State during 2018-19. As on 31 March 2019, the investment of the Central and State Governments and Others in equity and long term loans in these 82 PSUs was ₹1,33,055.89 crore. Out of the State Government's total investment (equity, loans and subsidy/ grants) of ₹52,219.41 crore in the PSUs during the period from 2014-15 to 2018-19, the power sector received an investment of ₹29,263.92 crore (56.04 *per cent*).

Chapter 2: Functioning of Power Sector PSUs

As on 31 March 2019, there were eight Power Sector PSUs in Telangana (including one Government Company under demerger). During 2018-19, the aggregate turnover of these PSUs was ₹66,979.90 crore, which constituted 7.78 *per cent* of the GSDP of Telangana. The total investment in these PSUs on historical cost basis was ₹46,266.11 crore.

The total loss incurred by the eight PSUs was ₹5,433.54 crore during 2018-19 as against the total loss of ₹1,907.03 crore incurred during 2014-15. During 2018-19, out of the eight PSUs, three PSUs (SCCL, TSGENCO & TSTRANSCO) earned a profit of ₹2,587.60 crore and two PSUs (TSSPDCL & TSNPDCL) incurred a loss of ₹8,018.70 crore. Two PSUs (TSREDCL & APTPCL) incurred a marginal loss (₹2.44 crore) while one PSU (TPFCL) had break-even status. During the years 2014-19, the Rate of Real Return on Investment in Power Sector PSUs was negative and ranged between (-)17.64 *per cent* and (-)10.23 *per cent*. Huge losses of the DISCOMS during the five-year period 2014-19 had contributed to the overall losses of the Power Sector PSUs.

As against the paid-up capital of ₹17,770.46 crore, the accumulated losses reported by these PSUs were ₹28,426.43 crore, resulting in a negative net worth of ₹10,655.97 crore.

Chapter 3: Functioning of PSUs (Non-Power Sector)

As on 31 March 2019, 74 PSUs including 20 inactive PSUs in Telangana pertained to other than Power Sector. The 54 working PSUs included 51 Government Companies and three Statutory Corporations. During 2018-19, the aggregate turnover of the working PSUs was ₹17,279.16 crore and total investment on historical cost basis in 44 working PSUs in which the State Government invested was ₹29,083.42 crore.

The 54 working PSUs incurred an aggregate loss of ₹4,238.79 crore during 2014-19. Out of the 39 PSUs which had furnished their accounts/ information during 2018-19, 14 PSUs earned profits and 20 PSUs incurred losses. Major profit making PSUs during the year 2018-19 were, Telangana State Forest Development Corporation Limited (₹47.36 crore), Telangana State Mineral Development Corporation Limited (₹22.54 crore), Telangana State Warehousing Corporation (₹57.39 crore) and Telangana State Technology Services Limited (₹12.43 crore). These profits were off-set by the loss of ₹928.66 crore reported by Telangana State Road Transport Corporation (TSRTC).

During the years 2014-19, the Rate of Real Return on Investment in the 44 working PSUs was negative and ranged between (-)15.64 *per cent* and (-)5.07 *per cent*. Huge losses of TSRTC, Hyderabad Metro Rail Limited and Telangana Drinking Water Supply Corporation Limited during the above period contributed to the overall losses of the State PSUs.

As against the paid-up capital of ₹260.76 crore, the accumulated losses reported by the 44 working PSUs were ₹10,617.92 crore, resulting in a negative net worth of ₹10,718.81 crore.

Chapter 4: Compliance Audit Observations

Compliance Audit refers to the examination of transactions of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules and regulations and various orders and instructions issued by the competent authorities are being complied with.

Compliance Audit observations included in this Report highlight cases of non-compliance by the State PSUs with established policies, rules and regulations that had financial implications. These observations have been issued to the concerned PSUs as well as to the Government for their comments and responses. Replies received have been incorporated in the Report suitably. Significant cases of deviations / irregularities noticed during a test check in audit are given below:

Kaleshwaram Irrigation Project Corporation Limited

The Company availed of a higher interest bearing term loan of ₹539.56 crore without assessing the specific immediate requirement of funds, resulting in an avoidable interest expenditure of ₹8.51 crore.

(Paragraph 4.1)

Telangana State Industrial Infrastructure Corporation Limited

TSIICL sold prime land below the prevailing market rate to a private party without due diligence and adequate justification, in deviation of Allotment Regulations, resulting in a revenue loss of ₹4.47 crore.

(Paragraph 4.2)

Avoidable payment of penalties and interest charges

Five PSUs failed to pay advance income tax as per the provisions of Income Tax Act, 1961 due to incorrect estimation of taxable income, coupled with delayed filing of tax returns. This resulted in avoidable payment of penalties and interest charges of ₹20.34 crore.

(Paragraph 4.3)

Transmission Corporation of Telangana Limited

TSTRANSCO's non-compliance with the 'merit order' despatch procedure during the period December 2016 to March 2019 resulted in avoidable extra expenditure of ₹44.67 crore to the State DISCOMs.

(Paragraph 4.4)

