

Chapter 5
Financial performance of
State Public Sector Undertakings
(SPSUs)

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 PSUs conducted by the CAG.

State Public Sector Undertakings (PSUs) 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 company¹ 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 PSUs 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 Comptroller and Auditor General of India (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 there under. 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.

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 4 September 2014

5.3 Number of PSUs and status of accounts

Telangana State was formed on 2 June 2014, following the bifurcation of erstwhile composite State of Andhra Pradesh (AP) into Telangana and the residual State of AP as per the AP Reorganisation Act, 2014. As per the provisions of the AP Reorganisation Act, 2014, a PSU was allocated to the State where it is exclusively located in or its operations are exclusively confined to. Assets and liabilities of PSUs 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 2021, there were 82 PSUs in Telangana State (including eight Government companies in power sector and 68 Government companies, three Government Controlled Other companies and three Statutory Corporations in non-power sector) under the audit jurisdiction of CAG. Out of the 82 PSUs, 66 were working and 16 were inactive² PSUs. Two PSUs, namely, Andhra Pradesh Tribal Power Company Limited and Infrastructure Corporation of Andhra Pradesh Limited under demerger are included in working PSUs. During the year 2020-21, one Government Company³ got dissolved and three Government Companies⁴ came under the audit jurisdiction of the CAG.

The nature of PSUs and the position of accounts of 82 PSUs as on 30 September 2021 are detailed in **Table 5.1**.

Table 5.1: Number of PSUs and status of accounts

Type of PSUs	Total No. of PSUs	No. of PSUs whose accounts were received as of 30 September 2021 ⁵				No. of PSUs whose accounts are in arrears (No of accounts in arrears)
		Up to 2018-19	Up to 2019-20	Up to 2020-21	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7) = (2)- (5)
Government Companies	60	8	15	7	30	53 (151)
Statutory Corporations	3	0	0	0	0	3 (17)
Government controlled Other Companies	3	0	0	0	0	3 (12)
Total Working PSUs	66	8	15	7	30	59 (180)
Inactive Government Companies ⁶	16	0	0	0	0	16 (372)
Grand Total	82	8	15	7	30	75 (552)

Source: Annual accounts submitted by Telangana PSUs

Out of 66 working PSUs, 36 PSUs (16 PSUs in respect of which first accounts were awaited and 20 PSUs whose accounts were in arrears for three or more years as on 30 September 2021 or information was not furnished to Audit) are not covered in this Chapter. Based on

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

³ Southern Transformers and Electricals Limited

⁴ Bio Tech Hub Limited, Karimnagar Smart City Corporation Limited and Greater Warangal Smarty City Corporation Limited

⁵ Due date for conduct of Annual General Meeting was extended (September 2021) by two months beyond normal due date (30 November 2021) by ROC, Ministry of Corporate Affairs in view of the Covid-19 pandemic

⁶ Includes 15 PSUs which are under demerger

the accounts and information furnished by PSUs (both Power and Non-power sectors), analysis of financial performance of 30 working PSUs has been covered in this chapter.

The position of arrears of accounts of all 82 PSUs, both working and inactive as on 30 September 2021 are given in *Appendix 5.1*. The summary of financial performance of 30 working PSUs is given in *Table 5.2* below.

Table 5.2: Summary of financial performance of 30 PSUs

Number of working PSUs	66
PSUs covered in this Report	30
Paid up capital (30 PSUs)	₹21,141.24 crore
Long term Loans (30 PSUs)	₹98,929.43 crore
Net profit (12 PSUs)	₹728.63 crore
Net loss (16 PSUs)	₹10,295.63 crore
Zero Profit/Loss (2 PSUs)	-
Dividend declared (1 PSU)	₹173.32 crore
Net worth (30 PSUs)	₹(-)38,741.14 crore

5.4 Contribution of PSUs to the Economy of the State

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

The details of turnover of the 30 working PSUs and GSDP during the three-year period ending March 2021 are as detailed in *Table 5.3*:

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

Sector	(₹ in crore)		
	2018-19	2019-20	2020-21
Power	67,240.05	69,742.97	63,154.02
Agriculture	337.26	415.57	347.81
Infrastructure	301.27	125.11	284.89
Manufacturing	0.00	0.00	1.73
Service	4,048.15	3,737.54	2,528.54
Total Turnover	71,926.73	74,021.19	66,316.99
GSDP of Telangana	8,60,078	9,57,207	9,80,407
Percentage of Turnover to GSDP of Telangana	8.36	7.73	6.76

Source: Turnover figures are as per accounts/ information furnished by the PSUs and GSDP figures are as per Directorate of Economics and Statistics, Govt. Of Telangana (2 August 2021)

The contribution of PSUs to GSDP of Telangana declined from 8.36 per cent in 2018-19 to 6.76 per cent in 2020-21, as the turnover of these PSUs was 10.41 per cent lower compared to previous year. Among the 30 PSUs, power sector PSUs alone reported 95.23 per cent of the turnover contributing 6.44 per cent to GSDP, whereas remaining PSUs in non-power sector contributed only 0.32 per cent during the year 2020-21. The Singareni Collieries Company Limited (SCCL) reported 37 per cent (₹5,921 crore) lower revenue from coal operations compared to previous year as a result of very poor demand for coal in the first half of 2020-21 due to Covid-19 Pandemic. Similarly, the TSRTC reported ₹1,630.78 crore (44.36 per cent) lesser turnover due to stalling of its operations during the Covid-19 Pandemic.

5.5 Investment in PSUs and Budgetary Support

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

The amount of equity and loans in 30 working PSUs as at the end of 31 March 2021 is given in **Table 5.4**:

Table 5.4: Total investment in Telangana PSUs

(₹ in crore)

Sources of Investment	Investments As on 31.03.2020			Investments As on 31.03.2021		
	Equity*	Long Term Loans	Total	Equity*	Long Term Loans	Total
1. Central Government/ Central Government Companies / Corporations	873.22	0.00	873.22	873.22	0.00	873.22
2. State Government / State Government Companies/ Corporations	20,265.09	15,628.93	35,894.02	20,267.04	18,245.81	38,512.85
3. Financial Institutions and Others	0.97	63,011.27	63,012.24	0.98	80,683.62	80,684.60
Total	21,139.28	78,640.20	99,779.48	21,141.24	98,929.43	1,20,070.67
Percentage of State Government Investment to Total Investment	95.86	19.87	35.97	95.86	18.44	32.08

Source: Accounts/information furnished by PSUs

* Equity includes share application money

During 2020-21, there was equity infusion of ₹1.95 crore in the Telangana State Power Finance Corporation Limited and ₹0.01 crore in Bio Tech Hub Limited. The outstanding loans of these 30 PSUs increased from ₹78,640.20 crore as on 31 March 2020 to ₹98,929.43 crore as on 31 March 2021. The increase in the loans during 2020-21 was mainly in Southern Power Distribution Company of Telangana Limited (TSSPDCL) (₹6,105.85 crore), Northern Power Distribution Company of Telangana Limited (TSNPDCL) (₹5,566.35 crore) and Telangana State Power Generation Corporation Limited (TSGENCO) (₹2,757.39 crore).

There were 16 PSUs⁷ which have been inactive for over seven years and up to 36 years. The State Government had invested an amount of ₹203.21 crore in the form of capital (₹39.32 crore) and long-term loans (₹163.89 crore) in the inactive PSUs. We are unable to make any assessment of this State Government investment due to non-furnishing of accounts/information by these PSUs, despite being requested for every year.

The pattern of cumulative investment made by the State Government in 30 PSUs at the end of financial years 2018-19 to 2020-21 is given in **Table 5.5**.

⁷ Of the 16 PSUs, 15 were still under demerger

Table 5.5: Investment of State Government in PSUs

(₹ in crore)

Sector	Year		
	2018-19	2019-20	2020-21
Power	21,983.03	23,643.74	23,712.18
Agriculture	9.94	9.94	10.04
Finance	62.53	62.53	62.53
Infrastructure	7,084.72	8,345.17	10,555.18
Manufacturing	69.24	69.24	69.24
Service	3,510.71	3,763.40	4,103.68
Total	32,720.17	35,894.02	38,512.85

Source: Accounts/information furnished by PSUs

As on 31 March 2021, investment of the State Government in equity and long term loans in these 30 PSUs was ₹38,512.85 crore. During 2020-21, the State Government infused ₹1.96 crore in the form of equity and ₹2,616.87 crore in the form of long term loans mainly in Telangana State Housing Corporation Limited (₹2,210.00 crore) and Telangana State Road Transport Corporation (₹270.29 crore) (*Appendix 5.2*).

Details of significant holding (holding of more than ₹500 crore) of the Government of Telangana during 2020-21 in the paid up capital of the PSUs is given in *Table 5.6*.

Table 5.6: Significant equity holding of the State Government

(₹ in crore)

Name of the PSU	Name of the Administrative Department of Government of Telangana	Amount of Paid-Up Capital Invested
Power Sector PSUs		
The Singareni Collieries Company Limited	Energy Department	885.60
Telangana State Power Generation Corporation Limited	Energy Department	869.64
Southern Power Distribution Company of Telangana Limited	Energy Department	12,017.93
Northern Power Distribution Company of Telangana Limited	Energy Department	5,869.20
Non-Power Sector PSUs		
Telangana State Road Transport Corporation	Transport Department	505.52
Total		20,147.89

Source: Accounts/information furnished by PSUs

Significant amount i.e., 95.30 per cent of the total equity investment by the State Government was in the above five PSUs.

5.5.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2020-21, there was neither disinvestment of any PSU in Telangana State nor was any PSU privatised.

5.5.3 Budgetary support to PSUs

State Government provides financial support to PSUs 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 PSUs for the last three years ending March 2021 are as follows:

Table 5.7: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
Power Sector PSUs							
1	Equity capital outgo from budget	2	2,399.99	2	2,000.00	1	1.95
2	Loans given from budget	0	0	0	0	0	0
3	Grants/Subsidy given from budget*	3	5,052.22	3	4,750.17	3	5,661.39
4	Total Outgo⁸	3	7,452.21	3	6,750.17	4	5,663.34
5	Loans converted into equity	0	0	0	0	0	0
6	Loans, Interest/ Penal interest written off	0	0	0	0	0	0
7	Guarantees issued ⁹	0	0	0	0	2	12,586.93
8	Guarantee Commitment ¹⁰	5	7,788.62	5	7,041.17	5	19,393.40
Non-Power Sector PSUs							
1	Equity capital outgo from budget	5	5.46	1	2.50	1	0.01
2	Loans given from budget	7	2,641.54	4	1,769.95	3	2,751.35
3	Grants/Subsidy given from budget*	10	2,000.45	9	1,217.33	10	2,132.69
4	Total Outgo⁸	15	4,647.45	12	2,989.78	12	4,884.05
5	Loans converted into equity	0	0.00	1	2.03	0	0.00
6	Loans, Interest/ Penal interest written off	0	0.00	0	0.00	0	0.00
7	Guarantees issued ⁹	1	17,000.00	2	2,700.00	3	2,566.92
8	Guarantee Commitment ¹⁰	3	17,725.04	5	20,223.37	4	12,610.17
Total							
1	Equity capital outgo from budget	7	2,405.45	3	2,002.50	2	1.96
2	Loans given from budget	7	2,641.54	4	1,769.95	3	2,751.35
3	Grants/Subsidy given from budget*	13	7,052.67	12	5,967.50	13	7,794.08
4	Total Outgo⁸	18	12,099.66	15	9,739.95	16	10,547.39
5	Loans converted into equity	0	0	1	2.03	0	0
6	Loans, Interest/ Penal interest written off	0	0	0	0	0	0

⁸ The figure of total outgo represents the PSUs which have received outgo from the State Government's budget under one or more heads i.e. equity, loans, grants/ subsidy

⁹ Government guarantee issued to the PSUs during a particular year

¹⁰ Closing balance of Government guarantee in respect of PSUs at the end of a particular year

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
7	Guarantees issued ⁹	1	17,000.00	2	2,700.00	5	15,153.85
8	Guarantee Commitment ¹⁰	8	25,513.66	10	27,264.54	9	32,003.57

* Includes grants/subsidy towards operational and management expenses not ascertainable separately

Source: Accounts/information furnished by PSUs

During the year 2020-21, total outgo from the Government was ₹10,547.39 crore (**Appendix 5.2**). Out of this, 53.58 per cent (₹5,651.65 crore) of subsidy/ grant was given mainly towards tariff subsidy to DISCOMs (TSNPDC and TSSPDCL). However, despite receipt of subsidies/grants, the financial position of these DISCOMs remains highly precarious with huge accumulated losses.

The outgo in the form of subsidy/grants to non-power sector PSUs was higher (₹2,132.69 crore) in 2020-21 compared to previous year (₹1,217.33 crore). During the year 2020-21, ₹1,221.41 crore was released to Telangana State Water Resources Infrastructure Development Corporation Limited towards servicing the earlier loans, ₹600.00 crore to TSRTC towards reimbursement of bus pass concessions and ₹162.10 crore to Telangana State Housing Corporation Limited for construction of 2 BHK houses.

Further, Government guarantees issued (July 2020) during the year includes ₹12,586.93 crore to State DISCOMs for availing Special Long-Term Transition Loans to inject liquidity under Special Economic Package of Government of India (GoI) - Covid-19 Pandemic.

Out of ₹10,547.39 crore budgetary support provided by the State Government during the year 2020-21, ₹3,526.88 crore was provided to four working PSUs whose accounts were in arrears for three or more years. Details are given in **Appendix 5.2**.

5.6 Returns from the PSUs

During the year 2020-21, out of the 30 PSUs, 12 PSUs earned profits, 16 PSUs earned losses and two¹¹ PSUs had reported neither profit nor loss.

5.6.1 Profits earned by PSUs

Out of 30 PSUs, 12 PSUs earned profit of ₹728.63 crore during 2020-21 as compared to 11 PSUs which reported profit of ₹1,456.80 crore during 2019-20. Of these, The Singareni Collieries Company Limited reported reduction in Profit Before Tax by ₹1,983.00 crore in 2020-21 due to COVID-19 Pandemic. Other PSUs have not disclosed the COVID-19 impact in their financial statements. Further, out of these, 11 PSUs reported Profit due to operational income, while the remaining one PSU¹² reported profit from non-operating income. Two¹³

¹¹ (i) Telangana Power Finance Corporation Limited and (ii) Musi Riverfront Development Corporation Limited

¹² Telangana State Minorities Finance Corporation

¹³ Telangana Fiber Grid Corporation Limited and The Nizam Sugars Limited

PSUs reported a turnaround from previous year. Further one¹⁴ PSU suffered a loss after earning profit in the previous year.

The Return on Equity (ROE) of the profit-making PSUs was 7.21 *per cent* in 2020-21 as compared to 12.43 *per cent* in 2019-20. ROE for the PSUs as a whole i.e., including 16 loss making and two zero profit companies could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2021 were negative.

Net profit of ₹648.21 crore (constituting 84.35 *per cent* of total Net Profit) was contributed by three¹⁵ PSUs in the Power Sector.

Table 5.8: List of top profit making PSUs in 2020-21

(₹ in crore)

Sl. No.	Name of PSU	Net Profit after Tax
Power Sector		
1	The Singareni Collieries Company Limited	272.64
2	Telangana State Power Generation Corporation Limited	168.80
3	Transmission Corporation of Telangana Limited	206.77
Non-Power Sector		
4	Telangana State Forest Development Corporation Limited	51.83
	Total	700.04

Source: Accounts/information furnished by PSUs

The above four PSUs contributed 96.08 *per cent* of the total profit earned by 12 PSUs (₹728.63 crore) during 2020-21. Out of these, PSUs at Sl. Nos. (1), (3) and (4) are operating under monopolistic conditions.

5.6.2 Dividend Payout

The State Government had not formulated any dividend policy under which PSUs 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 12 profit making PSUs, only one PSU i.e., The Singareni Collieries Company Limited, which is jointly owned by Government of Telangana and GoI paid dividend of ₹208.95 crore and ₹173.32 crore during 2019-20 and 2020-21 respectively. Though the dividend declared as a percentage of Net Profit increased from 21.02 *per cent* in 2019-20 to 63.57 *per cent* in 2020-21, the dividend declared in 2020-21 decreased by ₹35.63 crore as compared to the previous year.

The return in the form of dividend on total equity of ₹21,141.24 crore of 30 PSUs was 0.82 *per cent* in 2020-21 as compared to 0.99 *per cent* during 2019-20.

¹⁴ Wehub Foundation

¹⁵ SCCL, TSGENCO and TSTRANSCO

5.7 Losses incurred by PSUs

5.7.1 Losses incurred

Out of 30 PSUs, 16 PSUs incurred losses during the year 2020-21. The losses incurred by these 16 PSUs increased to ₹10,295.63 crore in 2020-21 from ₹7,836.49 crore during 2019-20 as given in **Table 5.9** below.

Table 5.9: Number of PSUs that incurred losses

(₹ in crore)

Year	Number of loss-making PSUs	Net Loss for the Year	Accumulated Loss	Net Worth
Power Sector PSUs				
2018-19	3	(-)8,018.75	(-)36,233.65	(-)20,346.38
2019-20	2	(-)6,056.55	(-)42,292.99	(-)24,405.86
2020-21	2	(-)7,062.96	(-)48,982.22	(-)31,095.09
Non-Power Sector PSUs				
2018-19	15	(-)1,464.18	(-)10,955.55	(-)10,740.37
2019-20	13	(-)1,779.94	(-)12,846.27	(-)12,266.89
2020-21	14	(-)3,232.67	(-)18,337.42	(-)17,817.82
Total				
2018-19	18	(-)9,482.93	(-)47,189.20	(-)31,086.75
2019-20	15	(-)7,836.49	(-)55,139.26	(-)36,672.75
2020-21	16	(-)10,295.63	(-)67,319.64	(-)48,912.91

Source: Accounts/information furnished by PSUs

Out of total losses of ₹10,295.63 crore, the power sector share was ₹7,062.96 crore and non-power sector share was ₹3,232.67 crore.

The total accumulated losses of 19 PSUs including 16 loss making PSUs was ₹67,580.38 crore and after setting off accumulated profit of nine PSUs (₹7,723.78 crore), the net accumulated losses were at (-)₹59,856.60 crore.

PSUs listed in **Table 5.10** below incurred loss of more than ₹50 crore during the year 2020-21.

Table 5.10: List of PSUs that incurred loss of more than ₹50 crore in 2020-21

(₹ in crore)

Sl. No.	Name of PSU	Net Loss
Power Sector		
1	Southern Power Distribution Company of Telangana Limited	4,622.60
2	Northern Power Distribution Company of Telangana Limited	2,440.36
Non-Power Sector		
3	Telangana State Road Transport Corporation	2,329.23
4	Telangana State Housing Corporation Limited	733.15
5	Hyderabad Metro Rail Limited	96.46
6	Telangana Rajiv Swagruha Corporation Limited	66.27

Source: Accounts/information furnished by PSUs

Out of total losses of ₹10,295.63 crore incurred by 16 PSUs during 2020-21, losses of ₹7,062.96 crore constituting 68.60 *per cent* of total losses incurred was contributed by the two DISCOMs (TSSPDCL and TSNPDCL).

5.7.2 Erosion of Capital in PSUs

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 2021, the paid up capital and accumulated losses of these 30 PSUs was ₹21,141.24 crore and ₹59,856.60 crore respectively, resulting in a negative net worth of ₹38,741.14 crore after adjustment of deferred revenue expenditure of ₹25.78 crore. This indicates that the investment made by the State Government in these PSUs had been completely wiped off. Out of 30 PSUs, 19 PSUs reported accumulated loss of ₹67,580.38 crore, nine PSUs reported accumulated profit of ₹7,723.78 crore and two PSUs had reported neither profit nor loss. Out of this, accumulated losses of five¹⁶ PSUs represent 98.42 *per cent*. The maximum net worth erosion was noticed in respect of TSSPDCL (₹21,537.41 crore), TSNPDCL (₹9,557.68 crore), Telangana State Road Transport Corporation (₹7,797.02 crore), Hyderabad Metro Rail Limited (₹2,374.84 crore) and Telangana State Housing Corporation Limited (₹7,101.80 crore). Three¹⁷ PSUs, having accumulated losses, earned profit of ₹5.76 crore during the year 2020-21.

Out of 30 PSUs, net worth of 15 PSUs had been completely eroded due to accumulated losses leading to negative net worth. The negative net worth of these PSUs was ₹49,142.76 crore due to accumulated losses of ₹67,580.38 crore against their paid-up capital of ₹18,453.55 crore as on 31 March 2021 (**Appendix 5.3**). Of the 15 PSUs having negative Net worth, seven PSUs had Government loans outstanding as on 31 March 2021 amounting to ₹14,921.08 crore.

5.8 Debt Servicing

5.8.1 Interest Coverage Ratio (ICR)

The 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 PSUs who have paid interest from 2018-19 to 2020-21 on loans from all sources are given in the **Table 5.11**.

¹⁶ S.No.1,2,4,5 and 13 of Appendix 5.4

¹⁷ Hyderabad Growth Corridor Limited, Telangana State Minorities Finance Corporation and The Nizam Sugars Limited

Table 5.11: ICR of PSUs

(₹ in crore)

Year	EBIT	Interest	ICR	Number of PSUs having interest burden	Number of PSUs having ICR more than 1	Number of PSUs having ICR less than 1
(1)	(2)	(3)	(4)	(5)	(6) Out of Column 5	(7) Out of Column 5
Power Sector PSUs						
2018-19	622.02	5,611.34	0.11:1	6	4	2
2019-20	3,421.08	6,572.75	0.52:1	6	3	3
2020-21	1,491.51	7,386.00	0.20:1	6	4	2
Non-Power Sector PSUs						
2018-19	(-)1,007.48	279.79	(-)3.60:1	5	0	5
2019-20	(-)1,499.85	273.61	(-)5.48:1	6	0	6
2020-21	(-)2,892.84	266.00	(-)10.88:1	3	0	3
Total						
2018-19	(-)385.46	5,891.13	(-)0.07:1	11	4	7
2019-20	1,921.23	6,846.36	0.28:1	12	3	9
2020-21	(-)1,401.33	7,652.00	(-)0.18:1	9	4	5

Source: Accounts/information furnished by PSUs

We observed that the overall ICR of PSUs ranged between (-)0.07 and 0.28 during 2018-19 to 2020-21. The ICR of Non-Power Sector PSUs was negative in all the three-years. The Power Sector PSUs fared better. The ICR of Power Sector PSUs decreased during the year 2020-21 in comparison to the previous year mainly due to decrease in EBIT of The Singareni Collieries Company Limited and DISCOMs. However, the overall ICR remained below 'one'. This indicates that the PSUs 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 9 PSUs having interest payment obligations, four PSUs accounted for interest on State Government loans amounting to ₹799.16 crore out of which ₹708.91 crore was paid to the Government in 2020-21. As on 31 March 2021, interest amounting to ₹396.14 crore was outstanding on long term loans provided by the State Government. Age-wise analysis of interest outstanding on State Government loans of Telangana PSUs as on 31 March 2021 is detailed in *Table 5.12*.

Table 5.12: Age-wise analysis of interest outstanding on State Government's Loans

(₹ in crore)

Sl. No.	Name of the PSU	Outstanding Interest on State Government Loans as on 31 March 2021	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1-3 years	Interest on State Government loans outstanding for more than 3 years
Power Sector PSUs					
1	Transmission Corporation of Telangana Limited	174.73	58.17	116.34	0.22
Non-Power Sector PSUs					
2	Telangana State Forest Development Corporation Limited	18.56	0.00	0.00	18.56
3	Telangana State Seeds Development Corporation Limited	43.62	32.08	11.54	0.00
4	The Nizam Sugars Limited	159.23	0.00	9.30	149.93
Total		396.14	90.25	137.18	168.71

Source: Accounts/information furnished by PSUs

It is evident from the above that 42.59 per cent of interest on State Government loans was outstanding for more than three years.

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

5.9 Operating Efficiency of PSUs

5.9.1 Return on Investment

The PSUs 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 (i.e. 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 negative shareholders fund means that liabilities exceed its assets.

The PSU-wise details of RoE are given in *Appendix 5.4*. The consolidated figures of shareholders fund and RoE of 30 PSUs during the period from 2018-19 to 2020-21 are given below in *Table 5.13*:

Table 5.13: Shareholders' fund and RoE of PSUs

(₹ in crore)

Year	Net Profit/Loss	Shareholders' Fund	RoE
			(in per cent)
Power Sector PSUs			
2018-19	(-)5,831.07	(-)10,341.82	-
2019-20	(-)4,681.39	(-)12,983.85	-
2020-21	(-)6,413.64	(-)21,136.65	-
Non-Power Sector PSUs			
2018-19	(-)1,402.35	(-)10,432.95	-
2019-20	(-)1,698.30	(-)11,908.24	-
2020-21	(-)3,153.36	(-)17,604.49	-
Total			
2018-19	(-)7,233.42	(-)20,774.77	-
2019-20	(-)6,379.69	(-)24,892.09	-
2020-21	(-)9,567.00	(-)38,741.14	-

Source: Accounts/information furnished by PSUs

As can be seen from the above table, both the shareholders fund and the net income were negative during all the three years from 2018-19 to 2020-21 for both Power Sector and Non-Power Sector PSUs. Hence, the RoE could not be worked out. Negative shareholders fund indicates that the liabilities of the PSUs have exceeded the assets and instead of the PSUs paying returns to the shareholders, the shareholders owe money to the creditors of the working PSUs. The negative RoE was contributed mainly by TSSPDCL, TSNPDCL, TSRTC and Telangana State Housing Corporation Limited as given in *Appendix 5.4*.

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 employed¹⁸. 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 PSU wise RoCE is given in *Appendix 5.5*. The consolidated RoCE of 30 PSUs during 2018-19 to 2020-21 is given in *Table 5.14*.

¹⁸ Capital employed = Paid up share capital + free reserves and surplus + long term loans – accumulated losses - deferred revenue expenditure

Table 5.14: Return on Capital Employed of PSUs

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (%)
(1)	(2)	(3)	(4) Col 2/Col 3 x 100
Power Sector PSUs			
2018-19	622.02	34,074.41	1.83
2019-20	3,421.08	37,164.77	9.21
2020-21	1,491.51	44,458.36	3.35
Non- Power Sector PSUs			
2018-19	(-)1,115.19	11,693.20	(-)9.54
2019-20	(-)1,411.67	16,583.34	(-)8.51
2020-21	(-)2,873.86	15,729.93	(-)18.27
Total			
2018-19	(-)493.17	45,767.61	(-)1.08
2019-20	2,009.41	53,748.11	3.74
2020-21	(-)1,382.35	60,188.29	(-)2.30

Source: Accounts/information furnished by PSUs

The RoCE of the PSUs was 3.74 *per cent* for the year 2019-20 whereas for the remaining years, the RoCE was negative. The positive RoCE during 2019-20 was on account of increase in the EBIT of Power Sector PSUs by nearly six times in 2019-20 as compared to 2018-19. The decrease in EBIT of Power Sector PSUs in 2020-21 was due to decrease in earnings of SCCL as compared to the previous year, which was mainly due to steep fall in its Revenue from Operations due to COVID-19 pandemic.

Further, the RoCE of 13 out of 30 PSUs (all the seven Power Sector PSUs and six Non-Power Sector PSUs¹⁹) which generate their own revenue and run-on commercial lines was positive (7.62 *per cent*) for the year 2019-20 and negative for the years 2018-19 (0.14 *per cent*) and 2020-21 (1.35 *per cent*). The RoCE of the remaining 17 PSUs in Non-Power Sector was negative ranging from 3.50 *per cent* (2018-19) to 4.24 *per cent* (2020-21) during the same period 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

¹⁹ Telangana State Forest Development Corporation Limited, Telangana State Seeds Development Corporation Limited, Damodhara Minerals Private Limited, The Nizam Sugars Limited, Telangana State Road Transport Corporation and Telangana State Technology Services Limited

operational and management expenses. Rate of Real Return on Investment is the percentage of profit or loss to the total investment.

(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 PSUs. RoRR from the PSUs 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 PSUs 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 PSUs of Telangana State.

As on 31 March 2021, the investment in 30 PSUs of Government of Telangana was ₹68,082.59 crore; the investment of Central Government amounted to ₹3,199.25 crore, while the investment of Others was ₹1,058.52 crore.

The details of investment of State Government, Central Government and Others on historical basis is given in **Appendix 5.6**. It is evident that due to losses during the last seven 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 PSUs, 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 PSUs 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 2021, the past investments/ year-wise funds infused in the PSUs 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 PSUs was computed on the basis of following assumptions:

- The investment (initial equity net of Re-organisation/ Demerger Adjustment Reserve) of State Government in the PSUs 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 2021 have been reckoned as investment.

- 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 30 PSUs at the end of the year 2020-21 was ₹72,340.36 crore consisting of equity of ₹26,525.92 crore, interest free loans of ₹3,318.73 crore and subsidies/ grants of ₹42,495.71 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2021 worked out to ₹95,870.65 crore. The Rate of Real Return on the PV of investment was negative in all the years due to PSUs incurring losses during all the seven Financial Years from 2014-15 to 2020-21 as detailed in *Appendix 5.7*.

5.10 Sales and Marketing

5.10.1 Sales and Marketing

During the year 2020-21, the total turnover of 30 PSUs stood at ₹66,316.99 crore as compared to ₹74,021.19 crore during 2019-20. Out of these 30 PSUs, eight PSUs rendered goods/ services worth ₹32,903.83 crore (51.84 *per cent*) to the Government Sector out of their total sales of ₹63,477.53 crore.

None of the PSUs exported goods/services during 2020-21. However, the Singareni Collieries Company Limited imported goods/services worth ₹43.38 crore during 2020-21.

5.10.2 Research and Development (R&D)

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;
- Tax Benefits for undertaking R&D activities are available under Income Tax Act, 1961.

During the year 2020-21, only one PSU *viz.*, SCCL undertook R&D related activities. The Company spent ₹3.60 crore during 2020-21 on R&D as against ₹3.73 crore during 2019-20.

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

5.11 Appointment of Statutory Auditors of PSUs by CAG

The CAG appoints statutory auditors of a Government Company or Government controlled other Company under Sections 139 (5) of the Companies Act, 2013. The CAG has a right to conduct supplementary audit and issues 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 year were appointed by the CAG .

5.12 Submission of Accounts by PSUs

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 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 has to 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.

However, Registrar of Companies, Ministry of Corporate Affairs have extended the due date for holding AGM by two months i.e., up to 30 November 2021 in view of the Covid-19 Pandemic. Consequently, the financial statements also need to be prepared and placed in the AGM by 30 November 2021.

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 PSUs

As of 31 March 2021, there were 82 PSUs under the purview of CAG's audit. Out of 82 PSUs, 16 PSUs are inactive. Out of the remaining 66 working PSUs only seven Companies submitted their accounts for the financial year 2020-21 by 30 September 2021. Accounts of

56 working Government Companies and three Statutory Corporations were in arrears ranging from one to seven years. Details of arrears in submission of accounts of PSUs are given in **Table 5.15** below:

Table 5.15: Delay in submission of accounts by PSUs

Particulars		Government Companies	Statutory Corporations	Total
Total number of PSUs as on 31 March 2021		79	03	82
Number of PSUs which presented the accounts for CAG's audit by 30 September 2021		7	0	7
Number of Companies whose accounts are in arrears		72	03	75
Break- up of Arrears	(i) Under Liquidation	8	0	8
	(ii) Defunct	8	0	8
	(iii) Others	56	03	59
Age- wise analysis of arrears against 'Others' category	One year (2020-21)	15	0	15
	Two years (2019-20 and 2020-21)	08	0	08
	Three years and more	33	03	36

Source: Accounts furnished by PSUs

Out of the 56 Government Companies, accounts of 33 Companies were due for three or more years. Out of these 33 Companies, 16 Companies have not even submitted their first accounts as on 30 September 2021 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 TSRTC) under the audit of CAG in Telangana, CAG is the sole auditor in respect of TSRTC. However, none of the Statutory Corporations have submitted their accounts since their inception.

As a result of delay/non submission of accounts, the legislative control over the money invested in Government Companies could be jeopardised. 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 thereon 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 PSUs 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 upon 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 January 2021 to 30 September 2021, 24 Government Companies submitted 33 accounts for the period spanning from 2015-16 to 2020-21 for audit by CAG. Of these, the CAG reviewed 27 Accounts of 23 PSUs.

5.14.2 Revision of Auditors Report

As a result of supplementary audit of Financial Statements conducted by the CAG, the Statutory Auditors of seven Government Companies revised their report (January 2021 to September 2021) as detailed in *Appendix 5.8*.

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

Subsequent to the audit of Financial Statements by Statutory Auditors, the CAG conducted supplementary audit of 27 Financial Statements of the 23 Government Companies. Out of 27 Financial Statements, Non-Review Certificate was issued in 11 cases, NIL comments were issued in two cases and in the remaining 14 cases comments were issued. The list of State PSUs in respect of whom comments were issued is given in *Appendix 5.9*. 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 ₹302.03 crore and on assets/ liabilities was ₹6,041.46 crore, are detailed below:

(a) Comments on Profitability:

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector PSUs		
1	Northern Power Distribution Company of Telangana Limited (2019-20)	Depreciation and amortisation expense (Note 13): ₹444.86 crore The Company applied depreciation rates notified by the Ministry of Power instead of adopting the depreciation rates notified by Central Electricity Regulatory Commission which resulted in overstatement of loss for the year, Depreciation and amortisation expenses and understatement of Tangible Assets as at 31 March 2020 by ₹174.31 crore each.
2	Northern Power Distribution Company of Telangana Limited (2019-20)	Other Expenses:(Note 28): ₹305.09 crore The Company made a provision for ₹113.30 crore that was recognized as Revenue from Operations in 2018-19, the realization of which was not uncertain since the Government sanctioned the said amount in line with the Tripartite MOU. Hence, the provision made resulted in overstatement of loss for the year and Other Expenses and understatement of Other Current Assets by ₹113.30 crore each.
3	Telangana State Renewable Energy Development Corporation Limited (2017-18)	Other Income (Note 17): ₹9.56 crore The Company accounted ₹6.08 crore as other income instead of accounting it as part of Government Grant received/unspent as per sanction order of the Grant. This resulted in overstatement of Other Income and understatement of Other Current Liabilities by ₹6.08 crore each with consequent understatement of loss by ₹4.09 crore for the year (after converting Profit of ₹1.79 crore into loss).
Non-Power Sector PSUs		
4	Telangana Drinking Water Supply Corporation Limited (2017-18)	Operation and Maintenance Expenses: ₹5.32 crore The company did not account for ₹6.18 crore towards O&M expenditure incurred as on 31 March 2018 resulting in understatement of loss for the year and Expenses and Current Liabilities by ₹6.18 crore each.
5	Telangana State Industrial Infrastructure Corporation Limited (2016-17)	Other Expenses (Note 23): ₹26.30 crore The Company did not account for ₹2.16 crore towards professional fees payable for the period from 1993 to 2017. This resulted in understatement of loss for the year, Other Expenses and Current Liabilities by ₹2.16 crore each.

(b) Comments on Financial Position:

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector PSUs		
1	Northern Power Distribution Company of Telangana Limited (2019-20)	Other current assets (Note 22): ₹3,654.59 crore The Company did not recognise ₹762.86 crore, being investment in DISCOMs under UDAY scheme to be funded by the State Government in 2019-20 as per the Tripartite MOU. This has resulted in understatement of Other Current Assets and Reserves and Surplus by ₹762.86 crore each.
Non-Power Sector PSUs		
2	Hyderabad Growth Corridor Limited (2016-17)	Long Term Borrowings (Note 3.1): ₹5,253.23 crore The Company accounted the funds of ₹2,842.42 crore provided by Hyderabad Metropolitan Development Authority (HMDA) to meet the expenditure on implementation of Hyderabad Growth Corridor Project (HGCP) as Capital Work in Progress (CWIP). But the funds provided by HMDA were not accounted as advances resulting in overstatement of Long-Term Borrowings and understatement of Advances by ₹2,842.42 crore each.
3	Hyderabad Growth Corridor Limited (2016-17)	Capital Work in Progress (Note 5.2): ₹5,634.49 crore The Company accounted the annuities of ₹1,590.14 crore paid towards completed projects as CWIP instead of transferring such completed projects to the HMDA and adjusting the annuity payments from the funds received from HMDA. This resulted in overstatement of CWIP and Long-term borrowings by ₹1,590.14 crore each.
4	Hyderabad Road Development Corporation Limited (2018-19)	Other Current Assets: ₹19.46 crore The Company neither accounted for ₹50.00 crore received from the State Government nor adjusted it with receivables from Government amounting to ₹18.17 crore. This resulted in understatement of Other Current Assets and Other Current Liabilities by ₹31.83 crore each.
5	Telangana State Civil Supplies Corporation Limited (2015-16)	Shareholders' Funds - Reserves and Surplus (Note 3): ₹80.34 crore The Company accounted for the Demerger Adjustment Account balance of ₹180.44 crore, being the surplus of Assets over Liabilities, under 'Current Liabilities' instead of showing the same separately under 'Reserves and Surplus'. This resulted in understatement of Reserves and Surplus and overstatement of Current Liabilities by ₹180.44 crore each.

Sl. No.	Name of the Company (Year of Accounts)	Comments
6	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	Other Long Term Liabilities (Note 4): Security Deposits: ₹245.99 crore The Company refunded Security Deposit (SD) of ₹102.71 crore to the contractors and adjusted it against the SD recovered after Company's incorporation instead of accounting for the same as receivable from the Government since the SD was recovered and retained by the State Irrigation Department prior to Company's incorporation. This resulted in understatement of SD and Receivables from Government by ₹102.71 crore each.
7	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	Capital work in progress (Note 7): ₹5,843.88 crore The Company accounted for the amount of ₹512.89 crore paid to Transmission Corporation of Telangana Limited towards electrical works of various projects as CWIP instead of accounting the same as Deposits/Advances. This resulted in overstatement of CWIP and understatement of Deposits/Advances by ₹512.89 crore each.

(c) Comments on Disclosure:

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector PSUs		
1	Northern Power Distribution Company of Telangana Limited (2019-20)	Revenue from Operations (Note 23): ₹12,848.57 crore Non-commitment of the State Government for ₹684.74 crore, being the difference of tariff subsidy (₹4,254.15 crore) as approved by Telangana State Electricity Regulatory Commission and the amount (₹3,569.40 crore) actually released to the Company by the State Government was not disclosed.
Non-Power Sector PSUs		
2	Telangana State Forest Development Corporation Limited (2017-18)	The Company neither accounted for penal interest of ₹6.77 crore up to 31 March 2018 nor appropriately disclosed the fact of rejection of its request (February 2020) for waiver of the same by the Government.
3	Telangana State Civil Supplies Corporation Limited (2015-16)	The Corporation did not disclose the fact of recognition of ₹675.88 crore as Income and Receivables during the year although the final claim was not submitted to the Government of India (December 2020).
4	Telangana State Police Housing Corporation Limited (2018-19)	The Company neither provided the liability to pay penalty/interest on the unpaid GST (₹4.40 crore) nor disclosed the fact in the Financial Statements.

Sl. No.	Name of the Company (Year of Accounts)	Comments
5	Telangana State Water Resources Infrastructure Development Corporation Limited (2018-19)	The fact that State Government incurred an expenditure of ₹15,400.60 crore on various irrigation projects prior to incorporation of the Company and their take over by the Company on continuing/ongoing basis for its operations was not suitably disclosed.

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 six Companies as detailed in *Appendix 5.10* did not comply with mandatory Accounting Standards/Ind AS.

During the course of supplementary audit carried out between January 2021 and September 2021, it was observed that four Companies had not complied with AS/Ind AS, which was not reported by their Statutory Auditors. Details in respect of four PSUs are given below:

Sl. No	Accounting Standard/ Ind AS	Name of the Company (Year of Accounts)	Deviation
Power Sector PSUs			
1	AS 1: Disclosure of Accounting Policies	Northern Power Distribution Company of Telangana Limited (2019-20)	Non-disclosure of change in accounting policy to recognise the loss funding by the State Government under UDAY Scheme.
Non-Power Sector PSUs			
2	AS 5: Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	Telangana Urban Finance & Infrastructure Development Corporation Limited (2017-18)	Prior period expenditure was recognised as current year expenditure.
3	AS 29: Provisions, contingent liabilities and Contingent assets	Hyderabad Growth Corridor Limited (2015-16 and 2016-17)	Non-disclosure of information regarding cases pending in Arbitration against the Company and appeal cases pending in the Hon'ble High Court.
4	AS 10: Property, Plant and equipment	Telangana Drinking Water Supply Corporation Limited (2017-18)	Accounting policy to provide depreciation charge on Property, Plant and Equipment was contrary to the provisions of Accounting Standard 10.

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 PSUs 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 reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally related to a) application and interpretation of accounting policies b) adjustments arising out of audit and c) Inadequate disclosure or non-disclosure of certain information on which management of the concerned PSU gave assurances that corrective action would be taken in the subsequent year.

During the year, CAG issued 11 Management Letters to 10 PSUs as detailed in *Appendix 5.11*.

5.17 Conclusion

As on 31 March 2021, there were 82 PSUs in Telangana under the audit jurisdiction of CAG. Of these, 16 were inactive. Out of the remaining 66 working PSUs, eight PSUs were related to Power sector and 58 PSUs were related to other sectors. Of these 66 PSUs, only 30 PSUs which furnished their accounts/ information to Audit were considered for analysis of financial performance.

During 2020-21, these 30 PSUs registered turnover of ₹66,316.99 crore, which was equal to 6.76 *per cent* of the GSDP of Telangana State. The contribution of PSUs to GSDP has declined from 8.36 *per cent* in 2018-19 to 6.76 *per cent* in 2020-21.

The investment of the State Government in equity and long-term loans in these 30 PSUs was ₹38,512.85 crore against total investment of ₹1,20,070.67 crore at the end of 31 March 2021. The outstanding long terms loans of these PSUs as on 31 March 2021 increased to ₹98,929.43 crore from ₹78,640.20 crore during the previous year (2019-20).

Out of the 30 PSUs, 12 PSUs earned profits (₹728.63 crore), while 16 PSUs incurred losses (₹10,295.63 crore) and two PSUs had reported neither profit nor loss. The net accumulated losses of these 30 PSUs were ₹59,856.60 crore as on 31 March 2021.

Out of the 66 working PSUs, Financial Statements for the year 2020-21 were received only from seven PSUs in time. 36 PSUs accounts were due for more than three years and 16 PSUs have not even submitted their first accounts since their incorporation.

As a result of the audit of CAG during the period 1 January 2021 to 30 September 2021, Statutory Auditors of seven PSUs revised their Audit Report. Significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹302.03 crore and assets/ liabilities by ₹6,041.46 crore were issued.

5.18 Recommendations

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



(SUDHA RAJAN)

Accountant General (Audit), Telangana

Hyderabad
The

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi
The