

**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 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 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 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.

### 5.3 Number of PSUs 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 Reorganisation Act, 2014. As per the provisions of the AP Reorganisation Act, 2014, a PSU was allocated to the State in which 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 2022, there were 83 PSUs in Telangana State (including eight Government Companies in power sector and 69 Government Companies, three Government Controlled Other Companies<sup>1</sup> and three Statutory Corporations in non-power sector) under the audit jurisdiction of CAG. Out of the 83 PSUs, 67 were working and 16 were inactive<sup>2</sup> 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 2021-22, one Government Company<sup>3</sup> came under the audit jurisdiction of CAG.

The nature of PSUs and the position of accounts of 83 PSUs as on 30 September 2022 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 2022 |               |               |           | No. of PSUs whose accounts are in arrears (No of accounts in arrears) |
|---------------------------------------|-------------------|--|---------------|---------------|-----------|---|
|                                       |                   | Up to 2019-20  | Up to 2020-21 | Up to 2021-22 | Total     |   |
| (1)                                   | (2)               | (3)  | (4)           | (5)           | (6)       | (7) = (2) - (5)   |
| Government Companies                  | 61                | 8  | 10            | 13*           | 31        | 48 (149)  |
| Statutory Corporations                | 3                 | 0  | 0             | 0             | 0         | 3 (19)  |
| Government Controlled Other Companies | 3                 | 0  | 1             | 0             | 1         | 3 (12)  |
| <b>Total Working PSUs</b>             | <b>67</b>         | <b>8</b>   | <b>11</b>     | <b>13</b>     | <b>32</b> | <b>54 (180)</b>   |
| Inactive Government Companies         | 16                | 0  | 0             | 0             | 0         | 16 (389)  |
| <b>Grand Total</b>                    | <b>83</b>         | <b>8</b>   | <b>11</b>     | <b>13</b>     | <b>32</b> | <b>70 (569)</b>   |

\* Includes one PSU (Manjira Lift Irrigation Corporation Limited) whose accounts are not due

Source: Annual accounts submitted by Telangana PSUs

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

<sup>2</sup> Either defunct or under liquidation. Of these, 15 Companies are under demerger

<sup>3</sup> Manjira Lift Irrigation Corporation Limited

**Out of 67 working PSUs, 28 PSUs<sup>4</sup> whose accounts were in arrears for three or more years as on 30 September 2022 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 2022 as furnished by PSUs (both power and non-power sectors), analysis of financial performance of 39 working PSUs has been covered in this chapter.

The position of arrears of accounts of all 83 PSUs, both working and inactive as on 30 September 2022 are given in *Appendix 5.1*. The summary of financial performance of 39 working PSUs is given in *Table 5.2* below.

**Table 5.2: Summary of financial performance of 39 PSUs**

|   |              |
|---|--------------|
| Number of working PSUs                  | 67           |
| PSUs covered in this Report             | 39           |
| Paid up Capital (39 PSUs) (₹ in crore)  | 21,626.62    |
| Long term Loans (39 PSUs) (₹ in crore)  | 1,04,618.79  |
| Net profit (17 PSUs) (₹ in crore)       | 1,955.83     |
| Net loss (18 PSUs) (₹ in crore)         | (-)4,065.25  |
| Zero Profit/ Loss (4 PSUs)              | -            |
| Dividend declared (2 PSUs) (₹ in crore) | 106.66       |
| Net worth (39 PSUs) (₹ in crore)        | (-)35,008.30 |

Source: Accounts/ information furnished by PSUs

## 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 39 working PSUs and GSDP during the three-year period ending March 2022 are as detailed in *Table 5.3*:

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

(₹ in crore)

| Sector                                      | 2019-20          | 2020-21          | 2021-22            |
|---|------------------|------------------|--------------------|
| Power                                       | 69,742.97        | 63,217.89        | 79,334.81          |
| Agriculture                                 | 683.69           | 796.61           | 704.96             |
| Infrastructure                              | 141.50           | 167.43           | 308.58             |
| Manufacturing                               | 282.85           | 276.75           | 288.35             |
| Service                                     | 22,410.64        | 28,142.64        | 38,348.88          |
| Finance                                     | 1.21             | 0.15             | 0.00               |
| Others                                      | 96.32            | 83.49            | 93.52              |
| <b>Total Turnover</b>                       | <b>93,359.18</b> | <b>92,684.96</b> | <b>1,19,079.10</b> |
| GSDP of Telangana (as on 1 August 2022)     | 9,50,287         | 9,61,800         | 11,48,115          |
| Percentage of Turnover to GSDP of Telangana | 9.82             | 9.64             | 10.37              |

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

The contribution of PSUs to GSDP of Telangana increased from 9.82 per cent in 2019-20 to 10.37 per cent in 2021-22, as the turnover of these PSUs was 28.48 per cent higher compared to previous year. Among the 39 PSUs, power sector PSUs alone reported

<sup>4</sup> Including six PSUs in respect of which first accounts were awaited and one PSU whose accounts are not due

66.62 per cent of the turnover contributing 6.91 per cent to GSDP, whereas remaining PSUs in non-power sector contributed only 3.46 per cent to GSDP during the year 2021-22. The Singareni Collieries Company Limited (SCCL) reported 57.82 per cent (₹6,092.10 crore) higher revenue from coal operations compared to previous year. Similarly, Telangana State Civil Supplies Corporation Limited reported ₹9,412.88 crore (36.65 per cent) higher revenue compared to previous year.

## 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 39 working PSUs as at the end of 31 March 2022 is given in **Table 5.4**:

**Table 5.4: Total investment in Telangana PSUs**

(₹ in crore)

| Sources of Investment  | Investments As on 31.03.2021 |                  |                    | Investments As on 31.03.2022 |                    |                    |
|--|------------------------------|------------------|--------------------|------------------------------|--------------------|--------------------|
|  | Equity*                      | Long Term Loans  | Total              | Equity*                      | Long Term Loans    | Total              |
| (1)  | (2)                          | (3)              | (4)=(2)+(3)        | (5)                          | (6)                | (7)=(5)+(6)        |
| 1. Central Government/<br>Central Government<br>Companies/<br>Corporations | 873.22                       | 0.00             | 873.22             | 873.22                       | 0.00               | 873.22             |
| 2. State Government/<br>State Government<br>Companies/<br>Corporations     | 20,268.91                    | 11,720.02        | 31,988.93          | 20,808.83                    | 11,262.00          | 32,070.83          |
| 3. Financial Institutions<br>and Others                                    | 2.86                         | 84,223.90        | 84,226.76          | 2.86                         | 93,356.79          | 93,359.65          |
| <b>Total</b>   | <b>21,144.99</b>             | <b>95,943.92</b> | <b>1,17,088.91</b> | <b>21,684.91</b>             | <b>1,04,618.79</b> | <b>1,26,303.70</b> |
| Percentage of State<br>Government<br>Investment to Total<br>Investment     | 95.86                        | 12.22            | 27.32              | 95.96                        | 10.76              | 25.39              |

\* Equity includes share application money

Source: Accounts/ information furnished by PSUs

The increase in loans during 2021-22 was mainly in Transmission Corporation of Telangana Limited (TSRANSCO) (₹1,088.25 crore), Telangana State Power Generation Corporation Limited (TSGENCO) (₹3,387.33 crore), Telangana State Housing Corporation Limited (₹3,272.40 crore) and Telangana State Water Resource Infrastructure Development Corporation Limited (₹2,879.01 crore).

Sixteen PSUs were inactive for eight to 37 years (**Appendix 5.1**). 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 39 PSUs at the end of financial years 2019-20 to 2021-22 is given in **Table 5.5**:

**Table 5.5: Investment of State Government in PSUs**

(₹ in crore)

| Sector         | Year             |                  |                  |
|----------------|------------------|------------------|------------------|
|                | 2019-20          | 2020-21          | 2021-22          |
| Power          | 23,643.74        | 23,706.21        | 20,722.96        |
| Agriculture    | 11.91            | 11.91            | 10.90            |
| Infrastructure | 5,784.53         | 4,086.92         | 6,353.95         |
| Manufacturing  | 69.29            | 69.31            | 69.31            |
| Services       | 3,761.56         | 4,051.85         | 4,850.98         |
| Finance        | 62.58            | 62.58            | 62.58            |
| Others         | 0.15             | 0.15             | 0.15             |
| <b>Total</b>   | <b>33,333.76</b> | <b>31,988.93</b> | <b>32,070.83</b> |

Source: Accounts/ information furnished by PSUs

As on 31 March 2022, investment of the State Government in equity and long-term loans in these 39 PSUs was ₹32,070.83 crore. The outstanding loans of State Government in these 39 PSUs decreased from ₹11,720.02 crore as on 31 March 2021 to ₹11,262.00 crore as on 31 March 2022. During 2021-22, there was equity infusion of ₹536.92 crore in the Telangana State Road Transport Corporation (TSRTC), ₹2.50 crore in Telangana Fiber Grid Corporation Limited and ₹0.50 crore in Telangana Water Resources Development Corporation Limited (**Appendix 5.2**).

Details of significant holding (holding of more than ₹500 crore) of the Government of Telangana during 2021-22 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 |
|--|--|------------------------------------|
| <b>Power Sector PSUs</b>                                 |  |                                    |
| 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                             |
| <b>Non-Power Sector PSUs</b>                             |  |                                    |
| Telangana State Road Transport Corporation               | Transport Department   | 1,042.44                           |
| <b>Total</b>   |  | <b>20,684.81</b>                   |

Source: Accounts/ information furnished by PSUs

Significant amount (99.40 per cent) of the total equity investment of the State Government was in the above five PSUs.

### 5.5.2 Restructuring, Disinvestment and Privatisation of PSUs

During the year 2021-22, there was neither disinvestment of any PSU in Telangana State nor was any PSU privatized.

### 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 2022 are as follows:

**Table 5.7: Details regarding budgetary support to PSUs**

(₹ in crore)

| Sl. No.                      | Particulars                                 | 2019-20     |                 | 2020-21     |                 | 2021-22     |                 |
|------------------------------|---|-------------|-----------------|-------------|-----------------|-------------|-----------------|
|                              |   | No. of PSUs | Amount          | No. of PSUs | Amount          | No. of PSUs | Amount          |
| <b>Power Sector PSUs</b>     |   |             |                 |             |                 |             |                 |
| 1                            | Equity capital outgo from budget            | 2           | 2,000.00        | 1           | 1.95            | 0           | 0.00            |
| 2                            | Loans given from budget                     | 0           | 0.00            | 0           | 0.00            | 0           | 0.00            |
| 3                            | Grants/ Subsidy given from budget*          | 3           | 4,750.17        | 3           | 5,661.39        | 3           | 1,517.86        |
| 4                            | <b>Total Outgo<sup>5</sup></b>              | <b>3</b>    | <b>6,750.17</b> | <b>4</b>    | <b>5,663.34</b> | <b>3</b>    | <b>1,517.86</b> |
| 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 <sup>6</sup>              | 0           | 0.00            | 2           | 12,586.93       | 0           | 0.00            |
| 8                            | Guarantee Commitment <sup>7</sup>           | 5           | 7,041.17        | 5           | 19,393.40       | 5           | 19,151.96       |
| <b>Non-Power Sector PSUs</b> |   |             |                 |             |                 |             |                 |
| 1                            | Equity capital outgo from budget            | 1           | 2.50            | 2           | 0.03            | 3           | 539.92          |
| 2                            | Loans given from budget                     | 3           | 1,769.76        | 3           | 2,751.35        | 4           | 6,086.93        |
| 3                            | Grants/ Subsidy given from budget*          | 13          | 3,069.43        | 13          | 3,075.14        | 12          | 3,328.76        |
| 4                            | <b>Total Outgo<sup>5</sup></b>              | <b>15</b>   | <b>4,841.69</b> | <b>16</b>   | <b>5,826.52</b> | <b>14</b>   | <b>9,955.61</b> |
| 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 <sup>6</sup>              | 3           | 22,700.00       | 4           | 18,166.92       | 3           | 28,216.01       |
| 8                            | Guarantee Commitment <sup>7</sup>           | 7           | 40,925.62       | 6           | 48,692.97       | 5           | 76,442.38       |

<sup>5</sup> 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

<sup>6</sup> Government guarantee issued to the PSUs during a particular year

<sup>7</sup> Closing balance of Government guarantee in respect of PSUs at the end of a particular year



| Sl. No.      | Particulars                                 | 2019-20     |                  | 2020-21     |                  | 2021-22     |                  |
|--------------|---|-------------|------------------|-------------|------------------|-------------|------------------|
|              |   | No. of PSUs | Amount           | No. of PSUs | Amount           | No. of PSUs | Amount           |
| <b>Total</b> |   |             |                  |             |                  |             |                  |
| 1            | Equity capital outgo from budget            | 3           | 2,002.50         | 3           | 1.98             | 3           | 539.92           |
| 2            | Loans given from budget                     | 3           | 1,769.76         | 3           | 2,751.35         | 4           | 6,086.93         |
| 3            | Grants/ Subsidy given from budget*          | 16          | 7,819.60         | 16          | 8,736.53         | 15          | 4,846.62         |
| 4            | <b>Total Outgo<sup>5</sup></b>              | <b>17</b>   | <b>11,591.86</b> | <b>20</b>   | <b>11,489.86</b> | <b>17</b>   | <b>11,473.47</b> |
| 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 <sup>6</sup>              | 3           | 22,700.00        | 6           | 30,753.85        | 3           | 28,216.01        |
| 8            | Guarantee Commitment <sup>7</sup>           | 12          | 47,966.79        | 11          | 68,086.37        | 10          | 95,594.34        |

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

During the year 2021-22, total outgo from the State Government was ₹11,473.47 crore (**Appendix 5.2**). The outgo in the form of subsidy/ grants to non-power sector PSUs was higher (₹3,328.76 crore) in 2021-22 compared to previous year (₹3,075.14 crore). During the year 2021-22, an amount of ₹1,759.91 crore was released to Telangana State Civil Supplies Corporation towards rice subsidy. Similarly, ₹1,417.48 crore was released to Southern Power Distribution Company of Telangana Limited towards Power/ Tariff subsidy, ₹790.00 crore was released to TSRTC towards reimbursement of bus pass concessions and ₹650 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.

Further, Government guarantees issued (April, December 2021) during the year includes ₹25,800.00 crore provided to Telangana State Civil Supplies Corporation Limited towards procurement of paddy.

Out of ₹11,473.47 crore budgetary support provided by State Government during the year 2021-22, ₹6,301.45 crore was provided to seven 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 2021-22, out of the 39 PSUs, 17 PSUs earned profits, 18 PSUs earned losses and four PSUs<sup>8</sup> had reported nil profit or loss.

### 5.6.1 Profits earned by PSUs

Out of 39 PSUs, 17 PSUs earned profit of ₹1,955.83 crore during 2021-22 as compared to 17 PSUs which reported profit of ₹942.49 crore during 2020-21. Of these, 14 PSUs reported profit due to operational income while three PSUs<sup>9</sup> reported profit due to non-operating income. Two PSUs<sup>10</sup> reported turnaround from previous year. Further, two PSUs<sup>11</sup> suffered loss after earning profit in the previous year.

The Return on Equity (ROE) of the profit-making PSUs was 12.84 *per cent* in 2021-22 as compared to 7.31 *per cent* in 2020-21. ROE for the PSUs as a whole (including 18 loss making and four zero profit companies) could not be worked out as both the overall Net Profits and Net Worth as on 31 March 2022 were negative.

Net profit of ₹1,707.77 crore constituting 87.32 *per cent* of total profits (₹1,955.83 crore) earned by 17 PSUs was contributed by three PSUs in the power sector. During the year 2021-22, the power sector as a whole earned an overall profit of ₹878.80 crore.

**Table 5.8: List of top profit-making PSUs in 2021-22**

(₹ in crore)

| Sl. No.                      | Name of PSU  | Net Profit after Tax |
|------------------------------|--|----------------------|
| <b>Power Sector PSUs</b>     |  |                      |
| 1                            | The Singareni Collieries Company Limited             | 1,227.04             |
| 2                            | Telangana State Power Generation Corporation Limited | 394.46               |
| 3                            | Transmission Corporation of Telangana Limited        | 86.27                |
| <b>Non-Power Sector PSUs</b> |  |                      |
| 4                            | Telangana State Warehousing Corporation              | 109.21               |
| <b>Total</b>                 |  | <b>1,816.98</b>      |

Source: Accounts/ information furnished by PSUs

The above four PSUs contributed 92.90 *per cent* of the total profit earned by 17 PSUs during 2021-22. Out of these, PSUs at Sl. No.s (1) and (3) 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 17 profit making PSUs, only two PSU namely, the SCCL and Telangana State Warehousing Corporation paid dividend of ₹188.32 crore and ₹106.66 crore during the financial years 2020-21 and 2021-22 respectively. The

<sup>8</sup> (i) Telangana Power Finance Corporation Limited, (ii) Musi Riverfront Development Corporation Limited, (iii) Photonics Valley Corporation and (iv) Telangana State Aviation Corporation Limited

<sup>9</sup> (i) Telangana Fiber Grid Corporation Limited, (ii) The Nizam Sugars Limited and (iii) Telangana State Most Backward Classes Development Corporation

<sup>10</sup> (i) T-Works Foundation and (ii) Telangana State Police Housing Corporation Limited

<sup>11</sup> (i) Telangana State Minorities Finance Corporation and (ii) Telangana State Film Development Corporation Limited

dividend declared as a percentage of Net Profit of these two PSUs decreased from 50.75 per cent in 2020-21 to 7.98 per cent in 2021-22. The dividend declared in 2021-22 was also lower by ₹81.66 crore as compared to the previous year.

The return in the form of dividend on total equity of 39 PSUs was 0.49 per cent in 2021-22 as compared to 0.89 per cent during 2020-21.

## 5.7 Losses incurred by PSUs

### 5.7.1 Losses incurred

Out of 39 PSUs, 18 PSUs incurred losses during the year 2021-22. The losses incurred by these 18 PSUs drastically decreased from ₹9,921.38 crore during 2020-21 to ₹4,065.25 crore in 2021-22 mainly due to reduction of losses of DISCOMs because of accountal of grants sanctioned by State Government for taking over the losses under the Ujwal DISCOM Assurance Yojna (UDAY). Details of losses incurred by PSUs during last three financial years are 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    |
|------------------------------|----------------------------|-----------------------|------------------|--------------|
| <b>Power Sector PSUs</b>     |                            |                       |                  |              |
| 2019-20                      | 2                          | (-)6,056.55           | (-)42,292.99     | (-)24,605.86 |
| 2020-21                      | 2                          | (-)6,686.33           | (-)48,982.22     | (-)31,095.09 |
| 2021-22                      | 2                          | (-)830.83             | (-)49,815.88     | (-)31,928.75 |
| <b>Non-Power Sector PSUs</b> |                            |                       |                  |              |
| 2019-20                      | 15                         | (-)1,780.17           | (-)12,843.32     | (-)12,291.07 |
| 2020-21                      | 15                         | (-)3,235.05           | (-)18,333.31     | (-)17,815.24 |
| 2021-22                      | 16                         | (-)3,234.42           | (-)19,375.26     | (-)18,314.00 |
| <b>Total</b>                 |                            |                       |                  |              |
| 2019-20                      | 17                         | (-)7,836.72           | (-)55,136.31     | (-)36,896.93 |
| 2020-21                      | 17                         | (-)9,921.38           | (-)67,315.53     | (-)48,910.33 |
| 2021-22                      | 18                         | (-)4,065.25           | (-)69,191.14     | (-)50,242.75 |

Source: Accounts/ information furnished by PSUs

Out of total losses of ₹4,065.25 crore of 18 PSUs during 2021-22, the power sector's share was ₹830.83 crore and non-power sector's share was ₹3,234.42 crore.

The total accumulated losses of 20 PSUs in 2021-22 was ₹69,452.20 crore and after setting off accumulated profit of 15 PSUs (₹12,838.43 crore), the net accumulated losses were at ₹(-)56,613.77 crore.

PSUs listed in **Table 5.10** below incurred loss of more than ₹50.00 crore during the year 2021-22.

**Table 5.10: List of PSUs which incurred loss of more than ₹50 crore in 2021-22**

(₹ in crore)

| Sl. No.                      | Name of PSU  | Net Loss    | Net Worth    |
|------------------------------|--|-------------|--------------|
| <b>Power Sector PSUs</b>     |  |             |              |
| 1                            | Southern Power Distribution Company of Telangana Limited | (-)626.80   | (-)22,164.21 |
| 2                            | Northern Power Distribution Company of Telangana Limited | (-)204.03   | (-)9,764.54  |
| <b>Non-Power Sector PSUs</b> |  |             |              |
| 3                            | Telangana State Road Transport Corporation               | (-)1,986.59 | (-)9,240.98  |
| 4                            | Telangana State Housing Corporation Limited              | (-)817.16   | (-)5,722.89  |
| 5                            | Telangana Rajiv Swagruha Corporation Limited             | (-)324.23   | (-)865.57    |
| 6                            | Hyderabad Metro Rail Limited                             | (-)97.84    | (-)2,472.67  |

Source: Accounts/ information furnished by PSUs

Out of total losses of ₹4,065.25 crore incurred by 18 PSUs during 2021-22, losses of ₹4,056.65 crore constituting 99.79 per cent of total losses incurred was contributed by above six PSUs.

## 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 2022, the paid up capital and accumulated losses of these 39 PSUs was ₹21,626.62 crore and ₹56,613.77 crore respectively, resulting in a negative net worth of ₹35,008.30 crore after adjustment of Deferred Revenue Expenditure of ₹21.15 crore. This indicates that the investment made by the State Government in these PSUs had been completely wiped off. Out of 39 PSUs, 20 PSUs reported accumulated loss of ₹69,452.20 crore, 15 PSUs reported accumulated profit of ₹12,838.43 crore and four PSUs had reported nil accumulated losses. Out of the total accumulated loss of ₹69,452.20, the accumulated losses of six PSUs (*refer Table 5.10*) accounted for 99.59 per cent.

Out of 39 PSUs, net worth of 17 PSUs had been completely eroded due to accumulated losses leading to negative net worth. The negative net worth of these 17 PSUs was ₹50,476.07 crore due to accumulated losses of ₹69,447.57 crore against their Paid-up Capital of ₹18,991.57 crore as on 31 March 2022 (*Appendix 5.3*). Investment of the State Government in these 17 PSUs as on 31 March 2022 was ₹29,879.17 crore comprising of equity of ₹18,965.21 crore and loans of ₹10,913.96 crore.

## 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 PSUs which paid interest from 2019-20 to 2021-22 on loans from all sources are given in the **Table 5.11**:

**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)<br>Out of Column 5                | (7)<br>Out of Column 5                |
| <b>Power Sector PSUs</b>     |           |           |           |                                       |                                       |                                       |
| 2019-20                      | 3,421.08  | 6,572.75  | 0.52:1    | 6                                     | 3                                     | 3                                     |
| 2020-21                      | 1,537.87  | 7,386.00  | 0.21:1    | 6                                     | 4                                     | 2                                     |
| 2021-22                      | 10,623.88 | 8,330.72  | 1.28:1    | 6                                     | 4                                     | 2                                     |
| <b>Non-Power Sector PSUs</b> |           |           |           |                                       |                                       |                                       |
| 2019-20                      | 51.70     | 1,688.53  | 0.03:1    | 9                                     | 4                                     | 5                                     |
| 2020-21                      | (-)407.14 | 2,639.61  | (-)0.15:1 | 9                                     | 3                                     | 6                                     |
| 2021-22                      | (-)373.46 | 2,416.67  | (-)0.15:1 | 6                                     | 2                                     | 4                                     |
| <b>Total</b>                 |           |           |           |                                       |                                       |                                       |
| 2019-20                      | 3,472.78  | 8,261.28  | 0.42:1    | 15                                    | 7                                     | 8                                     |
| 2020-21                      | 1,130.73  | 10,025.61 | 0.11:1    | 15                                    | 7                                     | 8                                     |
| 2021-22                      | 10,250.42 | 10,747.39 | 0.95:1    | 12                                    | 6                                     | 6                                     |

Source: Accounts/ information furnished by PSUs

We observed that the overall ICR of PSUs ranged between 0.11 and 0.95 during 2019-20 to 2021-22. The ICR of non-power sector PSUs was negative in two years during 2020-21 and 2021-22. The power sector PSUs fared better. The ICR of power sector PSUs increased during the year 2021-22 in comparison to the previous year mainly due to increase in EBIT of the SCCL and DISCOMs on account of increased revenue from operations and taking over of losses under the UDAY scheme by the State Government. However, the overall ICR remained below 'one' during 2019-20 and 2020-21. 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 six PSUs having interest payment obligations, four PSUs accounted for interest on State Government loans amounting to ₹783.64 crore out of which ₹741.47 crore was paid to the Government in 2021-22. As on 31 March 2022, interest amounting to ₹403.47 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 2022 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 2022 | 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 |
|------------------------------|--|--|---|---|--|
| <b>Power Sector PSUs</b>     |  |  |   |   |  |
| 1                            | Northern Power Distribution Company of Telangana Limited | 0.78   | 0.06  | 0.16  | 0.56   |
| 2                            | Southern Power Distribution Company of Telangana Limited | 10.56  | 2.50  | 5.49  | 2.57   |
| 3                            | Transmission Corporation of Telangana Limited            | 232.90   | 58.17   | 116.34  | 58.39  |
| <b>Non-Power Sector PSUs</b> |  |  |   |   |  |
| 4                            | The Nizam Sugars Limited                                 | 159.23   | 0   | 9.30  | 149.93   |
| <b>Total</b>                 |  | <b>403.47</b>  | <b>60.73</b>  | <b>131.29</b>   | <b>211.45</b>  |

Source: Accounts/ information furnished by PSUs

It is evident from the above that 52.41 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.

### 5.8.3 Dues of DISCOMs to Power Generation Companies

As on 31 March 2022, 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 ₹20,103.24 crore during 2020-21 to ₹27,873.42 crore as on 31 March 2022. The outstanding power purchase dues of DISCOMs reduced by 11.06 per cent during 2020-21 as compared to 2019-20 but increased by 38.65 per cent during 2021-22 as compared to 2020-21.

Power purchase cost constitutes more than 70 per cent of DISCOM's expenditure. DISCOMs together reported a net loss of ₹830.83 crore during 2021-22. Under the UDAY scheme, the State Government is required to provide operational funding requirement<sup>12</sup> support to the DISCOMs, till the DISCOMs achieve financial turnaround. Therefore, the dues of DISCOMs to various power generating companies would adversely impact the State Finances. Further, the outstanding dues of DISCOMs to various power generation companies would increase, if the Late Payment Surcharge on outstanding dues were considered as per the Electricity (Late Payment Surcharge and Related Matters) Rules, 2022 notified on 3 June 2022 by the Union Ministry of Power.

<sup>12</sup> Book profit/ loss adjusted with depreciation and changes in current assets (excluding cash support) and current liabilities (including miscellaneous expenditure)

## 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 (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 39 PSUs during the period from 2019-20 to 2021-22 are given below in *Table 5.13*:

**Table 5.13: Share holders' fund and RoE of PSUs**

(₹ in crore)

| Year                         | Net Profit/ Loss | Share holders' Fund | RoE (in per cent) |
|------------------------------|------------------|---------------------|-------------------|
| <b>Power Sector PSUs</b>     |                  |                     |                   |
| 2019-20                      | (-)4,681.39      | (-)13,183.85        | -                 |
| 2020-21                      | (-)5,970.01      | (-)18,989.39        | -                 |
| 2021-22                      | 878.80           | (-)17,672.44        | -                 |
| <b>Non-Power Sector PSUs</b> |                  |                     |                   |
| 2019-20                      | (-)1,594.32      | (-)11,466.88        | -                 |
| 2020-21                      | (-)3,008.88      | (-)17,031.59        | -                 |
| 2021-22                      | (-)2,988.22      | (-)17,335.86        | -                 |
| <b>Total</b>                 |                  |                     |                   |
| 2019-20                      | (-)6,275.71      | (-) 24,650.73       | -                 |
| 2020-21                      | (-) 8,978.89     | (-)36,020.98        | -                 |
| 2021-22                      | (-)2,109.42      | (-)35,008.30        | -                 |

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 2019-20 to 2021-22 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 Northern Power Distribution Company of Telangana Limited, Southern Power Distribution Company of Telangana Limited, TSRTC, Telangana State Housing Corporation Limited and Hyderabad Metro Rail 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 employed<sup>13</sup>. 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 39 PSUs during 2019-20 to 2021-22 is given in *Table 5.14*:

**Table 5.14: Return on Capital Employed of PSUs**

(₹ in crore)

| Year                         | EBIT      | Capital Employed | RoCE (in per cent)     |
|------------------------------|-----------|------------------|------------------------|
| (1)                          | (2)       | (3)              | (4) Col.2/ Col 3 X 100 |
| <b>Power Sector PSUs</b>     |           |                  |                        |
| 2019-20                      | 3,421.08  | 36,964.77        | 9.25                   |
| 2020-21                      | 1,537.87  | 46,229.79        | 3.33                   |
| 2021-22                      | 10,623.88 | 48,803.54        | 21.77                  |
| <b>Non-Power Sector PSUs</b> |           |                  |                        |
| 2019-20                      | 139.70    | 11,014.60        | 1.27                   |
| 2020-21                      | (-)321.42 | 13,693.15        | (-)2.35                |
| 2021-22                      | (-)534.98 | 20,806.95        | (-)2.57                |
| <b>Total</b>                 |           |                  |                        |
| 2019-20                      | 3,560.78  | 47,979.37        | 7.42                   |
| 2020-21                      | 1,216.45  | 59,922.94        | 2.03                   |
| 2021-22                      | 10,088.91 | 69,610.49        | 14.49                  |

Source: Accounts/ information furnished by PSUs

The RoCE of the PSUs was decreased from 7.42 per cent in 2019-20 to 2.03 per cent in 2020-21 whereas the RoCE increased to 14.49 per cent during the year 2021-22. The increase in RoCE during 2021-22 by eight times as compared to 2020-21 was on account of increase in the EBIT of Power Sector PSUs which was mainly due to the State Government taking over DISCOM's losses of ₹8,925.00 crore under UDAY scheme. The decrease in EBIT of Power Sector PSUs in 2020-21 was due to decrease in earnings of the 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 17 out of 39 PSUs (all the seven power sector PSUs and 10 non-power sector PSUs<sup>14</sup>) which generate their own revenue and run-on commercial lines was positive in all the three years (11.71 per cent for 2019-20, 3.16 per cent for 2020-21

<sup>13</sup> Capital employed = Paid-up share capital + free reserves and surplus + long-term loans – accumulated losses – deferred revenue expenditure

<sup>14</sup> (i) Telangana State Forest Development Corporation Limited, (ii) Telangana State Seeds Development Corporation Limited, (iii) Damodhara Minerals Private Limited, (iv) The Nizam Sugars Limited, (v) Telangana State Road Transport Corporation, (vi) Telangana State Technology Services Limited, (vii) Telangana State Civil Supplies Corporation Limited, (viii) Telangana State Horticulture Development Corporation Limited, (ix) Telangana State Mineral Development Corporation Limited and (x) Telangana State Warehousing Corporation



and 24.89 per cent for 2021-22). The RoCE of the remaining 22 non-power sector PSUs was negative ranging from (-)0.88 per cent (2020-21) to (-)5.78 per cent (2019-20) 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 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 2022, the investment in 39 working PSUs of Government of Telangana was ₹84,038.89 crore, the investment of Central Government amounted to ₹20,862.43 crore, while the investment of Others was ₹982.95 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 eight 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 2022, 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 equity (initial equity net of Reorganization/ 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 2022 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 39 working PSUs at the end of the year 2021-22 was ₹1,05,884.27 crore consisting of equity of ₹27,227.28 crore, interest free loans of ₹3,971.50 crore and subsidies/ grants of ₹74,685.49 crore. The PV of investments of the State, Central Governments and Others up to 31 March 2022 worked out to ₹1,43,344.19 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 eight Financial Years from 2014-15 to 2020-22 as detailed in *Appendix 5.7*.

## 5.10 Sales and Marketing

### 5.10.1 Sales and Marketing

During the year 2021-22, the total turnover of 39 PSUs stood at ₹1,19,079.10 crore as compared to ₹92,684.96 crore during 2020-21. Out of these 39 PSUs, nine PSUs<sup>15</sup> rendered goods/ services worth ₹41,507.38 crore (53.98 per cent) to the Government Sector out of their total sales of ₹76,900.35 crore.

None of the PSUs exported goods/ services during 2021-22.

<sup>15</sup> (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, (vii) Telangana State Seeds Development Corporation Limited, (viii) Telangana State Technology Services Limited, (ix) Telangana State Film Development Corporation Limited

### 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 2021-22, only one PSU (SCCL) undertook R&D related activities. The Company spent ₹4.30 crore during 2021-22 on R&D as against ₹3.60 crore during 2020-21.

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/ 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 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 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 PSUs

As of 31 March 2022, there were 83 PSUs under the purview of CAG's audit. Out of 83 PSUs, 16 PSUs are inactive. Out of the remaining 67 working PSUs only 12 Companies submitted their accounts for the financial year 2021-22 by 30 September 2022. Accounts of 52 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 2022   |                                 | 80                   | 3                      | 83    |
| Number of PSUs from which accounts are not due                                   |                                 | 1*                   | 0                      | 1     |
| Number of PSUs which presented the accounts for CAG's audit by 30 September 2022 |                                 | 12                   | 0                      | 12    |
| Number of Companies whose accounts are in arrears                                |                                 | 67                   | 3                      | 70    |
| Break-up of Arrears  | (i) Under Liquidation           | 8                    | 0                      | 8     |
|  | (ii) Defunct                    | 8                    | 0                      | 8     |
|  | (iii) Others                    | 51                   | 3                      | 54    |
| Age-wise analysis of arrears against 'Others' category                           | One year (2021-22)              | 11                   | 0                      | 11    |
|  | Two years (2019-20 and 2020-21) | 8                    | 0                      | 8     |
|  | Three years and more            | 32                   | 3                      | 35    |

\* *Manjira Lift Irrigation Corporation Limited was incorporated on 20 January 2022*

Source: Accounts/ information furnished by PSUs

Out of the 67 Government Companies, accounts of 32 Companies were due for three or more years. Out of these 32 Companies, nine Companies have not even submitted their first accounts as on 30 September 2022 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. Only Telangana State Warehousing Corporation has submitted its accounts for the year 2015-16. 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.

Non-submission of annual accounts by these PSUs is amounting to violation of provisions of the Companies Act.

### **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 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 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 2021 to 30 September 2022, 46 Government Companies submitted 64 accounts for the period spanning from 2014-15 to 2021-22 for audit by CAG. Of these, the CAG reviewed 46 accounts of 34 PSUs while Non-Review Certificate was issued in respect of 18 accounts of 18 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 eight Government Companies revised their 10 reports (January 2022 to August 2022) 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**

Out of the 46 accounts reviewed in audit, CAG's comments were issued on nine accounts of nine PSUs while finalisation of CAG's comments were pending in respect of 37 accounts of 28 PSUs. Further, CAG's comments on 20 accounts submitted by 15 PSUs during the previous year were finalised during the current year. Total 29 accounts<sup>16</sup> on which CAG's comments were issued (October 2021 to September 2022) included 14 cases of nil comments and in the remaining 15 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 ₹284.97 crore and on assets/ liabilities was ₹4,927.15 crore are detailed below:

<sup>16</sup> 09 of current Year and 20 of previous Year



**(a) Comments on Profitability:**

| Sl. No.                  | Name of the Company<br>(Year of Accounts)                          | Comments   |
|--------------------------|--|--|
| <b>Power Sector PSUs</b> |  |  |
| 1                        | Northern Power Distribution Company of Telangana Limited (2021-22) | <b>Other Expenses (Note 28): ₹244.94 crore</b><br>The Company did not provide for ₹50.37 crore towards recovery of doubtful dues in respect of M/s Sirpur Paper Mills Limited which resulted in understatement of provision for doubtful debts and Loss for the year by ₹50.37 crore.  |
| <b>Power Sector PSUs</b> |  |  |
| 2                        | Southern Power Distribution Company of Telangana Limited (2020-21) | <b>Finance Costs (Note 26): ₹1,905.46 crore</b><br>The Company did not provide for ₹142.63 crore being guarantee commission payable to the GoT for the year 2020-21 towards government guarantee in respect of loans availed by the Company which resulted in understatement of Finance Cost, Current Liabilities and Loss for the year by ₹142.63 crore.  |
| 3                        | Transmission Corporation of Telangana Limited (2020-21)            | <b>Employee Benefit Expenses (Note 23): ₹639.25 crore</b><br>The Company did not provide for retirement gratuity liability of ₹91.97 crore in respect of employees appointed before 01.02.1999 and the artisans which resulted in understatement of Employee Benefits Expenses (Note 23) and Gratuity provisions (Note 17 A) by ₹91.97 crore with corresponding overstatement of Profit for the year by the same amount. |

**(b) Comments on Financial Position:**

| Sl. No.                      | Name of the Company<br>(Year of Accounts)                          | Comments  |
|------------------------------|--|---|
| <b>Power Sector PSUs</b>     |  |   |
| 1                            | Northern Power Distribution Company of Telangana Limited (2020-21) | <b>Other Current Assets (Note 22): ₹4,424.51 crore</b><br>The Company did not recognise an amount of ₹1,479.13 crore receivable from the GoT for the years 2018-19 to 2020-21 towards meeting operational losses under UDAY scheme which resulted in understatement of Other Current Assets - Receivables from the State Government (Note 22) by ₹1,479.13 crore, Reserves and Surplus (Note 3) by ₹920.98 crore and Loss for the year by ₹558.15 crore.  |
| <b>Non-Power Sector PSUs</b> |  |   |
| 2                            | Kaleshwaram Irrigation Project Corporation Limited (2019-20)       | <b>Other Current Liabilities (Note 6): ₹303.36 crore</b><br>The Company accounted ₹21.00 crore recovered from contractors towards excess GST as Other Current Liabilities instead of adjusting against the Capital Work in Progress which resulted in overstatement of Other Current Liabilities and Capital Work in Progress by ₹21.00 crore.  |
| 3                            | Fab City SPV (India) Private Limited (2017-18)                     | <b>Non-Current Assets - Capital Work in Progress (Note 3): ₹35.39 crore</b><br>The Company did not capitalise ₹35.39 crore towards the 220 KV Sub-Station and Water Supply Scheme works which were completed in December 2014 and December 2016 respectively and were put to use. This had resulted in overstatement of Capital Work in Progress by ₹35.39 crore, understatement of Fixed Assets by ₹30.64 crore, Other Equity by ₹2.86 crore, Depreciation Charge for the year by ₹1.89 crore and consequent understatement of Loss for the year by ₹1.89 crore. |

|   |   |  |
|---|---|--|
| 4 | Hyderabad Growth Corridor Limited (2017-18) | <p><b>Long-Term Borrowings (Note 5): ₹5,845.43 crore</b></p> <p>The Company accounted the funds of ₹3,391.63 crore provided by the Hyderabad Metropolitan Development Authority (HMDA) to meet the expenditure on implementation of HMDA's Hyderabad Growth Corridor Project (HGCP) as Long-Term Borrowings instead of accounting them as Advances Received from HMDA. This had resulted in overstatement of Long-Term Borrowings and understatement of Advances by ₹3,391.63 crore.</p> |
|---|---|--|

(c) **Comments on Disclosure:**

| Sl. No.                      | Name of the Company (Year of Accounts)                             | Comments  |
|------------------------------|--|---|
| <b>Power Sector PSUs</b>     |  |   |
| 1                            | Northern Power Distribution Company of Telangana Limited (2021-22) | The Company did not disclose the fact of adjustment of interest expenditure of ₹162.88 crore without a formal arrangement for sharing interest expenditure with the TSSPDCL.  |
| 2                            | Southern Power Distribution Company of Telangana Limited (2021-22) | The Company did not disclose that it had filed petition before APTEL challenging the claims of NTPC for ₹59.01 crore towards GST incurred by Solar Power Developers for purchasing the solar panels.  |
| 3                            | Southern Power Distribution Company of Telangana Limited (2020-21) | The Company did not disclose the facts with regard to deferment of claims of ₹121.92 crore raised by STPP until approval is obtained from TSERC.  |
| 4                            | Telangana State Power Generation Corporation Limited (2020-21)     | The Company adopted maximum gratuity limit of ₹20 lakh in actuarial valuation for providing gratuity liability from the financial year 2017-18 onwards. Since, this limit was different from the orders of GoT (₹16 lakh), the Company should have disclosed the significant accounting assumptions adopted for calculating higher retirement gratuity liability, applicable gratuity rules and the impact of such deviation. |
| <b>Non-Power Sector PSUs</b> |  |   |
| 5                            | Kaleshwaram Irrigation Project Corporation Limited (2019-20)       | The Company did not disclose the fact that its Capital Work in Progress included an amount of ₹18,303.11 crore incurred by the GoT for the project.   |
| 6                            | Telangana Most Backward Classes Development Corporation (2018-19)  | The Company did not disclose the fact of revision of its financial statements for the year 2018-19 based on the audit observations raised during CAG's supplementary audit and its consequent financial effect.   |
| 7                            | Maheswaram Science Park Limited (2017-18)                          | The Company did not disclose the fact of accountal in the books of its Holding Company namely, Telangana State Industrial Infrastructure Company Limited of the grant spent towards development of infrastructure within its area, on the ground that capital expenditure could not be transferred to the Company's account as the infrastructure works were under progress.  |



### 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 seven companies as detailed in *Appendix 5.10* did not comply with mandatory Accounting Standards/ Ind AS.

During the supplementary audit carried out between October 2021 and September 2022, it was observed that four companies 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   |
|------------------------------|--|--|---|
| <b>Power Sector PSUs</b>     |  |  |   |
| 1                            | AS 12: Accounting for Government Grants  | Northern Power Distribution Company of Telangana Limited (2020-21) | The Company did not account for Government grants sanctioned for meeting its operational losses.  |
| 2                            | AS 15: Employee Benefits                 | Southern Power Distribution Company of Telangana Limited (2020-21) | The Company neither carried out the actuarial valuation nor accounted for liability for medical benefits extended to its employees and pensioners.        |
| 3                            | Ind AS 15: Employee Benefits             | Transmission Corporation of Telangana (2020-21)                    | The Company neither carried out the actuarial valuation nor accounted for liability for medical benefits extended to its employees and pensioners.        |
| <b>Non-Power Sector PSUs</b> |  |  |   |
| 4                            | Ind AS 16: Property, Plant and Equipment | Fab City SPV (India) Private Limited (2017-18)                     | The Company did not disclose the depreciation methods used, depreciation rates and useful lives of the fixed assets adopted for calculating depreciation. |

### 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 14 Management Letters to 13 PSUs as detailed in *Appendix 5.11*.

## 5.17 Conclusion

As on 31 March 2022, 83 State Public Sector Enterprises in Telangana were under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). Of the 83 SPSEs, eight SPSEs relate to power sector and 75 SPSEs (including one Government Company newly incorporated during the year 2021-22) relate to non-power sectors. Out of these SPSEs, 16 companies were inactive and were either defunct or under liquidation.

As per their latest accounts and/ or information furnished by 39 out of the 67 working SPSEs for 2021-22, the 39 SPSEs registered an annual turnover of ₹1,19,079.10 crore, which was equal to 10.37 per cent of the GSDP of Telangana State during 2021-22. As on 31 March 2022, the investment of the Central and State Governments and Others in equity and long-term loans in these 39 SPSEs was ₹1,26,303.70 crore. During the year 2021-22, the State Government provided budgetary support of ₹11,473.47 crore to 17 SPSEs. Out of the 39 working SPSEs, 17 SPSEs earned profits (₹1,955.83 crore), 18 SPSEs incurred losses (₹4,065.25 crore) and four SPSEs had reported nil profit or loss.

As on 31 March 2022, the accumulated losses of 39 SPSEs were at ₹56,613.77 crore. As a result of losses, the combined net worth of 39 SPSEs was completely eroded and stood at ₹(-)35,008.30 crore as on 31 March 2022.

As on 31 March 2022, the investment in 39 working PSUs in the form of equity, interest free loans, subsidies and grants of Central and State Governments and Others was ₹1,05,884.27 crore. The PV of this investment worked out to ₹1,43,344.19 crore.

Out of 67 working SPSEs, Financial Statements for the year 2021-22 were received only from 12 SPSEs in time. Fifty one SPSEs have defaulted in timely submission of accounts. Of these, accounts of 32 SPSEs were due for more than three years while 11 SPSEs have not submitted their first accounts since their incorporation.

As a result of CAG audit, Statutory Auditors of eight SPSEs revised their Audit Report. In addition, significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹284.97 crore and assets/ liabilities by ₹4,927.15 crore were also issued.

Irregularities and deficiencies in the financial reports observed during supplementary audit which are not material, were communicated to the Management of 13 SPSEs through 'Management Letter' for taking corrective action.

## 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 the Administrative Departments to (a) set targets for individual PSUs 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.*

Hyderabad  
The



(SUDHA RAJAN)  
Accountant General (Audit), Telangana

Countersigned



(GIRISH CHANDRA MURMU)  
Comptroller and Auditor General of India

New Delhi  
The