

# Chapter I

## Functioning of State Public Sector Enterprises

### 1.1 Introduction

The State Public Sector Enterprises (SPSEs) comprise State Government Companies, State Government controlled other companies and Statutory Corporations. The SPSEs were established to carry out activities of commercial nature, keeping in view the welfare of the people and contribute to the State economy. As on 31 March 2023, there were 124 SPSEs in Andhra Pradesh (as detailed in *Appendix I*). The details are given below in *Table 1.1*.

**Table 1.1: Total number of SPSEs as on 31 March 2023**

Type of SPSEs	Total
Government Companies <sup>1</sup>	118
Statutory Corporations <sup>2</sup>	03
Government Controlled Other Company <sup>3</sup>	03
<b>Total</b>	<b>124</b>

Source: Information furnished by the Companies/Corporations

The 124 SPSEs include 118 Government Companies<sup>4</sup>, three Statutory Corporations<sup>5</sup> and three Government Controlled other Companies<sup>6</sup>. During the year, no Government Companies got dissolved/ merged, whereas six Government Companies<sup>7</sup> came under the audit jurisdiction of the Comptroller and Auditor General of India. Further, two companies<sup>8</sup> of Government of Andhra Pradesh are debt listed in Stock Exchange and complied with provision of SEBI<sup>9</sup> (Listing Obligation and Disclosure Requirements) Regulations, 2021. There are 21 inactive SPSEs<sup>10</sup> in Andhra Pradesh.

Out of 124 SPSEs, 43 SPSEs had submitted at least one account each for the period 2020-21, 2021-22 and 2022-23 by 30 September 2023, while 27 working SPSEs did not submit their first accounts.

This report covers detailed analysis of 20 SPSEs, based on accounts for the year 2022-23 for

<sup>1</sup> Government Companies referred to in Section 2 (45) of the Companies Act, 2013

<sup>2</sup> any Corporation set up under a statute enacted by Parliament/ State Legislature is called a Statutory Corporation

<sup>3</sup> 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 called Government Controlled Other Company, as defined in the Companies (Removal of Difficulties) Seventh Order, 2014 notified on 4 September 2014

<sup>4</sup> including 21 Inactive SPSEs

<sup>5</sup> Andhra Pradesh State Road Transport Corporation, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Warehousing Corporation

<sup>6</sup> Kakinada Smart City Corporation Limited, Greater Visakhapatnam Smart City Corporation Limited and Amaravati Smart & Sustainable City Corporation Limited

<sup>7</sup> Andhra Pradesh Bulk Drugs & Infrastructure Corporation Limited, Bhavanapadu Port Development Corporation Limited, Machilipatnam Port Development Corporation Limited, Mark up Private Limited, Meat Development Corporation of Andhra Pradesh & Ramayapatnam Port Development Corporation Limited

<sup>8</sup> Andhra Pradesh State Beverages Corporation Limited and Andhra Pradesh Power Finance Corporation Limited

<sup>9</sup> Securities Exchange Board of India

<sup>10</sup> inactive SPSEs are those which have effectively ceased to carry out their operations or are under liquidation process

13 SPSEs and information related to financial matters pending finalisation of annual accounts for seven SPSEs. The summary of financial performance of 20 working SPSEs is as given in **Table 1.2**.

**Table 1.2: Summary of financial performance of working SPSEs**

Particulars	Number of SPSEs	Amount (₹ in crore)
Number of working SPSEs	103	--
SPSEs covered	20	--
Paid up capital	20	6,032.22
Long term loans	20	1,00,728.97
Net profit	14	2,786.83
Net loss	5	1,251.63
Zero profit/Loss	1	0
Dividend Paid	0	0
Total assets	13 <sup>11</sup>	1,58,747.26
Net-worth <sup>12</sup>	20	(- )22,882.28

Source: Annual Accounts and information furnished by SPSEs

Based on the nature of activities undertaken, these 20 SPSEs have been categorised into five sectors and their percentage share of Turnover in Gross State Domestic Product (GSDP) is as depicted in **Table 1.3**.

**Table 1.3: Sector wise turnover vis-à-vis share of turnover of SPSEs in Gross State Domestic Product of Andhra Pradesh**

Sl. No.	Name of the Sector	Number of SPSEs	Turnover for the year 2022-23 (₹ in crore)	Percentage Share of Turnover in Gross State Domestic Product
1.	Power	7	71,266.97	5.41
2.	Finance	3	2,098.92	0.16
3.	Service	2	736.00	0.06
4.	Infrastructure	1	60.20	0.00
5.	Others	7	14,014.74	1.06
<b>Total</b>		<b>20</b>	<b>88,176.83</b>	<b>6.69</b>

Source: Compiled from latest financial statements received and information provided by SPSEs as on 30 September 2023

The turnover (₹88,176.83 crore) of these 20 SPSEs was 6.69 per cent of the GSDP of Andhra Pradesh (₹13,17,728 crore) for the year 2022-23, with contribution of 80.82 per cent by the Power sector.

Fourteen of the above SPSEs earned a combined profit of ₹2,786.83 crore in 2022-23, five SPSEs incurred losses of ₹1,251.63 crore. The remaining one SPSE had no profit no loss during the year 2022-23.

## 1.2 Accountability framework

The audit of the financial statements of a Company in respect of a financial year commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. The audit

<sup>11</sup> accounts for the year 2022-23 were received in respect of 13 SPSEs

<sup>12</sup> total paid-up capital plus Free Reserve and Surplus minus Accumulated loss minus Deferred Revenue Expenditure

of a Company in respect of the financial years that commenced earlier than 1 April 2014, continues to be governed by the Companies Act, 1956.

According to Section 2(45) of the Companies Act, 2013 (Act), a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government(s). The subsidiary of a Government Company is also covered under the definition of a Government Company. The process of audit of Government Companies under the Act is governed by the related provisions of Section 139 and 143 of the Act.

### 1.2.1 Statutory Audit

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG of India is the Sole Auditor for Andhra Pradesh State Road Transport Corporation whereas in respect of Andhra Pradesh State Warehousing Corporation and Andhra Pradesh State Financial Corporation, the audit is conducted by the Chartered Accountants appointed under the respective statutes and thereafter, supplementary audit is conducted by the CAG of India.

### 1.2.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through their administrative departments. The Chief Executive and Directors on the Board of these SPSEs are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the SPSEs. For this purpose, the Annual Reports of State Government Companies together with the Statutory Auditors' Reports and comments of the CAG thereon are to be placed before the Legislature under Section 394 of the Act. Similarly, the Annual Reports of Statutory Corporations along with the Separate Audit Reports of CAG are to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

## 1.3 Stake of Government of Andhra Pradesh

The State Government stake in SPSEs falls under three broad categories, *i.e.*, Share Capital and Loans, Special Budgetary Support by way of grants and subsidies and guarantees of loans availed by SPSEs from Financial Institutions.

- **Share Capital and Loans** - In addition to the Share Capital Contribution, the State Government also provides financial assistance by way of loans to the SPSEs from time to time.
- **Special Financial Support** - State Government provides budgetary support by way of grants and subsidies to the SPSEs as and when required.
- **Guarantees** - State Government also guarantees the repayment of loans with interest availed by the SPSEs from Financial Institutions.

## 1.4 Investment in SPSEs

### 1.4.1 Equity holding and loans given to SPSEs

As per the finance accounts for the year ending 2023, the Government had invested ₹6,884.34 crore<sup>13</sup> in equity share capital of 41 SPSEs and infused loan of ₹10,906.10<sup>14</sup> crore in SPSEs. Investment in the 20 SPSEs of equity and loans for the three-year period ended 31 March 2023 is given in **Table 1.4**.

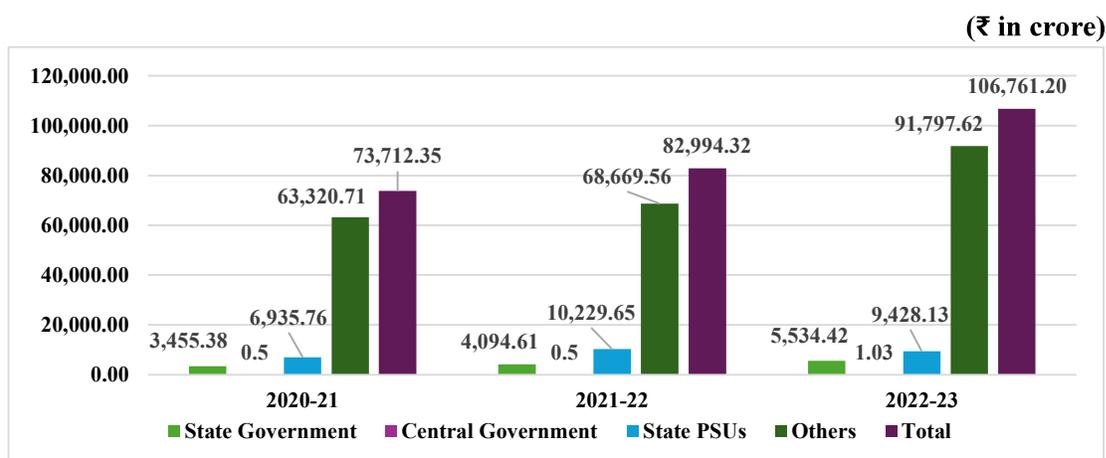
**Table 1.4: Total equity investment and loans in State Public Sector Enterprises**  
(₹ in crore)

Sources of Investment	As on 31 March 2021			As on 31 March 2022			As on 31 March 2023		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	3,360.05	95.33	3,455.38	3,960.05	134.56	4,094.61	3,959.81	1,574.61	5,534.42
Central Government	0.50	0.00	0.50	0.50	0.00	0.50	1.03	0.00	1.03
State PSEs	1,441.27	5,494.49	6,935.76	1,461.35	8,768.30	10,229.65	1,469.52	7,958.61	9,428.13
Others	592.47	62,728.24	63,320.71	599.52	68,070.04	68,669.56	601.87	91,195.75	91,797.62
<b>Total</b>	<b>5,394.29</b>	<b>68,318.06</b>	<b>73,712.35</b>	<b>6,021.42</b>	<b>76,972.90</b>	<b>82,994.32</b>	<b>6,032.23</b>	<b>1,00,728.97</b>	<b>1,06,761.20</b>
Share of State Government in Total Investment (in per cent)	62.29	0.14	4.69	65.77	0.17	4.93	65.64	1.56	5.18

Source: Compiled from the latest financial statements received and information provided by SPSEs as on 30 September 2023

It is seen that the trend in investment is dominated by long-term loans taken from sources other than the Government which increased by 45.33 per cent as on 31 March 2023 as compared to the loan as on 31 March 2021. Further, long term loans from State Government were a meagre 1.56 per cent of total loan as on 31 March 2023. The ratio of debt to equity was 16.70 for these 20 SPSEs as on 31 March 2023.

**Chart 1.1: Investment in SPSEs**



<sup>13</sup> Source: Statement 19 of Finance Accounts 2022-23

<sup>14</sup> Source: Statement 7 of Finance Accounts 2022-23

## 1.5 Special support and returns during the year

### 1.5.1 Information on Subsidy, Grants and Guarantees by Central/State Government

The Government of Andhra Pradesh (GoAP) provides financial support to SPSEs in the form of grants and subsidies through the annual budget. In addition, the government provides guarantees for loans raised by the SPSEs for which it charges guarantee commission at the rate of half a *per cent* to two *per cent* per annum. As per Finance Accounts 2022-23, the total maximum amount guaranteed<sup>15</sup> (Principal only) by Government was ₹1,47,449.58 crore and guarantees outstanding as on 31 March 2023 were ₹1,15,249.61 crore for 20 SPSEs<sup>16</sup>. Further, Grants<sup>17</sup> of ₹24,346.09 crore including ₹474.69 crore for creation of capital assets were given to SPSEs.

The details in respect of Subsidy, Grants and Guarantees given to SPSEs and received by the 20 SPSEs covered in this Report are given in **Table 1.5**.

**Table 1.5: Details regarding budgetary support to SPSEs**

Sl. No.	Particulars <sup>18</sup>	2020-21		2021-22		2022-23	
		Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
1.	Grants/Subsidies provided	05	7,981.59	05	8,248.29	05	9,683.09
2.	Guarantees issued	07	17,131.20	04	6,616.46	04	23,455.16
3.	Guarantee Commitment	08	22,467.97	09	19,910.42	08	42,158.05

(₹ in crore)

Source: Compiled on the basis of latest finalised accounts/Information of SPSEs as on 30 September 2023

The other 104 SPSEs did not furnish information despite being requested (September 2023).

## 1.6 Arrears in finalisation of accounts

The Financial Statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.*, by September end in accordance with the provisions of Section 96(1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The details of progress made by working SPSEs in finalisation of accounts as on 30 September 2023 are in **Table 1.6**.

**Table 1.6: Position relating to finalisation of accounts of working SPSEs**

Sl. No.	Particulars	2022-23
1.	Number of SPSEs	103
2.	Number of accounts finalised during the year	52 <sup>19</sup>
3.	Number of accounts in arrears	342
4.	Number of SPSEs with arrears in accounts	90

<sup>15</sup> Source: Statement 20 of Finance Account 2022-23

<sup>16</sup> these 20 SPSEs are distinct from the SPSEs covered in this Report

<sup>17</sup> Source: Statement 10 of Finance Account 2022-23

<sup>18</sup> amount represents outgo from State Budget only

<sup>19</sup> excluding 13 SPSEs for which Non-Review Certificate was issued

**5. Extent of arrears (in years)**

**1 to 17**

Source: Compiled on the basis of latest finalised accounts and information received from SPSEs as on 30 September 2023

The administrative departments have the responsibility to oversee the activities of the SPSEs. The administrative departments concerned are also responsible to ensure that the SPSEs finalise and adopt their accounts within the stipulated period. In view of the huge arrears in submission of accounts by the SPSEs, the Accountant General had taken up (September 2023 and November 2023) the matter with the State Government and the administrative departments concerned for liquidating the arrears of accounts of SPSEs. As on September 2023, however, 90 SPSEs had a backlog of 342 accounts with period of arrears ranging from one to 17 years, which was significant as depicted in *Appendix II*.

**1.7 Impact of arrears in accounts**

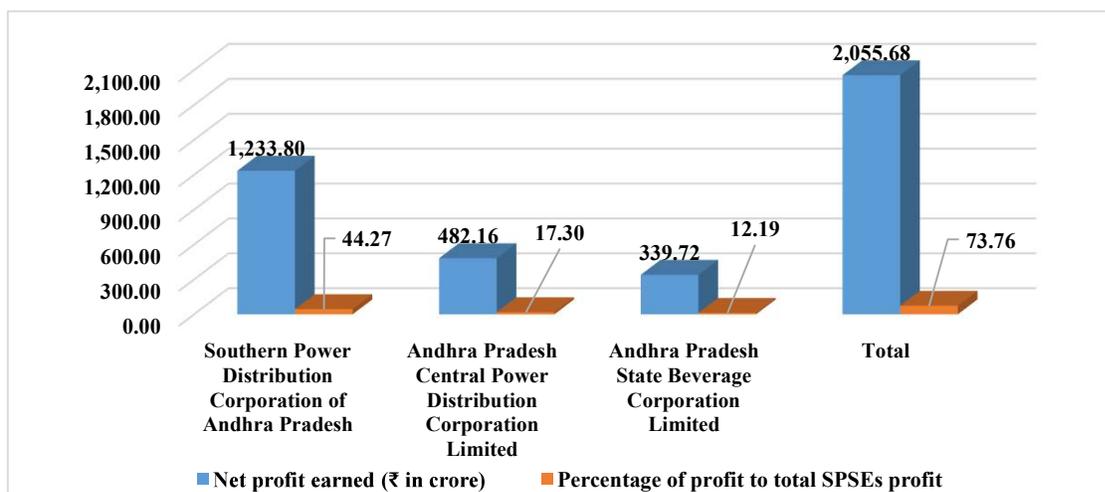
Delays in finalisation of the accounts entail the risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts indicated under *paragraph 1.6*, the actual contribution of all SPSEs to the GSDP for the year 2022-23 could not be ascertained and their contribution to the State exchequer could not be reported to the State Legislature.

**1.8 Performance of SPSEs as per their latest finalised accounts**

**1.8.1 Profit earned by SPSEs**

Out of 20 SPSEs covered in this Report, 14 SPSEs earned a combined profit of ₹2,786.83 crore in 2022-23 as compared to 10 SPSEs (out of 20 SPSEs) which earned profit of ₹861.78 crore in 2021-22. The increase in aggregate profit is mainly attributable to two power companies *i.e.*, Southern Power Distribution Corporation of Andhra Pradesh Limited and Andhra Pradesh Central Power Distribution Corporation Limited. The top three SPSEs contributed 73.76 *per cent* of the total profit earned by 14 SPSEs in 2022-23. The details are given in *Chart 1.2*.

**Chart 1.2: Top SPSEs which contributed maximum profit**  
(₹ in crore)



Source: Compiled on the basis of latest finalised accounts/Information of SPSEs as on 30 September 2023

### 1.8.2 Dividend paid by SPSEs

As per the guidelines issued (2002) by Public Enterprises Department, GoAP, no dividend shall be declared or paid by SPSEs for any financial year except out of the profits of the SPSEs for that year arrived at after providing for depreciation in accordance with provisions of Companies Act. The guidelines, however, did not prescribe any fixed rate of dividend to be paid by the SPSEs. During the year 2022-23, none of the SPSEs paid any dividend.

### 1.8.3 Return on Capital Employed

Return on Capital Employed (RoCE) measures a company's profitability and the efficiency with which its capital is employed. The RoCE is calculated by dividing a company's earnings before interest and taxes by the capital employed<sup>20</sup>. The details of RoCE of 20 working SPSEs during the period 2020-21 to 2022-23 are given in *Table 1.7*.

**Table 1.7: Return on Capital Employed**

(₹ in crore)

Particulars	Year	Number of SPSEs	Earnings Before Interest and Tax	Capital Employed	Return on Capital Employed (in per cent)
<b>Government Companies</b>					
Profit earning	2020-21	08	6,242.16	26,163.86	23.86
	2021-22	08	3,139.10	13,365.88	23.49
	2022-23	12	9,646.28	59,561.86	15.27
Loss incurring	2020-21	09	1,195.99	17,783.07	6.73
	2021-22	09	1,706.36	38,852.27	4.39
	2022-23	05	210.69	16,946.23	1.24
No profit / No loss	2020-21	01	0.00	0.00	--
	2021-22	01	0.00	0.00	--
	2022-23	01	0.00	0.00	--
<b>Statutory Corporation</b>					
Profit earning	2020-21	02	189.30	1,325.71	14.28
	2021-22	02	274.42	1,077.11	25.48
	2022-23	02	309.66	1,338.26	23.14
Loss incurring	2020-21	--	--	--	--
	2021-22	--	--	--	--
	2022-23	--	--	--	--
No profit / No loss	2020-21	--	--	--	--
	2021-22	--	--	--	--
	2022-23	--	--	--	--
Total	2020-21	20	7,627.45	45,272.64	16.85
	2021-22	20	5,119.88	53,295.26	9.61
	2022-23	20	10,166.63	77,846.35	13.06

Source: Compiled on the basis of latest financial statement of State Public Sector Enterprise as on 30 September 2023

As can be seen from the above table, RoCE in 20 SPSEs is generally on a downward trend from 16.85 per cent to 13.06 per cent during the period 2020-23. Further, the RoCE of 17 out of 20 SPSEs (as detailed in *Appendix III*), which generate their own revenue and run on commercial lines was positive (13.47 per cent) for the year 2022-23. The RoCE of the

<sup>20</sup> Capital Employed = Paid up Share capital plus Free Reserves and surplus plus Long-term loans minus Accumulated losses minus Deferred Revenue Expenditure

remaining three SPSEs, two of which pertained to Non-Power Sector<sup>21</sup> and one<sup>22</sup> pertained to Power Sector were negative for the year 2022-23. Out of the 17 SPSEs running on commercial lines, three SPSEs incurred losses during 2022-23.

#### 1.8.4 Losses incurred

Out of 20 SPSEs, there were five SPSEs that incurred losses as per their latest finalised accounts. The losses incurred by these SPSEs increased to (-) ₹1,251.63 crore in 2022-23 as per their latest finalised accounts from (-) ₹151 crore in 2020-21, as given in **Table 1.8** below.

**Table 1.8: Number of SPSEs that incurred losses during 2020-21 to 2022-23**

(₹ in crore)

Year	Number of loss making SPSEs	Net Loss for the year	Accumulated loss	Net-worth
<b>Government Companies</b>				
2020-21	09	(-)151.00	(-)2,263.97	122.38
2021-22	09	(-)3,637.66	(-)26,006.34	(-)18,100.17
2022-23	05	(-)1,251.63	(-)4,039.91	(-)1,766.53

Source: Compiled on the basis of latest financial statement of State Public Sector Enterprise as on 30 September 2023

In 2022-23, out of total loss of ₹1,251.63 crore incurred by five SPSEs, major portion viz., 98.07 per cent amounting to ₹1,227.55 crore was contributed by one power sector SPSE i.e., Andhra Pradesh Power Development Company Limited. Further, the details of investment in these SPSEs is given in **Table 1.9** below.

**Table 1.9: Investment in SPSEs which have incurred losses in 2022-23**

(₹ in crore)

Sl. No.	Name of Companies/ Corporation	Paid-up capital				Long Term Borrowing				Net Profit after Tax
		GoAP	GoI	Others	Total	GoAP	GoI	Others	Total	
<b>Government Companies</b>										
1.	Andhra Pradesh Power Development Company Limited	100.00	0	1,968.28	2,068.28	0.00	0.00	16,155.38	16,155.38	(-)1,227.55
2.	Godavari Gas Private Limited	0	0	100.00	100.00	0.00	0.00	183.64	183.64	(-)3.82
3.	Amaravati Development Corporation Limited	100.00	0	0.00	100.00	0.00	0.00	2,282.91	2,282.91	(-)12.50
4.	Andhra Pradesh Metro Rail Corporation	5.00	0	0.00	5.00	0.00	0.00	0.00	0.00	(-)3.12
5.	YSR Steel Corporation Limited	0.10	0	0.00	0.10	49.97	0.00	40.85	90.93	(-)4.65
<b>Grand total</b>		<b>205.10</b>	<b>0</b>	<b>2,068.28</b>	<b>2,273.38</b>	<b>49.97</b>	<b>0.00</b>	<b>18,662.78</b>	<b>18,712.76</b>	<b>(-)1,251.63</b>

Source: Compiled on the basis of latest finalised accounts/Information of SPSEs as on 30 September 2023

<sup>21</sup> Amaravati Development Corporation Limited and Andhra Pradesh Metro Rail Corporation Limited

<sup>22</sup> Andhra Pradesh Energy University

As on 31 March 2023, the total investment in five loss making SPSEs was ₹20,986.14 crore in which 10.83 *per cent* was equity capital (₹2,273.38 crore) and 89.16 *per cent* comprised long-term loans (₹18,712.76 crore). Out of the total investment, State Government investment was ₹255.07 crore in terms of equity and long-term loan. Investment of ₹20,731.06 crore was raised from other sources.

### 1.8.5 Erosion of Net-worth in SPSEs

Essentially Net-worth is a measure of what an entity is worth to the owners. A negative Net-worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2023, out of 20 SPSEs, there were nine SPSEs with accumulated losses of ₹33,585.23 crore. Of these nine SPSEs, five SPSEs<sup>23</sup> incurred losses amounting to ₹1,251.63 crore during 2022-23 and four SPSEs<sup>24</sup> had not incurred loss, even though the SPSEs had an accumulated loss of ₹29,545.32 crore as per their latest finalised accounts. Out of the 20 SPSEs, six SPSEs had surplus of ₹3,955.37 crore and five SPSEs had neither accumulated losses nor surplus, as per their latest accounts.

Due to these accumulated losses, the overall Net-worth of these 20 SPSEs was negative at ₹22,882.28 crore against the shareholders' funds of ₹6,747.58 crore (Paid-up Capital: ₹6,032.22 crore + Free Reserves: ₹715.36 crore). Out of these, nine SPSEs which had accumulated losses, the major portion was due to the losses in three Power Distribution Companies (DISCOMs) of ₹29,544.74 (87.97 *per cent*) and one Power Development SPSE of ₹3,863.65 crore (11.50 *per cent*). However, the long-term viability of these DISCOMs could not be commented upon as the same are presently monopolies in their areas of operations and revenue recovery is dependent on various factors *viz.*, reduction of their aggregate technical and commercial losses, decisions of Sector Regulator *viz.*, Andhra Pradesh Electricity Regulatory Commission (APEREC), operational efficiencies, *etc.* Similarly, in case of Andhra Pradesh Power Development Company Limited and Amaravati Development Corporation Limited, their viability would be dependent on the tariff orders of APERC and the business given by the State Government respectively.

**Table 1.10: Detail of SPSEs whose Net-worth has eroded as per their latest finalised accounts as of September 2023**

(₹ in crore)								
Sl. No.	Name of the SPSEs	Latest year of finalised Accounts	Total paid up capital	Net profit /Loss after interest, tax and dividend	Accumulat-ed losses	Net-Worth	State Govern-ment equity as on 31 March 2023	State Govern-ment loan as on 31 March 2023
1.	Andhra Pradesh Power Development	2021-22	2,068.28	(-)1,227.55	(-)3,863.65	(-)1,795.37	100.00	0.00

<sup>23</sup> Andhra Pradesh Power Development Company Limited, Andhra Pradesh Metro Rail Corporation, Amaravati Development Corporation Limited, Godavari Gas Private Limited and YSR Steel Corporation Limited

<sup>24</sup> Andhra Pradesh Central Power Distribution Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh Energy University

	Company Limited							
2.	Andhra Pradesh Central Power Distribution Corporation Limited	2022-23	0.10	482.16	(-) 9,725.79	(-) 9,725.69	0.10	0.00
3.	Eastern Power Distribution Company of Andhra Pradesh Limited	2022-23	121.23	19.70	(-) 7,237.94	(-) 7,116.71	121.23	24.61
4.	Southern Power Distribution Company of Andhra Pradesh Limited	2022-23	358.72	1,233.80	(-) 12,581.01	(-) 12,222.29	358.72	9.48
5.	Amaravati Development Corporation Limited	2021-22	100	(-) 12.50	(-) 136.96	(-) 36.96	100.00	0.00
6.	Andhra Pradesh Energy University	--	0.05	0.00	(-) 0.58	(-) 0.53	0.00	0.00
7.	Andhra Pradesh Metro Rail Corporation	2021-22	5.00	(-) 3.12	(-) 14.93	(-) 9.93	5.00	0.00
8.	YSR Steel Corporation Limited	2019-20	0.10	(-) 4.65	(-) 11.14	(-) 11.04	0.10	49.97
<b>Total</b>			<b>2,653.48</b>	<b>487.84</b>	<b>33,572.00</b>	<b>(-) 30,918.52</b>	<b>685.15</b>	<b>84.06</b>

Source: Compiled on the basis of latest finalised accounts/Information of SPSEs as on 30 September 2023

Note: The data given in the table in respect of Sl.No.1, 5 to 8 pertains to 2022-23 as per information received

The Net-worth of above mentioned eight<sup>25</sup> out of nine SPSEs had been completely eroded by accumulated loss and their Net-worth was either zero or negative. The Net-worth of these eight SPSEs was (-) ₹30,918.52 crore against equity investment of ₹2,653.48 crore as on 31 March 2023. In eight SPSEs whose capital had been eroded, State Government loans outstanding as on 31 March 2023 amounted to ₹84.06 crore in respect of three SPSEs.

## 1.9 Comment on Accounts

### 1.9.1 Audit of accounts of SPSEs under Section 143 of the Companies Act, 2013

As on 30 September 2023, 13 SPSEs submitted their Financial Statements for the year 2022-23. Further, 28 SPSEs submitted 50 Financial Statements/accounts for previous years spanning from 2014-15 to 2021-22.

Of the 69 accounts<sup>26</sup> received during the period (October 2022 to September 2023), Supplementary Audit and issue of CAG Comments in respect of 20 Accounts had been completed (14 accounts-final Comments and six Accounts-Nil Comments) and Non Review Certificate (NRC) was issued for 11 accounts. Further, of the 36 accounts pending at the beginning of October 2022, for 32 Accounts CAG Comments were issued (27 Accounts-Final

<sup>25</sup> Ninth SPSE: Godavari Gas Private Limited had accumulated losses but had a positive Net-worth, so not included in the above table

<sup>26</sup> includes three Accounts of inactive PSU i.e. ABC(Next) India Private Limited and also three revised accounts of three entities i.e. Andhra Pradesh State Fiber Net Limited, Andhra Pradesh State Irrigation Development Corporation Limited and Bio Valley Incubation Council

Comments, five Accounts- Nil Comments) and NRC was issued for two accounts while Audit certificates of two accounts were under progress. Thus, 40 accounts were under process at various stages as of 30 September 2023, of which 38 were received during the year and two were of the previous period. Therefore, final comments were issued in respect of 41 financial statements (as detailed in *Appendix IV*), while Nil Comments were issued for 11 financial statements.

### **1.9.2 Significant Comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditor's report**

Subsequent to the audit of the financial statements for the year 2022-23 and that of the financial statements for the previous years received by 30 September 2023, the CAG conducted Supplementary Audits of 52<sup>27</sup> accounts of the selected SPSEs. Some of the significant comments issued on financial statements of Government Companies, the financial impact of the comments on the profitability was ₹139.32 crore and on assets/liabilities was ₹1,207.66 crore as detailed in *Appendix V*.

## **1.10 Disinvestment, Restructuring and Privatisation of SPSEs and reforms in power sector**

During the year 2022-23, there was neither disinvestment of any SPSE nor was any SPSE privatised.

## **1.11 Corporate Governance**

Corporate Governance deals with adherence to Corporate Governance principles by the Government Companies. Issues related to appointment of Independent Directors/Women Directors in the Board of Directors (BoDs) of the Government Companies, their presence in attending the meetings of the BoDs and the committees formed thereunder, holding of meetings of the Board of Directors *etc.*, are highlighted.

### **1.11.1 Introduction**

Corporate Governance focusses on building the confidence of its various stakeholders including customers, suppliers, employees, shareholders, bankers and society at large. A Company is directed and controlled with the system of rules, practices and processes of Corporate Governance. Further, Corporate Governance framework of any SPSE depends upon the four pillars namely transparency, full disclosures, independent monitoring and fairness to all. Adherence to Corporate Governance brings accountability, transparency in business and enhances confidence of the stakeholders.

### **1.11.2 Provisions as contained in the Companies Act 2013**

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, Companies Rules 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of the Board and its powers and Accounts have been notified (March 2014) by the Ministry of Corporate Affairs. The Companies Act, 2013 together

<sup>27</sup> out of 52 accounts for which audit was conducted, 20 accounts were received during 01.10.2022 to 30.09.2023, remaining 32 were received prior to 01.10.2022. Further, 52 accounts exclude 13 accounts for which NRCs were issued up to 30.09.2023

with the Rules issued there under provide a robust framework for Corporate Governance. The requirements, *inter alia* provide for:

**Qualifications for Independent Directors along with the duties and guidelines for professional conduct (Sections 149 (6) and (8)) and Schedule IV read with Rule 5 of the Companies (Appointment and Qualification of Directors), Rules, 2014.**

**Mandatory appointment of one Woman Director on the Board of Companies {Section 149(1)}.**

**Mandatory establishment of certain committees viz., Corporate Social Responsibility Committee {Section 135}, Audit Committee {Section 177(1)}, Nomination and Remuneration Committee {Section 178(1)}, and Stakeholders Relationship Committee {Section 178(5)}.**

**Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1)}.**

### **1.11.3 SEBI guidelines on Corporate Governance**

Subsequent to the enactment of Companies Act, 2013, Securities Exchange Board of India (SEBI) notified (September 2021) the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2021, which came into effect from 7 September 2021 repealing the earlier provisions.

Only two SPSEs *i.e.*, Andhra Pradesh State Beverages Corporation Limited and Andhra Pradesh Power Finance Corporation Limited are registered as listed SPSEs out of the total 103 SPSEs. Both these SPSEs are debt-listed. Both the SPSEs complied with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2021.

## **1.12 Composition of Board of Directors**

The Board is a collective body of either elected or appointed persons that meets at regular intervals to set policies for corporate management and oversee the activities of an organisation. As per Section 2 (10) of the Companies Act, 2013 ‘BoDs’ or ‘Board’, in relation to a Company, means the collective body of the Directors of the Company.

### **1.12.1 Independent Directors**

The presence of independent representatives on the Board, capable of taking an independent view of the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders.

Section 149 (6) of the Companies Act, 2013 *inter alia* stipulated that an Independent Director (ID) in relation to a Company, means a Director other than a Managing Director or a whole-time Director or a nominee Director and is a person of integrity and possesses relevant expertise and experience. Besides, the ID shall neither be a promoter himself nor shall be related to the promoters/directors of the Company or its holding, subsidiary or associate Company. The ID himself or his relatives shall not have any pecuniary relationship/ transaction (other than remuneration of ID) with the Company, or its subsidiary, or its holding or associate Company beyond the monetary limits and during the period prescribed in this section. The ID himself or

his relatives shall not hold key managerial position or any other prescribed relationship *viz.*, employee, auditors, companies' secretaries, *etc.*, with the Company or its holding, subsidiary or associate Company during the timeframe prescribed in this section.

Section 149 (4) of the Companies Act, 2013 provides that every listed Public Company shall have at least one third of the total number of Directors as IDs. Further, as per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014, (i) Public Companies having paid up share capital of ten crore rupees or more; or (ii) turnover of one hundred crore rupees or more; or (iii) having, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees shall have at least two Directors as IDs.

Further, a Company covered under this rule is also required to constitute an Audit Committee. Such Audit Committee shall consist of a minimum of three Directors, with Independent Directors forming a majority as per section 177(2) of the Act, 2013.

Rule further provides that where a Company ceases to fulfil any of three conditions for three consecutive years, it shall not be required to comply with these provisions until such time as it meets any of such conditions.

Further, as per Rule 4 (2), three classes of an unlisted Public Company *i.e.*, a joint venture or a wholly owned subsidiary or a dormant Company is not required to appoint an ID.

Out of information made available by 42 SPSEs, 13 SPSEs were required to appoint IDs as per the provisions of the Act, 2013 and Rule mentioned above during the financial year 2022-23. Based on the review of composition of the BoDs a summarised status of appointment of IDs in these SPSEs is given in **Table 1.11**.

**Table 1.11: Status of appointment of Independent Directors**

Particulars	As on 31 March 2023
Number of SPSEs required to appoint IDs	13
Number of SPSEs having required number of IDs	4 <sup>28</sup>
Number of SPSEs not having required number of IDs	--
Number of SPSEs not having any ID	9 <sup>29</sup>

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

### 1.12.2 Woman Director in the Board

Section 149 (1) of the Companies Act, 2013, read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provided for appointment of at least one Woman Director in (i) Every listed Company; or (ii) Every other Public Companies having (a) paid up share capital of ₹100 crore or more; or (b) turnover of ₹300 crore or more. Further, any intermittent vacancy of a Woman Director shall be filled up by the Board at the earliest but not

<sup>28</sup> Andhra Pradesh Power Generation Corporation Limited, Easter Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh State Beverages Corporation Limited

<sup>29</sup> Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh Power Development Company Limited, NICDIT Krishnapatnam Industrial City Development Limited, Andhra Pradesh State Fibernet Limited, Andhra Pradesh State Financial Services Corporation Limited, Andhra Pradesh Brahmin Welfare Corporation, Amaravati Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Transmission Corporation of Andhra Pradesh

later than immediate next board meeting or three months from the date of such vacancy whichever is later.

As per the information available from the SPSEs, 11 SPSEs were required to appoint Women Directors during 2022-23. Of these 11 SPSEs, four SPSEs had at least one Woman Director throughout the financial year 2022-23 as given in **Table 1.12**.

**Table 1.12: SPSEs having at least one Woman Director during 2022-23**

Sl. No.	Name of the State Public Sector Enterprises
1.	Amaravati Development Corporation Limited
2.	Andhra Pradesh State Beverages Corporation Limited
3.	Eastern Power Distribution Company of Andhra Pradesh Limited
4.	Southern Power Distribution Company of Andhra Pradesh Limited

*Source: Compiled on the basis of information provided by SPSEs*

In the remaining seven SPSEs, the Woman Director was not appointed as on 31 March 2023 as given in below **Table 1.13**.

**Table 1.13: SPSEs not having Woman Director during 2022-23**

Sl. No.	Name of the State Public Sector Enterprises
1.	Andhra Pradesh State Seeds Development Corporation Limited
2.	Andhra Pradesh Power Development Company Limited
3.	Andhra Pradesh Power Generation Corporation Limited
4.	National Industrial Corridor Development and Implementation Trust (NICDIT) Krishnapatnam Industrial City Development Limited
5.	Andhra Pradesh State Financial Services Corporation Limited
6.	Andhra Pradesh Power Finance Corporation Limited
7.	Transmission Corporation of Andhra Pradesh Limited

*Source: Compiled on the basis of information provided by SPSEs*

## **1.13 Appointment and Functioning of Independent Directors**

### **1.13.1 Issuance of formal letter of appointment and approval at General Meeting**

As per Schedule IV of the Companies Act, 2013, appointment of ID shall be approved at the meeting (General Meeting) of shareholders. Further, the appointment of IDs shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. Further, the terms and conditions of appointment of IDs are also required to be posted on the Company's website.

### **1.13.2 Training of Independent Directors**

As per Schedule IV {Para III (1)- Duties of Independent Directors} of the Companies Act, 2013, IDs shall undergo appropriate induction training and regularly update and refresh their skills, knowledge, and familiarity with the Company. As per the information available from the SPSEs, none of the SPSEs imparted such training for the IDs who were on the Board during the financial year 2022-23.

### 1.13.3 Attending Board meetings, meetings of Board of Committees and General meetings of the Company

Schedule IV (III) (3) of the Act, 2013, provided that IDs should strive to attend all meetings of the Board of Directors and Board Committees of which he/she was a member.

#### 1.13.3.1 Board meetings

Status of attendance of the IDs who were on the Board at the time of the meeting are given in **Table 1.14**.

**Table 1.14: Presence of Independent Directors in meetings of the Board during 2022-23**

Sl. No.	Name of the State Public Sector Enterprises	Number of Board meeting	Number of meetings with 100 per cent presence of ID
1.	Andhra Pradesh Power Generation Corporation Limited	10	0
2.	Eastern Power Distribution Company of Andhra Pradesh	15	0
3.	Southern Power Distribution Company of Andhra Pradesh Limited	11	0
4.	Andhra Pradesh State Beverage Corporation Limited	12	1

Source: Compiled on the basis of information provided by SPSEs

It could be seen from the table above that 100 per cent presence of IDs was in two per cent of the Board Meetings.

#### 1.13.3.2 Meeting of Board Committees

**Audit Committee** – The status of presence of the IDs on the Board during Audit Committee meetings held in the financial year 2022-23 is given in **Table 1.15**.

**Table 1.15: Attendance of Independent Director in Audit Committee Meetings**

Sl. No.	Name of the State Public Sector Enterprises	Date of Meeting	Number of ID on Board	Number of ID Attended
1.	Andhra Pradesh Power Generation Corporation Limited	14.07.2022	2	1
		29.12.2022	2	0
2.	Eastern Power Distribution Company of Andhra Pradesh Limited	20.05.2022	3	2
		28.06.2022	3	2
		26.08.2022	3	2
		10.11.2022	3	2
		27.02.2023	3	2
3.	Southern Power Distribution Company of Andhra Pradesh Limited	26.05.2022	2	2
		28.06.2022	2	2
		20.08.2022	2	2
		13.09.2022	2	2
		14.11.2022	2	2
		25.02.2023	2	2
4.	Andhra Pradesh State Beverages Corporation Limited	08.12.2022	3	2
		13.02.2023	3	2
		20.03.2023	3	1

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

### 1.13.3.3 General meeting

Schedule IV (III) (5) of the Companies Act, 2013 states that IDs shall strive to attend all the General Meetings of the Company. As per the information available from the SPSEs, IDs in five SPSEs were on the Board at the time of Annual General Meeting (AGM) during 2022-23. The details of the AGM held in 2022-23, number of IDs on the Board of the SPSE and number of IDs that attended the meeting are given in **Table 1.16**.

**Table 1.16: Attendance of Independent Director in Annual General Meetings**

Sl. No.	Name of the SPSE	Date of AGM	Number of ID on Board	Number of ID Attended
1.	Andhra Pradesh Power Generation Corporation Limited	29.12.2022	2	2
2.	Eastern Power Distribution Company of Andhra Pradesh Limited	30.08.2022	3	2
3.	Southern Power Distribution Company of Andhra Pradesh Limited	13.09.2022	2	2
4.	Andhra Pradesh State Beverages Corporation Limited	24.01.2023	3	3

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

### 1.13.4 Separate meeting of Independent Directors

As per Schedule IV (VII) (1) of the Companies Act, 2013, the IDs of the Company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management. Further, all the IDs of the Company shall strive to be present at such meetings to review the performance of non-independent directors and the Board as a whole. The performance of the Chairperson of the Company would also be reviewed, considering the views of Executive Directors and non-Executive Directors.

As per the information available, out of the four SPSEs, wherein more than one ID was on the Board during 2022-23, IDs of two<sup>30</sup> SPSEs had conducted a separate meeting, whereas IDs of remaining two SPSEs<sup>31</sup> did not conduct separate meeting during 2022-23.

## 1.14 Filling-up the posts of Key Managerial Personnel

Section 203(1) of the Companies Act, 2013 provides that every Company belonging to such class or classes of Companies, as may be prescribed, shall have whole time Key Managerial Personnel (KMP) viz., (i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole Time Director; (ii) Company Secretary; and (iii) Chief Financial Officer.

Further, Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014 provides that every listed Company and every other Public Company having a paid-

<sup>30</sup> Eastern Power Distribution Company of Andhra Pradesh Limited and Andhra Pradesh State Beverages Corporation limited

<sup>31</sup> Andhra Pradesh Power Generation Corporation Limited and Southern Power Distribution Company of Andhra Pradesh Limited

up share capital of ₹10 crore or more shall have whole-time KMP. Section 203(4) of the Act, 2013 further provided that if the office of any whole-time KMP is vacated, the resulting vacancy shall be filled-up by the Board, at a meeting of the Board, within a period of six months from the date of such vacancy.

As per the information available, the paid-up capital of 10 SPSEs was ₹10 crore or more in the financial year 2022-23. Hence, these companies were required to appoint whole time KMPs. Of these 10 SPSEs, whole time KMPs were found appointed in nine SPSEs<sup>32</sup>, whereas, in remaining one SPSE (Andhra Pradesh Brahmin Welfare Corporation), no information was furnished regarding the appointment of their KMP.

### 1.15 Meetings of Board of Directors and Board Committee

Section 173(1) of the Companies Act, 2013, stipulates that every Company shall hold the first meeting of the Board of Directors (BoDs) within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its BoDs every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board.

Out of information made available by 42 SPSEs, 12 SPSEs did not conduct the required number of four BoDs meetings during the year 2022-23 as detailed in *Table 1.17*.

**Table 1.17: SPSEs which did not conduct required number of Board meetings in a year**

Sl. No.	Name of the State Public Sector Enterprises
1.	Energy University of Andhra Pradesh
2.	Andhra Pradesh MSME Development Corporation
3.	Vizag Apparel Park for Export
4.	Andhra Pradesh Aviation Corporation Limited
5.	Andhra Pradesh State Financial Services Corporation Limited
6.	Andhra Pradesh Brahmin Welfare Corporation
7.	Andhra Pradesh State Minorities Finance Corporation Limited
8.	Andhra Pradesh Centre for Financial System and Services
9.	Andhra Pradesh State Development Corporation Limited
10.	Foundation for Leadership, Excellence and Governance (Private)
11.	Andhra Pradesh Forest Development Corporation Limited (Private)
12.	Andhra Pradesh Rajiv Swagruha Corporation Limited

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

Further, as per the information made available, five out of 12 SPSEs did not follow the provision of keeping a gap of not more than 120 days between two consecutive meetings of BoDs during the year 2022-23. A gap range of 126-208 days was noticed between two consecutive meetings of BoDs for the SPSEs as listed in *Table 1.18*.

<sup>32</sup> Andhra Pradesh Power Development Company Limited, Andhra Pradesh Power Generation Corporation Limited, Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, NICDIT Krishnapatnam Industrial City Development Limited, Andhra Pradesh State Financial Services Corporation Limited, Transmission Corporation of Andhra Pradesh, Amaravati Development Corporation Limited and Andhra Pradesh Power Finance Corporation Limited

**Table 1.18: SPSEs which did not follow the gap of not more than 120 days between two consecutive meetings of Board of Directors**

Sl. No.	Name of the State Public Sector Enterprise	Maximum gap (in days) between two consecutive meetings of Board of Directors
1.	Andhra Pradesh MSME Development Corporation	173
2.	Andhra Pradesh Brahmin Welfare Corporation	182
3.	Andhra Pradesh State Minorities Finance Corporation Limited	131
4.	Andhra Pradesh Centre for Financial System and Services	208
5.	Andhra Pradesh Forest Development Corporation Limited	126

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

## 1.16 Audit Committee and Other Committees of the Board

### 1.16.1 Composition of Audit Committee

As per Section 177 (1) of the Companies Act, 2013 and Rule 6 of the Companies (Meetings of Board and its powers) Rules, 2014, the BoD of every listed Public Company and all Public Companies with a paid up capital of ₹10 crore or more; or having turnover of ₹100 crore or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding ₹50 crore or more, except Joint Venture Companies and wholly owned subsidiary Companies shall constitute an Audit Committee.

As per the criteria, 13 SPSEs having the requirement of IDs in their Board were required to constitute an Audit Committee and as per Information available, out of 13 SPSEs, 10 SPSEs had constituted the Audit Committee as detailed in **Table 1.19**. The remaining three SPSEs<sup>33</sup>, had not constituted the Audit Committee as on 31 March 2023.

**Table 1.19: SPSEs which constituted Audit Committee**

Sl. No.	Name of the State Public Sector Enterprise
1.	Andhra Pradesh Power Development Company Limited
2.	Andhra Pradesh Power Generation Corporation Limited
3.	Eastern Power Distribution Company of Andhra Pradesh Limited
4.	Southern Power Distribution Company of Andhra Pradesh Limited
5.	NICDIT Krishnapatnam Industrial City Development Limited
6.	Andhra Pradesh State Beverages Corporation Limited
7.	Andhra Pradesh State Financial Services Corporation Limited
8.	Amaravati Development Corporation Limited
9.	Andhra Pradesh Power Finance Corporation Limited
10.	Transmission Corporation of Andhra Pradesh Limited

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

Section 177(2) of the Companies Act, 2013 provides that the Audit Committee shall consist of a minimum of three Directors, with IDs forming a majority. Further, most members of the

<sup>33</sup> Andhra Pradesh State Seeds Development Corporation Limited, Andhra Pradesh State Fibernet Limited and Andhra Pradesh Brahmin Welfare Corporation

Audit Committee including its Chairperson shall be persons with the ability to read and understand the financial statement.

As per the information available from the SPSEs, nine SPSEs<sup>34</sup> wherein Audit Committee was constituted had fulfilled the criteria of having at least three members in their Audit Committee during the financial year 2022-23.

### 1.16.2 Nomination and Remuneration Committee

As per Section 178(1) of the Act, 2013 and Rule 6 of the Companies (Meetings of Board and its powers) Rules, 2014, the BoD of every listed Public Company and all Public Companies with a paid up capital of ₹10 crore or more; or having turnover of ₹100 crore or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding ₹50 crore or more, shall constitute a Nomination and Remuneration Committee (NRC).

As per information available from the SPSEs, 13 SPSEs were required to constitute the NRC. Six SPSEs<sup>35</sup> had constituted the NRC whereas seven SPSEs as given in **Table 1.20**, did not constitute the NRC.

**Table 1.20: SPSEs which did not constitute NRC**

Sl. No.	Name of the State Public Sector Enterprise
1.	Andhra Pradesh State Seeds Development Corporation Limited
2.	Andhra Pradesh Power Development Company Limited
3.	Andhra Pradesh Power Generation Corporation Limited
4.	Andhra Pradesh State Fibernet Limited
5.	Andhra Pradesh Brahmin Welfare Corporation
6.	Andhra Pradesh Power Finance Corporation Limited
7.	Transmission Corporation of Andhra Pradesh Limited

Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023

The Companies Act, 2013 further provides that the NRC should consist of three or more non-executive directors out of which not less than one-half shall be IDs. The Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the NRC but shall not chair such Committee.

An analysis of six SPSEs which had constituted the NRC disclosed that the composition of the NRC of two SPSEs *i.e.*, Andhra Pradesh State Financial Services Corporation Limited and Amaravati Development Corporation Limited were not as per the provisions of the Act 2013. In these two SPSEs, NRC was established with only two non-executive Directors as against three or more, as per the provision of Section 178(1) of Companies Act, 2013.

## 1.17 Whistle Blower Mechanism

Section 177(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its power) Rules provides that every listed Company; the Companies which accept

<sup>34</sup> except Andhra Pradesh State Financial Securities Company Limited

<sup>35</sup> Eastern Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, NICDIT Krishnapatnam Industrial City Development Limited, Andhra Pradesh State Beverages Corporation Limited, Andhra Pradesh State Financial Services Corporation Limited and Amaravati Development Corporation Limited

deposits from the public; the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees shall establish a Vigil Mechanism for their Directors and employees to report genuine concerns and grievances about unethical behaviour, suspected fraud or violation of Company’s code of conduct or ethics policy. It provides for adequate safeguards against victimisation of persons who use such mechanism.

As per information made available by 42 SPSEs, 12 SPSEs were required to establish Vigil Mechanism to report genuine concerns or grievances. Of these 12 SPSEs, six SPSEs<sup>36</sup> had reported the establishment of Whistle Blower Mechanism whereas remaining six SPSEs as given in **Table 1.21** did not have Whistle Blower Mechanism.

**Table 1.21: Implementation of Whistle Blower Mechanism**

Sl. No.	Name of the SPSEs
1.	Andhra Pradesh State Seeds Development Corporation Limited
2.	Andhra Pradesh Power Development Company Limited
3.	YSR Steel Corporation Limited (AP High Grade Steels Limited)
4.	Andhra Pradesh State Fibernet Limited
5.	Andhra Pradesh State Beverages Corporation Limited
6.	Andhra Pradesh Urban Finance Infrastructure Development Corporation Limited

*Source: Compiled on the basis of information provided by SPSEs as on 30 September 2023*

## 1.18 Conclusions

This chapter presents the financial performance of State Public Sector Enterprises as regards the amount of investment made by the Government in the form of equity and long-term loans; oversight role of CAG with respect to compliance matters of various criteria and preparation and submission of financial statements by State Public Sector Enterprises; and with adherence to Corporate Governance guidelines stipulated for Government Companies. Matters related to the appointment of Independent Directors/ Women Directors in the Board of Directors of Government Companies, the constitution of Audit Committee, *etc.*, are highlighted in this chapter.

- i. As on 31 March 2023, there were 124 SPSEs of which 103 are working and 21 are inactive SPSEs under the audit jurisdiction of CAG. Out of 103 working SPSEs, eleven SPSEs are in the Power sector.
- ii. This report covers detailed financial status of 20 SPSEs, based on their latest accounts received (13) and information furnished (seven) by the SPSEs, which reflect the following results, as on 31 March 2023:
  - a. Annual turnover of ₹88,176.83 crore of these 20 SPSEs was equal to 6.69 per cent of the GSDP of Andhra Pradesh.

<sup>36</sup> Andhra Pradesh Power Generation Corporation Limited, Easter Power Distribution Company of Andhra Pradesh Limited, Southern Power Distribution Company of Andhra Pradesh Limited, Amaravati Development Corporation Limited, Andhra Pradesh Power Finance Corporation Limited and Transmission Corporation of Andhra Pradesh

- b. The investment of the State Government in equity and long-term loans in 20 SPSEs was ₹5,534.42 crore against total investment of ₹1,06,761.20 crore. The outstanding long terms loans of State Government in these SPSEs was ₹1,574.61 crore.
  - c. 14 SPSEs earned profits (₹2,786.83 crore), while five SPSEs incurred losses (₹1,251.63 crore). As on 31 March 2023, five SPSEs had accumulated losses of ₹4,039.91 crore in these loss-making SPSEs.
- iii. As a result of the supplementary audit of the CAG of 52 accounts, Significant comments highlighting inaccuracies in the Financial Statements impacting profitability by ₹139.32 crore (9.08 *per cent* of total profit of ₹1,535.20 crore by 20 SPSES) and assets/liabilities by ₹1,207.66 crore were issued.
  - iv. During 2022-23, 12 State SPSEs did not conduct the mandatory requirement of four meetings of Board of Directors'. Only four out of 13 SPSEs had the required number of Independent Directors. Woman Director was not appointed in seven SPSEs. Only in two SPSEs' Independent Directors conducted a separate meeting without the non-independent directors and members of the management and in the remaining two SPSEs' Independent Directors did not conduct the said meeting.
  - v. Whole time Key Managerial Personnel were found appointed in nine out of 10 SPSEs. Audit Committee was constituted in 10 out of 13 SPSEs.
  - vi. Only six out of 13 SPSEs have constituted Nomination and Remuneration Committee. Out of 12 SPSEs, only six SPSEs had established vigil mechanism to report genuine concerns and grievances.

### 1.19 Recommendations

*The Government of Andhra Pradesh may:*

- i. *Review the functioning of all loss-making SPSEs and take necessary steps to improve their financial performance, ensure sound financial position of the SPSEs.*
- ii. *Expedite the process of liquidation for 21 inactive SPSEs.*
- iii. *Issue necessary instructions to Administrative Departments to set targets for individual SPSEs to furnish the accounts in time and to strictly monitor the clearance of arrears and take expeditious steps to reduce the arrears in the finalisation of accounts.*
- iv. *Ensure that the number of Independent Directors, Woman Directors in the Board of Directors of SPSEs are in conformity with the provisions of Companies Act, 2013 to achieve objectives of Corporate Governance in SPSEs.*
- v. *Ensure that vigil mechanism is installed as per the provisions of Companies Act, 2013.*