



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on State Public Sector Enterprises
for the period ended March 2023**



**Government of Telangana
Report No. 4 of 2025
(Compliance Audit - Commercial)**

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Preface

This Report of the Comptroller and Auditor General of India has been prepared for submission to the Governor of Telangana under Article 151 of the Constitution of India and Section 19A of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971 for being laid in the State Legislature.

This Audit Report includes an overview on functioning of Telangana State Public Sector Enterprises (SPSEs) and observations based on Compliance Audit of Overburden Removal, Coal and Stowing material transportation Contracts in The Singareni Collieries Company Limited (Department of Energy).

The instances mentioned in this Report are among those which came to notice in the course of test audit for the period 2022-23 as well as those which were noticed in earlier years, but could not be reported in previous Audit Reports. Matters relating to the period subsequent to 2022-23 have also been included, wherever necessary.

The Audit has been carried out in conformity with the Compliance Auditing Guidelines and Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

This Audit Report contains an overview on functioning of Telangana State Public Sector Enterprises (SPSEs) and observations based on Compliance Audit of Overburden Removal, Coal and Stowing material transportation Contracts in The Singareni Collieries Company Limited (Department of Energy).

Functioning of State Public Sector Enterprises

State Public Sector Enterprises (SPSEs) comprise State Government Companies, State Government Controlled Other Companies and Statutory Corporations. State Public Sector Enterprises 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 83 SPSEs in Telangana including 77 Government Companies, three Statutory Corporations and three Government Controlled Other Companies under the audit jurisdiction of the Comptroller and Auditor General (CAG) of India.

This report covers analysis of financial performance of 18 SPSEs, based on accounts and /or information as furnished by SPSEs for the last three years ended March 2023. The oversight role of the CAG to ensure compliance with various criteria regarding preparation and submission of financial statements by SPSEs is also covered. Further, adherence to Provisions of Companies Act, 2013 with respect to Corporate Governance by 28 SPSEs based on the information furnished by them is also covered.

Audit Conclusions and Recommendations are given below:

- a) As on 31 March 2023, 83 State Public Sector Enterprises in Telangana were under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Of the 83 SPSEs, eight SPSEs were related to power sector and 75 SPSEs related to non-power sector. Out of these 83 SPSEs, 16 SPSEs were either defunct or under liquidation/demerger.
- b) Of the 67 working SPSEs, 49 SPSEs (73 per cent), whose accounts were in arrears for three or more years as on 30 September 2023 or which did not furnish information to audit, are not covered in this Report. The remaining 18 SPSEs (Power Sector –Seven SPSEs and Non-Power Sector – 11 SPSEs) registered an annual turnover of ₹95,204.74 crore, which was equal to 7.25 per cent of the Gross State Domestic Product (GSDP) of Telangana during 2022-23. As on 31 March 2023, the investment of the Central and State Governments and Others in equity and long-term loans in these 18 SPSEs was ₹98,572.08 crore. Out of the 18 working SPSEs, six SPSEs earned profits (₹3,857.48 crore), 11 SPSEs incurred losses (₹11,969.66 crore) and one SPSE reported ‘Nil’ profit or loss.
- c) The net worth of nine out of 18 SPSEs had been completely eroded by accumulated loss and their net worth was (-)₹50,930.63 crore against equity investment of ₹17,921.33 crore as on 31 March 2023.
- d) A total of 71 SPSEs (including 16 inactive Companies) have defaulted in timely submission of accounts. Of the 47 accounts reviewed and finalised during the

period from 1 October 2022 to 30 September 2023, CAG's comments were issued in respect of 35 accounts, the financial impact of which was ₹757.21 crore on the profitability and ₹31,989.68 crore on assets/ liabilities.

- e) Out of 15 SPSEs, where Independent Directors were to be appointed, nine SPSEs did not appoint Independent Directors whereas in one SPSE, required number of Independent Directors were not appointed and no assurance could be obtained on the availability of the Independent Directors in four SPSEs. Separate meeting of Independent Directors was not conducted in any SPSE. Further, three SPSEs did not have Woman Director throughout the financial year 2022-23.
- f) Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provide that every listed company and every other public company having a paid-up share capital of rupees ten crore or more shall have three whole-time key managerial personnel (KMP). Audit observed that out of seven SPSEs that were required to appoint KMP, five SPSEs had the required three KMPs and the remaining two SPSEs had one/two KMP. The intervening period of conducting two consecutive meetings of the Board in eight SPSEs ranged between 123 days and 229 days.
- g) Further, five SPSEs did not constitute Audit committee. Out of 10 SPSEs, wherein Audit Committee was constituted, all SPSEs except one SPSE *i.e.* The Nizam Sugars Limited, fulfilled the criteria of having at least three directors in their Audit Committee during FY 2022-23. Moreover, the Independent Directors were not found in nine SPSEs, where Audit Committee was constituted.
- h) Nomination and Remuneration Committee (NRC) was not constituted in nine SPSEs, whereas in remaining six SPSEs (out of 15 eligible SPSEs), composition of NRC was not as per the provisions of the Act. No Vigil mechanism existed in four SPSEs. Two SPSEs did not appoint Internal Auditors.

Recommendations:

The State Government may consider

- i. reviewing the functioning of all loss-making SPSEs and taking necessary steps to improve their financial performance;***
- ii. issuing necessary instructions to the Administrative Departments of concerned SPSEs for timely finalisation of accounts and clearance of arrears;***
- iii. reviewing the inactive Government Companies and taking appropriate decision on their revival/winding up.***

Subject Specific Compliance Audit on Overburden Removal, Coal and Stowing material transportation Contracts in The Singareni Collieries Company Limited (Department of Energy).

The Singareni Collieries Company Limited (SCCL/The Company) is jointly owned by Government of Telangana (51 *per cent*) and the Government of India (49 *per cent*). The accredited function of the Company is development of coal mines in the Godavari Valley Coal Field.

The Subject Specific Compliance Audit (SSCA) reviewed the Over Burden Removal (OBR), Coal and Stowing material transportation contracts for the five-year period from 2018-19 to 2022-23.

The SSCA was conducted to ascertain whether the award of contracts for removal of Overburden, Transportation of Coal and Stowing material was transparent and the execution of contracts was in compliance with the applicable guidelines and contractual terms and conditions.

Significant audit findings and conclusions:

A review of 13 OBR contracts awarded after February 2019, revealed that in all the conventional equipment contracts, the actual quantity of diesel consumption was more than the norms. Contrary to this, the actual diesel consumption in Heavy Earth Moving Machinery (HEMM) contracts, was much below the norms. These wide variances between actual and normative diesel consumption *viz.*, shortfalls in conventional equipment contracts and excesses in HEMM contracts indicate that the norms fixed for diesel consumption were unrealistic.

The rates awarded for deployment of Heavy Earth Moving Machinery (HEMM) were higher (between 12.36 *per cent* and 32 *per cent*) than those of conventional equipment in OBR contracts. However, the Company did not incorporate appropriate clauses in the OBR contracts as safeguard against under deployment of HEMM /over deployment of conventional equipment by the contractors. This resulted in avoidable expenditure of ₹251.05 crore.

The Company also did not enforce the contractual terms and conditions relating to OBR contracts timely which resulted in further avoidable expenditure of ₹74.19 crore.

In Coal transportation, the Coal linkage plans drawn were not optimal and there was also uneconomical movement of coal by field units, resulting in an avoidable expenditure of ₹25.59 crore. While fixing the Surface Transportation Charges, the actual expenditure was not considered resulting in excess collection of ₹1078.94 crore from the coal consumers.

Three OBR contractors in the test checked Area Offices¹ did not establish Effluent Treatment Plants as per the Contractual terms. In underground stowing operations, river

¹ Yellandu, Manuguru, Bellampalli and Srirampur

sand was preferred by Srirampur area office over bottom ash and Processed Over Burden (POB) which was costlier and environmentally unfriendly.

Recommendations:

In view of the above, the State Government/Company may consider

- *implementing measures to optimise diesel consumption;*
- *incorporating safeguarding clauses in the OBR contracts to ensure deployment of specified mix of equipment and adherence to other contractual obligations by the contractors;*
- *reviewing the coal linkage arrangements and pricing mechanism of Surface Transport Charges to ensure economy and reasonableness respectively;*
- *promoting environmental sustainability by installing Effluent Treatment Plants and giving preference to bottom ash or processed over burden over river sand in stowing operations.*

Chapter I

Functioning of State Public Sector Enterprises

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Functioning of State Public Sector Enterprises

1.1 Introduction

The State Public Sector Enterprises (SPSEs) comprise State Government Companies, 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 83 SPSEs in Telangana. The details are given in **Table 1.1**.

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

Type of SPSEs	Total
Government Companies ¹	77
Statutory Corporations ²	03
Government Controlled Other Companies ³	03
Total	83

Source: Compiled based on the latest financial statements and information provided by SPSEs

As on 31 March 2023, there were 83 SPSEs in Telangana as detailed in **Appendix 1.1**, including 77 Government Companies⁴, three Statutory Corporations⁵, three Government Controlled Other Companies⁶. There are 16 inactive⁷ SPSEs in the State of Telangana.

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

The summary of financial performance of 18 working SPSEs is as given in **Table 1.2**.

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

² Any Corporation set up under a statute enacted by Parliament/ State Legislature is called a Statutory Corporation

³ As defined in the Companies (Removal of Difficulties) Seventh Order, 2014 notified (4 September 2014), 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 is called Government Controlled Other Company

⁴ Includes 16 inactive SPSEs

⁵ Telangana State Road Transport Corporation, Telangana State Warehousing Corporation and Telangana State Financial Corporation

⁶ Hyderabad Growth Corridor Limited, Karimnagar Smart City Corporation Limited and Greater Warangal Smart City Corporation Limited

⁷ SPSEs that are under liquidation/non-operational/demerger

Table 1.2: Summary of financial performance of working SPSEs

(₹ in crore)

Particulars	Number of SPSEs	Amount
Number of working SPSEs	67	-
SPSEs covered in this Report	18	-
Paid up Capital	18	20,536.93
Long term Loans	18	78,035.15
Net profit	6	3,857.48
Net loss	11	(-) 11,969.66
Zero Profit/ Loss	1	-
Dividend declared	1	129.99
Net worth ⁸	18	(-) 33,005.15

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

Based on the nature of activities undertaken, these 18 SPSEs have been categorised into seven sectors as depicted in the table below:

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

(₹ in crore)

Sl. No.	Name of the Sector	Number of SPSEs	Turnover for the year	Percentage Share of Turnover in Gross State Domestic Product
1.	Power	7	94,793.90	7.22
2.	Agriculture	2	25.46	0.002
3.	Infrastructure	2	16.19	0.001
4.	Manufacturing	3	320.55	0.024
5.	Service	3	1.82	0.0001
6.	Finance	0	0.00	0.00
7.	Others	1	46.82	0.004
Total		18	95,204.74	7.25

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

The turnover (₹95,204.74 crore) of these 18 SPSEs was 7.25 per cent of the Gross State Domestic Product (GSDP) of Telangana (₹13,13,391 crore) for the year 2022-23 with contribution of 99.57 per cent by the Power sector.

Out of 18 SPSEs, six SPSEs earned a combined profit of ₹3,857.48 crore in 2022-23, 11 SPSEs incurred losses of (-) ₹11,969.66 crore in 2022-23 as per the latest finalised accounts and information furnished by the SPSEs. One SPSE had no profit no loss during 2022-23.

⁸ Net worth = Paid-up Capital + Free Reserves and Surplus – (Accumulated losses + Deferred Revenue Expenditure)

1.2 Accountability Framework

The audit of the financial statements of a Company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. The audit of a Company in respect of the financial years that commenced earlier than 1 April 2014, however, 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 Comptroller and Auditor General of India is the sole auditor for Telangana State Road Transport Corporation whereas in respect of Telangana State Warehousing Corporation and Telangana State Financial Corporation, the audit is conducted by the Chartered Accountants appointed under the respective statutes and thereafter, supplementary audit is conducted by the Comptroller and Auditor General of India.

1.2.2 Role of Government and Legislature

The State Government exercises control over the affairs of these SPSEs through its 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 the CAG are to be placed before the Legislature as per the stipulations made under their respective governing Acts. The Audit Reports of CAG in relation to Government Companies and Corporations 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 Telangana

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 given to loans availed by SPSEs from Financial Institutions as explained below:

- **Share Capital and Loans** - In addition to the Share Capital Contribution, 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 along 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 2022-23, the Government invested ₹68,654.55 crore⁹ comprising equity of ₹30,559.59 crore in 60 SPSEs and three Corporations and loans and advances of ₹38,094.96 crore.

The Government investment in 18 SPSEs covered in the present chapter in the form of equity and loans as per the records of the SPSEs for the three-year period ended 31 March 2023 is given in **Table 1.4** and shown under **Chart 1.1**.

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	19,688.77	8,182.44	27,871.21	19,689.27	7,462.99	27,152.26	19,688.85	8,428.59	28,117.44
Central Government	847.56	0.00	847.56	847.56	0.00	847.56	847.56	0.00	847.56
Others	0.82	69,223.66	69,224.48	0.82	74,312.26	74,313.08	0.52	69,606.56	69,607.08
Total	20,537.15	77,406.10	97,943.25	20,537.65	81,775.25	1,02,312.90	20,536.93	78,035.15	98,572.08
Share of State Government in Total Investment (in per cent)	95.87	10.57	28.46	95.87	9.13	26.54	95.87	10.80	28.52

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

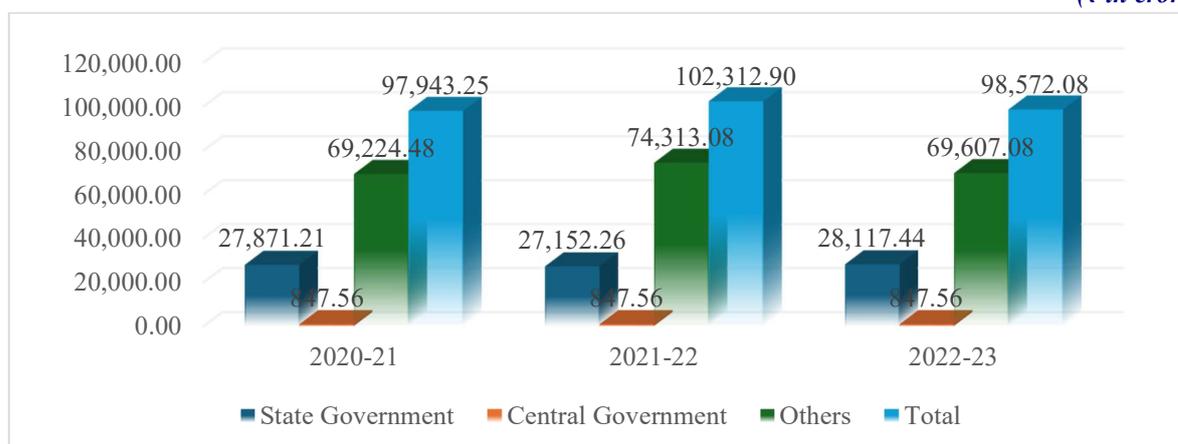
The total investment in these SPSEs marginally increased by less than one per cent during 2020-21 to 2022-23. It is seen that the trend in investment was dominated by long-term loans taken from sources other than the Government and increased marginally by 0.55 per cent within the last three years of which, loans from State Government were 10.80 per cent. The ratio of debt to equity was 3.80¹⁰ for these SPSEs.

⁹ Source: Statement 7 & 8 of Finance Accounts 2022-23

¹⁰ ₹78,035.15 crore/₹20,536.93 crore

Chart 1.1 Investment in SPSEs

₹ in crore)



1.5 Special support and returns during the year

1.5.1 Information on Subsidy, Grants and Guarantees by State Government

The Government of Telangana (GoT) provides financial support to SPSEs in the form of grants and subsidies through the annual budget. In addition, the Government also provides guarantees for loans raised by the SPSEs. As per the Finance Accounts for the year 2022-23, the State Government disbursed an amount of ₹10,454.41 crore as Grant in aid¹¹ to SPSEs. Further Guarantees¹², amounting to ₹1,90,191.49 crore given by the State Government to SPSEs were outstanding at the end of 2022-23.

The details of Subsidy, Grants and Guarantees given to 18 SPSEs covered in this chapter are given in **Table 1.5**.

Table 1.5: Details regarding budgetary support to SPSEs

₹ in crore)

Particulars	2020-21		2021-22		2022-23	
	No. of SPSEs	Amount	No. of SPSEs	Amount	No. of SPSEs	Amount
Grants/Subsidies provided	06	5,833.65	05	2,172.36	07	8,431.23
Guarantees issued	02	12,586.93	0	0	03	10,271.70
Guarantee Commitment	06	19,876.20	06	19,459.20	06	26,440.42

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

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

¹¹ **Source:** Statement 10 of Finance Accounts 2022-23

¹² **Source:** Statement 20 of Finance Accounts 2022-23

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 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. **Table 1.6** provides the details of progress made by working SPSEs in finalisation of accounts as on 30 September 2023.

Table 1.6: Position relating to finalisation of accounts of SPSEs

Sl. No.	Particulars	2022-23
1.	Number of SPSEs	83
2.	Number of accounts finalised during the year	47
3.	Number of accounts in arrears	601
4.	Number of SPSEs with arrears in accounts	71
5.	Extent of arrears (in years)	1 to 38

Source: Records of the office and information provided by SPSEs as of September 2023

The administrative departments have the responsibility of overseeing 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 (AG) had been taking up the matter with the State Government and the administrative departments concerned for liquidating the arrears of accounts of SPSEs. As on 30 September 2023, however, 71 SPSEs had backlog of 601 accounts with arrears ranging from one to 38 years, which was significant as depicted in **Appendix 1.2**.

1.7 Impact of arrears in accounts

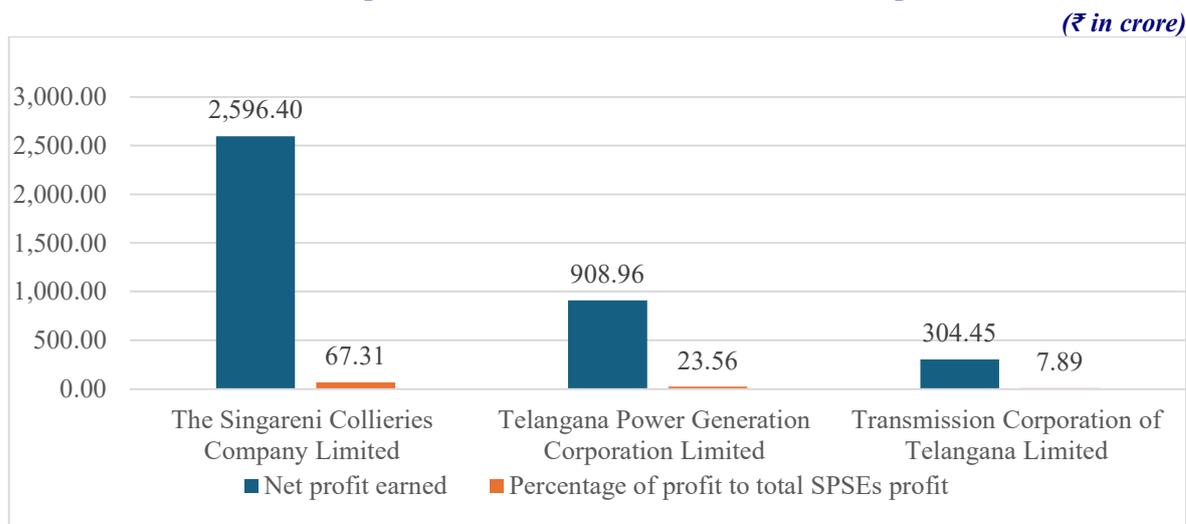
Delays in finalisation of the accounts entail the risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the position of arrears of accounts as indicated under **Paragraph 1.6**, the actual contribution of SPSEs to the State GDP for the year 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

1.8.1 Profit earned by SPSEs

Out of 18 SPSEs covered in this Report, six SPSEs earned a combined profit of ₹3,857.48 crore in 2022-23 as compared to eight SPSEs (out of 18 SPSEs) which earned profit of ₹1,761.29 crore in 2021-22. Three top SPSEs contributed 98.76 *per cent* of the total profit in 2022-23. The details are given in **Chart 1.2**.

Chart 1.2: Top SPSEs which contributed maximum profit



1.8.2 Dividend paid by SPSEs

Out of the six-profit making SPSEs, only one SPSE namely, The Singareni Collieries Company Limited paid dividend of ₹86.66 crore and ₹129.99 crore during the financial years 2021-22 and 2022-23 respectively. The dividend declared as a percentage of Net Profit of this SPSE decreased from 7.06 per cent in 2021-22 to 5.00 per cent in 2022-23. The dividend declared in 2022-23 was higher by ₹43.33 crore (50 per cent) as compared to the previous year.

1.8.3 Return on Capital Employed

Return on Capital Employed (RoCE) measures a company's profitability and efficiency with which its capital is employed. Return on Capital Employed is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by the capital employed¹³. The details of Return on Capital Employed of 18 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	No. of SPSEs	Earnings Before Interest and Tax (EBIT)	Capital Employed	Return on Capital Employed (in per cent)
Government Companies/ Government Controlled Other Companies					
Profit earning	2020-21	7	6,071.55	49,641.81	12.23
	2021-22	8	7,994.50	55,491.43	14.41
	2022-23	6	10,710.15	60,643.39	17.66
Loss incurring	2020-21	9	(-)4,493.99	(-)1,772.51	0.00
	2021-22	8	1,616.75	(-)672.23	0.00
	2022-23	11	(-)8,278.36	(-)17,745.79	0.00
No profit / No loss	2020-21	1	0.00	2,924.00	0.00
	2021-22	1	0.00	2,766.20	0.00
	2022-23	1	0.00	2,132.40	0.00

¹³ Capital Employed = Paid up Share capital + Free Reserves and surplus + Long-term loans – Accumulated losses – Deferred Revenue Expenditure

Particulars	Year	No. of SPSEs	Earnings Before Interest and Tax (EBIT)	Capital Employed	Return on Capital Employed (in per cent)
Total	2020-21	17(*)	1,577.56	50,793.30	3.11
	2021-22	17(*)	9,611.25	57,585.40	16.69
	2022-23	18	2,431.79	45,030.00	5.40

(*)The date of incorporation of Manjeera Lift irrigation Corporation Limited was 20 January 2022 and the first Accounts are from FY 2022-23

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

As shown in the table above, Return on Capital Employed (RoCE) in 18 SPSEs increased from 3.11 per cent in 2020-21 to 16.69 per cent in 2021-22, whereas RoCE decreased to 5.40 per cent during the year 2022-23. The decrease in RoCE of the 18 SPSEs during 2022-23 by one-third as compared to 2021-22, was on account of decrease in EBIT of Power Sector SPSEs.

Further, the RoCE of seven¹⁴ out of 18 SPSEs (three power sector SPSEs and four non-power sector SPSEs) which generate their own revenue and run on commercial lines was positive (17.70 per cent) for the year 2022-23.

1.8.4 Losses incurred

Out of 18 SPSEs, 11 SPSEs incurred losses during the year 2022-23. The losses incurred by these SPSEs increased to (-) ₹11,969.66 crore in 2022-23 from (-) ₹7,488.94 crore in 2020-21, as given in Table 1.8.

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

(₹ in crore)

Year	No. of loss making SPSEs	Net Loss for the year	Accumulated loss	Net worth ¹⁵
2020-21	9	(-)7,488.94	(-)56,626.87	(-)38,728.87
2021-22	8	(-)1,973.07	(-)56,405.19	(-)38,506.69
2022-23	11	(-)11,969.66	(-)68,848.82	(-)50,925.42

Source: Compiled based on the latest financial statements and information provided by SPSEs

In 2022-23, out of total loss of ₹11,969.66 crore incurred by 11 SPSEs, major portion viz. 92.80 per cent amounting to ₹11,107.50 crore was contributed by three¹⁶ power sector SPSEs. The losses in two DISCOMs (Southern Power Distribution Company of Telangana Limited and Northern Power Distribution Company of Telangana Limited) were mainly due to increase in Power Purchase Cost without proportionate increase in revenue through tariffs. Further, the details of investment in the SPSEs which have incurred losses is given in Table 1.9.

¹⁴ (i)The Singareni Collieries Company Limited (ii) Telangana Power Generation Corporation Limited (iii) Transmission Corporation of Telangana Limited (iv) Telangana Industrial Health Clinic Limited (v) Telangana State Technology Services Limited, (vi) Telangana State Horticulture Development Corporation Limited (vii) Telangana State Mineral Development Corporation Limited

¹⁵ Net worth = Paid-up Capital + Free Reserves and Surplus – (Accumulated losses + Deferred Revenue Expenditure)

¹⁶ Southern Power Distribution Company of Telangana Limited, Northern Power Distribution Company of Telangana Limited and Telangana Renewable Energy Development Corporation Limited

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
		GoT	GoI	Others	Total	GoT	GoI	Others	Total	
Government Companies										
1.	Southern Power Distribution Company of Telangana Limited	12,017.93	0.00	0.00	12,017.93	405.29	0.00	15,004.83	15,410.12	(-) 8,147.48
2.	Northern Power Distribution Company of Telangana Limited	5,869.20	0.00	0.00	5,869.20	357.35	0.00	9,669.06	10,026.41	(-) 2,955.96
3.	Telangana Renewable Energy Development Corporation Limited	0.14	0.00	0.00	0.14	0.00	0.00	0.00	0.00	(-)4.06
4.	Telangana Housing Corporation Limited	0.25	0.00	0.00	0.25	7,664.41	0.00	0.00	7,664.41	(-)795.13
5.	T-Works Foundation	0.00	0.00	0.00	0.00	0.00	0.00	22.74	22.74	(-)15.18
6.	Damodhara Minerals Private Limited	0.00	0.00	0.04	0.04	0.00	0.00	0.00	0.00	(-)0.01
7.	Telangana Rajiv Swagruha Corporation Limited	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	(-)25.26
8.	The Nizam Sugars Limited	32.80	0.00	0.37	33.17	0.00	0.00	55.95	55.95	(-)24.90
9.	Telangana Horticulture Development Corporation Limited	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00	(-)1.32
10.	Telangana Water Resource Development Corporation Limited	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	(-)0.21
11.	Manjeera Lift Irrigation Corporation Limited	0.10	0.00	0.00	0.10	0.00	0.00	0.00	0.00	(-)0.15
Total		17,921.48	0.00	0.41	17,921.89	8,427.05	0.00	24,752.58	33,179.63	(-) 11,969.66
Statutory Corporations										
None of the Statutory Corporations furnished information.										
Government Controlled Other Companies										
None of the Government Controlled Other Companies furnished information.										
Grand total		17,921.48	0	0.41	17,921.89	8,427.05	0.00	24,752.58	33,179.63	(-) 11,969.66

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

As detailed in **Table 1.9**, the total investment in 11 loss making SPSEs as on 31 March 2023 was ₹51,101.52 crore in which 35.07 per cent was equity capital (₹17,921.89 crore) and 64.93 per cent was long-term loans (₹33,179.63 crore). Out of the total investment,

State Government investment is ₹26,348.53 crore in terms of equity and long-term loan. Investment of ₹24,752.99 crore was raised from other sources.

1.8.5 Erosion of Net Worth in SPSEs

Net worth is the sum total of the paid-up capital, free reserves and surplus less 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 by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

As on 31 March 2023, out of 18 SPSEs, there were 10 SPSEs with accumulated losses of ₹68,856.49 crore. Of these 10 SPSEs, nine SPSEs incurred losses amounting to ₹11,964.28 crore during 2022-23 and one SPSE¹⁷ had not incurred loss, even though they had accumulated loss of ₹4.12 crore.

The net worth of nine out of 18 SPSEs had been completely eroded by accumulated loss and their net worth was either zero or negative. As on 31 March 2023, the net worth of these nine SPSEs was (-)₹50,930.63 crore against equity investment of ₹17,921.33 crore. Further, an amount of ₹8,427.05 crore was outstanding towards State Government loans as on 31 March 2023 as shown in **Table 1.10**.

Table 1.10: Details of SPSEs whose Net worth was eroded

(₹ in crore)

Sl. No.	Name of SPSEs	Latest year of finalised Accounts	Total paid up capital	Net profit/ Loss after interest, tax and dividend	Accumulated losses	Net Worth eroded since the account ing period	Net Worth	State Govern ment equity as on 31 March 2023	State Govern ment loan as on 31 March 2023
1.	Northern Power Distribution Company of Telangana Limited	2022-23	5,869.20	(-)2,955.96	(-)18,592.99	2014-15	(-)12,723.79	5,869.20	357.35
2.	Southern Power Distribution Company of Telangana Limited	2022-23	12,017.93	(-) 8,147.48	(-)42,329.50	2014-15	(-)30,311.57	12,017.93	405.29
3.	Damodhara Minerals Private Limited	2022-23	0.04	(-) 0.01	(-) 0.13	2014-15	(-) 0.09	0.00	0.00
4.	Telangana Rajiv Swagruha Corporation Limited	Accounts not finalised since inception	0.05	(-) 25.26	(-) 890.67	2018-19	(-) 890.62	0.05	0.00

¹⁷ Telangana Industrial Health Clinic Limited

Sl. No.	Name of SPSEs	Latest year of finalised Accounts	Total paid up capital	Net profit/ Loss after interest, tax and dividend	Accumulated losses	Net Worth eroded since the accounting period	Net Worth	State Government equity as on 31 March 2023	State Government loan as on 31 March 2023
5.	Telangana Housing Corporation Limited	2015-16	0.25	(-) 795.13	(-) 6,744.81	2015-16	(-) 6,744.56	0.25	7,664.41
6.	Telangana Water Resource Development Corporation Limited	2022-23	1.00	(-) 0.21	(-) 1.28	2022-23	(-) 0.28	1.00	0.00
7.	The Nizam Sugars Limited	2022-23	33.17	(-) 24.90	(-) 276.98	2014-15	(-) 243.81	32.80	0.00
8.	Manjeera Lift Irrigation Corporation Limited	Accounts not finalised since inception	0.10	(-) 0.15	(-) 0.15	2022-23	(-) 0.05	0.10	0.00
9.	T-Works Foundation	2022-23	0.00	(-) 15.18	(-) 15.86	2020-21	(-) 15.86	0.00	0.00
Total			17,921.74	(-)11,964.28	(-)68,852.37		(-)50,930.63	17,921.33	8,427.05

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

The net worth of the above-mentioned nine SPSEs was completely eroded by accumulated losses and their net worth was negative. The net worth of these nine SPSEs remained negative for a period ranging from one year to nine years.

Out of nine SPSEs having negative net worth, The Nizam Sugars Limited is the only SPSE in which revenue of ₹1.69 crore exceeded the expenses of ₹1.56 crore. In the remaining eight SPSEs, receipts were lower than expenses. The details of Receipts/Revenue, Expenses and Establishment Expenses of these SPSEs are given in **Table 1.11**.

Table 1.11: Receipts/Revenue and Expense position of SPSEs in 2022-23 with Negative Net Worth in 2022-23

(₹ in crore)

Sl. No.	Name of SPSE	Net Worth	Receipts/Revenue	Expenses	Establishment Expenses
1.	Northern Power Distribution Company of Telangana Limited	(-)12,723.79	15,880.03	18,835.99	2,053.82
2.	Southern Power Distribution Company of Telangana Limited	(-)30,311.57	34,254.70	42,243	3,081.80
3.	Damodhara Minerals Private Limited	(-)0.09	0.00	0.006	-

Sl. No.	Name of SPSE	Net Worth	Receipts/Revenue	Expenses	Establishment Expenses
4.	Telangana Rajiv Swagruha Corporation Limited	(-)890.62	0.98	26.24	-
5.	Telangana Housing Corporation Limited	(-)6,744.56	15.21	793.35	49.75
6.	Telangana Water Resource Development Corporation Limited	(-)0.28	0.00	0.21	-
7.	The Nizam Sugars Limited	(-)243.81	1.69	1.56	0.61
8.	Manjeera Lift Irrigation Corporation Limited	(-)0.05	0.00	0.15	-
9.	T-Works Foundation	(-)15.86	1.93	17.12	-
Total		(-)50,930.63	50,154.54	61,917.626	5,185.98

Source: Compiled based on the latest financial statements and information provided by SPSEs as of September 2023

1.9 Comments on Accounts

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

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

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

Of the 47 accounts reviewed and finalised during the period from 1 October 2022 to 30 September 2023, comments of the CAG were issued in respect of 35 accounts. The list of State SPSEs in respect of which comments were issued is given in *Appendix 1.3*.

1.9.2 Significant Comments of the CAG issued as supplement to the Statutory Auditor's reports on Government Companies/ Government Controlled Other Companies

Of the 47 accounts reviewed and finalised during the period from 1 October 2022 to 30 September 2023, CAG's comments were issued in respect of 35 accounts of Government Companies and Government Controlled Other Companies. Some of the significant comments issued have been detailed in *Appendix 1.4*, the financial impact of

which on the profitability was ₹757.21 crore and on assets/ liabilities was ₹31,989.68 crore.

1.10 Disinvestment, Restructuring and Privatisation of SPSEs and any reforms

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

1.11 Introduction to Corporate Governance

Corporate Governance focusses on building the confidence of various stakeholders including customers, suppliers, employees, shareholders, bankers and society at large. A company is directed and controlled by the system of rules, practices and process of Corporate Governance. Further, Corporate Governance framework of any State Public Sector Enterprise (SPSE) depends upon the four pillars namely transparency, full disclosure, independent monitoring and fairness to all. Adherence to the principles of Corporate Governance brings accountability, transparency in business and enhances confidence of the stakeholders.

1.12 Provisions contained in the Companies Act, 2013

The Companies Act, 2013 (The Act) was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs had also notified (31 March 2014) Companies Rules¹⁸, 2014 on Management and Administration; Appointment and Qualification of Directors; Meetings of Board and its powers; and Accounts. The Companies Act, 2013 together with the Companies Rules 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)}.

¹⁸ Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014; Companies (Accounts) Rules, 2014; Companies (Appointment and Qualification of Directors) Rules, 2014; Companies (Meeting of Boards and its Powers) Rules, 2014

1.13 SEBI/PED guidelines on Corporate Governance

Since none of the SPSEs of Telangana were listed in the stock exchange, SEBI guidelines on Corporate Governance are not applicable to SPSEs of Telangana. Further, a clarification was sought from the Public Enterprises Department (PED), Government of Telangana (GoT) on whether any guidelines on Corporate Governance were issued to the State Public Sector Enterprises. The PED in its reply has stated that it has not issued any guidelines/orders/circulars to Public Sector Undertakings with respect to Corporate Governance.

1.14 Review of the Compliance of the Corporate Governance provisions

As on 31 March 2023, there were 64 active SPSEs¹⁹ in the nature of Government Companies/Government controlled Other Companies in the State of Telangana under the audit jurisdiction of the CAG. For the purpose of review, an assessment framework was prepared based on the provisions of Corporate Governance contained in the Act, 2013 and Companies Rules made thereunder and issued to the above SPSEs. However, necessary information was received from 28 SPSEs only. The applicability of various provisions of the Act and the rules was assessed based on the information furnished by these 28 SPSEs.

1.15 Meetings of the 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 overseeing the activities of an organization. As per Section 2 (10) of the Companies Act 2013, 'Board of Directors' or 'Board', in relation to a company means the collective body of the directors of the Company.

As per Section 173 (1) of the Act, 2013, every company shall hold the first meeting of the Board of Directors (BoD) within thirty days of the date of its incorporation and thereafter hold minimum four meetings of BoD every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

On review of the number of BoD meetings conducted by each SPSE during the year²⁰, it was noticed that out of 28 SPSEs, six SPSEs did not conduct four BoD meetings during the year 2022-23. Details are shown in **Table 1.12**.

Table 1.12: SPSEs where the number of Board meetings was less than four

Sl.No.	Name of SPSE	No. of Meetings held
1.	Telangana Mineral Development Corporation Limited	1
2.	Telangana Rajiv Swagruha Corporation Limited	2
3.	Telangana Housing Corporation Limited	2

¹⁹ Excluding three Statutory Corporations and 16 inactive SPSEs

²⁰ For the purpose of this framework, financial year has been adopted

Sl.No.	Name of SPSE	No. of Meetings held
4.	Telangana State Minorities Finance Corporation	3
5.	Telangana Horticulture Development Corporation Limited	2
6.	Telangana State Water Resources Development Corporation Limited	3

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

Details of SPSEs where the intervening period between two BoD meetings was found more than the prescribed time limit of 120 days are given in **Table 1.13**.

Table 1.13: Intervening period in holding of two consecutive BoD Meetings

Sl. No.	Name of SPSE	Date of meeting	Date of next Meeting	Intervening period (in days)
1.	Telangana State Water Resources Development Corporation Limited	27.10.2022	16.03.2023	140
		16.03.2023	28.07.2023	134
2.	Telangana Rajiv Swagruha Corporation Limited	25.03.2022	30.08.2022	158
		30.08.2022	31.12.2022	123
3.	The Nizam Sugars Limited	26.08.2022	30.12.2022	126
		13.02.2023	22.06.2023	129
4.	Telangana State Water Resources Infrastructure Development Corporation Limited	07.04.2022	08.09.2022	154
5.	Telangana Horticulture Development Corporation Limited	08.02.2022	01.07.2022	143
		01.07.2022	15.02.2023	229
6.	Telangana Industrial Health Clinic Limited	07.06.2022	12.10.2022	127
7.	Telangana Housing Corporation Limited	25.03.2022	30.08.2022	158
8.	Telangana State Minorities Finance Corporation	18.05.2022	27.10.2022	162
		27.10.2022	25.03.2023	149
		25.03.2023	18.10.2023	207

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

Section 173(3) of the Act, 2013 provides that a meeting of the Board shall be called by giving not less than seven days of notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means. A review of the dates of the notices issued and the meetings held revealed that the following nine SPSEs conducted BoD meetings without providing the mandated seven days' notice. Details of Board Meetings convened with shorter notice are given in **Table 1.14**.

Table 1.14: Details of Board Meetings called with shorter notice

Sl. No.	Name of SPSE	Date of Notice	Board Meeting Date
1.	Telangana Power Finance Corporation Limited	23.06.2022	28.06.2022
		12.09.2022	15.09.2022
		03.01.2023	05.01.2023
2.	Northern Power Distribution Company of Telangana Limited	26.08.2022	30.08.2022
3.	Telangana State Water Resources Infrastructure Development Corporation Limited	01.04.2022	07.04.2022
4.	Telangana Housing Corporation Limited	15.12.2022	20.12.2022
5.	Telangana Industrial Health Clinic Limited	03.02.2023	07.02.2023
		04.06.2022	07.06.2022
		02.12.2022	05.12.2022
6.	Telangana Industrial Development Corporation Limited	15.03.2023	17.03.2023
		21.11.2022	24.11.2022
		25.08.2022	30.08.2022
7.	Telangana Drinking Water Supply Corporation Limited	16.06.2022	21.06.2022
		11.01.2023	17.01.2023
8.	Telangana Rajiv Swagruha Corporation Limited	26.12.2022	31.12.2022
9.	Telangana State Minorities Finance Corporation	13.05.2022	18.05.2022
		21.10.2022	27.10.2022
		20.03.2023	25.03.2023

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

1.16 Independent Directors on Board

The presence of independent representatives on the Board, capable of taking an independent view on 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 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 independent director 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 independent director himself or his relatives shall not have any pecuniary relationship/ transaction (other than remuneration of independent director) with the company, or its subsidiary, or its holding or associate company beyond the monetary limits during the period prescribed in this section. The independent director himself or his relatives shall not hold key managerial position or any other prescribed relationship *viz.*, employees, auditors, companies' secretaries etc. with the company or its holding, subsidiary or associate company during the timeframe prescribed in this section.

As per the power conferred under Section 149 of the Companies Act, Central Government enacted Companies (Appointment and Qualification of Directors) Rules, 2014. As per Rule 4 of the said Rules (i) Public Companies having paid up share capital of ten crore rupees or more; or (ii) Public Companies having a turnover of one hundred crore rupees or more; or (iii) Public Companies having, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore rupees shall have at least two directors as Independent Directors.

Further, as per Rule 4 (2) of the Companies (Appointment and Qualification of Directors) Rules, 2014, three classes of unlisted public company *i.e.* a joint venture or a wholly owned subsidiary or a dormant company are not required to appoint an independent director.

As per the information available, during FY 2022-23, out of 28 SPSEs, only 15 SPSEs, as shown in **Appendix 1.5**, were required²¹ to appoint Independent Directors (IDs) as per the provisions of the Act, 2013 and Rule 4 mentioned above.

Out of 15 SPSEs, there were no Independent Directors on the Board of nine SPSEs as given in **Table 1.15**.

Table 1.15: SPSEs not having Independent Directors during FY 2022-23

Sl. No.	Name of SPSE
1.	The Singareni Collieries Company Limited
2.	Telangana Power Generation Corporation Limited
3.	Transmission Corporation of Telangana Limited
4.	Southern Power Distribution Company of Telangana Limited
5.	Northern Power Distribution Company of Telangana Limited
6.	Telangana Power Finance Corporation Limited
7.	Telangana Housing Corporation Limited
8.	State Police Housing Corporation Limited
9.	Telangana Horticulture Development Corporation Limited

Source: Compiled based on information provided by SPSEs as of September 2023

Telangana State Water Resources Infrastructure Development Corporation Limited and Kaleshwaram Irrigation Project Corporation Limited stated that they have two and five Independent Directors respectively. However, the Annual Reports (2021-22/2020-21) of these Companies do not designate them as Independent Directors.

Telangana Drinking Water Supply Corporation Limited stated that it had four Independent Directors as they were not having any pecuniary relationship with the company and neither holding any shares in their individual capacity. However, the Government Orders²² issued for constitution of the Board as made available by the above

²¹ The latest available Financial Statements of SPSEs as on 30 September 2022 was considered to determine the applicability of the Provisions of Companies Act, 2013

²² Telangana State Water Resources Infrastructure Development Corporation Limited - March 2021, Kaleshwaram Irrigation Project Corporation Limited - December 2016 and Telangana Drinking Water Supply Corporation Limited - January 2017

three Companies did not specify any Director as Independent Director and their appointments appeared to be *ex-officio* in nature²³

Telangana Mineral Development Corporation Limited stated that some of the existing Directors were re-designated as Independent Directors, however no further information on the appointment of Independent Directors was furnished.

In view of the above, audit is unable to derive any assurance on the presence of the Independent Directors on the Boards of the above four companies. Hence, for the purpose of this assessment, the number of Independent Directors in these companies was taken as “Nil”.

Further, in case of two SPSEs (The Nizam Sugars Limited and Telangana Industrial Health Clinic Limited), a summarized status of the appointment of Independent Directors as per the information furnished by the SPSEs is shown in **Table 1.16**.

Table 1.16: Status of appointment of Independent Director (ID)

Name of SPSE	ID required	Actual No. of ID
The Nizam Sugars Limited	2	1
Telangana Industrial Health Clinic Limited	2	5

Source: Compiled based on information provided by SPSEs as of September 2023

Audit observed that-

- i. The two SPSEs-The Nizam Sugars Limited and Telangana Industrial Health Clinic Limited, stated that the Independent Directors were appointed by their respective Board of Directors and not by the State Government.
- ii. Further, one SPSE, The Nizam Sugars Limited, did not appoint required number of IDs during 2022-23. The minutes of the Annual General Meeting also designated the individuals appointed as ‘Director’ but not Independent Director.
- iii. Three SPSEs - Telangana Power Finance Corporation Limited, Telangana Housing Corporation Limited and State Police Housing Corporation Limited in their response to assessment framework stated that provisions related to appointment of independent director are not applicable to them. However, in view of the Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014, the Companies were required to appoint Independent Directors.

1.17 Appointment and Functioning of Independent Directors

1.17.1 Issuance of formal letter of appointment and approval at General Meeting

As per Schedule IV of the Companies Act, 2013, appointment of Independent Director shall be approved at the meeting of shareholders (General Meeting). The appointment of

²³ By virtue of their official Government positions

Independent Directors 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 Independent Directors are also required to be posted on the Company’s website.

Two SPSEs viz., The Nizam Sugars Limited and Telangana Industrial Health Clinic Limited stated that they have appointed Independent Directors during 2022-23. Both the SPSEs stated that approvals for appointment of Independent Directors were obtained in the General Meeting and formal letter of appointment was issued.

However, in case of The Nizam Sugars Limited, the Minutes of the General Meeting as furnished did not specifically state the appointment of the Director as Independent Director.

1.17.2 Training of Independent Directors

As per Schedule IV {Para III (1)- Duties of Independent Directors} of the Companies Act, Independent Directors shall undergo appropriate induction training and regularly update and refresh their skills, knowledge and familiarity with the company. Audit, however, observed that none of the two SPSEs had arranged for induction training of Independent Directors.

1.17.3 Attending meeting of the Board, Board Committees and General meetings of the Company

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

1.17.3.1 Board Meetings

Status of attendance of the Independent Directors who were on the Board at the time of the meeting is given in **Table 1.17**

Table 1.17: Presence of Independent Directors in meetings of the Board

Sl. No.	Name of SPSE	Date of Board meeting	No. of ID on Board	No. of ID attended
1.	The Nizam Sugar Limited	25.06.2022	1	1
		22.07.2022	1	1
		26.08.2022	1	1
		30.12.2022	1	1
		13.02.2023	1	1
2.	Telangana Industrial Health Clinic Limited	07.06.2022	5	5
		12.10.2022	5	4
		05.12.2022	5	5
		07.02.2023	5	3
		14.03.2023	5	4

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

1.17.3.2 Audit Committee Meetings

The status of presence of the Independent Directors on the Board during Audit Committee meetings held in FY 2022-23 is given in **Table 1.18**.

Table 1.18: Attendance of ID in Audit Committee Meetings

Sl. No.	Name of SPSE	Date of meeting	No. of ID on board	No. of ID attended
1.	The Nizam Sugars Limited	22.07.2022	1	1
		26.08.2022	1	1
		13.02.2023	1	1
2.	Telangana Industrial Health Clinic Limited	Audit Committee was not constituted.		

Source: Compiled based of the information provided by SPSEs as of September 2023

1.17.3.3 General Meetings

Schedule IV (III) (5) of the Act, 2013 states that Independent Directors shall strive to attend all the General Meetings of the Company. Audit noticed that Independent Directors in two SPSEs were on the Board at the time of Annual General Meeting (AGM) during FY 2022-23. The details of the Annual General Meeting (AGM) held in 2022-23, number of Independent Directors on the Board of the SPSE and number of Independent Directors who attended the meetings are given in **Table 1.19**.

Table 1.19: Attendance of ID in Annual General Meetings

Sl. No.	Name of SPSE	Date of AGM	No. of ID on board	No. of ID attended
1.	The Nizam Sugars Limited	30.09.2022	1	0
		17.03.2023	1	0
2.	Telangana Industrial Health Clinic Limited	17.05.2023	5	0

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

It could be seen from the table above that the Independent Directors on the Board of the SPSEs did not attend the AGM.

1.17.4 Separate meeting of Independent Directors

As per Schedule IV (VII) (1) of the Act, 2013, the Independent Directors 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 Independent Directors of the company shall strive to be present at such meeting 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.

Audit noticed that out of the two SPSEs who have appointed Independent Directors, only one SPSE *i.e.* Telangana Industrial Health Clinic Limited had more than one Independent Director. However, Independent Directors did not conduct a separate meeting during 2022-23 as required by the Act.

In the absence of separate meetings, the purpose of appointing the Independent Directors on the Board of two SPSEs *i.e.* to review the performance of non-Independent Directors, Chairperson and the Board was affected. Further, assessment of the quality, quantity and timeliness of flow of information between the Company's Management and the Board, which is necessary for effective and reasonable discharge of duties could not be carried out as required in Schedule IV (VII) (3) (c).

1.18 Women Directors on Board

Section 149(1) of the Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides for appointment of at least one-woman director in (i) every listed company; (ii) every other public company having (a) paid-up share capital of one hundred crore rupees or more; or (b) turnover of three hundred crore rupees or more. Further, any intermittent vacancy of a woman director shall be filled up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

Audit observed that six SPSEs²⁴, as shown in **Appendix 1.5**, were required to appoint at least one woman director during 2022-23. Of these six SPSEs, only two SPSEs-Northern Power Distribution Company of Telangana Limited and Kaleshwaram Irrigation Project Corporation Limited had at least one-woman director throughout FY 2022-23 as required. In respect of The Singareni Collieries Company Limited, Women Director was appointed only *w.e.f.* 22.02.2023. The remaining three SPSEs did not have at least one women director throughout FY 2022-23 as given in **Table 1.20**.

Table 1.20: SPSEs not having at least one-woman director during FY 2022-23

Sl. No.	Name of SPSE
1.	Southern Power Distribution Company of Telangana Limited
2.	Transmission Corporation of Telangana Limited
3.	Telangana Power Generation Corporation Limited

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

1.19 Filling-up the posts of Key Managerial Personnel

Section 203(1) of the 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 (MD), or Chief Executive Officer (CEO) or Manager and in their absence, a Whole Time Director; (ii) Company Secretary; and (iii) Chief Financial Officer (CFO).

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-up share capital of rupees ten crore or more shall have whole-time key managerial

²⁴ Southern Power Distribution Company of Telangana Limited, Transmission Corporation of Telangana Limited, Telangana Power Generation Corporation Limited, Northern Power Distribution Company of Telangana Limited, Kaleshwaram Irrigation Project Corporation Limited and The Singareni Collieries Company Limited

personnel. Section 203(4) of the Act, 2013 further provided that if the office of any whole-time key managerial personnel 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.

Audit noticed that the paid-up capital of seven SPSEs, as given in *Appendix 1.5* was ₹10 crore or more as per their latest finalised accounts²⁵. Hence, these companies were required to appoint whole time KMPs. Of these seven SPSEs, whole time KMPs were found appointed in five SPSEs²⁶. The deficiency in the appointment of KMP in two SPSEs is shown in **Table 1.21**.

Table 1.21: Status of appointment of KMPs

Sl. No.	Name of SPSE	Status of KMP
1.	The Nizam Sugars Limited	Did not appoint Company Secretary
2.	Telangana Industrial Health Clinic Limited	Did not appoint Company Secretary and Chief Financial officer

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

Review of records related to filling up of KMP vacancies disclosed that the KMP vacancies which occurred during 2022-23 were filled up within a period of six months from the date of such vacancy in five SPSEs as prescribed in Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

1.20 Audit Committee

1.20.1 Constitution of Audit Committee

As per Section 177 (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 ten crore rupees or more; or having turnover of one hundred crore rupees or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more (except Joint Venture Companies and wholly owned subsidiary companies) shall constitute an Audit Committee.

Audit noticed that out of 28 SPSEs, only 15 SPSEs as given in *Appendix 1.5*, were required²⁷ to constitute an Audit Committee of which 10 SPSEs²⁸ have constituted Audit

²⁵ The latest available Financial Statements of SPSEs as on 30 September 2022 was considered to determine the applicability of the Provisions of Companies Act, 2013

²⁶ The Singareni Collieries Company Limited, Kaleshwaram Irrigation Project Corporation Limited, Telangana Power Generation Corporation Limited, Southern Power Distribution Company of Telangana Limited, Northern Power distribution company of Telangana Limited

²⁷ The latest available Financial Statements of SPSEs as on 30 September 2022 were considered to determine the applicability of the Provisions of Companies Act, 2013

²⁸ The Singareni Collieries Company Limited, Telangana Power Generation Corporation Limited, Transmission Corporation of Telangana Limited, Southern Power Distribution Company of Telangana Limited, Northern Power Distribution Company of Telangana Limited, Telangana State Water Resources Infrastructure Development Corporation Limited, The Nizam Sugars Limited, Kaleshwaram Irrigation Project Corporation Limited, Telangana Drinking Water Supply Corporation Limited & Telangana Mineral Development Corporation Limited

Committee and the following five SPSEs have not constituted Audit Committee throughout 2022-23 as shown in **Table 1.22**.

Table 1.22: SPSEs which did not constitute Audit Committee

Sl. No.	Name of SPSE
1.	Telangana Power Finance Corporation Limited
2.	Telangana Industrial Health Clinic Limited
3.	Telangana Housing Corporation Limited
4.	State Police Housing Corporation Limited
5.	Telangana Horticulture Development Corporation Limited

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

Out of the five SPSEs mentioned in **Table 1.22** which did not constitute the Audit Committee, three SPSEs-Telangana Power Finance Corporation Limited, Telangana Housing Corporation Limited and State Police Housing Corporation Limited stated that the provisions related to constitution of Audit Committee are not applicable to them. However, specific reasons for non-applicability were not furnished by them, even as these SPSEs were required to form an Audit Committee as per the Provisions of the Act.

1.20.2 Composition of Audit Committee

Section 177(2) of the Act, 2013 provides that the Audit Committee shall consist of a minimum of three directors, with Independent Directors forming a majority. Further, majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statements.

Out of 10 SPSEs wherein Audit Committee was constituted, all SPSEs except one SPSE *i.e.* The Nizam Sugars Limited fulfilled the criteria of having at least three directors in their Audit Committee during FY 2022-23. Further, the Independent Directors were not found in nine SPSEs where Audit Committee was constituted.

1.20.3 Terms of Reference for Audit Committee

Section 177(4) of the Act, 2013 provides that every Audit Committee shall act in accordance with the terms of reference (ToR) specified in writing by the Board.

Audit noticed that out of 10 SPSEs which have constituted Audit Committee, the ToR of only six SPSEs, as shown in **Table 1.23** was found approved by their respective Boards.

Table 1.23: SPSEs where ToR of Audit Committee was approved

Sl. No.	Name of SPSE
1.	The Singareni Collieries Company Limited
2.	Telangana Power Generation Corporation Limited
3.	Northern Power Distribution Company of Telangana Limited
4.	Kaleshwaram Irrigation Project Corporation Limited
5.	Telangana State Water Resources Infrastructure Development Corporation Limited
6.	Telangana Drinking Water Supply Corporation Limited

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

A review of ToR disclosed that contrary to the stipulations prescribed in Section 177(4), the following points were not included in the ToR, as shown in **Table 1.24**.

Table 1.24: SPSEs which did not include points specified in Section 177(4) in ToR of Audit Committee

Sl. No.	Name of SPSE	Points not included in the ToR
1.	Telangana Drinking Water Supply Corporation Limited	i) Scrutiny of Intercompany loans and investments. ii) Valuation of assets or undertakings of the Company wherever necessary
2.	Telangana State Water Resources Infrastructure Development Corporation Limited	i) Valuation of assets or undertakings of the Company wherever necessary.
3.	The Singareni Collieries Company Limited	i) Approval/any subsequent modification of transactions of the Company with related parties. ii) Scrutiny of Intercompany loans and investments. iii) Valuation of assets or undertakings of the Company wherever necessary. iv) Recommendations of remuneration of Auditors of the Company.

In respect of the SPSEs given in **Table 1.25**, there is no explicit response as to whether the ToR of Audit Committee was approved by their respective Boards or not²⁹, resulting in lack of assurance.

Table 1.25: SPSEs where there is no explicit response on approvals of ToR of Audit Committee by the Board of Directors

Sl. No.	Name of SPSE
1.	Southern Power Distribution Company of Telangana Limited
2.	Transmission Corporation of Telangana Limited
3.	The Nizam Sugars Limited
4.	Telangana Mineral Development Corporation Limited

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

1.21 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 ten crore rupees or more; or having turnover of a hundred crore rupees or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding fifty crore rupees or more, shall constitute a Nomination and Remuneration Committee (NRC).

As per the information available, 15 SPSEs, as shown in **Appendix 1.5**, were required to constitute the NRC. However, nine SPSEs have not constituted NRC during 2022-23 as shown in **Table 1.26**.

²⁹ No documents in support of the approval of the ToR of Audit Committee by their respective Board of Directors were furnished by the SPSEs

Table 1.26: SPSEs which have not constituted Nomination and Remuneration Committee

Sl. No.	Name of SPSE
1.	The Singareni Collieries Company Limited
2.	Transmission Corporation of Telangana Limited
3.	Northern Power Distribution Company of Telangana Limited
4.	Telangana Power Finance Corporation Limited
5.	Telangana Housing Corporation Limited
6.	The Nizam Sugars Limited
7.	State Police Housing Corporation Limited
8.	Telangana Horticulture Development Corporation Limited
9.	Telangana Power Generation Corporation Limited

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

The Act, 2013 further provides that NRC should consist of three or more non-executive directors out of which not less than one-half shall be Independent Directors. 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 the NRC constituted in six SPSEs disclosed that the composition of the NRC in all these Companies was not as per the provisions of the Act, 2013 as summarised in **Table 1.27**.

Table 1.27: Composition of NRC in SPSEs as on 31 March 2023

Sl. No.	Name of SPSE	Composition and remarks
1.	Southern Power Distribution Company of Telangana Limited	Three non-executive Directors and one executive Director but no Independent Director
2.	Kaleshwaram Irrigation Project Corporation Limited	One Executive Director and Two Directors
3.	Telangana Drinking Water Supply Corporation Limited	All Directors are non-executive Directors but no Independent Director
4.	Telangana Industrial Health Clinic Limited	Two non-executive Directors and one executive Director of which two are Independent Directors
5.	Telangana State Water Resources Infrastructure Development Corporation Limited	Four non-executive Directors of which none are Independent Directors.
6.	Telangana Mineral Development Corporation Limited	Three Directors were present in the Committee. ³⁰

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

Audit also observed that except Telangana Industrial Health Clinic Limited and Telangana State Water Resources Infrastructure Development Corporation Limited, in the remaining four SPSEs, the Nomination and Remuneration Committee did not meet even once during the year 2022-23.

³⁰ The details of composition of NRC were not furnished by the company

1.22 Vigil Mechanism

Section 177(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its power) Rules, 2014 provides that every listed company; the Companies which accept 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 (VM) 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 the information available, 13 SPSEs which have borrowed ₹50 crore or more were required to establish Vigil Mechanism during FY 2022-23 as given in *Appendix 1.5*, out of which eight³¹ SPSEs had established Vigil Mechanism. Four SPSEs, as given in **Table 1.28**, did not have Vigil Mechanism.

Table 1.28: Non-implementation of Vigil Mechanism

Sl. No.	Name of SPSE
1.	Telangana Power Finance Corporation Limited
2.	Telangana Housing Corporation Limited
3.	Telangana Horticulture Development Corporation Limited
4.	The Nizam Sugars Limited

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

Another SPSE, State Police Housing Corporation Limited, though stated that Vigil Mechanism was in place, however, has not furnished supporting documents in the form of policy approvals in the absence of which, the facts could not be verified, and no assurance could be obtained on the status of implementation.

Further, three SPSEs Telangana State Water Resources Infrastructure Development Corporation Limited, Telangana Drinking Water Supply Corporation Limited and Kaleshwaram Irrigation Project Corporation Limited stated that the Board had authorized Audit Committee to oversee the Vigil mechanism and report to the Board regarding any concerns.

1.23 Internal Audit Framework

1.23.1 Role of Internal Audit

The Institute of Internal Auditors (IIA) defines "Internal Auditing as independent, objective assurance and consulting activity designed to add value to improve an organisation's operations. The internal audit activity helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the

³¹ The Singareni Collieries Company Limited, Telangana Power Generation Corporation Limited, Transmission Corporation of Telangana Limited, Southern Power Distribution Company of Telangana Limited, Northern Power Distribution Company of Telangana Limited, Telangana State Water Resources Infrastructure Development Corporation Limited, Telangana Drinking Water Supply Corporation Limited and Kaleshwaram Irrigation Project Corporation Limited

effectiveness of risk management, control and governance processes.” Accordingly, the role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.

The framework governing internal audits issued by the Institute of Chartered Accountants of India (ICAI) defines internal audit as an independent assurance on the effectiveness of internal controls and risk management processes to enhance governance and achieve organisational objectives.

1.23.2 Legal Framework

A) Section 138(1) of the Act, 2013 read with Rule 13 of Companies (Accounts) Rules, 2014, provides that (a) every listed company; (b) every unlisted public company having paid up share capital of fifty crore rupees or more; or turnover of two hundred crore rupees or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more; or outstanding deposits of twenty-five crore rupees or more at any point of time during the preceding financial year shall be required to appoint an internal auditor, who shall either be a Chartered Accountant or a Cost Accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

Audit noticed that 13 SPSEs, as given in **Appendix 1.5**, were required to appoint internal auditor. Of these 13 SPSEs,

i) Two SPSEs viz., Telangana Housing Corporation Limited and State Police Housing Corporation Limited did not appoint internal auditor for FY 2022-23. State Police Housing Corporation Limited stated that a Chartered accountant firm was appointed as their internal auditor for the FY 2022-23. However, the appointment letter as furnished was of a later date.

ii) In the remaining 11 SPSEs, where internal auditors were appointed, internal audit in nine SPSEs was conducted by the Chartered Accountant firms/Chartered Accountants whereas in two SPSEs *i.e.* Telangana Power Generation Corporation Limited and The Singareni Collieries Company Limited, the internal audit was conducted by employees of the company. The details of the Internal Audit Framework of these SPSEs is given in **Appendix 1.6**.

B) Section 138 (2) of the Act, 2013 provides that the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board. However, rules have not been prescribed so far (March 2023) and hence the internal audit in SPSEs was conducted on quarterly, half-yearly and annual basis. Three SPSEs³² submitted the internal audit findings to the Board

³² Telangana Power Finance Corporation limited, Telangana State Water Resource Infrastructure Development Corporation Limited, Telangana Drinking Water Supply Corporation Limited

whereas seven³³ SPSEs submitted the internal audit reports to the Audit Committee, CMD, Director Finance etc., as given in **Appendix 1.6**.

1.24 Conclusions

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

Of the 67 working SPSEs, 49 SPSEs (73 *per cent*), whose accounts were in arrears for three or more years as on 30 September 2023 or which did not furnish information to audit, are not covered in this Report. The remaining 18 SPSEs (Power Sector-Seven SPSEs and Non-Power sector -11 SPSEs) registered an annual turnover of ₹95,204.74 crore, which was equal to 7.25 *per cent* of the Gross State Domestic Product (GSDP) of Telangana during 2022-23. As on 31 March 2023, the investment of the Central and State Governments and Others in equity and long term loans in these 18 SPSEs was ₹98,572.08 crore. Out of the 18 working SPSEs, six SPSEs earned profits (₹3,857.48 crore), 11 SPSEs incurred losses (₹11,969.66 crore) and one SPSE reported 'Nil' profit or loss.

The net worth of nine out of 18 SPSEs had been completely eroded by accumulated loss and their net worth was (-) ₹50,930.63 crore against equity investment of ₹17,921.33 crore as on 31 March 2023.

A total of 71 SPSEs (including 16 inactive Companies) have defaulted in timely submission of accounts. Of the 47 accounts reviewed and finalised during the period from 1 October 2022 to 30 September 2023, CAG's comments were issued in respect of 35 accounts, the financial impact of which was ₹757.21 crore on the profitability and ₹31,989.68 crore on assets/liabilities.

Out of 15 SPSEs, where Independent Directors were to be appointed, nine SPSEs did not appoint Independent Directors whereas in one SPSE, required number of Independent Directors were not appointed and no assurance could be obtained on the availability of the Independent Directors in four SPSEs. Further, three SPSEs did not have Woman Director throughout in FY 2022-23. Hundred *per cent* presence of Independent Directors was not ensured by all SPSEs in their Board meetings. Separate meeting of Independent Directors was not conducted in any SPSE.

Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provide that every listed company and every other public company having a paid-up share capital of rupees ten crore or more shall have three whole-time key managerial personnel (KMP). Audit observed that out of seven SPSEs that were required to appoint KMP, five SPSEs had the required three KMPs and the remaining two SPSEs had

³³ The details of the frequency and reporting of Internal Audit was not furnished by Telangana Mineral Development Corporation Limited

one/two KMP. The intervening period of conducting two consecutive meetings of the Board in eight SPSEs ranged between 123 days and 229 days.

Further, five SPSEs did not constitute Audit committee. Out of ten SPSEs, wherein Audit Committee was constituted, all SPSEs except one SPSE *i.e.* The Nizam Sugars Limited fulfilled the criteria of having at least three directors in their Audit Committee during FY 2022-23. Moreover, the Independent Directors were not found in nine SPSEs, where Audit Committee was constituted.

Nomination and Remuneration Committee (NRC) was not constituted in nine SPSEs, whereas in remaining six (out of 15 eligible SPSEs), composition of NRC was not as per the provisions of the Act. No Vigil mechanism existed in four SPSEs and two SPSEs did not appoint Internal Auditors.

1.25 Recommendations

The State Government may consider

- i. reviewing the functioning of all loss-making SPSEs and taking necessary steps to improve their financial performance;*
- ii. issuing necessary instructions to the Administrative Departments of concerned SPSEs for timely finalisation of accounts and clearance of arrears;*
- iii. reviewing the inactive Government Companies and taking appropriate decisions on their revival/winding up.*

Chapter II

Compliance Audit Observations

Chapter II

Compliance Audit Observations

Energy Department

Overburden Removal, Coal and Stowing material transportation Contracts in The Singareni Collieries Company Limited

2.1 Introduction



Figure 1: State of Telangana showing Godavari Valley Coalfield

The *Godavari Valley Coalfield (GVCF)* situated in the Godavari River basin is spread over six districts of Telangana. The GVCF is the only coal repository in South India with proven coal reserves of 11,849.54 Million Tonnes as on 31 March 2023.

The Singareni Collieries Company Limited (SCCL/Company) was incorporated on 23 December 1920. The Company's accredited function is to explore and exploit the coal deposits in the Godavari Valley Coalfield. The Company was jointly owned by the Government of Telangana (GoT) and the

Ministry of Coal, Government of India (GoI) in the ratio of 51.09 *per cent* and 48.90 *per cent* respectively¹.

The Company has 18 Opencast (OC) and 24 Underground (UG) mines in six districts² of Telangana as on 31 March 2023 and extracted 1,778.45 Million Tonnes of coal up to the year 2022-23. Apart from extraction of coal, the Company also entered into power generation by setting up (2016) Singareni Thermal Power Plant at Jaipur, Mancherial district with two units of 600 Mega Watt capacity each. The GoI allotted (August 2015) Naini Coal Block in Odisha to the Company outside the GVCF area in which the operations are yet to commence (August 2024). The performance of the company during the period 2018-19 to 2022-23 is detailed in **Table 2.1**.

¹ 0.002 *per cent* (₹0.04 crore) of the shares are held by other parties/public shareholders

² Kumuram Bheem Asifabad, Mancherial, Peddapalli, Jayashankar Bhupalaplli, Bhadradi Kothagudem and Khammam districts

Table 2.1: Operational & Financial Performance of the Company

(₹ in crore)

Year	Production (Million Tonnes)	Dispatch (Million Tonnes)	Total Income	Profit After Tax
2018-19	64.40	67.67	20,699.36	1,822.91
2019-20	64.04	62.47	19,778.32	1,003.52
2020-21	50.58	48.51	15,870.94	441.59
2021-22	65.02	65.53	21,890.22	1,193.21
2022-23	67.13	66.69	28,755.47	2,222.46

Source: Annual Reports and Records of SCCL

During the preceding five-year period up to 2022-23, the Company earned significant profits and dispatched more than 60 Million Tonnes of coal per year except during 2020-21 due to the impact of Covid-19 Pandemic.

The Management of SCCL is vested with the Board of Directors (BoD), comprising Chairman and Managing Director (C&MD), five functional Directors namely [Director (Finance), Director (Personnel, Administration and Welfare), Director (Operations), Director (Electrical and Mechanical) and Director (Planning and Projects)], two Directors nominated by the GoT and three Directors nominated by the GoI. The C&MD and the functional Directors are assisted by Executive Director (Coal Movement), Executive Director (STPP), Advisor (Forestry) and 42 General Managers/Heads of Departments. The OC and UG mines are grouped into 11 Area Offices each headed by a General Manager.

2.1.1 Audit Framework

This Audit reviewed the Overburden Removal, Coal and Stowing material transportation contracts undertaken by the Contract Management Cell (CMC). Procurement and civil works contracts are not covered in the present audit.

The audit was conducted to ascertain whether the award of contracts for removal of Overburden, Transportation of Coal and Stowing material was transparent, and the execution of contracts was in compliance with the applicable guidelines and contractual terms and conditions.

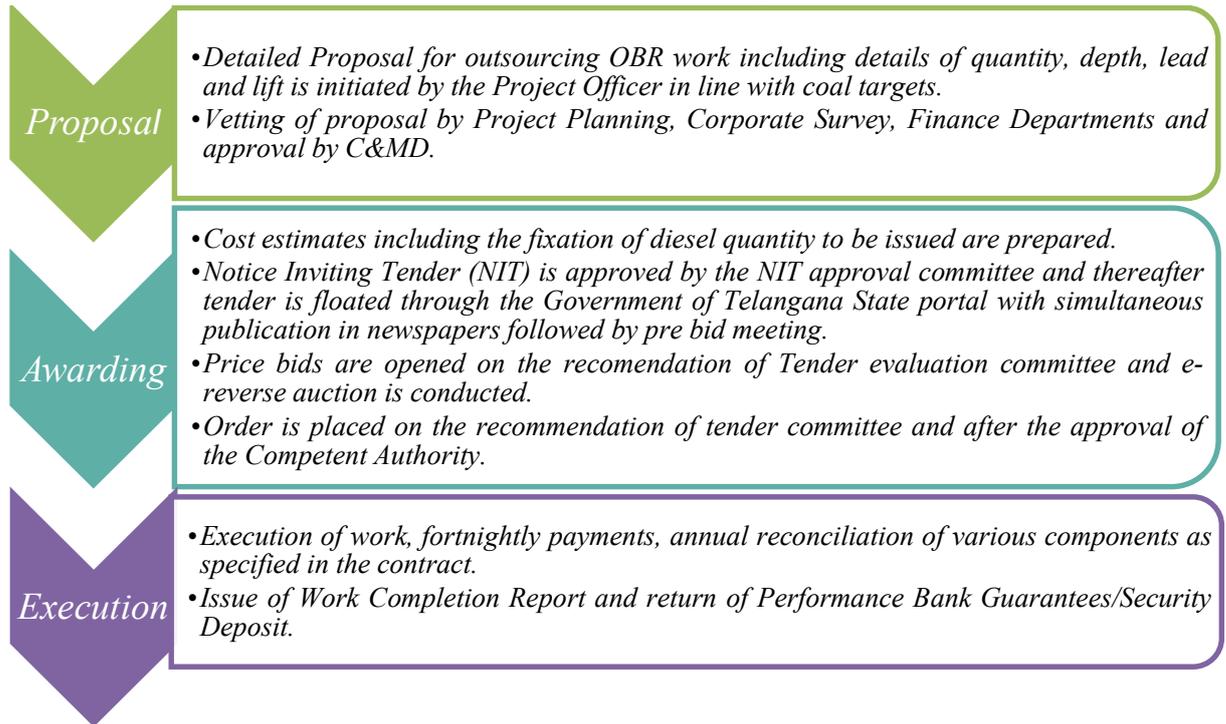
This Subject Specific Compliance Audit (SSCA) was conducted during the period July 2023 to January 2024 covering the contract management activities undertaken by the CMC of the Company during the five-year period from April 2018 to March 2023. An Entry Conference was held in November 2023 with the Management and Exit conference was held in December 2024. The draft Audit report was issued to Government in August 2024, and reminders issued in October 2024 and February 2025; however, no reply has been received from Government (March 2025). Management reply received in December 2024, has been suitably incorporated in the Report.

Audit sample included four out of 11 Area Offices of the Company (namely Bellampalli, Manuguru, Srirampur and Yellandu) which were selected using Stratified Sampling method based on the parameter of total value of contracts awarded.

2.1.2 Overburden Removal Contracts

In opencast mining³, Overburden (OB) has to be removed and dumped in the earmarked place to expose and extract the coal. Overburden Removal (OBR) is very crucial as it exposes the coal seams for production. Since 1992, the Company's operations have seen a gradual shift in the execution of OBR/coal extraction works from departmental means to outsourcing given the cost advantage. The Contract Management Cell (CMC) at the Company's Headquarters is the nodal department for awarding the OBR works. The process for outsourcing of OBR works is detailed below:

Chart 2.1: Process for outsourcing OBR



The company awards two types of OB removal contracts viz., conventional equipment contracts and Heavy Earth Moving Machinery (HEMM) contracts in combination with conventional equipment contracts. The deployment of HEMM equipment is costlier than conventional equipment. During the years 2018-19 to 2022-23, the Company awarded 36 OBR contracts⁴ valued at ₹23,486.59 crore⁵. Audit reviewed 16 OBR contracts⁶ valued at ₹11,661.85 crore in four area offices. During this period, OB removed by contractors was 1,548.90 Million cubic meters (Million Cu.m) i.e. 84.22 per cent of total 1,839.22 Million⁷ Cu.m OB removed.

³ Open cast mines are used when deposits of commercially useful coal are found near the surface where the overburden is relatively thin

⁴ Comprising four HEMM contracts of ₹9,535.67 crore and 32 conventional equipment contracts of ₹13,950.92 crore

⁵ Excluding GST

⁶ Including three HEMM contracts of ₹6,551.20 crore and 13 conventional equipment contracts of ₹5,110.65 crore

⁷ Departmental- 290.32 Million Cu.m + Outsourcing- 1,548.9 Milion Cu.m

2.1.2.1 Deficiencies in the admittance of Diesel to the OBR contractors

The cost estimates of OBR offloading proposals included excavation rate and quantity of diesel admittance. The excavation rate was further discovered through the bidding process whereas diesel admittance was extended as per norms specified in the estimates. The rates quoted by bidders for excavation were benchmarked against the costs while awarding the contracts.

High-Speed Diesel (HSD) oil costs 58.71 *per cent*⁸ of the OBR contracts awarded during 2018-23. Ministry of Coal, GoI, emphasised deploying fuel-efficient equipment in the coal mine operations. However, the Company has been fixing the diesel norms on its own and inviting bids on the excavation rate basis leaving no opportunity to the bidder for quoting the quantity of diesel in the bid. In May 2022, the Company slightly modified the system of tendering whereby the bidders were allowed to quote their diesel quantity with a maximum cap of (+) five *per cent* of the Company's estimated quantity.

As per the contractual terms of the OBR Contracts, the Company would provide a notified quantity of diesel. The formula for the diesel quantity to be supplied to the contractors was revised in January 2014⁹, September 2018¹⁰, and February 2019¹¹. The company initiated a study in February 2019 to estimate diesel consumption but the study was not concluded. In May 2022, another committee was formed to study equipment norms, including diesel consumption and formula. It had recommended estimates of HSD subject to validation through field studies. The field studies were not conducted. The report of the third committee formed in December 2023 to revise the diesel formula was inconclusive and suggested for more detailed study by engaging an expert agency.

Audit observed that:

- Despite the lapse of five years and constitution of several committees, the Company was yet to finalise diesel norms rationally.
- A review of 13 OBR contracts¹² awarded after February 2019, revealed that in all the conventional equipment contracts, the diesel quantity allowed as per the norms was insufficient in actual execution leading to recoveries from the Contractors. This ranged from 0.09 lakh litres to 26.99 lakh litres. Contrary to this, the actual diesel consumption in Heavy Earth Moving Machinery (HEMM) Contracts¹³ was much below the norms which resulted in huge surpluses ranging from 71.49 lakh litres to 179.79 lakh litres. These wide variances between actual and normative diesel consumption *viz.*, shortfalls in conventional equipment contracts and excesses in HEMM contracts indicate that the norms fixed for diesel consumption were unrealistic.

⁸ Value of the diesel supplied ₹13,789.56 crore/total contract value ₹23,486.59 crore during 2018-23

⁹ $D=(0.262+L/7.53)$

¹⁰ $D= 0.267 +(L/8.05) *(1+AS\% *0.199)$

¹¹ $D= 0.267+(L/8.56) *(1+AS\% *0.184)$

¹² 10 contracts were of conventional equipment contracts and balance three were HEMM contracts

¹³ Contracts involving combination of conventional and HEMM equipment

- Hedging of unknown losses on account of insufficient diesel quantity against excavation rates would act as a deterrent in the price discovery for excavation rate. In case of HEMM contracts, due to the fixation of diesel quantity over and above the requirements, the contractors were neither encouraged to deploy fuel-efficient equipment nor were required to follow fuel-saving practices in the excavation operations. Though the Company allowed the bidder to quote (+) five *per cent* of the Company's estimated quantity, there was no flexibility for the tenderers to quote less than the floor rate using fuel efficient equipment.

The Management replied (December 2024) that, (i) diesel quantity was increased by 2.64 *per cent* in March 2024 considering the annual capacity of shovel¹⁴ based on the recommendations of committee constituted in January 2024. The formula for the HEMM was not yet modified as awarding contracts with HEMM is not being done at present (ii) non discovery of quantity of diesel through the bidding process was a policy decision and has its own implications like quoting less quantity of diesel by bidders and consequential leaving the contract without completion.

The reply is not tenable because the decision to increase 2.64 *per cent* was based on the study conducted in February/March 2023 ignoring the latest committee's suggestion in February 2024 to engage an expert agency to arrive at a formulae as done in Coal India Limited. The apprehension of contractors leaving the work before completion is only notional and can be addressed by obtaining sufficient bank guarantees and enforcement of penal clauses strictly.

2.1.2.2 Lacunae in the contractual terms and conditions

Telangana Financial Code¹⁵ and General Financial Rules, 2017¹⁶ prescribe that the terms of the contract should be precise and definite and there should be no room for any ambiguity in interpretation of any of its provisions.

OBR contracts involving HEMM equipment are awarded in combination with Conventional equipment. The rates awarded for deployment of HEMM equipment are higher¹⁷ than that of Conventional equipment. Hence deployment of costlier HEMM has to be monitored closely in order to achieve value for money spent. However, it was observed that non-deployment of the contractually specified HEMM by OBR contractors was neither viewed seriously by the Company nor sufficient clauses had been incorporated in the Contracts to safeguard its interest. Resultantly, the Company ended up paying higher prices to the OBR contractors despite non-deployment of contracted HEMM. Cases observed in the selected contracts are explained in the subsequent paragraphs:

(i) The Company awarded (June 2020)¹⁸ an OBR work¹⁹ to M/s GRN Constructions Limited for excavation of 2,401.18 LBCM (Lakh Bank Cubic Meter) of

¹⁴ large excavating machines used to dig and load overburden or coal

¹⁵ Article 51(a)

¹⁶ Rule 225-General principles of contract

¹⁷ Between 12.36 *per cent* and 32.00 *per cent* for the contracts discussed in subsequent paragraphs

¹⁸ Amended in May 2021

¹⁹ Order No. 76-8293

overburden with a combination of HEMM and conventional equipment at Khairagura Opencast Project, Bellampalli for a period of 84 months for a value of ₹2,521.50 crore (₹47.09 per BCM). The contract stipulated the use of conventional equipment in the first year of operations for which 87.64 *per cent* of the awarded rate shall be paid and deployment of HEMM in combination with not more than 10 units of conventional equipment during second to seventh year of contract.

Audit observed that, (1) the contractor deployed four HEMM shovels and 16 /14 dumpers²⁰ against the agreed quantity of 10 shovels and 65 dumpers respectively resulting in under-deployment of HEMM, (2) despite the contract emphasising HEMM use, the contractor primarily used conventional equipment of 82 Nos and 84 Nos of tippers²¹ in the second and third year of operations against the agreed quantity of 50 Nos resulting in over-deployment of Conventional Equipment and (3) the agreement lacked specific clauses for limiting the deployment of conventional tippers and levy of penalties for under deployment of HEMM shovels and dumpers. As a result, payments were done at higher HEMM rates despite the higher use of conventional equipment and an extra expenditure of ₹9.98 crore²² was incurred.

The Management replied (December 2024) that the contractor was taking shelter under agreement Clause 1.7(i) as per which the company will not insist on fleet deployment as committed in the bid/negotiations as long as the contractor excavates the month wise/year wise quantities. The Management further replied (December 2024) in the exit meeting that Clause 1.7(i) was deleted in new OBR contracts awarded from 30 August 2023.

The reply admitted that the terms and conditions of the agreement were poorly framed which led to an avoidable expenditure of ₹9.98 crore for the company and this would further increase as the contract progresses to the fifth year and beyond. Removal of Clause 1.7(i) is not sufficient unless suitable penal provisions are also provided to safeguard the interest of the Company.

(ii) A contract²³ was entered (January 2019) into with M/s Sushee Hitech Projects Private Limited for excavation of 2,568 LBCM of overburden at a composite rate²⁴ of ₹117.90 per cubic meter, for a value of ₹2,984.46 crore for a period of 84 months.

The payments were to be regulated at (a) 68 *per cent* of the awarded rate for the first year (b) 79 *per cent* after achieving 90 *per cent* of monthly targets, otherwise 68 *per cent* for second year and (c)100 *per cent* from third year onwards. The contract did not contain penal clauses for non-deployment of agreed HEMM or supporting equipment²⁵.

²⁰ Heavy-duty haul trucks used to transport coal and overburden usually of larger capacity

²¹ Small/medium size trucks used for transport of coal or overburden usually of capacity lesser than dumpers

²² Excavation carried by conventional instead of HEMM of 171.46 Lakh BCM*₹47.09 per BCM *(100-87.64) *per cent*

²³ Order No 76-7644

²⁴ Includes cost of excavation and diesel

²⁵ Mobile water sprinklers, bull dozers, motor graders

The first-year payments and second year payments were regulated at 68 *per cent*. The tender committee recommended 68 *per cent* for third year given the non-achievement of 90 *per cent* monthly scheduled quantity and also due to inadequate deployment of HEMM by contractor. However, the standing counsel of the Company opined that in view of lack of specific contract provision, there is no option other than to make payments in respect of third year onwards at full rate and accordingly payments were made. The contractor has completed four years of operations, and the fifth year of the contract was in progress (December 2023).



Figure 2: Dust suppression activity with water sprinkler (Supporting equipment)

Audit observed that (i) though the contractor did not deploy²⁶ the required HEMM and also did not achieve 90 *per cent* monthly scheduled quantities, the company paid at 100 *per cent* rates during the third to fifth years mainly due to lack of enabling clauses to regulate the deployment of equipment and related payments, (ii) this had resulted in an avoidable expenditure of ₹241.07 crore²⁷ from third to fifth year²⁸ and (iii) non-deployment of the agreed number of supporting equipment such as water sprinklers would be detrimental to the environment.

The Management in its reply (December 2024) acknowledged the absence of a specific clause in the order to penalise for non-deployment of supporting equipment and also stated that the same was incorporated in the OBR contracts awarded from November 2021 onwards.

The reply confirmed the audit observation. However, the reply was silent about the treatment of first and second-year operations distinctly from the rest of the contract period and also about the avoidable expenditure of ₹241.07 crore due to lack of necessary clauses regarding deployment of equipment in the agreement.

2.1.2.3 Faulty execution of contracts

(i) Inaction on the undue benefit to the contractor

The Company placed (June 2016) an order²⁹ on the contractor³⁰ (M/s PSJV) for 6 years at a total estimated value of ₹2,118.85 crore. The total price was inclusive of ₹1,126.81 crore being the diesel component at 1.12 litres³¹ per BCM to be supplied by the Company at the rate of ₹46.62 per litre. Even though the contract allows mix of conventional and HEMM equipment, the diesel quantity was provided as per formula prescribed for

²⁶ The Contractor deployed two excavators and seven dumpers during second year and seven excavators and 34 dumpers during third year as against 12 excavators and 55 dumpers of HEMM specified in the contract

²⁷ Third to fifth year payment of ₹753.33 crore x 32 *per cent* (100-68)

²⁸ Upto December 2023

²⁹ Order No. 76-6484

³⁰ M/s. Prasad-Sushee (Joint Venture), Hyderabad

³¹ At HEMM formula of Diesel (1.124 litres) = 0.305 + Planned lead (4.110 KM)/5.02

HEMM equipment. The Contractual terms and conditions also specified the estimated quantity of diesel and in case the diesel consumption is less than the estimates, the saved quantity shall be accumulated/adjusted against excess consumption in the subsequent months. Diesel consumption beyond estimates is recovered monthly from bills. Refund on account of savings is released at the end of the financial year on achieving 90 *per cent* of progressive performance from the beginning of the Contract.

During the execution of the contract,

- The Internal Audit Department (IAD) of the Company observed (January 2018) that there was less consumption of diesel which resulted in eligible bonus of ₹57.52 crore for 17 months and recommended (July 2019) to take up the matter with off-loading contractor for making the bonus payments on the operated mix of equipment instead of HEMM alone and to obtain legal opinion for the recourses in case of non-acceptance by the contractor.
- The committee constituted by Company reported (December 2018) that the NIT and the work order provided a standard formula applicable for deployment of HEMM equipment for supply of diesel without considering the simultaneous use of mix of Conventional equipment and HEMM equipment.
- The company also found that there were diversions of diesel issued to the contractor to the open market and a police complaint was also lodged.
- The company had also issued (August 2020) a show cause notice to the contractor for the termination of the contract due to contractors' failure to meet annual OBR targets during the four years period, non-achievement of 75 *per cent* of monthly targets in the fourth year, non-deployment of HEMM and diversion of diesel but had not acted upon further.

Despite the above, the contractor was allowed to continue and the contract period completed in March 2023. During the contract period, the contractor excavated 1,632 LBCM of OB against awarded quantity of 2,154 LBCM, bills amounting to ₹861.37 crore were admitted and the diesel quantity saved was arrived at 265.57 lakh litres worth ₹103.86 crore³². The company released ₹7.11 crore bonus in June 2018 and the balance amount was not yet admitted (January 2024).

In this regard, audit observed the following:

- i. As per Clause 1.4(h) of the order, the diesel bonus shall be payable on achieving 90 *per cent* of progressive performance. Though the contractor's progressive performance for the entire contract period was only 75.70 *per cent*, the Company had already paid an amount of ₹7.11 crore as bonus.
- ii. The recommendations of the IAD were not acted upon and efforts were not found on record to indicate that the matter was taken up with the contractor or obtaining legal remedy as suggested.

³² 265.57 lakh litres X ₹39.11 per litre (price of diesel as per the Contract)

- iii. The Company is yet to settle the final bill (December 2024) though the contract terms prescribe settlement of final bill within three months of the completion of work.

The Management replied (December 2024) that the case was referred to the State Vigilance & Enforcement department who recommended to recover ₹108.42 crore towards non-deployment of ancillary equipment. The amount is to be recovered from the final bill. Further, in view of non-achievement of 90 *per cent* progressive performance, the contractor would not be eligible for bonus and already paid bonus of ₹7.11 crore will be recovered.

The reply is silent about the inaction on the Internal Audit Department and Committee Reports during the contract period, inaction on the outcome of investigations and non-settlement of the final bill within three months as per the terms of the agreement.

(ii) Avoidable extra expenditure of ₹54.68 crore due to poor performance of the contractor

The performance of the OB removal under Contract No. 76-6484³³ dated 29 June 2016 at Srirampur OC Project was very low at 62.74 *per cent* in its fourth year of operations. The project authorities anticipated that the same performance would be continued in fifth and sixth years also. Since the coal demand was picking up, it was proposed to offload OBR work to another contractor for two years. The proposal was to offload 250.61 LBCM of OBR work for two years period. However, the proposal was modified as independent of the existing contract though the volumes of OB remained the same.

Since separate roads were to be provided for both the contractors, a new route with a lead of 6.50 KM was provided which was far longer than the existing lead of 4.11 KM. Consequent to the tendering process, M/s Gaurav Contracts Company (GCC) was awarded (April 2021) OB removal work³⁴ of 250.61 LBCM for a period of two years at the rate of ₹67.14 per BCM and diesel shall be provided at 1.08 litres per BCM. The rate awarded to M/s GCC was more by ₹21.87 per Cu.m³⁵ compared with the existing contract.

Audit observed that: (a) though the sub-optimal performance of the existing contractor had led to awarding a new contract, the Management modified it into an independent proposal and (b) as per Clause 2.3.5(c) of the order, in case a new contract is awarded for the quantity not excavated by the contractor, the difference in cost shall also be recovered. However, this clause was not invoked resulting in incurrence of avoidable expenditure of ₹54.68 crore³⁶.

The Management in its reply (February 2024) had cited the poor performance of M/s PSJV for which a show cause notice was issued, besides its inability to achieve the coal production targets which led to the issuance of a new OBR proposal as a contingency

³³ Awarded to M/s Prasad Sushee JV (PSJV)

³⁴ Order No.76-8670

³⁵ Excavation rate in the new order ₹67.14 – Rate in old contract ₹45.27

³⁶ 250 LBCM x (excavation rate of M/s GCC at ₹67.14- excavation rate of M/s PSJV at ₹45.27)

plan. The Management further replied (December 2024) that Clause 2.3.5(c) cannot be invoked as the contractor was neither terminated nor left the contract before scheduled period. In the Exit meeting, Management stated that it is an administrative decision to award a separate contract after analysing the pros & cons to achieve the main objective by the Company. Further, before awarding the contract, a lot of deliberations take place in the Tender committee on whether to club the contract or award separate contract.

The reply confirms the audit observation that the performance of the existing contractor was poor and Clause 2.3.5(c) in the Contract was not invoked despite awarding a new contract to execute the left over quantities. Further, the Management could not provide any supporting documents for substantiating the fact that deliberations were done in Tender committee as the deliberations were not recorded in the minutes for all the meetings.

(iii) Non-establishment of Effluent Treatment Plants by OBR Contractors

The Consent orders issued (August 2016) by Telangana State Pollution Control Board (TSPCB) to operate the coal mine mandates that the disposal of water used for HEMM equipment washing should be treated and utilised for gardening on land, duly meeting the standards stipulated in this regard. Accordingly, the terms and conditions of the OBR contracts awarded by the Company require the contractors to establish Effluent Treatment Plant (ETP) and also mandate that all the machinery being used in the mine premises should be washed off on ETP platform.

Audit observed that three OBR contractors in the test checked Area Offices of Yellandu, Manuguru, Bellampalli and Srirampur had not established ETPs. Despite persuasion by Area Offices, there was no progress in establishing ETPs. Further, the contractual terms and conditions do not contain provisions for levy of penalties for non-establishment of ETPs.

Management while accepting (December 2024) the audit observation stated that ETPs in Manuguru area were constructed. In Yellandu, Srirampur and Bellampalli area, the ETP plants were under construction.

Non-establishment of ETPs, as laid down by TSPCB in the Consent for Establishment orders, would cause environment damage due to disposal of water without treatment.

(iv) Inaction on the poor performing contractor

An order³⁷ was placed (25 February 2019) on M/s Gayatri Projects Limited for removal of 179.642 LBCM overburden at the Khairagura Opencast Project, Bellampalli area for a value of ₹162.69 crore for a period of 24 months. The Company reserved its right to terminate the work if the contractor's progressive performance was less than 75 per cent.

The firm commenced the work on 3 March 2019 with a delay of 15 days. The firm did not deploy the required fleet of equipment. The progressive performance of the firm was

³⁷ Order No. 76-7678

33.16 *per cent* till September 2019. The performance of the firm did not improve even in the second year of operations. During the entire contract period, the firm had excavated 74.663 LBCM (41.56 *per cent*) quantity against the awarded quantity of 179.642 LBCM.

The OBR work was halted by the workmen on several occasions owing to non-payment/reduction of wages. In January 2021, the firm's representative stated that there would be no improvement in the performance as it was not possible to add additional equipment due to the firm's financial problems.

Audit observed that the Management took a very lenient approach towards the contractor despite poor performance with no signs of improvement or commitment. Area Office, Bellampalli had stated that only 3.46 Lakh Tonnes (LT) of coal was exposed as against the planned target of 16 LT of coal exposure during the contract period and this affected the coal supplies against the demand. Though a penalty of seven *per cent* on the value of unexcavated quantity amounting to ₹6.76 crore was imposed on the firm, only an amount of ₹4.13 crore was recovered so far and recovery of ₹2.63 crore is still pending (March 2024).

The Management replied (December 2024) that a notice for termination of the contract was issued in first year of the contract followed by several letters in second year of the contract period. As per the contractual terms, a penalty of seven *per cent* of the unexcavated quantity was levied and the Company is initiating legal action to recover the balance penalty of ₹2.63 crore.

The reply only confirms the observation that a lenient approach was followed despite poor performance of the contractor. However, the reply is silent about the consequential loss of coal production.

2.1.2.4 Non-imposition of Penalties for unexecuted quantities

The OBR contracts provide for *force majeure* conditions³⁸ on the basis of which contract period can be extended. The Contracts also lays down under Clause 2.3.5(c) that in case a new contract is awarded for quantity not executed by the contractor, then the differential cost will also be recovered. The extended period on account of *force majeure* was duly considered by the Company for performance evaluation of the contract and for working out the monthly and yearly penalties. However, the penalty under Clause 2.3.5(c) of recovering differential cost was not enforced in two cases which are discussed in the following paragraphs:

(a) Jawahar Khani (JK)5 OCP, Yellandu

A contract³⁹ was entered (28 April 2018) with M/s Durga Infra Mining Private Limited for excavation of 372.71 LBCM of OB at JK-5 OC Project, Yellandu for a value of ₹222.10 crore in a period of 36 months. The firm commenced work in May 2018 and 301.42 LBCM was excavated during the contract period up to April 2021. The contract

³⁸ Such as natural calamities, non-availability of land, explosives or diesel, Rainfall, Accidents due to fire or sliding etc.,

³⁹ Order No. 76-7299

was extended initially for 126 days, later for another 26 days in the second spell and 26 days in the third spell up to 29 November 2021 on account of *force majeure* days accrued to the firm.

However, the firm excavated only 25.57 LBCM at the rate of 4.26 LBCM⁴⁰ per month up to October 2021 against 8.37 LBCM⁴¹ per month excavated during the initial contract period of 36 months. Further, the firm did not take up the work at all in the third spell of 26 days.

To excavate left-over quantity of 35.53 LBCM, another contract⁴² was awarded (7 June 2022) to the same firm at an excavation rate of ₹45.97 and diesel at 0.46 litres per BCM.

(b) Manuguru OC-II Extension Project

A contract⁴³ was entered (17 July 2018) with M/s Durga Infra Mining Private Limited for excavation of 416.31 LBCM of OB at Manuguru OC-II extension project (Phase-II) for a period of 36 months with a total contract value of ₹275.18 crore. The firm commenced work in July 2018. The firm excavated 342.84 LBCM in the initial contract period up to 8 July 2021. The contract was extended to 126 days till 8 December 2021. However, the firm pre-closed the work on 31 August 2021 citing rainy season. The firm had excavated 4.04 LBCM only during the extended period, leaving a balance of 53.31 LBCM of in-situ and 4.32 LBCM of re-handling OB⁴⁴.

A relay contract⁴⁵ was awarded⁴⁶ (12 July 2021) to the same firm M/s. Durga Infra Mining Private Limited for excavation of 1,148.56 LBCM of OB at PKOC-IV, Manuguru Area for a period of 48 months. The leftover quantity in the previous contract was included in the scope of the new Contract in May 2022.

Audit observed that the firm's performance during the extended period was very poor at 2.69 LBCM⁴⁷ per month against 9.52 LBCM⁴⁸ per month during the initial contract period of 36 months. The firm discontinued its work before the completion of the extended period. The reason of the rainy season cited for discontinuation earlier was not justified as the same firm commenced work under the new contract despite rainy season.

Though in both the cases, the contractors have not worked till completion of the contractual period (duly extended on account of *force majeure*), penalty under Clause 2.3.5(c) of the contract which mandates recovery of difference of cost in case a new contract was awarded for the quantity not excavated by the contractor, was not invoked

⁴⁰ 25.57 LBCM/6 months

⁴¹ 301.42 LBCM/36 months

⁴² Order No 76-9109

⁴³ Order No. 76-7414

⁴⁴ Process of moving or shifting previously excavated overburden material from one location to another within a mining area

⁴⁵ Continuation Contract

⁴⁶ Order no. 76-8756

⁴⁷ 4.04 LBCM/1.5 months

⁴⁸ 342.84 LBCM/36 months

by the Company. This resulted in non-levy of penalty of ₹5.65 crore⁴⁹ and ₹11.23 crore⁵⁰ respectively and extension of undue benefit to the contractors.

The Management in its reply (December 2024) stated that penalty under Clause 2.3.5(c) of the contracts is applicable only when the contractor leaves the work before the scheduled period or is terminated due to poor performance.

The reply is not tenable because the extended period on account of *force majeure* is also part of the scheduled contract period and leaving the work before the completion of the extended contract period should similarly be penalised.

2.1.3 Coal Transportation Contracts

Creating transport infrastructure and managing logistics to transport coal from the point of origin to consumption centres are major challenges for sustainable development of coal sector in the country. Following extraction of coal from mines, coal is moved to a dispatch point which can be a railway siding, port or inland waterways terminal using the road, conveyor, Merry-Go-Round (MGR) train, or rail.

The Company draws Annual Coal Linkage Plans duly linking the mine and dispatch points, detailing the quantity of coal to be delivered through each linkage. During the years 2018 to 2023, 79 coal transportation contracts valued at ₹1,641.99 crore were awarded for transporting coal from the mines to dispatch points through tippers. Out of 79 contracts, audit examined 35 contracts in four area offices valued at ₹594.51 crore. The expenditure incurred on coal transportation is recovered from customers by way of Surface Transport Charges (STC).

2.1.3.1 Excess Collection of ₹1,078.94 crore Surface Transport Charges

The expenditure incurred on coal transportation from the pithead of the mine to the loading point is recovered from customers in the form of Surface Transport Charges (STC) in addition to the notified basic price. Coal India Limited (CIL) delegated the fixation of STC to its subsidiary boards in August 2017 based on the weighted average transportation charges of preceding two quarters plus 10 *per cent* in the respective lead distance slabs. Following this, the Company also revised STC but adopted the methodology of charging STC on average rates of Western Coalfields Limited and Mahanadi Coalfields Limited instead of its own weighted average transportation charges.

The Company had revised the STC from ₹17, ₹57 and ₹116 per tonne to ₹40, ₹71 and ₹130 respectively for the slabs of 0-3 KM, 3-10 KM and 10-20 KM *w.e.f.* 11 February 2020. In respect of the transportation beyond 20 KM, the STC was revised to a fixed amount of ₹130 plus ₹2.97 per extra KM, apart from actual expenditure incurred towards repair and maintenance of roads leading to the Company's loading points. The STC was further revised in March 2022 to ₹45, ₹90 and ₹140. Surface Transport Charges for

⁴⁹ 35.536 LBCM x (rate in new contract ₹45.97 - excavation rate in old contract ₹30.07); Excavation rate in old contract = ₹59.59(composite rate)- (0.471*₹62.66)(notified diesel value)

⁵⁰ In-situ OB 53.31 LBCM x (₹48.80-₹28.80) + Re-handling of loose OB 4.32 LBCM x (₹37.52-₹24.33)

transportation beyond 20 KM was revised to ₹140 plus ₹4.09 per extra KM in March 2022 and to ₹140 plus ₹2.65 per KM in September 2023.

Audit observed that, the actual expenditure was not considered for fixing the STC for slabs upto 20 KM. Further, though the quarterly review in May 2022, August 2022, November 2022, February 2023 and May 2023 of STC for distances beyond 20 KM revealed that STC being collected from the customers was more than actual transportation costs being incurred by the Company, however, the STC prices were not revised and the benefit was not passed on to customers.

During the five year period of 2018 to 2023, the Company incurred an expenditure of ₹1,185.33 crore on coal transportation, ₹38.55 crore on hiring charges of trucks and ₹53.17 crore towards repair and maintenance of roads totaling ₹1,277.05 crore. On markup of the expenditure by 10 *per cent*, the STC recoverable from the customers was ₹1,404.76 crore. However, the Company collected ₹2,483.69 crore from coal customers during the same period, resulting in undue enrichment by ₹1,078.94 crore⁵¹.

The Management replied (December 2024) that considering the notional rehandling cost at 25 *per cent* of dispatched quantity and also overheads at 25 *per cent* and Internal Rate of Return (IRR) of 12 *per cent*, the excess collection would be only ₹154.15 crore and even this surplus was insignificant when compared to total revenue.

The reply is not acceptable because Management has not furnished any details in support of the actual rehandling cost incurred. Further, as per CIL, only 10 *per cent* of overheads have to be factored in STC and there was no mention of either rehandling cost or IRR. Since, the state-owned power generators are the major coal consumers, charging of STC in excess would ultimately burden the power consumers.

2.1.3.2 Movement of Coal

Coal linkage plans linking mine and dispatch points are drawn by the Company's Headquarters after considering expected output from the mine, grade of coal, pithead deliveries and movement of balance quantity. Coal linkage plans are implemented by Area Offices by awarding coal transportation contracts. Coal linkage plans aim to avoid unnecessary movement of coal and ensure smooth supply of coal to customers considering economies of transportation. Road transportation has an adverse impact on the environment and health in and around coal mining projects. Audit reviewed the movement of coal by road in selected area offices of Bellampalli, Manuguru, Srirampur and Yellandu and observed that in the following cases, the Company did not ensure economies in the transportation resulting in unnecessary movement of coal which could have been avoided.

⁵¹ ₹2,483.69 crore - (₹1,277.05 crore*110 *per cent*)

(i) Transportation of coal by Road despite operationalisation of Railway line in violation of directives of Ministry of Environment, Forest and Climate Change



Figure 3: Sattupally Coal Handling Plant
Source: Annual Report of SCCL for the year 2022-23

A new railway line between Bhadrachalam Road and Sattupally was operationalised in May 2022 which facilitates the evacuation of coal from the Jalagam Vengala Rao and Kistaram Open Cast projects. Ministry of Environment, Forest and Climate Change (MoEF &CC), GoI while granting (October 2021) Environmental Clearance to expansion of Jalagam Vengala Rao OC mine had stipulated that after the

completion of the railway line, transportation of coal by trucks should not be undertaken. However, a proposal was initiated in February 2023 for undertaking coal transportation by road for three months to achieve the dispatch target for the year 2022-23. Consequent upon approval by the C&MD of the Company, Area Office Kothagudem had transported 51,738.04 MT in March 2023 and 3,30,125.52 MT during April to July 2023 by road from these mines to Rudrampur Coal Handling Plant located at a distance of 50 KM in contravention of the MoEF & CC stipulations.

Audit observed that, on the pretext of meeting targets for 2022-23, transportation of coal from April to July 2023 and consequential expenditure of ₹5.88 crore was not only avoidable but also in violation of the terms & conditions of the Environmental clearance granted by MoEF & CC.

The Management replied (December 2024) that the transportation was undertaken to meet the annual dispatch targets in view of the teething problems of JVR OCP.

The reply is not tenable because Audit has commented on the dispatches by road from April 2023 to July 2023 which were beyond the annual targets for 2022-23. The initial approvals for road transport were taken to achieve the targets for the year 2022-23 and the same extended till July 2023. Further, movement by road after operationalisation of railway line on the pretext of meeting dispatch targets was unwarranted. During April to July 2023, railways had supplied 803 rakes as indented by the Company and could not supply eight rakes only.

(ii) Unnecessary movement of coal to a distant loading point

The coal produced at the Koyagudem OC Project (K-OCP) mine was linked to both Tadikalapudi Railway siding (TPD) and Yellandu Coal Handling Plant (YCHP) under coal linkage plans. The road distance between K-OCP to TPD is 20 to 21 KM whereas the distance from K-OCP to Y-CHP is 41 to 43 KM. Since the distance to TPD is less than 21 KM, it was economical to move coal from KOCP to TPD instead of to YCHP. Further, the TPD railway siding is a forward point resulting in savings in distance and costs to customers in railway freight also. During the year 2018-19, against the coal linkages of 7.50 LT each for YCHP and TPD from KOCP for G-13 grade coal, the actual quantity transported to YCHP was 14.03 LT and only 3.09 LT was moved to TPD. A total of 4.41 LT⁵² of coal was diverted to YCHP from TPD resulting in transportation for an excess distance of 20 KM.

Similarly in 2019-20 and 2020-21, the quantity of coal diverted to YCHP instead of transporting it to TPD was 7.75 LT⁵³ and 1.80 LT respectively. Due to the above unnecessary longer movement of coal to a backward loading point, the Company had incurred an avoidable expenditure of ₹13.51 crore on the movement of 13.96 LT⁵⁴ of coal for an additional 20 KM.

The Management replied (December 2024) that construction of a wharf wall along the platform in Tadikalapudi Railway siding was taken up in January 2019 which affected the coal dispatches from the siding. The transport contract to Tadikalapudi was also pre closed due to the contractor's inability to carry out the work for this route which also affected the coal dispatches resulting in diversion to Yellandu Coal Handling Plant.

The reply is not tenable because the diversion of coal to YCHP was in deviation to Coal linkage plans drawn by the Company. Further, construction work was undertaken only for two months, and the Company did not award a new transportation contract to achieve economies in operations.

⁵² 7.50 LT- 3.09 LT

⁵³ 12LT (TPD target)- 4.25 (TPD Actual dispatch)

⁵⁴ 4.41 LT+7.75 LT+1.80 LT

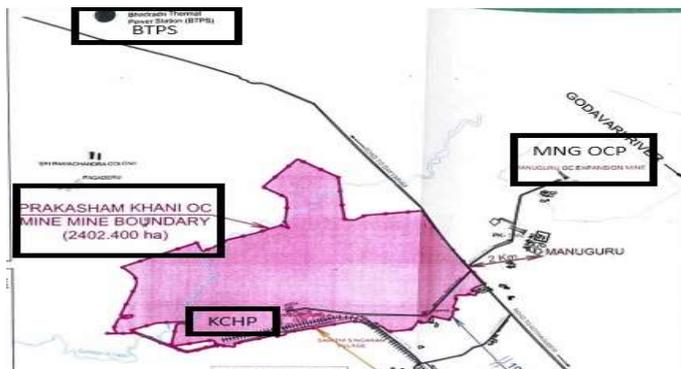
(iii) *Supply of coal from distant mines instead of nearest mines*

Figure 4: Sketch of Manuguru Area Mines and BTPS

Source: Records of SCCL

The Manuguru OC Project (MNG OCP) and Prakasham Khani OC Project (PK OCP) are administered by the Manuguru Area Office. However, only one railway loading point at Kondapuram Coal Handling Plant (KCHP) is available to undertake rail dispatches. Bhadradi Thermal Power Station (BTPS) which commenced operations in June

2020, is in the vicinity of the Manuguru area and served with only road movement in the absence of railway siding. The MNG OCP is the nearest mine to BTPS. The distance between MNG OCP and KCHP is 10.57 KM.

During 2020-21 to 2022-23, 11.18 Lakh Tonnes of G-9 to G-13 grades of coal were transported from MNG OCP to KCHP for onward dispatches by rail to other customers. In the same period, 55.52 LT of same grades of coal were dispatched from PK OC to BTPS by road resulting in unnecessary movement of 9.96 LT of coal by an additional 10.57 KM, incurring an avoidable expenditure of ₹6.20 crore.

Audit observed that the pit head dispatches from MNG OCP to BTPS are most economical to both the Company and BTPS. The coal linkage plans were not drawn considering the economies of dispatching the maximum available coal from MNG OCP to BTPS. Consequently, the coal was transported from all the mines⁵⁵ to BTPS and the same grades of coal were moved from MNG OCP to KCHP for onward delivery to other customers.

The Management replied (December 2024) that the movement was undertaken as per coal linkage plans and G-15 inferior-grade coal which was not required by BTPS was dispatched to KCHP.

The reply is factually incorrect as audit commented on other than G-15 grade coal dispatches resulting in avoidable expenditure. The reply also confirms the audit observation that the coal linkage plans were drawn without considering the economies.

2.1.4 Stowing Material Transportation Contracts

To protect important surface features like Public Buildings, Colonies, Rail lines, Public roads etc., underground Voids /goaf (after coal extraction) are filled up (stowed) with river sand, bottom ash or Processed Overburden (POB). The widely used process for stowing in collieries is hydraulic stowing wherein the stowing material is stowed to the site by transporting the material mixed with water in pipes

⁵⁵ KCHP, PKOC-II(West), PKOC-IV & MNG OCP

and allowing the water to percolate through bamboo matting or a similar perforated barricade erected at the site as shown in **Figure 5**.



Figure 5: Top and Horizontal views of Hydraulic stowing bunkers
Coordinates 18.86685°N, 79.51263°E

To prevent over-exploitation of river sand and to protect the environment, bottom ash and POB are preferred over river sand for stowing. During the five-year period of 2018-23, bottom ash of 51.45 Lakh Cu.m followed by river sand of 37.85 Lakh Cu.m and POB of 23.63 Lakh Cu.m were used for stowing the underground mines of the Company.

During the years 2018 to 2023, 22 stowing material transportation contracts valued at ₹211.04 crore were awarded for transporting the river sand, bottom ash and POB from sand reaches, thermal power plants and POB plants respectively. Out of four area offices selected under audit, only Srirampur area office had carried out stowing material transportation works. Out of 22 Contracts, Audit examined 11 selected contracts valued at ₹81.64 crore in the office of Srirampur. The audit observations are discussed in the following paragraphs:

2.1.4.1 Preference for environmentally detrimental river sand in Srirampur Area

During 2018-23, stowing operations were carried out in four⁵⁶ underground mines of Srirampur (SRP) area. The SRP area had utilised bottom ash of 12.30 Lakh Cu.m, followed by river sand of 11.84 Lakh Cu.m and POB of 5.34 Lakh Cu.m for stowing operations. The Bottom ash is freely available from Singareni Thermal Power Plant (STPP) which is a unit of the Company and is located 10 to 16 KM near SRP area. While the POB plant is in the vicinity of mines, river sand has to be transported from Chennur sand quarries located at a distance of 30 to 40 KM. The cost per cubic metre of bottom ash, POB and river sand to the SRP area was ₹78, ₹251 and ₹263 respectively.

During March 2021, STPP reported that the UG mines were not lifting the bottom ash at full capacity. It was also reported that, due to not lifting of POB by UG mines and in the

⁵⁶ Srirampur-1, Srirampur-3&3A, Indira Khani 1A and Ramakrishna Khani-7

absence of additional stockyards, the POB plant was temporarily stopped from April to September 2019. Audit observed that, the UG mines were drawing river sand during the same period. Despite being environmentally disadvantageous and thrice the cost of bottom ash, SRP area chose river sand for stowing operations.

The Management replied (December 2024) that tenders were not in place in some of the mines for transporting the POB & Bottom ash from STPP. Further, there was frequent damage to approach roads in the rainy season which affected the transport of POB.

The reply substantiates the audit finding and reflects failure on the part of the Management to make necessary transport arrangements and points out inadequacies in preparations for the rainy season.

2.1.4.2 Ineffective functioning of Processed Over Burden Plant

The Company placed (January 2014) an order⁵⁷ on M/s Sahay Metal & Minerals Pvt. Limited for the establishment of POB plants at Ramagundam-1, Srirampur and Bhupalpally areas at an order value of ₹399.06 crore. As per contractual terms, the agency had to supply 6,000 Cu.m POB per day at the rate ₹178 per Cu.m in the SRP region. The contractor commenced the production of POB in July 2015.

As against the target of 64.53 Lakh Cu.m, the contractor produced 12.53 Lakh Cu.m during July 2015 to March 2020. Further, the production was 5.99 Lakh Cu.m against the revised target of 24.80 Lakh Cu.m for the period April 2020 to June 2022. The contractor stopped operations in July 2022 due to the submergence of the plant and agreed to relocate the plant to the Mandamarri region which is yet to be commissioned (January 2024).

Audit observed, that the Company neither provided the required size of clay pond nor made arrangements to empty it for smooth functioning of POB plant. The operations of the plant were stopped from April to October 2019, due to not lifting POB from the stockyard. The site provided for the plant was amid dump yards which led to submergence in July 2022. Thus, inability to provide a suitable site and necessary evacuation arrangements contributed to the sub-optimal performance of the POB plant reflecting lack of seriousness on the part of the Company to utilise POB in stowing operations.

The Management replied (December 2024) that the Company has provided sufficient land for storage of clay and the operations were never stopped for want of clay ponds. Due to poor performance of the OBR contractor, another agency was put in place and due to non-availability of vacant land, a dump yard was provided adjacent to POB plant.

The reply is not tenable because there were frequent representations and internal correspondence on the steps to be taken to empty the clay pond. It was Company's responsibility to provide a suitable site and ensure lifting of produced POB.

⁵⁷ Order No. 76-5307

2.2 Conclusions

A review of 13 OBR contracts awarded after February 2019, revealed that in all the conventional equipment contracts, the actual quantity of diesel consumption was more than the norms. Contrary to this, the actual diesel consumption in Heavy Earth Moving Machinery (HEMM) contracts, was much below the norms. These wide variances between actual and normative diesel consumption *viz.*, shortfalls in conventional equipment contracts and excesses in HEMM contracts indicate that the norms fixed for diesel consumption were unrealistic.

The rates awarded for deployment of Heavy Earth Moving Machinery (HEMM) were higher (between 12.36 *per cent* and 32.00 *per cent*) than those of Conventional equipment in OBR contracts. However, the Company did not incorporate appropriate clauses in the OBR Contracts as safeguard against under deployment of HEMM/over deployment of conventional equipment by the contractors. This resulted in avoidable expenditure of ₹251.05 crore.

The Company did not enforce the Contractual terms and conditions relating to OBR contracts timely which resulted in further avoidable expenditure of ₹74.19 crore.

In Coal transportation, the Coal linkage plans drawn were not optimal and there was also uneconomical movement of coal by field units, resulting in an avoidable expenditure of ₹25.59 crore. While fixing the Surface Transportation Charges, the actual expenditure was not considered resulting in excess collection of ₹1078.94 crore from the coal consumers.

Three OBR contractors in the test checked Area Offices⁵⁸ did not establish Effluent Treatment Plants as per the Contractual terms. In underground stowing operations, river sand was preferred by Srirampur area office over bottom ash and Processed Over Burden (POB) which was costlier and environmentally unfriendly.

2.3 Recommendations

In view of the above, the State Government/Company may consider

- *implementing measures to optimise diesel consumption;*
- *incorporating safeguarding clauses in the OBR Contracts to ensure deployment of specified mix of equipment and adherence to other contractual obligations by the contractors;*
- *reviewing the coal linkage arrangements and pricing mechanism of Surface Transport Charges to ensure economy and reasonableness respectively;*

⁵⁸ Yellandu, Manuguru, Bellampalli and Srirampur

- *Promoting environmental sustainability by installing Effluent Treatment Plants and giving preference to bottom ash or processed over burden over river sand in stowing operations.*

Hyderabad
The 08 OCT 2025


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

Countersigned

New Delhi
The 10 OCT 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

Appendices

Appendix 1.1*(Referred to in Paragraph 1.1)***List of State Public Sector Enterprises in Telangana**

Sl. No.	Government Companies
Power Sector SPSEs	
1.	The Singareni Collieries Company Limited
2.	Northern Power Distribution Company of Telangana Limited
3.	Southern Power Distribution Company of Telangana Limited
4.	Telangana Power Finance Corporation Limited
5.	Telangana Power Generation Corporation Limited
6.	Transmission Corporation of Telangana Limited
7.	Telangana Renewable Energy Development Corporation Limited
8.	Andhra Pradesh Tribal Power Corporation Limited
Non-Power Sector SPSEs	
9.	Damodhara Minerals Private Limited
10.	Manjeera Lift Irrigation Corporation Limited
11.	Telangana Industrial Health Clinic Limited
12.	Telangana Horticulture Development Corporation Limited
13.	Telangana Technology Services Limited
14.	Telangana Water Resources Development Corporation Limited
15.	The Nizam Sugars Limited
16.	Hyderabad Road Development Corporation Limited
17.	Kaleshwaram Irrigation Project Corporation Limited
18.	Musi Riverfront Development Corporation Limited
19.	Telangana Overseas Manpower Company Limited
20.	Telangana Rythu Bandhu Samithi
21.	Telangana Film Development Corporation Limited
22.	Telangana State Minorities Finance Corporation
23.	State Police Housing Corporation Limited
24.	Telangana Seeds Development Corporation Limited
25.	T-Works Foundation
26.	Bio Tech Hub Limited
27.	Infrastructure Corporation of Andhra Pradesh Limited
28.	Telangana Drinking Water Supply Corporation Limited
29.	Telangana Fiber Grid Corporation Limited
30.	Telangana State Irrigation Development Corporation Limited
31.	Telangana Mineral Development Corporation Limited
32.	Telangana State Water Resources Infrastructure Development Corporation Limited
33.	Telangana Urban Finance Infrastructure Development Corporation Limited
34.	Photonics Valley Corporation
35.	E-city Manufacturing Cluster Limited
36.	Fab City SPV (India) Private Limited
37.	Hyderabad Pharma City Limited
38.	Maheswaram Science Park
39.	Pashamylaram Textile Park Limited
40.	Telangana Life Sciences Infrastructure Development Limited
41.	Telangana Forest Development Corporation Limited
42.	Telangana State Agro Industries Development Corporation
43.	Telangana Industrial Infrastructure Corporation Limited
44.	Telangana State Most Backward Classes Development Corporation
45.	Telangana State Trade Promotion Corporation Limited
46.	Zaheerabad NIMZ Limited
47.	Hyderabad Airport Metro Limited
48.	Telangana Handloom Development Corporation Limited
49.	Telangana Powerloom & Textiles Development Corporation Limited
50.	Telangana Rajiv Swagruha Corporation Limited

51.	Telangana State Beverages Corporation Limited
52.	Wehub Foundation
53.	Hyderabad Metro Rail Limited
54.	Telangana Civil Supplies Corporation Limited
55.	Telangana Handicrafts Development Corporation Limited
56.	Telangana Tourism Development Corporation
57.	Telangana Housing Corporation Limited
58.	Telangana Industrial Development Corporation Limited
59.	Telangana State Leather Industries Promotion Corporation Limited
60.	Telangana State Aviation Corporation Limited
61.	Telangana Christian (Minorities) Finance Corporation
Statutory Corporations	
62.	Telangana State Road Transport Corporation
63.	Telangana State Warehousing Corporation
64.	Telangana State Financial Corporation
Government Controlled Other Companies	
65.	Hyderabad Growth Corridor Limited
66.	Karimnagar Smart City Corporation Limited
67.	Greater Warangal Smart City Corporation Limited
Inactive SPSEs	
68.	Andhra Pradesh Essential Commodities Corporation Limited
69.	Andhra Pradesh Electronics Development Corporation Limited
70.	A.P Small Scale Industrial Development Corporation Limited
71.	Allwyn Watches Limited
72.	Golkonda Abrasives Limited
73.	Apronix Communications Limited
74.	Allwyn Auto Limited
75.	Andhra Pradesh Automobile Tyres & Tubes Limited
76.	Marine and Communication Electronics (India) Limited
77.	Andhra Pradesh Steels Limited
78.	Republic Forge Company Limited
79.	PJ Chemicals Limited
80.	Vidyut Steels Limited
81.	Krishi Engineering Limited
82.	Hyderabad Chemicals and Fertilizers Limited
83.	TSMDC-SCCL Suliyari Coal Company Limited

Appendix 1.2*(Referred to in Paragraph 1.6)***Statement showing number of State Public Sector Enterprises
whose accounts are in arrear as on 30 September 2023**

Sl. No.	Name of the Company	Account received up to 30 September 2023	Year(s) pending finalisation	Accounts in Arrear
Power Sector SPSEs				
1.	The Singareni Collieries Company Limited	2022-23	0	0
2.	Northern Power Distribution Company of Telangana Limited	2022-23	0	0
3.	Southern Power Distribution Company of Telangana Limited	2022-23	0	0
4.	Telangana Power Finance Corporation Limited	2022-23	0	0
5.	Telangana Power Generation Corporation Limited	2022-23	0	0
6.	Transmission Corporation of Telangana Limited	2022-23	0	0
7.	Telangana Renewable Energy Development Corporation Limited	2019-20	2020-23	3
8.	Andhra Pradesh Tribal Power Corporation Limited	2021-22	2022-23	1
Non-Power Sector SPSEs				
9.	Damodhara Minerals Private Limited	2022-23	0	0
10.	Manjeera Lift Irrigation Corporation Limited	Since inception (DoI 20 Jan 2022)	2022-23	1
11.	Telangana Industrial Health Clinic Limited	2022-23	0	0
12.	Telangana Horticulture Development Corporation Limited	2021-22	2022-23	1
13.	Telangana Technology Services Limited	2022-23	0	0
14.	Telangana Water Resources Development Corporation Limited	2022-23	0	0
15.	The Nizam Sugars Limited	2022-23	0	0
16.	Hyderabad Road Development Corporation Limited	2021-22	2022-23	1
17.	Kaleshwaram Irrigation Project Corporation Limited	2021-22	2022-23	1

Sl. No.	Name of the Company	Account received up to 30 September 2023	Year(s) pending finalisation	Accounts in Arrear
18.	Musi Riverfront Development Corporation Limited	2021-22	2022-23	1
19.	Telangana Overseas Manpower Company Limited	2021-22	2022-23	1
20.	Telangana Rythu Bandhu Samithi	2020-21	2021-23	2
21.	Telangana Film Development Corporation Limited	2021-22	2022-23	1
22.	Telangana State Minorities Finance Corporation	2021-22	2022-23	1
23.	State Police Housing Corporation Limited	2021-22	2022-23	1
24.	Telangana Seeds Development Corporation Limited	2021-22	2022-23	1
25.	T-Works Foundation	2022-23	0	0
26.	Bio Tech Hub Limited	Not Received (DoI 2 Jul 2020)	2020-21 to 2022-23	3
27.	Infrastructure Corporation of Andhra Pradesh Limited	2021-22	2022-23	1
28.	Telangana Drinking Water Supply Corporation Limited	2020-21	2021-23	2
29.	Telangana Fiber Grid Corporation Limited	2020-21	2021-23	2
30.	Telangana State Irrigation Development Corporation Limited	2021-22	2022-23	1
31.	Telangana Mineral Development Corporation Limited	2020-21	2021-23	2
32.	Telangana State Water Resources Infrastructure Development Corporation Limited	2020-21	2021-23	2
33.	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20	2020-23	3
34.	Photonics Valley Corporation	2018-19	2019-23	4
35.	E-city Manufacturing Cluster Limited	2019-20	2020-23	3
36.	Fab City SPV (India) Private Limited	2018-19	2019-23	4
37.	Hyderabad Pharma City Limited	2019-20	2020-23	3
38.	Maheswaram Science Park	2018-19	2019-23	4

Sl. No.	Name of the Company	Account received up to 30 September 2023	Year(s) pending finalisation	Accounts in Arrear
39.	Pashamylaram Textile Park Limited	2018-19	2019-23	4
40.	Telangana Life Sciences Infrastructure Development Limited	2018-19	2019-23	4
41.	Telangana Forest Development Corporation Limited	2020-21	2021-23	2
42.	Telangana State Agro Industries Development Corporation	2019-20	2020-23	3
43.	Telangana Industrial Infrastructure Corporation Limited	2019-20	2020-23	3
44.	Telangana State Most Backward Classes Development Corporation	2020-21	2021-23	2
45.	Telangana State Trade Promotion Corporation Limited	2019-20	2020-23	3
46.	Zaheerabad NIMZ Limited	2018-19	2019-23	4
47.	Hyderabad Airport Metro Limited	Not Received (DoI 1Apr 2018)	2018-23	5
48.	Telangana Handloom Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-23	5
49.	Telangana Powerloom & Textiles Development Corporation Limited	Not Received (DoI 19 Jun 2018)	2018-23	5
50.	Telangana Rajiv Swagruha Corporation Limited	Not Received (DoI 1Mar 2018)	2018-23	5
51.	Telangana State Beverages Corporation Limited	2017-18	2018-23	5
52.	Wehub Foundation	Not Received (DoI 30 Aug 2018)	2018-23	5
53.	Hyderabad Metro Rail Limited	2016-17	2017-23	6
54.	Telangana Civil Supplies Corporation Limited	2017-18	2018-23	5
55.	Telangana Handicrafts Development Corporation Limited	2016-17	2017-23	6
56.	Telangana Tourism Development Corporation Limited	2017-18	2018-23	5
57.	Telangana Housing Corporation Limited	2015-16	2016-23	7

Sl. No.	Name of the Company	Account received up to 30 September 2023	Year(s) pending finalisation	Accounts in Arrear
58.	Telangana Industrial Development Corporation Limited	2016-17	2017-23	6
59.	Telangana State Leather Industries Promotion Corporation Limited	2016-17	2017-23	6
60.	Telangana State Aviation Corporation Limited	Not Received (DoI 15 May 2015)	2015-23	8
61.	Telangana (Minorities) Christian Finance Corporation	Not Received (DoI 13 Mar 2015)	2015-23	8
Statutory Corporations				
62.	Telangana State Road Transport Corporation	Not Received (DoI 27 Apr 2016)	2016-23	7
63.	Telangana State Warehousing Corporation	2017-18	2018-23	5
64.	Telangana State Financial Corporation	Not Received (DoI 31 Aug 2018)	2015-23	8
Government Controlled Other Companies				
65.	Hyderabad Growth Corridor Limited	2021-22	2022-23	1
66.	Karimnagar Smart City Corporation Limited	Not Received (DoI 05 Sep 2017)	2017-23	6
67.	Greater Warangal Smart City Corporation Limited	Not Received (DoI 18 Aug 2016)	2016-23	7
Inactive Companies				
68.	Andhra Pradesh Essential Commodities Corporation Limited	2013-14	2014-23	9
69.	Andhra Pradesh Electronics Development Corporation Limited	2002-03	2003-23	20
70.	A.P Small Scale Industrial Development Corporation Limited	2001-02	2002-23	21
71.	Allwyn Watches Limited	1998-99	1999-23	24
72.	Golkonda Abrasives Limited	1997-98	1998-23	25
73.	Apronix Communications Limited	NA	NA	NA
74.	Allwyn Auto Limited	1994-95	1995-23	28
75.	Andhra Pradesh Automobile Tyres & Tubes Limited	1992-93	1993-23	30
76.	Marine and Communication Electronics (India) Limited	1992-93	1993-23	30
77.	Andhra Pradesh Steels Limited	1991-92	1992-23	31

Sl. No.	Name of the Company	Account received up to 30 September 2023	Year(s) pending finalisation	Accounts in Arrear
78.	Republic Forge Company Limited	1991-92	1992-23	31
79.	PJ Chemicals Limited	1989-90	1990-23	33
80.	Vidyut Steels Limited	1985-86	1986-23	37
81.	Krishi Engineering Limited	1984-85	1985-23	38
82.	Hyderabad Chemicals and Fertilizers Limited	1984-85	1985-23	38
83.	TSMDC-SCCL Suliyari Coal Company Limited	Not Received (DoI 1 Jul 2013)	2013-23	10

DoI: Date of Incorporation of SPSE

Appendix 1.3

(Referred to in Paragraph 1.9.1)

SPSEs in which Comments were issued

Sl. No.	Name of SPSEs	Period of Accounts for which Comments issued
Power Sector SPSEs		
1.	Telangana Power Generation Corporation Limited	2021-22
2.	Transmission Corporation of Telangana Limited	2021-22
3.	Northern Power Distribution Company of Telangana Limited	2022-23
4.	Southern Power Distribution Company of Telangana Limited	2022-23
5.	Telangana Power Generation Corporation Limited	2022-23
6.	The Singareni Collieries Company Limited	2022-23
Non-Power Sector SPSEs		
7.	Telangana Civil Supplies Corporation Limited	2016-17
8.	Telangana Civil Supplies Corporation Limited	2017-18
9.	State Police Housing Corporation Limited	2019-20
10.	State Police Housing Corporation Limited	2020-21
11.	Telangana Life Sciences Infrastructure Development Limited	2018-19
12.	Hyderabad Growth Corridor Limited	2018-19
13.	Hyderabad Growth Corridor Limited	2019-20
14.	Hyderabad Growth Corridor Limited	2020-21
15.	Hyderabad Growth Corridor Limited	2021-22
16.	Hyderabad Metro Rail Limited	2016-17
17.	Telangana State Minorities Finance Corporation	2019-20
18.	Telangana State Minorities Finance Corporation	2020-21
19.	Fab City SPV (India) Private Limited	2018-19
20.	The Nizam Sugars Limited	2021-22
21.	Telangana Horticulture Development Corporation Limited	2021-22
22.	Telangana Industrial Infrastructure Corporation Limited	2017-18
23.	Telangana Industrial Infrastructure Corporation Limited	2018-19
24.	Maheswaram Science Park Limited	2018-19
25.	Telangana Drinking Water Supply Corporation Limited	2019-20
26.	E-city Manufacturing Cluster Limited	2018-19
27.	Kaleshwaram Irrigation Project Corporation Limited	2020-21
28.	Telangana State Warehousing Corporation	2015-16
29.	Telangana State Warehousing Corporation	2016-17
30.	Telangana Tourism Development Corporation Limited	2016-17
31.	Telangana Fiber Grid Corporation Limited	2020-21
32.	Zaheerabad NIMZ Limited	2018-19
33.	Telangana Seeds Development Corporation Limited	2021-22
34.	Telangana Urban Finance Infrastructure Development Corporation Limited	2018-19
35.	Telangana Urban Finance Infrastructure Development Corporation Limited	2019-20

Appendix 1.4

(Referred to in Paragraph 1.9.2)

Significant comments of the Comptroller and Auditor General of India issued as supplement to the Statutory Auditors' reports

(A) Comments on Profitability:

Sl. No.	Name of the Company (Year of Accounts)	Comments
Power Sector SPSEs		
1.	Southern Power Distribution Company of Telangana Limited (2022-23)	The power purchase cost of the Company was overstated by ₹76.59 crore, on account of provision for payment of actual metered energy supplied to Singareni Thermal Power Plant (STPP) during 2018-19 to 2022-23, instead of energy charges as per scheduling by SLDC. As the claim for this amount by STPP was disallowed by Telangana State Electricity Regulatory Commission, providing for the same in the books of the DISCOM resulted in overstatement of power purchase expenses, current liabilities and consequent loss for the year by ₹76.59 crore.
2.	Northern Power Distribution Company of Telangana Limited (2022-23)	The Company had not accounted for ₹20.04 crore being the cost of unutilized banked energy units payable to M/s The Singareni Collieries Company Limited (SCCL). This resulted in understatement of power purchase cost, Trade Payables and consequent loss for the year by ₹20.04 crore.
Non-Power Sector SPSEs		
3.	Hyderabad Metro Rail Limited (2016-17)	The Company incurred an expenditure of ₹115.22 crore towards shifting utilities, work contracts towards clearing the areas required, relief and rehabilitation expenses, structural compensation paid for acquiring properties for road widening etc. from the funds provided by the Government and receipt of funds is accounted as loans in the financial statements. The Company has neither adjusted the expenditure against the funds provided by the Government nor recognized it as receivable from the Government. This has resulted in overstatement of administrative expenses and understatement of "Receivable from the Government" by ₹115.22 crore and consequently overstatement of loss for the year by the same amount.
4.	Telangana Drinking Water Supply Corporation Limited (2019-20)	1. The O&M expenditure of the Company was understated by ₹61.69 crore being expenditure incurred for the year 2019-20 for which payments were pending at the end of year. Not providing for the same in the books of accounts for 2019-20 resulted in understatement of Expenditure, Current Liabilities and consequently Loss for the year by ₹61.69 crore. 2. The O&M Expenditure of the Company was understated by ₹19.50 crore being the amount payable to Northern Power distribution Company of Telangana

Sl. No.	Name of the Company (Year of Accounts)	Comments
		Limited for manning and maintenance of water grid sub-stations, for the period up to 31.03.2020. Non-provision for the same resulted in understatement of Expenditure, Current Liabilities and consequently, Loss for the year by ₹19.50 crore. 3. The Company did not recognize an amount of ₹458.50 crore payable to the Telangana State Southern Power Distribution Company Limited (TSSPDCL) towards Current Consumption charges for the period up to 31.03.2020. Non-accountal of the same has resulted in understatement of Current Liabilities, Electricity Consumption charges and Loss for the year by ₹458.50 crore
5.	Telangana Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted ₹5.67 crore being the interest income earned on the project-specific earmarked funds i.e., temporary deposits made with banks from the loans availed from HUDCO (₹725 crore) and NABARD (₹29.44 crore) for establishment of NIMZ at Hyderabad Pharma City and Mega Food Park project at Buggapadu, Khammam respectively. Treating the interest earned on earmarked funds as income of the company has resulted in overstatement of interest income and understatement of Other current liabilities and understatement of loss by ₹5.67 crore.

(B) Comments on Financial Position:

Sl. No.	Name of the Company (Year of Accounts)	Comments
Non-Power Sector SPSEs		
1.	Telangana Civil Supplies Corporation Limited (2016-17)	Reserves and Surplus did not include Demerger Adjustment Account balance of ₹180.44 crore arising due to surplus of Assets over Liabilities, as per the recommendations of the Expert Committee appointed for approval of Demerger proposals of Government Companies/Corporations/Entities in the Schedule IX of AP Reorganization Act, 2014. Accounting for the same as 'Current Liabilities' instead of showing the same separately under 'Reserves and Surplus', resulted in understatement of Reserves and Surplus and overstatement of Current Liabilities by ₹180.44 crore each.
2.	State Police Housing Corporation Limited (2020-21)	The Company had not made a provision of ₹4.56 crore towards Earned Leave encashment payable to regular employees on retirement/ death, as required under Accounting Standard-15. This resulted in understatement of Expenses, Other Current Liabilities and consequent loss for the year by ₹4.56 crore.
3.	Hyderabad Growth Corridor Limited (2020-21)	The Company did not include the capital expenditure of ₹7,459.10 crore incurred by the Company for implementation of Hyderabad Growth Corridor Project

Sl. No.	Name of the Company (Year of Accounts)	Comments
		(HGCP) from the funds provided by Hyderabad Metropolitan Development Authority (HMDA). As per the Memorandum of Understanding (MoU) dated 30th October 2006, the assets created after completion of the project belong to the HMDA. The Company, instead of transferring the completed assets to the HMDA, netted off the total capital expenditure of ₹7,459.10 crore against the advances of ₹7,263.75 crore received from HMDA and State Government and balance amount of excess expenditure of ₹195.34 crore incurred by the HGCL was shown as other current assets. This has resulted in the understatement of Capital work in progress by ₹7,459.10 crore and understatement of liabilities (advances received) by ₹7,263.75 crore and overstatement of other current assets by ₹195.34 crore
4.	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	Scheme Funds (Amrut Scheme) shown under Current Liabilities were overstated by ₹444.72 crore being the amount of grants released to the scheme beneficiaries (ULBs), due to accounting for such releases as Current Assets, instead of debiting to the scheme fund head. This resulted in Overstatement of 'Other Current Liabilities-Scheme Funds from Government' and Other Current Assets- Loans and Advances' by ₹444.72 crore.
5.	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company accounted for ₹200.68 crore being the balance in Personal Deposit (PD) account of the Company as on 31 March 2019, under 'Cash and Cash Equivalents - Balances with banks'. As the balances of PD account cannot be used by the Company unless authorized by the Finance Department of Government of Telangana, the same should not have been accounted for under 'Balances with banks' but should have been separately exhibited under the head 'Others' under 'Cash and Cash Equivalents'. This resulted in overstatement of 'Balances with banks' and understatement of 'Others' (specifying the nature as PD Account) under 'Cash and cash equivalents' by ₹200.68 crore.
6.	Telangana Urban Finance Infrastructure Development Corporation Limited (2018-19)	The Company did not account for ₹21.00 crore being the value of fixed deposits (with one-year maturity) made with banks, from scheme funds during 2018-19 and ₹0.97 crore being the accrued interest on the above FDs as on 31 March 2019. The fixed deposits and the accrued interest were also not accounted for under 'Current Investments' and 'Other Current Assets' respectively, under Current Assets in Balance Sheet. This resulted in understatement of Current Assets and Current Liabilities by ₹21.97 crore.
7.	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company had not accounted the liability of ₹263.97 crore being the amount payable for the works executed and bills submitted by the vendors during 2020-21. Non-provision for the liability has resulted in understatement of Other Current Liabilities and

Sl. No.	Name of the Company (Year of Accounts)	Comments
		understatement of Capital Work-In-Progress under Non-Current Assets by ₹263.97 crore
8.	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not capitalise ₹22,564.39 crore incurred towards capital works which were completed before 31 March 2021 and were available for use. This resulted in overstatement of Capital Work-In-Progress (CWIP) and understatement of Property, Plant & Equipment (PPE) by ₹22,564.39 crore.
9.	Kaleshwaram Irrigation Project Corporation Limited (2020-21)	The Company did not recover an amount of ₹18.27 crore being the excess GST paid which was recoverable from the contractor's bills. This resulted in overstatement of Capital WIP by ₹18.27 crore and understatement of 'Current Assets-amount recoverable from contractors' by ₹18.27 crore.
10.	Telangana Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Company accounted an amount ₹636.48 crore as receivable from Andhra Pradesh Industrial Infrastructure Corporation (APIIC) being the excess of liabilities over assets consequent to demerger of the Company on account of bifurcation of the erstwhile State of Andhra Pradesh in June 2014. Since, the Assets and Liabilities were apportioned between the resultant entities in different ratios (assets on location and liabilities on the ratio of population basis), they do not match, and the balance needs to be shown as Demerger (Reorganization) Adjustment account under the Reserves and Surplus as per the decision of the Expert Committee. This resulted in overstatement of Other Loans and Advances and overstatement of Demerger (Reorganization) Adjustment Account under Other equity by ₹636.48 crore.
11.	Telangana Industrial Infrastructure Corporation Limited (2018-19 SFS&CFS)	The Cash Flow from operating activities of the Company includes ₹46.08 crore being interest income earned by Company, was not shown as Income from Investing Activities as required by Ind AS 7 (Cash Flow Statement) for non-financial institutions. This has resulted in overstatement of Income from Operating activities and understatement of Income from investing activities by ₹46.08 crore in the Cash Flow Statement.
12.	TS Fiber Grid Corporation Limited (2020-21)	The Company had not made a provision for the liability of ₹113.63 crore being the payables for the value of works contract / supply of material in respect of 23 invoices which were received on or before 31 March 2021. This resulted in understatement of Current Liabilities and Capital Work-In-Progress by ₹113.63 crore.
13.	Fab City (SPV) India Private Limited (2018-19)	Capital WIP was overstated by ₹35.39 crore being the capital expenditure towards 220 KV Sub-Station and Water supply scheme works which were completed in December 2014 and December 2016 respectively and put to use. This resulted in overstatement of CWIP by ₹35.39 crore, understatement of Property, Plant and Equipment by ₹30.63 crore, Other Equity

Sl. No.	Name of the Company (Year of Accounts)	Comments
		by ₹2.87 crore, depreciation for the year 2018-19 by ₹1.89 crore and consequently understatement of loss for the year by ₹1.89 crore.

(C)Comments on Disclosure:

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

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

Appendix 1.5

(Referred to in Paragraph 1.16,1.18,1.19, 1.20, 1.21, 1.22 and 1.23)

Statement showing requirement of Independent Director/Woman Director/Audit committee/NRC/KMP/Internal Auditor/VM

Sl. No.	Name of the SPSEs	Requirement of				
		Independent Director/ Audit Committee/ NRC	Women Director	Key Managerial Personnel	Internal Auditor	Vigil Mechanism
1.	The Singareni Collieries Company Limited	Yes	Yes	Yes	Yes	Yes
2.	Telangana Power Generation Corporation Limited	Yes	Yes	Yes	Yes	Yes
3.	Transmission Corporation of Telangana Limited	Yes	Yes	No	Yes	Yes
4.	Southern Power Distribution Company of Telangana Limited	Yes	Yes	Yes	Yes	Yes
5.	Northern Power Distribution Company of Telangana Limited	Yes	Yes	Yes	Yes	Yes
6.	Telangana Power Finance Corporation Limited	Yes	No	No	Yes	Yes
7.	Telangana Renewable Energy Development Corporation Limited	No	No	No	No	No
8.	Telangana Industrial Health Clinic Limited	Yes	No	Yes	No	No
9.	Telangana Forest Development Corporation Limited	No	No	No	No	No
10.	Telangana Housing Corporation Limited	Yes	No	No	Yes	Yes
11.	Telangana State Minorities Finance Corporation	No	No	No	No	No
12.	T-works Foundation	No	No	No	No	No
13.	Telangana State Water Resources Infrastructure Development Corporation Limited	Yes	No	No	Yes	Yes
14.	Wehub Foundation	No	No	No	No	No
15.	Telangana Rythu Bandhu Samithi	No	No	No	No	No

SI. No.	Name of the SPSEs	Requirement of				
		Independent Director/ Audit Committee/ NRC	Women Director	Key Managerial Personnel	Internal Auditor	Vigil Mechanism
16.	Damodhara Minerals Private Limited	No	No	No	No	No
17.	Telangana Rajiv Swagruha Corporation Limited	No	No	No	No	No
18.	The Nizam Sugars Limited	Yes	No	Yes	No	Yes
19.	Telangana Technology Services Limited	No	No	No	No	No
20.	State Police Housing Corporation Limited	Yes	No	No	Yes	Yes
21.	Telangana Horticulture Development Corporation Limited	Yes	No	No	Yes	Yes
22.	Telangana Mineral Development Corporation Limited	Yes	No	No	Yes	No
23.	Telangana State Water Resources Development Corporation Limited	No	No	No	No	No
24.	Telangana Film Development Corporation	No	No	No	No	No
25.	Manjeera Lift Irrigation Corporation Limited	No	No	No	No	No
26.	Kaleshwaram Irrigation Project Corporation Limited	Yes	Yes	Yes	Yes	Yes
27.	Telangana Drinking Water Supply Corporation Limited	Yes	No	No	Yes	Yes
28.	Telangana Industrial Development Corporation	No	No	No	No	No
Total		15	6	7	13	13

Appendix 1.6*(Referred to in Paragraph 1.23)***Statement showing companies having Internal Audit Framework**

Sl. No.	Name of SPSEs having Internal Audit Framework	Frequency of Internal Audit	Internal Audit Observations/ Progress reported to	Chartered Accountant (CA) Firm/ Employee
1.	Southern Power Distribution Company of Telangana Limited	Monthly	Audit Committee	CA firm
2.	Transmission Corporation of Telangana Limited	Accounting units on quarterly basis & non-accounting units on half-yearly basis.	Audit Committee	CA firm
3.	The Singareni Collieries Company Limited	Half Yearly	Audit Committee	CA, an employee
4.	Telangana Power Generation Corporation Limited	Annual	Not reported to Board	Employee
5.	Northern Power Distribution Company of Telangana Limited	Half Yearly	Chairman and Managing Director	CA
6.	Telangana Power Finance Corporation Limited	Annual	Board	CA firm
7.	Water Resource Infrastructure Development Corporation Limited	Quarterly	Board	CA firm
8.	Telangana Drinking Water Supply Corporation	Annual	Board	CA firm
9.	Telangana Horticulture Development Corporation Limited	Annual	Managing Director	CA firm
10.	Telangana Mineral Development Corporation Limited	Details not furnished		
11.	Kaleshwaram Irrigation Project Corporation Limited	Annual	Audit Committee	CA firm

Glossary of Abbreviations

Glossary of Abbreviations

AGM	Annual General Meeting
BCM	Bank Cubic Meter
BoD	Board of Directors
BTPS	Bhadradi Thermal Power Station
CEO	Chief Executive Officer
CFO	Chief Financial Officer
C&MD	Chairman and Managing Director
CA	Chartered Accountant
CIL	Coal India Limited
CMC	Contract Management Cell
Cu.m	Cubic Meters
EBIT	Earnings Before Interest and Tax
ETP	Effluent Treatment Plant
GDP	Gross Domestic Product
GoAP	Government of Andhra Pradesh
GoI	Government of India
GoT	Government of Telangana
GST	Goods and Services Tax
GVCF	Godavari Valley Coalfield
HEMM	Heavy Earth Moving Machinery
HSD	High-Speed Diesel
ICAI	Institute of Chartered Accountants of India
IAD	Internal Audit Department
IIA	Institute of Internal Auditors
ID	Independent Director
JV	Joint Venture
JVR OCP	Jalagam Vengal Rao Opencast Project
KCHP	Kondapuram Coal Handling Plant
KMP	Key Managerial Personnel
K-OCP	Koyagudem Opencast Project
LT	Lakh Tonnes
LBCM	Lakh Bank Cubic Meters
MD	Managing Director
MGR	Merry Go Round
MNG OCP	Manuguru OC Project
MoEF & CC	Ministry of Environment, Forest and Climate Change
NRC	Nomination and Remuneration Committee
NIT	Notice Inviting Tender
OB	Overburden
OBR	Over Burden Removal
OCP	Open Cast Project
PED	Public Enterprise Department
PK	Prakasam Khani
POB	Processed Over Burden
RoCE	Return on Capital Employed
R&D	Research and Development
SPSE	State Public Sector Enterprise
SCCL	The Singareni Collieries Company Limited
STC	Surface Transport Charges
STPP	Singareni Thermal Power Plant

Glossary of Abbreviations	
ToR	Terms of Reference
TPD	Tadikalapudi Railway Siding
UG	Underground Mines
VM	Vigil Mechanism
YCHP	Yellandu Coal Handling Plant

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