

2014-
15

**RESEARCH STUDY
REPORT ON
ASSESSMENT OF
CORPORATE
GOVERNANCE
PRACTICES IN STATE
LEVEL PUBLIC
ENTERPRISES OF
ANDHRA PRADESH &
TELANGANA**

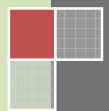
Submitted to National Foundation for
Corporate Governance

Survey Report

ADMINISTRATIVE STAFF COLLEGE OF INDIA



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Survey Report 1

THE TELANGANA SOUTHERN POWER DISTRIBUTION COMPANY LIMITED (TSSPDCL)

1. Company profile :

1.1 Incorporation

Central Power Distribution Company of Andhra Pradesh was incorporated under The Companies Act 1956 in the year 2000, as a sequel to Andhra Pradesh Electricity Reforms Act 1988. The company is wholly owned by the State Government and is in the business of procurement, supply and distribution of electricity in Andhra Pradesh. Its distribution network is spread across eight districts in the state, through which the company meets the power requirements of more than eight million consumers.

After the bifurcation of the state, the company has been renamed as Southern Power Distribution Company of Telangana Ltd (TSSPDCL) and continues to operate with truncated operations in the districts of Hyderabad, Mehboobnagar, Ranga Reddy, Nalgonda and Medak.

1.2 Financial Performance

The financial statements of TSSPDCL are given in Annexure 1. During the financial year ended 31st March 2013, TSSPDCL has incurred a loss of Rs.7718 crores, due to which its net worth has been completely eroded.

Based on the provisional comments made by the Comptroller and Auditor General (C & AG) under section 619(4) of the Companies Act 1956, the annual accounts for the Financial Year 2012-13 have been revised and approved by the Board. This revision has resulted in the power purchase cost and trade payables being

increased by Rs.881 crores, respectively. Further, a provision has been created towards receivables from Govt for additional power subsidy of Rs.3878 crores. A provision for inventories has been created for Rs.9 crores while the provision for receivables towards Indiramma Scheme has been reversed by Rs.11 crores. The above revisions have resulted in an increase in the net loss by Rs.4931 crores and changes in assets and liabilities as described above. The summary of financials is in Annexure 1.

1.3 Employee Profile

The employee profile of TSSPDCL is given in Table 1 below. It is observed that the current employee strength is 14379 against a sanctioned strength of 19507, indicating a shortfall in filling up positions. In particular, the field staff strength is much below sanctioned strength.

Table 1

SANCTIONED STRENGTH AND MEN IN POSITION .			
S. No.	Name of the Post	Sanctioned Strength in No.	Filled in No.
1	Chairman & Managing Director	1	1
2	Directors Whole time	5	5
3	Senior Management	24	24
4	Engineering Executives	1590	1518
5	Engineering Non- Executives	793	696
6	Non Technical Executives	184	163
7	Field Establishment/ Non Executive	16910	11972
	TOTAL	19507	14379

2. Corporate Governance Policy :

The philosophy of TSSPDCL is to enhance its performance and emerge stronger by the day to offer its customers the best value for money.

2.1 Objectives

TSSPDCL has clearly stated its objectives as given below:

- a) To engage in the business of procurement, supply and distribution of electricity.
- b) To acquire, establish construct and operate electrical lines for the purpose of distribution and supply of electrical energy and associated sub-stations.
- c) To plan, investigate and prepare project reports business plans and strategy documentation and forecast customer demand and source purchase of power.
- d) To utilize the distribution network and other infrastructure facilities of the company.
- e) To provide continuous quality power supply to consumers.

2.2 Vision

The Company does not have a vision statement.

2.3 Mission

The Company does not have a mission statement.

2.4 Values

The company does not have a values statement.

2.5 Citizen's Charter

The company does have a citizen's charter.

2.6 Code of Conduct for Employees

The Company has a code of conduct for the employees.

2.7 Environment, Health & Safety(EHS) Policy

The Company has an EHS policy.

2.8 Quality Policy

There is a quality control wing in operation that is checking adherence to the standards laid down by the regulator.

2.9 Corporate Governance Code

The Company does not have a stated Corporate Governance code.

3. Board Structure :

3.1 Composition of the Board

The Board consists of seven directors including the Chairman & Managing Director. There are four whole time directors and two non whole time directors. The whole time directors have been appointed from the various functions such as finance, HR, commercial, projects and operations. All the directors are nominated by the State Govt. in accordance with the guidelines. The list of the directors as on 12th May 2014, is given in table 2 below.

Table 2

List of the Directors as on 12 th May 2014		
S.No.	Name	Designation
1	Sri.S. A. M. Rizvi IAS	Chairman & Managing Director
2	Sri.C.Srinivasa Rao IRAS	Director Finance & P&MM
3	Sri.G. Raghuma Reddy	Director Commercial & RAC
4	Sri.T.Srinivas	Director Projects & HRD
5	Sri.K. M. Nagender	Director Operations
6	Sri. S. Subrahmanyam	Non Whole time Director – Ex- officio
7	Sri.A.Sudhakar	Non Whole time Director Ex-officio

An analysis of the composition of the Board for the two year period from April 2011 to March 2013, shows that a total of 21 directors were in office with the Corporation at various points of time. Further the analysis showed that during the three year period from April 2010 to March 2013, six directors were inducted

and eleven directors have relinquished office, as a result of which some of the directors could not have completed even two years. The table 3 below gives the tenure of the Chairman and Managing Director for the period February 2010 to June 2013. It is observed that the Chairman and Managing Director have been replaced thrice, in this period.

Table 3

Tenure of Chairman and Managing Director (2010 till date)				
Sl. No.	Name	Date of Joining	Date of Separation	Tenure in months
1.	Mr. M. T Krishna Babu	14 th Feb 2010	16 th July 2011	17
2.	Mr G. Ananth Ramu	16 th July 2011	21 st Jan 2013	18
3.	Mr. V. Anil Kumar	22 nd January 2013	30 th June 2013	5
4.	Mr. S. A.M. Rizvi	30 th June 2013	Till date	-

From the above analysis of the tenure of the directors, Chairman & Managing Director, frequent changes in directorships have affected the continuity of leadership due to frequent changes. This also dilutes the accountability of the top management to the Board, which is important particularly in the context of TSSPDCL which is currently executing projects worth Rs 829.30 crores.

3.2 Independent Directors

There are no Independent Directors on the Board.

3.3 Appointment of Company Secretary & Duties

TSSPDCL has a full time Company Secretary looking after legal and secretarial matters.

4. Board Processes :

4.1 Frequency of Meetings

The frequency of conducting the Board meetings during the period April 2010 to February 2014 is given in table 4 below. The company has complied with the statutory requirement of holding the Board meeting once a quarter. However, from an analysis of the period between two meetings shows that Board meetings have been held monthly and even twice a month in some cases. This indicates that probably the Board needs to delegate its powers.

Table 4

List of Board Meetings in 2010-11			
S. No.	Board Meeting No	Date	Gap in Months
1	86	09/04/2010	
2	87	29/06/2010	2
3	88	19/07/2010	1
4	89	23/08/2010	1
5	90	14/09/2010	1
6	91	03/12/2010	2
7	92	29/01/2011	1
8	93	01/03/2011	2

List of Board Meetings in 2011-12			
S. No.	Board Meeting No	Date	Gap in Months
1	94	16/04/2011	1
2	95	16/06/2011	2
3	96	21/07/2011	1
4	97	29/08/2011	1
5	98	28/09/2011	1
6	99	16/11/2011	2
7	100	25/01/2012	2
8	101	26/03/2012	2

List of Board Meetings in 2012-13			
S. No.	Board Meeting No	Date	Gap in Months
1	102	27/06/2012	3
2	103	06/08/2012	2
3	104	28/09/2012	1
4	105	21/11/2012	2
5	106	11/01/2013	2

List of Board Meetings 2013-14			
S. No.	Board Meeting No	Date	Gap in Months
1	107	24/05/2013	4
2	108	28/09/2013	4
3	109	16/11/2013	2
4	110	19/12/2013	1
5	111	23/12/2013	0
6	112	16/01/2014	1
7	113	28/01/2014	0
8	114	19/02/2014	1

4.2 Attendance of Directors

A summarized attendance of the Board members at the meetings is given in Table 5. A study of the participation of the Directors of the Board in the meetings reveals that although most of the directors have attended the meetings, there are a couple of ex-officio directors who have been consistently absent. There have also been instances of some directors being able to attend only a single meeting during their entire period of directorship. The maximum number of meetings at which a director has been continuously present is eight.

Table 5

Details of Attendance of Directors 2010-11				
Meeting No.	Date	Directors Attended	Directors Absent	Total
86	09/04/2010	8	2	10
87	29/06/2010	9	1	10
88	19/07/2010	10	0	10
89	23/08/2010	10	0	10
90	14/09/2010	9	1	10
91	03/12/2010	10	0	10
92	20/01/2010	10	0	10
93	01/03/2011	10	0	10

Details of Attendance of Directors 2011-12				
Meeting No.	Date	Directors Attended	Directors Absent	Total
94	16/04/2011	10	2	12
95	16/06/2011	8	2	10
96	21/06/2011	7	1	8
97	29/08/2011	9	1	10
98	28/09/2011	9	1	10
99	16/11/2011	8	1	9
100	25/01/2012	8	1	9
101	26/03/2012	6	2	8

Details of Attendance of Directors 2012-13				
Meeting No.	Date	Directors Attended	Directors Absent	Total
102	27/06/2012	7	1	8
103	06/08/2012	6	2	8
104	28/09/2012	6	1	7
105	21/11/2012	5	2	7
106	11/01/2013	6	1	7

Details of Attendance of Directors 2013-14				
Meeting No.	Date	Directors Attended	Directors Absent	Total
107	24/05/2013	4	3	7
108	28/09/2013	5	3	8
109	16/11/2013	6	1	7
110	19/12/2013	5	2	7
111	23/12/2013	5	2	7
112	16/01/2014	5	2	7
113	28/01/2014	7	1	8
114	19/02/2014	6	1	7

4.3 Agenda of Board Meetings

Items Discussed

A list of the items discussed in the Board meetings, is given in Annexure 2.

Action Taken Report

Based on an examination of the Board minutes, it is observed that the action taken report has been reviewed in all Board meetings.

Review of Legal Compliances

The Board reviews the legal compliances at frequent intervals.

Review of Operations

Based on a review of the items transacted it is observed that the Board regularly reviews the operating results at every Board meeting.

Appointment of Auditors

The appointment of auditors is discussed at the Board meetings and the auditors are appointed on the basis of the recommendations by the Board.

A study of the agenda items placed before the Board reveals that the operations and employee related issues were most frequently discussed. Within the operations related issues, the progress of work done on the projects was discussed most frequently. In particular, issues related to expediting the projects and procurement of equipment received maximum attention. It is observed that matters related to projects were also discussed with the project engineers. The project delays have also been discussed and during the course of reviewing the project status, responsibility for project completion was assigned to the

concerned executives with accountability. In one meeting, to expedite the completion of the project, the Board has sanctioned the procurement of high value machinery, in anticipation of Govt. approval. The Board has also approved the project cost overruns upto certain limits.

To summarise, the major items of discussion at the Board meetings have been:

- Progress of projects
- Operational Performance
- Procurement of substation and distribution equipments

Based on the minutes of the Board meeting, it was observed that the business plan and long term strategy of the company are not included as agenda items. The financial performance of the company is also not part of the agenda.

5. Board Committees :

5.1 Constitution of Audit Committee

An Audit Committee has been formed as a subcommittee functioning of the Board.

5.2 Composition of Audit Committee

The Audit Committee has been recently reconstituted and the members are listed below in Table 6:

Table 6

List of Audit Committee members		
Name of the member	Appointment date	Role
Sri. K. Ranganatham	9 th July 2010	Chairman
Sri. C..Chenna Reddy	31 st March 2008	Member
Sri. K. Venkata Narayana	17 th July 2011	Member

5.3 Director Attendance

The table 7 below gives the director attendance at the audit committee meetings. It is observed that the directors have been regular in attending meetings.

Table 7

Details of Attendance of Directors – Audit Committee				
Sl. No	Date	Directors Present	Directors Absent	Total
1	27 th May 2010	2	1	3
2	19 th July 2010	3	0	3
3	14 th September 2010	2	1	3
4	23 rd December 2010	3	0	3
5	29 th March 2011	3	0	3
6	21 st July 2011	2	1	3
7	16 th September 2011	3	0	3
8	19 th December 2011	3	0	3
9	24 th March 2012	3	0	3
10	02 nd June 2012	3	0	3
11	01 st August 2012	3	0	3
12	28 th September 2012	3	0	3
13	22 nd December 2012	2	1	3
14	20 th March 2013	2	1	3
15	30 th September 2013	2	1	3
16	16 th November 2013	2	1	3
17	23 rd December 2013	2	1	3
18	26 th February 2014	3	0	3

5.4 Audit Committee Meeting - Agenda

Number of Items transacted

The Table below gives the number of items transacted at the Audit Committee meetings. It is observed that an adequate number of items are being discussed and the time allotted seems reasonable.

Action Taken Report

The Table 8 below gives the status on action taken report and shows that in some meetings this has not been discussed and therefore can be improved upon.

Nature of Items transacted

The Audit committee has discussed the following items:

- Review of annual accounts;
- Review of reports prepared by internal auditors;
- Review of high tension consumer billing court cases;
- Review of statutory payments & filing of returns;
- Appointment of cost auditor.

Table 8

List of items transacted at audit committee meetings			
S.No	Date	No. of items transacted	Action Taken Report
1	27 th May 2010	2	Yes
2	19 th July 2010	2	Yes
3	14 th Sept 2010	2	Yes
4	23 rd December 2010	4	Yes
5	29 th March 2011	10	Yes
6	21 st July 2011	3	No
7	16 th Sept 2011	2	No
8	19 th December 2011	4	Yes
9	24 th March 2012	3	Yes
10	02 nd June 2012	4	Yes
11	01 st August 2012	2	No
12	28 th Sept 2012	3	No
13	22 nd Dec 2012	4	No
14	20 th March 2013	3	Yes
15	30 th Sept 2013	5	Yes
16	16 th November 2013	2	No
17	23 rd December 2013	3	Yes
18	26 th February 2014	4	Yes

6. Process Enablers

6.1 Organization Structure

The Company has a well-designed organization structure separately for the corporate office at Hyderabad, zonal offices and the field units. The Chairman and Managing Director (CMD) has been a combined post, since inception. The executive directors on the Board represent the following functions - Operations, Commercial, Projects and IT, Finance and HRD. The Executive Directors are assisted by Chief General Managers, General Managers and Senior Managers in charge of the zones and the project offices.

6.2 Delegation of Powers

A delegation of powers document, has been developed with the sanctioning authority and powers being clearly stated.

6.3 Process Manuals

The company has prepared detailed process manuals for its business processes and also ERP enabled its processes.

6.4 Internal Controls

Internal Audit Observations

Internal audit in TSSPDCL is conducted by the internal audit cell and firms of Chartered Accountants appointed by the management.

As per the comments made by the statutory auditors, the scope of internal audit of the Company requires further strength in terms of periodicity and coverage commensurate with the size and nature of the business. The auditor has also recommended that an information systems audit needs to be done.

An examination of the internal audit report submitted by the firm of chartered accountants, based on an upcountry visit to a unit of TSSPDCL shows the following comments have been made:

- Staff payments have been made without requisite documents.
- Manual record keeping and non-physical verification of inventory and fixed assets.
- Monitoring of the project site operations by the Head Office was satisfactory as frequent visits were made by the senior management.

A scrutiny of reports on observations made by Internal, Statutory auditors & CAG reveal certain procedural deviations in the recording of financial transactions. Certain observations have been made by the Statutory Auditors in the Annual Report 2012-13. These indicate that certain accounting policies are not in conformity with the accepted accounting standards. These observations relate to:

- Physical verification of tangible assets.
- Maintenance of separate accounts for assets created from Govt. grants and consumer contributions, due to which the depreciation could not been provided in accordance with AS-6 and AS-10.
- Revenue recognition on disconnected meters.
- Actuarial valuation for determination of the provision for employee benefits.
- Inventory valuation.
- Recognition of interest on electricity duty.
- Delayed payments of PF contribution.

7. Transparency & Disclosure

7.1 Annual Report

Adequate disclosures have been made in the Annual Report in accordance with the legal requirements.

7.2 Director Identification Number (DIN)

DIN has been obtained by all directors.

7.3 Disclosure of Interest by Directors

The disclosure of interest document has been signed by directors.

7.4 Related Party Transactions

There are no related party transactions with companies in which the directors are interested and this has been specifically stated in the Annual Report.

7.5 Website Information

TSSPDCL has a web site through which the company disseminates information on its activities to its stakeholders. The Annual Reports for the last years are available on the website. The information disclosed on the website is adequate.

BALANCE SHEET AS ON 31st MARCH			
		2012	2013
I.	EQUITY & LIABILITIES	Rs. Lakhs	
1	Shareholders' funds		
	a) Share capital	72847.96	72847.96
	b) Reserves & surplus	147282.88	-603829.78
2	Non-current Liabilities		
	a) Long term borrowings	264870.28	277159.86
	b) Other long term liabilities	14240.31	15729.96
	c) Long term provisions	30425.68	34111.06
3	Current Liabilities		
	a) Short term borrowings	426557.96	458390.98
	b) Trade payables	500332.18	616864.45
	c) Other current liabilities	212151.25	332479.36
	d) Short term provisions	13406.81	14441.53
	TOTAL	1682115.29	1218195.39
II.	ASSETS		
1	Non current Assets		
	a) Fixed assets		
	i) Tangible assets	366967.26	412917.79
	ii) Intangible assets	386.95	1253.09
	iii) Capital work in progress	74120.02	82929.64
	iv) Intangible assets under development		
	b) Non-current investments	17717.67	27677.67
	c) Deferred tax assets (net)	6162.10	16626.97
	d) Long term loans & advances	5209.65	4139.72
	e) Other non- current assets	595.86	676.86
2	Current Assets		
	a) Inventories	20970.70	21922.03
	b) Trade receivables	112997.15	143719.16
	c) Cash and cash equivalents	12784.97	23393.33
	d) Short term loans & advances	534612.49	6265.18
	e) Other current assets	529590.45	476673.95
	TOTAL	1682115.29	1218195.39

Annexure 1 Contd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH		
	2012	2013
INCOME	Rs. lakhs	
Revenue from operations	1499645.47	1567721.75
Less: Electricity Duty Paid	(13373.53)	(9543.41)
Net Revenue from Operations	1486271.94	1558178.34
Other income	26947.01	31632.67
Total Revenue	1513218.95	1589811.01
EXPENSES		
Power Purchase Expense	1267567.43	1523530.53
Employee benefits expense	83051.72	76614.89
Operation and Other Expenses	27544.30	34025.93
Finance costs	93550.20	118164.23
Depreciation & amortization expense	39035.32	45279.02
Total Expenses	1510748.96	1797614.60
Profit before exceptional and extraordinary items and tax	2469.99	(207803.59)
Exceptional items	1677.33	574490.24
Profit / (Loss) before tax	792.66	(782293.84)
Tax expense		
1) Current tax	127.70	0.00
2) Deferred tax	(260.13)	10464.86
Profit/ (Loss) for the year	404.83	(771828.97)

Annexure 2

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1	Routine Business
	Confirmation of minutes of the previous Board meeting
	Action taken report of the previous Board Meetings
2	Reconstitution of the Board
	Appointment of directors, Resignation of Directors
	Reconstitution of Audit Committee
3	Operations
	Revision of delegation of powers on certain issues to Directors and Chairman and Managing Director
	Review of Operations
4	Financial
	Approval of the issue of Bonds to APTRANSCO AND APGENCO under FRP Scheme.
	Financial assistance to the extent of Rs.4913.02 lakhs from Rural Electrification Corporation Limited
5	Capex
	Project completion
	Procurement of Machinery
6	Legal Compliance
	Review of legal compliances
7	Employee Remuneration
	Consideration of adoption of orders issued by the Govt. with reference to employee remuneration

Survey Report 2

TRANSMISSION CORPORATION OF ANDHRA PRADESH LIMITED (APTRANSCO)

1. Company Profile:

1.1 Incorporation

Transmission Corporation of Andhra Pradesh, (APTRANSCO) is a wholly owned company of Government of Andhra Pradesh (GoAP) with operations in Andhra Pradesh (AP) and is engaged in the transmission of power within the State. The Company was incorporated under Companies Act, 1956, as a sequel to the AP Electricity Reforms Act in 1998. APTRANSCO was also notified as a State Transmission Utility (STU) under Electricity Act, 2003 and is the nodal agency at the state level for transmission related activities.

APTRANSCO was further unbundled with effect from 1st April 2000 into one "Transmission Corporation" and four "Distribution Companies" (DISCOMS). APTRANSCO which was initially engaged in the bulk purchase, transmission and distribution of power has been reorganized as a transmission company only, with bulk purchase and transmission of power with effect from June 9, 2005. The distribution is now with the DISCOMs.

After the bifurcation of the State, APTRANSCO continues to retain its legal identity but with truncated operations, in the state of Andhra Pradesh.

1.2 Financial Performance

The financial statements of APTRANSCO are given in Annexure 1. During the financial year ended 31st March 2013, the revenue from transmission and SLDC charges increased to Rs 1497 crores, from Rs 1262 crores in the previous year, registering a growth of 18.6 %. In the same period, the profit after tax increased

from Rs 259 crores to Rs 417 crores, recording a growth of 61%. The assets of the company during the same period increased from Rs 6240 crores to Rs 7416 crores. Although the profitability also increased from 4.2% to 5.6%, the return capital employed, is much less than the market rate. The summary of financials are in Annexure 1.

1.3 Employee Profile

The employee profile of APTRANSCO is given in Table 1 below. It is observed that the current employee strength is only 4049 as against a sanctioned strength of 8419, indicating a major shortfall in filling up positions. In particular, the field staff strength is much below sanctioned strength are critical areas such as operations and maintenance. This shortage of staff could affect the customer service levels.

Table 1

SANCTIONED STRENGTH AND MEN IN POSITION				
S. No	Breakup	Sanctioned	Filled	Vacant
1	Engineering Service	3427	2629	798
2	P&G Service	796	437	359
3	Accounts Service	781	394	387
4	Vigilance & Security	73	7	66
5	Operations & Maintenance Service	3342	582	2760
	Total Strength	8419	4049	4370

2 Constituents of Corporate Governance :

2.1 Objectives

The company was set up with the following objective:

- “Purchase power from various generators and sell it to distribution companies”.

2.2 Vision

The Company has the following vision statement:

“To Plan, Construct and Maintain the Transmission Network in State of Andhra Pradesh in line with Demand Growth and Generation Expansion in an efficient manner so as to ensure highest availability and lowest operational costs.”

2.3 Mission

The Company has the following mission statement:

“To be recognized and respected as one of the best transmission utilities and to set the bench-marks in every parameter of operation for others to follow.”

2.4 Values

The company has stated the following core values:

- Customer Centric Operations
- Team Work
- Accountability
- Integrity
- Social Responsibility

2.5 Citizen’s Charter

The Company has a citizen’s charter which has details on items like quality standards, future proposals etc.

2.6 Code of Conduct for Employees

The Company has adopted the Andhra Pradesh State Electricity Board Employee’s (Revised) Conduct Regulations as the code of conduct for its employees as well.

2.7 Environment, Health & Safety Policy (EHS)

The Company does not have a stated EHS policy.

2.8 Quality Policy

There is no stated quality policy, however there is a supply code that has been specified by the regulator.

2.9 Corporate Governance Code:

The Company does not have a stated Corporate Governance code.

3 Board Structure :

3.1 Composition of the Board

The Table 2 below gives the list of directors as on 30th November 2013. From the list it is observed that the positions of Chairman and Managing Director are combined and the majority of directors are whole time. These whole time directors are drawn from the functional areas and operations like grid transmission and projects. There are two non whole time, ex-officio directors, one from the Energy Dept and one from the Finance Dept.

The analysis of the profile of the directors reveals that the whole time directors represent the functions and the operational areas of the business. The non whole time directors represent the respective administrative Departments such as – Energy and Finance. These positions would be necessary to develop the required linkages with the Government and facilitate the necessary approval. Although the Board has sufficient functional expertise, it needs to strengthen domain expertise for identification of growth opportunities and formulating strategic plans.

Table 2

LIST OF DIRECTORS (as on 30th Nov 2013)		
S.No.	Name	Designation
1	Mr. Suresh Chanda	Chairman & Managing Director
2	Mr. P Ramesh	Joint Managing Director (Commercial &HRD)
3	Mr. Y Nagi Reddy	Joint Managing Director (Vigilance and Security)
4	Mr. G Ramakrishna Reddy	Director (Finance)
5	Mr. Mohd. Anwaruddin	Director (Grid Transmission & Management)
6	Mr. S Subrahmanyam	Director (Projects)
7	Mr. Mrutunjay Sahoo	Director (Non Whole time)
8	Dr. P. V Ramesh	Director (Non Whole time)

An analysis of the composition of the Board for the two year period from April 2011 to March 2013, shows that 4 directors were appointed to the Board. Further, during the three year period from April 2010 to March 2013, eight directors have relinquished office. The total strength of the Board is ten, however, it is observed that four directors have relinquished office in each year during the period 2011-12 and 2012-13 and correspondingly four new directors have been appointed in the same period.

3.2 Tenure of Managing Director

The table 3 below gives the tenure of the Managing Directors of APTRANSCO for the period 2008 to 2013. It is observed that during the five year period, the Managing Director has been changed four times. In fact two Managing Directors have been replaced in 13-14 months, indicating that there is no continuity of leadership consequently the accountability of top management to the Board is diluted.

Table 3

Tenure of Managing Director				
Sl. No.	Name of the Managing Director	Date of Joining	Date of Separation	Tenure in Months
1.	Mr. Sutirtha Bhattacharya	31-10-2008	02-01-2010	14
2.	Mr. Ajay Jain	02-01-2010	18-05-2012	29
3.	Mr. Hiralal Samariya	18-05-2012	04-07-2013	13
4.	Mr. Suresh Chanda	05-07-2013	Till date	

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are no Independent Directors on the Board.

3.5 Appointment of Company Secretary & Duties

The company has a full time Company Secretary looking after legal and secretarial matters.

4 Board Processes :

4.1 Frequency of Meetings

The dates on which the Board meetings have been held during the period June 2012 to March 2014 is given in Table 4 below. It is observed that the company has complied with the legal requirement of holding a meeting once a quarter. It is observed that in November 2013, two meetings have been held due to the resignation of the Chairman of the Audit Committee.

Table 4

FREQUENCY OF BOARD MEETINGS			
S. No.	Board Meeting No	Date	Gap in Months
1	90	15/06/2012	
2	91	28/09/2012	3
3	92	29/12/2012	3
4	93	14/03/2013	2.5
5	94	26/06/2013	3
6	95	16/09/2013	2.5
7	96	12/11/2013	2
8	97	30/11/2013	1
9	98	07/03/2014	3

4.2 Attendance of Directors

The details of directors attendance is given in table 5 below. It is observed that most of the directors are present at the meetings.

Table 5

DETAILS OF ATTENDANCE OF DIRECTORS 2011-12			
Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
86	28/6/2011	9	1
87	19/9/2011	10	0
88	28/12/2011	8	1
89	24/3/2012	6	3

DETAILS OF ATTENDANCE OF DIRECTORS 2012-13			
Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
90	15/06/2012	9	0
91	28/09/2012	8	2
92	29/12/2012	8	2
93	14/03/2013	6	3

DETAILS OF ATTENDANCE OF DIRECTORS 2013-14			
---	--	--	--

Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
94	26/06/2013	8	1
95	16/09/2013	5	3
96	12/11/2013	7	1
97	30/11/2013	7	1
98	07/03/2014	7	1

4.3 Agenda of Board Meetings

Number of items transacted

Please see Annexure 2 for a list of the items discussed in the Board meetings.

From an analysis of the issues discussed at the Board Meetings it is observed that matters relating to financial performance, project execution and manpower planning are being discussed.

Action Taken Report

The Action Taken Report is discussed at all the Board Meetings.

Appointment of Auditors

The appointment of auditors is discussed at the Board meetings and the auditors are appointed on the basis of the recommendations by the Board.

Review of Legal Compliances

The Board reviews the legal compliances at frequent intervals.

Review of Operations

The Board regularly reviews the operating results at every Board meeting.

Review of financials

The Board reviews the financial performance and the key performance indicators that have been identified.

Business Plan

Based on the review of the minutes of the Board meeting, it was observed that the business plan and strategy of the company are not items on the agenda.

5 Board Committees :

5.1 Audit Committee

There is an Audit Committee functioning within the Board.

5.2 Composition of Audit Committee

The Board has constituted an audit committee, the list of members of the audit committee as on 7th March 2014, is given in table 6 below. It is observed that the committee comprises of three directors of which one is whole time and two are non whole time directors.

Table 6

LIST OF THE AUDIT COMMITTEE MEMBERS		
Name of the Member	Appointment Date	Role
Mr. Mrutunjay Sahoo	29 th December 2012	Member
Mr. P.V.Ramesh	30 th November 2013	Member
Mr. Y. Nagi Reddy	26 th June 2013	Member

5.3 Audit Committee Meetings - Attendance

The attendance of the members of the Audit Committee is given in Table 7 below. It is seen that in most of the meetings, one director has been absent, in only three meetings all the members have been present at the meeting.

Table 7

ATTENDANCE OF DIRECTORS IN AUDIT COMMITTEE MEETINGS			
AC Meeting No	Date	No. of Directors Attended	No. of Directors Absent
12	23/09/2010	2	1
13	28/06/2011	3	0
14	19/09/2011	3	0
15	15/06/2012	3	0
16	28/09/2012	2	1
17	29/12/2012	2	1
18	26/06/2013	2	1
19	30/11/2013	2	1
20	07/03/2014	2	1

5.4 Audit Committee - Frequency of Meetings

The frequency of meetings for the period September 2010 to March 2014 is given in Table 8 below. It is observed that the number of meetings held is in accordance with the mandatory requirement of approval of half yearly accounts.

Table 8

GAP IN AUDIT COMMITTEE MEETINGS		
AC Meeting No	Date	Gap in months
12	23/09/2010	
13	28/06/2011	9
14	19/09/2011	3
15	15/06/2012	9
16	28/09/2012	3
17	29/12/2012	3
18	26/06/2013	6
19	30/11/2013	5
20	07/03/2014	3

5.5 Audit Committee – Agenda for Meetings

The number of items transacted and the action taken report is given in Table 9 below. It is observed that the number of items being discussed is reasonable for the allotted time. However, the action taken report is not being discussed, except at the last meeting. An examination of the minutes of the meeting reveals that the Audit Committee has discussed the following items:

- Review of comments made by statutory auditors, C&AG on scope of audit, accounting policies and audit observations
- Review of Annual Accounts
- Internal Control System based on internal audit reports
- Appointment of cost auditor

Table 9

AGENDA FOR MEETINGS			
AC Meeting No	Date	No. of items transacted	Action Taken Report
12	23/09/2010	5	No
13	28/06/2011	6	No
14	19/09/2011	6	No
15	15/06/2012	7	No
16	28/09/2012	7	No
17	29/12/2012	7	No
18	26/06/2013	8	No
19	30/11/2013	6	No
20	07/03/2014	5	Yes

6 Process Enablers :

6.1 Organization Structure

The company has a well-defined organization Structure.

6.2 Delegation of Powers

The company has a detailed document on delegation of powers for incurring expenditure and appointment of employees.

6.3 Process Manuals

The company has developed standard operating procedures for its business processes.

6.4 ERP enabled Processes

The company has implemented an ERP Application with six modules, Material Management, Project Management,

Maintenance Management, Finance Management, Human Resource Management and Payroll Management. The application covers the business functionalities at the Head Quarters, all Transmission Lines & Sub Stations / TLC wings (up to Divisional Level) and all the stores departments.

6.5 Internal Controls

Internal Audit Observations

The internal audit has been carried out on the transactions of APTRANSCO upto the year 2013–14.

Based on the internal audit reports for the last three years certain areas of non conformance have been identified. Most of these pertain to procedural deviations with respect to purchase, capitalization of expenditures and payment of taxes.

The statutory auditors have commented that there are adequate internal control systems commensurate with the size and nature of the business with regard to purchase of inventory, fixed assets and sale of goods/services. Further they have also commented there is no major weakness in the internal controls.

Certain observations made by statutory auditors and CAG indicate that the accounting policies followed by the company are not in accordance with the accepted practice.

The summarized list of observations are given in Table 10 below, relate to the following areas, some of which have repeatedly occurred.

Table 10

OBSERVATIONS MADE BY STATUTORY AUDITORS & CAG
Accounting Policy Deviations
<ul style="list-style-type: none"> ▪ Actuarial Valuation of Employee Benefits ▪ Determination of outstanding capital commitments ▪ Accounting and disclosure of MAT receivable and subsequent adjustments ▪ Accounting for deferred tax
Records Maintenance and Updation
<ul style="list-style-type: none"> ▪ Maintenance of records relating to usage of vehicles
Work in Progress
<ul style="list-style-type: none"> ▪ Non completion of project works within due date ▪ Non submission of accounts for completed works. ▪ Agreements entered into with contractors ▪ Security deposits collected from contractors
Receivables
<ul style="list-style-type: none"> ▪ Confirmation of balances ▪ Recovery of loans and advances from employees
Deposits & Advances
<ul style="list-style-type: none"> ▪ Settlement of long pending advances ▪ Payment of service tax on reverse charges
Cash & Bank Balances
<ul style="list-style-type: none"> ▪ Reconciliation of bank balances as per bank books
Fixed Assets
<ul style="list-style-type: none"> ▪ Updation of fixed assets register ▪ Capitalization of major expenditures

7 Transparency & Disclosures

7.1 Annual Report

The annual report has made all relevant disclosures in conformance with the legal requirements.

7.2 Disclosure of Interest by Directors

There is no disclosure of interest document signed by the directors.

7.3 Related Party Transactions

The related party transactions are not being put up to the Board for review. No disclosures have been made in the annual report on related party transactions.

7.4 Website Information

AP Transco has a web site through which the company disseminates information on its activities to its stakeholders. The Annual Reports for the last years are available on the website. The information disclosed on the website is adequate.

7.5

Annexure 1

Balance Sheet as on 31st March			
		(Rs. lakhs)	
Sl. No		2012	2013
I	NET ASSETS :		
	Gross Block (a)	800003.92	913065.89
	Less: Accumulated Depreciation (b)	361060.47	402709.65
	Net Fixed Assets (a-b)	438943.45	510356.24
	Capital Expenditure in progress	169938.90	170434.15
	Investments	10156.67	10717.63
	Net Current Assets	4987.22	50186.42
	Total Current Assets	253664.09	346615.16
	Less : Total Current Liabilities	248676.87	296428.74
	NET ASSETS	624026.24	741694.45
II	FINANCED BY:		
	Capital Liabilities	273531.12	290240.44
	Deferred Tax Liability	31400.31	30956.17
	Funds from State Government	46789.98	57477.78
	Equity	77921.76	77921.76
	Contributions, Grants and Subsidies towards cost of Capital Assets	113443.86	128263.68
	Reserve and Reserve Funds	8109.61	42802.14
	Surplus	72829.59	114032.49
	TOTAL FUNDS	624026.24	741694.45

Annexure 1 Contd.

Profit & Loss Account for the year ended 31st March		
	(Rs. lakhs)	
	2012	2013
INCOME		
Revenue from Transmission & SLDC Charges	126188.63	149785.17
Other Income	19290.80	22641.28
TOTAL	145479.43	172426.44
EXPENDITURE		
Repairs & Maintenance	14934.08	18474.55
Employee Costs	33914.07	37850.67
Administration & General Expenses	5614.68	5284.06
Depreciation and Related expenses (Net)	39549.86	41651.83
Interest and Finance charges	30194.19	36493.38
Less: Expenses Capitalized		
Interest and Finance charges capitalized	8297.00	9860.00
Expenses capitalized	9055.23	8917.16
Sub-Total	17352.23	18777.16
Other Debits	63.45	8.56
Net Prior Period Charges / (Credits)	0.00	(185.00)
TOTAL	106918.10	120800.89
Profit / (Loss) Before Tax	38561.33	51625.55
Current Tax (Corporate Tax)	7,715.65	17,193.99
MAT credit availed	0.00	(6,864.88)
Deferred tax	4,867.27	(444.15)
Profit After Tax	25978.41	41740.59

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1.	Routine Business
	Grant of leave of absence to the directors
	Confirmation of proceedings of previous meeting
	Review of Action Taken Report
2.	Reconstitution of the Board
3.	Project Execution Issues
	Status on new projects – adding substations, laying of lines , augmentation of transformer capacity and extending power to lift irrigation schemes
4.	Operational Issues
	Performance review and plan for next year in terms of operational parameters such as energy handled, peak demand and revenue generated
	Sanction of additional posts and transfer of employees
	Waiver of transmission charges
5.	Financial Issues
	Approval of annual accounts
	Placement of Inter corporate deposits
6.	Legal Compliance Issues
	Extension of time for convening Annual General Meeting
	Change in shareholders of APTRANSCO
	Change in nomination of member of Audit Committee
	Approval of Cost Accounting Records
	Approval of Directors Report
	Implementation of AP revised pension rules and GPF rules
	Appointment and Remuneration of Statutory Auditors
	Appointment of Cost Auditor

Survey Report 3

THE SINGARENI COLLIERIES COMPANY LIMITED (SCCL)

1 Company profile

1.1 Incorporation

The Singareni Collieries Company Limited (SCCL) was incorporated on 23-12-1920 under the previous Companies Law. SCCL is in the business of coal mining and is jointly owned by the Government of Telangana and Government of India on a 51:49 equity basis. It is the oldest Govt. Mining Company in the country having a history of more than 120 years in coal mining. It is currently operating 15 opencast and 34 underground mines in 4 districts of Telangana. The Company is entering into power business with the setting up of 2 x 600 MW Power Plant at Jaipur (V) & (M), Adilabad Dist. With the bifurcation of the state of Andhra Pradesh the ownership of the company has been changed in the name of the Govt of Telangana and the share capital of erstwhile Govt of Andhra Pradesh is now held by the Govt of Telangana State.

1.2 Financial Performance

The share capital of SCCL is Rs 1733 crores, as on 31st March 2013. The net sales were Rs 10,128 crores in 2012-13 as against Rs 9,238 crores in the previous year, recording a growth of 9.63%. The assets increased to Rs 16,023 crores as compared to Rs 12,677 crores in the previous year. Over the same period, the profit after tax increased from Rs 358 crores to Rs 401 crores, recording a growth of 11.12%. However, in the same period, the profitability declined from 3.30% to 3.25%. The company

produced 50.47 Million Tonnes of coal in the year 2013-14 as against 53.19 Million Tonnes in 2012-13 and is a profit making and dividend paying company. The summarized Financial statements are given in Annexure 1.

1.3 Employee Profile

The manpower strength of the company as on 31st March 2014, is given in table 1 below. It can be observed that there is a significant shortage of time rated workers as compared to the sanctioned strength. Staff positions are in excess of sanction and badly fillers have been recruited.

Table 1

SANCTIONED STRENGTH & FILLED				
Sl. No	Category	Sanctioned Strength	Filled	Gap
1	Officers	2411	2378	33
2	Staff	14995	17367	(2372)
3	Time rated workers	44416	37010	7406
4	Piece rated workers	2540	3148	(608)
5	Badli fillers	970	1875	(905)
Total		65332	61778	3554

2 Corporate Governance Philosophy

2.1 Objectives

The company has stated its main objectives as follows:

- To prospect for, explore, open, raise, win, get and quarry coal, minerals, oils, metals and precious metals or manufacturing such produce and either free from or in combination with other substances and to acquire and use plant for the above purposes or any of them.
- To purchase, take on lease or otherwise acquire any tenure hold and acquire options in any mines, and to undertake all or any of the businesses carried on in connection with such

premises and to undertake and satisfy the liabilities of the proprietries of the premises so acquired and of the business or businesses carried on in connection with such premises.

2.2 Vision

The company has a vision statement as follows:

“To produce coal qualitatively and cost effectively in a socially and environmentally sustainable manner, valued by customers, employees and the community”.

2.3 Mission

The company has a mission statement as below:

- To retain Strategic role of a premier Coal Producing Company in the country and excel in a competitive business environment.
- To strive for Self-reliance by optimum utilization of existing resources and earn adequate returns on capital employed.
- To exploit the available mining blocks with maximum conservation and utmost safety by adopting suitable technologies and practices and constantly upgrading them against international benchmarks.
- To supply reliable and qualitative coal in adequate quantities and strive to satisfy customers needs by constantly sharing their experience and customizing our product.
- To emerge as a model employer and maintain harmonious industrial relations within the legal and social framework of the State.
- To emerge as a responsible Company through good Corporate Governance, by laying emphasis on protection of environment & ecology and with due regard for corporate social obligations.

2.4 Citizen's Charter

There is no stated citizen's charter.

2.5 Code of conduct for employees

The company has adopted a code of conduct for the employees.

2.6 EHS Policy

The company has environment and safety policies. The company is maintaining well equipped hospitals and providing medical facilities to the employees and their dependents.

2.7 Quality Policy

The company has stated Quality Policy.

2.8 Corporate Governance Code:

The Companies Act, provisions with respect to Corporate Governance are followed by the Company.

3. Board Structure

3.1 Composition of the Board

The table 2 below gives the composition of the Board as on 31st March 2014. Besides Chairman & Managing Director there are five functional directors representing the various functions and operations of the company. In addition, there are 2 ex-officio directors nominated by Energy Department, Govt. of Telangana and 2 from the Ministry of Coal, Government of India. The Chairman & Managing Director is also an ex-officio Board Director.

Table 2

COMPOSITION OF BOARD OF DIRECTORS		
S.No	Name	Designation
1	Mr Sutirtha Bhattacharya IAS	Chairman & Managing Director
2	Mr S. Vivekanand IRAS	Director (Finance)
3	Mr B. Ramesh Kumar	Director (Operations)
4	Mr T. Vijaya Kumar, IAS	Director (Personnel, Administration & Welfare)
5	Mr A. Manohar Rao	Director (Planning & Projects)
6	Mr P. Ramesh Babu	Director (Electrical & Mechanical)
7	Mr Mruntunjay Sahoo IAS	Special Chief Secretary, Energy Dept, Govt of Telangana
8	Dr. P V Ramesh IAS	Principal Secretary, Finance Dept, Govt of Telangana
9	Mr D.C.Garg	Chairman & Managing Director WCL
10	Mr A.K. Bhalla IAS	Joint Secretary Ministry of Coal
11	Mr D.N.Prasad	Adviser Projects, Ministry of Coal

An analysis of the composition of the Board for the two year period from April 2011 to March 2013, shows that a total of 10 directors were appointed to the Board. Further, during the three year period from April 2010 to March 2013, 15 directors were inducted and 18 directors have relinquished office, therefore, some of the directors could not have completed even two years.

3.2 Tenure of Managing Director and Whole-time Directors

The tenure of Managing Director and Whole time Directors are as per orders issued by Government of Andhra Pradesh duly adopted by the Board of Directors. The initial appointment is for a period of 2 years and is generally extended by another 2 years by the Govt. of Andhra Pradesh.

From The Table 3 below it is observed that there is continuity of leadership, wherein Mr. Narsing Rao held the position from 2006 to 2012, which is more than 5 years. Mr. Dinesh Kumar held the position thereafter less than one month indicates a stop gap arrangement.

Table 3

TENURE OF CHAIRMAN & MANAGING DIRECTOR				
Sl. No	Name of Director	Date of Joining	Date of Separation	Tenure in months
1	Mr. Sutirtha. Bhattacharya	10.5.2012	Till date	
2	Mr. Dinesh Kumar	23.4.2012	9.5.2012	1
3	Mr. S.Narsing Rao	18.9.2006	23.4.2012	67

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are no independent directors on the Board of the Company as on date as the relevant provisions of the act are not applicable to the company for the present .

3.5 Appointment of Company Secretary & Duties

SCCL has a full-time qualified Company Secretary to look after the secretarial matters.

4. Board Processes:

4.1 Frequency of Meetings

The frequency of conducting the Board meetings during the period March 2011 to October 2014 is given in table 4 below. The Board meetings are being held in compliance with the legal requirement of at least once in a quarter. During the financial years, 2011-12 and 2012-13, five meetings were held but in 2013-14, eight meetings were held. In fact in 2013-14, two meetings were held in a quarter from which it can be concluded that additional Board meetings are being scheduled to consider urgent decisions. the Board is meeting to approve urgent decisions.

Table 4

FINANCIAL YEAR 2011-12

Meeting No	502	503	504	505	506
Date	15 Apr	4 Jul	12 Sep	11-Nov	6-Feb
Gap in months		3	2	2	3

FINANCIAL YEAR 2012-13					
Meeting No	507	508	509	510	511
Date	13 Apr	29 Jun	24 Jul	10 Nov	22 Feb
Gap in months	2	2	1	4	3

FINANCIAL YEAR 2013-14								
Meeting No.	512	513	514	515	516	517	518	519
Date	14 May	10 Jun	30 July	11 Sep	30 Oct	21 Dec	7 Mar	27 Mar
Gap in months	3	1	1	2	1	2	3	0

4.2 Attendance of Directors

The director attendance at the Board meetings is given in table 5 below. From the table it is seen that most of directors are present at the meetings, however there are only 2 meetings where all the directors are present.

Table 5

ATTENDANCE OF DIRECTORS (2011-12)					
Meeting No	502	503	504	505	506
Meeting Date	15 Apr	4 Jul	12 Sep	11-Nov	6-Feb
Directors Present	9	8	8	8	9
Directors Absent	0	1	3	2	2
Total	9	9	11	10	11

ATTENDANCE OF DIRECTORS (2012-13)					
Meeting No	507	508	509	510	511
Meeting Date	13 Apr	29 Jun	24 Jul	10 Nov	22 Feb
Directors Present	11	9	9	8	8
Directors Absent	0	2	1	2	2
Total	11	11	10	10	10

ATTENDANCE OF DIRECTORS (2013-14)					
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Meeting No.	512	513	514	515	516	517	518	519
Meeting Date	14 May	10 Jun	30 July	11 Sep	30 Oct	21 Dec	7 Mar	27 Mar
Directors Present	8	8	9	8	9	10	10	8
Directors Absent	2	3	2	3	1	1	1	3
Total	10	11	11	11	10	11	11	11

4.3 Agenda

A selective list of the agenda items for the Board meetings is given in Annexure 2. In some meetings nearly 50 items are being discussed. However some of the issues are for information / appraisal of the Board.

4.4 Agenda – Action Taken Report

The Action Taken Report has been discussed and taken on record at all the Board meetings.

4.5 Agenda – Review of Operations

A review of the operations, in terms of operational indicators is discussed in every meeting.

4.6 Agenda – Review of financials

The quarterly financial performance is reviewed at every meeting.

4.7 Agenda – Approval of Business Plan

Business plans are presented to Board of directors for their approval.

4.8 Agenda – Review of Legal Compliances

A review of the legal compliance is being done by the Board.

4.9 Agenda – Appointment of Auditors

The Comptroller and Auditor General of India appoints the statutory auditors of the company under section 619(2) of the

Companies Act 1956. The remuneration payable to the auditors is fixed by the shareholders in the Annual General Meeting.

5. Board Committees:

The Board has constituted an Audit committee as per the requirements of the Companies Act, 1956.

5.1 Audit Committee - Composition

The Audit Committee is comprised of five members list given in table 6 below, who are all non-executive directors, however, these are all ex-officio positions.

Table 6

COMPOSITION OF AUDIT COMMITTEE		
S.No.	Member	Designation
1	Mr V. Bhaskar	Spl. Chief Secretary, Finance Dept. Govt. of A.P.
2	Mr. Mrutunjay Sahoo	Spl. Chief Secretary, Energy Dept. Govt. of A.P.
3	Mr. A.K.Bhalla,	Joint Secretary, Ministry of Coal, Govt. of India,
4	Mr. D.C. Garg,	Chairman-cum-Managing Director, Western Coalfields Ltd.,
5	Mr. D.N.Prasad,	Advisor (Projects), Ministry of Coal, Govt. of India.

5.2 Audit Committee - Frequency of Meetings

From the table 7 below it is observed that the frequency of the audit committee meetings is in accordance with the mandate under the Companies Act, 1956. It is observed that in financial year 2011-12, only 2 meetings was held.

Table 7

FREQUENCY OF AUDIT COMMITTEE MEETINGS			
S.No.	AC Meeting No	Date	Gap in Months

1	19	16/07/2010	
2	20	01/11/2010	4
3	21	04/07/2011	8
4	22	06/02/2012	7
5	23	29/06/2012	4
6	24	24/07/2012	1
7	25	14/05/2013	10
8	26	30/07/2013	2

5.3 Audit Committee - Director Attendance

The Table 8 below gives the attendance of the directors at the audit committee meetings. It is observed that most of the directors are present at the meetings.

Table 8

ATTENDANCE AT AUDIT COMMITTEE MEETINGS						
Sl. No.	AC Meeting No	Date	Invitees	Members present	Members Absent	Total
1	19	16/07/2010	7	2	3	5
2	20	01/11/2010	9	2	3	5
3	21	04/07/2011	9	2	3	5
4	22	06/02/2012	9	3	2	5
5	23	29/06/2012	7	3	2	5
6	24	24/07/2012	10	3	2	5
7	25	14/05/2013	9	3	2	5
8	26	30/07/2013	10	3	2	5

5.4 Audit Committee Agenda – Action Taken Report

Action taken reports are submitted and reviewed at all the audit Committee Meetings and those points which are not closed due to non fulfillment of Action Taken Reports are carried over to future meetings for review.

5.5 Audit Committee Agenda – No of Items Transacted

The table 9 below gives the number of items discussed at the audit committee meetings. In most meetings the number of items discussed is optimum but in two meetings nearly 20 items were

discussed, which seem to indicate that probably these items were urgent attention and hence they had to be completed in one meeting.

Table 9

Items transacted in Audit Committee Meetings			
S.No.	AC Meeting No	Date	No of Items Transacted
1	19	16/07/2010	7
2	20	01/11/2010	17
3	21	04/07/2011	7
4	22	06/02/2012	13
5	23	29/06/2012	4
6	24	24/07/2012	6
7	25	14/05/2013	20
8	26	30/07/2013	12

5.6 Audit Committee Agenda – Internal Audit Reports

The Audit Committee reviews the Internal Audit Reports submitted by the internal auditors in every meeting and recommends corrective action for implementation.

5.7 Audit Committee Agenda – Half-Yearly/ Annual Accounts

The Audit Committee Agenda essentially covers review of the Half- Yearly/ Annual Accounts.

5.8 Audit Committee Agenda – Business Plan

The Audit Committee Agenda covers review of the Business Plans.

5.9 Audit Committee Agenda – Accounting Policy

The Audit Committee reviews the Accounting Policies.

5.10 Audit Committee Agenda – Risk Coverage of Assets

The Audit Committee agenda covers Risk Coverage of assets.

6 Process Enablers

6.1 Organisation Structure

A well defined organisation chart of the company has been prepared and is comprehensive in terms of positions and functions.

6.2 Delegation of Powers

The delegation of powers from Board of Directors to Chairman and Managing Director and Whole time Directors has been prepared. The delegation of powers is in respect of monetary transactions and employment.

6.3 Process Manuals:

Process manuals have been developed for sales, procurement, materials management, HRD and accounting functions. These processes are all ERP enabled. SCCL uses the latest coal mining technologies in opencast and underground mines, equipment maintenance and coal handling. A GPS based surveillance system for monitoring trucks is under implementation.

6.4 Internal Controls

As per the Statutory Audit Reports, the company has adequate internal control procedures commensurate with the size of the company and the nature of business for the purchase of inventory, fixed assets and sale of goods and services.

Internal Audit Observations

All transactions of the company are subject to pre and post audit scrutiny.

However, as per vigilance reports during the year 2012-13, frauds aggregating to Rs.34.92 lakhs have been reported, pertaining to pilferage of coal and other material based on discussions with the concerned officials.

The table 10 below lists a few internal audit observations made by the internal audit department and Statutory Auditors.

Table 10

Observations Made By Auditors
<ul style="list-style-type: none">▪ Recovery of disallowed amounts under pre and post audits.▪ Overstatement of profit due to under provision in mine closure provision
Accounting Policies related to Provisions
<ul style="list-style-type: none">▪ Contingent Liability of Rs.312.22 crores towards reimbursement of estimated service tax liability of its contractors.
Cash & Bank Balances
<ul style="list-style-type: none">▪ Funds raised on short term basis have, prima facie, been used during the period for long term investment to the extent of Rs.433.21 crores.

7 Transparency & Disclosure

7.1 Annual Report

The Annual Reports contain the prescribed information as regards its financials including Directors' Report, Notice of Annual General Meetings, Auditors' Reports and Management's responses to the queries raised by the statutory auditors, C&AG.

7.2 Cost Audit Compliance

The company has complied with the cost audit requirements and maintenance of the prescribed records as specified in the (Cost Accounting records) Rules 2011.

7.3 Related Party Disclosures

Related party disclosures are separately stated in the Annual Report.

7.4 Website Information

The website contains information about the business of the company, its management, annual reports, and information to various stakeholders.

Annexure 1

BALANCE SHEET AS ON 31st MARCH					
		Rs. crores			
Sl.No.		2012		2013	
I.	EQUITY & LIABILITIES				
1	Shareholders' Funds				
	a) Share capital	1733.20		1733.20	
	b) Reserves & surplus	1399.55	3132.75	1699.30	3432.50
2	Non-current Liabilities				
	a) Long term borrowings	616.61		1028.48	
	b) Other long term liabilities	283.31		92.64	
	c) Long term provisions	5920.75	6820.67	8147.35	9268.47
3	Current Liabilities				
	a) Short term borrowings	9.51		40.21	
	b) Trade payables	309.57		594.45	
	c) Other current liabilities	1878.66		2041.86	
	d) Short term provisions	525.74	2723.48	646.13	3322.65
	TOTAL		12676.90		16023.62
II.	ASSETS				
1	Non Current Assets				
	a) Fixed assets				
	i) Tangible assets	3134.31		3274.70	
	ii) Intangible assets	351.75		304.54	
	iii) Capital work in progress	320.55		1603.42	
	iv) Intangible assets under development	298.64		538.94	
	b) Non-current investments	23.13		1022.80	
	c) Deferred tax assets (net)	1773.30		2491.31	
	d) Long term loans & advances	1038.40	6940.08	885.13	10120.84
2	Current Assets				
	a) Inventories	575.97		671.43	
	b) Trade receivables	802.59		1225.18	
	c) Cash and cash equivalents	3711.67		3262.40	
	d) Short term loans & advances	308.42		359.30	
	e) Other current assets	338.17	5736.82	384.47	5902.78
	TOTAL		12676.90		16023.62

Annexure 1 Contd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH		
	Rs. crores	
	2012	2013
INCOME		
Revenue from operations	9322.23	10231.75
Other income	494.32	572.87
TOTAL	9816.55	10804.62
EXPENSES		
Cost of materials consumed	1622.86	1708.78
Changes in inventories	(115.35)	(26.81)
Employees benefits expenses- Salaries/Wages	4088.62	4313.03
Power & fuel	249.90	449.12
Repairs & maintenance	78.10	94.98
Contractual Expenses	918.99	746.77
Finance costs	34.46	45.38
Depreciation& amortization expense	358.44	394.11
Provisions & write-offs	60.72	15.46
Other expenses	102.68	127.42
Voluntary retirement compensation	0.01	
Over burden adjustment	496.31	1132.17
Provision for back filling	1192.12	1078.30
Provision for mine closure	59.39	62.36
TOTAL	9247.59	10246.08
Profit before exceptional and extraordinary items and tax	568.96	558.54
Exceptional items (net)	6.02	17.23
Profit before extraordinary items and tax	562.94	541.31
Tax expense		
Current tax	972.86	863.64
Deferred tax	(742.25)	(718.01)
Earlier years taxes	(25.93)	(5.46)
Profit for the year	358.26	401.14

Annexure 2

ISSUES DISCUSSED AT THE BOARD MEETINGS																		
Board Meeting No	502	503	504	505	506	507	508	509	510	511	512	513	514	515	516	517	518	519
Total Items Transacted	12	32	18	39	35	47	22	17	33	37	49	27	35	22	30	26	40	7
Routine Business	2	3	3	4	5	3	4	3	6	2	2	4	6	2	5	4	3	2
Reconstitution of the Board		1	3				2	2	2	2	2	2						1
Operations	6	8	9	17	22	23	5	8	19	12	20	12	19	12	19	12	12	1
Financial	1	2		1	1		3	2	2	3	2	1	1		1	2	5	
Capex	2	11		6	5	16	6	3	2	7	4	5		6	2	4	15	3
Legal Compliance	1	7	3	4	2	1	2	1		6	8	1	6	2	2	1	2	
Employee				7	3	4			2	5	2	2	3		1	3	3	
Total	12	32	18	39	35	47	22	17	33	37	49	27	35	22	30	26	40	7

Annexure 3

ITEMS TRANSACTED IN BOARD MEETINGS			
Sl. No.	Meeting No	Date	No of Items Transacted
1	502	15/04/2011	12
2	503	04/07/2011	32
3	504	12/09/2011	18
4	505	11/11/2011	39
5	506	06/02/2012	35
6	507	13/04/1012	47
7	508	29/06/2012	22
8	509	24/07/2012	17
9	510	10/11/2012	33
10	511	22/02/2013	37
11	512	14/05/2013	49
12	513	10/06/2013	27
13	514	30/07/2013	35
14	515	11/09/2013	22
15	516	30/10/2013	30
16	517	21/12/2013	26
17	518	07/03/2014	40
18	519	27/03/2014	7

Survey Report 4

ANDHRA PRADESH STATE FINANCIAL CORPORATION (APSFC)

1. Company Profile

1.1 Incorporation

Andhra Pradesh State Financial Corporation (APSFC) is a State development financial institution and was established in 1956 as a Statutory Corporation under the State Financial Corporation Act, 1951. Its Registered office is in Hyderabad with 25 branch offices spread across the State. The major shareholders are the State Govt. with 85.85 % of the share capital and SIDBI with 14.02%.

APSFC has made significant contributions to the development of small and medium scale industries in the state by providing financial assistance in the form of medium/long term loans. It has been active in promoting the growth of MSME sector and generation of direct and indirect employment in the state.

1.2 Financial Performance

The summary of financial statements of APSFC are given in Annexure 1. It is observed that the share capital of APSFC is Rs.206 crores as on 31st March 2013. It has sanctioned Rs 1430 crores of financial assistance in 2012-13 as against Rs.1369 crores in the previous year, recording a growth of 4.48%. Disbursements increased to Rs.951crores as compared to Rs.937 crores in the previous year. However, recoveries increased marginally from Rs.966 crores to Rs.989 crores in 2012-13. The interest income increased from Rs.330 crores in 2011-12 to Rs.370 crores in 2012-13, recording a growth of 11.91%. Other income increased from Rs.38 crores to Rs.42 crores. Although the interest income and other income increased, the operating profit

for the year is lower at Rs.98 crores compared to Rs.112 crores in the previous year, mainly due to increase in interest expenses on non-SLR Bonds and interest on bank borrowings. The bad debts written off this year was also higher at Rs.52 crores as compared to Rs.33 crores in the previous year. The net profit was lower at Rs.63 crores as compared to Rs.68 crores in the previous year. The summary of financials are attached in Annexure 1.

1.3 Employee Profile

As on 31.03.2013, the staff strength is 412 (excluding sub-staff), out of which 314 employees consisted of members from various disciplines such as management, engineering, chartered accountants, cost accountants and legal. During the year, 40 officers were appointed in various disciplines.

2 Constituents of Corporate Governance

2.1 Objectives

The Corporation has a statement of objectives as given below:

- a) To industrialize the state through balanced regional development and dispersal of industries.
- b) To support promotion and development of tiny, small and medium scale industries and service sector units by extending need based credit to them.
- c) To nurture entrepreneurship and encourage first generation entrepreneurs.
- d) To act as a catalyst for generation of employment.

2.2 Vision

The Corporation does not have a stated vision statement.

2.3 Mission

The Corporation does not have a stated mission statement.

2.4 Values

The Corporation does not have a stated values statement.

2.5 Citizen's Charter

The Corporation does have a Citizen's Charter.

2.6 Code of Conduct for Employees

There is no code of conduct for the employees.

2.7 Safety, Health and Environment Policy

There is no stated policy statement on safety, health and environment of employees.

2.8 Quality Policy

The Corporation does not have a stated Quality Policy.

2.9 Corporate Governance Code

The Corporation does not have a stated code of corporate governance.

3 Board Structure

3.1 Composition of Board

The Board comprises of 10 directors, of which 2 are whole-time and 8 are non-whole time as per Table 1 below. The Chairman and Managing Director positions have been separated. The Chairman is the non- executive head of the Board and the Managing Director reports to him. The Chairman has been appointed by SIDBI and the Managing Director is appointed by the State Govt.

The Board has the relevant expertise in the areas of financial services, industry, entrepreneurship and accounting. The Commissioner of Industries is an ex-officio member of the Board

appointed by State Government, the other ex-officio directors are appointed by SIDBI and LIC.

Table 1

COMPOSITION OF BOARD OF DIRECTORS			
Sl.No.	Name	Designation	Status
1	Sri. T S Appa Rao, IAS (Retd)	Chairman	Appointed by SIDBI
2	Dr. Rajat Kumar, IAS	Commissioner of Industries	Nominated by State Government
3	Sri. K Pattabhi Seetharama Rao	Chartered Accountant	Nominated by State Government
4	Sri. S Mallikarjun	General Manager	Nominated by SIDBI
5	Sri. R P Malik	Chief General Manager	Nominated by SIDBI
6	Sri. Uday Kumar Navani	Sr. Divisional Manager	Nominated by LIC
7	Sri. K Jagadish Prasad	Industrialist	Elected by Shareholders
8	Sri. C. Rajendra Prasad	Industrialist	Elected by Shareholders
9	Sri. K. Narasimhamurthy	Cost & Management Consultant	Co-opted by Board
10	Sri. MBN Rao	Former Chairman of Indian Bank & Canara Bank	Co-opted by Board

An analysis of the composition of the Board for the three year period from April 2010 to March 2013, shows that 13 directors were inducted and 18 directors have relinquished office, therefore, some of the directors could not have completed even two years.

3.2 Tenure of Managing Director

From the table 2 below, it is observed that the Managing Director has been in office for 2 years and 4 months only.

Table 2

Term and Tenure of Managing and Whole-time Directors				
Sl. No.	Name of Director	Date of Joining	Date of Separation	Tenure in months
1	Sri. T Satyanarayana Rao IAS	7-01-2012	31-03-2014	26
2	Sri J.S.V. Prasad IAS	1-04-2014	Till date	

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are 4 independent directors on the Board drawn from industry, accounting and financial services. Including these directors provide the stability and also bring about diversity to the Board.

3.5 Appointment of Company Secretary & Duties

The Corporation does not have a full time Company Secretary.

4 Board Processes

4.1 Frequency of Meetings

It is observed from the Annexure 2 that during the period 2011-14, about 10 Board Meetings have been held in a year and sometimes even twice a month. It seems that the Board is primarily meeting to approve proposals for sanction of financial assistance. The high frequency of meetings indicates that probably the powers of the Board have not been sufficiently delegated.

4.2 Attendance of Directors

Details of attendance and leave of absence of Directors is given in Annexure 3. It is observed that most of the Directors have attended the meetings despite the increased frequency of the meetings.

4.3 Agenda of Board Meetings

No of items transacted

The data on the individual items transacted at the meeting was not provided by the company. However, from a discussion with the executives it is inferred that the items listed in Annexure 4 were discussed. The issues related to performance, release of guidelines. Regular and review of various items such as loan policy, exposure limits, business plans, performance in key areas of operations, overall assessment of financial position, actual vis a vis approved budgets and other policy matters for sanction of financial assistance were discussed. In particular the Board has to approve loans above Rs. 8 crores.

Action Taken Report

The Action Taken Report is discussed at all the Board Meetings.

Appointment of auditors

The Corporation appoints its Statutory Auditors as recommended by the Reserve Bank of India under Section 37 (1) of SFC Act.

Review of legal compliances

The Board reviews the legal compliances at frequent intervals.

Review of Operations

The Board regularly reviews the operating results at every Board meeting.

Review of financials

The Board reviews the financial performance and the key performance indicators that have been identified.

Business Plan

Based on the review of the minutes of the Board meeting, it was observed that the business plan and future strategy are items on the agenda in the quarterly Board Meetings. .

5 Board Committees

An Audit Committee of the Board has been constituted.

5.1 Composition of Audit Committee

The Audit Committee as per table 3 below is comprised of three members, who are all non-executive directors. The Chairman is financially literate.

Table 3

COMPOSITION OF AUDIT COMMITTEE		
S.No.	Member	Designation
1	Sri. K Narasimhamurthy	Chairman
2	Sri. K Jagadish Prasad	Member
3	Sri. C. Rajendra Prasad	Member

5.2 Audit Committee - Frequency of Meetings and Attendance of members as per table 4 below.

Table 4

FREQUENCY OF AUDIT COMMITTEE (AC) MEETINGS AND ATTENDANCE INCLUDING INVITEES 2011-12				
Sl. No.	Meeting No.	Date	No. of Members Present	No. of Members Absent
1	25	29-04-2011	4	1
2	26	20-06-2011	5	0
3	27	25-10-2011	5	0
4	28	30-03-2012	4	0

FREQUENCY OF AUDIT COMMITTEE (AC) MEETINGS AND ATTENDANCE INCLUDING INVITEES 2012-13				
Sl. No.	Meeting No.	Date	No. of Members Present	No. of Members Absent
1	29	11-04-2012	3	2
2	30	11-05-2012	4	1
3	31	02-07-2012	5	0
4	32	30-10-2012	4	1

FREQUENCY OF AUDIT COMMITTEE (AC) MEETINGS AND ATTENDANCE INCLUDING INVITEES 2013-14				
Sl. No.	Meeting No.	Date	No. of Members Present	No. of Members Absent
9	33	04-07-2013	4	1
10	34	11-10-2013	5	0
11	35	08-11-2013	5	0
12	36	28-03-2014	5	0

5.3 Audit Committee -Agenda – Action Taken Report

The Action Taken Report has been discussed and taken on record at all the Board meetings.

5.4 Audit Committee Agenda – Internal Audit Reports

The Audit Committee reviews the internal Audit Reports and exceptions if any are being reported to the Board.

5.5 Audit Committee Agenda – Quarterly Accounts

The Audit Committee Agenda reviews the Monthly/Quarterly Accounts.

5.6 Audit Committee Agenda – Business Plan

The Audit Committee Agenda covers review of the Business Plans.

5.7 Audit Committee Agenda – Accounting Policy

The Audit Committee reviews the Accounting Policies.

5.8 Audit Committee Agenda – Risk Coverage of Assets

The Audit Committee agenda reviews Risk Coverage of assets including loans.

6 Process Enablers

6.1 Organisation Structure

The Corporation has a well laid out Organization Structure.

6.2 Delegation of Powers

Clear cut delegation of powers are in place for the operations of the corporation flowing from Board of Directors down to the Managers and Officers of the Corporation.

6.3 Process Manuals – ISO/Others

The Corporation is an ISO Certified Organisation with requisite Process Manuals.

6.4 ERP enabled Processes

The Corporation's processes are ERP enabled through a system that is developed internally.

6.5 Internal Controls – Internal Audit Observations

The internal audit has been carried out on the transactions of APSFC upto the year 2013–14 and no serious observations were reported.

7 Transparency & Disclosure

7.1 Annual Report

The disclosure of information in the Annual Reports of the Corporation is exhaustive and in compliance with the requirements under SFC Act.

7.2 Disclosure of Interest by Directors

The disclosure of interest document has been signed by directors.

7.3 Related Party Transactions

The related party transactions are being put up to the Board for review.

7.4 Qualifications/Observation by Statutory auditors

There have not been any Qualifications/Observation by the auditors of the Corporation over the last 3 financial Years.

7.5 Website Information

The Corporation's website contains requisite information with regard to the ownership, capital structure, business, customers, financials, Management Structure etc.

Annexure 1

Balance Sheet as at 31st March			
Sl.No.		2012	2013
		Rs. lakhs	
I	Capital and Liabilities		
	Share Capital	20600.99	20600.99
	Loans pending conversion to Share Capital	1334.00	1334.00
	Reserve Fund and Other reserves	21140.46	23567.62
	Borrowings	221655.96	257466.70
	Current Liabilities and Provisions	27923.71	24722.91
	Total	292655.12	327692.22
II	Property and Assets		
	Cash & Bank balances	21550.71	24708.38
	Investments	2225.56	7759.63
	Loans and Advances(Net of NPA Provisions)	238438.63	267572.52
	Fixed Assets	15054.56	15086.93
	Other Assets	15385.66	12564.76
	Total	292655.12	327692.22

Annexure 1 Contd.

Profit and Loss Account for the year ended 31st March		
	2012	2013
	Rs.Lakhs	
Income		
Interest on Loans and Advances	33032.81	36967.63
Other Income	3768.80	4168.59
Total	36801.61	41136.22
Expenditure		
Interest and other financial expenses	16478.03	20232.73
Personnel Expenses	5137.57	5060.61
Administration Expenses	596.80	649.00
Depreciation	125.66	185.60
Bad Debts Written off	3251.17	5198.76
Total	25589.23	31326.70
Operating Profit	11212.38	9809.52
Add:		
Deferred Tax asset	318.57	(134.59)
Excess provision of MGD written back		107.79
Profit before provisions	11530.95	9782.72
Less:		
Provision for Income Tax	3017.99	2530.61
Provision for incentives to employees	200.00	181.52
Provision for retirement benefits of employees	1189.86	506.06
Provision against standard assets	290.60	229.34
Net profit carried to P & L Appropriation Account	6832.50	6335.19

Annexure 2

FREQUENCY OF BOARD MEETINGS			
S.No.	Board Meeting No	Date	Gap in Months
1	749	29-04-2011	
2	750	27-06-2011	2
3	750adj	28-06-2011	0
4	751	28-07-2011	1
5	752	06-08-2011	1
6	753	05-09-2011	1
7	754	10-10-2011	1
8	755	28-10-2011	0
9	756	22-11-2011	1
10	757	26-12-2011	1
11	758	31-01-2012	1
12	759	21-02-2012	1
13	760	07-03-2012	1
14	761	28-03-2012	0
15	762	11-05-2012	2
16	763	18-06-2012	1
17	764	02-07-2012	1
18	765	30-07-2012	0
19	766	30-08-2012	1
20	767	24-09-2012	1
21	768	30-10-2012	1
22	769	06-12-2012	1
23	770	10-01-2013	1
24	771	11-02-2013	1
25	772	05-03-2013	1
26	773	26-03-2013	0
27	774	11-05-2013	2
28	775	04-07-2013	2
29	776	29-07-2013	0
30	777	19-10-2013	3
31	778	08-11-2013	1
32	779	18-01-2014	2
33	780	28-02-2014	1
34	781	15-03-2014	1
35	782	28-03-2014	0

Annexure 3

DETAILS OF ATTENDANCE AND LEAVE OF ABSENCE OF DIRECTORS 2011-12			
Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
749	29/04/2011	9	2
750	27/06/2011	8	3
751	28/07/2011	8	3
752	06/08/2011	9	2
753	05/09/2011	9	2
754	10/10/2011	7	4
755	28/10/2011	6	5
756	22/11/2011	10	1
757	26/12/2011	8	3
758	31/01/2012	9	2
759	21/02/2012	9	2
760	07/03/2012	10	1
761	28/03/2012	7	3

DETAILS OF ATTENDANCE AND LEAVE OF ABSENCE OF DIRECTORS 2012-13			
Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
762	11/05/2012	7	3
763	18/06/2012	8	2
764	02/07/2012	9	1
765	30/07/2012	8	2
766	30/08/2012	7	3
767	24/09/2012	8	2
768	30/10/2012	9	1
769	06/12/2012	7	3
770	10/01/2013	7	3
771	11/02/2013	8	3
772	05/03/2013	6	5
773	26/03/2013	8	2

Annexure 3 Contd.

DETAILS OF ATTENDANCE AND LEAVE OF ABSENCE OF DIRECTORS 2013-14			
Board Meeting No	Date	No. of Directors Attended	No. of Directors Absent
774	11/05/2013	6	5
775	04/07/2013	7	3
776	29/07/2013	5	5
777	19/10/2013	7	2
778	08/11/2013	8	1
779	18/01/2014	8	1
780	28/02/2014	7	2
781	15/03/2014	8	1
782	28/03/2014	7	2

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1.	Routine Business
	Action Taken Reports on Previous Board Meetings
2.	Operations & Employees Related
	NPA Recovery Status Reports
	Annual Budgeted Business Plan
3.	Financial Issues
	Quarterly financial Performance of the Corporation
	Changes in Accounting Policy arising out of SIDBI Guidelines
	Reports of the Audit Committee
	Review of Delegation of Powers within the Corporation
4.	Legal Compliance Issues
	Impacts of changes in legislations applicable on the corporation
5.	Reconstitution of the Board
	Changes in Members of the Board deputed from State Government, LIC, SIDBI etc.,

Survey Report 5

ANDHRA PRADESH STATE ROAD TRANSPORT CORPORATION (APSRTC)

1 Company profile:

1.1 Incorporation

Andhra Pradesh State Road Transport Corporation (APSRTC) was established on 11th January 1958 under the Road Transport Corporation Act, 1950. It has registered steady growth over the years, from 609 buses, 16 depots and a staff of 5081 in 1958 to 12,126 buses in May, 2014 and an infrastructure of 122 bus stations, 216 depots and 1,881 bus shelters. APSRTC's network covers 79.83 lakhs kms. and provides transportation to 156.78 lakh passengers every day. They connect all major towns and cities in Andhra Pradesh and constitute 95% of Road Transport of State. The Corporation's buses also connect important towns and cities in the neighbouring states of Tamilnadu, Karnataka, Maharashtra, Goa, Odisha and Chattisgarh. The administrative control of the entire network is under 23 Regional Managers in 7 Zones, with Zonal Head Quarters at Hyderabad.

APSRTC is the top performer among all the State Transport Corporations in India in terms of vehicle productivity and resource utilization.

1.2 Financial Performance

The traffic revenue for the financial year ended 31st March 2013 was at Rs.6519 crores as against Rs.5706 crores for the previous year ended 31st March 2012 recording an increase of 14.3 percent. The total revenue for the Corporation was

Rs.7711 crores for the financial year ended 31st March 2013 as compared to Rs.6750 crores for the year ended 31st March 2012. The Corporation reported a loss of Rs.81 crores for the year ended 31st March 2013 as compared to a loss of Rs.585 crores for the previous year. The total capital employed in the Corporation is Rs.4300 crores. The summary of financial statements are given in Annexure1 .

1.3 Employee Profile

As on 30.11.2014, the employee strength was 119441 as against sanctioned strength of 128013. There seems to be shortage of staff in Maintenance, Vigilance & Security which could adversely affect performance. The breakdown of the employees is given in table below. It is observed that there is huge understaffing in the critical areas such as maintenance and security. The passenger traffic function is sufficiently staffed which is also a critical function.

Table 1

SANCTIONED STRENGTH AND MEN IN POSITION				
Sl. No.	Name of the Post	Sanctioned Strength	Filled	Vacant Positions
1	Passenger Traffic	97509	97314	195
2	Maintenance	22665	16105	6560
3	Procurement & Materials	752	467	285
4	Finance & Audit	1359	1248	111
5	Civil & Electrical	370	188	182
6	Medical & Hospitalization	276	220	56
7	Vigilance & Security	2106	1440	666
8	Administration	2127	1754	373
9	Statistics	99	39	60
10	Officers	750	666	84
	TOTAL	128013	119441	8572

2 Constituents of Corporate Governance :

2.1 Objectives

The Corporation has identified the following objectives:

- To provide efficient, effective, ethical management of the business.
- To assist the State administration in attaining good governance.
- To treat the customer, i.e. passenger, as a central concern of the Corporation's business and provide the best possible service.
- To explore and exploit technological, financial and managerial opportunities and developments and render the business cost effective at all times.
- To regularly and constantly improve the capabilities of employees for higher productivity.
- To focus on service conditions and welfare of the employees and their families consistent with their worth to the Corporation.
- To fulfill its obligation to the State and Central governments by optimizing return on investment.
- To emphasize environmental and community concerns in the form of reducing air and noise pollution.
- To consciously conform to the policy guidelines of the State in its business operations.
- To reach a position of pre-eminence in bus transport business.

2.2 Vision

The Corporation has a vision statement.

“The Corporation is committed to provide consistently high quality of services and to continuously improve the services through a process of teamwork for the utmost satisfaction of the

passengers and to attain a position of preeminence in the Bus Transport sector”.

2.3 Mission

The Corporation does not have a stated mission statement but has a Corporate Philosophy and guiding principles.

Corporate Philosophy

- To provide safe, clean, comfortable, punctual and courteous commuter service at an economic fare.
- To provide employee satisfaction in financial and humanistic terms.
- To strive towards financial self-reliance in regard to performance and growth.
- To attain a position of reputation and respect in the society.

Guiding Principles:

- To provide efficient, effective, ethical management of the business.
- To assist the State administration in attaining good governance.
- To treat the customer, i.e. passenger, as a central concern of the Corporation's business and provide the best possible service.
- To explore and exploit technological, financial and managerial opportunities and developments and render the business cost effective at all times.
- To regularly and constantly improve the capabilities of employees for higher productivity.
- To focus on service conditions and welfare of the employees and their families consistent with their worth to the Corporation.

- To fulfill its obligation to the State and Central governments by optimizing return on investment.
- To emphasize environmental and community concerns in the form of reducing air and noise pollution.
- To consciously conform to the policy guidelines of the State in its business operations.
- To reach a position of pre-eminence in bus transport business.

2.4 Values

The Corporation does not have a stated values statement.

2.5 Citizen's Charter

The Corporation has a stated citizen's charter.

2.6 Code of Conduct for Employees

The Corporation does not have a stated code of conduct for the employees.

2.7 Environment, Health & Safety Policy (EHS)

The Corporation does not have a stated EHS policy.

2.8 Quality Policy

There is no stated quality policy.

2.9 Corporate Governance Code:

The Corporation does not have a stated Corporate Governance code.

3 Board Structure :

3.1 Composition of the Board

The Chairman and Managing Director (MD) posts are separate and independent.

The list of Directors is given in Annexure 2 as on December 12, 2014. It is observed that there are 14 directors on Board excluding the Vice Chairman & Managing Director, 5 functional directors and 6 ex-officio directors from the State Govt and 2 union representatives. Ex-officio directors have been drawn from the Transport Department, Employment, Railways, Finance and Road Transport. These ex-officio positions are extremely important for the Corporation, as they facilitate effective coordination between the parent Department and the Corporation. Also, representation from the Labour & Employment Departments is necessary for the linkages that the Corporation would need.

An analysis of the composition of the Board for the period from April 2010 to March 2013, eight directors were inducted and six directors have relinquished office. Therefore, some of the directors would have had very short tenures could not have completed even two years.

3.2 Term & Tenure of Managing Director & Whole time Directors

The Corporation is headed by a Corporation Board consisting of 16 Directors including the Chairman. 14 Directors including the Chairman and Vice Chairman & Managing Director are appointed by the State Government, one each shall be nominated by the Railways and the Association of Road Transport Undertakings, New Delhi. The term of office of the Directors is for 3 years. 9 Directors including the Chairman are non official members and 7 Directors including the Vice Chairman & Managing Director are whole time members. Generally, officers from IAS and IPS cadre are appointed as Vice Chairman & Managing Director of the Corporation.

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are no Independent Directors on the Board.

3.5 Appointment of Company Secretary & Duties

The Corporation does not have a qualified company secretary as it is not mandatory as per the RTC Act.

4. Board Processes :

4.1 Frequency of Meetings

The Table 2 below gives the frequency of conducting the Board meetings during the period March 2011 to October 2014. The Corporation has been holding the Board meetings regularly and sometimes even once a month. The frequency of meetings indicates that probably the Board is exercising operational control and may also consider the possibility of delegating its powers.

Table 2

FREQUENCY OF BOARD MEETINGS 2011-2012		
S.No.	Date	Gap in Months
1	31-03-2011	
2	23-06-2011	2
3	08-11-2011	4

FREQUENCY OF BOARD MEETINGS 2012-13		
S.No.	Date	Gap in Months
1	04-04-2012	4
2	18-04-2012	0
3	27-06-2012	1
4	16-11-2012	4
5	08-02-2013	2

FREQUENCY OF BOARD MEETINGS 2013-14		
S.No.	Date	Gap in Months
1	30-04-2013	1
2	06-09-2013	4
3	10-01-2014	3
4	11-02-2014	0

FREQUENCY OF BOARD MEETINGS 2014-15		
S.No.	Date	Gap in Months
1	15-05-2014	2
2	10-10-2014	4

4.2 Attendance of Directors

As seen from Table 3 below that although most of the directors have been present at the meetings, in one meeting in 2014, 7 directors have requested for leave of absence. In 2014 the number of directors altered very frequently. Also it is observed that in most meetings the ex-officio directors have been absent.

Table 3

ATTENDANCE OF DIRECTORS (2011-12)				
S.No.	Meeting date	23-06-11	08-11-11	04-04-12
1	Directors Present	7	7	6
2	Directors Absent	4	4	5
	Total	11	11	11

ATTENDANCE OF DIRECTORS (2012-13)					
Sl. No.	Meeting date	18-04-12	27-06-12	16-11-12	08-02-13
1	Directors Present	6	7	6	10
2	Directors Absent	5	4	5	0

	Total	11	11	11	10
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ATTENDANCE OF DIRECTORS (2013-14)							
Sl. No.	Meeting date	30 Apr.	06 Sept.	10 Jan.	11 Feb.	15 May	10 Oct.
1	Directors Present	10	11	11	9	9	11
2	Directors Absent	0	0	0	6	5	7
	Total	10	11	11	15	14	18

4.3 Agenda of Board Meetings

Number of items transacted

A list of major items discussed in the Board meetings, is given in Annexure 3. Number of items transacted in the Board Meetings is given in table 4 below. It is observed that in one meeting 40 items have been discussed and in one meeting only one item was discussed. The number of items discussed shows a highly skewed pattern. In some cases, it may have been difficult to deliberate on issues with sufficient depth.

Table 4

NO OF ITEMS TRANSACTED AT BOARD MEETINGS 2011-12		
S.No.	Date	No of Transactions
1	31-03-2011	32
2	23-06-2011	25
3	08-11-2011	49

NO OF ITEMS TRANSACTED AT BOARD MEETINGS 2012-13		
S.No.	Date	No of Transactions
4	04-04-2012	29
5	18-04-2012	6
6	27-06-2012	22

7	16-11-2012	33
8	08-02-2013	29

NO OF ITEMS TRANSACTED AT BOARD MEETINGS 2013-14		
S.No.	Date	No of Transactions
9	30-04-2013	29
10	06-09-2013	33
11	10-01-2014	26
12	11-02-2014	19

NO OF ITEMS TRANSACTED AT BOARD MEETINGS 2014-15		
S.No.	Date	No of Transactions
13	15-05-2014	46
14	10-10-2014	2

Action Taken Report

Based on an examination of the Board minutes, it is observed that the action taken report has been reviewed in all Board meetings.

Appointment of Auditors

The Accounts of the Corporation are audited annually by the Comptroller and Auditor General of India under Sec. 33 of The Road Transport Corporation Act, 1950.

Review of Legal Compliances

The Board reviews the legal compliances at frequent intervals.

Review of Operations

A study of the agenda items placed before the Board as given in Annexure 3 reveals that the operations and employee related issues were most frequently discussed.

Based on a review of the items transacted it is observed that the Board regularly reviews the operating results at every Board meeting.

Business Plan

Within the operations related issues, the progress of work done on the civil construction projects relating Bus Stations and Depots were discussed most frequently. In particular, issues related to expediting the projects and procurement of equipment, received maximum attention.

Based on the minutes of the Board meeting, it was observed that the business plan and long term strategy of the Corporation are not included as agenda items.

5. Board Committees :

The Board has constituted the following committees with the stated objectives:

- **Selection Committee** – Prepare panel of eligible candidates in the officers cadre by direct recruitment and promotion.
- **Disciplinary Committee**- Disposal of appeals in respect of specified level of officers and imposition of penalties.
- **Industrial Relations & Labour Welfare Committee** – Review industrial relations situation in the Corporation and lay down policy guidelines and welfare measures for the employees.
- **Finance, Works & Purchase Committee**- Review and sanction the proposals to purchase items in bulk.
- **Routes Committee** - Proposed modalities for rationalization of the routes.

Except for the Selection Committee, matters of other committees are put before the Board Meeting for consideration in spite of the existence of separate Board Committees for the same.

6. Process Enablers

6.1 Organization Structure

The Corporation has a well-designed organization structure separately for the corporate office at Hyderabad, zonal offices and the field units. The executive directors on the Board represent the following functions - Operations, Commercial, Projects and IT, Finance and HRD. The Executive Directors are assisted by Chief General Managers, General Managers and senior managers in charge of the zones and the project offices.

6.2 Delegation of Powers

A delegation of powers document, has been developed devolving powers from the sanctioning authority to the various levels of employees in the organization.

6.3 Process Manuals

The major processes of the Corporation are being given in manuals and standard operating procedures for its operations. The maintenance function being one of the major functions it follows preventive maintenance of buses at Depots and major repairs / overhauls at Work Shops. For this purpose Corporation has constructed 7 Retreading Shops and 7 Work Shops. The Bus Body Building Unit in Hyderabad builds more than 600 bus bodies every year. Modern and updated technologies have also been introduced.

E-Procurement:

The Corporation has implemented e-procurement to procure automobile spares, general items etc through the e-procurement portal that is set up by the GoAP.

6.4 Internal Controls

The Corporation has defined systems and procedures covering all functional areas such as Operations, Maintenance, Stores and Purchases, Finance, Accounts, Administration etc., The individual procedures provide for maintenance of proper records in support of the transactions entered into in accordance with the rules / regulations / procedures so as to achieve respective functional objectives. The Corporation conducts a pre audit and post audit scrutiny for all payments. From the observed procedures it can be concluded that the Corporation has extremely well defined and robust internal controls.

Internal Audit Observations

The internal auditors have made the following observations:

- Theft of Bus Cash
- Non-payment of monthly rent of the Rythu Bazaars
- Excess payment of monthly remuneration to employees
- Discrepancy in HSD oil consumption vis a vis meter readings
- Sale of fake tickets by some employees amounting to loss of Rs.43 lakhs to the Corporation
- Alteration of Bus passes by the students and employees, resulting in revenue loss of approximately Rs.2.09 crores

7. Transparency & Disclosure

7.1 Annual Report

Adequate disclosures have been made in the Annual Report in accordance with the legal requirements.

7.2 Qualifications/Observations by Statutory Auditors

The statutory auditors have commented that there are adequate internal control systems commensurate with the size and nature of the business with regard to purchase of inventory, fixed assets

and sale of goods/services. Further they have also commented there is no major weakness in the internal controls.

7.3 Related Party Transactions

The related party transactions with companies in which the directors are interested are not being disclosed or put up to the Board for review. No disclosures have been made in the annual report on related party transactions.

7.4 Website Information

The Corporation has a web site through which it disseminates information on its activities to its stakeholders. The Annual Reports for the last 3 years are available on the website. The information disclosed on the website is adequate.

Annexure 1

Balance Sheet As on March 31			
Sl.No.		Rs. lakhs	
		2012	2013
I	Capital and Liabilities		
	Capital Contribution	20183.82	20127.39
	Term Loans	380621.75	410596.04
	Funds		
	Depreciation Fund	190512.07	215907.37
	Other Funds and Reserves	13714.99	24623.98
	Deposits and Advances	22318.79	21542.38
II	Current Liabilities and Accrued Charges		
	Creditors	12058.50	8605.04
	Pay and Allowances	5207.03	5854.41
	Interest Accrued	2210.04	467.89
	Non Departmental Recoveries	9841.20	10699.97
	Provisions	231641.08	103727.83
	Others	1662.42	2553.99
	Total	889971.68	824706.28
III	Properties and Assets		
	Fixed Assets		
	Vehicles, Land, Buildings etc.,	330898.25	344670.56
	CWIP - Vehicles and Buildings	7494.21	8093.56
	Investments	4062.35	87.85
IV	Current assets		
	Stock	7991.04	8103.75
	Disposable Stock	1334.08	1880.08
	Work in Progress	23.68	27.34
	Sundry Debtors & Bills Receivable	263304	186087.71
	Loans, Advances and Deposits	14312.57	6256.27
	Interest Accrued & prepaid Expenses	235.98	269.85
	Cash, Bank & Imprest	506.02	1241.34
	Funds in Transit	80.27	51.69
	Suspense Accounts	2819.08	2955.10
	Profit and Loss Appropriation Account	256910.15	264981.18
	Total	889971.68	824706.28

Annexure 1 Contd.

Profit and Loss Account for the year ended 31st March				
	2012		2013	
Volume Kms in Lakhs	28714.94		29787.35	
	Total Rs. lakhs	Rs. Per Km.	Total Rs. lakhs	Rs. Per Km.
Income				
Operating Income - Traffic Revenue	570592.19	19.87	651877.35	21.88
Non operating Revenue	16637.01	0.58	18670.77	0.63
Other Revenue	87762.78	3.06	100599.55	3.38
Total Income	674991.98	23.51	771147.66	25.89
Expenditure				
Passenger Traffic	260591.51	9.08	272851.34	9.16
Repairs and Maintenance	77422.38	2.70	83454.71	2.80
Power	201853.23	7.03	234098.15	7.86
Licenses & Taxes	43153.78	1.50	14470.30	0.49
Welfare & Superannuation	48683.76	1.70	50615.78	1.70
General & Administrative Expenses	41063.85	1.43	41662.73	1.40
Contribution to Stores obsolete Fund	1.41	0.00	10.00	0.00
Contribution to Depreciation Fund	30635.17	1.07	42843.64	1.44
Non operating Expenses	30117.87	1.05	39212.04	1.32
Total Expenditure	733522.96	25.54	779218.69	26.16
Net Loss Carried to P & L Appropriation Account	(58530.98)	(2.04)	(8071.02)	(0.27)

Annexure 2

Composition of the Board Directors as on 12-12-2014		
Sl. No	Name	Designation
1	Dr.J Purnachandra Rao	Vice Chairman & Managing Director
2	Mr. B.Sam Bob	Principal. Secy. to Govt (Transport), TR & B Department
3	Mr. Jagdish Chander Sharma	Principal Secretary to Govt. Labour Employment Training & Factories Dept.
4	Mr. L. Premchandra Reddy	Secretary to Government Finance (W&P) Department
5	Ms. Usha A.Kumar	FA & CAO, South Central.Railway
6	Mr. M.Gangadharam	Engineer - In- Chief (R&B), State Roads,
7	Mr. D.S.Pathania	Joint Secretary(T), Ministry of RT & Highway, G.O.I
8	Mr. G.V.Ramana Rao	Joint Managing Director & ED (O, MIS & AM),
9	Ms. G.Jaya Rao	Executive Director (E)
10	Mr. M.Ravindar	ED (HRD & Medical) & Secretary to Corpn, APSRTC
11	Mr. A.Venkareswara Rao	Executive Director (A&P), APSRTC
12	Mr. N.Bhuvaneeswara Prasad	Financial Advisor & Chief Accounts Officer, APSRTC
13	Mr. B.Radhakrishnaiah	Chief Vice President, APSRTC Employees' Union
14	Mr. K.Padmakar	General secretary, APSRTC Employees' Union

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1	Routine Business Related
	Confirmation of minutes of the previous Board meeting
	Action Taken Report arising out of previous meetings
2	Reconstitution of the Board Related
	Changes among directors in the board
3	Operation Related
	Quarterly Performance of the Corporation
	Payment of APVAT on procurement of HSD Oil Seeking relief from Government
	Licensing of premises to State Bank of India
4	Financial Related
	Approval of Budget Estimates and Revised Budget Estimates
	Changes in Depreciation Policy of TIMS for Drivers and Conductors
5	Capex Related Business
	Fabrication of Bus Bodies - Approval of Negotiated Prices and Placement of orders
6	Statute Related
	Approval of Annual Accounts
7	Employee Remuneration Related
	Recruitment of personnel, Resignation and Promotion of Employees
	Sanction of pay revision to employees
	Deputation of Employees
	Amendment to Delegation of powers - Revision in Financial Powers to Regional Managers, Executive Directors and VC & MD

Survey Report 6

NEWABLE ENERGY DEVELOPMENT CORPORATION OF ANDHRA PRADESH LTD. (NREDCAP)

1 Company profile

1.1 Incorporation

New & Renewable Energy Development Corporation of Andhra Pradesh Limited (NREDCAP), formerly Non Conventional Energy Development Corporation of Andhra Pradesh, was incorporated in the year 1969 under the Companies Act, 1956. It is the State Nodal agency for promotion of various renewable sources of energy programmes in Andhra Pradesh.

NREDCAP was incorporated to tap the potential for wind and solar power in the State. NREDCAP is in a unique position to utilize these resources and develop the demand for renewable energy source and thereby reduce the burden on non-renewable energy sources.

1.2 Financial Performance

The financial statements for the financial year ended 31st March 2013 are given in Annexure 1. The company has a share capital of Rs.22.00 lakhs and reserves of Rs.20 crores. The Company has a cash balance of Rs.61 crores funded by OCL of Rs.73 crores.

1.3 Employee Profile

The manpower strength of the company 8th January 2015 is 126.

2 Constituents of Corporate Governance

2.1 Objectives

The objectives of NREDCAP are:

- To generate electricity through renewable sources like wind and solar on decentralized manner
- To conserve energy in rural areas
- To import and adopt viable technology and machinery in the areas of non-conventional energy sources and ensures post installation service
- To impart training and to promote research and development in the field of non-conventional energy sources

2.2 Vision

The company's vision is stated as :

"To be a pioneer institute in the area of promotion of Non-conventional / Renewable energy projects with state-of-art technologies coupled with experts and technocrats to present highly competitive and efficient products to the consumer".

2.3 Mission

The Company's mission is to promote, develop, encourage, popularize and carry out consultancy, field research and experiments for implementation of Non-conventional / Renewable energy projects and gadgets sponsored by both State and Central Governments.

2.4 Values

The Company does not have a stated values statement.

2.5 Citizen's Charter

The Company does have a stated Citizen's Charter.

2.6 Code of Conduct for Employees

The Company does not have a Code of Conduct for Employees. But has Service Rules for its employees.

2.7 Environment, Health & Safety Policy

The Company does not have an EHS Policy. It has health insurance policy covering all its employees.

2.8 Quality Policy

The Company does not have a stated quality policy. The Company is following the guidelines issued by the Central Government in respect of supply of power.

2.9 Corporate Governance Code

NREDCAP does not have a written principal or code of Corporate Governance.

3 Board Structure

3.1 Composition of Board

The table 2 below gives the list of the directors as on 8th January 2015. It is observed that the Board is comprised of five Directors. The position of Chairman and Managing Director has been separated. The Chairman is an ex-officio position. However, most of the directors are ex-officio from the Energy and Finance Department. This would facilitate the linkages of the Board with concerned departments. However, there is no domain expertise or functional areas representation in the Board.

A study of the participation of the members of the Board in the meetings reveals frequent changes being effected in the composition of Board of Directors of the Corporation. This has deprived the Corporation of the continuity of members on the Board. During tenure of three years from 2010-2013, the

Corporation had about 20 members as its Directors at one point of time or the other.

The lack of continuity in leadership would severely impact the accountability of management particularly in a sector which requires continued attention from the State Govt.

Table 2

COMPOSITION OF BOARD OF DIRECTORS		
Sl. No.	Name	Designation
1	Mr Ajay Jain, IAS	Chairman, Secretary to Government, Energy Department Govt of A P
2	Mr M. Kamalakar Babu	Vice Chairman & Managing Director
3	Dr P.V. Ramesh, IAS	Principal Secretary, Finance Department, (R&E), Government of A.P
4	Mr M Venkateswara Rao	Engineer-in-Chief (Irrigation Wing), Irrigation Dept Govt of A P
5	Mr Muthyala Dharmendra Rao	Independent Director

During the financial year 2012-13 four directors were inducted and six directors have relinquished office. Therefore, some of the directors could not have completed even one year in office.

3.2 Tenure of Vice Chairman & Managing Director

The tenure of the Vice Chairman and Managing Director is given in Annexure 2. It is observed that in most cases the tenure is less than a year. Some appointments have been for less than a month also. The frequent changes in the VC & MD position has seriously affected the continuity in the leadership.

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There is one independent director on the Board.

3.5 Appointment of Company Secretary & Duties

The Company does not have a full time company secretary to look after its legal and secretarial matters.

4 Board Processes

4.1 Frequency of Meetings

The frequency of the Board meetings during the period 2010 -13 is given in table 3 below. It is observed that the Board meetings are being conducted once a quarter, which is in compliance with the legal requirements. There was only one instance in June 2012, where the gap between 2 meetings exceeded 3 months. In fact, the company has been meeting once a month also, indicating that Board approvals are being required for certain decisions which cannot be implement without Board approval.

4.2 Attendance of Directors

The Details of Board Meetings held during the past three years along with the directors attendance given in the following table 4. It is observed that a very large number of items are being considered and transacted by the board. It would be difficult for the Board to allocate sufficient time for the discussion on the Agenda items.

Please see annexure 3 for a summarized attendance of the Board members at the meetings. There have also been instances of some directors attending only a single meeting during their period of directorship.

Table 4

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2010-11					
Sl. No.	Board Meeting No	Date	Directors	No of Transactions	Gap in Months
1	213	30/04/2010	4	13	
2	214	26/06/2010	5	9	2
3	215	03/08/2010	4	16	1
4	216	04/09/2010	5	9	1
5	217	07/12/2010	4	26	3
6	218	09/03/2011	4	11	3

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2011-12					
Sl. No.	Board Meeting No	Date	Directors	No of Transactions	Gap in Months
7	219	25/04/2011	4	28	2
8	220	13/05/2011	6	9	1
9	221	29/06/2011	4	18	1
10	222	05/09/2011	5	30	2
11	223	03/10/2011	5	13	1
12	224	21/12/2011	5	10	2
13	225	05/01/2012	5	5	1

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2012-13					
Sl. No.	Board Meeting No	Date	Directors	No of Transactions	Gap in Months
14	226	23/06/2012	4	14	5
15	227	28/09/2012	4	9	3
16	228	05/11/2012	5	11	1
17	229	30/03/2013	4	12	4

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2013-14					
Sl. No.	Board Meeting No	Date	Directors	No of Transactions	Gap in Months
18	230	29/06/2013	2	7	3
19	231	30/09/2013	5	9	3
20	232	26/12/2013	4	4	3

4.3 Agenda of Board Meetings

Items Discussed

The summary of items discussed at the Board Meetings and the list of major items transacted therein are listed in Annexure 3 and 4 respectively.

Action Taken Report

The Action Taken Report has been discussed and taken on record at all the Board meetings.

Review of Legal Compliances

A review of the legal compliance is being done by the Board.

Review of Operations

A review of the operations, in terms of operational indicators is discussed in detail in every meeting.

Appointment of auditors

The Comptroller and Auditor General of India appoints the statutory auditors of the company under section 619(2) of the Companies Act 1956 till the financial year ended March 31, 2014. The remuneration payable to the auditors is fixed by the shareholders in the Annual General Meeting.

5 Board Committees

There are no Board Committees.

6 Process Enablers:

6.1 Organisation Structure

NREDCAP has a well-designed organization structure. The Organization is headed by the Chairman of the Board of Directors who is assisted by the Managing Director. The executive head of the Company is the Vice Chairman & Managing Director.

6.2 Delegation of Powers

The Company has a well defined delegation of powers document for the operations from Board of Directors down to the Managers and Officers of the Corporation.

6.3 Process Manuals

There are no process manuals. However, the Corporation is following guidelines issued by MNRE and general financial rules.

6.4 Internal Controls and Internal Audit Observations

As per the information given to us the internal audit has been carried out on the transactions of NREDCAP upto the year 2012–13 and no serious observations have been reported..

7 Transparency and Disclosure

7.1 Annual Report

The Annual Report has made the mandatory disclosures as per the provisions of the Companies Act.

7.2 Disclosure of Interest by directors

The disclosure of interest document has been signed by directors.

7.3 Related Party Transactions

The related party transactions with companies in which the directors are interested are not being disclosed or put up to the Board for review. No disclosures have been made in the annual report on related party transactions.

7.4 Website Information

The Corporation has not revealed much of its information through its website.

Annexure 1

Balance Sheet as on 31st March			
		Rs. lakhs	
SI.No.		2012	2013
I	EQUITY & LIABILITIES		
	a) Share capital	21.95	21.95
	b) Reserves & surplus	1851.99	2041.95
2	Non current liabilities		
	a) Deferred tax liabilities(net)	443.09	908.68
	b) Other long term borrowings	487.71	459.57
	c) Long term provisions	5.14	5.14
3	Current liabilities		
	a) Short term borrowings	1719.69	25.99
	b) Trade payables	337.29	626.53
	c) Other current liabilities	8426.21	7381.22
	d) Short term provisions	395.70	135.09
	TOTAL	13688.77	11606.12
II	ASSETS		
1	Non-current assets		
	a) Fixed assets		
	1) Tangible assets	4621.07	4056.61
	2) Intangible assets	2.18	1.35
	Non Current Investments	0.01	0.01
	b) Long term loans and advances	125.02	127.39
	c) Other non-current assets	40.65	127.77
2	Current Assets		
	a) Inventories	65.74	41.61
	b) Trade receivables	30.33	151.63
	c) Cash and Bank Balances	7895.76	6191.47
	d) Short term loans and advances	140.28	118.24
	e) Other current assets	767.74	790.06
	TOTAL	13688.77	11606.12

Annexure 1 Contd,

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH		
	Rs. Lakhs.	
	2012	2013
Revenue from Operations	3528.30	3429.09
Other Income	1271.50	745.24
Total Revenue	4799.79	4174.33
Expenses		
Purchase of stock in trade	370.57	787.27
Stock Adjustment	(12.71)	24.37
Employee Benefits Expenses	1316.53	1185.49
Operation & Other Expenses	711.18	739.09
Financial Cost	63.53	36.81
Depreciation and Amortization Expenses	136.90	579.88
Total Expenses	2586.00	3352.91
Profit before extraordinary items and tax	2213.8	821.42
Extraordinary Items (prior period exp)	1.34	(40.33)
Profit before tax	2212.46	861.76
Tax Expenses		
a. Current Tax	450.95	164.39
b. Deferred Tax	496.28	465.59
Profit after Tax	1265.23	231.77
EPS	288.21	52.79

Annexure 2

TENURE OF VICE CHAIRMAN & MANAGING DIRECTOR				
Sl. No.	Name of Director	Date of Joining	Date of Separation	Tenure in months
1	Mr. V. Bakthavatsalam BE MBA	26.08.1989	31.01.1989	29
2	Mr. UV Warlu	01.02.1989	17.04.1989	2
3	Mr. SK Sinha IAS	18.04.1989	16.01.1990	9
4	Mr. K. Sunder Singh	17.01.1990	23.01.1990	0
5	Mr. T. Ramamohan Rao IAS	24.01.1990	31.10.1991	9
6	Mr. D. Siva Prasad IAS	01.11.1991	19.01.1992	2
7	Mr. R. Hrudayanjan IAS	20.01.1992	04.09.1992	7
8	Mr. D. Siva Prasad IAS	04.09.1992	12.10.1992	1
9	Mr. R. Hrudayanjan IAS	13.10.1992	07.11.1992	1
10	Mr. D. Siva Prasad IAS	08.11.1992	21.11.1992	0
11	Mr. TC Pandurjangam IAS	21.11.1992	31.07.1993	9
12	Mr. B. Murali Krishna IFS	31.07.1993	16.08.1993	1
13	Mr. TV. Chowdary BE MBA	16.08.1993	25.09.1994	12
14	Mr. NK Narasimha Rao IAS	26.09.1994	14.11.1994	2
15	Mr. TV. Chowdary BE MBA	14.11.1994	21.02.1995	3
16	Mr. TH Sastry MSc. AISM	21.02.1995	02.07.1996	15
17	Mr. K. Phanindra Reddy IAS	03.07.1996	19.06.1999	35
18	Ms. Y. Mythili IAS	19.06.1999	13.07.1999	1
19	Mr. K. Mangapathi Rao IAS	14.07.1999	27.07.1999	0
20	Mr. Rajeshwar Tiwari IAS	28.07.1999	26.09.1999	1
21	Mr. K. Mangapathi Rao IAS	27.09.1999	09.11.1999	2
22	Dr. Prem Chand IAS	10.11.1999	03.08.2002	34
23	Mr. S.E. Sekhar Babu IAS	03.08.2002	18.05.2005	34
24	Mr. B. Siddhartha Kumar IFS	18.05.2005	23.05.2005	0
25	Mr. Lingaraj Panigrahi IAS	23.05.2005	26.03.2008	34
26	Mr. M. Papi Reddy IRTS	26.03.2008	04.12.2009	21
27	Mr. D. Murali Mohan IIS	04.12.2009	17.12.2009	0
28	Mr. M. Bangara Raju	17.02.2009	19.09.2010	10
29	Mr. Chandan Mitra IFS	19.09.2010	08.05.2012	21
30	Mr. M. Kamalakar Babu	08.05.2012	Onwards	

Annexure 3

		ISSUES DISCUSSED AT THE BOARD MEETINGS															
Sl. No.	Board Meeting No	217	218	219	220	221	222	223	224	225	226	227	228	229	230	231	232
1	Total Items Transacted	26	11	28	9	18	30	13	10	5	14	9	11	12	7	9	4
2	Routine Business Related	5	4	4	2	5	2	2	3	2	2	4	2	2	4	3	3
3	Reconstitution of the Board Related	1	0	0	0	1	3	1	0	0	1	1	0	1	0	1	0
4	Operation Related	19	5	22	4	7	23	7	7	3	8	4	8	7	2	5	0
5	Financial Related	0	1	1	0	4	0	1	0	0	2	0	0	1	1	0	0
6	Capex Related Business	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0
7	Statute Related	0	1	0	3	1	2	0	0	0	1	0	0	1	0	0	1
8	Employee Remuneration	1						2					1				
	Total	26	11	28	9	18	30	13	10	5	14	9	11	12	7	9	4

Annexure 4

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1	Routine Business Related
	Confirmation of minutes of the previous Board meeting
	Grant of Leave of absence
2	Reconstitution of the Board Related
	Changes among directors
3	Operation Related
	Consideration of proposals and Grant of permission to Private Sector for setting up of Wind Energy Farms
	Permissions for installation of Biomass Power Projects
	Communication with different Departments for land allotment
	Cancellation of Projects which have not adhered to Guidelines
	Granting shifting of machinery from one site to another
4	Financial Related
	Payment of Gratuity to the employees as per The Gratuity Act 1972
	Consideration of Budget and approval of the same
	Writing off of subsidy with Banks
	Creation of funds for R&D
5	Capex Related Business
	Setting up of generators and NREDCAP's wind farm site
6	Statute Related
	Review of Statutory compliance with respect to Companies Act, Income Tax Act etc.

Survey Report 7

ANDHRA PRADESH TOURISM DEVELOPMENT CORPORATION LIMITED (APTDCL)

1 Company profile :

1.1 Incorporation

Andhra Pradesh Tourism Development Corporation Ltd. (APTDCL) was established originally on 18th February 1976 under the Companies Act, 1956 as Travel & Tourism Corporation [Andhra Pradesh] Private Limited with the objective of promoting the development of travel and tourist coach services and travel and tourism services. The Corporation develops tourist infrastructure and packages for overall development of tourism in the State. It is involved in many areas of development such as construction of hotels, resorts and wayside amenities. It also develop tourist packages and boats etc. APTDCL has also ventured into new tourism related fields like, Heritage, Pilgrimage, Eco-tourism etc.

The key activities of the Corporation can be classified broadly into the following:

- Hospitality (Hotels & Catering Units)
- Transport (Guided & Package Tours)
- Water Fleet (Leisure Cruises & Pleasure Boating)
- Sound & Light Shows
- Eco-Tourism
- Construction of new tourism products
- Tourism Asset management
- Conduct cultural festivals

1.2 Financial Performance

The share capital of APTDCL is Rs.355 lakhs, as on 31st March 2013. The Revenue from operations was Rs.140 crores in 2012-13 as against Rs.133 crores in the previous year. The assets increased to Rs.159 crores as compared to Rs.137 crores in the previous year. In 2012-13 the Corporation reported a loss of Rs.13 lakhs against a profit of Rs.375 lakhs in same period last year. The Financial Statements are given in Annexure 1. It is observed that although the Corporation has reported a loss this year, its cash balance has increased substantially to Rs.92 crores.

1.3 Employee Profile

Table 1

SANCTIONED STRENGTH AND MEN IN POSITION AS ON DECEMBER 31 st 2014		
S. No.	Name of the Post	Sanctioned Strength
1	Vice Chairman & Managing Director	1
2	Directors Whole – time	1
3	Senior Management	8
4	Managers – Traffic, Hotels, Waterfall etc.	13
5	Supervisors-Hotels, Transport, Waterfall etc.	36
6	Receptionists, Helpers, Waiters etc.	333
7	Drivers, Guides, Cooks, Security etc.	811
	TOTAL	1203

We were informed that the Corporation is yet to obtain sanction from the Government for the manpower strength. The Corporation is operating based on the above strength which is approved by its Board of Directors only.

2 Constituents of Corporate Governance :

2.1 Objectives

1. To start, operate and promote establishments, undertakings, enterprises and activities of any description whatsoever, which in opinion of the Company are likely to facilitate or accelerate the development of travel and tourist coach services and to promote coordination in development of travel and tourism services and Tourism in general in order to secure, optimum utilization of resources.
2. To take over, develop maintain and manage wayside facilities, tourist guest houses, hotels, rest houses, travelers bungalows, sites of tourist interest for the benefit of tourists, bus travelers and general road users.
3. To run, establish, manage transport units and transport centres, import, purchase, lease sell and run or otherwise operate tourist buses, car, cab, coaches, trucks and other modes of transport.
4. To sell , construct, purchase, acquire, lease, take on lease run and maintain motels, restaurants, canteens, cafeteria, travelers lodges, guest houses and other places for the purpose of boarding, lodging and stay of travelers and tourists.
5. Produce, distribute and sell tourist publicity materials: viz. edit, design, print, publish, sell or otherwise deal with books, magazines, periodicals, folders, inserts, guide maps, pamphlets, bills, posters, picture postcards, diaries, calendars, slides, cinematograph films and other material for the purpose of giving publicity to and developing transport services for tourists and travelers.
6. Provide entertainment for travelers and tourists by way of cultural shows, dances, music concerts, ballets, film shows, sports and games son-et-lumiere spectacles and others.
7. Provide shopping facilities to travelers and tourists, establish and manage shops, emporia and other places for selling travel requisites and other articles of interest.

2.2 Vision

The company has a vision statement.

"To maintain its current position as the most sought-after tourism destination for an authentic, luxurious, and personalized feel and experience of Andhra Pradesh for travelers from all regions."

2.3 Mission

The company has a mission statement.

- Make Andhra Pradesh travel and tourism more popular and attractive.
- Make the public gain more awareness regarding the importance and usefulness of travel and tourism.
- Use more publicity to promote tourism destinations including the facilities and amenities available.
- Develop the travel and tourism industry in Andhra Pradesh, making it more profitable and competent.
- Promote eco-friendly and responsible tourism including a profit share to the local population.
- Offer encouragement for innovative initiatives in Andhra Pradesh's tourism sector.
- Protect the precious environment and natural resources, which are also assets for the future of travel and tourism.
- Strengthen the existing tourism infrastructure in the Andhra Pradesh.
- Exploit the tremendous potential for the promotion of Andhra Pradesh Tourism.
- Identify the current gaps in tourism infrastructure and formulate development schemes.
- Offer world-class services for the tourists visiting the State.
- Generate employment with the tourism potential.
- Make Andhra Pradesh a top most destination in India by attracting more domestic and foreign tourists.

- Increase the number of tourist arrivals and increase the length of stay of tourists.
- Enhance connectivity and improve environment, utilities and tourist services.
- Integrated development of high- priority tourism infrastructure and create high potential tourism circuits.

2.4 Values

The Company has a values statement.

2.5 Citizen's Charter

The Company does not have stated Citizen's Charter.

2.6 Code of Conduct for Employees

The company has adopted a code of conduct for the employees.

2.7 Environment, Health & Safety Policy (EHS)

The company does not have an stated EHS policy.

2.8 Quality Policy

There is no stated Quality Policy.

2.9 Corporate Governance Code:

The company does not have a stated corporate governance code.

3 Board Structure :

3.1 Composition of the Board

The Board is comprised of 5 directors of which 2 are whole time functional directors. There are 2 ex-officio directors. The position of

Chairman & Managing Director has been separate. The Chairman is ex-officio position.

Table 2

List of the Directors		
Sl. No.	Name	Designation
1	Smt. Chandana Khan, I.A.S	Chairperson
2	Sri K S Reddy, IFS	VC & Managing Director
3	Sri Sunil Kumar Gupta, IFS	Director
4	Dr. R. Amarendra Kumar,	Executive Director (P)
5	Dr. P.V. Ramesh IAS	Director

3.2 Tenure of Managing Director

From table 3 below it is observed that the Managing Director have had short terms some as short as 2 months. This would have affected the continuity of leadership.

Table 3

Tenure of the Managing Director				
Sl. No.	Name of the Managing Director	Date of Joining	Date of Separation	Tenure in months
1	Sri Sandeep Kumar Sultania	05/04/2010	28/07/2012	27
2.	Sri B. Srinivas IFS (FAC)	28/07/2012	01/09/2012	2
3.	Smt. Chandana Khan, I.A.S	01/09/2012	11/11/2013	13
4.	Sri K S Reddy, IFS	11/11/2013		

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are no Independent Directors on the Board.

3.5 Appointment of Company Secretary & Duties

The company does not have a full time company secretary to look after its legal and secretarial matters.

4 Board Processes :

4.1 Frequency of Meetings

The Board has been meeting once a quarter which is in compliance with the legal requirements.

Table 4

Frequency of Board Meetings 2012-13			
S. No.	Board Meeting No.	Date	Gap in Months
1	151	30-03-2012	3
2	152	28-06-2012	3
3	153	27-09-2012	3
4	154	31-12-2012	3
5	155	30-03-2013	3

Frequency of Board Meetings 2013-14			
S. No.	Board Meeting No.	Date	Gap in Months
1	156	29-06-2013	3
2	157	30-09-2013	3
3	158	21-12-2013	3
4	159	26-03-2014	3

Frequency of Board Meetings 2014-15			
S. No.	Board Meeting No.	Date	Gap in Months
1	160	17-05-2014	3
2	161	25-07-2014	3

4.2 Attendance of Directors

Table 5

Details of Attendance of Directors

Board Meeting No.	Date	No. of Directors Attended	No. of Directors Absent	Total Strength
151	30-03-2012	5	3	8
152	28-06-2012	6	3	9
153	27-09-2012	7	2	9
154	31-12-2012	7	1	8
155	30-03-2013	8	2	10
156	29-06-2013	5	2	7
157	30-09-2013	4	1	5
158	21-12-2013	7	3	10
159	26-03-2014	8	1	9
160	17-05-2014	5	1	6
161	25-07-2014	4	1	5

Most of the Directors have been attending the meetings. However, from the analysis of the minutes it is observed that leave of absence granted by the Board and that the same director was no in attendance at consecutive meetings.

4.3 Agenda of Board Meetings

A list of major items discussed and transacted in the Board Meetings is given in Annexure 2. From this list it is observed that wide ranging issues are being discussed such as operations, employee relations and capex.

Action Taken Report

The Action Taken Report has been discussed and taken on record at all the Board meetings.

Review of Legal Compliances

A review of the legal compliance is being done by the Board.

Review of Operations

A review of the operations, in terms of operational indicators is discussed in detail in every meeting.

Appointment of Auditors

The Comptroller and Auditor General of India appoints the statutory auditors of the company under section 619(2) of the Companies Act 1956 till the financial year ended March 31, 2014. The remuneration payable to the auditors is fixed by the shareholders in the Annual General Meeting.

5 Board Committees :

The Corporation does not have any Board Committees.

6 Process Enablers

6.1 Organization Structure

- . The Corporation has an Organization Structure with clearly defined roles and responsibilities.

6.2 Delegation of Powers

The delegation of powers from Board of Directors to Chairman, Vice Chairman and Managing Director and Whole time Directors has been prepared. The delegation of powers is in respect of monetary transactions and employment.

6.3 Process Manuals

There are no Process Manuals.

6.4 Internal Controls

The Statutory Auditors have reported that the internal control system needs to be strengthened so as to be commensurate with the size of the Corporation and the nature of its business. The areas that need to be strengthened are identified as - purchase of inventory, fixed assets and the sale of goods.

In the Annual Report 2012-13, observations have been made by the Statutory auditors, which indicate that certain accounting policies are

not in conformity with the accepted accounting standards. These observations relate to:

- a. Non maintenance of fixed assets register showing full particulars including quantitative details and situation of fixed assets.
- b. Physical verification of fixed assets not been done.
- c. Non maintenance of subsidiary ledgers and consequently the reconciliation of the general ledger balances with the subsidiary ledgers is not provided.
- d. Annual Accounts for the year ended 31st March, 2012 are subject to approval by the members in the Annual General Meeting. [Consequently, the opening balances as on 1st April, 2012 as per audited financial statements are taken for the purpose of preparing financial statements for the year ended 31st March, 2013 are subject to approval by the members.(Note No.33)
- e. Interest accrued on confirmation and reconciliation on Government loans of Rs.32.45 lakhs.
- f. Capitalization of advances to sub contractors who have abandoned the work of Rs.42.06 lakhs.
- g. Advances to capital work/others, advances to staff and others for expenses include large accumulated balances from earlier years as well as in current year and remain unadjusted for work done/expenses incurred resulting in under charge of work done/expenses and overstatement of advances.(Note 29)
- h. Provision for leave salary and pension for the Government employees on deputation with the Corporation is not provided on accrual basis.(Note No.27)
- i. Undercharging of depreciation since separation of electrical installations from buildings has not been done. (Note no.37 (d))
- j. Non-provision of loss on account of frauds reported relating to the years 2008-09 to 2012-13 amounting to Rs.65.33 lakhs has not been done. This has resulted in overstatement/ understatement of profit/ loss.(Note. No.42)(1)(2)

- k. The corporation has not determined the impairment loss, if any on assets including leased assets under AS28 "Impairment of assets." not determined.

Internal Audit Observations

According to the Statutory Auditors the internal audit has been carried out on the transactions of APTDC upto the financial year ended 31st March 2013. They have reported that the scope and coverage of internal audit needs to be strengthened commensurate with the nature and size of the business.

7 Transparency & Disclosure

7.1 Annual Report

The Annual Report has made the mandatory disclosures but there is no section on corporate governance.

7.2 Disclosure of Interest by Directors

There is no disclosure of interest document signed by the directors.

7.3 Related Party Transactions

The related party transactions with companies in which the directors are interested are not being disclosed or put up to the Board for review. No disclosures have been made in the annual report on related party transactions.

7.4 Website Information

The Corporation has not revealed much of its information through its website for its stakeholders.

Annexure 1

BALANCE SHEET AS ON 31st MARCH			
		Rs. lakhs	
Sl.No.		2012	2013
I	EQUITY & LIABILITIES		
	a) Share capital	354.69	354.69
	b) Reserves & surplus	2275.14	2242.53
		2629.83	2597.22
II	Share application money pending allotment	21.44	21.44
III	Non current liabilities		
	a) Long term borrowings	1593.00	1172.12
	b) Other long term borrowings	11369.22	20032.78
	c) Long term provisions	591.43	589.56
		13553.66	21794.46
IV	Current liabilities		
	a) Trade payables	1293.50	1853.90
	b) Other current liabilities	1590.01	1742.94
	c) Short term provisions	59.78	38.12
		2943.30	3634.96
	TOTAL	19148.23	28048.08
	ASSETS		
I	Non-current assets		
	a) Fixed assets		
	1) Tangible assets	10192.51	10816.20
	2) Intangible assets	8.75	7.87
	3) Capital-work-in-progress	3513.41	5097.11
		13714.66	15921.18
	b) Deferred tax asset(net)	82.66	61.91
	c) Long term loans and advances	1283.19	1429.84
		1365.85	1491.75
II	Current Assets		
	a) Inventories	111.83	147.21
	b) Trade receivables	503.77	547.10
	c) Cash and Bank Balances	3040.34	9278.96
	d) Short term loans and advances	211.93	347.51
	e) Other current assets	199.84	314.37
		4067.72	10635.15
	TOTAL	19148.23	28048.08

Annexure 1 Contd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH		
	2012	2013
Income	Rs. lakhs	
Revenue from operations	13264.14	13991.11
Other Income	192.19	159.10
Total Revenue	13456.33	14150.21
Expenses		
Operating expenses	6485.80	7050.59
Employee Benefits Expense	3460.50	3692.82
Finance Costs	73.15	107.22
Depreciation & Amortization	1205.36	1350.85
Other Expenses	1856.34	1960.61
Total Expenses	13081.15	14162.08
Profit/Loss Before Tax	375.18	-11.87
Tax Expense:		
Current Tax	57.97	
Deferred tax	(186.89)	20.75
Profit/Loss after tax	504.10	(32.62)
Earnings per Equity Share in Rs.		
Basic & Diluted	142.13.	(9.20)

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1	Routine Business
	Confirmation of minutes of the previous Board meeting
	Action taken report of the previous Board Meetings
2	Reconstitution of the Board
	Appointment of directors, Resignation of Directors
3	Operations
	Leasing of Hotels and Restaurants
	Review of Operations
4	Financial
	Approval of financial accounts of the corporation for the year ended 31st March,2013. Action Plan for the Financial Year 2013-14
	Appointment of Statutory Auditors of the corporation. Delegation of powers – Operational matters
5	Capex
	Procurement of boats for Hussain Sagar & Srisailam boating units
	Replacement and purchase of New Buses in Transport Wing Construction of hotel rooms, Budget Hotel at Alipiri, Tirupathi, and Chittoor District
6	Review of Legal Compliance
7	Employee Remuneration
	Consideration of adoption of orders issued by the Govt. with reference to employee remuneration. Compassionate appointments to the dependents of contract employees died while on duty. Recruitment of Staff in F&B Wing of Hotels.

Survey Report 8

THE ANDHRAPRADESH MINERAL DEVELOPMENT CORPORATION LIMITED (APMDCL)

1 Company profile

1.1 Incorporation

The Andhra Pradesh Mineral Development Corporation Ltd. (APMDCL) was incorporated on 24th February, 1961 and registered under the Companies Act, 1956 with an authorized capital of Rs.50.00 lakhs with full participation by Government of Andhra Pradesh. The authorized capital was increased over a period of time and is now Rs.10 crores against a paid up capital of present Rs.6.3 crores.

The registered and head office is at Hyderabad. Branch offices are situated at Mangampet, YSR Kadapa District, Dwarakatirumala, West Godavari District, Piduguralla, Guntur District, Khammam, Visakhapatnam and Cheemakurthi, Prakasam Districts.

1.2 Financial Performance

The accounts are audited up to financial year ended 31st March 2010.

The sales turnover of the Corporation for the year 2009-10 was Rs.217 crores as against Rs.156 crores during the previous year. The net profit for the year was Rs.55 crores, up from Rs 44 crores last year. Other income was also up at Rs 20 crores compared to Rs 17 crores in the previous year. The summary of financial results are in Annexure 1.

The financial statements for the financial year 2012-13 are ready but awaiting the approval in the Annual General Meeting. The Company have earned record revenue of Rs. 659 crores during the year 2012-13, which is 75% higher than the previous year. It is reported from discussions with the executives of the Company that the net worth will reach a record high of Rs. 751 crores, which is 80% higher than the previous year. The Corporation also earned a record provisional profit after tax of Rs. 334 crores in 2012-13 which is 124% higher than the previous year. The Corporation paid a record advance tax of about Rs. 158 crores for Assessment Year 2013-14.

1.3 Employee Profile

The present manpower of the Corporation both technical and non-technical is 302. The annual budget for salary and wages is about Rs. 8.50 crores. The employee provide is given in table 1 below and shows that there is a significant gap in the 'others' category.

Table 1

SANCTIONED STRENGTH AND MEN IN POSITION				
Sl. No.	Designation	Sanctioned Strength	Filled	Gap
1	Executive Director	1	1	0
2	General Managers	4	4	0
3	Addl. General Managers	2	2	0
4	Dy. Managers	27	22	5
5	Asst. Managers	36	32	4
6	Others	411	206	205
	Total	481	267	214

2 Constituents of Corporate Governance

2.1 Objectives

The objectives of the Corporation are:

- To become a model Public Sector Undertaking (PSU) by demonstrating sustained growth and profitability, operational efficiency and to maximize value to the shareholder.
- To lay focus on capacity building and adoption of technology in development, exploration and beneficiation of mineral resources.
- To encourage and facilitate investment through Public – Private – Participation (PPP).
- To explore new markets Nationally and Internationally.
- To become socially responsible and eco-friendly by adopting cleaner technologies and sustainable policies reflecting the best in the industry.

2.2 Vision

The Company's Vision statement is given below:

"The most valued Company for sustainable development of minerals with commitment for environment protection and safety, and to become the leader in mining by optimal utilization of resources, creating added value and with sustainable growth".

2.3 Mission

The Company's Mission statement is given below:

"Exploration and exploitation of mineral resources with due emphasis on environment & safety and development & promotion of mineral based industries adopting innovative technology and advanced skills for accelerated and sustainable growth".

2.4 Values

The Corporation does not have a stated value statement.

2.5 Citizen's Charter

The Corporation framed Citizens Charter to discharge its obligation towards Customers.

2.6 Code of Conduct for Employees

The Company does not have a Code of Conduct for Employees, but It has Service Rules for its employees.

2.7 Safety, Health and Environment Policy

The Corporation has formulated a Health Care Policy from the year 2012-13 for maintenance of health and prevent diseases for its employees, their family members and inhabitants living in the vicinity of its project sites.

2.8 Quality Policy

The Corporation does not have a stated quality policy statement.

2.9 Corporate Governance Code

The Corporate Governance Code is not applicable to the Corporation.

3 Board Structure

3.1 Composition of Board

There are 5 directors on the Board. The Chairman & Managing Director position have been separated. All the Board positions, other than the Vice Chairman & Managing Director are ex-officio positions.

Table 2

COMPOSITION OF BOARD OF DIRECTORS		
Sl. No	Name	Designation
1.	Sri.Sabyasachi Ghosh, IAS	Chairman
2.	Dr. T R K Rao , IRTS	Vice-Chairman & Managing Director
3.	Sri Y. Ramakrishna	Addl. Secretary to Govt. Finance Dept.
4.	Sri. B.R.V. Susheel Kumar	Director of Mines & Geology
5.	Sri. Shankar	Joint Secretary to Government Industries & Commerce Department

3.2 Tenure of Vice Chairman & Managing Director

The tenure of the Vice Chairman & Managing Director is given in table 3 below. It shows that there have been frequent changes in the Chairman Post sometimes even 4 months. Further the Vice Chairman & Managing Director has also been changed very frequently excepting for Mr. Rajagopal who has successfully completed 5.5 years.

Table 3

Tenure of Chairman				
Sl. No.	Name of Chairman	Date of Joining	Date of Separation	Tenure in years
1.	Smt. Y. Srilakshmi IAS	14-02-2007	01-11-2009	2.7
2.	Sri M. Veerabhadraiah IAS	02-11-2009	22-04-2010	0.5
3.	Smt. Ranjeev R. Acharya, IAS	22-04-2010	18-06-2011	1.2
4.	Dr. Prem Chand IAS	18-06-2011	29-02-2012	0.75
5.	Sri Ajay Mishra IAS	28-03-2012	20-06-2012	0.25
6.	Sri D. Srinivasulu IAS	21-06-2012	30-06-2013	1.0
7.	Sri Sabyasachi Ghosh IAS	01-07-2013	Till date	

Table 3 Contd.

Term and Tenure of Vice Chairman & Managing Director				
Sl. No.	Name of Director	Date of Joining	Date of Separation	Tenure in years
1.	Sri. V D Rajagopal	26-06-2004	03-01-2010	5.5
2.	Sri Praveen Prakash IAS	04-01-2010	18-05-2011	1.5
3.	Sri. Mukesh Kumar Meena IAS	19-05-2011	30-06-2013	2.0
4.	Dr. T R K Rao IRTS	01-07-2013	Till date	

3.3 Director Identification Number (DIN)

DIN has been obtained by all directors.

3.4 Independent Directors

There are no independent directors on the Board.

3.5 Appointment of Company Secretary & Duties

APMDCL has a full time Company Secretary to look after legal and secretarial matters of the Corporation.

4 Board Processes

4.1 Frequency of Meetings

The frequency of the Board meetings have been extremely high and sometimes meetings have been held even once a month.

Table 4

FREQUENCY OF BOARD MEETINGS 2010-11			
Sl. No.	Board Meeting No	Date	Gap in Months
1	353	30-06-2010	
2	354	30-09-2010	2
3	354 Adj.	11-11-2010	1
4	355	15-02-2011	2

FREQUENCY OF BOARD MEETINGS 2011-12			
Sl. No.	Board Meeting No	Date	Gap in Months
1	356	30-06-2011	3
2	356 Adj.	19-07-2011	0
3	357	30-09-2011	1
4	357 Adj.	03-10-2011	0
5	358	30-12-2011	1
6	359	27-02-2012	1

FREQUENCY OF BOARD MEETINGS 2012-13			
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Sl. No.	Board Meeting No	Date	Gap in Months
1	360	27-06-2012	3
2	361	27-09-2012	2
3	361 Adj.	05-10-2012	0
4	362	24-12-2012	1
5	363	15-03-2013	2

FREQUENCY OF BOARD MEETINGS 2013-14			
Sl. No.	Board Meeting No	Date	Gap in Months
1	364	27-04-2013	0
2	365	27-05-2013	0
3	366	29-06-2013	0
4	367	06-08-2013	1
5	368	10-10-2013	1
6	369	09-12-2013	1
7	370	10-01-2014	0
8	371	13-02-2014	0

4.2 Attendance of Directors

From the table 5 below it is observed that most of the Directors are present at the meetings, however there are some meetings where there are two or three directors present.

Table 5

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2010-11					
Sl. No.	Board Meeting No	Date	Directors Present	Directors Absent	Total
1	353	30-06-2010	5	0	5
2	354	30-09-2010	2	3	5
3	354 Adj.	11-11-2010	4	1	5
4	355	15-02-2011	5	0	5

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2011-12					
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Sl. No.	Board Meeting No	Date	Directors Present	Directors Absent	Total
1	356	30-06-2011	3	2	5
2	356 Adj.	19-07-2011	5	0	5
3	357	30-09-2011	5	0	5
4	357 Adj.	03-10-2011	5	0	5
5	358	30-12-2011	4	1	5
6	359	27-02-2012	4	1	5

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2012-13					
Sl. No.	Board Meeting No	Date	Directors Present	Directors Absent	Total
1	360	27-06-2012	4	1	5
2	361	27-09-2012	3	2	5
3	361 Adj.	05-10-2012	4	1	5
4	362	24-12-2012	3	2	5
5	363	15-03-2013	4	1	5

FREQUENCY OF BOARD MEETINGS AND ATTENDANCE OF DIRECTORS 2013-14					
Sl. No.	Board Meeting No	Date	Directors Present	Directors Absent	Total
1	364	27-04-2013	5	0	5
2	365	27-05-2013	3	2	5
3	366	29-06-2013	4	1	5
4	367	06-08-2013	5	0	5
5	368	10-10-2013	4	1	5
6	369	09-12-2013	4	1	5
7	370	10-01-2014	3	2	5
8	371	13-02-2014	4	1	5

4.3 Agenda of Board Meetings

Table 6

FREQUENCY OF BOARD MEETINGS AND NUMBER OF TRANSACTIONS 2010-11			
Sl. No.	Board Meeting No	Date	No of Transactions
1	353	30-06-2010	35
2	354	30-09-2010	0
3	354 Adj.	11-11-2010	43
4	355	15-02-2011	20

FREQUENCY OF BOARD MEETINGS AND NUMBER OF			
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TRANSACTIONS 2011-12			
Sl. No.	Board Meeting No	Date	No of Transactions
1	356	30-06-2011	0
2	356 Adj.	19-07-2011	42
3	357	30-09-2011	0
4	357 Adj.	03-10-2011	33
5	358	30-12-2011	24
6	359	27-02-2012	28

FREQUENCY OF BOARD MEETINGS AND NUMBER OF TRANSACTIONS 2012-13			
Sl. No.	Board Meeting No	Date	No of Transactions
1	360	27-06-2012	49
2	361	27-09-2012	24
3	361 Adj.	05-10-2012	30
4	362	24-12-2012	37
5	363	15-03-2013	38

FREQUENCY OF BOARD MEETINGS AND NUMBER OF TRANSACTIONS 2013-14			
Sl. No.	Board Meeting No	Date	No of Transactions
1	364	27-04-2013	20
2	365	27-05-2013	06
3	366	29-06-2013	29
4	367	06-08-2013	29
5	368	10-10-2013	24
6	369	09-12-2013	21
7	370	10-01-2014	14
8	371	13-02-2014	07

Action Taken Report

The Action Taken Report is discussed at all the Board Meetings.

Review of legal compliances

The Board reviews the legal compliances at frequent intervals.

Review of Operations

The Board regularly reviews the operating results at every Board meeting.

Appointment of auditors

The Comptroller and Auditor General of India appoints the statutory auditors of the company under section 619(2) of the Companies Act 1956. The remuneration payable to the auditors is fixed by the shareholders in the Annual General Meeting.

Review of financials

The Board reviews the financial performance and the key performance indicators that have been identified.

Business Plan

Based on the review of the minutes of the Board meeting, it was observed that the business plan and strategy of the company are items on the agenda in the quarterly Board Meetings. .

5 Board Committees

The Corporation does not have any Board Committees.

6 Process Enablers

6.1 Organization Structure

The Corporation has a well laid out Organisation Structure.

6.2 Delegation of Powers

Clear cut delegation of powers are in place for the operations of the corporation flowing from Board of Directors down to the Managers and Officers of the Corporation.

The Vice-Chairman & Managing Director (MD) is assisted by Director (Mines and Geology). There are presently three General Managers, two Assistant General Managers and one qualified company Secretary at the Head Office.

6.3 Process Manuals – ISO/Others

In order to obtain efficient, effective and quality output and strengthen internal capabilities, standardize norms, thereby transform APMDCL into a global company, the Corporation introduced Policy Reforms and formulation of policies and preparation of manuals related to Policy on Finance, HR Policy, Energy Audit Policy, Environmental Policy and Procurement Policy are under finalisation.

6.4 ERP enabled Processes

The Corporation has adopted e-auction for the first time in its history for sale of minerals from the year 2012-13.

The Corporation has also developed in house technology of generating digital maps of different thematic layers viz., geology, structure, land use and land cover and now fully equipped with both software and hardware capabilities for generating, modifying and publishing of all kinds of geo referenced and digital maps.

6.5 Internal Controls – Internal Audit Observations

The Statutory Auditors, have in their report commented that the Corporation has to strengthen its internal audit system commensurate with the size and nature of its business. There are observations made by the auditors relating to non conformance to accepted accounting policies, which are given in Annexure 2.

7 Transparency & Disclosure

7.1 Annual Report

The disclosure of information in the Annual Reports of the corporation is informative and transparent.

7.2 Disclosure of Interest by Directors

The disclosure of interest document has been signed by directors.

7.3 Related Party Transactions

The related party transactions are being put up to the Board for review.

7.4 Qualifications/Observation by auditors

The Statutory Auditors and the Comptroller & Auditor General of India have commented on the Accounts of the Corporation for the financial year ended 31st March, 2010 as below.

From the year 2009-10, the Company has started valuing the 'Mud Chips' at weighted average cost of 'B' Grade or net realizable value whichever is lower. The impact of the change in valuation method of Rs.63.91 lakhs on the current year profit has not been disclosed.

During the audit of year 2009-10 audit pointed out that, the Corporation sold 1.61 lakh tones of C+D+Waste Barytes lumps for Rs.624.64 lakhs but did not value the closing stock of C+D+Waste of 36,95,541.365 tonnes as on 31-03-2010 part of which was later sold during the years 2010-11 to 2012-13. As the Corporation has been selling C+D+Waste regularly and has been realizing substantial amounts, the stocks should have been valued by ascertaining the saleable quantity of C+D+Waste at net realizable value.

7.5 Website Information

The Corporation's website contains elaborate information with regard to the ownership, capital structure, business, Management Structure. However details of audited financial statements have not been disclosed finding their place on the Website.

Annexure 1

BALANCE SHEET AS AT 31st MARCH

Sl.No.		Rs. lakhs	
		2008	2009
I.	EQUITY & LIABILITIES		
1	Shareholders' funds		
	a) Share capital	630.62	630.62
	b) Reserves & surplus	15325.92	20790.13
	Deferred Government Grant		
2	Unsecured Loans	3389.78	0.00
	Net Deferred Tax Liability	0.27	0.25
	TOTAL	19,346.59	21,421.00
II.	ASSETS		
1	a) Fixed assets		
	Gross Block	1605.03	1628.02
	Less: Depreciation	739.95	791.83
	Net Block	865.08	836.18
	Capital Work in progress	3.59	8.39
	Leasehold Mining rights	66.61	44.40
		935.28	888.97
	Investments	334.11	451.68
	Deferred Tax asset	59.40	150.26
2	Current Assets		
	Inventories	989.44	1641.43
	Sundry debtors	2249.25	2278.36
	Cash & Bank balances	14384.68	16775.47
	Other Current assets	678.13	602.22
	Loans & Advances	5169.90	5293.48
		23471.40	26590.95
	Less: Current Liabilities and Provisions		
	Current Liabilities	4412.77	4620.69
	Provisions	1040.80	2040.17
		5453.57	6660.87
	Net Current assets	18017.83	19930.09
	TOTAL	19,346.59	21,421.00

Annexure 1 Contd.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH		
	Rs. lakhs	
	2008-09	2009-10
INCOME		
Sales	15647.03	21699.85
Other income	1698.14	1975.04
Total Revenue	17,345.17	23,674.89
EXPENSES		
Purchases	9260.16	12812.15
Interest	71.77	162.61
Wages	1231.18	1937.62
Depreciation & amortization expense	90.87	83.38
Amortization of leasehold Mining rights	22.20	22.20
Fixed Assets written off	0.00	16.43
Total Expenses	10676.18	15034.38
Profit before exceptional and extraordinary items and tax	6668.99	8640.50
Prior Period Items	(0.79)	256.91
Profit before tax	6,669.78	8,383.59
Tax expense		
1) Current tax	2224.45	2976.07
2) Fringe Benefit Tax	8.00	0.00
3) Deferred tax	69.48	(90.87)
Profit for the year	4,367.84	5,498.39
Surplus B/F from Previous Year	4911.09	8585.06
Reserve for Doubtful Debts	(75.82)	(1.67)
Profit available for appropriation	9203.11	14081.79

Annexure 2

IRREGULARITIES RELATED TO PROCEDURES
Provisions
<ul style="list-style-type: none"> ▪ Non provision of contribution payable towards mining resources and technology up gradation fund aggregating to Rs.81.35 Crores. ▪ Overstatement of provision for Reclamation and Rehabilitation of mined out areas and understatement of profits by Rs.75.68 Lakhs. ▪ Non provision of Interest accrued and receivable from Post Office savings Accounts resulting in understatement of profits by Rs.1.45 lakhs and current assets by Rs.10.17 lakhs.
Accounting
<ul style="list-style-type: none"> ▪ Non Provision of Rs.469.17 lakhs in the accounts on claims against the company as per arbitration award resulting in overstatement of profits to that extent.
Inventory
<ul style="list-style-type: none"> ▪ Non disclosure of Rs.63.91 lakhs impact in the profit due to change in the valuation method of “Mud Chips”. ▪ Non valuation of saleable quantity of C+D+waste barytes lumps in the Closing stock.
Receivables
<ul style="list-style-type: none"> ▪ Confirmation of balances outstanding to the debit and credit of the parties not obtained
Deposits & Advances
<ul style="list-style-type: none"> ▪ investment in fixed deposits with banks, proper authorization has been done without approval by the board of directors in accordance with the act resulting in alleged financial irregularities.
Cash & Bank Balances
<ul style="list-style-type: none"> ▪ Disclosure of Rs.41.51 lakhs held in Post Office Savings Accounts under Cash and Bank balances instead of Deposits.

Annexure 4

LIST OF MAJOR ITEMS TRANSACTED IN BOARD MEETINGS	
1	Routine Business Related
	Confirmation of minutes of the previous Board meeting
	Action Taken Report arising from previous meetings
2	Reconstitution of the Board Related
	Changes among directors
3	Operation Related
	Major decisions on policy matters relating to the business
	Opportunities for new businesses
	Evaluation of joint ventures based on commercial considerations.
4	Financial Related
	Financial performance of the Corporation
	Approval of capital and revenue budget
5	Capex Related Business
	Approval of capital expenditure
6	Statute Related
	Status of pending legal cases.
7	Employee Remuneration Related
	Approval of promotion to employees
	Review and approval of compassionate appointments of employees.