



# Southern Power Distribution Company of Telangana Ltd.

(A Govt. of Telangana Undertaking)

Corporate Office: # 6-1-50, Mint Compound, Hyderabad-500 004. (Telangana, India.)

CIN NO. U40109TG2000SGC034116, Website: www.tgsouthernpower.org

## ABSTRACT

TGSPDCL- Corporate Affairs -Risk Management Policy, 2025 – Orders-Issued.

**SP.OO.(CS).MS.NO.1187**

**DATE :02.06.2025**

Read the following:

1. Section 134(3)(n) & Section 177 of the Companies Act, 2013.
2. Revised Corporate Governance guidelines for State Power Distribution Utilities (DISCOMs), Ministry of Power, Govt. of India dated 27<sup>th</sup> April, 2023 F.No.05/01/2021-UR&SI-II-Part(1)-(E-258189).
3. Minutes of the 188<sup>th</sup> BM dated 29.04.2025.

## ORDER:

1. Section 134(3)(n) of the Companies Act 2013 provides that there shall be attached a statement laid before a company in general meeting, a report by its Board of Directors, which shall include –(n) a statement indicating development and implementation of a risk management policy for the company including identification thereof element of risk, if any, which in the opinion of the Board may threaten the existence of the company;
2. Section 177 of the Companies Act 2013 provides that every audit committee shall act in accordance with the terms of reference specified in writing by the Board which shall inter-alia include (vii) evolution of internal financial control and risk management system.
3. Para No.2.2 Revised Corporate Governance guidelines for State Power Distribution Utilities (DISCOMs), Ministry of Power, Govt. of India dated 27<sup>th</sup> April 2023 F.No.05/01/2021-UR&SI-II-Part(1)-(E-258189) provides that DISCOMs shall constitute a Risk Management Committee and Develop the Risk Management Framework as an integral part of the business operations. The Risk management policies and critical risk factors shall be disclosed in the Director's Report as per Companies Act 2013. To formulate a detailed risk management policy which shall include:
  - (a) A framework for identification of internal and external risks specifically faced by the DISCOM, in particular including financial,



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operational, sectoral, suitability, information, cybersecurity risks, no increase in tariff, AT&C loss increased by certain limit, late/non receipt of subsidy, increase in open access, non-receipt of bills or any other risk as may be determined by the Company.

(b) Measures for risk mitigation including systems and process for internal control of identified risks.

(c) Business continuity plan.

(d) To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the company.

4. In the reference 3<sup>rd</sup> cited above, the Board of Directors have approved the Risk Management Policy, 2025 to identify various elements of risk and steps taken to mitigate the same.
5. Accordingly, in pursuance of the approval of the Board of Directors TGSPDCL hereby notify the TGSPDCL Risk Management Policy, 2025 (Annexed) for compliance.

Encl:- TGSPDCL Risk Management Policy, 2025

**(BY ORDER AND IN THE NAME OF SOUTHERN POWER DISTRIBUTION COMPANY OF TELANGANA LIMITED)**

  
MUSHARRAF ALI FARUQI, IAS  
CHAIRMAN & MANAGING DIRECTOR  
DIN - 10429742

To

All Chief Engineers /TGSPDCL

The Chief Vigilance Officer/TGSPDCL

The General Managers/Corporate Office/TGSPDCL

All Superintending Engineers/Corporate Office/TGSPDCL/Hyderabad

**Copy to:**

The DE/Tech to CMD/TGSPDCL .

The All members of Directors/TGSPDCL



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## Annexure-I

### RISK MANAGEMENT POLICY, 2025

Section 134(3)(n) of the Companies Act, 2013 requires company Southern Power Distribution Company of Telangana Limited (TGSPDCL) to frame Risk Management Policy to identify various elements of risk and steps taken to mitigate the same.

As an enterprise engaged in distribution of power, the Company is having a System based approach to Business Risk Management. The responsibility of management of Risk lies upon the Board of Directors. However, with a view to ensure effective and efficient execution, the Board may delegate authority and responsibility on the senior management team including department heads.

The process of risk management includes prioritization of risks, selection of appropriate mitigation strategies and periodic reviews of the process of management of risks.

Risk Management framework shall primarily focus on following elements.

**A) Operational Risk** –There is a risk of disruption of operations causing outage of supply because of unforeseen situations, weather conditions and miss-match in load forecasting. Substantial quantum of power is being supplied to agriculture sector and the power to this sector depends on the regular monsoon season i.e. in case of prolonged dry season, the consumption of power in agriculture sector is increasing resulting into the low voltage problem.

**Mitigation:** Company is forecasting power demand based on historical trends and available information. Modern forecasting techniques are employed for accurate forecasting of power demand duly taking latest weather report available and agriculture crop activity.

**B). Network Risk:** Distribution network is the backbone for providing reliable power supply to all consumers. The network consists of sub-stations, feeders, lines, and distribution transformers. Failure of equipment, breakdown of lines will have an impact on the supply of power to consumers. Thus there is a Network risk in providing reliable supply of power to the consumers.

**Mitigation:** Adequate installation of distribution lines & transformation capacity are being planned based on the real time data to reduce the critical loading of distribution system. Further preventive maintenance, Standard Operating Procedures (SOP), maintenance guidelines/ schedules are in place, which are strictly adhered by



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(SOP), maintenance guidelines/ schedules are in place, which are strictly adhered by the Company for proper maintenance of network and equipment. The Company also ensures standards of construction and quality materials besides insisting on guarantee / warranty for materials. Further, in case of emergency, modern maintenance techniques such as SCADA are followed to minimize the outage timings.

**C) Risk of Non availability of land for Sub-stations** – TGSPDCL acquires land only from Government/ Donors. However, wherever there is non availability of Government Land/Donors, land is purchased as per market rate. The allotment of the land/purchase of land is a lengthy & cumbersome procedure & non – availability of land is resulting into delay of timely erection of sub-station.

**Mitigation:** TGSPDCL has a separate Projects Wing/Construction Wing which is a dedicated team is working and coordinating with revenue department/ filed officials for early allotment/procurement of land. They are also pursuing the matter through office of the Energy Department at Government level for early allotment of land for erection of sub-stations lines and other works.

**D) Risk of Right of Way (RoW)** –Delay in construction of distribution line on account of RoW issues including Forest / Wildlife / Statutory approvals from various Government department.

**Mitigation:** To avoid the delay to a large extent on account of the above. TGSPDCL undertakes a monthly review meeting with Projects Wing/Construction Wing & field engineers at Corporate office level. The shortcoming and issues emerged during these review meetings is taken on hand on priority basis. Further, the dedicated team under ProjectsWing/Construction Wing is regularly following up with the respective Government departments for timely approvals.

**E) Risk to Company Assets and Property** –There is a risk of theft, pilferage, natural disasters, obsolesces etc. to assets and property of the company.

**Mitigation:** It is ensured that there is proper security and maintenance of assets, where ever required.

**F) Regulatory Risk** –In the Electricity Sector, Regulations are framed by Central /State Regulatory Commission as regard to Standard of Performance for Utilities, Terms & Condition for determination of tariff, grant of Open Access, Deviation Settlement Mechanism, India Electricity Grid Code/, Telangana State Regulatory



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Commission Rules, power Market Regulations etc. Moreover, the State / Central Government are notifying various guidelines and policy for growth of the sector. These policies/ regulations are modified from time to time based on need and development in the sector. Hence the policy / regulation is not restricted only to compliance but also have implications for operational performance of utilities return on Equity, Revenue, Regulatory charges etc. Therefore, TGSPDCL is subject to Regulatory Risk.

**Mitigation:** To protect the interest of Utilities, TGSPDCL actively participating in consultation process at the regulators, State Government and Central Government level while framing of Policies and Regulations. TGSPDCL actively communicate its reservations/remarks/comments in proposed rules, regulations and standards.

As per the regulation 4 of 2005, the license is required to file the ARR along with tariff proposals of Retail Supply business for approval by the Hon'ble Commission. Any Deviation, in filing of petitions beyond the timelines will result in the following:-

- The electricity tariffs may not be increased as compared to the increase in cost of supply, which in turn leads to financial loss.
- Under recovery of its operation & maintenance costs and non-meeting of fixed costs commitments with the generators.
- Infrastructure development will be slowed down.
- Face difficulties to meet the increased demand.
- Providing of reliable & quality supply may not be possible.

Also, as per MOP rules and TGERC Regulation NO.1 of 2023, Fuel Cost Adjustment (FCA) is a mechanism of automatic pass through of fuel and power purchase cost adjustment in monthly bills.

FCA shall be levied and collected from the consumers on account of power purchase cost variation. Passing of this amount to consumers will result in reduction of loss of Revenue to the DISCOM and will enable to make payments to the Generators in time as per Power Purchase Agreements.

**G) Risk associated with Non-Compliance of Statutory enactments:** The Company is a legal entity incorporated under the Companies Act, 1956 is engaged in the business of distribution and retails supply of electricity in its licensed area. The Company is required to ensure compliance of provisions of various applicable statutory enactments. There is a risk associated with non-compliance of the applicable laws.



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**Mitigation:** The Company ensure that qualified professional are employed to comply with various applicable laws in respective departments/areas. In addition to the statutory audits, the Company also undertakes internal audit/s at different levels periodically to ensure timely check on the statutory compliances.

## H) FINANCIAL RISK

**(i) Inflation and Cost Structure** –There is a risk of increases in expenses due to inflation which may consequently reduce the profits/increase the losses of the Company.

**Mitigation:** At organizational level, cost optimization and cost reduction initiatives are implemented and are closely monitored. The Company controls costs through budgetary mechanism. The focus on these initiatives has inculcated importance of cost reduction and control across the organization.

**(ii) Credit Risk** –There is a Risk involved in late / delayed payment of bills by consumers.

**Mitigation:** As per Regulations No.6 of 2004 issued by the Hon'ble Commission TGSPDCL collects initial security deposit at the time of release of new services. Further during the annual ACD (Additional Consumption Deposit) review the security deposit required from consumers should also be made equivalent to two months' average consumption charges for monthly billing and three months' average consumption charges for bi-monthly billing. Disconnection will be done for nonpayment of CC charges within due date as per bill.

**(iii) Liquidity Risk** –There is a risk of insufficient liquidity for day to day operations if cash inflows / outflows are not properly planned / monitored which may also lead to risk of higher interest pay out and increased borrowings.

**Mitigation:** Proper financial planning is put in place. Annual budgets are prepared and put up to Management and utilized in an effective manner.

**I) CYBER SECURITY RISK:** The Company is having information technology (IT) systems with operational technology (OT) systems for online monitoring & operation. These systems may have risk of Cyber Attacks and penetrations.



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**Mitigation:** The Company is taking necessary measures like upgradation/strengthening of systems to combat cyber threats by complying to various guidelines and advisories of statutory bodies, periodic cyber audit and steps to eliminate vulnerability that may be identified in cyber audits etc.

**J) Employees Related Risk:** There is a risk of Accident, illness, attrition etc to employees.

**Mitigation:** Employees constitute the most important assets of any organization and keeping that in view, TGSPDCL has proper recruitment policy for recruitment of personnel at various levels of the organization.

Employees are trained at regular interval to upgrade their knowledge & skills. To reduce attrition rate, various activities relating to welfare of employees are under taken from time to time.

**K) Business risks from competitors:** Moving away from the monopolistic market, now the Company is witnessing Business risks emanating from Private players/competitors in distribution of electricity through open access in the sector.

**Mitigation:** Mitigation: The company has vast network in its licensed area and also has better infrastructure to compete with new players.

**L) Governance Structure:** TGSPDCL Risk Management Framework is supported by the Board of Directors, management and the Audit Committee.

**M) Board of Directors:** The Board is responsible for approving and reviewing TGSPDCL Risk Management Policy.

**N) Management:** To assist the Board in discharging its responsibility in relation to risk management, the Board has delegated certain responsibilities to management with a committee consisting of following members mentioned below:

1. Chairman and Managing Director/TGSPDCL
2. Director Projects & IT EA, DPE and Assessments/TGSPDCL
3. Director, Finance, HR & IR /TGSPDCL
4. Director, Commercial, IPC & RAC/TGSPDCL

**O) Review of Policy:** The Board will review this policy from time to time to ensure it remains consistent with the Board's objectives and responsibilities.



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**P) Publication of Policy:** This Policy will be available on the Company's website [www.tgsouthernpower.org](http://www.tgsouthernpower.org) and the key features will be published in the Annual Report.

*V. Anil Kumar.*  
Anil Kumar Voruganti  
Company Secretary  
Membership No..F9521

  
MUSHARRAF ALI FARUQUI  
CHAIRMAN & MANAGING DIRECTOR  
DIN -10429742