

PRESS RELEASE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG's Audit Report on Railways Finances Presented in Parliament

Audit Report No. 13 of 2023 – ‘Union Government (Railways) – Railways Finances’ was laid on the table of both Houses of Parliament here today. This Report provides an analytical review of the Finances and Accounts of the Indian Railways (IR) and is based on the audited accounts for the year ended 31 March 2022.

The Report is structured in four chapters. Chapter 1 (State of Finances) focuses on the financial health of the Indian Railways with reference to the previous year, as well as the overall trends based on various parameters such as earnings, expenditure, reserves, operational efficiency etc. Chapter 2 (Appropriation Accounts) of the Report contains the summary and comments on the Appropriation Accounts of the IR for the year ended 31 March 2022. Chapter 3 (Financial Performance of Railway Commercial Undertakings) of the Report contains financial overview of the Railway Commercial Undertakings for the year ended 31 March 2022 and Chapter 4 (Review of Departmental Balances in Indian Railways) of the Report contains audit observations on Review of Departmental Balances in Indian Railways.

Major points in the Audit Report No. 13 of 2023 - Union Government (Railways) - Railways Finances are given below:

Chapters 1 (State of Finances)

- The Gross Traffic Receipts during 2021-22 was ` 1,91,206.48 crore which was 36.02 *per cent* more as compared to 2020-21. The Freight Earnings was the major contributor. The Transportation of Coal was the major component of Freight in respect of both loading (47.28 *per cent*) and earnings (46.11 *per cent*).
- There was loss of ` 68269 crore in all classes of passenger services during 2021-22. However, this loss had decreased as compared to previous year. The entire profit of ` 36196 crore from freight traffic was utilized to cross subsidize / compensate the loss on operation of passenger and other coaching services. The loss of ` 32,073 crore from Passenger operations was left uncovered during 2021-22.
- The total expenditure (Revenue and Capital Heads) of Ministry of Railways (MoR), was ` 3,96,658.66 crore (35.19 *per cent* more than previous year) which was comprised of ` 1,90,267.07 crore (22.61 *per cent* more than previous year) of Capital and ` 2,06,391.59 crore (49.31 *per cent* more than previous year) of Revenue expenditure. MoR incurred around 75.47

per cent of the total working expenses on staff cost, pension payments and lease hire charges on rolling stock.

- Against the revenue receipts of ` 191367.01 crore, which was 35.93 *per cent* more than 2020-21, there was ‘Net deficit’ of ` 15,024.58 crore in 2021-22. The net deficit was due to the working expenditure to the tune of ` 2,06,391.59 crore which constituted 49.30 *per cent* increase as compared with previous year.
- Inadequate generation of internal resources resulted in greater dependence on Gross Budgetary Support (GBS) and Extra Budgetary Resources (EBR). The amount of Extra Budgetary Resources (EBR) was ` 71,065.86 crore which represented a decrease of 42.31 *per cent* as compared with 2020-21.
- The Operating Ratio (OR), which represents the ratio of working expenses to traffic earnings was 107.39 *per cent* in 2021-22 against 97.45 *per cent* in 2020-21. A higher ratio indicates lower ability to generate surplus. Indian Railways could not generate net surplus during 2021-22 as it had done in 2020-21 with an operating ratio of 97.45. This was due to higher appropriation to Pension Fund during 2021-22.
- Under-provisioning for Depreciation Reserve Fund resulted in piling up of ‘throw forward’ (renewal and replacement of over aged assets) works estimated at ₹ 34,318.79 crore up to 2021-22.

Chapter 2 (Appropriation Accounts)

- MoR incurred additional expenditure of ₹ 7,778.43 crore more than the sanctioned budget of ` 57626.20 crore in three Sub Major Head (3002-03- (04), (06) & (08)) of Revenue Grants (3002-03).
- There were savings of ₹ 29,888.89 crore in 11 cases (under Revenue Grant 3002-03 and Capital Grants-5002-03) where the savings was more than ₹ 100 crore in each case during the year 2021-22.
- Supplementary provisions, as additional budgetary support, of ₹ 2.00 crore were obtained under charged appropriations (under Sub Major Head 3002-03-(10) of Revenue Grant) on account of payments anticipated in satisfaction of court decrees but entire supplementary provisions of ₹ 2.00 crore remained unutilized.
- Supplementary provisions, as additional budgetary support, of ₹ 10,310.13 crore out of ₹ 11,415.52 crore under Capital Grant (5002-03) ‘Voted’ remained unutilized during 2021-22.
- There was an excess expenditure of ₹ 54.81 crore under Capital Grant (5002-03) – ‘Charged’ for court decrees during 2021-22 even after obtaining Supplementary provisions of ₹ 606.92 crore.

- There were cases of misclassification of expenditure between Revenue to Capital Grant and vice-versa, Voted to Charged and vice-versa; and other mistakes like Revenue to Revenue (among Sub Major Heads), Capital to Capital (among Railway Funds) and Revenue to EBR.
- Unsanctioned expenditure of ₹ 6082.77 crore involving 1937 cases was incurred by MoR, which was 1.06 per cent of total expenditure during the year 2021-22.

Chapter 3 (Financial Performance of Railway Commercial Undertakings)

- The amount of investment of equity and loans in Railway Commercial Undertakings was ₹ 4,94,739.92 crore at the end of March 2022. The Government of India contributed ₹ 46,881.58 crore (80.82 per cent) in the paid up share capital of Railway Commercial Undertakings. The remaining paid-up share capital was contributed by Financial Institutions (5.70 per cent), Central Government Companies (5.36 per cent), State Government / State Government companies (8.12 per cent). The overall Profit increased from ₹ 6,780.97 crore in 2019-20 to ₹ 10,259.48 crore in 2020-21.
- 29 Railway Commercial Undertakings earned profit ₹ 10,622.50 crore out of which only 10 Railway Commercial Undertakings had declared dividend of ₹ 3,913.42 crore during 2021-22. In comparison, 27 Railway Commercial Undertakings had earned a profit of ₹ 7,623.40 crore out of which 10 Railway Commercial Undertakings had declared dividend of ₹ 2,799.47 crore during 2020-21.
- The total market capitalization of the shares of seven Railway Commercial Undertakings was ₹ 1,50,539.69 crore as on 31 March 2022. The market capitalisation had registered an increase of 31.40 per cent as compared to the previous year.
- The Current Ratio (i.e. ability of a company to pay its short-term obligations- those due within a year), of 11 Railway Commercial Undertakings was less than the healthy and acceptable range ('1.5' to '3.0').
- Return on Equity (RoE), a measure of financial performance of companies, increased from 7.30 per cent in 2020-21 to 9.29 per cent in 2021-22.

Chapter 4 (Review of Departmental Balances in Indian Railways)

- MoR was not able to follow the guidelines of Government of India regarding digital payment/ limited cash transactions and made cash transactions amounting to ₹ 2,395.52 crores during 2017-18 to 2021-22.
- In Northern Railways, a shortage of cash of ₹ 6,79,914/- from a cashier noticed during surprise cash verification in March 2017 is not reflected under departmental balances.
- Records related to ₹12.18 crore of cash were not available with 8 Zonal Railways/Production Units. Further, records related to ₹ 69.31 crore were not made available to audit in 6 Zonal Railways and ₹ 30.15 lakh were outstanding against retired cashiers in 2 Zonal Railways.