PRESS RELEASE

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG's Audit Report on Railways Finances Presented

Audit Report No. 8 of 2020 – 'Union Government (Railways) – Railways Finances' was laid on the table of both Houses of Parliament here today. The Report contains two Chapters. Chapter 1 focuses on the financial health of the Indian Railways based on various parameters such as earnings, expenditure, reserves, operational efficiency etc. Chapter 2 is on financing of projects from Extra Budgetary Resources (EBR). It focuses on the efficiency of Indian Railways in application of funds raised from EBR and timely completion of projects.

Analysis of the Finance Accounts of Indian Railways revealed the following shortcomings:

During 2018-19, Indian Railways generated total internal earnings of ₹ 1,90,507 crore against the targeted internal earnings of ₹ 2,01,090 crore. The Railways could not achieve even revised estimate target of ₹ 1,97,214 crore. The total internal earnings also included Freight advance of ₹ 8,351 crore received from NTPC and CONCOR for transportation of goods in 2019-20.

Audit noted that there was heavy dependence on transportation of coal which constituted around 47 *per cent* of the total freight earnings of ₹ 51,067 crore during 2018-19. Any shift in bult commodities transport pattern could affect the freight earnings significantly.

Operating Ratio (OR) represents the ratio of worling expenses to traffic earnings. A higher ratio indicates poorer ability to generate surplus. Against the target of 92.8 per cent in the Budget Estimates, the OR of railways was 97.29 *per cent* in 2018-19. This meant that railways spent ₹ 97.29 to earn ₹ 100.

However, if advance freight of ₹ 8,351 crore from NTPC and CONCOR was not included in the earnings of 2018-19, OR would have been 101.77 per cent instead of 97.29 *per cent*.

The Net Surplus in 2018-19 was ₹ 3,773.86 crore. IR would have ended with a negative balance of ₹ 7,334.85 crore but for receipt of advance freight and less appropriation to

DRF and Pension Fund. Ministry of Railways (MoR) resorted to window dressing for presenting the working expenses and operating ratio in a better light.

MoR resorted to Extra Budgetary Resources for project financing from 2015-16 onwards. Financial assistance of ₹ 1.50 lakh crore was agreed to by Life Insurance Corporation (LIC) over a period of five years (2015-20). Audit observed that the financing arrangement with LIC materialized partially due to regulatory constraints.

During 2015-19, only ₹ 16,200 crore could be raised from LIC. MoR recouped the shortfall of ₹ 49,164 crore by raising funds through short-term/medium term market borrowings which carry higher rate of interest.

Projects were to be completed during 2015-20. However, due to inefficiency of Zonal Railways and weak monitoring at the Railway Board level, the progress of projects was slow.

Scrutiny of records relating to 395 projects funded from EBR revealed that 268 projects were still in progress as on 31 March 2019. This had resulted in blockade of ₹ 48,536 crore EBR funds besides defeating the intended objective of generation of revenue for debt servicing.

Review of identification and sanction of projects for EBR funding revealed that financially unviable projects were sanctioned. An amount of ₹ 15,922 crore was incurred from EBR towards 79 unremunerative projects. The criteria for exclusion of projects pending land acquisition etc. was not followed. 111 such projects were funded from EBR. None of these were completed as on 31 March 2019. There were instances of irregular utilization to the tune of ₹ 1,495 crore from EBR funds.

BSC/SS/TT