

## PART-I

### Chapter I

#### Functioning of Power Sector Undertakings

##### 1. Introduction

**1.1** The power sector companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the States economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of Power sector PSUs turnover to Gross State Domestic Product (GSDP) shows the extent of activities of PSUs in the State economy. The table below provides the details of turnover of the power sector undertakings and GSDP of Rajasthan for a period of five years ending March 2018:

**Table 1.1: Details of turnover of power sector undertakings vis-a-vis GSDP of Rajasthan**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	29680.74	36523.38	42663.02	48768.95	55605.46
Percentage change in turnover as compared to turnover of preceding year	17.68	23.05	16.81	14.31	14.02
GSDP of Rajasthan	551031.00	615695.00	683758.00	759235.00	840263.00
Percentage change in GSDP as compared to GSDP of preceding year	11.77	11.74	11.05	11.04	10.67
Percentage of Turnover to GSDP of Rajasthan	5.39	5.93	6.24	6.42	6.62

Source: Compiled based on Turnover figures of power sector PSUs and GSDP figures as per per Economic Review 2017-18 of Government of Rajasthan.

The turnover of power sector undertakings has recorded continuous increase and it ranged between 14.02 *per cent* and 23.05 *per cent* during the period 2013-18, whereas increase in GSDP of Rajasthan ranged between 10.67 *per cent* and 11.77 *per cent* during the same period. The compounded annual growth<sup>1</sup> of GSDP was 11.25 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 11.25 *per cent* of the GSDP, the turnover of power sector undertakings recorded higher compounded annual growth of 17.13 *per cent* during last five years. This resulted in increase in share of turnover of the power sector undertakings to the GSDP from 5.39 *per cent* in 2013-14 to 6.62 *per cent* in 2017-18.

##### 1.2 Formation of Power Sector Undertakings

The State Government enacted (January 2000) the Rajasthan Power Sector Reforms Act 1999 (RPSRA 1999) which *inter alia* provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of Rajasthan State Electricity Board (RSEB) to one or more power sector companies of the State Government. The State Government accordingly formulated (19 July 2000) the Rajasthan Power Sector Reforms Transfer Scheme 2000 (RPSRT Scheme 2000) for unbundling of Rajasthan State Electricity Board (RSEB) and

1 Rate of Compounded Annual Growth  $[[\{(Value\ of\ 2017-18/Value\ of\ 2012-13)\}^{(1/5\ years)}]-1]*100$  where turnover and GSDP for the year 2012-13 were ₹ 25220.61 crore and ₹ 493007 crore respectively.

transfer of assets, properties, liabilities, obligations, proceedings and personnel of RSEB to five power sector companies (i.e. *Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)*). These five power sector companies came into existence w.e.f. 19 July 2000 and all the assets and liabilities of RSEB (including equity of ₹ 1775 crore<sup>2</sup> and accumulated losses of RSEB of ₹ 1398 crore<sup>3</sup>) were distributed among these companies according to the provisions of the RPSRT Scheme 2000. The State Government incorporated two other power sector companies i.e. *Rajasthan Renewable Energy Corporation Limited (RRECL known earlier as Rajasthan State Power Corporation Limited) and Rajasthan Urja Vikas Nigam Limited* by infusing equity of ₹ 3.65 crore and ₹ 50 crore in 2002-03 and 2015-16 respectively. Another power sector company namely *Rajasthan Rajya Vidyut Vitran Vitta Nigam Limited (RRVVVNL)* was also incorporated during 2015-16, however the State Government did not infuse any equity in this company till 2017-18. Besides these eight companies, seven<sup>4</sup> other power sector companies were incorporated (November 2006 to January 2012) as subsidiary companies of RRVPNL/RRVUNL/RRECL. Thus, there were 15 Power Sector companies in the State as on 31 March 2018. Of these 15 Power Sector companies, six<sup>5</sup> companies did not commence commercial activities till 2017-18.

### Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 Ownership of three power sector undertakings namely Barmer Power Transmission Service Limited, Hadoti Power Transmission Service Limited and Thar Power Transmission Service Limited were transferred (August 2017) through share purchase agreement executed between the holding company (Rajasthan Rajya Vidyut Prasaran Nigam Limited) and Adani Transmission Limited, a private company during the year ending 31 March 2018. Besides, two power sector undertakings namely Pink City Transmission Service Company Limited and Lake City Transmission Service Company Limited were dissolved (August 2017) and the names of these PSUs were struck off from the Register of Companies by the Registrar of Companies, Jaipur under Section 248(5) of the Companies Act, 2013 during the year ending 31 March 2018.

### Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment in the power sector

- 2 Ajmer Vidyut Vitran Nigam Limited (₹ 150 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 140 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ 120 crore), Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 440 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 925 crore).
- 3 Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 906 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 492 crore).
- 4 Banswara Thermal Power Company Limited (7 August 2008), Barmer Thermal Power Company Limited (5 July 2010), Keshoraipatan Gas Thermal Power Company Limited (17 September 2010), Chhabra Power Limited (22 November 2006), Dholpur Gas Power Limited (22 November 2006), Giral Lignite Power Limited (1 January 2009) and Rajasthan Solarpark Development Company Limited (12 January 2012).
- 5 Banswara Thermal Power Company Limited, Barmer Thermal Power Company Limited, Chhabra Power Limited, Dholpur Gas Power Limited, Keshoraipatan Gas Thermal Power Company Limited and RRVVVNL.

undertakings as on 31 March 2018 is given below:

**Table 1.2: Activity-wise investment in power sector undertakings**

Activity	Number of government undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	5	10104.54	23582.73	33687.27
Transmission of Power	4	4270.88	10301.96	14572.84
Distribution of Power	3	27450.58	41454.67	68905.25
Other <sup>6</sup>	3	50.05	-	50.05
<b>Total</b>	<b>15</b>	<b>41876.05</b>	<b>75339.36</b>	<b>117215.41</b>

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in 15 power sector undertakings was ₹ 117215.41 crore. The investment consisted of 35.73 per cent towards equity and 64.27 per cent in long-term loans.

The Long term loans advanced by the State government constituted 44.07 per cent (₹ 33204.48 crore) of the total long term loans whereas 55.93 per cent (₹ 42134.88 crore) of the total long term loans were availed from other financial institutions. However, during 2015-16 and 2016-17, the State Government has taken over ₹ 62421.96 crore (75 per cent) of the outstanding debts (₹ 83229.89 crore) of the DISCOMs as on 30 September 2015 under Ujwal DISCOM Assurance Yojana<sup>7</sup> (UDAY) scheme.

### Budgetary Support to Power Sector Undertakings

1.5 The Government of Rajasthan (GoR) provides financial support to power sector undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2018 are as follows:

**Table 1.3: Details of budgetary support to power sector undertakings during the years (₹ in crore)**

Particulars <sup>8</sup>	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	5	8438.82	6	4115.71	5	849.92
Loans given (ii)	4	36147.62	4	11903.83	1	341.56
Grants/Subsidy provided (iii)	6	5175.99	4	14576.36	4	23434.55
Total Outgo (i+ii+iii)	6 <sup>9</sup>	49762.43	7 <sup>9</sup>	30595.90	6 <sup>9</sup>	24626.03
Loan repayment written off	-	-	-	-	-	-
Loans converted into equity	3	995.00	-	-	3	3000.00
Guarantees issued	5	16132.96	5	23313.85	5	15283.10
Guarantee Commitment	5	45702.82	5	43218.50	5	53246.68

Source: Compiled based on information received from PSUs.

6 Three power sector undertakings i.e. Rajasthan Solarpark Development Company Limited for development of infrastructure and management of Solar Park in the State, Rajasthan Urja Vikas Nigam Limited for carrying out power trading business of the three State DISCOMs and RRVVNL for receiving financial support from the State Government to support various State Distribution Licensees are included under other category as the activity of these undertakings are not covered under generation, transmission and distribution of power.

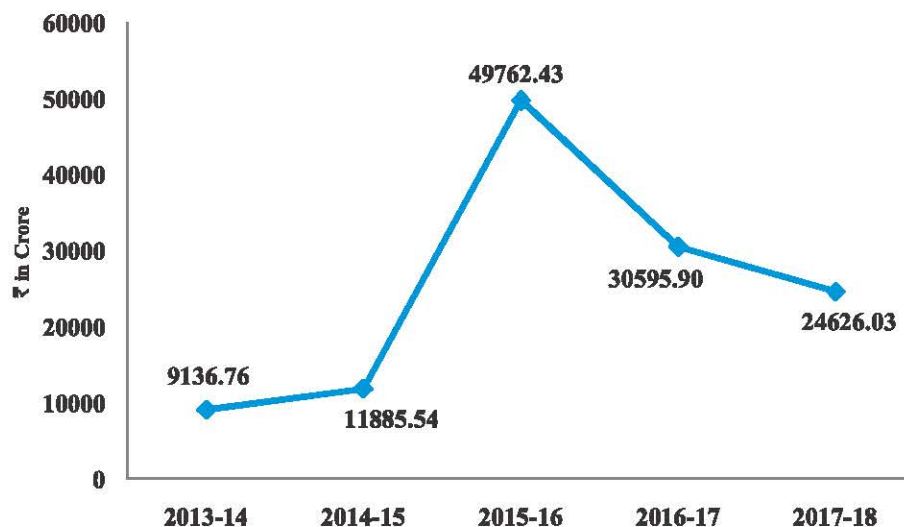
7 Scheme launched by Ministry of Power and GoI for financial and operational turnaround of DISCOMs.

8 Amount represents outgo from State Budget only.

9 The figure represents number of companies which have received outgo from budget under one or more heads i.e. equity, loans, grants/ subsidy.

The details of budgetary support towards equity, loans and grants/ subsidies for the last five years ending March 2018 are given in a graph below:

**Chart 1.1: Budgetary support towards Equity, Loans and Grants/Subsidies**



The budgetary assistance received by these PSUs during the year ranged between ₹ 9136.76 crore and ₹ 49762.43 crore during 2013-14 to 2017-18. The budgetary assistance ₹ 24626.03 crore received during the year 2017-18 included ₹ 849.92 crore, ₹ 341.56 crore and ₹ 23434.55 crore in the form of equity, loan and grants/subsidy respectively. Besides, the Ministry of Power (MoP), Government of India also launched (20 November 2015) UDAY Scheme for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY and status of implementation of the scheme by three DISCOMs are discussed under Para 1.20 of this Chapter. The outstanding loans amounting to ₹ 3000 crore were converted into equity during 2017-18 under UDAY scheme. Thus, the addition of ₹ 3849.92 crore in equity of power sector companies during 2017-18 was through cash induction (₹ 849.92 crore) and conversion of loans (₹ 3000 crore) into equity of three State DISCOMs under UDAY Scheme. The addition in equity was mainly towards capital investment and execution of various projects. There was substantial increase in the subsidy/grants provided by the State Government for the year 2017-18 (₹ 23434.55 crore) in comparison to previous year (₹ 14576.36 crore). During 2017-18, Subsidy/grant was given mainly for Assistance to DISCOMs under UDAY Scheme (₹ 12000 crore), non-revision of tariff (₹ 8759.14 crore) and Grant for Vidyut Tax (₹ 2613.14 crore).

GoR provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 to PSUs to seek financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of one *per cent* per annum in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the RSGGR 1970. Outstanding guarantee commitments increased by 23.20 *per cent* from ₹ 43218.50 crore in 2016-17 to ₹ 53246.68 crore in 2017-18. During the year 2017-18, guarantee commission of ₹ 416.64 crore was paid by the five power sector PSUs.

### Reconciliation with Finance Accounts of Government of Rajasthan

1.6 The figures in respect of Equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Rajasthan. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. Though the figures in respect of Equity and guarantees outstanding agree with that in the Finance accounts, there were differences in the position of Loans as on 31 March 2018 as stated below:

**Table 1.4: Loans outstanding as per Finance Accounts *vis-à-vis* records of power sector undertakings**

(₹ in crore)

Name of power sector undertaking	Outstanding Loans		Difference
	As per Finance Accounts	As per records of power sector undertaking	
Ajmer Vidyut Vitran Nigam Limited	10627.07	10701.41	74.34
Jodhpur Vidyut Vitran Nigam Limited	10277.40	10202.65	-74.75
Rajasthan Rajya Vidyut Prasaran Nigam Limited	1236.37	884.43	-351.94
<b>Total Difference</b>			<b>501.03</b>

Source: Compiled based on information received from PSUs and Finance Accounts.

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time. We, therefore, recommend that the State Government and the PSUs should reconcile the differences in a time-bound manner.

### Submission of accounts by Power Sector Undertakings

#### 1.7 Timeliness in preparation of accounts by Power Sector Undertakings

There were 15 power sector undertakings under the audit purview of CAG as of 31 March 2018. Accounts for the year 2017-18 were submitted by all these working PSUs by 30 September 2018 as per statutory requirement. Details of arrears in submission of accounts of power sector undertakings as on 30<sup>th</sup> September of each financial year for the last five years ending 31 March 2018 are given below:

**Table 1.5: Position relating to submission of accounts of Power Sector Undertakings**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs	15	15	17	20	15
2.	Number of accounts submitted during current year	16	19	17	21	15
3.	Number of PSUs which finalised accounts for the current year	10	14	16	20	15
4.	Number of previous year accounts finalised during current year	6	5	1	1	0
5.	Number of PSUs with arrears in accounts	5	1	1	0	0
6.	Number of accounts in arrears	5	1	1	0	0
7.	Extent of arrears	One year	One year	One year	-	-

Source: Compiled based on accounts of working PSUs received during the period October 2017 to September 2018.

The power sector companies have been prompt in submission of their annual accounts for the last two years.

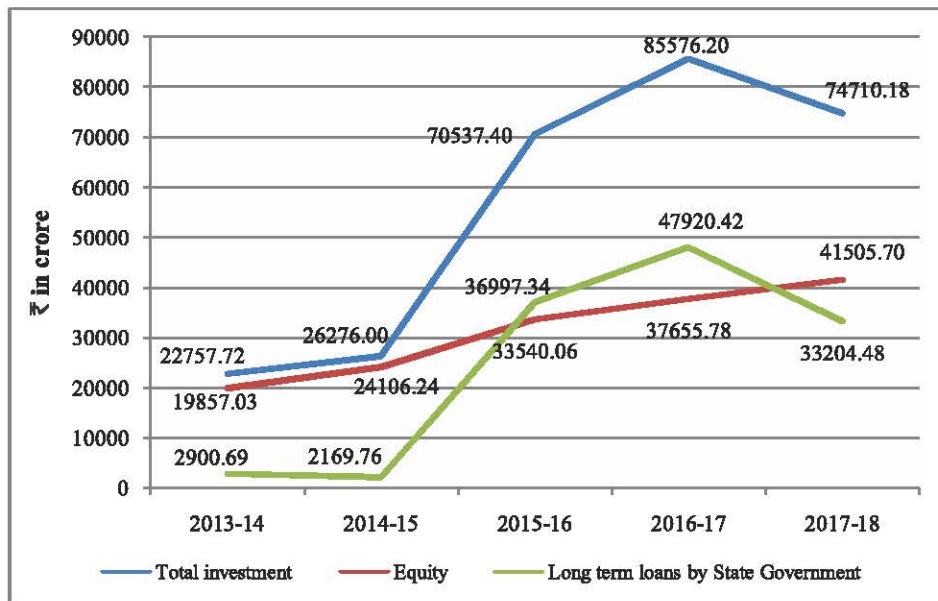
### Performance of Power Sector Undertakings

1.8 The financial position and working results of 15 power sector Companies as per their latest finalised accounts as of 30 September 2018 are detailed in *Annex-1*.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment in the power sector PSUs as on 31 March 2018 was ₹ 117215.41 crore consisting of ₹ 41876.05 crore as equity and ₹ 75339.36 crore as long term loans. Out of this, Government of Rajasthan has investment of ₹ 74710.18 crore in the seven Power Sector public sector undertakings consisting of equity of ₹ 41505.70 crore and long term loans of ₹ 33204.48 crore.

The year wise status of investment of GoR in the form of equity and long term loans in the power sector PSUs during the period 2013-14 to 2017-18 is as follows:

**Chart 1.2: Total investment of GoR in power sector undertakings**

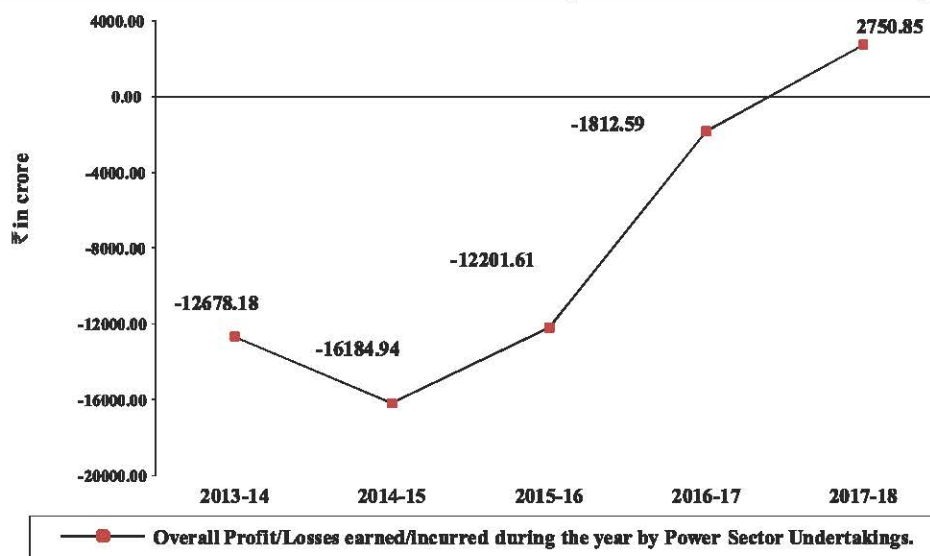


The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

### Return on Investment

1.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses<sup>10</sup> earned/incurred by all the power sector undertakings during 2013-14 to 2017-18 is depicted below in a chart:

**Chart 1.3: Profit/Losses earned/incurred by Power Sector Undertakings**



The profit earned by these 15 power sector PSUs was ₹ 2750.85 crore in 2017-18 against losses of ₹ 12678.18 crore incurred in 2013-14. As per latest finalised accounts for the year 2017-18, out of 15 power sector PSUs, seven PSUs earned profit of ₹ 2994.36 crore, four PSUs incurred loss of ₹ 243.51 crore and four PSUs had marginal losses (*Annex-1*). The top profit making companies were Ajmer Vidyut Vitran Nigam Limited (₹ 1199.08 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 943.16 crore), Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 607.26 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 195.71 crore) while Giral Lignite Power Limited (₹ 241.45 crore) incurred substantial loss.

Position of Power Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

**Table 1.6: Power Sector Undertakings which earned/incurred profit/loss**

Financial year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2013-14	13	3	8	2
2014-15	13	3	8	2
2015-16	15	3	8	4
2016-17	15	4	7	4
2017-18	15	7	4	4

#### (a) Return on the basis of historical cost of investment

1.10 Out of 15 power sector undertakings of the State, the State Government infused funds in the form of equity, loans and grants/subsidies in

<sup>10</sup> Figures are as per the latest finalised accounts during the respective years.

**seven power sector undertakings** only. The State Government did not infuse any direct funds in the other eight power sector companies which include one company (RRVVNL) where no equity was subscribed by the State Government till 2017-18. The entire equity of the seven companies which are subsidiary of three<sup>11</sup> power sector companies was contributed by the concerned holding companies.

The Return on Investment from the seven PSUs has been calculated on the investment made by the Government of Rajasthan in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the government does not receive any interest on such loans and are therefore of the nature of equity investment by government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment. However, the subsidy given to the power sector PSUs under the UDAY scheme during 2016-17 and 2017-18 has been considered as investment since this subsidy was given by the GoR to take over the debts of the DISCOMs due to banks and financial institutions. The comparison of returns on investment has therefore been given in both ways i.e. after considering Subsidy under UDAY as investment and without considering such subsidy as investment.

The investment of State Government in these seven Power Sector Undertakings has been arrived at by considering the equity (initial equity net of accumulated losses plus the equity infused during the later years), adding Interest free loans and deducting interest free loans which were later converted into equity for each year.

The investment of State Government as on 31 March 2018 in these seven power sector PSUs was ₹ 74710.18 crore consisting of equity of ₹ 41505.70 crore and long term loans of ₹ 33204.48 crore. Out of the released long term loans, ₹ 3537.50 crore were interest free loans of which ₹ 3065 crore were later converted into equity. Thus, considering the net interest free loans of ₹ 472.50 crore (₹ 3537.50 crore - ₹ 3065 crore) and equity of ₹ 40107.84 crore (₹ 41505.70 crore minus initial accumulated losses of ₹ 1397.86 crore) as investment of the State Government in these seven power sector PSUs, the investment on the basis of historical cost at the end of 2017-18 stood at ₹ 40580.34 crore.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is as given below:

**Table 1.7: Return on State Government Investment on historical cost basis**

Financial year	Funds infused by the GoR in form of Equity and Interest Free Loans on historic cost basis (₹ in crore)	Total Earnings/ Losses <sup>12</sup> for the year (₹ in crore)	Return on Investment (in per cent)
2013-14	20454.17	-15893.55	-77.70
2014-15	24210.23	-14890.91	-61.51
2015-16	32614.70	-12063.88	-36.99

11 RRVPNL, RRVUNL and RREC

12 As per annual accounts of the respective years.



2016-17	36730.42	-1585.95	-4.32
2017-18	40580.34	2985.46	7.36

The return on investment of the seven power sector PSUs ranged between -77.70 per cent to -4.32 per cent during 2013-14 to 2016-17. However, it improved to 7.36 per cent during 2017-18 mainly due to increase in income of the three DISCOMs because of subsidy received under UDAY scheme.

**(b) On the basis of Present Value of Investment**

**1.11** In view of the significant investment by Government in the seven Power Sector companies, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of GoR in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2018, the past investments/ year-wise funds infused by the GoR in the State PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these companies till 31 March 2018. However, the seven PSUs had a positive return on investment only during the year 2017-18. Therefore, only for the year 2017-18, the return on investment has been calculated and depicted on the basis of PV including the subsidy granted as part of UDAY scheme and without including such subsidy.

The Present value (PV) of the State Government investment in power sector undertakings was computed on the basis of following assumptions:

- Interest free loans have been considered as investment infusion by the State Government as no amount of interest free loans have been repaid by the Power Sector PSUs. Further, in those cases where interest free loans given to the PSUs were later converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of grant/subsidies have not been reckoned as investment except in the case of subsidy given under UDAY scheme as referred in para 1.10.
- The average rate of interest on government borrowings for the concerned financial year<sup>13</sup> was adopted as compounded rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the government.

13 The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Rajasthan) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]\*100.

For the period 2013-14 to 2016-17 when the seven companies incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the companies is commented upon in Para 1.13.

1.12 The Company wise position of State Government investment in the seven power sector companies in the form of equity and interest free loans since inception of these companies till 31 March 2018 is indicated in Annex-2. The consolidated position of the PV of the State Government investment and the total earnings relating to the seven power sector companies since inception of these companies till 31 March 2018 is indicated in table below:

**Table 1.8: Year wise details of investment by the state government and present value (PV) of government funds from 2000-01 to 2017-18**

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year	Interest free loans converted during the year <sup>14</sup>	Total investment during the year	Average rate of interest on government borrowings (in %)	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year <sup>15</sup>
i	ii	iii	iv	v	vi =iii+iv-v	vii	viii =ii+vi	ix={viii*(1+vii)/100}	x={viii*vii/100}	xi
2000-01	-	380.38 <sup>16</sup>	-	-	380.38	10.50	380.38	420.32	39.94	0.36
2001-02	420.32	363.00	-	-	363.00	10.50	783.32	865.57	82.25	0.60
2002-03	865.57	338.43	-	-	338.43	10.00	1204.00	1324.40	120.4	0.70
2003-04	1324.40	282.76	-	-	282.76	9.60	1607.16	1761.45	154.29	1.38
2004-05	1761.45	350.00	200.00	-	550.00	9.10	2311.45	2521.79	210.34	13.08
2005-06	2521.79	630.60	150.00	-	780.60	8.20	3302.39	3573.19	270.8	5.38
2006-07	3573.19	694.00	150.00	-	844.00	8.30	4417.19	4783.81	366.62	8.31
2007-08	4783.81	1063.00	150.00	-	1213.00	8.00	5996.81	6476.56	479.75	13.65
2008-09	6476.56	1336.00	250.00	-	1586.00	7.70	8062.56	8683.38	620.82	-1338.81
2009-10	8683.38	1280.00	170.00	-	1450.00	7.70	10133.38	10913.65	780.27	-813.84
2010-11	10913.65	1540.29	0.00	-	1540.29	7.70	12453.94	13412.89	958.95	-21334.91
2011-12	13412.89	2474.71	995.00	1070.00	2399.71	7.70	15812.60	17030.17	1217.57	-19920.34
2012-13	17030.17	3848.00	1000.00	-	4848.00	7.40	21878.17	23497.15	1618.98	-12479.34
2013-14	23497.15	3878.00	0.00	-	3878.00	7.30	27375.15	29373.54	1998.39	-15893.55
2014-15	29373.54	4249.21	236.25	729.40	3756.06	7.50	33129.60	35614.32	2484.72	-14890.91
2015-16	35614.32	9433.82	236.25	1265.60	8404.47	6.70	44018.79	46968.05	2949.26	-12063.88
2016-17	46968.05	4115.72	0.00	-	4115.72	7.60	51083.77	54966.14	3882.37	-1585.95
2017-18	54966.14	3849.92	0.00	-	3849.92	7.30	58816.06	63109.63	4293.57	2985.46
<b>Total</b>		<b>40107.84</b>	<b>3537.50</b>	<b>3065.00</b>	<b>40580.34</b>					

The balance of investment of the State Government in these seven companies at the end of the year increased to ₹ 40580.34 crore in 2017-18 from ₹ 380.38 crore in 2000-01 as the State Government made further investments in shape

14 Interest free loans of ₹ 1070 crore received between 2004-05 and 2009-10 converted into equity in 2011-12, ₹ 995 crore received in 2011-12 converted into equity in 2015-16 and ₹ 1000 crore received in 2012-13 was adjusted against dues of GoR during 2014-15 (₹ 729.40 crore) and 2015-16 (₹ 270.60 crore).  
 15 Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those seven Power Sector PSUs where funds were infused by State Government.  
 16 This shows net investment/ equity net of accumulated losses invested by GoR. Total outgo of ₹ 376.73 crore (i.e. Equity of ₹ 1774.59 crore - accumulated losses of RSEB of ₹ 1397.86 crore) in five companies formed after unbundling of RSEB + ₹ 3.65 crore (initial equity of RREC).

of equity (₹ 39727.46 crore) and interest free loans (₹ 472.50 crore). The PV of investments of the State Government upto 31 March 2018 worked out to ₹ 63109.63 crore.

Total Earnings for the year from 2000-01 to 2007-08 depicted net earnings (profit/loss) for the year related to only one company *i.e.* Rajasthan Renewable Energy Corporation Limited which prepared its annual accounts on commercial accounting principle by showing profit/loss for the respective years whereas remaining five companies prepared their annual accounts on 'No Profit No Loss' basis and showed the difference of income and expenditure as *Subvention receivable from the State Government against revenue gap* during this period. Thereafter two<sup>17</sup> more companies prepared their annual accounts on commercial accounting principles by depicting profit/loss for the year from 2008-09 onwards whereas three State DISCOMs<sup>18</sup> commenced preparation of their annual accounts on commercial accounting principles from 2010-11 onwards.

It could be seen that total earnings for the year relating to these companies remained negative during 2008-09 to 2016-17 which indicates that instead of generating returns on the invested funds, these companies did not recover the cost of funds to the Government. Further, the positive total earning for the year 2017-18 also remained substantially below the minimum expected return towards the investment made in these power sector companies.

Further, the Government has also provided subsidy of ₹ 9000 crore in 2016-17 and ₹ 12000 crore in 2017-18 to the three DISCOMs under UDAY scheme for taking over the debts of these DISCOMs due to banks and financial institutions. If we consider this subsidy as investment of the State government, the return on investment would further get reduced. A comparison of returns on Investment as per Historic cost and Present Value of such investment during 2017-18 when there were positive earnings after considering subsidy given under UDAY scheme and without considering such subsidy is given below:

**Table 1.9: Return on State Government Funds**

(₹ in crore)

	Total Earnings/ Loss (-)	Investment by the GoR in form of Equity and Interest free Loans	Return on State Government investment on the basis of historical value (%)	Present value of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (%)
Without UDAY	2985.46	40580.34	7.36	63109.63	4.73
With UDAY	2985.46	61580.34	4.85	86376.56	3.46

The returns based on present value were less than the returns based on historic cost as indicated by the comparison of returns during 2017-18. Return based on historic cost was 7.36 *per cent* during 2017-18 whereas return based on PV was only 4.73 *per cent*. However, if we consider subsidy given under UDAY scheme also as investment, the returns reduced from 7.36 *per cent* (without

17 Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited.

18 Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited.

considering UDAY) on the basis of historic cost to 4.85 per cent (after considering UDAY) and from 4.73 per cent (without considering UDAY) on the basis of present value to 3.46 per cent (after considering UDAY).

### **Erosion of Net worth**

**1.13** Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of the 15 Power Sector Undertakings were ₹ 98929.72 crore as against the capital investment of ₹ 41876.05 crore resulting in negative net worth of ₹ -57055.63 crore after deducting the deferred revenue expenditure of ₹ 1.96 crore (*Annex-I*). Of the 15 Power Sector Undertakings, the net worth was eroded mainly in Jaipur Vidyut Vitran Nigam Limited (₹ -22341.63 crore), Jodhpur Vidyut Vitran Nigam Limited (₹ -22116.53 crore), Ajmer Vidyut Vitran Nigam Limited (₹ -20551.94 crore) and Giral Lignite Power Limited (₹ -570.59 crore).

The following table indicates paid up capital, accumulated profit/loss and net worth of the seven Power Sector Undertakings (holding companies) during the period 2013-14 to 2017-18:

**Table 1.10: Net worth of seven Power Sector Undertakings during 2013-14 to 2017-18**

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2013-14	18459.17	-56196.61	3.48	-37740.92
2014-15	22708.38	-83109.27	1.47	-60402.36
2015-16	32142.20	-98783.01	1.2	-66642.01
2016-17	36257.92	-100581.13	2.17	-64325.38
2017-18	41505.70	-97981.51	1.96	-56477.77

The State Government continued to provide financial support to these seven power sector companies by infusing substantial equity during the period 2013-18. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 56196.61 crore in 2013-14 to ₹ 100581.13 crore in 2016-17 and the entire capital infused in these companies had been eroded. Further, during 2017-18, though the Power sector companies earned profit of ₹ 2750.85 crore, the net worth of these companies was in negative (₹ -56477.77 crore) due to accumulated losses.

Out of six<sup>19</sup> PSUs during 2013-14 and 2014-15, net worth of three<sup>20</sup> PSUs was in negative and three<sup>21</sup> PSUs showed positive net worth. Further, during 2015-16, 2016-17 and 2017-18 four<sup>22</sup> PSUs showed positive net worth and net worth of three<sup>23</sup> PSUs were in negative. The net worth of four<sup>24</sup> PSUs

19 Rajasthan Urja Vikas Nigam Limited came into existence during 2015-16.

20 Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

21 Rajasthan Rajya Vidyut Utpadan Nigam Limited, Rajasthan Renewable Energy Corporation Limited and Rajasthan Rajya Vidyut Prasaran Nigam Limited.

22 Rajasthan Rajya Vidyut Utpadan Nigam Limited, Rajasthan Renewable Energy Corporation Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Urja Vikas Nigam Limited.

23 Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

24 Rajasthan Rajya Vidyut Utpadan Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

decreased during 2013-14 to 2017-18 whereas it increased in respect of three PSUs<sup>25</sup> during the same period.

### Dividend Payout

1.14 The State Government had formulated (September 2004) a dividend policy under which all profit making PSUs are required to pay a minimum return of ten *per cent* on the paid up share capital or 20 *per cent* of the profit after tax, whichever is lower. Dividend Payout relating to seven Power Sector Undertakings where equity was infused by GoR during the period is shown in table below:

**Table 1.11: Dividend Payout of seven Power Sector Undertakings during 2013-14 to 2017-18**

(₹ in crore)

Year	Total PSUs where equity infused by GoR		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoR	Number of PSUs	Equity infused by GoR	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	6	18459.17	2	2025.95	1	1.29	0.06
2014-15	6	22708.38	2	2395.95	1	1.29	0.05
2015-16	6	32142.20	2	2933.11	1	1.29	0.04
2016-17	7	36257.92	3	12060.97	1	3.88	0.03
2017-18	7	40107.84	6	40057.84	1	1.29	0.003

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between two and six of which only one PSU (Rajasthan Renewable Energy Corporation Limited) declared/paid dividend to GoR. Rajasthan Renewable Energy Corporation Limited had paid dividend of ₹ 3.07 crore during 2004-05 to 2007-08, ₹ 5.50 crore during 2009-10 to 2011-12 and ₹ 9.04 crore during 2013-14 to 2017-18.

The Dividend Payout Ratio during 2013-14 to 2017-18 was very nominal which ranged between 0.003 *per cent* and 0.06 *per cent* only. Further analysis disclosed that none of these companies declared/paid dividend since inception till 2003-04. Further, the Dividend Payout Ratio reduced from 4.20 *per cent* in 2004-05 to 0.003 *per cent* in 2017-18 as the GoR infused substantial equity in these PSUs during this period.

### Return on Equity

1.15 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets

25 Out of three PSUs *i.e.* Rajasthan Renewable Energy Corporation Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Urja Vikas Nigam Limited., one PSU namely Rajasthan Urja Vikas Nigam limited came into existence during 2015-16.

were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of seven power sector undertakings where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to these seven power sector undertakings during the period from 2013-14 to 2017-18 are given in table below:

**Table 1.12: Return on Equity relating to seven Power Sector Undertakings where funds were infused by the GoR**

Year	Net Income/ total Earnings for the year <sup>26</sup> (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2013-14	-15893.55	-37740.92	-
2014-15	-14890.91	-60402.36	-
2015-16	-12063.88	-66642.01	-
2016-17	-1585.95	-64325.38	-
2017-18	2985.46	-56477.77	-

As can be seen from the above table, during the last five years period ended March 2018, the Net Income was positive only during 2017-18, however, Shareholders fund was negative during all the five years. Since the Net income of these PSUs during 2013-14 to 2016-17 and the Shareholders' Fund for all the years were negative, ROE in respect of these PSUs could not be worked out. However, negative shareholders' fund indicates that the liabilities of these PSUs have exceeded the assets and instead of paying returns to the shareholders, the shareholders owe money.

### **Return on Capital Employed**

**1.16** Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed<sup>27</sup>. The details of ROCE of **all the 15 power sector undertakings** during the period from 2013-14 to 2017-18 are given in table below:

**Table 1.13: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2013-14	-4371.23	39453.92	-11.08
2014-15	-6172.47	42466.49	-14.53
2015-16	52.33	40045.85	0.13
2016-17	6143.70	53387.20	11.51
2017-18	18554.01	51204.77	36.23

The ROCE of the Power Sector Undertakings ranged between -14.53 per cent and 36.23 per cent during the period 2013-14 to 2017-18. It substantially increased during the years 2016-17 and 2017-18 in comparison to the previous years mainly due to increase in exceptional earnings of the DISCOMs

<sup>26</sup> As per annual accounts of the respective years.

<sup>27</sup> Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

because of booking of subsidy received from GoR under UDAY scheme (₹ 9000 crore in 2016-17 and ₹ 12000 crore in 2017-18) as their income.

### ***Analysis of Long term loans of the Companies***

**1.17** The analysis of the long term loans of the companies which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

### ***Interest Coverage Ratio***

**1.18** Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lessor the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

**Table 1.14: Interest coverage ratio**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	8306.95	-4371.37	10	2	8 <sup>28</sup>
2014-15	10012.47	-6173.33	10	2	8 <sup>28</sup>
2015-16	12253.94	49.88	8	2	6 <sup>29</sup>
2016-17	7956.29	6132.58	8	3	5 <sup>30</sup>
2017-18	15734.07	18541.34	8	6	2 <sup>31</sup>

The interest for the year 2017-18 includes interest of ₹ 7237.92 crore pertaining to period October 2015 to March 2018 which was charged by GoR from the DISCOMs on the loans given to them under UDAY Scheme to discharge their loan liability to other financial institutions and banks.

It was observed that the number of power sector companies with interest coverage ratio of more than one increased from two companies in 2013-14 to six companies in 2017-18.

### ***Debt-Turnover Ratio***

**1.19** During the last five years, the turnover of the 15 power sector undertakings recorded compounded annual growth of 17.13 per cent and

28 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Barmer Thermal Power Company Limited, Giral Lignite Power Limited, Lake City Transmission Service Company Limited, Pink City Transmission Service Company Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited.

29 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Barmer Thermal Power Company Limited, Giral Lignite Power Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited.

30 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Barmer Thermal Power Company Limited and Giral Lignite Power Limited.

31 Barmer Thermal Power Company Limited and Giral Lignite Power Limited.

compounded annual growth of debt was 8.42 *per cent* due to which the Debt-Turnover Ratio improved from 1.98 in 2013-14 to 1.35 in 2017-18 as given in table below:

**Table 1.15: Debt Turnover ratio relating to the Power Sector undertakings**

Particulars	(₹ in crore)				
	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/ Banks and Financial Institutions	58815.16	67511.83	81440.44	89378.68	75339.36
Turnover	29680.74	36523.38	42663.02	48768.95	55605.46
Debt-Turnover Ratio	1.98:1	1.85:1	1.91:1	1.83:1	1.35:1

Source: Compiled based on information received from PSUs.

***Assistance under Ujwal DISCOM Assurance Yojana (UDAY)***

**1.20** The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per provisions of UDAY Scheme, the participating States were required to undertake following measures for operational and financial turnaround of DISCOMs:

***Scheme for improving operational efficiency***

**1.20.1** The participating States were required to undertake various targeted activities like compulsory feeder and distribution transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 200 units per month, Demand Side Management (DSM) through energy efficient equipments, quarterly revision of tariff, comprehensive IEC campaign to check theft of power, assure increased power supply in areas where the AT&C losses have been reduced for improving the operational efficiencies. The timeline prescribed for these targeted activities were also required to be followed so to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identification of loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.* The outcomes of operational improvements were to be measured through indicators *viz.* reduction of AT&C loss to 15 per cent in 2018-19 as per loss reduction trajectory finalised by the MoP and States, reduction in gap between average cost of supply and average revenue realised to zero by 2018-19.

***Scheme for financial turnaround***

**1.20.2** The participating States were required to take over 75 *per cent* of DISCOMs debt by 30<sup>th</sup> September 2018 *i.e.* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17. The scheme for financial turnaround *inter alia* provided that:

- State will issue *Non Statutory Liquidity Ratio (Non-SLR) bonds* and the proceeds realized from issue of such bonds shall be transferred to the DISCOMs which in turn shall discharge the corresponding amount of Banks/ FIs debt. The bonds so issued will have a maturity period of 10-15 years with a moratorium on repayment of principal upto 5 years.
- Debt of DISCOM will be taken over in the priority of debt already due, followed by debt with higher cost.



- The transfer to the DISCOM by the State in 2015-16 and 2016-17 will be as a grant which can be spread over three years with the remaining transfer through State loan to DISCOM. In exceptional cases, 25 per cent of grant can be given as equity.

### **Implementation of the UDAY Scheme**

**1.20.3** The status of implementation of the UDAY Scheme is detailed below:

#### **A. Achievement of operational parameters**

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters relating to the three State DISCOMs were as under:

**Table 1.16: Parameter wise achievements *vis-a-vis* targets of operational performance upto 30 September 2018**

Parameter of UDAY Scheme	Target under UDAY Scheme	Progress under UDAY Scheme	Achievement (in %)
Feeder metering (in Nos.)	2521	3658	100
Metering at Distribution Transformers (in Nos.)			
Urban	60166	16842	28
Rural	3486	0	0
Feeder Segregation (in Nos.)	4357	724	17
Rural Feeder Audit (in Nos.)	26821	20248	75
Electricity to unconnected household (in lakh Nos.)	11.40	16.53	100
Smart metering (in Nos.)	49849	7953	16
Distribution of LED UJALA (in lakh Nos.)	34.50	48.78	100
AT&C Losses (in %)	20.40	26.01	0
ACS-ARR Gap (₹ per unit)	-0.27	-0.30	100
Net Income or Profit/Loss including subsidy (₹ in crore)	829.64	1197.94	100

Source: State Health Card under UDAY Scheme as per website of the MoP, GoI.

The State has not initiated action for the metering of DTs in rural areas, it has performed poorly in areas of smart metering and feeder segregation, whereas the performance has been excellent in terms of feeder metering, providing electricity to unconnected households and distribution of LEDs. Further, going by the current trend of progress, the State will find it difficult to achieve the most important target of reduction of AT&C loss to 15 per cent by 2018-19. According to the Ministry of Power, the Government of India, the State of Rajasthan stood fourth amongst all the states on the basis of overall achievements made by the three State DISCOMs under UDAY Scheme upto 30 September 2018.

#### **B. Implementation of Financial Turnaround**

**1.20.4** The Government of Rajasthan (GOR) conveyed (07.12.2015) its *in principle* consent to the MoP, GoI to take benefit of the UDAY Scheme. Thereafter, tripartite Memorandum of Understandings (MoUs) were signed (27 January 2016) between the MoP, the GoR and respective State DISCOM (*i.e.* JVVNL/JdVVNL/AVVNL). As per provisions of the UDAY Scheme and tripartite MoU, out of total outstanding debt (₹ 83229.90 crore) pertaining to three State DISCOMs as on 30 September 2015, the GoR took over total debt of ₹ 62421.95 crore during the period 2015-16 and 2016-17 by providing equity of ₹ 8700 crore and subsidy of ₹ 9000 crore as detailed below:

**Table 1.17: Implementation of UDAY Scheme**

(₹ in crore)

Year	Equity Investment	Loan	Subsidy	Total
2015-16	5,700.00	34,349.77	-	40,049.77
2016-17	3,000.00	10,372.19	9,000.00	22,372.19
<b>Total</b>	<b>8,700.00</b>	<b>44,721.96</b>	<b>9,000.00</b>	<b>62,421.96</b>
2017-18	3,000.00	(-) 15,000.00	12,000.00	-
<b>Position as on 31 March 2018</b>	<b>11,700.00</b>	<b>29,721.96</b>	<b>21,000.00</b>	<b>62,421.96</b>

The amount of ₹ 44721.95 crore which was provided by way of loans under UDAY Scheme, was to be converted into equity and grant over a period of three years *i.e.* 2017-18, 2018-19 and 2019-20. Against this amount, the GoR provided equity of ₹ 3000 crore and subsidy of ₹ 12000 crore during 2017-18 whereas remaining loan amount was to be converted in subsequent years as per budget approvals of the GoR.

The GoR also charged interest of ₹ 7237.92 crore for the period October 2015 to March 2018 on the loans given to the DISCOMs by GoR under UDAY Scheme to discharge the loan liability due to other financial institutions and banks.

### Comments on Accounts of Power Sector Undertakings

**1.21** Fifteen Power sector Companies forwarded their 15 audited accounts to the Accountant General during 1 October 2017 to 30 September 2018. Of these, seven accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-18 are as follows:

**Table 1.18: Impact of audit comments on Power Sector Companies**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	0.23	5	51.95
2.	Increase in profit	2	7.22	-	-	2	1169.71
3.	Increase in loss	4	710.73	1	15.23	1	10.32
4.	Decrease in loss	2	202.32	2	16.82	-	-
5.	Non-disclosure of material facts	-	-	-	-	2	28.35
6.	Errors of classification	4	347.83	3	249.81	4	385.18

Source: Compiled from comments of the Statutory Auditors/ C&AG in respect of Government Companies.

During the year 2017-18, the Statutory Auditors had issued qualified certificates on eight accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 12 instances of non-compliance to the Accounting Standards in four accounts.

### Performance Audit and Compliance Audit Paragraphs

**1.22** For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, a performance audit on Procurement

and Inventory Management by Ajmer Vidyut Vitran Nigam Limited and five compliance audit paragraphs relating to power sector undertakings were issued to the Principal Secretary of Energy Department, GoR with request to furnish replies within two weeks. Replies on the performance audit and the compliance audit paragraphs have been received (December 2018) from the State Government and suitably incorporated in this report. The total financial impact of the PA and the compliance audit paragraphs is ₹ 309.05 crore.

### Follow up action on Audit Reports

**1.23** The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The Department of Energy, GoR has forwarded all the explanatory notes for the paragraphs contained in the Audit Reports.

#### *Discussion of Audit Reports by COPU*

**1.24** The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as under:

**Table 1.19: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2018**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	1	2	1	2
2016-17	1	5	-	-

Source: Compiled based on the discussions of COPU on the Audit Reports.

The discussion on Audit Reports (PSUs) up to 2015-16 has been completed.

