

## Part II

### Chapter IV

#### Functioning of State Public Sector Undertakings (other than Power Sector)

##### Introduction

4.1 There were 28 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated between 1954-55 and 2015-16 and included 25 Government Companies and three Statutory Corporations *i.e.* Rajasthan State Road Transport Corporation, Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation. The Government Companies further included three<sup>1</sup> non-functional companies and three<sup>2</sup> subsidiary companies owned by other Government Companies. One of the Government Companies *i.e.* Rajasthan State Petroleum Corporation Limited (subsidiary company of another State PSU namely RSMML) did not commence commercial activities till 2017-18. Besides these 28 State PSUs, there were two State PSUs (both Statutory Corporations) namely Rajasthan Land Development Corporation and Rajasthan Water Supply and Sewerage Corporation, audit of which were not under the purview of CAG.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 28 State PSUs (other than Power Sector), the State Government invested funds in 25 State PSUs only as the State Government did not infuse any funds in those three Government Companies which were incorporated as joint venture/subsidiary of other Government Companies. Equity of these three joint venture/subsidiary companies was contributed by the respective Co-partner/Holding Companies.

##### *Contribution to Economy of the State*

4.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Rajasthan for a period of five years ending March 2018:

**Table 4.1: Details of turnover of State PSUs (other than Power Sector) *vis-a-vis* GSDP of Rajasthan**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	9273.10	11390.91	12171.63	13417.48	13911.21
Percentage change in turnover as compared to turnover of preceding year	12.19	22.84	6.85	10.24	3.68
GSDP of Rajasthan	551031.00	615695.00	683758.00	759235.00	840263.00

(₹ in crore)

- 1 Rajasthan State Agro Industries Limited, Rajasthan Jal Vikas Nigam Limited and Rajasthan Civil Aviation Corporation Limited which ceased to carry out their operations from the years 2000-01, 2011-12 and 2016-17 respectively.
- 2 Rajasthan State Petroleum Corporation Limited (RSPCL) and Barmer Lignite Mining Company Limited (Joint Venture between Rajasthan State Mines and Mineral Limited (RSMML) and a private company namely Raj West Power Limited) incorporated (10 July 2008 and 19 January 2007) as subsidiary company of RSMML and Rajasthan State Gas Limited incorporated (20 September 2013) as subsidiary company of RSPCL.

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	1.68	1.85	1.78	1.77	1.66

Source: Compiled based on Turnover figures of working PSUs (other than power) and GSDP figures as per Economic Review 2017-18 of Government of Rajasthan.

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 3.68 *per cent* and 22.84 *per cent* during the period 2013-18, whereas increase in GSDP of the State ranged between 10.67 *per cent* and 11.77 *per cent* during the same period. The compounded annual growth<sup>3</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 public sector undertakings (other than Power Sector) recorded lower compounded annual growth of 10.97 *per cent* during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 1.68 *per cent* in 2013-14 to 1.66 *per cent* in 2017-18.

### **Investment in State PSUs (other than Power Sector)**

4.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications viz. those in the social sector and those functioning in competitive environment. Besides, two<sup>4</sup> of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 28 State PSUs in shape of equity and long term loans upto 31 March 2018 are detailed in *Annex-14*.

4.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below:

**Table 4.2: Sector-wise investment in State PSUs (other than power sector)**

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	12	1872.65	1244.43	3117.08
PSUs in Competitive Environment	14	1711.73	5682.29	7394.02
Others	2	5.49	0.00	5.49
<b>Total</b>	<b>28</b>	<b>3589.87</b>	<b>6926.72</b>	<b>10516.59</b>

Source: Compiled based on information received from PSUs.

As on 31 March 2018, the total investment (equity and long term loans) in these 28 PSUs was ₹ 10516.59 crore. The investment consisted of 34.14 *per cent* towards equity and 65.86 *per cent* in long-term loans. The Long term loans advanced by the State government constituted 27.96 *per cent* (₹ 1936.85 crore) of the total long term loans whereas 72.03 *per cent* (₹ 4989.87 crore) of the total long term loans were availed from other financial institutions.

3 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 ₹ 8265.72 crore and ₹ 493007 crore respectively.

4 Rajasthan Police Housing and Construction Corporation Limited and Rajasthan Civil Aviation Corporation Limited incorporated to perform buildings constructions and civil engineering works for Police Department, GoR and scheduled air transport for GoR respectively.

The investment has grown by 27.77 per cent from ₹ 8231.09 crore in 2013-14 to ₹ 10516.59 crore in 2017-18. The investment increased due to addition of ₹ 372.79 crore and ₹ 1912.71 crore towards equity and long term loans respectively during 2013-14 to 2017-18.

### Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)

4.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (other than Power Sector).

### Budgetary Support to State PSUs (other than Power Sector)

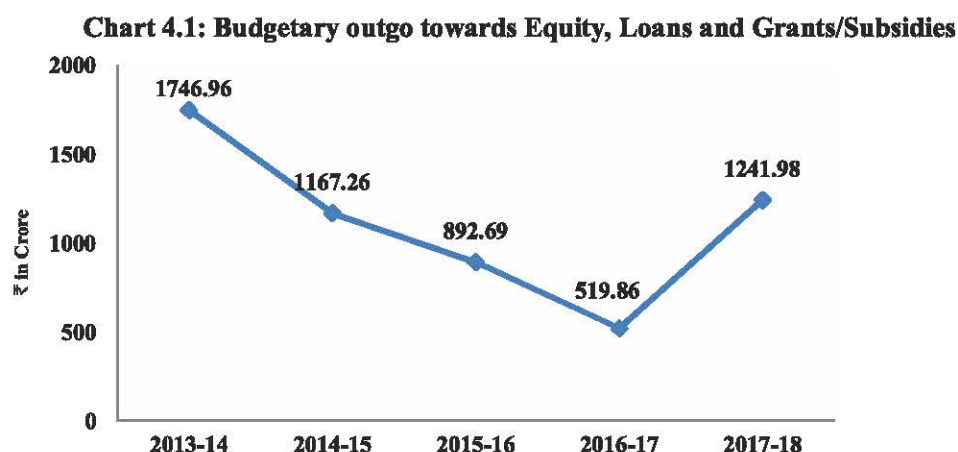
4.6 The Government of Rajasthan (GoR) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (other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

Table 4.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years

Particulars <sup>5</sup>	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	1	58.87	-	-	-	-
Loans given (ii)	5	421.02	3	180.10	5	280.22
Grants/Subsidy provided (iii)	10	412.80	7	339.76	8	961.76
Total Outgo (i+ii+iii)	13 <sup>6</sup>	892.69	9 <sup>6</sup>	519.86	12 <sup>6</sup>	1241.98
Loan repayment written off	-	-	-	-	1	4.12
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	2	1.70	-	-	1	49.45
Guarantee Commitment	4	2975.21	3	3165.77	3	3235.32

Source: Compiled based on information received from PSUs.

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



The annual budgetary assistance to these PSUs ranged between ₹ 519.86 crore

5 Amount represents outgo from State Budget only.

6 The figure represents number of PSUs which have received outgo from budget under one or more heads i.e. equity, loans and grants/ subsidies.

and ₹ 1746.96 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹ 1241.98 crore given during the year 2017-18 included ₹ 280.22 crore and ₹ 961.76 crore in the form of loans and grants/ subsidy respectively. The State Government did not provide any equity assistance to these PSUs during 2017-18. The subsidy/grants given by the State Government was primarily to provide free medicines and free/ concessional travel to the public. Besides, it also included subsidy/grants provided to Rajasthan State Road Transport Corporation (RSRTC) under reform linked plan of the State Government.

GoR provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 for 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 45.66 *per cent* from ₹ 2221.08 crore in 2013-14 to ₹ 3235.32 crore in 2017-18. During the year 2017-18 guarantee commission of ₹ 34.24 crore was paid by four<sup>7</sup> State PSUs (other than Power Sector).

### Reconciliation with Finance Accounts of Government of Rajasthan

4.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (other than Power Sector) 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. The position in this regard as on 31 March 2018 is stated below:

Table 4.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Rajasthan vis-à-vis records of State PSUs (other than Power Sector)  
(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	3074.78	3107.56	32.78
Loans	1666.33	1936.85	270.52
Guarantees	3567.10	3235.32	331.78

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

Audit observed that out of 28 State PSUs, such differences occurred in respect of eight PSUs as shown in *Annex-15*. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited. We, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

### Submission of accounts by State PSUs (other than Power Sector)

4.8 Of the total 28 State PSUs (other than Power Sector), there were 25 working PSUs *i.e.* 22 Government Companies and three Statutory Corporations and three non-functional PSUs under the purview of CAG as of

<sup>7</sup> Rajasthan State Road Development and Construction Corporation Limited, Rajasthan Financial Corporation, Rajasthan Urban Drinking Water, Sewerage and Infrastructure Corporation Limited and Rajasthan State Road Transport Corporation.

31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

**Timeliness in preparation of accounts by the working State PSUs**

**4.8.1** Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 22 working Government Companies, 10 Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 12 Government Companies were in arrears. Out of three Statutory Corporations, the CAG is the sole auditor in one Statutory Corporation (Rajasthan State Road Transport Corporation). Of these three Statutory Corporations, accounts of two Statutory Corporations for the year 2017-18 were presented for audit in time. The accounts of Rajasthan State Road Transport Corporation (RSRTC) for the year 2017-18 were awaited as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2018 are given below:

**Table 4.5: Position relating to submission of accounts by the working State PSUs (other than Power Sector)**

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Number of PSUs (other than Power Sector)	33	33	34	25	25
2.	Number of accounts submitted during current year	25	32	38	22	17
3.	Number of working PSUs which finalised accounts for the current year	17	20	21	18	12
4.	Number of previous year accounts finalised during current year	8	12	17	4	5
5.	Number of working PSUs with arrears in accounts	16	13	11	7	13
6.	Number of accounts in arrears	24	25	19	9	17
7.	Extent of arrears	One to seven years	One to eight years	One to five years	One to two years	One to three years

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

Of these 25 working State PSUs, 13 PSUs had finalised 17 annual accounts during the period 1 October 2017 to 30 September 2018 which included 12 annual accounts for the year 2017-18 and five annual accounts for previous years. Further, 17 annual accounts were in arrears which pertain to 13 PSUs as detailed in *Annex-16*. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned Departments were informed quarterly regarding arrear in accounts.

The GoR had provided ₹ 1109.04 crore (Loan: ₹ 210.12 crore, Subsidy: ₹ 898.92 crore) to six of the 13 working State PSUs accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013/Rajasthan State Road Transport Corporation Rules 1964 whereas no investment was made in remaining seven PSUs during the period for which accounts are in arrears. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in

**Annex-16.** However, accounts of nine<sup>8</sup> of these working State PSUs for the period 2017-18 were finalised and submitted for audit during the period from October 2018 to December 2018 whereas eight accounts pertained to four<sup>9</sup> working State PSUs were awaited till December 2018.

In the absence of finalisation of accounts and their subsequent audit in remaining four PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoR investment in these PSUs, therefore, remained outside the oversight of State Legislature.

**Timeliness in preparation of accounts by non-functional State PSUs**

**4.8.2** There were arrears in finalisation of accounts by three non-functional PSUs details of which are given below:

**Table 4.6: Position relating to arrears of accounts in respect of non-functional PSUs**

S. No.	Name of non-functional companies	Period for which accounts were in arrears
1.	Rajasthan State Agro Industries Corporation Limited	2014-15 to 2017-18
2.	Rajasthan Civil Aviation Corporation Limited	2017-18
3.	Rajasthan Jal Vikas Nigam Limited	2017-18

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

Of these non-functional PSUs, accounts of two PSUs namely Rajasthan Civil Aviation Corporation Limited and Rajasthan Jal Vikas Nigam Limited for the period 2017-18 were finalised and submitted for audit during the period from October 2018 to December 2018 whereas accounts of Rajasthan State Agro Industries Corporation Limited for the period 2014-15 to 2017-18 were awaited till December 2018.

**Placement of Separate Audit Reports of Statutory Corporations**

**4.9** Out of three working Statutory Corporations, two Corporations had forwarded their accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature is detailed below:

**Table 4.7: Status of placement of SAR of the Statutory Corporations**

Name of the Corporation	Year of Accounts	Month of placement of SAR
Rajasthan Financial Corporation	2016-17	February 2018
Rajasthan State Warehousing Corporation	2016-17	February 2018
Rajasthan State Road Transport Corporation	2015-16	September 2018
	2016-17	Yet to be placed

Source: Compiled based on information available on the website of Rajasthan Legislative Assembly.

8 S. No. 1 to 9 of Annex-16.  
9 S. No. 10 to 13 of Annex-16.

### Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

4.10 As pointed in paragraph 4.8, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

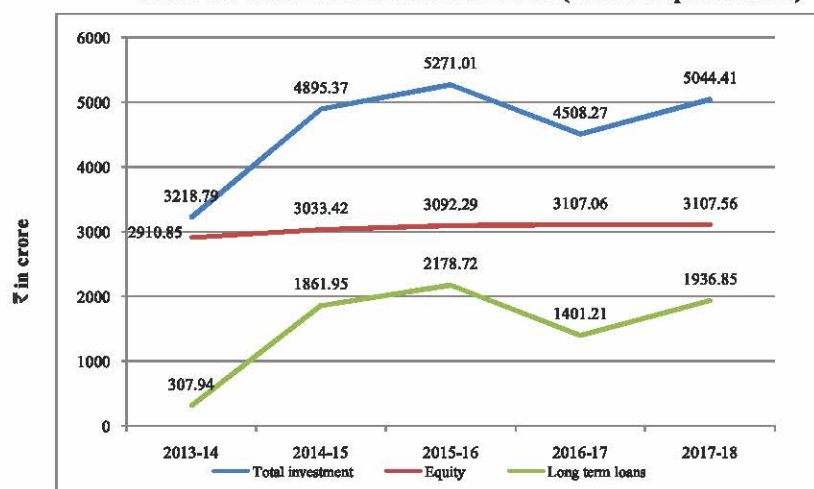
### Performance of State PSUs (other than Power Sector)

4.11 The financial position and working results of the 28 State PSUs (other than Power Sector) as per their latest finalised accounts as of 30 September 2018 are detailed in *Annex-17*.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the PSUs other than power sector was ₹ 10516.59 crore consisting of ₹ 3589.87 crore as equity and ₹ 6926.72 crore as long term loans. Out of this, Government of Rajasthan has investment of ₹ 5044.41 crore in the 25 PSUs other than Power Sector consisting of equity of ₹ 3107.56 crore and long term loans of ₹ 1936.85 crore.

The year wise statement of investment of GoR in the PSUs other than power sector during the period 2013-14 to 2017-18 is as follows:

Chart 4.2: Total investment of GoR in PSUs (other than power sector)



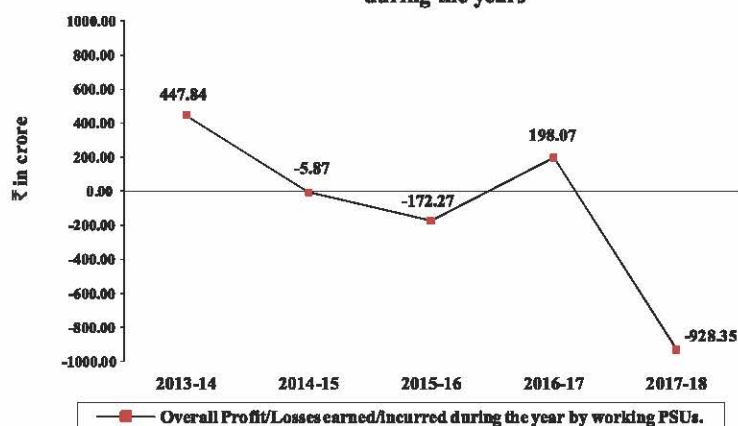
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed 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

4.12 The 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 the working State PSUs (other than Power Sector) during 2013-14 to 2017-18 is depicted below in a chart:

Chart 4.3: Profit/Losses earned/incurred by working PSUs (other than Power Sector) during the years



The profit of ₹ 447.84 crore earned by these working PSUs in 2013-14 transformed into losses of ₹ 928.35 crore in 2017-18 due to substantial increase in losses of Rajasthan State Road Transport Corporation and Jaipur Metro Rail Corporation Limited. As per latest finalised accounts for the year 2017-18, out of 25 working State PSUs, 19 PSUs earned profit of ₹ 350.08 crore and six PSUs incurred losses of ₹ 1278.43 crore as detailed in *Annex-17*.

The top profit making companies were Rajasthan State Industrial Development and Investment Corporation Limited (₹ 142.94 crore), Rajasthan State Mines and Minerals Limited (₹ 109.68 crore), Rajasthan State Ganganagar Sugar Mills Limited (₹ 23.51 crore) while Rajasthan State Road Transport Corporation (₹ 1169.76 crore) and Jaipur Metro Rail Corporation Limited (₹ 90.12 crore) incurred heavy losses.

Of the 25 working PSUs (other than Power Sector) as on 31 March 2018, position of working PSUs (other than Power Sector) which earned/incurred profit/loss during 2013-14 to 2017-18 is given below:

Table 4.8: Details of working Public Sector Undertakings (other than Power Sector) which earned/ incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs (other than 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	25	14	11	-
2014-15	25	17	7	1
2015-16	25	18	6	1
2016-17	25	19	6	-
2017-18	25	19	6	-

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



**(a) Return on Investment on the basis of historical cost of investment**

**4.13** Out of 28 Public Sector Undertakings (other than Power Sector) of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in **25 PSUs only**. The Government has invested ₹ 5044.41 crore in these 25 PSUs including equity of ₹ 3107.56 crore and long term loans of ₹ 1936.85 crore.

The Return on Investment from the 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. Thus, investment of State Government in these 25 other than Power Sector Undertakings has been arrived at by considering the equity and the interest free loans and in cases where interest free loans have been repaid by the PSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in Table 4.9. 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.

As on 31 March 2018, the equity of the State government in these 25 PSUs was ₹ 3107.56 crore. Out of the released long term loans of ₹ 1936.85 crore, ₹ 1322.26 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment of State Government in these 25 PSUs on the basis of historical cost stood at ₹ 4429.82 crore (₹ 3107.56 crore + ₹ 1322.26 crore).

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

**Table 4.9: Return on State Government Funds on the basis of historical cost of investment**

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoR in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (%)
<b>2013-14</b>			
Social Sector	5.25	1718.47	0.31
Competitive Sector	474.93	1424.96	33.33
Others	-0.02	4.99	-0.40
<b>Total</b>	<b>480.16</b>	<b>3148.42</b>	<b>15.25</b>
<b>2014-15</b>			
Social Sector	29.09	2900.86	1.00
Competitive Sector	4.41	1572.53	0.28
Others	-0.33	4.99	-6.61
<b>Total</b>	<b>24.30</b>	<b>4478.38</b>	<b>0.54</b>
<b>2015-16</b>			
Social Sector	-51.48	2953.80	-1.74
Competitive Sector	-106.99	1839.40	-5.82
Others	-0.21	4.99	-4.21
<b>Total</b>	<b>-158.68</b>	<b>4798.19</b>	<b>-3.31</b>
<b>2016-17</b>			
Social Sector	14.05	2008.15	0.70
Competitive Sector	176.60	1988.50	8.88

Others	-0.19	4.99	-3.81
<b>Total</b>	<b>190.46</b>	<b>4001.64</b>	<b>4.76</b>
<b>2017-18</b>			
<b>Social Sector</b>	<b>-56.98</b>	<b>2397.33</b>	<b>-2.38</b>
<b>Competitive Sector</b>	<b>-870.71</b>	<b>2027.00</b>	<b>-42.96</b>
Others	-0.19	5.49	-3.46
<b>Total</b>	<b>-927.88</b>	<b>4429.82</b>	<b>-20.95</b>

The return on State Government investment is worked out by dividing the total earnings<sup>11</sup> of these PSUs by the cost of the State Government investments. The return earned on State Government investment ranged between -20.95 per cent and 15.25 per cent during the period 2013-14 to 2017-18. The overall return on State Government investment was negative during 2015-16 and 2017-18 which was mainly due to heavy losses incurred by Rajasthan State Road Transport Corporation in competitive sector (₹ -754.10 crore in 2015-16 and ₹ -1169.76 crore in 2017-18) and Jaipur Metro Rail Corporation Limited in social sector (₹ -90.20 crore in 2015-16 and ₹ -90.12 crore in 2017-18). Further analysis revealed that the return on State Government investment from competitive sector has shown a fluctuating trend. The returns from competitive sector reduced substantially from 33.33 per cent in 2013-14 to -5.82 per cent in 2015-16 mainly due to increase in losses of Rajasthan State Road Transport Corporation (RSRTC) and decrease in profit of Rajasthan State Mines and Minerals Limited. This Sector recorded further fluctuation in returns during 2016-17 (8.88 per cent) and 2017-18 (-42.96 per cent) which were attributed to substantial reduction and increase in losses of RSRTC during 2016-17 and 2017-18 respectively.

**(b) Return on Investment on the basis of Present Value of Investment**

**4.14** An analysis of the earnings *vis-a-vis* investments in respect of those 25 State PSUs (other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of 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, Present Value (PV) of the State Government investment was computed in respect of those 25 State PSUs (other than power sector) 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. During the period from 2013-14 to 2017-18, these 25 PSUs had a positive return on investment during the years 2013-14, 2014-15 and 2016-17. The return on investment for these three years have, therefore, been calculated and depicted on the basis of PV.

The present value (PV) of the State Government investment in the 25 undertakings was computed on the following assumptions:

11 This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment as indicated by the nature of subsidy indicated in Para 4.6.
- The average rate of interest on government borrowings for the concerned financial year<sup>12</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.

For the years 2015-16 and 2017-18 when these 25 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 4.17

4.15 PSU wise position of State Government investment in these 25 State PSUs in the form of equity and loans on historical cost basis for the period from 2000-01 to 2017-18 is indicated in *Annex-18*. Further, consolidated position of PV of the State Government investment and the total earnings relating to these PSUs for the same period is indicated in table below:

Table 4.10: Year wise details of investment by the State Government and present value (PV) of government investment for the period 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 <sup>13</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 <sup>14</sup>	Total Earnings for the year <sup>15</sup>
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1+vi)/100}	ix={vii*vi}/100}	x
Upto 1999-2000	-	412.44	36.80	449.24	10.40	1164.89	1286.04	-	-
2000-01	1286.04	2.76	-0.49	2.27	10.50	1288.31	1423.58	135.27	-57.88
2001-02	1423.58	0.20	-3.34	-3.14	10.50	1420.44	1569.59	149.15	-45.92
2002-03	1569.59	6.05	-3.52	2.53	10.00	1572.12	1729.33	157.21	-18.61
2003-04	1729.33	134.46	-0.84	133.62	9.60	1862.95	2041.80	178.85	10.85
2004-05	2041.80	29.46	-12.06	17.4	9.10	2059.20	2246.59	187.39	133.45
2005-06	2246.59	14.89	-5.51	9.38	8.20	2255.97	2440.95	184.98	208.73
2006-07	2440.95	1.30	-0.39	0.91	8.30	2441.86	2644.54	202.68	259.05
2007-08	2644.54	7.50	-0.85	6.65	8.00	2651.19	2863.28	212.09	365.80
2008-09	2863.28	3.87	-0.69	3.18	7.70	2866.46	3087.18	220.72	295.26
2009-10	3087.18	19.56	-0.72	18.84	7.70	3106.02	3345.19	239.17	136.85
2010-11	3345.19	203.95	-0.31	203.64	7.70	3548.83	3822.09	273.26	276.54
2011-12	3822.09	416.63	-5.79	410.84	7.70	4232.93	4558.86	325.93	751.69

12 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.

13 Negative figures of Interest free loans shown in this column represent repayment of loans by the PSUs to the State Government during the concerned year.

14 Present value of total investment at the end of the year - Total investment at the end of the year.

15 Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to those 25 PSUs (other than Power Sector) where funds were infused by State Government. In case where annual accounts of any PSU was pending during any year then net earnings (profit/loss) for that year has been taken as per latest audited accounts of the concerned PSU.

2012-13	4558.86	813.61	102.98	916.59	7.40	5475.45	5880.63	405.18	706.21
2013-14	5880.63	844.17	132.30	976.47	7.30	6857.10	7357.67	500.57	480.16
2014-15	7357.67	122.57	1207.38	1329.95	7.50	8687.62	9339.19	651.57	24.30
2015-16	9339.19	58.87	260.95	319.82	6.70	9659.01	10306.17	647.16	-158.68
2016-17	10306.17	14.77	-811.32	-796.55	7.60	9509.62	10232.35	722.73	190.46
2017-18	10232.35	0.50	427.68	428.18	7.30	10660.53	11438.75	778.22	-927.88
<b>Total</b>		<b>3107.56</b>	<b>1322.26</b>	<b>4429.82</b>					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 4429.82 crore<sup>16</sup> in 2017-2018 from ₹ 449.24 crore in 1999-2000 as the State Government made further investments in shape of equity (₹ 2695.12 crore) and interest free loans (₹ 1285.46 crore) during the period 2000-2001 to 2017-2018. The PV of funds infused by the State Government upto 31 March 2018 amounted to ₹ 11438.75 crore. During 2000-01 to 2017-18, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs during 2000-01 to 2004-05, 2009-10 and 2013-14 to 2017-18 as four<sup>17</sup> of these PSUs incurred substantial losses during this period. Further, the profits earned by three other PSUs<sup>18</sup> during the entire period (2000-18) were also set off towards the losses incurred by these four PSUs due to which the total earnings remained below the minimum expected return from all these PSUs.

A further analysis of three profit making PSUs *i.e.* RIICO, RSMM and Rajasthan State Warehousing Corporation which earned profits during the period 2000 to 2018 revealed that these PSUs could register profits because of their monopolistic advantage in the market like Rajasthan State Industrial Development and Investment Corporation Limited earned substantial income from activities connected to allotment of land which in turn is attributed to it being permitted by the State Government to acquire Government land at concessional rates and it being the only agency in the State which has the right to develop and allot land for institutional purposes; Rajasthan Mines and Minerals Limited earned significant revenue from sale of rock phosphate, the mineral for which the Company has a near monopoly in the country and it contributes 90 *per cent* of the country's total production and Rajasthan State Warehousing Corporation (Corporation) being the only entity which has been entrusted the task of procuring wheat in the State on behalf of the State Government and in turn, it gets commission (warehousing charges) from the State Government as well as it earning substantial warehousing charges for storing crops on behalf of Food Corporation of India (FCI) and National Agricultural Cooperative Marketing Federation of India Limited (NAFED).

**4.16** As during the years 2013-14, 2014-15 and 2016-17, the government had positive returns on investments made in these PSUs, sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given in table below:

16 ₹ 4429.82 crore = ₹ 3107.56 crore + ₹ 1322.26 crore.

17 Rajasthan State Road Transport Corporation (2000-18), Rajasthan Tourism Development Corporation Limited (2009-18), Jaipur Metro Rail Corporation Limited (2011-18) and Rajasthan Financial Corporation (2009-10).

18 Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Warehousing Corporation.

Table 4.11: Return on State Government Funds

(*₹ in crore*)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoR in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (%)	PV of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (%)
<b>2013-14</b>					
Social Sector	5.25	1718.47	0.31	2220.22	0.24
Competitive Sector	474.93	1424.96	33.33	5131.00	9.26
Others	-0.02	4.99	-0.40	6.45	-0.31
<b>Total</b>	<b>480.16</b>	<b>3148.42</b>	<b>15.25</b>	<b>7357.67</b>	<b>6.53</b>
<b>2014-15</b>					
Social Sector	29.09	2900.86	1.00	3657.80	0.80
Competitive Sector	4.41	1572.53	0.28	5674.46	0.08
Others	-0.33	4.99	-6.61	6.94	-4.76
<b>Total</b>	<b>24.30</b>	<b>4478.38</b>	<b>0.54</b>	<b>9339.20</b>	<b>0.26</b>
<b>2016-17</b>					
Social Sector	14.05	2008.15	0.70	3242.76	0.43
Competitive Sector	176.60	1988.50	8.88	6981.62	2.53
Others	-0.19	4.99	-3.81	7.97	-2.38
<b>Total</b>	<b>190.46</b>	<b>4001.64</b>	<b>4.76</b>	<b>10232.35</b>	<b>1.86</b>

The return earned on State Government investment on historical cost basis was 15.25 per cent in 2013-14, it declined to 0.54 per cent in 2014-15 and then increased to 4.76 per cent during 2016-17 whereas the returns earned on State Government funds considering the present value of the investments were 6.53 per cent, 0.26 per cent and 1.86 per cent during the same period. Further, during this period, the returns from competitive sector on present value were worked out at 9.26 per cent, 0.08 per cent and 2.53 per cent only against 33.33 per cent, 0.28 per cent and 8.88 per cent of returns respectively based on the historic cost of investment.

#### *Erosion of Net worth*

4.17 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 capital investment and accumulated losses of these 28 State PSUs (other than Power Sector) as per their latest finalised accounts were ₹ 3533.39 crore and ₹ 1112.02 crore respectively resulting in net worth of ₹ 2419.15 crore after deducting deferred revenue expenditure of ₹ 2.22 crore as detailed in *Annex-17*. Analysis of investment and accumulated losses disclosed that net worth was eroded fully in ten out of these 28 PSUs as the capital investment and accumulated losses of these ten PSUs were ₹ 747.91 crore and ₹ 4968.45 crore respectively. Of these ten PSUs, the maximum net worth erosion was in Rajasthan State Road Transport Corporation (₹ 4000.31 crore), Rajasthan Tourism Development Corporation Limited (₹ 123.10 crore), Rajasthan State Agro Industries Corporation Limited (₹ 47.20 crore) and Rajasthan Small Industries Corporation Limited (₹ 17.55 crore). Of these ten PSUs where net worth had been fully eroded, six<sup>19</sup> PSUs earned profit during the year 2017-18 although there were substantial accumulated losses.

Further the following table indicates total paid up capital, total accumulated

19 Rajasthan Small Industries Corporation Limited, Rajasthan State Handloom Development Corporation Limited, Barmer Lignite Mining Company Limited and Rajasthan Skill and Livelihoods Development Corporation for 2017-18 and Rajasthan Jal Vikas Nigam Limited and Rajasthan Civil Aviation Corporation Limited for 2016-17.

profit/ loss, and total net worth of the 25 other than power sector companies where the State Government has made direct investment:

**Table 4.12: Net worth of 25 other than power sector undertakings during 2013-14 to 2017-18**

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2013-14	2847.54	489.39	0.00	3336.93
2014-15	2046.90	-166.41	0.00	1880.49
2015-16	2105.77	-81.78	0.00	2023.99
2016-17	3373.23	26.05	6.24	3393.04
2017-18	3372.42	-1075.18	2.22	2295.02

(₹ in crore)

As can be seen, the net worth of these companies fluctuated during the period. It decreased from ₹ 3336.93 crore in 2013-14 to ₹ 2295.02 crore in 2017-18. Out of 25 PSUs, 15 PSUs<sup>20</sup> showed positive net worth and net worth of 10<sup>21</sup> PSUs was in negative during 2013-14. However, during 2014-15 to 2017-18, the net worth of one PSU namely Rajasthan Medical Services Corporation Limited turned positive. The net worth of Rajasthan Medical Services Corporation Limited was eroded during 2013-14 as the losses of the Company for the concerned year (₹ 12.53 crore) exceeded the paid up capital of the Company (₹ five crore) which was mainly due to writing off of computerisation expenses (₹ 19.32 crore) as exceptional item. The net worth of the Company turned positive during 2015-16 due to earning profits in the subsequent years as the Company gets commission from the State Government over and above the cost of medicines procured.

Therefore, during 2014-15 to 2017-18, 16 PSUs showed positive net worth whereas net worth of remaining nine PSUs was in negative. The net worth of eight<sup>22</sup> PSUs decreased during 2013-14 to 2017-18 whereas it increased in respect of 16<sup>23</sup> PSUs during the same period and it remained same in respect of one PSU *i.e.* Rajasthan Skill and Livelihoods Development Corporation.

### **Dividend Payout**

**4.18** The State Government had formulated (September 2004) a dividend

20 Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited, Rajasthan State Beverages Corporation Limited, Jaipur Metro Rail Corporation Limited, Rajasthan Ex-Servicemen Corporation Limited, Rajasthan State Food & Civil Supplies Corporation Limited, Rajasthan State Seeds Corporation Limited, Rajasthan State Power Finance Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Mines and Minerals Limited, Raj COMP Info Services Limited, Rajasthan Police Housing and Construction Corporation Limited, Rajasthan Financial Corporation, Rajasthan State Warehousing Corporation.

21 Rajasthan State Road Transport Corporation, Rajasthan Tourism Development Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Jal Vikas Nigam Limited, Rajasthan State Agro Industries Corp. Limited, Rajasthan Skill and Livelihoods Development Corporation, Rajasthan State Handloom Development Corporation Limited, Rajasthan Small Industries Corporation Limited, Rajasthan Civil Aviation Corporation Limited and Rajasthan Medical Services Corporation Limited.

22 Jaipur Metro Rail Corporation Limited, Rajasthan State Road Transport Corporation, Rajasthan Tourism Development Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Jal Vikas Nigam Limited, Rajasthan State Agro Industries Corporation Limited, Rajasthan Police Housing and Construction Corporation Limited and Rajasthan Civil Aviation Corporation Limited.

23 Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited, Rajasthan State Beverages Corporation Limited, Rajasthan Ex-Servicemen Corporation Limited, Rajasthan State Food & Civil Supplies Corporation Limited, Rajasthan State Seeds Corporation Limited, Rajasthan State Power Finance Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Mines and Minerals Limited, Raj COMP Info Services Limited, Rajasthan Financial Corporation, Rajasthan State Warehousing Corporation, Rajasthan State Handloom Development Corporation Limited, Rajasthan Small Industries Corporation Limited and Rajasthan Medical Services Corporation Limited.

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 25 PSUs (other than Power Sector) where equity was infused by GoR during the period is shown in table below:

**Table 4.13: Dividend Payout of 25 PSUs (other than Power Sector) 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	25	2910.85	14	751.10	6 <sup>24</sup>	21.28	2.83
2014-15	25	3033.42	16	884.23	7 <sup>25</sup>	60.19	6.81
2015-16	25	3092.29	17	949.74	7 <sup>25</sup>	94.38	9.94
2016-17	25	3107.06	19	970.27	7 <sup>25</sup>	62.14	6.40
2017-18	25	3107.56	19	970.27	5 <sup>26</sup>	59.25	6.11

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 14 and 19 PSUs. During this period, number of PSUs which declared/paid dividend to GoR ranged between five and seven PSUs.

The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 2.83 *per cent* and 9.94 *per cent* only. Further analysis disclosed that the PSUs (other than Power Sector) declared/paid dividend from 1962-63 and the Dividend Payout Ratio was increased from 2.24 *per cent* in 1962-63 to 6.11 *per cent* in 2017-18.

Of these five PSUs which declared/paid dividend during 2017-18, three<sup>27</sup> PSUs declared dividend higher than the prescribed limit, while one<sup>28</sup> PSU declared dividend lower than the prescribed limit and only one<sup>29</sup> PSU declared dividend as per the dividend policy.

### Return on Equity

**4.19** Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund 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

24 Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Warehousing Corporation, Rajasthan State Beverages Corporation Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan State Seeds Corporation Limited.

25 Rajasthan State Mines and Minerals Limited, Rajasthan State Road Development and Construction Corporation Limited, Rajasthan State Warehousing Corporation, Rajasthan State Beverages Corporation Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan State Seeds Corporation Limited.

26 Rajasthan State Mines and Minerals Limited, Rajasthan State Warehousing Corporation, Rajasthan State Beverages Corporation Limited, Rajasthan State Industrial Development and Investment Corporation Limited, Rajasthan State Seeds Corporation Limited.

27 PSU at Sl. No. 10, 17 and 25 of Annex-17.

28 PSU at Sl. No. 15 of Annex-17.

29 PSU at Sl. No.4 of Annex-17.

reveals how much would be left for a company's stakeholders if all assets 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 25 other than power sector undertakings where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to 25 PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in table below:

**Table 4.14: Return on Equity relating to 25 PSUs (other than Power Sector) where funds were infused by the GoR**

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2013-14	480.16	3336.93	14.39
2014-15	24.30	1880.49	1.29
2015-16	-158.68	2023.99	-
2016-17	190.46	3393.04	5.61
2017-18	-927.88	2295.02	-

During the last five years period ended March 2018, the Net Income was positive during 2013-14, 2014-15 and 2016-17 and the ROE during these years ranged between 1.29 per cent and 14.39 per cent. Since the Net Income of these PSUs during 2015-16 and 2017-18 were negative, ROE in respect of these PSUs could not be worked out for this period.

#### *Return on Capital Employed*

**4.20** 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>30</sup>. The details of total ROCE of all the 28 State PSUs (other than Power Sector) together during the period from 2013-14 to 2017-18 are given in table below:

**Table 4.15: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2013-14	637.17	8055.06	7.91
2014-15	326.78	10198.16	3.20
2015-16	255.15	9462.39	2.70
2016-17	669.34	10331.41	6.48
2017-18	-1198.35	9173.50	-13.06

The ROCE of these State PSUs ranged between -13.06 per cent and 7.91 per cent during the period 2013-14 to 2017-18. The ROCE decreased substantially during the year 2017-18 in comparison to 2016-17 and turned into negative return due to increase in losses of Rajasthan State Road Transport Corporation and Jaipur Metro Rail Corporation Limited during the year 2017-18.

#### *Analysis of Long Term Loans of the PSUs (other than Power Sector)*

**4.21** Analysis of the Long Term Loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the

<sup>30</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.



companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

### Interest Coverage Ratio

**4.22** Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs which had interest burden during the period from 2013-14 to 2017-18 are given in table below:

**Table 4.16: Interest Coverage Ratio relating to State PSUs (other than Power Sector)**

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government, Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	191.43	686.95	17	11	6 <sup>31</sup>
2014-15	334.09	89.31	14	09	5 <sup>32</sup>
2015-16	428.86	210.80	19	15	4 <sup>33</sup>
2016-17	472.62	577.56	19	14	5 <sup>34</sup>
2017-18	475.35	-1233.10	20	15	5 <sup>34</sup>

Of the 20 State PSUs (other than Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2017-18, 15 PSUs had interest coverage ratio of more than one whereas remaining five PSUs had interest coverage ratio below one which indicates that these five PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### Debt Turnover Ratio

**4.23** During the last five years, the turnover of the 28 PSUs recorded compounded annual growth of 10.97 per cent and compounded annual growth of debt was 16.66 per cent due to which the debt turnover ratio improved from 0.54 in 2013-14 to 0.50 in 2017-18 as given in table below:

**Table 4.17: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)**  
(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	5014.01	7235.85	7281.07	6829.12	6926.72
Turnover	9273.10	11390.91	12171.63	13417.48	13911.21
Debt-Turnover Ratio	0.54:1	0.64:1	0.60:1	0.51:1	0.50:1

Source: Compiled based on information received from PSUs.

- 31 Rajasthan Small Industries Corporation Limited, Rajasthan Medical Services Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Road Transport Corporation and Rajasthan State Agro Industries Corporation Limited.
- 32 Rajasthan Small Industries Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Road Transport Corporation and Rajasthan State Agro Industries Corporation Limited
- 33 Rajasthan State Hotels Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Road Transport Corporation and Rajasthan State Agro Industries Corporation Limited
- 34 Jaipur Metro Rail Corporation Limited, Rajasthan State Hotels Corporation Limited, Rajasthan Tourism Development Corporation Limited, Rajasthan State Road Transport Corporation and Rajasthan State Agro Industries Corporation Limited

The debt-turnover ratio ranged between 0.50 and 0.64 during this period. The overall accumulated losses increased substantially during the year 2017-18 in comparison to that for the year 2016-17 mainly due to increase in accumulated losses of Rajasthan State Road Transport Corporation and Jaipur Metro Rail Corporation Limited.

#### Winding up of non-functional State PSUs

4.24 Three of the 28 State PSUs (other than Power Sector) were non-functional companies having a total investment of ₹ 28.04 crore (₹ 22.28 crore in Rajasthan State Agro Industries Corporation Limited, ₹ 4.49 crore in Rajasthan Civil Aviation Corporation Limited and ₹ 1.27 crore in Rajasthan Jal Vikas Nigam Limited) towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) as on 31 March 2018. The number of non-functional PSUs at the end of each year during last five years ended 31 March 2018 are given below:

**Table 4.18: Non-functional State PSUs**

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of non-functional companies	3	3	3	3	3

Source: Compiled from the information included in Audit Report (PSU), GoR of respective years and in Annex-17.

None of these non-functional PSUs was under liquidation. As these three PSUs are not functional from last two to 18 years, the Government may take appropriate decision regarding these PSUs.

#### Comments on Accounts of State PSUs (other than Power Sector)

4.25 Thirteen working companies forwarded 14 audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 10 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 are as follows:

**Table 4.19: Impact of audit comments on Working Companies (other than Power Sector)**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	5	28.74	1	0.06	3	23.91
2.	Increase in profit	4	7.02	3	3.91	1	4.43
3.	Increase in loss	2	2.21	1	0.09	-	-
4.	Decrease in loss	1	0.74	-	-	1	3.43
5.	Non-disclosure of material facts	1	2.98	3	6.23	-	-
6.	Errors of classification	2	50.33	3	16.66	1	9.74

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 seven accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out five instances of non-compliance to the Accounting Standards in three accounts.

**4.26** The State has three Statutory Corporations *i.e.* (i) Rajasthan State Road Transport Corporation (RSRTC), (ii) Rajasthan Financial Corporation (RFC) and (iii) Rajasthan State Warehousing Corporation (RSWC). The CAG is sole auditor in respect of RSRTC.

Out of three working Statutory Corporations, two Corporations (RFC and RSWC) forwarded its annual accounts for the year 2017-18 whereas RSRTC forwarded annual accounts for the year 2016-17 during 01 October 2017 to 30 September 2018. All three accounts were selected for supplementary audit. The Statutory Auditors had given qualified certificates on annual accounts of RFC for the year 2017-18. Further, in case of the accounts of RFC, the CAG has given a not true and fair certificate on the accounts of the year 2016-17.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given below:

**Table 4.20: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	31.59	1	49.81	2	55.46
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	2364.69	1	1658.39	-	-
4.	Decrease in loss	-	-	-	-	1	464.82
5.	Non-disclosure of material facts	1	1819.89	1	7404.63	1	1100.00
6.	Errors of classification	2	81.00	2	83.00	1	2.00

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

### Compliance Audits Paragraphs

**4.27** For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, two compliance audit paragraphs related to Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) were issued to the Principal Secretaries/ Secretaries of the respective Administrative Departments with request to furnish replies. Replies on these two compliance audit paragraphs have been received from the State Government and taken into account while finalising this report. The total financial impact of these compliance audit paragraphs is ₹ 43.35 crore.

### Follow up action on Audit Reports

#### *Replies outstanding*

**4.28** 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).

**Table 4.21: Position of explanatory notes on Audit Reports related to PSUs other than Power Sector (as on 30 September 2018)**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2016-17	27.02.2018	-	5	0	2

Source: Compiled based on explanatory notes received from respective Departments of GoR.

Explanatory notes on two<sup>35</sup> compliance audit paragraphs were pending with two departments till September 2018. However, the explanatory notes from both the departments were received in November 2018.

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

**4.29** The status of discussion of Performance Audits and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2018 was as under:

**Table 4.22: 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	8	-	7
2016-17	-	5	-	-

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

The discussion on Audit Reports (PSUs) up to 2014-15 has been completed.

#### **Compliance to Reports of COPU**

**4.30** Action Taken Notes (ATNs) on three reports of the COPU presented to the State Legislature in March 2017 and February 2018 had not been received (30 September 2018) relating to the State PSUs (other than Power Sector) as indicated in the following table:

**Table 4.23: Compliance to COPU Reports**

Year of the COPU Report	Total number of Reports of COPU	Total number of recommendation in COPU Reports	Number of recommendations where ATNs not received
2016-17	1	12	12
2017-18	2	11	11

Source: Compiled based on ATNs received on recommendations of COPU from the respective Departments of GoR.

The above mentioned Reports of COPU contained recommendations in respect of paragraphs pertaining to Rajasthan Tourism Development Corporation and Rajasthan State Mines and Minerals Limited which appeared in the Reports of the CAG of India for the year 2012-13 and 2014-15. ATNs on recommendations made in these three Reports of COPU were received in November 2018.

<sup>35</sup> One compliance audit paragraph each relating to Rajasthan State Road Transport Corporation and Rajasthan Tourism Development Corporation Limited.