



**Report of the  
Comptroller and Auditor General of India**

**on**

**Public Sector Undertakings  
for the year ended 31 March 2019**



**लोकहितार्थं सत्यनिष्ठा**  
**Dedicated to Truth in Public Interest**

**GOVERNMENT OF RAJASTHAN**  
***Report No. 4 of the year 2020***

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COMPTROLLER AND AUDITOR GENERAL  
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## Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations and has been prepared for submission to the Government of Rajasthan under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Services) Act, 1971, as amended from time to time.

2. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 139 and 143 of the Companies Act, 2013. According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one percent of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company<sup>1</sup> owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred as Government controlled other Companies. The audit arrangements of Statutory Corporations are prescribed under the respective acts through which the corporations are established.

3. This report deals with performance of 43 Public Sector Undertakings (PSUs) consisting of 40 Government Companies and three Statutory Corporations in the State of Rajasthan the audit of which has been entrusted to the Comptroller and Auditor General of India. The Report includes an Introductory Chapter on the functioning of all the 43 PSUs. Thereafter, the report has been divided in two parts: **Part I** deals with the analysis of the performance of the 15 Power Sector Companies. The Government of Rajasthan (GoR) has high financial stakes in the Power sector PSUs as the total investment in these companies stood at ₹ 111778.38 crore as on 31<sup>st</sup> March 2019. The power sector received 95.06 *per cent* (₹ 22183.89 crore) of the total budgetary outgo during the year 2018-19. The Equity contributed by the State Government in power sector was mainly towards capital investment and construction of various projects. During the year, the Power sector Companies earned a profit of ₹ 2319.00 crore. Six Power Sector companies earned profit of ₹ 2773.19 crore, four PSUs incurred loss of ₹ 454.19 crore and five PSUs had marginal losses during the year. Keeping in view the importance of the sector we have presented the details of the performance of the Power Sector PSUs and results of our audit of these companies (four compliance audit paragraphs) in **Part-I** of the Report.

4. **Part-II** of the report deals with the details of the performance of the 28 State PSUs other than power sector (including 3 statutory corporations). These PSUs earned profit of ₹ 218.14 crore during 2018-19. This Part includes one

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1 Ministry of Corporate Affairs- Companies (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014

Performance Audit and six compliance audit paragraphs relating to the State PSUs other than power sector.

5. The audit observations featured in this Report are those which came to notice in the course of audit during the year 2018-2019 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2019 have also been included, wherever necessary.

6. The audit has been conducted in accordance with the Auditing Standards issued by the Comptroller and Auditor General of India.

# Overview

## Overview

### Functioning of Public Sector Undertakings

#### *Introduction*

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013.

As on 31 March 2019, Rajasthan had 43 State Public Sector Undertakings (PSUs) consisting of three Statutory Corporations and 40 Government Companies (including three inactive government companies) under the audit jurisdiction of the Comptroller & Auditor General of India. The working PSUs registered a turnover of ₹ 75179.32 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 8.09 *per cent* of the Gross State Domestic Product (GSDP) of Rajasthan. As on 31 March 2019, the investment (equity and long term loans) in 43 PSUs was ₹ 124266.77 crore. The power sector received 86.42 *per cent* (₹ 19974.86 crore) of total investment (₹ 23114.61 crore) made during the period from 2014-15 to 2018-19.

### Functioning of Power Sector Undertakings

#### *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 RSEB and transfer of assets, properties, liabilities, obligations, proceedings and personnel of RSEB to power sector companies. The State had 15 Power Sector companies as on 31 March 2019. Audit of these power sector companies is governed by Sections 139 and 143 of the Companies Act, 2013.

Of these 15 companies, six companies did not commence any commercial activities till 2018-19. One of these six companies namely *Keshoraipatan Gas Thermal Power Limited* closed (15 February 2019) its operation during 2018-19. The purpose of incorporation of these companies was, therefore, defeated. The Government should take appropriate action to commence business activities of these companies.

The Power Sector Undertakings registered a turnover of ₹ 60355.46 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 6.50 *per cent* of the GSDP of Rajasthan indicating the important role played by the Power Sector companies in the economy of the State.

#### *Stake of Government of Rajasthan*

As on 31 March 2019, the total investment (equity and long term loans) in 15 power sector undertakings was ₹ 111778.38 crore. The investment

consisted of 40.88 *per cent* towards equity and 59.12 *per cent* in long term loans. The long term loans advanced by the State government constituted 27.73 *per cent* (₹ 18324.72 crore) of the total long term loans whereas the rest 72.27 *per cent* (₹ 47753.26 crore) long term loans were availed from other financial institutions.

### ***Performance of Power Sector Undertakings***

The overall profit earned by the 15 power sector companies was ₹ 2319 crore in 2018-19 against losses of ₹ 16184.94 crore incurred in 2014-15. According to accounts for the year 2018-19 of the power sector companies, six companies earned profit of ₹ 2773.19 crore and four companies incurred loss of ₹ 454.19 crore. Remaining five companies incurred marginal losses during the year 2018-19. The top profit making companies were Jodhpur Vidyut Vitran Nigam Limited (₹ 1233.76 crore), Jaipur Vidyut Vitran Nigam Limited (₹ 906.09 crore), Ajmer Vidyut Vitran Nigam Limited (₹ 466.82 crore) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (₹ 138.42 crore) while Giral Lignite Power Limited (₹ 324.13 crore) and Rajasthan Rajya Vidyut Prasaran Nigam Limited (₹ 127.99 crore) incurred substantial losses.

The accumulated losses of the power sector companies were ₹ 96597.14 crore as against the capital investment of ₹ 45700.40 crore as on 31 March 2019. Of the 15 power sector companies, the net worth of Jaipur Vidyut Vitran Nigam Limited (-) ₹ 20277.18 crore, Jodhpur Vidyut Vitran Nigam Limited (-) ₹ 19820.20 crore, Ajmer Vidyut Vitran Nigam Limited (-) ₹ 19000.52 crore and Giral Lignite Power Limited (-) ₹ 894.72 crore was completely eroded.

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

The tripartite Memorandums of Understanding (MoUs) were signed (27 January 2016) between the Ministry of Power (MoP), Government of India, the Government of Rajasthan (GoR) and respective State DISCOM (*i.e.* Jaipur Vidyut Vitran Nigam Limited/Jodhpur Vidyut Vitran Nigam Limited/Ajmer Vidyut Vitran Nigam Limited) for providing assistance to the State owned power sector PSUs. As per provisions of the UDAY and the MoUs, out of total outstanding debt (₹ 83229.90 crore) pertaining to three State DISCOMs as on 30 September 2015, the GoR had taken over total debt of ₹ 62421.95 crore during the period 2015-16 and 2016-17 against which the GoR provided equity of ₹ 8700 crore and subsidy of ₹ 9000 crore during the same period. The remaining amount of ₹ 44721.95 crore which was converted into loans under UDAY, 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 in each financial year during 2017-18 and 2018-19 whereas remaining loan amount was to be converted in subsequent years as per budget approvals of the GoR.

### ***Quality of accounts***

The quality of accounts of power sector companies needs improvement. Out of 15 accounts finalised during 1 October 2018 to 30 September 2019, the Statutory Auditors gave qualified certificates on six accounts. There were 23 instances of non-compliance with Accounting Standards by the Power Sector Undertakings.

<b>Compliance Audit Observations relating to Power Sector Undertakings</b>
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Compliance Audit observations included in this Report highlight deficiencies in the management of Power Sector Undertakings, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

**Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited**

***Delay in deposit of cess attracted avoidable penal interest***

The three DISCOMs did not devise a mechanism to deposit the Water Conservation Cess (WCC) according to schedule prescribed in the Rajasthan Electricity (Duty) Act, 1962 and Rules framed thereunder. Absence of proper mechanism led to delay in deposit of WCC collected from electricity consumers and attracted liability of penal interest of ₹ 55.42 crore.

**Jodhpur Vidyut Vitran Nigam Limited**

***Systemic lapses in financial closure of the contracts awarded by Jodhpur Vidyut Vitran Nigam Limited***

The Company did not adopt the Procurement Management Information System (PMIS) and did not institute a well defined and extensive procedure for financial closure of contracts. Further, the financial closure of purchase orders/turnkey works contracts was inordinately delayed/deficient due to non-furnishing of verified invoices and receipted challans by respective ACOS/suppliers, poor communication system between ACOS and MM wing, lethargic approach for effecting recoveries against suppliers, non-recovery/delay in recovery of applicable penalty, closure of nominally executed turnkey works and non-invoking bank guarantee of defaulting suppliers.

**Ajmer Vidyut Vitran Nigam Limited**

***Failure of internal control system led to embezzlement***

Poor internal control system and monitoring enabled the Company employee to embezzle ₹ 2.25 crore by manipulating salary records through fake entries in bank transfer advices.

**Rajasthan Rajya Vidyut Prasaran Nigam Limited**

***Construction of Grid-Sub Stations and Transmission lines***

The Company did not follow the norms/standards prescribed for maintaining the redundancy under the transmission system which resulted in huge variation in installed capacity and capacity handled. Further, transmission works were not completed within the scheduled period due to deficient planning and non-adherence to recommendations of Task Force Committee on Project Management. Further, non-carrying out the preparatory activities before execution of these works led to delay in completion of the works and blocking of funds for a considerable period. Moreover, improper planning and poor project management also led to payment of commitment charges by the company on loans raised. The Company failed to effectively monitor the physical progress of the works.

### **Functioning of State PSUs (other than Power Sector)**

As on 31 March 2019, Rajasthan had 28 State PSUs (other than Power Sector) consisting of 22 working Companies, three working Statutory Corporations and three inactive PSUs (all Companies). The working PSUs registered a turnover of ₹ 14823.86 crore during 2018-19 as per their latest finalised accounts. This turnover was equal to 1.60 *per cent* of the GSDP of Rajasthan indicating the role played by these State PSUs in the economy of the State.

#### ***Stake of Government of Rajasthan***

As on 31 March 2019, the total investment (equity and long term loans) in these 28 PSUs was ₹ 12488.39 crore. The investment consisted of 28.75 *per cent* towards equity and 71.25 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 24.99 *per cent* (₹ 2224.17 crore) of the total long term loans whereas the rest 75.01 *per cent* (₹ 6674.35 crore) long term loans were availed from other financial institutions.

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

The loss of ₹ 5.87 crore incurred by working State PSUs in 2014-15 transformed into profit of ₹ 219.85 crore in 2018-19 due to substantial decrease in losses of Rajasthan State Road Transport Corporation and Jaipur Metro Rail Corporation Limited. According to latest finalised accounts of the 25 working State PSUs, 18 PSUs earned profit of ₹ 511.53 crore and seven PSUs incurred losses of ₹ 291.68 crore in 2018-19.

The top profit making State PSUs were Rajasthan State Mines and Minerals Limited (₹ 168.50 crore), Rajasthan State Industrial Development and Investment Corporation Limited (₹ 142.94 crore), Rajasthan State Warehousing Corporation (₹ 88.89 crore), Rajasthan State Road Development and Construction Corporation Limited (₹ 35.00 crore) while Rajasthan State Road Transport Corporation (₹ 176.71 crore) and Jaipur Metro Rail Corporation Limited (₹ 52.97 crore) incurred heavy losses.

#### ***Quality of accounts***

The quality of accounts of State PSUs (other than Power Sector) needs improvement. Out of 18 accounts finalised during 1 October 2018 to 30 September 2019, the Statutory Auditors gave adverse certificate on accounts of Rajasthan State Food and Civil Supply Corporation Limited and qualified certificates on nine other accounts. There were eighteen instances of non-compliance in six accounts with Accounting Standards by the PSUs.

#### ***Arrears in accounts and winding up***

Fifteen working PSUs had arrears of 21 accounts as on 30 September 2019. Among inactive PSUs, one PSU had four accounts in arrears. The Government may take a decision regarding winding up of the inactive PSUs.

## Performance Audit relating to State PSUs (other than Power Sector)

### Rajasthan State Road Transport Corporation

#### Performance Audit on ‘Acquisition and Utilisation of buses’

This Performance Audit covers the acquisition and utilization of buses by Rajasthan State Road Transportation Corporation (Corporation) during the period from 2014-15 to 2018-19.

##### *Financial Performance*

The Corporation incurred heavy losses during 2014-15 to 2018-19 and could not even recover its cost of operation. Resultantly, accumulated losses and negative net worth of the Corporation increased significantly from ₹ 2766.90 crore and ₹ 2127.94 crore in 2014-15 to ₹ 4975.52 crore and ₹ 4336.56 crore in 2018-19 respectively.

##### *Share of Corporation in the public transport*

The Corporation was not able to keep pace with the growing demand for public transport as the Corporation’s share in the bus traffic and per capita effective kilometers operated decreased from 10.36 *per cent* to 9.98 *per cent* and from 8.43 to 6.91 respectively due to higher rate of increase in fleet of private stage carriage and lower fleet utilization by the Corporation.

##### *Policy/mechanism for assessment of requirement*

The Corporation did not develop a mechanism to correlate the requirement assessed in bi-annual plan with the availability of buses to plan for procurement/hiring of buses on periodic basis.

##### *Hiring of buses without obtaining depot wise requirement*

The hiring of buses was done at centralised level without obtaining specific requirement from the concerned depots. The Corporation did not even confirm the requirement from depots before allocation of hired buses. Resultantly, four to seven depots had surplus buses which ranged between 21 and 75 buses and five to eight depots faced shortage of buses which ranged between 60 to 183 buses during 2016-19. Besides, Kota depot (2016-17), Rajsamand and Dungarpur depot (2017-18) and Jaipur depot (2017-18 and 2018-19) held excess buses but the same were not shifted to other depots which were facing shortage of buses.

##### *Loss from operation of hired luxury/semi deluxe buses*

The Corporation hired and deployed the luxury/semi deluxe buses without assessing proper requirement and feasibility of operating the buses on certain routes. Resultantly, the Corporation incurred net loss of ₹ 2.34 crore due to operation of buses on uneconomical routes. Despite suffering continuous loss, the Corporation did not make efforts to find alternate routes for plying these buses.

##### *Deficiencies in hiring of buses (2016-17)*

The Corporation invited (December 2016) tenders for hiring of 800 buses,



however, it did not reassess the requirement after getting the approval from the GoR for procurement of new 500 blue line buses. It went ahead and hired the buses for a period of five years. Thus, non-reduction in requirement of buses to be hired resulted in availability of excess buses than actually utilised.

### ***Fleet Strength and its Age Profile***

The Corporation was not able to achieve the prescribed norms for condemnation of vehicles. The percentage of overage buses increased from 7.33 *per cent* in 2014-15 to 18.46 *per cent* in 2018-19.

### ***Fleet utilization***

The average fleet utilization of the Corporation declined from 92 *per cent* in 2014-15 to 68 *per cent* in 2018-19 mainly due to curtailment of scheduled KMs on account of breakdowns, mechanical problems, non-allocation of buses *etc.*

### ***Vehicle Productivity***

The overall vehicle productivity (including hired buses) of the Corporation had declined from 397 KMs to 392 KMs per day during 2014-15 to 2018-19. The vehicle productivity of the Corporation buses reduced from 390 KMs to 363 KMs per day, however, the Corporation did not initiate corrective action to improve the situation.

### ***Cancellation of Scheduled Kilometres***

The percentage of cancellation of scheduled KMs increased continuously from 7.25 to 14.20 during 2014-19 mainly due to non-deployment of adequate number of buses, shortage of crew and other factors like breakdowns, accidents, low income *etc.* Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of revenue of ₹ 72.95 crore during 2014-19.

### ***Load Factor***

The performance of the Corporation remained poor as it could not achieve the targeted load factor during 2014-15 to 2018-19. The break-even load factor was quite high and ranged between 83.01 *per cent* and 102.55 *per cent*. Further it has continuously increased after 2016-17.

### ***Fuel Efficiency***

The Corporation was not able to achieve the diesel average target during 2014-19. None of the selected 15 depots, except Rajsamand depot in 2015-16 and Karauli depot in 2017-18, could achieve the depots-wise targets of kilometer per liter (KMPL) during 2014-19. Non-achievement of KMPL was mainly attributable to operation of over-aged vehicles which increased from 322 to 749 *i.e.* 18.46 *per cent* of total buses of the Corporation as on March 2019.

### ***Performance of Central Workshop (CWS) Jaipur***

The performance of CWS, Jaipur was poor as against 81 *per cent* timely repair of buses in 2014-15, only 65 *per cent* buses were repaired timely in 2018-19. Further, in 2017-18 and 2018-19, the position deteriorated significantly as CWS took 61 days to 365 days for repair of 145 buses.

### ***Monitoring of Performance Indicators***

The system was deficient as the effectiveness and usefulness of information compiled on various parameters had not been reviewed as well as MIS did not provide information on schedules operating below variable cost. The depot-wise information of various performance indicators was not apprised to BoD.

### ***Recommendations***

The Performance Audit contains five recommendations *viz.* the Corporation needs to look at improving its efforts (i) to enhance the Corporation's share in public transport; (ii) Evolving a system for assessment of requirement of buses to be procured/hired considering the planned schedule and availability of buses; (iii) Ensuring adherence to provisions of RTPP Act and Rules as well as contract agreements executed with the contractors/ suppliers; (iv) Taking concrete steps for optimal utilization of fleet, improvement of vehicle productivity; improving the load factor, reduction of fixed cost and fuel cost; and (v) Strengthening the internal audit and monitoring system.

Further, in case the Corporation does not improve its operational and financial performance within a targeted time frame, the Government may take a final call on continuing the operations of the Corporation.

## **Compliance Audit Observations relating to State PSUs (other than Power Sector)**

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies and Statutory Corporations relating to other than Power Sector.

### **Rajasthan Financial Corporation**

#### ***Thematic Audit on Management of Non Performing Assets (NPAs) in Rajasthan Financial Corporation***

The Corporation was not able to keep pace with the growing demand for industrial loans to MSME sector as the portfolio of the Corporation ranged between 1.19 *per cent* and 1.27 *per cent* of the total industrial sector outstanding loans during 2015-18. Besides, the employees cost of the Corporation was higher as compared to other SFCs. The Corporation did not take adequate and timely legal actions for recovery of dues. The Corporation did not undertake regular pursuance with the revenue authorities and also failed to identify the properties of the defaulter. Despite continuous defaults and false commitments, frequent opportunities were allowed to the borrowers. Further, the Corporation failed to dispose of the properties taken into possession which resulted in accumulation of dues. In Commercial Real Estate cases, due to litigations and non-disposal of the properties significant dues were accumulated and exceeded beyond Market Realisable Value of the properties. Monitoring & inspection at Branch level was deficient as unit visits were not conducted as per the prescribed norms.

## **Rajasthan State Ganganagar Sugar Mills Limited**

### ***Construction and operational performance of New Integrated Sugar Complex***

The Integrated Sugar Complex was constructed after significant cost overrun, mainly attributable to increased cost of civil works and engineering contract due to time overruns and execution of certain works not envisaged in the Detailed Project Report (DPR). The operational performance of sugar factory and cogeneration plant was affected due to excessive break downs, excess consumption of bagasse, lesser recovery of sugar from sugarcane, underperformance of cogeneration plant resulting in shortfall in export of power to DISCOMs. The distillery plant has not completely stabilised till March 2020 which led to lesser production and higher cost of rectified spirit produced. The Company did not adhere to prescribed environmental norms as it did not stabilize the effluent treatment plant. There were instances of poor financial management and the Company could not evolve an effective mechanism of monitoring to ensure the operational efficiency.

## **Rajasthan State Road Development & Construction Corporation Limited**

### ***Non-recovery from the contractor***

Non-compliance with the provisions of the New Toll Policy 2016 while executing the agreement with the Contractor for toll collection on temporary basis and non-initiation of timely action against the defaulting Contractor led to non-recovery of ₹ 6.08 crore.

## **Rajasthan State Mines and Minerals Limited**

### ***Unauthorised limitation in penalty clause led to short recovery***

Insertion of self-defeating unauthorised clause limiting the penalty upto 25 per cent of the project cost for non/short performance led to non-recovery of penalty worth ₹ 11.48 crore.

### ***Avoidable financial burden due to payment of higher diesel cost to contractors***

The Company had to bear avoidable burden of ₹ 22.19 crore on higher diesel cost due to discontinuing the practice of supplying diesel to the contractors without conducting necessary cost benefit analysis.

## **Rajasthan State Industrial Development and Investment Corporation Limited**

### ***Undue advantage to allottee firm***

The Company violated the guidelines of Government of India and directions of Board of Directors and thus, not only enhanced the ceiling for non-industrial/ commercial use in industrial park (Neemrana) but also extended undue advantage of ₹ 3.55 crore to the allottee by recovering conversion charges at pre-revised rate.

# **Introduction**

Functioning of Public  
Sector Undertakings

## Introduction

### Functioning of State Public Sector Undertakings

#### General

**1** State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and thus occupy an important place in the State economy. As on 31 March 2019, there were 43 PSUs in Rajasthan, including three<sup>1</sup> Statutory Corporations and 40 Government Companies (including three<sup>2</sup> inactive government companies<sup>3</sup>) under the audit jurisdiction of the Comptroller & Auditor General of India (CAG). None of these Government Companies were listed on the stock exchange.

**2** The financial performance of the PSUs on the basis of latest finalised accounts as on 30 September 2019 is covered in this report. The nature of PSUs and the position of accounts are indicated in table below:

**Table 1: Nature of PSUs covered in the Report**

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period <sup>4</sup>				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 30 September 2019
		Accounts up to 2018-19	Accounts up to 2017-18	Accounts up to 2016-17	Total	
Working Government Companies <sup>5</sup>	37	23	8	2 <sup>6</sup>	33	14 (20)
Statutory Corporations	3	2	1	-	3	1(1)
<b>Total working PSUs</b>	<b>40</b>	<b>25</b>	<b>9</b>	<b>2</b>	<b>36</b>	<b>15 (21)</b>
Inactive Government Companies	3	-	2	1 <sup>7</sup>	3	3 (6)
<b>Total</b>	<b>43</b>	<b>25</b>	<b>11</b>	<b>3</b>	<b>39</b>	<b>18 (27)</b>

The working PSUs registered an annual turnover of ₹ 75179.32 crore as per their latest finalised accounts as on 30 September 2019. The turnover was equal to 8.09 *per cent* of Gross State Domestic Product (GSDP) for the year 2018-19 (₹ 929124 crore). The working PSUs earned profit of ₹ 2458.23 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around one lakh employees.

The three inactive government companies with an investment of ₹ 28.04 crore towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) ceased their operations for last three to 19 years. This is a critical area as the investments in these companies do not contribute to the economic

1 Rajasthan State Road Transport Corporation, Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.  
2 Rajasthan State Agro Industries Corporation Limited, Rajasthan Jal Vikas Nigam Limited and Rajasthan Civil Aviation Corporation Limited.  
3 Inactive PSUs are those which have ceased to carry out their operations.  
4 From October 2018 to September 2019  
5 Government PSUs include other Companies referred to in Section 139 (5) and 139 (7) of the Companies Act 2013.  
6 It includes one Accounts for the year 2015-16.  
7 It includes one Accounts for the year 2014-15.

growth of the State.

### Accountability framework

**3** The procedure for audit of Government companies is laid down in Section 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means any company in which not less than fifty one *per cent* of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company<sup>8</sup> owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments is referred to in this Report as Government Controlled other Companies.

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Act 2013. Section 139 (5) of the Act 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by Central Government and partly by one or more State Governments, is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

#### **Statutory audit**

**4** The financial statements of the Government Companies (as defined in Section 2 (45) of the Act 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139 (5) or (7) of the Act 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company

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8 Ministry of Corporate Affairs- (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014

under Section 143 (5) of the Act 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act 2013.

Audit of Statutory Corporations is governed by their respective legislations. Out of three Statutory Corporations, the CAG is sole auditor for Rajasthan State Road Transport Corporation. In respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is conducted by the CAG.

### **Submission of accounts by PSUs**

#### ***Need for timely finalisation and submission***

**5** According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Act 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Act 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Act 2013.

#### ***Role of Government and Legislature***

**6** The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the State Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394 of the Act 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

## Investment by Government of Rajasthan in State PSUs

7 The Government of Rajasthan (GoR) has high financial stakes in the PSUs. This is mainly of three types:

- **Share capital and loans** – In addition to the share capital contribution, GoR also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support** – GoR provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees** – GoR also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

8 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given below:

**Table 2: Sector-wise investment in PSUs**

Name of sector	Government Companies		Statutory Corporations		Total	Investment <sup>9</sup> (₹ in crore)		
	Working	Inactive	Working	Inactive		Equity	Long term loans	Total
Power	15	-	-	-	15	45700.40	66077.98	111778.38
Finance	3	-	1	-	4	303.75	302.22	605.97
Service	8	1	2	-	11	2434.50	2594.67	5029.17
Infrastructure	4	-	-	-	4	359.86	4300.35	4660.21
Others	7	2	-	-	9	491.76	1701.29	2193.05
<b>Total</b>	<b>37</b>	<b>3</b>	<b>3</b>	<b>-</b>	<b>43</b>	<b>49290.27</b>	<b>74976.51</b>	<b>124266.78</b>

Source: Compiled based on information received from PSUs.

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 19974.86 crore (86.42 per cent) out of total investment of ₹ 23114.62 crore made during the period from 2014-15 to 2018-19.

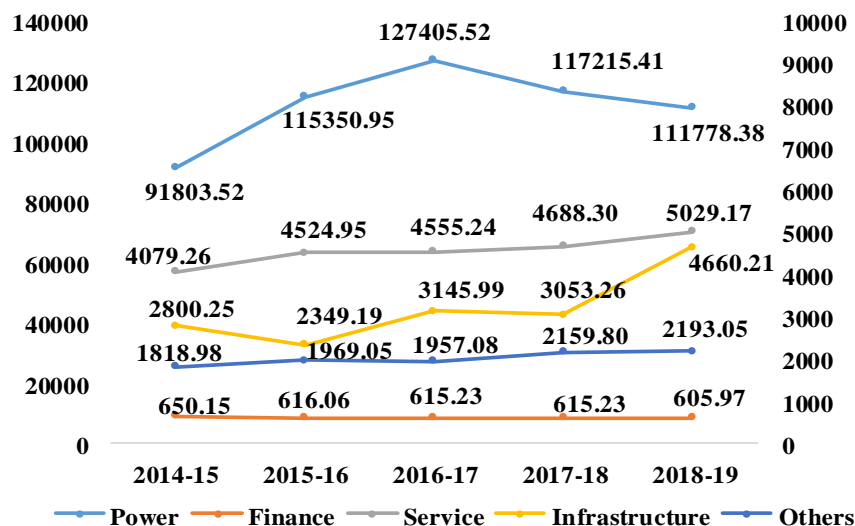
9 The investment in various important sectors at the end of the year for the last five years ended on 31 March 2019 is indicated in the chart below:

9 Investments include equity and long term loans.



Chart 1: Sector-wise investment in PSUs

(Figures in ₹ crore)



Keeping in view the high level of investment in Power Sector, we are presenting the results of audit of 15 Power Sector PSUs in Part I<sup>10</sup> of this report and of the 28 PSUs (other than Power Sector) in the Part II<sup>11</sup> of the report.

### Audit universe and coverage

**10** Out of total 43 PSUs, audit of 32 PSUs is entrusted to this office Accountant General (Audit-II), erstwhile known as AG (E&RSA) whereas audit of remaining 11 PSUs is entrusted to office of the Principal Accountant General (Audit-I), erstwhile known as PAG (G&SSA) Rajasthan. During 2018-19, 1067 units pertaining to 32 PSUs were under the audit universe of this office. Besides financial attest audit of all these PSUs, 248 units were selected for compliance audit.

10 The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Compliance Audit Observations relating to Power Sector Undertakings).

11 The Part II includes Chapter-III (Functioning of State PSUs other than Power Sector), Chapter-IV (Performance Audit relating to State PSUs other than Power Sector) and Chapter-V (Compliance Audit Observations relating to State PSUs other than Power Sector).



# Part-I

# **Chapter-I**

## **Functioning of Power Sector Undertakings**

## Part-I

### Chapter-I

## Functioning of Power Sector Undertakings

### 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 State's economy, the sector also adds significantly to the Gross State Domestic Product (GSDP). A ratio of Power sector PSUs' turnover to 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 2019:

**Table 1.1: Turnover of Power Sector Undertakings vis-a-vis GSDP**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover (₹ in crore)	36523.38	42663.02	48768.95	55605.46	60355.46
Percentage change in turnover as compared to turnover of preceding year	23.05	16.81	14.31	14.02	8.54
GSDP of Rajasthan (₹ in crore)	615642.00	681485.00	758809.00	835558.00	929124.00
Percentage change in GSDP as compared to GSDP of preceding year	11.73	10.70	11.35	10.11	11.20
Percentage of Turnover to GSDP of Rajasthan	5.93	6.26	6.43	6.65	6.50

**Source:** Compiled based on Turnover figures of power sector PSUs and GSDP figures as per Economic Review 2018-19 of Government of Rajasthan.

The turnover of power sector undertakings has recorded continuous increase and it ranged between 8.54 per cent and 23.05 per cent during the period 2014-19, whereas increase in GSDP of Rajasthan ranged between 10.11 per cent and 11.73 per cent during the same period. The compounded annual growth<sup>1</sup> of GSDP was 11.01 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 11.01 per cent of the GSDP, the turnover of power sector undertakings recorded compounded annual growth of 15.25 per cent during last five years. This resulted in increase in share of turnover of the power sector undertakings to the GSDP from 5.93 per cent in 2014-15 to 6.50 per cent in 2018-19.

### Formation of Power Sector Undertakings

**1.2** The State Government enacted (January 2000) the Rajasthan Power Sector Reforms Act 1999 (RPSRA 1999) and 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 transfer of assets, properties, liabilities, obligations, proceedings and personnel of RSEB to five power sector companies (*i.e.* Ajmer Vidyut Vitran

<sup>1</sup> Rate of Compounded Annual Growth  $\left[\left(\frac{\text{Value of 2018-19}}{\text{Value of 2013-14}}\right)^{(1/5 \text{ years})} - 1\right] * 100$  where turnover and GSDP for the year 2013-14 were ₹ 29680.74 crore and ₹ 551031 crore respectively.

*Nigam Limited (AVVNL), Jaipur Vidyut Vitran Nigam Limited (JVVNL), Jodhpur Vidyut Vitran Nigam Limited (JdVVNL), 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 (between 2002-03 and 2015-16) three other power sector companies *i.e.* *Rajasthan Renewable Energy Corporation Limited (RRECL* known earlier as *Rajasthan State Power Corporation Limited*), *Rajasthan Urja Vikas Nigam Limited (RUVNL)* and *Rajasthan Rajya Vidyut Vitran Vitta Nigam Limited (RRVVNL)* by infusing equity of ₹ 3.65 crore, ₹ 50 crore and ₹ 0.05 crore in 2002-03, 2015-16 and 2018-19 respectively. Besides these eight companies, seven<sup>4</sup> other power sector companies were incorporated (November 2006 to November 2011) as subsidiary companies of RRVPNL/RRVUNL/RRECL. Thus, there were 15 Power Sector companies in the State as on 31 March 2019. Of these 15 Power Sector companies, six<sup>5</sup> companies did not commence commercial activities till 2018-19. One of these six companies namely *Keshoraipatan Gas Thermal Power Limited* closed (15 February 2019) its operation during 2018-19.

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

**1.3** During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in Power Sector Undertakings.

### **Investment in Power Sector Undertakings**

**1.4** The activity-wise summary of investment in the power sector undertakings as on 31 March 2019 is given below:

- 
- 2        AVVNL (₹ 150 crore), JVVNL (₹ 140 crore), JdVVNL (₹ 120 crore), RRVPNL (₹ 440 crore) and RRVUNL (₹ 925 crore).
- 3        RRVPNL (₹ 906 crore) and RRVUNL (₹ 492 crore).
- 4        Banswara Thermal Power Company Limited (Banswara TPCL) (7 August 2008), Barmer Thermal Power Company Limited (Barmer TPCL) (5 July 2010), Keshoraipatan Gas Thermal Power Company Limited (KGTPL) (17 September 2010), Chhabra Power Limited (CPL) (22 November 2006), Dholpur Gas Power Limited (DGPL) (22 November 2006), Giral Lignite Power Limited (GLPL) (1 January 2009) and Rajasthan Solarpark Development Company Limited (RSDCL) (2 November 2011).
- 5        Banswara TPCL, Barmer TPCL, CPL, DGPL, KGTPL and RRVVNL.
-

**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	10451.04	24813.14	35264.18
Transmission of Power	4	4443.19	11121.83	15565.02
Distribution of Power	3	30756.07	30143.01	60899.08
Other <sup>6</sup>	3	50.10	-	50.10
<b>Total</b>	<b>15</b>	<b>45700.40</b>	<b>66077.98</b>	<b>111778.38</b>

**Source:** Compiled based on information received from PSUs.

As on 31 March 2019, the total investment (equity and long term loans) in 15 power sector undertakings was ₹ 111778.38 crore. The investment consisted of 40.88 per cent towards equity and 59.12 per cent in long-term loans.

The Long term loans advanced by the State government constituted 27.73 per cent (₹ 18324.72 crore) of the total long term loans whereas the rest 72.27 per cent (₹ 47753.26 crore) 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).

### 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 and grants/subsidies and loans converted into equity during the year in respect of power sector undertakings for the last three years ending March 2019 are as follows:

**Table 1.3: Details of budgetary support to Power Sector Undertakings during the years**

Particulars <sup>8</sup>	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	6	4115.71	5	849.92	6	822.35
Loans given (ii)	4	11903.83	1	341.56	1	176.79
Grants/Subsidy provided (iii)	4	14576.36	4	23434.55	3	21184.75
Total Outgo (i+ii+iii)	7 <sup>9</sup>	30595.90	6 <sup>9</sup>	24626.03	6 <sup>9</sup>	22183.89
Loans converted into equity	-	-	3	3000.00	3	3000.00
Guarantees issued	5	23313.85	5	15283.10	4	21671.76
Guarantee Commitment	5	43218.50	5	53246.68	5	57193.32

**Source:** Compiled based on information received from PSUs.

The details of budgetary support towards equity, loans and grants/ subsidies

6 Three power sector undertakings *i.e.* RSDCL for development of infrastructure and management of Solar Park in the State, RUVNL 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.

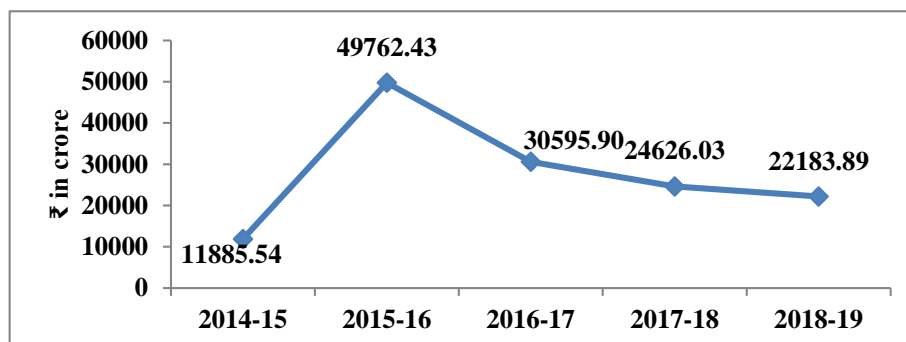
7 Scheme launched by the Ministry of Power, GoI for financial and operational turnaround of DISCOMs. Discussed in detail under para 1.20.

8 Amount represents outgo from State Budget only.

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

for the last five years ending March 2019 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 ₹ 11885.54 crore and ₹ 49762.43 crore during 2014-15 to 2018-19. The budgetary assistance of ₹ 22183.89 crore received during the year 2018-19 included ₹ 822.35 crore, ₹ 176.79 crore and ₹ 21184.75 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 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 2018-19 under UDAY. Thus, the addition of ₹ 3822.35 crore in equity of power sector companies during 2018-19 was through cash induction (₹ 822.35 crore) and conversion of loans (₹ 3000 crore) into equity of three State DISCOMs under UDAY. The addition in equity was mainly towards capital investment and execution of various projects. There was decrease in the subsidy/grants provided by the State Government for the year 2018-19 (₹ 21184.75 crore) in comparison to previous year (₹ 23434.55 crore). During 2018-19, Subsidy/ grant was given mainly for Assistance to DISCOMs under UDAY (₹ 12000 crore), non-increase of power tariff (₹ 7681.33 crore) and Grant for Electric Fees (₹ 1493.27 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 7.41 *per cent* from ₹ 53246.68 crore in 2017-18 to ₹ 57193.32 crore in 2018-19. During the year 2018-19, guarantee commission of ₹ 481.59 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 2019 as stated below:

**Table 1.4: Loans outstanding as per Finance Accounts vis-à-vis records of Power Sector Undertakings**

Name of power sector undertaking	Outstanding Loans		Difference
	As per Finance Accounts	As per records of power sector undertaking	
Ajmer Vidyut Vitran Nigam Limited	6354.49	6428.83	74.34
Jodhpur Vidyut Vitran Nigam Limited	4724.03	4649.69	-74.34
Rajasthan Rajya Vidyut Prasaran Nigam Limited	1405.56	1053.63	-351.93

(₹ in crore)

**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

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

**1.7** There were 15 power sector undertakings under the audit purview of CAG as of 31 March 2019. Accounts for the year 2018-19 were submitted by all these working PSUs by 30 September 2019 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 2019 are given below:

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

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	15	17	20	15	15
2.	Number of accounts submitted during current year	19	17	21	15	15
3.	Number of PSUs which finalised accounts for the current year	14	16	20	15	15
4.	Number of previous year accounts finalised during current year	5	1	1	0	0
5.	Number of PSUs with arrears in accounts	1	1	0	0	0
6.	Number of accounts in arrears	1	1	0	0	0
7.	Extent of arrears	One year	One year	-	-	-

**Source:** Compiled based on accounts of working PSUs received during the period October 2018 to September 2019.

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

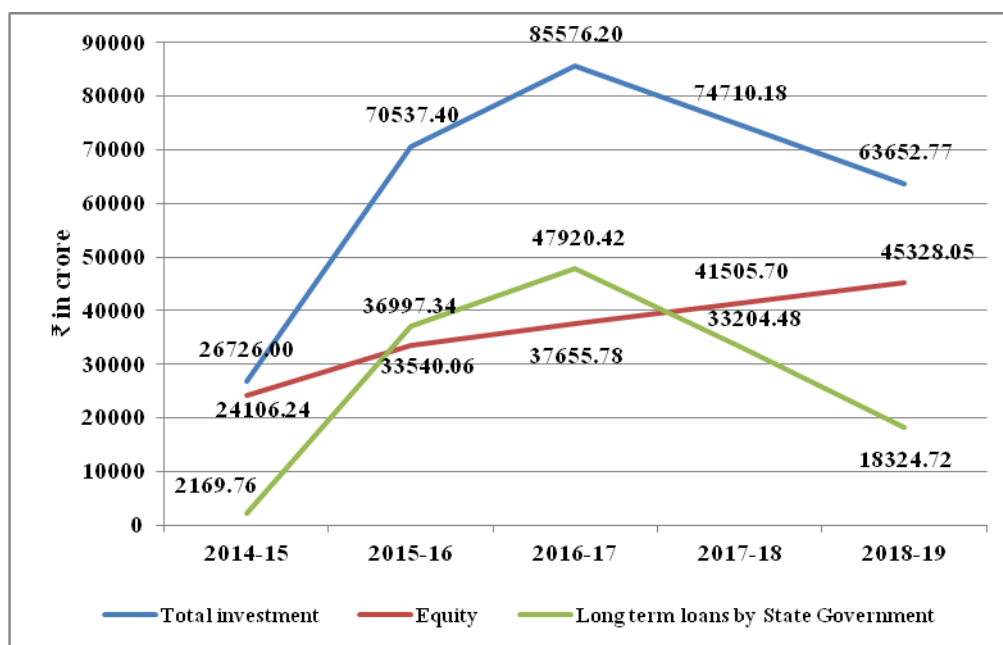
## Performance of Power Sector Undertakings

**1.8** The financial position and working results of 15 power sector Companies as per their latest finalised accounts as of 30 September 2019 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 2019 was ₹ 111778.38 crore consisting of ₹ 45700.40 crore as equity and ₹ 66077.98 crore as long term loans. Out of this, Government of Rajasthan has investment of ₹ 63652.77 crore in the eight Power Sector PSUs consisting of equity of ₹ 45328.05 crore and long term loans of ₹ 18324.72 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 2014-15 to 2018-19 is as follows:

**Chart 1.2: Total investment of GoR in Power Sector Undertakings**

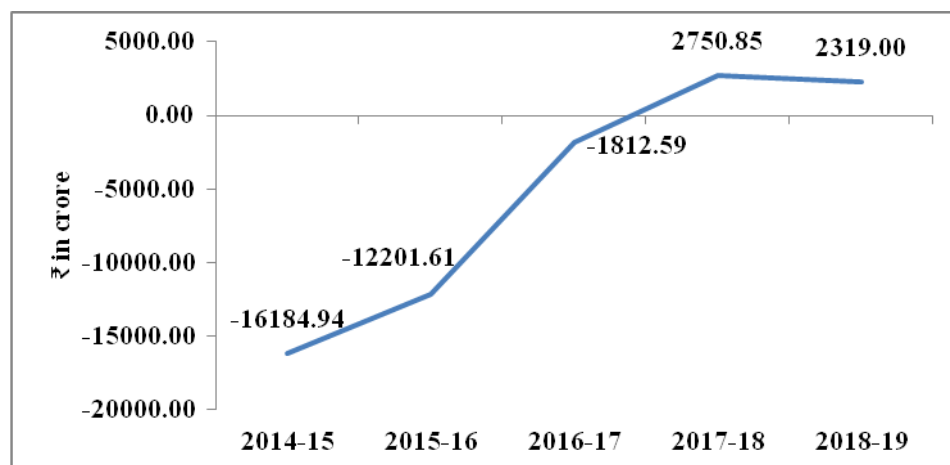


The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed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

**1.9** Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit earned/losses incurred<sup>10</sup> by all the power sector undertakings during 2014-15 to 2018-19 is depicted below in a chart:

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



The profit earned by these 15 power sector PSUs was ₹ 2319.00 crore in 2018-19 against losses of ₹ 16184.94 crore incurred in 2014-15. As per the latest finalised accounts for the year 2018-19, out of 15 power sector PSUs, six PSUs earned profit of ₹ 2773.19 crore, four PSUs incurred loss of ₹ 454.19 crore and five PSUs had marginal losses (*Annex-1*). The top profit making companies were JdVVNL (₹ 1233.76 crore), JVVNL (₹ 906.09 crore), AVVNL (₹ 466.82 crore) and RRVUNL (₹ 138.42 crore) while GLPL and RRVPNL incurred substantial losses of ₹ 324.13 crore and ₹ 127.99 crore respectively.

Position of Power Sector Undertakings which earned profit/ incurred loss during 2014-15 to 2018-19 is given below:

**Table 1.6: Power Sector Undertakings which earned profit/incurred 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
2014-15	13	3	8	2
2015-16	15	3	8	4
2016-17	15	4	7	4
2017-18	15	7	4	4
2018-19	15	6	4	5

#### (a) Rate of Return on the basis of historical cost of Government 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 **eight power sector undertakings** only. The State Government did not infuse any direct funds in the other seven power sector companies. The entire equity

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

of the seven companies which are subsidiary of three<sup>11</sup> power sector companies was contributed by the concerned holding companies.

The Rate of Return (ROR) on Investment from the eight 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 as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available. However, the subsidy given to the power sector PSUs under the UDAY during 2016-17 to 2018-19 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 eight 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 2019 in these eight power sector PSUs was ₹ 63652.77 crore consisting of equity of ₹ 45328.05 crore and long term loans of ₹ 18324.72 crore out of the released long term loans, ₹ 472.50 crore were interest free loans. Thus, considering the net interest free loans of ₹ 472.50 crore and equity of ₹ 43930.19 crore (₹ 45328.05 crore minus initial accumulated losses of ₹ 1397.86 crore) as investment of the State Government in these eight power sector PSUs, the investment on the basis of historical cost at the end of 2018-19 stood at ₹ 44402.69 crore.

The rate of return on investment on historical cost for the period 2014-15 to 2018-19 is as given below:

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

Financial year	Funds infused by the GoR in form of Equity and Interest Free Loans on historical cost basis (₹ in crore)	Total Earnings/Losses <sup>12</sup> for the year (₹ in crore)	ROR on State Government investment on historical cost basis (in per cent)
2014-15	24210.23	-14890.91	-61.51
2015-16	32614.70	-12063.88	-36.99
2016-17	36730.42	-1585.95	-4.32
2017-18	40580.34	2985.46	7.36
2018-19	44402.69	2634.26	5.93

11 RRVPNL, RRVUNL and RREC

12 As per annual accounts of the respective years.

The rate of return on investment of the eight power sector PSUs was negative and ranged between -61.51 per cent to -4.32 per cent during 2014-15 to 2016-17. However, it improved to 7.36 per cent during 2017-18 and 5.93 per cent during 2018-19 mainly due to increase in income of the three DISCOMs because of subsidy received under UDAY.

**(b) Rate of Real Return on Government Investment (RORR)**

**1.11** In view of the significant investment by Government in the **eight 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 (PV) of the Government investments has been computed to assess the RORR on the present value of investments of the 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 2019, 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 2019. However, these PSUs had a positive return on investment only from the year 2017-18 onwards. Therefore, from the year 2017-18 onwards, the RORR has been calculated and depicted on the basis of PV including the subsidy granted as part of UDAY and without including such subsidy.

The 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 none of the 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. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment (except in the case of subsidy given under UDAY as referred in paragraph **1.10**) as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available.
- The average rate of interest on government borrowings for the concerned financial year<sup>13</sup> was adopted as compounded rate for arriving at PV since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as

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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.

the minimum expected rate of return on investments made by the government.

For the period 2013-14 to 2016-17 when these 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 paragraph 1.13.

**1.12** The Company wise position of State Government investment in the eight power sector companies in the form of equity and interest free loans since inception of these companies till 31 March 2019 is indicated in **Annex-2**. The consolidated position of the PV of the State Government investment and the total earnings relating to the eight power sector companies since inception of these companies till 31 March 2019 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 2018-19**

(₹ 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
2018-19	63109.63	3822.35	0.00	-	3822.35	7.30	66931.98	71818.01	4886.03	2634.26
<b>Total</b>		<b>43930.19</b>	<b>3537.50</b>	<b>3065.00</b>	<b>44402.69</b>					

The balance of investment of the State Government in these eight companies at the end of the year increased to ₹ 44402.69 crore in 2018-19 from ₹ 380.38 crore in 2000-01 as the State Government made further investments in shape of equity (₹ 43930.19 crore) and interest free loans (₹ 472.50 crore). The PV of investments of the State Government upto 31 March 2019 worked out to ₹ 71818.01 crore.

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 eight 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).

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 and 2018-19 also remained substantially below the minimum expected return towards the investment made in these power sector companies.

Further, the State Government has also provided subsidy of ₹ 9000 crore in 2016-17 and ₹ 12000 crore each in 2017-18 and 2018-19 (totaling to ₹ 33000 crore) to the three DISCOMs under UDAY 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 Government Investment as per historical cost and present value of such investment during 2017-18 and 2018-19 when there were positive earnings after considering subsidy given under UDAY and without considering such subsidy is given below:

**Table 1.9: Rate of Real Return on State Government Investment (RORR)**

(₹ in crore)

Financial Year	Total Earnings/ Loss (-)	Investment by the GoR in form of Equity and Interest free Loans	ROR on State Government investment on the basis of historical cost (%)	Present value of the State Government investment at end of the year	RORR considering the present value of the investments (%)
<b>Without UDAY</b>					
2017-18	2985.46	40580.34	7.36	63109.63	4.73
2018-19	2634.26	44402.69	5.93	71818.01	3.67
<b>With UDAY</b>					
2017-18	2985.46	61580.34	4.85	86376.56	3.46
2018-19	2634.26	77402.69	3.40	109659.43	2.40

The RORR was less than the ROR based on historical cost as indicated by the comparison of returns during 2018-19. ROR based on historical cost was 5.93 *per cent* during 2018-19 whereas RORR was only 3.67 *per cent*. However, if we consider subsidy given under UDAY also as investment, the rate of returns for the year 2018-19 get reduced from 5.93 *per cent* (without considering

17 RRVPNL and RRVUNL.

18 JVVNL, AVVNL, JdVVNL.

UDAY) on the basis of historical cost to 3.40 *per cent* (after considering UDAY) and from 3.67 *per cent* (without considering UDAY) on the basis of present value to 2.40 *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 ₹ 96597.14 crore as against the capital investment of ₹ 45700.40 crore resulting in negative net worth of ₹ 50899.08 crore after deducting the deferred revenue expenditure of ₹ 2.34 crore (*Annex-I*). The net worth was eroded mainly in JVVNL (-) ₹ 20277.18 crore, JdVVNL (-) ₹ 19820.20 crore, AVVNL (-) ₹ 19000.52 crore and GLPL (-) ₹ 894.72 crore.

The following table indicates paid up capital, accumulated profit/loss and net worth of the eight Power Sector Undertakings (holding companies) during the period 2014-15 to 2018-19:

**Table 1.10: Net worth of eight Power Sector Undertakings during 2014-15 to 2018-19**  
(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit/Loss (-) at end of the year	Deferred revenue Expenditure	Net worth
2014-15	22708.38	-83109.27	1.47	-60402.36
2015-16	32142.20	-98783.01	1.20	-66642.01
2016-17	36257.92	-100581.13	2.17	-64325.38
2017-18	41505.70	-97981.51	1.96	-56477.77
2018-19	45328.05	-95333.68	2.34	-50007.97

The State Government continued to provide financial support to these eight power sector companies by infusing substantial equity during the period 2014-19. However, despite infusion of substantial capital, the accumulated losses of these power companies increased from ₹ 83109.27 crore in 2014-15 to ₹ 100581.13 crore in 2016-17 and the entire capital infused in these companies had been eroded. Further, during 2018-19, though the Power sector companies earned profit of ₹ 2634.26 crore, the net worth of these companies was in negative *i.e.* (-) ₹ 50007.97 crore due to accumulated losses.

Out of six<sup>19</sup> PSUs during 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 and during 2018-19, net worth of five<sup>24</sup> was positive and three<sup>25</sup> PSUs was negative. The net worth of all the eight PSUs increased during 2014-15 to 2018-19.

19 RUVNL and RRVVNL came into existence during 2015-16 and GoR infused equity in RRVVNL during 2018-19.

20 JVVNL, AVVNL and JdVVNL.

21 RRVUNL, RRECL and RRVPNL.

22 RRVUNL, RRECL and RRVPNL and RUVNL.

23 JVVNL, AVVNL and JdVVNL.

24 RRVUNL, RRECL and RRVPNL, RRVVNL and RUVNL.

25 AVVNL, JVVNL and JdVVNL.



### 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 eight Power Sector Undertakings where equity was infused by GoR during the period is shown in table below:

**Table 1.11: Dividend Payout of eight Power Sector Undertakings during 2014-15 to 2018-19**

(₹ 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
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
2018-19	8	43930.19	5	40836.96	1	1.29	0.003

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between two and six of which only one PSU (RRECL) declared/paid dividend to GoR. RRECL had paid dividend of ₹ 18.90 crore during 2004-19.

The Dividend Payout Ratio during 2014-15 to 2018-19 was very nominal which ranged between 0.003 *per cent* and 0.05 *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 2018-19 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 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 eight power sector undertakings** where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to these eight power sector undertakings during the period from 2014-15 to 2018-19 are given in table below:

**Table 1.12: Return on Equity relating to eight 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 (%)
2014-15	-14890.91	-60402.36	-
2015-16	-12063.88	-66642.01	-
2016-17	-1585.95	-64325.38	-
2017-18	2985.46	-56477.77	-
2018-19	2634.26	-50007.97	-

As can be seen from the above table, during the last five years period ended March 2019, the Net Income was positive only during 2017-18 and 2018-19, however, Shareholders' fund was negative during all the five years. Since the Net income of these PSUs during 2014-15 to 2016-17 and the Shareholders' Fund for all the years were negative, ROE in respect of these PSUs could not be worked out. 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 to the companies.

### **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 2014-15 to 2018-19 are given in table below:

**Table 1.13: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
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
2018-19	15082.35	52083.40	28.96

The ROCE of the Power Sector Undertakings ranged between -14.53 *per cent* and 36.23 *per cent* during the period 2014-15 to 2018-19. It substantially increased during the years 2016-17 to 2018-19 in comparison to the previous years' mainly due to increase in exceptional earnings of the DISCOMs because of booking of subsidy received from GoR under UDAY (₹ 9000 crore in 2016-17 and ₹ 12000 crore each in 2017-18 and 2018-19) 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 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks

<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.

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 lesser the ability of the company to pay interest on debt. An interest coverage ratio of less than one indicates that the company was not generating sufficient revenue 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 2014-15 to 2018-19 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
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>
2018-19	12757.33	15068.66	8	5	3 <sup>32</sup>

The interest for the year 2017-18 and 2018-19 includes interest of ₹ 7237.92 crore and ₹ 2439.10 crore pertaining to period 2015-18 and 2018-19 respectively which was charged by GoR from the DISCOMs on the loans given to them under UDAY 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 in 2014-15 to five in 2018-19.

### **Debt-Turnover Ratio**

**1.19** During the last five years, the turnover of the 15 power sector undertakings recorded compounded annual growth of 15.25 *per cent* and compounded annual growth of debt was 2.36 *per cent* due to which the Debt-Turnover Ratio improved from 1.85 in 2014-15 to 1.09 in 2018-19 as given in table below:

28 AVVNL, JVVNL, JdVVNL, Barmer TPCL, GLPL, Lake City Transmission Service Company Limited, Pink City Transmission Service Company Limited and RRVUNL.  
29 AVVNL, JVVNL, JdVVNL, Barmer TPCL, GLPL and RRVUNL.  
30 AVVNL, JVVNL, JdVVNL, Barmer TPCL and GLPL.  
31 Barmer TPCL and GLPL.  
32 GLPL, Barmer TPCL and RRVUNL.

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

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government/ Banks and Financial Institutions	67511.83	81440.44	89378.68	75339.36	66077.98
Turnover	36523.38	42663.02	48768.95	55605.46	60355.46
Debt-Turnover Ratio	1.85:1	1.91:1	1.83:1	1.35:1	1.09:1

**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) UDAY for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per provisions of UDAY, 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 as 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 *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 five years.
- Debt of DISCOMs will be taken over in the priority of debt already due, followed by debt with higher cost.
- The transfer to the DISCOMs 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 DISCOMs. In exceptional cases, 25 per cent of grant can be given as equity.

### **Implementation of the UDAY**

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

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

The achievements *vis-a-vis* targets under UDAY 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 2019**

Parameter of UDAY	Target under UDAY	Progress under UDAY	Achievement (in %)
Feeder metering (in Nos.)	2521	5873	100
Metering at Distribution Transformers (in Nos.)			
Urban	60166	16850	28
Rural	3486	0	0
Feeder Segregation (in Nos.)	4357	1321	30
Rural Feeder Audit (in Nos.)	20203	20248	100
Electricity to unconnected household (No. in lakh)	11.40	23.97	100
Smart metering (in Nos.)	49849	7953	16
Distribution of LED UJALA (No. in lakh)	34.50	58.49	100
AT&C Losses (in %)	15	25.84	0
ACS-ARR Gap (₹ per unit)	0.52	0.64	0
Net Income or Profit/Loss including subsidy (₹ in crore)	-2184.32	-2498.24	0

**Source:** State Health Card under UDAY 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 spheres 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, the State was not able 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 twelfth as on 30 September 2019 down from fourth on 30 September 2018 amongst all the states on the basis of overall achievements made by the three State DISCOMs under UDAY.

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

**1.20.4** The Government of Rajasthan (GOR) conveyed (7 December 2015) its '*in principle*' consent to the MoP, GoI to take benefit of the UDAY. 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 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**

Year	(₹ in crore)			
	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	-
2018-19	3,000.00	(-) 15,000.00	12,000.00	-
<b>Position as on 31 March 2019</b>	<b>14,700.00</b>	<b>14,721.96</b>	<b>33,000.00</b>	<b>62,421.96</b>

The amount of ₹ 44721.96 crore which was provided by way of loans under UDAY, 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 each of the years 2017-18 and 2018-19 whereas remaining loan amount was to be converted during 2019-20 as per budget approvals of the GoR.

The GoR also charged interest of ₹ 2439.10 crore during the year on the loans given to the DISCOMs by the GoR under UDAY to discharge the 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 2018 to 30 September 2019. Of these, eleven 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 2016-19 are as follows:

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

Sl. No.	Particulars	(₹ in crore)					
		2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.23	5	51.95	4	491.55
2.	Increase in profit	-	-	2	1169.71	1	13.75
3.	Increase in loss	1	15.23	1	10.32	2	11.19
4.	Decrease in loss	2	16.82	-	-	-	-
5.	Non-disclosure of material facts	-	-	2	28.35	-	-
6.	Errors of classification	3	249.81	4	385.18	5	242.83

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

During the year 2018-19, the Statutory Auditors had issued qualified certificates on six accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 23 instances of non-compliance to the Accounting Standards in six accounts.

### **Compliance Audit Paragraphs**

**1.22** For Part-I of the Report of the CAG for the year ended 31 March 2019, four 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 compliance audit paragraphs have been received from the State Government/Management and suitably incorporated in this report (May 2020). The total financial impact of the compliance audit paragraphs is ₹ 105.29 crore.

### **Follow up action on Audit Reports and Inspection Reports**

**1.23** The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, GoR issued (July 2002) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/ performance audits included in the Reports of the CAG 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 Energy Department, GoR has forwarded all the explanatory notes for the paragraphs contained in the Audit Reports.

**1.24** Audit observations noticed during audit and not settled on the spot are communicated through Inspection Reports to the Heads of respective PSUs and concerned Departments of the State Government. The Heads of PSUs are required to furnish replies to the Inspection Reports within a period of one month.

Inspection Reports issued up to March 2019 pertaining to 15 power sector undertakings disclosed that 574 paragraphs relating to 178 Inspection Reports involving monetary value of ₹ 5230.80 crore remained outstanding at the end of September 2019. Company wise status of Inspection Reports and audit observations as on 30 September 2019 is given in *Annex-3*. Further, during 2018-19 audit of 161 units of power sector undertakings was conducted and 59 Inspection Reports containing 381 paragraphs were issued. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in six out of eight power sector undertakings (excluding the seven subsidiary companies). During 2018-19, total 20 meetings of these six Audit Committees were held wherein position of outstanding paragraphs was discussed with executive/Administrative Departments to ensure accountability and responsiveness.

#### ***Recovery at the instance of Audit***

**1.25** During the course of compliance audit in 2018-19, recoveries of ₹ 88.87 crore were pointed out to the Management of PSUs. Further, an amount of ₹ 88.46 crore (₹ 8.61 crore against the recoveries pointed out during 2018-19 and remaining ₹ 79.85 crore towards the recoveries pointed out in previous years) had been effected during the year 2018-19.

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

**1.26** The status of discussion of Performance Audits and paragraphs that

appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under:

**Table 1.19: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 September 2019**

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2016-17	1	5	1	4
2017-18	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.



# **Chapter-II**

Compliance Audit  
Observations relating  
to Power Sector Undertakings

## Chapter-II

### Compliance Audit Observations relating to Power Sector Undertakings

This Chapter includes important audit findings emerging from test check of transactions of the Power Sector Undertakings.

#### Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited

##### 2.1 *Delay in deposit of cess attracted avoidable penal interest*

**The three DISCOMs did not devise a mechanism to deposit the Water Conservation Cess (WCC) according to schedule prescribed in the Rajasthan Electricity (Duty) Act, 1962 and Rules framed thereunder. Absence of proper mechanism led to delay in deposit of WCC collected from electricity consumers and attracted liability of penal interest of ₹ 55.42 crore.**

A cess known as “water conservation cess” (WCC) was levied under Section 3B<sup>1</sup> of the Rajasthan Electricity (Duty) Act, 1962 (RED Act 1962) on the energy consumed by a consumer or by a person other than a supplier generating energy for his own use or consumption, at the rate of ten *paise* per unit to be paid to the State Government. Rule 3 of RED Rules 1970 provided that the WCC is to be recovered by the supplier from its consumers through energy bill and deposited to the State Government within 30 days of expiry of the month of its realisation. Further as per Section 5 of the RED Act 1962, the supplier shall be liable to pay interest at the rate of 12.5 *per cent* per annum for not-depositing the collected WCC within the stipulated time.

The three<sup>2</sup> distribution companies (DISCOMs) being supplier of electricity to consumers in the State, are required to collect the WCC from their consumers at the prescribed rate and deposit the amount so collected to the State Government within the prescribed time schedule.

Scrutiny of records relating to deposit of WCC for the period 2009-10 to 2017-18 disclosed that the three DISCOMs did not adhere to the prescribed schedule and deposited the collected WCC with a delay<sup>3</sup> ranging between four days and 2404 days. Audit noticed that while finalising the assessments, the Commercial Tax Department, Government of Rajasthan (CTD, GoR) imposed (August 2015 and March 2017, February 2016 and September 2016) penal interest of ₹ 48.65 crore on the three DISCOMs for delay in depositing the WCC for the period 2009-10 to 2015-16 and issued demand notices in this regard. On receipt of demand notices, the three DISCOMs filed (November 2015 and May 2017, February 2016 and November 2016) four applications for

1 Inserted by Finance Act 2009 with effect from 8 July 2009.

2 Jaipur Vidyut Vitran Nigam Limited (JVVNL), Ajmer Vidyut Vitran Nigam Limited (AVVNL) and Jodhpur Vidyut Vitran Nigam Limited (JdVVNL).

3 JVVNL: 18 days and 2404 days, AVVNL: Four days and 374 days and JdVVNL: Seven days and 576 days.

waiver of interest to the Commissioner, CTD, GoR, Jaipur. The CTD rejected (August 2017) one application<sup>4</sup> on the plea that the RED Act 1962 does not have a provision for waiver of penal interest and accordingly, directed to deposit the requisite amount without further delay. After rejection of the application, JdVVNL requested (February 2018) the Energy Department, GoR to intervene in the matter but it also endorsed (March 2018) the views expressed by the CTD. Alternatively, it also advised the concerned DISCOM to intimate about the legal provisions under which the waiver had been sought. However, the DISCOMs neither intimated the same nor deposited the penal interest till March 2019.

Audit observed that despite receipt and non-settlement of demand notices for prior period, the DISCOMs did not devise a mechanism to ensure/monitor payment of WCC within the stipulated time and continued to delay the deposit of WCC for further period *i.e.* for 2016-17 to 2018-19 in JdVVNL, 2015-16 to 2018-19 in AVVNL and 2016-17 to 2018-19 in JVVNL. The DISCOMs are liable for further penalty of ₹ 6.77 crore<sup>5</sup> for these delays. Thus, delay in deposit of WCC for the period 2009-10 to 2018-19 in violation of statutory provisions led to creation of avoidable interest liability of ₹ 55.42 crore (₹ 48.65 crore + ₹ 6.77 crore) on the three DISCOMs.

The Government while accepting the facts stated (August 2019) that as per Rajasthan Finance Bill 2019, Section 8A (Power of State Government to waive penalty and interest in certain cases) shall be inserted in the RED Act 1962 according to which the State Government, in public interest, may reduce or waive any interest or penalty payable under this Act. In view of this amendment, one of the DISCOMs (JVVNL) had already requested (24 July 2019) the Energy Department, GoR for waiver of the interest/penalty on WCC imposed on it. Besides, the DISCOMs assured to deposit the WCC in time in future.

The reply was not acceptable as new Section (8A) inserted in the Act does not empower the State Government to reduce/waive any interest or penalty with retrospective effect. Further, the DISCOMs did not develop a mechanism to ensure/monitor the deposit of collected WCC with the concerned revenue authorities as per provisions of the RED Act/Rules which led to abnormal delay in deposit of WCC during 2009-10 to 2018-19 and avoidable interest liability of ₹ 55.42 crore.

## **Jodhpur Vidyut Vitran Nigam Limited**

### **2.2 Systemic lapses in financial closure of the contracts awarded by Jodhpur Vidyut Vitran Nigam Limited**

#### **Introduction**

**2.2.1** Jodhpur Vidyut Vitran Nigam Limited (Company) is engaged in distribution of electricity in 10 districts<sup>6</sup> of the State. The Company has a Material Management (MM) wing for procuring materials and a Turnkey

4 Application filed by JdVVNL in November 2015 for the period 2009-10 to 2013-14 against notice issued by CTD, GoR in August 2015.

5 JdVVNL (₹ 1.20 crore), AVVNL (₹ 2.28 crore) and JVVNL (₹ 3.29 crore).

6 Barmer, Bikaner, Churu, Hanumangarh, Jaisalmer, Jalore, Jodhpur, Pali, Sirohi and Sriganganagar.

Works (TW) wing for executing, monitoring the turnkey works/projects relating to electrification and augmentation/strengthening of the distribution system under the control of the Chief Engineer (MM) and the Chief Engineer (TW) respectively. The Company formed (May 2018) a separate wing namely Centrally Sponsored Scheme (CSS) wing for executing the turnkey works being funded by the Government of India through various schemes under the control of the Chief Engineer (CSS).

All the three wings played vital role in executing Company's capital works as 83 per cent (₹ 6314.56 crore) of its total budgeted capital expenditure (₹ 7618.68 crore) for the period 2014-19 pertained to these wings. Review of contracts executed by these wings disclosed that out of total 4175<sup>7</sup> contracts eligible for financial closure during 2008-09 to 2017-18, financial closure of 538<sup>8</sup> contracts (12.89 per cent) only was completed.

### Audit Objectives and Scope

**2.2.2** The present study was conducted (January 2019 to May 2019) to evaluate whether norms and guidelines relating to submission of final bills and financial closure of contracts are well defined, works were financially closed as per prescribed procedure and the contract clause relating to financial closure were properly applied to safeguard financial interest of the Company.

The study assessed efficiency and effectiveness of the process of financial closure of purchase orders (POs) and turnkey works (TW) contracts<sup>9</sup> awarded by the MM and TW wings respectively. The audit involved scrutiny of records relating to POs/TW contracts placed by these two wings during 2008-09 to 2017-18 and financially closed/pending for financial closure upto 31 March 2019. Out of 4108 POs<sup>10</sup> (as detailed in *Annex-4*) and 67<sup>11</sup> TW contracts eligible for financial closure during 2008-09 to 2017-18, 513 POs and 25 TW contracts were financially closed whereas 3595 POs and 42 TW contracts were pending for financial closure at the time of sample selection (January 2019).

During selection of POs/TW contracts for detailed audit, out of financially closed cases, 49 POs (20 per cent) and five TW contracts (20 per cent) were selected for detailed scrutiny whereas out of the cases pending for financial closure, 111 POs (10 per cent) and nine TW contracts (20 per cent) were selected for detailed scrutiny. Selection of these cases were done on random basis and adopting multi-level selection methodology for POs relating to MM wing as cases relating to five major items procured by MM wing viz. transformers, meters, vacuum circuit breakers (VCB), steel items and cable/conductors were selected.

7 It includes 4108 purchase orders and 67 turnkey works contracts awarded by MM and TW wing respectively.

8 It includes 513 purchase orders and 25 turnkey works contracts belonged to MM and TW wing respectively.

9 A turnkey contract includes the contract awarded for supply and erection work under one tender.

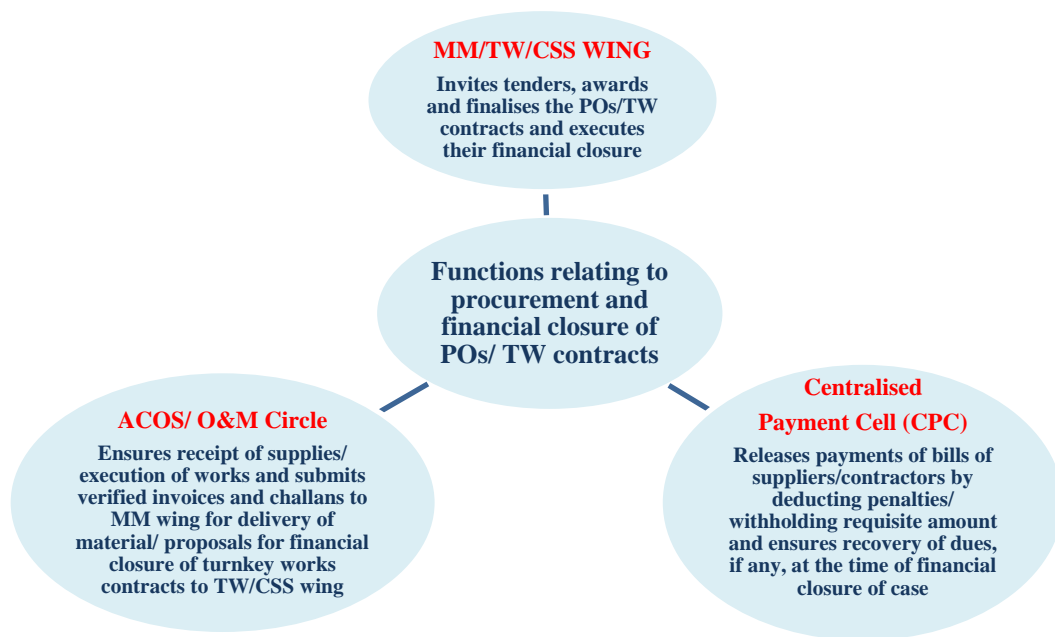
10 It includes 347 additional POs eligible for financial closure, information of which was provided during the course of audit.

11 It includes three additional TW contracts eligible for financial closure, information of which was provided during the course of audit.

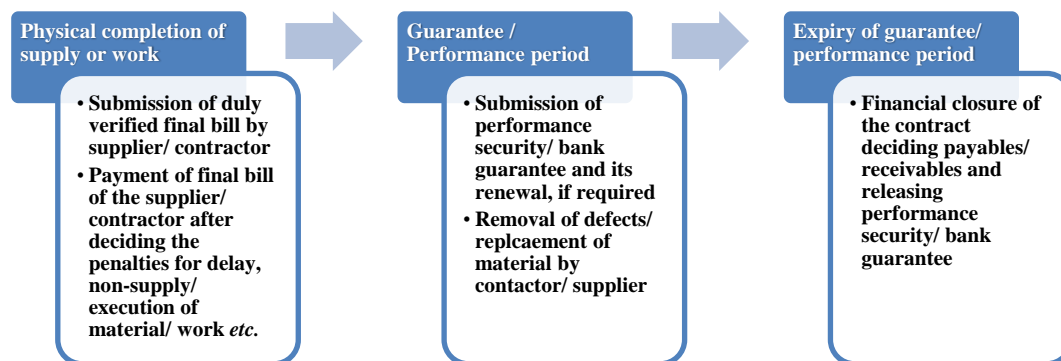
**Functions relating to financial closure of contracts**

2.2.3 MM wing centrally procures material for annual requirement of the Company. The procurement process mainly involves assessment and finalisation of requirement, invitation and finalisation of tenders, awarding of POs, issuing dispatch instructions etc. TW and CSS wings centrally process tenders and award contracts for execution of turnkey works and the awarded works are executed by the concerned contractor under supervision of respective Operation and Maintenance (O&M) Circle. After execution of ordered supplies/turnkey works, financial closure of a contract is executed by the concerned wing.

Besides these three<sup>12</sup> wings, the procurement process also involves other wings/ offices viz. Assistant Controller of Stores (ACOS), O&M Circles and Centralised Payment Cell (CPC) of the Company. Allocation of functions relating to procurement process (including financial closure of contracts) among different wings/offices of the Company is depicted below:



After execution of awarded supplies/works, process of financial closure of POs/TW contracts commences which can be divided into three stages as shown below:



12 MM, TW and CSS wings.

## Audit Findings

**2.2.4** The audit findings which broadly cover issues relating to non-adoption of Procurement Management Information System (PMIS), lack of well defined and extensive procedure for financial closure of contracts, delayed/deficient financial closure of POs/TW contracts *etc.* are discussed under paragraph **2.2.5 to 2.2.15**.

These audit findings are based on Audit analysis of sample cases only and there is a possibility of more such cases occurring in the Company. Therefore, the Government/Company is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action in cases where similar deficiencies/irregularities are found.

The paragraph has been finalised after considering the reply (September 2019) of the Government/Company.

## Adoption of Procurement Management Information System (PMIS)

**2.2.5** A procurement management information system (PMIS) collates information relating to procurement process on periodic basis for tracking the performance of procurement process. It also helps in monitoring the procurement cases eligible for financial closure and ensuring closure of these cases in a time bound manner. Audit noticed that Rule 9 of the Rajasthan Transparency in Public Procurement (RTPPP) Rule 2013 also provided for development and maintenance of PMIS by each procuring entity.

During review of records, Audit observed that the Company did not develop an information system for management and monitoring of procurement procedure. In absence of consolidated information relating to procurement cases, the requisite data for monitoring of such cases was not available with the Company. Audit further observed that:

- In respect of POs which became eligible for financial closure during 2008-09 to 2017-18, MM wing initially provided (November 2018) details of 3761 cases whereas it subsequently provided (March 2019) details of 3987 cases wherein details of 121 initial cases were missing whereas details of 347 new cases were included.
- On the basis of information provided by MM wing, total 160 POs<sup>13</sup> were selected for detailed scrutiny as elaborated at paragraph **2.2.2**. While reviewing these 160 cases, Audit observed that the information provided by MM wing was not correct as the cases stated to be financially closed included 31 POs where financial closure was pending whereas the cases stated to be pending for financial closure included 14 POs where financial closure had already been done (June 2019).

Thus, due to absence of a structured system, MM wing of the Company was not in a position to provide the correct information relating to POs eligible for financial closure during 2008-09 to 2017-18. Resultantly, information

<sup>13</sup> 49 POs where financial closure have been finalised and 111 POs where financial closure was pending.

provided by MM wing regarding total eligible cases, financially closed cases and cases pending for closure was not reliable.

The Government accepted the facts that the Company had provided the corrected lists of POs to the audit at a later stage. It further stated that the Company had awarded (June 2019) the work for implementation of an Enterprise Resource Planning (ERP) system and the same is under process.

### **Procedure for closure of contracts**

**2.2.6** Closure of a contract is an important milestone of the procurement process, which symbolizes that liabilities of either purchaser or supplier/contractor under the contract stand settled. A contract is said to be completed in all respects only after successful completion of the warranty/defect liability period (DLP). Therefore, a contract shall be considered to be closed only after its successful completion and the performance security of the supplier/contractor is returned/discharged. Further, the Company is also expected to lay down a well defined and time bound procedure for closure of contracts after completion of the concerned contracts.

Audit observed that the General Conditions of the Contract (GCC) of the Company included certain provisions for release of security/performance bank guarantee and imposition of penalty for delay in delivery/repair/replacement of the material and execution of the work *etc.* However, the Company did not spell out a well defined and extensive procedure for financial closure of the awarded contracts. Further, it did not define a timeline for finalisation of recoveries/ penalties for delay in delivery/repair/replacement of the material and execution of the work and release of security/bank guarantee *etc.* Audit also observed that the Company also did not institute a monitoring mechanism to ensure timely financial closure of contracts and to review the cases pending after a particular time period.

For the purpose of comparing the contract closure process, Audit analysed the process in sister DISCOMs in neighboring States. Audit noticed that the DISCOM of Madhya Pradesh State in its Procurement Manual (revised upto June 2012) defined the procedure of contract closing. It provides that as a matter of policy, all the contracts shall be closed immediately after expiry of warranty/DLP of respective contracts. It provides a time frame of 12 months and a comprehensive list of the activities which are required to be completed before closing of a contract. It also provides that the concerned wing shall maintain a list of contracts approaching completion where the list shall contain salient particulars of the contract *viz.* expected date of physical completion and taking over, warranty period *etc.* and in respect of all such contracts, the progress of various associated activities shall be reviewed by the In-charge on monthly basis. Though the Company in its Purchase Manual/Works Manual defined certain norms for such activities in relevant parts but it did not include a defined and time bound procedure and monitoring mechanism for closure of contracts in these manuals.

Audit also observed that the MM, TW and CSS wings of the Company inordinately delayed financial closure of contracts. Audit observed that in selected cases delay in financially closed cases and cases pending for financial

closure as on 31 March 2019 ranged between six months and 76 months and six months and 107 months respectively from expiry of the performance period. Thus, absence of well-defined procedure containing prescribed timeline and monitoring mechanism led to lethargic approach of the concerned wing discussed in succeeding paragraphs.

The Government accepted the facts and assured to adopt a well-defined procedure for time bound financial closure of contracts.

### **Financial closure of purchase orders/ turnkey works contracts**

**2.2.7** During review of the selected cases, Audit observed instances where finalisation/financial closure of POs/TW contracts was delayed/deficient as detailed under:

#### ***Non-furnishing of verified invoices and receipted challans***

**2.2.8** As per General Conditions of Contract (GCC), after placement of POs by the MM Wing and completion of contractual formalities the supplier is required to produce invoices along with receipted challans and other requisite documents to the consignee *i.e.* concerned Assistant Controller of Stores (ACOS) and the consignee is required to forward one copy of the verified invoices and receipted challans along with other requisite documents to each of MM wing, Centralised Payment Cell (CPC) and the concerned supplier. Besides, a copy of invoice and receipted challans must immediately be sent by the supplier to the MM wing.

Audit observed that after receipt of supplies and verification of invoices and receipt challans furnished by respective suppliers, the ACOS provided one copy of the verified invoices and receipt challans to the supplier as well as CPC but the ACOS did not provide copy of these documents to MM wing. Similarly, the suppliers also did not comply with the provision which provided for furnishing a copy of such documents for each consignment to MM wing immediately after verification of such documents is done by the concerned ACOS. Further, copies of the verified invoices and receipt challans relating to total material supplied by the suppliers were provided to MM wing with delay ranging from two months to 71 months (including 17 cases where verified invoices were submitted beyond the DLP). Non-compliance of the laid down procedure/norms by ACOS and suppliers led to delay in finalisation of penalties by MM wing on account of delayed/ deficient supplies, negative price variation *etc.* and consequential delay in finalisation of contracts.

During review of selected 160 POs, Audit observed that MM wing finalised only 83 POs whereas 55 POs were pending for financial closure as on 31 March 2019. Further, in case of remaining 22 POs, financial closure was not required in 15 cases due to non-initiation of supplies, performance period was not complete in one case and six cases could not be finalised due to lack of reconciliation with concerned suppliers *i.e.* two Central Public Sector Undertakings (PSUs) as discussed at subsequent paragraph **2.2.12**. Detailed analysis of 83 POs finalised by the MM wing revealed that delay in finalisation of 17, 31, 11 and three purchase orders ranged between three months to one year, one year to three years, three years to five years and more



than five years respectively from the date of expiry of the DLP. Further, due to absence of submission of requisite documents by the ACOS/suppliers, MM wing could not finalise other 55 POs despite lapse of a period which ranged between six months and 107 months from expiry of their performance period.

Thus, non-ensuring compliance of the provision prescribed in GCC resulted in inordinate delay in finalisation/financial closure of the POs. However, the MM wing did not take any action against the concerned ACOS/supplier in this regard.

The Government assured that the ACOS and suppliers are being directed to submit the requisite documents relating to material received/supplied by them from time to time so that financial closures may be done timely.

### ***Poor Communication System and lethargic approach for effecting recoveries***

**2.2.9** As per practice in vogue, after finalising recoveries for a purchase order MM wing intimates the applicable recoveries to CPC through '*letter for finalisation of recoveries*' and the CPC is required to effect due recoveries from the concerned supplier and intimate the MM wing for releasing the performance bank guarantee of the respective supplier.

During review of selected cases, Audit noticed that:

- MM wing finalised (June 2009 to December 2018) recoveries in 83 cases on account of delayed/short/defective supplies, negative price variation *etc.* and issued '*letter for finalisation of recoveries*' to CPC in all such cases. However, such letter was available for 60 POs only whereas in remaining 23 cases involving recovery of ₹ 50.11 lakh, '*letter for finalisation of recoveries*' were not available in the records of CPC despite lapse of a period which ranged between six months and 120 months from issue of letters upto June 2019. Thus, poor communication resulted in inordinate delay in finalisation of POs. Further, in 14 of these 23 cases, CPC had financial hold of ₹ 13.80 lakh only against recoverable amount of ₹ 39.29 lakh.
- In 15<sup>14</sup> selected cases, MM wing finalised and communicated recoveries of ₹ 1.72 crore to CPC (between August 2016 and September 2017) however, CPC did not effect recovery in these cases till June 2019 for which justification was not found on records of MM wing whereas CPC wing failed to provide records relating to three<sup>15</sup> of these selected cases involving recovery of ₹ 1.64 crore. This indicates that CPC was not prompt in effecting recoveries in the cases referred by the MM wing. Further, MM wing did not evolve a mechanism to monitor the status of recoveries done by CPC against the recoveries pointed out by it. Thus, deficient system and lethargic approach of the Company led to non-finalisation of these 15 POs despite lapse of more than two years from communication of recoveries by MM wing.

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14 PO-4103 and 3609 under TN-590, PO-5258 under TN-739, PO-3876 under TN-473, PO-3600 under TN-611, PO-4610 under TN-2050, PO-3565 under TN-555, PO-8199 under TN-4399, PO-6503 under TN-4386, PO-6431 under TN-4361, PO-3448 under TN-4188, PO-3806 under TN-551, PO-3884 under TN-565, PO-4236 under TN-649 and PO-4516 under TN-2054.

15 PO-4103 and 3609 under TN-590 and PO-3876 under TN-473.

The Government assured that the communication system for effective recoveries in time is being strengthened. Further, pending recoveries pointed out by audit have also been taken up.

***Lack of proper and timely action for financial closure of turnkey contracts***

**2.2.10** As per system in vogue, after physical completion of turnkey contracts, the respective Circle office is required to forward a proposal for financial closure of the contract to respective TW/CSS wing along with requisite details/documents and thereafter, financial closure of such contracts is to be processed by the concerned wing.

During scrutiny of records relating to nine selected turnkey contracts pending for financial closure, Audit noticed that one work was not eligible for financial closure. In remaining eight selected cases, status of completion of the awarded work, expiry of defect liability period (DLP) for the work and forwarding of proposals for financial closure of the turnkey contracts is detailed below:

**Table 2.2.1: Status of financial closure of selected turnkey contracts**

Sl. No.	Tender number/ Month of placing work order	Month of completion of work	Month in which DLP of the work expired	Month in which Circle office forwarded proposal for financial closure	Value of the work order	Amount to be paid <sup>#</sup>	Amount paid	Recovery finalized towards delay in execution of works	Financial security available
1	TN-126/ July 2009	December 2013	NA*	January 2018	820.75	273.52	336.68	63.16	34.64
2	TN-131/ March 2011	NA	NA	NA	123.37	NA	NA	Not finalised	8.64
3	TN-209/ March 2014	June 2016	July 2017	August 2017	623.74	402.26	450.35	60.86	70.00
4	TN-216/ March 2014	May 2016	May 2017	August 2017	171.82	116.74	112.82	8.62	39.55
5	TN-218/ July 2014	April 2016	April 2017	March 2017	653.05	324.68	324.68	Not finalised	62.64
6	TN-220/ July 2014	December 2015	January 2017	February 2018	1114.80	452.50	452.50	Not finalised	78.04
7	TN-224/ July 2014	NA	NA	NA	2227.89	76.56	76.56	Not finalised	54.28
8	TN-264/ April 2015	March 2018	July 2020	Not submitted	7689.47	7388.26	7271.68	Not finalised	1057.26
<b>Total</b>					<b>13424.89</b>	<b>9034.52</b>	<b>9025.27</b>		<b>1405.05</b>

\* Not Available

# In case, the recovery has been finalised, amount to be paid has been worked out after giving effect to recovery finalised.

During detailed review of these contracts Audit observed that:

- There was vast variance between the value of work order and work executed (especially for cases at Sl. No. 1, 6 and 7) which indicates that the Company did not assess the quantum of work adequately before awarding these works.
- In five of these eight cases (Sl. No. 2, 5 to 8), the Company did not assess the liability of the contractors on account of delay in completion of the works (March 2020). Further, the Company also did not assess the liability of the contractors on account of defects in execution of all the works.

- In two cases (Sl. No. 1 and 3), the Company did not work out the amount recoverable towards delay in execution of works in time and made an overpayment of ₹ 63.16 lakh and ₹ 48.09 lakh respectively. In first case (Sl. No. 1) the Company did not have sufficient financial security against the contractor (discussed in paragraph 2.2.11) whereas in the second case (Sl. No. 3), the Company did not effect recovery from the available financial security till March 2020.
- As the Company had released almost complete amount (99.9 per cent) due to the contractors and the liability of the contractors on account of delay/defects are yet to be assessed, adequacy of the financial security available with the Company could not be ascertained in Audit.
- There were substantial delays in financial closure of these cases (except Sl. No. 8) as these were pending despite lapse of one to five years from date of completion.
- In two cases (Sl. No. 2 and 7), the Company informed that these works had already been completed however neither the concerned Circle office has forwarded any proposal for financial closure to the respective wing nor any certificate relating to completion of these works was found in respective files/records. This indicates that the concerned wings (TW/CSS) were even not aware of status of execution of these cases. Resultantly, these wings did not provide details of completion of these contracts to Audit.

Audit observed that the Company was not prompt in processing the financial closure of awarded works. Further, as the Company had already released almost complete amount payable and the financial security available with it was also not sufficient in case where recovery was finalized (Sl. No. 1), the contractors would have no interest in ensuring timely financial closure of the contracts. Thus, it is in the interest of the Company to ensure timely financial closure of contracts at the earliest.

Further, the concerned wings did not evolve a mechanism to review the progress of the contracts from time to time which is evident from the fact that these wings were even not aware of the status of contracts awarded by them.

The Government accepted the facts and stated that the field officers are requested regularly to submit the details/documents required for financial closure of contracts but complete closure cases are not furnished by them due to one or other reason which causes delay in closing the contracts. It further assured that after adoption of well defined procedure, financial closure of contracts will be ensured in timely manner.

#### ***Insufficient financial hold and non-recovery of amount***

**2.2.11** The Company awarded (July 2009) the work for supply of material and erection for release of BPL connections under Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) for ₹ 8.21 crore to the Contractor (TN-126) under Operation and Maintenance (O&M) Circle, Sriganganagar. As per the work order, the work was to be completed within a period of six months from date of work order. The work was short closed and treated as completed on 20 December 2013. While forwarding the proposal for financial closure of the case to the concerned wing, the concerned Circle office informed (11 January

2018) that recovery of ₹ 52.54 lakh was to be done from Contractor under this tender. TW/CSS wing, however, worked out (March 2018) the recoverable amount at ₹ 63.16 lakh (*i.e.* including the amount worked out at Circle level). Before initiating the closure process, certain details/ documents *viz.* certificate of handing over and taking over of the work, details of retrieved material *etc.* were sought (April 2018) from the concerned Circle office which were not furnished till June 2019. Further, CSS wing served notices (December 2018 and January 2019) to the Contractor for depositing the recovery amount which also remained un-responded till June 2019. Resultantly, financial closure of the case and recovery of ₹ 63.16 lakh remained pending till June 2019.

Audit observed that in this case, the Company's financial hold is worth ₹ 34.64 lakh only (including value of performance bank guarantees) against the recoverable amount of ₹ 63.16 lakh. However, due to lack of effective communication, not-ensuring sufficient financial hold and lethargic approach in financial closure of the case, recovery of ₹ 63.16 lakh from the Contractor is inordinately delayed.

The Government stated that the Company has directed the concerned Contractor to deposit the requisite recovery amount. It further stated that the Company has sufficient financial hold against the Contractor under different tenders. The fact remained that the Company did not finalise the case despite lapse of almost two years from completion of the work.

#### ***Non-recovery/adjustment of advances extended to the suppliers***

**2.2.12** The Company procures steel sections by obtaining quotations and placing purchase orders on two Central PSUs. The POs issued for procurement of steel sections *inter alia* provide that prices prevailing at the time of delivery of steel sections are to be applicable and entire payment towards the procurement is to be made in advance. Therefore, the Company released advance payment towards provisional amount payable for all the POs placed on these two Central PSUs for procurement of steel sections.

Audit noticed that the Company had placed POs for procurement of steel sections worth ₹ 147.09 crore (71 POs) on the first Central PSU and ₹ 6.76 crore (nine POs) on the second Central PSU since inception (November 2006) upto March 2019 and released ₹ 153.85 crore towards advances/payments. Audit observed that the Company did not recover/adjust the excess payments by reconciling the balances with these Central PSUs on case to case basis. Resultantly, unrecovered/unadjusted advances worth ₹ 11.50 crore and ₹ 0.58 crore have accumulated towards the first and second Central PSU respectively as on 31 March 2019. However, the Company did not make effort to reconcile the balance of unrecovered/unadjusted advances with the respective supplier till December 2018. The Company belatedly appointed (8 January 2019) a Committee for reconciliation of the advances extended to the first Central PSU but the Committee could not reconcile the balances till June 2019. In absence of requisite reconciliation of balances and recovery/adjustment of advances, considerable amount worth ₹ 12.08 crore remained unrecovered/unadjusted and all the 80 POs (including six selected POs) were pending for financial closure.

The Government accepted the facts and assured that reconciliation/adjustment of advances will be done shortly.

***Non-invoking bank guarantee of defaulting suppliers***

**2.2.13** During review of selected cases, Audit observed certain deficiencies/delay on part of the Company in invoking the bank guarantees relating to defaulting suppliers. The cases are discussed below:

(i) Vendor Registration Scheme (VRS) of the Company provides that the registered vendors are exempted from furnishing earnest money deposit (EMD) and security deposit against the tenders floated/POs placed by the Company. It also stipulated that the registered vendor is required to deposit the amount of finalised recoveries within a period of 60 days of receipt of intimation failing which the dues shall be realised by invoking the bank guarantee/forfeiting cash deposit for the amount recoverable.

The Company placed (December 2010) POs on three<sup>16</sup> suppliers registered under VRS for supply of distribution transformers/sub-station structures. It was noticed that none of these three suppliers commenced supplies. The Company served (January 2011 to October 2012) several notices to the suppliers and in absence of any response from them, cancelled (November 2012 and January 2013) the POs and severed business relations with them. The Company raised demand on these suppliers for depositing the amount equivalent to EMD which worked out to ₹ 12 lakh. As per the cancellation orders, the Company was required to invoke bank guarantees furnished by these suppliers for vendor registration but the same was not invoked despite lapse of more than six years from issue of cancellation orders (June 2019). Besides, in first case, the bank guarantee provided by the supplier lapsed in January/February 2016 and the Company did not have any financial hold towards this supplier. Further, all these three POs remained pending for financial closure till June 2019.

The Government stated that in case of the first supplier, a reminder has been issued (August 2019) to the concerned bank for invoking the bank guarantee and in case, the recoverable amount is not received, the matter will be reported to the Reserve Bank of India (RBI). However, the reply was silent in respect of remaining two cases.

(ii) The Company placed (March 2010 and December 2010) POs on two<sup>17</sup> unregistered suppliers for supply of energy meter and power transformers respectively. As per terms and conditions of the POs, these suppliers provided bank guarantees against testing of energy meters and security deposit/performance security for the transformers. Audit noticed that in case of the first supplier, the energy meters supplied for testing purpose did not conform to the prescribed norms/parameters whereas the second supplier defaulted in supplying the ordered quantity of power transformers. The Company also served (May 2012 to November 2012) several notices to the second supplier for not supplying the requisite quantity. In view of failure of tested meters and non-supply of balance quantity of power transformers, the Company cancelled (March 2010 and January 2013) both the POs with directions to invoke the

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16 PO-5319 under TN-696, PO-5313 under TN-696 and PO-5190 under TN-748.

17 PO-4763 under TN-693 and PO-5270 under TN-739.

bank guarantee of ₹ five lakh available with the Company against failure in testing and depositing ₹ 22.32 lakh towards the recoveries worked out for defaulting in supplies respectively. In second case, the supplier did not deposit the requisite amount. As per the cancellation orders, the Company was required to invoke bank guarantees of these suppliers to recover penalty of ₹ 27.32 lakh but the same was not invoked despite lapse of more than nine years and six years respectively from issue of cancellation orders (June 2019). Besides, in first case, the bank guarantee provided by the supplier lapsed in October 2010 and the Company did not have any financial hold towards this supplier. Further, both the POs remained pending for financial closure till June 2019.

The Government stated that in the first case, despite issue of letter for invoking the bank guarantee, the amount has not been received from the concerned bank, hence the matter will be reported to the RBI. Further, in the second case, orders have been issued for invoking the composite bank guarantee and remaining amount will be recovered from other financial holds available with the Company.

#### ***Delay in handing over and taking over of works***

**2.2.14** Out of five selected TW contracts where the financial closure of the contracts was finalised, in four cases, Audit observed that handing over and taking over of these works was done with delay which ranged between seven months and 17 months. This was reckoned after allowing the prescribed period of one month from completion of the respective work. Similarly, in case of nine selected TW contracts where the financial closure of the contracts was pending, handing over and taking over of one work was delayed by eight months whereas details of handing over and taking over of works in three cases was not available on records. The TW wing also did not record the reasons of delay in handing over and taking over of these works. The wide gap between the dates of completion of work and handing and taking over in these cases reflects that the TW wing considered the works as completed without ensuring that the lines/grid sub-stations (GSS) constructed under these works were ready to put in operation in satisfactory manner.

The Government assured to adopt a well defined procedure for financial closure of contracts in time.

#### ***Ineffective monitoring of contracts short closed at nominal value***

**2.2.15** The Company awarded (October/November 2014) six<sup>18</sup> turnkey works contracts (including two selected contracts *i.e.* TN-239 and 240) to the Contractor for supply and erection of material/equipment for distribution/low tension lines and sub-stations *etc.* where value of the contracts ranged between ₹ 7.11 crore and ₹ 15.17 crore. In these cases, actual value of work executed ranged between ₹ 0.07 crore and ₹ 1.56 crore only. The Circle offices forwarded (January 2017) proposal for short closure of these cases and stated that lack of sufficient number of jobs led to short closure and therefore, the concerned Contractor was not at fault. Although the Corporate Level Purchase Committee (CLPC) allowed (June 2017) short closure, however due to the

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18 TN-239 to 242 at O&M Circle, Churu and TN-244 and 245 at O&M Circle, Bikaner.

huge gap between the work ordered and actually executed, the CLPC formed a committee<sup>19</sup> for conducting enquiry in this regard. However, the management did not ensure compliance of the directions of the CLPC as it did not conduct the enquiry.

Audit noted that TW wing closed (August 2017) these cases and had released the retention money deposit and performance bank guarantee to the contractor in two of these selected cases. Thereafter, the matter was again placed (August 2017) before the CLPC for closure of these contracts which was also approved. Audit observed that due to inability to assign requisite jobs to the contractor, all these six contracts were considered short closed at very nominal value. The value of actual executed works ranged between 0.93 *per cent* and 21.94 *per cent* of the ordered value of these works. This indicates that the volume of works assessed at the time of awarding of contracts was not realistic. Even the fact that the requisite enquiry was not conducted, was not disclosed before the CLPC in its subsequent meeting. However, the CLPC also did not take cognizance of this issue which reflects that the overall monitoring mechanism at the Company was not effective.

The Government stated that the contracts were short closed due to insufficient volume of works and the concerned committee members have been directed to submit the enquiry report. The fact remained that in absence of detailed enquiry, the actual reasons of huge gap between the work ordered and actually executed could not be assessed in audit where possibility of irregularities like execution of respective works through labour contracts at higher rates, extension of undue benefit to the Contractor by relaxing it from considerable penalty (*i.e.* 10 *per cent* of unexecuted value of contracts) *etc.* could not be ruled out.

The Government further stated that in view of the findings and recommendations of audit, the Company has decided to improve its working and issued (12 September 2019) necessary directions in this regard.

## Conclusion and Recommendations

### *Conclusion*

**The Company did not adopt the Procurement Management Information System (PMIS) and did not institute a well defined and extensive procedure for financial closure of contracts. Further, the financial closure of purchase orders/turnkey works contracts was inordinately delayed/deficient due to non-furnishing of verified invoices and receipted challans by respective ACOS/suppliers, poor communication system between ACOS and MM wing, lethargic approach for effecting recoveries against suppliers, non-recovery/delay in recovery of applicable penalty, closure of nominally executed turnkey works and non-invoking bank guarantee of defaulting suppliers.**

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19 Comprises the Senior Accounts Officer (Bikaner Zone) and the Executive Engineer (Technical Audit).

### **Recommendations**

We recommend that the Company may:

- **adopt the Procurement Management Information System (PMIS);**
- **prescribe proper and extensive procedure for financial closure of the purchase orders/turnkey works contracts;**
- **streamline the process of financial closure of contracts by eliminating the deficiencies such as non-furnishing of relevant documents, poor communication system, ineffective monitoring, insufficient financial hold etc. existed in the system.**

### **Ajmer Vidyut Vitran Nigam Limited**

#### **2.3 Failure of internal control system led to embezzlement**

**Poor internal control system and monitoring enabled the Company employee to embezzle ₹ 2.25 crore by manipulating salary records through fake entries in bank transfer advices.**

Ajmer Vidyut Vitran Nigam Limited (Company), set up in 2000-01 after unbundling of erstwhile Rajasthan State Electricity Board (RSEB), adopted Commercial Accounts Reorganisation Scheme (CARS) 1973 for defining its accounting procedures for its various sections/ offices<sup>20</sup>. CARS 1973 *inter alia* provided for the following:

- The functions of the Circle Accounts office (including Head office/HO Circle) to be carried out through various sections; role and responsibility of Accounts Officer (AO) and Assistant Accounts Officer (AAO) as regards to maintenance of accounts/checking of accounting entries and procedure of passing of bills for payment.
- Establishment bills of regular staff and abstract of the bills and Bank Transfer Advices<sup>21</sup> (BTA) prepared by the units/sections concerned shall be checked by Establishment (EA) Section and thereafter the individual claims shall be posted in the Salaries and Allowance Check Register (C-1). Pass orders on the bills shall be made under the signatures of the Accounts Officer and all passed bills shall be entered in the Salaries and Allowance Bills Register (C-2) relating to respective unit/section. After the bill is passed, a Voucher Allocation Sheet (VAS) (C-3) shall be prepared in triplicate. The original copy of VAS along with duly passed bill and BTA shall be sent to Cash Section for payment, the second copy along with deduction schedules to be sent to Accounts Section for accounting purpose and the third copy is to be kept in EA Section.
- Cash Section shall maintain a General Cash Book (C-4). The concerned AO shall be the Drawing and Disbursing Officer (DDO). After disbursement of establishment bills, the Cash Section shall enter the net

<sup>20</sup> Establishment Section, Cash Section and General Accounts Section.

<sup>21</sup> Bank Transfer Advice (BTA) is a statement prepared and submitted to the banks for depositing salaries in the bank accounts of the staff. In case of establishment claims, it contains certain details of concerned staff personnel viz. name, designation, employee identity number, bank account number and net salary amount.



amount paid in cash on the payment side of the Cash Book and classify the same under the head “Salaries/Wages Payable Account” also. In respect of Gazetted Officers, paid vouchers shall be kept separately in the Circle Accounts Office.

Further, for the salary account of the staff personnel maintained with different banks, Cash Section prepares bank wise BTAs on the basis of BTAs received from various sections along with original VAS and salary bills. Thereafter, bank wise payment vouchers are prepared and salaries are disbursed through the banks with the approval of the respective DDO<sup>22</sup>.

Audit scrutiny of records for 2017-19 disclosed that the Company could not ensure proper adherence to the system/procedures prescribed in CARS 1973. Audit noticed that Cash Section prepared more than one payment vouchers and bank wise BTAs relating to salary of a month on different dates for different banks. Further, original documents received from concerned sections in support of the claims viz. salary bills, deduction schedules *etc.* were kept in separate files instead of being maintained with the BTAs and payment vouchers prepared by Cash Section. Resultantly, ensuing accuracy of the payment vouchers/BTAs prepared by the Cashier and reconciliation of the amount claimed in such vouchers/BTAs with the original documents submitted by concerned sections was a cumbersome and complicated task. The Cashier directly submitted the vouchers along with respective BTAs to the SAO (EA and Cash) for verification and approval without getting it checked/verified by the AAO of Cash Section. In case of gazetted officers, salary bills/claims were prepared, checked and passed by the Cashier without cross check/verification at the level of AAO/SAO (EA and Cash). Audit also noticed that salary bills of Gazetted staff were passed for payment without posting in Salaries and Allowance Bill Register (C-2) during May 2017 to August 2017. Further, the voucher number and cheque number were not recorded on the salary bills and the vouchers were passed for payment without assigning a number and without signatures. It was also noticed that the total of BTAs attached with vouchers did not match with the amount passed for payment and the copy of consolidated lists sent to the Bank for April 2017 to September 2017 were missing. Further, salaries were credited in certain bank accounts (including the bank account of the Cashier) more than once in a month through different payment vouchers and BTAs. Besides, the Cash book was not checked and verified as per laid down norms/regulations. The charge of Cashier was handed over without obtaining requisite security bond prescribed under Rule 313 of General Financial Rules (Part-I), Government of Rajasthan.

Audit observed that these deficiencies enabled the then Cashier<sup>23</sup> of the EA and Cash Section to draw cheques in excess of the net salary bills and deposit the amount in its own and other’s bank accounts (including employees and non-employees of the Company) through fake entries in BTAs. The amount of misappropriation/embezzlement worked out to ₹ 2.25 crore<sup>24</sup>. After the

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22 Senior Accounts Officer (EA and Cash) at HO and Circle Accounts Officer at Circle Offices.

23 Cashier at HO and Circle Office (Ajmer City) from May 2017 to June 2018 and June 2018 to October 2018 respectively

24 ₹ 179.80 lakh and ₹ 41.64 lakh drawn in excess through bank accounts of the then Cashier and its relatives during posting at HO and Ajmer (City) Circle respectively and ₹ 3.29 lakh drawn through bank accounts of other two employees.

incident came to light, the Company appointed (December 2018) a High Power Committee (HPC) to investigate the matter. It later filed a First Information Report (FIR) based on the report of the HPC and legal action against the delinquent Cashier is under progress.

Audit further noticed that the Company maintains a control ledger account<sup>25</sup> wherein the liability of salary is booked on the basis of salary bills/claims received from establishment sections and the same is settled on the basis of payment vouchers received from Cash Section after release of payment. Therefore, balance of this account/head can never be debit as it would mean release of excess payment on account of salaries. However this account/head showed debit balances on several occasions during 2017-19 but the Accounts Section failed to monitor release of excess payment. Further, the SAO (EA and Cash) verified and approved the vouchers/BTAs without reconciling with the original documents and resultantly failed to notice that the BTAs contained bank account numbers of non-employees, repetition of certain bank account numbers and did not mention employee identity numbers, names and designation of the staff personnel *etc.*

The Government in reply accepted (June 2019) the facts and stated that due to acute shortage of staff in the office of Accounts officer (EA and Cash) internal check system could not function properly. The Company also accepted that preparation, passing and arranging of payments was done by a single employee. It was further stated (October 2019) that corrective steps *viz.* recruitment of staff against vacancies, restructuring of office of the Accounts officer (EA and Cash), proper allotment of works among staff, implementation of ERP (including Human Resource Management System and Finance modules) *etc.* are being taken. Besides FIR against the delinquent Cashier has been lodged, enquiry has been instituted and charge sheets have been served to 14 defaulting personnel. However, amount has not been recovered so far.

Thus, the Company suffered loss due to lack of proper monitoring and non-compliance to the procedures laid down under the internal control system.

## **Rajasthan Rajya Vidyut Prasaran Nigam Limited**

### **2.4 Construction of Grid-Sub Stations and Transmission lines**

**2.4.1** Transmission planning is a continuous process of identification of transmission system's additional requirements, their timing and need. The transmission requirements could arise from (i) generation additions in the system, (ii) increase in demand (iii) system strengthening that may become necessary to achieve reliability as per the planning criteria under load change scenario. These transmission addition requirements are identified, studied and firmed through the transmission planning process. The transmission systems that are in place in the country consist of Inter-State Transmission System (ISTS) and Intra State Transmission System (Intra-STTS). Intra-STTS are mainly owned and operated by the state transmission utilities of each State. The Intra-STTS serves the following purpose: (i) Evacuation of power from the state's generating (both under public and private sector) stations having beneficiaries

<sup>25</sup> 'Net Salary Payable to Staff' (Accounting head-liability head -44.310).

in that state, (ii) Onward transmission within the state from ISTS boundary up to the various substations of the state grid network, (iii) Transmission within the state grid for delivery of power to the load centres within the state.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company), incorporated in 2000, is mandated to provide an efficient, adequate and properly coordinated system of Grid management and transmission of energy in the State. The Company has divided its area of operation into three<sup>26</sup> zones headed by Zonal Chief Engineers and twenty-four transmission and construction (T&C) circles headed by Superintending Engineers under them. During 2016-17, 71293.857 Million Units (MUs) of energy was transmitted by the Company which increased to 74102.168 in 2017-18 and then decreased to 71995.761 MUs in 2018-19. As on 31 March 2019, the Company had a transmission network of 39588.824 Circuit Kilometres (CKM<sup>27</sup>) and 576 Grid Sub-Stations (GSSs) with an installed capacity of 82080.50 Mega Volt Ampere (MVA). During 2016-19, the Company constructed 63 GSSs and 126 lines (total length of 5625.932 CKM) as shown in *Annex-5*.

### Audit objectives

**2.4.2** The audit was conducted to assess whether the planning for construction of GSS/lines was done on need basis, the projects were awarded in a transparent manner and executed efficiently, effectively within the stipulated time period. Further, a robust monitoring and internal control system was in place to review the project implementation and to ensure envisaged benefits viz. saving of energy and strengthening of the transmission system.

### Scope of Audit

**2.4.3** The present audit covers the activities related to construction of GSS and transmission lines by the Company. The audit scrutiny mainly involved review of Detailed Project Reports (DPR) and contracts awarded for construction of GSS/ transmission lines. The Company has constructed 14 lines and 6 GSS of 400 kV and 30 lines and 10 GSS of 220 kV during 2016-19. Audit selected 10 works (3 GSS and 7 lines) of 400 kV and 11 works (3 GSS and 8 lines) of 220 kV on random basis through IDEA software for detailed scrutiny. Further as on 31 March 2019, 34 works<sup>28</sup> of construction of GSS/transmission lines were in progress.

### Audit Findings

**2.4.4** The audit findings which broadly cover issues relating to project planning and execution, financial management, monitoring and internal control are discussed under paragraphs **2.4.5 to 2.4.10**.

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26 Jaipur, Jodhpur and Ajmer.

27 The route length of transmission lines is measured in CKM.

28 24 transmission lines (132 kV: 15 lines, 220 kV: Eight lines and 400 kV: One line) and 10 GSS (132 kV: Five GSS, 220 kV: Four GSS and 400 kV: One GSS).

The audit findings highlighted under paragraphs 2.4.6, 2.4.7 and 2.4.9 are based on audit analysis of sample cases only and there is a possibility of more such cases occurring in the Company. Therefore, the Government/Company is expected to review all other cases having possibility of similar deficiencies/irregularities and is required to take corrective action in cases where similar deficiencies/irregularities are found.

The audit findings were communicated to the State Government on 3 January 2020. Reply of the Management has been received (February 2020) and incorporated in the paragraph whereas reply of the State Government is awaited (May 2020).

## Project Planning and Execution

### Assessment of Transmission Capacity

**2.4.5** The Company constructs lines and GSSs to evacuate power from Generating Stations and to meet the load growth in different areas of the State. A transformer converts alternate current (AC) voltage and current to a different voltage and current at a very high efficiency. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 132 kV GSSs.

Audit requested (April 2019) for the criteria for assessing the adequacy of the transmission system handled by the Company. Management informed (May 2019) that the transmission system is planned keeping in view the required redundant capacity in the system so as to meet the stability of the system under various contingencies/outage conditions occurring in the system. Thus, the transmission capacity is always more than the recorded peak load. This is essential so that the reliability of power supply to load centres/evacuation of power generated is done without resorting to the load shedding or back down of generator. However, the Company did not provide the exact numbers in this regard.

Audit noticed (October 2019) that the transmission capacity (*i.e.* total transmission capacity at 132 kV transformers) created at the end of the year *vis-à-vis* capacity handled (capacity contracted with DISCOMs and other open access consumers) and the capacity transmitted (peak demand met) during the year by the Company in last three years ending March 2019 were as follows:

**Table 2.4.1: Installed capacity, capacity handled and peak demand**

Transmission capacity (in MVA)			
Year	Installed	Capacity handled	Peak demand
(1)	(2)	(3)	(4)
2016-17	29483	15912.95	9313.20
2017-18	30621	17320.43	10407.60
2018-19	31421	18545.54	11948.40

**Note:** Capacity handled and peak demand have been worked out from MW to MVA considering the power factor at 0.90.

Audit observed that the Company could handle only 54 per cent to 59 per cent of the total installed transmission capacity during this period. Audit requested for the reasons and details of the parameters adopted for assessment and

construction of transmission infrastructure which has resulted into such a wide gap between installed and handled capacity. Audit also requested for the criterion for the percentage of redundancy observed by the Company.

The Company informed (February 2020) that it has developed its transmission system on *(N-1)* concept prescribed by the CEA in its manual on transmission planning criteria (January 2013) which stipulates that there should be least disturbance in the grid due to any contingent condition which *inter alia* means that system should be redundant enough to cope with any unforeseen conditions. Audit observed that the CEA manual has prescribed the criteria for 100 *per cent* redundancy in case of supply to critical loads *e.g.* Railways, airports, mines, steel plants *etc.* Further, the Rajasthan Electricity Regulatory Commission (Investment Approval) Regulations 2006 specify the criteria for taking up the new 132/220/ 400 kV extra high voltage (EHV) schemes.

However, the Company did not provide details of the criteria for setting up new GSS/construction of lines nor it informed as to whether the criteria for maintenance of 100 *per cent* redundancy for critical sectors was being ensured. The fact thus remained that Audit could not assure itself that the Company followed the standard/norms to determine the adequate redundancy of transmission system which is manifested in huge gap between the installed capacity and capacity handled. The Company would have definitely incurred substantial financial burden on construction of such additional unutilised capacity. However in absence of exact criteria/figures in this regard the amount could not be quantified.

#### ***Project Planning of Transmission System***

**2.4.6** A transmission project involves various activities starting from concept to final commissioning *viz.*: (i) Project formulation, appraisal and approval phase and (ii) Project Execution Phase. For reduction in project implementation period, the Task Force constituted (February 2005) by Ministry of Power, Government of India (GoI) recommended (July 2005) to undertake various preparatory activities such as surveys, design and testing, processing for forest and other statutory clearances, tendering activities *etc.* in advance/parallel to project appraisal and approval phase; to break-down the transmission projects into clearly defined packages and standardise designs of tower fabrication to save six months to twelve months of project execution. Further in reply to the Committee on Public Undertaking (COPU) question about action taken to avoid delay in completion of the projects, the Company informed (June 2015) that directions have been issued to issue the work orders within validity period of tender; to apply for forest and other statutory clearance during survey itself, standardise the drawings and designs of tower and to ensure completion of lines and concerned GSS simultaneously.

Review of ongoing works disclosed that the works awarded between May 2012 and December 2018, were required to be completed between November 2012 and July 2019. Audit noticed that out of total 34 ongoing works, the scheduled completion date of 28 works was before 31 March 2019, however, these works could not be completed due to problems of right of way (ROW), delay in forest clearance *etc.* In test check cases Audit noticed that the Company did not apply timely for forest clearance (220 kV *Jhalawar to*

CTPS<sup>29</sup> and 220 KV Gajner to Chhatargarh line (100 KMs). Further, there were instances of increase in length of line than estimated earlier due to forest area, change in location of GSS land *etc.* and delay in finalisation of work order (220 kV Jhalawar to CTPS and LILO of 220 kV STPS<sup>30</sup> to Ratargarh line) which led to non-completion/delay in completion of the works.

Audit scrutiny of selected completed works disclosed that the Company did not carry out the preparatory activities which were essential for timely completion of the project. Certain cases highlighting delay in projects due to improper project management planning and non-follow up of the recommendations of the GoI Task Force Committee are discussed in **Annex-6**. It could be seen from the annexure that in certain cases there was lack of synchronisation in construction schedule of GSSs and lines which resulted in non-utilisation of created infrastructure due to non-completion of other supplementary activities. Audit observed that there was delay up to 60 months and 64 months in completion of GSS works and erection of lines respectively.

Thus, improper planning and non-compliance of the recommendations of the GoI Task Force Committee led to substantial delay in execution of above mentioned projects and consequently funds amounting to ₹ 511.84 crore remained blocked. The Company was also deprived of envisaged energy savings (valuing ₹ 13.38 crore) in terms of reduction in system and transmission losses.

The Management stated (February 2020) that most of the recommendations given by the Task Force Committee are being implemented. It further stated that the cases of line or GSS remaining idle were due to reasons beyond its control such as changed scenario due to less load growth than envisaged, new EHV scheme of central transmission utility, delayed and deferred projects of solar and wind sector, stay orders by courts and ROW issues. The reasons quoted in the reply were not convincing as inordinate delay in completion of the works was noticed which could have been avoided through proper project management and monitoring system.

#### ***Non-completion of preparatory activities***

**2.4.7** Construction of sub-stations and transmission lines requires statutory clearance and working permission of other departments like Revenue, Forest, Defence, Aviation, Railways *etc.* The Company, however, does not have a mechanism at the apex level to ensure coordination with these departments to obtain the necessary permissions for timely completion of various projects. Resultantly, there were delays in obtaining permission/clearance from these departments which in turn delayed the completion of various works. The details are given in **Annex-7**.

It could be seen from the annexure that the Company did not carry out the preparatory activities such as survey to eliminate the ROW problem and obtaining permission from the respective departments/authorities before/simultaneously awarding of the work. Audit observed that concerted efforts at higher management level were not made for obtaining early clearances/no objection certificates from the concerned authorities. Further,

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29 Chhabra Thermal Power Station.

30 Suratgarh Thermal Power Station.

the Company also did not ensure timely furnishing of drawings, casting of cooling foundations, procurement and supply of transformer and material/other accessories which led to delay in completion of the projects. Audit also observed that in eight cases reported in the annexure, the estimates were not prepared on realistic basis as positive (+) variance ranged between 23 per cent and 381 per cent and negative (-) variance ranged between 16 per cent and 39 per cent of original estimate was noticed at the time of finalisation of bills of quantity (BOQ) which indicates that the detailed survey was not conducted or was not conducted properly. Further, there was delay in obtaining/granting permission for testing of line material to be procured under turnkey works.

Thus, due to not carrying out the preparatory activities before execution, not only the projects were delayed but a sum of ₹ 1086.60 crore also remained blocked for a considerable period.

The Management stated (February 2020) that the line survey before placing the order leads to creation of ROW issues. It also stated that the statutory clearance from forest and aviation authorities requires complete line route along with GPS coordinates of every tower and this data can be provided only after finalisation of route of line. Further, for statutory clearances a dedicated cell has been constituted. The variation from original estimates was due to increase in line length and change in soil strata. The reply confirmed that various preparatory activities to be undertaken in advance/parallel to project appraisal/approval were not completed in the reported cases.

## **Financial Management**

### ***Loans from international level/foreign banks***

**2.4.8** The Company entered (12 September 2014) into agreement for loan with a Regional development bank of international level (Bank) to develop public sector transmission infrastructure capacity to support private sector led renewable energy generation. Accordingly, the Bank sanctioned loan of 150 million Dollars in two parts *viz.* 62 million Dollars (Ordinary Capital Resources-3052) and 88 million Dollars (Clean Technology Fund-8275) for construction of various 400 kV, 220 kV and 132 kV transmission lines along with equipment supply and construction of Pooling Stations to support private sector led renewable energy generation in Western Rajasthan. As per the agreement, there was obligation of payment of commitment charges on the loan amount in case it remained un-disbursed.

Audit scrutiny of records disclosed that the project could not be completed on scheduled completion date *i.e.* 30 June 2016 as specified in loan agreement due to delay in inspection of material and various other reasons attributable to the Company. Thus, the Company had to pay commitment charges amounting to ₹ 2.56 crore on account of not availing disbursement as per the prescribed schedule during September 2015 to March 2019.

Similarly, a foreign development bank (foreign bank) and the GoI signed (17 December 2014) a loan agreement to finance transmission infrastructure for evacuation of renewable energy for Intra-STTS in Rajasthan under the Green

Energy Corridor Project through various government agencies including the Company. As per the agreement executed, the foreign bank sanctioned a loan of 49 million Euro. Article 3.1 of the loan agreement stipulates that the Company would pay a non-refundable commitment fee of 0.25 *per cent* per annum on undisbursed loan amount. Further, the various projects covered under the loan were to be completed within 30 months (maximum among all projects) from the date of sanction of loan. However, the Company could not avail the disbursement as per prescribed schedule and thus had to pay the commitment charges of ₹ 1.79 crore during December 2015 to December 2018.

Thus improper planning and poor project management not only delayed the execution of the projects but also led to payment of commitment charges amounting to ₹ 4.35 crore.

The Management while accepting the fact stated (February 2020) that the scheme was deferred as the wind and solar power developers were not installing their plants at the pace earlier envisaged and hence the investment on these projects would have been infructuous. The reply was not satisfactory as the Company had to bear avoidable commitment charges as it could not plan its activities in sync with the private players.

#### ***Non-recovery of risk and cost amount***

**2.4.9** The Company awarded (February 2013) the work of construction of 400 kV GSS (including supply and erection), Jodhpur (New) at a total cost of ₹ 78.77 crore in favour of the Contractor with scheduled completion in February 2015. As per the letter of acceptance (LoA), the Contractor was required to execute the contract agreement and furnish security deposit within 15 days of receipt of LoA. As the Contractor did not commence the work, the Company terminated (May 2014) the contract and decided to execute the work at the risk and cost of the Contractor. However, the termination of the contract was withdrawn in June 2014 on the request of the Contractor. The Contractor, however, did not start the work and hence a termination notice was issued again on 17 October 2014 and the contract was terminated on 12 March 2015 after lapse of 130 days from the expiry of notice period. The Company also decided to invoke the bank guarantee furnished by the Contractor.

Scrutiny of records disclosed that the Company could not invoke the bank guarantee as an *ex parte ad interim* injunction order was issued (March 2015) by the City Civil Court, Chennai on the plea that the termination order was not served properly. Thereafter, the Company once again decided (8 April 2015) to withdraw the termination order. Audit noticed that the Contractor did not commence the work despite several requests made by the Company and also did not extend the validity of the bank guarantee. The contract was finally terminated on 11 July 2016 at the risk and cost of the Contractor. The work was then awarded (December 2016) to a new Contractor and the same was completed (December 2018) at a total cost of ₹ 112.75 crore. Thus, the recoverable amount under risk and cost of the Contractor was worked out to ₹ 33.98 crore.

Audit observed that despite the fact that the Contractor did not adhere to the time schedule and also did not commence the work within time, the Company



did not initiate the action for terminating the contract timely. Further, the Company extended undue favour to the Contractor through reversal of its decision of termination of contract twice. Moreover, the Company also failed to invoke the bank guarantee amounting to ₹ 9.45 crore valid upto September 2015. Besides, the Company also failed to encash the bank guarantees worth ₹ 20.39 crore available with it against other work orders (TN-275 and TN-284).

Thus, casual approach of the Company in dealing with such an important matter not only led to delay of 45 months in completion of the project but also an extra expenditure of ₹ 33.98 crore, as it failed to invoke the bank guarantee and recover the amount from the Contractor.

The Management stated (February 2020) that the case is under litigation and hence the recovery of excess expenditure cannot be affected. The reply was, however, silent on the issue of delay in initiating action for the first time, extending favour to Contractor by reversal of decision and not adhering to the directions to encash the available bank guarantees. Further, the Company did not fix responsibility for these lapses till May 2020.

### Monitoring and internal control

**2.4.10** An efficient and effective internal control and monitoring system helps the management in timely achievement of objectives and ensures compliance to procedures and financial discipline. It was, however, noticed that the Company did not evolve mechanism to monitor the physical progress of the works related to construction of GSS/lines to identify the bottlenecks in achieving the scheduled completion date of the project. Further, the progress of works was not submitted in the meeting of the BoD. Resultantly, the projects could not be monitored by the BoD. Besides, other important issues like ROW problems, delay in obtaining statutory clearances from the concerned authorities, reluctance of contractors in execution of works *etc.* were also not appraised to the BoD.

The Company has an internal audit wing, however, it engaged Chartered Accountant (CA) firms to augment the efforts of its own personnel and to strengthen the wing. Audit observed from the review of internal audit reports that the scope of work assigned to outsourced CA firms was not comprehensive and the Company did not critically analyse the internal audit requirements for ensuring its effectiveness. Further, the observations of CA firms were mainly related to vouching, non-deduction of statutory deductions like Provident Fund, establishment related issues *etc.*, and the internal audit reports were not submitted to the BoD by the Company.

The Management stated (February 2020) that the progress of works is being monitored in regular meetings and steps are being taken to resolve the issues. A new circle 'Quality Control and Monitoring' has also been created for extensive and regular monitoring of works. It further stated to take suitable action to enhance the scope and effectiveness of internal audit system. The fact remained that the monitoring of works was not adequate as in all the reported cases, there was inordinate delay in completion of works because the issues could not be resolved timely. Further, the reply was silent on the issue of non-reporting of the progress of works to the BoD.

### **Best practices**

**2.4.11** Audit scrutiny disclosed the following best practices in the Company:

- Transmission losses were maintained within the targets fixed by RERC;
- Timely action was taken by the Company where messages of violation were issued by Northern Regional Load Despatch Centre (NRLDC), as it was found that despite the receipt of 1150 messages for violation of grid discipline there was no penalty imposed by the NRLDC.

### **Conclusion and Recommendations**

#### *Conclusion*

The Company did not follow the norms/standards prescribed for maintaining the redundancy under the transmission system which resulted in huge variation between installed capacity and capacity handled. Further, transmission works were not completed within the scheduled period due to deficient planning and non-adherence to recommendations of Task Force Committee on Project Management. Further, non-carrying out the preparatory activities before execution of these works led to delay in completion of the works and blocking of funds for a considerable period. Moreover, improper planning and poor project management also led to payment of commitment charges by the Company on loans raised. The Company failed to effectively monitor the physical progress of the works.

#### *Recommendations*

The Company may:

- follow the standard/norms prescribed for determining the redundancy of transmission system;
- take effective steps to ensure completion of transmission projects in scheduled time;
- ensure that the physical progress of works is monitored in a time bound manner using its IT facility; and
- apprise the progress of works time to time to top management to resolve the bottlenecks in completion of the project.



# **Part-II**

# **Chapter-III**

## **Functioning of State PSUs (other than Power Sector)**

## Part-II

### Chapter-III

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

##### Introduction

**3.1** There were 28 State Public Sector Undertakings (PSUs) as on 31 March 2019 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 (RSRTC), Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC). The Government Companies further included three<sup>1</sup> inactive 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 {RSPCL subsidiary company of another State PSU namely Rajasthan State Mines & Minerals Limited (RSMML)} did not commence commercial activities till 2018-19. 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*

**3.2** 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 2019:

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1 Rajasthan State Agro Industries Corporation Limited (RSAICL), Rajasthan Jal Vikas Nigam Limited (RJVNLI) and Rajasthan Civil Aviation Corporation Limited (RCACL) which ceased to carry out their operations from the years 2000-01, 2011-12 and 2016-17 respectively.

2 RSPCL and Barmer Lignite Mining Company Limited (BLMCL-Joint Venture between 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 (RSGL) incorporated (20 September 2013) as subsidiary company of RSPCL.

**Table 3.1: Turnover of State PSUs (other than Power Sector) vis-a-vis GSDP**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover (₹ in crore)	11390.91	12171.63	13417.48	13911.21	14823.86
Percentage change in turnover as compared to turnover of preceding year	22.84	6.85	10.24	3.68	6.56
GSDP of Rajasthan (₹ in crore)	615642.00	681485.00	758809.00	835558.00	929124.00
Percentage change in GSDP as compared to GSDP of preceding year	11.73	10.70	11.35	10.11	11.20
Percentage of Turnover to GSDP of Rajasthan	1.85	1.79	1.77	1.66	1.60

**Source:** Compiled based on Turnover figures of working PSUs (other than Power Sector) and GSDP figures as per Economic Review 2018-19 of the 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 2014-19, whereas increase in GSDP of the State ranged between 10.11 per cent and 11.73 per cent during the same period. The compounded annual growth<sup>3</sup> of GSDP was 11.01 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 11.01 per cent of the GSDP, the turnover of public sector undertakings (other than Power Sector) recorded lower compounded annual growth of 9.84 per cent during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 1.85 per cent in 2014-15 to 1.60 per cent in 2018-19.

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

**3.3** 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 2019 are detailed in **Annex-8**.

**3.4** The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

**Table 3.2: 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	2385.16	4257.81
PSUs in Competitive Environment	14	1711.73	6513.37	8225.10

3 Rate of Compounded Annual Growth  $\left[\left(\frac{\text{Value of 2018-19}}{\text{Value of 2013-14}}\right)^{(1/5 \text{ years})} - 1\right] * 100$  where turnover and GSDP for the year 2013-14 were ₹ 9273.10 crore and ₹ 551031 crore respectively.

4 Rajasthan Police Housing and Construction Corporation Limited (RPH&CCL) and RCACL incorporated to perform buildings constructions and civil engineering works for Police Department, GoR and scheduled air transport for GoR respectively.

Others	2	5.49	0.00	5.49
<b>Total</b>	<b>28</b>	<b>3589.87</b>	<b>8898.53</b>	<b>12488.40</b>

Source: Compiled based on information received from PSUs.

As on 31 March 2019, the total investment (equity and long term loans) in these 28 PSUs was ₹ 12488.40 crore. The investment consisted of 28.75 per cent towards equity and 71.25 per cent in long-term loans. The long term loans advanced by the State Government constituted 24.99 per cent (₹ 2224.18 crore) of the total long term loans whereas the rest 75.01 per cent (₹ 6674.35 crore) long term loans were availed from other financial institutions.

The investment has grown by 33.59 per cent from ₹ 9348.64 crore in 2014-15 to ₹ 12488.40 crore in 2018-19. The investment increased due to addition of ₹ 1477.08 crore and ₹ 1662.68 crore towards equity and long term loans respectively during 2014-15 to 2018-19.

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

3.5 During the year 2018-19, 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)

3.6 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 2019 are as follows:

**Table 3.3: Details regarding budgetary support to State PSUs (other than Power Sector) during the years**

(₹ in crore)

Particulars <sup>5</sup>	2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	-	-	-	-	-	-
Loans given (ii)	3	180.10	5	280.22	4	324.18
Grants/Subsidy provided (iii)	7	339.76	8	961.76	8	828.11
Total Outgo (i+ii+iii)	9 <sup>6</sup>	519.86	12 <sup>6</sup>	1241.98	11 <sup>6</sup>	1152.29
Loan repayment written off	-	-	1	4.12	1	9.41
Loans converted into equity	-	-	-	-	-	-
Guarantees issued	-	-	1	49.45	-	-
Guarantee Commitment	3	3165.77	3	3235.32	3	3732.84

Source: Compiled based on information received from PSUs.

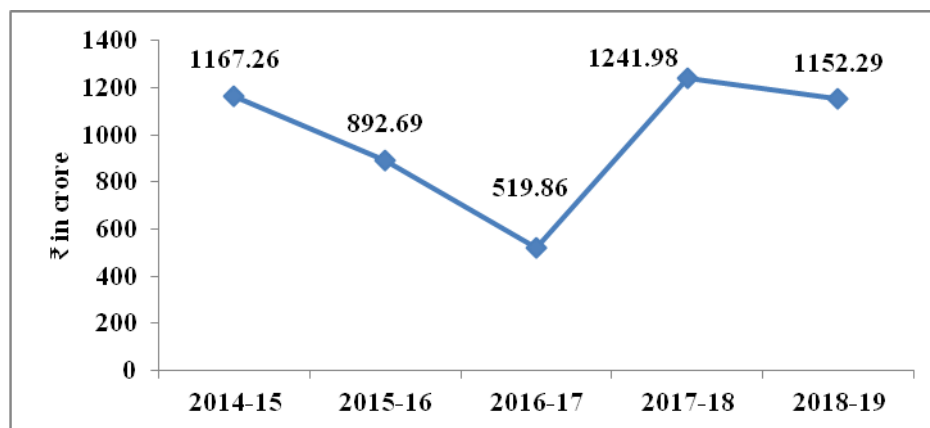
The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the last five years ending March 2019 are given in a graph below:

<sup>5</sup> Amount represents outgo from State Budget only.

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



**Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies**



The annual budgetary assistance to these PSUs ranged between ₹ 519.86 crore and ₹ 1241.98 crore during the period 2014-15 to 2018-19. The budgetary assistance of ₹ 1152.29 crore given during the year 2018-19 included ₹ 324.18 crore and ₹ 828.11 crore in the form of loans and grants/subsidy respectively. The State Government did not provide any equity assistance to these PSUs during 2018-19. The subsidy/grants given by the State Government was primarily to provide free medicines to the public and other assistance to PSUs.

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 21.41 *per cent* from ₹ 3074.64 crore in 2014-15 to ₹ 3732.84 crore in 2018-19. During the year 2018-19 guarantee commission of ₹ 36.91 crore was paid by four<sup>7</sup> State PSUs (other than Power Sector).

### Reconciliation with Finance Accounts of Government of Rajasthan

**3.7** 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 GoR. 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 2019 is stated below:

**Table 3.4: 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	3074.53	3107.56	33.03
Loans	1953.24	2224.18	270.94
Guarantees	5019.58	5304.84	285.26

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

<sup>7</sup> Rajasthan State Road Development and Construction Corporation Limited (RSRDCCL), RFC, Rajasthan Urban Drinking Water, Sewerage and Infrastructure Corporation Limited (RUDWS&ICL) and RSRTC.

Audit observed that out of 28 State PSUs, such differences occurred in respect of eight PSUs as shown in **Annex-9**. 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 RUDWS&ICL. Audit, 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)

**3.8** 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 inactive PSUs under the purview of CAG as of 31 March 2019. 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*

**3.8.1** Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 22 working Government Companies, only eight Government Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 whereas accounts of 14 Government Companies were in arrears. Out of three Statutory Corporations, the CAG is the sole auditor for RSRTC. Of these three Statutory Corporations, accounts of two Statutory Corporations for the year 2018-19 were presented for audit in time. The accounts of RSRTC for the year 2018-19 were awaited as on 30 September 2019.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2019 are given below:

**Table 3.5: Position relating to submission of accounts by the working State PSUs (other than Power Sector)**

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	33	34	25	25	25
2.	Number of accounts submitted during current year	32	38	22	17	21
3.	Number of working PSUs which finalised accounts for the current year	20	21	18	12	10
4.	Number of previous year accounts finalised during current year	12	17	4	5	11
5.	Number of working PSUs with arrears in accounts	13	11	7	13	15
6.	Number of accounts in arrears	25	19	9	17	21
7.	Extent of arrears	One to eight years	One to five years	One to two years	One to three years	One to three years

Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019.

Of these 25 working State PSUs, 18 PSUs had finalised 21 annual accounts during 1<sup>st</sup> October 2018 to 30<sup>th</sup> September 2019 which included 10 annual accounts for the year 2018-19 and 11 annual accounts for previous years. Further, 21 annual accounts were in arrears which pertain to 15 PSUs as detailed in **Annex-10**. 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 ₹ 853.27 crore (Loan: ₹ 111.50 crore, Subsidy: ₹ 741.77 crore) to five of the 15 working State PSUs accounts of which had not been finalized by 30 September 2019 as prescribed under the Companies Act 2013/RSRTC Rules 1964. PSU wise details of investment made by the State Government during the years for which accounts are in arrears are shown in *Annex-10*.

In the absence of finalization of accounts and their subsequent audit in 15 working 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 the State Legislature.

### **Timeliness in preparation of accounts by inactive State PSUs**

**3.8.2** There were arrears in finalization of accounts by three inactive PSUs as on 30 September 2019 details of which are given below:

**Table 3.6: Position relating to arrears of accounts in respect of inactive PSUs**

S. No.	Name of inactive companies	Period for which accounts were in arrears
1.	Rajasthan State Agro Industries Corporation Limited	2015-16 to 2018-19
2.	Rajasthan Civil Aviation Corporation Limited	2018-19
3.	Rajasthan Jal Vikas Nigam Limited	2018-19

Source: Compiled based on accounts of PSUs received during the period October 2018 to September 2019.

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

**3.9** Out of three working Statutory Corporations, two Corporations had forwarded their accounts of 2018-19 by 30 September 2019.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the State Legislature as per the provisions of the respective Acts. Status of annual accounts of Statutory Corporations and placement of their SARs in legislature as on 30 September 2019 is detailed below:

**Table 3.7: Status of placement of SAR of the Statutory Corporations**

Name of the Corporation	Year of Accounts	Month of placement of SAR
Rajasthan Financial Corporation	2017-18	February 2019
	2018-19	Yet to be placed
Rajasthan State Warehousing Corporation	2017-18	January 2019
	2018-19	Yet to be placed
Rajasthan State Road Transport Corporation	2016-17	July 2019
	2017-18 and 2018-19	Yet to be placed

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

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

**3.10** As pointed in paragraph 3.8, the delay in finalization 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 GSDP of Rajasthan for the year 2018-19 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.

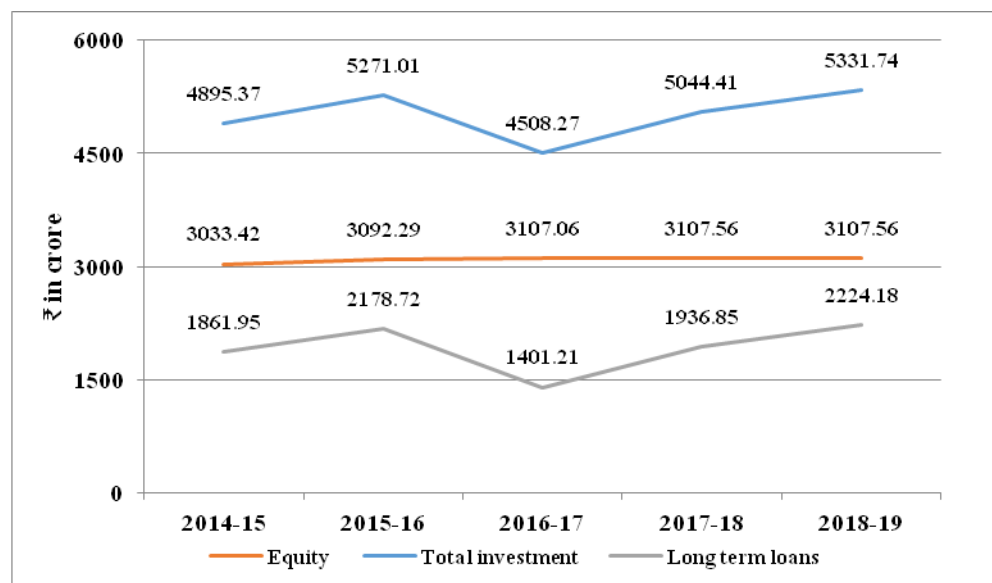
### Performance of State PSUs (other than Power Sector)

**3.11** 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 2019 are detailed in *Annex-11*.

The PSUs are expected to yield reasonable return on investment made by the Government in the undertakings. The amount of investment as on 31 March 2019 in the State PSUs (other than Power Sector) was ₹ 12488.40 crore consisting of ₹ 3589.87 crore as equity and ₹ 8898.53 crore as long term loans. Out of this, GoR has investment of ₹ 5331.74 crore in the 25 State PSUs (other than Power Sector) consisting of equity of ₹ 3107.56 crore and long term loans of ₹ 2224.18 crore.

The year wise statement of investment of GoR in the PSUs other than power sector during the period 2014-15 to 2018-19 is as follows:

**Chart 3.2: Total investment of GoR in PSUs (other than power sector)**



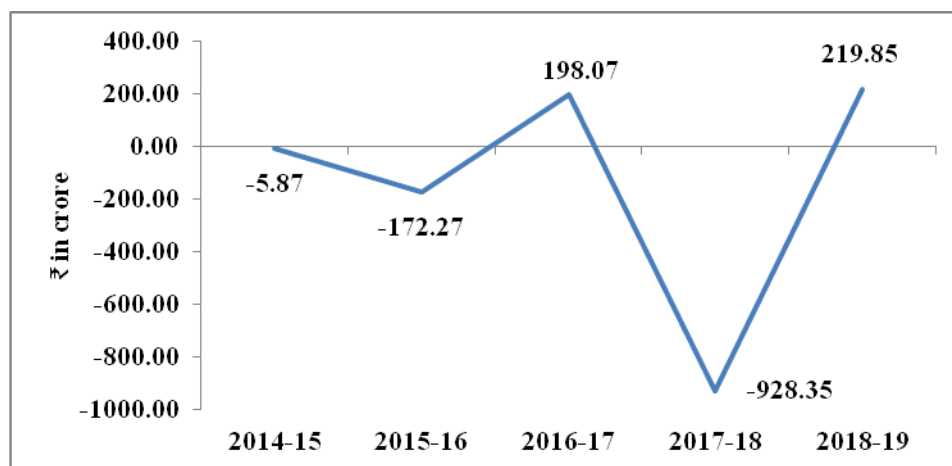
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed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

**3.12** The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit earned/losses<sup>8</sup> incurred by the working State PSUs (other than Power Sector) during 2014-15 to 2018-19 is depicted below in a chart:

**Chart 3.3: Profit earned/Losses incurred by working PSUs (other than Power Sector)**



The loss of ₹ 5.87 crore incurred by these working PSUs in 2014-15 transformed into profit of ₹ 219.85 crore in 2018-19 due to substantial decrease in losses of RSRTC and Jaipur Metro Rail Corporation Limited (JMRCL). As per latest finalised accounts for the year 2018-19, out of 25 working State PSUs, 18 PSUs earned profit of ₹ 511.53 crore and seven PSUs incurred losses of ₹ 291.68 crore as detailed in *Annex-11*.

The top profit making companies were RSMML (₹ 168.50 crore), Rajasthan State Industrial Development and Investment Corporation Limited (RIICO) (₹ 142.94 crore), RSWC (₹ 88.89 crore), RSRDCCL (₹ 35.00 crore) while RSRTC (₹ 176.71 crore) and JMRCL (₹ 52.97 crore) incurred heavy losses.

Of the 25 working PSUs (other than Power Sector) as on 31 March 2019, position of working PSUs which earned profit/incurred loss during 2014-15 to 2018-19 is given below:

**Table 3.8: Details of working PSUs (other than Power Sector) which earned profit/ incurred loss during 2014-15 to 2018-19**

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
2014-15	25	17	7	1
2015-16	25	18	6	1

8 Figures are as per the latest finalised accounts of the respective years.

2016-17	25	19	6	-
2017-18	25	19	6	-
2018-19	25	18	7	-

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

**3.13** Out of 28 PSUs (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 ₹ 5331.74 crore in these 25 PSUs including equity of ₹ 3107.56 crore and long term loans of ₹ 2224.18 crore.

The Rate of Return (ROR) on Investment from the PSUs has been calculated on the investment made by the GoR 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 the 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 PSUs (other than Power Sector) 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 historical cost and Present Value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in Table 3.9. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available.

As on 31 March 2019, the equity of the State Government in these 25 PSUs was ₹ 3107.56 crore. Out of the released long term loans of ₹ 2224.18 crore, ₹ 1578.41 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 ₹ 4685.97 crore (₹ 3107.56 crore + ₹ 1578.41 crore).

The sector-wise return on investment on the basis of historical cost of Government investment for the period 2014-15 to 2018-19 is as given below:

**Table 3.9: ROR on State Government investment on historical cost basis**

(₹ 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	ROR on State Government investment on historical cost basis (%)
<b>2014-15</b>			
Social Sector	29.04	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

<b>Competitive Sector</b>	176.60	1988.50	8.88
<b>Others</b>	-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>	-56.98	2397.33	-2.38
<b>Competitive Sector</b>	-870.71	2027.00	-42.96
<b>Others</b>	-0.19	5.49	-3.46
<b>Total</b>	<b>-927.88</b>	<b>4429.82</b>	<b>-20.95</b>
<b>2018-19</b>			
<b>Social Sector</b>	-29.54	2555.12	-1.16
<b>Competitive Sector</b>	286.59	2125.36	13.48
<b>Others</b>	2.04	5.49	37.16
<b>Total</b>	<b>259.09</b>	<b>4685.97</b>	<b>5.53</b>

The rate of return on the State Government investment is worked out by dividing the total earnings<sup>9</sup> of these PSUs by the cost of the State Government investments. The rate of return earned on the State Government investment ranged between -20.95 per cent and 5.53 per cent during the period 2014-15 to 2018-19. The overall return on the State Government investment was negative during 2015-16 and 2017-18 which was mainly due to heavy losses incurred by RSRTC in competitive sector {(-) ₹ 754.10 crore in 2015-16 and (-) ₹ 1169.76 crore in 2017-18} and JMRCL in social sector {(-) ₹ 90.20 crore in 2015-16 and (-) ₹ 90.12 crore in 2017-18}. Further analysis revealed that the return on the State Government investment from competitive sector has shown a fluctuating trend. The returns from competitive sector reduced substantially from -0.28 per cent in 2014-15 to -5.82 per cent in 2015-16 mainly due to increase in losses of RSRTC. This Sector recorded further fluctuation in returns during 2016-17 (8.88 per cent), 2017-18 (-42.96 per cent) and 2018-19 (13.48 per cent) which were attributed to substantial reduction then increase and finally decrease in losses of RSRTC during 2016-17, 2017-18 and 2018-19 respectively.

**(b) Rate of Real Return on Government Investment (RORR)**

**3.14** 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 (PV) of the Government investments has been computed to assess the RORR on the PV of investments of GoR in the State PSUs as compared to historical cost of investments. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2019, 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 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 PSUs till 31 March 2019.

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

During the period from 2014-15 to 2018-19, these 25 PSUs had a positive return on investment during the years 2014-15, 2016-17 and 2018-19. The RORR for these three years have, therefore, been calculated and depicted on the basis of PV.

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

- 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. Further, the funds made available in the forms of the grants/ subsidy have not been reckoned as investment as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available.
- The average rate of interest on Government borrowings for the concerned financial year<sup>10</sup> was adopted as compounded rate for arriving at PV 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 PSUs 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 PSUs is commented upon in paragraph 3.17

**3.15** PSU wise position of the 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 2018-19 is indicated in *Annex-12*. 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 3.10: Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2000-01 to 2018-19**

(₹ 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>11</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>12</sup>	Total Earnings for the year <sup>13</sup>
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1 + vi)/100}	ix={vii* vi}/100}	x
Upto 1999-00	-	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

10 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.

11 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.

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

13 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.



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
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
2018-19	11438.75	0.00	256.15	256.15	7.30	11694.90	12548.63	853.73	259.09
<b>Total</b>		<b>3107.56</b>	<b>1578.41</b>	<b>4685.97</b>					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 4685.97 crore<sup>14</sup> in 2018-19 from ₹ 449.24 crore in 1999-00 as the State Government made further investments in shape of equity (₹ 2695.12 crore) and interest free loans (₹ 1541.61 crore) during the period 2000-01 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 12548.63 crore. During 2000-01 to 2018-19, 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 2018-19 as four<sup>15</sup> of these PSUs incurred substantial losses during this period. Further, the profits earned by three other PSUs<sup>16</sup> during the entire period (2000-19) 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 RSWC which earned profits during the period 2000 to 2019 revealed that these PSUs could register profits because of their monopolistic advantage in the market or because of the business they are getting from Government agencies.

RIICO was permitted by the State Government to acquire Government land at concessional rates (till 2017). It is the main agency in the State which has the right to develop and allot land for industrial/institutional purposes on cost plus overhead charges. The accumulated profits of RIICO increased to ₹ 1516.60 crore in 2017-18 as against ₹ 282.64 crore in 2000-01 mainly on account of profit from infrastructure activity. During 2016-17 and 2017-18, percentage of profit from Infrastructure Activity was 85 *per cent* and 93 *per cent* respectively in the total profits. Similarly, RSMML earned significant revenue from sale of rock phosphate, the mineral for which the Company has a near monopoly in the country and it contributes 98 *per cent* of the country's total

14 ₹ 4685.97 crore = ₹ 3107.56 crore + ₹ 1578.41 crore.

15 RSRTC (2000-19), Rajasthan Tourism Development Corporation Limited (RTDCL) (2009-19), JMRCL (2011-19) and RFC (2009-10).

16 RIICO, RSMML and RSWC.

production. The share of profit from Rock Phosphate mining ranged between 41 per cent and 63 per cent of the total profit of the Company during 2009-10 to 2018-19 (except 16 per cent in the year 2017-18). Further, RSWC gets commission (warehousing charges) from the State Government and also earned warehousing charges for storing crops on behalf of Food Corporation of India (FCI), National Agricultural Cooperative Marketing Federation of India Limited (NAFED) and other State agencies. During 2018-19, warehousing charges constituted 89 per cent of the total revenue of the Corporation which is contributed by FCI (24 per cent), NAFED (72 per cent) and other State/ private agencies (four per cent). Thus, the profitability of the Corporation is largely dependent on business opportunities provided by the State Government/PSUs.

**3.16** As during the years 2014-15, 2016-17 and 2018-19, the Government had positive returns on investments made in these PSUs, sector-wise comparison of returns on the State Government funds at historical cost and at present value for these years is given in table below:

**Table 3.11: Rate of Real Return on State Government Investment (RORR)**

(₹ 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	ROR on State Government investment on historical cost basis (%)	PV of the State Government investment at end of the year	RORR considering the present value of the investments (%)
<b>2014-15</b>					
<b>Social Sector</b>	29.04	2900.86	1.00	3657.80	0.80
<b>Competitive Sector</b>	-4.41	1572.53	-0.28	5674.46	-0.08
<b>Others</b>	-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>					
<b>Social Sector</b>	14.05	2008.15	0.70	3242.76	0.43
<b>Competitive Sector</b>	176.60	1988.50	8.88	6981.62	2.53
<b>Others</b>	-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>
<b>2018-19</b>					
<b>Social Sector</b>	-29.54	2555.12	-1.16	4350.85	-0.68
<b>Competitive Sector</b>	286.59	2125.36	13.48	8188.03	3.50
<b>Others</b>	2.04	5.49	37.16	9.75	20.92
<b>Total</b>	<b>259.09</b>	<b>4685.97</b>	<b>5.53</b>	<b>12548.63</b>	<b>2.06</b>

The return earned on the State Government investment on historical cost basis increased to 5.53 per cent in 2018-19 from 0.54 per cent in 2014-15 whereas the RORR considering the PV of the investments increased from 0.26 per cent to 2.06 per cent during the same period. Further, the RORR from competitive sector increased from (-) 0.08 per cent in 2014-15 to 3.50 per cent in 2018-19 against an increase in returns on State Government investment from (-) 0.28 per cent to 13.48 per cent based on the historical cost of investment during the same period.

### **Erosion of Net worth**

**3.17** 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 ₹ 3589.87 crore and ₹ 1176.75 crore respectively resulting in net worth of ₹ 2412.46 crore after deducting deferred revenue expenditure of ₹ 0.66 crore as detailed in **Annex-II**. 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 ₹ 5193.52 crore respectively. Of these ten PSUs, the maximum net worth erosion was in RSRTC (₹ 4177.02 crore), RTDCL (₹ 123.10 crore), BLMCL (₹ 51.87 crore), RSAICL (₹ 48.82 crore) and Rajasthan Small Industries Corporation Limited (RSICL) (₹ 18.52 crore). Of these ten PSUs where net worth had been fully eroded, three<sup>17</sup> PSUs earned profit during the year 2018-19 although there were substantial accumulated losses.

Further the following table indicates total paid up capital, total accumulated profit/loss, and total net worth of the 25 PSUs (other than Power Sector) where the State Government has made direct investment:

**Table 3.12: Net worth of 25 PSUs (other than Power Sector) during 2014-15 to 2018-19**

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
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
2018-19	3372.92	-1098.95	0.66	2273.31

As can be seen, the net worth of these companies fluctuated during the period. It increased from ₹ 1880.49 crore in 2014-15 to ₹ 2273.31 crore in 2018-19. Out of 25 PSUs, 16 PSUs<sup>18</sup> showed positive net worth and net worth of nine<sup>19</sup> PSUs was in negative during 2014-15. The net worth of seven<sup>20</sup> PSUs decreased during 2014-15 to 2018-19 whereas it increased in respect of 18<sup>21</sup> PSUs during the same period.

### Dividend Payout

**3.18** 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.

17 Rajasthan State Handloom Development Corporation Limited (RSHDCL) and RCACL for 2017-18 and Rajasthan Skill and Livelihoods Development Corporation (RSLDC) for 2018-19.

18 RUDWS&ICL, Rajasthan State Beverages Corporation Limited (RSBCL), JMRCL, Rajasthan Ex-Servicemen Corporation Limited (RESCL), Rajasthan State Food & Civil Supplies Corporation Limited (RSF&CSCL), Rajasthan State Seeds Corporation Limited (RSSCL), Rajasthan State Power Finance and Financial Services Corporation Limited (RSPF&FSCL), Rajasthan State Ganganagar Sugar Mills Limited (RSGSML), RIICO, RSRDCL, RSMML, Raj COMP Info Services Limited (RISL), RPHCCL, RFC, RSWC and Rajasthan Medical Services Corporation Limited (RMSCL).

19 RSRTC, RTDCL, Rajasthan State Hotels Corporation Limited (RSHCL), RJVNL, RSAICL, RSLDCL, RSHDCL, RSICL and RCACL

20 RSRTC, RTDCL, RSHCL, RJVNL, RSAICL, RCACL and RSLDC

21 RPHCCL, JMRCL, RUDWS&ICL, RSBCL, RESCL, RSF&CSCL, RSSCL, RSPFCL, RSGSML, RIICO, RSRDCL, RSMML, RISL, RFC, RSWC, RSHDCL, RSICL and RMSCL.

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 3.13: Dividend Payout of 25 PSUs (other than Power Sector) during 2014-15 to 2018-19

(₹ 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
2014-15	25	3033.42	16	884.23	7 <sup>22</sup>	60.19	6.81
2015-16	25	3092.29	17	949.74	7 <sup>22</sup>	94.38	9.94
2016-17	25	3107.06	19	970.27	7 <sup>22</sup>	62.14	6.40
2017-18	25	3107.56	19	970.27	5 <sup>23</sup>	59.25	6.11
2018-19	25	3107.56	18	963.36	6 <sup>24</sup>	64.82	6.73

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 16 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 2014-15 to 2018-19 ranged between 6.11 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 increased from 2.24 per cent in 1962-63 to 6.73 per cent in 2018-19.

Of these six PSUs which declared/paid dividend during 2018-19, three<sup>25</sup> PSUs declared dividend higher than the prescribed limit, while two<sup>26</sup> PSU declared dividend lower than the prescribed limit and only one<sup>27</sup> PSU declared dividend as per the dividend policy.

### Return on Equity

**3.19** 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 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 PSUs (other than Power Sector)** where funds had been infused by the State Government. The

22 RSMML, RSRDCCL, RSWC, RSBCL, RIICO, RSGSML and RSSCL.  
 23 RSMML, RSWC, RSBCL, RIICO and RSSCL.  
 24 RSMML, RSWC, RSBCL, RIICO, RSSCL and RSRDCCL.  
 25 RSSCL, RSMML and RSWC.  
 26 RIICO and RSRDCCL.  
 27 RSBCL.

details of Shareholders' fund and ROE relating to 25 PSUs (other than Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

**Table 3.14: 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 (%)
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	-
2018-19	259.09	2273.31	11.40

During the last five years period ended March 2019, the Net Income was positive during 2014-15, 2016-17 and 2018-19 and the ROE during these years ranged between 1.29 *per cent* and 11.40 *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**

**3.20** 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>28</sup>. The details of total **ROCE of all the 28 State PSUs** (other than Power Sector) together during the period from 2014-15 to 2018-19 are given in table below:

**Table 3.15: Return on Capital Employed**

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
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
2018-19	1002.72	9822.33	10.21

The ROCE of these State PSUs ranged between -13.06 *per cent* and 10.21 *per cent* during the period 2014-15 to 2018-19. The ROCE increased substantially during the year 2018-19 in comparison to 2017-18 and turned into positive return due to significant decrease in losses of RSRTC and JMRCL.

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

**3.21** Analysis of the Long Term Loans of the PSUs which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the 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**

**3.22** 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

<sup>28</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.

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 under 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 2014-15 to 2018-19 are given in table below:

**Table 3.16: 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
2014-15	334.09	89.31	14	09	5 <sup>29</sup>
2015-16	428.86	210.80	19	15	4 <sup>30</sup>
2016-17	472.62	577.56	19	14	5 <sup>31</sup>
2017-18	475.35	-1233.10	20	15	5 <sup>31</sup>
2018-19	530.58	953.15	20	13	7 <sup>32</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 2018-19, 13 PSUs had interest coverage ratio of more than one whereas remaining seven PSUs had interest coverage ratio below one which indicates that these seven PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

### **Debt Turnover Ratio**

**3.23** During the last five years, the turnover of the 28 PSUs recorded compounded annual growth of 9.84 *per cent* and compounded annual growth of debt was 12.16 *per cent* due to which the debt turnover ratio improved slightly from 0.64 in 2014-15 to 0.60 in 2018-19 as given in table below:

**Table 3.17: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)**

Particulars	(₹ in crore)				
	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	7235.85	7281.07	6829.12	6926.72	8898.53
Turnover	11390.91	12171.63	13417.48	13911.21	14823.86
Debt-Turnover Ratio	0.64:1	0.60:1	0.51:1	0.50:1	0.60:1

Source: Compiled based on information received from PSUs.

The debt-turnover ratio ranged between 0.50 and 0.64 during this period. The debt turnover ratio increased substantially during the year 2018-19 in comparison to that for the year 2017-18 mainly due to increase in debt of RUDWS&ICL, RSRDCL and JMRCL.

## **Winding up of inactive State PSUs**

**3.24** Three of the 28 State PSUs (other than Power Sector) were inactive

29 RSICL, RSHCL, RTDCL, RSRTC and RSAICL.

30 RSHCL, RTDCL, RSRTC and RSAICL.

31 JMRCL, RSHCL, RTDCL, RSRTC and RSAICL.

32 RSICL, JMRCL, RSHCL, RTDCL, BLMCL, RSRTC and RSAICL

having a total investment of ₹ 28.04 crore (₹ 22.28 crore in RSAICL, ₹ 4.49 crore in RCACL and ₹ 1.27 crore in RJVNL) towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) as on 31 March 2019. The number of inactive PSUs at the end of each year during last five years ended 31 March 2019 are given below:

**Table 3.18: Inactive State PSUs**

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
No. of inactive companies	3	3	3	3	3

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

RSAICL is under process of liquidation as Government Liquidator has been appointed. Rest two PSUs are inactive from last three to eight years, the Government may take urgent appropriate decision regarding these PSUs.

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

**3.25** Fifteen working companies forwarded 18 audited accounts to the Accountant General during the period from 1 October 2018 to 30 September 2019. Of these, 13 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 3.19: Impact of audit comments on Working Companies (other than Power Sector)**

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	0.06	3	23.91	6	46.38
2.	Increase in profit	3	3.91	1	4.43	2	10.20
3.	Increase in loss	1	0.09	-	-	3	11.17
4.	Decrease in loss	-	-	1	3.43	-	-
5.	Non-disclosure of material facts	3	6.23	-	-	-	-
6.	Errors of classification	3	16.66	1	9.74	3	22.77

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

During the year 2018-19, the Statutory Auditors had issued adverse certificate on accounts of RSF&CSCL and qualified certificates on nine other accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out eighteen instances of non-compliance to the Accounting Standards in six accounts.

**3.26** 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 2018-19 whereas RSRTC forwarded annual accounts for the year 2017-18 during 01 October 2018 to 30 September 2019. All three accounts were selected for supplementary audit.

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 3.20: Impact of audit comments on Statutory Corporations**

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	1	49.81	2	55.46	1	6.01
2.	Increase in profit	-	-	-	-	-	-
3.	Increase in loss	1	1658.39	-	-	-	-
4.	Decrease in loss	-	-	1	464.82	-	-
5.	Non-disclosure of material facts	1	7404.63	1	1100.00	-	-
6.	Errors of classification	2	83.00	1	2.00	1	2.00

### Performance Audit and Compliance Audit Paragraphs

**3.27** For Part II of the Report of the CAG for the year ended 31 March 2019, a performance audit (PA) on 'Acquisition and Utilization of Buses by Rajasthan State Road Transport Corporation' and six compliance audit paragraphs related to State PSUs (other than Power Sector) were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies. Replies on the PA and the compliance audit paragraphs have been received from the State Government/Management and suitably incorporated in this Report (May 2020). The total financial impact of the PA and compliance audit paragraphs is ₹ 197.83 crore.

### Follow up action on Audit Reports and Inspection Reports

#### Replies outstanding

**3.28** The Report of the CAG 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 (September 2019) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/PAs included in the Reports of the CAG 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 3.21: Position of explanatory notes on Audit Reports related to State PSUs (other than Power Sector) as on 30 September 2019**

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total PAs and Paragraphs related to Non Power Sector in the Audit Report		Number of PAs and Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2017-18	26.07.2019	-	2	-	2

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



Explanatory notes on two<sup>33</sup> compliance audit paragraphs were pending with one department till September 2019.

**3.29** Audit observations noticed during audit and not settled on the spot are communicated through Inspection Reports (IRs) to the Heads of respective PSUs and concerned departments of the State Government. The Heads of PSUs are required to furnish replies to the IRs within a period of one month.

Inspection Reports issued up to March 2019 pertaining to 28 PSUs (other than Power Sector) disclosed that 1832 paragraphs relating to 393 Inspection Reports involving monetary value of ₹ 5375.90 crore remained outstanding at the end of September 2019. Even initial replies were not received in respect of 172 paragraphs of seven PSUs. Department-wise break up of Inspection Reports and audit observations as on 30 September 2019 is given in **Annex-13**. Further, during 2018-19 audit of 87 units of the PSUs (other than Power Sector) was conducted and 57 Inspection Reports containing 437 para were issued. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in eleven out of seventeen PSUs. 15 Audit Committee meetings were held during 2018-19 wherein position of outstanding paragraphs was discussed with executive/administrative departments to ensure accountability and responsiveness.

#### **Recovery at the instance of Audit**

**3.30** During the course of compliance audit in 2018-19, recoveries of ₹ 54.79 crore were pointed out to the Management of PSUs. Further, an amount of ₹ 3.04 crore had been effected during the year 2018-19 which pertains to the recoveries pointed out in previous years.

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

**3.31** The status of discussion of PAs and paragraphs related to PSUs (other than Power Sector) that appeared in Audit Reports (PSUs) by the COPU as on 30 September 2019 was as under:

**Table 3.22: Performance Audits/Paragraphs appeared in Audit Reports vis-a-vis discussed as on 30 September 2019**

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	-	-
2017-18	-	2	-	-

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.

# **Chapter-IV**

Performance Audit  
relating to State PSUs (other  
than Power Sector)

## Chapter-IV

### Performance Audit relating to State PSUs (Other than Power Sector)

#### Rajasthan State Road Transport Corporation

#### Performance Audit on Acquisition and Utilisation of Buses

#### Executive Summary

This Performance Audit covers the acquisition and utilization of buses by Rajasthan State Road Transportation Corporation (Corporation) during 2014-15 to 2018-19.

##### Financial Performance

- The Corporation incurred heavy losses during 2014-15 to 2018-19 and could not even recover its cost of operation. Resultantly, accumulated losses and negative net worth of the Corporation increased significantly from ₹ 2766.90 crore and ₹ 2127.94 crore in 2014-15 to ₹ 4975.52 crore and ₹ 4336.56 crore in 2018-19 respectively.

##### Share of Corporation in the public transport

- The Corporation was not able to keep pace with the growing demand for public transport as the Corporation's share in the bus traffic and per capita effective kilometers operated decreased from 10.36 *per cent* to 9.98 *per cent* and from 8.43 to 6.91 due to higher rate of increase in fleet of private stage carriage and lower fleet utilization by the Corporation.

##### Policy/mechanism for assessment of requirement

- The Corporation did not develop a mechanism to correlate the requirement assessed in bi-annual plan with the availability of buses to plan for procurement/hiring of buses on periodic basis.

##### Hiring of buses without obtaining depot wise requirement

- The hiring of buses was done at centralised level without obtaining specific requirement from the concerned depots. The Corporation did not even confirm the requirement from depots before allocation of hired buses. Resultantly, four to seven depots had surplus buses which ranged between 21 and 75 buses and five to eight depots faced shortage of buses which ranged between 60 to 183 buses during 2016-19. Besides, Kota depot (2016-17), Rajsamand and Dungarpur depot (2017-18) and Jaipur depot (2017-18 and 2018-19) held excess buses but the same were not shifted to other depots which were facing shortage of buses.

##### Loss from operation of hired luxury/semi deluxe buses

- The Corporation hired and deployed the luxury/semi deluxe buses without assessing proper requirement and feasibility of operating the buses on certain routes. Resultantly, the Corporation incurred net loss of ₹ 2.34 crore due to operation of buses on uneconomical routes. Despite suffering continuous loss, the Corporation did not make efforts to find alternate routes for plying these buses.

##### Deficiencies in hiring of buses (2016-17)

- The Corporation invited (December 2016) tenders for hiring of 800 buses, however, it did not reassess the requirement after getting the approval from the GoR for procurement of new 500 blue line buses. It went ahead and hired the buses for a period of five years. Thus, non-reduction in requirement of buses to be hired resulted in availability of excess buses than actually utilised.

#### Fleet Strength and its Age Profile

- The Corporation was not able to achieve the prescribed norms for condemnation of vehicles. The percentage of overage buses increased from 7.33 per cent in 2014-15 to 18.46 per cent in 2018-19.

#### Fleet utilization

- The average fleet utilization of the Corporation declined from 92 per cent in 2014-15 to 68 per cent in 2018-19 mainly due to curtailment of scheduled KMs on account of breakdowns, mechanical problems, non-allocation of buses etc.

#### Vehicle Productivity

- The overall vehicle productivity (including hired buses) of the Corporation had declined from 397 KMs to 392 KMs per day during 2014-15 to 2018-19. The vehicle productivity of the Corporation buses reduced from 390 KMs to 363 KMs per day, however, the Corporation did not initiate corrective action to improve the situation.

#### Cancellation of Scheduled Kilometres

- The percentage of cancellation of scheduled KMs increased continuously from 7.25 to 14.20 during 2014-19 mainly due to non-deployment of adequate number of buses, shortage of crew and other factors like breakdowns, accidents, low income etc. Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of revenue of ₹ 72.95 crore during 2014-19.

#### Load Factor

- The performance of the Corporation remained poor as it could not achieve the targeted load factor during 2014-15 to 2018-19. The break-even load factor was quite high and ranged between 83.01 per cent and 102.55 per cent. Further it has continuously increased after 2016-17.

#### Fuel Efficiency

- The Corporation was not able to achieve the diesel average target during 2014-19. None of the selected 15 depots, except Rajsamand depot in 2015-16 and Karauli depot in 2017-18, could achieve the depots-wise targets of kilometer per liter (KMPL) during 2014-19. Non-achievement of KMPL was mainly attributable to operation of over-aged vehicles which increased from 322 to 749 i.e. 18.46 per cent of total buses of the Corporation as on March 2019.

#### Performance of Central Workshop (CWS) Jaipur

- The performance of CWS, Jaipur was poor as against 81 per cent timely repair of buses in 2014-15, only 65 per cent buses were repaired timely in 2018-19. Further, in 2017-18 and 2018-19, the position deteriorated significantly as CWS took 61 days to 365 days for repair of 145 buses.

#### Monitoring of Performance Indicators

- The system was deficient as the effectiveness and usefulness of information compiled on various parameters had not been reviewed as well as MIS did not provide information on schedules operating below variable cost. The depot-wise information of various performance indicators was not apprised to BoD.

#### Recommendations

- The Performance Audit contains five recommendations viz. the Corporation needs to look at improving its efforts (i) to enhance the Corporation's share in public transport; (ii) Evolving a system for assessment of requirement of buses to be procured/hired considering the planned schedule and availability of buses; (iii) Ensuring adherence to provisions of RTPPP Act and Rules as well as contract agreements executed with the contractors/ suppliers; (iv) Taking concrete steps for optimal utilization of fleet, improvement of vehicle productivity; improving the load factor, reduction of fixed cost and fuel cost; and (v) Strengthening the internal audit and monitoring system.

Further, in case the Corporation does not improve its operational and financial performance within a targeted time frame, the Government may take a final call on continuing the operations of the Corporation.

## Introduction

**4.1** Rajasthan State Road Transport Corporation (Corporation) was established (1 October 1964) under the Road Transport Corporations Act, 1950 with the mandate to provide efficient, adequate, economical and properly coordinated public road transport in the State. Apart from the Corporation, the Private Bus Operators (PBOs) are also allowed to provide public road transport in the State. The Corporation/PBOs need to obtain permits from the Transport Department, Government of Rajasthan (GoR) for operating the buses in the State. The Transport Department, GoR had reserved all the nationalised routes for the Corporation for operating stage carriage whereas other type of routes<sup>1</sup> were available for plying buses by the Corporation as well as PBOs. In September 2015, the GoR de-nationalised 476 routes and opened these routes for operation of buses by the PBOs also.

As on 31 March 2019, the Corporation had fleet strength of 5030 buses (including 973 hired buses). The Corporation carried on an average 8.51 lakh passengers per day and operated 14.90 lakh kilometers during 2018-19. As on 31 March 2019, the Corporation had 15279 employees. As per the latest audited accounts for the year 2017-18, the Corporation had negative net worth of ₹ 4177.02 crore as it had share capital of ₹ 638.96 crore<sup>2</sup> only against accumulated losses of ₹ 4815.98 crore. As per unaudited figures for the year 2018-19, accumulated losses and negative net worth of the Corporation further increased to ₹ 4975.52 crore and ₹ 4336.56 crore respectively.

### *Organisational Structure*

**4.2** The Corporation works under the administrative control of the Transport Department, GoR. The management of the Corporation is vested with the Board of Directors (BoD) comprising Chairman, Managing Director and Directors appointed by the State Government. As on 31 March 2019, there were seven Directors on the BoD of the Corporation. The Managing Director, who is chief executive of the Corporation, carries out the day-to-day operations with the assistance of Executive Directors (Administration, Traffic, Engineering and Law), Financial Advisor, General Managers, Chief Production Managers and Chief Managers (Depot In-charge).

As on 31 March 2019, the Corporation had one head office and 60 field offices. Category wise position of the field offices are detailed under:

Category of field office	Number of field offices	Nature of activity
Depots	52	Depots are the operational units of the Corporation. The Corporation has allocated its entire fleet among the depots which operate the buses and generate revenue from their operation. These depots include one Deluxe Depot, Jaipur which is unique in its nature as this depot owns and operates luxury buses only.

<sup>1</sup> Inter State, Chapter V of the Motor Vehicle Act 1988, city and rural routes.

<sup>2</sup> This includes share capital infused by the GoR (₹ 612.13 crore including share application money of ₹ 80 crore) and Government of India (₹ 26.83 crore including capital contribution of ₹ 2.05 crore).

Central Bus Stands (CBS) and Out of State Units	4	The Corporation owns two CBS at Jaipur and Ajmer and two other units which are located out of Rajasthan <i>i.e.</i> Delhi and Ahmedabad. All these units are non-operational as such none of these units own a fleet and provide booking facility to the passengers travelling through buses operated by the depots.
Central Workshops	3	Central workshop conducts the repair work of bus body, reconditioning of engines, fuel injection pump and other major repair and maintenance of buses. The Corporation has set up three workshops at Jaipur (Bagrana), Jodhpur and Ajmer.
Central Store	1	The Corporation has a Central Store for procurement and storage of major spare parts required for repair and maintenance of its buses.
<b>Total</b>	<b>60</b>	

The head office and the field offices of the Corporation prepare separate accounts except three operational depots (Karauli, Shahpura and Jaisalmer) accounts of which are merged along with three<sup>3</sup> other operational depots. Besides, the Corporation owns two tyre retreading plants at Jaipur and Ajmer and one driving school at Ajmer which was established with the help of Infrastructure Leasing and Finance Services Limited (IL&FS) for training of candidates.

### Scope of Audit

**4.3** The Performance Audit covered acquisition and utilization of buses by the Corporation during 2014-15 to 2018-19. Audit scrutiny involved detailed review of records relating to all the tenders/contracts executed for procuring chassis/fabricating bus bodies, hiring of buses and utilisation of buses maintained at Head Office as well as 15 selected depots<sup>4</sup> and one central workshop (Jaipur) of the Corporation. The 13 depots were selected by adopting random sampling method; one depot (Deluxe depot) was selected being unique in its nature and one depot (Hindaun depot) was selected on the recommendations of the management during the entry conference.

### Audit Objectives

- 4.4** The Performance Audit was conducted to assess whether:
- the Corporation was able to keep pace with the growing demand of public transport in the State;
  - requirement of buses was assessed properly and planning of procurement and hiring of buses was adequate;
  - the laid down rules/regulations were adhered to in procurement/hiring of buses;

3 Accounts of Karauli, Shahpura and Jaisalmer depots are merged with the accounts of Hindaun, Kotputli and Barmer depot respectively.

4 Anoopgarh, Karoli, Lohagarh, Hanumangarh, Rajsamand, Ajaymeru, Sirohi, Tonk, Jaipur, Dungarpur, Sikar, Kota, Banswara, Deluxe and Hindaun Depots.

- utilisation of buses was done in an economic and efficient manner; and
- a robust mechanism for monitoring by top management exists.

### **Audit Criteria**

**4.5** The criteria for the audit objectives were drawn from the following sources:

- vision document/guidelines and directions issued by the State Government and policy of the Corporation;
- procurement procedure prescribed by the Corporation and Rajasthan Transparency in Public Procurement (RTPP) Act 2012/Rules 2013; and
- standard practices/guidelines issued by the State Government and Association of State Road Transport Undertaking (ASRTU) from time to time.

### **Audit Methodology**

**4.6** The methodology adopted for attaining audit objectives with reference to audit criteria consisted of:

- explaining audit objectives, scope of audit and audit criteria to the Government/Corporation during entry conference (12 March 2019);
- scrutiny of records at Head Office of the Corporation, 15 selected depots and one selected workshop;
- raising audit queries, seeking their replies and interaction with the management;
- issue (30 August 2019) of factual statement on draft Performance Audit Report to the Government/Corporation;
- discussion with the Corporation on the audit findings during exit conference held on 26 November 2019; and
- issue of draft Performance Audit Report to the Government/Corporation after incorporating the views/replies (December 2019) of the Government on the audit findings.
- finalisation of the Report after incorporation of views/replies (June 2020) of the Government on the draft Performance Audit Report.

### **Acknowledgement**

**4.7** Audit acknowledges the co-operation extended by the Corporation and its field offices and the Government of Rajasthan in conducting the audit.

### **Financial Performance**

**4.8** Year wise financial performance of the Corporation during the last five years period ended 31 March 2019 is detailed under:

**Table 4.1: Financial Performance of the Corporation during 2014-15 to 2018-19**

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19*
<b>1.</b>	<b>Revenue</b>					
A.	Operating Revenue	1702.66	1661.89	1674.49	1845.30	1722.75
B.	Non-operating Revenue	131.13	45.67	98.76	348.06	437.27
	<b>Total (A+B)</b>	<b>1833.79</b>	<b>1707.56</b>	<b>1773.25</b>	<b>2193.36</b>	<b>2160.02</b>
<b>2.</b>	<b>Expenditure</b>					
A.	Operating Expenditure	2390.54	2199.54	3890.01	2307.87	2239.03
B.	Non-operating Expenditure	1.89	0.44	0.81	0.55	0.49
	<b>Total (A+B)</b>	<b>2392.43</b>	<b>2199.98</b>	<b>3890.82</b>	<b>2308.42</b>	<b>2239.52</b>
<b>3.</b>	<b>Operating Loss (1A-2A)</b>	<b>687.88</b>	<b>537.65</b>	<b>2215.52</b>	<b>462.57</b>	<b>516.28</b>
<b>4.</b>	<b>Net Loss before appropriation (1-2)</b>	<b>558.64</b>	<b>492.42</b>	<b>2117.57</b>	<b>115.06</b>	<b>79.50</b>
5.	Adjustment as per appropriation	69.84	210.20	-947.81	61.65	80.04
<b>6.</b>	<b>Net Loss after appropriation (3+4)</b>	<b>628.48</b>	<b>702.62</b>	<b>1169.76</b>	<b>176.71</b>	<b>159.54</b>
<b>7.</b>	<b>Accumulated Loss</b>	<b>2766.90</b>	<b>3469.51</b>	<b>4639.27</b>	<b>4815.98</b>	<b>4975.52</b>
<b>8.</b>	<b>Net worth (Negative)</b>	<b>2127.94</b>	<b>2830.55</b>	<b>4000.31</b>	<b>4177.02</b>	<b>4336.56</b>

\*Unaudited figures

The Corporation incurred heavy losses during 2014-15 to 2018-19 due to low load factor, substantial increase in employee cost and cost of fuel and recognition of employee retirement benefits of previous years in 2016-17 as per actuarial valuation. Even the Corporation could not recover its cost of operation. Resultantly, accumulated losses and negative net worth of the Corporation increased significantly from ₹ 2766.90 crore and ₹ 2127.94 crore in 2014-15 to ₹ 4975.52 crore and ₹ 4336.56 crore in 2018-19 respectively.

## Audit Findings

**4.9** The audit findings which broadly cover issues relating to operational performance of the Corporation, assessment of requirement, compliance of Rajasthan Transparency in Public Procurement (RTPP) Act 2012/Rules 2013, inspection, insurance and depot allocation for own buses, hiring of buses, utilisation of buses and internal control mechanism are discussed at subsequent paragraphs **4.10 to 4.36**.

These audit findings are based on Audit analysis of sample cases only and there is a possibility of more such cases occurring in the Corporation. Therefore, the Government/Corporation is expected to review all other cases having possibility of similar deficiencies/irregularities and required to take corrective action in cases where similar deficiencies/irregularities are found.

The replies of the Government (December 2019 and June 2020) on the audit findings have been included. Besides during discussion in 'Exit Conference', the Management of the Corporation informed about the steps taken by it in past few months *i.e.* preparation of perspective plan, action taken for implementation of SAP, rationalization of winter and summer schedules, procurement of new buses to replace the obsolete fleet and reduction in manpower cost to increase the revenue and share of the Corporation. As



regards discrepancy/non-reconciliation of effective permits, it stated that problem arises as the Corporation did not have a proper IT enabled system to maintain such data. It further stated that the Corporation would overcome from all such type of problems after implementation of SAP.

### Operational Performance

**4.10** The operational performance of the Corporation for the last five years ending on 31 March 2019 as regards to schedules/kilometers planned, operated, curtailed, requirement and availability of buses *etc.* is tabulated below:

**Table 4.2: Operational Performance of the Corporation during 2014-15 to 2018-19**

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1.	Average schedules planned (No.)	4472	4327	4239	4542	4289	-
2.	Planned kilometres (in lakh)	6562.54	6384.63	6234.75	6619.16	6215.13	<b>32016.21</b>
3.	Planned routes (No.)	2741	2671	2623	2845	2489	
4.	Average schedules operated (No.)	4215	4003	3947	4184	3765	
5.	Operated kilometres (in lakh)	6086.72	5778.40	5687.77	6042.11	5332.39	<b>28927.39</b>
6.	Average operated routes (No.)	2503	2368	2267	2419	2268	-
7.	Buses required as per average planned schedules	4665	4516	4426	4722	4460	-
8.	Average availability of buses						
	(i) Own fleet	4493	4343	4284	4528	4270	
	(ii) Hired buses	211	186	351	916	1025	
	<b>(iii) Total</b>	<b>4704</b>	<b>4529</b>	<b>4635</b>	<b>5444</b>	<b>5295</b>	
9.	Average schedule curtailed	257	324	292	358	524	
10.	Kilometres curtailed (in lakh)	475.82	606.23	546.98	577.05	882.74	<b>3088.82</b>
11.	Routes curtailed	238	304	356	427	221	
12.	Percentage of routes operated	91.32	88.62	86.43	85.00	91.12	
13.	Availability of buses in excess of the requirement {8(iii)-7}	39	13	209	722	835	
14.	Cost per kilometres (in ₹)	38.20	34.50	36.83	36.89	41.33	
15.	Earnings per kilometres (in ₹)	29.28	28.93	30.52	35.46	41.00	
16.	Loss of earnings (₹ in crore) (10*15)	139.32	175.38	166.93	204.62	361.92	<b>1048.17</b>

Source: Annual Reports of the Corporation and information/data provided by the Corporation.

In the budget speech of 2014-15, it was stated (July 2014) that despite its best efforts, the Corporation could not provide convenient and adequate transport facility to the villages/cities connected with the nationalized roads which forces the population to use unsafe means of transport. It was further stated

that the main objective of the Government is to provide legal and convenient transport facility and thus decided to de-nationalise the nationalised routes of the State. Accordingly, after modifying (May 2015) the schemes issued under the Motor Vehicle Act 1939/1988, the State Government notified (September 2015) 476 routes for private operators with limited number of vehicles and trips on these notified routes.

The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand for public transport and recover the cost of operations. Audit findings in this regard are discussed in the subsequent paragraphs.

The Government accepted the facts and stated that there was decline in various parameters of operational performance of the Corporation.

### ***Share of Corporation in the public transport***

**4.11** An integrated/comprehensive Passenger Transport Policy is essential to ensure an economic and efficient public transport system in the State, so as to provide better/ adequate services to commuters at reasonable prices, eliminate operations of illegal passenger transport vehicles and reduction of congestion/pollution caused due to substantial increase in individual/private vehicles. Audit noticed that the Government of Punjab has notified (22 February 2018) its road transport policy with a view to provide an efficient, adequate, economical and properly coordinated transport service by reserving the percentage of movement of state carriages on all routes and/or roads in the State of Punjab and other states so as to curtail unhealthy competition among state carriages that results in over-speeding, unauthorized stoppage and sudden breaking causing discomfort to passengers on board and threatens road safety.

Audit, however, observed that the State Government does not have a documented transport policy. The public road transport in the State is provided by the Corporation and private bus operators. The Transport Department of State Government issues permits to Corporation/private bus operators for public transport mainly in two categories i.e. Stage Carriage and Contract service. The table below depicts the growth of public transport in the State:

**Table 4.3: Growth of Public Transport in the State**

S. No.	Particular	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Effective permits issued to Corporation under stage carriage	6696	6696	6696	6696	6696
2.	Corporation's buses including hired buses <sup>5</sup>	4704	4529	4635	5444	5295
3.	Private stage carriages	40699	43163	44563	46060	47757
4.	Total buses for public transport	45403	47692	49198	51504	53052
<b>5.</b>	<b>Percentage share of Corporation</b>	<b>10.36</b>	<b>9.50</b>	<b>9.42</b>	<b>10.57</b>	<b>9.98</b>
6.	Percentage share of private operators	89.64	90.50	90.58	89.43	90.02
7.	Estimated population (lakh)	722.45	734.71	746.92	759.09	771.21

5 This depicts number of vehicles held at the end of each financial year.

8.	Vehicle density per one lakh population (4/7)	62.85	64.91	65.87	67.85	68.79
9.	Vehicle density of corporation buses per one lakh population (2/7)	6.51	6.16	6.21	7.17	6.87
10.	Average passenger carried per day <sup>6</sup> (lakh)	9.81	9.26	8.72	9.37	8.51
11.	<b>% of average passenger carried per day to population (10/7)</b>	<b>1.36</b>	<b>1.26</b>	<b>1.17</b>	<b>1.23</b>	<b>1.10</b>
12.	Effective KM operated (lakh)	6086.72	5778.40	5687.77	6042.11	5332.39
13.	<b>Per capita KM per year (12/7)</b>	<b>8.43</b>	<b>7.86</b>	<b>7.61</b>	<b>7.96</b>	<b>6.91</b>

Source: Annual Reports of the Corporation and Transport Department, GoR.

The Corporation was not able to keep pace with the growing demand for public transport as the percentage share of the Corporation in average passengers carried per day to population decreased from 1.36 *per cent* to 1.10 *per cent* during 2014-19. The share of Corporation in public transport also declined from 19.59 *per cent* in 2005-06 to 9.98 *per cent* in 2018-19. Despite increase in the number of buses from 4704 to 5295 (12.6 *per cent*) during the review period, the Corporation's share in the bus traffic and per capita effective kilometers operated decreased from 10.36 *per cent* to 9.98 *per cent* and from 8.43 to 6.91 respectively due to higher rate of increase in fleet of private stage carriage and lower fleet utilization of the Corporation. Thus, the Corporation failed to provide adequate transport service to the growing population in the State.

The Government in reply accepted the fact that a transport policy like Punjab State was not issued which led to problems of road safety *i.e.* unhealthy competition, excess speed, unauthorised stoppage *etc.* It also agreed to the need of issuing a transport policy. It further stated that reduction in share in public transport and per capita effective kilometers of the Corporation was mainly due to not procuring new buses, increase in over-aged fleet and operation of buses under Lok Parivahan Services.

### **Routes and permits**

**4.12** The traffic manual of the Corporation stipulates about the requirement of detailed route survey for extension of existing bus services, new routes, assessment of load factor and extension of bus services on the demand of public.

The number of routes allotted to the Corporation for operation of buses and permission for operation of buses on new routes during the period of audit was not provided by the Corporation. Audit observed that the Corporation obtained 295 new permanent permits from the Transport Department, GoR during 2014-19, however details of carrying out requisite route surveys before obtaining these permits were not found on record. In absence of details relating to route surveys, it could not be assessed that the new permits were obtained after conducting proper route survey and assessing feasibility of plying buses on the route.

<sup>6</sup> Total passengers travelled during the year/ 365 days.

**4.13** Section 66 of the Motor Vehicle Act 1988 provides for operation of passenger vehicle. Accordingly, the Corporation has obtained permits under five categories<sup>7</sup> on permanent and temporary basis. The permanent permits are renewed after five years and temporary permits are renewed after the expiry of the permit period. The GoR issued permits to the Corporation under fleet permit category without mention of the bus number on the permit. According to the figures provided by the Corporation, total number of permits at the end of March 2019 were 8074 (7997 permanent and 77 temporary) against the 6696 permits shown in the administrative report of the Transport Department, GoR. The difference in number of permits has been continuing since long; however the same was never reconciled.

During test check in selected depots, Audit observed that out of 143 permits in Hindaun/ Karauli depot, 21 permits were inoperative for more than five years. Similarly, in Kota depot, out of 224 permits, 12 permits were inoperative for more than five years. Besides, the Corporation was not able to operate the routes/ schedules planned during the period 2014-19 as evident from table 4.2.

The Government in reply stated that as per policy of the Corporation, for operation of new routes and addition in old routes on the demand of public, the vehicles are operated only after conducting the route survey and assessing the expected load factor. It further stated that the Corporation did not consider requirement of route survey on the routes opened by the State Government. The Corporation sends proposals to the Transport Department for obtaining permits on new routes after conducting the route survey. The Corporation did not operate vehicles on various routes due to lack of resources/crew, lesser load factor and income *etc.*

The reply was not convincing as details of carrying out route surveys before obtaining the permits were not found in the records of the Corporation. Further, non-conducting route survey on the routes opened by the State Government and operation of vehicles on such routes without assessing feasibility was also not justified.

## Assessment of requirement of buses

### *Policy/mechanism for assessment of requirement*

**4.14.1** Clause 7 of the Traffic Manual of the Corporation prescribed for preparation of bi-annual operational plan (April and September) in the form of timetable for operation of various schedules<sup>8</sup>. Accordingly, the Corporation was required to collect depot wise information of the proposed schedules and to finalise timetable on the basis of proposed schedules for the concerned half year.

Audit noticed that the Corporation prepared the bi-annual operational plan which contained planning of the schedules, trips and kilometers for the period and number of buses required for operating the planned schedules considering margin of four to five *per cent* over and above the planned schedules.

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7 Nationalized routes, inter-state routes, 5th chapter routes (non-nationalized routes), city permits and rural permits.

8 Schedule refers to a planned trip where a vehicle is scheduled to operate between two places *i.e.* points of origin and completion of trip everyday during the plan period.

However, the Corporation did not develop a mechanism to correlate the requirement assessed in bi-annual plan with the availability of buses to plan for procurement/hiring of buses on periodic basis.

The Government in reply stated that the Corporation assesses the number of buses required on a route considering the expected load factor. Further, the Corporation decides the type of vehicle (owned/hired) as per its financial position. However, the reply was silent on the issue of devising policy mechanism by the Corporation for procuring/hiring the buses.

**Hiring of buses without obtaining depot wise requirement**

**4.14.2** As per Clause 10 (Private Contracted Vehicle Branch) of the Traffic Manual, the Corporation hires buses on contract from PBOs from time to time. The Chief Managers of the depots were authorised for hiring of buses on contract which was not to be done beyond 20 per cent of the total scheduled services operated during the period. Later, the Corporation increased (5 December 2016) this ceiling upto 30 per cent of the total scheduled services. Besides, the Corporation started hiring of buses at Head Office level from 2015-16 and invited tenders for hiring of 400 and 800 buses in 2015-16 and 2016-17 respectively for a period of five years.

The requirement *vis-a-vis* availability of hired buses of the Corporation during 2014-19 is depicted below:

**Table 4.4: Requirement *vis-a-vis* Availability of Hired Buses**

*(Figures in numbers)*

Year	Number of schedules planned for the year	Buses required for operating the planned schedules	Buses owned at the beginning of the year	Buses to be hired	Availability of buses at the end of the year			% of hired fleet to total fleet	Buses hired in excess
					Own fleet	Hired fleet	Total fleet		
1	2	3=2*105/100	4	5=3-4	6	7	8=6+7	9=7/8*100	10=7-5
2014-15	4366	4585	4392	193	4395	211	4606	4.58	18
2015-16	4381	4601	4395	206	4303	186	4489	4.14	-20
2016-17	4260	4473	4303	170	4482	351	4833	7.26	181
2017-18	4633	4865	4482	383	4465	916	5381	17.02	533
2018-19	4349	4567	4465	102	4057	1025	5082	20.17	923

It could be observed that:

- During 2014-15 to 2018-19, Corporation’s own fleet reduced from 4392 buses to 4057 buses whereas hired fleet increased from 223<sup>9</sup> to 1025 buses. Thus, dependence of the Corporation on hired fleet increased significantly as the Corporation could not purchase required number of new buses to replace its over-age fleet during this period.
- During 2016-17 to 2018-19, buses hired by the Corporation were significantly higher than its requirement as number of excess hired buses ranged between 181 and 923. The number of excess buses maintained/hired by the Corporation was even higher as a lot of schedules planned for the period had been curtailed during the concerned year as shown in table 4.2.

9 Number of hired fleet as on 1 April 2014.

Audit observed that hiring of buses was done at centralised level without obtaining requirement of buses from the concerned depots whereas the bidders were to quote depot wise rates and quantity of the buses to be offered and also to deliver the buses on respective depots accordingly. Further, the Corporation did not even confirm the requirement from depots before allocation of hired buses which is evident from the fact that four<sup>10</sup> depots expressed their inability to operate the allocated buses due to absence of requisite schedules. Allocation of buses is also discussed in subsequent paragraph **4.14.3**.

The Government accepted the fact that the requirement of buses was not taken from depots before inviting tenders during 2016-17. It was, however, stated that tenders were invited for all the depots considering the operational requirement and information provided by the traffic section for obsolete fleet as per the norms. Further, during exit conference the management assured to take necessary steps in future.

#### ***Allocation of buses to depots***

**4.14.3** Analysis of depot wise requirement *vis-a-vis* allocation of buses relating to the 14 selected depots (except Deluxe depot) for 2016-17 to 2018-19 is detailed in **Annex-14**. It could be seen that the Corporation did not ensure hiring of sufficient buses in time for 2016-17 to 2018-19 as these depots were provided 31, 144 and 282 hired buses against requirement of 70, 275 and 289 hired buses respectively. Further, allocation of buses was also defective as during 2017-18 and 2018-19, the Corporation allocated buses to three and seven depots respectively without having requirement/in excess of their requirement whereas it did not allocate buses/allocated lesser buses to eight and five depots respectively. Resultantly, four to seven depots had surplus buses which ranged between 21 and 75 buses and five to eight depots faced shortage of buses which ranged between 60 to 183 buses during 2016-19. Due to shortage of buses, four to eight depots had to curtail their schedules which ranged between 38 and 53 schedules. Besides, Kota depot (2016-17), Rajsamand and Dungarpur depot (2017-18) and Jaipur depot (2017-18 and 2018-19) held excess buses but the same were not shifted to other depots which were facing shortage of buses.

The Government accepted the facts and stated that the Corporation did not obtain requirement of buses from its depots before inviting tenders during 2016-17. It further stated that the Corporation, however, invited the tenders for all the depots considering its operational requirement and information provided by its traffic section for obsolete fleet as per the norms. The reply was, however, silent in respect of defective allocation of buses during 2017-18 and 2018-19.

### **Compliance of RTPP Act 2012/Rules 2013**

**4.15** Government of Rajasthan enacted (22 May 2012) RTPP Act, 2012 and notified (January 2013) the RTPP Act as well as the RTPP Rules 2013 thereunder to regulate public procurement. The RTPP Act 2012/Rules 2013 are effective from the date of their notification. Certain relevant provisions of

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10 Jhalawar, Baran, Tonk and Deedwana depot.

the RTPP Act 2012/Rules 2013 are detailed in *Annex-15*.

During review of records of the Corporation, following incidents were noticed where the Corporation did not ensure compliance with the provisions stipulated under the RTPP Act 2012/Rules 2013:

**(A) Purchase of new chassis**

***Technical Evaluation Criteria not included in Bid document***

**4.15.1** Section 7 of the RTPP Act 2012 and Rule 36 of RTPP Rules 2013 were not complied as the bid document issued (August 2016) for procuring 500 chassis contained technical specifications relating to procurement but technical criteria for evaluation of technical bids was not mentioned.

The Government while accepting the fact assured to comply with the rules in the upcoming future tenders.

**(B) Fabrication of Bus Bodies on new chassis**

***Issue of work orders without obtaining mandatory accreditation certificates***

**4.15.2** The Corporation invited (June 2016) bids for fabrication of 500 super express blue line bus bodies. As per the terms and conditions of the bid document, the bidders were required to furnish an accreditation certificate<sup>11</sup> for the prototype of bus body fabricated on the chassis<sup>12</sup> provided by the Corporation. The Corporation received (September 2016) bids from two bidders of which the first bidder was a joint venture/consortium of four fabricators. During review of records, Audit found that out of total five fabricators involved in the tendering process, only two fabricators of the joint venture/consortium submitted the requisite accreditation certificates. The Corporation, however, ignored this condition of the tender document and provisions of Section 7 of the RTPP Act 2012 and placed the work orders on both the bidders for fabrication of bus bodies on the chassis.

The Government stated that the bus bodies were fabricated by the firms having AIS052 certificate as per the tender. The reply was not acceptable in view of the fact that only two fabricators of joint venture firm had the requisite certificates and the Corporation did not furnish any document in support of the reply.

**(C) Hiring of Buses**

**4.15.3** During 2014-15 to 2018-19, the Corporation hired various categories of buses viz. blue line express, star line, sleeper and luxury/VOLVO etc. through open/competitive tendering process. During review of records relating to tendering process for hiring of 400 buses in 2015-16 and 800 buses in 2016-17 incidents were noticed where the Corporation failed to adhere to specific provisions of RTPP Act/Rules which (i) Section 4- allowing one person to attend negotiation on behalf of three to five bidders; (ii) Section 5- inviting tenders without determining the quantity of requirement; (iii) Section 7- tendering without specifying technical and financial qualifying criteria and accepting bid from supplier who was not a registered company/society as specified in GCC; (iv) Section 7 and Rule 39- by awarding contract to a

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11 AIS052 Accreditation Certificate.

12 TATA chassis (1512/52 IC BS-III ABS 5195 MM.

supplier different from that who submitted the bid; (v) Rule 56- opening seven bids and awarding of contracts without obtaining the required document and (vi) Rule 75(e)- accepting performance security in form of fixed deposit receipt without obtaining undertaking from the Bank. The details of the cases are given in **Annex-15**.

The Government stated that the Corporation will ensure compliance of RTPP Act and Rules in the upcoming tenders. Further, the Corporation will incorporate necessary modifications in its bidding procedures keeping in view the observations raised by Audit.

### Inspection and depot allocation for own buses

**4.16** The deficiencies observed in carrying out inspection of chassis and bus bodies and chassis wise allocation of buses to depots during 2014-19 are discussed as under:

Subject	Provision of bid document/ agreement	Audit Observation
<b>A. Purchase of new chassis</b>		
<b>Pre delivery inspection (PDI) of chassis</b>	Clause 3 of the bid document provided that the chassis supplier shall offer the chassis for PDI and the chassis shall be inspected by authorised representative of the Corporation.	Neither there is a panel of regular inspectors available in the Corporation nor there is proper system in vogue for nomination of inspectors. Further, the chassis inspection reports (CIR) prepared by the Corporation had various deficiencies viz. the reports did not have dated signatures of members of the inspection teams, engraved marking of respective chassis numbers, mention of the place of inspection <i>etc.</i> In all cases, the purchase order (PO) numbers mentioned on inspection reports were same despite issue of two separate POs for purchase of chassis. While test check of 23 CIRs, Audit found seven instances where the inspections were carried out on holidays/ by the personnel availing leave without approval of the competent authority.  The Government accepted the fact and assured to take corrective action.
<b>Penalty for delay in delivery</b>	As a prudent procedure/ system, delivery/supply schedule should be the essence of each purchase order (PO) and therefore, each PO should embrace provision for imposing penalty on supplier for deviation/delay in delivery of the ordered material.	The orders placed (January/February 2017) on TATA for 500 chassis did not contain any stipulation about penalty for delay in delivery. As a result, the Corporation could not impose penalty on TATA for delay in supply of the chassis which ranged upto two months.  The Government did not furnish the reply on this issue.
<b>B. Fabrication of bus bodies</b>		
<b>Two stage inspection</b>	The fabrication agreement provided	<ul style="list-style-type: none"> <li>In 117 cases, first and second stage inspections were carried out by the same inspection team which is</li> </ul>



	<p>for carrying out two stage inspection <i>i.e.</i> after completion of the framework and inspection of finished bus.</p>	<p>against professional ethics and may lead to connivance with the fabricator.</p> <ul style="list-style-type: none"> <li>• There were three instances where the respective inspection teams carried out (6 and 11 February 2017 and 2 March 2017) second stage inspections of 30 buses, 46 buses and 53 buses at two, three and four locations respectively in a single day and also prepared the chassis inspection reports. As second stage inspection is a time consuming process and involves different tests/checks (including water leakage test), inspection of 30 to 53 buses in one day at different locations was either impractical or was done without adhering to the due procedure/expected technical parameters.</li> </ul> <p>In reply, the Government stated that the inspections were carried out from early in the morning to late evening in prevailing circumstances of non-registration of BS-III vehicles after 31 March 2017.</p> <p>The reply was not convincing as the Corporation did not furnish any record/document that the inspections were carried out by adopting due inspection procedure and in compliance with the expected technical parameters.</p>
<p><b>Bus-body inspection report (BIR)</b></p>	<p>As a prudent procedure/ system, the inspection team should prepare BIR on the site of inspection and give one copy of the BIR to the fabricator and submit another copy of the BIR to the nominating authority at the earliest.</p>	<p>The bid document/fabrication agreement was deficient as it did not provide a timeline for submission of BIR by the concerned inspection team. During test check of records relating to 304 first stage inspections and 348 second stage inspections, Audit noticed that the inspection teams took upto 15 days in submission of reports. This indicates that absence of prescribed timeline led to inordinate delay in submission of the reports.</p> <p>In reply, the Government stated that after inspection, the inspection reports were deposited in scheduled time in bus body section. The reply furnished by the Government was factually incorrect as the Corporation neither prescribed any timeline nor ensured immediate submission of the reports with the concerned authority in all cases.</p>
<p><b>Allocation of depot</b></p>	<p>As per Traffic Manual/ practice in vogue, allocation of new buses to various depots must be done by the head of Traffic Section of the Corporation.</p>	<p>After second stage inspection, the concerned inspection teams prepared gate passes in favour of the Engineering Section for receiving delivery of finished buses and accordingly, the Engineering Section issued inspection note for all the inspected buses. Audit observed that both the gate pass as well as the inspection note contain depot name against each inspected bus. Thus, allocation of buses for the depots was done by the inspection teams/bus body section instead of the traffic section.</p> <p>The Government stated that number of buses to be allocated to each depot was decided by the traffic section of the Corporation and on the basis of allocated number of buses, the Engineering Section of the Corporation allocated chassis wise buses to the depots. However, no document relating to allocation of buses to depots by the traffic section was found in the record of the Corporation.</p>

## Hiring of buses

**4.17** The Corporation hired both luxury and non-luxury buses during 2014-15 to 2018-19. During review of records relating to hiring of buses, following deficiencies were noticed:

### A. Hiring of Luxury Buses

#### *Non-forfeiture of Earnest Money Deposit*

**4.18** The Corporation invited (June 2016) tenders for 46<sup>13</sup> luxury/air conditioned (AC) buses and after completion of tendering process issued (2 December 2016 and 28 October 2016) Letter of Intents (LOIs) on Contractor A for 30 buses (20 Volvo Single Excel and 10 AC Sleeper buses) and Contractor B for seven buses (2\*2 AC buses). As per Clause 48 of the contract, the bidder/contractor was to provide the buses within the schedule period of 120 days from the date of LOI or within next 30 days with late penalty at prescribed rates. Further, the Corporation on its discretion was entitled to forfeit the earnest money deposit (EMD) furnished by the contractor.

The Contractor A requested (January and March 2017) to extend the delivery period upto June 2017. Thereafter, the Contractor A delivered (April-May 2017) nine buses (five Volvo Single Excel buses and four AC sleeper buses) with delay ranging between 27 to 29 days and offered (May 2017) to deliver another 15 Volvo Single Excel buses beyond the delivery schedule. On this, the Deluxe Depot referred (May-June 2017) the matter to the Head office and informed that the remaining six AC Sleeper buses are not required. On the other hand, Contractor B could not commence delivery of the ordered buses within the stipulated delivery period and hence the Corporation forfeited the EMD.

Belatedly, the Corporation accepted (July to August 2018) delivery of remaining 15 Volvo Single Excel buses with penalty of delay at proportionately increased rates whereas it cancelled (August 2018) LOIs of remaining six AC sleeper buses. The Corporation refunded (December 2018) the entire EMD furnished by the Contractor A. In case of all the 24 buses delivered with delay, the Corporation charged penalty on the Contractor A upto actual date of delivery/date of offering the buses for delivery whereas it did not forfeit EMD of the Contractor A relating to six undelivered AC sleeper buses.

Thus, the Corporation not only inordinately delayed in deciding the case of hiring of these buses but also extended undue favour of ₹ six lakh to the Contractor A by non-forfeiting the EMD relating to undelivered buses.

The Government stated that the time extension was allowed as per administrative decision by the committee constituted for this purpose and EMD was released as the Contractor A has furnished the Bank Guarantee for 30 buses. The reply was not satisfactory as the Contractor A delayed the supply of all the 24 buses. Further, the Corporation did not initiate action against the Contractor A for non-supply of six AC sleeper buses.

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13 Six Volvo Multi Excel buses, 20 Volvo Single Excel buses, 10 AC Sleeper buses and 10 2\*2 AC buses.

In subsequent reply, the Government further stated that in view of requirement, the Corporation accepted supply of two out of six remaining AC sleeper buses in April 2019. However, the reply was silent on the issue of inordinate delay in deciding the case and not taking action against the Contractor A for delayed/unsupplied buses.

**Loss from operation of hired luxury buses**

**4.19** The Corporation deployed (April/May 2017 and July/August 2018) the 24 luxury buses<sup>14</sup> hired from Contractor A (referred in paragraph 4.18) on various routes viz. Jaipur-Jodhpur, Jaipur-Lucknow, Jaipur-Dehradun etc. The Corporation worked out month wise profitability of ₹ 5 per km for each bus after considering the hiring charges paid to private bus owner/contractor, cost of diesel, salary of conductor/traffic section and taxes incurred. Of these luxury buses, month wise profitability of 10 buses during 2017-19 was analysed as detailed under:

**Table 4.5: Profitability of the eight Volvo Single Excel buses operated on Jaipur-Jodhpur route**

Bus Number	Month in which operation of the bus commenced	Months of operation	Profit earned during the period		Loss incurred during the period		Range of load factor on the route (in %)
			In months	Amount (in ₹)	In months	Amount (in ₹)	
7382	May 2017	9	0	0	9	1681388	51-57
7384		9	1	50676	8	1293804	47-60
7385		8	0	0	8	1100234	49-66
7387		18	4	732556	14	2485414	43-70
7519	August 2018	8	0	0	8	1929366	45-55
7520		8	0	0	8	1705581	45-62
7521		8	1	25564	7	1492179	46-61
7522		4	0	0	4	510158	53-66
	<b>Total</b>	<b>4 to 18</b>	<b>1 to 4</b>	<b>808796</b>	<b>4 to 14</b>	<b>12198124</b>	

**Table 4.6: Profitability of the two AC Sleeper buses operated on Jaipur-Ahmedabad/Mount-Abu/Lucknow route**

Bus Number	Month in which operation of the bus commenced	Months of operation	Profit earned during the period		Loss incurred during the period		Range of load factor on the route (in %)
			In months	Amount (in ₹)	In months	Amount (in ₹)	
7395	May 2017	23	1	252170	22	3982654	34-76
7396		23	3	225562	20	4239214	31-83
	<b>Total</b>	<b>23</b>	<b>1 to 3</b>	<b>477732</b>	<b>20 to 22</b>	<b>8221868</b>	

It could be seen that the luxury buses (Volvo/Sleeper buses) deployed on above mentioned routes incurred heavy losses. Further, the only profit earning bus (Bus No. 7387 which earned profit for a period of four months) also incurred continuous losses after deployment of many luxury buses on the Jaipur-Jodhpur route from July-August 2018. Audit observed that the Corporation hired and deployed these luxury buses without assessing proper requirement and feasibility of operating the buses on these routes. This was evident from the fact that the load factor of these buses ranged between 43 per cent to 70 per cent and 31 per cent to 83 per cent on Jaipur-Jodhpur and Jaipur-Ahmedabad/ Mount-Abu/Lucknow route respectively. Resultantly, the Corporation incurred net loss of ₹ 1.91 crore (i.e. ₹ 1.14 crore + ₹ 0.77 crore)

14 Five Volvo Single Excel buses and four AC Sleeper buses delivered in April-May 2017 and 15 Volvo Single Excel buses delivered in July-August 2018.

due to operation of these buses on uneconomical routes. Despite continuous loss, the Corporation did not make efforts to find alternate routes for plying these buses.

The Government stated that the Corporation was incorporated with the objective to provide an economic, reliable and safe transport facility to the people of the State and not for earning profit. It further stated that the Corporation is making regular efforts to reduce the operational cost and to minimize the loss, however, due to some uncontrollable reasons like operation of buses on uneconomical routes on the demand of public representatives and directions of the State Government, increase in prices of diesel, oil, spares and tyres, losses of the Corporation have increased. The reply was not satisfactory as the Corporation did not carry out cost-benefit analysis before hiring and deploying these luxury buses on these routes. In subsequent reply, the Government further stated that load factor on the routes on which AC buses were operated, as pointed out by Audit, remained low mainly due to operation of parallel transport services by other means of transport. The fact thus remained that the Corporation operated the buses on these routes without assessing proper requirement and feasibility of operation.

**B. Hiring of Non-luxury (Blue line, Star line and Sleeper) Buses**

**4.20** During review of records, shortcomings/irregularities such as unjustified time extension for delivery of hired buses for the year 2015-16, deficiencies in hiring of buses for the year 2016-17, non-forfeiture of security deposit of defaulting contractor and other irregularities relating to hiring of buses during 2016-17 noticed are discussed in *Annex-16*.

**Loss from operation of hired Semi-Deluxe buses (Non-luxury)**

**4.21** Ajmer Depot returned/transferred (June 2017) all the five allocated buses (2\*2 Semi Deluxe buses) to the Deluxe Depot, Jaipur and the same were deployed on Jaipur-Mathura, Jaipur-Bidasar, Jaipur-Kaila Devi and Jaipur-Aligarh routes. Month wise profitability of these buses for the period from June 2017 to March 2019 was analysed as under:

**Table 4.7: Profitability of the five Semi Deluxe (Non-luxury) buses operated by the Deluxe Depot**

Bus Number	Period of operation	Months of operation	Profit earned during the period		Loss incurred during the period		Range of load factor on the route (in %)
			In months	Amount (in ₹)	In months	Amount (in ₹)	
4522	June 2017 to March 2019	22	1	6105	21	1733189	58-88
4523		22	6	173848	16	826706	49-94
4524		22	3	42778	19	899246	58-87
4526		22	8	192082	14	638892	65-93
4538		22	6	135130	16	774083	70-85
	<b>Total</b>	<b>22</b>	<b>1 to 8</b>	<b>549942</b>	<b>14 to 21</b>	<b>4872116</b>	

It could be seen that these buses incurred heavy losses for a period ranging between 14 months to 21 months during 2017-19. This indicates that the Corporation hired/deployed these semi deluxe (non-luxury) buses without assessing proper requirement and feasibility of operating the buses on these routes. This is also evident from the fact that the load factor of these buses ranged between 49 per cent to 94 per cent. Resultantly, the Corporation

incurred net loss of ₹ 0.43 crore due to operation of these buses on uneconomical routes.

The Government stated that the Corporation was incorporated with the objective to provide an economic, reliable and safe transport facility to the people of the State and not for earning profit. It further stated that the Corporation is making regular efforts to reduce the operational cost and to minimize the loss, however, due to some uncontrollable reasons like operation of buses on uneconomical routes on the demand of public representatives and directions of the State Government, increase in prices of diesel, oil, spares and tyres, the operational cost could not be reduced. The reply was not satisfactory and the fact remained that the Corporation did not carry out cost-benefit analysis before hiring and deploying these semi-deluxe buses on these routes.

***Excess payment/excess diesel to private bus owners/contractors***

**4.22** In case of hired buses, the agreements executed between the Corporation and the concerned private bus owners/contractors *inter alia* provided that:

- the private bus owner/contractor was to be allowed payment for the scheduled kilometers/actual earning kilometers. **(Clause 3)**
- diesel required for operating the hired bus was to be provided to the operator at per the diesel consumption norm specified in the agreement. In case of higher diesel average, benefit of the savings of diesel was to be passed on to the operator. Similarly, in case of lesser diesel average, recovery on account of excess consumption of diesel was to be made from the concerned operator at the prevailing market rate of diesel. **(Clause 4)**
- in case, any vehicle broke down on the way and failed to complete its schedule/trip, payment was to be made for the kilometers actually operated by that vehicle. However, the breakdown of a vehicle was to be accepted once in a month and on second breakdown, the kilometers operated for the schedule was not to be considered for payment. **(Clause 29)**

During test check of records of the 15 selected depots, Audit observed that the Corporation incurred excess expenditure of ₹ 29.13 lakh on hiring of buses as detailed in **Annex-17** as it allowed payment for the dead kilometers at one depot (S. No. 5), excess diesel/payment for excess kilometers to the private bus owner/contractor on account of second breakdown at nine depots (S. No. 1 to 4, 6, 7 and 9 to 11) and effected recovery of excess diesel consumption at rates lesser than the prevailing market rates at one depot (S. No. 8) against the stipulated provisions of the concerned agreements.

The Government stated that as per office order dated 9 January 2019 and order of the Finance Department dated 31 October 2018, diesel is reimbursable on hired buses for dead kilometre and upto the point of second breakdown and hence no excess payment was released. The reply was not acceptable in view of the fact that the pointed out recoveries pertained to the period prior to March 2018. In subsequent reply, the Government stated that the factual

position in respect of release of excess payment/excess diesel is being sought from the concerned depots.

## Utilisation of Buses

### Fleet Strength and its Age Profile

**4.23** The Corporation has its own fleet of buses as well as buses hired on contract. Audit findings in respect of hired buses have already been discussed above at paragraphs **4.17 to 4.22**. The paragraph below explains the position of Corporation's own fleet.

The Corporation fixed (2011) norms for condemnation of vehicles having completed eight years of life or eight lakh kilometres, whichever is higher. The table below shows the age-profile of the buses held by the Corporation:

**Table 4.8: Fleet Strength and Age Profile**

Sl. No.	Particulars <sup>15</sup>	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of buses at the beginning of the year	4392	4395	4303	4482	4465
2	Additions during the year	301	10	448	260	3
3	Buses scrapped during the year	298	102	269	277	411
4	Buses held at the end of the year (1+2-3)	4395	4303	4482	4465	4057
5	Of (4), No. of buses more than 8 years old	322	220	867	841	749
6	Percentage of over-age buses to total buses	7.33	5.11	19.34	18.83	18.46

**Note:** Addition during the year includes midi buses which were procured during the year 2013-14 for operation on village routes and subsequently included in the fleet of the Corporation (300, 150, 43 and 3 buses in 2014-15, 2016-17, 2017-18 and 2018-19 respectively).

It could be seen from the above table that the Corporation was not able to achieve the prescribed norms. During 2014-19, the Corporation added 525 new buses at a cost of ₹ 107.64 crore<sup>16</sup>. To achieve the age norm of buses at the end of 2018-19, the Corporation is required to buy 749 new buses. However, the Corporation could not generate resources through its operations to finance the replacement of buses as it incurred loss of ₹ 159.54 crore during 2018-19<sup>17</sup>. The percentage of over-age buses increased from 7.33 in 2014-15 to 19.34 *per cent* in 2016-17 and decreased to 18.46 *per cent* in 2018-19. Audit observed that the Corporation was not able to replace the over-age buses timely due to non availability of funds.

The over-age fleet requires high maintenance and results in extra cost and less availability of vehicles. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

<sup>15</sup> Excludes hired buses.

<sup>16</sup> 498 Blue Line buses for ₹ 81.31 crore and 27 Luxury buses for ₹ 26.33 crore.

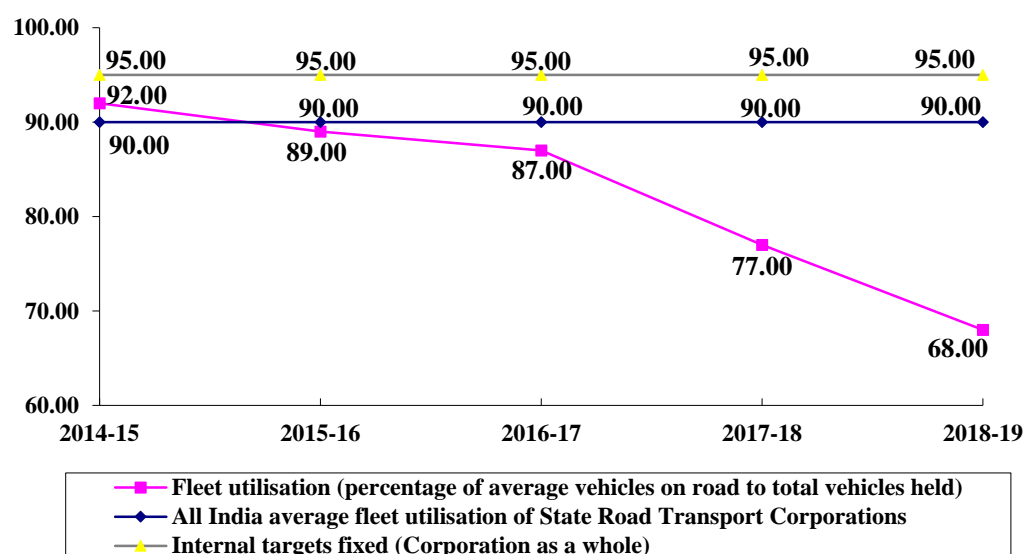
<sup>17</sup> Unaudited figure of Financial statements for 2018-19.

The Government in reply stated that the Corporation did not replace the over-aged fleet by procuring new buses due to its severe financial condition. It further stated that process of procuring new buses for replacing the over-aged fleet is under progress which will increase its fleet strength and reduce the average age of the fleet.

### ***Fleet utilization***

**4.24** Fleet utilization represents the ratio of buses (excluding hired) on road to those held by the Corporation. The optimum fleet utilization is necessary for enhancing the operational performance. The Corporation fixed monthly targets ranging between 94 per cent to 96 per cent for its own fleet utilization at depot level for the period 2014-19 along with a target of 95 per cent for the Corporation as a whole. The particulars for the review period are indicated in the graph given below:

**Chart 4.1: Targeted fleet utilisation vis-à-vis average fleet utilisation of the Corporation and All India average fleet utilisation**



The average fleet utilization of the Corporation was above the All India average fleet utilization but less than its own target in 2014-15 and thereafter it continuously declined to 68 per cent in 2018-19. Audit observed that the fleet utilization of KSRTC, MSRTC and APSRTC was in the range of 90.57 per cent to 91.70 per cent, 91.50 per cent to 93 per cent and 99.20 per cent to 99.70 per cent respectively as compare to the fleet utilization of 92 per cent to 68 per cent of the Corporation.

Further, in selected 15 depots, the number of Corporation's buses and the operated KMs reduced from 1357 to 1146 (15.55 per cent) and 19.37 crore KMs to 13.09 crore KMs (32.42 per cent) respectively in 2018-19 as compared to 2014-15. On the other hand, there was significant increase in number of hired buses and their operation during 2014-19. The percentage increase in hired buses and operated KMs was 235 and 164 per cent respectively as compared to 2014-15.

The percentage of fleet utilisation deteriorated during 2014-19 due to increase in curtailment of scheduled KMs on account of breakdowns, mechanical

problems, non-allocation of buses and other reasons *etc.* In selected 15 depots Audit observed that curtailment of scheduled KMs on account of these reasons ranged between 4.44 *per cent* and 6.30 *per cent* during 2014-18. The curtailment of scheduled KMs increased significantly to 12.27 *per cent* of total operated KMs in these depots during 2018-19 because of strike in the Corporation. Thus, the Corporation was not able to achieve an optimum utilization of its fleet strength in 2014-19, which in turn impacted its operational performance adversely.

The Government while accepting the fact of decline in fleet utilisation stated that this was because of the continuous decline in the financial condition of the Corporation which led to non-availability of the spare parts for repair and maintenance of vehicles. Besides, the fleet utilisation also declined due to non-availability of manpower, superannuation of technical staff, increase in over-aged fleet and decline in mechanical condition for which efforts are being made to improve the fleet utilisation at the level of top management.

### ***Vehicle Productivity***

**4.25** Vehicle productivity refers to average kilometres run by each bus *per* day in a year. The optimum utilization of vehicle is very important to achieve the targets with minimum cost as certain elements of costs are fixed and there is a direct impact of these costs on the profitability of the Corporation. The vehicle productivity of the Corporation and selected depots is given in ***Annex-18***.

It could be seen from the Annexure that the overall vehicle productivity (including hired buses) of the Corporation had declined from 397 KMs to 392 KMs per day during 2014-15 to 2018-19. The vehicle productivity of the Corporation buses reduced from 390 KMs to 363 KMs per day whereas the productivity of hired buses reduced from 539 KMs to 486 KMs per day during 2014-19. In 15 selected depots, Audit observed that the vehicle productivity of the Corporation own fleet reduced significantly from 314-531 KMs per day in 2014-15 to 208-455 KMs per day in 2018-19. Further analysis in selected depots disclosed that the vehicle productivity in all the 15 depots was declining from 2016-17 onwards, however, the Corporation did not monitor the same and therefore no action was initiated to improve the vehicle productivity.

The Government accepted the fact and stated that the operated kilometers of the Corporation have declined due to increase in average age of its fleet, shortage of drivers/conductors and shortage of buses every year due to not procuring/hiring of new buses, obsolete fleet as per the norms. It further assured that the Corporation is introducing new vehicles in its fleet and making efforts to increase the per day operating kilometers of its each vehicle. The reply to be viewed in light of availability of buses with the Corporation as shown in table **4.8** and also due to the fact that the reasons for declining trend in selected depots even after deployment of newly procured/hired buses were not analysed.

### ***Cancellation of Scheduled Kilometres***

**4.26** Scrutiny of records related to the operations disclosed that the planned scheduled kilometres were not fully operated during 2014-19. The details of



scheduled KMs, effective KMs operated against scheduled KMs and cancelled KMs are furnished in the table below:

Table 4.9: Scheduled and Operated Kilometres

(in lakh KMs)						
S. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Scheduled kilometres	6562.54	6384.63	6234.75	6619.16	6215.13
2.	Effective kilometres <sup>18</sup>	6086.72	5778.40	5687.77	6042.11	5332.39
3.	Kilometres cancelled	475.82	606.23	546.98	577.05	882.74
4.	Percentage of cancellation	7.25	9.50	8.77	8.72	14.20
	<b>Cause-wise analysis</b>					
5.	Allocation of buses	18.81	31.85	41.71	17.88	24.39
6.	Want of crew	62.00	70.73	76.88	96.98	54.26
7.	Others	395.01	503.65	428.39	463.02	803.88
8.	Contribution <sup>19</sup> per KM (in ₹)	13.01	15.70	15.32	14.79	14.20
9.	Avoidable cancellation (5+6)	80.81	102.58	118.59	114.86	78.65
10.	Loss of contribution (8x9) (₹ in crore)	10.51	16.11	18.17	16.99	11.17

It could be seen from the above table that the percentage of cancellation of scheduled KMs increased continuously from 7.25 to 14.20 during 2014-19 mainly due to non-deployment of adequate number of buses, shortage of crew and other factors like breakdowns, accidents, low income *etc.* In selected depots Audit observed that the percentage of curtailment of scheduled KMs due to allocation, mechanical problems and breakdowns ranged between 5.14 and 17.37, 12.61 and 45.13 and 10.05 and 16.84 respectively. Due to cancellation of scheduled KMs for want of buses and crew alone, the Corporation was deprived of contribution of ₹ 72.95 crore during 2014-19.

The Government accepted the facts and stated that the scheduled kilometres were curtailed because of shortage of crew due to superannuation every year, non-recruitment, non-maintenance of operational vehicles timely, over-aged vehicles and closure of loss making schedules *i.e.* revenue is less than ₹ 20 than the cost of operation. The reply was not convincing as these facts were well known to the Corporation, however, it did not consider them while preparing annual operational plan.

### Load Factor

**4.27** Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The table below provides the details of targets fixed for load factor, actual load factor and break-even load factor (BELF) for traffic revenue worked out at the given level of vehicle productivity and total cost per KM:

Table 4.10: Targeted load factor, Actual load factor and Break-even load factor

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Targets fixed for Load Factor* (in %)	77	79	79	81	81
2.	Actual Load Factor (in %)	73	73	68	71	73
3.	Cost per KM (₹)	38.20	34.50	36.83	36.89	41.33

18 Does not include KMs run over and above scheduled KMs.

19 Traffic revenue per KM minus variable cost per KM.

4.	Traffic revenue per KM at 100 per cent load factor (₹)	37.25	39.82	44.37	43.49	45.16
5.	BELF considering only traffic revenue (in %) (3/4)	102.55	86.64	83.01	84.82	91.52

\* Average of monthly targets fixed by the Corporation.

It could be seen that the performance of the Corporation remained poor as it could not achieve the targeted load factor during 2014-15 to 2018-19. Audit observed that the percentage of break-even load factor was quite high and has continuously increased after 2016-17. Despite continuous increase in break-even load factor, the Corporation neither analysed the reasons nor took steps to curb the gap between break-even load factor and actual load factor. Audit further observed that the Corporation incurred losses for the last two decades and hence the accumulated losses mounted to ₹ 4975.52 crore in March 2019. The reasons are discussed in paragraphs 4.28 to 4.31.

The Government stated that for increasing the load factor and controlling the leakage of revenue, the Inspection Cell of the Corporation is arranging checking through (i) Central Flying Squads in the State as well as Inter-state areas; (ii) the Chief Managers on Saturdays and Sundays; and (iii) random checking system wherein inspectors randomly check the buses.

#### **Operation of buses under obligatory services**

**4.28** Operation of buses on uneconomical routes under obligatory services is one of the reasons for heavy operational losses. The issue of increase in losses and financial crunch was discussed in various meetings of the Corporation since November 2011 and various directions were issued to bring the operations to the Break Even Point (BEP) with the help of financial restructuring by the GoR, closure of “D” category of routes incurring losses, re-scheduling of bus services generating income less than variable cost.

Audit observed that out of 52 depots, 32 to 40 depots of Corporation operated 189 to 302 schedules on uneconomical routes under obligatory services during July 2014 to March 2019 which resulted in loss of ₹ 179.95 crore to the Corporation as tabulated below:

**Table 4.11: Operation of buses under obligatory services**

Year	No. of depots operating obligatory services	Number of schedules	Total operated KMs (in lakh)	Operational loss (₹ in crore)
1	2	3	4	5
2014-15 (July 2014 to March 2015)	40	275-302	224.36	35.12
2015-16	37	250-280	285.28	40.64
2016-17	37	230-247	263.88	38.33
2017-18	34	212-241	234.75	33.46
2018-19	32	189-221	196.90	32.40
<b>Total</b>		<b>189-302</b>	<b>1205.17</b>	<b>179.95</b>

Source: Information as per monthly MIS of obligatory services provided by the statistics section of the Corporation for the period July 2014 to March 2019.

Audit also observed that the GoR has formed a Special Purpose Vehicle (SPV), Jaipur City Transport Services Limited (JCTSL) for city and urban

areas bus services of Jaipur, however, the Corporation continued to operate local and obligatory routes under Vidhyadhar Nagar and Vaishali Nagar depots which also contributed to overall operational losses of the Corporation.

#### ***Operation of buses on uneconomical routes***

**4.29** Appropriate route planning is essential to tap demand and higher load factor. The Corporation plans and monitors schedule wise profitability instead of routes. The Corporation did not maintain records to ascertain route wise profitability, however, it ascertained the profitability of a schedule at depot level. Further, the Corporation has provided schedule wise profitability of 46 and 48 depots as against 52 depots for the period April 2014 to November 2017 and December 2017 to March 2019 respectively. The position of profitability of schedules during 2014-19 is given in the table below:

**Table 4.12: Profitability of Schedules during 2014-19**

<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Number of schedules	4003	3836	3745	3990	3866
Profit making schedules	276	448	437	737	713
Loss making schedules	3727	3388	3308	3253	3153
% of profit making schedules	7	12	12	18	18

It could be seen that the Corporation could not recover the cost of operation on the maximum number of schedules during the review period. Audit analysis further disclosed that the Corporation suffered loss of more than ₹ five per kilometer on schedules ranging between 72 per cent and 83 per cent during 2014-19. The reasons attributed to non-recovery of cost of operation were decline in vehicle productivity, low load factor which ranged between 68 and 73 during 2014-19 and higher fuel cost. Further, out of 15 selected depots, 14 depots could not even recover the variable cost on 379 operated schedules *i.e.* six per cent of total operated schedule during 2014-19.

In reply to paragraphs 4.28 and 4.29, the Government stated that the Corporation was incorporated with the objective to provide an economic, reliable and safe transport facility to the people of the State and not for earning profit. It further stated that regular efforts are being made to reduce the operational cost and to minimize the loss, however, due to some uncontrollable reasons like operation of buses on uneconomical routes on the demand of public representatives and directions of the State Government, increase in prices of diesel, oil, spares and tyres, the operational cost could not be reduced. The reply was not convincing in view of the fact that the Corporation had not analysed the reasons and accordingly it did not initiate action to rationalise the routes and schedules.

#### ***Fuel Cost***

**4.30** Fuel is a major cost element of total expenditure incurred by the Corporation every year and hence control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Corporation sets monthly targets for per kilometer diesel consumption/average for each depot and the performance of each depot was assessed for diesel average in kilometer per liter (KMPL) against these targets. Target for the whole Corporation was not fixed, however, the target for the Corporation is worked out taking average targets of depots. The details of diesel consumption,

mileage obtained per litre (*i.e.* KMPL) and estimated extra expenditure are shown in the table below:

**Table 4.13: Diesel consumption and Mileage obtained**

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Operated Kilometres (in lakh) Corporation buses	5879.82	5568.49	5172.38	4595.36	3842.17
2.	Actual Consumption (in lakh litres)	1173.62	1113.70	1022.21	901.05	762.34
3.	Kilometres obtained per litre (KMPL)	5.01	5.00	5.06	5.10	5.04
4.	Target of KMPL fixed by Corporation	5.11	5.13	5.15	5.22	5.17
5.	Consumption as per internal targets (in lakh litres) (1/4)	1150.65	1085.48	1004.34	880.34	743.17
6.	Excess Consumption (in lakh litres) (5-2)	22.97	28.22	17.87	20.71	19.17
7.	Average cost per litre (in ₹)	57.35	46.06	54.30	57.46	67.17
8.	Extra expenditure (₹ in crore)(7X6)	13.17	13.00	9.70	11.90	12.88

Audit observed that the Corporation was not able to achieve the diesel average target during 2014-19. Further, the Corporation reduced the targets of KMPL from 5.22 in 2017-18 to 5.17 in 2018-19. None of the selected 15 depots, except Rajsamand depot in 2015-16 and Karauli depot in 2017-18, could achieve the depots-wise targets of KMPL during 2014-19. Further, the performance of Dungarpur depot deteriorated continuously during this period as it decreased from 4.88 KMPL in 2014-15 to 4.52 KMPL in 2018-19. Audit observed that the reason of non-achievement of KMPL was mainly attributable to operation of over-aged vehicles which increased from 322 to 749 *i.e.* 18.46 per cent of total buses of the Corporation as on March 2019. The Corporation consumed 108.94 lakh litres of fuel valued at ₹ 60.65 crore in excess during the review period as compared to its internal targets, which had been fixed considering the local situation.

The Government stated that main reason for low diesel average is old fleet. It further stated that non-procurement of new buses to replace the over-aged fleet, shortage in manpower, non-availability of spare parts on time for regular maintenance caused non-achievement of diesel targets, however, regular efforts are being made to improve the fuel efficiency through repair and maintenance of engine and by providing training to the drivers. The reply was not satisfactory as the Corporation was aware about numbers of over-aged fleet at the time of fixing the targets of diesel consumption. Besides, even after deployment of newly purchased buses, the KMPL has declined to 5.04 in 2018-19 as compared to 5.10 in 2017-18.

#### **Operation of buses for more than revenue kilometres**

**4.31** Dead kilometres arise out of operation of buses between bus stand and depot workshop or fuel filling point, kilometres operated to send buses for docking, repairing and reconditioning, kilometres operated for fitness certification of buses and diversion of routes etc. Dead kilometres are the difference of gross operated kilometres and effective revenue kilometres.

In selected 15 depots, Audit noticed that the buses were operated in excess of the revenue kilometres due to diversion of routes. In these cases, the diversion of route was not for a short period or for a specific reason but was due to operation of buses through bypass routes which resulted in operation of extra kilometres. These diversions were thus permanent in nature and the revenue kilometres should have been revised accordingly with charging of fare for extra kilometres. Audit, however, observed that the Corporation did not revise the fare which resulted in loss of revenue of ₹ 44.49 crore<sup>20</sup> in 15 depots during the review period.

The Government while accepting the fact stated that the fare is being charged as per the scheduled kilometres, however, at few places, due to administrative reasons, vehicles are being operated through by-pass or on other routes than the scheduled routes. It further stated that the fare is revised on receipt of information from the concerned depot and in general, fare is recovered as per actually operated kilometres. The reply was not acceptable as in selected depots these diversions were of permanent nature but proposal for revision in fare as per actually operated kilometres was not found on record.

#### ***Non-achievement of parameters of Reform Linked Plan***

**4.32** The Corporation was suffering losses since the year 1997-98 and the accumulated losses were to the tune of ₹ 1975 crore as on March 2014. The State Government agreed (March 2014) to provide further financial assistance linked with Reform Agenda (RA) of the Corporation. The RA was approved (April 2014) and the Reform Linked Plan (RLP) prepared under RA covered following parameters during 2014-15:

- Increase in month wise load factor ranging between 72 per cent to 82 per cent as compared to present level of 74 per cent.
- Rationalization of bus fleet, control fixed cost per km and strict review of operational routes and schedules to close/reschedule the routes giving income less than variable cost+ ₹ 5 per kilometre.
- Diesel average of 5 KMPL in 2014-15 with increase of 0.05 KMPL every year.

In the Budget Speech (July 2014), the State Government announced grant of ₹ 10 crore per month to the Corporation on achievement of parameters of RLP. Audit observed that the Corporation could get grant of ₹ 70 crore only during 2014-15 on achievement of parameters of RLP (100 per cent for the months of April to June 2014 and January 2015 and 50 per cent for the months July to December 2014 due to achievement of only one target of diesel average).

Similarly, the Corporation prepared (April 2015) RLP for 2015-16 with the parameters of average 73 per cent load factor, rationalization of bus fleet, maintaining the present fleet of buses by either hiring of buses or direct purchase with the approval of Government and diesel average of 5.01 KMPL. In the review meeting of Transport Department (TD) (11 May 2015), directions were given that the Corporation should come up with detailed action plan to plug the losses and improve performance. The RLP for the year 2015-16 submitted by Corporation reducing the targets in comparison to 2014-

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<sup>20</sup> ₹ 8.01 crore in 2014-15, ₹ 9.16 crore in 2015-16, ₹ 9.96 crore in 2016-17, ₹ 8.89 crore in 2017-18 and ₹ 8.47 crore in 2018-19.

15 was not accepted (May 2015) in the budget review meeting and the Corporation was directed to ensure performance in accordance with the RLP of 2014-15. The Corporation could not achieve the parameters in any of the months in the year 2015-16.

In the RLP for the year 2016-17, the Corporation proposed (February 2016) load factor of 74.25 per cent and diesel average of 5 KMPL apart from repeating other parameters. The TD accepted (April 2016) the same. The Corporation could get grant of ₹ 40 crore only (for April, May, June and August 2016) due to non-achievement of parameters set in the RLP of 2016-17. The RLP grant was discontinued by the State Government from April 2017.

Audit observed that the Corporation did not prepare an exhaustive action plan to achieve the parameters of RLP. Further, non-rationalization of bus fleet, not reviewing the route wise profitability to reschedule/close such routes and ineffective monitoring to take timely action on depots whose performance in diesel consumption was poor deprived the Corporation to get grant of ₹ 250 crore during 2014-15 to 2016-17.

The Government stated that the RLP parameters could not be achieved due to rainy season, shortage of staff, diesel average parameter, non-procurement of new buses and over-age fleet. The reply was not convincing as RLP parameters were proposed by the Corporation considering these factors and the same were approved by the Government.

In subsequent reply, the Government stated that due to non-achievement of RLP parameters, the Corporation has curtailed operation of schedules having lesser load factor from its winter schedule 2019. The fact remained that lack of adequate efforts to ensure achievement of RLP parameters deprived the Corporation from receipt of substantial financial assistance from the State Government.

### ***Performance of Central Workshop Jaipur***

**4.33** The major repair or accidental repair of the buses is carried out at the Central Work Shop (CWS). The Maintenance Manual of the Corporation does not specify the days for which the CWS can keep a bus in the workshop for maintenance/ repair of bus; however, as per practice in vogue, no vehicle should be retained in central workshop for more than 30 days. The details about time taken by the CWS, Jaipur in repair of buses during 2014-19 are tabulated below:

**Table 4.14: Repair of buses at CWS Jaipur**

*(Figures in Numbers)*

<b>Particulars</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Total bus repaired	336	173	42	322	272
Repair within 30 days	273	101	17	173	177
% of buses repaired timely	81	58	40	54	65
Buses repaired beyond 30 days:					
31-60 days	60	66	6	57	36
61-90 days	3	16	9	36	18
91-365 days	0	0	10	55	36
More than 365 days	0	0	0	0	4

**Note:** The Corporation did not provide the data for the period December 2015 to February 2017.

Audit observed that the performance of CWS, Jaipur was poor as against 81 *per cent* timely repair of buses in 2014-15, only 65 *per cent* buses were repaired timely in 2018-19. Further, in 2017-18 and 2018-19, the position deteriorated significantly as the CWS, Jaipur took 61 days to 365 days for repair of 145 buses whereas four buses were repaired even after more than 365 days.

The Government while accepting the facts stated that the buses could not be repaired timely due to acute shortage of staff and delay in providing spares/reconditioned engines by the Central Store and the other CWS (CWS, Ajmer) against the demands raised. It further assured that the Corporation is making efforts for recruitment of technical staff and conducting the work on contractual basis. This showed that the CWSs and the Central Store did not have proper coordination.

### **Maintenance of vehicles**

**4.34** The Corporation has prescribed two preventive maintenance schedules *i.e.* (i) on completion of 16000 KMs/18000 KMs for Leyland/Tata buses respectively which includes change of oil, wheel alignment, cleaning of fuel injection pump, engine tuning, brake adjustment *etc.* and (ii) heavy docking maintenance on completion of 40,000 KMs wherein overhauling of engine, spring leaves, wheels, brakes, fuel injection pump, cooling system *etc.* and change of gear oil, body work *etc.* are being done at depot workshop.

Scrutiny at 15 selected depots disclosed that the heavy docking maintenance was not conducted as per the norms as detailed below:

**Table 4.15: Heavy Docking Maintenance of Buses**

Year	Total docking carried out	Docking timely done	Docking carried out with delay	% of docking carried out with delay	KMs range
2014-15	1523	523	1000	65.66	41288-84461
2015-16	2166	485	1681	77.61	43235-99902
2016-17	1784	481	1303	73.04	44888-98206
2017-18	1498	418	1080	72.10	42242-98846
2018-19	1551	320	1231	79.37	42772-84182
	<b>8522</b>	<b>2227</b>	<b>6295</b>	<b>73.86</b>	

Docking of 74 *per cent* buses was carried out after operation of more than 40000 KMs which ranged between 41288 and 99902 KMs during 2014-15 to 2018-19. The delay in docking resulted in poor fuel average, frequent breakdowns and requirement of sending the bus to the CWS for major repair.

The Government while accepting the facts stated that the docking could not be completed on time due to not procuring new vehicles for replacing old vehicles in previous years, continuous reduction in manpower, increase in mechanical work in old fleets every day and non-availability of spares and however, efforts are being made to execute the docking work timely. The fact remained that due to not carrying out the docking work timely the Corporation faced the problem of low fuel efficiency and frequent breakdowns.

## Internal Control Mechanism

### *Internal Audit*

**4.35** The internal audit is a tool for internal control on the functioning of an organization. Chapter 9 of the Manual of Finance Department of the Corporation prescribes the functions of internal audit wing which *inter alia* includes audit of revenue side, expenditure side and audit of booking offices. The audit of operations and utilisation of buses and workshops was not entrusted to internal audit. Audit observed that out of 58 accounting units of the Corporation, as on March 2019, the internal audit of only two units was completed up to the year 2018-19. Of the remaining 56 units, internal audit of 4 units, 20 units, 22 units, 3 units and 7 units were pending for five years, four years, three years, two years and one year respectively. Further out of total 3052 outstanding paras of internal audit as on 31 March 2019, 222 paras in eight zones were outstanding for the period 1993-94 to 2002-03. This reflected ineffectiveness of the internal audit and also non-monitoring by top management.

The Government accepted the facts and stated that the work of internal audit is delayed due to acute shortage of accounting staff. Further, action for disposal of 222 outstanding paras pertaining to the period from 1993-94 to 2002-03, is under progress. Disposal of these cases is delayed as most of the matters involve legal disputes and recoveries pending against government organisations and retired/dismissed/expired employees.

### *Monitoring of Performance Indicators*

**4.36** For an organisation like a Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The Corporation has a Statistical Cell headed by a Deputy General Manager under the control of Executive Director (Traffic). Statistical cell compiles monthly information received from depots for various performance indicators and communicates it monthly to the Executive Directors, Engineering and Traffic and Finance Advisor.

Audit observed that the system was deficient as the effectiveness and usefulness of information compiled on various parameters had not been reviewed. Further, MIS did not provide information on schedules operating below variable cost. Audit further observed that quarterly operational results in the summarized form only are placed before the Board of Directors (BoD) along with the comparison of results with the corresponding period of last year but depot-wise information of various performance indicators was not apprised to the BoD. In absence of which, the BoD was not in a position to recommend corrective action on operational underperformance of the depots. Besides, the Corporation did not utilize the data regarding fleet utilisation and vehicle productivity *etc.* while taking decisions on hiring of buses.

The Government stated that the Statistical Wing prepares the depot wise operational results every month and on the basis of it, the top management takes necessary action against the depots where comparative decline is noticed. As regards operated kilometres, load factor and fuel efficiency,



comparative statement of operational results is also placed before the BoD as and when desired. The reply was not satisfactory as the Corporation placed the operational results in summarized form comparing it with previous year corresponding data only. A comprehensive MIS would have helped the BoD to take better informed decisions.

## Conclusion and Recommendations

### *Conclusion*

The Corporation was not able to keep pace with the growing demand for public transport in the State as percentage share of the Corporation in total stage carriage of the State (around 10 per cent) and average passengers carried per day (one per cent) remained quite low despite increase in fleet strength during 2014-19. The Corporation did not conduct route surveys and assessed feasibility of plying buses on the routes before obtaining new permits. The policy/mechanism relating to assessment of requirement/allocation of buses was deficient/defective as periodic plans for procurement/hiring on contract were not prepared. Further, the assessment and allocation of buses was done without obtaining depot-wise requirement. The Corporation did not ensure proper compliance of provisions of the RTPP Act 2012/Rules 2013. Further, purchase/fabrication orders issued for new chassis/buses were also defective/deficient. The Corporation granted undue favour to the contractors by non-forfeiting EMD/security deposit, allowing time extension without charging penalty etc. The Corporation hired/deployed luxury as well as non-luxury buses without assessing proper requirement and feasibility of operating the buses and operated the buses on uneconomical routes. The Corporation could not recover the cost of operation on the maximum number of schedules as the break-even load factor was quite high because of operation of schedules on uneconomical routes; under obligatory services; non-achievement of diesel average target. Operation of the buses in excess of the revenue kilometres due to diversion of routes without revising the fare affected the profitability adversely. The performance of CWS, Jaipur was unsatisfactory as timely repair of buses declined from 81 per cent in 2014-15 to 65 per cent in 2018-19. Internal audit system was weak and the MIS was not used effectively by the top management for monitoring key operational parameters. In nutshell, the Corporation failed to fulfill its objective of providing efficient, adequate and properly coordinated public road transport services in the State. Further, the accumulated losses have completely eroded the net worth as the management could not ensure operational and financial efficiency of the Corporation.

### *Recommendations*

We recommend that the Government may issue directives to the Corporation to:

- Improve its efforts to enhance its share in public transport;
- Evolve a system for assessment of requirement of buses to be

**procured/ hired considering the planned schedule and availability of buses;**

- **Ensure adherence to provisions of RTPP Act and Rules as well as contract agreements executed with the contractors/suppliers;**
- **Take concrete steps for optimal utilization of fleet, improvement of vehicle productivity; improving the load factor, reduction of fixed cost and fuel cost; and**
- **Strengthen the internal audit and monitoring system.**

**Further, in case the Corporation does not improve its operational and financial performance within a targeted time frame, the Government may take a final call on continuing the operations of the Corporation.**

# **Chapter-V**

## **Compliance Audit Observations relating to State PSUs (other than Power Sector)**

## Chapter-V

### Compliance Audit Observations relating to State PSUs (other than Power Sector)

This Chapter includes important audit findings emerging from test check of transactions of the State Government Companies and Statutory Corporations relating to other than Power Sector.

#### Rajasthan Financial Corporation

##### 5.1 Management of Non Performing Assets (NPAs) in Rajasthan Financial Corporation

###### Introduction

**5.1.1** Rajasthan Financial Corporation (Corporation) was constituted (17 January 1955) under the State Financial Corporations Act, 1951 (SFCs Act) for providing financial assistance to micro, small and medium scale industries<sup>1</sup> in Rajasthan. As per the State Financial Corporations (Amendment) Act, 2000, the Corporation can provide financial assistance to industrial units having paid up capital and free reserves not exceeding ₹ 30 crore within the limits prescribed in the Act. Accordingly, the Loan Policy 2018-19 of the Corporation provides for extending financial assistance of ₹ 20 crore to a corporation, company or co-operative society and ₹ eight crore in any other case. The Corporation intimates a schedule of recovery to the borrowers as per the loan agreement to ensure recovery of loans in time by way of equated quarterly instalments along with applicable interest. In the event of default, the Corporation is empowered to re-fix, postpone, defer and re-schedule the instalments/loan in case the borrower has valid reasons for non-repayment of dues. The Corporation may also initiate action for recovery of dues under various Sections of the SFCs Act.

The general superintendence, direction and management of affairs of the Corporation vests with the Board of Directors (BoD). As on 31 March 2019, the BoD consisted of eight Directors including a Chairman and a Managing Director. The Managing Director is the Chief Executive Officer of the Corporation and is assisted by two Executive Directors, General Managers, Deputy General Managers (DGMs), Departmental heads and Branch Managers. The Corporation has 22 Branch Offices<sup>2</sup> as on 31 March 2019.

Reserve Bank of India (RBI) prescribed (July 2015) that if interest or instalment of principal remains due for more than 90 days, loans are classified as Non Performing Assets (NPAs). The Corporation sanctioned total loans

1 For the industry engaged in production, manufacturing and processing or preservation, Micro, Small and Medium industries refers to an industry where investment in plant and machinery does not exceed ₹ 25 lakh, ₹ 25 lakh to ₹ 5 crore and ₹ 5 crore to ₹ 10 crore respectively whereas for the industry providing services, it refers to an industry where investment in equipment does not exceed ₹ 10 lakh, ₹ 10 lakh to ₹ 2 crore and ₹ 2 crore to ₹ 5 crore respectively. It includes hotel, resorts, guest houses, multiplexes, hospitals and commercial real estate projects also.

2 The Corporation merged (December 2018 and February 2019) two Branch offices *i.e.* Chittorgarh in Bhilwara Branch office and Rajsamand in Udaipur Branch office during 2018-19.

amounting to ₹ 6175.06 crore since its incorporation and total outstanding dues to be recovered from borrowers were of ₹ 868.47 crore (2950 loan accounts) as on 31 March 2019. Of these loan accounts, 1652 loan accounts having dues of ₹ 666.99 crore (76.80 per cent) and 1298 loan accounts having dues of ₹ 201.48 crore (23.20 per cent) were categorised as Standard Assets and NPAs respectively. Thus, the level of NPAs was very high which resulted in accumulation of losses in the Corporation.

### **Audit Objectives and Scope**

**5.1.2** The present study was conducted (January 2019 to June 2019) to evaluate whether recovery of dues and action taken in case of default was as per provisions of the SFCs Act, 1951 and policies framed by the Corporation, classification of NPAs was in accordance with the guidelines issued by Government of India, RBI and the Corporation, the Corporation had made adequate efforts for reduction of NPAs and recovery of old dues, settlements of dues were made in accordance with the approved policies and One Time Settlement (OTS) schemes implemented from time to time were able to achieve their intended purposes.

The study assessed management of NPAs in the Corporation during 2015-16 to 2018-19. The audit involved scrutiny of records for the period 2015-16 to 2018-19 at the Head Office and eight<sup>3</sup> selected Branch offices out of 24 Branch offices of the Corporation. The Branch offices were selected by adopting multi-level selection methodology by selecting 25 per cent of the Branch offices using random sampling from each of the seven administrative divisions of the Corporation. At the time of sample selection (February 2019), the selected Branch offices had total 554 cases of NPAs of which 169 cases (30 per cent) were selected for detailed study on the basis of highest monetary value along with all the seven cases<sup>4</sup> of NPAs under the Commercial Real Estate (CRE) Sector.

### **Framework of the SFCs Act 1951 and other relevant laws for conducting recovery in NPA cases**

**5.1.3** The Corporation has been empowered and endowed with legal remedies under provisions of Section 29, 30, 31 and 32 of the SFCs Act 1951 as given below:

- Section 29 provides the right to take over the management or possession or both of the industrial concern as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Corporation;
- Section 30 allows the Corporation to call for entire repayment before agreed period;

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<sup>3</sup> Abu Road, Bhiwadi, Bikaner, Jaipur (Central), Jhalawar, Kishangarh, Sawaimadhopur and Udaipur.

<sup>4</sup> Three of these cases are covered in 169 selected cases relating to selected Branch offices and remaining four cases pertained to other Branch offices of the Corporation.

- Section 31 provides special provisions for enforcement of claims by filing of civil suit; and
- Section 32 states the procedure in respect of application to be filed under Section 31. Section 32-G (*i.e.* inserted during amendment of the Act in August 1985) allows the Corporation to recover its dues as an arrear of land revenue in the manner prescribed by the State Government.

The detailed provisions under Section 29, 30, 31 and 32-G are given in **Annex-19**. Besides, the Corporation may opt to take recovery action under provisions of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002, Insolvency and Bankruptcy Code (IBC) 2016 *etc.*

### **Audit Findings**

**5.1.4** The audit findings broadly cover issues relating to share of the Corporation in industrial loan, high level of NPAs, deficiencies/irregularities in extension and recovery of loans, delayed/inadequate legal action for recovery of dues, delay in disposal of units in possession *etc.*

These audit findings are based on our analysis of sample cases only and there is a possibility of more such cases occurring in the Corporation. Therefore, the Government/Corporation is expected to review all the other cases having possibility of similar deficiencies/irregularities and required to take corrective action in cases where similar deficiencies/irregularities are found.

The paragraph has been finalised after considering the views of the management expressed during the exit conference (14 August 2019) and the reply furnished (November 2019) by the Government.

### **Share of the Corporation in industrial loan**

**5.1.5** The Corporation was established to provide financial assistance to micro, small and medium scale industries in the State. Since, the Corporation was not authorised to obtain deposits without prior approval of the Reserve Bank of India, it arranged for re-finance facility from Small Industries Development Bank of India (SIDBI). The re-finance facility from SIDBI was discontinued from the FY 2013-14 and thereafter the business of the Corporation has reduced significantly. An analysis of performance of the Corporation in providing financial assistance (loans outstanding) with outstanding loans of Scheduled Commercial Banks in Rajasthan was done as detailed below:

**Table 5.1.1: Share of the Corporation in industrial loan**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19
<b>Net outstanding loans after provision</b>				
Rajasthan Financial Corporation	480.95	525.20	629.07	715.72
Scheduled Commercial Banks	39900.00	42200.00	49000.00	-NA-
<b>Total Net Outstanding loans</b>	<b>40380.95</b>	<b>42725.20</b>	<b>49629.07</b>	-
Share of RFC in total outstanding loans (%)	1.19	1.23	1.27	-

Besides, to examine the efficiency of the Corporation, a comparative analysis of the employee cost of extending financial assistance with two other SFCs *i.e.* Kerala Financial Corporation and Karnataka State Financial Corporation was also carried out. The details are as under:

**Table 5.1.2: Employee cost of extending financial assistance**

(₹ in crore)

Particulars	2015-16	2016-17	2017-18	2018-19
<b>A. Sanctioned amount</b>				
Rajasthan Financial Corporation	328.20	410.22	386.68	314.89
Kerala Financial Corporation	1025.99	385.31	723.93	1644.95
Karnataka State Financial Corporation	731.94	733.43	842.13	1098.73
<b>B. Employee Cost</b>				
Rajasthan Financial Corporation	39.04	39.31	47.23	43.16
Kerala Financial Corporation	27.01	28.63	34.08	36.10
Karnataka State Financial Corporation	66.52	66.72	68.38	83.59
<b>C. Percentage of employee cost to total Sanctioned amount</b>				
Rajasthan Financial Corporation	11.90	9.58	12.21	13.71
Kerala Financial Corporation	2.63	7.43	4.71	2.19
Karnataka State Financial Corporation	9.09	9.10	8.12	7.61

The Corporation was not able to keep pace with the growing demand for industrial loans to MSME sector as the portfolio of the Corporation ranged between 1.19 *per cent* and 1.27 *per cent* of the total industrial sector outstanding loans during 2015-18. Further, the employee cost of the Corporation to total sanctioned loan was much higher and ranged between 9.58 *per cent* and 13.71 *per cent* during 2015-19 as compared to employee cost of Kerala Financial Corporation (ranged between 2.19 *per cent* and 7.43 *per cent*) and Karnataka State Financial Corporation (ranged between 7.61 *per cent* and 9.10 *per cent*) during this period. Audit observed that the performance of Karnataka State Financial Corporation was good as the loan portfolio of the Corporation increased from ₹ 732 crore to ₹ 1099 crore during 2015-19 whereas the portfolio of the Corporation decreased from ₹ 410 crore to ₹ 315 crore during 2016-19. Though, the Corporation earned marginal profit in the year 2017-18 and 2018-19 but considering the accumulated losses, negligible market share and high employee cost of lending, the Corporation was not able to achieve its prime objective.

### High level of Non Performing Assets

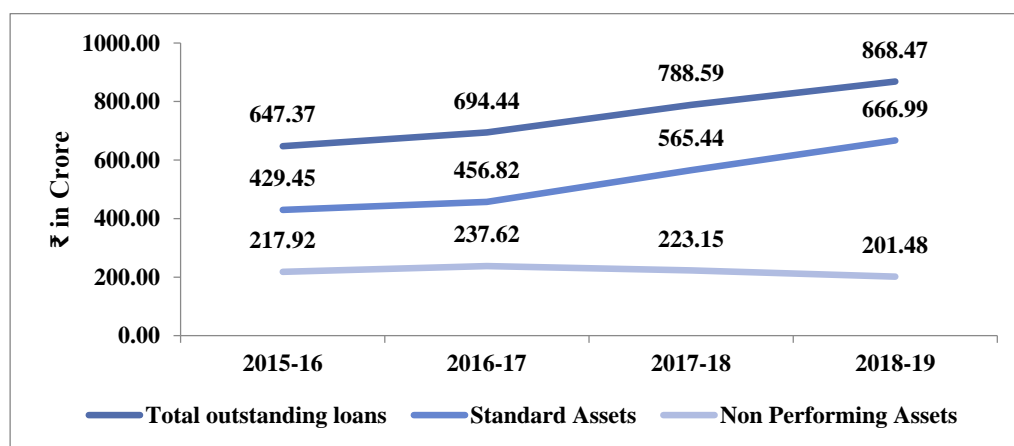
**5.1.6** The position of NPAs in any financial institution is one of the most important indicators of financial soundness. The RBI prescribes norms for classification of NPAs from time to time. As per norms prescribed in master circular<sup>5</sup> issued (July 2015) by the RBI, if interest or instalment of principal remains due for more than 90 days, loans are classified as NPAs. The Sub-Standard Assets include those assets which remained NPA for a period upto 12 months while Doubtful Assets includes assets which remained Sub-Standard for a period of 12 months. Further, Loss Assets are those where loss has been identified by the Corporation but the amount has not been written off wholly. In other words, such an asset is considered uncollectible and of such

5 Master Circular- Prudential norms on Income Recognition, Assets Classification and Provisioning pertaining to Advances.

little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value. Besides, Doubtful Assets are further classified into three categories *i.e.* Doubtful A, Doubtful B and Doubtful C on the basis of periodicity of default. Corporation's norms<sup>6</sup> provides that slippage of account into NPA should be watched through close follow up and regular monitoring of non defaulting units. It further provides that if any indication about default is noticed the same should be reported to the higher authorities.

Total loans which remained outstanding at the end of the year and their classification into Standard and NPAs for the period 2015-16 to 2018-19 are given below in chart:

Chart 5.1.1: Total outstanding loans, Standard assets and NPAs during 2015-16 to 2018-19



The closing balance of total outstanding loans and Standard Assets increased from ₹ 647.37 crore to ₹ 868.47 crore and ₹ 429.45 crore to ₹ 666.99 crore respectively during 2015-16 to 2018-19. The closing balance of NPAs increased from ₹ 217.92 crore in 2015-16 to ₹ 237.62 crore in 2016-17 which decreased to ₹ 201.48 crore in 2018-19. Although, the level of NPAs improved from 33.66 *per cent* to 23.20 *per cent* during 2015-16 to 2018-19 but the same were still very high as NPAs still constituted almost one fourth part of the total outstanding loans.

Audit observed that the closing balance of NPAs as on 31 March 2019 consisted Sub-Standard, Doubtful and Loss Assets of ₹ 48.43 crore, ₹ 73.70 crore and ₹ 79.35 crore respectively where 83.13 *per cent* (₹ 61.27 crore) of the total Doubtful Assets had been categorised under Doubtful C category due to defaulting in repayment of loans for more than four years. Thus, major part (69.79 *per cent*) of total NPAs as on 31 March 2019 either remained unrecovered for a long period or was considered unrecoverable by the Corporation looking to very remote chances of its recovery. For the Corporation as a whole, the NPAs on account of loans sanctioned to Real Estate Sector constituted 16.70 *per cent* of the total NPAs.

Further, out of 169 cases selected for detailed scrutiny, 143 cases (*i.e.* 115 cases under 'Loss Assets' category and 28 cases under 'Doubtful-C' category) involving recovery of ₹ 48.12 crore (excluding interest amounting to ₹ 191.92 crore) were pending for a period ranging from four years to 28 years.

6 FR circular-515 dated 29 April 2008.



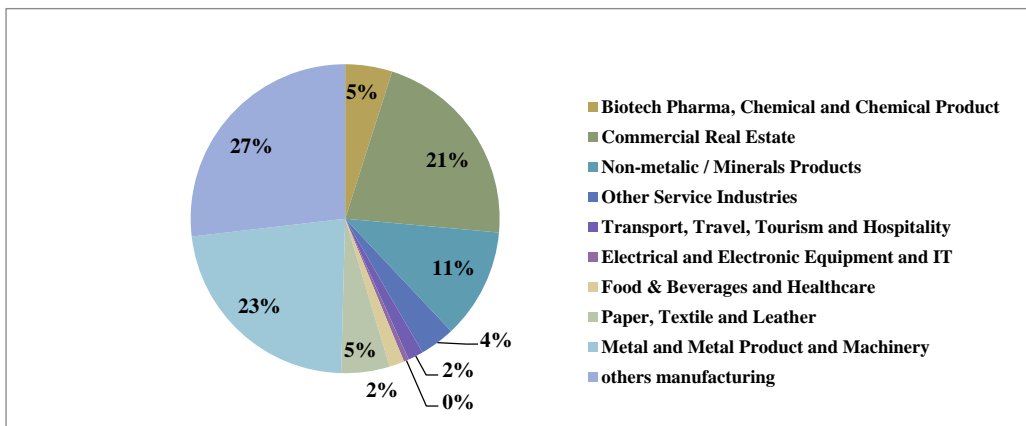
The Government accepted the facts and stated that the Corporation had made strenuous efforts during the period and introduced OTS Scheme for reducing NPAs due to which its NPA portfolio had been reduced during 2017-19. It also accepted the fact that most of the cases are under Doubtful C and Loss Assets category where efforts are being made for recovery of dues under Section 32-G.

The fact however remains that efforts made by the Corporation were not yielding desired results and the Corporation was not prompt in taking action against 32-G cases (discussed in detail at paragraphs 5.1.19 to 5.1.22) as such level of NPAs is still significant.

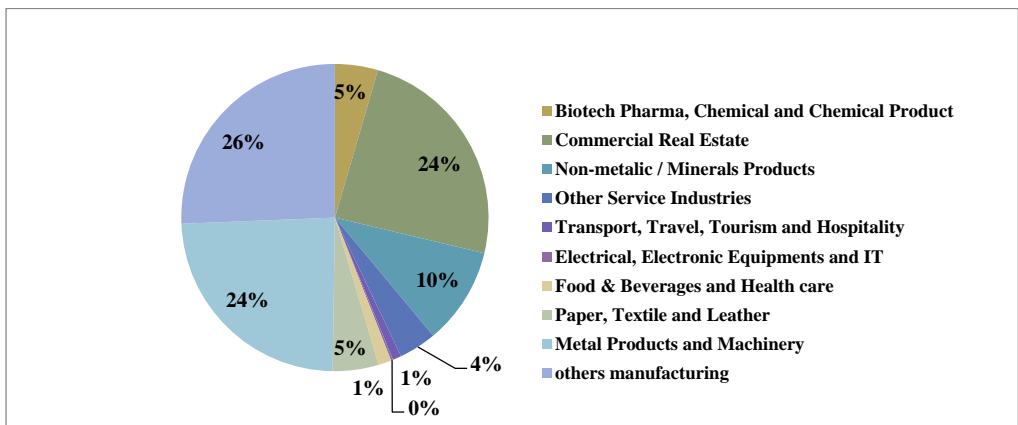
**Sector wise position of NPAs**

**5.1.7** In eight selected Branch Offices, total dues outstanding towards all the 554 cases of NPAs were ₹ 291.15 crore which included of ₹ 80.69 crore and ₹ 210.46 crore on account of principal and interest respectively. In case of 169 cases of NPA selected for detailed scrutiny, total outstanding dues were ₹ 258.60 crore which included ₹ 61.27 crore and ₹ 197.33 crore on account of principal and interest respectively. Of these the principal dues have been recognised in the books of accounts of the Corporation whereas amount of overdue interest has not been recognised as per accounting policy adopted by the Corporation for revenue recognition. Sector wise break up of total outstanding towards all the 554 NPA cases as well as selected 169 NPA cases is depicted in charts given below:

**Chart 5.1.2: Sector wise breakup of total outstanding dues (554 cases of NPAs)**



**Chart 5.1.3: Sector wise breakup of total outstanding dues (169 cases of NPAs)**



Sector wise breakup of total outstanding dues in all the cases as well as selected cases of selected Branch offices reflect that dues mainly pertained to other manufacturing sector, metal products and machinery sector and CRE sector. Further analysis of sector wise dues and number of respective loan cases disclosed that CRE sector was the major defaulter as there were three CRE loans<sup>7</sup> which comprised of approximately 21 *per cent* (₹ 62.62 crore) of the total outstanding dues and 24 *per cent* (₹ 62.62 crore) of the 169 selected cases respectively.

### **Deficiencies/ irregularities in extension and recovery of loans**

**5.1.8** During detailed scrutiny of NPA cases, audit observed following five cases where the Corporation allowed sale of partial mortgaged property without recovery of committed dues, extended loans against property occupied by tenants, did not take prompt recovery action against defaulter suspected in '*Syndicate Bank Scam*', released fourth loan to a borrower who had defaulted in previous three loans and released loan without ensuring requisite collateral security which resulted in accumulation of outstanding dues worth ₹ 28.50 crore<sup>8</sup> and obtaining lesser collateral security worth ₹ 0.38 crore.

#### ***Allowing sale of partial mortgaged property without recovery of committed dues***

**5.1.9** The Corporation sanctioned (March 2008 and September 2010) two loans of ₹ 10 crore and ₹ 6 crore respectively in favour of the borrower (Loan Account Number: 3205953679). On the request of the borrower, the Corporation decided (September 2013) to issue '*No Objection Certificate (NOC)*' in its favour for sale of 50 *per cent* of the property consisting hotel, shops and showrooms subject to depositing ₹ 11.39 crore towards sale of partial property (₹ seven crore), balance of estimated project value (₹ 3.17 crore) and preceding quarter's overdue amount (₹ 1.22 crore) before handing over possession of the hotel area to the purchaser. However, the Corporation/Branch office issued NOC to the borrower for sale of hotel and multiplex in October 2013 and November 2013 respectively on deposit of ₹ nine crore in September/October 2013 and took assurance that the borrower will deposit remaining amount of ₹ 2.39 crore before handing over possession to the purchaser. However, the borrower handed over possession of the hotel area to the purchaser without depositing the remaining amount to the Corporation. Belatedly, the Corporation took over (February 2016) possession of the unsold part of the borrowing unit due to further defaults in repayment of loans which is still in possession of the Corporation. The total dues recoverable from the borrower worked out to ₹ 14.10 crore in March 2019.

Audit observed that the Corporation extended undue favour to the defaulting borrower by issuing NOC for sale of partial mortgaged property and allowing handing over of possession to the purchaser without ensuring deposit of committed dues. However, the Corporation has not fixed accountability in this case where there was a clear violation of HQ orders by the Branch office. Audit also observed that despite non-deposit of the committed dues and

<sup>7</sup> Having Loan Account Numbers 3205953679, 2705192835 and 2705010302.

<sup>8</sup> ₹ 14.10 crore + ₹ 2.17 crore + ₹ 9.26 crore + ₹ 2.97 crore.

defaulting in further repayments, the Corporation delayed taking over possession of the unsold part of the unit and could not dispose of the same upto June 2019. Thus, undue favour to the borrower and delay in required recovery action resulted in accumulation of outstanding dues amounting to ₹ 14.10 crore.

The Government accepted the facts and stated that after depositing the partial amount, the borrower requested to re-fix the instalment of outstanding dues which was not considered in view of laid down norms and it did not deposit the remaining amount despite continuous pursuance. It further stated that the Corporation could not sell the property taken into possession as no bidder turned up in the auctions held by it, however market realisable value (MRV) of this property is sufficient to recover the outstanding dues. The reply was however silent on the issue of allowing the borrower to hand over possession of the property without deposit of committed dues due to which the outstanding dues are still remained unrecovered.

#### ***Extension of loans against property occupied by tenants***

**5.1.10** The Corporation sanctioned (March 2010 and March 2011) two loans (*i.e.* loan of ₹ 55 lakh for renovation of existing hotel and loan of ₹ 94 lakh for purchasing of showroom and commencing restaurant activity at the ground floor of the premises where its hotel existed) in favour of the borrower (Loan Account Number: 2705195367). After the borrower defaulted in repayment of both the loans, the Corporation decided (August 2014) to take possession of the entire property against which both these loans were extended. However, while visiting the unit, the Corporation found that the property was not free from encumbrances as most of the mortgaged area was occupied by the tenants. After taking (May 2015) measurements of the total area mortgaged (3679.25 square feet) by the borrower, the Corporation took over (July 2015) actual possession of the area (1857.46 square feet) which was free from any encumbrances and paper possession of the area (1821.79 square feet) occupied by the tenants. At the time of taking over possession of the property, total dues recoverable from the borrower worked out to ₹ 1.27 crore. The Corporation assessed (October 2015) MRV of the property wherein MRV of the entire property and property taken in actual possession was assessed at ₹ 1.13 crore and ₹ 0.38 crore respectively. Belatedly, the Branch office, Jaipur (Central) reported (July 2018) to the management that the property taken in possession could not be put to auction as it was occupied by the tenants. Despite this, the Corporation invited (January 2019) bids for auctioning the property but no offer was received. Resultantly, the outstanding dues towards the borrower mounted to ₹ 2.17 crore (March 2019).

Audit observed that while sanctioning the loans, the Corporation ignored the fact that the property being mortgaged by the borrower against these loans had been rented out to many tenants and in case of any default in repayment of these loan, it would not be available for possession. Thus, extension of loans against a property not free from encumbrances without safeguarding the interest of the Corporation, resulted in non-recovery of ₹ 2.17 crore.

The Government stated that the Corporation carried out site inspection and obtained undertaking from the promoter wherein the promoter declared that the respective property was free from encumbrances and there was no pending

litigations relating to it. Further, the Corporation could not sell the property as no bidder participated in the auctions held by it.

The reply was not convincing as tenants showed in the declaration made (August 2009) by the former owner of the property who sold out the mortgaged property to the borrower and in the possession report (July 2015) were common which reflects that these tenants were in possession of the mortgaged property even prior to sanctioning of these loans and the site inspection report by Corporation officials and undertaking given by the promoter were not correct. Further, the system of regular inspection of borrowing units was also not functional in the concerned Branch office as the Corporation could not identify the misrepresentations till it went for taking over the possession of the unit. The Corporation also did not take effective steps for fixing accountability and initiating legal recourse in this case which led to non-recovery of dues till date.

***Lack of prompt action against defaulter suspected in ‘Syndicate Bank Scam’***

**5.1.11** The Corporation sanctioned (November 2014) a loan of ₹ 7.72 crore to *Guman Builders and Developers (Private) Limited (Borrower)*. After the borrower defaulted in repayment of quarterly instalment (June 2016), the Corporation issued (June 2016) a legal notice under Section 30 of the SFCs Act for depositing the outstanding dues of ₹ 5.54 crore but the borrower did not deposit the amount within the notice period. As per the notice, in case of non-deposit of dues, the borrowing unit was to be taken under possession but the Corporation instead of taking over possession of the borrowing unit, allowed (July to October 2016) several opportunities to the borrower by extending the date for depositing the overdue amount. However, the borrower did not deposit the amount within the extended period and the Corporation took over possession of the borrowing unit on 28 November 2016. Meanwhile, the Enforcement Directorate, Government of India (ED, GoI) informed (25 November 2016) the Corporation that an investigation against the main promoter of the borrower was under progress in case of First Information Report (FIR) registered (March 2016) by the Central Bureau of Investigation (CBI), GoI. The ED also restricted the Corporation to release any documents of the property charged with it which belonged to the concerned promoter, his relatives and firms associated to him. Later, ED attached (May 2018) the mortgaged property by issuing a provisional attachment order which was retained (November 2018) by the Adjudicating Authority<sup>9</sup>. Against the attachment order, the Corporation filed (December 2018) an appeal with the Appellant Tribunal, Prevention of Money Laundering Act which issued (January 2019) a stay order in this case and the matter is still pending with the Appellant Tribunal. (June 2019)

Audit observed that the Corporation was well aware of the facts that CBI had registered (March 2016) an FIR in Syndicate Bank scam where the main promoter of the borrowing unit was also suspected to be involved. Despite this, the Corporation instead of promptly taking over the possession, allowed several extensions to the borrower for depositing the overdue amount. Audit also observed that the property was situated at a prime location of Jaipur and had substantial MRV (*i.e.* ₹ 19.65 crore assessed in January 2017). Had the

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<sup>9</sup> Prevention of Money Laundering, Department of Revenue, Ministry of Finance, Government of India.

Corporation taken prompt action for taking over and disposing of the property, it could have recovered its dues. However, allowing extension for repaying dues to a defaulter suspected in a Bank Scam resulted in unwanted legal proceedings and non-recovery of outstanding dues worth ₹ 9.26 crore.

The Government accepted the facts and stated that the borrower had informed (22 July 2016) the Corporation that its bank account had been blocked by the CBI due to which the bank dishonoured its cheque due on 1 June 2016. Further, three more cheques furnished by the borrower during August 2016 were also dishonoured. It further stated that the Appellate Authority had allowed for auctioning the fixed assets of the unit and accordingly, property will be disposed of to recover the dues.

The fact remained that the Corporation was well aware of the fact that the promoter of borrowing unit was suspected in a Bank scam and CBI had lodged an FIR against him in March 2016. However, the Corporation did not furnish any justification in respect of allowing several extensions to the borrower during July to October 2016 instead of initiating prompt action to take over the property which led to non-recovery of significant dues.

#### ***Release of further loan to a defaulter borrower***

**5.1.12** The Corporation sanctioned (August 2007, October 2008 and May 2010) three loans of ₹ 65 lakh, ₹ 35 lakh and ₹ 71 lakh respectively in favour of the borrower (Loan Account Number: 0505012643). After the borrower defaulted in repayment of these loans, the Corporation issued (July 2012) a legal notice to the borrower under Section 30 of the SFCs Act to deposit outstanding/overdue amount. The borrower instead of depositing the dues, filed (October 2012) a petition before the Hon'ble High Court, Jaipur. Responding to the petition of the borrower, the Court ordered (November 2012) the borrower to deposit ₹ 20 lakh with the Corporation within a period of four weeks and to deposit the remaining overdue of ₹ 50.13 lakh within first week of January 2013. It also provided that in case the borrower defaults in repayment of dues as per this order, the Corporation would be free to take possession of the hotel. The borrower deposited (December 2012) ₹ 20 lakh as per the prescribed schedule but it did not adhere to the orders of the court for depositing the remaining dues. The Corporation issued (March 2013 to December 2018) notices to the borrower from time to time but kept on providing opportunities to the borrower for repaying the loan accepting partial payments made by it. The Corporation rescheduled (December 2014) all the three existing loans by re-fixing the repayment of quarterly instalments from last quarter of the year 2016 and sanctioned and released (April-May 2015) another loan of ₹ 1.15 crore in its favour. The borrower defaulted in repayment of the fourth loan also. Thus, the overdue amount and total outstanding amount against all the four loans worked out to ₹ 1.85 crore and ₹ 2.97 crore respectively (March 2019).

Audit observed that despite continuous defaults in repayment, the Corporation not only provided several opportunities to the defaulting borrower in repayment of the first three loans extended during 2007-08 to 2010-11 but also granted another loan even before commencement of revised repayment schedule of previous loans. Thus, lack of proper action for recovery of existing

loans and imprudent decision of releasing another loan led to non-recovery of ₹ 2.97 crore.

The Government stated that the Corporation issued (January 2015) a circular wherein certain criteria (including no interest overdue in the existing loan account) had been laid down for extension of further loans to hotels and hospitals where re-schedulement had been made and project had not been implemented and requires further loan. It further stated that in the instant case, the fourth loan was extended after ensuring fulfilment of these criteria as there was no overdue towards the borrower as on 31 March 2015. Further, due to regular pressure, the borrower is now approaching for rehabilitation and its application is under examination.

It could be seen that the policy of the Corporation is not sound enough to safeguard its financial interest as the criteria under which the Corporation allows further loans to a defaulting borrower, was defective as it allows a borrower to obtain new loans of higher amounts as compared to amount cleared against the overdues. This is also evident from the instant case where the existing three loan accounts of the defaulting borrower were rescheduled in December 2014 and a new loan was sanctioned and disbursed (April-May 2015) immediately after regularising the existing loans. Thus, the Corporation needs to review its existing policy.

***Releasing loan without ensuring requisite collateral security***

**5.1.13** The Corporation sanctioned (March 2014) a loan of ₹ 1.02 crore to the borrower (Loan Account Number: 2105950073) with the conditions that the borrower has to submit Collateral Security of MRV not less than 50 *per cent* of the sanctioned loan. The title documents of prime security as well as collateral security shall be examined by the Corporation. As MRV of the collateral security furnished by the borrower was less than the limit prescribed during sanction of loan, the collateral security was not considered adequate and the sanction of loan was cancelled (January 2015). Subsequently, the borrower requested (April 2015) for revival of cancelled loan and submitted documents of another collateral security. Considering the request of the borrower, the Corporation revalidated (May 2015) the sanction of loan and disbursed ₹ 0.69 crore to the borrower after ascertaining the MRV of the collateral security at ₹ one crore.

Audit observed that the Corporation incorrectly assessed the MRV of the collateral security as the correct MRV was ₹ 0.13 crore only and thus, released the loan without obtaining the requisite collateral security. The Corporation realised (November 2016) the fact that it has obtained collateral security of lesser value due to incorrect computation of MRV. Despite this, the Corporation neither made any effort to obtain security of requisite value nor recovered the dues by calling back the total outstanding amount. Further, possibility of involvement of fraud/collusion in assessing MRV cannot be ruled out.

The Government accepted the facts and stated that it was reported that MRV has been calculated on a higher side and the matter is being examined. It further stated that MRV of the prime security is worth ₹ 0.92 crore and the

Corporation had initiated legal action against the borrower and putting all efforts to recover the dues.

The fact remained that the Corporation did not observe due diligence while disbursing the loan. Further, despite noticing the mistake of obtaining inadequate security, it did not take action for obtaining collateral security of requisite value or for cancelling the loan by recovering the outstanding dues. Further, the land component of the prime security was worth ₹ 0.09 crore only whereas rest of the prime security (*i.e.* building, plant and machine *etc.*) was of depreciable nature. Thus, it would not be prudent to consider the loan as fully secured as the loan had already been categorised under Sub-Standard Assets. During the exit conference, the Management directed the subordinate staff to review the case and to take necessary action which is awaited despite lapse of more than three months (December 2019).

### Delayed/ inadequate legal action for recovery of dues

**5.1.14** Audit observed three cases where the Corporation inordinately delayed initiating the legal action against the defaulting borrowers due to which recovery of outstanding dues/deficit amounting to ₹ 16.37 crore (₹ 14.60 crore + ₹ 1.38 crore+₹ 0.39 crore) could not be effected. These are discussed below:

#### Case-1

The Corporation extended two loans of ₹ 39.50 lakh and ₹ 25.27 lakh in favour of the borrower (Loan Account Number: 3205014022) in the year 1987 and 1990 respectively. Due to default in repayment of loans, the Corporation issued (1999) legal notice to the borrower but did not take further action as one of the creditors of the borrower had filed a winding up petition (WUP) in the court against the borrower in the year 1997. The concerned court dismissed (2005) the WUP. Official Liquidator (OL) intimated (June 2015) the Corporation that he has already released the assets in 2005. On receipt of intimation regarding release of assets of the borrower in the year 2005 itself, the Branch office worked out the outstanding dues towards the borrower at ₹ 4.27 crore (till June 2015). Considering substantial outstanding dues of other Government departments/PSUs *viz.* Central Excise Department, JVVNL, RIICO *etc.* towards the borrower, the Corporation decided (November 2016) to initiate recovery action as per provisions of the SARFAESI Act, 2002. The concerned Branch office completed procedural formalities relating to initiating action under SARFAESI Act, 2002 in April 2017, however, the Management inordinately delayed the approval (April 2018). Thereafter, the Branch office issued (July 2018) notice to the borrower under the SARFAESI Act, 2002. After enactment of IBC 2016 *w.e.f.* 11 May 2016, the Corporation decided (September 2018) to take action against the borrower under IBC 2016. However, the Branch office did not initiate action under IBC 2016 as it was not acquainted with its provisions. Belatedly, the Corporation again reversed (February 2019) its decision and decided to take action under SARFAESI Act, 2002 considering that proceedings under IBC 2016 to be expensive. Resultantly, outstanding dues towards the borrower mounted to ₹ 14.60 crore against market realisable value of borrowing unit assessed at ₹ 3.08 crore. Further, possession of the borrowing unit was not taken over till March 2019.

Audit observed that the Corporation did not monitor the case as it remained unaware of dismissal of WUP by the court and releasing of assets of borrowing unit by the Official Liquidator (OL) for a period of 10 years and resultantly, did not initiate any action to take over possession of assets of the borrowing unit of the borrower till March 2015. The Corporation further not only delayed in taking decision for initiation of action against the borrower under the SARFAESI Act, 2002 but also kept on reversing its decisions due to incorrect and contradictory inference presented by its law section on applicability of SARFAESI Act, 2002.

The Government stated that the Corporation initially decided to move to NCLT for recovery

of maximum dues but looking to the expenses involved in the process, it decided to recover the dues under the SARFAESI Act, 2002. It further stated that the Corporation had taken over the assets in September 2019 and will dispose it through auction. During the exit conference, the Corporation also accepted that there was confusion on applicability/existence of SARFAESI Act, 2002. However, the reply was silent on the issue of Corporation's failure to be aware of the dismissal of the WUP for a period of ten years and inordinate delay in initiating requisite action of recovery.

**(Branch office, Bhiwadi)**

**Case-2**

The Corporation sanctioned (December 2000) a loan of ₹ 75 lakh to the borrower (Loan Account Number: 3205014907). After extension of loan, the borrower could not repay the loan as per the prescribed terms and conditions of loan agreement. Due to default, the Corporation took over (December 2003) possession of prime security and made efforts for its disposal through auction but it could not dispose of the prime security of the borrower till November 2007. Meanwhile, the borrower obtained (November 2007) stay from the Hon'ble High Court, Jaipur against disposal of the prime security. The Corporation filed (December 2007) a writ petition in the Hon'ble High Court against the stay order which is still pending with the court. Belatedly, the Corporation also filed (February 2018) an application in the Hon'ble High Court for early hearing in this case which is also pending with the court (June 2019). The outstanding dues towards the borrower worked out at ₹ 1.38 crore upto March 2019.

Audit observed that the Corporation could not ensure disposal of the prime security despite lapse of a period of four years from taking over its possession till grant of stay order by the court. The advocate appointed by the Corporation did not respond to the several requests made by the Corporation for obtaining vacation of the stay and submitting actual status of the case during 2008-18. However, the Corporation did not take any corrective action in this regard. Besides, the Corporation filed a petition with the court for early hearing of the case after lapse of more than 10 years from grant of stay order which indicates that the case was not monitored regularly by the Branch office as well as Head office despite clear guidelines/ directions for regular monitoring of the cases having stay in operation for over three months. Audit also observed that as per MRV assessed in September 2012, the value of prime security and collateral security were ₹ 69.65 lakh (including depreciable assets worth ₹ 43.88 lakh) and ₹ 1.08 crore respectively, however the Corporation did not make efforts to recover its dues through disposal of collateral security.

The Government accepted the facts and stated that after consultation with the panel advocate, the unit will be put up for auction to realise the dues. During the exit conference, the Corporation also assured to review the cases where stay orders had existed since long and to work on finding alternate options for vacating the stay.

**(Branch office, Bhiwadi)**

**Case-3**

The Corporation extended a loan of ₹ 40 lakh to the borrower (Loan Account Number: 1205014248) in the year 1997. Due to default in repayment of loans, the Corporation took over (December 2003) and disposed of (June 2007) the prime security for ₹ 19.25 lakh. The deficit in the case was worked out at ₹ 38.88 lakh. Belatedly, the Corporation initiated (December 2009) efforts for disposal of collateral security. While visiting the property mortgaged as collateral security for assessing its MRV, the Corporation found (December 2011) that the borrower had already sold that property.

Audit observed that the Corporation inordinately delayed the process for disposal of collateral security. Further, while mortgaging the collateral security, the Corporation did not safeguard its financial interest as it did not ensure recording of endorsement relating to mortgage of property in its favour in the records of the concerned revenue authority. Resultantly, the borrower disposed it off without intimation and approval of the Corporation. Audit also observed that despite illegal disposal of collateral security, the Corporation did not take prompt action against the borrower as the FIR was filed (November 2017) with a delay of more than six years whereas no court case has been filed against the defaulting borrower for getting the unauthorised sale of collateral security declared as 'Null and Void' till June 2019. Resultantly, the deficit remained unrecovered despite lapse of more than 12 years from



disposal of prime security.

During the exit conference, the Corporation acknowledged that it did not ensure recording of endorsement of mortgaged property in its favour in the records of the concerned revenue authority. Further, Government in reply stated that in this case, Corporation had made continuous efforts to recover the deficit, the Branch office, Dungarpur sent (May 2013) an FIR to the police authority concerned for unauthorised sale of collateral security and lodged an FIR in November 2017. Thus, the Corporation did not delay in initiating action for disposal of collateral security.

The reply was not convincing as the Corporation did not furnish documents in support of registration of FIR in May 2013 and in case the Branch has sent the request to Police why did it wait for four years for the FIR to be registered. The fact thus remained that the FIR was lodged with a delay of more than six years. Thus, it was a case where the Branch officers did not perform their duties diligently.

(Branch office, Abu Road)

### Delay in disposal of assets in possession

**5.1.15** The Corporation issues a Recovery Strategy & Risk Management Policy every year. As per this policy, assets in possession of the Corporation should be disposed of in a timely manner and proactive efforts are required to be made for locating suitable buyers for units in possession so as to ensure quick disposal of assets at the competitive prices. No assets should remain indisposed after six months from taking into possession until and unless there are specific reasons.

As on 31 March 2019, there were 28 units in possession of the Corporation and possession of these units were taken over during November 1987 to March 2019 as detailed in *Annex-20*. A brief age-wise analysis of these units is given below:

**Table 5.1.3: Age-wise break up of units in possession as on 31 March 2019**

(₹ in crore)

Period of possession	Number of units	Total outstanding dues as on 31 March 2019			
		Principal Amount	Interest Amount	Other Money	Total
Less than one year	6	1.36	0.71	0.02	2.09
1 to 5 years	4	12.99	12.47	0.13	25.59
From 5 years to 10 years	5	19.89	89.56	1.21	110.66
From 10 years to 20 years	8	6.41	3.27	1.43	11.11
More than 20 years	5	0.33	0.42	0.09	0.84
<b>Total</b>	<b>28</b>	<b>40.98</b>	<b>106.43</b>	<b>2.88</b>	<b>150.29</b>

Of these 28 units, there were only three units where possession did not exceed the limit of six months till 31 March 2019 whereas the remaining 25 units were under possession for a period which ranged between seven months and 32 years. These units included five<sup>10</sup> units which were under possession for a period ranged from three years to 11 years without any litigation and several auctions were held to sell these units but the Corporation could not dispose of these units till March 2019. Out of remaining 20 cases, 14 units involved litigations against recovery action and in six cases, the Corporation did not initiate requisite recovery action upto March 2019. Thus, due to delay in

10 S. No. 1, 2, 3, 10 and 11 of *Annex-20*.

initiating action for disposal of units in possession, non-disposal of units despite several auctions and long pending litigations, outstanding dues worth ₹ 150.29 crore remained unrecovered despite the Corporation having possession of these units.

Audit observed that the Corporation did not analyse reasons for poor response in auctions held for sale of assets. Further, inordinate delay in disposal of these units resulted in substantial decrease in MRV of the assets in cases where depreciable assets *viz.* plant and machinery are involved. Audit observed that in one case<sup>11</sup>, MRV of the assets reduced from ₹ 4.22 crore in October 2012 to ₹ 2.65 crore in November 2018 as the plant and machinery become obsolete with lapse of more than 11 years.

The Government while accepting the facts stated that out of these 28 units, 24 units could not be disposed of due to non-receipt of bid, non-receipt of adequate offer, stay granted by court *etc.* whereas possession of two units were taken recently whereas remaining two units were handed back to the promoter. Further, in one case where MRV of the assets pertained to the borrowing unit had been reduced, matter is under consideration for re-ascertaining/revising the MRV of the respective assets. However, the fact remained that the Corporation did not analyse the reasons of poor response to overcome the problem of non-disposal of units in its possession and resultant decrease in MRV of such assets.

**5.1.16** Audit further observed a case where the Corporation could not dispose of the unit despite receipt of an offer exceeding its dues as detailed under:

***Borrowing Unit (Loan Account Number: 2505010688)***

The Corporation sanctioned (September 2008) a loan of ₹ 1.85 crore to the borrower. On default in repayment of the loan, the Corporation took over (September 2011) possession of the unit where the total dues of the borrower worked out at ₹ 1.31 crore. The Corporation evaluated MRV of the unit from time to time where MRV assessed by the Corporation itself increased from ₹ 3.83 crore in December 2011 to ₹ 6.04 crore in June 2018 and MRV assessed through the private valuer increased from ₹ 2.42 crore in June 2012 to ₹ 6.41 crore in July 2018. Both the MRVs differed as the Corporation adopted rate of land as fixed by respective District Level Committee whereas the private valuer adopted the market rate of land. The Corporation attempted to dispose of the unit time and again but the unit remained unsold till date. (June 2019)

Audit observed that the Corporation received an offer of ₹ 2.66 crore in May 2014 which exceeded the outstanding dues of the Corporation at that time and the MRV assessed by the private valuer (*i.e.* ₹ 2.36 crore in October 2013). However, as it was lesser than its own assessed MRV (*i.e.* ₹ 5.07 crore in April 2014) therefore Corporation rejected the offer. Thus, the Corporation could not utilise the opportunity to dispose of the unit despite adequate offer quoted by the bidder, accepting it would have enabled the Corporation to recover its dues.

The Government accepted the facts and stated that the offer was rejected as it was found inadequate as compared to MRV assessed by the Corporation as MRV calculated by its own officer was based on DLC rate and the same was more accurate. Further, the Corporation assured to put up the unit in auction during 2019-20.

The fact remained that the Corporation lost the opportunity of recovering its dues through disposal of the unit which led to non-recovery of dues till date.

**(Branch office, Jaipur-South)**

### **Non-disposal of Commercial Real Estate (CRE) Units**

**5.1.17** Of the 28 units in possession as on 31 March 2019, five<sup>12</sup> units belonged to CRE Sector where possession of the units were taken between January 2010 and November 2016 but none of these units could be disposed of till March 2019 due to litigations, imposition of restriction on sale or non-receipt of requisite offers for purchasing the unit. Audit observed that the total dues outstanding towards these units at the time of taking possession were ₹ 36.26 crore which increased to ₹ 132.48 crore as on 31 March 2019 due to charging of interest for possession period. The latest MRV assessed (from January 2017 to September 2018) for these units was ₹ 114.25 crore. Audit also observed that due to delay in disposal, in three<sup>13</sup> of these five cases, the dues outstanding towards these units (₹ 109.12 crore) exceeded the MRV assessed for these units (₹ 53.17 crore) which may affect recovery of dues.

The Government while accepting the facts stated that the CRE sector units could not be sold due to recession in the sector for the last four to five years. It further stated that out of three major CRE units, there was stay against auction in two CRE cases (S. No. 18 and 19) whereas the third CRE case (S. No. 2) was in litigation. During the exit conference, the Corporation assured to review the policy of charging interest during possession period in CRE cases.

The fact remained that the Corporation did not make adequate efforts to dispose of the property in one CRE case (S. No. 2) and to vacate the stay in remaining two CRE cases (S. No. 18 and 19). Further, reply was silent on the issue as to how the Corporation will ensure recovery of its entire dues in such cases where the outstanding dues had already exceeded MRV of the assets in possession. The reply was also silent on the issue of taking action to review/revise the policy.

### **Allowing frequent opportunities to defaulting borrowers**

**5.1.18** During review of selected cases, three cases were observed where the Corporation ignored continuous defaults of borrowers and kept on providing opportunities to them for repaying the loans/overdues instead of taking recovery action under Section 29/30 of the SFCs Act. The deficiencies noticed in these three cases are discussed in detail in **Annex-21**. Audit noticed that due to deficiencies in dealing these cases, the Corporation could not recover dues worth ₹ 1.91 crore.

During the exit conference, the Corporation assured to frame a policy where minimum amount for not taking possession of the property was to be fixed so as to avoid unnecessary litigations and delays. The Government while accepting the facts stated that one case is sub-judice before the Rajasthan High Court, Jodhpur. In case of remaining two cases, the Corporation assured to recover the dues in settlement/re-scheduling. However, reply was silent in respect of deficiencies pointed out by Audit as well as action taken to frame the requisite policy in this regard.

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12 S. No. 2, 3, 9, 18 and 19 of **Annex-20**.

13 S. No. 2, 18 and 19 of **Annex-20**.

**Recovery under Rajasthan Land Revenue Act, 1956 (RLR Act)**

**5.1.19** Section 32-G of the SFCs Act empowers the Corporation to recover its dues as an arrear of land revenue. After disposal of prime security, the Corporation can initiate action under Section 32-G for recovery of its dues through disposal of collateral security or other assets belonging to the promoters with the help of revenue authorities. To initiate action under Section 32-G, the Corporation sends requisition in prescribed format along with copies of loan document and notices issued under Section 30 to the concerned District Collector. The process of registering the cases with the District Collector under section 32-G is handled at the Head Office of the Corporation on the basis of cases forwarded by the Branch offices.

Audit noticed that after disposal of prime security charged with the Corporation, a notice is served to the concerned borrower to furnish objection, if any, against the action to be taken under Section 30 of the SFCs Act within a period of 15 days from issue of the notice. Thereafter, notice is served to the borrower under Section 30 for making payment of dues/deficit amount failing which legal recourse for recovery of dues is to be taken under Section 32-G. The 'Requisitions of Demand' (RoDs) are expected to be filed after a period of 15 days from the issue of notice for initiating recovery action under Section 32-G.

***Delay in issuing notice for recovery under Section 32-G***

**5.1.20** Of the 169 cases of NPAs selected for detailed scrutiny, 115 cases involving recovery of ₹ 88.57 crore as on 31 March 2019 were categorised under Loss Assets and the same were eligible for initiating recovery action under Section 32-G. Audit observed that in 12 cases, the Corporation did not issue the requisite notice for initiating recovery action under Section 32-G. Further, the 103 cases where notices were issued by the Corporation, timely notices were issued in seven cases only whereas in another seven cases, the delay could not be ascertained due to non-availability of date of disposal of prime security. The delay in issuing notice in remaining 89 cases is detailed below:

**Table 5.1.4: Delay in issuing notices for recovery under Section 32-G**

Period of Delay	Number of cases	Outstanding dues (₹ in crore)
Upto five years	69	57.64
Five to ten years	12	6.62
More than ten years	8	2.57
<b>Total</b>	<b>89</b>	<b>66.83</b>

Thus, the Corporation was not prompt in initiating action for recovery under Section 32-G. The Government stated that after disposal of prime securities, the Branch offices issued notices to the concerned promoters/directors/guarantors under Section 30 of the SFCs Act as and when the decisions were taken to invoke the provisions of Section 32-G. Further, it accepted that there was delay in issue of notices in those cases where addresses of promoters were not traceable.

The fact remained that the Corporation not only delayed in taking requisite decisions for initiating action under Section 32-G but also failed in tracing the

requisite details relating to the concerned promoters/directors/guarantors in time.

**Delay/deficiencies in taking action for recovery under RLR Act**

**5.1.21** During review of the 115 cases eligible for recovery through RLR Act under Section 32-G of the SFCs Act, Audit observed that:

The Corporation filed RoDs in only 74 cases involving recovery of ₹ 64.01 crore upto March 2019. RoDs in these 74 cases were filed with delay which ranged from one month to 137 months. Further analysis of these cases revealed that in 65, seven and two cases, the delay in filing of RoDs ranged upto five years, five to ten years and more than ten years respectively.

Of these 74 cases where RoDs were filed, the Revenue Authorities returned 16 RoDs for want of further details of property and antecedents of promoters/guarantors whereas two cases involving ₹ 1.53 crore were settled by the Corporation for ₹ 0.35 crore. Remaining 56 cases involving recovery of ₹ 50.39 crore (including those seven cases worth ₹ 7.69 crore where the borrower had proceeded to courts against recovery action) were still pending with the Revenue Authorities for recovery of dues.

Age wise analysis of 49 cases<sup>14</sup> pending with the revenue authorities as on 31 March 2019 is given below:

**Table 5.1.5 (a): Cases pending with revenue authorities as on 31 March 2019**

Period for which cases are pending	Number of pending cases	Outstanding dues towards the pending cases (₹ in crore)
Upto five years	1	0.77
Five to ten years	10	28.30
More than ten years	38	13.63
<b>Total</b>	<b>49</b>	<b>42.70</b>

Audit observed that 26 of these cases were pending with the revenue authorities due to not providing requisite/correct details of property/antecedents of concerned promoters/guarantors by the Corporation. In absence of requisite/correct information, the revenue authority could not initiate recovery action under RLR Act.

In 16 cases where RoDs were returned by the concerned revenue authorities, the Corporation could not re-file RoDs in absence of further details of property and antecedents of promoters/guarantors. Age wise analysis of these 16 cases pending for re-filing of RoDs with the revenue authorities as on 31 March 2019 is given below:

**Table 5.1.5 (b): Cases pending for re-filing of the Requisitions of Demand (RODs)**

Period for which cases are pending	Number of pending cases	Outstanding dues towards the pending cases (₹ in crore)
Upto five years	1	0.62
Five to ten years	7	3.98
More than ten years	8	7.49
<b>Total</b>	<b>16</b>	<b>12.09</b>

14 Total cases lying pending with the revenue authorities (56 cases) – Cases pending with courts (seven cases).

In remaining 41 cases<sup>15</sup> involving recovery of ₹ 24.56 crore, the Corporation settled two cases worth ₹ 0.61 crore and effected recovery of ₹ 0.42 crore whereas in other cases, the Corporation neither effected recovery nor filed RoDs with the revenue authorities till date due to absence of details of property and other antecedents of promoters/guarantors. (June 2019)

Besides these 115 cases, there was another case (Loan Account Number: 0605012892) where the possession of the unit was taken over in April 2008 and its MRV was assessed (June 2008) at ₹ 5.74 crore against total outstanding dues worth ₹ 6.59 crore. Despite knowing the fact of lesser MRV in this case, the Corporation did not initiate simultaneous action for recovery under Section 32-G/RLR Act. Audit further observed that the Corporation initiated (October 2015) the action for recovery of dues under Section 32-G/RLR Act after lapse of more than seven years from taking over possession of the unit which is still under progress. Thus, due to inordinate delay, the Corporation could not ensure recovery of dues till June 2019.

During the exit conference, the Corporation assured to take action for accepting records in digital mode. Further, the Government in reply accepted that there was delay in filing of RoDs which was mainly due to non-availability of requisite details in respect of the promoter/guarantor and their other properties. Further, in some cases, the promoter/guarantor and their properties were located out of the State. It further stated that the Corporation had constituted (June 2019) a team of its officials for tracing out the whereabouts of the properties/promoters and ensuring prompt recovery action in these cases. However, the reply was silent on the issue of initiating action for taking records in digital mode.

In yet another case (Loan Account Number: 0605012892), the Corporation accepted the facts and stated that action for recovery of dues under Section 32-G was initiated to in compliance of the directions given (August 2015) by the Committee on Public Undertakings. The fact remained that the Corporation initiated the action under Section 32-G with a delay of more than seven years which led to inordinate delay in recovery of dues.

#### ***Non-recovery of dues despite having collateral securities***

**5.1.22** As per Loan Policy 2018-19 of the Corporation, while sanctioning of loan at field level, it should be ensured by the sanctioning authority that if the loan amount is more than the MRV of existing and proposed land and building, collateral security will invariably be obtained. Further, Recovery Strategy and Risk Management (RS&RM) Policy 2018-19 provided that visit/verification of collateral securities is required to be done quarterly so as to ascertain whether the assets are intact or have been diluted. The Corporation also provided (Circular No. FR-528 dated 5 July 2008) that a register of collateral security needs to be maintained and updated from time to time.

During review of records, Audit noticed four loan cases where the Corporation obtained collateral securities at the time of sanctioning of these loans but while proceeding for recovery of deficit, the Corporation could not identify/trace out the collateral securities/antecedents of the concerned promoters/guarantors as

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15 Total cases eligible for registration under Section 32-G (115 cases) – Cases wherein RoDs had been filed (74 cases).

detailed in *Annex-22*. Of these four cases, in one case (S. No. 1) the Corporation did not file RoD with the respective revenue authority, in two cases (S. No. 2 and 3) the RoDs filed by the Corporation were returned by the respective revenue authority whereas in remaining one case (S. No. 4) the RoD was with the respective revenue authority till June 2019. Resultantly, the Corporation could not ensure recovery of dues worth ₹ 1.02 crore. During review of these cases, documents/records relating to verification of collateral securities while sanctioning of these loans were not found in the records of the Corporation.

The Government accepted the facts and stated that the Corporation is making efforts to identify/trace the collateral securities/antecedents of the concerned promoters/guarantors. It further stated that in these cases, requisite action will be taken on identification of the property/promoters/guarantors.

### Monitoring mechanism

**5.1.23** The Corporation issues a RS&RM Policy every year which directs the Branch Managers for monitoring and inspection of each and every case of default irrespective of the loan amount as per recovery strategy detailed in Circular (FR Number 498) issued from time to time and for deciding line of action in each case and taking follow-up action on regular basis during the year.

#### *Ineffective system for monitoring of defaulting units*

**5.1.24** The Circular (FR No. 498 dated 19 February 2008) provided that each Branch office should visit the assigned borrowing units (including defaulting units) on regular basis. It further provided that in case of each defaulting unit where overdue is above ₹ five lakh, the Branch Manager should (a) visit the unit once in a period of six months and (b) carry out detailed inspection once in a year. In case of each defaulting unit where overdue amount is above ₹ one lakh, the unit should be visited once in a year and detailed inspection should be carried out for 25 per cent units each year.

The visit to defaulting units carried out by selected eight Branch offices during the period 2015-16 to 2017-18 are detailed below:

**Table 5.1.6: Defaulting units visited and Visit Reports prepared during 2015-18**

Year	Total number of defaulting units to be visited by respective Branch office during the year	Number of defaulting units visited by the respective Branch office during the year	Number of cases where Visit Report has been prepared during the year	Number of defaulting units due for visiting but remained unvisited during the year	Number of defaulting units where Visit Reports were not prepared during the year
1	2	3	4	5=2-3	6=3-4
2015-16	428	178	5	250	173
2016-17	389	162	26	227	136
2017-18	325	194	34	131	160
<b>Total</b>	<b>1142</b>	<b>534</b>	<b>65</b>	<b>608</b>	<b>469</b>

Audit observed that out of 1142 defaulting units due for visits during 2015-16 to 2017-18, the selected Branch offices visited only 534 units (46.76 per cent).

Further, during this period, these Branch offices prepared visit reports relating to 65 units which worked out to only 12.17 *per cent* of the total units visited by these Branch offices. The selected Branch offices also did not provide any detailed inspection report relating to the units visited by them during 2015-16 to 2017-18. This indicates that the Branch offices did not monitor the defaulting units as per the norms laid down by the Corporation. Further, the monitoring mechanism was not sound enough to ensure strict compliance of the directions issued as no action against non-compliance of these norms was found on record.

During the exit conference, the Corporation assured to institute online system for monitoring of performance of Branch offices. Further, Government stated that the Corporation had issued (June and August 2019) guidelines/directions to the Branch offices for regular monitoring and inspection of assisted units as per laid down norms. However, the reply was silent on the issues of non-compliance of the laid down norms by the selected branch offices, lack of action taken by the Corporation against them and action taken for adopting online monitoring system.

***Meetings of Default Review Committee/ Follow-up and Recovery Committee***

**5.1.25** The Corporation also constituted (April 2012 and June 2017) ‘Default Review Committees’ (DRCs) at the level of Head office as well as Branch offices for monitoring of the units. As per procedure laid down in the order (June 2017), meetings of Branch level DRCs were to be held monthly at the level of concerned Branch Manager whereas meetings of Head office level DRC were to be held quarterly at the level of General Manager (Operations). These DRCs were required to review and analyse the causes of defaults in each and every case under their jurisdiction and were to be responsible/accountable for timely recovery of Corporation’s dues, new defaults and slippages. In case of Branch level DRCs, minutes of each meeting were to be submitted to the concerned Deputy General Manager (Follow-up and Recovery) every month for further examination and issuance of necessary instructions for taking effective action for recovery of dues. The Deputy General Manager (Follow-up and Recovery) was to ensure conducting of meetings of DRCs on regular basis. Besides, each Branch Manager was to conduct a meeting of Follow-up and Recovery Committees (FRCs) every Monday to review each and every case as prescribed in Procedure & Guidance (P&G) issued by the Corporation.

During review of records at the eight selected Branch offices, Audit observed that these Branch offices (except Branch office, Udaipur) did not conduct even a single meeting of Branch level DRCs and FRCs during 2015-19. The Branch office, Udaipur also did not conduct the meetings as per prescribed norms as it conducted only three meetings of Branch level DRC (i.e. July 2017, November 2017 and March 2019) and did not conduct any meeting of FRC during the same period. The concerned competent authority also did not take any action against the defaulting Branch office for not conducting the meetings of DRCs in violation of the laid down directions. This indicated that the mechanism prescribed for monitoring of the cases of defaults by the borrowers was defunct as it was not being followed by the Branch offices as well as Head office of the Corporation.



During review of 554 NPA cases pertained to the selected Branch offices, it was noticed that outstanding dues were worth ₹ 291.15 crore<sup>16</sup>. Audit observed that most of these cases (*i.e.* 483 cases having total outstanding dues worth ₹ 268.55 crore) were categorised under NPA prior to April 2015 but the Corporation could not effect recovery in these cases during 2015-19. This indicated that the Corporation did not make adequate efforts for recovery of dues during this period. Further, in absence of effective monitoring, cases of defaults were not being properly analysed and the Corporation could not control its level of NPAs to the expected level.

During the exit conference, the Corporation assured to institute online system for submission of minutes of meetings by the Branch offices. The Government accepted the facts and stated that all the Branch offices had been instructed (August 2019) to conduct the meetings as per laid down norms. However, the reply was silent in respect of action taken for adopting online monitoring system.

### ***Absence of opening/operating of Escrow Account***

**5.1.26** The sanction letters relating to the loans extended to the CRE Sector provided that the borrower shall create and maintain an Escrow Account during the currency of loan in favour of Corporation with a scheduled bank wherein 'Sale proceeds' of the areas of complex shall be deposited. While reviewing the selected cases pertained to the CRE Sector, Audit observed that in the first case, the Escrow Account was not opened by the concerned borrower (Loan Account Number: 2705010302) despite lapse of 10 years from sanction of the loan (November 2008). Despite this, the Corporation did not pursue with the borrower for opening the requisite Escrow Account till June 2019. Further, in the second case, although the Escrow Account was opened by executing (March 2008) the tripartite agreement but the Corporation did not monitor operation of Escrow Account after default by the borrower (Loan Account Number: 3205953679) in repayment of dues which resulted in accumulation of outstanding dues worth ₹ 14.10 crore.

Audit observed that the condition of opening Escrow Account was included in the respective sanction letters for safeguarding the financial interest of the Corporation in case of default in repayment of loans but the Corporation did not devise a mechanism to monitor compliance of this condition and thus could not safeguard its financial interest properly.

In the first case, the Government accepted the facts and stated that in view of audit observation, a letter was issued to the borrower for executing the Escrow Agreement. However, it could not be executed as the project is incomplete and the unit is under possession of the Corporation as on date. The Corporation further assured that opening/execution of escrow account/agreement will be ensured at the time of handing back possession of the unit to the borrower.

In the second case, the Government stated that the borrower could not sell the commercial area without obtaining NOC from the Corporation and it repaid the loan as per norms of the Corporation before issue of NOC against sale of the commercial area. Therefore, operation of escrow account was not continued.

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16 Includes outstanding principal dues worth ₹ 80.69 crore and outstanding interest worth ₹ 210.46 crore.

The fact remained that the Corporation extended the loan to the first borrower without ensuring compliance of the conditions laid down in the sanction letter. In case of the second borrower, the reply was not convincing as the sale proceeds were not processed through the escrow account as per laid down norms. Further, the Corporation did not ensure deposit of committed amount by the second borrower before handing over possession to the purchaser (as highlighted in paragraph 5.1.9). Had the Corporation ensured processing of sale proceeds through escrow account it could have recovered the substantial dues.

***Non-maintenance of register for other properties of promoters/guarantors***

**5.1.27** The Corporation provided (Follow-up and Recovery (FR) Circular No. 678 dated 09 January 2012) that besides maintaining register for primary and collateral securities, a separate register for keeping details of the other properties owned by the promoters/guarantors, details of which are obtained along with loan application as well as at the time of execution of loan documents may also be maintained at the concerned Branch office. This will enable the Corporation to keep track of the properties of the promoters/guarantors.

While reviewing the records of selected Branch offices, Audit observed that none of the eight selected Branch offices maintained the requisite register for other properties which belonged to promoters/guarantors. Thus, the Branch offices did not adhere to the directions issued by the higher management which may hamper recovery of dues in case of defaults in repayment. Further, the management did not take action for not complying with the laid down norms/procedures.

The Government accepted the facts and stated that necessary instruction have been issued (August 2019) to the Branch offices in this regard.

**Internal Control**

***Missing records hampered recovery of outstanding dues***

**5.1.28** During review of records relating to selected Branch offices, Audit observed following two cases where action for recovery of outstanding dues amounting to ₹ 5.96 crore could not be advanced due to non-availability of relevant records/files with the Corporation. In the first case, the original loan file and other documents could not be retrieved from the concerned advocate whereas in the second case, the loan file could not be traced till March 2019:

**A. Borrowing unit (Loan Account Number: 0105046232) (Outstanding dues as on 31 March 2019: ₹ 5.17 crore)**

Loan file of the case was missing in this case. Later, it came to the notice (October 2009) that the original file and other documents relating to this case were lying with the advocate appointed in this case since 1987. However, the Corporation could not obtain the file and other documents from the advocate despite issuing several reminders in absence of which status of property remained unascertained and comprehensive action for recovery of dues could not be taken. (June 2019)

The Government accepted the facts and stated that efforts are being made to get back the original records of the case from the panel advocate and to trace out the whereabouts of the promoter and their properties.

**B. Borrowing unit (Loan Account Number: 3005017987) (Outstanding dues as on 31 March 2019: ₹ 0.79 crore)**

As per order (September 2014) of the Head office of the Corporation, this deficit case was transferred from the Branch office, Jaipur (North) to the Branch office, Jaipur (South) and therefore, entire records relating to this case was required to be transferred to the Branch office, Jaipur (South). Audit observed that the Branch office, Jaipur (North) transferred (September 2015 and December 2016) the follow-up file and court case file relating to this case to the respective Branch office but despite several correspondence, it could not provide the original loan file till June 2019. Thus, as the original loan file/documents is missing, comprehensive action for recovery of dues under Section 32-G of the SFCs Act 1951 could not be taken till June 2019.

The Government stated that for recovery of deficit, the Corporation issued (April 2010) a letter to the Collector, Morena, Madhya Pradesh and since then, it is regularly monitoring the case.

The reply was not relevant to the audit observation as the Corporation was silent on the observation which highlighted that the original loan file/documents was missing due to which comprehensive action for recovery of dues was not taken.

***Non-compliance of the laid down norms/directions***

**5.1.29** Major defaulting cases are to be reviewed at Head office level by the BoD. Apart from this, Corporation's norm (FR circular dated 29 April 2008) provides that progress of NPA cases will be reviewed by the General Manager (Development) on monthly basis either by visiting or by conducting the review at Head Office and report will be submitted to the CMD. However, it was noticed that the provision relating to monthly review of NPA cases at Head office level was not complied with by the concerned authority during 2015-16 to 2018-19.

The Government stated that summarised position of top 50 defaulters is regularly placed before the BoD and these cases were dealt through the concerned files for taking necessary action as per directions of the BoD.

The reply was not relevant as the Corporation was silent on the observation which highlighted that the Corporation did not ensure compliance of the provision relating to monthly review of NPA cases at Head office level.

**Other deficiencies/ shortcomings**

***Delay in convening meetings of State Level Committee (SLC)***

**5.1.30** The State Level Committee (SLC) of the Corporation is a committee constituted for hearing and settling the appeals against fresh decision of Head Level Committee (HOLC), redressal of grievances of entrepreneurs, other matters where borrowers are aggrieved by any order of the Managing Director of the Corporation. The SLC<sup>17</sup> of the Corporation was reconstituted in June 2015.

As on 31 March 2019, 17 cases involving recoverable dues of ₹ 3.76 crore were pending for settlement with the SLC where nine, four and four cases involving recovery of ₹ 1.57 crore, ₹ 1.22 crore and ₹ 0.97 crore respectively

17 Comprises the Managing Director (MD), Executive Director (ED) and ED (Finance), General Manager (GM)-Operations, GM-Development, Deputy GMs of FMD, Law and RRMD sections from the Corporation and MD-RIICO, GM-SIDBI and three nominee members on behalf of LIC, shareholders bank and other shareholders.

were pending for settlement for a period ranging upto 12 months, from 12 to 24 months and more than 24 months respectively. Audit observed that these cases could not be settled due to non-placement of cases before the SLC in the meetings held upto August 2017 and non-convening any meeting of the SLC since August 2017. Audit also observed that in one case (Loan Account Number 3405027275) where the borrower was ready (since October 2017) for settlement as per the decision (May 2017) by the SLC but could not settle as no meeting was convened thereafter.

The Government accepted the facts and stated that after August 2017, meetings of SLC were scheduled time and again but the Corporation could not hold the meetings due to Model Code of Conduct or other reasons. It further assured that the next meeting of SLC will be held shortly and the cases which were not placed before SLC during earlier meetings, will also be placed before it.

The reply was not satisfactory as in reply, the Corporation neither specified reasons of not placing the pending cases before SLC in its earlier meetings nor provided any specific details of the 'Other Reasons' for which the scheduled meetings were cancelled. The fact remained that the Corporation did not ensure settlement of pending cases in time to ensure recovery of its dues.

***Non-recovery of apportioned dues from other government entities***

**5.1.31** The Corporation provides joint finance with other financial institutions/PSUs involved in providing loans to industrial sector viz. RIICO and IFCI Limited etc. In such cases, possession of prime and/or other security is to be taken over and disposed of by the primary financing entity and amount so recovered is distributed among all the joint finance entities.

During review of records relating to selected Branch offices, Audit observed following three cases where the borrowing unit had already been wound up/ disposed of but the concerned prime financing entity/Official Liquidator (OL) did not release the share of the Corporation till 31 March 2019:

**Table 5.1.7: Joint finance cases pending for recoveries as on 31 March 2019**

*(₹ in crore)*

S. No.	Loan Account Number of the borrowing unit	Amount recoverable towards share of the Corporation	Recoverable from
1.	2305015356	0.91	RIICO and OL
2.	3205011601	0.28	RIICO
3.	2605086739	0.44	IFCI Limited
	<b>Total</b>	<b>1.63</b>	

Audit observed that in one case (S. No. 1), share of the Corporation worth ₹ 10 lakh and 81 lakh were to be recovered from RIICO from the year 2003 and the OL of the unit from the year 2014 respectively. Further, in case of remaining two borrowers (S. No. 2 and 3), share of the Corporation remained unrecovered since November 2006 and March 2017 respectively. Thus, the Corporation could not ensure recovery of its share worth ₹ 1.63 crore despite lapse of a period ranging between two and 16 years from disposal of these borrowing units. It indicated that in these cases, the Corporation did not make adequate efforts to recover its share from the joint finance entities.

The Government accepted the facts and stated that in all the three cases, the concerned joint finance entities (RIICO/IFCI Limited) are being persuaded for remitting the share of the Corporation.

## **Conclusion and Recommendations**

### *Conclusion*

The Corporation was not able to keep pace with the growing demand for industrial loans to MSME sector as the portfolio of the Corporation ranged between 1.19 per cent and 1.27 per cent of the total industrial sector outstanding loans during 2015-18. Besides, the employees cost of the Corporation was higher as compared to other SFCs. The Corporation did not take adequate and timely legal actions for recovery of dues. Deficiencies in sanction of loans by not adhering to the laid down parameters led to grant of loans to ineligible borrowers were noticed. The Corporation did not undertake regular pursuance with the revenue authorities and also failed to identify the properties of the defaulter. Despite continuous defaults and false commitments, frequent opportunities were allowed to the borrowers. Further, the Corporation failed to dispose of the properties taken into possession which resulted in accumulation of dues. In CRE cases, due to litigations and non-disposal of the properties significant dues were accumulated and exceeded beyond MRVs of the properties. Monitoring & inspection at Branch level was deficient as unit visits were not conducted as per the prescribed norms.

### *Recommendations*

We recommend that the Corporation may:

- take immediate steps to enhance its loan portfolio by providing increased financial assistance to MSME sector.
- Ensure compliance to the laid down rules/procedures for evaluation of securities before grant of loans;
- Closely monitor the Standard Assets to ensure prevention of slippages of accounts into NPAs;
- Ensure compliance to the laid down rules/procedures for monitoring of the NPA cases;
- Take prompt and effective action for recovery of dues as per Rules and should make concerted efforts for tracing the properties in deficit cases; and
- Review the causes of failure of auctions of units in possession and seek means of recovery in CRE cases.

In case, the financial health and operational performance of the Corporation do not improve within a targeted time frame, the State Government may review the purpose of continuing the operations of the Corporation.

## **Rajasthan State Ganganagar Sugar Mills Limited**

### **5.2 Construction and operational performance of New Integrated Sugar Complex**

#### **Introduction**

**5.2.1** Rajasthan State Ganganagar Sugar Mills Limited (Company) was incorporated (1 July 1956) as a wholly owned Government company with the objective to manufacture sugar from sugarcane and sugar beet and to trade in sugar, sugarcane, sugar beet and molasses; produce and raise sugar cane, sugar beet and other crops; and carry on the business as distillers, manufacturers and dealers in Rectified Spirit, Country Liquor and Indian Made Foreign Liquor (IMFL).

Pursuant to budget declaration of 2007-08 of Government of Rajasthan (GoR), the Company decided (2010) to develop an Integrated Sugar Complex (ISC) consisting of a new sugar factory, a 4.95MW co-generation plant and distillery at Kaminpura, Sriganganagar. The Company acquired (November 2008) 37.70 hectare of land at Kaminpura for setting up of Integrated Sugar Complex. The Company prepared an initial draft project report (DPR) wherein the estimated cost of the project was assessed (September 2010) at ₹ 95 crore which was revised (September 2012) to ₹ 145.35 crore and again revised (August 2014) to ₹ 180 crore. GOR funded the project and has accordingly released (up to March 2016) an amount of ₹ 177.56 crore as equity to the Company. Further, the Company also decided (March 2015) to wind up the old sugar factory and distillery.

The audit was carried out to assess the overall performance of the Company in construction of ISC, its commissioning and operation of new sugar factory, cogeneration plant and distillery during 2016-19 with reference to the objectives envisaged for its development.

#### **Audit findings**

**5.2.2** The audit findings broadly cover issues relating to setting up of the ISC; operational efficiency of the sugar, co-generation and distillery plant; and compliance with the Environmental Rules and Regulations. A draft paragraph incorporating the audit findings was issued to the State Government and the Management on 11 September 2019 on which reply of the Government was received on 1 November 2019.

#### **Setting up of New Sugar Factory and Distillery**

**5.2.3** The Company conducted several studies for setting up of new sugar factory and distillery. Further, after a decision taken by the State Government to set up the project in public sector, the Company appointed (October 2010) a Technical Consultant and an Architect Consultant. In the process of deciding the scope of various works as per reports and suggestions of the consultants and considering the fact that the estimates prepared earlier were not realistic, the cost estimates were revised in the DPR 2012.

The major contracts awarded by the Company for setting-up of the new sugar factory and distillery, were as under:

(₹ in crore)

Details of Work orders/contracts	Date of issue of the work order	Amount of work order
Consultancy Work	5 October 2010	0.42
Civil work of construction of Sugar Plant/Distillery	7 February 2013	Estimated cost (actual cost plus 7.5 per cent agency charges) of ₹ 45 crore
Work of installation of 1500 TCD Sugar Plant with Cogeneration Plant	29 July 2013	68.75
Installation of Distillery Plant	19 July 2013	42.85
Operation & Maintenance of Sugar and Cogeneration plant for the period 2016-18	14 November 2016	Season: 0.46 pm Off Season: 0.91 (for entire off season)
Operation & Maintenance of Sugar and Cogeneration plant for the period 2018-20	18 October 2018	Season: 0.71 pm Off Season: 0.24 pm

### Time overrun in execution of ISC

5.2.4 The time schedule decided for execution of ISC is tabulated below:

Sl. No.	Work Particulars	Contractor	Date of Award/Memorandum of Understanding (MOU)	Time period allowed	Work completion date/commencement of plant	Delay
1.	Civil work of construction of Sugar Plant/Distillery	State PSU	7 February 2013	24 months	16 January 2016	11 months
2.	Installation of 1500 TCD Sugar Plant with Cogeneration Plant	Contractor A	29 July 2013/ 7 August 2013	14 months	16 January 2016	15 months
				14 months	9 May 2016	19 months
3.	Installation of Distillery Plant	Contractor B	19 July 2013/ 1 August 2013	8 months	24 November 2016	32 months

Note: Delay has been worked out from date of agreement to commencement of operation of Sugar Plant and Distillery as work completion certificates were not made available to audit.

The civil work of new sugar factory, sugar plant, cogeneration plant and distillery were, however, commissioned after delay ranging between 11 and 32 months.

Reasons attributable for delay in completion of the project are given below:

#### i. Civil work

5.2.5 There was a considerable delay of 12 months in execution of MOU with the State PSU after submission of estimates by it. Further, the site for the civil work and drawings were provided five months after the execution of MOU.

Clause 7 of MOU executed with the State PSU stipulated that the work was to be completed within a period of 24 months after the scope of work is defined by the Company. However, the date on which the scope of work was defined by the Company was not available on record.

The Government stated that the civil and foundation work of any project can be determined only after finalisation of drawings, necessary clearance from the concerned authorities etc. It further stated that the approval of Ministry of Environment and Forest (MOEF) and Rajasthan State Pollution Control Board (RSPCB) for ISC was received in January 2013 and May 2013 respectively and hence the civil work could be commenced in January 2014.

The reply was not acceptable as for implementation of any project all the activities associated with it are required to be undertaken simultaneously, however, the Company could not ensure this. Further, the reply was silent on the issue of date on which the scope of work of the State PSU was defined.

*ii. Sugar Plant and Cogeneration Plant*

**5.2.6** Due to non-completion of civil works by the State PSU, the Company extended (February 2016) the completion period by five months i.e. up to 8 June 2016, however, Contractor A could not complete many works till date (June 2019) as shown in *Annex-23*.

The Government stated that it had forfeited the security amount of ₹ 3.43 crore of Contractor A due to non-completion of remaining work by June 2019. The reply was not satisfactory as the performance of the plant was affected adversely due to non-completion of the entire works. Further, the available financial hold was also not sufficient to meet out the loss incurred on account of poor performance of the plant.

*iii Distillery Plant*

**5.2.7** The Company also extended (February 2016) the completion period of distillery plant up to 8 June 2016, however, Bio Methanation Plant and Condensate Polishing Unit worth ₹ 2.25 crore and ₹ 0.45 crore were not stabilized by Contractor B till May 2019.

The Government stated that action has been initiated against Contractor B by recovering the liquidated damage and issue of legal notice (May 2019) for non-completion of work. The reply was not convincing as due to non-completion of Bio Methanation Plant and Condensate Polishing Unit, the Company not only violated the environment norms but was also deprived of from saving of fuel to be used in the boiler of Distillery.

*Cost overrun in execution of ISC*

**5.2.8** The Company prepared an initial DPR wherein the estimated cost of the project was assessed (September 2010) at ₹ 95 crore which was revised (September 2012) to ₹ 145.35 crore and again revised (August 2014) to ₹ 180 crore. Audit noticed that the ISC was commissioned at a total cost of ₹ 208.28 crore which was exceeded by 16 *per cent*. Reasons attributable to increase in cost were incurring higher cost on civil works and cogeneration plant. Deficiencies noticed in execution of the project are discussed in subsequent paragraphs:

*Contract for Civil work of the Project*

**5.2.9** The Company invited bids for (April/May 2011) awarding the work order for civil construction works for integrated Sugar Complex. Four bidders participated in the bid and technical bids of all the bidders were opened on 30



June 2011. Further, the financial bids of three technically qualified bidders were opened on 17 August 2011 wherein the lowest (L<sub>1</sub>) bidder quoted ₹ 45.17 crore (41.40 *per cent* premium on estimated cost of ₹ 31.95 crore as per BSR 2009) which was reduced to ₹ 43.77 crore after negotiation. As per clause 6.3.3.0 of the tender, the rates stated in the schedule of rates were not subject to escalation or increase on any account whatsoever. The rates were found reasonable and hence the sub-committee consisting of four Directors recommended (18 November 2011) to the BoD to accept the offer of the L<sub>1</sub> bidder. However, the BODs decided (24 November 2011) to give counter offer to the L<sub>1</sub> bidder on the estimates as per BSR 2011 plus 2.4 *per cent* premium which was equal to BSR 2009 plus 25.04 *per cent*. The bidder did not accept the offer and hence the management decided (January 2012) to cancel the tender and to get the work done through the State PSU at an estimated cost of ₹ 45 crore on actual cost plus 7.50 *per cent* agency charges basis. Accordingly, after getting the environment clearance from the Ministry of Environment and Forest in January 2013, the Company executed (7 February 2013) an MOU with the State PSU with completion period of 24 months.

Audit noticed that:

- i. The counter offer (2.4 *per cent* premium on estimated cost as per BSR 2011) apprised to the BoD by the Finance Wing of the Company was incorrect due to consideration of non BSR items.
- ii. The State PSU agreed to execute the work at an estimated cost (actual cost plus 7.5 *per cent* agency charges) of ₹ 45 crore *i.e.* 40.84 *per cent* premium on estimated cost of ₹ 31.95 crore as per BSR 2009 whereas the L<sub>1</sub> bidder had agreed to execute the work at 37 *per cent* premium without any escalation. Further, the State PSU also charged three *per cent* and one *per cent* of the cost for contingency and quality control respectively.
- iii. Besides as per tender clause, the L<sub>1</sub> bidder was also required to observe a Defect Liability Period of three years from the date of completion of work, however, as per clause 21 of MOU, the State PSU was liable for removing all defects observed within a period of six months from the date of completion of work at its cost. In addition, the State PSU charged 5 *per cent* of completion cost to maintain the structure for 5 years.
- iv. The State PSU completed the work at a total cost of ₹ 75.68 crore; excluding the works worth ₹ 13.25 crore envisaged subsequently.

Thus, the Company incurred extra expenditure of ₹ 31.91 crore<sup>18</sup> on civil works due to making the counter offer to L<sub>1</sub> bidder at lower rates without adequate justification. Further due to delay in completion, the cost of the works also increased.

The Government stated that the rates quoted (June 2011) by the L<sub>1</sub> bidder were 37 *per cent* above the BSR-2009 rates and hence a counter offer of 25.04 *per cent* above the BSR-2009 was given to the firm which was not accepted by it. Subsequently looking to the necessity of early completion of civil work, the work was done by the State PSU. It further stated that MOU for civil work

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18 ₹ 75.68 crore {Actual cost of civil work envisaged in DPR (including agency charges of the State PSU)} – ₹ 43.77 crore (Negotiated Firm Price of L<sub>1</sub> bidder).

was executed with the State PSU wherein the estimated cost of civil work, to be executed as per the consultant's report, was worked out to ₹ 45 crore, however the actual quantity of material could be assessed after approval of drawing and design of machineries, therefore cost of civil work was revised to ₹ 61.55 crore in 2014.

The reply of Government was not acceptable as the counter offer given to L<sub>1</sub> bidder was worked out on incorrect data. Further, the management also did not apply financial prudence before awarding the work to the State PSU as the work was awarded on cost plus premium basis which was higher by ₹ 5.05 crore as compared to counter offer given to L<sub>1</sub> bidder on estimated cost of ₹ 31.95 crore as per BSR 2009.

***Contract for installation of sugar plant and cogeneration plant***

**5.2.10** The Company invited (April 2011) bids for installation of 1500 TCD Sugar Plant with cogeneration plant of 4.95 MW, however, no bids were received. Hence on the advice of the Technical Consultant, bids were re-invited in August 2011, however, the same was scrapped (May 2012). Thereafter, the Company revised the DPR and accordingly invited (27 February 2013) bids for installation of 1500 TCD Sugar Plant expandable up to 2500 TCD with cogeneration plant. This tender was also scrapped as the rates (₹ 78.17 crore subsequently reduced to ₹ 73.30 crore during negotiation) quoted by L<sub>1</sub> bidder were higher than internal estimates (₹ 56.60 crore) prepared by the Company. In the next tender, the financial bids of four bidders were opened (12 July 2013) wherein the price quoted (₹ 74.01 crore) by Contractor A was the lowest. After negotiation, Contractor A reduced its price to ₹ 68.75 crore which was agreed to by the Company and accordingly a letter of intent was issued (29 July 2013) to Contractor A.

Audit noticed that before awarding the work, an Apex Committee<sup>19</sup> was constituted to assess the performance of an earlier Sugar Factory installed by Contractor A. The committee visited (May 2011) the Sugar Factory located in Rohtak, Haryana. The Committee reported that the performance of the sugar factory was totally unsatisfactory and it was utter failure during trial and full run. However, the findings of the Apex Committee were ignored during technical evaluation of the bids. Further, the adverse findings were never apprised to the Board of Directors before awarding the work in favour of Contractor A.

Thus, due to awarding the work to a technically unqualified and inexperienced firm despite being aware of its poor performance in other projects led to inefficiencies in installation of machinery/equipment of sugar plant by the firm as discussed in subsequent paragraphs **5.2.11 to 5.2.17**.

The Government while accepting the fact of adverse opinion of the committee stated that the work of new sugar plant was awarded on turn-key basis and hence taking offer from other suppliers at minimum price after opening of price bids, as suggested by the committee, was against laid down rules and Transparency Act. Further, the work was awarded to Contractor A as there was no recommendation of the Committee that it was a black listed firm or was prohibited from participation in the tender. The cost of plant and

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19 General Manager (HO), Financial Advisor, General Manager (Sriganganagar) and Chief Project Officer.

machinery increased because of change in the scope of work in the tenders invited in 2011 and 2013. The reply was not acceptable as the Company not only ignored the recommendation of the Committee but awarded the work to a firm whose performance at other plant was totally unsatisfactory.

## Execution of the project

### Installation of Sugar Plant with Cogeneration Plant

**5.2.11** Audit scrutiny of records related to installation of sugar plant with co-generation plant disclosed that Contractor A did not install certain parts of the plant and machinery according to the stipulated make and configuration decided in the contract agreement:

- Self-manufactured Centrifugal Machines was installed instead of NHEC/WIL/ Thyssen krupp Ind./Port/FCB-KCP/uttam batch type.
- VFD Panel (ABB/Crompton/L&T make) was installed instead of Siemens, Eurotherm, Schneider, Emersion make.
- Certain other parts of machinery installed such as S.S. Condenser, Boiler safety valve, Butter Fly Valve were not of the manufacturers stipulated in the contract agreement.

Audit observed that the Management allowed the changes in the make/configuration of the machinery without approval of the competent authority *i.e.* the BoD of the Company. Audit also observed that Contractor A was required to supply the bought-out items as per suppliers list approved by the technical consultant and attached with the agreement. However, Contractor A added its name in initials as manufacturer/supplier in the list and supplied various items<sup>20</sup> manufactured by it.

The Government stated that the work of Sugar Plant was awarded on turnkey basis and the centrifugal machine/clarifier/Vacuum Filter of Contractor A were included in the list of critical equipment by National Cooperative Development Corporation (NCDC), hence, the approval of BoDs was not required. However, it accepted the fact that the boiler safety value and butter fly valve were not supplied as per the tender. The reply is not acceptable in view of the fact that the items were not installed/supplied as per make/type specified in the contract agreement.

### Operational Performance of New Sugar Plant

**5.2.12** The Company commenced (January 2016) operation of new sugar plant during cane crushing season 2015-16 despite it not being completely ready for operation and even its trial run was not done. The performance of the sugar plant was not found satisfactory during crushing seasons 2015-18 as discussed below:

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20 C/F machine, V. filter, clarifier, cane unloader, Feeder table, cane carrier EOT and Hot cranes, PRDS *etc.*

### **Excessive break downs**

**5.2.13** The Company did not prescribe norms for break down for loss of hours in proportion to actual crushing hours in DPR. However, it prescribed norms of stoppage as maximum two *per cent* in every crushing season while awarding (14 November 2016) the contract for operation and maintenance of the new sugar plant to Contractor C. The details of operation of plant, hours lost due to break-downs are given in the table below:

**Table 5.2.1: Available hours for crushing vis-a-vis actual crushing hours**

<b>Particulars</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>
Total hours available for crushing	2792.60	2808.50	1599.75	2469.35
Actual crushing hours	1994.42	2182.50	1275.05	2068.40
Hours lost	798.18	626.00	324.70	400.95
% of total hours lost of total crushing hours	28.58	22.29	20.30	16.23
Excess hours lost than norms (%)	26.58	20.29	18.30	14.23

It could be seen that the hours lost due to break-down were much higher than the prescribed norms. Audit observed that the main reasons for stoppage of sugar plant were nuisance tripping in power house breaker, breakdown of MBC (Main Bagasse Carrier) and trouble in RBC (Return Bagasse Carrier). Audit further observed that there were frequent instances of turbine tripping, however, the same was not resolved by Contractor A till April 2019.

The Government accepted the facts and stated that in 2015-16 season, excessive break down was due to commissioning and trial session and also the performance trial was not completed by Contractor A as per the contract agreement for which deductions have been made from the running bills. It further stated that recoveries were made from O&M contractor (Contractor C) for excessive break down than norms during the season 2016-19. The reply was not convincing as the penalty<sup>21</sup> imposed for non-achievement of performance parameter (Stoppage) during a season was insignificant against the loss incurred due to excessive break downs. The Company did not analyse the reasons of excessive breakdowns and also did not rationalise the penalty with the loss in operational performance.

### **Excess consumption of bagasse**

**5.2.14** DPR of Sugar Plant and Co-generation Plant envisaged bagasse generation and consumption at 19.60 Ton per Hour (TPH) and 13.06 TPH respectively. Thus, there would be a saving of 6.54 Ton per Hour (TPH) of bagasse which was equal to 9.41 *per cent* of cane crushed during the season. The details of year-wise operation of plant, cane crushed, bagasse generated, bagasse utilised as fuel, bagasse purchased from open market are given in the table below:

21 ₹ 2 lakh per season during 2016-18 and ₹ 4 lakh to ₹ 6 lakh per season during 2018-19.

**Table 5.2.2: Consumption of bagasse during 2015-16 to 2018-19**

Year	Cane crushed	Estimated savings	Bagasse generated	Purchase bagasse consumed	Total bagasse consumed	(Quantity in quintal)	
						Consumption as per norms	Excess consumption
2015-16	888864	83642.10	312556	60698	373254	260471	112783
2016-17	1189328	111915.76	383913	58823	442736	285035	157701
2017-18	773505	72786.82	245222	67148	312370	166522	145848
2018-19	1161153	109264.00	362140	58821	420961	270133	150828

Source: Final manufacturing report for the season shown in Form RT-8C, DPR and purchase detail of bagasse.

It could be seen that the performance of the plant was extremely poor. As against savings of 9.41 per cent of cane crushed as envisaged in DPR, not only the total bagasse generated through cane crushed was consumed but the Company had to procure 245490 quintal of bagasse from market during the last four seasons ending on 10<sup>th</sup> April 2019. Audit observed that the consumption of bagasse was in excess of the norms envisaged in DPR in all the four cane crushing seasons. The excess consumption of bagasse was mainly attributable to non-completion of insulation work by Contractor A due to which heat radiation loss from various equipment was more than normal; improper working of hydraulic pressure in mill resulting in excess moisture content (which ranged between 50.16 per cent and 51.92 per cent as against norms  $\leq 50$  per cent) and higher consumption of steam in boiler and frequently tripping in turbine.

Audit further observed that due to poor performance of the plant, the Company had to bear extra expenditure of ₹ 8.40 crore<sup>22</sup> on procurement of bagasse.

The Government accepted the facts and stated that remedial action has been initiated to reduce the consumption of bagasse by instrumentation setting in governor of the turbine to overcome the problem of nuisance tripping and by completing the insulation work which was not done by Contractor A. The fact remained that the performance of the plant remained unsatisfactory due to incomplete work which led to excess consumption of bagasse.

### Recovery of Sugar from Sugar Cane

**5.2.15** DPR of Sugar Plant and Co-generation Plant envisaged (estimated) recovery of 9.50 per cent of sugar from cane during the next five years. The details of cane crushed and recovery of sugar in previous four season *i.e.* up to 10 April 2019 as follows:

**Table 5.2.3: Recovery of Sugar from Sugar Cane**

Particulars	2015-16	2016-17	2017-18	2018-19
Total Cane crushed (quintals)	888864	1189328	773505	1161153
Actual recovery of Sugar from Sugarcane (in %)	5.88%	8.55%	9.02%	9.18%
Actual recovery of sugar (quintal)	52265.20	101687.54	69770.15	106593.85
Sugar loss % cane (as per DPR)	1.85	1.85	1.85	1.85
Sugar loss of cane in quintal (as per DPR)	16443.98	22002.57	14309.84	21481.33
Actual sugar loss (%)	3.63	2.58	2.23	2.20
Actual sugar loss (quintal)	32265.76	30684.66	17249.16	25545.37

22 Purchase quantity consumed \*Average issue rate per quintal during the season {2015-16 (60698\* ₹ 377.16), 2016-17 (58823\*₹ 342.94), 2017-18 (67148\*₹ 330.209) and 2018-19 (58821\* 319.45)}.

Excess loss (in quintals)	15821.78	8682.09	2939.32	4064.04
Rate of Sugar per quintal/₹ (as on 31 <sup>st</sup> March)	3147.12	3541.36	2973.95	2956.91
Loss due to short recovery of Sugar (₹ in lakh)	497.93	307.46	87.41	120.17

Source: Final manufacturing report for the season shown in Form RT-8C, DPR and information provided by the Company.

It could be seen that the recovery of the sugar was less than the norms and the percentage of sugar loss was more than the norms. Audit observed that due to production loss in excess of the norms, the Company sustained a loss of ₹ 10.13 crore during 2015-16 to 2018-19.

Audit also observed that the Company awarded (18 October 2018) the contract of operation and maintenance (O&M) of sugar factory for the year 2018-19 to Contractor D. Contractor D after reviewing the short comings suggested for improving the operational efficiency of the sugar plant at an estimated expenditure of ₹ 4.19 crore. However, no decision was taken by the management till June 2019.

Thus, the overall performance of the sugar factory during all the four crushing seasons was not satisfactory.

The Government accepted the facts and stated that Contractor A had not completed the works as per performance trial agreement and hence the sugar recovery was affected adversely due to more breakdowns than prescribed norms during 2015-19 season. However, recoveries were done from the O&M contractors (Contractor C and D) for low recovery of sugar as per agreements. The fact remained that the sugar loss was more than the norms in all the four seasons due to poor performance of sugar plant. Besides, the contention of Government that recoveries were done from the O&M contractors was not convincing as the recovery effected was minimal as compared to loss of sugar.

### **Performance of bagasse-based Cogeneration Plant**

**5.2.16** DPR envisaged that 4.95 MW (4950 KW) bagasse-based cogeneration plant would be operated through the steam generated from boiler. Further after meeting its requirement of 2100 KWH power (subsequently revised to 2800 KWH) during cane crushing season and 700 KWH during off-season, the remaining power would be fed into the grid. Accordingly, Power Purchase Agreements were executed (30 December 2015) with the three DISCOMs<sup>23</sup>. The cogeneration plant was commissioned on 9<sup>th</sup> May 2016.

Audit noticed that the turbine was operated for 2167 hours up to 8 May 2016 from the date of commencement of operation of the sugar plant i.e. 16 January 2016. However due to non-connectivity with the grid, the Company could not export the electricity to DISCOMs during the season 2015-16. The estimated/actual generation and export of electricity generated through Cogeneration plant during 2016-17 to 2018-19 is detailed below:

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

**Table 5.2.4: Generation and export of electricity from Cogeneration Plant**

Year	Actual operation of turbine (in hours)	Estimated generation at installed capacity (in KWH)	Actual generation (in KWH)	Percentage of actual generation	Surplus power to be available for export after captive use (2800 KWH) as per DPR (in KWH)	Power exported (in KWH)	Shortfall in power exported (in KWH)
1	2	3	4	5	6	7	8=6-7
2016-17	2427	12013650	8636100	71.88	5218050	2561951	2656099
2017-18	1413	6994350	5593317	79.97	3037950	2019717	1018233
2018-19	2228	11028600	7741645	70.19	4790200	2490180	2300020

It could be seen that the performance of the cogeneration plant was not satisfactory during crushing season 2016-17 to 2018-19 as actual generation ranged between 71.88 *per cent* and 79.97 *per cent* only. Audit observed that due to non-generation of power at full capacity, there was a shortfall in power exported to DISCOMs during FY 2016-19. Thus, the Company sustained revenue loss of ₹ 3.40 crore<sup>24</sup>. Audit also observed that the Company failed to operate cogeneration plant during off-season due to non-availability of bagasse.

The Government stated that the shortfall has been worked out considering the home load as 2.1 MW whereas the home load of Sugar Plant was 2.8 MW as various components were not considered at the time of preparation of DPR. The reply is not acceptable as the shortfall was worked out on the basis of operation of plant at full capacity (4950 Kwh per hour) and after considering Company's own consumption of 2800 Kwh per hour.

#### **Utilisation of press mud**

**5.2.17** Press mud is utilized to provide a nutrient rich, high quality organic matter; when it is applied to the soil as manure results in better sustainable yield. Press mud is soft, spongy, amorphous and dark brown white material containing several nutrients. The spent wash<sup>25</sup> obtained from distilleries is utilized with press mud through composting process. Further, ratio of 1:3.5 of compost press mud and spent wash application is optimum for bio-composting.

The details of operation of sugar plant, press mud produced and actual production of bio-compost are given in the table below:

**Table 5.2.4: Production of Press Mud and Bio-compost**

Season	<i>(Quantity in quintals)</i>		
	Press mud produced	Cumulative production of press mud	Production of bio-compost
2015-16	21401.20	21401.20	-
2016-17	33726.33	55127.53	18000
2017-18	18850.00	73977.53	22400
2018-19	37938.90	111916.43	-

24 2656099 units\* ₹ 5.53 per unit (i.e. Fixed charges: ₹ 2.43 per unit and variable charges: ₹ 3.10 per unit), 1018233 units\* ₹ 5.685 per unit (including annual escalation of five *per cent* in variable charges) and 2300020 units\* ₹ 5.8478 per unit as per tariff determined by Rajasthan Electricity Regulatory Commission.

25 A waste water of distillery industry is of purely plant origin and contains large quantities of soluble organic matter and plant nutrients, but not contains any toxic compounds.

Audit observed that bio-compost could not be produced during crushing season 2015-16 and 2018-19 as the distillery did not operate in 2015-16 whereas it was closed during 2018-19. Thus, the huge quantity of press mud could not be used in production of bio-compost.

The Government stated that the production of bio compost commenced after operation of the distillery and 12000 quintal of bio-compost has been sold. It further stated that tenders have been invited for sale of bio compost produced during 2018-19. The reply was not acceptable as the Company could not consume the entire press mud produced during 2015-16 due to non-availability of spent wash. Further the Distillery was closed during 2018-19 and hence there was no possibility of production of bio compost.

### **Performance of New Distillery Plant**

**5.2.18** The Company commissioned a Distillery Plant having capacity of 30 KLPD in the Integrated Sugar Complex along with the sugar mill. The distillery plant was to be operated 330 mandays (140 days and 190 days on molasses mode and grain mode respectively) in a year. The required molasses for operation of the plant was to be produced from the sugar mill whereas for operation of plant on grain mode, the Company procured broken rice from the open market. The plant commenced operation on molasses mode and grain mode with effect from 24 November 2016 and 31 January 2018 respectively. The details of operation of plant are given in the table below:

**Table 5.2.5: Operation of New Distillery Plant**

Particulars	2016-17		2017-18	
	Molasses mode	Grain mode	Molasses mode	Grain mode
Total available operation hours	2904	-	3360	936
Actually operated hours	1705	-	1848	535
Forced outages	1199	-	1512	401
Percentage of forced outages to total hours available	41%	-	45%	43%
Anticipated production (in lakh Bulk Litre)	23.10	-	23.10	12.29
Actual production (in lakh Bulk Litre)	15.95	-	14.56	3.27
Percentage of actual production to anticipated production	69.05		63.03	26.61

Note: Anticipated production was worked out for the days when the plant was in operation instead of total available hours.

Audit noticed that the plant did not operate during FY 2018-19. The forced outages of plant were significantly higher due to deficiency in the boiler such as tube leakage, chain problem in main biomass carrier, low steam, deck control system problem and mechanical fault in machinery.

The Government while accepting the facts stated that legal notices were issued to Contractor B and also security deposit was deducted for under performance of plant. It further stated that full payment has not been released to earlier O&M contractor for not performing as per norms/agreement and now the O&M contract has been awarded (March 2019) to a new Contractor wherein the production of rectified spirit was found as per contract conditions. The fact remained that the performance of the distillery plant was not satisfactory.



### Operational viability of distillery plant

5.2.19 The Company envisaged production of rectified spirit on molasses mode and grain mode through molasses produced in sugar mill and broken rice purchased from open market respectively. The details of production of rectified spirit during 2016-17 and 2017-18 are given below:

Year	Production of Rectified Spirit (in BL)		Production cost of rectified spirit (₹ per BL)		Purchase cost of rectified spirit (₹ per BL)		Loss due to higher cost on production of rectified spirit (₹ in crore)	
	Molasses base	Grain base	Molasses base	Grain base	Molasses base	Grain base	Molasses base	Grain base
1	2		3		4		5 = {(3-4)x2}/10000000	
2016-17	1595000	-	80.61	-	43.82	-	5.87	-
2017-18	1456000	327000	109.25	221.73	41.75	41.75	9.83	5.89
<b>Total</b>	<b>3051002</b>	<b>327000</b>					<b>15.70</b>	<b>5.89</b>

Audit observed that the production on molasses base was considerably low at only 69 per cent and 63 per cent during 2016-17 and 2017-18 respectively. Further, the production of rectified spirit from grain was only 26.61 per cent of envisaged production. Audit further observed that the production of rectified spirit on molasses mode and grain mode was not financially viable as the Company sustained a loss of ₹ 21.58 crore on production of rectified spirit during 2016-18. Further, the plant was not operated during 2018-19 but the Company had to pay license fee of ₹ 25 lakh to the Excise Department for operation of Distillery. Further, the performance of the plant was not satisfactory as several works pertaining to distillation, boiler, turbine, milling, liquefaction and fermentation section were either pending or were not optimally working up to April 2018; still the Company decided to operate the plant. The Company served various notices to Contractor B, however, the work was not completed till May 2019.

The reply of the Government was silent on the issue of higher cost on production of rectified spirit on molasses mode/grain mode during 2016-18. However, it stated that the new Contractor has been operating the Distillery at the conversion cost of ₹ 19.35 (plus GST) per BL during 2019-20. Further License Fees is required to be deposited annually as per rule of Excise Policy. Besides, action is in process to complete the left over works of Distillery at the risk and cost of Contractor B. The reply was not convincing as it mentioned the conversion cost only for the contract awarded recently which did not include the administrative cost and overhead charges.

### Environmental issues

5.2.20 Sugar factory and distillery plant significantly impact the local environment. Direct impact of operation of these plants includes:

**Air Pollution:** use of bagasse as a Sugar mills fuel in boilers, produces particulate matter, oxides of nitrogen, carbon, sulphur and water vapours. The particulate matter, usually referred to as fly ash, consists of ash, unburnt bagasse and carbon particles.

**Water pollution:** Sugar factory generate about 1,000 litres of wastewater for per tonne of cane crushed, the effluent is mainly floor washing wastewater and condensate water. Similarly, spent wash is generated from distillery.

The MoEF, GoI accorded (January 2013) Environmental Clearance (EC) to the Company for setting up Integrated Sugar Complex including distillery plant. Further, the Rajasthan State Pollution Control Board (RSPCB) issued (18 December 2015) Consent to Operate (CTO) for the Sugar Plant and Distillery Plant. The terms and conditions of EC and CTO *inter-alia* included setting up of the effluent plant for treatment of waste water of sugar factory as well as bio-methanation plant for treatment of spent wash.

#### ***Effluent Treatment Plant (Distillery)***

**5.2.21** The DPR of the Distillery Plant also envisaged installation of an Effluent Treatment Plant (ETP) for spent wash discharged from the distillery during operation on molasses mode. The ETP was divided in to three parts (A) bio-methanation plant (B) bio composting plant (C) condensate polishing unit. The bio-methanation plant was to be installed to reduce the effluent load and to produce methane rich biogas for meeting the auxiliary fuel requirement<sup>26</sup> of the distillery plant. The biogas has a high calorific value and is used to produce power in biogas based power plant.

Contractor B constructed (November 2016) the bio-methanation plant, bio-composting plant and condensate polishing unit at a total cost of ₹ 3.40 crore<sup>27</sup>.

#### ***Non-stabilization of Bio-Methanation plant***

**5.2.22** It was envisaged that the bio-methanation plant would produce the biogas after 15 days of operation of distillery on molasses mode.

Audit observed that the bio-methanation plant did not stabilize till May 2019 and even the trial run of the plant was not conducted. Audit further observed that the treatment of spent wash generated during operation on molasses mode was also not done and thus the possibility of untreated spent wash being drained out cannot be ruled out.

Further, the Company released the entire payment despite the fact that the plant did not stabilize/commence operation. Audit also observed that due to non-operation of the plant, the envisaged production of 136400M<sup>3</sup> biogas could not be ensured and therefore the distillery plant was operated on mustered straw only. Thus, the Company had to incur extra cost of fuel amounting to ₹ 0.95 crore during operation of distillery plant on molasses mode in FY 2016-17 and 2017-18.

The Government accepted the facts and stated that action has been initiated against Contractor B by issuing legal notices and by deducting the performance guarantee. The fact remained that in absence of Bio-Methanation Plant, the spent wash produced by the distillery could not be treated and hence the Company could not comply with the environmental norms.

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26 Envisaged production of biogas on operation of bio-methanation plant can meet 1/3 of the auxiliary fuel requirement of distillery plant whereas remaining 2/3 fuel requirement was to be met through mustered straw.

27 Bio-Methanation Plant (₹ 2.25 crore), Bio-Composting Plant (₹ 0.70 crore) and Condensate Polishing Unit (₹ 0.45 crore).

### **Condensate Polishing Unit**

**5.2.23** According to the scope of the work Contractor B was required to install Condensate Polishing Unit (CPU) and RO plant to remove the organic matter present in the effluent and to ensure availability of water for non potable usages. The CPU and RO plant were to be commissioned at a cost of ₹ 45 lakh and ₹ 48.40 lakh respectively. Contractor B constructed the plants and accordingly the Company released the cost of the plants (except ₹ one lakh for CPU).

Audit, however, observed that both these plants were not stabilized till date (May 2019); several works of CPU were still pending due to which the Company could not achieve the prerequisite environmental norms for operation of distillery.

Thus as the bio-methanation plant and CPU had not stabilized, the Company violated the environmental norms as the spent wash generated could not be treated.

The Government did not furnish reply to the issue.

### **Compliance of terms and conditions of 'Consent to Operate'**

**5.2.24** The terms and conditions of the 'Consent to Operate' issued (December 2015) by RSPCB for Sugar Plant and Distillery Plant provided that the air emission and disposal of domestic sewage and trade effluent shall be done in a manner so as to conform to the standards prescribed under the concerned laws/rules/regulations. Further, the Company shall submit quarterly analysis/ monitoring report of source of emission/ambient air/waste water/ noise from the State Board Laboratory or any laboratory approved/recognised by MoEF, GoI.

During review of records relating to Sugar Plant, Audit noticed that the reports for ambient air (*i.e.* Stack Monitoring Reports) from approved/ recognised laboratory were submitted to RSPCB from January 2019 whereas evidence of submission of reports in respect of maintaining level of noise within applicable norms was not found in the records of the Company.

The monthly waste water analysis reports (for the period upto December 2018) submitted to RSPCB, appeared to have been prepared at the level of the Company itself. There was no evidence that these reports were prepared on the basis of documents from the State Board Laboratory or a laboratory approved/recognised by MoEF, GoI.

In respect of Distillery Plant, the Company did not provide documents related to submission of requisite reports to RSPCB upto 2018-19. During review of records, Audit observed that RSPCB issued (October 2018) a 'Show Cause Notice' as the Company did not submit the compliance report including analysis and monitoring report from the State Board Laboratory or approved/recognised laboratory as prescribed under the Consent to Operate.

The Government stated that RSPCB inspected the Sugar Factory/Distillery and issued consent to operate up to 31 August 2023 and necessary compliance of all instructions given in consent to operate is being ensured. The reply was not satisfactory as the Company did not furnish any document in support of quarterly analysis/ monitoring report of source of emission/ambient air/waste

water/noise from the State Board Laboratory or any laboratory approved/recognised by MoEF, GoI for the period 2016-18.

## **Financial Management**

### ***Financial hold against Contractor A***

**5.2.25** According to the terms of the contract agreement executed, Contractor A was required to furnish two bank guarantee (BG), each equal to five *per cent* of the contract value (₹ 68.75 crore) towards timely delivery (BG-I) and performance security for satisfactory operation of sugar plant and co-generation plant (BG-II). Contractor A furnished (August 2013) BG-I amounting to ₹ 3.44 crore whereas the Company decided on (May 2013) *prorata* deduction from the bills towards the BG-II according to the tender conditions.

Audit noticed that the Company belatedly decided (December 2018) to invoke BG-I amounting to ₹ 3.44 crore as Contractor A did not complete the works related to Sugar factory and cogeneration plant despite several reminders. Audit observed that though the Company invoked BG-I for non-completion of work but action was not taken for unsatisfactory performance of sugar factory and cogeneration plant as discussed in paragraphs **5.2.12 to 5.2.15**. Further, the performance parameters listed in Annexure-III of the contract agreement *i.e.* to achieve crush rate of 1500TCD/22 hours continuously for 5 days and generation of 4950KW power through power turbine were never achieved. Contractor A belatedly conducted (20 February 2018 to 25 February 2018) the performance trial of the sugar factory and cogeneration plant, however, the same were unsuccessful and hence both the plants have not been declared as successfully commissioned till June 2019. Audit observed that the Company sustained a loss of ₹ 21.93 crore<sup>28</sup> due to unsatisfactory performance of the sugar factory and cogeneration plant. However, after invoking the BG-I amounting to ₹ 3.44 crore, the Company had financial hold of ₹ 3.29 crore only (deducted towards 5 *per cent* from the bills towards satisfactory performance BG-II). Although the Company has retained bills amounting to ₹ 2.52 crore yet decision was not taken to effect recovery. Audit also observed that the total financial hold against Contractor A was not sufficient to recoup the loss.

The Government stated that BG-I of Contractor A has been forfeited and directions have been issued to forfeit BG-II as per tender condition. The reply was not satisfactory as the Company did not have sufficient financial hold to recoup the loss.

### ***Non-extension/renewal of Performance Bank Guarantee of Contractor B***

**5.2.26** According to the terms and conditions of the contract agreement, Contractor B was required to furnish Performance Security (PS) I & II each equal to five *per cent* of the contract price of ₹ 42.85 crore towards satisfactory performance of the plant and machinery of distillery. Contractor B furnished (29 July 2013) PS-I amounting to ₹ 2.14 crore whereas amount of PS-II was to be deducted from the bills on *prorata* basis according to the

28 ₹ 8.40 crore (Paragraph 5.2.14), ₹ 10.13 crore (Paragraph 5.2.15) and ₹ 3.40 crore (Paragraph 5.2.16)

tender conditions. The validity of PS-I was upto 29 January 2016. Further as per terms of the contract, the PS were required to be released after 90 days of satisfactory performance of plant & machinery in all respect for a period of 24 months from successful commissioning.

Contractor B completed the major works up to March 2017 whereas works amounting to ₹ 59.60 lakh were pending till April 2019. The Company paid an amount of ₹ 41.86 crore to Contractor B and deducted ₹ 2.03 crore towards PS-II.

Audit observed that the performance of the distillery installed by Contractor B was unsatisfactory in view of excessive loss of hours due to forced stoppage, low production of rectified spirit, non-stabilization of effluent treatment plant as discussed in paragraphs 5.2.21 and 5.2.22. Audit further observed that the performance trial of the distillery plant was not yet conducted by Contractor B. Audit further observed that the PS-I furnished by Contractor B expired on 29 January 2016 and it was not revalidated as per terms and condition of the contract agreement. The Company decided to deduct the amount towards PS-I from the running bills of Contractor B. It was, however, observed that deduction was not done from the running bills despite the fact that the bills amounting to ₹ 4.90 crore were passed after January 2016. Audit also observed that Contractor B failed in successful commissioning and performance of the plant and equipment in accordance with the terms and conditions of the contract agreement and hence the entire performance security was required to be forfeited. Further, the Company has also worked out recovery of ₹ 1.10 crore from Contractor B on account of local purchases, electricity charges, advance given, liquidated damages and pending works required to be executed at its risk and cost. However, the Company did not have complete financial hold against Contractor B as PS-I has already expired and thus only ₹ 2.03 crore under PS-II was available with it.

The Government accepted the fact and stated that liquidated damages for delay in completion of work amounting to ₹ 5.96 lakh has been adjusted and an enquiry is being conducted for not deducting the amount from bills as well as for non-renewal of PS-I. Further, legal action is being initiated for non-conducting the performance trial and forfeiture of BG-II. The fact remained that the Company could not affect the recovery due to its lacklustre approach in dealing with these critical issues.

#### ***Payment of bills without verification***

**5.2.27** The Company created (September 2014) a separate cell under the control of Chief Project Officer (CPO) to monitor the overall execution of Integrated Sugar Complex and to ensure specification of the plant and machineries as per tender conditions/scope of work and to verify the bills of the suppliers. Further, the Company also constituted (January 2013 and January 2014) Technical, Financial and Store Committee for technical work, financial work and monitoring of the project respectively.

Our scrutiny of records disclosed that the Company made payment of ₹ 37.28 lakh to Contractor B Limited on account of three invoices<sup>29</sup> which were not verified by the Committee constituted for this purpose as well as CPO cell.

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Invoice Number 14000089 dated 30 December 2013, 14000090 and 14000091 dated 6 January 2014.

Audit also observed that the Company made payment of ₹ 83.79 crore (between February 2013 and September 2018) to the State PSU for the civil works on receipt of utilisation certificate only and detailed bills were not available with the Company. In absence of the bills item wise BSR/non BSR rates charged by the State PSU for the civil work could not be verified by the Company.

The Government while accepting the facts stated that the payment was released after verification of receipt of material by the Store Committee. Further, the Government has also enclosed the list of BSR/Non BSR items as provided by the State PSU. The fact remained that the Company did not ensure the prescribed procedure of payment of bills as it released payment on the basis of utilisation certificate and the list of BSR/Non-BSR items was provided only after the issue was raised by audit.

#### ***Avoidable payment for operation and maintenance***

**5.2.28** The Company awarded (14 November 2016) the work of complete operation and maintenance of sugar factory in favour of Contractor C at the rate of ₹ 45.77 lakh per month during season and ₹ 90.85 lakh for off season (eight months) including applicable taxes for the year 2016-17 and 2017-18. As per the scope of the work, the Company was to depute 210 personnel (118 permanent employees and 62 casual employees) for operation of the sugar factory at its own cost. Further, Contractor C was also required to depute skilled manpower for operation and maintenance.

Audit, however, observed that the Company deployed only 148 personnel and hence, Contractor C demanded reimbursement of the remuneration of 62 personnel which were not deployed by the Company. Audit noticed that the Company and Contractor C mutually agreed for reimbursement of minimum salary of 31 personnel. The Company released (between December 2016 and March 2018) a payment of ₹ 25.80 lakh and ₹ 59.55 lakh<sup>30</sup> to Contractor C without verifying the actual deployment of personnel by Contractor C. Thus, the Company made an avoidable payment of ₹ 0.85 crore<sup>31</sup> to Contractor C.

The Government stated that the payment for 31 personnel was released as per mutually agreed with Contractor C. It further stated that earlier, Contractor C demanded ₹ 20000 per person per month which was negotiated and reduced to ₹ 17330 per person per month. The reply was not convincing as the Company did not verify the actual number of personnel deployed by Contractor C before release of payment.

#### ***Non-adherence to RTPP Rules***

**5.2.29** Rule 73 (2) (b) of the Rajasthan Transparency in Public Procurement (RTPP) Rules 2013 provides for issue of repeat orders for additional quantities up to 50 per cent of the value of the goods or services of original contract. The Company invited (September 2015) bids for supply of 1100 MTs bagasse and after opening of the technical and financial bids placed (November 2015) purchase order (PO) in favour of Supplier A at the rate of ₹ 3770 per MT for the season 2015-16.

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30 ₹ 1494806 for 31 workers during season time and ₹ 4460317 for 25 workers during off season.  
31 ₹ 25.80 lakh + ₹ 59.55 lakh.

Audit observed that the Company placed (between December 2015 and April 2016) a series of repeat orders on Supplier A for supply of additional quantity of 5050 MT (459 *per cent* of original ordered quantity) of bagasse in contravention of RTPP Rules. Similarly, during 2016-17, the Company invited (July 2016) bids for supply of 3000 MT of bagasse and placed (December 2016) order in favour of Supplier B for supply of 1000 MT of bagasse initially. Thereafter, the Company placed (between December 2016 and February 2017) repeat orders on Supplier B for supply of additional quantity of 6500 MT of bagasse. Accordingly, the Company procured 100 *per cent* additional quantity of bagasse over and above the limit prescribed in RTPP Rules.

The Government stated that the provisions of RTPP Rules could not be adhered to in view of urgency during crushing season because inviting of tender would take time and in absence of bagasse, there was possibility of close down of the plant as well as problem of law and order which would turn into more losses. The reply was not acceptable as the Company failed to correctly assess the requirement of bagasse due to which the compliance of RTPP Rules was not ensured in subsequent year also.

#### ***Disposal of old Sugar factory and distillery***

**5.2.30** The Company authorised a Valuer to conduct (June 2016) the valuation of the plant and machinery, non-factory and residential building, store materials and other scrap pertaining to the old sugar factory and distillery. As per the valuation report, the total value of the assets worked out to ₹ 686 lakh (subsequently enhanced to ₹ 700 lakh). The Company invited (August 2017) the bids for sale of sugar factory and distillery plant and machineries and building (excluding land, plantation and residential building) keeping the reserve price at ₹ 535 lakh. Further, after evaluating the technical and financial bids, the Company placed (October 2017) the order for sale of old sugar factory and distillery machinery plant and building in favour of *M/s Agarwal Industrial Corporation Jaipur (Purchaser)* at a value of ₹ 1007.72 lakh including applicable taxes.

Audit noticed that Purchaser also lifted the usable spare parts and other items valuing ₹ 65.24 lakh<sup>32</sup> lying in the stores of old sugar factory which were not included in the valuation report. The Company took (September 2018) up the matter with Purchaser to get back these items. Audit observed that Purchaser returned the stores items worth ₹ 14.24 lakh only and stores valuing ₹ 51 lakh were with Purchaser till June 2019. Audit further observed that inadequate monitoring of the work related to disposal of old sugar factory led to this loss. Further the Company had a performance security of ₹ 50.39 lakh from Purchaser, however, it did not forfeit the performance security.

The Government stated that action to fix the responsibility of officer is being initiated separately. The fact remained that the required action to forfeit the performance security was not initiated yet.

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32 Engineering items (₹ 51.16 lakh), Consumable (₹ 1.70 lakh), Miscellaneous items (₹ 3.55 lakh) and Firewood (₹ 8.83 lakh).

***Ineffective monitoring of the project***

**5.2.31** The construction of Integrated Sugar Complex and Distillery plant commenced in February 2013. Audit, however, noticed that the management of the Company apprised the BoD about the progress of the works only. The issues related to delay in project completion, deviation in specification/make of equipment of sugar plant; non-stabilization of effluent treatment plant, failure of trial run *etc.* were not placed before the BoD. The management belatedly apprised (June 2016) the BoD about the performance of the sugar and cogeneration plant explaining the facts of low recovery of sugar and molasses production as well as higher consumption of fuel during the season.

In order to carry out qualitative work and timely commissioning of new ISC including Distillery Plant, the Company had set up a separate cell under the overall supervision of Chief Project Manager (CPO). The cell was required to ensure utilisation of material as per specification; entry of material received in gate register; checking thereof during site visit and to prepare and furnish inspection/progress report on weekly basis.

Audit, however, observed that the cell created did not perform its duties as regards to ensuring entries of material supplied by different contractors in the gate register and preparation/submission of weekly progress report.

The Government stated that monitoring of the project was done at the BoD level on the issues pertain to it; by conducting regular meetings; checking of material supplied *etc.* Besides, the quality of machineries, mechanical and civil works were also audited by National Sugar Institute, Kanpur and for overall supervision of installation work of Sugar Factory/Distillery, Chief Engineer Level Officer was also deployed by the Architect Consultant. The reply was not convincing in view of the fact that important key issues related to installation and operation of Sugar Factory/Distillery were not apprised to the BoD timely.

**Conclusion and Recommendations**

***Conclusion***

**The Integrated Sugar Complex was constructed after significant cost overrun, mainly attributable to increased cost of civil works and engineering contract due to time overruns and execution of certain works not envisaged in the DPR. The operational performance of sugar factory and cogeneration plant was affected due to excessive break downs, excess consumption of bagasse, lesser recovery of sugar from sugarcane, underperformance of cogeneration plant resulting in shortfall in export of power to DISCOMs. The distillery plant has not completely stabilised till March 2020 which led to lesser production and higher cost of rectified spirit produced. The Company did not adhere to prescribed environmental norms as it did not stabilize the effluent treatment plant. There were instances of poor financial management and the Company could not evolve an effective mechanism of monitoring to ensure the operational efficiency.**



***Recommendations***

We recommend that the Company may:

- **take effective steps to enhance the operational efficiency of the sugar factory and co-generation plant;**
- **operationalise the distillery as envisaged after assessing the financial viability;**
- **take steps to comply with the environmental norms; and**
- **strengthen the financial management and internal control mechanism.**

**Rajasthan State Road Development & Construction Corporation Limited**

**5.3 Non-recovery from the contractor**

**Non-compliance with provisions of the New Toll Policy 2016 while executing the agreement with the Contractor for toll collection on temporary basis and non-initiation of timely action against the defaulting Contractor led to non-recovery of ₹ 6.08 crore.**

Rajasthan State Road Development and Construction Corporation Limited (Company) introduced (March 2016) a new Toll Policy (Parameters of Bidding Procedures and Conditions for Collection of Toll Tax) 2016, applicable with effect from 1 April 2016. The Company modified (April 2017) the New Toll Policy which *inter alia* provided that:

- After concurrence of the competent authority, the approved/successful bidder shall deposit advance toll amount (*i.e.* five per cent of the agreed amount) and performance security<sup>33</sup> (*i.e.* 20 per cent of the contract amount) within the specified time (**Clause 6 of Part-A**). Besides, the bidder shall also be required to deposit required number of additional advance cheques towards instalments of remaining amount of toll contract (**Clause 8 of Part-A**).
- In case the successful bidder discontinues the contract during the currency of the contract or the contract is cancelled by the competent authority, the tender approving committee may offer the work to second, third highest bidders respectively at the approved rate and if denied by them at the approved rate then at their own rates if the rates were higher than the reserve price, for a maximum period of three months or till approval of new tender, whichever is earlier. It further provided that the Chairman of the Company, in emergency situation, may award the toll collection contract to any agency at other approved rates for a maximum period of three months or till the approval of new tender, whichever is earlier. (**Clause 1 (A) and (B) of Part-B**)

The Company invited tenders (September 2016) for toll collection work at *Dabok-Mawli-Kapasan-Chittorgarh* Road (SH-9) at reserved rate of ₹ 51.02 crore (*i.e.* ₹ 6.99 lakh per day) for a period of two years (1 November 2016 to 31 October 2018). The Company received four bids against the tender and awarded (October 2016) the work in favour of Contractor A for ₹ 57.40 crore *i.e.* ₹ 7.86 lakh per day, the highest bidder. However, as Contractor A defaulted in depositing the prescribed instalments, the Company cancelled (23 June 2017) the contract by forfeiting its bank guarantee (₹ 8.61 crore) against accumulated dues of ₹ 7.35 crore and debarring it for a period of one year as per provisions of the toll collection agreement. The Company invited (31 May 2017) new tenders to award the toll collection work for the remaining period but the single bid received was rejected (22 June 2017) due to non-deposit of earnest money and tender fee by the bidder with its bid.

Simultaneously, the Company had sought (May 2017) limited offers on per day toll collection basis till award of the new contract. The Company received

<sup>33</sup> Performance security is to be furnished in form of bank guarantee/Fixed Deposit Receipt of a scheduled bank and shall be in the name of procuring entity on account of bidder and discharged by the bidder in advance.

(31 May 2017 to 8 June 2017) offers from five firms<sup>34</sup> and decided (20 June 2017 and 21 June 2017) to award the work in favour of the highest (H1 and H2) bidders. But execution of the work was refused by both the bidders. Thereafter, the Company received (22 June 2017) a *suo moto* offer from Contractor B for executing the work at the rate of ₹ 5.35 lakh per day. Considering the single and *suo moto* offer of Contractor B, the Company approved (22 June 2017) to award the work at the offered rate (*plus two per cent* tax) till execution of the new contract and the Unit office, Udaipur executed (23 June 2017) an agreement with Contractor B for the toll collection work. As per the agreement, Contractor B was required to deposit advance cheques for five days and onwards towards instalments of the contract amount payable by it. Besides, in case of default, Contractor B was liable to pay simple interest at the rate of 18 *per cent* per annum. Contractor B commenced (26 June 2017) collection of toll on the road and continued the work for a period of 171 days (upto 13 December 2017) until the Company awarded (13 December 2017) the work on regular basis. Against total recoverable amount of ₹ 9.49 crore<sup>35</sup> during the contract period, the Company could recover ₹ 4.08 crore<sup>36</sup> upto 28 September 2017 and Contractor B did not make any further payment thereafter. After considering the further recovery of ₹ 0.50 crore (April 2018), the outstanding dues towards Contractor B worked out to ₹ 6.08 crore<sup>37</sup> as on 31 March 2019.

Audit observed that the Company ignored the provisions of New Toll Policy as it neither exercised the option of awarding the work to the other three bidders who participated in the original tender and offered rates<sup>38</sup> higher than the reserve price of the original tender nor included the essential provisions *viz.* period of contract and conditions of depositing initial advance amount and performance security in the agreement executed with Contractor B. Further, the work was awarded to Contractor B on the basis of single and *suo moto* offered rate (₹ 5.35 lakh per day) which was far less than the rate of Contractor A (₹ 7.86 lakh per day) and the other three bidders, however, no reasons in this regard were found on record. This indicated that the Company awarded the work without assessing the reasonability of rate and without adopting a transparent procedure as prescribed under the Rajasthan Transparency in Public Procurement Act 2012. The Company also handed over the toll point to Contractor B without completing for requisite formalities.

Despite default/delay/discontinuation in payment of the due instalments, the Company did not take requisite action to recover the outstanding dues and instead allowed Contractor B to continue the toll collection work beyond the maximum period prescribed. Besides, the Company belatedly initiated the legal action against Contractor B by lodging the First Information Report (FIR) in June 2018 and filing the civil suit in September 2018. However, no further recovery could be done in this case till October 2019.

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34 Firm-1 (₹ 5.80 lakh per day), Firm-2 (₹ 5.75 lakh per day), Firm-3 and 4 (₹ 5.25 lakh per day) and Firm-5 (₹ 4.50 lakh per day).

35 ₹ 9.33 crore *i.e.* ₹ 5.35 lakh per day\*102 per cent\*171 days (*i.e.* from 26 June 2017 to 13 December 2017) + ₹ 0.16 crore (penal interest upto 13 December 2017).

36 This includes ₹ 1.47 crore forfeited in August 2017 which pertained to the earnest money deposited by the Contractor towards another contract with the Company.

37 Outstanding toll collection amount of ₹ 4.75 crore (*i.e.* ₹ 5.25 crore - ₹ 0.50 crore) + interest on outstanding dues amounting to ₹ 1.33 crore.

38 ₹ 7.21 lakh per day to ₹ 7.67 lakh per day.

The Company accepted (July 2019) the facts and stated that it awarded the contract on *suo moto* rate offered by Contractor B due to urgency of taking over the toll plaza from Contractor A. Further, performance security was not taken from Contractor B as the contract was temporary and period of contract was not ascertained. The Company has filed a court case and an FIR for recovery of dues and the matter is under progress.

The fact remained that the contract was awarded without complying with the laid down rules/regulations and without assessing the reasonability of rates. Further, the agreement was executed without safeguarding financial interest of the Company which resulted in non-recovery of outstanding dues worth ₹ 6.08 crore.

### **Rajasthan State Mines and Minerals Limited**

#### **5.4 Unauthorised limitation in penalty clause led to short recovery**

**Insertion of self-defeating unauthorised clause limiting the penalty upto 25 per cent of the project cost for non/short performance led to non-recovery of penalty worth ₹ 11.48 crore.**

Rajasthan State Mines and Minerals Limited (Company) invited (February 2003) tenders for installation and operation and maintenance (O&M) for a period of 20 years of Wind Power Project (WPP) of five megawatt (Phase-III) at Jaisalmer. As per the tender document, the bidders were required to quote '*Net Minimum Guaranteed Generation*'<sup>39</sup> (NMGG) and for shortfall from NMGG, a levy was to be recovered at the prescribed rates. During the pre-bid meeting held on 26 February 2003, the intended bidders requested for withdrawal of the condition of NMGG. Indian Wind Turbine Manufacturer's Association (IWTMA) also requested (13 March 2003) that the condition of NMGG be relaxed by accepting '*Power Curve based Guaranteed Generation*' (PCGG) in place of NMGG. However, the Company did not accept the request for relaxing the tender conditions relating to NMGG. Subsequently, the Board of Directors (BoD) of the Company also did not agree (June 2003) to relax the tender conditions.

The techno-commercial bids of one Central PSU and one Contractor were opened (22 August 2003) by the Committee and thereafter, a discussion was held (26 September 2003) with the bidders before opening the price bids for withdrawal of the deviations in their bids. The Contractor accepted to provide NMGG for the first 10 years only and submitted revised addendum on the deviation schedule along with revised price bid whereas the Central PSU expressed (6 October 2003) its unwillingness to withdraw any deviation. Later the Contractor agreed (16 October 2003) to provide NMGG upto 15 years from commissioning of the project. The Project Wing briefed (17 October 2003) the final outcome of the case before the competent authority of the Company which *inter alia* included the facts that (i) the Contractor agreed to provide NMGG for 15 years as per the stipulations of the tender and to guarantee minimum machine availability of 95 per cent and compatibility of

<sup>39</sup> Minimum number of units (KWH) generated and fed to the grid from the windfarm after deducting the power drawn from the grid for internal use of windfarm including power drawl for WEGs, if any.

power curve as per standards of International Energy Agency for next five years *i.e.* 16<sup>th</sup> to 20<sup>th</sup> year and (ii) the Contractor had quoted NMGG of 90 lakh units per annum for first 10 years and 75 lakh units per annum for next five years and sought permission to open the price bids which were endorsed/ approved by the Committee. Accordingly, after approval of the competent authority the price bids were opened (22 October 2003) and the detailed letter of intent (DLOI) was issued (February 2004) in favour of the Contractor for ₹ 22.25 crore<sup>40</sup>. The WPP (Phase-III) was commissioned in March 2004 and therefore the NMGG clause remained effective for a period of 15 years *i.e.* from 2004-05 to 2018-19.

Audit noticed that in a totally unexplainable move, a provision was included under the NMGG clause of the DLOI by limiting the maximum penalty of shortfall upto 25 *per cent* of the total project cost *i.e.* ₹ 5.56 crore instead of value of actual shortfall. The Contractor could not conform to the minimum guaranteed generation during 2004-05 to 2018-19 and the overall shortfall from NMGG during 2004-19 was 31 *per cent* (394.41 lakh units<sup>41</sup>) of the total NMGG (1275 lakh units). During initial two blocks, the Company recovered penalty of ₹ 3.75 crore<sup>42</sup> for the actual shortfall. During the third block (2010-14), the Company charged penalty of ₹ 1.81 crore only whereas the penalty for actual shortfall during this block worked out to ₹ 6.36 crore<sup>43</sup>. Further, the Company did not charge any penalty during the fourth block (2014-19) which was worked out to ₹ 6.93 crore<sup>44</sup>.

Audit observed that the provision allowing limitation on penalty was self-defeating and completely unauthorized as it was not disclosed/highlighted before the competent authority while briefing the status of the tendering process and obtaining his approval. Further, due to limitation on the amount of penalty to be imposed, the clause related to NMGG lost its relevance in the middle of the overall guaranteed generation period (2004-19) as maximum limit of penalty to be imposed had exceeded during 2011-12 itself.

The Government in reply stated (October 2019) that the matter related to limitation of compensation was initially mentioned (17 October 2003) by the Project Wing. Further, the Committee also clearly mentioned (24 October 2003) this fact while obtaining approval for holding negotiations with the lowest bidder (the Contractor) which was approved by the competent authority. As the price negotiation with the Contractor was approved by the Management and the price offer of the Contractor was given with the condition of limiting penalty upto 25 *per cent*, the clause cannot be termed as unauthorized because a series of discussion was held before final approval (November 2003) of the competent authority for issue of DLOI.

The reply was not acceptable as the competent authority approved only the final outcome of the case wherein the fact of capping the penalty upto 25 *per cent* of the project cost was not disclosed and allowed only for holding price negotiations with the Contractor. Thus, neither the Committee sought approval

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40 This excludes value of O&M charges payable at the rate ranged between ₹ 0.22 and ₹ 0.93 per unit.

41 The shortfall from NMGG during the four blocks *i.e.* 2004-07, 2007-10, 2010-14 and 2014-19 stood at 51.88 lakh, 40.88 lakh, 128.44 lakh and 173.21 lakh units respectively.

42 ₹ 2.12 crore (@ ₹ 4.08 per unit) and ₹ 1.63 crore (@ ₹ four per unit) for I and II block respectively.

43 128.44 lakh units \* ₹ 4.95 per unit

44 173.21 lakh units \* ₹ four per unit

for limiting the penalty nor such approval was granted and thus insertion of this provision was unauthorised. The reply was silent on the issue that due to insertion of self-defeating provision, the NMGG clause became ineffective during the eighth year itself. Thus, due to insertion of this unjustified provision the Company suffered extensive loss of ₹ 11.48 crore by allowing relaxation in the applicable penalty.

### **5.5 Avoidable financial burden due to payment of higher diesel cost to contractors**

**The Company had to bear avoidable additional burden of ₹ 22.19 crore on higher diesel cost due to discontinuing the practice of supplying diesel to the contractors without conducting necessary cost benefit analysis.**

Rajasthan State Mines and Minerals Limited (Company) got (March 1999) the mining lease of *Jhamarkotra* Rock Phosphate (JRP) mine, Udaipur for a period of 30 years. As per practice in vogue, the Company awarded excavation contracts with the condition that diesel would be provided on actual consumption basis for all items of awarded work free of cost upto the prescribed ceiling under consumption norms. The contracts also provided that service tax on free supply of diesel is not applicable. However, liability of service tax on free supply of diesel, if applicable, would be borne by the Company.

Later, the Management Committee of the Company discussed (January 2012) the issue of applicability of service tax on free supply of diesel provided to the contractors and decided to discontinue the free supply of diesel in all prospective contracts without conducting a thorough cost benefit analysis.

After discontinuing the practice of providing free diesel, the Company awarded (December 2012) the contract of excavating rock phosphate from JRP mine to Contractor A for a period of three years. After completion of this contract, the Company further awarded (May, July and November 2016) three contracts<sup>45</sup> for excavating rock phosphate from this mine for a period ranging between three and five years. The base rate of diesel for the initial contract (awarded to Contractor A) was fixed at ₹ 49.01 per litre whereas base rate of diesel for the subsequent three contracts were fixed at ₹ 51.40 per litre, ₹ 51.07 per litre and ₹ 56.52 per litre respectively to be procured by the contractors. As per the '*Diesel Clause*' included in these four contracts, the base rate of diesel of Indian Oil Corporation Limited (IOCL) ex-Udaipur was the base price of diesel and escalation/de-escalation in diesel price was to be considered on the basis of difference in base rate (P<sub>0</sub>) and prevailing rate (P<sub>1</sub>) of diesel of IOCL for the quantity of diesel consumed.

Audit noticed that under these contracts the contractors consumed 324.74 lakh litre of diesel during December 2012 to March 2019. The Company reimbursed cost of diesel ranging between ₹ 47 per litre and ₹ 78.54 per litre (excluding service tax). Besides, the Company also paid service tax on the cost of diesel reimbursed by it as per rates applicable from time to time.

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<sup>45</sup> First contract for C, D and E blocks and Second contract for F and G blocks to Contractor B and third contract for A Extension, A and B blocks to Contractor C.

Meanwhile, the Company had entered into rate contracts with the oil marketing companies (OMCs) for procuring High Speed Diesel (HSD) for own consumption during 2012-19 and it received discount on bulk supply of HSD as well as benefit of concessional tax on production of 'C' form under Central Sales Tax. Audit noticed that landed cost<sup>46</sup> of the diesel directly procured by the Company from OMCs during this period ranged between ₹ 38.88 per litre and ₹ 76.17 per litre.

Audit observed that the Company did not assess the financial impact of its revised policy that provided for arranging of diesel by the contractor. This led to avoidable extra expenditure on account of diesel (excluding service tax) amounting to ₹ 5.94 crore for the contract awarded to Contractor A and ₹ 13.45 crore for the contracts awarded to Contractor B and Contractor C as detailed in *Annex-24*. Besides, the Company had also reimbursed service tax on the cost of diesel to contractors at the rates applicable from time to time after adoption of revised policy. Therefore, besides incurring higher cost for the diesel consumed in these excavation contracts during 2012-19, the Company further paid additional service tax of ₹ 2.80 crore on this excess cost of diesel also.

The Government accepted (November 2019) the facts and stated that after mining activities were brought under the ambit of service tax for which input credit was not admissible, the Company commenced practice of supplying diesel free of cost so as to reduce liability of service tax. Later, due to demands of service tax on free supply of diesel and uncertainty on its chargeability, the policy was discontinued after due deliberations and considering its financial implications as such the liability of service tax would have been much higher.

The reply was not acceptable as the Company discontinued the practice of supplying diesel to the contractors without conducting a thorough cost benefit analysis. It ignored the fact that even after excluding the impact of service tax, diesel procured by Company and supplied to contractors was cheaper due to discounts allowed by OMCs and benefits of concessional sales tax as compared to diesel procured by contractors at retail price. Further, after adopting the revised policy, the Company had paid full service tax on the entire quantity of diesel consumed by the contractors during 2012-19. Thus, the decision was not backed with due diligence and financial prudence and resulted in avoidable additional burden of ₹ 22.19 crore on production of Rock Phosphate.

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46 Landed cost stands for landed cost worked out by the Company {(i.e. Basic Price + Excise and Additional Excise Duty + Freight, Insurance and other delivery charges + State specific charges + other levies – discount) + Central Sale Tax} + Entry Tax (applicable upto June 2017).

**Rajasthan State Industrial Development and Investment Corporation Limited**

**5.6 Undue advantage to allottee firm**

**The Company violated the guidelines of Government of India and directions of Board of Directors and thus, not only enhanced the ceiling for non-industrial/ commercial use in industrial park (Neemrana) but also extended undue advantage of ₹ 3.55 crore to the allottee by recovering conversion charges at pre-revised rate.**

Rule 20-C of RIICO Disposal of Land Rules 1979 (Land Rules) *inter alia* provided *Change in Land Use (CLU)* from industrial to commercial up to 15 *per cent* of the total scheme area on recovery of conversion charges at two times of the prevailing rate of allotment of the industrial area concerned. Further, in case the plot is located in industrial areas notified under Industrial Park Scheme (IPS) 2002 of the Government of India (GOI) for availing income tax exemption under Section 80 IA of Income Tax Act 1961, the same shall be considered to be within the permissible limits prescribed by the GOI.

Audit scrutiny revealed that the Government of India (GoI) notified (April 2006 and December 2006) Industrial Area Neemrana Phase-I as industrial park under IPS 2002. Audit noticed that the Company permitted (July 2013) transfer of lease hold rights of an industrial plot<sup>47</sup> in favour of the allottee firm. The allottee firm sought (September 2013) permission for CLU from industrial to commercial which was belatedly declined (April 2015) by the CLU Committee as percentage of non-industrial use in the concerned industrial area had already exceeded the limit of 15 *per cent*. Subsequently, in response to a representation from the allottee firm, the matter was placed (August 2015) before the Infrastructure Development Committee (IDC) of the Company which rejected the proposal on the same grounds. Thereafter, the allottee firm filed (January 2016) a writ petition with the Rajasthan High Court, Jaipur. As per directions (January 2017) of the Court, the competent authority of the Company reviewed (April 2017) the case but rejected the request on the grounds that it was not possible under the prevailing policy of the Company.

Further scrutiny of records disclosed that the Board of Directors (BoD) was not in favour of raising the ceiling of non-industrial use from 15 *per cent* to 20 *per cent*, as proposed (March 2018) by the management, because there was considerable variation in the percentage of non-industrial use in saturated industrial areas. However, it authorised the Chairman and Managing Director (CMD) to raise the ceiling upto 20 *per cent* for such saturated industrial areas (except those notified under IPS 2002) in which non-industrial use has crossed 13 *per cent* of the total scheme area, on case to case basis.

After aforementioned decision (March 2018), Industrial Area Neemrana Phase-I was re-planned (May 2018) and ceiling of non-industrial use in this industrial area (including 13 other industrial areas) was enhanced to 20 *per cent* of total scheme area with the approval of the competent authority. The Unit Office, Neemrana informed (May 2018) the allottee firm regarding enhancement of ceiling in the area and sought fresh request for CLU along

47 No. SP2-6(C) admeasuring 10028.15 square metre.



with an undertaking to withdraw the writ petition on consideration of request as per laid down rules. The matter was placed (July 2018) before the Land Plan Committee authorised for consideration of CLU in such cases wherein the Committee accorded *in-principle* approval for CLU of the plot from industrial to commercial. The Unit Office, Neemrana communicated (August 2018) the decision of grant of *in-principle* approval for CLU of the plot owned by allottee firm and demanded ₹ 7.10 crore<sup>48</sup> towards conversion charges. The allottee firm deposited ₹ 6.02 crore (including ₹ 3.70 crore deposited on 10 August 2018) on account of conversion charges upto December 2018.

Audit observed that the Company did not adhere to the terms and conditions prescribed in the approval granted by GoI for this industrial park as it exceeded (7.13 *per cent* of total scheme area) the earmarked percentage (3.11 *per cent*) for commercial use without mandatory approval of the GoI. Further, the Company indulged in unnecessary litigation by accepting the CLU application from the allottee firm ignoring the already exceeded limit of commercial use in the area and further delaying its disposal for almost two years (July 2013 to April 2015). It was also observed that enhancement of ceiling of non-industrial use for the area being an industrial park notified under IPS 2002, was also in contravention of the decision of the BoD.

Besides, the Company *suo moto* granted (July/August 2018) '*in principle* permission' for CLU of the plot in favour of the allottee firm without ensuring withdrawal of the writ petition filed by it. Audit further observed that allotment rate for this industrial area was revised from ₹ 3000 per square metre to ₹ 4500 per square metre with the approval (23 July 2018) of the concerned competent committee<sup>49</sup>. However, office order effecting the revision of rates was issued belatedly on 24 August 2018. The Unit Head, Neemrana participated in the meeting held (July 2018) for revision in allotment rate and thus, he was well aware of revision in allotment rate of the area. Despite this, the Unit Office raised (8 August 2018) demand for conversion charges on pre-revised rate which led to extension of undue advantage of ₹ 3.55 crore<sup>50</sup> to the allottee firm.

The Government stated (December 2018) that the Company had availed benefit of income tax exemption for this industrial park from 2006-16 and ceiling of non-industrial use in this industrial area was enhanced considering it as normal industrial area. It further stated that in view of the audit observation, a demand has been raised (December 2018) on the allottee firm for depositing the differential amount of conversion charges. Subsequently, the Company stated (July 2019) that the permission of CLU has been withdrawn (January 2019) due to non-deposit of the dues and the allottee firm had filed a civil suit against the Company which is pending (July 2019).

The Government in subsequent reply stated (October 2019) that there was no requirement of seeking approval from the GoI as commercial use was allowed upto 10 *per cent* of the total allocable area under the IPS 2002. Further, issue

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48 Conversion Charges = ₹ 6000 per sqm (i.e. Two times of prevailing rate of allotment of ₹ 3000 per sqm)\* 10028.50 square meter (i.e. area of the plot)\* 118 *per cent* (i.e. including Goods and Service Tax at the rate of 18 *per cent*) = ₹ 7.10 crore.

49 Consisted of Managing Director, Chief General Manager (GM) and Additional GM (BP), Financial Advisor, Advisor (Infra) and Unit Head.

50 Difference of Conversion Charges = ₹ 3000 per sqm\* 10028.50 square meter\* 118 *per cent* = ₹ 3.55 crore.

of office order was delayed as the competent authority had given certain directions to the Business Promotion (BP) Cell regarding prevailing allotment rates in Japanese industrial areas of other states and the demand as well as recovery of conversion charges was done by the Unit office as per the rate prevailing at that time.


The subsequent reply of the Government was in contradiction of its earlier reply and was not acceptable. The limit (10 *per cent*) prescribed in IPS 2002 was the maximum limit and the Company could exceed the earmarked percentage (3.11 *per cent*) for commercial use only after obtaining approval of the GoI. Similarly, the Company did not adhere to the directions of the BoD. Further, recovery of conversion charges at pre-revised rates was in violation of its own policy of January 1991 which had led to unnecessary litigation. Thus, the Company did not deal with the case prudently and extended undue advantage of ₹ 3.55 crore to the allottee firm.

**JAIPUR**  
The  
28 July, 2020



**(ATOORVA SINHA)**  
Accountant General  
(Audit-II), Rajasthan

Countersigned



**NEW DELHI**  
The  
29 July, 2020

**(RAJIV MEHRISHI)**  
Comptroller and Auditor General of India



# **Annexures**

**Annexure – 1**  
**(Referred to in Paragraph 1.8 at page no. 12, Paragraph 1.9 at page No. 13 and 1.13 at page no. 18)**  
**Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised**

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turn over	Paid up capital	Capital Employed	Net Worth <sup>1</sup>	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10
<b>A.</b>	<b>Generation</b>								
1	Chhabra Power Limited (Subsidiary of Sl. No. 4)	2018-19	0.00	0.00	0.00	0.05	0.01	0.01	-0.04
2	Dholpur Gas Power Limited (Subsidiary of Sl. No. 4)	2018-19	0.00	0.00	0.00	0.05	0.01	0.01	-0.04
3	Giral Lignite Power Limited (Subsidiary of Sl. No. 4)	2018-19	-164.31	-324.13	-49.00	370.05	-659.62	-894.72	-1264.77
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2018-19	3236.65	138.42	14487.45	10067.95	45737.00	5682.96	-4382.81
5	Rajasthan Renewable Energy Corporation Limited	2018-19	20.73	17.16	102.79	12.94	185.18	185.18	172.24
	<b>Sub-total</b>		<b>3093.07</b>	<b>-168.55</b>	<b>14541.24</b>	<b>10451.04</b>	<b>45262.58</b>	<b>4973.44</b>	<b>-5475.42</b>
<b>B.</b>	<b>Transmission</b>								
6	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. 9)	2018-19	-0.27	-0.27	0.00	0.05	-9.57	-9.57	-9.62
7	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. 9)	2018-19	-0.02	-1.80	0.00	0.05	-17.05	-17.05	-17.10
8	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. 9)	2018-19	0.00	0.00	0.00	2.05	0.00	0.00	-2.05
9	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2018-19	913.55	-127.99	2815.14	4441.04	14379.45	3171.76	-1269.28
	<b>Sub-total</b>		<b>913.26</b>	<b>-130.06</b>	<b>2815.14</b>	<b>4443.19</b>	<b>14352.83</b>	<b>3145.14</b>	<b>-1298.05</b>
<b>C.</b>	<b>Distribution</b>								
10	Ajmer Vidyut Vitran Nigam Limited	2018-19	2981.12	466.82	12355.47	10018.03	-2084.25	-19000.52	-29018.55
11	Jaipur Vidyut Vitran Nigam Limited	2018-19	4080.54	906.09	17213.81	10783.47	-1654.58	-20277.18	-31060.49
12	Jodhpur Vidyut Vitran Nigam Limited	2018-19	4000.40	1233.76	13396.52	9954.57	-3873.42	-19820.20	-29774.77
	<b>Sub-total</b>		<b>11062.06</b>	<b>2606.67</b>	<b>42965.80</b>	<b>30756.07</b>	<b>-7612.25</b>	<b>-59097.90</b>	<b>-89853.81</b>
<b>D.</b>	<b>Others</b>								
13	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. 5)	2018-19	13.94	10.94	20.06	0.05	30.21	30.21	30.16
14	Rajasthan Urja Vikas Nigam Limited	2018-19	0.02	0.00	13.22	50.00	50.00	50.00	0.00
15	Rajasthan Rajya Vidyut Vitran Vitta Nigam	2018-19	0.00	0.00	0.00	0.05	0.03	0.03	-0.02
	<b>Sub-total</b>		<b>13.96</b>	<b>10.94</b>	<b>33.28</b>	<b>50.10</b>	<b>80.24</b>	<b>80.24</b>	<b>30.14</b>
	<b>Grand total</b>		<b>15082.35</b>	<b>2319.00</b>	<b>60355.46</b>	<b>45700.40</b>	<b>52083.40</b>	<b>-50899.08</b>	<b>-96597.14</b>

1 Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. DRE of ₹ 2.18 crore, ₹ 0.16 crore was deducted in case of Rajasthan Rajya Vidyut Utpadan Nigam limited, Jaipur Vidyut Vitran Nigam limited to arrive at the net worth figures.

Annexure – 2

(Referred to in Paragraph 1.12 at page no. 16)

Statement showing State Government funds infused in the eight power sector undertakings since inception till 31 March 2019

(₹ in crore)

Year	AVVNL			JVVNL			JdVVNL			RVPNL	RVUNL	RRECL	RUVNL	RRVVNL	Total		
	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Interest Free Loan (IFL)	IFL converted into equity	Equity	Equity	Equity	Equity	Equity	Equity	Interest Free Loan (IFL)	IFL converted into equity
2000-01	150.00	0.00	0.00	140.00	0.00	0.00	120.00	0.00	0.00	-465.99	432.72	3.65	0.00	0.00	380.38*	0.00	0.00
2001-02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	363.00	0.00	0.00	0.00	363.00	0.00	0.00
2002-03	15.00	0.00	0.00	15.00	0.00	0.00	14.00	0.00	0.00	79.00	209.00	6.43	0.00	0.00	338.43	0.00	0.00
2003-04	15.00	0.00	0.00	15.00	0.00	0.00	14.00	0.00	0.00	79.00	159.00	0.76	0.00	0.00	282.76	0.00	0.00
2004-05	57.00		0.00	60.00		0.00	55.00		0.00	56.00	120.00	2.00	0.00	0.00	350.00		0.00
2005-06	75.50	118.70	0.00	80.00	131.97	0.00	74.00	99.33	0.00	70.00	331.00	0.10	0.00	0.00	630.60	350.00	0.00
2006-07	83.00	51.75	0.00	88.00	55.50	0.00	81.00	42.75	0.00	90.00	352.00	0.00	0.00	0.00	694.00	150.00	0.00
2007-08	120.00	54.00	0.00	80.00	54.00	0.00	80.00	42.00	0.00	125.00	658.00	0.00	0.00	0.00	1063.00	150.00	0.00
2008-09	120.00	90.00	0.00	235.00	90.00	0.00	110.00	70.00	0.00	165.00	706.00	0.00	0.00	0.00	1336.00	250.00	0.00
2009-10	160.00	61.20	0.00	230.00	61.20	0.00	0.00	47.60	0.00	240.00	650.00	0.00	0.00	0.00	1280.00	170.00	0.00
2010-11	192.29	0.00	0.00	210.00	0.00	0.00	402.00	0.00	0.00	400.00	336.00	0.00	0.00	0.00	1540.29	0.00	0.00
2011-12	524.36	295.47	375.65	562.67	391.34	392.67	466.68	308.19	301.68	400.00	521.00	0.00	0.00	0.00	2474.71	995.00	1070.00
2012-13	916.66	371.35	0.00	969.18	309.23	0.00	877.16	319.42	0.00	449.00	636.00	0.00	0.00	0.00	3848.00	1000.00	0.00
2013-14	910.18	0.00	0.00	901.57	0.00	0.00	1000.25	0.00	0.00	326.00	740.00	0.00	0.00	0.00	3878.00	0.00	0.00
2014-15	988.46	70.88	271.85	1041.10	94.50	231.11	968.15	70.87	226.44	370.00	881.50	0.00	0.00	0.00	4249.21	236.25	729.40
2015-16	2485.70	70.88	394.97	2726.78	94.50	469.46	2540.18	70.87	401.17	537.16	1144.00	0.00	0.00	0.00	9433.82	236.25	1265.60
2016-17	1041.70	0.00	0.00	1108.76	0.00	0.00	1026.62	0.00	0.00	194.56	694.08	0.00	50.00	0.00	4115.72	0.00	0.00
2017-18	1078.58	0.00	0.00	1162.06	0.00	0.00	1062.99	0.00	0.00	250.01	296.28	0.00	0.00	0.00	3849.92	0.00	0.00
2018-19	1084.60	0.00	0.00	1158.35	0.00	0.00	1062.54	0.00	0.00	170.31	346.50	0.00	0.00	0.05	3822.35	0.00	0.00
<b>Total</b>	<b>10018.03</b>	<b>1184.23</b>		<b>10783.47</b>	<b>1282.24</b>		<b>9954.57</b>	<b>1071.03</b>		<b>3535.05</b>	<b>9576.08</b>	<b>12.94</b>	<b>50.00</b>	<b>0.05</b>	<b>43930.19</b>	<b>3537.50</b>	<b>3065.00</b>

\* 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 from unbundling of RSEB + ₹ 3.65 crore (initial equity of RREC).

**Annexure-3**  
**(Referred to in Paragraph 1.24 at page no. 25)**  
**Statement showing lack of responsiveness to Inspection Reports**

Sl. No.	Name of PSU	Outstanding Inspection Reports and Paragraphs			I <sup>st</sup> compliance not received		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
1	Chhabra Power Limited (Subsidiary of Sl. No. 4)	2	3	-	-	-	-
2	Dholpur Gas Power Limited (Subsidiary of Sl. No. 4)	3	7	1.20	-	-	-
3	Giral Lignite Power Limited (Subsidiary of Sl. No. 4)	2	9	28.18	-	-	-
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	25	65	2296.22	-	-	-
5	Rajasthan Renewable Energy Corporation Limited	3	13	28.95	-	-	-
6	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. 9)	-	-	-	-	-	-
7	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. 9)	-	-	-	-	-	-
8	Keshoraipatan GasThermal Power Company Limited (Subsidiary of Sl. No. 9)	-	-	-	-	-	-
9	Rajasthan Rajya Vidyut Prasaran Nigam Limited	20	44	255.96	-	-	-
10	Ajmer Vidyut Vitran Nigam Limited	48	173	386.83	-	-	-
11	Jaipur Vidyut Vitran Nigam Limited	32	118	1510.63	-	-	-
12	Jodhpur Vidyut Vitran Nigam Limited	40	136	717.76	-	-	-
13	Rajasthan Solar Park Development Company Limited (Subsidiary of Sl. No. 5)	2	3	1.27	-	-	-
14	Rajasthan Urja Vikas Nigam Limited	1	3	3.80	-	-	-
15	Rajasthan Rajya Vidyut Vitran Vitta Nigam Limited	-	-	-	-	-	-
	<b>Total</b>	<b>178</b>	<b>574</b>	<b>5230.80</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Annexure-4**

(Referred to in Paragraph 2.2.2 at page no. 29)

**Statement showing category-wise number of Purchase Orders (POs) eligible for financial closure and selection of POs from financially closed cases and cases pending for financial closure**

(Figures in Numbers)

S. No.	Particulars	Transformers	Meters	Vacuum Circuit Breakers (VCBs)	Steel items	Conductors / Cables	Total (except Other items)	Other items	Total
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7=2+3+4+5+6</b>	<b>8</b>	<b>9=7+8</b>
1	Number of POs eligible for closure (i.e. POs issued during 1 April 2008 to 31 March 2018)	418	81	29	343	445	1316	2792	4108
2	Number of POs closed out of POs eligible for financial closure	90	22	1	95	30	238	275	513
<b>3</b>	<b>Sample selected from closed cases (20%)</b>	<b>18</b>	<b>4</b>	<b>1</b>	<b>20</b>	<b>6</b>	<b>49</b>	<b>-</b>	<b>49</b>
4	Number of POs pending for financial closure (1-2)	328	59	28	248	415	1078	2517	3595
<b>5</b>	<b>Sample selected from cases pending for closure (10%)</b>	<b>33</b>	<b>7</b>	<b>4</b>	<b>25</b>	<b>42</b>	<b>111</b>	<b>-</b>	<b>111</b>



## Annexure-5

(Referred to in Paragraph 2.4.1 at page no. 44)

## Statement showing details of number of GSS and lines

Sl. No.	Description	2016-17	2017-18	2018-19	Total	Selected for audit scrutiny
<b>A. Number of GSS</b>						
1	At the beginning of the year	515	543	562		
2.	Added during the year					
	132 kV	20	16	11	47	-
	220 kV	7	1	2	10	3
	400 kV	1	3	2	6	3
	<b>Total</b>	<b>28</b>	<b>20</b>	<b>15</b>	<b>63</b>	<b>6</b>
3.	GSS upgraded during the year	0	1	1	2	
4.	Total GSSs at the end of the year	543	562	576		
<b>B. Transmission Lines (CKM)</b>						
1.	At the beginning of the year	33959	35643.93	37606.58		
2.	Added during the year					
	132 kV	589.964 (32)	418.247 (27)	428.346 (22)	1436.557 (81)	-
	220 kV	785.823 (16)	540.003 (7)	217.736 (7)	1516.562 (30)	776.263 (8)
	400 kV	308.678 (4)	1004.402 (4)	1336.167 (7)	2649.247 (15)	1730.146 (7)
	<b>Total</b>	<b>1684.47</b>	<b>1962.652</b>	<b>1982.25</b>	<b>5625.932</b>	<b>2506.409 (15)</b>
3.	Total length at the end of the year	35643.93	37606.58	39588.834		
<b>C. Transformers Capacity (MVA)</b>						
1	Capacity at the beginning of the year	68036.50	72553.00	78610.50		
2.	Added during the year	4516.50	6057.50	3470.00	14044.00	
3.	Capacity at the end of the year	72553.00	78610.50	82080.50		

\* Figures in bracket show the number of lines.

**Annexure-6**

**(Referred to in Paragraph 2.4.6 at page no. 47)**

**Statement showing details of cases of lack of synchronization in construction schedule of GSS and lines**

Name of project/ scheme/ work	Project approval date/ work award date	Scheduled/ actual completion date	Delay and reasons for delay	Blockage of funds (₹ in crore) / Loss on account of delay
<b>Lines remained idle due to non-completion/availability of GSS</b>				
Construction of 220 kV D/C Chhatrail-Ramgarh (60 KM) line	December 2011 (BoD) and February 2012 (GoR)/ February 2014	18 April 2015/4 July 2016	443 days of which delay of 375 days on part of the company on account of delay in issue of Gazette Notification from GoR, finalization of gantries at Ramgarh and Chhatrail end, revision of route of line due to change in position of power transmission line crossing, ROW problems, issue of conductor to the contractor, availability of shut downs of wing associated lines and finalization of revetment <sup>2</sup> work.	₹ 79.38/ The Company could charge the line from March 2016 on 11 kV only for the anti-theft purpose due to non - availability of concerned GSSs and thus envisaged benefits could not be derived.
Construction of 220 kV D/C Jaipur (North)-Manoharpur (31 KM) line along with 9.5 KM long LILO of VKIA-Kukas line	January 2013/ February 2014	30 December 2017	1108 days of which 1064 days on the part of the company mainly due to line being extended to 220 kV S/C VKIA-Kukas line, forest clearance and ROW Problems.	₹ 29.13/The line was constructed without ensuring availability of concerned GSS. Besides, land purchased for GSS worth ₹ 16.17 crore remained unutilised for which idle lease rent of ₹ 3.15 crore was paid.
220 kV GSS Amberi	May 2011/ Nov. 2016	March 2017/ March 2018	Belatedly awarding of the electrical work of Amberi GSS i.e. after lapse of 5 years from the BoD approval. The work was completed after a delay of 355 days from the stipulated completion date due to non- availability of matching material in time, delay in casting of foundation/grouting work, earth work by the civil wing and revision in Electric Layout Plan of GSS.	₹ 7.26/Three nos. of associated lines, (220 kV S/C Kankroli-Debari line, 132 kV S/C Debari-Sukher line and 132 kV S/C Suker-Seesarama line) completed in 2016 and 2017, remained idle for the period ranging from 12 to 26 months which led to the loss of energy envisaged in the DPR.
Construction of 220 kV GSS Bhawani Mandi along with	May 2014 (BoD)/ September 2015 on	23 November 2016/ 16 July 2018	600 days of which 450 days on the part of the Company due to delay of eight months in	₹ 29.93/ Both the associated lines i.e. Bhawani Mandi-Modak line (39.91 KM)

<sup>2</sup> Method generally used where the ground surface is irregular or where there is significant difference in levels of soils around the tower foundation. The revetment protection is provided in form of stone masonry walls around those sides of foundations where such protection is required.

Name of project/ scheme/ work	Project approval date/ work award date	Scheduled/ actual completion date	Delay and reasons for delay	Blockage of funds (₹ in crore) / Loss on account of delay
two associated lines	CLRC rate contract		providing the layout plan and non-supply of the material timely. Besides, the company took 17 months in issue of technical sanction and award of the work after approval of BOD.	and Bhawani Mandi- Kalisindh line (33.752 KM), completed on 4 March 2017 and 11 August 2017 respectively, remained unutilized till July 2018 due to non-completion of the GSS which led to loss of envisaged energy.
Construction of 50 KM LILO one circuit of 400 kV D/C Raj-West Jodhpur line at 400 kV GSS Jodhpur transmissions line	April 2011 (BoD)/12 June 2013	12 December 2014/ 6 May 2016	ROW problems, delay in obtaining the NOC from aviation Authority, payment of crop compensation <i>etc.</i>	₹ 61.03/The Company charged the line on 132 kV for the anti-theft purpose only due to non -availability of 400 kV GSS Jodhpur (New).
<b>Grid Sub-Stations remained idle due to non-completion of associated line</b>				
Construction of 400 kV D/C Bhilwara- Chittorgarh line (50 KM)	August 2009 (BoD) and November 2009 (GoR)/ November 2011	May 2013/ 7 September 2018	Delay of 1954 days on the part of the contractor and interim stay of High Court, ROW problem <i>etc.</i> Besides, the company took 23 months in inviting the tender and its finalisation from the date of approval of GOR.	₹ 285.79/ Delay in construction of line led to non-utilisation of GSS, Chittorgarh constructed in September 2013 for a period of 5 Years.
Construction of 400 kV D/C Bhilwara-Ajmer line (150 Km)	August 2009 (BoD)/ September 2012	25 March 2014/14 March 2018	Delay of 1315 days (service-665 days and supply 650 days). delay of 344 days on the part of the contractor and 321 days on the part of the company due to interim stay of High Court on mining of sand, ROW problem, delay in payment to contractor, receipt of NOC from civil aviation in August 2016 <i>etc.</i>	

**Annexure-7**

**(Referred to in Paragraph 2.4.7 at page no. 47)**

**Statement showing the details of works where preparatory activities were not carried out before execution of the works**

Name of project/ scheme/ work	Month in which the work was awarded	Scheduled/ actual completion date	Estimated Project Cost/ work order cost (₹ in crore)	Final cost (₹ in crore)	Delay	Reasons for delay
220 kV D/C line from PGCIL's 400/220 kV Kotputli GSS (PG) to Bansur (proposed 220 kV GSS)-20 KM	August 2013	Aug 2014/ May 2016	5.82 (WO)	13.18	20 months	Increase in line length to 41Km due to change in location of GSS.
Construction of 220 kV D/C Ajmer -Jethana line of 60 KM	January 2013	26 February 2014/ December 2016	12.20 (DPR)	34.45	1028 days	Non-availability of material and delay in obtaining clearance from NHAI
Construction of 220 kV S/C Sirohi-Pindwara line (25KM) to create alternate 220 kV supply source at 220 kV GSS Pindwara	December 2013	17 July 2014/ 14 February 2019	14.50 (revised estimate)	12.24	54 months	Delay due to forest clearance and delay on the part of the contractor to execute the work
220 kV D/C Badisid-Aau (50 KM) line	December 2013	17 November 2014/ 13 April 2016	23.28 (DPR)	28.57	513 days	ROW clearance, permission from Railways, delay in supply of tower material, earth wire, conductor hardware and other accessories etc.
Construction of lines 220 kV D/C Ajmer-Bherunda associated with 220 kV GSS at Bherunda	January 2017	2 March 2018/ 23 January 2019	18.95 (DPR)	23.69	327 days	Delay in obtaining forest clearance
Construction of GSS Bherunda	March 2016 and September 2016	August 2017/ December 2018	24.77 (DPR)	15.23	468 days of which 233 days was on the part of the company	Delay in supply of transformer, its accessories and drawings.
220 kV D/C Pratapgarh - Chittorgarh (400 kV GSS) line	October 2014	25 January 2016/ 22 February 2018	11.95 (WO)	57.46	165 days on part of contractor and delay of 594 days on part of RRVPNL	Delay of 401 days in obtaining forest clearance and inaction to resolve the ROW problems.

Name of project/ scheme/ work	Month in which the work was awarded	Scheduled/ actual completion date	Estimated Project Cost/ work order cost (₹ in crore)	Final cost (₹ in crore)	Delay	Reasons for delay
Construction of 180 KM 400 kV D/C quad ACSR Moose conductor line from Bhadla to Bikaner	April 2013	9 October 2014/ charged on 15 April 2017	232.88 (WO)	359.69	30 months	Delay due to court stay, ROW problems and forest clearance, approval of civil aviation <i>etc.</i>
Transmission System for Evacuation including 240 KM, 400kV D/C Quad ACSR Moose Transmission line from Akal (Jaisalmer) to Jodhpur (New) Transmission line	November 2014	16 May 2016/ 21 December 2018	567.84	471.14	Delay of 31 months	ROW problem, clearance from Statutory Authority, re-routing of some portion of line, issue of inspection outside India <i>w.r.t.</i> OPGW.
LILO 400 kV S/C Jodhpur - Merta line at 400 kV GSS Jodhpur	June 2013	13 December 2014/ 23 June 2016 and 31 January 2017	40.52 (PO)	70.95	18 months	ROW problem, route diversion due to forest, NOC from civil aviation, delay in payment due to insufficient funds <i>etc.</i>
<b>Total</b>				<b>1086.60</b>		

**Annexure-8**

(Referred to in paragraph 3.3 at page no. 54)

**Statement showing position of equity and outstanding loans relating to State PSUs (other than Power Sector) as on 31 March 2019**

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity <sup>3</sup> at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19				
				GoR <sup>4</sup>	GoI <sup>5</sup>	Others	Total	GoR	GoI	Others	Total	
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	
<b>A</b>	<b>Social Sector</b>											
	<b>I. Working Government Companies</b>											
1.	Rajasthan Small Industries Corporation Limited	Industries	3-Jun-1961	6.64	0.27	0.05	6.96	0.75	0.00	0.00	0.75	
2.	Rajasthan State Handloom Development Corporation Limited	Industries	1-Apr-1984	45.51	0.00	0.55	46.06	0.00	0.00	0.43	0.43	
3.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	Local Self Government	1-Dec-2004	48.67	0.00	0.00	48.67	278.11	0.00	1196.94	1475.05	
4.	Rajasthan State Beverages Corporation Limited	Finance	24-Feb-2005	2.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	
5.	Jaipur Metro Rail Corporation Limited	Urban Development and Housing	1-Jan-2010	1494.04	0.00	200.00	1694.04	861.70	0.00	0.00	861.70	
6.	Rajasthan Ex-Servicemen Corporation Limited	Sainik Kalyan Department	29-Mar-2012	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00	
7.	Rajasthan Medical Services Corporation Limited	Medical, Health and Family Welfare	4-May-2011	5.00	0.00	0.00	5.00	21.18	0.00	0.00	21.18	
8.	Rajasthan Skill and Livelihoods Development Corporation	Labour, Employment, Skill and Entrepreneurship	17-Aug-2010	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	

<sup>3</sup> Equity includes share application money.

<sup>4</sup> Government of Rajasthan.

<sup>5</sup> Government of India.

Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity <sup>3</sup> at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				GoR <sup>4</sup>	GoI <sup>5</sup>	Others	Total	GoR	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
9.	Rajasthan State Food & Civil Supplies Corporation Limited	Food, Civil Supplies and Consumer Affairs	27-Dec-2010	50.00	0.00	0.00	50.00	0.00	0.00	9.78	9.78
10.	Rajasthan State Seeds Corporation Limited	Agriculture	28-Mar-1978	6.33	1.14	0.12	7.59	0.00	0.00	0.00	0.00
	<b>Total A-I</b>			<b>1663.24</b>	<b>1.41</b>	<b>200.72</b>	<b>1865.37</b>	<b>1161.74</b>	<b>0.00</b>	<b>1207.15</b>	<b>2368.89</b>
	<b>II. Inactive Government companies</b>										
11.	Rajasthan State Agro Industries <sup>6</sup> Corporation Limited	Agriculture	1-Aug-1969	6.01	0.00	0.00	6.01	16.27	0.00	0.00	16.27
12.	Rajasthan Jal Vikas Nigam Limited	Ground Water Department	25-Jan-1984	1.27	0.00	0.00	1.27	0.00	0.00	0.00	0.00
	<b>Total A-II</b>			<b>7.28</b>	<b>0.00</b>	<b>0.00</b>	<b>7.28</b>	<b>16.27</b>	<b>0.00</b>	<b>0.00</b>	<b>16.27</b>
	<b>Total A (I+II)</b>			<b>1670.52</b>	<b>1.41</b>	<b>200.72</b>	<b>1872.65</b>	<b>1178.01</b>	<b>0.00</b>	<b>1207.15</b>	<b>2385.16</b>
<b>B</b>	<b>Competitive Sector</b>										
	<b>I. Working Government Companies</b>										
13.	Rajasthan State Power Finance and Financial Services Corporation Limited	Finance	21-Dec-2012	90.00	0.00	0.00	90.00	0.00	0.00	0.00	0.00
14.	Rajasthan State Ganganagar Sugar Mills Limited	Finance	1-Jul-1956	180.34	0.00	0.05	180.39	0.41	0.00	0.00	0.41
15.	Rajasthan State Industrial Development and Investment Corporation Limited (demerged since January 1980)	Industries	28-Mar-1969	210.19	0.00	0.00	210.19	0.00	0.00	0.00	0.00
16.	Rajasthan State Road Development and Construction Corporation Limited	Public Works Department	8-Feb-1979	100.00	0.00	0.00	100.00	53.48	0.00	2771.82	2825.3
17.	Rajasthan State Mines and Minerals Limited (Government company since June 1973)	Mines and Petroleum	7-May-1947	77.54	0.00	0.01	77.55	0.00	0.00	0.00	0.00

<sup>6</sup> Rajasthan State Agro Industries Corp. Ltd. is under liquidation here latest figure has not been received from company

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Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity <sup>3</sup> at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				GoR <sup>4</sup>	GoI <sup>5</sup>	Others	Total	GoR	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
18.	Raj COMP Info Services Limited	Information Technology and Communication	27-Oct-2010	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
19.	Rajasthan State Hotels Corporation Limited	Tourism	7-Jun-1965	2.16	0.00	0.00	2.16	10.00	0.00	1.53	11.53
20.	Rajasthan Tourism Development Corporation Limited	Tourism	24-Nov-1978	21.95	0.00	0.00	21.95	34.50	0.00	0.00	34.50
21.	Barmer Lignite Mining Company Limited (Subsidiary and Joint Venture Company of Sl. No. 17)	Mines and Petroleum	19-Jan-2007	0	0	20.00	20.00	0.00	0.00	1684.61	1684.61
22.	Rajasthan State Gas Limited (Subsidiary of Sl. No. 23)	Mines and Petroleum	20-Sep-2013	0	0	129.87	129.87	0.00	0.00	0.00	0.00
23.	Rajasthan State Petroleum Corporation Ltd. (Subsidiary of Sl. No. 17)	Mines and Petroleum	10-Jul-2008	0	0	67.08	67.08	0.00	0.00	0.00	0.00
	<b>Total B-I</b>			<b>687.18</b>	<b>0.00</b>	<b>217.01</b>	<b>904.19</b>	<b>98.39</b>	<b>0.00</b>	<b>4457.96</b>	<b>4556.35</b>
24.	Rajasthan State Road Transport Corporation	Transport	1-Oct-1964	612.13	26.83	0.00	638.96	648.27	0.00	709.24	1357.51
25.	Rajasthan State Warehousing Corporation	Agriculture	30-Dec-1957	3.93	3.92	0.00	7.85	298.47	0.00	0.00	298.47
26.	Rajasthan Financial Corporation	Industries	17-Jan-1955	128.31	0.00	32.42	160.73	1.04	0.00	300.00	301.04
	<b>Total B-II</b>			<b>744.37</b>	<b>30.75</b>	<b>32.42</b>	<b>807.54</b>	<b>947.78</b>	<b>0.00</b>	<b>1009.24</b>	<b>1957.02</b>
	<b>Total B (I+II)</b>			<b>1431.55</b>	<b>30.75</b>	<b>249.43</b>	<b>1711.73</b>	<b>1046.17</b>	<b>0.00</b>	<b>5467.20</b>	<b>6513.37</b>
<b>C</b>	<b>Others</b>										
	<b>I. Working Government Companies</b>										
27.	Rajasthan Police Housing and Construction Corporation Limited	Home	22-Jun-2013	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00
	<b>Total C-I</b>			<b>1.00</b>	<b>0.00</b>	<b>0.00</b>	<b>1.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>



Sl. No.	Sector & Name of the PSU	Name of the Department	Month and year of incorporation	Equity <sup>3</sup> at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
				GoR <sup>4</sup>	GoI <sup>5</sup>	Others	Total	GoR	GoI	Others	Total
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
<b>II. Inactive Government Companies</b>											
28.	Rajasthan Civil Aviation Corporation Limited	Civil Aviation	20-Dec-2006	4.49	0.00	0.00	4.49	0.00	0.00	0.00	0.00
	<b>Total C-II</b>			<b>4.49</b>	<b>0.00</b>	<b>0.00</b>	<b>4.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total C (I+II)</b>			<b>5.49</b>	<b>0.00</b>	<b>0.00</b>	<b>5.49</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
	<b>Grand Total (A+B+C)</b>			<b>3107.56</b>	<b>32.16</b>	<b>450.15</b>	<b>3589.87</b>	<b>2224.18</b>	<b>0.00</b>	<b>6674.35</b>	<b>8898.53</b>

**Annexure-9**

(Referred to in paragraph 3.7 at page no. 57)

**Statement showing difference between Finance Accounts of Government of Rajasthan and Accounts of the State PSUs (other than Power Sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2019**

(₹ in crore)

Sl. No.	Sector & Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Rajasthan			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8	9=3-6	10=4-7	11=5-8
1	Rajasthan State Seeds Corporation Limited	6.33	0.00	0.00	6.33	0.64	0.00	0.00	-0.64	0.00
2	Rajasthan State Industrial Development and Investment Corporation Limited	210.19	0.00	0.00	193.69	5.37	0.00	16.50	-5.37	0.00
3	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	48.67	278.11	1572.00	33.51	0.00	1286.74	15.16	278.11	285.26
4	Rajasthan State Ganganagar Sugar Mills Limited	180.34	0.41	0.00	180.84	0.11	0.00	-0.50	0.30	0.00
5	Rajasthan State Mines and Minerals Limited	77.54	0.00	0.00	77.56	0.00	0.00	-0.02	0.00	0.00
6	Rajasthan Tourism Development Corporation Limited	21.95	34.50	0.00	21.94	34.50	0.00	0.01	0.00	0.00
7	Rajasthan Financial Corporation	128.31	1.04	300.00	128.31	1.26	300.00	0.00	-0.22	0.00
8	Rajasthan State Agro Industries Corp. Limited	6.01	16.27	0.00	4.13	17.51	0.00	1.88	-1.24	0.00

## Annexure-10

(Referred to in paragraph 3.8.1 at page no. 58)

Statement showing position of State Government investment in working State PSUs (other than Power Sector) accounts of which are in arrears during the period of arrears

(₹ in crore)

Sl. No.	Name of PSU	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital as per latest accounts finalised	Investment made by State Government during the period for which accounts are in arrears		
					Loans	Subsidy	Total
<b>A</b>	<b>Government Companies</b>						
1	Rajasthan State Handloom Development Corporation Limited	2017-18	2018-19	46.06	0.00	0.80	0.80
2	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	2016-17	2017-18, 2018-19	48.67	0.00	0.00	0.00
3	Rajasthan State Beverages Corporation Limited	2017-18	2018-19	2.00	0.00	0.00	0.00
4	Rajasthan Medical Services Corporation Limited	2017-18	2018-19	5.00	0.00	328.85	328.85
5	Rajasthan State Food & Civil Supplies Corporation Limited	2016-17	2017-18, 2018-19	50.00	0.00	0.00	0.00
6	Rajasthan State Seeds Corporation Limited	2017-18	2018-19	7.59	0.00	28.31	28.31
7	Rajasthan State Ganganagar Sugar Mills Limited	2017-18	2018-19	180.39	0.00	0.00	0.00
8	Rajasthan State Industrial Development and Investment Corporation Limited	2017-18	2018-19	210.19	0.00	0.00	0.00
9	Rajasthan State Mines and Minerals Limited	2017-18	2018-19	77.55	0.00	0.00	0.00
10	Raj COMP Info Services Limited	2017-18	2018-19	5.00	0.00	0.00	0.00
11	Rajasthan State Hotels Corporation Limited	2015-16	2016-17, 2017-18, 2018-19	2.16	0.00	0.00	0.00
12	Rajasthan Tourism Development Corporation Limited	2015-16	2016-17, 2017-18, 2018-19	21.95	11.50	0.00	11.50
13	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. A(9))	2017-18	2018-19	20.00	0.00	0.00	0.00
14	Rajasthan State Petroleum Corporation Limited	2017-18	2018-19	66.99	0.00	0.00	0.00
	<b>Total A</b>			<b>743.55</b>	<b>11.50</b>	<b>357.96</b>	<b>369.46</b>
<b>B</b>	<b>Statutory Corporation</b>						
15	Rajasthan State Road Transport Corporation	2017-18	2018-19	638.96	100.00	383.81	483.81
	<b>Total B</b>			<b>638.96</b>	<b>100.00</b>	<b>383.81</b>	<b>483.81</b>
	<b>Grand Total (A+B)</b>			<b>1382.51</b>	<b>111.50</b>	<b>741.77</b>	<b>853.27</b>

**Annexure-11**

(Referred to in paragraph 3.11 at page no. 59, 3.12 at page no. 60 and 3.17 at page no. 66)

**Summarised financial results of State PSUs (other than Power Sector) for the latest year for which accounts were finalised**

(₹ in crore)

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Profit/ loss before interest & tax	Net profit/ loss	Turn over	Paid up capital	Capital employed	Net Worth <sup>7</sup>	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
<b>A.</b>	<b>Social Sector</b>									
	<b>Working Government Companies</b>									
1.	Rajasthan Small Industries Corporation Limited	2018-19	2019-20	-0.62	-0.97	97.38	6.96	-10.76	-18.52	-25.48
2.	Rajasthan State Handloom Development Corporation Limited	2017-18	2018-19	0.23	0.22	18.06	46.06	-0.31	-3.83	-49.89
3.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	2016-17	2018-19 2019-20	0.73	0.49	5.33	48.67	613.34	69.74	21.07
4.	Rajasthan State Beverages Corporation Limited	2017-18	2018-19	28.98	5.12	5699.57	2.00	39.72	39.72	37.72
5.	Jaipur Metro Rail Corporation Limited	2018-19	2019-20	-24.70	-52.97	103.09	1694.04	1999.12	1406.32	-287.72
6.	Rajasthan Ex-Servicemen Corporation Limited	2018-19	2019-20	4.96	4.96	123.54	5.00	19.71	19.71	14.71
7.	Rajasthan Medical Services Corporation Limited	2017-18	2018-19	19.21	7.23	644.70	5.00	47.63	26.45	21.45
8.	Rajasthan Skill and Livelihoods Development Corporation	2018-19	2019-20	3.54	3.53	95.25	0.05	-13.00	-13.00	-13.05
9.	Rajasthan State Food & Civil Supplies Corporation Limited	2016-17	2019-20	6.87	3.51	475.17	50.00	86.73	86.73	36.73
10.	Rajasthan State Seeds Corporation Limited	2017-18	2018-19	7.54	1.08	261.58	7.59	125.51	125.51	117.92
	<b>Total A-I</b>			<b>46.74</b>	<b>-27.80</b>	<b>7523.67</b>	<b>1865.37</b>	<b>2907.69</b>	<b>1738.83</b>	<b>-126.54</b>
	<b>Inactive Government Companies</b>									
11.	Rajasthan State Agro Industries Corp. Limited	2014-15	2017-18	-0.14	-1.46	0.00	6.01	-2.21	-48.82	-54.83
12.	Rajasthan Jal Vikas Nigam Limited	2017-18	2018-19	-0.28	-0.28	0.00	1.27	-1.10	-1.10	-2.37

<sup>7</sup> Net worth figure is arrived at after deducting deffered revenue expenditure of ₹ 0.66 crore from the difference of paid up capital and accumulated losses in case of Rajasthan Financial Corporation.

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Profit/ loss before interest & tax	Net profit/ loss	Turn over	Paid up capital	Capital employed	Net Worth <sup>7</sup>	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10	11
	<b>Total A-II</b>			<b>-0.42</b>	<b>-1.74</b>	<b>0.00</b>	<b>7.28</b>	<b>-3.31</b>	<b>-49.92</b>	<b>-57.20</b>
	<b>Total A (I+II)</b>			<b>46.32</b>	<b>-29.54</b>	<b>7523.67</b>	<b>1872.65</b>	<b>2904.38</b>	<b>1688.91</b>	<b>-183.74</b>
<b>B.</b>	<b>Competitive Environment sector</b>									
	<b>Working Government Companies</b>									
13.	Rajasthan State Power Finance and Financial Services Corporation Limited	2018-19	2019-20	7.59	5.47	0.00	90.00	106.78	106.78	16.78
14.	Rajasthan State Ganganagar Sugar Mills Limited	2017-18	2018-19	44.34	23.51	1143.25	180.39	298.14	297.58	117.19
15.	Rajasthan State Industrial Development and Investment Corporation Limited	2017-18	2018-19	196.06	142.94	689.23	210.19	1726.79	1726.79	1516.60
16.	Rajasthan State Road Development and Construction Corporation Limited	2018-19	2019-20	289.23	35.00	1408.61	100.00	2865.91	226.89	126.89
17.	Rajasthan State Mines and Minerals Limited (Government company since June 1973)	2017-18	2018-19	236.98	168.50	831.62	77.55	2157.54	2157.54	2079.99
18.	Raj COMP Info Services Limited	2017-18	2018-19	10.04	3.29	129.93	5.00	55.08	55.08	50.08
19.	Rajasthan State Hotels Corporation Limited	2015-16	2019-20	-0.06	-0.10	1.69	2.16	-2.55	-6.55	-8.71
20.	Rajasthan Tourism Development Corporation Limited	2015-16	2017-18	-14.53	-14.59	67.89	21.95	-109.01	-123.10	-145.05
21.	Barmer Lignite Mining Company Limited (Subsidiary and Joint Venture Company of Sl. No. 17)	2017-18	2018-19	48.90	-45.54	836.42	20.00	1599.66	-51.87	-71.87
22.	Rajasthan State Gas Limited (Subsidiary of Sl. No. 23)	2018-19	2019-20	6.46	5.39	57.44	129.87	125.56	125.56	-4.31
23.	Rajasthan State Petroleum Corporation Ltd. (Subsidiary of Sl. No. 17)	2017-18	2018-19	-0.80	-0.80	0.00	67.08	65.37	65.46	-1.62
	<b>Total B-I</b>			<b>824.21</b>	<b>323.07</b>	<b>5166.08</b>	<b>904.19</b>	<b>8889.27</b>	<b>4580.07</b>	<b>3675.97</b>
	<b>II. Statutory Corporation</b>									
24.	Rajasthan State Road Transport Corporation	2017-18	2019-20	-34.16	-176.71	1845.30	638.96	-2890.86	-4177.02	-4815.98
25.	Rajasthan State Warehousing Corporation	2018-19	2019-20	115.20	88.89	193.34	7.85	565.78	267.31	259.46
26.	Rajasthan Financial Corporation	2018-19	2019-20	48.49	10.39	91.37	160.73	352.26	51.60	-108.47
	<b>Total B-II</b>			<b>129.53</b>	<b>-77.43</b>	<b>2130.01</b>	<b>807.54</b>	<b>-1972.82</b>	<b>-3858.11</b>	<b>-4664.99</b>
	<b>Total B (I+II)</b>			<b>953.74</b>	<b>245.64</b>	<b>7296.09</b>	<b>1711.73</b>	<b>6916.45</b>	<b>721.96</b>	<b>-989.02</b>

Audit Report No. 4 (Public Sector Undertakings) for the year ended 31 March 2019

Sl. No.	Sector, Type & Name of the PSU	Period of accounts	Year in which finalised	Profit/loss before interest & tax	Net profit/loss	Turn over	Paid up capital	Capital employed	Net Worth <sup>7</sup>	Accumulated Profit/loss
1	2	3	4	5	6	7	8	9	10	11
<b>C.</b>	<b>Others</b>									
	<b>I. Working Government Company</b>									
27.	Rajasthan Police Housing and Construction Corporation Limited	2018-19	2019-20	2.62	2.01	4.10	1.00	3.30	3.30	2.30
	<b>Total C-I</b>			<b>2.62</b>	<b>2.01</b>	<b>4.10</b>	<b>1.00</b>	<b>3.30</b>	<b>3.30</b>	<b>2.30</b>
	<b>II. Inactive Government Company</b>									
28.	Rajasthan Civil Aviation Corporation Limited	2017-18	2018-19	0.04	0.03	0.00	4.49	-1.80	-1.80	-6.29
	<b>Total C-II</b>			<b>0.04</b>	<b>0.03</b>	<b>0.00</b>	<b>4.49</b>	<b>-1.80</b>	<b>-1.80</b>	<b>-6.29</b>
	<b>Total C (I+II)</b>			<b>2.66</b>	<b>2.04</b>	<b>4.1</b>	<b>5.49</b>	<b>1.5</b>	<b>1.5</b>	<b>-3.99</b>
	<b>Grand Total (A+B+C)</b>			<b>1002.72</b>	<b>218.14</b>	<b>14823.86</b>	<b>3589.87</b>	<b>9822.33</b>	<b>2412.46</b>	<b>-1176.75</b>
<b>i</b>	<b>Working Government Companies</b>			<b>873.57</b>	<b>297.28</b>	<b>12693.85</b>	<b>2770.47</b>	<b>11800.26</b>	<b>6322.20</b>	<b>3551.73</b>
<b>ii</b>	<b>Statutory Corporations</b>			<b>129.53</b>	<b>-77.43</b>	<b>2130.01</b>	<b>807.54</b>	<b>-1972.82</b>	<b>-3858.11</b>	<b>-4664.99</b>
<b>iii</b>	<b>Working PSUs (i+ii)</b>			<b>1003.10</b>	<b>219.85</b>	<b>14823.86</b>	<b>3578.01</b>	<b>9827.44</b>	<b>2464.09</b>	<b>-1113.26</b>
<b>iv</b>	<b>Inactive Government Companies</b>			<b>-0.38</b>	<b>-1.71</b>	<b>0.00</b>	<b>11.77</b>	<b>-5.11</b>	<b>-51.72</b>	<b>-63.49</b>
	<b>Grand Total (iii+iv)</b>			<b>1002.72</b>	<b>218.14</b>	<b>14823.86</b>	<b>3589.87</b>	<b>9822.33</b>	<b>2412.46</b>	<b>-1176.75</b>

## Annexure – 12

(Referred to in Paragraph 3.15 at page no. 63)

Statement showing State Government funds infused in State PSUs (other than Power Sector) during the period from 2000-01 to 2018-19

(₹ in crore)

A Social Sector										
S. No.	1.		2.		3.		4.		5.	
Year	Rajasthan State Seeds Corporation Limited		Rajasthan Small Industries Corporation Limited		Rajasthan State Handloom Development Corporation Limited		Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited		Rajasthan Medical Services Corporation Limited	
	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
2000-01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001-02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002-03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003-04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2004-05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005-06	0.00	0.00	0.00	0.00	0.00	0.00	3.00	0.00	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	0.00	0.00	0.00	0.75	0.00	0.00	0.00	0.00	0.00	0.00
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2009-10	0.00	0.00	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	25.00	0.00	0.00	0.00
2011-12	0.00	0.00	1.50	0.00	16.25	0.00	0.00	0.00	5.00	0.00
2012-13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.88
2013-14	0.00	0.00	0.00	0.00	23.66	0.00	0.00	0.00	0.00	-15.38
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015-16	0.00	0.00	0.00	10.81	0.00	0.00	0.00	0.00	0.00	-5.00
2016-17	0.00	0.00	0.00	-0.77	0.00	0.00	15.67	0.00	0.00	-2.50
2017-18	0.00	0.00	0.00	-0.77	0.00	0.00	0.00	278.11	0.00	-2.50
2018-19	-0.50	0.00	0.00	-9.27	0.00	0.00	0.00	0.00	0.00	-2.50
<b>Total</b>	<b>-0.50</b>	<b>0.00</b>	<b>1.50</b>	<b>0.75</b>	<b>39.91</b>	<b>0.00</b>	<b>48.67</b>	<b>278.11</b>	<b>5.00</b>	<b>10.00</b>

<b>A Social Sector</b>										
<b>S. No.</b>	<b>6</b>		<b>7</b>		<b>8</b>		<b>9</b>		<b>10</b>	
<b>Year</b>	<b>Rajasthan Skill and Livelihoods Development Corporation</b>	<b>Skill Livihoods Corporation</b>	<b>Rajasthan State Food &amp; Civil Supplies Corporation Limited</b>		<b>Rajasthan State Beverages Corporation Limited</b>		<b>Jaipur Metro Rail Corporation Limited</b>		<b>Rajasthan Ex-Servicemen Corporation Limited</b>	
	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>
2000-01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001-02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002-03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003-04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2004-05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005-06	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2009-10	0.00	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	178.95	0.00	0.00	0.00
2011-12	0.05	0.00	50.00	0.00	0.00	0.00	307.04	0.00	0.00	0.00
2012-13	0.00	0.00	0.00	55.10	0.00	0.00	561.00	0.00	5.00	0.00
2013-14	0.00	0.00	0.00	-15.22	0.00	0.00	447.00	0.00	0.00	0.00
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1182.38	0.00	0.00
2015-16	0.00	0.00	0.00	-24.88	0.00	0.00	0.00	72.02	0.00	0.00
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-958.05	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	114.34	0.00	0.00
2018-19	0.00	0.00	0.00	-15.00	0.00	0.00	0.00	185.05	0.00	0.00
<b>Total</b>	<b>0.05</b>	<b>0.00</b>	<b>50.00</b>	<b>0.00</b>	<b>2.00</b>	<b>0.00</b>	<b>1494.04</b>	<b>595.74</b>	<b>5.00</b>	<b>0.00</b>



<b>A Social Sector (11 and 12) and B. Competitive Environment Sector (13 to 15)</b>										
<b>S. No.</b>	<b>11</b>		<b>12</b>		<b>13</b>		<b>14</b>		<b>15</b>	
<b>Year</b>	<b>Rajasthan State Agro Industries Corp. Limited</b>		<b>Rajasthan Jal Vikas Nigam Limited</b>		<b>Rajasthan State Power Finance and Financial Services Corporation Limited</b>		<b>Rajasthan State Industrial Development and Investment Corporation Limited</b>		<b>Rajasthan State Road Development and Construction Corporation Limited</b>	
	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>
2000-01	1.84	0.00	0.00	0.00	0.00	0.00	0.78	-0.49	0.00	0.00
2001-02	0.00	0.00	0.00	0.00	0.00	0.00	0.20	-1.31	0.00	0.00
2002-03	0.00	0.00	0.00	0.00	0.00	0.00	0.35	-1.06	0.00	0.00
2003-04	0.00	0.00	0.00	0.00	0.00	0.00	12.25	-0.04	0.00	0.00
2004-05	0.00	0.00	0.00	0.00	0.00	0.00	17.92	-10.59	0.00	0.00
2005-06	0.00	0.00	0.00	0.00	0.00	0.00	5.28	-5.51	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	1.30	-0.39	0.00	0.00
2007-08	0.00	0.00	0.00	0.00	0.00	0.00	2.50	-1.05	0.00	0.00
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	1.99	-0.69	0.00	0.00
2009-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.72	0.00	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-0.31	0.00	0.00
2011-12	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-5.69	10.00	0.00
2012-13	0.00	0.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00	0.00
2013-14	0.00	0.00	0.00	0.00	75.00	0.00	0.00	0.00	80.00	0.00
2014-15	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015-16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016-17	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018-19	NR	NR	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>1.84</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>90.00</b>	<b>0.00</b>	<b>42.57</b>	<b>-27.85</b>	<b>90.00</b>	<b>0.00</b>

<b>B Competitive Environment Sector</b>										
<b>S. No.</b>	<b>16</b>		<b>17</b>		<b>18</b>		<b>19</b>		<b>20</b>	
<b>Year</b>	<b>Rajasthan State Ganganagar Sugar Mills Limited</b>		<b>Rajasthan State Mines and Minerals Limited</b>		<b>Rajasthan State Hotels Corporation Limited</b>		<b>Rajasthan Tourism Development Corporation Limited</b>		<b>Rajasthan Financial Corporation</b>	
	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>
2000-01	0.05	0.00	0.00	0.00	0.09	0.00	0.00	0.00	0.00	0.00
2001-02	0.00	0.00	0.00	-2.03	0.00	0.00	0.00	0.00	0.00	0.00
2002-03	0.00	0.00	5.70	0.00	0.00	-0.36	0.00	0.00	0.00	-2.10
2003-04	0.00	0.00	10.11	0.00	0.00	0.00	0.00	0.00	0.00	-0.80
2004-05	0.00	0.00	0.00	-1.47	0.00	0.00	0.00	0.00	11.54	0.00
2005-06	0.00	0.00	0.00	0.00	0.00	0.00	4.61	0.00	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.00	-0.55
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
2009-10	0.00	0.00	0.00	0.00	0.56	0.00	0.00	0.00	13.95	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2011-12	21.50	0.00	0.00	0.00	0.29	-0.10	0.00	0.00	0.00	0.00
2012-13	11.69	0.00	0.00	0.00	0.25	0.00	3.50	0.00	25.65	0.00
2013-14	43.01	0.00	0.00	0.00	0.00	10.00	0.00	15.00	25.00	0.00
2014-15	42.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015-16	58.87	0.00	0.00	0.00	0.00	0.00	0.00	8.00	0.00	0.00
2016-17	-0.90	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017-18	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.50	0.00	0.00
<b>Total</b>	<b>176.79</b>	<b>0.00</b>	<b>15.81</b>	<b>-3.50</b>	<b>1.19</b>	<b>9.54</b>	<b>8.11</b>	<b>34.50</b>	<b>81.15</b>	<b>-3.45</b>

<b>B Competitive Environment Sector (21 to 23) and C. Others (24-25)</b>										
<b>S. No.</b>	<b>21</b>		<b>22</b>		<b>23</b>		<b>24</b>		<b>25</b>	
<b>Year</b>	<b>Rajasthan State Road Transport Corporation</b>		<b>Rajasthan State Warehousing Corporation</b>		<b>Raj COMP Info Services Limited</b>		<b>Rajasthan Police Housing and Construction Corporation Limited</b>		<b>Rajasthan Civil Aviation Corporation Limited</b>	
	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>	<b>Equity</b>	<b>IFL</b>
2000-01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2001-02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2002-03	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2003-04	112.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2004-05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2005-06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2006-07	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2007-08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2008-09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.82	0.00
2009-10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2010-11	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2011-12	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	0.05	0.00
2012-13	188.90	10.00	0.00	0.00	0.00	0.00	0.00	0.00	2.62	0.00
2013-14	150.00	137.90	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00
2014-15	80.00	25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2015-16	0.00	200.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2016-17	0.00	150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2017-18	0.00	38.50	0.00	0.00	0.00	0.00	0.50	0.00	0.00	0.00
2018-19	0.00	86.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total</b>	<b>531.00</b>	<b>648.27</b>	<b>0.00</b>	<b>0.00</b>	<b>5.00</b>	<b>0.00</b>	<b>1.00</b>	<b>0.00</b>	<b>4.49</b>	<b>0.00</b>

**Annexure-13**  
**(Referred to in Paragraph 3.29 at page no. 72)**  
**Statement showing lack of responsiveness to Inspection Reports**

Sl. No.	Name of Department and PSU	Outstanding Inspection Reports and Paragraphs			1 <sup>st</sup> compliance not received		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
<b>A</b>	<b>Industries</b>						
1	Rajasthan Small Industries Corporation Limited	8	49	6.97	-	-	-
2	Rajasthan State Handloom Development Corporation Limited	3	6	0.95	-	-	-
3	Rajasthan State Industrial Development and Investment Corporation Limited	67	208	339.72	1	1	-
4	Rajasthan Financial Corporation	61	163	251.01	-	-	-
	<b>Total A</b>	<b>139</b>	<b>426</b>	<b>598.65</b>	<b>1</b>	<b>1</b>	<b>-</b>
<b>B</b>	<b>Local Self Government</b>						
5	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	11	109	1758.32	-	-	-
	<b>Total B</b>	<b>11</b>	<b>109</b>	<b>1758.32</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>C</b>	<b>Finance (Excise)</b>						
6	Rajasthan State Beverages Corporation Limited	4	15	2.60	-	-	-
7	Rajasthan State Ganganagar Sugar Mills Limited	12	50	55.03	-	-	-
	<b>Total C</b>	<b>16</b>	<b>65</b>	<b>57.63</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>D</b>	<b>Urban Development and Housing</b>						
8	Jaipur Metro Rail Corporation Limited	5	33	389.23	-	-	-
	<b>Total D</b>	<b>5</b>	<b>33</b>	<b>389.23</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>E</b>	<b>Sainik Kalyan Department</b>						
9	Rajasthan Ex-Servicemen Corporation Limited	3	8	2.68	-	-	-
	<b>Total E</b>	<b>3</b>	<b>8</b>	<b>2.68</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>F</b>	<b>Medical, Health and Family Welfare</b>						
10	Rajasthan Medical Services Corporation Limited	3	22	33.25	-	-	-
	<b>Total F</b>	<b>3</b>	<b>22</b>	<b>33.25</b>	<b>-</b>	<b>-</b>	<b>-</b>

Sl. No.	Name of Department and PSU	Outstanding Inspection Reports and Paragraphs			I <sup>st</sup> compliance not received		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
<b>G</b>	<b>Labour, Employment, Skill and Entrepreneurship</b>						
11	Rajasthan Skill and Livelihoods Development Corporation	5	24	183.19	-	-	-
	<b>Total G</b>	5	24	183.19	-	-	-
<b>H</b>	<b>Food, Civil Supplies and Consumer Affairs</b>						
12	Rajasthan State Food & Civil Supplies Corporation Limited	5	22	46.89	-	-	-
	<b>Total H</b>	5	22	46.89	-	-	-
<b>I</b>	<b>Agriculture</b>						
13	Rajasthan State Seeds Corporation Limited	22	114	158.81	-	-	-
14	Rajasthan State Agro Industries Corporation Limited	-	-	-	-	-	-
15	Rajasthan State Warehousing Corporation	6	39	58.38	-	-	-
	<b>Total I</b>	28	153	217.19	-	-	-
<b>J</b>	<b>Ground Water Department</b>						
16	Rajasthan Jal Vikas Nigam Limited	-	-	-	-	-	-
	<b>Total J</b>	-	-	-	-	-	-
<b>K</b>	<b>Finance</b>						
17	Rajasthan State Power Finance and Financial Services Corporation Limited	1	4	1.67	-	-	-
	<b>Total K</b>	1	4	1.67	-	-	-
<b>L</b>	<b>Public Works Department</b>						
18	Rajasthan State Road Development and Construction Corporation Limited	50	152	337.84	4	11	1.90
	<b>Total L</b>	50	152	337.84	4	11	1.90
<b>M</b>	<b>Mining and Petroleum</b>						
19	Rajasthan State Mines and Minerals Limited	19	75	325.60	4	13	14.18

Sl. No.	Name of Department and PSU	Outstanding Inspection Reports and Paragraphs			I <sup>st</sup> compliance not received		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
20	Rajasthan State Gas Limited	1	5	1.47	-	-	-
21	Rajasthan State Petroleum Corporation Ltd.	-	-	-	-	-	-
	<b>Total M</b>	<b>20</b>	<b>80</b>	<b>327.07</b>	<b>4</b>	<b>13</b>	<b>14.18</b>
<b>N</b>	<b>Information, Technology &amp; Communication</b>						
22	Raj COMP Info Services Limited	5	30	154.06	1	2	-
	<b>Total N</b>	<b>5</b>	<b>30</b>	<b>154.06</b>	<b>1</b>	<b>2</b>	<b>-</b>
<b>O</b>	<b>Tourism</b>						
23	Rajasthan State Hotels Corporation Limited	5	18	1.55	-	-	-
24	Rajasthan Tourism Development Corporation Limited	24	126	71.59	3	49	8.57
	<b>Total O</b>	<b>29</b>	<b>144</b>	<b>73.14</b>	<b>3</b>	<b>49</b>	<b>8.57</b>
<b>P</b>	<b>Mines and Geology</b>						
25	Barmer Lignite Mining Company Limited	2	4	1.64	1	1	0.23
	<b>Total P</b>	<b>2</b>	<b>4</b>	<b>1.64</b>	<b>1</b>	<b>1</b>	<b>0.23</b>
<b>Q</b>	<b>Transport</b>						
26	Rajasthan State Road Transport Corporation	69	554	1174.72	22	95	177.74
	<b>Total Q</b>	<b>69</b>	<b>554</b>	<b>1174.72</b>	<b>22</b>	<b>95</b>	<b>177.74</b>
<b>R</b>	<b>Home</b>						
27	Rajasthan Police Housing and Construction Corporation Limited	1	1	18.69	-	-	-
	<b>Total R</b>	<b>1</b>	<b>1</b>	<b>18.69</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>S</b>	<b>Civil Aviation</b>						
28	Rajasthan Civil Aviation Corporation Limited	1	1	0.04	-	-	-
	<b>Total S</b>	<b>1</b>	<b>1</b>	<b>0.04</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Grand Total</b>	<b>393</b>	<b>1832</b>	<b>5375.90</b>	<b>36</b>	<b>172</b>	<b>202.62</b>

## Annexure-14

(Referred to in Paragraph 4.14.3 at page no. 84)

Statement showing depot wise requirement and availability (own and hired) of buses in selected 14 depots during 2016-17 to 2018-19

(Figures in numbers)

S. No.	Depot and Year	Total schedule planned for the year	Buses required to operate the planned schedule	Corporation's fleet			Buses required to be hired for the year	Hired buses	Excess / Shortage (-)		Actual operated schedule	Schedule curtailed due to shortage of buses
				Own fleet	Overage fleet	Net fleet			Excess	Shortage		
<b>Financial Year 2016-17</b>												
1	Jaipur	142	149	142	2	140	9	0		-9	140	2
2	Hindaun	76	79	79	0	79	0	0			74	
3	Karauli	14	14	16	0	16	-2	0	2		14	
4	Kota	102	107	119	0	119	-12	0	12		97	
5	Sirohi	53	55	54	0	54	1	0		-1	49	4
6	Tonk	97	101	91	6	85	16	0		-16	91	6
7	Ajaymeru	101	105	101	11	90	15	0		-15	98	3
8	Banswara	80	83	88	0	88	-5	0	5		75	
9	Rajsamand	34	35	33	0	33	2	0		-2	32	2
10	Hanumangarh	134	141	123	4	119	22	20		-2	131	3
11	Lohagarh	95	99	91	0	91	8	0		-8	81	14
12	Anoopgarh	66	68	61	0	61	7	9	2		59	
13	Sikar	154	162	155	2	153	9	2		-7	150	4
14	Dungarpur	91	95	95	0	95	0	0			81	
	<b>Total</b>	<b>1239</b>	<b>1293</b>	<b>1248</b>	<b>25</b>	<b>1223</b>	<b>70</b>	<b>31</b>	<b>21</b>	<b>-60</b>	<b>1172</b>	<b>38</b>
<b>Financial Year 2017-18</b>												
1	Jaipur	140	147	159	10	149	-2	14	16		135	
2	Hindaun	72	75	88	35	53	22	0		-22	68	4
3	Karauli	18	19	16	5	11	8	0		-8	18	
4	Kota	107	112	123	10	113	-1	10	11		96	

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S. No.	Depot and Year	Total schedule planned for the year	Buses required to operate the planned schedule	Corporation's fleet			Buses required to be hired for the year	Hired buses	Excess / Shortage (-)		Actual operated schedule	Schedule curtailed due to shortage of buses
				Own fleet	Overage fleet	Net fleet			Excess	Shortage		
1	2	3	4	5	6	7=5-6	8=4-7	9	10=9-8	11=8-9	12	13=3-12
5	Sirohi	70	73	58	4	54	19	5		-14	57	13
6	Tonk	98	102	81	7	74	28	15		-13	95	3
7	Ajaymeru	101	106	96	58	38	68	10		-58	99	2
8	Banswara	84	87	74	12	62	25	5		-20	75	9
9	Rajsamand	49	50	62	0	62	-12	0	12		47	
10	Hanumangarh	146	153	112	30	82	71	36		-35	130	16
11	Lohagarh	92	96	92	0	92	4	8	4		82	
12	Anoopgarh	72	74	53	13	40	34	21		-13	66	6
13	Sikar	163	171	176	25	151	20	20	0		158	
14	Dungarpur	90	94	104	0	104	-10	0	10		87	
	<b>Total</b>	<b>1302</b>	<b>1360</b>	<b>1294</b>	<b>209</b>	<b>1085</b>	<b>275</b>	<b>144</b>	<b>53</b>	<b>-183</b>	<b>1213</b>	<b>53</b>
<b>Financial Year 2018-19</b>												
1	Jaipur	137	144	116	4	112	32	46	14		128	
2	Hindaun	75	78	69	2	67	11	11			73	
3	Karauli	18	19	15	0	15	4	4			18	
4	Kota	105	110	103	6	97	13	23	10		99	
5	Sirohi	64	67	48	0	48	19	22	3		62	
6	Tonk	94	98	77	10	67	31	28		-3	95	
7	Ajaymeru	104	109	94	41	53	56	15		-41	96	8
8	Banswara	81	84	80	0	80	4	15	11		76	
9	Rajsamand	47	48	48	0	48	0	10	10		44	
10	Hanumangarh	125	131	94	25	69	62	37		-25	120	5
11	Lohagarh	94	98	97	0	97	1	7	6		89	
12	Anoopgarh	64	66	45	5	40	26	22		-4	63	1
13	Sikar	148	155	136	13	123	32	23		-9	145	3



S. No.	Depot and Year	Total schedule planned for the year	Buses required to operate the planned schedule	Corporation's fleet			Buses required to be hired for the year	Hired buses	Excess / Shortage (-)		Actual operated schedule	Schedule curtailed due to shortage of buses			
				Own fleet	Overage fleet	Net fleet			7=5-6	8=4-7			9	10=9-8	11=8-9
1	2	3	4	5	6	7=5-6	8=4-7	9	10=9-8	11=8-9	12	13=3-12			
14	Dungarpur	90	94	96	0	96	-2	19	21		79				
	<b>Total</b>	<b>1246</b>	<b>1301</b>	<b>1118</b>	<b>106</b>	<b>1012</b>	<b>289</b>	<b>282</b>	<b>75</b>	<b>-82</b>	<b>1187</b>	<b>17</b>			
	<b>2016-17</b>	<b>1239</b>	<b>1293</b>	<b>1248</b>	<b>25</b>	<b>1223</b>	<b>70</b>	<b>31</b>	<b>21</b>	<b>-60</b>	<b>1172</b>	<b>38</b>			
	<b>2017-18</b>	<b>1302</b>	<b>1360</b>	<b>1294</b>	<b>209</b>	<b>1085</b>	<b>275</b>	<b>144</b>	<b>53</b>	<b>-183</b>	<b>1213</b>	<b>53</b>			
	<b>2018-19</b>	<b>1246</b>	<b>1301</b>	<b>1118</b>	<b>106</b>	<b>1012</b>	<b>289</b>	<b>282</b>	<b>75</b>	<b>-82</b>	<b>1187</b>	<b>17</b>			

**Annexure-15**

(Referred to in Paragraph 4.15 and 4.15.3 at page no. 85 and 86)

**Statement showing relevant provisions prescribed for procurement of material under the RTPP Act 2012/ Rules 2013 which were not adhered to by the Corporation**

**Section 4 of the RTPP Act 2012** provides that the procuring entity, in relation to a public procurement, shall have the responsibility and accountability to (a) ensure efficiency, economy and transparency; (b) provide fair and equitable treatment to bidders; (c) promote competition; and (d) put in place mechanisms to prevent corrupt practices.

The Corporation, however, did not comply with this provision as it allowed (January 2017) one person to attend negotiations on behalf of three to five bidders for hiring of blue line buses. This resulted in cartel formation as well as promotion of an unethical practice.

**Section 5 of the RTPP Act 2012** provides that the procuring entity shall first determine the need for the subject matter of procurement in every case of procurement.

The Corporation, however, did not comply with the provision as it invited (September 2015 and December 2016) tenders for hiring of various category of buses on random basis without determining the requirement of concerned depots.

**Section 7 of the RTPP Act 2012** provides that:

- A procuring entity may determine and apply the requirements for a bidder to be qualified for participating in a procurement process.
- Any bidder participating in the procurement process shall possess the necessary professional, technical, financial and managerial resources and competence required by the bidding documents, pre-qualification documents or bidder registration documents, as the case may be, issued by the procuring entity.
- The procuring entity shall evaluate the qualifications of bidders only in accordance with the requirement specified in this section.

Further **Rule 36 of RTPP Rules 2013** provides that the bidding documents shall have certain sections including Qualification and Evaluation criteria, the criteria and procedures that shall be applied in the ascertainment of the qualifications of bidders and the detailed procedure for evaluation of bids.

Audit observed that:

- The Corporation invited (July 2014) bids for hiring of blue line buses wherein the bid document provided certain technical and financial criteria *viz.* net worth, quantum of minimum fleet under single ownership, arrangement of repair and maintenance, parking space, experience of operating passenger transport *etc.* for the bidders. On receipt of higher rates, the Corporation re-invited (April 2015) the

tender where all these criteria were removed/ deleted and thus, the re-tendering was done without technical and financial qualifying criteria for bidders in violation of Section 7 of the RTPP Act 2012 and Rule 36 of RTPP Rules 2013. Similarly, the Corporation invited bids (July and December 2016) for hiring of other categories of buses (star line, sleeper and luxury buses) without mentioning technical bid evaluation criteria in the bid document.

- Section 7 of the RTPP Act 2012 was not complied with as the Corporation accepted (July 2016) the technical bid from the Contractor B under the consortium which was not registered under Companies Act or Societies Act as mentioned in the Clause B of technical eligibility under the head of General Conditions of Technical Eligibility of bid document in 2016-17.
- Section 7 of the RTPP Act 2012, Rule 39 of RTPP Rules 2013 and terms and conditions of the bid document were not complied with as the Corporation awarded (December 2016) the contract for hiring of luxury Volvo buses in favour of the Contractor A (a consortium) whereas the bid was submitted (July 2016) by the Contractor C. Audit also observed that the Contractor A was registered (24 November 2016) with Registrar of Companies, Jaipur after the submission of bid by the Contractor C.

The Government while accepting the facts stated that the Letter of Intent was issued only after the Firm got registration from Ministry of Corporate Affairs, GOI. The reply was not acceptable in view of the fact that the bid was not submitted by the Contractor A.

**Rule 56 of RTPP Rules, 2013 provides that** the bid evaluation committee constituted by the procuring entity shall conduct a preliminary scrutiny of the opened bids to assess the *prima-facie* responsiveness and ensure that the (a) bid is signed, as per the requirements listed in the bidding documents; (b) bid has been sealed as per instructions provided in the bidding documents; (c) bid is valid for the period, specified in the bidding documents; (d) bid is accompanied by bid security or bid securing declaration; (e) bid is unconditional and the bidder has agreed to give the required performance security; and (f) other conditions, as specified in the bidding documents are fulfilled.

Audit, however, observed that the Corporation did not adhere to the Rule as it opened (6 January 2017) the financial bid of 49 bidders (out of 59 bidders) of blue line buses and 42 bidders (out of 43 bidders) of star line buses and also awarded (January 2017) contracts to all these bidders without obtaining the documents required as per Request for Proposal (RFP) for technical qualification.

**Rule 75 of RTPP Rules** provides that the performance security shall be furnished in one of the forms (including Fixed Deposit Receipt (FDR) of a scheduled bank) specified under this Rule. Sub Rule (e) of this Rule provided that it shall be in the name of procuring entity on account of bidder and discharged by the bidder in advance. The procuring entity shall ensure before accepting the FDR that the bidder furnishes an undertaking from the bank to make payment/premature payment of the FDR on demand to the procuring entity without requirement of consent of the bidder concerned.

Audit observed that the Corporation accepted the performance security in the form of FDR from the bidders during 2015-17 without obtaining undertaking from the issuing bank for making payment/ premature payment, as required under the RTPP Rules.

**Annexure-16**

**(Referred to in Paragraph 4.20 at page no. 90)**

**Statement showing cases of shortcomings/deficiencies in hiring of buses during 2015-16 and 2016-17**

***Unjustified time extension for delivery of hired buses (2015-16)***

The Corporation invited (August 2015) bids for hiring of 400 blue line express buses. The Corporation received (September 2015) bids for 240 buses from 18 bidders and accordingly, the Corporation issued (27 Jan 2016) LOIs to all the 18 bidders for 240 buses at the rates ranging between ₹ 7.11 per km to ₹ 7.90 per km. Clause III and IV under terms and conditions of financial bid of the bid document clearly require that bus body of the buses to be delivered by the contractors were to be fabricated by the bus body fabricators having bus code accreditation certificate of AIS 052. Clause VI further provided that the buses were to be delivered within 120 days from the date of LOI and in case, the buses were not provided within the stipulated period, penalty for delay was to be levied at the rate of ₹ 1000 per day per bus upto 15 days and ₹ 1500 per day per bus thereafter.

Audit noticed that seven contractors delivered 105 buses beyond the stipulated time schedule with delay ranging between six to 55 days and the Corporation recovered penalty of ₹ 33.64 lakh from these contractors. Later, these contractors requested (May and June 2016) for extension of time on the ground of non-availability of AIS052 accreditation certification with the bus body builders. The matter was placed (March 2017) before the management wherein it was decided (April 2017) to extend the delivery period upto 150 days. After considering the revised schedule, the delay was worked out for only 17 buses relating to two contractors *i.e.* for 15 buses<sup>8</sup> relating to one contractor and two buses<sup>9</sup> relating to the other contractor and accordingly, the recoverable penalty was reduced to ₹ 2.39 lakh only and the remaining amount of ₹ 31.25 lakh was refunded.

Audit observed that the Corporation was not prompt in deciding the matter as extension in delivery schedule was granted nine months after the delayed receipt of 105 buses. Further, the extension was not justified as six out of the seven defaulting contractors (except one contractor which supplied five buses within stipulated period) did not deliver even a single bus against ordered quantity of 100 buses whereas the other eleven contractors completed the delivery of entire ordered quantity of 130 buses within the stipulated delivery period. Besides, the bidders/contractors were aware of the condition which provided for fabrication of bus bodies according to AIS 052 accreditation certificate at the time of participating for the tender. Thus, grant of undue time extension to defaulting contractors led to under recovery of penalty worth ₹ 31.25 lakh.

The Government stated that on the date of issuing LOIs, the requisite accreditation certificate was held by only one bus body fabricator located in Dharuhera, Gurgaon. Further, five bus body fabricators got this certificate on 31 March 2016 in Rajasthan. Therefore, looking to delay due to unavoidable reasons *viz.* non-availability of requisite bus body fabricators, the extension in delivery time was granted by the competent authority within the delegated powers. The reply was not convincing as both the Corporation and bidders were aware of the mandatory condition/norm of fabrication of bus body at the time of tender invitation. Further, the Corporation did not furnish any document which supports its claim of non-availability of bus body fabricator holding the prescribed accreditation certificate.

***Deficiencies in hiring of buses (2016-17)***

The Corporation invited (December 2016) tenders for hiring of 800 buses (*i.e.* 500 blue line buses, 200 star line buses and 100 sleeper buses). The Corporation issued (January and February 2017) Letter of Intents (LOI) on successful bidders/contractors for 741 buses (*i.e.* 500 blue line buses, 205 star line

8 10 buses for five days and five buses for 25 days.

9 18 days for each bus.

buses and 36 sleeper buses). As per terms and conditions of the LOIs, the contractors were to deliver the ordered buses within a period of 120 days from issue of LOIs. Besides, the delivery was to be accepted with applicable penalty for further period of 30 days.

Audit noticed that eight of these contractors represented (April and May 2017) before management of the Corporation and requested to extend the delivery period of the 248 buses ordered to them from 17 May 2017/15 June 2017 to 31 July 2017 on the grounds that the GoI/GoR had imposed ban on BS III vehicles from 1 April 2017 and chassis of BS IV vehicles were not available and there were limited number of fabricators holding AIS052 accreditation certificate in the State. In this scenario, the Engineering Section apprised (May 2017) that the Corporation had sufficient number of buses *i.e.* 4730 buses (including 930 hired buses) to cater its requirement as the Corporation was operating lesser schedules than the planned schedules. Accordingly, the Traffic Section cancelled (22 May 2017) the LOIs of these eight contractors for 234 buses on the ground of violation of bid conditions by not providing the BS III buses. Later, on representation by the concerned contractors, the Corporation restored (October 2017) LOIs for those 169 buses which were registered before the last date of delivery/contracts for which had already been executed before cancellation of LOIs.

In this regard, following deficiencies were noticed:

- Average number of schedules operated and buses utilised during October 2016 to March 2019 (except strike months of September and October 2018) ranged between 3747 and 4270 schedules and 3736 and 4437 buses respectively. Audit noticed that the Corporation did not analyse the requirement of hired buses (including 500 blue line buses) already assessed (3 October 2016) as after assessment of its initial requirement and commencement of hiring process (December 2016) the Corporation received (January 2017) approval from the GoR for procurement of new 500 blue line buses and also received (February 2017) interest free loan of ₹ 100 crore for the proposed procurement. Despite this, the Corporation continued with the process of hiring 800 buses (including 500 blue line buses) for a considerable period of five years. Thus, non-reduction in requirement of buses to be hired resulted in availability of excess buses with the Corporation which was evident from the fact that the number of buses available with the Corporation (owned + hired) remained substantially higher than the average number of buses actually utilised since October 2016.
- Cancellation of 234 LOIs was defective as it was done before lapse of scheduled delivery period due to which the Corporation had to restore the LOIs and accepted delivery of 169 buses without their requirement.
- Out of remaining 65 buses, the Corporation belatedly restored (November 2017) LOIs of 27 other buses and accepted delivery of these buses with applicable penalty for delay in delivery (*i.e.* from last date of scheduled period to submission of relevant documents). This indicated that the Corporation was not prompt and prudent in deciding the case. Besides, the Corporation did not forfeit earnest money deposit of ₹ 19 lakh belonged to remaining 38 cancelled LOIs.

The Government accepted the facts and stated (May 2020) that LOIs of 234 buses were cancelled by the Committee in view of impose of ban on BS-III models of buses by the Government of India, non-availability of fabricators holding AIS052 accreditation certificate in the State and non-availability of BS-IV models of buses. Thereafter, LOIs of 196 buses were restored on receipt of intimation from the concerned bidders for availability of buses with documentary proofs before the date stipulated in the tender. However, the reply was silent on the deficiencies highlighted in the observation.

#### ***Non-forfeiture of security deposit of defaulting contractor***

Clause 22 of the agreement executed between the Corporation and the private bus owner/contractor for hiring of buses stipulated that operator cannot transfer/sell the hired vehicles during the term of the agreement and will not do any activity which would be against the interest of the corporation. If operator does not follow these conditions, the agreement will be cancelled and the Corporation can forfeit the dues/security deposit.

During review of records of the selected depots, Audit observed an instance at Kota Depot where one contractor did not provide (May 2017 and July 2018)

the six vehicles hired on contract by the Corporation without prior intimation and consent of the Corporation and arranging alternate vehicles in contravention of the terms and conditions of the agreement. Audit noticed that the concerned depot although cancelled (July 2017 and August 2018) all the six agreements for these buses but it did not forfeit the security deposit of ₹ 18.38 lakh provided by the contractor till September 2019. Further, the Corporation did not provide information relating to agreements cancelled during 2014-19 along with details of security deposit forfeited from such contractors.

In reply, the Government provided the details of amount forfeited by four depots including Kota depot. It further stated that the Corporation is collecting the information from remaining depots which will be compiled and provided to Audit.

***Other irregularities in hiring of buses during 2016-17***

During review of records relating to hiring of 800 buses during 2016-17, Audit observed that:

- the Corporation permitted (December 2016) reduction in the length of chassis of Star Line buses during pre-bid meeting with the interested bidders without recording the reasons. This led to reduction in sitting space as well as comfort of the passengers of these buses.
- the comparative statement prepared (January 2017) by the concerned Low Power Committee was not signed by its members. Further, copies of financial bids were also not available in records. Thus, authenticity of the financial bid could not be verified in audit. During exit conference, the management accepted the facts and assured to take necessary action in future.
- Clause 5 of terms and conditions of financial bid under the bid document for hiring of 800 buses provided that two stage inspection (Structure/final) of the bus bodies under fabrication/fabricated was to be carried out by the inspection team of the Corporation. However, the Corporation did not furnish the inspection reports/ other records which could confirm that the requisite inspections were carried out by it as per laid down norms. In absence of requisite inspection reports, quality and design of the buses according to prescribed norms/standards could not be verified in audit. During exit conference, the management assured to ensure strict compliance of inspection norms in future.
- The Corporation did not ensure that the hired buses could be clearly identified as in case of any accident or dispute, the contractor was to be liable for the losses/compensation payable to the passengers/staff personnel/third parties.

The Government stated that the vehicles are not fixed for particular route and can be operated on any of the route. It further stated that as per the agreements executed for interstate services, the hired buses could not be operated in other states and hence the word 'contract' is not mentioned on the hired buses. The reply indicated that the Corporation had violated the terms and conditions of the agreements executed for operation of buses on interstate routes. Further, the Corporation has to pay in case where the passengers/citizens make it a party in case of accident/dispute and then wait to recover the amount from the contractor.

## Annexure-17

(Referred to in Paragraph 4.22 at page no. 91)

Statement showing excess payment/excess diesel consumption allowed to the private bus operator/contractor during 2014-19

(Amount in ₹)

S. No.	Depot	Amount recoverable for excess diesel consumption	Amount recoverable for excess payment	Total recoverable amount
<b>A</b>	<b>Excess diesel for dead kilometers</b>			
1	Ajaymeru	493813	0	493813
<b>B</b>	<b>Recovery of excess diesel consumption at rates lesser than the prevailing market rates</b>			
2	Sirohi	93203	0	93203
<b>C</b>	<b>Excess diesel/payment for second breakdown</b>			
3	Sikar	1443000	364000	1807000
4	Lohagarh	33000	0	33000
5	Hanumangarh	117000	68000	185000
6	Dungarpur	17000	0	17000
7	Banswara	30888	21148	52036
8	Kota	18047	0	18047
9	Hindaun	33356	0	33356
10	Karuali	0	8313	8313
11	Tonk	101285	69346	170631
	<b>Total</b>	<b>2380592</b>	<b>530807</b>	<b>2911399</b>

**Annexure-18**

**(Referred to in Paragraph 4.25 at page no. 94)**  
**Statement showing vehicle productivity of buses during 2014-15 to 2018-19**

Year	Vehicle Productivity (KM Per Day)			
	Corporation as a whole			Own vehicle in selected 15 depots
	Own Vehicle	Hired Vehicle	Total Average	
2014-15	390	539	397	314-531
2015-16	396	541	402	309-495
2016-17	381	520	393	314-493
2017-18	361	497	388	288-524
2018-19 (Provisional)	363	486	392	208-455



**Annexure-19****(Referred to in Paragraph 5.1.3 at page no. 107)****Statement showing various provisions of Section 29, 30, 31 and 32-G of the State Financial Corporations Act, 1951*****Section 29 Rights of Financial Corporation in case of default***

(1) Where any industrial concern, which is under a liability to the Financial Corporation under an agreement, makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Corporation or otherwise fails to comply with the terms of its agreement with the Financial Corporation, the Financial Corporation shall have the right to take over the management or possession or both of the industrial concerns, as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation.

(2) Any transfer of property made by the Financial Corporation, in exercise of its powers under sub-section (1), shall vest in the transferee all rights in or to the property transferred as if the transfer had been made by the owner of the property.

(3) The Financial Corporation shall have the same rights and powers with respect to goods manufactured or produced wholly or partly from goods forming part of the security held by it as it had with respect to the original goods.

(4) Where any action has been taken against an industrial concern under the provisions of sub-section (1), all costs, charges and expenses which in the opinion of the Financial Corporation have been properly incurred by it as incidental thereto shall be recoverable from the industrial concern and the money which is received by it shall, in the absence of any contract to the contrary, be held by it in trust to be applied firstly, in payment of such costs, charges and expenses and, secondly, in discharge of the debt due to the Financial Corporation, and the residue of the money so received shall be paid to the person entitled thereto.

(5) Where the Financial Corporation has taken any action against an industrial concern under the provisions of sub-section (1), the Financial Corporation shall be deemed to be the owner of such concern, for the purposes of suits by or against the concern, and shall sue and be sued in the name of the concern.

***Section 30 Power to call for repayment before agreed period***

Notwithstanding anything in any agreement to the contrary, the Financial Corporation may, by notice in writing, require any industrial concern to which it has granted any loan or advance to discharge forthwith in full its liabilities to the Financial Corporation,

(a) if it appears to the Board that false or misleading information in any material particular was given by the industrial concern in its application for the loan or advance; or

(b) if the industrial concern has failed to comply with the terms of its contract with the Financial Corporation in the matter of the loan or advance; or

(c) if there is a reasonable apprehension that the industrial concern is unable to pay its debts or that proceedings for liquidation may be commenced in respect thereof; or

- (d) if the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation as security for the loan or advance is not insured and kept insured by the industrial concern to the satisfaction of the Financial Corporation or depreciates in value to such an extent that, in the opinion of the Board, further security to the satisfaction of the Board should be given and such security is not given; or
- (e) if, without the permission of the Board, any machinery, plant or other equipment, whether forming part of the security or otherwise, is removed from the premises of the industrial concern without being replaced; or
- (f) if for any reason it is necessary to protect the interests of the Financial Corporation.

***Section 31 Special provisions for enforcement of claims by Financial Corporation***

Where an industrial concern, in breach of any agreement, makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Corporation or otherwise fails to comply with the terms of its agreement with the Financial Corporation or where the Financial Corporation requires an industrial concern to make immediate repayment of any loan or advance under section 30 and the industrial concern fails to make such repayment, then, without prejudice to the provisions of section 29 of this Act and of section 69 of the Transfer of Property Act, 1882 any officer of the Financial Corporation, generally or specially authorised by the Board in this behalf, may apply to the district judge within the limits of whose jurisdiction the industrial concern carries on the whole or a substantial part of its business for one or more of the following reliefs, namely;

- (a) for an order for the sale of the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation as security for the loan or advance; or
  - (aa) for enforcing the liability of any surety; or
  - (b) for transferring the management of the industrial concern to the Financial Corporation; or
  - (c) for an *ad interim* injunction restraining the industrial concern from transferring or removing its machinery or plant or equipment from the premises of the industrial concern without the permission of the Board, where such removal is apprehended.
- (2) An application under sub-section (1) shall state the nature and extent of the liability of the industrial concern to the Financial Corporation, the ground on which it is made and such other particulars as may be prescribed.

***32G. Recovery of amounts due to the Financial Corporation as an arrear of land revenue***

Where any amount is due to the Financial Corporation in respect of any accommodation granted by it to any industrial concern, the Financial Corporation or any person authorised by it in writing in this behalf, may, without prejudice to any other mode of recovery, make an application to the State Government for the recovery of the amount due to it, and if the State Government or such authority, as that Government may specify in this behalf, is satisfied, after following such procedure as may be prescribed, that any amount is so due, it may issue a certificate for that amount to the Collector, and the Collector shall proceed to recover that amount in the same manner as an arrear of land revenue.

## Annexure-20

(Referred to in Paragraph 5.1.15 at page no. 118)

Statement showing details of borrowing units lying under possession of the Corporation as on 31 March 2019

(₹ in crore)

Sl. No.	Loan Account Number of the borrowing unit	Branch office	Date of Possession	Outstanding dues				
				Principal not due	Principal due	Interest	Other Money	Total
1	2505010688	Jaipur (South)	15 September 2011	0.00	1.21	0.06	0.07	1.34
2	2705194489 (CRE Sector)	Jaipur (South)	15 January 2010	0.00	9.00	43.78	0.71	53.49
3	3205953679 (CRE Sector)	Bhiwadi	2 February 2016	0.00	6.78	7.27	0.05	14.10
4	2705195365 and 2705195367	Jaipur (Central)	8 July 2015	0.03	0.87	1.26	0.00	2.16
5	0605061149 and 0605011150	Bhilwara	2 November 1987	0.00	0.11	0.13	0.04	0.28
6	2205017031	Sikar	5 October 1988	0.00	0.02	0.03	0.01	0.06
7	0205010188	Alwar	6 October 1988	0.00	0.07	0.23	0.01	0.31
8	0105016222 and 0105016269	Kishangarh	20 October 1999	0.00	0.01	0.03	0.12	0.16
9	2705192835 (CRE Sector)	Jaipur (Central)	28 November 2016	0.00	5.28	3.94	0.04	9.26
10	3005610915	Jaipur (North)	12 March 2015	0.00	0.03	0.00	0.04	0.07
11	0605012892, 0605192887, 0605192888, 0605192889, 0605612886 and 0605612890	Bhilwara	11 April 2008	0.00	4.78	1.78	0.83	7.39
12	0305013480	Banswara	18 November 1997	0.00	0.08	0.00	0.02	0.10
13	3205014907 and 3205014898	Bhiwadi	18 December 2003	0.00	0.82	0.42	0.13	1.37
14	2605016748 and 2605016764	Udaipur	28 January 2004	0.00	0.08	0.15	0.00	0.23
15	1705017999	Jodhpur	21 June 2005	0.00	0.09	0.23	0.13	0.45
16	3005157221 and 3005017219	Jaipur (Central)	20 April 2006	0.09	0.41	0.29	0.17	0.96
17	3605017373 and 3605017379	Hanumangarh	1 March 2008	0.00	0.06	0.04	0.00	0.10
18	2705197314 (CRE Sector)	Jaipur (South)	23 February 2010	1.27	1.13	10.95	0.17	13.52
19	2705010302 (CRE Sector)	Jaipur (Central)	23 March 2010	0.00	7.26	34.65	0.20	42.11
20	3205011219	Bhiwadi	15 November 2010	0.00	0.02	0.12	0.06	0.20
21	2505016243	Jaipur (South)	5 January 1993	0.00	0.05	0.03	0.01	0.09

Sl. No.	Loan Account Number of the borrowing unit	Branch office	Date of Possession	Outstanding dues				
				Principal not due	Principal due	Interest	Other Money	Total
22	1405017042	Pali	11 January 2007	0.00	0.07	0.33	0.05	0.45
23	0505013823	Bharatpur	29 June 2018	0.00	0.10	0.49	0.02	0.61
24	4005013024, 4005953028, 4005213032 and 4005353030	Dausa	20 August 2018	0.07	0.02	0.02	0.00	0.11
25	4005148837 and 4005158838	Dausa	14 August 2018	0.00	0.05	0.04	0.00	0.09
26	205211506	Alwar	26 December 2018	0.62	0.06	0.05	0.00	0.73
27	2105210720	Sawai Madhopur	5 March 2019	0.08	0.03	0.02	0.00	0.13
28	4305218772	Kishangarh	26 March 2019	0.00	0.33	0.09	0.00	0.42
	<b>Total</b>			<b>2.16</b>	<b>38.82</b>	<b>106.43</b>	<b>2.88</b>	<b>150.29</b>

## Annexure-21

(Referred to in Paragraph 5.1.18 at page no. 120)

## Statement showing cases where frequent opportunities allowed to the defaulting borrowers hampered recovery of loans

**Borrowing Unit (Loan Account Number: 4605015611)**

The Corporation sanctioned (January 1991) a loan of ₹ 30 lakh to the borrower. Due to default in repayment of loan, the Corporation rescheduled the loan in April 2002 and April 2005 but the borrower did not adhere to the revised schedule also. The Corporation took over (September 2006) possession of the unit but handed it back (October 2006) to the borrower without any auction. Later, the Corporation issued (July 2014) a legal notice to the borrower under Section 29 of the SFCs Act but the borrower did not deposit the requisite dues. The Corporation belatedly took over (March 2015) possession of the unit but the unit was again handed back to the borrower at the same time without deposit of any dues. After issue (August 2016) of another legal notice, the borrower requested (November 2016) to register the case for settlement with the State Level Committee (SLC). Accordingly, the case was registered for settlement by the SLC however settlement of the case is awaited. The total outstanding dues towards the borrower worked out at ₹ 90.31 lakh<sup>10</sup> upto March 2019. MRV of the prime security belonged to the unit was assessed (March 2018) at ₹ 112.36 lakh<sup>11</sup>.

Audit observed that the Corporation provided several opportunities to the borrower for repayment of loan despite continuous defaults. Resultantly, the Corporation could not recover the loan despite lapse of 26 years after extension of the loan. Further, the Corporation could not settle the case despite lapse of two and half years from its registration for settlement. This indicates that the Corporation was not prompt to recover its dues by taking recovery action against the defaulting borrower or settlement of the dues through SLC.

The Corporation while accepting the facts (May 2019) stated that the unit could not be put to auction despite taking over its possession twice due to directions issued at the level of Head office of the Corporation. The borrower is not willing to settle the loan account and has not agreed to repay the dues despite recasting of the account allowing all the possible benefits. Subsequently, Government stated (November 2019) that the case will be placed before SLC for settlement of loan.

The fact remained that the Corporation not only ignored continuous defaults of the borrower while handing back possession of the unit but also lacked prompt action for recovery of the dues. This led to non-recovery of outstanding dues till date.

(Branch office, Bhiwadi)

**Borrowing Unit (Loan Account Number: 2305014247)**

The Corporation sanctioned two loans of ₹ 10 lakh and ₹ 18.90 lakh to the borrower during the year 1998 and 1999 respectively. On default in repayment of dues, the matter was placed (October 2005) before the Head Office Level Committee (HOLC) for settlement wherein waiver of penal interest was disallowed and it was decided to initiate recovery action under Section 29/30 of the SFCs Act considering that the borrower was not interested in repayment of loan and MRV of the unit was almost double of the dues. However, the Corporation did not take possession of the unit and allowed several opportunities viz. waiver of penal interest, grant of time extension for clearing the dues, settlement of dues etc. to the borrower from

10 Principal overdue: ₹ 15.09 lakh + Regular interest: ₹ 17.18 lakh + Overdue and penal interest: ₹ 58 lakh + Other money: ₹ 0.04 lakh.

11 Land: ₹ 86.25 lakh + Buildings: ₹ 24.75 lakh + Plant and Machinery: ₹ 1.36 lakh.

November 2005 to February 2010 but the same were not adhered to by the borrower and it obtained (March 2010) a stay from the Rajasthan High Court (Court) against takeover of the unit by the Corporation. The Corporation filed an appeal before the Court for vacation of stay which further referred the case to the Mediation Centre of the Rajasthan High Court (Court). The Mediation Centre directed (25 February 2015) the Corporation to consider the matter for settlement through its settlement committee and to convey the decision upto 18 March 2015. The State Level Committee (SLC) of the Corporation decided (26 February 2016) to settle the case. Before deciding the case for settlement, the Mediation Centre had returned back the case to the Court for further proceedings. Total outstanding dues to be recovered from the borrower were worked out at ₹ 62.21 lakh upto March 2019. The matter is still pending with the Court and recovery proceedings are on hold due to the stay granted by the Court. (June 2019)

Audit observed that despite refusal of settlement by HOLC, the Corporation did not initiate recovery action under Section 29/30 of the SFCs Act against the borrower and provided repeated opportunities to it for depositing the dues. Inordinate delay in requisite recovery action led to stay on recovery and unnecessary legal proceedings in the case. Further, the Corporation could not decide the case within the timeframe given by the Mediation Centre which led to continuation of legal proceedings and further delay in recovery of dues. The Corporation also could not obtain vacation of the stay despite lapse of more than nine years.

The Government while accepting the facts stated that the matter is still sub-judice with the Rajasthan High Court, Jodhpur. However, the reply was silent on the deficiencies pointed out by Audit.

**(Branch office, Abu Road)**

***Borrowing Unit (Loan Account Numbers: 2705193167 and 2705193168)***

The Corporation sanctioned (September 2009 and September 2011) two loans of ₹ 70 lakh and ₹ 87 lakh to the borrower under Finance Against Assets Scheme (FAAS). On default in repayment of loans, the Corporation issued (December 2011) a legal notice under Section 29 of the SFCs Act to the borrower to take over possession of the unit but no such action was taken due to deposit of overdue interest by the borrower and the loan was rescheduled in March 2012. The borrower did not adhere to the revised schedule of repayment. Resultantly, the unit was taken over by the Corporation in July 2015. On the assurance of the borrower to clear the overdue amount within a period of six months, the Corporation handed back the unit to the borrower. However, the borrower did not adhere to the assurance. Despite this, the Corporation rescheduled the loan in March 2017 which was again not complied by the borrower. Total overdues towards the borrower were worked out at ₹ 38.07 lakh upto March 2019.

Audit observed that despite continuous defaults in repayment, the Corporation did not ensure recovery of dues by taking action under Section 29/30 of the SFCs Act against the borrower. Even after the borrower did not comply with the revised schedule of repayment of loans, the Corporation only kept on issuing notices and allowed further opportunities to the borrower and the recovery could not be effected in this case till June 2019.

The Government stated that the Corporation had issued (June 2019) a legal notice to the borrower and thereafter, the borrower had deposited (July and August 2019) ₹ 4.20 lakh against the overdues as per the informal reschedulement.

The reply was not convincing as the Corporation neither clarified the details of informal reschedulement agreed with the borrower nor furnished requisite documents in support of the deposited amount.

**(Branch office, Jaipur-Central)**

## Annexure-22

(Referred to in Paragraph 5.1.22 at page no. 124)

## Statement showing four loan cases where recovery of dues was not ensured despite availability of collateral securities

(₹ in crore)

S. No.	Loan Account Numbers of borrowing unit and name of respective Branch office	Outstanding Dues as on 31 March 2019	Date/Month of filing RoDs with the revenue authority	Remarks
1.	Loan Account Number: 2305011834 and 2305011835 (Branch Office, Abu Road)	0.25	Not filed yet	Audit observed that despite having collateral security, the Corporation did not file RoD with the revenue authority in this case. Audit further observed that a team of the Corporation visited (8 November 2009) to verify the collateral security and antecedents of promoters/ guarantor but it could not trace the same. Resultantly, the recovery could not be effected till June 2019.
2.	Loan Account Number: 1605010730 (Branch Office, Jhunjhunu)	0.45	03 December 2009	A team of the Corporation visited (11 September 2009, 15 April 2010 and 22 June 2010) Gurgaon to verify the collateral security and antecedents of promoters/ guarantor but could not trace the same. Due to non-identification of collateral security/details of promoter/ guarantor, the revenue authority returned the RoD in December 2011. Belatedly, another team of the Corporation visited for tracing the collateral security/ promoter/ guarantor but this time also, the same could not be identified. Thus, despite lapse of more than nine years from filing of original RoD in the case, no progress had been made.
3.	Loan Account Number: 1605011460 (Branch Office, Jhunjhnu)	0.18	June, 2005 and August, 2007	A team of the Corporation visited (August 2010) to verify the collateral security and antecedents of promoters/ guarantor but could not trace the same. Thereafter, no efforts for tracing the collateral security/promoter/guarantor were on records. It was also observed that due to non-identification of collateral security/ details of promoter/guarantor, the revenue authority returned the RoD in April 2011.
4.	Loan Account Number: 2305012675 (Branch Office, Abu Road)	0.14	10 October 2007	A team of the Corporation visited (7 November 2009) to verify the collateral security and antecedents of promoters/guarantor but could not trace the same. In absence of requisite details, the RoD was pending with the revenue authorities of Rajkot and the recovery could not be effected despite lapse of more than 11 years from filing of RoD in the case.
	<b>Total</b>	<b>1.02</b>		

**Annexure-23**

(Referred to in Paragraph 5.2.6 at page no. 133)

**Statement showing details of works pending on part of Contractor A**

Sr. No.	Details of pending works
<b>Mechanical</b>	
1.	Boiler High Pressure Heater insulation balance
2.	Water circulation system- water softening plant installation balance
3.	Vapour recovery system
4.	Live steam connection to evaporator balance
5.	Supply erection, commissioning of third Availability Based Tariff (ABT) meter allied equipment like Current Transformer (CT), Power Transformer (PT), isolator <i>etc.</i>
<b>Boiling House instrumentation</b>	
6.	Boiling house control room In-Out panel ferruling
7.	Shield and power earthing
8.	Copper earthing strip connected from Deck Control System (DCS) panel to earthing pit's
9.	Earthing not connected to all instrument used in boiling house.
10.	Molasses weighing hopper system
<b>Mill House Instrumentation</b>	
11.	Shield & power earthing
12.	Copper earthing strip connected from dcs panel to earthing pit's
<b>Boiler &amp; Turbine Area Instrumentation</b>	
13.	Secondary fan (SA fan) suction and discharge power cylinder erection & commissioning work
14.	Forced Draft (FD) fan power cylinder erection & commission work
15.	Reverse Osmosis (RO) and Demineralisation (DM) plant operation and control through boiler DCS system
16.	DM storage tank level transmitter.
17.	Energy meter for power generation & consumption reports
18.	Shield and power earthing pit needs to be separate and copper strip laying from pit to DCS panel of turbine and boiler section.
19.	Air dryer for sugar air compressor
20.	Annunciator with electronic hooter



## Annexure-24

(Referred to in Paragraph 5.5 at page no. 156)

Statement showing excess cost incurred on account of diesel (excluding service tax) consumed for the four contracts of excavating rock phosphate from JRP mine during 2012-19

S. No.	Name of Contractor	Block Number (Name of Pit)	Date awarding of the contract	Quantity excavated (in lakh BCM)	Norm for diesel consumption (Litre per BCM)	Quantity of diesel consumed (in lakh litre)	Excess cost incurred on diesel (₹ in crore)	Additional service tax at the applicable rates <sup>12</sup> of service tax (₹ in crore)
1	2	3	4	5	6	7=5*6	8	9
<b>A</b>	<b>2012-16</b>							
1	Contractor A	A and B	5 December 2012	38.78	1.10	42.66	2.38	0.31 <sup>13</sup>
		C and D		28.01	1.21	33.89	1.64	0.21 <sup>14</sup>
		E and F		38.81	1.07	41.53	1.92	0.26 <sup>15</sup>
	<b>Total (A)</b>			<b>105.60</b>		<b>118.08</b>	<b>5.94</b>	<b>0.78</b>
<b>B</b>	<b>2016-19</b>							
2	Contractor C	A Extension, A and B (Western pit)	3 November 2016	38.94	1.05	40.89	2.47	0.37
3	Contractor B	C, D and E (Central pit)	20 May 2016	94.86	1.21	114.78	7.47	1.12
4	Contractor B	F and G (Eastern pit)	1 July 2016	49.03	1.04	50.99	3.51	0.53
	<b>Total (B)</b>			<b>182.83</b>		<b>206.66</b>	<b>13.45</b>	<b>2.02</b>
	<b>Grand Total (A+B)</b>			<b>288.43</b>		<b>324.74</b>	<b>19.39</b>	<b>2.80</b>

12 Service tax was applicable at the rate of 12.36 per cent, 14 per cent, 14.50 per cent and 15 per cent upto 31 May 2015, from 1 June 2015 to 14 November 2015, from 15 November 2015 to 31 May 2016 and from 1 June 2016 respectively.

13 12.36 per cent of ₹ 1.42 crore, 14 per cent of ₹ 0.34 crore and 14.50 per cent of ₹ 0.62 crore.

14 12.36 per cent of ₹ 1.08 crore, 14 per cent of ₹ 0.38 crore and 14.50 per cent of ₹ 0.18 crore.

15 12.36 per cent of ₹ 1.00 crore, 14 per cent of ₹ 0.43 crore and 14.50 per cent of ₹ 0.49 crore.



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