



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

**State Public Sector Enterprises
for the year ended 31 March 2021**



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

**GOVERNMENT OF RAJASTHAN
Report No. 9 of the year 2022
General Purpose Financial Reports**

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COMPTROLLER AND AUDITOR GENERAL
OF INDIA**

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FOR THE YEAR ENDED 31 MARCH 2021

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REPORT NO. OF THE YEAR 2022
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Preface

This Report presents an overall picture of the financial performance of the State Public Sector Enterprises (SPSEs) of Rajasthan as reflected in the results of audit of Government Companies and Statutory Corporations for the year ending 31 March 2021. The report has been prepared for submission to the Government of Rajasthan under Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. The accounts of Government Companies are audited by the Comptroller and Auditor General of India (CAG) 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 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 company¹ 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 Statutory Auditors (Chartered Accountants) appointed by the CAG certify the accounts of such companies which are subject to supplementary audit by the CAG. The CAG gives his comments on or supplements the report of the Statutory Auditors. The Companies Act, 2013 empowers the CAG to issue directions to the Statutory Auditors on the manner in which the Company's accounts shall be audited. 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 45 State Public Sector Enterprises (SPSEs) consisting of 38 Government Companies, four Government controlled Other 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.

4. The CAG is the sole auditor in respect of one Corporation, namely Rajasthan State Road Transport Corporation. The CAG has the right to conduct a supplementary audit in respect of Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation after Chartered Accountants appointed under the statutes have conducted their audit.

5. The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the accounts for the years 2018-19, 2019-20 and 2020-21 (to the

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

extent received). In respect of SPSEs where any particular year's accounts were not received before 30 November 2021, the figures from the accounts last audited have been adopted.

6. All references to 'Government Companies/Corporations or SPSEs' in this Report may be construed to refer to 'State Government Companies/Corporations'.

Executive Summary

Executive Summary

About this Report

This report presents the financial position and performance of the State Public Sector Enterprises (SPSEs). Besides the financial position and performance of the SPSEs, the report also covers other significant aspects *viz.* Oversight role of CAG, Corporate Governance in SPSEs and Implementation of Indian Accounting Standards (Ind AS) in Government Companies.

Audit coverage

Financial position and performance of all the 45 SPSEs (38 Government Companies, four Government Controlled other Companies and three Statutory Corporations) in the State of Rajasthan under the audit jurisdiction of the CAG during 2020-21 have been analysed. Further, with a view to assess the accountability, transparency in business and enhanced confidence of the stakeholders, adherence to the principles of the Corporate Governance in these SPSEs was also reviewed. Impact of adoption of Ind AS was also assessed in 10 Government Companies (including one Government Company which voluntarily adopted the Ind AS).

What have we found and what do we recommend?

Financial performance of State Public Sector Enterprises

During the year 2020-21, the total investment (₹ 1,61,988.60 crore) in 41 SPSEs (except four Government Controlled other Companies) increased by ₹ 4,400.01 crore as compared to the year 2019-20. Major part of the total investment pertained to the Power Sector SPSEs, as 92.51 *per cent* (₹ 1,49,853.29 crore) of the total investment as on 31 March 2021 was infused in the Power Sector SPSEs.

Equity investment in these 41 SPSEs registered a net increase of ₹ 403.49 crore during 2020-21. The State Government infused entire equity in the Power Sector SPSEs through issue of shares.

Till 31 March 2021, the total capital investment in four Government Controlled other Companies was ₹ 600.01 crore which was invested equally by the State Government and by the Municipal Corporations.

Out of 41 SPSEs, two SPSEs² and four SPSEs³ defaulted in servicing their debts during 2020-21 which were borrowed from banks/financial institutions and Government of Rajasthan respectively.

2 Rajasthan Rajya Vidyut Utpadan Nigam Limited and Giral Lignite Power Limited.

3 Rajasthan Small Industries Corporation Limited, Jaipur Metro Rail Corporation Limited, Rajasthan State Handloom Development Corporation Limited and Rajasthan Tourism Development Corporation Limited.

Out of 41 SPSEs, 25 SPSEs earned profits, whereas 13 SPSEs incurred losses during the year 2020-21. Remaining three SPSEs had zero/ negligible profit/loss during the year. The profit earned (₹ 1,232.32 crore) by the profit making SPSEs in 2020-21 decreased significantly as compared to the profit earned (₹ 3,843.10 crore) in 2019-20 by the profit making SPSEs. Further, the losses incurred (₹ 4,046.23 crore) by loss making SPSEs increased significantly as compared to the losses incurred (₹ 489.54 crore) in 2019-20 by the loss making SPSEs. The reduction in profits and increase in losses was mainly due to discontinuation of subsidy to the State DISCOMs under Ujwal DISCOM Assurance Yojana (UDAY).

As per latest finalised accounts of these 41 SPSEs, heavy accumulated losses (₹ 97,441.97 crore) as against the capital investment (₹ 51,787.33 crore) of the SPSEs resulted in negative net worth (₹ 45714.26 crore⁴). Further, net worth of 15 SPSEs had eroded fully as the capital investment and accumulated losses of these SPSEs were ₹ 33,754.35 crore and ₹ 96,491.58 crore respectively.

The Present Value (PV) of State Government investment in 32 SPSEs⁵ without considering subsidy and with subsidy received under UDAY worked out to ₹ 99,385.89 crore and ₹ 1,58,362.98 crore respectively whereas the negative RORR worked out to 2.52 per cent and 1.58 per cent respectively.

Oversight Role of CAG

Out of 42 Government Companies (including four Government Controlled other Companies), financial statements of 25 Government companies for the year 2020-21 were received on or before 30 November 2021 whereas financial statements of 17 Government companies were in arrear due to different reasons. Of these 25 Government Companies, supplementary audit of the financial statements of 18 Government companies was undertaken.

Besides, financial statements of one Statutory Corporation were also received and supplementary audit of the same was also undertaken.

As a result of supplementary audit, two Government Companies⁶ (including one Government controlled other Company) amended their financial statements for the year 2019-20 before laying the same in the Annual General Meeting.

Irregularities and deficiencies in the financial reports or in the reporting process observed during supplementary audit, which were not material, were communicated to the Management of 17 SPSEs through 'Management Letter' for taking corrective action.

Corporate Governance

Corporate Governance was reviewed in all the Government Companies under administrative control of various Ministries except Rajasthan State Agro Industries Corporation Limited which is under liquidation. Provisions of the Companies Act, 2013 regarding Corporate Governance, though mandatory, were not being complied with by some of the Government Companies. During

4 After deducting deferred revenue expenditure of ₹ 59.62 crore.

5 SPSEs in which the State Government infused funds in the form of equity, loans and grants/ subsidies.

6 Rajasthan Medical Services Corporation Limited and Kota Smart City Limited.

the year the following significant departures from the prescribed guidelines were noticed:

- Representation of Independent Directors in two Government Companies was less than the required numbers whereas 18 Government Companies did not have Independent Directors on their Board.
- One Government Company⁷ did not have woman director throughout the year 2020-21 whereas two Government Companies⁸ did not appoint new women directors after expiry of tenure of previous women directors.
- 100 *per cent* presence of Independent Directors was only in 63 *per cent* of the Board Meetings. Further, the Independent Directors of one Government Company did not give importance to the role assigned to them on behalf of the stakeholders by not attending the board meetings. Independent Directors of Jaipur Metro Rail Corporation Limited did not attend the general meeting. Independent Directors of five Government Companies did not conduct separate meetings during 2020-21.
- 18 Government Companies failed to conduct four BoD meetings whereas six Government Companies held only one BoD meeting during 2020. Further in 15 Government Companies, the intervening period of two consecutive BoD meetings ranged between 127 days and 385 days as against the prescribed time limit.
- Two Government Companies⁹ did not constitute Audit Committee. Further, Independent Directors in Audit Committees of 19 Government Companies were not found in majority.

Implementation of Indian Accounting Standards in SPSEs

Ministry of Corporate Affairs, Government of India notified (February 2015) Indian Accounting Standards (Ind AS), converging the hitherto applicable Indian Generally Accepted Accounting Principles (IGAAP) with global standards, namely, International Financial Reporting Standards (IFRS). The Ind AS are mandatorily to be adopted by prescribed class of Companies *w.e.f.* 1 April 2016 in a phased manner and as per the roadmap laid down for implementation of Ind AS.

Adoption of Ind AS resulted in changes in the financial reporting framework. Audit analysis of selected 10 Government Companies indicated that adoption of Ind AS by the Government Companies impacted Profit after Tax, revenue, total assets and net worth. The impact was noticed across the financial statements of all the selected 10 Government Companies.

Adoption of Ind AS had negative cumulative impact on profit after tax (₹ 199.62 crore), revenue (₹ 94.99 crore), total assets (₹ 569.68 crore) and net worth (₹ 434.64 crore) as disclosed in the financial statements of the Government Companies. The cumulative impact of adoption of Ind AS did not include the

7 Rajasthan State Gas Limited.

8 Udaipur Smart City Limited and Rajasthan State Road Development & Construction Corporation Limited.

9 Rajasthan State Handloom Development Corporation Limited and Kota Smart City Limited.

impact on total assets of two Government Companies (Rajasthan State Gas Limited and Rajasthan State Ganganagar Sugar Mills Limited) as these companies did not disclose the impact in their Ind AS compliant financial statements.

Major changes carried out pertained to fair valuation of assets/liabilities as against historical cost valuation, changes in method of recognition of revenues, accounting of deferred tax, impairment of financial assets, adjustment of prior period items, amortization of intangible asset, adjustment in capital work in progress, derecognition of proposed dividend and adjustment of depreciation for spares and major inspection.

Recommendation

Government of Rajasthan may ensure compliance to the provisions of Companies Act, 2013 so as to achieve the objectives of Corporate Governance in SPSEs.

Chapter-I

Financial Performance of State Public Sector Enterprises

Chapter-I

Financial Performance of State Public Sector Enterprises

This chapter presents the financial performance of State Public Sector Enterprises (SPSEs) as regards to investment of Government in the form of equity and long-term loans, ratios indicating financial performance of SPSEs and return on investment. Analysis revealed that major part of the total investment (92.51 *per cent*) pertained to the Power Sector SPSEs. Discontinuation of subsidy to the State DISCOMs under Ujwal DISCOM Assurance Yojana affected profitability of the SPSEs adversely and net worth of 15 SPSEs eroded fully as their accumulated losses exceeded their capital investment.

Introduction

1.1 This Report presents the financial performance of State Public Sector Enterprises (SPSEs) of the Government of Rajasthan for the year 2020-21. The term SPSEs encompasses the Government Companies (including Government Controlled other Companies) set up under the Companies Act, 2013 and the Statutory Corporations set up under the statutes enacted by Parliament/State Legislature.

Government Company

- A company in which not less than 51 *per cent* of paid-up share capital is held by the Central Government, or by one or more State Government(s), or partly by the Central Government and partly by one or more State Government(s), and includes a company which is subsidiary of a Government company. {As defined under Section 2(45) of the Companies Act, 2013}

Government Controlled other Company

- Any other company 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 Government(s). {As defined under the Companies (Removal of Difficulties) Seventh Order, 2014 notified (4 September 2014) by the Ministry of Corporate Affairs, Government of India}

Statutory Corporation

- A Corporation set up under a statute enacted by Parliament/State Legislature.

The financial performance of SPSEs depicted in the Report has been taken from their financial statements as well as the information received from the SPSEs. Impact of revision of accounts as well as significant comments¹⁰ issued as a result of sole audit/supplementary audit conducted by the Comptroller and Auditor General of India (CAG) on the financial statements of the SPSEs for

the year 2020-21 (or of earlier years which were finalised during the current year) have also been covered under **Chapter-II** of this Report.

The Report also highlights overall status of compliance with the provisions of the Companies Act, 2013 in respect of Corporate Governance and implementation of Indian Accounting Standards (Ind AS) in SPSEs under **Chapter-III** and **Chapter-IV** respectively.

Mandate

1.2 Audit of Government Companies and Government Controlled other Companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints the Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has the right to conduct a supplementary audit.

The statutes governing Statutory Corporations require the CAG to conduct audit of their accounts either as a sole auditor or to conduct supplementary audit after the audit is conducted by the Chartered Accountants appointed under the statutes.

Role of Government and Legislature

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

The State Legislature also monitors the accounting and utilization of Government investment in the SPSEs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of Government Companies and Separate Audit Reports in case of Statutory Corporations are to be placed before the State Legislature under Section 394/395 of the Companies 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.

Nature of SPSEs covered in the Report

1.4 At the beginning of the year 2020-21, there existed 45 SPSEs under the purview of CAG for audit. During the year 2020-21, one newly incorporated (February 2021) Government Company i.e. Sangod Transmission Service Limited¹¹ (STSL) came under the purview of CAG for audit. Section 2 (41) of the Companies Act, 2013 provided

SPSEs under purview of CAG for audit for 2020-21	
Government Companies	38
Statutory Corporations	03
Government controlled other Companies	04
Total SPSEs	45

¹¹ Subsidiary of Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL).

that financial year, in relation to a company which has been incorporated on or after the 1st day of January of a year, means the period ending on the 31st day of March of the following year. Therefore, the first financial statements of STSL are to be prepared and thereafter audited for the period ending on 31st March 2022. As a result, the number of SPSEs under the purview of CAG for audit during 2020-21 remained at 45, including 38 Government Companies, three Statutory Corporations¹² and four Government Controlled other Companies¹³ as on 31 March 2021 as listed in **Annexure 1.1**.

None of the companies were listed on the stock exchanges. Further, the Government Companies included three inactive companies¹⁴ which ceased their operations for the last nine years to 21 years. The investment and liquidation status of these inactive companies is discussed in **Paragraph 1.21**.

On the basis of nature of activities undertaken, these 41 SPSEs (excluding four Government Controlled other Companies) have been categorized into eight sectors. Sector wise turnover *vis-à-vis* share of turnover of these SPSEs in GSDP of Rajasthan is detailed in **Table 1.1**:

Table 1.1: Sector wise turnover *vis-à-vis* share of turnover of SPSEs in GSDP of Rajasthan during 2020-21

Sl. No.	Name of the Sector	Number of SPSEs	Turnover for the year (₹ in crore)	Share of turnover in GSDP
1.	Energy and Power	15	72166.24	7.12
2	Industries and Commerce	6	3078.43	0.30
3	Finance	3	6978.59	0.69
4	Agriculture, Food and Allied Industries	4	963.18	0.09
5	Culture and Tourism	2	62.80	0.01
6	Transport	2	1688.95	0.17
7	Urban Development	2	73.54	0.01
8	Others	7	1974.71	0.19
	Total	41	86986.44	8.58

Source: Information compiled on the basis of latest financial statements of SPSEs.

As evident from the above table, the turnover (₹ 86,986.44 crore) of these 41 SPSEs for 2020-21 was 8.58 *per cent* of the Gross State Domestic Product (GSDP) of Rajasthan (₹ 10,13,323 crore) for the year. The highest share of turnover in the GSDP was from the Energy and Power Sector contributing 7.12 *per cent*.

The turnover of the four Government Controlled other Companies was nil during 2020-21.

12 Rajasthan State Road Transport Corporation (RSRTC), Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC).

13 Ajmer Smart City Limited (ASCL), Jaipur Smart City Limited (JSCL), Kota Smart City Limited (KSCL) and Udaipur Smart City Limited (USCL).

14 Rajasthan State Agro Industries Corporation Limited (RSAICL), Rajasthan Civil Aviation Corporation Limited (RCACL) and Rajasthan Jal Vikas Nigam Limited (RJVN).

Audit of financial statements of SPSEs

1.5 The CAG, as per mandate, conducts supplementary audit of the annual accounts of all the 42 Companies (*i.e.* 38 Government Companies and four Government Controlled other Companies). In the case of the three Statutory Corporations, the CAG is the sole auditor for Rajasthan State Road Transport Corporation (RSRTC) whereas in respect of Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC), the audit is conducted by the Chartered Accountants appointed under the respective statutes and thereafter, supplementary audit is conducted by the CAG.

The financial performance of these 45 SPSEs, based on the latest finalised financial statements received till 30 November 2021¹⁵, is covered in this Report. The nature of SPSEs and the status of financial statements are indicated in **Table 1.2**:

Table 1.2: Nature of SPSEs covered in the Report

Nature of SPSEs	Total Number	Number of SPSEs of which accounts received during the reporting period ¹⁶				Number of SPSEs of which accounts are in arrear (total accounts in arrear) as on 30 November 2021
		Accounts for 2020-21	Accounts for 2019-20	Accounts upto 2018-19	Total	
Government Companies	38	25	5	2 ¹⁷	32	13 (30)
Statutory Corporations	3	1	1	-	2	2 (2)
Total	41	26	6	2	34	15 (32)
Government Controlled other Companies	4	-	-	-	-	4 (5)
Total SPSEs	45	26	6	2	34	19 (37)

Source: Information compiled on the basis of accounts received upto 30 November 2021.

The company wise pendency of the financial statements is depicted in **Annexure-1.2**.

Summary of financial performance of SPSEs covered in this Report (Government Companies and Statutory Corporations)	
Total number of SPSEs	41 ¹⁸
SPSEs covered	41
Paid up capital (41 SPSEs)	₹ 51,787.33 crore
Long term Loans (41 SPSEs)	₹ 1,10,201.27 crore
Net profit (25 SPSEs)	₹ 1,232.32 crore
Net loss (13 SPSEs)	₹ 4,046.23 crore
Zero Profit/Loss (3 SPSEs) ¹⁹	
Dividend declared/paid (7 SPSEs)	₹ 66.08 crore

15 Extended due date for submission of financial statements for the year 2020-21.

16 From January 2021 to November 2021.

17 Financial Statements of Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited for the year 2017-18 and 2018-19.

18 Except Sangod Transmission Service Limited which was due for audit from 2021-22.

19 Chhabra Power Limited (CPL), Dholpur Gas Power Limited (DGPL) and Rajasthan Urja Vikas Nigam Limited (RUVNL).

Total Assets (41 SPSEs)	₹ 2,15,779.56 crore
Net worth (41 SPSEs)	(-) ₹ 45,714.26 crore
Government Controlled other Companies	
Total number of SPSEs	4
SPSEs covered	4
Paid up capital	₹ 600.01 crore
Long term Loans	Nil
Net profit (1 SPSE)	₹ 0.05 crore
Net loss (1 SPSE)	₹ 0.02 crore
Zero Profit/Loss (2 SPSEs) ²⁰	
Dividend declared/paid	Nil
Total Assets (4 SPSEs)	₹ 1,363.28 crore
Net worth (4 SPSEs)	₹ 621.21 crore

Source: Information compiled on the basis of accounts received upto 30 November 2021 and information furnished by SPSEs.

Investment in SPSEs

1.6 Investment in SPSEs comprises infusion of equity and extension of long term loans. State Government also provides financial support to the SPSEs in the form of grant and subsidy through the annual budgets. Out of 45 SPSEs, investment aspect of 41 Government Companies and Statutory Corporation (except Government Controlled other Companies) has been discussed in **Paragraph 1.7 to 1.17**.

Based on the functions performed/activities involved, these SPSEs have been categorized into eight sectors. Sector wise investment in these SPSEs as on 31 March 2021 is given in **Table 1.3**:

Table 1.3 Equity investment and long term loans in SPSEs

(₹ in crore)					
S. No.	Sector	Number of SPSEs	Equity	Long term loans	Total
1	Energy and Power	15	48394.41	101458.88	149853.29
2	Industries and Commerce	6	521.49	1774.42	2295.91
3	Finance	3	272.39	0.31	272.70
4	Agriculture, Food and Allied Industries	4	71.45	300.99	372.44
5	Culture and Tourism	2	24.11	77.20	101.31
6	Transport	2	643.45	909.52	1552.97
7	Urban Development	2	1742.71	2723.95	4466.66
8	Others	7	117.32	2956.00	3073.32
	Total	41	51787.33	110201.27	161988.60

Source: Compiled based on information received from SPSEs.

Further investment aspect of 4 Government Controlled other Companies has been discussed in **Paragraph 1.18**.

Stake in Government Companies and Statutory Corporations

1.7 The amount of investment in equity and loans in 41 Government Companies and Statutory Corporations for the three years' period ended 31 March 2021 is given in **Table 1.4**:

Table 1.4 Equity investment and loans in SPSEs*(₹ in crore)*

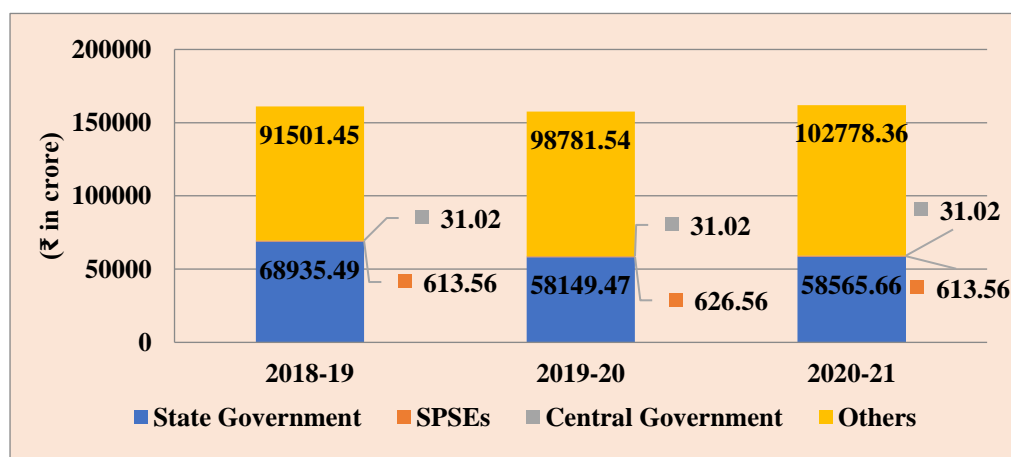
Sources of investment	As on 31 March 2019 ²¹			As on 31 March 2020			As on 31 March 2021		
	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total	Equity	Long Term Loans	Total
State Government	48435.56	20499.93	68935.49	50531.10	7618.37	58149.47	50934.59	7631.07	58565.66
SPSEs	613.13	0.43	613.56	613.13	13.43	626.56	613.13	0.43	613.56
Central Government	31.02	0	31.02	31.02	0.00	31.02	31.02	0.00	31.02
Others ²²	208.59	91292.43	91501.45	208.59	98572.95	98781.54	208.59	102569.77	102778.36
Total	49288.30	111792.79	161081.52	51383.84	106204.75	157588.59	51787.33	110201.27	161988.60
Share of State Government in Total Investment (in %)	98.27	18.34	42.80	98.34	7.17	36.90	98.35	6.92	36.15

Source: Compiled based on information received from SPSEs.

The total investment in these SPSEs increased by ₹ 4,400.01 crore during 2020-21 as compared to total investment in 2019-20. This includes infusion of Equity worth ₹ 403.49 crore by the State Government and increase in long term loans by ₹ 3,996.52 crore during the year.

92.51 per cent (₹ 1,49,853.29 crore) of the total investment as on 31 March 2021 was infused in the Power Sector SPSEs.

Year wise break-up of sources of total investment in these SPSEs at the end of the periods from 2018-19 to 2020-21 is depicted in **Chart 1.1**.

Chart 1.1: Sources of total investment in 41 SPSEs during 2018-19 to 2020-21

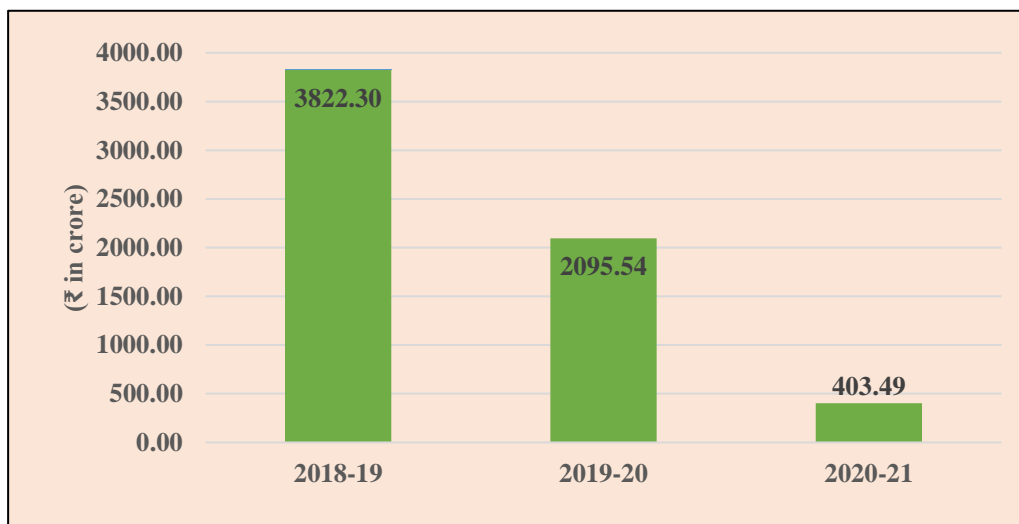
Source: Compiled based on information received from SPSEs.

- 21 Figures for the year 2018-19 do not consist of figures of two companies wound up during the year 2019-20.
- 22 Includes central PSEs, Banks, Financial Institutions, Rajasthan Housing Board etc.

Investment in Equity

1.8 During the three years' period ended 31 March 2021, an amount of ₹ 6,321.33 crore was invested by the State Government as Equity in these 41 SPSEs. Year wise break up of Equity invested by the State Government during 2018-19 to 2020-21 in these SPSEs is depicted in **Chart 1.2**.

Chart 1.2: Equity invested by the State Government in 41 SPSEs during 2018-21



Source: Compiled based on information received from SPSEs.

The Equity investment in the SPSEs during 2020-21 was very less as compared to 2018-19 and 2019-20. The Equity investment in the previous years was high as the State Government had converted loans of ₹ 3000 crore in 2018-19 and ₹ 905.50 crore in 2019-20 of the three State DISCOMs²³ into Equity under Ujwal DISCOM Assurance Yojana (UDAY). No such conversion took place during 2020-21 as UDAY was effective till 2019-20 only.

During the year 2020-21, the Equity was infused entirely in the Power Sector SPSEs through issue of shares.

The Equity infused in the Power Sector SPSEs during 2020-21 is depicted in **Table 1.5**:

Table 1.5: Equity investment during the year 2020-21

S. No.	Name of the SPSE	Amount (₹ in crore)
1	Jaipur Vidyut Vitran Nigam Limited (JVVNL)	114.92
2	Jodhpur Vidyut Vitran Nigam Limited (JdVVNL)	148.97
3	Ajmer Vidyut Vitran Nigam Limited (AVVNL)	106.32
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)	33.28
	Total	403.49

Source: Compiled based on information received from SPSEs.

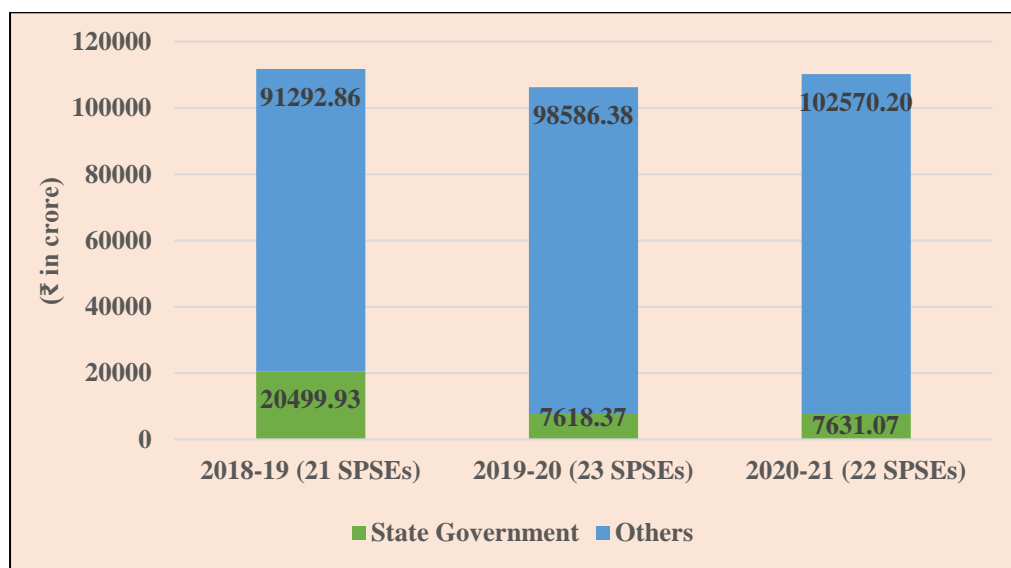
23 Jaipur Vidyut Vitran Nigam Limited (JVVNL), Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) and Ajmer Vidyut Vitran Nigam Limited (AVVNL).

Loans given to Government Companies and Corporations

1.9 The total long term loans outstanding in SPSEs (except Government Controlled other Companies) from all sources as on 31 March 2021 was ₹ 1,10,201.27 crore. During 2020-21, the long term loans of SPSEs registered an increase of ₹ 3996.52 crore. Out of the total loans of SPSEs as on 31 March 2021, loans from State Government were ₹ 7631.07 crore (6.92 per cent).

Year wise details of long term loans outstanding in SPSEs is depicted in **Chart 1.3**.

Chart 1.3: Long term loans outstanding in SPSEs



Source: Compiled based on information received from SPSEs.

It could be seen that balance of outstanding long term loans extended by others increased gradually during last three years whereas the loans of State Government decreased significantly during this period.

Analysis of Loans

1.10 SPSEs, which had loan liability during 2018-19 to 2020-21, were analysed to assess the ability of the SPSEs to service the debt owed to the State Government, Banks and other Financial Institutions (FIs). This is assessed through the interest coverage ratio and ratio of total assets to long term debts. Further, age wise analysis of interest outstanding on State Government loans has also been assessed.

Interest Coverage Ratio

1.11 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 is the ability of the company to pay interest on debt. An interest coverage ratio below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio of 29 SPSEs which had outstanding loans (long term as well as short term loans) during the period from 2018-19 to 2020-21 are given in **Table 1.6**:

Table 1.6: Interest Coverage Ratio

Year	Number of SPSEs having liability of loans from Government, Banks and other financial institutions ²⁴	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of SPSEs having interest coverage ratio more than 1	Number of SPSEs having interest coverage ratio less than 1
2018-19	28	13287.91	16021.81	18	10 ²⁵
2019-20	28	14534.03	18191.58	18	10 ²⁶
2020-21	29	15199.60	12716.54	17	12 ²⁷

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The number of SPSEs with interest coverage ratio of more than one decreased from 18 in 2018-19 to 17 in 2020-21.

Servicing of interest charges and repayment of principal

1.12 Out of 29 SPSEs which had liability of loans during 2020-21, six SPSEs defaulted in servicing their debts (Principal/interest charges) as per Statutory Auditors' Report on their latest finalised accounts as given in **Table 1.7**:

Table 1.7: SPSEs which defaulted in servicing of interest charges and repayment of principal

(₹ in crore)			
Sl. No.	Name of the SPSE	Source of loan	Amount of default
1	RRVUNL	Banks/FIs	5303.43
2	Giral Lignite Power Limited (GLPL)		39.74
3	Rajasthan Small Industries Corporation Limited (RSICL)	State Government	0.75
4	Jaipur Metro Rail Corporation Limited (JMRCL)		163.65
5	Rajasthan State Handloom Development Corporation Limited (RSHDCL)		3.52
6	Rajasthan Tourism Development Corporation Limited (RTDCL)		20.00

Source: Compiled based on Statutory Auditors' Report.

Out of the six defaulting SPSEs, RRVUNL defaulted for significant amount of loan obtained from Banks/FIs. It was noticed that as on 31 March 2021, 86.21 per cent (₹ 25831.67 crore) of the total current assets (₹ 29964.80 crore) of RRVUNL pertained to the power dues recoverable from the three State

24 SPSEs which had finance cost (pertained to short term loans as well as long term loans) in the latest finalised financial statements.

25 GLPL, Barmer TPCL, RRVNPL, RSICL, JMRCL, RSHCL, RTDCL, BLMCL, RSRTC and RSACIL.

26 GLPL, Barmer TPCL, Banswara TPCL, RSHDCL, JMRCL, RSHCL, RTDCL, RFC, RSRTC and RSACIL.

27 RSHDCL, JMRC, JVVNL, RRVUNL, JdVVNL, Barmer TPCL, Banswara TPCL, GLPL, RSHCL, RTDCL, RSRTC, RSAICL.

DISCOMs²⁸. These recoverable power dues were 1.67 times of the operational revenue (*i.e.* revenue from sale of power) of the year 2020-21. As a result, the SPSE faced liquidity crunch and hence, could not service its debts in time.

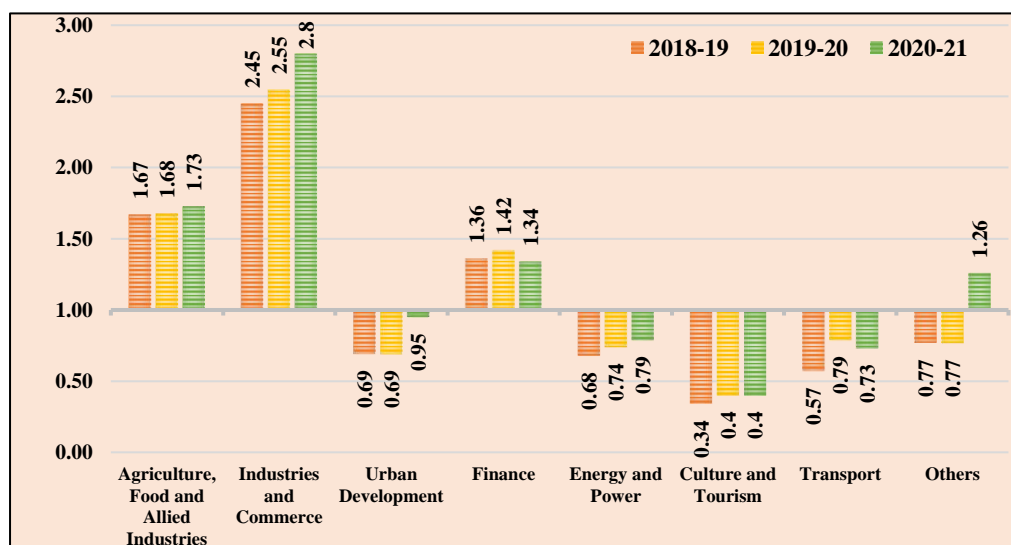
Liquidity analysis

1.13 Current Ratio is a liquidity ratio that measures a company's ability to pay short term obligations or those dues which are payable within one-year period. It compares all of the company's current assets with its current liabilities. It is a useful measure of a company's short term solvency. Current ratio less than one indicates that company's short term obligations are greater than its short term assets and it is not able to pay off such dues with its available current assets. Current ratio more than one indicates that company has sufficient short term assets to meet out its short term obligations. The formula of current ratio is as given under:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Sector wise details of current ratio of 41 SPSEs at the end of last three years' period from 2018-19 to 2020-21 is depicted in **Chart 1.4**.

Chart 1.4: Sector wise Current Ratios in SPSEs during 2018-19 to 2020-21



Source: Compiled on the basis of latest finalised accounts of SPSEs.

It could be seen that out of eight sectors, current ratio of five sectors during 2018-20 and four sectors during 2020-21 was less than one. This indicated that these sectors have continuously been in financial distress, particularly in terms of liquidity. Current ratio of two sectors during 2018-20 and three sectors during 2020-21 was higher than one. Further, current ratio of one sector *i.e.* Industries and Commerce was significantly higher than one which indicated that the sector maintained higher liquidity than the requirement.

Age wise analysis of Interest outstanding on State Government Loans

1.14 As on 31 March 2021, interest amounting to ₹ 167.20 crore was outstanding against four SPSEs on the long term loans provided by the State Government. The age wise analysis of interest outstanding on State Government Loans is depicted in **Table 1.8**.

Table 1.8: Interest outstanding on State Government Loans

(₹ in crore)

S. No.	Name of the SPSE	Outstanding interest on State Government Loans	Interest outstanding for less than 1 year	Interest outstanding for 1 year to 3 years	Interest outstanding for more than 3 years
1	Jaipur Metro Rail Corporation Limited	163.65	26.60	79.79	57.26
2	Rajasthan State Hotels Corporation Limited ²⁹	0.79	0.04	0.12	0.63
3	Rajasthan State Ganganagar Sugar Mills Limited ³⁰	0.50	0.00	0.00	0.50
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2.26	2.26	0.00	0.00
	Total	167.20	28.90	79.91	58.39

Source: Information provided by the SPSEs.

It could be seen that major part of the outstanding interest pertained to Jaipur Metro Rail Corporation Limited. Further, the outstanding interest against this SPSE was accumulating continuously as no payment towards the accrued interest on the State Government Loan was being made.

Adequacy of assets to meet loan liabilities

1.15 Ratio of long-term debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its long-term loans/debts. Out of 29 SPSEs which had liability of loans, 22 SPSEs had outstanding long term loans as on 31 March 2021. Coverage of long term loans by value of total assets in these 22 SPSEs is given in **Table 1.9**.

Table 1.9: Coverage of long-term loans with total assets

(₹ in crore)

Type of SPSE	Positive Coverage				Negative Coverage			
	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans	Number of SPSEs	Long Term Loans	Total Assets	Percentage of Assets to Loans
Government Companies	18	107924.40	185829.20	172.18	1	46.61	4.75	10.19
Statutory Corporations	3	1895.24	15503.69	818.03	-	-	-	-

Source: Compiled on the basis of latest finalised accounts of SPSEs.

29 Considering loss making SPSE, State Government deferred repayment of interest and principal amount.

30 Amount belonging to a company merged in RSGSML and application for waiver of interest is pending with the State Government.

Out of the 22 SPSEs, in respect of only one SPSE, (RSAICL) which was an inactive SPSE, the value of total assets was lower than the loans outstanding.

Other Budgetary Support

1.16 Apart from investing in equity and providing long term loans, the State Government also provides financial support to the SPSEs in the form of grant and subsidy through the annual budgets. The State Government also provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 to SPSEs seeking 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 the case of loan availed by SPSEs from banks/financial institutions without any exception under the provisions of the RSGGR 1970. The summarised details of the budgetary support towards grant and subsidy and the guarantees extended by the State Government in respect of the SPSEs for the last three years ended 31 March 2021 are as given in **Table 1.10**.

Table 1.10: Details of budgetary support to SPSEs

(₹ in crore)

Particulars	2018-19		2019-20		2020-21	
	Number of SPSEs	Amount	Number of SPSEs	Amount	Number of SPSEs	Amount
Grant and subsidy	11	22012.86	12	23923.10	11	15449.56
Guarantees issued during the year	4	21671.76	7	13298.44	6	15721.00
Guarantee Commitment at the end of the year	8	60926.16	10	69536.24	9	75335.99

Source: Compiled based on information received from SPSEs.

The grant and subsidy received during 2020-21 decreased significantly as compared to previous years due to completion of UDAY in 2019-20 and discontinuation of subsidy to the State DISCOMs thereunder from 2020-21. Further, the grant and subsidy received during 2020-21 mainly included the Tariff Subsidy extended by the State Government to the State DISCOMs. Besides, there were significant increase in the outstanding guarantee commitments at the end of the year 2020-21 as compared to previous years. During 2020-21, Guarantee commission of ₹ 421.54 crore was paid by the nine SPSEs against the due amount of ₹ 722.72 crore.

The guarantee commitment of the State Government towards SPSEs at the end of 2020-21 was significant as it worked out to 56.09 per cent of the total revenue receipt of the State Government (₹ 134307.88 crore)³¹ during 2020-21.

Budgetary support to SPSEs having accounts in arrears

1.17 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 SPSEs within the stipulated period. The concerned

31 As per Annual Budget of the State Government for 2022-23.

Administrative Departments were informed quarterly regarding arrear in accounts.

Out of 19 SPSEs, accounts of which had not been finalised by 30 November 2021 as prescribed under the Companies Act 2013, RSRTC Rules 1964 and RSWC Rules 1975, the State Government provided ₹ 951.35 crore (Loan: ₹ 11.70 crore, Subsidy: ₹ 939.65 crore) to five SPSEs during the period for which accounts of these SPSEs were in arrears. SPSE wise details of investment made by the State Government during the period for which accounts were in arrears, are shown in **Annexure-1.2**. In the absence of finalisation of accounts and their subsequent audit, 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 State Government investment in these SPSEs, therefore, remained outside the oversight of the State Legislature.

Investment in Government Controlled other Companies

1.18 As on 31 March 2021, the four Government Controlled other Companies had total equity investment of ₹ 600.01 crore. The equity was invested equally by the State Government and by the Municipal Corporations controlled by it. There was no equity investment in these Government Controlled other Companies during the year 2020-21. Besides, none of these Government Controlled other Companies had liability of long term loans as on 31 March 2021.

Reconciliation with Finance Accounts of Government of Rajasthan

1.19 The figures in respect of equity, loans and guarantees outstanding as per records of the SPSEs should agree with the figures appearing in the Finance Accounts of the Government of Rajasthan. In case the figures do not agree, the concerned SPSE and the Finance Department of the State should carry out reconciliation of the differences.

Audit noticed that as on 31 March 2021, there was difference in figures of Equity, Loans and Guarantee outstanding shown in the Finance Accounts and the records of SPSEs in respect of 19 of the 36 SPSEs (excluding nine subsidiaries) as depicted in **Annexure-1.3**. Summarised position of such differences as on 31 March 2021 is stated in **Table 1.11**:

Table 1.11: Equity, loans, guarantees outstanding as per the Finance Accounts of Government of Rajasthan vis-à-vis records of 19 SPSEs
(₹ in crore)

Outstanding in respect of	Amount as per records of the SPSEs	Amount as per Finance Accounts
Equity	49262.73	49294.11
Loans	6279.54	6316.64
Guarantee outstanding	75335.99	74765.89

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

Disinvestment, restructuring and privatisation of SPSEs

1.20 During the year 2020-21, no disinvestment, restructuring or privatisation was done by the State Government.

Winding up of inactive SPSEs

1.21 The three inactive Government Companies, which ceased their operations for last nine to 21 years, had a total investment of ₹ 28.04 crore³² towards capital (₹ 11.77 crore) and long term loans (₹ 16.27 crore) as on 31 March 2021. One of these three inactive companies (RSAICL) is under process of liquidation as Government Liquidator has been appointed. The other two companies are inactive for last nine to ten years. The Government may take urgent appropriate decision regarding these companies.

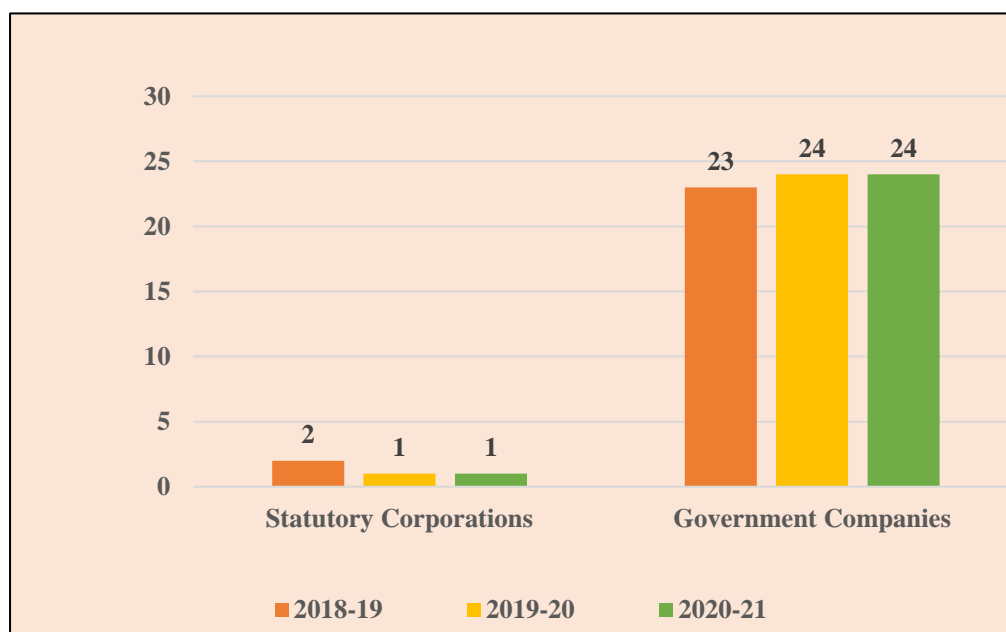
Return on investment in SPSEs

1.22 The financial position and working results of SPSEs as per their latest finalised accounts as of 30 November 2021 are detailed in **Annexure-1.1**.

Profit earned by SPSEs

1.23 Out of 41 SPSEs, 25 SPSEs earned profit during 2018-19 to 2020-21. The profit earned by the profit making SPSEs decreased to ₹ 1232.32 crore in 2020-21 as compared to the profit earned (₹ 3843.10 crore) in 2019-20 by the profit making SPSEs. The reduction in profit of profit making SPSEs was mainly due to discontinuation of subsidy to the State DISCOMs under UDAY as the scheme was effective till 2019-20 only. Number of SPSEs that earned profit during 2018-19 to 2020-21 is depicted in **Chart 1.5**.

Chart 1.5: Number of profit earning SPSEs



Source: As per latest finalised accounts of SPSEs.

The name of the SPSEs which earned profit above ₹ 100 crore during the year 2020-21 is given below in **Table 1.12**.

32 RSAICL (₹ 22.28 crore), RCACL (₹ 4.49 crore) and RJVNL (₹ 1.27 crore).

Table 1.12: SPSEs which earned profit of ₹ 100 crore or more in 2020-21

		(₹ in crore)
S. No.	Name of the SPSE	Profit earned
1	Rajasthan State Industrial Development and Investment Corporation Limited (RIICO)	530.91
2	Ajmer Vidyut Vitran Nigam Limited (AVVNL)	175.73
3	Rajasthan State Mines and Minerals Limited (RSMML)	137.35
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVNL)	105.39

Source: As per latest finalised accounts of SPSEs.

An analysis of these four top profit making SPSEs disclosed that:

- RIICO and RSMML could register profits because of their monopolistic advantage in the market. RIICO is the main agency in the State which has right to develop and allot land for industrial/ institutional purposes on cost plus overhead charges. The percentage of profit from infrastructure activity was 95.59 *per cent* of the total profits of the Company for the year 2020-21. Besides, 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 production. The share of profit from Rock Phosphate mining was 46 *per cent* of the total profit for the year.
- In compliance with the decision (September 2021) of the State Government, Return on Equity (ROE) of ₹ 491.71 crore which was charged by RRVNL from AVVNL against the energy bills for 2019-20 and 2020-21, had been withdrawn. This has impacted the working results of AVVNL in 2020-21 significantly as the Company which would have otherwise registered loss, shifted to top profit making SPSE because of this decision.

Out of four Government Controlled other Companies, only one company (JSCL) earned nominal profit of ₹ 0.05 crore during 2020-21.

Dividend Payout in SPSEs

1.24 The State Government had formulated (September 2004) a dividend policy under which all profit making SPSEs are required to pay a minimum return of 10 *per cent* on the paid-up share capital or 20 *per cent* of the profit after tax, whichever is lower.

Out of 45 SPSEs, none of the four Government Controlled other Companies declared/paid dividend to State Government during 2020-21.

In the case of remaining 41 SPSEs (Government Companies and Statutory Corporations), the State Government had infused equity in 32 SPSEs only. Dividend Payout relating to these 32 SPSEs for the period 2018-19 to 2020-21 is shown in **Table 1.13**.

Table 1.13: Dividend Payout of SPSEs during 2018-19 to 2020-21*(₹ in crore)*

Year	Total SPSEs where equity infused by the State Government		SPSEs which earned profit during the year		SPSEs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of SPSEs	Equity infused	Number of SPSEs	Amount of equity infused	Number of SPSEs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2018-19	32	48435.56	23	41800.32	7 ³³	66.11	0.1582
2019-20	32	50531.10	23	48777.36	5 ³⁴	43.75	0.0897
2020-21	32	50934.59	21	16038.85	7 ³⁵	66.08	0.4120

Source: Compiled on the basis of latest finalised accounts of SPSEs.

During the period 2018-19 to 2020-21, the number of SPSEs which earned profits ranged between 21 and 23 whereas the number of SPSEs which declared/paid dividend to the State Government ranged between five and seven. The Dividend Payout Ratio during 2018-19 to 2020-21 ranged between 0.09 per cent and 0.41 per cent only.

Of these seven SPSEs which declared/paid dividend during 2020-21, two³⁶ SPSEs declared dividend higher than the prescribed limit while five³⁷ SPSEs declared dividend as per the dividend policy.

Return on Equity

1.25 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using SPSE'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 SPSE if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a SPSE 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 SPSE's stakeholders if all assets were sold and all debts were paid. A positive shareholders' fund reveals that the SPSE has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

ROE has been computed in respect of 32 SPSEs where funds had been infused by the State Government. The details of Shareholders' fund and ROE relating to these SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.14**.

33 RSM, RIICO, RSWC, RSBCL, RSSCL, RSRDCCL and RRECL.

34 RSM, RSWC, RSBCL, RSSCL and RPIDCL.

35 RSM, RSWC, RSSCL, RIICO, RSBCL, RRECL and RPIDCL.

36 RSM and RSWC.

37 RSSCL, RIICO, RSBCL, RRECL and RPIDCL.

Table 1.14: Return on Equity relating to SPSEs where funds were infused by the State Government

Year	Number of SPSEs for which ROE calculated	Net Income for the year ³⁸ (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2018-19	32	2893.35	-47734.69	-
2019-20	32	3550.08	-42199.81	-
2020-21	32	-2504.27	-44456.25	-

Source: Compiled on the basis of latest finalised accounts of SPSEs.

As can be seen from the above table, the Net Income of these 32 SPSEs for the year decreased significantly from ₹ 3550.08 crore in 2019-20 to (-) ₹ 2504.27 crore in 2020-21. During 2018-19 and 2019-20, the Net Income was positive, however, Shareholders' fund was negative. Further, during 2020-21, the Net Income as well as the Shareholders' fund were negative. Since, the Shareholders' fund for all the years was negative, ROE in respect of these SPSEs could not be worked out. However, negative shareholders' fund indicated that the liabilities of these SPSEs had exceeded the assets.

Sector wise ROE of the SPSEs during 2018-19 to 2020-21 is given in **Table 1.15**:

Table 1.15: Sector wise ROE of the SPSEs*(Figure: in per cent)*

S. No.	Name of the Sector (Number of SPSEs in the sector)	2018-19	2019-20	2020-21
1	Industries and Commerce (5)	8.20	5.09	13.29
2	Finance (3)	7.68	13.44	14.50
3	Agriculture, Food and Allied Industries (4)	21.36	17.32	17.70
4	Others (7)	17.57	16.18	11.18

Source: Compiled on the basis of latest finalised accounts of SPSEs.

Further, ROE of three sectors³⁹ could not be worked out as entire capital of these sectors had been eroded due to accumulated losses and these sectors had negative net worth during the period. ROE of Urban Development sector was negative during 2018-19 to 2020-21 as the sector incurred losses during all the three financial years.

Besides, out of four Government Controlled other Companies, only one company (JSCL) earned profit of ₹ 0.05 crore⁴⁰ which was negligible as compared to the shareholders' fund (₹ 204.45 crore). Therefore, the ROE was also negligible.

SPSEs incurring losses

1.26 Out of 41 SPSEs (Government Companies and Statutory Corporations), there were 13 SPSEs that incurred losses during the year 2020-21. The losses

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

39 Energy and Power Sector, Culture and Tourism Sector and Transport Sector.

40 Latest finalised financial statements of the SPSE.

incurred (₹ 4046.23 crore) by these SPSEs during 2020-21 increased significantly as compared to the losses incurred (₹ 489.54 crore) by the loss making SPSEs during 2019-20 as given in **Table 1.16**.

Table 1.16: SPSEs that incurred losses during 2020-21

(₹ in crore)

Financial year	Total SPSEs	Number of SPSEs which incurred loss during the year	Net loss for the year	Accumulated loss of the loss making SPSEs	Net Worth of the loss making SPSEs
2018-19	43	13	747.61	7974.40	-704.78
2019-20	41	13	489.54	7229.06	-4283.19
2020-21	41	13	4046.23	74246.59	-38830.52

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The name of the SPSEs which incurred losses above ₹ 100 crore during the year 2020-21 is given below in **Table 1.17**.

Table 1.17: SPSEs that incurred losses of ₹ 100 crore or more in 2020-21

(₹ in crore)

S. No	Name of the SPSE	Loss incurred
1	Jodhpur Vidyut Vitaran Nigam Limited (JdVVNL)	1731.68
2	Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL)	1031.23
3	Jaipur Vidyut Vitaran Nigam Limited (JVVNL)	660.75
4	Giral Lignite Power Limited (GLPL)	334.44
5	Rajasthan State Road Transport Corporation (RSRTC)	217.06

An analysis of these significant loss making SPSEs revealed that three power sector SPSEs (RRVUNL, JVVNL and JdVVNL) turned from significant profit making SPSEs to significant loss making SPSEs. Further analysis revealed that in compliance with the decision (September 2021) of the State Government, RRVUNL withdrew the Return on Equity (ROE) charges of ₹ 1811.74 crore, charged on the three State DISCOMs against their energy bills for 2019-20 and 2020-21, which impacted its profitability. In the case of JVVNL and JdVVNL, the subsidy under UDAY was discontinued from 2020-21 due to closure of the scheme in 2019-20. As a result, working results of these SPSEs were impacted significantly and the SPSEs turned from top profit making SPSEs to significant loss making SPSEs in 2020-21. Further, the other two SPSEs (GLPL and RSRTC) remained in loss during 2018-19 to 2020-21.

In the case of four Government Controlled other Companies, one company (USCL) incurred loss of ₹ 0.02 crore during 2019-20.

Erosion of Net Worth

1.27 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. 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, accumulated profit/loss and net worth of the 41 SPSEs as per their latest finalised accounts is given in **Table 1.18**.

Table 1.18: Net worth of 41 SPSEs during 2018-19 to 2020-21

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2018-19	49288.17	(-)97771.82	3.00	(-)48486.70
2019-20	51383.84	(-)94469.51	62.48	(-)43148.15
2020-21	51787.33	(-)97441.97	59.62	(-)45714.26

Analysis of investment and accumulated losses for the year 2020-21 disclosed that net worth was eroded fully in 15 of these 41 SPSEs as the capital investment and accumulated losses of these SPSEs were ₹ 33754.35 crore and ₹ 96491.58 crore respectively. Of these 15 SPSEs, the maximum Net worth erosion was in respect of five SPSEs as depicted in **Table 1.19**.

Table 1.19: Five SPSEs with maximum Net worth erosion as on 31 March 2021

Name of the SPSE	Eroded Net worth (₹ in crore)
Power Sector SPSEs	
Jodhpur Vidyut Vitran Nigam Limited	(-)20859.63
Jaipur Vidyut Vitran Nigam Limited	(-)18119.18
Ajmer Vidyut Vitran Nigam Limited	(-)17482.87
Giraj Lignite Power Limited	(-)1507.22
Other than Power Sector SPSEs	
Rajasthan State Road Transport Corporation	(-)4547.84

Of these 15 SPSEs whose net worth had been fully eroded, five⁴¹ SPSEs earned profit of ₹ 177.45 crore during 2020-21 which was mainly contributed by AVVNL (₹ 175.73 crore). Despite earning profit during 2020-21, these SPSEs had substantial accumulated losses at the end of the year.

Operating efficiency of SPSEs

Return on Capital Employed

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

ROCE is calculated by dividing a SPSE's earnings before interest and taxes (EBIT) by the capital employed⁴². The details of ROCE of all the 41 SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.20**.

41 RSICL, AVVNL, RSLDC, RCACL and RJVNL.

42 Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest period for which accounts of the SPSEs are finalised.

Table 1.20: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2018-19	16085.07	61905.70	25.98
2019-20	18276.19	61841.88	29.55
2020-21	12817.05	64151.99	19.98

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The ROCE of the SPSEs reduced from 29.55 per cent in 2019-20 to 19.98 per cent in 2020-21. This decrease was mainly because of significant decrease in EBIT due to discontinuation of subsidy under UDAY from 2020-21. Further, SPSEs could register ROCE ranging from 19.98 to 29.55 per cent during 2018-19 to 2020-21 as the Capital Employed had been reduced considerably due to significant accumulated losses.

Out of 41 SPSEs, 22 SPSEs had accumulated losses worth ₹ 1,03,639.48 crore of which ₹ 97,604.74 crore and ₹ 5,575.16 crore pertained to six⁴³ Power Sector SPSEs and two⁴⁴ Other than Power Sector SPSEs respectively.

Sector wise ROCE of the 41 SPSEs during 2018-19 to 2020-21 is given in **Table 1.21**.

Table 1.21: Sector wise Return on Capital Employed*(Figure: in per cent)*

S. No.	Name of the Sector	2018-19	2019-20	2020-21
1	Energy and Power	28.86	32.87	21.29
2	Industries and Commerce	9.10	11.57	16.82
3	Finance	18.20	21.00	21.70
4	Agriculture, Food & Allied Industries	16.69	17.01	16.32
5	Others	11.06	12.51	10.36

The ROCE of Energy and Power Sector reduced significantly during 2020-21 as compared to previous years. The reduction in ROCE of the Sector was mainly due to discontinuation of subsidy under UDAY from 2020-21 as the scheme was effective till 2019-20. Despite significant reduction, the ROCE of the sector stood at 21.29 per cent as the Capital Employed had been reduced considerably due to significant accumulated losses. Further, ROCE of two sectors⁴⁵ could not be worked out for 2018-19 to 2020-21 due to negative capital employed whereas ROCE of one sector⁴⁶ remained negative during 2018-19 to 2020-21 as it incurred losses during all the three financial years.

Besides, in case of four Government Controlled other Companies, the EBIT for the year 2020-21 was ₹ 0.54 crore⁴⁷ whereas the Capital Employed in these

43 JVVNL, AVVNL, JdVVNL, RVPNL, RVUNL and GLPL.

44 RSRTC and JMRCL.

45 Culture and Tourism Sector and Transport Sector.

46 Urban Development Sector.

47 Belonged to JSCL.

SPSEs was ₹ 621.21 crore. Hence, the ROCE worked out to 0.09 *per cent* during 2020-21.

Net Profit Margin against Turnover

1.29 Net Profit Margin against SPSE's turnover measures how much profit is generated as percentage of revenue earned during a period. It is an important indicator of measuring the financial health of a SPSE. It helps the stakeholders to oversee PSE's operational efficiency and to assess whether it is generating adequate earnings from its turnover. It is calculated as percentage against SPSE's turnover.

The details of Net Profit Margins of all the 41 SPSEs during the period from 2018-19 to 2020-21 are given in **Table 1.22**.

Table 1.22: Net Profit Margins

Year	Net Profit (₹ in crore)	Turnover (₹ in crore)	Net Profit Margin (%)
2018-19	2537.14	75179.32	3.37
2019-20	3353.56	82793.75	4.05
2020-21	-2813.91	86986.44	-3.23

Source: Compiled on the basis of latest finalised accounts of SPSEs.

The Net Profit Margin of all the SPSEs converted from positive in 2019-20 to negative in 2020-21. The conversion was mainly due to significant change in working results of the three State DISCOMs during the year. Despite high ROCE, the Net Profit Margin was poor as the interest component was significant.

Sector wise Net Profit Margin of the 41 SPSEs during 2018-19 to 2020-21 is given in **Table 1.23**.

Table 1.23: Sector wise Net Profit Margins

(Figure: in per cent)

S. No.	Name of the Sector	2018-19	2019-20	2020-21
1	Energy and Power	3.85	4.56	-4.76
2	Industries and Commerce	10.75	9.05	21.75
3	Finance	0.50	0.94	1.29
4	Agriculture, Food and Allied Industries	9.89	9.76	9.76
5	Culture and Tourism	-20.35	-10.92	-10.92
6	Transport	-9.57	-8.92	-12.85
7	Urban Development	-48.40	-231.72	-76.99
8	Others	2.32	3.06	2.37

Source: Compiled on the basis of latest finalised accounts of SPSEs

It could be seen that Net Profit Margin during 2018-19 to 2020-21 was significant in two sectors (S. No. 2 and 4). The high Net Profit Margin of these two sectors was mainly attributable to three SPSEs⁴⁸ which registered

48 RSMML, RIICO and RSWC.

significant profits due to their monopolistic advantage in the market and because of the business they are getting from Government agencies. Further,

Net Profit Margin of the Energy and Power sector converted from positive in 2019-20 to negative in 2020-21 due to discontinuation of subsidy under UDAY.

Net Profit Margin in remaining five sectors either remained negative or was negligible.

Return on Government Investment

1.30 The SPSEs are expected to yield reasonable return on investment made by Government in the enterprises. Return on investment measures the Earnings (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 Earnings to total investment.

In view of the significant investment by the Government in the SPSEs, return on such investment is essential from the perspective of the State Government. Therefore, the return on Government investment has been worked out on historical cost as well as present value of the State Government investment as detailed below:

A. Rate of Return on the basis of historical cost of Government Investment (ROR)

ROR has been calculated on the investment made by the State Government in the SPSEs in the form of equity and loans. Only interest free loans are considered as investment since the government does not receive any interest on such loans. These are therefore in the nature of equity investment by government except that the loans are liable to be repaid. Further, the funds made available in the form of grant and subsidy for operational and administrative expenditure have not been reckoned as investment as the bifurcation of grant and subsidy provided for operational and administrative expenditure and for other purpose was not available.

The subsidy given to the three State DISCOMs under UDAY during 2016-17 to 2019-20 has been considered as investment since the subsidy was given by the State Government to take over debts of the State DISCOMs from banks and financial institutions. Return on investment has therefore been calculated after considering subsidy under UDAY as investment and without considering such subsidy as investment.

B. Rate of Real Return on Government Investment (RORR)

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. To assess the RORR on the present value of investments of the State Government in the SPSEs as compared to historical value of such investments, the Present Value (PV) of the Government investments has been computed. In order to bring the historical cost of investments to its present value at the end of each year up to 31 March 2021, the past investments/year-wise funds infused by the State Government in the SPSEs have been compounded. The compounding has been done 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.

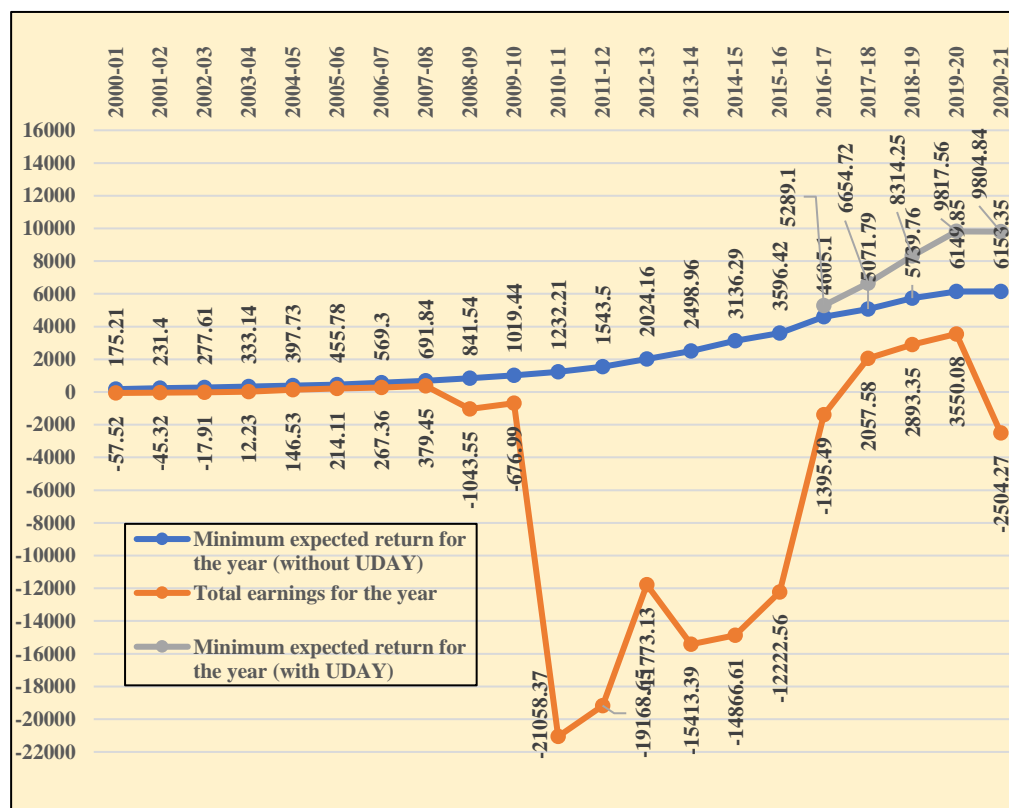
Therefore, PV of the State Government investment was computed where funds have been infused by the State Government since inception of these SPSEs till 31 March 2021.

Rate of Return on State Government Investment

1.31 The amount of investment in the 41 SPSEs (Government Companies and Corporations) as of 31 March 2021 was ₹ 1,61,988.60 crore consisting of ₹ 51,787.33 crore as equity and ₹ 1,10,201.27 crore as long term loans. The State Government infused funds in 32 of these 41 SPSEs in the form of equity, loans and grant and subsidy. In these 32 SPSEs, State Government investment as of 31 March 2021 was ₹ 57167.80 crore consisting of ₹ 49536.73 crore⁴⁹ as equity and ₹ 7631.07 crore as long term loans. Out of loans extended by the State Government, loans worth ₹ 2267.98 crore were interest free loans. Thus, considering the equity and net interest free loans infused in these 32 SPSEs, the State Government investment on historical cost at the end of 2020-21 stood at ₹ 51804.71 crore. The State Government did not infuse any direct funds in the other nine SPSEs.

The year-wise details of the investment *vis-à-vis* present value of such investment infused by the State Government for the period 2000-01 to 2020-21 is depicted in **Annexure-1.4**. Year wise details of the total earnings *vis-à-vis* minimum expected return (without UDAY as well as with UDAY) for the period 2000-01 to 2020-21 are given in **Chart 1.6**:

Chart 1.6: Total earnings vis-à-vis minimum expected return



Source: Annexure 1.4.

49 Total investment of State Government (₹ 50934.59 crore) - Initial accumulated losses of five Power Sector SPSEs (₹ 1397.86 crore).

It could be seen that during 2000-01 to 2020-21, the total earnings for the year were negative in all the years except during 2003-04 to 2007-08 and 2017-18 to 2019-20. It remained below the minimum expected return to recover cost of funds infused by the State Government in these SPSEs.

The total earnings (net of profits and losses) of these 32 SPSEs for the year converted from profit of ₹ 2893.35 crore in 2018-19 to loss of ₹ 2504.27 crore in 2020-21 mainly due to discontinuation of subsidy under UDAY.

The ROR and RORR in respect of the SPSEs where funds have been infused by the State Government, for the three years' period from 2018-19 to 2020-21 are given in **Table 1.24**.

Table 1.24: Rate of Return on State Government Investment

(₹ in crore)

Financial year	Total Earnings/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at end of the year	RORR (%)
Without UDAY					
2018-19	2893.35	49088.66	5.89	84366.64	3.43
2019-20	3550.08	51339.66	6.91	92767.49	3.83
2020-21	-2504.27	51804.71	-4.83	99385.89	-2.52
With UDAY					
2018-19	2893.35	82088.66	3.52	122208.06	2.37
2019-20	3550.08	98156.13	3.62	148093.09	2.40
2020-21	-2504.27	98621.18	-2.54	158362.98	-1.58

As can be seen from the above table, the State Government investment, consisting of equity and interest free loans, in the 32 SPSEs at its historical cost increased from ₹ 49088.66 crore in 2018-19 to ₹ 51804.71 crore in 2020-21. On considering the subsidy received under UDAY as investment, the State Government investment of ₹ 82088.66 crore in 2018-19 (*i.e.* including subsidy of ₹ 33000 crore received under UDAY till 2018-19) increased to ₹ 98621.18 crore in 2020-21 (*i.e.* including subsidy of ₹ 13816.47 crore received under UDAY in 2019-20). As the total earnings of these SPSEs converted from positive in 2018-19 and 2019-20 to negative in 2020-21, both the ROR and RORR became negative. The ROR for the year 2020-21 (without considering UDAY) was (-) 4.83 *per cent* which changed to (-) 2.54 *per cent* after considering UDAY. Similarly, the RORR for the same period (without considering UDAY) was (-) 2.52 *per cent* which changed to (-) 1.58 *per cent* after considering UDAY.

Sector wise return on State Government investment in 32 SPSEs during 2020-21 is given in **Table 1.25**.

Table 1.25: Sector wise return on State Government Investment*(₹ in crore)*

S. No.	Name of the Sectors	Total Earning/ Loss (-)	Investment by the State Government at historical cost of investment at the end of the year	ROR (%)	Investment by the State Government at present value of investment at the end of the year	RORR (%)
1	Energy and Power (without UDAY)	-3122.32	46901.67	-6.66	84816.13	-3.68
	Energy and Power (with UDAY)	-3122.32	93718.14	-3.33	143793.22	-2.17
2	Industries and Commerce	667.62	475.35	140.45	4883.09	13.67
3	Finance	90.14	272.34	33.10	545.19	16.53
4	Agriculture, Food and Allied Industries	94.05	66.27	141.92	370.95	25.35
5	Culture and Tourism	-6.86	83.71	-8.19	371.39	-1.85
6	Transport	-217.02	1246.99	-17.40	3468.56	-6.26
7	Urban Development	-56.62	2636.06	-2.15	4590.06	-1.23
8	Others	46.74	122.32	38.21	340.51	13.73

During the year 2020-21, return on government investment in four sectors (S. No. 1 and 5 to 7) was negative whereas in other four sectors (S. No. 2 to 4 and 8), the same was positive. In Industries and Commerce and Agriculture, Food and Allied Industries, the ROR at historical cost was 140.45 *per cent* and 141.92 *per cent* whereas RORR at present value at 13.67 *per cent* and 25.35 *per cent* respectively shows the return in realistic terms considering the present value of investment.

Chapter-II

Oversight role of the CAG

Chapter-II

Oversight role of CAG

This chapter deals with oversight role of CAG as regards to preparation and submission of financial statements by SPSEs. Analysis brings out delay in finalisation and submission of financial statements by SPSEs, impact of audit comments on financial statements and non-compliance with provisions of Accounting Standards/ Indian Accounting Standards issued by the Ministry of Corporate Affairs, Government of India.

Audit of State Public Sector Enterprises

Appointment of Statutory Auditors

2.1 Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013 (Act 2013). Sections 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 180 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.

Statutory auditors of all the SPSEs except RTDCL and RSHCL for the year 2020-21 were appointed between August 2020 and September 2020.

The statutory auditors of all SPSEs, except two Government Companies *i.e.* Rajasthan Tourism Development Corporation Limited (RTDCL) and Rajasthan State Hotels Corporation Limited (RSHCL), for the year 2020-21 were appointed by the CAG between August 2020 and September 2020. The Statutory Auditors of RTDCL and RSHCL were not appointed as the accounts of these two SPSEs were pending for three years and more than three years respectively. Further, in case of one Government Controlled Other Company (Jaipur Smart City Limited) and one Government Company (Rajasthan State Handloom Development Corporation Limited), the Statutory auditors were reappointed (between January 2021 and June 2021 respectively) as the initial appointed Statutory auditors did not furnish the requisite acceptance letter.

Statutory Audit

2.2 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 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.

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.

Submission of accounts by SPSEs

Need for timely submission of Annual Report

2.3 According to Section 394 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) as soon as possible after such preparation shall be laid before the 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 utilization of public funds invested in the companies from the Consolidated Fund of the State.

Timeliness in preparation of accounts by SPSEs

2.4 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. The section further provides that in case of the first annual general meeting, it shall be held within a period of nine months from the date of closing of the first financial year of the company and in any other case, within a period of six months, from the date of closing of the financial year. Accordingly, the Companies were required to hold AGM up to 30 September 2021 (extended up to 30 November 2021) for the financial year 2020-21.

The Ministry of Corporate Affairs issued order dated 23 September 2021 to extend the time for holding of AGM for the financial year 2020-21 by two months from the due date. This has consequently resulted into extension in finalization of financial statements from 30 September 2021 to 30 November 2021.

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 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite the above stipulations, annual accounts of various SPSEs were pending as on 30 November 2021, as detailed in the following paragraph.

Audit further observed that in case of RSHCL, the AGM was not held till November 2021 and therefore, the audited financial statements for the year ended 31 March 2016, though signed on 27 May 2019 and certified by CAG in June 2019 were not placed before AGM for consideration and adoption upto 30 November 2021.

As of 31 March 2021, there were 38⁵⁰ Government Companies and four Government Controlled Other Companies under the purview of CAG's audit. Of these, 25 Government Companies submitted their accounts for the year 2020-21 for audit by CAG on or before 30 November 2021. Accounts of 13 Government Companies and four Government Controlled Other Companies were in arrears for various reasons.

Out of 42 Companies, accounts of 17 companies were in arrears.

Table 2.1 Status of arrear in accounts as on 30 November 2021

Particulars		Government Companies/Government Controlled Other Companies		
		Government Companies	Government Controlled Other Companies	Total
Total number of Companies under the purview of CAG's audit as on 31 March 2021		38	4	42
Number of companies which presented the accounts for CAG's audit by 30 November 2021		25	0	25
Number of accounts in arrears		13	4	17
Extent of arrear		Up to 6 years	Up to two year	
Break-up of Arrears	(i) Under Liquidation	1	-	
	(ii) Defunct	1	-	
	(iii) First Accounts not submitted	-	1	
	(iv) Others	11	3	

50 This does not include one SPSE i.e. Sangod Transmission Services Limited, incorporated on 3 February 2021, as the appointment of Statutory Auditor, being first financial year (2021-22) will be done after finalization of panel for the year 2021-22.

Placement of Separate Audit Reports of Statutory Corporations

2.5 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. Out of three Statutory Corporations, one Corporation had forwarded their accounts of 2020-21 by 30 November 2021.

Status of annual accounts of Statutory Corporations and placement of their SARs in the State Legislature as on 30 November 2021 is detailed in **Table 2.2**.

Table 2.2: Status of placement of SAR of the Statutory Corporations as on 30 November 2021

Name of the Corporation	Year of Accounts	Month/Year of placement of SAR
Rajasthan Financial Corporation	2019-20	February 2021
	2020-21	SAR to be finalised.
Rajasthan State Warehousing Corporation	2019-20	March 2021
	2020-21	Annual accounts not received till November 2021.
Rajasthan State Road Transport Corporation	2019-20	SAR to be finalised
	2020-21	Annual accounts not received till November 2021.

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

CAG's oversight- Audit of accounts and supplementary audit

Financial reporting framework

2.6 The Companies are required to prepare the financial statements in the format laid down in Schedule III of the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The Listed Companies and the Companies having net worth of more than ₹ 250 crore are required to comply with the Indian Accounting Standards (Ind AS). Further parent, subsidiary, associate and joint venture of aforesaid companies are also required to comply with Ind AS. The Companies not covered by the above shall continue to apply Accounting Standards (AS). Out of the 38 Government Companies, 14 entities follow the Ind AS and one Government Controlled other Company (Kota Smart City Limited) out of four, follow the Ind AS on voluntary basis, while the remaining prepare their accounts as per AS.

The Statutory Corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

Audit of accounts of Government Companies by Statutory Auditors

2.7 The statutory auditors appointed by the CAG under Section 139 of the Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in the audit of public sector undertakings. This role is discharged by

exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013 and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

The Statutory Auditors reported that 14 companies as detailed in **Annexure-2.1** did not comply with mandatory Accounting Standards/Ind AS.

Supplementary Audit of accounts of Government Companies

2.8 The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.

Result of CAG's oversight role

2.9 During the period under review (January 2021 to November 2021), the status of the financial statements received, reviewed and comments issued is given in the **Table 2.3**.

Table 2.3: Status of Financial Statements of SPSEs as on 30 November 2021

Particulars of Financial Statements	Financial Year 2020-21			Previous Years		
	Govt. company	Statutory corporation	Total	Govt. company	Statutory corporation	Total
Received	25	1	26	7 ⁵¹	1	8
Not Reviewed	7	-	7	1	-	1
Reviewed	18	1	19	6	1	7
Audit in progress*	14	1	15	-	1	1
Nil comment	2	-	2	4	-	4

51 This excludes recast financial statements of two SPSEs. Further, it does not include financial statements of RTDCL (2017-18) and RSHCL (2016-17), which were received in July 2021 and September 2021 as in case of RTDCL, the Board of the Company in its 182 meeting held on 12 March 2021 approved the financial statements and Auditors' Report thereon though the Auditors submitted their report on a later date viz; 25 March 2021 whereas in case of RSHCL, the audited financial statements (2015-16) were not placed before the AGM for consideration.

issued						
Comments issued	2	-	2	2	-	2

*As on 30 November 2021

Further, comments on the financial statements of eight SPSEs (Four Government Companies, three Government controlled other Companies and one Statutory Corporation), out of nine SPSEs, audit of those were under progress as on 31 December 2020, were also issued between January 2021 to September 2021. Thus, comments of the CAG on financial statements of 12 SPSEs (**Annexure-2.2**) were issued during the period under review.

Amendment of financial statements/Revision in Auditor's Report

2.10 As a result of supplementary audit of the financial statements conducted by the CAG during the audit period, one Government Company (Rajasthan Medical Services Corporation Limited) and one Government Controlled other Company (Kota Smart City Limited) amended their financial statements for the year 2019-20 before laying the same in the Annual General Meeting. Besides, one Government Company (Jaipur Vidyut Vitran Nigam Limited), pursuant to directions of State Government to rescind the return on equity claimed by RRVUNL for the financial years 2019-20 and 2020-21, amended its financial statements for the year 2020-21 before laying the same in the Annual General Meeting. Accordingly, the Statutory Auditors of these three SPSEs revised their Auditor's Report.

Significant comments of the CAG issued as supplement to the Statutory Auditors' reports

2.11 Subsequent to the audit of the financial statements by the Statutory Auditors, the CAG conducted supplementary audit of the financial statements of the SPSEs received during the reporting period (January 2021 to November 2021). The 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 the CAG for the accounts of 2018-21 are as follows:

Table 2.4: Impact of audit comments on financial statements of SPSEs

(₹ in crore)

Sl. No.	Particulars	2018-19		2019-20		2020-21	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	7	112.46	8	2231.82	7	64.47
2	Increase in profit	2	10.20	4	92.04	3	27.28
3	Increase in loss	0	0.00	5	5362.20	0	0.00
4	Decrease in loss	0	0.00	1	0.30	0	0.00
5	Non-disclosure of material facts	0	0.00	6	86.73	2	6290.22
6	Errors of classification	1	2.00	0	0.00	3	169.37

Source: Compiled from comments issued on financial statements of SPSEs.

Some of the significant comments issued after supplementary audit by CAG to the SPSEs are shown below:

Comment on Profitability

Sl. No.	Name of Company	Comment
1.	Ajmer Vidyut Vitran Nigam Limited (2019-20)	RERC in its truing up order for 2018-19 allowed Rajasthan Rajya Vidyut Prasaran Nigam Limited to recover transmission charges of ₹ 604.89 crore from the Company, against which the Company booked ₹ 630.17 crore. Excess booking of transmission charges resulted in overstatement of Current Liabilities and understatement of Profit by ₹ 25.28 crore.
		Non accountal of POC ⁵² charges bill of ₹ 2.75 crore (July 2011 to March 2020) of Power Grid Corporation of India Limited resulted in understatement of Current Liabilities and overstatement of Profit by ₹ 2.75 crore.
		Non accountal of gratuity expenses of ₹ 1.98 crore as per significant accounting policy of Company resulted in understatement of Current Liabilities and overstatement of Profit by ₹ 1.98 crore.
		Accountal of disputed revenue of ₹ 4.79 crore as operational revenue resulted in overstatement of Current Assets as well as Profit by ₹ 4.79 crore.
2.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (2019-20)	Non accountal of expenditure incurred on operation and maintenance of Kota Thermal Power Station (₹ 1.06 crore) and Chhabra Thermal Power Station (₹ 1.05 crore) resulted in understatement of current liabilities and overstatement of profit by ₹ 2.11 crore.
		Incorrect adjustment of credit of ₹ 10.69 crore against repair & maintenance expenditure resulted in understatement of repair & maintenance expenditure as well as understatement of Company's other income by ₹ 10.69 crore.
3.	RajComp Info Services Limited (2019-20)	Non booking of project expenses of ₹ 22.74 crore and service charges income (6% of project expenses of ₹ 22.74 crore) thereon of ₹ 1.36 crore in the accounts resulting in overstatement of project expenses related liabilities (Note-5) by ₹ 24.10 crore (₹ 22.74 crore + ₹ 1.36 crore) and understatement of trade payables by ₹ 22.74 crore and understatement of profit by ₹ 1.36 crore.

52 Point of Connection.

4.	Rajasthan State Warehousing Corporation (2019-20)	Incorrect capitalization of borrowing costs of ₹ 10.81 crore for the period when active development was interrupted resulted in overstatement of Capital Work in Progress and profit by ₹ 10.81 crore.
		Non provisioning of ₹ 18.85 crore for bad and doubtful assets with respect to claims lying with RSFCSC ⁵³ (₹ 2.10 crore) for the period 2013-16 and FCI ⁵⁴ (₹ 16.75 crore) resulted in overstatement of current assets, loans and advances and profit by ₹ 18.85 crore.

Comments on Financial Position

Sl. No.	Name of Company	Comment
1.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (2019-20)	Non accountal of ₹ 89.82 crore being expenditure on construction of marshalling yard for unit-7 & 8 of Suratgarh Super Critical Thermal Power Station resulted in understatement of Capital Work in Progress and overstatement of other Non-Current Assets by ₹ 89.82 crore.
2.	Rajasthan State Mines and Minerals Limited (2019-20)	The Company did not make provision for incorrect booking of Input Tax Credit of ₹ 62.23 crore (2019-20- ₹ 20.64 crore, 2018-19- ₹ 26.08 crore and 2017-18- ₹ 15.51 crore). This has resulted in overstatement of Current Assets by ₹ 62.23 crore and understatement of Other Expenses' and 'Other Equity' by ₹ 20.64 crore and ₹ 41.59 crore respectively. The profit for the year has also been overstated by ₹ 20.64 crore.
3.	Jaipur Smart City Limited (2019-20)	Non accountal of capital expenditure of ₹ 1.64 crore, resulted in understatement of trade payables and Capital work in Progress by ₹ 1.64 crore.
4.	Kota Smart City Limited (2019-20)	Non accountal of final bills of ₹ 1.13 crore related with installation and commissioning work of Rooftop Solar Photovoltaic Powered Water Pumping project and construction of Bus Shelter in Kota city, resulted in understatement of Property Plant & Equipment and other Current liabilities by ₹ 1.13 crore.
5.	Udaipur Smart City Limited (2019-20)	Non accountal of capital expenditure of ₹ 2.97 crore resulted in understatement of Capital work in Progress and trade payables by ₹ 2.97 crore.
6.	Rajasthan State Warehousing	Incorrect accounting of Cheques issued and RTGS/ NEFT by the debtors in April 2020 as Cheques in hand and deducting the same from outstanding debtors

53 Rajasthan State Food and Civil Supplies Corporation Limited

54 Food Corporation of India

	Corporation (2019-20)	resulted in understatement of Debtors (Warehousing Operation) and overstatement of Cash and Bank Balance - Cheques & D.D. in Hand by ₹ 46.12 crore.
7.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited (2018-19)	Incorrect reversal of RAVIL ⁵⁵ FDR of ₹ 1.14 crore instead of reversal of Accrued Interest on FDR (included in other current assets) resulted in understatement of Cash and Cash Equivalents and overstatement of Other Current Assets by ₹ 1.14 crore.

Comments on Disclosure/ General

Sl. No.	Name of Company	Comments
1.	Rajasthan Urja Vikas Nigam Limited (2020-21)	Incorrect inclusion of Fixed Deposits with schedules banks of ₹ 40 crore under cash and cash equivalents in contravention of AS-3 provisions and Company's significant accounting policy resulting in overstatement of Net Cash from/ (used) in Investing activities with consequent overstatement of Net increase/ (decrease) in Cash and Cash Equivalents and Cash and Cash Equivalents (closing balance) by ₹ 40 crore.
2.	Rajasthan Rajya Vidyut Utpadan Nigam Limited (2019-20)	The Company agreed in principle to phase out Unit 1 to 4 of the Kota TPS and required additional capital obligation of ₹ 6,290 crore (Phase-I ₹ 3,320 crore and Phase-II ₹ 2,970 crore) but such vital fact was not disclosed in the Financial Statement of 2019-20 despite the matter is under consideration of the State Government.
3.	Kota Smart City Limited (2019-20)	The Company did not disclose the fact about revision of financial statements for 2019-20 along with reasons viz difference in date of signing of financial statements and in date of BOD meeting, not signing of the financial statements by the Company secretary.
4.	Rajasthan Medical Services Corporations Limited (2019-20)	The Company did not disclose the primary reason of revision of accounts i.e. observation made by CAG auditors during supplementary audit and impact of such revision.

Comments on Auditors' Report

Sl. No.	Name of Company	Comments
1.	Giral Lignite Power Limited (2020-21)	<p>Statutory Auditors (SAs) in its report under Basis for Adverse Opinion have reported that <i>“Government of Rajasthan has disapproved the company’s plan of phased revival of plants by infusing more investment owing to improbability and success attached to restarting of same. Thus, there is material doubt on the chances of revival of operations of the company for want of permissions.”</i> Further, in the conclusion of opinion it was also reported by the SAs that <i>“material uncertainty exists about the company’s ability to continue as a going concern”</i>.</p> <p>The Board of Directors (BoD) accorded approval (29 June 2021) for issue of the Preliminary Information Memorandum (PIM) for inviting fresh Expression(s) of Interest (EOI) for disinvestment of GLPL through sale of 100% Equity, as recommended by the committee constituted by the State Government. Thus, there is material certainty about the company’s ability to not continue as a going concern.</p> <p>Further, conditions leading to disinvestment also existed on the Balance Sheet date, viz., the State Government conveyed (8 December 2020) the decision to start disinvestment process of the Company which indicated that the fundamental accounting assumption of going concern was not appropriate on the Balance Sheet date. These two material facts have not been reported by the Statutory Auditors.</p>
2.	Rajasthan Urja Vikas Nigam Limited (2020-21)	<p>The Independent Auditor’s opinion under Report on Other Legal and Regulatory Requirements that <i>“the standalone financial statements comply with the Accounting Standards specified under section 133 of the Companies Act, read with Rule 7 of the Companies (Accounts) Rules 2014”</i> was not correct as the Company has included the amount related to investment with maturity more than three months under the head Cash and Cash Equivalents in contravention of AS-3.</p> <p>Further, the Statutory Auditors have expressed unmodified opinion. The opinion given by the Statutory Auditors was also not correct to this extent as the Statutory Auditors have failed to qualify the matter of non-compliance of AS-3.</p>

3.	Rajasthan State Mines and Mineral Limited (2019-20)	The Independent Auditor's opinion under Report on Other Legal and Regulatory Requirements that "the standalone financial statements comply with the Indian Accounting Standards specified under section 133 of Companies Act read with the Companies (Indian Accounting Standards) Rule 15 as amended." was incorrect as there were two qualifications regarding short provisioning of liabilities under the head Basis of qualified opinion, showing non-compliance of financial statements with Indian Accounting Standard (Ind AS)-37: Provisions, Contingent Liabilities and Contingent Assets.
4.	RajComp Info Services Limited (2019-20)	The Statutory Auditors' Report was deficient as they failed to report on CAG's sub directions issued to them under sub section 5 of the section 143 of the Companies Act, 2013.
5.	Rajasthan Medical Services Corporation Limited (2019-20)	The Independent Auditor did not include 'Revised' word in their Report (Opinion Clause). Further, primary reason for revision <i>i.e.</i> observation made by CAG auditors during supplementary audit of accounts and impact thereon was also not mentioned by the Independent Auditor.
6.	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited (2018-19)	<p>Standard on Auditing-706 (SA-706) states that only those matters which are presented or disclosed in the Financial Statements and which the Auditor considers necessary to draw user's attention to, may only be included in the Emphasis of Matter (EOM). Further, SA-706 explains that widespread use of EOM Paragraph diminishes the effectiveness of auditor's communication of such matters and that EOM Paragraph is not a substitute for a modified opinion.</p> <p>Inclusion by Statutory Auditor of several deficiencies in the EOM Paragraph viz. inconsistency between receipt/turnover in GST returns and books of accounts, utilization certificates not held, etc. Further, the EOM also included issues where the Statutory Auditor was unable to comment on the accuracy of transactions viz. GST liability recognized in the books, ledgers forming part of CWIP or Mobilisation and Advance against works, extent of realization of advance/trade receivable etc. due to uncertainty involved/non-reconciliation and non-confirmation. These matters warrant a modified audit opinion and are not to be covered only in EOM paragraph. Hence, it was not proper on the part of the Statutory</p>

		Auditor to have provided an assurance in the Audit Report that Financial Statements presented a true and fair view and were free from material misstatement.
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Statutory corporations where CAG is the sole auditor

2.12 The progress of audit on the accounts of Statutory Corporation where CAG is the sole auditor is detailed below:

Rajasthan State Road Transport Corporation

The Corporation had submitted (April 2021) its financial statements for the year 2019-20. As a result of audit the Corporation has revised its accounts and submitted (September 2021) the revised accounts for audit. The Separate Audit Report (SAR) was under finalization as on 30th November 2021. It was, however, issued on 21 January 2022.

Non-compliance with provisions of Accounting Standards/IND AS

2.13 In exercise of the powers conferred by Section 469 of the Act, 2013, read with Section 129 (1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016. Three Ind AS namely Ind AS 11, 17 & 18 have been withdrawn after the notification of Ind AS 115 & 116.

During the course of supplementary audit the CAG observed that the following companies had not complied with the Accounting Standards/Ind AS. This noncompliance was not reported by their statutory auditors:

AS/ Ind AS	Name of AS/Ind AS	Name of the Company	Deviation
AS 3	Cash Flow Statement	Rajasthan Urja Vikas Nigam Limited (2020-21)	Inclusion of Fixed Deposits with scheduled banks, having maturity of more than three months, under Cash and Cash Equivalents. SA also failed to report about non-compliance of AS-3 in its report.
Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets.	Rajasthan State Mines and Mineral Limited (2019-20)	The Independent Auditor of consolidated financial statements stated that standalone financial statements comply with the Indian Accounting Standards however the Statutory Auditors of standalone financial statements have made two qualifications

			regarding short provisioning of liabilities under the head Basis of qualified opinion.
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Management Letters

2.14 One of the objectives of financial audit is to establish communication on audit matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of SPSEs were reported as comments by the CAG under Section 143 (5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial reports or in the reporting process, were also communicated to the management through a 'Management Letter' for taking corrective action. These deficiencies generally relate to application and interpretation of accounting policies and practices, adjustments arising out of audit that could have a significant effect on the financial statements and inadequate or non-disclosure of certain information on which management of the concerned SPSEs gave assurances that corrective action would be taken in the subsequent year.

During the period under review, CAG issued 17 'Management Letters' to SPSEs as shown in **Annexure-2.3**. The broad nature of irregularities highlighted in these Management Letters were as under:

- Non-compliance / non-disclosure of Accounting Policies;
- Issuing direction of accounting as per Government of Rajasthan/ Hon'ble Court's decision;
- Non-reconciliation of balances;
- Misclassifications of assets, liabilities, income and expenditures *etc.*;
- Inadequate/non-disclosures in 'Notes to Accounts'; and
- Non-maintenance of proper books of accounts.

Chapter-III

Corporate Governance

Chapter-III

Corporate Governance

This chapter deals with adherence to Corporate Governance principles by the Government companies. Issues related to appointment of independent directors/women directors in the board of directors of the government companies, their presence in attending the meetings of the board of directors and the committees formed thereunder, holding of meetings of the board of directors *etc.* are highlighted.

Introduction

3.1 Corporate Governance focusses on building the confidence of various stakeholders including customers, suppliers, employees, shareholders, bankers and society at large. A company is directed and controlled with the system of rules, practices and process of the Corporate Governance. Further, Corporate Governance framework of any SPSE depends upon the four pillars namely transparency, full disclosure, independent monitoring and fairness to all. Adherence to the Corporate Governance principles brings accountability, transparency in business and enhances confidence of the stakeholders.

Provisions contained in the Companies Act, 2013

3.2 The Companies Act, 2013 (Act) was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs has also notified (31 March 2014) Companies Rules 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers and Accounts. The Companies Act, 2013 together with the Companies Rules provide a robust framework for corporate governance. The requirement *inter alia* provides for:

Qualifications for Independent Directors along with the duties and guidelines for professional conduct {Section 149(6) read with rule 5 of the Companies (Appointment and Qualification of Directors) Rules, 2014}.

Mandatory appointment of one woman director on the board of prescribed companies {Section 149(1) of the Companies Act, 2013}.

Mandatory establishment of certain committees like Audit Committee {Section 177(1) of the Companies Act, 2013}, Nomination and Remuneration Committee {Section 178(1) of the Companies Act, 2013}, and Stakeholders Relationship Committee {Section 178(5) of the Companies Act, 2013}.

Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board {Section 173(1) of the Companies Act, 2013}.

SEBI/BPE guidelines on Corporate Governance

3.3 Since none of the State Public Sector Enterprises (SPSEs) is listed in the stock exchange, SEBI guidelines on Corporate Governance are not applicable on SPSEs. Further, the Bureau of Public Enterprises (BPE), Government of Rajasthan (GoR) has also not issued any guideline on corporate governance.

Review of compliance of the Corporate Governance provisions

3.4 As on 31 March 2021, there were 42 SPSEs (38 Government Companies and four Government Controlled Companies) under the audit jurisdiction of the CAG of India.

For the purpose of the review, an assessment framework was prepared based on the provisions contained in the Act, 2013 on corporate governance. The review covers all the Government Companies under administrative control of various departments except Rajasthan State Agro Industries Corporation Limited which is under liquidation.

Composition of Board of Directors

3.5 The board is a collective body of either elected or appointed persons that meets at regular intervals to set policies for corporate management and oversee the activities of an organization. As per Section 2 (10) of the Companies Act, 2013 'Board of directors' or 'Board', in relation to a company, means the collective body of the Directors of the company.

Independent Directors

3.6 The presence of independent representatives on the Board, capable of taking an independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders.

Section 149 (6) of the Companies Act 2013 *inter alia* stipulated that an independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director and is a person of integrity and possesses relevant expertise and experience. Besides, the independent director shall neither be a promoter himself nor shall be related to the promoters/directors of the company or its holding, subsidiary or associate company. The independent director himself or his relatives shall not have any pecuniary relationship/ transaction (other than remuneration of independent director) with the company, or its subsidiary, or its holding or associate company beyond the monetary limits and during the period prescribed in this section. The independent director himself or his relatives shall not hold key managerial position or any other prescribed relationship viz. employee, auditors, companies secretaries etc. with the company or its holding, subsidiary or associate company during the timeframe prescribed in this section.

Section 149 (4) of the Act, 2013 provides that every listed public company shall have at least one-third of the total number of directors as independent directors. Further, as per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, (i) Public Companies having paid up share capital of ten crore rupees or more; or (ii) turnover of one hundred crore rupees or more; or (iii) have, in aggregate, outstanding loans, debentures and deposits, exceeding fifty crore

rupees shall have at least two directors as independent directors.

Further, a company covered under this rule is also required to constitute an audit committee. Such Audit Committee shall consist of a minimum of three directors, with independent directors forming a majority as per section 177(2) of the Act, 2013.

Rule further provides that where a company ceases to fulfil any of three conditions for three consecutive years, it shall not be required to comply with these provisions until such time as it meets any of such conditions.

Further as per Rule 4 (2), three classes of unlisted public company *i.e.* a joint venture or a wholly owned subsidiary or a dormant company is not required to appoint an independent director.

Audit noticed that out of 41 SPSEs, 26 SPSEs, as shown in **Annexure-3.1**, were required to appoint Independent Directors (IDs) as per the provisions of the Act, 2013 and Rule 4 mentioned above during FY 2020-21. Based on the review of composition of the Board of Directors (BoD) a summarized status of appointment of independent directors in these SPSEs is given in **Table 3.1**:

Table 3.1 Status of appointment of Independent Director (ID)

Particulars	As on 31 March 2020	As on 31 March 2021
No. of SPSEs required to appoint IDs	26	26
No. of SPSEs having required number of IDs	5	6
No. of SPSEs not having required number of IDs	4	2
Number of SPSEs not having any ID	17	18

Source: Compiled on the basis of information provided by SPSEs

Out of SPSEs not having any ID as on 31 March 2020 and 31 March 2021, one SPSE *i.e.* Rajasthan Small Industries Corporation Limited (RSICL) was liable to appoint IDs on its BoD during 2018-19 to 2020-21 considering its turnover (₹ 136.06 crore) during 2017-18 whereas rest of the SPSEs were liable to appoint IDs due to continuous fulfilment of the conditions prescribed under Rule 4 the Companies (Appointment and Qualification of Directors) Rules, 2014.

It could be seen from **Annexure 3.1** that two SPSEs⁵⁶, which had one ID as on 31 March 2020, did not appoint new IDs till 31 March 2021 after expiry of the tenure of previous IDs in August 2020. Though, there was decrease in the number of SPSEs which did not have the required number of IDs, the number of SPSEs not having any ID has increased to 18 as on 31 March 2021 as compared to 17 as on 31 March 2020.

Thus, the SPSEs did not ensure compliance of the provision of the Companies Act 2013 as well as Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Woman Director in the Board

3.7 Section 149 (2) of the Act, 2013 read with Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 provides for appointment of at least one woman director in - (i) every listed company; (ii) every other public company having - (a) paid-up share capital of one

56 Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Urja Vikas Nigam Limited (Sl. No. 4 and 7 of **Annexure-3.1**).

hundred crore rupees or more; or (b) turnover of three hundred crore rupees or more. Further, any intermittent vacancy of a woman director shall be filled-up by the Board at the earliest but not later than immediate next Board meeting or three months from the date of such vacancy whichever is later.

Audit observed that 19 SPSEs, as shown in **Annexure-3.1**, were required to appoint woman director during 2020-21. Of these 19 SPSEs, 13 SPSEs had at least one woman director throughout FY 2020-21 as given in **Table 3.2**:

Table 3.2: SPSEs having at least one-woman director during FY 2020-21

Sl. No.	Name of SPSE
1.	Ajmer Vidyut Vitran Nigam Limited
2.	Jaipur Vidyut Vitran Nigam Limited
3.	Jodhpur Vidyut Vitran Nigam Limited
4.	Rajasthan Rajya Vidyut Utpadan Nigam Limited
5.	Giral Lignite Power Limited
6.	Rajasthan Rajya Vidyut Prasaran Nigam Limited
7.	Rajasthan State Industrial Development and Investment Corporation Limited
8.	Rajasthan State Food & Civil Supplies Corporation Limited
9.	Rajasthan State Beverage Corporation Limited
10.	Rajasthan State Ganganagar Sugar Mills Limited
11.	Jaipur Metro Rail Corporation Limited
12.	Kota Smart City Limited
13.	Rajasthan State Mines and Minerals Limited

Source: Compiled based on the information provided by SPSEs

Audit noticed that one SPSE *i.e.* Rajasthan State Gas Limited did not have woman director throughout the FY 2020-21 and two SPSEs (Udaipur Smart City Limited & Rajasthan State Road Development & Construction Corporation Limited) did not appoint new woman directors after expiry of tenure of previous women directors on 5 July 2020 and 31 October 2020 respectively. Further, one SPSE *i.e.* Barmer Lignite Mining Company Limited ensured compliance of provision of Rule 3 by filling up the vacancy of woman director within the prescribed time period. Audit observed that two SPSEs (Jaipur Smart City Limited & Rajasthan Medical Services Corporation Limited) filled up the vacancy of woman director after a delay of six months and 15 months respectively.

Appointment and Functioning of Independent Director

Issuance of formal letter of appointment and approval at General Meeting

3.8 As per schedule IV of the Companies Act 2013, appointment of independent director shall be approved at the meeting of shareholders (General Meeting). Further, the appointment of Independent Directors shall be formalised through a letter of appointment which shall set out the terms and conditions of appointment. Further, the terms and conditions of appointment of independent directors are also required to be posted on the Company's website.

Two SPSEs (Rajasthan Ex-Servicemen Corporation Limited and RajComp Info Services Limited) appointed independent directors during 2020-21. Audit observed that RajComp Info Services Limited did not obtain approval of

appointment in the General Meeting and formal letters containing terms and conditions of appointment issued to the appointed Independent Directors were not found on record.

Training of Independent Directors

3.9 As per Schedule IV {Para III (1)- Duties of Independent Directors} of the Companies Act, Independent Directors shall undergo appropriate induction training and regularly update and refresh their skills, knowledge and familiarity with the company. Audit, however, observed that none of the SPSEs except two⁵⁷ SPSEs imparted such training for the Independent Directors who were on the Board during FY 2020-21.

Attending meeting of the Board, Board Committees and General meetings of the Company

3.10 Schedule IV (III) (3) of the Act, 2013 provides that Independent Directors should strive to attend all the meetings of Board of Directors and Board Committees of which he/she was a member.

A. Board meetings

Status of attendance of the independent directors who were on the Board at the time of the meeting are given in **Table 3.3**.

Table 3.3 Presence of Independent Directors in meetings of the Board

Sl. No.	Name of the SPSE	No. of Board meeting	No. of meetings with 100% presence of ID
1.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	3	3
2.	Rajasthan Urja Vikas Nigam Limited	3	3
3.	Rajasthan State Beverage Corporation Limited	2	0
4.	Rajasthan State Ganganagar Sugar Mills Limited	3	1
5.	Rajasthan State Mines & Minerals Limited	1	1
6.	RajComp Info Services Limited	4	2
7.	Jaipur Metro Rail Corporation Limited	4	2
8.	Udaipur Smart City Limited	1	1
9.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	2	1
10.	Barmer Lignite Mining Company Limited (SPSE not required to appoint IDs under Section 149 of Companies Act 2013)	1	1

Source: Compiled based on the information provided by SPSEs

It could be seen from the table above that 100 *per cent* presence of Independent Directors was only in 63 *per cent* of the Board Meetings. Further, the Independent Directors appointed in the board of Rajasthan State Beverage Corporation Limited did not give importance to the role assigned to them on behalf of the stakeholders by not attending the board meetings.

B. Meeting of Board Committees

Corporate Social Responsibility (CSR) Committee- Audit also reviewed the presence of the Independent Directors in the Companies where meetings of the constituted CSR Committees were held during 2020-21 and the independent

57 Rajasthan Ex-Servicemen Corporation Limited and Udaipur Smart City Limited

directors were on board at the time of meeting. The attendance of Independent Directors in CSR Committee Meetings is given in **Table 3.4**.

Table 3.4 Attendance of ID in CSR Committee Meetings

Sl. No.	Name of the SPSE	Date of meeting	No. of ID in board	No. of ID attended
1.	Rajasthan State Beverage Corporation Limited	25.03.2021	2	0
2.	Rajasthan State Ganganagar Sugar Mills Limited	25.03.2021	2	1
3.	RajComp Info Services Limited	05.03.2021	2	1

Source: Compiled based of the information provided by SPSEs

It could be seen that both the Independent Directors of Rajasthan State Beverage Corporation Limited remained absent in CSR Committee meeting whereas only one Independent Director of two SPSEs (Sl. No. 2 and 3) attended the meeting.

Audit Committee- The status of presence of the Independent Directors on board during Audit Committee meetings held in FY 2020-21 is given in **Table 3.5**.

Table 3.5 Attendance of ID in Audit Committee Meetings

Sl. No.	Name of the SPSE	Date of meeting	No. of ID on board	No. of ID attended
1.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	29.06.2020	1	1
2.	Rajasthan Urja Vikas Nigam Limited	29.06.2020	1	1
3.	RajComp Info Services Limited	23.10.2020	2	2
4.	Jaipur Metro Rail Corporation Limited	08.10.2020	1	1
		02.11.2020	1	1
5.	Udaipur Smart City Limited	09.09.2020	1	0
6.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	28.07.2020	2	2
		05.01.2021	2	2
7.	Barmer Lignite Mining Company Limited	23.11.2020	3	3
8.	Rajasthan State Beverage Corporation Limited	23.10.2020	2	1
9.	Rajasthan State Ganganagar Sugar Mills Limited	17.09.2020	2	1
		04.12.2020	2	2

Source: Compiled based of the information provided by SPSEs

C. General Meetings

Schedule IV (III) (5) of the Act, 2013 states that Independent Directors shall strive to attend all the General Meetings of the Company. Audit noticed that Independent Directors in 6 SPSEs were on board at the time of Annual General Meeting (AGM) during FY 2020-21. The details of the Annual General Meeting (AGM) held in 2020-21, number of independent directors on board of SPSE and number of independent directors that attended the meeting are given in **Table 3.6**.

Table 3.6 Attendance of ID in Annual General Meetings

Sl. No.	Name of the SPSE	Date of AGM	No. of ID on board	No. of ID attended
1.	RajComp Info Services Limited	12.02.2021	2	1
2.	Jaipur Metro Rail Corporation Limited	23.12.2020	1	0
3.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	23.03.2021	2	1
4.	Rajasthan State Beverage Corporation Limited	11.12.2020	2	1
5.	Rajasthan State Ganganagar Sugar Mills Limited	29.12.2020	2	1
6.	Barmer Lignite Mining Company Limited	02.03.2021	3	1

Source: Compiled based on the information provided by SPSEs

It could be seen from the table above that the independent director on board of Jaipur Metro Rail Corporation Limited did not attend the AGM whereas participation of independent directors of remaining five SPSEs (Sl. No. 1, 3, 4, 5 and 6) was less. Further, none of the SPSEs conducted AGM with full attendance of Independent Directors.

Separate meeting of Independent Directors

3.11 As per Schedule IV (VII) (1) of the Act, 2013, the independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management. Further, all the independent directors of the company shall strive to be present at such meeting to review the performance of non-independent directors and the Board as a whole. The performance of the Chairperson of the company would also be reviewed taking into account the views of executive directors and non-executive directors.

Audit noticed that out of the six SPSEs wherein more than one Independent Directors were on board during 2020-21, Independent Directors of only one SPSE *i.e.* Rajasthan Ex-Servicemen Corporation Limited conducted a separate meeting on 31 March 2021, whereas Independent Directors of remaining five SPSEs did not conduct separate meetings during 2020-21.

Audit observed that in the absence of separate meetings, the very purpose of appointing the Independent Directors on the board of six SPSEs *i.e.* to review the performance of non-independent directors, chairperson and the Board as a whole was defeated. Further, assessment of the quality, quantity and timeliness of flow of information between the company management and the Board, necessary for the Board to effectively and reasonably perform their duties, could also not be done as required in Schedule IV (VII) (3) (c).

Filling-up the posts of Key Managerial Personnel

3.12 Section 203(1) of the Act, 2013 provides that every company belonging to such class or classes of companies, as may be prescribed, shall have whole time Key Managerial Personnel (KMP) viz; (i) Managing Director, or Chief Executive Officer (CEO) or Manager and in their absence, a Whole-Time Director; (ii) Company Secretary; and (iii) Chief Financial Officer (CFO).

Further, Rule 8 of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 provides that every listed company and every other public company having a paid-up share capital of rupees ten crore or more shall have whole-time key managerial personnel. Section 203(4) of the Act, 2013 further provided that if the office of any whole-time key managerial personnel is vacated, the resulting vacancy shall be filled-up by the Board at a meeting of the Board within a period of six months from the date of such vacancy.

Audit noticed that the paid-up capital of 24 SPSEs, as given in **Annexure-3.1**, was ₹ 10 crore or more as per their latest finalized accounts. Hence, these companies were required to appoint whole time KMPs. Of these 24 SPSEs, whole time KMPs were found appointed in 20 SPSEs except four SPSEs as shown in the **Table 3.7**.

Table 3.7: Status of appointment of KMPs

Sl. No.	Name of SPSE	Status of KMP
1	Rajasthan State Road Development & Construction Corporation Limited	Company Secretary post was vacant for more than six months
2	Rajasthan State Industrial Development and Investment Corporation Limited	
3	Rajasthan Tourism Development Corporation Limited	Company Secretary post was vacant during 2020-21
4	Rajasthan State Handloom Development Corporation Limited	Full time Company Secretary (CS) was not appointed in 2020-21

Source: Compiled based on the information provided by SPSEs

Further review of records related to filling up of KMPs vacancies disclosed that the KMP's vacancies which occurred during 2020-21 were filled up within a period of six months from the date of such vacancy except in PSUs as mentioned in above table.

Meeting of the Board of Directors

3.13 As per section 173 (1) of the Act, 2013, every company shall hold the first meeting of the Board of Directors (BoD) within thirty days of the date of its incorporation and thereafter hold minimum four meetings of BoD every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board.

Ministry of Corporate Affairs provided (24 March 2020) an extension of 60 days in holding the meetings of BoD within the intervals provided in the section 173 till next two quarters i.e. till September 2020 as a one-time measure.

The details of number of BoD meetings conducted by each SPSE during the year 2020 are given in **Annexure-3.1**. It could be seen that out of 41 SPSEs, 18⁵⁸ SPSEs failed to conduct four BoD meetings during the year 2020-21 whereas Six⁵⁹ SPSEs held only one BoD meeting during the year 2020-21. Further, details of SPSEs where the intervening period of two BoD meetings was found more than the prescribed time limit of 120/180 days are given in **Table 3.8**.

58 Sl. No. 9, 10, 11, 12, 14, 17, 18, 19, 23, 24, 25, 27, 28, 31, 32, 39, 40 & 41.

59 Sl. No. 10, 18, 25, 31, 39 & 40.

Table 3.8: Intervening period in holding of two consecutive BoD Meetings

Sl. No.	Name of SPSE	Date of meeting	Date of next meeting	Intervening period (in days)
1	Rajasthan State Handloom Development Corporation Limited	31.10.2019	13.10.2020	348
2	Barmer Lignite Mining Company Limited	19.11.2019	28.10.2020	346
3	Rajasthan State Petroleum Corporation Limited	09.12.2019	08.06.2020	182
		08.06.2020	22.03.2021	256
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	09.12.2019	10.06.2020	183
5	Rajasthan Small Industries Corporation Limited	18.06.2020	26.10.2020	130
6	Rajasthan State Mines & Minerals Limited	10.12.2019	16.10.2020	311
7	Jaipur Smart City Limited	29.08.2019	22.01.2020	146
		22.01.2020	10.09.2020	232
8	Ajmer Smart City Limited	11.11.2019	16.03.2020	127
		22.07.2020	30.12.2020	161
9	Kota Smart City Limited	14.08.2019	02.09.2020	385
10	Udaipur Smart City Limited	31.12.2019	29.09.2020	272
11	Rajasthan Civil Aviation Corporation Limited	31.10.2019	05.08.2020	279
		05.08.2020	26.03.2021	233
12	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	17.08.2019	29.01.2020	165
		29.01.2020	29.07.2020	182
		29.07.2020	15.01.2021	170
13	Rajasthan Police Infrastructure Development Corporation Limited	19.12.2019	29.07.2020	222
		27.10.2020	07.06.2021	223
14	Rajasthan Tourism Development Corporation Limited	25.06.2020	18.11.2020	146
15	Rajasthan State Hotels Corporation Limited	25.06.2020	09.11.2020	137

Source: Compiled based on the information provided by SPSEs

Further, Section 173(3) of the Act, 2013 provides that a meeting of the Board shall be called by giving not less than seven days' notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means. A review of the date of the notices and the meetings disclosed that the following 13 SPSEs conducted BoD meetings without serving seven days' notice.

Table 3.9 Detail of Board Meeting called with shorter notice

Sl. No.	Name of the SPSE	Date of Notice	Board Meeting Date
1	Giral Lignite Power Limited	16.06.2020	19.06.2020
		12.10.2020	16.10.2020
		18.12.2020	22.12.2020
		24.12.2020	29.12.2020
2	Dholpur Gas Power Limited	16.06.2020	19.06.2020
		25.09.2020	29.09.2020
		24.12.2020	29.12.2020

3	Chhabra Power Limited	16.06.2020	19.06.2020
		25.09.2020	29.09.2020
		24.12.2020	29.12.2020
4	Rajasthan State Industrial Development and Investment Corporation Limited	22.06.2020	25.06.2020
		21.10.2020	22.10.2020
		23.12.2020	24.12.2020
5	Ajmer Smart City Limited	11.03.2020	16.03.2020
6	Rajasthan State Gas Limited	11.11.2020	12.11.2020
7	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	27.01.2020	29.01.2020
		25.07.2020	29.07.2020
8	Rajasthan State Hotels Corporation Limited	04.11.2020	09.11.2020
9	Rajasthan State Power Finance and Financial Services Corporation Limited	11.12.2020	16.12.2020
10	Ajmer Vidyut Vitran Nigam Limited	21.12.2020	24.12.2020
11	Rajasthan Medical Services Corporation Limited	03.02.2020	05.02.2020
12	Rajasthan Ex-servicemen Corporation Limited	08.06.2020	12.06.2020
13	Rajasthan Skill and Livelihood Development Corporation	02.12.2020	04.12.2020

Source: Compiled based of the information provided by SPSEs

Audit Committee and Other Committees of the Board

Constitution and Composition of Audit Committee

3.14 As per Section 177 (1) of the Act, 2013 and Rule 6 of the Companies (Meetings of Board and its powers) Rules, 2014, the BoD of every listed public company and all public companies with a paid up capital of ₹ 10 crore or more; or having turnover of ₹ 100 crore or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more, except Joint Venture Companies and wholly owned subsidiary companies shall constitute an Audit Committee.

Audit noticed that out of 41 SPSEs, 26 SPSEs, as given in **Annexure-3.1**, having requirement of Independent Directors in their board were required to constitute Audit Committee. Audit observed that all SPSEs, except Rajasthan State Handloom Development Corporation Limited (RSHDCL) and Kota Smart City Limited (KSCL), have constituted Audit Committee as on 31 March 2021.

Composition of the Audit Committee

3.15 Section of 177(2) of the Act, 2013 provides that the Audit Committee shall consist of a minimum of three directors, with independent directors forming a majority. Further, the majority of members of Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statement.

Audit observed that two SPSEs (RSHDCL and KSCL) did not constitute the Audit Committee. Out of remaining 24 SPSEs, wherein Audit Committee was constituted, all SPSEs except one SPSE *i.e.* Rajasthan State Industrial Development and Investment Corporation Limited, fulfilled the criteria of having at least three directors in their Audit Committee during FY 2020-21.

Further, the majority of Independent Directors was found in five⁶⁰ SPSEs only whereas in remaining 19 SPSEs (including Rajasthan State Seeds Corporation Limited having five directors in its Audit Committee but not having any independent director during 2020-21), the Independent Directors were not found in majority.

Terms of reference for Audit Committee

3.16 Section 177(4) of the Act, 2013 provides that every Audit Committee shall act in accordance with the terms of reference (ToR) specified in writing by the Board.

Audit noticed that out of 24 SPSEs (excluding RSHDCL & KSCL) which have constituted Audit Committee, the ToR of only 14 SPSEs, as shown in **Table 3.10**, was found approved by their respective Boards.

Table 3.10: SPSEs where ToR of Audit Committee approved

Sl. No.	Name of SPSE
1.	Ajmer Vidyut Vitran Nigam Limited
2.	Jodhpur Vidyut Vitran Nigam Limited
3.	Jaipur Metro Rail Corporation Limited
4.	Jaipur Vidyut Vitran Nigam Limited
5.	Rajasthan State Industrial Development and Investment Corporation Limited
6.	Rajasthan Medical Services Corporation Limited
7.	Rajasthan Rajya Vidyut Utpadan Nigam Limited
8.	Rajasthan Small Industries Corporation Limited
9.	Rajasthan State Power Finance & Financial Services Corporation Limited
10.	Rajasthan State Seeds Corporation Limited
11.	Rajasthan Urja Vikas Nigam Limited
12.	RajComp Info Services Limited
13.	Rajasthan Renewable Energy Corporation Limited
14.	Rajasthan Rajya Vidyut Prasaran Nigam Limited

Source: Compiled on the basis of information provided by SPSEs

A review of ToR disclosed that all these SPSEs (except SPSEs at Sl. No. 8 and 10) included all points as specified in Section 177(4).

SPSEs wherein ToR of Audit Committee was not approved by their respective boards are given in **Table 3.11**.

Table 3.11: SPSEs where ToR of Audit Committee not approved

S. No.	Name of SPSE
1	Rajasthan State Beverage Corporation Limited
2	Rajasthan State Ganganagar Sugar Mills Limited
3	Rajasthan Tourism Development Corporation Limited
4	Rajasthan State Food and Civil Supplies Corporation Limited
5	Rajasthan Ex-Servicemen Corporation Limited
6	Rajasthan State Mines & Minerals Limited
7	Rajasthan State Road Development & Construction Corporation Limited

60 Rajasthan State Beverage Corporation Limited, Rajasthan State Ganganagar Sugar Mills Limited, Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited, RajComp Info Services Limited and Rajasthan State Mines & Minerals Limited

8	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited
9	Jaipur Smart City Limited
10	Udaipur Smart City Limited

Source: Compiled on the basis of information provided by SPSEs

Review of functioning of Audit Committee

3.17 The terms of reference under Section 177(4) of the Act, 2013 *inter alia* includes (i) review and monitor the auditor's independence and performance and effectiveness of audit process; (ii) examination of the financial statement and the auditors' report thereon; (iii) evaluation of internal financial controls and risk management systems. Further, Section of 177(5) of the Act, 2013 provides that the Audit Committee may call for the comments of the auditors about internal control systems, scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of company.

The details of Audit Committee meetings held by SPSEs are given in **Annexure-3.1**. One SPSE i.e. Rajasthan State Mines & Minerals Limited did not hold any Audit Committee meeting in FY 2020-21. To assess whether the constituted Audit Committees acted in accordance with the approved ToR, an analysis of minutes of the meetings of the Audit Committees held during 2020-21 was done. Audit analysis revealed that the Audit Committees of only five⁶¹ SPSEs evaluated the internal controls mechanism existing in the SPSE whereas Audit Committees of none of the SPSEs reviewed and monitored the auditor's independence and performance.

Nomination and Remuneration Committee

3.18 As per Section 178(1) of the Act, 2013 and Rule 6 of the Companies (Meetings of Board and its powers) Rules, 2014, the BoD of every listed public company and all public companies with a paid up capital of ₹ 10 crore or more; or having turnover of ₹ 100 crore or more; or having in aggregate, outstanding loans or borrowings or debentures or deposits exceeding ₹ 50 crore or more, shall constitute a Nomination and Remuneration Committee (NRC).

Audit noticed that 26 SPSEs, as shown in **Annexure-3.1**, were required to constitute the NRC. However, the following 10 SPSEs did not constitute the NRC as on 31 March 2021:

Table 3.12: SPSEs which did not constitute NRC

Sl. No.	Name of the SPSE
1.	Rajasthan State Handloom Development Corporation Limited
2.	Rajasthan Tourism Development Corporation Limited
3.	Rajasthan Small Industries Corporation Limited
4.	Rajasthan State Mines & Minerals Limited
5.	RajComp Info Services Limited

61 Rajasthan Renewable Energy Corporation Limited, Jaipur Metro Rail Corporation Limited, Jaipur Smart City Limited, Rajasthan State Power Finance and Financial Services Corporation Limited, Rajasthan Urban Drinking Water sewerage & Infrastructure Corporation Limited

6.	Kota Smart City Limited
7.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited
8.	Rajasthan Rajya Vidyut Utpadan Nigam Limited
9.	Rajasthan State Industrial Development and Investment Corporation Limited
10	Rajasthan State Road Development and Construction Corporation Limited

Source: Compiled on the basis of information provided by SPSE

The Act, 2013 further provides that the NRC should consist of three or more non-executive directors out of which not less than one-half shall be independent directors. The chairperson of the Company (whether executive or non-executive) may be appointed as a member of the NRC but shall not chair such Committee.

An analysis of the NRC constituted in 16 SPSEs disclosed that the composition of the NRC (except RSBCL, RSGSML & REXCO) was not as per the provisions of the Act, 2013 as summarized in the **Table 3.13**.

Table 3.13 Composition of NRC in SPSEs as on 31 March 2021

Sl. No.	Name of the SPSE	Composition and remarks
1.	Jodhpur Vidyut Vitran Nigam Limited	Three non-executive members but no Independent Director
2.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Three non-executive members but no Independent Director
3.	Ajmer Vidyut Vitran Nigam Limited	Three non-executive members but no Independent Director
4.	Jaipur Metro Rail Corporation Limited	Three non-executive members including one Independent Director
5.	Udaipur Smart City Limited	Three executive and one Independent Director, instead of prescribed number of non-executive members. Independent Director did not have majority.
6.	Rajasthan Medical Services Corporation Limited	Three non-executive members but no Independent Director
7.	Rajasthan State Beverage Corporation Limited	Three non-executive members including two Independent Director
8.	Rajasthan State Power Finance & Financial Services Corporation Limited	Three non-executive members but no Independent Director
9.	Rajasthan State Ganganagar Sugar Mills Limited	Three non-executive members including two Independent Director.
10.	Rajasthan Ex-Servicemen Corporation Limited	Four non-executive members including two Independent Director.
11.	Rajasthan State Seeds Corporation Limited	Four non-executive directors and one executive director. No Independent Director.
12.	Rajasthan State Food & Civil Supplies Corporation Limited	Three non-executive members and one executive member. No Independent Director.
13.	Jaipur Smart City Limited	Three non-executive members but no Independent Director
14.	Rajasthan Urja Vikas Nigam Limited	Three non-executive members but no Independent Director
15.	Jaipur Vidyut Vitran Nigam	Three non-executive members but no

	Limited	Independent Director
16.	Rajasthan Renewable Energy Corporation Limited	Three non-executive members but no Independent Director

Source: Compiled on the basis of information provided by SPSEs

Audit observed that the SPSEs did not comply with the provisions of the Companies Act 2013 while constituting the NRC during FY 2020-21.

Stakeholders Relationship Committee

3.19 Section 178 (5) of the Act, 2013 provides that the Board of Directors of a company which consists of more than one thousand shareholders, debenture-holders, deposit-holders and any other security holders at any time during a financial year shall constitute a Stakeholders Relationship Committee (SRC) consisting of a chairperson who shall be a non-executive director and such other members as may be decided by the Board. Further, Section 178(6) of the Act, 2013 provides that the SRC shall consider and resolve the grievances of security holders of the company.

Audit observed that only one SPSE *i.e.* Rajasthan State Seeds Corporation Limited, having 4342 members, constituted/re-constituted (September 2015/ March 2021) the SRC, however, no meeting of SRC was held in 2020-21 as no grievance was received during the period.

Whistle Blower Mechanism (WBM)

3.20 Section 177(9) of the Companies Act, 2013 read with Rule 7 of the Companies (Meetings of Board and its power) rules provides that every listed company; the Companies which accept deposits from the public; the Companies which have borrowed money from banks and public financial institutions in excess of fifty crore rupees shall establish a Vigil Mechanism for their directors and employees to report genuine concerns and grievances about unethical behavior, suspected fraud or violation of Company's code of conduct or ethics policy. It provides for adequate safeguards against victimization of persons who use such mechanism.

Audit noticed that 11⁶² SPSEs, which have borrowed ₹ 50 crore or more, were required to establish Whistle Blower Mechanism (WBM) during FY 2020-21. However, two SPSEs, as given in the **Table 3.14**, did not have whistle blower mechanism.

Table 3.14: Implementation of Whistle Blower Mechanism

Sl. No.	Name of SPSE
1.	Rajasthan State Seeds Corporation Limited
2.	Giral Lignite Power Limited

Source: Compiled on the basis of information provided by SPSE

62 As mentioned at Sl. No. 1 to 5, 15 to 17, 22, 37 and 40 of Annexure 3.1

Internal Audit Framework

Role of Internal audit

3.21 The Institute of Internal Auditors (IIA) defines Internal Auditing as: “An independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. The internal audit activity helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” Accordingly, the role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.

The framework governing internal audits issued by ICAI defines internal audit as an independent assurance on the effectiveness of internal controls and risk management processes to enhance governance and achieve organisational objectives.

Legal Framework

3.22 Section 138(1) of the Act, 2013 read with Rule 13 of Companies (Accounts) Rules, 2014, provides that (a) every listed company; (b) every unlisted public company having paid up share capital of fifty crore rupees or more; or turnover of two hundred crore rupees or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding one hundred crore rupees or more; or outstanding deposits of twenty-five crore rupees or more at any point of time during the preceding financial year shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

Audit noticed that 24 SPSEs, as given in **Annexure-3.2**, were required to appoint internal auditor. Of these 24 SPSEs, two⁶³ SPSEs did not appoint internal auditor for FY 2020-21. In the remaining 22 SPSEs, where Internal Auditors were appointed, internal audit in 15 SPSEs was conducted by the Chartered Accountant firms whereas in remaining seven SPSEs it was conducted by other internal auditors. The details of internal audit conducted by other internal auditors is given in **Table 3.15**.

Table 3.15: SPSEs wherein internal audit conducted by other Internal Auditors

S. No.	Name of the SPSE	Internal auditor
1.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Out of 58 units, expenditure audit of 17 units was conducted by the Company’s employees.
2.	Ajmer Vidyut Vitran Nigam Limited	Internal Audit wing of SPSE
3.	Giral Lignite Power Limited	Internal Audit wing of SPSE

⁶³ Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited and Rajasthan State Food & Civil Supplies Corporation Limited

4.	Jodhpur Vidyut Vitran Nigam Limited	Internal Audit wing of SPSE
5.	Jaipur Vidyut Vitran Nigam Limited	Internal Audit wing of SPSE
6.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Internal Audit wing of SPSE
7.	Jaipur Smart City Limited	Institute of Public Auditors of India

Source: Compiled on the basis of information provided by SPSEs

Frequency and Reporting of Internal Audit

3.23 Section 138 (2) of the Act, 2013 provides that the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Audit, however, noticed that the rules have not been prescribed so far (March 2021) and hence the internal audit in SPSEs was conducted on quarterly, half-yearly and annual basis. Further, only six SPSEs reported the internal audit findings to the Board whereas the remaining SPSEs reported the internal audit reports to the Audit Committee, Director Finance *etc.* as given in **Annexure-3.2**.

Conclusion

Out of 26 SPSEs, where Independent Directors were to be appointed, 18 SPSEs did not appoint Independent Directors whereas in two SPSEs, required number of Independent Directors were not appointed. Further, one SPSE did not have Woman Director throughout FY 2020-21 and two SPSEs did not appoint new Women Director after expiry of tenure of previous Women Directors. Two SPSEs appointed Independent Directors during 2020-21, however, appointment letters were not issued by both the SPSEs and one SPSE appointed Independent Director without obtaining approval in general meeting. 100 *per cent* presence of Independent directors was only in 63 *per cent* of Board meetings. Separate meeting of Independent Directors was not conducted in five SPSEs wherein more than one Independent Directors were on Board. Four SPSEs did not have whole time Key Managerial Personnel. The intervening period of conducting two consecutive meetings of the Board in 15 SPSEs ranged between 127 days and 385 days. Audit Committee did not consist of two-third independent directors in 19 SPSEs. Further, Audit Committee of 19 SPSEs did not evaluate internal control management system. Nomination and Remuneration Committee was not constituted in 10 SPSEs; whereas in 13 SPSEs composition of NRC was not as per provision of the Act. No whistle blower mechanism existed in two SPSEs. And also, two SPSEs did not appoint Internal Auditors.

Recommendation

Government of Rajasthan may ensure compliance to the provisions of Companies Act, 2013 so as to achieve the objectives of Corporate Governance in SPSEs.

Chapter-IV

Implementation of Indian Accounting Standards in SPSEs

Chapter-IV

Implementation of Indian Accounting Standards in Government Companies

This chapter deals with the implementation of Indian Accounting Standards by the Government Companies. First time adoption of Indian Accounting Standards had negative cumulative impact on profit after tax (₹ 199.62 crore), revenue (₹ 94.99 crore), total assets (₹ 569.68 crore) and net worth (₹ 434.64 crore) as disclosed in the financial statements of the Government Companies selected for review.

Introduction

4.1 The Ministry of Corporate Affairs (MCA), Government of India (GoI) notified (February 2015) the Indian Accounting Standards (Ind AS), under Section 133 of the Companies Act 2013 vide Companies (Indian Accounting Standards) Rules, 2015 keeping the Indian economic and legal environment in view and by referring to International Financial Reporting Standards (IFRS). The Ind AS were modelled on the IFRS which were different from the Indian Generally Accepted Accounting Principles (IGAAP) framework mainly on three aspects *i.e.* fair valuation, substance over legal form and emphasis on the Balance Sheet.

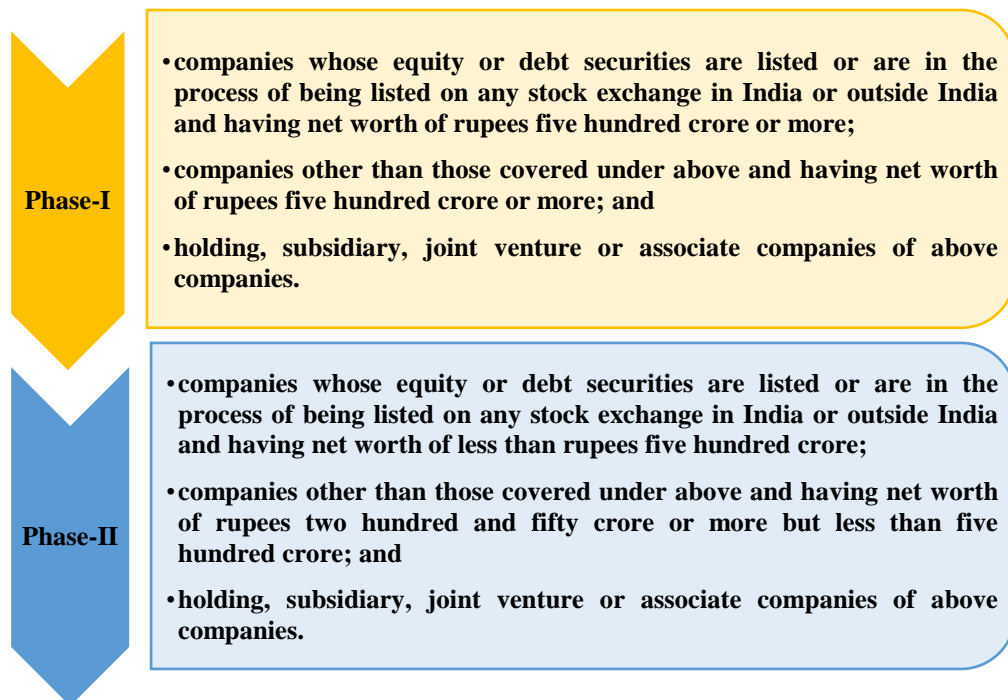
The MCA from time to time make amendments in the Ind AS to keep them converged with IFRS through amendments in Companies (Indian Accounting Standards) Rules, 2015. As on 31 March 2021, 39 Ind AS are applicable. Details of Ind AS notified by MCA, GoI under Ind AS Rules and applicable as on 31 March 2021 are given in **Annexure 4.1**.

Implementation of Ind AS

4.2 The Ind AS Rules 2015 (as amended upto 31 March 2021) laid down a roadmap for implementation of Ind AS in a phased manner. Rule 4 of these rules provided that the companies and their auditors shall comply with the Ind AS specified in these rules, in preparation of their financial statements and audit respectively.

The different phases for implementation of Ind AS is as follows:

Rule 4 provided that the following companies shall comply with the Ind AS for the financial statements beginning on or after 1 April 2016 (Phase-I) and beginning on or after 1 April 2017 (Phase-II) respectively as detailed under:



Rule 4 further provided that any company may comply with the Ind AS for the financial statements beginning on or after 1 April 2015, with comparatives for the periods ending on 31st March 2015, or thereafter. However, once a company starts reporting as per the Ind AS either voluntarily or mandatorily, it cannot revert to IGAAP.

Audit Objectives

4.3 The objective of Audit was to study the implementation of the Ind AS in SPSEs to assess:

- Compliance with the provisions of Ind AS by the Government Companies at the time of adoption; and
- Impact of implementation of Ind AS in the financial statements of the Government Companies.

Scope of Audit

4.4 As on 31 March 2021, there were 42 Government Companies (including four Government Controlled other Companies) under purview of CAG for audit. Out of these 42 Government Companies, summarized details of 15 Government Companies which were required to adopt Ind AS in Phase-I/Phase-II (including voluntary adoption) is given in table below:

Number of SPSEs which adopted Ind AS	Number of SPSEs covered for audit	Remarks
Phase I (2016-17)		
Four Government Companies and 8 Subsidiaries	Four Government Companies and three Subsidiaries	Four Subsidiaries did not commence commercial activities

		till 31 March 2021 whereas one SPSE discontinued its commercial activity from 2016-17.
Phase II (2017-18)		
Two Government Companies	Two Government Companies	-
Voluntary Adoption (2019-20)		
One Government Company voluntarily adopted Ind AS from the financial year 2019- 20	Covered	-

Thus, out of these 15 Government Companies, the study covered review of standalone financial statements of ten Government Companies for the periods in which these Government Companies adopted the Ind AS. The list of Government Companies reviewed in audit is given in **Annexure-4.2**.

Audit Methodology

4.5 The standalone financial statements of Government Companies which have adopted Ind AS under Phase-I (2016-17) and Phase II (2017-18) as well as the Government Company which has adopted Ind AS voluntarily for the first time in 2019-20 for the year of adoption have been reviewed in audit.

As per requirements of Ind AS 101 (First time adoption of Ind AS), impact of the transition from IGAAP to Ind AS on financial position, financial performance and cash flows was to be disclosed in the financial statements. This impact is presented as either an increase or a decrease in value of the concerned element of financial statement as on date of transition as per Ind AS compared to the corresponding value of the same element as per IGAAP on the same date.

The compliance of various provisions of Ind AS and disclosure of impact of implementation of Ind AS on the revenues, profit after tax (PAT), net worth and total assets of the Government Companies as disclosed in their financial statements were analysed with reference to changes as a result of adoption of Ind AS in revenue recognition, valuation of financial instruments and Property, Plant and Equipment (PPE) and calculation of employee benefits.

Review of first-time adoption of Ind AS

4.6 Ind AS 101 (First time adoption of Ind AS) prescribes the procedure that a company is required to follow while adopting Ind AS for the first time. The financial results of a company adopting Ind AS for the first time, shall include a reconciliation of its equity and net profit/loss as per IGAAP to equity and net profit/loss as per Ind AS. The reconciliation is to enable the stakeholders to understand the material adjustments to the Balance Sheet and Statement of Profit and Loss because of transition from the previous IGAAP to Ind AS.

The underlying principle of Ind AS 101 is that a first-time adopter should prepare financial statements as if it had always applied Ind AS. It however permitted two types of exemptions to the principle of full retrospective application of Ind AS. These exemptions are mandatory exemptions and voluntary exemptions.

1. Mandatory Exemptions

Ind AS 101 prohibits retrospective application of some specific aspects of other Ind AS viz. Ind AS 10 (Events after the Reporting Period), Ind AS 109 (Financial Instruments) and Ind AS 110 (Consolidated Financial Statements).

2. Optional Exemptions

Ind AS 101 grant exemption from specific requirements of other Ind AS. The optional exemptions are applicable from the date of transition from IGAAP to Ind AS compliant financial statements. The date of transition is the date of beginning the earliest period for which a company presents full comparative information under Ind AS in its first Ind AS compliant financial statements. Hence, date of transition for SPSEs under analysis is 1st April 2015 and 1st April 2016 for Phase-I and Phase-II respectively whereas it is 1st April 2018 for the SPSE which adopted Ind AS from 2019-20 voluntarily.

Audit observed that out of 15 Government Companies which were required to adopt Ind AS in Phase I/II including voluntary adoption, following government companies availed the optional exemptions available under Ind AS 101 while adoption of Ind AS in preparation of their financial statements:

Table 4.1: Government Companies which availed the optional exemptions

S. No.	Ind AS optional exemption	Government Companies which availed the optional exemptions (in Nos.)
1.	<p>Ind AS 16- Property, Plant and Equipment (PPE), Ind AS 38- Intangible Assets and Ind AS 40- Investment Property</p> <p>The Ind AS permits a first-time adopter to elect to measure its assets viz. PPE, intangible assets and investment property, at the date of transition to Ind AS at its fair value and use that fair value as its deemed cost at that date or may continue to measure at their IGAAP carrying value after making necessary adjustments for decommissioning liabilities.</p>	14
2.	<p>Ind AS 27- Separate Financial Statement</p> <p>Ind AS 27 requires an entity to account for its investments in subsidiaries, jointly controlled entities and associates either at cost or in accordance with Ind AS 109 (Financial Instruments).</p>	02

3.	Ind AS 109- Financial Instruments As per Ind AS 109, a company may designate a financial asset as measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI), on the basis of facts and circumstances that exist at the date of transition to Ind AS.	06
4.	Ind AS 17- Lease Ind AS permits the first-time adopter to evaluate whether an arrangement existing at the date of transition contains a lease on the basis of facts and circumstances existing at the date of transition, except where the effect is expected to be not material.	02

Source: Information received from SPSEs.

The details of different exemptions/options availed by Government Companies are given in **Annexure 4.2**.

Impact of implementation of Ind AS on selected key areas

4.7 The implementation of Ind AS can impact the valuation of Profit after tax (PAT), revenues, total assets and net worth. The values may increase or decrease depending on the options availed by the Government Companies at the time of adoption of Ind AS. While adopting the Ind AS for the first time, the Government Companies selected for review disclosed reconciliation of their equity and net profit/loss as per IGAAP to equity and net profit/loss as per IND AS in their financial statements. The results of review of compliance to various provisions of Ind AS and the impact of its implementation on PAT, revenues, total assets and net worth of the ten Government Companies selected for review is discussed in **Paragraph 4.8 to 4.15**.

Impact on Profit after tax (PAT)

4.8 The impact of adoption of Ind AS on Profits after Tax (PAT) is analysed. The impact is for the accounting period beginning on 1 April 2016 in seven Government Companies of Phase-I, 1 April 2017 in two Government Companies of Phase-II and 1 April 2019 in one Government Company which adopted Ind AS voluntarily in 2019-20.

The impact of adoption of Ind AS on PAT in these ten Government Companies is as follows:

Table 4.2: Impact on Profit after tax

(₹ in crore)				
S. No.	Name of Government Company	Impact on PAT		Net Impact (+)/(-)
		Decrease (-)	Increase (+)	
Phase-I (2016-17				
1	BLMCL	-10.37	3.76	-6.61
2	RRVNL	-74.69	258.17	183.48
3	RRVUNL	-412.42	104.28	-308.14
4	RSMML	-22.40	0.00	-22.40

(₹ in crore)

5	RIICO	-108.28	71.50	-36.78
6	GLPL	-16.58	16.29	-0.29
7	RSGL	-0.31	0.13	-0.18
Phase II (2017-18)				
8	RSGSML	-6.57	3.26	-3.31
9	JMRC	-1.97	2.80	0.83
Voluntary adoption of Ind AS (2019-20)				
10	KSCL	-9.33	3.11	-6.22
Net cumulative impact				-199.62

Due to adoption of Ind AS, the maximum net increase in Profit after tax was observed in RRVPNL whereas the maximum net decrease in Profit after tax was observed in RRVUNL.

Factors contributing to increase/decrease in Profit after tax

4.9 Changes in valuation of different items of revenue, expenditure, assets and liabilities consequent to adoption of Ind AS can materially affect the PAT of a company. Increase/decrease in PAT of selected Government Companies (except two Government Companies⁶⁴) consequent to adoption of Ind AS were due to the following reasons:

Increase/decrease due to recognition of deferred taxes

4.9.1 Ind AS 12 (Income Taxes) focus on accounting of temporary difference between the carrying amount of an asset or liability in the balance sheet and its tax base whereas deferred tax accounting under IGAAP focuses on difference between taxable profit and accounting profit for the period.

Audit observed that due to recognition of deferred tax as per Ind AS:

- RIICO recorded increase of ₹ 20.40 crore in its profits; and
- RSGSML and JMRC recorded increase of ₹ 3.26 crore and ₹ 0.05 crore respectively in their profits.

Increase/decrease due to measurement of investments at fair value

4.9.2 All Investments are measured at fair value under Ind AS. Under IGAAP, the current investment are carried at lower of the cost or the value determined on individual investment basis at the balance sheet date. Further, long term investments are carried at cost net of permanent diminution in the value. Therefore, on adoption of Ind AS, the resulting fair value changes in investment are recognized through profit or loss.

Audit observed that due to measurement of investments at fair value through profit and loss in accordance with Ind AS 113, RIICO recorded an increase of ₹ 4.45 crore in its profits.

Increase/decrease due to change in valuation of liabilities towards post-employment benefits

4.9.3 Under IGAAP, entire cost including actuarial gain/loss forms part of the profit or loss for the year whereas under Ind AS 19, such measurements are recognized under other comprehensive income.

⁶⁴ BLMCL and RSMML though prepared reconciliation statement for profit and loss account but did not disclose factors contributing to increase/decrease in PAT.

Audit observed that due to changes in valuation of liabilities towards post-employment benefits under Ind AS:

- i. RRVPNL, RRVUNL and RIICO recorded increase of ₹ 173.31 crore, ₹ 51.02 crore and ₹ 1.44 crore respectively in their profits; and
- ii. RSGSML and JMRC recorded decrease of ₹ 2.23 crore and ₹ 1.94 crore respectively in their profits.

Increase/ decrease due to capitalisation of spares as Property, Plant and Equipment

4.9.4 Under Ind AS 16, spares meeting definition of PPE including major inspection/overhauls are to be capitalised and depreciated separately. Under IGAAP, spares are recognised as inventories whereas their major inspection cost are recognized as deferred revenue expenditure and the same is charged through the profit or loss based on future economic benefits.

Audit observed that due to adoption of the method of valuation of spares under Ind AS:

- i. RRVPNL, RRVUNL and GLPL recorded increase of ₹ 3.51 crore, ₹ 47.45 crore and ₹ 0.14 crore respectively in their profits; and
- ii. RRVUNL and GLPL recorded decrease of ₹ 15.12 crore and ₹ 0.49 crore respectively in their profit. The decrease was due to charging of depreciation on major inspections and amortization of spares.

Increase/decrease due to change in valuation of financial assets and financial liabilities

4.9.5 Financial asset is an asset in which a company has a contractual right to receive cash whereas financial liabilities are those in which a company has a contractual obligation to deliver cash.

In case of Ind AS, financial assets and financial liabilities are recorded at amortized cost or fair value whereas under IGAAP, these are recorded at cost.

Audit observed that due to adoption of new method of valuation of financial assets and financial liabilities under Ind AS:

- i. JMRC recorded increase of ₹ 0.005 crore in its profits; and
- ii. RRVUNL and GLPL recorded decrease of ₹ 68.02 crore and ₹ 0.05 crore respectively in their profits. The decrease in profits of RRVUNL was due to impairment of financial assets (₹ 66.21 crore) and amortization of financial assets (₹ 1.81 crore).

Decrease due to change in valuation of finance lease

4.9.6 Under IGAAP, finance lease was to be capitalized at upfront payment made at the time of lease whereas under Ind AS 17, such lease is capitalized at the present value.

Audit observed that due to adoption of new method of valuation of finance lease under Ind AS, RRVPNL recorded decrease of ₹ 0.78 crore in its profits.

Increase/decrease due to other reasons

4.9.7 Audit observed that five Government Companies recorded increase in profits due to other reasons as detailed under:

- i. RIICO recorded increase of ₹ 9.91 crore and ₹ 7.18 crore in its profits due to adjustment of accrued interest on NPA and provision for doubtful debts respectively as per Ind AS. Further, RIICO recorded increase of ₹ 5.25 crore in its profits due to adjustment of prior period items as per Ind AS.
- ii. JMRC recorded increase of ₹ 2.53 crore and ₹ 0.18 crore in its profits due to adjustment of prior period items and depreciation respectively as per Ind AS.
- iii. GLPL recorded increase of ₹ 0.11 crore in their profits due to adjustment of prior period items as per Ind AS.
- iv. KSCL recorded increase of ₹ 3.12 crore in its profits due to adjustment in provisions on adoption of Ind AS.
- v. RSGL recorded increase of ₹ 0.11 crore and ₹ 0.02 crore in its profits due to restatement of prior period adjustments and reversal of transaction cost on equity shares respectively.

Audit further observed that six Government Companies recorded decrease in profits due to other reasons as detailed under:

- i. RIICO recorded decrease of ₹ 4.43 crore and ₹ 79.05 crore in its profits due to restatement of the loss assets at present value of the recoverable amount and change in revenue recognition on transition to Ind AS. Further, RIICO recorded decrease of ₹ 0.09 crore in its profits due to adjustment of prior period items as per Ind AS.
- ii. RSGSML recorded decrease of ₹ 4.35 crore in its profits. The decrease in profits was due to adjustment of extraordinary items (₹ 4.23 crore) and treatment of preference dividend as interest cost (₹ 0.12 crore) in accordance with Ind AS.
- iii. RRVUNL recorded decrease of ₹ 323.47 crore in its profits due to adjustment of prior period items as per Ind AS.
- iv. KSCL recorded decrease of ₹ 9.33 crore in its profits due to reversal of interest in accordance with Ind AS.
- v. RSGL recorded decrease of ₹ 0.26 crore and ₹ 0.05 crore in its profits due to reversal of prior period items and recognition of depreciation on leasehold land prospectively over the lease period respectively.

Impact on revenue from operations
--

4.10 Under Ind AS 18 (Revenue), revenue is the gross inflow of economic benefits that arise in the ordinary course of activities of an entity which results in increase in net worth, other than increases relating to contributions from net worth participants. As per the IGAAP (AS 9 – Revenue Recognition), revenue is the gross inflow of cash, receivables or other consideration arising in the

course of the ordinary activities of an entity from the sale of goods, from the rendering of services, and from the use by others of entity resources yielding interest, royalties and dividends.

Audit observed that out of ten Government Companies selected for review in audit, four Government Companies carried out adjustment on revenues consequent to adoption of Ind AS. Of these, one Government Company (RIICO) reported significant decrease (₹ 103.21 crore) in revenue whereas three Government Companies reported increase of ₹ 8.22 crore in revenue resulting in net cumulative negative impact of ₹ 94.99 crore.

Factors responsible for increase/decrease in revenue from operations

4.11 Company wise impact of adoption of Ind AS on revenue from operations is detailed under:

- i. RIICO reported decrease of ₹ 103.21 crore in revenue due to change in accounting policy for revenue recognition, considering security deposits from the consumers and contractors as well as loans to employees at fair value *etc.*
- ii. RSMML reported increase of ₹ 3.21 crore in revenue due to recognition of the revenue at fair value instead of its transaction price.
- iii. RRVPNL reported increase of ₹ 3.19 crore in revenue due to adjustments/ corrections of the prior period errors.
- iv. RSGSML reported increase of ₹ 1.82 crore in revenue due to change in method of recognition of revenue as per Ind AS.

Impact on value of total assets

4.12 Value of total assets are impacted upon implementation of Ind AS due to difference in methods of accounting prescribed as compared to IGAAP in respect of Ind AS 16 {Property, Plant and Equipment (PPE)}, Ind AS 38 {Intangible Assets}, Ind AS 32 {Financial Instruments: Presentation}, Ind AS 109 {Financial Instruments} and Ind AS 40 {Investment Property}.

Ind AS 101 {First time adoption of Ind AS} permits the adopter to continue with the carrying value for all of its PPE, intangible assets and Investment property as recognized in the financial statements measured under IGAAP as at the date of transition to Ind AS after carrying out necessary adjustments for decommissioning liabilities.

Company wise impact of adoption of Ind AS on value of total assets in selected Government Companies is detailed under:

Table 4.3: Impact on value of total assets

(₹ in crore)

S. No.	Name of Government Company	Impact on total assets		
		Decrease (-)	Increase (+)	Net Impact (+)/(-)
Phase-I				
1	BLMCL	-1.71	100.62	98.91
2	RRVPNL	-64.49	6.07	-58.42
3	RRVUNL	-867.18	386.87	-480.31

4	RSMML	-2.67	22.01	19.34
5	RIICO	-296.63	143.07	-153.56
6	GLPL	-2.37	6.90	4.53
7	RSGL	RSGL did not disclose impact of adoption of Ind AS on its total assets in the financial statements prepared on the basis of Ind AS.		
Phase II				
8	RSGSML	RSGSML did not disclose impact of adoption of Ind AS on its total assets in the financial statements prepared on the basis of Ind AS.		
9	JMRC	-	2.63	2.63
Voluntary adoption				
10	KSCL	-2.80	-	-2.80
Net cumulative impact				-569.68

The overall maximum increase of ₹ 98.91 crore in value of total assets was noticed in the case of BLMCL whereas overall maximum decrease of ₹ 480.31 crore in value of total assets was noticed in case of RRVUNL.

Factors responsible for increase/decrease in value of total assets

4.13 Audit analysis disclosed following reasons for increase/decrease in value of total assets:

Increase/decrease due to change in policy for recognition of PPE

4.13.1 As per Ind AS, value of those spare parts which meets the definition of PPE are to be treated as PPE instead of inventory.

Audit observed that due to adoption of Ind AS and considering spare parts as PPE in accordance with the Ind AS 16:

- RRVUNL, GLPL and RSMML recorded increase of ₹ 234.38 crore, ₹ 6.88 crore and ₹ 0.32 crore respectively in value of their total assets; and
- RRVPNL recorded decrease of ₹ 9.69 crore in value of its total assets.

Increase/decrease due to recognition of investment at fair value

4.13.2 Under the IGAAP, investment is recognized at cost whereas the same is recognized at fair value as per Ind AS.

Audit observed that due to adoption of Ind AS:

- RSMML and RRVPNL recorded increase of ₹ 1.51 crore and ₹ 0.01 crore respectively in value of investment; and
- RIICO recorded decrease of ₹ 28.55 crore in value of investment.

Increase/decrease due to recognition of intangible assets

4.13.3 As per Ind AS, intangible assets are amortized whereas under IGAAP, intangible assets are recognized at cost.

Audit observed that due to adoption of Ind AS, BLMCL and RRVUNL recorded an increase of ₹ 98.91 crore and ₹ 91.67 crore respectively on amortization of intangible asset.

Increase/decrease due to change in financial assets

4.13.4 The change in financial assets was as under:

- i. RRVUNL recorded decrease of ₹ 58.85 crore in cash and cash equivalents, ₹ 116.34 crore in loans and ₹ 217.57 crore in other current assets due to reclassification. It also recorded increase of ₹ 52.16 crore in current financial assets (other than cash and cash equivalent) and ₹ 8.66 crore in non-current financial assets.
- ii. RIICO recorded increase of ₹ 28.56 crore due to amortization of other financial assets.

Other reasons

4.13.5 The other reasons for change in value of total assets were as under:

- i. RRVPNL recorded increase of ₹ 5.98 crore due to adjustment of prior period items in trade receivable. Further, it recorded decrease of ₹ 15.94 crore, ₹ 19.91 crore and ₹ 18.95 crore due to adjustment in capital work in progress, other current assets and current tax assets (net) respectively.
- ii. RIICO recorded increase of ₹ 114.08 crore due to change in inventory on (i) adoption of change in policy of revenue recognition where it commenced to recognize revenue at reasonable level of development and (ii) reclassification of stock, shares and security under other current investments instead of inventory (₹ 66.60 crore), reclassification of the investment in subsidiaries as separate line item in balance sheet as per Ind AS (₹ 45.05 crore), reclassification of investment under current assets (₹ 2.23 crore), amortization of other current assets (₹ 0.20 crore). RIICO also recorded increase of ₹ 0.42 crore in value of assets due to adjustment in other non-current assets on amortized cost. Further, RIICO recorded decrease of ₹ 268.07 crore due to amortization of loan at present value by using effective interest rate method (₹ 35.44 crore), change in trade receivable on change in policy for recognition of revenue (Current: ₹ 219.89 crore and non-current: ₹ 7.35 crore) and current tax asset (₹ 5.39 crore).
- iii. GLPL recorded increase of ₹ 0.02 crore in trade receivable and decrease of ₹ 2.37 crore in inventory and other current assets.
- iv. JMRC recorded increase of ₹ 2.31 crore in capital work in progress due to treating the interest component recognized on carrying value of loan as borrowing cost. It also recorded increase of ₹ 0.33 crore in value of PPE due to correct classification of depreciation charged incorrectly during previous periods.
- v. RRVUNL recorded decrease of ₹ 380.84 crore, ₹ 39.87 crore, ₹ 17.34 crore and ₹ 36.37 crore due to adjustment in capital work in progress, adjustment in other non-current assets, change in other current assets and change in inventory.
- vi. RSMML recorded decrease of ₹ 2.67 crore due to reduction in inventory (₹ 2.59 crore) and other current assets (₹ 0.08 crore). Further, it recorded increase of ₹ 20.18 crore due to adjustment in other non-current asset on the date of transition.
- vii. KSCL recorded decrease of ₹ 2.80 crore due to adjustment of the advance tax deposited in net income tax liability.

Impact of implementation of Ind AS on Net worth

4.14 Net worth is the difference between the value of assets and the liabilities of a company. Net worth is arrived at by reducing from the aggregate value of the paid-up share capital, free reserves and securities premium account, the aggregate value of accumulated losses, deferred expenditure and miscellaneous expenditure not written off. Free reserves do not include reserves created out of revaluation of assets, write back of depreciation and amalgamation.

Adoption of Ind AS mandates preparation of an opening Ind AS balance sheet at the date of transition to Ind AS. The accounting policies that an entity uses in its opening Ind AS balance sheet may differ from those that it used for the same date using IGAAP. The impact of adoption of Ind AS on net worth for accounting periods beginning on the date of transition to Ind AS (*i.e.* 1 April 2016 for Phase-I, 1 April 2017 for Phase-II and 1 April 2019 for voluntary adoption of Ind AS by one Government Company respectively), with the comparative for the period ended 31 March 2015, 31 March 2016 and 31 March 2018 respectively is as follows:

Table 4.4: Impact on net worth

(₹ in crore)

S. No.	Name of Government Company	Impact on net worth		
		Decrease (-)	Increase (+)	Net Impact
Phase-I				
1	BLMCL	-44.70	14.42	-30.28
2	RRVPNL	-27.97	3.52	-24.45
3	RRVUNL	-368.31	58.15	-310.16
4	RSMML	-78.64	121.71	43.07
5	RIICO	-151.74	101.33	-50.41
6	GLPL	-1.74	5.01	3.27
7	RSGL	-0.33	0.13	-0.20
Phase II				
8	RSGSML	-5.69	6.62	0.93
9	JMRC	-3.43	0.38	-3.05
Voluntary adoption				
10	KSCL	-63.36	0.00	-63.36
Net cumulative impact				-434.64

The overall maximum increase of ₹ 43.07 crore in net worth was noticed in RSMML whereas overall maximum decrease of ₹ 310.16 crore in net worth was noticed in case of RRVUNL.

Factors responsible for increase/decrease in net worth

4.15 Out of ten Government Companies selected for review in audit, three Government Companies registered increase in net worth whereas seven Government Companies recorded decrease in net worth.

Audit analysis disclosed following reasons for increase in net worth of the three Government Companies on adoption of Ind AS:

- Net worth of RSMML recorded net increase of ₹ 43.07 crore due to adoption of Ind AS. It involved increase of ₹ 93.34 crore, ₹ 12.71 crore, ₹ 11.60 crore, ₹ 2.11 crore, ₹ 1.51 crore and ₹ 0.44 crore due to

derecognition of proposed dividend⁶⁵, reversal of Mine closure liability, opening prior period impact, actuarial gain on gratuity as per Ind AS 19, fair valuation gain on investments and recognition of PPE respectively. It also involved decrease of ₹ 46.67 crore, ₹ 22.40 crore, ₹ 3.81 crore, ₹ 2.86 crore, ₹ 2.34 crore, ₹ 0.49 crore and ₹ 0.07 crore due to payment of earlier year dividend, adjustment for difference in profit and loss for previous year, provision for progressive mine closure charges, full depreciation of spares, amortization on mine closure liability, impact of deferred tax liability and capitalization of spares respectively.

- ii. Net worth of GLPL recorded net increase of ₹ 3.27 crore due to adoption of Ind AS. It involved increase of ₹ 4.86 crore, ₹ 0.14 crore and ₹ 0.01 crore due to adjustment of prior period items, capitalization of spare parts in PPE as per Ind AS 16 and recognition of financial assets/liabilities on amortized cost respectively. It also involved decrease of ₹ 1.74 crore due to charging depreciation on capital spares.
- iii. Net worth of RSGSML recorded net increase of ₹ 0.93 crore due to adoption of Ind AS. It involved increase of ₹ 6.62 crore due to retrospective adjustment in employee benefit as per Ind AS 19. It also involved decrease of ₹ 3.20 crore and ₹ 2.49 crore due to change in other profit on reconciliation and adjustment of deferred taxes as per Ind AS 12 respectively.

Audit analysis further disclosed following reasons for decrease in net worth of the three Government Companies on adoption of Ind AS:

- i. Net worth of RRVUNL recorded net decrease of ₹ 310.16 crore due to adoption of Ind AS. It involved decrease of ₹ 331.40 crore and ₹ 36.91 crore due to impairment of financial assets and adjustment of depreciation for spares and major inspection as per Ind AS 16 respectively. It also involved increase of ₹ 35.01 crore, ₹ 20.59 crore, ₹ 2.35 crore and ₹ 0.20 crore due to capitalization of spares in PPE, capitalization of major inspections in PPE as per the Ind AS 16, amortization of the financial liabilities assets/liabilities as per Ind AS 109 and prior period adjustments respectively.
- ii. Net worth of BLMCL recorded net decrease of ₹ 30.28 crore due to adoption of Ind AS. It involved decrease of ₹ 44.57 crore and ₹ 0.13 crore due to adjustment of mine closure charges and amortization of the transaction cost on borrowings respectively. It also involved increase of ₹ 14.42 crore due to recognition of the deferred taxes as per Ind AS-12.
- iii. Net worth of RRVPNL net decrease of ₹ 24.45 crore due to adoption of Ind AS. It involved decrease of ₹ 25.82 crore and ₹ 2.15 crore due to prior period adjustment as per Ind AS-8 and capitalization of leasehold land at present value respectively. It also involved increase of ₹ 3.52

65 Under IGAAP, proposed dividends are recognized as liability in the period to which they relate irrespective of the approval by shareholders. Under Ind AS, dividend is recognized as liability in the period in which it is declared (on approval of shareholders in a general meeting) or paid.

crore due to capitalization of spares in PPE as per Ind AS-16 and recognition of financial assets at amortized cost as per Ind AS 113.

- iv. Net worth of RIICO recorded net decrease of ₹ 50.41 crore due to adoption of Ind AS. It involved decrease of ₹ 123.83 crore, ₹ 27.01 crore and ₹ 0.90 crore due to change in accounting policy for revenue recognition⁶⁶, adjustment of provisions for doubtful debts and advances and change in valuation of defined benefit plan as per Ind AS 19 respectively. It also involved increase of ₹ 4.43 crore, ₹ 18.54 crore, ₹ 1.10 crore, ₹ 21.02 crore, ₹ 39.72 crore and ₹ 16.51 crore due to classification of loss assets on present value, amortization of interest accrued on NPA, adjustment of prior period items, recognition of dividend distribution tax as liability of the year, change in recognition of deferred tax and fair valuation of investment in subsidiary/ associates/joint ventures as per Ind AS 109 respectively.
- v. Net worth of JMRC recorded net decrease of ₹ 3.05 crore due to adoption of Ind AS. It involved decrease on account of adjustment of employee benefit expenses as per Ind AS 19 (₹ 3.40 crore) and discounting of security deposits as per Ind AS 109 (₹ 0.03 crore). It also involved increase of ₹ 0.33 crore and ₹ 0.05 crore due to adjustment of depreciation and discounting of deferred revenue income (security deposit payable) as per Ind AS 109 respectively.
- vi. Net worth of KSCL recorded decrease of ₹ 63.36 crore due to adoption of Ind AS. It involved decrease on account of transfer of balances of capital reserve to government grant fund for project expenses (₹ 40.92 crore) and net adjustment (₹ 22.44 crore).

Conclusion

Adoption of Ind AS resulted in changes in the financial reporting framework, increased use of fair valuation as against historical cost valuation and greater focus on substance than the legal form. Audit analysis of selected 10 Government Companies indicated that adoption of Ind AS had negative cumulative impact on profit after tax (₹ 199.62 crore), revenue (₹ 94.99 crore), total assets (₹ 569.68 crore) and net worth (₹ 434.64 crore) as disclosed in the financial statements of the Government companies. The cumulative impact of adoption of Ind AS did not include impact on total assets of two Government Companies (RSGL and RSGSML) as these companies did not disclose the impact in their Ind AS compliant financial statements.

Major changes carried out pertained to fair valuation of assets/liabilities as against historical cost valuation, changes in method of recognition of revenues, accounting of deferred tax, impairment of financial assets, adjustment of prior period items, amortization of intangible asset, adjustment in capital work in progress, de-recognition of proposed dividend and adjustment of depreciation for spares and major inspection. The changes disclosed in the financial

66 Under the IGAAP, Revenue from the allotment of land was recognized irrespective of stage of completion of project, whereas under IND AS, it is recognized only when the stage of completion of project reaches a reasonable level.

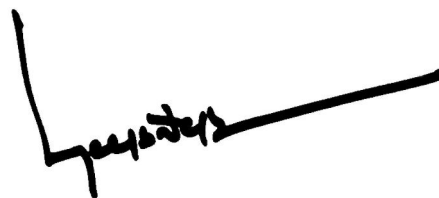
statements of SPSEs should be given due consideration while assessing the performance and financial position of the concerned SPSEs.



(ARCHANA GURJAR)
Accountant General
(Audit-II), Rajasthan

JAIPUR
The 9th November 2022

Countersigned



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

NEW DELHI
The 14th November 2022

Annexures

Annexure – 1.1

(Referred to in Paragraph 1.4 at Page No. 2 and 1.22 at Page No. 14)

Summarised financial position and working results of SPSEs as per latest finalized financial statements as of 30 November 2021

(₹ in crore)

Sl. No.	Type and name of SPSE	Period of latest finalised financial statements	Year in which the financial statements were finalised	Net profit/ Loss (-) before Interest & Tax	Net Profit/ Loss (-)	Turnover	Paid-up capital	Capital Employed	Net Worth ⁶⁷	Accumulated Profit/ Loss (-)
1	2	3	4	5	6	7	8	9	10	11
A.	Energy and Power Sector									
	Government Companies									
1	Ajmer Vidyut Vitran Nigam Limited	2020-21	2021-22	2441.27	175.73	14721.73	10571.89	-2545.41	-17482.87	-28054.76
2	Jaipur Vidyut Vitran Nigam Limited	2020-21	2021-22	2549.25	-660.75	20903.79	11447.43	-1973.26	-18119.18	-29533.09
3	Jodhpur Vidyut Vitran Nigam Limited	2020-21	2021-22	1513.59	-1731.68	17656.55	10636.97	-4640.79	-20859.63	-31496.60
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2020-21	2021-22	3410.18	-1031.23	15484.74	10451.23	46941.71	5072.00	-5353.13
5	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2020-21	2021-22	1281.77	105.39	3196.85	4656.57	15481.59	3366.68	-1289.89
6	Rajasthan Urja Vikas Nigam Limited	2020-21	2021-22	0.08	0.00	23.15	50.00	50.00	50.00	0.00
7	Rajasthan Renewable Energy Corporation Limited	2020-21	2021-22	27.57	20.22	107.10	12.94	227.47	227.47	214.53
8	Chhabra Power Limited (Subsidiary of Sl. No. 4)	2020-21	2021-22	0.00	0.00	0.00	0.05	0.00	0.00	-0.05
9	Dholpur Gas Power Limited (Subsidiary of Sl. No. 4)	2020-21	2021-22	0.00	0.00	0.00	0.05	0.00	0.00	-0.05
10	Giral Lignite Power Limited (Subsidiary of Sl. No. 4)	2020-21	2021-22	-94.21	-334.44	0.00	370.05	-1337.28	-1507.22	-1877.27
11	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. 5)	2020-21	2021-22	-0.06	-0.29	0.00	0.05	-10.16	-10.16	-10.21
12	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. 5)	2020-21	2021-22	-0.01	-1.53	0.00	0.05	-20.40	-20.40	-20.45

67 Net worth is the sum total of the 'Paid-up Capital' and 'Free Reserves and Surplus' minus 'Accumulated Losses' and 'Deferred Revenue Expenditure (DRE)'. To arrive at the Net Worth figures of Rajasthan Rajya Vidyut Utpadan Nigam limited and Jaipur Vidyut Vitran Nigam limited, DRE of ₹ 33.52 crore and ₹ 26.10 crore respectively, were deducted.

Sl. No.	Type and name of SPSE	Period of latest finalised financial statements	Year in which the financial statements were finalised	Net profit/ Loss (-) before Interest & Tax	Net Profit/ Loss (-)	Turnover	Paid-up capital	Capital Employed	Net Worth ⁶⁷	Accumulated Profit/ Loss (-)
13	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. 7)	2020-21	2021-22	17.58	12.73	19.77	0.05	42.42	42.42	42.37
14	Rajasthan State Petroleum Corporation Limited (Subsidiary of Sl. No. 17)	2019-20	2021-22	0.02	0.02	0.00	67.08	65.41	65.41	-1.67
15	Rajasthan State Gas Limited (Joint venture of Sl. No. 14)	2020-21	2021-22	15.74	11.85	52.56	130.00	152.26	150.26	20.26
	Total A			11162.77	-3433.98	72166.24	48394.41	52433.56	-49025.22	-97360.01
B	Industries and Commerce Sector									
	Government Companies									
16	Rajasthan State Industrial Development and Investment Corporation Limited	2020-21	2021-22	725.24	530.91	1194.71	210.19	2646.26	2646.26	2436.07
17	Rajasthan State Mines and Minerals Limited	2019-20	2021-22	177.25	137.35	902.93	77.55	2354.68	2354.68	2277.13
18	Rajasthan Small Industries Corporation Limited	2020-21	2021-22	0.44	0.12	28.94	6.96	-9.83	-18.04	-25.00
19	Rajasthan State Handloom Development Corporation Limited	2018-19	2020-21	-0.63	-0.64	17.56	46.06	-0.95	-4.47	-50.53
20	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. 17)	2019-20	2021-22	207.30	2.02	846.14	20.00	1617.10	21.68	1.68
	Statutory Corporations									
21	Rajasthan Financial Corporation	2020-21	2021-22	35.02	-0.12	88.15	160.73	196.96	45.93	-114.80
	Total B			1144.62	669.64	3078.43	521.49	6804.22	5046.04	4524.55
C	Finance Sector									
	Government Companies									
22	Rajasthan State Power Finance and Financial Services Corporation Limited	2020-21	2021-22	3.07	2.18	4.68	90.00	108.65	108.65	18.65
23	Rajasthan State Beverages Corporation Limited	2020-21	2021-22	44.61	30.85	5559.57	2.00	105.13	105.13	103.13
24	Rajasthan State Ganganagar Sugar Mills Limited	2019-20	2020-21	87.35	57.11	1414.34	180.39	408.36	408.05	227.66
	Total C			135.03	90.14	6978.59	272.39	622.14	621.83	349.44
D	Agriculture, Food and Allied Industries Sector									
	Government Companies									
25	Rajasthan State Seeds Corporation Limited	2020-21	2021-22	19.28	10.25	266.92	7.59	148.31	148.31	140.72

Sl. No.	Type and name of SPSE	Period of latest finalised financial statements	Year in which the financial statements were finalised	Net profit/ Loss (-) before Interest & Tax	Net Profit/ Loss (-)	Turnover	Paid-up capital	Capital Employed	Net Worth ⁶⁷	Accumulated Profit/ Loss (-)
26	Rajasthan State Food & Civil Supplies Corporation Limited	2016-17	2019-20	6.87	3.51	475.17	50.00	96.51	86.73	36.73
	Inactive Government Companies									
27	Rajasthan State Agro Industries Corporation Limited	2014-15	2017-18	-0.14	-1.46	0.00	6.01	-2.21	-48.82	-54.83
	Statutory Corporations									
28	Rajasthan State Warehousing Corporation	2019-20	2020-21	116.84	81.75	221.09	7.85	632.71	345.12	337.27
	Total D			142.85	94.05	963.18	71.45	875.32	531.34	459.89
E	Culture and Tourism Sector									
	Government Companies									
29	Rajasthan State Hotels Corporation Limited	2015-16	2019-20	-0.06	-0.10	1.69	2.16	-2.55	-6.55	-8.71
30	Rajasthan Tourism Development Corporation Limited	2016-17	2020-21	-6.72	-6.76	61.11	21.95	-118.86	-129.86	-151.81
	Total E			-6.78	-6.86	62.8	24.11	-121.41	-136.41	-160.52
F	Transport Sector									
	Inactive Government Companies									
31	Rajasthan Civil Aviation Corporation Limited	2019-20	2021-22	0.04	0.04	0.00	4.49	-1.82	-1.82	-6.31
	Statutory Corporations									
32	Rajasthan State Road Transport Corporation	2019-20	2020-21	-72.75	-217.06	1688.95	638.96	-3091.22	-4547.84	-5186.80
	Total F			-72.71	-217.02	1688.95	643.45	-3093.04	-4549.66	-5193.11
G	Urban Development Sector									
	Government Companies									
33	Jaipur Metro Rail Corporation Limited	2020-21	2021-22	-20.79	-60.17	4.53	1694.04	2046.81	1305.68	-388.36
34	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	2018-19	2021-22	4.90	3.55	69.01	48.67	1425.07	74.04	25.37
	Total G			-15.89	-56.62	73.54	1742.71	3471.88	1379.72	-362.99
H	Other Sectors									
	Government Companies									
35	Rajasthan Police Infrastructure Development Corporation Limited	2020-21	2021-22	2.60	1.88	4.27	1.00	6.47	6.47	5.47
36	Rajasthan State Road Development and Construction Corporation Limited	2020-21	2021-22	263.65	3.60	785.57	100.00	2976.53	246.58	146.58
37	Raj COMP Info Services Limited	2019-20	2020-21	40.20	26.24	165.82	5.00	95.95	95.95	90.95

Sl. No.	Type and name of SPSE	Period of latest finalised financial statements	Year in which the financial statements were finalised	Net profit/ Loss (-) before Interest & Tax	Net Profit/ Loss (-)	Turnover	Paid-up capital	Capital Employed	Net Worth ⁶⁷	Accumulated Profit/ Loss (-)
38	Rajasthan Ex-Servicemen Corporation Limited	2020-21	2021-22	6.14	6.10	160.23	5.00	31.26	31.26	26.26
39	Rajasthan Medical Services Corporation Limited	2019-20	2020-21	12.99	7.36	840.28	5.00	63.00	51.73	46.73
40	Rajasthan Skill and Livelihoods Development Corporation	2020-21	2021-22	1.54	1.53	18.54	0.05	-13.00	-13.00	-13.05
	Inactive Government Companies									
41	Rajasthan Jal Vikas Nigam Limited	2020-21	2021-22	0.04	0.03	0.00	1.27	-0.89	-0.89	-2.16
	Total H			327.16	46.74	1974.71	117.32	3159.32	418.1	300.78
	Grand Total (35 Government Companies)			12738.00	-2677.09	84988.25	50968.02	66418.46	-41505.94	-92414.34
	Grand Total (3 Inactive Government Companies)			-0.06	-1.39	0.00	11.77	-4.92	-51.53	-63.3
	Grand Total (3 Statutory Corporations)			79.12	-135.43	1998.19	807.54	-2261.55	-4156.79	-4964.33
	Grand Total (A to H) (41 SPSEs)			12817.05	-2813.91	86986.44	51787.33	64151.99	-45714.26	-97441.97
	Government Controlled other Companies									
42	Ajmer Smart City Limited	2019-20 ⁶⁸	-	0.00	0.00	0.00	0.01	8.65	8.65	8.64
43	Jaipur Smart City Limited	2019-20	2020-21	0.54	0.05	0.00	200.00	204.45	204.45	4.45
44	Kota Smart City Limited	2019-20	2020-21	0.00	0.00	0.00	200.00	208.23	208.23	8.23
45	Udaipur Smart City Limited	2019-20	2020-21	0.00	-0.02	0.00	200.00	199.88	199.88	-0.12
	Total (4 Government Controlled other Companies)			0.54	0.03	0.00	600.01	621.21	621.21	21.20
	Grand Total (45 SPSEs)			12817.59	-2813.88	86986.44	52387.34	64773.20	-45093.05	-97420.77

68 Figures of financial position and working results of Ajmer Smart City Limited are based on the information provided by the Company as its first accounts (2019-20) were not finalized till 30.11.2021.

Annexure-1.2

(Referred to in Paragraphs 1.5 at Page No. 4 and 1.17 at Page No. 12)

Statement showing position of State Government investment in SPSEs accounts of which are in arrears during the period of arrears

(₹ in crore)

Sl. No.	Name of SPSE	Period upto which accounts finalized	Period for which accounts are in arrears	Paid up capital	Investment made by State Government during the period for which accounts are in arrears		
					Loans	Subsidy	Total
A	Government Companies						
1	Rajasthan State Handloom Development Corporation Limited	2018-19	2019-20, 2020-21	46.06	0.00	1.05	1.05
2	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	2018-19	2019-20, 2020-21	48.67	0.00	0.00	0.00
3	Rajasthan State Food & Civil Supplies Corporation Limited	2016-17	2017-18, 2018-19, 2019-20, 2020-21	50.00	0.00	0.00	0.00
4	Rajasthan State Mines and Minerals Limited	2019-20	2020-21	77.55	0.00	0.00	0.00
5	Rajasthan State Hotels Corporation Limited	2015-16	2016-17, 2017-18, 2018-19, 2019-20, 2020-21	2.16	0.00	0.00	0.00
6	Rajasthan Tourism Development Corporation Limited	2016-17	2017-18, 2018-19, 2019-20, 2020-21	21.95	11.50	0.00	11.50
7	Barmer Lignite Mining Company Limited	2019-20	2020-21	20.00	0.00	0.00	0.00
8	Rajasthan State Petroleum Corporation Limited	2019-20	2020-21	67.08	0.00	0.00	0.00
9	Rajasthan Civil Aviation Corporation Limited	2019-20	2020-21	4.49	0.00	0.00	0.00
10	Rajasthan State Agro Industries Corporation Limited (Inactive Government Company)	2014-15	2015-16, 2016-17, 2017-18, 2018-19, 2019-20, 2020-21	6.01	0.20	0.00	0.20
11	Rajasthan Medical Service Corporation Limited	2019-20	2020-21	5.00	0.00	462.71	462.71
12	Rajasthan State Ganganagar Sugar Mills Limited	2019-20	2020-21	180.39	0.00	0.00	0.00
13	RajComp Info Services Limited	2019-20	2020-21	5.00	0.00	0.00	0.00
	Total A			534.36	11.70	463.76	475.46
B	Statutory Corporation						
14	Rajasthan State Road Transport Corporation	2019-20	2020-21	638.96	0.00	475.89	475.89
15	Rajasthan State Warehousing Corporation Limited	2019-20	2020-21	7.85	0.00	0.00	0.00
	Total B			646.81	0.00	475.89	475.89
C	Government Controlled Other Companies						
16	Ajmer Smart City Limited	NA	2019-20, 2020-21	0.01	0.00	0.00	0.00
17	Jaipur Smart City Limited	2019-20	2020-21	200.00	0.00	0.00	0.00
18	Kota Smart City Limited	2019-20	2020-21	200.00	0.00	0.00	0.00
19	Udaipur Smart City Limited	2019-20	2020-21	200.00	0.00	0.00	0.00
	Total C			600.01	0.00	0.00	0.00
	Grand Total (A+B+C)			1781.18	11.70	939.65	951.35

Source: Compiled on the basis of information received from SPSEs.

Annexure – 1.3

(Referred to in Paragraph 1.19 at Page No. 13)

Statement showing difference between Finance Accounts of Government of Rajasthan and records of the SPSEs in respect of balances of Equity, Loans and Guarantee as on 31 March 2021

(₹ in crore)

Sl. No.	Name of SPSE	As per records of the SPSE			As per Finance Accounts of Government of Rajasthan		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	2	3	4	5	6	7	8
1	Rajasthan State Seeds Corporation Limited	6.33	0.00	0.00	6.33	0.64	0.00
2	Rajasthan State Industrial Development and Investment Corporation Limited	210.19	5.37	0.00	193.69	5.37	0.00
3	Rajasthan State Road Development and Construction Corporation Limited	100.00	0.00	2944.73	100.00	74.54	2944.73
4	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited	48.67	278.11	1364.63	33.51	0.00	1364.63
5	Rajasthan State Ganganagar Sugar Mills Limited	180.34	0.31	0.00	180.59	0.11	0.00
6	Rajasthan State Mines and Minerals Limited	77.54	0.00	0.00	77.56	0.00	0.00
7	Rajasthan Medical Services Corporation Limited	5.00	11.27	0.00	5.00	11.26	0.00
8	Rajasthan State Hotels Corporation Limited	2.16	11.05	0.00	2.16	10.00	0.00
9	Rajasthan Tourism Development Corporation Limited	21.95	49.50	0.00	21.94	49.50	0.00
10	Rajasthan Financial Corporation	128.31	1.03	226.00	128.31	1.26	226.00
11	Rajasthan State Road Transport Corporation	612.13	630.37	725.00	612.13	630.37	675.00
12	Rajasthan State Agro Industries Corp. Limited	6.01	16.27	0.00	4.13	17.51	0.00
13	Ajmer Smart City Limited	0.01	0.00	0.00	64.80	0.00	0.00
14	Kota Smart City Limited	100.00	0.00	0.00	65.40	0.00	0.00
15	Ajmer Vidyut Vitran Nigam Limited	10571.89	1323.20	12519.96	10571.89	1248.87	12519.96
16	Jaipur Vidyut Vitran Nigam Limited	11447.43	1596.95	13380.20	11447.43	1596.91	13380.20
17	Jodhpur Vidyut Vitran Nigam Limited	10636.97	1155.01	14237.89	10636.97	1229.34	14237.89
18	Rajasthan Rajya Vidyut Prasaran Nigam Limited	4656.57	1063.02	6334.82	4691.04	1302.88	6334.82
19	Rajasthan Rajya Vidyut Utpadan Nigam Limited	10451.23	138.08	23602.76	10451.23	138.08	23082.66
	Total	49262.73	6279.54	75335.99	49294.11	6316.64	74765.89

Annexure-1.4

(Referred to in Paragraph 1.31 at Page No. 23)

Statement showing year-wise details of the investment *vis-à-vis* present value of the investment infused by the State Government for the period 2000-01 to 2020-21

Assumptions for computing present value of the State Government investment

- 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 undertaking. Further, in those cases where interest free loans given to the power sector undertaking were converted into equity, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year.
- The average rate of interest on government borrowings for the concerned financial year⁶⁹ 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.

(₹ 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 ⁷⁰	Subsidy given under UDAY	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 ⁷¹
i	ii	iii	iv	v	vi	vii =iii+iv+vi-v	viii	ix =ii+vii	x=ix*{1+(viii/100)}	xi={ix*viii/100}	xii
Investment by State Government (without considering UDAY as investment)											
Upto 1999-00	-	412.44	36.80	-	-	449.24	10.40	1164.89	1286.04	-	-
2000-01	1286.04	383.14	-0.49	0.00	-	382.65	10.50	1668.69	1843.90	175.21	-57.52

⁶⁹ 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.

⁷⁰ 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).

⁷¹ Total Earning for the year depicts total of net earnings (profit/loss) for the concerned year relating to the 32 SPSEs where funds were infused by State Government. However, two companies (RVUNL and RVPNL) and three State DISCOMs (JVVNL, AVVNL and JdVVNL) 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' till they commenced preparation of their annual accounts on commercial accounting principles by depicting profit/ loss for the year from 2008-09 onwards and from 2010-11 onwards respectively. Hence, the profits/losses of these five companies have been considered from the year in which these companies commenced preparation of annual accounts on commercial accounting principles.

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 ⁷⁰	Subsidy given under UDAY	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 ⁷¹
i	ii	iii	iv	v	vi	vii =iii+iv+vi-v	viii	ix =ii+vii	x= $ix \times \{1 + (viii/100)\}$	xi= $\{ix \times viii/100\}$	xii
2001-02	1843.90	363.20	-3.34	0.00	-	359.86	10.50	2203.76	2435.16	231.40	-45.32
2002-03	2435.16	344.48	-3.52	0.00	-	340.96	10.00	2776.12	3053.73	277.61	-17.91
2003-04	3053.73	417.22	-0.84	0.00	-	416.38	9.60	3470.11	3803.25	333.14	12.23
2004-05	3803.25	379.46	187.94	0.00	-	567.40	9.10	4370.65	4768.38	397.73	146.53
2005-06	4768.38	645.49	144.49	0.00	-	789.98	8.20	5558.36	6014.14	455.78	214.11
2006-07	6014.14	695.30	149.61	0.00	-	844.91	8.30	6859.05	7428.35	569.30	267.36
2007-08	7428.35	1070.50	149.15	0.00	-	1219.65	8.00	8648.00	9339.84	691.84	379.45
2008-09	9339.84	1339.87	249.31	0.00	-	1589.18	7.70	10929.02	11770.56	841.54	-1043.55
2009-10	11770.56	1299.56	169.28	0.00	-	1468.84	7.70	13239.40	14258.84	1019.44	-676.99
2010-11	14258.84	1744.24	-0.31	0.00	-	1743.93	7.70	16002.77	17234.98	1232.21	-21058.37
2011-12	17234.98	2891.34	989.21	1070.00	-	2810.55	7.70	20045.53	21589.03	1543.50	-19168.65
2012-13	21589.03	4661.61	1102.98	0.00	-	5764.59	7.40	27353.62	29377.78	2024.16	-11773.13
2013-14	29377.78	4722.17	132.30	0.00	-	4854.47	7.30	34232.25	36731.21	2498.96	-15413.39
2014-15	36731.21	4371.78	1443.63	729.40	-	5086.01	7.50	41817.22	44953.51	3136.29	-14866.61
2015-16	44953.51	9492.69	497.20	1265.60	-	8724.29	6.70	53677.80	57274.22	3596.42	-12222.56
2016-17	57274.22	4130.49	-811.32	0.00	-	3319.17	7.60	60593.39	65198.49	4605.10	-1395.49
2017-18	65198.49	3850.42	427.68	0.00	-	4278.10	7.30	69476.59	74548.38	5071.79	2057.58
2018-19	74548.38	3822.35	256.15	0.00	-	4078.50	7.30	78626.88	84366.64	5739.76	2893.35
2019-20	84366.64	2095.49	155.51	0.00	-	2251.00	7.10	86617.64	92767.49	6149.85	3550.08
2020-21	92767.49	403.49	61.56	0.00	-	465.05	6.60	93232.54	99385.89	6153.35	-2504.27
Total		49536.73	5332.98	3065.00	-						

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 ⁷⁰	Subsidy given under UDAY	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 ⁷¹
i	ii	iii	iv	v	vi	vii =iii+iv+vi-v	viii	ix =ii+vii	x=ix*{1+(viii/100)}	xi={ix*viii/100}	xii
Investment by State Government (Considering UDAY as investment) (2016-20)											
2016-17	57274.22	4130.49	-811.32	0.00	9000.00	12319.17	7.60	69593.39	74882.49	5289.10	-1395.49
2017-18	74882.49	3850.42	427.68	0.00	12000.00	16278.10	7.30	91160.59	97815.31	6654.72	2057.58
2018-19	97815.31	3822.35	256.15	0.00	12000.00	16078.50	7.30	113893.81	122208.06	8314.25	2893.35
2019-20	122208.06	2095.49	155.51	0.00	13816.47	16067.47	7.10	138275.53	148093.09	9817.56	3550.08
2020-21	148093.09	403.49	61.56	0.00	0.00	465.05	6.60	148558.14	158362.98	9804.84	-2504.27
Total		49536.73	5332.98	3065.00	46816.47						

Annexure 2.1

(Referred to in Paragraph 2.7 at Page No. 30)

Statement showing name of SPSEs wherein the Statutory Auditors reported non-compliance of AS/Ind AS

Sl. No.	Name of SPSE	Year of financial statements	AS/Ind AS
1.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2020-21	Ind AS 36, 12
2.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2020-21	Ind AS 16, 28, 37, 110
3.	Giral Lignite Power Limited	2020-21	Ind AS 36
4.	Rajasthan Solar Park Development Company Limited	2020-21	AS 12
5.	Ajmer Vidyut Vitran Nigam Limited	2020-21	AS 10, 12, 16, 28, 29
6.	Jaipur Vidyut Vitran Nigam Limited	2020-21	AS 10, 12, 16, 28, 29
7.	Jodhpur Vidyut Vitran Nigam Limited	2020-21	AS 3, 10, 12, 16, 28, 29
8.	Rajasthan Small Industries Corporation Limited	2020-21	AS 28, 29
9.	Rajasthan Renewable Energy Corporation Limited	2020-21	AS 18
10.	Rajasthan State Gas Limited	2020-21	Ind AS 12, 19, 115
11.	Rajasthan State Road Development and Construction Corporation Limited	2021-21	AS 29
12.	Kota Smart City Limited	2019-20	Ind AS 20
13.	Rajasthan Medical Services Corporation Limited	2019-20	AS 12, 15, 28
14.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	2017-18	AS 1, 18

Annexure 2.2

(Referred to in Paragraph 2.9 at Page No. 31)

Statement showing name of SPSEs wherein comments of the CAG on financial statements were issued during the reporting period

Sl. No.	Name of SPSE	Financial Statement Year
1.	Rajasthan Urja Vikas Nigam Limited	2020-21
2.	Giral Lignite Power Limited	2020-21
3.	Ajmer Vidyut Vitran Nigam Limited	2019-20
4.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2019-20
5.	Rajasthan State Mines and Minerals Limited	2019-20
6.	RajComp Info Services Limited	2019-20
7.	Rajasthan Medical Services Corporation Limited	2019-20
8.	Jaipur Smart City Limited	2019-20
9.	Kota Smart City Limited	2019-20
10.	Udaipur Smart City Limited	2019-20
11.	Rajasthan State Warehousing Corporation	2019-20
12.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	2018-19

Annexure 2.3

(Referred to in Paragraph 2.14 at Page No. 39)

Statement showing name of SPSEs to which Management Letters were issued

S1. No.	Name of SPSEs	Year of financial statement
1	Giral Lignite Power Limited	2020-21
2	Dholpur Gas Power Limited	2020-21
3	Chhabra Power Limited	2020-21
4	Rajasthan Urja Vikas Nigam Limited	2020-21
5	Rajasthan Skill and Livelihood Development Corporation	2020-21
6	Rajasthan State Power Finance & Financial Services Limited	2020-21
7	Rajasthan State Seeds Corporation Limited	2020-21
8	Rajasthan Jal Vikas Nigam Limited	2020-21
9	Ajmer Vidyut Vitran Nigam Limited	2019-20
10	Rajasthan State Industrial Development and Investment Corporation Limited	2019-20
11	Rajasthan Medical Services Corporation Limited	2019-20
12	Udaipur Smart City Limited	2019-20
13	Kota Smart City Limited	2019-20
14	Rajcomp Info Services Limited	2019-20
15	Rajasthan State Mines & Minerals Limited	2019-20
16	Rajasthan State Handloom Development Corporation Limited	2018-19
17	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	2017-18

Annexure 3.1

(Referred to in Paragraph 3.6, 3.7, 3.12, 3.13, 3.14, 3.17 and 3.18 at Page No. 42, 43, 47, 48, 50, 52 and 52)

Statement showing requirement of Independent Director/Woman Director/Audit Committee/NRC/KMP and board meeting/audit committee meeting conducted by SPSEs

Sl. No.	Name of SPSEs	Requirement of		Nos. of Independent Directors as on		Requirement of			No. of Board Meetings	No. of Audit Committee Meetings
		Independent Director	Woman Director	31.3.2020	31.3.2021	Audit Committee	NRC	KMP		
1	Ajmer Vidyut Vitran Nigam Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	5	4
2	Jaipur Vidyut Vitran Nigam Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	6	5
3	Jodhpur Vidyut Vitran Nigam Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	4	3
4	Rajasthan Rajya Vidyut Prasaran Nigam Limited ⁷²	Yes	Yes	1	Nil	Yes	Yes	Yes	7	6
5	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	6	4
6	Rajasthan Renewable Energy Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	Yes	5	3
7	Rajasthan Urja Vikas Nigam Limited ⁷²	Yes	No	1	Nil	Yes	Yes	Yes	5	4
8	Rajasthan State Industrial Development and Investment Corporation Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	4	1
9	Rajasthan Small Industries Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	No	3	1
10	Rajasthan State Handloom Development Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	Yes	1	AC is not constituted
11	Rajasthan State Beverage Corporation Limited	Yes	Yes	2	2	Yes	Yes	No	3	1
12	Rajasthan State Ganganagar Sugar Mills Limited	Yes	Yes	2	2	Yes	Yes	Yes	3	2

72 Sl. No. 4 & 7 had Independent Directors upto August 2020 only.

Sl. No.	Name of SPSEs	Requirement of		Nos. of Independent Directors as on		Requirement of			No. of Board Meetings	No. of Audit Committee Meetings
		Independent Director	Woman Director	31.3.2020	31.3.2021	Audit Committee	NRC	KMP		
13	Rajasthan State Power Finance and Financial Services Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	Yes	4	1
14	Rajasthan State Food and Civil Supplies Corporation Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	3	1
15	Rajasthan State Seeds Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	No	4	2
16	Rajasthan State Road Development & Construction Corporation Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	4	1
17	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	Yes	No	2	2	Yes	Yes	Yes	2	2
18	Rajasthan State Mines & Minerals Limited	Yes	Yes	2	2	Yes	Yes	Yes	1	0
19	Rajasthan Tourism Development Corporation Limited	Yes	No	Nil	Nil	Yes	Yes	Yes	3	1
20	RajComp Info Services Limited	Yes	No	2	2	Yes	Yes	No	4	1
21	Rajasthan Medical Services Corporation Limited	Yes	Yes	Nil	Nil	Yes	Yes	No	4	2
22	Jaipur Metro Rail Corporation Limited	Yes	Yes	1	1	Yes	Yes	Yes	4	2
23	Jaipur Smart City Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	2	1
24	Kota Smart City Limited	Yes	Yes	Nil	Nil	Yes	Yes	Yes	2	AC is not constituted
25	Udaipur Smart City Limited	Yes	Yes	1	1	Yes	Yes	Yes	1	1
26	Rajasthan Ex-Servicemen Corporation Limited	Yes	No	Nil	2 ⁷³	Yes	Yes	No	4	2

73 IDs were appointed in December 2020 and hence, did not participate in the four BoD meetings held during the year.

Sl. No.	Name of SPSEs	Requirement of		Nos. of Independent Directors as on		Requirement of			No. of Board Meetings	No. of Audit Committee Meetings
		Independent Director	Woman Director	31.3.2020	31.3.2021	Audit Committee	NRC	KMP		
27	Rajasthan Police Infrastructure Development Corporation Limited	No	No	NA	NA	No	No	No	3	NA
28	Rajasthan State Hotels Corporation Limited	No	No	NA	NA	No	No	No	3	NA
29	Rajasthan Skill and Livelihoods Development Corporation ⁷⁴	No	No	NA	NA	No	No	No	3	NA
30	Rajasthan Jal Vikas Nigam Limited	No	No	NA	NA	No	No	No	4	NA
31	Rajasthan Civil Aviation Corporation Limited	No	No	NA	NA	No	No	No	1	NA
32	Ajmer Smart City Limited	No	No	NA	NA	No	No	No	3	NA
33	Banswara Thermal Power Company Limited	No	No	NA	NA	No	No	No	4	NA
34	Barmer Thermal Power Company Limited	No	No	NA	NA	No	No	No	4	NA
35	Chhabra Power Limited	No	No	NA	NA	No	No	No	4	NA
36	Dholpur Gas Power Limited	No	No	NA	NA	No	No	No	4	NA
37	Giral Lignite Power Limited	No	Yes	NA	NA	No	No	Yes	4	NA
38	Rajasthan Solarpark Development Company Limited	No	No	NA	NA	No	No	No	5	NA
39	Rajasthan State Petroleum Corporation Limited	No	No	NA	NA	No	No	Yes	1	NA
40	Barmer Lignite Mining Company Limited	No	Yes	NA	3	No	No	Yes	1	NA
41	Rajasthan State Gas Limited	No	Yes	NA	NA	No	No	Yes	3	NA

74 Company incorporated under Section 25 of the Companies Act 1956 (Section 8 of the Companies Act 2013), required to hold two board meetings.

Annexure 3.2

(Referred to in Paragraph 3.22 and 3.23 at Page No. 55 and 56)

Internal Audit Framework

Sl. No.	Name of the SPSE	Frequency of Internal Audit	Internal Audit observations/ Progress Reported to
1.	Ajmer Vidyut Vitran Nigam Limited	Annual	Board of Directors and Audit Committee
2.	Jaipur Vidyut Vitran Nigam Limited	Annual	Director (Finance), Managing Director, Board of Directors and Audit Committee
3.	Jodhpur Vidyut Vitran Nigam Limited	Annual	Board of Directors and Audit Committee
4.	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Expenditure Audit on yearly basis & Revenue audit on half yearly basis.	Board of Directors and Audit Committee
5.	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Annual	Director (Finance)
6.	Rajasthan Urja Vikas Nigam Limited	Quarterly	Board of Directors
7.	Rajasthan State Industrial Development and Investment Corporation Limited	Half Yearly basis	Financial Advisor and Audit Committee
8.	Rajasthan State Beverage Corporation Limited	Quarterly	General Manager (Finance & Accounts) and Audit Committee
9.	Rajasthan State Ganganagar Sugar Mills Limited	Quarterly	Financial Advisor and Audit Committee
10.	Rajasthan State Power Finance and Financial Services Corporation Limited	Annual	Managing Director and Audit Committee
11.	Rajasthan State Food and Civil Supplies Corporation Limited	Internal auditor for 2020-21 was not appointed.	

Sl. No.	Name of the SPSE	Frequency of Internal Audit	Internal Audit observations/ Progress Reported to
12.	Rajasthan State Seeds Corporation Limited	Half Yearly basis	Audit Committee
13.	Rajasthan State Road Development and Construction Corporation Limited	Half Yearly basis	Managing Director
14.	Rajasthan Urban Drinking Water Sewerage & Infrastructure Corporation Limited	Internal auditor for 2020-21 was not appointed.	
15.	Rajasthan State Mines & Minerals Limited	Annual	Audit Committee
16.	Rajasthan Medical Services Corporation Limited	Quarterly	Executive Director (Fin)
17.	Jaipur Metro Rail Corporation Limited	Quarterly	Quarterly to Managing Director and Annually to Audit Committee
18.	Jaipur Smart City Limited	Annual	Chief Executive Officer and Audit Committee
19.	Kota Smart City Limited	Quarterly	Chief Executive Officer
20.	Udaipur Smart City Limited	Quarterly	Chief Financial Officer
21.	Giral Lignite Power Limited	Annual	Chief Engineer
22.	Barmer Lignite Mining Company Limited	Quarterly	Board of Directors
23.	Rajasthan State Gas Limited	Quarterly	Managing Director and Chief Financial Officer
24.	Rajasthan State Petroleum Corporation Limited	Annual	Financial Advisor

Annexure-4.1

(Referred to in Paragraph 4.1 at Page No. 57)

Statement showing detailed list of Indians Accounting Standards (Ind AS) applicable as on 31 March 2021

Sr. No.	No. of Ind AS	Description of Ind AS	Remarks
1.	Ind AS 101	First-time adoption of Ind AS	
2.	Ind AS 102	Share Based payments	
3.	Ind AS 103	Business Combination	
4.	Ind AS 104	Insurance Contracts	
5.	Ind AS 105	Non-Current Assets Held for Sale and Discontinued Operations	
6.	Ind AS 106	Exploration for and Evaluation of Mineral Resources	
7.	Ind AS 107	Financial Instruments: Disclosures	
8.	Ind AS 108	Operating Segments	
9.	Ind AS 109	Financial Instruments	
10.	Ind AS 110	Consolidated Financial Statements	
11.	Ind AS 111	Joint Arrangements	
12.	Ind AS 112	Disclosure of Interests in Other Entities	
13.	Ind AS 113	Fair Value Measurement	
14.	Ind AS 114	Regulatory Deferral Accounts	
15.	Ind AS 115	Revenue from Contracts with Customers	Omitted (March 2016) and re-notified (March 2018)
16.	Ind AS 116	Leases	Notified (March 2019)
17.	Ind AS 1	Presentation of Financial Statements	
18.	Ind AS 2	Inventories Accounting	
19.	Ind AS 7	Statement of Cash Flows	
20.	Ind AS 8	Accounting Policies, Changes in Accounting Estimates and Errors	
21.	Ind AS 10	Events after Reporting Period	
22.	Ind AS 11	Construction Contracts	Superseded by Ind AS 115 (March 2018)

Sr. No.	No. of Ind AS	Description of Ind AS	Remarks
23.	Ind AS 12	Income Taxes	
24.	Ind AS 16	Property, Plant and Equipment	
25.	Ind AS 17	Leases	Superseded by Ind AS 116 (March 2019)
26.	Ind AS 18	Revenue	Superseded by Ind AS 115 (March 2018)
27.	Ind AS 19	Employee Benefits	
28.	Ind AS 20	Accounting for Government Grants and Disclosure of Government Assistance	
29.	Ind AS 21	The Effects of Changes in Foreign Exchange Rates	
30.	Ind AS 23	Borrowing Costs	
31.	Ind AS 24	Related Party Disclosures	
32.	Ind AS 27	Separate Financial Statements	
33.	Ind AS 28	Investments in Associates and Joint Ventures	
34.	Ind AS 29	Financial Reporting in Hyperinflationary Economies	
35.	Ind AS 32	Financial Instruments: Presentation	
36.	Ind AS 33	Earnings per Share	
37.	Ind AS 34	Interim Financial Reporting	
38.	Ind AS 36	Impairment of Assets	
39.	Ind AS 37	Provisions, Contingent Liabilities and Contingent Assets	
40.	Ind AS 38	Intangible Assets	
41.	Ind AS 40	Investment Property	
42.	Ind AS 41	Agriculture	

Annexure-4.2

(Referred to in Paragraph 4.4 at Page No. 58 and 4.6 at Page No. 59)

Government Companies which adopted Indians Accounting Standards (Ind AS), selected for review in audit and company wise status of availing options/exemptions on first time adoption of Ind AS

S. No.	Name of Government Company	Selected for review or not	PPE/Intangible Asset (Ind AS 16)		Lease classification (Ind AS 17)		Separate Financial Statements (Ind As 27)		Financial Instruments (Ind AS 109)	
			Fair Value	Carrying Value	Transition Date	Prospectively	Cost	In accordance with Ind AS 109	Fair value through profit or loss	Fair value through other comprehensive income
	Phase-I (2016-17)									
1	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Selected	-	Yes	-	-	-	-	-	Yes
2	Banswara Thermal Power Company Limited (Subsidiary of S. No. 1)	Not selected since not commenced commercial activity	-	Yes	-	-	-	-	-	-
3	Barmer Thermal Power Company Limited (Subsidiary of S. No. 1)		-	Yes	-	-	-	-	-	-
4	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Selected	-	Yes	-	-	-	-	-	Yes
5	Chhabra Power Limited (Subsidiary of S. No. 4)	Not selected since not commenced commercial activity	-	Yes	-	-	-	-	-	-
6	Dholpur Gas Power Limited (Subsidiary of S. No. 4)		-	Yes	-	-	-	-	-	-
7	Giral Lignite Power Limited (Subsidiary of S. No. 4)	Not selected since discontinued commercial activity	-	Yes	-	-	-	-	-	Yes
8	Rajasthan State Mines and Minerals Limited	Selected	-	Yes	-	-	Yes	-	-	Yes
9	Rajasthan State Petroleum Corporation Limited (Subsidiary of S. No. 8)	Selected	-	Yes	-	-	-	-	-	-

S. No.	Name of Government Company	Selected for review or not	PPE/Intangible Asset (Ind AS 16)		Lease classification (Ind AS 17)		Separate Financial Statements (Ind As 27)		Financial Instruments (Ind AS 109)	
			Fair Value	Carrying Value	Transition Date	Prospectively	Cost	In accordance with Ind AS 109	Fair value through profit or loss	Fair value through other comprehensive income
10	Barmer Lignite Mining Company Limited (Subsidiary of S. No. 8)	Selected	-	Yes	Yes	-	-	-	-	-
11	Rajasthan State Gas Limited (Joint venture of S. No. 9)	Selected	-	Yes	-	-	-	-	-	-
12	Rajasthan State Industrial Development & Investment Corporation Limited	Selected	-	Yes	Yes	-	Yes	-	-	Yes
	Phase-II (2017-18)									
13	Jaipur Metro Rail Corporation Limited	Selected	-	Yes	-	-	-	-	-	Yes
14	Rajasthan State Ganganagar Sugar Mills Limited	Selected		Yes	-	-	-	-	-	-
	Voluntary adoption (2019-20)									
15	Kota Smart City Limited	Selected	-	-	-	-	-	-	-	-

Glossary of Abbreviations	
ASCL	Ajmer Smart City Limited
AVVNL	Ajmer Vidyut Vitran Nigam Limited
Banswara TPCL	Banswara Thermal Power Company Limited
Barmer TPCL	Barmer Thermal Power Company Limited
BLMCL	Barmer Lignite Mining Company Limited
CPL	Chhabra Power Limited
DGPL	Dholpur Gas Power Limited
GLPL	Giral Lignite Power Limited
JdVVNL	Jodhpur Vidyut Vitran Nigam Limited
JMRCL	Jaipur Metro Rail Corporation Limited
JSCL	Jaipur Smart City Limited
JVVNL	Jaipur Vidyut Vitran Nigam Limited
KSCL	Kota Smart City Limited
RCACL	Rajasthan Civil Aviation Corporation Limited
REXCO	Rajasthan Ex-Servicemen Corporation Limited
RFC	Rajasthan Financial Corporation
RIICO	Rajasthan State Industrial Development and Investment Corporation Limited
RISL	Raj COMP Info Services Limited
RJVNL	Rajasthan Jal Vikas Nigam Limited
RMSCL	Rajasthan Medical Services Corporation Limited
RPIDCL	Rajasthan Police Infrastructure Development Corporation Limited
RRECL	Rajasthan Renewable Energy Corporation Limited
RRVPNL	Rajasthan Rajya Vidyut Prasaran Nigam Limited
RRVUNL	Rajasthan Rajya Vidyut Utpadan Nigam Limited
RSAICL	Rajasthan State Agro Industries Corporation Limited
RSBCL	Rajasthan State Beverages Corporation Limited
RSDCL	Rajasthan Solarpark Development Company Limited
RSF&CSCL	Rajasthan State Food & Civil Supplies Corporation Limited
RSGL	Rajasthan State Gas Limited
RSGSML	Rajasthan State Ganganagar Sugar Mills Limited
RSHCL	Rajasthan State Hotels Corporation Limited
RSHDCL	Rajasthan State Handloom Development Corporation Limited
RSICL	Rajasthan Small Industries Corporation Limited
RSLDC	Rajasthan Skill and Livelihoods Development Corporation
RSMML	Rajasthan State Mines and Minerals Limited
RSPCL	Rajasthan State Petroleum Corporation Limited
RSPF&FSCL	Rajasthan State Power Finance and Financial Services Corporation Limited
RSRDCL	Rajasthan State Road Development and Construction Corporation Limited
RSRTC	Rajasthan State Road Transport Corporation
RSSCL	Rajasthan State Seeds Corporation Limited
RSWC	Rajasthan State Warehousing Corporation
RTDCL	Rajasthan Tourism Development Corporation Limited
RUDWS&ICL	Rajasthan Urban Drinking Water Sewerage and Infrastructure Corporation Limited
RUVNL	Rajasthan Urja Vikas Nigam Limited
USCL	Udaipur Smart City Limited

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