

## Chapter-I

### General view of Government Companies and Statutory Corporations

#### 1.1 Introduction

As on 31 March 2001 there were 25 Government companies (17 working companies and eight non-working companies\*) and three working Statutory corporations as against 20 Government companies (13 working companies and seven non-working companies) and four working Statutory corporations as on 31 March 2000 under the control of the State Government. During the year Rajasthan State Electricity Board (Statutory Corporation) was unbundled on 20 July 2000 into five Government companies. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors appointed by Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for Audit by the CAG	Audit arrangement
1.	Rajasthan State Electricity Board (RSEB) (existed upto 19 July 2000)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Rajasthan State Road Transport Corporation (RSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
3..	Rajasthan Financial Corporation (RFC)	Section 37(6) of the State Financial Corporations Act, 1951	Chartered Accountants and Supplementary Audit by CAG
4.	Rajasthan State Warehousing Corporation (RSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Chartered Accountants and Supplementary Audit by CAG

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\* Non working companies/corporations are those which are under the process of liquidation/closure/merger etc.

## **1.2 Working Public Sector Undertakings (PSUs)**

### **1.2.1 Investment in working PSUs**

As on 31 March 2001, the total investment in 20 working PSUs (17 Government companies and four<sup>§</sup> Statutory corporations) was Rs.11348.13 crore (equity: Rs.2255.90 crore; long term loans<sup>\*</sup>: Rs.9091.43 crore; and share application money: Rs.0.80 crore) as against 17 working PSUs (13 Government companies and four Statutory corporations) with a total investment of Rs.10824.72 crore (equity: Rs.2246.47 crore; long term loans: Rs.8569.10 crore; and share application money: Rs.9.15 crore) as on 31 March 2000. The particulars of investments in the working PSUs have been given in Annexure - 1. The analysis of investment in PSUs is given in the following paragraphs.

#### **1.2.1.1 Working Government companies**

Total investment in 17 working companies as on 31 March 2001 was Rs.1615.90<sup>\*\*</sup> crore (equity: Rs.298.33 crore; long term loans: Rs.1316.77 crore; and share application money: Rs.0.80 crore) as against total investment of Rs.1651.01 crore (equity: Rs.288.90 crore; long term loans: Rs.1352.96 crore; and share application money: Rs.9.15 crore) as on 31 March 2000 in 13 working Government companies.

#### **Sector wise investment in Government Companies**

As on 31 March 2001, the total investment of working Government companies comprised 18.51 per cent of equity capital and 81.49 per cent of loans as compared to 18.06 per cent and 81.94 per cent respectively as on 31 March 2000.

The investment (equity and long term loans) in various sectors and percentage thereof at the end of 31 March 2001 and 31 March 2000 are indicated below in the pie charts:

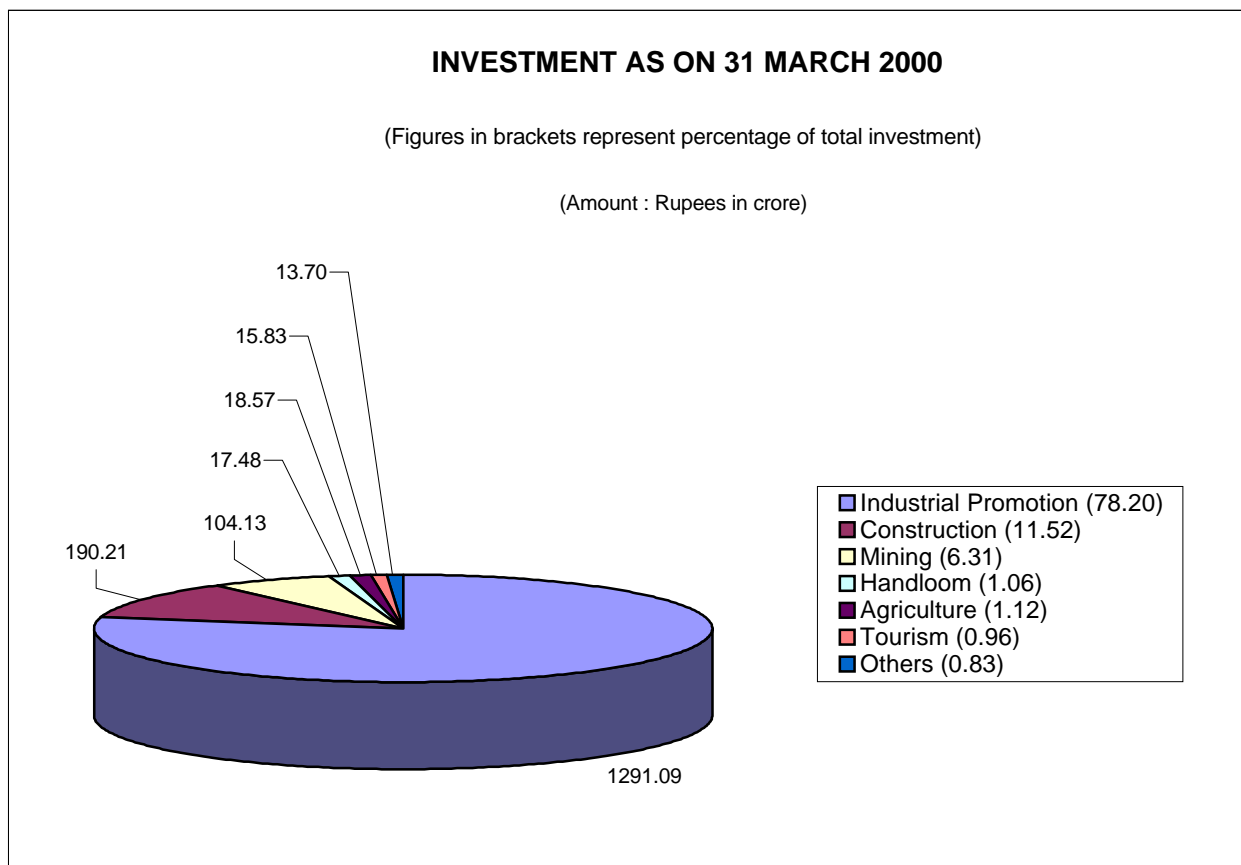
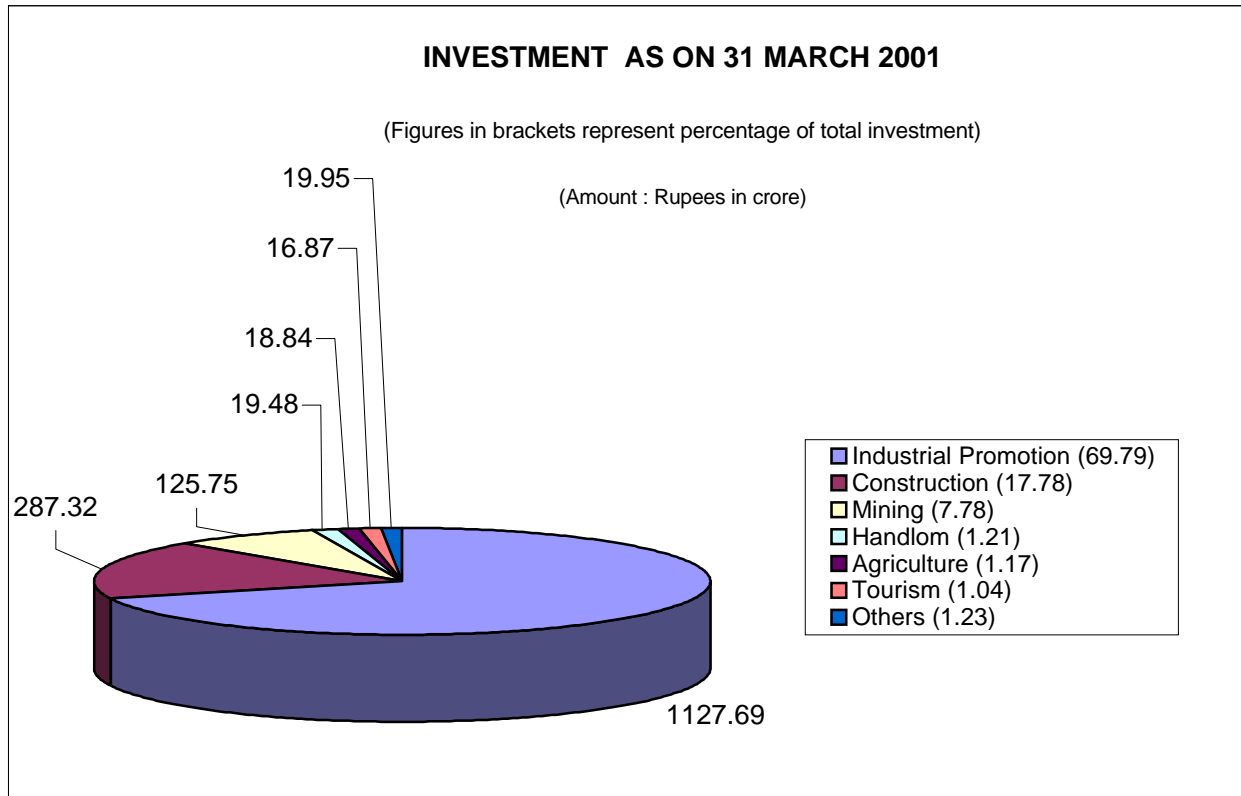
Due to repayment of long term loans to the extent of Rs.162.67 crore by Rajasthan State Industrial Development and Investment Corporation Limited, the debt equity ratio of industrial promotion sector as a whole decreased from 4.54:1 in 1999-2000 to 4.40:1 in 2000-2001.

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<sup>§</sup> One Statutory corporation (RSEB) existed upto 19.07.2000, as the corporation has been unbundled into five Government companies.

<sup>\*</sup> Long term loans mentioned in para 1.2.1, 1.2.1.1 and 1.2.1.2 are excluding interest accrued and due on such loans.

<sup>\*\*</sup> It does not include investment in newly incorporated Government companies in the absence of apportionment of investment of RSEB.



### 1.2.1.2 Working Statutory Corporations

The total investment in four<sup>§</sup> working Statutory corporations at the end of March, 2001 and March, 2000 was as follows:

**(Rupees in crore)**

Name of Corporation	1999-2000		2000-01	
	Capital	Loan <sup>xx</sup>	Capital	Loan
Rajasthan State Electricity Board <sup>§</sup>	1774.59	6532.72	1774.59	7048.44
Rajasthan State Road Transport Corporation	107.95	33.15	107.95	51.45
Rajasthan Financial Corporation	67.53	647.51	67.53	672.84
Rajasthan State Warehousing Corporation	7.50	2.76	7.50	1.93
<b>Total</b>	<b>1957.57</b>	<b>7216.14</b>	<b>1957.57</b>	<b>7774.66</b>

### 1.2.2 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexure 1 and 3.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to four working Government companies and two working Statutory corporations which received assistance in 2000-01, is indicated for the three years up to 2000-2001 :

**(Rupees in crore)**

	1998-99				1999-2000				2000-01			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	3	4.53	-	-	2	11.05	-	-	1	0.80	-	-
Loans given from budget	2	25.75	3	271.06	2	4.58	2	199.39	3	3.70	1	56.29
Grant/ Subsidy towards	-	-	-	-	-	-	-	-	-	-	-	-
(i) Projects/ Programmes/ Schemes	5	17.52	1	1.64	6	13.68	1	1.75	3	10.23	1	0.03
(ii) Other Subsidy	-	-	1	278.43	-	-	1	458.14	-	-	1	2.25
Total subsidy	5	17.52	2	280.07	6	13.68	2	459.89	3	10.23	2	2.28
<b>Total outgo</b>	<b>7</b>	<b>47.80</b>	<b>3</b>	<b>551.13</b>	<b>7</b>	<b>29.31</b>	<b>2</b>	<b>659.28</b>	<b>4</b>	<b>14.73</b>	<b>2</b>	<b>58.57</b>

<sup>§</sup> One Statutory corporation (RSEB) existed upto 19.07.2000, as the corporation has been unbundled into five Government companies.

<sup>xx</sup> These are Long term loans excluding interest accrued and due on such loans.

During the year 2000-01, the Government had guaranteed loans aggregating Rs.1020.39 crore obtained by one working Government company (Rs.450.00 crore) and three<sup>s</sup> working Statutory corporations (Rs.570.39 crore). As on 31 March 2001, guarantees amounting to Rs.4748.10 crore against three working Government companies (Rs.201.01 crore) and three<sup>s</sup> working Statutory corporations (Rs.4547.09 crore) were outstanding, while as on 31 March 2000, guarantees amounting to Rs.6180.01 crore against five working Government companies (Rs.1184.00 crore) and three working Statutory corporations (Rs.4996.01 crore) were outstanding. The guarantee commission paid/payable to Government by three Government companies and by three Statutory corporations during 2000-01 was Rs.2.22 crore and Rs.4.55 crore, respectively.

### 1.2.3 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporations their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

However, as could be noticed from Annexure 2 out of 17 working Government companies, six companies and out of four<sup>s</sup> working Statutory corporations only two corporations have finalised their accounts for the year 2000-01 within stipulated period. During the period from October 2000 to August 2001, six working Government companies finalised accounts for previous year.

The accounts of 11 working Government companies and two Statutory corporations were in arrears for one year as on 30 September 2001 as detailed below:

Sl. No	Year from which accounts are in arrears	Number of years for which accounts are in arrears	Number of working Companies/Corporations		Reference to Serial No. of Annexure 2	
			Government companies	Statutory corporations	Government companies	Statutory corporations
1.	2000-01	1	11	2	A-1,5,8,10, 11,12,13,14, 15,16,17	B-2, 4

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. Though the concerned administrative departments and officials of the Government were apprised quarterly by Audit regarding arrears in finalisation of accounts, the Government had taken no effective measures and as a result, the investments made in these PSUs could not be assessed in audit.

<sup>s</sup> One Statutory corporation (RSEB) existed upto 19.07.2000, as the corporation has been unbundled into five Government companies.

#### **1.2.4 Financial position and working results of working PSUs**

The summarized financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in Annexure-2. Besides, statement showing financial position and working results of individual working Statutory corporations for the latest three years for which accounts are finalised are given in Annexure-4 and 5.

According to latest finalised accounts of 17 working Government companies and four<sup>s</sup> working Statutory corporations, four companies and one corporation had incurred an aggregate loss of Rs.9.13 crore and Rs.73.79 crore respectively, seven companies and two corporations earned an aggregate profit of Rs.23.74 crore and Rs.7.56 crore respectively, one company had not commenced commercial activities and five companies incorporated in July 2000 have not finalised any accounts during the year.

##### **1.2.4.1 Working Government companies**

###### **1.2.4.1.1 Profit earning working companies and dividend**

Out of six working Government companies which finalised their accounts for 2000-01 by September 2001, five companies earned an aggregate profit of Rs.22.24 crore; of which only three companies (Sl. Nos. 6,7 & 9 of Annexure 2) declared dividend aggregating Rs.3.50 crore. The dividend as percentage of share capital in the above five profit earning companies worked out to 3.69 per cent. The total return by way of above dividend of Rs.3.50 crore worked out to 1.16 per cent in 2000-01 on total equity investment of Rs.303.44 crore by the State Government in all Government companies as against 1.06 per cent in the previous year. The State Government had not formulated any dividend policy, but the same is declared by companies on the recommendations of their Board of Directors and approved by shareholders in annual general meeting.

Similarly, out of six working Government companies, which finalised their accounts for previous years by September 2001, two companies earned an aggregate profit of Rs.1.50 crore and only one company earned profit for two or more successive years. However, these companies declared no dividend.

###### **1.2.4.1.2 Loss incurring working Government companies**

Of the four loss incurring working Government companies, Rajasthan State Handloom Development Corporation Limited had accumulated losses aggregating Rs.22.59 crore, which exceeded its aggregate paid up capital of Rs.6.15 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to Rajasthan State Handloom Development Corporation Limited amounting to Rs.1.37 crore by way of loan and subsidy during the year 2000-01.

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<sup>s</sup> One Statutory corporation (RSEB) existed upto 19.07.2000, as the corporation has been unbundled into five Government companies.

### **1.2.4.2 Working Statutory Corporations**

#### **1.2.4.2.1 Profit earning Statutory Corporations and dividend**

Out of four<sup>§</sup> Statutory corporations, two corporations finalised their accounts for 1999-2000 and two corporations finalised their accounts for 2000-01. Two corporations earned profit of Rs.7.56 crore out of which Rajasthan State Warehousing Corporation declared dividend of Rs.1.13 crore. The total return by way of dividend of Rs.1.13 crore worked out to 0.06 per cent on the total equity investment of Rs.1904.35 crore by the State Government in all the four Statutory Corporations.

#### **1.2.4.2.2 Loss incurring Statutory Corporations**

Out of four<sup>§</sup> Statutory corporations, Rajasthan State Road Transport Corporation finalised accounts for 1999-2000 upto 30 September 2001 and incurred a loss of Rs.73.79 crore. Its accumulated loss of Rs.196.40 crore exceeded its paid up capital of Rs.107.95 crore. Moreover, Rajasthan Financial Corporation had (although earned profit during the year) accumulated losses of Rs.74.54 crore against its paid-up capital of Rs.67.53 crore.

#### **1.2.4.2.3 Operational performance of working Statutory Corporations**

The operational performance of the working Statutory Corporations is given in Annexure-6.

### **1.2.5 Return on Capital Employed**

As per latest finalised accounts (upto September 2001), the capital employed\* worked out to Rs.1869.69 crore in 12 working companies. Total return thereon amounted to Rs.159.95 crore which is 8.55 per cent as compared to total return of Rs.178.30 crore (9.25 per cent) in the previous year (accounts finalised upto September 2000). Similarly, the capital employed and total return thereon in case of four<sup>§§</sup> working Statutory corporations as per the latest finalised accounts (upto September 2001) worked out to Rs.10920.97 crore and Rs.257.07 crore (2.35 per cent), respectively against the total return of Rs.712.36 crore (7.87 per cent) in previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in Annexure - 2.

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<sup>§</sup> One Statutory corporation (RSEB) existed upto 19.07.2000, as the corporation has been unbundled into five Government companies.

\* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

<sup>§§</sup> For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss accounts.

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### 1.3 Non-working PSUs

#### 1.3.1 Investment in non-working PSUs

As on 31 March 2001, the total investment in eight non-working Government companies was Rs.13.77 crore (equity Rs.10.98 crore, long term loans Rs.2.74 crore and Share application money Rs.0.05 crore) There has been no change in the investment from the previous year.

The classification of the non-working PSUs was as under:

(Amount : Rupees in crore)

Sl. No.	Status of non-working PSUs	No. of companies	No. of corps.	Investment			
				Companies		Corporations	
				Equity*	Long term loans	Equity	Long term loans
(i)	Under liquidation	1	-	0.19	0.21	-	-
(ii)	Under closure	-	-	-	-	-	-
(iii)	Under merger	-	-	-	-	-	-
(iv)	Others	7	-	10.84	2.53	-	-
	<b>Total</b>	<b>8</b>	<b>-</b>	<b>11.03</b>	<b>2.74</b>	<b>-</b>	<b>-</b>

Of the above non-working PSUs, Rajasthan State Granites and Marbles Limited was under liquidation under Section 560 of the Companies Act, 1956 for 2 year and substantial investment of Rs.0.40 crore was involved in this company. Effective steps need to be taken for its expeditious liquidation.

#### 1.3.2 Total establishment expenditure of non-working PSUs

The year wise details of total establishment expenditure of non-working PSUs<sup>@</sup> and the sources of financing them during last three years up to 2000-01 are given below:

(Amount : Rupees in lakh)

Year	Number of PSUs	Total establishment expenditure	Financed by				Others*
			Disposal of investment/assets	Loans from private parties	Government by way of		
					Loans	Grants	
Government companies							
1998-1999	4	16.27	-	-	-	-	-
1999-2000	3	14.68	-	-	-	-	-
2000-01	1	0.13	-	-	-	-	-

The remaining non-working companies are not incurring any expenditure towards establishment.

\* Equity includes share application money of Rs.0.05 crore for companies under 'others'.

@ Excluding those accounts in arrears as in para 1.3.4 below.



### 1.3.3 Finalisation of accounts by non-working PSUs

The accounts of six non-working companies were in arrears for periods ranging from one year to three years as on 30 September 2001 as could be noticed from Annexure-2.

### 1.3.4 Financial position and working results of non-working PSUs

The summarized financial results of non-working Government companies and Statutory corporations as per latest finalised accounts are given in Annexure- 2. The details of paid up capital, net worth, cash loss and accumulated loss of non-working PSUs as per their latest finalised accounts are given below:

(Amount : Rupees in crore)

Year	Paid-up capital	Net worth	Cash loss (-)	Accumulated loss (-)
Non-working companies	11.03	(-)21.38	(-)2.22	(-)29.92

## 1.4 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the CAG of India in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Rajasthan State Road Transport Corporation	1999-2000	2000-2001**	-	-
2.	Rajasthan Financial Corporation	1999-2000	2000-2001	Audit in progress	-
3.	Rajasthan State Electricity Board	1998-99	1999-2000 1.4.2000 to 19.7.2000	8.6.2001 SAR under finalisation	Session not held
4.	Rajasthan State Warehousing Corporation	1999-2000	2000-2001**	-	-

\*\* Accounts for 2000-2001 are in arrear.

## 1.5 Disinvestment, Privatisation and Restructuring\* of Public Sector Undertakings

No disinvestment and privatisation of Public Sector Undertakings has taken place during the year 2000-01. Merger of Rajasthan State Hotels Corporation Limited

\* Restructuring includes merger and closure of PSUs.

and Rajathan Paryatan Vikas Nigam Limited into one Company was proposed by the Managements of both the companies in February/August 2000. However, no further progress has been made in this regard.

## 1.6 Results of audit by Comptroller and Auditor General of India

During the period from October 2000 to September 2001, the audit of accounts of 12 Government companies (working: nine and non-working: three) and two working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs were as follows:

Details	No. of accounts				Rupees in lakh			
	Government companies		Statutory corporations		Government companies		Statutory corporations	
	Working	Non working	Working	Non-working	Working	Non-working	Working	Non working
(i) Decrease in profit	2	-	1	-	15.24	-	46848.49	-
(ii) Increase in losses			1				7.26	

### 1.6.1 Errors and omissions noticed in case of Government companies

As a result of review of accounts of various companies under 619(4) of the Companies Act 1956, the following important points were noticed in audit:

#### 1. Rajasthan State Ganganagar Sugar Mills Limited (2000-2001)

Due to overvaluation of stock, the profit was overstated by Rs.4.90 lakh.

#### 2. Rajasthan Small Industries Corporation Limited (2000-2001)

Profit for the year was overstated by Rs. 10.34 lakh due to following :

- (i) incorrect capitalization of revenue expenditure (Rs.4.01 lakh)
- (ii) Non-provision of lease rent of land at Inland Container Depot(ICD) Bhiwadi.(Rs.4.88 lakh),
- (iii) Overstatement of stock due to inclusion of raw material of Carpet Training Centre (Rs.1.45 lakh)

### 1.6.2 Errors and omissions noticed in case of Statutory corporations

#### 1. Rajasthan State Electricity Board (1999-2000)

Surplus of the Board remained overstated by Rs.468.49 crore mainly due to :

- Booking of unbilled revenue difference (Rs.127.41 crore).
- Overstatement of interest income from investment (Rs.5.17 crore).
- Non-provision of liability for purchase of power (Rs.20.44 crore).

- Interest and finance charges overcapitalised (Rs.202.07 crore).
- Under provision for doubtful debts (Rs.28.85 crore).
- Non-provision of gratuity (Rs.11.14 crore).
- Short contribution into superannuation funds (Rs.67.79 crore).

### 1.6.2.1 Audit assessment of the working results of State Electricity Board (SEB)

Based on the audit assessment of the working results of the SEB for three years upto 2000-01 and taking into consideration the major irregularities and omissions pointed out in the SARs on the annual account of the SEB and not taking into account the subsidy/ subventions receivable from the State Government, the net surplus/ deficit and the per centage of return on Capital employed and capital invested of the SEB will be as given below:

<b>(Rupees in crore)</b>				
Sl. No.	Particulars	1997-98	1998-99	1999-2000
1.	Net surplus/(-) deficit as per books of accounts	65.35	65.80	89.99
2.	Subsidy from the State Government	704.88	1196.46	1768.04
3.	Net surplus/(-) deficit before subsidy from the State Government (1-2)	(-)639.53	(-)1130.66	(-)1678.05
4.	Net increase/decrease in net surplus/(-) deficit on account of audit comments on the annual accounts of the RSEB	(-)177.74	(-)334.28	(-)468.49
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3-4)	(-)817.27	(-)1464.94	(-)2146.54
6.	Total return* on capital employed	(-)317.07	(-)883.58	(-)1416.22

## 1.7 Recommendations for Closure of PSUs

Even after existence of six to 38 years, the turnover of eight Government companies (working: three and non-working: five) have been less than Rs.5.00 crore in each of the preceding five years of latest finalised accounts.

Similarly, seven Government companies (working: two and non-working: five) had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth. In view of poor turnover and continuous losses, the Government could have either improved performance of above Government companies or considered their closure.

\* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

### 1.8 Response to Inspection Reports, Draft paras and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2001 pertaining to 23 PSUs disclosed that 5525 paragraphs relating to 1475 Inspection Reports remained outstanding at the end of August 2001. Department-wise break-up of Inspection Reports and Audit observations outstanding as on 30 September 2001 is given in Annexure- 7.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary / Secretary of the administrative department concerned demi-officially seeking confirmation of facts that figures and their comments thereon within a period of six weeks. It was, however, observed that out of 17 draft paragraphs and three draft reviews forwarded to the various departments during July 2000 to June 2001, 13 draft paragraphs and one review, as detailed in Annexure- 8, had not been replied to so far (September 2001).

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to Inspection Reports/ draft paragraphs / reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/ overpayment in a time bound schedule and (c) revamping the system of responding to the audit observations.

### 1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

Period of Audit Report	No. of reviews and paragraphs appeared in the Audit Report		No. of reviews / paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1996-97	3	25	-	5
1997-98	3	26	1	5
1998-99	4	30	4	30
1999-2000	4	29	4	29
<b>Total</b>	<b>14</b>	<b>110</b>	<b>9</b>	<b>69</b>

Since April 2000, 168 no. of paras were discussed by the COPU (till August 2001). As a result thereof, no para upto the year 1996-97 is now pending for discussion except for five paras relating to Introductory Chapter.

### 1.10 619-B Companies

There was no company covered under Section 619-B of the Companies Act, 1956.