

Part-II

Chapter-III

Functioning of State PSUs (other than Power Sector)

Introduction

3.1 There were 28 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power Sector. These State PSUs were incorporated between 1954-55 and 2015-16 and included 25 Government Companies and three Statutory Corporations *i.e.* Rajasthan State Road Transport Corporation (RSRTC), Rajasthan State Warehousing Corporation (RSWC) and Rajasthan Financial Corporation (RFC). The Government Companies further included three¹ inactive companies and three² subsidiary companies owned by other Government Companies. One of the Government Companies *i.e.* Rajasthan State Petroleum Corporation Limited {RSPCL subsidiary company of another State PSU namely Rajasthan State Mines & Minerals Limited (RSMML)} did not commence commercial activities till 2018-19. Besides these 28 State PSUs, there were two State PSUs (both Statutory Corporations) namely Rajasthan Land Development Corporation and Rajasthan Water Supply and Sewerage Corporation, audit of which were not under the purview of CAG.

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

Contribution to Economy of the State

3.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The table below provides the details of turnover of State PSUs (other than Power Sector) and GSDP of Rajasthan for a period of five years ending March 2019:

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

2 RSPCL and Barmer Lignite Mining Company Limited (BLMCL-Joint Venture between RSMML and a private company namely Raj West Power Limited) incorporated (10 July 2008 and 19 January 2007) as subsidiary company of RSMML and Rajasthan State Gas Limited (RSGL) incorporated (20 September 2013) as subsidiary company of RSPCL.

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

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

Source: Compiled based on Turnover figures of working PSUs (other than Power Sector) and GSDP figures as per Economic Review 2018-19 of the Government of Rajasthan.

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 3.68 *per cent* and 22.84 *per cent* during the period 2014-19, whereas increase in GSDP of the State ranged between 10.11 *per cent* and 11.73 *per cent* during the same period. The compounded annual growth³ of GSDP was 11.01 *per cent* during last five years. The compounded annual growth is a useful method to measure growth rate over multiple time periods. Against the compounded annual growth of 11.01 *per cent* of the GSDP, the turnover of public sector undertakings (other than Power Sector) recorded lower compounded annual growth of 9.84 *per cent* during last five years. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 1.85 *per cent* in 2014-15 to 1.60 *per cent* in 2018-19.

Investment in State PSUs (other than Power Sector)

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have therefore been analysed under two major classifications viz. those in the social sector and those functioning in competitive environment. Besides, two⁴ of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'. Details of investment made in these 28 State PSUs in shape of equity and long term loans upto 31 March 2019 are detailed in *Annex-8*.

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

Table 3.2: Sector-wise investment in State PSUs (other than power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	12	1872.65	2385.16	4257.81
PSUs in Competitive Environment	14	1711.73	6513.37	8225.10

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

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

Others	2	5.49	0.00	5.49
Total	28	3589.87	8898.53	12488.40

Source: Compiled based on information received from PSUs.

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

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

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

3.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (other than Power Sector).

Budgetary Support to State PSUs (other than Power Sector)

3.6 The Government of Rajasthan (GoR) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (other than Power Sector) for the last three years ending March 2019 are as follows:

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

(₹ in crore)

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

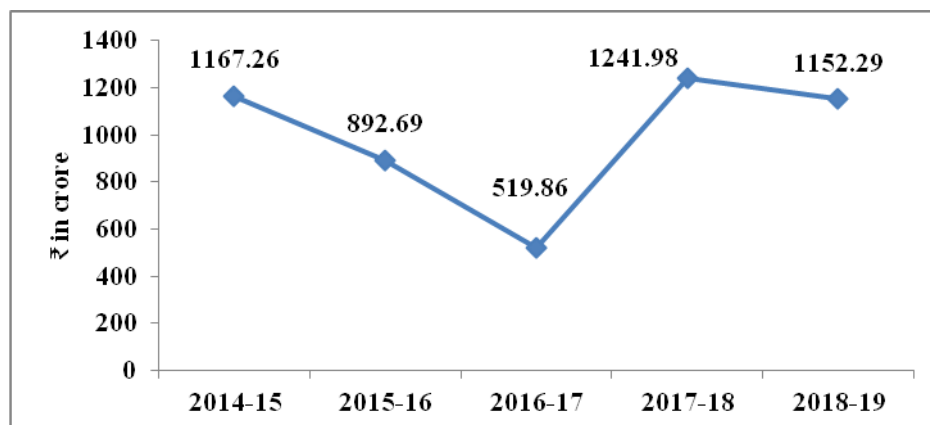
Source: Compiled based on information received from PSUs.

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

⁵ Amount represents outgo from State Budget only.

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

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



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

GoR provides guarantee under Rajasthan State Grant of Guarantees Regulations (RSGGR) 1970 for PSUs to seek financial assistance from Banks and financial institutions. The Government decided (February 2011) to charge guarantee commission at the rate of one *per cent* per annum in case of loan availed by PSUs from banks/financial institutions without any exception under the provisions of the RSGGR 1970. Outstanding guarantee commitments increased by 21.41 *per cent* from ₹ 3074.64 crore in 2014-15 to ₹ 3732.84 crore in 2018-19. During the year 2018-19 guarantee commission of ₹ 36.91 crore was paid by four⁷ State PSUs (other than Power Sector).

Reconciliation with Finance Accounts of Government of Rajasthan

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (other than Power Sector) should agree with that of the figures appearing in the Finance Accounts of the GoR. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is stated below:

Table 3.4: Equity, loans, guarantees outstanding as per Finance Accounts of Government of Rajasthan vis-à-vis records of State PSUs (other than Power Sector)

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	3074.53	3107.56	33.03
Loans	1953.24	2224.18	270.94
Guarantees	5019.58	5304.84	285.26

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

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

Audit observed that out of 28 State PSUs, such differences occurred in respect of eight PSUs as shown in *Annex-9*. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in RUDWS&ICL. Audit, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

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

3.8 Of the total 28 State PSUs (other than Power Sector), there were 25 working PSUs *i.e.* 22 Government Companies and three Statutory Corporations and three inactive PSUs under the purview of CAG as of 31 March 2019. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

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

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

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

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

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

Of these 25 working State PSUs, 18 PSUs had finalised 21 annual accounts during 1st October 2018 to 30th September 2019 which included 10 annual accounts for the year 2018-19 and 11 annual accounts for previous years. Further, 21 annual accounts were in arrears which pertain to 15 PSUs as detailed in *Annex-10*. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The

concerned Departments were informed quarterly regarding arrear in accounts.

The GoR had provided ₹ 853.27 crore (Loan: ₹ 111.50 crore, Subsidy: ₹ 741.77 crore) to five of the 15 working State PSUs accounts of which had not been finalized by 30 September 2019 as prescribed under the Companies Act 2013/RSRTC Rules 1964. PSU wise details of investment made by the State Government during the years for which accounts are in arrears are shown in *Annex-10*.

In the absence of finalization of accounts and their subsequent audit in 15 working PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoR investment in these PSUs, therefore, remained outside the oversight of the State Legislature.

Timeliness in preparation of accounts by inactive State PSUs

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

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

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

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

Placement of Separate Audit Reports of Statutory Corporations

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

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

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

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

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

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

3.10 As pointed in paragraph 3.8, the delay in finalization of accounts may

also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to GSDP of Rajasthan for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

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

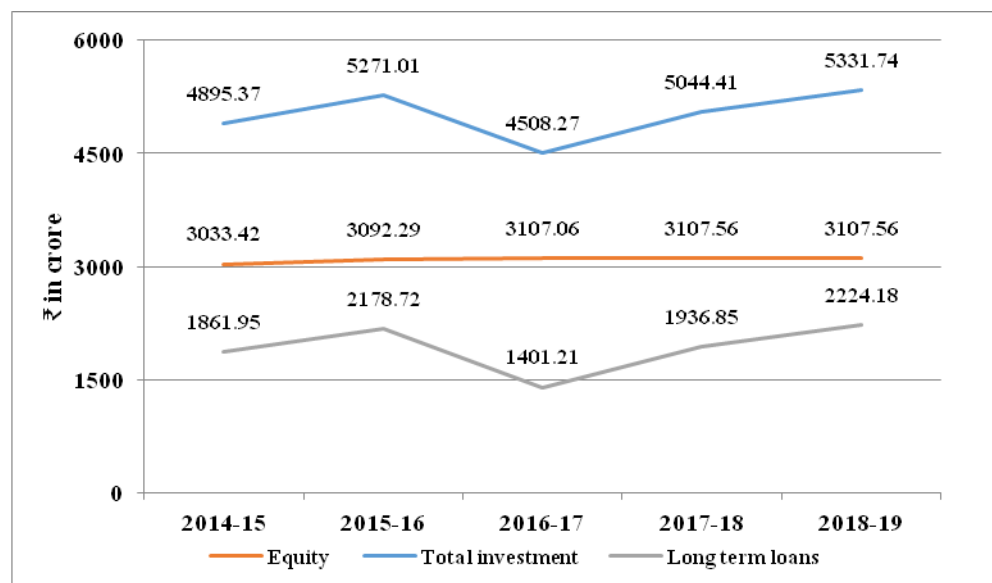
Performance of State PSUs (other than Power Sector)

3.11 The financial position and working results of the 28 State PSUs (other than Power Sector) as per their latest finalised accounts as of 30 September 2019 are detailed in *Annex-11*.

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

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

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



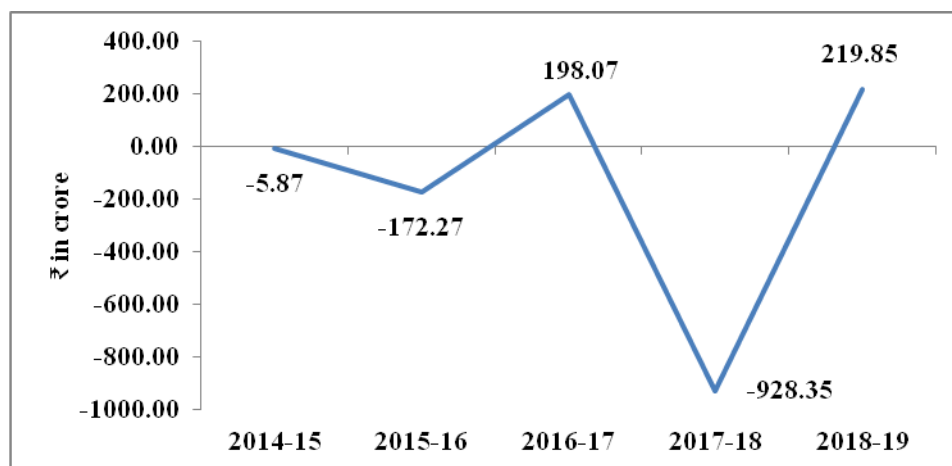
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed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

employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Government Investment

3.12 The Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit earned/losses⁸ incurred by the working State PSUs (other than Power Sector) during 2014-15 to 2018-19 is depicted below in a chart:

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



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

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

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

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

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year
2014-15	25	17	7	1
2015-16	25	18	6	1

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

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

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

3.13 Out of 28 PSUs (other than Power Sector) of the State, the State Government infused funds in the form of equity, long term loans and grants/subsidies in **25 PSUs only**. The Government has invested ₹ 5331.74 crore in these 25 PSUs including equity of ₹ 3107.56 crore and long term loans of ₹ 2224.18 crore.

The Rate of Return (ROR) on Investment from the PSUs has been calculated on the investment made by the GoR in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by the Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of State Government in these 25 PSUs (other than Power Sector) has been arrived at by considering the equity and the interest free loans and in cases where interest free loans have been repaid by the PSUs, the value of investment based on historical cost and Present Value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in Table 3.9. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available.

As on 31 March 2019, the equity of the State Government in these 25 PSUs was ₹ 3107.56 crore. Out of the released long term loans of ₹ 2224.18 crore, ₹ 1578.41 crore were interest free loans based on the reduced balances of interest free loans over the period. Thus, the investment of State Government in these 25 PSUs on the basis of historical cost stood at ₹ 4685.97 crore (₹ 3107.56 crore + ₹ 1578.41 crore).

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

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

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoR in form of Equity and Interest Free Loans on historical cost	ROR on State Government investment on historical cost basis (%)
2014-15			
Social Sector	29.04	2900.86	1.00
Competitive Sector	-4.41	1572.53	-0.28
Others	-0.33	4.99	-6.61
Total	24.30	4478.38	0.54
2015-16			
Social Sector	-51.48	2953.80	-1.74
Competitive Sector	-106.99	1839.40	-5.82
Others	-0.21	4.99	-4.21
Total	-158.68	4798.19	-3.31
2016-17			
Social Sector	14.05	2008.15	0.70

Competitive Sector	176.60	1988.50	8.88
Others	-0.19	4.99	-3.81
Total	190.46	4001.64	4.76
2017-18			
Social Sector	-56.98	2397.33	-2.38
Competitive Sector	-870.71	2027.00	-42.96
Others	-0.19	5.49	-3.46
Total	-927.88	4429.82	-20.95
2018-19			
Social Sector	-29.54	2555.12	-1.16
Competitive Sector	286.59	2125.36	13.48
Others	2.04	5.49	37.16
Total	259.09	4685.97	5.53

The rate of return on the State Government investment is worked out by dividing the total earnings⁹ of these PSUs by the cost of the State Government investments. The rate of return earned on the State Government investment ranged between -20.95 per cent and 5.53 per cent during the period 2014-15 to 2018-19. The overall return on the State Government investment was negative during 2015-16 and 2017-18 which was mainly due to heavy losses incurred by RSRTC in competitive sector {(-) ₹ 754.10 crore in 2015-16 and (-) ₹ 1169.76 crore in 2017-18} and JMRCL in social sector {(-) ₹ 90.20 crore in 2015-16 and (-) ₹ 90.12 crore in 2017-18}. Further analysis revealed that the return on the State Government investment from competitive sector has shown a fluctuating trend. The returns from competitive sector reduced substantially from -0.28 per cent in 2014-15 to -5.82 per cent in 2015-16 mainly due to increase in losses of RSRTC. This Sector recorded further fluctuation in returns during 2016-17 (8.88 per cent), 2017-18 (-42.96 per cent) and 2018-19 (13.48 per cent) which were attributed to substantial reduction then increase and finally decrease in losses of RSRTC during 2016-17, 2017-18 and 2018-19 respectively.

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

3.14 An analysis of the earnings *vis-a-vis* investments in respect of those 25 State PSUs (other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The Present Value (PV) of the Government investments has been computed to assess the RORR on the PV of investments of GoR in the State PSUs as compared to historical cost of investments. In order to bring the historical cost of investments to its PV at the end of each year up to 31 March 2019, the past investments/ year-wise funds infused by the GoR in the State PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those 25 State PSUs (other than Power Sector) where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these PSUs till 31 March 2019.

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

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

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

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. Further, the funds made available in the forms of the grants/ subsidy have not been reckoned as investment as the bifurcation of grant and subsidies provided for operational and administrative expenditure and for other purpose was not available.
- The average rate of interest on Government borrowings for the concerned financial year¹⁰ was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments made by the Government.

For the years 2015-16 and 2017-18 when these 25 PSUs incurred losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth of the PSUs is commented upon in paragraph 3.17

3.15 PSU wise position of the State Government investment in these 25 State PSUs in the form of equity and loans on historical cost basis for the period from 2000-01 to 2018-19 is indicated in *Annex-12*. Further, consolidated position of PV of the State Government investment and the total earnings relating to these PSUs for the same period is indicated in table below:

Table 3.10: Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2000-01 to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year ¹¹	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 ¹²	Total Earnings for the year ¹³
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii={vii*(1 + vi)/100}	ix={vii* vi}/100}	x
Upto 1999-00	-	412.44	36.80	449.24	10.40	1164.89	1286.04	-	-
2000-01	1286.04	2.76	-0.49	2.27	10.50	1288.31	1423.58	135.27	-57.88

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

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

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

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

2001-02	1423.58	0.20	-3.34	-3.14	10.50	1420.44	1569.59	149.15	-45.92
2002-03	1569.59	6.05	-3.52	2.53	10.00	1572.12	1729.33	157.21	-18.61
2003-04	1729.33	134.46	-0.84	133.62	9.60	1862.95	2041.80	178.85	10.85
2004-05	2041.80	29.46	-12.06	17.4	9.10	2059.20	2246.59	187.39	133.45
2005-06	2246.59	14.89	-5.51	9.38	8.20	2255.97	2440.95	184.98	208.73
2006-07	2440.95	1.30	-0.39	0.91	8.30	2441.86	2644.54	202.68	259.05
2007-08	2644.54	7.50	-0.85	6.65	8.00	2651.19	2863.28	212.09	365.80
2008-09	2863.28	3.87	-0.69	3.18	7.70	2866.46	3087.18	220.72	295.26
2009-10	3087.18	19.56	-0.72	18.84	7.70	3106.02	3345.19	239.17	136.85
2010-11	3345.19	203.95	-0.31	203.64	7.70	3548.83	3822.09	273.26	276.54
2011-12	3822.09	416.63	-5.79	410.84	7.70	4232.93	4558.86	325.93	751.69
2012-13	4558.86	813.61	102.98	916.59	7.40	5475.45	5880.63	405.18	706.21
2013-14	5880.63	844.17	132.30	976.47	7.30	6857.10	7357.67	500.57	480.16
2014-15	7357.67	122.57	1207.38	1329.95	7.50	8687.62	9339.19	651.57	24.30
2015-16	9339.19	58.87	260.95	319.82	6.70	9659.01	10306.17	647.16	-158.68
2016-17	10306.17	14.77	-811.32	-796.55	7.60	9509.62	10232.35	722.73	190.46
2017-18	10232.35	0.50	427.68	428.18	7.30	10660.53	11438.75	778.22	-927.88
2018-19	11438.75	0.00	256.15	256.15	7.30	11694.90	12548.63	853.73	259.09
Total		3107.56	1578.41	4685.97					

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 4685.97 crore¹⁴ in 2018-19 from ₹ 449.24 crore in 1999-00 as the State Government made further investments in shape of equity (₹ 2695.12 crore) and interest free loans (₹ 1541.61 crore) during the period 2000-01 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 amounted to ₹ 12548.63 crore. During 2000-01 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs during 2000-01 to 2004-05, 2009-10 and 2013-14 to 2018-19 as four¹⁵ of these PSUs incurred substantial losses during this period. Further, the profits earned by three other PSUs¹⁶ during the entire period (2000-19) were also set off towards the losses incurred by these four PSUs due to which the total earnings remained below the minimum expected return from all these PSUs.

A further analysis of three profit making PSUs *i.e.* RIICO, RSMM and RSWC which earned profits during the period 2000 to 2019 revealed that these PSUs could register profits because of their monopolistic advantage in the market or because of the business they are getting from Government agencies.

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

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

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

16 RIICO, RSMML and RSWC.

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

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

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

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoR in form of Equity and Interest Free Loans on historical cost	ROR on State Government investment on historical cost basis (%)	PV of the State Government investment at end of the year	RORR considering the present value of the investments (%)
2014-15					
Social Sector	29.04	2900.86	1.00	3657.80	0.80
Competitive Sector	-4.41	1572.53	-0.28	5674.46	-0.08
Others	-0.33	4.99	-6.61	6.94	-4.76
Total	24.30	4478.38	0.54	9339.20	0.26
2016-17					
Social Sector	14.05	2008.15	0.70	3242.76	0.43
Competitive Sector	176.60	1988.50	8.88	6981.62	2.53
Others	-0.19	4.99	-3.81	7.97	-2.38
Total	190.46	4001.64	4.76	10232.35	1.86
2018-19					
Social Sector	-29.54	2555.12	-1.16	4350.85	-0.68
Competitive Sector	286.59	2125.36	13.48	8188.03	3.50
Others	2.04	5.49	37.16	9.75	20.92
Total	259.09	4685.97	5.53	12548.63	2.06

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

Erosion of Net worth

3.17 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital

investment and accumulated losses of these 28 State PSUs (other than Power Sector) as per their latest finalised accounts were ₹ 3589.87 crore and ₹ 1176.75 crore respectively resulting in net worth of ₹ 2412.46 crore after deducting deferred revenue expenditure of ₹ 0.66 crore as detailed in **Annex-II**. Analysis of investment and accumulated losses disclosed that net worth was eroded fully in ten out of these 28 PSUs as the capital investment and accumulated losses of these ten PSUs were ₹ 747.91 crore and ₹ 5193.52 crore respectively. Of these ten PSUs, the maximum net worth erosion was in RSRTC (₹ 4177.02 crore), RTDCL (₹ 123.10 crore), BLMCL (₹ 51.87 crore), RSAICL (₹ 48.82 crore) and Rajasthan Small Industries Corporation Limited (RSICL) (₹ 18.52 crore). Of these ten PSUs where net worth had been fully eroded, three¹⁷ PSUs earned profit during the year 2018-19 although there were substantial accumulated losses.

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

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

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Deferred revenue Expenditure	Net Worth
2014-15	2046.90	-166.41	0.00	1880.49
2015-16	2105.77	-81.78	0.00	2023.99
2016-17	3373.23	26.05	6.24	3393.04
2017-18	3372.42	-1075.18	2.22	2295.02
2018-19	3372.92	-1098.95	0.66	2273.31

As can be seen, the net worth of these companies fluctuated during the period. It increased from ₹ 1880.49 crore in 2014-15 to ₹ 2273.31 crore in 2018-19. Out of 25 PSUs, 16 PSUs¹⁸ showed positive net worth and net worth of nine¹⁹ PSUs was in negative during 2014-15. The net worth of seven²⁰ PSUs decreased during 2014-15 to 2018-19 whereas it increased in respect of 18²¹ PSUs during the same period.

Dividend Payout

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

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

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

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

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

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

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

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

(₹ in crore)

Year	Total PSUs where equity infused by GoR		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (%)
	Number of PSUs	Equity infused by GoR	Number of PSUs	Equity infused by GoR	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2014-15	25	3033.42	16	884.23	7 ²²	60.19	6.81
2015-16	25	3092.29	17	949.74	7 ²²	94.38	9.94
2016-17	25	3107.06	19	970.27	7 ²²	62.14	6.40
2017-18	25	3107.56	19	970.27	5 ²³	59.25	6.11
2018-19	25	3107.56	18	963.36	6 ²⁴	64.82	6.73

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 16 and 19 PSUs. During this period, number of PSUs which declared/paid dividend to GoR ranged between five and seven PSUs.

The Dividend Payout Ratio during 2014-15 to 2018-19 ranged between 6.11 per cent and 9.94 per cent only. Further analysis disclosed that the PSUs (other than Power Sector) declared/paid dividend from 1962-63 and the Dividend Payout Ratio increased from 2.24 per cent in 1962-63 to 6.73 per cent in 2018-19.

Of these six PSUs which declared/paid dividend during 2018-19, three²⁵ PSUs declared dividend higher than the prescribed limit, while two²⁶ PSU declared dividend lower than the prescribed limit and only one²⁷ PSU declared dividend as per the dividend policy.

Return on Equity

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

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed **in respect of 25 PSUs (other than Power Sector)** where funds had been infused by the State Government. The

22 RSMML, RSRDCCL, RSWC, RSBCL, RIICO, RSGSML and RSSCL.

23 RSMML, RSWC, RSBCL, RIICO and RSSCL.

24 RSMML, RSWC, RSBCL, RIICO, RSSCL and RSRDCCL.

25 RSSCL, RSMML and RSWC.

26 RIICO and RSRDCCL.

27 RSBCL.

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

Table 3.14: Return on Equity relating to 25 PSUs (other than Power Sector) where funds were infused by the GoR

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	ROE (%)
2014-15	24.30	1880.49	1.29
2015-16	-158.68	2023.99	-
2016-17	190.46	3393.04	5.61
2017-18	-927.88	2295.02	-
2018-19	259.09	2273.31	11.40

During the last five years period ended March 2019, the Net Income was positive during 2014-15, 2016-17 and 2018-19 and the ROE during these years ranged between 1.29 *per cent* and 11.40 *per cent*. Since the Net Income of these PSUs during 2015-16 and 2017-18 were negative, ROE in respect of these PSUs could not be worked out for this period.

Return on Capital Employed

3.20 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed²⁸. The details of total **ROCE of all the 28 State PSUs** (other than Power Sector) together during the period from 2014-15 to 2018-19 are given in table below:

Table 3.15: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (%)
2014-15	326.78	10198.16	3.20
2015-16	255.15	9462.39	2.70
2016-17	669.34	10331.41	6.48
2017-18	-1198.35	9173.50	-13.06
2018-19	1002.72	9822.33	10.21

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

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

3.21 Analysis of the Long Term Loans of the PSUs which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.22 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing earnings before

²⁸ Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio under one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio in respect of PSUs which had interest burden during the period from 2014-15 to 2018-19 are given in table below:

Table 3.16: Interest Coverage Ratio relating to State PSUs (other than Power Sector)

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government, Banks and other financial institutions	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2014-15	334.09	89.31	14	09	5 ²⁹
2015-16	428.86	210.80	19	15	4 ³⁰
2016-17	472.62	577.56	19	14	5 ³¹
2017-18	475.35	-1233.10	20	15	5 ³¹
2018-19	530.58	953.15	20	13	7 ³²

Of the 20 State PSUs (other than Power Sector) having liability of loans from Government as well as banks and other financial institutions during 2018-19, 13 PSUs had interest coverage ratio of more than one whereas remaining seven PSUs had interest coverage ratio below one which indicates that these seven PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

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

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

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

Source: Compiled based on information received from PSUs.

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

Winding up of inactive State PSUs

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

29 RSICL, RSHCL, RTDCL, RSRTC and RSAICL.

30 RSHCL, RTDCL, RSRTC and RSAICL.

31 JMRCL, RSHCL, RTDCL, RSRTC and RSAICL.

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

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

Table 3.18: Inactive State PSUs

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

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

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

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

3.25 Fifteen working companies forwarded 18 audited accounts to the Accountant General during the period from 1 October 2018 to 30 September 2019. Of these, 13 accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as follows:

Table 3.19: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

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

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

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

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

Out of three working Statutory Corporations, two Corporations (RFC and RSWC) forwarded its annual accounts for the year 2018-19 whereas RSRTC forwarded annual accounts for the year 2017-18 during 01 October 2018 to 30 September 2019. All three accounts were selected for supplementary audit.

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

Table 3.20: Impact of audit comments on Statutory Corporations

(₹ in crore)

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

Performance Audit and Compliance Audit Paragraphs

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

Follow up action on Audit Reports and Inspection Reports

Replies outstanding

3.28 The Report of the CAG is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Rajasthan issued (September 2019) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/PAs included in the Reports of the CAG within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (COPU).

Table 3.21: Position of explanatory notes on Audit Reports related to State PSUs (other than Power Sector) as on 30 September 2019

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

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

Explanatory notes on two³³ compliance audit paragraphs were pending with one department till September 2019.

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

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

Recovery at the instance of Audit

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

Discussion of Audit Reports by COPU

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

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

Period of Audit Report	Number of Performance Audits/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	Performance Audit	Paragraphs	Performance Audit	Paragraphs
2015-16	1	8	-	7
2016-17	-	5	-	-
2017-18	-	2	-	-

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

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

33 Two compliance audit paragraphs relating to RIICO.