सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertaking for the year ended 31 March 2013

The Report has been laid on the table of the State Legislature Assembly on 18-07-2014

Government of Rajasthan
Report No. 1 of the year 2014

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

ON
PUBLIC SECTOR UNDERTAKINGS

FOR THE YEAR ENDED 31 MARCH 2013

GOVERNMENT OF RAJASTHAN
REPORT NO. 1 OF THE YEAR 2014

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Preface

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

2. Audit of the accounts of Government Companies is conducted by the Comptroller and Auditor General of India under the provisions of Section 619 of the Companies Act, 1956.

3. In respect of Rajasthan State Road Transport Corporation which is a Statutory Corporation, the Comptroller and Auditor General of India is the sole auditor. In respect of Rajasthan State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. As per the State Financial Corporation's (Amendment) Act 2000, CAG has the right to conduct the audit of the accounts of Rajasthan Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. The Audit Reports on annual accounts of all these Corporations are forwarded separately to the State Government.

4. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2012-2013 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period after 31 March 2013 have also been included, wherever necessary.

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

OVERVIEW

Overview

1. Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by the CAG. These accounts are also subject to supplementary audit conducted by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2013, Rajasthan had 46 working PSUs (43 Companies and three Statutory Corporations) and two non-working PSUs (all companies), which employed around one lakh employees. The working PSUs registered a turnover of ₹ 33486.33 crore for 2012-13 as per their latest finalised accounts. This turnover was equal to seven *per cent* of the State GDP indicating an important role played by the State PSUs in the economy.

Stake of Government of Rajasthan and Budgetary support

As on 31 March 2013, the investment (Capital and long term loans) in 48 PSUs was ₹ 72018.13 crore. It grew by over 227.39 *per cent* from ₹ 21997.39 crore in 2007-08. Power Sector accounted for 92.31 *per cent* of total investment in 2012-13. The Government contributed ₹ 8570.76 crore towards equity, loans and grants/subsidies during 2012-13.

Performance of PSUs

During the year 2012-13, out of 46 working PSUs, 18 PSUs earned profit of ₹ 1071.40 crore and 26 PSUs incurred loss of ₹ 14782.25 crore. Out of remaining two PSUs, Rajasthan State Refinery Limited had no profit and loss for the year 2012-13 and Kota City Transport Services Limited did not submit annual accounts since its incorporation in 2006-07. The major contributors to profit were Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 271.39 crore). The heavy losses were incurred by the three power distribution companies (JdVVNL - ₹ 6178.90 crore, JVVNL - ₹ 4161.23 crore and AVVNL - ₹ 3904.73 crore).

The losses are attributable to various deficiencies in the functioning of PSUs. A review of latest Audit Report of CAG shows that the State PSUs incurred losses to the tune of ₹ 96.67 crore which were controllable with better management.

Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 59 accounts finalised during October 2012 to 30 September 2013, the Statutory Auditors gave qualified certificates on 24 accounts, disclaimer on two accounts and adverse certificates on 11 accounts.

There were 111 instances of non-compliance of Accounting Standards by the PSUs. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

Arrears in accounts and winding up

Thirteen working PSUs had arrears of 21 accounts as on 30 September 2013. Among non-working PSUs, Rajasthan State Agro Industries Corporation Limited had arrear in account for two years. The Government may take a decision regarding winding up of the non-working PSUs.

(Chapter I)

2. Performance Audit relating to Government Companies

Performance Audit on Rajasthan Tourism Development Corporation Limited was conducted. The executive summary of audit findings is given below.

Rajasthan Tourism Development Corporation Limited (Company) is a nodal agency of the Government of Rajasthan (GoR) for development of tourism in the state of Rajasthan. The major activities of the Company include providing accommodation and catering in hotels/motels, operation of tourist trains, bar facility in selected hotels/motels, package tours, transport and boating facilities to tourists. As on March 2013, the Company was operating 45 hotels/motels and two tourist trains *i.e.* Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW).

Financial profile

The financial position of the Company remained weak as it earned meagre profit of ₹ 0.05 crore during 2007-08 and thereafter incurred losses which accumulated to ₹ 72.12 crore by the end of March 2012. Only PoW and packaged tours contributed to the profits while all other activities *i.e.* the hotels/motels (comprising accommodation, catering etc.) and RRoW incurred losses during the five years ending March 2012.

Planning and implementation of State Tourism Policy

The Company had not taken any steps to implement the tourism policy 2001. Long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State were not prepared. The Company neither acquired nor got allotted any land for development of any project except a camping site (Ganehra) at Pushkar. The camping site was developed in October 2009 at a cost of ₹ 2.02 crore and was closed down in 2012 due to lack of profitability.

The percentage of foreign tourists availing Company's accommodation declined from 0.38 (6076) to 0.14 (2247) during 2007-13. The percentage of domestic tourists availing Company's accommodation also declined from 0.79 to 0.58 during 2007-13. The overall performance of the Company took a downslide as against 2.21 lakh tourists (0.77 *per cent*) availing Company's accommodation in 2007-08, the numbers decreased to 1.71 lakh (0.56 *per cent*) in 2012-13.

Operational performance and budgetary analysis

Out of 45 to 47 operated hotels/motels, 34 to 39 (76 to 85 *per cent*) hotels/motels incurred losses during 2007-08 to 2011-12. The Company incurred loss of ₹ 7.82 crore from operation of hotels/motels during 2007-12. The Company could not achieve the targets of profitability in any activity during all the five years except in PoW (2007-09) and RRoW (2010-12). The budgeted surplus was always higher when compared to actuals and the variation during 2007-12 ranged between 28.33 and 85.62 *per cent* in case of accommodation, 24.35 and 105.49 *per cent* in catering, 36.30 and 60.83 *per cent* in bar and 33.59 and 170.37 *per cent* in transport and boating.

Accommodation

Hotels/motels ranging between 52.17 and 71.11 *per cent* incurred losses during 2007-12. The occupancy declined from 42 to 33 *per cent* during 2007-13 which was far below than the all India average occupancy. Even the hotels/motels located at famous tourist places failed to capture the inflow of tourists due to lack of efforts towards promotion of tourism in the State.

The Company did not formulate any marketing or advertisement policy to ensure promotion of hotels/motels, luxury trains, tour packages and other facilities offered by it.

Catering

More than 50 *per cent* of the hotels/motels incurred operational loss of ₹ 5.24 crore in catering activity during 2007-12. During 2007-12, 29 to 35 hotels/motels incurred excess expenditure on raw material (including wastage) than the prescribed norms while 5 to 25 hotels/motels incurred excess expenditure on fuel. Excess consumption of raw material and fuel resulted into excess expenditure of ₹ 2.69 crore and ₹ 6.47 lakh respectively during five years ending March 2012.

PoW and RRoW

PoW has been a profitable venture and the surplus from this activity increased from ₹ 8.80 crore to ₹ 9.64 crore during 2007-12. The occupancy of the train, however, declined from 100 to 80.12 *per cent* during the same period which further declined to 66.63 *per cent* during 2012-13. The increase in surplus was due to increase in tariff which increased between 19.33 and 32.35 *per cent* during October 2007 to March 2012 in various types of occupancy.

The performance of RRoW was poor as the Company could operate 16 to 23 trips against 34 projected trips annually, during 2009-13. The response of the tourists was poor and the Company could achieve occupancy of 49.20 *per cent* by March 2013. Higher occupancy of 58 *per cent* during 2011-12 was due to reduced number of trips. The project of RRoW was covered under the GoI scheme for assistance to large revenue generating projects in tourism sector but the Company short claimed grant-in-aid of ₹ 3.27 crore.

Central/State assisted projects

The Company could not complete the Central assisted works within scheduled completion period of 12 and 36 months from the date of sanction. Out of 120 works executed during 2007-13, 65 works were completed after delays ranging between one and 44 months. Among

these, tenders for 20 works were invited after period of upto 19 months from the schedule date of completion of the works. Project wise details of funds received and expenditure incurred against each project were not maintained and there were unutilized funds of ₹ 1.08 crore as on March 2013. The Company incurred excess expenditure of ₹ 96 lakh over the sanctioned amount in 23 works and adjusted the same from the unutilized funds. Out of 64 works assigned by the State Government during 2007-13, 11 works allotted during 2010-12 were pending (October 2013) for completion due to delay in invitation of tenders and slow progress of the works by contractors. Further, out of 10 works allotted during 2012-13, nine works were to be completed by March 2013 and one work by March 2014 as per terms of sanction. However, only three works were completed by October 2013.

Recommendations

The Performance Audit contains seven recommendations which include implementation of the tourism policy and preparation of long-term/short-term action plan for tourism promotion and development of tourism infrastructure in the State; preparation of realistic budgets and action plan to support and achieve the targets; improvement of occupancy through improved facilities and better marketing; bringing food cost within norms; preparation of action plan to improve occupancy of PoW and RRoW; adherence to the guidelines of Centre/State in completion of projects; and to streamline the Internal Audit and Vigilance functions.

(Chapter II)

3. Performance Audit relating to Statutory Corporations

Performance Audit on 'Recovery of Loans' by Rajasthan Financial Corporation was conducted. The executive summary of audit findings is given below.

Rajasthan Financial Corporation (Corporation), constituted (17 January 1955) under the State Financial Corporation Act, 1951 (SFC Act), provides medium and long-term loan to micro, small and medium scale industries in Rajasthan. During the period from 2008-09 to 2012-13, the Corporation sanctioned loans of ₹ 1778.72 crore, out of which disbursements of ₹ 1364.57 crore were made to various industrial units. The total recoveries during this period stood at ₹ 2091.62 crore including prepayments of ₹ 596.55 crore.

Financial and business performance

The financial position was weak as the accumulated losses increased from ₹ 53.58 crore in 2008-09 to ₹ 130.10 crore in 2012-13. Recovery of principal amount was the major source of financing the business operations during 2008-13 as the borrowings from SIDBI and other banks were not even sufficient to repay the loans raised from them. Shortfall in recovery targets occurred despite the targets having been fixed on lower side (between 65.90 and 81.09 *per cent*) than the net collectable amount during the year. The business performance sharply

declined during 2008-13 as the sanctions decreased (75.90 *per cent*) from ₹ 473 crore to ₹ 114 crore while the disbursements decreased (59.12 *per cent*) from ₹ 340 crore to ₹ 139 crore. No amount was sanctioned by five Branch offices during 2012-13.

Recovery performance against major indicators

Non-performing Assets (NPAs)

The Corporation could not confine the NPAs within the agreed limit of 10 *per cent* of total outstanding loans as per tri-partite MOU executed in December 2003 (renewed in July 2009) between the Corporation, GoR and SIDBI. The percentage of NPAs to total outstanding loans ranged between 21.06 and 30.47 during 2008-13. Out of total loans of ₹ 966 crore disbursed during 2008-11, 16 loan accounts (₹ 33.24 crore) became NPA within a short span of two years while other three loan accounts (₹ 57.67 lakh) became NPA within three years.

Sector wise performance

Major thrust of the Corporation was on promotion of Commercial Real Estate (CRE) sector as out of total sanctions of ₹ 1778.72 crore during 2008-13, the share of CRE sector was ₹ 599.73 crore (33.71 *per cent*). The sector received financial assistance of ₹ 527.27 crore (38.64 *per cent*) out of total disbursements of ₹ 1364.57 crore made during 2008-13. The Corporation neither fixed industry wise exposure limits nor evolved any system to ensure that financial assistance to CRE sector does not exceed the prescribed limits at a point of time.

Appraisal, Sanction and Disbursement

There were instances of deficient appraisal, sanction and disbursement of loans *viz.* non-adherence to credit appraisal parameters (past history of the promoters, financial soundness, marketability of the proposed project, reports of Credit Information Bureau of India Limited etc.), disbursement without ensuring utilisation of promoter's contribution, in-adequate security etc. which led to grant of loans to in-eligible borrowers and caused difficulties in recovery of loans.

Re-scheduling of loan accounts

Out of 172 loan accounts re-scheduled during 2008-13, 121 loan accounts (70.35 *per cent*) were re-scheduled beyond last date of repayment ranging between nine and 96 months. Further, 18 borrowers out of 85 re-scheduled accounts in six selected units defaulted in repayment of dues of ₹ 20.37 crore as on May 2013. Defaulters also include five and two borrowers where re-scheduling was done for second and third time respectively.

Settlement of loan accounts

The State Level Committee and Head Office Level Committee settled 317 cases for ₹ 45.90 crore against outstanding dues of ₹ 168.71 crore and thereby sacrificed an amount of ₹ 122.81 crore (72.79 *per cent*) during 2008-13. The Corporation settled 39 cases below principal amount (₹ 4.39 crore) at ₹ 2.90 crore and 158 other cases were settled for merely ₹ 29.93 crore against outstanding amount of ₹ 121.13 crore despite availability of prime and collateral security with MRV of ₹ 72.06 crore.

Enforcement of Section 29

Out of 109 units sold during 2008-13, 87 units were sold within five years, 13 units were sold between five and 10 years, eight units

between 10 and 20 years and one unit after time lag of more than 20 years of taking possession. The Corporation also sold out 52 units without recovering even the principal amount and sacrificed ₹ 3.69 crore towards principal against these units. Analysis of 50 units taken in possession during 2008-13 at selected Branch Offices disclosed that there was delay upto 100 months in issue of legal notices under Section 29 since inception of default by the borrower. Further, there was time gap upto 109 months between issue of first notice and taking of possession of defaulting unit by the Corporation. Out of 51 units under possession, the latest Market Realisable Value of 21 units (₹ 7.31 crore) was not sufficient to cover the outstanding dues (₹ 21.99 crore) and there was shortfall of ₹ 14.68 crore towards recovery of dues.

Recovery under Rajasthan Land Revenue Act, 1956

The Corporation settled 2076 cases during 2008-13 and 1098 cases involving amount of ₹ 198.75 crore were pending for recovery as on March 2013. The District Collector returned 173 Requisition of Demands (RODs) during 2008-13 due to non-identification of properties in the name of promoters/guarantors. Out of pending cases, the Corporation either did not have adequate security or other properties of promoters/guarantors were not identified in 323 cases pertaining to nine selected Branch offices.

Recommendations

The performance audit contains five recommendations which include finding of alternate source of finances to improve the disbursements for promotion of MS&ME sector; close monitoring of Standard Assets to ensure prevention of slippages of accounts into NPAs; ensure adherence to the parameters of sanction and disbursements to minimise the risk; take prompt and effective action for recovery of dues as per Rules; and to strengthen the internal control and internal audit systems.

(Chapter III)

4. Transaction Audit Observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

Loss/non-recovery of ₹ 5.99 crore in six cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.1, 4.5, 4.6, 4.7, 4.8 and 4.9)

Loss of ₹ 2.32 crore in four cases due to non-safeguarding the financial interests of organisation.

(Paragraphs 4.2, 4.3, 4.4 and 4.11)

Loss of ₹ 30.42 lakh in one case due to lack of fairness/transparency and competitiveness in operations.

(Paragraph 4.10)

Gist of some of the important audit observations is given below.

Chhabra Power Limited sustained minimum loss of ₹ 33.51 lakh due to non-inclusion of temperature variation adjustment clause in supply orders.

(Paragraph 4.2)

Jodhpur Vidyut Vitran Nigam Limited did not annually review the adequacy of security deposit which led to shortfall of ₹ 18.05 crore in selected categories of consumers in three circles.

(Paragraph 4.5)

Systemic deficiencies by **Rajasthan State Industrial Development and Investment Corporation Limited** in implementation of Rules, revision of water charges and lack of clarity in Rules resulted into incurring of losses on supply of water to the industrial units.

(Paragraph 4.7)

Rajasthan State Industrial Development and Investment Corporation Limited regularized sale of land in violation of rules and incurred loss of ₹ 1.02 crore.

(Paragraph 4.8)

Rajasthan State Road Transport Corporation had to bear extra expenditure of ₹ 68.78 lakh due to failure in placing repeat order as per the policy and terms and conditions of agreement.

(Paragraph 4.11)

CHAPTER I

Overview of State Public Sector Undertakings

Chapter I

Overview of State Public Sector Undertakings

Introduction

1.1 The Public Sector Undertakings (PSUs) occupy an important place in the State economy. The Government of Rajasthan (GoR) undertakes commercial activities through PSUs which are owned, managed and controlled by the State Government on behalf of public at large. The PSUs are categorised into Statutory Corporations and Government Companies. Statutory Corporations are public enterprises that came into existence by a special Act of the Legislature. The Act defines the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government Companies refer to companies in which not less than 51 *per cent* of the paid up capital is held by Government(s). It includes a subsidiary of a Government Company. Further, as per the provisions of Section 619-B of the Companies Act 1956, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government Companies and Corporations controlled by Government is treated as if it is a Government Company (deemed Government Company).

1.2 The PSUs operate in five major sectors of the economy *viz*., Power, Finance, Service, Infrastructure and others (including Manufacturing, Agriculture & allied and Miscellaneous). The State PSUs had provided employment to about one lakh persons as on 31 March 2013. A sector-wise summary of the PSUs is given below:

Name of sector	Government Companies[1]		Statutory Corporations		Total	Investment[2] (₹ in crore))
	Working	Non-working[3]	Working	Non-working		
Power	16	-	-	-	16	66477.81
Finance	3	-	1	-	4	736.85
Service	13	-	2	-	15	2542.65
Infrastructure	3	-	-	-	3	882.03
Others	8	2	-	-	10	1378.79
Total	**43**	**2**	**3**	**-**	**48**	**72018.13**

As on 31 March 2013, there were 48 PSUs, of which 46 were working and two were non-working. Of these, no company was listed on the stock exchange(s). During the year 2012-13, three[4] new PSUs were established

1 There are four 619-B Companies at Sl. No.- A- 30, 31, 33 and 42 and one company registered under section 25 at Sl. No. A-38 of Annexure-1.

2 Investments includes capital and long term loans.

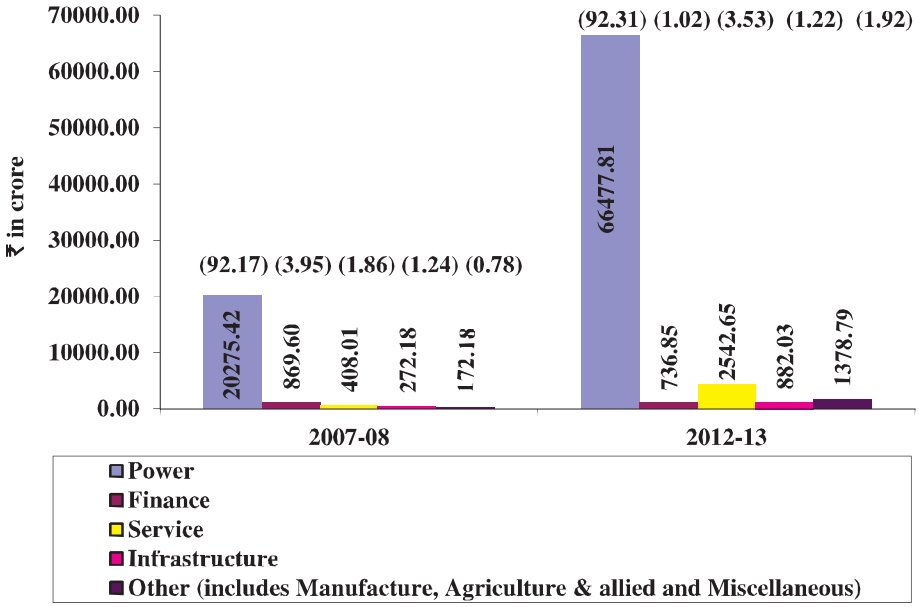
3 Non-working PSUs are those which have ceased to carry on their operations.

4 Rajasthan State Refinery Limited in September 2012 and Rajasthan State Power Finance Corporation Limited in December 2012. Rajasthan Ex-Servicemen Corporation Limited was established in March 2012 but intimation from the State Government was received in 2012-13.

while Shekhawati Transmission Service Company Limited (working PSU) was privatised in February 2013 and Hi-Tech Precision Glass Limited (non-working PSU) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart. The thrust of PSU investment was mainly on power sector during the five years which increased by 227.87 *per cent* from ₹ 20275.42 crore to ₹ 66477.81 crore in 2012-13.

(Figures in brackets show the percentage of total investment)



Accountability framework

1.4 The accounts of the Government Companies/Statutory Corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

Statutory audit

1.5 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. The Statutory Auditors submit their Audit Report to the various stakeholders.

1.6 The audit of Statutory Corporations follows different pattern as provided by their respective legislations. Thus,

- the CAG is the sole auditor for Rajasthan State Road Transport Corporation;
- Statutory Auditor appointed by the Government in consultation with CAG is the auditor for Rajasthan State Warehousing Corporation; and
- Statutory Auditor appointed by the Corporation out of the panel approved by Reserve Bank of India is the auditor in the case of Rajasthan Financial Corporation.

Supplementary audit of CAG

1.7 The accounts of State Government Companies are also subject to supplementary audit conducted by CAG as per the provisions of Section 619 of the Companies Act, 1956. CAG also conducts supplementary audit in respect of the two Statutory Corporations *viz.*, Rajasthan State Warehousing Corporation and Rajasthan Financial Corporation.

Role of Legislature and Government

1.8 The State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

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

Stake of Government of Rajasthan

1.10 The financial stake of GoR in these PSUs is of mainly three types:

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

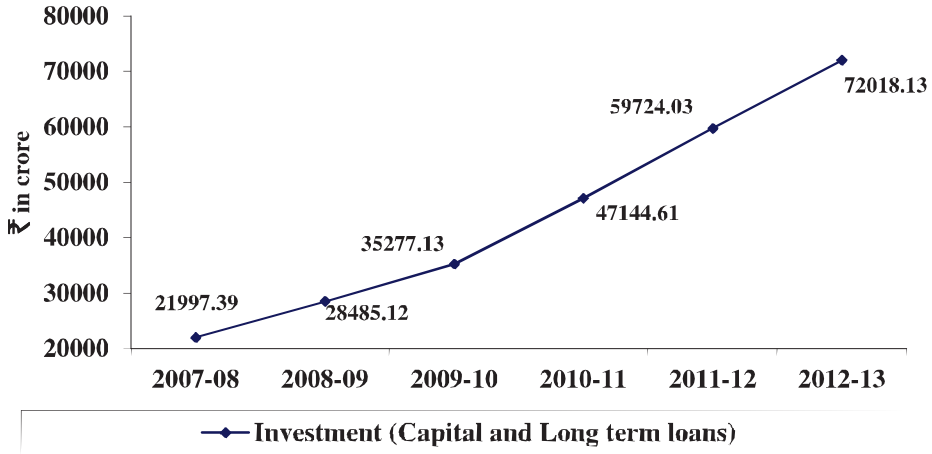
1.11 As on 31 March 2013, the total investment (capital and long term loans) in 48 PSUs (including 619-B companies) was ₹ 72018.13 crore as shown below.

(₹in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	17953.25	52250.36	70203.61	552.54	1249.73	1802.27	72005.88
Non-working	8.89	3.36	12.25	-	-	-	12.25
Total	**17962.14**	**52253.72**	**70215.86**	**552.54**	**1249.73**	**1802.27**	**72018.13**

A summarised position of Government investment in State PSUs is given in **Annexure-1.**

1.12 As on 31 March 2013, of the total investment in State PSUs, 99.98 *per cent* was in working PSUs and the remaining 0.02 *per cent* in non-working PSUs. This consisted of 25.71 *per cent* towards capital and 74.29 *per cent* in long-term loans. The investment has grown by 227.39 *per cent* from ₹ 21997.39 crore in 2007-08 to ₹ 72018.13 crore in 2012-13 as shown in the graph below:



1.13 The capital investment as well as long-term loans increased by ₹ 12325.55 crore and ₹ 37695.19 crore respectively during the period from 2007-08 to 2012-13. There was overall net increase in investment by ₹ 50020.74 crore during the period.

Erosion of capital due to losses

1.14 As per the latest finalised accounts of the State PSUs, the capital investment was of ₹ 15827.72 crore and the accumulated losses there against were ₹ 50951.85 crore. This had entirely eroded the capital of the State PSUs and culminated into negative net worth[5] of ₹ 35124.13 crore.

Budgetary support to PSUs

1.15 The GoR provides additional investment and support to PSUs in various forms through annual budget. During the year 2012-13, the GoR

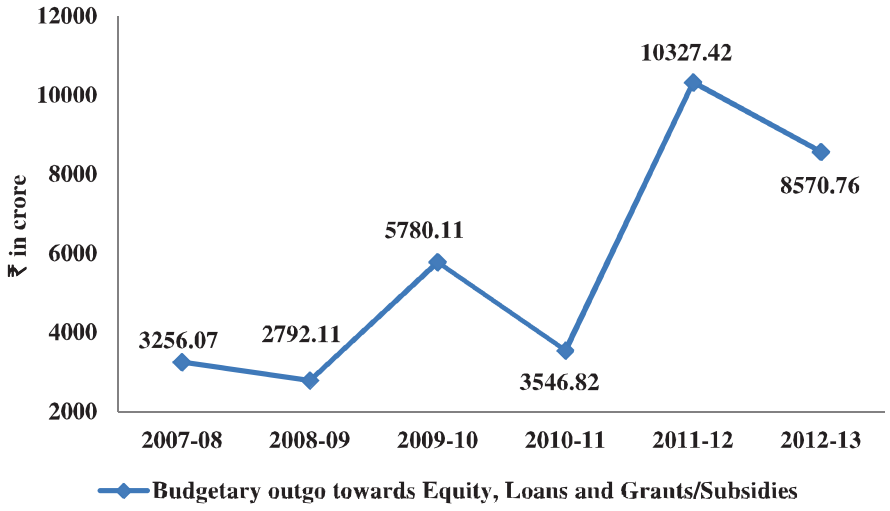
5 Net worth represents paid up capital plus free reserves less accumulated losses.

extended budgetary support of ₹ 8570.76 crore to 23 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Annexure-3**. The summarised details for the three years ended 2012-13 are given below:

(₹in crore)

Sl. No.	Particulars[6]	2010-11		2011-12		2012-13	
		No. of PSUs	Amount	No. of PSUs	Amounts	No. of PSUs	Amount
1.	Equity Capital outgo	12	1599.89	11	1725.09	14	4648.37
2.	Loans given	2	0.39	8	5552.21	7	813.81
3.	Grants/Subsidy	14	1946.54	14	3050.12	13	3108.58
4.	Total Outgo (1+2+3)	20[7]	3546.82	18[7]	10327.42	23[7]	8570.76
5.	Loan repayment written off	-	-	1	0.10	-	-
6.	Loans converted into equity	-	-	4	1086.25	1	15.65
7.	Guarantees issued	6	24781.66	6	17349.50	7	20209.01
8.	Guarantee Commitment	8	48088.19	7	57559.34	7	70365.08

1.16 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2012-13 are given in a graph below:



1.17 The above indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoR to PSUs had increased from ₹ 3256.07 crore in 2007-08 to ₹ 8570.76 crore in 2012-13. During 2012-13, the GoR had converted loan of ₹ 15.65 crore into equity in respect of Rajasthan Financial Corporation. The main beneficiary of budgetary outgo was power sector which received 82.78 *per cent* (₹ 3848.00 crore) of total equity capital outgo

6 Amount represents outgo from State Budget only.

7 The figure represents number of companies which have received outgo from budget under one or more head *i.e.* equity, loans, grants/subsidies.

(₹ 4648.37 crore) and 84.41 *per cent* (₹ 7234.21 crore) of total budgetary outgo (₹ 8570.76 crore).

Guarantees for loans and outstanding guarantee commission

1.18 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 provision of the Rajasthan State Grant of Guarantees Regulation 1970.

There was increasing trend of outstanding guarantee commitments which increased from ₹ 18153.83 crore in 2007-08 to ₹ 70365.08 crore in 2012-13 showing rise of 287.60 *per cent*. During the year 2012-13 guarantee commission of ₹ 345.87 crore was payable by the PSUs out of which ₹ 227.41 crore was paid during the year.

Failure to ensure proper accountability of the Government stake in PSUs

1.19 As stated above GoR has huge financial stake in the PSUs. We, however, found that the PSUs/ Government did not ensure proper accountability of this investment. The lapses were mainly in two areas:

- To provide an accurate figure for investment;
- To prepare annual account and get them audited;

These lapses have wide ranging implications including adverse impact on legislative financial control.

Absence of accurate figure for the investment in PSUs

1.20 The Finance Accounts of GoR prepared by the PAG (A&E) and certified by the CAG depicts the Government stake in PSUs in respect of equity, loan and guarantees. These figures as per records of the State PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. The position in this regard as on 31 March 2013 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	18032.46	18048.35	15.89
Loans	3324.75	2388.74	936.01
Guarantees	71584.26	70365.08	1219.18

1.21 These differences occurred in respect of 19[8] PSUs. The matter was taken up from time to time with Finance Department, Government of Rajasthan regarding difference in figures relating to equity, loans and guarantee as per Finance Accounts and as per PSU's records. The Government

8 At Sl. No.-A-1, 2, 5, 6, 7, 10, 11, 13, 14, 21, 22, 26, 27, 31, 35, 41, B-1, C-1 and 2 of Annexure-1

and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Arrears in finalisation of accounts

1.22 The accounts of the Companies/Statutory Corporations for every financial year are required[9] to be finalised within six months from the end of the relevant financial year. Thus accounts for 2012-13 were to be finalised by 30 September 2013. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
1.	Number of Working PSUs	29	37	42	44	46
2.	Number of accounts finalised during current year	25	27	46	33	59[10]
3.	Number of working PSUs which finalised accounts for the current year	16	16	25	24	33
4.	Number of Working PSUs with arrears in accounts	13	21	17	20	13
5.	Number of accounts in arrears	14	28	24	33	21
6.	Number of previous year's accounts finalised during current year	9	11	21	9	25
7.	Average arrears per PSU (5/1)	0.55	0.76	0.57	0.75	0.46
8.	Extent of arrears	One to two years	One to three years	One to four years	One to five years	One to six years

1.23 Out of 46 PSUs, only 33 PSUs had finalised their accounts for the year 2012-13 by 30 September 2013 and remaining 13 working PSUs had 21 accounts in arrear for the period from 2007-08 to 2012-13. Two[11] working PSUs did not finalise even a single account during 2012-13. Further, 25 accounts in arrears were finalised during 2012-13 as compared to 9 during 2011-12 consequently average arrears per PSUs decreased from 0.75 in 2011-12 to 0.46 in 2012-13.

1.24 Of the 13 working PSUs with arrears of accounts, the GoR had extended budgetary support to six PSUs which was ₹ 5501.41 crore (Equity: ₹ 2486.91 crore, Loan: ₹ 3004.97 crore, Subsidy: ₹ 9.53 crore) during the years as detailed in **Annexure-4**.

9 Sections 166, 210, 230, 619 and 619-B of the Companies Act in case of Companies and provisions of respective Act in case of the Statutory Corporations.

10 Barmer Lignite Mining Company submitted revised accounts for the year 2011-12.

11 Rajasthan State Road Development and Construction Corporation Limited and Kota City Transport Services Limited.

Finalisation of accounts by Statutory Corporations

1.25 Three working Statutory Corporations had forwarded their latest accounts of 2012-13 by 30 September 2013. The audit of the accounts of two[12] Statutory Corporations was in progress (September 2013).

1.26 Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The SARs in respect of these Statutory Corporations for the period 2011-12 had been placed[13] in State Legislature during February to March 2013.

Failure of the administrative departments

1.27 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 prescribed period.

1.28 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts for the past several years to finalise the latest two years accounts and clear the backlog within five years.

1.29 The Accountant General also addressed (July 2013) the Chief Secretary/Administrative Departments/ Managements of the PSUs whose accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

Impact of non-finalisation of accounts

1.30 Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.31 In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.32 Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2012-13 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was seven *per cent*. Further,

12 PSUs at Sl. No. B-1and B-2 of Annexure-2.

13 Rajasthan State Warehousing Corporation (22 February 2013), Rajasthan Financial Corporation (7 March 2013) and Rajasthan State Road Transport Corporation (20 March 2013).

the result of operation of these PSUs for the year 2012-13 and their contribution to State exchequer was also not reported to the State legislature.

1.33 The Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

Performance of PSUs

Problems in assessing performance

1.34 The actual performance of the PSUs, in view of the backlog in finalisation of accounts, could not be ascertained. Thus, the performance of PSUs was assessed on the basis of their latest finalised accounts. The performance of major PSUs like Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited and Rajasthan Rajya Vidyut Utpadan Nigam Limited could not be commented in the absence of finalisation of account for the year 2012-13.

Performance based on finalised accounts

1.35 The financial results of PSUs, financial position and working results of Statutory Corporations are detailed in **Annexures-2, 5** and **6** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2012-13.

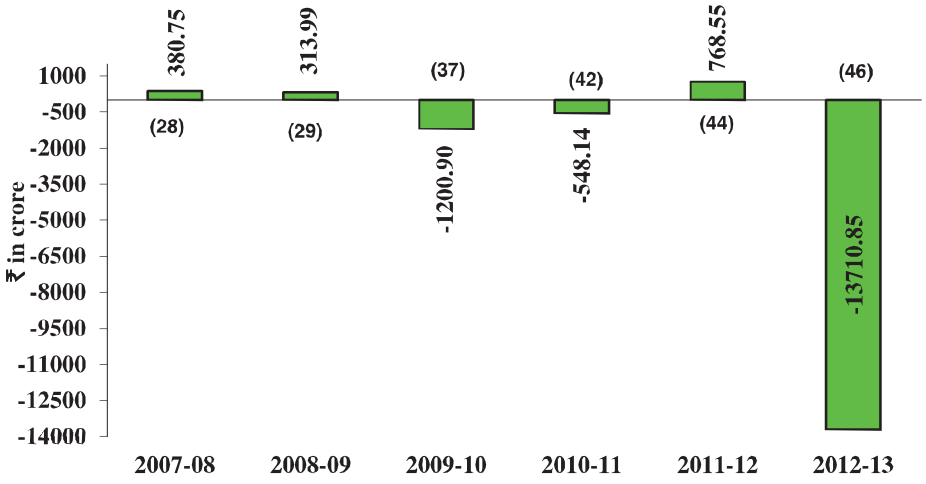
(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Turnover[14]	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
State GDP[15]	194822.00	230949.00	265825.00	341865.00	416755.00	478160.00
Percentage of Turnover to State GDP	8.54	7.58	9.51	8.82	7.78	7.00

The turnover of PSUs has recorded continuous increase over previous years. Percentage of increase in turnover ranged between 3.22 and 44.34 during the period from 2007-08 to 2012-13, whereas percentage of increase in GDP ranged between 13.90 and 28.61 during the period from 2007-08 to 2012-13. The turnover of PSUs recorded compounded annual growth of 15.01 *per cent* during last five years which was lower than the compounded annual growth of 19.67 *per cent* of State GDP. This had resulted in decrease of PSUs share of turnover to State GDP from 8.54 *per cent* in 2007-08 to 7.00 *per cent* in 2012-13, despite increase in number of PSUs from 28 to 46 during 2007-08 to 2012-13.

1.36 Profit[16] earned or losses incurred by State working PSUs during 2007-08 to 2012-13 are given below in a bar chart.

14 Turnover as per the latest finalised accounts.
15 State GDP as per Economic Review 2012-13 of Government of Rajasthan.
16 Figures are as per the latest finalised accounts during the respective years.



The working PSUs incurred a loss of ₹ 13710.85 crore in 2012-13 in comparison of profit of ₹ 768.55 crore in 2011-12. The main reason attributable to heavy losses during 2012-13 was depiction of losses in latest finalised accounts by Power distribution companies[17] (Discoms) which were earlier showing "No Profit No Loss" in their accounts prepared upto 2011-12. According to latest finalised accounts of 46 PSUs, 18[18] PSUs earned profit of ₹ 1071.40 crore, 26[18] PSUs incurred loss of ₹ 14782.25 crore, one[19] PSU had no profit and loss while one[20] PSU is yet to submit its first accounts since inception. Further, out of 46 PSUs, 15[21] PSUs incorporated during 2006-07 to 2012-13 did not commence their commercial activities till 2012-13.

1.37 As per their latest finalised accounts, Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 271.39 crore) were the major contributor to the profit while Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (₹ 6178.90 crore), Jaipur Vidyut Vitran Nigam Limited (JVVNL) (₹ 4161.23 crore) and Ajmer Vidyut Vitran Nigam Limited (AVVNL) (₹ 3904.73 crore) incurred heavy losses.

Reasons for the losses

1.38 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Report of CAG shows that the State

17 Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.

18 Including those PSUs which had not started their business activities but were showing marginal profit/loss.

19 Rajasthan State Refinery Limited.

20 Kota City Transport Services Limited.

21 PSUs at Sl. No. A-4, 12, 13, 15, 16, 17, 18, 20, 23, 24, 25, 29, 30, 32 and 33 of Annexure 2.

PSUs incurred losses to the tune of ₹ 96.67 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹in crore)

Particulars	2010-11	2011-12	2012-13	Total
Net Profit (loss)	(548.14)	768.55	(13710.85)	(13490.44)
Controllable losses as per CAG's Audit Report	111.34	138.11	96.67	346.12
Infructuous Investment	120.55	Nil	Nil	120.55

1.39 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The table above indicates that with better management, the losses can be reduced. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.40 Some other key parameters pertaining to State PSUs are given below.

(₹in crore)

Particulars[22]	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Return on Capital Employed[23] (*per cent*)	6.00	5.82	2.89	5.64	8.09	-16.32
Debt	15808.26	20955.24	26437.80	36260.08	45976.15	53503.45
Turnover[24]	16644.45	17510.67	25275.63	30152.24	32440.58	33486.33
Debt/Turnover Ratio	0.95 : 1	1.20:1	1.05:1	1.20:1	1.42:1	1.60:1
Interest Payments[24]	1338.95	1599.84	2374.73	3551.29	3681.11	7864.69
Accumulated Profits (losses)[24]	117.98	364.89	(1343.22)	(2066.69)	(1590.48)	(50951.85)

1.41 During last five years, the turnover of PSUs recorded compound annual growth of 15.01 *per cent*. However, the compound annual growth of debts was 27.61 *per cent* indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 0.95:1 in 2007-08 to 1.60:1 in 2012-13 indicated increased reliance on debts by PSUs.

1.42 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. As per their latest finalised accounts, 18 PSUs earned an aggregate profit of ₹ 1071.40 crore and eight[25] PSUs declared a dividend of ₹ 63.86 crore which worked out to 0.40 *per cent* of equity capital of all the PSUs. Out of eight PSUs declaring dividend, three[26] PSUs declared dividend more than the prescribed limit while two[27] PSUs declared dividend less than the prescribed limit in the Government dividend policy. Ten[28] PSUs

22 Position for the year 2012-13 was as per the latest information made available up to 30 September 2013.

23 Upto 2011-12, Capital employed has been worked out using formula (Net fixed assets + Working capital). For the year 2012-13, Capital employed has been worked out using formula (Shareholder's fund + Long-term borrowings).

24 As per latest finalised accounts.

25 PSUs at Sl. No.-A-1, 5, 6, 9, 10, 11, 28 and B-3 of Annexure-2.

26 PSUs at Sl. No.-A-6, 11 and B-3 of Annexure-2.

27 PSUs at Sl. No.-A-5 and 10 of Annexure-2.

28 PSUs at Sl. No. A-2, 3, 7, 30, 32, 34, 39, 40, 42 and B-1 of Annexure-2.

which earned profit, did not declare dividend due to accumulated losses or marginal profits.

Non-working PSUs

1.43 There were two non-working PSUs (all companies) as on 31 March 2013 having a total investment of ₹ 12.25 crore towards capital (₹ 8.89 crore) and long term loans (₹ 3.36 crore). Rajasthan State Agro Industries Corporation Limited had arrear in accounts for two years.

1.44 The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
No. of non-working companies	4	4	3	3	2

During the year 2012-13, one non-working PSU (Hi-Tech Glass Precision Limited) was amalgamated with Rajasthan State Ganganagar Sugar Mills Limited.

1.45 None of these non-working companies was under liquidation. The Government may take a decision regarding winding up of two non-working PSUs.

Accounts Comments and Internal Audit of PSUs

1.46 Forty one working Companies forwarded their 56 audited accounts to the Accountant General during the period from October 2012 to September 2013. Of these, 39 accounts of 28 Companies were selected for supplementary audit. The Audit Reports of Statutory Auditors appointed by the CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and the CAG are given below.

(₹in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	5	27.97	4	496.05	5	30.01
2.	Increase in profit	2	0.99	1	62.24	2	7.60
3.	Increase in loss	10	11669.26	4	8.01	12	2131.55
4.	Decrease in loss	3	37.21	1	0.68	2	4.00
5.	Non-disclosure of material facts	1	0.30	10	29.25	2	2.57
6.	Errors of classification	-	-	4	1293.47	15	19411.76

1.47 During the year 2012-13, the Statutory Auditors had given qualified certificates on 22 accounts, adverse[29] certificate on 11 accounts and

29 Accounts do not reflect true and fair position.

disclaimer[30] on two accounts. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 111 instances of non-compliance in 27 accounts as pointed out by the Statutory Auditors. Additionally, the CAG gave adverse certificate on the accounts of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) for the year 2010-11. As a result of CAG's comments and those of Statutory Auditors, the net loss of RRVUNL increased from ₹ 41.20 crore to ₹ 107.90 crore.

1.48 Some of the important comments by the CAG during supplementary audit of accounts of companies are stated below:

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2011-12)

- The Company did not capitalise the Chhabra Thermal Power Station (CTPP) to Dahra Grid Sub Station segment 400 kV transmission line from CTPP to Bhilwara from the date of charge of transmission line. This resulted in understatement of 'Prior Period Expenses' by ₹ 54.98 crore, overstatement of 'Fixed Assets' as well as 'Depreciation' by ₹ 53.28 crore and ₹ 1.70 crore respectively. Consequently, 'Accumulated Losses' were understated by ₹ 53.28 crore.

Jodhpur Vidyut Vitran Nigam Limited (2011-12)

- 'Subsidies/Grant Receivables' included ₹ 55.35 crore being receivable from State Government towards Electricity Duty (ED) which has been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had shown ED payable of ₹ 16.92 crore to GoR under the head 'Other Current Liabilities'. Consequently, 'Other Current Liabilities' and 'Other Operating Income' have been overstated by ₹ 16.92 crore and ₹ 38.43 crore respectively. Loss for the year has also been understated by ₹ 38.43 crore.

Jaipur Vidyut Vitran Nigam Limited (2011-12)

- 'Purchase of Power' was understated by ₹ 10.31 crore due to short provision of amount payable to JdVVNL and AVVNL on account of adjustment of billing of power purchase on actual basis. This resulted in understatement of 'Current Liabilities' and loss by ₹ 10.31 crore.

Ajmer Vidyut Vitran Nigam Limited (2011-12)

- 'Subsidies/Grants Receivables' included ₹ 54.80 crore receivable from State Government towards Electricity Duty (ED) which had been accounted for by the Company on the basis of sanction of State Government instead of actual receipt of ED. The Company had also shown the ED payable (₹ 16.66 crore) to the State Government under the head Current Liability. Thus, the 'Current Assets' have been overstated by ₹ 54.80 crore. Consequently, 'Current Liabilities' and 'Other Operating Income' have been overstated by ₹ 16.66 crore and ₹ 38.14 crore respectively. Loss for the year had also been understated by ₹ 38.14 crore.

30 Auditors are unable to form an opinion on accounts.

1.49 Similarly, three working Statutory Corporations forwarded their accounts of 2012-13 to Accountant General (up to 30 September 2013). Of these, one account of Statutory Corporation pertains to sole audit by the CAG. Remaining two accounts were selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and supplementary audit by the CAG are given below:

(₹ in crore)

Sl. No.	Particulars	2010-11		2011-12		2012-13	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	1	63.83	1	31.19
2.	Increase in profit	1	0.59	-	-	-	-
3.	Increase in loss	2	116.04	1	1071.47	-	-
4.	Non-disclosure of material facts	1	78.25	1	48.04	-	-
5.	Errors of classification	-	-	1	1.02	-	-

1.50 Out of two accounts received during the year 2012-13, the Statutory Auditors had given qualified certificates for both accounts.

1.51 Though, audit of annual accounts for the year 2012-13 by the CAG was in progress as on 30 September 2013, some of the important comments in respect of accounts of Statutory Corporation for the year 2011-12 finalised during 2012-13 are stated below:

Rajasthan State Road Transport Corporation (2011-12)

- The Provision for Gratuity & Pension Contribution for Corporation Employees Fund was understated by ₹ 822.18 crore due to non-provision for liability towards Gratuity & Pension Contribution as per actuarial valuation report. This resulted in understatement of Welfare and Superannuation Expenditure and Net Loss by ₹ 822.18 crore.
- The Government Creditors was understated by ₹ 127.51 crore due to short provision of liability toward Special Road Tax (SRT) disregarding the cost of chasis notified by the Transport Department, Government of Rajasthan. This resulted in understatement of License and Taxes as well as Net Loss by ₹ 127.51 crore

Rajasthan Financial Corporation (2011-12)

- Due to our comments, the net profit after tax of ₹ 5.88 crore shown in Accounts turned into a loss of ₹ 12.09 crore. Hence, the Accounts did not represent a true and fair view.

1.52 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on 56 annual accounts of working companies which were forwarded to the Accountant General during October 2012 to September 2013 is given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of working companies where comments were made		Reference to serial number of the working companies as per Annexure 2
		Year of accounts	No. of accounts	
1.	Absence of internal audit system commensurate with the nature and size of business of the company	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	11	A-3, 14, 21, 22, 26, 28, 30, 31, 39, 41 & 43
		2012-13	11	A-2, 3, 5, 10, 11, 14, 21, 28, 31, 32 & 43
2.	Non maintenance of proper records showing full particulars including quantitative details and situations of fixed assets.	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	7	A-14, 21, 22, 26, 28, 31 & 40
		2012-13	8	A-2, 5, 10, 14, 21, 28, 31 & 32
3	Inadequate internal control procedure commensurate with the size of the company and the nature of its business for purchase of inventory, fixed assets and for sale of goods.	2009-10	1	A-19
		2010-11	5	A-14, 19, 21, 22 & 27
		2011-12	9	A-3, 14, 21, 22, 26, 31, 37, 40 & 43
		2012-13	10	A-2, 3, 5, 11, 14, 21, 32, 35, 37 & 43
4	Company which has been registered for a period not less than five years, accumulated losses at the end of the financial year are not less than 50 *per cent* of its net worth.	2010-11	3	A-14, 21 & 22
		2011-12	9	A-3, 14, 21, 22, 26, 31, 40, 41 & 43
		2012-13	12	A-2, 3, 14, 16, 18, 21, 23, 24, 25, 31, 35 & 43
5	Company which has been registered for a period not less than five years, has incurred cash losses in the financial year.	2010-11	3	A-14, 21 & 22
		2011-12	7	A-3, 14, 21, 22, 26, 31 & 43
		2012-13	8	A-2, 14, 18, 21, 23, 31, 35 & 43

Recoveries at the instance of audit

1.53 During the course of propriety audit in 2012-13, recoveries of ₹ 49.13 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 39.50 crore were admitted by PSUs. An amount of ₹ 9.40 crore had been recovered during the year 2012-13.

Disinvestment, Privatisation and Restructuring of PSUs

1.54 During 2012-13 one PSU namely Shekhawati Transmission Service Company Limited was privatized.

Reforms in Power Sector

1.55 Rajasthan Electricity Regulatory Commission (RERC) was formed in January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998 with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2012-13, RERC issued 57 orders (21 on annual revenue requirements and 36 on other issues).

1.56 Memorandum of Understanding (MoU) was signed in March 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone		Achievement as at March 2013			
1.	Reduction in transmission and distribution losses	20 *per cent* by 2008-09	**Name of the Company**		**Transmission and Distribution losses (In *per cent*)**	
			JVVNL		23.64	
			AVVNL		19.85	
			JdVVNL		17.32	
2.	100 *per cent* metering of all 11 KV distribution feeders	September 2001	**Name of the Company**	**11KV feeders to be metered**	**11KV feeders metered upto March 2013**	**Percentage**
			JVVNL	5370	4579	85.27
			AVVNL	5803	4761	82.04
			JdVVNL	6781	5632	83.05
3.	100 *per cent* electrification of all villages	41353 villages by 2005	40202 villages (as per Census 2001) electrified *i.e.* 97.22 *per cent*.			
4.	100 *per cent* metering of all consumers	30 June 2002	No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category.			
5.	**State Electricity Regulatory Commission (SERC)**					
	(1) Establishment of the SERC	–	The RERC was formed in January 2000.			
	(2) Implementation of tariff orders issued by SERC during the year	–	A tariff order was issued on 8 August 2012 and implemented from 10 August 2012.			
	General					
6.	Monitoring of MOU	–	Monitoring was being done by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and last report was sent in March 2012.			

CHAPTER II

Performance Audit relating to Government Companies

Chapter II

Performance Audit relating to Government Companies

2. Performance Audit on Rajasthan Tourism Development Corporation Limited

Executive Summary

Rajasthan Tourism Development Corporation Limited (Company) is a nodal agency of the Government of Rajasthan (GoR) for development of tourism in the state of Rajasthan. The major activities of the Company include providing accommodation and catering in hotels/motels, operation of tourist trains, bar facility in selected hotels/motels, package tours, transport and boating facilities to tourists. As on March 2013, the Company was operating 45 hotels/motels and two tourist trains i.e. Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW).

Financial profile

The financial position of the Company remained weak as it earned meagre profit of ₹ 0.05 crore during 2007-08 and thereafter incurred losses which accumulated to ₹ 72.12 crore by the end of March 2012. Only PoW and packaged tours contributed to the profits while all other activities i.e. the hotels/motels (comprising accommodation, catering etc.) and RRoW incurred losses during the five years ending March 2012.

Planning and implementation of State Tourism Policy

The Company had not taken any steps to implement the tourism policy 2001. Long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State were not prepared. The Company neither acquired nor got allotted any land for development of any project except a camping site (Ganehra) at Pushkar. The camping site was developed in October 2009 at a cost of ₹2.02 crore and was closed down in 2012 due to lack of profitability.

The percentage of foreign tourists availing Company's accommodation declined from 0.38 (6076) to 0.14 (2247) during 2007-13. The percentage of domestic tourists availing Company's accommodation also declined from 0.79 to 0.58 during 2007-13. The overall performance of the Company took a downslide as against 2.21 lakh tourists (0.77 per cent) availing Company's accommodation in 2007-08, the numbers decreased to 1.71 lakh (0.56 per cent) in 2012-13.

Operational performance and budgetary analysis

Out of 45 to 47 operated hotels/motels, 34 to 39 (76 to 85 per cent) hotels/motels incurred losses during 2007-08 to 2011-12. The Company incurred loss of ₹7.82 crore from operation of hotels/motels during 2007-12. The Company could not achieve the targets of profitability in any activity during all the five years except in PoW (2007-09) and RRoW (2010-12). The budgeted surplus was always higher when compared to actuals and the variation during 2007-12 ranged between 28.33 and 85.62 per cent in case of accommodation, 24.35 and 105.49 per cent in catering, 36.30 and 60.83 per cent in bar and 33.59 and 170.37 per cent in transport and boating.

Accommodation

Hotels/motels ranging between 52.17 and 71.11 per cent incurred losses during 2007-12. The occupancy declined from 42 to 33 per cent during 2007-13 which was far below than the all India average occupancy. Even the hotels/motels located at famous tourist places failed to capture the inflow of tourists due to lack of efforts towards promotion of tourism in the State.

The Company did not formulate any marketing or advertisement policy to ensure promotion of hotels/motels, luxury trains, tour packages and other facilities offered by it.

Catering

More than 50 per cent of the hotels/ motels incurred operational loss of ₹ 5.24 crore in catering activity during 2007-12. During 2007-12, 29 to 35 hotels/motels incurred excess expenditure on raw material (including wastage) than the prescribed norms while 5 to 25 hotels/motels incurred excess expenditure on fuel. Excess consumption of raw material and fuel resulted into excess expenditure of ₹ 2.69 crore and ₹ 6.47 lakh respectively during five years ending March 2012.

PoW and RRoW

PoW has been a profitable venture and the surplus from this activity increased from ₹ 8.80 crore to ₹ 9.64 crore during 2007-12. The occupancy of the train, however, declined from 100 to 80.12 per cent during the same period which further declined to 66.63 per cent during 2012-13. The increase in surplus was due to increase in tariff which increased between 19.33 and 32.35 per cent during October 2007 to March 2012 in various types of occupancy.

The performance of RRoW was poor as the Company could operate 16 to 23 trips against 34 projected trips annually, during 2009-13. The response of the tourists was poor and the Company could achieve occupancy of 49.20 per cent by March 2013. Higher occupancy of 58 per cent during 2011-12 was due to reduced number of trips. The project of RRoW was covered under the GoI scheme for assistance to large revenue generating projects in tourism sector but the Company short claimed grant-in-aid of ₹ 3.27 crore.

Central/State assisted projects

The Company could not complete the Central assisted works within scheduled completion period of 12 and 36 months from the date of sanction. Out of 120 works executed during 2007-13, 65 works were completed after delays ranging between one and 44 months. Among these, tenders for 20 works were invited after period of upto 19 months from the schedule date of completion of the works. Project wise details of funds received and expenditure incurred against each project were not maintained and there were unutilized funds of ₹ 1.08 crore as on March 2013. The Company incurred excess expenditure of ₹ 96 lakh over the sanctioned amount in 23 works and adjusted the same from the unutilized funds. Out of 64 works assigned by the State Government during 2007-13, 11 works allotted during 2010-12 were pending (October 2013) for completion due to delay in invitation of tenders and slow progress of the works by contractors. Further, out of 10 works allotted during 2012-13, nine works were to be completed by March 2013 and one work by March 2014 as per terms of sanction. However, only three works were completed by October 2013.

Recommendations

The Performance Audit contains seven recommendations which include implementation of the tourism policy and preparation of long-term/short-term action plan for tourism promotion and development of tourism infrastructure in the State; preparation of realistic budgets and action plan to support and achieve the targets; improvement of occupancy through improved facilities and better marketing; bringing food cost within norms; preparation of action plan to improve occupancy of PoW and RRoW; adherence to the guidelines of Centre/State in completion of projects; and to streamline the Internal Audit and Vigilance functions.

Introduction

2.1 Rajasthan Paryatan Vikas Nigam Limited (RPVNL) was incorporated (November 1978) as a wholly owned Government company for development of tourism in the State of Rajasthan. RPVNL was renamed to 'Rajasthan Tourism Development Corporation Limited' (Company) in September 2000. The Company is a nodal agency of Government of Rajasthan (GoR) for tourism promotion and is administratively controlled by the Department of Tourism (DoT), GoR.

As on March 2013, the Board of Directors (BoD) of the Company comprised of seven Directors including Managing Director (MD) and Chairman who are appointed by the State Government. The Managing Director is the Chief Executive Officer of the Company and is assisted by two Executive Directors, seven General Managers (Finance, Works, Administration, Food-Beverages & Land Bank, Planning & Monitoring, Marketing & Publicity and Central Store) at Head Office and 20 General Managers at units.

The major activities of the Company include accommodation and catering in hotels/motels, operation of tourist trains, bar facility in selected hotels/motels, package tours, transport and boating facilities to tourists. The prime objective of the Company is to facilitate the development of tourism in the state of Rajasthan. As on March 2013, the Company was operating 45 hotels/motels and two tourist trains *i.e.* Palace on Wheels (PoW) and Royal Rajasthan on Wheels (RRoW). The Company also operated Heritage on Wheels (HoW) during 2005-06 to 2008-09. The operations of HoW were discontinued from January 2009 onwards due to gauge conversion (meter to broad) of the route.

Scope of Performance Audit

2.2 The performance of the Company was last reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2002, Government of Rajasthan. The Performance Audit was discussed by the Committee on Public Undertakings (COPU) during October 2005 to September 2006. The recommendations of COPU are awaited (October 2013).

The present Performance Audit covers all activities of the Company during the period 2007-08 to 2012-13. The Company had not prepared (December 2013) annual accounts for the year 2012-13 and as such the financial figures for the year 2012-13 have not been incorporated in the Performance Audit. However, the operational performance for the year 2012-13 as regards tourist inflow, occupancy of hotels/motels, occupancy of PoW and RRoW, position of Central and State assisted tourism projects *etc.* have been incorporated in the Performance Audit.

Audit examination involved scrutiny of records at the Head Office, 12[1] selected hotels/motels, tourist trains and works division of the Company. Selection of 12 hotels/motels out of 46 hotels/motels as on March 2012 was done on the basis of various factors *viz.* turnover, expenditure, surplus/deficit, occupancy, geographical location, places of importance *etc.* affecting tourism industry.

Audit objectives

2.3 The Performance Audit of the Company was carried out to ascertain whether:

- the policy of the GoR for promotion of tourism in the state was implemented by preparing long term/ short term plans;
- the hotels/motels/restaurants and tourist trains were operated effectively and efficiently and that the targets of occupancy were achieved;
- adequate quality infrastructural facilities and amenities were available for tourists;
- the marketing strategy was geared to the business needs;
- the funds received from the Government of India (GoI) and GoR were utilized effectively and economically for the intended purpose and
- Internal control/internal audit were effective.

Audit criteria

2.4 The audit criteria, derived from the following sources, were adopted:

- Tourism Policy 2001 of GoR, guidelines/plan for promotion of tourism prepared by the GoR and Company;
- Guidelines issued by Government of India (GoI) and GoR for sponsored schemes;
- Budgets and norms fixed in respect of food and catering,
- Agenda and Minutes of the meeting of the Board of Directors (BoD) and other Committees; and
- Management Information System/ Internal Control/ Internal Audit.

1 (1) Motel Behror, (2) Hotel Gangaur Jaipur, (3) Hotel Moomal Jaiselmer, (4) Hotel Ghoomer Jodhpur, (5) Hotel Saras Bharatpur, (6) Motel Mahua, (7) Hotel Teej Jaipur, (8) Hotel Kajri Udaipur, (9) Hotel Sikhar Mount Abu, (10) Hotel Dholamaru Bikaner, (11) Hotel Haveli Fathepur and (12) Castle Jhoomar Baori Sawaimadhopur.

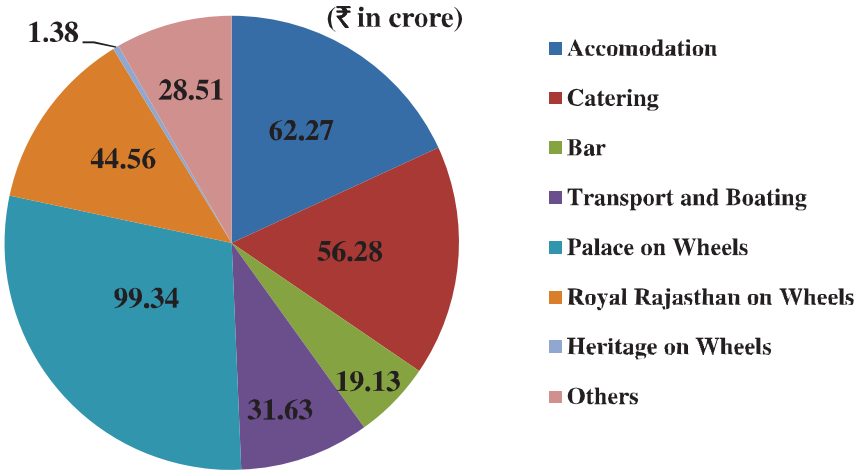
Audit methodology

2.5 The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/top Management of the Company during entry conference (25 April 2013). The records at Head Office and selected units were scrutinized involving analysis of data, raising of audit queries and interaction with Company personnel. Draft Performance Audit Report was issued to Government/Management for their comments. The reply of the Government/Management was received in August 2013/November 2013. Audit findings were discussed with the Government/Management during exit conference (27 September 2013). The Performance Audit has been finalised after considering the replies of the Government/Management.

Audit findings

Financial profile

2.6 The financial position and working results of the Company during five years ending March 2012 is given in **Annexure-7.** The financial position of the Company remained weak as it earned meagre profit of ₹ 0.05 crore in 2007-08 and thereafter incurred losses[2] continuously. The losses accumulated to ₹ 72.12 crore by the end of March 2012 and wiped out the capital employed. The revenue generated from various activities during five years ending March 2012 was as given below:



The percentage share of revenue among various activities during five years ending March 2012 for accommodation, catering, bar, transport and boating, Palace on Wheels, Royal Rajasthan on Wheels, Heritage on Wheels and others was 18.15, 16.40, 5.58, 9.22, 28.95, 12.99, 0.40 and 8.31 respectively.

Profitability analysis disclosed that only PoW and packaged tours contributed to profits while all other activities *i.e.* the hotels/motels (comprising all

2 ₹ 8.36 crore (2008-09), ₹ 25.43 crore (2009-10), ₹ 26.68 crore (2010-11) and ₹ 11.65 crore (2011-12).

activities *viz.* accommodation, catering *etc.*) and RRoW incurred losses during the five years ending March 2012. The activity wise financial performance indicated profits in accommodation and catering but the same was not reflective of the true position as general expenses, repair and maintenance and share in Head Office expenses were not considered for arriving out the results.

Planning and implementation of State Tourism Policy

2.7 The GoR issued a new Tourism Policy (Policy), in September 2001 which envisaged the role of the Company as a catalyst for tourism development in the State. The Company, however, did not prepare any long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State. The broad areas defining the role of the Company are given below:

- Acquire or get allotted land from the Government and develop it for setting up hotels and other tourism related projects.
- Preparation of projects jointly with DoT and Devesthan Department for utilisation of properties and valuable land of Devesthan Department for development as Dharamshalas/Yatri Niwas/Tourist Complexes.
- Establishing tourism related ventures in 'assisted sector' by selective equity participation.
- Launch an economy version of POW for budget tourist.
- Offer local conducted sightseeing tours at important tourist places in the State.
- Explore the feasibility of collaboration with Air Taxi operators to promote travel by air.
- Single window facility for processing of loan applications of entrepreneurs willing to establish tourism related projects in State.

The Company had not taken any steps to implement the tourism policy. We noticed that the policy was never discussed in the Board meetings for preparation of long term plans for tourism promotion and infrastructure development. The Company neither acquired nor got allotted any land for development of any project except a camping site (Ganehra) at Pushkar, which was developed in October 2009 at a cost of ₹ 2.02 crore despite negative opinion about the viability of the project. The project was closed down in 2012 due to lack of profitability. The very purpose of the Company to act as a catalyst and nodal agency for tourism development in the State was defeated.

The Government accepted (August 2013) the facts and stated that the Department of Tourism had not issued any administrative orders for the envisaged role of the Company. As regards implementation of air taxi services and development of properties, it was stated that they were not feasible due to lack of financial resources. The reply was not convincing as there was no necessity to issue specific administrative orders by the Department of Tourism and the fact remained that the policy was not implemented in true spirit.

Tourism potential in Rajasthan and achievement of the Company

2.8 Over the years Rajasthan has established itself as an eminent tourist place. Its rich heritage culture, exciting desert safaris, shining sand-dunes, amazing variety of forests and varied wildlife have not only attracted people from India but also placed it on the international tourist map. The details of tourist inflow in Rajasthan and those who availed Company's services during the last six years ending March 2013 are as below:

(Figures in lakh)

Particulars		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Total inflow of foreign tourists in India		51.75	50.93	53.88	59.29	65.05	66.94
Tourists inflow in Rajasthan							
Domestic		271.99	280.73	264.59	242.63	277.35	289.67
Foreign		15.84	11.90	11.65	12.79	14.20	14.51
Total		**287.83**	**292.63**	**276.24**	**255.42**	**291.55**	**304.18**
Percentage of foreign tourists visiting Rajasthan to total inflow of foreign tourists		**30.61**	**23.36**	**21.62**	**21.57**	**21.83**	**21.68**
Number of tourists who availed Company's accommodation							
Domestic	Numbers	2.15	2.00	1.73	1.83	1.71	1.69
	Percentage	0.79	0.71	0.65	0.75	0.62	0.58
Foreign	Numbers	0.06	0.05	0.03	0.03	0.03	0.02
	Percentage	0.38	0.42	0.26	0.23	0.21	0.14
Overall	Numbers	**2.21**	**2.05**	**1.76**	**1.86**	**1.74**	**1.71**
	Percentage	**0.77**	**0.70**	**0.64**	**0.73**	**0.60**	**0.56**

(Source: Annual Reports of the Department of Tourism, GoR)

It could be seen that inflow of foreign tourists in India increased (by more than 29 *per cent*) from 51.75 lakh in 2007-08 to 66.94 lakh in 2012-13 but the percentage share of foreign tourists visiting Rajasthan decreased from 30.61 *per cent* to 21.68 *per cent* during the same period. The Company failed to tap the tourists visiting Rajasthan as the percentage of foreign tourists availing Company's accommodation was not only meagre but also declined from 0.38 *per cent* (6076) in 2007-08 to 0.14 *per cent* (2247) in 2012-13. Further, the percentage of domestic tourists availing Company's accommodation also declined from 0.79 *per cent* during 2007-08 to 0.58 *per cent* during 2012-13. The overall performance of the Company took a downslide as against 2.21 lakh tourists (0.77 *per cent*) availing Company's accommodation in 2007-08, the numbers decreased to 1.71 lakh (0.56 *per cent*) in 2012-13.

We observed that lack of marketing, poor infrastructure, inadequate services/facilities and higher room tariffs in comparison to the private sector (as discussed in subsequent paragraphs) were the main reasons for poor performance of the Company.

The Government accepted the facts and stated that major causes for downfall in occupancy of rooms were lack of up-gradation of its facilities and on the other hand increase in the number of hotels and available bed capacity coupled with flexi and lesser tariff in private sector. However, the Company did not furnish any data in support of their argument.

Operational performance and budgetary analysis

Operational performance (hotels/motels)

2.9 The Company operated 45 to 47 hotels/motels during 2007-08 to 2011-12 in various parts of the State. The operational performance of hotels/motels during this period is given in **Annexure-8** and summarized position is given below:

(₹ in crore)

Year	No. of hotels/ motels	Income	Expenditure[1]	Operational surplus/ (deficit)	Performance of Hotels/ motels			
					Surplus (No.)	Deficit (No.)	Surplus	Deficit
2007-08	47	23.78	24.04	(0.26)	11	36	2.85	(3.11)
2008-09	47	24.83	25.90	(1.07)	12	35	2.42	(3.49)
2009-10	46	30.24	32.82	(2.58)	7	39	3.40	(5.98)
2010-11	45	34.71	35.89	(1.18)	11	34	4.22	(5.40)
2011-12	46	32.92	35.65	(2.73)	11	35	3.21	(5.94)

(Source: Annual Accounts of the Company)

It could be seen that the operational performance of hotels/motels was not satisfactory as out of 45 to 47 operated hotels/motels, 34 to 39 (76 to 85 *per cent*) hotels/motels incurred losses during 2007-08 to 2011-12. In all the five years ending March 2012, the operational surplus generated by remaining hotels/motels was not sufficient to cover the deficit of loss making hotels/ motels. The gap between operational income and expenditure increased from ₹ 0.26 crore in 2007-08 to ₹ 2.73 crore in 2011-12. The Company incurred loss of ₹ 7.82 crore from operation of hotels/motels during 2007-12.

Our analysis **(Annexure-9)** of the loss making hotels/motels disclosed that 29 hotels/motels incurred losses during all the five years, three hotels/motels in four years, three hotels/motels in three years, four hotels/motels in two years and five hotels/motels incurred losses in one year. Among the loss making hotels/motels, eight[4] hotels/motels were located at Pushkar, Bharatpur, and Jaipur which are renowned tourist places of Rajasthan. Only five[5] hotels/motels generated operational surplus during all the five years.

The Government stated that losses were due to high establishment cost which increased manifold due to implementation of sixth pay commission. The turnaround in the performance requires huge investment for up-gradation of hotels/ motels to the level of private hotels, recruitment of young service staff and massive publicity in domestic and international market. The fact remained that the Company did not take adequate measures to improve the profitability of its hotels/motels.

2.10 In view of losses, the Board of Directors decided (September 2007) to close 10[6] small and unviable hotels/ motels *w.e.f.* 1 January 2008. We, however, noticed that the Company closed down (July 2009) only one unit

3 Expenditure excludes depreciation, proportionate head office expenses and provisions for employee costs and other overheads.

4 Saorvar, Tourist Village, RTV Ganehra, Saras, Gangaur, Teej, Swagatam and Durg Café.

5 Samdhani, Khadim, Motel Behror, Shikhar and Kajri.

6 Barr, Bundi, Churu, Dausa, Dholpur, Deogarh, Yatrika Nadhtdawara, Ranakpur, Mavath Amer and Barmer.

(Mavath Amer) and leased out (2010-11) another unit (Yatrika, Nathdwara). No action was taken (June 2013) for closing the remaining eight hotels/ motels. The Company by operating these eight economically unviable hotels/ motels suffered loss of ₹ 4.13 crore during 2007-12.

The Government stated that serious efforts were made for leasing out the hotels/ motels but only one unit could be outsourced which has also been vacated. The fact remained that the Company did not adhere to the directions of Board and operated the hotels/ motels in loss.

Budgetary analysis

2.11 The Company sought activity wise proposals from unit offices and prepared a consolidated activity wise budget for the Company as a whole. The performance of the Company towards achievement of budgetary targets during 2007-12 is given in **Annexure-10**.

It would be seen from the annexure that the Company could not achieve the targets of profitability in any activity during all the five years except in PoW during 2007-09 and RRoW in 2010-12. The budgeted surplus was always higher when compared to actuals and the variation during 2007-12 ranged between 28.33 and 85.62 *per cent* in case of accommodation, 24.35 and 105.49 *per cent* in catering, 36.30 and 60.83 *per cent* in bar and 33.59 and 170.37 *per cent* in transport and boating. In case of PoW, the excess over budgeted surplus ranged between 4.55 and 39.82 *per cent* during 2009-12. The Company projected loss of ₹ 20 lakh in RRoW during 2010-11 and profit of ₹ 27 lakh in the year 2011-12. However, the train registered surplus of ₹ 12 lakh in 2010-11 and ₹ 1.93 crore in 2011-12.

We noticed that the budget proposals prepared by the unit offices were not based on material facts and figures as all the units simply made additions or deductions to previous year budgeted figures without giving cognizance to actual results. There was no action plan to achieve the laid down targets. Our analysis of budgetary targets for hotel/motel disclosed that the Company projected losses of ₹ 1.49 crore and ₹ 0.03 crore during 2010-11 and 2011-12 respectively. In respect of individual hotels/motels, deficit budgets were prepared for 14 to 23 hotels/ motels, out of 45 to 47 hotels/ motels, during 2007-12, and of these, deficit budget for nine[7] hotels/ motels was prepared during all the five years. Preparation of deficit budget shows lack of planning for revival of hotels/ motels.

The head office prepared consolidated budget without any concrete plan to achieve the targets. Further, budgets and actual results from various activities were not indicative of the true profitability, as the Company did not apportion the indirect expenses *viz.* general expenses, repair and maintenance, depreciation, interest cost, retirement benefits and head office administrative expenses.

The Government stated that certain provisions *viz* leave encashment, gratuity and pay arrears made during the financial years was the main reason for difference in budgeted surplus and actual surplus. As regards deficit budget, it

7 (1) Motel Barr, (2) Vrindawati Bundi, (3) Saras Bharatpur, (4) Meenal Alwar, (5) Motel Shahpura, (6) Motel Deogarh, (7) Shilpi Ranakpur, (8) Motel Dausa, (9) Chirmi Churu.

was stated that as per planning of the State Government the Company had to operate hotels/ motels at those places where tourist traffic was not sufficient. The reply of the Government is not convincing as these provisions were not apportioned to the units. Further, the Company could not produce any directions issued by the State Government to operate unviable hotels/motels. The overall budget preparation exercise became futile and there was no strategy for revival of the loss making hotels/motels.

Accommodation

2.12 Under the activity of accommodation, the unit-wise performance of the Company during five years ending March 2012 is given in **Annexure-11** and summarized position is given below:

(₹in crore)

Year	Total hotels/ motels[1]	Hotels/ motels which earned surplus				Hotels/motels which incurred deficit			
		No.	Income	Expenditure	Surplus	No.	Income	Expenditure	Deficit
2007-08	46	22	9.86	5.18	4.68	24	1.29	2.10	0.81
2008-09	46	21	10.43	6.42	4.01	25	1.29	2.25	0.96
2009-10	46	16	8.96	6.31	2.65	30	2.84	4.62	1.78
2010-11	45	13	8.90	5.73	3.17	32	4.58	6.36	1.78
2011-12	46	19	10.16	6.84	3.32	27	3.95	5.71	1.76

(Source: Annual Accounts of the Company)

Providing accommodation was the most important activity of the Company. However, the performance of the Company in this regard was not satisfactory as hotels/motels ranging between 52.17 and 71.11 *per cent* incurred losses during 2007-12. However, expenditure included only the salary of engaged staff and washing charges/consumable items but the indirect expenses (as discussed under para 2.11) had not been included as the Company has no system of activity wise apportionment.

The stratified break-up of percentage of room occupancy in hotels/ motels is shown below:

Year		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
No. of hotels and motels operated		46	46	46	45	46	45
No. of room days available		324873	303107	308622	330115	333686	330290
No. of room days occupied		136723	129022	107909	111714	109153	107449
Occupancy (in *percentage*)		42	43	35	34	33	33
Number of Hotels and Motels having occupancy	Below 20 *per cent*	10	9	12	12	14	12
	20 *per cent* and above but below 40 *per cent*	19	22	23	23	23	24
	40 *per cent* and above but below 60 *per cent*	13	11	9	10	7	7
	60 *per cent* and above	4	4	2	0	2	2

(Source: MIS of the Company)

8 Hotels/ Motels which provided accommodation service.

It could be seen from above that the performance was not encouraging as the occupancy of 42 *per cent* in 2007-08 declined to 33 *per cent* in 2012-13 as against the all India average occupancy[9] of 69.40, 63.10, 59.90, 62.10, 60.90 and 58.30 *per cent* respectively during 2007-13. Further, analysis of the nine[10] hotels/motels situated at famous tourists places having rich heritage, culture, sand dunes, wildlife, hill station *etc.* disclosed that average occupancy during 2007-13 ranged between 37.77 and 49.37 *per cent.* This indicates that even the hotels/motels located at famous tourist places failed to capture the inflow of tourists due to lack of efforts towards promotion of tourism in the State.

The Government accepted the facts and stated that the newly constructed private sector hotels have better modern technology in comparison to Company coupled with their lower tariff, better facilities along with relatively younger staff. Besides, some of the hotels/ motels of the Company have been put into place with the sole objective of tourism development even if these were economically not viable. The fact remained that the Company failed to capture the tourist inflow due to lack of planning and far-sightedness despite it being an established brand name in Rajasthan since 1978 and having properties at strategic locations in the state.

Fixation of targets

2.13 The Company fixed the occupancy targets for individual hotels/motels on the basis of accommodation income. However, the Company did not follow the correct procedure of fixing room occupancy targets on the basis of location of the unit, tourist flow and conditions prevailing. Due to fixation of occupancy targets on the basis of income, in some cases the occupancy targets fixed by the Company were more than 100 *per cent* (upto 211 *per cent* for Motel, Dausa in 2010-11).

The Company had not fixed any break-even occupancy level for hotels/motels though it was a vital parameter to judge the profitability. In absence of break-even occupancy level fixed by the Company, we calculated the break-even occupancy level by apportioning the indirect expenditure in proportion to direct turnover of hotels/motels. In comparison to break-even occupancy calculated by us *i.e.* 56.60, 65.37, 67.80, 58.71 and 52.02 *per cent* for five years from 2007-12, the actual average occupancy was 42.09, 42.57, 34.96, 33.84 and 32.71 *per cent* respectively.

The Government stated that the aim and objective of the Company was to develop tourism in the State and hotels/ motels were not established purely on commercial viability. The break-even point did not serve any purpose under such circumstances. The reply lacks justification as break-even provides essential input to the management in profit planning of the hotels/motels.

Fixation of Tariff

2.14 The Company fixed and revised room tariff at the head office on the basis of proposals received from unit managers. A common room tariff for whole of the year was fixed upto the year 2010-11 and there was no concept of

9 As per survey reports of the Federation of Hotel and Restaurant Association of India.

10 CJB (Sawai Madhopur), Vinayak (Sawai Madhopur), Gangaur (Jaipur), Teej (Jaipur), Swagatam (Jaipur), Shikhar (Mount Abu), Kajri (Udaipur), Ghoomar (Jodhpur), and Moomal (Jaiselmer).

seasonal and off-seasonal tariff. However, discretionary powers were given to hotel managers to offer higher discount upto 35 *per cent* during the off-season. Further, the Company started to fix different tariffs for 'season' and 'off-season' period from 2011-12 onwards.

We noticed that there was no rational basis for fixation of tariff based on various factors like occupancy registered by the hotel/motel, tariff structure of other hotels/motels in close vicinity *etc*. Further, there was no policy for tariff revision and the Company revised tariff (mostly upward) several time between the regular annual revision of tariff. This had caused inconvenience to the tourists who reserved rooms prior to revision of tariff as they were required to pay the differential amount on account of upward revision.

The Government stated that tariff was fixed at the head office level after taking into consideration all the relevant aspects to make the tariff reasonable and acceptable to the customer profile. The reply is in contradiction to reply against para no. 2.8 in which the Government had accepted that higher tariff led to low occupancy of hotels and losses to the Company.

Customer feedback system

2.15 The Company maintained visitor's book (complaint cum suggestion register) at the hotels/motels to obtain feedback from tourists regarding quality of services, food and facilities. Review of visitor's book at selected hotels/ motels disclosed that tourists complained about bad conditions of rooms, quality of food, room services, non-working of electrical appliances (air conditioners, fans, switches *etc.*), and other facilities like toilets and bathrooms. Our audit disclosed that one unit (CJB, Sawai Madhopur) did not maintain visitor's book while in other two hotels/ motels (Haveli Fatehpur and Dholamaru Bikaner) the visitor's book was not properly maintained as both these hotels/ motels registered merely five comments each during 2007-12. Further, in six[11] hotels/ motels the number of adverse comments were more than favourable comments while only three hotels/ motels (Gangaur Jaipur, Ghoomar Jodhpur and Saras Bharatpur) registered favourable comments.

The Company directed (July 2008) the hotels/motels to set up guest suggestion boxes at various points *i.e.* reception, dining hall, lounge, each floors *etc.* and provide free inland letters necessarily to each tourist staying at the hotel/motel for suggestions. The suggestion box was to be opened on first and fifteenth day of each month and letters were to be sent to head office in a sealed envelope. The tourists were also free to send the letters directly to the head office.

We noticed that two[12] hotels/ motels did not implement the system. In remaining hotels/ motels, suggestions/ feedback received through inland letters were negligible. Test check at hotel Teej (Jaipur) disclosed that only 36 letters were received during 2007-13 against accommodation provided to 68335 number of tourists. Further, the head office did not maintain any data base of the inland letters received and action taken against the complaints.

11 (1) Teej Jaipur, (2) Motel Behror, (3) Motel Mahua, (4) Kajri Udaipur, (5) Shikhar, Mount Abu and (6) Moomal Jaisalmer.

12 Dholamaru Bikaner and Motel Mahua.

The Company did not maintain proper records regarding receipts/ issue of inland letters and action taken thereon. Therefore, effectiveness of the system could not be vouchsafed in audit.

The Government stated that serious complaints reported to the management were attended with written and verbal warning to concerned unit managers. However, effective mechanism would be put in place in future.

Marketing and publicity

2.16 Marketing/publicity of services is a tool for effective promotion of tourism. The Company has a separate marketing and publicity division at head office along with six central reservation/marketing offices at Ahmedabad, Delhi, Mumbai, Chennai, Kolkata and Jaipur for publicity and business promotion of the Company. Further, the Company also participated in 43 domestic and three international level travel and tourism fairs and road shows during 2007-13 for marketing of tourism infrastructure owned by it.

We noticed that the Company did not formulate any marketing or advertisement policy to ensure promotion of hotels/motels, luxury trains, tour packages and other facilities offered by it. The central reservation offices performed poorly and provided business ranging between 10.48 *per cent* and 13.45 *per cent* of the total operational turnover of hotel/motels during the period 2007-12. The total business from these offices during 2007-12 was ₹ 17.89 crore against operational turnover of ₹ 146.48 crore. Further, the expenditure on marketing was only ₹ 2.32 crore during 2007-12 which was 0.68 *per cent* of the total turnover of the Company. The expenditure on advertisements through electronic media like television, radio/F.M which creates high impact was only 5.36 *per cent* of the total expenditure on advertisement.

The Company incurred an expenditure of ₹ 0.59 crore on participation at domestic and international travel and tourism fairs and road shows but did not evolve any mechanism to assess the impact of these promotional campaigns. Besides, the DoT, GoR organized 29 to 34 festivals every year in Rajasthan but the Company did not participate in any of the festivals to attract tourists during 2010-13.

In 10 hotels/ motels out of 12 selected hotels/motels, we found that the Company did not put hoardings *en-route* to bus-stands/railway stations or at other places of interest to make tourists aware about Company's hotels/motels and services provided by them.

We also noticed that DoT, GoR operates 24 tourist reception centers (19 in Rajasthan and five outside State). However, Company staff was deputed at only six centers (three centers in Rajasthan and three outside State) despite the directions (May 2008) of Principal Secretary, Tourism to depute staff at all tourist centers. Besides, there was no system of monitoring of adverse comments posted on travel websites like *www.tripadvisor.com* and there was no mechanism in place to improve the services on the basis of adverse comments.

The Government stated that the web portal started from December 2009 was quite popular and it provided sufficient publicity. The income from central reservation offices decreased due to online booking facility available to

customers. Since DoT was making ample publicity for the destinations where the Company's properties were located, the Company restricted direct marketing and publicity due to financial constraints. The reply is not convincing as the average occupancy of hotels/motels decreased from 42 *per cent* in 2007-08 to 33 *per cent* in 2012-13 and the Company incurred operational loss of ₹ 7.82 crore from operation of hotel/motels during 2007-12. Further, the Government had accepted **(para no. 2.9)** that turnaround in operational performance requires massive publicity in domestic and international market. The reply did not elaborate other issues highlighted in the para.

Star Categorization

2.17 The Ministry of Tourism (MoT), GoI classifies hotels into different categories (1-star to 5–star deluxe, heritage *etc.*) based on the facilities and services offered. The Company has to apply to the Hotel and Restaurant Approval and Classification Committee (HRACC) under the DoT, GoI to get its hotels rated. The star classification has an inherent business advantage. However, the Company did not apply for star categorization of its hotels.

The Government accepted the facts and stated that most of the hotels of the Company did not meet the facilities and services prescribed for classification.

Other issues affecting the accommodation business

2.18 The Company directed (August 2010) all hotels/motels to strictly monitor and supervise the various activities by providing checks for proper maintenance of bed rooms, front office, lounge/lobby, kitchen, restaurants/coffee shop, bar, garden and parking in the hotels/motels giving due regard to sanitation and hygiene.

We conducted (8 April 2013 to 1 June 2013) a joint survey of 12 selected hotels/motels with the management to check on compliance to the directions issued by the Company. The rooms inspected were 20 to 25 *per cent* of the total rooms on random basis. The results of survey were as below:

- Rooms ranging between 31 *per cent* (Hotel Kajri Udaipur) and 86 *per cent* (Dholamaru Bikaner) of the total surveyed rooms in nine[13] hotels/ motels required major repairs.
- Twelve air conditioners in Ghoomar (Jodhpur) were very old and were not working properly. Further, coolers were not installed in 14 rooms at hotel Saras (Bharatpur). The customers also complained about non-availability/non-working of air conditioners and coolers.

The Government accepted the facts and stated that major repairs would be done and unit heads had been directed to purchase air conditioners and other such items as per prescribed limit allotted to them.

13 Hotel Teej, Dholamaru, Motel Mahua, Midway Behror, Moomal, Shikhar, Ghoomar, Saras and Kajri.

Catering

2.19 The performance of catering activity during five years ending March 2012 was as below:

(₹in crore)

Year	No. of hotels/ motels[1]	Profit making hotels/ motels				Loss incurring hotels/ motels				Net
		No.	Income	Expenditure	Surplus	No.	Income	Expenditure	Deficit	Surplus/ (deficit)
2007-08	46	17	6.48	5.18	1.30	29	2.24	2.99	0.75	0.55
2008-09	46	19	6.94	5.47	1.47	27	2.36	3.28	0.92	0.55
2009-10	45	26	9.47	7.15	2.32	19	2.22	3.16	0.94	1.38
2010-11	44	23	11.47	8.60	2.87	21	2.60	3.73	1.13	1.74
2011-12	46	19	7.12	5.76	1.36	27	5.38	6.88	1.50	(0.14)
Total			**41.48**	**32.16**	**9.32**		**14.80**	**20.04**	**5.24**	**4.08**

(Source: Annual Accounts of the Company)

It would be seen from the above that the catering activity generated surplus except in the year 2011-12. However, more than 50 *per cent* of the hotels/ motels incurred losses during 2007-09 and 2011-12. The loss incurring hotels/ motels led to operational loss of ₹ 5.24 crore during the period 2007-12. The loss incurring hotels/motels included prestigious hotels/motels also *viz.* Hotel Ghoomer, Hotel Kajri, Durg Café, Hotel Swagatam, Hotel Teej, Motel Barr, and Hotel Gangaur which incurred losses in one to five years during 2007-12. These hotels/motels registered average turnover ranging between ₹ 0.22 crore (Hotel Swagatam) and ₹ 1.46 crore (Hotel Gangaur) during 2007-12.

Our analysis of the loss incurring hotels/ motels during five years ending March 2012 disclosed that 15 hotels/ motels incurred losses in all the five years, three hotels/ motels in four years and 21 hotels/ motels incurred losses in at least one out of five years. Only 10 hotels/ motels earned operational profit during all the five years. However, the actual profitability from catering activity could not be commented as there was no activity wise apportionment of financing cost, general expenses, depreciation, repair and maintenance, head office expenses and provision for retirement benefits of staff engaged in catering.

We noticed that the performance of catering activity was reviewed by the Company in meetings with the hotels/motels management and quarterly performance was also placed in Board Meetings. However, the management issued only general directions to improve the performance and no effective action was taken by the hotels/ motels there against.

The Company decided (March 2009) to organise food festivals in potential hotels/ motels once in three months as well as on special occasions/festivals. It was also decided to invite chain of restaurants (Pizza Hut, Café Coffee Day *etc.*) for running restaurant in potential hotels/ motels on lease/Public Private Partnership model. However, no action was taken to implement the decisions.

The Government accepted the facts and stated that performance of catering activity depends on occupancy of the hotels which was constantly falling and the offsite public occupancy in dining halls is very limited. The fact remained

14 Hotels/ motels which provided catering services.

that the Company neither implemented decisions nor took effective action to improve the performance of catering activity.

Food cost

2.20 The Company fixed (June 1998) food cost norms to control the catering cost. The norms provided that raw material, fuel cost, establishment cost, wastage and other cost should not exceed 35, 7, 20, 5 and 13 *per cent* of menu rates respectively. The stipulated limits were to be used as a guiding principle to fix menu rates so as to generate at least 20 *per cent* surplus and the rates so fixed were to be comparable with the rates offered by similar category of hotels/establishments *etc.* in the private sector. The maximum limit of raw material cost was revised to 25 *per cent* of sale price in July 2009. The food cost norms were again revised in December 2011 and the maximum limits of raw material, establishment cost, fuel and wastage were fixed at 35, 46, 7 and 2 *per cent* of the menu rates respectively with minimum profit of 10 *per cent*.

Our analysis of the raw material and fuel cost incurred by hotels/motels in comparison to the norms fixed by the Company disclosed that the cost charged under these heads was in excess of the norms. The analysis of raw material and fuel cost pattern during 2007-08 to 2011-12 indicated as below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Total Number of hotels/ motels providing catering services	46	46	45	44	46
Maximum cost allowed on raw material including wastage (*per cent* of menu rates)	40	40	40 and 30[15]	30	30 and 37[16]
Maximum fuel cost allowed (*per cent* of menu rates)	7	7	7	7	7
Number of hotels/ motels where raw material cost was in excess of norms	34	33	29	35	34
Number of hotels/ motels where fuel cost was in excess of norms	25	21	5	5	7
Excess expenditure on raw material (₹ in lakh)	57.49	33.11	33.59	75.00	69.96
Excess expenditure on fuel cost (₹ in lakh)	3.08	2.65	0.11	0.27	0.36

(Source: Annual Accounts of the Company)

Out of total (44 to 46) hotels/ motels providing catering services, 29 to 35 hotels/ motels incurred expenditure on raw material (including wastage) in excess of the prescribed norms of 30 to 40 *per cent* of menu rates during 2007-12. Similarly, in case of fuel, 5 to 25 hotels/ motels incurred excess expenditure as compared to norms. Excess consumption of raw material and fuel resulted into excess expenditure of ₹ 2.69 crore and ₹ 6.47 lakh respectively during five years ending March 2012.

We observed that lack of sales or meager turnover of hotels/ motels was not a reason for excess cost of raw material than prescribed norms as despite

15 40 *per cent* during April 2009 to July 2009 and 30 *per cent* from August 2009 to March 2010.

16 30 *per cent* during April 2011 to December 2011 and 37 *per cent* from January 2012 to March 2012.

registering turnover of more than ₹ 10 lakh, 11 to 22 hotels/ motels incurred excess expenditure during 2007-12. Two hotels/ motels *i.e.* Motel Behror and Hotel Gangaur with highest turnover incurred excess expenditure on raw material in five and three years respectively during the period 2007-12.

The Government stated that food cost was very high whenever there was low occupancy in the hotels and the same was compensated whenever there was higher occupancy. This resulted into overall higher consumption of raw material due to low sale, wastage and higher fuel consumption. The reply is not convincing as there was excess expenditure than the norms fixed by the company itself. Further, the hotels/ motels registering higher turnover also incurred excess expenditure on raw material.

Bar activity

2.21 The facility of bar finds an important place in tourism sector especially where inflow of international tourists is concerned. The Company provides bar facility in its selected hotels/motels. The position of income and expenditure from the bar facilities provided during the period 2007-12 was as below:

(₹in crore)

Year	Number of hotels/ motels with bar facility	Income	Expenditure	Profit/(Loss)
2007-08	16	2.62	2.23	0.39
2008-09	14	2.54	2.13	0.41
2009-10	28	4.33	3.86	0.47
2010-11	27	5.13	4.36	0.77
2011-12	15	4.51	3.58	0.93

(Source: Annual Accounts and MIS of the Company)

As seen from above, the bar facility provided to tourists had been a profitable venture for the Company as it had contributed profits of ₹ 2.97 crore during 2007-12.

We noticed that the Company decided (March 2009) to extend the bar facility in 14 more hotels/ motels. However, no feasibility study was undertaken for this need and license fees[17] payable. The proposal to open bars was also opposed (March/April 2009) by the unit heads on the grounds of economic viability and lack of demand. As the new hotels/ motels incurred losses, the bar facility at one unit (Gavri, Rishbdeo) was discontinued in 2010-11 and in remaining hotels/ motels the facility was discontinued in 2011-12. Except for Motel Mahua which earned nominal profit of ₹ 1.11 lakh during 2010-11, the Company incurred loss of ₹ 63.03 lakh[18] during 2009-11 from bar facility provided in 13 new hotels/ motels.

We further noticed that the Company, to revive its bar activity, made arrangements with the Excise Department and paid a composite fee of ₹ 75 lakh for the Company as a whole along with vend fee of ₹ 0.25 lakh per unit for the year 2012-13. Consequently, the bar activity again commenced in 12 hotels/motels during 2012-13 where it was discontinued in 2011-12.

17 The license fee varied from ₹ 6 lakh to ₹ 2.50 lakh per year per unit depending upon the location of unit *i.e.* district headquarter or in the limits of municipal cantonment.

18 ₹ 38.49 lakh in 2009-10 and ₹ 24.54 lakh in 2010-11.

The Government stated that bar facility was introduced during 2009-10 as a basic facility for the guests and profitability was not a consideration for some of the hotels/ motels. The reply is not convincing as the bar facility was provided despite opposition of hotels/ motels heads in view of economic unviability and lack of demand. The Company would not have discontinued bar facility in all the hotels/ motels except one during 2010-12 if profitability was not the consideration.

Tourist trains

2.22 The Company operated three tourists trains (1) Palace on wheels (PoW), (2) Royal Rajasthan on Wheels (RRoW) and (3) Heritage on Wheels (HoW) during 2007-13. PoW was operated during all the six years while RRoW was operated during 2008-13. The HoW was operated during two years (2007-09) and its operations were discontinued thereafter. The performance of the Company in operation of the tourist trains is discussed below:

Palace on Wheels (PoW)

2.23 The PoW (meter gauge) was introduced (January 1982) in collaboration with the Indian Railways with the objective to increase foreign exchange earnings, flow of tourists to India, employment opportunities and promote Rajasthan State tourism potential by offering unique rail travel experience. The meter gauge version of PoW was replaced (September 1995) by new PoW on broad gauge. As per agreement entered into (4 June 2009) between Railways and the Company, revenue sharing ratio was 56:44 respectively after deduction of commission payable to agents and one *per cent* on account of publicity and promotion of the train. The agreement was effective from 1 June 2006 to 31 May 2011. The agreement for the period 1 June 2011 to 31 May 2016 was renewed (May 2013) on same terms and conditions.

The performance of PoW during the period 2007-13 was as below:

(₹ in crore)

Year	No. of trips	No. of Passengers travelled	Occupancy (Percentage)	Total Income	Total Expenditure	Surplus
2007-08	34	3601	101.84[19]	19.35	10.55	8.80
2008-09	35	3425	94.09	20.15	10.71	9.44
2009-10	38	2678	67.76	20.07	10.74	9.33
2010-11	38	2364	59.82	17.49	10.87	6.62
2011-12	34	2833	80.12	22.28	12.64	9.64
2012-13	34	2356	66.63	NA	NA	NA

(Source: Annual Accounts and information provided by the Company)

It could be seen that PoW has been a profitable venture for the Company and surplus of ₹ 8.80 crore in 2007-08 from this activity increased to ₹ 9.64 crore in 2011-12. The occupancy of the train, however, declined from 100 *per cent* to 80.12 *per cent* during the same period. It further declined to 66.63 *per cent*

19 There are 52 cabins in PoW with double occupancy. More than two passengers travelled in one cabin during 2007-08 and as such occupancy is more than 100 *per cent.*

during 2012-13. We observed that increase in surplus was due to increase in tariff as the same increased between 19.33 and 32.35 *per cent* during October 2007 to March 2012 in various types (single, double and triple) of occupancy.

We noticed that Minister Tourism, GoR had directed (22 April 2010) the Company to launch special package for domestic tourists. However, despite low occupancy, no efforts were found on records to increase the occupancy by attracting domestic tourists.

The Government stated that the occupancy decreased during 2010-11 due to economic recession and launching of other similar train. It further stated that the Company was planning to launch special package for domestic/NRI tourists to increase the occupancy of the PoW and to utilize the amount retained for promotion by aggressive marketing of both the luxury trains. The fact remained that despite increase in inflow of foreign tourists, the Company did not make efforts to increase the occupancy of PoW. Further, no plans were found on record for launching of special packages for domestic/NRI tourists also.

Royal Rajasthan on Wheels (RROW)

2.24 Based on the success of PoW and to tap the enhanced inflow of international tourists in Rajasthan the Company proposed (August 2005) Indian Railways for launching another tourist train on the lines of PoW. The proposal was in principle approved (December 2005) by the Railways and thereafter a comprehensive proposal was sent (March 2006) wherein the revenue and investment was to be shared on 50:50 basis between the Company and Railways. The project report (March 2006) envisaged profit of ₹ 5.13 crore during 2007-08, to be increased to ₹ 6.08 crore by 2010-11 at an occupancy of 85 *per cent* during 2007-08 and 90 *per cent* during 2008-11. The Railways agreed (May 2006) to bear ₹ 12.51 crore towards the cost of bare shells (unfurnished coupe) against its share of ₹ 15 crore. However, Railways did not elaborate on the sharing of revenue. The new train *i.e.* RRoW was launched in January 2009 after delay of 16 months from the scheduled commencement period (September 2007). The performance of the RRoW during 2008-13 was as below:

(₹in crore)

Year	Projected trips	No. of trips	No. of passengers travelled	Occupancy (Percentage)	Total income	Total expenditure	Surplus/ (Deficit)
2008-09	13	5	48	11.70	0.97	2.52	(1.55)
2009-10	34	20	706	43.05	12.64	13.26	(0.62)
2010-11	34	23	843	44.70	14.42	14.30	0.12
2011-12	34	16	761	58.00	16.53	14.60	1.93
2012-13	34	23	928	49.20	NA	NA	-

(Source: Annual Accounts and information provided by the Company)

The performance of the Company towards operation of RRoW was poor as trips ranging between 16 and 23 against 34 number of projected trips could be operated during 2009-13. The response of the tourists was poor and the occupancy in operated trips also remained low. The Company could achieve occupancy of 49.20 *per cent* by March 2013. Higher occupancy of 58 *per cent* during 2011-12 was due to reduced number of trips. RRoW had negatively contributed to the profits of the Company as there was deficit during 2008-10. Thereafter, it earned marginal profit during 2010-11 and 2011-12. Moreover,

while working out the operational results financing cost (₹ 4.08 crore) and depreciation (₹ 4.74 crore) were not taken into consideration.

We observed that the new luxury train policy introduced by Railways in March 2008 adversely affected the profitability of RRoW as against revenue sharing arrangement on 50:50 basis, the Company was forced to pay haulage charges to the Railways as per new luxury train policy. Against total revenue of ₹ 44.56 crore earned by the Company during 2008-12 the payable haulage charges were ₹ 34.01 crore. There was substantial increase in the rate of haulage charges every year along with wide variation in charges on the basis of operated coaches. There was no mechanism available with the Company to satisfy itself about the rate of haulage charges demanded by Railways and also whether it was calculated in a fair and transparent manner. Had RRoW been operated on revenue sharing arrangement, the Company was liable for payment of ₹ 22.28 crore only against payment of ₹ 34.01 crore and the differential amount of ₹ 11.73 crore could have been saved during 2008-12.

The Government on the issue of poor performance of RRoW stated that the Company made all possible efforts for promotion of train by participating in India Festival Dubai, World Trade Mart (WTM London), ITB Berlin, FITUR Madrid (Spain), telecast of documentary film on CNN, BBC and National Geography and invitation of leading travel trade and Media people on inaugural trip. However, the global economic meltdown and Mumbai terrorist attack just before launching of the train along with other reasons *viz.* spread of swine flu negatively affected the train.

Irregularities in designing of RRoW

2.25 The Company invited (October 2006) 'Expression of Interest' (EOI) for interior designing of the train. All the five[20] bidders were considered (16 November 2006) technically qualified. The core committee, however, on the basis of presentation (20 November 2006) given by all the five bidders, opened (12 February 2007) price bid of only one bidder *i.e.* Gharaonda Interiors Private Limited (GIPL). The decision to open price bid of only GIPL was justified on the grounds that interiors of the train involve multiple agencies belonging to the field of plumbing, sanitary, electric, fabric, carpenters, painting, artists *etc.* and inviting separate tenders for various works on the basis of consultancy report would likely cause coordination problems among various agencies/contractors thereby causing delay. The work order was issued (March 2007) to GIPL on turnkey basis (consultancy and all other works) at a cost of ₹ 7.99 crore after negotiating against the quoted price of ₹ 9.97 crore.

We observed that the justification of core committee to open price bid of only GIPL lacked transparency as two[21] other bidders also offered designing of the train on turnkey basis. Further, GIPL had no experience of interior designing in respect of luxury trains except consultancy for partial refurbishment in PoW

20 (1) Vision Interiors Pvt. Limited, New Delhi, (2) Form and Functions, New Delhi, (3) Designer Consortium, New Delhi, (4) Infinity Interiors, New Delhi, and (5) Gharonda Interiors Private Limited, New Delhi.

21 Form and Functions, New Delhi and Designer Consortium, New Delhi.

(2005). However, other two bidders earlier had satisfactorily executed the work of designing of other prestigious trains *viz.* Deccan Odyssey and PoW.

We noticed that work progress of GIPL was not satisfactory and it could not complete the work even during the extended period (upto September 2008). Consequently, the Company withdrew (November 2008) the works valuing ₹ 4.58 crore and awarded them to different contractors. The withdrawn works were got executed at a cost of ₹ 5.61 crore.

Thus, awarding work to an inexperienced contractor not only caused delay in construction of RRoW but also led to an extra expenditure of ₹ 1.03 crore. Moreover, the Company did not levy penalty of ₹ 79.90 lakh on GIPL at the rate of 10 *per cent* of the work order cost.

The Government stated that the presentation of all the bidders was seen by higher authorities (General Manager Works, Executive Director Finance, Managing Director and the Chairman) and the presentation of GIPL was unanimously considered most suitable for furnishing of the train. The reply is not convincing as work order was given to an in-experienced firm despite availability of the offers of other experienced firms to execute work on turnkey basis by two other bidders. This led to withdrawal of work due to un-satisfactory performance.

Un-claimed grant from GoI

2.26 The GoI scheme, for assistance to large revenue generating projects in tourism sector promoted by State Governments/PSUs or other government agencies, provided grant-in-aid of 50 *per cent* of the equity contribution of the promoter subject to limit of 25 *per cent* of the total project cost or ₹ 50 crore whichever is least. The proposed RRoW project was covered under the scheme and the Company claimed (July 2006) grant-in-aid of ₹ 7.50 crore from the GoI on the basis of initial estimates of ₹ 30 crore. The grant was released by the MoT, GoI in 2008-09. The actual work of construction was completed in December 2008 at a cost of ₹ 43.08 crore. However, the additional grant of ₹ 3.27 crore was not claimed by the Company (October 2013).

The Government accepted the facts and stated that action was being initiated for claiming the differential amount of central assistance from GoI.

Sale on Credit

2.27 The credit policy (June 2000) stipulated that the unit in-charge would take order in writing before allowing credit and ensure recovery of credit sales. As on March 2012, an amount of ₹ 3.68 crore was pending recovery against various Government Departments and private parties.

Our analysis of the outstanding dues of ₹ 2.23 crore against Government Departments disclosed that ₹ 51.29 lakh[22] was recoverable from Rajasthan State Hotels Corporation Limited on account of sale of beer, ₹ 31.14 lakh from GAD and ₹ 69.97 lakh from DoT. The dues from GAD and DoT pertained to the period as old as September 1982 and April 2001 respectively. As regards

22 ₹ 30.64 lakh prior to March 2002 and ₹ 20.65 lakh from April 2002 onwards.

credit allowed to private parties, ₹ 44.12 lakh were pending recovery for more than one year against accommodation and catering and ₹ 78.03 lakh against counter rent, package tour, transport *etc.*

We noticed that the Company made correspondences with GAD and DoT for recovery of dues but no such correspondence with other government departments/PSUs was found on record.

The Company did not make proper efforts for recovery of dues and also did not fix the responsibility against units for non-recovery from private parties.

The Government accepted the facts and stated that the Company was bound to provide credit facility to the guests. However, more vigilant measures would be taken in future to recover the dues.

Development of Tourism Infrastructure

2.28 The Company received funds from the Ministry of Tourism (MoT), GoI through DoT, GoR and the State Government for development of tourism infrastructure in the State. During the period 2007-08 to 2012-13, the Company received funds of ₹ 16.67 crore from GoI and ₹ 12.63 crore from the State Government for development of hotels, wayside facilities, tourist information centers, tourist complexes, historical places *etc.* The performance of the Company towards development of tourism infrastructure in the State is discussed below:

Central assistance

2.29 The GoI sanctioned (between December 2003 and March 2010) 137 works under 10 projects for the State of Rajasthan under various schemes for development of tourism infrastructure in the State. The projects involved renovation of historical properties, monuments, temples, bawris, talabs and construction of wayside facilities *etc.* in various parts of the State. Out of 137 works, eight works were transferred by the DoT to other departments and remaining 129 works were to be executed by the Company. The Company executed 120 works during 2007-13 while nine works were not executed due to non-availability of land, forest clearance, site clearance, litigation *etc.*

The conditions governing the sanction of GoI stipulated that the funds would be utilized only for the purpose for which they were released and the Company would not keep unutilized amount for more than six months. In case, the funds could not be utilized by such time the same would have to be surrendered to the GoI or formal approval was to be obtained for transfer/adjustment against other projects. Further, the projects were to be completed between 12 and 36 months from the date of sanction. The details of project-wise sanction, amount released and utilisation there against is given in **Annexure-12** while the position of funds received from GoI and its utilisation during 2007-13 is given below:

(₹in crore)

Year	Opening balance	Funds received	Total f unds available	Expenditure	Closing balance	Percentage utilisation
2007-08	24.57	6.38	30.95	11.29	19.66	36.48
2008-09	19.66	2.40	22.06	14.31	7.75	64.87
2009-10	7.75	2.16	9.91	4.86	5.05	49.04
2010-11	5.05	5.73	10.78	6.57	4.21	60.95
2011-12	4.21	0	4.21	1.76	2.45	41.81
2012-13	2.45	0	2.45	1.37[23]	1.08	30.77[24]

(Source: Personal Deposit Accounts of the GoR)

As seen from the table, percentage utilisation of available funds during 2007-13 remained below 50 *per cent* except 2008-09 and 2010-11 when the same was 65 and 61 *per cent* respectively. This indicated poor utilization of funds leading to delay in execution of works.

The Government stated that delay in issue of NIT was due to delayed transfer of funds by DoT. The reply is not convincing as DoT released the funds within three to seven months from the date of sanction while the delay in completion of six projects ranged from 22 to 44 months.

Delay in execution of works

2.30 A review of 120 works executed by the Company during 2007-13 disclosed that only 55 works were completed within the scheduled period and 65 works were completed after delays ranging between one and 44 months. Out of these 65 works, tenders for 20 works were invited after period of upto 19 months from the expiry of schedule date of completion of the works. Further, out of remaining 45 works, for 33 works tenders were invited after 10 to 23 months from the date of sanction of the project by GoI. This not only delayed the tourism development projects but also violated the GoI guidelines that projects be completed between 12 and 36 months from the date of sanction.

The Government accepted the facts and stated that the delay in execution of works was due to unavoidable circumstances such as non-availability of funds, non-clearance from forest/archeological Department/litigation *etc.* This caused delay in invitation of tenders as well as execution of works.

Non-surrender of un-utilised funds

2.31 We observed that the Company did not maintain project wise details of funds received and expenditure incurred against these for each work. In absence of the same there were possibilities of diversion of funds from one project to another and from one work to other work of same project. The Company was required to surrender the unutilized funds or obtain formal approval from GoI for using the unutilized funds of one project/work for another project/work.

Our analysis of the expenditure incurred on works executed by the Company disclosed that funds amounting to ₹ 2.24 crore (received between February 2005 and February 2009) pertaining to nine works not executed due to non-

23 The expenditure during 2012-13 includes refund of ₹ 0.89 crore to the DoT, GoR.

24 The percentage utilisation has been calculated after excluding amount refunded to the DoT from the available balance.

availability of land, forest clearance, site clearance, litigation *etc.* were not surrendered to GoI. The Company incurred excess expenditure (December 2007 to October 2010) of ₹ 96 lakh over the sanctioned amount in 23 works which was adjusted from the unutilized funds. Further, there were unutilized funds of ₹ 1.08 crore as on March 2013.

The Government accepted the facts and stated that the excess expenditure was incurred in particular work due to un-avoidable circumstances but in totality the projects were completed within sanctioned amount. However, the fact remains that the expenditure incurred for works should be limited to its sanctioned amount.

Improper utilisation of funds

2.32 The GoI sanctioned (March 2010/ May 2010) funds of ₹ 6.06 crore for construction of wayside facilities at 14 hotels/motels of the Company situated on national highways and released (May 2010) ₹ 4.85 crore to the GoR. The GoR transferred ₹ 4 crore (₹ 2 crore in June 2010 and ₹ 2 crore in October 2010) to the Company for completion of the project. The terms and conditions of sanction provided that project was to be completed as per plan, drawings, blue print *etc.* approved by the GoI. The Company also submitted an undertaking that the works under the project would be new works and would not cover any renovation and up-gradation work.

We noticed that the Company did not adhere to the terms and conditions of sanction as it adjusted funds of ₹ 2.15 crore against renovation/up gradation of 14 hotels/motels for which work orders were issued prior to sanction of this project by GoI. The overall works were completed during September 2010 to November 2011 at a cost of ₹ 4.29 crore but drawings, blue print *etc.* of these works were not considered in the project report.

The Government stated that works were started prior to sending of project reports to GoI in anticipation of formal sanction and to complete the works well in time keeping in view the Common Wealth Games. The fact remained that the works were executed in violation of guidelines and the expenditure of ₹ 4.29 crore could not be vouchsafed in absence of approved drawings and blue prints.

State assistance

2.33 The State Government assigned 64 works (₹ 12.63 crore) to the Company during 2007-13 for development of tourism infrastructure in the State. Out of these, 11 works allotted during 2010-12 were pending (October 2013) completion due to delay in invitation of tenders and slow progress of the works by contractors. Further, out of 10 works allotted during 2012-13, nine works were to be completed by March 2013 and one work to be completed by March 2014 as per terms of sanction. However, the Company issued work orders for four works in January 2013, five works in April 2013 and one work in June 2013 with schedule dates of completion (as per work order) in July 2013, September/October 2013 and December 2013 respectively. Out of 10 works, only three works with schedule date of completion in July 2013 were completed by October 2013.

The Government did not furnish any reply on the issue.

Internal Audit and Internal Control

Internal Audit

2.34 The Company is not having Internal Audit Wing. The Internal Audit of the Company was entrusted to external firms of Chartered Accountants during the period 2007-11 and from 2011-12 the Internal Audit was being conducted by its own staff. The Company had not formulated an Internal Audit Manual and Internal Audit was conducted only on the basis of guidelines issued for Internal Audit mentioning scope and areas to be covered. The table below shows the year-wise number of units audited, audit paras issued, settled and remained outstanding during 2007-13.

Particular	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Number of units audited	45	49	50	53	52	48
Number of audit paras issued	391	438	480	517	491	560
Number of paras settled	370	412	448	487	35	203
Number of paras still outstanding	21	26	32	30	456	357

(Source: Information provided by the Company)

From the above it would be seen that 922 paras which were issued during 2007-13 have been outstanding for compliance. Further, we noticed that old audit paras were outstanding from 1980-81 onwards. However, no register/data base showing para-wise position has been prepared by the Company and Company management was not aware of the position of outstanding paras. Further, 194 internal audit reports as old as 1980-81 were pending due to non-settlement of paras as on October 2013. The position of outstanding para was never discussed and evaluated by the management of the Company. In absence of proper follow up system, the Company failed to address the issues raised by the internal auditors.

The reply of Government was silent as regards non-settlement of old internal audit reports. It, however, stated that in future more care would be taken and specific instructions would be issued for internal audit work. Moreover, the outstanding paras would be settled at the earliest.

Frequent changes in incumbency of apex management

2.35 The State Government frequently changed the Chairman and Managing Director/Managing Director of the Company. The post was held by nine incumbents during 2007-08 to 2012-13. The span of tenure of four CMDs/MDs was one to three months while two others held the post for six months. We observed that the frequent changes resulted in lack of initiative at the top level to formulate and implement any long term action plan for improvement of the working of the Company. This is evident from the fact that there was no long term Corporate Plan/ Perspective Plans during the above mentioned period.

The Government stated that Chairman and Managing Director/Managing Directors are appointed by the State Government and Company has no control on the same and that the issue would be considered to decide minimum tenure.

Hotel Management Software

2.36 The Company developed (May 2010) Hotel Management Software (HMS) for monitoring of various activities *viz.* front office, restaurant, bar, accounts, taxation, payroll, kitchen/bar/housekeeping store management along with instant/daily periodic reports and computerized billing. HMS was installed (May 2010 to September 2010) in 21 hotels/ motels but the Company decided (December 2010) to operationalize the HMS in only 15 hotels/ motels due to lack of infrastructure and trained staff. We, however, noticed that HMS could not be fully operationalized even in these 15 hotels/ motels by March 2013 due to non-availability of proper infrastructure and lack of training to staff. Hence the objectives sought to be achieved through installation of the software could not be achieved.

The Government accepted the facts and stated that HMS would be implemented in major hotels/ motels in phased manner.

Vigilance

2.37 The vigilance wing of the Company is directly controlled by the Managing Director and conducts surprise check of units and enquiry of complaints received from the tourist, staff *etc.* The wing acted on the verbal directions of the management and no annual/quarterly/monthly targets were planned. We noticed that the surprise checks conducted by the wing were inadequate and during the period 2007-08 to 2012-13, units ranging between 10.71 and 52.73 *per cent* were only covered. Our scrutiny disclosed that 17 units[25] were not checked by the vigilance wing even once during six years and 14 units were checked only once during this period.

The Government stated (September 2013) that a system would be put into place to inspect all units in coming years.

Conclusion

The Company did not prepare any long-term/short-term action plan or policy for promotion of tourism and development of tourism infrastructure in the State. Further, no steps were taken for implementation of tourism policy 2001. There were wide variations in budgeted targets and achievements due to non-preparation of budgets on material facts. The overall occupancy declined from 42 to 33 *per cent* during 2007-13 and even the hotels/motels situated at famous tourists places failed to capture the inflow of tourists due to lack of efforts for tourism promotion. The Company incurred excess expenditure on raw material and fuel against the prescribed food cost norms. The occupancy of PoW declined from 100 to 66.63 *per cent* during 2007-13 while RRoW could achieve occupancy of 49.20 *per cent* by March 2013. The Company

25 Tourist Village, Panihari, Tourist Hotel Jaipur, Yatrika, Shilpi, Chirmi, Mavath, Ren Basera, Kurja, Ganehara, Motel Dholpur, CRO Chennai, CRO Mumbai, CRO Jaipur, CRO New Delhi, PoW and RRoW.

could not complete the Central/State assisted tourism infrastructure projects within scheduled period.

Recommendations

We recommend that the Company should:

- **Implement the tourism policy and prepare long-term/short-term action plan for tourism promotion and development of tourism infrastructure in the State;**
- **prepare realistic budgets and action plan to support and achieve the targets;**
- **improve occupancy through improved facilities and better marketing;**
- **bring food cost within norms;**
- **prepare action plan to improve occupancy of PoW and RRoW. The option of attractive tariff, domestic tourists and better marketing may be considered;**
- **adhere to the guidelines of central/State in completion of projects; and**
- **streamline the Internal Audit and Vigilance functions.**

CHAPTER III

Performance Audit relating to Statutory Corporations

Chapter III

Performance Audit relating to Statutory Corporations

Rajasthan Financial Corporation

3. Performance Audit on 'Recovery of Loans' by Rajasthan Financial Corporation

Executive Summary

Rajasthan Financial Corporation (Corporation), constituted (17 January 1955) under the State Financial Corporation Act, 1951 (SFC Act), provides medium and long-term loan to micro, small and medium scale industries in Rajasthan. During the period from 2008-09 to 2012-13, the Corporation sanctioned loans of ₹ 1778.72 crore, out of which disbursements of ₹ 1364.57 crore were made to various industrial units. The total recoveries during this period stood at ₹ 2091.62 crore including prepayments of ₹596.55 crore.

Financial and business performance

The financial position was weak as the accumulated losses increased from ₹53.58 crore in 2008-09 to ₹130.10 crore in 2012-13. Recovery of principal amount was the major source of financing the business operations during 2008-13 as the borrowings from SIDBI and other banks were not even sufficient to repay the loans raised from them. Shortfall in recovery targets occurred despite the targets having been fixed on lower side (between 65.90 and 81.09 per cent) than the net collectable amount during the year. The business performance sharply declined during 2008-13 as the sanctions decreased (75.90 per cent) from ₹473 crore to ₹114 crore while the disbursements decreased (59.12 per cent) from ₹340 crore to ₹139 crore. No amount was sanctioned by five Branch offices during 2012-13.

Recovery performance against major indicators

Non-performing Assets (NPAs)

The Corporation could not confine the NPAs within the agreed limit of 10 per cent of total outstanding loans as per tri-partite MOU executed in December 2003 (renewed in July 2009) between the Corporation, GoR and SIDBI. The percentage of NPAs to total outstanding loans ranged between 21.06 and 30.47 during 2008-13. Out of total loans of ₹966 crore disbursed during 2008-11, 16 loan accounts (₹33.24 crore) became NPA within a short span of two years while other three loan accounts (₹57.67 lakh) became NPA within three years.

Sector wise performance

Major thrust of the Corporation was on promotion of Commercial Real Estate (CRE) sector as out of total sanctions of ₹1778.72 crore during 2008-13, the share of CRE sector was ₹599.73 crore (33.71 per cent). The sector received financial assistance of ₹ 527.27 crore (38.64 per cent) out of total disbursements of ₹1364.57 crore made during 2008-13. The Corporation neither fixed industry wise exposure limits nor evolved any system to ensure that financial assistance to CRE sector does not exceed the prescribed limits at a point of time.

Appraisal, Sanction and Disbursement

There were instances of deficient appraisal, sanction and disbursement of loans viz. non-adherence to credit appraisal parameters (past history of the promoters, financial soundness, marketability of the proposed project, reports of Credit Information Bureau of India Limited etc.), disbursement without ensuring utilisation of promoter's contribution, in-adequate security etc. which led to grant of loans to in-eligible borrowers and caused difficulties in recovery of loans.

Re-scheduling of loan accounts

Out of 172 loan accounts re-scheduled during 2008-13, 121 loan accounts (70.35 per cent) were re-scheduled beyond last date of repayment ranging between nine and 96 months. Further, 18 borrowers out of 85 re-scheduled accounts in six selected units defaulted in repayment of dues of ₹ 20.37 crore as on May 2013. Defaulters also include five and two borrowers where re-scheduling was done for second and third time respectively.

Settlement of loan accounts

The State Level Committee and Head Office Level Committee settled 317 cases for ₹ 45.90 crore against outstanding dues of ₹ 168.71 crore and thereby sacrificed an amount of ₹ 122.81 crore (72.79 per cent) during 2008-13. The Corporation settled 39 cases below principal amount (₹ 4.39 crore) at ₹ 2.90 crore and 158 other cases were settled for merely ₹ 29.93 crore against outstanding amount of ₹ 121.13 crore despite availability of prime and collateral security with MRV of ₹ 72.06 crore.

Enforcement of Section 29

Out of 109 units sold during 2008-13, 87 units were sold within five years, 13 units were sold between five and 10 years, eight units between 10 and 20 years and one unit after time lag of more than 20 years of taking possession. The Corporation also sold out 52 units without recovering even the principal amount and sacrificed ₹ 3.69 crore towards principal against these units. Analysis of 50 units taken in possession during 2008-13 at selected Branch Offices disclosed that there was delay upto 100 months in issue of legal notices under Section 29 since inception of default by the borrower. Further, there was time gap upto 109 months between issue of first notice and taking of possession of defaulting unit by the Corporation. Out of 51 units under possession, the latest Market Realisable Value of 21 units (₹ 7.31 crore) was not sufficient to cover the outstanding dues (₹ 21.99 crore) and there was shortfall of ₹ 14.68 crore towards recovery of dues.

Recovery under Rajasthan Land Revenue Act, 1956

The Corporation settled 2076 cases during 2008-13 and 1098 cases involving amount of ₹ 198.75 crore were pending for recovery as on March 2013. The District Collector returned 173 Requisition of Demands (RODs) during 2008-13 due to non-identification of properties in the name of promoters/guarantors. Out of pending cases, the Corporation either did not have adequate security or other properties of promoters/guarantors were not identified in 323 cases pertaining to nine selected Branch offices.

Recommendations

The performance audit contains five recommendations which include finding of alternate source of finances to improve the disbursements for promotion of MS&ME sector; close monitoring of Standard Assets to ensure prevention of slippages of accounts into NPAs; ensure adherence to the parameters of sanction and disbursements to minimise the risk; take prompt and effective action for recovery of dues as per Rules; and to strengthen the internal control and internal audit systems.

Introduction

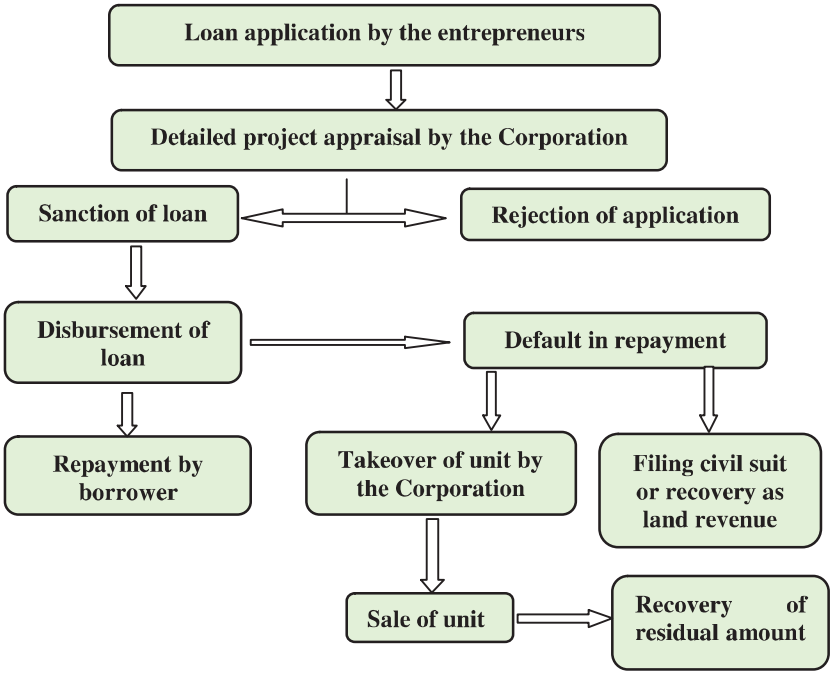
3.1 Rajasthan Financial Corporation (Corporation) was constituted (17 January 1955) under the State Financial Corporation Act, 1951 (SFCs Act) for providing medium and long-term loan to micro, small and medium scale industries[1] in Rajasthan. The financial assistance is provided to industrial units having paid up capital and free reserves not exceeding ₹ 30 crore. As per Section 26 of the State Financial Corporations (Amendment) Act, 2000, the Financial Corporations could provide financial assistance of ₹ 5 crore to corporation, company or a co-operative society and ₹ 2 crore in any other case. The limits could be exceeded upto four times with the prior approval of the Small Industrial Development Bank of India (SIDBI). The SIDBI permitted (March 2010) the Corporation to provide financial assistance upto ₹ 10 crore in case of corporation/company/co-operative society and ₹ 4 crore in other cases at its own level. Financial assistance to the projects beyond ₹ 10 crore and ₹ 4 crore respectively was to be approved by the SIDBI.

The general superintendence, direction and management of affairs of the Corporation vests with the Board of Directors (BoD), consisting representatives from the State Government, SIDBI, other Public Sector Banks, Life Insurance Corporation of India and other Institutions. As on March 2013, the BoD comprised of 11 Directors including a Chairman and Managing Director (CMD). The CMD is the Chief Executive Officer of the Corporation and is assisted by an Executive Director, General Managers, Deputy General Managers (DGM) and Departmental heads at the Head Office and Branch Managers at Branch Offices. As on 31 March 2013, the Corporation carried out the activities relating to sanction, disbursement and recovery of loans through 38 Branch Offices located in various parts of the State. The Branch Offices were controlled at Headquarter by six DGM (Operations).

During the period from 2008-09 to 2012-13, the Corporation sanctioned loans of ₹ 1779 crore, out of which disbursements of ₹ 1365 crore were made to various industrial units. The total recoveries during this period stood at ₹ 2091.62 crore including prepayments of ₹ 596.55 crore.

1 In case the industry is engaged in production, Manufacturing and Processing or Preservation, Micro, Small and Medium industries means industries where investment in plant and machinery does not exceed ₹ 25 lakh, ₹ 25 lakh to ₹ 5 crore, and ₹ 5 crore to 10 crore respectively. In case they are providing services, Micro, Small and Medium industries means industries where investment in equipment does not exceed ₹ 10 lakh, ₹ 10 lakh to ₹ 2 crore and ₹ 2 crore to ₹ 5 crore respectively.

The process involved in sanction, disbursement and recovery of loans is given below:



Scope of Audit

3.2 The performance of the Corporation was last reviewed in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2005, Government of Rajasthan. The Performance Audit was discussed by the Committee on Public Undertakings (COPU) during June 2007 to May 2008. The recommendations of COPU were placed before the State Legislature on 26 August 2011. The recommendations *inter-alia* included action against the officials responsible for inordinate delay in initiating timely action for recovery, delay in disposal of units, non-identification of promoters/securities *etc.*

The present Performance Audit covers the performance of the Corporation towards 'Recovery of Loans' during 2008-09 to 2012-13. The Performance Audit was conducted during March 2013 to July 2013. Audit examination involved scrutiny of records at Head Office, four DGM Operations (III, IV, V and VI) out of six and nine[2] Branch Offices under selected DGM Operations. The four DGM Operations and Branch Offices under them were selected on the basis of Stratified Risk based sampling method.

2 (1) Jaipur City, (2) Sikar, (3) Kota, (4) Jaipur (Sitapura), (5) Bhiwadi, (6) Neemrana, (7) Dausa, (8) Jaipur (Rural) and (9) Sriganganagar.

Audit Objectives

3.3 The Performance Audit of the Corporation was conducted to ascertain whether:

- sanction and disbursement of financial assistance was in accordance with policies, procedures and system devised by the Corporation;
- the recovery of dues and action taken in case of default was as per provisions of SFCs Act, 1951 and policies framed by the Corporation;
- the Corporation established an adequate, effective and efficient system of internal control with regard to sanction, disbursement and recovery of dues; and
- settlements were made in accordance with approved policies and One Time Settlement (OTS) schemes implemented from time to time.

Audit Criteria

3.4 The audit criteria derived from the following sources were adopted:

- Annual budgets, Annual Accounts of the Corporation, Manuals and Resolutions of the Board;
- Policies and procedures & guidelines of the Corporation relating to sanction, disbursement and loan recovery, provisions of the SFCs Act, guidelines of SIDBI and Reserve Bank of India (RBI);
- Non-performing assets classification norms issued by SIDBI and RBI; and
- Management Information System/internal control and internal audit.

Audit Methodology

3.5 The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/top Management of the Corporation during entry conference (20 May 2013). The records at Head Office and selected units were scrutinized involving analysis of data, raising of audit queries and interaction with Corporation personnel. Draft Performance Audit Report was issued (August 2013) to Government/Management for their comments. The reply of the Government/Management was received (October 2013) and audit findings were discussed with the Government/Management during exit conference (17 October 2013). The Performance Audit has been finalised after considering the replies of the Government/Management.

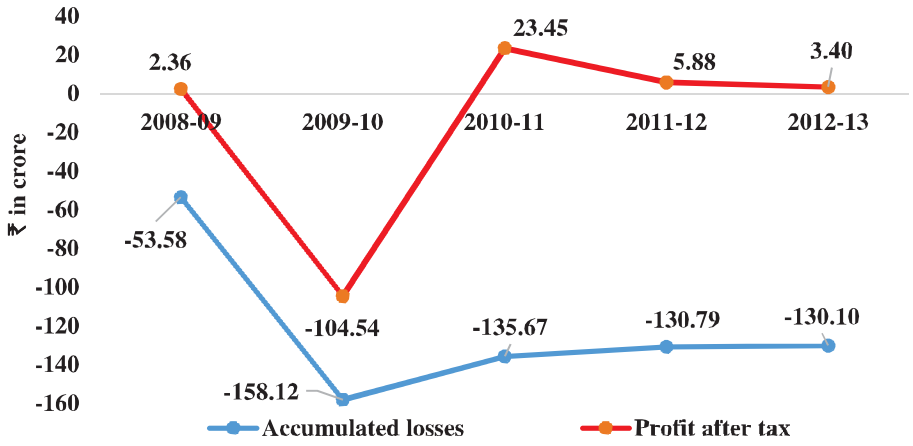
During exit conference, all the audit recommendations except fixation of industry wise exposure limits were accepted. The CMD stated that it would be difficult to fix industry wise exposure limits due to non-availability of requisite data for different sectors of the economy.

Audit findings

Financial position and business performance

Financial position

3.6 Detailed financial position and working results of the Corporation are given in **Annexure-13.** The profitability status during 2008-13 indicating profit after tax and accumulated losses is depicted in line chart below:



The financial position of the Corporation was weak as the accumulated losses increased from ₹ 53.58 crore in 2008-09 to ₹ 158.12 crore in 2009-10. The financial position marginally improved in subsequent years and the accumulated losses stood at ₹ 130.10 crore at the end of 2012-13. During 2008-09, the Corporation changed the accounting system from 'Cash basis' to 'Accrual basis' on the directions of SIDBI but it did not make the provision for non-performing assets (NPAs) as per SIDBI guidelines. The SIDBI guidelines for NPAs were adhered from 2009-10 and as a result the operating profit of ₹ 2.21 crore during 2009-10 turned into loss of ₹ 104.54 crore.

The Government accepted (October 2013) the facts and stated that losses were due to provision made for NPAs as per SIDBI guidelines.

Sources and utilisation of cash

3.7 Apart from recovery of principal and interest, the major sources of cash inflow were borrowings from SIDBI and other scheduled banks. The cash outflow was utilised towards disbursement of loans, repayment of loans and expenditure incurred by the Corporation. The position of cash inflow and outflow during 2008-13 is given below:

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Cash Inflow						
Opening cash and bank balance	74.85	57.33	54.45	72.84	32.40	291.87
Borrowings from SIDBI	150.00	125.72	86.00	75.00	53.65	490.37
Borrowings from other banks	12.00	110.00	50.00	-	-	172.00
Issue of bonds	-	-	-	-	300.00	300.00
Recovery of principal	278.38	275.95	341.16	305.03	291.74	1492.26
Recovery of interest	116.84	113.95	128.35	125.61	114.08	598.83
Other revenue receipts	11.66	10.18	10.62	7.94	13.60	54.00
Other cash inflows	8.05	15.87	11.81	21.23	-	56.96
Total	**651.78**	**709.00**	**682.39**	**607.65**	**805.47**	**3456.29**
Cash Outflow						
Disbursement by way of loans	340.17	296.89	328.96	259.78	138.76	1364.56
Repayment to SIDBI, other banks and bonds	125.55	222.92	149.22	170.63	443.15	1111.47
Revenue expenditure	108.01	122.99	119.82	123.11	122.75	596.68
Closing cash and Bank balance	57.33	54.45	72.84	32.40	97.23	314.25
Other cash outflows	20.72	11.75	11.55	21.73	3.58	69.33
Total	**651.78**	**709.00**	**682.39**	**607.65**	**805.47**	**3456.29**

(Source: Annual accounts and information provided by the Corporation)

It could be seen that recovery of principal amount was the major source of financing the business operations during 2008-13 as the borrowings from SIDBI and other banks were not even sufficient to repay the loans raised from them. The revenue expenditure was met through interest recoveries and other revenue receipts. Against borrowings of ₹ 662.37 crore from SIDBI and other banks during 2008-13, the re-payments were ₹ 1111.47 crore indicating lack of support from SIDBI and other financial institutions. As borrowings from other banks were not forthcoming during 2011-13, the Corporation issued bonds of ₹ 300 crore during 2012-13 to repay the loans of SIDBI.

As seen from above, re-finance support from SIDBI was reduced from ₹ 150 crore to ₹ 53.65 crore during 2008-13. Reduction in re-finance support over a period of time was indicated by SIDBI during recommendations made on inspection reports[3] and in the tripartite Memorandum of Understanding (MoU) executed (July 2009) between the Corporation, GoR and SIDBI. The recommendations on inspections report (2008-09, 2009-10 and 2010-11) mentioned that the Corporation needs to identify alternate sources for fund raising and to diversify its resource base. As per the MoU, the GoR agreed to provide resource support to the Corporation for strengthening equity base to facilitate higher levels of borrowings and improving, achieving and maintaining required capital adequacy and positive net worth. The GoR also agreed to provide guarantee to the Corporation for raising market borrowings (including banks) and the Corporation was to ensure timely payments of entire dues to SIDBI on refinance and line of credit assistance as per repayment schedule.

We noticed that the GoR did not provide any resource support to the Corporation except conversion of loan of ₹ 13.95 crore and ₹ 15.65 crore into equity contribution during 2009-10 and 2012-13 respectively and equity

3 SIDBI conducts inspection of the Corporation every year under Section 37-A of the SFCs (Amendment) Act, 2000.

support of ₹ 10 crore and guarantee to issue bonds of ₹ 300 crore during 2012-13. The guarantee for issue of bonds was given only for full and final settlement of the outstanding dues of SIDBI. In Business Plan and Resource Forecasting (BPRF), the Corporation envisaged raising of funds through alternate sources *viz.* appraisal of projects, management services, marketing of mutual funds products, undertaking recovery work on behalf of banks/other financial institutions, initial public offers *etc.* but no effective action was undertaken to implement these plans.

The Corporation had to curtail targets of sanction and disbursement during 2011-12 and 2012-13 as discussed in paragraph 3.8 due to lack of support from GoR as per MOU commitments and non-identification of alternate source of finance.

The Government stated that in addition to the support extended by it to the Corporation during 2009-10 and 2012-13, it had facilitated full and final settlement with SIDBI at ₹ 340 crore against dues of ₹ 542.76 crore. It further stated that the Corporation attempted consultancy services for insurance company but the income generated was very meagre and had no substantial impact on the fund raising activity. The fact remained that the resource support of Government was not sufficient and the Corporation had to curtail the targets of sanction and disbursement. Besides, the Corporation also could not raise funds from alternate sources.

Business performance

3.8 The Corporation fixed annual budgetary targets for sanction and disbursements on the basis of previous years' achievements and availability of resources. The targets of recovery were fixed on the basis of past years' experience and loans due for repayment in relevant year. The Corporation also prepared and got approved BPRF from SIDBI during 2008-09 to 2011-12 as per the provisions of MoU to obtain refinance support from SIDBI. The BPRF consisted of estimates regarding sanction, disbursement and recovery during the year along with resources of funds. The targets of sanction, disbursement and recovery were also intimated to State Government for inclusion in eleventh and twelfth five year plans of the State. The performance of the Corporation towards achievement of targets of sanction and disbursement during 2008-13 is given below:

(₹in crore)

Particulars	Sanction of loans					Disbursement of loans				
	2008-09	2009-10	2010-11	2011-12	2012-13	2008-09	2009-10	2010-11	2011-12	2012-13
11th and 12th five year plan targets	475	520	575	625	500	330	360	400	440	375
Budgetary targets	450	500	525	525	325	300	375	400	400	250
Estimates approved in BPRF by SIDBI	450	525	525	525	-	360	400	400	400	-
Revised budgetary targets	450	425	475	275	125	360[4]	300	325	260	125
Achievement[5]	473	438	470	284	114	340	297	329	260	139

(Source: Budgets and information provided by the Corporation)

4 Figure as per BPRF 2009.

5 Figures have been rounded-off to the nearest rupee in crore.

We noticed that the targets intimated to the State Government for inclusion in 11th and 12th five year State Plans were not based on any rational exercise, long term business plan and available resources. The annual budgetary targets of sanction and disbursement were largely affected by the re-finance support from SIDBI. The estimates in BPRF were more or less based on annual budgetary targets but the annual targets for sanction and disbursement were revised in last quarter of the financial year on the basis of actual recovery and re-finance support extended by the SIDBI.

It could be seen that the Corporation never achieved the budgetary targets of sanction and disbursement except during 2008-09. The variation between targets and achievements in case of sanction increased from 12.40 to 64.92 *per cent* while for disbursement the variation increased from 20.80 *per cent* to 44.40 *per cent* during 2009-10 to 2012-13. The business performance of the Corporation sharply declined during 2008-13 as the sanctions decreased (75.90 *per cent*) from ₹ 473 crore to ₹ 114 crore while the disbursements decreased (59.12 *per cent*) from ₹ 340 crore to ₹ 139 crore. Branch wise performance disclosed that in five and six Branch Offices the sanction and disbursement was below ₹ one crore respectively during 2011-12. The number of Branch Offices transacting business of sanction and disbursement below ₹ one crore increased to 22 and 15 respectively during 2012-13. The 22 Branch Offices included five Branch Offices where no amount was sanctioned during 2012-13.

The performance of the Corporation towards recovery of loans during 2008-13 is given below:

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
11th and 12th five year plan targets	385.00	400.00	425.00	450.00	450.00
Budgetary targets	390.00	415.00	430.00	450.00	375.00
Estimates approved in BPRF by SIDBI	390.00	415.00	425.00	450.00	-
Revised budgetary targets	390.00	415.00	425.00	425.00	360.00
Net collectable amount[6]	545.01	562.51	616.68	554.91	569.02
Actual recovery excluding prepayments	281.59	275.02	330.36	316.05	292.05
Recovery in the form of prepayments	113.63	115.41	139.15	114.59	113.77
Short recovery than budgeted targets	108.41	139.98	99.64	133.95	82.95

(Source: Budgets, Annual accounts and information provided by the Corporation)

The Corporation also could not achieve the targets of recovery and the shortfall in achievement of budgetary targets ranged between ₹ 82.95 crore (22.12 *per cent*) and ₹ 139.98 crore (33.73 *per cent*) during 2008-13. Shortfall in recovery targets occurred despite the targets having been fixed on lower side (between 65.90 and 81.09 *per cent*) than the net collectable amount during the year. The effective recovery against net collectable amount ranged between 48.89 and 56.96 *per cent* during the period 2008-13.

We noticed that the Corporation considered prepayments made by the borrowers as recovery though the same were not part of the targets of recovery.

6 Net collectable amount includes arrears at the beginning of the year and fallen due during the year excluding loans re-scheduled, deferred, adjusted and amount involved in units under possession and closed units.

The Government stated that the targets were fixed presuming that SIDBI would provide adequate refinance support. However, the refinance support was not provided by the SIDBI as per business requirements. This led to revision of targets in each year. As regards pre-payments it was stated that there was no system of reporting the advance recovery. The reply is not convincing as the targets were not based on any rational exercise and long term business plan. Further, there was no effective exercise to raise funds from other sources despite indication of SIDBI to reduce re-finance support over the years.

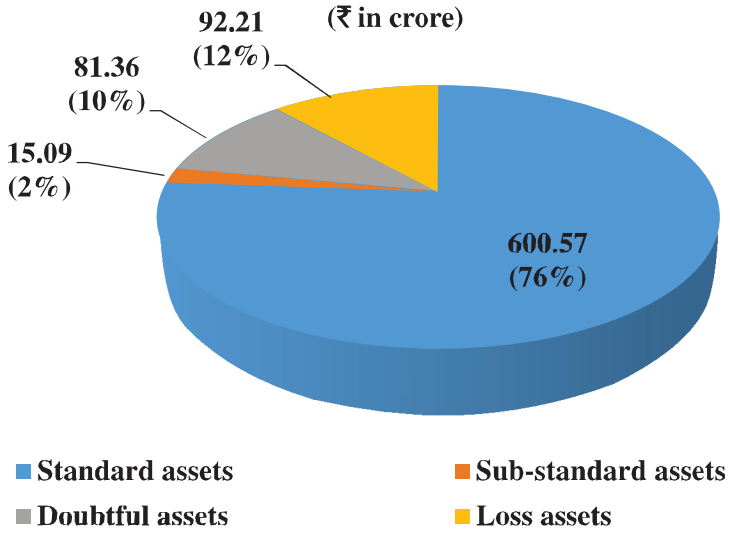
Performance in recovery of loans

3.9 The financial position and business performance of the Corporation during last five years ending March 2013 was not encouraging as the accumulated losses increased by 142.81 *per cent* while sanction and disbursement decreased by 75.90 and 59.12 *per cent* respectively. As the downfall in financial and business performance is directly attributable to the efficiency and effectiveness of recovery performance, recovery performance of the Corporation have been assessed against the following indicators:

1. ***Non-Performing Assets (NPAs);***
2. ***Sector wise performance;***
3. ***Appraisal, sanction and disbursement of loans;***
4. ***Compliance to recovery procedures, rules and regulations; and***
5. ***Internal control***

Non-Performing Assets

3.10 The position of NPAs in any financial institution is one of the most important indicators of financial soundness as it directly affects the profitability and financial planning. There is an inverse relationship between the level of NPAs and performance of the institution. As per SIDBI guidelines, if interest or instalment of principal remains due for more than 90 days, loans are classified as NPAs. The Sub-Standard Assets include those assets which remained NPA for a period upto 12 months while Doubtful Assets includes assets which remained Sub-Standard for a period of 12 months. Further, Loss Assets are those where loss has been identified but the amount has not been written off wholly. The category wise classification of total outstanding loans of ₹ 789.23 crore as on 31 March 2013 as Standard, Sub-Standard, Doubtful and Loss Assets is given below in pie chart:



As per the tri-partite MOU executed in December 2003 between the Corporation, GoR and SIDBI and renewed in July 2009, the Corporation agreed to bring the level of NPAs to 10 *per cent* of the total outstanding loans during 2004-13. The year wise status of Standard, Sub-Standard, Doubtful and Loss Assets during the period 2008-13 is given below:

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Standard Assets	765.46	702.52	766.95	752.31	600.57
Non-Performing Assets					
Sub Standard Assets	19.77	84.69	30.13	13.24	15.09
Doubtful Assets	121.43	99.29	97.52	85.89	81.36
Loss Assets	79.99	123.89	102.00	101.52	92.21
Total NPAs	**221.19**	**307.87**	**229.65**	**200.65**	**188.66**
Total loan outstanding	**986.65**	**1010.39**	**996.60**	**952.96**	**789.23**
Provision for NPA at the end of year	94.07	198.83	177.19	170.24	160.03
Percentage of NPAs to outstanding	22.42	30.47	23.04	21.06	23.90
Percentage of loss assets to total NPA	36.16	40.24	44.42	50.60	48.88

(Source: MIS and information provided by the Corporation)

It would be seen from the above table that the Corporation could not confine the NPAs within the agreed limit of 10 *per cent* of total outstanding loans. The percentage of NPAs to total outstanding loans ranged between 21.06 and 30.47 *per cent* during 2008-13. The quality of loan assets deteriorated as loss assets increased from ₹ 79.99 crore to ₹ 123.89 crore during 2008-10. The position improved in subsequent years and loss assets at the end of March 2013 stood at ₹ 92.21 crore. In comparison to total NPAs, the percentage of Loss Assets increased from 36.16 in 2008-09 to 48.88 in 2012-13. We observed that out of total loans of ₹ 966 crore disbursed during 2008-11, 16 loan accounts (₹ 33.24 crore) became NPA within a short span of two years while other three loan accounts (₹ 57.67 lakh) became NPA within three years.

A higher percentage of NPAs indicated improper evaluation and appraisal of loan applications. In Recovery and Risk Management Division there was no system of annual review of the live accounts of the borrowers to judge financial health through analysis of balance sheets/progress reports to detect the early warning signals of default.

The Government stated that the NPA level had come down from 50.95 *per cent* to 23.88 *per cent* during 2003-13 and it expected the NPAs to come down to less than 10 *per cent* by the end of the MoU. It was also stated that most of the NPA accounts pertained to period prior to 2001 where the chances of recovery were very remote and the only alternative is to write off these accounts to reduce the overall NPAs. The fact remained that the desired level of NPAs could not be achieved during 2003-13 and the write-off exercise only indicates lack of adequate monitoring to prevent slippages of standard assets into NPAs.

The Corporation should closely monitor the Standard Assets to ensure prevention of slippages of new accounts into NPA category by strengthening its project follow-up mechanism and formulate a strategy for reduction of NPAs.

Sector wise performance

3.11 The loan policies framed by the Corporation for each financial year prescribed guidelines for providing financial assistance to various sectors of the economy. The main objectives envisaged in the loan policies framed during 2008-13 were as below:

- To establish a comprehensive credit strategy to fulfil the corporate mandate as per the SFCs Act and to undertake all such activities that are beneficial to Micro Small and Medium Enterprise (MS&ME) sector;
- To encourage expansion and diversification of credit portfolio especially through coverage of thrust areas[7], industries, newer areas of business *etc.*
- To explore new channels of credit delivery for the benefit of MSMEs.

The financial assistance provided by the Corporation to various sectors during five years ending March 2013 is given below:

(₹in crore)

Sector	2008-09		2009-10		2010-11		2011-12		2012-13	
	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed	Sanctioned	Disbursed
Industrial	115.12	59.22	121.54	76.75	151.94	112.02	135.81	117.31	38.20	63.97
CRE	229.25	193.93	169.05	136.30	145.58	132.13	34.04	38.53	21.81	26.38
Service	67.64	39.67	85.43	35.13	100.60	34.32	42.86	47.87	22.21	22.79
Others	60.92	47.36	61.99	48.71	71.81	50.49	70.92	56.07	32.00	25.62
Total	**472.93**	**340.18**	**438.01**	**296.89**	**469.93**	**328.96**	**283.63**	**259.78**	**114.22**	**138.76**

Source: Annual accounts, MIS compiled and information provided by the Corporation)

It would be seen that major thrust of the Corporation was on promotion of Commercial Real Estate (CRE) sector as out of total sanctions of ₹ 1778.72

7 Knowledge sector, tourism, mining and mineral processing, gems and jewellery, agricultural business, textile and apparel, handicrafts/handloom/khadi/village/cottage industry, export business, green industries and backward areas *etc.*

crore during 2008-13, the share of CRE sector was ₹ 599.73 crore (33.71 *per cent*). Further, the CRE sector received financial assistance of ₹ 527.27 crore (38.64 *per cent*) out of total disbursements of ₹ 1364.57 crore made during 2008-13.

The loan policies for the year 2010-11, 2011-12 and 2012-13 mentioned that disbursement section would monitor exposure in various industrial sectors on quarterly basis and would ensure that outstanding amount in CRE sector does not exceed the limit of 30/20[8] *per cent* of total outstanding (principal) amount.

We noticed that the Corporation neither fixed industry wise exposure limits nor evolved any system to ensure that financial assistance to CRE sector does not exceed the prescribed limits at a point of time. Further, as desired by SIDBI, bifurcation of assistance to CRE into sub-groups like housing, residential complex, commercial complex, infrastructure projects *etc.* was not maintained. In view of higher exposure and inherent risk in CRE sector, the SIDBI also rejected the individual proposals of the Corporation to provide enhanced financial assistance beyond the stipulated limits of ₹ 4 crore and ₹ 10 crore to the CRE sector. Some of the cases relating to CRE, highlighting deficiencies in sanction and disbursement are discussed under paragraph 3.13.

The Government accepted the facts and stated that dependence on CRE Sector was more pronounced due to high rate of interest as compared to other sectors. The Corporation had gradually reduced exposure to CRE Sector. The Government/Management, during exit conference, however, stated that sector-wise exposure limits could not be fixed due to lack of data regarding different sectors of the economy.

The Corporation should fix industry-wise exposure limits for various sectors and develop a mechanism to ensure that financial assistance to a particular sector does not exceed the limits for balanced and sustainable industrial growth besides reduction of the risk of fluctuations in the different sectors of the economy.

Appraisal, Sanction and Disbursement

3.12 The loan applications along with project reports for financial assistance upto ₹ 1.50 crore[9] are processed at Branch Office level while for assistance upto ₹ 20 crore[10] are processed at Head Office level. All the loan applications are discussed by the Internal Processing Committee[11] (IPC) at Branch Office and the Project Clearance and Consultative Committee (PC&CC) at Head Office to expedite and to assess the capabilities of entrepreneurs. The preliminary screening is based on eligibility of the industry and activity as per

8 30 *per cent* in loan policies for the year 2010-11 and 2011-12 while 20 *per cent* in loan policy for the year 2012-13.

9 Depending upon the category ('A' category and others) of the Branch Office and designation (Manager, Deputy Manager and Assistant Manager) of the Branch Head.

10 Executive Committee (upto ₹ 20 crore), Chairman and Managing Director (upto ₹ 10 crore), Executive Director (upto ₹ 5 crore), Deputy General Manager, Loan (upto ₹ 0.75 crore).

11 Deputy General Manager (Operations) and Manager/Deputy Manager (Branch).

'Procedure and Guidelines (P&G)' of the Corporation, documents submitted by the borrower *viz.* arrangement for land, Partnership Deed/Memorandum and Articles of Association, certificate of registration of industry/letter of intent *etc.* The detailed evaluation of applications is, *inter alia*, based on following important parameters:

- Promoters contribution should be minimum 33 *per cent* of the project cost;
- Debt-Equity ratio should not be more than 2:1,
- Security margin: (i) 30 *per cent* in general case (ii) 50 *per cent* in case of fabricated items, design and models, furnace, furniture and fixtures;
- Debt-service coverage ratio should not be less than 1.70:1;
- Credit appraisal on various parameters *viz.* past history of the promoters, financial soundness, marketability of the proposed project, reports of Credit Information Bureau of India Limited (CIBIL) *etc.*

The process of sanction and disbursement of loans during the period 2008-13 was test checked in audit to ascertain whether the loan applications were properly appraised and evaluated with reference to the laid out criteria. Slackness in appraising and evaluating applications impacts the position of recovery of loans.

Case studies

3.13 Out of 1178 cases of sanction in nine selected Branch Offices during review period, we selected 130 cases on the basis of stratified risk based sampling method. A few of the significant cases highlighting deficiencies in sanction and disbursement, affecting the recovery are discussed below.

Amay Home Services Limited

3.13.1 The Corporation sanctioned (November 2008) loan of ₹ 10 crore and disbursed (upto 5 March 2009) ₹ 7.26 crore for construction of a residential complex. We noticed that the loan was sanctioned despite the fact that project was not covered by the object clause of Memorandum of Association of the borrower company and the promoter was having no prior experience in execution of proposed project. Further, the overall credit rating was 'BBB' (56.52 *per cent* marks) including very high business risk and zero marks for past dealings with the Corporation. Besides, the funds were disbursed without ensuring utilisation of promoter contribution of ₹ 12.32 crore.

The borrower paid only ₹ 0.47 crore towards interest by July 2009 and thereafter defaulted in payments. The Corporation took (March 2010) possession of residential complex (value of land ₹ 1.31 crore) but could not recover dues through auction due to litigation. As on March 2011, outstanding dues mounted to ₹ 9.85 crore.

The Government stated that the promoter was well experienced in marketing of such projects and the Corporation had assessed (September 2011) MRV of ₹ 15.01 crore of the property. The reply is not convincing as the Corporation completely overlooked the advice of SIDBI to defer the sanction to this particular project in view of general slow-down in real estate sector.

Fandan Estate Private Limited

3.13.2 The Corporation sanctioned (January 2011) loan of ₹ 9 crore and made disbursements of ₹ 6.75 crore upto December 2012. Scrutiny of records disclosed that sanction was accorded on prime security (land) having value of merely ₹ 40 lakh and ₹ 4.50 crore was disbursed on the basis of certificate of Chartered Accountant (CA) without ensuring utilisation of promoters' contribution. Further, CIBIL report was also not obtained. We noticed that the Corporation issued (July 2011) charge sheet to the concerned officials for disbursement of loan on the basis of CA certificate. The Corporation also withheld (March 2012) further disbursements and issued (October 2012) notices to the borrower under Section 30 of SFCs Act for non-adherence of lay out plan and default in payment of instalments. However, the possession of the property was not taken on the directions (October 2012) of CMD. Further, the loan was re-scheduled and ₹ 2.25 crore were disbursed (December 2012).

We observed that the loan was to be rescheduled as per provisions of P&G when reasons attributed to default in repayment were beyond the control of entrepreneur. In this case delay was attributable to irregular construction done by the entrepreneur in violation of approved lay out plan. The decision of the Corporation to re-schedule the loan instead of making recovery by taking possession of the unit was not justified as there were overdues of ₹ 2.70 crore towards principal and the entrepreneur violated the terms of sanction by not-adhering to the lay out plan.

The Government stated that the local authority has regularised the un-authorised construction and if possession of the unit was taken at that time, the project could be abandoned. The fact remained that the Corporation did not adhere to the guidelines of P&G at the time of re-scheduling and financial interests of the Corporation were compromised at the time of sanction, disbursement and recovery.

Trimurti Landcon (India) Private Limited, Jaipur

3.13.3 The Corporation sanctioned (September 2008) loan of ₹ 14 crore and made disbursements of ₹ 7 crore upto January 2009. We noticed that the sanction was accorded despite default in repayment of previous loan (September 2006) of ₹ 7 crore which was re-scheduled (September 2011). The utilisation of promoters' contribution was also not ensured at the time of disbursement of any instalment. We noticed that the borrower defaulted in repayment of loans for which the Corporation issued notices several times under Section 29 and 30 of SFCs Act and 138(b) of Negotiable Instruments Act 1881 but no effective action was taken. Both the loans were re-scheduled in March 2012 and February 2013.

We observed that the Corporation extended undue benefit to the borrower by re-scheduling the loans instead of making recovery by taking physical possession of the unit as there was no financial viability plan. Consequently, defaults were made even after re-scheduling of loans.

The Government stated that the directors of the company were well known to the Corporation and loan was re-scheduled as per the norms without considering financial viability. It further stated that the promoter of the company was one of the prominent builder of Jaipur and the philosophy of the

Corporation was to earn money from interest rather than taking possession of the Unit. The reply was not convincing as financial viability plan was mandatory as per the provisions of P&G before taking decision of re-scheduling of loans. Further, the Corporation was to take decisions as per the laid down norms and policies instead of on the basis of reputation of parties.

Royal Modern Builders Private Limited, Kota

3.13.4 The Corporation sanctioned (November 2009) loan of ₹ 3.07 crore and disbursed ₹ 2.45 crore upto February 2010 under 'Scheme for Financing against Assets' (FAAS). We noticed that the borrower was not eligible for loan under FAAS on the grounds that its sister concern defaulted in repayment of loan (non-clearance of old dues of ₹ 1.79 crore as on March 2009). We found that the borrower continuously defaulted in payment of instalments and the Corporation issued notices under Section 29 and 30 of SFCs Act and Section 138(b) of Negotiable Instrument Act, 1881. As on 30 September 2013, there were overdues of ₹ 18 lakh and outstanding dues of ₹ 78 lakh against the borrower. However, the Corporation did not initiate action to take possession of the unit.

The Government accepted the facts and stated that the account is categorised as standard as on March 2013 and the Corporation is keeping close watch on repayment of the loan. However, the fact remains that there were overdues of ₹ 18 lakh against the borrower as on 30 September 2013.

Shree Ganesh Craft, Bhiwadi

3.13.5 The Corporation sanctioned (October 2008) loan of ₹ 70 lakh and made disbursements of ₹ 61.27 lakh upto January 2010. The balance sanction was cancelled (November 2010) on the request of the borrower. Scrutiny of records disclosed that the loan was sanctioned despite dissatisfactory performance of the entrepreneur in repayment of earlier loan of ₹ 26.10 lakh wherein the unit was taken over by the Corporation and dues were realised after auction of the unit. We found that the Corporation rescheduled the loan thrice (January 2010, November 2011 and March 2013) and extended the last date of repayment from October 2016 to October 2021. The Branch office concealed the facts during second and third re-schedule of loan and mentioned that the loan was being re-scheduled for the first and second time respectively.

The entrepreneur never adhered to the terms of re-schedules but the Corporation did not take effective action for recovery of dues except issue of notices under Section 29 and 30 of SFCs Act several times. Further, the Corporation should have reverted back to original schedule of repayment for non-adherence to the terms of re-schedule and to charge default rate of interest.

The Government accepted the facts and stated that the unit was not paying dues even after regular persuasions. The reply was, however, silent on the future course of action.

Reeve Threads Private Limited, Khushkhera

3.13.6 We noticed that the Corporation sanctioned (25 May 2011) loan of ₹ 53.50 lakh and disbursed (upto 7 June 2011) ₹ 53.50 lakh without giving cognizance to the defaults made by the borrower in payment of earlier

(January 2009) loan of ₹ 70 lakh. Besides, the Corporation also overlooked the weak financial position of the company/promoters and did not insist on collateral security. The District Level Appraisal Committee (DLAC) supressed the facts of default in earlier loan on the grounds that repayment was satisfactory. DLAC also did not mention about the legal notices issued for defaults.

Our scrutiny disclosed that the borrower defaulted in re-payment of both the loans but the Corporation did not take legal action and merely issued notices under Section 29 and 30 of SFCs Act several times. The Corporation decided for taking possession of the unit on 26 August 2010 but postponed the same on the directions of CMD. Thereafter, no action was taken and as on May 2013 ₹ 6.70 lakh was overdue against first loan and ₹ 44.07 lakh against second loan.

The Government stated that second loan was sanctioned under the norms of Saral Scheme. The reply is not convincing as the Scheme did not allow sanction of loans to borrowers which defaulted in ongoing loans. Further, suppression of the fact of defaults by the DLAC was against the interests of the Corporation.

Vartika Chemical Pharmaceuticals Private Limited, Bhiwadi

3.13.7 The Corporation sanctioned (August 2010) loan of ₹ 93 lakh and made disbursement of ₹ 89.63 lakh upto May 2012. Scrutiny of records disclosed that credit rating was not done by the Corporation as per loan policy and loan was sanctioned on the prime security of ₹ 17.25 lakh only. Further, the financial position of the promoters was not sound as their annual income for last three years (2007-10) ranged between ₹ 1.19 lakh and ₹ 2.32 lakh. The net worth details of borrower were also not obtained. We noticed that the borrower continuously defaulted in payment of instalments and the Corporation, instead of making recovery by taking possession of the unit, issued notices under Section 29 and 30 of SFCs Act and Section 138(b) of Negotiable Instrument Act, 1881 several times. As on March 2013, there were over dues of ₹ 11 lakh against the borrower.

The Government stated that appraisal of the project was proper and credit rating system was not applicable at that time. Further, the borrower had paid ₹ 13.82 lakh towards principal upto March 2013. The reply is not based on facts as appraisal was not as per norms and credit rating was mandatory as per loan policy. Further, there were overdues of ₹ 11 lakh against the borrower as on March 2013 even after payment of ₹ 13.82 lakh.

The illustrative cases mentioned above were the culmination of shortcomings noticed in appraisal/sanction and disbursement of loans. Deficient appraisal/sanction and disbursement of loans by not adhering to the laid down parameters led to grant of loans to in-eligible borrowers which caused difficulties in recovery of loans.

The Corporation should adhere to the important parameters prescribed in P&G for sanction and disbursement of loans and should strengthen the mechanism of evaluation of loan applications.

Compliance to recovery procedures, rules and regulations

3.14 The Corporation intimates a schedule of recovery to the borrowers as per agreement to ensure timely recovery of loans by way of equated quarterly instalments along with applicable interest. In the event of default, the Corporation may re-fix, postpone, defer and re-schedule the instalments/loan in case the borrower is genuine *i.e.* the borrower has valid reasons for non-payment of dues. In case of wilful defaulter *i.e.* the borrower is earning profits but not making repayment of dues despite cash accruals, the Corporation may initiate action under various Sections of the SFC Act. The Corporation also affects recovery of dues through OTS schemes implemented from time to time.

The Corporation till 1985 was empowered and endowed with legal remedies only under the provisions of Section 29, 30, 31 and 32 of SFCs Act to recover its dues from the borrower, guarantor or any other surety. Section 29 provides the right to take over the management or possession or both of the industrial concern as well as the right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to it. Section 30 allows the Corporation to call for entire repayment before agreed period. Section 31 provides special provisions for enforcement of claims by filing of civil suit while Section 32 states the procedure in respect of applications filed under Section 31. The SFCs Act was amended in August 1985 and a new Section 32-G, was inserted which allows the Corporation to recover its dues as an arrear of land revenue in the manner prescribed by the State Government. The detailed provisions under Section 29, 30, 31 and 32-G are given in **Annexure-14.**

Re-scheduling of loan accounts

3.15 As per the Procedure and Guidelines, 2002 (P&G) of the Corporation, rescheduling of principal or interest or both means rescheduling the entire repayment schedule. The P&G provides that no amount shall normally be rescheduled beyond last date of repayment (LDR) and if, considered necessary and reasonable due to genuine reasons, it should be done by the competent authority considering various factors *viz.* genuineness of the entrepreneur, working results, history of previous re-payments, amount overdue *etc.* The position of dues outstanding[12] at the end of the year and loans rescheduled during 2008-13 is given below:

(₹in crore)

Year	Dues outstanding at the end of the year	Loans rescheduled during the year		
		Amount	No. of cases	Percentage
2008-09	646.48	38.74	39	5.99
2009-10	713.50	91.55	51	12.83
2010-11	667.64	95.41	27	14.29
2011-12	693.18	73.96	31	10.67
2012-13	651.24	71.81	24	11.03
Total		**371.47**	**172**	**11.01**

(Source: Directors' Reports)

12 Excluding disbursements made during the year.

Our scrutiny of records disclosed that out of 172 loan accounts re-scheduled during 2008-13, 121 loan accounts (70.35 *per cent*) were re-scheduled beyond LDR ranging between nine and 96 months. Our analysis of 85 loans accounts re-scheduled at six[13] Branch Offices disclosed that 24 accounts were re-scheduled for second time and three accounts were re-scheduled for the third time. Further, 18 borrowers out of 85 re-scheduled accounts defaulted in repayment of dues of ₹ 20.37 crore as on May 2013. The defaulters also include five[14] borrowers and two[15] borrowers where re-scheduling was done for second and third time respectively. This shows improper assessment as regards genuineness of the borrowers at the time of re-scheduling of loan accounts.

The Government stated that the Corporation facilitated rescheduling of principal amount of genuine borrowers and it was ensured that the entire interest was paid by the borrower before re-scheduling of the loan account. The reply is not convincing as the loans were re-scheduled beyond LDR and the borrowers defaulted even where the loans were re-scheduled twice or thrice indicating improper assessment as regards genuineness of the borrowers.

Settlement of loan accounts

3.16 The Corporation adopted OTS schemes from time to time with the objective of realisation of long overdues and to avoid high recovery cost. The Corporation settled 2330 loan accounts for ₹ 4.83 crore during 2008-09 to 2011-12 involving disbursements upto ₹ 5 lakh. The cases not covered under OTS were settled by the State Level Committee (SLC) and Head Office Level Committee (HOLC) of the Corporation. Besides, the BoD also decided (September 2012) to permanently close 2488 old small amount loans upto ₹ 2 lakh involving dues of ₹ 89.33 crore (principal of ₹ 9.33 crore, interest of ₹ 79.51 crore and other money of ₹ 0.49 crore). The position of loans settled by SLC and HOLC during 2008-13 is given below:

(₹in crore)

Year	No. of cases settled	Dues outstanding at the time of settlement	Settlement amount	Loss	Percentage of loss to outstanding	MRV[16] of security at the time of settlement
2008-09	113	44.63	15.91	28.72	64.35	26.45
2009-10	65	33.21	10.01	23.20	69.86	18.36
2010-11	47	14.33	7.15	7.18	50.10	9.19
2011-12	35	6.89	2.00	4.89	70.97	4.31
2012-13	57	69.65	10.83	58.82	84.45	20.51
Total	**317**	**168.71**	**45.90**	**122.81**	**72.79**	**78.82**

(Source: Directors' Reports)

It would be seen that the two committees of the Corporation settled 317 cases for ₹ 45.90 crore against outstanding dues of ₹ 168.71 crore at the time of

13 Jaipur (City), Jaipur (Rural), Sitapura, Bhiwadi, Kota, Dausa.

14 Narayan Kripa Buildestate (Jaipur-City), Indo Crystal Pvt. Ltd. (Jaipur-Rural), Sourabh Industries (Sitapura), Shri Ganesh Craft (Bhiwadi), and Ajay Fintech Pvt. Ltd., Bhiwadi.

15 Jagrit Infrastructure Pvt. Ltd. and Rajasthan Automobiles at Bhiwadi.

16 Market Realisable Value.

settlement and thereby sacrificed an amount of ₹ 122.81 crore (72.79 *per cent*) during 2008-13. Our scrutiny of records disclosed that 39 cases were settled below principal amount (₹ 4.39 crore) at ₹ 2.90 crore and 158 other cases were settled for merely ₹ 29.93 crore against outstanding amount of ₹ 121.13 crore despite availability of security (prime and collateral) with MRV of ₹ 72.06 crore. The Corporation lost opportunity to recover additional amount of ₹ 42.13 crore in respect of 158 cases reviewed by us through sale of prime and collateral security.

This shows that the settlements were not made in the interest of the Corporation as the accounts were settled below principal amount despite availability of prime and collateral security.

The Government stated that the MRV was only a guiding factor and not for deciding the case on the basis of MRV. The calculation of MRV is a prescribed mechanism but realization of security depends on location, infrastructure and future development around the property. The Corporation settled only those cases below principal amount where recovery was very difficult and time consuming. The reply is not in consonance with the established procedures and guidelines as the Corporation was to consider all such factors *viz.* location, infrastructure, future development and marketability to calculate the MRV of the property. A deviation from the prescribed procedure of calculation indicates not only improper assessment but also lack of adequate efforts to recover the dues from defaulted borrowers. As regards settlement of cases even below principal amount, the Corporation did not safeguard the financial interests of the Corporation despite availability of prime and collateral security.

Enforcement of Section 29 and status of units handed back to borrowers

3.17 Besides, taking possession and selling of defaulter units under Section 29 of SFC Act, the Corporation, if convinced of the revival of unit in the hands of the original borrower, hands back the possession on payment of at least 25 *per cent* of the outstanding dues (50 *per cent* in case of transport loan) along with simple interest for the period for which the unit remained in possession of the Corporation. As on 1 April 2008, 180 units having outstanding amount of ₹ 86.94 crore were in possession of the Corporation for recovery of dues. The status of units taken over, sold, handed back to original borrowers and units lying in possession during 2008-13 is given below:

(₹in crore)

Year	Units taken over during the year		Units sold during the year			Units handed back to borrowers		Units in possession at the end of the year	
	Nos.	Outstanding	Nos.	Outstanding	Recovery	Nos.	Outstanding	Nos.	Outstanding
2008-09	64	20.27	52	13.58	6.01	58	25.40	134[17]	68.23
2009-10	31	29.40	32	37.24	7.78	31	4.71	102	54.65
2010-11	15	13.86	16	9.41	5.15	28	4.38	73	52.87
2011-12	27	13.23	6	1.02	11.20	19	4.95	72	58.79
2012-13	13	22.20	3	0.87	0.55	31	10.89	51	75.62
Total	**150**	**98.96**	**109**	**62.12**	**30.69**	**167**	**50.33**		

(Source: Information provided by the Corporation)

It would be seen that out of 330 units available with the Corporation for recovery of outstanding dues of ₹ 185.90 crore[18] during 2008-13, 109 units having outstanding dues of ₹ 62.12 crore were sold for ₹ 30.69 crore and 167 units having outstanding dues of ₹ 50.33 crore were handed back to original borrowers. The Corporation had possession of 51 units having outstanding dues of ₹ 75.62 crore as on March 2013 (**Annexure-15**).

Our analysis of the 109 units sold during 2008-13 disclosed that 87 units were sold within five years, 13 units were sold between five and 10 years, eight units between 10 and 20 years and one unit after time lag of more than 20 years. The Corporation also sold out 52 units without recovering even the principal amount and sacrificed ₹ 3.69 crore towards principal against these units. Further, analysis of the 50 units taken in possession during 2008-13 at selected Branch Offices disclosed that there was delay upto 100 months in issue of legal notices under Section 29 since inception of default by the borrower. Further, there was time gap upto 109 months between issue of first notice and taking of possession of defaulting unit by the Corporation.

The huge delay in taking legal action against the defaulting borrowers and in disposal of units reflected serious shortcomings in recovery of its dues by the Corporation. The wilful defaulting borrowers also took the benefit of the prevailing system as they got themselves out of legal action either by paying some amount on issue of notices or getting the loans re-scheduled. By the time the next notice/s were issued or physical possessions were taken over, the assets/security were sold or manipulated as discussed under paragraph 3.20.2, 3.20.9 and 3.20.10.

The Government stated that the Corporation supports industrialization in the State and taking over possession of the assets and selling thereof is not its mandate. Time gap in disposal of units was on account of court intervention, location of unit, non-marketability and non-developmental activities in the surrounding of units. As regards time gap between issuance of first notice and taking over of assets, it was stated that the Corporation at first facilitated the borrowers to survive the units and to pay dues of the Corporation by accepting part payments against the total overdues. The arguments as regards mandate are not justified as the SFCs Act, 1951 and the 'Procedure and Guidelines' of

17 Including 180 units lying in possession as on 1 April 2008.

18 Including amount of ₹ 86.94 crore against 180 units lying in possession as on 1 April 2008.

the Corporation specifically stipulates various provisions to safeguard the financial interests of the Corporation including possession of assets and selling thereof. Besides, the Corporation had to support genuine entrepreneurs rather than wilful defaulters. Further, in-ordinate delay in sale of units and issue of legal notices indicates lackadaisical approach of the Corporation towards recovery of dues.

Age-wise analysis

3.18 The details of 51 units lying in possession of the Corporation as on March 2013 are given in **Annexure-15**. A brief age-wise analysis of these units is given below:

(₹in crore)

Period of possession	No. of units	MRV of assets[19]	Outstanding Amount			
			Principal	Interest	Other Money	Total
Upto 5 years	16	95.05	30.22	35.24	0.63	66.09
From 5 to 10 years	15	5.15	2.41	2.03	0.21	4.65
From 10 to 20 years	14	6.74	2.15	1.58	0.43	4.16
More than 20 years	6	12.22	0.26	0.42	0.04	0.72
Total	**51**	**119.16**	**35.04**	**39.27**	**1.31**	**75.62**

(Source: Information provided by the Corporation)

We noticed that the units were in possession from as early as November 1987 but the Corporation could not recover its dues by disposing-off the units due to long pending legal disputes and non-receipt of suitable offers during auction. It would be seen from the Annexure that out of 51 units under possession, the latest Market Realisable Value (MRV) of 21 units (₹ 7.31 crore) was not sufficient to cover the outstanding dues (₹ 21.99 crore) and there was shortfall of ₹ 14.68 crore towards recovery of dues. Our analysis disclosed that 16 units taken in possession between April 1995 and March 2013 were free from litigation but could not be disposed-off despite putting them to auction upto 56 times by March 2013 due to non-receipt of suitable offers. The latest MRV of these 16 units was ₹ 72.86 crore against Corporation's dues of ₹ 46.24 crore. The Corporation discontinued (between December 1997 and October 2007) auction of three[20] out of 16 units with MRV of ₹ 42.80 lakh against outstanding dues of ₹ 65.41 lakh. However, the Corporation did not analyse the reasons for non-disposal of units despite being put for repeated auctions.

The Government accepted the facts and stated that a committee has been constituted to review every case and take a final decision in this respect.

Recovery under Rajasthan Land Revenue Act, 1956 (RLR Act)

3.19 Section 32-G of the SFCs Act empowers the Corporation to recover its dues as an arrear of land revenue. The Corporation is required to send requisition in prescribed format along with copies of loan document and notices issued under Section 30 to the District Collector for enforcing the provisions of Section 32-G. The process of registering the cases with the District Collector under Section 32-G is being done at the Head Office of the

19 As per latest assessment of MRV available with the Corporation.

20 Jain Plastic Industries, Baran, (Dues of ₹ 4.10 lakh and MRV ₹ 8.27 lakh), Upendra Cold Storage & Ice Factory, Dholpur (Dues of ₹ 48.34 lakh and MRV ₹ 31.22 lakh), and Krishna Oil Mill, Makrana (Dues of ₹ 12.97 lakh and MRV ₹ 3.31 lakh).

Corporation on the basis of cases forwarded by the Branch Offices. As on 1 April 2008, 2818 cases having dues of ₹ 266.57 crore were pending for settlement under Section 32-G. The position of cases filed and settled during the period 2008-13 is given below:

(₹in crore)

Year	Cases filed during the year		Recovered/Settled during the year		Cases pending for recovery at the end of the year[21]	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2008-09	277	15.35	411	15.53	2647	255.76
2009-10	167	21.64	421	10.82	2309	240.37
2010-11	51	19.37	639	22.00	1709	225.78
2011-12	19	1.51	396	16.41	1292	207.05
2012-13	15	4.21	209	12.51	1098	198.75
Total	**529**	**62.08**	**2076**	**77.27**		

(Source: Information provided by the Corporation)

It would be seen that the position of cases pending for recovery under Section 32-G has improved as out of 2818 cases pending for recovery as on 1 April 2008, 2076 cases (62.03 *per cent*) were settled leaving 1098 cases pending for recovery as on March 2013. The number of cases filed by the Corporation for recovery under Section 32-G in a year also reduced from 277 to 15 during the period 2008-09 to 2012-13. However, 173 Requisition of Demands (RODs) were returned by the District Collector during 2008-13 due to non-identification of properties in the name of promoters/guarantors. The BoD also decided (22 March 2013) to write off an amount of ₹ 11.94 crore pertaining to 127 loan accounts in respect of which RODs were either not filed by the Corporation or returned by the revenue authorities due to non-availability of details regarding promoters/guarantors or identified properties in their names. In case of 16 loan accounts, an amount of ₹ 0.62 crore was also written off due to missing assets/promoter/guarantors.

The Corporation could not ensure prompt and timely recovery of deficit dues with the help of revenue authorities under RLR Act mainly due to non-availability of addresses of the promoters/guarantors, non-identification of other properties in the name of promoters/guarantors.

Out of 1098 cases pending under RLR Act, 334 cases pertaining to nine BOs were selected for detailed scrutiny. An age-wise analysis of these cases as on 31 March 2013 was as follows:

(₹in crore)

Period of pendency	Total cases pending u/s 32 G		Cases having security		
	Nos.	Principal outstanding	Nos.	Asset value	Principal outstanding
Up to five years	136	24.09	1	0.10	0.09
Five to ten years	185	21.20	9	1.55	0.54
More than ten years	13	0.72	1	0.42	0.78
Total	**334**	**46.01**	**11**	**2.07**	**1.41**

(Source: Information provided by the Corporation)

21 The equation *i.e.* cases pending for settlement at the beginning of the year + cases filed during the year – cases settled during the year = cases pending for settlement at the end of the year, will not match as it does not include RODs returned by District Collectors during the year.

Our scrutiny of records disclosed that out of 334 cases, the Corporation either did not have adequate security or other properties of promoters/guarantors were not identified in 323 cases.

The Government accepted the facts and stated that COPU had directed (September 2013) to examine every case pending with revenue authorities and to decide a final line of action. A proposal to constitute a committee in this regard has been forwarded to the Additional Chief Secretary, Industries and final decision in these cases would be taken as per recommendation of the committee.

Case studies

3.20 Some of the case studies highlighting deficiencies in recovery procedures are discussed below and in **Annexure-16.**

Khabros Steels (India) Limited, Bhiwadi (KSIL)

3.20.1 The Corporation sanctioned and disbursed (May 1985) funds of ₹ 30 lakh to the borrower. The borrower was a wilful defaulter and paid only ₹ 3.15 lakh upto March 2007. We noticed that the borrower unit became a sick unit and the winding up orders were issued by the BIFR[22] in August 2000. The borrower registered (March 2007) its case with the Corporation under OTS after payment of upfront fee of ₹ 9.22 lakh. The SLC offered (May 2007) to settle the case for ₹ 1.18 crore against outstanding dues of ₹ 4.72 crore (as on 1 March 2007) considering heavy central excise dues of ₹ 3.83 crore against the borrower. The borrower did not turn up on the offer of SLC and again approached (May 2008) to decide the case under OTS and deposited ₹ 80 lakh towards dues. The SLC decided (June 2008) the case for ₹ 43.20 lakh against outstanding dues of ₹ 5.48 crore (as on 1 June 2008) on the grounds of heavy outstanding dues of central excise and settlement made by RIICO. The settled amount was paid (July 2008) by the borrower.

We observed that the Corporation did not apprise the SLC of the correct position of central excise dues against the borrower. The amount of ₹ 3.83 crore was intimated by Central Excise department in May 2004 by way of memorandum notice against which final demand (September 2006) was made for ₹ 15.87 lakh only. Besides, the decision of SLC to give due consideration to central excise dues was not justified as the right of Central Excise department towards recovery of dues was second to the rights of the Corporation. Further, the SLC did not consider the fact that the MRV of the unit was ₹ 6.24 crore (as on 1 June 2008). The Corporation affected short recovery of ₹ 3.40 crore.

The Government stated that the Corporation always prefers to settle the cases of under possession/under sale/32-G/BIFR/Court cases under the umbrella of OTS to get rid of NPAs. The fact remained that the Corporation failed to safeguard its financial interests and settled the case on the basis of incorrect information about Central excise dues.

22 Board for Industrial and Financial Reconstruction.

Man Industries Corporation Limited (MICL)

3.20.2 The Corporation initiated (January 2012) proceedings under Section 32-G for recovery of outstanding dues of ₹ 8.24 crore (as on January 2012). The properties with MRV of ₹ 247 crore were identified but recovery could not be affected (June 2013) due to the orders (July 2007) of the Court to maintain status quo as regards recovery of dues from selling of prime security (50 acre land) by the Corporation. We noticed that the borrower did not adhere to the directions of the Court and sold (June 2008) a part of land by way of tri-partite joint venture for ₹ 8 crore (token money) and 38.50 acre land (October 2009) by way of transferring power of attorney. The Corporation, however, did not approach the Court for violation of orders and further also did not initiate action to recover dues by selling property of the promoters having MRV of ₹ 100 crore.

The Government stated that the Corporation initiated action under 32-G but the High Court stayed the proceedings. The fact remained that the borrower company managed to sell the property and the Corporation did not file contempt petition for violation of orders.

Jaipur Spinning & Weaving Mills, Jaipur

3.20.3 We noticed that the Corporation sanctioned (January 1981) loan of ₹ 19.50 lakh and disbursed ₹ 18.87 lakh without taking personal guarantee from directors and adequate information about the company as a petition (December 1980) for winding up of the company was pending. The Corporation came to know about the winding up (order passed on 2 December 1983) process only after defaults made by the company from November 1983 onwards. The official liquidator invited claims (February 1985) but the Corporation filed (March 1991) for claims after delay of six years. The Official liquidator accepted (August 1991) claims for only ₹ 28 lakh against claims of ₹ 1.21 crore submitted by the Corporation. The claims were pending (July 2013) for realisation. As on September 2012 the accumulated outstanding dues against the company were ₹ 66.32 crore.

The Government accepted the facts and stated that the matter was pending with official liquidator.

Ashoka Adhar Casting Private Limited, Sirohi

3.20.4 The Corporation sanctioned (October 1989 and March 1990) and disbursed two loans of ₹ 56.29 lakh and ₹ 30.10 lakh. The borrower was a wilful defaulter and never honoured a single instalment till sale (September 2009) of unit by the Corporation for ₹ 89 lakh against outstanding dues of ₹ 22.69 crore. During the period from sanction to sale of unit, the borrower misled the Corporation by submitting post-dated cheques, the majority of which were not honoured. Despite dishonour of cheques, the Corporation kept on accepting the cheques every time when the instalment was due and extended the repayment period. In between, the Corporation also took possession of the unit twice (July 2000 and March 2008) but handed back the unit on commitments made by the borrower and submission of post-dated cheques. Finally, the unit was sold (September 2009) for ₹ 89 lakh at a deficit of ₹ 21.80 crore. The Corporation belatedly (February 2013) initiated action

for recovery of deficit under Section 32-G, the outcome of which was pending (June 2013).

The reply of the Government was silent on the issue of acceptance of post-dated cheques despite continuous defaults and delay in recovery through sale of unit. It, however, stated that action under Section 32-G has been initiated for recovery of the deficit amount but legal heirs have filed case against the Corporation which is pending.

Nakoda Gases Limited, Balotra

3.20.5 The Corporation disbursed (upto January 1999) funds of ₹ 52.52 lakh against sanction (August 1996) of ₹ 57 lakh. On defaults, the Corporation belatedly took (March 2008) possession of the unit by which the borrower had paid only ₹ 6.33 lakh towards interest. After possession, the borrower registered (March 2008) the case with SLC on payment of ₹ 10.58 lakh and the SLC proposed (March 2008) to settle the case for ₹ one crore against outstanding of ₹ 3.71 crore. However, the borrower did not give its consent and resultantly, the Corporation sold (July 2009) the prime assets for ₹ 33.60 lakh. The case was again registered with SLC without payment of registration fee on the recommendation of Minister, Industries and the SLC offered (January 2010) to settle the case at ₹ 66.40 lakh plus simple interest from April 2008 but the same was also not acceptable to the borrower. The Corporation once again decided to settle the matter (October 2010) for ₹ 52.60 lakh in a meeting with Minister, Industries but the borrower did not give its consent. We observed that the borrower had no intention to pay its dues despite favourable consideration by the Corporation on the recommendation of Minister, Industries yet no action was initiated (June 2013) to recover the dues from collateral securities of ₹ 45 lakh (as per assessment during March 2008) and initiation of proceedings under Section 32-G.

The reply of the Government was silent on the issue of delay in taking proper action for recovery of dues. It, however, stated that collateral security could not be sold due to court orders. The Corporation has lodged claim under Section 32-G and revenue authorities have been requested to sell the assets.

Shri Ganpati PVC Pipe India Limited, Jaipur

3.20.6 The borrower was a wilful defaulter as it did not honour the terms of re-schedule (2003-04 and 2007-08) and settlement opportunity provided to it in May 2010. The Corporation, however, settled (January 2011) case at ₹ 1.10 crore against outstanding dues of ₹ 4.70 crore and also waived ₹ 33.49 lakh towards interest for delayed period due to frequent involvement of Minister, Industries. Further, on default, even in repayment of the settlement amount, the Court ordered (June 2011) the borrower to deposit amount of ₹ 3.69 crore by September 2011. The orders were not obeyed. However, the Corporation instead of affecting recovery through sale of prime and collateral security, accepted payments of the settlement amount of ₹ 1.10 crore in parts upto March 2013 by granting extension time and again. Thus, in-judicious settlement led to short recovery of ₹ 3.93 crore despite availability of prime and collateral security valuing ₹ 1.48 crore (as on September 2011).

The Government stated that the Corporation favourably considered the request of the borrower looking to waiver of interest in other cases of similar nature by

SLC. The fact remained that the Corporation failed to safeguard its financial interests despite availability of prime and collateral security.

Khaderia Chemical & Metal Industry (KCMI) and Madraiya Chemical & Metal Industry (MCMI)

3.20.7 There were series of lapses in appraisal, sanction, disbursement and monitoring of loans disbursed to KCMI and MCMI which led to sale of units at deficit of ₹ 23.70 lakh. The deficiencies in appraisal, sanction, disbursement and monitoring are as under:

- The guarantor of loan to MCMI expired 10 years well before sanction. As such, the guarantee was fake. Further, the promoters of both KCMI and MCMI were same persons and KCMI defaulted in repayment since December 2003 yet the Corporation disbursed loan of ₹ 26.75 lakh to MCMI during May 2003 to April 2004. The fact of defaults was concealed by the Branch Office.
- MCMI also defaulted in repayment since beginning and legal notices were issued under Section 29 and 30 to both the units. Further, during inspection (September 2004) by the Corporation, it was found that both the units were locked since August 2004.
- Corporation decided to take possession of both units in December 2005 and January 2006 but the decision was deferred on acceptance of post-dated cheques which also got dishonored.
- Assets valuing ₹ 17.98 lakh (₹ 12.29 lakh of MCMI and ₹ 5.69 lakh of KCMI) were reported (March 2008) missing by the Corporation but FIR was not lodged indicating lack of monitoring and vigilance of acquired units.
- The promoters applied (March 2007) for loan at Madhya Pradesh Financial Corporation (MPFC) but the Corporation did not enquire from MPFC about the collateral assets of the promoters to recover its dues.
- The units were sold (January 2010 and March 2010) at consideration of ₹ 14.75 lakh and ₹ 18.51 lakh against outstanding dues of ₹ 18.50 lakh and ₹ 36.86 lakh from KCMI and MCMI respectively.

The reply of the Government was silent on lapses occurred in appraisal, sanction, disbursement and monitoring. It, however, stated that the Corporation had initiated (September 2010) action under Section 32-G for recovery of dues and the unit office would shortly send ROD to the Head Office. The fact remained that the Corporation was not serious about recovery as even ROD has not been sent (October 2013) to the Head Office of the Corporation since initiation of action in September 2010.

Ayush Hospitality and Health Service Private Limited, Jaipur

3.20.8 The Corporation disbursed two loans of ₹ 77.24 lakh (January 2005 to November 2006) and ₹ 37 lakh (March 2007 to May 2008) to the borrower for same project (Hotel industry). On default (September 2008) by the borrower in repayment of both loans, the DGM (FR) recommended (December 2008) for taking possession of the unit in view of doubtful credibility of the borrower.

The CMD, however, did not consider the recommendation and re-scheduled (February 2009) the loans on the request of the borrower. The borrower did not honour the terms of re-schedule and continuously (March 2009 to December 2012) defaulted in repayment of instalments. The Corporation issued notices under Section 29, 30 of SFCs Act and Section 138(b) of Negotiable Instruments Act, 1881 several times during this period. Further, decisions for taking possession of the unit at each default were also taken but the same were not materialised either on the instructions of Minister, Industries or on the commitments made by the borrower. In between, the loan was also rescheduled in July 2009. As on June 2013, a fresh proposal for re-scheduling the loan with extension of LDR by five years *i.e.* upto January 2019 on the recommendation of Minister, Industries was pending for decision with the Corporation.

The Corporation by not taking effective action as per rules against a wilful defaulter led to mounting of dues from ₹ 5.66 lakh in September 2008 to ₹ 86.29 lakh in June 2013.

The Government stated that the borrower has cleared interest overdues and loan has been re-scheduled (September 2013) by extending LDR for three years. The fact remained that the Corporation again re-scheduled the loan of a wilful defaulter on the recommendations of Minister, Industries.

Soma Industrial Packs Private Limited

3.20.9 The Corporation did not initiate action to take physical possession of the unit despite continuous defaults. The Corporation also allowed re-habilitation package to the borrower twice (March 2004 and January 2008) on the directions of the Court but the borrower did not deposit the requisite amount to avail the packages. Besides, the borrower sold (May 2004) the collateral security (valued at ₹ 20 lakh at the time of sanction in September 1996) without permission of the Corporation.

We noticed that the HOLC also offered (July 2008) to settle the case for ₹ 55.25 lakh against outstanding dues of ₹ 1.13 crore (as on 1 June 2008) but the same was not accepted by the borrower. The Corporation took (February 2009) possession of the unit on the directions of High Court and auctioned (February 2010) the unit for ₹ 55 lakh against outstanding dues of ₹ 1.28 crore. Thereafter, no action was taken to recover the deficit of ₹ 72.85 lakh (October 2013) under Section 32-G.

Thus, lack of vigilance and efforts for recovery led to non-recovery of dues as neither property was taken into physical possession during 2001-09 nor collateral security could be utilised.

The Government accepted the facts and stated that the Corporation initiated action under Section 32-G but the party obtained stay from High Court. It further stated that efforts were being made to vacate the stay.

Chetak Tubes Private Limited, Hanumangarh

3.20.10 The Corporation took (February 2000) possession of the unit for recovery of outstanding dues of ₹ 82.83 lakh. After initial efforts (September 2000 to March 2001) to auction the unit, no efforts were made till November 2008 considering stay on sale by the Court though stay was only on

sale of plant and machinery. The unit was sold (December 2009) at ₹ 34.51 lakh. After registering (September 2010) the case under Section 32-G, the Corporation came to know that the collateral security (agriculture land in State of Haryana) which was valued at ₹ 40 lakh at the time of sanction (1997), had already been sold by the promoters without seeking permission of the Corporation. As on March 2013, deficit of ₹ 63.52 lakh excluding interest were pending for recovery due to non-identification of properties of the promoters/guarantors.

The Government accepted the facts and stated that recovery of deficit amount was under pursuance with revenue authorities.

Sujata Marbles & Granite Processing Private Limited, Jaipur

3.20.11 The Corporation took (May 2005) over the possession of the unit and sold (November 2005) it at ₹ 57.21 lakh. The case was registered (February 2009) under Section 32-G for recovery of deficit of ₹ 4.91 crore and the properties of the promoters at Delhi were also identified by the sub-office (Delhi). However, recovery could not be made (June 2013) due to non-pursuance of case by the management with revenue authorities.

The Government accepted the facts and stated that the sub-office (Delhi) is making efforts at its own level for clearance of dues and the matter is also being constantly pursued by the Branch Office Jaipur (Rural). The reply of the Government clearly indicates lacklustre approach of the Corporation towards recovery of dues despite identification of the properties of the promoters.

It could be seen from the above discussed cases that the Corporation could not recover its dues owing to deficient appraisal of loan applications, delay in taking timely legal action as per rules and regulations, lack of proper monitoring and inadequate prime and collateral security.

The Corporation should adhere to the defined framework for evaluation of loan applications and determine the genuineness of the defaulter borrowers before re-scheduling of loans. The Corporation must take measures for initiation of timely legal action for prompt realisation of dues.

Internal Control and Risk Management

3.21 The Corporation is primarily exposed to various risks *viz.* credit risk, market risk and operational risk which occurs due to default in repayment, fluctuation in interest rates and management limitations. An effective risk management system and sound internal control procedures not only minimise the risks but are also essential for achieving financial soundness and profitability. The Procedure and Guidelines, 2002, recovery strategy framed by the Corporation every year, loan policies and various provisions of the SFCs Act provides frame work for effective internal control and minimisation of risks. The internal control system, however, disclosed following shortcomings:

3.21.1 As per Section 26 of the SFCs Act, the Corporation could provide (revised March 2010) maximum financial assistance of ₹ 10 crore in case of company/corporation/co-operative society and ₹ 4 crore in other cases. Financial assistance beyond these limits, upto twice, could be provided after

approval from SIDBI. The Corporation, however, did not adhere to this statutory provision and provided[23] assistance beyond the stipulated limits despite rejection of request by the SIDBI.

The Government stated that the Corporation was authorised (April 2011) to sanction maximum financial assistance of ₹ 20 crore in case of company/corporation/co-operative society and ₹ 8 crore in other cases. The reply was not correct as SIDBI had not authorised (April 2011) the Corporation to sanction assistance beyond ₹ 10 crore and ₹ 4 crore without its permission.

3.21.2 The Corporation lacked an integrated system for compilation of data relating to sanction, disbursement of loans, payroll, MIS reporting, inter-branch data transfers, website management *etc.* and generation of periodical reports for monitoring at the level of apex management. The Corporation though awarded (November 2004) work order for development of an online integrated system and incurred an expenditure of ₹ 3.91 crore (November 2004 to November 2012) but the work was still under process (November 2013).

The Government accepted the facts and stated that online computerisation work was awarded (November 2004) to Kensoft Infotech but the project could not be completed due to various reasons. A fresh study has been conducted and RajCOMP Info Services Limited has been assigned to develop software for the Corporation.

3.21.3 As discussed above, the major lapses relate to sanction of loans to ineligible borrowers, disbursements without matching contribution by promoters, sanction of loan based on wrong credit rating, inadequate security *etc.* None of the above lapses were reported in the internal audit reports.

The Government stated that internal audit of different units was conducted periodically and the lapses were brought to the notice of management through audit reports. The reply is not convincing as the internal audit failed to highlight deficiencies in sanction, disbursement and recovery of dues which is the integral part of business operations.

3.21.4 The Corporation uses a Credit Rating System for appraisal of loans. The model contains marking on a scale of 1 to 100 for Management Risk, Industry Risk and Business Risk. Grades are awarded from 'AAA' (85 *per cent* and above) to 'B' (less than 45 *per cent*). We noticed that the Corporation provided loans to borrowers at a common interest rate irrespective of the marks obtained by them instead of linking the interest rate with the degree of associated risk.

The Government stated that uniform rate was charged as per the provisions of particular scheme as the system being followed also covered subjective aspects in assignment of ratings. The reply was not convincing as the borrowers who lacked marks in areas involving higher business risks were also granted loans at the rate of good borrowers.

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23 Nimai Developers Private Limited (₹ 10.50 crore in 2011) and Siddhi Homes, Jaipur (₹ 5.24 crore in 2011).

Conclusion

The Corporation lacked sources of finance and as a result the business performance sharply declined during 2008-13. The sanctions decreased (75.90 *per cent*) from ₹ 473 crore to ₹ 114 crore while the disbursements decreased (59.12 *per cent*) from ₹ 340 crore to ₹ 139 crore during this period. The NPAs could not be confined within the agreed limit of 10 *per cent* of total outstanding loans as per tri-partite MOU. The percentage of NPAs to total outstanding loans ranged between 21.06 and 30.47 during 2008-13. Deficient appraisal, sanction and disbursement of loans by not adhering to the laid down parameters led to grant of loans to in-eligible borrowers which caused difficulties in recovery of loans. Non-compliance/delay in taking timely legal action as per rules and regulations, lack of proper monitoring and inadequate prime and collateral security led to non-recovery of dues. The internal control system was not sound enough to address the inherent business risks.

Recommendations

We recommend that the Corporation should:

- **Find out alternate source of finances to improve the disbursements for promotion of MS&ME sector;**
- **Closely monitor the Standard Assets to ensure prevention of slippages of accounts into NPAs;**
- **Ensure adherence to the parameters of sanction and disbursements to minimise the risk;**
- **Take prompt and effective action for recovery of dues as per Rules; and**
- **Strengthen the internal control and internal audit systems.**

CHAPTER IV

Transaction Audit Observations

Chapter IV

4. Transaction Audit Observations

Important audit findings emerging from test check of transactions made by the State Government Companies and Statutory Corporations have been included in this Chapter.

Government Companies

Ajmer Vidyut Vitran Nigam Limited and Jaipur Vidyut Vitran Nigam Limited

4.1 Loss due to irrational price variation formula

AVVNL and JVVNL provided PV on the meter box on the basis of PV formula prescribed for aluminium wound transformers instead of formula prescribed for steel thereby causing extra expenditure of ₹ 78.02 lakh.

The Electricity Companies use IEEMA[1] Price Variation (PV) clauses for settling claims of the suppliers for variation in the basic price of raw materials from the period of tendering till the date of delivery. The PV clauses provide variations on both sides, either upwards or downwards by substituting the prices of raw materials in the given formulae appropriately.

The power Distribution Companies[2] (DISCOMs) of Rajasthan decided (January/February 2011) to consider the distribution transformer and the meter box as one unit. As such the price of meter box was made variable for allowing PV and included in the cost of the transformer. The decision (29 January 2011) was taken on the representation of the 'Rajasthan Transformer Manufacturers Association' to overcome frequent changes in the prices of steel. Prior to this decision, the DISCOMs procured transformers and meter box as separate units. The price of transformer was variable as per PV formula[3] of IEEMA while the price of meter box was firm as IEEMA had not prescribed any PV formula for meter box.

We noticed (March 2013) that Jaipur Vidyut Vitran Nigam Limited (JVVNL) invited (April 2011) tenders (TN-2138) for purchase of 87473 number of 16 KVA Aluminium wound four star rating distribution transformers with meter box on behalf of all the three DISCOMs. It was mandatory for the suppliers to quote one rate for both the items (transformer and meter box) and the quoted price was variable as per PV formula of IEEMA without any ceiling. The price bids were opened (September 2011) wherein the lowest quoted price was ₹ 38525 per unit. The Corporate Level Purchase Committee (15 September

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1 Indian Electricals and Electronics Manufacturers Association.

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

3 $Po/100\ (13+15AL/AL_O+42ES/ES_O+10IS/IS_O+2IM/IM_O+6TO/TO_O+12W/W_O)$.

2011), however, in view of first time purchase of this type of transformers decided to go for in-house cost analysis to ascertain the estimated cost of transformer and meter box. The in-house analysis worked out the total cost per unit at ₹ 37795 which included the cost of meter box as ₹ 2700. On acceptance of the in-house rates by the bidders, Ajmer Vidyut Vitran Nigam Limited (AVVNL) placed (November 2011/December 2012) purchase orders for 22741 transformers (including repeat order of 10741 transformers) and JVVNL placed (November 2011) purchase orders for 66773 transformers. Against the total ordered quantity, AVVNL received supply of 20728 transformers by March 2013 while JVVNL received the supply of 47104 transformers during the period from November 2011 to January 2013. Both AVVNL and JVVNL also allowed applicable PV to the suppliers on the composite price of transformer and meter box as per PV formula prescribed for aluminium transformer.

We observed that the decision of DISCOMs to allow PV on the composite price was not prudent as the same was prescribed and applicable for only aluminium wound transformers. The Committee overlooked the fact that the PV formula provided for escalation/de-escalation in the prices of aluminium, transformer oil and other elements which are not used in the manufacturing of meter box. Keeping in view the concerns of manufacturers association, the Committee should have allowed PV on the meter box as per PV formula[4] prescribed for steel fabrication as the same is being used in the manufacturing of meter box.

The decision to allow PV on the meter box as per PV formula prescribed for aluminium wound transformers, caused extra payment of ₹ 78.02 lakh[5] to suppliers on the supplied quantity after considering justified PV payable on steel component utilised for manufacturing of meter box.

The Government/Management in respect of JVVNL stated (June/November 2013) that the PV formula for transformer includes 17 *per cent* ferrous metal component and that there is no harm in adding the price of meter box in the cost of transformer when there is in-built component in the formula for allowing PV on ferrous metal. The Management of AVVNL replied (November 2013) that IEEMA has not circulated any formula for meter protection box and the common specification committee of DISCOMs allowed PV on meter box and transformer considering meter box as an integral part of transformer. The replies are not convincing as the ferrous metal used in transformer is different from the steel used in meter box. Even, if the view point of JVVNL is considered, the DISCOMS are un-necessarily paying price variation for 83 *per cent* of the material not used in manufacturing of meter box. Further, prior to this tender, the DISCOMs had been purchasing transformer and meter protection box as separate items.

4 Po (0.11 + 0.66 (SBI/SBIo) + 0.23 (L/Lo)).

5 AVVNL - ₹ 15.19 lakh and JVVNL - ₹ 62.83 lakh.

Chhabra Power Limited

4.2 *Loss due to non-inclusion of temperature variation adjustment clause*

The Company sustained minimum loss of ₹ 33.51 lakh due to non-inclusion of temperature variation adjustment clause in supply orders.

Chhabra Power Limited (Company), a subsidiary of Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) procures furnace oil[6] from Indian Oil Corporation Limited (IOCL), Bharat Petroleum Corporation Limited (BPCL) and Hindustan Petroleum Corporation Limited (HPCL). During the period from 2009-10 to 2012-13, the Company procured 20033.06 KL[7] of furnace oil from these oil companies.

Furnace oil is highly viscous and as such it is hot loaded *(loading is done at a temperature more than the normal loading temperature of furnace oil)* by the refineries to improve its flowability. Furnace oil is supplied on volume basis and hot loading results in expansion of volume with contraction on cooling. To overcome this variance and not to cause un-necessary loss to the recipient, the oil companies provide the benefit of Temperature Variation Adjustment (TVA) in the invoices.

Our scrutiny disclosed (February 2013) that the Company did not include any such clause in the supply orders issued to IOCL, BPCL and HPCL though the same was included in the supply orders issued by RRVUNL in case of supplies made at Suratgarh Super Thermal Power Station (SSTPS). Further, TVA is a common phenomenon but the oil companies neither furnished test reports (except HPCL) disclosing the loading temperature with the invoices nor allowed TVA in the invoices as was done for supplies made to SSTPS. The test reports/certificate of TVA furnished by HPCL were incomplete and did not mention the loading temperature.

However, in case of IOCL, we noticed that the supplies were made from Koyali and Mathura refinery where furnace oil was hot loaded and IOCL allowed TVA to SSTPS ranging between 3.17 and 3.49 *per cent*. Considering minimum TVA of 3.17 *per cent* as allowed by IOCL to SSTPS, the Company sustained minimum loss of ₹ 68.36 lakh[8] against supply of 5816.03 KL (₹ 21.56 crore) of furnace oil to it from Koyali and Mathura refinery. In absence of test reports/incomplete reports we could not ascertain the loss/applicability of TVA on the supplies received from BPCL and HPCL.

The Company raised (May 2013) the issue with the suppliers after pointing out by us. The IOCL provided credit of ₹ 22.74 lakh against ₹ 34.85 lakh calculated by us on the supplies made from its Koyali refinery. TVA adjustment of ₹ 33.51 lakh for the supplies made from Mathura refinery was pending (November 2013). The other suppliers did not compensate for the loss

6 Furnace oil is a Heavy Fuel Oil (HFO) and as per the Controller of Explosives classification, it falls in the class 'C' category.

7 IOCL-5816.03 KL, BPCL-2881.18 KL and HPCL-11335.85 KL.

8 ₹ 34.85 lakh from Koyali refinery (2939.75 KL X ₹ 37395.30/KL X 3.17/100) and ₹ 33.51 lakh from Mathura refinery (2876.28 KL X ₹ 36750/KL X 3.17/100).

and stated that no TVA was applicable as loading was done on ambient temperature.

The Government/Management accepted (September/August 2013) the facts and stated that the matter regarding supplies from IOCL (Mathura refinery) was under consideration at their end. The Management, however, did not seek the basis of calculations from IOCL and test reports from BPCL and HPCL.

Jaipur Vidyut Vitran Nigam Limited

4.3 Excess payment towards price variation

The Company by not allowing PV as per revised formula made excess payment of ₹ 1.03 crore towards PV.

Jaipur Vidyut Vitran Nigam Limited (Company) placed 34 purchase orders to various suppliers on different dates (under TN 2138) for purchase of four star rated Aluminium Wound distribution transformers upto 33 KV during 2011-12. The terms and conditions of purchase orders stipulated that the prices were variable as per Price Variation Formula (PV) prescribed by the IEEMA[9] and in case of change in PV formula, the same shall be applicable for PV. The IEEMA revised (March 2012) the PV formulae for 'BEE Star Three and above rated' Aluminium and Copper Wound Distribution Transformers upto 33 KV. The revised formulae were made operational[10] from 1 January 2012.

Our scrutiny of records disclosed (April 2013) that the Company allowed PV to the suppliers on the basis of revised formula from the month of February 2012 on the plea that IEEMA circulated new indices with effect from 1 January 2012 and accordingly the applicable month for providing PV would be February 2012. We observed that the plea of the Company was not correct as the IEEMA changed[11] only the multiplying factors in the revised formula while there was no change in the indices. Further, it is pertinent to mention that purchase orders were also placed by Ajmer Vidyut Vitran Nigam Limited under the same tenders and it recovered (June 2013) the excess payment amounting to ₹ 14.60 lakh towards PV for the month of January after pointing out (April 2013) by us.

The Company, by not allowing PV for the month of January 2012 as per revised PV formula, made excess payment of ₹ 1.03 crore towards PV on the supplies of 9058 transformers.

The Management/Government in reply (October/August 2013) reiterated that IEEMA circulated new indices from 1 January 2012 and as such the offer month considered for these indices was February 2012. However, AVVNL

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9 Indian Electrical and Electronics Manufacturer's Association.

10 Draft formulae were circulated by IEEMA in January 2012 for view and comments from SEBs/Utilities and listed purchasing organisations. However, in view of no adverse comments, the same was made operational w.e.f 1 January 2012.

11 Old formula for allowing PV on Aluminium wound distribution transformers was $P = P_o/100\ (13 + 15AL/AL_o + 42ES/ES_o + 10FE/FE_o + 2IM/IM_o + 6TO/TO_o + 12W/W_o)$ while New Formula was $P = P_o/100\ (12 + 18AL/AL_o + 26ES/ES_o + 17FE/FE_o + 4IM/IM_o + 12\ TO/TO_o + 11W/W_o)$.

accepted the audit contention and applied the revised formula *w.e.f.* 1 January 2012 as already mentioned above.

4.4 Purchase of short term power at high cost

The RDPPC did not take timely action on the offer of HZL and subsequently purchased power at high cost from HZL causing extra expenditure of ₹ 26.43 lakh.

To meet the shortage of power during rabi season, the Rajasthan Discoms Power Procurement Centre (RDPPC) invited (22 June 2011) bids for purchase of short term day power (0600 – 1700 hours) on firm basis commencing from 1 November 2011 or any later date to 31 March 2012 from various trading licensees/generators/State utilities/CPPs[12]/Distribution licensees/SEBs[13]. The minimum quantum to be offered was 5 MW from single source in case of generator situated outside the state and 1 MW for generators situated within Rajasthan. In response, 10 bidders offered (tenders opened on 11 July 2011) rates for various quantum of supply for different months at the rates ranging between ₹ 4.60 and ₹ 9.40 per unit.

We noticed (November 2012) that the RDPPC negotiated (21 July 2011) with the bidders and offered a rate of ₹ 3.50 per unit. Letters to this effect were also issued (27 July 2011) to the bidders for submitting the revised offers latest by 3 August 2011. However, only one bidder, Hindustan Zinc Limited (HZL) offered (3 August 2011) to supply 3 MW power at the rate of ₹ 3.50 per unit. The offer of HZL was valid upto 10 August 2011.

Our scrutiny of records disclosed that the offer of HZL was received on 3 August 2011 but no action was taken during the validity of offer. The matter was belatedly apprised to Chairman DISCOMs on 19 August 2011 who after discussion (5 September 2011) with Chief Engineer (RDPPC) instructed to offer a rate of ₹ 3.75 per unit to all bidders. The rate was offered (6 September 2011) to all the bidders but none of the bidders agreed on the offered rate. Consequently, the RDPPC in order to meet the power gap during rabi season increased the counter offer thrice[14] during the period from 13 October 2011 to 22 November 2011 on the instructions of Chairman DISCOMs. All the counter offers were not responded to except the last one at the rate of ₹ 4.15 per unit to which HZL offered (5 December 2011) to supply 30 MW day power during the month of December 2011. RDPPC accepted the offer of HZL and letter of intent (LOI) was issued (7 December 2011) for supply of 30 MW power during the period from 9 December 2011 to 31 December 2011 at the above mentioned rate. Subsequently, the RDPPC to bridge the power gap again accepted (19 December 2011) further offer[15] of HZL and also

12 Captive Power Plants.

13 State Electricity Boards.

14 ₹ 4.00 per unit (13 October 2011), ₹ 4.10 per unit (17 November 2011) and ₹ 4.15 per unit (22 November 2011).

15 HZL offered (17 December 2011) for supply of 15 MW and 30 MW during December 2011 and January 2012 respectively at the rate of ₹ 4.15 per unit.

negotiated[16] (3 January 2012) with bidders and purchased power at the rates of ₹ 4.15 per unit and ₹ 4.25 per unit.

We observed that the RDPPC purchased power at the rates of ₹ 4.15 per unit (9 December 2011 to 31 January 2012) and ₹ 4.25 per unit (January 2012 to March 2012) after various negotiations and counter offers at different rates. Had timely action been taken on the offer of HZL for purchase of 3 MW day power at the rate of ₹ 3.50 per unit, the DISCOMs could have avoided extra expenditure of ₹ 26.43 lakh[17] on purchase of power.

The Government/Management stated (September 2013) that power could not be purchased from HZL due to severe financial crisis. Additional power was purchased only after obtaining financial assistance from the Government in the month of October 2011. The reply was not convincing as the tenders were invited for supply of power from 1 November 2011 onwards and RDPPC made (5 September 2011) offers at an enhanced rate (₹ 3.75 per unit) than that of HZL before getting financial support from the Government.

Jodhpur Vidyut Vitran Nigam Limited

4.5 Systemic lapses in annual review of security deposit

The Company did not annually review the adequacy of security deposit which led to shortfall of ₹ 18.05 crore in selected categories of consumers in three circles.

Clause 16 (D) of the 'Terms and conditions for supply of Electricity – 2004' (TCOS) provides for annual review of security amount in respect of electricity supplied. The clause provides that DISCOMs may review the adequacy of security amount at the beginning of each financial year on the basis of actual average consumption of electricity during preceding twelve months and intimate the consumer. Further, clause 16 (E) provides that if the security amount is insufficient on the basis of annual review and the difference between the amount so worked out and the security amount already deposited with the DISCOMs exceeds ₹ 500 or 10 *per cent* of the existing security amount whichever is more, a notice may be given to the consumer to deposit the difference within 30 days of service of notice. Besides, the agreement (9 September 2012) with billing agencies stipulates that ledger of consumers requiring notices for enhanced security deposit are required to be printed while providing updated ledgers of such consumers twice in a financial year in the month of January and July. However, the State and Central Government Departments including Railways were exempted from payment of security deposit as per clause 23(a) of the TCOS.

With a view to assess the compliance of the provisions of TCOS relating to annual review of security deposit in Jodhpur Vidyut Vitran Nigam Limited (Company) for the year 2012-13, we collected (May 2013) the electronic

16 RDPPC negotiated with the bidders on 3 January 2012 and offered rate of ₹ 4.25 per unit. The rate was accepted by HZL and PTC India Limited for supply during January to March 2012.

17 3 MW X 1000 X 54 days X 11 hours X (₹ 4.15 - ₹ 3.50) per unit *plus* 3 MW X 1000 X 60 days X 11 hours X (₹ 4.25 - ₹ 3.50) per unit.

billing data of Low Tension (LT) consumers for the year 2011-12 of three circles (Pali, Jodhpur City and Bikaner) out of nine circles. The billing data was analysed using 'Interactive Data Extraction and Analysis' (IDEA) software in respect of (1) Medium Industrial Service (MIP), (2) Non-Domestic Service (NDS), (3) Bulk Supply for Mix Load (Mix) and (4) Small Industrial service (SIP) category consumers. Further, in respect of these categories of consumers, billing data of only those consumers were selected whose data for all the 12 months were available during the billing cycle from May 2011 to April 2012.

The scrutiny of records and billing data disclosed that the security deposit for the selected category of consumers was not reviewed by the Company since last many years except MIP consumers (in all circles) in 2010-11. We noticed that annual review of security deposit was inevitable at the beginning of 2012-13 due to revised tariff approved (September 2011) by the Rajasthan Electricity Regulatory Commission after a period of six years. Further, the billing agency neither printed/issued notices for enhanced security deposit nor provided updated ledgers of the consumers requiring additional security amount. The category-wise analysis of consumers in three selected circles has been given in **Annexure-17** and summarized results derived from IDEA are as below:

Particulars	Name of circle			Total
	Pali	Jodhpur City	Bikaner	
Total consumers in selected category	34543	32044	5510	72097
Less: Consumers with nil initial security deposit	9284	8982	601	18867
Less: Consumer exempted and consumers with adequate security deposit	11909	9224	1743	22876
Remaining consumers with inadequate security deposit	13350	13838	3166	30354
Security deposit required[18] (₹ in crore)	8.23	14.00	3.69	25.92
Available security deposit (₹ in crore)	2.42	4.48	0.97	7.87
Shortfall (₹ in crore)	5.81	9.52	2.72	18.05

It could be seen that the Company had adequate security deposit in respect of only 31.73 *per cent* consumers including the exempted category. Of the remaining consumers, 42.10 *per cent* were without adequate security deposit and 26.17 *per cent* of the consumers were those whose initial security deposit was mentioned nil in the billing data. The data regarding consumers with nil security deposit seems to be incorrect as the Company does not release electricity connection without payment of security deposit. While there was shortfall of ₹ 18.05 crore towards security deposit in respect of consumers with inadequate security deposit, we were not able to calculate shortfall in respect of consumers where the billing data indicated nil security deposit. Further, the billing agency would not be able to assess the requirement of additional security deposit in respect of consumers where the billing data indicated nil security deposit as the initial deposit data were not made available by the Company.

18 Average twelve months consumption X 2 X applicable tariff.

We observed that adequate security deposit provides minimum financial safeguard to the Company against the consumers for consumption of electricity.

Further, we observed that there were 15156 permanently disconnected consumers in three circles in the selected categories having outstanding amount of ₹ 11.68 crore as on March 2012. The available security deposit against these consumers was only ₹ 1.69 crore leaving shortfall of ₹ 9.99 crore. For the Company as a whole, the outstanding amount (March 2012) against permanently disconnected consumers was ₹ 82.80 crore as per the financial statements.

Thus, non-review of the adequacy of security deposit annually left the Company financially unsecured to the extent of ₹ 18.05 crore for the year 2012-13 in these selected circles. The Company should annually review the adequacy of security deposit made by the consumers to ensure minimum financial safeguard against supply of electricity.

The Government/Management accepted (August/July 2013) the facts and stated that the billing agency had been directed (June 2013) to print notices for enhanced security deposit and to provide updated ledger of the consumers requiring additional security deposit. It was also stated that the existing manpower always remained occupied in day-to-day technical and revenue related activities and in absence of adequate manpower, proper monitoring at different levels was not possible.

Rajasthan State Industrial Development and Investment Corporation Limited

4.6 Systemic lapses in completion of construction and commencement of production activities and recovery of retention charges

Rajasthan State Industrial Development and Investment Corporation Limited (Company) is a sole agency of Government of Rajasthan (GoR) involved in development of land for industrial enterprises. Allotment of land to entrepreneurs is done as per the provisions of 'RIICO Disposal of Land Rules, 1979' (Disposal Rules) framed by the Company. The Company, since inception (March 1969) allotted 52030 plots upto February 2013 in 323 industrial areas developed by it in various parts of Rajasthan. Out of the allotted plots, 9833 plots were lying vacant and in 3703 plots, the entrepreneurs had not commenced the production activities.

The present study was done (April 2013 to May 2013) to evaluate whether:

- the Company has evolved an efficient and effective system to ensure that the entrepreneurs adhered to the time schedule of commencement/completion of construction activities and commencement of production activities;
- time extension for commencement/completion for construction activities and commencement of production activities was granted as per Disposal Rules; and

- the Company recovered retention charges and took proper action against the defaulting entrepreneurs as per Disposal Rules.

Scope and Audit Criteria

The present study reviews the system developed by the Company to ensure adherence to the time limits of commencement/completion of construction and commencement of production activity by the entrepreneurs. Audit examination involved scrutiny of records for the period 2010-11 to 2012-13 at the Head Office and five[19] randomly selected units out of 26 units of the Company. Further, 50 cases among selected units were randomly picked up and analysed. The sources of audit criteria to achieve the audit objectives were:

- Rule 21 of Disposal Rules regarding time period for commencement and completion of construction activities and commencement of production activities;
- Rule 23(C) of Disposal Rules regarding time extension for delay in commencement of production activity or activity for which the plot is allotted;
- Rule 4(C) of Accounting and Business Rules, 1999 regarding verification of recoveries against rent/penalty/transfer/restoration/other charges by the accounts incharge;
- Agenda and minutes of Board of Directors, Infrastructure Development Committee (IDC) and Waiver Committee; and
- MIS and allotment files of individual entrepreneurs.

Audit findings

Commencement/completion of construction and commencement of production activities

Rule 21 of Disposal Rules provides that as a general provision, an allottee would be required to have construction activities completed within a period of two years and production activities started within a period of three years from the date of possession or execution of lease deed whichever is earlier. In cases of allotments in NCR[20] made on or after 19 May 2006, the allottees as a specific provision were required to commence construction activities within six months, complete the construction within 18 months and start production within 24 months from the date of possession or execution of lease deed whichever was earlier. Further, in cases of allotments made prior to 2 February 2004, allottees as a specific provision were required to commence production activities within a period of five years from the date of possession or execution of lease deed whichever was earlier.

Our scrutiny of records disclosed that the Company did not evolve any mechanism to monitor and satisfy itself about timely commencement/ completion of construction and commencement of production activities by the entrepreneurs. Cases relating to non-adherence of time limits came to the

19 Sitapura, Jaipur (North), Bhiwadi-I, Bhiwadi-II and Boranada.
20 National Capital Region.

notice of Company during inspections/visits made by Unit Heads in Industrial areas. The MIS prepared by the unit offices indicated only number of vacant plots and number of plots where production had not been commenced. The plot wise details as regards date of allotment and stipulated date of commencement/completion of construction and commencement of production activities were not maintained to ensure adherence of stipulated time period by the allottees.

Detailed scrutiny of the 50 selected cases disclosed that the plots were allotted between 1989 and 2010 but the production activity as on February 2013 was commenced only in 24 plots. The earliest allotted plot where production activity had not commenced (June 2013) pertained to 1991. The delay in commencement of production activities ranged between one and 20 years.

Time extension and levy of retention charges

Rule 23 (C) of the Disposal Rules provides time extension to the allottees on payment of retention charges, on the basis whether the plot was allotted upto 9 May 2005 or thereafter. In case of allotments made upto 9 May 2005, the Units Heads were delegated powers for granting extension for a maximum period of two years at a time and not exceeding five years beyond prescribed period of three years or till the industrial area was declared saturated, whichever was later. The Executive Director could grant further extension upto five years and the Managing Director had full powers for allowing extension. In case of allotments made after 9 May 2005, the Unit Heads were empowered to grant maximum extension for a period of one year in Category-A, two years in Category-B and three years in Category-C industrial areas. The Executive Director could grant further extension beyond that granted by Units Heads, one year at a time and upto maximum of two years in Category-A, three years in Category-B and five years in Category C industrial areas. No further extension beyond the maximum specified periods were to be granted and if the condition of completion of construction activities/commencement of production activities was not complied at the end of such extended period, the allotment was liable for cancellation. The Rule also provided that the Unit Heads would issue notice as wakeup call to plot allottees six months prior to expiry of stipulated/extended period for completion of construction activities/commencement of production activities. The allottees were either required to fulfill the conditions or get the stipulated time extended from competent authority on payment of retention charges, failing which the plot would be subject to cancellation.

Our scrutiny of the records of selected cases where allotment was made after 9 May 2005 disclosed that the Company allowed extension beyond the maximum time period of three years in violation of Rules. Out of total 19 cases among selected cases, the Company allowed time extension ranging between 41 and 69 months in six cases while in five other cases the Unit Heads granted extension upto 30 months. The production activities in remaining eight cases were commenced within the extended period of three years.

We noticed that there was no system in place to assess the dates on which the wakeup calls were to be issued through Show Cause Notices (SCN). As a result, wakeup calls prior to expiry of stipulated period were not found issued.

In 46 cases, we found that delay in issue of SCNs to defaulting entrepreneurs, after expiry of stipulated period, ranged between two and 162 months. In four cases, the SCNs were not even issued (April 2013) despite lapse of stipulated period of construction during May 2001 to June 2009.

The terms and conditions of SCNs issued to entrepreneurs provided 30 days to respond for breach of terms and conditions of allotment by paying retention charges for delay failing which the allotment was to be cancelled without any further notice or intimation. Our scrutiny of records disclosed that the entrepreneurs either did not respond to the SCNs or responded belatedly. However, the Company did not cancel the plots of the defaulting entrepreneurs except for re-issue of SCNs. In three cases, the plots were cancelled but the same were restored on payment of retention and restoration charges by the entrepreneurs.

Under recovery of retention charges

Rule 23 (C) of Disposal Rules allows extension on payment of retention charges. In case of allotments made upto 9 May 2005, retention charges at the rate of 0.50 *per cent* per sqm. per quarter delay of prevailing rate of development charges were to be levied. For allotments made after 9 May 2005, retention charges at the rate of 0.75 *per cent* and 0.50 *per cent* per sqm. per quarter delay of prevailing rate of development charges for construction and production respectively were to be levied in case extension was granted by the Unit Heads. If the extension was granted by the Executive Director, retention charges at the rate of one *per cent* and 0.75 *per cent* per sqm per quarter delay of the prevailing rate of development charges for construction and production respectively were to be levied.

Our scrutiny of records at the selected unit offices disclosed that the retention charges were not levied as per rules and the Company short levied retention charges of ₹ 2.68 crore in 13 cases while in 16 cases, the retention charges of ₹ 1.02 crore were not levied.

As per Rule 4 (C) of the Accounting and Business Rules, 1999 the accounts incharge should check and verify the amount to be recovered on account of rent/penalty/transfer/restoration/other charges as the case may be. However, the retention charges levied were never checked and vetted by the local finance cell. Further, the retention charges for the allotments made prior to and after 9 May 2005 were calculated without referring to the Circulars/Rules.

Conclusions and recommendations

The Company failed to develop an effective and efficient system to monitor the compliance of provisions relating to commencement/completion of construction and commencement of production activities. There was no proper mechanism for issue of wakeup calls and SCNs. Further, the entrepreneurs failed to complete construction/commencement of production activities despite granting extension several times which defeated the very purpose of accelerating industrialization in the State.

The Company should evolve an efficient and effective system to ensure that the entrepreneurs adhere to the time schedule of commencement/completion of construction and commencement of

production activities. It should provide time extension, levy retention charges as per rules and take effective action against the defaulter entrepreneurs to sustain the pace of industrialisation.

The reply of the Government and Management was awaited (November 2013).

4.7 Systemic deficiencies in recovery of water charges

Systemic deficiencies in implementation of Rules, revision of water charges and lack of clarity in Rules resulted in Company incurring losses on supply of water to the industrial units.

Rajasthan State Industrial Development and Investment Corporation Limited (Company) is a nodal agency of Government of Rajasthan for industrial promotion in the State. The Company develops industrial areas in various parts of the State and facilitates the industrial units by providing/arranging essential ancillary services *viz.* supply of water, power *etc.* for industrialization. The facility of water supply in the industrial areas is either provided by the Company through own operated bore wells or after taking bulk supply from the Public Health Engineering Department (PHED). As on March 2013, the Company had developed 323 industrial areas out of which water supply in 162 areas was being provided through own operated bore wells while in remaining areas water was supplied by the PHED.

The water supply facility was reviewed (April 2013 to May 2013) to assess whether:

- The Company evolved an effective and efficient system for recovery of water charges, rates of water supply were fixed and revised in commensurate with the expenditure incurred there against; and
- The billing system was efficient, defective meters were replaced timely and security deposit was adequate to safeguard the financial interests of the Company.

Scope and criteria

Out of total 26 units of the Company providing water supply facility, five[21] units (19 *per cent*) were selected on the basis of losses, highest water charges outstanding, quality of record maintenance and mix of new and old industrial areas for detailed examination of records. Besides, the records at the Head office of the Company were examined to assess the overall system of water supply. The source of audit criteria were:

- Water Supply Rules, 1976[22],
- RIICO Disposal of Land Rules, 1979, and
- RIICO Accounting and Business Rules, 1999, and other circulars issued from time to time.

21 Sitapura, Jaipur (North), Bhiwadi-I, Bhiwadi-II and Boranada.

22 Framed by erstwhile Rajasthan State Industrial and Mineral Development Corporation Limited.

Audit findings

Revenue/expenditure and surplus/deficit on water supply facility

The position of revenue/expenditure and surplus/deficit on water supply facility during five years ending March 2013 is given below:

(₹ in crore)

Year	Recovery	Expenditure	Surplus/(deficit)	Percentage of expenditure over revenue
2008-09	5.36	11.04	(5.68)	205.97
2009-10	5.48	11.43	(5.95)	205.58
2010-11	5.46	11.85	(6.39)	217.03
2011-12	6.29	10.29	(4.00)	163.59
2012-13	6.57	9.90	(3.33)	150.68
Total	**29.16**	**54.51**	**(25.35)**	**185.25**

It could be seen that there was wide gap between recovery of water charges and expenditure incurred on the supply of water to industrial units which led to deficit of ₹ 25.35 crore during five years ending March 2013. Further, the financial statements disclosed outstanding water charges of ₹ 1.34 crore against the available security deposit of ₹ 1.08 crore as on 31 March 2012.

We noticed that the Company did not evolve any effective, efficient and uniform system as regards maintenance of records of drawal of ground water, distribution, security deposit from entrepreneurs *etc.* The selected units either did not maintain proper record or the record was not sufficient to assess the position of water supply made to the entrepreneurs. There was lack of uniformity in application of Rules followed by the selected five unit offices as the unit offices at Bhiwadi-II and Jaipur (North) issued bi-monthly bills where monthly bills were to be issued.

The Government accepted (October 2013) the facts and stated that losses in providing water supply facility were due to increase in energy charges and wages of the employees.

Non-revision of water charges

Rule 17 of the Water Supply Rules, 1976 provides for levy of water charges as per the rate fixed by the Company from time to time.

We noticed that the Company has no prescribed policy/system for revision of water charges commensurately with the expenditure incurred on supply of water. The economic viability of water supply schemes was never worked out and the Company followed PHED rates to levy water charges. The scrutiny of records disclosed that the unit offices proposed for revision of rates several times during the last 15 years ending March 2013 but the charges were revised only in November 2012 after December 1998 except at five[23] industrial areas at Boranada and one at Mandore where charges were revised in May 2004. Revision in these areas was on account of heavy cost of water supply due to acceptance of bulk supply from PHED at single point and thereafter distribution to industrial units by own mechanism. Further, it was noticed that the Company even failed to maintain parity with PHED rates because PHED

23 (1) Industrial Area Boranada, (2) Export Promotion Industrial Park Boranada, (3) Special Economic Zone Boranada, (4) Agro Food Park Boranada, (5) Shilpgram Boranada and (6) Industrial Area Mandore.

revised the rates in September 2007 but no proposal for revision was found on the records of the Company.

We observed that the Company was bound to incur losses on supply of water to industrial units as the rates of PHED were highly subsidized by the State Government. Further, the Company had to incur additional expenditure towards manpower, pumping, maintenance *etc.* on further distribution of water after receiving bulk supply from PHED at single point. This led to wide gap between recovery and expenditure incurred on water supply. The percentage of expenditure over recovery during five years ending March 2013 ranged between 150.68 and 217.03 *per cent.*

The Government accepted the facts and stated that the Company would follow a system to ensure that rates of water charges are reviewed periodically to reduce losses.

The Company should evolve a system for revision of rates in accordance with the expenditure incurred on water supply in different industrial areas.

Defective Meters

Rule 22 of the Water Supply Rules, 1976 provides that consumption through a water meter is prima-facie a record for all purposes and in case meter is reported to be or is out of order, the water consumption shall be computed as per prescribed criteria. The prescribed criteria include (i) average of the immediately preceding month or average of preceding three months, (ii) corresponding consumption of previous year period, and (iii) such reliable data as may be considered by the concerned Regional Manager. Rule 16 (e), further, provides that the consumer shall repair or replace the defective meter at his own cost failing which the connection is liable to be disconnected and recovery to be made as per Public Demand Recovery Act, 1952 or Company rules. The position of total number of connections and defective meters during three years ending March 2013 was as below:

Name of Unit	Connections at the end of year			Defective meters/connection at the end of the year			Percentage of defective meters to total connections		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Sitapura	1544	1544	1544	381	416	448	24.68	26.94	29.02
Jaipur (North)	1545	1697	1776	227	219	228	14.69	12.91	12.84
Boranada	630	661	690	145	151	118	23.02	22.84	17.10
Bhiwadi-I	1166	1171	1173	48	52	68	4.12	4.44	5.80
Bhiwadi-II	272	190	215	70	84	94	25.74	44.21	43.72

It could be seen that the percentage of defective meters in the selected units during three years ending March 2013 ranged between 4.12 *per cent* (Bhiwadi-I) and 44.21 *per cent* (Bhiwadi-II). Our scrutiny of records disclosed that the Company was billing water charges as per the criteria prescribed in case of defective meters. However, the units did not maintain uniformity in the application of prescribed criteria as the selected units other than Jaipur (North) were charging the maximum rates worked out as per prescribed criteria while Jaipur (North) was billing on the basis of average of preceding three months or any other rate which was not in accordance with the Rules.

We noticed that the Rules neither prescribed any time limit for repair/replacement of defective meters nor provided for any penalty for failure in carrying out repairs and replacements. In absence of clarity in Rules, the meters remained defective for as long as 48 months and the Company also did not disconnect the water supply. The internal correspondence (June 2006) between Sikar unit and civil unit of the Company disclosed that in the past, there was a provision for incremental increase of the billing amount by 10 *per cent* every month till repair/replacement of meter to compel the entrepreneurs to carry out timely repair/replacement. However, this provision was discontinued but no record was produced to show the date of coming into effect of this discontinuance.

The Government accepted the facts and stated that the Company had issued instructions to all the units and action would be taken at the Head office level to ensure compliance of the Water Supply Rules.

The Company should ensure timely replacement of defective meters to avoid any possible losses on account of inaccurate meter reading.

Security deposit

The Company decided (May 1998) to keep security deposit equivalent to three months gross minimum charges subject to a minimum of ₹ 500 per establishment. The minimum limit of security deposit was scaled down to ₹ 200 per establishment at the time of tariff revision during December 1998. However, the unit offices accepted security deposit on the basis of both circulars/criteria.

We noticed that water charges amounting to ₹ 24.77 lakh were pending for recovery as on March 2013 in respect of disconnected consumers in selected units. Test check of records in respect of 50 disconnected consumers disclosed that the available security deposit was ₹ 0.28 lakh only against outstanding water charges of ₹ 2.36 lakh. Besides this, the records also disclosed that the Company continued to supply water to consumers who did not pay water bills as long as 12 months.

We observed that the security deposit clause was not proper to safeguard the financial interests of the Company as it was based on three months gross minimum charges instead of actual consumption of water. Further, Bhiwadi-I unit was collecting security deposit at the rate of ₹ 500 or three months net minimum charges instead of three months gross minimum charges. This led to under levy of security deposit and shows disparity in implementation of orders by the different units. Timely action for revision of security deposit based on the pattern of past consumption could not be taken due to fixation of minimum charges as per the category of service connection/size of pipe.

The Government accepted the fact and stated that the Company would follow a system to ensure the periodical revision of security deposit amount.

We recommend that the Company should periodically review the actual consumption pattern of its consumers and revise the security deposit accordingly.

Thus, the Company incurred heavy losses on supply of water to industrial units due to non-revision of tariff periodically and the gap between recovery of

water charges and expenditure led to deficit of ₹ 25.35 crore at the end of March 2013. The meters of the consumers remained defective as long as 48 months but the same were neither replaced by the consumers nor their supplies disconnected. Moreover, inadequate security deposit also led to non-recovery of outstanding water charges of the disconnected consumers.

4.8 Regularisation of sale of land in violation of rules

The Company regularized sale of land in violation of rules and incurred loss of ₹ 1.02 crore.

Rule 3(W) of RIICO Disposal of Land Rules, 1979 (Rules) of Rajasthan State Industrial Development and Investment Corporation Limited (Company) provides allotment of land on the condition that sale of land will not be allowed before commencement of commercial production. The Company allotted (28 November 2007) 28000 sqm land to Sriram Cables Private Limited (Sriram Cables) at ₹ 6.35 crore under Rule 3(W) at industrial area, Pathredi for setting up 'Manufacturing of wires and cables' unit on deposit of 25 *per cent* development charges. Sriram Cables was required to deposit the remaining 75 *per cent* development charges within 60 days, commence construction activity within six months and production activities within the next 18 months as per the terms and conditions of allotment letter. Further, transfer of vacant plot before commencement of production was not permitted and in case of failure to adhere to the terms and conditions, the allotment was to be automatically treated as cancelled and the deposited amount was to be forfeited.

We noticed (May 2013) that Sriram Cables did not adhere to any of the above mentioned terms and conditions of the allotment. The balance payment of ₹ 4.76 crore towards development charges was not deposited within the time schedule of 60 days. The Company belatedly (1 August 2008) issued notice responding to which Sriram Cables asked for (18 August 2008) calculation sheet for making payment to be made in installments. The Company granted (17 September 2008) permission for payment in six quarterly installments ending 31 December 2009 but the same were not paid. A Show Cause Notice (SCN) was also issued (23 December 2008) for violation of terms and conditions of allotment, which remained un-replied to. Later on, Sriram Cables deposited four installments on 29 June 2009 and remaining two installments with interest and other dues on 2 July 2009 respectively. Accordingly, lease deed was executed on 7 July 2009.

We further noticed that the Company issued (1 November 2011) SCN to Sriram cables for non-commencement of production activity and in response it was informed (18 November 2011) that the land had already been sold to Lorom India Corporation Private Limited (LICPL) for a consideration of ₹ 8.90 crore. A copy of sale deed dated 7 August 2009 was also submitted with the request to transfer the land in favour of LICPL.

The Infrastructure Development Committee (IDC) of the Company approved (June 2012) transfer of land to LICPL as a special case. The IDC also decided, only to recover transfer charges of ₹ 1.62 crore at the rate of 18.75 *per cent* of prevailing development charges from LICPL and the applicable retention charges of ₹ 43.09 lakh were waived on its request. Further, the transfer

charges were reduced (January 2013) to 15 *per cent* on the request (14 August 2012) of the Joint Secretary, Ministry of Commerce and Industry, Government of India.

We observed that Sriram Cables had no intention to commence the proposed business as even the construction activity was not started till sale of land to LICPL. This defeated the very purpose of allotment under Rule 3(W) as preferential allotment was made after dispensing with the requirement of invitation of expression of interest in newspapers. The Company by not taking action as per Rules, provided opportunity to Sriram Cables to sell the land in violation of the terms of allotment. Sriram Cables made full payment of all the installments on 29 June 2009 (₹ 4.30 crore)/2 July 2009 (₹ 1.37 crore) only when it had sold the land to LICPL on 8 May 2009 for which it received payment of ₹ 6.69 crore during 8 May 2009 to 7 July 2009 in three[24] installments and balance payment of ₹ 2.21 crore on 7 August 2009.

Sriram Cables had earned a profit of ₹ 1.57 crore[25] on an investment of ₹ 1.66 crore[26] as it made payment of the remaining amount to the Company only after agreement of sale with LICPL and on receipt of two installments from LICPL towards sale consideration. Besides, the decision of IDC to waive retention charges of ₹ 43.09 lakh and provide discount of 3.75 *per cent* (₹ 32.32 lakh) in payment of transfer charges to LICPL was contrary to the laid down rules.

The Company instead of cancelling the allotment of Sriram Cables had extended undue favour by regularizing the sale in violation of rules. Had the Company made fresh allotment to LICPL at the prevailing rate of development charges, it could have earned revenue of ₹ 1.02 crore[27].

The reply of the Government and Management was awaited (November 2013).

4.9 Rebate on larger size plot in violation of rules

The IDC allowed rebate of ₹ 48.83 lakh for larger size plot in violation of the rule of saturation of the industrial area.

The Infrastructure Development Committee (IDC) of Rajasthan State Industrial Development and Investment Corporation Limited (Company) adopted revised (5 September 2011) norms of classifying an industrial area as 'saturated'. As per new norms, an industrial area was saturated, once more than 80 *per cent* of the saleable industrial land is allotted instead of the existing 90 *per cent* threshold limit. In the same meeting (5 September 2011), IDC also accorded approval for preferential allotment of 11000 sqm land to Harmony Systems Private Limited (HSPL) under Rule 3(E) of RIICO Disposal of Land Rules, 1979 (Disposal Rules) for setting up a design institute

24 ₹ 2.28 crore on 8 May 2009, ₹ 2.20 crore on 18 June 2009 and ₹ 2.21 crore on 7 July 2009.

25 ₹ 8.90 crore being sales proceeds received by Sriram Cables from LICPL less ₹ 7.33 crore being the amount paid by Sriram Cables to the Company.

26 ₹ 16604085 deposited by Sriram Cables for getting allotment in November 2007 include ₹ 15876000 towards 25 *per cent* development charges and ₹ 728085 towards economic rent, security money for land *etc*.

27 [Prevailing rate (₹ 3100 per sqm) *less* allotment rate (₹ 2268 pre sqm)] X Area of plot (27800 sqm) less transfer charges recovered from LICPL (₹ 12927000).

at industrial area Ramchanderpura. The approval was accorded as a special case by relaxing the provisions of Rule 3(E) as the proposed design institute did not fall under the definition of educational institute.

We noticed (November 2012) that the IDC allotted land to HSPL at the rate applicable for educational institute without allowing rebate under Rule 3(E) (iii)[28] for larger size plot. Accordingly, the unit office issued (23 September 2011) allotment letter to HSPL for 10851 sqm land at the rate of ₹ 4500 per sqm. Subsequently, HSPL submitted (5 November 2011) a representation for allowing rebate in rate under Rule 3(E) (iii). The request was examined by the unit office which observed that HSPL was not eligible for rebate as the industrial area was saturated[29] under the revised norms of saturation. The Head Office instead recommended to IDC for allowing rebate on the plea that HSPL had filed (16 August 2011) the application for allotment of land before declaration of the area as saturated. The IDC approved (9 March 2012) the recommendation and HSPL was allowed rebate of ₹ 48.83 lakh.

We observed that the plea of management was not correct as on the date of allotment of above land to HSPL, the new revised saturation norms had come into effect. As the decision to revise the saturation norms and the allotment were made on the same day (5 September 2011), the IDC should have allowed the rebate under Rule 3(E) (iii) on this same date but it was not so. The decision of the IDC to allow rebate in already saturated industrial area was in violation of its own decision and Rule 3(E) (iii) besides loss of revenue of ₹ 48.83 lakh to the Company.

The Government stated (October 2013) that the IDC was competent committee authorised by the Board to take decisions on such matters. The IDC after due deliberation accorded approval for 10 *per cent* rebate in rate of allotment. The fact remained that the IDC allowed rebate in violation of its own decision and Rule 3(E) (iii) of Disposal Rules.

4.10 Undue favour to bidders by out of court settlement

The Company extended undue favour to the bidders by making out of court settlement and incurred minimum loss of ₹ 30.42 lakh by allotting plots in June 2011 at the rates of July 2009.

Bhilwara unit of Rajasthan State Industrial Development and Investment Corporation Limited (Company) published (28 May 2009) notice for auction of E-492 (3308 sqm) and E-493 (3233 sqm) plots besides 18 other plots at Growth Centre, Hamirgarh. The terms and conditions of auction notice specifically provided that the Company reserves the right to accept/reject any auction or bid. During auction, two bidders[30] submitted highest bids of ₹ 406 per sqm and ₹ 408 per sqm for plot no. E- 492 and E- 493 respectively against

28 Rule 3(E) (iii) provides that a 10 *per cent* rebate in rate of development charges shall be allowed while allotting minimum land of 10000 sqm in unsaturated industrial areas. The rebate shall increase by @ 0.5 *per cent* per 1000 sqm for land allotment of more than 10000 sqm, subject to maximum rebate of 25 *per cent* on both the counts put together.

29 86 *per cent* of the saleable area had already been allotted by the time allotment was made to HSPL.

30 Smt. Sangeeta Bapna for plot no. E-492 and Shri Saransh Bapna for plot no. E-493.

reserve price of ₹ 400 per sqm. The auction committee, however, recommended for cancellation of bids and re-auction after advertisement. The Managing Director also rejected the bids considering them non-competitive on the recommendation of Advisor (Infra) and directed (6 July 2009) to issue fresh notice for auction. The notice was issued (15 July 2009) and re-auction was held on 30 July 2009 wherein highest bids of ₹ 825 per sqm and ₹ 1100 per sqm for plot no. E- 492 and E- 493 respectively were received. The bidders[31], however, did not deposit the amount as per terms and conditions of the auction and as such the bids were cancelled.

We noticed (November 2012) that both the highest bidders of auction dated 28 May 2009 filed (20 July 2009) a civil suit in the court of Civil Judge (Junior Division), Bhilwara to restrain the Company from re-auction of plot no. E-492 and E- 493. However, the applications were rejected on 30 July 2009. On rejection, they filed (12 August 2009) an appeal before District Judge Court, Bhilwara where the Company was directed (23 September 2009) not to carry out any auction proceedings till disposal of the appeal. The Company filed (January/February 2010) a writ petition in Jodhpur High Court against the order of District Judge.

While the petition was pending before High Court, both the applicants submitted (15 November 2010) representation to the Company for considering allotment of the plots to them as per their bid dated 28 May 2009 with the proposal to withdraw cases. The matter was placed (24 March 2011) before the State Level Settlement Committee[32] (SLSC) to consider allotment of plot no. E- 492 and E-493 at ₹ 755 per sqm and ₹ 672.66 per sqm (average rate of allotment received during second auction held on 30 July 2009). The SLSC, however, rejected the requests of applicants on the ground that their bids were found non-competitive and rejected by the auction committee. Thereafter, the case was discussed (11 April 2011) by Minister, Industries with the applicants and the Managing Director of the Company wherein he was apprised about rejection of the applicants request by SLSC. It was also apprised that the auction committee did not mention any ground for cancellation of bids above the reserve price in the auction held on 28 May 2009. The Minister directed (11 April 2011) that the case be put up again before SLSC.

The Management after the meeting with Minister, Industries, again examined the case and found that the cancellation of the bids was not justified as no reasons were assigned by the auction committee. It took the decision to put up the matter before Infrastructure Development Committee (IDC). The IDC decided (9 June 2011) to allot both the plots at the rate of ₹ 805 per sqm, being the highest rate received in auction held on 30 July 2009 other than auction rate for E- 492 and E- 493 plots.

We observed that the Company failed to apprise the Minister, Industries about the true reasons of cancellation of bids as the Managing Director had himself approved re-auction on the recommendations of the auction committee and Advisor (Infra) due to non-competitive bids. Further, instead of putting the

31 Vimla Devi Bapna for Plot no. E- 492 and Vimla Devi for plot no. E- 493.

32 SLSC comprised of Commissioner Industries, Commissioner (Investment and NRI), Chairman and Managing Director (RFC), Principal Secretary Mines and Petroleum and Managing Director (RIICO).

case before SLSC, the matter was put up (9 June 2011) before IDC with the recommendation that the cancellation was not justified. Besides, the Company completely ignored the fact that the applicants influenced the bidding process of the auction held on 30 July 2009. This was evident from the verification of bid-sheet wherein the person who submitted highest bid for plot E- 492 was the same who submitted highest bid on 28 May 2009 on behalf of applicants. The applicants, therefore, subverted the bidding process by submitting the highest bid and not depositing the amount so as to get the allotment at the bids submitted on 28 May 2009.

Thus, the Company extended undue favour to the bidders by making out of court settlement and incurred minimum loss of ₹ 30.42 lakh[33] by allotting plots in June 2011 at the rates of July 2009 whereas in auctions held during March 2011, the rates ranged between ₹ 877 per sqm and ₹ 2351 per sqm. As the Company reserved the right to accept/reject the auction or bid and had filed an appeal in the High Court its action to settle the land dispute with the bidders was questionable.

The Government stated (September 2013) that the IDC took decision to resolve the matter out of court in the interest of the Company. However, the fact remains that the IDC did not consider prevailing rates while making out of court settlement.

Statutory Corporations

Rajasthan State Road Transport Corporation

4.11 Avoidable extra expenditure

The Corporation had to bear extra expenditure of ₹ 68.78 lakh due to failure in placing repeat order as per the policy and terms and conditions of agreement.

The Bus Body Building Policy of the Rajasthan State Road Transport Corporation (Corporation) provides that tenders for fabrication of bus-bodies should be invited for fixed quantity and rates should be valid for 12 months or for specified quantity whichever is later. The Corporation invited (May 2011) tenders (a) for procurement of 840 number of chassis of super express blue line buses and (b) fabrication of bus-bodies on chassis procured. The financial bids for fabrication of bus-bodies were opened on 4 August 2011 wherein the offer of 'Asia Body Builders and Manufacturers, Jaipur' (ABBM) was found lowest at the rate of ₹ 356500 per bus excluding taxes with fabrication capacity of 30 buses per month. The Bus-body Building Committee (BBC) requested (10 August 2011) ABBM to submit increased capacity for fabrication of super express blue line buses. The lowest rate was also offered to other bidders but none of the bidder accepted the offer. However, ABBM revised (16 August 2011) its capacity to 420 in 11 cycles (months).

33 As per weighted average rate of auction received during auction held on 7, 9 and 11 March 2011.

We noticed (May 2013) that the BBC instead of placing order to ABBM as per its revised capacity, decided (30 August 2011) to place order for only 240 bus bodies and to invite short term tender for remaining 600 bus bodies. An agreement with ABBM for fabrication of 240 bus-bodies was executed on 12 September 2011 and work order was issued on 15 September 2011. The terms and conditions of the agreement provided that the repeat order for fabrication of bus bodies other than ordered quantity could always be placed on the same rates during a period of one year from the date of signing of the agreement and ABBM was bound to accept the same otherwise earnest money and security deposit would be forfeited. The ABBM fabricated the ordered quantity of 240 bus bodies upto September 2012 as per the schedule provided by the Corporation.

Our scrutiny of records disclosed that the Corporation as per its decision invited (September 2011) short term tender notice for remaining 600 number of bus-bodies. The lowest quoted rate was ₹ 3.70 lakh per bus from ABBM for five bus-bodies per month. However, the BBC counter offered (10 October 2011) rate of ₹ 3.65 lakh per bus (2nd lowest of previous tender) which was accepted by four firms and work orders for 127 bus bodies were placed in December 2011. Further, the BBC placed orders for 60 bus-bodies to three[34] firms in August 2012, 80 bus-bodies to ABBM and 86 bus-bodies to other five firms in September 2012 at the rate of ₹ 3.65 lakh per bus. The Corporation again invited (September 2012) tender for remaining 247 bus bodies and orders were placed (March 2013) on six[35] firms at the rate of ₹ 4.15 lakh per bus including VAT.

We observed that the decision of the BBC to place order to ABBM for only 240 bus-bodies against the capacity of 420 buses was not prudent as the offered rate was lower than the rate (₹ 4.22 lakh per bus) at which bus-bodies were fabricated prior to this order. Further, the decision to invite short term tenders in September 2011 was also not correct as the Corporation could have placed repeat order to ABBM and ABBM was bound to accept repeat order within one year from the date of signing of the agreement. Besides, in case order was placed for 420 buses, ABBM was to complete the same at the rate of ₹ 356500 per bus during the schedule provided by the Corporation.

Thus, the Corporation had to bear extra expenditure of ₹ 68.78 lakh[36] due to failure in placing repeat order for 240 more bus-bodies to ABBM as per the policy and terms and conditions of agreement.

The Government/Management accepted (August/July 2013) the facts and stated that decision to invite short term tender for remaining 600 number of bus bodies was taken in anticipation of lower fabrication rates.

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34 Orders for 20 chassis each to Mohindra Coaches (India) Private Limited Jaipur, Bharat Metal fabricators, Jaipur and Shyam Coach Engineers, Jaipur were placed on 7 August 2012.

35 Mohindra Coaches (India) Private Limited, Jaipur (96 bus bodies), Asia Body Builders and Manufacturers, Jaipur (48 bus bodies), Shyam Coach Engineers, Jaipur (48 bus bodies), Bharat Metal fabricators (45 bus bodies) and Ameriya Brothers, Jaipur (10 bus bodies).

36 (₹ 365000 - ₹ 356500) X 80 buses and (₹ 395238 excluding taxes - ₹ 356500) X 160 buses.

General Paragraph

4.12 Follow-up action on Audit Reports

Replies outstanding

4.12.1 The Report of the Comptroller and Auditor General of India represents the culmination of the process of audit scrutiny starting with initial inspection of accounts and records maintained in various offices and departments of the Government. It is, therefore, necessary that they elicit appropriate and timely response from the Executive. Finance Department, Government of Rajasthan issued (July 2002) instructions to all Administrative Departments to submit replies, duly vetted by Audit, indicating the corrective/remedial action taken or proposed to be taken on paragraphs and performance audit included in the Audit Reports within three months of their presentation to the Legislature.

The Audit Report for the year 2011-12 was presented to State Legislature in March 2013 and explanatory notes in respect of 14 draft paragraphs and two performance audits were received from the Government.

Response to Inspection Reports, Draft Paras and Performance Audit

4.12.2 Audit observations noticed during audit and not settled on the spot are communicated though Inspection Reports (IRs) to the Heads of respective Public Sector Undertakings (PSUs) and concerned departments of the State Government. The Heads of PSUs are required to furnish replies to the IRs through the respective Heads of the departments within a period of four weeks. A half yearly report is sent to Principal Secretary/Secretary of the department in respect of pending IRs to facilitate monitoring of the audit observations contained in those IRs.

Inspection Reports issued up to March 2013 pertaining to 26 PSUs disclosed that 2597 paragraphs relating to 658 IRs involving monetary value of ₹ 1705.98 crore remained outstanding at the end of September 2013. Even initial replies were not received in respect of 33 paragraphs of four PSUs. Department-wise break up of IRs and audit observations as on 30 September 2013 is given in **Annexure-18**. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 14 out of 48 PSUs. 39 Audit Committee meetings were held during 2012-13 wherein position of outstanding paragraphs was discussed with executive/administrative departments to ensure accountability and responsiveness.

Similarly, draft paragraphs and report on performance audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. We, however, observed that four draft paragraphs and two performance audit reports forwarded to various departments between August 2013 and October 2013, as detailed in **Annexure-19** had not been replied to so far (November 2013).

We recommend that the Government may ensure that: (a) procedure exists for action against the officials who fail to send explanatory notes to paragraphs in Audit Reports and replies to inspection reports/draft paragraphs/performance audit report, as per the prescribed time schedule; (b) action to recover

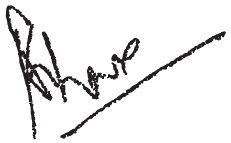
loss/outstanding advances/overpayments is taken within a prescribed period and (c) the system of responding to the audit observations is revamped.



JAIPUR
The

(S. ALOK)
Accountant General
(Economic and Revenue Sector Audit), Rajasthan

Countersigned



NEW DELHI
The

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

ANNEXURES

Annexure–1

(Referred to in paragraph 1.11)

Statement showing particulars of up to date paid-up capital, loans outstanding and Manpower as on 31 March 2013 in respect of Government companies and Statutory corporations

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[@@] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
A. Working Government Companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Seeds Corporation Limited	Agriculture	28-Mar-1978	6.33	1.04	0.22	7.59	-	-	-	-	-	238
Sector wise total				**6.33**	**1.04**	**0.22**	**7.59**	**-**	**-**	**-**	**-**		**238**
FINANCE SECTOR													
2	Rajasthan Small Industries Corporation Limited	Industries	3-Jun-1961	6.64	0.27	0.05	6.96	1.01	-	-	1.01	0.15:1 (1.04:1)	201
3	Rajasthan State Handloom Development Corporation Limited	Industries	3-Mar-1984	21.85	-	0.55	22.40	-	-	0.57	0.57	0.03:1 (0.06:1)	31
4	Rajasthan State Power Finance Corporation Limited	Finance	22-Dec-2012	15.00	-	-	15.00	-	-	-	-	-	NA
Sector wise total				**43.49**	**0.27**	**0.60**	**44.36**	**1.01**	**-**	**0.57**	**1.58**		**232**
INFRASTRUCTURE SECTOR													
5	Rajasthan State Industrial Development and Investment Corporation Limited	Industries	28-Mar-1969	210.19	-	-	210.19	-	-	-	-	-	970
6	Rajasthan State Road Development and Construction Corporation Limited	Public Works Department	8-Feb-1979	20.00	-	-	20.00	-	-	618.84	618.84	30.94:1 (22.85:1)	352
7	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	Local Self Government	1-Dec-2004	33.00	-	-	33.00	-	-	-	-	-	24
Sector wise total				**263.19**	**-**	**-**	**263.19**	**-**	**-**	**618.84**	**618.84**		**1346**

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[*+] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
MANUFACTURE SECTOR													
8	Barmer Lignite Mining Company Limited (subsidiary Joint Company of Sl. No. A(11))	Mines	19-Jan-2007	-	-	20.00	20.00	-	-	1215.09	1215.09	60.75:1 (56.21:1)	5
9	Rajasthan State Beverages Corporation Limited	Finance (Excise)	24-Feb-2005	2.00	-	-	2.00	-	-	-	-	-	161
10	Rajasthan State Ganganagar Sugar Mills Limited	Finance (Excise)	1-Jul-1956	36.79	-	0.05	36.84	-	-	-	-	-	1693
11	Rajasthan State Mines and Minerals Limited (Government company since December 1974)	Mining and Petroleum	7-May-1947	77.54	-	0.01	77.55	-	-	-	-	- (0.01:1)	1701
12	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl. No. A(11))	Mining and Petroleum	10-Jul-2008	-	-	1.10	1.10	-	-	-	-	-	NIL
13	Rajasthan State Refinery Limited	Mining and Petroleum	14-Sep-2012	5.10	-	-	5.10	-	-	-	-	-	NA
Sector wise total				**121.43**	**-**	**21.16**	**142.59**	**-**	**-**	**1215.09**	**1215.09**		**3560**
POWER SECTOR													
14	Ajmer Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	2428.81	-	-	2428.81	840.42	121.61	4345.22	5307.25	2.19:1 (4.75:1)	16700
15	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	7-Aug-2008	-	-	0.05	0.05	-	-	-	-	-	NIL
16	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	5-Jul-2010	-	-	0.05	0.05	-	-	-	-	-	NIL
17	Chhabra Power Limited (Subsidiary of Sl. A (27))	Energy	22-Nov-2006	-	-	0.05	0.05	-	-	-	-	-	NIL
18	Dholpur Gas Power Limited (Subsidiary of Sl. A (27))	Energy	22-Nov-2006	-	-	0.05	0.05	-	-	-	-	-	NIL
19	Giral Lignite Power Limited (Subsidiary of Sl. A (27))	Energy	23-Nov-2006	-	-	200.00	200.00	-	-	252.25	252.25	1.26:1 (2.14:1)	174

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[¶]				Loans[**] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
20	Gurha Thermal Power Company Limited (Subsidiary of Sl. A (26))	Energy	16-Apr-2009	-	-	0.05	0.05	-	-	-	-	-	NIL
21	Jaipur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	2684.85	-	-	2684.85	916.04	-	19571.30	20487.34	7.63:1 (5.75:1)	19607
22	Jodhpur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	2293.84	-	-	2293.84	166.44	149.76	4436.05	4752.25	2.07:1 (6.15:1)	19498
23	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	Energy	17-Sep-2010	-	-	0.05	0.05	-	-	-	-	-	NIL
24	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	Energy	6-Jan-2011	-	-	0.05	0.05	-	-	-	-	-	NIL
25	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	Energy	6-Jan-2011	-	-	0.05	0.05	-	-	-	-	-	NIL
26	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Energy	19-Jun-2000	2593.00	-	-	2593.00	204.42	-	7193.63	7398.05	2.85:1 (2.86:1)	11806
27	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Energy	19-Jun-2000	5965.59	-	-	5965.59	138.07	-	11923.25	12061.32	2.02:1 (2.03:1)	3904
28	Rajasthan Renewable Energy Corporation Limited	Energy	6-Apr-1995	12.94	-	-	12.94	-	-	38.87	38.87	3.00:1	76
29	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(28))	Energy	2-Nov-2011	-	-	0.05	0.05	-	-	1.00	1.00	20.00:1 (10.00:1)	NIL
Sector wise total				**15979.03**	**-**	**200.45**	**16179.48**	**2265.39**	**271.37**	**47761.57**	**50298.33**		**71765**
SERVICE SECTOR													
30	Bikaner City Transport Services Limited	Local Self Government	7-May-2008	-	-	0.30	0.30	-	-	-	-	-	NIL
31	Jaipur City Transport Services Limited	Local Self Government	6-Feb-2008	-	-	10.00	10.00	-	-	2.89	2.89	0.29:1 (6.59:1)	175

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
32	Jaipur Metro Rail Corporation Limited	Urban Development and Housing	1-Jan-2010	1047.04	-	166.00	1213.04	-	-	-	-	-	376
33	Kota City Transport Services Limited[#]	Local Self Government	22-Dec-2006	-	-	0.10	0.10	-	-	-	-	-	NIL
34	RajCOMP Info Services Limited	Information, Technology & Communication	27-Oct-2010	5.00	-	-	5.00	-	-	-	-	-	56
35	Rajasthan Civil Aviation Corporation Limited	General Administrative and Civil Aviation	20-Dec-2006	1.87	-	-	1.87	-	-	-	-	-	4
36	Rajasthan Ex-Servicemen Corporation Limited	Sainik Kalyan Department	29-Mar-2012	5.00	-	-	5.00	-	-	-	-	-	NA
37	Rajasthan Medical Services Corporation Limited	Medical, Health and Family Welfare	4-May-2011	5.00	-	-	5.00	53.88	-	-	53.88	10.78:1 (1.00:1)	137
38	Rajasthan Skill and Livelihoods Development Corporation	Labour and Employment	17-Aug-2010	0.05	-	-	0.05	-	-	-	-	-	8
39	Rajasthan State Food & Civil Supplies Corporation Limited	Food, Civil Supplies and Consumer Affairs	8-Dec-2010	50.00	-	-	50.00	55.10	-	-	55.10	1.10:1 (-)	99
40	Rajasthan State Hotels Corporation Limited	Tourism	7-Jun-1965	2.16	-	-	2.16	-	-	-	-	-	72
41	Rajasthan Tourism Development Corporation Limited	Tourism	24-Nov-1978	21.95	-	-	21.95	-	-	4.65	4.65	0.21:1 (0.08:1)	1127

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
42	Udaipur City Transport Services Limited	Local Self Government	8-Jan-2007	-	-	0.30	0.30	-	-	-	-	-	NIL
Sector wise total				**1138.07**	**-**	**176.70**	**1314.77**	**108.98**	**-**	**7.54**	**116.52**		**2054**
MISC. SECTOR													
43	Rajasthan Jal Vikas Nigam Limited	Ground Water Department	25-Jan-1984	1.27	-	-	1.27	-	-	-	-	-	33
Sector wise total				**1.27**	**-**	**-**	**1.27**	**-**	**-**	**-**	**-**	**-**	**33**
Total A (All sector wise working Government companies)				**17552.81**	**1.31**	**399.13**	**17953.25**	**2375.38**	**271.37**	**49603.61**	**52250.36**		**79228**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	Industries	17-Jan-1955	103.31	-	32.42	135.73	-	-	555.18	555.18	4.09:1 (6.09:1)	696
Sector wise total				**103.31**	**-**	**32.42**	**135.73**	**-**	**-**	**555.18**	**555.18**		**696**
SERVICE SECTOR													
2	Rajasthan State Road Transport Corporation	Transport	1-Oct-1964	382.13	26.83	-	408.96	10.00	-	675.80	685.80	1.68:1 (2.42:1)	19822
3	Rajasthan State Warehousing Corporation	Agriculture	30-Dec-1957	3.93	-	3.92	7.85	-	-	8.75	8.75	1.11:1 (1.11:1)	425
Sector wise total				**386.06**	**26.83**	**3.92**	**416.81**	**10.00**	**-**	**684.55**	**694.55**		**20247**
Total B (All sector wise working Statutory corporations)				**489.37**	**26.83**	**36.34**	**552.54**	**10.00**	**-**	**1239.73**	**1249.73**		**20943**
Grand Total (A + B)				**18042.18**	**28.14**	**435.47**	**18505.79**	**2385.38**	**271.37**	**50843.34**	**53500.09**		**100171**
C. Non working Government companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Agro Industries Corporation Limited	Agriculture	1-Aug-1969	6.01	-	-	6.01	3.36	-	-	3.36	0.56:1 (0.52:1)	NIL

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2012-13				Debt equity ratio for 2012-13 (Previous year)	Manpower (No. of employees as on 31.3.2013)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
2	Rajasthan State Dairy Development Corporation Limited	Dairy	31-Mar-1975	0.16	2.72	-	2.88	-	-	-	-	-	NIL
Sector wise total				**6.17**	**2.72**	**-**	**8.89**	**3.36**	**-**	**-**	**3.36**	**-**	**NIL**
Total C (All sector wise non working Government Companies)				**6.17**	**2.72**	**-**	**8.89**	**3.36**	**-**	**-**	**3.36**		**NIL**
Grand Total (A + B + C)				**18048.35**	**30.86**	**435.47**	**18514.68**	**2388.74**	**271.37**	**50843.34**	**53503.45**		**100171**

Above includes Section 619-B companies at Sl. No - A- 30, A-31, A-33 & A-42 and Section 25 Company at Sl. No. A-38

$ Paid-up capital includes share application money.

** Loans outstanding at the end of 2012-13 represent long-term loans only.

Ω Company at Sl. No A-33 did not provide information for the year 2012-13 and 2011-12. Figures relating to this Company as shown above are pertaining to 2010-11.

Annexure – 2

(Referred to in paragraph 1.35)

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments[¥]	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[µ]	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
A. Working Government Companies														
AGRICULTURE & ALLIED SECTOR														
1	Rajasthan State Seeds Corporation Limited	2012-13	2013-14	32.91	3.22	2.04	27.65	293.06	Decrease in profit by ₹ 0.69 crore	7.59	80.49	88.08	30.87	35.05
Sector wise total				**32.91**	**3.22**	**2.04**	**27.65**	**293.06**		**7.59**	**80.49**	**88.08**	**30.87**	
FINANCE SECTOR														
2	Rajasthan Small Industries Corporation Limited	2012-13	2013-14	3.04	0.47	0.43	2.14	118.52	Decrease in profit by ₹ 0.01 crore	6.96	-30.67	-11.08	2.61	-
3	Rajasthan State Handloom Development Corporation Limited	2012-13	2013-14	0.45	0.05	0.01	0.39	14.18	-	22.40	-52.87	-29.77	0.44	-
4	Rajasthan State Power Finance Corporation Limited	2012-13	2013-14	-0.07	-	-	-0.07	-	-	15.00	-0.07	14.93	-0.07	-0.47
Sector wise total				**3.42**	**0.52**	**0.44**	**2.46**	**132.70**		**44.36**	**-83.61**	**-25.92**	**2.98**	
INFRASTRUCTURE SECTOR														
5	Rajasthan State Industrial Development and Investment Corporation Limited	2012-13	2013-14	272.03	0.03	0.61	271.39	862.42	Increase in profit by ₹6.78 crore	210.19	793.64	1325.99	271.42	20.47
6	Rajasthan State Road Development and Construction Corporation Limited	2011-12	2012-13	46.74	4.14	10.14	32.46	73.13	-	20.00	55.31	531.14	36.60	6.89
7	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	2011-12	2012-13	0.18	-	0.05	0.13	0.27	-	33.00	0.96	33.96	0.13	0.38
Sector wise total				**318.95**	**4.17**	**10.80**	**303.98**	**935.82**		**263.19**	**849.91**	**1891.09**	**308.15**	
MANUFACTURE SECTOR														
8	Barmer Lignite Mining Company Limited (Susidiary Joint Company of Sl. No. A(11)	2011-12	2012-13	25.48	17.46	8.48	-0.46	163.43	-	20.00	-1.09	1143.04	17.00	1.49

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments[x]	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[11]	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
9	Rajasthan State Beverages Corporation Limited	2012-13	2013-14	5.24	-	0.51	4.73	3122.12	-	2.00	8.54	10.55	4.73	44.83
10	Rajasthan State Ganganagar Sugar Mills Limited	2012-13	2013-14	16.62	0.37	1.72	14.53	618.98	-	36.84	20.31	59.00	14.90	25.25
11	Rajasthan State Mines and Minerals Limited	2012-13	2013-14	680.42	7.60	56.99	615.83	1246.69	Decrease in profit by ₹ 22.18 crore	77.55	1457.95	1546.34	623.43	40.32
12	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(11))	2012-13	2013-14	-0.02	-	-	-0.02	-	-	1.10	-0.83	0.27	-0.02	-7.41
13	Rajasthan State Refinery Limited	2012-13	2013-14	-	-	-	-	-	-	5.10	-	5.11	-	-
Sector wise total				**727.74**	**25.43**	**67.70**	**634.61**	**5151.22**		**142.59**	**1484.88**	**2764.31**	**660.04**	
POWER SECTOR														
14	Ajmer Vidyut Vitran Nigam Limited	2012-13	2013-14	-1246.52	2433.79	224.42	-3904.73	5851.76	Increase in loss by ₹ 450.80 crore	2428.81	-18407.88	3683.51	-1470.94	-39.93
15	Banswara Thermal Power Company Limited (Subsidiary of Sl. A (26))	2012-13	2013-14	-0.25	-	0.02	-0.27	-	-	0.05	-8.02	-7.97	-0.27	-
16	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	2012-13	2013-14	-0.03	0.71	-	-0.74	-	-	0.05	-6.36	-6.31	-0.03	-
17	Chhabra Power Limited (Subsidiary of Sl. A (27))	2012-13	2013-14	-0.03	-	-	-0.03	-	-	0.05	-0.03	0.02	-0.03	-150.00
18	Dholpur Gas Power Limited (Subsidiary of Sl. A (27))	2012-13	2013-14	-0.03	-	-	-0.03	-	-	0.05	-0.03	0.02	-0.03	-150.00
19	Giral Lignite Power Limited (Subsidiary of Sl. A (27))	2010-11	2013-14	-34.20	33.10	0.37	-67.67	30.21	-	0.05	-158.47	181.83	-34.57	-19.01
20	Gurha Thermal Power Company Limited (Subsidiary of Sl. A (26))	2012-13	2013-14	-1.57	0.38	-	-1.95	-	-	0.05	-6.35	-6.30	-1.57	-

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments[¥]	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[µ]	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
21	Jaipur Vidyut Vitran Nigam Limited	2012-13	2013-14	-1569.72	2251.04	340.47	-4161.23	6907.14	Increase in loss by ₹ 101.51 crore	2684.85	-17593.38	2852.29	-1910.19	-66.97
22	Jodhpur Vidyut Vitran Nigam Limited	2011-12	2012-13	-4220.44	1772.21	186.25	-6178.90	4237.08	Increase in loss by ₹ 153.83 crore	1416.68	-13006.16	3718.39	-4406.69	-118.51
23	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(26))	2012-13	2013-14	-0.02	-	-	-0.02	-	-	0.05	-1.97	-1.92	-0.02	-
24	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	2012-13	2013-14	-0.07	0.01	-	-0.08	-	-	0.05	-0.18	-0.13	-0.07	-
25	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(26))	2012-13	2013-14	-0.02	0.01	-	-0.03	-	-	0.05	-0.15	-0.10	-0.02	-
26	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2011-12	2012-13	727.24	504.46	258.71	-35.93	2035.65	Increase in loss by ₹ 617.73 crore	2144.00	-1670.49	6185.25	468.53	7.57
27	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2010-11	2012-13	1174.69	724.26	491.63	-41.20	6120.81	Increase in loss by ₹ 87.34 crore	4808.59	-548.92	12682.95	683.06	5.39
28	Rajasthan Renewable Energy Corporation Limited	2012-13	2013-14	30.96	2.71	12.43	15.82	37.96	Decrease in profit by ₹ 2.73 crore	12.94	91.37	125.67	18.53	14.74
29	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(28))	2012-13	2013-14	-0.02	-	-	-0.02	-	-	0.05	-0.02	0.03	-0.02	-66.67
Sector wise total				**-5140.03**	**7722.68**	**1514.30**	**-14377.01**	**25220.61**		**13496.37**	**-51317.04**	**29407.23**	**-6654.33**	
SERVICE SECTOR														
30	Bikaner City Transport Services Limited	2011-12	2012-13	0.02	-	-	0.02	-	-	0.30	0.05	0.35	0.02	5.71
31	Jaipur City Transport Services Limited	2012-13	2013-14	-32.33	2.59	6.13	-41.05	65.25	-	10.00	-73.57	107.81	-38.46	-35.67

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments[x]	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employed[11]	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
32	Jaipur Metro Rail Corporation Limited	2012-13	2013-14	34.34	-	0.20	34.14	-	-	1213.04	5.93	1218.97	34.14	2.80
33	Kota City Transport Services Limited	First account not received since inception												
34	RajCOMP Info Services Limited	2012-13	2013-14	8.23	-	0.19	8.04	11.03	-	5.00	5.84	10.84	8.04	74.17
35	Rajasthan Civil Aviation Corporation Limited	2012-13	2013-14	-0.37	-	-	-0.37	0.70	-	1.87	-5.89	-4.01	-0.37	-
36	Rajasthan Ex-Servicemen Corporation Limited	2012-13	2013-14	-0.17	-	0.02	-0.19	1.00	-	5.00	-0.19	4.81	-0.19	-3.95
37	Rajasthan Medical Services Corporation Limited	2012-13	2013-14	1.61	1.46	0.76	-0.61	10.68	-	5.00	3.09	57.79	0.85	1.47
38	Rajasthan Skill and Livelihoods Development Corporation	2012-13	2013-14	-1.15	-	0.04	-1.19	24.95	-	0.05	-0.83	-0.78	-1.19	-
39	Rajasthan State Food & Civil Supplies Corporation Limited	2011-12	2013-14	14.26	0.06	0.03	14.17	16.67	-	50.00	8.41	65.01	14.23	21.89
40	Rajasthan State Hotels Corporation Limited	2011-12	2012-13	0.23	0.04	0.17	0.02	1.45	Increase in profit by ₹ 0.82 crore	1.91	-5.67	-2.21	0.06	-
41	Rajasthan Tourism Development Corporation Limited	2011-12	2012-13	-7.22	1.12	3.31	-11.65	78.30	-	18.45	-72.12	-42.32	-10.53	-
42	Udaipur City Transport Services Limited	2010-11	2012-13	0.07	-	-	0.07	0.01	-	0.30	0.15	0.45	0.07	15.56
Sector wise total				**17.52**	**5.27**	**10.85**	**1.40**	**210.04**		**1310.92**	**-134.80**	**1416.71**	**6.67**	
MISC SECTOR														
43	Rajasthan Jal Vikas Nigam Limited	2012-13	2013-14	-0.15	-	-	-0.15	-	Increase in loss by ₹ 0.13 crore	1.27	-1.36	-0.02	-0.15	-
Sector wise total				**-0.15**	**-**	**-**	**-0.15**	**-**		**1.27**	**-1.36**	**-0.02**	**-0.15**	

Sl. No.	Sector & Name of the Company	Period of accounts	Year in which finalised	Net profit(+) / Loss(-)				Turn over	Impact of accounts Comments¥	Paid up capital	Accumulated Profit (+)/ Loss (-)	Capital employedμ	Return on capital employed	Percentage return on capital employed
				Net profit/ loss before interest & Depreciation	Interest	Depreciation	Net Profit /Loss							
1	2	3	4	5(a)	5(b)	5(c)	5(d)	6	7	8	9	10	11	12
Total A (All sector wise working Government companies)				**-4039.64**	**7761.29**	**1606.13**	**-13407.06**	**31943.45**		**15266.29**	**-49121.53**	**35541.48**	**-5645.77**	
B. Working Statutory corporations														
FINANCE SECTOR														
1	Rajasthan Financial Corporation	2012-13	2013-14	44.30	35.69	0.19	8.42	111.63	Decrease in profit by ₹ 31.19 crore	135.73	-130.10	735.62	44.11	6.00
Sector wise total				**44.30**	**35.69**	**0.19**	**8.42**	**111.63**		**135.73**	**-130.10**	**735.62**	**44.11**	
SERVICE SECTOR														
2	Rajasthan State Road Transport Corporation	2012-13	2013-14	-224.37	65.51	43.78	-333.66	1377.90	-	408.96	-1650.88	-524.49	-268.15	-
3	Rajasthan State Warehousing Corporation	2012-13	2013-14	25.44	0.96	3.03	21.45	53.35	-	7.85	0.25	115.18	22.41	19.46
Sector wise total				**-198.93**	**66.47**	**46.81**	**-312.21**	**1431.25**		**416.81**	**-1651.13**	**-409.31**	**-245.74**	
Total B (All sector wise working Statutory corporations)				**-154.63**	**102.16**	**47.00**	**-303.79**	**1542.88**		**552.54**	**-1781.23**	**326.31**	**-201.63**	
Grand Total (A + B)				**-4194.27**	**7863.45**	**1653.13**	**-13710.85**	**33486.33**		**15818.83**	**-50902.76**	**35867.79**	**-5847.40**	
C. Non working Government companies														
AGRICULTURE & ALLIED SECTOR														
1	Rajasthan State Agro Industries Corporation Limited	2010-11	2012-13	-0.15	1.24	-	-1.39	-	-	6.01	-48.88	-38.26	-0.15	-
2	Rajasthan State Dairy Development Corporation Limited	2012-13	2013-14	-	-	-	-	-	-	2.88	-0.21	2.67	-	-
Sector wise total				**-0.15**	**1.24**	**-**	**-1.39**	**-**		**8.89**	**-49.09**	**-35.59**	**-0.15**	
Total C (All sector wise non working Government Companies)				**-0.15**	**1.24**	**-**	**-1.39**	**-**		**8.89**	**-49.09**	**-35.59**	**-0.15**	**-**
Grand Total (A + B + C)				**-4194.42**	**7864.69**	**1653.13**	**-13712.24**	**33486.33**		**15827.72**	**-50951.85**	**35832.20**	**-5847.55**	**-16.32**

¥ Includes the net impact of comments of Statutory Auditors and C&AG.

μ Capital employed represents the sum of shareholders' funds and long term borrowings.

Annexure-3

(Referred to in paragraph 1.15)

Statement showing equity/loans received out of budget grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Seeds Corporation Limited	-	-	0.09	31.88	-	31.97	-	-	-	-	-	-
Sector wise total		**-**	**-**	**0.09**	**31.88**	**-**	**31.97**	**-**	**-**	**-**	**-**	**-**	**--**
FINANCE SECTOR													
2	Rajasthan Small Industries Corporation Limited	-	-	7.22	0.75	-	7.97	-	-	-	-	-	-
3	Rajasthan State Handloom Development Corporation Limited	-	-	-	3.19	-	3.19	-	-	-	-	-	-
4	Rajasthan State Power Finance Corporation Limited	15.00	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**15.00**	**-**	**7.22**	**3.94**	**-**	**11.16**	**-**	**-**	**-**	**-**	**-**	**-**
INFRASTRUCTURE SECTOR													
5	Rajasthan State Industrial Development and Investment Corporation Limited	-	-	26.77	-	-	26.77	-	-	-	-	-	-
Sector wise total		**-**	**-**	**26.77**	**-**	**-**	**26.77**	**-**	**-**	**-**	**-**	**-**	**-**
MANUFACTURE SECTOR													
6	Rajasthan State Ganganagar Sugar Mills Limited	11.62	-	-	-	-	-	-	-	-	-	-	-
7	Rajasthan State Refinery Limited	5.10	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**16.72**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Sl.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
POWER SECTOR													
8	Ajmer Vidyut Vitran Nigam Limited	916.66	371.35	2.46	1772.38	-	1774.84	4981.00	21537.51	-	-	-	-
9	Jaipur Vidyut Vitran Nigam Limited	969.18	309.23	-	927.32	-	927.32	5002.00	19359.40	-	-	-	-
10	Jodhpur Vidyut Vitran Nigam Limited	877.16	-	-	-	-	-	6267.88	19870.82	-	-	-	-
11	Rajasthan Rajya Vidyut Prasaran Nigam Limited	449.00	-	-	2.85	-	2.85	2908.13	7039.03	-	-	-	-
12	Rajasthan Rajya Vidyut Utpadan Nigam Limited	636.00	-	-	0.03	-	0.03	250.00	2055.43	-	-	-	-
13	Rajasthan Renewable Energy Corporation Limited	-	-	16.50	3.05	-	19.55	-	-	-	-	-	-
Sector wise total		**3848.00**	**680.58**	**18.96**	**2705.63**	**-**	**2724.59**	**19409.01**	**69862.19**	**-**	**-**	**-**	**-**
SERVICE SECTOR													
14	Jaipur City Transport Services Limited	-	19.00	5.42	2.16	78.15	85.73	-	-	-	-	-	-
15	Jaipur Metro Rail Corporation Limited	561.00	-	-	-	45.00	45.00	-	-	-	-	-	-
16	Rajasthan Ex-Servicemen Corporation Limited	5.00	-	-	-	-	-	-	-	-	-	-	-
17	Rajasthan Medical Services Corporation Limited	-	48.88	-	292.32	-	292.32	-	-	-	-	-	-
18	Rajasthan Skill and Livelihoods Development Corporation	-	-	-	23.00	-	23.00	-	-	-	-	-	-
19	Rajasthan State Food & Civil Supplies Corporation Limited-	-	55.10	-	6.65	-	6.65	-	-	-	-	-	-
20	Rajasthan State Hotels Corporation Limited	0.25	-	-	-	-	-	-	-	-	-	-	-

Sl.	Sector & Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
21	Rajasthan Tourism Development Corporation	3.50	-	-	-	-	-	-	2.89	-	-	-	-
Sector wise total		**569.75**	**122.98**	**5.42**	**324.13**	**123.15**	**452.70**	**-**	**2.89**	**-**	**-**	**-**	**-**
Total A (All sector wise working Government companies)		**4449.47**	**803.56**	**58.46**	**3065.58**	**123.15**	**3247.19**	**19409.01**	**69865.08**	**-**	**-**	**-**	**-**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	10.00	-	-	-	-	-	300.00	-	-	15.65	-	15.65
Sector wise total		**10.00**	**-**	**-**	**-**	**-**	**-**	**300.00**	**-**	**-**	**15.65**	**-**	**15.65**
SERVICE SECTOR													
2	Rajasthan State Road Transport Corporation	188.90	10.00	-	43.00	-	43.00	500.00	500.00	-	-	-	-
Sector wise total		**188.90**	**10.00**	**-**	**43.00**	**-**	**43.00**	**500.00**	**500.00**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**198.90**	**10.00**	**-**	**43.00**	**-**	**43.00**	**800.00**	**500.00**	**-**	**15.65**	**-**	**15.65**
Grand Total (A + B)		**4648.37**	**813.56**	**58.46**	**3108.58**	**123.15**	**3290.19**	**20209.01**	**70365.08**	**-**	**15.65**	**-**	**15.65**
C. Non working Government companies													
AGRICULTURE & ALLIED SECTOR													
1	Rajasthan State Agro Industries Corporation Limited	-	0.25	-	-	-	-	-	-	-	-	-	-
Sector wise total		**-**	**0.25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total C (All sector wise non working Government Companies)		**-**	**0.25**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A + B + C)		**4648.37**	**813.81**	**58.46**	**3108.58**	**123.15**	**3290.19**	**20209.01**	**70365.08**	**-**	**15.65**	**-**	**15.65**

Annexure–4
(Referred to in paragraph 1.24)

Statement showing investments made by State Government in PSUs during the years for which accounts are in arrears

(₹in crore)

S. No.	Name of PSU	Year upto which accounts finalized	Paid up capital as per latest accounts finalised	Investment made by State Government during the year for which accounts are in arrears						Total
				Year	Equity	Loans	Subsidy	Loan Converted into Equity	Loan repayment written off	
1	Jodhpur Vidyut Vitran Nigam Limited	2011-12	1416.68	2012-13	877.16	-	-	-	-	877.16
2	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2011-12	2144.00	2012-13	449.00	-	2.85	-	-	451.85
3	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2010-11	4808.59	2011-12	521.00	2949.87	-	-	-	3470.87
				2012-13	636.00	-	0.03	-	-	636.03
4	Rajasthan State Food & Civil Supplies Corporation Limited	2011-12	50.00	2012-13	-	55.10	6.65	-	-	61.75
5	Rajasthan State Hotels Corporation Limited	2011-12	1.91	2012-13	0.25	-	-	-	-	0.25
6	Rajasthan Tourism Development Corporation Limited	2011-12	18.45	2012-13	3.50	-	-	-	-	3.50
Total			**8439.63**		**2486.91**	**3004.97**	**9.53**	**-**	**-**	**5501.41**

Annexure-5
(Referred to in paragraph 1.35)

Statement showing financial position of Statutory Corporations

Rajasthan State Road Transport Corporation

(₹in crore)

Particulars	2010-11	2011-12	2012-13
Liabilities			
Capital (including capital loan and equity capital)	220.06	220.06	408.96
Borrowings:			
(Government)	-	-	10.00
(Others)	453.88	533.54	675.80
Fund*	5.26	5.34	31.63
Trade dues and other current liabilities (including provisions)	547.44	638.56	965.09
Total Liabilities	**1226.64**	**1397.50**	**2091.48**
Assets			
Gross Block	602.88	625.10	618.44
Less: Depreciation	317.36	315.72	318.82
Net fixed assets	285.52	309.38	299.62
Capital works-in-progress (including cost of chassis)	-	2.33	0.92
Investment	2.48	8.48	4.47
Current assets, loans and advances	65.25	74.86	135.59
Accumulated losses	873.39	1002.45	1650.88
Total Assets	**1226.64**	**1397.50**	**2091.48**
Capital employed	**(-)181.67**	**(-)235.49**	**(-)524.49**

* Excluding Depreciation Fund.

Rajasthan Financial Corporation

(₹in crore)

Particulars	2010-11	2011-12	2012-13
Liabilities			
Paid-up-capital	110.08	110.08	135.73
Share application money	-	-	-
Reserve fund and other reserves and surplus	61.70	62.70	268.15
Borrowings:			
(i) Bonds and debentures	74.95	31.50	300.00
(ii) Fixed deposits	-	-	-
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	570.98	568.81	40.00
(iv) Reserve Bank of India	-	-	-
(v) Loan towards Share capital:			
(a) State Government	-	-	-
(b) Industrial Development Bank of India	-	-	-
(vi) Others (including State Government)	119.81	69.79	12.45
Other liabilities and provisions (including Deposits)	307.41	304.12	309.81
Total Liabilities	**1244.93**	**1147.00**	**1066.14**
Assets			
Cash and Bank balances	72.84	32.40	97.22
Investment	1.10	1.10	1.10
Loans and advances	924.27	888.26	731.41
Net fixed assets	3.16	3.12	2.95
Other assets	107.89	91.32	103.36
Accumulated Losses	135.67	130.80	130.10
Total Assets	**1244.93**	**1147.00**	**1066.14**
Capital employed[@]	**882.48**	**828.06**	**735.62**

@ Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investment outside), bonds deposits and borrowings (including refinance). The free reserves and surplus have been reduced to the extent of debit balance of profit and loss account.

Rajasthan State Warehousing Corporation

(₹in crore)

Particulars	2010-11	2011-12	2012-13
Liabilities			
Paid-up-capital	7.85	7.85	7.85
Reserves and Surplus	64.65	83.64	98.58
Borrowings:			
(Government)	-	-	-
(Others)	3.65	8.71	8.75
Trade dues and other current liabilities (including provisions)	80.34	72.14	65.00
Total Liabilities	**156.49**	**172.34**	**180.18**
Assets			
Gross Block	88.44	92.42	100.81
Less: Depreciation	34.49	37.25	40.19
Net fixed assets	53.95	55.17	60.62
Capital works-in-progress	0.83	5.87	8.33
Other non-current assets (Deferred Tax Assets)	-	6.80	4.16
Current assets, loans and advances	101.71	104.50	107.07
Total Assets	**156.49**	**172.34**	**180.18**
Capital employed	**77.46**	**95.04**	**115.18**

Annexure-6
(Referred to in paragraph 1.35)

Statement showing working results of Statutory Corporations

1. Rajasthan State Road Transport Corporation

(₹in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	**Operating**			
(a)	Revenue	1180.22	1334.93	1377.90
(b)	Expenditure	1412.86	1529.06	1772.30
(c)	Surplus/(deficit)	(232.64)	(194.13)	(394.40)
2	**Non-operating**			
(a)	Revenue	46.23	63.19	60.74
(b)	Expenditure*	-	-	-
(c)	Surplus/(deficit)	46.23	63.19	60.74
3	**Total revenue**	**1226.45**	**1398.12**	**1438.64**
4	**Total expenditure**	**1412.86**	**1529.06**	**1772.30**
5	**Profit(+)/loss(-) before Prior Period Adjustment**	**(186.41)**	**(130.94)**	**(333.66)**
6	Add/(Less): Prior period adjustment	(0.43)	0.05	-
7	**Net Profit/(Loss)**	**(186.84)**	**(130.89)**	**(333.66)**
8	Interest on Capital and loans	39.65	60.40	65.51
9	**Total return on capital employed**	**(147.19)**	**(70.49)**	**(268.15)**

* In the accounts of RSRTC operating and non-operating expenditure is not shown separately.

2. Rajasthan Financial Corporation

(₹in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	**Income:**			
(a)	Interest from operations	131.86	128.03	111.63
(b)	Other Income	6.60	5.51	12.38
	Total Income	**138.46**	**133.54**	**124.01**
2	**Expenditure:**			
(a)	Interest on long term loans	69.58	70.72	35.69
(b)	Other expenses	55.90	57.92	75.44
	Total Expenditure	**125.48**	**128.64**	**111.13**
3	**Profit before tax**	**12.98**	**4.90**	**12.88**
4	Provision for tax	(1.01)	(0.37)	(5.02)
5	Other Provisions	11.48	1.35	4.46
6	Amount available for dividend	23.45	5.88	3.40
7	Dividend	-	-	-
8	**Total return on capital employed**	**94.04**	**76.98**	**44.11**
9	**Percentage of return on capital employed**	**10.66**	**9.30**	**6.00**

3. Rajasthan State Warehousing Corporation

(₹in crore)

Sl. No.	Particulars	2010-11	2011-12	2012-13
1	**Income:**			
(a)	Warehousing charges	32.34	43.17	53.35
(b)	Other income	6.27	7.89	6.61
	Total Income	**38.61**	**51.06**	**59.96**
2	**Expenses:**			
(a)	Establishment charges	22.03	24.79	28.86
(b)	Other expenses	6.56	8.02	9.02
	Total Expenditure	**28.59**	**32.81**	**37.88**
3	**Profit(+)/loss(-) before tax (1-2)**	**10.02**	**18.25**	**22.08**
4	Other appropriations	7.93	15.31	19.57
5	Amount available for dividend	2.09	2.94	2.51
6	Dividend for the year	1.57	1.96	2.36
7	**Total return on capital employed**	**10.37**	**18.12**	**22.41**
8	**Percentage of return on capital employed**	**13.39**	**19.07**	**19.46**

Annexure-7
(Referred to in paragraph 2.6)

Statement showing financial position and working results during 2007-08 to 2011-12

Financial position

(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Liabilities					
Paid Up Capital	18.45	18.45	18.45	18.45	18.45
Capital reserve	-	-	-	-	0.15
Deferred Revenue Grants	0.26	7.66	7.29	6.91	6.54
Borrowings	11.20	17.20	13.78	11.34	8.12
Current Liabilities and Provisions	80.20	80.54	101.75	134.98	140.44
Deferred Tax liability	3.37	2.02	-	-	-
Total	**113.48**	**125.87**	**141.27**	**171.68**	**173.70**
Assets					
Net fixed assets including capital work in progress	42.96	65.13	69.10	68.12	65.44
Current Assets Loans & Advances	70.52	52.38	38.38	43.09	36.14
Accumulated losses	0.00	8.36	33.79	60.47	72.12
Total	**113.48**	**125.87**	**141.27**	**171.68**	**173.70**

Working results

(₹in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Income	49.61	51.53	72.83	88.63	80.50
Expenditure	49.42	61.11	99.94	115.53	95.27
Profit/ Loss before prior period adjustments	**0.19**	**(9.58)**	**(27.11)**	**(26.90)**	**(14.77)**
Prior period and extra ordinary income/(expenditure)	0.06	0.16	(0.21)	0.22	3.12
Profit/ Loss before tax	**0.25**	**(9.42)**	**(27.32)**	**(26.68)**	**(11.65)**
(Provision for tax)/written back	(0.20)	1.06	1.89	-	-
Profit/ Loss after tax	**0.05**	**(8.36)**	**(25.43)**	**(26.68)**	**(11.65)**
Capital Employed	33.28	36.97	5.73	(23.77)	(38.86)
Interest Paid	0.00	0.34	1.80	1.49	1.17
Total return on capital employed	0.05	(8.02)	(23.63)	(25.19)	(10.48)
Percentage return on capital employed	0.15	(21.69)	(412.39)	-	-

Capital employed represent net fixed assets (including capital work in progress) plus working capital.

Total return on capital employed represent net profit/loss plus total interest charged to profit and loss account.

Annexure-8
(Referred to in paragraph 2.9)

Statement showing the overall activity-wise performance of the units during the period 2007-12

(₹in lakh)

Sl. No.	Name of Unit	Accommodation			Catering			Bar			Others including transport, boating, counter income, gen. Exp. and R&M			Total income	Total expenditure	Net operation profit/ (loss)
		Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)			
A. Hotels/ Motels																
1	Khadim, Ajmer	552.68	305.27	**247.41**	196.28	157.96	**38.32**	366.81	234.82	**131.99**	6.94	184.57	**(177.64)**	1122.71	882.62	240.09
2	Motel, Barr	7.67	15.26	**(7.59)**	134.26	186.22	**(51.96)**	3.25	5.50	**(2.25)**	6.37	46.74	**(40.37)**	151.55	253.72	(102.17)
3	Vrindawati, Bundi	17.93	39.39	**(21.46)**	9.56	9.11	**0.45**	0.00	0.00	**0.00**	0.19	15.58	**(15.39)**	27.68	64.08	(36.39)
4	Chambal, Kota	98.91	103.68	**(4.77)**	36.92	44.74	**(7.82)**	97.15	79.73	**17.42**	4.15	59.13	**(54.98)**	237.13	287.28	(50.15)
5	Sarovar, Pushkar	158.81	156.67	**2.14**	64.15	58.11	**6.04**	0.00	0.00	**0.00**	0.61	68.70	**(68.09)**	223.57	283.48	(59.91)
6	T.Village, Pushkar	29.19	55.46	**(26.27)**	13.35	16.47	**(3.12)**	0.00	0.00	**0.00**	0.14	35.86	**(35.72)**	42.68	107.79	(65.11)
7	Dholamaru, Bikaner	136.80	151.86	**(15.06)**	55.31	49.68	**5.63**	126.93	97.85	**29.08**	12.94	85.50	**(72.56)**	331.98	384.89	(52.91)
8	Haveli, Fatehpur	21.14	47.52	**(26.38)**	12.76	22.85	**(10.09)**	7.70	12.80	**(5.10)**	0.03	25.50	**(25.47)**	41.63	108.67	(67.04)
9	Motel, Ratangarh	12.05	32.33	**(20.28)**	22.79	28.39	**(5.60)**	0.00	0.00	**0.00**	0.21	19.48	**(19.27)**	35.05	80.20	(45.15)
10	Moomal, Jaisalmer	324.12	194.60	**129.52**	156.39	117.77	**38.62**	10.28	15.84	**(5.56)**	4.21	98.93	**(94.72)**	495.00	427.14	67.86
11	Samdhani, Jaisalmer	72.26	51.76	**20.50**	48.90	28.53	**20.37**	0.70	3.47	**(2.77)**	0.01	16.25	**(16.24)**	121.87	100.01	21.86
12	Ghoomer, Jodhpur	553.78	343.98	**209.80**	170.68	172.49	**(1.81)**	157.91	123.98	**33.93**	30.96	219.92	**(188.96)**	913.33	860.37	52.96
13	Paniharin, Pali	72.22	70.00	**2.22**	40.33	32.35	**7.98**	38.64	37.09	**1.55**	0.45	42.55	**(42.10)**	151.64	181.99	(30.35)
14	Motel, Pokran	43.62	45.10	**(1.48)**	52.07	47.33	**4.74**	0.00	0.00	**0.00**	1.24	30.71	**(29.47)**	96.93	123.14	(26.21)
15	Saras, Bharatpur	90.02	142.99	**(52.97)**	56.24	87.62	**(31.38)**	13.29	19.71	**(6.42)**	0.32	86.70	**(86.38)**	159.87	337.02	(177.15)
16	Motel, Dholpur	10.35	42.95	**(32.60)**	2.51	1.98	**0.53**	0.00	0.00	**0.00**	0.16	13.41	**(13.25)**	13.02	58.34	(45.32)
17	Gangaur, Jaipur	810.89	598.01	**212.88**	730.25	678.34	**51.91**	92.67	83.49	**9.18**	25.30	305.99	**(280.69)**	1659.11	1665.83	(6.72)
18	Jheel Ramgarh, Jaipur	42.93	76.58	**(33.65)**	16.57	24.72	**(8.15)**	0.00	0.00	**0.00**	0.00	24.38	**(24.38)**	59.50	125.68	(66.18)

Sl. No.	Name of Unit	Accommodation			Catering			Bar			Others including transport, boating, counter income, gen. Exp. and R&M			Total income	Total expenditure	Net operation profit/ (loss)
		Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)			
19	Swagatam, Jaipur	305.79	323.94	**(18.15)**	108.79	135.78	**(26.99)**	50.76	59.55	**(8.79)**	4.71	115.98	**(111.27)**	470.05	635.25	(165.20)
20	Motel, Mahuwa	19.43	49.03	**(29.60)**	183.29	270.21	**(86.92)**	23.37	24.88	**(1.51)**	13.68	89.34	**(75.66)**	239.77	433.46	(193.69)
21	CJB, S.Madhopur	176.99	98.86	**78.14**	129.31	101.22	**28.09**	2.28	4.81	**(2.53)**	2.59	82.96	**(80.37)**	311.17	287.85	23.33
22	Vinayak, S.Madhopur	163.42	75.95	**87.48**	107.58	88.31	**19.27**	1.82	11.86	**(10.04)**	5.09	66.73	**(61.64)**	277.91	242.85	35.07
23	Meenal, Alwar	65.49	83.42	**(17.93)**	25.31	38.75	**(13.44)**	14.89	19.37	**(4.48)**	0.33	43.01	**(42.68)**	106.02	184.55	(78.53)
24	Motel, Behror	220.74	106.09	**114.65**	1816.88	1328.76	**488.12**	333.55	286.31	**47.24**	550.71	425.91	**124.80**	2921.88	2147.07	774.81
25	Durg Café, Jaipur	16.02	9.56	**6.46**	233.77	327.05	**(93.28)**	100.00	89.53	**10.47**	0.01	72.02	**(72.01)**	349.80	498.16	(148.36)
26	Teej, Jaipur	491.99	439.10	**52.89**	187.64	171.39	**16.25**	74.12	68.06	**6.06**	1.79	198.92	**(197.13)**	755.54	877.47	(121.93)
27	Tourist Hotel, Jaipur	29.07	56.55	**(27.48)**	8.74	10.89	**(2.15)**	11.92	14.24	**(2.32)**	0.78	23.57	**(22.79)**	50.51	105.25	(54.74)
28	Tiger Den, Sariska	190.27	130.74	**59.53**	157.24	120.94	**36.30**	7.15	10.73	**(3.58)**	7.73	96.82	**(89.09)**	362.39	359.23	3.16
29	Motel, Shahpura	27.48	50.84	**(23.36)**	38.98	40.92	**(1.94)**	0.00	0.00	**0.00**	0.20	26.19	**(25.99)**	66.66	117.95	(51.29)
30	Lake Palace, Siliserh	85.64	96.55	**(10.91)**	126.32	107.92	**18.40**	3.77	7.80	**(4.03)**	53.90	100.39	**(46.49)**	269.63	312.66	(43.03)
31	Panna, Chittorgarh	152.94	178.41	**(25.47)**	77.22	77.95	**(0.73)**	86.00	62.26	**23.74**	10.25	76.18	**(65.93)**	326.41	394.80	(68.39)
32	Motel, Deogarh	7.79	15.86	**(8.07)**	11.13	33.91	**(22.78)**	0.00	0.00	**0.00**	0.23	13.28	**(13.05)**	19.15	63.05	(43.90)
33	Shikhar, Mt. Abu	388.17	185.70	**202.47**	179.09	122.75	**56.34**	3.88	12.17	**(8.29)**	7.81	145.02	**(137.21)**	578.95	465.64	113.31
34	Gokul, Nathdwara	95.74	102.12	**(6.38)**	54.82	51.09	**3.73**	58.46	50.13	**8.33**	0.47	41.05	**(40.58)**	209.49	244.39	(34.90)
35	Yatrika, Nathdwara	3.36	9.01	**(5.65)**	0.15	0.07	**0.08**	0.00	0.00	**0.00**	0.00	3.07	**(3.07)**	3.51	12.15	(8.64)
36	Shilpi, Ranakpur	33.19	44.47	**(11.28)**	24.68	26.73	**(2.05)**	0.00	0.00	**0.00**	0.66	34.31	**(33.65)**	58.53	105.51	(46.98)
37	Motel, Ratanpur	12.26	36.83	**(24.57)**	49.04	57.39	**(8.35)**	71.56	56.32	**15.24**	0.35	21.45	**(21.10)**	133.21	171.99	(38.78)
38	Gavri, Rishabdeo	23.17	45.27	**(22.10)**	25.40	41.13	**(15.73)**	1.27	2.13	**(0.86)**	0.37	22.04	**(21.67)**	50.21	110.57	(60.36)
39	Kajri, Udaipur	528.41	306.09	**222.32**	163.79	137.38	**26.41**	150.68	111.73	**38.95**	95.07	241.06	**(145.99)**	937.95	796.26	141.69
40	Hotel, Jhunjhunu	13.29	33.53	**(20.24)**	1.61	11.35	**(9.74)**	0.00	0.00	**0.00**	26.43	13.79	**12.64**	41.33	58.67	(17.34)
41	Motel, Dausa	5.96	5.30	**0.66**	8.56	66.83	**(58.27)**	0.00	0.00	**0.00**	0.03	19.15	**(19.12)**	14.55	91.28	(76.73)
42	Chirmi, Churu	2.08	34.71	**(32.63)**	0.09	0.82	**(0.73)**	0.00	0.00	**0.00**	0.00	7.50	**(7.50)**	2.17	43.03	(40.86)

Sl. No.	Name of Unit	Accommodation			Catering			Bar			Others including transport, boating, counter income, gen. Exp. and R&M			Total income	Total expenditure	Net operation profit/ (loss)
		Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)	Income	Expenditure	Surplus/ (deficit)			
43	Mavath, Aamer	0.00	0.00	**0.00**	2.93	12.84	**(9.91)**	0.00	0.00	**0.00**	0.00	2.85	**(2.85)**	2.93	15.69	(12.76)
44	Chandrawati, Jhalawar	29.94	30.76	**(0.82)**	16.90	14.06	**2.84**	0.00	0.00	**0.00**	1.35	14.48	**(13.13)**	48.19	59.30	(11.11)
45	Gavadi, Jhalawar	71.20	42.98	**28.22**	64.28	41.70	**22.58**	2.20	9.98	**(7.78)**	0.19	34.44	**(34.25)**	137.87	129.10	8.77
46	Ren Basera, Jhalawar	0.00	1.90	**(1.90)**	0.00	0.65	**(0.65)**	0.00	0.00	**0.00**	0.00	0.23	**(0.23)**	0.00	2.78	(2.78)
47	Kurja, Nagaur	2.62	29.54	**(26.92)**	3.57	11.13	**(7.56)**	0.00	0.00	**0.00**	0.02	9.92	**(9.90)**	6.21	50.59	(44.38)
48	Ganera T.V, Pushkar	9.71	42.14	**(32.43)**	1.97	5.80	**(3.83)**	0.00	0.00	**0.00**	0.00	12.04	**(12.04)**	11.68	59.98	(48.30)
49	Khartal, Barmer	0.35	15.48	**(15.13)**	0.07	0.17	**(0.10)**	0.00	0.00	**0.00**	0.03	5.70	**(5.67)**	0.45	21.35	(20.90)
Total (A)		**6227.88**	**5154.09**	**1073.79**	**5628.47**	**5220.55**	**407.92**	**1913.01**	**1616.14**	**296.87**	**879.01**	**3439.30**	**(2560.29)**	**14648.37**	**15430.08**	**(781.71)**
B. Luxury Tourist Trains																
1	Palace on Wheels													9933.37	5551.27	4382.10
2	Heritage on Wheels													137.97	207.35	(69.38)
3	Royal Rajasthan on Wheels													4455.94	4468.54	(12.60)
Total (B)														**14527.28**	**10227.16**	**4300.12**
C. Transport & Package Tour																
1	Package Tour, New Delhi													2470.26	2346.63	123.63
2	Transport Unit, Jaipur													531.85	646.66	(114.81)
Total (C)														**3002.11**	**2993.29**	**8.82**

Annexure -9
(Referred to in paragraph 2.9)

Statement showing operational profitability of operated hotels/motels during 2007-08 to 2011-12

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Motel, Barr	-13.24	-20.58	-24.09	-23.61	-20.65	-102.17	5
2	Vrindawati, Bundi	-8.80	-7.13	-8.74	-7.27	-4.46	-36.39	5
3	Chambal, Kota	-7.74	-9.21	-11.76	-10.29	-11.15	-50.15	5
4	Sarovar, Pushkar	-5.18	-7.29	-18.99	-10.34	-18.11	-59.91	5
5	T.Village, Pushkar	-10.24	-6.66	-14.20	-15.46	-18.55	-65.11	5
6	Dholamaru, Bikaner	-4.56	-16.72	-14.48	-11.73	-5.42	-52.91	5
7	Haveli, Fatehpur	-6.67	-10.98	-18.04	-15.26	-16.09	-67.04	5
8	Motel, Ratangarh	-8.72	-10.22	-7.30	-9.13	-9.78	-45.15	5
9	Motel, Pokran	-4.80	-4.38	-8.81	-6.92	-1.30	-26.21	5
10	Saras, Bharatpur	-27.22	-29.38	-44.75	-33.93	-41.87	-177.15	5
11	Motel, Dholpur	-4.55	-6.07	-11.34	-12.33	-11.03	-45.32	5
12	Jheel Ramgarh, Jaipur	-6.01	-8.85	-14.91	-19.30	-17.11	-66.18	5
13	Swagatam, Jaipur	-4.08	-24.70	-53.39	-37.51	-45.52	-165.20	5
14	Motel, Mahuwa	-25.41	-27.20	-40.98	-49.56	-50.54	-193.69	5
15	Meenal, Alwar	-15.05	-18.78	-25.93	-9.34	-9.43	-78.53	5
16	Durg Café, Jaipur	-16.96	-22.97	-32.62	-36.74	-39.07	-148.36	5
17	Motel, Shahpura	-9.64	-9.36	-13.65	-10.80	-7.84	-51.29	5
18	Lake Palace, Siliserh	-9.51	-2.34	-11.24	-9.10	-10.84	-43.03	5
19	Panna, Chittorgarh	-2.21	-2.64	-18.33	-24.32	-20.89	-68.39	5
20	Motel, Deogarh	-6.47	-6.57	-9.56	-8.33	-12.97	-43.90	5
21	Gokul, Nathdwara	-5.90	-3.89	-8.62	-12.38	-4.11	-34.90	5
22	Shilpi, Ranakpur	-5.93	-7.01	-12.94	-11.72	-9.38	-46.98	5
23	Motel, Ratanpur	-4.43	-6.53	-7.45	-11.43	-8.94	-38.78	5
24	Gavri, Rishabdeo	-6.97	-10.07	-12.52	-15.81	-14.99	-60.36	5
25	Hotel, Jhunjhunu	-3.94	-4.00	-5.33	-2.02	-2.05	-17.34	5
26	Motel, Dausa	-9.89	-10.36	-19.74	-17.76	-18.98	-76.73	5
27	Chirmi, Churu	-5.09	-7.79	-8.62	-9.92	-9.44	-40.86	5
28	Kurja, Nagaur	-8.96	-7.26	-7.91	-8.43	-11.82	-44.38	5
29	Khartal, Barmer	-3.60	-3.95	-3.63	-5.25	-4.47	-20.90	5
Total		**-251.77**	**-312.89**	**-489.87**	**-455.99**	**-456.79**	**-1967.31**	

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Paniharin, Pali	-3.81	-6.22	-12.09	-11.27	3.05	-30.35	4
2	Teej, Jaipur	3.42	-5.06	-27.30	-31.11	-61.88	-121.93	4
3	Chandrawati, Jhalawar	-0.23	1.37	-2.82	-3.65	-5.78	-11.11	4
Total		**-0.62**	**-9.91**	**-42.21**	**-46.03**	**-64.61**	**-163.38**	

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Gangaur, Jaipur	55.21	32.78	-18.81	-23.46	-52.44	-6.72	3
2	Yatrika, Nathdwara	-3.63	-3.17	-1.84	0.00	0.00	-8.64	3
3	Ganera T.V, Pushkar	0.00	0.00	-21.43	-14.58	-12.29	-48.30	3
4	Khartal, Barmer	-3.60	-3.95	-3.63	-5.25	-4.47	-20.90	3
Total		**47.98**	**25.66**	**-45.71**	**-43.29**	**-69.19**	**-84.55**	

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	CJB, S.Madhopur	-1.80	0.32	-7.59	9.01	23.39	23.33	2
2	Tourist Hotel, Jaipur	-37.01	-17.73	0.00	0.00	0.00	-54.74	2
3	Tiger Den, Sariska	-3.04	-1.18	0.41	3.95	3.02	3.16	2
4	Mavath, Aamer	-9.93	-2.83	0.00	0.00	0.00	-12.76	2
Total		**-51.78**	**-21.42**	**-7.18**	**12.96**	**26.41**	**-41.02**	

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Moomal, Jaisalmer	17.33	7.00	17.81	27.93	-2.21	67.86	1
2	Vinayak, S.Madhopur	0.97	4.50	-3.66	8.64	24.62	35.07	1
3	Ghoomer, Jodhpur	18.84	4.29	-8.02	31.48	6.37	52.96	1
4	Gavadi, Jhalawar	1.50	5.38	-5.43	2.13	5.19	8.77	1
5	Ren Basera, Jhalawar	0.00	0.00	0.00	0.00	-2.78	-2.78	1
Total		**38.64**	**21.17**	**0.70**	**70.18**	**31.19**	**161.88**	

(₹in lakh)

S. No.	Name of Unit	Surplus/Deficit (-)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Samdhani, Jaisalmer	4.51	3.05	1.75	1.21	11.34	21.86	0
2	Khadim, Ajmer	32.78	44.83	46.21	55.07	61.20	240.09	0
3	Motel, Behror	117.89	102.35	251.83	204.18	98.56	774.81	0
4	Shikhar, Mt. Abu	13.86	13.85	8.35	27.51	49.74	113.31	0
5	Kajri, Udaipur	19.02	22.51	14.05	51.23	34.88	141.69	0
Total		**188.06**	**186.59**	**322.19**	**339.20**	**255.72**	**1291.76**	

Annexure-10
(Referred to in paragraph 2.11)

Statement showing activity wise achievement of budgeted targets during 2007-08 to 2011-12

(₹in crore)

Activity/Year		2007-08	2008-09	2009-10	2010-11	2011-12
Accommodation	Budgeted Income	11.78	12.82	14.74	14.04	16.53
	Budgeted Expenditure	6.38	7.32	8.76	10.67	12.41
	Surplus/(Deficit)	**5.40**	**5.50**	**5.98**	**3.37**	**4.12**
	Actual Income	11.15	11.72	11.80	13.48	14.12
	Actual Expenditure	7.28	8.67	10.94	12.10	12.56
	Surplus/(Deficit)	**3.87**	**3.05**	**0.86**	**1.38**	**1.56**
Catering	Budgeted Income	8.90	9.85	10.79	12.65	15.33
	Budgeted Expenditure	7.09	8.09	8.76	10.35	12.78
	Surplus/(Deficit)	**1.81**	**1.76**	**2.03**	**2.30**	**2.55**
	Actual Income	8.73	9.30	11.68	14.07	12.50
	Actual Expenditure	8.17	8.76	10.30	12.33	12.64
	Surplus/(Deficit)	**0.56**	**0.54**	**1.38**	**1.74**	**(0.14)**
Bar	Budgeted Income	3.29	3.54	7.25	6.41	5.41
	Budgeted Expenditure	2.48	2.62	6.05	4.75	3.95
	Surplus/(Deficit)	**0.81**	**0.92**	**1.20**	**1.66**	**1.46**
	Actual Income	2.62	2.54	4.33	5.13	4.51
	Actual Expenditure	2.23	2.13	3.86	4.36	3.58
	Surplus/(Deficit)	**0.39**	**0.41**	**0.47**	**0.77**	**0.93**
Transport and Boating	Budgeted Income	1.91	2.19	2.37	4.06	3.20
	Budgeted Expenditure	1.64	1.86	2.11	2.78	2.40
	Surplus/(Deficit)	**0.27**	**0.33**	**0.26**	**1.28**	**0.80**
	Actual Income	1.53	1.48	5.26	16.47	6.89
	Actual Expenditure	1.72	1.66	5.18	15.62	6.65
	Surplus/(Deficit)	**(0.19)**	**(0.18)**	**0.08**	**0.85**	**0.24**
PoW	Budgeted Income	19.20	19.55	26.00	22.00	21.50
	Budgeted Expenditure	10.45	10.46	14.00	11.00	11.40
	Surplus/(Deficit)	**8.75**	**9.09**	**12.00**	**11.00**	**10.10**
	Actual Income	19.35	20.15	20.07	17.49	22.28
	Actual Expenditure	10.55	10.71	10.74	10.87	12.64
	Surplus/(Deficit)	**8.80**	**9.44**	**9.33**	**6.62**	**9.64**
RRoW	Budgeted Income	-	13.70	15.50	15.00	20.60
	Budgeted Expenditure	-	8.92	15.79	15.20	20.33
	Surplus/(Deficit)	**-**	**4.78**	**(0.29)**	**(0.20)**	**0.27**
	Actual Income	-	0.97	12.64	14.42	16.53
	Actual Expenditure	-	2.52	13.26	14.30	14.60
	Surplus/(Deficit)	**-**	**(1.55)**	**(0.62)**	**0.12**	**1.93**

Annexure-11
(Referred to in paragraph 2.12)

Statement showing unit-wise profitability from accommodation activity during the period 2007-08 to 2011-12

(₹ in lakh)

S. No.	Name of Unit	SURPLUS/ (DEFICIT)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
1	Motel, Barr	(1.10)	(1.48)	(2.12)	(0.21)	(2.68)	(7.59)	5
2	Vrindawati, Bundi	(5.38)	(3.65)	(5.68)	(4.84)	(1.91)	(21.46)	5
3	T.Village, Pushkar	(1.72)	(1.78)	(6.02)	(9.34)	(7.41)	(26.27)	5
4	Haveli, Fatehpur	(2.43)	(3.50)	(4.72)	(7.19)	(8.54)	(26.38)	5
5	Motel, Ratangarh	(2.74)	(4.17)	(2.92)	(4.58)	(5.87)	(20.28)	5
6	Saras, Bharatpur	(6.30)	(10.49)	(10.54)	(10.00)	(15.64)	(52.97)	5
7	Motel, Dholpur	(2.64)	(4.10)	(7.90)	(9.45)	(8.51)	(32.60)	5
8	Jheel Ramgarh, Jaipur	(0.55)	(2.09)	(9.19)	(12.70)	(9.12)	(33.65)	5
9	Motel, Mahuwa	(3.74)	(4.03)	(5.87)	(7.85)	(8.11)	(29.60)	5
10	Motel, Shahpura	(4.06)	(5.83)	(5.55)	(6.62)	(1.30)	(23.36)	5
11	Lake Palace, Siliserh	(0.77)	(1.31)	(3.34)	(2.52)	(2.97)	(10.91)	5
12	Motel, Deogarh	(1.37)	(1.46)	(1.11)	(2.05)	(2.08)	(8.07)	5
13	Shilpi, Ranakpur	(1.24)	(3.14)	(3.19)	(1.42)	(2.29)	(11.28)	5
14	Gavri, Rishabdeo	(0.69)	(2.35)	(4.00)	(6.17)	(8.89)	(22.10)	5
15	Hotel, Jhunjhunu	(3.14)	(3.35)	(4.34)	(3.84)	(5.57)	(20.24)	5
16	Chirmi, Churu	(3.13)	(5.93)	(7.20)	(8.37)	(8.00)	(32.63)	5
17	Kurja, Nagaur	(4.32)	(4.69)	(4.98)	(4.97)	(7.96)	(26.92)	5
18	Khartal, Barmer	(2.34)	(2.80)	(2.22)	(4.18)	(3.59)	(15.13)	5
19	Chambal, Kota	1.41	(0.99)	(2.00)	(1.48)	(1.71)	(4.77)	4
20	Motel, Pokran	(0.78)	(1.07)	(2.51)	(3.47)	6.35	(1.48)	4
21	Motel, Ratanpur	(4.89)	(6.79)	(7.51)	(6.42)	1.04	(24.57)	4
22	Sarovar, Pushkar	7.53	3.93	(7.71)	(0.37)	(1.24)	2.14	3
23	Dholamaru, Bikaner	5.14	1.88	(10.88)	(9.79)	(1.41)	(15.06)	3
24	Paniharin, Pali	3.10	(0.44)	(1.23)	(4.41)	5.21	2.23	3
25	Swagatam, Jaipur	20.46	6.82	(20.96)	(11.91)	(12.56)	(18.15)	3
26	Meenal, Alwar	(5.86)	(9.26)	(7.38)	2.41	2.16	(17.93)	3
27	Panna, Chittorgarh	5.29	1.40	(8.18)	(12.95)	(11.03)	(25.47)	3
28	Gokul, Nathdwara	(0.74)	1.20	(3.53)	(4.99)	1.68	(6.38)	3
29	Yatrika, Nathdwara	(2.37)	(2.01)	(1.27)	NO	NO	(5.65)	3
30	Ganera T.V, Pushkar	NO	NO	(14.11)	(8.65)	(9.67)	(32.43)	3

S. No.	Name of Unit	SURPLUS/ (DEFICIT)						
		2007-08	2008-09	2009-10	2010-11	2011-12	Total	Years of deficit
31	Teej, Jaipur	43.93	34.25	2.50	(5.00)	(22.79)	52.89	2
32	Tourist Hotel, Jaipur	(18.06)	(9.42)	NO	NO	NO	(27.48)	2
33	Chandrawati, Jhalawar	1.18	2.09	0.01	(0.90)	(3.20)	(0.82)	2
34	Samdhani, Jaisalmer	4.94	1.90	4.19	(0.21)	9.68	20.50	1
35	Motel, Dausa	0.37	0.42	1.15	(1.64)	0.36	0.66	1
36	Ren Basera, Jhalawar	NO	NO	NO	NO	(1.90)	(1.90)	1
37	Khadim, Ajmer	50.14	54.27	43.34	43.69	55.97	247.41	0
38	Moomal, Jaisalmer	32.69	23.20	30.67	32.81	10.15	129.52	0
39	Ghoomer, Jodhpur	60.75	51.80	23.17	42.73	31.35	209.80	0
40	Gangaur, Jaipur	85.74	77.77	23.26	18.54	7.57	212.88	0
41	CJB, S.Madhopur	10.95	8.83	11.79	18.80	27.77	78.14	0
42	Vinayak, S.Madhopur	10.71	11.59	12.31	20.95	31.92	87.48	0
43	Motel, Behror	31.43	24.95	24.53	18.78	14.96	114.65	0
44	Durg Café, Jaipur	2.99	1.50	0.81	0.33	0.83	6.46	0
45	Tiger Den, Sariska	7.96	8.90	13.42	14.51	14.74	59.53	0
46	Shikhar, Mt. Abu	32.27	28.62	36.42	44.45	60.71	202.47	0
47	Kajri, Udaipur	43.89	47.52	35.84	52.26	42.81	222.32	0
48	Gavadi, Jhalawar	4.32	8.56	1.50	6.81	7.03	28.22	0

NO Not operated

Annexure-12
(Referred to in paragraph 2.29)

Statement showing projects sanctioned by GoI, amount sanctioned, amount released by Department of Tourism, GoR to the Company, amount utilised and completion status of projects executed during 2007-08 to 2012-13

(₹in crore)

Sl. No.	Name of Project	Date of project sanction by GoI	Sanctioned amount	Amount released by DoT	Works to be executed by RTDC	Total expenditure incurred on projectas on 31.03.13	Date of completion as per sanction	Date of completion of project	Delay in completion of the project (In months)
1.	Development of Mewar Complex, Haldighati	02 December 2003	2.48	2.48	2.48	2.48	N.A	10 September 2008	-
2.	Development of NCR Tourist Circuit	15 February 2005	7.38	5.26	5.55	5.08	14 February 2007	31 October 2010	44
3.	Development of Hadoti Region Tourist Circuit	22 February 2005	7.25	5.03	5.51	4.68	21 February 2007	31 March 2009	25
4.	Integrated development of Mewar Vagad circuit	20 December 2005	5.80	4.12	4.38	3.83	19 June 2007	18 April 2009	22
5.	Integrated Development of Pushkar (Ajmer)	28 December 2005	4.68[1]	2.86	3.39	2.90	27 December 2007	28 October 2009	22
6.	Development Braj Bhoomi religious Tourism Circuit	28 December 2005	4.77	4.09	4.77	3.66	27 December 2007	16 May 2010	28
7	Development of Flood Lighting of monuments	13 August 2007	8.00	7.56	8.00	7.43	12 August 2009	21 July 2008	-
8	Development of Shekhawati	20 November 2007	7.54	5.02	7.54	4.50	19 November 2009	30 September 2012	34
9	Development of Ajmer-Pushkar as a mega tourist destination	20 February 2009	3.01	2.10	2.84	2.12	19 February 2012	14 August 2011	-
10	Construction of Way-Side-Facility of RTDC	22 March 2010	6.06	4.00	6.06	4.00	17 May 2011	31 August 2011	03

1 ₹ 4.34 crore sanctioned in December 2005 and 0.34 crore sanctioned in September 2009.

Annexure-13
(Referred to in paragraph 3.6)

Statement showing financial position and working results for the period 2008-09 to 2012-13

Financial position

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Sources of fund					
Share Capital	86.52	110.08	110.08	110.08	135.73
Reserves and Surplus	60.70	60.70	61.70	62.70	268.16
Bonds and Debentures	124.80	111.88	74.95	31.50	300.00
Borrowings	664.90	667.08	690.79	638.61	52.45
Deposits	59.77	72.00	82.44	95.31	89.68
Other Liabilities	188.66	189.27	187.70	194.39	193.06
Provisions	32.21	28.13	37.27	14.41	27.06
Total	**1217.56**	**1239.14**	**1244.93**	**1147.00**	**1066.14**
Application of funds					
Cash & Bank Balances	57.32	54.45	72.84	32.40	97.22
Investments	1.10	1.10	1.10	1.10	1.10
Loans and Advances	998.74	917.15	924.27	888.27	731.41
Fixed Assets	3.34	3.20	3.16	3.12	2.95
Other Assets	103.48	105.12	107.89	91.32	103.36
Profit & Loss Appropriation Account (Accumulated Losses)	53.58	158.12	135.67	130.79	130.10
Total	**1217.56**	**1239.14**	**1244.93**	**1147.00**	**1066.14**

Working results

(₹in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13
Income					
Income from operations	133.72	128.76	131.86	128.03	111.63
Other incomes	5.94	5.13	6.60	5.51	12.38
Total (A)	**139.66**	**133.89**	**138.46**	**133.54**	**124.01**
Expenditure					
Interest Expended	76.52	72.80	69.57	70.73	35.69
Other Financial Expenses	13.69	11.29	7.63	5.90	7.44
Personnel Expenses	37.32	44.42	45.27	49.73	54.44
Administrative Expenses	3.14	3.18	3.01	2.28	13.56
Total (B)	**130.67**	**131.68**	**125.48**	**128.64**	**111.13**
Operating profit (C = A-B)	**8.99**	**2.21**	**12.98**	**4.90**	**12.88**
Provisions					
Provisions for NPAs/(Added Back)	1.00	104.76	(21.64)	(6.95)	(10.21)
Provisions for Retirement Benefits	5.00	2.00	10.00	3.64	15.00
Contingent Provisions for Standard Assets (Reversed)	0.15	(0.17)	0.16	1.96	(0.32)
Total Provisions (D)	6.15	106.59	(11.48)	(1.35)	4.47
Profit/(Loss) before Tax (C-D)	2.84	(104.38)	24.46	6.25	8.41
Less: Provision for Taxation	0.48	0.16	1.01	0.37	5.01
Profit after tax/(Loss)	**2.36**	**(104.54)**	**23.45**	**5.88**	**3.40**

Annexure-14

(Referred to in paragraph 3.14)

Statement showing various provisions of Section 26, 29, 30, 31 and 32-G of the State Financial Corporations Act, 1951

Section 26 Limit of accommodation

On and from the commencement of the State Financial Corporations (Amendment) Act, 2000, the Financial Corporation shall not enter into any arrangements under clause (a), (d) or (h) of sub-section (1) of section 25 with any industrial concern so that the total amount outstanding against that concern in respect of all such arrangements together with the amount of the face value of the shares and stocks of that concern whether subscribed or agreed to be subscribed and the outstanding liabilities on account of underwriting agreements and the deferred payments guarantees is more than:

(i) five hundred lakhs of rupees in the case of a corporation established "by or under any other law or a company as defined in section 3 of the Companies Act, 1956 (1 of 1956) or a co-operative society registered under the Cooperative Societies Act, 1912 (2 of 1912) or any other law relating to cooperative societies for the time being in force; and

(ii) two hundred lakhs of rupees in any other case:

Provided that the Financial Corporation may, with the prior approval *of* the Small Industries Bank, exceed the limit under clause (i) or clause (ii) up to four times.

Section 29 Rights of Financial Corporation in case of default

(1) Where any industrial concern, which is under a liability to the Financial Corporation under an agreement, makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Corporation or otherwise fails to comply with the terms of its agreement with the Financial Corporation, the Financial Corporation shall have the right to take over the management or possession or both of the industrial concerns, as well as the 'right to transfer by way of lease or sale and realise the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation.

(2) Any transfer of property made by the Financial Corporation, in exercise of its powers under sub-section (1), shall vest in the transferee all rights in or to the property transferred as if the transfer had been made by the owner of the property.

(3) The Financial Corporation shall have the same rights and powers with respect to goods manufactured or produced wholly or partly from goods forming part of the security held by it as it had with respect to the original goods.

(4) Where any action has been taken against an industrial concern under the provisions of sub-section (1), all costs, charges and expenses which in the opinion of the Financial Corporation have been properly incurred by it as incidental thereto shall be recoverable from the industrial concern and the money which is received by it shall, in the absence of any contract to the contrary, be held by it in trust to be applied firstly, in payment of such costs, charges and expenses and, secondly, in discharge of the debt due to the Financial Corporation, and the residue of the money so received shall be paid to the person entitled thereto.

(5) Where the Financial Corporation has taken any action against an industrial concern under the provisions of sub-section (1), the Financial Corporation shall be deemed to be the owner of such concern, for the purposes of suits by or against the concern, and shall sue and be sued in the name of the concern.

Section 30 Power to call for repayment before agreed period

Notwithstanding anything in any agreement to the contrary, the Financial Corporation may, by notice in writing, require any industrial concern to which it has granted any loan or advance to discharge forthwith in full its liabilities to the Financial Corporation,

(a) if it appears to the Board that false or misleading information in any material particular was given by the industrial concern in its application for the loan or advance; or

(b) if the industrial concern has failed to comply with the terms of its contract with the Financial Corporation in the matter of the loan or advance; or

(c) if there is a reasonable apprehension that the industrial concern is unable to pay its debts or that proceedings for liquidation may be commenced in respect thereof; or

(d) if the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation as security for the loan or advance is not insured and kept insured by the industrial concern to the satisfaction of the Financial Corporation or depreciates in value to such an extent that, in the opinion of the Board, further security to the satisfaction of the Board should be given and such security is not given; or

(e) if, without the permission of the Board, any machinery, plant or other equipment, whether forming part of the security or otherwise, is removed from the premises of the industrial concern without being replaced; or

(f) if for any reason it is necessary to protect the interests of the Financial Corporation.

Section 31 Special provisions for enforcement of claims by Financial Corporation

Where an industrial concern, in breach of any agreement, makes any default in repayment of any loan or advance or any instalment thereof or in meeting its obligations in relation to any guarantee given by the Corporation or otherwise fails to comply with the terms of its agreement with the Financial Corporation or where the Financial Corporation requires an industrial concern to make immediate repayment of any loan or advance under section 30 and the industrial concern fails to make such repayment, then, without prejudice to the provisions of section 29 of this Act and of section 69 of the Transfer of Property Act, 1882 any officer of the Financial Corporation, generally or specially authorised by the Board in this behalf, may apply to the district judge within the limits of whose jurisdiction the industrial concern carries on the whole or a substantial part of its business for one or more of the following reliefs, namely;

(a) for an order for the sale of the property pledged, mortgaged, hypothecated or assigned to the Financial Corporation as security for the loan or advance; or

(aa) for enforcing the liability of any surety; or

(b) for transferring the management of the industrial concern to the Financial Corporation; or

(c) for an *ad interim* injunction restraining the industrial concern from transferring or removing its machinery or plant or equipment from the premises of the industrial concern without the permission of the Board, where such removal is apprehended.

(2) An application under sub-section (1) shall state the nature and extent of the liability of the industrial concern to the Financial Corporation, the ground on which it is made and such other particulars as may be prescribed.

32G. Recovery of amounts due to the Financial Corporation as an arrear of land revenue

Where any amount is due to the Financial Corporation in respect of any accommodation granted by it to any industrial concern, the Financial Corporation or any person authorised by it in writing in this behalf, may, without prejudice to any other mode of recovery, make an application to the State Government for the recovery of the amount due to it, and if the State Government or such authority, as that Government may specify in this behalf, is satisfied, after following such procedure as may be prescribed, that any amount is so due, it may issue a certificate for that amount to the Collector, and the Collector shall proceed to recover that amount in the same manner as an arrear of land revenue.

Annexure-15
(Referred to in paragraph 3.17 and 3.18)

Statement showing position of units under possession as on 31 March 2013

Units lying in possession upto five years

(₹in lakh)

S No.	Name of branch	Name of the borrower unit	Date of Possession	Outstanding dues				Latest MRV	Shortfall in MRV to dues Outstanding
				Principal	Interest	Other money	Total		
1	Jaipur (City)	Hotel Surya Mahal Palace	4 May 2012	83.28	330.45	2.54	416.27	1325.22	
2	Alwar	A&V Glass India Private Limited, Alwar	10 July 2012	57.45	7.16	0.05	64.66	122.59	
3	Udaipur	Jain Bandhu Sneh Resorts (Pvt.) Limited	19 November 2012	241.54	305.01	0.04	546.59	1467.45	
4	Jaipur (Rural)	Balaji Dairy	1 November 2012	14.00	1.12	0.02	15.14	38.36	
5	Bhiwadi	Wrapes Hygenes (India) Limited	28 March 2013	37.50	708	0.08	745.58	101.04	644.54
6	VKIA	Shiv Shakti Industries	March 2013	55.52	1.69	0.30	57.51	92.9	
7	Tonk	Black Banjara Motel	15 September 2011	120.92	10.04	0.43	131.39	526.6	
8	Jaipur (Rural)	Kanchan Dairy Food Products, Jaipur.	28 March 2012	11.02	0.54	0.06	11.62	71.59	
9	Bhilwara	Keshav India (Pvt.) Limited	11 April 2008	478.15	178.10	21.64	677.89	337	340.89
10	Jodhpur (Rural)	Paras Oil Industries, Jodhpur	18 November 2008	30.88	19.07	0	49.95	160.11	
11	Jaipur (City)	Krishna Villa Prime Apartment (Pvt.) Limited, Jaipur	15 January 2010	900.00	877.42	25.16	1802.58	2987.82	
12	Bharatpur	Bharatpur Chemicals Private Limited	4 February 2010	15.15	139.24	0.08	154.47	14.36	140.11
13	Jaipur (City)	Ruby Build Estates (P) Limited, Jaipur	23 February 2010	240.00	213.32	4.68	458.00	530	
14	Jaipur (City)	Amay Home Services, Jaipur	23 March 2010	725.52	707.30	4.14	1436.96	1498.47	
15	Balotra	Roshan PVC Industries, Barmer	21 October 2010	9.28	16.00	2.41	27.69	6.44	21.25
16	Bhiwadi	D.P. Steel Industries Private Limited	15 November 2010	1.94	10.03	0.77	12.74	225.53	
Total				**3022.15**	**3524.49**	**62.40**	**6609.04**	**9505.48**	**1146.79**

Units lying in possession for 5 to 10 years

(₹in lakh)

S No.	Name of branch	Name of the borrower unit	Date of Possession	Outstanding dues				Latest MRV	Shortfall in MRV to dues Outstanding
				Principal	Interest	Other money	Total		
1	Bhiwadi	Mayur Furhose Plast (India) Private Limited, Bhiwadi	8 December 2003	82.15	41.80	4.56	128.51	76.42	52.09
2	Bikaner	B. Aditya Multi Projects Private Limited	11 December 2003	8.57	4.54	0.31	13.42	42.65	
3	Udaipur	M/s Raj Kumar Jha	23 January 2004	8.00	15.05	1.36	24.41	51.33	
4	Bharatpur	Shri Ambica Stone Crusher, Bharatpur	31 January 2004	14.36	6.95	3.34	24.65	17.64	7.01
5	Jodhpur	M/s Shree Chem	21 June 2005	8.63	23.58	4.03	36.24	118.9	
6	Dungarpur	M/s Milap Yadav, Simalwara	19 November 2005	16.77	9.47	0.00	26.24	1.3	24.94
7	Sikar	Siradhana Oil & Flour Mill, Bhagega	6 December 2005	0.47	4.72	0.44	5.63	1.1	4.53
8	Jaipur (Rural)	Rawa Cement Private Limited	30 January 2006	49.76	28.72	3.77	82.25	58.25	24.00
9	Baran	Jain Plastic Industries, Baran	9 November 2006	3.76	0.09	0.25	4.10	8.27	
10	Jalore	M/s Shanti Oils, Jalore	11 January 2007	7.34	33.20	0.97	41.51	12.73	28.78
11	Pali	M/s Manohar Lime	31 January 2007	NA	NA	NA	NA	20.5	
12	Jaipur (Sitapura)	Anurag Plastic Products Private Limited, Sitapura	17 August 2007	32.72	29.33	2.11	64.16	91.36	
13	Baran	Nirog Dham Hospital	5 December 2007	1.84	1.89	0.14	3.87	3.7	0.17
14	Hanumangarh	M/s Singhal Tyre Company	1 March 2008	6.22	3.62	0.12	9.96	4.07	5.89
15	Baran	M/s Jain Plastic, Baran	26 March 2008	NA	NA	NA	NA	7.05	
Total				**240.59**	**202.96**	**21.40**	**464.95**	**515.27**	**147.41**

Units lying in possession for 10 to 20 years

(₹in lakh)

S No.	Name of branch	Name of the borrower unit	Date of Possession	Outstanding dues				Latest MRV	Shortfall in MRV to dues Outstanding
				Principal	Interest	Other money	Total		
1	Alwar	M/s National Garneting	15 April 1993	5.14	5.85	3.04	14.03	58.15	
2	Udaipur	Rajasthan Glyxol	4 January 1994	44.77	10.67	0.50	55.94	414	
3	Bhilwara	Bharat Cement Pipe Factory	21 January 1994	1.85	4.12	2.28	8.25	5.55	2.70
4	Dholpur	Upendra Cold Storage & Ice Factory, Dholpur	21 April 1995	22.03	25.21	1.10	48.34	31.22	17.12

S No.	Name of branch	Name of the borrower unit	Date of Possession	Outstanding dues				Latest MRV	Shortfall in MRV to dues Outstanding
				Principal	Interest	Other money	Total		
5	Abu Road	Sikhar Polytex Private Limited	1 August 1995	28.82	33.89	0.32	63.03	NA	-
6	Dungarpur	Joshi Marble	19 December 1995	2.47	1.06	1.06	4.59	1.15	3.44
7	Banswara	Nafees Granites, Partapur, Banswara	30 August 1996	6.85	0	0.25	7.10	0.4	6.70
8	Makrana	Paharia Marble	11 May 1997	0	0	0.12	0.12	19.13	
9	Banswara	K.T. Marble	18 November 1997	8.46	0.27	0.83	9.56	2.8	6.76
10	Makrana	Krishna Oil Mill, Nawa	28 July 1998	2.72	8.81	1.44	12.97	3.31	9.66
11	Ajmer	Prakash Udyog, Ajmer	21 October 1999	1.64	2.61	4.29	8.54	21.45	
12	Abu Road	Chandrawati Madhuban Hotel, Abu Road	28 November 2000	0.00	0.00	0.02	0.02	27.02	
13	Jaipur(City)	Amer Cable, Jaipur	15 December 2000	83.03	60.72	21.25	165.00	42.4	122.60
14	Rajsamand	Baldev Minerals Private Limited, Rajsamand	11 October 2001	7.46	4.81	6.80	19.07	47.16	
Total				**215.24**	**158.02**	**43.30**	**416.56**	**673.74**	**168.98**

Units lying in possession for more than 20 years

S No.	Name of branch	Name of the borrower unit	Date of Possession	Outstanding dues				Latest MRV	Shortfall in MRV to dues Outstanding
				Principal	Interest	Other money	Total		
1	Bhilwara	Divine Spinning and Weaving Mills	2 November 1987	11.34	13.26	1.44	26.04	148.97	
2	Jaipur (City)	Premier Metal Industries, Jaipur	9 September 1988	NA	NA	NA	NA	450	
3	Sikar	Shekhawati Gaur Gu m Industries, Sikar	5 October 1988	2.37	2.72	0.40	5.49	1.1	4.39
4	Alwar	Amlook Engineering Works	6 October 1988	7.27	22.48	0.84	30.59	222.6	
5	VKIA	M/s Khanna Builders	23 October 1990	0.01	0	0.14	0.15	390.5	
6	Tonk	M/s Paras Construction, Tonk	5 January 1993	4.50	3.51	1.30	9.31	8.68	0.63
Total				**25.49**	**41.97**	**4.12**	**71.58**	**1221.85**	**5.02**

Summary of year wise position

upto 5 years	**16**	**3022.15**	**3524.49**	**62.40**	**6609.04**	**9505.48**	**1146.79**
5 to 10 years	**15**	**240.59**	**202.96**	**21.40**	**464.95**	**515.27**	**147.41**
10 to 20 years	**14**	**215.24**	**158.02**	**43.30**	**416.56**	**673.74**	**168.98**
More than 20 years	**6**	**25.49**	**41.97**	**4.12**	**71.58**	**1221.85**	**5.02**
Grand total	**51**	**3503.47**	**3927.44**	**131.22**	**7562.13**	**11916.34**	**1468.20**

Annexure-16
(Referred to in paragraph 3.20)

Statement showing case studies highlighting deficiencies in recovery procedures

NLP Organics Private Limited, Bhiwadi
The Corporation sanctioned (February 1987 and February 1988) loan of ₹ 37.30 lakh and disbursed ₹ 31.34 lakh (upto June 1989). On defaults in repayment and non-adherence to the commitments made by the borrower several times, the possession of the unit was finally taken in April 2010 and sold (March 2011) the prime assets for a consideration of ₹ 2.71 crore against outstanding dues of ₹ 5.69 crore. The Corporation belatedly identified (January 2013) the whereabouts and properties of the promoters. However, no action was taken (June 2013) to recover the deficit of ₹ 2.98 crore under Section 32-G.
The Government accepted the facts of delay in taking possession and recovery of deficit. It, however, stated that a fresh legal notice had been served to the borrower and in case the dues are not repaid, the ROD would be forwarded to the District Collector for recovery of dues.
Sitara Cements Private Limited
The 'Scheme for settlement of deficit cases/decreetal cases/written off cases 2008-09', provided that in cases where prime assets had been sold and no collateral security was available and financial position of the promoters/guarantors was very poor, settlement could be considered on the principal component of the deficit amount plus other money plus five *per cent* recovery charges where cases under Section 32(G) had been filed with the Collector concerned.
The Corporation filed Requisition of Demand with the District Collector under Section 32 G of the SFC Act to recover deficit of ₹ 87.03 lakh which remained after selling (March 2003) the prime security for a consideration of ₹ 29.11 lakh. However, the Corporation settled (May 2009) the case for merely ₹ 35 lakh despite communication (March 2009) by the Branch Office that market value of the properties of the promoters was ₹ 1.30 crore. Further, minimum amount of ₹ 69.97 lakh was to be recovered as per the scheme. Besides, the Corporation also did not recover investment subsidy of ₹ 18.49 lakh provided (May 1994 and April 1996) as per the policy (1990) of GoR and recoverable in case the unit remained in production for less than five years. Thus, the Corporation short recovered ₹ 53.46 lakh by settlement of case in violation of laid down rules.
The Government stated that the case was settled considering difficulties in identification of the assets of the promoter. Further, stay was also granted by the Revenue Board, Ajmer. The fact remained that the Corporation violated its own rules in settlement of the case.
Ghana Chemicals Private Limited, Bharatpur
The unit[1] was closed on the directions (December 1995) of Sub-District Magistrate before commencement of production activities. However, the Corporation disbursed (February 1996) last instalment of ₹ 2.99 lakh leading to total disbursements of ₹ 17.61 lakh. On defaults in repayment and non-compliance of the notices issued (August 2000) under Section 29 and 30, the Corporation initiated action under Section 31(1)(aa). The District Court passed (April 2004) order in favour of the Corporation to recover the dues of ₹ 40.07 lakh outstanding as on 1 January 2001 along with interest at the rate of 16 *per cent* per annum till repayment. The borrower did not comply with the decree order and the Corporation filed (September 2005) an application for execution of decree order. While the application was pending before the Court, the Head Office Level Committee of the Corporation, settled (July 2008) the case for ₹ 25 lakh (to be payable in seven instalments) against outstanding dues of ₹ 113.86 lakh. Thus, the Corporation short recovered ₹ 88.86 lakh due to out of court settlement of case besides non-recovery of ₹ 4.36 lakh (without interest) towards subsidy provided to the borrower as per State Capital Investment Subsidy

1 Chlorinated Paraffin Wax and HCL Acid.

Scheme for the new Industries (1990) and recoverable in case unit was not in production continuously for five years.

The Government stated that the original title deed had not been released and proceedings for recovery of subsidy with interest are under process. The reply was, however, silent on the issue of short recovery due to out of court settlement.

Bharatpur Chemicals Private Limited

The Corporation disbursed funds of ₹ 17.23 lakh (upto February 1996) against sanction of ₹ 20 lakh (September 1995). Investment subsidy of ₹4.64 lakh was also disbursed (March 1997) as per the policy of GoR. Legal notices were issued (January 1998) under Section 29 and 30 on defaults but neither amount was deposited by the borrower nor possession was taken by the Corporation for reasons not found on record. The borrower initially agreed to pay ₹ 15.90 lakh during settlement (March 2001) against outstanding dues of ₹ 33.05 lakh. However, it did not adhere to the settlement and instead agreed to deposit the sale proceeds of plant and machinery. The sale proceeds amounting to ₹ 6.80 lakh were deposited and the Corporation initiated action under Section 31(a) and (aa) for recovery of balance dues which was dismissed by the Court on the grounds that the Corporation should first take action under Section 29. We found that the Corporation did not take effective action till June 2013 despite the fact that the assets of promoters were valued (April 2009) at ₹ 1.56 crore, MRV of prime and collateral assets was ₹ 22.59 lakh (September 2011) and the borrower did not pay the agreed amount of ₹ 18.09 lakh during settlement (May 2012) in SLC against outstanding dues of ₹ 1.56 crore as on September 2011.

The Government stated that the unit had been taken into possession and settlement proposed by SLC has been cancelled. The fact remained that the Corporation could not recover the dues despite identification of the properties of the promoters.

Anurag Plasto Products, Jaipur

The Corporation sanctioned (March 1998) loan of ₹ 59 lakh and disbursed ₹ 56.22 lakh upto January 2002. The borrower started default from 2002 and the Corporation issued various notices under Section 30 during 2002-2005. The last payment of ₹ 0.75 lakh was received from borrower in 2004-05. Thereafter the matter became sub-judice and the High Court ordered (January 2005) that the Corporation could settle the dispute in accordance with the provisions of law and policy framed by it. The HOLC offered (May 2006) to waive the penal interest of 2.33 lakh but was not agreed by the borrower. The unit could not be taken into possession till August 2007 due to lack of directions from the Head Office as regards whether there was any stay on the issue by the Court. The borrower again filed (2011) application before the High Court wherein the borrower was ordered (March 2013) to pay ₹ 48 lakh within a period of two months otherwise the Corporation was at liberty to auction the property. The borrower did not deposit (June 2013) the amount and the Corporation also did not initiate auction proceedings.

We observed that the Court never directed to put on hold the recovery proceedings through auction but the Corporation delayed in taking possession on the pretext of stay by the Court. As on October 2012, the outstanding dues against the borrower were ₹ 64.12 lakh (excluding interest since possession).

The Government stated that the unit could not be auctioned due to litigation and directions of the Court. The reply is not correct as no directions were issued by the Court which prohibited sale of the unit. The Corporation considered the advice of the legal representative as the directions of the Court which were not correct.

Mudgal Education Trust, Dausa

The Corporation as against original decision (February 2010) to obtain collateral security equivalent to applied loan of ₹ 4.85 crore, obtained collateral security of ₹ 1.50 crore only against sanction (March 2010) of ₹ 4.85 crore and disbursements of ₹ 4.36 crore (upto June 2011). Further, collateral security valuing ₹ 93.75 lakh was also released (June 2013) considering high valuation (₹ 6.87 crore as on March 2013) of the prime security to facilitate the borrower in repayment of Corporation's dues despite objection by the Branch Manager and the fact that loan was re-scheduled twice (March 2012 and March 2013) by

increasing the LDR from October 2017 to October 2018. Besides, the financial position of the unit was also not satisfactory as it earned meagre profit of ₹ 1.95 lakh during 2010-11 and the borrower could pay only ₹ 29.90 lakh by June 2013 towards principal amount against ₹ 1.74 crore as per original re-payment schedule.

The Government stated that the adequate collateral security was not taken as per the decision of the competent authority as the value of prime assets was sufficient to cover the loan. Further, re-scheduling was done as per procedures. The reply is not correct as the Corporation re-scheduled the loan twice without considering the financial viability plan of the borrower. This is evident from the fact that the borrower defaulted even after re-scheduling.

Keshav India Limited, Bhilwara

There was negligence on the part of the Corporation as it switched over (March 2004) the loan of ₹ 4.61 crore, taken by the borrower from RIICO without assessing the financial soundness as the borrower unit had registered (April 2004) itself with BIFR for declaration of sick industrial unit. The Corporation also disbursed (March 2004) another loan of ₹ 48.26 lakh to the unit. Further, the Corporation despite continuous defaults and dishonor of cheques during October 2004 to May 2005, re-scheduled (August 2005) the loans instead of taking possession of the unit. On continuous defaults even after re-scheduling, the possession of the unit was taken in April 2008 under SARFAESI[2] Act, 2002. The unit was put to auction (August 2008 to April 2013) nine times. No bidder turned up during seven auctions and on two occasions highest bids of ₹ 2 crore (February 2013) and ₹ 2.70 crore (April 2013) were received. However, the Corporation did not sell the unit considering the offers inadequate in view of MRV of the unit which was reduced from ₹ 5.74 crore (August 2008) to ₹ 3.37 crore (April 2013). The unit remained unsold (June 2013) and as on March 2013, ₹ 6.88 crore were pending for recovery from the borrower excluding interest during possession period. Besides, the Corporation also incurred loss of ₹ 41.36 lakh due to theft of assets and belated insurance.

The Government accepted the facts and stated that the Corporation was not aware that the applicant was approaching to BIFR. The loan was also rescheduled to keep the account in standard category.

Jai Balaji Cement Limited

The Corporation sanctioned and disbursed (July 1996) loan of ₹ 75 lakh for purchase of a sick industrial unit of the Corporation. The borrower never paid a single instalment but the Corporation instead of taking physical possession merely issued notices under Section 29 and 30. However, the HOCL settled (November 2008) the case for ₹ 96.94 lakh against outstanding of ₹ 7.13 crore (as on April 2008) due to non-availability of collateral security and third party guarantee. Thus, Corporation had to sacrifice an amount of ₹ 6.19 crore due to inaction in taking physical possession at the time of initial defaults and disbursement without collateral security and third part guarantee. Further, had the physical possession been taken at the time of initial defaults, the Corporation would have recovered all its dues as the MRV of unit was ₹ 1.18 crore, overdues were ₹ 0.36 crore and outstanding dues were ₹ 0.92 crore as on August 1998.

The Government stated that the properties of the borrower were attached by Commercial Tax Department (CTD) for which Corporation filed (October 2000) a suit in Court. The Court passed (April 2008) decision in favour of the Corporation but in the meantime the promoter submitted (September 2007) an application for settlement of loan and the HOLC settled (November 2008) the case. The reply is not convincing as the Corporation had to sacrifice ₹ 6.19 crore due to not taking possession at the time initial defaults despite being aware of the fact that there was no collateral security and third party guarantee available against the loan.

Dhan Laxmi Psyllium Processing Private Limited, Jalore

The Corporation took possession (March 2003) and sold (March 2006) the unit for ₹ 75.21

2 The Securitization and Reconstruction of Financial Assets and Enforcement of Securities Act, 2002

lakh against outstanding dues of ₹ 4.31 crore. Thereafter, the Corporation settled (November 2009) the case at ₹ 80 lakh against deficit of ₹ 3.72 crore despite identification of properties of the promoters valuing ₹ 5.23 crore. Thus, the Corporation could not affect recovery of dues of ₹ 2.92 crore due to settlement instead of taking action under Section 32-G.

The Government stated that the entire amount of settlement has been realised. The reply is not convincing as the Corporation settled the account instead of taking action under Section 32-G despite identification of the properties of the promoters.

B. R. Contractor

The Corporation disbursed (March 2003) loan of ₹ 12.20 lakh only against sanction (July 2002) of ₹ 26 lakh due to non-submission of full documents of the purchased plant and machinery. The sanction and disbursement was made despite knowledge of the fact that prime security was movable and one of the submitted collateral security (residential house at village) was not marketable. The borrower defaulted since beginning and Corporation issued (November 2003 to October 2004) several notices under Section 29 and 30 but the borrower did not pay any amount. The Corporation also made efforts to take (December 2004) possession which could not materialize due to protest by the relatives, involvement of number of machines and rented open land. The borrower deposited (December 2004) a cheque of ₹ 1.86 lakh towards over dues which was dishonoured and ultimately paid (January 2005) amount of ₹ 1.54 lakh in cash. On further defaults, the Corporation initiated (March 2005) action under Section 32-G. ROD was issued (November 2005) to District Collector but the same was not received by the Collector and the Corporation re-issued (February 2007) ROD. The Corporation put to auction (March 2008 to June 2012) the agricultural land of the borrower 13 times but no bidder turned up. Thereafter, no efforts were made to auction the land as the borrower gifted the land to his wife. We observed that the Corporation unjustifiably favoured the borrower by disbursing the loan despite its own assessment of non-marketability of residential house, not taking action for illegal transferability of land, providing opportunities by offering settlement under OTS and not pursuing the case under Section 32-G. Further, the Corporation also did not initiate action under Section 29 for selling of commercial shops. As on March 2013, ₹ 1.29 crore were pending for recovery from the borrower.

The Government stated that taking over proceedings could not be materialised (December 2004) due to law and order problem at site.The fact of illegal gifting of the land was brought to the notice of SDO but no action was taken for cancellation of gift deed of land. The SLC settled (11 September 2013) the case for ₹ 12.14 lakh on the request of the borrower and the account is closed. The fact remained that the Corporation extended undue favour to the borrower by settling the case for ₹ 12.14 lakh against outstanding amount of ₹ 1.29 crore despite identification of properties.

Annexure-17
(Referred to in paragraph 4.5)

Statement showing category wise details of consumers in selected circles

Name of Circle	Pali				Total	Jodhpur City				Total	Bikaner				Total	Grand Total
Category of consumer	MIP	SIP	Mix	NDS		MIP	SIP	Mix	NDS		MIP	SIP	Mix	NDS		
Total Number of consumers	636	4619	1091	28197	34543	854	2548	295	28347	32044	434	1756	402	2918	5510	72097
Less: Consumers with nil initial security deposit	84	983	42	8175	9284	279	637	30	8036	8982	41	195	34	331	601	18867
Less: Consumers exempted, consumers with adequate security deposit	157	1641	861	9250	11909	152	742	150	8180	9224	120	782	266	575	1743	22876
Remaining consumers with inadequate security deposit	395	1995	188	10772	13350	423	1169	115	12131	13838	273	779	102	2012	3166	30354
Security deposit required (₹ in crore)	3.15	1.50	0.37	3.21	8.23	3.53	1.14	0.59	8.74	14.00	2.11	0.55	0.21	0.82	3.69	25.92
Security deposit available (₹ in crore)	1.08	0.50	0.08	0.76	2.42	1.28	0.35	0.17	2.68	4.48	0.67	0.15	0.04	0.11	0.97	7.87
Shortfall in security deposit (₹ in crore)	2.07	1.00	0.29	2.45	5.81	2.25	0.79	0.42	6.06	9.52	1.44	0.40	0.17	0.71	2.72	18.05

Annexure-18
(Referred to in Paragraph 4.12.2)

Statement showing lack of responsiveness to Inspection Reports

Sl. No.	Name of Sector	Outstanding Inspection Reports and Paragraphs				1st compliance not received				Compliance not received for more than two years			
		No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.	12.	13.	14.
(A)	**Government companies**												
1.	Agriculture and allied sector	-	-	-	-	-	-	-	-	-	-	-	-
2.	Finance sector	3	22	75	29.88	-	-	-	-	-	-	-	-
3.	Infrastructure sector	2	88	291	204.36	1	4	16	54.67	-	-	-	-
4.	Manufacture sector	5	29	109	276.14	-	-	-	-	-	-	-	-
5.	Power sector	7	331	1621	633.86	-	-	-	-	-	-	-	-
6.	Service sector	7	62	149	78.43	3	4	17	2.78	-	-	-	-
7.	Miscellaneous sector	-	-	-	-	-	-	-	-	-	-	-	-
	Total (A)	**24**	**532**	**2245**	**1222.67**	**4**	**8**	**33**	**57.45**	**-**	**-**	**-**	**-**
(B)	**Statutory corporations**												
1.	Finance sector	1	50	135	433.93	-	-	-	-	-	-	-	-
2.	Service sector	1	76	217	49.38	-	-	-	-	1	8	11	3.87
	Total (B)	**2**	**126**	**352**	**483.31**	**-**	**-**	**-**	**-**	**1**	**8**	**11**	**3.87**
Grand Total (A+B)		**26**	**658**	**2597**	**1705.98**	**4**	**8**	**33**	**57.45**	**1**	**8**	**11**	**3.87**

Annexure-19
(Referred to in Paragraph 4.12.2)

Statement showing the department wise Draft Paragraphs/Performance Audit replies to which were awaited

Sl. No.	Name of the Department	Name of the Company/Corporation	No. of Performance Audits	No. of Draft Paragraphs	Period of issue
1.	Energy	Jaipur Vidyut Vitran Nigam Limited	-	1	September 2013
		Ajmer Vidyut Vitran Nigam Limited	-	1	October 2013
2.	Industries	Rajasthan State Industrial Development and Investment Corporation Limited	-	2	August 2013 to October 2013
		Rajasthan Financial Corporation	1	-	October 2013
3.	Tourism	Rajasthan Tourism Development Corporation Limited	1	-	October 2013
Total			**2**	**4**	

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