सत्यमेव जयते

Report of the Comptroller and Auditor General of India on Public Sector Undertakings for the year ended 31 March 2014



Government of Rajasthan

Report No. 6 of the year 2014

REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

ON
PUBLIC SECTOR UNDERTAKINGS

FOR THE YEAR ENDED 31 MARCH 2014

GOVERNMENT OF RAJASTHAN
REPORT NO. 6 OF THE YEAR 2014

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Preface

This Report deals with the results of audit of Government Companies and Statutory Corporations for the year ended 31 March 2014.

The accounts of Government Companies (including companies deemed to be government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act 1956. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the Comptroller and Auditor General under the Companies Act are subject to supplementary audit by the CAG and the CAG gives his comments or supplements the reports of the Statutory auditors. In addition, these companies are also subject to test audit by the CAG.

Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by CAG for laying before State Legislature of Government of Rajasthan under the provisions of Section 19-A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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 Comptroller and Auditor General of India. As per the State Financial Corporation's (Amendment) Act 2000, Comptroller and Auditor General of India 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.

The instances mentioned in this Report are those which came to notice in the course of test audit during the year 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; matters relating to the period subsequent to 31 March 2014 have also been included, wherever necessary.

The audit has been conducted in conformity 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 the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit conducted by the CAG. The Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2014, Rajasthan had 48 working PSUs (45 Companies and three Statutory Corporations) and three non-working PSUs (all Companies), which employed around 1.03 lakh employees. The working PSUs registered a turnover of ₹ 38953.84 crore during 2013-14 as per their latest finalised accounts. This turnover was equal to 7.58 *per cent* of the State Gross Domestic Product indicating an important role played by the State PSUs in the economy of the State.

Stake of Government of Rajasthan and Budgetary support

As on 31 March 2014, the investment (Capital and long term loans) in 51 PSUs was ₹ 86903.73 crore. It grew by over 205.08 *per cent* from ₹ 28485.12 crore in 2008-09. Power Sector accounted for 90.53 *per cent* of the total investment in 2013-14. The Government contributed ₹ 10883.72 crore towards equity, loans and grants/subsidies during 2013-14.

Performance of PSUs

During the year 2013-14, out of 48 working PSUs, 21 PSUs earned profit of ₹ 943.61 crore and 21 PSUs incurred loss of ₹ 13173.95 crore. Out of the remaining PSUs, three PSUs had no profit and loss for the year 2013-14 while three PSUs did not submit annual accounts since inception. Further, out of 48 PSUs, 18 PSUs incorporated during 2006-07 to 2013-14 did not commence their business activities till 2013-14. The purpose of incorporation of these PSUs was therefore defeated. The Government should take appropriate action to commence business activities of these PSUs. The major contributors to profit were Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 132.64 crore). The heavy losses were incurred by the three power distribution companies (Jodhpur Vidyut Vitran Nigam Limited - ₹ 4285.26 crore, Jaipur Vidyut Vitran Nigam Limited - ₹ 4161.23 crore and Ajmer Vidyut Vitran Nigam Limited - ₹ 3904.73 crore).

The losses were attributable to various deficiencies in the functioning of PSUs. A review of the present Audit Report of the CAG shows that the State PSUs incurred losses to the tune of ₹ 367.91 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 41 accounts finalised during October 2013 to 30 September 2014, the Statutory Auditors gave qualified certificates on 21 accounts, disclaimer on two accounts and adverse certificates on one account. There were 53 instances of non-compliance of Accounting Standards by the PSUs. Reports of the Statutory Auditors on internal control of the Companies indicated several weak areas.

Arrears in accounts and winding up

Twenty one working PSUs had arrears of 29 accounts as on 30 September 2014. Among non-working PSUs, 'Rajasthan State Agro Industries Corporation Limited', accounts were in arrears for two years. The Government may take a decision regarding winding up of the non-working PSUs.

(Chapter 1)

2. Performance Audit relating to Government Companies

Performance Audits relating to '**Rajasthan Renewable Energy Corporation Limited', 'Gypsum and Lignite activities of Rajasthan State Mines and Minerals Limited' and 'Billing system implemented by Jaipur Vidyut Vitran Nigam Limited'** were conducted.

Performance Audit of Rajasthan Renewable Energy Corporation Limited

The Performance Audit covers the performance of the Company in promotion of power generation from Wind, Solar and Biomass during 2009-10 to 2013-14.

Wind Energy

The Company facilitated installation of wind power projects of 2797.845 MW (51.81 *per cent*) in the State during 1999-2014 against the estimated wind potential of 5400 MW. During last five years (2009-14), the installed capacity increased significantly from 1084.695 MW to 2797.845 MW showing an increase of 157.94 *per cent* in the installed capacity. The Government of Rajasthan (GoR) as well as the Company, however, had not prepared any long term plan for exploitation of the wind potential. The Policy 2004 did not specify targets for establishment of power projects based on Non-Conventional Energy Sources (NCES). The targets declared by the GoR for establishment of wind power projects were not achieved during 2013-14 due to delay in initiation of action to remove the difficulties of the developers regarding competitive bidding process. Resultantly, only 98.8 MW (24.70 *per cent*) could be commissioned against the target of 400 MW. The power Distribution Companies (DISCOMs) could not achieve Renewable Purchase Obligation (RPO) targets during 2009-10 and 2010-11 due to non-availability of commensurate wind power energy in the State.

Non-adherence to Policy provisions caused non-recovery of extension fees of ₹ 3.41 crore, non-forfeiture of security deposit of ₹ 6.20 crore, irregular adjustment and non-recovery/short-recovery of processing fee of ₹ 83.40 lakh.

Solar Energy

The State Government issued Solar Energy Policy-2011 with the prime objective to develop Rajasthan as a global hub of solar power generation. As on March 2014, solar power plants with capacity of 725.50 MW (52.59 *per cent*) were installed against the sanctioned capacity of 1379.67 MW. The Company, however, did not fix year-wise targets of solar power projects in conformity with the Rajasthan Solar Energy Policy 2011. The progress in installation/ commissioning of power plants was slow due to failure of the Company in facilitating allotment/delay in allotment of land to developers, un-satisfactory progress of developers in implementation of the projects, *etc*. The progress of projects approved under Renewable Energy (RE) Solar Certificate Mechanism was very slow due to poor marketability of RE certificates. The DISCOMs could not achieve RPO targets in any of the years during 2011-14 due to failure in timely commissioning of the solar power projects.

Out of 924 (17437 MW) applications registered for solar projects during 2009-14, only 177 projects of 1380 MW (7.91 *per cent*) were approved by the State Level Screening Committee/State Level Empowered Committee. Further, only 140 projects of 725.50 MW (52.57 *per cent*) could be commissioned during this period. Non-adherence to the Policy provisions caused non-recovery of development charges of ₹ 27.50 crore, processing fee of ₹ 3.10 crore, loss of ₹ 2.50 crore due to non-forfeiture of security deposit/ invoking of bank guarantee.

Biomass power projects

The State Government issued (February 2010) a new Biomass Policy aimed to accelerate the rate of growth of biomass power projects in the State. The Policy contained incentives for installation of biomass projects. However, biomass projects of only 114.30 MW (11 *per cent*) could be installed upto March 2014 against the estimated potential of 1039 MW. The Company did not prepare any strategic plan to explore the available potential of biomass in the State in line with the projected estimates. The major constraint in installation of biomass projects was stated to be non-availability of biomass at the price reckoned by the Rajasthan Electricity Regulatory Commission while fixing the tariff. All the commissioned projects were registered prior to March 2009 and out of 60 projects (413.88 MW) registered with the Company during the period 2009-14, not a single project was commissioned. Registration of 49 projects (350.48 MW) was cancelled due to meagre progress and only 11 projects (63.40 MW) were in process at preliminary stage as on October 2014. The DISCOMS could not achieve the RPO targets in any of the five years ending March 2014 due to non-commissioning of the targeted capacity. The Company in violation of the Policy provisions did not recover processing fee of ₹ 74.13 lakh, extension fees of ₹ 28 lakh and registration fee of ₹ 2.50 lakh.

Solar City Programme

The Company did not make adequate efforts in implementation of the programme as master plan of only one city (Jodhpur) had been prepared and submitted to the Ministry of New and Renewable Energy (MNRE). The master plan for Ajmer and Jaipur had not been prepared (October 2014). The programme, therefore, could not be implemented even after six years from the

date of its launch (February 2008).

Remote Village Electrification Programme

The Company's proposals (2010-12) for installation of 27875 DLS were not sanctioned by the MNRE and, therefore, no significant work of installation of DLS under the programme was done after 2010-11 which led to non-electrification of 2440 remote hamlets. Further, the Company without obtaining concurrence of the MNRE, conducted (May 2011) third party evaluations from private parties which were not accepted and the MNRE did not release balance CFA of ₹ 3.29 crore.

Rajasthan State Energy Conservation Fund

The Rajasthan State Energy Conservation Fund was constituted (2007) for promotion of efficient use of energy and its conservation in the State. However, the Company utilised only 37.22 *per cent* of the Fund during 2010-14. The SLSC, which was supposed to review and monitor the progress of the activities carried out by the Company met only six times during 2010-14 against the requirement of atleast one meeting in every three months.

Operation and maintenance activities of Company's projects

Delay in issuance of energy bills for the power generated at three plants of the Company caused loss of interest of ₹ 35.78 lakh. The Company belatedly issued notice to L&T to deposit ₹ 64.13 lakh towards shortfall in net minimum guaranteed generation at Phagi power plant which was pending for recovery (October 2014). Further, the Company did not recover liquidated damages of ₹ 17.61 crore from the contractor for short generation of power at Pohara plant.

Recommendations

Audit recommends that (i) To further harness the wind potential and keeping in view the enormous potentiality of solar energy in the State, the Company may consider preparing long-term/short-term plans specifying year-wise targets to be achieved; (ii) The Government/Company may impress upon the RERC for fixation of tariff which encourages the developers for setting up of biomass power projects in the State; (iii) The Government/ Company may consider preparing a database of the available vacant land to facilitate developers in getting allotment of land; (iv) The Government should explore possibilities to ensure marketability of Renewable Energy certificates; (v) The Company should watch the progress of execution of projects and utilisation of the allotted land by the developers and cancel the allotment of land in case of failure of projects or breach of conditions; (vi) The Company should recover various fees/charges as per Policy provisions; and (vii) The Government may activate the monitoring mechanism to ensure execution of activities for promoting conservation of energy by better utilisation of the Fund.

(Chapter 2.1)

Performance Audit of Gypsum and Lignite activities of Rajasthan State Mines and Minerals Limited

The Performance Audit covers the Gypsum and Lignite activities of the Company during the period from 2009-10 to 2013-14.

Financial Position

The profit from Gypsum activity increased (63.90 *per cent*) from ₹ 58.94 crore to ₹ 96.60 crore and the profit from Lignite activity increased (178.13 *per cent*) significantly from ₹ 23.46 crore to ₹ 65.24 crore during 2009-13.

Mining of Gypsum and Lignite

Rajasthan State is the major producer of Gypsum in India. The Company had contributed 70 to 89 *per cent* of the total production of Gypsum in the Country during 2009-13. As on March 2014, the Company was carrying out mining activities in 10 Gypsum mines (5396.95 hectare) out of total 29 Gypsum mines (12521.985 hectare). The remaining 19 mines were non-operational due to non-surrender of depleted mines, non-availability of environmental clearance (EC), non-availability of land from Khatedars, non-renewal of mining lease by the State Government and non-finalization of contracts for excavation of mineral.

The Ministry of Coal (MoC) allocated seven Lignite blocks to the Company between November 1994 and November 2006 but mining operations had commenced in only three blocks *i.e.* Giral (1995-96), Kasnau-Matasukh (2003-04) and Sonari (2012-13). One block (Mokala, Nagaur) was de-allocated (December 2013) by the MoC due to non-completion of pre-mining development activities by the Company causing infructuous expenditure of ₹ 46.78 lakh. The remaining three blocks could not be operated due to non-availability of EC and delay in submission of mine plan.

Planning and Statutory compliance

The Company did not prepare a strategic/long term perspective plan despite directions of the Committee on Public Undertakings to ensure sustainable development of minerals in a cost effective manner. The market demand and supply of Gypsum and Lignite was never assessed despite the fact that the entire production was sold in the year itself. The Company did not take timely action for renewal of expired mining leases and inadequate monitoring, arrangement of resources and follow up of the targets led to non-achievement of the laid down targets.

Absence of a robust statutory compliance management system to ensure strict adherence to the mining and environmental Rules and Regulations resulted into de-allocation of the allocated blocks, non-surrender of depleted mines; closing of mining operations, non-availability of EC and withdrawal of mining permission under Mines Regulations, 1957 by Directorate of Geology (Mines and Safety). This resulted into unfruitful expenditure of ₹ 12.47 crore towards land tax and dead rent.

Production and sale of minerals

The annual budgetary targets were always fixed on lower side in comparison to the capacity approved in the EC/mine plans. The Company even could not

achieve the annual budgetary targets in respect of both Gypsum and Lignite in all the five years. The sales targets were fixed similar to that of production but lower levels of production affected the sales as the entire production was sold in the year itself. The annual production of Gypsum declined (35.14 *per cent*) from 34.63 lakh MT in 2010-11 to 22.46 lakh MT in 2013-14 due to non-finalisation of excavation contracts, reluctance by Khatedars in providing land, depletion of mines, non-lifting of Gypsum by cement industries due to low purity, *etc.* The annual production of Lignite decreased from 12.07 lakh MT in 2009-10 to 8.83 lakh MT in 2010-11 and thereafter increased to 14.28 lakh MT in 2013-14. Decrease in Lignite production during 2010-11 was due to non-finalization of excavation contract for Kasnau-Matasukh mine while increase in production during 2012-14 was due to operation of a new mine (Sonari). Non-finalization of contract for excavation of Lignite in Matasukh pit for a period of 21 months caused loss of production of 7.94 lakh MT as per mine plan besides unfruitful expenditure of ₹ 86.17 lakh towards dead rent and land tax. The mining operations at Kasnau pit were closed (March 2004) due to heavy inrush of underground water. Thereafter, no efforts were made for dewatering and excavation of Lignite which caused loss of production of 28.35 lakh MT, besides unfruitful expenditure of ₹ 24.91 lakh towards land tax during 2009-14. The increase in profit in both Gypsum and Lignite was due to increase in sales price.

Gypsum grinding units

The Company laid more emphasis on the contractual grinding units instead of its own Centralised Gypsum Grinding (CGG) unit. The production at CGG unit against the contracted capacity ranged between 17.60 and 70.13 *per cent* during 2009-14. The actual utilisation of CGG unit against the workable capacity of 16 lakh MT ranged between 5.50 and 21.92 *per cent* during 2009-14. Preference to contractual unit at Ballar instead of owned CGG unit caused excess expenditure of ₹ 1.11 crore during 2009-14. The Company could effectively fulfill 69.18 *per cent* of the total demand of Gypsum powder during 2009-14 due to non-finalisation of excavation contracts, non-availability of land from Khatedars, awarding of grinding contracts for lower quantity at Ballar unit and failure in fully utilising the CGG unit. The Company was deprived of additional revenue of ₹ 20.23 crore due to non-fulfillment of the demand of Gypsum powder and additional profit of ₹ 29.36 lakh due to supply of Gypsum Run of Mine instead of Gypsum powder.

Marketing management

The Company did not give cognizance to the sale price declared by the Indian Bureau of Mines during November 2011 to December 2012 which caused short recovery of royalty of ₹ 1.32 crore. Selling of Lignite through auction/ e-auction at a price below the average cost of production during 2009-10 and 2011-13 caused operating loss of ₹ 43.68 crore. Rajasthan Rajya Vidyut Utpadan Nigam Limited made payment of bills with delay ranging between 17 and 337 days in absence of any penalty prescribed in the Fuel Supply Agreement for delay in payment of bills. This caused loss of interest of ₹ 4.52 crore to the Company during 2009-14.

Contract Management

The Company lost an opportunity to earn additional profit of ₹ 1.26 crore due to non-supply of contracted quantity to Uttar Pradesh Bhumi Sudhar Nigam. Rejection of lowest offers selectively without any uniform policy on the basis of workability of rates despite the fact that the bidders were technically qualified caused an extra expenditure of ₹ 37.98 lakh. The Company relaxed the prequalification and performance criteria as mentioned in the Contract Manual which resulted into awarding of contracts to in-eligible bidders causing loss of revenue of ₹ 5.08 crore due to non-fulfillment of contractual obligations.

Recommendations

Audit recommends that (i) The Company should prepare a broad strategic corporate plan including sector-wise plans for production and marketing of minerals with specific targets and firm timelines to ensure sustainable development of minerals in a cost effective manner to cater to the market demand. Further, the Company should assess the demand of minerals and take action for timely renewal of mining leases to fulfill the market demand; (ii) The Company should implement a robust statutory compliance management system to ensure adherence to the mining and environmental Rules and Regulations; (iii) The Company should adopt best practices for contract management to ensure timely finalisation of excavation contracts, awarding of contracts in a manner so as to safeguard the financial interests and to adhere to the provisions of contract manual; and (iv) The Company should plan and step up vigilance activities besides better liasoning with the State Government to curb the practice of illegal mining.

(Chapter 2.2)

Performance Audit (IT) on the billing system implemented by Jaipur Vidyut Vitran Nigam Limited

The Company outsourced the work of design, development, implementation of application software and preparation/ printing of electricity bills to Data Infosys Private Limited (December 2006) and Bellary Computer IT Solution Private Limited (July 2007). Data Infosys Private Limited provided services in the Jaipur City Circle while Bellary Computer IT Solution Private Limited provided services in remaining 12 Circles. The Performance Audit (IT Audit) covers both the High Tension (HT) and Low Tension (LT) consumers of the Company. The results are based on the analysis of 100 *per cent* HT consumers and 57.71 *per cent* LT consumers of four selected Circles.

The electronic billing data for the period April 2012 to December 2013 was collected from the billing agencies and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis software.

Analysis of the billing data of HT and LT consumers of selected four Circles disclosed cases of short recovery of energy charges, security deposit, statutory levies *etc*. having financial implication of ₹ 177.60 crore on the revenue of the Company.

General Controls

The IT Policy of the Company did not cover billing system which was critical to the operations of the Company. The IT policy lacked clear objectives and responsibilities of the officers as regards security of IT assets (software and hardware). Further, the Company did not give cognizance to any standard guidelines relating to IT policies and procedures with respect to physical and logical security, quality maintenance by vendors and contingency planning. The Company did not obtain the backup of billing data from the billing agencies and was not having any business continuity plan/recovery procedures except manual generation of bills in case of any untoward incident.

Application Design Deficiencies

The billing software was not designed in a robust manner to ensure validation of input advice and output results as per the business rules. Our analysis disclosed that the application software was deficient as regards provisions relating to accuracy class of meters; supplementary agreement with HT consumers; disconnection in case of non-maintenance of power factor and acceptance of security deposit from a consumer other than the owner.

Mapping of business rules

The billing agencies did not correctly map the provisions of Tariff and Terms and Conditions of Supply of Electricity relating to rebate to LT consumers; transfer of disconnected consumers to permanently disconnected consumers; maximum demand indicator; rebate in case of defective meters; grace period in payment of bills and allowance of rebate for use of Solar Water Heating System.

Input Control and Validation Checks

Input control minimizes the possibilities of error or irregularities in computerised systems due to incorrect or irregular input. Input control and validation checks were deficient as regards installation of shunt capacitors; rebate for domestic connections in rural areas; assessment of energy charges in case of defective meter; assessment in case of inaccessibility of meters; recovery of CTPT Security, urban Cess and water Cess; Security deposit from LT consumers, payment of interest on security deposit; adjustment of revenue with respect to consumption of electricity and categorization of consumers.

Completeness of data

The database suffered from absence of vital details of consumers; incorrect feeder codes; non-availability of Service connection order number and date.

Internal Controls

The existence of an adequate system of internal control minimises the risk of errors and irregularities. Our analysis disclosed abnormal delay in issue of bills; release of more than one industrial/non-domestic connection in the same premises; non-realisation of assessed revenue and charge of compounding charges in case of second offence.

Recommendations

The Performance Audit includes recommendations regarding formulation and implementation of a clear and comprehensive IT policy and periodical review according to changing business environment; obtaining regular backup of the data and develop a reliable business continuity plan in case of any untoward incident; ensure mapping of business rules in accordance with the tariff provisions and TCOS and periodically review and update them; building input controls and validation checks to ensure completeness and correctness of the data and strengthening the internal control mechanism to ensure proper monitoring of billing system, including timely issuance of bills and recovery of energy charges from defaulters/ permanently disconnected consumers.

(Chapter 2.3)

3. Compliance Audit Observations

Compliance 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 of ₹ 6.26 crore due to non-safeguarding of financial interests of the organisation.

(Paragraphs 3.1 and 3.5)

Loss of ₹ 7.67 crore due to non-compliance with rules, directives, procedures, terms and conditions of contract in eight cases.

(Paragraphs 3.2, 3.3, 3.4, 3.6, 3.7, 3.9, 3.10 and 3.11)

Loss of ₹ 124.41 crore due to non-realisation/partial realisation of objectives and non-safeguarding of financial interests of the organisation in one case.

(Paragraph 3.8)

Gist of some important Audit observations is given below:

Rajasthan State Industrial Development and Investment Corporation Limited extended undue benefit of interest to the applicants and thereby incurred loss of ₹ 6.02 crore.

(Paragraph 3.5)

Rajasthan State Industrial Development and Investment Corporation Limited incurred minimum loss of ₹ 1.90 crore by allotting the plot without invitation of sealed bids in a saturated industrial area.

(Paragraph 3.6)

The sub-group/Infrastructure Development Committee of **Rajasthan State Industrial Development and Investment Corporation Limited** caused loss of revenue of ₹ 124.41 crore by not implementing the amendment (January 2011) in Rule 3 (W) of the RIICO Disposal of Land Rules, 1979 as regards rate of allotment in saturated industrial areas.

(Paragraph 3.8)

Rajasthan Rajya Vidyut Prasaran Nigam Limited made irregular payment of ₹ 3.56 crore to IMP Powers Limited towards price variation by accepting its claims as per new formula in contravention to tender conditions.

(Paragraph 3.9)

Rajasthan State Food and Civil Supplies Corporation Limited paid interest of ₹ 66.90 lakh for delay in deposit of service tax.

(Paragraph 3.11)

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 are those 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 1.03 lakh persons as on 31 March 2014. 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	15	-	-	-	15	78672.64
Finance	3	-	1	-	4	613.32
Service	14	-	2	-	16	3658.73
Infrastructure	5	-	-	-	5	2460.39
Others	8	3	-	-	11	1498.65
Total	**45**	**3**	**3**	**-**	**51**	**86903.73**

As on 31 March 2014, there were 51 PSUs, of which 48 were working and three were non-working. Of these, no company was listed on the stock exchange(s). During the year 2013-14, four[4] new PSUs were established while

1 There are four 619-B Companies at Sl. No.- A- 32, 33, 35 and 45 and one company registered under section 25 at Sl. No. A-40 of Annexure-1.

2 Investments includes capital and long term loans.

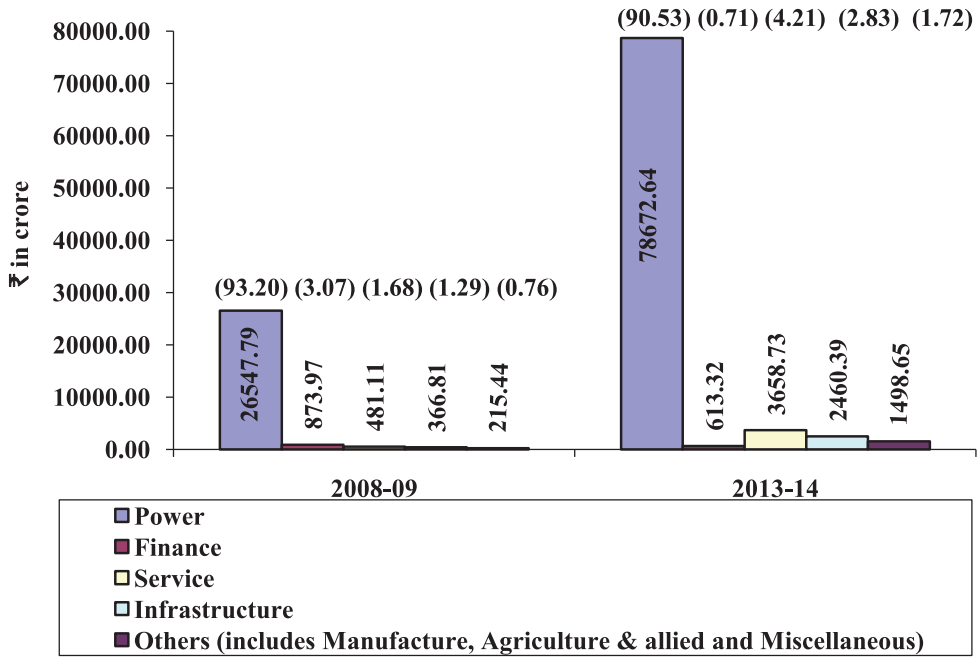
3 Non-working PSUs are those which have ceased to carry on their operations.

4 Rajasthan Avas Vikas and Infrastructure Limited (incorporated on 20 June 1996 as Avas Vikas Limited and later on registered as Government company in May 2012), Rajasthan Police Housing & Construction Corporation Limited in June 2013, RSPCL-GAIL Gas Limited in September 2013 and Rajasthan Veterinary Services Corporation Limited in October 2013.

Gurha Thermal power Company Limited (working PSU) was privatized in May 2013.

1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. The thrust of PSU investment was in almost all the sectors, except finance, during the last five years ending March 2014. The investment increased by 196.34 *per cent* (Power), 570.75 *per cent* (Infrastructure) and 660.48 *per cent* (Service) in these sectors.

(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.

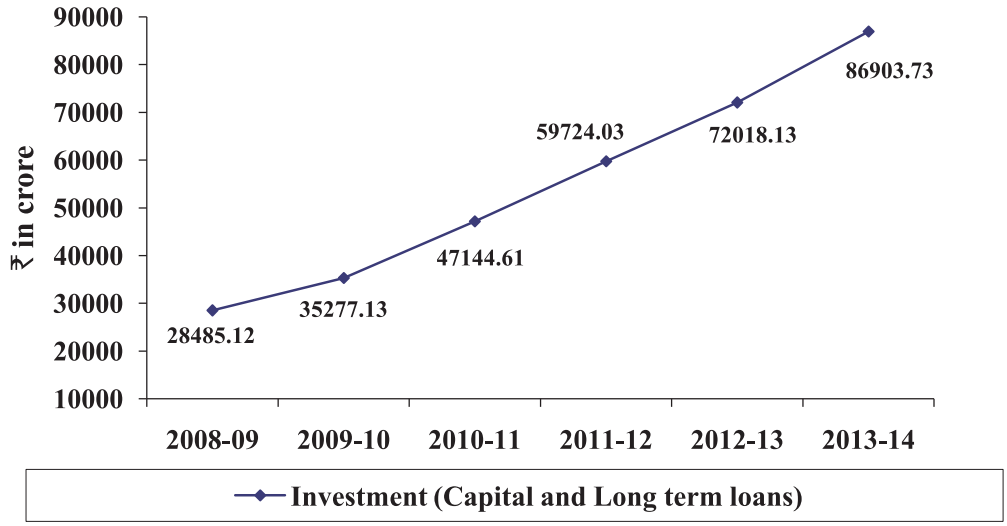
1.11 As on 31 March 2014, the total investment (capital and long term loans) in 51 PSUs (including 619-B companies) was ₹ 86903.73 crore as shown below.

(₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	22336.86	62375.43	84712.29	727.54	1437.87	2165.41	86877.70
Non-working	10.16	15.87	26.03	-	-	-	26.03
Total	**22347.02**	**62391.30**	**84738.32**	**727.54**	**1437.87**	**2165.41**	**86903.73**

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

1.12 As on 31 March 2014, of the total investment in State PSUs, 99.97 *per cent* was in working PSUs and the remaining 0.03 *per cent* in non-working PSUs. This consisted of 26.55 *per cent* towards capital and 73.45 *per cent* in long-term loans. The investment has grown by 205.08 *per cent* from ₹ 28485.12 crore in 2008-09 to ₹ 86903.73 crore in 2013-14 as shown in the graph below:



1.13 The capital investment as well as long-term loans increased by ₹ 15544.68 crore and ₹ 42873.93 crore respectively during the period from 2008-09 to 2013-14. There was overall net increase in investment by ₹ 58418.61 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 ₹ 19607.70 crore and the accumulated losses thereagainst were ₹ 56133.11 crore. This had entirely eroded the capital of the State PSUs and culminated into negative net worth[5] of ₹ 36525.41 crore.

Budgetary support to PSUs

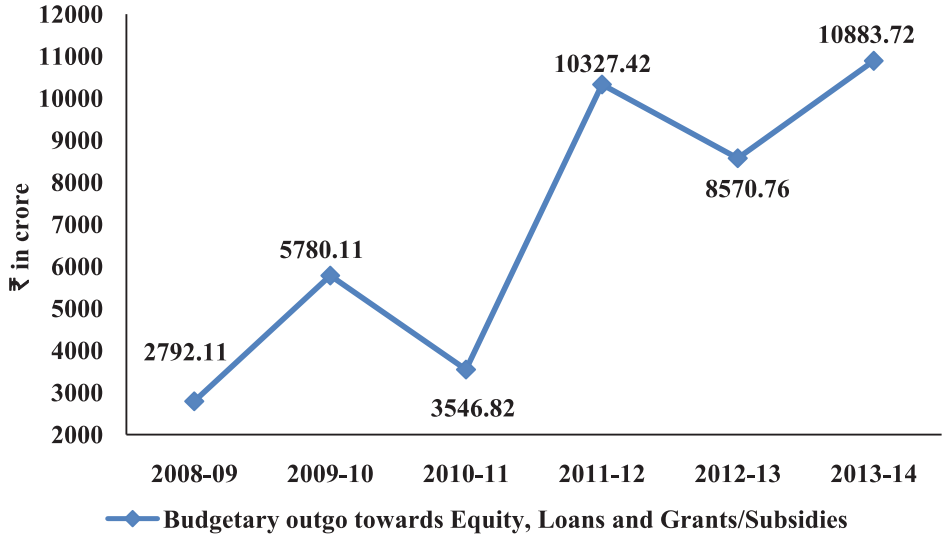
1.15 The GoR provides additional investment and support to PSUs in various forms through annual budget. During the year 2013-14, the GoR extended budgetary support of ₹ 10883.72 crore to 26 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans 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 2013-14 are given below:

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

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo	11	1725.09	14	4648.37	14	4722.21
2.	Loans given	8	5552.21	7	813.81	8	428.98
3.	Grants/Subsidy	14	3050.12	13	3108.58	16	5732.53
4.	Total Outgo[6] (1+2+3)	18[7]	10327.42	23[7]	8570.76	26[7]	10883.72
5.	Loan repayment written off	1	0.10	-	-	1	204.42
6.	Loans converted into equity	4	1086.25	1	15.65	1	2.62
7.	Guarantees issued	6	17349.50	7	20209.01	7	26881.55
8.	Guarantee Commitment	7	57559.34	7	70365.08	9	81228.38

1.16 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2013-14 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 ₹ 2792.11 crore in 2008-09 to ₹ 10883.72 crore in 2013-14. During 2013-14, the GoR had written off loan repayment of ₹ 204.42 crore in respect of Rajasthan Rajya Vidyut Prasaran Nigam Limited and loan of ₹ 2.62 crore was converted into equity in respect of Rajasthan Civil Aviation Corporation Limited. The main beneficiary of budgetary outgo was power sector which received 82.12 *per cent* (₹ 3878.00 crore) of total equity capital outgo of ₹ 4722.21 crore and 83.95 *per cent* (₹ 9136.76 crore) of total budgetary outgo (₹ 10883.72 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

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.

PSUs from banks/financial institutions without any exception under the provision of the Rajasthan State Grant of Guarantees Regulation 1970.

There was an increasing trend of outstanding guarantee commitments which increased from ₹ 25639.95 crore in 2008-09 to ₹ 81228.38 crore in 2013-14 showing rise of 216.80 *per cent*. During the year 2013-14, guarantee commission of ₹ 413.10 crore was paid by the PSUs to the State Government.

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 figures of investment in PSUs

1.20 The Finance Accounts of GoR prepared by the Principal Accountant General (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 2014 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	22755.07	22773.70	18.63
Loans	3918.74	3623.63	295.11
Guarantees	81358.76	81228.38	130.38

1.21 These differences occurred in respect of 14[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 and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

8 At Sl. No.-A-1, 7, 9, 12, 13, 15, 23, 28, 33, 44, B-1,2, C-1 and 2 of Annexure-1.

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 2013-14 were to be finalised by 30 September 2014. The progress made by these PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Number of Working PSUs	37	42	44	46	48
2.	Number of accounts finalised during current year	27	46	33	59[10]	41[11]
3.	Number of working PSUs which finalised accounts for the current year	16	25	24	33	27
4.	Number of Working PSUs with arrears in accounts	21	17	20	13	21
5.	Number of accounts in arrears	28	24	33	21	29
6.	Number of previous year's accounts finalised during current year	11	21	9	25	14[11]
7.	Average arrear per PSU(5/1)	0.76	0.57	0.75	0.46	0.60
8.	Extent of arrears	One to three years	One to four years	One to five years	One to six years	One to seven years

1.23 Out of 48 PSUs, only 27 PSUs had finalised their accounts for the year 2013-14 by 30 September 2014 and remaining 21 working PSUs had 29 accounts in arrear for the period from 2007-08 to 2013-14. Further, 14 accounts in arrears were finalised during 2013-14 as compared to 25 during 2012-13. Consequently, the average arrear per PSUs increased from 0.46 in 2012-13 to 0.60 in 2013-14.

1.24 Of the 21 working PSUs with arrears of accounts, the GoR had extended budgetary support to 13 PSUs which was ₹ 9516.62 crore (Equity: ₹ 3466.71 crore, Loan: ₹ 352.90 crore, Subsidy: ₹ 5492.59 crore and written off loan re-payment: ₹ 204.42 crore) during the years as detailed in **Annexure-4**.

1.25 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.

1.26 The Accountant General also addressed (July 2014) the Chief Secretary/Administrative Departments/Managements of the PSUs whose

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 Includes account of Rajasthan Avas Vikas and Infrastructure Limited for the year 2012-13 which was not shown as arrear in previous year.

accounts were in arrears. The progress in liquidation of arrears of accounts has been discussed in paragraph 1.22 and 1.23.

Finalisation of accounts by Statutory Corporations

1.27 Out of three working Statutory Corporations, two[12] had forwarded their latest accounts of 2013-14 by 30 September 2014. The audit of the accounts of one[13] Statutory Corporation was in progress (September 2014).

1.28 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 2012-13 had been placed[14] in State Legislature during February to September 2014.

Impact of non-finalisation of accounts

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

1.30 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.

1.31 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 2013-14 could not be ascertained. However, as per the latest finalised accounts the contribution of PSUs to State GDP was 7.58 *per cent*. Further, the result of operation of these PSUs for the year 2013-14 and their contribution to State exchequer was also not reported to the State legislature.

1.32 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

1.33 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

12 PSU at Sl. No. B-1 and B-3 of Annexure-2.

13 PSU at Sl. No. B-1 of Annexure-2.

14 Rajasthan State Warehousing Corporation (6 February 2014), Rajasthan Financial Corporation (17 September 2014) and Rajasthan State Road Transport Corporation (18 July 2014).

performance of major PSUs like Ajmer Vidyut Vitran Nigam Limited, Jaipur Vidyut Vitran Nigam Limited, Jodhpur Vidyut Vitran Nigam Limited, Rajasthan Rajya Vidyut Prasaran Nigam Limited, Rajasthan State Mines and Minerals Limited and Rajasthan State Road Transport Corporation could not be commented in the absence of finalisation of account for the year 2013-14.

Performance based on finalised accounts

1.34 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 2008-09 to 2013-14.

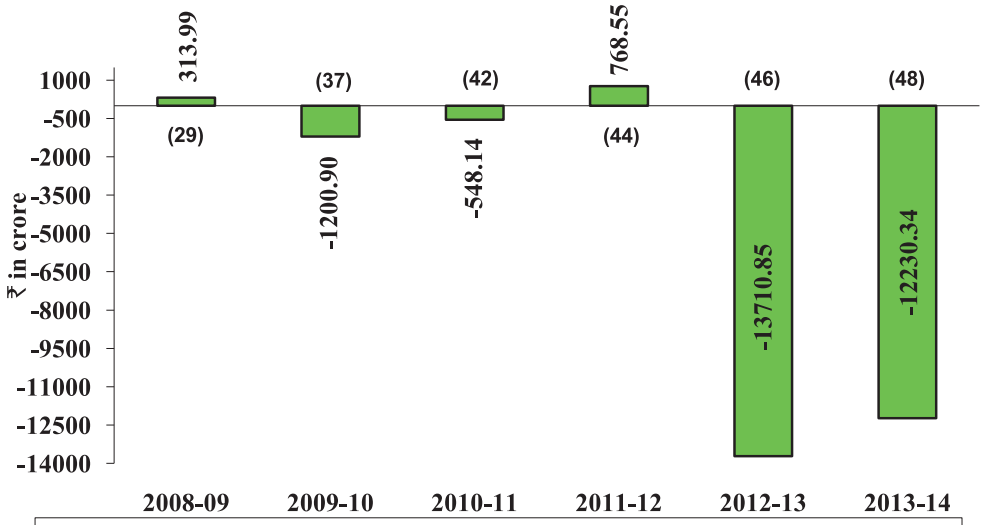
(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover[15]	17510.67	25275.63	30152.24	32440.58	33486.33	38953.84
State GDP[16]	230949.00	265825.00	338348.00	403422.00	459215.00	513688.00
Percentage of Turnover to State GDP	7.58	9.51	8.91	8.04	7.29	7.58

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 2008-09 to 2013-14, whereas percentage of increase in GDP ranged between 11.86 and 27.28 during the period from 2008-09 to 2013-14. The turnover of PSUs as well as State GDP recorded compounded annual growth of 17.34 *per cent* during last five years. Share of PSUs turnover to State GDP in 2013-14 was equal to 2008-09, despite increase in number of working PSUs from 29 to 48 during 2008-09 to 2013-14.

1.35 Profit[17] earned or losses incurred by State working PSUs during 2008-09 to 2013-14 are given below in a bar chart.

15 Turnover as per the latest finalised accounts.
16 State GDP as per Economic Review 2013-14 of Government of Rajasthan.
17 Figures are as per the latest finalised accounts during the respective years.



The working PSUs incurred a loss of ₹ 12230.34 crore in 2013-14 in comparison of profit of ₹ 313.99 crore in 2008-09. According to latest finalised accounts of 48 PSUs, 21[18] PSUs earned profit of ₹ 943.61 crore, 21[18] PSUs incurred loss of ₹ 13173.95 crore, three[19] PSUs had no profit or loss while three[20] PSUs are yet to submit their first accounts since inception. Further, out of 48 PSUs, 18[21] PSUs incorporated during 2006-07 to 2013-14 did not commence their business activities till 2013-14. The purpose of incorporation of these PSUs was therefore defeated. The Government should take appropriate action to commence business activities of these PSUs.

1.36 As per their latest finalised accounts, Rajasthan State Mines and Minerals Limited (₹ 615.83 crore) and Rajasthan State Industrial Development and Investment Corporation Limited (₹ 132.64 crore) were the major contributor to the profit while Jodhpur Vidyut Vitran Nigam Limited (JdVVNL) (₹ 4285.26 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

1.37 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 working PSUs incurred losses to the tune of ₹ 367.91 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

18 Including those PSUs which had not started their business activities but were showing marginal profit/loss.
19 PSU at Sl. No. A-15, 20 and 21 of Annexure-2.
20 PSU at Sl No.-A-16, 35 and 44 of Annexure-2.
21 PSUs at Sl. No. A-4, 6, 14, 15, 16, 18, 19, 20, 21, 25, 26, 27, 31, 32, 34, 35, 37 and 44 of **Annexure 2.**

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit (loss)	768.55	(13710.85)	(12230.34)	(25172.64)
Controllable losses as per CAG's Audit Report	138.11	96.67	367.91	602.69
Infructuous Investment	Nil	Nil	Nil	Nil

1.38 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. 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.

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

(₹ in crore)

Particulars[22]	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed[23] (*per cent*)	5.82	2.89	5.64	8.09	-16.32	-7.86
Debt	20955.24	26437.80	36260.08	45976.15	53503.45	63829.17
Turnover[24]	17510.67	25275.63	30152.24	32440.58	33486.33	38953.84
Debt/Turnover Ratio	1.20:1	1.05:1	1.20:1	1.42:1	1.60:1	1.64:1
Interest Payments[24]	1599.84	2374.73	3551.29	3681.11	7864.69	8498.38
Accumulated Profits (losses)[24]	364.89	(1343.22)	(2066.69)	(1590.48)	(50951.85)	(56133.11)

1.40 During the last five years, the turnover of PSUs recorded compound annual growth of 17.34 *per cent*. However, the compound annual growth of debts was 24.95 *per cent* indicating increase at a much faster rate than the turnover. The rising debts to turnover ratio from 1.20:1 in 2008-09 to 1.64:1 in 2013-14 indicated increased reliance on debts by PSUs.

1.41 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, 21 PSUs earned an aggregate profit of ₹ 943.61 crore and eight[25] PSUs declared a dividend of ₹ 58.45 crore which worked out to 0.30 *per cent* of equity capital of all the PSUs. Out of eight PSUs declaring dividend, two[26] PSUs declared dividend more than the prescribed limit while three[27] PSUs declared dividend less than the prescribed limit in the Government dividend policy. Thirteen[28] PSUs which earned profit, did not declare dividend due to accumulated losses or marginal profits.

22 Position for the year 2013-14 was as per the latest information made available up to 30 September 2014.

23 Upto 2011-12, Capital employed has been worked out using formula (Net fixed assets + Working capital). From 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, 7, 8, 11, 12, 13, 30 and B-3 of Annexure-2.

26 PSUs at Sl. No.-A-13 and B-3 of Annexure-2.

27 PSUs at Sl. No.-A-7, 8 and 12 of Annexure-2.

28 PSUs at Sl. No. A-3, 5, 9, 10, 28, 31, 32, 36, 37, 38, 41, 45 and B-1 of Annexure-2.

Non-working PSUs

1.42 There were three non-working PSUs (all companies) as on 31 March 2014 having a total investment of ₹ 26.03 crore towards capital (₹ 10.16 crore) and long term loans (₹ 15.87 crore). Rajasthan State Agro Industries Corporation Limited had arrear in accounts for two years.

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

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
No. of non-working companies	4	3	3	2	3

During the year 2013-14, Rajasthan Jal Vikas Nigam Limited ceased to carry on its operational activities and turned into non-working PSU.

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

Accounts Comments and Internal Audit of PSUs

1.45 Thirty four working Companies forwarded their 39 audited accounts to the Accountant General during the period from October 2013 to September 2014. Of these, 28 accounts of 25 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	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	4	496.05	5	30.01	6	266.83
2.	Increase in profit	1	62.24	2	7.60	1	0.81
3.	Increase in loss	4	8.01	12	2131.55	5	459.02
4.	Decrease in loss	1	0.68	2	4.00	3	20.16
5.	Non-disclosure of material facts	10	29.25	2	2.57	1	26.54
6.	Errors of classification	4	1293.47	15	19411.76	4	28.42

1.46 During the year 2013-14, the Statutory Auditors had given qualified certificates on 19 accounts, adverse[29] certificate on one accounts of JdVVNL for the year 2012-13 and disclaimer[30] on two accounts of Giral Lignite Power Limited for the year 2011-12 and 2012-13. The compliance of the Accounting Standards (AS) by PSUs remained poor as there were 53 instances of non-compliance in 12 accounts as pointed out by the Statutory Auditors. Additionally, the CAG gave adverse certificate on the accounts of Rajasthan

29 Accounts do not reflect true and fair position.
30 Auditors are unable to form an opinion on accounts.

Rajya Vidyut Prasaran Nigam Limited (RRVPNL) for the year 2012-13 and disclaimer on the accounts of Giral Lignite Power Limited for the year 2011-12.

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

Barmer Lignite Mining Company Limited (2012-13)

- 'Fixed Assets' did not include ₹ 32.58 crore being demand of Government land raised by District Collector Barmer in July 2012 on which mining activities was carried out by the Company since the NOC was issued by the Government in January 2010. Consequently, Fixed Assets, Depreciation and Current Liabilities were understated by ₹ 30.57 crore, ₹ 2.01 crore and ₹ 32.58 crore respectively and profit was overstated by ₹ 2.01 crore.

Rajasthan State Food & Civil Supplies Corporation Limited (2012-13)

- 'Commission Received' was overstated by ₹ 0.81 crore due to excess accountal of commission for Fortified Atta. This resulted in overstatement of profit to the same extent.

Jodhpur Vidyut Vitran Nigam Limited (2012-13)

- 'Revenue from Operation' was understated by ₹ 50.85 crore due to non-accounting of Fuel Surcharge recoverable for the first two quarters of financial year 2012-13 as per clause no-127 of RERC Regulation 2009 which resulted in overstatement of the loss by ₹ 50.85 crore.
- 'Purchase of Power' was understated by ₹ 26.75 crore due to non-accounting of bills related to power purchase for the period from 2004-05 to 2012-13 received in the month of May and June 2013 which resulted in understatement of loss for the year to the same extent.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (2012-13)

- Due to our comments, the net profit for the year was worked out to ₹ 8.87 crore instead of the net profit of ₹ 41.28 crore shown by the company. Hence, the Accounts did not present a true and fair view.

1.48 Similarly, out of three working Statutory Corporations, two[31] forwarded their accounts for 2013-14 to the Accountant General (up to 30 September 2014). Both 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:

31 PSU at Sl. No.- B-1 and B-3 of Annexure-2.

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	63.83	1	31.19	2	51.91
2.	Increase in profit	-	-	-	-	1	1.30
3.	Increase in loss	1	1071.47	-	-	1	729.18
4.	Non-disclosure of material facts	1	48.04	-	-	2	554.11
5.	Errors of classification	1	1.02	-	-	1	1.27

1.49 Out of two accounts received during the year 2013-14, the Statutory Auditors had given qualified certificates for both accounts.

1.50 Audit of annual accounts of Rajasthan Financial Corporation for the year 2013-14 by the CAG was in progress as on 30 September 2014. Some of the important comments in respect of Accounts of Statutory Corporation finalised during 2013-14 are stated below:

Rajasthan State Road Transport Corporation (2012-13)

- 'Provision for Gratuity & Pension Contribution for Corporation Employees Fund' was understated by ₹ 663.36 crore due to non-provision for liability towards Gratuity & Pension Contribution as per actuarial valuation as on 31 March 2009 report, which resulted in understatement of welfare and superannuation expenditures and net loss by ₹ 663.36 crore.

Rajasthan Financial Corporation (2012-13)

- Due to our comments, the net profit after tax of ₹ 3.40 crore shown in Accounts turned into a loss of ₹ 19.56 crore. Hence, the Accounts did not represent a true and fair view.

Rajasthan State Warehousing Corporation (2013-14)

- 'Office & Other Expenses' was overstated by ₹ 95.24 lakh due to incorrect accountal of interest on loan for construction of Godown/Warehousing under Rural Infrastructure Development Fund Scheme as revenue expenditure instead of capitalization of this expenditure which resulted in understatement of profit to the same extent.

1.51 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 39 annual accounts of working companies which were forwarded to the Accountant General during October 2013 to September 2014 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	2011-12	2	A-22 & 29
		2012-13	7	A-5,8,22,24,28,29 & 43
		2013-14	7	A-2,7,12,29,30,33& 38
2.	Non maintenance of proper records showing full particulars including quantitative details and situations of fixed assets.	2011-12	2	A-22 & 29
		2012-13	5	A-22,24,28,29 & 42
		2013-14	6	A-2,7,29,30,33 & 34
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.	2011-12	1	A-29
		2012-13	6	A-8,24,28,29,41 & 43
		2013-14	6	A-2,7,12,29,38 & 39
4	Accumulated losses at the end of the financial year are not less than 50 of its net worth in case of company which has been registered for a period not less than five years,	2011-12	1	A-22
		2012-13	4	A-22,24,42 & 43
		2013-14	10	A-2, 18, 19, 20, 21, 25, 26, 27, 33 & 37
5	Cash losses incurred during the financial year by company which has been registered for a period not less than five years.	2011-12	1	A-22
		2012-13	4	A-22,24,42 & 43
		2013-14	6	A-2,18,20,21,25 & 33

Recoveries at the instance of audit

1.52 During the course of compliance audit in 2013-14, recoveries of ₹ 47.70 crore were pointed out to the Management of various PSUs, of which, recoveries of ₹ 40.40 crore were admitted by PSUs. An amount of ₹ 16.70 crore had been recovered during the year 2013-14.

Disinvestment, Privatisation and Restructuring of PSUs

1.53 During 2013-14 one PSU namely Gurha Thermal Power Company Limited was privatized.

Reforms in Power Sector

1.54 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 on matters relating to electricity generation, transmission and distribution in the State and issue of licenses. During 2013-14, RERC issued 76 orders (29 on annual revenue requirements and 47 on other issues).

1.55 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 program in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

<table>
<tr><th>Sl. No.</th><th>Milestone</th><th></th><th colspan="4">Achievement as at March 2014</th></tr>
<tr><td rowspan="4">1.</td><td rowspan="4">Reduction in transmission and distribution losses</td><td rowspan="4">20 per cent by 2008-09</td><td colspan="2">Name of the Company</td><td colspan="2">Transmission and Distribution losses (In per cent)</td></tr>
<tr><td colspan="2">JVVNL</td><td colspan="2">28.13</td></tr>
<tr><td colspan="2">AVVNL</td><td colspan="2">20.99</td></tr>
<tr><td colspan="2">JdVVNL</td><td colspan="2">21.88</td></tr>
<tr><td rowspan="4">2.</td><td rowspan="4">100 per cent metering of all 11 KV distribution feeders</td><td rowspan="4">September 2001</td><td>Name of the Company</td><td>11KV feeders to be metered</td><td>11KV feeders metered upto March 2013</td><td>Percentage</td></tr>
<tr><td>JVVNL</td><td>5642</td><td>4320</td><td>76.57</td></tr>
<tr><td>AVVNL</td><td>6602</td><td>4523</td><td>68.51</td></tr>
<tr><td>JdVVNL</td><td>7672</td><td>5653</td><td>73.68</td></tr>
<tr><td>3.</td><td>100 per cent electrification of all villages</td><td>41353 villages by March 2005</td><td colspan="4">40249 villages (as per Census 2001) electrified i.e. 97.33 per cent.</td></tr>
<tr><td>4.</td><td>100 per cent metering of all consumers</td><td>30 June 2002</td><td colspan="4">No connection of any category is being released without meter. All flat rate agricultural connections are being converted to metered category. 131875 consumers were converted from agricultural flat rate to metered category in urban/rural areas upto March 2014.</td></tr>
<tr><td>5.</td><td colspan="5">State Electricity Regulatory Commission (SERC)</td></tr>
<tr><td></td><td>(1) Establishment of the SERC
(2) Implementation of tariff orders issued by SERC during the year</td><td>–
–</td><td colspan="4">The RERC was formed in January 2000.
Latest tariff order was issued on 6 June 2013 and implemented from 7 June 2013.</td></tr>
<tr><td></td><td colspan="5">General</td></tr>
<tr><td>6.</td><td>Monitoring of MOU</td><td>–</td><td colspan="4">Monitoring was being done by SE (Plan) of Jaipur Vidyut Vitran Nigam Limited and last report was sent in March 2012.</td></tr>
</table>

CHAPTER II

Performance Audit relating to Government Companies

Chapter II

Performance Audit relating to Government Companies

2.1 Performance Audit of Rajasthan Renewable Energy Corporation Limited

Executive Summary

The Performance Audit covers the performance of the Company in promotion of power generation from Wind, Solar and Biomass during 2009-10 to 2013-14.

Wind Energy

The Company facilitated installation of wind power projects of 2797.845 MW (51.81 per cent) in the State during 1999-2014 against the estimated wind potential of 5400 MW. During last five years (2009-14), the installed capacity increased significantly from 1084.695 MW to 2797.845 MW showing an increase of 157.94 per cent in the installed capacity. The Government of Rajasthan (GoR) as well as the Company, however, had not prepared any long term plan for exploitation of the wind potential. The Policy 2004 did not specify targets for establishment of power projects based on Non-Conventional Energy Sources (NCES). The targets declared by the GoR for establishment of wind power projects were not achieved during 2013-14 due to delay in initiation of action to remove the difficulties of the developers regarding competitive bidding process. Resultantly, only 98.8 MW (24.70 per cent) could be commissioned against the target of 400 MW. The power Distribution Companies (DISCOMs) could not achieve Renewable Purchase Obligation (RPO) targets during 2009-10 and 2010-11 due to non-availability of commensurate wind power energy in the State.

Non-adherence to Policy provisions caused non-recovery of extension fees of ₹ 3.41 crore, non-forfeiture of security deposit of ₹ 6.20 crore, irregular adjustment and non-recovery/short-recovery of processing fee of ₹ 83.40 lakh.

Solar Energy

The State Government issued Solar Energy Policy-2011 with the prime objective to develop Rajasthan as a global hub of solar power generation. As on March 2014, solar power plants with capacity of 725.50 MW (52.59 per cent) were installed against the sanctioned capacity of 1379.67 MW. The Company, however, did not fix year-wise targets of solar power projects in conformity with the Rajasthan Solar Energy Policy 2011. The progress in installation/ commissioning of power plants was slow due to failure of the Company in facilitating allotment/delay in allotment of land to developers, un-satisfactory progress of developers in implementation of the projects, etc. The progress of projects approved under Renewable Energy (RE) Solar Certificate Mechanism was very slow due to poor marketability of RE certificates. The DISCOMs could not achieve RPO targets in any of the years during 2011-14 due to failure in timely commissioning of the solar power projects.

Out of 924 (17437 MW) applications registered for solar projects during 2009-14, only 177 projects of 1380 MW (7.91 per cent) were approved by the State Level Screening Committee/State Level Empowered Committee. Further, only 140 projects of 725.50 MW (52.57 per cent) could be commissioned during this period. Non-adherence to the Policy provisions caused non-recovery of development charges of ₹ 27.50 crore, processing fee of ₹ 3.10 crore, loss of ₹ 2.50 crore due to non-forfeiture of security deposit/ invoking of bank guarantee.

Biomass power projects

The State Government issued (February 2010) a new Biomass Policy aimed to accelerate the rate of growth of biomass power projects in the State. The Policy contained incentives

for installation of biomass projects. However, biomass projects of only 114.30 MW (11 per cent) could be installed upto March 2014 against the estimated potential of 1039 MW. The Company did not prepare any strategic plan to explore the available potential of biomass in the State in line with the projected estimates. The major constraint in installation of biomass projects was stated to be non-availability of biomass at the price reckoned by the Rajasthan Electricity Regulatory Commission while fixing the tariff. All the commissioned projects were registered prior to March 2009 and out of 60 projects (413.88 MW) registered with the Company during the period 2009-14, not a single project was commissioned. Registration of 49 projects (350.48 MW) was cancelled due to meagre progress and only 11 projects (63.40 MW) were in process at preliminary stage as on October 2014. The DISCOMS could not achieve the RPO targets in any of the five years ending March 2014 due to non-commissioning of the targeted capacity. The Company in violation of the Policy provisions did not recover processing fee of ₹ 74.13 lakh, extension fees of ₹ 28 lakh and registration fee of ₹ 2.50 lakh.

Solar City Programme

The Company did not make adequate efforts in implementation of the programme as master plan of only one city (Jodhpur) had been prepared and submitted to the Ministry of New and Renewable Energy (MNRE). The master plan for Ajmer and Jaipur had not been prepared (October 2014). The programme, therefore, could not be implemented even after six years from the date of its launch (February 2008).

Remote Village Electrification Programme

The Company's proposals (2010-12) for installation of 27875 DLS were not sanctioned by the MNRE and, therefore, no significant work of installation of DLS under the programme was done after 2010-11 which led to non-electrification of 2440 remote hamlets. Further, the Company without obtaining concurrence of the MNRE, conducted (May 2011) third party evaluations from private parties which were not accepted and the MNRE did not release balance CFA of ₹ 3.29 crore.

Rajasthan State Energy Conservation Fund

The Rajasthan State Energy Conservation Fund was constituted (2007) for promotion of efficient use of energy and its conservation in the State. However, the Company utilised only 37.22 per cent of the Fund during 2010-14. The SLSC, which was supposed to review and monitor the progress of the activities carried out by the Company met only six times during 2010-14 against the requirement of atleast one meeting in every three months.

Operation and maintenance activities of Company's projects

Delay in issuance of energy bills for the power generated at three plants of the Company caused loss of interest of ₹ 35.78 lakh. The Company belatedly issued notice to L&T to deposit ₹ 64.13 lakh towards shortfall in net minimum guaranteed generation at Phagi power plant which was pending for recovery (October 2014). Further, the Company did not recover liquidated damages of ₹ 17.61 crore from the contractor for short generation of power at Pohara plant.

Recommendations

Audit recommends that (i) To further harness the wind potential and keeping in view the enormous potentiality of solar energy in the State, the Company may consider preparing long-term/short-term plans specifying year-wise targets to be achieved; (ii) The Government/Company may impress upon the RERC for fixation of tariff which encourages the developers for setting up of biomass power projects in the State; (iii) The Government/ Company may consider preparing a database of the available vacant land to facilitate developers in getting allotment of land; (iv) The Government should explore possibilities to ensure marketability of Renewable Energy certificates; (v) The Company should watch the progress of execution of projects and utilisation of the allotted land by the developers and cancel the allotment of land in case of failure of projects or breach of conditions; (vi) The Company should recover various fees/charges as per Policy provisions; and (vii) The Government may activate the monitoring mechanism to ensure execution of activities for promoting conservation of energy by better utilisation of the Fund.

Introduction

2.1.1 Rajasthan Renewable Energy Corporation Limited (Company) had been formed (August 2002) by merging Rajasthan State Power Corporation Limited which was incorporated (April 1995) with the aim to plan, promote and organize integrated and efficient development of solar, wind, biomass and other non-conventional and renewable energy based power plants and power transmission system and Rajasthan Energy Development Agency, engaged in promotion of non-conventional energy sources in the State. The Company was formed with additional objective to promote, support, assist and sponsor the use of non-conventional energy sources.

The Company is working as a State nodal agency for implementation of various schemes/Policies of Union/State Government for promoting power generation through Non-Conventional Energy Sources (NCES) *i.e.* solar, wind and biomass. The Company is also working as the State Designated Agency (SDA) for implementation of the provisions of Energy Conservation Act 2001. In addition, the Company also carries out commercial activities through installation and operation of its own NCES based power projects. As on March 2014, the Company had installed NCES based power plants of 52.85 MW[1].

The State has immense potential of non-conventional energy sources. The estimated[2] potential of the state is 5400 MW for wind and 1039 MW for Bio-mass. The vision[3] of the State Government is to establish the State as a leader in solar power generation and a pioneer in providing energy security and sustainable growth in India. As on March 2014, the total installed capacity for power generation in the State was 14244.110 MW out of which the share from renewable energy sources was 3637.645 MW (wind: 2797.845 MW, solar: 725.500 MW and biomass: 114.300 MW).

Policies for promotion and development of non-conventional energy sources

2.1.2 The Government of Rajasthan (GoR) has promulgated following Policies to promote generation of power from non-conventional energy sources which were in conformity with the guidelines/policy of the Government of India (GoI);

- Policy for Promoting Generation of Power through Non-Conventional Energy Sources (March 1999);
- Policy for Promotion of Electricity Generation from Wind (4 February 2000) subsequently replaced by a new Policy in April 2003;

1 Wind 51.75 MW (2 MW Jaisalmer, 2.25 MW Devgarh, 2.10 MW Phalaudi, 25 MW Soda, 10.2 MW Akal, 10.2 MW Pohra) and Solar 1.1 MW (1 MW Phagi and 100 KW Gorir).

2 Source: Wind-Center for Wind Energy Technology (C-WET); Biomass-Energy statistics 2013 by Central Statistical Organization.

3 As mentioned in notification (April 2011) of the Energy Department, GoR.

- Policy for Promoting Generation of Electricity through Non-Conventional Energy Sources-2004 (October 2004);
- Source wise Policies for Bio-Mass (26 February 2010), Solar (19 April 2011) and Wind (18 July 2012) energy.

The Government of India also launched (19 November 2009) Jawaharlal Nehru National Solar Mission (JNNSM) under National Action Plan on Climate Change (NAPCC) for promotion and development of solar power projects in India.

The Policies of the State Government provided various benefits to eligible power producers/beneficiaries such as allotment of land at concessional rates, attractive power purchase rates, exemption from electricity duty, grant of incentives available to industries, *etc*.

Organisational set up

2.1.3 The Management of the Company is vested with a Board of Directors consisting of seven directors as on March 2014 including a Chairman and a Managing Director. The Managing Director is the Chief Executive Officer of the Company and is assisted by Director (Technical), three General Managers and a Financial Advisor. Besides Head Office, the Company has 10 Project offices in selected Districts of the State, each headed by a Project Officer.

State Level Empowered Committee

2.1.4 The composition of State Level Empowered Committee (SLEC) under the 'Policy for promoting generation of electricity through non-conventional energy sources-2004' is shown below.



The SLEC was to facilitate single window clearance for the proposals received for development of NCES based power plants. Subsequently, three SLECs were also constituted separately for approval of biomass, solar and wind projects under the provisions of respective Policies issued in the year 2010, 2011 and 2012. In addition, two State Level Screening Committees (SLSCs) were also constituted under wind and solar Policies to grant *in principle* clearance of projects after evaluating the proposals against the criteria given in the respective Policies, subject to final approval by the respective SLECs.

Scope and Methodology of Audit

2.1.5 A Performance Audit on promotion and development of power generation through non-conventional energy sources by Rajasthan Renewable Energy Corporation Limited was included in the Report (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2007. This was discussed (July 2010) by the Committee on Public Undertakings (COPU) and its recommendations were awaited (September 2014). The present performance audit covers all activities of the Company during the period from 2009-10 to 2013-14.

An Entry Conference was held on 25 February 2014 with Secretary, Energy Department, GoR, Managing Director and Financial Adviser of the Company. The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries and issue of Performance Audit Report to the Company for their comments.

The Performance Audit report has been finalised after considering the views expressed by the Government/Management during Exit Conference (5 November 2014) and replies (October 2014) of the Company on the factual statement. The recommendations on the Performance Audit report were also discussed during Exit Conference and were agreed by the Government/Management. The reply of the Government/Management on the draft paragraph of the Performance Audit report was awaited (November 2014).

Audit objectives

2.1.6 The Performance Audit was carried out to assess whether:

- the Company was able to promote and develop NCES based power plants as per the Policy/guidelines of GoI/GoR and an adequate and reliable system for project clearance and monitoring of implementation thereof was devised and followed;
- various non-conventional energy programmes/projects were executed as per the Policies/targets of GoI/GoR and the project reports;
- the operation and maintenance of the plants owned by the Company was economical and efficient and the power supplied to electricity companies was properly billed and realised; and

- financial support/grants were received timely from the GoI/GoR and utilised as per guidelines.

Audit criteria

2.1.7 The audit criteria derived from the following sources were adopted to achieve the audit objectives:

- Policies/guidelines of the GoI/GoR for promotion and implementation of various schemes/programmes of non-conventional energy sources and utilisation of grants received from the Government;
- Board minutes, agenda papers, budgets, annual plans and rules, regulations and procedures adopted by the Company;
- criteria defined in the respective Policies for finalisation/clearance of projects of Individual Power Producers; and
- terms and conditions of the agreements/ contracts/ provisions of power purchase agreements.

Financial Position and Working Results

2.1.8 The financial position and working results of the Company during the period from 2009-10 to 2013-14 are given in **Annexure-7**.

The income of the Company declined by ₹ 4.77 crore in 2012-13 as compared to the income of 2009-10 and similarly operating profit also declined by ₹ 7.25 crore in 2012-13. This was mainly due to substantial decrease in the income from processing fee. This also affected the income from operations in 2012-13. During 2013-14, income from operations also decreased due to decrease in revenue from sale of electricity on account of less generation from company owned plants.

The GoR issued (April 2011) new Rajasthan Solar Energy Policy, 2011 which included provision for installation of solar power projects on the tariff based competitive bidding process unlike preferential tariff allowed under NCES Policy 2004. As a result, the registration of solar power projects of 7917 MW in 2010-11 decreased to 847 MW in 2013-14 which resulted in sharp decline in income from processing fee. Besides, non-recovery of processing fee, extension fee and penalties from power producers as per Policy provisions were other reasons for decline in income and profitability. Further, cash and cash equivalents were on increasing trend due to internal accruals from profit and depreciation and decrease in other current assets in 2013-14.

Audit findings

2.1.9 The audit findings mainly highlight the performance of the Company in implementation of the Policies of Government of India and Government of Rajasthan for promotion of power generation through non-conventional sources of energy.

Promotional activities to develop non-conventional energy

2.1.10 Promotion of power generation through Non-Conventional Energy Sources includes exploitation of:

- Wind energy ,
- Solar energy; and
- Bio-mass.

Wind Energy

2.1.11 Para 4.1.1 of the Policy for Promoting Generation of Electricity from Wind, 2012 allowed installation of wind power plants of unlimited capacity for sale of power directly to the Power Distribution Companies up to 2012-13 on a preferential tariff determined by the Rajasthan Electricity Regulatory Commission (RERC). From 2013-14 onwards, the tariff was to be determined by competitive bidding process. The Policy was further amended (March 2014) and wind power projects were allowed preferential tariff for the period 2013-14 to 2015-16.

As on March 2014, against the total installed capacity of 21132 MW in the Country, the contribution of Rajasthan was 2797.845 MW (13.24 *per cent*). The State was lagging behind Tamil Nadu (7270 MW), Maharashtra (4096 MW) and Gujarat (3454 MW) which contributed 34.40, 19.38, and 16.34 *per cent* of the total installed capacity in India[4]. The reasons are discussed in succeeding paragraphs.

Targets and achievements

2.1.12 The gross wind energy potential in Rajasthan is estimated to be 5400 MW. The GoR as well as the Company has not prepared any long term plan for exploitation of the wind potential. In absence of the long term plan, the State could achieve installation of wind power projects of only 2797.845 MW (51.81 *per cent*) capacities during a span of 15 years *i.e.* 1999-2000 to 2013-14. The earlier Policies (Policy 2000 and 2003) specified targets to be achieved regarding establishment of power projects based on non-conventional energy sources. However, the Policy 2004 did not specify any target for the same. Policy 2012 targeted setting up of 300, 400 and 500 MW capacity plants during 2013-14, 2014-15 and 2015-16 respectively. The GoR, however, declared targets for establishment of wind power projects during budget announcements. The year-wise position of target announced by the GoR, achievement thereagainst and cumulative capacity during the period 2009-14 is as under:

Year	Target announced by GoR (MW)	Actual achievement (MW)	Cumulative installed capacity (MW)
2009-10	300	350.000	1084.695
2010-11	300	436.700	1521.395
2011-12	Not announced	545.650	2067.045
2012-13	400	632.000	2699.045
2013-14	400	98.800	2797.845

4 Annual Report for the year 2013-14 of the MNRE.

The Company could not achieve the targets announced by the GoR during 2013-14 due to delay in initiation of action to remove the difficulties of the developers regarding competitive bidding process. In other years, except 2011-12 when target was not announced, the actual achievements were more than the target for the year.

We noticed that prior to the finalisation of the Policy, comments of stakeholders were invited (December 2011) on draft Policy and the Indian Wind Energy Association (IWEA) had opposed (January 2012) the competitive bidding process stating that it would adversely affect the small investors in the State and the investors could shift to other states or other avenues. Further, no other state had adopted competitive bidding process for wind power projects. The Company/State Government, however, did not agree to the concerns of the IWEA and included the competitive bidding process in the final Policy and the wind power projects were to be selected based on competitive bidding process from 2013-14. This was again opposed by the wind power developers at the time of issue of draft tender/finalisation of Request for Proposal (March to May 2013). The GoR/Company did not take any action to resolve the issue and as a result the IWEA took the matter to the High Court which granted (June 2013) stay on competitive bidding process. Consequently, no wind power projects could be commissioned by the developers up to February 2014, except establishment of 47.6 MW projects through Renewable Energy Certificate (REC) mechanism.

Finally, the State Government amended (March 2014) the Policy and allowed preferential tariff determined by the RERC for the years 2013-14 to 2015-16. Thereafter, power plants of only 51.2 MW capacity were commissioned during 2013-14. Thus, against the target of 400 MW, only 98.8 MW (24.70 *per cent*) could be commissioned during 2013-14.

Further, the Ministry of New and Renewable Energy (MNRE), GoI guidelines (December 2012) for tariff based competitive bidding process for RE power projects had excluded the Wind Power Projects from competitive bidding process, but the Company did not adopt the MNRE guidelines and continued to press for competitive bidding process for wind power projects which was ultimately scrapped by revising the Policy in March 2014. Had timely action been taken by the Company as per MNRE guidelines for wind energy, the target could have been achieved.

The Company stated that the sector being quite new and immature, the Company could not consider to fix targets for itself and it had achieved targets specified in budgets. Further, the Wind Policy 2012 was finalised by a high level working group constituted by the GoR after considering the comments/suggestions received from interested persons on draft Policy. The reply is not convincing as the Company did not prepare any long term plan and fix year-wise targets to exploit available potential of 5400 MW. Besides taking other measures, the Company could have accelerated the growth of the sector by monitoring the execution of the projects.

2.1.13 The RERC fixed annual Renewable Purchase Obligation (RPO) targets for mandatory purchase of wind power by the DISCOMs as a percentage of total power purchased by them for the years 2009-10 to 2013-14. Against the RPO target of 6.00, 6.75, 4.50, 5.10 and 5.70 *per cent*, the actual achievement

was 2.55, 3.14, 4.57, 5.42 and 5.95 *per cent* during 2009-10 to 2013-14 respectively. The RERC had to reduce the RPO target in respect of wind power from 7.5 *per cent* to 4.5 *per cent* for 2011-12 since there was shortfall of more than 50 *per cent* in achievement of RPO targets in earlier years.

We observed that the DISCOMs could not achieve the RPO targets in the years 2009-10 and 2010-11 due to non-availability of commensurate wind power energy in the State. As against the installed capacity of 1656 MW and 1973 MW required to achieve the RPO targets in 2009-10 and 2010-11, the actual installed capacity at the end of respective year was 1085 MW and 1521 MW only.

The Company stated that the DISCOMs were lagging behind the RPO targets during 2009-11 due to low inflow of wind projects in the State.

Miscellaneous audit findings relating to wind projects

The various findings noticed during implementation of wind projects are discussed in succeeding paragraphs.

Non-recovery of extension fees

2.1.14 Clause 15.3 of Policy 2004 provides the timeframe for completion of Wind Energy Projects from the date of allocation of capacity by the Company. The time allowed for completion was from six months to 24 months depending on the capacity of the project. The Clause further stipulated that the Company may extend the time schedule if the producer makes an application giving convincing reasons for delay in completion of the project at least 15 days before the expiry of the prescribed period along with extension fees[5] payable. The Policy did not provide for shifting of capacity from one project to another project and regularisation of delay without payment of extension fee.

We noticed that, as per provisions of the Policy, the Company in four cases did not recover extension fees of ₹ 3.41 crore. Two projects (no.43/2004 and 46/2004) of Enercon India Limited were registered under Policy 2004 for different sites for 12.8 MW capacity each with scheduled completion period of six months (2 December 2008). However, the projects were commissioned on 30 September 2009. Initially, both the projects were incorrectly considered as single project and were allowed one year completion time instead of six months prescribed in the Policy. The Company also incorrectly treated the date of extension (29 June 2009) of lease agreement and the date of signing of lease deed (17 April 2009) as project approval date. This caused non recovery of extension fee of ₹ 1.28 crore[6].

Another project of Enercon India Limited was registered (50/2004) by shifting capacities from two different projects (12.8 MW from Registration no.22/2004 and 29.6 MW from Registration no.24/2004). Against the scheduled date/extended date of completion of 20 August 2008, the project was

5 ₹ 50000, ₹ 1 lakh, ₹ 2 lakh and ₹ 5 lakh per MW for extension of one month, two months, three months and for more than three months respectively.

6 25.6 MW x ₹ 5 lakh per MW = ₹ 1.28 crore.

commissioned in March 2009. The date of shifting was incorrectly considered as project approval date leading to non-recovery of extension fee of ₹ 1.62 crore[7].

A project of Vish Wind Infrastructure Limited registered (68/2004) for 159.2 MW was approved (10 February 2011) by SLEC for 76 MW. Against the extended date of completion (14 November 2012), the project was commissioned in March 2013. However, in respect of 25.6 MW capacity, completion date (January 2013) was incorrectly considered on the basis of a certificate of electrical Inspector (14 November 2012) instead of date of grid connectivity leading to non-recovery of extension fee of ₹ 51.20 lakh.

The Company stated that in cases of Enercon India Limited, the BoD and the Chairman & Managing Director of the Company granted approval for treating the date of extension/signing of lease deed and date of shifting of capacity as project approval dates. However, no such provision existed in the Policy and therefore the Board/CMD was not empowered to take such decisions. In case of Vish Wind, the Management stated that recovery of extension fee was in process.

Non recovery of Re-registration fee

2.1.15 Clause 15.1 and 15.2 of the Policy 2004 stipulated that the Developer/Power producer would deposit a refundable amount of ₹ 5 lakh per MW with the Company as security deposit (SD) within 30 days from the date of capacity allocation in case of wind energy projects towards scheduled completion of the project. If the security amount was not deposited within time specified, the approval of the SLEC was to be withdrawn and priority accorded to the next applicant. For re-submission of the case to SLEC for project approval, the applicant was required to re-register the case, along with the processing fee of ₹ 25,000 per MW within next 30 days, failing which the allotment of land would be cancelled.

We observed that the Company did not adhere to the Policy provisions in the following cases and accepted the SD with delay up to 166 days in the case of Enercon India Limited without re-registration of the projects. The delay ranged between two and 166 days, as depicted in the table below. The Board of the Company regularised the delay in all cases though there was no provision in the Policy for regularisation. This resulted into non-recovery of re-registration fee of ₹ 1.41 crore as given below.

7 21.6 MW x ₹ 5 lakh per MW = ₹ 108 lakh + 13.6 MW x ₹ 4 lakh (₹ 5 lakh – ₹ 1 lakh) = ₹ 54.4 lakh

(Capacity in MW and amount in ₹ lakh)

Name of the developer	Registration Number	Capacity allocated	Date of capacity allocation	Actual date of deposit of SD	Delay in days	Amount of Re-registration fee
Enercon India Ltd.	46/2004	25.6	03-06-08	16-12-08	166	6.40
Vish Wind Infrastructure	55/2004	132	10-08-10	20-09-10	11	33.00
Vish Wind Infrastructure	68/2004	76	15-02-11	26-07-11	131	19.00
Enercon India Ltd.	24/2004	29.6	27-07-09	10-09-09	15	7.40
Veer Energy Infra	99/2004	79.5	28-07-11	03-09-11	7	19.88
Vish Wind Infrastructure	95/2004	108.0	23-01-12	24-02-12	2	27.00
Gujrat Fluorochemical	64/2004	102.0	25-10-11	08-12-11	14	25.50
Vestas RRB India Ltd.	35/2004	11.0	09-08-10	03-11-10	56	2.75
Total						**140.93**

The Company stated that the SLEC decided that the issue related to project execution/implementation should be settled by the Board of the Company and the Board accordingly regularised the matter. The reply, however, is not in consonance with the Policy 2004.

Non obtaining/non-forfeiture of Security Deposit

2.1.16 Clause 15.1 and 15.2 of NCES Policy 2004 also provided that the security deposit was to be deposited in the form of cash for projects up to 25 MW and in the form of bank guarantee for other projects. The security deposit was to be forfeited by the Company in the event of failure of the Power producer to adhere to the prescribed time schedule.

We observed that in following test checked cases the Company did not obtain either security deposit or renew/invoke the BG as per the provisions of the Policy.

- In case of project No.33/2004 (100 MW) the BG of ₹ 5 crore was valid up to 31 March 2012. The producer neither commenced project activities nor extended the validity of bank guarantees. The Company, however, did not initiate any action to invoke the bank guarantee before expiry of the validity period.
- In case of project No.55/2004, 16 MW capacity was not commissioned by the developer and the BG of ₹ 80 lakh (valid up to 30 September 2012) could not be invoked due to non-availability of original bank guarantee which was in the custody of the Company.
- In case of project No.69/2004, the Company allocated 10.4 MW capacity on 9 January 2010 with completion schedule up to 8 July 2010. For security deposit of ₹ 52 lakh, the developer requested the Company to adjust the same from financial hold[8] available in other

8 Financial hold represents the amount deposited by the developer in the form of security deposit or bank guarantee.

projects. The Company, however, allowed commissioning of 2.4 MW capacity without obtaining security deposit. Further, the power producer did not commission the remaining 8 MW capacity and the Company was not able to forfeit security deposit of ₹ 40 lakh due to not obtaining the same in cash.

The Company, therefore, could not forfeit security deposit of ₹ 6.20 crore, besides non-commissioning of wind power projects of 124 MW.

The Company stated that process of recovery of security deposit had been initiated.

Non/short recovery of processing fee

2.1.17 Clause 13.1 and 13.2 of the NCES Policy 2004 stipulated that the power producer shall register the application in the prescribed proforma along with the required project report, documents, interfacing schemes, *etc.* The applicant shall also deposit a non-refundable processing fee of ₹ 50000 per MW. The amendment (January 2007) in Policy, however, provided for charging of processing fees of ₹ 25000 per MW for projects registered from April 2007 onwards. It was, therefore, clear that the processing fee once deposited was neither refundable nor adjustable against other projects.

Our scrutiny disclosed that the Company in two cases (Project of no.67/2004 of Enercon India Limited for 249.6 MW and Project no.53/2004 of Suzlon Gujrat Wind Power Limited for 84 MW) did not obtain the required processing fee. The processing fee received with registration of other projects (34/2004, 45/2004 and 62/2004) of these developers was adjusted against these projects. These projects were withdrawn (June 2009) by the developers due to wrong identification of land. The adjustment of the processing fee was irregular and resulted into non-recovery of processing fee of ₹ 83.40 lakh.

The Company stated that on the request of the developers, the processing fees was transferred to another projects registered in the name of same developers. The reply is not convincing as the provisions of policy did not allow transfer of processing fee to another project of the same developer.

Solar energy based power projects

2.1.18 The development of Solar based power plants was initiated after launching of JNNSM in November 2009. GOR issued (April 2011) Rajasthan Solar energy Policy-2011 with the prime objective to develop Rajasthan as a global hub of solar power generation by leveraging maximum benefit from JNNSM and exploiting the conducive conditions available in the State. The Policy provided target of 100 MW solar power projects without mentioning specific time frame through tariff based competitive bidding process. The Policy also envisaged 200 MW project up to 2013 and additional 400 MW projects up to 2017 for direct sale of power to DISCOMs besides projects to be set up under JNNSM, RE (Solar) Certificate mechanism and for third party sale. The Company, however, did not fix year-wise targets of solar power projects in conformity with the Policy. The status of Grid connected solar projects sanctioned and implemented/under-execution in the State under

various schemes/Policy of the GoR, JNNSM and MNRE as on March 2014 is given below:

(Capacity in MW)

Name of Scheme	Photovoltaic/Thermal					
	Sanctioned		Commissioned		Under execution	
	No.	Capacity	No.	Capacity	No.	Capacity
Ministry of New and Renewable Energy						
Generation based incentive scheme	2	8.00	2	8.00	-	-
Grid connected tail end	1	1.00	1	1.00	-	-
National Solar Mission						
Migration (Photovoltaic)	8	36.00	7	35.00	1	1.00
Migration (Thermal)	3	22.50	1	2.50	2	20.00
Rooftop PV and small Solar Power Generation Programme (RPSSGP)	12	12.00	12	12.00	-	-
Batch-I (Photovoltaic)	20	100.00	20	100.00	-	-
Batch-I (Thermal)	5	400.00	1	50.00	4	350.00
Batch-II	24	295.00	23	285.00	1	10.00
Rajasthan Solar Energy Policy 2011						
Open Access (SLEC)	2	190.00	1	40.00	1	150.00
RE(Solar)Certificate Mechanism						
SLEC Approved	82	199.05	71	172.00	11	27.05
SLSC Approved	11	41.12	-	-	11	41.12
Competitive Bidding	7	75.00	1	20.00	6	55.00
Total	**177**	**1379.67**	**140**	**725.50**	**37**	**654.17**

It could be seen that against the sanctioned capacity of 1379.67 MW, power plants with capacity of 725.50 MW (52.59 *per cent*) could only be installed by March 2014. Our analysis of the projects under execution disclosed that:

- The Company, in a case of 150 MW project under Policy 2011 (open access), failed to get the land allotted to the power producer and consequently the power producer expressed inability to execute the project;
- A solar thermal project of 100 MW under NSM Batch-I was allowed (May 2014) grid connectivity but had not been commissioned (September 2014) due to non-availability of required Direct Normal Irradiance[9];
- In respect of two solar thermal projects of 200 MW under NSM Batch-I (Letter of Intent issued in December 2010), only part of the foundation work had been carried out and no progress had been reported since more than one year. In respect of another 50 MW project, the lead banker for the project requested MNRE to substitute the existing promoter with the new promoters owing to serious liquidity crunch;

9 The quantum of solar radiation on the surface of the earth from the direction of the sun.

- Six projects of 55 MW approved through Competitive bidding under Policy 2011 could not be commissioned by the stipulated period of March 2014 due to not making available the land or delay in making available the land for the projects (one project of 5 MW commissioned in August 2014);
- The progress of work of projects approved under RE (Solar) Certificate Mechanism was very slow due to poor marketability of RE certificates; and
- As against the 200 MW project envisaged in Rajasthan Solar Policy 2011 to be set-up by 2013 for direct sale of power to DISCOMs, no project had been sanctioned (October 2014).

2.1.19 The RERC fixed the annual targets of RPO for mandatory purchase of solar power by the power distribution Companies as 0.50, 0.75, and 1.00 *per cent,* of total power purchased by them for the years 2011-12 to 2013-14 respectively. The power distribution companies, however, could not achieve the RPO targets in any of the years due to failure in timely commissioning of the solar power projects and the actual achievement was only 0.10, 0.47 and 0.87 *per cent* during 2011-12, 2012-13 and 2013-14 respectively.

Implementation of Solar projects

Mechanism for registration and approval of solar power projects

2.1.20 The Policy provides that the power producer shall register the application with the Company in prescribed proforma along with the required project report, documents, *etc.* and the prescribed processing fee. After registration, the power producer shall submit the application to the Company for allotment of Government land for the project which shall be forwarded by the Company to the concerned District Collector (DC). The Company shall forward the power evacuation plan submitted by the power producers to Power Transmission[10] and Distribution[11] companies for approval. The Company/SLSC issues *in principle* clearance for the project after examination of the technical and financial capabilities of the power producer, availability of land and water and power evacuation system. The proposal is thereafter submitted to the SLEC for approval of the project.

Our scrutiny disclosed that during 2009-14, the Company registered 924 applications for solar projects of 17437 MW[12] of which only 177 projects (19.16 *per cent*) of 1380 MW (7.91 *per cent*) were approved by the SLSC/SLEC. Further, only 140 projects (79.10 *per cent*) of 725.50 MW (52.57 *per cent*) could be commissioned during this period. Thus, solar power projects of only 725.50 MW (4.16 *per cent*) against the applications for 17437 MW could effectively be commissioned during 2009-14.

10 Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL).
11 Jaipur Vidyut Vitran Nigam Limited, Ajmer Vidyut Vitran Nigam Limited and Jodhpur Vidyut Vitran Nigam Limited.
12 2009-10 - 6675 MW; 2010-11- 7916 MW; 2011-12- 1368 MW; 2012-13 - 631 MW and 2013-14 - 847 MW.

Non recovery of development charges

2.1.21 NCES Policy 2004 had provision for sale of power to DISCOMs or other licensee in the State. Under JNNSM, Solar power projects to be established would sell power to NTPC Vidyut Vyapar Nigam Limited (NVVN) which shall bundle solar power along with conventional power out of cheaper unallocated quota of Central Stations and sell this bundled power to state distribution utilities. In view of various provisions of JNNSM, State Government issued a new Solar Energy Policy-2011.

Paragraph 8.3 of the Solar Policy-2011 provided that the power projects, which had been registered under Policy 2004 would be deemed to be registered under new Policy (2011) on the same registration number allotted earlier. Paragraph 13 of the Policy 2011 also provided that for Solar power projects established for sale of solar power to parties other than DISCOMs of Rajasthan, the power producer shall deposit non-refundable development charges of ₹ 10 lakh per MW to the Company within one month from the date of issue of 'in-principle clearance' for availing benefits, facilities and concessions under the provisions of this Policy. In case of failure, 'in-principle clearance' shall be cancelled without any notice. During the period of finalisation of new Policy-2011, the Company registered 25 projects of 500 MW capacities under JNNSM guidelines which were approved by NVVN in November 2010 and PPA signed on 15 January 2011. NVVN had also confirmed allocation of 225 MW power to Rajasthan and the remaining 275 MW power was to be sold to States other than Rajasthan.

We observed that development charges recoverable under the Policy from these 25 projects were not recovered by the Company. The Company instead of recovering development charges from these 25 power producers, submitted (October 2011) a proposal for waiver of development charges to the Energy Department, GoR stating that these projects sanctioned by NVVN under JNNSM guidelines were registered under Policy 2004 before issue of Policy 2011 and the Policy 2004 did not have any provision for recovery of development charges. The Energy Department agreed with the proposal. The Finance Department, however, stated (June 2012) that it was a case of amendment/relaxation in the Policy and would require approval of the Cabinet which was not obtained.

The Company, therefore, did not recover the development charges of ₹ 27.50 crore (275 MW X ₹ 10 lakh per MW) from the power producers.

The Company stated that these projects under JNNSM Phase-I were allocated by the MNRE before issue of Rajasthan Solar Energy Policy 2011 and at that time these projects were governed under Policy 2004 which did not have any provision for recovery of development charges. The reply is not convincing as these projects were deemed to have been registered under new Policy (Paragraph 8.3 of Policy 2011) which required recovery of development charges. Further the Company referred the matter to GoR for waiver of development charges which confirmed that the charges were recoverable from these developers.

Non recovery of processing fee

2.1.22 Clause 13 of NCES Policy 2004 stipulated that an amount of ₹ 25000 per MW shall be deposited by the power producer along with the application towards non-refundable processing fee. The Rajasthan Solar Energy Policy, 2011 enhanced the non-refundable processing fee to ₹ 50000 per MW with effect from 19 April 2011 plus service tax as applicable from time to time.

The Rajasthan Solar Energy Policy, 2011 was amended (18 September 2012) by the GoR by adding a new clause 8.6 stipulating that any 'Parent', 'Subsidiary' or 'Ultimate Parent Company' may distribute/transfer the project capacity between them for setting up maximum four projects at any time against one application. Thus, the project capacity and processing fee was non-transferable to another project prior to the amendment in the Policy.

The Company, however, violating the provisions of the Policy, transferred the project capacity and processing fee to another projects and did not recover processing fee of ₹ 3.10 crore **(Annexure-8),** in cases where the applications were made prior to 18 September 2012.

The Company stated that the amendment dated 18 September 2012 in Solar Policy 2011 allowed transfer of project capacity with processing fee from one project to another. The reply is not convincing as the projects discussed in the paragraph relates prior to the amendment in Policy which did not allow transfer of capacity from one project to another.

Non-forfeiture of security deposit

2.1.23 Clause 12.2 of Rajasthan Solar Energy Policy 2011 required the power producer to deposit security amount of ₹ 5 lakh/MW by cash and ₹ 20 lakh/MW in the form of bank guarantee within one month from the date of issue of in-principle clearance of the project and in case the power producer failed to commission the power plant in scheduled time including extension granted, the security deposit was to be forfeited.

We found that a project of 10 MW (registration No. S/451/2004) of V.S. Lignite was approved (February 2012) by SLEC with commissioning schedule up to 8 February 2014. SD of ₹ 50 lakh in cash and BG of ₹ 2 crore was deposited (17 January 2012) by the developer. The project was neither completed by the developer nor was any extension for completion of project granted by the Company till date (October 2014). However, the Company did not forfeit cash security and invoke the BG after 8 February 2014 which indicated reluctance on the part of the Company in implementing the provisions of the Policy and therefore causing loss of ₹ 2.50 crore to the Company.

The Company stated that it had requested (5 September 2014) the Banker to invoke the BG of ₹ 2 crore and to remit the amount. However, the amount had not been received from the bank till date (October 2014).

Delay in allotment of land for the power projects

2.1.24 SLEC accorded (22 March 2013) approval for selection of seven bidders for setting up of grid connected SPV Projects of 75 MW. The PPAs between the Company and the power producers were executed (28 March

2013) at discovered tariff of ₹ 6.45/KWh with scheduled commissioning period upto 27 March 2014.

Para 1.3.1 (b) of the PPAs provided for allotment of land to the developers for establishment of solar power project only after receipt of development charges at ₹ 6 lakh per hectare. Clause 14.2.9 of the Policy stated that the process of allotment of land would be completed within 60 days from the date of recommendation by the Company to the concerned District Collector. Clause 4.6.1 of the PPA stated that if the power producer was unable to commence supply of power to the Company by the scheduled commissioning date other than for the reasons specified in Clause 4.5.1, the Solar Power Producer (SPP) shall pay to the purchaser liquidated damages at 0.5 *per cent* per day of the total Performance Bank Guarantee (PBG) for delay up to 200 days from the scheduled commissioning date.

All the seven developers deposited development charges between 25 April 2013 and 3 September 2013 and the Company recommended to the District Collector, Jodhpur for allotment of land to the developers between 15 May 2013 and 13 September 2013. We noticed that none of the developers was allotted land within 60 days. The land was, however, allotted to these developers during October 2013 to September 2014 with a delay ranging between 81 to 347 days. The matter for extension of scheduled commissioning date was submitted (March 2014) to the Board with the reasons that land could not be allotted due to Model Code of Conduct enforced by the Election Commission. The Board approved (28 March 2014) the extension up to 27 September 2014 for all the cases. The Company further extended (28 May 2014) the scheduled commissioning date up to 31 March 2015 in four cases without recovering extension charges. Only one project of 20 MW was commissioned up to March 2014 and one project of 5 MW was commissioned in August 2014 and 5 projects of 50 MW could not be commissioned up to October 2014 due to belated allotment of land.

The Company stated that the delay in allotment of land was due to issue of Model Code of Conduct by the Election Commission.

We observed that the period of 60 days had already expired from the date of recommendation made by the Company in four cases. The reply should be viewed in the light of the fact that there was substantial time taken in allotment and subsequent extension was granted by the Company. The Company, therefore, failed to comply with the provisions regarding allotment of land which ultimately defeated the objective of promotion of non-conventional energy sources.

Biomass power projects

2.1.25 Biomass is a renewable energy resource derived from the carbonaceous waste of various human and natural activities. Rajasthan has immense potential in the form of Juliflora, mustered husk and other agriculture residues for biomass fuel. The State Government initiated (1999) the programme for generation of power from biomass fuel and issued Policy in 1999, 2004 and 2010. Upto March 2009, five biomass power projects of 46.3

MW capacity were commissioned. The new bio-mass Policy (February 2010) aimed to accelerate the growth of bio-mass projects in the State through allotment of Government land at 10 *per cent* of the District Level Committee (DLC) rate, 50 *per cent* exemption from electricity duty for a period of seven years, reservation of sites to avoid unhealthy competition, assurance of sustainability of the project, *etc.* As on 31 March 2014, 11 biomass power projects of 114.3 MW capacities were commissioned in the State.

Targets and achievement

2.1.26 The potential of biomass power in Rajasthan was estimated at 1039 MW. However, the Company did not prepare any Strategic Plan to explore the available potential of biomass in the State in line with the projected estimates. Besides, the Company did not fix any annual targets for commissioning of biomass projects, though there were targets in the State budget/Policy 2010.

The year-wise position of applications received for installation of biomass power projects and capacity commissioned against the budgetary targets of GoR during the period 2009-14 is given below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Applications received						
No. of projects	26	29	2	2	1	60
Capacity(MW)	229.98	153.40	14.50	6	10	413.88
Projects Commissioned						
No. of projects	2	2	1	0	1	6
Capacity(MW)	28	22	10	0	8	68
Year of registration	2005 and 2006	2007	2005 and 2007	-	2009	
Targets in State budget/Policy 2010(MW)	20	28	300			

The State Government announced targets for commissioning of Bio-mass power plants in the budgets for the year 2009-10 and 2010-11. The Policy 2010 envisaged setting up of biomass power projects of 300 MW under this Policy. The Company could not achieve budgetary targets of the State Government for the year 2010-11 as power plants of 22 MW could only be commissioned against the target of 28 MW. Also, only four projects of 40 MW (registered during 2005-09) were commissioned during four years ending March 2014 against the targets of 300 MW envisaged in the Policy 2010. Thus, the Company did not put in place any mechanism to ensure exploitation of the available potential and commissioning of biomass projects.

Against the total estimated potential of 1039 MW biomass power projects in the State, the Company could facilitate commissioning of only 114.3 MW (11 *per cent*) projects upto March 2014. Further, all the commissioned projects were registered prior to March 2009 and out of 60 projects (413.88 MW) registered with the Company during the period 2009-14, not even a single project was commissioned despite issuance (February 2010) of a new Biomass Policy. This was mainly due to lack of continuous availability of biomass at price allowed by RERC. As a result, registration of 49 projects (350.48 MW)

was cancelled by the Company due to meagre progress and only 11 projects (63.40 MW) were in process at preliminary stage as on October 2014.

The Company stated that biomass sector was a market driven sector and its viability depended upon the availability of biomass fuel at reasonable price. It further stated that the prices of biomass were shooting up due to its multiple uses by small industries, brick kilns, *etc*. and its un-availability in bulk quantity for biomass plants had made these plants non-profitable and thereby to fix target did not seem to be practical.

Miscellaneous audit findings relating to Biomass power projects

Renewable Purchase Obligation (RPO)

2.1.27 The RERC fixed the annual RPO targets for mandatory purchase of biomass power by the DISCOMs as a percentage of total power purchased by them. We observed that the DISCOMS could not achieve the RPO targets in any of the five years ending March 2014. The actual achievement against the RPO targets of 1.45, 1.75, 1.00, 1.25 and 1.50 *per cent* was only 0.4, 0.4, 0.48, 0.41 and 0.42 *per cent* during the period from 2009-10 to 2013-14 respectively due to non-commissioning of the targeted capacity of biomass power projects.

The Company stated that the biomass power producers were struggling in setting up projects due to non-viability and non-availability of biomass at reasonable price.

Re-registration of cancelled project without processing fee

2.1.28 The comprehensive Policy for generation of electricity from various sources of non-conventional energy issued (October 2004) by the GoR provided that the power producer shall register the application with the Company along with non-refundable processing fee of ₹ 50000 per MW (revised to ₹ 25000 per MW from 1 April 2007) and shall deposit security amount of ₹ 1 lakh per MW within one month of registration and finalise the land and power evacuation plan within four months of registration. In case of failure to comply with the conditions, the registration shall stand cancelled and security deposit shall be refunded. The Policy prescribed project completion period of 20 to 28 months. The Policy of 2004 was replaced (26 February 2010) by new Policy (Promoting Generation of Electricity from Bio-mass) which did not extend the time for completion of various activities of the project already registered under Policy 2004.

There were 45 projects of total 419.50 MW capacities registered with the Company under earlier Policies till declaration of new Policy. Out of these, three (43 MW) projects were commissioned, four (40 MW) projects were at advanced stage of completion and remaining 38 projects of 336.50 MW capacities were at different stages of execution.

We noticed that out of 38 projects, 33 (296.50 MW) projects could not be commissioned either due to delay in depositing the security deposit or non-finalisation of land and power evacuation plan and were liable to be cancelled before notification of new Policy 2010.

These projects could be re-registered under the new Policy only after deposit of requisite processing fee. The Company, however, did not recover the processing fees and instead proposed (8 April 2010) to the State Government for regularisation of delays by these 38 power producers in achieving the milestone under the provisions of Policy 2004. The Energy Department approved (16 April 2010) the proposal of the Company.

We observed that the proposal of the Company to the State Government for regularisation of delays was not as per the provisions of the Policy. Though the Company subsequently re-registered these 33 projects, processing fee of ₹ 74.13 lakh[13] was not collected. Besides, the Company did not ensure installation of these projects as 32 projects (270.5 MW) were subsequently cancelled due to meagre progress.

The Company stated that had it cancelled all these projects, it would have been a detrimental action towards promotion of biomass power projects in the State and there were strong possibilities that the developers would not have come forward again. The fact, however, remained that none of the remaining six projects (38 *minus* 32) had been commissioned (October 2014), despite the Company relaxing the processing fee condition. Also, re-registration of the projects without charging processing fee led to a substantial revenue loss.

Other issues

2.1.29 Out of 66 biomass power projects registered/commissioned during 2009-14, test check of 25 project files disclosed the following;

- The Company did not recover extension fees of ₹ 10.25 lakh from two projects (B/23/2004 and PRN/16/Biomass/2010) for delay in deposit of security amount within the scheduled time period of one month.
- The Company neither recovered extension fees of ₹ 16.25 lakh from three projects (PRN-28/Biomass/2010; PRN-36/Biomass/2010 and B/17/2004) nor cancelled the projects despite non-completion of project activities within the stipulated time schedule of four months. The Company stated that in view of the broad objective of development of biomass power projects, extension fee was not recovered.
- The Company transferred (ARN/18/Biomass/2010) the project in the name of sister concern of the applicant without recovering registration fees of ₹ 2.50 lakh. The Company also did not recover extension fees of ₹ 1.5 lakh for delay in deposit of security amount. The Company stated that the Company had decided to invoke the BG for recovery of extension fee.
- The Company cancelled four projects (PRN-18, 22, 25 and 26) with delay ranging between 18 and 28 months despite non-finalisation of land, water plans and non-submission of security deposit within the stipulated time period. Five projects of Transtech Green Power Limited (TGPL) were cancelled after delay upto 10 months due to non-submission of Detailed Project Report and Bio-mass availability report

13 296.50 MW X ₹ 25000/MW.

(BAR) within the scheduled time. Thus, the land reserved for these projects was unnecessarily being held for a considerable period. The Company stated that all the registrations were cancelled after giving notices on issuance of tariff order by the RERC on 18 November 2011, after a waiting period of about one and half year. However, the action of the Company violated the provisions of the Policy.

- The Company did not make efforts to get surrendered the excess 87 bigha land allotted to one power producer (PRN/09/Biomass/2010) for a project of 8 MW which was cancelled. The Company stated that the DC Baran had been advised to obtain possession of excess land, the confirmation of which was awaited.

Monitoring

2.1.30 The Company plays an important role in promotion and installation of NCES based power projects in the State. To succeed in achieving its objectives/targets economically, efficiently and effectively, there has to be a Management Information system (MIS) to report on achievement of targets and norms. The Company has neither put in place a system of MIS for monitoring by top management nor fixed the yearly targets for promotion of wind, solar and biomass based power projects. No periodical reports were submitted to the Board apprising achievements made by the Company in various activities.

Implementation of other Schemes/programmes for enhancement of solar energy

Rural Electrification and Solar Photovoltaic (SPV) Programme

2.1.31 The MNRE issued guidelines for SPV programme and provided yearly targets and Central Finance Assistance (CFA) to the States for promotion of SPV technology for generation of solar energy in rural areas. Subsidy equivalent to 50 *per cent* of the cost of Solar Home Lighting System (SHS) subject to a maximum of ₹ 4800 (Model-2) was provided by the MNRE from 2006-07. After launching of JNNSM (November 2009), the SPV-SHS programme was included in JNNSM[14] from 2010-11 with subsidy of 30 *per cent* of the cost or ₹ 90 per watt, whichever was less. The subsidy was reduced to ₹ 81 per watt in 2011-12. The State Government also provides yearly targets and funds under this programme. The subsidy of ₹ 4550 per system was provided by the State Government up to 2009-10.Thereafter, the State Government provided subsidy equal to the subsidy provided by the MNRE. The performance of SPV programme during 2009-14 was as below:

14 Under Off-Grid and Decentralized Solar Application programme.

Year of Programme	Physical Targets (Number of solar lighters)		Physical Achievement (Number of solar lighters)	
	MNRE	State	MNRE	State
2009-10	10000	1815	10526	1815
2010-11	14200	3003	13450	3003
2011-12	20000	3408	20000	3408
2012-13	-	6442	-	5811
2013-14	2 MW		-	
Total	44200	14668	43976	14037

(During 2013-14, the MNRE issued new guidelines and fixed the targets in MW instead of number of solar lighters)

The Company achieved the targets for the year 2009-10 and 2011-12. However, during 2010-11, 95 *per cent* of the targets (MNRE) could be achieved whereas targets for 2013-14 could not be achieved.

The Company formed new guidelines for the year 2013-14 for off grid & SPV programme covering the various system models of capacity up to 1 KW (total 5 MW capacity). The subsidy of 30 *per cent* was to be provided by the MNRE and 20 *per cent* by the State Government. The State Government approved (June 2013) the guidelines and allocated funds of ₹ 6 crore towards its share. The Company submitted proposal (May 2013 and July 2013) to the MNRE for sanction of 30 *per cent* CFA during 2013-14. The MNRE agreed (September 2013) with the proposal and issued (March 2014) sanction for installation of 2000 SPV power plants of 1 KW each (total 2 MW) at individual households with CFA of ₹ 12.73 crore. The funds, however, were not released (September 2014) by the MNRE. Further, the GoR also did not issue final sanction for the programme and declined (July 2014) to provide subsidy for this programme. Resultantly, no work could be done under the programme during 2013-14.

Solar City Programme

2.1.32 The MNRE launched (February 2008) Solar City programme with the aim of minimum 10 *per cent* reduction in the projected demand of conventional energy by enhancing energy efficiency measures. The MNRE proposed 60 cities/towns (one to five cities in each state) to be developed as Solar Cities during the 11th plan period *i.e.* up to 31 March 2012. A subsidy of ₹ 50 lakh was to be provided to each Municipal Corporation of the selected cities. ₹ 10 lakh were designated for preparation of Master Plan, ₹ 10 lakh for setting up of Solar City Cell and its functioning during a period of three years, ₹ 10 lakh towards supervision of implementation during three years and ₹ 20 lakh for capacity building and other promotional activities. The State Government identified (June 2009 and October 2009) Jaipur, Jodhpur and Ajmer cities as Solar Cities and the same were approved (July 2009 and October 2009) by the MNRE.

We observed that the Company did not make adequate efforts in implementation of the programme as master plan of only one city (Jodhpur) had been prepared and submitted to the MNRE. The master plan for Ajmer and Jaipur had not been prepared so far (October 2014). The programme, therefore, could not be implemented even after six years from the date of its launch (February 2008).

The Company stated that the Company had been pursuing the matter regularly with the concerned Municipal Corporations.

Remote Village Electrification Programme (RVEP)

2.1.33 The MNRE issued (July 2009 and November 2009) detailed guidelines for implementation of RVEP during 2009-10 with the objective to provide electrification/lighting through renewable energy sources to the eligible un-electrified remote census villages and un-electrified remote hamlets of electrified census villages. The CFA upto 90 *per cent* of the cost of the renewable electricity generation system (including the annual Maintenance cost for five years) was to be provided by the MNRE. The balance cost was to be financed through contribution from State Plans, beneficiaries or other sources subject to atleast half of the balance cost through State Government funding. The CFA of 70 *per cent* was to be released along with the sanction order and remaining 30 *per cent* after commissioning and submission of required documents. The guidelines were also made applicable for the period 2010-13.

The details of sanctions issued by the MNRE and status of implementation of the RVEP during 2010-11 to 2012-13 are given in **Annexure-9**. The findings in the implementation of the RVEP are discussed below:

- Besides the proposals mentioned in the Annexure, the Company sent (2010-12) proposals to the MNRE for installation of 27875 DLS under the scheme. The proposals, however, were not sanctioned (October 2014) by the MNRE due to various reasons like incomplete/non-submission of proposals; non-submission of periodic progress reports/completion reports; utilization certificates, audited statements of expenditure, delay in submission of information on training programme conducted, delay in submission of action reports on various complaints, wrong identification of hamlets and delay in submission of third party evaluation reports. Therefore, no significant work of installation of DLS under the programme was done by the Company after 2010-11 which ultimately resulted in non-electrification of 2440 remote hamlets.

The Company stated that during the period 2010-12, the MNRE was in the process of framing new guidelines and as such the proposals remained pending for sanction with the MNRE. The reply is to be viewed in the light of the fact that other two proposals of the Company were sanctioned by the MNRE during this period *i.e.* 10213 DLS on 15 September 2010 and 391 DLS on 19 March 2012.

- The guidelines and subsequent clarification (January 2010) clearly stipulated that an independent third party monitoring preferably by an autonomous institution of the Government was mandatory before release of the final instalment. The Company without obtaining concurrence from the MNRE conducted (May 2011) third party evaluation from private parties. The reports of these firms were, therefore, not accepted by the MNRE and it did not release the balance CFA. The MNRE directed (January 2012) the Company to get third party evaluation from the Government/Autonomous institutions. The Company belatedly entrusted (July 2014) the work of third party evaluation to Bikaner Government Engineering College (BGEC) at a total cost of ₹ 2.5 lakh. The report of the BGEC was awaited (October

2014). In absence of third party evaluation report, the MNRE had not released the balance CFA of ₹ 3.29 crore (October 2014).

Energy Conservation Fund and its utilisation

2.1.34 The State Government constituted (June 2007) the Rajasthan State Energy Conservation Fund (RSECF) under the provisions of Energy Conservation Act, 2001 for promotion of efficient use of energy and its conservation within the State. The Rajasthan State Energy Conservation Fund Rules, 2010 were also notified (January 2010) by GOR for operation of the Fund.

The Fund was to be utilised to meet the expenditure incurred by the SDA in creating awareness and disseminating information for efficient use of energy besides promoting Research and Development for conservation of energy and other activities mentioned in the Rules. The SLSC was to provide guidance and support to the Company and approve the annual budget for carrying out the energy conservation activities besides reviewing and monitoring the progress of activities carried out by the Company. The details of year-wise budget approvals and expenditure during 2010-14 are given below:

Year	Total budget allocation (₹ in lakh)	Disbursement (₹ in lakh)	Percentage utilization
2010-11	500.00	29.17	5.83
2011-12	540.85	271.15	50.13
2012-13	982.30	572.50	58.28
2013-14	522.00	74.46	14.26
Total	**2545.15**	**947.28**	**37.22**

The Company could utilise only 37.22 *per cent* of the allocated budget during 2010-14 mainly due to not taking timely and adequate measures for execution of Investment Grade Energy Auditing scheme discussed below and other various activities under the schemes for promoting energy conservation. Under-utilisation of the Fund had its impact on the objectives of constitution of the Fund.

The Company stated that during the above period the Company sanctioned fund of ₹ 13.88 crore and released ₹ 9.47 crore representing 68.27 *per cent*. The fact remained that the Company could not utilise the allocated budget.

We observed that only six meetings were held during 2010-14 against the requirement of at least one meeting in every three months. The Company had also not developed any mechanism to evaluate the impact of the measures taken for conservation of energy and the effectiveness of the utilisation of funds released to various agencies.

The Company stated that the Company had placed work order for assessing the impact of energy conservation activities carried out so far and it was likely to be completed shortly.

Investment Grade Energy Auditing scheme

2.1.35 The Bureau of Energy Efficiency (BEE) initiated (May 2008) an exercise for promotion of energy efficiency measures in Government buildings through Energy Service Companies (ESCO) route. In order to assess

saving potentials in existing buildings, the BEE proposed to conduct Energy Audit Studies and prepare detailed project reports under the Investment Grade Energy Auditing (IGEA) scheme. The funds for conducting such studies were to be provided by BEE to SDA. Also, Fund for implementation of energy audit reports were to be provided from RSECF.

The Company carried out energy audit of 89[15] Government Buildings during 2008-12 under IGEA scheme and as per the action plan of RSECF at a cost of ₹ 18.34 lakh. The energy audit reports of these 87 buildings recommended that one time investment of ₹ 12.97 crore towards replacement of old non-efficient equipment like Air Conditioners, Fans, Tube Lights *etc.* with star rated energy efficient equipment would yield energy savings of 136.55 lakh units valuing ₹ 7.92 crore annually.

Our scrutiny disclosed the following deficiencies in implementation of the IGEA scheme by the Company.

- The SLSC allocated (May 2011) a sum of ₹ 50 lakh from RSECF for the year 2011-12 to implement the recommendations of the energy audit reports in 10 selected buildings. The Company did not implement the action plan during 2011-12.
- The SLSC approved funds of ₹ 3.50 crore against the estimated cost of ₹ 3.82 crore for the year 2012-13 to implement the recommendations in 40 buildings. The Company selected (June 2012) 40 Government Buildings in the first phase and released (between June 2012 and December 2012) funds of ₹ 2.53 crore[16] to Public Works Department. The work, however, had not been completed (October 2014) even after lapse of more than 21 months. Further, the present status of implementation of recommendations and utilization certificates received from the implementing agencies were not available with the Company.
- The SLSC approved ₹ 3.50 crore for the year 2013-14 for implementation of energy conservation measures in remaining 49 buildings. The Company had, however, not initiated (October 2014) implementation of the recommendations of the energy audit reports. We noticed that seven audit reports of the year 2008-09, 20 reports of 2009-10 and eight reports of 2010-11 were more than three years old and had, therefore, lost relevance in view of State Government's direction (30 March 2012) to get energy audit conducted once in every three years. Thus, the expenditure of ₹ 11.66 lakh incurred on the energy audit of these 49 buildings had become infructuous. Besides, annual energy savings of 89.64 lakh KWh valuing ₹ 5.33 crore could not be achieved in absence of the implementation of the recommendations. The Company had also incurred an extra expenditure of ₹ 1.02 crore on 19 buildings as the estimated

15 2008-09 (13 buildings), 2009-10 (28 buildings), 2010-11 (18 buildings) and 2011-12 (30 buildings).

16 ₹ 152.87 lakh in June 2012, ₹ 12.55 lakh in October 2012 and ₹ 87.77 lakh in December 2012.

expenditure of ₹ 1.06 crore increased to ₹ 2.08 crore at the time of implementation.

- The Company invited (September 2013) tenders for audit of 27 other buildings without implementation of the recommendations of previous audited buildings.
- BEE guidelines provided monitoring and verification of the impact of implementation of energy efficiency measures by an independent agency of repute. However, no such arrangement had been made by the Company (September 2014).

Thus, the Company did not achieve the objectives of the scheme despite an expenditure of ₹ 2.71 crore.

The Company stated that the implementation work needed huge investment and time and hence, the recommendations were being implemented in a phased manner. It further stated that utilisation certificates of released funds had not been received from the PWD. The fact remained that with proper planning and implementation of the recommendations of the audit reports, the project could have met its stated objectives.

Operation and maintenance activities of Company's projects

2.1.36 The Company has established six wind power projects and two solar power projects with a total capacity of 51.75 MW and 1.1 MW respectively. During the review period, the Company established one wind power project of 10.2 MW capacity (March 2010) at Pohra, Jaisalmer and one solar power project of 1 MW capacity (March 2012) at Phagi under Grid Connected Tail End Scheme of the MNRE. Power generated by these projects is sold to the State DISCOMs at the rates specified in the respective PPAs. The power generated and revenue earned from own operated power projects of the Company during the period 2009-14 were as below:

(Generation in lakh units and revenue in ₹ crore)

Year	Wind plants		Solar plants		Total	
	Generation	Revenue	Generation	Revenue	Generation	Revenue
2009-10	601.59	26.53	0.65	0.03	602.24	26.56
2010-11	554.10	25.45	0.60	0.03	554.70	25.48
2011-12	648.20	30.86	0.39	0.02	648.59	30.88
2012-13	590.26	29.15	14.41	0.99	604.67	30.14
2013-14	521.77	26.43	16.54	1.03	538.31	27.46

Penalty towards shortfall in Net Minimum Guaranteed Generation

2.1.37 The BoD of the Company accorded (January 2010) approval for installation of 1 MW tail end grid interactive SPV power plant at village-Phagi under CFA Scheme of the MNRE. The Company issued (November 2010) Letter of Intent (LOI) to L&T Limited (L&T) for carrying out the work of supply and erection of plant on turnkey basis at a cost of ₹ 14.75 crore.

The L&T was responsible for achieving 'Net Minimum Guaranteed Generation' (NMGG) as quoted by it in the bid documents. For any shortfall in the NMGG, compensation was to be recovered on block yearly basis and no relaxation in the NMGG beyond 5 *per cent* was permissible. However, L&T was allowed to relocate and install the solar modules at different places along with erection of additional number of solar modules at their own cost to achieve the NMGG. In case of shortfall in quoted NMGG in a block period of two years, compensation was to be recovered from the date of commissioning and after completing the particular block year but the NMGG was to be worked out for every year. The benefit of excess generation in any year of block was to be considered for compensating the shortfall in generation in the other year of the block. However, the penalty was to be calculated on yearly basis and was to be recovered at ₹ 15.32 per KWh. The generation of power started from 25 March 2012 but the Engineering, Procurement and Construction work of the project was completed on 5 April 2012. The position of net generation of energy and shortfall for the first two years for calculation of NMGG was as below:

Period	NMGG (KWh)	Actual net generation (KWh)	Shortfall (KWh)	Penalty recoverable (₹)
06.04.2012 to 05.04.2013	1715000	1440026	274974	4212602
06.04.2013 to 05.04.2014	1704710	1496195	208515	3194445
Total	**3419710**	**2936221**	**483489**	**7407047**

It was observed that as per the work order, an amount of ₹ 74.07 lakh was recoverable from L&T towards penalty for shortfall in NMGG for the block of two years ending 5 April 2014. The Company had not even calculated penalty for the block of two years ending 5 April 2014.The Company belatedly, issued (July 2014) notice to L&T to deposit ₹ 64.13 lakh (after adjustment of O&M charges payable) towards penalty within one month. Neither the L&T had deposited the amount nor the Company had taken any action to recover performance BG from L&T (October 2014).

The Company stated that recovery of penalty was in process.

Loss due to incorrect refund of unearned interest to MNRE

2.1.38 The MNRE sanctioned (March 2010) a project of one MW SPV power plant at a project cost of ₹ 16.19 crore under Demonstration Programme on Tail-end grid connected Solar Power Plants. The MNRE was to provide 50 *per cent* CFA and it released (March 2010) a sum of ₹ 1.85 crore towards first instalment of CFA. The plant was commissioned on 25 March 2012.

We noticed that the Company deposited the first instalment of ₹ 1.85 crore in the current account with Oriental Bank of Commerce on which no interest was payable. On an enquiry by the MNRE about interest earned on this amount, the Company intimated (April 2012 and November 2013) the MNRE that no interest was earned on the advance. However, in a subsequent correspondence, the Company without examining its records, calculated the interest on the above amount at the prevailing average interest rate and intimated (February 2014) that it had earned interest of ₹ 12.57 lakh on the advance and the same was deductible from the CFA. Accordingly, the MNRE deducted the interest amount while releasing the final instalment of CFA. Thus, submission of

incorrect information led to a short receipt of CFA of ₹ 12.57 lakh. The Company did not take up the matter with the MNRE.

Non-recovery of liquidated damages (LD) for short generation of power

2.1.39 The Company issued (March 2010) work order for setting up 10.2 MW wind power project (17 WEGs of 600 kW each) to RRB Energy Limited (Contractor) at a total price of ₹ 48.72 crore. The Operation & Maintenance of the plant was also to be carried out by the contractor for a period of 20 years and for the first two years without any cost to the Company.

The work order provided that the offered WEGs should be capable of generating power at Certified Power Curve submitted by the Contractor at standard air density with the correction factors *e.g.* grid availability, machine availability and array efficiency. For this purpose, the Contractor was to commission a wind mast at location approved by the Company within the project site with sensor to be installed at hub height equivalent of WEG installed. The actual wind data generated on monthly basis was to be considered for calculation of estimated generation from wind farm and to be compared with actual energy generated at WEG's controller of wind farm. If the actual generation was less than the estimated generation, LD at the rate of 110 *per cent* of the deemed revenue loss to the Company was to be levied on the contractor on an annual basis. The Company executed (March 2010) PPA at ₹ 4.28 per KWh for 20 years. The project was commissioned on 28 March 2010.

The Company did not calculate the estimated generation for the purpose of calculation of LD even after four years of commissioning of the project. The recovery on account of LD for short generation (374.08 lakh units) on the basis of data provided by the WEG Controller worked out to ₹ 17.61 crore[17] during the period from 28 March 2010 to 31 March 2014.

The Company stated that actual data relating to grid availability, machine availability and array efficiency were awaited from the site and after receipt of data, the penalty would be calculated and recovered from the contractor. The fact remained that the Company did not obtain the requisite data from the site for the last four years with possibility of recovery of huge amount of penalty becoming remote.

Delay in issuance of energy bills causing loss of interest

2.1.40 The power generated by the power plants of the Company was sold to the DISCOMs of Rajasthan on the terms and conditions included in the respective PPAs. The billing was to be done on monthly basis. DISCOMs were to make payment by fourth working day following the delivery of billing invoice. Thus, if the issue of bill is delayed the due date of payment is also consequently delayed.

The meter reading was generally done within two working days of the following month and the same was forwarded to the Head Office within a week for preparation of bills. We, however, noticed that the time lag between meter reading and issue of bills to the DISCOMs ranged between 26 and 247 days in case of Soda, Pohara and Akal plant during 2009-14. Our review of the

17 374.08 lakh units X ₹ 4.28 X110/100.

procedure involved in meter reading and issue of bill to DISCOMs disclosed that a maximum period of five days was sufficient for sending the meter reading to the Company by Fax or e-mail, preparation and issue of bill by the Company. This indicated slackness in prompt assessment and raising of bills which caused loss of interest to the extent of ₹ 35.78 lakh (at the rate of 9 *per cent* per annum) to the Company.

The Company stated that instructions had been issued to reduce the billing cycle in future.

Internal control and Internal audit

2.1.41 Internal control is a management tool to ensure that the objectives are achieved in an effective and efficient manner, assets are safeguarded and rules and procedures are complied with. The internal control and internal audit system was inadequate with regard to following:

- The Company did not put in place any control mechanism to watch the progress of sanction and execution of projects. It led to non-recovery of extension fee, re-registration fee, processing fee, *etc*.
- The Company did not ensure that the land recommended for the project had been allotted by the District Collector in time and allotment cancelled immediately after cancellation of registration by the Company. This led to abnormal delay in installation of projects for want of land and by keeping the land unused by the developers.
- The Company did not have any mechanism to ensure that timely action was initiated to renew/invoke the various BGs received towards security deposits. The Company in some cases could not recover/forfeit the BG on non-installation of projects by the developers.
- In case of its own power projects, the Company did not have system to ensure timely issue of energy bill to DISCOMs, recovery of penalty from O&M contractors, *etc*.
- There was no control mechanism as regards timely deposit of cheques and demand drafts in banks. Our test check for the year 2011-14 disclosed that cheques/DDs received from developers were deposited in the bank with delay ranging between 8 and 55 days (excluding 2 days for depositing the cheques/DDs in bank) causing loss of interest of ₹ 17.12 lakh to the Company. Further, our review of cash book also disclosed various irregularities as regards incorrect totals, carry forward of incorrect balances, variation between the amount of vouchers and cash book entries, double entry of same voucher, frequent corrections and overwriting without attestation of competent authority, *etc.*
- Internal audit reports did not include comments on important aspects/activities *viz.* selection of power producers, process of competitive bidding, clearances of projects, implementation of various

programmes, generation and sale of power, setting up of power projects, *etc*.

- The Company did not put in place a Management Information System (MIS).

Conclusions and Recommendations

- The Company facilitated installation of wind power projects of 2797.845 MW (51.81 *per cent*) in the State during 1999-2014 against the estimated wind potential of 5400 MW. During last five years (2009-14), the installed capacity increased significantly from 1084.695 MW to 2797.845 MW showing an increase of 157.94 *per cent* in the installed capacity. *To further harness the wind potential in the State, the Company may consider preparing long-term/short-term plans specifying year-wise targets to be achieved.*
- The State Government issued Solar Energy Policy-2011 with the prime objective to develop Rajasthan as a global hub of solar power generation. As on March 2014, solar power plants with capacity of 725.50 MW, which was 52.59 *per cent* of the sanctioned capacity, were installed. *Keeping in view the enormous potentiality of solar energy in the State, the Company may consider preparing long-term/short-term plans specifying year-wise targets to be achieved.*
- The State Government issued a new Biomass Policy (February 2010) aimed to accelerate the rate of growth of biomass power projects in the State. The Policy contained incentives for installation of biomass projects. However, biomass projects of only 114.30 MW (11 *per cent*) could be installed upto March 2014 against the estimated potential of 1039 MW. The major constraint in installation of biomass projects was stated to be non-availability of biomass at the price reckoned by the Rajasthan Electricity Regulatory Commission (RERC) while fixing the tariff. *The Government/Company may impress upon the RERC for fixation of tariff which encourages the developers for setting up of biomass power projects in the State.*
- The progress in installation/commissioning of power plants was slow due to inability of the Company in facilitating allotment/delay in allotment of land to developers. *The Government/Company may consider preparing a database of the available vacant land to facilitate developers in getting allotment of land.*
- The progress of work of projects approved under Renewable Energy (Solar) Certificate Mechanism was very slow due to poor marketability of Renewable Energy certificates. *The Government should explore possibilities to ensure marketability of Renewable Energy certificates.*
- There were instances of un-satisfactory progress of developers in implementation of the projects, non-recovery/short-recovery of extension fees; processing fees; re-registration fees; development fees, non-forfeiture of security deposit, irregular adjustment of processing fee by the Company in violation of the Policy provisions. *The*

Company should watch the progress of execution of projects and utilisation of the allotted land by the developers and cancel the allotment of land in case of failure of projects or breach of conditions. Further, the Company should recover various fees/charges as per Policy provisions.

- The Rajasthan State Energy Conservation Fund was constituted (2007) for promotion of efficient use of energy and its conservation in the State. However, the Company utilised only 37.22 *per cent* of the Fund during 2010-14. The State Level Screening Committee, which was supposed to review and monitor the progress of the activities carried out by the Company met only six times during 2010-14 against the requirement of atleast one meeting in every three months. *The Government may activate the monitoring mechanism to ensure execution of activities for promoting conservation of energy by better utilisation of the Fund.*

2.2 Performance Audit of Gypsum and Lignite activities of Rajasthan State Mines and Minerals Limited

Executive Summary

The Performance Audit covers the Gypsum and Lignite activities of the Company during the period from 2009-10 to 2013-14.

Financial Position

The profit from Gypsum activity increased (63.90 per cent) from ₹ 58.94 crore to ₹ 96.60 crore and the profit from Lignite activity increased (178.13 per cent) significantly from ₹ 23.46 crore to ₹ 65.24 crore during 2009-13.

Mining of Gypsum and Lignite

Rajasthan State is the major producer of Gypsum in India. The Company had contributed 70 to 89 per cent of the total production of Gypsum in the Country during 2009-13. As on March 2014, the Company was carrying out mining activities in 10 Gypsum mines (5396.95 hectare) out of total 29 Gypsum mines (12521.985 hectare). The remaining 19 mines were non-operational due to non-surrender of depleted mines, non-availability of environmental clearance (EC), non-availability of land from Khatedars, non-renewal of mining lease by the State Government and non-finalization of contracts for excavation of mineral.

The Ministry of Coal (MoC) allocated seven Lignite blocks to the Company between November 1994 and November 2006 but mining operations had commenced in only three blocks i.e. Giral (1995-96), Kasnau-Matasukh (2003-04) and Sonari (2012-13). One block (Mokala, Nagaur) was de-allocated (December 2013) by the MoC due to non-completion of pre-mining development activities by the Company causing infructuous expenditure of ₹ 46.78 lakh. The remaining three blocks could not be operated due to non-availability of EC and delay in submission of mine plan.

Planning and Statutory compliance

The Company did not prepare a strategic/long term perspective plan despite directions of the Committee on Public Undertakings to ensure sustainable development of minerals in a cost effective manner. The market demand and supply of Gypsum and Lignite was never assessed despite the fact that the entire production was sold in the year itself. The Company did not take timely action for renewal of expired mining leases and inadequate monitoring, arrangement of resources and follow up of the targets led to non-achievement of the laid down targets.

Absence of a robust statutory compliance management system to ensure strict adherence to the mining and environmental Rules and Regulations resulted into de-allocation of the allocated blocks, non-surrender of depleted mines; closing of mining operations, non-availability of EC and withdrawal of mining permission under Mines Regulations, 1957 by Directorate of Geology (Mines and Safety). This resulted into unfruitful expenditure of ₹ 12.47 crore towards land tax and dead rent.

Production and sale of minerals

The annual budgetary targets were always fixed on lower side in comparison to the capacity approved in the EC/mine plans. The Company even could not achieve the annual budgetary targets in respect of both Gypsum and Lignite in all the five years. The sales targets were fixed similar to that of production but lower levels of production affected the sales as the entire production was sold in the year itself. The annual production of Gypsum declined (35.14 per cent) from 34.63 lakh MT in 2010-11 to 22.46 lakh MT in 2013-14 due to non-finalisation of excavation contracts, reluctance by Khatedars in providing land, depletion of mines, non-lifting of Gypsum by cement industries due to low purity, etc. The annual production of Lignite decreased from 12.07 lakh MT in 2009-10 to 8.83 lakh MT in 2010-11 and thereafter increased to 14.28 lakh MT in 2013-14. Decrease in Lignite production during 2010-11 was due to non-finalization of excavation contract for Kasnau-Matasukh

mine while increase in production during 2012-14 was due to operation of a new mine (Sonari). Non-finalization of contract for excavation of Lignite in Matasukh pit for a period of 21 months caused loss of production of 7.94 lakh MT as per mine plan besides unfruitful expenditure of ₹ 86.17 lakh towards dead rent and land tax. The mining operations at Kasnau pit were closed (March 2004) due to heavy inrush of underground water. Thereafter, no efforts were made for dewatering and excavation of Lignite which caused loss of production of 28.35 lakh MT, besides unfruitful expenditure of ₹ 24.91 lakh towards land tax during 2009-14. The increase in profit in both Gypsum and Lignite was due to increase in sales price.

Gypsum grinding units

The Company laid more emphasis on the contractual grinding units instead of its own Centralised Gypsum Grinding (CGG) unit. The production at CGG unit against the contracted capacity ranged between 17.60 and 70.13 per cent during 2009-14. The actual utilisation of CGG unit against the workable capacity of 16 lakh MT ranged between 5.50 and 21.92 per cent during 2009-14. Preference to contractual unit at Ballar instead of owned CGG unit caused excess expenditure of ₹ 1.11 crore during 2009-14. The Company could effectively fulfill 69.18 per cent of the total demand of Gypsum powder during 2009-14 due to non-finalisation of excavation contracts, non-availability of land from Khatedars, awarding of grinding contracts for lower quantity at Ballar unit and failure in fully utilising the CGG unit. The Company was deprived of additional revenue of ₹ 20.23 crore due to non-fulfillment of the demand of Gypsum powder and additional profit of ₹ 29.36 lakh due to supply of Gypsum Run of Mine instead of Gypsum powder.

Marketing management

The Company did not give cognizance to the sale price declared by the Indian Bureau of Mines during November 2011 to December 2012 which caused short recovery of royalty of ₹ 1.32 crore. Selling of Lignite through auction/e-auction at a price below the average cost of production during 2009-10 and 2011-13 caused operating loss of ₹ 43.68 crore. Rajasthan Rajya Vidyut Utpadan Nigam Limited made payment of bills with delay ranging between 17 and 337 days in absence of any penalty prescribed in the Fuel Supply Agreement for delay in payment of bills. This caused loss of interest of ₹ 4.52 crore to the Company during 2009-14.

Contract Management

The Company lost an opportunity to earn additional profit of ₹ 1.26 crore due to non-supply of contracted quantity to Uttar Pradesh Bhumi Sudhar Nigam. Rejection of lowest offers selectively without any uniform policy on the basis of workability of rates despite the fact that the bidders were technically qualified caused an extra expenditure of ₹ 37.98 lakh. The Company relaxed the prequalification and performance criteria as mentioned in the Contract Manual which resulted into awarding of contracts to in-eligible bidders causing loss of revenue of ₹ 5.08 crore due to non-fulfillment of contractual obligations.

Recommendations

Audit recommends that (i) The Company should prepare a broad strategic corporate plan including sector-wise plans for production and marketing of minerals with specific targets and firm timelines to ensure sustainable development of minerals in a cost effective manner to cater to the market demand. Further, the Company should assess the demand of minerals and take action for timely renewal of mining leases to fulfill the market demand; (ii) The Company should implement a robust statutory compliance management system to ensure adherence to the mining and environmental Rules and Regulations; (iii) The Company should adopt best practices for contract management to ensure timely finalisation of excavation contracts, awarding of contracts in a manner so as to safeguard the financial interests and to adhere to the provisions of contract manual; and (iv) The Company should plan and step up vigilance activities besides better liasoning with the State Government to curb the practice of illegal mining.

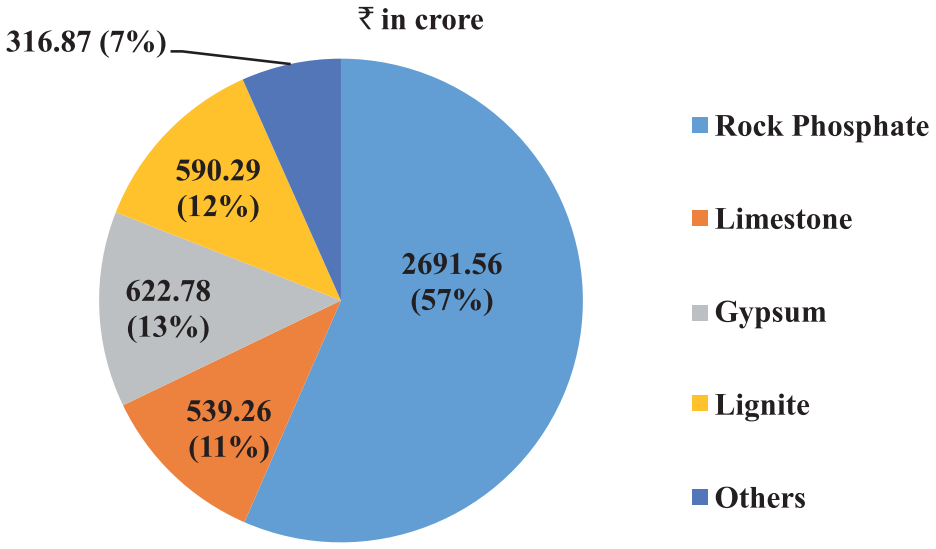
Introduction

2.2.1 Minerals are a valuable natural resource being the vital raw material for infrastructure, capital goods and basic industries. As a major resource for development, the extraction and management of minerals has to be integrated into the overall strategy of the country's economic development. The exploitation of minerals has to be guided by long-term national goals and perspectives.

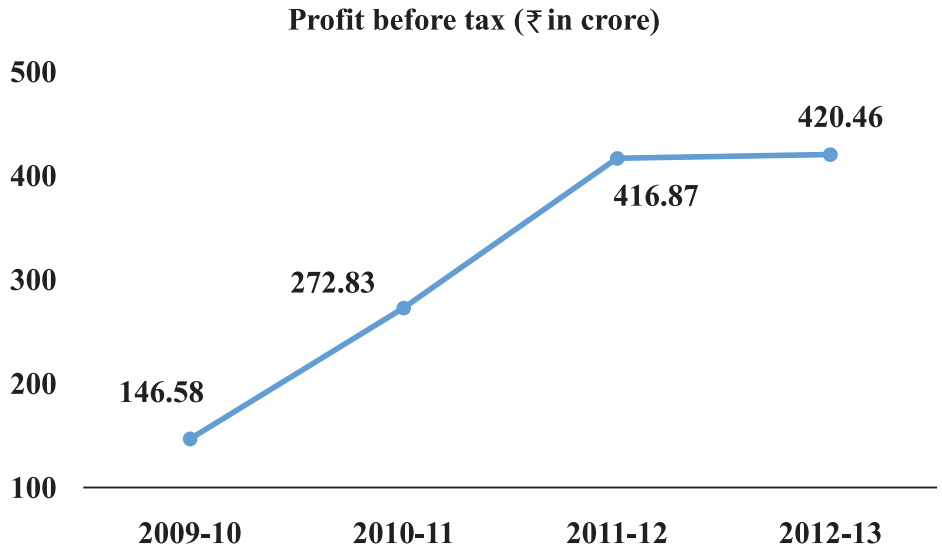
Rajasthan State Mines and Minerals Limited (Company) was incorporated (December 1974) as a Government Company to achieve cost effective technological innovation in mining of minerals and to diversify into mineral based downstream projects. The Company is primarily engaged in mining and marketing of four industrial minerals namely Rock phosphate, Gypsum, Limestone and Lignite in Rajasthan (State). Besides, the Company has also established wind energy farms of 106.30 Mega Watt (March 2013) at Jaisalmer District of the State under the Government sponsored schemes. The activities relating to mining and marketing of Rock Phosphate, Gypsum, Limestone and Lignite are carried out through four mineral based Strategic Business Units and Profit Centers (SBU&PCs) located at Udaipur, Bikaner, Jodhpur and Jaipur respectively.

The management of the Company is vested in Board of Directors (BoDs) and as on March 2014, there were seven directors including a Chairman and a Managing Director. The Managing Director is the Chief Executive Officer of the Company and is assisted by the Group General Managers at SBU&PCs.

Rock Phosphate (57 *per cent*) was the major revenue contributing activity followed by Gypsum (13 *per cent*), Lignite (12 *per cent*) and Limestone (11 *per cent*) during last four years ending March 2013 as depicted in the pie-chart below. The year wise contribution of various activities to the total revenue and profit of the Company during 2009-10 to 2012-13 is given in **Annexure-10.**



The profits earned by the Company during last four years ending March 2013 are depicted below:

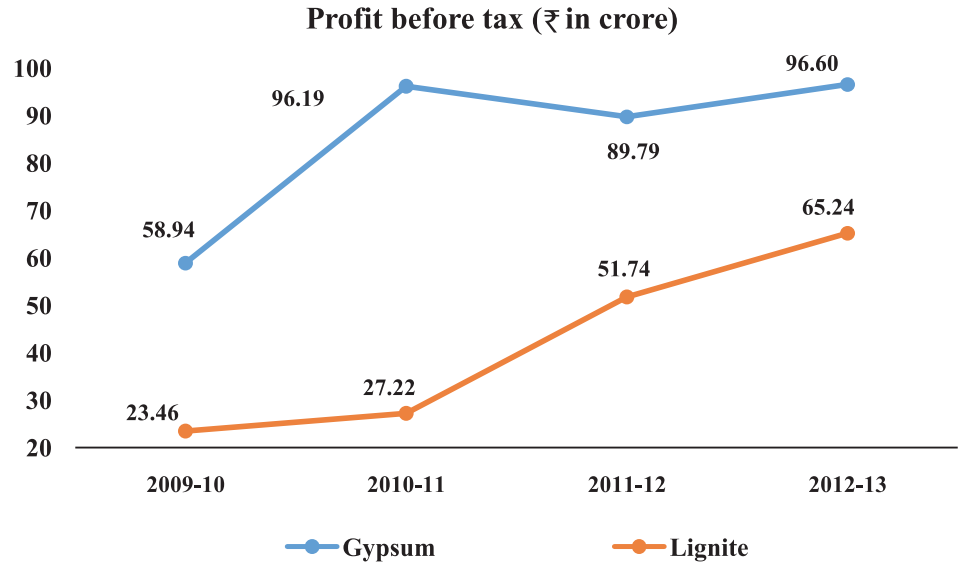


Note: The Company did not finalise (October 2014) annual accounts for the year 2013-14.

The mining and marketing of Rock Phosphate was the most profitable activity of the Company during 2009-13. Its contribution to total profits ranged between 41.14 and 61.58 *per cent* during 2009-13.

Profitability due to Gypsum and Lignite vis-à-vis other minerals

2.2.2 The profitability due to Gypsum and Lignite during last four years ending March 2013 was as below:



(Source: Annual accounts)

- The profit from Gypsum activity increased (63.90 *per cent*) from ₹ 58.94 crore to ₹ 96.60 crore during 2009-13 in absolute terms, but in relative terms, its contribution to the total profit of the Company decreased from 40.21 *per cent* to 22.97 *per cent* during same period, essentially because the Rock Phosphate was the most profitable activity. The profitability of Gypsum was directly determined by the increase in sale price and the production level (which declined over the

years) as the entire production was sold in the year itself and the activity registered increase in profit due to increase in sale price despite decrease in sales.

- The profit from Lignite activity increased (178.13 *per cent*) from ₹ 23.46 crore in 2009-10 to ₹ 65.24 crore in 2012-13. The activity contributed 16 *per cent* to the total profit of the Company in 2009-10 which declined to 9.97 *per cent* in 2010-11 and thereafter increased to 15.52 *per cent* in 2012-13. Increase in average selling price of Lignite by 62.38 *per cent* during 2010-11 to 2012-13 and increase in production level from 8.83 lakh MT to 13.87 lakh MT during the same period contributed increase in profit.
- The profit from Limestone increased (104.81 *per cent*) from ₹ 11.44 crore to ₹ 23.43 crore during 2009-13. However, its contribution to total profit decreased from 7.80 to 5.57 *per cent* during this period.
- The profit from Rock Phosphate increased from ₹ 60.30 crore in 2009-10 to ₹ 256.69 crore in 2011-12 and thereafter declined to ₹ 217.24 crore in 2012-13. Increase (74.90 *per cent*) in the average sale price of Rock Phosphate from ₹ 5232 per MT in 2009-10 to ₹ 9151 per MT in 2012-13 turned Rock Phosphate as the most profitable activity *vis-a-vis* the other three minerals, as discussed above.

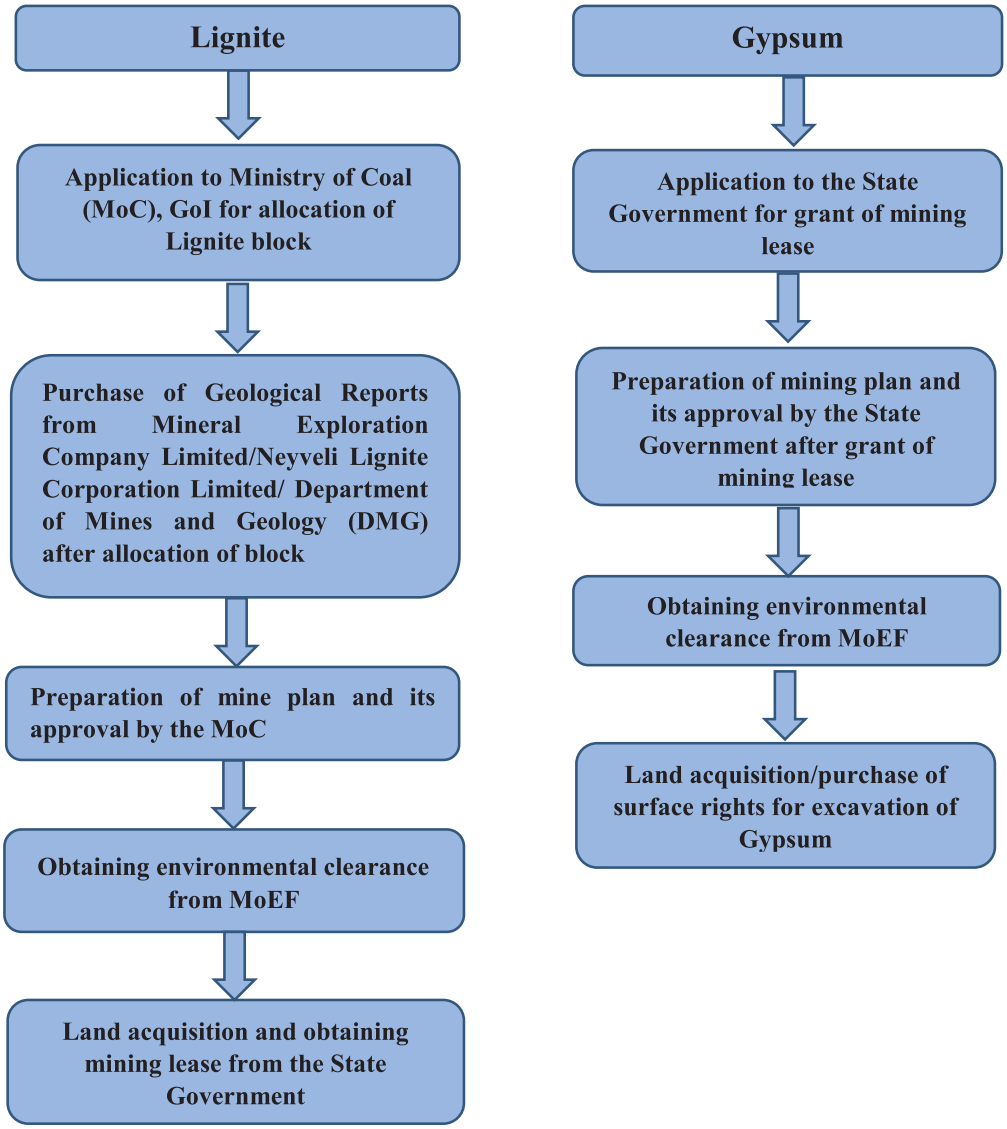
Regulatory framework of minerals

2.2.3 The Mines and Minerals (Development and Regulation) Act, 1957, (MMDR) and the Mines Act, 1952, together with the rules and regulations framed there under constitute the basic laws governing mining sector in India. The relevant rules in force under the MMDR Act, are the Mineral Concession Rules, 1960, and the Mineral Conservation and Development Rules, 1988. The health and safety of the workers is governed by the Mines Rules, 1955 created under the jurisdiction of the Mines Act, 1952. The Mineral Concession Rules, 1960 outline the procedures and conditions for obtaining a prospecting license or mining lease. The Mineral Conservation and Development Rules, 1988 lays down guidelines for ensuring mining on a scientific basis, while at the same time, conserving the environment. Besides, the Environment Impact Assessment (EIA) Notification, 1994 and amendments therein issued by the Ministry of Environment and Forests (MoEF), GoI from time to time also determine the legal frame work of mining.

The holder of a mining lease is required to pay royalty and dead rent, whichever is higher, to the State Government as per Section 9 and 9A of the Mines and Minerals (Development and Regulation) Act, 1957, at the rates specified in schedule second and third of the Act *ibid*. The mining leases in Rajasthan were also subject to payment of land tax from September 2006 at the rates notified by the State Government from time to time. The land tax was abolished by the State Government from the year 2013-14.

Mining lease and their operation

2.2.4 The necessary procedures and stages for commencement of mining of Gypsum and Lignite are depicted below:



Scope and Audit Methodology

2.2.5 The Performance Audits on the Rock Phosphate & Limestone, Lignite and Gypsum activities were last incorporated in the Reports (Commercial) of the Comptroller and Auditor General of India, Government of Rajasthan for the year ended 31 March 2010, 2007 and 2006 respectively. The Performance Audits were discussed by the Committee on Public Sector Undertakings (COPU) during June 2013, September 2009 and May 2008 respectively. The recommendations of the COPU regarding Lignite and Gypsum were placed before State Legislature in August 2011. The recommendations of the COPU on the Performance Audit of Lignite (Audit Report 2006-07) emphasised that the Company should prepare a strategic plan considering all aspects of mining prior to the commencement of mining operations.

The present Performance Audit covers the Gypsum and Lignite activities of the Company during the period 2009-10 to 2013-14.

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/ Management of the Company during Entry Conference (February 2014); analysis of data, raising of audit queries, interaction with Company personnel, holding of Exit Conference and issue of Draft Performance Audit Report to the Government/Management for their comments.

The Performance Audit Report has been finalised after considering the views of the Government/Management during Exit Conference (November 2014) and replies (November 2014) of the Company. The replies of the Government were awaited (December 2014). The recommendations on the Performance Audit Report were also discussed during Exit Conference and were agreed to by the Government/Management.

Audit Objectives

2.2.6 The performance audit of the Company was carried out to assess whether:

- The company prepared strategic plans to ensure efficient and economic production of mineral reserves and the mining activities were carried out considering all aspects of mining, applicable policy, rules and regulations of State Government/Government of India (GoI);
- The Company adopted an effective price mechanism, sound marketing strategy and the marketing of minerals was effective;
- The contracts were awarded in an economic and efficient manner; and
- There was an effective & efficient internal control and monitoring mechanism.

Audit Criteria

2.2.7 The audit criteria derived from the following sources were adopted to achieve the audit objectives:

- Mines Act 1952, Mines and Minerals (Development and Regulations) Act 1957, Mineral Concession Rules 1960, Environment (Protection) Act 1986, Forest (Conservation) Act 1980 and National Mineral Policy 1993 and 2008;
- Orders/circulars issued by Department of Mines and Petroleum, Government of Rajasthan (GoR), Director General of Mines & Safety (GoI) and Indian Bureau of Mines (IBM);
- Agenda and Minutes of the meetings of BoDs and directions/guidelines issued by the Board;
- Mining plans, Short-term/Long-term plans and Sale policy;

- Terms and conditions of the contracts/agreements executed by the Company with contractors and sales agents; and
- Internal audit and internal control policies/procedures adopted by the Company.

Audit findings

2.2.8 The audit findings highlight the performance of the Company in mining activities of Gypsum and Lignite during 2009-14 as regards planning, compliance of mining and environmental Rules and Regulations, production and marketing of minerals, contract management and internal control systems in accordance with the scope of Audit.

Overview of mining of Gypsum and Lignite

Mining of Gypsum

2.2.9 Rajasthan State is the major producer of Gypsum in India. As per the data (1 April 2010) of Indian Bureau of Mines (IBM), the State alone accounts for over 82 *per cent* (1055.55 million tonne) of the total (1286 million tonne) Gypsum deposits available in the Country. The Company owned 26 to 29 Gypsum mines during 2009-14 in Bikaner, Barmer, Hanumangarh, Jaisalmer, Jalore, Nagaur, and Sriganganagar Districts of the State. The State Government granted four[1] mining leases to the Company during 2009-12 and the Company surrendered one mine lease (Aladin-Ka-Bera) during 2011-12 due to depletion of reserves.

The Company produces three types of Gypsum products (i) Run of Mine (ROM), (ii) Gypsum Powder and (iii) ROM Selenite. The importance of Gypsum activity could be realized from the fact that the Company had contributed 70 to 89 *per cent* of the total production of Gypsum in the Country during 2009-13.

The status of Gypsum mines in possession of the Company during the last five years ending March 2014 is given below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Mines in possession at the beginning of the year	26	27	29	29	29
Mining leases granted by the State Government	1	2	1	-	-
Mines surrendered	-	-	1	-	-
Mines in possession at the end of the year	27	29	29	29	29
Mines operated during the year	18	21	21	15	10
Inoperative mines during the year	9	8	9	14	19

1 Dhani Abdullahwali (January 2010), Bhurasar (February 2011), Larawala (February 2011) and Deharia (June 2011).

As on March 2014, the Company carried out mining activities on 5396.95 hectare (43 *per cent*) against total area of 12521.985 hectare of 29 mines. The mines under operation reduced to 52.38 *per cent* during 2010-14, as a result of increasing non-operational mines (19 non-operational mines at the end of 2013-14). This was due to non-surrender of depleted mines, non-availability of environmental clearance, non-availability of land from Khatedars, non-renewal of mining lease by the State Government and non-finalization of contracts for excavation of mineral.

The Company accepted the facts that increase in the number of non-operational mines was due to non-availability of EC, exhaustion of mineral reserves, poor participation of bidders, resistance by land owners and abnormal high or low rates offered by the bidders.

Mining of Lignite

2.2.10 The mining rights of Lignite are exclusively vested with the Central Government. The conditions were relaxed (July 1979 and December 2001) by the Ministry of Coal (MoC) and the GoR was allowed mining of Lignite with prior permission from Neyveli Lignite Corporation Limited. The Geological Survey of India estimated (March 2013) 5689.52 million tonne of Lignite reserves in Rajasthan at Bikaner, Nagaur and Barmer Districts. The Company is operating three operational mines in these Districts. The production of Lignite in Rajasthan increased from 12.07 lakh MT in 2009-10 to 57.05 lakh MT in 2013-14 with the commencement of production by other companies *viz.* Neyveli Lignite Corporation Limited and Barmer Lignite Mining Company.

The Company's share in total production of Lignite in the State declined from 100 *per cent* (12.07 lakh MT) in 2009-10 to 24.31 *per cent* (13.87 lakh MT) in 2013-14.

The status of Lignite blocks/mines in possession of the Company during 2009-14 is given below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Mines in possession of the Company	7	7	7	7	7
Mines de-allocated/surrendered during the year	-	-	-	-	1
Operational mines	2	1	2	3	3
Non-operational mines	5	6	5	4	4[2]

The MoC allocated seven[3] Lignite blocks to the Company between November 1994 and November 2006 but mining operations in respect of only Giral (1995-96), Kasnau-Matasukh (2003-04) and Sonari (2012-13) blocks had commenced. One block (Mokala, Nagaur) was de-allocated (December 2013) by the Ministry due to non-completion of pre mining development activities by the Company (discussed in **paragraph no. 2.2.13**). Reasons for non-commencement of mining operations in remaining three blocks (Gurha west, Shivkar and Sachha Sauda) are discussed below:

2 Inclusive of the de-allocated block.

3 Giral Barmer (November 1994), Kasnau-Matasukh Nagaur (August 2001), Mokala Nagaur (July 2003), Sonari Barmer (September 2004), Gurha West Bikaner (July 2005), Shivkar Barmer (November 2006) and Sachha Sauda Barmer (November 2006).

- The Gurha west block could not be operated due to non-availability of environmental clearance (EC). The mining plan of the block was approved by the MoC in June 2007. However, 90 *per cent* of land could be acquired by the Company only by February 2012. The Company applied (April 2013) for obtaining EC which was pending for approval (September 2014) with the MoEF.
- The Shivkar block was allocated by the MoC in November 2006. However, the mining operations in Shivkar Block could not be commenced due to delay (44 months) in submission (July 2010) of mine plan. The mine plan was pending (September 2014) for approval with the MoC.
- The Sachha Sauda block was allocated by the MoC in November 2006. However, due to non-assessment of the economic viability of the project, the Company did not submit (September 2014) the mining plan and application for environmental clearance.

The Company stated that blocks were developed as per priorities and considerable time period of four to six years was required for seeking approvals for mining plan and EC. The reply was not convincing as the Company was required to commence Lignite production within 36 months from the date of allocation of blocks as per the stipulations of allocation of the MoC. These blocks were liable to be de-allocated/cancelled on account of unsatisfactory progress in development of block or for breach of conditions of allocation. The Company, however, applied for EC belatedly in April 2013 for Gurha (West) block and could not assess the economic viability in case of Sachha Sauda block. The Company did not apply for EC in respect of Shivkar block due to non-approval of the mine plan by MoC.

Planning

2.2.11 Strategic planning in mining sector is a dynamic process of integration of various activities to achieve optimal utilisation of resources whilst achieving economic profitability. Planning involves preparation of long/medium/short term plans, development of robust statutory compliance management system, arrangement of resources for exploitation of minerals, scientific exploitation of minerals in accordance with mine plans/scheme of mining and adequate monitoring and follow up of the prepared plans to achieve the targets.

The Company did not prepare a strategic/long term perspective plan despite directions of the COPU to ensure sustainable development of minerals in a cost effective manner. The Company, however, prepared annual production and sale plans but the same were not in accordance with the production capacity approved by the MoEF in the environmental clearance **(discussed in Paragraph no. 2.2.20)**. The annual sales targets were kept similar to that of production which were fixed below the production capacity approved by the MoEF. The Company never assessed the market demand and supply of Gypsum and Lignite despite the fact that the entire production was sold in the year itself. The Company did not take timely action for renewal of expired

mining leases and inadequate monitoring, arrangement of resources and follow up of the targets led to non-achievement of the laid down targets.

Absence of a robust statutory compliance management system to ensure strict adherence to mining and environmental Rules and Regulations resulted into de-allocation of the allocated blocks, non-surrender of depleted mines, closing of mining operations, non-availability of environmental clearance from MoEF, and withdrawal of mining permission under Mines Regulations, 1957 by Directorate of Geology (Mines and Safety).

Non-renewal of mining leases

2.2.12 The mining lease of Siyar ka Koshita (178.50 hectare) Gypsum mine had expired way back in December 2005. The Company applied (December 2004) for renewal of lease but it was pending (September 2014) for renewal by the State Government. The Company, however, excavated Gypsum from this mine upto June 2011 without mining lease and thereafter the mining operations were closed on the directions of Rajasthan Pollution Control Board. The Pollution Control Board directed the Company to obtain afresh environmental clearance from the MoEF due to reduction in the mineable area on account of surrender (May 1998) of 121.50 hectare area by the Company. The process of obtaining afresh environmental clearance was initiated in January 2014 which was pending (September 2014) for approval.

The mining leases of Ballar (1000 hectare), Thob-I (126.770 hectare) and Thob-II (263.080 hectare) mines also expired in 2013-14. The applications for renewal of mining lease were made in July 2012 (Ballar) and January 2013 (Thob-I and Thob-II). The applications were, however, pending (September 2014) for approval with the State Government.

Non-renewal of mining leases resulted in reduction of the mineable area considerably.

The Company stated that issue of fresh EC for Siyar ka Koshita mine was pending with the MoEF. The Company, however, did not furnish reasons for non-renewal of mining leases of Ballar, Thob-I and Thob-II mines.

De-allocation of Mokala Lignite block

2.2.13 The MoC allocated (July 2003) Mokala Lignite Block (mineable reserves of 25.81 million tonne) to the Company and fixed time limits for achievement of various pre-mining development activities to ensure production of Lignite from July 2006. The critical pre-mining developmental activities included submission of mining plan, preparation/clearance of Environmental Management Plan, obtaining lease from State Government and acquisition of land, *etc.*

The Company did not undertake/complete any of the pre-mining development activities except submission of mining plan in May 2013 against the stipulated date (January 2004). Further, the mining plan submitted was not as per the allocated area. The Company submitted mining plan for 1420 hectare against the allocated area of 680 hectare.

The Company during various review meetings held (between October 2008 and January 2012) with the MoC cited adverse ground water conditions in the belt and that they could not proceed further for development of the block. The

Ministry, however, expressed concern over the progress and issued (May 2012) a show cause notice to the Company for de-allocation of the allocated block.

In reply (May 2012), the Company apprised the progress made in preparation of mine plan and Environmental Impact Assessment (EIA)/Environmental Management Plan (EMP) and reiterated that adverse hydro-geological conditions of the area delayed the progress of mine development. However, the inter-ministerial group (IMG) formed by the GoI to review the development progress of allocated coal/lignite blocks, recommended (July 2013) to de-allocate the Mokala Lignite Block considering the facts that there was no substantial progress in the development of block and that the geological area of the block had increased substantially as compared to the area mentioned in the allocation letter. Accordingly, the MoC, de-allocated (December 2013) the block.

The slackness in completion of the pre-mining activities, therefore, led to de-allocation of block with extractable reserves of 25.81 Million Tonne. Further, an expenditure of ₹ 46.78 lakh incurred by the Company on pre-mining activities proved to be infructuous.

In reply, the Company stated that the block was lying in the vicinity of Matasukh Lignite block having very difficult hydro-geological and geo-technical conditions. The Company further stated that it gave lesser priority to develop the block due to apprehended higher cost of mining and no linkage of the block with power plant. The reply should be viewed in the light of the fact that the Company did not surrender the block even though there were adverse mining conditions.

De-acquisition of land

2.2.14 The State Government allotted (April 2001) 7510.06 bigha land to the Company for mining of Lignite at District Nagaur (Kasnau-Matasukh mine) at a cost of ₹ 17.18 crore. The mining lease was granted in August 2001 and the Company paid the entire cost of land in July 2002. The Company while reconciling (August 2002) the area covered under the mining lease with the project maps found that 161.14 bigha land was situated outside the mining lease. As the land outside the mining lease was not part of project, the Company did not take (August 2002) physical possession of the land. Further, this land had been shown in the names of farmers in the land revenue records. The mutation of land was also not done in the name of the Company and the cost of land (₹ 35.95 lakh) remained deposited with the Land Acquisition Officer (LAO).

The project planning of the Company was weak as it did not reconcile the land as per project requirement during issue (November 1997) of Gazette Notification by the State Government for acquisition of land in favour of the Company and deposited the entire cost of land.

The Company belatedly requested (April 2009) the State Government for de-acquisition of the land and to refund the amount deposited with LAO. The matter was pending (September 2014) with District Collector Nagaur.

Weak project planning, therefore, not only resulted in blockage of funds of ₹ 35.95 lakh but also caused loss of interest of ₹ 30.20 lakh[4] to the Company.

The Company accepted the facts and intimated that the matter was under consideration of the State Government.

Statutory compliance

The performance of the Company in compliance of mining and environmental Rules and Regulations is discussed below:

Non-surrender of depleted mines

2.2.15 Rule 29 of the Mineral Concession Rules, 1960 provides that application for surrender of mining lease on the ground that deposits of the mineral have since been exhausted or depleted to such an extent that it is no longer economical to excavate the mineral shall be made not less than twelve calendar months before the intended date of surrender. Further, the lessee shall submit a final mine closure plan (FMCP) to the State Government for approval one year prior to the proposed closure of the mine as per Rule 23 (C) of the Mineral Conservation and Development Rules, 1988.

We noticed that eight[5] Gypsum mines of the Company got exhausted between January 2006 and October 2013 but could not be surrendered (March 2014) to the State Government either due to non-submission of FMCP or non-approval of the submitted FMCP by the State Government. The reasons for non-surrender of mines are discussed as below:

- The Company in respect of Mahila Ki Dhani-II, Bajju and Mahila Ki Dhani-I mines did not submit (March 2014) the FMCP though the mineral reserves were exhausted in March 2009, March 2010 and July 2011 respectively. In case of Bajju mine, the mining lease had expired in October 2001. The Company, however, applied for renewal of lease in February 2012 which was pending (September 2014) with the GoR. Non-renewal of mining lease was also a reason for non-surrender of Bajju mine. The Company paid dead rent and land tax of ₹ 75.06 lakh in respect of these mines during 2009-14.

The Company accepted the facts and stated that FMCP of these three mines was under preparation.

- The Kundal and Ashuwali-Talai mines were exhausted in January 2006 and May 2011 respectively. The Company also submitted FMCP to the Department of Mines (DMG), GoR in July 2013 and April 2014 respectively. The FMCP of Ashuwali-Talai mine was approved in September 2014 while FMCP of Kundal mine was pending for approval (September 2014). The Company had to pay land tax and dead rent of ₹ 1.14 crore during 2009-14 due to delay in submission of FMCP under Rules and non-approval of the FMCP by the State Government.

4 Calculated at the rate of 7 *per cent* per annum for a period of 12 years.

5 Mahila Ki Dhani-II, Bajju, Mahila Ki Dhani-I, Kundal, Ashuwali-Talai, Anandgarh-III, Seorani, and Sekhara.

The Company accepted the facts and apprised that application for surrender of Ashuwali-Talai mine had been submitted to the DMG.

- The mineral reserves in Anandgarh-III, Seorani, and Sekhara mines were exhausted in October 2010, November 2011 and October 2013 respectively. The FMCP in respect of these mines was also approved by the DMG in October 2012. However, the State Government did not accord approval for surrender of these mines. The Company paid dead rent and land tax of ₹ 39.15 lakh on these mines during October 2010 to March 2014.

The Company acknowledged the facts and after pointing out by audit stated that these three mines had been handed over to the DMG.

Violation of environmental laws

2.2.16 The EIA Notification, 1994 issued (January 1994) by the MoEF, GoI provided that the mining projects of major minerals with more than five hectare lease area would be required to obtain EC for commencement or increase in production after issue of the notification. The MoEF clarified (October 2004) that expansion in production beyond the approved capacity, however small, would constitute a violation and attract penal provisions of the Environment (Protection) Act, 1986. Further, increase in production than the annual production of 1993-94 or its preceding year would constitute expansion in annual production from 1994-95 onwards.

The Company exceeded the production capacity approved by the MoEF in respect of four Gypsum mines (Jhakharda, Phulewala, Bharu and Purabsar) and consequently the mining operations had to be discontinued (2003-2006) in these mines on the orders of State Government. The MoEF issued terms of reference (TOR) for Jhakharda and Phulewala mines in September 2008 and for Bharu and Purabsar mines in February 2009. The Company was required to submit EIA/EMP report and public hearing documents within a period of four years from the issue of TOR. The EIA/EMP report and public hearing documents in respect of Jhakharda mine were submitted in August 2012 and for remaining three mines in March 2013. As the Company submitted the requisite documents after expiry of the validity period of the TOR of Phulewala, Bharu and Purabsar mines, the MoEF cancelled the process of granting EC in respect of Phulewala (May 2013) and Bharu (June 2013) mines and directed the Company to initiate process afresh in respect of these two mines. The process of obtaining EC in respect of all the four mines was in progress (September 2014).

The Company accepted the facts and stated that the MoEF had condoned the delay in case of Purabsar and Jhakharda mines and directed to submit revised EIA/EMP. As regards Phulewala and Bharu mines, the MoEF had permitted the Company to operate both mines as per old EC.

The Company, therefore, had to discontinue mining operations due to violation of the terms of EC and MoEF notification which also caused unfruitful payment of dead rent and land tax of ₹ 5.35 crore on these mines during 2009-14.

Non-availability of environmental clearance

2.2.17 The State Government renewed (July 1999) the mining lease of Bhadwasi ACC mine for excavation of Gypsum upto July 2015. We noticed that the Company carried out mining operations during April 2001 to June 2005 without approval of the mining plan by State Government and obtaining EC from MoEF. Resultantly, the mining operations were closed on the directions (June 2005) of the State Government. The application (June 2013) for prescribing terms of reference was delisted (February 2014) by the MoEF due to mining without statutory clearances. The MoEF directed (February 2014) the Company that application would be processed only after (i) a written commitment in the form of formal resolution passed by the BoD of the Company is submitted to MoEF to ensure that violation of the provisions of the Environment (Protection) Act would not be repeated, (ii) the State Government had initiated credible action for violation and provided evidence to the MoEF of the action taken.

The Company requested (February 2014) the MoEF to intimate the State Government regarding action to be taken against the Company for violation of the Environment (Protection) Act. However, assurance regarding non-repetition of violations by the BoD was pending (September 2014) for submission. Further, the possibilities of production of Gypsum in view of non-availability of environmental clearance are negligible since the mining lease is to expire in July 2015.

The Company by violating the statutory provision not only caused loss of production but also incurred unfruitful expenditure of ₹ 3.73 crore towards dead rent and land tax during 2009-14.

The Company replied that as regards violation of the statutory provisions, the matter was being pursued. It further stated that the mining lease had been retained as a part of long term planning to cater to the Gypsum demand after exhaustion of the surface deposits of other mines. As regards the long term planning, the reply of the Company was not convincing since the mining lease would expire in July 2015.

Mine Closure Plan

2.2.18 The MoC, GoI issued (August 2009) guidelines for preparation of Mine Closure Plan for all existing and new coal (including Lignite) mines. The guidelines provided that all coal mine owners would adopt a Mine Closure Plan for each mine comprising of a Progressive Closure Plan and Final Closure Plan approved by the MoC. Mine owners who had already been accorded approval of Mining Plans/Project Reports without Mine Closure Plans were required to prepare and obtain approval of Mine Closure Plan within a period of one year from the issue of guidelines.

We noticed that mine plans of four Lignite mines (Sonari, Giral, Kasnau-Matasukh and Gurha West) were approved (January 1998 to June 2007) prior to the issue of guidelines. The Company, however, did not adhere to the guidelines and submitted (July 2012) the Mine Closure Plans of Sonari and Giral mines after delay of 22 months. Out of 22 months, the delay of 13-18 months was primarily on account of delay in tendering and awarding the work order to the consultant for preparation of mine closure plans. In respect of

Kasnau-Matasukh and Gurha West mines, the mines closure plans were yet to be submitted by the Company (September 2014).

The Company stated that after issue (August 2009) of guidelines, the MoC made continuous amendments (April 2011 and January 2013) which the Company was required to accommodate for all the blocks in possession. It further stated that the preparation of mine closure plans needed complete review and revision of approved mining plans which was difficult as it required incorporation of various previous years' data. The reply was not convincing as the Company was to submit mine closure plans within a period of one year from the issue of guidelines in August 2009. Had the mine closure plans been submitted within the scheduled time period, there would have been no requirement to comply with the revised amendments.

Violation of Coal Mines Regulations, 1957

2.2.19 The Directorate of Geology (Mines & Safety) (DGMS) granted (November 2004) permission to the Company for excavation of Lignite under Coal Mines Regulations, 1957 by deploying Heavy Earth Moving Machinery at Matasukh Lignite mine. The permission was subject to compliance of certain conditions *viz.* height and width of benches, roads for trucks and dumpers, supervision, maintenance of machines and operation thereof, duties of mechanics, fitters and engineers, duties of machine operators, spontaneous heating, *etc.* The DGMS specifically mentioned that in case of violation or non-compliance of the conditions, the permission would be deemed to be revoked with immediate effect.

We noticed that the DGMS inspected (November 2011) the mining site at Matasukh and intimated (December 2011) sixteen violations in respect of specified conditions. The Company intimated (February 2012) the DGMS about rectification of some of the shortcomings and assured to take action for the remaining shortcomings. The Company also requested to grant exemptions regarding deployment of certain statutory posts in view of highly mechanized mining. On subsequent inspection (September 2012) the DGMS again pointed out the same violations. The DGMS issued (October 2012) notice to the Company for failure in complying with the conditions and withdrew (October 2012) the permission for mining by deploying Heavy Earth Moving Machineries with immediate effect.

The Company, however, continued mining operations at Matasukh mine despite withdrawal of permission and requested (April 2013) the DGMS to grant exemption from the conditions which was pending for approval (September 2014).

The Company accepted the facts and stated that majority of violations pertained to shortage of manpower for which continuous efforts were made by way of publishing regular advertisements. However, the selected candidates either did not turn up or left the job in short time.

The Company by continuing mining operations despite withdrawal of permission violated the provisions of Coal Mines Regulations, 1957.

Production and sale of minerals

2.2.20 The Company fixed annual budgetary targets of production and sale of Gypsum and Lignite on the basis of past performance and available resources of the minerals. The targets and revision therein were approved by the BoD, except for the year 2013-14. The Company also prepared mine-wise annual plans of production based on the quantity approved by the MoEF in the EC/mine plan of respective mine. The production and sale of Gypsum and Lignite with respect to annual budgetary targets and production capacity approved in EC/mine plan during five years ending March 2014 are given below:

(Quantity in lakh MT)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Gypsum						
Production capacity approved in EC	48.62	59.21	62.37	52.56	52.56	275.32
Annual budgetary targets of production	34.00	37.50	40.00	42.00	35.10	188.60
Actual production during the year	30.05	34.63	33.37	28.66	22.46	149.17
Annual budgetary targets of sale	34.00	37.50	40.00	42.00	35.00	188.50
Actual quantity sold	30.19	34.04	33.65	28.54	22.66	149.08
Lignite						
Production capacity approved in mine plan	20.02	20.01	20.59	26.42	25.67	112.71
Annual budgetary targets of production	13.00	10.00	12.00	17.50	17.50	70.00
Actual production during the year	12.07	8.83	10.59	13.87	14.28	59.64
Annual budgetary targets of sale	13.00	10.00	12.00	17.50	17.50	70.00
Actual quantity sold	12.06	8.83	10.60	13.87	14.28	59.64

The production efficiency was poor as the annual budgetary targets were always fixed on lower side in comparison to the capacity approved in the EC/mine plans. The Company even could not achieve the annual budgetary targets in respect of both Gypsum and Lignite in all the five years. It may be seen that whenever the production declined, the corresponding sales also declined which implies that lower production also affected the sales.

The annual budgetary targets against the approved capacity in EC/mine plan ranged between 63.33 and 79.91 *per cent* in case of Gypsum while in case of Lignite the same ranged between 49.98 and 68.17 *per cent* during 2009-14. The actual production against the budgetary targets ranged between 63.99 and 92.35 *per cent* in case of Gypsum while in case of Lignite the actual production ranged between 79.26 and 92.85 *per cent.* The overall production of Gypsum and Lignite was only 79.09 and 85.20 *per cent* of the total targets of production during 2009-14.

The annual production of Gypsum declined (35.14 *per cent*) from 34.63 lakh MT in 2010-11 to 22.46 lakh MT in 2013-14 due to non-finalisation of excavation contracts, reluctance by Khatedars in providing land, depletion of mines, non-lifting of Gypsum by cement industries due to low purity, *etc.* The

annual production of Lignite decreased from 12.07 lakh MT in 2009-10 to 8.83 lakh MT in 2010-11 due to non-finalization of excavation contract for Kasnau-Matasukh mine (**Paragraph no. 2.2.22**). The annual production subsequently increased to 14.28 lakh MT in 2013-14 because of operation of a new mine (Sonari).

Mine-wise analysis of production disclosed that the Company could achieve annual targets in respect of only two Gypsum (Ballar and Gotmanglod) mines during 2009-14. In case of Lignite, the Company could not achieve annual targets in any of the three mines during 2009-14, except Giral during 2009-10.

The decline in production directly affected all the sectors using Gypsum as raw material as discussed below

2.2.21 The sector-wise sale of Gypsum and Lignite during 2009-14 was as below:

(In lakh MT)

Sector	Years					Total
	2009-10	2010-11	2011-12	2012-13	2013-14	
Gypsum						
Cement Industry	26.56	25.62	24.64	21.07	18.33	116.22
Agriculture	2.02	2.36	2.10	2.64	1.83	10.95
Gypsum for Boards	1.03	0.89	1.16	1.03	1.22	5.33
Plaster of Paris	0.58	5.17	5.75	3.80	1.28	16.58
Total Sales	**30.19**	**34.04**	**33.65**	**28.54**	**22.66**	**149.08**
Lignite						
Cement Industry	0.68	0.11	0.44	1.75	1.74	4.72
Brick kiln	0.17	0.04	0.03	0.00	0.00	0.24
Chemical	0.36	0.15	0.18	0.13	0.00	0.82
Power	7.80	7.11	6.53	5.91	6.12	33.47
Textiles	0.64	0.01	0.67	0.64	0.65	2.61
Others	2.41	1.41	2.75	5.44	5.77	17.78
Total Sales	**12.06**	**8.83**	**10.60**	**13.87**	**14.28**	**59.64**

The Cement industry and the power sector were the main consumers of Gypsum and Lignite respectively. We noticed that supply of Gypsum powder to agriculture sector had higher profit element as compared to other sectors while in case of Lignite, sale in open market was more profitable as compared to the power sector. However, the sale of Gypsum powder to agriculture sector was only 7.35 *per cent* of the total sales during 2009-14. Similarly, the sale of Lignite in open market was only 43.88 *per cent* of the total sales during 2009-14.

The Company did not increase the supply of Gypsum powder despite adequate market demand. In case of Lignite, the Company did not excavate upto the production capacity approved in mine plan for open market sales despite non-lifting of the agreed quantity by RRVUNL.

The Company should prepare sector wise plans for production and marketing of minerals considering the ultimate end uses in terms of demand and supply in the short, medium and long terms.

In respect of Lignite, the Company stated that lifting of Lignite by RRVUNL was erratic and unscheduled shutdown of power plants resulted into non-lifting of Lignite causing low sale and hence low production. The Company further stated that supply of the surplus quantity in open market could only be

made after detailed assessment of alternative fuel prices. The reply should be seen in the context that RRVUNL had never lifted the agreed quantity and, therefore, the Company could have achieved the targets by selling Lignite in open market.

In respect of Gypsum, the Company stated that during harvesting season lesser availability of trucks and higher transportation charges adversely affected lifting of Gypsum powder. The reply was not convincing as the Company executed annual/bi-annual transportation contracts for supply of Gypsum powder. The Company however, did not address the decline in production and sale of Gypsum.

Non-finalisation of contract

2.2.22 The ongoing contract for excavation of Lignite from Matasukh pit was to expire on 16 January 2010. The Company decided (9 February 2009) to enter into a joint venture for excavation of Lignite and constituted a Committee for preparation of the draft Expression of Interest (EOI) which submitted draft EOI on 19 February 2009. The Company invited (12 April 2009) EOI notice for selection of Joint Venture Partner and issued (January 2010) Request for Proposal (RFP) to 13 short listed parties. However, none of the short-listed parties submitted offers despite various rounds of discussions during January 2010 to July 2010, and as a result, the Company invited (November 2010) composite tenders for mining and dewatering activities at Matasukh pit. This was awarded (June 2011) for a period of three years. The contractor commenced the work of excavation of Lignite in November 2011.

We observed that the non-finalization of contract for excavation of Lignite for a period of 21 months not only caused loss of production of 7.94 lakh MT as per mine plan, but also caused unfruitful expenditure of ₹ 86.17 lakh towards dead rent and land tax

The Company attributed the delay in awarding contract on account of efforts made for availing a better option by forming a joint venture, which ultimately failed. The fact, however, remained that the delay in finalization of excavation of Lignite contract caused unfruitful expenditure on dead rent and land tax.

2.2.23 The Company closed (March 2004) the mining operations at Kasnau pit due to heavy inrush of underground water. Thereafter, no efforts were made for dewatering and excavation of Lignite. The Company by not undertaking mining activity at Kasnau pit caused loss of production of 28.35 lakh MT besides unfruitful expenditure of ₹ 24.91 lakh towards land tax during 2009-14.

The Company acknowledged the facts and stated that after inrush of water in 2003, the technical recommendations were to operate only Matasukh pit till some success was achieved. The Company further added that it was making all efforts to commence production at Kasnau mines.

Under-utlisation of departmental machinery

2.2.24 The SBU & PC Gypsum makes departmental excavation by using three hydraulic excavators. One excavator was transferred (October 2008) from SBU & PC Rock Phosphate, while two other excavators were purchased during September 2010. The old excavator was in operation from October

2008, while the newly procured excavators came into operation from December 2010. The Company fixed 16 production hours per day in two shifts. The performance of these excavators during 2009-14 was as below:

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
No. of excavators	1	3	3	3	3
Total scheduled hours[6]	4096	7616	14191	15542	15519
Actual working hours	2647	4388	9791	6618	7831
Percentage utilization	64.62	57.62	68.99	42.58	50.46

The utilisation of excavators with respect to actual working hours and scheduled hours declined from 64.62 *per cent* in 2009-10 to 42.58 *per cent* in 2012-13 except 2011-12. The performance marginally improved in 2013-14 when the utilisation of excavators again increased to 50.46 *per cent.* We noticed that the excavator transferred from SBU & PC Rock Phosphate registered frequent break downs. The excavator continuously remained inoperative for 11 months during July 2012 to May 2013 which caused loss of production of 5.12 lakh MT. The log books were also not properly maintained as the actual workings ranged between 3 and 13 hours against 16 hours without mentioning specific reasons. The excavators were also inoperative (49 days at Gotmanglod mine during 2013-14) due to achievement of production capacity approved in EC; delay in shifting of machines (15 days during 2010-11 and 21 days in 2012-13) and non-availability of transport facilities, *etc.*

The Company accepted the facts and stated that efforts were made for optimum utilisation of the excavator transferred from SBU & PC Rock Phosphate. However, some constraints restricted frequent shifting of the machine. The reply was, however, silent on utilisation of other excavators.

Gypsum Grinding Units

2.2.25 The Company installed (2003-04) Centralised Gypsum Grinding Unit (CGG) of 3.20 lakh MT per annum workable capacity at Rawla to meet the demand of Gypsum powder. Besides, grinding units were also hired at Ballar, Anoopgarh, Purabsar, Kainchi and Gudli on contractual basis to meet the demand during 2009-14. The operation and maintenance (O&M) of CGG unit, Rawla was carried out by Patel Enterprises (October 2007 to January 2012) and Jain Transport Company (January 2012 to March 2014) at contracted grinding capacity of 1.00 lakh MT per annum. The status of Gypsum powder production by the CGG and the contractual units during 2009-14 was as below:

6 Total working days X 16 hours per day *less* hours lost in routine maintenance.

(Quantity in MT)

Name of Grinding Unit	2009-10	2010-11	2011-12	2012-13	2013-14
Centralized Gypsum Grinding Unit, Rawla	70128.00	17602.00	45045.50	47190.50	36049.00
Ballar	33897.70	114549.50	69896.00	140403.00	141227.00
Anoopgarh	-	-	-	19097.00	-
Purabsar	-	30276.00	35494.00	-	-
Kainchi	88030.00	17917.00	860.00	16146.00	5480.00
Gudli	-	30693.00	36093.00	39290.00	-
Total	**192055.70**	**211037.50**	**187388.50**	**262126.50**	**182756.00**

It could be seen that the performance of CGG unit was not encouraging as the contracted capacity was not achieved in any of the five years during 2009-14. The production at CGG unit against the contracted capacity of one lakh MT per annum ranged between 17.60 and 70.13 *per cent* during 2009-14. The actual utilisation of CGG unit against the workable capacity ranged between 5.50 and 21.92 *per cent* during 2009-14.The Company, however, laid more emphasis on the contractual grinding units and their production against the contracted quantity ranged between 54.23 and 94.65 *per cent* during 2009-14. The effective production at CGG unit was only 2.16 lakh MT (13.50 *per cent*) against the workable capacity of 16 lakh MT (3.20 lakh MT per year X 5 years) during last five years ending March 2014.

The Company did not make adequate arrangements for transportation of Gypsum ROM to CGG unit. The quantity of ROM transported to CGG unit ranged between 28820.70 MT to 60602.50 MT despite availability of sufficient quantity of ROM ranging between 1.18 lakh MT and 5.02 lakh MT in nearby mines[7] during 2009-14. The Company, however, preferred Ballar grinding unit by under-utilizing the capacity of CGG unit despite the fact that the cost[8] of production at the owned CGG unit was lower than the Ballar unit. We observed that the Company could have utilized the CGG unit to the extent of the contractual capacity and sold the remaining quantity as ROM. This could have saved ₹ 1.11 crore (**Annexure-11**) towards excess expenditure incurred due to grinding of Gypsum at Ballar unit instead of CGG unit.

The Company stated that CGG was being utilized as per demand of Gypsum powder. The requirement of CGG unit was being met from nearby Gypsum mines *viz*. Kishanpura-II, Sekhra, *etc*. where the availability of Gypsum ROM was a major concern due to reluctance of khatedars/land owners. The land owners demanded abnormally high land and crop compensation for excavation of Gypsum. The Company preferred Ballar Gypsum unit considering the fact that availability of Gypsum ROM and quality of mineral was generally better. The reply was contradictory as the Company sold Gypsum ROM instead of Gypsum powder from the nearby mines of CGG unit where the availability of ROM was a major concern to the Company. Further, the cost of grinding at

7 Kishanpura-II, Aladin-ka-Bera, Ashuwali Talai, Sekhra and Anandgarh-III.

8 Cost of production at the CGG unit was only ₹ 61 per MT (April 2009 to January 2012) and ₹ 84.93 per MT (January 2012 to March 2014) against the cost of production of ₹ 108 per MT (July 2009 to August 2011) and ₹ 127 per MT (August 2011 to March 2014) at Ballar unit.

CGG unit was lower than the Ballar unit even after considering the transportation cost of mineral to CGG unit instead of Ballar unit.

Non-fulfillment of contractual obligations

2.2.26 The Company awarded (October 2007) O&M contract to Patel Enterprises (Contractor) for a period of three years with annual grinding capacity of one lakh MT at ₹ 61 per MT. The terms and conditions of agreement provided that the Company could extend the period of contract for one year on same rates, terms and conditions at its sole discretion. In case the Contractor failed to fulfill any of the obligations or committed breach of any of the provisions, the Company was eligible to forfeit the security deposit and get the work done from any other agency at the risk and cost of the Contractor.

The Company extended (October 2010) the contract period for one year on same terms and conditions but the Contractor demanded minimum charges for grinding of 6000 MT Gypsum per month. The Company did not accept (December 2010) the condition of minimum charges and requested the Contractor to resume the work failing which action was to be initiated as per terms and conditions of the agreement. The Contractor gave its acceptance (December 2010) for extension of contract for a period of one year.

Our scrutiny, however, disclosed that the Contractor did not resume the work by March 2011 and thereafter grinded only 45100 MT against availability of 47830.80 MT Gypsum ROM at the CGG unit. The Company did not take any action against the Contractor for non-commencement and slow progress of work. The Company, however, extended favours to the Contractor by not transporting Gypsum ROM during the extended period despite availability of sufficient ROM in nearby mines. The Company also extended (October 2010) the contractual quantity of hired grinding unit at Ballar by 65000 MT on the grounds of higher demand from Agriculture Department, GoR. The extended quantity was produced at the rate of ₹ 108 per MT. This caused excess expenditure of ₹ 30.55 lakh[9].

The Company attributed that they were forced to supply ground Gypsum from Ballar to Agriculture Department in preference to CGG unit due to quality constraints and uncertainty of supply of Gypsum powder from CGG unit. Thus they did not take any action against the contractor for non-compliance of the conditions and slow progress of the work. The Company, however, did not furnish reasons for non-transportation of Gypsum ROM during the extended period despite availability of sufficient ROM in nearby mines without any quality constraints. This could have saved the excess expenditure incurred on grinding of ground Gypsum.

Supply of Gypsum powder

2.2.27 The Company supplies Gypsum powder to four[10] authorised agencies of GoR and Haryana Land Reclamation and Development Corporation Limited (HLRDC) for use in soil reclamation and as a secondary plant nutrient. The GoR and HLRDC intimated annual requirement of Gypsum powder in advance. The requirements of agencies authorised by the State

9 65000 MT X (₹ 108 per MT -₹ 61 per MT).
10 Indian Potash Limited, RAJFED, RLDC and CFCL.

Government were met from Ballar and Rawla grinding units while the demand of HLRDC was met from grinding units located at Purabsar-II, Dhannasar-Kainchi and Gudli.

The demand of Gypsum powder by HLRDC and the GoR authorised agencies and supplies thereagainst during 2009-14 was as below:

(In MT)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Demand of HLRDC	125000	85000	115000	125000	75000
Demand of State Government authorised agencies	106800	165000	200000	218250	216875
Total demand	**231800**	**250000**	**315000**	**343250**	**291875**
Supply to HLRDC	88030	78886	72447	55800	11444
Supply to State Government authorised agencies	97336	115082	113063	187156	171312
Total supply	**185366**	**193968**	**185510**	**242956**	**182756**
Short supply	**46434**	**56032**	**129490**	**100294**	**109119**

The Company could never fulfill the demand of Gypsum powder and the gap between demand and supply increased (135 *per cent*) from 46434 MT in 2009-10 to 109119 MT in 2013-14. The Company could effectively fulfill 69.18 *per cent* of the total demand of Gypsum powder during 2009-14, as discussed below.

- The Company awarded contracts for grinding of 1 lakh MT, 1.42 lakh MT, 1.50 lakh MT, 0.25 lakh MT and 1.05 lakh MT Gypsum ROM during 2009-10 to 2013-14 respectively at Purabsar, Dhanasar-Kainchi and Gudli grinding units to fulfill the demand of HLRDC. The Company, however, could not ensure supply of Gypsum ROM to the grinding units as per the requirement of HLRDC. This was due to non-finalisation of excavation contracts and non-availability of land from Khatedars. The mines at Nure-Ki-Dhani (35 months), Purabsar-II (40 months) and Gudli (42 months) remained un-productive during five years ending March 2014. Consequently, the respective grinding units also remained unutilised. The Company was deprived of additional revenue of ₹ 20.23 crore due to non-fulfillment of the demand of HLRDC.

The Company accepted the facts and stated that the contractor did not commence the work even after repeated requests and was finally banned from business dealings. It further stated that a short term tender was also floated but the same could not be finalised due to single bid offer with abnormally higher rates.

- The Company awarded contracts for grinding of 4.65 lakh MT Gypsum ROM at Ballar mine during 2009-14 to fulfill the demand of State Government authorised agencies. The Company also supplied Gypsum Powder to these agencies from its CGG unit. We observed that the Company could supply only 6.84 lakh MT powder (75.41 *per cent*) to these agencies against the demand of 9.07 lakh MT during 2009-14. This was due to awarding of grinding contracts for lower quantity at Ballar unit and under-utilisation of the CGG unit.

Resultantly, the Company had to supply 0.50 lakh MT Gypsum ROM to Indian Potash Limited instead of Gypsum powder during June 2009 to June 2011. This deprived the Company of additional profit of ₹ 29.36 lakh due to supply of Gypsum ROM instead of Gypsum powder.

The Company stated that supplies on ex-pit mine sale price basis include profit element and hence there was no loss. The reply was not convincing as supply of Gypsum powder had higher profit element than the Gypsum ROM.

The Company, therefore, did not utilise the owned CGG unit upto the contractual/workable capacity. This resulted into non-supply of Gypsum powder to the end users besides causing extra expenditure on grinding of Gypsum ROM from the contractual units.

Marketing management

2.2.28 The determination of sale price of minerals is governed by 'Manual for Determination of Price of Different Minerals, 2005'. The Manual provides that each SBU & PC will frame a sales policy and the prices of different minerals are subject to review on half yearly basis unless it is required to be changed due to statutory or other reasons such as change in Government levies/duties, royalty, policies and cost of production.

The sale price of Gypsum was determined by a co-ordination Committee of FCI Arawali Gypsum and Minerals India Limited[11] (FAGMIL). The Company did not frame any sales policy. However, the prices of Gypsum were reviewed eight times during 2009-14 by the Company.

The Company stated that discussions by the co-ordination Committee were being held regularly and the sale price was revised, if deemed necessary. The reply may be viewed in light of the fact that the Company did not frame any sales policy in accordance with the Manual and even the prices were not reviewed by the Committee considering various factors as prescribed in manual.

Non-recovery of royalty

2.2.29 Section 9 of the MMDR Act, 1957 read with Rule 64 D of the Mineral Concession Rules, 1960 provides for charge of royalty on Gypsum at the rate of 20 *per cent* of sale price on ad-valorem basis. The state-wise sale price as published by Indian Bureau of Mines (IBM) shall be the sale price for computation of royalty for Gypsum produced during a month in any mine in that State. In case, the information for a particular month is not published by the IBM, the latest information available for the State shall be referred.

The Company charged royalty from the consumers as per prescribed Rules. Further, to avoid loss in case of revision in royalty as a result of delay in declaration of sale price for a particular month by the IBM, the terms and conditions of the price circulars provided for recovery of royalty with retrospective effect.

11 Government of India undertaking.

Our scrutiny disclosed that the Company did not give cognizance to the sale price declared by the IBM during November 2011 to December 2012 and consequently short-recovered royalty of ₹ 1.32 crore[12]. The fact of short recovery during 2012-13 came to the notice of Company only after it was pointed out (August 2013) by the Statutory Auditors.

We noticed that the Company did not raise debit notes for the period November 2011 to March 2012. Further, debit notes for the period April 2012 to December 2012 were raised (August 2013) only in respect of private parties for recovery of royalty of ₹ 93.32 lakh. The same was pending for realisation (July 2014) due to objections from the consumers on account of delay in raising debit notes by the Company. Reasons for non-raising of debit notes for recovery of royalty of ₹ 9.12 lakh from Government agencies were not found on records.

The Company stated that debit notes in favour of Government agencies were not raised because the supplies were made under specific MOUs with the agencies. The reply was not convincing as the Company was to recover royalty from Government agencies as the terms and conditions of the price circulars provided for recovery of royalty even with retrospective effect. The reply was, however, silent as regards non-raising of debit notes for the period from November 2011 to March 2012 and non-recovery of the royalty from the private parties.

Marketing activity of Lignite

2.2.30 The Company supplies Lignite to Rajasthan Rajya Vidyut Utpadan Nigam Limited' (RRVUNL) on the basis of a long term 'Fuel Supply Agreement' (FSA) entered (May 2009) for a period of 30 years. Sale of Lignite in open market through auction was also made till November 2011 and thereafter the Company adopted the system of e-auction. The Lignite produced from Giral and Sonari mines was primarily supplied to RRVUNL while the production of Matasukh mine was exclusively sold in open market. The year wise details of Lignite supplied to RRVUNL and open market sales from various mines during 2009-10 to 2013-14 are as below:

(In lakh MT)

Year	Giral		Sonari		Matasukh		Total	
	RRVUNL	Open sales	RRVUNL	Open sales	RRVUNL	Open sales	RRVUNL	Open sales
2009-10	7.60	2.40	-	-	-	2.07	7.60	4.47
2010-11	7.08	1.75	-	-	-	-	7.08	1.75
2011-12	6.52	3.12	-	-	-	0.95	6.52	4.07
2012-13	5.63	3.54	0.28	1.63	-	2.79	5.91	7.96
2013-14	4.60	1.73	0.53	5.29	-	2.13	5.13	9.15
Total	**31.43**	**12.54**	**0.81**	**6.92**	**-**	**7.94**	**32.24**	**27.40**

The Company produced 59.64 lakh MT Lignite from Giral, Sonari and Matasukh mines during five years ending March 2014 out of which 32.24 lakh MT (62.36 *per cent*) was supplied to RRVUNL and 27.40 lakh MT was sold in open market. The findings are discussed below:

12 ₹ 29.10 lakh during November 2011 to March 2012 and ₹ 102.44 lakh during April 2012 to December 2012.

Loss due to sale of Lignite below cost of production

2.2.31 The production and sales of Lignite from Matasukh and Sonari mines disclosed that the Company sold Lignite through auction/e-auction at a price below the average cost of production during 2009-10 and 2011-13. The weighted average selling price in case of Matasukh mine was ₹ 1171.71 per MT and ₹ 1646.49 per MT against the average cost of production of ₹ 2488.17 per MT and ₹ 2170.97 per MT during 2009-10 and 2011-12 respectively. Similarly, in case of Sonari mine the weighted average selling price was ₹ 1995.40 per MT against the average cost of production of ₹ 2697.67 per MT during 2012-13.

We noticed that the Company did not consider the average cost of production while fixing the reserve price for auction/e-auction of Lignite. In case of Matasukh mine, the Company fixed reserve price of ₹ 1150 per MT during 2009-10 and ₹ 1500 per MT (from November 2011). The reserve price after adoption of e-auction system ranged between ₹ 1500 per MT and ₹ 1950 per MT during December 2011 to March 2012. The reserve price in case of Sonari mine ranged between ₹ 1600 per MT and ₹ 2350 per MT during 2012-13.

This caused operating loss of ₹ 43.68 crore[13] on sale of 4.65 lakh MT Lignite below cost of production.

The Company acknowledged that expenditure incurred on excess overburden and dewatering on Matasukh mine pertaining to earlier years was not taken into account in the relevant year and was booked during 2009-10 which increased the cost of production during 2009-10. Further, the computation of excess/less overburden was made at the end of the contract. However, the Company has modified the formula from 2012-13 to give effect of the cost of excess/less overburden during the period of the running contract. As regards Sonari mine, excess overburden was excavated during initial mine development which resulted into higher cost of production during 2012-13.

Loss of interest

2.2.32 Clause 7 of the FSA with RRVUNL regarding billing and payment provides that bills shall be raised fortnightly and RRVUNL shall make payment within five working days from the date of receipt of bills. The terms of payment shall be reviewed after one year.

Scrutiny of the records disclosed that RRVUNL never made payment of bills as per the conditions of FSA in the absence of any penalty prescribed. The delay[14] in payment of bills ranged between 17 and 337 days during 2009-14, which caused loss of interest of ₹ 4.52 crore to the Company, calculated at the rate of seven *per cent* per annum during 2009-14. Further, the terms of payment were also never reviewed despite huge delay in payment of bills by RRVUNL.

13 Matasukh mine (₹ 32.23 crore on sale of 3.02 lakh MT Lignite during 2009-10 and 2011-12) and Sonari mine (₹ 11.45 crore on sale of 1.63 lakh MT Lignite during 2012-13).

14 2009-10 (17 to 58 days), 2010-11 (38 to 337 days), 2011-12 (33 to 316 days), 2012-13 (33 to 202 days) and 2013-14 (116 to 218 days).

The Company apprised that Secretary (Energy Department) had been requested to intervene in the issue for an early settlement.

Contract Management

2.2.33 It is a process of systematically and efficiently managing contracts for the purpose of maximizing financial and operational performance and minimizing risks. The Company empowered the Group General Manager of each SBU&PC to finalise purchase orders and contracts up to the value of ₹ 50 lakh and beyond ₹ 50 lakh, these were finalised by the Contract Cell/Purchase cell at Corporate Office, Udaipur. The Company adopted two bids system *viz.* technical bid and financial bid for finalising the contracts/purchases. During the period 2009-14, the Company awarded and executed five contracts of mining activities relating to Lignite and 29 contracts of Gypsum. The deviations/findings noticed are discussed in succeeding paragraphs.

Improper planning

2.2.34 The Company entered into (December 2011) contract with Uttar Pradesh Bhumi Sudhar Nigam (UPBSN) to supply 64110 Metric Tonne (MT) Gypsum powder at the rate of ₹ 1390 per MT. The supplies were to be made through Railways and to be completed by 15 May 2012.

The Company invited (January 2012) tenders for transportation and grinding of 60000 MT Gypsum ROM from Ballar-I mine to railway siding Anoopgarh. However, the contract could not be finalised due to request of bidders for revision in tender conditions and after re-invitation (March 2012), the work order was awarded (April 2012) at the rate of ₹ 545.77 per MT (₹ 377 per MT for transportation and ₹ 168.77 per MT for grinding) with scheduled date of completion by 12 July 2012.

The Company on the reminders (January and April 2012) of UPBSN for non-supply of Gypsum, requested (April 2012) to extend the supply period by 15 July 2012 but the UPBSN expressed (23 April 2012) its inability to accept supply beyond 10 June 2012 as the concerned project was a sponsored project of World Bank to be completed in a time bound period. The Company, however, made supplies of 19097.30 MT Gypsum powder by 12 June 2012. The Company, therefore, could supply only 19097.30 MT Gypsum powder to UPBSN against contracted quantity of 64110 MT.

The Company accepted that the tender was delayed due to re-tendering and thus UPBSN had curtailed its requirement.

The Company, therefore, lost an opportunity to earn additional profit of ₹ 1.26 crore due to non-supply of contracted quantity to UPBSN.

Extra expenditure

2.2.35 The Company invited tenders (9 October 2009) for excavation, loading, leveling, maintenance of mines and other related works at Dhani Abdullahwali Gypsum mines. Clause 3.44 of the tender provided that in case the offered rate was not workable then the bid would be considered as non-responsive and be liable for rejection.

We noticed that four bidders participated in the tender process and quoted per MT rates of ₹ 6.62, ₹ 7.91, ₹ 8.22 and ₹ 10.65 which were 44.61, 53.30, 55.39 and 71.77 *per cent* of the internal estimates (₹ 14.84 per MT) respectively. However, the Company found rate of first three bidders as not workable and awarded (12 February 2010) the work order to fourth Lowest bidder at its quoted rate (₹ 10.65 per MT).

Since the ongoing contract was expiring in August 2012, the Company further invited (March 2012) tenders for the same scope of work and awarded (October 2012) the work order to the lowest quoted rate of ₹ 6.30 per MT in the subsequent bidding. The work was awarded despite the fact that the rate was only 39.25 *per cent* of the internal estimates (₹ 16.05 per MT). However, the bidder had stood as third lowest tenderer in the previous tender. The work order was, therefore, awarded even at lower rates than the previous work order.

We observed that in previous contract, the Company rejected the lowest offers selectively without any uniform policy and despite the fact that the bidders were found technically qualified. However, the same contractor was awarded the work order at lowest offer in subsequent contract. This indicated that the Company awarded the previous contract injudiciously and caused extra expenditure of ₹ 37.98 lakh.

The Company acknowledged that to overcome the problem of cut-throat competition resulting into malpractices, a decision was taken to award contract on workable rates, on test basis. Further, the BoD had decided (February 2014) to award the work to those offering lowest rates and to keep proper watch on the activities of the contractor.

Non-adherence to the contract manual

2.2.36 The Contract Manual (2006) prescribes that pre-qualification and performance criteria for participation of bidders in the tendering process should be minimum turnover equivalent to 50 *per cent* of the estimated contract value and successful execution of atleast one similar nature work of value equivalent to 60 *per cent* of the estimated contract value, in any one of the preceding three financial years. In case of contracts having contract period of one year or less, the percentage of minimum turnover and value of similar nature work were to be 60 and 40 *per cent* of the estimated value of contract respectively.

The Company invited (February 2013) tenders for 'removal of overburden, excavation of Gypsum ROM, transportation, grinding and packing of Gypsum powder in HDPE bags' at Gudli and Purabsar mines for a period of two years and at Nure Ki Dhani and Purabsar-II mines for a period of one year. The estimated contract value for the proposed work on these mines was ₹ 69.62 lakh, ₹ 3.60 crore, ₹ 71.96 lakh and ₹ 71.96 lakh respectively.

The Company did not adhere to the prequalification and performance criteria mentioned in the Contract Manual. The condition of minimum turnover was relaxed to 25 *per cent* of the estimated contract value in anticipation for increased participation. The condition as regards performance criteria was not even incorporated in the tender document.

We noticed that contracts for Gudli, Nure Ki Dhani and Purabsar-II mines were awarded (June 2013) to the lowest bidder (PSM Energy Private Limited) whereas contract for Purabsar mine remained un-awarded due to non-acceptance of counter offer by Raj Gypsum Udyog, the lowest bidder. However, PSM Energy Private Limited (Contractor) neither commenced mining operations nor executed agreement despite several reminders issued during July 2013 to December 2013. Consequently, the Company severed (January 2014) business relations with the contractor for a period of three years. Fresh tenders were also not invited (March 2014) for excavation of Gypsum from these mines and the mining activities remained in abeyance for finalization of new contract.

We observed that the decision of the Company to relax pre-qualification and performance criteria was not prudent as estimated contract value of ₹ 2.14 crore (Gudli, Nure Ki Dhani and Purabsar-II) was awarded to the Contractor having maximum turnover of ₹ 39.50 lakh (18.46 *per cent*) only in preceding three financial years. Further, there was no justification available that the Contractor had experience of similar nature of work.

We further observed that the Company by not excavating Gypsum from these mines caused loss of production of 2.65 lakh MT during 2013-14. The Company also could not fulfill its contractual obligation with Haryana Land Reclamation and Development Corporation Limited (HLRDCL) to supply 55000 MT Gypsum powder during 2013-14 from these mines and could supply only 5480 MT Gypsum powder to HLRDCL which too was produced by the former contractor and thereby caused loss of revenue of ₹ 5.08 crore[15].

The Company accepted that relaxation in pre-qualification criteria was given for maximum participation of the bidders and to receive competitive rates from the market. Further, HLRDCL was offered to take Gypsum powder from Ballar and Rawla grinding units but they did not lift the material from these sites. The reply of the Company may be viewed in light of the fact that the demand of HLRDCL was to be met from Purabsar-II, Nure Ki Dhani and Gudli mines only and the Company caused loss of production as well as loss of revenue by non fulfillment of contractual obligation.

Non-recovery of outstanding dues

2.2.37 The Company entered (March 2008) into an agreement with Doshin Limited, Ahmedabad (Contractor) for setting up 20 Million Litre per Day (MLD) input and 13 MLD output brackish water desalination plant at Kasnau-Matasukh Lignite mine. As per agreement, the Company was to pay ₹ 42.41 per Kilo Litre (KL) to the Contractor for supply of potable water to the Public Health Engineering Department (PHED) for onward distribution of water.

The terms and conditions for supply of water were belatedly finalised in May 2014. However, in a meeting (August 2008) with the representatives of the GoR, PHED and the Company, it was agreed that PHED shall make payment to the Company at the same rate at which the Company pays to the Contractor.

We noticed that the Company made payments of ₹ 56.75 crore to the Contractor against bills of ₹ 62.69 crore during the period from May 2010 to

15 (55000 MT – 5480 MT) X ₹ 1025 per MT.

March 2014. The Company, however, raised bills of ₹ 55.59 crore with the PHED upto November 2013. After November 2013, bills of ₹ 6.11 crore were not raised due to various pending issues and non-execution of agreement. The PHED made payments of ₹ 22.40 crore (March 2012) and ₹ 13.99 crore (September 2014) in lumpsum and thus ₹ 25.31 crore were pending (September 2014) for recovery.

The Company stated that efforts were being made to recover the balance amount.

Internal Control and Internal Audit

Internal control

2.2.38 Internal control is a dynamic process designed to provide a reasonable assurance for efficiency, optimum utilization of resources and compliance with applicable laws and statutes. An effective internal control system minimises the risk or errors, irregularities and ensures that transactions are authorized, valid, complete and accurate. The Company, however, did not formulate manuals relating to core functions such as Cost and Budget, Marketing and Sales, Internal Audit, *etc.* The budgetary targets for the year 2013-14 were also not approved by the BoDs. The weaknesses in the internal control system are discussed below:

2.2.39 The Company did not have an integrated information system to record and report on the status of mines. As a result, the apex management failed to formulate a strategy for timely renewal of mining leases, obtaining environmental clearances, submission and approval of mining plans, development of mines as per approved mining plans, review of sales price mechanism, royalty pricing and the utilization of the machineries/excavators, *etc*.

2.2.40 The Managing Director is the Chief Executive Officer of the Company. The State Government changed the Managing Director of the Company eight times during 2009-10 to 2013-14. The tenure of seven incumbents was very short and ranged between one and 10 months only. Such frequent changes resulted in lack of initiative by the higher management to formulate and implement a long term action plan for improvement in the working of the Company/SBU & PCs.

We found that the Matasukh mine remained inoperative for a period of 21 months (February 2010 to October 2011) due to delay in finalizing the terms of joint venture. Five Managing Directors were involved in the decision making process and the idea of mining through a joint venture partner was ultimately dropped.

Vigilance over illegal mining

2.2.41 The availability of Gypsum deposits on the surface earth and vast mining areas of the Company (including private and Government land) located in seven Districts of the State aggravates illegal mining activities. The Director General of Police, GoR, on the proposal (September 2003) of the Company deputed (August 2007) a team comprising of one Inspector, one Head

Constable and five Constables in the service of the Company. The expenditure towards salary and allowances of this vigilance team is being borne by the Company. The vigilance team was entrusted with the task of surveillance in lease areas to assist the officials of Department of Mines and Geology (DMG) in checking illegal mining and to liaison with the concerned police stations to curb illegal mining and transportation of Gypsum.

We observed that the vigilance team did not register a single FIR during 2009-10 to 2012-13 despite number of complaints received by the Company. The All Rajasthan Gypsum Plaster Industries Association also expressed (September 2010) concerns before the State Government to prevent the illegal mining and transportation of Gypsum by the Company. The DMG also intimated (December 2012 and May 2013) the Company about the Gypsum mafia operating in the lease areas of Larewala, Bhurasar, Abdulla-Ki-Dhani, Dehriya, Baller, *etc.* and inaction by the police against the culprits despite being pointed out at the time of patrolling in mine areas. The DMG, however, registered 207 cases (176 cases were against vehicle owners and 31 cases against land holders) of illegal mining and transportation of Gypsum during 2012-13 and recovered a penalty of ₹ 83.18 lakh from the offenders. The vigilance wing deputed in the Company of-late (October 2013 to May 2014) also lodged 18 FIRs against the land owners and vehicle owners involved in illegal mining and transportation of Gypsum from the lease areas of the Company.

This indicated that inadequate police support and absence of proper monitoring failed to curb illegal mining. The mines managers posted at various mines time and again requested (July 2012 to April 2013) the Company to provide more police personnel for prevention of illegal mining and transportation. The Company did not discuss the matter regarding illegal mining going on for long, in the Board meetings and also did not keep the State Government informed despite the gravity of the issues involved.

The Company acknowledged the facts and stated that looking to vast areas of Gypsum mines, it was not possible for the vigilance team to make surveillance in all the lease areas at a time.

The Company should strengthen its vigilance and watch-and-ward activities besides frequent liasoning with State Government to curb the illegal mining activities.

Human resource planning

2.2.42 The Company directed (September 2011) each SBU&PC to undertake a detailed exercise of cadre review. The SBU&PC Gypsum sent (October & November 2011) a proposal for additional requirement of 64 workmen and 15 executives. The requirement of workmen was increased to 75 in August 2013 and 88 as on 31 March 2014. Similarly, the SBU&PC Lignite also sent (January 2012) a proposal for additional requirement of 176 workmen and 32 executives. The requirement was enhanced (December 2013) to 527 workmen and 107 executives. The Company did not take any action on the proposals of the SBU & PCs.

The Company stated that cadre review and proper utilisation of the existing staff was under process.

Internal Audit

2.2.43 The internal audit of the Company including all SBU&PCs was being carried out through external firms of Chartered Accountants. The internal auditor submitted half yearly audit reports to the Managing Director, Financial Advisor and to the concerned Group General Manager.

The internal audit reports were silent on the issues relating to compliance to policies, plans, procedures, provisions of contract manual; suggestions for minimizing operative expenses without affecting productivity; reporting the status of various mining leases, *etc.* despite these being under the scope of internal audit. Further, the internal audit reports were never submitted to the Board of Directors for perusal and appropriate action.

Conclusions and Recommendations

- Rajasthan State is the major producer of Gypsum in India. The Company had contributed 70 to 89 *per cent* of the total production of Gypsum in the Country during 2009-13. The profit from Gypsum activity increased (63.90 *per cent*) from ₹ 58.94 crore to ₹ 96.60 crore during 2009-13 while the profit from Lignite activity increased (178.13 *per cent*) significantly from ₹ 23.46 crore to ₹ 65.24 crore during the same period. The Company, however, never assessed the market demand and supply of Gypsum and Lignite despite the fact that the entire production was sold in the year itself. The Gypsum mines in operation reduced from 21 to 10 and production decreased (35.14 *per cent*) from 34.63 lakh MT during 2010-11 to 22.46 lakh MT during 2013-14. As regards Lignite, the production increased (61.72 *per cent*) significantly from 8.83 lakh MT during 2010-11 to 14.28 lakh MT during 2013-14. The Company did not take timely action for renewal of expired Gypsum mining leases and inadequate monitoring, arrangement of resources and follow up of the targets led to non-achievement of the laid down targets. The annual production and sale plans were also not in accordance with the production capacity approved by the MoEF. Supply of Gypsum powder to agriculture sector had higher profit element as compared to other sectors while in case of Lignite, sale in open market was more profitable as compared to the power sector. The Company did not increase the supply of Gypsum powder despite adequate market demand while in case of Lignite, the Company did not excavate upto the production capacity approved in mine plan for open market sales. *The Company should prepare a broad strategic corporate plan including sector-wise plans for production and marketing of minerals with specific targets and firm timelines to ensure sustainable development of minerals in a cost effective manner to cater to the market demand. Further, the Company should assess the demand of minerals and take action for timely renewal of mining leases to fulfill the market demand.*

- Non-adherence to mining and environmental Rules and Regulations resulted into de-allocation of the allocated blocks, non-surrender of depleted mines, closing of mining operations, non-availability of

environmental clearance from MoEF and withdrawal of mining permission under Mines Regulations, 1957 by Directorate of Geology (Mines and Safety). *The Company should implement a robust statutory compliance management system to ensure adherence to the mining and environmental Rules and Regulations.*

- The Company could not fulfill contractual obligations and lost an opportunity to earn additional revenue and profit. Relaxation in the prequalification and performance criteria as mentioned in the Contract Manual resulted into awarding of contracts to in-eligible bidders causing loss of revenue due to non-fulfillment of contractual obligations. *The Company should adopt best practices for contract management to ensure timely finalisation of excavation contracts, awarding of contracts in a manner so as to safeguard the financial interests and to adhere to the provisions of contract manual.*
- The Company could not curb illegal mining of Gypsum due to inadequate police support and absence of proper monitoring. *The Company should plan and step up vigilance activities besides better liasoning with the State Government to curb the practice of illegal mining.*

2.3 Performance Audit (IT) on the billing system implemented by Jaipur Vidyut Vitran Nigam Limited

Executive Summary

The Company outsourced the work of design, development, implementation of application software and preparation/ printing of electricity bills to Data Infosys Private Limited (December 2006) and Bellary Computer IT Solution Private Limited (July 2007). Data Infosys Private Limited provided services in the Jaipur City Circle while Bellary Computer IT Solution Private Limited provided services in remaining 12 Circles. The Performance Audit (IT Audit) covers both the High Tension (HT) and Low Tension (LT) consumers of the Company. The results are based on the analysis of 100 per cent HT consumers and 57.71 per cent LT consumers of four selected Circles.

The electronic billing data for the period April 2012 to December 2013 was collected from the billing agencies and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis software.

Analysis of the billing data of HT and LT consumers of selected four Circles disclosed cases of short recovery of energy charges, security deposit, statutory levies etc. having financial implication of ₹177.60 crore on the revenue of the Company.

General Controls

The IT Policy of the Company did not cover billing system which was critical to the operations of the Company. The IT policy lacked clear objectives and responsibilities of the officers as regards security of IT assets (software and hardware). Further, the Company did not give cognizance to any standard guidelines relating to IT policies and procedures with respect to physical and logical security, quality maintenance by vendors and contingency planning. The Company did not obtain the backup of billing data from the billing agencies and was not having any business continuity plan/recovery procedures except manual generation of bills in case of any untoward incident.

Application Design Deficiencies

The billing software was not designed in a robust manner to ensure validation of input advice and output results as per the business rules. Our analysis disclosed that the application software was deficient as regards provisions relating to accuracy class of meters; supplementary agreement with HT consumers; disconnection in case of non-maintenance of power factor and acceptance of security deposit from a consumer other than the owner.

Mapping of business rules

The billing agencies did not correctly map the provisions of Tariff and Terms and Conditions of Supply of Electricity relating to rebate to LT consumers; transfer of disconnected consumers to permanently disconnected consumers; maximum demand indicator; rebate in case of defective meters; grace period in payment of bills and allowance of rebate for use of Solar Water Heating System.

Input Control and Validation Checks

Input control minimizes the possibilities of error or irregularities in computerised systems due to incorrect or irregular input. Input control and validation checks were deficient as regards installation of shunt capacitors; rebate for domestic connections in rural areas; assessment of energy charges in case of defective meter; assessment in case of inaccessibility of meters; recovery of CTPT Security, urban Cess and water Cess; Security deposit from LT consumers, payment of interest on security deposit; adjustment of revenue with respect to consumption of electricity and categorization of consumers.

Completeness of data

The database suffered from absence of vital details of consumers; incorrect feeder codes; non-availability of Service connection order number and date.

Internal Controls

The existence of an adequate system of internal control minimises the risk of errors and irregularities. Our analysis disclosed abnormal delay in issue of bills; release of more than one industrial/non-domestic connection in the same premises; non-realisation of assessed revenue and charge of compounding charges in case of second offence.

Recommendations

The Performance Audit includes recommendations regarding formulation and implementation of a clear and comprehensive IT policy and periodical review according to changing business environment; obtaining regular backup of the data and develop a reliable business continuity plan in case of any untoward incident; ensure mapping of business rules in accordance with the tariff provisions and TCOS and periodically review and update them; building input controls and validation checks to ensure completeness and correctness of the data and strengthening the internal control mechanism to ensure proper monitoring of billing system, including timely issuance of bills and recovery of energy charges from defaulters/permanently disconnected consumers.

Introduction

2.3.1 Jaipur Vidyut Vitran Nigam Limited (Company) was incorporated (19 June 2000) after unbundling of the *erstwhile* Rajasthan State Electricity Board (RSEB) as a part of power sector reforms of the Government of Rajasthan (GoR). The Rajasthan Electricity Regulatory Commission (RERC) granted license to the Company to distribute electricity in 13[1] Circles of the State of Rajasthan. As on March 2014, the Company was supplying electricity to 34.86 lakh consumers under various categories. The collection of revenue for the electricity supplied was being done as per latest tariff orders issued by the RERC. The circle wise and category wise information of consumers in 13 circles is given in **Annexure-12.**

The Company outsourced the work of design, development, implementation of application software and preparation/printing of electricity bills to Data Infosys Private Limited (December 2006) and Bellary Computer IT Solution Private Limited (July 2007). Data Infosys Private Limited (Data Infosys) provided services in the Jaipur City Circle while Bellary Computer IT Solution Private Limited (Bellary Computer) provided services in remaining 12 Circles. Both the billing agencies developed and maintained the billing data using Relational Data Base Management System (RDBMS) Oracle 10g.

Scope of Audit

2.3.2 The Information Technology (IT) Audit on the High Tension Billing System of the Company was last incorporated in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2007, Government of Rajasthan. The Information Technology Audit was discussed by the Committee on Public Undertakings (COPU) on 24 September 2009. The recommendations of the COPU were placed before the State Legislature on 11 October 2012.

1 Alwar, Baran, Bharatpur, Bundi, Dausa, Dholpur, Jaipur City, Jaipur District, Jhalawar, Karauli, Kota, Sawai Madhopur and Tonk.

The present IT Audit covers both the High Tension (HT) and Low Tension (LT) consumers of the Company. The results are based on the analysis of 100 *per cent* (2926) HT consumers and 57.71 *per cent* LT consumers of four selected Circles (Alwar, Bharatpur, Jaipur City and Jaipur District). Out of four selected Circles, three Circles[2] were selected on the basis of highest number of LT consumers ensuring coverage of both the billing agencies and rural and urban consumers while Bharatpur Circle was selected to ensure coverage of remote areas of the State.

Audit objectives

2.3.3 The IT Audit on the billing system of the Company was carried out to assess whether:

- The Company prepared and implemented Information Technology (IT) policy in accordance with the business needs;
- The billing system implemented by the Company in the IT environment was efficient and effective to cover the business risks;
- The billing agencies designed, developed and implemented application software in accordance with the provisions of 'Terms and Conditions of Supply-2004' (TCOS), Tariff for supply of Electricity and other rules and regulations;
- The Company ensured completeness/correctness of the data and the manual records were reconciled with electronic data; and
- Effective internal control system and internal checks existed to ensure proper monitoring of billing system and safety of the data and software.

Audit criteria

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

- Process benchmarks established under the COBIT (Control Objective for Information and Related Technology) framework;
- The terms and conditions of the agreement, work order and other directions issued to the billing agencies;
- Tariff for supply of electricity-2004, 2011 and 2012;
- Revenue Manual;
- Terms and Conditions of Supply (TCOS)-2004 and amendments thereon;
- Rules, notifications, directions issued by the RERC; and
- Management Information System (MIS), Manuals and other orders/circulars issued by the Company.

2 Jaipur City, Jaipur District and Alwar.

Audit Methodology

2.3.5 The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to the Government/top Management of the Company during entry conference held in February 2014. The electronic billing data for the period April 2012 to December 2013 was collected from the billing agencies and was analysed through Computer Assisted Audit Techniques using Interactive Data Extraction and Analysis (IDEA) software. Questionnaires were utilized to elicit information from the Company to evaluate controls of application software and to ascertain completeness, regularity and consistency of data. Audit scrutiny involved review of records at the Head Office, selected Circle Offices and sub-divisions under them. The process involved analysis of data, raising of audit queries, interaction with the Company/billing agencies personnel, holding of exit conference and issue of Draft Performance Audit Report to the Government/Management for comments.

The Performance Audit Report has been finalised after considering the Government's/Management's view point during exit conference (October 2014) and reply of the factual statement submitted (October 2014) by the Government.

In reply, the Government stated that a new software was being developed under Re-structured Accelerated Power Development and Reforms Programme (RAPDRP) of Government of India wherein the rectifications, corrections and appropriate mapping of rules as per audit observations would be ensured. The Government also stated that the field officers had been advised/issued necessary instructions to ensure strict compliance of the Rules and Regulations and to take appropriate action as per the Audit observations.

Audit findings

2.3.6 Audit findings based on the scrutiny of records, billing data and review of software mainly highlights deficiencies in general controls, system design, mapping of business rules, application control and internal control mechanism. Analysis of the billing data of HT and LT consumers of selected four Circles indicated significant control deficiencies that led to cases of short recovery of energy charges, security deposit, statutory levies *etc.* having financial implication of ₹ 177.60 crore on the revenue of the Company.

General Controls

2.3.7 General controls include controls over data centre operations, system software acquisition and maintenance, access security, and application system development and maintenance. They create the environment in which the application systems and application controls operate. Categories of general control include organisation and management controls (IT policies and standards), IT operational controls, physical controls (access and environment), logical access controls, acquisition and program change controls and business continuity and disaster recovery controls.

Lack of formulated and documented IT policy and IT security policy

2.3.8 A well formulated and documented IT policy is essential to assess the time frame, key performance indicators and cost benefit analysis for development and integration of various business functions. The Company formulated a formal IT policy in 2012.

We noticed that the IT Policy did not cover billing system which was critical to the operations of the Company and the work of design, development, implementation of application software and preparation/printing of electricity bills was outsourced. The IT policy lacked clear objectives and responsibilities of the officers as regards security of IT assets (software and hardware). Further, the Company did not give cognizance to COBIT or any standard IT lifecycle framework relating to IT policies and procedures with respect to third party relationships, vendor selection procedures, contract content of such relationships, physical and logical security, quality maintenance by vendors and contingency planning. The Company failed to monitor the modifications made in the master data by the outsourced agencies in absence of an effective IT Policy and clear role and responsibilities of the officers of the Company.

Business continuity and disaster recovery plan

2.3.9 The billing system is a business critical system. In case of any untoward incident or disaster, if the consumers' bills are not generated in time, the revenue earning capacity of the Company would be substantially affected. It is, therefore, essential for the entity to prepare and document a disaster recovery and business continuity plan, outlining the action to be undertaken immediately after a disaster and to effectively ensure that information processing capability can be resumed at the earliest.

We noticed that the Company did not obtain the backup of billing data from the billing agencies. The Company was not having any business continuity plan/recovery procedures except manual generation of bills in case of any untoward incident. The manual generation of bills in absence of backup data would also not be possible as the process would involve deployment of huge manpower and time. The operations of the Company would therefore, in such circumstances be severely hampered due to delay in recovery of revenue from the consumers.

The Government stated that backup was maintained in compact disc after completion of every billing month, although not in an organised manner. The reply may be viewed in the context that there was nothing on record to prove that backup data was obtained from billing agencies. Further, the Company could provide data to the Audit only after obtaining it from the billing agencies.

Application Design Deficiencies

2.3.10 The billing software should be designed in a robust manner to ensure validation of input advice and that output results are as per the business rules of the Company so that possibilities of generation of incorrect bills and acceptance of wrong input advice could be minimised. The various system design deficiencies noticed during analysis of data are discussed as below:

Accuracy class of meters

2.3.11 The RERC allows (August 2007) incentive and levies surcharge on the consumers having sanctioned connected load of more than 25 Horse Power (HP) for maintaining average power factor (upto three digits) above 0.950 and below 0.900 respectively. The incentive/surcharge upto three digits was applicable for consumers where meters of accuracy class 0.2s had been installed by the Company. Otherwise, incentive or surcharge upto two digits was to be allowed/levied.

Our analysis of the billing data disclosed that the software did not contain field indicating class of meters installed at consumers' premises but allowed incentive or levied surcharge for average power factor upto three digits. Thus, the software allowed incentive/surcharge without validation of the accuracy class of meters. In absence of required field in the billing software, the applicability of the provision could not be vouchsafed by us.

Supplementary agreement

2.3.12 The HT consumers having monthly consumption of ₹ 10 lakh or more were allowed (December 2000) to deposit security amount equivalent to one month's consumption instead of two months under Commercial Order (JPR5-08). However, these consumers were required to execute a supplementary agreement and to deposit the fortnightly/regular monthly bills on the agreed dates failing which the connection was to be disconnected without notice and the facility of one month's security deposit was to be withdrawn.

Data analysis of HT consumers disclosed that the billing software did not contain field indicating consumers who had executed supplementary agreements. We noticed that 14 out of 46 consumers who had executed supplementary agreements, defaulted in payment of bills on due dates but the Company continued to accept security amount equivalent to one month's consumption instead of two months. The billing system though charged late payment surcharge (LPS) from these defaulter consumers but the Company did not take appropriate action as per the terms and conditions of the agreement. This resulted in short recovery of security amount of ₹ 11.94 crore from these 14 defaulter consumers.

Had the software contained appropriate field indicating supplementary agreement and generated alert for default in payment of previous bill/s, the system would have assessed additional security and the Company would have taken appropriate action against the defaulter consumers.

Low power factor

2.3.13 Tariff for supply of Electricity provides that if the average power factor of consumers having sanctioned connected load more than 25 HP falls below 0.70, the installation shall be disconnected and would not be reconnected till the average power factor is improved to the satisfaction of the Company.

Data analysis of the HT consumers and LT consumers in selected Circles disclosed that average power factor of 9623 consumers ranged between 0.01 and 0.69 during April 2012 to December 2013. Further, the average power factor of 261 consumers always remained below 0.70 during the same period.

The Company could not disconnect the power supply of these consumers as the billing software was not capable to generate any alert or print disconnection notices on the energy bills in respect of the consumers who failed to maintain power factor below 0.70. Besides, the Company also did not generate MIS reports of such consumers to disconnect power supply.

The Company by not disconnecting the power supply of consumers maintaining power factor below 0.70 caused wastage of electricity.

The Government accepted the facts. It, however, stated that the prescribed procedure to maintain power factor in respect of Large Industrial Power (LIP)/HT consumers had been implemented. The fact, however, remained that the software did not print disconnection notices on the bills for non-maintenance of power factor.

Security from a consumer other than the owner

2.3.14 Clause 16 (C) (4) of the TCOS provides that the security deposit from a consumer other than the owner of the premise shall be double the amount of normal security deposit.

We noticed that the billing software did not contain field to indicate the ownership of the premises and, therefore, it was unable to identify the consumers from whom double security deposit was required to be charged. In absence of required field, the short recovery of security deposit could not be assessed. The unit offices were having the requisite information but the same was not furnished to billing agencies for incorporation in the software.

Mapping of business rules

2.3.15 The Company frames rules in accordance with the tariff provisions and TCOS, duly approved by the RERC, issues necessary circulars and periodically reviews them. These are communicated to the billing agencies to update the system. The discrepancies noticed where either the rules framed by the Company were not adhered to or not appropriately incorporated in the system are as under:

Rebate to LT consumers

2.3.16 Tariff for Supply of Electricity allows rebate of 7.5 *per cent* on the billed amount (fixed plus energy charges) to the LT consumers having contract demand less than 50 KVA and provided with HT supply.

We noticed that the above provision was not mapped in the billing software and hence the admissible rebate of 7.5 *per cent* was not allowed to the eligible consumers. Data analysis of selected Circles disclosed that the Company provided HT supply to 2711 LT consumers but did not allow admissible rebate of ₹ 1.50 crore due to non-mapping of the provision in the billing software.

The Company stated that field offices have been advised to ensure appropriate action against each case after due verification.

Transfer of disconnected consumers to permanently disconnected consumers

2.3.17 Commercial Order (JPR5-113 dated 17 March 2003) provides that action for removal of metering equipment, service line and adjustment of consumer's security against outstanding dues be initiated after two months from the date of disconnection in respect of consumers whose power supply was disconnected due to non-payment of bills.

Data analysis of three[3] selected circles disclosed that connections of 26603 consumers were lying disconnected for more than two months as on December 2013. The outstanding dues against these consumers as on December 2013 were ₹ 29.93 crore against available security deposit of ₹ 73.64 lakh. The database of Jaipur City Circle did not indicate date of disconnection.

We noticed that the provision as regards transfer of disconnected consumer into Permanently Disconnected Consumers (PDC) category after two months by adjusting security deposit against outstanding dues was not mapped in the billing software. Consequently, the Company did not remove the metering equipment and service line of these consumers, leaving all possibilities of un-authorised consumption of electricity. Further, the Company also could not initiate action for recovery of dues under EUDR[4] Act as the disconnected consumers were not shifted into PDC category. Non-mapping of provision and inaction on the part of the Company indicated lack of proper checks and weak internal control mechanism.

The Government stated that removal of meter and service line was delayed due to locked premises and other reasons. The reply is not convincing as the meter and service line are installed outside the premises.

Maximum Demand Indicator (MDI)

2.3.18 Tariff for Supply of Electricity provides that installation of Maximum Demand Indicator (MDI) is compulsory for LT consumers having sanctioned connected load above 25 HP (18.65 KW). Further, changeover from LT to HT supply shall be affected if the maximum demand as per MDI exceeds 50 KVA more than two times in a financial year. In case the maximum demand exceeds 50 KVA thrice in a financial year, the Assistant Engineer has to issue notice and the consumer shall have to take HT supply within a period of two months from the date of issue of notice failing which the connection would be liable for disconnection.

Data analysis of the selected Circles disclosed that the above provision of tariff was not mapped in the billing software. Consequently, the Company could not charge HT tariff in respect of 779 consumers whose maximum demand exceeded 50 KVA more than two times as per MDI during 2012-13 and thereby caused short recovery of energy charges of ₹ 1.88 crore. Our analysis further disclosed that the software in Jaipur City Circle indicated MDI in KW instead of KVA and the concerned sub-divisions in remaining three Circles did not give input of MDI in respect of 1618 consumers whose sanctioned connected load was above 25 HP. In absence of MDI input, it

3 Alwar, Bharatpur and Jaipur District Circles.
4 Electrical Undertakings (Dues Recovery) Act.

could not be ascertained whether the maximum demand of these consumers were within permissible limit.

The Government accepted the facts and stated that some consumers had already taken HT supply and were charged with demand surcharge and those who had not switched to HT supply were charged with transformation losses and transformer rent. The reply is not correct as the consumers were neither billed as per HT tariff nor transformation losses and rent were being recovered from them. Further, recovery of transformation losses has no relevance here as these are to be compulsorily recovered in cases where the metering equipment is on LT side and HT supply is made to the consumer. Billing on the basis of LT tariff exceeding the maximum demand would always lead to short recovery of energy charges which could not be compensated with transformation losses and rent as they would be calculated on the basis of applicable tariff.

Rebate in case of defective meters

2.3.19 Clause 30(2) of the TCOS 2004 stipulates that in case a stopped/defective meter is not replaced within a period of two months of its detection, a rebate of five *per cent* on the total bill of the LT consumer shall be allowed from third monthly bill in case of monthly/fortnightly billing and second bill in case of bi-monthly billing till the meter is replaced.

Analysis of the billing data of LT consumers of selected Circles disclosed that the aforesaid provision was not mapped in the billing software. Our analysis disclosed that meters of 3.94 lakh LT consumers were lying defective for more than two months but the Company did not allow admissible rebate of ₹ 33.58 crore to these consumers.

Payment of Bills

2.3.20 Clause 36 (1) of the TCOS 2004 allows grace period of 15 days to the consumers for payment of electricity charges from the date of issue of bills except for Public Health Engineering Department (PHED) connections, where the grace period of 19 days has been allowed.

Analysis of the billing data for the selected Circles disclosed that the aforesaid provision was not mapped correctly in the billing software as the software allowed grace period of less than and more than 15/19 days to the consumers. Further, the software also lacked proper validation checks in respect of various dates as the billing data disclosed numerous instances where the due date of payment was prior to the date of issue of bills.

We found that the software allowed grace period of 15 days in respect of 1362 PHED bills, grace period less than 15 days in 1.18 crore bills and grace period more than 15 days in respect of 14.97 lakh bills. Further, in 83513 cases the due date of payment was shown prior to the date issue of bills. The Company incurred loss of interest of ₹ 0.41 crore where it allowed grace period of more than prescribed period of 15 days.

Thus, the Company did not allow eligible grace period to the consumers as per Rules.

The Government stated that grace period of 15/19 days had been mapped in the software being developed under RAPDRP. It further stated that the grace

period of some consumers was shortened to maintain the billing schedule of remaining cycles and there might have been extension of due dates or incorrect data entry. The fact remained that the Rule was not mapped correctly in the billing software and manual intervention accepted by the software allowed/deprived the consumers of eligible grace period.

Allowance of rebate

2.3.21 To promote non-conventional sources, Tariff for Supply of Electricity provides a rebate of 25 paise per unit subject to a maximum of ₹ 300 per month for a maximum period of five years in the "Energy Charges" for usage of "Solar Water Heating System". Data analysis of Jaipur City Circle, however, disclosed that this provision was not mapped properly in the software and as a result rebate more than the maximum limit amounting to ₹ 2.03 lakh was allowed to 368 consumers.

The Government accepted the facts and stated that instructions had been issued to the unit offices for debiting the excess amount of rebate after due verification.

Application Controls

Input Control and Validation Checks

2.3.22 Input control is extremely important as the most important source of error or irregularities in computerised systems is incorrect or irregular input. Input control and validation checks are vital to the integrity of the system as the procedures and controls reasonably guarantee that the data received for processing are genuine, complete, not previously processed, accurate and properly authorised. Further, data are entered accurately and without duplication. Deficiencies noticed in input control and validation checks are discussed below:

Installation of shunt capacitors

2.3.23 A shunt capacitor is a device to improve/maintain power factor within permissible limit (0.90) to avoid wastage of electricity and to maintain supply discipline. Tariff for Supply of Electricity provides that in case the consumers having sanctioned connected load upto 25 HP have not installed shunt capacitors equivalent to 50 *per cent* of the rated capacity of motor or if the installed capacitors are not in operation, surcharge at the rate of three *per cent* of billed amount shall be levied for the period of default.

We noticed that the Company did not ensure installation of shunt capacitors by the consumers at the time of releasing of new connections or in case of existing consumers where it was to be installed as per the tariff provisions. Analysis of the billing data of LT consumers in selected Circles disclosed that shunt capacitors of 3.36 lakh consumers were defective but the software did not levy surcharge of three *per cent* in the bills of these consumers. We observed that the software did not validate the status of shunt capacitors while generating the bills.

The deficiency in validation and process control caused non-recovery of revenue of ₹ 14.87 crore in case of consumers with defective shunt capacitors.

The Government while assuring to map the Rules relating to installation of shunt capacitors in the new software stated that the distribution transformers of agricultural consumers were provided with shunt capacitors and as such there was no need to install additional capacitors. The reply is not convincing as the tariff had made it obligatory on the part of each category of consumers to install capacitors in healthy condition to avoid wastage of electricity and to maintain supply discipline. Further, the cases mentioned in the para relate to defective shunt capacitors only and where the surcharge was not levied as per tariff provisions.

Rebate for domestic connections in rural areas

2.3.24 Tariff for Supply of Electricity allows rebate of ten *per cent* in the tariff for domestic connections in rural areas only. The rebate was, however, not to be allowed in such villages where supply of electricity was more than block hours. The consumers of such villages where supply of electricity was more than block hours were given tariff code '1500'.

Our scrutiny of the records and billing data of LT consumers disclosed that:

- The Company made supply of electricity more than the block hours in all the villages of three selected Circles except Jaipur City Circle. The billing software was, however, not updated and it allowed rebate to all the LT consumers of all the villages. The irregular rebate allowed by the Company worked out to ₹ 11.72 crore during April 2012 to December 2013.
- The software lacked necessary validation checks and tariff code '1500' was also given to LT consumers of urban areas.
- The software allowed rebate by directly reducing 10 *per cent* amount from the energy charges instead of showing it in a separate field/column and as such the Company was not in a position to assess the total rebate allowed to such consumers.

The reply was silent on the issue of irregular rebate allowed to all the LT consumers of all villages.

Assessment of energy charges in case of defective meter

2.3.25 Clause 27 of the TCOS 2004 provides that if the meter installed at the consumers' premises stops working or is lost or stolen or burnt, the consumption of electricity during the period for which electricity has been consumed with defective meter or without meter shall be assumed to be the same as recorded by the correct meter during the corresponding period of the previous year or the average monthly consumption of previous six months, whichever is higher.

Analysis of the billing data of HT consumers and LT consumers of selected circles disclosed that out of 5.81 lakh consumers having defective meters for a period ranging between one and 22 months as on December 2013, the billing software did not validate the previous year consumption or the average monthly consumption of previous six months in respect of 1.34 lakh cases for

calculation of energy charges. In these cases the software generated bills only for fixed charges. Thus, the software lacked proper IT controls.

The short recovery of energy charges in these cases worked out to ₹ 22.33 crore. We observed that the deficiency in billing software in respect of these consumers could not be rectified in absence of any system at sub-division level to verify the accuracy of bills generated in case of defective meters of LT consumers. Further, non-replacement of defective meters within a period of two months as per Rules also provided opportunity for excess consumption or wastage of electricity to the unscrupulous consumers.

The Government stated that average billing could not be made due to absence of base period consumption data. The reply is not correct as the billing software indicated base period consumption data but did not validate the same which resulted into billing for fixed charges only.

Assessment in case of inaccessibility of meter

2.3.26 Clause 37 of the TCOS provides that if the consumers' premises are locked or the meter is otherwise inaccessible at the time of taking reading, the Company may recover charges for electricity supplied on the basis of previous four months average consumption. Further, if the meter remains inaccessible in the next billing cycle also, the Company may issue notice of not less than seven days to the consumer for facilitating reading of the meter. The Company may discontinue supply of electricity if the consumer fails to comply with the notice.

The software lacked proper IT controls as the analysis of the LT billing data of selected circles disclosed that premises of 2.67 lakh consumers were found locked for a period ranging between one and 22 months. However, in 37919 cases the system did not validate the consumption of electricity supplied in previous four months and thereby did not work out the energy charges. The system generated the bills only for fixed charges instead of average billing as prescribed in TCOS. The short recovery of energy charges in respect of these consumers worked out to ₹ 1.72 crore during April 2012 to December 2013.

The Government stated that average billing could not be made due to absence of base period consumption data. The reply is not correct as the billing software indicated base period consumption data but did not validate the same which resulted into billing for fixed charges only.

Cheque Dishonour

2.3.27 Clause 36 (13) of TCOS stipulates that in case the cheque issued by a consumer is returned by the Bank twice, the Company may not accept any further cheque from such consumer.

Our analysis of HT/LT database disclosed that the cheques of the consumers were dishonoured in 13183 cases during April 2012 to December 2013. Among these, cheques of 975 consumers were dishonoured more than two times (ranged between 3 and 14) but the Company accepted the cheques from these consumers in future transactions. We noticed that the software charged bank collection charges for dishonoured cheques but it did not have a provision to print condition on the bills to make payment in cash or by way of demand draft, in cases where the cheque was dishonoured for the second time.

Data analysis further disclosed that out of 975 consumers, 45 consumers having outstanding dues of ₹ 3.67 crore became permanently disconnected consumers.

The Government accepted the facts and stated that there was no check to identify the cases of dishonoured cheques. It further stated that a program has been incorporated in the new software to exercise proper check in future.

Deficiency noticed in CTPT Security

2.3.28 The TCOS 2004 prescribes different rates towards security amount and rent for different types of Current Transformer Potential Transformer[5] (CTPT) set and meters, if provided by the Company.

Data analysis of the HT consumers disclosed following deficiencies:

- In 805 cases, ownership of CTPT was not validated as only CTPT rent was charged leaving the security amount which resulted in short recovery of security amount of ₹ 6.78 crore.
- In 18 cases, the system did not charge the CTPT rent amounting to ₹ 0.53 lakh even though the database indicated availability of security amount.
- The voltage supply was not validated in 370 cases and thereby the CTPT rent amounting to ₹ 10.17 lakh was short recovered.

The Government accepted the facts and stated that the issue would be addressed in the new software. The reply was, however, silent about short recovery of CTPT rent/security.

Urban Cess

2.3.29 The State Government imposed (2010) 'Urban Cess' at the rate of ten paise per unit (amended to fifteen paise per unit in 2011) on the energy consumed by a consumer or by a person other than a supplier generating energy for his own consumption. Urban Cess was not to be levied on the energy consumed by the Government of India (GOI), in operation of Railway, cultivators in agriculture operations, in domestic category beyond municipal area, in domestic category of municipal area having monthly consumption not more than 100 units per month and on consumption by various institutions *viz.* hospitals, dispensaries, recognized educational institutions (not maintained for private gain) and places of public worship.

Data analysis of HT/LT consumers disclosed following shortcomings:

- The format of HT bill did not have column to indicate the area code i.e. urban or rural.
- The HT Billing Section while providing the input advice to the billing agencies clearly indicated the area code (urban/rural) of the consumer but while checking the generated bills it did not correlate it with the

5 The CTPT sets are used for measurement of power on High Voltage Side to minimise the transformation losses.

information provided to the billing agencies to ensure correctness of various charges levied in the bills.

- In case of 80412 consumers, the area code was shown urban (U) but the software did not charge the 'Urban Cess'. Audit analysis disclosed that these consumers had consumed 129.47 crore Kwh units. Non-levy of 'Urban Cess' resulted in short recovery of dues amounting to ₹ 19.42 crore.
- In respect of 19917 consumers, area code was Rural (R). However, the software charged 'Urban Cess' amounting to ₹ 3.81 crore from these consumers.

Thus, the software lacked appropriate processing controls where the condition does not match the nature of cess.

The Government stated that certain consumers were exempted from levy of cess and urban cess would be charged from the left out consumers, if any. The reply is not convincing as the calculations/analysis have been made after excluding the exempted category of consumers. Further, the reply was silent about shortcomings in the billing software and short recovery of dues.

Water Cess

2.3.30 The State Government imposed (2009) Water Conservation Cess on the energy consumed by a consumer or by a person other than a supplier generating energy for his own use or consumption at the rate of ten paise per unit. Water Cess was not to be levied on the energy consumed by Government of India, in operation of Railways; cultivators in agriculture operations; in domestic category and consumption made by institutions *viz*. hospitals, dispensaries (not maintained for private gain), recognized educational institutions and places of public worship.

Our analysis of LT data base of selected circles disclosed that the system did not charge the 'Water Conservation Cess' in respect of 5582 consumers of various category *i.e.* Non-Domestic Supply, Small Industrial Power, Mix-load. We found that these consumers had consumed 1.09 crore Kwh units and non-levy of 'Water Conservation Cess' resulted in short recovery of Cess amounting to ₹ 0.11 crore. Non-recovery of 'Water Conservation Cess' by the software from these consumers indicated lack of processing controls where the business rule has not been mapped.

The Government stated that certain consumers were exempted from levy of cess and water cess would be charged from the left out consumers, if any. The reply is not convincing as the calculations/analysis have been made after excluding the exempted category of consumers. Further, the reply was silent about shortcomings in the billing software and short recovery of dues.

Security deposit from LT consumers

2.3.31 Clause 16 of the TCOS 2004 provides that the provisional amount of security in respect of electricity to be supplied shall require to be deposited by the person applying for supply of electricity. Further, the security amount may be reviewed at the beginning of each financial year to cover actual average consumption. In case, the security deposited is found insufficient, the

Company may give a notice to the consumer to deposit the additional security within 30 days of issue of notice.

Data analysis of LT consumers of selected circles disclosed that 'Nil' security amount was shown in respect of 3.53 lakh regular consumers. Further, there was gap between the available security and required security amount in respect of 2.74 lakh regular consumers. This indicated lack of input control and proper validation checks as the software not only accepted incomplete data but also did not review the requirement of additional security as per the provisions of the TCOS. In absence of completeness of data, the possibilities of non-receipt of provisional security at the time of release of connection could not be ruled out. The gap between the available security and required security as per the consumption pattern worked out to ₹ 41.87 crore in respect of 2.74 lakh consumers.

We observed that non-review of security deposit as per the consumption pattern of the consumers caused non-recovery of energy charges in respect of disconnected/permanently disconnected consumers to the extent of additional security amount to be recovered. The data base disclosed that the available security in respect of 9719 disconnected consumers during 2012-13 was only ₹ 0.50 crore as against outstanding billed amount of ₹ 8.58 crore.

The Government accepted the facts and stated that details of security deposited by old consumers were not available and hence the data base could not be updated.

Payment of interest on Security

2.3.32 Clause 18 of the TCOS 2004 provides that the Company shall pay interest at the Bank rate (as on April 1 of the year) on the security deposit.

Data analysis of LT consumers of selected circles disclosed that the software did not validate the 'Deposit Master' file having details of security deposit of each consumer. The deficiency resulted in credit of interest to 12.36 lakh consumers (as per Sundry Adjustment file) despite availability of security deposit in respect of only 9.33 lakh consumers (as per Deposit Master file). Further, the Deposit Master file disclosed that interest was not allowed to 1.64 lakh consumers whose security deposit was available with the Company.

Thus, the software allowed interest of ₹ 4.17 crore to 3.03 lakh consumers without availability of security deposit.

Disparity between agreement date and connection date

2.3.33 Clause 14 (1) of TCOS 2004 stipulates that an industrial consumer having connected load above 150 HP or contract demand above 125 KVA, shall be required to execute an agreement with the Company. Further, the date of release of connection shall be the date of commencement of agreement.

Data analysis of HT consumers disclosed that the software did not have proper validation checks as regards to date of release of connection and date of commencement of agreement. We found that in 293 cases the date of agreement was subsequent to the date of release of connection.

The Government stated that due to pre-occupation and non-availability of the competent authority, agreement was sometimes executed after the date of

release of connection and the date of commencement of such agreements was considered after the date of release of connection. The fact remained that the software did not have proper validation checks leaving scope for manual intervention.

Adjustment of units without corresponding amount

2.3.34 Scrutiny of the billing data of selected Circles disclosed that sundry adjustments in consumer's account were made through a separate file. We noticed that the Company made debit adjustments of 50.89 crore units in respect of 98990 consumers but the software did not make corresponding changes in energy charges.

Further, the software also did not validate the energy charges to the corresponding adjustment made in consumption of units. We found that the software carried out adjustment of ₹ 12.25 crore in energy charges against the debit adjustments of 18.48 crore units in 14894 cases.

Test check of records at Jobner Sub-division disclosed that as against input advice to adjust 1128 units, the billing agency carried out adjustment of 1.23 crore units. Thus, lack of validation controls led to adjustments of units without adjustment of corresponding energy charges.

Categorization of consumers

2.3.35 Tariff for Supply of Electricity provides different type of services to the consumers such as Small Industrial Services (aggregate connected load not exceeding 25 HP), Medium Industrial Services (aggregate connected load exceeding 25 HP but less than 150 HP) and accordingly different tariffs are charged for these services. Further, in case of Small Industrial Services, if the aggregate connected load is within ten *per cent* limit but the total load including industrial load is beyond 25 HP, then the consumer can either opt for Medium Industrial Service or he can take a separate connection under non-domestic service category.

We noticed that the billing software did not have mechanism to identify the consumers whose aggregate connected load exceeded the maximum limit of the category in which the connection was released. Further, the software lacked validation procedures as it accepted the master data of consumers who did not fall under the respective services. For instance, the software identified 49 Small Industrial Service and 31 Medium Industrial Service consumers having aggregate connected load of more than 25 HP and 150 HP respectively. Similarly, the software indicated tariff of Non-domestic category in respect of 391 educational institutions where tariff for Mixed load services was to be charged.

Thus, the Company failed to charge applicable tariff from various categories of consumers.

Completeness of data

Absence of vital details in database

2.3.36 The database of HT consumers and LT consumers in selected circles were incomplete with respect to following details:

- Date of connection in 26276 cases, service number in 120221 cases, sanctioned load in 43058 cases, connected load in 45040 cases, contract demand in 16.09 lakh cases and address of consumers in 182106 cases.
- Besides above, the HT database also lacked commencement date of electricity duty exemption in 2718 consumers, closure date of electricity duty exemption in 2389 consumers and CTPT number in all cases.

In absence of vital details, the software could not validate the required field as per business Rules mapped in the system.

Feeder Code

2.3.37 Revenue Manual 2004 provides code of feeders in eight digits to identify the respective circle, division, sub-station, 11 KV feeder number and transformer number. The feeder codes facilitates in identifying the feeders having pilferage /leakage of electricity on the basis of consumption actually recorded and computed in the consumers' ledgers and the energy actually supplied on that feeder.

The billing software accepted codes with more/less than eight digits indicating lack of validation of input control. We found that the feeder code of 5.11 lakh consumers (including HT consumers) was wrongly fed in the database. Thus, the very purpose of providing feeder code was defeated.

The Government accepted the facts and stated that the Company was under process to allot feeder code for all feeders under GIS system.

Service connection order date

2.3.38 Service Connection Order (SCO) number and SCO date are vital information to be recorded in the master data to authenticate release of new connections. The discrepancies as regards SCO number and SCO date noticed in the master data are as below:

- The database of HT/LT consumers did not have SCO number and SCO date in respect of 7.25 lakh and 2.76 lakh consumers respectively.
- The software lacked validation checks in respect of SCO date and date of release of connection as the date of release of connections in respect of 6.08 lakh consumers was prior to the SCO date.
- Input control and corresponding validation was deficient as the database displayed invalid dates such as '30.8.8707', '05.08.5808' and '09.01.1903'.

Internal Controls

2.3.39 The existence of an adequate system of internal control minimises the risk of errors and irregularities. Internal controls in a computer system are all the manual and programmed methods, policies and procedures, practices and organizational structures that ensure the protection of the entity's assets, accuracy and reliability of records, and operational adherence to the

management standards. Deficiencies noticed in the internal control system are discussed below:

Adjustment in consumers' accounts

2.3.40 The Company prescribed a list of Transaction Codes from 1 to 65 for carrying out various adjustments in the transactions made during a financial year. The billing agencies made various adjustments in consumer accounts on the basis of these codes on receipt of input advice from the concerned sub-divisions.

We noticed that the Company deleted transaction codes 45, 49 and 50 and orders to this effect were issued to billing agencies and Circle offices/sub-divisions. However, the Circle offices/sub-divisions continued to forward input advice to the billing agencies for adjustments under transaction code 50. Further, the billing agencies also did not delete the transaction code 50 and made adjustments on the basis of input advice from Circle offices/sub-divisions. This shows poor internal control at the level of both the Circle offices/sub-divisions and the billing agencies.

Our analysis of the billing data of selected circles disclosed that the billing agencies provided credit of ₹ 1.50 crore to 321 consumers by making adjustment under transaction code 50 that was officially deleted.

Thus, possibilities of fraudulent transactions by the billing agencies causing loss of revenue to the Company could not be ruled out.

Abnormal delay in issue of bills

2.3.41 Clause 34 of the TCOS 2004 provides that the Company shall recover charges for electricity supplied on the basis of fortnightly/monthly/bi-monthly billing depending upon the category/load and location of the consumer. In case of new consumers, Clause 21 of the Revenue Manual provides that the first bill shall not be delayed beyond three months from the date of release of connection. Analysis of the billing data of HT consumers and LT consumers in selected Circles disclosed the following shortcomings:

- There was abnormal delay ranging[6] between 2.02 and 99.53 months in issue of regular bills to LT consumers in 15.15 lakh cases. Delay in issue of bills to these consumers caused delayed recovery of dues amounting to ₹ 426.42 crore.
- There was considerable delay ranging[7] between 1 to 528 days (beyond three months) in issue of first bill to the 20486 new LT consumers which caused delayed recovery of energy charges amounting to ₹ 4.92 crore. First bills to 79 HT consumers were also issued with delay ranging between 1 and 29 days and caused delayed realisation of dues amounting to ₹ 1.43 crore.

6 1 to 20 months in 14.87 lakh cases, 20 to 40 months in 0.22 lakh cases, 40 to 60 months in 4172 cases, 60 to 80 months in 871 cases and 80 to 100 months in four cases.

7 1 to 75 days in 15825 consumers, 75 to 150 days in 2783 consumers, 150 to 225 in 1058 consumers, 225 to 300 in 442 consumers and above 300 in 457 consumers.

- The Company did not even generate the first bill (December 2013) in respect of 67 LT consumers to whom connections were released during 2012-13.

We observed that timely issue of bills to the consumers was of utmost importance, particularly in a phase when the Company was facing financial constraints. However, systemic lapses and slackness in working at various levels led to delay in issue of bills to the consumers and consequently delayed recovery of energy charges.

The Government accepted the facts and stated that all efforts were being made to issue first bills as per schedule.

Release of more than one Industrial/Non-domestic connection in the same premises

2.3.42 Clause 11 of TCOS 2004 prohibits release of more than one industrial/non-domestic connection in the same premises and in the same name. Further, in cases, where more than one industrial/non-domestic connections exists in the same premises in same or other name and the work is carried out by one concern/proprietor or if there are some common partners in the two firms, one month's notice would be issued to the consumers to get the connection and loads clubbed into one name. If the consumer fails to comply with the notice, the connection may be disconnected after expiry of the notice period.

Data analysis of LT consumers in selected circles disclosed that the Company released more than one non-domestic connection in respect of 3747 consumers in the same premises and in the same name. We found that higher tariff was to be charged from 1407 consumers after clubbing of load (more than 5 KW) but the Company by not doing so affected short recovery of energy charges of ₹ 27.48 lakh.

We observed that the aforesaid provision was not mapped in the billing software to avoid duplicate entry of the existing consumer in the same premises. The Company also did not put required controls to avoid releasing of non-domestic connections in the same premise and same name. Moreover, the Company did not issue notices to such consumers for clubbing of loads of the connections.

Revenue assessed but not realized

2.3.43 Clause 46 of the TCOS 2004 provides that the Company shall be entitled to disconnect power supply of any person after giving 15 days' notice for negligence in payment of energy charges or any other sum due to the Company.

Data analysis of LT consumers in selected circles disclosed that the Company did not disconnect power supply of 1.10 lakh consumers despite non-payment of even a single bill in the entire financial year 2012-13. The outstanding dues pending for recovery against these consumers were ₹ 88.02 crore against security deposit of ₹ 2.05 crore.

We observed that the software lacked process controls as it did not print disconnection notices in the next billing cycle on the energy bill itself and the

Company by not disconnecting power supply after default in payment of first bill led to mounting of dues to ₹ 88.02 crore.

Compounding in Second Offence

2.3.44 Section 152 (1) of the Electricity Act, 2003 provides that the Company shall recover compounding charges for theft of electricity. Section 152 (4) provides that the compounding charges shall be recovered only once and for subsequent offence, criminal proceedings shall be instituted against the person in the Court.

We noticed that neither the Company nor the billing software had a system/validation checks to ensure adherence to the above provisions of the Act. Our analysis of LT database of selected circles disclosed that there were 1395 cases of subsequent theft (ranged between two to seven) but the software charged compounding charges every time instead of only for the first instance. Further, the Company also did not initiate criminal proceedings against repeated offenders.

Conclusion

The IT policy of the Company did not cover billing system which was critical to the operations of the Company. The IT policy lacked procedures with respect to physical and logical security, quality maintenance by vendors and contingency planning. Backup of the billing data from the billing agencies was not obtained and there was no business continuity plan/recovery procedure in case of any untoward incident. The billing software lacked mapping of business rules in accordance with the tariff provisions and TCOS. There was lack of input controls and validation checks to ensure completeness and correctness of the data. The internal control mechanism was not adequate to minimise the risk of errors, irregularities and to ensure operational adherence to the management standards. Deficiencies in general controls, system design, mapping of business rules, application control and internal control mechanism caused short recovery of energy charges, security deposit, statutory levies *etc.*

Recommendations

We recommend that the Company should:

- **Formulate and implement a clear and comprehensive IT policy and periodically review it according to changing business environment;**
- **Obtain regular backup of the data and develop a reliable business continuity plan in case of any untoward incident;**
- **Ensure mapping of business rules in accordance with the tariff provisions and TCOS and periodically review and update them;**
- **Build in input controls and validation checks to ensure completeness and correctness of the data; and**

- **Strengthen the internal control mechanism to ensure proper monitoring of billing system, including timely issuance of bills and recovery of energy charges from defaulters/permanently disconnected consumers.**

CHAPTER III

Compliance Audit Observations

Chapter III

3. Compliance Audit Observations

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

Government Companies

Ajmer Vidyut Vitran Nigam Limited

3.1 Extra payment towards price variation

The Company made extra payment of ₹ 24.25 lakh towards price variation on the quantity of raw material not used by the suppliers in manufacturing of Cable.

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.

Ajmer Vidyut Vitran Nigam Limited (Company) invited (March 2012) tender (TN-700) for purchase of 3000 KM 'ISI marked two core LT XLPE insulated and PVC sheathed armoured circular cables with Aluminum conductor of size 2C x 4 sq mm' conforming to IS:7098 (Part-I): 1988 with latest amendments. As per guaranteed technical specifications, the minimum weight of Aluminum in one Kilometer (KM) Cable was to be 21.60 Kilogram (KG) and the weights in KG per KM of other raw materials (Steel and PVC/XLPE) with total weight of finished Cable were to be furnished by the suppliers. The terms and conditions of the tender further provided that the prices were variable as per PV formula prescribed by IEEMA for two core LT XLPE armoured cable and the variation factors for allowing PV on Aluminum (ALF), PVC compound (CCFAI) and Steel (FeF) would be 0.023, 0.204 and 0.305 respectively.

We noticed (April 2014) that the Company placed (3 December 2012) purchase orders on Raghvendra Cables & Wires Private Limited and Maharaja Cables for 1800 KM and 1200 KM respectively. The weights quoted by both the suppliers for various materials used in manufacturing of Cable were as under:

Particulars	Raghvendra Cables	Maharaja Cables
Minimum weight of Aluminum in KG/KM	21.60	21.62
Total weight of steel in KG/KM	154.00	205.00
Total weight of PVC/XLPE contents in KG/KM	132.00	165.60
Total weight of finished Cable in KG/KM	307.60	392.22

1 Indian Electricals and Electronics Manufacturers Association.

Our scrutiny disclosed that the Company allowed PV to the suppliers for Aluminum, PVC/XLPE and Steel as per the variation factors mentioned in the IEEMA formula without giving cognizance to the actual weight of the various raw materials used in manufacturing of Cable. The PV formula prescribed by the IEEMA considers 532 KG standard weight in one KM Cable comprising of 23 KG Aluminum, 204 KG PVC/XLPE and 305 KG Steel components. However, the raw materials used by these two suppliers was below the prescribed standard weight in IEEMA formula though the material supplied conform to IS:7098 (Part-I): 1988 with latest amendments.

Thus, the Company allowed PV as per standard weight of raw material to be used in manufacturing of Cable as per IEEMA formula instead of actual raw material consumed by the suppliers. This caused extra payment of ₹ 24.25 lakh towards PV on the supply of 2896.47 KM Cable for quantity of raw materials not used by the suppliers in manufacturing of Cable.

The Company stated (September 2014) that the PV was allowed as per variation factors prescribed in the IEEMA formula. The fact, however, remained that the Company allowed PV on the quantity of raw materials not used by the suppliers in manufacturing of Cable. The formula prescribed by the IEEMA considers only standard weight. The reply of the Government was awaited (October 2014).

The Company should safeguard its financial interests by allowing price variation only for the quantity of raw material actually consumed and that too equal to standard weight prescribed by Bureau of Indian Standard in manufacturing of Cables. The Company should have incorporated suitable clauses in the tenders to ensure payment of PV only on the quantity of raw material used in manufacturing of Cables as included by electricity companies of other States.

3.2 Consumer metering and replacement of defective meters

Introduction

3.2.1 Supply of electricity to all consumers through meters and timely replacement of defective meters are essential for effective energy accounting, billing of actual electricity supplied and real determination of distribution losses. Section 55 (1) of the Electricity Act, 2003 provides that no licensee shall supply electricity without installation of a correct meter in accordance with regulations to be made in this behalf by the Authority. The Rajasthan Electricity Regulatory Commission (RERC), being the regulatory authority for electricity supply in Rajasthan, issued (May 2007) RERC (Metering) Regulations, 2007 and specified the requisite standards of consumer metering.

3.2.2 Ajmer Vidyut Vitran Nigam Limited (Company) is engaged in distribution of electricity in 11 Districts of Rajasthan. The Company has divided its area of operation into 12[2] distribution Circles to ensure smooth management of power supply. As on March 2014, the Company was supplying electricity to 34.25 lakh consumers of various categories.

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2 Ajmer City, Ajmer District, Bhilwara, Nagaur, Sikar, Jhunjhunu, Udaipur, Banswara, Chittorgarh, Rajsamand, Doongarpur and Pratapgarh.

Clause 30 of the Terms and Conditions of Supply of Electricity framed by the Company provides that the Company shall inspect and replace a stopped/defective/burnt meter at its cost unless it is established that the meter has been tampered or damaged in any way including excess load. In case stopped/defective/burnt meter is not replaced within a period of two months of its detection, a rebate of five *per cent* on the total bill of the consumer shall be allowed.

The present study was done (February to May 2014) to assess the efficiency of the Company during the period from 2010-11 to 2013-14 in ensuring electricity supply to all consumers through installation of correct meters and replacement of defective meters in terms of RERC (Metering) Regulations, 2007. Further the RERC (Distribution Licensee's standards of performance regulations 2003); relevant provisions of Electricity Act 2003; terms and conditions for supply of electricity-2004 (TCOS) and other relevant records and documents were considered. The scrutiny included examination of records at the Head Office and five[3] (41.67 *per cent*) Circles out of 12 Circles of the Company. Further, 14[4] sub-divisions of the selected Circles were also selected for scrutiny of records.

Consumer metering

3.2.3 During Power Ministers' Conference (February 2000) and in the Memorandum of Understanding signed (February 2001) between the Government of India (GoI) and the Government of Rajasthan (GoR), the GoR agreed to complete 100 *per cent* metering of all consumers by 31 December 2001 but in no case later than 30 June 2002. The Electricity Act, 2003 also provided that the meters should be installed within a period of two years *i.e.* May 2005. The respective Regulatory Commission could, however, extend the time period of two years. The RERC extended (June 2008) the time period of two years upto 9 June 2009 and after review (September 2009) further extended upto December 2009 with directions to submit compliance report by March 2010.

As stated that as on March 2014, the Company had 34.25 lakh electricity consumers of various categories, out of which 0.63 lakh[5] were un-metered consumers to whom the supply was being made on flat rate[6] basis. The unmetered consumers were under agriculture category. The progress of the Company in providing metered electricity supply to unmetered agricultural consumers was unsatisfactory as only 10232 (14 *per cent*) consumers were converted into metered category by February 2014. There was, thus, gross violation of the Electricity Act, 2003 and orders/directives of the RERC besides potential loss of revenue to the Company.

3 Bhilwara, Dungarpur, Chittorgarh, Jhunjhunu and Sikar.

4 Bhilawara Circle (Rural-1, Rural-2, and CSD-4), Dungarpur Circle (Rural, Urban, and Aspur), Chittorgarh Circle (Magrol, and Gangrar), Jhunjhunu Circle (Pilani, GudhaGorji, and Khetri town), Sikar Circle (Losal, CSD-2, and Palsana).

5 Ajmer City (494), Ajmer District (32), Bhilwara (13), Nagaur (9403), Udaipur (10), Rajsmand (1), Chittorgarh (4032), Pratapgarh (3127), Banswara (32), Dungarpur (181), Juhunjhunu (23785) and Sikar (21778).

6 As per connected load in Horse Power considering eight hours supply during a day *i.e.* (240 KWH in 30 days months).

The Government accepted (June 2014) the facts. The reply was, however, silent on the issue of delay in providing metered electricity supply to all the agricultural consumers.

Defective meters

3.2.4 The RERC (Distribution Licensee's Standards of Performance) Regulations, 2003 provides that if the meter or metering system is found defective during inspection, checking and testing, the licensee shall replace the meter within 60 days of detection. The over-all position of defective meters replaced by the Company during four years ending March 2014 is given below:

(Figures in lakh)

Year	Total metered consumers at the end of the year	Consumers having defective meters at beginning of the year	Consumers whose meters became defective during the year	Defective meters replaced during the year	Consumers having defective meters at the end of the year	Percentage of defective meters to total metered consumers
2010-11	27.79	3.32	4.64	3.74	4.22	15.19
2011-12	30.52	4.22	4.05	2.57	5.70	18.68
2012-13	31.80	5.70	3.72	4.65	4.77	15.00
2013-14	33.62	4.77	3.38	4.29	3.86	11.48

The pace[7] of replacement of defective meters was slow and ranged between 31.08 and 52.64 *per cent* during 2010-14 and consequently, the remaining consumers with defective meters ranging between 47.36 and 68.92 *per cent* were billed on average basis.

Circle wise performance of the Company during 2010-14 disclosed that the Chittorgarh Circle registered highest number of defective meters with 31.60, 36.77 and 27.62 *per cent* during 2010-11, 2011-12 and 2012-13 respectively while Pratapgarh Circle was having highest number of defective meters with 23.12 *per cent* during 2013-14. The category wise highest and lowest percentage of defective meters during 2010-13 is given in **Annexure-13**.

The position of defective meters in the selected Circles during the four years ending March 2014 is given below:

(Figures in numbers)

Name of Circle	2010-11	2011-12	2012-13	2013-14
Bhilawara	40639	70545	76176	49816
Jhunjhunu	44168	48174	31606	35278
Sikar	57533	83310	86907	71492
Dungarpur	36631	44531	38390	31816
Chittorgarh	64756	86037	65548	53353

Our analysis disclosed that the consumers having defective meters in the selected Circles vis-à-vis total consumers of the Company having defective meters ranged between 57.76 *per cent* (2010-11) and 62.63 *per cent*

7 The year wise percentage of replacement of defective meters with respect to total defective meters to be replaced during the year was 2010-11 (46.98 *per cent*), 2011-12 (31.08 *per cent*), 2012-13 (49.36 *per cent*) and 2013-14 (52.64 *per cent*).

(2013-14). Higher number of consumers with defective meters in these Circles indicated that the pace of replacement of defective meters was even slower than the remaining seven Circles. Our scrutiny of the records of 14 sub-divisions of selected Circles disclosed that 37493 defective meters were pending replacement for a period ranging between 2 and 98 months as on March 2014.

The Company, thus, did not adhere to the directions of RERC for replacement of defective meters within two months. The Company neither prepared plans nor developed any adequate system for replacement of defective meters. Replacement was done on random basis without giving priority to the defective meters pertaining to older period and the meters whose guarantee period was getting expired. Resultantly, the defective meters remained installed for longer duration which led to expiry of the guarantee period of five years and extra burden on the Company equivalent to the cost of new meter. In selected sub-divisions, we found that 4394 defective meters valuing ₹ 1.05 crore[8] remained installed for more than 60 months as on March 2014.

The Company may have had to sustain revenue loss as the consumer is billed on average basis as per past consumption record till the defective meter is replaced. Non-replacement of defective meters also adversely affects energy conservation as it leads to wastage/high consumption of electricity by the consumers at no cost. It also encourages unscrupulous consumers to tamper the meter and make it defective.

The Government accepted the facts. The reply did not mention the reasons for non-adherence to RERC Regulations regarding replacement of defective meters within stipulated time period.

Procurement of meters vis-à-vis defective meters

3.2.5 The Company assessed annual requirement of meters keeping in view the physical targets of release of connections, defective meters to be replaced, physical balance available in stores, quantity awaited against pending orders and buffer stock to cater to the emergent requirements and guard against late deliveries of material already ordered. The purchase manual of the Company provides that decision to place purchase orders should be taken within the validity period. The time schedule for finalisation of purchase cases from the date of opening of tenders has been prescribed as 90 days for cases falling within the competency of Corporate Level Purchase Committee (CLPC). An excess time period of 20 days may be allowed in purchase cases requiring sample testing by the Meter and Protection Wing. A sample of three meters having all features conforming to the specifications are tested by the Company in its laboratory before commencement of the supply. The Distribution Companies[9] (DISCOMs) of Rajasthan have recognized 'meter' as a common purchase item and as such common tenders for procurement of meters are also invited by Jaipur Vidyut Vitran Nigam Limited (JVVNL) on behalf of all three DISCOMs.

8 Valuation on the basis of ₹ 2400 per meter as finalised for three phase meter in TN 2150 in October 2012.

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

The position of annual requirement of meters assessed, meters received against various purchase orders, meters repaired/replaced by the suppliers, new connection released and defective meters to be replaced during 2010-14 was as below:

(Figures in lakh)

Year	Requirement of meters assessed	Meters received against various purchase orders	Meters repaired/ replaced by suppliers	New connections released	Meters to be replaced during the year[10]
2010-11	10.09	4.70	0.68	2.65	7.96
2011-12	11.44	4.48	0.13	2.56	8.27
2012-13	10.50	7.88	0.07	2.03	9.42
2013-14	9.00	7.59	0.07	2.05	8.15

The quantity of meters received against various purchase orders and the pace of replacement of defective meters by the suppliers during 2010-14 was not adequate to meet the requirement for release of new connections and replacement of defective meters. The available meters (supplies against purchase orders and meters repaired/replaced by the suppliers) were not even sufficient to meet the requirement for replacement of defective meters in any of the four years ending March 2014 and the gap after release of new connections ranged between 31.17 and 75.21 *per cent*.

We observed that the system of procurement of meters was not proper as there was exorbitant delay in finalization of tenders. The Company finalized four tenders during July 2008 to November 2010 with delay ranging between 41 and 76 days while the JVVNL under common purchase tender for all three DISCOMs finalized eight tenders during February 2008 to June 2012 with delay ranging between 155 and 550 days after considering 110 days as prescribed in the purchase manual. The reasons for delay in finalization of tenders were attributable to delay in receipt of pre bid type test report from the designated agencies or due to review of type test and getting clarifications from the designated agencies.

Performance of meters

3.2.6 The purchase orders provided that the meter would be declared defective within guarantee period after testing in laboratory and further confirmation by a committee consisting of three members *i.e.* Assistant Controller of Stores (ACOS), Assistant Engineer (Meter Site Testing) and Assistant Engineer (Operation and Maintenance). The guarantee for the meters supplied would be for a period of five years from the date of dispatch. The supplier shall replace the defective meters at the purchaser's store within a period of 45 days from the date of intimation of failure by the concerned ACOS. In case defective meters are not replaced within the stipulated period, the penalty[11] for delay in delivery shall be applicable. Further, if the performance period of the supplied material is over and some quantity of defective meters within guarantee period are still lying pending for want of

10 Figures derived from table under paragraph 3.2.4.

11 Penalty at the rate of 0.25 *per cent* per week or part thereof for first four weeks and thereafter0.50 *per cent* per week or part thereof subject to maximum of five *per cent.*

repair/replacement then fresh bank guarantee equal to the cost of the defective meters are to be provided by the suppliers.

We noticed that the Company did not form the committee for confirmation of the defective meters as envisaged in the purchase orders. The meters were segregated as 'failed' during guarantee period or beyond guarantee period without ascertaining the reasons for their failure. Further, the Company did not prepare age-wise data of the defective meters under guarantee period lying in stores for repair and replacement by the suppliers. The meters were kept in open space and possibility of further damage could not be ruled out.

The Government stated that meters were declared defective on consumption pattern, display status, stoppage and burning of meters. The reply is not convincing as the committee envisaged in purchase orders for confirmation of meters as defective was not formed to ascertain the reasons of failure. Further, had proper reasons been identified at the time of failure of meters, the Company could have levied penalty on the suppliers for non-repair/non-replacement of defective meters.

3.2.7 The position of defective meters lying in stores, meters failed during the year and defective meters lifted by the suppliers within guarantee period during four years ending March 2014 is shown as below:

Year	Opening balance of meters lying in stores within the guarantee period	Meters which failed within the guarantee period during the year	Defective meters lifted by the suppliers within the guarantee period	Closing balance of defective meters within the guarantee period
2010-11	178175	221983	93092	307066
2011-12	307066	104396	70157	341305
2012-13	341305	72504	6041	407768
2013-14	407768	69929	26536	451161

As seen from above, the meters that failed within the guarantee period decreased by 68.50 *per cent* from 221983 in 2010-11 to 69929 in 2013-14. However, the closing balance of defective meters within the guarantee period in the stores of the Company increased by 46.92 *per cent* from 307066 in 2010-11 to 451161 in 2013-14. This was due to short lifting of the failed meters by the suppliers. The suppliers even did not lift the meters failed during the year and the percentage of meters lifted for repair and replacement against the meters failed during 2010-14 ranged between 8.33 and 67.20 *per cent.*

We observed that out of 451161 defective meters, 343577 meters (₹ 29.08 crore[12]) pertained to purchases made during September 2001 to March 2009 and the guarantee period of these meters had already expired. The Company did not have financial hold[13] to safeguard its financial interests in respect of 8091 meters (₹ 57.92 lakh) of 18 suppliers. As on March 2014, these suppliers were not awarded any purchase order in the last 10 years and thus the possibilities of replacement of these meters were bleak.

12 Valuation was made on the basis of average cost. Average cost was worked out separately for single phase and three phase meters lying in stores against various purchase orders.

13 The financial hold comprised of security amount in the shape of bank guarantee, performance guarantee and any other amount deducted from the bills of the suppliers.

We also observed that against the defective meters lifted by the suppliers, the replacement ratio was very slow and as a result, the stock of defective meters with suppliers piled up and reached to 205968 meters as on March 2014 as against 104167 as on April 2010.

3.2.8 We further observed that out of available 451161 defective meters under guarantee period as on March 2014, 331161 meters valuing ₹ 28.40 crore pertained to only two firms *i.e.* Elymer (263305 meters valuing ₹ 22.71 crore) and Avon (67856 meters valuing ₹ 5.69 crore). Besides, 173082 defective meters valuing ₹ 15.90 crore were also lying with these firms (Elymer: 170378 meters valuing ₹ 15.45 crore and Avon: 2704 meters valuing ₹ 45.45 lakh) for repairs and replacements as on March 2014. However, the financial hold available with the Company against these firms as on March 2014 was only ₹ 18.18 crore (Elymer: ₹ 14.33 crore and Avon: ₹ 3.85 crore) leaving shortfall of ₹ 26.12 crore (₹ 23.83 crore and ₹ 2.29 crore respectively). Thus, the Company's financial interest was not completely safeguarded. Further, the Company never imposed penalty for delay in repair or replacement of defective meters by the firms. The penalty for delay in repair or replacement of defective meters within guarantee period worked out to ₹ 2.84 crore on 451161 meters lying in stores and 205968 meters lying with the suppliers as on March 2014.

As stated above, the meters were purchased against various purchase orders placed (August 2001 to October 2008) by the Company and Jaipur Vidyut Vitran Nigam Limited (JVVNL) on behalf[14] of all three Distribution Companies. The JVVNL severed (May 2011) business relations with Elymer and Avon due to supply of inferior quality meters but on subsequent representations by Avon to replace the defective meters having manufacturing defects, the order to sever business relation with Avon was withdrawn (August 2013). Avon also requested (April 2012) the Company to allow it to segregate and repair/replace the defective meters with manufacturing defects, which was not accepted (April 2012) by the Corporate Level Purchase Committee of the Company.

The Chairman DISCOMs, however, instructed (October 2013) the Company to allow Avon to segregate and repair/replace the defective meters having manufacturing defects, as had been done by the JVVNL. The work of segregation of defective meters by Avon of manufacturing defects was in process (September 2014).

The decision of Chairman DISCOMs and the Company was not justified as it should have insisted to replace the defective meters instead of allowing them to segregate the defective meters having manufacturing defects.

The Government accepted the facts and stated that the bank guarantees were accepted as per the provisions of purchase manual. Elymer was not allowed to replace the defective meters which resulted into total cost of defective meters within guarantee period exceeding the available financial hold. The Government also stated that recoveries/dues on account of delay in

14 The power distribution companies (DISCOMs) of Rajasthan has considered meters as common purchase item for all DISCOMs and JVVNL has been authorised to invite tenders and place purchase orders on behalf of all DISCOMs.

replacement of defective meters within the guarantee period would be adjusted from the financial hold of the respective suppliers. It further stated that the Company was arranging segregation of meters supplied by Avon meters as per direction of Chairman, DISCOMs.

The reply of the Government might be seen in the context that even after adjustment of recoveries/due, the financial hold would not be sufficient to meet the cost of defective meters. In addition, the truthfulness of the segregation of meters, in the absence of the any test report by the Company, would not be ensured.

Inspection, testing and calibration

3.2.9 Timely inspection, testing and calibration of meters minimises the cases of pilferage/loss of energy and provides safeguards to the Company from sustaining financial losses. Clause 10 of the RERC (Metering) Regulations, 2007 provides that meters may be tested by the licensee on its own or on the request of the consumer. The testing may be done at the site or licensee's laboratory or accredited test laboratory. The clause further provides that the periodicity of routine testing in case of domestic service consumers shall be five years.

We noticed that the Company awarded (May 2010, May 2011 and July 2013) the work of inspection, testing and calibration of domestic consumers to Yadav Measurements Private Limited (contractor) which covered 41334, 471911 and 141070 number of consumers against the targets of 47785, 520000 and 532790 consumers respectively upto March 2014. The Contractor was to carry out testing of 25 *per cent* consumers per quarter for each operation and maintenance circle. In case the ordered quantity was not completed within the stipulated period, a penalty at the rate of 0.50 *per cent* per week or part thereof subject to maximum of 10 *per cent* of the cost of un-executed work was leviable.

We observed that there were 19.90 lakh domestic consumers as on March 2010 but only 6.54 lakh (32.86 *per cent*) consumer's meters were inspected/tested/calibrated by March 2014. Further, the domestic consumers increased to 27.40 lakh as on February 2014. Thus, the Company could inspect/test/calibrate only 23.86 *per cent* of the domestic consumers by March 2014.

The Bhilwara Circle worked out penalty of ₹ 5.30 lakh against the Contractor for non-completion of the work during the period from June 2011 to May 2012. However, the penalty was waived (March 2013) by the CLPC on the grounds that the assigned work was completed by the Contractor.

The Government accepted the facts and stated that the field officers did not provide the list of consumers along with the consumer account number and location of the consumer to the contractor for inspection/testing and calibration of meters even after repeated directions. The reply was not convincing as the Company did not ensure inspection, testing and calibration of meters as per RERC Regulations and even did not take disciplinary action against the officers for non-compliance to the directions issued by it.

Recommendations

The Company should consider to:

- **Convert all the agricultural consumers into metered category and to adhere to the statutory provisions;**
- **Take specific action in terms of the contractual stipulations against the defaulting firms in case of manufacturing defects/non-repair/replacement of defective meters;**
- **Prepare a strategy to replace all the defective meters in a time bound manner within the guarantee period;**
- **Incorporate suitable clauses in the purchase orders to ensure sufficient financial safeguard against the defective meters; and**
- **Develop a mechanism to ensure inspection, testing and calibration of meters of all categories as prescribed in RERC (Metering) Regulations, 2007.**

Jaipur Vidyut Vitran Nigam Limited

3.3 Loss due to negligence in inspection of consumer's meter

The Company had to forgo revenue of ₹ 24.52 lakh due to negligence of the joint inspection teams in inspection of Consumer's meter.

Jaipur Vidyut Vitran Nigam Limited (Company), a power distribution company, has a system in vogue for periodical inspection/checking of consumer meters to avoid improper and unauthorized consumption or drawl of energy by the consumer. The Company also carries out joint inspection by its Executive Engineer (Operation and maintenance), Junior Engineer (ST/MST) and Executive Engineer (Meter Testing of the meters of High Tension (HT) consumers) once in a year or at the time of increasing contract demand.

We noticed (September 2013) that the Company increased (7 January 2011) the contract demand of a HT consumer[15] on its request from 190 KVA to 480 KVA. The joint inspection report (7 January 2011) disclosed that according to norms, the accuracy of the meter had been checked. Subsequently, joint inspection (26 November 2011) of the consumer's meter was carried out and the accuracy of the meter was reported within permissible limits. During next joint inspection (12 October 2012) the inspection team, however, noticed that Consumer's meter was defective and tampering of data was found persisting from 8 January 2011 to 12 October 2012 causing short recording of energy consumption by 31.84 *per cent*. Accordingly, the Company raised provisional demand of ₹ 38.34 lakh (for 21 months from 8 January 2011 to 12 October 2012) in the Consumer's bill for the month of December 2012 for short/defective meter reading for consumption of power. The Consumer on the basis of test reports/joint inspection reports protested (December 2012 and January 2013) against the demand under clause 28 of the 'Terms and Conditions for Supply of Electricity-2004' (TCOS), which provides that the

15 M/S Lal Chand Food Products.

additional amount to be recovered from the consumer in the event of meter being found defective may be restricted for a period not exceeding six months. As the Consumer's representations remained un-responded, he approached the hon'ble High Court which directed (April 2013) the Company to accept the case in Settlement Committee. The Corporate Level Grievance Redressal-cum settlement Forum decided (May 2013) the case in favour of the Consumer and revised the assessment restricting it to six months preceding the date of testing *i.e.* 12 October 2012 and revised the amount to ₹ 13.82 lakh towards short recovery. The revised amount was deposited (31 December 2013 and 24 January 2014) by the Consumer.

We noticed that the Company while submitting the case to the Settlement Committee pointed out several discrepancies in the joint inspection reports (January and November 2011) and mentioned that CT tampering was not pointed out during testing on 26 November 2011 by the Executive Engineer (M&P-JPDC) otherwise the assessment could have been made after 10 months from the date of tampering instead of 21 months. The negligence of the joint inspection teams, therefore, caused loss of ₹ 24.52 lakh.

The Government accepted (March and August 2014) the facts and intimated that disciplinary action against the defaulter officers/officials had been initiated.

3.4 Systemic lapses in functioning of Corporate Vigilance Wing

3.4.1 Corporate Vigilance Wing (CVW) of Jaipur Vidyut Vitran Nigam Limited (Company) was established (July 2000) with a view to conduct raids, provide assistance to the officers of Operation and Maintenance (O&M) wing in prevention of theft of energy and to look after other matters relating to theft of electricity. The CVW is headed by an Additional Superintendent of Police (Rajasthan Police Service) who is assisted by other Police and Technical Vigilance officers. The Company has posted Vigilance Officers in all the 13 Circles. Besides, CVW and O&M, the Sub-divisions of the Circles are also engaged in prevention of theft of energy.

Section 126 and 135 of the Electricity Act, 2003 (Act) entrusted powers to the power distribution companies (DISCOMs) to investigate and prosecute for the offence of theft of electricity. The DISCOMs of Rajasthan authorized (January 2004) the Executive Engineers (XENs), Assistant Engineers (AENs) and Junior Engineers (JENs) to conduct search and seizure activities for prevention of theft of electricity. The State Government had also constituted special Courts (May 2004) and 46 Anti Power Theft Police Stations (February 2006) for dealing with the offences relating to theft of electricity.

Theft of electricity is an economic crime. It swallows a substantial portion of the revenue of DISCOMs. It also burdens sincere consumers as it results in increase in tariff.

The present study was conducted (April 2014 to May 2014) to assess the systemic lapses in functioning of CVW and O&M Wing of the Company during 2012-13 and 2013-14. The Audit findings were issued (September and October 2014) to the Government and Company for their comments. The para has been finalised after considering the replies (November 2014) of the

Company. The Government endorsed (November 2014) the replies of the Company. The Audit findings are discussed in succeeding paragraphs.

Planning and Performance

3.4.2 The Company fixed minimum monthly norms of Vigilance checking, theft detection, assessment, realisation of assessed amount and First Information Reports (FIRs) being lodged in Anti Power theft Police Stations for the officers (XENs, AENs and JENs) posted at CVW squad and O&M wing. The performance of each Vigilance/O&M officers are evaluated based on these norms. The Company, however, did not fix the comprehensive monthly/yearly circle wise targets for the entire CVW squad and O&M wing. The minimum monthly targets fixed for the officers of CVW squad and O&M wing for the year 2012-13 and 2013-14 are given in **Annexure-14.**

Our scrutiny revealed that the targets of checking, theft detection and lodging of FIRs for the officers of CVW and O&M squad for the year 2013-14 were reduced by 50 *per cent* in comparison to the year 2012-13 without any rationale. However, the targets of assessment and realization of the assessed amount remained the same in both the years. The targets of checking, theft detection and lodging of FIRs for AENs were reduced by 70, 50 and 67 *per cent* respectively. There was no change in the targets of theft detection, assessment (except JENs where targets were reduced by 20 *per cent*) and realization for XENs and JENs for the year 2013-14.

The actual performance of CVW and O&M wing towards checking and theft detection of consumers during 2012-13 and 2013-14 was as below:

Wing	Checking		Percentage reduction in checking due to reduction in targets	Theft detection		Percentage reduction in theft detection due to reduction in targets
	2012-13	2013-14		2012-13	2013-14	
CVW	41009	5645	86.23	35199	4357	87.62
O & M	180580	45853	74.61	98992	20018	79.78
Total	**221589**	**51498**	**76.76**	**134191**	**24375**	**81.84**

Reduction in the targets of checking and theft detection significantly affected the performance of CVW and O&M wing during 2013-14. The actual checking and theft detection by CVW reduced drastically by 86.23 *per cent* and 87.62 *per cent* respectively. Similarly, checking and theft detection by O&M wing was reduced by 74.61 *per cent* and 79.78 *per cent* respectively.

The Company stated that the main reason for reduction in targets was that the vigilance officers were not able to complete the formalities regarding vigilance checking, *viz.* on spot filling of vigilance checking reports (VCRs), seizure of equipment/s, *etc.*, due to pressure on them for achievement of the targets. The reply is not convincing as the reasons attributed were that the targets of checking and theft detection were fixed for individuals and these were severely affected due to transfer and vacant posts of XENs and AENs. However, the vigilance officers were required to complete these formalities.

3.4.3 The Company has suffered Transmission and Distribution (T&D) losses to the extent of 23.19 *per cent* during 2011-12 which increased to 23.64 *per cent* during 2012-13. T&D losses include losses on account of theft of energy which is a major concern for the Company. Our Circle wise analysis of checking carried out by CVW squad disclosed as under:

- The CVW squad mainly concentrated on Jaipur City and Jaipur District Circles where the checking was 7255 (87.65 *per cent*) and 216 (85.71 *per cent*) of total checking of 8277 and 252 during 2012-13 and 2013-14 respectively.
- The checking done by CVW squad was not commensurate with the distribution losses incurred in individual circles. The Dholpur (40.32 *per cent*), Karauli (35.11 *per cent*), Bharatpur (35.09 *per cent*), Jhalawar (29.88 *per cent*), Dausa (25.84 *per cent*), Baran (23.69 *per cent*), Kota (22.89 *per cent*) and Sawaimadhopur (19.78 *per cent*) Circles registered distribution losses more than the Jaipur City (8.96 *per cent*) and District (16.51 *per cent*) Circles during 2011-12. However, the checking in these Circles during 2012-13 ranged between zero and 2.20 *per cent* only.
- Similarly, Dholpur (36.35 *per cent*), Bharatpur (31.95 *per cent*), Karauli (30.88 *per cent*), Baran (25.90 *per cent*), Dausa (23.02 *per cent*), Jhalawar (22.64 *per cent*), Tonk (20.75 *per cent*), Kota (20.62 *per cent*), Sawaimadhopur (18.80 *per cent*) and Bundi (17.49 *per cent*) Circles registered distribution losses more than the Jaipur City (9.79 *per cent*) and District (16.36 *per cent*) Circles during 2012-13 but checking in these circles during 2013-14 ranged between zero and 10.72 *per cent* only.

Our analysis disclosed that the Company did not prepare any action plan to ensure uniform coverage of all the Circles on the basis of distribution losses. The CVW squad also did not prepare an optimum mix of different categories of consumers to ensure balanced checking of all the categories of consumers. The CVW squad laid more emphasis on the checking of Domestic consumers and coverage was 84.38 *per cent and* 80.16 *per cent* during 2012-13 and 2013-14 respectively. In respect of Non-Domestic, Agriculture, Small Industrial Power, Medium Industrial Power and Mix consumers the coverage during 2012-13 was only 7.45, 6.92, 1.20, 0.02 and 0.02 *per cent* respectively. During 2013-14, the coverage of Non-Domestic, Agriculture and Small Industrial Power was only 12.70, 3.57 and 3.57 *per cent* respectively. The squad did not check any of the High Tension consumers during 2012-14 and Medium Industrial Power and Mix consumers during 2013-14 where the possibility of theft of energy could be more.

Thus, improper planning and irrational reduction in targets without apprising the Board of Directors adversely affected prevention of large scale energy theft.

The Company accepted the facts and stated that category wise targets were not fixed because the CVW was directed to conduct effective checking for detection of theft cases. It further stated that the coverage of rural domestic consumers was more due to high possibilities of theft in this category.

Assessment and realization

3.4.4 The realisation targets for the CVW and O&M wing for the years 2012-13 and 2013-14 were fixed at 75 *per cent* and 60 *per cent* of the assessed amount respectively. The details of assessment and realisation there against by the CVW and O&M wing during 2012-13 and 2013-14 are as below:

(₹ in lakh)

Year	Assessment		Realisation		Percentage realisation	
	CVW	O&M	CVW	O&M	CVW	O&M
2012-13	2830.08	6073.82	1323.05	2347.08	46.75	38.64
2013-14	1614.56	3197.68	626.29	1265.20	38.79	39.57

During 2012-13 and 2013-14, the actual realisation of the assessed amount was only 46.75 and 38.79 *per cent* respectively by the CVW and 38.64 and 39.57 *per cent* by the O&M wing. The reasons attributable to non-achievement of the targets were delay in serving notices to the offenders, delay in lodging FIRs, inadequate physical evidence, *etc.* The Company, however, did not take effective steps to minimise the gap between assessment and realisation of the assessed amount.

The Company accepted the facts and stated that serious efforts are being made during the year 2014-15 for 100 *per cent* achievement of the targets.

Civil liability

3.4.5 The Rajasthan Electricity Regulatory Commission (RERC) directed (2006) that in case of theft of energy, the Checking Officer will immediately disconnect the supply, assess and recover the provisional amount of civil liability[16] along with compounding charges[17]. The amount of civil liability was to be assessed provisionally at twice the tariff charged as per tariff schedule in vogue during the period of assessment.

We noticed that the Company belatedly gave cognizance to the RERC directions for recovery of civil liability and issued (February 2013) order for assessing and recovery of the civil liability along with the compounding amount from the consumer/person charged under the Section 135 of the Act for the first time. The theft cases prior to the issue of orders by the Company were being settled after realisation of the compounding charges only.

We noticed that besides belated implementation of the RERC directions, the Company could only recover ₹ 3.17 crore and ₹ 0.11 crore against assessed liability of ₹ 5.44 crore and ₹ 1.32 crore during 2012-13 and 2013-14 respectively. We noticed that the amount of civil liability was not being recovered on the verbal directions of the executive management of the Company.

16 Civil Liability means loss or damage incurred by the Board or licensee or the concerned person, as the case may be, due to the commission of an offence referred to in Section 135 to 140 and Section 150 of the said Act.

17 The amount recovered from the consumers at the time of detection of theft. Compounding charges are deposited to the Government by the Company.

The Company accepted the facts that prior to February 2013 only compounding charges were being recovered as per verbal directions of the management and also stated that recovery of civil liability as per RERC directions was being made.

FIRs/Non-recovery against the non-consumers

3.4.6 The instructions issued (April 2006) by the CVW provided that in cases of theft of electricity by non-consumers[18], the case was not to be compounded at site by the Checking Officer and FIR against the offender should be lodged invariably in the concerned Anti Power Theft Police Station (APTPS). The Checking Officer should make an observation in the Vigilance Checking Report (VCR) that the offender was a non-consumer and in absence of record at site it could not be certified whether this was the first offence and hence needed further investigation.

We noticed that the Checking Officers did not adhere to the guidelines issued by the CVW for filling of VCR. During 2012-13, out of 2389 cases of theft detected in respect of non-consumers, the Checking Officers lodged only 56 FIRs. In 587 cases, the offence was compounded and the offenders deposited ₹ 22.21 lakh whereas in 1802 cases, the offence was compounded but the offenders did not deposit ₹ 77.09 lakh and the same was outstanding as on March 2014.

The CVW issued (December 2011) specific instructions to the CVW Officers to lodge FIR against the non-consumers found indulging in theft of electricity during the period between February 2010 and December 2011.

We also noticed that six officers of the CVW did not lodge FIRs against 2533 non-consumers who indulged in theft of electricity. The Additional Superintendent of Police (December 2011) and the Executive Engineer of the CVW squad (April 2013) also issued reminders to these officers but FIRs were lodged only in five cases upto March 2014. The recoveries of ₹ 15.74 lakh could only be effected from 355 offenders by March 2014. Slackness in complying with the directions caused non-lodging of FIRs against the offenders besides non-recovery of ₹ 1.01 crore in 2178 cases.

Thus, the Company by not lodging FIRs against the non-consumers failed to book the offenders and recover outstanding dues. The Company also did not maintain any track of offenders.

The Company accepted the facts and stated that efforts were being made to lodge FIRs against the offenders and action was also being taken to recover the dues.

Disconnection of Supply

3.4.7 Section 135 (1A) of the Electricity (Amendment) Act, 2007 provided that the supply of electricity was to be disconnected immediately on detection of theft and a complaint in writing to be lodged in the concerned police station within twenty four hours. The supply of electricity was to be restored within forty eight hours on payment of the assessed amount.

18 Any person who has not taken valid electricity connection from the Company but is consuming power by unauthorised means.

We noticed that both CVW and O&M wing did not adhere to the provisions of the Act and did not disconnect the electricity supply on detection of theft of energy and non-payment of the assessed amount. The CVW did not maintain any information/records of disconnection/restoration of supply of electricity and lodging of complaints. Our scrutiny disclosed that the CVW squad detected 5167 cases of theft of electricity by the consumers during 2012-14 and made assessment of ₹ 4.88 crore. The actual recovery was only ₹ 3.11 crore. The remaining amount of ₹ 1.77 crore was pending realisation as on March 2014.

The Company accepted the facts and stated that in most of the cases, the concerned AENs/XENs did not co-operate and as such the CVW could not take action to disconnect the supply. The management has taken the issue seriously and necessary directions have been issued.

Irregularities in vigilance checking

3.4.8 The Company issued (June 2004) directions to the Checking Officers to take photographs of the place of offence and the illegal devices found on the spot at the time of inspection. The Company provided digital cameras to all Checking Officers to capture physical evidence. We noticed that vigilance checking report number, date, place, name, designation and signature of the Checking Officers were not recorded on the photographs though the same were required as per the guidelines and instructions issued for filling of vigilance checking reports. Absence of such vital details undermines the adequacy and quality of legal force of the physical evidences at the time of lodging of FIRs and prosecution of the offenders.

The Company accepted the facts and stated that directions had been issued from time to time to adhere to the guidelines.

Deficiencies in Vigilance Checking Report (VCR)

3.4.9 VCR is the prime document for the purpose of assessment, realization and prosecution of the offenders. It is also essential for all future legal actions. The guidelines and instructions issued (2004) for filling of VCRs provided that the Checking Officers were required to fill the VCRs in a clear legible manner specifically indicating the details of offender/consumer, account number, category, sanction load, meter details, meter reading at the time of checking, detail of seals *etc*. The guidelines further provided that the VCR registers should be properly maintained in the prescribed format and the VCRs along with relevant records should be submitted to the concerned AEN of the sub-division within 24 hours. The concerned AEN was required to check the entries made in VCR and to keep the record and seized items in safe custody till submission in the Court or disposal of the case. Besides, the concerned officers were required to prepare an abstract of monthly details at the end of every month.

Our scrutiny of VCRs of CVW squads disclosed that the VCRs were not filled as per the guidelines and instructions issued by the CVW.

Out of 8530 checking carried out during 2012-14, meter number (294 cases), present reading (3845 cases), seal details (6228 cases), sanctioned load (1399 cases) and consumer account number (215 cases) were not found mentioned in the VCRs. The CVW accepted the VCRs despite absence of vital details.

Further, the VCR registers were not maintained in the prescribed format and various columns *viz.* date of filling of VCR, details of amount recovered etc. were found blank in several instances. There was substantial delay of upto six months in submission of VCR to the concerned sub-divisions. The Checking Officers also did not prepare the monthly abstract of VCR register in absence of which vital details as regards total VCRs, complaints filed in the Court, category-wise theft cases detected, amount assessed vis-à-vis realization, outstanding amount and pendency of VCRs were not available.

The Company accepted the facts and stated that directions had been issued to ensure strict compliance of the directions and the same would be monitored.

Anti Power Theft Police Stations (APTPS)

3.4.10 As on March 2014, there were 17 APTPS under the jurisdiction of the Company. A total number of 49118 FIRs were lodged in these APTPS out of which 44754 cases were closed by filing final reports; challans in 2235 cases were submitted in the respective courts and 2129 cases were pending investigation during 2007 to 2014. There were 592 VCRs pending where the FIRs were not lodged. This was due to improper filling, lack of physical evidence, delay in submitting the case, *etc.* Further, improper monitoring and ineffective follow up by the Vigilance Checking Officers also caused delay in lodging of FIRs.

The Company accepted the facts and stated that FIRs in 592 cases had been lodged and necessary directions had been issued to ensure collection of all necessary evidences.

Recommendations

We recommend that the Company should consider to:

- **Strictly adhere to the provisions of Electricity Act;**
- **Prepare a comprehensive strategy to ensure coverage of the Circles and Consumers on the basis of distribution losses and inherent risk involved in supply of electricity to different categories of consumers; and**
- **Undertake periodical review by the apex management of the compliance of instructions and guidelines issued by CVW, recovery of the amount of civil liability as per the directions issued by the RERC.**

Rajasthan State Industrial Development and Investment Corporation Limited

3.5 Undue benefit of interest to applicants

The Company extended undue benefit of interest to the applicants and thereby incurred loss of ₹ 6.02 crore.

The Government of India (GoI) approved (May 2004) the Apparel Park Project of Rajasthan State Industrial Development and Investment Corporation limited (Company) under the 'Apparel Parks for Exports Scheme'. The Company planned to implement the project at Mahal, Jaipur and invited

(December 2003) applications for allotment of land. The Company received 133 applications along with requisite deposits but allotment of land could not be done in absence of physical possession of land from the Jaipur Development Authority (JDA). There was dispute between the land owners and the JDA on the grounds of compensation. The matter was resolved in April 2010 and the JDA handed over the physical possession of land to the Company.

After getting possession of land, the issue was placed (28 May 2010 and 30 July 2010) before the Infrastructure Development Committee (IDC) of the Company which formed a sub-group[19] to give recommendations on the case. The sub-group recommended that:

a) All 133 applicants may be given an option either to seek allotment of land or get refund along with interest at the rate of 12 *per cent* compounded annually.

b) Preferential allotment of land may be considered to 133 applicants at the new rates of development charges by allowing 20 *per cent* rebate in the rate of development charges, so worked out.

c) Interest at the rate 12 *per cent* compounded annually, as a special case, may be allowed on the amount deposited by the applicant with RIICO and the same may be adjusted against the cost of development charges.

The Company referred (6 April 2011) the recommendations of the sub-group's to the State Government for decision. The State Government directed (10 September 2012) the Company to take action as per the recommendations of the sub-group.

The Company held two meetings to discuss the issues relating to allotment of land at Apparel Park in light of the directives of the State Government. The first meeting was held (19 December 2012) at the level of the Managing Director wherein it was decided that 12 *per cent* compound interest on the deposited amount would be payable to those applicants who withdrew their application and no interest shall be admissible to those applicants who opt for allotment of land as they would be getting 20 *per cent* rebate on the allotment rate. The second meeting was held (20 April 2013) at the level of the Chairman of the Company wherein the Managing Director and the representatives of Garment Exporters Association of Rajasthan (GEAR) on behalf of the applicants were also present. It was decided that the allotment rate would be ₹ 4700 per sqm subject to approval of the IDC. The applicants who withdrew their applications would be refunded the amount deposited with 12 *per cent* compound interest. Further, allotment of land upto 2000 sqm would be made on 20 *per cent* concessional rate and no other rebate/concession would be allowed to the applicants. The IDC accorded (24 May 2013) approval to the decisions taken in the second meeting.

The GEAR further sought (12 June 2013) clarification from the Company on the recommendations of the sub-group as regards 12 *per cent* compound interest on the amount deposited by the applicants with RIICO and adjustment

19 The sub-group consists of Commissioner (Investment & NRI), Managing Director (RIICO).

of the same against the cost of development charges, as a special case. The Company clarified that no interest would be admissible to the allotment seekers as they would get 20 *per cent* rebate on the allotment rate. The same issue was also raised (July 2013) by the unit office and it was clarified that the allotment had to be made as per the decisions taken in the meeting held on 20 April 2013. Accordingly, the Unit office intimated (July 2013) all the 133 applicants the decision taken by the Company.

Our scrutiny disclosed that the Unit office, Jaipur issued (February 2014) allotment letters to 131 applicants allowing benefit of 12 *per cent* compound interest per annum on the initial deposits along with 20 *per cent* rebate on the allotment rate. Two applicants opted for refund along with interest on the deposited amount. This resulted in loss of ₹ 6.02 crore to the Company because of undue benefits extended to the applicants.

The Company stated (July and September 2014) that 12 *per cent* interest was allowed as per Government directives (10 September 2012). The reply of the Company was in contravention to its decision taken in the meetings held on 19 December 2012 and 20 April 2013 and subsequent ratification of the decisions by the IDC. The Government endorsed (July and September 2014) the reply of the Company.

3.6 Undue benefit to the entrepreneur

The Company incurred minimum loss of ₹ 1.90 crore by allotting the plot without invitation of sealed bids in a saturated industrial area.

Rajasthan State Industrial Development and Investment Corporation Limited (Company) has a policy in vogue for allotting 'Commercial' category plots in industrial areas through auction by inviting sealed bids only. Further, in case of saturated[20] industrial areas, the allotment of land is done only through auction unlike in non-saturated industrial areas, where allotments are made on first-cum-first serve basis.

We noticed (October 2013) that Ms. Yasmeen Abrar (Entrepreneur) requested (31 October 2011) the Company for allotment of land for shifting her LPG Godown due to acquisition of land by the Railway authorities. The Entrepreneur visited (November 2011) Ramchandrapura (Sitapura Extension) Industrial Area and identified two[21] corner side plots of 'Commercial' category amongst various vacant 'Industrial' and 'Commercial' plots. The reserve price for plot number CP/R-1 admeasuring 2693 sqm was earlier fixed (February 2011) at ₹ 12000 per sqm and sealed bids were invited (April 2011). However, the allotment could not be made as no bidder turned up for the plot.

The Company looking to the urgency of the Entrepreneur and considering that no bidder had come forward for the same plot, decided (2 November 2011) to allot plot number CP/R-1 on prevailing rate (₹ 4500 per sqm) of development charges plus 10 *per cent* of the development charges for corner side plot. The Company instantly issued allotment letter to the entrepreneur on 3 November 2011 and lease deed was executed on 8 November 2011. The case was put up

20 An industrial area is declared saturated on allotment of 90 *per cent* of the saleable land.

21 Plot number CP/R-1 (2693 sqm) and CP/R-3 (4551.08 sqm).

before the Infrastructure Development Committee which accorded (5 December 2011) ex-post facto approval for change in land use and allotment of land to the Entrepreneur relaxing the condition of allotment through auction by invitation of sealed bids.

The decision of the Company to allot land in the industrial area without auction was in violation to the laid down policy/rules as the industrial area was already declared (29 September 2011) saturated. In addition, the aforesaid plot was earmarked as 'Commercial' which should have been allotted through invitation of sealed bids only.

Thus, the Company incurred minimum loss of ₹ 1.90 crore[22] by allotting the plot below the reserve price.

The Government stated (June and September 2014) that relaxation in the condition of inviting bids and change in land use from commercial to industrial category was accorded by the competent authority. The fact, however, remained that the Company allotted the plot in violation of laid down Rules.

3.7 Undue benefit to entrepreneurs by allowing rebate in violation of rules

The Company, in violation of Rule 3(C), allowed rebate for larger size plot which resulted into undue benefit of ₹ 70.33 lakh to entrepreneurs.

Rule 3(C) of 'RIICO Disposal of Land Rules, 1979' (Rules) framed by Rajasthan State Industrial Development and Investment Corporation Limited (Company)allows 10 *per cent* rebate in the rate of development charges on industrial plot measuring minimum of 10000 square meter (sqm) for setting up an industry in non-saturated industrial areas. The Rule also allows an additional rebate of 0.5 *per cent* per 1000 sqm over and above 10000 sqm subject to a maximum rebate of 25 *per cent*.

We noticed (October 2013) that Trivedi Corporation Private Limited (21 April 2011) and J.D. Metalloys Limited (28 April 2011) applied for allotment of 116717 sqm and 78000 sqm land respectively at Industrial Area Growth Centre, Phase-II, Abu Road. The Competent Committee approved (5 May 2011) allotment of land to Trivedi Corporation Private Limited (Trivedi Corporation) on prevailing rate (₹ 250 per sqm) of development charges and accordingly the unit office made allotment on 19 May 2011. The industrial area was declared saturated after allotment of land to Trivedi Corporation on 23 May 2011. As regards J.D. Metalloys Limited (J.D. Metalloys), the requisite formalities were completed by it on 27 May 2011 and the Competent Committee approved (8 June 2011) allotment at prevailing rate (₹ 250 per sqm) of development charges. The allotment was made by the unit office on 7 July 2011.

We also noticed that the Company did not allow rebate for larger size plot under Rule 3(C) to both the entrepreneurs but on the representation of Trivedi Corporation, it allowed (21 July 2011) rebate only on 82194.57 sqm of the allotted land. The rebate on remaining portion (34522.43 sqm) was not

22 2693 sqm X (₹ 12000-₹ 4950).

allowed as the industrial area became saturated as per norms[23] after considering allotment of 82194.57 sqm of land.

Our scrutiny disclosed that J.D. Metalloys also represented (22 July 2011 and 17 May 2012) to the Company for allowing rebate under Rule 3(C) on the plea that the industrial area was unsaturated at the time of submitting application and the Company had also allowed rebate to Trivedi Corporation. The representations were turned down (22 November 2011 and 1 August 2012) by the Company on the ground that the industrial area was already declared saturated prior to allotment of land. However, on subsequent (30 October 2012) representation, the matter was placed (4 January 2013) before Infrastructure Development Committee (IDC) which allowed rebate to both Trivedi Corporation and J.D. Metalloys under Rule 3(C)on the total area of land allotted to them considering that both the entrepreneurs had filed application before declaration of area as saturated. In case of Trivedi Corporation, the rebate on remaining portion (34522.43 sqm) worked out to ₹ 21.58 lakh while in case of J.D. Metalloys the same was ₹ 48.75 lakh.

We observed that the decisions of the IDC to allow rebate to J.D Metalloys and Trivedi Corporation (on remaining portion) on the basis of date of application was not justified and contrary to the Rule 3(C) as the Competent Committee approved allotment of land after completion of requisite formalities and declaration of the industrial area as saturated. This resulted in undue benefit of ₹ 70.33 lakh to entrepreneurs.

The Government stated (July 2014) that the Board of the Company was empowered to delegate any of the powers to a Committee. The various powers had been delegated to IDC which was fully empowered to amend and relax the existing rules.

The fact remained that the IDC allowed rebate contrary to the Rules which were applicable in the non-saturated industrial areas only. Besides, the IDC *suo-moto* allowed rebate to Trivedi Corporation on the saturated land without any representation by it.

3.8 Systemic lapses in preferential allotments under Rule 3 (W)

Introduction

3.8.1 Rajasthan State Industrial Development and Investment Corporation Limited (Company) is a wholly owned State Government Company engaged in promotion of industrial sector through acquisition of land, building infrastructure and developing industrial areas in various parts of the State. Allotment of land to entrepreneurs is done on 'first come first serve' basis in unsaturated industrial areas. Allotment in saturated industrial areas is done through auction by inviting applications in newspapers. The Company has framed 'RIICO Disposal of Land Rules, 1979' (Disposal Rules) which governs the provisions regarding allotment of land to entrepreneurs.

The Company considering the time consuming process in allotment of land to the entrepreneurs proposing big investments or NRIs/PIOs[24] or projects

23 An industrial area is declared saturated after allotment of 90 *per cent* of the saleable land.

24 NRIs stands for 'Non-resident Indians' and PIOs stands for 'Persons of Indian Origin'.

involving foreign direct investment, adopted (30 April 2007) a preferential policy *i.e.* Rule 3 (W), under which the allotment of land in following cases in the industrial areas falling in Jaipur and NCR[25] was to be made by dispensing with the requirement of invitation of expression of interest through advertisement in newspapers:

- Project having investment of ₹ 20 crore and above;
- Projects being set-up by NRIs/PIOs;
- Projects with 33 *per cent* or more FDI in total investment; and
- Allotment of land for IT industry (manufacturing and software development).

To attract good industrial projects/investments in other regions of the State, the Company allowed (October 2010) preferential allotment of land in all the industrial areas/parks developed by the Company in the State.

3.8.2 The powers for preferential allotment of land to particular category of entrepreneurs vested with an in-house Committee of the Company comprising the Managing Director (Head), Financial Advisor, Advisor (Infra), Advisor (A&M), General Manager (Business Promotion) and head of the concerned unit. The powers for allotment of land were subsequently transferred (January 2011) to a sub-committee of Board comprising of Commissioner (Industries), Commissioner (Bureau of Industrial Promotion), Chairman and Managing Director (Rajasthan Financial Corporation) and Managing Director of the Company.

The Company amended Rule 3 (W) from time to time and made 118 preferential allotments involving 813.06 acre land in 24 industrial areas during the period from May 2007 to 31 March 2014 for a proposed investment of ₹ 4557.74 crore. Of 118 allotments, 102 allotments were made on the basis of large investments, eight allotments to NRIs and remaining eight allotments to projects with FDI of 33 *per cent* or more in total investment.

3.8.3 The present study was done (February 2014 to May 2014) to ensure that allotment of land was made to eligible applicants in accordance with Disposal Rules and proper action was taken against the entrepreneurs for breach of the terms and conditions.

Audit findings

Non-observance of procedures in allotments of land

3.8.4 The proposals for preferential allotment of land under Rule 3 (W) were initially evaluated by the Additional General Manager (Finance) and the Business Promotion (BP) cell and forwarded to the in-house committee of the Company empowered for making allotment. Subsequently, the Company revised (January 2011) the system of scrutiny/appraisal of applications for preferential allotments and the Business Promotion, Finance and Project & Design Cells were endowed with the responsibility of appraisal of proposals as regards eligibility under Rule 3 (W); cost of project; justification of land

25 National Capital Region.

requirement for the project; credentials of the promoters and statutory permission for establishment of the project in the industrial area.

We noticed that the designated cells pointed out various shortcomings in the proposals submitted by the entrepreneurs for preferential allotment of land. However, in-house committee/sub-committee empowered for land allotment did not give cognizance to the shortcomings and made preferential allotment of land to the entrepreneurs. The shortcomings mainly pertained to excess demand of land than required as per proposed project, investment below the minimum level of investment required for allotment, prohibition of establishment of the project in particular industrial area by the Government, submission of inflated value of plant and machinery, un-reliable/non-availability of the details regarding FDI, project not covered in the object clause of Memorandum of Association submitted by the entrepreneur, *etc.* Further, the appraisal was deficient in some cases and the Company also overlooked the system of appraisal of proposals and made allotments to the entrepreneurs.

The shortcomings highlighted by the designated appraisal cells/improper appraisals in preferential allotments made by the Company are given in **Annexure-15.**

A case study where the Company made allotment without appraisal of the proposal is discussed below:

Allotment without appraisal of proposal

3.8.5 Rdevis Engineers Private Limited applied (5 June 2012) for allotment of 15960 sqm land at industrial area, Tapukada, Bhiwadi but allotment of land could not be made for want of additional information/documents. The requisite information/documents were submitted on 30 July 2012. In the meantime, another application was received (10 July 2012) from Badve Engineering Limited for same plot and the Managing Director considering the urgency of the applicant submitted (11 July 2012) a proposal to the Chairman for allotment of land. It was also submitted that ex-post facto approval of the Infrastructure Development Committee (IDC) would be obtained in the next meeting. The proposal was approved by the Chairman on the same day without appraisal of the proposed project by the Business Promotion Cell, Finance Division and Project & Design Cell. The application of Rdevis Engineers was rejected (3 August 2012) on the grounds that no plot of the requisite size was available in the industrial area. Allotment of land to Badve Engineering and rejection of the application of Rdevis Engineers was approved by the IDC on 13 August 2012.

The Government stated (October 2014) that the allotment to Badve Engineering Limited was made considering its urgency for allotment of land for their prestigious project. The fact remained that the Chairman of the Company violated the established procedure and IDC made allotment without routing the proposal through the designated cell and the Sub-Committee.

Allotment of additional land beyond competence

3.8.6 The power for allotment of land under Rule 3 (W) was vested in the in-house committee/sub-committee of the Board. The unit offices were required

to evaluate the proposed project and forward applications to the empowered in-house committee/sub-committee for taking decision for allotment of land.

We noticed that the sub-committee allotted 24282 sqm at Patherdi Industrial Area to Gems Cab Industries against its requirement of 36000 sqm land on recommendation of the appraisal cell. Similarly, allotment of 10718 sqm was made to Manoj Cables Private Limited against its requirement of 25000 sqm land.

Our scrutiny disclosed that the unit offices made allotment of additional land to these entrepreneurs (11718 sqm to Gems Cab Industries on 28 July 2007 and 10718 sqm to Manoj Cables Private Limited on 14 August 2008) at industrial area Pathredi, Bhiwadi and to one other entrepreneur (2650 sqm to Caremoli India Private Limited on 25 March 2011) at Agro Food Park, Boranada without assessing their requirement and approval of the competent committee.

The Government stated that allotment of additional/excess land was made by the unit office as per their competency in accordance with general provisions of Disposal Rules. The reply is not correct as the preferential allotment of land is governed by Rule 3 (W) of the Disposal Rules which do not allow the unit offices to allot additional land by violating the established procedures.

Non-implementation of amendment regarding rate of allotment in Rule 3 (W)

3.8.7 The Company makes allotment of plots in saturated industrial areas through auction by inviting applications in newspapers. The policy of preferential allotments, however, allowed allotments on prevailing rate of development charges irrespective of the industrial area being saturated or not. The Company amended (6 January 2011) Rule 3 (W) and rationalised the allotments by fixing rate of allotment in saturated industrial areas as under:

- Average of the prevailing rate of development charges and highest auction rate where allotment has already been done through auction; and
- 1.25 times of the prevailing rate of development charges where no auction has been conducted.

Our scrutiny disclosed that an entrepreneur (Chemical and Minerals Industries) applied (8 December 2010) for allotment of 35817 sqm land at industrial area Boranada phase IV and the Company offered (22 February 2011) allotment at ₹ 1775 per sqm on the basis of average of the prevailing rate of development charges and highest auction rate. However, the Entrepreneur did not agree to the rate of allotment and made representation (22 February 2011) to the Company for allotment of land on prevailing rate (₹ 700 per sqm) of development charges as the same was applicable on the date of application. On further representation (29 March 2011) to the Chief Minister's Office, the IDC kept the decision in abeyance and formed a sub-group to give its recommendations on the issue. Further, it was decided to make allotment on pre-revised rates till the recommendations of the sub-group were received. After making (2 June 2011) allotment to the Entrepreneur on prevailing rate of development charges, the sub-group relinquished (8 June

2011) its responsibility on the pretext that the IDC had already decided for applicability of pre-revised rates under Rule 3 (W) and therefore, it would not be appropriate to give recommendations. The table given below depicts the events in chronological order showing how the Company went back on its amendment regarding fixation of rates under Rule 3 (W) in saturated industrial areas.

Date	Events in chronological order
6 January 2011	**The Company decided rate of allotment in saturated industrial areas**
22 February 2011	**Offered allotment to the Entrepreneur as per new rates. The Entrepreneur did not agree to the offered rates on the same date**
29 March 2011	**Entrepreneur represented to the Chief Ministers' Office.**
4 May 2011	**The amendment was kept in abeyance and IDC formed a subgroup to review and examine the pricing policy under Rule 3 (W). Further, it was decided to make allotments on pre-revised rates till the recommendations of the sub-group was received.**
2 June 2011	**The empowered sub-group decided to make allotment to the Entrepreneur on pre-revised rates.**
8 June 2011	**The sub-group decided not to review the decision of IDC and did not give any recommendations.**

We observed that the sub-group was formed to review and examine the pricing policy for allotments under Rule 3 (W) and the amendment was withdrawn without being reviewed and without any justifiable reasons.

The shortcoming as regards fixation of rate of allotment under Rule 3 (W) was addressed in the amendment made on 13 February 2014 and it was decided that allotments in the saturated industrial area were to be made at the highest auction rate received for industrial plot in the last one year. In case, where the highest auction rate received was more than one year old but not more than five years, the rate was to be arrived by adding 14 *per cent* interest per annum upto the date of allotment. Further, if no auction had been conducted in the industrial area or the auction was done five years prior to the date of receiving application, the rate of allotment would be fixed by the Reserve Price Fixing Committee headed by the Managing Director.

We observed that the amendment in Rule 3 (W) made in January 2011 provided a justified and rational mechanism for fixing the rate of allotment for making preferential allotments in saturated industrial areas as allotment in normal course of business is made through auction. However, the Company withdrew the amendment which benefited Chemical and Minerals Industries. It is worthwhile noticing that allotment to another entrepreneur (Ecosol Industries Private Limited) whose application was received on 30 October 2010, was made (1 April 2011) on the average of prevailing rate of development charges and highest auction rate.

The Government stated that it was the prerogative of the IDC/BoD to make policies for day to day affairs of the Company and review them in the overall interest of the Company as well as the State. It was further stated that industrial investment was adversely impacted and new entrepreneurs were not willing to pay higher rate of allotment due to applicability of the amended rule.

The reply is not convincing as the prerogative of the IDC/BoD to make and review the policies for day to day affairs of the Company should be transparent and in the interest of the Company. The sub-group/IDC by not implementing the amendment (January 2011) in Rule 3 (W) as regards rate of allotment in saturated industrial areas caused loss of revenue of ₹ 124.41 crore to the Company on 62 allotments made during May 2011 to July 2013 on the prevailing rate of development charges.

Non-recovery of additional cost and retention charges

3.8.8 The Company amended (5 September 2011) Rule 3 (W) to ensure fulfillment of the terms and conditions of allotments by the allottees regarding utilisation of land, investment as per project *etc.* within stipulated/extended period since there was no provision in the Rule 3(W)to ensure time bound utilisation of land as per the project report and make proposed investment. The allottees were required to pay additional development cost of land[26] calculated on the basis of highest auction rate *less* rate of allotment for the allotted area for non-fulfillment of the conditions of allotment. The provision for recovery of additional cost of land was made applicable on allotments made after 1 April 2010. Rule 3 (W) was, however, further amended (13 February 2014) and it was decided that time extension for commencement of production would be allowed by the Managing Director;

- without any charges in case (i) possession of plot could not be handed over by the Company free from encumbrances, (ii) delay in obtaining environmental clearance (EC) subject to allottee having fulfilled all requirements for obtaining EC, (iii) construction could not be commenced due to court stay/pending litigation and (iv) plot is affected substantially due to passing of high-tension power line.
- on payment of additional cost/retention charges for allotments made upto 31 December 2013, in case (i) unit was in production but investment was less than the minimum investment limit, (ii) unit was in production and investment was more than the minimum investment but less than the proposed investment, (iii) unit was under construction but not in production and (iv) unit was under construction but investment was more than the committed investment.

We noticed that out of 118 allotments made by the Company under policy of preferential allotment, only 18 units commenced production as on March 2014. Further, 16 units were under partial production, 34 units under construction and 42 plots were lying vacant as on March 2014. The Company cancelled six allotments due to non-payment of the cost of land while possession of land could not be given to two allottees.

Our analysis disclosed that there were 30 allotments in respect of which the scheduled/extended time period for commencement of production had expired or the minimum/committed investment was not made by the entrepreneurs as on March 2014. Out of these 30 units, five entrepreneurs did not make minimum investment of ₹ 20 crore, seven units were in production but the entrepreneurs did not make the proposed investment, 16 units were under

26 Additional cost of land = Allotted area X (Highest Auction Rate of industrial plot of the industrial area concerned – Rate of Allotment).

construction but had not commenced production and two units made committed investment but were not in production as on March 2014.

The additional cost/retention charges for non-compliance to the terms of investment and commencement of production activities as per the amended (13 February 2014) Rule in respect of 30 entrepreneurs worked out to ₹ 116.32 crore towards additional cost and ₹ 25.41 crore against retention charges.

We noticed that the Company issued show cause notices to the defaulter entrepreneurs but no recovery was made on this account (June 2014).

As regards the amendment (September 2011) for recovery of additional cost of land for non-compliance of the terms and conditions of allotment, we noticed that in 19 allotments, the entrepreneurs did not make utilisation of allotted land and proposed investment upto the date of next amendment in February 2014. The Company issued show cause notices but raised demand of ₹ 55.07 crore towards additional cost of land in four cases only. Further, no recovery was made against the demand raised upto the date of new amendment. The demand for additional cost of land in these 19 cases worked out to ₹ 139 crore **(Annexure-16)**. Inaction on the part of Company to raise demand notices in all cases and non-recovery of additional cost of land for more than two years indicates that the Company was not vigilant to ensure fulfillment of the terms of allotment by the entrepreneurs.

The Government stated that action had been initiated against the defaulter allottees and show cause notices were being issued.

Allotment of land to NRI/PIOs and projects with FDI

3.8.9 The Company initially did not fix investment limit for preferential allotment of land to projects being set-up by NRIs/PIOs and projects with FDI.

In August 2012, the Rule 3 (W) was amended and the minimum investment limit of ₹ 10 crore was fixed for NRI/PIO/FDI projects. The Rule was further amended (February 2014) and the minimum investment limit for these projects was ₹ 10 crore, ₹ 15 crore and ₹ 30 crore for allotment of land upto 10000 sqm, 10001 to 20000 sqm and above 20000 sqm respectively.

Out of 118 preferential allotments, the Company made eight allotments (15561 sqm land) under NRI category during September 2011 to July 2013 for proposed investment (₹ 16.21 crore) ranging between ₹ 0.92 crore and ₹ 6.13 crore. Among eight allotments, six plots (7877 sqm) were lying vacant, one plot (1596 sqm) was under construction and remaining one unit (6088 sqm) was under partial[27] production as on March 2014. The unit (Santech Technology Industries) under construction made investment of ₹ 1.04 crore against proposed investment of ₹ 1.30 crore while the unit (Brothers Fine Garments Private Limited) under partial production made investment of ₹ 4.01 crore against proposal of ₹ 6.13 crore.

27 A unit is categorized under partial production when it commences production but does not make the proposed investment.

(a) All the six[28] entrepreneurs applied (February/March 2012) for preferential allotment of plots at VKIA industrial area (five entrepreneurs) and Ramchandrapura industrial area, Jaipur on prevailing rate of development charges. The Company rejected (June 2012) all the six applications on the grounds of small size investment which ranged between ₹ 1.03 crore to ₹ 2.19 crore and the industrial areas being saturated areas with high market rate. The applicants made representations (July 2012) to the GoR against the decision of the Company on the grounds that there was no ceiling of investment under NRI category and earlier the Company had made allotments to two[29] other applicants in the same industrial areas. The applicants also approached the Rajasthan High Court against the advertisement of the Company to auction plots in these industrial areas and the Court granted (October 2012) stay on the auction proceedings. However, the State Empowered Committee of the State Government rejected the representations of the applicants. The matter was pending for decision in High Court but the Company allotted (May 2013) plots to the applicants without any justification.

The Government stated that initially investment limit was not fixed. However, amendments were made in the Rule looking to the need of the time.

Default in payment of cost of allotted land

3.8.10 The Disposal Rules provided that an entrepreneur seeking allotment of land had to deposit 25 *per cent* cost of land along with the application and the remaining 75 *per cent* amount within 60 days from the date of allotment. The entrepreneur could also opt for the facility of payment of balance amount in installments with interest at the applicable rates. The Company amended (February 2014) the terms of payment under Rule 3 (W) and disallowed payments to be made in installments. The amendment further provided that orders for cancellation of allotment of existing defaulters would be issued in cases (i) where the allottee had not deposited outstanding 75 *per cent* cost of land even after expiry of 180 days, (ii) where the allottee had already defaulted in payment of more than three installments and the plot was lying vacant and (iii) where the plot was lying vacant and scheduled/extended time period had already expired.

We observed that 18 units did not commence construction activities and the plots were lying vacant despite lapse of scheduled/extended date of commencement of production as on March 2014. Further, other 11 allottees to whom plots were allotted during February 2008 to January 2013 defaulted in payment of three or more installments as on March 2014. Out of these 11 allottees, the entrepreneurs had commenced production on two plots while one plot was under construction and eight plots were lying vacant as on March 2014.

Besides, the Company allotted land to Lagnam Spintax (December 2010) and Saileela Syntex (September 2011) at Growth Centre Hamirgarh with the condition that differential development charges would be recovered in case of revision of compensation to land owners. The Company revised (August

28 Khalid industries, Karim industries, Jangir industries, Anand industries, Guru Nanak industries and Max confectioners.

29 Brothers Fine Garments Private Limited and Santech Technology Industries.

2012) the development charges due to enhancement of compensation and raised demand for differential cost of allotted land. However, the payment of ₹ 22 lakh from these entrepreneurs was pending for recovery (September 2014).

We noticed that the Company neither recovered the outstanding cost of land nor took action for cancellation of allotted land as per Rules.

The Government stated that show cause notices had been issued to the defaulter allottees.

Recommendations

We recommend that the Company should ensure to:

- **Make preferential allotment of land to eligible applicants after proper appraisal of the proposed project in accordance with the RIICO Disposal rules in a transparent manner; and**
- **Recover retention charges and additional cost or cancel allotments of defaulter entrepreneurs.**

Rajasthan Rajya Vidyut Prasaran Nigam Limited

3.9 Irregular payment of price variation

The Company made irregular payment of ₹ 3.56 crore to IMP Powers Limited towards price variation by accepting its claims as per new formula in contravention to tender conditions.

Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) invited (April/May 2008) tenders for purchase of various capacity transformers. The Company placed purchase orders (January 2009 and March 2009) on IMP Powers Limited (IMP) for supply of one 40/50 MVA power transformer (TN 2792) and six 100 MVA power transformers (three each under TN 2814 and 2791) respectively. The terms and conditions of the tenders provided that the ex-works prices were variable as per IEEMA[30] price variation (PV) formula with base dates of 1 May 2008 for TN 2792 and 1 April 2008 for TN 2814 and 2791. It was also provided that in case IEEMA changes the PV formula and issues guidelines for adoption of the same during pendency of the contract, the new formula and guidelines would become applicable.

We noticed (June 2013) that IEEMA revised (6 February 2009) the PV formula and made it operational from 1 January 2009 with recommendation to incorporate the new PV clauses in forthcoming contracts/tenders. The IEEMA also mentioned that the basic prices and indices applicable for old PV formula would be published till December 2009.

Our scrutiny disclosed that IMP initially submitted (August 2009) PV claims as per old formula but subsequently (September 2009) requested the Company to ignore the earlier calculations and submitted revised PV calculations as per new formula. The Company sought (10 November 2009) clarification and guidelines from IEEMA regarding applicability of new formula in cases where

30 Indian Electrical and Electronics Manufacturers Association.

the base date for PV was prior to 1 January 2009 and contractual delivery period was after January 2010. The IEEMA clarified (16 November 2009) that new PV formula would not be applicable for the contracts finalised prior to 1 January 2009. It was also clarified that the basic prices/indices for pending contracts with old PV clauses would continue to be published till December 2010. As the clarification did not clearly address the issue, the Company further specifically enquired (27 November 2009) from IEEMA as to which formula was to be applied for tenders (with base date prior to 1 January 2009) opened before 1 January 2009 but finalized after 1 January 2009 and wherein the delivery period would commence from January 2010. The IEEMA clarified (30 November 2009) that only the old PV formula would be effective in this case and the new PV formula could not be applied as the applicable base date prices/indices were not available. The Company on the basis of clarification from IEEMA and provisions of the tenders, finalized the PV claims of various firms[31] including IMP as per old PV formula.

We further noticed that IMP was not satisfied with settlement of PV claims as per old formula and it requested the IEEMA to issue clarification to the Company about applicability of new PV formula. Accordingly, the IEEMA made (21 April 2010) correspondence with the Company wherein it opined that the Company should use new PV formula for contracts/purchase orders entered from 1 January 2009 onwards. As the opinion was contradictory to earlier clarifications, the Company again approached (21 May 2010) IEEMA which clarified (24 May 2010) that its opinion of 30 November 2009 would stand and new PV formula of February 2009 could be used if following conditions were satisfied:

- In case there is a provision in the contract to replace and apply latest version of IEEMA formula during pendency of the contract; and
- If basic prices and indices applicable for latest version of PV formula are available for the period from the base date to contractual date of delivery.

The IMP made representations (January 2011) to the Company suggesting a methodology to calculate PV upto December 2008 as per old formula and thereafter as per new formula for all three purchase orders. It also approached (14 January 2011) the IEEMA with the same methodology to calculate PV. In reply (19 January 2011), the IEEMA stated that the methodology suggested by IMP was correct if the stipulation in the purchase orders for use of new PV formula was to become applicable during pendency of the contract. A copy of the reply was also endorsed to the Company.

On subsequent representations (February, March and July 2011) of IMP, the Company submitted (July 2011) the case before 'CMD Level Purchase Committee' (Committee) with the submissions that (i) in earlier instances the IEEMA while modifying the PV formula had issued guidelines for settlement of pending orders in the modified PV clause itself after stopping publication of indices applicable for old formula. However, in this case the IEEMA had not

31 Bharat Bijlee limited (New Delhi), Kanohar Electricals Limited (Meerut), Vijai Electricals Limited (Hyderabad), Indotech Transformers Limited (Chennai), Telk (Angamally) and Transformers and Rectifiers India limited (Ahmedabad).

issued any guidelines as the modified PV formula was to be applied in forthcoming tenders; (ii) IEEMA had continued publication of indices applicable to the old formula (*i.e.* with effect from 1 June 2003) upto the contractual delivery/actual delivery period of transformers; (iii) PV had been allowed after obtaining clarifications from IEEMA and in case the representation of IMP was accepted, the other firms would also represent for allowing PV as per new formula.

The Committee, however, accepted (October 2012) the PV claims of IMP as per new PV formula on the basis of methodology suggested by IMP. The additional PV claims of IMP for all the three tenders worked out to ₹ 3.56 crore. As regards other firms, the Committee observed that these firms had preferred PV claims based on old formula which had been allowed and thereafter there was no communication from them regarding PV claims as per new formula.

The Company stated (May and October 2014) that two stage methodology adopted in arriving at the PV already existed and was in line with the methodology suggested by IEEMA. The Government endorsed (June and November 2014) the reply of the Company.

The reply is not convincing as the decision of the Committee to accept PV claims of IMP was not justified since the IEEMA had specifically clarified that new formula could not be made applicable due to non-availability of prices/indices for the period covering the base date and contractual date of delivery. Further, the decision would have been justified in case the IEEMA had stopped publication of prices/indices for old formula and issued guidelines for adoption of new formula. However, in the instant case the IEEMA continued publication of prices/indices applicable to old formula upto December 2011 *i.e.* beyond the actual date of delivery of transformers. The Committee also did not even consider the IEEMA's guidelines (15 February 2012) communicating discontinuance of the prices/indices applicable for old formula beyond January 2012.

Rajasthan State Food and Civil Supplies Corporation Limited

3.10 Avoidable payment of interest

The Company had to bear interest of ₹ 58.74 lakh under Sections 234A, 234B and 234C of the Income Tax Act, 1961 due to non-fulfillment of statutory obligations as per Sections 139(1) and 211 of the Act for the assessment years 2012-13 and 2013-14

As per Section 139(1) of the Income Tax Act, 1961 (Act), a company (assessee) is required to file return of total income by 30 September of the assessment year. Further, under Section 208 read with Section 211 of the Act, it is obligatory for an assessee to pay advance tax where the advance tax

payable is ₹ 10000 or more in four quarterly installments[32] (on or before 15 June, 15 September, 15 December and 15 March). In case, return on income is furnished after due date or is not furnished at all, the assessee has to pay simple interest at the rate of one *per cent* on the amount of tax for every month or part of the month under Section 234A of the Act. The assessee is also liable to pay interest for default in payment of advance tax under Section 234B and interest for deferment of advance tax under Section 234C of the Act. Interest under Section 234B is applicable where the assessee, liable to pay advance tax, has not remitted the same or where the advance tax paid is less than 90 *per cent* of assessed tax while interest under Section 234C is applicable where the assessee has underestimated the installments of advance tax.

Our scrutiny disclosed (February 2014) that Rajasthan State Food and Civil Supplies Corporation limited (Company) did not assess income for the financial year 2011-12 (Assessment year 2012-13) and also defaulted in timely payment of advance tax according to Section 211 of the Act. The Company deposited advance tax of ₹ 3.50 crore only in two installments of ₹ 2.50 crore (28 December 2011) and ₹ 1 crore (31 March 2012) against actual tax liability of ₹ 5.67 crore which was belatedly assessed in July 2012. The remaining tax liability of ₹ 1.65 crore was deposited (4 July 2012) including provisional interest payable of ₹ 50.67 lakh excluding advance tax and tax deducted at source. The Company also defaulted in furnishing return as per Section 139(1) and belatedly furnished it on 9 September 2013 against the due date of 30 September 2012 for the assessment year 2012-13. The revised return was furnished on 3 January 2014 wherein the interest of ₹ 10.03 lakh was calculated under Section 234A, ₹ 16.05 lakh under Section 234B and ₹ 20.24 lakh under Section 234C.

Our scrutiny further disclosed that the Company also failed to estimate installments of advance tax for the subsequent assessment year *i.e.*2013-14, and had to bear interest of ₹ 12.42 lakh under Section 234C of the Act.

The Company, therefore, had to bear interest of ₹ 58.74 lakh for the assessment years 2012-13 and 2013-14 due to non-adherence of statutory obligations of Act.

The Company stated (April and September 2014) that the accrued income could not be assessed correctly due to late receipt of information from the District offices and delay in compilation/consolidation owing to manpower constraints. This caused abnormal delay in deposition of income tax and consequential payment of interest. The fact remained that the Company had to bear interest due to non-fulfillment of statutory obligations under Income Tax Act. The Government endorsed (April and September 2014) the reply of the Company.

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32 1st instalment on or before 15 June (Not less than 15 *per cent* of advance tax liability),2nd instalment on or before 15 September (Not less than 45 *per cent* of the advance tax liability after reducing earlier instalment), 3rd instalment on or before 15 December (Not less than 75 *per cent* of the advance tax liability after reducing earlier instalments) and 4th instalment on or before 15 March (The whole amount of advance tax liability after reducing earlier instalments).

3.11 Non-compliance of statutory provisions

The Company paid interest of ₹ 66.90 lakh for delay in deposit of service tax.

Section 69 of the Finance Act, 1994 (Act) read with Rule 4 of the Service Tax Rules, 1994 (Rules) provides that every person liable for payment of service tax shall make an application for registration within a period of thirty days from the date on which the service tax is levied on the service under the Act. Failure to take registration would attract penalty upto ₹ 10000 as per Section 77 of the Act. Further, as per Rule 6 of the Rules, all service providers excluding individuals, proprietary firms and partnership firms are to deposit service tax for each month by fifth day of the following month. In the event of delay, interest at the rate of 18 *per cent* per annum would be payable for the period of delay as per Section 75 of the Act. Moreover, failure to pay service tax would attract penalty of not less than ₹ 100 for each day of failure or two *per cent* of the tax per month whichever is higher, but shall not exceed 50 *per cent* of the tax payable.

We noticed (February 2014) that Rajasthan State Food and Civil Supplies Corporation limited (Company) was incorporated on 8 December 2010 under the Companies Act, 1956 and commenced business from 27 December 2010. The activities of the Company fell under the ambit of service tax. The Company, however, belatedly registered (31 January 2013) itself with the Central Board of Excise and Customs on the belief that the activities of the Company were related to supply of agriculture produce/food grains and were not under the ambit of service tax. The service tax for the year 2011-12 and 2012-13 was deposited along with interest of ₹ 44.60 lakh on 28 February 2013.

We also noticed that the Company calculated interest for delay in deposit of service tax at the rate of 12 *per cent* per annum instead of 18 *per cent* per annum. The short amount of interest of ₹ 22.30 lakh was deposited by the Company on 20 June 2014.

The Company may also have to bear penalty of ₹ 89.20 lakh for failure in payment of service tax in time.

The Company stated (September 2014) that the main function of the Company was to supply or to arrange supply of agricultural produce/food grains/agricultural commodities and hence it was believed that the activities were not liable to be covered under service tax. The Company, therefore, did not register itself with the Service Tax Department. However, the Company after getting advice from the Chartered Accountant firms and the Service tax Authorities got itself registered under service tax and made payments of service tax with interest. The facts remained that the Company paid interest due to delayed payment of service tax. The Government endorsed (September 2014) the reply of the Company.

General Paragraph

3.12 Follow-up action on Audit Reports

3.12.1 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 2012-13 was presented to State Legislature in July 2014. Explanatory notes in respect of the Audit Report 2012-13 have been received from the Government.

Response to Inspection Reports, Draft Paras and Performance Audit

3.12.2 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 2014 pertaining to 35 PSUs disclosed that 2727 paragraphs relating to 741 IRs involving monetary value of ₹ 2756.34 crore remained outstanding at the end of September 2014. Even initial replies were not received in respect of 30 paragraphs of six PSUs. Department-wise break up of IRs and audit observations as on 30 September 2014 is given in **Annexure-17**. In order to expedite settlement of outstanding paragraphs, Audit Committees were constituted in 14 out of 51 PSUs. Forty one Audit Committee meetings were held during 2013-14 wherein position of outstanding paragraphs was discussed with executive/administrative departments to ensure accountability and responsiveness.

Similarly, Draft paragraphs and Performance Audit reports 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 two Draft Paragraphs and one Performance Audit reports forwarded to various departments between August 2014 and October 2014, as detailed in **Annexure-18** had not been replied to so far (31 December 2014).

We recommend that the Government may ensure that: (a) procedure exists for taking appropriate action against the officials who fail to send explanatory notes to paragraphs in Audit Reports and replies to Inspection Reports/Draft Paragraphs/Performance Audit reports, as per the prescribed time schedule; (b) action to recover losses/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 at page 3)

Statement showing particulars[@] of up to date paid-up capital, loans outstanding and manpower as on 31 March 2014 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 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				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	-	-	-	-	-	228
Sector wise total				**6.33**	**1.04**	**0.22**	**7.59**	**-**	**-**	**-**	**-**		**228**
FINANCE SECTOR													
2	Rajasthan Small Industries Corporation Limited	Industries	3-Jun-1961	6.64	0.27	0.05	6.96	3.33	-	5.67	9.00	1.29:1 (0.15:1)	173
3	Rajasthan State Handloom Development Corporation Limited	Industries	3-Mar-1984	45.51	-	0.55	46.06	-	-	0.57	0.57	0.01:1 (0.03:1)	31
4	Rajasthan State Power Finance Corporation Limited	Finance	21-Dec-2012	90.00	-	-	90.00	-	-	-	-	-	11
Sector wise total				**142.15**	**0.27**	**0.60**	**143.02**	**3.33**	**-**	**6.24**	**9.57**		**215**
INFRASTRUCTURE SECTOR													
5	Rajasthan Avas Vikas and Infrastructure Limited[#]	Urban Development and Housing	20-Jun-1996	0.51	-	0.49	1.00	415.00	-	438.30	853.30	853.30:1	115
6	Rajasthan Police Housing & Construction Corporation Limited	Home	22-Jun-2013	0.50	-	-	0.50	-	-	-	-	-	NA
7	Rajasthan State Industrial Development and Investment Corporation Limited	Industries	28-Mar-1969	210.19	-	-	210.19	-	-	-	-	-	924

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Government	Others	Total		
1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	7	8
8	Rajasthan State Road Development and Construction Corporation Limited	Public Works Department	8-Feb-1979	100.00	-	-	100.00	-	-	1262.40	1262.40	12.62:1 (30.94:1)	341
9	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	Local Self Government	1-Dec-2004	33.00	-	-	33.00	-	-	-	-	-	31
Sector wise total				**344.20**	**-**	**0.49**	**344.69**	**415.00**	**-**	**1700.70**	**2115.70**		**1411**
MANUFACTURE SECTOR													
10	Barmer Lignite Mining Company Limited (Subsidiary Joint Company of Sl. No. A(13))	Mines	19-Jan-2007	-	-	20.00	20.00	-	-	1278.89	1278.89	63.94:1 (60.75:1)	5
11	Rajasthan State Beverages Corporation Limited	Finance (Excise)	24-Feb-2005	2.00	-	-	2.00	-	-	-	-	-	159
12	Rajasthan State Ganganagar Sugar Mills Limited	Finance (Excise)	1-Jul-1956	79.80	-	0.04	79.84	0.50	-	-	0.50	0.01:1	1657
13	Rajasthan State Mines and Minerals Limited (Government company since December 1974)	Mining and Petroleum	7-May-1947	77.54	-	0.01	77.55	-	-	-	-	-	1618
14	Rajasthan State Petroleum Corporation Ltd. (Subsidiary of Sl. No. A(13))	Mining and Petroleum	10-Jul-2008	-	-	1.10	1.10	-	-	-	-	-	NIL
15	Rajasthan State Refinery Limited	Mining and Petroleum	14-Sep-2012	5.10	-	-	5.10	-	-	-	-	-	NIL
16	RSPCL-GAIL Gas Limited (Subsidiary of Sl. No. A(13))	Mining and Petroleum	20-Sep-2013	-	-	0.05	0.05	-	-	-	-	-	NIL
Sector wise total				**164.44**	**-**	**21.20**	**185.64**	**0.50**	**-**	**1278.89**	**1279.39**		**3439**
POWER SECTOR													
17	Ajmer Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	3338.99	-	-	3338.99	824.41	177.42	4557.52	5559.35	1.66:1 (2.19:1)	14831
18	Banswara Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	Energy	7-Aug-2008	-	-	0.05	0.05	-	-	-	-	-	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 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				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
19	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	Energy	5-Jul-2010	-	-	0.05	0.05	-	-	-	-	-	NIL
20	Chhabra Power Limited (Subsidiary of Sl. A (29))	Energy	22-Nov-2006	-	-	0.05	0.05	-	-	-	-	-	NIL
21	Dholpur Gas Power Limited (Subsidiary of Sl. A (29))	Energy	22-Nov-2006	-	-	0.05	0.05	-	-	-	-	-	NIL
22	Giral Lignite Power Limited (Subsidiary of Sl. A (29))	Energy	23-Nov-2006	-	-	0.05	0.05	-	-	208.25	208.25	4165:1 (1.26:1)	NIL
23	Jaipur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	3586.42	-	-	3586.42	897.11	-	23611.17	24508.28	6.83:1 (7.63:1)	21923
24	Jodhpur Vidyut Vitran Nigam Limited	Energy	19-Jun-2000	3294.09	-	-	3294.09	778.67	246.54	4782.39	5807.60	1.76:1 (2.07:1)	15539
25	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	Energy	17-Sep-2010	-	-	0.05	0.05	-	-	-	-	-	NIL
26	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	Energy	6-Jan-2011	-	-	0.05	0.05	-	-	-	-	-	NIL
27	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	Energy	6-Jan-2011	-	-	0.05	0.05	-	-	-	-	-	NIL
28	Rajasthan Rajya Vidyut Prasaran Nigam Limited	Energy	19-Jun-2000	2919.00	-	-	2919.00	262.29	-	7923.70	8185.99	2.80:1 (2.85:1)	9300
29	Rajasthan Rajya Vidyut Utpadan Nigam Limited	Energy	19-Jun-2000	6705.59	-	-	6705.59	138.21	-	14396.80	14535.01	2.17:1 (2.02:1)	3798
30	Rajasthan Renewable Energy Corporation Limited	Energy	6-Apr-1995	12.94	-	-	12.94	-	-	10.68	10.68	0.83:1 (3.00:1)	78
31	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(30))	Energy	2-Nov-2011	-	-	0.05	0.05	-	-	-	-	- (20.00:1)	NIL
Sector wise total				**19857.03**	**-**	**0.45**	**19857.48**	**2900.69**	**423.96**	**55490.51**	**58815.16**		**65469**

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				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
SERVICE SECTOR													
32	Bikaner City Transport Services Limited	Local Self Government	7-May-2008	-	-	0.30	0.30	-	-	-	-	-	1
33	Jaipur City Transport Services Limited	Local Self Government	6-Feb-2008	-	-	10.00	10.00	-	-	48.00	48.00	4.80:1 (0.29:1)	1481
34	Jaipur Metro Rail Corporation Limited	Urban Development and Housing	1-Jan-2010	1494.04	-	200.00	1694.04	-	-	-	-	-	536
35	Kota City Transport Services Limited[Ω]	Local Self Government	22-Dec-2006	-	-	0.10	0.10	-	-	-	-	-	NIL
36	RajCOMP Info Services Limited	Information, Technology & Communicati on	27-Oct-2010	5.00	-	-	5.00	-	-	-	-	-	60
37	Rajasthan Civil Aviation Corporation Limited	General Administrative and Civil Aviation	20-Dec-2006	4.49	-	-	4.49	-	-	-	-	-	4
38	Rajasthan Ex-Servicemen Corporation Limited	Sainik Kalyan Department	29-Mar-2012	5.00	-	-	5.00	-	-	-	-	-	5865
39	Rajasthan Medical Services Corporation Limited	Medical, Health and Family Welfare	4-May-2011	5.00	-	-	5.00	40.46	-	-	40.46	8.09:1 (10.78:1)	280
40	Rajasthan Skill and Livelihoods Development Corporation	Labour and Employment	17-Aug-2010	0.05	-	-	0.05	-	-	-	-	-	10
41	Rajasthan State Food & Civil Supplies Corporation Limited	Food, Civil Supplies and Consumer Affairs	8-Dec-2010	50.00	-	-	50.00	39.88	-	-	39.88	0.80:1 (1.10:1)	313

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital[$]				Loans[**] outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				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	Rajasthan State Hotels Corporation Limited	Tourism	7-Jun-1965	2.16	-	-	2.16	10.00	-	-	10.00	4.63:1	70
43	Rajasthan Tourism Development Corporation Limited	Tourism	24-Nov-1978	21.95	-	-	21.95	15.00	-	2.27	17.27	0.79:1 (0.21:1)	1089
44	Rajasthan Veterinary Services Corporation Limited	Animal Husbandry	5-Oct-2013	0.05	-	-	0.05	-	-	-	-	-	NA
45	Udaipur City Transport Services Limited	Local Self Government	8-Jan-2007	-	-	0.30	0.30	-	-	-	-	-	NIL
Sector wise total				**1587.74**	**-**	**210.70**	**1798.44**	**105.34**	**-**	**50.27**	**155.61**		**9709**
Total A (All sector wise working Government companies)				**22101.89**	**1.31**	**233.66**	**22336.86**	**3424.86**	**423.96**	**58526.61**	**62375.43**		**80471**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	Industries	17-Jan-1955	128.31	-	32.42	160.73	-	-	300.00	300.00	1.87:1 (4.09:1)	629
Sector wise total				**128.31**	**-**	**32.42**	**160.73**	**-**	**-**	**300.00**	**300.00**		**629**
SERVICE SECTOR													
2	Rajasthan State Road Transport Corporation	Transport	1-Oct-1964	532.13	26.83	-	558.96	112.90	-	943.67	1056.57	1.89:1 (1.68:1)	21384
3	Rajasthan State Warehousing Corporation	Agriculture	30-Dec-1957	3.93	-	3.92	7.85	70.00	-	11.30	81.30	10.36:1 (1.11:1)	411
Sector wise total				**536.06**	**26.83**	**3.92**	**566.81**	**182.90**	**-**	**954.97**	**1137.87**		**21795**
Total B (All sector wise working Statutory corporations)				**664.37**	**26.83**	**36.34**	**727.54**	**182.90**	**-**	**1254.97**	**1437.87**		**22424**
Grand Total (A + B)				**22766.26**	**28.14**	**270.00**	**23064.40**	**3607.76**	**423.96**	**59781.58**	**63813.30**		**102895**
C. Non working Government companies													
AGRICULTURE & ALLIED SECTOR													

Sl. No.	Sector & Name of the Company	Name of the Department	Date of incorpo-ration	Paid-up Capital$				Loans** outstanding at the close of 2013-14				Debt equity ratio for 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.2014)
				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
1	Rajasthan State Agro Industries Corporation Limited	Agriculture	1-Aug-1969	6.01	-	-	6.01	15.87	-	-	15.87	2.64:1 (0.56:1)	-
2	Rajasthan State Dairy Development Corporation Limited	Dairy	31-Mar-1975	0.16	2.72	-	2.88	-	-	-	-	-	-
Sector wise total				**6.17**	**2.72**	**-**	**8.89**	**15.87**	**-**	**-**	**15.87**	**-**	**-**
MISC. SECTOR													
3	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 C (All sector wise non working Government Companies)				**7.44**	**2.72**	**-**	**10.16**	**15.87**	**-**	**-**	**15.87**		**33**
Grand Total (A + B + C)				**22773.70**	**30.86**	**270.00**	**23074.56**	**3623.63**	**423.96**	**59781.58**	**63829.17**		**102928**

Above includes Section 619-B companies at Sl. No - A- 32, A-33, A-35 & A-45 and Section 25 Company at Sl. No. A-40

@ As per information provided by the PSUs.

$ Paid-up capital includes share application money.

** Loans outstanding at the end of 2013-14 represent long-term loans only.

Ω Company at Sl. No A-35 & 45 did not provide information since 2011 and 2013 respectively. Figures relating to these Companies as shown above are pertaining to 2010-11 and 2012-13 respectively.

Incorporated on 20 June 1996 as Avas Vikas Limited, later converted into a State Government Undertaking on 29 November 2011 as Rajasthan Avas Vikas & Infrastructure Limited also approved by ROC on 21 May 2012.

Annexure – 2

(Referred to in paragraph 1.34 at page 9)

Statement showing 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	2013-14	2014-15	29.46	5.22	2.43	21.81	265.28	Decrease in profit by ₹ 0.85 crore	7.59	94.93	102.52	27.03	26.37
Sector wise total				**29.46**	**5.22**	**2.43**	**21.81**	**265.28**		**7.59**	**94.93**	**102.52**	**27.03**	
FINANCE SECTOR														
2	Rajasthan Small Industries Corporation Limited	2013-14	2014-15	-1.24	0.45	0.40	-2.09	78.28	Increase in loss by ₹ 0.01 crore	6.96	-32.77	-8.74	-1.64	-
3	Rajasthan State Handloom Development Corporation Limited	2012-13	2013-14	0.45	0.05	0.01	0.39	14.18	Increase in profit by ₹ 3.19 crore	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				**-0.86**	**0.50**	**0.41**	**-1.77**	**92.46**		**44.36**	**-85.71**	**-23.58**	**-1.27**	
INFRASTRUCTURE SECTOR														
5	Rajasthan Avas Vikas And Infrastructure Limited	2012-13	2013-14	5.79	0.16	0.78	4.85	78.64	Increase in profit by ₹ 0.81 crore	1.00	11.35	590.71	5.63	0.95
6	Rajasthan Police Housing & Construction Corporation Limited	2013-14	2014-15	-0.04	-	-	-0.04	-	-	0.5	-0.04	0.46	-0.04	-8.70
7	Rajasthan State Industrial Development and Investment Corporation Limited	2013-14	2014-15	133.27	0.02	0.61	132.64	614.74	Decrease in profit by ₹ 3.19 crore	210.19	835.16	1385.59	132.66	9.57
8	Rajasthan State Road Development and Construction Corporation Limited	2012-13	2013-14	69.18	32.95	35.15	1.08	109.46	Decrease in profit by ₹ 2.42 crore	20.00	61.09	697.93	34.03	4.88
9	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	2012-13	2013-14	0.73	0.00	0.06	0.67	0.42	-	33.00	1.42	34.42	0.67	1.95
Sector wise total				**208.93**	**33.13**	**36.60**	**139.20**	**803.26**		**264.69**	**908.98**	**2709.11**	**172.95**	

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
MANUFACTURE SECTOR														
10	Barmer Lignite Mining Company Limited (Susidiary Joint Company of Sl. No. A(13)	2013-14	2014-15	58.14	35.59	12.83	9.72	428.73	-	20.00	0.75	1298.14	45.31	3.49
11	Rajasthan State Beverages Corporation Limited	2013-14	2014-15	11.05	-	0.46	10.59	3539.35	-	2.00	13.42	15.43	10.59	68.63
12	Rajasthan State Ganganagar Sugar Mills Limited	2013-14	2014-15	12.33	0.11	1.78	10.44	676.97	-	79.84	24.51	106.18	10.55	9.94
13	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
14	Rajasthan State Petroleum Corporation Ltd. (subsidiary of Sl No. A(13))	2012-13	2013-14	-0.02	-	-	-0.02	-	-	1.10	-0.83	0.27	-0.02	-7.41
15	Rajasthan State Refinery Limited	2012-13	2013-14	-	-	-	-	-	-	5.10	-	5.11	-	-
16	RSPCL-GAIL Gas Limited	First account not received since inception		-	-	-	-	-	-	-	-	-	-	-
Sector wise total				**761.92**	**43.30**	**72.06**	**646.56**	**5891.74**		**185.59**	**1495.80**	**2971.47**	**689.86**	
POWER SECTOR														
17	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
18	Banswara Thermal Power Company Limited (Subsidiary of Sl. A (28))	2013-14	2014-15	-0.26	-	0.02	-0.28	-	-	0.05	-8.30	-8.25	-0.28	-
19	Barmer Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	2013-14	2014-15	-0.02	1.76	-	-1.78	-	-	0.05	-8.13	-8.08	-0.02	-
20	Chhabra Power Limited (Subsidiary of Sl. A (29))	2013-14	2014-15	-	-	-	-	-	-	0.05	-0.03	0.02	-	-

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	Dholpur Gas Power Limited (Subsidiary of Sl. A (29))	2013-14	2014-15	-	-	-	-	-	-	0.05	-0.03	0.02	-	-
22	Giral Lignite Power Limited (Subsidiary of Sl. A (29))	2012-13	2014-15	-5.62	28.87	37.90	-72.39	49.52	-	0.05	-296.54	-88.24	-43.52	-
23	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
24	Jodhpur Vidyut Vitran Nigam Limited	2012-13	2013-14	-1842.47	2231.42	211.37	-4285.26	5935.88	Increase in loss by ₹ 329.76 crore	2293.84	-17291.42	4505.36	-2053.84	-45.59
25	Keshoraipatan Gas Thermal Power Company Limited (Subsidiary of Sl. No. A(28))	2013-14	2014-15	-0.02	-	-	-0.02	-	-	0.05	-2.00	-1.95	-0.02	-
26	Lake City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	2013-14	2014-15	-0.05	0.02	-	-0.07	-	-	0.05	-0.25	-0.20	-0.05	-
27	Pink City Transmission Service Company Limited (Subsidiary of Sl. No. A(28))	2013-14	2014-15	-0.04	0.02	-	-0.06	-	-	0.05	-0.21	-0.16	-0.04	-
28	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2012-13	2013-14	968.15	624.63	302.24	41.28	2499.84	Decrease in profit by ₹ 256.51 crore	2593.00	-1629.21	8111.95	665.91	8.21
29	Rajasthan Rajya Vidyut Utpadan Nigam Limited	2013-14	2014-15	1014.81	734.37	593.30	-312.86	8401.00	Increase in loss by ₹ 73.26 crore	6705.59	-1377.25	20288.11	421.51	2.08
30	Rajasthan Renewable Energy Corporation Limited	2013-14	2014-15	32.28	1.03	12.47	18.78	35.60	-	12.94	102.53	119.21	19.81	16.62
31	Rajasthan Solarpark Development Company Limited (Subsidiary of Sl. No. A(30))	2013-14	2014-15	0.44	-	-	0.44	-	-	0.05	0.28	0.33	0.44	133.33
Sector wise total				**-2649.04**	**8306.95**	**1722.19**	**-12678.18**	**29680.74**		**16719.48**	**-56511.82**	**39453.92**	**-4371.23**	
SERVICE SECTOR														

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
32	Bikaner City Transport Services Limited	2013-14	2014-15	0.02	-	-	0.02	-	-	0.30	0.08	0.38	0.02	5.26
33	Jaipur City Transport Services Limited	2013-14	2014-15	-41.59	-	7.47	-49.06	65.40	Decrease in loss by ₹ 10.00 crore	10.00	-121.97	88.98	-49.06	-55.14
34	Jaipur Metro Rail Corporation Limited	2013-14	2014-15	-12.99	-	0.27	-13.26	-	-	1694.04	-7.34	1805.25	-13.26	-0.73
35	Kota City Transport Services Limited	First account not received since inception		-	-	-	-	-	-	-	-	-	-	-
36	RajCOMP Info Services Limited	2013-14	2014-15	25.91	0.01	0.29	25.61	25.15	-	5.00	22.68	27.68	25.62	92.56
37	Rajasthan Civil Aviation Corporation Limited	2013-14	2014-15	0.02	-	-	0.02	-	-	4.49	-5.86	-1.37	0.02	-
38	Rajasthan Ex-Servicemen Corporation Limited	2013-14	2014-15	0.71	-	0.04	0.67	50.39	-	5.00	0.32	5.32	0.67	12.59
39	Rajasthan Medical Services Corporation Limited	2013-14	2014-15	-9.17	1.28	2.08	-12.53	396.91	-	5.00	-5.59	40.41	-11.25	-27.84
40	Rajasthan Skill and Livelihoods Development Corporation	2013-14	2014-15	-11.98	-	0.13	-12.11	24.57	-	0.05	-13.05	-11.00	-12.11	-
41	Rajasthan State Food & Civil Supplies Corporation Limited	2012-13	2013-14	13.70	-	0.49	13.21	38.43	Decrease in profit by ₹ 1.85 crore	50.00	17.03	67.03	13.21	19.71
42	Rajasthan State Hotels Corporation Limited	2012-13	2013-14	-0.73	0.04	0.16	-0.93	1.35	Increase in loss by ₹ 1.47 crore	2.16	-6.59	-2.84	-0.89	-
43	Rajasthan Tourism Development Corporation Limited	2012-13	2014-15	-7.44	0.74	3.32	-11.50	81.07	Decrease in loss by ₹ .0.19 crore	21.95	-83.61	-52.94	-10.76	-
44	Rajasthan Veterinary Services Corporation Limited	First account not received since inception							-					
45	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

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
Sector wise total				**-43.47**	**2.07**	**14.25**	**-59.79**	**683.28**		**1798.29**	**-203.75**	**1967.35**	**-57.72**	
Total A (All sector wise working companies)				**-1693.06**	**8391.17**	**1847.94**	**-11932.17**	**37416.76**		**19020.00**	**-54301.57**	**47180.79**	**-3540.38**	
B. Working Statutory corporations														
FINANCE SECTOR														
1	Rajasthan Financial Corporation	2013-14	2014-15	45.04	39.78	0.21	5.05	86.84	Decrease in profit by ₹ 28.95 crore	160.73	-129.32	677.27	44.83	6.62
Sector wise total				**45.04**	**39.78**	**0.21**	**5.05**	**86.84**		**160.73**	**-129.32**	**677.27**	**44.83**	
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	2013-14	2014-15	34.89	0.66	3.79	30.44	72.34	Increase in profit by ₹ 1.30 crore	7.85	1.05	200.97	31.10	15.47
Sector wise total				**-189.48**	**66.17**	**47.57**	**-303.22**	**1450.24**		**416.81**	**-1649.83**	**-323.52**	**-237.05**	
Total B (All sector wise working Statutory corporations)				**-144.44**	**105.95**	**47.78**	**-298.17**	**1537.08**		**577.54**	**-1779.15**	**353.75**	**-192.22**	
Grand Total (A + B)				**-1837.50**	**8497.12**	**1895.72**	**-12230.34**	**38953.84**		**19597.54**	**-56080.72**	**47534.54**	**-3732.60**	
C. Non working Government companies														
AGRICULTURE & ALLIED SECTOR														
1	Rajasthan State Agro Industries Corporation Limited	2011-12	2013-14	-0.37	1.26	-	-1.63	-	-	6.01	-50.34	-27.66	-0.37	-
2	Rajasthan State Dairy Development Corporation Limited	2013-14	2014-15	-	-	-	-	-	-	2.88	-0.21	2.66	-	-
Sector wise total				**-0.37**	**1.26**	**-**	**-1.63**	**-**		**8.89**	**-50.55**	**-25.00**	**-0.37**	
MISC SECTOR														
3	Rajasthan Jal Vikas Nigam Limited	2013-14	2014-15	-0.47	-	-	-0.47	-	Increase in loss by ₹ 0.02 crore	1.27	-1.84	-0.56	-0.47	-
Sector wise total				-0.47	-	-	-0.47	-		1.27	-1.84	-0.56	-0.47	
Total C (All sector wise non working Government Companies)				**-0.84**	**1.26**	**-**	**-2.10**	**-**		**10.16**	**-52.39**	**-25.56**	**-0.84**	**-**
Grand Total (A + B + C)				**-1838.34**	**8498.38**	**1895.72**	**-12232.44**	**38953.84**		**19607.70**	**-56133.11**	**47508.98**	**-3733.44**	**-7.86**

¥ 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 at page 4)

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 2014

(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	-	-	13.90	30.73	-	44.63	-	-	-	-	-	-
Sector wise total		**-**	**-**	**13.90**	**30.73**	**-**	**44.63**	**-**	**-**	**-**	**-**	**-**	**-**
FINANCE SECTOR													
2	Rajasthan Small Industries Corporation Limited	-	2.32	-	6.33	-	6.33	-	-	-	-	-	-
3	Rajasthan State Handloom Development Corporation Limited	23.66	-	-	3.19	-	3.19	-	-	-	-	-	-
4	Rajasthan State Power Finance Corporation Limited	75.00	-	-	-	-	-	-	-	-	-	-	-
Sector wise total		**98.66**	**2.32**	**-**	**9.52**	**-**	**9.52**	**-**	**-**	**-**	**-**	**-**	**-**
INFRASTRUCTURE SECTOR													
5	Rajasthan Avas Vikas and Infrastructure Limited	-	215.00	-	-	-	-	-	-	-	-	-	-
6	Rajasthan Police Housing & Consturction Limited	0.50											
7	Rajasthan State Industrial Development and Investment Corporation Limited	-	-	15.37	-	-	15.37	-	-	-	-	-	-
8	Rajasthan State Road Development and Construction Corporation Limited	80.00	-	-	-	-	-	260.37	1244.80	-	-	-	-
Sector wise total		**80.50**	**215.00**	**15.37**	**-**	**-**	**15.37**	**260.37**	**1244.80**	**-**	**-**	**-**	**-**

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)
MANUFACTURE SECTOR													
9	Rajasthan State Beverages Corporation Limited	-	-	-	0.38	-	0.38	-	-	-	-	-	-
10	Rajasthan State Ganganagar Sugar Mills Limited	43.00	-	-	0.47	-	0.47	-	-	-	-	-	-
Sector wise total		**43.00**	**-**	**-**	**0.85**	**-**	**0.85**	**-**	**-**	**-**	**-**	**-**	**-**
POWER SECTOR													
11	Ajmer Vidyut Vitran Nigam Limited	910.18	-	3.59	1845.11	-	1848.70	10392.09	23828.47	-	-	-	-
12	Jaipur Vidyut Vitran Nigam Limited	901.57	-	-	469.30	0.29	469.59	5142.48	23399.96	-	-	-	-
13	Jodhpur Vidyut Vitran Nigam Limited	1000.25	-	-	2935.71	-	2935.71	9247.61	22382.46	-	-	-	-
14	Rajasthan Rajya Vidyut Prasaran Nigam Limited	326.00	-	-	2.61	-	2.61	814.00	7816.04	204.42	-	-	204.42
15	Rajasthan Rajya Vidyut Utpadan Nigam Limited	740.00	-	-	0.03	-	0.03	850.00	1580.37	-	-	-	-
16	Rajasthan Renewable Energy Corporation Limited	-	-	4.68	6.00	3.00	13.68	-	-	-	-	-	-
Sector wise total		**3878.00**	**-**	**8.27**	**5258.76**	**3.29**	**5270.32**	**26446.18**	**79007.30**	**204.42**	**-**	**-**	**204.42**
SERVICE SECTOR													
17	Jaipur City Transport Services Limited	-	-	-	-	16.48	16.48	-	-	-	-	-	-
18	Jaipur Metro Rail Corporation Limited	447.00	-	-	-	-	-	-	-	-	-	-	-
19	Rajasthan Civil Aviation Corporation Limited	-	-	-	-	-	-	-	-	-	2.62	-	2.62
20	Rajasthan Medical Services Corporation Limited	-	3.56	-	140.00	-	140.00	-	-	-	-	-	-

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 Skill and Livelihoods Development Corporation	-	-	-	50.00	-	50.00	-	-	-	-	-	-
22	Rajasthan State Food & Civil Supplies Corporation Limited	-	-	75.75	212.88	-	288.63	-	-	-	-	-	-
23	Rajasthan State Hotels Corporation Limited	-	10.00	-	-	-	-	-	-	-	-	-	-
24	Rajasthan Tourism Development Corporation Limited	-	15.00	-	-	-	-	-	1.28	-	-	-	-
25	Rajasthan Veterinary Services Corporation Limited	0.05	-	-	-	-	-		-				
Sector wise total		**447.05**	**28.56**	**75.75**	**402.88**	**16.48**	**495.11**	**-**	**1.28**	**-**	**2.62**	**-**	**2.62**
Total A (All sector wise working Government companies)		**4547.21**	**245.88**	**113.29**	**5702.74**	**19.77**	**5835.80**	**26706.55**	**80253.38**	**204.42**	**2.62**	**-**	**207.04**
B. Working Statutory corporations													
FINANCE SECTOR													
1	Rajasthan Financial Corporation	25.00	-	-	6.00	-	6.00	-	300.00	-	-	-	-
Sector wise total		**25.00**	**-**	**-**	**6.00**	**-**	**6.00**	**-**	**300.00**	**-**	**-**	**-**	**-**
SERVICE SECTOR													
2	Rajasthan State Road Transport Corporation	150.00	112.90	-	23.79	-	23.79	175.00	675.00	-	-	-	-
3	Rajasthan State Warehousing Corporation	-	70.00	-	-	1.41	1.41	-	-	-	-	-	-
Sector wise total		**150.00**	**182.90**	**-**	**23.79**	**1.41**	**25.20**	**175.00**	**675.00**	**-**	**-**	**-**	**-**
Total B (All sector wise working Statutory corporations)		**175.00**	**182.90**	**-**	**29.79**	**1.41**	**31.20**	**175.00**	**975.00**	**-**	**-**	**-**	**-**
Grand Total (A + B)		**4722.21**	**428.78**	**113.29**	**5732.53**	**21.18**	**5867.00**	**26881.55**	**81228.38**	**204.42**	**2.62**	**-**	**207.04**
C. Non working Government companies													
AGRICULTURE & ALLIED SECTOR													

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)
1	Rajasthan State Agro Industries Corporation Limited	-	0.20	-	-	-	-	-	-	-	-	-	-
Sector wise total		**-**	**0.20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total C (All sector wise non working Government Companies)		**-**	**0.20**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Grand Total (A + B + C)		**4722.21**	**428.98**	**113.29**	**5732.53**	**21.18**	**5867.00**	**26881.55**	**81228.38**	**204.42**	**2.62**	**-**	**207.04**

Annexure–4
(Referred to in paragraph 1.24 at page 7)

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	Grant/ Subsidy	Loan Converted into Equity	Loan repayment written off	
1	Ajmer Vidyut Vitran Nigam Limited	2012-13	2428.81	2013-14	910.18	-	1845.11	-	-	2755.29
2	Jaipur Vidyut Vitran Nigam Limited	2012-13	2684.85	2013-14	901.57	-	469.30	-	-	1370.87
3	Jodhpur Vidyut Vitran Nigam Limited	2012-13	2293.84	2013-14	1000.25	-	2935.71	-	-	3935.96
4	Rajasthan Avas Vikas and Infrastructure Limited	2012-13	1.00	2013-14	-	215.00	-	-	-	215.00
5	Rajasthan Rajya Vidyut Prasaran Nigam Limited	2012-13	2593.00	2013-14	326.00	-	2.61	-	204.42	533.03
6	Rajasthan State Food & Civil Supplies Corporation Limited	2012-13	50.00	2013-14	-	-	212.88	-	-	212.88
7	Rajasthan State Handloom Development Corporation Limited	2012-13	22.40	2013-14	23.66	-	3.19	-	-	26.85
8	Rajasthan State Hotels Corporation Limited	2012-13	2.16	2013-14	-	10.00	-	-	-	10.00
9	Rajasthan State Power Finance Corporation Limited	2012-13	15.00	2013-14	75.00	-	-	-	-	75.00
10	Rajasthan State Road Development and Construction Corporation Limited	2012-13	20.00	2013-14	80.00	-	-	-	-	80.00
11	Rajasthan State Road Transport Corporation	2012-13	408.96	2013-14	150.00	112.90	23.79	-	-	286.69
12	Rajasthan Tourism Development Corporation Limited	2012-13	21.95	2013-14	-	15.00	-	-	-	15.00
13	Rajasthan Veterinary Services Corporation Limited	First account not received since inception			0.05	-	-	-	-	0.05
Total			**10541.97**	**-**	**3466.71**	**352.90**	**5492.59**	**-**	**204.42**	**9516.62**

Annexure-5
(Referred to in paragraph 1.34 at page 9)

Statement showing financial position of Statutory Corporations

Rajasthan State Road Transport Corporation

(₹ in crore)

Particulars	2011-12	2012-13	2013-14
Liabilities			
Capital	220.06	408.96	NA
Borrowings:			
(Government)	-	10.00	NA
(Others)	533.54	675.80	NA
Fund*	5.34	31.63	NA
Trade dues and other current liabilities (including provisions)	638.56	965.09	NA
Total Liabilities	**1397.50**	**2091.48**	NA
Assets			
Gross Block	625.10	618.44	NA
Less: Depreciation	315.72	318.82	NA
Net fixed assets	309.38	299.62	NA
Capital works-in-progress (including cost of chassis)	2.33	0.92	NA
Investment	8.48	4.47	NA
Current assets, loans and advances	74.86	135.59	NA
Accumulated losses	1002.45	1650.88	NA
Total Assets	**1397.50**	**2091.48**	NA
Capital employed	**(-)235.49**	**(-)524.49**	NA

* Including Vehicle replacement reserve fund, Obsolescence reserve, third party liability, Contingency fund, Passenger amenity fund, Debenture redemption fund and excluding Depreciation fund.

Rajasthan Financial Corporation

(₹ in crore)

Particulars	2011-12	2012-13	2013-14
Liabilities			
Paid-up-capital	110.08	135.73	160.73
Share application money	-	-	-
Reserve fund and other reserves and surplus	62.70	268.15	269.15
Borrowings:			
(i) Bonds and debentures	31.50	300.00	300.00
(ii) Fixed deposits	-	-	-
(iii) Industrial Development Bank of India and Small Industries Development Bank of India	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)	69.79	12.45	-
Other liabilities and provisions (including Deposits)	304.12	309.81	306.74
Total Liabilities	**1147.00**	**1066.14**	**1036.62**
Assets			
Cash and Bank balances	32.40	97.22	210.87
Investment	1.10	1.10	1.10
Loans and advances	888.26	731.41	572.48
Net fixed assets	3.12	2.95	3.10
Other assets	91.32	103.36	119.75
Accumulated Losses	130.80	130.10	129.32
Total Assets	**1147.00**	**1066.14**	**1036.62**
Capital employed[@]	**828.06**	**735.62**	**677.27**

[@] 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	2011-12	2012-13	2013-14
Liabilities			
Paid-up-capital	7.85	7.85	7.85
Reserves and Surplus	83.64	98.58	112.73
Borrowings:			
(Government)	-	-	70.00
(Others)	8.71	8.75	10.38
Trade dues and other current liabilities (including provisions)	72.14	65.00	89.56
Total Liabilities	**172.34**	**180.18**	**290.52**
Assets			
Gross Block	92.42	100.81	126.64
Less: Depreciation	37.25	40.19	43.38
Net fixed assets	55.17	60.62	83.26
Capital works-in-progress	5.87	8.33	51.76
Other non-current assets (Deferred Tax Assets)	6.80	4.16	-
Current assets, loans and advances	104.50	107.07	155.50
Total Assets	**172.34**	**180.18**	**290.52**
Capital employed	**95.04**	**115.18**	**200.97**

Annexure-6
(Referred to in paragraph 1.34 at page 9)

Statement showing working results of Statutory Corporations

1. Rajasthan State Road Transport Corporation

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14
1	**Operating**			
(a)	Revenue	1334.93	1377.90	NA
(b)	Expenditure	1529.06	1772.30	NA
(c)	Surplus/(deficit)	(194.13)	(394.40)	NA
2	**Non-operating**			
(a)	Revenue	63.19	60.74	NA
(b)	Expenditure*	-	-	NA
(c)	Surplus/(deficit)	63.19	60.74	NA
3	**Total revenue**	**1398.12**	**1438.64**	NA
4	**Total expenditure**	**1529.06**	**1772.30**	NA
5	**Profit (+) / loss (-) before Prior Period Adjustment**	**(130.94)**	**(333.66)**	NA
6	Add / (Less): Prior period adjustment	0.05	-	NA
7	**Net Profit / (Loss)**	**(130.89)**	**(333.66)**	NA
8	Interest on Capital and loans	60.40	65.51	NA
9	**Total return on capital employed**	**(70.49)**	**(268.15)**	NA

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

2. Rajasthan Financial Corporation

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14
1	**Income:**			
(a)	Interest from operations	128.03	111.63	86.84
(b)	Other Income	5.51	12.38	14.19
	Total Income	**133.54**	**124.01**	**101.03**
2	**Expenditure:**			
(a)	Interest on long term loans	70.72	35.69	39.78
(b)	Other expenses	57.92	75.44	47.29
	Total Expenditure	**128.64**	**111.13**	**87.07**
3	**Profit before tax**	**4.90**	**12.88**	**13.96**
4	Provision for tax	(0.37)	(5.02)	(3.27)
5	Other Provisions	1.35	(4.46)	(8.91)
6	Amount available for dividend	5.88	3.40	1.78
7	Dividend	-	-	-
8	**Total return on capital employed**	**76.98**	**44.11**	**44.83**
9	**Percentage of return on capital employed**	**9.30**	**6.00**	**6.62**

3. Rajasthan State Warehousing Corporation

(₹ in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14
1	**Income:**			
(a)	Warehousing charges	43.17	53.35	72.34
(b)	Other income	7.89	6.61	6.15
	Total Income	**51.06**	**59.96**	**78.49**
2	**Expenses:**			
(a)	Establishment charges	24.79	28.86	33.82
(b)	Other expenses	8.02	9.02	14.64
	Total Expenditure	**32.81**	**37.88**	**48.46**
3	**Profit(+)/loss(-) before tax (1-2)**	**18.25**	**22.08**	**30.03**
4	Other appropriations	15.31	19.57	26.22
5	Amount available for dividend	2.94	2.51	3.81
6	Dividend for the year	1.96	2.36	2.36
7	**Total return on capital employed**	**18.12**	**22.41**	**31.10**
8	**Percentage of return on capital employed**	**19.07**	**19.46**	**15.47**

Annexure-7
(Referred to in paragraph 2.1.8 at page 22)
Statement showing the financial position and working results of the Company during the period from 2009-10 to 2013-14

Financial position

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Sources of fund					
Share Capital	12.94	12.94	12.94	12.94	12.94
Reserves and Surplus	44.39	64.81	80.81	91.72	102.88
Long term borrowings	68.24	55.95	39.28	21.01	3.38
Deferred tax liability	24.30	29.73	29.00	29.24	29.11
Other long term liabilities	30.14	3.48	8.55	12.96	86.55
Trade payables	3.98	4.61	6.00	3.99	5.72
Other current liabilities	47.74	51.82	110.40	175.90	110.70
Short-term provisions	7.79	7.49	13.08	5.89	10.80
Total	**239.52**	**230.83**	**300.06**	**353.65**	**362.08**
Application of funds					
Fixed Assets	162.61	150.72	147.08	135.54	123.96
Other non-current assets	0.00	0.01	0.73	0.82	1.22
Trade receivables	3.75	2.94	8.52	6.28	5.60
Cash & cash equivalents	61.86	61.84	83.36	133.39	174.56
Short term loans and advances	11.30	10.28	21.04	10.15	11.18
Other current assets	0.00	5.04	39.33	67.47	45.56
Total	**239.52**	**230.83**	**300.06**	**353.65**	**362.08**

Working Results

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Income					
Income from operations	47.06	58.05	47.64	37.96	35.60
Other incomes	4.15	6.27	5.57	8.48	15.62
Total (A)	**51.21**	**64.32**	**53.21**	**46.44**	**51.22**
Expenditure					
Employee benefits	2.99	2.91	3.44	4.44	5.41
Finance costs	6.46	8.13	7.11	6.01	2.57
Depreciation and amortization Expenses	9.84	12.11	12.13	12.43	12.47
Other Expenses	6.27	5.26	5.29	5.16	5.67
Total (B)	**25.56**	**28.41**	**27.97**	**28.04**	**26.12**
Operating profit (C = A-B)	25.65	35.91	25.24	18.40	25.10
Exceptional and extraordinary items (D)	**1.08**	1.75	4.26	2.58	6.33
Profit/Loss(-) before Tax (C-D)	**24.57**	**34.16**	**20.98**	**15.82**	**18.77**
Tax expenses	10.29	12.24	3.47	3.41	6.10
Profit after tax/Loss(-)	**14.28**	**21.92**	**17.51**	**12.41**	**12.67**

Annexure-8
(Referred to in paragraph 2.1.22 at page 32)

Statement showing transfer of project capacity and processing fee to another projects in violation of the policy provisions and non-recovery of processing fee

Rajasthan Sun Technique Energy Private Limited
Rajasthan Sun Technique Energy Private Limited (RSE) for establishment of 400 MW Solar Thermal Power Project at Dhursar (Jaisalmer) was registered (21 December 2010) under Policy 2004 along with processing fee of ₹ 1 crore plus service tax. Another developer Dahanu Solar Power Private Limited (DSP) also applied (26 May 2011) for setting up of 100 MW SPV Project at Dhursar (Jaisalmer) for third party sale of power under open access. On request of RSE, the Company transferred (30 June 2011) 100 MW capacity of SPV project with processing fee of ₹ 25 lakh in the name of DSP. The Company registered DSP under new Registration without recovery of processing fee of ₹ 50 lakh. Similarly, Reliance Green Power Private Limited (RGP) applied (24 August 2012) for registration for setting up 300 MW Solar PV project under policy-2011 and requested to transfer 300 MW capacity already registered. The same was approved (31 August 2012) by the Company and it changed the name of developer under the same registration number without receiving processing fees of ₹ 1.50 crore (₹ 50000/MW X 300 MW excluding Service Tax).
Kiran Energy Solar Power Limited
Kiran Energy Solar Power Limited (KES) for 50 MW Solar Thermal Power Project was registered (1 February 2011) (Registration No. S/616/2004) along with processing fee of ₹ 12.50 lakh plus service tax under Policy 2004. Another developer Solarfield Energy Two Private Limited (SET) also applied (22 February 2012) for setting up of 20 MW SPV Project under Phase I Batch II of NSM and stated that SET was a 100 *per cent* subsidiary of KES and the designated SPV for the 20 MW SPV Project under Phase I Batch II of NSM. The KES requested (12.03.2012) the Company to transfer the registration of 20 MW along with processing fee in SET name. The Company, contrary to the provisions to the Policy, approved (5 April 2012) the same and registered SET for 20 MW without recovering processing fees amounting to ₹ 10 lakh under new Registration No. S/616A/2004.
Nidhi Power and Infrastructure Limited
Nidhi Power & Infrastructure Ltd (NPIL) was registered (December 2009) (No.S/97/2004) for setting up of 100 MW solar power plant at Jodhpur District with processing fees of ₹ 25 lakh. Clause 14 of policy 2011 provided that there would be ceiling of 50 MW capacity for allotment of land in initial phase and in case SPP had registered for more than 50 MW, allotment of additional land should only be made after utilization of land allotted earlier. NPIL, however, represented (22 January 2010) the Company to allot entire 275 hectares of land for their 100 MW project against the policy provisions. In view of fact that the entire land could not

be allotted to it, the NPIL submitted (February 2010) that it had changed the plan to go for 50 MW plant in Global Power Infra Limited (GPIL) and another 50 MW in NPIL. Though the transfer of project capacity was not permissible under policy 2004, yet the Company irregularly allotted (10 February 2010) the new registration no. S/146/2004 to GPIL without recovery of processing fee of ₹ 12.50 lakh and irregular adjustment of the processing fees for 50 MW from already deposited processing fees for 100 MW. Thus, the desired 275 hectare land was ultimately allotted (29 July 2010) to NPIL by splitting the capacity between NPIL & GPIL and that too without payment of processing fee for 50 MW project of GPIL.
North Delhi Power Limited In five cases of North Delhi Power Limited, Bhanu Solar Projects Private Limited, MMS Steel & Power Private Limited, Chenab Securities and GMR Rajmundry, the Company irregularly transferred project capacity which was not permissible under policy 2004 and policy 2011 without recovery of processing fee of ₹ 87.50 lakh and irregularly adjusted processing fees from already deposited processing fees. As the processing fees from one project to other project cannot be adjusted as per policy, the Company was to recover new processing fees amounting to ₹ 87.50 lakh which was not recovered causing loss to the Company.

Annexure-9

(Referred to in paragraph 2.1.33 at page 39)

Statement showing details of sanctions issued by the MNRE and status of implementation of the RVEP during 2010-11 to 2012-13

Year	Scheme	Date of sanction	No. of villages/Hamlet	No. of DLS	Status of work	CFA to be provided (₹)	CFA released (₹)	CFA pending for release (₹)
2010-11 (A)	Remaining beneficiaries of 2005-06 and 2006-07	8 March 2010	141	2337	Completed	24877365	17414155	7463210
2010-11 (B)	RVE-2010-11	15 September 2010	90	10213	Completed (December 2011)	105953305	81485537	24467768
2012-13	RVE 2012-13	19 March 2012	13	391	Completed	3363481	2354437	1009044
Total								**32940022**

Annexure-10
(Referred to in paragraph 2.2.1 at page 51)

Statement showing contribution of Rock Phosphate, Limestone, Gypsum, Lignite and other activities to the total revenue and profits during 2009-10 to 2012-13

(₹ in crore)

Particulars	2009-10					2010-11					2011-12				
	Rock Phosphate	Lime stone	Gypsum	Lignite	Others	Rock Phosphate	Lime stone	Gypsum	Lignite	Others	Rock Phosphate	Lime stone	Gypsum	Lignite	Others
Operational Revenue	519.09	114.27	120.94	123.12	36.71	658.01	132.69	157.85	81.47	48.14	767.84	153.47	167.40	129.01	55.91
Other Revenue	6.37	3.31	0.66	6.86	4.49	8.92	2.41	2.71	10.92	2.97	12.07	1.89	1.57	18.31	2.76
Other Unallocablle Revenue	-	-	-	-	15.48	-	-	-	-	18.91	-	-	-	-	30.07
Increase /decrease in stock	9.01	(3.30)	(0.89)	-	(0.08)	8.02	2.04	1.40	-	-	-	-	-	-	-
Total Revenue (A)	**534.47**	**114.28**	**120.71**	**129.98**	**56.60**	**674.95**	**137.14**	**161.96**	**92.39**	**70.02**	**779.91**	**155.36**	**168.97**	**147.32**	**88.74**
Total Expenditure (B)	**474.17**	**102.84**	**61.77**	**106.52**	**39.08**	**520.71**	**121.13**	**65.77**	**65.17**	**62.36**	**523.22**	**128.73**	**79.18**	**95.58**	**52.99**
Segment Results(A)-(B)	60.30	11.44	58.94	23.46	17.52	154.24	16.01	96.19	27.22	7.66	256.69	26.63	89.79	51.74	35.75
Other Unallocable Expenditure	-	-	-	-	24.81	-	-	-	-	26.94	-	-	-	-	31.52
Operating Profit	**60.30**	**11.44**	**58.94**	**23.46**	**(7.29)**	**154.24**	**16.01**	**96.19**	**27.22**	**(19.28)**	**256.69**	**26.63**	**89.79**	**51.74**	**4.23**
Interest and financial charges	-	-	-	-	0.27	-	-	-	-	1.55	-	-	-	-	12.21
Profit before tax	**60.30**	**11.44**	**58.94**	**23.46**	**(7.56)**	**154.24**	**16.01**	**96.19**	**27.22**	**(20.83)**	**256.69**	**26.63**	**89.79**	**51.74**	**(7.98)**

Particulars	2012-13					Grand total				
	Rock Phosphate	Limestone	Gypsum	Lignite	Others	Rock Phosphate	Limestone	Gypsum	Lignite	Others
Operational Revenue	687.68	130.08	168.36	207.95	52.62	2632.63	530.50	614.55	541.55	193.38
Other Revenue	14.55	2.41	2.77	12.65	6.75	41.90	10.02	7.72	48.74	16.96
Other Unallocablle Revenue	-	-	-	-	42.14	-	-	-	-	106.61
Increase /decrease in stock	-	-	-	-	-	17.03	-1.26	0.51	-	-0.08
Total Revenue (A)	**702.23**	**132.49**	**171.13**	**220.60**	**101.51**	**2691.56**	**539.26**	**622.78**	**590.29**	**316.87**
Total Expenditure (B)	**484.99**	**109.06**	**74.53**	**155.36**	**45.25**	**2003.08**	**461.76**	**281.25**	**422.64**	**199.67**
Segment Results(A)-(B)	217.24	23.43	96.60	65.24	56.26	688.48	77.50	341.53	167.65	117.20
Other Unallocable Expenditure	-	-	-	-	30.73	-	-	-	-	114.00
Operating Profit	**217.24**	**23.43**	**96.60**	**65.24**	**25.53**	**688.48**	**77.50**	**341.53**	**167.65**	**3.20**
Interest and financial charges	-	-	-	-	7.60	-	-	-	-	21.63
Profit before tax	**217.24**	**23.43**	**96.60**	**65.24**	**17.93**	**688.48**	**77.50**	**341.53**	**167.65**	**(18.43)**

Annexure-11
(Referred to in paragraph 2.2.25 at page 68)

Statement showing excess expenditure incurred due to grinding of Gypsum from Ballar unit instead of CGG unit

(***Quantity in MT***)

Year	Contracted quantity of Gypsum powder at CGG unit	Actual production of gypsum powder at CGG Unit	Short production of Gypsum powder (3-2)	Rate of Gypsum grinding at CGG unit (₹ per MT)	Rate of Gypsum grinding at Ballar unit (₹ per MT)	Excess rate (₹ per MT) (6-5)	Excess expenditure (In ₹) (4 X 7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
2009-10	100000.00	70128.00	29872.00	61.00	108.00	47.00	1403984.00
2010-11	100000.00	17602.00	82398.00	61.00	108.00	47.00	3872706.00
2011-12	100000.00	45045.50	54954.50	61.00	127.00	66.00	3626997.00
2012-13	100000.00	47190.50	52809.50	108.00	127.00	19.00	1003380.50
2013-14	100000.00	36049.00	63951.00	108.00	127.00	19.00	1215069.00
Total							**11122136.50**

Annexure-12
(Referred to in paragraph 2.3.1 at page 84)
Statement showing Circle wise and category wise number of consumers

Sl. No.	Category of consumers	Alwar	Baran	Bharatpur	Bundi	Dausa	Dholpur	Jaipur City	Jaipur District	Jhalawar	Karauli	Kota	Sawai Madhopur	Tonk	Total
1	Domestic services	363188	110457	212599	104049	124716	67389	565474	380271	114361	100793	231016	130837	149287	2654437
2	Non-domestic services	36246	8709	18542	9597	12715	4659	124409	36716	7965	7626	33971	10608	11290	323053
3	Public Street Lighting services	385	35	187	80	73	20	1455	345	77	20	543	91	74	3385
4	Agricultural Metered supply	91322	26202	21024	22975	34958	5718	2816	73509	31462	20201	23621	19889	11949	385646
5	Agricultural Flat rate tariff	2579	706	1562	47	2461	145	185	28601	85	1179	82	732	185	38549
6	Agricultural Nursery services	4	30	5	11	23	1	14	93	12	4	17	1	3	218
7	Agricultural Poultry services	66	1	0	1	0	1	47	17	0	0	40	2	1	176
8	Small Industrial Power (SIP)	7547	1145	3573	1271	2348	2204	9318	6943	1811	2238	3091	1775	1621	44885
9	Medium Industrial Power (MIP)	1872	66	509	151	260	330	3084	1697	573	169	2032	65	208	11016
10	SIP (Water Works)	2138	262	898	265	615	178	2700	4170	90	627	305	457	727	13432
11	MIP (Water Works)	32	3	45	7	13	4	25	33	42	12	22	14	18	270
12	LIP (Water Works)	6	2	3	3	4	8	58	5	5	2	6	2	9	113
13	Mixed load	953	577	501	685	218	70	331	1353	675	343	787	527	714	7734
14	Traction	0	2	2	2	0	0	0	0	0	1	1	2	0	10
15	Large Industrial Power (LIP)	1075	22	142	49	48	45	686	514	17	3	124	12	75	2812
Grand Total		**507413**	**148219**	**259592**	**139193**	**178452**	**80772**	**710602**	**534267**	**157175**	**133218**	**295658**	**165014**	**176161**	**3485736**
Percentage to Total consumer		**14.56**	**4.25**	**7.45**	**3.99**	**5.12**	**2.32**	**20.39**	**15.33**	**4.51**	**3.82**	**8.48**	**4.73**	**5.05**	

Annexure-13

(Referred to in paragraph 3.2.4 at page 108)

Statement showing highest and lowest percentage of defective meters in Domestic, Agriculture, Industrial and Other category during 2010-13

Year	Category							
	Domestic		Agriculture		Industrial		Others	
	Highest	Lowest	Highest	Lowest	Highest	Lowest	Highest	Lowest
2010-11	30.33 (Jhunjhunu)	5.60 (Chittorgarh)	43.98 (Jhunjhunu)	0.23 (Ajmer)	3.50 (Sikar)	0.01 (Ajmer)	10.15 (Jhunjhunu)	2.15 (Bhilwara)
2011-12	32.59 (Chittorgarh)	3.14 (Banswara)	57.14 (Jhunjhunu)	0.21 (Ajmer City)	6.34 (Sikar)	0 (Chittorgarh)	15.50 (Chittorgarh)	0.48 (Rajasmand)
2012-13	24.58 (Chittorgarh)	2.94 (Ajmer City)	61.32 (Chittorgarh)	0.32 (Ajmer City)	13.13 (Sikar)	0 (Chittorgarh)	22.68 (Sikar)	1.95 (Ajmer District)

Source: Standards of performance submitted to RERC for the years 2010-11, 2011-12 and 2012-13.

Annexure-14

(Referred to in paragraph 3.4.2 at page 116)

Statement showing minimum monthly targets fixed for the officers of CVW squad and O & M wing for the year 2012-13 and 2013-14

Checking Officer	Checking (in numbers)		Theft detection (in numbers)		Assessment (₹ in lakh)		Realisation (₹ in lakh)		FIRs (in numbers)	
	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14
Corporate Vigilance Wing squad										
Executive Engineer	120	50	70	35	8.00	8.00	6.00	6.00	10	5
Assistant Engineer	120	50	70	35	8.00	8.00	6.00	6.00	10	5
Junior Engineer	120	50	70	35	8.00	8.00	6.00	6.00	10	5
O&M wing										
Executive Engineer	30	15	10	10	1.00	1.00	0.60	0.60	4	2
Assistant Engineer	50	15	20	10	1.00	1.00	0.60	0.60	6	2
Junior Engineer	30	15	10	10	1.00	0.80	0.60	0.60	4	2

Annexure-15
(Referred to in paragraph 3.8.4 at page 126)

Statement showing shortcomings pointed out by the appraisal cells/improper appraisal in preferential allotments made by the in-house committee/sub-group

Proec Energy Limited (Growth Center II Abu Road)
The entrepreneur combined four different projects with different products, processes and raw materials to inflate the requirement of the land. Later on, production was commenced for one product only and request was made to limit the investment upto ₹ 20 crore than the committed investment of ₹ 43.39 crore. The request was pending (June 2014) for approval.
The Government stated (September 2014) that the IDC had decided that in case the allottee restricts the minimum investment upto ₹ 20 crore, then he had have to surrender the proportionate land. The fact remained that the appraisal of the proposal was not proper as the committee did not give cognizance to the fact that the intention of the allottee was to get allotment of excess land by combining of four projects. Further, no evidence of the proposed investment or surrender of proportionate land was made available.
Diptylal Judgemal (Tapukada, Bhiwadi)
The Company rejected the application of the entrepreneur twice for allotment of land adjacent to an already existing plot on the grounds that the objective was merely to get allotment of additional land instead of enhancing the capacity of existing project. Further, the appraisal cells observed that the portion of existing plot was sub-let by the entrepreneur and the plot in demand was under dispute with the land owner. However, on subsequent request of the Entrepreneur, the Company made (February 2012) allotment of the desired adjacent plot on the condition that it would be the responsibility of the allottee to settle dispute with the land owner.
The Government stated (September 2014) that the allottee had already established the project. The reply is not convincing as the objective was merely to get allotment of additional land instead of enhancing the capacity of existing project. The committee did not consider the fact that the allottee has sub-let a portion of an earlier allotted plot.
URB India Bearing Factory and Trading (Growth Center II Abu Road)
Application (5 June 2012) for 86000 sqm was deferred (10 October 2012) by the Committee for want of quotations, justification of land requirement and details of constructions. In revised quotations, the proposed investment in the Indian currency was not shown and the quotations were one year older. Further, details of investor (Romanian Company) and other promoters was not provided. The Company made (April 2013) allotment of 55032 sqm land on the basis of revised quotations.
The Government stated (September 2014) that allotment of land was under FDI. The fact remained that the appraisal of the project was not as per norms.

Rajtech Automotives (Patherdi, Bhiwadi II)

The Unit office assessed requirement of only 10000 sqm land against the demand of 20000 sqm land by the applicant. The Company, however, allotted 15000 sqm land without justification.

The Government stated (September 2014) that allotment of land was under FDI. The reply did not address the issue as the Company made excess allotment of land than the recommendation made by the unit office.

Supreme Hi-Fidelity (Patherdi Bhiwadi)

The requirement of 12000 sqm land was approved (5 November 2007) by Committee. However, on representation of the applicant the allotment was revised (23 April 2008) to 27000 sqm by the committee without justification for requirement of additional land.

The Government stated (September 2014) that allotment of additional land was done on the representation of the applicant. The fact remained that additional allotment of land was made without any justification.

J. D. Metalloys (Growth Center II Abu Road)

The proposed industry fall under Red category under list of EIA Notification 2006. Further, the BP Cell justified allotment of only 40000 sqm land against allotment of 78000 sqm.

The Government stated (September 2014) that 35 percent of the allotted land was to be kept as green belt. The fact remained that allotment was made despite the fact that establishment of said industry was not permitted in the area by the Government.

Motherson Sumi System Limited (Patherdi, Bhiwadi II)

The Company made (27 November 2007) allotment to Motherson Sumi System Limited (20000 sqm) and Motherson Automotives (20000 sqm). We noticed that appraisal was not proper as Motherson Automotives was a unit of Motherson Sumi System. Later, both the plots were merged by the Company on the request (10 August 2008) of the applicant that both the units were same.

The Government stated (September 2014) that allotment against two applications and subsequent merger was approved by the competent authority. The reply is not acceptable as the appraisal cells failed to take into account that both units were same and the intention of applicant was to get allotment by inflating the demand on the basis of two applications.

Central Linen (Pathredi, Bhiwadi)

The Company made (August 2012) allotment of 6168 sqm land for establishing a Laundry which was not a manufacturing industry to be established in Garment zone. Further, the proposed unit was water consuming and banned (2009) by the Government for establishment in the area.

The Government stated (September 2014) that the land was allotted considering the project being allied to the garment industry. The fact remained that establishment of said industry was banned by the Government.

Mah Impex Private Limited (Kaharani Bhiwadi) The Company made (June 2012) allotment of 25000 sqm land despite the proposed industry fall under Red Category. Further, proposed activity was not covered under object clause of the company. The Government stated (September 2014) that allotment was made with the condition that allottee would obtain necessary NOC/clearances from the competent authority before commencement of production. The fact remained that establishment of said industry was banned by the Government and was not covered under object clause of the entrepreneur company.
Super Gold Spintex (Mandpiya, Bhilwara) The applicant initially applied (7 May 2010) for allotment of 15000 sqm land out of 35 bigha undeveloped land at Mandpiya, Bhilwara. However, the application was revised (16 August 2010) for allotment of entire 35 bigha land due to withdrawal of application by another applicant (Vijay laxmi Texfab). The revised application was accepted without justification and project report from the entrepreneur for additional demand of land. The Government stated (September 2014) that allotment of entire land of 35 bigha was made on revised application for the project cost of ₹ 30 crore. The reply is not acceptable as the Company made excess allotment of land than requirement.
Sunglow Suiting's Private Limited (Raila, Bhilwara) The requirement of 20000 sqm land was assessed against the demand of 50000 sqm by the entrepreneur for the proposed project, however, committee allotted 45240 sqm. The Government stated (September 2014) that allotment of 45240 sqm land was made considering the built up area of 16000 sqm. The reply is not acceptable as the appraisal cell recommended only 20000 sqm land for the project.

Annexure-16
(Referred to in paragraph 3.8.8 at page 130)

Statement showing demand raised for additional cost from the entrepreneurs

S.No.	Name of Entrepreneur	Name of Industrial Area	Date of allotment	Area (in sqm)	Prevailing Rate of allotment (₹ per sqm)	Rate of Allotment (₹ per sqm)	Highest Auction Rate (₹ per sqm)	Schedule date of commencement of production	Status of plot as on March 2014	Additional Cost to be recovered (In ₹ lakh)
1	Brothers Fine Garments Pvt.Ltd.	Bijay Nagar, Ajmer	09.09.2011	6088.00	400	400	No Auction	09.09.2013	Partly production	6.09
2	Fin Project India Pvt. Ltd.	EPIP Sitapura, Phase-III	10.05.2011	21430.00	4500	3803	8750	09.05.2013	Partly production	1060.25
3	H&H Industries Pvt. Ltd.	Pathredi Bhiwadi-II	28.09.2010	36000.00	3100	2387	3195	27.12.2012	Vacant	290.88
4	Indo Auto Techm Ltd.	Tapukara, Bhiwadi-II	20.07.2011	30209.00	3600	3600	5710	19.07.2013	Partly production	637.41
5	Ready Roti India Pvt. Ltd.	Sarekhurd, Bhiwadi-II	27.09.2011	27395.00	800	800	No Auction	26.09.2013	Partly production	54.79
6	Suncity Sheets Pvt. Ltd.	Phase-IV, Boranada	16.11.2010	49800.00	700	700	2850	14.12.2013	Partly production	1070.70
7	Dhabaria Aglomerit Pvt. Ltd.	Ramchandrapura, Sitapura Extn.	25.08.2011	18351.50	4500	4500	No Auction	31.12.2013	Partly production	206.45
8	Stride Auto Part Ltd.	Kaharani, Bhiwadi-I	25.05.2011	59699.30	4000	3000	7012	24.05.2013	Under Construction	2395.13
9	B. K. Gears Pvt. Ltd.	Kaharani, Bhiwadi-I	15.11.2011	6000.00	4000	4000	7012	14.11.2013	Vacant	180.72

S.No.	Name of Entrepreneur	Name of Industrial Area	Date of allotment	Area (in sqm)	Prevailing Rate of allotment (₹ per sqm)	Rate of Allotment (₹ per sqm)	Highest Auction Rate (₹ per sqm)	Schedule date of commencement of production	Status of plot as on March 2014	Additional Cost to be recovered (In ₹ lakh)
10	Shri Sanmati Copper Pvt. Ltd.	Kaharani, Bhiwadi-I	15.11.2011	11988.00	4000	4000	7012	15.11.2013	Vacant	361.08
11	Trans Power Components India Pvt. Ltd.	Kaharani, Bhiwadi-I	23.01.2012	11557.00	4000	4000	7012	22.01.2014	Vacant	348.10
12	Windsor Cable Pvt. Ltd.	Kaharani, Bhiwadi-I	23.01.2012	7500.00	4000	4000	7012	22.01.2014	Vacant	225.90
13	HSIL Ltd.	Kaharani, Bhiwadi-I	11.04.2011	37730.00	4000	3000	7012	11.10.2013	Vacant	1513.73
14	OCL IRON & Steel Ltd. (ARON)	Kaharani, Bhiwadi-I	25.05.2011	57588.80	4000	3000	7012	24.05.2013	Under construction	2310.46
15	Novus Forge & Cast Pvt. Ltd.	Kaharani, Bhiwadi-I	07.02.2012	8140.00	4000	4000	7012	07.02.2014	Partly production	245.18
16	Proec Energy Ltd.	Growth Centre Phase-II, Abu Road	27.06.2011	52057.00	250	250	1851	26.06.2013	Partly production	833.43
17	J. D. Metallaoys	Growth Centre Phase-II, Abu Road	07.07.2011	78000.00	250	193.5	1851	06.07.2013	Vacant	1292.85
18	METSO Mineral Ltd. (SP-4-3, SP-3-4)	Matasya south(Extn.), Alwar	05.07.2011	116451.00	1200	900	No Auction	04.07.2013	Vacant	698.70
19	Ecosol Industries Ltd.	Matasya south(Extn.), Alwar	01.04.2011	25784.00	1200	1851	2501	30.05.2013	Under construction	167.60
Total										**13899.45**

Annexure-17
(Referred to in Paragraph 3.12.2 at page 138)

Statement showing lack of responsiveness to Inspection Reports

Sl. No.	Name of PSU	Outstanding Inspection Reports and Paragraphs			1st compliance not received			Compliance not received for more than two years		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
1	Ajmer Vidyut Vitran Nigam Limited	83	447	65.10	-	-	-	-	-	-
2	Barmer Lignite Mining Company Limited	3	9	141.61	-	-	-	-	-	-
3	Bikaner City Transport Services Limited	1	1	0.30	-	-	-	-	-	-
4	Chabara Power Limited	4	16	2.55	-	-	-	-	-	-
5	Dholpur Gas Power Limited	4	15	3.15	-	-	-	-	-	-
6	Giral Lignite Power Limited	4	15	1.94	-	-	-	-	-	-
7	Jaipur City Transport Services Limited	2	6	6.53	-	-	-	-	-	-
8	Jaipur Metro Rail Corporation Limited	2	13	30.67	-	-	-	-	-	-
9	Jaipur Vidyut Vitran Nigam Limited	65	220	91.07	-	-	-	-	-	-
10	Jodhpur Vidyut Vitran Nigam Limited	74	380	80.40	-	-	-	-	-	-
11	Kota City Transport Services Limited	2	3	9.83	1	1	9.83	-	-	-
12	Rajasthan Avas Vikas and Infrastructure Limited	1	22	634.07	-	-	-	-	-	-
13	Rajasthan Civil Aviation Corporation Limited	3	5	0.55	-	-	-	-	-	-
14	Rajasthan Financial Corporation	51	130	241.54	-	-	-	-	-	-
15	Rajasthan Medical Services Corporation Limited	2	15	379.37	-	-	-	-	-	-
16	Rajasthan Rajya Vidyut Prasaran Nigam Limited	70	279	178.03	-	-	-	-	-	-
17	Rajasthan Rajya Vidyut Utpadan Nigam Limited	53	208	39.64	-	-	-	-	-	-
18	Rajasthan Renewable Energy Corporation Ltd.	5	21	3.32	-	-	-	-	-	-
19	Rajasthan Skill and Livelihoods Development Corporation	2	16	45.30	-	-	-	-	-	-

Sl. No.	Name of PSU	Outstanding Inspection Reports and Paragraphs			1st compliance not received			Compliance not received for more than two years		
		No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)	No. of outstanding IRs	No. of outstanding paragraphs	Monetary value (₹ in crore)
20	Rajasthan Small Industries Corporation Limited	21	67	15.14	2	3	0.02	-	-	-
21	Rajasthan State Beverages Corporation Limited	4	6	3.04	-	-	-	-	-	-
22	Rajasthan State Food & Civil Supplies Corporation Limited	2	16	14.94	-	-	-	-	-	-
23	Rajasthan State Ganganagar Sugar Mills Limited	10	18	8.12	-	-	-	-	-	-
24	Rajasthan State Handloom Development Corporation Limited	1	5	0.09	-	-	-	-	-	-
25	Rajasthan State Hotels Corporation Limited	7	18	3.05	2	6	0.67	-	-	-
26	Rajasthan State Industrial Development and Investment Corporation Limited	64	160	114.84	-	-	-	-	-	-
27	Rajasthan State Mines and Minerals Limited	13	60	27.75	1	8	1.71	-	-	-
28	Rajasthan State Petroleum Corporation Ltd.	2	4	0.04	-	-	-	-	-	-
29	Rajasthan State Road Development and Construction Corporation Limited	34	99	71.59	2	6	2.68	-	-	-
30	Rajasthan State Road Transport Corporation	73	217	52.36	-	-	-	-	-	-
31	Rajasthan State Seeds Corporation Limited	19	63	19.90	-	-	-	-	-	-
32	Rajasthan State Warehousing Corporation	5	18	16.98	-	-	-	-	-	-
33	Rajasthan Tourism Development Corporation Limited	50	126	33.66	-	-	-	-	-	-
34	Rajasthan Urban Infrastructure Finance and Development Corporation Limited	4	23	418.81	-	-	-	-	-	-
35	Udaipur City Transport Services Limited	1	6	1.06	1	6	1.06	-	-	-
Total		**741**	**2727**	**2756.34**	**9**	**30**	**15.97**	**-**	**-**	**-**

Annexure-18
(Referred to in Paragraph 3.12.2 at page 138)

Statement showing the department wise Draft Paragraphs/Performance Audits 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	Ajmer Vidyut Vitran Nigam Limited	-	2	August 2014 and October 2014
		Rajasthan Renewable Energy Corporation Limited	1	-	October 2014
Total			**1**	**2**	

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