

Chapter I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2005, there were 21 Government companies (16 working companies and five^{\$} non-working companies*) and three working Statutory corporations as against 23 Government companies (16 working companies and seven non-working companies) and three Statutory corporations as on 31 March 2004 under the control of the State Government. The accounts of the 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 provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of the Statutory corporations are as shown below:

Sl. No.	Name of the corporation	Authority for audit by the CAG	Audit arrangement
1.	Rajasthan State Road Transport Corporation (RSRTC)	Section 33(2) of the Road Transport Corporations Act, 1950	Sole audit by CAG
2.	Rajasthan Financial Corporation (RFC)	Section 37(6) of the State Financial Corporations Act, 1951	Audit by Chartered Accountants and supplementary audit by CAG
3.	Rajasthan State Warehousing Corporation (RSWC)	Section 31(8) of the State Warehousing Corporations Act, 1962	Audit by Chartered Accountants and supplementary audit by CAG

The State Government had formed the Rajasthan Electricity Regulatory Commission (RERC) and its audit is entrusted to the CAG, under Section 104(2) of the Electricity Act, 2003[#].

^{\$} Two non-working companies closed on 29 March 2004 (Rajasthan Rajya Van Vikas Nigam Limited) and 23 December 2003 (Rajasthan State Electricity Corporation).

^{*} Non-working companies/corporations are those, which are under the process of liquidation/closure/merger, etc.

[#] Erstwhile Electricity Regulatory Commissions Act, 1998 replaced by the Electricity Act, 2003.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

1.2 As on 31 March 2005, the total investment[#] in 19 working PSUs (16 Government companies and three Statutory corporations) was Rs.13,805.85 crore* (equity: Rs.3714.86 crore; long-term loans^{**}: Rs.10053.29 crore and share application money: Rs.37.70 crore) as against total investment of Rs.14064.83 crore (equity: Rs.3183.53 crore; long-term loans: Rs.10699.19 crore and share application money: Rs.182.11 crore) as on 31 March 2004 in 19 working PSUs (16 Government companies and three Statutory corporations). The particulars of investments in the working PSUs have been given in **Annexure - 1**. An analysis of investment in PSUs is given in the following paragraphs.

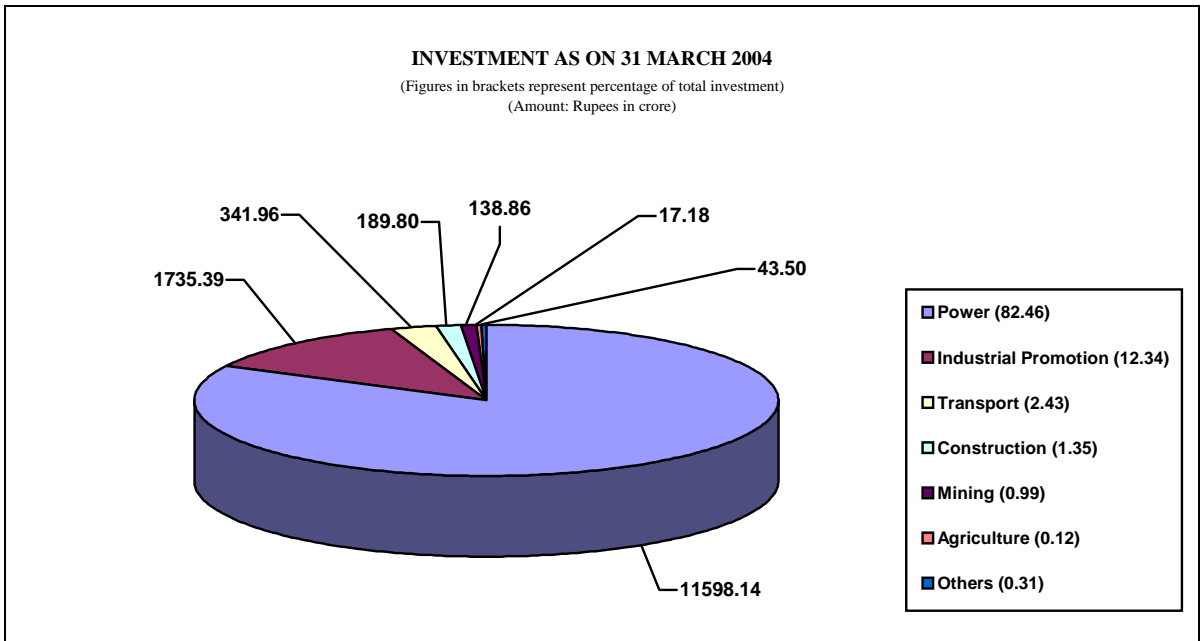
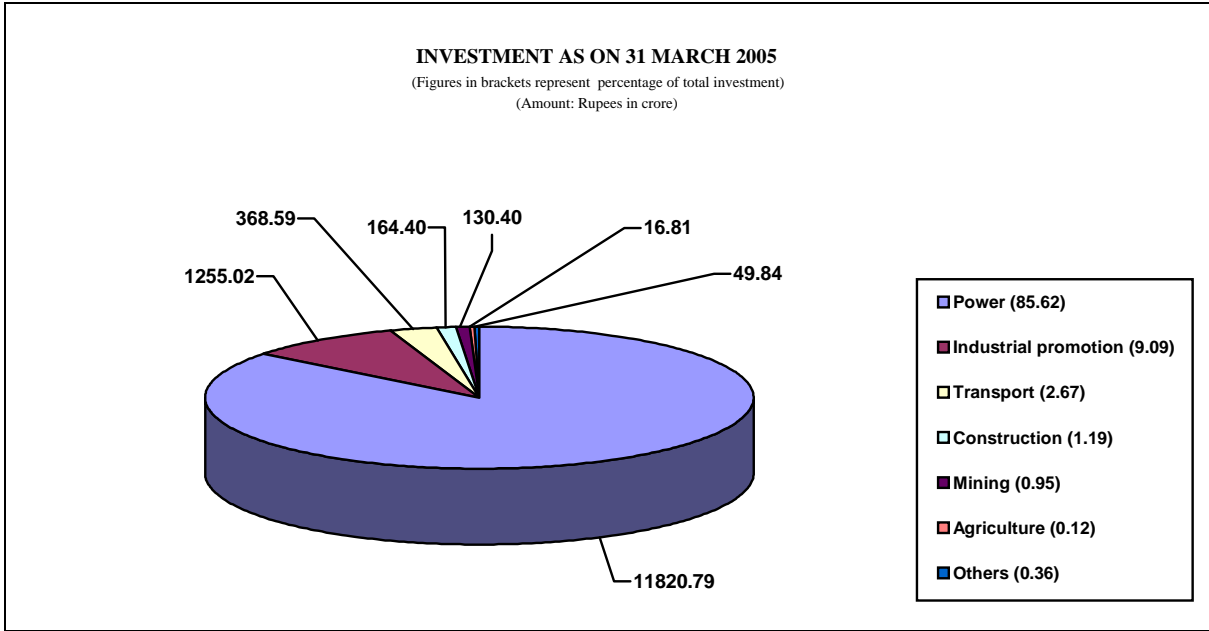
Figures are as furnished by the companies/corporations.

* State Government's investment in working PSUs was Rs.4952.48 crore (others: Rs.8853.37 crore). Figures as per finance accounts 2004-05 is Rs.5465.07 crore. The difference is under reconciliation.

** Long-term loans excludes interest accrued and due on loans.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2005 and 31 March 2004 are indicated in the pie charts.



Working Government companies

1.3 Total investment in working Government companies at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Year	No. of companies	Equity	Share application money	Loans	Total
2003-04	16	2888.09	182.11	9996.96	13067.16
2004-05	16	3419.43	23.70	9290.66	12733.79

As on 31 March 2005, the total investment of working Government companies comprised 27.04 per cent of equity capital and 72.96 per cent of loans as compared to 23.50 and 76.50 per cent respectively as on 31 March 2004.

Working Statutory corporations

1.4 The total investment in three working Statutory corporations at the end of March 2004 and March 2005 was as follows:

(Amount: Rupees in crore)

Name of corporation	2003-04		2004-05	
	Capital	Loan	Capital	Loan
Rajasthan State Road Transport Corporation	220.06	121.90	220.06	148.53
Rajasthan Financial Corporation	67.52	579.86	81.52 (14.00)	613.99
Rajasthan State Warehousing Corporation	7.85	0.48	7.85	0.11
Total	295.43	702.24	309.43 (14.00)	762.63

(Figures in bracket indicate share application money)

As on 31 March 2005, the total investment of working Statutory corporations comprised 28.86 per cent of equity capital and 71.14 per cent of loans as compared to 29.61 and 70.39 per cent respectively as on 31 March 2004.

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

1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of working Government companies and Statutory corporations are given in **Annexures-1** and **3**.

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to 2004-05 are indicated below:

(Amount: Rupees in crore)

	2002-03		2003-04				2004-05			
	Companies		Companies		Corporations		Companies		Corporations	
	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.	No.	Amt.
Equity Capital	7	333.85	8	305.11	1	112.11	9	372.92	1	14.00
Loans	6	143.85	4	711.57	-	-	2	52.90	-	-
Grant/Subsidy towards:										
(1)Projects/ programmes/ schemes	9	432.46	10	995.81	1	4.63	10	1105.20	-	-
(2)Others	-	-	-	-	-	-	-	-	-	-
Total (1+2)	9	432.46		995.81	1	4.63	10	1105.20	-	-
Total outgo		910.16		2012.49		116.74		1531.02		14.00

During the year 2004-05, Government had guaranteed loans aggregating Rs.2711.14 crore obtained by six working Government companies. As on 31 March 2005, guarantees amounting to Rs.11152.15 crore against eight working Government companies (Rs.10888.10 crore) and one working Statutory corporation (Rs.264.05 crore) were outstanding, as against Rs.10584.48 crore in 10 working Government companies (Rs.10224.43 crore) and two working Statutory corporation (Rs.360.05 crore) outstanding as on 31 March 2004. The guarantee commission paid/payable to Government by seven Government companies and two Statutory corporations during 2004-05 was Rs.8.75 crore and Rs.2.91 crore respectively.

Finalisation of accounts by working PSUs

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

It can be seen from **Annexure-2** that only 12 out of 16 working Government companies and two out of three working Statutory corporations had finalised their accounts for the year 2004-05 (up to September 2005). During the period from October 2004 to September 2005, five working Government companies and one Statutory corporation finalised accounts for the previous years.

The accounts of four working Government companies and one Statutory corporation were in arrears for one year as on 30 September 2005.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in **Annexure-2**. Besides, statements showing the financial position and working results of individual working Statutory corporations for the latest three years, for which accounts were finalised, are given in **Annexures-4** and **5** respectively.

According to the latest finalised accounts of 16 working Government companies and three working Statutory corporations, three companies and one corporation had incurred an aggregate loss of Rs.3.87 crore and Rs.37.62 crore respectively eight companies and two corporations earned an aggregate profit of Rs.175.70 crore and Rs.13.80 crore respectively while five power sector companies, incorporated in 2000-01, have not shown any profit/loss in the accounts finalised for the year 2004-05 as per provisions of financial restructuring plan.

Working Government companies

Profit earning working companies and dividend

1.8 Six working Government companies (Sl. No.2, 3, 6, 7, 8 and 11 of **Annexure 2**), which finalised their accounts for 2004-05 by September 2005, earned an aggregate profit of Rs.174.15 crore and declared dividend of Rs.21.34 crore. The dividend as a percentage of share capital in the above six profit earning companies worked out to 7.31 *per cent*. The total return by way of the above dividend worked out to 0.62 *per cent* in 2004-05 on total equity investment of Rs.3447.20 crore by the State Government in all Government companies as against 0.53 *per cent* in 2003-04.

Similarly, out of five working Government companies, which finalised their accounts for previous years by September 2005, three companies earned an aggregate profit of Rs.3.22 crore. These companies, however, did not declare dividend. Only two companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the three loss incurring working Government companies, Rajasthan State Handloom Development Corporation Limited had accumulated loss of Rs.38.58 crore up to March 2004, which exceeded its paid-up capital of Rs.6.15 crore and Rajasthan State Hotels Corporation Limited had accumulated loss of Rs.2.01 crore upto March 2004, which exceeded its paid-up capital of Rs.1.07 crore.

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Out of three Statutory corporations, two corporations finalised their accounts for 2004-05. Rajasthan Financial Corporation earned profit of Rs.4.68 crore and Rajasthan State Warehousing Corporation earned profit of Rs.9.12 crore and declared dividend of Rs.78.53 lakh.

Loss incurring Statutory corporations

1.11 Out of three Statutory corporations, Rajasthan State Road Transport Corporation finalised accounts for 2003-04 by September 2005 and incurred a loss of Rs.37.62 crore. The accumulated loss of Rs.340.86 crore exceeded the paid up capital of Rs.220.06 crore. Rajasthan Financial Corporation (though earned profit during the year 2004-05) had accumulated loss of Rs.68.83 crore against its paid-up capital of Rs.81.52 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the working Statutory corporations is given in **Annexure-6**. In case of Rajasthan State Warehousing Corporation, average capacity utilisation decreased from 5 lakh tonne in 2002-03 to 3.17 lakh tonne in 2003-04 and 4.11 lakh tonne in 2004-05.

Return on capital employed

1.13 As per the latest finalised accounts (upto September 2005), the capital employed* worked out to Rs.18,888.32 crore in 16 working companies. Total return thereon amounted to Rs.1,358.80 crore (7.19 per cent) as compared to total return of Rs.1,281.62 crore (7.40 per cent) in the previous year. Similarly, the capital employed and total return thereon in case of three^{\$\$} working Statutory corporations as per their latest finalised accounts (upto September 2005) worked out to Rs.865.07 crore and Rs.60.18 crore (6.96 per cent), respectively against the total return of Rs.48.95 crore (6.87 per cent) in the previous year. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure- 2**.

Power sector reforms

(A) *Status of implementation of Memorandum of Understanding between the State Government and the Central Government*

1.14 In pursuance of the decisions taken at the Chief Ministers' conference on power sector reforms, held in March 2001, a Memorandum of

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

^{\$\$} For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss accounts.

Understanding (MOU) was signed on 23 March 2001 between the Ministry of Power, Government of India (GOI) and Government of Rajasthan (GOR) as a joint commitment for implementation of the reforms programme in power sector with identified milestones. Status of implementation of the reform programme against each commitment made in the MOU is detailed below:

S.No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2005)																		
Commitments made by the State Government																					
1.	Reduction in transmission and distribution losses	20 per cent by 2006-07	46.34 per cent																		
2.	100 per cent metering of all 11 KV distribution feeders	September 2001	<table border="1"> <thead> <tr> <th>Name of the Company</th> <th>11KV feeders to be metered</th> <th>11KV feeders metered upto March 2005.</th> </tr> </thead> <tbody> <tr> <td>JVVNL</td> <td>2903</td> <td>2607</td> </tr> <tr> <td>AVVNL</td> <td>3648</td> <td>3064</td> </tr> <tr> <td>JdVVNL</td> <td>3544</td> <td>2905</td> </tr> </tbody> </table>	Name of the Company	11KV feeders to be metered	11KV feeders metered upto March 2005.	JVVNL	2903	2607	AVVNL	3648	3064	JdVVNL	3544	2905						
Name of the Company	11KV feeders to be metered	11KV feeders metered upto March 2005.																			
JVVNL	2903	2607																			
AVVNL	3648	3064																			
JdVVNL	3544	2905																			
3.	100 per cent electrification of all villages	37,889 villages by 2005	37,425 villages electrified i.e. 98.76%																		
4.	100 per cent metering of all consumers	30 June 2002	No connection of any category is being released without meter. All agricultural connections of Flat rate are being converted to metered category. 147666 consumers have been converted from agriculture flat rate to metered category in urban/rural areas.																		
5.	Securitisation of outstanding dues of Central Public Sector Undertakings	Not given	State Government has securitised following outstanding dues of CPSU's. NTPC-290.00 crore NHPC- 56.98 crore PGCIL- 21.80 crore 368.78 crore Notification was issued by GOR on 18-08-03 for issue of bonds.																		
6.	State Electricity Regulatory Commission (SERC)																				
	(1) Establishment of SERC	-	SERC was formed in January 2000.																		
	(2) Implementation of tariff orders issued by SERC during the year	An order for distribution tariff was to be implemented from January 2005.	The tariff was implemented from May 2005 as the State Government provided subsidy for the period January 2005 to April 2005.																		
Commitments made by the Central Government																					
7.	Supply of additional power	Government will allocate additional power as under: (1) 100 MW from Eastern grid (2) Ministry of Power (MOP) will take immediate steps to restore the special allocation of one-third of the capacity of Anta Grid Power Station.	(1) No firm allocation is made so far (2) No special allocation is made so far.																		
8.	Any other help to be provided. (please specify)	Financial support under the Accelerated Power Development Programme (APDP) to upgrade the transmission and distribution programme and renovation and maintenance of thermal plants	Amount released by the Government of India under APDP is as follows: <table border="1"> <thead> <tr> <th rowspan="2">Year</th> <th colspan="2">Amount in crore</th> <th rowspan="2">Total</th> </tr> <tr> <th>Loan</th> <th>Grant</th> </tr> </thead> <tbody> <tr> <td>2002-2003</td> <td>62.82</td> <td>62.82</td> <td>125.64</td> </tr> <tr> <td>2003-2004</td> <td>109.85</td> <td>109.85</td> <td>219.70</td> </tr> <tr> <td>2004-2005</td> <td>24.245</td> <td>24.245</td> <td>48.49</td> </tr> </tbody> </table>	Year	Amount in crore		Total	Loan	Grant	2002-2003	62.82	62.82	125.64	2003-2004	109.85	109.85	219.70	2004-2005	24.245	24.245	48.49
Year	Amount in crore		Total																		
	Loan	Grant																			
2002-2003	62.82	62.82	125.64																		
2003-2004	109.85	109.85	219.70																		
2004-2005	24.245	24.245	48.49																		
General																					
9.	Monitoring of MOU	Monitoring was required on quarterly basis	Monitoring is done regularly. Last report sent in May 2005.																		

State Electricity Regulatory Commission

1.15 The Rajasthan State Electricity Regulatory Commission (Commission) was formed on 10 January 2000 under Section 17 of the Electricity Regulatory Commissions Act, 1998^s with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. The Commission is a body corporate and comprises three members including a Chairperson who are appointed by the State Government. All expenditure of the Commission is to be charged to Consolidated Fund of the State. The Commission has not finalised its first account so far. During 2004-05, the Commission scrutinised and disposed of 16 petitions.

Non-working PSUs**Investment in non-working PSUs**

1.16 As on 31 March 2005, the total investment in five non-working Government companies was Rs.12.10 crore (equity: Rs.9.45 crore, long-term loans: Rs.2.65 crore) as against total investment of Rs.12.32 crore (equity: Rs.9.62 crore, long-term loans: Rs.2.65 crore and share application money: Rs.5 lakh) in the seven non-working companies as on 31 March 2004. The details of investment in non-working PSUs is given in **Annexure-1**.

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

(Amount: Rupees in crore)

Sl. No.	Status of non-working PSUs	Number of companies	Investment	
			Equity	Long term loans
(1)	Under liquidation	1	0.19	0.21
(2)	Others	4	9.26	2.44
	Total	5	9.45	2.65

^s Since replaced by the Electricity Act, 2003.

Of the above non-working PSUs, one company viz. Rajasthan State Granites and Marbles Limited is under liquidation under Section 560(2) of the Companies Act, 1956 for six years and investment of Rs.40 lakh was involved in this company. Effective steps need to be taken for its expeditious liquidation.

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

1.17 The State Government did not release any fund to non-working companies during the year 2004-05.

Total establishment expenditure of non-working PSUs

1.18 The total establishment expenditure of Rs.25.22 lakh (2002-03: Rs.8.89 lakh; 2003-04: Rs.9.13 lakh; 2004-05 Rs.7.20 lakh) of one non-working company viz. Rajasthan Electronics Limited was financed by its holding company. The remaining non-working companies are not incurring any expenditure towards establishment.

Finalisation of accounts by non-working PSUs

1.19 Out of five non-working companies, three companies finalised their accounts for 2004-05, the accounts of one non-working company was in arrear for one year and one company is under liquidation as on 30 September 2005, as shown in **Annexure-2**.

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Annexure-2**. The net worth of five non-working Government companies was Rs.(-)33.67 crore against their total paid-up capital of Rs.9.45 crore. These companies suffered a cash loss of Rs.1.56 crore and their accumulated loss worked out to Rs.43.44 crore.

Status of placement of Separate Audit Reports on the accounts of Statutory corporations in the Legislature

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations

issued by the CAG in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Rajasthan State Road Transport Corporation	2002-03	2003-04	22.12.2004	N.A.
2.	Rajasthan Financial Corporation	2003-04	-	-	-
3.	Rajasthan State Warehousing Corporation	2003-04	2004-05	27.9.2005	-

Disinvestment, privatisation and restructuring[§] of Public Sector Undertakings

1.22 No disinvestment or privatisation of Public Sector Undertakings has taken place during 2004-05. The management of Rajasthan State Hotels Corporation Limited and Rajasthan Tourism Development Corporation Limited proposed merger of both the companies in February/August 2001. Merger has not, however, taken place (September 2005).

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During the period from October 2004 to September 2005, the accounts of 15 working Government companies and three working Statutory corporations were selected for review. The net impact of the important audit observations as a result of review of the PSUs was as follows:

Details	Government companies				Statutory corporations	
	No of accounts		Rupees in crore		No. of accounts	Rupees in crore
	Working	Non working	Working	Non working	Working	
Decrease in profit	1	-	0.11	-	-	-
Increase in profit	1	-	1.21	-	-	-
Increase in loss	-	-	-	-	1	9.12

[§] Restructuring includes merger and closure of PSUs.

Errors and omissions noticed in case of Government companies

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

***Rajasthan State Road Development & Construction Corporation Limited
2003-04***

1.24 Material at site (Rs.5.87 crore) is overstated by Rs.10.51 lakh, being overvaluation of material (grit, crusher dust) lying at various sites, which has been valued at cost by the Company for Rs.11.27 lakh instead of market value of Rs.0.76 lakh being lower than the cost price. This has resulted in overstatement of work in progress by Rs.10.51 lakh and overstatement of profit of the Company to the same extent.

Rajasthan State Mines and Minerals Limited 2004-05

1.25 Reserve and Surplus has been understated by Rs.1.21 crore being amount paid (Rs.0.51 crore in 2002-03 and Rs.0.70 crore in 2003-04) to Forest Department for diversification and compensation of forest land which is recoverable from RBG Minerals Industries Limited as per MOU. The amount of Rs.1.21 crore was treated as expenditure in 2002-03 and 2003-04. Consequently, amount available for appropriation, reserve and surplus (Rs.1.21 crore) have been understated.

1.26 The Company has not disclosed the fact that due to discontinuance of mining from Kasnau-Mtasukh Mines, an advance of Rs.11.07 crore given to contractor for part excavation of lignite has been charged to mining and other operating expenses during the year.

Errors and omissions noticed in case of Statutory corporations

Rajasthan State Road Transport Corporation (2003-04)

1.27 Loss of the Corporation remained understated by Rs.9.12 crore mainly due to under provision of liability of service tax (Rs.3.04 crore), non-provision of liability despite clarification of Government (Rs.3.24 crore), non-provision of Statutory Liability of Provident Fund on DA arrear (Rs.1.74 crore) and others (Rs.1.10 crore).

Recoveries at the instance of Audit

1.28 Test checks of records of Power sector companies/other PSUs conducted during 2004-05 disclosed wrong fixation of tariffs/non levy/ short levy of tariff/short realisation of revenue or other observations aggregating Rs.1.63 crore in 46 cases. The PSUs/companies accepted the observations pointed out by Audit in 34 cases, and a sum of Rs.9.66 lakh relating to 18

audit observations was recovered. A sum of Rs.79.66 lakh was also recovered in 47 cases, which were pointed out in previous years.

Recommendations for closure of PSUs

1.29 Even after existence of 20 to 42 years, the turnover of five Government companies (working: two and non-working: three) had been less than Rupees five crore in each of the preceding five years as per their latest finalised accounts (**Annexure-7**). Similarly, three Government companies (working: one and non-working: two) had been incurring losses for five consecutive years (as per their latest finalised accounts) leading to negative net worth (**Annexure- 8**). In view of poor turnover and continuous losses, the Government should either improve performance of these companies or consider their closure.

Internal audit / internal control

1.30 The statutory auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal control/internal audit system in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India to them under Section 619(3) (a) of the Companies Act 1956, and to identify areas which need improvement. An illustrative resume of major recommendations made/comments made by statutory auditors on possible improvement in the internal audit/internal control system in respect of State Government companies is indicated in **Annexure-9**. It is noticed from the annexure that major comments were of the following nature:

- There was no Internal Audit System in two companies.
- Internal Audit System was not commensurate with the size and nature of business of 12 Government companies and two statutory corporations.
- There was scope for improvement in the area, frequency and manner of audit, communication of observations and their follow up and compliance in 12 companies and two statutory corporations.

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

1.31 The position of discussion of Audit Reports (Commercial) by the COPU, reviews and paragraphs pending for discussion in the COPU as on

30 September 2005 was as under:

Period of Audit Report	Number of reviews and paragraphs appeared in the Audit Report		Number of reviews / paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1998-99	4	30	-	11
1999-2000	4	29	1	17
2000-01	3	26	3	18
2001-02	3	24	3	22
2002-03	3	31	3	30
2003-04	4	58	4	58
Total	21	198	14	156

During October 2004 to September 2005, two reviews and 23 draft paragraphs were discussed by the COPU.

619-B companies

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