

## Chapter III

### 3. Miscellaneous topics of interest relating to Government companies and Statutory corporations

#### GOVERNMENT COMPANIES

#### Rajasthan State Industrial Development and Investment Corporation Limited

#### 3.1 Allotment of land free of cost on compromise deed

**The Company allotted 4500 sq. meters of land in excess, free of cost to three khatedars and sustained loss of Rs.45 lakh.**

Jaipur Development Authority (JDA) acquired (March 1980) 45 bigha and 18 biswa (116090.39 sq. meters) land in two Khasras at Jaipur under the Urban Land Ceiling and Regulations Act (ULCAR), 1976 from three khatedars and allotted (January 1992) it to Rajasthan State Industrial and Investment Corporation Limited (Company) for industrial development. The Company, however, was able to take possession of only 43 bigha and 12 biswa land (110270.50 sq. meters) and paid (January 1992) Rs.55.88 lakh to JDA as compensation; since it could not ensure remaining land free from encumbrances.

The legal heirs of the concerned khatedars filed (September 1992) an appeal against the acquisition, with the Divisional Commissioner, Jaipur. The appeal was rejected (February 1993) by the Divisional Commissioner on the ground that under the ULCAR Act, each of the three khatedars was entitled to retain 1500 sq. meters land (total: 4500 sq. meters land) and since they already possessed 5819.89 sq. meters land, there was no justification for leaving more land. The appeal filed in Rajasthan High Court by the khatedars against the decision of the Divisional Commissioner was disposed of (April 1997) by the Single Bench in favour of JDA. The khatedars then filed (1997) special appeal before the Double Bench of the High Court. While the decision of the Double Bench was awaited, the Company entered (September 1998) into a compromise deed with the legal heirs of the concerned khatedars, agreeing to allot 1500 sq. meters land to each of the three khatedars (total: 4500 sq. meters land) free of cost. The appeal was consequently dismissed by the High Court on 26 July 1999. The Company allotted (March 2000) 4500 sq. meters land to the khatedars out of its 43 bigha 12 biswa land for which due compensation

had been paid to JDA. Thus, the Company extended undue favour to these khatedars.

Government stated (August 2003) that the purpose for allotment of 4500 sq. meters land free of cost to khatedars was because the legal heirs were creating hindrances to the entrepreneurs in development of land and the litigation was likely to continue for long. The reply was not sustainable as it was noticed that 33 plots had already been allotted to entrepreneurs upto September 1998.

The Company as such had no valid reason for allotment of land free of cost. Based on the rate of Rs.1000 per sq. meter of land allotted (January 1999) to an entrepreneur in the area, the loss of revenue due to allotment of 4500 sq. meter land free of cost to the khatedars works out to Rs.45 lakh.

### **3.2 Injudicious acquisition of land**

**Acquisition of land based on the request of single entrepreneur without ascertaining industrial potential resulted in blocking of funds to the tune of Rs.57 lakh.**

As per prescribed procedure laid down by Rajasthan State Industrial Development and Investment Corporation Limited (Company), a feasibility report indicating industrial potential of the proposed area is to be prepared by a designated committee before development of a new Industrial Area.

An entrepreneur 'A'\* approached (December 1992) the Company with a request to acquire 29 bigha 12 biswa and 5 biswansi land adjacent to the land already in its possession. On receipt of this single request the Company without conducting the required feasibility study, requested (January 1993) Collector, Alwar to acquire 156 bigha 14 biswa private land at Sarekhurd for setting up an industrial area i.e. far in excess of known demand (this area included the land owned and needed by the entrepreneur 'A').

The Company acquired (April 1995) 151 bigha 7 biswa of land at Sarekhurd and paid (August 1995) compensation of Rs.85.59 lakh to land acquisition officer for payment to the landowners. Possession of the land was taken in November 1995. The Company allotted (October 1996) 50 bigha (31.25 Acres) of land at Sarekhurd to the entrepreneur 'A', no further allotments could be made. As the land remained unsold, efforts were made to dispose of/allot the remaining 101 bigha 7 biswa of land, through invitation (June 2001) of bids, no response thereto was received. Thus, 101 bigha 7 biswa land (value: Rs.57.31 lakh) was lying (March 2003) unsold since November 1995. The Company should have conducted the feasibility study before acquisition of land as per prescribed procedure.

Thus, due to injudicious decision of acquiring land for development of new industrial area at Sarekhurd, without due assessment of its potential, funds to

---

\* M/s Winsome Breweries

the extent of Rs.57.31 lakh were unfruitfully locked up with consequential loss of interest of Rs.36.11 lakh (calculated at the rate of 9 *per cent* for 7 years).

The Government stated (May 2003) that the land was acquired to allot the undeveloped land for industrial purpose. It was also stated that the Managing Director did not consider it necessary to get feasibility study conducted of site before acquisition of land. As the land remained unsold the decision to dispense with the feasibility report did not prove to be in the best interest of the Company.

## **Rajasthan State Mines and Minerals Limited**

### **3.3 Awarding of contract for mining of lignite**

**The Company incurred an extra expenditure of Rs.4.91 crore due to extension of existing contract instead of inviting fresh tenders and allowing higher diesel cost component.**

The erstwhile Rajasthan State Minerals Development Corporation Limited (Company<sup>\*</sup>) entered (April 1995) into a five years contract for production of 15 lakh MT of lignite with National Construction Company (NCC), Bhuj (Gujarat) at the rate of Rs.385 per MT of lignite produced. As per stipulations in the agreement, (i) the quantity of work to be done could be decreased/increased by 25 *per cent* without any notice to NCC and for that NCC was not entitled to claim any compensation; (ii) component of cost of diesel, Rs.154 (i.e. 40 *per cent* of the rate) was to be considered for escalation/de-escalation based on increase/decrease in the rate of diesel; and (iii) payments would be released on monthly basis.

Scrutiny in audit revealed as under:

(i) Production of lignite was started from 2 May 1995. However, due to poor off take, the quantity of work order was reduced (August 1995) by 25 *per cent* to 11.25 lakh MT. As the Company could lift only 6.25 lakh MT of lignite during four years, NCC requested (July 1999) the Company to extend the period of contract by two years or till the original contractual quantity of 15 lakh MT was completed, whichever was earlier and offered (February 2000) to execute the work at the rate of Rs.500 per MT (as against the prevailing rate of Rs.535.62 per MT) with diesel component at 20 *per cent* of the rate on 1 March 2000. The Company extended (March 2000) the validity of the agreement upto the period of fulfillment of 11.25 lakh MT of the quantity on the terms and rate offered by NCC.

---

\* Rajasthan State Mineral Development Corporation Limited has been merged with Rajasthan State Mines and Minerals Limited w.e.f. 19 February 2003.

In September 2000 i.e. after more than five years of reduction of contractual quantity in August 1995, the NCC sent a legal notice to the Company stating that as 25 per cent reduction made by the Company in the contracted quantity was arbitrary and malafide, they would charge the rate of Rs.535 per MT (with 40 per cent escalation) as per the terms of original contract, till execution of the contracted quantity. Despite the legal opinion that reduction made by the Company in the contracted quantity was legally right, the Company decided (December 2000) to extend the period of contract upto June 2002 or for a maximum quantity not exceeding 15 lakh MT, whichever was earlier. The contractor produced 11.25 lakh MT lignite upto 4 October 2001 and additional 2.84 MT from 5 October 2001 to 30 June 2002.

The Company after inviting fresh tenders in January 2002, awarded (March 2002) contract to Dholu Contracts Company (DCC) of Ahmedabad at the rate of Rs.353.70 per MT of lignite produced, with diesel component at 20 per cent.

Had the Company restricted the contracted quantity of NCC to 11.25 lakh MT (completed on 4 October 2001) and invited fresh tenders, it could have avoided extra expenditure of Rs.2.61 crore (after adjustment of benefit of Rs.2.03 crore received towards reduction in rate and diesel component on 3.49 lakh MT lignite produced from 4 October 2001 to 1 March 2002) on 2.84 lakh MT lignite got produced by NCC between 5 October 2001 and 30 June 2002, based on the difference in the rate of NCC and the rate of DCC.

(ii) The Company without analysing component wise contract rate and despite prevailing rate of 20 per cent in other such contract, accepted diesel cost at 40 per cent i.e. Rs.154 per MT in this case for price escalation clause considering that the depth of the mine was upto 75 MT and the material was to be dumped in a limited space. This was, however, not found based on facts as the contractor himself executed the same work from March 2000 taking diesel cost at 20 per cent of the contract rate and subsequently the work was awarded (March 2002) to another contractor taking diesel cost at 20 per cent of the contract rate. This resulted in extra expenditure of Rs.2.30 crore.

(iii) As per clause 20 of the agreement the contractor was eligible to receive payment on monthly basis. However, due to failure of the Company to lift/market contractual quantity of lignite it had to accept on 2 June 1995 the terms of fortnightly and weekly payments from 20 December 1996 upto April 1997. Fortnightly payments were again made during May 1997 to September 1998. As the Company made payments to contractor by availing cash credit facility, the undue benefit given to contractor resulted in cost of Rs.9.08 lakh to the Company by way of interest paid to Bank.

Management stated (May 2003) that it was not correct to compare the rate of NCC with the rates received in the new tender due to 13.7 per cent difference in lignite to overburden ratio. The reply was not tenable as the difference in lignite to overburden ratio was only 13.7 per cent whereas as per terms of agreement the contractor was liable to work on the same rate upto 25 per cent variation in lignite to OB ratio.

Thus, the Company incurred extra expenditure of Rs.4.91 crore besides the undue benefit of Rs.9.08 lakh given to the contractor.

### **3.4 Extra expenditure on transportation of mineral**

#### **Extra expenditure of Rs.52 lakh was incurred on transportation due to extension of contract.**

Rajasthan State Mines and Minerals Limited (Company) issued work order (October 1999) to a Sahakari Samiti for loading of Steel Melting Shop (SMS) grade lime stone into trucks at Sanu mines, transportation from mines to Railway siding at Jaisalmer Railway station, un-loading from the trucks and stacking and loading into Railway Wagons at the rate of Rs.68.61 per M.T. being the lowest bidder subject to escalation on account of variation in the diesel prices. The contract was awarded for 2 years from November 1999 to October 2001 subject to one more year with mutual consent, under the same terms and conditions. As per terms and conditions of the contract, the Company in its absolute discretion, may at any time terminate the agreement without assigning reasons by giving 30 days' notice without prejudice to any rights and remedies of the Company. The Co-operative society shall not be entitled for any compensation on this account. While the contract was in progress another Sahkari Samiti offered in November 2000 to execute the work at Rs.67.67 per MT.

Considering the recession in transport industry and 4-5 months time required for processing and preparing tender documents and finalisation thereof, it was decided by the Company (April 2001) to float new tenders to get competitive rates. However, no action was found taken in this regard. Instead in July 2001 the existing contractor requested the Company to extend the contract for one year whereupon General Manager (G&LS)<sup>§</sup> forwarded the case to Head Office for consideration.

A Committee of three members consisting of Chief General Manager (F&A), General Manager (G&LS) and Chief Manager (Limestone unit) constituted by Managing Director negotiated with the original Sahakari Samiti to extend the contract upto August 2002 by reducing the existing rates from Rs.82.40\* per MT to Rs.78.43 per MT w.e.f. November 2001. Meanwhile, fresh tenders were invited (June 2002) and finalised (September 2002) @ Rs.71 per MT with yet another contractor.

The Government stated (October 2003) that out of two options available i.e. floating fresh tender involving risk of increase in price or to continue with the existing contract at negotiated rate, the Company has chosen to take lesser risk, and preferred to negotiate with existing contractor. The reply was not tenable considering the fact that the Company was aware of recession in the

<sup>§</sup> Gypsum & Lime Stone.

\* The rate of Rs.82.40 per MT has arrived at after allowing escalation on diesel price on original rate of Rs.68.61 per MT.

transport Industry which was also confirmed from the lower rates received in fresh tenders.

The first Sahakari Samiti transported 7,04,631.94 MT lime stone during the extended period i.e. November 2001 to August 2002. Had the Company floated new tender as decided in April 2001 instead of extending the existing contract at higher rate, the Company would have saved extra expenditure of Rs.52 lakh.

## **Rajasthan Rajya Vidyut Utpadan Nigam Limited**

### **3.5 Non-lodging of legitimate claim for refund of tax deducted at source**

#### **Non-lodging of legitimate claim within stipulated period with Income Tax Department resulted in loss of Rs.5.69 crore.**

Section 239 (2)(c) of the Income Tax Act 1961, stipulates that the time limit for claiming of refund is one year from the last day of the assessment year in respect of which income is assessable for tax.

Scrutiny of the relevant records and income tax return filed by Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPNL) and Rajasthan Rajya Vidyut Utpadan Nigam Limited (RRVUNL) revealed that RRVPNL claimed refund of tax deducted at source (TDS) amounting to Rs.6.16 crore in the income tax return for the financial year 2000-01. However, it was observed that RRVPNL had not accounted for interest income relating to TDS claim of Rs.5.69 crore as corresponding income relating to TDS claim of Rs.5.69 crore was accounted for by RRVUNL in their books of accounts.

As per the provisions of the Income Tax Act, Section 238 (1) refund of TDS is allowable only when the corresponding income has been included in the total income of the assessee. As in this case, RRVPNL had not accounted for any income relating to TDS claim of Rs.5.69 crore, it was not entitled to claim refund of TDS amounting to Rs.5.69 crore as per the provisions of Income Tax Act. However, RRVUNL has also not claimed refund relating to TDS claim of Rs.5.69 crore at the time of filing of original (October 2001) as well as revised income tax return (March 2003) for the financial year 2000-01. Thus, non-lodging of legitimate claim within stipulated period has resulted in loss of Rs.5.69 crore.

Government stated (July 2003) that refund of TDS was claimed by RRVPNL as the bank provided interest to it. As these FDRs were assigned and transferred to RRVUNL in Financial Restructuring Plan, the RRVPNL passed the credit to RRVUNL. Reply was not tenable, as the Income Tax Department has not allowed refund of TDS to either RRVPNL or RRVUNL.

<b>Rajasthan Rajya Vidyut Prasaran Nigam Limited</b>
--

<b>3.6 Avoidable expenditure</b>
----------------------------------

<b>Due to delay in acquisition of land for establishing grid sub-station, the Company incurred an avoidable expenditure of Rs.10.46 lakh.</b>
---

The erstwhile Rajasthan State Electricity Board (Board) approved (September 1999) a scheme for providing 132/33 KV grid sub-station (GSS) at Thanagazi (district Alwar) for implementation during 2000-2001, with the objective of bringing down the system parameters within the permissible limits and to meet out future load growth in the area. Financial approval to the scheme was accorded by the Board in March 2000.

Since no Government land was found suitable for construction of GSS, the Assistant Engineer, Alwar requested (June 2000) the Regional Manager, Rajasthan State Industrial Development and Investment Corporation Limited (RIICO), Alwar to allot 3.5 hectare (35,000 sq. meters) land required for establishing GSS and to send demand letter. In response, the Regional Manager, RIICO, Alwar intimated (August 2000) that the required land could be allotted at cost of acquisition of land plus 15 *per cent* supervision charges and development cost. The Superintending Engineer (Transmission and Construction Circle-II) of the Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) after unbundling of Board in July 2000, however, pointed out (August 2000) that in terms of the decision taken (July 1998) by the Infrastructure Development Committee of RIICO, for construction of a GSS in an industrial area, 18,000 sq. meters land was to be allotted by RIICO at a token amount of Rupee One. The matter was, however, not pursued further with RIICO. This underscores the lack of a follow up system in cases which could bring an element of economy in the Company's working. In the meanwhile, the Infrastructure Committee of RIICO withdrew (December 2000) the concession and decided to allot 18,000 sq. meters land for construction of GSS at cost of acquisition of land plus 5 *per cent* overhead charges. RIICO allotted (February 2001) 18000 sq. meters land at cost of acquisition plus five *per cent* overhead charges (Rs.10.46 lakh) and 5000 sq. meters land at the prevailing rate of Rs.160 per sq. meters (Rs.8 lakh). Accordingly, a sum of Rs.18.46 lakh was paid (March 2001) and possession of the land acquired (April 2001).

Thus, due to lack of pursuance with RIICO for getting the 18,000 sq. meters land allotted at a token amount of Rupee one, the Company lost the opportunity of saving Rs.10.46 lakh which it unnecessarily had to pay.

The Government stated (May 2003) that RIICO did not modify their demand as requested in August 2000 possibly due to contemplated revision of order of 1998. The reply given was not convincing as there was no evidence of there having been any pursuance with RIICO from September to December 2000 to get the land allotted at the rates fixed in July 1998.

### **3.7 Excess payment of interest on short term loan**

**Despite stipulation in agreement regarding interest payment on floating interest rates, the Company paid interest at fixed rate, which resulted into excess payment of Rs.42.34 lakh.**

The erstwhile Rajasthan State Electricity Board (Board<sup>\*\*</sup>) approached Allahabad Bank (bank) in 1999 for grant of a working capital loan of Rs.100 crore. The bank sanctioned (December 1999) a loan of Rs.50 crore at interest rate of 14.28 *per cent*, i.e. prime lending rate (PLR) 13.5 plus 0.5 *per cent* plus interest tax. The rate was subject to change with change in PLR rate. However, when Board pointed out to the bank that their PLR was much higher than that of other lending institutions; the Bank reduced (January 2000) rate of interest to 13 *per cent* plus tax levy with all other conditions remaining the same. The final agreement was signed in February 2000, which stipulated that the rate of interest was 13 *per cent* plus tax levy and was subject to change with change in PLR rate from time to time.

It was observed that the PLR of Allahabad Bank changed to 12.5 *per cent* from 7 August 2000 and to 12 *per cent* from 1 July 2001. However, the bank continued to charge interest at fixed rate of 13 *per cent*. The Board/Rajasthan Rajya Vidyut Prasaran Nigam Limited (Company) also paid interest at the same rate without verifying its correctness. This resulted in excess payment of interest amounting to Rs.42.34 lakh. The loan was repaid in August 2001 (Rs.25 crore) and February 2002 (Rs.25 crore).

On this being pointed out in audit (February 2003), the Company requested the bank for refund of excess amount of interest charged. The bank, however, did not agree to refund.

Government stated (August 2003) that the matter has since been taken up with the bank to refund excess interest of Rs.42.34 lakh.

### **Ajmer Vidyut Vitran Nigam Limited**

### **3.8 Undue benefit to a private company by sub-metering of subsidiary unit**

**Undue benefit of Rs.1.20 crore was extended to an associate concern for un-interrupted power supply despite an agreement with parent company.**

A High Tension connection of 26,000 KVA contract demand was released (February 1997) to a subsidiary unit of a cement company. The metering of this consumer was through a sub-meter installed at the GSS meant for the

<sup>\*\*</sup> Now Rajasthan Rajya Vidyut Prasaran Nigam Limited (RRVPL) on unbundling of RSEB from 19 July 2000.



holding unit of the cement company. The said arrangement of sub-metering in new name of existing consumer was against the clause 5 of the general condition of supply of electricity as the new firm in the same premises was a unit of existing firm.

The State Government decided (October 1997) to charge 5 *per cent* extra tariff including fuel surcharge from industrial consumers desiring continuous power supply (without power cuts) during a period of six months (November to April).

It has been observed that upto April 2000 five *per cent* extra tariff for providing uninterrupted supply was charged on the total consumption recorded in the meter of the holding unit whereas for the subsequent session of November 2000 to April 2001, five *per cent* extra was not charged for consumption recorded in the meter of subsidiary unit on the ground that no agreement was executed with this unit though it got the benefit of no power cut. Consequently a sum of Rs.1.20 crore being five *per cent* extra tariff on total energy billed of Rs.24.01 crore could not be claimed.

Thus, undue benefit of Rs.1.20 crore was given to the consumer. The Company replied (August 2002) that agreement was done with one unit and as such 5 *per cent* extra was not charged from the other unit and to ensure proper and uninterrupted supply of power was important. The reply was not tenable in view of the fact that no separate agreement was required to be executed with subsidiary as the energy consumed had been taken from the main meter in the name of the holding unit with which agreement had been executed and the consumer had availed the uninterrupted energy supply.

## STATUTORY CORPORATIONS

### Rajasthan State Road Transport Corporation

#### 3.9 Avoidable payment of Special Road Tax

**The Corporation made avoidable payment of Special Road Tax amounting to Rs.12.67 lakh for deployment of additional buses for Keladevi mela.**

Section 101 of the Motor Vehicles Act, 1988 (a Central Act) provides that for the conveyance of the passengers on special occasions, such as fairs and religious gatherings, a state transport undertaking may, in the public interest, operate additional services and would inform about the operation of such additional services to the concerned Transport Authority, without delay. Temporary permits for such additional services under Section 87 of the Act *ibid* were not required to be obtained. The Transport Commissioner Government of Rajasthan further clarified (May 1998) that there was no requirement of obtaining temporary permits for operation of additional services for the above purpose on a nationalised route, and no Special Road Tax was to be paid.

It was noticed that the Corporation deposited Rs.23.56 lakh (March 2000: Rs.14.99 lakh, March 2001: Rs.8.57 lakh) with the Regional Transport Officer, Dausa for obtaining temporary permits for Keladevi mela during the year 2000 and 2001. Of these, a sum of Rs.12.67 lakh was not required to be paid as it pertained to nationalised portion of the route (Keladevi to Rajasthan border at Unchanagla).

The Corporation could neither obtain adjustment of Special Road Tax paid to the Regional Transport Officer, Dausa nor did it adjust the amount of Special Road Tax from the regular monthly payments made by its Head Office, so far (April 2003). Besides, the Corporation had obtained credit of Rs.10 lakh in March 1999 for the same purpose on the same ground. The Corporation as such made an avoidable payment of Rs.12.67 lakh.

The Corporation stated (February 2003) that Section 101 of the Act *ibid* was applicable to operation of additional services on nationalised route, whereas part of the route (Unchanagla to Agra) was inter-State, and since permit is not issued for part of the route as per the Act *ibid*, temporary permit was obtained for operation of additional services for Keladevi mela for Keladevi to Agra route and further stated (June 2003) that for additional services temporary permit was required to be obtained for which payment was essential as per

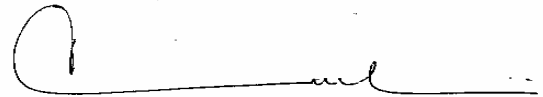
rules. The Government also endorsed (August 2003) the reply of the Corporation. The reply is, however, not tenable as Regional Transport Officer, Dausa had refunded by adjustment a sum of Rs.10 lakh in March 1999.



**JAIPUR**  
The

( **D.S. NEHRA** )  
Accountant General (Audit)-II, Rajasthan

Countersigned



**NEW DELHI**  
The

( **VIJAYENDRA N. KAUL** )  
Comptroller and Auditor General of India

