सत्यमेव जयते

REPORT

OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED
31 MARCH 1994

NO.2

(COMMERCIAL)

GOVERNMENT OF RAJASTHAN

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PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

Government companies;
Statutory corporations; and
Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of accounts of Government companies and Statutory corporations including Rajasthan State Electricity Board and has been prepared for submission to the Government of Rajasthan under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended in March 1984. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Rajasthan.

3. There are, however, certain companies which in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as the Government or Government owned/controlled companies and corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government investment was more than Rs. 10 lakhs as on 31 March 1994, is given in Annexure-1.

4. In respect of Rajasthan State Road Transport Corporation and Rajasthan State Electricity Board, which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Rajasthan Financial Corporation and Rajasthan State Warehousing Corporation, he has the right to conduct the audit of their accounts independently of the audit conducted by the Chartered Accountants appointed under the respective Acts. The Separate Audit Reports on the annual accounts of all these corporations are being forwarded separately to the Government of Rajasthan.

5. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1993-94 as well as those which came to notice in earlier years but could not be dealt with in previous Reports; matters relating to the period subsequent to 1993-94 have been included, wherever considered necessary.

OVERVIEW

1. As on 31 March 1994, there were 18 Government companies (including three subsidiaries), one Company (Rajasthan State Seeds Corporation Limited) governed by Section 619B of the Companies Act, 1956 and four Statutory corporations in the State.

(Paragraphs 1.2.1, 1.2.5 and 1.3.1)

The aggregate paid-up capital of the Government companies was Rs.239.09 crores, of which Rs. 231.45 crores were invested by the State Government, Rs.5.66 crores by the Central Government and Rs.1.98 crores by others. During the year 1993-94 the State Government received dividend of only Rs.0.26 crore from three Government companies, which works out to a return of 1.63 *per cent.*

The total loans outstanding against 15 Government companies (including three subsidiaries) at the end of March 1994 amounted to Rs.266.19 crores, of which Rs. 44.36 crores were due to the State Government. The repayment of loans raised by five companies and payment of interest thereon had been guaranteed by the State Government. The amount of such guarantees outstanding as on 31 March 1994 was Rs.145.48 crores.

{Paragraphs 1.2.2(a), (b), (c) and 1.2.4.1}

Eight of the Government companies (including three subsidiaries) had finalised (October 1994) their accounts for the year 1993-94. Five of these earned profits aggregating Rs.16.71 crores, while the losses of the three others totalled Rs.0.23 crore. The accounts of the remaining ten companies were in arrears for periods ranging from one year to eight years. Based on the latest available accounts, the accumulated losses (Rs.18.12 crores) of five Government companies, three of which had finalised their accounts up to the year 1993-94, had exceeded their paid-up capital (Rs.7.77 crores). The Company governed by Section 619B of the Companies Act, 1956, had finalised its accounts only up to the year 1992-93 with accumulated loss of Rs.6.96 crores.

(Paragraphs 1.2.3, 1.2.4 and 1.2.5)

The capital requirements of the Rajasthan State Electricity Board are met by way of share capital and long term loans from Government, the public and financial institutions. At the end of March 1994, long term loans

totalling Rs.2841.42 crores were outstanding representing an increase of 27.10 *per cent* over the outstandings at the end of March 1993, of which the repayment of Rs.1107.97 crores had been guaranteed by the State Government. At the end of March 1994 the share capital was Rs.623.09 crores which was contributed by the State Government. The accounts of the Board for the year 1993-94 disclosed a net surplus of Rs.70.12 crores which decreased the accumulated loss from Rs.529.49 crores at the end of 1992-93 to Rs.459.37 crores at the end of 1993-94.

(Paragraph 1.4)

The capital of Rs.107.95 crores of Rajasthan State Road Transport Corporation as on 31 March 1994 comprised Rs.81.12 crores contributed by the State Government and Rs.26.83 crores by the Central Government. The provisional accounts of the Corporation for the year 1993-94 disclosed a net surplus of Rs. 22.70 crores, which decreased the accumulated loss to Rs.6.78 crores.

(Paragraph 1.5)

The Rajasthan Financial Corporation, with a paid-up capital of Rs.63.03 crores as on 31 March 1994, of which Rs.40.21 crores were contributed by the State Government, incurred during the year 1993-94 a loss of Rs.8.19 crores after adjustments/appropriations.

The Rajasthan State Warehousing Corporation, which had not finalised its accounts for 1993-94, earned a profit of Rs.0.48 crore in 1992-93 against a profit of Rs.0.42 crore earned during 1991-92.

(Paragraphs 1.6.1, 1.6.3 and 1.7.4)

2. A review of the activities of one Government company and two Statutory corporations revealed the following:

2.1 Rajasthan Jal Vikas Nigam Limited

Though the State was having three agencies, *viz.*, Ground Water Department, Irrigation Department and DRDAs for execution of work relating to survey, research and investigation of ground water resources and various major, medium and minor irrigation projects, the Government decided to set up one more agency with the objective of developing ground and surface water resources through execution of small projects such as community lift irrigation and tube-well schemes by raising institutional

finance. Accordingly, Rajasthan Jal Vikas Nigam Limited (RJVN) was incorporated in January 1984.

(Paragraphs 2.1 and 2.2)

RJVN failed to achieve any of its contemplated objectives as:

- **due to non-implementation of most of the community lift and tube-well irrigation schemes, it raised only one loan of Rs.32.98 lakhs against targeted loan of Rs.17 crores to be raised within five years of its incorporation.**

{Paragraph 2.6 (b)}

- **against a target of constructing 500 community lift irrigation schemes in 15 years it took up only one scheme during 1985-86 and against 275 community tube-wells to be taken up during 1984-85 and 1985-86, it did not take up a single such scheme.**

(Paragraph 2.9)

- **it did not start work of 340 dug-cum-bores, for which advances aggregating Rs. 16.68 lakhs were received from DRDAs during the years 1991-92 to 1993-94.**

{Paragraph 2.10 (b)}

- **it failed to construct 19 tube-wells for which it had received Rs.25 lakhs from Government.**

(Paragraph 2.11)

- **it undertook work of deepening of wells by drilling/blasting on regular basis, an activity being already done by Ground Water Department.**

(Paragraph 2.13)

RJVN did not recover Rs.6.67 lakhs from the beneficiary cultivators in respect of 1334 soundings done as part of geophysical survey.

(Paragraph 2.10)

2.2 Rajasthan State Electricity Board

Procurement of coal by Kota Thermal Power Station

Kota Thermal Power Station (KTPS) received only 55 *per cent*, 78 *per cent* and 95 *per cent* of the allocation of coal made by Standing Linkage Committee during the years 1990-91, 1991-92 and 1992-93

respectively, and consequently suffered loss of generation of 614 million units involving an estimated loss of revenue of Rs.52.62 crores.

(Paragraph 3A.3.1)

Comparison between the actual receipts from the various coal companies with the *pro rata* linkage based on direct receipts for the five years ending 1993-94 indicated less receipts from Northern Coalfields Limited (NCL) and excess receipts from Bharat Coking Coal Limited (BCCL), which resulted in increase of generation cost by Rs.18.61 crores due to receipt of inferior quality of coal and higher transportation cost.

(Paragraph 3A.3.2.2)

During April 1989 to May 1993, KTPS accepted from BCCL, 1.23 lakh tonnes of coal having calorific value less than the lowest grade. The low useful heat value (UHV) per rupee in terms of freight cost of this coal resulted in an extra expenditure of Rs.4.12 crores.

(Paragraph 3A.3.2.3)

Delay on the part of KTPS in analysing coal samples during December 1986 to December 1987 resulted in withdrawal of claims amounting to Rs.32.41 lakhs against BCCL and South Eastern Coalfields Limited (SECL).

(Paragraph 3A.4.2.2)

Claims amounting to Rs.16.48 crores arising due to receipt of grade of coal lower than the grade of coal billed were pending adjustment/recovery. Adoption of an incorrect procedure for sampling of coal in cases where information in bracket labels on coal wagons was incomplete, resulted in withdrawal of claims of Rs.126.76 lakhs against SECL.

(Paragraph 3A.4.2.3)

Railways occasionally divert coal rakes of one consignee to other consignees (power stations). The number of coal wagons not received by a consignee is first adjusted against number of wagons diverted in favour of that consignee without taking into account the difference in the grade of coal. Due to this wagon to wagon adjustment policy followed by the Railways, KTPS had to pay for higher cost of coal against receipt of lower grade of coal leading to total extra expenditure of Rs.4.30 crores. Though agreement with CIL allowed KTPS to claim such extra expenditure, it had never done so.

(Paragraph 3A.5)

Even after the Coal Controller had downgraded coal of 14 collieries of BCCL, KTPS continued to pay royalty on such coal on the basis of grades prior to the downgradation, which resulted in excess payment of Rs.5.99 crores.

(Paragraph 3A.6)

2.3 Rajasthan Financial Corporation

Revival of Closed and Sick Units

The Rajasthan Financial Corporation (RFC) was established in January 1955 to promote small and medium industries in the State especially in backward regions by providing financial assistance.

(Paragraph 3B.1)

The cumulative number of units which defaulted in repayment of their dues to RFC increased from 20,062 at the end of 1988-89 to 23,016 at the end of 1993-94 and the amount in default increased from Rs.97.06 crores to Rs.158.13 crores during this period. RFC had not been able to recover even 40 *per cent* of its overdues from defaulting units in any of the six years up to 1993-94.

(Paragraph 3B.5 and 3B.6)

During 1988-89 to 1993-94, though 8084 units with outstandings of Rs.277.04 crores were identified as closed, only 4957 units with outstandings of Rs.168.27 crores were revived. As a result, the number of closed units and their outstandings increased from 2481 and Rs.61.71 crores at the beginning of 1988-89 to 5608 and Rs.170.47 crores respectively at the end of 1993-94. The latter amount is almost one fourth of the total outstandings of Rs.709.30 crores of RFC at the end of 1993-94.

The efforts of RFC in reviving closed units (including those in possession) were on the decline; while during 1988-89, 46 *per cent* of closed units involving outstanding of 53 *per cent* were revived, during 1993-94 the corresponding achievements were only 13 *per cent* and 23 *per cent* respectively.

(Paragraph 3B.7)

As on 31 March 1994, RFC had a total of 1133 units in possession of which 142 units had not been revived for periods ranging from 5 to 14 years. The revival of units in possession had declined steadily from 56 *per cent* during 1988-89 to 19 *per cent* during 1993-94. This decline in performance was compounded by RFC reviving units with lower amounts outstanding. As a consequence, the average outstanding against a unit in possession doubled from Rs.3.56 lakhs in 1988-89 to Rs.7.15 lakhs in 1993-94.

(Paragraph 3B.9)

Legal suits were not filed for recovery of Rs.315.04 lakhs from the promoters/guarantors of 292 units which were sold at a deficit.

(Paragraph 3B.11)

3. Besides the above reviews, a general test check of the records of the Government companies and Statutory corporations disclosed the following points of interest:

Lapses/delays at different stages by RSEB in processing the purchase of trivector meters during December 1988 to October 1992 resulted in additional expenditure of Rs.8.76 lakhs.

(Paragraph 4B.2)

Due to non-completion of grid sub-station at Reodar alongwith the completion of 132 KV line from Sirohi to Reodar, the line could not be utilised for a period of 25 months (August 1991 to August 1993) as the grid sub-station was to receive the electric energy from the 132 KV single circuit transmission line and pass it on after stepping down the voltage through low transmission lines to the consumers. Consequently, load demand of 5703 KW and 5846 KW at the end of 1991-92 and 1992-93 respectively could not be met. This also resulted in blockage of funds of Rs. 217.49 lakhs with consequential loss of interest of Rs.58.72 lakhs.

(Paragraph 4B.4)

Under Rajasthan Government Electrical Undertakings (Dues Recovery) Act, 1960 cases for recovery of electricity dues were required to be referred to the respective District Collectors within a period of six years. Due to delayed referment (70 cases) and non-referment (917 cases) within the prescribed period, an amount of Rs. 40.40 lakhs had become irrecoverable in six O&M Circles of RSEB.

(Paragraph 4B.5)

Due to injudicious increase in the proportion of purchase of `JK' radial tyres and non-availing of the benefit of lower rates of `Vikrant' radial tyres, the Rajasthan State Road Transport Corporation (RSRTC) incurred avoidable extra expenditure of Rs.5.20 lakhs.

(Paragraph 4B.10)

In terms of Rajasthan Municipalities (Octroi) Rules, 1962 if the RSRTC gives a declaration at the time of entry of goods in Jaipur that such goods shall be transferred to the places as specified in the declaration within 30 days of their receipt no octroi duty would be leviable at Jaipur. The Corporation, however, did not take advantage of this provision and continued to pay double duty, *i.e.*, at Jaipur as well as at the destination where the goods were subsequently transferred, which resulted in avoidable payment of octroi duty amounting to Rs.58.79 lakhs.

(Paragraph 4B.12)

The charging of guarantee commission (Rs.1.27 crores during 1988-89 to 1992-93) by the Government from the Rajasthan Financial Corporation guaranteeing the repayment of capital and payment of dividend on its own share capital was not justified.

(Paragraph 4B.16)

GENERAL VIEW OF GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introductory

This chapter contains details of the investments, state of accounts, *etc.*, of the State Government companies and Statutory corporations.

Paragraph 1.2 gives a general view of the Government companies, paragraph 1.3 deals with general aspects relating to the Statutory corporations and paragraphs 1.4 to 1.7 give more details about each Statutory corporation including its financial and operational performance.

1.2 Government companies - general view

1.2.1 There were 18 Government companies (including three subsidiaries) as on 31 March 1994, which is the same as on 31 March 1993.

1.2.2 Annexure-2 gives the particulars of up-to-date paid-up capital, outstanding loans, amounts of guarantees given by the State Government and the amounts outstanding thereagainst, working results, *etc.* The position is summarised below :

(a) The aggregate paid-up capital of Rs.210.71 crores in the 18 companies as on 31 March 1993, increased to Rs.239.09 crores on 31 March 1994 as per particulars given below :

Sl. No.	Particulars	Number of companies	Investment by			
			State Government	Central Government	Others	Total
			(Rupees in crores)			
1.	Companies wholly owned by the State Government	8	155.42	-	-	155.42
2.	Companies jointly owned with Central Government/ others	7	76.03	5.66	0.15	81.84
3.	Subsidiary companies	3	-	-	1.83	1.83
	Total	**18**	**231.45***	**5.66**	**1.98**	**239.09**

* The figure as per Finance Accounts is Rs.231.91 crores; the difference of Rs.0.46 crore is under reconciliation.

Chart I represents break-up of aggregate paid-up capital in wholly/jointly owned State Government companies and Subsidiary companies as on 31 March 1994.

(b) The balance of long-term loans outstanding in respect of 15 companies (including three subsidiaries) as on 31 March 1994 was Rs.266.19 crores (State Government : Rs.44.36 crores; others : Rs.221.83 crores) as against corresponding outstanding of Rs.248.36 crores (State Government : Rs.48.32 crores; others : Rs.200.04 crores) as on 31 March 1993.

(c) The State Government had guaranteed repayment of loans raised by five companies and payment of interest thereon. The amounts guaranteed and guarantees outstanding thereagainst as on 31 March 1994 were Rs.147.20 crores and Rs.145.48 crores, respectively.

The companies have to pay guarantee commission in consideration of the guarantees given by the Government. The payment of guarantee commission was in arrears to the extent of Rs.7.36 lakhs in case of two companies *viz*. Rajasthan State Mines and Minerals Limited and Rajasthan Small Industries Corporation Limited.

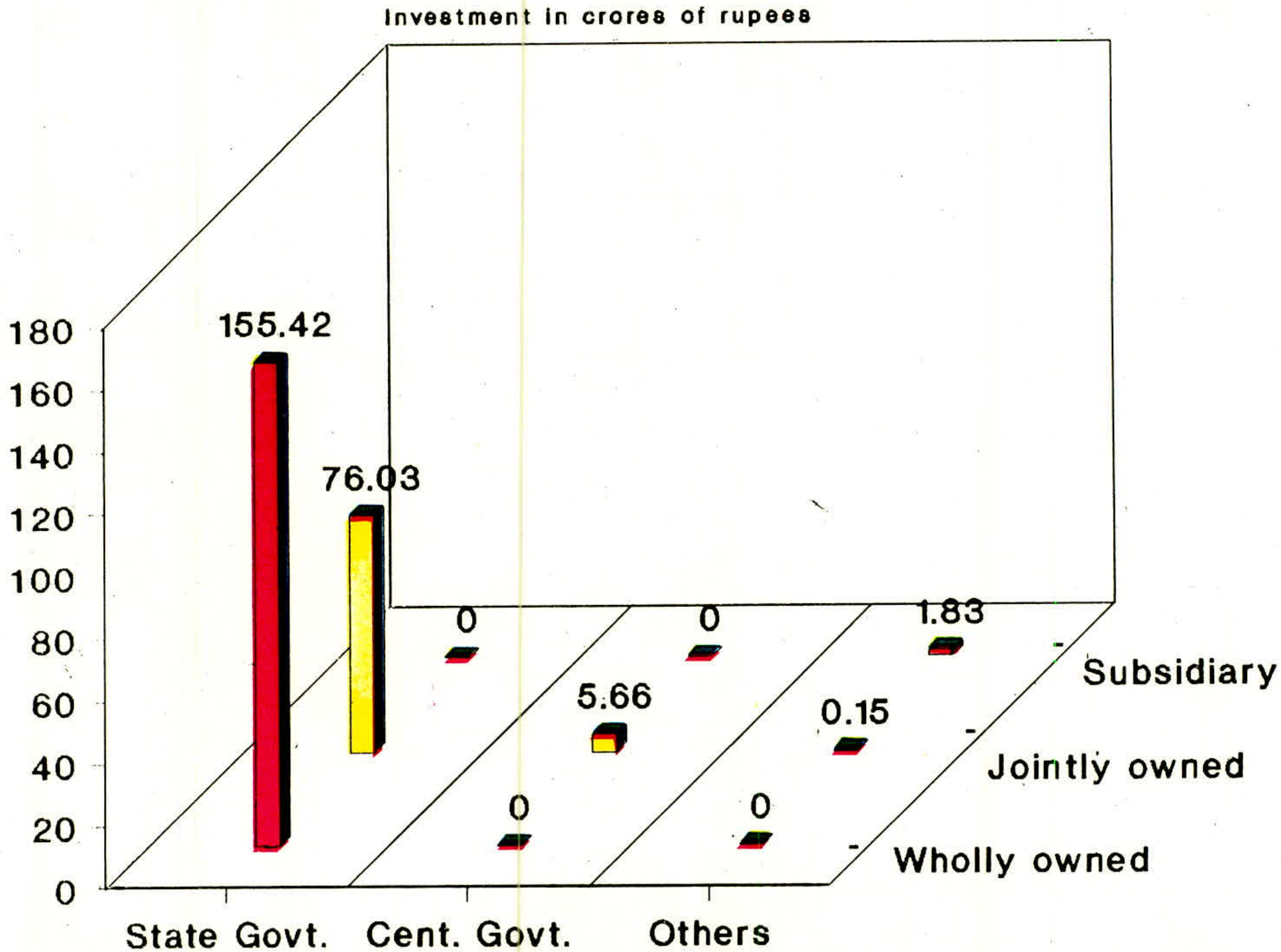
1.2.3 A synoptic statement showing the financial results of 18 companies based on latest available accounts, is given in Annexure-3.

In terms of Section 210 of the Companies Act, 1956, the authenticated accounts of every Government company should be placed before the Annual General Meeting (AGM) of the shareholders within six months of the close of financial year, for their adoption. Further, in terms of the provisions of Section 619 A of the Act, *ibid*, within three months of the AGM, the State Government would place the annual report about the working and affairs of each State Government company before the State Legislature together with a copy of the report of the statutory auditors and the comments made thereon by the Comptroller and Auditor General of India. However, of the total 18 companies whose accounts up to 1993-94 were due, only eight companies (including three subsidiaries) had finalised their accounts for the year 1993-94 (Sl. Nos. 2, 5, 7 to 11 and 13). Besides, six companies (Sl. Nos. 1,3, 12, 14,16 and 17) whose accounts were in arrears, finalised their accounts for some earlier years during the period covered in the Report.

It will be observed from Annexures 2 and 3 that the accounts of 10 companies were in arrears (October 1994) for periods ranging from one year to

CHART-I

BREAKUP OF AGGREGATE PAID-UP CAPITAL IN WHOLLY/JOINTLY OWNED STATE GOVT.COMPANIES(INCLUDING SUBSIDIARIES)AS ON 31 MARCH 1994

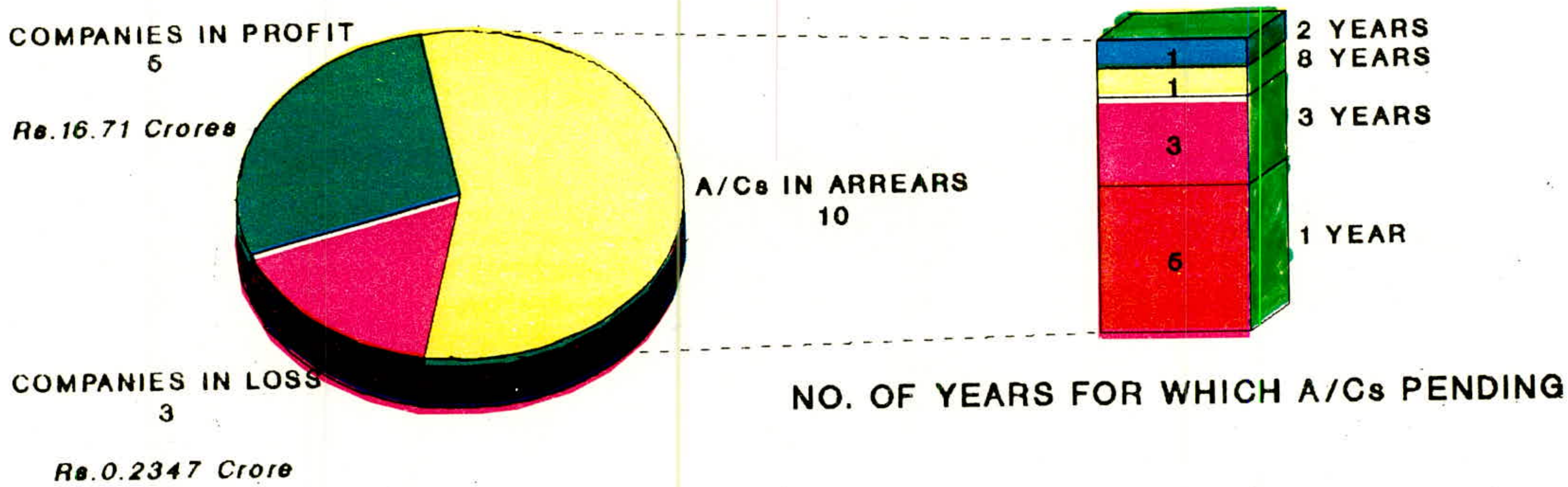


[Refer paragraph 1.2.2(a)]

CHART-II

STATUS OF PROFIT/LOSS OF GOVT.COMPANIES

DURING 1993-94



(Refer paragraphs 1.2.3, 1.2.4.1(a) and 1.2.4.1(c))

eight years as summarised below:

Extent of arrears	Number of years involved	Number of companies involved		No.of accounts in arrears	Investment by Government		Reference to Serial Number in Annexure-2
		Companies	Subsidiaries		Capital	Loan	
					(Rupees in crores)		
1986-87 to 1993-94	8	1	-	8	1.79	0.52	17
1991-92 to 1993-94	3	3	-	9	8.53	1.92	3,16,18
1992-93 to 1993-94	2	1	-	2	2.88	-	15
1993-94	1	5	-	5	34.22	7.34	1,4,6,12,14
Total	-	**10**	-	**24**	**47.42**	**9.78**	-

Chart II represents status of the 18 State Government companies during 1993-94.

The position of arrears in finalisation of accounts was last brought to the notice of the Chief Secretary to the Government in October 1994.

In the absence of finalisation of accounts, the productivity of Rs.57.20* crores (capital : Rs.47.42 crores and loans : Rs.9.78 crores) invested by State and Central Governments in these 10 companies could not be conclusively vouchsafed.

1.2.4 In regard to working results of the companies, the following further observations are made :

1.2.4.1 In respect of the eight companies (including three subsidiaries), which finalised (October 1994) their accounts for 1993-94, the following position emerged:

(a) Five companies earned profits aggregating Rs.16.71 crores during the year 1993-94. The particulars in respect of these, giving the comparative position for

* This includes Rs.5.39 crores invested by the Central Government.

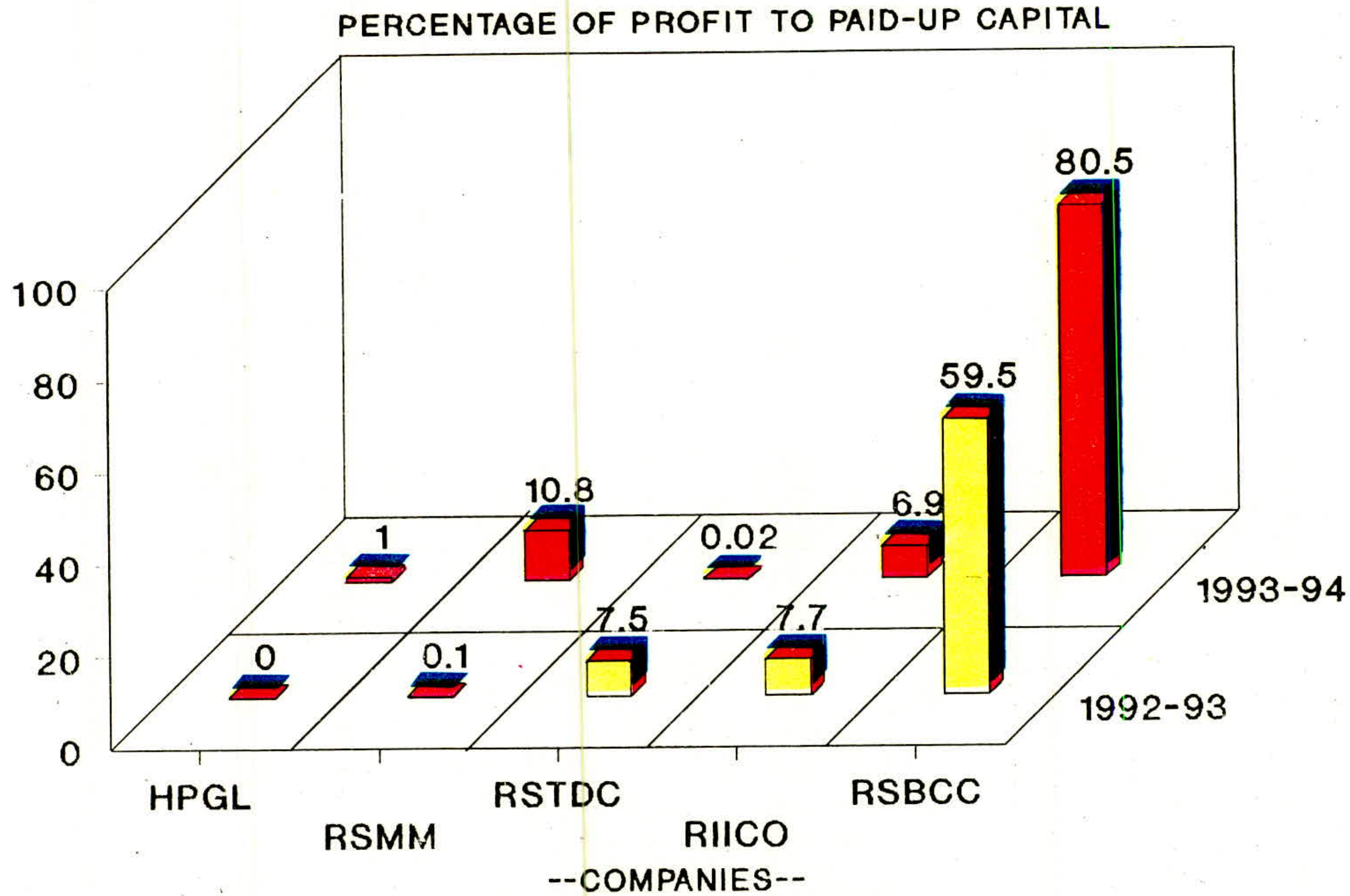
the previous year, are given below :

Sl. No.	Name of Company	Paid-up capital at the end of		Profit(+)/Loss(-)		Percentage of profit to paid-up capital	
		1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
		(Rupees in crores)					
1.	Hi-Tech Precision Glass Limited (HPGL)	0.08	0.08	(-)0.0035	(+)0.0008	Nil	1.0
2.	Rajasthan State Mines and Minerals Limited (RSMM)	59.85	61.73	(+)0.06	(+)6.64	0.1	10.8
3.	Rajasthan State Tungsten Development Corporation Limited (RSTDC)	1.34	1.34	(+)0.10	(+)0.0003	7.5	0.02
4.	Rajasthan State Industrial Development and Investment Corporation Limited (RIICO)	98.38	120.53	(+)7.61	(+)8.30	7.7	6.9
5.	Rajasthan State Bridge and Construction Corporation Limited (RSBCC)	2.20	2.20	(+)1.31	(+)1.77	59.5	80.5
	Total	**161.85**	**185.88**	**(+)9.08**	**(+)16.71**	**5.6**	**9.0**

Chart III represents percentage of profit to paid-up capital of profit earning companies.

Two companies declared dividend for the year 1992-93, accounts of which were finalised during 1993-94 and one company declared dividend for the

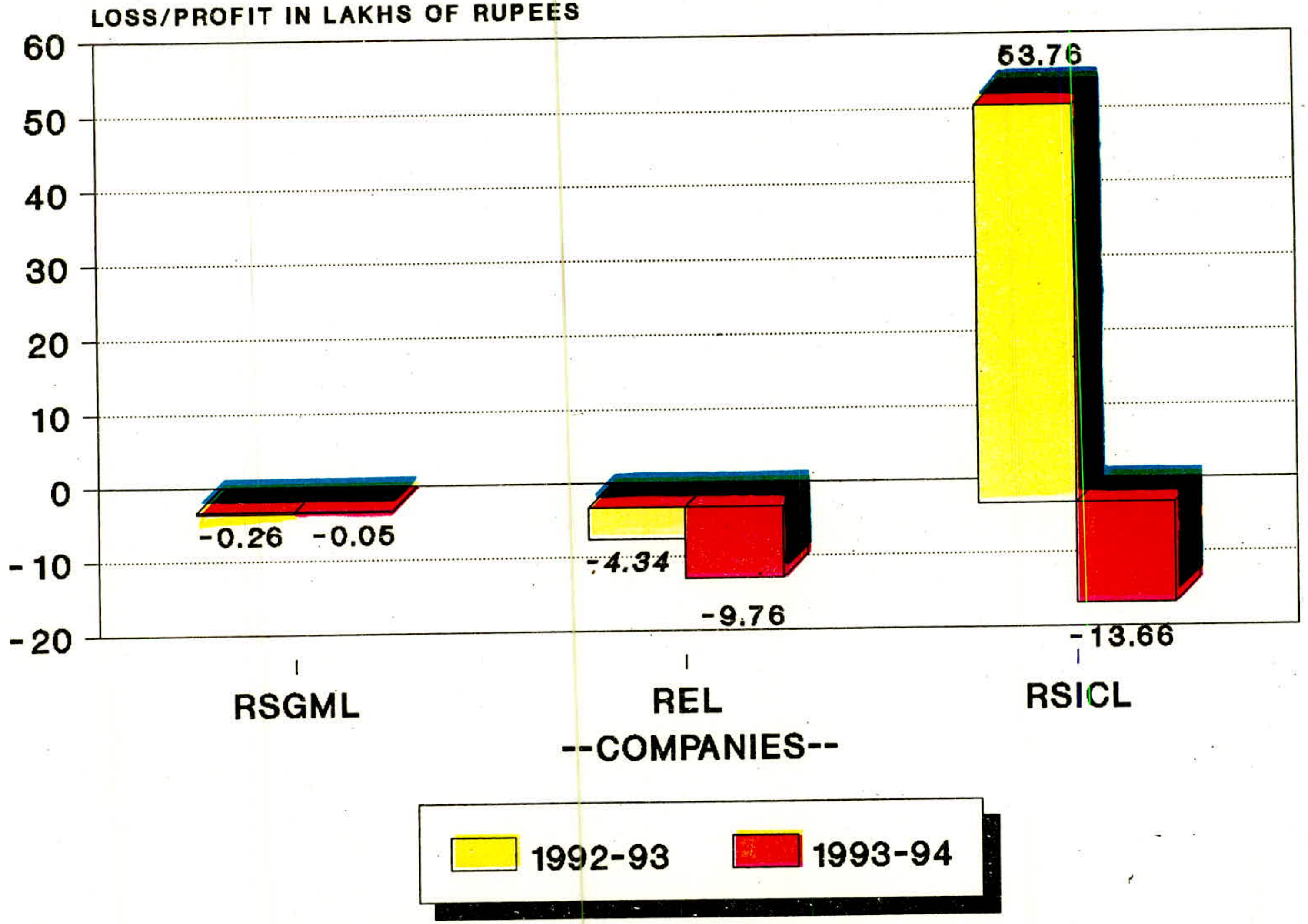
CHART-III
PERCENTAGE OF PROFIT TO PAID-UP CAPITAL
OF PROFIT EARNING COMPANIES



(Refer paragraph 1.2.4.1(a))

CHART-IV

COMPANIES INCURRING LOSS DURING 1993-94



{Refer paragraph 1.2.4.1(b)}

year 1993-94, as detailed below :

Sl. No.	Name of company	Year of Account	Paid-up Capital	Distributable surplus	Amount retained in business	Dividend declared	Percentage of dividend to paid-up capital
					(Rupees in crores)		
1.	Rajasthan Paryatan Vikas Nigam Limited	1992-93	12.69	0.86	0.75	0.11	0.87
2.	Rajasthan State Hotels Corporation Limited	1992-93	1.07	0.36	0.34	0.02	1.87
3.	Rajasthan State Bridge and Construction Corporation Limited	1993-94	2.20	0.78	0.65	0.13	5.91
	Total		**15.96**	**2.00**	**1.74**	**0.26**	**1.63**

(b) Three companies incurred losses aggregating Rs.23.47 lakhs during the year 1993-94. Their particulars with the comparative position for the previous year, are given below :

Sl. No.	Name of company	Paid-up capital*	Profit(+)/Loss(-) 1992-93	Profit(+)/Loss(-) 1993-94
			(Rupees in lakhs)	
1.	Rajasthan State Granites and Marbles Limited (RSGML)	19.00	(-)0.26	(-)0.05
2.	Rajasthan Electronics Limited (REL)	30.00	(-)4.34	(-)9.76
3.	Rajasthan Small Industries Corporation Limited (RSICL)	521.40	(+)53.76	(-)13.66
	Total	**570.40**	**(+)49.16**	**(-)23.47**

Chart IV represents loss incurring companies during 1993-94 and their position during 1992-93.

* The paid-up capital of these 3 companies was the same during 1992-93 and 1993-94.

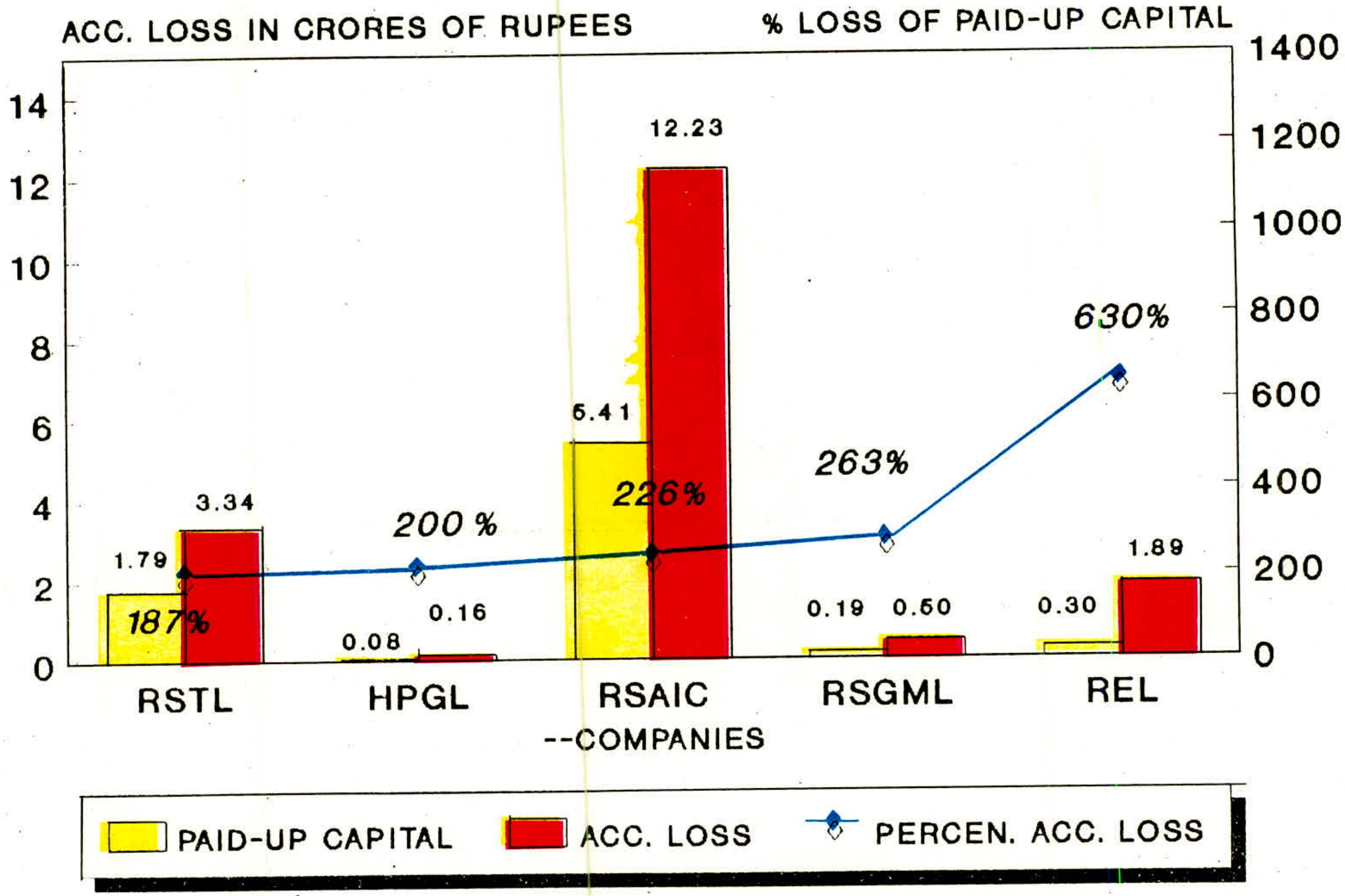
1.2.4.2 Analysis of Annexure-2 reveals that in respect of each of the following five companies, the accumulated loss had exceeded the paid-up capital, as per their latest accounts finalised :

Sl. No.	Name of company	Year up to which accounts finalised	Paid-up capital at the end of the year	Accumulated loss up to the end of the year	Percentage of accumulated loss to paid-up capital	Serial Number of Annexure-2
			(Rupees in crores)			
1.	Rajasthan State Tanneries Limited (RSTL)	1985-86	1.79	3.34	187	17
2.	Hi-Tech Precision Glass Limited (HPGL)	1993-94	0.08	0.16	200	2
3.	Rajasthan State Agro Industries Corporation Limited (RSAIC)	1990-91	5.41	12.23	226	3
4.	Rajasthan State Granites and Marbles Limited (RSGML)	1993-94	0.19	0.50	263	7
5.	Rajasthan Electronics Limited (REL)	1993-94	0.30	1.89	630	9
	Total		**7.77**	**18.12**		

Chart V represents accumulated loss of five State Government companies and percentage of accumulated loss to paid-up capital.

CHART-V

ACCUMULATED LOSS vs. PAID-UP CAPITAL



(Refer paragraph 1.2.4.2)

1.2.5 There was one company *viz.*, Rajasthan State Seeds Corporation Limited, covered under Section 619 B of the Companies Act, 1956, with a paid-up capital of Rs.2.35 crores (State Government : Rs.1.09 crores; Others : Rs.1.26 crores) as on 31 March 1994. The Company had finalised its accounts up to the year 1992-93 only. The profit during the year 1992-93 was Rs.0.57 crore and accumulated loss up to 31 March 1993 was Rs.6.96 crores.

1.2.6 The Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Auditors of Government companies in regard to their performance and functions. Such directives were issued in respect of three companies during 1993-94. In pursuance of the directives so issued, no report was received up to the period covered by the Report (November 1994).

1.2.7 As indicated in Annexure-1, the Government did not receive any dividend during the year 1993-94 on its share capital of Rs.1.78 crores from any of the six companies in which it had invested Rs.10 lakhs or more, and which were not subject to audit by the Comptroller and Auditor General of India.

1.3 Statutory corporations - general aspects

1.3.1 There were four Statutory corporations in the State as on 31 March 1994, *viz.* :

- Rajasthan State Electricity Board;
- Rajasthan State Road Transport Corporation;
- Rajasthan Financial Corporation; and
- Rajasthan State Warehousing Corporation.

1.3.2 The Rajasthan State Electricity Board (RSEB) was constituted on 1 July 1957, under Section 5 (i) of the Electricity (Supply) Act, 1948, and the Rajasthan State Road Transport Corporation (RSRTC) was constituted on 1 October 1964, under the Road Transport Corporations Act, 1950.

Under the respective Acts, the audit of the accounts of these organisations vests solely with the Comptroller and Auditor General of India. The Separate Audit Reports, mainly incorporating the comments on annual accounts of each year, are issued to these organisations and to the State Government.

The Separate Audit Reports on the accounts of RSEB for the years 1989-90 and 1990-91 were issued to the Government and the Board on 5 December 1991 and 11 November 1992 respectively. Both of these were placed before the Legislature on 29 March 1994, whereas the Audit Report for the year 1991-92 issued to the Government/Board on 29 June 1993, was placed before the Parliament on 24 August 1993 as the State was under President's rule. The Separate Audit Report for the year 1992-93 issued to the Government and RSEB on 31 January 1994, had not been placed before the State Legislature (November 1994). The Separate Audit Report for the year 1993-94 was issued to the Government and RSEB on 15 December 1994.

The Separate Audit Reports on the accounts of the RSRTC for the years 1990-91 and 1991-92 were issued to the State Government and the RSRTC on 14 August 1992 and 12 March 1993 respectively. These were placed before the Parliament on 7 May 1993. However, the Separate Audit Report for the year 1992-93, issued to the State Government and RSRTC on 20 April 1994, had not been placed before the State Legislature (November 1994). The annual accounts of RSRTC for the year 1993-94 were under audit scrutiny.

1.3.3 The Rajasthan Financial Corporation (RFC) was constituted in January 1955 under the State Financial Corporations Act, 1951 and Rajasthan State Warehousing Corporation (RSWC) was constituted in December 1957, under the Agriculture Produce (Development and Warehousing) Corporations Act, 1956 which was replaced by the Warehousing Corporations Act, 1962.

Under the provisions of the respective Acts, the accounts of these corporations are audited by Chartered Accountants appointed by the State Government in consultation with the Comptroller and Auditor General of India and the latter may also undertake audit of these corporations separately. The Separate Audit Reports in respect of annual accounts of these corporations are issued by the Comptroller and Auditor General of India to the corporations and to the State Government.

The Separate Audit Reports on the accounts of RFC for the years 1990-91, 1991-92 and 1992-93 were issued to the Government and RFC on 13 March 1992, 15 January 1993 and 26 April 1994 respectively. These were placed before the Legislature on 7 January 1994, 1 March 1994 and 27 September 1994 respectively. The Separate Audit Report for the year 1993-94 is under finalisation (November 1994).

The Separate Audit Reports on the accounts of Rajasthan State Warehousing Corporation for the years 1988-89, 1989-90, 1990-91, 1991-92 and 1992-93 were issued to the Government and the Corporation on 31 July 1990, 12 February 1992, 23 April 1993, 28 March 1994 and 23 September 1994 respectively. These have not been placed before Legislature (November 1994). The annual accounts of RSWC for the year 1993-94 had not been received (November 1994).

1.3.4 The summarised financial results of these Statutory corporations for the latest years for which annual accounts have been finalised are given in

Annexure-4. Salient points about the accounts and physical performance of these corporations are mentioned in paragraphs 1.4 to 1.7.

1.4 Rajasthan State Electricity Board

1.4.1 The capital requirements of RSEB are met by way of share capital, loans from Government, the public, the banks and other financial institutions.

The aggregate of long-term loans obtained by RSEB and outstanding as on 31 March 1994 was Rs.2841.42 crores and represented an increase of Rs.605.76 crores (27.10 *per cent*) over the long-term loans of Rs.2,235.66 crores outstanding at the end of previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the end of March 1993 and March 1994 are as follows :

Sl. No.	Source	Amount outstanding as on 31 March		Percentage increase
		1993	1994	
		(Rupees in crores)		
1.	State Government	1178.62	1536.27	30.34
2.	Other sources	1057.04	1305.15	23.47
	Total	**2235.66**	**2841.42**	**27.10**

1.4.2 The Government had guaranteed the repayment of loans raised by RSEB and amount of interest payable thereon. The guranteed amount of principal outstanding as on 31 March 1994 was Rs.1107.97 crores.

1.4.3 The financial position of RSEB at the end of each of the three years up to 1993-94 is given below :

Sl. No.	Particulars	1991-92	1992-93	1993-94
			(Rupees in crores)	
A.	**Liabilities**			
1.	Share capital	623.09	623.09	623.09
2.	Loans from Government	866.80	1178.62	1536.27
3.	Other long-term loans including Bonds	928.45	1057.04	1305.15
4.	Deposits from public	76.63	90.01	112.46
5.	Reserves	270.69	303.09	349.90
6.	Current liabilities and provisions	1069.42	955.44	947.62
	Total-A	**3835.08**	**4207.29**	**4874.49**
B.	**Assets**			
1.	Fixed assets (Gross)	2843.94	3252.87	3705.57
2.	*Less :* Depreciation	565.85	700.73	853.88
3.	Fixed assets (Net)	2278.09	2552.14	2851.69
4.	Capital works-in-progress	454.76	538.42	785.38
5.	Deferred cost	3.06	3.14	3.19
6.	Current assets	504.64	584.10	774.86
7.	Accumulated loss	594.53	529.49	459.37
	Total-B	**3835.08**	**4207.29**	**4874.49**
C.	Capital employed*	1712.62	2180.06	2678.07
D.	Capital invested**	2765.67	3251.85	3926.87

* Capital employed represents net fixed assets (excluding capital-works-in-progress) *plus* working capital.

** Capital invested represents long-term loans *plus* capital and free reserves.

1.4.4 The working results of RSEB for each of the three years up to 1993-94 are summarised in the following table :

Sl. No.	Particulars	1991-92	1992-93	1993-94
			(Rupees in crores)	
1.	Revenue receipts	1143.24	1536.48	1861.92
2.	Revenue expenditure	899.04	1167.03	1430.19
3.	Gross surplus for the year	244.20	369.45	431.73
4.	Net adjustments relating to previous year	32.96	6.99	16.67
5.	Available surplus (3+4)	277.16	376.44	448.40
6.	Appropriations			
	(a) Depreciation	79.20	132.25	151.02
	(b) Interest on Government loans, other loans and bonds	136.12	179.15	227.26
	Total (6)	**215.32**	**311.40**	**378.28**
7.	Net deficit(-)/ profit(+) (5-6)	(+) 61.84	(+)65.04	(+)70.12
8.	Interest on long-term loans	136.12	179.15	227.26
9.	Total return on:			
	- Capital employed {6(b)+7}	197.96	244.19	297.38
	- Capital invested (7+8)	197.96	244.19	297.38
10.	Percentage of return on:			
	- Capital employed	11.56	11.20	11.10
	- Capital invested	7.16	7.51	7.57

The gross surplus of Rs.244.20 crores, Rs.369.45 crores and Rs.431.73 crores is after taking into account the revenue subsidy/subvention of Rs.162.83 crores, Rs.286.47 crores and Rs. 424.94 crores received during 1991-92, 1992-93 and 1993-94 respectively from the State Government.

1.4.5 The annual accounts of RSEB for the years 1992-93 and 1993-94 were audited under Section 69(2) of the Electricity (Supply) Act, 1948 read with the Electricity (Supply) Annual Accounts Rules, 1985. As a result of scrutiny in audit, the accounts for 1992-93 were revised resulting in a net decrease of Rs.748 lakhs in the profit for the year and increase of Rs.790 lakhs in the assets and liabilities in the Balance Sheet. Similarly, the 1993-94 accounts were also revised resulting in net increase of Rs.447 lakhs in profit and decrease of Rs.4417 lakhs in the assets and liabilities in the Balance Sheet.

The following major points were pointed out in the Separate Audit Reports on the accounts of RSEB for the years 1992-93 and 1993-94:

1992-93

Balance Sheet

Assets

(i) Capital works-in-progress (Schedule-21): Rs.53841.78 lakhs

It includes Rs.1075.46 lakhs being advances given to suppliers for Stage-I & II of KTPS, which had already been commissioned in 1983-84 and 1989-90 respectively but the assets created out of the advances were not transferred to Fixed Assets. This resulted in overstatement of surplus by Rs.162.52 lakhs due to non-provision of depreciation up to March 1993. Similarly, the amount of Rs.231.46 lakhs representing the cost of completed line and cable networks of Bikaner Circle had not been transferred to Fixed Assets.

(ii) Stocks (Schedule-26 A): Rs.7762.50 lakhs

It includes Rs.167.81 lakhs being theft/loss of stores in 2037 cases. Neither provision of losses was made nor was this disclosed by way of a note on accounts.

Liabilities

Other current liabilities (Schedule-28): Rs.69223.29 lakhs

Liability for purchase of power: Rs.13975.30 lakhs

The sale and purchase of power to/from Madhya Pradesh Electricity Board (MPEB) has been accounted for provisionally and is subject to final reconciliation. The difference between the figures of RSEB and MPEB after provisional reconciliation up to December 1991 worked out to 8,40,79,623 units amounting to Rs.857.01 lakhs. The accounting of sale and purchase of power from January 1992 onwards is purely on provisional basis.

1993-94

Balance Sheet

Assets

Capital works-in-progress (Schedule-21): Rs.78537.75 lakhs

It includes expenditure incurred on line cable network of Power House No.1 of Mahi Project (Rs.1372.65 lakhs) and advances (Rs.865.64 lakhs) given to suppliers for Stage I and II of KTPS (commissioned during 1983-84 and 1989-90) and Power House 1 and 2 of Mahi Hydel Project (commissioned during 1985-86 and 1989-90). The assets created out of the above expenditure/advances had still not been transferred to fixed assets. This resulted in non-provision of depreciation aggregating Rs.253.51 lakhs with corresponding overstatement of surplus to this extent.

Similarly, capital works costing Rs.694.93 lakhs which were completed by three circles long back, had not yet been transferred to fixed assets, resulting in overstatement of surplus due to non-provision of depreciation.

Liabilities

(i) Other current liabilities (Schedule-28) : Rs.91368.15 lakhs

Other levies payable to Government : Rs.105.88 lakhs

It does not include Rs.234.91 lakhs being penal interest on guarantee commission for the period from March 1984 to September 1992 as per terms of guarantees given by the Government. Further, a demand of Rs.127.67 lakhs was also raised by the Government on account of guarantee commission up to 1992-93 on element of interest on loans payable to various financial institutions for which the State Government stood guarantor. This resulted in overstatement of surplus by Rs.362.58 lakhs and understatement of 'Other current liabilities' to that extent.

(ii) Payment due on capital liabilities (Schedule 31) : Rs.3394.37 lakhs

The annual rate of interest on special loan sanctioned by the State Government during 1992-93 and 1993-94 was 17 *per cent* against which provision was made at the rate of 13/13.25 *per cent* per annum. This resulted in underprovision of interest liability by Rs.322.84 lakhs and overstatement of surplus to that extent.

Revenue Account

(i) Administration and general expenses (Schedule-10): Rs.3148.30 lakhs

Against the demand of Rs.1050.23 lakhs raised by the State Government on account of land and building tax, an *adhoc* payment of Rs.943.38 lakhs only was made. The matter was stated by the Board to be sub-judice. However, neither the liability for the rest of the amount *i.e.*, Rs.106.85 lakhs was provided nor this was disclosed by way of a note on accounts.

(ii) Other expenses capitalised (Schedule-14) : Rs.9667.70 lakhs

It includes Rs.2990.28 lakhs being direction and supervision charges at the rate of 5 *per cent* of the capital expenditure which was being hitherto accounted for at the rate of 3 *per cent*. On the latter basis, these work out to Rs.1794.17 lakhs. The change in the percentage of capitalisation of these charges resulted in excess capitalisation of Rs.1196.11 lakhs, with corresponding overstatement of surplus to this extent.

1.4.6 The following table indicates the operational performance of RSEB during each of the three years up to 1993-94:

Sl. No.	Particulars	1991-92	1992-93	1993-94
1.	Installed capacity		(In MW)	
	(1) Thermal	765.00	785.00	995.00
	(2) Hydel	960.91	978.57	1036.04
	Total (1)	**1725.91**	**1763.57**	**2031.04**
2.	Normal maximum demand	1989.00	2214.00	2367.00
3.	Power generated		(In Mkwh)	
	(1) Thermal	4284.20	4933.15	5143.53
	(2) Hydel	3846.61	3658.78	3382.51
	Total (3)	**8130.81**	**8591.93**	**8526.04**

Sl. No.	Particulars	1991-92	1992-93	1993-94
	Less :			
	Auxiliary consumption	601.16	630.28	622.98
4.	Net power generated	7529.65	7961.65	7903.06
5.	Power.purchased	5449.94	6704.85	7467.53
6.	Total power available for sale (4 + 5)	12979.59	14666.50	15370.59
7.	Power sold			
	(a) Agriculture	2849.31	3361.31	3678.88
	(b) Industrial	4010.58	4361.47	4416.35
	(c) Commercial	429.89	483.17	575.34
	(d) Domestic	1075.39	1345.65	1510.16
	(e) Others*	1236.56	1650.98	1528.83
	Total (7)	**9601.73**	**11202.58**	**11709.56**
			(In paise)	
8.	Revenue per Kwh	119.07	137.15	159.01
9.	Expenditure per Kwh	116.06	131.97	154.44
10.	Profit (+)/ Loss (-) per Kwh	(+)3.01	(+)5.18	(+)4.57
			(In Mkwh)	
11.	Transmission and distribution loss	3377.86	3463.92	3661.03
			(per cent)	
12.	Load factor	73.97	69.92	69.59
13.	Percentage of transmission and distribution loss to power available for sale	26.02	23.61	23.82
			(In Kwh)	
14.	Number of units generated per KW of installed capacity	4701.00	4872.00	4198.00

* Includes sale of energy outside the State, energy supplied to common pool consumers directly from the project and auxiliary consumption at GSS/SS.

1.5 Rajasthan State Road Transport Corporation

1.5.1 As on 31 March 1994, the share capital of the Rajasthan State Road Transport Corporation (RSRTC) was Rs.107.95 crores (State Government : Rs.81.12 crores; Central Government : Rs.26.83 crores) as against Rs.87.90 crores (State Government : Rs.65.12 crores; Central Government : Rs.22.78 crores) on 31 March 1993. Interest on capital at 6.25 *per cent* per annum amounting to Rs.6.31 crores (State Government : Rs.4.64 crores; Central Government : Rs.1.67 crores) was payable by the Corporation for the year 1993-94.

In addition, RSRTC had aggregate liability of Rs.72.46 crores on borrowing as on 31 March 1994. The State Government had also given guarantee for the repayment of loans raised by RSRTC and payment of interest thereon. The principal and interest outstanding thereagainst as on 31 March 1994 are indicated below:

Particulars	**Month of guarantee**	**Amount guaran-teed**	**Amount outstanding as on 31 March 1994**
		(Rupees in crores)	
$7^1/_4$ *per cent* RSRTC Debentures, 1996	September 1981	0.275	0.275
$7^1/_2$ *per cent* RSRTC Debentures, 1997	September 1982	0.275	0.275
Oriental Bank of Commerce, Jaipur	March 1993	8.945	6.704
Total		**9.495**	**7.254**

1.5.2 The financial position of RSRTC at the end of each of the three years up to 1993-94 is tabulated below :

Particulars	**1991-92**	**1992-93**	**1993-94 (Provisional)**
		(Rupees in crores)	
A. Liabilities			
- Capital	77.80	87.90	107.95
- Reserves and surplus	4.45	4.66	5.00
- Borrowings	70.44	78.66	72.46
- Trade dues and other liabilities	33.11	35.17	41.04
Total-A	**185.80**	**206.39**	**226.45**
B. Assets			
- Gross block	143.34	183.63	226.78
Less : Depreciation reserve	59.38	68.69	79.99
- Net fixed assets	83.96	114.94	146.79
- Capital works-in-progress	0.89	0.84	1.33
- Investment	5.15	2.05	8.30
- Current assets, loans and advances	40.60	35.30	41.17
- Intangible assets (Deferred revenue expenditure)	19.87	23.81	22.08
- Accumulated loss	35.33	29.45	6.78
Total-B	**185.80**	**206.39**	**226.45**
C. Capital employed*	96.64	117.11	154.67
D. Capital invested**	115.23	139.44	175.96

* Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital.

** Capital invested represents paid-up capital *plus* long-term loans, *plus* free reserves and surplus.

1.5.3 The working results of RSRTC for each of the three years up to 1993-94 are tabulated below :

Sl. No.	Particulars	1991-92	1992-93	1993-94 (Provisional)
			(Rupees in crores)	
1.	Revenue	220.58	270.08	335.95
2.	Expenditure			
	(a) Interest	9.20	13.19	15.46
	(b) Other expenditure	198.66	249.08	296.94
	Total (2)	**207.86**	**262.27**	**312.40**
3.	Net profit(+)/ loss(-) for the year (1-2)	(+) 12.72	(+) 7.81	(+) 23.55
4.	(a) Prior period adjustments	(-) 0.60	(-) 1.89	(-) 0.85
	(b) Profit(+)/ loss(-) after prior period adjustments	(+) 12.12	(+) 5.92	(+) 22.70
5.	Interest on long-term loan	4.36	7.90	9.01
6.	Total return on:			
	- Capital employed	(+) 21.32	(+) 19.24	(+) 38.16
	- Capital invested	(+) 16.48	(+) 13.82	(+) 31.72
7.	Percentage of return on:			
	- Capital employed	22.07	16.43	24.67
	- Capital invested	14.30	9.91	18.03

1.5.4 The accounts of RSRTC for the year 1992-93 initially disclosed a net profit of Rs.8.06 crores. The accounts were, however, recast with reference to the observations of Audit and the recast accounts disclosing a net profit of Rs.7.81 crores were adopted by the Board in February 1994. The net decrease of Rs.0.25 crore in the profit was attributable to the rectification of some mistakes in classification and excess or inadequate provisions in the original accounts *etc.*

1.5.5 The table below indicates the physical performance of RSRTC during each of the three years up to 1993-94:

Sl. No.	Particulars	1991-92	1992-93	1993-94 (Provisional)
1.	Average number of vehicles held	3256	3502	3857
2.	Average number of vehicles on road	2884	3172	3443
3.	Percentage of utilisation	89	91	89
4.	(a) Gross kilometres covered (In lakhs)			
	- Own buses	3044.24	3442.22	3871.59
	- Hired buses	193.31	322.41	418.45
	Total 4 (a)	**3237.55**	**3764.63**	**4290.04**
	(b) Effective kilometres covered (In lakhs)			
	- Own buses	2945.66	3323.67	3746.34
	- Hired buses	193.31	322.41	418.45
	Total 4 (b)	**3138.97**	**3646.08**	**4164.79**
	(c) Dead kilometres in respect of own buses (In lakhs)	98.58	118.55	125.25
5.	Percentage of dead kilometres to gross kilometres	3.24	3.44	3.24
6.	Average effective kilometres covered per bus per day (own buses)	279	287	298
7.	Average revenue per kilometre including non-operating revenue (In paise)	681	717	783

Sl. No.	Particulars	1991-92	1992-93	1993-94 (Provisional)
8.	Average expenditure per kilometre including non-operating expenditure (In paise)	642	697	728
9.	Profit(+)/loss(-) per kilometre (In paise)	(+) 39	(+) 20	(+) 55
10.	Total route kilometres	296475	357802	393572
11.	Number of operating depots	40	40	42
12.	Average number of break-downs per thousand kilometres	0.04	0.04	0.03
13.	Average number of accidents per lakh kilometres	0.26	0.26	0.27
14.	Passenger kilometres scheduled (In lakhs)	166365	189596	216569
15.	Passenger kilometres operated (In lakhs)	124441	149023	158962
16.	Occupancy ratio (*per cent*)	74.8	78.6	73.4

1.6 Rajasthan Financial Corporation

1.6.1 The paid-up capital of the Rajasthan Financial Corporation (RFC) on 31 March 1994 was Rs.63.03 crores (State Government : Rs.40.21 crores; IDBI : Rs.22.38 crores and Others : Rs.0.44 crore) against Rs.60.18 crores (State Government : Rs.37.36 crores; IDBI : Rs.22.38 crores and Others : Rs.0.44 crore) on 31 March 1993.

Under the State Financial Corporations Act, 1951, the State Government has guaranteed repayment of the share capital and payment of annual dividend at 3.5 *per cent* and 7.5 *per cent* of the paid-up capital of Rs.14.30 crores and Rs.46.23 crores, respectively of RFC, exclusive of the paid-up capital of Rs.2.50 crores representing shares issued under Section 4 A (i) of the Act.

Besides the paid-up capital of Rs.63.03 crores, RFC had also obtained equity loans of Rs.23.55 crores (State Government : Rs.13.95 crores and IDBI : Rs.9.60 crores) as on 31 March 1994. A matching contribution of Rs.4.35 crores was awaited from IDBI against the equity loan of an equivalent amount contributed by the State Government during 1990-91.

Government has guaranteed repayment of loans raised by issue of bonds (Rs.208.17 crores) and payment of interest thereon at rates ranging from 7 to 13.5 *per cent*.

1.6.2 The financial position of RFC at the end of each of the three years up to 1993-94 is given below :

Particulars	1991-92	1992-93	1993-94
		(Rupees in crores)	
A. Liabilities			
Paid-up capital	57.18	60.18	63.03
Advance against share capital	4.05	-	-
Reserves and surplus	27.47	24.62	25.41
Borrowings	390.72	441.38	483.02
Trade dues and other liabilities and provisions	25.47	49.15	68.18
Total-A	**504.89**	**575.33**	**639.64**
B. Assets			
Net fixed assets	1.20	1.23	1.55
Investments (at cost)	0.14	0.14	0.14
Loans and advances	446.69	498.61	539.06
Other current assets	56.86	57.53	72.08
Profit and loss account	-	17.82	26.81
Total-B	**504.89**	**575.33**	**639.64**
Capital employed*	447.18	501.81	548.82
Net worth@	84.66	66.98	61.63
Capital invested$	477.45	526.18	571.46

* Capital employed represents mean of the aggregate of the opening and closing balances of paid-up capital, bonds, reserves and surplus, borrowings and deposits.

@ Net worth represents paid-up capital *plus* reserves and surplus less intangible assets.

$ Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves.

1.6.3 The following table gives details of the working results of the RFC for the three years up to 1993-94:

Sl. No.	Particulars	1991-92	1992-93	1993-94
			(Rupees in crores)	
1.	**Income**			
	(a) Interest and dividends	50.66	59.77	74.30
	(b) Other income	2.29	2.73	2.86
	Total (1)	**52.95**	**62.50**	**77.16**
2.	**Expenditure**			
	(a) Interest	32.64	41.52	50.10
	(b) Other financial expenses including salaries and other administrative expenses	10.34	13.37	17.67
	(c) Depreciation	0.13	0.12	0.15
	(d) Bad and doubtful debts	1.47	6.70	8.43
	Total (2)	**44.58**	**61.71**	**76.35**
3.	Profit before tax and provisions	8.37	0.79	0.81
4.	Provision for tax and bad and doubtful debts	3.11	18.21	9.00
5.	Net Profit (+)/loss(-)	(+)5.26	(-)17.42	(-)8.19
6.	Special reserve	4.00	0.40	0.80
7.	Amount available for dividend	1.26	Nil	Nil
8.	Dividend paid	3.09	3.22	3.64
9.	Total return on :			
	(a) Capital employed	41.01	42.31	50.91
	(b) Capital invested	41.01	42.31	50.91
10.	Percentage of return on :			
	(a) Capital employed	9.2	8.43	9.28
	(b) Capital invested	8.6	8.04	8.91

1.6.4 The following table indicates the position regarding receipt and disposal of applications of loans during the three years up to 1993-94 :

Sl. No.	Particulars of applications	1991-92 Number	1991-92 Amount	1992-93 Number	1992-93 Amount	1993-94 Number	1993-94 Amount	Cumulative Number	Cumulative Amount
				(Amount:Rupees in crores)					
1.	Pending at the beginning of the year	914	64.07	1187	140.46	412	46.95	-	-
2.	Received during the year	5011	340.63	3120	189.08	2867	224.14	78905	2338.80
3.	Total (1 + 2)	5925	404.70	4307	329.54	3279	271.09	78905	2338.80
4.	Sanctioned	3555	162.61	2830	167.99	2168	165.77	60053	1410.62
5.	Rejected/Withdrawn/ Closed	1183	85.31	1065	111.59	934	60.16	18675	747.55
6.	Pending at the close of the year	1187	140.46	412	46.95	177	32.19	177	32.19
7.	Loans disbursed	4404*	101.53@	2396	107.45@	1804	106.32@	45526	891.81
8.	Amount outstanding at the close of the year (on cash basis)	-	446.69	-	498.61	-	539.06	-	-
9.	Amount overdue for recovery:								
	(a) Principal	-	70.52	-	79.56	-	86.69	-	-
	(b) Interest	-	60.35	-	66.97	-	71.44	-	-
	(c) Total	-	130.87	-	146.53	-	158.13	-	-
10.	Percentage of overdue to total loans outstanding	-	29.30	-	29.39	-	29.33	-	-

Source: Annual Report of RFC 1993-94

Note: The difference between the amount shown against item 3 and aggregate shown against items 4, 5 and 6 represent the difference between the amount of loan applied for and that sanctioned.

* This includes 1577 old units also. The number of units indicated for the years 1992-93 and 1993-94 represent only the new units.

@ These include loans disbursed to both new and old units.

1.6.5 Out of the outstanding amount of loan (including interest) of Rs.539.06 crores from loanees as on 31 March 1994, an amount of Rs.158.13 crores was overdue for recovery.

Further points in regard to overdue loans are given below :

(i) The age-wise analysis of the total overdue loans as on 31 March 1994 was as under :

Particulars	Principal	Interest	Total
		(Rupees in crores)	
Up to 1 year	14.66	5.80	20.46
Over 1 year	72.03	65.64	137.67
Total	**86.69**	**71.44**	**158.13**

(ii) The following table gives details of overdue amounts in suits filed and other cases at the close of each of the three years up to 1993-94 :

Year	Overdue amount: In suits filed cases	Overdue amount: In other cases	Overdue amount: Total	Percentage of overdue amount in suit filed cases to total overdue amount
		(Rupees in crores)		
1991-92	9.07	121.80	130.87	6.9
1992-93	11.19	135.34	146.53	7.6
1993-94	9.70	148.43	158.13	6.1

As on 31 March 1994, suits had been filed in 672 cases involving Rs.9.70 crores.

The review on 'Revival of Closed and Sick Units' appearing in paragraph 3B of this Report gives further details of overdues recoverable by RFC.

1.7 Rajasthan State Warehousing Corporation

1.7.1 The paid-up capital of RSWC on 31 March 1994 was Rs.5.18 crores (State Government: Rs.2.83 crores; Central Warehousing Corporation : Rs.2.35 crores) as against Rs.4.45 crores (State Government : Rs.2.35 crores; Central Warehousing Corporation : Rs.2.10 crores) on 31 March 1993.

1.7.2 The Government had guaranteed the repayment of loans (including interest) obtained by RSWC from the State Bank of India, the State Bank of Bikaner and Jaipur and Rajasthan State Co-operative Bank under the NABARD Refinance Scheme. In consideration of the guarantee given by the Government, RSWC pays guarantee commission at the prescribed rates. The principal outstanding against these loans as on 31 March 1993 was Rs.2.22 crores. The accounts of RSWC for the year 1993-94 are awaited.

1.7.3 The financial position of RSWC at the end of three years up to 1992-93 is given below :

Particulars	**1990-91**	**1991-92**	**1992-93**
		(Rupees in crores)	
A. Liabilities			
Paid-up capital	3.86	4.20	4.45
Reserves and surplus	7.04	7.35	7.81
Borrowings	2.93	2.47	2.22
Trade dues and other liabilities	1.27	1.33	1.36
Total-A	**15.10**	**15.35**	**15.84**
B. Assets			
Gross block	16.18	16.96	17.43
Less : Depreciation	4.57	5.19	5.80
Net fixed assets	11.61	11.77	11.63
Capital works-in-progress	0.69	0.66	1.32
Current assets, loans and advances	2.80	2.92	2.89
Total-B	**15.10**	**15.35**	**15.84**
C. Capital employed*	13.15	13.36	13.16
D. Capital invested@	13.63	13.77	14.18

* Capital employed represents net fixed assets *plus* working capital.

@ Capital invested represents paid-up capital *plus* long-term loans *plus* free reserves and surplus.

1.7.4 The following table gives details of the working results of RSWC for the three years up to 1992-93:

Sl. No.	Particulars	1990-91	1991-92	1992-93
			(Rupees in crores)	
1.	**Income**			
	Warehousing charges	4.20	4.31	4.69
	Other income	0.16	0.32	0.47
	Total (1)	**4.36**	**4.63**	**5.16**
2.	**Expenditure**			
	Establishment charges	2.16	2.46	2.91
	Interest	0.36	0.39	0.34
	Godown rent	0.17	0.15	0.17
	Other expenses	1.25	1.21	1.26
	Total (2)	**3.94**	**4.21**	**4.68**
3.	Profit before tax	0.42	0.42	0.48
4.	Provision for tax	Nil	Nil	Nil
5.	Profit after tax	0.42	0.42	0.48
6.	Other appropriations, reserves, *etc.*	0.31	0.34	0.40
7.	Amount available for dividend	0.11	0.08	0.08
8.	Dividend paid/ provided	0.11	0.08	0.08
9.	Total return on :			
	(a) Capital employed	0.78	0.82	0.83
	(b) Capital invested	0.78	0.82	0.83
10.	Percentage of return on :			
	(a) Capital employed	5.9	6.14	6.31
	(b) Capital invested	5.7	5.95	5.85

1.7.5 The following table gives details of the storage capacity created, capacity utilised and other information about the performance of the Corporation during the three years up to 1993-94:

Sl. No.	**Particulars**	**1991-92**	**1992-93**	**1993-94 (Provisional)**
1.	Number of stations covered	77	77	77
			(In lakh tonnes)	
2.	Storage capacity created up to the end of the year:			
	(a) Owned	3.91	4.04	4.22
	(b) Hired	0.59	0.54	0.52
	Total (2)	**4.50**	**4.58**	**4.74**
3.	Average storage capacity utilised during the year:			
	(a) Owned	2.27	2.29	2.78
	(b) Hired	0.62	0.55	0.48
	Total (3)	**2.89**	**2.84**	**3.26**
4.	Utilisation of capacity available (*per cent*)	64.20	62.00	68.80
			(In Rupees)	
5.	Average revenue per tonne per year	160.21	181.69	168.00
6.	Average expenses per tonne per year	145.67	164.79	148.00
7.	Profit per tonne per year	14.54	16.90	20.00

REVIEW RELATING TO A GOVERNMENT COMPANY

This chapter contains a review of the activities and performance of the Rajasthan Jal Vikas Nigam Limited.

RAJASTHAN JAL VIKAS NIGAM LIMITED

HIGHLIGHTS

The Rajasthan Water Resources Development Corporation Limited renamed as Rajasthan Jal Vikas Nigam Limited (RJVN) in December 1991, was incorporated in January 1984 as a wholly owned Government Company with the main objective of developing ground water and surface water resources through execution of small projects such as community lift irrigation and tube-well schemes.

RJVN earned a total profit of Rs.31.80 lakhs during the six years ending 1993-94. However, this profit was due to interest earned by it on its idle funds. On its operations, RJVN had, in fact, incurred a loss of Rs.19.06 lakhs during these six years.

A sum of Rs.35 lakhs released by Government (Rs.15 lakhs in March 1992 and Rs.20 lakhs in March 1993) was lying (March 1994) in a non-interest bearing Personal Deposit (PD) Account. In the absence of any plan for its utilisation, RJVN was not allowed by the Government to withdraw this amount. RJVN had, however, not initiated any action to transfer Rs.35 lakhs into an interest bearing PD Account and thus could not earn a potential interest of Rs.4 lakhs.

Though RJVN was expected to raise loans aggregating to Rs.17 crores within the first five years of its incorporation, in absence of implementation of the relevant schemes, it raised a loan of Rs.32.98 lakhs only. Even this loan was in excess of requirement which resulted in avoidable payment of interest amounting to Rs.4.24 lakhs.

Against a target of constructing 500 community lift irrigation schemes in 15 years, RJVN had taken up only one scheme in 1985-86.

Similarly, against 275 community tube-wells to be taken up during 1984-85 and 1985-86, RJVN did not take up a single such scheme. Instead, in December 1986 it decided not to take up these two schemes, thus vitiating an important objective of its incorporation *i.e.*, of developing community lift and tube-well irrigation schemes for the benefit of small and marginal farmers.

RJVN did not recover Rs.6.67 lakhs from the beneficiary cultivators in respect of 1334 soundings done as part of geophysical survey.

RJVN failed to construct 19 tube-wells for which it had received Rs.25 lakhs (Rs.15 lakhs as loan in November 1987 and Rs.10 lakhs as share capital) from Government.

RJVN undertook (July 1986) the construction of 45 relief wells at an estimated cost of Rs.22.14 lakhs in Mahi Project. The work was completed in July 1989 *i.e.*, two years behind schedule and resulted in a loss of Rs.3.69 lakhs comprising loss on drilling work, civil works and supply and fixing of slotted pipes.

RJVN spent a sum of Rs.4.58 lakhs on repairs of a percussion rig taken on hire (November 1991) from Ground Water Department (GWD). The rig was operated only from April 1992 to December 1992 during which it earned a revenue of Rs.0.77 lakh only against an expenditure of Rs.1.24 lakhs incurred on its operation and maintenance, besides hire charges which are still to be fixed.

RJVN had not made any visible impact in the fulfilment of the objective for which it was set up.

2.1 Introduction

The Ground Water Department (GWD) has since February 1973 been undertaking survey, research and investigation of ground water resources in the State and their exploration by drilling of tube-wells, boring in existing open dug wells and deepening of wells to augment their yield. For the purpose of providing irrigation facilities various major, medium and minor irrigation projects were being executed by the Irrigation Department. Besides, District Rural Development Agencies (DRDAs) had also been executing minor irrigation schemes in their respective districts. Inspite of the existence of these agencies and their resources, the State Government felt that there was scope in most parts of the State for development of deeper ground water resources and surface water available in depressions of perennial/ephemeral rivers, back water of dams and reservoirs and drains in canal command areas. In this background, the Rajasthan Water Resources Development Corporation Limited was incorporated on 25 January 1984 as a wholly owned Government Company. It was hoped that its formation would not only attract institutional finance for tube-well and lift irrigation schemes but would also equip the State with adequate number of drilling and other machines. The Company started its activities from May 1984 and its name was changed to Rajasthan Jal Vikas Nigam Limited (RJVN) in December 1991.

2.2 Objectives

The main objectives of RJVN were :

(i) to explore and develop ground water; to harness and energise tube-wells both deep and shallow; to dig, construct, operate and maintain community tube-wells and wells for agricultural,industrial, drinking, domestic and other purposes;

(ii) to survey and utilise surface water through lift or otherwise and to execute necessary stream bed or other works including operation and maintenance of community lift irrigation schemes;

(iii) to demonstrate and install through alternate sources of energy or through innovative methods and techniques, systems of lift or delivery of water; and

(iv) to undertake research, development and training programme for development of manpower.

2.3 Organisational set-up

RJVN, which functions under the administrative control of the GWD, is managed by a Board consisting of not less than five and not more than fifteen directors. As on 31 March 1994, the Board consisted of a Chairman, a Managing Director and nine other directors appointed by the State Government. The Managing Director, who is the Chief Executive, is assisted in day to day operations by an Executive Director and a Financial Advisor-cum-Secretary and Administrative Officer.

To undertake the work of community lift and tube-well irrigation schemes and arranging finances from National Bank for Agriculture and Rural Development (NABARD) and other financial institutions, four posts of Project Engineers and Project Officers were created in March 1984. These were not filled up and were abolished in December 1986 due to not taking up of various activities envisaged.

2.4 Scope of Audit

The performance of RJVN in regard to various aspects of execution of the tube-well and lift irrigation projects and other activities for the period from

1988-89 to 1993-94 was reviewed in audit for the first time during February to April 1994 and the results thereof are set out in the succeeding paragraphs.

2.5 Activities

RJVN has been engaged in hydrogeophysical survey, geophysical survey, deepening of wells by drilling and/or blasting, boring in wells (rig and hand boring) and development/construction of tube-wells and handpumps for drinking water purposes. The activities mentioned in paragraph 2.2(iii) and 2.2(iv) supra were not taken up by RJVN.

2.6 Capital structure and borrowings

(a) Share Capital

The authorised capital of RJVN was Rs. 200 lakhs, divided into 2 lakh equity shares of Rs. 100 each. As on 31 March 1994, the paid-up capital stood at Rs.127 lakhs wholly subscribed by the State Government. Of the Rs. 127 lakhs, a sum of Rs. 35 lakhs (Rs.15 lakhs released in March 1992 and Rs.20 lakhs in March 1993) had been lying in a non-interest bearing Personal Deposit (PD) Account. In the absence of any plan to utilise this amount, Government has not allowed RJVN to withdraw it.

Government had, through an order dated 31 January 1990, allowed Government companies to deposit their surplus funds for a minimum of 90 days in PD Account bearing interest at the rate of 8 *per cent*. RJVN had, however, not initiated any action to transfer the said Rs.35 lakhs to such a PD Account and thus lost the opportunity of earning a potential interest of Rs.4 lakhs till the end of 1993-94.

(b) Borrowings

According to the techno-economic feasibility report prepared by the GWD (November 1983), RJVN was to raise loans of Rs. 17 crores within the first five years of its incorporation, from nationalised banks under the refinance scheme of NABARD, to finance community lift and tube-well irrigation schemes. However, as these schemes remained largely unimplemented as discussed in paragraph 9 ***infra***, RJVN raised only one loan of Rs. 32.98 lakhs carrying interest of 10 *per cent* per annum from State Bank of Bikaner and Jaipur for purchase of machines. The loan was received during the period from January to June 1987 in three instalments (Rs. 15 lakhs in January 1987, Rs.13 lakhs in March 1987 and Rs.4.98 lakhs in June 1987).

During the period RJVN was operating non-interest bearing PD account in which the balance varied from Rs.14.03 lakhs to Rs.98.59 lakhs. Therefore, the raising of the loan was necessary to the extent of Rs. 19 lakhs only. Raising of excess loan resulted in payment of avoidable interest of Rs.4.24 lakhs.

2.7 Financial position

The following table summarises the financial position of RJVN at the end of each of the six years up to 1993-94:

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
			(Rupees in lakhs)			
LIABILITIES						
(a) Paid-up capital	67.00	77.00	92.00	107.00	127.00	127.00
(b) Reserves and Surplus	-	-	-	5.56	5.56	5.56
(c) Borrowings	23.55	18.84	14.12	-	-	-
(d) Trade dues and other current liabilities (including provisions)	46.44	50.88	152.26	173.31	303.99	299.17
TOTAL	**136.99**	**146.72**	**258.38**	**285.87**	**436.55**	**431.73**
ASSETS						
(a) Gross block	56.12	56.24	56.24	61.38	61.67	61.67
Less: Depreciation	34.42	40.92	45.41	48.54	52.18	54.73
(b) Net fixed assets	21.70	15.32	10.83	12.84	9.49	6.94
(c) Capital works-in-progress	-	-	-	-	-	-
(d) Investment	-	0.10	-	-	-	-
(e) Current assets, loans and advances	98.29	121.85	231.99	262.82	421.29	421.29
(f) Intangible assets:						
(i) Expenses (to the extent not written off)	0.39	0.31	0.23	0.16	0.08	0.08
(ii) Accumulated loss	16.61	9.14	15.33	10.05	5.69	3.42
TOTAL	**136.99**	**146.72**	**258.38**	**285.87**	**436.55**	**431.73**
Capital employed*	73.55	86.29	90.56	102.35	126.79	129.06
Net worth**	50.00	67.55	76.44	102.35	126.79	129.06

* Capital employed represents net fixed assets (excluding capital works-in-progress) *plus* working capital

** Net worth represents paid-up capital *plus* reserves and surplus *less* intangible assets.

2.8 Working results

The working results of RJVN for the years from 1988-89 to 1993-94 are indicated in the table below:

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94 (Provisional)
			(Rupees in lakhs)			
A. **Income**:						
(a)Income from various services (operational income)	66.64	60.80	38.60	61.75	76.22	83.35
(b)Misc.receipts	2.01	0.45	0.40	0:46	1.76	2.00
(c)Interest on deposits	2.22	3.60	4.81	12.43	15.16	12.64
(d)Increase/ decrease in works-in-progress	-	(+)5.95	(-)0.39	(-)1.39	(-)2.89	(-)1.28
Total	**70.87**	**70.80**	**43.42**	**73.25**	**90.25**	**96.71**
B. **Expenditure :**						
(a) Expenditure incurred on various services rendered	9.14	19.44	9.99	15.50	26.19	36.90
(b) (i)Administrative and other expenses	19.27	21.31	24.05	24.29	29.68	32.22
(ii)Interest on loan	2.59	2.12	1.65	0.29	-	-
(c) Depreciation on assets	9.00	6.49	4.50	3.12	3.64	2.55
(d) Stores & spares consumed	21.43	13.97	9.42	19.21	22.77	22.77
Total	**61.43**	**63.33**	**49.61**	**62.41**	**82.28**	**94.44**
Financial Profit(+)/Loss(-) {A(c)-B(b)(ii)}	(-)0.37	(+)1.48	(+)3.16	(+)12.14	(+)15.16	(+)12.64
Operational Profit(+)/Loss(-)	(+)9.81	(+)5.99	(-)9.35	(-)1.30	(-)7.19	(-)10.37
Total Profit(+)/ Loss(-)	(+)9.44	(+)7.47	(-)6.19	(+)10.84	(+)7.97	(+)2.27
Less: Transferred to investment - allowance reserve		-	-	5.56	-	-
TOTAL	**9.44**	**7.47**	**(-)6.19**	**5.28**	**7.97**	**2.27**
Prior period adjustment	-	-	-	-	3.61	-
Profit(+)/Loss(-) after prior period adjustments	(+)9.44	(+)7.47	(-)6.19	(+)5.28	(+)4.36	(+)2.27

Working results of Rajasthan Jal Vikas Nigam

CHART-VI

I - Operating Profit/Loss

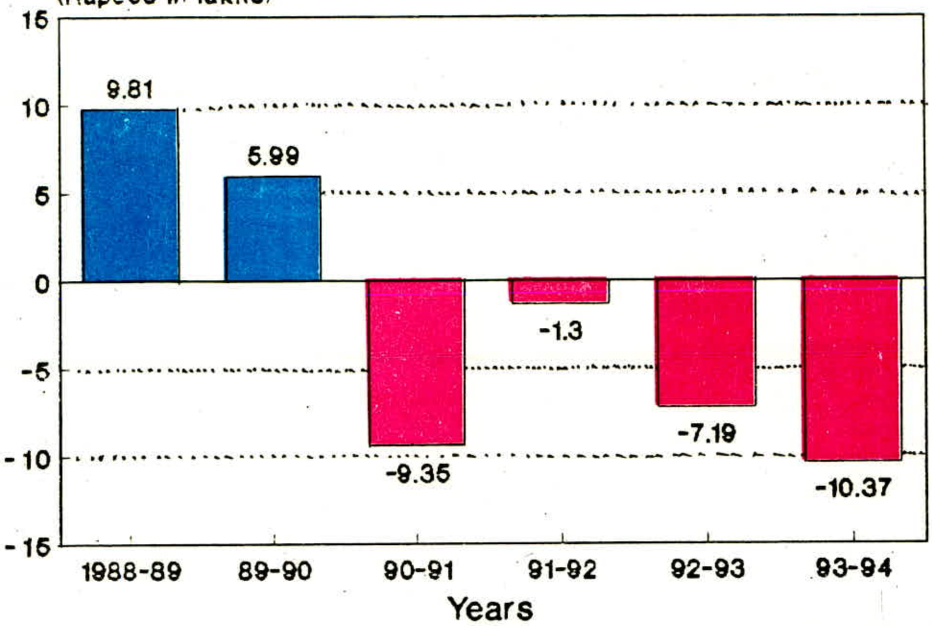
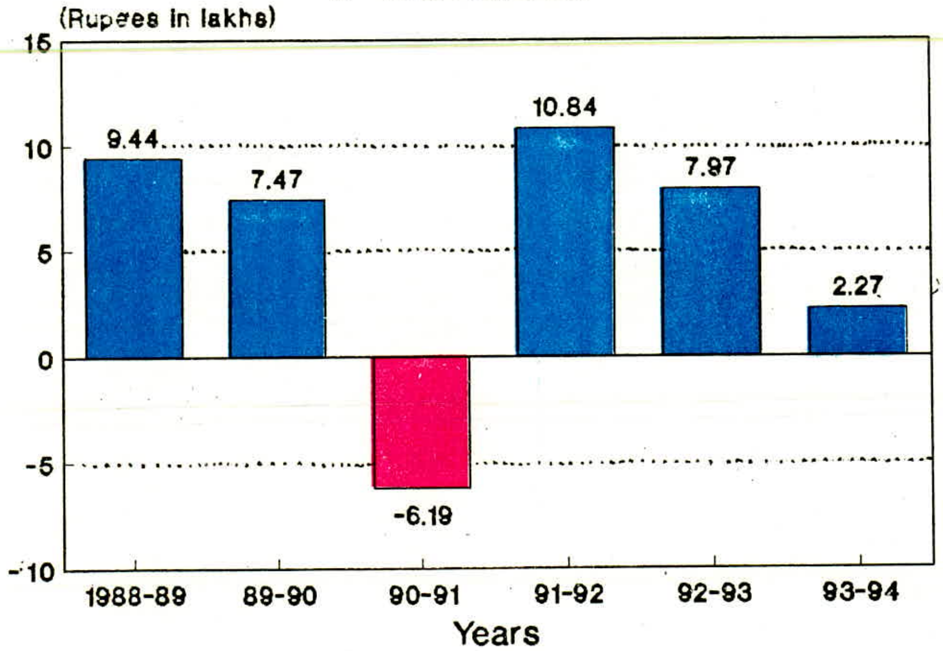


CHART-VII

II - Total Profit/Loss



(Refer paragraph 2.8)

The profit of Rs.31.80 lakhs earned by RJVN during the period 1988-89 to 1993-94 was due to interest earned (Rs.50.86 lakhs) on its surplus funds invested in fixed deposits with banks or interest bearing PD Account with Government. However, the RJVN had incurred loss of Rs.19.06 lakhs during above period on its operational activities.

RJVN attributed the losses incurred by it in 1990-91 to:

(a) Increase in administrative and other expenses.

(b) Due to non-availability of percussion rigs, the boring work of 17 wells amounting to Rs. 15 lakhs could not be done.

(c) Private contractors did not come forward for hand boring in open wells in alluvial land formations.

(d) Due to good rains the work of deepening of wells by blasting and boring units was not available.

Scrutiny by audit, however, revealed these reasons to be substantially untenable as discussed below:

(i) Administrative and other expenses had increased only marginally from Rs.21.31 lakhs in 1989-90 to Rs.24.05 lakhs during 1990-91.

(ii) Neither action for procurement of percussion rig was taken nor any request made to GWD for its supply till November 1991.

(iii) Tenders were not invited from private contractors during 1990-91 for hand boring of open wells.

The reasons for losses incurred on operational activities during the period from 1991-92 to 1993-94 were not analysed by the RJVN.

The table in paragraph 2.7 indicates that the capital employed increased from Rs.73.55 lakhs in 1988-89 to Rs. 129.06 lakhs in 1993-94 *i.e.*, an increase of 75 *per cent*. On the other hand, the corresponding increase in operating income during this period was 25 *per cent* only. Thus, the growth of operational income was not commensurate with the growth of capital employed.

RJVN had not managed its activities (survey, drilling, blasting and hand boring) on the basis of separate cost centres to ascertain activity-wise profitability. The Management was,therefore, not in a position to exercise any effective control over its activities.

2.9 Management of Projects

According to the techno-economic feasibility report, RJVN was to create additional irrigation potential of 1,20,000 hectares in 15 years by constructing 500 community lift irrigation schemes* and 3500 community tube-well irrigation schemes* in eight districts (Sikar,Jhunjhunu,Sawai-Madhopur, Bharatpur, Dholpur, Alwar, Tonk and Jaipur) to enable production of additional 10 million tonnes of foodgrain in the State. RJVN was also to undertake construction of tube-wells of private cultivators to increase irrigation intensity and to bring additional areas under irrigation.

(i) Community lift irrigation schemes

Community lift irrigation schemes were to be formulated and financed by bank loans under the refinance scheme of NABARD.. Against a target of implementation of 45 such schemes (20 during 1984-85 and 25 during 1985-86), RJVN took-up only one scheme for implementation during 1985-86 at an estimated cost of Rs.0.72 lakh. RJVN incurred an expenditure of Rs.0.39 lakh on implementation of this scheme against which it collected Rs.0.45 lakh from the beneficiary cultivators. The RJVN, however, spent a sum of Rs.2 lakhs on pay and allowances and other expenses in implementation of this scheme, which was not recoverable from the beneficiary cultivators.

To accelerate the execution of these schemes, Government made RJVN explicitly responsible for arranging finance from the banks, subsidy from DRDA and obtaining electric connections from Rajasthan State Electricity Board (RSEB). In addition, after implementation, the staff of RJVN was required to assist the community in running the scheme for one year. The payment of establishment charges was to be reimbursed to RJVN by the society of farmers subject to a ceiling of 10 *per cent* of the direct cost of the scheme after its successful working for one year.

RJVN considered (April 1986) the above arrangements against its financial interest as it would entail blockage of funds incurred on establishment for running the schemes for at least one year. RJVN, therefore, decided (December 1986) not to take up any of the community lift irrigation schemes. This decision was not only against the orders of the Government but also defeated one of the purposes for which RJVN was established.

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* Community lift and tube-well irrigation schemes were intended to benefit a group of at least 10 small and marginal farmers owning not less than 25 *per cent* of the total land irrigated.

(ii) Community tube-well irrigation schemes

(a) According to the techno-economic feasibility report, RJVN was required to establish 100 and 175 community tube-wells irrigation schemes during the years 1984-85 and 1985-86 respectively. During 1984-85, RJVN identified only 34 existing tube-wells in three districts which were constructed by GWD and transferred to RJVN in December 1985, for implementing community tube-well irrigation schemes thereon. Before RJVN took any action on their implementation, Government issued instructions (March 1986) imposing additional responsibilities/liabilities on RJVN as in the case of community lift irrigation schemes mentioned above. RJVN, on grounds similar to those in the case of community lift irrigation schemes, decided not to implement this scheme also. This decision also defeated one of the purposes for which RJVN was set up.

(b) In September 1989, Government *suo motu* sanctioned a sum of Rs.25 lakhs as subsidy to RJVN for the execution of community tube-well irrigation schemes on pilot basis in white/grey* areas of six districts. The work in the scheme involved construction of tube-wells, installation and energisation of submersible pump-set and handing over of the tube-wells to the community for their operation and maintenance. Under the scheme, the beneficiaries were to get subsidy limited to 50 *per cent* of the cost of scheme.

RJVN, however, did not implement any community tube-well irrigation scheme on the grounds that there is invariably a dispute between the cultivators regarding selection of site of tube-well and sharing of water. Government, therefore, did not release the subsidy of Rs.25 lakhs.

Thus, RJVN failed to establish community lift and tube-well irrigation schemes as contemplated by Government in July 1983 while sanctioning the creation of RJVN. Accordingly, small and marginal farmers could not be provided irrigation facilities under these two schemes.

RJVN stated (December 1994) that the community lift/tube-well irrigation schemes could not be taken up due to paucity of staff. This reply is not convincing because (a) records indicated that these schemes were not taken up by RJVN on the ground that they involved blockage of funds, and (b) four posts of Project Engineer and Project Officers created specifically for implementing these schemes in March 1984 were abolished in December 1986 because of non-

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* White areas are those where the stage of ground water development is below 65 *per cent* (*i.e.*, there is enough scope for further drawal of water) while in grey areas the corresponding stage of development is between 65 and 85 *per cent*.

implementation of these two schemes. Audit scrutiny revealed that RJVN had never suggested an alternate method of financing the operation and maintenance expenses.

2.10 Other activities

The results of various other activities *viz.*, geophysical and hydrogeophysical surveys, drilling (including hand boring) and blasting in wells undertaken by RJVN are discussed in the succeeding paragraphs.

(a) Hydrogeophysical and Geophysical survey

(i) In order to conduct hydrogeophysical and geophysical survey of wells/tube-wells *etc.* for assessment of quality and adequacy of discharge of water, a separate survey wing was established by RJVN in 1984-85. The table below indicates the achievements vis-a-vis targets in respect of such surveys during each of the six years ending 31 March 1994:

Year	Hydrogeophysical Survey			Geophysical Survey		
	Target	Achievement	Percentage achievement	Target	Achievement	Percentage achievement
			(Number of wells/tube-wells)			
1988-89	1200	950	79.17	250	165	66.00
1989-90	1000	1002	100.20	200	189	94.50
1990-91	1200	706	58.83	200	200	100.00
1991-92	1200	1200	100.00	225	225	100.00
1992-93	1000	763	76.30	225	293	130.22
1993-94	750	707	94.27	250	205	82.00
TOTAL	**6350**	**5328**	**83.91**	**1350**	**1277**	**94.59**

RJVN admitted (December 1994) that they had not analysed reasons for shortfall in achievements.

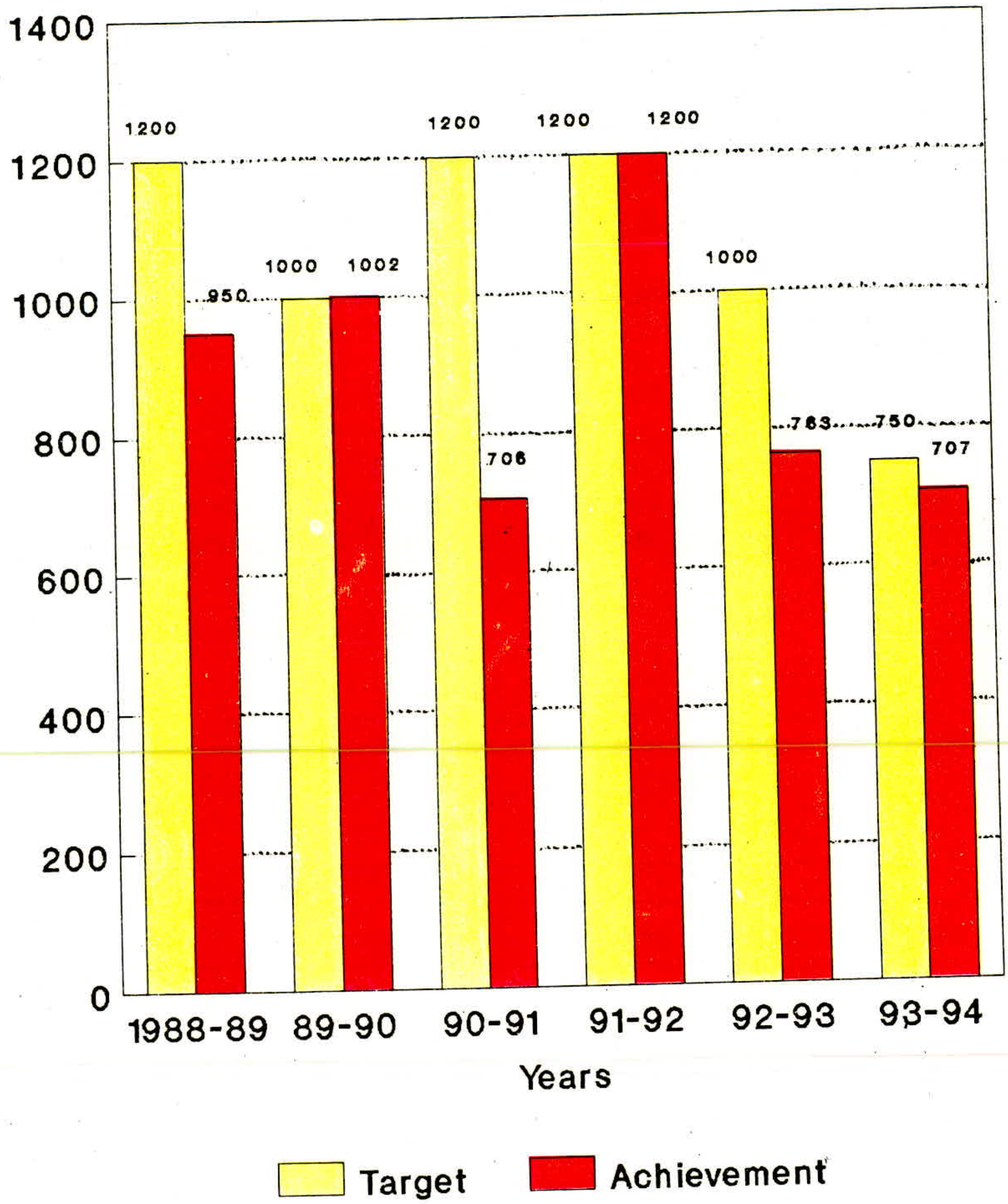
(ii) Non-recovery of survey charges

During the period from 1986-87 to 1993-94, 1604 geophysical surveys were conducted by RJVN for which a sum of Rs.8.02 lakhs as survey charges at the rate of Rs.500 per sounding was to be recovered from the cultivators. It was, however, observed in audit that a sum of Rs.1.35 lakhs was recovered leaving a balance of Rs.6.67 lakhs in respect of 1334 soundings for which demand was still to be raised on the beneficiaries.

CHART-VIII

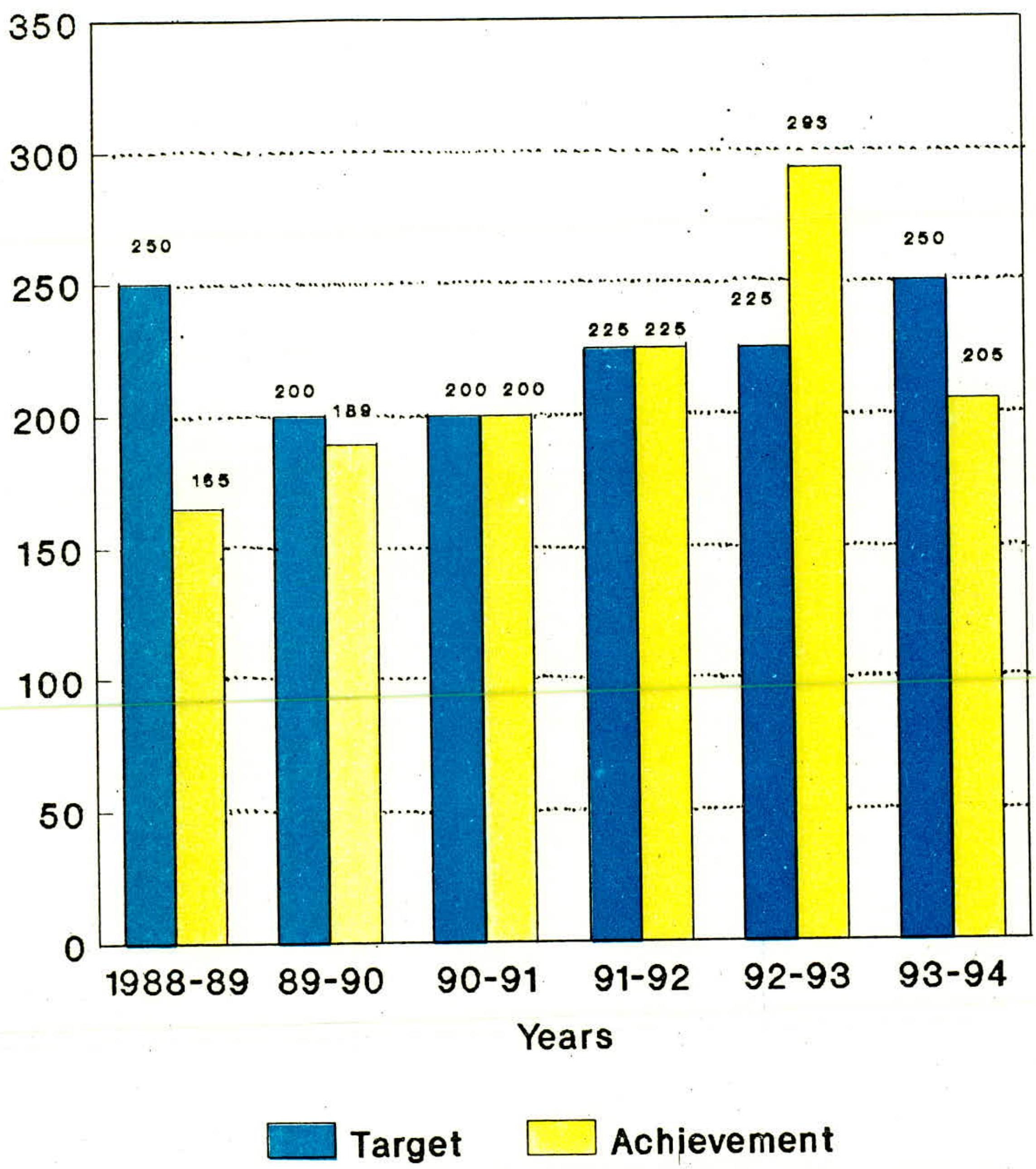
Performance of Hydrogeophysical survey

(Number of wells/tube wells)



[Refer paragraph 2.10(a)(I)]

CHART-IX
Performance of Geophysical survey
(Number of wells/tube-wells)



[Refer paragraph 2.10(a)(I)]

February 1988 to March 1994. The balance of Rs.0.74 lakh was still to be refunded (December 1994).

Of the loan of Rs. 15 lakhs received from the Government in November 1987, a sum of Rs. 9.26 lakhs was refunded up to March 1989.The balance of Rs.5.74 lakhs was yet to be paid (December 1994) to the Government.

Out of 18 pump-sets purchased under this scheme, 17 pum-sets were disposed of during the period from October 1988 to February 1994, and one was lying in the stores.

RJVN stated (December 1994) that (a) the matter of recovery of Rs.0.74 lakh from RSEB is under correspondence, and (b) action would be taken to refund the balance due to the Government. The reply, however, was silent as to why the scheme of fodder cultivation was not implemented by RJVN.

2.12 Construction of relief wells

In February 1986, RJVN procured a contract for construction of 54 relief wells from Chief Engineer, Mahi Project at an estimated cost of Rs. 26.59 lakhs on which it envisaged a profit of Rs. 1.05 lakhs. Subsequently, the number of relief wells·to be constructed was reduced (July 1986) to 45 at an estimated cost of Rs.22.14 lakhs.The work was to be commenced by April 1986 and completed by July 1987. RJVN requisitioned for three machines from GWD in May 1986 for this purpose and started the work in July 1986 after arrival of one drilling machine in June 1986. Two more such machines arrived at site in December 1986 and January 1987.

RJVN could not maintain *pro rata* progress of work and completed the drilling of the 45 wells by August 1988, while the related civil works were completed by July 1989. The delay of two years in the completion of the work was attributed by RJVN to:

(i) the machine from GWD which arrived in June 1986 could not start work immediately on reaching at the site owing to non-supply of various consumables like bits, stemjar, sockets *etc.*, and

(ii) GWD delayed the deployment of two other machines which were also requisitioned in May 1986.

The first reason is not convincing as RJVN should have planned for consumables in advance from market according to requirement from time to time. The second reason is also not convincing, because in terms of the work order 50 *per cent* of the work was to be completed after January 1987. Since by this time all the three requisitioned drilling machines had been received, there should not have been further delay in execution of the works, had the drilling machines been used effectively.

RJVN did not maintain separate account of the work done under this contract, in the absence of which the total loss suffered was not quantifiable. However, during test check following losses on this contract were noticed:

(i) While quoting their rates, RJVN had estimated the total cost of drilling at Rs.8.18 lakhs. GWD, who had executed this work on behalf of RJVN, had however, raised a bill of Rs.10.51 lakhs on RJVN. Thus, RJVN suffered a loss of Rs. 2.33 lakhs in drilling work.

(ii) For execution of civil works, RJVN billed the Mahi Dam Project Authorities Rs. 1.70 lakhs, but had made a payment of Rs. 2.28 lakhs to the sub-contractor engaged for this work. Thus, RJVN suffered loss of Rs. 0.58 lakh on this account.

(iii) On the supply and fixing of slotted pipes, RJVN incurred an expenditure of Rs. 4.37 lakhs, but had recovered only Rs. 3.59 lakhs from the Mahi Dam Project authorities. Thus, loss of Rs.0.78 lakh was incurred by RJVN on this account.

Delay in the execution of work attracted liquidated damages which were yet to be finalised (March 1994) by Mahi Dam Project authorities. Meanwhile, the Project authorities have retained the security deposit of RJVN (Rs.1.12 lakhs), which was due to be returned one year after completion of the work. The loss of interest on above amount from September 1990 to March 1994 at 18 *per cent* per annum worked out to Rs. 0.72 lakh.

RJVN stated (December 1994) that a detailed account of the amount recoverable from Mahi authorities for work done and expenditure incurred thereagainst to ascertain the exact position of profit or loss incurred in the activities was yet to be prepared.

2.13 Performance of machines

(A) Operation of rigs

(i) During 1987-88, RJVN purchased three Down to Hole (DTH) rigs at a cost of Rs.15.75 lakhs. The table below indicates performance of DTH rigs during the six years ending 1993-94 :

Year	Target (common for each rig)	Achievement				Idle days			
		DTH-1	DTH-2	DTH-3	Average achievement for each rig	DTH-1	DTH-2	DTH-3	Average idle days
		(In metres)				(In number)			
1988-89	3600	4934	3751	4929	4538	121	161	106	129
1989-90	3600	4227	4346	4468	4347	133	144	99	125
1990-91	3000	3169	2071	3862	3034	196	262	150	203
1991-92	3000	3899	3736	4226	3954	124	178	132	145
1992-93	3500	3679	5412	3495	4195	134	72	174	127
1993-94	3800	3720	5122	3895	4246	106	39	133	93

The above table indicates that RJVN did not fix the targets of its machines on a realistic basis, because despite the machines having remained idle for considerable period in each year, the targets were generally less than achievments. Test check of performance reports of the three rigs for the years 1992-93 and 1993-94 revealed that the reasons for the total 658 idle days were non-availability of essential material (56 days), non-availability of work (74 days), stoppage due to repairs (283 days) and others (245 days).These reasons were largely controllable, had the RJVN taken proper precautions.

(ii) Uneconomic drilling by percussion rig

In order to drill in sandy areas one percussion rig was taken on loan basis from GWD in November 1991. The rig when obtained was not in working condition and a sum of Rs. 4.58 lakhs was spent up to March 1992 on its repairs. The rig was put in operation in April 1992.

During the period from April 1992 to December 1992, the rig drilled only 92 metres which was only five *per cent* of its annual capacity. RJVN stated (April 1993) that this occurred because it was not fully equipped with necessary accessories and equipment. Against the income of Rs.0.77 lakh earned for the drilling done till December 1992, Rs.1.24 lakhs was incurred on its operation and maintenance besides the hire charges payable to GWD which were yet to be decided.

Since January 1993, in the absence of a truck, casing pipes, welding set and other necessary equipment, the operation of the rig has been stopped and its running considered uneconomical. The rig has not been returned to the GWD so far (April 1994) though this decision was taken in April 1993. Nugatory expenditure of Rs.0.25 lakh per annum was continued to be incurred on the pay and allowances of one assistant driller engaged specifically for this rig.

(B) Operation of Tractor Mounted Blasting Units

In cases where under ground water is not available in deep horizons, wide open wells are dug by blasting with explosives. In July 1986, RJVN purchased five tractor mounted blasting machines at a cost of Rs.8.43 lakhs. The table below indicates the targets of digging holes and achievements thereagainst during last six years ending 1993-94:

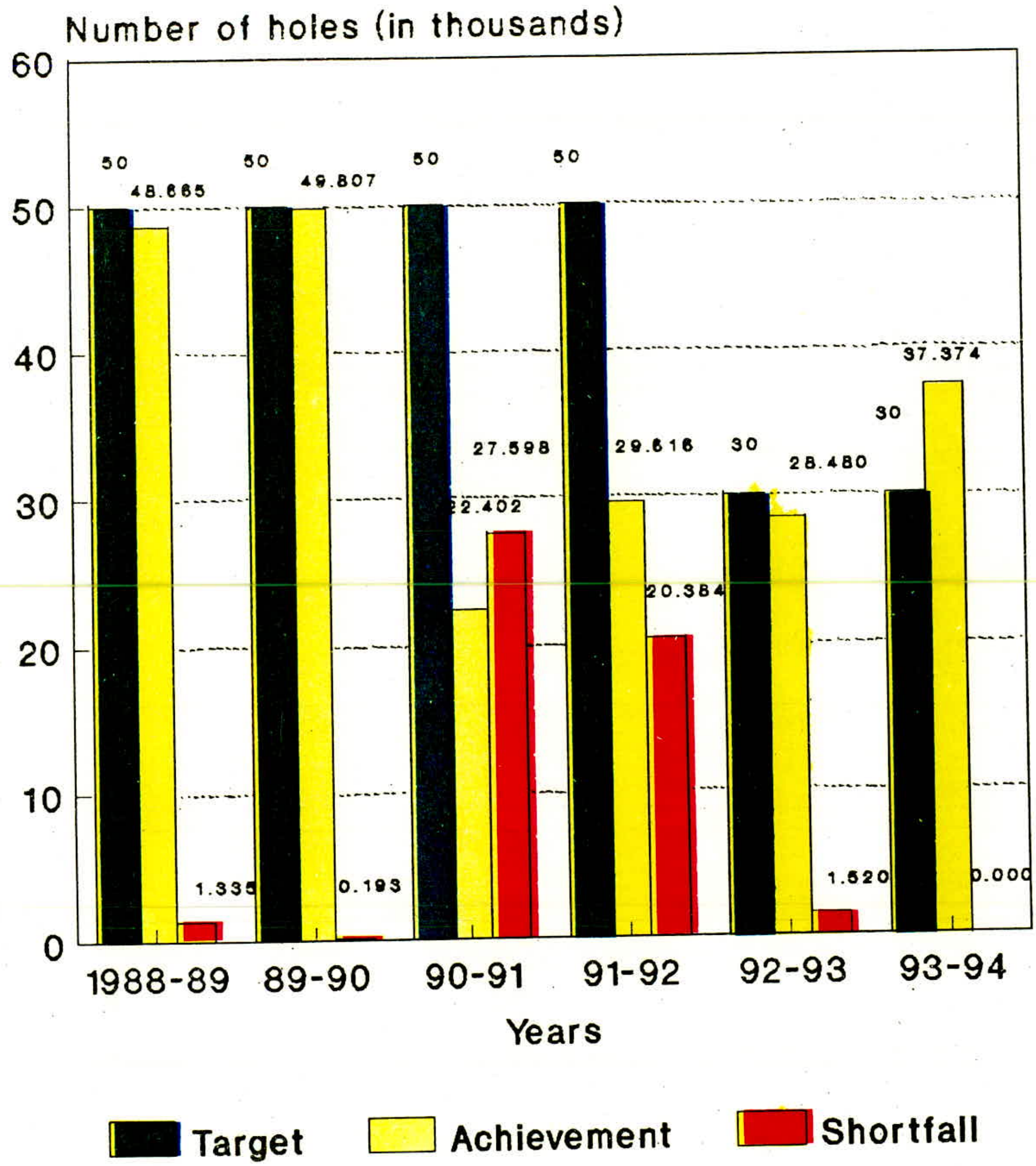
Year	Target	Achievement	Shortfall	Percentage shortfall
		(Number of holes)		
1988-89	50000	48665	1335	2.67
1989-90	50000	49807	193	0.39
1990-91	50000	22402	27598	55.20
1991-92	50000	29616	20384	40.77
1992-93	30000	28480	1520	5.07
1993-94	30000	37374	-	-

From the above details it would be seen that there was substantial shortfall in achievement of targets mainly during 1990-91 and 1991-92. The reduction in shortfall during 1992-93 was largely due to reduction of targets by 40 *per cent* in 1992-93.

RJVN had not analysed the reasons for shortfall in achievement of targets.

CHART-X

Performance of Tractor Mounted Blasting Units



{ Refer paragraph 2.13(B) }

RJVN stated (December 1994) that they anticipate significant work load in the near future and idleness of their rigs and tractor mounted blasting units would not arise.

2.14 Non-revision of rates for drilling

RJVN fixed (December 1986) a rate of Rs.400 per metre for drilling by its 6" dia rig even though GWD was then charging Rs.466 per metre. No reasons were available on record to indicate the basis on which the rate of Rs.400 per metre was fixed.

In April 1988, the Bureau of Public Enterprises (BPE) had recommended that service/job charges for the works undertaken by RJVN be so determined that it may earn at least 10 *per cent* profit margin. Despite this, RJVN enhanced the rate for drilling belatedly in January 1992 to Rs. 466 per metre to conform with the rate of GWD. The delay in revising the rate from Rs. 400 to Rs.466 per metre resulted in loss of potential revenue of Rs. 12.98 lakhs till December 1991.

The RJVN stated (December 1994) that in order to secure more work, the rate for drilling was kept slightly lower than that of GWD. The reply did not explain why costing was not done and charges fixed in accordance with the recommendation of BPE.

2.15 Consumption of high speed diesel in drilling

RJVN fixed (June 1993) a consumption norm of 780 litres of High Speed Diesel (HSD) for 70 metre drilling (including carrier) by their 6" dia drilling rig. Test check of records of this rig for the years 1992-93 and 1993-94 revealed that there was excess consumption of 5539 and 5028 litres of HSD during 1992-93 and 1993-94 respectively costing Rs.0.72 lakh. The reasons for this excess consumption were not analysed.

2.16 Outstanding debtors

RJVN had undertaken work only after obtaining deposit of the estimated cost of the work in advance except in case of Government Departments/ Undertakings. As on 31 March 1994 a sum of Rs. 68.11 lakhs was outstanding from various years as indicated below:

Year	**Amount**
	(Rupees in lakhs)
Up to March 1989	3.12
1989-90	0.28
1990-91	1.63
1991-92	1.16
1992-93	5.76
1993-94	56.16
Total	**68.11**

Test check revealed that apart from routine correspondence no steps were taken for the recovery of the dues.

2.17 Inventory control

The table below indicates the summary of opening stock, purchases, consumption and closing stock of stores and spares during the period from 1989-90 to 1992-93 :

Particulars	**1989-90**	**1990-91**	**1991-92**	**1992-93**
		(Rupees in lakhs)		
Opening stock	10.13	9.26	11.52	8.11
Purchases	13.10	11.68	15.80	26.08
Total	23.23	20.94	27.32	34.19
Consumption	13.97	9.42	19.21	22.77
Closing stock	9.26	11.52	8.11	11.42
Average Consumption per month	1.16	0.78	1.60	1.90
Closing stock in terms of months consumption	7.98	14.77	5.07	6.01

Scrutiny in audit revealed:

(1) The minimum,maximum and re-ordering levels of stores and spares were not fixed.

(2) There was no system to identify and dispose of non-moving and slow moving items of stores. Record for unserviceable materials and their disposal was not maintained.

(3) Casing pipes of special thickness of 2 mm procured at a cost of Rs.1.63 lakhs for drilling in relief wells for Mahi Dam Project were lying in stock since August 1988 and efforts were not made to dispose them off.

(4) Obsolete and surplus stores worth Rs.3.20 lakhs were lying in stores for more than five years.

(5) One pumpset costing Rs.0.47 lakh purchased in March 1988 was awaiting disposal (see paragraph 2.11).

(6) RJVN did not fix the norms of consumption of bits of different sizes.

2.18 Accounting Manual

Though RJVN has been in existence for the last 10 years, it is yet to manualise its accounting procedures, formalise delegation of financial powers and responsibilities, prescribe details of records to be maintained, and controls to be exercised to achieve the managerial responsibilities and accounting goals at various levels. In absence of a Manual, RJVN had been following on *ad-hoc* basis various administrative instructions and Government Rules/Regulations. RJVN policies in vital areas of financial management and control remain loosely defined leaving considerable scope for achieving efficiency in these areas.

2.19 Internal Audit

RJVN had not set up any internal audit system despite Bureau of Public Enterprises guidelines of August 1988 for evolving suitable internal audit system. As a result, RJVN's payments in respect of purchase of stores and bills of contractors for work executed as prepared by accounts wing escape pre-check.

RJVN stated (December 1994) that appropriate action would be taken in respect of audit observations contained in paragraphs 2.15 to 2.19

Summing Up

In spite of the existence of three agencies *i.e.*, GWD, Irrigation Department and DRDAs in the State for execution of the work relating to survey, research, investigation of ground water resources, implementation of various major, medium and minor irrigation schemes *etc.*, the RJVN was established with the objective of executing almost the same type of work *i.e.*, development of ground and surface water resources through execution of small projects such as community lift/tube-well irrigation schemes by taking loans from financial institutions.

The audit appraisal appearing in the foregoing paragraphs indicates that:

(i) As the schemes of community lift/tube-well irrigation remained virtual non-starter, only one loan of Rs.32.98 lakhs was raised by RJVN against the target of Rs.17 crores for financing the schemes.

(ii) Even after receiving advances of Rs.41.68 lakhs for execution of 340 dug-cum-bore and 19 tube well schemes, RJVN had not taken up these works.

(iii) Even after 10 years of its incorporation, RJVN had not taken up two of the contemplated activities, *i.e.*, (a) Installation of lift/delivery of water systems through alternate source of energy or through other innovative techniques, and (b) research, development and training programme.

(iv) The only activity undertaken by RJVN on regular basis was drilling and deepening of wells which in any case was being done by GWD.

It can be concluded from the above that the objectives with which RJVN was established have by and large remained unfulfilled.

REVIEWS RELATING TO STATUTORY CORPORATIONS

This chapter contains reviews on Procurement of coal by Kota Thermal Power Station of the Rajasthan State Electricity Board and Revival of closed and sick units by the Rajasthan Financial Corporation.

RAJASTHAN STATE ELECTRICITY BOARD

3A. Procurement of coal by Kota Thermal Power Station

HIGHLIGHTS

Kota Thermal Power Station (KTPS) receives coal mainly from (i) South Eastern Coalfields Limited (SECL), (ii) Bharat Coking Coal Limited (BCCL), (iii) Northern Coalfields Limited (NCL), and (iv) Central Coalfields Limited (CCL), which are subsidiaries of Coal India Limited (CIL). The receipts of coal in KTPS were only 55 *per cent*, 78 *per cent* and 95 *per cent* of the allocation made for 1990-91, 1991-92 and 1992-93 respectively. As a consequence, KTPS suffered loss of generation of 614 million units resulting in an estimated loss of revenue of Rs. 52.62 crores.

The receipts of coal from various coal companies indicated that compared to linkage made by Standing Linkage Committee, receipts from NCL were much less whereas receipts from BCCL were much more. As the coal from BCCL was of inferior quality, receipt of coal in excess quantity from them resulted in increase of generation cost by Rs. 18.61 crores.

During April 1989 to May 1993, KTPS accepted from BCCL 1.23 lakh tonnes of ungraded coal *i.e.*, coal having calorific value less than the lowest grade. KTPS did not pay BCCL for this coal, but it had to bear its freight. Though KTPS utilised this coal by mixing it with better grades, its low useful heat value (UHV) per rupee of freight cost, resulted in estimated extra expenditure of Rs.4.12 crores.

According to an agreement entered into between CIL and KTPS, the samples of coal were to be jointly examined by representatives of KTPS and CIL. However, since the CIL delayed the posting of its representative, the samples were examined only by the representatives of KTPS between April 1985 and November 1986. The CIL refused to accept the claims of Rs.433.07 lakhs lodged by KTPS on the basis of unilateral sampling done by KTPS representatives. To settle these claims, KTPS agreed to accept the results of coal analysis done in power stations of other Electricity Boards to which coal was supplied by the same group of coal fields. As a result of this settlement KTPS had to withdraw the claims amounting to Rs.271.85 lakhs out of the total amount of Rs.433.07 lakhs lodged earlier.

With the posting of representative of CIL, joint sampling started from December 1986. In terms of the agreement with CIL, the analysis of the samples had to be carried out and forwarded to CIL within 15 days of the receipt of the coal. Due to shortage of staff in KTPS, the latter could not carry out the analysis within the stipulated time. This resulted in claims amounting to Rs.32.41 lakhs being withdrawn by KTPS against BCCL and SECL.

Claims amounting to Rs.16.48 crores arising due to grade of coal received being less than grade of coal billed were pending adjustment/recovery.

In cases where information in bracket labels on coal wagons was incomplete, the coal companies insisted on keeping separate samples of coal of such wagons. However, KTPS mixed the samples of different wagons with the result that it had to withdraw claims of Rs.126.76 lakhs against SECL.

Up to July 1994, KTPS had lodged claims of Rs. 22.26 crores against coal companies on account of difference between quantity of coal billed and that received. Against this, KTPS had so far adjusted only Rs. 7.72 crores from the subsequent coal bills of the suppliers.

Railways occasionally divert coal rakes of one consignee to other consignees (power stations). The number of coal wagons not received by a consignee is first adjusted against number of wagons

diverted in favour of that consignee without taking into account the difference in the grade of coal. Due to this wagon to wagon adjustment policy followed by the Railways, KTPS had to pay for higher cost of coal against receipt of cheaper coal leading to total extra expenditure of Rs.4.30 crores. Though agreement with CIL allowed KTPS to claim such extra expenditure, it had never done so.

In terms of its agreement with CIL, KTPS is required to bear royalty as payable on the grade of coal notified. Even after the Coal Controller had downgraded coal of 14 collieries of BCCL, KTPS continued to pay royalty on such coal on the basis of grades prior to the downgradation which resulted in excess payment of Rs.5.99 crores.

3A.1 Introduction

Kota Thermal Power Station (KTPS), having an installed capacity of 640 Mega Watts (MW) in four units run by the Rajasthan State Electricity Board (RSEB), is the only thermal power station in Rajasthan. Stage-I of KTPS has two units of 110 MW each, which commenced commercial operation in April 1983 and April 1984 respectively, while Stage-II has another two units of 210 MW each, which commenced commercial operation in March 1989 and March 1990 respectively. The average requirement of coal, when all the four units are in operation, is 3 lakh tonnes per month.

The allocation of coal to various thermal power stations is made on quarterly basis by a Standing Linkage Committee (SLC) comprising members from Ministry of Coal, Ministry of Railways, Ministry of Energy, Planning Commission, Coal India Limited (CIL) *etc*. The quantum of linkage is based on various factors *viz*, requirement as per generation target, availability of coal at different sources, availability of wagons for movement *etc*.

3A.2 Scope of Audit

The implementation of Stage-I including external coal handling system, and Stage-II of the KTPS were reviewed in Section VII and Chapter III of the Reports of the Comptroller and Auditor General of India for the years 1983-84 and 1989-90 (Commercial) respectively. While the review for the year 1983-84 is deemed to have been discussed by the COPU, recommendations on the basis of replies of the Government are awaited, the review of stage II has not been discussed so far. A review of procurement of coal by KTPS during the period from 1989-90 to 1993-94 was conducted in audit between January and May 1994 and the results thereof are discussed in the succeeding paragraphs.

3A.3 Procurement of coal

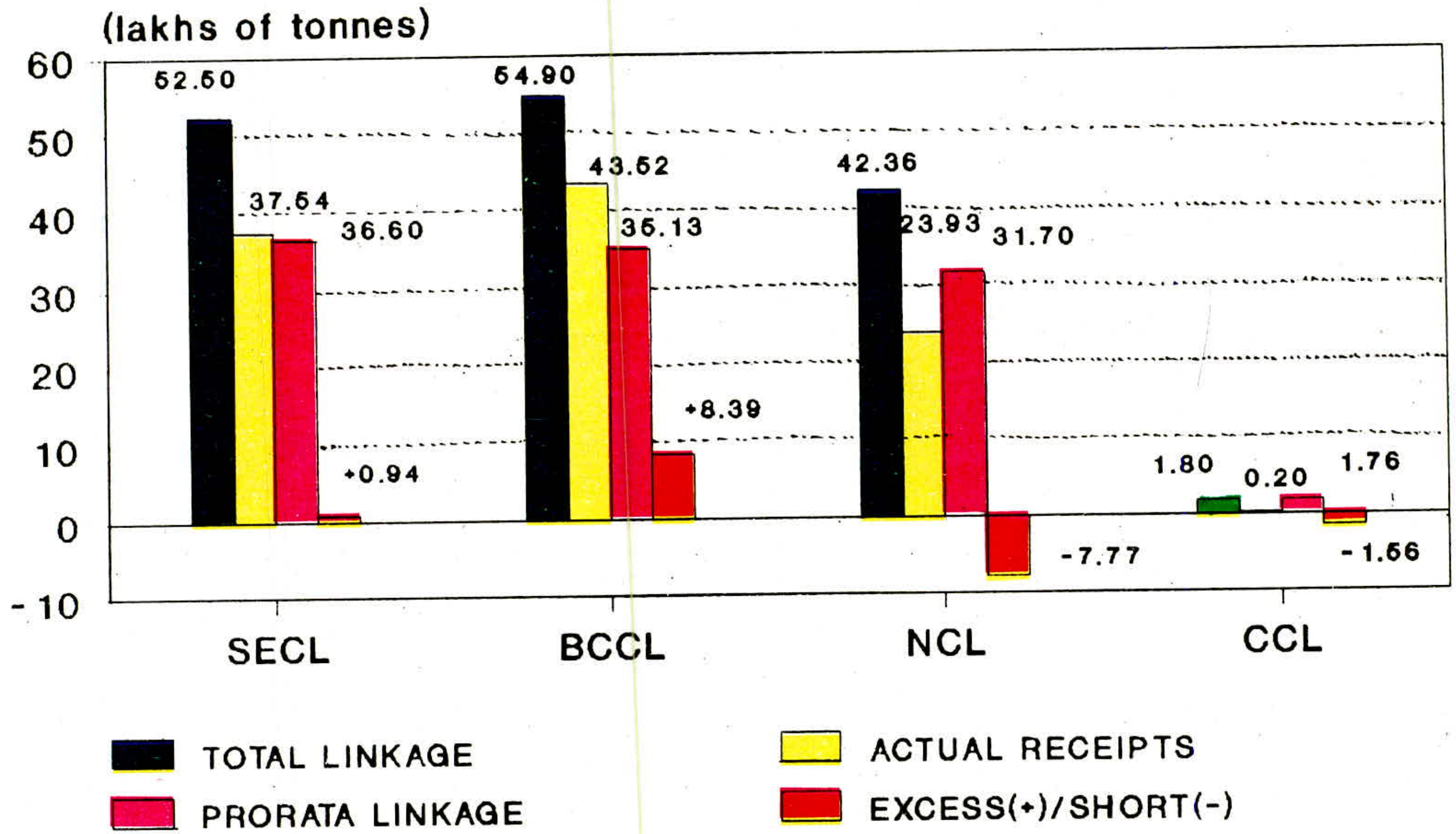
3A.3.1 Quantitative aspects.

Coal is allocated to KTPS from different collieries operating under (i) South Eastern Coalfields Limited (SECL), (ii) Bharat Coking Coal Limited (BCCL), (iii) Northern Coalfields Limited (NCL), and (iv) Central Coalfields Limited (CCL), all of which are subsidiaries of Coal India Limited (CIL). In addition, coal is also received through rakes diverted by Railways who monitor coal despatches to all thermal power stations on day to day basis and resort to diversion of rakes of one power house to another due to urgent need of particular thermal power station or because of Railway operational problems.

The year-wise data in respect of allocations made by SLC, actual receipts of coal thereagainst from various coal companies, *pro rata* linkage as per actual direct receipts and cost as per coal bills received (excluding cost of coal of

CHART-XI

Total coal linkage/receipts at KTPS during 1989-90 to 1993-94



(Refer paragraph 3A.3.1)

diverted rakes) during 1989-90 to 1993-94 are given below :

Year	Name of coal company	Linkage made by SLC		Actual Receipts				* *Pro rata* linkage as per direct receipts	Percentage of total receipts to allocation	Cost
		Qty.	Percentage	Direct	Diverted	Total	Percentage			
		(Quantities in lakhs of tonnes)								(Rs. in Crores)
1989-90	SECL	11.10	41	4.88	0.09	4.97	32	5.80	45	40.94
	BCCL	15.15	57	9.15	0.51	9.66	62	7.92	64	95.04
	NCL	0.60	2	-	-	-	-	0.31	-	-
	CCL	-	-	-	0.93	0.93	6	-	-	-
Total		26.85	100	14.03	1.53	15.56	100	14.03	58	135.98
1990-91	SECL	9.30	34	4.47	0.06	4.53	30	4.41	49	35.95
	BCCL	12.45	45	6.07	0.94	7.01	46	5.90	56	62.79
	NCL	5.66	21	2.46	0.03	2.49	16	2.69	44	19.36
	CCL	-	-	-	1.15	1.15	8	-	-	-
Total		27.41	100	13.00	2.18	15.18	100	13.00	55	118.10
1991-92	SECL	9.30	27	6.59	0.44	7.03	27	5.93	76	56.66
	BCCL	10.80	32	8.61	1.58	10.19	39	6.89	94	81.75
	NCL	13.90	41	6.49	0.19	6.68	25	8.87	48	59.13
	CCL	-	-	-	2.51	2.51	9	-	-	-
Total		34.00	100	21.69	4.72	26.41	100	21.69	78	197.54
1992-93	SECL	11.10	34	10.26	0.81	11.07	35	9.05	100	99.92
	BCCL	10.50	32	10.38	0.94	11.32	36	8.57	108	119.30
	NCL	11.40	34	6.28	0.48	6.76	22	9.30	59	61.45
	CCL	-	-	-	2.16	2.16	7	-	-	-
Total		33.00	100	26.92	4.39	31.31	100	26.92	95	280.67
1993-94	SECL	11.70	39	11.34	0.31	11.65	38	11.41	100	123.98
	BCCL	6.00	20	9.31	0.20	9.51	31	5.85	159	119.14
	NCL	10.80	35	8.70	0.13	8.83	29	10.53	82	91.78
	CCL	1.80	6	0.20	0.27	0.47	2	1.76	26	2.39
Total		30.30	100	29.55	0.91	30.46	100	29.55	101	337.29
Grand Total		151.56	-	105.19	13.73	118.92	-	105.19	78	1069.58

* Pro rata linkage indicates the quantity of coal that would have been received from each coal company had the receipts (excluding diverted rakes) been effected in proportion to the total linkage.

It would be observed that the coal supplies to KTPS were 58 *per cent*, 55 *per cent* and 78 *per cent* of the allocations made by the SLC during 1989-90, 1990-91 and 1991-92 respectively. During April 1989 to December 1990, KTPS did not incur any generation loss despite lower receipts of coal reportedly because of shut downs of boilers *etc.* on account of repair/maintenance. However, during the period January 1991 to May 1992 KTPS suffered loss of generation of 614.479 million units on account of shortage of coal. On the basis of weighted average realisation per unit of energy generated, the loss of revenue on this account is estimated at Rs.52.62 crores after allowing for transmission and distribution losses.

The short supply of coal during January 1991 to May 1992 was attributed by KTPS to the following reasons :

(i) During March to December 1991, the actual receipts of coal from NCL were reduced to less than 50 *per cent* of the allocation as KTPS delayed the release of coal wagons due to bunching of coal rakes, supply of larger number of diverted rakes with big lumpy stones (especially from BCCL) which caused frequent malfunction of the coal handling system in Stage-II.

(ii) There were less despatches of coal from SECL during February 1991 to September 1991 due to short allotment of wagons by Railways to SECL.

(iii) Railways were unable to move more than 70 *per cent* coal of the linkage sanctioned to KTPS during the quarter October-December 1991.

The table above also indicates that in each of the five years ending 1993-94, the receipts (excluding diverted wagons) of coal from NCL were less than its *pro rata* linkage. This short receipt from NCL persisted during 1992-93 and 1993-94,even after the problem mentioned at (i) above was resolved. NCL had during the five aforesaid years supplied only 23.93 lakh tonnes (excluding diverted rakes) against their linkage of 42.36 lakh tonnes and *pro rata* linkage of 31.70 lakh tonnes. Similarly CCL had supplied only 0.20 lakh tonne against the linkage quantity of 1.80 lakh tonnes and *pro rata* linkage of 1.76 lakh tonnes. The deficiency between the *pro rata* linkage and actual receipts of NCL (7.77 lakh tonnes) and CCL (1.56 lakh tonnes) was compensated by corresponding excess receipts from BCCL (8.39 lakh tonnes) and SECL (0.94 lakh tonne). In fact, in each of the five years ending 1993-94, the direct coal received from BCCL was higher than its *pro rata* allocation. This variation in the pattern of actual receipts and the pattern of linkage resulted in extra expenditure of Rs.18.61 crores as explained in paragraph 3A.3.2.2 below.

3A.3.2 Qualitative aspects

3A.3.2.1 KTPS, with reference to the design of its boilers, requires non-coking coal of 'D' grade. However, non-coking coal of different grades as well as coking coal is also being received by KTPS. Non-coking coal is classified into 7 grades, 'A' to 'G' (in descending order of quality) primarily on the basis of useful heat value (UHV) of the coal which is usually measured in kilo calories per kilogram of coal. Coking coal is graded on the basis of ash content into 6 categories (W-I, W-II *etc.*). The cost per tonne of coal is fixed by the Government of India with reference to the grade of coal. KTPS compiles the following data on a monthly as well as on an annual basis:

(i) the UHV per kilogram of coal received from different coal companies (except CCL),

(ii) the cost per tonne of coal (exclusive of freight) as per coal bills received from different coal companies, and

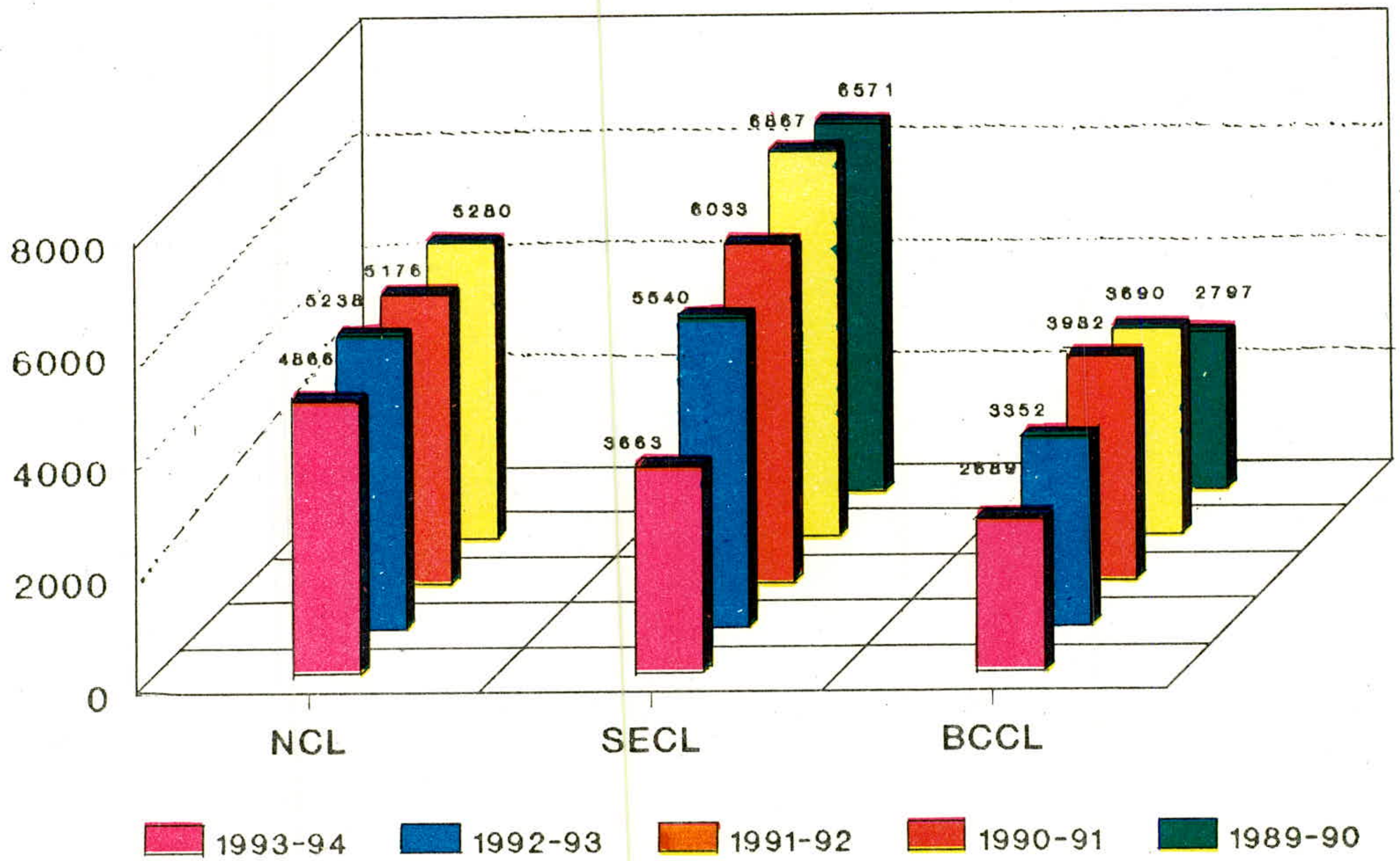
(iii) the railway freight incurred per tonne of coal received from different companies.

Based on the above data and after accounting for the various claims so far adjusted with coal companies and Railways, calculation by audit revealed the following UHV/Re. of coal from NCL, SECL and BCCL during 1989-90 to 1993-94 :

Year	Useful Heat Value				Average Cost of Coal per MT				Useful Heat Value/Re.		
	NCL	SECL	BCCL		NCL	SECL	BCCL		NCL	SECL	BCCL
	(In k calories/kg.)				(In Rupees)(In k calories)						
1989-90	-	3992	2335	Av.Coal Cost	-	318.06	310.17	At pit head	-	12551	7528
				Av.Freight	-	289.47	524.60				
				Total	-	607.53	834.77	At KTPS	-	6571	2797
1990-91	3647	4458	3147	Av.Coal Cost	347.83	336.86	322.18	At pit head	10485	13234	9768
				Av. Freight	342.90	312.32	530.60				
				Total	690.73	649.18	852.78	At KTPS	5280	6867	3690
1991-92	4158	4469	3032	Av. Coal Cost	426.20	424.59	308.79	At pit head	9756	10525	9819
				Av.freight	377.16	316.22	452.64				
				Total	803.36	740.81	761.43	At KTPS	5176	6033	3982
1992-93	4642	4850	3102	Av.Coal Cost	494.42	533.01	404.36	At pit head	9389	9099	7671
				Av.Freight	391.86	342.49	521.13				
				Total	886.28	875.50	925.49	At KTPS	5238	5540	3352
1993-94	4270	3600	2997	Av.Coal Cost	465.62	574.57	430.08	At pit head	9171	6266	6968
				Av.Freight	411.84	408.33	684.22				
				Total	877.46	982.90	1114.30	At KTPS	4866	3663	2689

The above table reveals that the freight rates of coal from BCCL were always the highest (average distance of KTPS from collieries of SECL, NCL, BCCL and CCL is 810 kms, 835 kms, 1350 kms and 1350 kms respectively as per routes followed during 1993-94). As a result, the UHV/Re. (inclusive of freight) of BCCL was the lowest in each of the five years ending 1993-94. In other words, the coal of BCCL was most expensive for the purpose of generation. Further, in the five years ending 1993-94 the average quality of coal from BCCL was of 'F' grade against the 'D' grade required.

CHART-XII
USEFUL HEAT VALUE/RUPEE
INCLUSIVE OF FREIGHT (KILO CALORIES/RUPEE)



(Refer paragraph 3A.3.2.1)

3A.3.2.2 Excess receipt of low grade coal

Though the percentage linkage of BCCL coal to KTPS had declined progressively from 57 to 20 during 1989-90 to 1993-94, however, the percentage of actual receipts of BCCL coal ranged from 62 to 31 during this period which were always higher than the *pro rata* allocation. As a consequence of this excess receipt of coal from BCCL, KTPS had to incur excess expenditure of Rs.18.61 crores on generation of power due to inferior quality of coal and higher transportation cost.

KTPS stated (February and May 1994) that coal supply is a monopolistic trade and they have no control over the despatch of coal. On this ground KTPS justified (a) not invoking the clause of the agreement with CIL which enabled KTPS to refuse coal that did not fall within the specified parameters, and (b) acceptance of coal from BCCL due to shortage of receipts from NCL. This reply is not convincing because if the situation was indeed so, there would have been no justification in appointment (March 1991) of coal agents for, *inter alia*, assisting in supply of coal in conformity with the linkage. Moreover, the procedure for refusing coal falling outside the prescribed specification required serving of notice of 15 days to coal companies. KTPS never served any such notice to BCCL cautioning them of refusal of acceptance of poor quality of coal in future. Even if KTPS had felt bound to accept whatever coal was received, serving of such a notice may have had an impact on BCCL for supplying higher grade of coal.

3A.3.2.3 Use of ungraded coal

Ungraded coal *i.e.*, coal below 'G' grade having UHV less than 1300 k. calories/kg., if received, is not paid for, but the burden of its freight has to be borne by the consignee. KTPS received ungraded coal having weighted average UHV ranging between 772 to 1169 k. calories/kg from BCCL during the five years ending 1993-94 which was mixed with other coal and utilised. Calculation of UHV/Re. of such coal in audit revealed that it was significantly lower than that of the total quantity of coal received in that year from all sources. In other words, the useful heat value obtained from ungraded coal was not commensurate with its freight cost. The receipt of ungraded coal resulted in increase of generation cost to the extent of Rs.412.08 lakhs as estimated below:

Year	Ungraded coal Qty. received	Total UHV	Freight paid	Annual average UHV/Re. of total coal received	Cost of ungraded coal based on{(iii)÷(v)}	Difference between freight paid and value of coal{(iv)-(vi)}
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)
	(In MT)	(In crores of k. cals)	(Rs.in lakhs)	(In k.cals)	(Rs.in lakhs)	
1989-90	43,971	3550.73	239.78	3553	99.94	139.84
1990-91	15,533	1620.99	76.71	4736	34.23	42.48
1991-92	32,358	2496.43	166.77	4735	52.72	114.05
1992-93	24,371	1959.77	139.08	4241	46.21	92.87
1993-94 (upto May 1993)	6,695	782.54	45.36	3475	22.52	22.84
Total	**1,22,928**		**667.70**		**255.62**	**412.08**

KTPS stated (May 1994) that in terms of their agreement with CIL/coal companies they have no option but to accept such coal and bear its freight. This reply is not convincing because KTPS in terms of the agreement with CIL is entitled not to accept such coal which falls beyond the prescribed specifications after giving 15 days notice. KTPS had never exercised this option.

3A.4 Settlement of claims

KTPS obtained supply of coal from the coal companies in accordance with the agreement executed (March 1985) with CIL. The agreement expired in June 1987, but it continued informally since then. The agreement provided for the following types of recoveries from coal companies:

(i) Recovery on account of underloading/overloading of wagons.

(ii) Recovery on account of grade difference.

(iii) Recovery on account of short receipt of coal at destination in cases of wagons not weighed at loading end.

3A.4.1 Claims on account of underloading/overloading of wagons

The coal companies, while loading coal in wagons, sometimes do not take adequate precautionary measures to ensure that the wagons were neither underloaded nor overloaded with reference to their carrying capacity. In terms of its agreement with CIL, KTPS was entitled to deduct from the bills of coal companies the amount of idle freight in case of underloading of wagons and penal freight levied by Railways in case of overloading of wagons. Position of claims lodged and recoveries effected through adjustment till July 1994 on account of underloading/overloading against various coal companies up to 1993-94 is given below:

		Year	Coal companies				
			BCCL	SECL	NCL	CCL	Total
			(Rupees in lakhs)				
(i)	Claims lodged:	Up to 1988-89	93.45	19.79	7.74	1.16	122.14
		1989-90	39.96	2.91	-	-	42.87
		1990-91	48.56	5.10	-	-	53.66
		1991-92	21.40	5.07	-	-	26.47
		1992-93	36.56	12.20	-	-	48.76
		1993-94	59.61	23.10	-	-	82.71
		Total	299.54	68.17	7.74	1.16	376.61
(ii)	Amount adjusted		284.81	65.26	5.91	1.16	357.14
(iii)	Amount outstanding		14.73	2.91	1.83	-	19.47

Though claims amounting to Rs. 357.14 lakhs out of a total of Rs.376.61 lakhs were adjusted (July 1994) from the bills of the coal companies; however, these were not accepted by the coal companies and credit notes thereof are still awaited (July 1994). Until the receipt of credit notes from the coal companies, the recovery made cannot be treated as final.

The claims of Rs. 1.83 lakhs outstanding against NCL pertained to the period prior to 1988-89. With effect from November 1990, KTPS pays NCL through letter of credit. Therefore, it is not possible for KTPS to adjust the outstanding amount of Rs.1.83 lakhs from subsequent bills. The reasons for non-recovery of the outstanding amount from coal bills of SECL and BCCL as per provisions laid down in the agreement with them were not intimated (May 1994).

3A.4.2 Claims on account of grade difference

3A.4.2.1 According to the agreement (March 1985) the sampling and analysis of coal was to be done jointly at both the ends *i.e.*, at colliery (for the purpose of provisional payment) and at power house (for final payment). The agreement further provided that the purchaser could nominate his representative at colliery to witness the joint sampling. However, no representative was nominated by the KTPS, as it was not considered practicable to appoint representatives at various collieries. For determination of quality of coal at the power house, the weighted average of the results of the joint sampling in each month were to be worked out, for which both parties (supplier and purchaser) were to provide all reasonable facilities.

3A.4.2.2 Withdrawal of claims by KTPS

For joint sampling, CIL was required to post its representative at unloading point but no CIL representative was posted during the period from April 1985 to November 1986. Therefore, claims of Rs.433.07 lakhs lodged for this period by the KTPS were not accepted by the 5 coal companies. Even after posting of the representative in December 1986, analysis reports of joint sampling done during the period from December 1986 to December 1987 were not sent in time by the KTPS. On this ground, claims totalling Rs.96.22 lakhs worked out by KTPS against 5 coal companies were not accepted by them.

In March 1989, a meeting was held between RSEB and CIL/coal companies to sort out the aforesaid disputes involving claims of Rs.529.29 lakhs and it was decided that the grade of coal for the period from April 1985 to December 1987 should be determined on the basis of monthly weighted average results of the other power houses which were supplied coal from the same group of collieries. In terms of this decision, KTPS was to work out their claims afresh and reconcile them with the coal companies. While reconciliation with BCCL and SECL was carried out in May 1992/September 1992 and September 1992 respectively, this exercise had still to be done with the remaining 3 coal companies *viz.*, NCL, CCL and Eastern Coalfield Limited (ECL).

KTPS stated (March 1994) that reconciliation with the aforesaid three companies could not be carried out because results of analysis of coal received by other power stations from these 3 coal companies had still not been received.

The position after reconciliation with BCCL and SECL is tabulated below:

Sl. No.	Period of claims	Claims lodged initially against 5 coal companies	Claims withdrawn		Total claims withdrawn	Claims accepted		Pending claims against NCL, CCL and ECL
			BCCL	SECL		BCCL	SECL	
				(Rupees in lakhs)				
1.	April 1985 to November 1986	433.07	154.80	117.05	271.85	5.45	Nil	155.77
2.	December 1986 to December 1987	96.22	28.77	3.64	32.41	15.49	Nil	48.32
	Total	**529.29**	**183.57**	**120.69**	**304.26**	**20.94**	**Nil**	**204.09**

Thus, claims totalling Rs.304.26 lakhs against BCCL and SECL had to be withdrawn by KTPS.

Though the agreement entered into with CIL in March 1985 provided for joint sampling, CIL did not take immediate action in posting their representative to KTPS. KTPS also did not raise the issue regarding settlement of claims in case of non-posting of CIL's representative. This resulted in KTPS having to accept the results of analysis of other power stations. Even then, KTPS could have safeguarded its interest by insisting that the results of monthly average grade from other power houses would be accepted if they had also received the coal from the same seams of the same collieries. Instead, the March 1989 settlement laid down the order of preference of power houses whose results would form the basis of settling the claims of KTPS. Thus, the focus of this decision was not so much on the same seams of the collieries from which KTPS had received coal, but on the group of collieries which had supplied coal to specified power stations. As a result of this unfavourable settlement, KTPS had to withdraw the claims amounting to Rs.271.85 lakhs out of the total amount of Rs.433.07 lakhs lodged earlier.

The delay on the part of the KTPS in despatching the results of coal analysis relating to the period December 1986 to December 1987 resulted in withdrawal of claims of Rs.32.41 lakhs recoverable from BCCL and SECL.KTPS stated (March 1994) that the delay in submission of analysis occurred due to shortage of a chemist which resulted in accumulation of samples pending for analysis.

Scrutiny by audit revealed that during this period the Executive Engineer (Fuel), KTPS had been pressing the Senior Chemist, KTPS to submit the results of analysis within a maximum of 15 days, but the latter had repeatedly expressed his inability on account of shortage of staff.

3A.4.2.3 The latest position up to the year 1993-94 of claims outstanding/adjusted against the companies is given below:

Year	BCCL	SECL	NCL	CCL	ECL	Total
			(Rs. in lakhs)			
1985-86	2.93	-	45.53	7.27	-	55.73
1986-87	2.52	-	80.38	4.77	17.82	105.49
1987-88	49.20	41.89	48.32	-	-	139.41
1988-89	469.04	116.89	-	-	-	585.93
1989-90	1144.75	531.94	-	-	-	1676.69
1990-91	478.27	328.09	-	-	-	806.36
1991-92	754.02	255.95	-	-	-	1009.97
1992-93	1133.29	64.69	-	-	-	1197.98
1993-94	1370.68	432.52 (Up to 7/93)	-	-	-	1803.20
Total	5404.70	1771.97	174.23	12.04	17.82	7380.76
Amount recovered	-	587.43	-	-	-	587.43
Amount adjusted	4034.02	942.08	168.60	-	0.32	5145.02
Total	4034.02	1529.51	168.60	-	0.32	5732.45
Claims outstanding	1370.68	242.46	5.63	12.04	17.50	1648.31

Thus, out of total claims of Rs.7380.76 lakhs, claims of Rs. 5732.45 lakhs were recovered/adjusted leaving a balance of Rs. 1648.31 lakhs. Out of this a balance of Rs.35.17 lakhs (NCL:Rs.5.63 lakhs, CCL: Rs.12.04 lakhs; ECL: Rs.17.50 lakhs) was pending for more than six years.

The amount of Rs.5145.02 lakhs adjusted had not been finally accepted by the coal companies though this amount was deducted from various coal bills.

Scrutiny in audit revealed the following:

(i) The claims from January 1988 onwards lodged on the basis of joint sampling against BCCL were reconciled during May 1992 /September 1992. Claims of Rs.71.76 lakhs pertaining to the period from September 1991 to November 1991 were rejected by BCCL on the ground that during this period samples were drawn at night without adequate lighting. KTPS stated (March 1994) that the lighting arrangements were sufficient and BCCL had been requested to accept the claims. The matter has not been settled so far (April 1994).

(ii) KTPS raised claims totalling Rs. 1300.88 lakhs against SECL relating to the period from January 1988 to July 1992 on account of difference in grade of coal received. The position of such claims up to November 1993 is given below:

			(Rs. in lakhs)
Amount of Credit notes issued			587.43
Balance not accepted due to:			
(a)	sampling of mixed grades	253.53	
(b)	disallowance of differences in sales tax	18.53	
(c)	result of one colliery applied to another	21.96	
(d)	monthly weighted average of UHV computed for 2 months and applied for each month	12.38	
(e)	other reasons	22.13	328.53
Claims under process			384.92
Total			**1300.88**

From the above it would be seen that the claims worth Rs.328.53 lakhs were not accepted by SECL. Scrutiny of some of the claims rejected brought out the following:

(a) Rejection of claims due to sampling of mixed grades

Coal samples at KTPS are prepared from wagons of a rake selected at random according to a prescribed procedure. Claims on account of grade difference of coal are worked out colliery-wise and grade-wise on the basis of grade of coal as analysed and as indicated in the bracket label pasted on each wagon which is also shown in the coal bill received subsequently. In cases where complete information on bracket labels was not available, samples were mixed and claims on account of grade slippage calculated on receipt of coal bill. In such cases, KTPS lodged claims totalling Rs.253.53 lakhs. These claims were discussed in meetings held in August 1992 and January 1994 between KTPS and SECL and it was decided that month-wise, grade-wise, colliery-wise total quantity of coal would be segregated and claims on account of grade slippage calculated. It was mutually agreed that only 50 *per cent* of such claims would be entertained by SECL. Due to this decision, KTPS would now have to withdraw half of the claim of Rs.253.53 lakhs *i.e.*, Rs.126.76 lakhs.

In February 1991, SECL advised KTPS that in cases where bracket labels were missing, samples may be drawn from such wagons and kept separately till the coal bills were received. Thereafter, joint samples may be prepared colliery-wise/declared grade-wise. As KTPS had been receiving coal since April 1983, they should have obtained this clarification much earlier to avoid the situation leading to withdrawal of claims.

(b) Disallowance of differences in sales tax

Claims of Rs. 18.53 lakhs on account of difference in the amount of Central Sales Tax arising due to decrease in the cost of coal because of grade slippage were rejected on the ground that debit notes of a particular financial year were not submitted during the same financial year. Had KTPS been vigilant in submitting such claims in time, SECL would not have been able to reject this amount.

Claims at (c) and (d) of the aforesaid table totalling Rs.34.34 lakhs were lodged incorrectly against SECL, while claims for Rs. 384.92 lakhs were under process.

3A.4.3 Claims on account of short receipt of coal

In a meeting held in December 1986 under the Chairmanship of Energy Minister in which SEBs, CIL and Railways were represented, it was decided that the weighment of coal would be accepted in the following descending order of preference:

(i) Electronic print-out from electronic weigh bridge at the loading point,

(ii) weighment on mechanical or electronic weigh bridge at the power house,

(iii) weighment on mechanical weigh bridge if available at the loading point, and

(iv) in absence of the above, weighment on volumetric basis would continue to remain in force.

The above decision was accordingly incorporated into the agreement between the RSEB and CIL. As the Railways do not entertain claims for transit shortages of coal on the ground that these are booked at consignee's risk, such claims were lodged with coal companies. Claims amounting to Rs. 2226.37 lakhs were lodged uptil July 1994 as detailed below:

Year	BCCL	SECL	NCL	CCL	ECL	Total
			(Rupees in lakhs)			
up to 1988-89	126.04	233.60	394.81	58.82	2.17	815.44
1989-90	102.10	171.61	-	38.25	0.10	312.06
1990-91	44.58	154.31	-	56.89	-	255.78
1991-92	124.01	35.14	-	-	-	159.15
1992-93	280.03	142.94	-	-	-	422.97
1993-94	144.42	116.55	-	-	-	260.97
Total	821.18	854.15	394.81	153.96	2.27	2226.37
Amount adjusted	389.06	382.77	-	-	-	771.83
Outstanding	432.12	471.38	394.81	153.96	2.27	1454.54

Thus, out of claims of Rs.2226.37 lakhs lodged up to July 1994, the amount adjusted was only Rs. 771.83 lakhs (35 *per cent*) leaving claims of Rs.1454.54 lakhs pending.

KTPS stated (February 1994) that claims on account of shortage of coal are lodged by them every month but the CIL/coal companies do not convey their acceptance of such claims. Therefore, KTPS had no alternative but to adjust such claims against subsequent coal bills. According to the arrangement with BCCL and SECL, the maximum total deduction permissible from the coal bills of these companies is 20 *per cent* and 10 *per cent* respectively. The first charge on adjustment in coal bills being claims arising out of grade slippage, KTPS has not been able to adjust fully the claims arising out of shortage in receipt of coal. Adjustment of claims against CCL and ECL could not be made because of non-receipt/negligible receipt of direct coal from them since 1991-92 and 1990-91 respectively.The adjustment of claims against NCL could not be done because of payment being made to them through letter of credit.

The reply of KTPS is not tenable because in view of the accumulation of pending claims of Rs.1454.54 lakhs, they should have arranged to reconcile these claims with the coal companies more frequently.

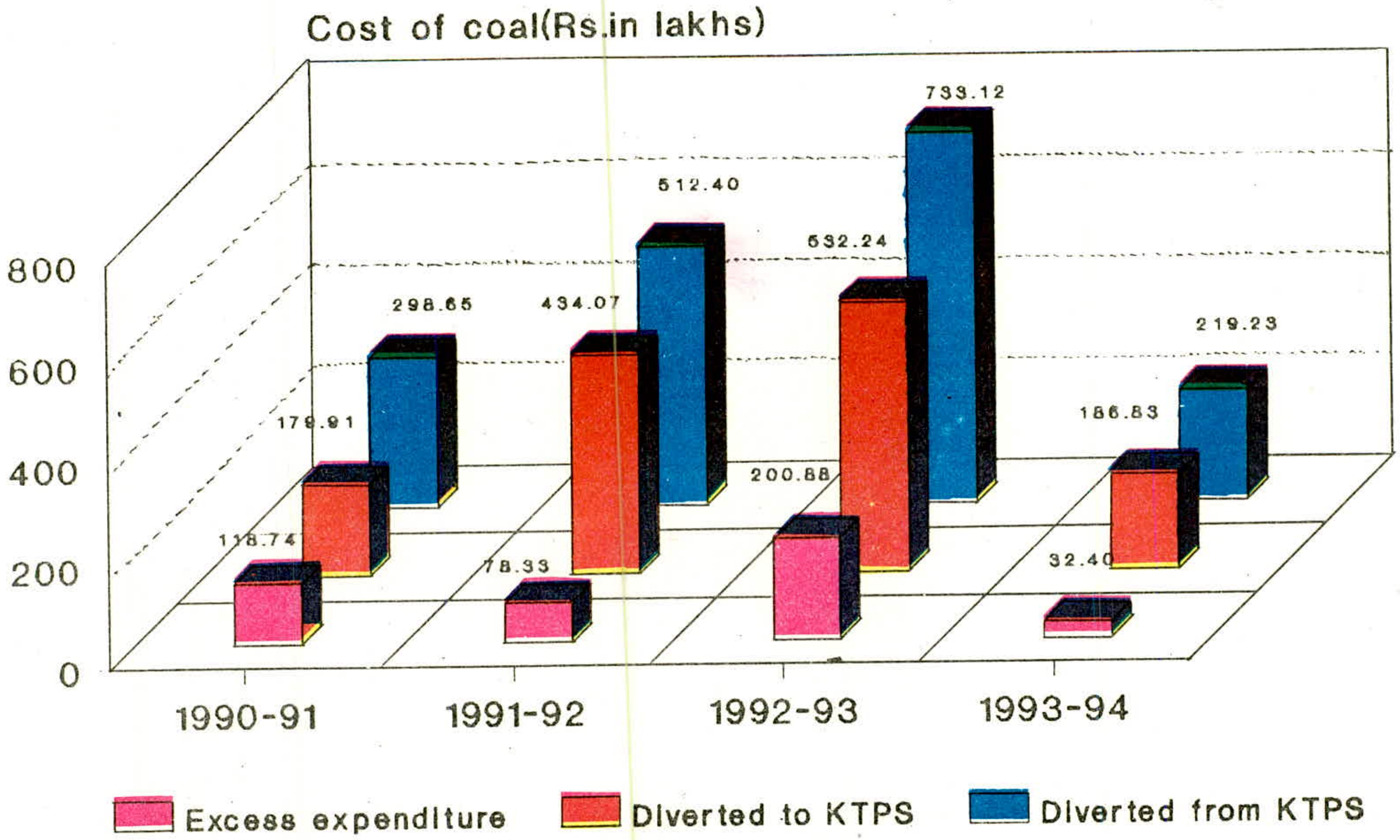
3A.5. Loss on grade slippage due to wagon to wagon adjustment policy

As indicated in paragraph 3A.3.1 *supra*, Railways occasionally divert coal rakes of one consignee to some other power stations.The power station which does not receive the coal rake due to its diversion elsewhere, would meanwhile have paid the coal bills received from the coal company. In such cases, the original consignee power station has to lodge a claim on the Railways for the cost of the coal in respect of the diverted rake. The Railways accomodate such claims on the basis of wagon to wagon adjustment policy *i.e.*, the number of coal wagons not received by the consignee are first adjusted against number of wagons diverted in favour of the consignee. The balance of cost of coal carried on the number of unadjusted wagons is finally determined on the basis of the coal bills which are with the original consignees and the net amount settled with Railways.

An inherent deficiency in the wagon to wagon adjustment policy is that it does not take into account the difference in the grade of coal carried by the wagon diverted in favour of a power station with that carried by the wagon diverted from that power station. KTPS had never carried out any analysis to determine possible extra expenditure being incurred by it on this account.

Analysis by audit revealed that the average cost of coal on wagons diverted from KTPS was higher than that on wagons diverted to KTPS from other consignees. As KTPS had paid higher cost per wagon of coal which was not

CHART-XIII
COST OF COAL TO/FROM KTPS
ON WAGON TO WAGON ADJUSTMENT



(Refer paragraph 3A.5)

actually received, the wagon to wagon adjustment resulted in excess payment of Rs.430.35 lakhs on account of grade slippage, as summarised below:

Year	Average cost of coal per wagon diverted		No.of wagons adjusted	Cost of coal adjusted		Excess expen-diture
	To KTPS	From KTPS		To	From	
	(In Rupees)			(Rupees in lakhs)		
1990-91	9499	15768	1894	179.91	298.65	118.74
1991-92	14973	17675	2899	434.07	512.40	78.33
1992-93	15850	21832	3358	532.24	733.12	200.88
1993-94	16346	19180	1143	186.83	219.23	32.40
Total	**14343**	**18973**	**9294**	**1333.05**	**1763.40**	**430.35**

KTPS stated (March 1994) that the wagon to wagon adjustment policy is in accordance with Railway rules and KTPS is bound by it. It was, however, observed in audit that the agreement between the RSEB and CIL (on behalf of its subsidiary coal companies) permits RSEB to raise bills arising out of grade slippage in wagon to wagon adjustment after verification with the original consignees. KTPS had never raised this issue with the original consignees due to which a sum of Rs.430.35 lakhs remained unrealised.

3A.6 Extra expenditure due to non-revision of declared grade

The coal bills received from coal companies also include royalty which is based on the grade of colliery from which the coal is despatched.

The agreement between CIL and RSEB stipulates that in case of consistent variation between the declared grade of coal by the supplier and the grade determined on the basis of sample testing, the Coal Controller was to be approached for re-gradation of coal of that colliery. Accordingly, RSEB had been lodging complaints from time to time for downgradation of 24 collieries of BCCL.

During February and March 1992, the Coal Controller downgraded specified seams of 14 collieries of BCCL. However, BCCL had not revised the grade of coal from such collieries and KTPS is still receiving coal bills on the basis of higher declared grade of these collieries. Though the difference in cost of coal, initially paid at higher rates, is adjusted after determination of actual grade, but the amount of royalty paid on higher grade of coal remains unadjusted/unrecovered. During April 1992 to March 1994 KTPS had incurred extra expenditure of Rs.598.78 lakhs on account of excess royalty.

KTPS stated (March 1994) that in the absence of provisions in the agreement with CIL, it was not in a position to effect recovery of excess royalty paid.

It was, however, seen that in terms of the agreement, KTPS is required to bear royalty payable on the notified grade of coal from the date such royalty is made effective by the concerned authority. Since the competent authority *i.e.*, the Coal Controller had downgraded the collieries, KTPS was not bound to pay higher royalty on coal from these collieries with effect from February/March 1992.

3A.7 Other topics of interest

Non-electrification of private siding

For electrification of the 22.5 km. line between Gurla Railway Station and KTPS, an estimate of Rs.255 lakhs was submitted by Railways in March 1989, and RSEB was required to bear 50 *per cent* of this cost. A sum of Rs.127.50 lakhs was accordingly deposited with the Railways during the period from November 1986 to March 1989. Subsequently, Railways intimated (March 1993) that the entire cost of the work would have to be borne by RSEB. In May 1993, Railways revised the estimate of the work to a total of Rs.1031 lakhs comprising Rs.531 lakhs for upgradation of track and Rs.500 lakhs for its electrification.

Out of Rs.127.50 lakhs deposited, Rs.38.13 lakhs were spent in completing (March 1991) the electrification of Gurla exchange yard, leaving an unspent balance of Rs.89.37 lakhs,which is lying with the Railways.

RSEB had not taken a decision on the electrification of their siding involving a cost of Rs.1031 lakhs. At the time of depositing Rs.127.50 lakhs, RSEB did not enter into any agreement with the Railways stipulating time schedule for completion of work, liquidated damages for delay in execution of work by Railways *etc.* Therefore, RSEB is not in a position to recover notional loss of interest amounting to Rs.87.14 lakhs (calculated at the rate of 18 *per cent* for the period April 1989 to August 1994) on the locked amount.

Summing Up

The foregoing paragraphs indicate :

- Inferior coal from BCCL was consistently more than its *pro rata* allocation which resulted in increase of cost of generation by Rs.18.61 crores, but KTPS never served the prescribed notice on BCCL.

- KTPS had never exercised the option of refusal of ungraded coal after giving due notice.

- Claims on account of short receipt of coal had accumulated to Rs.14.55 crores.

- Though wagon to wagon adjustment policy of the Railways had resulted in excess payment of Rs.430.35 lakhs on account of grade slippage, KTPS never raised this issue with the original consignees.

- Even after the Coal Controller had downgraded coal of 14 collieries, KTPS continued to pay royalty on the basis of grades prior to their downgradation, resulting in excess payment of Rs.5.98 crores.

The above facts indicate that KTPS, on the pretext that coal is a seller's market had neither effectively pursued nor satisfactorily negotiated its legitimate claims.

The above matters were reported to RSEB/Government in August 1994, their reply had not been received (December 1994).

RAJASTHAN FINANCIAL CORPORATION

3B. Revival of Closed and Sick Units

HIGHLIGHTS

The Rajasthan Financial Corporation (RFC) was established in January 1955 to promote small and medium industries in the State especially in backward regions by providing financial assistance.

The cumulative number of units which defaulted in repayment of their dues to RFC increased from 20,062 at the end of 1988-89 to 23,016 at the end of 1993-94 and the amount in default increased from Rs.97.06 crores to Rs.158.13 crores during this period. The defaulting units in each of the six years up to 1993-94 ranged between 64 and 70 *per cent*. RFC had not been able to recover even 40 *per cent* of its overdues from defaulting units in any of the six years up to 1993-94.

RFC is required to make all possible efforts to revive a closed unit within three months through a package of assistance, failing which steps have to be initiated for take over of the unit. During 1988-89 to 1993-94, though 8084 units with outstandings of Rs.277.04 crores were identified as closed, only 4957 units with outstandings of Rs.168.27 crores were revived. As a result, the number of closed units and their outstandings increased from 2481 and Rs.61.71 crores at the beginning of 1988-89 to 5608 and Rs.170.47 crores respectively at the end of 1993-94. The latter amount is almost one fourth of the total outstandings of Rs.709.30 crores of RFC at the end of 1993-94.

The efforts of RFC in reviving closed units (including those taken over) were proving increasingly unfruitful; while during 1988-89, 46 *per cent* of closed units involving outstanding of 53 *per cent* were revived, during 1993-94 the corresponding achievements were only 13 *per cent* and 23 *per cent* respectively.

The take over of closed units by RFC declined progressively from 1988-89 onwards. While during 1988-89, 891 units out of a total of 4313 closed units were taken over (21 *per cent*), the corresponding

achievement during 1993-94 was 402 units out of 6309 closed units (6 *per cent*). As the average revival of units in possession (39 *per cent*) was significantly higher than that for units not in possession (7 *per cent*), the delay in take over of closed units had a direct negative impact on the number of closed units revived.

Though RFC is required to initiate action for take over of closed units which could not be revived within 3 months, they had, as on 31 March 1993, not taken over 3335 units (91 *per cent*) out of 3662 closed units even after a lapse of 6 months and more.

As on 31 March 1994, RFC had a total of 1133 units in possession of which 142 had not been revived for periods ranging between 5 to 14 years. The revival of units in possession had declined steadily from 56 *per cent* during 1988-89 to 19 *per cent* during 1993-94. This decline in performance was compounded by RFC reviving units with lower amounts outstanding. As a consequence, the average outstanding against a unit in posssession doubled from Rs.3.56 lakhs in 1988-89 to Rs.7.15 lakhs in 1993-94.

Legal suits were not filed for recovery of Rs.315.04 lakhs from the promoters/guarantors of 292 units which were sold at a deficit .

3B.1 Introduction

The Rajasthan Financial Corporation (RFC) was established in January 1955 under the State Financial Corporations (SFC) Act, 1951 with a view to promote and assist in the development of small and medium industries in the State especially in backward regions by extending financial support through loans.

RFC provides term loans up to Rs.90 lakhs (Rs.60 lakhs up to June 1991) to limited companies and registered co-operative societies and up to Rs.30 lakhs in other cases such as sole proprietorship concerns *etc.* for acquisition of fixed assets in respect of new projects and also for diversification/modernisation of the existing projects up to project ceiling cost of Rs. 500 lakhs (Rs.300 lakhs up to June 1991).

3B.2 Organisational set-up

The management of RFC vests in a Board which consists of a maximum of twelve and minimum of four directors headed by a Chairman and Managing Director (CMD). As on 31 March 1994 the Board consisted of eleven directors, of which five directors including CMD are appointed by the State Government and the remaining six are nominated by financial institutions, banks and General Insurance Company. The CMD is the Chief Executive of RFC and is assisted by one Executive Director and six General Managers. There are 41 branches of the RFC each headed by a Branch Manager.

3B.3 Scope of Audit

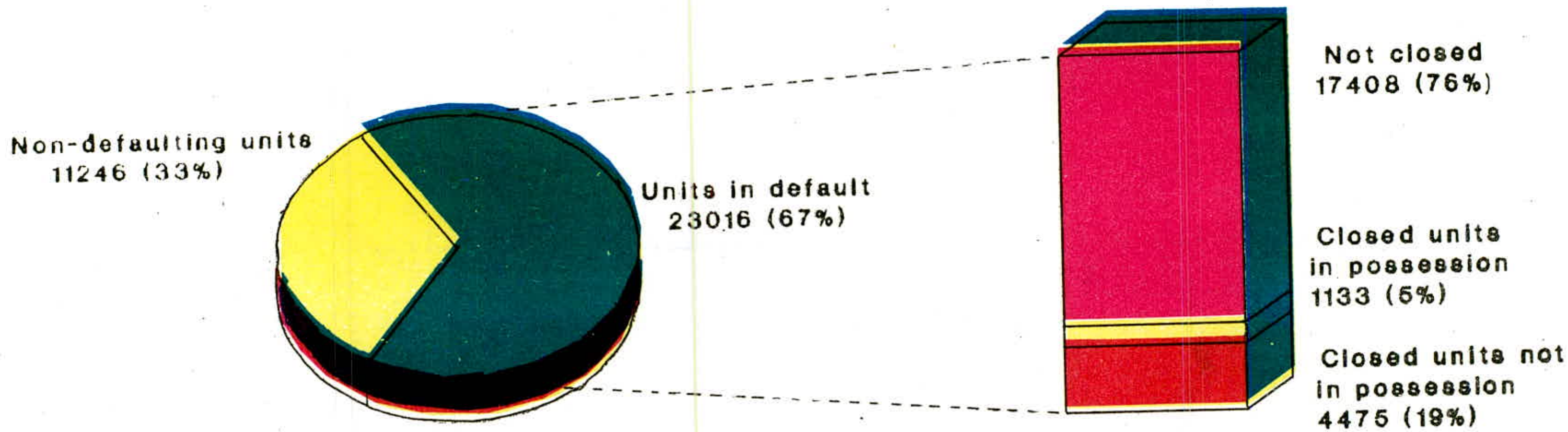
The recovery performance in respect of loans granted by the RFC was reviewed in paragraph 3 of the Report of the Comptroller and Auditor General of India, for the year 1987-88 (Commercial). The same has not been discussed by the COPU (October 1994). The present review brings out the position of closed and sick units and examines the efforts made by the RFC for their revival during the period from 1988-89 to 1993-94. For this purpose test check of records was conducted during the period from March to July 1994 at the Head Office of the RFC and at seven out of the 41 branches located at Jaipur, Sikar, Bhilwara, Abu Road, Udaipur, Alwar and Bhiwadi. The results of audit are given in the succeeding paragraphs.

3B.4 Capital structure and borrowings

3B.4.1 Share Capital

The paid-up capital of the RFC as on 31 March 1994 amounted to Rs. 63.03 crores (State Government: Rs.40.21 crores; Industrial Development Bank of India: Rs.22.38 crores, and others : Rs. 0.44 crore).

CHART-XIV
POSITION OF UNITS UNDER ASSISTANCE AS ON 31 MARCH 1994



Total units under assistance : 34,262.

(Refer paragraphs 3B.5, 3B.7.3, 3B.8.1 and 3B.9)

3B.4.2 Borrowings

RFC's borrowings as on 31 March 1994 amounted to Rs. 459.47 crores as detailed below :

S.No.	Source	Amount (Rs. in crores)
1.	Issue of Bonds	208.17
2.	Industrial Development Bank of India	16.82
3.	Small Industries Development Bank of India	207.44
4.	Industrial Reconstruction Bank of India	0.11
5.	Government of Rajasthan	26.93
	Total	**459.47**

3B.5 Disbursement of loans

3B.5.1 The table below depicts the year wise position of loans sanctioned, disbursed, cumulative outstandings, number of units under assistance, number of defaulting units at the end of year *etc.*, during the six years ending 1993-94:

Year	Loans sanctioned during the year	Loans disbursed during the year	Cumulative loans outstanding at the year end			Cumulative amount in default at the end of the year			Percentages of Principal and total amount in default	
			Principal	Interest	Total	Principal	Interest	Total	Principal	Total
1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
					(Rupees in crores)					
1988-89	100.57	64.04	309.11	75.90	385.01	57.60	39.46	97.06	19	25
	(4662)	(3350)			(30435)			(20062)		(66)
1989-90	110.25	64.96	346.31	93.22	439.53	64.47	46.27	110.74	19	25
	(3719)	(2959)			(33290)			(21153)		(64)
1990-91	126.61	80.47	391.81	112.12	503.93	72.58	48.32	120.90	19	24
	(3468)	(2610)			(34409)			(22969)		(67)
1991-92	162.61	101.53	446.69	132.23	578.92	70.52	60.35	130.87	16	23
	(3555)	(2827)			(34408)			(23401)		(68)
1992-93	168.00	107.45	498.61	156.26	654.87	79.56	66.97	146.53	16	22
	(2830)	(2396)			(34616)			(24407)		(70)
1993-94	165.77	106.32	539.06	170.24	709.30	86.69	71.44	158.13	16	22
	(2168)	(1804)			(34262)			(23016)		(67)

(Number/percentage of units are mentioned in brackets)

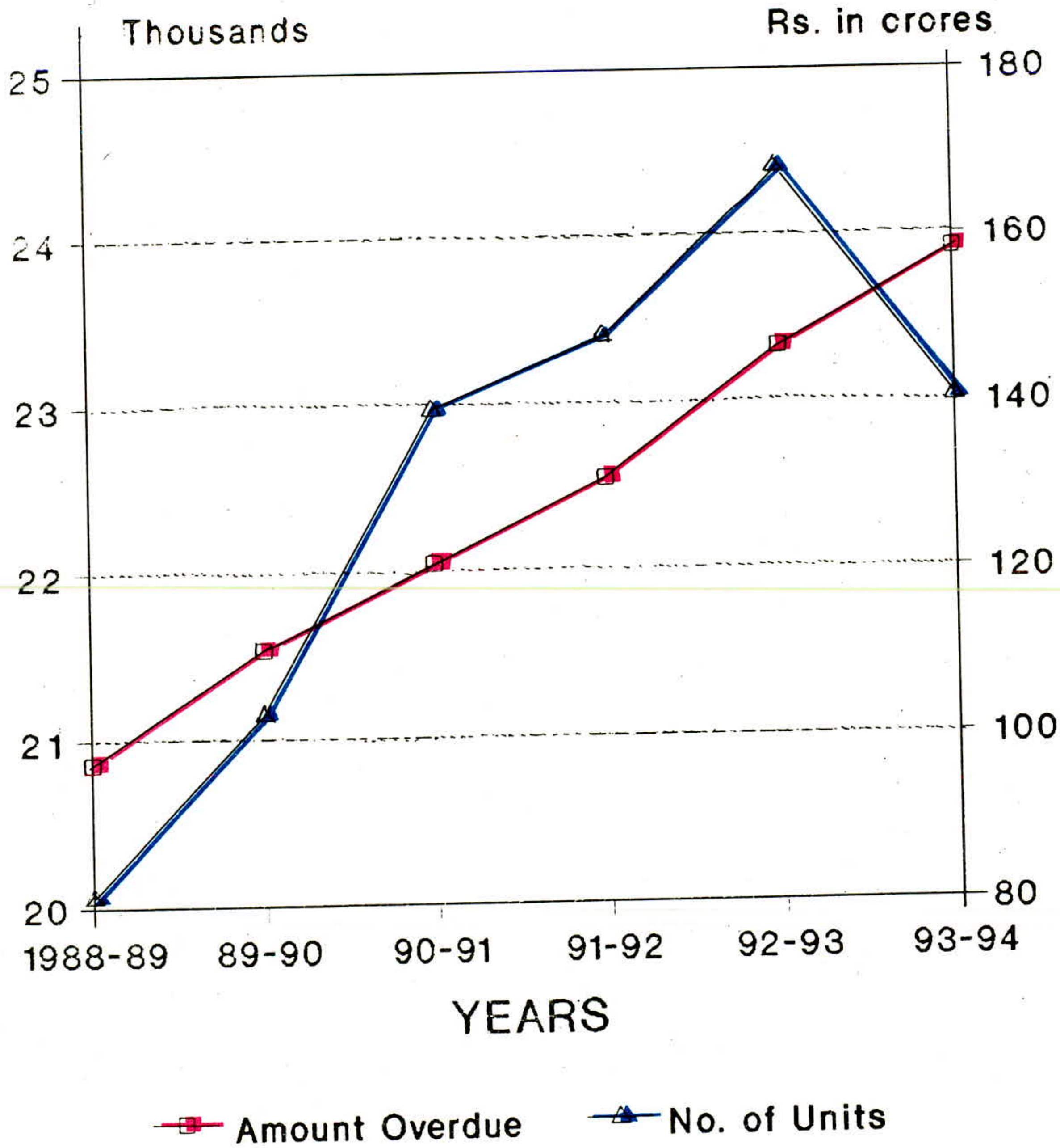
The above table indicates :

(i) The percentage of units that had defaulted in the repayment of RFC loans and the percentage of the total outstandings against them had varied in a narrow range of 64 to 70 during the six years ending 31 March 1994. Thus, RFC had not been able to make any visible impact in the reduction of defaulting units.

(ii) As the percentages of the amount of outstandings in respect of defaulting units are significantly less than the percentages of the number of such units (column 11), the defaults occurred mainly in the small units. Thus, the failure rate in promoting small entrepreneurs was significantly higher than that for big entrepreneurs.

Government stated (November 1994) that default in repayment of smaller loans is higher than in the case of bigger loans, due to (a) smaller loans being

CHART-XV
CUMULATIVE UNITS IN DEFAULT AT THE END OF EACH YEAR



(Refer paragraph 3B.5.1)

advanced to units in the tiny sector in rural areas with nil/very low promoters contribution, and (b) liberal waiver of penal interest on default in repayment of loans by the tiny sector units. Government, however, did not indicate steps proposed to be taken to decrease default by units in the tiny sector.

3B.6 Overdues

3B.6.1 Overdues represent that portion of the outstanding loan and interest, repayment of which has not been made on the scheduled date. RFC, according to its accounting practice, excludes amounts due from closed units, units in its possession and amounts re-scheduled from units facing financial difficulties from the total amount due for recovery and the balance is considered as 'net collectable amount'. Table given below indicates the position of overdue loans and percentage of recovery for six years ending 1993-94:

Year	Total amount due for recovery at the end of the year	Amount re-scheduled, deferred and due from closed units	Net collectable amount at the end of the year {(ii)-(iii)}	Percentage of (iii) to (ii)	Recovery effected	Total overdues {(iv)-(vi)}	Percentage of recovery to net collectable amount	Percentage of recovery to total overdues
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)
				(Rs. in crores)				
1988-89	176.92	18.74	158.18	11	61.12	97.06	39	35
1989-90	203.38	24.11	179.27	12	68.53	110.74	38	34
1990-91	226.54	23.95	202.59	11	81.69	120.90	40	36
1991-92	256.50	26.03	230.48	10	99.61	130.87	43	39
1992-93	303.19	45.71	257.47	15	110.95	146.52	43	37
1993-94	337.67	48.07	289.60	14	131.47	158.13	45	39

The above table indicates:

(i) The amount of dues re-scheduled and deferred had increased from Rs.18.74 crores in 1988-89 to Rs.48.07 crores in 1993-94, depicting an increase of 157 *per cent* during five years. Against this sharp increase, the amount due for recovery had increased by only 91 *per cent* during this period (Rs.176.92 crores to Rs.337.67 crores).

(ii) RFC had not been able to recover even 40 *per cent* of its overdues from defaulting units in any of the six years up to 1993-94 .

In reply, Government stated (November 1994) that increase in amount of loans re-scheduled is a positive feature because such re-schedulement is carried out only in cases where RFC feels that the entrepreneurs would be in a position to liquidate the overdues in a phased manner. Government, however, did not indicate recoveries actually effected from the loans re-scheduled. In fact, RFC did not even maintain a separate account for this purpose.

3B.6.2 The table below depicts the amount of loan sanctioned, loan disbursed and total recoveries effected from assisted units during the six years ending 1993-94.

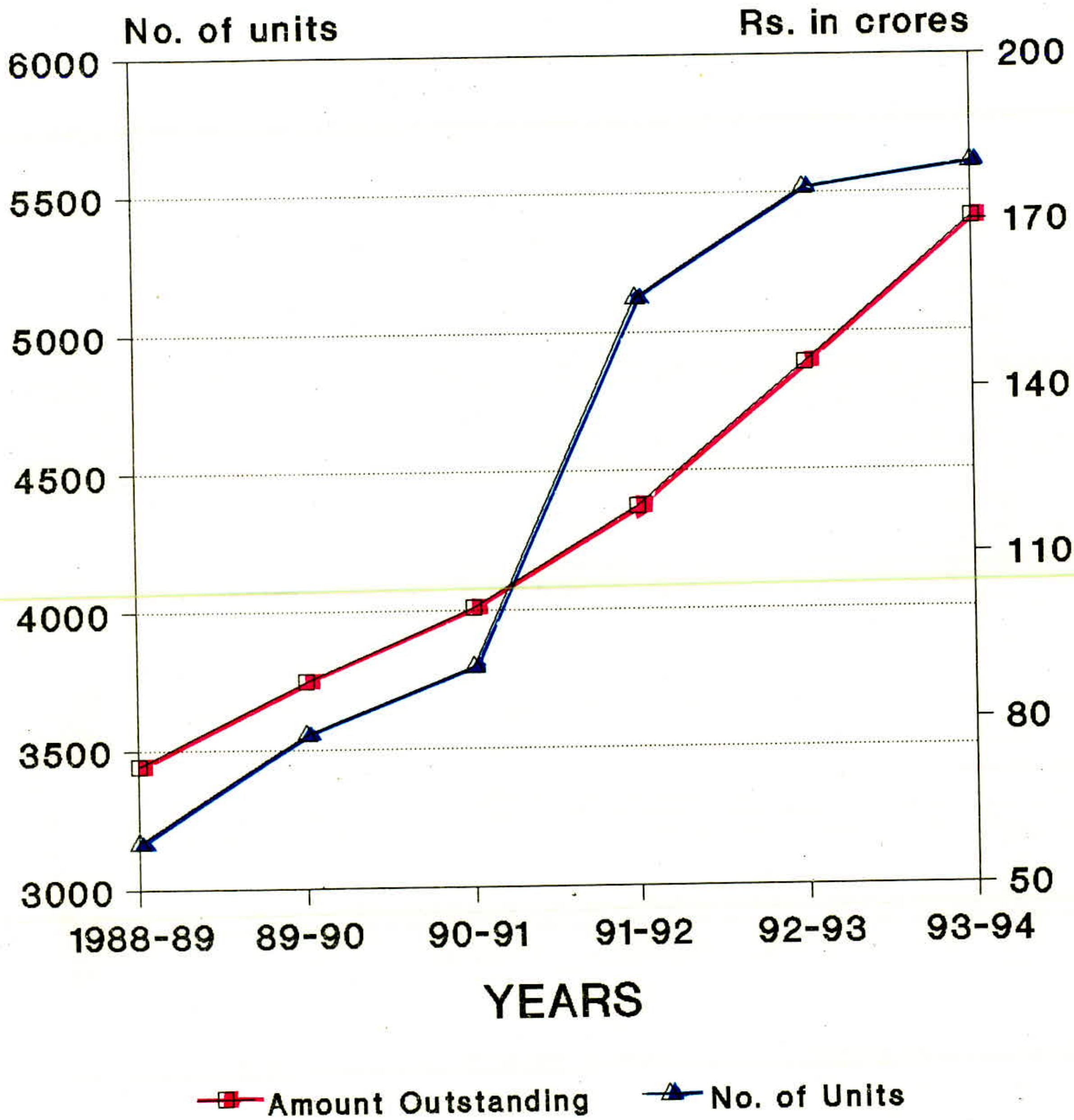
Year	Loans sanctioned	Loans disbursed	Recovery effected
1	2	3	4
	(Rupees in crores)		
1988-89	100.57	64.04	61.12
1989-90	110.25	64.96	68.53
1990-91	126.61	80.47	81.69
1991-92	162.61	101.53	99.61
1992-93	168.00	107.45	110.95
1993-94	165.77	106.32	131.47

The recoveries effected from the assisted units increase the cash inflow of RFC, enabling it to enhance assistance to other new units. A comparison of column 3 with column 4 of the above table reveals a close match between the amount of recovery effected and the loans disbursed. A consequence of accumulating overdues is, thus, the negative impact on the future growth of loan disbursements. This is borne out by the fact that during the period from 1991-92 to 1993-94 amounts of loan sanctioned and disbursed were virtually static.

3B.7 Closed units

3B.7.1 Closed units are defined as those in which no production activity has been carried out for atleast three months and are not likely to restart in near future. According to its manualised provisions, RFC is required to make all

CHART-XVI
OUTSTANDINGS AGAINST CLOSED UNITS



(Refer paragraph 3B.7.2)

possible efforts to revive closed units through a package of assistance which may include change in partner(s), arranging working capital through banks, re-schedulement of loan, sanction of rehabilitation package, *etc*. If it is not possible to revive a particular unit within three months of its being identified as closed, prescribed steps have to be initiated for take over of possession of the assets of the closed unit and their disposal *etc*. According to its accounting practice, RFC continues to charge interest on loans outstanding against a closed unit till it is taken over by it.

3B.7.2 The position of units identified as closed by RFC at the end of each of the six years up to 1993-94 is depicted in the table below:

Year	Total number of units under assistance	Total amount outstanding	Total closed units (including units in possession)		Percentage of closed units to total units	
			Number	Amount outstanding	Number	Amount
1.	2.	3.	4.	5.	6.	7
			(Rs. in crores)			
1988-89	30435	385.01	3166	72.12	10	19
1989-90	33290	439.53	3556	87.37	11	20
1990-91	34409	503.93	3796	100.45	11	20
1991-92	34408	578.92	5124	118.66	15	21
1992-93	34616	654.87	5518	144.33	16	22
1993-94	34262	709.30	5608	170.47	16	24

It would be seen that the percentage of closed units had increased steadily from 10 at the end of 1988-89 to 16 at the end of 1993-94. Similarly, the percentage of the amount outstanding against such units had increased from 19 to 24 during this period. The increase in the number of closed units was attributed (November 1994) by Government to:

- dispute in management,
- non-availability of raw material,
- technological obsolescence,
- shortage of working capital,
- power shortage,
- market fluctuations *etc*.

It was, however, seen in audit that lack of proper monitoring and follow up by RFC (as discussed subsequently in paragraph 3B.12 *infra*) also contributed to failure of units.

3B.7.3 The position of the number of units identified as closed (including those in possession) and number of units revived during the last six years up to 1993-94 is depicted below:

Year	Closed units at the beginning of the year		Closed units identified during the year		No.of units revived during the year		Balance at the end of the year		Percentage of units revived out of total closed units i.e., (ii)+(iv)		Percentage of revival with reference to opening balance	
	Number	Amount outstanding	Number	Amount outstanding	No.	Amount of dues at the end of the year	No.	Amount	No.	Amount involved	Number	Amount
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)
						(Rs. in crores)						
1988-89	2481	61.71	1832	43.47	1147	33.05	3166	72.13	27	31	46	53
1989-90	3166	72.12	1422	37.49	1032	22.24	3556	87.37	23	22	33	31
1990-91	3556	87.37	1149	39.41	909	26.33	3796	100.45	19	21	26	30
1991-92	3796	100.45	2008	49.63	680	31.42	5124	118.66	12	21	18	31
1992-93	5124	118.66	882	48.07	488	22.40	5518	144.33	8	13	10	19
1993-94	5518	144.33	791	58.97	701	32.83	5608	170.47	11	16	13	23
Total			**8084**	**277.04**	**4957**	**168.27**						

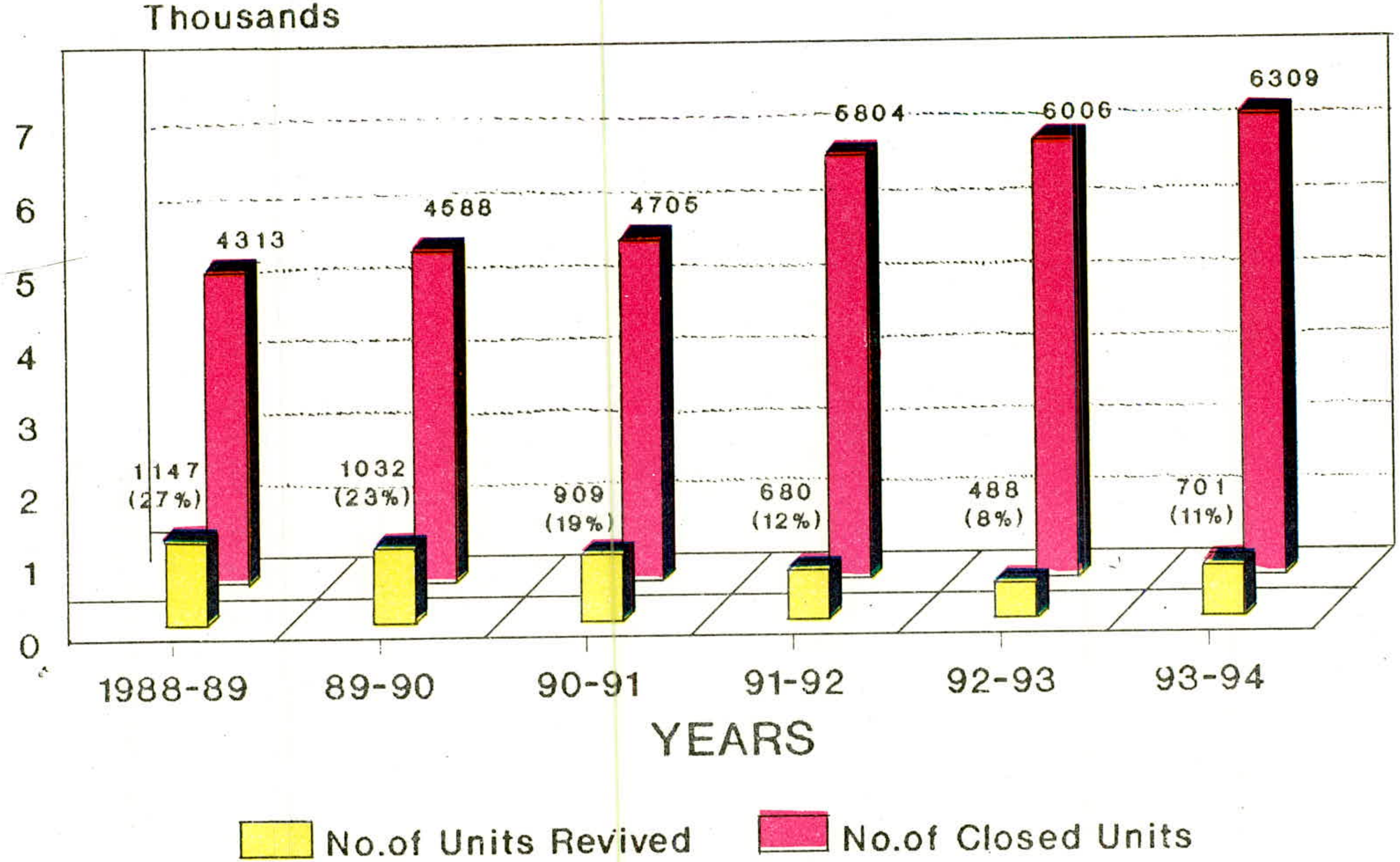
The above table indicates:

(a) In each of the six years ending 1993-94, the number of units revived was less than the corresponding figures of units identified as closed.

(b) The number of units revived exhibits a declining trend during the period from 1988-89 to 1993-94 as evidenced by the fact that while during 1988-89, 46 *per cent* of the closed units with outstandings of 53 *per cent* at the beginning of the year were revived, the corresponding achievements during 1993-94 were only 13 *per cent* and 23 *per cent*, respectively.

(c) As a result of (a) and (b) above, the number and amount outstanding against closed units had increased from 2481 and Rs.61.71 crores at the beginning

CHART-XVII
REVIVAL OF CLOSED UNITS



[Total of columns(ii) and (iv) in table in paragraph 3B.7.3]

(Refer paragraph 3B.7.3)

of 1988-89 to 5608 (increase of 126 *per cent*) and Rs. 170.47 crores (increase of 176 *per cent*) at the end of 1993-94. The outstandings of Rs.170.47 crores against closed units represent idle investment, as high as 24 *per cent* of the total outstandings of Rs.709.30 crores.

Government stated (November 1994) that the revival of a closed unit is the sole responsibility of the entrepreneur, and the role of RFC in such cases is limited to extending financial concessions. This reply is not convincing as RFC is required to assess the viability of the project while sanctioning loan to the entrepreneur and to assess his capability in running the unit. Moreover, as the outstanding loans in the closed units are assets of RFC, they have a vested interest in the revival of the unit. The steep increase in the number of total closed units and the amounts due from them indicate lack of appropriate and timely steps for revival of closed units.

3B.7.4 The closed units included 36 units falling within the jurisdiction of five branches, test checked in audit, with outstanding amount of Rs.1.88 crores uptill 31 March 1993 which were abandoned by the promoters at the implementation stage, but whose possession has not been taken over for period ranging from 1 year to 10 years.

The Government stated (November 1994) that out of 36 units, possession of nine units had been taken after March 1993, accounts of six units were likely to be settled and promoters of eight units were keen on their revival. The possession of remaining 13 units was to be taken after exploring possibilities of their disposal.

3B.7.5 The number of units revived out of the number of closed units (excluding those in possession) at the beginning of each year for the last six years up to 1993-94 is depicted in the table below:

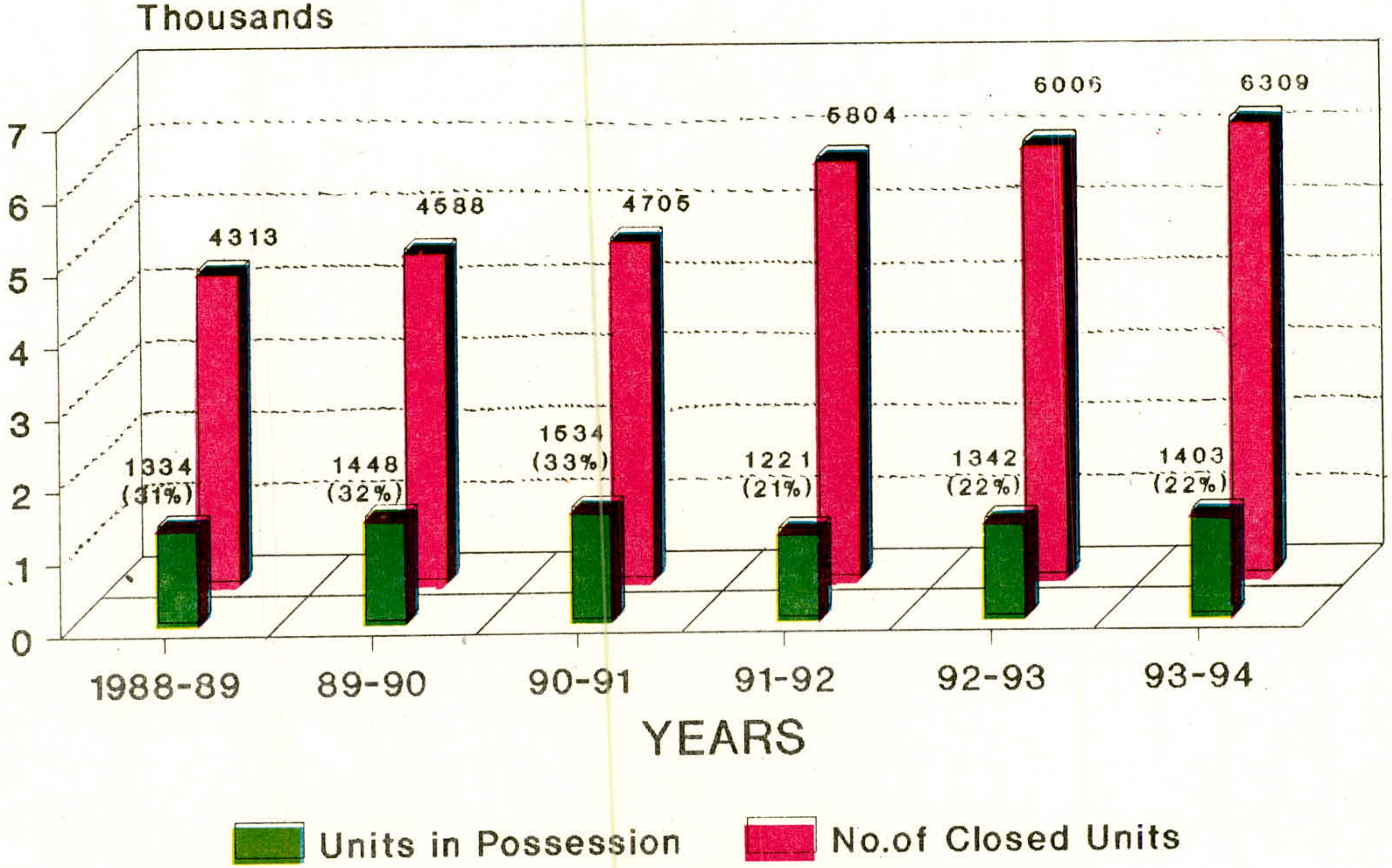
Year	Number of closed units (excluding those in possession)	Number of units out of (ii)revived during the year (excluding those in possession)	Percentage of (iii) to (ii)
(i)	(ii)	(iii)	(iv)
1988-89	3377	398	12
1989-90	3385	245	7
1990-91	3316	145	4
1991-92	4895	312	6
1992-93	4811	147	3
1993-94	5337	431	8

The table above indicates that the number of closed units whose possession was not taken over, increased by 58 *per cent* from the beginning of 1988-89 (3377 units) to the end of 1993-94 (5337 units). Despite this increasing trend, the percentage of number of units revived without take over exhibited a general decline from 12 *per cent* in 1988-89 to 3 *per cent* in 1992-93.

3B.8 Take over of closed units

3B.8.1 The SFC Act, 1951 authorises RFC to take the possession of units assisted by it, if they default in repayment of interest, or advance or any instalment which was due according to agreement entered into with the RFC. On taking the possession of a unit, interest on loans given to it is frozen but expenditure incurred on its watch and ward is added to the outstandings.

CHART-XVIII
CLOSED UNITS TAKEN OVER



(Refer paragraph 3B.8.1)

The table below gives a comparison of the total number of units closed with the number of units under possession of the RFC:

Year	Closed units at the beginning and during the year		Units in possession						Percentage of total closed units taken over during the year i.e.of (vi) with (ii)		Percentage of total closed units taken in possession i.e. of (viii) with (ii)	
			Opening balance		Additions		Total					
	Number	Amount outstanding*	Number	Amount	Number	Amount	Number	Amount	Number	Amount outstanding	Number	Amount outstanding
(i)	(ii)	(iii)	(iv)	(v)	(vi)	(vii)	(viii)	(ix)	(x)	(xi)	(xii)	(xiii)
						(Rs. in crores)						
1988-89	4313	105.18	443	21.60	891	25.97	1334	47.57	21	25	31	45
1989-90	4588	109.61	585	29.14	863	19.53	1448	48.67	19	18	32	45
1990-91	4705	126.78	661	35.05	873	22.34	1534	57.39	19	18	33	45
1991-92	5804	150.08	770	41.77	451	28.60	1221	70.37	8	19	21	49
1992-93	6006	166.73	853	56.60	489	27.23	1342	83.83	8	16	22	50
1993-94	6309	203.30	1001	69.54	402	30.80	1403	100.34	6	15	22	49
Total					**3969**	**154.47**						

* The figures in this column represent the total of columns (ii) and (iv) in the table in paragraph 3B.7.3

The above table indicates that:

(i) While the number of closed units rose significantly from 4313 in 1988-89 to 6309 in 1993-94 by 46 *per cent*, the number of units in possession rose marginally from 1334 to 1403, *i.e.*, a rise of only 5 *per cent*.

(ii) The annual addition of units taken over, both in terms of their number and amount outstanding was less than the corresponding figures of units identified as closed (refer table in paragraph 3B.7.3) during that year.

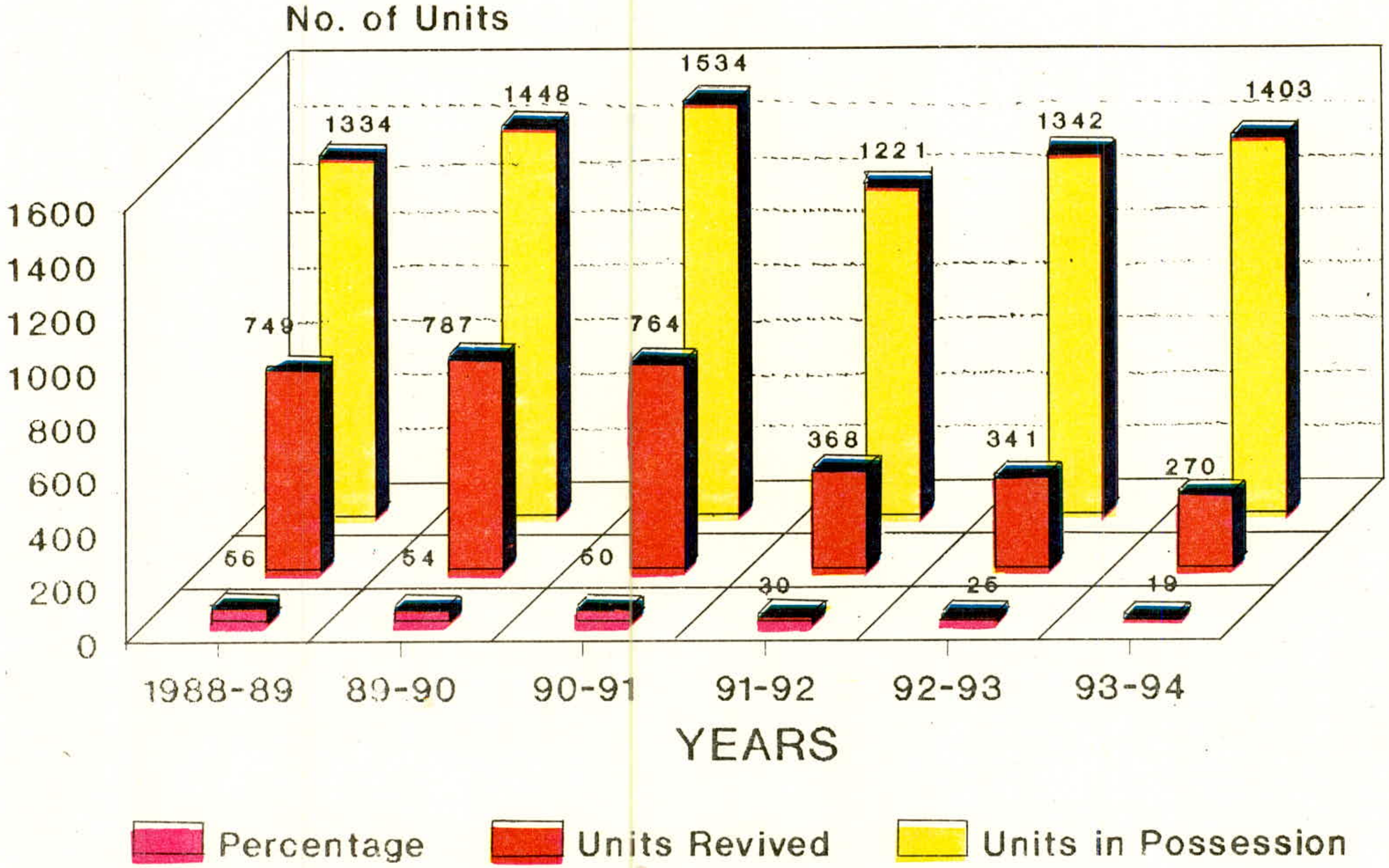
(iii) The percentage of total closed units taken over annually declined continuously both in terms of number and the amount outstanding thereagainst from 1988-89 to 1993-94.

3B.8.2 The age-wise position of closed units (excluding 1001 units under possession) as on 31 March 1993 in respect of 3662 units analysed by RFC is depicted below:

Sl. No.	Age	No. of units	Per cent	Amount outstanding (Rs.in crores)	Per cent
1.	Less than six months	327	9	13.24	20
2.	Between six months and two years	1088	30	18.02	26
3.	Between two to three years	303	8	4.96	7
4.	Three years and more	1944	53	32.34	47
	Total	**3662**	**100**	**68.56**	**100**

The above analysis indicates that even though RFC is required to initiate action for take over of possession of closed units within three months, they had not done so in respect of 3335 units (91 *per cent*) even after a lapse of six months and more. Had RFC taken over possession of closed units immediately after the three months of their being identified as closed, about 90 *per cent* of such units

CHART-XIX
REVIVAL OF UNITS IN POSSESSION



(Refer paragraph 3B.9)

would have been in their possession. But the table in paragraph 3B.8.1 indicates that the percentage of total closed units in possession never exceeded 33 in any of the six years ending 1993-94.

Government stated (November 1994) that take over of possession of closed units was not a solution and it was resorted to as a last measure in cases where there was a reasonable chance of its disposal. It further stated that taking over possession of a unit involves expenditure on watch and ward. This reply is not tenable because delay in taking over possession of closed units entails risk of theft as illustrated in paragraphs 3B.13.4, 3B.13.5 and 3B.14.2.

Government reply is also silent about action to be taken in case of units where efforts of revival have not been successful and where RFC perceives the prospects of disposal through auction as bleak.

3B.9 Revival of units in possession

After the possession of a unit is taken over, action for its revival either through sale by auction to interested entrepreneurs or through negotiation with the promoter has to be initiated. The table below depicts the position of the units revived out of the units whose possession was taken over:

Year	Units in possession (opening balance and additions during the year)		Average outstanding against units in possession	Units revived during the year		Average outstanding of units revived	Percentage of units revived and amount involved	
	Number	Amount outstanding	(3÷2)	Number	Amount	(6÷5)	Number	Amount
		(Rs.in crores)	(Rs. in lakhs)		(Rs.in crores)	(Rs.in lakhs)		
1.	2.	3.	4.	5.	6.	7.	8.	9.
1988-89	1334	47.57	3.56	749	18.43	2.46	56	61
1989-90	1448	48.67	3.36	787	13.62	1.73	54	28
1990-91	1534	57.39	3.74	764	15.62	2.04	50	27
1991-92	1221	70.37	5.76	368	13.77	3.74	30	20
1992-93	1342	83.83	6.25	341	14.29	4.19	25	18
1993-94	1403	100.34	7.15	270	14.81	5.49	19	15

The table above indicates that:

(i) Despite an increase in number of units under possession from 1334 in 1988-89 to 1403 in 1993-94 *i.e.*, an increase of 5 *per cent*, the number of units revived had declined sharply from 749 in 1988-89 to 270 in 1993-94 (*i.e.*, a decrease of 64 *per cent*). Consequently, the number of units revived had decreased from 56 *per cent* in 1988-89 to 19 *per cent* in 1993-94.

(ii) The average outstanding against units in possession had increased from Rs.3.56 lakhs in 1988-89 to Rs.7.15 lakhs in 1993-94, *i.e.*, an increase of 101 *per cent* indicating that the urgency of disposal of units in possession had acquired greater significance.

(iii) In each of the six years uptill 1993-94, the average outstanding against the units revived was less than the average outstanding against the total units in possession, indicating that rather than reviving units with larger outstandings, units with lower outstandings were revived.

(iv) A comparison of column 8 of the above table with column (iv) of the table in paragraph 7.5 would indicate that the units revived out of units in possession (average 39 *per cent* during 1988-94) is significantly higher than the corresponding revival of units whose possession was not taken over (average 7 *per cent*). Therefore, the delay in taking over the possession of units as pointed out in paragraph 3B.8 has a direct negative repurcussion on the number of units revived.

Table below indicates the year-wise position of the units in possession of RFC as on 31 March 1994:

Year	No.of units in possession	Amount outstanding (Rs.in lakhs)
1979-80	1	4.08
1980-81	1	1.44
1981-82	1	0.38
1982-83	-	-
1983-84	7	15.78
1984-85	15	67.84
1985-86	12	22.91
1986-87	10	63.58
1987-88	28	240.64
1988-89	67	369.90
1989-90	84	644.10
1990-91	120	688.72
1991-92	171	1583.87
1992-93	203	1480.38
1993-94	413	3353.83
Total	**1133**	**8537.45**

Thus, 1133 units were pending revival with RFC of which 142 involving outstanding of Rs.786.55 lakhs were in possession for periods ranging from 5 to 14 years.

RFC had not compiled the annual expenditure incurred by it on watch and ward of units in its possession. Scrutiny by audit revealed that in four branches (Bhilwara, Abu Road, Udaipur and Sikar) RFC had incurred an expenditure of Rs.24.53 lakhs on watch and ward of units till 31 March 1993 whose possession was taken over during 1988-89 to 1992-93. This is a reflection of inaction/delay on the part of RFC in revival of units in possession.

Government stated (November 1994) that disposal of units in possession is generally a difficult task because very often no bidders turn up even after the units are put up for auction dozens of times. This reply of the Government contradicts their reply in respect of paragraph 3B.8 where Government contended that only such units are taken in possession whose prospects of disposal are considered reasonable.

3B.10 Revival and Rehabilitation of sick units

A small scale industry (SSI) is classified as sick if it has incurred cash losses during the previous accounting year, is likely to incur cash losses in the current accounting year and has erosion in its net worth to the extent of 50 *per cent* or more on account of cumulative cash losses . Medium units are classified as sick if their accumulated losses equal to or exceed their entire net worth.

RFC has been adopting RBI guidelines for revival and rehabilitation of SSI and medium scale units. In May 1987, RFC created a Rehabilitation Cell for identifying sick units and offering them rehabilitation assistance :

Reliefs and concessions granted to potentially viable sick units cover mainly the following:

(i) waiver of penal interest charged on overdue repayments of loan and interest from the year the unit started sustaining losses,

(ii) conversion of the net outstanding amount of interest (after waiver of penal interest) into a separate term loan account to be repaid in a period of three to five years at a concessional rate of interest,

(iii) reschedulement of the outstanding amount of principal, and

(iv) sanction of rehabilitation assistance in the form of concessional term loan.

The notional loss of interest arising due to (ii) and (iv) above does not get reflected in the RFC's Annual Accounts. RFC had not maintained a separate consolidated account to reflect the annual notional loss of interest income arising out of these concessions.

According to its Manual provisions, Branch Managers of RFC are required to monitor closely such units which default in repayment of four consecutive instalments . In case such units are found to fall within the definition of a sick unit, these should be so identified. RFC has not introduced a system to identify units eligible for revival/rehabilitation package although it is required to keep close watch on the functioning of the assisted units. Test check in audit revealed that only in cases where the promoters of a unit submitted their application for rehabilitation package to the concerned Branch Manager for onward submission to Rehabilitation Cell, did the Branch Manager classify them as sick.

During the five years ending 1992-93, rehabilitation assistance to 102 units was sanctioned as detailed below :

Year	Rehabilitation package sanctioned		No.of units which availed rehabilitation package	Amount of rehabilitation assistance availed	Total over-dues as on 31st March 1993
	No.of units	Amount of rehablitation assistance			
			(Rs. in lakhs)		
1988-89	19	142.45	15	94.12	228.97
1989-90	23	73.15	13	34.05	123.10
1990-91	22	62.90	18	49.16	100.19
1991-92	25	99.98	12	33.90	24.81
1992-93	13	64.73	4	1.23	3.40
Total	**102**	**443.21**	**62**	**212.46**	**480.47**

Thus, only 62 units were provided revival rehabilitation assistance during a period of five years. The remaining 40 units could not avail the benefit mainly because (a) working capital limit was not sanctioned by the banks, and (b) the promoters did not contribute their share as per the package.

Government stated (November 1994) that identification of a unit as sick necessarily requires examination of its balance sheet which is often not possible because many units do not maintain proper accounts and get them certified by a Chartered Accountant. On this ground, Government considered implementation of RBI guidelines as unfeasible. Government, further defended non-identification of sick units on the ground that once units are so identified, they may cease to pay their dues and delay recovery action by filing application for rehabilitation package.

The reply of the Government is not convincing because RFC is required to ensure through regular monitoring that the units get their accounts prepared. Inaction in identification of sick units is also not acceptable because delay in identification of a sick unit implies delay in taking of remedial action for revival which can subsequently involve much higher cost especially in the case of a sincere entrepreneur. In case of an insincere entrepreneur, delay in identification of his unit as sick delays action in taking over his unit which leads to lower realisation on auction due to deterioration/obsolescence of plant and machinery *etc.*

The results of test check of some of the cases of revival/rehabilitation allowed are discussed in paragraph 3B.14.

3B.11 Write off of deficit

(i) In cases where RFC is not able to recover the outstanding dues from sale proceeds of a unit sold, it is required to recover the deficit amount by filing a suit against the original promoters/guarantors. The amount of deficit not recovered/not recoverable is considered as bad debt.

As on 31 March 1994, 672 legal suits filed by RFC for recovery of deficit amount of Rs.969.59 lakhs from the promoters/guarantors were pending. Test check in audit revealed that no legal suits were filed in respect of 292 units involving deficit amount of Rs.315.04 lakhs.

Government stated (November 1994) that legal suits were not filed in cases where, (a) the deficit amount recoverable was less than the prescribed norms, or (b) where the promoter and guarantor did not have sizable property. The reply in respect of cases falling under (b) is not acceptable because RFC is required to assess the adequacy of the property of promoter and guarantor before sanctioning the loan.

(ii) As on 31 March 1993, 36 decrees awarded by various courts in favour of RFC for recovery of deficit amount of Rs.51.58 lakhs remained unimplemented.

Government stated (November 1994) that application for execution of decrees cannot be filed in cases where the concerned persons did not have any immovable property. This reply is not tenable for reasons stated in (i) above.

The table below indicates the amounts written off, rebate on interest allowed, waiver of penal interest *etc.*

Year	**Amount written off (no. of units)**	**Rebate and penal interest waived**	**Total of (ii) and (iii)**
(i)	**(ii)**	**(iii)**	**(iv)**
	(Rs. in crores)		
1988-89	Nil	0.39	0.39
1989-90	Nil	0.85	0.85
1990-91	0.46 (108)	0.62	1.08
1991-92	1.47 (79)	0.78	2.25
1992-93	6.70 (350)	0.66	7.36
1993-94	8.43 (1457)	2.71	11.14
Total	17.06 (1994)	6.01	23.07

Further, in accordance with the instructions issued by Industrial Development Bank of India in April 1993 , as amended in April 1994, RFC made provision for bad and doubtful debts totalling Rs. 28.97 crores (1992-93 : Rs.19.97 crores; 1993-94: Rs. 9 crores) in respect of the units committing default in repayment of instalments of loan for more than one year. As a consequence of (a) large defaulting units, (b) large closed units, (c) poor rate of revival of closed units,RFC incurred losses amounting to Rs. 17.42 crores in 1992-93and Rs.8.19 crores in 1993-94.

3B.12 Monitoring and follow-up

RFC is required to monitor and follow up the assisted units after the sanction of the loan. While project monitoring is aimed at ensuring successful implementation of the project, post implementation follow-up is to ensure that the assisted units perform well enough for timely recoveries of the dues. For follow up of the assisted units, RFC is required to seek (i) quarterly progress reports in prescribed format, (ii) conduct inspection of the units as per prescribed norms, and, (iii) obtain report from its nominee director, in cases where financial assistance is Rs.30 lakhs and above, and nodal officers in other cases.

The Manual provisions of RFC prescribe the norms for inspection of assisted units by RFC officers. According to such norms, a total of 9,072 inspections were to be carried out during 1993-94. Against this only 493 inspections (5 *per cent*) were carried out which is indicative of poor monitoring of assisted units.

Government stated (November 1994) that with the growth of number of units being assisted by RFC, revision of norms for inspection was under consideration.

Similarly, every assisted unit is required to submit a quarterly report in a prescribed proforma indicating the performance in the execution/operation of the unit. In the Branch Offices test checked it was noticed that there was no system to watch the receipts of quarterly progress reports due.

3B.13 Test check in audit indicated that in case of the units in default, neither timely legal action was initiated nor were their assets disposed of timely. Illustrative cases indicating lapses on the part of RFC in regard to monitoring, delay in taking over possession of defaulting units *etc.* are given below.

3B.13.1 Rajasthan Multifertilisers Private Limited

A loan of Rs.30 lakhs was sanctioned in March 1981 by RFC to Rajasthan Multifertilisers Private Ltd. (RMPL), Udaipur, of which an amount of Rs.28.18 lakhs was released up to September 1982. The production started in May 1982 but had to close down in 1986 because of several adverse factors including licence for manufacture of mix fertilizer being much less than installed capacity, adverse market conditions *etc.* Accordingly, unavailed term loan of Rs.1.82 lakhs was cancelled on 31 March 1984.

As RMPL had not made the repayment of instalments, its loan was rescheduled in January 1985. Under this, RMPL was allowed to pay Rs.50,000 per month from April 1985 to March 1986 and Rs.75,000 per month thereafter till clearance of the term loan. However, during the year 1985-86, RMPL repaid Rs.3.50 lakhs only against Rs.6 lakhs required to be paid . Accordingly, a legal notice was issued in November 1986 to RMPL recalling the entire term loan with interest, failing which the possession of RMPL would be taken over by the RFC. As RMPL continued to default in its repayment of instalments, RFC issued similar notices in June 1987, October 1988, December 1989 and June 1991, but did not take over the possession of RMPL. Consequently, the outstanding against the unit increased to Rs.101.73 lakhs (including interest amounting to Rs.73.55 lakhs) at the end of March 1992. In June 1992, the Market Realisable Value (MRV) of RMPL was assessed at Rs.80 lakhs comprising land (Rs.10 lakhs), buildings (Rs.20 lakhs), and plant & machinery (Rs.50 lakhs).

RFC finally deputed (September 1993) a team of officers to take over the possession of RMPL. The team, however, found that there were three other units of the promoter adjoining RMPL which were not separated by any boundary walls and one common entrance/exit gate served all the four units. The team, therefore, did not take over the possession of the unit on the apprehension that if it was taken over, assets may not be secure. The team also did not prepare inventory of the assets on the ground that this requires an expert in fertilizer units. These difficulties were communicated (September 1993) by the local branch to the Head Office for guidance. The branch office stated (June 1994) that they had not been able to take over possession of RMPL since they were awaiting further instructions from their Head Office. Had the RFC monitored the unit properly and ensured construction of boundary wall, the situation arising in this case could have been avoided.

Government stated (November 1994) that efforts for taking over the possession of the unit were in progress.

3B.13.2 Rahul Stone Crushing Company

A loan of Rs.4.50 lakhs was sanctioned (May 1982) to Rahul Stone Crushing Company (RSCC), Alwar out of which Rs.4.46 lakhs was disbursed up to January 1983. Due to labour problems, power cuts and shortage of working capital, the unit could not operate successfully and pay the dues of RFC.

A legal notice was issued (December 1984) to RSCC to deposit the outstanding of Rs.5.42 lakhs. The promoter promised (January 1985) to clear the dues of RFC as per repayment schedule by February 1985 but subsequently stated during discussion in August 1985 that Rs.10,000 per month will be paid from September 1985. However, even this commitment was not fulfilled. Inspection of the premises of RSCC in February 1986 revealed that it was closed since the last two years, nobody was available at site and some machines were missing. RFC did not estimate the cost of missing machines and also did not take any action for taking over the possession of the unit. After two years, in April 1988 a legal notice was issued which was received back undelivered. In May 1989, though possession of some of the machinery of RSCC was taken over, its MRV was not assessed.

Two more legal notices issued in December 1990 and July 1993 were received back undelivered. The possession of the remaining assets of RSCC had not been taken over so far (May 1994). Meanwhile, the outstandings against RSCC had increased to Rs.22.74 lakhs (including interest outstanding amounting to Rs.18.21 lakhs - May 1994). It would thus be seen that the unit was not inspected regularly nor was action taken for taking over possession of remaining assets of the unit. Even FIR against the promoter was not lodged in respect of the missing machines.

Government stated (November 1994) that action for taking over the remaining assets of RSCC and filing of FIR in respect of the missing machines was being taken.

3B.13.3 G.S. Textiles Private Limited

G.S.Textiles Private Ltd. (GSTPL), Bhilwara promoted to manufacture woollen and shoddy yarn was sanctioned (September 1982) two term loans totalling Rs.32.55 lakhs against which Rs.30 lakhs were disbursed up to November 1983. GSTPL started commercial production from July 1983 but had to discontinue operations reportedly due to slump in the demand for shoddy yarn.

In terms of the loan agreement with the RFC, the two original promoters of GSTPL were required to obtain prior consent of RFC before effecting any change in the composition of the Board of Directors. Further, if the changes in the

Board of Directors led to change in management, the incoming directors were required to pay 25 *per cent* of the total outstanding dues of RFC as initial payment. In violation of these provisions, the two original promoters of GSTPL without informing RFC, resigned in July 1985 and simultaneously inducted 3 new directors. Though the fact of change in management of GSTPL came to the notice of the Branch Office of RFC in December 1985, they did not raise a demand of Rs.8.92 lakhs (25 *per cent* of Rs.35.68 lakhs outstanding in July 1985) on the new directors. In February 1987, when this fact as also the default in payment of dues by GSTPL were brought to the notice of the Managing Director of RFC, he ordered that possession of GSTPL may be taken over. Consequently, a legal notice was served on GSTPL in February 1987 recalling the entire outstanding of Rs.41.19 lakhs. In response, GSTPL offered to pay Rupees one lakh towards interest overdues provided the legal notice was withdrawn. This proposal was accepted by the Managing Director, RFC and GSTPL paid Rupees one lakh in March 1987 and Rupees two lakhs in March 1988. The RFC issued two more legal notices (October 1988 and February 1990) against GSTPL recalling the entire outstandings but did not initiate further action for taking over the possession of GSTPL.

In April 1990 the CMD, RFC ordered the take over of GSTPL but its possession was taken over belatedly in December 1991. At that time, the total outstanding dues against GSTPL had increased to Rs.90.44 lakhs. The plant and machinery of GSTPL were sold in June 1993 for Rs.14.75 lakhs and land and buildings were sold in August 1994 for Rs.31.50 lakhs resulting in a deficit of Rs.44.19 lakhs. Had RFC recovered Rs.8.92 lakhs in July 1985 from the new directors and taken timely action for taking the possession of the unit, this loss could have been minimised.

Government stated (November 1994) that a nominal amount of Rupees one lakh was accepted in lieu of Rs.8.92 lakhs because the new management was making efforts to revive the unit.

3B.13.4 Rangila Soft Drinks Private Limited

RFC sanctioned (March 1989) a term loan of Rs.28.98 lakhs to Rangila Soft Drinks Private Limited (RSDPL), Bhiwadi and disbursed Rs.20.98 lakhs between May 1989 and March 1990. As RSDPL failed to repay instalments of loan and interest due, a legal notice was issued to it in January 1992 when the overdues amounted to Rs.13.47 lakhs, but no response was received from the promoter.

In January 1993, after RFC decided to take over the possession of RSDPL, on inspection it was discovered that it had been lying closed since the last two-three years. This indicates that no inspection of RSDPL had been made during the two-three years preceding January 1993.

Another inspection of RSDPL in February 1993 revealed that some plant and machinery of original cost of Rs.12.57 lakhs were missing out of a total of Rs.17.10 lakhs of plant and machinery purchased by RSDPL.

The possession of RSDPL was taken over in October 1993 when the total outstandings were Rs.36.10 lakhs. Action was not taken by the RFC for recovery of the missing plant and machinery except a letter written belatedly to the promoter in December 1993 requesting him to deposit the same within seven days, failing which FIR would be lodged against him with police authorities. Though this letter was received back undelivered, FIR was not lodged.

In the auction held in January 1994, only one bid of Rs. 1.26 lakhs was received which was not accepted as it was much below MRV of Rs.14.82 lakhs (land: Rs.1.57 lakhs; building: Rs.10.32 lakhs; machinery: Rs.2.93 lakhs) which, in turn, was much less than the amount of loan disbursed. Another auction in February 1994 did not elicit any response.

Government stated (November 1994) that action for lodging FIR was being taken and efforts would be made for speedy disposal of assets.

3B.13.5 Jain Sons Steels

A loan of Rs.8.60 lakhs was sanctioned (August 1975) to Jain Sons Steels (JSS), Alwar and disbursed till September 1978 for establishing a factory for production of welded wire mesh. The unit started commercial production in September 1976 but could not pay its dues of RFC on account of power shortage and labour problems. RFC took posssession of JSS in January 1980, but handed it back to its promoter in March 1980 on an assurance given by him to repay Rs.25,000 per month from March 1980 onwards to clear the dues. Though the promoter did not adhere to this repayment schedule, JSS was not inspected till September 1983 when it was found closed. Accordingly, immediate steps should have been initiated for taking over the possession of JSS. However, RFC took no action for taking over possession of JSS, and even did not inspect JSS for another 8 years till December 1991, when it was found abandoned.

The possession of JSS was taken over in January 1992 when the outstandings had piled up to Rs.36.85 lakhs (including interest amounting to Rs.28.89 lakhs). In September 1992, RFC learnt that some parts of plant and machinery of JSS had been recovered by the police which were lying at the police station. Though the police authorities advised RFC to obtain permission of the court for taking delivery of these parts, no action in the matter had been taken by RFC (April 1994). There was nothing on record to show as to when the theft of these items had taken place. JSS was put to auction in November 1993, in which highest offer of Rs.12 lakhs was obtained. This was not accepted as it was much below the assessed MRV of Rs.28.50 lakhs.

Government stated (November 1994) that next auction was scheduled to be held in November 1994. Government reply did not indicate action taken, if any, in obtaining permission of the court for taking delivery of the plant and machinery lying in possession of the police.

3B.13.6 Gum Arabic Processors And Distributors Limited

The RFC took possession of Gum Arabic Processors and Distributors Limited (GAPD), Udaipur in October 1979 due to non payment of its dues amounting to Rs.24.93 lakhs. RFC sold GAPD to N.Devi Dass and Company, Bombay for Rs.24.94 lakhs in July 1980 on initial payment of Rs.4.94 lakhs, the balance Rs.20 lakhs being payable in eleven half-yearly equal instalments commencing from May 1981 besides quarterly interest payment on the outstanding sale price. A loan of Rs.4.49 lakhs was disbursed (September 1981) to N. Devi Dass and Company for purchase of a D.G. set, even though it had by then not paid the instalment due in May 1981. N. Devi Dass & Company commenced production in February 1981 but discontinued it in March 1985 due to recession and marketing problems, which had led to cash losses.

Though N. Devi Dass and Company did not pay any instalment of principal and interest due from May 1981, possession of GAPD was taken over as late as May 1987 when total outstandings amounted to Rs.52.63 lakhs (including interest amounting to Rs.38.34 lakhs). The unit was re-sold in May 1988 for Rs.25.51 lakhs to Motwani Minerals who deposited Rs.6.38 lakhs as 25 *per cent* initial payment, the balance being payable in 19 equal instalments with 12.5 *per cent* interest spread over five years. After taking into account a sum of Rs.0.36 lakh spent by RFC on watch and ward of GAPD, the deficit on its sale worked out to Rs.27.48 lakhs. To recover the amount of deficit, efforts were made to locate the promoter (N. Devi Dass)/guarantor but these did not yield any results. The deficit, which had increased to Rs.49.49 lakhs uptill March 1993 due to accumulation of interest was written off during 1992-93. Had RFC taken over possession of GAPD soon after N. Devi Dass and Company defaulted in payment of dues from May 1981, the amount of deficit may not have accumulated to such a high amount.

Government stated (November 1994) that efforts for tracing the Directors of N.Devi Dass and Company were still being made.

3B.14 Failure of rehabilitation package

Two illustrative cases relating to failure of rehabilitation package due to various reasons are given below:

3B.14.1 Plastic India

The RFC sanctioned (December 1981) a term loan of Rs. 8.97 lakhs to Plastic India, Bhiwadi for manufacturing plastic *niwar* against which loan of Rs.7.28 lakhs was disbursed up to April 1984. The unit started commercial production in July 1983, but faced financial difficulties on account of paucity of working capital. On the unit approaching (February 1985) RFC, rehabilitation assistance of Rs.2.25 lakhs was sanctioned in April 1985 and loan repayments were rescheduled in September 1986. Meanwhile, in April 1986 the MRV of the plant and machinery of the unit was assessed at Rs.6.43 lakhs. Despite the rehabilitation package, the unit did not deposit any sum towards its dues after March 1986. Accordingly, RFC issued a legal notice (April 1988) calling back the then outstandings of Rs. 17.20 lakhs (including interest amounting to Rs.7.57 lakhs).

In February 1992 and June 1992, the promoter sought permission from the Branch Manager, RFC to dispose of part of the unit's plant and machinery at a price of Rs. 0.70 lakh and Rs.1.22 lakhs, respectively. On both the occasions, the Branch Manager accorded permission to the promoter on the very day the requests were received for reasons not on record. Though the sale proceeds were credited to RFC, considering that the MRV of the plant and machinery was assessed at Rs.6.43 lakhs in April 1986, the action of the Branch Manager in permitting their disposal for a sum of Rs.1.92 lakhs was against RFC's financial interest. Moreover, the permission given by the Branch Manager was beyond the financial powers delegated to him.

The possession of the land and building of the unit was taken over in January 1993 when a sum of Rs.29.76 lakhs was outstanding. It was sold in March 1993 for a sum of Rs.9.75 lakhs leaving a deficit of Rs.20.01 lakhs. Though the deficit on the sale of unit increased to Rs.25.54 lakhs in March 1994, RFC had not initiated any legal action (April 1994) for its recovery from the original promoter.

Government stated (November 1994) that action against the Branch Manager for exceeding his financial powers was being taken. The reply was, however, silent on why legal action against the original promoter had not been initiated since March 1993.

3B.14.2 Anjali Textile

A term loan of Rs. 10.13 lakhs was sanctioned (June 1988) to Anjali Textile, Jaipur for manufacturing synthetic cloth, against which a sum of Rs.8.75 lakhs was disbursed. As the unit became sick, rehabilitation assistance of Rs.5 lakhs was sanctioned in April 1992 by RFC, of which Rs. 4.95 lakhs was disbursed up to July 1992. On 20 January 1993, the units banker, Bank of Baroda (BOB) informed RFC that the promoter had committed serious irregularities in operating working capital account and advised RFC to take appropriate preventive steps to ensure security of plant and machinery as they apprehended that the promoter may try to remove them. Accordingly, the unit was inspected on 23 January 1993, and a *chowkidar* posted to safeguard the plant and machinery of the unit, which was found closed. However, the *chowkidar* was withdrawn on 31 March 1993.

On 22 May 1993, BOB informed the Branch Manager of RFC that the promoter had removed some goods from the unit in 8-10 trucks during the previous two nights and requested RFC to take appropriate action. On 29 May 1993, BOB expressing their apprehension that the promoter may remove the remaining equipment, requested RFC for appropriate preventive and other action. Despite these cautions, RFC inspected the unit belatedly on 17 July 1993, by which time the entire plant and machinery had been removed.

FIR against the promoter was lodged as late as November 1993, outcome of which was awaited (April 1994). The dues of RFC at the end of July 1993 amounted to Rs.21.15 lakhs (including interest of Rs.3.52 lakhs). The possession of land and buildings of the unit was taken in August 1993 and its MRV assessed at Rs.11.28 lakhs. These were put to auction in September 1993 but the highest bid of Rs.7.85 lakhs was not accepted. Re-auction in November 1993 resulted in a highest bid of Rs.9.30 lakhs, but before decision on this offer could be taken, the promoter brought stay orders from the Court (January 1994). Further progress in the case is awaited (December 1994).

Government stated (November 1994) that the *chowkidar* was withdrawn on 31 March 1993 because the unit being closed, there was no place for his residence. The reply did not explain as to why alternate arrangement for the *chowkidar* could not be made in order to safeguard the assets of the closed unit.

OTHER TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

This chapter contains other topics of interest noticed in the course of a test check of the records of the Government companies and Statutory corporations.

4A.GOVERNMENT COMPANIES
RAJASTHAN STATE GANGANAGAR SUGAR MILLS LIMITED

4A.1 Inordinate delay in augmentation of distillation capacity

The Report of the Comptroller and Auditor General of India for 1990-91 mentions (Paragraphs 2.6 and 2.10) that the operation of the distillery of the Rajasthan State Ganganagar Sugar Mills Limited* (RSGSM) at Atru was stopped in September 1988 and that the State Government had sanctioned (February 1991) an advance of Rs.80 lakhs towards share capital of RSGSM to enable establishment of distillery at Keshoraipatan.

The proposal for a distillery at Keshoraipatan in joint venture with the Keshoraipatan Co-opertive Sugar Mill could not materialise (March 1992) due to differences with regard to cost and profit sharing. Since then RSGSM/Government have been dithering between the following alternatives for augmentation of distillation capacity in the State :

(i) restarting the Atru distillery,

(ii) augmenting the distillation capacity at Sriganganagar ; and

(iii) setting-up a new distillery near U.P. border, to run on molasses imported from U.P.

Decision in this regard had not yet been taken (December 1994). RSGSM/Government had not even appointed a consultant for the preparation of a detailed project report to (a) assess various alternatives for augmentation of distillation capacity in the State, (b) propose a suitable location and capacity of distillery, (c) prepare cost estimates *etc.*

*The Ganaganagar Sugar Mills Limited was renamed as Rajasthan State Ganganagar Sugar Mills Limited with effect from 14 May 1993.

The financial consequences to RSGSM of the failure to restart Atru distillery or set-up another distillery are enumerated below:

(i) On the date of its closure, Atru distillery had a staff of 49 employees. Of these, 41 were transferred in five stages between August 1989 and March 1992 to various Reduction Centres and Sriganganagar distillery. The balance staff of 8 for watch and ward *etc.* continued (December 1994) to be deployed at Atru. As a result, a total nugatory expenditure of Rs.18.64 lakhs was incurred by RSGSM till March 1994 on idle staff.

(ii) Atru distillery had a sanctioned electric load of 80 HP prior to its closure. Though the electric load decreased substantially after its closure, RSGSM did not get the sanctioned load reduced but continued to pay energy charges at the minimum of the sanctioned load amounting to Rs.2.14 lakhs from October 1988 to March 1994. In the absence of revised peak load not having been worked out by RSGSM, the extra expenditure on this account was not identifiable.

(iii) Atru distillery used to obtain molasses from Keshoraipatan Co-operative Sugar Mills (KCSM), Keshoraipatan located 125 kms. away. Following closure of Atru distillery, RSGSM started (December 1989) transporting molasses from KCSM to their Sriganganagar distillery, 713 kms. away. The cost incurred on transportation of molasses from KCSM to Sriganganagar distillery during December 1989 to March 1994 amounted to Rs.115.69 lakhs. Considering that RSGSM had estimated (February 1991) a time-frame of 1 year for completing the repairs of Atru distillery, had this work been undertaken immediately after its closure, the distillery would have been operationalised by November 1989. In that case the *pro rata* cost on transportation of molasses from KCSM to Atru would have been only Rs.20.28 lakhs. Thus, the longer haulage of the molasses from KCSM to Sriganganagar resulted in additional expenditure of Rs.95.41 lakhs.

With reference to the audit points contained in (i) to (iii) above, RSGSM/Government stated (July, August and December 1994) :

(i) that it is necessary to provide skeleton staff for watch and ward,

(ii) it is essential to retain the sanctioned electric load, because in the event of Atru distillery being restarted, obtaining new power connection may be difficult, and

(iii) the cost of molasses from Keshoraipatan, even after incurring the transportation expenses to Sriganganagar, is lower than other sources which exist only outside the State; besides, incurring additional transportation cost to Sriganganagar is economically a better option than to restart Atru distillery.

The above reply is not convincing for the following reasons:

(a) If the re-start of Atru distillery had not been considered economically viable, steps should have been initiated to wind it up. Instead, expenditure of Rs.18.64 lakhs had been incurred till March 1994 on its watch and ward *etc*.

(b) If indeed the re-start of Atru distillery is considered economically unviable, there is no justification for retaining the sanctioned electric load.

(c) No calculation to support the stand that transportation of molasses from Keshoraipatan to Sriganganagar is a cheaper option than restart of Atru distillery was furnished to Audit. *Prima facie* this stand does not appear valid because it was to avoid transportation expenses that it was initially decided to set-up a distillery at Keshoraipatan. Moreover, transportation of molasses over a long distance (713 Kms) is a recurring expenditure, while setting-up/re-starting a distillery is a one time expenditure.

In their reply, Government had also stated that a decision on the augmentation of distillation capacity can be taken only after the Central Government decides upon the recommendations of the committee under the Chairmanship of the Chief Minister of Karnataka regarding, *inter alia*, removal of all hindrances to market forces in respect of molasses and alcohol.

This reply is not convincing because when the Atru distillery was closed in September 1988, Government could not have anticipated that during 1993-94 the Central Government would set up a committee to recommend policies for free movement of molasses *etc*.

4A.2 Extra expenditure due to delay in placing of purchase order

Rajasthan State Ganganagar Sugar Mills Limited (RSGSM) invited open tenders in April 1991 for purchase of nine tonnes of food grade film having specified thickness/width for packing country liquor in pouches. The tenderers were required to deposit earnest money of Rs.10,000 unless they were registered with Director of Industries, Rajasthan as a Small Scale Industry (SSI). In response, four SSI firms submitted their rates which varied between Rs.51,500 and Rs.71,500 per tonne. The lowest rate was quoted by Shobha Plastics Private Limited (SPPL), Bombay which was valid for 30 days (up to 30 May 1991) and was subject to the conditions *viz*., (i) Central Excise duty if applicable at the time of delivery would be charged extra, and (ii) in case of increase in the cost of raw material procured from Indian Petrochemicals Corporation Limited (IPCL), the price would be increased accordingly. The first condition was evidently imposed by SPPL because in terms of notification dated 1 March 1986 issued by Ministry of Finance, SSI units enjoy, from 1 April of every year, benefit of exemption of Central Excise duty up to first clearances of Rs. 20 lakhs and concessional duty of 10 *per cent* on the next clearances of Rs. 55 lakhs.

Even though during processing of tenders, RSGSM was aware that the rates quoted by SPPL were lower than the rate of Rs.56,000 per tonne at which such films were purchased during 1990-91, it held negotiations uptil June 1991 with all the four tenderers on the grounds that there were wide variations in rates and that no tenderer had deposited earnest money.

The negotiations not having yielded any tangible benefits, RSGSM, in view of their urgent requirement, placed order on SPPL on 25 July 1991 for supply of 9 tonnes of film at Rs.51,500 per tonne, without insisting on the deposit of earnest money.

SPPL, however, informed (August 1991) RSGSM that the film cannot be supplied at the rate ordered, as the validity of their offer had already expired. Accordingly, negotiations were held afresh with other tenderers which culminated in placing of an order (September 1991) at a rate of Rs.71,000 per tonne on Prithviraj Polyfab and Industries Private Limited, Ahmedabad.

Thus, delay in placing of the order at the rate of Rs.51,500 per tonne on SPPL, Bombay on grounds of large variation in prices and non-depositing of earnest money resulted in RSGSM having to incur an extra expenditure of Rs.1.63 lakhs.

Government to whom the matter was reported in August 1994, stated (October 1994) that negotiations were held to effect purchase at most competitive rates and for getting the earnest money deposited. The reply is not tenable as holding negotiations for getting earnest money deposited was not necessary as these were SSI units. Moreover, in view of notification dated 1 March 1986, it is generally beneficial to effect purchases from SSI units soon after 1 April so that the goods attract no duty/concessional duty. By delaying the issue of the order beyond May 1991, RSGSM needlessly risked payment of Central Excise on the films. Negotiation was in any case not justified because the rates quoted by SPPL were less than that at which such films were purchased during 1990-91 and the rates quoted by other suppliers were significantly higher.

4B. STATUTORY CORPORATIONS

RAJASTHAN STATE ELECTRICITY BOARD

4B.1 Non-commissioning of wireless sets

The Rajasthan State Electricity Board (RSEB), Jaipur, with a view to establishing a wireless communication link between the State Load Despatch Centre, Heerapura, Jaipur and remotely situated power stations/sub-stations, invited (January 1986) global tenders for supply and commissioning of high frequency wireless sets with radio tele-type* equipment.

On opening (August 1986) and analysis of the tenders received, the Purchase Committee decided (February 1987) to seek the advice of the Central Electricity Authority (CEA) as the quotation of Rajasthan Communications Limited (RCL), though lowest among the four valid tenders, did not conform to the tendered specifications in respect of certain technical parameters. Initially, CEA expressed (March 1987) reservations about RCL's capability in supplying the sets and pointed out 14 technical deficiencies in the specifications of their wireless sets. However, after inspection of RCL's works, the concerned officer of CEA, setting aside previous reservations, recommended purchase from RCL largely on the grounds that (i) they are indigenous manufacturers and local suppliers, and (ii) they had strong research and development arrangements and quality control. Accordingly, RSEB placed an order (June 1987) on RCL, for supply and commissioning of 10 wireless sets (including one spare set) with radio tele-type facility at a cost of Rs. 36.59 lakhs (including installation and commissioning charges).

In order to assess the technical credentials of the suppliers, the global tenders floated in January 1986 had stipulated a minimum of three years of satisfactory operation of wireless sets manufactured by them. This important condition was relaxed for RCL because they started manufacture of wireless sets in June 1986 *i.e.*, after the global tender was floated.

Considering that CEA's area of expertise relates to power systems whereas technical assessment of wireless sets requires expertise in telecommunication engineering, an entirely different field, reference to CEA lacked justification. Though RCL was to complete the supply of equipment by September 1987, they actually did so by December 1988. Accordingly, RSEB released part payment of Rs.32.04 lakhs to RCL after deducting Rs.3.24 lakhs as penalty for delay in supply.

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* This equipment provides facility for transmission of written messages.

The contract with RCL did not provide for any stipulated date by which it was to have completed the commissioning of the sets. In September 1989, RCL informed RSEB that though they had installed the sets at six sites, these could not be commissioned because the antennae were not working satisfactorily. Even after installing new design of antennae and obtaining new allotment of frequency range (May 1992) from the Ministry of Communications, the system had not been operationalised. This was attributed (March 1994) by RSEB to the poor circuitory and components used by the RCL.

As of March 1994, out of ten wireless sets, four were lying with RCL for repairs, one was lying out of order with RSEB, and only two sets were installed. At three sites, wireless sets were not installed. Also, no radio tele-type equipments were installed by RCL, who while admitting (December 1990) their unsatisfactory performance, offered (December 1990 to June 1994) to modify and make them compatible with Radio Modem facility proposed to be provided without additional cost. This offer was accepted by RSEB, on trial basis, for 3 sets only.

Earlier, in January 1992, RSEB had asked RCL to either complete the entire installation work or refund the payment of Rs. 32.04 lakhs with interest. However, in terms of the purchase order, RCL's guarantee for the satisfactory operation of their equipment was for a period of 18 months from the date of commissioning or 24 months from the date of receipt of last equipment at site, whichever was earlier. Since the equipments were delivered in December 1988, the guarantee period expired by December 1990. Therefore, the request (January 1992) of RSEB to RCL was not contractually enforceable.

On being pointed out (May 1994), RSEB stated (November 1994) that (a) RCL had recently carried out modifications to three number of tele-type equipment so as to make them compatible with Radio Modems, (b) these equipments were ready for installation and commissioning, and (c) after satisfactory trial operation, balance equipments will be got modified and put to regular use. RSEB also admitted that their January 1992 letter asking RCL to refund Rs.32.04 lakhs with interest was not contractually enforceable.

Thus, RCL, even after 5 years and 10 months of supply of the equipment, had not been able to operationalise it. Accordingly, RSEB's investment of Rs.32.04 lakhs had so far remained unfruitful besides resulting in loss of interest of Rs.33.64 lakhs.

The matter was reported to the Government in May 1994 ; their reply had not been received (December 1994).

4B.2 Extra expenditure due to delay in processing of purchase order

Global tenders were invited by the Rajasthan State Electricity Board (RSEB) in December 1988 for purchase of 200 trivector meters of precision grade accuracy which were proposed to be installed at the premises of large industrial consumers and at 220 KV Grid sub-stations for recording the flow of energy accurately. In response, Schlumberger Industries, Canada submitted (December 1988) its quotation through their local agents, Sun Engineering Corporation, New Delhi for supply of trivector meters. The prices offered were valid for 120 days from the date of opening of bid (28 December 1988) and delivery period was 16 to 18 weeks from the date of receipt of specified documents (Import licence, Irrevocable letter of credit *etc.*) at the supplier's factory.

However, the purchase formalities could be completed belatedly by July 1992 due to various delays, largely attributable to RSEB as detailed below :

(i) Against 58 days prescribed by the Board for preparation of comparative statement and analysis note thereon, the time taken was 96 days *i.e.*, till 4 April 1989.

(ii) In April and June 1989, negotiations were held with the local agent of the firm after getting the validity of tender extended up to July 1989 and a price of 700 US dollars per unit (F.O.B.) was settled.

(iii) In July 1989, the Purchase Committee decided to purchase 80 trivector meters from the said firm @ 709.90 US dollars per unit (CIF Bombay). A Letter of Intent was issued to the firm in July 1989 at Canada. On request from RSEB (August 1989), the firm again extended the validity of their offer up to 31 October 1989.

(iv) In August 1989, the Foreign Exchange Department (FED) of Central Electricity Authority was requested to release foreign exchange for Rs.9.37 lakhs for purchase of the 80 units. However, in view of deficiencies in the application form, and its belated rectifications the FED issued sanction in July 1990 for foreign exchange equivalent to Rs.4.91 lakhs for purchase of 40 Nos. trivector meters only.

(v) After obtaining Import Licence from the Chief Controller of Imports & Exports (CCI&E), New Delhi in September 1990 the detailed purchase order was erroneously placed (December 1990) on the Indian agent instead of on their principals in Canada to whom the Letter of Intent was earlier issued. The purchase order had, therefore, to be revised in favour of the supplier in May 1991.

(vi) Due to the mistake made by RSEB in the application form, the Import Licence obtained in September 1990 indicated import from U.S.A. instead of Canada. On this being pointed out by the supplier in March 1991, RSEB obtained revised Import Licence in September 1991.

(vii) Though the Accounts Officer, Centralised Payment Cell, RSEB was asked in October 1991 to take immediate steps for opening a Letter of Credit (L/C), he could get it opened in June 1992.

(viii) The delivery of material despatched in August 1992 was taken from I.G. Airport, New Delhi belatedly in October 1992 resulting in payment of Rs.14,000 as storage charges.

Thus, due to lapses/delays at various stages, the delivery of the consignment got delayed by more than three years. Meanwhile, the rate of US dollar had increased from Rs.100= 6.06 US dollars in August 1989 to Rs.100=3.31 US dollars in August 1992. Accordingly, the total cost on the procurement of 40 trivector meters increased from Rs.8.49 lakhs (all inclusive) to Rs.17.25 lakhs (inclusive of customs duty, air freight and storage charges). Thus the delay *etc.* resulted in an additional expenditure of Rs.8.76 lakhs.

In its reply, which was endorsed (September 1994) by the Government, the Board stated (August 1994) that the delay had occurred largely on account of involvement of various agencies on whom no control was possible. This is not convincing as delays were largely attributable to various lapses on the part of RSEB right from processing of the tenders till the placement of order.

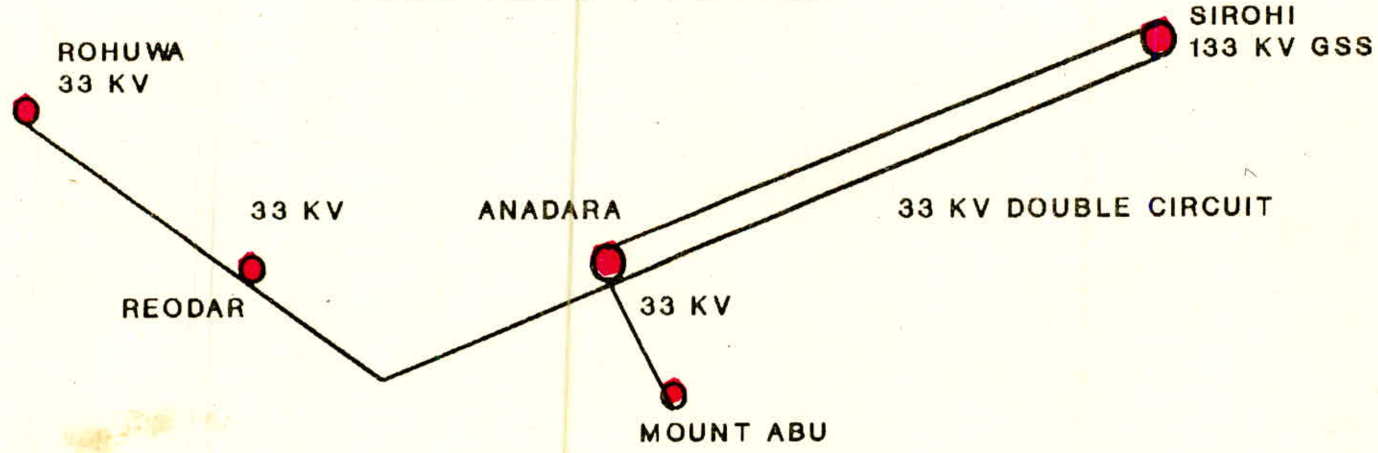
4B.3 Avoidable extra expenditure on procurement of chassis

Consequent upon the approval of Board (18 June 1991) to the proposed purchase of sixteen 10 tonne capacity diesel driven trucks, the Member (T&D) requested (27 June 1991) the Chief Engineer (MM) for taking immediate procurement action. On 4 July 1991, Rajesh Motors (Rajasthan) Pvt. Limited, Jaipur, authorised dealers for Ashok Leyland products, quoted their rates of the required chassis based on DGS & D rate contract valid up to 30 June 1991 and clarified on 19 July 1991 that the supply of 16 chassis could be made on pre-revised rates (all inclusive price of Rs.3.86 lakhs per chassis) provided (a) the order was placed before 22 July 1991, and (b) payment was made within 10 to 15 days of inspection/delivery of chassis.

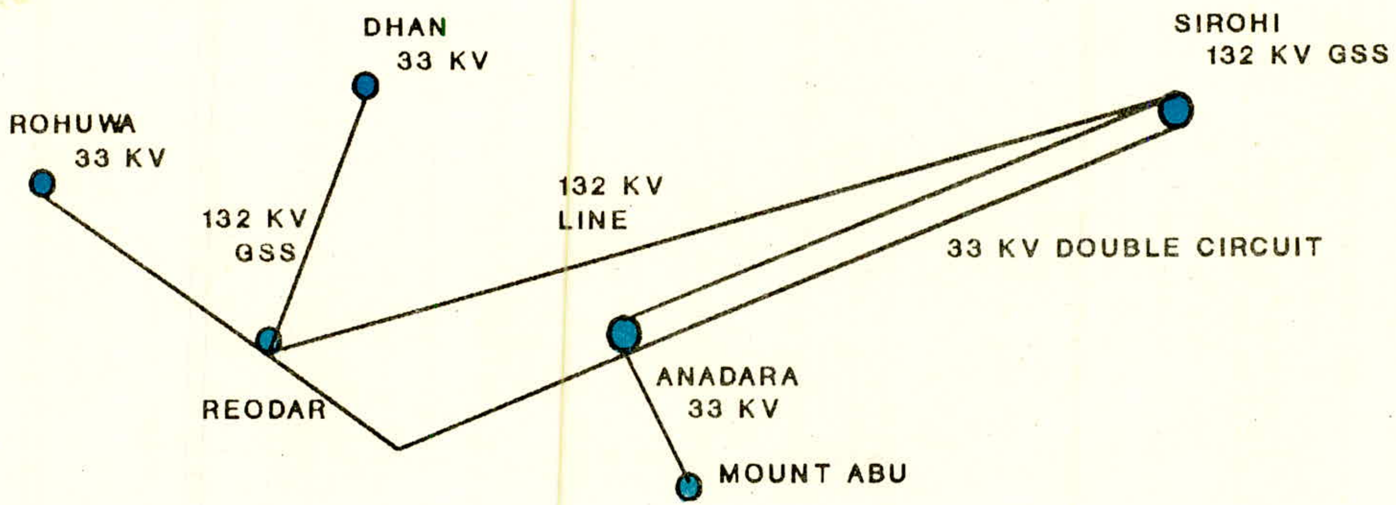
As the Ashok Leyland trucks were on the DGS&D rate contract, the order could have been issued forthwith. However, the order for supply of 16 Ashok Leyland chassis was placed on 23 November 1991 on revised rates of

CHART-XXI

EXISTING SYSTEM



PROPOSED SYSTEM



(Refer paragraph 4B.4)

Rs.4.285 lakhs per chassis (all inclusive price) resulting in extra expenditure of Rs.6.80 lakhs.

The Procurement Division of RSEB stated (February 1994) that they had asked the Financial Advisor and Controller of Accounts (FA&COA) as early as 29 June 1991 to intimate the budget provision for the purchase of the chassis, but the latter confirmed the same as late as 26 October 1991. This delay could partly be attributed to the Chief Engineer (MM), as he did not bring to the notice of FA & COA the urgency in regard to availing the benefit of pre-revised rates.

The Board whose reply (13 September 1994) was endorsed (27 September 1994) by the Government, stated that both the conditions imposed by Rajesh Motors in their letter dated 19 July 1991 were practically impossible to fulfil because of financial constraints. This reply is not tenable because no payment had to be made at the time of placing the purchase order. As it takes 2 to 3 months for the order to materialise, there was adequate time available for making budget provision to ensure timely payment on inspection/delivery of vehicles.

4B.4 Delay in construction and operation of a Grid sub-station

To meet the energy requirement of low tension industrial and domestic/non-domestic services in Sirohi district and to reduce system losses, a system improvement scheme (estimated cost: Rs.437 lakhs) covering the following works was proposed (July 1989) to Rural Electrification Corporation (REC) for financial assistance:

(a) drawal of single circuit 132 KV line from Sirohi grid sub-station (GSS) to Reodar (Rs 187 lakhs);

(b) erection of 132/33 KV grid sub-station at Reodar with one transformer and connected civil works (Rs.199 lakhs);

(c) extension of 132 KV terminal bay at Sirohi sub-station (Rs.20 lakhs);

(d) construction of 33 KV single circuit line from Reodar to Dhan (Rs.16 lakhs) ;and

(e) augmentation of transformer capacity at 33 KV Rohuwa and Dhan sub-station (Rs.15 lakhs).

The REC sanctioned a loan of Rs.437 lakhs at 13.5 *per cent* in September 1989 covering the estimated cost of the scheme which was projected to be completed within two years.

The drawal of 132 KV line from Sirohi to Reodar, construction of GSS at Reodar, and connected 33 KV lines were all integral components of the aforesaid scheme. The function of grid sub-station was to receive the electric energy from the 132 KV single circuit transmission line and pass it on after stepping-down voltage through several low transmission lines to the consumers. Therefore, its simultaneous completion with the completion of 132 KV transmission line was necessary so that line did not remain unutilised. However, on scrutiny in audit it was noticed that the physical targets for the construction of 132 KV line/33 KV lines and specific schedule for the completion of grid sub-station and associated facilities were not laid down and no synchronisation among various activities was maintained as would be evident from the succeeding paragraphs.

The construction of 132 KV single circuit line from Sirohi to Reodar was taken up in December 1989 and completed in July 1991. However, the civil work of GSS was started belatedly in August 1991 even though the land for this GSS was acquired in September 1989. The civil works were completed in April 1992. Instead of placing the order for purchase of transformer so that its delivery is effected by the time the civil works are completed/near completion, its order was placed belatedly in April 1992. On receipt of the transformer in March 1993 and its accessories by August 1993, the grid sub-station Reodar was commissioned in August 1993 but power was evacuated through only one 33 KV local Reodar feeder. The Reodar-Rohua feeder was charged in September 1993. The construction of 33 KV Reodar-Dhan feeder was under progress (August 1994).

Thus, while the 132 KV single circuit line from Sirohi to Reodar was completed in July 1991 (cost :Rs.217.49 lakhs), the construction of 132 KV GSS Reodar was completed as late as August 1993 (cost : Rs.95.37 lakhs) and evacuation of power through one of the two planned feeders had not been started. The widely staggered completion of these activities was due to these being taken up in series instead of in parallel.

Thus, the failure in synchronising the construction of 132 KV single circuit line with the grid sub-station resulted in blockage of funds (from August 1991 to August 1993) amounting to Rs.217.49 lakhs incurred on construction of line, with consequential loss of interest of Rs.58.72 lakhs.

While reply from the Government was awaited, RSEB stated (September 1994) that since 132 KV line from Sirohi to Reodar was charged on 33 KV from July 1991, there was saving in transmission loss with reference to the losses as prevalent earlier. The reply is not convincing in view of the fact that if power had been evacuated on the 132 KV Sirohi-Reodar line at the designed voltage, the reduction in transmission losses would have been significantly higher.

Moreover, by charging the 132 KV line on a lower voltage of 33 KV, the line remained under-utilised for a period of 25 months (from August 1991 to August 1993) and consequently load demand of 5703 KW and 5846 KW at the end of 1991-92 and 1992-93 respectively could not be met. Further, the quality supply of electricity in the area of operation could also not be maintained till the construction and commissioning of GSS Reodar in August 1993, as admitted by the RSEB in its reply.

4B.5 Non-recovery of dues

According to section 4 of the Rajasthan Government Electrical Undertakings (Dues Recovery) Act, 1960, where the dues are not paid by the date specified in the bill, a notice of demand is required to be served on the consumer. Further, section 6 of the Act *ibid* prescribes that if the aggregate amount mentioned in the notice of demand is not deposited within 30 days from the date of such service, the consumer shall be deemed to be in default and the same shall be recoverable as arrears of land revenue. For the purpose of such recovery, a prescribed certificate is required to be forwarded to the Collector.

According to data compiled by the Rajasthan State Electricity Board (RSEB), a total of Rs.10.53 crores of dues from consumers were under process of recovery by 17 Collectors (March 1994). Of this, Rs.7.54 crores were due from 8,567 consumers, but the RSEB was not aware of the number of consumers in arrears in respect of the balance Rs.2.99 crores.

Scrutiny by audit (January 1994 to May 1994) revealed the following:

(i) A subsidiary consumers ledger, though prescribed (May 1983), had not been maintained in any of the 24 sub-divisions test checked. As this ledger contains particulars of all the consumer accounts against whom arrears were outstanding and realisation made thereagainst, in its absence the sub-divisions could not effectively monitor the realisations made.

(ii) A consolidated record indicating that the formalities required under sections 4 and 6 of the Act *ibid* were properly observed was not maintained in all the 24 sub-divisions test checked. Therefore, the compliance of prescribed procedure in respect of the cases referred to the various Collectors could not be ensured.

(iii) According to section 9 of the Act *ibid*, the cases for recovery of dues are required to be referred to the Collector within a period of six years from the date they arise. It was, however, observed in Operation and Maintenance Circles at Jhunjhunu, Bharatpur, Udaipur, Bhilwara, Sikar and Ajmer that (a) 917 cases involving Rs.39.07 lakhs were not referred to Collectors and the period of their limitation had meanwhile expired, and (b) 70 cases involving an amount of Rs.1.33 lakhs were referred (January 1988 to February 1994) to the respective Collectors after the expiry of the period of limitation, for reasons not available on record. Thus, in these 987 cases, recovery of Rs.40.40 lakhs was not possible as arrears of land revenue.

(iv) 421 cases involving arrears of Rs. 44.69 lakhs were returned by three Collectors (Alwar, Bhilwara and Jhunjhunu) to their respective Circles during February 1987 to June 1993 for furnishing certain details *e.g.* (a) correct name and address of the debtors, (b) details of asset (movable/non-movable), (c) date of disconnection and reasons for delay in disconnection, (d) certificate regarding adjustment of security deposit of the debtors, and (e) acknowledgement of demand notice by the debtors.

Despite lapse of 10 to 87 months from the date of receipt of these cases from the Collectors, the required details were not furnished (April 1994) for reasons not on record. Meanwhile, 128 of these 421 cases, involving amount of Rs.2.33 lakhs had become time-barred (April 1994) and no recovery was possible. Delay in furnishing the requisite information in respect of the balance 293 cases involving Rs.42.36 lakhs is also likely to jeopardise the prospects of their recovery.

The above matter was reported to the Government/Board (May 1994); their replies had not been received (December 1994).

4B.6 Loss due to underbilling/non-billing

The billing for the sale of power is regulated with reference to Board's tariff in force from time to time, subject to the provisions of General Conditions of Supply issued by the Board. The billing to the large industrial power consumers (High Tension consumers) having a maximum demand of more than 125 KVA is centralised in the Commercial Circle at Head Office. Certain aspects of underbilling/non-billing and other defects in High Tension (HT) billing were discussed in paragraph 3A of the Report of the Comptroller and Auditor General of India for the year 1991-92 (Commercial). Some cases of underbilling/non-billing involving loss of revenue which came to notice during 1992-93 and 1993-94 are discussed in the succeeding paragraphs.

(i) Exclusion of outstanding dues in bills

In Hanumangarh (Operation & Maintenance) Circle, a new sub-division at Anupgarh was created in April 1989 by transferring 34 adjoining localities from Raisingh Nagar Sub-division. The relevant revenue records *viz.*, consumer ledgers, binders *etc.* were handed over by Raisingh Nagar Sub-division to

Anupgarh Sub-division in September 1989. At the time of this transfer bi-monthly billing varying up to February 1989 to August 1989 had been completed in various localities.

After receipt of records from Raisingh Nagar, the Anupgarh sub-division did not issue the bi-monthly bills for the period from March 1989 to January 1990. The bi-monthly bills for February/March 1990 were issued in time but did not include the amount of Rs.32.44 lakhs which was outstanding against various consumers at the time of transfer of records from Raisinghnagar. The bi-monthly bills for April/May 1990 were issued through computer but these did not include the outstandings of Rs.12.39 lakhs from various consumers against the bills issued for February/March 1990.

Scrutiny by audit (January 1994) revealed that out of the total outstanding dues of Rs.44.83 lakhs pertaining to the period from March 1989 to March 1990, bills in respect of Rs.15.29 lakhs only were raised belatedly during March 1992 to May 1993, resulting in delays ranging from 24 months to 48 months. Thus, outstanding dues of Rs.29.54 lakhs still remained to be billed (December 1993). The reasons for the delay in the commencement of billing of outstanding dues and for stoppage of their billing after May 1993 were not on record.

The delays in billing of outstanding dues of Rs.44.83 lakhs also resulted in loss of interest of Rs.32.08 lakhs (calculated at the rate of 18 *per cent* per annum) on the said amount uptil December 1993.

(ii) Application of incorrect tariff

According to the provisions contained in Tariff for Supply of Electricity, 1985, as amended from time to time, water works for public supply having maximum demand of more than 125 KVA are to be billed as per HT Tariff.

The connected load of Assistant Engineer (PHED), Jhunjhunu, who was being billed under tariff for Medium Industrial Power, was found to have maximum demand between 130 KVA and 171 KVA during each of the 4 checks conducted between 1984 and 1993. Though the Superintending Engineer, Jhunjhunu Circle issued direction (April 1989) to the concerned Assistant Engineer (PHED), to get the load regularised in HT Tariff, neither had the latter taken such action so far (October 1993), nor had the matter been pursued by the former thereafter. Thus, the consumer was being continued to be billed under tariff for Medium Industrial Power as against HT tariff, resulting in underbilling of Rs.3.38 lakhs for the period from April 1986 to September 1994.

(iii) Recovery of cash compensation at lower rate

According to Board's circular (February 1991) settlement of cases of theft of energy, *inter alia*, by HT consumers through malicious interference of metering equipment may be made by recovery of cash compensation as specified. In case of detection of theft committed by a consumer second time, the cash compensation was recoverable at twice the normal rate.

A check (April 1991) of the meter in the premises of a HT consumer at Chittorgarh revealed its tampering so as to stop its running. The joint inspection report to which the consumer was a signatory, declared this to be a case of power theft. On the consumer applying (April 1991) for compounding of the case, an assessment of Rs.5.25 lakhs was made at the normal rate which was deposited on the same date (April 1994).

Scrutiny by audit (June 1994) revealed that this consumer had even earlier been found (November 1989) committing theft of power. Therefore, the amount of compensation leviable should have been double the normal rate as per Board's circular of February 1991 referred to above but the fact regarding theft having been committed earlier was not in the notice of the concerned division at the time of compounding the case and levying the compensation, which led to this omission and resulted in a loss of Rs.5.25 lakhs.

The aforesaid cases were brought to the notice of the Government/Board during May to July 1994; their reply had not been received (December 1994).

4B.7 Irregular payment of octroi

Local Self Government Department, Rajasthan *vide* order dated 30 January 1989, made the Rajasthan State Electricity Board (RSEB) liable to pay octroi on the material supplied to it on F.O.R. destination basis. The octroi was, however, not payable on the material on which freight was payable by RSEB. This order was amended on 6 September 1991 which exempted the RSEB from payment of octroi on all materials received on F.O.R. destination basis within the Municipal limits except in case of 49 consumable articles specified.

Test check in audit (February 1993 to January 1994) revealed payment of octroi aggregating Rs. 8.28 lakhs made by RSEB as detailed below:

(a) RSEB placed an order (July 1989) for supply of tower materials (non consumable items) on KEC International Limited, Bombay and made Sub-Division-I (TLD-IV), Jaisalmer as one of the consignees. The rates of material were F.O.R. Jaipur and material was to be supplied by the firm at Jaisalmer on "freight to pay" basis. As the transportation charges from Jaipur to Jaisalmer were to be borne by RSEB, the condition of receipt of goods on F.O.R. destination basis was not fulfilled and no octroi charges were payable to Municipal Corporation, Jaisalmer up to 6 September 1991. Further, no octroi duty was payable even in respect of material received after 6 September 1991 in view of the exemption granted vide order dated 6 September 1991.

The tower material was received in the Sub-division during the period from February 1991 to July 1992, and the RSEB paid an amount of Rs.1.58 lakhs towards octroi charges which was not required to be paid in view of the above orders.

On the aforesaid being pointed out (April 1994), Government stated (September and December 1994) that necessary efforts were being made for getting the refund from the Municipal Corporation, Jaisalmer and the same was expected shortly.

(b) The Assistant Controller of Stores (ACOS), Bikaner made payments of octroi aggregating Rs.5.95 lakhs to Municipal Council, Bikaner during the period from 12 September 1991 to February 1993 on the procurement of non-consumable stores material even though no such payment was to be made in view of Government's order dated 6 September 1991.

RSEB, to whom the matter was reported in October 1994 stated (December 1994) that they had taken up the case for refund with the Municipal Council, Bikaner in November 1994; however, the reply of the Government was awaited (December 1994).

(c) The ACOS, Sikar also made payment of octroi amounting to Rs.0.75 lakh during the period from 10 September 1991 to 11 October 1991 on purchase of ACSR Weasel conductors, power transformers and triple pole due to non-receipt of Government order of September 1991 in his office till 23 October 1991.

RSEB, to whom the matter was reported in October 1994, stated (December 1994) that obtaining of the refund was being pursued; however, reply of the Government was awaited (December 1994).

4B.8 Non-revision of re-inspection charges

The standardised General Conditions of Contract prescribe that a supplier shall intimate the Rajasthan State Electricity Board (RSEB) at least 15 days in advance about the readiness for despatch of material so as to enable the RSEB to depute an officer for inspection/testing/checking of the material/equipment before its despatch. If on the visit of the officer, inspection cannot be carried out either because the quantity offered for inspection is less than 10 *per cent* of that indicated in the call for inspection or for any reason attributable to the supplier, he has to be charged Rs.500 or Rs. 1,000 as re-inspection charges depending upon whether the location of supplier's works is within or outside Rajasthan. These rates had not been revised since 1984.

Test check by audit (August 1993) of the office of the Chief Engineer (Material Management), RSEB revealed that during 1992-93 in 37 cases the officers deputed for inspection outside Rajasthan could not do so for reasons attributable to the suppliers. Though the RSEB recovered Rs.0.37 lakh from such suppliers, the expenditure incurred by it on the travelling expenses of its officers deputed for re-inspection amounted to Rs.1.61 lakhs. This clearly indicated the desirability of enhancing the charges for re-inspection so as to conform at least to the cost incurred on re-travel.

On the aforesaid being pointed out, RSEB in its reply (September 1994) which was endorsed (October 1994) by the Government stated that the revision of re-inspection charges would be considered keeping in view the practice being adopted by other State Electricity Boards.

4B.9 Irregular payment of ex-gratia to employees

The employees of the RSEB, to which the provisions of the Payment of Bonus Act, 1965 had not been made applicable, were being paid bonus from time to time on the analogy of the Act *ibid.* Thus, employees of the RSEB, drawing salary or wages not exceeding Rs.1600 per month were receiving bonus as per the Act *ibid.* In August 1974, the Board, for reasons not available on record, decided that even those officers getting emoluments above Rs.1600 per month may be given ex-gratia payment for the year 1973-74 at the same rate at which bonus was paid to persons drawing emoluments of Rs.1600 per month. On the strength of this decision, such officers continued to receive ex-gratia payment after 1973-74 also. The limit of Rs.1600 per month in the Act *ibid* was revised to Rs.2500 per month from 1984-85.

The Bureau of Public Enterprises (BPE) decided in October 1985 that with effect from 1984-85, the payment of bonus should be made strictly in accordance with the provisions of the Act *ibid* and in case any public sector undertaking does not fall under the purview of this Act, it may authorise (a) ex-gratia payments to its employees on the analogy of the Act *ibid* and (b) after obtaining prior approval of BPE, payment of ex-gratia to employees drawing salary/wages exceeding Rs.2500 per month in deviation of the Act *ibid.* For obtaining prior approval of BPE the public sector undertakings were required to send various documents/particulars to BPE. Despite the orders of the BPE and the fact that the practice of payment of ex-gratia to employees drawing emoluments exceeding Rs.2500 p.m. was not prevalent in most other Electricity Boards which was brought to the notice of the Board by Member (Finance and Accounts) in October 1986, the Board without the approval of BPE, decided (November 1986) to make such payment of ex-gratia on the ground of past practice.

The RSEB made an aggregate ex-gratia payment of Rs.305.36 lakhs during 1985-86 to 1992-93. This payment was irregular because it was made without the approval of BPE.

The Government in its reply (September 1994), stated that the payment of bonus/ex-gratia to the employees of RSEB was being made by practice in vogue.

RAJASTHAN STATE ROAD TRANSPORT CORPORATION

4B.10 Extra expenditure in purchase of radial tyres

The RSRTC had been purchasing up to March 1991 radial tyres from Vikrant Tyres Limited, being the only known manufacturer of such tyres at that time.

In April 1991, upon J.K. Industries Limited offering their brand of radial tyres, the RSRTC placed a trial order for 48 tyres, which was fully executed. Later, in order to obtain comparative data on performance of radial tyres of both the firms, it was decided (July 1992) to purchase 100 tyres per month for a period of four months in the ratio of 1:4 from J.K. Industries Limited (Rs.6688 per tyre plus 12 *per cent* sales tax) and Vikrant Tyres Limited (Rs.6634 per tyre plus 12 *per cent* sales tax).

Though the cost per kilometre (CPKM) of `JK' tyres remained higher than that of `Vikrant' tyres, the Purchase Board enhanced the proportion of purchase of 'JK' tyres to 1:2 (March 1993) and then to 2:3 (September 1993).

The details of quantity ordered on both the occasions for the both makes of tyres and the comparative position of their CPKM are given in the following table:

Date of decision of Purchase Board	**Cost per kilometre (CPKM) in paise (for a set of 6 tyres)**		**Quantity ordered (In numbers)**		**Proportion of quantity ordered**
	'JK'	**'Vikrant'**	**'JK'**	**'Vikrant'**	
March 1993	57.67 (August 1991 to August 1992)	45.07	300 (April 1993)	600	1:2
September 1993	54.45 (August 1991 to June 1993)	46.94	288 (September 1993)	432	2:3

It would be evident from the above table that CPKM of `JK' tyres was consistently higher than that of `Vikrant' tyres, and as such there was no justification in increasing the share of purchase of `JK' tyres. Had the Purchase Board restricted the procurement of `JK' tyres to 20 *per cent i.e.*, in the proportion of 1:4 as originally decided by them in July 1992, the excess purchase of 264 `JK' tyres during the period from April to September 1993 would have been avoided and resulted in saving of extra expenditure to the tune of Rs.3.10 lakhs by way of economy in running cost.

Further, in October 1993, Vikrant Tyres Limited, Mysore informed the RSRTC that Government of Karnataka had extended sales tax concessions on steel radial tyres for supply ex-Mysore, which reduced the cost of their tyres by almost 10 *per cent*. Consequently the post concession cost of a `Vikrant' tyre became less than that of a `JK' tyre by Rs.875. However, further purchase of `JK' tyres was not cancelled in terms of the Purchase order and supply of 240 `JK' tyres (out of 288 tyres ordered in September 1993) was received between December 1993 and March 1994. This resulted in extra expenditure of Rs.2.10 lakhs.

The Government in their reply (July 1994) stated that the proportion of orders of `JK' tyres vis-a-vis `Vikrant' tyres was increased as with the increase of sample size, the CPKM of `JK' tyres had come down. It was further stated that the Purchase Board had decided (September 1993) to develop an additional source of radial tyres so as to obtain uninterrupted supplies and for this reason, purchases were not restricted to these tyres even after the sales tax concession was available on `Vikrant' tyres from October 1993.

The reply of the Government is not convincing because, firstly, Vikrant Tyres Limited had always fulfilled the supply orders placed on them. Secondly, even if it was considered prudent to develop a second source of radial tyres, the proportion of purchase of `JK' tyres need not have been increased from 1:4 to 2:3. Thirdly, the improvement in the CPKM of `JK' tyres was only marginal and can not be attributed to increase in the sample size of its procurement.

4B.11 Avoidable payment of guarantee commission

For purchase of chassis and fabrication of bus bodies, RSRTC approached (May 1992) various banks for extending credit facilities. In response, the RSRTC received, *inter alia*, (a) an offer of a loan of Rs.5 crores from State Bank of Bikaner and Jaipur (SBBJ) with the condition of payment of acceptance commission of 0.50 *per cent*, and (b) an offer of a loan of Rs.10 crores from Orientel Bank of Commerce (OBC) with the stipulation of a Government guarantee.

The offer of SBBJ was more attractive because it entailed payment of only one time acceptance commission of 0.5 *per cent i.e.*, Rs.2.50 lakhs on offered loan amount of Rs.5 crores. On the other hand, the offer of OBC entailed a recurring payment of guarantee commission @ 1 *per cent* to the Government till the entire loan was repaid. Calculation by RSRTC revealed that the total guarantee commission payable on a loan of Rs.5 crores amounted to Rs.11.89 lakhs. Despite this significant difference, RSRTC obtained loan from OBC instead of SBBJ on the ground that payment of acceptance commission would form a precedence for other banks. Accordingly, this decision resulted in avoidable expenditure of Rs.9.39 lakhs.

In reply (February 1994) the RSRTC stated that being a State Government undertaking, it preferred payment of guarantee commission to the State Government instead of payment of commission to a commercial bank. This plea is also not acceptable as the RSRTC being a commercial organisation was required to opt for a financially better offer. This is borne out by the fact that in another case, the Chairman, RSRTC ordered (29 March 1993) that preference should be given to the loan offer of SBBJ because their offer of 0.50 *per cent* acceptance commission was less than the offer of OBC which required a Government guarantee involving payment of one *per cent* guarantee commission.

The Government stated (July 1994) that the Chairman's revised orders (29 March 1993) to give preference to the loan offer of SBBJ were too late to be acted upon as it requires 4-5 days to prepare documents and as such it was not possible to draw loan by 31 March 1993. Moreover, the process of obtaining loan from OBC had already been completed. Government's reply implicitly accepts that the initial decision of December 1992 to ignore financially better offer of SBBJ, had resulted in avoidable payment of guarantee commission to the extent of Rs.9.39 lakhs.

4B.12 Double payment of octroi duty

In accordance with the Rajasthan Municipalities (Octroi) Rules, 1962, the RSRTC has been paying octroi duty at the time of entry of goods in Jaipur municipal limits. However, some municipalities, under whose jurisdiction the material was sent by the Central Stores, Jaipur, also charged octroi duty on the ground that the material would be consumed there, disregarding the fact that octroi duty on such material had already been paid to Municipal Council, Jaipur.

To obviate the problem of double payment of octroi duty, the Local Self Government Department, Rajasthan prescribed (January 1977) that at the time of entry of goods within the Jaipur municipal limits, an entry pass (Form-7) would be filled up by RSRTC's official and handed over to the incharge of the octroi outpost, who would forward the same to the octroi department for debiting to the RSRTC's account. On export of goods out of the Jaipur municipal limits, a transport pass (Form-5) would be filled up and sent with goods to the octroi outpost. On its verification there, it would be forwarded to octroi department for crediting the RSRTC's account.

The RSRTC, however, experienced difficulty in implementing this system as the bulk of the purchases made by it were routed through local distributors/ dealers of the manufacturers, who while bringing the goods within the Jaipur municipal area, paid octroi and got the same reimbursed from RSRTC. Further, the system required continuous presence of a RSRTC employee at the octroi outposts. The RSRTC, therefore, requested the Government (October 1983) to exempt it from payment of octroi duty to local Boards other than Jaipur. The matter, however, could not be sorted out for more than eight years. Finally, the Government pointed out (February 1992) that in terms of Rajasthan Municipalities (Octroi) Rules, 1962, if the RSRTC gives a declaration at the time of entry of goods in Jaipur that such goods shall be exported to the places as specified in the declaration within 30 days of their receipt, no octroi duty would be leviable. The Corporation, however, did not take advantage of this provision and continued to pay double octroi duty till May 1994. In Central Workshop, Ajmer alone octroi duty of Rs.21.53 lakhs was paid on the material received by it from the Controller of Stores, Jaipur during 1977 to 1990. The payment of octroi duty for the period subsequent to March 1990 had not yet been made (September 1994). Scrutiny of the annual accounts of the RSRTC revealed that during the years 1987-88 to 1992-93, a sum of Rs.37.26 lakhs was paid as octroi duty by depots (other than Jaipur based depots and Central Workshop, Ajmer) though octroi duty on these items had already been paid by Controller of Stores, Jaipur.

Government stated (August 1994) that now on depositing a security amount of Rs.1 lakh into a current account, the Commissioner (Octroi), Jaipur Municipal Corporation had allowed (June 1994) the facility of using Forms-5 and 7 to avoid double payment of octroi.

4B.13 Avoidable payment of load surcharge

According to Notification dated 17 September 1985 issued by the Rajasthan State Electricity Board (RSEB), if the connected load of a consumer exceeds the sanctioned load, such excess shall be charged at an additional rate of Rs.100 per KW per month alongwith the minimum charges corresponding to the sanctioned connected load till such time the consumer removes the unauthorised load or gets it regularised.

On a surprise check (July 1988), the Vigilance Wing of RSEB found that the actual load on a service connection obtained in 1979 by the RSRTC for the workshop attached to Jaipur (West) depot at Central Bus Stand was 18.5 H.P.*plus* 20 KW against the sanctioned load of 10 H.P.and that the power meter was being used for electric lighting also. Accordingly, RSEB levied penalty in the form of load surcharge at Rs.2634 per month from August 1988 onwards. Despite this, the RSRTC did not apply for increase of connected load. Again on surprise check (July 1990) by RSEB, the actual load was found to be 44.5 H.P. An application was then made (August 1990) by the RSRTC to RSEB for increasing the connected load to 44.5 H.P. RSEB, however, advised the RSRTC to obtain load for the Central Bus Stand Complex as a whole. Pending increase in the connected load, RSEB increased the amount of load surcharge to Rs.3951 per month from October 1990 onwards. Thereafter, an application was made (January 1991) to RSEB for obtaining connected load of 145 H.P. for Central Bus Stand Complex. In response, RSEB sanctioned (April 1991) the required load and advised the RSRTC to deposit Rs.2.16 lakhs towards the cost of service connection and Rs.0.13 lakh as security deposit within 30 days and asked the RSRTC to instal transformer, lay cables, procure capacitors, *etc.* at its own cost. The amount was, however, not deposited and RSEB was requested to take up the work at their cost. In the meantime, the period of the demand notice lapsed in May 1991. No further progress in the matter was made and the RSRTC continued to pay load surcharge.

RSEB sent (January 1993) another demand notice for Rs.3.86 lakhs including the cost of service connection (Rs.0.21 lakh), transformer (Rs.1.20 lakhs) and cables *etc.* (Rs.2.45 lakhs) and asked the RSRTC to construct a platform for installation of transformer. The sum of Rs.3.86 lakhs was deposited (March 1993) with RSEB and the transformer was received in July 1993. After completion of the related civil works, the new connection was energised as late as April 1994.

Thus, due to inordinate delay in getting the connected load revised, an avoidable payment of Rs.2.34 lakhs towards load surcharge had to be made by the RSRTC for the period from August 1988 to March 1994.

The Government stated (July 1994) that on sanctioning (April 1991) of the increased load, the RSEB was requested to take up the work at their own cost as the RSRTC was not financially in a position to deposit this huge amount with RSEB, to which the latter did not agree. This reply is not convincing as the amount of deposit involved was not heavy, especially in comparison with the recurring payment of Rs.3951 per month as load surcharge. The Government in their reply, however, did not furnish any reasons for not initiating any action between July 1988 and July 1990 for getting the connected load increased.

4B.14 Poor pace of bank reconciliation

The daily receipts of the Rajasthan State Road Transport Corporation (RSRTC) at its collection centres are remitted to its Central Collection Accounts in various banks at Jaipur. In order to identify missing credits, a system of simultaneous reconciliation of the remittances made with the receipts in the Central Collection Accounts was essential. Though the RSRTC was incorporated in October 1964, a Reconciliation Cell for this purpose was created belatedly in September 1988. This Cell, apart from taking up the reconciliation of the current year, has also been undertaking reconciliation of previous years backwards from 1985-86 and had completed the work of reconciliation of 1984-85 uptill February 1993. Reconciliation for the year 1983-84 was in progress (June 1994). Thus in the four years since its creation, the Cell has been able to overtake arrear of reconciliation for two years only against pending reconciliation for the last 20 years accounts.

As a result of reconciliation carried out till June 1994, missing credits of Rs.34.44 lakhs out of Rs.42.74 lakhs pertaining to the period 1984-85 to 1992-93 could be obtained from various banks during 1993-94. Due to delay in obtaining these missing credits, RSRTC sustained loss of interest of Rs.3.74 lakhs. Further, on the balance missing credits of Rs.8.30 lakhs the RSRTC had sustained loss of interest of Rs.4.89 lakhs till March 1994. Thus, in the absence of proper system for simultaneous reconciliation, the RSRTC sustained loss of interest to the extent of Rs.8.63 lakhs either due to delay in obtaining credits or due to not being able to obtain the missing credits.

The Government stated (July 1994) that efforts were being made to trace missing credits. However, during the period April to October 1994 credits of Rs.2.55 lakhs only out of Rs.8.30 lakhs could be obtained indicating that the efforts were not very effective.

4B.15 Non-recovery of advance

Following a settlement reached with its Employees Union, the Rajasthan State Road Transport Corporation (RSRTC) agreed to pay (December 1990) as a measure of temporary financial relief, advance of pay up to Rs. 4,000 to the employees who had participated in the strike lasting for 70 days (18 September 1990 to 27 November 1990). The advance was to be adjusted against the arrears of revised pay payable to the employees for the period from January to March 1989 and the unadjusted balance was to be recovered from the pay of subsequent months at a rate not exceeding one-third of their total monthly salary. Therefore, the advance should have been recovered from all the employees by June 1991.

Scrutiny in audit (July 1993), however, revealed that as on 31 March 1993, a sum of Rs. 1.17 lakhs was outstanding against 55 employees.

The matter was reported to the RSRTC/Government in April 1994. RSRTC in their reply (August 1994) stated that an amount of Rs. 0.12 lakh had further been recovered and that efforts were being made to recover the remaining amount. The balance of Rs.1.05 lakhs outstanding (August 1994) was recoverable from 45 employees whose services had either been terminated (14), or were absconding (25), or resigned from service (1), or retired (1), or had expired (4). RSRTC could provide information (August 1994) of the relevant dates of these events (death, termination *etc.*) in only 32 of these 45 cases. Scrutiny (August 1994) revealed that in 18 of these 32 cases the relevant events had taken place after June 1991 *i.e.*, after the time by which recovery of advance should have been completed. Under the circumstances, recovery of any significant amount out of outstanding of Rs.1.05 lakhs appears doubtful.

RAJASTHAN FINANCIAL CORPORATION

4B.16 Avoidable payment of guarantee commission to State Government

Under Section 6(i) of the State Financial Corporations Act, 1951 the shares held in the Rajasthan Financial Corporation (RFC) are guaranteed by the State Government as to the repayment of principal and payment of annual dividend at such rates as the State Government may fix.

The State Government contribution in the share capital of RFC stood at Rs.21.63 crores at the end of 1988-89 and had increased to Rs.35.61 crores at the end of 1992-93. The payments on account of guarantee commission on share capital contributed by the State Government during the five years from 1988-89 to 1992-93 amounted to Rs.1.27 crores. It is illogical for a guarantor (State Government) to guarantee the investments made by itself, as it does not in any way, enhance the security of the investment made. Accordingly, the payment of guarantee commission of Rs.1.27 crores made by the RFC was not justified.

RFC stated (June 1994) that it had requested the State Government several times not to charge guarantee commission on the grounds that (a) this was a statutory obligation on the part of the State Government, (b) share capital is not a liability for a fixed period, and (c) charging of guarantee commission on its own share capital by the Government is not justified. The Government merely endorsed (July 1994) RFC's reply to Audit.

JAIPUR
The

(SANJEEV SALUJA)
Accountant General (Audit)-II, Rajasthan

Countersigned

NEW DELHI
The

(C.G.SOMIAH)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE - 1

Statement of companies in which Government had invested more than Rs.10 lakhs but which were not subject to audit by the Comptroller and Auditor General of India.

(Referred to in paragraph 3 of Preface at page (v) and paragraph 1.2.7 at page 7)

(Rupees in crores)

S. No.	Name of company	Period of latest accounts	Investment by Government	Profit (+)/ loss (-)	Accumulated loss	Dividend received by Government	Remarks
1.	Jaipur Udyog Ltd., Sawai-madhopur	July 1986 to June 1987	0.75	(-)6.90	32.56	Nil	Company not functioning since 1988
2.	Jaipur Spinning & Weaving Mills Ltd.,	1980	0.17	(-)0.46	1.81	Nil	Company under liquidation since 1980
3.	Man Industrial Corporation Ltd. Jaipur	April 1988 to March 1989	0.15	N.A.	2.64	Nil	Company under liquidation since 1989-90
4.	Metal Corporation of India Ltd., Calcutta	1993-94	0.25	(-)0.0003	0.31	Nil	-
5.	Aditya Mills Ltd., Kishangarh	1992-93	0.16	(-)2.59	3.58	Nil	-
6.	Mewar Textile Mills Ltd., Bhilwara	1991-92	0.30	(-)0.76	7.31	Nil	-
	Total		**1.78**				

Statement showing the particulars of up-to-date paid-up capital, by the Government and amounts outstanding thereagainst, up-to-date

(Rupees in lakhs)

Sl. No	Name of Company	Name of department	Paid-up capital as at the end of current year			
			State Government	Central Government	Others	Total
1	2	2(a)	3(a)	3(b)	3(c)	3(d)
1.	Rajasthan State Ganganagar Sugar Mills Limited	State Enterprises	351.33	-	4.40	355.73
2.	Hi-Tech Precision Glass Limited	State Enterprises	7.60	-	0.05	7.65
3.	Rajasthan State Agro Industries Corporation Limited	Agriculture	412.95	187.78	-	600.73
4.	Rajasthan Jal Vikas Nigam Limited	Ground Water	127.00	-	-	127.00
5.	Rajasthan State Mines & Minerals Limited	Mines	6171.60	-	1.00	6172.60
6.	Rajasthan State Mineral Development Corporation Limited	Mines	1453.00	-	-	1453.00
7.	Rajasthan State Granites & Marbles Limited (Subsidiary of RSMDC)	Mines	-	-	19.00	19.00
8.	Rajasthan State Tungsten Development Corporation Limited (Subsidiary of RSMDC)	Mines	-	-	133.79	133.79

XURE-2

outstanding loans, amounts of guarantees given working results, *etc.* of all the Government companies.

(Referred to in Paragraph 1.2.2 and 1.2.3 at Page 1 and 2)

(Rupees in lakhs)

Long term loans outstanding at the close of the current year	Amount of Guarntee given	Amount of Guarntee outstanding at the close of the current year	Outstanding Guarntee commission payable at the close of the current year	Position at the end of the year for which accounts were finalised			
				Year for which accounts were finalised	Paid-up capital at the end of the year	Accumulated profit(+)/ loss (-)	Any excess of loss over paid-up capital
4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
600.00	Nil	Nil	Nil	1992-93	355.73	(+) 0.50	Nil
11.08	Nil	Nil	Nil	1993-94	7.65	(-) 15.89	8.24
33.40	Nil	Nil	Nil	1990-91	540.73	(-)1223.40	682.67
Nil	Nil	Nil	Nil	1992-93	127.00	(-) 5.69	Nil
7915.00	8000.00	7915.00	7.08	1993-94	6172.60	(+)58.37	Nil
230.32	Nil	Nil	Nil	1992-93	1273.00	(+) 0.26	Nil
21.01	Nil	Nil	Nil	1993-94	19.00	(-) 50.42	31.42
21.16	Nil	Nil	Nil	1993-94	133.79	(-) 59.09	Nil

(Rupees in lakhs)

1	2	2(a)	3(a)	3(b)	3(c)	3(d)
9.	Rajasthan Electronics Limited (Subsidiary of RIICO)	Industries	-	-	30.00	30.00
10.	Rajasthan State Industrial Development and Investment Corporation Limited	Industries	12053.25	-	-	12053.25
11.	Rajasthan Small Industries Corporation Limited	Industries	489.39	27.00	5.01	521.40
12.	Rajasthan State Hotels Corporation Limited	Tourism	106.75	-	-	106.75
13.	Rajasthan State Bridge & Construction Corporation Limited	Public Works	220.00	-	-	220.00
14.	Rajasthan Paryatan Vikas Nigam Limited	Tourism	1383.84	-	-	1383.84
15.	Rajasthan State Dairy Development Corporation Limited	Agriculture	15.69	271.90	-	287.59
16.	Rajasthan State Handloom Development Corporation Limited	Industries	154.00	79.00	5.00	238.00
17.	Rajasthan State Tanneries Limited	State Enterprises	179.16	-	-	179.16
18.	Rajasthan Rajya Van Vikas Nigam Limited	Forest & Environment	19.00	-	-	19.00
	Total		**23144.56**	**565.68**	**198.25**	**23908.49**

(Rupees in lakhs)

4	5(a)	5(b)	5(c)	6(a)	6(b)	6(c)	6(d)
185.37	Nil	Nil	Nil	1993-94	30.00	(-)189.16	159.16
16227.24	5474.75	5474.75	Nil	1993-94	12053.25	(+) 68.30	Nil
112.50	200.00	112.50	0.28	1993-94	521.40	(-)250.11	Nil
6.12	Nil	Nil	Nil	1992-93	106.75	(+) 34.04	Nil
110.00	110.00	110.00	Nil	1993-94	220.00	Nil	Nil
935.50	935.50	935.50	Nil	1992-93	1268.84	(+)0.45	Nil
Nil	Nil	Nil	Nil	1991-92	287.59	(-) 37.68	Nil
(+)663.8[illegible]							
158.62	Nil	Nil	Nil	1990-91	173.00	(-) 89.87	Nil
52.00	Nil	Nil	Nil	1985-86	179.16	(-)334.42	155.26
Nil	Nil	Nil	Nil	1990-91	19.00	(-) 12.32	Nil
26619.32	**14720.25**	**14547.75**	**7.36**				

Summarised financial results of all Government companies for the latest year

(Rupees in lakhs)

Sl. No.	Name of Company	Name of depart- ment	Date of incorpo- ration	Period of accounts	Year in which fina- lised	Total capital invested at the end of the year
1	2	3	4	5	6	7
1.	Rajasthan State Ganganagar Sugar Mills Limited	State Enterprises	1 July 1956	1992-93	1993-94	1023.95
2.	Hi-Tech Precision Glass Limited	State Enterprises	18 March 1963	1993-94	1994-95	18.73
3.	Rajasthan State Agro Industries Corporation Limited	Agricul- ture	1 August 1969	1990-91	1993-94	574.13
4.	Rajasthan Jal Vikas Nigam Limited	Ground Water	25 January 1984	1992-93	1993-94	127.00
5.	Rajasthan State Mines and Minerals Limited	Mines	7 May 1947 (Government company since June 1973)	1993-94	1994-95	.59
6.	Rajasthan State Mineral Development Corporation Limited	Mines	27 Septem- ber 1979	1992-93	1993-94	1699.26
7.	Rajasthan State Granites and Marbles Limited (Subsidiary of RSMDC)	Mines	2 February 1977	1993-94	1994-95	40.01
8.	Rajasthan State Tungsten Develop- ment Corporation Limited (Subsidiary of RSMDC)	Mines	22 Novem- ber 1983	1993-94	1994-95	154.95
9.	Rajasthan Electro- nics Limited (Subsidiary of RIICO)	Indus- tries	23 January 1985	1993-94	1994-95	215.37

XURE-3

for which accounts were finalised up to 31 October 1994.

(Referred to in Paragraph 1.2.3 at Page 2)

(Rupees in lakhs)

Profit(+)/ Loss(-)	Total interest charged to profit & loss account	Interest on long-term loans	Total return on capital invested (8+10)	Capital employed	Total return on capital employed (8+9)	Percentage of total return on capital invested	Percentage of total return on capital employed
8	9	10	11	12	13	14	15
(+)12.57	199.39	102.00	114.57	1115.76	211.96	11.19	19.00
(+) 0.08	Nil	Nil	(+) 0.08	3.11	0.08	0.43	2.57
(-)224.72	75.61	2.32	(-)222.40	359.33	(-)149.11	Nil	Nil
(+) 7.97	-	-	7.97	126.79	7.97	6.27	6.28
(+)663.82	1645.32	1430.68	2094.50	16675.42	2309.14	12.46	13.85
(+) 88.38	143.37	24.44	112.82	1888.92	231.75	6.64	12.27
(-) 0.05	Nil	Nil	(-)0.05	(-)10.40	(-)0.05	Nil	Nil
(+) 0.03	Nil	Nil	0.03	44.70	(+)0.03	0.02	0.07
(-) 9.76	Nil	Nil	(-)9.76	26.21	(-)9.76	Nil	Nil

(Rupees in lakhs)

1	2	3	4	5	6	7
10.	Rajasthan State Industrial Development and Investment Corporation Limited	Indus-tries	28 March 1969	1993-94	1994-95	30113.87
11.	Rajasthan Small Industries Corporation Limited	Indus-tries	3 June 1961	1993-94	1994-95	633.90
12.	Rajasthan State Hotels Corpora-tion Limited	Tourism	7 June 1965	1992-93	1993-94	150.05
13.	Rajasthan State Bridge & Const-ruction Corpora-tion Limited	Public Works	8 February 1979	1993-94	1994-95	615.62
14.	Rajasthan Paryatan Vikas Nigam Limited	Tourism	24 Novem-ber 1978	1992-93	1993-94	2214.79
15.	Rajasthan State Dairy Develop-ment Corporation Limited	Agri-culture	31 March 1975	1991-92	1992-93	287.59
16.	Rajasthan State Handloom Deve-lopment Corpo-ration Limited	Indus-tries	3 March 1984	1990-91	1994-95	463.22
17.	Rajasthan State Tanneries Limited	State Enter-prises	22 Novem-ber 1971	1985-86	1993-94	231.16
18.	Rajasthan Rajya Van Vikas Nigam Limited	Forest & Environ-ment	24 May 1985	1990-91	1992-93	19.00

(Rupees in lakhs)

8	9	10	11	12	13	14	15
(+)829.96	1432.95	1432.95	2262.91	26455.87	2262.91	7.51	8.55
(-) 13.66	16.27	15.56	1.90	475.87	2.61	0.30	0.55
(+) 11.77	1.40	1.40	13.17	145.26	13.17	8.78	9.07
(+)176.92	128.43	8.04	184.96	612.19	305.35	30.05	49.88
(+)206.62	86.73	86.73	293.35	2144.03	293.35	13.25	13.68
(-) 0.07	Nil	Nil	(-)0.07	270.46	(-)0.07	Nil	Nil
(-) 35.52	32.40	24.20	(-)11.32	538.00	(-)3.12	Nil	Nil
(-) 50.64	22.74	4.42	(-)46.22	7.03	(-)27.90	Nil	Nil
(-) 1.39	Nil	Nil	(-)1.39	6.48	(-)1.39	Nil	Nil

ANNE

Statement showing summarised financial results of Statutory Corporations

(Referred to in paragraph

(Figures in column 6 to 12

Sl. No.	Name of Corporation	Name of adminis-trative depart-ment	Date of incorpo-ration	Period of accounts	Total capital invested	Profit (+)/ Loss(-) for the year
1	2	3	4	5	6	7
1.	Rajasthan State Electricity Board	Energy	1 July 1957	1993-94	3926.87	70.12
2.	Rajasthan State Road Transport Corporation	Trans-port	1 October 1964	1993-94 (Provisional)	175.96	22.70
3.	Rajasthan Finan-cial Corporation	Indus-tries	17 January 1955	1993-94	571.46	0.81
4.	Rajasthan State Warehousing Corporation	Agri-culture	30 Decem-ber 1957	1992-93	14.18	0.48

Note: **(1)** Capital invested represents paid-up capital *plus* long-term loans and free reserves

(2) Capital employed represents net fixed assets (excluding works-in-progress) *plus*

(3)* Capital employed represents the mean of aggregate of the opening and closing deposits

XURE-4

for the latest year for which accounts have been finalised

1.3.4 at page 8)

are Rupees in crores)

Total interest charged to profit & loss account	Interest on long-term loans	Total return on capital invested (7+9)	Capital employed during the year	Total return on capital employed (7+8)	Percentage of return on Capital invested	Percentage of return on Capital employed
8	9	10	11	12	13	14
227.26	227.26	297.38	2678.07	297.38	7.57	11.10
15.46	9.01	31.72	154.67	38.16	18.03	24.67
50.10	50.10	50.91	548.82*	50.91	8.91	9.28
0.34	0.34	0.83	13.16	0.83	5.85	6.31

and surplus at the close of the year.

working capital at the close of the year.

balances of the paid-up capital, reserves and surplus, bonds and debentures,borrowings and