SECTION C

Public Sector Undertakings

CHAPTER-I

1.1 Functioning of State Public Sector Undertakings

General

1.1.1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2019, there were 31 PSUs (all Government Companies) in Jharkhand (including three inactive companies) under the audit jurisdiction of the Comptroller & Auditor General of India. During the year 2018-19, two new PSUs[46] came within the audit jurisdiction of the C&AG of India.

1.1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 31 December 2019 is covered in this report.

The working PSUs registered an annual turnover of ₹ 5,283.72 crore as per their latest finalized accounts as on 31 December 2019. This turnover was equal to 1.72 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 3,07,581crore). The working PSUs incurred a loss of ₹ 453.81 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around 7000 employees. There are three inactive PSUs [47] since inception having an investment of ₹ 51.91 crore towards capital (₹ 1.1crore) and long term loans (₹ 50.81 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State. Initiation of winding up process of Patratu Energy Limited and Jharbihar Colliery Limited has been approved by their Board[48].

Accountability framework

1.1.3 The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

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[46] Jharkhand Rail Infrastructure Development Corporation Ltd. (JRIDCL) & Atal Bihari Vajpayee Innovation Lab.

[47] Karanpura Energy Limited, Patratu Energy Limited and Jharbihar Colliery Limited.

[48] KEL: 5th AGM (15 Sep 2017), JCL : 15th meeting (15 May 2016) and 16th (2 February 2018).

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Submission of accounts by PSUs

1.1.4 *Need for timely finalisation and submission*

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation tabled in the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold an AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

The nature of PSUs and the position of accounts are indicated in table below:

Table 1.1.1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[49]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 31 December 2019
		Accounts upto 2018-19	Accounts upto 2017-18	Accounts upto 2016-17	Total	
Working Government Companies	**28**	**4**	**6**	**4**	**14**	**24(74)**
Inactive	**3**	**-**	**1**	**1**	**2**	**3 (6)**
Total	**31**	**4**	**7**	**5**	**16**	**27 (80)**

(Source: Accounts of PSUs received and database of inactive PSUs maintained at PAG Office)

Investment by Government of Jharkhand in State Public Sector Undertakings (PSUs)

1.1.5 The Government of Jharkhand (GoJ) has high financial stakes in the PSUs, which is mainly of three types:

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

1.1.6 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given **Table 1.1.2**:

Table 1.1.2: Sector-wise investment in State PSUs

Name of sector	Government Companies		Total	Investment (₹ in crore)		
	Working	Inactive		Equity	Long Term Loans	Total
Power	5	3	8	4244.02	14561.42	18805.44
Finance	1	0	1	1.01	0	1.01
Service	8	0	8	49.33	43.96	93.29
Infrastructure	6	0	6	241.14	0	241.14
Others	8	0	8	72.56	5.43	77.99
Total	**28**	**3**	**31**	**4608.06**	**14610.81**	**19218.87**

(Source: Information received from PSUs)

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 12872.91 crore (97.98 *per cent*) out of total investment of ₹ 13138.89 crore made during the period from 2014-15 to 2018-19.

49 From 1 January 2019 to 31 December 2019.

Keeping in view the high level of investment in Power Sector, the results of audit of eight Power Sector PSUs is presented separately the report.

1.2 Functioning of Power Sector PSUs

Introduction

1.2.1 Power sector companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. **Table 1.2.1** provides the details of turnover of the power sector PSUs and GSDP of Jharkhand for a period of five years ending March 2019:

Table 1.2.1: Details of turnover of power sector PSUs *vis-a-vis* GSDP of Jharkhand

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	3620.31	3717.16	3816.87	4122.72	4122.72[50]
Percentage change of Turnover over Previous Year	6.19	2.68	2.68	8.01	0.00
GSDP of Jharkhand	218525	206613	236250	276243	307581
Percentage change of GSDP over Previous Year	15.89	-5.45	14.34	16.93	11.34
Percentage of Turnover to GSDP of Jharkhand	1.66	1.80	1.62	1.49	1.34

(Source: Information furnished by Finance Department, GoJ)

The compounded annual growth[51] of GSDP of Jharkhand was 8.77 *per cent* during the years 2014-19, while the turnover of Power Sector PSUs recorded lower compounded annual growth of 2.47 *per cent* during the same period. This resulted in decrease in share of turnover of the Power Sector PSUs to the GSDP from 1.66 *per cent* in 2014-15 to 1.34 *per cent* in 2018-19.

1.2.2 *Formation of Power Sector PSUs*

The State Government formulated (06 January 2014) the Jharkhand State Electricity Reforms Transfer Scheme, 2013 (JSERTS 2013) for unbundling of Jharkhand State Electricity Board (JSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of JSEB to four power sector companies *(i.e., Jharkhand Urja Vikas Nigam Limited, Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited and Jharkhand Urja Utpadan Nigam Limited).* These four power sector companies came into

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50 Turnover is based on the accounts of 2017-18 as accounts of 2018-19 were not submitted by the power sector PSUs till December 2019.

51 Rate of Compounded Annual Growth [[{(value of 2018-19/ value of 2013-14) ^ (1/ 5 years)}-1] * 100] where turnover and GSDP for the year 2013-14 was ₹ 3,409.35 crore and ₹1,88,567 crore respectively.

existence with effect from 06 January 2014 and all the assets and liabilities of JSEB excluding State Government liability were distributed among these companies according to the provisions of the JSERT Scheme 2013. The JSERT Scheme was revised by the State Government in November 2015 wherein it was clarified that the functions, business, rights, obligations, assets and liabilities of generation assets remain vested in the State Government and to be administered by the State Government through Patratu Thermal Power Station (PTPS).

JSERT Scheme, 2013 provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of JSEB to one or more power sector companies of the State Government. Besides these four companies, four[52] other power sector companies were incorporated prior to the JSERT Scheme, 2013. Out of above four companies, one company *i.e.*, Tenughat Vidyut Nigam Limited is a power generating company and other three companies *i.e.*, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited are the subsidiaries of Jharkhand Urja Utpadan Nigam Limited (November 1987 to October 2012). Of these eight Power Sector companies, three[53] companies did not commence commercial activities till 2018-19.

Disinvestment, restructuring and privatisation of Power Sector PSUs

1.2.3 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs.

Investment in Power Sector PSUs

1.2.4 The activity-wise summary of investment in the Power Sector PSUs as on 31 March 2019 is given **Table 1.2.2**:

Table 1.2.2: Activity-wise investment in power sector PSUs

Activity	No. of Power Sector PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	2	145.13	715.90	861.03
Transmission of Power	1	975.06	3645.90	4620.96
Distribution of Power	1	3111.03	10148.81	13259.84
Other[54]	4	12.80	50.81	63.61
Total	**8**	**4244.02**	**14561.42**	**18805.44**

(Source: Information received from PSUs)

As on 31 March 2019, the total investment (equity and long term loans) in eight Power Sector PSUs was ₹ 18805.44 crore. Out of the total long term loans of ₹ 14561.42 crore, ₹ 13353.12 crore (91.70 *per cent*) was availed from the State

52 Tenughat Vidyut Nigam Limited (26 November 1987), Karanpura Energy Limited (19 September 2008), Jharbihar Colliery Limited (18 June 2009) and Patratu Energy Limited (26 October 2012).

53 Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

54 Jharkhand Urja Vikas Limited, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

Government and balance ₹ 1208.3 crore (8.30 *per cent*) was availed from Central government and other financial institutions.

Budgetary Support to Power Sector PSUs

1.2.5 The Government of Jharkhand (GoJ) provides financial support to Power Sector PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of Power Sector PSUs for the last four years ending March 2019 are as follows:

Table 1.2.3: Details of budgetary support to Power Sector PSUs

(₹ in crore)

Particulars[55]	2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	0	0	0	0	0	0	0	0
Loans given (ii)	3	7606.72	2	1227.34	2	1776.88	2	1461.77
Grants/Subsidy provided (iii)	1	1599.99	1	1200	1	3000	1	1250
Total Outgo (i+ii+iii)	**3**	**9206.71**	**2**	**2427.34**	**2**	**4776.88**	**2**	**2711.77**
Guarantees issued[56]	-	-	-	-	-	-	1	450
Guarantee Commitment[57]	-	-	-	-	-	-	1	450

(Source: Information furnished by PSUs)

The budgetary assistance received by these PSUs ranged between ₹ 2,427.34 crore and ₹ 9206.71 crore during 2015-16 to 2018-19. The budgetary assistance of ₹ 2711.77 crore received during the "year 2018-19 included ₹ 1461.77 crore and ₹ 1250 crore in the form of loans and grants/subsidy respectively. During 2018-19, grants/subsidy was given for revenue gap to Jharkhand Bijli Vitran Nigam Limited (₹ 1250 crore).

Government of Jharkhand extends guarantees as provided under Article 293(1) of Constitution of India. JBVNL received guarantee commitment of ₹ 450 crore from GoJ to avail loans from banks/financial institutions as PSUs seek financial assistance from Banks and financial institutions.

Reconciliation with Finance Accounts of Government of Jharkhand

1.2.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the Government of Jharkhand. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. As on 31 March 2019, there were differences in figures in respect of equity, loans and guarantees as stated below:

55 Amount represents outgo from State Budget only.
56 Government guarantee issued to the PSUs during a particular year (JBVNL).
57 Closing balance of Government guarantee in respect of PSUs at the end of a particular year (JBVNL).

Table 1.2.4: Equity, Loan & Guarantee outstanding as per Finance Accounts vis-à-vis records of power sector PSUs

(₹in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Jharkhand			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	TVNL	105	665.9		5	57		100	608.9	0
2	JUUNL	40.13	50		0	50		40.13	0	0
3	JBVNL	3111.03	8956.4	450	0	8857.03	450.00	3111.03	99.3673	0
4	JUSNL	975.06	3645.9		0	3647.07		975.06	-1.17	0
5	JUVNL	11.7			0	0		11.7	0	0
6	PEL		19.45		0	20		0	-0.55	0
7	KEL		15.52		0	16		0	-0.48	0
Total		4242.92	13353.17	450	5	12647.1	450	4237.92	706.0673	0

(Source: Information furnished by PSUs and SFAR for the year ended March 2019)

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time.

Submission of accounts by Power Sector PSUs

1.2.7 There were eight power sector PSUs under the audit purview of CAG as of 31 March 2019. Accounts for the year 2018-19 were not submitted by these PSUs by 30 September 2019 as per statutory requirement. None of these companies has submitted their accounts even lapse of 31 December 2019.

Table 1.2.5: Position of accounts submission of Power Sector PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	8	8	8	8	8
2.	Number of accounts submitted during current year	0	0	0	1	0
3.	Number of PSUs which finalised accounts for the current year	0	0	0	1	0
4.	Number of previous year accounts finalised during current year	4	2	5	5	6
5.	Number of PSUs with arrears in accounts	8	8	8	7	8
6.	Number of accounts in arrears	31	35	26	23	17
7.	**Extent of arrears**	2 to 9 years	3 to 8 years	1 to 8 years	1 to 5 years	1 to 4 years

(Source: Database of finalisation of accounts maintained in the PAG Office)

The Power Sector PSUs have not been prompt in submission of their annual accounts and the extent of arrears were from 01 to 04 years in case of eight companies.

Performance of Power Sector PSUs

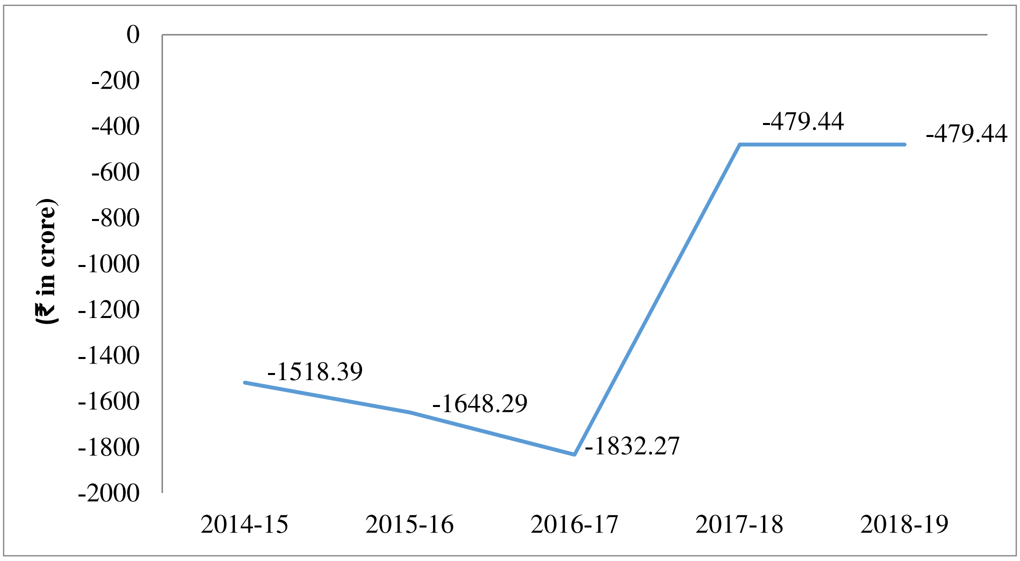
1.2.8 The financial position and working results of eight power sector Companies as per their latest finalized accounts as of 31 December 2019 are detailed in ***Appendix-1.1.1***.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed.

Rate of Real Return on Investment

1.2.9 Rate of Real Return on investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[58] earned/incurred by all the working power sector PSUs during 2014-15 to 2018-19 is depicted in following **Chart 1.2.1**:

Chart 1.2.1: Profit/Losses earned/incurred by working Power Sector PSUs



Losses incurred by five power sector PSUs were ₹ 479.44 crore in 2018-19 against loss of ₹ 1518.39 crore incurred in 2014-15. As per latest finalised accounts for the year 2018-19, out of five working power sector PSUs, one PSUs earned profit of ₹ 92.57 crore, four PSUs incurred loss of ₹ 572.01 crore and three inactive PSUs had not yet started operation/commercial production.

The top profit making company was Tenughat Vidhyut Nigam Limited (₹ 92.57crore), while Jharkhand Urja Sancharan Nigam Limited and Jharkhand Bijli Vitran Nigam Limited incurred substantial loss of ₹ 358.27 and ₹ 212.17 crore respectively.

(a) Rate of Real Return (RORR) on the basis of historical cost of investment

1.2.10 For the purposes of calculation of the RORR, the total figure of investment of Government of Jharkhand, Government of India and others in these Power Sector PSUs has been arrived at by considering the equity, adding interest free loans and deducting interest free loans which were later converted into equity/interest bearing loans for each year, grants, subsidies for operational and management expenses minus disinvestments.

Accordingly, the investment of GoJ, GoI and others as on 31 March 2019 in these Eight power sector PSUs was ₹ 28,493.40 crore consisting of ₹ 4,244.02 crore as equity and ₹ 14,561.42 crore as long term loans and ₹ 9,689.94 crore as grants, subsidies for operational & management expenses.

58 Figures are as per the latest finalised accounts during the respective years.

The Rate of Real Return on investment on historical cost basis for the period 2014-15 to 2018-19 is as given below:

Table 1.2.6: Rate of Real Return on Investment on historical cost basis

(₹ in crore)

Financial year	Investment by GoJ	Investment by GOI and others	Total Investment	Total Earnings/ Losses[59] for the year	Rate of Real Return on Investment (in *per cent)*
	In form of Equity, interest free loans and Grants/ Subsidies on historical cost basis				
2014-15	6,882.87	0	6,882.87	-489.09	-7.11
2015-16	8,482.86	0	8,482.86	-1,147.83	-13.53
2016-17	9,682.86	0	9,682.86	-1,737.85	-17.95
2017-18	12,682.86	0	12,682.86	-469.28	-3.70
2018-19	13,932.86	0	13,932.86	-453.82	-3.26

(Source: Information received from PSUs)

The Rate of Real Return on investment of the eight power sector PSUs in 2018-19 was negative. Heavy losses of Jharkhand Urja Sancharan Nigam Ltd and Jhakhand Bijli Vitran Nigam Limited during the above period contributed to overall losses of the power sector.

(b) On the basis of Present Value of Investment

1.2.11 Traditional calculation of return based only on historical cost however ignores the present value of money. Calculating the RORR on the basis of PV is a more adequate assessment of RORR. All Power Sector PSUs had a negative return on investment during 2014-15 to 2018-19. Therefore, the return on investment could not be calculated on the basis of PV.

Erosion of Net worth

1.2.12 Net worth is the company's sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

The table below indicates paid up capital, accumulated profit/loss and net worth of all working Power Sector PSUs which included the holding and subsidiary companies during the period 2014-15 to 2018-19:

[59] As per annual accounts of the respective years.

Table 1.2.7: Net worth of Power Sector PSUs

(₹ in crore)

Year	No. Of Power Sector PSUs	Paid up Capital	Free Reserves	Accumulated Losses	Net worth
1	*2*	*3*	*4*	*5*	*6=3+4+5*
2014-15	5	4379.31	0	1293.89	3085.42
2015-16	5	4235.32	0	3143.50	1091.82
2016-17	5	4235.32	0	4996.74	-761.42
2017-18	5	4235.32	0	6744.16	-2508.84
2018-19	5	4235.32	0	6744.16	-2508.84

(Source: Information received from PSUs)

Of the five working Power Sector PSUs, Jharkhand Bijli Vitran Nigam Limited (₹-1918.33 crore) and Tenughat Vidyut Nigam Limited (₹ -1013.63 crore) had recorded negative Net-worth and their paid capital had been fully eroded.

Dividend Payout

1.2.13 The State Government had not formulated any dividend policy.

Return on Equity

1.2.14 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using company's assets to create profits. It is calculated and expressed as a percentage, by dividing net income (i.e. net profit after taxes) by shareholders' funds.

Shareholders' funds of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' funds reveals that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets.

Return on Equity has been computed in respect of all Power Sector PSUs which included the holding and subsidiary companies and is detailed in the table below:

Table 1.2.8: RoE relating to Power Sector PSUs

(₹ in crore)

	Year	No. Of Power Sector PSUs	Net Profit/Loss	Shareholders' funds	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	1	92.57	-1013.63	-
	2015-16	-	-	-	-
	2016-17	-	-	-	-
	2017-18	-	-	-	-
	2018-19	-	-	-	-
Loss Incurring	**2014-15**	4	-484.33	3695.47	-
	2015-16	4	-1260.79	2105.45	-
	2016-17	4	-1864.80	252.21	-
	2017-18	4	-572.08	-1495.21	-
	2018-19	-	-	-	-
Total	**2014-15**	5	-391.76	2681.84	-
	2015-16	4	-1,260.79	2,105.45	-

	Year	No. Of Power Sector PSUs	Net Profit/Loss	Shareholders' funds	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
	2016-17	4	-1,864.80	252.21	-
	2017-18	4	-572.08	-1,495.21	-
	2018-19	-	-	-	-

(Source: Compiled based on information received from PSUs)

The RoE of Power PSUs were not worked out since either the net profit or shareholders' funds were negative.

Return on Capital Employed

1.2.15 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[60]. The details of RoCE of all the five working power sector undertakings during the period from 2014-15 to 2018-19 are given in table below:

Table 1.2.9: Return on Capital Employed to Power Sector PSUs

(₹ in crore)

	Year	No. of Power Sector PSUs	EBIT	Capital Employed	RoCE (in *per cent*)
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	1	194.80	-65.13	-
	2015-16	-	-	-	-
	2016-17	-	-	-	-
	2017-18	-	-	-	-
	2018-19	-	-	-	-
Loss Incurring	**2014-15**	4	-362.42	11,055.38	-
	2015-16	4	-1,066.28	19,108.30	-
	2016-17	4	-1,656.84	17,328.32	-
	2017-18	4	-144.35	21,227.81	-
	2018-19	-	-	-	-
Total	**2014-15**	5	-167.62	10,990.25	-
	2015-16	4	-1,066.28	19,108.30	-
	2016-17	4	-1,656.84	17,328.32	-
	2017-18	4	-144.35	21,227.81	-
	2018-19	-	-	-	-

(Source: Complied based on information received from PSUs)

RoCE of working power sector PSUs were not worked out as all companies are loss making.

Analysis of long-term loans of the Companies

1.2.16 The analysis of the long term loans of the companies which had leverage[61] during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks

[60] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

[61] Leverage means the amount of debt a firm uses to finance assets.

and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.2.17 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below "1" indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector companies which had interest burden during the period from 2014-15 to 2018-19 are given in table below:

Table 1.2.10: Interest coverage ratio relating to the Power sector PSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2014-15	224.14	-167.62	4	1	3
2015-16	250.28	-1066.28	3	0	3
2016-17	310.94	-1656.84	3	0	3
2017-18	645.85	-144.35	3	0	3
2018-19	-	-	-	-	-

(Source: Compiled based on information received from PSUs)

It was observed that the interest coverage ratio of three power sector companies were less than one during 2015-16 to 2017-18.

Debt-Turnover Ratio

1.2.18 During the last five years, the turnover of the eight power sector undertakings recorded compounded annual growth of 2.47 *per cent* and compounded annual growth of debt was 5.64 *per cent* due to which the Debt-Turnover Ratio deteriorated from 0.47 in 2014-15 to 3.53 in 2018-19 as given in table below:

Table 1.2.11: Debt Turnover ratio relating to the Power Sector PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government/ Banks and Financial Institutions	1688.51	9155.12	10419.84	12218.4	14561.42
Turnover	3629.85	3782.28	3708.16	4122.72	4122.72
Debt-Turnover Ratio	0.47:1	2.42:1	2.81:1	2.96:1	3.53:1

(Source: Compiled based on information received from PSUs)

Follow up action on Audit Reports

1.2.19 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Jharkhand issued (November 2015) instructions to all Administrative

Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU). Explanatory notes to 20 Paragraphs/Performance Audits in respect of Department of Energy were awaited (December 2019). The details are given in **Table-1.2.12**:

Table-1.2.12: Explanatory notes pending in respect of Power Sector PSUs (as on 31 December 2019)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Power Sector Performance Audits (PAs) and Paragraphs in the Audit Report		Number of Power Sector PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2006-07	26-Mar-08	1	5	1	5
2007-08	10-Jul-09	1	6	1	5
2008-09	13-Aug-10	1	3	1	1
2009-10	29-Aug-11	1	5	1	1
2010-11	06-Sep-12	1	1	0	0
2011-12	27-Jul-13	1	2	0	0
2012-13	05-Mar-14	0	4	0	2
2013-14	26-Mar-15	0	4	0	1
2014-15	15-Mar-16	1	4	0	0
2015-16	12-Aug-17	2	4	0	1
2016-17	27-Dec-18	0	1	0	0
Total		**9**	**39**	**4**	**16**

(Source: Database maintained in the PAG Office)

Discussion of Audit Reports by CoPU

1.2.20 The status of Power Sector Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and those discussed by the CoPU as on 31 December 2020 was as under:

Table-1.2.13: Power Sector Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 December 2020

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	1	2	1
2005-06	1	2	1	2
2006-07	1	5	0	0
2007-08	1	6	0	1
2008-09	1	3	0	2
2009-10	1	5	0	4
2010-11	1	1	1	1
2011-12	1	3	1	1
2012-13	0	4	0	4
2013-14	0	4	0	3
2014-15	1	4	1	4
2015-16	1	5	1	2
2016-17	0	1	0	0
Total	11	44	7	25

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (August 2018). During 2018-19, CoPU had not discussed any paragraphs appearing in the Audit Report relating to Power Sector PSUs.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.2.21 Action Taken Notes (ATNs) to three sub-paragraphs appearing in eleventh report of the COPU presented to the State Legislature on 4 March 2014 has been received (December 2017) and ATNs to eight paragraphs and 20 sub-paragraphs appearing in reports of COPU presented to the State Legislature between 12 March 2008 and 29 January 2019 are yet to be received as indicated in **Table-1.2.14**

Table-1.2.14: Compliance to COPU Reports

Year of COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs received
Total	**14**	**31**	**3**

***(Source**: ATNs received from the Departments of GoJ)*

The reports of COPU contained recommendations in respect of paragraphs pertaining to Jharkhand State Electricity Board which featured in the Reports of the CAG of India for the years 2002-03, 2003-04, 2004-05, 2005-06, 2009-10 and 2010-11.

1.3 Functioning of State Public Sector Undertakings (Non-Power Sector)

Introduction

1.3.1 There were 23 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power. These State PSUs were incorporated between 2001-02 and 2018-19. Out of the 23 Government Companies one is subsidiary companies owned by other Government Companies. Five[62] Government Companies did not commence commercial activities till 2018-19.

Contribution to Economy of the State

1.3.2 The table below provides the details of turnover of State PSUs (Non-Power Sector) and GSDP of Jharkhand for a period of five years ending March 2019:

[62] i) Jharkhand Rail Infrastructure Development Corporation Limited, ii) Jharkhand Plastic Park Limited, iii) Jharkhand Urban Transport Corporation Limited, iv) Jharkhand Communication Network Limited, and v) Atal Bihari Vajpayee Innovation Lab.

Table 1.3.1: Details of turnover of State PSUs (Non-Power Sector) *vis-a-vis* GSDP of Jharkhand

(₹in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	1148.33	1134.81	1130.4	1142.26	1161
Percentage change of Turnover over Previous Year	0.17	-1.18	-0.39	1.05	1.64
GSDP of Jharkhand	218525	206613	236250	276243	307581
Percentage change of GSDP over Previous Year	15.89	-5.45	14.34	16.93	11.34
Percentage of Turnover to GSDP of Jharkhand	0.53	0.55	0.48	0.41	0.38

(Source: Information furnished by Finance Department, GoJ)

In 2018-19, the turnover of the PSUs relative to GSDP was 0.38 *per cent* and had decreased from 0.41 *per cent* in the previous year. The compounded annual growth[63] of GSDP was 8.77 *per cent* during last five years, while the turnover of Public Sector Undertakings (Non-Power Sector) recorded compounded annual growth of 0.66 *per cent* during the same period. This resulted in decrease in share of turnover of these PSUs to the GSDP from 0.53 *per cent* in 2014-15 to 0.38 *per cent* in 2018-19.

Investment in State PSUs (Non-Power Sector)

1.3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have, therefore, been analysed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, Two[64] of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'.

1.3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 1.3.2: Sector-wise investment in State PSUs (Non-power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	9	30.56	49.21	79.77
PSUs in Competitive Environment	12	318.48	0.18	318.66
Others	2	15.00	0.00	15.00
Total	**23**	**364.04**	**49.39**	413.43

(Source: Compiled based on information received from PSUs)

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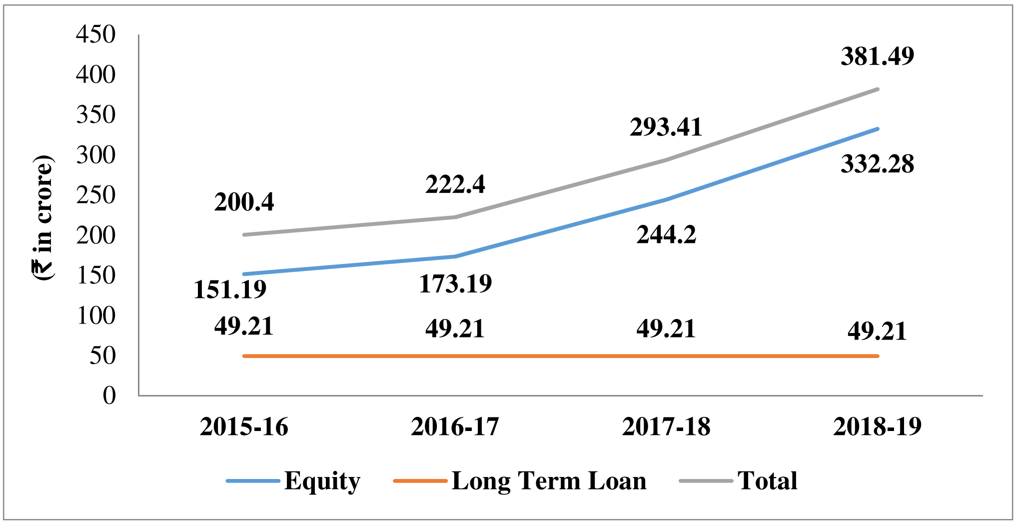
63 Rate of Compounded Annual Growth [[{(Value of 2018-19/Value of 2013-14)^(1/5 years)}- 1]*100] where turnover and GSDP for the year 2013-14 was ₹ 1,146.43 crore and ₹ 1,88,567 crore respectively.

64 Jharkhand Police Housing Corporation Ltd. & Ranchi Smart City Corporation Ltd.

As on 31 March 2019, the total investment (equity and long term loans) in 23 PSUs was ₹ 413.43 crore. Out of the total long-term loans of ₹ 49.39 crore, ₹ 0.18 crore, availed from financial institutions.

The year wise statement of investment of GoJ in the State PSUs (Non-Power Sector) detailed in ***Appendix-1.1.2*** during the period 2014-15 to 2018-19 is as follows:

Chart 1.3.1: Total investment of GoJ at the end of the year State PSUs (Non-Power sector)



Disinvestment, restructuring and privatisation of State PSUs

1.3.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs.

Budgetary Support to State PSUs

1.3.6 The Government of Jharkhand (GoJ) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last four years ending March 2019 are as follows:

Table 1.3.3: Details of budgetary support to State PSUs (Non-Power Sector)

(₹ in crore)

Particulars[65]	2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	3	10.74	5	58	2	70	3	67.08
Loans given (ii)	0	0		0		0		0
Grants/Subsidy provided (iii)	1	8.14		0		0		0
Total Outgo (i+ii+iii)	**4**	**18.88**	**5**	**58**	**2**	**70**	**3**	**67.08**

(Source: Information furnished by PSUs)

[65] Amount represents outgo from State Budget only.

The budgetary assistance to these PSUs ranged between ₹ 18.88 crore and ₹ 70.00 crore during the period 2015-16 to 2018-19. The budgetary assistance of ₹ 67.08 crore given during the year 2018-19 is in the form of equity. The State Government did not provide any loan to these PSUs during the period of 2014-15 to 2018-19.

GoJ neither issued any guarantee nor made any guarantee commitment to any non-power sector PSU.

Reconciliation with Finance Accounts of Government of Jharkhand

1.3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (Non-Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Jharkhand. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences.

Table 1.3.4: Statement showing difference between Finance Accounts of GoJ and Accounts of the State PSUs (Non-Power Sector) in respect of balances of Equity and Loans as on 31 March 2019

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs		As per Finance Accounts of Government of Jharkhand		Difference	
		Paid-up Capital	Loans outstanding	Paid-up Capital	Loans outstanding	Paid-up Capital	Loans outstanding
1	2	3	4	5	6	7	8
1	JRIDCL	4.08	0.00	5	0	0.92	0.00
2	JIIDCO	15	0.00	25	0	10	0.00
3	GRDA	164.14	0.00	25	0	-139.14	0.00
4	JSADCL	2	0.00	0	0	-2	0.00
5	JSFDC	0.55	0.00	0.05	0	-0.5	0.00
6	JHALCO	5	5.25	5	0	0	-5.25
7	JSFCS	5	43.96	0.00	0	-5	-43.96
8	JSMFDC	1.01	0	4.25	0	3.24	0.00
9	JMHIDPCL	5	0	0	0	-5	0.00
10	RSCCL	13	0	10	0	-3	
	Total	**214.78**	**49.21**	**74.3**	**0**	**-140.48**	**-49.21**

It was observed that out of 23 State PSUs, such differences occurred in respect of 10 PSUs as shown in above table. The differences between the figures are persisting for last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Greater Ranchi Development Agency and Jharkhand State Food and Civil Supplies Corporation Ltd. It is, therefore, recommended that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs

1.3.8 Of the total 23 State PSUs, all were working PSUs under the purview of CAG as on 31 March 2019. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

1.3.8.1 Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 23 working Government Companies, none of these Government Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 whereas accounts of 23 Government Companies were in arrears.

Four Government companies submitted their accounts before 31 December 2019. Details of arrears in submission of accounts of working PSUs as on 31 December 2019 are given below:

Table 1.3.5: Position relating to submission of accounts by the working State PSUs (Non-Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of Working PSUs	17	17	20	21	23
2.	Number of accounts submitted during current year	0	0	3	0	4
3.	Number of working PSUs which finalised accounts for the current year	0	0	3	0	4
4.	Number of previous year accounts finalised during current year	5	9	12	11	11
5.	Number of working PSUs with arrears in accounts	17	17	20	21	17
6.	Number of accounts in arrears	36	42	51	58	63
7.	**Extent of arrears**	1 to 09 years	1 to 10 years	1 to 08 years	1 to 09 years	1 to 09 years

(Source: Accounts of PSUs received during the period 1January 2019 to December 2019)

Of these 23 working State PSUs, 10 PSUs had finalised 15 annual accounts during the period 1 January 2019 to 31 December 2019 which included 4 annual accounts for the year 2018-19 and 11 annual accounts for previous years. Further, 63 annual accounts were in arrears which pertain to 17 PSUs (two PSUs incorporated in 2018-19)**.** The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Chief Secretary to the Government of Jharkhand is informed quarterly regarding arrear in accounts.

In absence of finalisation of accounts and their subsequent audit in remaining 17 PSUs, no assurance could be given whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoJ investment in these PSUs, therefore, remained outside the oversight of State Legislature.

Impact of non-finalisation of accounts of State PSUs (Non-Power Sector)

1.3.9 As pointed in **paragraph 1.3.8**, the delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Recommendation: The Government may look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

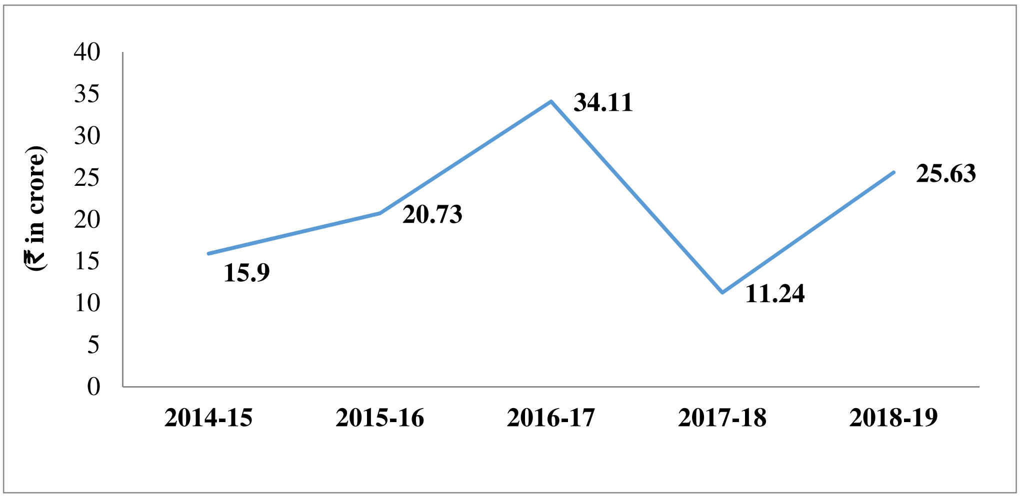
Performance of State PSUs (Non-Power Sector)

1.3.10 The financial position and working results of the 16 State PSUs (Non Power Sector) as per their latest finalised accounts as on 31 December 2019.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed.

1.3.11 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[66] earned/incurred by the working State PSUs (Non-Power Sector) during 2014-15 to 2018-19 is depicted in **Chart 1.3.2**:

Chart 1.3.2: Profit/Losses earned/incurred by working PSUs (Non-Power Sector) during the years



The profit of ₹ 15.9 crore earned by these working PSUs in 2014-15 increased to ₹ 25.63 crore in 2018-19 due to profit earned by Greater Ranchi Development Agency, Jharkhand Police Housing Corporation Ltd, Jharkhand State Beverage Corporation Ltd, Jharkhand State Forest Development Corporation Limited. As per latest finalised accounts for the year 2018-19, out of 16 working State PSUs, 9 PSUs earned profit of ₹ 37.25 crore and 7 PSUs incurred losses of ₹ 11.62 crore. Seven non-power sector company had not yet submitted its first account.

The top profit making companies were Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi Development Agency (₹ 8.86 crore) while,

66 Figures are as per the latest finalised accounts of the respective years.

Jharkhand Silk Textile & Handicraft Development Corporation Ltd and (₹ 4.62 crore) Jharkhand Hill Area Lift Irrigation Corporation Limited (₹ 3.65 crore) incurred losses.

Rate of Real Return (RoRR) on the basis of historical cost of investment

1.3.12 For the purposes of calculation of the RORR, the total figure of investment of Government of Jharkhand, Government of India and others in these Power Sector PSUs has been arrived at by considering the equity, adding interest free loans and deducting interest free loans which were later converted into equity/interest bearing loans for each year, grants, subsidies for operational and management expenses minus disinvestments.

Accordingly, the investment of equity of the GoJ, GoI and others PSUs as on 31 March 2019 in these 23 was ₹ 332.28 crore, Long term loans (all were interest free loans) of ₹ 49.21 crore & grants of ₹ 21.09 crore. Thus, the investment in these 23 PSUs on the basis of historical cost stood at ₹ 402.58 crore (₹ 332.28 crore + ₹ 49.21 crore+ ₹ 21.09 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is given below:

Table 1.3.6: Return on Investment on the basis of historical cost

(₹ in crore)

Year wise Sector-wise break-up	Total Earning for the year	Funds invested by the GoJ	Funds invested by the GoI and others	Total Investment	Rate of Real Return on investment on historical cost basis (%)
		in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis			
2014-15					
Social Sector	4.25	69.12	0	69.12	6.15
Competitive Sector	5.05	90.64	0	90.64	5.57
Others	5.95	2	0	2	297.50
Total	**15.25**	**161.76**	**0**	**161.76**	9.43
2015-16					
Social Sector	4.61	73.76	0	73.76	6.25
Competitive Sector	10.98	134.64	0	134.64	8.16
Others	4.74	2	0	2	237.00
Total	**20.33**	**210.4**	**0**	**210.4**	9.66
2016-17					
Social Sector	4.58	80.76	0	80.76	5.67
Competitive Sector	23.72	209.64	0	209.64	11.31
Others	6.02	2	0	2	301.00
Total	**34.32**	**292.4**	**0**	**292.4**	11.74

2017-18					
Social Sector	4.58	85.77	0	85.77	5.34
Competitive Sector	1.26	279.64	0	279.64	0.45
Others	4.33	2	0	2	216.50
Total	**10.17**	**367.41**	**0**	**367.41**	2.77
2018-19					
Social Sector	3.56	96.94	0	96.94	3.67
Competitive Sector	18.6	290.64	0	290.64	6.40
Others	3.47	15	0	15	23.13
Total	**25.63**	**402.58**	**0**	**402.58**	6.37

(Source: Information received from PSUs)

The Rate of Real Return on investment has been worked out by dividing the total earnings[67] of these PSUs by the cost of the investments made by GoJ, GoI and others. The Rate of Real Return earned on investment of the 16 State PSUs (Non-Power sector) in 2018-19 was positive due to profit earned by Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi Development Agency (₹ 8.86 crore).

Return on Investment on the basis of Present Value of Investment

1.3.13 Traditional calculation of return based only on historical cost however ignores the present value of money. Calculating the RORR on the basis of PV is a more adequate assessment of RORR. During the period from 2014-15 to 2018-19, these 16 PSUs had a positive rate of real return on investment. The rate of real return on investment for these four years have, therefore, been calculated and depicted on the basis of PV.

The PV of the total investment in the 16 PSUs was computed on the following assumptions:

- The equity infused minus disinvestment, interest free loans and funds made available in the form of the grants, subsidies for operational & management expenses have been reckoned as investment for calculating the rate of real return on investments. In case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.
- The average rate of interest on government borrowings for the concerned financial year[68] was adopted as compounded rate for arriving at Present Value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

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[67] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

[68] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Jharkhand) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

1.3.14 The investment in the form of equity of the GoJ, GoI and others PSUs as on 31 March 2019 in these 19 was ₹ 332.28 crore, long term loans (all were interest free loans) of ₹ 49.21 crore & grants of ₹ 21.09 crore. The PV of funds infused by the GoJ, GoI and others up to 31 March 2019 amounted to ₹ 597.41 crore.

1.3.15 As during the years 2014-15, 2015-16, 2016-17 and 2018-19, the 9 PSUs earned profit, sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given below:

Table 1.3.7: Return on State Government Funds (Present Value)

(₹ in crore)

Year wise / Sector-wise break-up	Total Earnings for the year	Funds invested by the GoJ	Funds invested by the GoI and others	Total Investment	PV of the total investment at end of the year	Rate of Real Return on total investment considering the present value of the investments (%)	Rate of Real Return on investment on historical cost basis (%)
		In form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis					
2014-15							
Competitive Sector	5.05	90.64	0	90.64	126.44	3.99	5.57
Social Sector	4.25	69.12	0	69.12	109.15	3.89	6.15
Others	5.95	2	0	2	5.62	105.85	297.50
Total	15.25	161.76	0	161.76	241.21	6.32	9.43
2015-16							
Competitive Sector	10.98	134.64	0	134.64	181.74	6.04	8.16
Social Sector	4.61	73.76	0	73.76	121.33	3.80	6.25
Others	4.74	2	0	2	5.99	79.08	237.00
Total	20.33	210.4	0	210.4	309.07	6.58	9.66
2016-17							
Competitive Sector	23.72	209.64	0	209.64	274.10	8.65	11.31
Social Sector	4.58	80.76	0	80.76	137.01	3.34	5.67
Others	6.02	2	0	2	6.40	94.08	301.00
Total	34.32	292.4	0	292.4	417.50	8.22	11.74
2017-18							
Competitive Sector	1.26	279.64	0	279.64	368.12	0.34	0.45
Social Sector	4.58	85.77	0	85.77	151.93	3.01	5.34
Others	4.33	2	0	2	6.85	63.25	216.50
Total	10.17	367.41	0	367.41	526.89	1.93	2.77
2018-19							
Competitive Sector	18.6	290.64	0	290.64	402.96	4.62	6.40
Social Sector	3.56	96.94	0	96.94	173.36	2.05	3.67
Others	3.47	15	0	15	21.09	16.45	23.13
Total	25.63	402.58	0	402.58	597.41	4.29	6.37

(Source: Information received from PSUs)

The return earned on total investment on historical cost basis was 9.43 *per cent* in 2014-15 which decreased to 6.37 *per cent* during 2018-19 due to decrease in overall profits though there was infusion of additional equity, grants, subsidies, whereas the returns earned on total investment considering the present value of the investments was 6.32 *per cent* and 4.29 *per cent* during the same period. Further, during this period, the returns from competitive sector on present value worked out to 3.99 *per cent* and 4.62 *per cent* only as against return of 5.57 *per cent* and 6.40 *per cent* respectively based on the historical cost of investment.

Erosion of Net worth

1.3.16 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Analysis of investment and accumulated losses revealed that paid up capital has been fully eroded in three out of 16 working PSUs. Of these three PSUs, the paid up capital was fully eroded in Jharkhand Silk Textile &Handicraft Development Corporation Ltd, Jharkhand Hill Area Lift Irrigation Corporation Limited and Jharkhand Plastic Park. Limited.

The table below indicates total paid up capital, total free reserves, total surpluses, total accumulated losses and net worth of the 16 working PSUs (non-power sector) during the period 2014-15 to 2018-19:

Table 1.3.8: Net worth of State PSUs (Non-Power Sector)

(₹ in crore)

Year	No. Of Non-Power Sector PSUs	Paid up Capital	Free Reserves	Surplus	Net worth
1	*2*	*3*	*4*	*5*	*6=3+4+5*
2014-15	11	80.55	0	260.84	341.39
2015-16	12	87.29	0	224.41	311.70
2016-17	15	152.70	0	242.31	395.01
2017-18	15	172.70	0	235.11	407.81
2018-19	16	180.70	0	249.83	430.53

(Source: Information received from PSUs)

As can be seen, the net worth of the State PSUs (non-power sector) was positive during the five-year period. The net worth has increased from ₹ 341.39 crore in 2014-15 to ₹ 430.53 crore in 2018-19 due to increase in paid up capital and surpluses.

Dividend Payout

1.3.17 The State Government had not formulated any dividend policy.

Return on Equity

1.3.18 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits. It is calculated and expressed as a percentage by dividing net income (i.e., net profit after taxes) by shareholders' funds.

Shareholders' funds of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' funds reveals that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets. Return on Equity has been computed in respect of all the non-power sector undertakings which included the holding and subsidiary companies.

Sector-wise Return on Equity computed in respect of State PSUs (non-power sector) which have earned profit or incurred loss as per their latest annual financial account is detailed in the table below:

Table 1.3.9: Sector wise return on equity of all PSUs

(₹ in crore)

	EBIT	Share Holders Fund	ROE in per cent
1	2	3	4 =2*100/3
2014-15			
Social Sector	4.25	225.84	1.88
Competitive sector	5.05	85.43	5.91
Others	5.95	30.67	19.40
Total	15.25	341.94	4.46
2015-16			
Social Sector	4.61	185.93	2.48
Competitive sector	10.98	91.37	12.02
Others	4.74	35.41	13.39
Total	20.33	312.71	6.50
2016-17			
Social Sector	4.58	187.90	2.44
Competitive sector	23.72	166.69	14.23
Others	6.02	41.43	14.53
Total	34.32	396.02	8.67
2017-18			
Social Sector	4.58	187.90	2.44
Competitive sector	1.26	175.16	0.72
Others	4.33	45.76	9.46
Total	10.17	408.82	2.49
2018-19			
Social Sector	3.56	194.89	1.83
Competitive sector	18.60	132	14.09
Others	3.47	49.14	7.06
Total	25.63	376.03	6.82

(Source: Information received from PSUs)

Further, Return on Equity computed in respect of all working State PSUs (non-power sector) which have earned profit or incurred loss as per their latest annual financial account is detailed in the table below:

Table 1.3.10: Return on Equity relating to State PSUs (Non-Power Sector)

(₹ in crore)

	Year	No. of PSUs	Net Profit/Loss (₹ in crore)	Shareholders' funds (₹ in crore)	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	8	31.7	325.82	9.73
	2015-16	8	30.62	342.33	8.94
	2016-17	10	38.87	392.47	9.90
	2017-18	7	27.10	326.98	8.29
	2018-19	9	37.25	526.26	7.08
Loss Incurring	**2014-15**	2	-16.45	-25.16	-
	2015-16	4	-10.29	-29.62	-
	2016-17	5	-4.55	3.55	-
	2017-18	8	-16.93	81.84	-
	2018-19	7	-11.62	5.28	-
Total*	**2014-15**	10	15.25	300.66	5.07
	2015-16	12	20.33	312.71	6.50
	2016-17	15	34.32	396.02	8.67
	2017-18	15	10.17	408.82	2.49
	2018-19	16	25.63	531.54	4.82

(Source: Information received from PSUs)

* *PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.*

During 2018-19, 7 out of 16 PSUs were loss making. Since the Net Income was negative, the Return on Equity of loss making PSUs was not worked out. Shareholders' fund for loss making company was negative during 2014-15 and 2015-16. During the last five years ending March 2019, the Net Income was positive during 2014-15 to 2018-19 and the RoE during these years ranged between 2.49 *per cent* to 8.67 *per cent*.

Return on Capital Employed

1.3.19 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[69]. The details of sector-wise RoCE of State PSUs (Non-Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

[69] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table 1.3.11: Sector wise return on Capital Employed of all Non-power PSUs

(₹ in crore)

	EBIT	Capital Employed	RoCE (in per cent)
1	2	3	4=2*100/3
2014-15			
Social Sector	8.24	349.47	2.36
Competitive sector	37.67	201.96	18.65
Others	8.87	30.67	28.92
Total	54.78	582.10	9.41
2015-16			
Social Sector	8.60	255.79	3.36
Competitive sector	43.20	279.72	15.44
Others	6.86	35.41	19.37
Total	50.06	315.13	15.89
2016-17			
Social Sector	8.57	257.77	3.32
Competitive sector	59.67	1199.39	4.97
Others	8.72	41.43	21.05
Total	68.39	1240.82	5.51
2017-18			
Social Sector	8.57	257.77	3.32
Competitive sector	33.35	1880.23	1.77
Others	5.98	45.76	13.07
Total	47.90	2183.76	2.19
2018-19			
Social Sector	7.55	264.75	2.85
Competitive sector	54.58	1939.137	2.81
Others	4.81	49.14	9.79
Total	66.94	2253.027	2.97

(Source: Information received from PSUs)

Further, the details of total RoCE of all the profit making and loss incurring working State PSUs (Non-Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

Table 1.3.12: Return on Capital Employed relating to State PSUs (Non-Power Sector)

(₹ in crore)

	Year	No. of PSUs	EBIT	Capital employed	RoCE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	8	71.87	473.37	15.18
	2015-16	8	70.03	559.28	12.52
	2016-17	10	81.45	1487.10	5.48
	2017-18	7	64.77	2005.79	3.23
	2018-19	9	78.50	2201.61	3.57
Loss Incurring	**2014-15**	2	-16.97	13.59	-
	2015-16	4	-11.37	11.64	-
	2016-17	5	-4.49	11.499	-
	2017-18	8	-16.87	177.977	-
	2018-19	7	-11.56	51.417	-
Total*	**2014-15**	10	54.90	486.96	11.27
	2015-16	12	58.66	570.92	10.27
	2016-17	15	76.96	1498.599	5.14
	2017-18	15	47.90	2183.767	2.19
	2018-19	16	66.94	2253.027	2.97

(Source: Information received from PSUs)

* *PSUs which earned neither profit nor incurred loss and PSUs which had not submitted their first accounts since inception had been excluded.*

During 2018-19, 7 out of 16 working PSUs were loss making. Since the EBIT was negative in respect of these 7 PSUs, the RoCE of Loss making PSUs could not be worked out. The RoCE of PSUs ranged between 2.19 *per cent* and 11.27 *per cent* during the period 2014-15 to 2018-19.

Analysis of Long Term Loans of the State PSUs (Non-Power Sector)

1.3.20 The analysis of the long term loans of the companies which had leverage[70] during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through Debt Turnover Ratio.

Debt-Turnover Ratio

1.3.21 Debt-Turnover Ratio were same during the last five years as no long term loans taken by state PSUs from 2014-15 to 2018-19 as given in table below:

Table 1.3.13: Debt Turnover Ratio relating to the non-power sectors PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	49.39	49.39	49.39	49.39	49.39
Turnover	1148.33	1134.81	1130.4	1142.26	1161
Debt-Turnover Ratio	0.04	0.04	0.04	0.04	0.04

(Source: Information received from PSUs)

Follow up action on Audit Reports

Replies outstanding

1.3.22 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Jharkhand issued (November 2015) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

Explanatory notes on five Paragraphs were pending with five departments till December 2020.

Discussion of Audit Reports by CoPU

1.3.23 The status of discussion of Performance Audits and paragraphs related to State PSUs (Non-Power Sector) that appeared in Audit Reports (PSUs) by the CoPU as on 31 December 2020 was as under:

[70] Leverage means the amount of debt a firm uses to finance assets.

Table 1.3.14: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 31 December 2020

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-19	5	17	3	13

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (August 2018). During 2018-19, with the co-ordination and assistance of PAG, CoPU had in its three meetings, discussed three paragraphs relating to Audit Reports of 2008-09 to 2013-14.

Compliance to Reports of COPU

Out of eight recommendations in four COPU reports presented to the State Legislature during 2013-18, no ATN had been received from State PSUs (Non-Power).

The reports of COPU contained recommendations in respect of paragraphs pertaining to Forest, Environment & Climate Change, Mines & Geology, Home, Jail & Disaster Management and Industry Departments, GOJ, which appeared in the Reports of the CAG of India for the year 2006-07, 2009-10, 2010-11 and 2012-13.

Coverage of this section

1.3.24 This Section of the Report contains two Audit Paragraphs and one compliance audit on 'Management of Assets by Jharkhand Tourism Development Corporation Ltd.'

CHAPTER–II: COMPLIANCE AUDIT

DEPARTMENT OF TOURISM, ART, CULTURE, SPORTS & YOUTH AFFAIRS

2.1 Audit on Management of Assets by Jharkhand Tourism Development Corporation Limited

2.1.1 Introduction

Jharkhand is a sought after destination for tourists as it is blessed with immense bio-diversity, moderate climate, rich cultural and historical heritage and famous pilgrimage sites. The State has several tourist spots of international, national and state level importance.

The Department of Tourism, Art, Culture, Sports & Youth Affairs (Department), Government of Jharkhand (GoJ) constructed and transferred (between June 2004 and October 2018), 85 assets[71] situated in 22 districts to Jharkhand Tourism Development Corporation Limited (JTDC), a wholly owned Government Company for operation and management. The ownership of the assets vests with the Department and JTDC manages the assets through self-managed and outsourced mode.

The Company (JTDC) is under the administrative control of the Department headed by the Secretary. Management of the Company is vested with a Board of Directors (BoD) appointed by the GoJ. Managing Director (MD) cum Chief Executive Officer of the Company is assisted by two General Managers and two Deputy General Managers. Self-managed hotels/Tourist Complexes (TCs) are headed by Sr. Managers/Managers.

Audit of "Management of Assets by JTDC" covering the period from 2015-16 to 2018-19 was conducted to assess how efficiently and effectively JTDC has utilised and managed the assets to promote tourism in the State.

The sources of criteria were Jharkhand Tourism Policy (JTP) 2015, circulars and instructions issued by GoJ and Government of India (GoI), Jharkhand Financial Rules (JFR), Jharkhand Treasury Code (JTC), Memorandum and Articles of Association and Agenda and Minutes of BoD meetings of JTDC.

Eight[72] districts having 51 assets were selected through 'Simple Random Sampling Without Replacement' for scrutiny of records and physical verification. However, test-check of records and physical verification of only

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[71] Hotels, Tourist Complexes (TCs), Tourist Information Centers (TICs), Way Side Amenities (WSAs), Multi-Purpose Bhawan (MPBs)/Shadi Ghar/Sanskar Bhawan, Rope Way, Children Play Zones, Light & Sound Systems and Shopping Complexes.

[72] Deoghar, Dumka, East Singhbhum, Hazaribag, Latehar, Palamu, Ramgarh and Ranchi.

44 assets[73] could be conducted. Apart from 44 sampled assets, files of 26 additional assets were scrutinised at JTDC HQ.

An entry conference was held on 04 September 2019 with the Special Secretary of the Department and MD, JTDC in which the objectives, scope and methodology of audit were discussed. Exit conference was held on 12 January 2021 with MD (JTDC) cum Director of Tourism, GoJ in which audit findings were discussed. Replies of the Department/Company have been suitably incorporated in the Report.

Audit Findings

2.1.2 Planning

As per the Jharkhand Tourism Policy (JTP) introduced by GoJ in June 2015, the State was to prepare and implement a master plan for integrated development and marketing of tourism, conduct a detailed survey of tourism potential of every district to optimally utilise such potential, introduce a State Tourist-Friendly Security Force (TFSF) by involving ex-servicemen, promote private sector participation in the development of tourism, set up minimum standards for tourism units and provide quality services to visitors at destinations and on the way. It was observed that the Department had not:

- prepared the master plan for integrated development and identification of viable areas for tourism development,
- conducted any survey to assess tourism potential of the sites where assets were constructed,
- set up minimum standards for tourism units, and
- created the TFSF even after lapse of more than four and half years after the introduction of JTP.

Failure of the Department in preparing master plan, conducting survey of tourism potential and setting up minimum standards for its tourism units resulted in construction of assets at remote and unviable places, non-operational assets, low bed occupancy, poor response of developers for running the assets etc. These and other issues are discussed in the succeeding paragraphs. Further, out of 22 assets constructed and transferred after the introduction of JTP, 19 assets remained non-operational as of May 2020 ***(Appendix-2.1.1).***

In reply, the Department stated (July 2020) that they were working under Tourism Policy, Road map and Vision for development of tourism in the State and that individual master plans were prepared for five major projects. It was further stated that survey was conducted for one mega investment project (Patratu Mega Development Destination) and that other assets were created on the recommendations of District Administration, Public Representatives and

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[73] Records of seven assets could not be examined and physically inspected due to suspension of audit in the light of COVID 2019.

decision of the Department. The Department also stated that minimum standards of accommodation units have already been decided by GoI. However, the Department accepted that survey to assess tourism potential of the sites where assets were constructed was not done and TFSF comprising of ex-serviceman was not created.

No comments regarding non-preparation of master plan for integrated development and marketing of tourism pointed out in the Report were given by the Department. Further, the GoI decision referred to by the Department was the minimum standards required for granting star rating to accommodation facilities and not the minimum standards for tourism units.

2.1.3 Operation and Management of Assets

As per records of JTDC, the Department transferred 85 assets (as of March 2019) to JTDC out of which 30 assets have been outsourced, 22 were being self-managed, 32 remained non-operational and one asset was being run through the local administration. Out of 85 assets, 66 were transferred during 2009-10 to 2018-19. Test check of records of the Department and JTDC related to 44 properties (19 outsourced, 12 self-managed, 12 non-operational and 01 other) in 08 test-checked districts and their joint physical verification revealed the following:

2.1.3.1 Lack of control of JTDC over its properties

According to the circulars of the Department issued at the time of transfer of assets, JTDC was to take over the assets within one week from the date of transfer. Further, as per agreement, the developer was to develop the asset as per approved Project Implementation Plan (PIP). Audit observed that though seven assets were transferred (between March 2015 and October 2015) to JTDC for their operation and management through outsourcing, JTDC failed to have control over these assets as discussed below:

(a) TC Maluti (Dumka) and TC Baridih (East Singhbhum)

These assets were constructed (2009 and 2010) at a cost of ₹ 1.11 crore and transferred to JTDC in August 2009. However, in July 2012, GoJ transferred these assets to the DCs of the districts for their operation. Again, in October 2015, GoJ transferred these properties back to JTDC with instructions to take over the assets within one week from the date of transfer.

Audit observed that though JTDC invited tenders for outsourcing TC Maluti (March 2016) and TC Baridih (March 2016 and December 2016), these assets could not be outsourced to successful bidders for reasons not available on record. During joint physical verification (March 2020), Audit noticed that TC Maluti was being run by a committee[74] under an agreement executed (June 2015) between the Deputy Commissioner (DC) Dumka and the Secretary

[74] Non-Government Organisation.

of the committee for one year. The asset was taken back from the DC, Dumka and transferred to JTDC in October 2015. However, the committee continued its operation unauthorisedly beyond the agreement period (after September 2015). Further, Maluti (Dumka) was notified as a tourist spot of international importance by the State Government. Despite being a destination of international importance, only 1,659 tourists had stayed in this TC during 2015-16 to 2018-19 due to lack of basic amenities.

JTDC had informed (August 2019) that TC Baridih was lying idle. However, during joint physical verification (January 2020), it was found that the TC was being used for marriage functions.

Thus, unauthorised operation of the assets without the knowledge of JTDC showed lack of control of JTDC over its assets. Further, signboards/logo of GoJ/JTDC were not found in these two assets.

The Department stated (July 2020) that JTDC had not taken over these properties and that the district administration concerned had been requested to intimate the condition, running status of the assets and revenue collected. The reply is not correct as JTDC had to take over the assets within one week of transfer and it was also found that tenders had been floated (March 2016) by JTDC to outsource these assets.

(b) MPB Pathrol (Deoghar) and Chhatarpur (Palamu)

The Department constructed (between 2015 and 2016) these two MPBs at a cost of ₹ 91.74 lakh and transferred (October 2015) them to JTDC prior to completion of construction. Though JTDC invited tenders twice (March 2016 and December 2016) to outsource the assets, no developers were selected. As per records of JTDC, both these assets were non-operational. However, during joint physical verification (March 2020), it was observed that these assets were being operated by village level committees without the consent of JTDC/Department. These local committees earned revenue by renting out the Vivah Mandap and rooms during the period from 2015-16 to 2018-19 but no revenue was deposited to Government/JTDC's account. Further, no JTDC/Government signboards/logo was found in these assets indicating failure of JTDC to have control over its properties.

The Department/JTDC did not give specific reply and stated (June 2020) that the properties are located in remote places where only occasional tourists are expected and the Department had been requested to transfer the property to District Tourism Promotion Committee (DTPC) to make them functional.

(c) Children Play Zone, Sidhgora (Jamshedpur)

Children Play Zone, Sidhgora (Jamshedpur) was transferred (October 2015) to JTDC and though tenders were invited (March 2016 and December 2016), the asset could not be outsourced. The asset was shown as non-operational in JTDC's records. However, during joint physical verification (January 2020), it was observed that the asset was being run by a local committee indicating lack of control of JTDC over its asset. No revenue was deposited to Government/ JTDC's account though tickets were being sold. No Government/JTDC signboards/logo were put up and toilets, drinking water facility were not available. Further, several benches in the park were found damaged.

The Department stated (July 2020) that the asset is under the charge of district administration. Reply is not convincing as the asset which was to be taken over by JTDC was found being run by a local committee during joint physical verification. Further, JTDC was showing the asset as non-operational and had floated tenders to outsource the property.

(d) Wayside Amenities Tatijharia (Hazaribag) and Hata Chowk (East Singhbhum)

These assets were transferred (March 2015) to JTDC and agreement for operation and maintenance was executed (February 2016 and March 2016) with the developers. Scrutiny of records and joint physical verification revealed that the developer of Wayside Amenity (WSA), Tatijharia did not develop the agreed facilities, constructed shops in the front of the building and commercialised the WSA without obtaining approval from JTDC. The asset was being used mainly for marriage, training and meeting purposes. In WSA Hata Chowk (East Singhbhum), furnishing work in rooms and other development works were not completed (as of January 2020) despite the stipulated date of completion being March 2018. As a result, stay of tourists in this asset was nil and only a restaurant was running.

Further, JTDC could not realise any damage charge for delayed development in the absence of clause in the agreements. Also, no logo/signboard of JTDC/Government were found.

Thus, due to lack of control and monitoring by JTDC over these assets, the desired purpose of providing transit facilities to tourists could not be achieved.

The Department/JTDC stated (June 2020) that the Developer of WSA Tatijharia, started commercial activities before developing adequate facilities to get some return on investment. JTDC further stated that the property was located at a remote location, foot-fall was very low and the temporary shops have been removed. JTDC also stated that it will be ensured that logo of JTDC is displayed by every developer.

The reply of the Department/JTDC is not correct as WSA Tatijharia is located at block headquarters on the NH. Commercial operation without developing the assets was in violation of the agreement and indicated lack of control of JTDC over the assets. No specific reply regarding WSA, Hata Chowk was furnished.

2.1.3.2 Non-operational assets

It was observed that 39 assets constructed at a cost of ₹ 39.62 crore and transferred (between 2004 and 2018) to JTDC remained non-operational or partially operational as of May 2020. Details of 37 non-operational and two partial-operational assets are shown in ***Appendix 2.1.2***. Illustrative case studies on five of these assets are given below:

(a) WSA Tamar, Ranchi

The asset was outsourced (July 2015) to a successful bidder for up-gradation, operation, maintenance and management, but the developer refused (July 2015) to develop it due to lack of electricity and water facility. After termination (August 2017) of the agreement, JTDC again tendered (December 2018) the asset and executed (July 2019) an agreement with the developer[75] without providing electricity connection which was also intimated (July 2019) by the developer. It was further seen that instead of taking steps to provide electricity connection, JTDC was pursuing the developer to submit the PIP. During joint physical verification (January 2020), it was noticed that the building was in a dilapidated condition, electricity/water connection was not available, the main gate was broken, there was no boundary wall at the back side and no Government/JTDC signboards/logo were put up anywhere on the property.

Picture 2.1: WSA, Tamar

Thus, the asset has remained non-operational even after lapse of eight years since its transfer to JTDC and the expenditure of ₹ 36.94 lakh on its construction has become unfruitful.

The Department/JTDC accepted (June 2020) that the asset could not be made operational as the licensee has not submitted the PIP. However, reasons for not taking steps to provide electricity and water connection were not furnished.

(b) MPB Punasi, Deoghar

The Building was constructed with the objective of providing accommodation facility to visitors of Punasi dam. Initially the site was earmarked near the Punasi Dam but due to local protests, the MPB was constructed (October 2018) at another site at a cost of ₹ 1.90 crore and transferred (October 2018) to JTDC for operation and management through outsourcing.

Scrutiny of records revealed that JTDC did not invite tender for outsourcing even after lapse of more than one year of its transfer and the asset remained idle

75 *Maa Devri Resorts Private Limited.*

as of May 2020. During joint physical verification (December 2019), it was observed that the MPB was located at a remote place from where the dam could not be viewed, there was no public transport facility to reach the dam and electricity was not available in the building or in the nearby area. The dam is also not notified as a tourist spot by the State Government. Further, no advertisement of any sort regarding the MPB was put up near the Punasi Dam.

Picture 2.2: Punasi Multipurpose building

The Department/JTDC accepted (June 2020) the facts and stated that the property had much potential and it would be outsourced very soon. However, the fact remains that the property constructed at a cost of ₹ 1.90 crore has remained idle since its transfer in October 2018.

(c) MPB Budhai, Deoghar

MPB Budhai, Deoghar was transferred (October 2015) to JTDC for operation and management through outsourcing. Though JTDC invited tenders (March 2016 and December 2016) to outsource the asset, it could not be finalised for reasons not available on records. No further tender was floated and the asset remained non-operational.

During joint physical verification (December 2019), Audit noticed cracks in the walls of the building, broken window panels and non-functional toilets/hand-pump outside the MPB. Further, no watchman/caretaker was deployed by JTDC to safeguard the asset.

Picture 2.3: Budhai Multipurpose Bhawan, Deoghar

It was also noticed that the MPB is located at a remote location, adjacent to the Budhai Temple which is not notified as a tourist spot by the State Government. Thus, the asset constructed at a cost of ₹ 51.76 lakh has remained idle since October 2015. JTDC accepted (June 2020) the facts and stated that the Department had been requested to transfer the property to DTPC for making it functional.

(d) Light & Sound Show Shilpgram, Deoghar

The asset constructed (January 2015) at a cost of ₹ 3.05 crore by the Department was transferred (January 2015) to JTDC for operation and management. The Department instructed (January 2015) JTDC to operate the system for the first three months through ITDC. Though ITDC had advised JTDC to continue its operation by engaging trained personnel and entering into an Annual Maintenance Contract (AMC), it was observed that JTDC operated (February 2015) the system without following their advice. The system was shut down twice (February 2016 and June 2016) due to defects and was made functional by ITDC. The system was again shut down (July 2016) due to thunder and lightning and had remained idle since then.

Thus, JTDC's failure to engage trained personnel and AMC to ensure smooth running of the system resulted in unfruitful expenditure of ₹ 3.05 crore.

Picture 2.4: Condition of Light & Sound System at Deoghar

The Department/JTDC accepted the facts and stated (June 2020) that the light and sound show would be operationalised after rectification of defects. The fact, however, remains that the facility has been idle since the last four years.

(e) Tourist Place, Kanke Dam, Ranchi

The asset was transferred (March 2012) to JTDC for operation and management through outsourcing. However, during joint physical verification (30 December 2019), it was found that the asset was being run by JTDC and was partially operational (only Park). The restaurant, food court and musical fountain were non-functional with the restaurant and food court being in dilapidated condition.

Picture 2.5: Condition of restaurant and food court in Tourist Place, Kanke Dam, Ranchi

The Department did not furnish any reply. However, JTDC stated (June 2020) that the asset had been outsourced (March 2020) and operation would be started after its development.

2.1.3.3 Unreliable projection of tourist data of the State.

Ministry of Tourism (MoT), GoI requires annual data of domestic and foreign tourist visits in the State for publication in "India Tourism Statistics". For this purpose, Director of Tourism, GoJ requested the DCs, JTDC and hotels located in Jharkhand to provide tourist data for compilation and onwards submission to the GoI.

Scrutiny revealed that Directorate of Tourism, GoJ reported tourist inflow of 13.63 crore (during 2015 to 2018) in the State to MoT, GoI. Audit observed that the data sent to GoI was not based on any available documentation. Audit compiled the data of tourist visits received during 2015 to 2018 at the Directorate of Tourism, GoJ from JTDC/DCs/Hotels/Tour & Travels operators etc., and observed that only 3.09 crore tourists had visited the State during 2015 to 2018.

Thus, it is evident that unreliable and incorrect tourist data was submitted to MoT, GoI. In reply the Department stated (January 2021) that the private hotels/tour operators did not submit the tourist data and hence it was compiled on the basis of telephonic conversation with some private hotels/tour operators and assured to take corrective measures.

2.1.3.4 Bed occupancy in hotels/TCs of JTDC

The Department/JTDC did not provide information regarding bed occupancy of its hotels/TCs during 2015-16 to 2018-19. Information obtained by Audit from 11 out of 19 physically verified Hotels/TCs is depicted in **Table 2.1** below:

Table-2.1: Details of bed occupancy

Year	Self-managed (four hotels)			Outsourced (seven hotels/TCs)		
	Total beds available	Beds occupied	Occupancy (*per cent*)	Total beds available	Beds occupied	Occupancy (*per cent*)
2015-16	83,082	17,311	20.84	20,496	7,405	36.13
2016-17	82,855	19,289	23.28	36,865	8,935	24.24
2017-18	82,855	26,367	31.82	52,705	18,976	36.00
2018-19	82,855	26,976	32.56	75,267	25,617	34.03

Scrutiny of records of 11 hotels/TCs revealed that:

- During 2015-16 to 2018-19, bed occupancy in four self-managed hotels ranged between 20.84 *per cent* and 32.56 *per cent* whereas it ranged between 24.24 and 36.13 *per cent* in seven outsourced hotels/TCs.
- Bed occupancy of self-managed Hotel Basuki Vihar, Basukinath, Dumka located at a better location was relatively poor (16.04 to 21.71 *per cent*) than the bed occupancy (71.35 to 90.15 *per cent*) of outsourced TC Basukinath, Dumka.
- Bed occupancy during year 2017-18 to 2018-19 of self-managed hotel Van Vihar Betla was better (23 *per cent*) than the adjacent outsourced Jungle hut-cum-tourist plaza-cum-youth hostel (6 to 9 *per cent*). It was noticed during

joint physical verification that the outsourced asset lacked proper amenities/facilities.

- Bed occupancy of Hotel Sakchi Vihar, Jamshedpur was very poor (2.30 to 17.19 *per cent)* despite proper maintenance and good location.

Thus, despite substantial tourist inflow into the State, the bed occupancy of JTDCs hotels/TCs was not encouraging.

The Department/ JTDC replied (June 2020) that most of the assets were located in naxal affected disturbed/forest areas or in areas where inter-state tourist inflow is very low. JTDC further stated that Hotel Natraj Vihar, Baidyanath Vihar, Basuki Vihar and TC Basukinath are located in places having seasonal tourist turnout and occupancy was nearly 80 *per cent* during the peak season.

The Department's reply is not acceptable because out of the 11 properties pointed out by audit, only two are located in naxal affected areas. Secondly, there were cases where the outsourced property had better occupancy than the self-managed property in the same location. Department's reply also showed that no forethought was put into identifying locations before creating assets. The claim of 80 *per cent* occupancy in peak season by JTDC is not correct as Audit found 80 *per cent* or more occupancy only in one month in one hotel.

2.1.3.5 Absence of basic facilities and modern amenities

Audit observed during joint physical verification of 44 assets that out of four self-managed hotels, there was water seepage and dampness in the rooms/corridors as well as cracks in the walls of two hotels. Wi-fi, CCTV and intercom were not available in any of the four hotels. One hotel (Baidyanath Vihar) did not have safe drinking water, geyser and television in the rooms. Two Hotels (Baidyanath Vihar and Natraj Vihar) did not have working e-payment facility, two Hotels (Baidyanath Vihar and Basuki Vihar) did not have restaurants and two Hotels (Baidyanath Vihar and Van Vihar) did not have fire extinguishers. In the remaining 40 assets, Audit observed seepage in the rooms and lack of basic facilities.

Picture: 2.6: Hotel Baidyanath Vihar

Picture 2.7: Seepage in wall of WSA Trikut, Deoghar

Audit further noticed encroachment in the front and left side of around hotel Basuki Vihar, Basukinath (Dumka) and Natraj Vihar Shopping Complex, Deoghar.

Picture 2.8: Encroachment (verandah of shops of shopping complex, Deoghar and boundary wall of Hotel Basuki Vihar, Basukinath)

The Department/JTDC stated (January 2021) that basic facilities of self-managed assets would be upgraded. The Department/JTDC was silent on encroachment and absence of basic facilities in the other assets.

2.1.3.6 Other points of interest

Scrutiny of records and joint physical verification of assets also revealed the following irregularities:

a) Unjustified/ Irregular expenditure

According to the circular transferring (March 2015) TC Masanjore (Dumka) to JTDC, the asset was to be made operational through outsourcing/PPP mode and no grant was to be given for its operation and maintenance.

It was observed that the asset was constructed (2017) at a cost of ₹ 3.73 crore by the Department and transferred to JTDC for operation and maintenance. After transfer of the asset to JTDC, against the estimate of ₹ 3.32 crore, the Department spent (November 2018) ₹ 3.05 crore on furnishing and development works on the request (September 2017) of DC, Dumka though similar requests were denied by the Department in other cases stating that furnishing works are to be done by the selected developer. Further, the agreement with the developer was executed (January 2019) at an annual licence fee of ₹ 12.33 lakh against the reserve price of ₹ 10 lakh.

Thus, furnishing and development work done by the Department instead of the developer led to unjustified/irregular expenditure of ₹ 3.05 crore.

The Department accepted (July 2020) the facts and stated that furnishing was done by the Department for fast operation of property prior to the tender and the furnishing cost was included while deciding reserve price.

The reply is not acceptable as the Department had refused to allot funds for furnishing work in other cases on the grounds that the assets are to be outsourced and developers are supposed to do the development works. Further, this is the solitary case where furnishing was done. In view of huge investment of

₹ 6.37 crore, fixing the reserve price at ₹ 10 lakh was also not justified and there was no evidence that furnishing/development cost was factored in for fixing the reserve price.

b) Construction of WSA away from specified place

The Jharkhand Tourism Policy (JTP) envisages construction of WSAs by the sides of National Highways (NH)/State Highways (SH) to provide transit accommodation to the travellers. However, WSA Trikut, Deoghar was constructed (2014) about two km away from the Deoghar-Basukinath NH at a cost of ₹ 1.06 crore.

The asset was transferred (March 2015) to JTDC and was being run in self-managed mode. The receipts during 2015-16 to 2018-19 were ₹ 10.46 lakh against an expenditure of ₹ 11.55 lakh. The condition of the asset was poor and cracks and seepage were noticed in the building during joint physical verification. Further, the bed occupancy rate during 2015-16 to 2018-19 was only 12.18 *per cent* against the bed capacity of 14,600. Thus, due to construction of the WSA away from NH, the purpose of providing transit accommodation to the tourists/visitors could not be achieved even after incurring expenditure of ₹ 1.06 crore.

The Department/JTDC stated (June 2020) that the location of the asset was changed due to non-availability of land near the NH.

c) Fixation of unrealistic reserve price

For the two assets - Jungle Hut & Tourist Plaza (area: 2.13 acres, built up area 9,032 square feet) and Youth Hostel (0.85 acres, built up area 3,758 square feet), at Betla (Latehar), JTDC fixed (July 2014) the reserve annual license fee at just ₹ one lakh even though the previous successful bid was finalised (April 2012) at an annual license fee of ₹ 2.40 lakh. Further, no norms or mechanism for fixing reserve annual licence fee of the asset was found on record. It was noticed during joint physical verification that these assets are adjacent to Hotel Van Vihar (a self-managed hotel of JTDC) whose net profit was ₹ 6.32 lakh during the year 2013-14. Further, revenue potentiality of the area was good as average net profit of Hotel Van Vihar increased to ₹ 24.57 lakh per annum during 2015-16 to 2018-19. Thus, the reserve price fixed by JTDC was not in sync either with the previous licence fee or with the profit of similarly located properties.

The Department/JTDC stated (June 2020) that investment on infrastructure and furnishing being made regularly by the Corporation or Department in Hotel Van Vihar, Betla was not deducted from the annual income. As such, earnings of one hotel cannot be seen in isolation without taking into consideration the investment made.

Reply of JTDC is not convincing as details of investment made by JTDC/Department in the Hotel were not furnished. Further, average net profit of the Hotel was ₹ 24.57 lakh per annum. Therefore, outsourcing an adjacent asset at only ₹ one lakh per annum was not justified.

d) Non-fulfillment of objective

As per JTP, apart from offering information to tourists, the Tourist Information Centres (TICs) would also provide reservation facilities for the hotels and transport services of JTDC and private classified hotels located in Jharkhand. Scrutiny revealed that the TICs did not provide these facilities and were engaged in other activities as discussed below:

- **TIC Daltonganj:** The asset was constructed (2016) at a cost of ₹ 50 lakh and transferred (March 2015) to JTDC prior to its construction. JTDC outsourced the asset (December 2018) at an annual license fee of ₹ 1.11 lakh. Scrutiny of records and joint physical verification (March 2020) revealed that the TIC provided neither information to tourists nor hotel reservations. No brochures/pamphlets containing information about tourism in Jharkhand were found. Instead, the asset was being used to organise marriages, meetings etc. Further, no logo/ signboard of JTDC/Government was put up.

The Department/JTDC stated (June 2020) that the developer is free to provide facilities for stay and parties simultaneously with providing information to the tourists. However, the reply was not in consonance with the objective of setting up TICs. The Department assured (January 2021) that action would be taken to enforce the agreement with the developer.

- **TIC Hazaribag:** According to the agreement, the developer was to obtain necessary approvals from JTDC before start of construction work and obtain clearances for other facilities from the competent authority. However, the developer started construction work without prior approval of JTDC which was stopped (March 2015) by the district administration on the grounds of irregular construction without obtaining clearances. Subsequently, the TIC was sealed (September 2018) by the SDO, Sadar, Hazaribag on the grounds that antisocial activities were being carried out in its premises. However, it was noticed that JTDC had terminated (November 2018) the agreement on the ground of non-payment of licence fee. It was further seen during joint physical verification that the asset was non-operational, lacked basic amenities and was poorly maintained.

JTDC stated (January 2021) that agreement for outsourcing the property was executed (November 2020) and the asset was handed over (December 2020) for development of the property. The fact, however, remains that the asset was non-operational as of January 2021.

e) Failure to insure property

As per the agreement, in 23 outsourced assets out of 30, the developer was required to keep the insurance policy in force. However, it was observed that none of the 23 developers had insured the properties which would result in extra financial burden on JTDC in the event of any mishap.

The Department/JTDC accepted the facts and stated (June 2020) that action would be taken to insure the properties in future.

f) Non-enhancement of performance security

According to the agreement, developers were to submit enhanced performance security at par with licence fee payable throughout the agreement period. Scrutiny of records revealed that out of 30 outsourced assets, clause of enhancement of performance security was not found included in agreements of 21 assets. Only one developer (TIC Daltonganj) adhered to the agreement and developers of five assets did not submit enhanced performance security**.** Thus, in the event of termination of the agreement, the performance security will not be sufficient to cover the license fee due.

The Department/JTDC accepted the facts and stated (June 2020) that action will be taken to ensure that developers submit enhanced performance security in future.

g) Non- compliance of environmental and safety issues

According to the agreement, the developer was to conform to the applicable environment, health and safety laws/provisions including rainwater harvesting, energy conservation and good safety practices. It was observed that out of 19 physically verified outsourced properties, the clause regarding environment and safety issues was included in agreements of 16 properties. Physical verification of the 16 properties revealed that rainwater harvesting and fire-fighting systems were installed only in one and five properties respectively, while CCTVs were not installed at two properties. The Department/JTDC accepted the facts and stated (June 2020) that action would be taken to ensure that the developers adhere to the agreement in future.

2.1.4 Financial management

Ownership of the assets managed by the Company vests with the GoJ and income earned from their operation is treated as income of the Company. The Company has not finalised its annual accounts for the years 2010-11 to 2018-19. In the absence of approved accounts, audit observations are based on provisional accounts.

2.1.4.1 Working results

The Company finances its day to day activities from the income it earns from its hotels, restaurants and lease rent from outsourced properties etc. Details of revenue realised and expenditure incurred during the years 2015-16 to 2018-19 of JTDC are detailed below:

Table-2.2: Working Result (Provisional)

(₹in lakh)

Particulars	2015-16	2016-17	2017-18	2018-19
Revenue from Room Rent	125.93	165.00	244.11	325.16
Revenue from Lease Rent	202.42	209.79	297.28	259.64
Revenue from Restaurants	66.07	69.32	114.76	120.69
Revenue from Entrance/Parking fee	23.42	35.56	38.00	41.37
Revenue from Transport Division	11.71	9.28	6.35	3.89
Other miscellaneous income	44.10	37.87	45.85	26.90
Total	**473.65**	**526.82**	**746.35**	**777.65**
Total Expenditure	**376.24**	**343.82**	**401.57**	**403.21**
Gross Profit	**97.41**	**183.00**	**344.78**	**374.44**
Provision for taxation	30.10	42.50	103.44	93.61
Net income	**67.31**	**140.50**	**241.34**	**280.83**

(Source: JTDC)

2.1.4.2 Outstanding Room Rent and Tax of ₹ 55.45 lakh

In four self-managed hotels, room rent and tax amounting to ₹ 55.45 lakh remained outstanding even after lapse of 12 months to over 6 years as of March 2020. Further, except for dues of one hotel, JTDC did not pursue recovery of the outstanding dues.

The Department/JTDC accepted the facts and stated (June 2020) that the management is pursuing the matter and the dues would be recovered. However, the dues remained unrealised as of January 2021.

2.1.4.3 Outstanding license fee/rent of ₹ 182.98 lakh

According to the agreements, the developers/lessees were to pay annual license fee of outsourced properties/monthly rent of shop with applicable tax to JTDC in advance. Delay in payment would attract penalty and delay beyond the prescribed period would also entitle JTDC to terminate the agreement and forfeit the performance bank guarantee (PBG).

Audit observed that JTDC failed to realise license fee with applicable tax and penalty from the developers of Hotel Birsa Vihar, Ranchi and TIC Hazaribag as per agreements. JTDC terminated the agreements and realised only ₹ 49.14 lakh against the total dues of ₹ 230.15 lakh after forfeiting the PBGs. Further, ₹ 1.97 lakh, due from the lessees of 21 shops from April 2018 to November 2019 was also not realised. As such, license fees/shop rents amounting to ₹ 182.98 lakh remained unrealised.

JTDC stated that recovery of rent of shops from the defaulter lessees is in process. However, the license fee/rent remained unrealised as of January 2021.

2.1.4.4 Failure to transfer share of net earnings of ₹ 82.47 lakh

According to circulars of transfer of assets, JTDC was to deposit share of net earnings from 19 out of 30 outsourced properties to Government account. It was observed that JTDC never deposited the required share of earnings from the outsourced assets to Government's account. Audit calculated non-deposit of Government share for the period from March 2014 to March 2020 amounting to ₹ 82.47 lakh in the 19 outsourced assets resulting in creation of liability of ₹ 82.47 lakh for JTDC. The Department/JTDC stated (January 2021) that the share of net earnings will be transferred to the Government at the earliest.

2.1.4.5 Unrealised damage charge: ₹ 47 lakh

According to the agreements, developers were required to upgrade and renovate the project facilities within six months from the date of approval of the PIP by JTDC. Further, delay in completion of upgradation work would attract damage charges.

JTDC approved PIP of TIC Hazaribag in September 2014 and the developer was required to upgrade the asset by March 2015. The agreement was terminated (October 2018) by JTDC as the upgradation work was not completed by the developer. However, JTDC did not take action to get the work completed in time nor terminate the agreement earlier. Further, they failed to realise the damage charge of ₹ 47 lakh from the developer.

The Department/JTDC stated (June 2020) that as the agreement was terminated in 2018 and it was unable to recover any amount as damage charges from the developer.

2.1.4.6 Loss due to unencashed PBG worth ₹ five lakh

According to the agreements, in the event of default by the developer, the amount of due licence fee etc., was to be recovered from the performance security.

The licence fee due from the developer of WSA, Bagodar could not be recovered after termination (December 2017) as only a photocopy of the PBG worth ₹ five lakh was available with JTDC which could not be encashed.

The Department/JTDC stated that agreement was terminated due to non-payment of licence fee and non-renewal of PBG. The reply is not acceptable as PBG worth ₹ five lakh could not be encashed due to non-availability of original PBG with JTDC.

2.1.4.7 Non-utilisation of funds of incentive

According to JTP 2015, an incentive scheme to facilitate active private sector participation for tourism infrastructure development and promotion was to be introduced by the Department. Further, fiscal incentives were to be provided in terms of subsidy and rationalisation of tax structure for setting up new hotels, providing transport facility, setting up health resorts etc.

Though GoJ released (January 2019) ₹ one crore against incentives to JTDC, the amount remained unutilised and was parked in Personal Ledger account of JTDC as of January 2021.The Department/JTDC stated that the funds could not be utilised due to non-receipt of any proposal. However, it was noticed that JTDC had not made any effort to publicise the incentive scheme.

2.1.4.8 Non-recovery of Holding tax

According to the agreements, the lessee shall pay on time all municipal charges including holding tax[76], water cess etc., as levied by the Municipal Corporation or any other authority for the lease period of allotted shops including proportionate share of common services/areas.

Examination of records revealed that JTDC paid ₹ 1.20 lakh as holding tax for the period 2016-17 to 2018-19 of Shopping Complex, Deoghar but failed to realise the same from the lessee resulting in loss of ₹ 1.20 lakh to the Company. No specific replies were furnished by Government/JTDC.

2.1.4.9 Improper and poor management of advertisement fund

According to Rule 174 of Jharkhand Treasury Code (JTC), no money shall be drawn from the Treasury in anticipation of demands or to prevent lapse of budget grants. If money is drawn in advance, the unspent balance should be refunded to the Treasury at the earliest and in any case before the end of the financial year. Further, as per Rule 334 of JTC, amount unspent after two consecutive financial years should not be spent any further and the balance should be transferred to the concerned service head from which the money was withdrawn.

On the requisition of Directorate of Tourism, the Department allotted funds amounting to ₹ 48.40 crore during 2015-16 to 2019-20 for the advertisement of Jharkhand Tourism. Allotment orders directed surrender of the un-utilised fund by the end of the financial year and submission of utilisation certificates (UCs). The Directorate of Tourism spent only ₹ 17.80 crore (36.78 *per cent*) and the unutilised amount of ₹ 30.60 crore (63.22 *per cent*) that was required to be surrendered, was transferred to JTDC's Personal Ledger (PL) account to avoid lapse of funds. It was further observed that out of ₹ 30.60 crore, only ₹ 16.92 crore was spent through JTDC in the subsequent financial years and an amount of ₹ 10.49 crore remained unutilised in JTDC PL account as of March 2020. Further, ₹ 3.19 crore was surrendered (May 2019) after keeping the amount idle for more than two years. Neither the Tourism Director nor the MD, JTDC had also submitted any UCs to the Department till date. No replies were furnished by the Department.

2.1.5 Monitoring & Internal Control

(i) Non-evolvement of monitoring and evaluation mechanism

Jharkhand Tourism Policy (JTP), 2015 stresses on institutionalisation of monitoring and evaluation mechanism. However, neither the Department nor the Company has evolved any monitoring and evaluation mechanism as of March 2020.

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[76] Holding tax is a tax imposed by the Municipal Corporation assessed on the basis of Annual Rental Value of the property. The Annual Rental value is commuted as a multiple of the carpet area and the rental value fixed by the Government from time to time.

The Department/JTDC stated (June 2020) that though system of monitoring was in existence in the Corporation, it needed to be strengthened and automated. Reply is not convincing as instances of lack of control of JTDC over its assets were noticed as discussed in paragraph 2.1.3.1. Non-realisation/encashment of outstanding rent, damage charges and PBG also showed lack of monitoring and internal control.

(ii) Absence of reporting and basic documentation

According to the agreements, the developer shall furnish a monthly renovation/development report on progress of the renovation of the project facilities. Further, the developer shall furnish a yearly operation and management report. It was observed that the developers did not comply with these reporting requirements in any of the test-checked assets. Further, in the absence of penal clause for non-submission of reports in the agreements, JTDC failed to enforce submission of these documents by the developers. Besides, JTDC was unaware of the occupancy in its assets in the absence of submission of reports by the developers. The Department/JTDC assured (January 2021) that corrective measures would be taken.

2.1.6 Conclusion

Master plan for integrated development and marketing of tourism was not prepared, detailed survey of tourism potential of every district to optimally utilise such potential was not conducted and minimum standards for tourism units was not set up as envisaged in the Jharkhand Tourism Policy, 2015 even after a lapse of more than four years after it was introduced. Thirty nine assets constructed (between 2004 and 2018) at a cost of ₹ 39.62 crore remained non-operational or partially operational. Many of these assets were in a dilapidated condition due to lack of maintenance which will only worsen over time. Bed occupancy remained low due to remoteness of location, poor management and lack of basic amenities/facilities. JTDC failed to enforce the terms and conditions of the agreements due to which undue benefits accrued to developers. Lack of monitoring led to irregular commercialisation of assets, failure to insure assets, illegal operation of assets by locals, encroachment etc. Due to poor financial management, JTDC could neither utilise the funds provided by the Department for advertisements/ incentives nor realise the outstanding rent/license fee/damage charges.

2.2 Audit Paragraphs

JHARKHAND URJA SANCHARAN NIGAM LIMITED

2.2.1 Short deduction of labour cess

Jharkhand Urja Sancharan Nigam Limited failed to fully implement the provisions of the Building and Other Construction Worker's Welfare Cess Act, 1996 which led to short deduction of labour cess of ₹ 17.89 crore.

As per Section 3 (1) of the Building and Other Construction Workers Welfare Cess Act, 1996 (the Act), there shall be a cess, levied and collected at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer, as the Central Government may, by notification in the Official Gazette, from time to time specify. The Act further stipulates that the cess shall be deducted at source in respect of building or other construction work of a Government or of a Public Sector Undertaking and remitted to the Building and Other Construction Workers Welfare Board (Board) constituted under the Act.

Sections 8 of the Act, envisages that if any employer fails to pay any amount of cess payable within the time specified in the order of assessment, such employer shall be liable to pay interest on the amount to be paid at the rate of two *per cent* for every month or part of a month comprised in the period from the date on which such payment is due till such amount is actually paid. Section 9 of the Act stipulates that if any amount of cess payable is not paid within the date specified in the order of assessment, it shall be deemed to be in arrears and the authority prescribed in this behalf may, after making such inquiry as it deems fit, and after giving reasonable opportunity of being heard, impose on such employer a penalty not exceeding the amount of cess.

Further, as per Rule 7 of the Jharkhand Building and Other Construction Workers (Regulation of Employment and other conditions of Service) Rules, 2006 it shall be the duty of every person in the service of the State or Board to comply with directions given by the Central Government from time to time to carrying into execution in the State the provisions of the Act and these Rules. The Labour, Employment and Training Department (the Department), Government of Jharkhand issued (October 2007) an order to realise labour cess at the rate of one *per cent* on the cost of construction from concerned institutions/ employers/ contractors in the State as per notification of Government of India issued under the Act.

In the case of Abhijeet Hazaribagh Toll Road Limited Versus Union of India & Others (W.P (C) No. 4202 of 2012.), the Hon'ble High Court, Ranchi also held that the engagement of construction workers and labourers is an integral part of construction activity and since work and labour are an inseparable part of the construction activity, cess would be levied on the cost of construction instead of only labour component of the contract.

Scrutiny (February 2019) of records of Jharkhand Urja Sancharan Nigam Limited (JUSNL)[77] for the period 2013-14 to 2018-19 revealed that 122 contracts valued at ₹ 3,732.75 crore were executed (between February 2009 and March 2019) either for consultancy or for supply or for design, engineering, supply, installation, erection, testing and commissioning of transmission lines, grid sub-stations and transformer bays etc. Of these, 100 contracts valued at ₹ 3,644.12 crore were turnkey contracts. Against these turnkey contracts, JUSNL paid ₹ 2,301.67 crore till May 2020 including supply price of ₹ 1,772.79 crore and erection price of ₹ 528.88 crore. Supply price included cost of material and equipment viz. transformers, conductors, towers, insulators, steel, pipes, cement, fabrication work etc. while erection price included cost of labour for survey and earth work as well as cost of civil works like foundation work, concreting and installation of equipment. As such, supply and erection prices both were to be considered as the cost of construction as only cost of land and compensation is exempted for levy of labour cess under Rule 3 of the Building and Other Construction Worker's Welfare Cess Rules, 1998.

However, JUSNL deducted labour cess of ₹ 5.13 crore only on erection price from the contractors' bills but did not deduct labour cess of ₹ 17.73 crore (being one per cent of supply price). Further, ₹ 16 lakh was short deducted on erection price as only ₹ 5.13 crore was deducted against the applicable ₹ 5.29 crore. Thus, failure on the part of JUSNL in deducting labour cess from the contractor's bill in violation of the Rules, 1998 led to short deduction of labour cess of ₹ 17.89 crore besides interest and penalty which would be decided by the Assessing Officer at the time of final assessment of labour cess payable.

While accepting the audit observation, JUSNL informed (January 2021) that ₹ 13.63 crore had since been recovered from the bills of contractors against the mentioned short deductions. However, JUSNL was silent on recovery of labour cess outstanding for period prior to 6 January 2014 besides recovery of penalty and interest, if any, leviable by the Assessing Officer during final assessment.

The matter was reported (April 2020) to the Government; their reply is awaited (January 2021).

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[77] Earlier Jharkhand State Electricity Board (JSEB) carried out Generation, Transmission and Distribution of Power up to December 2013. JUSNL started transmission activity after its incorporation under the Companies Act, 1956 after unbundling (January 2014) of JSEB.

JHARKHAND URJA SANCHARAN NIGAM LTD

2.2.2 Loss of fees and charges for SLDC operation

Failure to recover fees and charges for State Load Despatch Centre operation from users by Jharkhand Urja Sancharan Nigam Limited led to loss of ₹ 12.18 crore.

The State Load Despatch Centre is the nerve centre for operation, planning, monitoring and control of the power system. Electricity cannot be stored and has to be produced when it is needed. The objective of the Load Despatch Centre is to co-ordinate generation, transmission and distribution of electricity from moment to moment to achieve maximum security and efficiency.

Sections 31 (1) and 31 (2) of the Electricity Act, 2003 (Act) stipulate that the State Government shall establish a State Load Despatch Centre (SLDC) which shall be operated by a Government Company or any authority or corporation established or constituted by or under any State Act.

Section 32 (3) of the Act empowers SLDC to levy and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as may be specified by the State Electricity Regulatory Commission (SERC).

The Jharkhand State Electricity Regulatory Commission (Levy of collection of fees and charges by SLDC) Regulations, 2010 (JSERC Regulations, 2010) enables the SLDC to levy fees and charges to get its costs of SLDC operation allowed/recovered through tariff.

Audit observed (January 2019) that the Secretary, Energy Department, in exercise of powers under Section 31(1) of the Act, nominated (September 2005) the Load Despatch Centre of the erstwhile Jharkhand State Electricity Board (JSEB) as SLDC. After unbundling of JSEB, Load Despatch Centre of Jharkhand Urja Sancharan Nigam Limited (JUSNL) continued with the operation of SLDC since January 2014.

Further scrutiny (January 2019 and January 2020) of records of JUSNL revealed that JUSNL, in violation of section 32 (3) of the Act and JSERC Regulations 2010, did not levy charges and fees valued at ₹ 12.18 crore[78] for the period January 2017 to March 2019[79]. This resulted in loss of ₹ 12.18 crore to JUSNL as analysed by Audit below:

In order to get SLDC costs allowed/recovered through tariff, JSERC Regulations, 2010 require JUSNL to segregate its business into SLDC activity and transmission business. Till such time of complete segregation of accounts,

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[78] As noticed from scrutiny of trial balance of SLDC for January 2017 to March 2019.

[79] The JSERC Regulations, 2010 came into force in December 2010 which prescribed period for determination of tariff on annual basis from 1st April 2011. However, the charges and fees not levied from April 2011 to December 2016 could not be commented upon as expenses on SLDC operation were not reflected separately in the accounts of JSEB/JUSNL for this period.

the Aggregate Annual Revenue Requirement[80] (ARR) for each business had to be supported by i) an Allocation Statement of all costs, revenues, assets, liabilities, reserves and provisions between SLDC activity, transmission business, and other business and ii) tariff application with a statement showing ARR during the previous year, current year and ensuing year based on audited accounts. However, none of these requirements were met by JUSNL (including the erstwhile JSEB) for reasons neither on record nor furnished to audit, though called for. Resultantly, JUSNL could not submit any tariff petition with SLDC activity segregated from other businesses for the period 2011-12 to 2015-16 to get approval of JSERC for recovery of fees and charges of SLDC.

Without complying with the requirements above, JUSNL submitted (March 2017) the Multi Year Tariff (MYT) petition for the period 2016-17 to 2020-21 and tariff for 2016-17 for SLDC along with transmission business to recover SLDC charges from its users. However, JSERC disallowed (February 2018) the expenditure of SLDC in its MYT order as JUSNL could not provide the basis of projecting the ARR in the absence of segregation of SLDC activity and transmission business and audited accounts of SLDC business.

Management while agreeing to the audit findings stated (January 2020) that JSERC had instructed (February 2018) JUSNL to strictly segregate the SLDC function from its transmission business and to maintain segregated accounts. Management also informed Audit that the instructions of JSERC have been complied with and the trial balance of SLDC business from January 2017 to March 2017 had been submitted (October 2018) to JSERC.

The reply regarding compliance with instructions of JSERC is not acceptable as JSERC did not approve the proposal of JUSNL to recover the SLDC charges in its order dated 24 February 2018 due to failure of JUSNL to comply with the requirements of JSERC Regulations, 2010. Further, against the instruction (February 2018) of JSERC to submit accounts of SLDC business, JUSNL submitted (October 2018) only the Trial Balance for the period January 2017 to March 2017. JUSNL also did not submit the allocation statement in the absence of segregated accounts as required under JSERC Regulations 2010. JSERC also confirmed (May 2020) non-approval of ARR for SLDC in the absence of audited accounts. However, no accountability has been fixed by the Company for the loss arising on account of failure to levy and collect the fees and charges.

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[80] Aggregate Revenue Requirement means the costs pertaining to the SLDC/Power System Operation company which are permitted, in accordance with JSERC Regulations, to be recovered from the fees and charges determined by the Commission.

In reply, the Department accepted (September 2020) that no separate accounting unit is being maintained as required under JSERC regulation and reiterated that JUSNL has already claimed the recovery of user fee and charges through tariff from JSERC in March 2017. The fact is that JUSNL did not respond to the JSERC observations of February 2018. It also did not submit claims for SLDC business in the subsequent years till September 2020.

Ranchi	**(INDU AGRAWAL)**
The 16 July 2021	**Principal Accountant General (Audit)**
	Jharkhand

Countersigned

New Delhi	**(GIRISH CHANDRA MURMU)**
The 22 July 2021	**Comptroller and Auditor General of India**