



सत्यमेव जयते

**REPORT
OF THE
COMPTROLLER AND
AUDITOR GENERAL OF INDIA**

FOR THE YEAR ENDED 31 MARCH

1997

NO. 2

(COMMERCIAL)

GOVERNMENT OF WEST BENGAL

Fixed 21/11/75 (Budget - Bure)
23.7.78 GP-2198
(June of cost)
Rs. 112.75

IX 53-B-2



75549
WEST BENGAL SECRETARIAT LIBRARY

TABLE OF CONTENTS

	Reference to	
	Paragraph(s)	Page(s)
Table of Contents		(iii)-(iv)
Preface		(v)-(vi)
Overview		(ix)-(xii)
CHAPTER I		
General view of Government companies including deemed Government companies and Statutory corporations	1	
Introduction	1.1	3
Government companies - General view	1.2	3-15
Statutory corporations - General aspects	1.3	15-19
West Bengal State Electricity Board	1.4	19-24
Calcutta State Transport Corporation	1.5	24-26
North Bengal State Transport Corporation	1.6	26-27
South Bengal State Transport Corporation	1.7	28-29
West Bengal Financial Corporation	1.8	29-31
West Bengal State Warehousing Corporation	1.9	31-32
West Bengal Industrial Infrastructure Development Corporation	1.10	32
Position of Discussion of Audit Reports by COPU	1.11	32-33
CHAPTER II		
Reviews on selected Government companies		
Greater Calcutta Gas Supply Corporation Limited	2A	37-51
West Bengal State Leather Industries Development Corporation Limited	2B	51-67
CHAPTER III		
Review on selected Statutory corporation		
West Bengal Financial Corporation - Recovery Performance	3A	71-90
CHAPTER IV		
Miscellaneous topics of interest relating to Government companies and Statutory corporations		
Government companies	4A	93-100
Statutory corporations	4B	100-107

ANNEXURES

	Page(s)
1. List of Companies in which Government of West Bengal invested more than Rs 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India as on 31 March 1997	111
2. Statement showing particulars of up to date Capital, Budgetary outgo, Loans given out from Budget and outstanding loans as on 31 March 1997	112-116
3. Summarised Financial Results of Government companies for the latest year for which accounts were finalised	117-122
3A. Statement showing arrears of accounts in respect of Government companies as on 30 September 1997	123-124
4. Statement showing subsidy received, Guarantees received during the year and Guarantees outstanding at the end of the year 1996-97	125-126
5. Statement showing the Capacity Utilisation of Manufacturing Companies during the year 1996-97	127-129
6. Statement showing summarised financial results of Statutory corporations for the latest year for which the annual accounts have been finalised	130

Preface

This Report deals with the activities of Government companies and Statutory corporations of the Government of West Bengal, accounts of which are audited by the Comptroller and Auditor General of India (CAG).

The report has been prepared in compliance with Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 as amended in 1984.

Audit of the accounts of the wholly owned Government companies is conducted by the CAG under Section 619(4) of the Companies Act, 1956. There are two Companies in which Government and Government companies/ corporations jointly hold 51 *per cent* of the shares. Accounts of these Companies are also audited by the CAG under Section 619B of the Companies Act, 1956. There are certain Companies, which in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government-owned/controlled companies/corporations hold less than 51 *per cent* of the shares. A list of such undertakings in which Government's investment was more than Rs 10 lakh as on 31 March 1997 is given in Annexure-I.

Audit of transactions of the Government companies is conducted by the CAG under Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. In case of West Bengal State Electricity Board and three Road Transport Corporations viz. Calcutta State Transport Corporation, North Bengal State Transport Corporation and South Bengal State Transport Corporation, the Comptroller and Auditor General of India is the sole Auditor. In respect of West Bengal Financial Corporation and West Bengal State Warehousing Corporation, he has the right to conduct audit of their accounts independently. The audit of the accounts of West Bengal Industrial Infrastructure Development Corporation was entrusted to the CAG under Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, initially for a period of five years from 6 June 1978 and was subsequently extended in November 1989 for accounting period up to 1990-91 and further in November 1992 for the accounting period up to 1995-96. The Audit Reports on the annual accounts of all these Corporations are being forwarded separately to the Government of West Bengal.

The audit of two other Statutory Corporations viz. West Bengal Scheduled Castes and Schedule Tribes Development and Finance Corporation and West Bengal Minorities Development and Finance Corporation established during July 1976 and October 1995 respectively have not been entrusted to the CAG till September 1997.

This Report contains four chapters Chapter-I discusses the general aspects of the results of working of the Government companies and Statutory corporations. It

analyses the overall performance of these Companies and Corporations and some aspects of Government's interaction and control functions in these Companies/Corporations.

Chapter-II deals with the reviews relating to the Government companies. During this year, the performance of Greater Calcutta Gas Supply Corporation Limited and West Bengal State Leather Industries Development Corporation Limited were reviewed.

Chapter-III deals with the reviews relating to the Statutory corporations. This year's Report includes review on recovery performance of West Bengal Financial Corporation.

Chapter-IV deals with miscellaneous topics relating to loss, lack of economy or efficiency and other matters of public interest. The cases reported in this chapter came to notice in course of audit during the year 1996-97 as well as those which came to notice earlier but were not dealt with in the previous years' Reports. Matters relating to the period subsequent to 1996-97 have also been included wherever necessary. The topics covered in this chapter stress the need of more meaningful control and improved vigilance for obtaining better value for money.

OVERVIEW

OVERVIEW

The State had 60 Government companies (including 11 subsidiaries), two companies under the purview of Section 619B of the Companies Act, 1956 and nine Statutory corporations as on 31 March 1997. These are engaged in different production, development, financing and trading activities like engineering, textiles, iron and steel, electronics, agriculture and dairy, tourism, forest, transport, power, chemicals, etc.

(Paragraphs 1.2.1 & 1.3.1)

Total investment in these 60 companies as on 31 March 1997 was Rs 3340.56 crore, of which Rs 1553.81 crore were in share capital and Rs 1786.75 crore were in long term loans. Of the total share capital of Rs 1553.81 crore, Rs 1533.65 crore were invested by State Government, Rs 7.66 crore by Central Government, Rs 8.22 crore by holding companies and Rs 4.28 crore by otherRs. The State Government guaranteed the loans and credits given by the financial institutions and the guarantees outstanding as on 31 March 1997 stood at Rs 811.72 crore. The total outgo of State Government during 1996-97 in the form of equity, long term loan and subsidy amounted to Rs 171.55 crore.

(Paragraphs 1.2.1, 1.2.3 & Annexure-2)

Only eleven companies had finalised their accounts for the year 1996-97 and the accounts of remaining 49 companies (including 8 subsidiaries) were in arrears for periods ranging from one year to thirteen yearRs.

(Paragraph 1.2.4)

According to the latest finalised accounts of these companies 48 companies had incurred losses of Rs 463.59 crore, 10 companies earned profit of Rs 17.92 crore, two companies were in pre-operative stage.

(Paragraph 1.2.4)

Out of eleven companies which finalised their accounts for the year 1996-97, two companies earned profit of Rs 10.99 crore and nine companies suffered losses aggregating Rs 63.96 crore.

(Paragraphs 1.2.5.1 & 1.2.5.2)

Of the 48 loss making companies, investment of Rs 122.49 crore of Government as share capital in 37 companies under ten Departments had been eroded by their cumulative loss of Rs 901.69 crore.

(Paragraph 1.2.5.3)

The aggregate paid-up capital of nine Statutory corporations as on 31 March 1997 was Rs 1518.95 crore of which Rs 1459.06 crore was invested by the State Government and Rs 59.89 crore by otherRs. Loans to the extent of Rs 2669.20 crore were outstanding as on 31 March 1997 from these Corporations of which Rs 962.82 crore was due to the State Government and Rs 1706.38 crore to otherRs.

(Paragraph 1.3.2)

Greater Calcutta Gas Supply Corporation Limited was incorporated in December 1987 to take over the erstwhile Oriental Gas Company Undertaking dealing in supply of coal gas in and around Calcutta alongwith the existing gas pipe lines of Durgapur Projects Limited from Durgapur to Calcutta and for implementation of the new Gas Distribution Project.

(Paragraphs 2A.1 & 2A.2)

The paid up capital of the Company as on 31 March 1996 stood at Rs 10.45 crore against which the accumulated loss was Rs 26.19 crore mainly due to abnormal distribution loss of gas, delay in completion of the Gas Distribution Project, consequential huge interest burden and poor development of market.

(Paragraphs 2A.6.3, 2A.6.4, 2A.8 & 2A.13)

Even after delay of four years from the revised scheduled date of completion (March 1993), many items of Gas Distribution Project remained incomplete and the actual expenditure stood at Rs 86.32 crore against the project estimate of Rs 54.35 crore which was mainly due to additional interest burden (Rs 16.76 crore) on IDBI loan, increase in construction cost of Gasholders (Rs 2.61 crore) collapsed at the time of commissioning and additional cost of Rs 0.50 crore incurred by the Company on repair and replacement of defective Medium Pressure Main laid by Calcutta Metropolitan Development Authority (CMDA).

(Paragraph 2A.8)

Due to delay in approaching the concerned authority, the Company has not been able to avail of concessional customs duty of Rs 1.72 crore under 'Project Import'.

(Paragraph 2A.18.1)

West Bengal State Leather Industries Development Corporation Limited was incorporated in March 1976 with the main object of developing leather and allied industries in the State by providing technical and financial assistance to the tanners and leather goods manufactureRs

(Paragraph 2B.1)

The Company had been incurring losses since inception due to under-utilisation of production capacity arising out of lack of orders, payment of idle wages and huge interest burden. The accumulated loss up to 31 March 1997 was Rs 6.51 crore against the paid-up capital of Rs 2.63 crore.

(Paragraphs 2B.7.1 and 2B.7.2)

Under-utilisation of capacity resulted in payment of idle wages of Rs 2.72 crore during the five years up to 1996-97.

(Paragraph 2B.8.1)

Due to poor quality of leather goods, delay in execution of orders and delay in payment to the supplying artisans, sales to Government offices had declined from Rs 1.53 crore in 1992-93 to Rs 0.23 crore in 1996-97.

(Paragraph 2B.9.1)

Machines valued at Rs 0.49 crore remained idle for lack of spares which were found missing after being received resulting in locking up of funds and consequential loss of interest of Rs 0.28 crore.

(Paragraph 2B.14)

West Bengal Financial Corporation was established on 1 March 1954 to assist medium and small industries by providing financial assistance.

(Paragraph 3A.1)

The Corporation had to depend mainly on refinance, issue of bonds and capital contribution from Government due to poor recovery of loans/interest which resulted in heavy interest burden of Rs 122.65 crore during the five years ended 1996-97.

(Paragraph 3A.5)

The Corporation rehabilitated 61 sick units (Outstanding : Rs 31.85 crore) up to March 1996. An analysis of 21 units put under rehabilitation (Reliefs/concessions given : Rs 9.69 crore) revealed that, of these five units were referred to BIFR, two units went into liquidation, four units were taken into possession and 10 units failed to implement the rehabilitation package either due to lack of bank's support or promoters' inability to bring in their contribution.

(Paragraph 3A.8)

The Corporation issued show cause notices to 354 defaulting units (Outstanding dues : Rs 73.80 crore) only as against 13150 units (Outstanding dues : Rs 143.63 crore) at default as on 31 March 1997.

(Paragraph 3A.9.1)

Periodical inspection of the units, considered to be an important follow-up and monitoring function was inadequate as the Corporation could inspect only 15.38 *per cent* to 22.28 *per cent* of the units assisted during the three years up to 1995-96. Due to inefficient monitoring and follow-up of a on-going project the Corporation suffered a loss of Rs 0.46 crore.

(Paragraphs 3A.10.1 & 3A.10.2)

Due to inadequate appraisal of projects, lack of proper monitoring and prompt follow-up action, delay in disposal of units taken over etc. a sum of Rs 12.08 crore has become doubtful of recovery from 10 units.

(Paragraphs 3A.12 to 3A.12.4)

Miscellaneous topics of interest relating to Government companies and Statutory corporations

The Calcutta Tramways Company (1978) Limited recovered between April 1979 to March 1994 an amount of Rs 1.75 crore towards professional tax from employees which was deposited after delays ranging from one day to ten months from the due dates, resulting in an avoidable payment of interest of Rs 0.28 crore.

(Paragraph 4A.1.2)

Webel Video Devices Limited supplied picture tubes to Sears Electronics Limited without ascertaining the financial position or obtaining bank guarantee. The buyer went into liquidation thereafter and Rs 0.08 crore remained unrealised.

(Paragraph 4A.3.2)

West Bengal State Electricity Board failed to use 19 auto link sectionalisers costing Rs 0.17 crore, out of 72 procured. A 40 MT weighbridge purchased for Rs 0.07 crore was not installed even after completion of Civil foundation work at a cost of Rs 0.01 crore. Idle investment involved was to the tune of Rs 0.25 crore.

(Paragraph 4B.2.5)

West Bengal State Warehousing Corporation failed to de-hire a godown whose occupancy varied between 0.07 and 13 *per cent* despite order of the Board of Directors, resulting in infructuous expenditure of Rs 0.08 crore.

(Paragraph 4B.3.2)

Chapter-I

	<u>Paragraph</u>	<u>Pages</u>
Introduction	1.1	3
Government companies-General view	1.2	3-15
Statutory corporations-General aspects	1.3-1.10	15-32
Position of discussion of Audit Report (Commercial) by COPU	1.11	32-33

CHAPTER I

GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 Introduction

This chapter contains particulars of investment and state of accounts, etc. of the Government companies and Statutory corporations.

The accounts of the Government companies and deemed Government companies (as defined in Section 619B of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by Central Government on the advice of the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619(4) of the Companies Act, 1956.

Of the Statutory corporations, the accounts of the West Bengal State Electricity Board and Calcutta, North Bengal and South Bengal State Transport Corporations are audited solely by the CAG under their respective acts. The accounts of West Bengal Financial Corporation, West Bengal State Warehousing Corporation and West Bengal Industrial Infrastructure Development Corporation are audited by the Chartered Accountants appointed by the State Government in consultation with the CAG who also undertakes the audit of these Corporations separately. Audit Reports on the accounts of all the Statutory corporations are issued by the CAG to the respective organisations/State Government.

The audit of two other Statutory corporations viz. West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation and West Bengal Minorities Development and Finance Corporation established during July 1976 and October 1995 respectively had not been entrusted to CAG till September 1997.

1.2 Government companies - General view

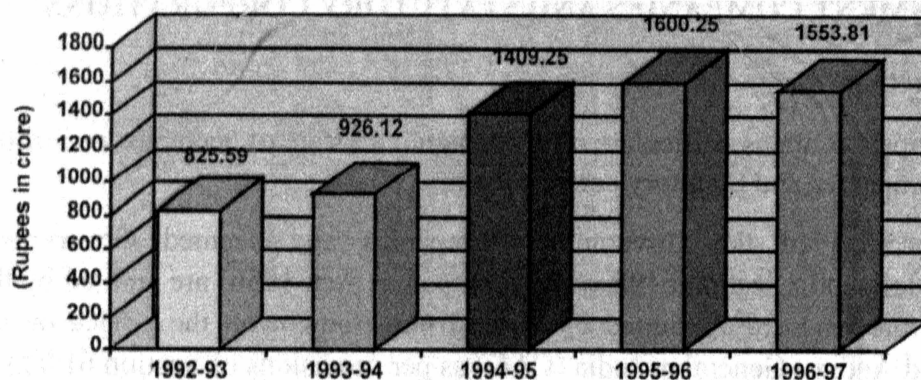
1.2.1 As on 31 March 1997, there were 60 Government companies (including 11 subsidiaries) with total investment of Rs 3340.56 crore (Share Capital :Rs 1553.81 crore; long term loans : Rs 1786.75 crore) as against 61 companies (including 12 subsidiaries) with a total investment of Rs 3438.29 crore as on 31 March 1996 (Share Capital : Rs 1600.25 crore; long term loans : Rs 1838.04 crore).

There was no sick/defunct company as on 30 September 1997.

The bar chart given below gives a graphical view of growth in paid-up capital of the Government companies (including subsidiaries) during last five years up to 1996-97;

Growth in paid up capita

(1992-93 to 1996-97)



1.2.2 Financial position and working results

The financial position and working results of all the Government companies are given in Annexures 2 & 3 respectively. The sector-wise investment and debt equity ratio in these companies for last two years upto 1996-97 are given in the table below :

Sl. No.	Sector/Type of PSU	At the end of						Debt Equity ratio in 1996-97 (previous year)
		1996-97			1995-96			
		Number	Equity	Loan	Number	Equity	Loan	
1	2	3	4	5	6	7	8	9
		(Rs in Crore)			(Rs in Crore)			
1.	Agriculture, Plantation and Wood based							
	(A)Government companies	10	49.09	55.62	10	46.61	47.15	1.13:1 (1.10:1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
2.	Electrical, Electronics and Engineering							
	(A)Government companies	9	122.75	166.11	9	118.44	133.51	1.12:1 (1.13:1)
	(B)Subsidiary companies	6	8.40	9.38	6	8.92	10.81	2.13:1 (1.21:1)
3.	Textile, Chemicals, Minerals, Cement and Clay							
	(A)Government companies	10	32.94	291.96	10	31.25	279.18	8.86:1 (8.93:1)
	(B)Subsidiary companies	1	2.15	13.00	2	2.15	13.00	6.05:1 (6.04:1)
4.	Trading, Developmental and others							
	(A)Government companies	15	61.26	131.40	15	60.13	130.08	2.15:1 (2.15 : 1)
	(B)Subsidiary companies	4	4.60	0.21	4	3.96	0.55	0.04:1 (0.13 : 1)
5.	Financing							
	(A) Government companies	1	106.18	7.00	1	83.81	110.17	0.06:1 (1.32 : 1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
6.	Power							
	(A)Government companies	2	1117.57	976.60	2	1201.38	983.83	0.87:1 (0.81 : 1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
1	2	3	4	5	6	7	8	9
7.	Transport							
	(A)Government companies	2	48.87	135.47	2	43.60	129.76	2.77:1 (2.99 : 1)
	(B)Subsidiary companies	-	-	-	-	-	-	-
	Total	60	1553.81	1786.75	61	1600.25	1838.04	

Analysis of investments

(a) During 1995-96 West Bengal Electronics Industry Development Corporation Limited, a State Government company disposed of 100 percent holdings in one of its subsidiaries viz. Webel Precision Industries Limited to a private party Magnacon Electronics Industries(P) Limited. However, the fact of disinvestment had figured in the accounts of the holding company for the year 1995-96 which were finalised during 1996-97.

1.2.3 Guarantees

The guarantees given by the State Government against loans and credits given by banks, etc. to the companies for the three years up to 1996-97 and outstanding as on 31 March 1997 are shown in the table below (See Annexure-4 also):

Year	Number of Companies	Amount guaranteed				Guaranteed amount outstanding as on 31 March
		Cash credit from Banks	Loan from other sources	Others	Total	
		(Rupees in crore)				
1994-95	23	NA	NA	NA	958.53	689.59
1995-96	9	6.09	6.62	5.56	18.27	707.70
1996-97	10	86.86	20.55	2.28	109.69	811.72

The companies have to pay guarantee fee in consideration of guarantees given by the Government. The payment of guarantee fee was in arrear to the extent of Rs 25.69 crore as on 31 March 1997 in respect of 18 companies as against an amount of Rs 9.35 crore as on 31 March 1996 in similar number of companies.

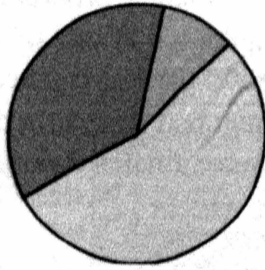
Budgetary outgo and waiver of dues

(i) The outgo from the State Government during the years 1994-95 to 1996-97 in the form of equity capital (C), loans (L) and subsidy (S) is as detailed below (See Annexures- 2 and 4 also):

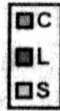
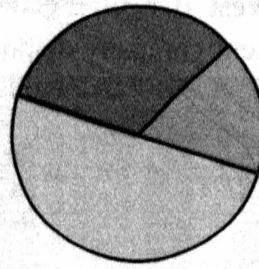
Nature of outgo	1994-95	No of Companies	1995-96	No of Companies	1996-97	No of Companies
	(Rupees in crore)					
Equity capital outgo from Budget	487.65	19	222.48	14	30.29	11
Loan given out from Budget	89.75	27	149.47	28	84.89	30
Subsidy	32.15	10	38.38	8	56.37	11
Total outgo	609.55		410.33		171.55	

The position of budgetary outgo during 1995-96 and 1996-97 is shown graphically in pie charts below :

1995-96



1996-97



(ii) The amounts of receipts due to the Government which were forgone by way of loans written off or interest waived during 1996-97 are given below (See Annexure- 4 also):

Sl.No.	Nature of waiver	1996-97 (Rupees in crore)
1.	Loan repayments written off	0.09
2.	Interest waived	11.83
3.	Penal interest waived	0.01.
Total		11.93

1.2.4 Finalisation of accounts

Accountability of Government companies to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Of 60 Government companies, only 11 companies finalised the accounts for the year 1996-97 and the accounts of remaining 49 companies including 8 subsidiaries were in arrears for periods ranging from one year to thirteen years (as on 30 September 1997) as indicated in Annexure 3A as against 56 companies including 12 subsidiaries for periods ranging from one year to 12 years as on 30 September 1996.

According to the latest finalised accounts of these companies, 48 companies had incurred losses of Rs 463.59 crore, 10 companies earned profit of Rs 17.92 crore and 2 companies were in pre-operative stage till 30 September 1997 as indicated in the table below :

Sl. No.	No. of comp-anies	Year up to which accounts were finalised	Profit		Loss		Remarks		Reference to Sl.Nos of Annexure-3
			No. of comp-anies	Amount (Rs in crore)	No. of comp-anies	Amount (Rs in crore)	No. of comp-anies	Latest position	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	11	1996-97	2	10.99	9	63.96	-	-	13*,16*,19,24,31,32,33,47,56,57,58
2	13	1995-96	5	6.33	8	33.21	-	-	1,7,11,14*,15*,20,21,22,36,41,45*,54,60
3	4	1994-95	-	-	4	11.51	-	-	2,12*,28,55*
4	6	1993-94	-	-	6	26.24	-	-	6,17,18,23,26,48
5	7	1992-93	1	0.12	6	21.67	-	-	4,5,35,38,49,,52,59
6	7	1991-92	2	0.48	4	298.90	1	Pre-operative stage	29*,37,39,42,44*,51a,51b
7	4	1990-91	-	-	4	4.20	-	-	27,30,34,53
8	2	1989-90	-	-	2	1.15	-	-	3,43
9	2	1988-89	-	-	2	0.48	-	-	8,46*
10	3	1987-88	-	-	3	2.27	-	-	9,11,25*
11	1	1983-84	-	-	-	-	1	Pre-operative stage	40*
Total	60		10	17.92	48	463.59	2		

* indicates Subsidiary companies

Main reasons for arrears of accounts were delay in compiling the accounts by the companies. The delay in finalisation of earlier years' accounts caused accumulated backlog. The absence of qualified staff and delay in completion of audit by the Statutory Auditors also resulted in arrears in finalisation of accounts in some cases.

The Administrative Departments have to observe and ensure that the accounts are finalised and adopted by the companies in the annual general meeting within time schedule prescribed in the Companies Act, 1956. Though the concerned administrative ministries and officials of the Government were apprised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government for timely finalisation of accounts. As these companies did not adhere to the time schedule, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

1.2.5. Working results

1.2.5.1 Profit making companies

Out of 11 companies which had finalised their accounts for 1996-97 by 30 September 1997, only 2 companies earned profit of Rs 10.99 crore (1.15 per cent) on total paid-up capital of Rs 955.65 crore as per details given below:

Name of company	Paid up capital		Profit		Percentage of profit to paid up capital	
	1996-97	1995-96	1996-97	1995-96	1996-97	1995-96
	(Rupees in crore)					
West Bengal Essential Commodities Supply Corporation Limited	1.08	1.08	4.47	0.54	413.88	50.00
West Bengal Power Development Corporation Limited	954.57	934.57	6.52	28.21	0.68	3.02

1.2.5.2 Loss making companies

Nine Companies incurred losses aggregating Rs 63.96 crore during the year 1996-97 as per details given below:

Name of company	Paid up capital		Loss(-) /Profit(+)	
	1996-97	1995-96	1996-97	1995-96
	(Rupees in crore)			
1.National Iron and Steel Company(1984) Limited	12.00	12.00	-7.78	-7.24
2.Weibel Mediatronics Limited	0.39	0.39	-0.44	-0.01
3.Durgapur Chemicals Limited	5.09	5.09	-12.69	-13.23
4.West Bengal Industrial Development Corporation Limited	106.18	83.81	-12.59	-2.93
5.Engel India Machine and Tools (1987) Limited	0.47	0.47	-3.05	-2.91
6.Weibel Electronics Communication Systems Limited	0.84	0.84	-0.84	-0.57
7.West Bengal Agro Textile Corporation Limited	1.47	1.42	-1.73	-0.38
8.Durgapur Projects Limited	163.00	163.00	-21.24	-4.15
9.West Dinajpur Spinning Mills Limited	6.80	6.80	-3.60	-3.32
Total :	296.24	273.82	-63.96	-34.74

1.2.5.3 Capital erosion

Out of 48 loss making companies the investment of Rs 122.49 crore as share capital of Government in 37 companies was eroded by their losses accumulated to Rs 901.69 crore. The net worth of all of these companies is negative. The loans given by the Government to the companies are doubtful debts to the extent of the negative net worth. The loan funds are used to finance losses after the paid-up capital gets fully eroded. So there is little likelihood of the loans being received back by the Government. The details of the companies are as follows:

Sl. No.	Name of Department/ Company	Year upto which accounts prepared	Paid-up Capital at the close of the year	Accumulated Loss upto the end of the year	Net worth	State Govt. Loan
	Public Undertakings			(Rupees in crores)		
1.	The Kalyani Spinning Mills Limited	1994-95	3.28	84.79	-81.51	72.55
2.	Durgapur Chemicals Limited	1996-97	5.09	166.98	-161.89	98.37
3.	Westinghouse Saxby Farmer Limited	1993-94	1.00	130.46	-129.46	77.86
4.	The West Dinajpur Spinning Mills Limited	1996-97	6.80	23.21	-16.41	12.07
5.	West Bengal Ceramic Development Corporation Limited	1990-91	1.49	8.56	-7.07	5.64
6.	The Shalimar Works(1980) Limited	1995-96	1.25	24.63	-23.38	23.43
7.	Eastern Distilleries and Chemicals Limited	1992-93	0.20	1.94	-1.74	3.04
8.	West Bengal Agro Textile Corporation Limited	1996-97	1.42	1.73	-0.31	40.79
9.	West Bengal Chemical Industries Limited	1995-96	0.14	4.55	-4.41	4.45
10.	Fisheries The State Fisheries Development Corporation Limited	1993-94	2.50	7.86	-5.36	1.54
11.	Commerce & Industries Webel Informatics Limited	1987-88	0.40	0.68	-0.28	-
12.	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	1996-97	0.84	3.11	-2.27	-
13.	Webel Crystals Limited (subsidiary of WBEIDC Limited)	1995-96	1.69	3.80	-2.11	4.45
14.	West Bengal Mineral Development and Trading Corporation Limited	1993-94	4.43	9.57	-5.14	7.74
15.	West Bengal Sugar Industries Development Corporation Limited	1991-92	5.14	21.16	-16.02	13.53
16.	West Bengal Tea Development Corporation Limited	1989-90	3.64	6.70	-3.06	9.03
17.	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	1994-95	4.80	16.36	-11.56	12.75
18.	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	1995-96	0.69	6.30	-5.61	0.09
19.	Greater Calcutta Gas Supply Corporation Limited	1995-96	9.45	26.19	-16.74	59.54
20.	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	1996-97	0.39	2.26	-1.87	6.65
21.	Industrial Reconstruction Neo Pipes and Tubes Company Limited	1993-94	2.20	19.42	-17.22	7.38
22.	National Iron and Steel Company (1984) Limited	1996-97	12.00	54.99	-42.99	30.84
23.	The Carter Pooler Engineering Company Limited	1995-96	0.95	10.27	-9.32	6.49
24a.	Glucanate India Limited	1991-92	0.17	2.36	-2.19	-
24b.	Indian Health and Pharmaceuticals Limited	1991-92	-	3.74	-3.74	-
25.	West Bengal Plywood and Allied Products Limited	1993-94	0.09	5.22	-4.13	4.06
26.	Engel India Machine and Tools(1987) Limited	1996-97	0.47	17.28	-16.81	17.40
27.	Krishna Silicate and Glass (1987) Limited	1990-91	-	4.12	-4.12	15.49
28.	I.P.P Limited	1995-96	0.50	17.98	-17.48	14.12
29.	Britannia Engineering Products and Services Limited	1993-94	10.28	15.14	-4.86	6.98
30.	Food Processing Industries Teesta Fruit and Vegetable Processing Limited	1991-92	0.74	1.25	-0.51	0.77
31.	Minor Irrigation West Bengal State Minor Irrigation Corporation Limited	1987-88	10.80	12.66	-1.86	-
32.	Tourism West Bengal Tourism Development Corporation Limited	1994-95	2.09	3.33	-1.24	-
33.	Information & Cultural Affairs Basumati Corporation Limited	1990-91	0.10	6.30	-6.20	5.43
34.	West Bengal Film Development Corporation Limited	1992-93	5.08	9.39	-4.31	-
35.	Cottage & Small Scale Industry The West Bengal State Leather Industries Development Corporation Limited	1989-90	1.98	2.32	-0.34	0.41
36.	Transport The Calcutta Tramways Company (1978) Limited	1992-93	20.40	160.32	-139.92	103.06
37.	West Bengal Surface Transport Corporation Limited	1995-96	-	4.76	-4.76	-
	Total		122.49	901.69		

Net worth represents paid-up capital (including free reserves and surplus) less accumulated loss.

The main reasons for the poor performance of these companies as analysed by Audit are obsolete plant and machinery, low capacity utilisation, heavy interest burden, high employees cost, shortage of working capital and market constraints.

In spite of the poor performance leading to complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loan into equity, subsidy, etc. The total financial support provided during 1996-97 to these 37 companies amounted to Rs 115.92 crore.

1.2.5.4 Wage bills adding to accumulated losses

In 20 companies under 8 Departments, the wage bills are contributing to the cumulative loss significantly every year as shown below. This would come out by comparing the annual wage bill with the annual increase in the cumulative loss incurred by the companies. The wage bill also included bonus and incentives.

Sl. No.	Name of Departments/ Companies	Year of Accounts	Total Wage Bill	Loss during the year	No. of employees
1	2	3	4	5	6
			(Rupees in lakh)		
Industrial Reconstruction					
1.	National Iron and Steel Company (1984) Limited	1994-95 1995-96 1996-97	262.28 276.06 299.58	644.80 723.73 778.13	703 695 651
2.	Neo Pipes and Tubes Company Limited	1991-92 1992-93 1993-94	71.82 75.38 76.18	236.57 259.88 294.55	195 195 164
3.	Krishna Silicate & Glass (1987) Limited	1989-90 1990-91	119.69 18.54	166.84 189.52	631 583
4(a).	Gluconate India Limited	1989-90 1990-91 1991-92	72.61 133.91 142.52	31.38 35.78 146.63	500 508 509
4(b).	Indian Health and Pharmaceuticals Limited	1989-90 1990-91 1991-92	60.96 71.08 75.25	77.27 78.62 147.62	340 350 350
5.	Britannia Engineering Products and Services Limited	1991-92 1992-93 1993-94	387.43 377.33 329.30	332.75 401.32 406.30	841 822 814
6.	The Carter Pooler Engineering Company Limited	1993-94 1994-95 1995-96	84.80 88.17 90.68	158.30 204.75 242.83	230 225 217
Public Undertakings					
7.	West Bengal Ceramic Development Corporation Limited	1988-89 1989-90 1990-91	46.42 50.27 59.55	95.16 103.24 130.86	270 270 236
8.	Westinghouse Saxby Farmer Limited	1991-92 1992-93 1993-94	716.51 623.30 285.42	1325.66 1567.58 1526.72	1850 1849 1197
9.	Shalimar Works (1980) Limited	1993-94 1994-95 1995-96	178.28 185.39 213.99	232.19 383.17 586.80	460 452 449
10.	The Kalyani Spinning Mills Limited	1992-93 1993-94 1994-95	566.75 584.22 607.36	817.85 723.69 808.10	2579 2562 2550
Commerce and Industries					
11.	Webel Business Machines Limited (subsidiary of WBEIDC Limited)	1991-92 1992-93 1993-94	24.09 26.76 29.39	11.62 (Profit) 67.97 55.03	59 58 59
12.	Webel Video Devices Limited (Subsidiary of WBEIDC Ltd)	1992-93 1993-94 1994-95	56.30 84.78 92.22	262.82 283.39 291.23	173 169 168
13.	Webel Power Electronics Limited (Subsidiary of WBEIDC Ltd)	1993-94 1994-95 1995-96	17.91 21.10 72.87	36.91 36.70 136.65	111 108 101
14.	West Bengal Sugar Industries Development Corporation Limited	1989-90 1990-91 1991-92	75.55 43.72 143.77	232.74 297.83 378.12	705 698 692
15.	Greater Calcutta Gas Supply Corporation Limited	1993-94 1994-95 1995-96	240.26 236.69 275.06	414.49 532.91 576.92	NA NA NA
Animal Resource Development					
16.	West Bengal Livestock Processing Development Corporation Limited	1989-90 1990-91 1991-92	5.25 5.79 5.89	12.52 12.38 20.79	20 19 19
Food Processing Industries					
17.	Teesta Fruit and Vegetable Processing Limited	1989-90 1990-91 1991-92	6.39 7.44 8.92	14.11 20.85 40.04	21 21 29
Minor Irrigation					
18.	West Bengal State Minor Irrigation Corporation Limited	1985-86 1986-87 1987-88	128.45 171.02 192.46	220.61 184.64 202.95	1298 1300 1300
Fisheries					
19.	The State Fisheries Development Corporation Limited	1991-92 1992-93 1993-94	123.93 142.95 148.22	83.92 91.52 73.13	678 681 664
Transport					
20.	The Calcutta Tramways Company (1978) Limited	1990-91 1991-92 1992-93	1365.48 1431.20 1422.42	1940.86 1979.01 1913.68	8140 8106 8217

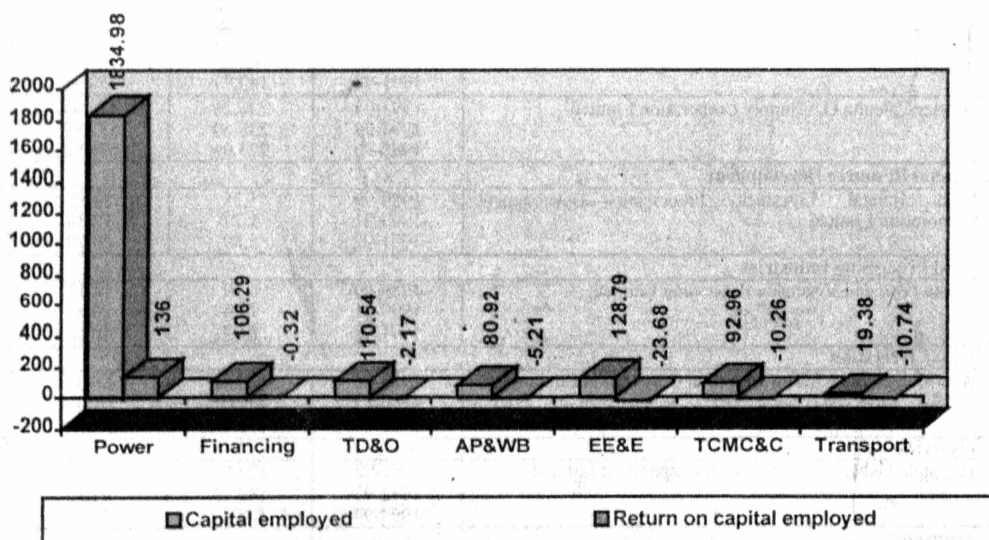
1.2.5.5 Return on capital employed

An attempt was made to analyse the return on capital employed in the Government companies during the year. Capital employed has been taken as net fixed assets (including capital work-in-progress) plus working capital. For calculating return on capital employed total interest charged to profit and loss account on borrowed funds is added to / subtracted from the net profit / loss as disclosed in the profit and loss account. Thus, during 1996-97 the total capital employed worked out to Rs 2373.86 crore in 60 companies and return thereon amounted to Rs 83.62 crore (3.52 per cent) as compared to return of Rs 92.13 crore during the previous year. Sector-wise return on capital employed during 1996-97 was as follows :

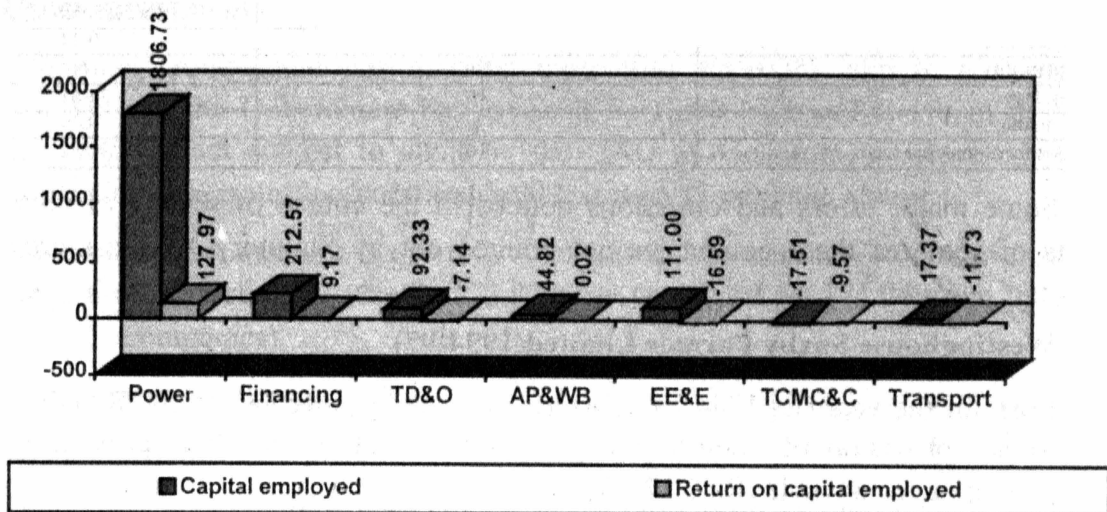
Sector	No. of Companies	Capital employed	Return on capital employed	Percentage of return on capital employed
(Rupees in crore)				
Power	2	1834.98 (1806.73)	136.00 (127.97)	7.80 (7.08)
Financing	1	106.29 (212.57)	-0.32 (9.17)	- (4.31)
Trading, developmental and others	19	110.54 (92.33)	-2.17 (-7.14)	- -
Agriculture, plantation and wood based	10	80.92 (44.82)	-5.21 (0.02)	- (0.04)
Electrical Electronics and Engineering	15	128.79 (111.00)	-23.68 (-16.59)	- -
Textile, chemicals, minerals, cement and clay	11	92.96 (-17.51)	-10.26 (-9.57)	- -
Transport	2	19.38 (17.37)	-10.74 (-11.73)	- -
Total	60	2373.86 (2267.31)	83.62 (92.13)	3.52 (4.06)

(Figures for previous year given in brackets)

Return on capital employed also shown below graphically.



1996-97



1995-96

1.2.6 Comments on accounts

1.2.6.1 Section 619(3) of the Companies Act, 1956 empowers the Comptroller and Auditor General of India to issue directives to the Statutory Auditors of Government companies in respect of performance of their functions. In pursuance of the directives so issued the supplementary report is to be received within one week from the date of certification of accounts by the Statutory Auditors. Supplementary reports of Statutory Auditors on the accounts of 34 companies were received during the year, of which 20 reports were received after delays ranging from 4 to 24 weeks. Important points noticed in these reports are summarised below :

Sl. No.	Nature of defects	Number of companies where defects were noticed	Reference to Sl. No. of Annexure-2
1.	Non-preparation of annual budgets	2	30, 48
2.	Non-maintenance of Accounting Manual	2	27,43
3.	Non-maintenance of Internal Audit Manual determining the scope and programme of work of Internal Auditors	3	14*,26,43
4.	Non-maintenance of Assets Register	6	8,30,33,39,41,58
5.	Non-fixation of minimum and maximum limits of stores/spares	7	24,26,27,33,35,39,60
6.	Non-fixation of norms for consumption of major raw materials for manufacture of majore products	2	14*,24
7.	Non-fixation of norms of requirements/ deployment of manpower	10	8,14*,20,21,24,27,31, 39,54,56
8.	Absence of system of ascertaining idle time for labour, machinery and fixation of standard cost of various products	7	8,20,24,26,35, 36,49
9.	Absence of effective system of determination of surplus/unserviceable raw materials, stores and spares	3	14*,24,39
10.	Non-fixation of norms of financial power	1	24

* Subsidiary company

1.2.6.2 Under Section 619(4) of the Companies Act, 1956, the Comptroller and Auditor General of India has a right to comment upon or supplement the report of the Statutory Auditors. Under the provision, the review of annual accounts of Government companies is being conducted on selective basis. The accounts of 50 companies were selected for such review during the period from October 1996 to September 1997. The net effect of the comments issued under Section 619(4) of the Act, *ibid*, was as follows :

Details	Number of accounts	Monetary effect (Rupees in crore)
Decrease in profit	2	0.24
Increase in profit	Nil	Nil
Increase in loss	16	24.83
Decrease in loss	1	0.09
Non-disclosure of material fact	10	32.53

Some major errors and omissions noticed in the course of review of annual accounts of some of these companies not pointed out by Statutory Auditors are as follows :

(a) Westinghouse Saxby Farmer Limited(1994-95)

Loss for the year (Rs 1744.29 lakh) has been understated by Rs 23.58 lakh due to non-provision of interest payable (Rs 21.41 lakh) and short provision of guarantee fee payable (Rs 2.17 lakh).

(b) West Bengal Handloom and Powerloom Development Corporation Limited (1990-91)

Loss for the year (Rs 30.50 lakh) has been understated by Rs 100.24 lakh due to inclusion of rejected subsidy claim (Rs 79.86 lakh), non-provision of liability of arrears (Rs 17.72 lakh) and over-valuation of closing stock (Rs 2.66 lakh).

(c) Calcutta Tramways Company (1978) Limited (1992-93)

Loss for the year (Rs 1913.68 lakh) has been understated by Rs 44.73 lakh due to non-charging of claims disowned by HRBC (Rs 41.58 lakh), non charging of depreciation of electrical equipment (Rs 2.99 lakh) and undercharge of depreciation (Rs 0.16 lakh).

1.2.7 Capacity Utilisation

Average annual utilisation of the installed or rated capacity of the main product of 37 manufacturing/processing companies under nine Departments (to the extent of information available) for the two years up to 1996-97 are given in Annexure 5. The capacity is often uprated or downrated depending upon conditions of plant and machinery, available manpower, number of shifts worked, etc. Percentage utilisation of the companies ranged between nil and 77 during the year 1996-97.

The main reasons for the low capacity utilisation in most of the companies were age old plant and machinery and constraints of working capital. This indicates the need for the Administrative Departments to monitor the utilisation of production capacity of the respective companies.

1.2.8 619B Companies

There were two companies covered under Section 619 B of the Companies Act, 1956, details of which are given below :

Name of Company	Latest year of accounts	Paid-up capital	Investment by Government companies	Profit(+)/Loss(-) during the year
(Rupees in crore)				
WEBFIL Limited	1995-96	4.82	3.61	-6.80
Webel Carbon and Metal Film Resistors Limited	1991-92	0.75	0.61	(-)1.08

1.2.9 Other investments

The State Government has invested more than Rs 10.00 lakh in 45 other companies. Though the Government has invested Rs 10.00 lakh and above in those companies they are not subject to audit by the CAG as Government /Government owned/ controlled companies/ corporations hold less than 51 *per cent* shares.

A list of these companies is given in Annexure-I. The total investment in these undertakings up to March 1997 was Rs 173.85 crore as against Rs 173.04 crore up to March 1996 (39 companies).

1.3 Statutory corporations

1.3.1 General aspects

There were nine Statutory corporations in the State as on 31 March 1997. Audit arrangement of these corporations are shown below :

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised (September 1997)	Separate Audit Report(SAR) placed in Legislature up to the year	Authority for audit by the CAG
(1)	(2)	(3)	(4)	(4)	(6)	(7)
West Bengal State Electricity Board (WBSEB)	Section 5(1) of the Electricity (Supply) Act, 1948	1 May 1955	Sole audit by CAG	1995-96	1994-95 on 3 July 1997 (excepting for year 1991-92)	Section 69(2) of Electricity (Supply) Act, 1948
Calcutta State Transport Corporation (CSTC)	Road Transport Corporation Act, 1950	15 April 1960	Sole audit by CAG	1993-94	1987-88	Section 33(2) of the Road Transport Corporation Act, 1950
North Bengal State Transport Corporation (NBSTC)	Road Transport Corporation Act, 1950	1 June 1960	Sole audit by CAG	1991-92	1989-90	Section 33(2) of the Road Transport Corporation Act, 1950
South Bengal State Transport Corporation (SBSTC)	Road Transport Corporation Act, 1950	7 December 1960	Sole audit by CAG	1992-93	1990-91	Section 33(2) of the Road Transport Corporation Act, 1950
West Bengal Financial Corporation (WBFC)	Section 3(1) of the State Financial Corporation Act, 1951	1 March 1954	Chartered Accountants SAR issued by CAG	1996-97	1994-95	Section 37 (6) of the State Financial Corporation Act, 1951
West Bengal State Warehousing Corporation (WBSWC)	Agricultural Produce (Development & Warehousing) Corporation Act, 1956 replaced by Warehousing Corporation Act, 1962	31 March 1958	Chartered Accountants SAR issued by CAG	1994-95	1992-93	Section 31(8) of State Warehousing Corporation Act, 1962
West Bengal Industrial Infrastructure Development Corporation (WBIIDC)	West Bengal Industrial Infrastructure Development Corporation Ordinance, 1973. Replaced by West Bengal Industrial Infrastructure Development Act, 1974	November 1973	Sole audit entrusted to the CAG up to 1995-96	1993-94	1991-92 (excepting for the years 1981-82 to 1983-84)	Section 19(3) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

(1)	(2)	(3)	(4)	(4)	(6)	(7)
West Bengal Scheduled Castes and Scheduled Tribes Development And Finance Corporation (WBSC&STD&FC)	West Bengal Scheduled Castes Development and Finance Corporation Act 1976. Amended 1980.	23 July 1976	Audit not yet entrusted	1990-91	-	Transaction audit taken up as per Section 14 of DPC Act 1971.
West Bengal Minorities Development and Finance Corporation (WBMD&FC)	West Bengal Minorities Development and Finance Corporation Act 1995	10 October 1995	Audit not yet entrusted	1st Account not yet compiled	-	-

1.3.2 Investment

The total investment in these Corporations as on 31 March 1997 was Rs 4188.15 crore (Equity Rs 1518.95 crore, long term loan Rs 2669.20 crore) as against total investment of Rs 3905.73 crore (Equity Rs 1518.95 crore, long term loan Rs 2386.78 crore) as on 31 March 1996.

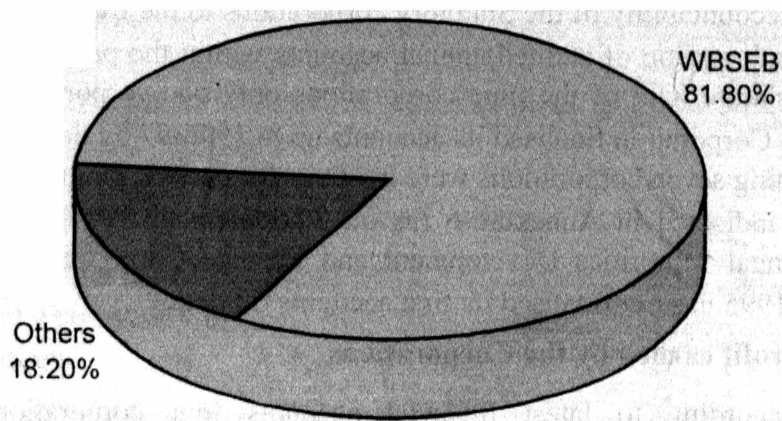
The sectorwise investment in these corporations was as below :

Sl. No	Sector/Name of PSU	At the end of				Debt equity ratio
		1996-97		1995-96		
		Equity	Loan	Equity	Loan	
		(Rupees in crore)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Power					
1.	West Bengal State Electricity Board	1352.62 (1352.62)	2073.28 (681.61)	1352.62 (1352.62)	1857.95 (421.46)	1.53 : 1
	Transport					
2.	Calcutta State Transport Corporation	9.62 (8.62)	188.69 (134.54)	9.62 (8.62)	178.33 (132.20)	19.61 : 1
3.	North Bengal State Transport Corporation	10.70 (5.87)	98.79 (78.55)	10.70 (5.87)	69.07 (69.07)	9.23 : 1
4.	South Bengal State Transport Corporation	11.01 (11.01)	59.39 (52.27)	11.01 (11.01)	52.03 (51.41)	5.39 : 1
	Finance					
5.	West Bengal Financial Corporation	40.45 (28.96)	230.92 (Nil)	40.45 (28.96)	217.66 (1.15)	5.71 : 1
6.	West Bengal Scheduled Caste and Scheduled Tribes Development and Finance Corporation	86.94 (48.17)	- -	86.94 (48.17)	- -	0 : 1
7.	West Bengal Minorities Development and Finance Corporation	NA	NA	NA	NA	NA
	Agriculture					
8.	West Bengal State Warehousing Corporation	7.61 (3.81)	- -	7.61 (3.81)	- -	0 : 1
9.	Developmental West Bengal Industrial Infrastructure Development Corporation Total	- - 1518.95 (1459.06)	18.13 (15.85) 2669.20 (962.82)	- - 1518.95 (1459.06)	11.74 (11.74) 2386.78 (687.03)	1 : 0

(Figures in brackets denote State Government investment)

Out of total investment of Rs 4188.15 crore as on 31 March 1997, the investment in WBSEB alone was Rs 3425.90 crore (81.80 per cent)

Ratio of investment in WBSEB and other Statutory Corporations as on 31 March 1997 is shown graphically below :



1.3.2(i) Waiver of dues

The State Government waived dues of following corporations during the year as detailed below :-

Details of dues	Name of Corporation	Amount (Rupees in Crore)
Repayment of loans	West Bengal Financial Corporation	0.09
Interest on loan	West Bengal State Electricity Board	106.32
Total		106.41

1.3.2(ii) Budgetary outgo

Budgetary outgo of the State Government in respect of these corporations during the last three years ending 1996-97 was as follows :

Particulars	Name of the Corporation	Amount (Rupees in crore)		
		1994-95	1995-96	1996-97
Capital	West Bengal State Electricity Board	97.99	671.72	-
	West Bengal Financial Corporation	13.95	0.50	4.00
	West Bengal State Warehousing Corporation	0.20	-	-
	Total	112.14	672.22	100.97
Loan	West Bengal State Electricity Board	9.94	118.60	267.18
	Calcutta State Transport Corporation	10.75	8.00	10.34
	West Bengal Industrial Infrastructure Development Corporation	1.77	1.77	2.00
	South Bengal State Transport Corporation	8.01	6.34	7.20
	Total	21.47	134.71	286.72
Subsidy/ grant	South Bengal State Transport Corporation	9.00	9.76	12.29
	West Bengal Industrial Infrastructure Development Corporation	-	1.23	-
	WBFC	-	-	1.00
	Calcutta State Transport Corporation	74.95	51.70	61.89
	West Bengal State Electricity Board	78.40	81.71	245.52
	North Bengal State Transport Corporation	22.66	22.43	27.10
	Total	185.01	166.83	347.80

1.3.3 Delay in finalisation of accounts

Accountability of the Statutory corporations to the Legislature is to be achieved through submission of audited annual accounts within the prescribed time schedule to the Legislature. Out of the nine corporations only one corporation viz. West Bengal Financial Corporation finalised its accounts up to 1996-97 by due date and the accounts of remaining seven corporations were in arrear for periods ranging from one year to six years as indicated in Annexure-6 (as on 30 September 1997). One corporation viz. West Bengal Minorities Development and Finance Corporation incorporated on 10 October 1995 has not finalised its first accounts till date.

1.3.4 Profit earned by the Corporations

According to latest financial accounts four corporations viz. WBSWC, WBIIDC, WBSEB and WBSC & STDFC earned profit of Rs 18.23 crore, four corporations incurred a loss of Rs 87.59 crore and one Corporation has not finalised its first accounts up to 30 September 1997.

1.3.5 Guarantee on loans

The guarantees given by the State Government against loans and credits given by the Banks etc. to the Statutory corporations for the preceding three years up to 1996-97 and outstanding as on 31 March 1997 are shown in the table as follows:

Guarantees (Purpose)	Amount guaranteed during			Guaranteed amount outstanding as on 31 March 1997
	1994-95	1995-96	1996-97	
	(Rupees in crores)			
Cash credit from Banks				
WBSEB	-	30.50	-	
WBFC	-	19.14	38.85	38.85
Loans from other sources				
WBSFB	1779.64	84.40	756.96	1088.45
WBFC	13.33	-	-	113.00
CSTC	-	17.40	-	-
NBSTC	-	-	-	-
SBSTC	4.09	11.10	-	713.30
WBIIDC	14.80	-	-	-

1.3.6 Subsidy

The Government gives subsidy to the corporations for specific schemes or programmes/ projects and also for other purposes. The details of subsidy released by State Government to the Statutory corporations during 1996-97 are as follows :-

- (i) Subsidy amounting to Rs 245.52 crore was given to WBSEB to recoup revenue losses.
- (ii) CSTC, NBSTC and SBSTC were given subsidy to the tune of Rs 61.89 crore, Rs 27.10 crore and Rs 12.29 crore respectively.
- (iii) Subsidy amounting to Rs 1.00 crore was given to WBFC.

1.3.7 Working results of Statutory corporations

The working results of these nine Statutory corporations for the latest year for which accounts had been finalised are summarised in Annexure 6. Salient points on the accounts and physical performance of these Statutory corporations are given in paragraphs 1.4 to 1.10 *infra*.

1.4 West Bengal State Electricity Board

1.4.1 The capital requirements of the Board are met by way of equity capital from State Government and also by way of loans from State Government, public banks and other financial institutions.

The aggregate of long-term loans (including loans from Government) obtained by the Board and outstanding as on 31 March 1997 was Rs 2073.28 crore compared to the long-term loans of Rs 1857.95 crore outstanding at the end of previous year. Particulars of loans obtained from the State Government and other sources and outstanding at the close of March 1996 and March 1997 was as follows :

Sl.No.	Source	Amount outstanding as on 31 March	
		1996	1997 (Provisional)
		(Rupees in crore)	
1.	State Government	421.46	688.63
2.	Other sources		
	Loan from public bonds	720.62	636.85
	Loan from LIC	208.73	253.97
	Loan from Electrification Corporation	265.68	244.61
	Other loans	241.46	249.22
	Total :	<u>1857.95</u>	<u>2073.28</u>

1.4.2 Government had guaranteed repayment of loans raised by the Board to the extent of Rs 1845.41 crore and payment of interest thereon. The amount outstanding thereagainst as on 31 March 1997 was Rs 1088.45 crore. The Board had to pay guarantee fee in consideration of the guarantees given by the Government. The payment of guarantee fee to the extent of Rs 51.86 crore was in arrears as on 31 March 1997.

1.4.3 The financial position of the Board as per books of accounts at the end of each of the three years up to 31 March 1997 is given below :

		1994-95	1995-96	1996-97 (Provi- tional)
		(Rupees in crore)		
A.	Liabilities :			
1.	Equity Capital	680.90	1352.62	1352.62
2.	Long term loans			
	(a)Government	302.86	421.46	688.63
	(b)Other sources	1435.90	1436.49	1384.65
3.	Subvention and grants from			
	(a)Government	-	-	-
	(b)Others	273.47	334.57	415.90
4.	Overdrafts/ways and means advances from Government	13.99	16.16	18.42
5.	Interest on loans	583.43	351.38	333.65
6.	Security deposits from consumers (including interest thereon)	98.72	115.14	131.46
7.	Current liabilities and provisions	1429.51	1272.61	1525.75
8.	Reserves and reserve fund	39.22	54.68	55.52
		4858.00	5355.11	5906.60
	<i>Less : Deficit</i>	523.38	506.16	487.91
	Total - A	4334.62	4848.95	5418.69
B.	Assets			
1.	Gross fixed assets	1370.88	1571.90	1835.41
	<i>Less Depreciation</i>	523.26	628.78	749.32
	Net fixed assets	847.62	943.12	1086.09
2.	Capital work-in-progress	1608.93	1702.83	1780.42
3.	Current assets	1806.22	2147.56	2512.90
4.	Investment	71.85	55.44	39.28
	Total - B	4334.62	4848.95	5418.69
C.	Capital employed	2833.26	3520.90	3853.66

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

1.4.4 The working results of the Board as per books of accounts of the Board for the three years up to 1996-97 are summarised below :

		1994-95	1995-96	1996-97 (Provisional)
		(Rupees	in	crore)
1	(a) Revenue receipts	1124.32	1373.74	1482.93
	(b) Subsidy from the State Government	97.13	81.71	245.52
	(c) Total	1221.45	1455.45	1728.45
2.	Revenue expenditure (net of expenses capitalised) including write-off of intangible assets but excluding depreciation and interests	1178.97	1385.55	1607.43
3.	Gross surplus/(-) deficit (1 - 2)	42.48	69.90	121.02
4.	Adjustment relating to previous year (credit)	148.31	148.31	153.76
5.	Final gross surplus/(-)deficit (3) + (4)	190.79	218.21	274.78
6.	Appropriations			
	(a) Depreciation (less capitalised)	88.03	95.72	108.39
	(b) Interest on Government loans	28.17	42.42	65.57
	(c) Interest on other loans, bonds advances etc.	185.15	177.93	188.41
	(d) Total interest on loans (b) + (c)	213.32	220.35	253.98
	(e) (Less)Interest capitalised	129.03	115.08	105.84
	(f) (Net) Interest charged to revenue	84.29	105.27	148.14
7.	Surplus/(-) deficit before (d -e) accounting for subsidy from State Government [(5)-6(a)-6(f)-1(b)]	(-) 78.60	(-) 64.49	(-)227.27
8.	Net surplus/(-) deficit [(5)-6(a)-6(f)]	18.47	17.22	18.25
9.	Total return on Capital Employed *	102.76	122.49	166.39
10.	Percentage of return on Capital Employed	3.62	3.47	4.32

1.4.5 Audit assessment of the working results of the Board

The Board earned a surplus of Rs 18.25 crore during the year 1996-97 as compared to surplus of Rs 17.22 crore during the previous year 1995-96. The deficit of the Board before accounting for the subsidy from the State Government increased by 71.62 per cent during the year 1996-97 as compared to the year 1995-96.

* Total Return on capital employed represents Net surplus/(-)deficit plus total interest charged to Revenue account (less interest capitalised).

The accumulated deficit at the end of 1996-97 amounted to Rs 487.91 crore which had been arrived at after taking credit of Rs 797.00 crore on account of subsidy receivable from the State Government. Of the above subsidy, Rs 245.52 crore had been adjusted during the year 1996-97 leaving a balance of Rs 551.48 crore yet to be received/adjusted.

According to Section 59 of the Electricity (Supply) Act, 1948, as amended, the Board, after taking credit of subvention from the State Government under Section 63, is required to carry on its operations and adjust its tariff so as to ensure that total revenue in any year of account shall, after meeting all the expenses properly, leave such surplus which is not less than three *per cent* or any higher percentage fixed by the State Government of the value of fixed assets of the Board in service at the beginning of the year. Based on this, the Board was required to achieve a minimum surplus of Rs 28.29 crore (three *per cent* of the value of fixed assets in service at the beginning of the year) for the year 1996-97. As against this there was a net surplus of Rs 18.25 crore which worked to 1.93 *per cent*.

The following major irregularities and omissions were pointed out in the separate Audit Report on the annual accounts of the Board for the year 1995-96:

Revenue Accounts

1. Revenue from sale of power (Rs 135792 lakh) is overstated by Rs 486.49 lakh due to omission to account for revenue refundable and its excess accounting (Rs 406.62 lakh) and treatment of revenue for earlier years as revenue for the year (Rs 79.87 lakh).
2. Other income (Rs 1582 lakh) is overstated by Rs 17.60 lakh due to excess accounting of revenue and treatment of revenue for earlier years as revenue for the year.
3. Purchase of power (Rs 90217 lakh) is understated by Rs 4292.91 lakh due to treatment of power purchased for the year as expenditure for earlier years and its short accounting.
4. Generation of power (Rs 20807 lakh) is understated (net) by Rs 1122.38 lakh due to omission to account for consumption of coal and oil during the year and shortage of coal and oil noticed (Rs 1362.13 lakh) and under provision of liability for coal, oil and related expenditure (Rs 58.28 lakh) on the one hand and overstated by Rs 298.03 lakh due to erroneous treatment of fuel related cost for the earlier years as for the year.
5. Repair and maintenance (Rs 5946 lakh) is understated by Rs 121.36 lakh due to non-provision of cost of services received during the year (Rs 60.01 lakh) and erroneous treatment of capital work as revenue work (Rs 61.35 lakh).
6. Employees cost (Rs 22060 lakh) is understated by Rs 32.29 lakh due to short accounting of cost of services received from the employees during the year.
7. Administration and General Expenditure (Rs 2851 lakh) is understated by Rs 15.47 lakh owing to non-provision of cost of services received during the year.

8. Depreciation and related debits (Rs 9572 lakh) is understated by Rs 242.77 lakh due to short accounting/non-accounting of depreciation on assets in use.
9. Interest and Finance charges (Rs 22035 lakh) is understated by Rs 1569.44 lakh due to omission to account for penal interest on overdue principal and interest on loan (Rs 1563.28 lakh) and omission to account for rebate allowed to the consumers on sale of power (Rs 6.16 lakh).
10. Other Debits (Rs 268 lakh) is understated by Rs 2049.10 lakh due to non-provision of bad debts (Rs 1947.47 lakh) and non-provision of shortage of materials noticed during physical verification (Rs 101.63 lakh).

As a result of the above irregularities/omissions the surplus (Rs 17.22 crore) of the Board will turn into deficit of Rs 217.83 crore.

Based on the Audit assessment of the working results of the Board for two years upto 1995-96 and taking into consideration the major irregularities and omissions pointed out in the separate Audit Reports on the annual accounts of the Board and not taking into account of the subsidy receivable from the State Government, the net deficit and percentage of return on the capital employed of the Board will be as under :

Sl.No.	Particulars	1994-95	1995-96
		(Rupees in crore)	
1.	Net surplus/(-) deficit as per Book of Accounts	18.47	17.22
2.	Subsidy from State Government	97.13	81.71
3.	Net surplus/(-) deficit before subsidy from the State Government (1) - (2)	(-)78.66	(-)64.49
4.	Net increase / decrease in net surplus/ (-) deficit on account of Audit comments on the annual accounts of the Board	(-) 274.45	(-) 235.05
5.	Net surplus / (-) deficit after taking into account of Audit comments but before subsidy from the State Government (3) - (4)	(-)353.11	(-) 299.54
6.	Total return on Capital employed	(-)168.80	(-)96.87
7.	Percentage of return on Capital employed	-	-

1.4.6 The following table indicate the operational performance of the Board for the three years up to 1996-97 :

	1994-95	1995-96	1996-97 Provisional
1. Installed Capacity (MW)			
(i) Thermal (Derated)	1010.00	1020.00	1010.00
(ii) Hydel	45.00	97.31	84.45
(iit) Diesel and Gas Turbine	78.00	82.40	78.00
	-----	-----	-----
Total - 1	1133.00	1199.71	1172.45
	-----	-----	-----
2. Power generated (MKWH)			
(i) Thermal	3647.10	3061.46	3467.32
(ii) Hydel	86.94	128.98	281.34
(iii) Diesel and Gas Turbine	16.02	14.66	12.03
	-----	-----	-----
Total - 2	3750.06	3205.10	3760.69
	-----	-----	-----
3. Less : Auxiliary consumption (MKWH)	408.89	366.13	410.31
4. Net power generated (MKWH) (2-3)	3341.17	2838.97	3350.38
5. Power purchased/procured (MKWH)	6798.85	8254.00	8720.78
6. Total power available for sale (MKWH) (4+5-9(ii))	10139.02	11091.97	12070.16
7. Normal maximum demand (MW)	1846.00	1864.00	1986.00

		1994-95	1995-96	1996-97 Provisional
8.	Power sold (MKWH)	7997.03	8786.00	9646.42
9.	(i) Transmission and Distribution loss (MKWH)	2142.99	2266.00	2423.74
	(ii) Free Supply to Bhutan (MKWH)	1.00	1.00	1.00
	(iii) Sub-station Auxiliary (MKWH)	16.00	39.97	18.00
10.	Average load factor (percentage)	41.00	57.00	NA
11.	Percentage of generation to installed capacity	37.78	30.41	36.62
12.	Percentage of transmission and distribution losses to total power available for sale	21.13	20.43	20.08
13.	Number of Units (KWH) generated per KW of installed capacity	3310	2672	3208
14.	Number of Villages/Towns electrified	310	89	293
15.	(a) Pumpsets/wells energised	2266	1978	2394
	(b) Pumpsets/wells awaiting energisation	NA	113.47	NA
16.	Number of Sub-station (33 KV and above)	308	323	315
17.	Transmission/Distribution losses :			
	(i) High/Medium Voltage (MKWH)	NA	NA	107.45
	(ii) Low Voltage (MKWH)	2142.99	2266.00	2578.78
18.	Number of Consumers (In lakh)	21.12	NA	23.01
19.	Number of employees	39258	39393	38098
20.	Total expenditure on Staff (Rupees in lakh)	19102	22060	24050
21.	Average cost per employee (Rupees in lakh)	0.49	0.56	0.63
22.	Percentage of expenditure on Staff to total revenue expenditure	16.20	13.90	12.90
23.	Break-up of sale of energy according to categories of consumers (MKWH)			
	(a) Agriculture	1020.10	1231.69	1365.86
	(b) Industries	1814.94	2019.42	2236.27
	(c) Commercial	734.70	781.88	864.06
	(d) Domestic	1500.15	1613.67	1930.67
	(e) Others	2927.14	3139.34	3249.56
	Total - 23	7997.03	8786.00	9646.42
24.	(a) Revenue per KWH (Rupees)*	1.41	1.56	1.54
	(b) Expenditure per KWH (Rupees)**	1.52	1.61	1.64
	(c) Profit (+)/Loss (-) per KWH (Rupees)	(-)0.11	(-)0.05	(-) 0.10
*	Revenue per kwh has been arrived at after excluding subsidy from State Government			
**	This includes charges on account of depreciation and interest.			

1.5 Calcutta State Transport Corporation

1.5.1 Under Section 23(i) of the Road Transport Corporations Act, 1950 the State Government and the Central Government had agreed to contribute to the capital, the ratio of which has not yet (September 1997) been settled.

The capital of the Corporation as on 31 March 1997 was Rs 962.24 lakh (Rs 862.24 lakh contributed by State Government and Rs 100 lakh contributed by the Central Government) which was also the same as on 31 March 1996. Interest on capital received from the State Government and the Central Government is payable at the rate of 4 to 6 per cent and 6.25 per cent respectively.

1.5.2 The financial position and working results of the Corporation for the three years up to 1993-94 up to which accounts have been finalised by the Corporation till September 1997 have been summarised below :

Financial position

	1991-92	1992-93	1993-94
	(Rupees in lakh)		
A. Liabilities :			
1. Capital	962.24	962.24	962.24
2. Reserve and Surplus	135.66	151.76	174.87
3. Borrowings	15359.19	15634.07	16653.76
4. Trade dues and current liabilities	11511.20	12385.95	12969.26
	<u>27968.29</u>	<u>29134.02</u>	<u>30760.13</u>
B. Assets :			
(a) Fixed assets			
(i) Gross fixed assets	12790.87	12743.71	13366.55
(ii) Less Depreciation	7533.03	8084.58	8352.51
(iii) Net fixed assets	5257.84	4659.13	5014.04
(b) Investments	265.99	275.13	300.33
(c) Current assets, Loans and advances	2334.61	2474.10	2129.37
(d) Accumulated loss	20109.85	21725.66	23316.39
	<u>27968.29</u>	<u>29134.02</u>	<u>30760.13</u>
C. Capital employed	(-)3891.80	(-)4994.80	(-) 5501.32

Working results

Particulars	1991-92	1992-93	1993-94
	(Rupees in lakh)		
1. (a) Operating			
Revenue	3204.76	3796.58	3913.86
Expenditure	7025.53	7581.75	8065.69
Deficit	3820.77	3785.17	4151.83
(b) Non-operating			
Revenue	114.97	133.61	123.91
Expenditure	1042.37	1112.04	1271.40
Deficit	927.40	978.43	1147.49
2. Total revenue	3319.73	3930.19	4037.77
3. Total Expenditure	8067.90	8693.79	9337.09
4. Net Profit (+)/Loss (-)	(-)4748.17	(-)4763.60	(-)5299.32
5. Interest on capital and loan	1031.26	1122.65	1270.90
6. Total return on Capital employed	(-)3716.91	(-)3641.05	(-)4028.42

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

1.5.3 Separate Audit Report on the annual statement of accounts of the Corporation for the year 1993-94 indicated net understatement of loss to the extent of Rs 6.38 crore.

1.5.4 The table below indicates the physical performance of the Corporation during the three years up to 1996-97 :

	<u>1994-95</u>	<u>1995-96</u>	<u>1996-97</u>
1. Average number of vehicles held	1250	1207	1197
2. Average number of vehicles on road	860	877	874
3. Percentage of utilisation	68.80	72.60	73.02
4. Kilometres covered (in lakh)			
(a) Gross	669.64	688.95	678.31
(b) Effective	599.02	614.92	617.69
(c) Dead	70.62	74.03	60.62
5. Percentage of dead kms to gross kms	10.55	10.75	8.94
6. Average kms covered per vehicle per day	202.08	199.40	200.10
7. Average revenue per km (in paise)	694.45	677.52	716.97 (P)
8. Average expenditure per km (in paise)	1513.59	1507.82	1631.75 (P)
9. Loss per km (in paise)	819.14	830.30	914.78
10. Total route kms	21848	23454	22924
11. Number of operating depots	11	11	11
12. Average number of breakdowns per lakh kms	152.50	138.90	115.60
13. Average number of accidents per lakh kms	0.67	0.67	0.60
14. Passenger kms scheduled (in lakh)	28851.60	29810.00	32175.30
15. Passenger kms operated (in lakh)	27914.76	28639.48	28564.26
16. Occupancy ratio (per cent)	102.58	102.92	102.09

(P) Denotes provisional figures.

1.6 North Bengal State Transport Corporation

1.6.1 The capital of the Corporation was Rs 1069.56 lakh (Rs 587.04 lakh contributed by the State Government and Rs 482.52 lakh by the Central Government) as on 31 March 1997, which was the same as on 31 March 1996.

1.6.2 The financial position and working results of the Corporation for the three years up to 1991-92 up to which accounts have been finalised by the Corporation till 30 September 1997 are summarised below:

Financial position		1989-90	1990-91	1991-92
		(Rupees in lakh)		
A	LIABILITIES			
1.	Capital	1038.06	1038.06	1069.55
2.	Reserves and Surplus	17.06	20.37	22.13
3.	Borrowing	3823.37	4910.37	5098.37
4.	Trade dues and other current liabilities	3128.67	3784.08	3226.27
5.	Differences in accounts	0.06		
	Total -A	8007.22	9752.88	9416.32
B	ASSETS			
1.	Gross Block	2653.86	3628.20	4165.46
2.	Less : Depreciation	312.60	414.59	478.77
3.	Net fixed assets	2341.26	3213.61	3686.69
4.	Capital work-in-progress	467.71	299.12	24.92
5.	Investment	724.37	762.31	9.24
6.	Current assets, loans and advances	603.96	948.34	432.29
7.	Accumulated loss	3869.92	4529.50	5263.18
	Total - B	8007.22	9752.88	9416.32
C.	Capital employed	284.26	676.99	917.63

Occupancy ratio means total seat kilometres occupied (in lakh) out of total seat kilometres offered (in lakh) expressed in percentage.

Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

Particulars	1989-90	1990-91	1991-92
	(Rupees in lakh)		
Working results			
1. (a) Operating Revenue	1910.20	2544.81	3006.30
Expenditure	2659.76	3609.20	4346.37
Deficit	749.56	1064.39	1340.07
(b) Non-operating Revenue	4.23	22.43	27.33
Expenditure	252.60	290.22	313.60
Deficit	248.37	267.79	286.27
2. Total revenue	1914.43	2567.24	3033.63
3. Total expenditure	2912.36	3899.42	4659.97
4. Net loss	997.93	1332.18	1626.34
5. Interest on capital and loan	245.95	286.90	311.85
6. Total return on Capital employed*	(-)751.98	(-)1045.28	(-)1314.49

1.6.3 The table below indicates the operational performance of the Corporation during the three years up to 1996-97:

	1994-95	1995-96	1996-97
	-----	-----	-----
1. Average number of vehicles held	971	979	986
2. Average number of vehicles on road	765	671	611
3. Percentage of utilisation	79	69	67
4. Kilometres covered (in lakh)			
(a) Gross	763.60	670.34	623.76
(b) Effective	741.90	651.64	604.80
(c) Dead	21.70	18.70	18.96
5. Percentage of dead kms to gross kms	2.84	2.79	3.04
6. Average kms covered per vehicle per day	266	266	271
7. Average revenue per km (in paise)	586	636	684
8. Average expenditure per km (in paise)	812	858	1247
9. Loss per km (in paise)	226	222	563
10. Total route in lakh kms	1.74	1.74	1.74
11. Number of operating depots	21	21	21
12. Average number of breakdowns per lakh kms	21.75	23.29	18.96
13. Average number of accident per lakh kms	0.28	0.18	0.13
14. Passenger kms scheduled (in lakh)	37,095	32,582	30,240
15. Passenger kms operated (in lakh)	25,077	23,785	22,015
16. *Occupancy ratio (per cent)	68	73	73

* Occupancy ratio means total seat kms occupied (in lakh) out of total seat kms offered (in lakh) expressed in percentage.

1.7 South Bengal State Transport Corporation

1.7.1 South Bengal State Transport Corporation (erstwhile Durgapur State Transport Corporation) was incorporated on 7 December 1973 with a view to extending the facilities of road transport in five districts of South Bengal, namely Bardhaman, Birbhum, Bankura, Purulia and Medinipore. In March 1988 its area of operation was extended to all districts of West Bengal including Calcutta and excepting Jalpaiguri and Cooch Behar.

The capital of the Corporation was Rs 1100.93 lakh (wholly subscribed by the State Government) as on 31 March 1997 which was the same as on 31 March 1996.

1.7.2 The financial position and working results of the Corporation for the three years up to 1992-93 up to which annual accounts of the Corporation have been finalised till 30 September 1997 are summarised below :

Financial position		1990-91	1991-92	1992-93
		(Rupees in lakh)		
(A)	Liability			
	(a) Capital	1100.93	1100.93	1100.93
	(b) Reserve and surplus	29.97	10.25	12.53
	(c) Borrowings	2362.84	2661.31	2943.17
	(d) Trade dues & Current liabilities	1644.64	2237.60	2358.26
		-----	-----	-----
		5138.38	6010.10	6414.89
(B)	Assets			
	(a) Fixed assets			
	(i) Gross fixed assets	1869.45	2497.37	2550.47
	(ii) Less :depreciation	736.38	1030.56	1348.42
	(iii) Net fixed assets	1133.07	1466.81	1202.05
	(b) Capital work-in-progress	243.15	114.08	139.95
	(c) Investments	37.93	37.93	38.00
	(d) Current assets, loans and advances	559.53	482.22	537.28
	(e) Accumulated loss	3164.70	3909.06	4497.61
		-----	-----	-----
		5138.38	6010.10	6414.89
(C)	Capital employed	291.11	(-)174.49	(-)479.02

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

Working results

	1990-91	1991-92	1992-93
	(Rupees in lakh)		
(a) Operating revenue	674.72	1082.76	1231.01
Operating expenditure	1295.60	1898.74	2183.18
Deficit	(-)620.88	(-)815.98	(-)952.17
(b) Non-operating revenue (including subsidy)	247.17	359.31	647.86
Non-operating expenditure	179.70	2186.70	284.24
Profit (+)/Deficit (-)	(+) 67.47	(+) 71.61	(+)363.62
(c) Total revenue	921.89	1442.07	1878.87
Total expenditure	1475.30	2186.44	2467.42
Net profit (+)/loss (-)	(-)553.41	(-)744.37	(-)588.55
(d) Total effective Kilometres operated (in lakh)	184.06	268.31	259.03
(e) Average operating revenue per effective Kilometres (in paise)	366.58	403.55	475.24
(f) Average operating expenditure per effective Kilometres (in paise)	703.90	707.66	842.83
(g) Profit (+)/loss (-) per Kilometres (in paise)	(-)337.32	(-)304.11	(-)367.59

1.7.3 The table below indicates the operational performance of the Corporation during the three years up to 1996-97 :

	1994-95	1995-96	1996-97
1. Average number of vehicles held	599	633	557
2. Average number of vehicles on road	243	260	239
3. Percentage of utilisation	41	41	43
4. Kilometres covered (in lakh)			
(a) Gross	212.23	233.96	231.34
(b) Effective	208.19	229.85	226.49
(c) Dead	4.04	4.11	4.85
5. Percentage of dead kms to gross kms	1.90	1.76	2.10
6. Average kms covered per vehicle per day	235	242	260
7. Average revenue per km (in paise)	555	560	611
8. Average expenditure per km (in paise)	1317	1370	1225
9. Loss per km (in paise)	762	810	614
10. Total route kms	22947	24130	39428
11. Number of operating depots	11	12	14
12. Average number of breakdowns per lakh kms	82	65	49.74
13. Average number of accidents per lakh kms	0.54	0.55	0.38
14. Passenger kms scheduled (in lakh)	8744	9654	10192
15. Passenger kms operated (in lakh)	6606	7350	7161
16. *Occupancy ratio (per cent)	76	76	70

1.8 West Bengal Financial Corporation

1.8.1 The paid-up capital of the Corporation was Rs 4045.00 lakh (Rs 2895.885 lakh contributed by the State Government, Rs 1100.88 lakh contributed by the Industrial Development Bank of India (IDBI) and Rs 48.23 lakh by others) as on 31 March 1997, which was the same as on 31 March 1996.

The State Government had guaranteed under Section 6(1) of the State Financial Corporation Act, 1951, the repayment of entire share capital and payment of minimum dividend thereon at 3.5 per cent up to Rs 920 lakh and at 7.5 per cent on share capital in excess of it.

Occupancy ratio means total seat kms occupied (in lakh) out of total seat kms offered (in lakh) expressed in percentage.

The State Government had also guaranteed repayment of all the loans with interest which includes Rs 148.74 crore raised by the Corporation through Bonds.

1.8.2 The table below summarises the financial position of the Corporation for the three years up to 1996-97:

	1994-95	1995-96	1996-97
	(Rupees in lakh)		
A. Liabilities :			
1. Paid up Capital	3995.00	4045.00	4045.00
2. Reserve Fund, other reserves and surplus	1242.88	1389.05	1749.59
3. Borrowings :			
(i) Bonds and debentures	12488.80	13548.80	14873.80
(ii) Others	7949.43	8217.30	8217.73
4. Subvention paid by State Government on account of dividend	108.95	108.95	614.95
5. Other liabilities and provisions	*6194.86	**8104.04	***9283.18
Total - A	31979.92	35413.14	38784.25
B. Assets :			
1. Cash and bank balance	666.41	557.39	809.36
2. Investments	25.11	19.56	19.56
3. Loans and advances	26258.47	28412.97	29831.17
4. Debentures, shares, etc. acquired under underwriting agreements	17.40	17.40	17.40
5. Net fixed assets	24.31	27.81	39.76
6. Dividend deficit account	614.95	789.43	1027.51
7. Other assets	476.48	406.35	612.29
8. Accumulated loss	3896.79	5182.23	6427.20
Total - B	31979.92	35413.14	38784.25
C. Capital employed *	25400.80	26328.82	27927.86

*Includes Rs 50 lakh of share application money.

**Includes Rs 625 lakh of share application money.

***Includes Rs 1025 lakh of share application money.

1.8.3 The working results of the Corporation for the three years up to 1996-97 are summarised below :

	1994-95	1995-96	1996-97
	(Rupees in lakh)		
1. Income :			
Interest on loans and advances	3015.90	3079.26	3412.32
Other income	80.21	96.26	85.87
Total - 1	3096.11	3175.52	3498.19
2. Expenditure :			
Interest on long term loans	2484.15	2586.65	2117.14
Other expenses	396.45	438.15	479.71
Total - 2	2880.60	3024.80	2596.85
3. Profit(+)/Loss(-) before tax and provisions	(+)215.51	(+)150.72	(+)901.34
4. Provision for tax	---	23.50	279.87
5. Profit after tax	---	127.22	621.47
6. Provision for bad and doubtful debt	1780.81	1285.44	1505.90
7. Other appropriations	86.20	60.29	360.54
8. Investment	---	---	-
9. Amount available for dividend	---	---	-
10. Dividend	---	---	-
11. Net loss (3±6±7)	(-)1651.50	(-)1218.51	(-)1244.97
12. Total return on Capital employed	832.65	1368.14	972.17
13. Percentage of return on Capital employed	3.28	5.19	3.48

* Capital employed represents the mean of the aggregate of opening and closing balances of (i) paid up capital (ii) bonds and debentures (iii) reserves (iv) borrowings (including refinance) and deposits

1.8.4 Separate Audit Report on the annual statement of accounts of the Corporation for the year 1996-97 indicated net overstatement of profit (Rs 9.01 crore) to the extent of Rs 1.63 crore.

1.8.5 The following table indicates the position regarding the receipt and disposal of application of loans for the three years up to 1996-97 :

Sl. No.	Particulars	1994-95		1995-96		1996-97	
		Number	Amount (Rupees in lakh)	Number	Amount (Rupees in lakh)	Number	Amount (Rupees in lakh)
1.	Applications pending at the beginning of the year	151	872.75	95	996.90	82	433.91
2.	Applications received during the year	584	5531.65	620	8585.60	504	7368.66
3.	Total	735	6404.40	715	9582.50	586	7802.57
4.	Applications sanctioned during the year	454	4488.96	448	6795.39	424	6173.72
5.	(a) Applications cancelled/withdrawn/reduction in amount	186	918.54	185	2353.46	83	634.57
	(b) Rejected	--	--	--	--	--	----
6.	Applications pending at the close of the year	95	996.90	82	433.91	79	994.28
7.	Loans disbursed	377	3073.52	428	4786.57	533	5066.67
8.	Loans outstanding at the close of the year	15119	26258.47	15084	28412.97	15470	29868.13
9.	Amount overdue for recovery at the close of the year:						
	(a) Principal	14131	3038.61	14187	2769.	13150	2487.89
	(b) Interest	--	9096.79	--	10891.31	--	11874.68
	(c) Total	14131	12135.40	14187	13660.48	13150	14362.57
10.	Percentage of default to total loans outstanding	--	46.22	--	48.17	--	48.08

1.9 West Bengal State Warehousing Corporation

1.9.1 The paid-up capital of the Corporation including share suspense (money received towards shares not yet allotted) of Rs 55.00 lakh as on 31 March 1997 was Rs 761.40 lakh (Rs 380.70 lakh contributed by State Government and Rs 380.70 lakh by Central Warehousing Corporation).

1.9.2 Separate Audit Reports for the years 1981-82 to 1992-93 issued by the CAG from time to time during the period from 12 July 1985 to 30 September 1995 were not placed before the Annual General Meeting of the Corporation held between 16

September 1986 and 10 February 1994 as required under Section 31(10) of the Warehousing Corporation Act, 1962.

1.9.3 The summarised financial position and working results of the Corporation for the three years up to 1994-95 up to which annual accounts have been finalised by the Corporation till September 1997 are summarised below:

	Financial position	1992-93	1993-94	1994-95
		(Rupees in lakh)		
A	Liabilities			
1	Paid up capital	645 40	670 40	706 40
2	Reserves and surplus	518 96	554 78	613 98
3	Trade dues and other current liabilities	394 65	497 76	569 56
	Total - A	1559 01	1722 94	1889 94
B	Assets			
1	Gross block	880 70	1015 57	1020 13
2	Less - Depreciation	268 06	306 23	342 28
3	Net fixed assets	612 64	709 34	677 85
4	Capital work-in-progress	46 13	-	11 48
5	Investment	113 54	129 40	155 42
6	Current assets loans and advances	786 70	884 20	1045 19
	Total - B	1559 01	1722 94	1889 94
C	Capital employed	1050 82	1095 78	1164 96
	Working results			
1	Income			
(i)	Warehousing charges	392 72	406 02	509 77
(ii)	Other receipts	16 48	3 83	2 71
	Total - I	409 20	409 85	512 48
2	Expenditure			
(i)	Establishment charges	175 79	189 03	235 82
(ii)	Other expenses	157 04	168 68	199 18
		332 83	357 71	435 00
3	Profit before tax	76 37	52 4	77 48
4	Provision for tax	5 09	0 56	0 36
5	Other appropriations	4 28	4 30	5 50
6	Amount available for dividend	66 99	47 48	71 62
7	Proposed dividend (percent)	44 48 (7)	45 18 (7)	48 05 (7)
8	Total return on capital employed	76 37	52 14	77 48
9	Percentage of total return on capital employed	7 60	4 76	6 65

1.10 West Bengal Industrial Infrastructure Development Corporation

1.10.1 The Corporation had no share capital of its own. The Corporation has obtained long term loans from the State Government from time to time. Outstanding balance of loans as on 31 March 1997 was Rs 1585.29 lakh

1.10.2 The financial position and working results of the Corporation for three years up to 1992-93 have been discussed in para 1.10.2 and 1.10 3 of the Audit Report (Commercial) for the year 1995-96.

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

During the year 1996-97, the COPU completed discussion of one review and 10 paragraphs of the Audit Reports (Commercial) for the years 1987-88 (No.4), 1988-89 (No. 3), 1989-90, 1990-91, 1991-92 and 1992-93 respectively.

Capital employed represents net fixed assets (including capital work-in-progress) plus working capital

To accelerate the pace of Committee's deliberations on the outstanding Audit Reports, selective approach of discussion of the Audit Reports from the year 1987-88 onwards was adopted. Reviews and paragraphs included in the Audit Report (Commercial) prior to 1990-91 which had lost topical interest were skipped over for discussion by the Committee.

Position of discussion of Audit Reports pending in the COPU as on 31 March 1997 is given below :

Year of Audit Report(Commercial)	Pending Discussion	
	Reviews	Paragraphs
1990-91 (No.1)	2	6
1991-92 (No.2)	1	5
1992-93 (No.1)	5	6
1993-94 (No.1)	3	12
1994-95 (No.1)	3	10
1995-96 (No.1)	2	9
Total	16	48

Audit Report for the year 1995-96 was placed before the State Legislature on 10 June 1997.

CHAPTER-II

Name of Government company	Section	Pages
⇒ Greater Calcutta Gas Supply Corporation Limited	2A	37-51
⇒ West Bengal State Leather Industries Development Corporation Limited	2B	51-67

2A. GREATER CALCUTTA GAS SUPPLY CORPORATION LIMITED

HIGHLIGHTS

The Company was incorporated in December 1987 to take over the erstwhile Oriental Gas Company Undertaking dealing in supply of coal gas in and around Calcutta alongwith the existing gas pipe lines of Durgapur Projects Limited from Durgapur to Calcutta and for implementation of the new Gas Distribution Project.

(Paragraphs 2A.1 & 2A.2)

The paid-up capital of the Company as on 31 March 1996 stood at Rs 1045.00 lakh against which the accumulated loss was Rs 2619.34 lakh mainly due to abnormal distribution loss of gas, delay in completion of the Gas Distribution Project, consequential huge interest burden and poor development of market.

(Paragraphs 2A.6.3, 2A.6.4, 2A.8 & 2A.13)

Due to non-completion of its own pipe line the Company had to pay Rs 106.60 lakh upto 31 March 1997 as wheeling charges to DPL.

(Paragraph 2A.7.3)

Even after delay of four years from the revised scheduled date of completion (March 1993), many items of Gas Distribution Project remained incomplete and the actual expenditure stood at Rs 8631.69 lakh against the project estimate of Rs 5435 lakh which was mainly due to additional interest burden (Rs 1675.90 lakh) on IDBI loan, increase in construction cost of Gasholders (Rs 261 lakh) collapsed at the time of commissioning and additional cost of Rs 50.05 lakh incurred by the Company on repair and replacement of defective Medium Pressure Main laid by Calcutta Metropolitan Development Authority (CMDA).

(Paragraph 2A.8)

Due to failure in commissioning of Telemetry and Telecommunication System (TTS) in an integrated manner even after a delay of more than four years from the scheduled date of completion (May 1992), the fund spent on this account (Rs 108.99 lakh) has remained locked up resulting in loss of interest of Rs 79.97 lakh upto March 1997.

(Paragraph 2A.9)

Due to unrealistic assesment of demand of gas by the consumers, the Company failed to draw guaranteed minimum quantity of gas from Dankuni Coal Complex (DCC) which resulted in payment of penalty of Rs 50.58 lakh.

(Paragraph 2A.11.1)

For laying a gas pipe line to be exclusively used by a consumer, the Company incurred an additional expenditure of Rs 29.10 lakh over and above the estimated cost of Rs 54.85 lakh. The cost could not be shifted to the consumer due to agreement with them and preparation of estimate on an abnormally lower side.

(Paragraph 2A.12(b))

Against the present number of 6231 domestic consumers, CMDA procured 20,000 domestic meters valuing Rs 147.20 lakh even before the preparation of the original project estimate (February 1988). Since March 1986 the Company has been able to utilise only 11800 meters upto March 1996 and the balance 8200 meters valued at Rs 60.35 lakh have been lying idle for more than ten years against the average life span of 5 to 7 years. The interest on the locked-up fund works out to Rs 122.81 lakh upto 31 March 1997.

(Paragraph 2A.16.2)

Due to delay in approaching the concerned authority, the Company has not been able to avail of concessional customs duty of Rs 172.22 lakh under 'Project Import'.

(Paragraph 2A.18.1)

2A.1 Introduction

The Greater Calcutta Gas Supply Corporation Limited (GCGSC) was incorporated in December 1987 as a public limited company in order to take over the erstwhile Oriental Gas Company Undertaking (OGCU) which was dealing in supply of coal gas in and around Calcutta, and for implementation of new Gas Distribution Project envisaged by the State Government.

2A.2 Objects

The main objects of the Company are to :-

- a) acquire and take over from the Government of West Bengal, the erstwhile Oriental Gas Company Undertaking and the new Gas Distribution project alongwith the existing gas pipelines from Durgapur to Rajabazar, Calcutta of the Durgapur Projects Limited (DPL),
- b) store and distribute coal gas to domestic and industrial consumers thereby reducing atmospheric pollution over Calcutta and
- c) render assistance and services of all kind of buying, selling and dealing in coal gas.

2A.3 Activities

The Company purchases coal gas from the Dankuni Coal Complex (DCC) of Coal India Limited and distributes it to various domestic and industrial consumers in and around Calcutta and Howrah. Besides, it took over the responsibility of execution of left-over job of Gas Distribution Project from Calcutta Metropolitan Development Authority (CMDA) in June 1992.

2A.4 Organisational set-up

The management of the Company is vested in a Board of Directors consisting of eleven Directors, including two nominees of Financial Institutions as on 31.03.1997. The Managing Director who is the Chief Executive of the Company, is assisted by the General Manager, Secretary, Distribution and Service Manager and a Chief Accounts Officer.

2A.5 Scope of Audit

The workings of the Company have been taken up for review for the first time covering the entire activities of the Company since its incorporation with special emphasis on the last five years upto 31 March 1997. The salient features observed in audit are discussed in the succeeding paragraphs.

2A.6 Capital structure and sources of fund

2A.6.1 Share capital

The Company was originally incorporated with an authorised share capital of Rs 1700 lakh (170000 Equity shares of Rs 1000 each) which was gradually increased to Rs 2500 lakh (250000 Equity Shares). As on 31 March 1996 the entire paid up capital of Rs 1045 lakh (including share advance of Rs 100 lakh) was fully held by the Government of West Bengal.

2A.6.2 Borrowings

The Company had obtained loans from the Financial Institutions (Rs 3596.65 lakh) and State Government (Rs 2634.50 lakh) for implementation of the Gas Distribution Project. As on 31 March 1996, the total outstanding amount of principal and interest stood at Rs 5954.45 lakh and Rs 2262.11 lakh including overdue amount of Rs 1455 lakh and Rs 2049.38 lakh respectively.

2A.6.3 Financial position

A table indicating liabilities and assets for the last five years ending 1995-96 is given below :

The accumulated loss was Rs 26.19 crore against paid-up capital of Rs 10.45 crore

<u>Liabilities</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
	(	Rupees	in	lakh)
a) Paid-up Capital (including share advance)	445.00	445.00	645.00	945.00	1045.00
b) Borrowings	2822.00	4002.20	4829.95	5522.45	5954.45
c) Trade dues and Current liabilities (including provision)	559.66	1009.96	1569.07	2163.10	3189.69
	3826.66	5457.16	7044.02	8630.55	10189.14
<u>d) Fixed Assets</u>					
i) Gross block	152.06	152.72	155.94	160.10	163.50
ii) Less depreciation	14.92	22.44	30.36	37.99	45.61
iii) Net block	137.14	130.28	125.58	122.11	117.89
e) Capital work-in-progress	21.12	169.09	387.70	896.30	1238.70
f) Current assets, loans and advances	2478.97	3130.59	3512.93	3393.49	3290.67
<u>g) Intangible assets</u>					
i) Incidental expenses during construction (pending allocation)	494.51	944.66	1520.84	2162.21	2917.56
ii) Miscellaneous expenditure (to the extent not written off or adjusted)	4.92	5.31	5.44	5.95	4.98
iii) Accumulated loss	690.00	1077.23	1491.53	2050.49	2619.34
	3826.66	5457.16	7044.02	8630.55	10189.14
Capital employed *	2077.57	2420.00	2457.14	2248.80	1457.57
Net worth **	(-)744.43	1582.20	(-)2372.81	(-)3273.65	(-)4496.88

* Capital employed represents net Fixed Assets plus Working Capital and Capital work-in-progress

** Net worth represents Paid-up Capital plus uncommitted Reserves and Surplus less Intangible Assets

It would be seen from the above table that as on 31 March 1996, the debt-equity ratio stood at 5.7 : 1 against the projected ratio of 2 : 1. This higher ratio resulted in greater interest burden which rendered the project unviable and the Company had already fallen into debt-trap (Refer para 2A.8 *infra*).

The accumulated loss increased from Rs 690 lakh as on 31.03.1992 to Rs 2619.34 lakh as on 31 March 1996 against the paid up capital of Rs 1045 lakh.

2A.6.4 Working results

The working results of the Company for the last five years ending 1995-96 are given below:

There was negative contribution in all the five years upto 1995-96

<u>Particulars</u>	<u>1991-92</u> (	<u>1992-93</u> Rupees	in	<u>1993-94</u> lakh	<u>1994-95</u>)	<u>1995-96</u>
A) Income						
i) Sales less Sales tax	85.77	128.07		166.46	217.96	260.98
ii) Other income plus adjustment	20.93	37.45		71.42	50.85	47.06
Total	106.70	165.52		237.88	268.81	308.04
B) Variable expenses						
i) Purchase of gas	161.40	189.33		215.72	261.92	271.32
ii) Wheeling charge	-	15.00		15.60	39.60	31.80
iii) Power	5.04	3.88		7.84	9.88	13.39
iv) Stores materials	27.28	19.30		11.96	17.71	15.61
Total	193.72	227.51		251.12	329.11	332.12
C) Contribution	(-87.02)	(-61.99)		(-13.24)	(-60.30)	(-24.08)
D) Fixed expenses						
i) Employees' remuneration and benefit	194.38	208.63		256.49	293.88	291.92
ii) Other expenses including prior period	17.29	29.45		34.60	41.22	49.47
Total	211.67	238.08		291.09	335.10	341.39
E) Loss before depreciation and interest	298.69	300.07		304.33	395.40	365.47
F) Interest	56.22	79.88		102.48	156.32	196.16
G) Depreciation	7.20	7.27		7.49	7.24	7.23
H) Total Loss	362.11	387.22		414.30	558.96	568.86

It would be seen from the table above that contribution per year for distribution of gas had not reached even the break-even level during all the years upto 1995-96. The total loss increased steadily from Rs 362.11 lakh in 1991-92 to Rs 568.86 lakh in 1995-96. The Management has adopted a policy not to capitalise the assets till completion of the Gas Distribution Project as a whole inspite of the fact that majority of the assets (Rs 6072.91 lakh) are being utilised in regular gas distribution system. The loss would have been much more had those assets been capitalised and depreciation and interest charged to the revenue account.

The increase in loss were mainly due to following factors:

- i) increase of employees' remuneration/cost and other benefits (Refer para 2A.6.4 *supra*).
- ii) failure to complete the Gas Distribution Project for uninterrupted supply of gas and cost overrun resulting in interest burden (Refer para 2A.8 *infra*);
- iii) poor development of the market/consumers (Refer para 2A.10 *infra*); and
- iv) abnormal loss of gas (42 per cent) in the distribution system as against normal distribution loss of 10 per cent (Refer para 2A.13 *infra*);

2A.7 Taking over of assets

2A.7.1 OGCU assets

In terms of Government Resolution on 09.03.1990 and Gazette Notification (12.03.1990), the entire business of the erstwhile OGCU was taken over by the Company at a total value of Rs 237.33 lakh and all the assets stood transferred to the Company with effect from 02.04.1990. The Company was required to maintain separate account in respect of all payments, receipts on account of supplies made and services rendered by OGCU prior to 2 April 1990 in order to facilitate the valuation of assets to be shown as transferred to the Company. However, the Company did not maintain separate records for adjustment due to which the final valuation of assets has not been completed so far (September 1997).

2A.7.2 Disposal of OGCU scrap

The Government of West Bengal assigned (April 1989) the Company for operation of agreement with Metal Scrap Trade Corporation Ltd., Calcutta with regard to disposal of all scraps, secondary arisings, surplus stores etc. of erstwhile OGCU. The Company has sold scrap worth Rs 192.51 lakh and earned interest of Rs 112.15 lakh till 31.03.1996. In the absence of any specific order from the Government regarding retention and investment of fund out of scrap disposal, the Company has retained and invested the surplus fund on short-term deposit. It had been temporarily withdrawing money from the said scrap disposal fund and the amount so withdrawn (18 times) ranged between Rs 2 lakh and Rs 50 lakh over the last five years ending 31 March 1996.

The Management stated (March 1997) that the scraps identified and sold from time to time became the property of the Company. The contention of the Management is not tenable in view of the fact that pending final decision regarding valuation of assets the money should have been shown as retained on behalf of the State Government.

2A.7.3 Durgapur Projects Limited (DPL) assets

The Company started drawing Dankuni Coal Gas from May 1990 through the existing DPL line via Bally Pressure Reducing Station (PRS). For better operation and maintenance of gas main (line) and to provide stable supply to Calcutta, the Company decided in August 1991 to take over DPL line from Dankuni to Rajabazar including Bally P.R.S.

Due to non-completion of its own pipeline, the Company had to incur an avoidable expenditure of Rs 1.07 crore as wheeling charges

The assets were valued (June 1995) at Rs 491.43 lakh by DPL which was not agreed to by the Company as it was much higher than its own assessment of Rs 105.67 lakh. Ultimately, in a tripartite meeting between DPL, the Company and the Government of West Bengal in April 1996, it was decided to appoint a Government approved valuer to re-assess the valuation of assets which has not been completed till date (September 1997).

In the meanwhile, for using DPL line, the Company agreed in December 1994 to pay wheeling charges at the rate of Rs 1.30 lakh per month from June 1990 and repairing cost of Rs 35 lakh for the gas line below Vivekananda Bridge. Till 31 March 1997, the Company has incurred a liability of Rs 141.60 lakh (Rs 106.60 lakh for wheeling charges and Rs 35 lakh for repairing of gas line).

The Company had undertaken a project to build its own pipeline for transportation of gas. Since this line was not complete, the Company was forced to utilise the existing DPL lines resulting in avoidable payment of Rs 106.60 lakh as wheeling charges to DPL.

2A.8 Gas distribution project

In order to achieve optimum utilisation of 30 Million Cubic Feet of gas per day (MCFD) to be produced at DCC (20 MCFD) and at DPL (10 MCFD), the Government of West Bengal engaged CMDA in 1983, as an implementing agency, to initiate a scheme for laying out new pipeline for Gas Distribution Network System (GDNS) and revitalising the existing pipelines of the erstwhile OGCU.

CMDA prepared a project estimate in February 1988 in consultation with the State Government envisaging a total cost of Rs 5435 lakh (Rs 1800 lakh as equity from the Government of West Bengal and Rs 3635 lakh from IDBI etc. as term-loan) which was revised to Rs 7185 lakh in December 1990.

The increase of Rs 1750 lakh (Rs 7185 lakh - Rs 5435 lakh) was mainly due to additional/new scope of work (Rs 1272.94 lakh), underestimation in the original project estimate (Rs 363.18 lakh) and cost overrun (Rs 561.38 lakh) due to delay in implementation of the Project etc. even after decrease in /omission of a few project items (Rs 1039 lakh).

According to the original schedule, CMDA was to complete the project by March 1991. Even after delay of four years from the revised scheduled date of completion (March 1993) many items of work of the project remained incomplete (upto September 1997) and the actual expenditure stood at Rs 8631.69 lakh against the revised project estimate of Rs 7185 lakh.

The Company took over (June 1992) the incomplete project from CMDA excluding Gasholder item of work, without any assesment of value of work done by the CMDA. Valuation of work done by the CMDA was to be got done by the State Government, but the same was still awaited (September 1997).

The main reasons for increase in cost were :

- Additional liability of Rs 1675.90 lakh on account of interest on IDBI loan resulting from payment of commitment charges, increase in rate of interest due to delay in completion of formalities with regard to drawal of loan etc.
- Substantial increase (Rs 261 lakh) in construction cost of Gasholders at Rajabazar which had collapsed at the time of commissioning.
- Additional cost of Rs 50.05 lakh incurred by the Company on rehabilitation of defective Medium Pressure Main laid by CMDA.

Extra expenditure of Rs 18.59 lakh (Rs 10.51 lakh for using pipe coating material unsuitable to the site condition and Rs 8.08 lakh for deficiency in placement of work orders) incurred on laying of High Pressure Gas Main.

After taking over of the assets, several defects in the gas main were detected by the Company as stated below :

- a) Several leakages due to defective wrapping and coating along the 17 Km ERW main along Kona-Beneras Road NH2 section.
- b) 19135 metres of gas main had no gas flow and the Company had already incurred an additional expenditure of Rs 6.81 lakh during December 1993 to May 1994 for continuity testing, retesting, cleaning etc. for 8698 metres of industrial main.

The Management in their reply (May 1997) stated that the gas main in question was laid by CMDA almost unilaterally and the expenditure incurred for retesting etc. was necessary as it had been lying uncharged for years together. It was also stated that of the balance gas main having no gas flow (10,437.31 metres), 2993.44 metres were lying defunct in absence of any development of consumers in the area and gas flow in 7443.87 metres laid during 1984 to 1990 had to be discontinued for Metro Railway Project. The contention of the Management is not tenable in view of the fact that the gas main should have been laid after considering the layout/development plan of Metro Railway Project which was formulated in sixties well before the laying of the gas main.

Although an amount of Rs 54.90 lakh was paid to CMDA for acquiring the assets already created the Company could not derive any benefit out of it as on date (September 1997).

2A.9 Telemetry and Telecommunication System (TTS)

For quick Radio Communication between High Pressure Gas Main and Pressure Reducing Stations (PRS) and to identify the exact area and reason for huge distribution loss through transmission of processed data, the Company envisaged in December 1990 to instal Telemetry and Telecommunication System in an integrated manner.

After evaluation of technical and price bids, a Letter of Intent (L.O.I) was issued in July 1991 to WEBFIL Ltd, Calcutta at a firm price of Rs 120.71 lakh with the scheduled date of completion by May 1992. According to the agreement (March 1992) with the contractor, the Company was empowered to get the balance work done at the 'risk and cost' of the contractor in case of delay in execution/commissioning of the system.

Till September 1997, the contractor could not set up data communication link between all the PRSs and standardisation of the telemetry circuit and other jobs. The Company has so far (September 1997) paid Rs 108.99 lakh to the contractor on account of this project which is yet to be completed.

Inspite of dismal performance of the contractor and abnormal delay in commissioning of the system, the Company did not enforce the 'risk and cost' clause of the agreement although such action was

Due to failure in commissioning of TTS the fund of Rs 1.09 crore remained locked up

contemplated as back as October 1994. Thus, the whole expenditure of Rs 108.99 lakh resulted in locking up of the fund spent during August 1991 to March 1997. The interest on the locked up fund at IDBI interest rate of 18.5 *per cent per annum* works out to Rs 79.97 lakh upto 1996-97.

2A.10 Development of market

The gas distribution project envisaged to distribute 30 MCFD of gas at the end of the project period in 1992-93. The target vis-a-vis actual marketing of gas for the last 5 years ending 1995-96 is given below :

	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>	<u>1994-95</u>	<u>1995-96</u>
1. Sales forecast(MCFD)	2.00	7.00	4.875	7.375	10.10
2. Actual Sales(MCFD)	0.45	0.61	0.71	0.90	1.11
3. Percentage of achievement	22.5	8.71	14.56	12.20	10.99

The table above would indicate that the actual performance in every year (23 *per cent* to 11 *per cent*) had consistently fallen short of the sales forecast.

The main bottlenecks in achieving the target were as follows :-

- a) Reluctance of industrial customers for capital investment required for conversion to coal gas;
- b) Non-availability of proper conversion technology in the respective industry/process;
- c) Interruption in gas supply and low quality of gas;
- d) Availability of coal at cheaper rate in the area targeted for marketing of gas.

Although the Management was well aware of all these constraints since September 1990 and consequential low achievement of target, inflated sales budgets were prepared year after year thereby projecting a rosy picture about the potential demand of gas.

Even after five years of its incorporation as a Company, the Management could not develop an effective marketing information system in order to assess both its own performance and to maximise the market potential and no facilities did exist regarding after sales service.

2A.11 Purchase of gas

The whole gas distribution project was conceived with the aim of distributing 30 MCFD of gas in and around Calcutta to be purchased from DCC (20 MCFD) and DPL (10 MCFD). However, with the coming up of DCC in May 1990, the Company stopped taking gas from DPL except in case of failure of gas supply from DCC. The supply from DPL was completely stopped in June 1992 as the Company did not agree to pay higher price of gas demanded by DPL.

2A.11.1 Penalty for low off-take of gas

The Company entered into an agreement in May 1990, with DCC for a period of one year (Promotional period) with a firm off-take schedule for 6 months i.e., upto November 1990 and tentative off-take schedule for another six months i.e., upto May 1991. According to the schedule, the gas off-take per day was to increase from 1.5 MCFD in the first month to 4 MCFD in sixth month and thereafter to 10 MCFD at the twelfth month (May 1991) at the rate of Rs 8.50/therm

The Company had to pay penalty of Rs 0.51 crore for shortfall in drawal of minimum guaranteed quantity of gas

excluding sales tax subject to review of rate after 6 months from the commencement of supply. During the first five months of gas supply (May 1990 to September 1990), the off-take of gas was only 0.5 MCFD against the stipulated quantity of 1.5 MCFD and the Company had to pay penalty of Rs 50.58 lakh to DCC for shortfall

of gas off-take. Due to constant low off-take of gas from October 1990 to March 1991, DCC imposed penalty of Rs 206.36 lakh for this period. This indicated that the estimate of off-take of gas by the consumers was not realistic. In the absence of any realistic basis for assessment of demand from the consumers, the Company should not have entered into agreement with DCC for the minimum off-take. The whole production of coal gas from DCC was meant for distribution to the Company's consumers in and around Calcutta and due to low off-take of gas, DCC had to flare gas during off-peak hours from 1990-91 to 1994-95 valued at Rs 190.90 lakh. Details for the period from 1995-96 onwards were not made available.

Besides, for delayed payment of gas bills to DCC, the Company had to pay interest of Rs 10.38 lakh during 1990-91 and 1991-92 and provided Rs 35.39 lakh as contingent liability upto March 1992 on this account.

2A.12 Agreement with new consumers

For the last five years ending 1995-96, the Company has been able to make the following new agreements for supply of gas :

Category of consumer	Estimated demand upto the end of									
	1992-93		1993-94		1994-95		1995-96		1996-97	
	No	MCFD	No.	MCFD	No	MCFD	No	MCFD	No	MCFD
Industrial/Commercial	70	0 3425	109	0 8662	147	1 5613	207	2 9817	260	4 3214
Domestic	755	0.0393	948	0 0493	1788	0 0963	2262	0 1572	NA	NA
		0.3818		0 9155		1 6576		3 1389		

It would be seen from the table above that against the projected supply of 30 MCFD of gas as a whole, the Company has been able to execute new agreements for drawal of 3.14 MCFD of gas upto the end of 1995-96 and could actually sell 1.11 MCFD of gas during the corresponding period.

An analysis of a few agreements entered into during April 1991 to June 1995 by the Company with different Industrial consumers revealed the following deficiencies :

- a) Although the requirement of gas by the consumers was mentioned, no provision for minimum guaranteed consumption/month was incorporated in the agreement;

- b) No penal clause was incorporated in the agreement for drawing of gas less than the agreed quantity except forfeiture of security deposit.

A test check of agreements with four new industrial consumers revealed that against the agreed drawal of 251977 therms gas/month the parties drew on an average 62542 therm gas/month representing only 24.82 *per cent* of the estimated requirement.

The shortfall of revenue per year for non-drawing gas at the agreed demand level as per agreement works out to Rs 261.42 lakh for the aforesaid four consumers only. Despite this huge shortfall in drawing of gas, the security deposit aggregating Rs 12.27 lakh held by the Company have not been forfeited.

Non drawal of gas by the consumers at the agreed demand level resulted in shortfall of revenue of Rs 2.61 crore

Due to lacunae in the agreements with new consumers, the Company could not penalise them for short drawing, although the Company had to pay penalty to DCC for the same.

The Management in their reply (May 1997) stated that as the Company could not ensure guaranteed supply of gas uninterruptedly to its consumers, enforcing commitment for guaranteed consumption from the consumers was a non-saleable proposition. The contention of the Management is not tenable in view of the fact that it could have enforced penal clauses etc. in the agreement.

- a) Central Glass and Ceramic Research Institute (CGCRI)

In August 1993, the Company entered into a fresh agreement with CGCRI, an earlier OGPU customer, for supply of 0.15 mcf/day gas (approx) at 6" water column pressure. For this purpose, the Company replaced a stretch of 1 Km industrial main, completely renovated 8 Kms gas main, waived various charges and provided free services (cleaning/fixing of internal gas pipe line, fixing of valves etc.) to the consumer including trial runs on several occasions involving avoidable expenditure of Rs 19.01 lakh.

However, even after incurring such huge expenditure, the Company failed to supply gas at the required pressure and ultimately had to disconnect the line in November 1996 as the consumer refused to pay gas bills.

- b) Vesuvius India Limited, Calcutta

The Company entered into an agreement in January 1993 with Vesuvius, Calcutta for supply of coal gas through a pipeline to be exclusively used by the consumer. For this purpose, the Company submitted (November 1993) a total estimate of Rs 54.85 lakh including laying of C.I. Main (Rs 10 lakh) and ERW Main (Rs 10.70 lakh). The Company did not maintain any proper account of the actual cost of work executed and on verification of records, it was observed that Rs 19.27 lakh and Rs 30.53 lakh were actually spent for laying of C.I. Main and ERW Main respectively. This excess cost over the estimate could not be recovered from the consumer due to firm agreement. Thus, due to preparation of

Due to preparation of wrong estimates the Company suffered a loss of Rs 0.29 crore

estimate on an abnormally lower side, the Company suffered a loss of Rs 29.10 lakh for the work of laying gas main alone.

2A.13 Marketing of coal gas

The table below indicates the quantity of gas purchased, sold and distribution losses occurred during the last five years ending 1995-96:-

Year	Purchase of Gas		Sales of gas (Excluding Sales Tax)		Loss		
	Lakh therms	Lakh Rs	Lakh therms	Lakh Rs	Lakh therms	Lakh Rs	per cent Loss
1991-92	18 79	161 41	7 40	85 77	11 39	132 02	62
1992-93	22 02	189 33	10 04	128 07	11 98	152 82	54
1993-94	25 09	215 72	11 68	166 46	13 41	191 12	53
1994-95	30 64	261 92	14 76	217 96	15 88	234 50	52
1995-96	31 14	271 32	18 21	260 98	12 93	185 31	42
					65 59	895 77	

It would be seen from the table above that distribution losses of gas ranged between 42 and 62 *per cent* during these years. Although these losses were decreasing year after year but still the losses were far in excess of prescribed norm of 10 *per cent* which resulted in distribution loss of Rs 810.96 lakh over and above the prescribed norm. The reasons for such huge losses in distribution were attributed by the Management to (a) presence of ghost connections without card, (b) defective/non-registering meters and (c) wilful damage, bye-pass connection etc. in the industrial and commercial sector thereby making the meters non-registering.

Huge distribution loss of gas over and above the prescribed norm valued at Rs 8.11 crore

2A.14 Policy on tariff of gas

While approving the project estimate, IDBI insisted on an average sale price of Rs 15 per therm of Dankuni Coal Gas based on fixed purchase price of Rs 8.50 per therm for maintaining the viability of the project. Considering the anticipated difficulties in marketing, the Company initially introduced in April 1989, a dual pricing system with Rs 10 per therm for domestic and Rs 14 per therm for the industrial and commercial consumers respectively. The price was based on a demand profile of 90 *per cent* and 10 *per cent* of gas to be consumed by the industrial/commercial consumers and domestic consumers respectively to make the project viable. The actual sales-mix of industrial/commercial and domestic consumers for the years 1994-95 and 1995-96 were 58:42 and 64:36 respectively. In order to make the gas price competitive with that of the conventional fuel (oil, coal etc.) to the industrial and commercial consumers, the Company reduced in December 1990 price of gas to Rs 12.67 per therm for the industrial consumers as a promotional measure. However, this attempt could not yield the desired result. For overcoming the situation, the Company ultimately introduced (April 1993) promotional selling price of gas based on different stages/slabs of consumption varying from Rs 11.50 per therm to Rs 18 per therm for consumption of upto 2000 therm and above. Against the maximum sale price of Rs 18 per therm, the variable expenses and total expenses of gas was Rs 18.24 and Rs 48.15 per therm respectively as on 31 March 1996.

However, a test check of agreements with new industrial/commercial customers entered into during April 1993 to December 1996 revealed that the Company executed contract for supplying of gas at a fixed price structure upto the year 2000. As a result, the purpose of adopting slab rate of tariff by the Company has altogether been frustrated. Moreover, the tariff policy adopted by the Company for sales promotion would again increase the loss due to reduction of sale price at higher stage of consumption and fixed price during the contractual period.

2A.15 Credit control

The following table indicates the volume of book debts and sales during the last five years upto 1995-96 :

Year	Book debts			Sales	Percentage of debts to sales	Percentage of debt considered doubtful to total debts
	Considered good	Considered doubtful	Total			
(Rupees in lakh)						
1991-92	39.36	121.13	160.49	93.43	171.78	75.48
1992-93	34.65	125.14	159.79	139.70	114.38	78.32
1993-94	36.29	126.55	162.84	180.76	90.09	77.71
1994-95	35.56	125.55	161.11	241.55	66.70	77.93
1995-96	42.60	131.69	174.29	287.45	60.63	75.56

Book debts at the end of 1995-96 represented 7.28 months' sales during the year and Rs 131.69 lakh had been lying outstanding for more than three years out of the total dues of Rs 174.29 lakh (76 per cent) as on 31 March 1996. It was seen in Audit that the Company has not been maintaining the proper records of outstanding debts. No age-wise analysis of old outstanding debtors was made. In the absence of proper records, realisation of old outstanding debts was not being pursued vigorously. Besides, no records of outstanding debts relating to the period of predecessor Company OGCU were received by the Company in the absence of which the Company could not take action for recovery of those long outstanding dues.

2A.16 Purchase procedure and inventory control

The Company has neither prepared a Purchase and Store Manual nor laid down a well-defined procedure for the same and no detailed material budget is prepared except a broad-based yearly capital and revenue expenditure budget. Purchases in excess of Rs 500 in each case, are recommended by a standing/permanent Tender Committee comprising General Manager, Distribution and Service Manager, Joint Commercial Manager and Internal Audit Officer and require approval of the Managing Director.

An analysis of purchase orders issued for Operations Department revealed that all the purchase orders numbering 137 (Rs 28.54 lakh), 138 (Rs 28.65 lakh) and 174 (Rs 19.33 lakh) during 1993-94, 1994-95 and 1995-96 were issued either on limited tender or on single tender basis.

2A.16.1 Inventory control

The receipt, issue and storage of materials are controlled through one Central and two Zonal Stores (Central and South Zone). However, the Company had not fixed any norms regarding minimum and re-ordering level of inventory.

It was seen in Audit that in the absence of inventory control system, there had been spiralling increase in stock holding ranging between 32.50 and 87.96 months' consumption during 1991-92 to 1995-96 and consequential loss of interest on excess holding ranging between Rs 46.66 lakh and Rs 124.12 lakh over the years as detailed below.

Excess stock holding (33 to 88 months' consumption) resulted in loss of interest ranging between Rs 0.47 crore and 1.24 crore

Year	Opening Balance	Purchase	Issue/ consumption	Closing Balance	Stock-holding in terms of months consumption	Loss of interest for excess holding (at 18.5 per cent p.a)
	(Rupees in lakh)					
1991-92	64.40	29.82	21.16	73.06	41.43	46.66
1992-93	73.06	24.28	26.25	71.09	32.50	77.91
1993-94	71.09	28.54	11.96	87.67	87.96	118.88
1994-95	87.67	28.65	17.71	98.62	66.82	101.59
1995-96	98.62	19.33	15.61	102.34	78.67	124.12

2A.16.2 Procurement in excess of requirement

CMDA procured 20000 domestic meters at a total cost of Rs 147.20 lakh even before the preparation of the original Project Estimate (February 1988). The whole stock of meters was already available as of March 1987 and the Company could only utilise 11800 meters during the last ten years ending 1995-96 (average yearly utilisation of 1180 meters) for its 6231 domestic consumers covered under billing as on 31.03.1996. The balance 8200 meters valued at Rs 60.35 lakh have been lying idle for the last eleven years against the average life-span of five to seven years thereby exposing to the risk of deterioration of its quality. Even on a conservative estimate, considering simple interest at 18.5 per cent p.a. payable on loan received from IDBI, the interest on the locked up fund for eleven years (Rs 60.35 lakh) upto 1996-97 works out to Rs 122.81 lakh.

8200 Meters valued at Rs 0.60 crore have been kept lying idle for the last eleven years with consequential loss of interest of Rs 1.23 crore

2A.17 Manpower

In the backdrop of the on-going Gas Distribution Project, the Government of West Bengal directed (January 1991) the National Productivity Council, Calcutta (NPC) to conduct a detailed study on the existing manpower pattern of the Company vis-a-vis total work load as existed and likely to be developed in future.

At the end of 1995-96, the actual strength of manpower vis-a-vis manpower recommended by NPC for initial operation/production level of 6 MCFD of gas is given below :

Category of personnel	Actual strength (No)	Recommended strength by NPC (No)	Excess (+)/ shortage(-) over NPC's recommendation (No)
Non-technical worker	216	192	(+24)
Technical staff/worker	438	539	(-101)
Technical/Non-technical officer	46	51	(-5)
	700	782	(-182)

The table above indicates wide imbalance between the technical and non-technical staff/worker. At the end of 1995-96, there was twenty four (216-192) excess non-technical staff over and above the recommended strength of NPC as against the shortages (438-539) of one hundred and one technical staff.

Against the total number of 782 personnel at operational level of 6 MCFD of gas recommended by NPC there was an apparent shortage of 82 personnel at the end of 1995-96 when the actual sale of gas by the Company did not even reach the level of 3 MCFD.

In order to provide an efficient and effective supervision of the various functions and to make the organisation viable in the long run, the Management decided in November 1996 to bring down the ratio between officer and staff plus workmen to 1:12 which has not been implemented so far (September 1997).

2A.18 Other points of interest

2A.18.1 Non-availing of concessional customs duty on imported equipment

The Company required to import 21 items of equipment and machineries worth Rs 198.11 lakh for its Gas Distribution Project and CMDA, the implementing agency, started procurement of equipment since December 1989. However, CMDA neither approached the Central

Failure of the Company in timely claim of exemption of customs duty resulted in loss of Rs 1.72 crore

Government/competent authority to avail of the concessional customs duty under 'Project Import' nor paid the duty 'under protest'. The Company approached to the Central Government only in August 1992 for exemption of Customs duty of Rs 172.22 lakh on the equipment worth Rs 148.94 lakh imported between July 1991 and February 1994. The Customs authority disallowed (January 1996) the refund application on the ground that the application was barred by limitation since it was made after one year from the date of payment of customs duty. The Company appealed against the order of the Commissioner (Appeal) in June 1996 to the Customs, Central Excise and Gold (Central) Appellate Tribunal, Delhi. Till date (September 1997) the case is pending with the Appellate Authority. Thus, due to abnormal delay by more than three years in approaching the Central Government for concessional customs duty, the Company had to sustain a loss of Rs 172.22 lakh which could have been availed of by the Company if timely action was taken.

2A.19 Conclusion

The Company was launched in December 1987 with a view to operating integrated gas distribution system for the domestic and industrial consumers and to reduce atmospheric pollution over Calcutta. It could not achieve these objectives due to:

- abnormal delay and consequential cost over-run in the construction of the gas distribution project;
- huge interest burden;
- abnormal distribution loss;

poor development of market and unremunerative pricing policy and inability to attract the reluctant consumers. Remedial steps need to be taken to improve the performance of the Company on these counts to make it a viable concern.

These matters were reported to the Government in June 1997; reply had not been received (October 1997).

2B.WEST BENGAL STATE LEATHER INDUSTRIES DEVELOPMENT CORPORATION LIMITED

HIGHLIGHTS

The Company was incorporated in March 1976 with the main object of developing leather and allied industries in the State by providing technical and financial assistance to the tanners and leather goods manufacturers

(Paragraph 2B.1)

The Company had been incurring losses since inception due to under-utilisation of production capacity arising out of lack of orders, payment of idle wages and huge interest burden. The accumulated loss up to 31 March 1997 was Rs 650.63 lakh against the paid-up capital of Rs 263.23 lakh.

(Paragraphs 2B.7.1 and 2B.7.2)

Under-utilisation of capacity resulted in payment of idle wages of Rs 272.34 lakh during the five years up to 1996-97.

(Paragraph 2B.8.1)

Due to poor quality of leather goods, delay in execution of orders and delay in payment to the supplying artisans, sales to Government offices had declined from Rs 152.63 lakh in 1992-93 to Rs 22.68 lakh in 1996-97.

(Paragraph 2B.9.1)

Machines valued at Rs 48.95 lakh remained idle for lack of spares which were found missing after being received resulting in locking up of funds and consequential loss of interest of Rs 27.90 lakh.

(Paragraph 2B.14)

Stocks valued at Rs 14.81 lakh issued for exhibitions/fairs remained unaccounted for and sale proceeds of Rs 4.67 lakh had not been deposited by the agents.

(Paragraph 2B.15)

The Company spent Rs 11.77 lakh from cash credit account for interior decoration of showrooms of agents in violation of financial rules.

(Paragraph 2B.16)

Footwear being perishable within three years and design and style thereof are subject to rapid change, absence of periodical survey resulted in accumulation of non-moving stock of Rs 18.29 lakh.

(Paragraph 2B.17)

2B.1 Introduction

The West Bengal State Leather Industries Development Corporation Limited was incorporated in March 1976 with a view to developing leather and allied industries in the State by providing technical and financial assistance to the tanners and leather goods manufactureRs

2B.2 Objectives

The main objectives of the Company are :

- to develop leather and allied industries in the State;
- to establish new units, central raw hide markets, leather goods finishing centres, Research-cum-Development Centres for leather and leather goods;
- to buy, sell, import, export all items of goods required by leather and allied industries; and
- to aid, counsel, assist, finance, protect and promote the interests of leather industries in the State to enable them to develop and improve their methods of manufacture, management, marketing and their techniques of production.

2B.3 Activities

The Company is presently engaged in running a Common Facility Centre (CFC) for finishing leather, rendering marketing facilities to small scale manufacturers of footwear and leather goods, training-cum-servicing Centres and also marketing Company's own products and trading in footwear and leather goods.

2B.4 Scope of audit

The working of the Company was last reviewed and incorporated in the Report of the Comptroller and Auditor General of India for the year 1981-82 (Commercial). On scrutiny of the Audit Report the Committee on Public Undertakings (COPU) presented its recommendations before the State Legislature in April 1995.

The salient features of the recommendations are as under:

- to constitute a Committee consisting of renowned tanners to sort out the difficulties faced by CFC;
- to appoint a marketing executive for visiting the tanneries to offer the facility available at CFC;
- to execute the orders given by the tanneries in time;
- to set-up Leather Complex in rural areas and to involve panchayats and municipalities in this regard; and
- to set-up a Central marketing division equipped with professionals to ensure marketing of products produced by the artisans.

The Company, however, did not take any action on the above recommendations of COPU so far (March 1997).

The results of further review covering the period from 1992-93 to 1996-97 conducted during October 1996 to January 1997 are set forth in the succeeding paragraphs.

2B.5 Organisational set-up

The management of the Company is vested in a Board of Directors headed by Chairman. Articles of Association of the Company has fixed the minimum number of

Directors as two, however, no maximum number has been prescribed. As on 31 March 1997, the Board consisted of four Directors, all of whom were nominated by the State Government. The Managing Director being the Chief Executive of the Company is assisted by the General Manager and Financial Controller. The posts of Chairman of the Board and General Manager of the Company were lying vacant since October 1996 and September 1993 respectively.

2B.6 Capital structure and Borrowings

2B.6.1 Capital structure

The Company was incorporated with an authorised share capital of Rs 2 crore in March 1976 which was subsequently increased to Rs 5 crore in June 1989 against which paid-up capital stood at Rs 2.63 crore as on 31 March 1997, wholly subscribed by the State Government.

2B.6.2 Borrowings

The Company obtained up to 31 March 1997, unsecured loans aggregating Rs 1.65 crore from the State Government to meet its working capital requirement at rates of interest varying between 8 and 14.75 *per cent per annum*. The outstanding loan including interest as on 31 March 1997 amounted to Rs 2.25 crore (Principal : Rs 1.65 crore and interest : Rs 0.60 crore) of which Rs 0.55 crore and Rs 0.60 crore were overdue for payment towards principal and interest respectively.

2B.6.3 Cash credit arrangement

The Company had a cash credit arrangement with the West Bengal State Co-operative Bank Limited upto a limit of Rs 3 crore against hypothecation of stock, book debts and guarantee given by the State Government for working capital needed for procurement of footwear and leather goods and marketing thereof. The balance in the cash credit account as on 31 March 1997 stood at Rs 5.34 crore. In addition, for meeting working capital requirement, the Company had been availing of overdraft facility upto a limit of Rs 41.50 lakh from the State Bank of India against fixed deposits maintained with them. The balance in overdraft account as on 31 March 1997 stood at Rs 39.99 lakh.

Scrutiny in audit revealed as under:

- i) Contrary to the terms and conditions of cash credit arrangements, sale proceeds were not regularly deposited in the cash credit account with the result that the outstanding amount exceeded the sanctioned limit of Rs 3 crore and reached to Rs 5.34 crore in March 1997. This resulted in payment of Rs 2.34 crore as interest on overdrawn amount.
- ii) Further, out of Rs 2.22 crore, the Company admitted (February 1996) to the State Government that it had diverted a sum of Rs 1.46 crore towards salary and wages defeating the main purpose (procurement of goods) of cash credit arrangement.

2B.7 Financial position and working results

2B.7.1 Financial position

The accounts of the Company were in arrears since 1990-91, though there exists an accounts wing headed by a Financial Controller. The Company had not taken any concrete steps to improve the position. However, provisional accounts upto 1996-97 have been prepared. The table below summarises the financial position of the Company under broad headings for the five years upto 1996-97:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(Provisional)				
Liabilities	(Rupees in lakh)				
i) Paid-up capital	230.55	230.55	263.23	263.23	263.23
ii) Reserves and Surplus	20.16	20.16	20.16	20.16	20.16
iii) Borrowings (including cash credit)	381.32	453.35	530.39	665.58	759.44
iv) Trade dues and current liabilities (including provisions)	108.45	73.80	60.00	61.97	56.12
Total:	740.48	777.86	873.78	1010.94	1098.95
Assets					
v) Gross Block	122.86	124.39	124.46	124.46	124.46
vi) Less: Depreciation	104.81	106.57	108.13	109.41	110.51
vii) Net fixed assets	18.05	17.82	16.33	15.05	13.95
viii) Current assets, loans and advances	471.93	460.62	398.68	389.55	434.35
ix) Intangible assets:	0.05	0.02	0.02	0.02	0.02
a) Miscellaneous expenditure					
b) Accumulated loss	250.45	299.40	458.75	606.32	650.63
Total:	740.48	777.86	873.78	1010.94	1098.95
I) Capital employed	381.53	404.64	355.01	342.63	392.18
II) Net worth	0.21	(-)48.71	(-)175.38	(-)322.95	(-)367.26

The following points emerged from the above table:

- the net worth of the Company declined from Rs 0.21 lakh in 1992-93 to minus Rs 367.26 lakh in 1996-97 due to continuous losses incurred by the Company;
- the accumulated loss of Rs 250.45 lakh as on 31 March 1992 increased to Rs 650.63 lakh as on 31 March 1997 representing 247.17 per cent of the paid-up capital of Rs 263.23 lakh.

2B.7.2 Working results

The performance of the Company under all the activities was highly unsatisfactory. It had been incurring losses since its inception. The following table

* Capital employed represents net fixed assets (including capital work-in-progress) plus working capital.
** Net worth represents paid-up capital plus reserves and surplus less intangible assets.

shows the working results of the Company for the five years upto 1996-97:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
(Rupees In Lakh)					
Income					
i) Sales	229.09	218.01	129.43	60.22	150.00
ii) Increase (+)/ Decrease(-) of stock	27.39	14.88	14.46	(-)0.67	(-)1.69
iii) Job charges	12.67	10.48	6.31	4.13	2.98
iv) Interest on term deposit	1.12	5.93	12.09	10.09	6.25
v) Other Income	2.03	8.26	3.18	2.09	0.85
vi) Grant-in-aid for salary and wages	13.50	40.99	17.59	17.74	138.11
Total :	285.80	298.55	183.06	93.60	296.50
Variable expenses					
i) Purchase	187.75	173.49	107.02	44.50	110.81
ii) Manufacturing expenses	6.42	7.54	11.83	14.48	7.50
iii) Employees remuneration and benefits	79.41	81.26	93.43	93.85	102.87
Fixed expenses					
i) Administrative, selling and other expenses	28.97	25.95	21.43	12.78	14.25
ii) Depreciation	2.25	1.76	1.56	1.28	1.10
iii) Finance charges	47.76	57.36	69.73	73.90	104.28
iv) Prior period adjustment	0.15	0.13	37.41	0.38	-
Total:	352.71	347.49	342.41	241.17	340.81
Loss for the year	66.91	48.94	159.35	147.57	44.31

The reasons for consistent losses as analysed in Audit were mainly attributable to :

- under-utilisation of capacity coupled with lack of orders as discussed in paragraph 2B.8 *infra*
- low productivity vis-à-vis payment of idle wages as detailed in paragraph 2B.8.1 *infra*
- mounting interest liability on bank loan as discussed in paragraph 2B.6.3 *supra*; and
- shortage of working capital due to (i) non realisation of sale proceeds and (ii) huge investment in idle stock as mentioned in paragraph 2B.9.2 *infra*.

Losses for the year 1994-95 and 1995-96 increased significantly due to decrease in sales and relatively higher prior period adjustment (vide paragraph 2B.9.1 & 2B.9.2 *infra*)

2B.8 Common facility Centre

With a view to enabling small entrepreneurs engaged in leather industry to be competitive in export market, the Government of India, Ministry of Commerce, decided (March 1975) to set up five Common Facility Centres (CFC) including one in West Bengal. The centres were to be set up by the State Trading Corporation of India (STC) in collaboration with the State Leather Industry Corporations/Cooperatives. STC approached the Company (May 1976) for establishment of CFC. Accordingly the Company set up (December 1979) a CFC as a basic infrastructure for development of leather industries in the State at Pagladanga in Tangra area, Calcutta inhabited by 400

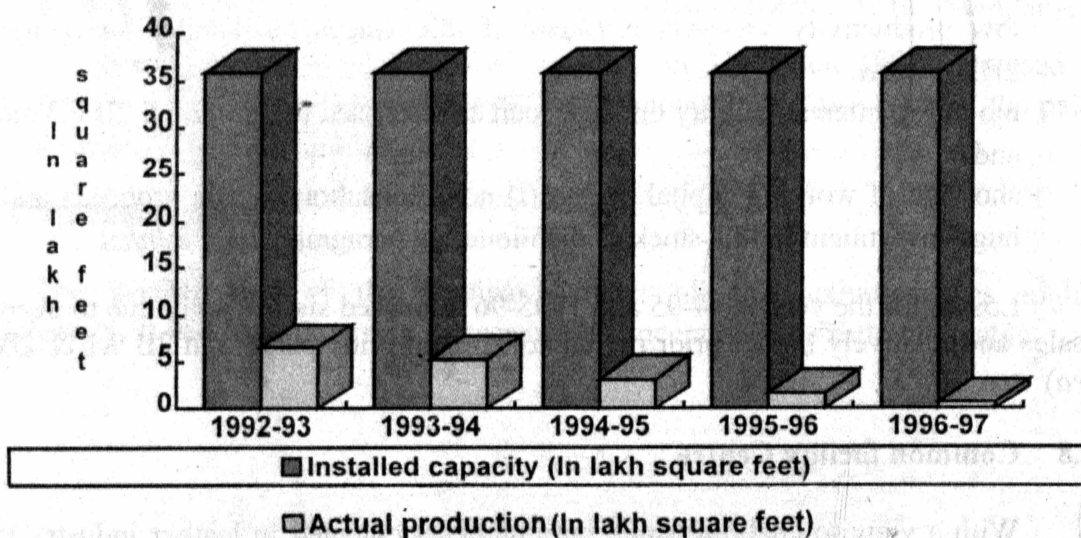
tanners at a cost of Rs 108.67 lakh for extension of service facilities to the tanners and small scale industrial (SSI) units engaged in manufacture of footwear and leather goods at nominal service charges. CFC was actually a non-commercial service oriented unit. With the passage of time many tanners had set up their own tanneries for self-servicing, making the CFC idle with continued fall in earning of service charges for want of jobs. To make the CFC viable and to inject commercial activities in addition to continuance of service rendering facilities, the Company started (April 1992) production of finished leather for sale to SSI units and artisans who were producing footwear and leather goods for the Company.

The table below indicates the installed capacity of machines installed in CFC, actual production of finished leather, job charges realised and number of SSI units benefited during the five years upto 1996-97:

	1992-93	1993-94	1994-95	1995-96	1996-97
i) Installed capacity (in lakh square feet)	36.00	36.00	36.00	36.00	36.00
ii) Actual production (in lakh square feet)	6.45	5.26	3.16	1.76	0.75
iii) Job charges realised (Rupees in lakh)	12.67	10.48	6.31	4.13	2.98
iv) Number of SSI units benefited	139	145	155	88	35
v) Percentage of shortfall of capacity utilisation	82	85	91	95	98

From the above it would be observed that the shortfall in utilisation of capacity ranged between 82 and 98 per cent during the five years upto 1996-97.

The bar chart given below also shows graphically the actual production vis-à-vis installed capacity during the five years ending 1996-97:



The Management attributed (November 1996) the shortfall to :

- shortage of raw materials in this State;
- lack of jobs from tanners who had been equipped with modern machineries;
- stoppage of production of finished leather since October 1995 due to shortage of working capital; and
- roof of the factory being heavily damaged was unable to protect leather from rain, thereby discouraged the tanners to get their materials processed at CFC.

**Common Facilities Centre
Inside view of factory shed**



Test check of records, however, revealed as under :

- i) Delayed execution of jobs ranging from 14 to 223 days due to indiscipline and inter-union rivalry discouraging the artisans/SSI units to turn up at CFC for processing their materials, thereby declining the earning of job charges from Rs 12.67 lakh in 1992-93 to Rs 2.98 lakh in 1996-97 and number of assisted SSI units from 155 in 1994-95 to 55 in 1996-97.
- ii) Of the total working capital of Rs 229.49 lakh availed of through cash credit for production/procurement of footwear and leather goods, Rs 146.25 lakh had been diverted to meet salary and wages of CFC.
- iii) The Management had prepared (June 1995) an estimate of Rs 4 lakh for repairing the shed of CFC which was badly damaged due to lack of regular repair and maintenance. Even though the amount required for repair was insignificant yet the Company did not take any action to repair the shed.
- iv) In and around Calcutta, 2432 lakh square feet of leather are processed *per annum*. The Company did never endeavour to collect jobs from tanners and SSI units to utilise its idle capacity and excess labour force particularly when its service charges of different processes were lower as compared to other tanneries e.g. Central Leather Research Institute (CLRI) and East Asia Skin Corporation (Private Company).

- v) Due to lack of proper publicity, the tanneries could not avail of servicing facilities of machineries available at CFC.

2B.8.1 Idle wages

Project report envisaged (November 1976) that 51 persons were to be employed for running the CFC against which the Company appointed 118 persons from the beginning for reasons not on record. Even though the production in CFC was drastically reduced over the years, the Company did not take any action to reduce the manpower. Induction of excess manpower as well as under-utilisation of production capacity resulted in payment of idle wages of Rs 272.34 lakh to 115 workers during the five years upto 1996-97 as shown in the table below :

The Company paid idle wages to the tune of Rs 2.72 crore

Year	Available man hours (in lakh)	Man hours utilised (in lakh)	Idle hours (in lakh)	Total wages paid (Rupees in lakh)	Amount of idle wages (Rupees in lakh)	Percentage of idle wages to total wages paid
1992-93	2.23	0.40	1.83	49.37	40.48	82
1993-94	2.23	0.33	1.90	54.33	46.18	85
1994-95	2.25	0.20	2.05	60.76	55.29	91
1995-96	2.23	0.11	2.12	63.91	60.71	95
1996-97	1.14	0.02	1.12	71.10	69.68	98
Total	10.08	1.06	9.02	299.47	272.34	

2B.9 Marketing Assistance

As per its objective, the Company renders marketing support to the SSI units and artisans engaged in manufacture of footwear and leather goods mainly by execution of orders received from Government Departments and offices. The Company also undertakes marketing of their products through different sales outlets named "CHARMAJA" and by participation in exhibitions and fair

2B.9.1 Sales to Government Departments and offices

Based on the recommendations of Dr. Bhabatosh Dutta Committee, the State Government ordered (March 1982) the Government Departments/Offices to purchase footwear and leather goods from the Company only. Despite such patronage by the Government, sales of the Company had gradually declined from Rs 152.63 lakh in 1992-93 to Rs 22.68 lakh in 1996-97 as detailed below :

Despite patronage by the Government, sales of the Company declined from Rs 1.53 crore (1992-93) to Rs 0.23 crore (1996-97)

	1992-93	1993-94	1994-95	1995-96	1996-97
	(Rupees in lakh)				
i) Opening Balance	169.26	202.92	109.14	78.45	90.48
ii) Sales	152.63	106.40	69.35	43.67	22.68
Total:	321.89	309.32	178.49	122.12	113.16
iii) Amount received	118.97	200.18	100.04	31.64	30.15
iv) Balance remaining outstanding	202.92	109.14	78.45	90.48	83.01

The reasons of decline in sales as analysed in Audit were :
large scale rejections ranging from 30 to 100 *per cent* owing to poor quality due to absence of constant monitoring at the premises of suppliers of finished goods ;

- delayed delivery ranging from 1 to 9 months;
- delayed payment to the suppliers ranging from 20 to 36 months despite receipt of payments from Government offices;
- diversion of suppliers' fund received from State Government made them reluctant to supply finished goods to the Company; and
- shortage of working capital due to huge outstanding of Rs 83.01 lakh from Government offices. Of Rs 83.01 lakh, Rs 19.34 lakh remaining outstanding for more than five years. The Company was not vigorously pursuing for realisation of dues.

2B.9.2 Performance of Agents

The Company was marketing the products of SSI units and artisans through 38 sales outlets named CHARMAJA run by authorised agents in different parts of the State. As per agreement, the agents were

- to remit sale proceeds daily into the bank account in favour of the Company;
- to furnish statement of sales for each month by seventh of the succeeding month; and
- eligible for commission (15 *per cent*) on the basis of cash deposited into the bank account.

The table below indicates the supplies made to the agents, target of sale, actual sale, remittances made, commission paid and stock held by agents during the five years ending 1996-97:

	1992-93	1993-94	1994-95	1995-96	1996-97
	(R u p e e s i n l a k h)				
i) Opening stock with the agents	47.48	76.56	135.50	112.14	110.99
ii) Supplies made	87.67	126.36	21.80	3.92	1.99
Total:	135.15	202.92	157.30	116.06	112.98
iii) Sales target	195.00	260.00	155.00	100.00	25.00
iv) Actual sale	58.59	67.42	45.16	5.07	0.35
v) Commission	8.34	12.14	8.28	0.96	0.07
vi) Remittance made by agents	42.64	49.69	27.34	3.74	0.22
vii) Sale proceeds retained by agents	7.61	5.59	9.54	0.37	0.06
viii) Closing stock	76.56	135.50	112.14	110.99	112.63

Actual sales ranged from 1.40 to 30.05 *per cent* of targets fixed. As analysed in audit the sharp decline in sale was mainly due to :

- absence of quality control and proper supervision resulting in procurement of poor quality of products causing lack of demand in the market;
- absence of Design Service Cell providing latest design in conformity with market demand;
- shortage of working capital needed for marketing activities locked-up in stocks (Rs 112.63 lakh) and sale proceeds (Rs 23.17 lakh) retained by the agents;
- absence of marketing division equipped with professionals for monitoring sales performance of the agents; and
- failure to explore new market potentiality.

Scrutiny in Audit also revealed as under :

- i) Goods were sent to the agents without ascertaining their actual requirements resulting in huge accumulation of stocks (Rs 112.63 lakh) as on 31 March 1997 as mentioned in the table above. Despite Board's order (May 1993) stocks were always sent much in excess of sale proceeds deposited by the agents.
- Excess issue of goods to agents resulted in accumulation thereof to the extent of Rs 1.13 crore**
- ii) According to the terms and conditions of the agreement with the agents they were required to deposit the sale proceeds daily in the Bank account of the Company. It was, however, observed that due to absence of constant monitoring sale proceeds of Rs 23.17 lakh remained unrealised for periods ranging from 5 to 46 months. Accumulation of stock and unrealised sale proceeds on an average of Rs 110 lakh and Rs 23.17 lakh respectively resulted in avoidable payment of interest of Rs 115.16 lakh (at the rate of 18 *per cent*) on cash credit, availed of for procurement of leather goods.
- Accumulation of stock of Rs 1.10 crore resulted in avoidable payment of interest of Rs 1.15 crore**
- iii) Huge stocks of old and obsolete items forced the Company to resort to discount sale rendering a net loss of Rs 25.51 lakh during the five years upto 1996-97. This also resulted in some damaged stock. The value of damaged stock as on 31 March 1997 was Rs 2.22 lakh.
- The Company suffered loss of Rs 0.26 crore in disposing of old stock at reduced prices**
- iv) In spite of Board's resolution (July 1995), the Company did not take any legal action against the defaulting agents (January 1997).
- v) The Company revised (April 1993) the rate of commission from 15 *per cent* to 20 *per cent* subject to clearance of entire sale proceeds by the agents. The agents were, however, paid commission at the revised rate (20 *per cent*) straightway despite non-realisation of sale proceeds. This has resulted in an extra payment of Rs 5.36 lakh to the defaulters during five years upto 1996-97.
- vi) Stock valued at Rs 4.95 lakh and sales proceeds of Rs 1.78 lakh net of security deposits made, remained unrealised from three agents who closed their business between October 1992 and October 1993.

2B.10 Short realisation of security deposit

Since August 1992 minimum security deposit of Rs 0.50 lakh was to be obtained from the agent before delivery of the goods. Goods delivered in excess of deposit were to be covered by insurance, the premium of insurance was to be shared equally. It was, however, observed that there was a short realisation of security deposit from 16 agents amounting to Rs 4.01 lakh with a consequential loss of interest of Rs 2.16 lakh thereon for the five years upto 1996-97. Further, goods were being delivered much in excess of security deposit without insurance coverage.

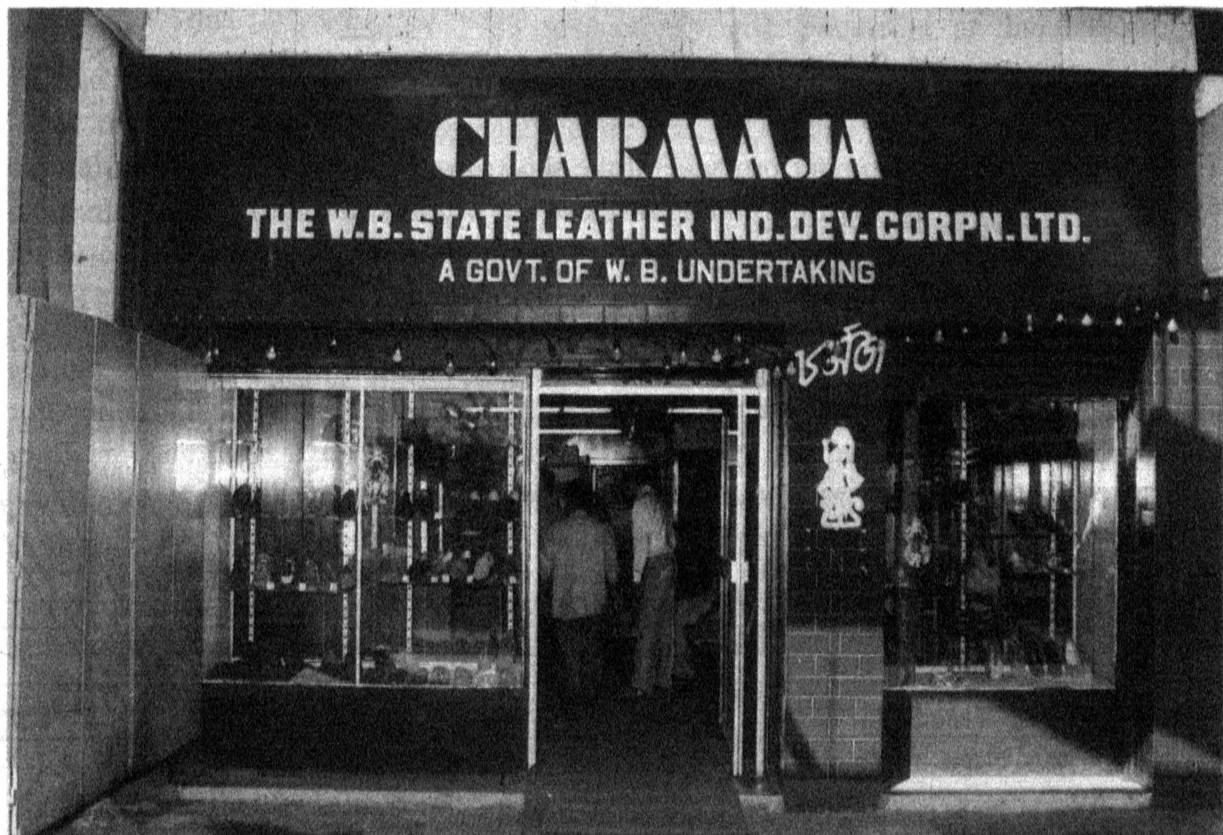
2B.11 Rent of CHARMAJA showrooms

Between August 1989 and June 1993 the Company hired eight showrooms from local bodies to open CHARMAJA showrooms on agency basis in different parts of the State and rent of the showrooms was to be paid by the Company. With the introduction (April 1993) of revised rate (20 per cent) of agency commission the agents were liable to pay rent of their showrooms. It was, however, observed that an amount of Rs 2.27 lakh being the rent of the showrooms for the period from April 1993 to March 1997 was paid by the Company and not recovered from the agents.

2B.12 Departmental showrooms

To provide marketing facility and popularise the product of SSI units the Company opened five departmental showrooms between September 1980 and August 1993.

Facade of Company showroom at
Dakshinapan, Dhakuria, Calcutta



The table below indicates the supplies to, sales made and stocks held by the showrooms during the five years ending 1996-97:

		1992-93	1993-94	1994-95	1995-96	1996-97 (October 1996)
(R u p e e s i n l a k h)						
i)	Opening stock	NA	1.74	17.65	12.45	22.90
ii)	Stock supplied	13.23	33.22	9.14	21.93	10.95
	Total:	13.23	34.96	26.79	34.38	33.85
iii)	Sale	11.49	17.31	14.34	11.48	3.51
iv)	Closing stock	1.74	17.65	12.45	22.90	30.34
v)	Stock held in terms of months' sale	2	12	10	24	86

The following points emerge from the above table:

- i) Goods were supplied much in excess of requirement resulting in spiralling increase in stock holding from 2 months sale in 1992-93 to 86 months sale in 1996-97.
- ii) Sales decreased from Rs 11.49 lakh (1992-93) to Rs 3.51 lakh (1996-97).
Audit analysis revealed that this was mainly due to:
 - poor quality;
 - absence of various designs and styles commensurate with present market demand;
 - keen competition; and
 - absence of professional marketing personnel.
- iii) Due to uneconomic performance of the showrooms the Company had suffered a loss of Rs 11.85 lakh in running of these showrooms during the five years upto 1996-97.

2B.13 Special Component Plan

In March 1981, the Company received Rs 100 lakh from the State Government under Central Assistance Scheme for implementing different development schemes for economic welfare of scheduled caste of the State attached to leather and ancillary industries. The scheme-wise amount sanctioned and actual expenditure incurred there against upto 1996-97 (January 1997) were as follows:

Schemes	Sanctioned amount	Actual expenditure
	(Rupees in lakh)	
I. Marketing Assistance programme	24.00	68.77
II. One unit of Urban Facility centre	36.00	2.45
III. Three units of Rural Common Facility Centre	13.81	26.31
IV. Two units of Pilot Tannery-cum-Flaying Centre	26.19	2.91
	100.00	100.44

As analysed in Audit, scheme-wise development upto 1996-97 was as under:

I. Marketing Assistance Scheme

The scheme was aimed to provide margin money to the Company to market the products of scheduled caste leather workers. But the Company never formulated any specific plan for implementation of the scheme, nor any separate record was maintained showing details of Rs 68.77 lakh stated to have been spent for that purpose. Though the amounts spent exceeded the sanctioned limit by Rs 44.77 lakh, the efficacy of such expenditure vis-à-vis its objective could not be examined in Audit in absence of

records. The Management also admitted (September 1989) that the amount was not utilised entirely for the intended purpose.

II. Urban Common Facility Centre

An Urban Common Facility Centre (CFC) for footwear and leather goods was proposed (1986) to be set-up near the existing CFC on a plot of land allotted by the State Government. Considering that the Urban CFC would not be economically viable, the scheme was abandoned (September 1989) after incurring an expenditure of Rs 2.45 lakh towards preliminary expenses. Further, Rs 18.11 lakh placed (November 1994) in favour of the Company for disbursement to the Land Acquisition Collector for acquisition of land, had been diverted to meet Company's working capital requirement leaving the liability undischarged.

III. Three Rural Common Facility Centres

For imparting modern method of technology to 1000 scheduled caste leather workers of rural areas the Company set up two rural CFCs one at Malda (February 1983) and the other at Pakdah (May 1983) in the district of 24 Parganas (North). However, the Company could not motivate the scheduled caste leather workers to avail of machine facilities for development of their technology and the units were closed in December 1993 and October 1983 respectively after incurring an expenditure of Rs 11.56 lakh.

A Training-cum-Development Centre was set up in 1982 at Digha Daspara in the district of 24 Parganas (North) at a cost of Rs 7.56 lakh to cater the needs of 500 scheduled caste leather workers. The centre had imparted training to 90 artisans only upto 1990-91. Thereafter, no training was given so far (March 1997). Since January 1993 to September 1996 the unit had produced 21,272 pairs of shoes and chappals with ex-trainees of the unit. Production was stopped from October 1996 due to shortage of working capital and three staff drawing average salary of Rs 8710 per month became unproductive. The unit, however, was existing without activity (March 1997).

Inspite of incurring expenditure of Rs 0.19 crore the purpose of imparting training could not be achieved

Thus even after incurring expenditure of Rs 19.12 lakh, the very purpose of imparting training to the weaker sections could not be achieved.

IV. Two units of Pilot Tannery-cum-Flaying Centre

A small tannery, at Kelomal in the District of Midnapore under the control of the Director of Cottage and Small Scale Industries, remaining idle over 15 years, was handed over (June 1992) to the Company for production of wet blues from hides to be collected from the local cow hide dealers/manufacturers. Even after incurring an expenditure of Rs 2.91 lakh towards repairs and renewals the tannery had not yet started production (March 1997).

The Company had also incurred an expenditure of Rs 2.24 lakh during the five years upto 1996-97 towards idle wages of staff attached with the unit.

2B.14 Central Footwear Training Centre

To impart knowledge of modern techniques of production and improving the skill in modern tools and equipment of the footwear workers the Development Council for Leather and Leather Goods Industries, Government of India recommended (April 1982) setting up of a Central Footwear Training Centre (CFTC) at Budge Budge in the district of 24 Parganas (South) at a total cost of Rs 98.15 lakh (revised to Rs 280.40 lakh in December 1987). The State Government appointed (November 1986) the Company to implement the scheme.

The Company awarded (March 1988) the work of civil construction to West Bengal Industrial Infrastructure Development Corporation (WBIIDC), a State Government undertaking on deposit work basis with 15 *per cent* agency commission at an estimated cost of Rs 120.61 lakh to be completed within 18 months i.e., in September 1989. The project was completed in January 1995 at a total cost of Rs 280.49 lakh. The reasons of delay in completion of the centre were not available, however, it was observed that there was delay in releasing fund to WBIIDC ranging from 3 to 9 months even after receipt of funds from the Central/State Governments. Of Rs 291.38 lakh received from Central (Rs 199.25 lakh) and State (Rs 92.13 lakh) Governments, the Company paid Rs 258.22 lakh against project cost of Rs 280.49 lakh and diverted Rs 33.16 lakh towards working capital, which was criticised by the State Government (January 1996).

Though the CFTC was to be operated by a society to be set up by the State Government, the society had not been formed (March 1997). The day to day activities are being carried out by the Company.

Out of 39 machines procured between July 1993 and January 1994 at a cost of Rs 79.31 lakh, 8 machines valued at Rs 48.95 lakh are lying idle for lack of spares, resulting in locking of funds and consequential loss of interest of Rs 27.90 lakh. Scrutiny, however, revealed that spares were received alongwith the machines. Loss of spares had not been investigated so far (March 1997).

Machines valued at Rs 0.49 crore lying idle for more than three years for want of spares resulted in loss of interest of Rs 0.28 crore.

2B.15 Exhibition/Fair

With a view to attracting buyers for the products manufactured by traditional artisans and SSI units, the Company participated in 25 exhibitions/fairs conducted by its staff and agents during the five years upto 1996-97.

In absence of records, working results of exhibitions conducted by agents could not be ascertained. Test check revealed that even after completion of exhibitions, stock valued at Rs 14.81 lakh remained unaccounted for and sales proceeds of Rs 4.67 lakh had not been deposited by the agents so far (March 1997).

Stock valued at Rs 0.15 crore remained unaccounted for

2B.16 Interior Decoration

During July 1990 to September 1993, the Company had spent Rs 11.77 lakh from cash credit account towards interior decoration of 17 showrooms run by agents without approval of the Board. Such expenditure was highly criticised by the State Government (January 1996) due to violation of financial rules. It was further revealed that work orders for interior decoration were placed on the basis of verbal negotiation with the Development Officer and the Managing Director without inviting any tender. Even after the Board's decision not to incur any such expenditure for agents' showrooms, the Company had spent Rs 0.50 lakh for decoration of Arambag showroom in September 1993.

Company spent working capital of Rs 0.12 crore towards interior decoration in violation of relevant financial rules

2B.17 Inventory Control

The Company neither prepared material budget nor adopted any well defined purchase procedure to have proper inventory control. The control over inventory holding revealed the following deficiencies:

- the maximum, minimum and re-ordering level of stores were not fixed by the Company and purchases were made without assessing the actual requirements, pattern of consumption and availability of such materials resulted in huge accumulation of stocks with agents, showroom, etc. as mentioned in paragraph 2B.9.2 *supra*.
- despite leather goods being perishable within three years and design and style are subject to rapid change, there was no system of periodical survey to identify obsolete and slow-moving stocks for quick disposal. Test check revealed stocks valued at Rs 18.29 lakh including damaged stock of Rs 3.38 lakh were lying at central stores for more than three years; and
- physical verification of stocks was not conducted in 1992-93 and 1993-94.

Sale proceeds of Rs 0.91 lakh received by the stores assistant against disposal of stocks (May 1994) from Central Store had not been deposited so far (March 1997). After preliminary investigation conducted in February 1996 FIR was lodged (March 1996) with the police. Final Police Report was awaited (March 1997).

2B.18 Internal Audit

The Company had no internal audit wing of its own since inception. A firm of Chartered Accountants was appointed to conduct internal audit at a fee of Rs 4500 per month. A test check of records revealed that the internal auditor did not cover the important areas like purchase procedure, system of delivery of stocks to the agents, performance of selling outlets etc. Though the terms of appointment provided preparation of final accounts, the auditor was, however, paid separately for finalisation of accounts at a fee of Rs 5,000 per account. In spite of major irregularities viz. non-realisation of sale proceeds, delayed submission of sales statements, delay in payment of statutory dues, etc. mentioned in the reports, there was no system of submission of

these reports to the Board of Directors of the Company for their information and necessary action.

2B.19 Other points of interest

2B.19.1 Avoidable payment of interest

In terms of West Bengal Finance (Sales Tax) Act, 1941 a dealer is liable to submit quarterly returns of sales to Sales Tax Authority within 30 days from the end of quarter alongwith supporting challans in proof of payment of tax. Failure to pay tax within the prescribed period renders the dealer liable to pay interest at the rate of two *per cent* per month for the period of default.

Due to delay in preparation of bills for supplies made to Government departments and delay in receipt of sales statements from the agents, there was delay ranging from 1 month to 36 months in payment of taxes aggregating Rs 10.20 lakh for the assessment years 1992-93 and 1993-94. As a result, the Company incurred interest liability of Rs 3.31 lakh on account of belated payment of tax.

2B.19.2 Rent of Common Facility Centre

In September 1976, the Company hired a premises from Sur Industries Private Limited, Calcutta for setting up its CFC for finishing of leather. Based on mutual agreed terms, the rent of the premises as determined by First Land Acquisition Collector (FLAC) was to be considered as fair and reasonable. The rent of premises @ Rs 23,417 per month as determined (February 1979) by the FLAC was, however, disputed by the Company (September 1979) on the ground that FLAC did not consider the expenditure of Rs 12 lakh incurred by the Company for improvement of the premises for its effective use. In February 1982 FLAC re-assessed the rent at Rs 19,520 per month.

Company was forced to pay higher rent for not furnishing its claim in time

Meanwhile, the landlord filed (1979) a money suit with the subordinate court and the verdict went in his favour directing the Company to pay rent @ Rs 23,417 per month along with 6 *per cent* interest *per annum*. The landlord thereupon attached the bank account of the company and realised Rs 10.79 lakh being rent and interest from September 1976 to August 1979. Company's further appeal against the judgement of Subordinate court to the High Court and Supreme Court were dismissed in August 1988 and September 1989 respectively. After three money suits (between July 1982 and November 1988) for realisation of dues from September 1979 to August 1988 being decreed in favour of the landlord, the Company appealed (1992) before the High Court, Calcutta with a stay petition against the execution of decree against those dues. The High Court admitted the petition directing the company to deposit 50 *per cent* of decretal dues of Rs 40.14 lakh in cash with the court and to provide bank guarantee for balance amount till disposal of the appeal. The case was subjudice till March 1997. The Company deposited Rs 25.89 lakh with the court and provided bank guarantee for Rs 18.96 lakh upto March 1997.

It was observed in Audit that not bringing the fact of renovation to the notice of FLAC had deprived the Company to have the benefit of initial fixation of rent at

Rs 19,520 instead of Rs 23,417 per month and thereby to avoid payment of extra expenditure of Rs 1.40 lakh towards rent and interest of Rs 2.32 lakh for the period from September 1976 to August 1979 and further litigation for subsequent periods.

2B.19.3 Purchase Tax

As per Sales Tax Act, a registered dealer is liable to pay purchase tax at the rate of 4 *per cent* on all purchases of goods from unregistered dealers. The Company being a registered dealer was to recover purchase tax from its unregistered suppliers and pay the same to the tax authority. It was, however, observed that the Company purchased goods worth Rs 290 lakh from its unregistered dealers during the period from 1985-86 to 1990-91 on which tax of Rs 11.60 lakh was payable, but neither the Company recovered this tax from the suppliers nor paid the same to the tax authority. Failure to pay tax within the prescribed period also attracted penal interest at the rate of 2 *per cent* per month for the period of default.

Due to failure to recover purchase tax from unregistered dealers the Company incurred statutory liability of Rs 0.31 crore

Thus, due to failure to recover purchase tax from the unregistered dealers, the Company had incurred statutory liability of Rs 31.13 lakh towards tax (Rs 11.60 lakh) and interest (Rs 20.53 lakh) for the period from 1985-86 to 1996-97. The tax had not been paid so far due to constraint of funds.

2B.20 Conclusion

The Company was formed with the objective of development of leather and allied industries in the State. However, those objectives could not be achieved and the Company was incurring huge losses due to :

- delay in completion of orders in hand and poor quality of output,
- employment of people more than what is required resulting in payment of idle wages and high per unit cost of production,
- mounting interest liability on borrowed fund in absence of timely realisation of dues and excess investment in stock,
- less endeavour to collect jobs from tanners and SSI units to utilise its idle capacity, and
- failure to adopt a proper marketing policy in the event full of orders from Government bodies/authorities.

Remedial steps may be taken in these respects or otherwise, it may be considered for winding-up.

All these matters were reported to the Government and the Management in March 1997; their replies had not been received (October 1997).

CHAPTER-III

Name of Statutory corporation	Section	Pages
◆ West Bengal Financial Corporation - Recovery performance	3A	71-90

3A. Recovery performance of West Bengal Financial Corporation

Highlights

The West Bengal Financial Corporation was established in March 1954 to assist medium and small industries by providing financial assistance.

(Paragraph 3A.1)

The Corporation had to depend mainly on refinance, issue of bonds and capital contribution from Government due to poor recovery of loans and interest which resulted in heavy interest burden of Rs 12264.76 lakh during the five years ended 1996-97.

(Paragraph 3A.5)

At the end of 1996-97, as against the outstanding dues of Rs 50237.71 lakh from 15442 units, an amount of Rs 14362.57 lakh was overdue from 13150 units. The Corporation fixed low targets ranging from 28.82 *per cent* to 34.17 *per cent* of net recoverable amount during the five years up to 1996-97 as against desired rate of recovery of 50 to 60 *per cent*.

(Paragraph 3A.6)

The Corporation rehabilitated 61 sick units (Outstanding : Rs 3184.62 lakh) up to March 1996. An analysis of 21 units put under rehabilitation (Reliefs/concession given: Rs 968.98 lakh) revealed that, of these five units were referred to BIFR, two units went into liquidation, four units were taken into possession and 10 units failed to implement the rehabilitation package either due to lack of bank's support or promoters' inability to bring in their contribution.

(Paragraph 3A.8)

The Corporation issued show cause notices to 354 defaulting units (Outstanding dues : Rs 7379.55 lakh) only as against 13150 units (Outstanding dues : Rs 14362.57 lakh) at default as on 31 March 1997.

(Paragraph 3A.9.1)

Out of 465 units under possession as on 31 March 1996, regular and systematic follow-up action to dispose off the assets of 113 units (Dues : Rs 2320.27 lakh) was absent for periods ranging from 12 months to 60 months. In the case of 42 units (Dues : Rs 1005.46 lakh) sold for Rs 318.19 lakh during 1995-96 the Corporation did not take action for recovery of the balance amount of Rs 687.27 lakh.

(Paragraph 3A.9.2)

Of the 218 defaulting units (Rs 4100.43 lakh) transferred to frozen account, accounts of only 14 units could be settled and partial recovery of Rs 546.25 lakh representing merely 14.20 *per cent* of total dues from others were recovered upto March 1996.

(Paragraph 3A.9.6)

Periodical inspection of the units, considered to be an important follow-up and monitoring function was inadequate as the Corporation could inspect only

15.36 per cent to 22.28 per cent of the units assisted during the three years up to 1995-96. Due to inefficient monitoring and follow-up action of an on-going project the Corporation suffered a loss of Rs 45.92 lakh.

(Paragraphs 3A.10.1 & 3A.10.2)

The Corporation settled 284 cases (outstanding dues : Rs 1257.77 lakh) for Rs 602.64 lakh during the two years up to 1995-96 and recovered only Rs 357.17 lakh which was indicative of inadequate measures and generated a meagre amount to be utilised in disbursement.

(Paragraph 3A.11)

Due to inadequate appraisal of projects, lack of proper monitoring and prompt follow-up action, delay in disposal of units taken over etc. a sum of Rs 1208.24 lakh has become doubtful of recovery from 10 units.

(Paragraphs 3A.12.1, 3A.12.2 & 3A.12.3)

3A.1 Introduction

West Bengal Financial Corporation was established on 1 March 1954 pursuant to Section 3(1) of the State Financial Corporations Act, 1951 with the main object to aid and foster the development and growth of industries in the State by providing financial assistance by way of share participation, loans etc., to medium, small scale, cottage and tiny sectors and by identifying and promoting specific projects for utilisation of resources of the State.

The present functions of the Corporation are confined to -

- grant of loans and advances to or subscribe to debentures of industrial concern;
- acting as agent of the Central/State Government and financial institutions ;
- to perform work incidental to and carrying out of these functions.

3A.2 Organisational set-up

The management of the affairs and business of the Corporation is vested in a board comprising maximum 12 Directors. Of these, five directors are nominated by the State Government including the Chairman, three by the financial institutions and four elected to represent scheduled banks, insurance companies, shareholders etc. The Managing Director is the Chief Executive and is appointed by the State Government. The Corporation has a Regional office at Siliguri under the charge of General Manager and 14 branches at different places, each under the charge of Branch Manager.

3A.3 Scope of audit

The working of the Corporation was last reviewed and included in the Report of the Comptroller and Auditor General of India for the year 1987-88 (Commercial). The Committee on Public Undertakings (COPU) discussed the review and gave recommendations in its 33rd Report which was presented to the Assembly on 30 May 1994. Action Taken Report (ATR) on the recommendations is awaited. The scope of present audit is to evaluate the efficiency of the Corporation in effecting prompt recovery of dues and adequacy of its control mechanisms. The review was conducted

during November 1996 to March 1997 and covered the period from 1992-93 to 1996-97. The observations of the Audit are set out in the succeeding paragraphs.

3A.4 Procedures for financial assistance and recovery thereof

Financial assistance from the Corporation is available for setting up new industrial projects as also for expansion, diversification and modernisation of existing ones. The promoters of such classes of industrial units are to submit applications to the Corporation giving details about the installed capacity and estimated cost of the project, location, availability of infrastructure facilities, marketability of products, existing financial arrangements, etc. The Corporation takes up technical and financial appraisals to ascertain the feasibility of the project and background of the entrepreneurs. Sanction for financial assistance is accorded after satisfying itself about the viability of the project and disbursement is made after entering into an agreement with the entrepreneurs. The instalments of repayment are fixed on quarterly or half-yearly basis after 12/24 months of moratorium from the first date of disbursements, except in the cases of transport loan where the moratorium is for three months.

Recovery of loans disbursed by the branches is monitored by the respective branch offices and the Head Office is responsible for watching overall recovery position of the Corporation. The Officers of the branch offices as well as of the Head Office visit the loanees and submit reports as to recovery to the respective branch offices. In addition, recovery camps are conducted from time to time. If the recoveries are still not forthcoming, action under Section 29 of State Financial Corporations Act, is taken to take over and sale the assets. After taking over the defaulting units by the Corporation, the same are sold by open tenders and realisation is adjusted against the dues.

The failure of the Corporation to take appropriate action in this regard has been discussed in the paragraph 3A.12 *infra*.

3A.5 Sources of finance

The table below indicates the sources of fund which were available for disbursement to the loanees during the five years ended 1996-97:

	1992-93		1993-94		1994-95		1995-96		1996-97	
	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent	Amount	Per-cent
A.Resources	(Amount Rupees in Lakh)									
(i) Refinance	2214.74	70	1499.52	65	1272.51	41	2323.96	49	2360.03	47
(ii) Bonds	915.93	29	668.40	29	1264.08	41	1580.24	33	2306.64	45
(iii) Share capital	25.00	1	25.00	1	25.00	1	625.00	13	400.00	8
(iv) Plough back *	Nil	-	98.80	5	511.93	17	257.37	5	Nil	-
	3155.67	100	2291.72	100	3073.52	100	4786.57	100	5066.67	100
B Total disbursement	3155.67		2291.72		3073.52		4786.57		5066.67	

Because of low plough back rate, the Corporation had to depend mainly on refinance from IDBI/SIDBI, issue of bonds and other borrowings to meet its commitments. The low recovery is

Low plough back made the Corporation dependent on borrowed funds entailing heavy interest burden

affecting not only the profitability of the Corporation but also having a compounding effect on the resources of the Corporation.

Thus, non-availability of own resources for recycling, resulted in increasingly heavy interest burden on borrowed funds which amounted to Rs 2693.39 lakh, Rs 2383.44 lakh, Rs 2484.15 lakh, Rs 2586.64 lakh and Rs 2117.14 lakh during the five years from 1992-93 to 1996-97 respectively.

3A.6 Recovery performance

Up to 1996-97, the Corporation disbursed term loans aggregating Rs 51095.99 lakh to 18994 units out of which Rs 29831.17 lakh as principal and Rs 20406.54 lakh as interest were outstanding from 15442 assisted units as on 31 March 1997. Further an amount of Rs 14362.57 lakh (Principal : Rs 2,487.89 lakh, Interest : Rs 11,874.68 lakh) was overdue from 13150 units. The details of the amount due for recovery, targets fixed, amounts recovered during last five years up to 1996-97 are given in the table below :

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
		(Rupees in lakh)				
I.	Amount due for recovery					
	(a) Arrear at the beginning of the year	6925.13	8201.03	10692.28	12135.40	13660.48
	(b) Amount due during the year	6702.01	9242.84	9840.47	9382.48	11113.24
	(c) Total recoverable	13627.14	17443.87	20532.75	21517.88	24773.72
	(d) Amount rescheduled	1759.21	1831.74	2883.78	2089.63	3407.88
	(e) Net amount recoverable	11867.93	15612.13	17648.97	19428.25	21365.84
	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
II.	Target for recovery	NA	4500.00	5200.00	6000.00	7300.00
	Percentage of target to net recoverable	-	28.82	29.46	30.88	34.17
III.	Recovery against:					
	(a) Old dues	862.54	1677.64	1751.34	1974.79	2445.40
	(b) Current year demand	2804.36	3242.21	3762.23	3792.98	4557.87
	(c) Total	3666.90	4919.85	5513.57	5767.77	7003.27
IV	Amount in arrears	8201.03	10692.28	12135.40	13660.48	14362.57
V	Percentage of recovery against:					
	(a) Target	NA	109.33	106.03	96.13	95.93
	(b) Arrears	12.45	20.46	16.38	16.27	17.90
	(c) Current year demand	41.84	35.08	38.23	40.43	41.01
	(d) Net amount recoverable	30.90	31.51	31.24	29.69	32.78

From the above table it would be observed that :

- the target fixed for recovery had no relevance to net amount recoverable and it ranged from 28.82 *per cent* to 34.17 *per cent* only during the five years up to 1996-97;
- the percentage of recovery to net amount recoverable varied between 29.69 and 32.78 during the five years up to 1996-97 as against desired rate of recovery of 50 to 60 *per cent* as set out by IDBI;
- the percentage of recovery out of old dues ranged from 12.45 to 20.46 while the same ranged from 35.08 to 41.84 out of current demand. This indicates no special stress was given for recovery of old dues from chronic defaulters.

3A.6.1 Analysis of arrears

During test check it was observed that in respect of 1607 assisted units (loans disbursed Rs 1620.88 lakh) an amount of Rs 3294.40 lakh was overdue for recovery even after the expiry of period for repayment of loans. These units had not paid even a single instalment so far (December 1996). Even the revised scheduled dates of repayment have elapsed in respect of a large number of these units (December 1996). The Corporation, however, had to repay the amounts due to IDBI by raising fresh loans/bonds on due dates despite such revision of schedule of repayment of loan and irrespective of recoveries from them.

Even though the repayment period lapsed 1607 units did not pay Rs 32.94 crore

The following table indicates the age-wise analysis of the overdues of the four years ending 1996-97:

Age	1993-94		1994-95		1995-96		1996-97	
	Amount of over dues	Percent-age of total over dues	Amount of over dues	Percent-age of over dues	Amount of over dues	Percent-age of total over dues	Amount of over dues	Percent-age of total over dues
(Amount : Rupees in lakh)								
Upto 6 months	32	0.30	13	0.11	23	0.17	25	0.17
7 to 12 months	369	3.45	133	1.10	174	1.27	131	0.91
Over one year but less than two years	607	5.68	227	1.87	300	2.20	637	4.44
More than two years	9684	90.57	11.762	96.92	13.163	96.36	13570	94.48
	10692		12135		13660		14363	

As at the end of the year 1996-97 as many as 13150 assisted units defaulted in payment and an amount of Rs 17771.00 lakh including Rs 3408 lakh being the amount rescheduled during the year (Rs 3013.00 lakh towards principal and Rs 14758.00 lakh towards interest) was in arrears even after reschedulement. An amount of Rs 16978 lakh out of total arrears of Rs 17771 lakh constituting 96 *per cent* was overdue for over three years from 12022 units.

A review of industry-wise overdues made by Audit revealed that of 13150 defaulting units, 4721 under five major categories of industry failed to pay overdues of

Rs 9238.15 lakh representing 65 per cent of total overdues (Rs 14362.57 lakh) upto 1996-97, as indicated in the following table:

Sl. No. (1)	Type of industry (2)	No. of units (3)	Amount overdue (Rupees in lakh) (4)	Percentage of total overdues (5)
1.	Basic metal, Metal Products and Machinery (including electrical and transport equipment)	1018	2,980.11	21
2.	Rubber, Chemicals and Petro/Coal-based Chemicals	1013	2,838.39	20
3.	Agro-based	1329	1,337.34	9
4.	Paper and Printing	410	1,145.68	8
5.	Textiles, Apparel and Leather	951	936.63	7
6.	Hotel and Road Transport Services	592	482.51	3
7.	Mining and Quarrying	39	131.98	1
8.	Other Manufacturing (including electronics)	7794	4,474.74	31
9.	Miscellaneous	4	35.19	-
	Total :	13150	14,362.57	100

The profitability of the Corporation depends on the higher margin between the average yield on advance and the average cost of funds (Bonds and Borrowings). As against the interest spread (being the difference in lending and borrowing rates) of 4 per cent anticipated on term loan operations, the actual interest spread was far below the expectation as would be evident from the following table :

Excepting 1996-97 interest spread was negative as against anticipated rate of 4 per cent

		1992-93	1993-94	1994-95	1995-96	1996-97
		(In p e r c e n t a g e)				
(A)	Average cost * of fund	13.94	11.93	12.45	12.58	9.74
(B)	Average yield @ on loans and advance	9.00	10.72	11.79	11.17	11.72
	Spread (B-A)	(-) 4.94	(-) 1.21	(-) 0.66	(-) 1.41	1.98

3A.7 Reschedulement of loans

The Corporation grants reschedulement for repayment of loan instalments as also interest as a measure of relief to prevent further default. The amount of loans and interest rescheduled during the three years ended 1995-96 aggregated to Rs 14948 lakh in 592 cases. Though the loans and interest were rescheduled, loanees continued to default in repayment of loans and payment of interest.

A study of 35 cases of reschedulement (Rs 1269.70 lakh) revealed that an amount of Rs 312.73 lakh was in arrears against dues of Rs 408.30 lakh from 25 units after reschedulement.

It was noticed that the Corporation had not analysed performance of the units which had been helped by way of reschedulement.

* Average cost has been calculated on the basis of average opening and closing balances of bonds and borrowing.

@ Average yield has been calculated on the basis of interest realised on outstanding loans and advances.

3A.8 Rehabilitation of sick units

Generally if the unit is incurring cash losses for two successive years and its accumulated loss had substantially eroded the net worth (Share capital and free reserves), the unit is identified as sick. The Corporation identified 337 units (outstanding: Rs 7247.11 lakh) as sick as on 30 September 1996. Out of these, viability study of 211 units (outstanding: Rs 5471.93 lakh) had been completed up to 30 September 1996. Even though 88 units (outstanding: Rs 3686.16 lakh) were found potentially viable, the Corporation had put 61 units (outstanding: Rs 3184.62 lakh) under rehabilitation.

An analysis made by Audit revealed that 21 units rehabilitated between June 1988 and December 1995 after giving relief of Rs 126.13 lakh by waiving of interest, granting additional loan of Rs 14.98 lakh, funding of interest of Rs 273.02 lakh and reschedulement of loan of Rs 554.85 lakh. But the units continued to default in repayment of loans and payment of interest which amounted to Rs 1159.95 lakh as on 31 March 1996. It was further noticed that out of these 21 units, five units were referred to BIFR, two units went under liquidation, four units were taken into possession and ten units could not implement the rehabilitation package either due to lack of bank's support or promoters' inability to bring in their contribution.

**Of the 61 units
rehabilitated, 21
units continued to
be sick/closed down**

Thus, even after allowing rebates and reliefs and further loan assistance the Corporation could neither rehabilitate the sick units nor recover the outstanding dues from them.

3A.9 Inadequate measures for recovery of dues

3A.9.1 Delay/non-issue of show cause notices

When an industrial concern makes any default in repayment of any loan or advance or any part thereof, the Corporation can recall the total amount of outstanding loans under Section 30 of the SFCs Act 1951 and if no recovery is forthcoming, it has the right under Section 29 of the Act, *ibid* to take over the management or possession or both of the unit or to transfer by way of lease or sale the property pledged, mortgaged, hypothecated or assigned by the units to realise the dues.

The amounts in default and final notices issued for taking action under Section 29 of the SFCs Act during the five years ending 1996-97 are indicated as follows:

	Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
		(Rupees in lakh)				
(a)	Amount in default	8201.03 (12639)	10692.28 (13977)	12135.40 (14131)	13660.48 (14187)	14362.57 (13150)
(b)	Default amount for which final notices were issued	2490.00 (210)	4382.00 (268)	5882.00 (424)	6382.00 (465)	7379.55 (354)
(c)	Percentage of (b) to (a)	30.36 (1.66)	40.98 (1.92)	48.47 (3.00)	46.72 (3.28)	51.38 (2.69)

(Figures in brackets indicate the number of units)

From the above it is evident that the Corporation was not prompt in issuing show cause notices to the defaulting units.

3A.9.2 Delay in disposal of units taken over

The position of the units in possession, those sold etc., during the four years ending 1996-97 as found from different records of branch offices and as analysed in Audit is given in the following table:

	1992-93	1993-94	1994-95	1995-96
Units in possession at the beginning of the year	172	210	268	424
Units taken over during the year	42	66	176	83
Units whose possession was returned on sale	4	8	20	42
Units in possession at the end of the year	210	268	424	465
Amount involved (Rupees in lakh)	2490.00	4382.00	5882.00	6382.00
Units sold and sale amount (Rupees in lakh)	21.50	74.24	182.21	318.19

It was observed in audit that out of 465 units in possession as on 31 March 1996, regular and systematic follow-up action to dispose of the assets of 113 units (Dues: Rs 2320.27 lakh) was absent for the periods ranging between 12 months and 60 months.

Out of 42 units sold for Rs 318.19 lakh during 1995-96, against the outstanding dues of Rs 1005.46 lakh the Corporation handed over possession for 31 units to the buyers on realisation of Rs 111.59 lakh from them. Possession of remaining 11 units was not handed over to buyers due to non-receipt of payment as per terms of sale. The Corporation, however, did not take any action to recover the balance of Rs 687.27 lakh.

The Corporation suffered loss of Rs 6.87 crore on disposal of 42 units

The Management stated (June 1997) that invocation of Section 29 under SFCs Act, 1951 could not be initiated as a matter of routine because of a variety of factors such as, consideration of the proposals submitted by the promoters for rephasing/reschedulement of loans, inability of the promoters to run the units because of extraneous factors like non-availability of power supply, disruptions in the availability of raw materials, marketability of the products, etc.

The fact, however, remains that as admitted by the Management, 30 per cent of the units were wilful defaulters, further relief or lenience given to them would only affect the interest of the Corporation.

3A.9.3 Failure to invoke personal guarantee

As per terms and conditions for sanction of loans, the term loans sanctioned are personally guaranteed by promoters/directors for repayment within due dates. It was, however, observed in audit that out of 364 loanee (Outstanding dues: Rs 1201.36 lakh) units which had no assets, the Corporation had issued notice for personal hearing and final notices for invoking personal guarantee were issued only in 42 cases (Amount: Rs 151.27 lakh). Even in these cases, the Corporation could not recover any amount by invoking the personal guarantees. It was further noticed that the Corporation had not kept the track on personal properties of the guarantors during the pendency of the loan.

Thus, in effect the system of obtaining personal guarantee had no value in terms of security.

3A.9.4 Non-availability of assets of assisted units

It was observed in Audit that assets of a number of assisted units were totally missing, in some cases the entrepreneurs of the units were found missing and their whereabouts could not be traced, the relevant loan files, disbursement files (nine files involving dues of Rs 27.23 lakh) were missing and in some cases, part of the machinery was disposed off by the entrepreneurs without the permission of the Corporation. The total number of units who have either no assets or whose whereabouts were not known as on 31 December 1996 were 307 involving dues of Rs 1157.74 lakh which became a loss to the Corporation.

<p>307 units against whom Rs 11.58 crore was outstanding, had either no assets or were not traceable</p>

In view of the above position, the Corporation reviewed the functioning of some branch offices and found irregularities in disbursement. In the light of these findings the Corporation constituted a Committee in September 1992 to enquire into the matter of sanctioning loans to fake units by Krishnagar Branch office. The report of the Committee revealed that there were gross irregularities in sanctioning and disbursing loans amounting to Rs 39.69 lakh (between August 1991 to May 1992) to 91 units. The Branch Manager having been found to be at fault was removed from service after departmental proceedings. However, as against 91 cases of disbursements (Rs 39.69 lakh), in Krishnagar Branch whereabouts of 34 loanees could be traced. Of these, only three had cleared the dues (Rs 1.81 lakh) leaving an outstanding balance of Rs 87 lakh as at the end of December 1996.

3A.9.5 Action for recovery under Section 32G of SFCs Act

In case of non-recovery the Corporation can make an application in the prescribed manner to the State Government or the specified authority for recovery of the amount due to it from any defaulting unit by issue of a certificate for that amount to the Collector and the Collector shall proceed to recover that amount in the same manner as an arrear of land revenue. It was noticed in Audit that as on 31 March 1996 there were 2456 defaulters (Dues: Rs 998.69 lakh against which the Corporation had no securities) in six branches under the scheme for composite loan and Self Employment Scheme for Registered unemployed (SESRU) against which the Corporation has instituted certificate cases against 26 defaulters (Dues : Rs 12.71 lakh) of two branches only and realised thereagainst an amount of Rs 0.51 lakh only during 1995-96.

For not taking action against the remaining units the Corporation explained that the payment of court fees on the amount of claim for filing the cases before the concerned authority approved to be an unbearable burden to the Corporation. However, the Corporation has taken up the matter with the Finance Department, Government of West Bengal in March 1997 for exemption to the Corporation from payment of the said fees. Further development in the matter was awaited (June 1997).

3A.9.6 Recovery against frozen accounts

In March 1989, the Corporation had decided that the term loan accounts where the scope for recovery appeared to be bleak would be transferred to frozen account and all efforts would be made to recover them by giving special attention. After transfer of this to the frozen account interest is not to be charged from the loanees. According to the nature and types, these accounts were put under five categories viz.,(i) accounts under Official Liquidator (ii) accounts of the units which have been nationalised and the Corporation's application to the Commissioner of payments for settlement are pending (iii) accounts where Section 29 of the SFCs Act have been invoked, (iv) accounts where assets have been sold and invocation of personal guarantee of the promoters required and (v) accounts where the promoters have abandoned the project.

During the period from March 1989 to March 1996, accounts of 218 units had been transferred to the frozen account with the outstanding balance of Rs 4100.43 lakh.

Balance of Rs 32.98 crore lying in frozen accounts was doubtful of recovery

Of these, accounts of 14 units involving Rs 255.86 lakh had been fully settled either by recovery or adjustment of the dues outstanding up to March 1996. Against the remaining accounts of 204 units having the outstanding balance of Rs 3844.57 lakh, the Corporation could recover only Rs 546.25 lakh representing 14.20 *per cent* of the dues and the balance outstanding as at the end of March 1996 amounted to Rs 3298.32 lakh.

From the above it is evident that the recovery measures were not adequate and the Corporation did not derive the desired results by freezing the accounts and not charging interest as it could settle only a small number (14 in all) of accounts and realised an insignificant amount compared to the outstanding dues in the accounts.

Most of the accounts transferred to Frozen Account belong to doubtful and loss category of assets and the possibility of their recovery was remote.

3A.10 Lack of monitoring

3A.10.1 Inspections

Periodical inspections of the assisted units by the Corporation officials constitute an important follow-up and monitoring function of the Corporation. The periodicity and the scope of the inspections defining the technical and financial matters to be covered in post implementation period were not prescribed by the Corporation.

The COPU in its Thirty-third Report recommended (May 1994) that all-out efforts should be made by the Corporation to inspect all the units once in a year to see whether the loans had been properly utilised for the specific purpose within the specified period.

The Corporation neither drew programmes to inspect all the units at least annually nor conducted inspections regularly. Formats were also not designed whenever necessary, to maintain uniformity and to ensure reporting on important matters

Assuming that at least one inspection is required to be carried out in respect of each unit assisted, the position of actual inspection carried out by the Corporation during the three years up to 1995-96 was given in the table below:

Year	Total number of units	Units inspected	Percentage of units inspected to total units
1993-94	15236	2340	15.36
1994-95	15119	2837	18.76
1995-96	15056	3354	22.28

It would be seen that the percentage of the units covered by inspection ranged between 15.36 and 22.28 during the three years up to 1995-96.

As per standard practice, the inspections during implementation were to be carried out by a team of at least one Finance Officer and one Technical Officer. But it was observed in Audit that the inspections in majority of the cases were carried out by only one officer.

During the years 1993-94 to 1995-96 the Corporation inspected only 15 to 22 per cent of the assisted unit

IDBI in its Performance Evaluation Report (PER) suggested from time to time for introduction of the system of calling for progress report from the projects/defaulting units and analyse the same critically. But it was noticed in Audit that the Corporation has not adopted the system as yet. In absence of regular receipt of these reports and their scrutiny, the Corporation could not identify the symptoms of sickness, siphoning of funds by the promoters at the early stages and initiate remedial measures.

A case of failure on the part of the Corporation in monitoring the activities of the unit and conducting periodical inspections, noticed by Audit is discussed below:

3A.10.2 Loss due to lack of monitoring and follow-up action

The Corporation sanctioned (September 1984) and disbursed (between January and October 1986) a term loan of Rs 30 lakh to Bright Papers and Board Mills Private Limited in consortium with West Bengal Industrial Development Corporation Limited (WBIDC) who had also sanctioned and disbursed a loan of Rs 60 lakh to the unit for setting up a duplex board manufacturing unit at a project cost of Rs 129.68 lakh.

While the project was under construction regular inspection of the unit, as a measure of post disbursement monitoring and follow-up, had not been conducted by the Corporation. Consequently, the promoters effected major deviation in civil construction which was beyond the scope of the project. Moreover, there was diversion and misuse of funds by the promoters without creation of any tangible assets, apart from many other irregularities in keeping records of the accounts for the expenditure. All these irregularities could be detected by the Corporation only at the time of considering the proposal for disbursement of an additional term loan (Rs 13.72 lakh) which was cancelled and the project was taken as abandoned (October 1989).

Insufficient monitoring and follow-up action resulted in loss of Rs 0.46 crore

The Corporation took possession of the unit in February 1992. Valuation of the assets was made in October 1995 at Rs 12.14 lakh through approved valuer. After this, tenders were invited and the assets were sold in April 1996 at Rs 10 lakh.

Out of the sale proceeds, the Corporation's share was Rs 3.24 lakh against the outstanding dues of Rs 49.16 lakh up to October 1989.

Thus, failure of the Corporation to effectively monitor the on-going activity of the project had led to its abandonment resulting in loss of Rs 45.92 lakh.

3A.10.3 Nominee Directors

Section 27(2) of SFC Act, empowers the Corporation to nominate one or more directors on the Board of the assisted units to obtain feed back information on their working. However, the Corporation nominates directors on the Boards of the assisted units where its assistance/outstanding balance of the unit exceeds Rs 25 lakh. The units referred to BIFR, under court cases and the units against which recovery action is initiated are not considered for appointment of Nominee Directors on their Boards.

As against 240 units fit for appointment of Nominee Directors, the Corporation could appoint Directors on the Boards of 184 assisted units as at the end of March 1997. It was noticed that out of 184 units, 61 units did not induct nominees of the Corporation on their Board. Thus, the Corporation had no means of ascertaining the working and financial health of 117 units (48.75 *per cent*) as on 31 March 1997 due to the fact that it had no nominee in the Boards of those units.

Out of 240 units, the Corporation had no nominee Director on the Board of 117 units

The Corporation had not kept any consolidated records to show the number of meetings the Nominee Directors attended and the role played by them, number of Directors from whom the reports were not received and whether any action was taken on the reports.

3A.11 One time settlement of dues

The Corporation decided in September 1994, that the loan account where there was no tangible security available to recover the dues or the project had been abandoned/lying closed for long time, and even after invoking Section 29, the assets of the units could not be sold, one time settlement of such cases could be made as per guidelines of the Board. Accordingly, the Corporation settled 284 cases at Rs 602.64 lakh against the outstanding amount of Rs 1257.77 lakh, resulting in non-recovery of Rs 655.13 lakh.

In the settlement of 284 cases, the Corporation suffered loss of Rs 6.55 crore

It was further observed that even after giving concessions of 52.09 *per cent* the Corporation could recover only Rs 357.17 lakh (December 1996) against the settlement amount of Rs 602.64 lakh. In this connection it is pertinent to mention that at the end of March 1996 the Corporation had 307 units (Rs 1157.74 lakh) where assets were missing, 264 units (Rs 6533.27 lakh) under court case, 55 units (Rs 920.26 lakh) which

have been abandoned and 2456 units (Rs 998.69 lakh) lying sick/closed and awaiting settlement.

Hence, the settlement made by the Corporation was very insignificant and generated a meagre amount to be recycled in its business.

3A.12 Inadequate recovery action

A test check in Audit revealed cases of inadequate appraisal for financing projects, undue financial advantage to regular defaulters, delayed recovery action and unrecovered dues due to delayed submission of documents etc., as tabulated in the next page have been discussed in succeeding paragraphs.

These cases are discussed below :

3A.12.1 Inadequate appraisal for financing of projects

(i) In March 1988, the Corporation sanctioned and disbursed a term loan of Rs 29.55 lakh to Hotel Devine Private Limited for setting up a hotel at Ningha near Asansol with 72 beds at a project cost of Rs 50.88 lakh. While the project was under implementation, the promoters came forward (August 1989) with a proposal to convert it into a three star hotel (revised project cost: Rs 81.70 lakh) in anticipation of having market and demand for such services in the event of proposed modernisation programme of Indian Iron and Steel Company Limited (IISCO) requiring suitable accommodation for the personnel to be associated with that job and sought for an additional term loan of Rs 21.55 lakh. The Corporation disbursed the additional term loan of Rs 21.26 lakh in October 1989 based on the statement made by the promoters but without conducting any market study of its own.

The hotel was opened in January 1991 but its operation was not encouraging as

Inadequate appraisal of the project resulted in non-recovery of Rs 1.63 crore

it could not achieve even 15 *per cent* occupancy any time up to 1993-94 when it was closed. The unit had been defaulting in repayment of loan. The Corporation took possession of the unit in April 1996 but any action for disposal of the unit was yet

to be taken. In the meantime dues accumulated to Rs 163.40 lakh (including interest and other charges of Rs 112.59 lakh) up to April 1996.

Thus, financing a project without ascertaining its viability had resulted in accumulation of unrealised dues.

Sl. No.	Name of the unit	Period of disbursement of loan	Amount of outstanding dues (Rupees in lakh)	Nature of recovery action	Amount settled	Amount recovered	Doubtful recovery (Rupees in lakh)	Remarks
1.	Oriental Ceramic Product (P) Limited	October 1976 to July 1979	119.67 (as on 31 May 1993)	One time settlement	Nil	Nil	119.67	Repeated attempts for one time settlement failed as the unit had not come forward to honour the proposal
2.	Perfect Steel Limited	July 1996 to February 1982	57.55 (as on 30 April 1990)	Sale by Official Liquidator	Nil	Nil	57.55	No receipt due to delay in submission of security documents to Official Liquidator
3.	Hotel Devine (P) Limited	March 1988	163.00 (as on 30 April 1996)	Possession under Section 29 of the S.F.C. Act. 1951	Nil	Nil	163.40	Inadequate appraisal of project leading to doubtful recovery of dues
4.	N.K. Steel Industries (P) Limited	January 1985 to March 1987	234.99 (as on 31 December 1996)	Possession under Section 29 of the S.F.C. Act. 1951	Nil	Nil	234.99	Inadequate monitoring and follow-up action resulted in total loss of plant and machinery
5.	Anjali Chemicals and Allied Industries (P) Limited	March 1990 to March 1991	142.96 (as on 31 December 1996)	Attempt was made for sale of the unit in auction but failed	Nil	Nil	142.96	Lack of decision for taking prompt recovery action. and auction failed due to low price
6.	B.S.S. Metal Manufacturing Company Limited	August 1983	104.61 (as on 30 June 1996)	One time settlement	40.00	Nil	104.61	The unit did not honour one-time settlement agreement but no action was taken
7.	Corromondal Ice Fish and Allied Industries	March 1988 to September 1989	30.95 (as on 30 September 1996)	Possession under Section 29 of the S.F.C. Act. 1951	Nil	Nil	30.95	Abnormal delay in recovery of dues inspite of having favourable court order
8.	Ramnarayan Rolling Mills (P) Limited	March 1986 to April 1987	73.55 (as on 30 September 1995)	Possession under Section 29 of the S.F.C. Act. 1951 and sale notice issued in September 1995	Nil	Nil	73.55	Due to delay in taking appropriate action for recovery notional possession was taken but no buyer against sale notice
9.	Chatna Engineering Complex	July 1985 to September 1988	78.21 (as on 31 December 1996)	Sale notice issued in January 1996	Nil	Nil	78.21	Failure to take timely action for recovery. resulted in unrealised dues
10.	Falta Knitwear Industries Private Limited	March 1991 to March 1992	202.35 (as on 30 June 1996)	Notice for possession under Section 29 of the S.F.Cs Act. 1951 issued in April 1994	Nil	Nil	202.35	Locking-up of fund due to poor appraisal of project
							1208.24	

3A.12.2 Undue financial advantage extended to a regular defaulter

The Corporation disbursed Rs 15.53 lakh between October 1976 and July 1979 to Oriental Ceramic Products Private Limited to set up a project for manufacture of mechanised bricks. Due to delay in getting power supply and difficulties in procuring raw materials, commercial operation of the project was delayed. The Corporation therefore, rescheduled the loan account in 1981. But the unit failed to clear its dues. Again in 1986 the Corporation rescheduled the loan account and

Despite repeated defaults in repayment of loan the Corporation did not take over the unit under section 29 of SFCs Act and the outstanding dues accumulated to Rs 1.20 crore as on 31 March 1997

gave some concession by way of waiver of penal interest and allowed a rebate. Even after that the unit continued to default in payment of its dues.

In May 1988 the Corporation agreed to settle the account with the loanee at Rs 23.10 lakh against the outstanding of Rs 47.59 lakh, however, the unit did not pay this amount. The Corporation took no action excepting issue of a notice under Section 29 of SFCs Act, in December 1988.

On being approached by the unit the Corporation again agreed (May 1993) for 'one-time settlement' of the dues for Rs 33.47 lakh against the outstanding dues of Rs 91.64 lakh on that date. Even though the unit had again failed to honour its commitment the Corporation did not initiate any action till July 1995 when the unit submitted a proposal for payment of the settled (May 1993) amount of Rs 33.47 lakh (outstanding Rs 119.67 lakh) in instalments covering a period up to May 1998. The Corporation having agreed to the proposal asked (August 1995) the unit to pay Rs 1 lakh on 7 August, Rs 4 lakh on 30 November 1995 and the balance amount to be paid monthly at the rate of Rs 2 lakh from December 1995 onwards so that the entire amount would be liquidated by January 1997. But the unit did not pay according to the revised proposal. On being pointed out by Audit, the Corporation took up the matter with the unit and could recover only Rs 1 lakh in May 1997 against the outstanding dues of Rs 119.67 lakh only.

As the realisable value of the assets particularly the plant and machinery is decreased with the lapse of time it would have been justified to take prompt action for disposal of the same by taking over possession instead of giving undue advantage to the unit time and again.

3A.12.3 Unrecovered dues due to delayed production of documents

The Corporation disbursed loans of Rs 28.50 lakh between July 1979 and February 1982 to Perfect Steels Limited for establishing a project for manufacturing stainless metallurgical steel castings products at Kalyani. The unit went into commercial production in 1983. But the unit defaulted in payment of its dues since inception. Even after extension of a package of reliefs including rescheduling of the loan by the Corporation the amount of default mounted to Rs 57.55 lakh. The Corporation took possession of the unit in August 1987 but before it could take any action for disposal of the assets the unit went into liquidation by an order (September

1987) of Calcutta High Court and possession of the unit was handed over to the Official Liquidator.

The Official Liquidator sold (September 1989) the assets at Rs 25.50 lakh and realised down payment of Rs 8.50 lakh and the balance at the rate Rs 1 lakh per month starting from April 1990. As against this, the outstanding dues of the unit to the Corporation amounted to Rs 57.55 lakh (including interest and other charges of Rs 29.05 lakh).

Delayed submission of required document resulted in non-recovery of Rs 0.25 crore

It was further noticed that the Corporation could not recover any amount from the Official Liquidator as it had failed to produce the required document relating to the Corporation's charges on the assets sold so far (December 1996).

After Audit observation the Corporation collected the copy of the said document and filed the claim application in January 1997. However, the amount has not been realised so far (June 1997).

3A.12.4 Delayed action leading to the non-recovery of dues

(i) The Corporation disbursed (between January 1985 and March 1987) loans of Rs 58.11 lakh to N.K. Steel Industries Private Limited for setting up a steel casting unit at Mogra in Hooghly district. Due to receipt of defective machinery the unit had to incur heavy expenditure on their rectification and its commercial operation was delayed. The unit was very irregular in repayment of loan from the very beginning. Even after rescheduling of the loan in 1988 the unit continued to default and it was closed in November 1992. The Corporation took notional possession of unit only in May 1995 without putting the factory under lock and key and also without posting any security guard. No inventory of the assets was taken at the time of taking notional possession. However, a verification conducted by the Corporation in November 1996 revealed that entire plant and machinery had been missing.

Delayed action resulted in non-recovery of Rs 2.35 crore

A suo moto offer for sale of the assets (land and building) at Rs 40 lakh received in April 1995 from Galaxy Foundries Private Limited was neither entertained nor any negotiation made to get better offer. On this being pointed out by Audit the Corporation issued sale notice in March 1997, however, it could not be disposed of so far and an amount of Rs 234.99 lakh became doubtful of recovery (June 1997).

(ii) The Corporation disbursed between March 1990 and March 1991 loans of Rs 44.33 lakh to Anjali Chemical and Allied Industries Private Limited for setting up a basic drug manufacturing unit at Raigachi in 24 Parganas (North) district. The project was completed in July 1991 and the unit commenced commercial production in a very limited scale and continued up to November 1991 when it was stopped. The Corporation sanctioned and disbursed additional term loan of Rs 14.28 lakh in April 1992 and the unit resumed production in April 1992 but due to some local disturbances production had been suspended in June 1992. With the intervention of local administration the unit managed to overcome the situation and started operation from

April 1993. Due to irregular operation and under utilisation of the capacity the unit sustained huge losses and was irregular in repayment right from the inception.

The Corporation took possession of the unit in September 1994. In March 1995 the Corporation received a *suo moto* offer of Rs 43 lakh from Uma Export as the sale value of the assets which was rejected on the ground of being very low. The Corporation did not ascertain the realisable value of the assets since take over.

Between November 1995 and September 1996 the Corporation made four attempts to sell the assets of the unit and received offers only in two occasions, for Rs 20 lakh (January 1996) and Rs 11.31 lakh (September 1996) against the outstanding dues of Rs 142.96 lakh (including interest and other charges of Rs 84.35 lakh). None of the offers were considered by the Corporation on the ground of being very low.

With the passage of time the dues from the unit was on the increase whereas the realisable value of the assets was on the wane day by day due to deterioration on their condition and the recovery of the amount of Rs 142.96 lakh has become doubtful.

Failure in taking prompt action made Rs 1.43 crore doubtful of recovery

(iii) In August 1983, the Corporation disbursed a term loan of Rs 30 lakh to BSS Metal Manufacturing Company Limited for setting up a unit for manufacturing non-ferrous castings in consortium with WBIDC who also disbursed Rs 10 lakh to the unit. The unit started commercial production in 1985 and after running intermitantly for about three years it stopped production from August 1988 due to constraints like power cut, shortage of input, inadequate working capital, etc. The unit was very irregular in repayment of loan from the very start. Even after rephasing of the loan account by the Corporation in 1986 the position did not improve.

The Corporation took possession of the unit in August 1988. In the meantime the original promoter came forward with a revival proposal which did not materialise. Consequently the Corporation issued sale notice in January 1993 against which an offer of Rs 28.11 lakh received by the Corporation was rejected (February 1993) on the ground of being very low. Against the subsequent attempt for sale by the Corporation in July 1994, the unit filed a writ petition before Calcutta High Court to stop the sale. The Court in its order (1 August 1994) directed the unit to pay Rs 10 lakh to the Corporation within 16 August 1994 failing which the interim order would stand vacated. Even though the unit failed to honour that order within the due date, and actually paid the amount by December 1994 the Corporation did not initiate any action.

In July 1995 the unit submitted a proposal for one-time settlement and the Corporation in consultation with WBIDC agreed (June 1996) to settle the account at Rs 40 lakh against the outstanding dues of Rs 104.61 lakh (including interest and other charges of Rs 74.61 lakh), but that was not honoured by the unit till now (March 1997) and no action was taken by the Corporation against unit.

(iv) The Corporation disbursed between March 1988 and September 1989 loans of Rs 11.98 lakh to Corromondal Ice, Fish and Allied Industries for setting up a unit for manufacture of ice blocks at Andulia in 24 Parganas (North) district. Although the

project was fully implemented and was under operation satisfactorily the unit wilfully defaulted in payment of dues to the Corporation since inception.

The Corporation took possession of the unit and posted its security staff in March 1992. But the promoters forcibly ousted the security guard of the Corporation and took control of the unit. They also secretly disposed off a D.G set without the Corporation's permission. Against this, the Corporation moved the District Court at Barasat for remedies. The District Judge, Barasat Court passed (January 1995) an order for attachment over the assets of the unit for realisation of the dues.

In spite of this verdict of the court the Corporation did not take any further action for realisation so far (December 1996) and the outstanding dues from the unit amounted to Rs 30.95 lakh (including interest and other charges of Rs 18.97 lakh) as on 30 September 1996.

(v) The Corporation disbursed a term loan of Rs-23 lakh between March 1986 and April 1987 to Ramnarayan Rolling Mills Private Limited for setting up a steel rolling mill at Bankura. An additional term loan of Rs 5 lakh was also disbursed between June 1987 and November 1988 to meet cost overrun of the project. The unit started operation from March 1988 but at a very low level due to short supply of raw materials, low voltage of power and shortage of adequate working capital. Although the working capital loan had been raised from Rs 8.67 lakh to Rs 21.58 lakh by the State Bank of India (SBI) in April 1989, the unit could not be run to its capacity mainly due to problems in getting adequate raw materials. Consequently, the production was stopped from February 1991.

The unit became irregular in clearing its dues even after reschedulement of the loan accounts several times. Overall payments made by the Company amounted to Rs 2 lakh towards instalments of loan and Rs 8.91 lakh towards interest and other charges. In September 1993, the Company came forward with a proposal for 'one-time settlement' of the accounts at Rs 28 lakh against the outstanding dues of Rs 39.29 lakh (including interest and other charges of Rs 13.29 lakh) but the Corporation asked for (December 1993) Rs 30 lakh which the Company failed to pay.

In response to a sale notice (September 1995) the Corporation received (October 1995) three offers, viz, (i) Rs 31 lakh for all the assets with down payment of Rs 7.75 lakh, (ii) Rs 18 lakh for plant and machinery and structure of factory shed with down payment of Rs 7 lakh and (iii) Rs 25.98 lakh for all the assets with down payment of Rs 10 lakh. Meanwhile, the outstanding dues accumulated to Rs 73.55 lakh (including interest and other charges of Rs 47.57 lakh) as on 30 September 1995. The Corporation neither accepted any of the offers nor made any fresh attempt to dispose of the assets so far (December 1996).

**Delay in taking action
resulted in non-recovery of
Rs 0.74 crore**

(vi) The Corporation sanctioned and disbursed (July 1985) a term loan of Rs 15 lakh to Chatna Engineering Complex for setting up a unit for manufacture of nuts and bolts at Chatna in Bankura district. An additional loan of Rs 7 lakh was sanctioned in September 1986 to finance the cost overrun, of which Rs 6.13 lakh was disbursed in September 1988. But the promoters failed to complete the project and defaulted in

payment of dues of the Corporation as well. The Corporation took possession of the unit in September 1991. In the meantime, the Corporation restructured (August 1991) management of the unit and handed over (September 1991) the unit to the new management to give a chance for running the unit even without getting any payment against its outstanding dues. Though the new management did not take any interest for implementation of the project, the Corporation allowed to continue such state of affairs till December 1995 when the possession of the unit was taken over again.

Thereafter, several attempts were made by the Branch Management to sell the unit but did not find any buyer mainly due to erosion of the substantial life of the plant and machinery remaining idle and uncared for a long time.

Delayed action resulted in unrealised dues of Rs 0.78 crore

The Corporation has not assessed the value of the assets. Dues from the unit accumulated to Rs 78.21 lakh (including interest and other charges of Rs 57.08 lakh) which had become doubtful of recovery.

(vii) The Corporation sanctioned (July 1989) a term loan of Rs 55.80 lakh to Falta Knitwear Industries Private Limited (FKIPL) under ADB line of credit for acquiring some imported machinery to be installed at Falta Export Processing Zone (FEPZ) for setting up a 100 *per cent* export oriented readymade garments manufacturing unit. Inordinate delay in implementing the project had caused cost overrun mainly due to exchange rate variations and the Company approached for an additional loan of Rs 20 lakh which was sanctioned by the Corporation in August 1991. Against these sanctions, the Corporation disbursed loans of Rs 73.70 lakh to FKIPL between March 1991 and March 1992. The unit started commercial production on a very modest scale from July 1992 but failed to clear the dues of the Corporation from the inception. Even after rephasing of the loan account the unit continued to default payment. Due to persistent default the Corporation issued (April 1994) notice for taking over possession. Against this, the Company moved the Calcutta High Court and the court ordered the Company to pay Rs 5.90 lakh within May 1994 but the Company could pay Rs 5.20 lakh so far (December 1996).

It was noticed in Audit that the verification auditor in its report (March 1992) observed, *inter alia*, that the unit had not made any definite arrangement with any overseas buyers for selling the garments to be produced by the unit. Moreover, the personnel associated with the management of the unit had experience only in trading business but without any experience of running any manufacturing organisation. All these would indicate that the Corporation's pre-disbursement appraisal of the project was not proper and adequate.

Inadequate appraisal of the project led to non-recovery of Rs 2.02 crore

The unit suspended production since August 1996 and the outstanding dues accumulated to Rs 202.35 lakh (including interest and other charges of Rs 128.65 lakh) as on 30 June 1996, but no further action was taken by the Corporation.

The fact remains that no proper study of foreign market for this export oriented project was done. Consequently its failure could not be foreseen by the Corporation resulting in doubtful of recovery of Rs 202.35 lakh.

3A.13 Conclusion

The Corporation was formed to assist small and medium industrial units, aid development of industries and formulate programmes for proper utilisation of resources to ensure higher rate of industrial growth in the State.

At the end of 1996-97, as against the outstanding dues of Rs 502.38 crore from 15442 units, an amount of Rs 143.63 crore was overdue from 13150 units. The lower recovery was mainly due to :

- a) inadequate appraisal of financing of projects;
- b) lack of proper monitoring and follow-up action;
- c) non-issue of show cause notices to defaulting units;
- d) delay in disposal of the units taken over; and
- e) failure to invoke personal guarantee.

Remedial measures need to be taken to improve the recovery position so that the amount can be recycled for assistance to new units.

Chapter-IV

Name of the unit	Paragraphs	Pages
Government Companies	4A	
The Calcutta Tramway Company (1978) Limited	4A.1.1 - 4A.1.2	93-94
The Durgapur Projects Limited	4A.2.1 - 4A.2.5	94-97
Webel Video Devices Limited	4A.3.1 - 4A.3.2	98-99
West Bengal Dairy and Poultry Development Corporation Limited	4A.4.1	99-100
Statutory Corporations	4B	
Calcutta State Transport Corporation	4B.1.1	100-101
West Bengal State Electricity Board	4B.2.1 - 4B.2.6	101-105
West Bengal State Warehousing Corporation	4B.3.1 - 4B.3.2	105-107

Miscellaneous topics of interest

4A GOVERNMENT COMPANIES

4A.1 THE CALCUTTA TRAMWAYS COMPANY (1978) LIMITED

4A.1.1 Infructuous Expenditure

The Government of West Bengal decided (April 1981) to extend the tramways system to Salt Lake City latest by March 1982 and entrusted (April 1981) the work to the Calcutta Tramways Company Limited (CTC). The work included two traction sub-stations at Kankurgachi and at Salt Lake, as well as laying of special feeder lines for sub-stations. Accordingly, the Company obtained (May 1982) land at Kankurgachi from the Calcutta Improvement Trust on payment (June 1983) of Rs 7.16 lakh and order for civil construction was placed in January 1984 on the United Construction, Calcutta at a cost of Rs 22.31 lakh. But the Government of West Bengal decided in February 1984 not to extend the tramways system to Salt Lake city. The reasons for the abandonment of the project were asked for by Audit but not furnished by the Company.

Infructuous expenditure of Rs 0.73 crore incurred on the construction of a sub-station which was not required

Despite the changed decision of the Government, the Company proceeded with the construction of traction sub-station at Kankurgachi and the work was completed (July 1989) at a cost of Rs 36.95 lakh. Apart from this, a payment of Rs 8.26 lakh was made (March 1986) for laying of special feeder lines for the Kankurgachi traction sub-station and installation of (January 1989) traction power equipment (value: Rs 25.85 lakh) at a cost of Rs 2.39 lakh. The sub-station was, however, not commissioned (March 1997).

The Management stated (June 1996) that the sub-station could not be utilised as planned due to abandonment (February 1984) of original proposal to extend the tramways system to Salt Lake city. But the fact was very much known to the Company since February 1984, i.e. the very next month of the award of order for construction.

Management agreed (February 1997) that while the sub-station could not be utilised as contemplated due to change in Government policy, alternate use of the building was under review.

Thus, due to non-observance of the decision of the State Government, the Company incurred an infructuous expenditure of Rs 73.45 lakh (civil construction: Rs 36.95 lakh; feeder lines: Rs 8.26 lakh; equipment: Rs 25.85 lakh and installation: Rs 2.39 lakh).

The matter was reported to the Government in May 1997; the reply had not been received (July 1997).

4A.1.2 Avoidable payment of interest

In terms of West Bengal State Tax on Professions, Trades, Callings and Employments Act, 1979, tax is required to be deducted at source by an employer in respect of a person earning

Delayed deposit of professional tax of Rs 1.75 crore recovered from the employees resulted in payment of interest of Rs 0.28 crore

a salary or wage of more than Rs 500 per month with effect from 1 April 1979. Irrespective of such deductions made, the employer is liable to deposit the tax so recovered within the last day of the succeeding month for which the tax was payable alongwith monthly returns. Failure to deposit the tax within the prescribed period renders the employer liable to pay interest at two *per cent* per month for the period of default.

Though the Company recovered the taxes amounting to Rs 175.22 lakh from its employees during April 1979 to March 1994, it had deposited the same after delays ranging from one day to ten months from the due dates for reasons not on record. Due to delayed payment of taxes, the Company paid during January 1993 to March 1996 an avoidable expenditure of Rs 28.24 lakh as interest.

Management stated (March 1996 and June 1997) that the Company could not deposit the amount payable as professional tax due to financial stringency. The reply, however, was not found tenable as the liability towards professional tax was against recoveries from employees' pay and had to be deposited in the exchequer.

The matter was reported to Government in January 1997; the reply had not been received (July 1997).

4A.2 THE DURGAPUR PROJECTS LIMITED

4A.2.1 Non-realisation of conversion charge

The Company entered (February 1992) into an agreement with Tata Iron and Steel Company Limited (TISCO) for conversion of coal into coke at a conversion fee of Rs 460 per tonne. As per the agreement, TISCO was to supply the coal, free of cost, to the Company at its plant site at Durgapur and the coke was to be despatched to TISCO by rail.

During the contractual period (February 1992 to July 1993) 1737.90 tonnes of coal valued at Rs 50.57 lakh despatched by TISCO between February 1992 to June 1993 did not reach at the plant site of the Company for which the Company had no contractual responsibility.

As per clause II of the agreement the Company was to certify short receipt of coal, if any immediately so that necessary claims on railways could be lodged by TISCO. But in a joint meeting held on September 1993 between Officers of the Company and TISCO, it was decided that the Company, being the consignee, would settle the claims with railways and TISCO would realise the value of aforesaid missing coal from conversion charge bills.

Records, however, revealed that the Company's claim was rejected (February 1994) as time barred by the railways. On the other hand, TISCO deducted Rs 50.57 lakh from the conversion charges bills preferred (May to July 1993) by the Company.

Government stated (May 1997) that Company was vigorously pursuing the matter with the Railways and Durgapur Steel Plant, stated to be the recipient of the coal not received by the Company, for realisation of

Due to wrong decision of the management to settle the Railway claims the Company incurred an avoidable loss of Rs 0.51 crore

the amount. But the Company had not realised it even after lapse of four years (September 1997).

Thus, due to wrong decision of the Company to agree to settle the claims with Railways which was beyond the scope of agreement, it had to incur an avoidable loss of Rs 50.57 lakh to meet up the loss of a private company.

4A.2.2 Import of Slip Ring Heads in excess of requirement.

On the basis of an unsolicited offer (September 1984) for slip ring heads from Siemens India Limited (SIL) on behalf of their principal, Kraftwerk Union Aktiengesellschaft ((KWU)), the Company placed (February 1985) an order for five sets (15 NOs.) with FOB price of DM 1,90,750 (INR equivalent: Rs 10.33 lakh) as per post facto urgent indent (November 1984) of Power Plant Authority, without specifying the actual nature of urgency.

The five sets of slip ring heads arrived (May 1986) at Calcutta port in damaged crates. Insurance survey revealed (July 1986) shortage of essential parts valued at Rs 0.64 lakh which was settled (March 1990) for Rs 0.46 lakh. The materials (Landed Cost : Rs 20.20 lakh) entered the stores yard in July 1986. In March 1988, the materials were rejected as incomplete. Although the material was procured on an urgent indent, the Management did not take any action to utilise/dispose of the same till date (January 1997) despite stating (August 1993) that the slip ring heads would be utilised as all critical items were available.

Slip Ring Heads costing Rs 0.20 crore procured against urgent indent remained unutilised for more than eleven years

This has resulted in locking up of fund of Rs 20.20 lakh for more than ten years with consequential loss of interest of Rs 39.18 lakh at 18 *per cent per annum* till date (January 1997) and at the same time the condition of the materials deteriorated due to storage for more than ten years.

The Government stated (May 1997) that the slip ring heads had been procured as insurance spares and due to obsolescence the manufacturer has discontinued manufacture of such spares and their availability in future was doubtful. The reply is not tenable in view of the fact that the spares had been procured on the ground of urgency and the further observation (May 1997) of Government that the holding cost was offset by the increased price of the spares in future is in contradiction of what was stated earlier.

Further, on the observation of Audit, the slip ring heads were taken into stock in May 1997 without rectification and simultaneously issued for consumption from stores, though these remain unused so far (September 1997).

4A.2.3 Non-realisation of Sales Tax

The Company sells coke to private parties on 100 *per cent* advance payment basis. From 22 January 1991 to 27 December 1991, the Company in addition to basic sales price, charged handling charges at the rate of Rs 405 per MT on all types of coke sold; handling charges on breeze coke was, however, reduced to Rs 205 per MT from 18 March 1991.

From 28 December 1991 the Company merged the handling charges with the basic price of coke and realised sales tax on the total sales price of coke. But during the period from 22 January 1991 to 27 December 1991 the Company did not realise any sales tax on handling charges simply on the ground that the same were shown separately in the bills. In accordance with the applicable provisions of the Sales Tax Acts, the Company paid (December 1992 and January 1993) an amount of Rs 33.47 lakh to the Sales Tax Authorities calculated on the handling charges for the period from 22 January to 27 December 1991. As per advice (February 1992) of the Legal Advisor, the Company raised (28 September 1992), supplementary bills amounting to Rs 33.47 lakh on the customers but it could realise (upto November 1996) only an amount of Rs 17.91 lakh only by way of adjustment of outstanding advances. All attempts of the Company to realise the balance amount of Rs 15.56 lakh from 410 customers have failed as those customers have discontinued their transactions with the Company.

Due to non-realisation of sales tax on handling charges from customers the Company sustained a loss of Rs 0.16 crore

Thus, due to non-imposition of sales tax on handling charges on coke sold during 22 January 1991 to 27 December 1991 the Company sustained a loss of Rs 15.56 lakh.

Government stated (March 1997) that the Company has been making persistent efforts for realisation of the amount from customers But the chances of realisation of the remaining balances are very remote as the Company has not been able to realise its dues inspite of all efforts made during last five years.

4A.2.4 Loss due to non-adherence to the terms of order

In April 1994, Tata Chemicals Limited (TCL) placed an order on the Company (DPL) for supply of two rakes (approximately 5000 tonnes) of nut coke of the size of 25 mm to 45 mm at the rate of Rs 2200 per tonne FOR Durgapur with the stipulation that the materials should be booked as train load (loading within 72 hours) failing which the extra transportation charge of Rs 119.00 to Rs 119.40 per tonne for wagon loading (exceeding 72 hours) would have to be borne by the Company.

The Company despatched 1784.80 tonnes in June 1994 and 1969 tonnes in July 1994 on wagon load basis instead of on train load basis due to delay in screening of coke, which resulted in an extra expenditure of Rs 4.47 lakh. Again for supply of undersized coke of 360.33 MT, the Company (DPL) had to bear (August 1994) the burden of additional expenditure of Rs 2.52 lakh as per agreement.

Further the Company took 18 days for loading of first rake and 7 days for the second rake as against stipulated loading time of 72 hours each. For such delayed loading of rakes the Company (DPL) had to pay demurrage charge of Rs 2.42 lakh.

Thus, due to failure of the Company to load the wagons on train load basis within the permissible time and failure to supply the nut coke of required size, it sustained a loss of Rs 9.41 lakh (Rs 4.47 + Rs 2.52 + Rs 2.42 = Rs 9.41 lakh).

The Management stated (April 1996) that nut coke was lying within the mixed coke stock yard and separation and screening of nut coke naturally took considerable time, which resulted in delay in loading the rake.

Management further stated (February 1997) that due to absence of adequate infrastructural facilities, coke could not be supplied on train load basis as per agreement. Frequent rejection of coke by the purchaser's agent as being undersized delayed the supply and ultimately the purchaser refused to take more than two rake-loads of coke.

The replies are not tenable as the Company could have avoided the extra expenditure had it taken advance action for screening of coke before requisitioning the wagons. Further, it should have requisitioned rakes on train loading basis instead of single wagon as there were adequate loading facilities.

The matter was reported to Government in January 1997; the reply had not been received (July 1997).

4A.2.5 Avoidable payment of interest

The Industrial Development Bank of India (IDBI) agreed (January 1991) to lend Rs 23 crore to the Company for the purposes of (i) Rebuilding of batteries I & II (Rs 8.40 crore) (ii) Renovation of coal and coke handling plant (Rs 7.60 crore) (iii) Renovation of coal washery plant (Rs 5.00 crore) and (iv) Renovation of by-product plant (Rs 2.00 crore). Upto the last permissible date of drawal (31 December 1992), Rs 16 crore had been drawn, Rs 5 crore surrendered (October 1992) and the remaining Rs 2 crore allowed to lapse as there were surplus funds in hand. As IDBI was not intimated about the non-requirement of funds, IDBI disbursed (5 February 1993) Rs 1.75 crore (Rs 159.60 lakh by telegraphic transfer to Company's current account with bank and Rs 15.40 lakh towards adjustment of dues) bearing interest of 20 *per cent per annum* being payable with quarterly rests.

Instead of refunding the entire amount immediately, the Company waited till 30 March 1993 to refund Rs 159.60 lakh only when the Board decided (26 February 1993) to repay the loan to IDBI. The Company paid (March 1993) interest of Rs 4.81 lakh on the loan of Rs 159.60 lakh.

The Government/Company admitted the facts and stated (February 1997) that due to delay in procedural formalities for the Board's decision and its subsequent delayed action, the Company had to bear this extra payment of interest.

Thus, failure to intimate IDBI about non-requirement of fund and to refund the entire loan promptly, resulted in avoidable payment of interest of Rs 4.81 lakh till date.

4A.3 WEBEL VIDEO DEVICES LIMITED

4A.3.1 Unproductive expenditure

As part of a diversification and expansion programme, the Company placed an order (December 1990) for purchase of an automatic injection moulding machine (Cost: Rs 32.38 lakh) from Engel India Limited (EIL) and moulds (Cost : Rs 16.27 lakh) from Gladstone Engineering Company Limited (GECL) to manufacture 83,000 computer monitor cabinets and 40,000 television cabinets *per annum*. The machine was procured and installed (September 1992) at a cost of Rs 6.26 lakh. Test run commenced in October 1992 but due to various mechanical defects, the deemed date of commissioning and handing over was accepted as 9 February 1993. The entire payment was made between January 1991 and April 1994. Trial production of cabinets started in June 1993, but due to various inherent defects in the machine, only 850 Nos. of cabinets could be manufactured till October 1993.

Purchase of a defective machine resulted in unproductive expenditure of Rs 0.55 crore

With a view to utilise the machine the Company shifted (November 1993) to manufacture milk crates on labour contract basis but discontinued (May 1995) the same due to various mechanical problems which rendered the activity unviable. As the machine was idle since June 1995, the Board decided (September 1995) to dispose of the machine but no action for disposal was taken till date (January 1997).

Although a clause relating to performance guarantee of 12 months from the date of commissioning and handing over was included in the purchase order, the Company did not take any action against the supplier.

Management stated (April 1997) that since EIL was a Government company, no action could be taken. The reply is not tenable as it cannot be the policy of Government to compel a Government company to purchase defective products of another Government company.

Thus, the entire expenditure of Rs 54.91 lakh (supply: Rs 32.38 lakh; installation and civil construction : Rs 6.26 lakh and moulds Rs 16.27 lakh) was rendered unproductive due to acceptance of a machine with inherent defects.

The matter was reported to Government in March 1997 ; the reply had not been received (July 1997).

4A.3.2 Loss due to credit sale without any safeguard

The Company received two orders from Sears Electronics Limited (SEL), a joint sector company at Madras, in November 1990 and December 1990 respectively for supply of 1008 pieces of 20 inches and 400 pieces of 14 inches black and white picture tubes at a total cost of Rs 9.25 lakh. Terms and conditions of the supply, *inter alia*, envisaged that supply would be made on credit and no interest would be levied for the period of credit upto 75 days on sale of 20 inches tubes and upto 30 days on sale of 14 inches tubes; thereafter interest at the rate of 18 *per cent per annum* was chargeable. The Company accepted the above terms and conditions without verifying the financial position of SEL.

During November 1990 and January 1991 the Company supplied 940 pieces of 20 inches and 400 pieces of 14 inches black and white picture tubes on credit to SEL, Madras at a total price of Rs 8.83 lakh including taxes and duties.

Due to acute financial crisis, SEL was under lay-off since December 1991 and lock-out was declared from March 1992 when sale proceeds of Rs 7.66 lakh remained unrealised from SEL. Subsequently, in November 1993, SEL was wound up by the order of Honourable High Court, Madras. To realise the old outstanding dues, the Company filed its claim only in May 1995 to the Official Liquidator for Rs 14.47 lakh on account of unrealised sale proceeds (Rs 7.66 lakh) with consequential loss of interest (Rs 6.16 lakh) on the locked up amount upto May 1995 and payment of Central Sales Tax (Rs 0.65 lakh) at the rate of 8 *per cent* due to non-submission of 'C' form by SEL. The Company's claim had been registered as claim No.23, in order of priority, chance of realisation of its dues is, therefore, quite bleak.

Sale on credit and delay in filing claims with the liquidator resulted in a loss of Rs 0.14 crore to the Company

The Government stated (March 1997) that to penetrate the market in the Southern region sale on credit to the SEL without bank guarantee was considered to be a sound business proposition. The reply is not tenable as it cannot be a sound financial proposition to accept such conditions without verifying the financial position of buyer unit. Further, it should have promptly filed its claim with the official liquidator to realise its dues.

Thus, due to sale on credit without verifying the credit worthiness of SEL and delay in filing the claim with the Official Liquidator the Company sustained a loss of Rs 14.47 lakh.

4A.4 WEST BENGAL DAIRY AND POULTRY DEVELOPMENT CORPORATION LIMITED

4A.4.1 Loss due to non-fixation of modalities of transfer.

The Government of West Bengal set up (1980-81) a Cattle Feed Plant (CFP) at Siliguri having capacity of 100 metric tonnes per day at a cost of Rs 75 lakh. Immediately after commissioning, the plant was handed over to Himalayan Cooperative Milk Producers' Union Limited (HIMUL) for operation on management basis. HIMUL had incurred a loss of Rs 72.84 lakh till May 1992 and production fluctuated between 500 to 700 MT per month against break-even production (BEP) of 1,500 MT per month.

Though the Board of West Bengal Dairy and Poultry Development Corporation Limited was aware of the facts, it decided (July 1992) to take over the CFP as well as retain the services of 65 regular employees of HIMUL under the administrative control of the Company. The CFP was then repossessed and handed over (August 1992) by the Government of West Bengal to the Company on management basis but terms and

Non-fixing of modalities of transfer of staff at the time of take over of CFP resulted in a loss of Rs 0.81 crore to the Company

conditions were to be determined subsequently by the Government. However, the State Government did not fix the modalities of the transfer of CFP which resulted in inability to take action against errant employees of HIMUL, working at the CFP and deployment of excess manpower (65 numbers) against requirement of 25 numbers.

As a result, production was hampered and ultimately stopped resulting in a loss of Rs 80.72 lakh to the Company between August 1992 and January 1995. In pursuance of the order of the Hon'ble High Court, Calcutta, the Government of West Bengal withdrew (January 1995) the permissive possession of the CFP from the Company and transferred it back to HIMUL.

Management stated (October 1996) that the claim for reimbursement of loss of Rs 80.72 lakh had been taken up with the Government of West Bengal, which is yet to be received (July 1997). This has resulted in locking up of funds of the Company and consequential loss of interest of Rs 35.80 lakh at 18 *per cent per annum* till January 1997.

The matter was reported to Government and Management in March 1997; their replies had not been received (July 1997).

4B STATUTORY CORPORATIONS

4B.1 CALCUTTA STATE TRANSPORT CORPORATION

4B.1.1 Avoidable extra expenditure

For purchasing 96000 Kg reel and 64000 Kg ream paper, the Corporation invited (March 1993) limited quotations from seven parties. Hindustan Paper Corporation Limited (HPCL) stood lowest at an effective price of Rs 22.11 (ream paper) and Rs 22.01 (reel paper) per Kg payable in advance but without any price escalation clause. But to avail 30 days credit the Corporation placed (August 1993) an order on Biswas and Company (who did not participate in the bid but afterwards submitted a quotation on 14-May 1993 on verbal request) for supply of 19224 Kg ream paper (Bengal product) at the rate of Rs 23.90 per Kg and 2900 Kg reel paper (Tamil Nadu make) at the rate of Rs 25.47 per Kg with unlimited price escalation clause. Another order (August 1993) was placed on Paper and Allied Agency for supply of 44856 Kg ream paper at the rate of Rs 25.20 per Kg and 67000 Kg reel paper at the rate of Rs 25.20 per Kg with unlimited price escalation clause.

As per terms of orders, both the firms had to supply paper in twelve equal monthly instalments starting from August 1993. The firms actually supplied (between September 1993 and July 1995) 57778.80 Kg ream paper and 94573.54 Kg reel paper at a total cost of Rs 41.84 lakh. Though the firms could not supply the materials within the scheduled date, the Corporation did not impose any liquidated damages as per clause 13 of the orders for reasons not on record, on the other hand, allowed price escalation to the tune of Rs 3.08 lakh for the supply made beyond the scheduled date. If the order had been placed on HPCL, in April 1993, the cost of the above supplies would have been Rs 33.59 lakh only.

Thus, due to non-acceptance of the lowest bid, the Corporation had to incur an extra expenditure of Rs 7.45 lakh after giving credit for saving of bank interest arising from credit facility offered by the firms.

The matter was reported to Government and Management in April 1997; their replies had not been received (July 1997).

4B.2 WEST BENGAL STATE ELECTRICITY BOARD

4B.2.1 Avoidable payment of commitment charges

For augmentation of transmission and distribution system of the Board, Power Finance Corporation (PFC) sanctioned (October 1988 to July 1990) loans of Rs 4438.24 lakh for seven schemes against which the actual drawing was only Rs 2061.46 lakh up to 1994-95, leaving an undrawn amount of Rs 2376.78 lakh. The expenditure was to be initially incurred by the Board and reimbursed by PFC on receipt of properly documented claims. The agreement also stated that if the Board failed to draw loan as per schedule of the related financial year, PFC would recover commitment charge at the rate of one *per cent per annum* on the amount remaining undrawn from the first day of the following year.

The Board failed to draw the loans as per schedule of disbursement mentioned in the loan agreements due to non-receipt of adequate claims from executing wings, use of stock materials without furnishing payment particulars, execution of work prior to date of sanction of loans and deviation of claims from agreed expenditure, resulting in payment of commitment charges of Rs 119.95 lakh up to November 1996.

Meanwhile, at the time of according ex-post facto approval of payment of commitment charges and penal interest thereon, the Board desired to streamline the existing system to ensure drawing of fund sanctioned by PFC. Accordingly, in June 1995, the Board decided to close six schemes and reschedule the loan amount of one scheme (Kolaghat-Durgapur) from Rs 1592.23 lakh to Rs 1277 lakh. The closure

Delayed decision and non-drawal of PFC loan as per schedule resulted in payment of avoidable commitment charges of Rs 1.51 crore

proposal of five schemes was sent to PFC in April 1996 and that of one scheme (Kolaghat-Haldia) was sent in October 1996. The reduction proposal for the Kolaghat-Durgapur scheme has not been sent to PFC (November 1996) for reasons not on record. Due to delay in submission of proposal for closure/reschedulement of loan to PFC the Board had to make another avoidable payment of commitment charges to the tune of Rs 31.12 lakh up to November 1996.

Thus, due to delayed decision and non-drawal of loans as per schedule, the Board had to make payment of avoidable commitment charges of Rs 151.07 lakh (Rs 119.95 lakh plus Rs 31.12 lakh).

Government stated (July 1997) that it could not draw the loan because of very stringent terms and conditions of PFC. However, their reply is not tenable since the terms and conditions were accepted by both PFC and Board while executing the loan agreement.

75549

101

4B.2.2 Avoidable expenditure

Board placed (October 1991) an order on Westinghouse Electric Corporation, USA, for the supply of steam chest alongwith spares and accessories for overhauling of generating sets of Bandel Thermal Power Station (BTPS) within 74 weeks from the date of receipts of order at F.O.B. price of US \$ 14.08 lakh (Rs 438.98 lakh). The order

Undue enhancement of agency commission and delay in release of consignment resulted in extra expenditure of Rs 0.76 crore

also provided for payment of agency commission of US \$ 0.28 lakh (two *per cent* of net supply value of US \$ 14.08 lakh) payable in rupee currency (Rs 8.61 lakh) to Escorts Limited. Subsequently in February 1992, the order was revised according to

which the agency commission was enhanced to US \$ 1.56 lakh i.e. from 2 *per cent* to 11.11 *per cent* , payable in Indian rupees (Rs 47.33 lakh) to the same agent though the net supply value remained firm at US \$ 14.08 lakh. The reasons of enhancement of agency commission were not explained to Audit despite repeated requests to the Board.

On arrival of the consignment at Calcutta port in March 1993, the Customs authority assessed the duty payable at Rs 566.57 lakh which was subsequently (April 1993) reduced to Rs 224.30 lakh on reassessment, payable within seven days after which interest at the rate of 20 *per cent* would be levied. The Board released the consignment on payment of customs duty after a delay of 295 days from the date of reassessment with the result the Board had to pay interest (Rs 35.75 lakh) and port rent (Rs 1.61 lakh) to the port authorities.

Thus the Board had to incur avoidable expenditure of Rs 37.36 lakh due to delay in the release of the consignment and extra expenditure of Rs 38.72 lakh on agency commission.

The Government stated (August 1997) that the agency commission payable to Escorts Limited was pegged-down to two *per cent* on the basis of the then available guideline, which was not acceptable to Escorts Limited. So, after obtaining necessary sanction from the Government of India, the agency commission was enhanced to ten *per cent* . The concerned records were not submitted to Audit in their entirety and only copies of correspondence were furnished selectively, from which it was seen that Escorts Limited claimed that it was an agent of Westinghouse Electric S.A., Taipei, Taiwan while the order was placed on Westinghouse Electric Corporation, Orlando, USA. Further, while the payment of interest and port rent was attributed to the considerable time taken to move the customs authorities for correct classification of the materials, the actual fact was that interest and port rent were levied after the date of reassessment of customs duty.

4B.2.3 Infructuous expenditure

To measure the net quantum of coal received at Bandel Thermal Power Station (BTPS) the Board placed (December 1994) an order on Indchem Instrumentation Limited, Madras for design, manufacture, supply and erection-cum-commissioning of six numbers 100 MT 'Weighline' Pitless Electronic Inmotion Weighing Systems for

Weighing machine purchased and installed at a cost of Rs 0.48 crore remained unutilised

BTPS at a cost of Rs 40.03 lakh, exclusive of duties and taxes. The order also stipulated free replacement or repair in case of any defect in the equipment/materials within a period of 12 months of commissioning or 18 months from the date of last despatch of equipment whichever was earlier. A sum of Rs 48.26 lakh (Rs 46.44 lakh for machines and Rs 1.82 lakh for civil construction) was paid to the supplier during February 1995 to March 1996.

The machines, though delivered by the firm in February 1995, were commissioned only in February 1996 due to non-receipt of necessary certificate from the appropriate authority as per provisions of the standards of weights and measures (Approval of Models) Rules 1987 of the Government of West Bengal. Records revealed that after commissioning (February 1996), the machines went out of order in June 1996 which was duly intimated to the supplier during April 1996 to August 1996 and since then they were lying idle. Since the guarantee period had expired, the machines were not rectified/repared by the supplier free of cost.

Government stated (July 1997) that the supplier had agreed to make the machines operate satisfactorily by May 1997, free of cost. However, the machines continued to remain idle in power station till August 1997.

Thus, the Board incurred infructuous expenditure of Rs 48.26 lakh in purchasing and installation of weighing machines.

4B.2.4 Avoidable overrun charges

The General Manager, Thermal-Generation, placed (November 1989) a letter of intent (LOI) for erection, testing and commissioning of electrostatic precipitators (ESPs) for Bandel Thermal Power Station (BTPS) unit Nos. 1,2 and 3 on Bharat Heavy Electricals Limited (BHEL) at a firm cost of Rs 203.44 lakh. The order provided for payment of fixed cost time overrun charges of Rs 1.88 lakh per month for three ESPs on account of delay arising from reasons attributable to the Board.

As against the scheduled completion dates of January 1992, April 1992 and July 1992 according to confirmed order (September 1993), the actual dates of completion were April 1995, March 1995 and October 1994 respectively for unit Nos. 1, 2 and 3 with delays of 39 months, 35 months and 27 months, caused by the Board. In a joint meeting held (March 1995) with BHEL the Board agreed that out of total 101 months delay in those units, 34 months delay was on the part of Board. Hence, the Board had to accept (March 1995) fixed cost overrun charges of Rs 21.31 lakh for 34 months against which an amount of Rs 10 lakh has been paid (February 1996) for 16 months.

Further, the order also provided for levy of liquidated damages at the rate of half *per cent* for each week as part thereof of delay attributable to BHEL, limited to a ceiling of five *per cent* of full contract value. Board failed to recover liquidated damages of Rs 10.17 lakh from BHEL for the balance 67 months delay attributable to supplier.

The Board stated (August 1995) that in the absence of drawings for the underground pipeline network, it could not foresee that some vital underground pipelines were fouling up the foundations. When this was noticed at the time of excavation, the pipelines had to be re-routed resulting in delay.

Thus, due to non-maintenance of drawings of the underground pipeline network which were vital before commencement of the work, the Board had to incur an avoidable expenditure of Rs 21.31 lakh. Moreover, inaction of the Board to recover penalty, resulted non-recovery of Rs 10.17 lakh.

Overrun charges of Rs 0.21 crore incurred due to absence of drawings

The matter was reported to the Government and Board in May 1997; their replies had not been received (July 1997).

4B.2.5 Idle investment

(i) The Board procured (August 1987) 72 auto line sectionalisers alongwith accessories from Togami Electric Manufacturing Company Limited, Japan, at a cost of Rs 63.10 lakh for installation at 11 KV feeders for system improvement and minimising operational problems in rural areas. Between December 1987 and December 1991, the Board issued 60 such equipment to different divisions and sub-divisions and the balance 12 were lying at Santipur Regional Stores. Seven sectionalisers issued to Murshidabad (O&M) Division could not be installed in the line till date (February 1997) due to absence of trained technical staff. Regarding utilisation of these 19 sectionalisers (12 at Santipur Regional Stores and 7 at Murshidabad O&M Division), the local management stated (March 1995) that line sectionalisers were not being installed at present in rural electrification network.

Nineteen auto line sectionalisers procured at a cost of Rs 0.17 crore remained unutilised for 10 years

Government stated (July 1997) that the concerned store was advised to distribute immediately to its unit offices at 24 Parganas (South) (six numbers) and North Circle (six numbers) and has requested the Murshidabad Division to utilise the stock properly. But it was seen that neither any requisition for installation of these equipment were being received from unit offices nor these were being utilised now in RE network.

Thus, due to non-utilisation of 19 auto line sectionalisers in Board's system, expenditure of Rs 16.65 lakh on their procurement has become infructuous.

(ii) Units I, II and III of power station I of Teesta Canal Fall Hydroelectric Project were scheduled to be commissioned between December 1989 and June 1990. In June 1989, the Board procured one 40 MT weighbridge at a cost of Rs 6.82 lakh for installation at power station for weighing of stores materials during construction period. But due to shortage of space at site the Board kept the stores materials in a hired godown at Siliguri and the weighments were being done at the hired godown itself. For this reason, even after completion (November 1991) of civil foundation work at a cost of Rs 1.13 lakh, the weighbridge has not yet been installed (July 1997). The Board in its reply stated (December 1995) that the weighbridge would be utilised during operation and maintenance after commissioning of the power station, the final date of which was yet to be decided by the Management (December 1996). It

The expenditure of Rs 0.08 crore incurred on procurement of weigh bridge remained locked up with consequential loss of interest of Rs 0.10 crore

may be observed that no such weighbridge was required in other H.E. projects of the Board during operation.

Thus, due to lack of proper planning, the weighbridge procured in June 1989 was lying idle for over seven years resulting in locking up of fund of Rs 7.95 lakh and consequential loss of interest of Rs 10.34 lakh upto December 1996 (at the rate of 18 *per cent per annum*) as well as deterioration of the weighbridge due to prolonged storage.

Government stated (February 1997) that it was initially decided that the godown at project site would be constructed and used for store materials like steel, cement, etc., for which weighbridge was required to be purchased, but later on decision was changed for hired godown. Possibility of installing the weighbridge elsewhere either in project or store was being explored by the Board. But the fact remains that the weighbridge was procured without any proper planning and assessing the need for its use, resulting in locking-up of Board's funds for over seven years.

4B.2.6 Loss on deposit work

As per request (May 1984) of Teesta Barrage Project Authority (TBPA), the West Bengal State Electricity Board submitted (January 1987) an estimate of Rs 20.91 lakh for diversion (2.06 KM) of the existing Dalkhola - North Bengal University 132 KV single circuit overhead line after three years. Accordingly, the TBPA deposited the amount in February 1987. The Board started the diversion work in April 1988 and completed the same in July 1988 at a cost of Rs 26.46 lakh. The increase in cost was mainly due to delay in execution of the work and wrong estimate. For the additional cost of Rs 5.55 lakh, the Board did not raise any claim till May 1995, although the matter was pointed out by Audit once in May 1992 and again in December 1994. Ultimately, in June 1995 the Board preferred the claim which had not been acknowledged by the TBPA till date (March 1997).

Thus due to delay in execution of work, wrong estimate and belated submission of revised estimated claim, the Board had to incur an avoidable loss of Rs 5.55 lakh.

Government stated (January 1997) that since both TBPA and the Board were in the fold of the State Government and the amount not recovered by the Board was not a loss. The reply is not tenable as the Board is a commercial organisation having separate legal entity.

4B.3 WEST BENGAL STATE WAREHOUSING CORPORATION

4B.3.1 Misappropriation of stock

In the absence of any prescribed procedure, the Corporation was accepting foodgrains from Food Corporation of India (FCI) without any weighment for storage at Jalpaiguri warehouse. Receipt of foodgrains was accounted for on the basis of weight mentioned in challans while deliveries were made on actual weighment against release orders issued by FCI.

In November 1995 a release order for 1600 quintals of wheat could not be executed for shortage of physical stock. Consequently, officials of FCI and the Corporation conducted (December 1995) physical verification of stock and found shortage of 5809.13 quintals of rice (value Rs 35.49 lakh), 2820.06 quintals of wheat (value Rs 11.34 lakh) and 3700 empty gunny bags (value Rs 0.83 lakh). FCI raised (January 1996) a claim of Rs 142.98 lakh at the penal rate (three times of the value of loss). The amount is yet to be paid (November 1996). However, the Corporation had incurred a definite loss of at least Rs 47.66 lakh on account of misappropriation of stock.

Misappropriation of foodgrains of Rs 0.48 crore was facilitated in the absence of prescribed procedure

It may be observed that misappropriation of stock was rendered possible due to

- acceptance of foodgrain without weighment at the receiving point (warehouse);
- effecting of receipts and deliveries of stock by the handling and transport contractor of FCI instead of by the warehouse staff;
- removal of stock ledgers;
- non-submission of periodical report of stock to the storage officer ; and
- absence of joint physical verification of stock by the Corporation and FCI.

Thus, due to inherent defects in the practice of receipts and deliveries of stock followed, the Corporation had to sustain a loss of Rs 47.66 lakh. It was only after incurring the above loss that the Corporation introduced from January 1996, 100 *per cent* weighment of receipts of goods and enforced from July 1996 submission of weekly stock report.

The Superintendent of the warehouse was put under suspension in December 1995 and FIR was lodged for misappropriation of stock. Results of departmental enquiry as well as final police report were awaited (August 1997). Meanwhile, the Superintendent retired from service on 31 January 1996.

The matter was reported to Government and Management in January 1997 ; their replies had not been received (August 1997).

4B.3.2 Infructuous expenditure

The Corporation hired two godowns (August 1984 and February 1985) having total space of 25843 square feet at Bandaghat, Howrah at a monthly rent of Rs 0.30 lakh. It was noticed in audit that since November 1991 there was sharp decline in capacity utilisation due to withdrawal of business by Jute Corporation of India (JCI). The occupancy varied from 0.07 to 13 *per cent* only between November 1991 and March 1995 with slight improvement (25 to 42 *per cent*) during October 1994 to December 1994. The godowns remained vacant from April 1995 to March 1996.

The Board of Directors in its meeting held in December 1993 decided that hired godowns in all losing centres be de-hired to minimise overall loss, if the Corporation could not procure adequate business and improve viability of the unit within a reasonable time. It was further decided that such accommodation should not be held


further with an expectation of future business and must be de-hired in phases. But the Corporation, instead of implementing the Board's decision by de-hiring these two redundant godowns, retained the same in expectation of future business. The Corporation, ultimately, de-hired the godowns in March 1996 after incurring a loss of Rs 11.90 lakh (godown rent Rs 15.75 lakh minus revenue earned Rs 3.85 lakh) from November 1991 to March 1996 besides payment of idle wages of Rs 3.67 lakh from April 1995 to March 1996.

Even if the Corporation had adhered to the decision (December 1993) of the Board, it could have avoided a loss of Rs 8.49 lakh (godown rent Rs 8.02 lakh from January 1994 to March 1996 minus revenue earned Rs 3.20 lakh plus idle wages Rs 3.67 lakh) by de-hiring the godowns from January 1994.

Management accepted (February 1997) the observations and stated that the godowns were retained with the intention of reviving them but was unsuccessful since the approach road was not wide enough for free movement of trucks, which was a fact known to the Management. Thus, had the Corporation de-hired the godown at the time of Board's decision, it could have avoided a loss of Rs 8.49 lakh.

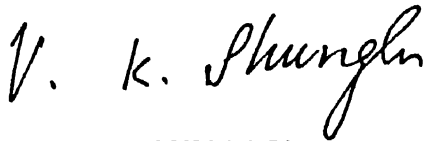
The matter was reported to Government in January 1997 ; the reply had not been received (August 1997).

CALCUTTA,
The **31 MAR 1998**


(SMT. H. S. NARAYANAN)
Accountant General (Audit)-I, West Bengal

Countersigned

NEW DELHI,
The **03 APR 1998**


(V.K. SHUNGLU)
Comptroller and Auditor General of India

Annexure

ANNEXURE I

(Referred to in paragraph of preface and paragraph 1.2.9, page 15)

List of Companies in which Government of West Bengal invested more than Rs 10 lakhs but which are not subject to audit by the Comptroller and Auditor General of India as on 31 March 1997.

Sl. No.	Name of the Company	Total amount invested up to 31.3.97 (Rupees in crores) (Provisional)
1.	Apollo Ziper Company Limited	1.63
2.	A stock and Company Limited	0.18
3.	Bengal Belting Corporation Limited	0.14
4.	Calcutta Electric Supply Corporation Limited	65.45
5.	Great Eastern Hotel	1.43
6.	Inchek Tyres Limited	0.35
7.	Kolay Iron and Steel Company	0.15
8.	Kinision Jute Mills Limited	2.81
9.	Lily Biscuit Company Pvt. Limited	13.47
10.	Makintosh Burn Limited	1.87
11.	*Mayurakshi Cotton Mills Limited	1.40
12.	New Central Jute Mills Limited	19.60
13.	Supreme Paper Mills Limited	1.85
14.	Titagarh Paper Mills Limited	11.63
15.	The Small Tools Manufacturing Company of India Limited	1.01
16.	Fort William Company Limited	1.37
17.	Prabartak Jute Mills Limited	0.58
18.	India Jute and Industry Limited	0.34
19.	East Bengal Steamer Services	0.24
20.	Eastend Paper Industries Limited	2.11
21.	India Hard Metals Ltd.	0.14
22.	Khaitan Agro Complex Limited	1.05
23.	Gulmohar Paper Industries Limited	1.66
24.	Universal Paper Mills Company Limited	1.89
25.	Naihati Jute Mills Company Limited	2.85
26.	Howrah Jute Mills Company Limited	2.57
27.	Calcutta Chemicals Company Ltd.	1.51
28.	Electric Manufacturing Company Limited	1.84
29.	Asiatic Oxygen Limited	0.29
30.	Bharat Bricks and Valves	5.25
31.	National Tannery Limited	0.54
32.	Ganges Manufacturing Company Limited	4.73
33.	Gourishankar Jute Mills Limited	3.19
34.	Smith Stainstreet Pharmaceuticals Limited	1.15
35.	Kankinara Company Limited	5.05
36.	ACC Babcock Ltd.	2.82
37.	Arebs & Cie (India) Ltd.	0.17
38.	Reyrolle Burn Ltd.	0.46
39.	Durgapur Malcables Private Ltd.	0.13
40.	Nipha Steels Limited.	0.52
41.	Deepeejay Ltd.	0.14
42.	Vegitables Products Company Ltd.	1.01
43.	Anglo India Jute Mills Company Limited	2.88
44.	Kamarhati Company Limited.	1.92
45.	Budge Budge Company Ltd.	2.48
	Total	173.85

* Became Government company but its audit has not been entrusted to the Comptroller and Auditor General of India till 31 March 1997.

ANNEXURE 2

(Referred to in paragraph 1.2.2, Page 4)

Statement showing particulars of up to date Capital, Budgetary outgo, Loans given out from Budget and outstanding loan as on 31 March, 1997

Sl. No.	Name of Sector/Department/Company	Paid up capital as at the end of 1996-97				Loans given out of Budget during the year	Loans outstanding	
		State Government	Central Government	Holding Company	Others			
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
<u>Agriculture, Plantation and Wood based</u> (Agriculture Department)								
			(	Rupees	in	lakh)	
1.	West Bengal State Seed Corporation Limited (Commerce and Industries Department)	250.00	-	-	-	250.00	-	-
2.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	819.12 (73.00)	-	-	-	819.12	-	-
3.	West Bengal Tea Development Corporation Limited (Forest Department)	1054.74 (175.00)	-	-	-	1054.74	175.00	2664.99
4.	West Bengal Forest Development Corporation Limited	510.72	70.00	-	-	580.72	-	-
5.	West Bengal Wasteland Development Corporation Limited (Industrial Reconstruction Department)	24.00	-	-	10.00	34.00	-	-
6.	West Bengal Plywood and Allied Products Limited	9.00	-	-	-	9.00	134.68	878.41
7.	I.P.P. Limited (Minor Irrigation Department)	50.01	-	-	-	50.01	649.45	1236.81
8.	West Bengal Agro Industries Corporation Limited	571.50	269.02	-	-	840.52	-	-
9.	West Bengal State Minor Irrigation Corporation Limited (Public Undertakings Department)	1165.00	-	-	-	1165.00	-	693.72
10.	Sundarban Sugarbeet Processing Company Limited	106.00	-	-	-	106.00	-	88.00
		4560.09	339.02	10.10	4909.11	959.13	5561.93	

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
Electricals, Electronics and Engineering								
(Commerce and Industries Departments)								
11.	West Bengal Electronics Industry Development Corporation Limited	8571.50 (200.00)	-	-	171.00	8742.50	50.00	700.00
12.	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	-	-	480.00	-	480.00	-	473.80
13.	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	-	-	83.54	-	83.54	19.97	73.91
14.	Webel Crystals Limited (subsidiary of WBEIDC Limited)	168.53	-	-	-	168.53	-	-
15.	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	-	-	66.28	2.72	69.00	-	390.05
16.	Webel Mediatronics Limited (subsidiary of WBEIDC Limited) (Industrial Reconstruction Department)	-	-	39.22	-	39.22	-	-
17.	Neo Pipes and Tubes Company Limited	220.00	-	-	-	220.00	462.57	2931.67
18.	Britannia Engineering Limited	1028.38	-	-	-	1028.38	351.30	2202.92
19.	National Iron and Steel Company(1984) Limited	1200.00	-	-	-	1200.00	380.72	3152.63
20.	The Carter Pooler Engineering Company Limited (Public Undertakings Department)	95.00	-	-	-	95.00	153.65	802.39
21.	The Shalimar Works (1980) Limited	125.01	-	-	-	125.01	270.90	2614.36
22.	The Electro Medical and Allied Industries Limited	716.97 (230.00)	-	-	-	716.97	81.00	481.00
23.	Westinghouse Saxby Farmer Limited (Industrial Reconstruction Deptt)	87.75	-	-	12.25	100.00	1064.10	1986.89
24.	Engel India Machineries & Tools (1987) Limited (Commerce and Industries Deptt)	47.03	-	-	-	47.03	445.53	1739.71
25.	Webel Informatics Limited (Subsidiary of WBEIDC Ltd.)	-	-	-	-	-	-	-
		12260.17		669.04	185.97	13115.18	3279.74	17549.33

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
<u>Textiles, Chemicals, Minerals, Cement & Clay</u>								
(Commerce and Industries Department)								
26	West Bengal Mineral Development and Trading Corporation Limited	443.08	-	-	-	443.08	155	1388.32
(Cottage and Small Scale Industries Department)								
27	West Bengal Handloom and Powerloom Development Corporation Limited	596.04	372.56 (159.8)	-	2.50	971.10	-	112.30
28	The Kalyani Spinning Mills Limited	328.21	-	-	-	328.21	1257.34	9490.48
(Industrial Reconstruction Department)								
29	Pulver Ash Projects Limited (subsidiary of WBSIC Limited)	-	-	109.52	105.23	214.75	-	1300.00
30	Krishna Silicate and Glass (1987) Limited	-	-	-	-	-	141.91	1201.51
31	West Bengal Agro-Textiles Corporation Limited	142.00	-	-	-	142.00	293.33	4274.97
(Public Undertakings Department)								
32	Durgapur Chemicals Limited	509.31	-	-	-	509.31	-	9216.72
33	The West Dinajpur Spinning Mills Limited	680.43 (10.00)	-	-	-	680.43	171.50	1325.89
34	West Bengal Ceramic Development Corporation Limited	186.35	-	-	-	186.35	121.02	1156.34
35	Eastern Distilleries and Chemicals Limited	20.00	-	-	-	20.00	-	505.08
36	West Bengal Chemical Industries Limited	14.00	-	-	-	14.00	92.50	524.36
		2919.42	372.56	109.52	107.73	3509.23	2232.60	30495.97
<u>Trading, Development and Others</u>								
(Animal Resources Development Department)								
37	West Bengal Dairy and Poultry Development Corporation Limited	292.00 (22.03)	-	-	-	292.00	56.58	56.58
38	The West Bengal Livestock Processing Development Corporation Limited	177.00 (35.00)	25.00	-	-	202.00	-	-
(Commerce and Industries Department)								
39	West Bengal Sugar Industries Development Corporation Limited	891.74	-	-	7.00	898.74	200.00	2300.90

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
40	Lime Light Industries (Private) Limited (subsidiary of WBSIC Limited)	NA	NA	NA	NA	NA	NA	NA
41	Greater Calcutta Gas Supply Corporation Limited (Cottage and Small Scale Industries Department)	945.00	-	-	-	945.00	-	5503.50
42	The West Bengal Small Industries Corporation Limited	1655.22 (44.50)	-	-	-	1655.22	-	669.21
43	The West Bengal State Leather Industries Development Corporation Limited	263.23	-	-	-	263.23	29.97	165.03
44	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	18.00	-	43.95	-	61.95	-	-
45	The West Bengal Projects Limited (subsidiary of WBSIC Limited)	-	-	-	102.24 (5.00)	102.24	-	-
46	West Bengal Handicraft Development Corporation Limited (subsidiary of WBSIC Limited) (Food and Supplies Department)	267.00	29.00	-	-	296.00	-	20.65
47	West Bengal Essential Commodities Supply Corporation Limited (Fisheries Departments)	108.00	-	-	-	108.00	-	-
48	The State Fisheries Development Corporation Limited	270.00	-	-	-	270.00	5.65	173.47
49	West Bengal Fisheries Corporation Limited (Food Processing Department))	185.00	-	-	15.00	200.00	-	30.00
50	Teesta Fruit and Vegetable Processing Limited (Industrial Reconstruction Department)	87.00 (2.00)	-	-	-	87.00	23.99	175.99
51(a)	Gluconate India Limited	17.05	-	-	-	17.05	-	768.56
	(b) Indian Health and Pharmaceuticals Limited (Information and Cultural Affairs Department)	0.03	-	-	-	0.03	-	793.01
52.	West Bengal Film Development Corporation Limited	519.70	-	-	-	519.70	47.67	440.69
53.	Basumati Corporation Limited (Public Undertakings Department)	10.00	-	-	-	10.00	220.00	1633.31
54.	Saraswati Press Limited (Tourism Department)	390.00	-	-	-	390.00	160.00	392.47
55.	West Bengal Tourism Development Corporation Limited	267.37	-	-	-	267.37	-	37.55
		<u>6363.34</u>	<u>54.00</u>	<u>43.95</u>	<u>124.24</u>	<u>6585.53</u>	<u>743.86</u>	<u>13160.92</u>

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4	5
	Financing (Commerce and Industries Department)							
56.	The West Bengal Industrial Development Corporation Limited	10618.00 (2237.00)	-	-	-	10618.00	-	700.00
		10618.00	-	-	-	10618.00	-	700.00
	Power (Power Department)							
57.	The Durgapur Projects Limited	16300.00	-	-	-	16300.00	50.00	21234.08
58.	The West Bengal Power Development Corporation Limited	95457.08 (0.08)	-	-	-	95457.08	-	76426.18
	Transport (Transport Department)	111757.08	-	-	-	111757.08	50.00	97660.26
59.	The Calcutta Tramways Company (1978) Limited	2040.13	-	-	-	2040.13	537.50	13547.17
60.	West Bengal Surface Transport Corporation Limited	2846.46	-	-	-	2846.46	-	-
		4886.59	-	-	-	4886.59	537.50	13547.17
	Grand Total	153364.69 (3028.61)	765.58 (159.80)	822.51	427.94 (5.00)	155380.72	8489.24	178675.58

Figures in brackets indicate budgetary outgo during the year 1996-97

Companies at serial numbers 51(a) and 51(b) have been deemed to have been merged and renamed as Gluconate Health Limited with effect from 30 July 1990.

ANNEXURE 3

(Referred to in paragraph 1.2.2 Page 4)

Summarised Financial Results of Government companies for the latest year for which Accounts were finalised

Sl. No.	Name of Sector/Department	Date of incorporation	Year of accounts	Year in which finalised	Profit(+)/ Loss(-)	Position at the end of the year for which accounts were finalised		Capital employed	Total return on capital employed	Percentage of total return on capital employed	Remarks
						Paid up Capital	Accumulated Loss				
1	2	3	4	5	6	7	8	9	10	11	12
<u>Agriculture, Plantation and Wood based</u>											
(Rupees in lakh)											
(Agriculture Department)											
1	West Bengal State Seed Corporation Limited	13.11.1980	1995-96	1997-98	(+)283.73	250.00	508.07	4100.15	396.65	9.67	
(Commerce and Industries Department)											
2	West Bengal Pharmaceutical and Phyto-chemical Development Corporation Limited	28.03.1974	1994-95	1996-97	(-) 43.32	642.62	(-)464.46	307.19	(-) 28.08	-	-
3	West Bengal Tea Development Corporation Limited	04.08.1976	1989-90	1996-97	(-) 80.52	364.00	(-)669.97	670.98	2.23	0.33	-
(Forest Department)											
4	West Bengal Forest Development Corporation Limited	19.07.1974	1992-93	1996-97	(+) 12.05	580.72	(+)111.58	995.86	32.77	3.29	-
5	West Bengal Wasteland Development Corporation Limited	28.07.1989	1992-93	1995-96	(-) 1.73	34.00	5.12	27.73	(-) 1.73	-	-
(Industrial Reconstruction Department)											
6	West Bengal Plywood and Allied Products Limited	23.10.1989	1993-94	1997-98	(-) 147.12	9.00	(-)522.33	54.95		-	-
7	I.P.P. Limited	17.07.1985	1995-96	1996-97	(-)1516.02	50.00	(-)1798.03	(-) 1547.13	(-)903.49	-	-
(Minor Irrigation Department)											
8	West Bengal Agro Industries Corporation Limited	16.08.1968	1988-89	1997-98	(-) 14.96	456.83	(-)224.95	2394.52	131.24	5.48	-
9	West Bengal State Minor Irrigation Corporation Limited	19.01.1974	1987-88	1995-96	(-) 179.19	1080.00	(-)1265.56	985.20	(-) 128.88	-	-

1	2	3	4	5	6	7	8	9	10	11	12
	(Public Undertakings Department)										
10	Sundarban Sugarbeet Processing Company Limited	12.05.1986	1987-88	1997-98	(-) 22.25	100.00	(-)27.73	102.08	(-) 21.25		-
	Electricals, Electronics and Engineering (Commerce and Industries Department)										
11	West Bengal Electronics Industry Development Corporation Limited	04.02.1974	1995-96	1996-97	(+)183.50	8543.00	82.57	7093.09	241.64	3.41	-
12	Webel Video Devices Limited (subsidiary of WBEIDC Limited)	26.08.1977	1994-95	1997-98	(-) 291.23	480.00	(-)1635.63	443.41	(-) 179.65		-
13	Webel Electronic Communication Systems Limited (subsidiary of WBEIDC Limited)	18.09.1981	1996-97	1997-98	(-)83.76	83.54	(-)311.24	194.33	(-)50.93		-
14	Webel Crystals Limited (subsidiary of WBEIDC Limited)	19.03.1982	1995-96	1996-97	(-) 56.95	168.53	(-)380.28	138.31	(-)27.66		-
15	Webel Power Electronics Limited (subsidiary of WBEIDC Limited)	17.05.1977	1995-96	1996-97	(-) 136.65	69.17	(-)629.93	144.76	(-) 81.78		-
16	Webel Mediatronics Limited (subsidiary of WBEIDC Limited)	12.01.1981	1996-97	1997-98	(-) 44.23	39.22	(-)225.64	582.29	(-)44.23		-
	(Industrial Reconstruction Department)										
17	Neo Pipes and Tubes Company Limited	12.01.1983	1993-94	1995-96	(-) 294.55	220.00	(-)1941.76	(-) 595.63	(-) 121.36		-
18	Britannia Engineering Products and Services Limited	14.04.1986	1993-94	1997-98	(-)406.30	1028.38	(-)1514.46	(-)4.52	(-) 321.35		-
19	National Iron and Steel Company (1984) Limited	28.07.1986	1996-97	1997-98	(-)778.13	1200.00	(-)5499.12	2003.17	(-) 391.86		-
20	The Carter Pooler Engineering Company Limited	26.06.1987	1995-96	1997-98	(-)242.83	95.00	(-)1026.67	(-)243.93	(-)142.84		-
	(Public Undertakings Department)										
21	The Shalimar Works (1980) Limited	12.01.1981	1995-96	1996-97	(-)586.80	125.01	(-)2463.12	999.45	(-)586.80		-
22	The Electro Medical and Allied Industries Limited	29.06.1961	1995-96	1996-97	(+) 15.48	486.97	(-) 372.84	773.42	15.80	2.04	-

1	2	3	4	5	6	7	8	9	10	11	12
23	Westinghouse Saxby Farmer Limited (Industrial Reconstruction Department)	19.07.1969	1993-94	1996-97	(-)1526.72	100.00	(-)13045.76	783.58	(-) 521.06	-	-
24	Engel India Machine & Tools(1987)Limited	14.07.1988	1996-97	1997-98	(-)304.72	47.03	(-)1727.99	531.42	(-)135.27	-	-
25	Webel Informatics Limited <u>Textiles, Chemicals, Minerals, Cement & Clay</u> (Commerce and Industries Department)	25.02.1991	1987-88 (7/87 to 6/88)	1997-98	(-)25.88	39.60	(-)68.40	35.93 (12879.08)	(-)20.21 (-2367.56)	-	-
26	West Bengal Mineral Development and Trading Corporation Limited (Cottage and Small Scale Industries Department)	23.02.1973	1993-94	1996-97	(-) 175.95	443.08	(-)957.39	407.49	(-)175.95	-	-
27	West Bengal Handloom and Powerloom Development Corporation Limited (Industrial Reconstruction Department)	25.09.1973	1990-91	1997-98	(-)30.50	448.54	(-)183.70	719.09	89.69	12.47	-
28	The Kalyani Spinning Mills Limited	13.01.1960	1994-95	1996-97	(-)808.10	328.21	(-) 8478.58	(-)109.58	(-)624.26	-	-
29	Pulver Ash Projects Limited (subsidiary of WBSIC Limited)	28.08.1984	1991-92	1997-98	-	109.52	-	96.36	-	-	- Preoperative stage
30	Krishna Silicate and Glass (1987) Limited	13.10.1988	1990-91	1997-98	(-)189.52	Nil	(-)412.58	84.26	(-)155.36	-	-
31	West Bengal Agro-Textile Corporation Limited (Public Undertakings Department)	19.03.1973	1996-97	1997-98	(-)172.79	142.00	(-)172.79	6351.55	328.36	5.17	-
32	Durgapur Chemicals Limited	31.03.1963	1996-97	1997-98	(-)1269.19	509.31	(-)16697.68	1087.20	(-)194.22	-	-
33	The West Dinajpur Spinning Mills Limited	22.08.1975	1996-97	1997-98	(-)360.00	680.44	(-)2320.64	282.51	(-)173.28	-	-
34	West Bengal Ceramic Development Corporation Limited	31.03.1976	1990-91	1997-98	(-)130.86	149.35	(-)856.06	87.29	(-)79.83	-	-
35	Eastern Distilleries and Chemicals Limited	16.04.1986	1992-93	1996-97	(-)27.12	20.00	(-)194.31	208.29	39.17	18.81	-
36	West Bengal Chemical Industries Limited <u>Trading, Developmental and Others</u> (Animal Resources Development Department)	29.04.1988	1995-96	1997-98	(-)117.83	14.00	(-)454.69	82.01 (9296.47)	(-)80.77 (-1026.45)	-	-
37	West Bengal Dairy and Poultry Development Corporation Limited	04.02.1969	1991-92	1996-97	(+) 16.30	223.18	(+) 11.31	371.73	20.48	5.51	-

1	2	3	4	5	6	7	8	9	10	11	12
38	The West Bengal Livestock Processing Development Corporation Limited	09.04.1974	1992-93	1995-96	(-) 12.33	202.00	(-) 161.70	63.34	(-) 12.33	-	-
	Trading, Developmental and Others (Commerce and Industries Department)										
39	West Bengal Sugar Industries Development Corporation Limited	30.05.1973	1991-92	1996-97	(-)378.12	513.52	(-)2115.95	205.76	(-)233.81	-	-
40	Lime Light Industries (Private) Limited (subsidiary of WBSIC Limited)	05.05.1983	1983-84	1986-87	-	-	-	0.97	-	-	- Ceased functioning
41	Greater Calcutta Gas Supply Corporation Limited	23.12.1987	1995-96	1996-97	(-)576.92	945.00	(-)2619.34	3506.94	(-)380.76	-	-
	(Cottage and Small Scale Industries Department)										
42	The West Bengal Small Industries Corporation Limited	29.03.1961	1991-92	1997-98	(-)48.00	1413.22	(-)445.71	1746.78	85.89	4.92	-
43	The West Bengal State Leather Industries Development Corporation Limited	03.03.1976	1989-90	1997-98	(-)34.07	198.25	(-)232.31	23.27	(-)30.44	-	-
44	Silpabarta Printing Press Limited (subsidiary of WBSIC Limited)	23.09.1982	1991-92	1997-98	(+)32.35	61.95	(+)66.30	178.74	36.24	20.28	-
45	The West Bengal Projects Limited (subsidiary of WBSIC Limited)	09.02.1984	1995-96	1997-98	23.44	97.24	(+)53.68	172.34	24.90	14.45	-
46	West Bengal Handicrafts Development Corporation Limited (subsidiary of WBSIC Limited)	01.06.1976	1988-89	1997-98	(-)32.77	120.50	(-)99.95	133.27	(-)23.01	-	-
	(Food and supplies Department)										
47	West Bengal Essential Commodities Supply Corporation Limited	15.03.1974	1996-97	1997-98	(+)446.50	108.00	(+)2234.80	2463.10	487.28	19.78	-
	(Fisheries Departments)										
48	The State Fisheries Development Corporation Limited	31.03.1966	1993-94	1997-98	(-)73.13	250.00	(-)786.42	(-)160.27	(-)64.26	-	-
49	West Bengal Fisheries Corporation Limited	27.03.1980	1992-93	1997-98	(-)18.17	200.00	(-)59.78	400.98	(-)18.17	-	-

1	2	3	4	5	6	7	8	9	10	11	12
	(Food Processing Industries Department)										
50	Teesta Fruit and Vegetable Processing Limited	16.04.1986	1991-92	1997-98	(-)40.04	73.50	(-)125.07	33.23	(-)32.24	-	-
	<u>Trading, Developmental and Others</u>										
	(Industrial Reconstruction Department)										
51	(a) Gluconate India Limited	04.04.1988	1991-92	1995-96	(-)146.63	17.05	(-)235.81	(-)27.21	(-)77.61	-	-
	(b) Indian Health and Pharmaceuticals Limited	23.05.1988	1991-92	1995-96	(-)147.61	0.03	(-)374.18	(-)20.16	(-)87.65	-	-
	(Information and Cultural Affairs Department)										
52	West Bengal Film Development Corporation Limited	05.07.1980	1992-93	1995-96	(-)194.24	507.70	(-)939.08	213.31	(-)113.19	-	-
53	Basumati Corporation Limited	04.02.1975	1990-91	1997-98	(-)67.86	10.00	(-)630.38	124.67	(-)26.07	-	-
	(Public Undertakings Department)										
54	Saraswati Press Limited	21.01.1987	1995-96	1996-97	(+)127.47	390.00	(+)100.77	1501.00	230.69	15.37	-
	(Tourism Department)										
55	West Bengal Tourism Development Corporation Limited	02.11.1974	1994-95	1997-98	(-)8.53	208.81	(-)332.86	122.04 (11053.83)	(-)2.50 (-216.56)	-	-
	<u>Financing</u>										
	(Commerce and Industries Department)										
56	The West Bengal Industrial Development Corporation Limited	06.01.1967	1996-97	1997-98	(-)1258.96	10618.13	(-)5374.78	10628.90 (10628.90)	(-)31.75 (-31.75)	-	-
	<u>Power</u>										
	(Power Department)										
57	The Durgapur Projects Limited	06.09.1961	1996-97	1997-98	(-)2123.76	16300.00	(-)12860.62	3402.23	(-)451.06	-	-
58	The West Bengal Power Development Corporation Limited	05.07.1985	1996-97	1997-98	652.02	95457.09	(+)15397.23	180095.93 (183498.16)	14050.93 (13599.87)	7.80 (7.41)	-

1	2	3	4	5	6	7	8	9	10	11	12
Transport											
(Transport Department)											
59	The Calcutta Tramways Company (1978) Limited	15.10.1982	1992-93	1997-98	(-)1913.67	2040.13	(-)16031.83	(-)119.95	(-)988.40	-	-
60	West Bengal Surface Transport Corporation Limited	27.02.1989	1995-96	1996-97	(-)85.67	0.02	(-)476.38	2057.56 (1937.61)	(-)85.67 (-1074.07)	-	-
								237385.58	8362.94		

ANNEXURE 3A

(Refer para 1.2.4, Page 6)

Statement showing arrear of accounts in respect of Government companies as on 30
September 1997

Sl. No.	Department/Name of PSU	Year upto which accounts completed	No. of years of involved
(1)	(2)	(3)	(4)
	Agriculture		
1.	West Bengal State Seed Corporation Limited	1995-96	1
	Forest		
2.	West Bengal Forest Development Corporation Limited	1992-93	4
3.	West Bengal Wasteland Development Corporation Limited	1992-93	4
	Commerce and Industries		
4.	West Bengal Pharmaceutical and Phytochemical Development Corporation Limited	1994-95	2
5.	West Bengal Tea Development Corporation Limited	1989-90	7
6.	West Bengal Electronics Industry Development Corporation Limited	1995-96	1
7.	Webel Video Devices Limited	1994-95	2
8.	Webel Crystals Limited	1995-96	1
9.	Webel Power Electronics Limited	1995-96	1
10.	West Bengal Sugar Industries Development Corporation Limited	1991-92	5
11.	Lime Light Industries (Private) Limited	1983-84	13
12.	Greater Calcutta Gas Supply Corporation Limited	1995-96	1
13.	West Bengal Mineral Development and Trading Corporation Limited	1993-94	3
	Industrial Reconstruction		
14.	West Bengal Plywood and Allied Products Limited	1993-94	3
15.	I.P.P. Limited	1995-96	1
16.	Neo Pipes and Tubes Company Limited	1993-94	3
17.	Britannia Engineering Products and Services Limited	1993-94	3
18.	The Carter Pooler Engineering Company Limited	1995-96	1
19.	Webel Informatics Limited	1987-88	9
20.	The Kalyani Spinning Mills Limited	1994-95	2
21.	Pulver Ash Projects Limited	1991-92	5
22.	Krishna Silicate and Glass (1987) Limited	1990-91	6
23.	West Bengal Ceramic Development Corporation Limited	1990-91	6
24.	Eastern Distilleries and Chemicals Limited	1992-93	4
25.	West Bengal Chemical Industries Limited	1995-96	1
26(a)	Gluconate India Limited	1991-92	5
(b)	Indian Health and Pharmaceuticals Limited	1991-92	5

(1)	(2)	(3)	(4)
	Minor Irrigation		
27.	West Bengal Agro Industries Corporation Limited	1988-89	8
28.	West Bengal State Minor Irrigation Corporation Limited	1987-88	9
	Public Undertakings		
29.	Sundarban Sugarbeet Processing Company Limited	1987-88	9
30.	The Shalimar Works (1980) Limited	1995-96	1
31.	The Electro Medical and Allied Industries Limited	1995-96	1
32.	Westinghouse Saxby Farmer Limited	1993-94	3
33.	Saraswaty Press Limited	1995-96	1
	Cottage and Small Scale Industries		
34.	West Bengal Handloom and Powerloom Development Corporation Limited	1990-91	6
35.	The West Bengal Small Industries Corporation Limited	1991-92	5
36.	The West Bengal State Leather Industries Development Corporation Limited	1989-90	7
37.	Silpabarta Printing Press Limited	1991-92	5
38.	The West Bengal Projects Limited	1995-96	1
39.	West Bengal Handicrafts Development Corporation Limited	1988-89	8
	Animal Resources Development		
40.	West Bengal Dairy and Poultry Development Corporation Limited	1991-92	5
41.	West Bengal Livestock Processing Development Corporation Limited	1992-93	4
	Fisheries		
42.	The State Fisheries Development Corporation Limited	1993-94	3
43.	West Bengal Fisheries Corporation Limited	1992-93	4
	Food Processing Industries		
44.	Teesta Fruit and Vegetable Processing Limited	1991-92	5
	Information and Cultural Affairs		
45.	West Bengal Film Development Corporation Limited	1992-93	4
46.	Basumati Corporation Limited	1990-91	6
	Tourism		
47.	West Bengal tourism Development Corporation Limited	1994-95	2
	Transport		
48.	The Calcutta Tramways Company (1978) Limited	1992-93	4
49.	West Bengal Surface Transport Corporation Limited	1995-96	1

ANNEXURE 4

(Referred to in Paragraph 1.2.3, Page 5)

Statement showing subsidy received, guarantees received and waiver of dues during the year and guarantees outstanding at the end of the year

Sl. No.	Sector/Name of the company/Department	Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Remarks
		Central	State	Others	Total	Cash credit from SBI and other Nationalised Bank	Loans from other sources	Letter of credit opened by SBI on imports	Payment obligation under agreement with foreign consultant or contractors	Total	Loan repayment written off	Interest waived	Penal interest waived	Repayment of loans on which moratorium allowed	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)
(Figures in columns 3(a) to 5(d) are Rupees in lakhs)															
Power (Power Department)															
1.	The West Bengal Power Development Corporation Limited	-	-	-	-	4000.00	-	-	-	4000.00 (47.875)	-	-	-	-	
2.	The Durgapur Projects Limited	-	-	-	-	-	-	-	-	(366.86)	-	907.94	1.47	-	
Agriculture, Plantation and Woodbased (Commerce and Industries Department)															
3.	West Bengal Tea Development Corporation Limited (Industrial Reconstruction Deptt.)	-	-	-	(139.00)	-	-	-	-	(51.00)	-	-	-	-	
4.	Indian Paper Pulp Limited	-	-	-	-	-	-	-	-	(193.00)	-	-	-	-	
Trading Development and others (Animal Resources Development Department)															
5.	The West Bengal Life Stock Processing Development Corporation Limited	-	12.64	-	12.64	-	-	-	-	-	-	-	-	-	
(Commerce and Industries Department)															
6.	West Bengal Sugar Industries Development Corporation Limited	-	-	-	-	100.00	200.00	-	-	300 (38.88)	-	-	-	-	
Cottage and Small Scale Industries Department.															
7.	The West Bengal Small Industries Corporation Limited	-	-	-	-	-	-	-	-	(1250.00)	-	-	-	-	
8.	West Bengal Handicrafts Dev. Corporation Ltd.	3.13	27.80	-	30.93	37.67	-	-	-	37.67 (5.06)	-	-	-	-	
9.	Silpabarta Printing Press	-	-	-	-	-	-	-	-	(10.44)	-	-	-	-	
(Fisheries Department)															
10.	The State Fisheries Development Corporation Limited	-	40.70	-	40.70	-	-	-	-	-	-	-	-	-	
(Public Undertakings Departments)															
11.	Saraswati Press Limited	-	-	-	-	185.00	225.22	-	-	410.22	-	-	-	-	
(Food and Supplies Deptt.)															
12.	West Bengal Essential Commodities Supply Corporation Limited	-	-	-	-	-	-	-	-	(1200)	-	-	-	-	
Transport (Transport Department)															
13.	The Calcutta Tramways Company (1978) Limited	-	3170.44	-	3170.44	-	-	-	-	(477.17)	-	-	-	-	

(1)	(2)	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	(6)
	Electrical, Electronics and Engineering														
	(Industrial Reconstruction Department)														
14.	Neo Pipes and Tubes Company Limited	-	-	-	-	-	-	-	-	(325.00)	-	-	-	-	
15.	National Iron and Steel Company (1984) Limited	-	-	-	-	-	-	-	-	(124.14)	-	-	-	-	
16.	The Carter pooler Engineering Co. Ltd.	-	-	-	-	-	-	-	-	(0.02)	-	-	-	-	
	(Commerce and Industries Deptt.)														
17.	Webel Electronic Communication System Ltd.	-	-	-	-	18.52	-	-	-	18.52					
18.	Webel Mediatronics Ltd. (Public Undertaking Department)	-	-	34.50	34.50	-	-	-	-	-		45.05	-	-	
19.	Westinghouse Saxby Farmer Limited	-	-	-	-	-	-	-	195.00	195.00	-	-	-	-	
20.	The Shalimar Works (1980) Limited	-	-	-	-	50.00	-	-	32.74	82.74 (240.77)	-	-	-	-	
21.	The Electromedical & Allied Industries Limited	-	-	-	-	10.00	-	-	-	10.00 (0.05)	-	230.00	-	-	Converted to equity
	Textile, Chemicals, Minerals, Cement and Clay														
	(Cottage and Small Scale Industries Department)														
22.	West Bengal Handloom and Powerloom Development Corporation Limited (Public Undertaking Department)	587.71	-	-	587.71	400.00	1600.00	-	-	2000.00	-	-	-	-	
23.	The West Dinajpur Spinning Mills Limited	-	-	-	-	-	-	-	-	(112.64)	-	-	-	-	
24.	West Bengal Chemical Industries Limited	-	-	-	-	-	30.00	-	-	30.00	-	-	-	-	
25.	West Bengal Ceramic Development Corporation Ltd.	-	-	14.56	14.56	-	-	-	-	-	-	-	-	-	
26.	Eastern Distilleries and Chemicals Ltd.	-	-	-	-	-	-	-	-	(36.60)	-	-	-	-	
27.	Durgapur Chemicals Ltd. (Commerce and Industries Deptt.)									118.79					
28.	West Bengal Mineral Development and Trading Corporation Limited (Industrial Reconstruction Deptt.)	24.00			24.00	-	-	-	-	-	-	-	-	-	
29.	Krishna Silicate & Glass (1987) Ltd. (Commerce and Industries Department)	-	141.91	-	141.91	-	-	-	-	-	-	-	-	-	
30.	West Bengal Industrial Development Corporation Limited	1480.00	-	-	1480.00	-	-	-	-	-	500.00	412.00	-	-	
	Total	2094.84	3493.49	49.06	5637.39	8686.19	2055.22	32.74	195.00	10969.15 (20114.78)	9.19	1182.99	1.47	-	

(Figures in brackets indicate guarantees outstanding)

ANNEXURE 5
(Referred to in Paragraph 1.2.7, Page 14)

Statement showing the Capacity Utilisation of Manufacturing companies during the year 1996-97.

Sl. No.	Name of the Sector/Company	Installed Capacity	Actual Utilisation	Percentage of Utilisation
(1)	(2)	(3)	(4)	(5)
Power Department				
1.	The West Bengal Power Development Corporation Limited	1260 MW (1260 MW)	6785.729 MV	61.48 (56)
2.	The Durgapur Projects Limited	Coke oven plant 515022 MT Benzol products 3640 KL Gas 6907 Coal washery 11.03 lakhs MT (11.03 lakhs MT) Power plant 3416 Mkw (3416 Mkw) Water work 68022 M.Ltr (68022 M.Ltrs)	Coke oven plant 333194 MT Benzol Products Gas 3421 Power plant 1011 Mkw (905 Mkw) Water work 52204 M.Ltr. (52369 M.Ltr)	64.70 49.53 29.60 (26.50) 76.75 (76.99)
Public Undertakings Department				
3.	Westinghouse Saxby Farmer Limited	44262 Nos (7200 MT)	12328 Nos (73 MT)	27.85 (1)
4.	The Shalimar Works (1980) Limited	NA	NA	
5.	The Electro Medical & Allied Industries Limited	X Ray machines 45 Nos (45 Nos)	16 Nos (15 Nos)	35.56 (33)
6.	The West Dinajpur Spinning Mills Limited	NA (14.70 lakh kgs)	NA (9.78 lakh kgs)	- (66.53)
7.	West Bengal Chemical Industries Limited	600 MT (600 MT)	335.18 MT (271.04 MT)	55.86 (45)
8.	The Kalyani Spinning Mills Limited	60.76 lakh kgs (60.76 lakh kgs)	34.72 lakh kgs (34.29 lakh kgs)	57.14 (56)
9.	Durgapur Chemicals Limited	29316 MT (40404 MT)	15534 MT (77289 MT)	52.99 (43)
Commerce and Industries Department				
10.	Webel Electronic Communication Systems Limited	7 Nos (Nil)	7 Nos (Nil)	100
11.	West Bengal Mineral Development and Trading Corporation Limited	Rock phosphate 38000 MT (20000 Tonnes) Stone Boulder 50000 Cu. M Chips 15000 cu.m (65000 tonnes) Fire clay 10000 Mt (10000 tonnes)	Rock phosphate 14900 MT (7500 tonnes) Stone Boulder 1600 cu.m chips 5500 cu m (30700 tonnes) Fireclay 2000 MT (4000 tonnes)	39.21 (37.5) 3.2 36.67 (47.23) 20 (40)

(1)	(2)	(3)	(4)	(5)
12.	Webel Crystals Limited	200000 Nos (2 lakh Nos)	81564 Nos (1.54 lakh nos)	40.78 (77)
13.	West Bengal Sugar Industries Development Corporation Limited	600 T.C.D. (61200 MT)	2.72 T.C.D (2209.08 MT)	0.45 (3.6)
14.	Pharmaceutical and phytochemical Development Corporation Limited.	8-IHQ 50MT (Nil) Aspirin 5 MT (Nil)	8-IHQ 10 MT (Nil) Aspirin Nil (Nil)	20 (-) -
15.	Webel Mediatronics Limited	NA (2200 Nos)	NA (593 Nos)	- (27)
16.	Webel Power Electronics Limited	NA (100 Nos)	NA (8 Nos)	- (8)
17.	West Bengal Tea Development Corporation Limited	NA (Nil)	NA (5.26 kg)	-
Industrial Reconstruction Department				
18.	National Iron & Steel company (1984) Ltd.	300 MT of Rolled/month 350 M.T Costing/month (2500 MT/Month)	Nil (196.05 MT/month)	- (8)
19.	Pulver Ash Projects Limited	240 lakh pes triple shipt (240 lakh pes)	51 lakh pes Single shipt basis (50.65 lakh pes)	63.75 (21)
20.	Britania Engineering Products and Service Limited	Tea Machinery 484 Nos. (7469 Nos) Jute Machinery 48 Nos. (48 Nos) Road Roller 250 Nos. (250 Nos)	15 Nos. (19 Nos). 1Nos. (2 Nos) 90 Nos. (93 Nos)	3.10 (4) 2.08 (4) 36 (37)
21.	Krishna Silicate and Glass (1987) Limited	16000 M>T (16000 MT)		
22.	West Bengal Agro Textile Corporation Limited	5501600 inch feet	1573290 inch feet	28.60
23.	Engel India Machines and Tools (1987) Limited	96 Nos	3 Nos	3.13
24.	Neo Pipes and Tubes Company Limited	NA (3600 MT)	NA (96.80 MT)	- (2.64)
25.	The Carter pooler Engineering Company Limited	NA -	NA 899 Nos	- -
26.	I.P.P. Limited	NA (5184 MT)	NA (621 MT)	- (11.38)
27.	Webel Video Devices Limited	Picture tubes N.A (2.70 lakh nos)	NA (0.64 lakh nos)	- (23.70)

(1)	(2)	(3)	(4)	(5)
28.	West Bengal Plywood & Allied Products Limited	NA (11.16 square meter lakh on 4 mm basis)	NA (2.77 Square meter lakh on 4 mm basis)	- (24.82)
Cottage and Small Scale Industries Department				
29.	West Bengal Project Limited	18000 MT p.a (18000 MT Pa)	13500 MT Pa (13500 MT Pa)	75 (75)
30.	Silpabarta Printing Press	435.09 lakh impression (435.09 lakh impression)	36.20 lakh impression (362.04 lakh impression)	8.32 (83.21)
31.	The West Bengal Leather Industries Development Corporation Limited	NA (10.8 lakh pieces)	NA (1.76 lakh pieces)	- (16.30)
32.	West Bengal Handloom and Powerloom development Corporation Limited	NA (18.50 Million Square meters)	NA (4.88 Million square meters)	- (26)
Information and Cultural Affairs Department				
33.	West Bengal Film Development Corporation Limited	NA (238.68 lakh meters)	NA (53.43 lakh meters)	- (22.38)
Animal Resources Development Department				
34.	West Bengal Dairy and Poultry Development Corporation Limited	39585 MT (39585 MT)	21955 MT (28642 MT)	55.46 (72.36)
Food and Supplies Department				
35.	West Bengal Essential commodities Supply corporation Limited	3000 MT pa	2077.6 MT pa	69.25
Minor Irrigation Department				
36.	West Bengal State Minor Irrigation Corporation Ltd.	Deep tubewells NA (529 Nos) River lift NA (228 Nos)	NA (477 Nos) NA (154 Nos)	- (67.54)
37.	West Bengal Agro-Industries Corporation Limited	NA (2400 Nos)	NA (491 Nos)	- (20)

Figures appearing in brackets relate to the previous year.

ANNEXURE 6

Statement showing the summarised financial results of Statutory corporations for the latest year for which annual accounts have been finalised
(Referred to in paragraph 1.3.7 Page 19)

Sl. No.	Name of Corporation/ Board	Name of administrative Department	Year of incorporation	Period of accounts	Profit(+)/ Loss(-)	Total interest charged to profit and loss account	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed
1	2	3	4	5	6	7	8	9	10
(Rupees in lakh)									
1.	West Bengal Financial Corporation	Finance	1 March 1954	1996-9	-)1244.97	2117.14	27927.86	972.17	3.48
2.	West Bengal State Electricity Board	Power	1 May 1955	1995-9	1722.00	10527.00	352090.00	12249.00	3.47
3.	West Bengal State Warehousing Corporation	Public Undertakings	31 March 1958	1994-9	77.48	NIL	1164.96	77.48	6.65
4.	North Bengal State Transport Corporation	Transport	15 April 1960	1991-9	-)1626.34	311.85	917.63	(-)1314.49	-
5.	Calcutta State Transport Corporation	Transport	1 June 1960	1993-9	-)5299.32	1270.90	(-)5501.32	(-)4028.42	-
6.	West Bengal Industrial infra-structure Development Corporation	Commerce and Industries	9 November 1977	1992-9	9.00	6.21	438.48	15.21	2.46
7.	South Bengal State Transport Corporation	Transport	7 December 1977	1992-9	(-)588.55	284.24	(-)479.02	(-)304.31	-
8.	West Bengal Scheduled Castes and Scheduled Tribes Development and Finance Corporation.		23 July, 1976	1990-9	14.06	3.54	(-)75.35	17.60	0.00
9.	West Bengal Minorities Development and Finance Corporation.		10 October, 1995	1st account not yet compiled	NA	NA	NA	NA	NA

