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GOVERNMENT OF GUJARAT

REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR 1973-74

(COMMERCIAL)

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA FOR THE YEAR 1973-74 (COMMERCIAL)

PREFATORY REMARKS

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

(i) Government Companies;

(ii) Statutory Corporations; and

(iii) Departmentally managed commercial undertakings.

This Report deals with the results of audit of the accounts of Government Companies and Statutory Corporations, including the Gujarat Electricity Board. The Report of the Comptroller and Auditor General of India (Civil) contains the results of audit relating to departmentally managed commercial undertakings.

2. In the case of Government Companies, audit is conducted by company auditors appointed on the advice of the Comptroller and Auditor General but the latter is authorised under Section 619(3)(b) of the Companies Act, 1956 to conduct a supplementary or test audit. He is also empowered to comment upon or supplement the report submitted by the company auditors. The Companies Act further empowers the Comptroller and Auditor General to issue directives to the auditors in regard to the performance of their functions. In November 1962, such directives were issued to the auditors for looking into certain specific aspects of the working of Government Companies. These were revised in December 1965 and in February 1969.

3. There are, however, certain companies where Government have invested funds but the accounts of which are not subject to audit by the Comptroller and Auditor General. Names of two companies in which Government have invested more than Rs. 25 lakhs are given below:

Name	Government investment upto 1973-74 (Rupees in lakhs)	Percentage of Government investment to total paid-up capital.
Gujarat State Fertilizers Company Limited.	588.05	49.37
Shree Digvijaya Woollen Mills Limited	32.50	40.60

4. In respect of Gujarat Electricity Board and Gujarat State Road Transport Corporation, which are statutory corporations, the Comptroller and Auditor General is the sole Auditor, while in respect of the Gujarat State Financial Corporation and Gujarat State Warehousing Corporation, he has the right to conduct the audit of the concerns independently of the audit conducted by the professional auditors appointed under the respective Acts.

5. The points brought out in this Report are those which have come to notice during the course of test audit of the accounts of the above undertakings. They are not intended to convey or to be understood as conveying any general reflection on the financial administration of the undertakings concerned.

CHAPTER I

GOVERNMENT COMPANIES

SECTION I

Introduction :

There were 17 companies (including eight subsidiaries) of the State Government as on 31st March 1974 as against 14 companies (including eight subsidiaries) as on 31st March 1973. During the year 1973-74, two new companies, *viz.*, Gujarat Dairy Development Corporation Limited and Gujarat State Handicrafts and Handloom Development Corporation Limited, were incorporated. Besides, the Gujarat Small Industries Corporation Limited became a Government Company with effect from 30th April 1973 when the State Government acquired 55 per cent of its shares.

A synoptic statement showing the financial results of 11 companies (including three subsidiaries), on the basis of the latest available accounts, is given in Annexure 'A'. The accounts of Bhavnagar Public Dairy Limited for the year 1973-74 have not yet been finalised (April 1975). The remaining five subsidiary companies have not prepared their accounts as these are in the construction stages.

2. Profits and dividends :

(*i*) According to the accounts of eight companies (excluding subsidiaries) there was total net profit of Rs. 71.93 lakhs during 1973-74, against profit of Rs. 19.86 lakhs earned by six Companies during the year 1972-73. The overall increase in profits during 1973-74 was mainly due to improvement in the working results of the following companies :

(Rupees in lakhs)

Name	Profits during 1972–73	Profits during 1973–74
Gujarat State Textile Corporation Limited	6.28	15.94
Gujarat Export Corporation Limited	2.33	8.74
Gujarat Industrial Investment Corporation Limited	2.72	15.69
Gujarat Mineral Development Corporation Limited	6.41	17.87

Three companies declared dividends aggregating Rs. 4.98 lakhs during the year as indicated below :

(Rupees in lakhs)

Particulars	Gujarat Export Corporation Limited	Gujarat State Textile Corporation Limited	Gujarat Small Industries Corporation Limited
Distributable surplus	3.60	4.56	6.40
Amount retained in business	2.45	2.33	4.80
Dividend declared	1.15	2.23	1.60
Percentage of dividend to paid-up capital	11.50	1.40	4.00

(*ii*) Two companies sustained losses during 1973-74 as detailed below :—

(Rupees in lakhs)

Name	Paid-up capital	Loss sustained
Gujarat Dairy Development Corporation Limited	10.39	3.50
Gujarat State Handicrafts and Handloom Development Corporation Limited	7.47	1.36

SECTION II

GUJARAT AGRO INDUSTRIES CORPORATION LIMITED

1. Introduction :

Gujarat Agro Industries Corporation Limited was incorporated on 9th May 1969 as a joint venture with the Government of India to promote agricultural activities and industries based upon agriculture.

2. Objects :

The main objects of the Company are to:

(*a*) finance, protect and promote agricultural activities and industries based upon agriculture;

(*b*) carry on business of manufacture and dealing in implements, machinery and tools which would help promotion and modernisation of agriculture; and

(*c*) promote, establish, own and run industries for processing and preservation of agricultural produce, forest produce, etc.

In June 1969, the State Government transferred the cattle feed milling plant at Khandheri to the Company.

3. Organisational set-up:

The management of the Company is vested in a Board of Directors, consisting of twelve directors including the Chairman and the Managing Director. One-third of the number of directors are nominated by the Government. The posts of the Chairman and the Managing Director are filled in from amongst the Government nominated directors. The Managing Director is the Chief executive. He has been delegated with full powers in the day to day management of the Company.

4. Capital structure:

The initial authorised capital of the Company was Rs. 2.00 crores which was increased to Rs. 4.00 crores in February 1972. The participation of the State Government and the Government of India in the share capital was to be in equal proportions. The paid-up capital as on 31st March 1974 was Rs. 347.88 lakhs, out of which the State Government had subscribed Rs. 197.88 lakhs and the remaining Rs. 150 lakhs were invested by the Government of India. In addition, the Company availed of deferred payment credit to the extent of Rs. 38.07 lakhs, from the State Trading Corporation of India in 1970-71, for purchase of imported Russian tractors. The deferred payment credit was guaranteed by the State Government. The outstanding liability on that account on 31st March 1974 was Rs. 17.06 lakhs.

The Company had also obtained loans from the State Government; the balance was Rs. 8.00 lakhs as on 31st March 1974.

5. Profitability analysis :

5.1 *Financial position.*—The financial position of the Company for the three years upto 1973-74 is summarised below:

	(Rupees in lakhs)		
	1971–72	1972–73	1973–74
A. *Liabilities*:			
Paid-up capital	197.88	297.88	347.88
Reserves and surplus	10.32	16.20	17.39
Borrowings	20.36	324.84	23.92
Current liabilities and provisions	49.71	41.88	79.19
	278.27	680.80	468.38
B. *Assets*:			
Gross fixed assets	48.40	65.51	81.18
Less depreciation	3.23	6.52	10.53
Net fixed assets	45.17	58.99	70.65
Capital works-in-progress	—	5.36	5.69
Investments in subsidiaries	12.76	37.76	37.77
Current assets, loans and advances	219.03	577.53	352.92
Miscellaneous expenditure	1.31	1.16	1.35
	278.27	680.80	468.38
Capital employed	227.25	632.40	382.15
Net worth	206.89	312.92	363.92

Notes (1) Capital employed represents net fixed assets plus working capital.

(2) Net worth represents paid-up capital plus reserves and surplus less intangible assets.

5.2. *Working results.*—The table given below summaries the working results of the Company for the three years ending 1973-74.

(Rupees in lakhs)

	1971-72	1972-73	1973-74
Sales (including service charges, commission and carrying charges)	265.04	333.85	267.58
Other income	6.04	12.15	17.57
Increase/decrease (—) in stock	36.24	(—)46.29	3.59
	307.32	299.71	288.74
Expenditure	297.95	285.47	282.55
Profit before depreciation and interest	9.37	14.24	6.19
Interest	0.96	8.52	0.90
Depreciation	1.68	3.29	4.10
Net profit	6.73	2.43	1.19
Profitablity ratios:			
Percentage of profit to:			
(*a*) Sales	2.54	0.73	0.44
(*b*) Capital employed	2.96	0.38	0.31
(*c*) Net worth	3.25	0.78	0.33
(*d*) Equity capital	3.40	0.82	0.34

The reduction in profit during 1972-73 and 1973-74 was attributed by the Management (June 1975) to:

(*a*) Shortfall in the sale of tractors than anticipated, on account of ban on import of tractors, and

(*b*) Loss incurred by the cattle feed factory on account of execution of an export order to Poland (Rs. 2.70 lakhs) and cancellation of an order for scarcity powder by the State Government (Rs. 1.99 lakhs).

5.3. *Sundry debtors.*—The following table indicates the amounts outstanding under sundry debtors and the total turnover (sales, service charges, commission, etc.) for the three years upto 1973-74:

	(Rupees in lakhs)		
	1971–72	1972–73	1973–74
(*i*) Book debts at the end of the year	10.87	30.99	13.57*
(*ii*) Turnover during the year	265.04	333.85	267.58
(*iii*) Percentage of debtors to turnover	4.10	9.28	5.07

The various activities undertaken by the Company are dealt with in the following paragraph:—

6. **Cattle feed factory—Khandheri :**

6.1 In June 1969, the State Government transferred three cattle feed milling plants which were being established, to the Company. Subsequently (August 1969), on requests received from two co-operative institutions, two plants at Linch-Boriavi and Chalthan were transferred to them and only one plant at Khandheri was retained by the Company.

The Khandheri plant, erected through the agency of the National Dairy Development Board, Anand, was commissioned in February 1970 at a total cost of Rs. 27.75 lakhs.

6.2. The plant has a capacity to manufacture 20,000 tonnes per year of cattle feed based on 300 working days in a year, in two shifts of eight hours each. The table given below summarises the installed capacity, actual production, raw materials used in production, process loss in production and percentage of process loss for the three years ending 1973-74:—

	(Quantity in tonnes)		
	1971–72	1972–73	1973–74
Installed capacity	20,000	20,000	20,000
Actual production	4,839	12,549	10,015
Percentage of actual production to installed capacity	24.2	62.7	50.1
Raw materials used in production	5,123	13,107	10,584
Process loss	284	558	569
Percentage of process loss to raw material used in production	5.54	4.26	5.38

* Includes Rs. 0.34 lakh considered doubtful.

Low production as compared to the installed capacity was attributed by the Management (March 1975) to shortage of power, non-availability of quality raw materials and lack of demand.

The Company had not laid down any norm about process losses until March 1974, when the maximum limit of process losses was fixed at 2 per cent. The heavy process losses in excess of the norm were stated by the Management (March 1975) to be on account of moisture in some raw materials, deterioration of raw materials lying in the open because of inadequate storing facilities and defects in the aspiration system on account of which fines of raw materials were blown off.

6.3 *Selling arrangement.*—

Based on the State Government's policy, the Company decided in June 1970 to utilise, as far as possible, only co-operative agencies as distribution agencies. The Company allotted sole sellng agencies to co-operative institutions in almost all the districts of the Saurashtra region for sale of fixed minimum quantities. The Company also decided that parity in the price of cattle feed manufactured by the various units in the State should be maintained by mutual arrangement.

The table below indicates the quantities of cattle feed manufactured and sold during the three years ending 1973-74 :

(Quantity in tonnes)

	1971–72	1972–73	1973–74
Opening balance	60.480	18.350	480.592
Quantity manufactured	4839.062	12548.551	10014.875
Quantity sold	4881.192	12086.309	10268.064
Closing stock	18.350	480.592	227.403

The following points were noticed during test check of sales of cattle feed to Government departments and exports:

(a) *Supply of cattle feed to Government.*—(*i*) In November 1972, the Company received an order from the State Government for supply of 12,000 tonnes of cattle feed at the rate of Rs. 410 per tonne. According to the order 1500 tonnes were to be supplied every month.

Government, however, retained the option to purchase only as much quantity as was actually required. There was no provision for price escalation in the order. However, considering the Company's request based on high cost of production, Government agreed to pay increased price of Rs. 510 per tonne with effect from 1st January 1973, Rs. 560 per tonne with effect from 1st February 1973 and Rs. 610 per tonne with effect from 1st March 1973. The State Government lifted 6718 tonnes of cattle feed valuing Rs. 35.81 lakhs upto March 1973 and thereafter cancelled the order (May 1973) for the remaining quantity. The Company sustained a net loss of Rs. 1.99 lakhs in this transaction. The cancellation of the order was attributed by the State Government to non-supply of the cattle feed as per the prescribed schedule by the Company.

(*ii*) During the period from November 1972 to March 1973, the Company purchased 13,000 tonnes of raw material at the total cost of Rs. 67 lakhs. When the order was cancelled in May 1973, the Company was having in stock 3,649 tonnes of raw material valued at Rs. 25 lakhs. As the storage capacity at the factory was limited, the raw materials had to be stored in open yard covered with tarpaulins. Due to inadequate protection during in the rainy season, 154 tonnes of raw material were damaged and had to be sold in April 1974 for Rs. 800 thereby resulting in a loss of Rs. 42,390.

(*iii*) At the time of cancellation of the order, there was a finished stock of 488 tonnes of cattle feed valued at Rs. 2.49 lakhs. On physical verification of the stock on 31st March 1974, shortage of 54 tonnes (value Rs. O.28 lakh) was noticed. The shortage was written off in October 1974 without any investigation.

(*b*) *Sale of cattle feed to Poland.*—During the period from October 1971 to August 1973, the Company entered into five contracts of the aggregate value of Rs. 14.07 lakhs for supply of 2500 tonnes of compound cattle feed to Poland; supplies were to be completed during the period from December 1971 to December 1972 at rates ranging from Rs. 510 to Rs. 660 per tonne. Payment for the supplies was to be received in Indian currency. The period of supply was extended upto August 1973 and the Company exported 2,438 tonnes of cattle feed against the contract.

Before entering into the contracts, the selling price fixed by the Company was not determined with reference to the cost of production. In May 1972, the Manager of the factory informed the Company head office that the cost of raw materials would be about Rs. 612 per tonne of the product exclusive of other production costs. The contracts did not include any price variation clause. However, the following escalated prices were allowed by the foreign buyer:

Year of supply	Quantity supplied (tonnes)	Rate (Rupees per tonne)
1971	702.000	560
1972	1264.400	675
1973	472.000	690

The total value of the order executed at the revised rates amounted to Rs. 15.72 lakhs. The Management has assessed a loss of Rs. 2.70 lakhs in the deal including Rs. 0.53 lakh towards customs duty, which was not anticipated by the Company at the time of entering into the contract.

The Management attributed the loss (March 1975) to lack of prudence on the part of Manager in not purchasing the raw materials in time when prices were lower. The services of the Manager were terminated with effect from 15th September 1974.

6.4. *Pricing Policy.*

Although the factory has been manufacturing cattle feed since February 1970, the variable, fixed and the total cost of production is not being worked out. Periodically, cost statements have been prepared and selling prices have been fixed on the basis of historical costs and market conditions. A detailed and scientific costing system, including determination of standard costs and analysis of detailed variance of the actual costs with the standard costs, could provide a better tool to the Management in locating the areas of weakness for adopting remedial measures and in fixing the selling prices on more realistic basis.

7. Agro service complexes:

7.1 In December 1969, the Company prepared a scheme to provide facilities of mechanised cultivation and other farm in-put services to the farmers, particularly the small cultivators. For the purpose, the Company set up, during the period from January 1970 to October 1971, four Agro service complexes at Rajkot, Surat, Mehsana and Ahmedabad. Each complex has one or more Agro service centres under it. There were 21 such agro service centres functioning as on 31st March 1974.

The complexes undertake the following activities:

(*i*) Sale of tractors and motor pumps;

(*ii*) Sale of implements and spares;

(*iii*) Servicing and repairs of tractors;

(*iv*) Custom hire of tractors; and

(*v*) Sale of farm inputs like fertilizers, insecticides and providing pesticide services.

7.2. *Sale of tractors and motor pumps.*—In May 1969, the State Government informed the Company that the Government of India had decided to entrust the work of distribution of tractors to the Company. Imported tractors were received through the State Trading Corporation of India upto 1971-72. The Company also purchased indigenous tractors from manufacturers out of the quota allotted to it by the Central Governmnnt.

The Company also commenced distribution of pumps from 1972-73 onwards. The pumps are procured directly from the manufacturers. The number and value of tractors and pumps purchased and sold during the three years ending 1973-74 are given below :

	1971-72		1972-73		1973-74	
	Number	Value	Number	Value	Number	Value
A. Tractors -			(Value in lakhs of rupees)			
Opening balance	509	72.03	624	98.84	261	29.98
Purchase	1152	245.11	305	88.27	376	114.87
Sales	1007	212.84	645	152.94	493	100.04
Retained for use by the Company	30	5.46	23	4.19	15	5.61
Closing balance	624	98.84	261	29.98	129	39.20
B. Pumps -						
Purchases	..	..	50	5.00	123	10.05
Sales	..	..	36	4.63	68	6.17
Closing balance	..	..	14	1.29	69	6.61

The decline in the sale of tractors was attributed by the Management (March 1975) partly to import restrictions.

7.3. *Sale of RS 09 tractors.*—In 1969-70, the Company was allotted 478 tractors of RS 09 type (78 from the Andhra Pradesh Agro Industries Corporation and 400 from the State Trading Corporation of India). The Company sold 344 tractors upto the end of 1971-72. It was reported that the farmers who had purchased the tractors found them defective. In spite of modifications by the manufacturers the defects persisted. The Company brought the matter to the notice of the Government of India in August 1970 and the manufacturers agreed to take back the tractors in February 1971. Out of 344 tractors sold to the farmers 253 tractors were received back from them in the year 1971-72. These tractors along with the unsold stock of 134 tractors were returned to the manufacturer during the period between 1971-72 and 1973-74. The table below indicates the purchase, sale/disposal of both new and modified tractors.

Year	Purchase		Sale/disposal		Balance Number
	Number	Value	Number	Value	
	(Value in lakhs of rupees)				
1969–70	478	56.41	195	28.91	283
1970–71	..	..	129	19.20	154
1971–72	253*	23.84	20	2.05	134
			101†	8.90	152
1972–73	..	..	65†	5.26	134
					87
1973–74	..	..	134†	18.27	..
			87†		
		80.25		82.59	

It would be seen from the table that the Company had a surplus of Rs. 2.34 lakhs in the sale of RS 09 tractors, without accounting for the loss of interest at Rs. 4.80 lakhs per annum on the capital of Rs. 40 lakhs blocked during the period from September 1970 to March 1973, in respect of the unsold tractors and spare parts. This also excludes the cost of after-sale free services rendered and modifications carried out to the tractors originally sold to farmers which has not been assessed. Further, the loss on account of rejection of certain warranty claims is estimated to be Rs. 0.51 lakh approximately.

* Tractors returned by the farmers

† Tractors returned by the Company to the manufacturers.

7.4. *Custom hiring of tractors.*—The table given below indicates the number of tractors available for custom hiring services, the available working hours and the actual hours worked in three agro complexes for which details were available, for the years 1971-72 to 1973-74.

Year	Number of tractors available	Available working hours per annum (at 1000 hours per tractor)	Actual hiring hours	Percentage of performance
1971-72	21	21,000	10,122	48.2
1972-73	34	34,000	19,302	56.8
1973-74	48	48,000	26,801	55.8

The under-utilisation of the tractors and the loss of productive hours was attributed by the Management (March 1975) to tractors being under repairs, lack of demand and the seasonal nature of requirement.

7.5. *Economic viability of agro complexes.*—The Company has not maintained proper records nor prepared cost analysis statements in respect of agro service complexes to find out whether these are economically viable or not. Performance reports of the complexes showing the revenue earned, fixed and variable costs and the margin of profit were compiled for submission to the Board of Directors from August 1973. The performance of the four complexes for the year 1973-74, as revealed by these performance reports, was as follows:

(Rupees in lakhs)

	Rajkot	Surat	Mehsana	Ahmedabad
Revenue	3.69	2.13	3.43	4.17
Variable costs (excluding interest on working capital)	0.61 (0.31)	0.44 (0.28)	0.75 (0.33)	0.83 (0.21)
Fixed costs (excluding interest on fixed capital and head office overheads)	2.84 (0.55)	1.76 (0.45)	2.66 (1.16)	3.43 (1.15)
Profit/Loss (—)	0.24	(—) 0.07	0.02	(—) 0.09

Note:—Figures in the brackets indicate the amounts of interest not included in the computation.

The Management stated (March 1975) that when the agro service complexes were set up it was contemplated that at least 250 tractors would be sold per complex. However, in view of the changed policy of the Government of India restricting the import of tractors, less number of tractors were made available to the Company, which adversely affected the profitability of the complexes. With expanded activities on distribution of pesticidies, iron and steel, fertilizers, pumps and agro machinery the complexes were expected to become economically viable in the near future.

7.6. *Other activities.—*

(a) *Sale of implements and spare parts.—*Selling of both imported and indigenous implements and spare parts was undertaken by the Company since 1969 along with sale of tractors. The table below indicates the extent of sale in each of the three years upto 1973-74:

(Rupees in lakhs)

Year	Spares	Implements
1971-72	2.91	7.04
1972-73	4.76	8.45
1973-74	13.05	4.61

(b) *Servicing and repairs of tractors.—*The Company started the servicing and repairs of both indigenous and imported tractors through its various service centres from 1969-70. After-sale free service of tractors is also undertaken by these centres. The revenue realised on this account, including custom hiring of tractors during the three years upto 1973-74 is tabulated below:

(Rupees in lakhs)

Year	Amount
1971-72	2.79
1972-73	9.07
1973-74	11.70

Note : Number of tractors serviced or repaired is not available.

(c) *Farm inputs.—*The Company had undertaken the work of selling farm inputs such a^r lindane and agrodrine during the period under review.

The value of sales of these items for the three years upto 1973-74 is indicated below:—

(Rupees in lakhs)

Year	Lindane	Agrodrine	Total
1971–72	0.01	..	0.01
1972–73	0.04	5.08	5.12
1973–74	0.06	15.14	15.20

In addition, the Company earned Rs. 0.33 lakh and Rs. 12.89 lakhs by aerial spraying of insecticides and pesticides during 1972-73 and 1973-74 respectively.

8. Lindane plant :

Lindane is an important pesticide for plant protection. In June 1970, the Company decided to instal a plant for manufacture of lindane with a capacity of 25 Kg. per day or 7500 Kg. per year of 300 working days. The plant was installed and commissioned in September 1971 at a total cost of Rs. 0.71 lakh. Production of Lindane commenced in September 1971 and continued upto August 1972 when production was stopped due to technical difficulties in operation of the plant and non-availability of quality raw materials. The plant has been lying idle (March 1975) since September 1972.

(*b*) Production and the cost of production during the period from September 1971 to August 1972 are given below:—

Total production		310 Kg.
Cost of production		
(i) Raw materials consumed	Rs	19,569
(ii) Other variable costs	Rs.	4,700
(iii) Fixed costs for operation of plant	Rs.	31,800
	Rs.	56,069
Sale realisations	Rs.	5,890
Loss	Rs.	50,179

Yield of lindane from benzene hexachloride was 4.3 per cent only as against the estimated yield of about 9.5 to 12.5 per cent envisaged at the time of installation of the plant. The process losses were also found to be over 50 per cent against the prescribed norm of 12 to 18 per cent, which made the plant operation uneconomic. The Management stated (June 1974) that guaranteed production could not be achieved due to some technical difficulties and non-availability of suitable raw materials particularly benzene hexachloride and absolute alchohol. Due to non-availability of absolute alchohol the Company needed to instal a small rectification unit for conversion of rectified spirit to absoluc alchohol. In addition a new air seal equipment and vapour recovery system were also considered necessary for minimising losses. The total cost of the unit and air seal equipment would be Rs. 0.70 lakh (approximately).

In August 1973 and again in October 1973 the Board of Directors considered the difficulties in operating the plant and came to the following conclusions:

(*i*) It would not be advisable to close the plant which was located in the backward area of the State and considering the socio economic factor;

(*ii*) the plant would be producing pesticides vitally necessary as an import substitute;

(*iii*) with certain additions and alterations the plant would probably function effectively;

(*iv*) the main objective of the Company being service to the farmers, trial might be given to run the plant by investing additional amount without insisting on profitability; and

(*v*) the State Government be approached to exempt the unit from excise duty so that the losses could be minimised.

No concrete steps have so far been taken to put the plant back in operation (March 1975). Recurring expenditure of Rs. 244 per month on rent and fixed charges for power connection are being incurred.

9. Inventory control :

9.1. *Purchase procedure.*—The Company has not adopted any procedure of either calling open tenders or drawing a panel of suppliers from whom quotations could be invited for purchases of goods.

The various items of raw materials for the cattle feed factory are purchased by the Factory Manager after making enquiries of various suppliers. Stores, spares, etc. are purchased after making enquiries of local suppliers bearing in mind the price and quality of goods.

9.2. *Inventory position.*—The following table indicates the position of inventory, its distribution at the close of the year and the inventory expressed in terms of consumption/sales, for the years 1971-72 to 1973-74.

(Rupees in lakhs)

	1971–72			1972–73			1973–74		
	Total inven-tory.	In terms of months' sales/ consumption		Total inven-tory	In terms of months' sales/ consumption		Total inven-tory	In terms of months' sales/ consumption	
		Months	Days		Months	Days		Months	Days
Stores, spares and tools	0.97	4	12	4 2	12	22	3.19	8	05
Raw materials	5.89	3	22	31.69	6	05	6.34	1	05
Goods in-process	..	..	..	0.09	..	..	0.10	..	..
Finished goods	0.15	0	02	12.62	2	..	1.23	..	06
Trading goods	112.90	5	22	49.35	3	07	59.11	4	18

No maximum or minimum limits of inventory have been fixed.

In December 1974, the Company commenced an analysis of the store holdings to segregate the obsolete, non-moving and slow-moving stores which is still in progress (March 1975).

9.3. *Internal audit.*—The Company has established with effect from March 1974 an internal audit cell consisting of one section officer and one Assistant under the supervision of Executive Assistant to the Managing Director. In addition to it the Company has engaged a firm of Chartered Accountants as internal auditors at a fee of Rs. 14,000 per annum. The periodicity of internal audit by the Chartered Accountants is quarterly, whereas the periodicity fixed by the Management for the internal audit cell varies from once a year to thrice a year for different transactions. According to the above norms, the internal audit cell should have carried out 18 inspections by the end of March 1975, against which 11 inspections were conducted by the cell during the period from March 1974 to May 1975 and 7 reports have been issued so far (June 1975). The reports of the internal auditors and of the internal audit cell are not submitted to the Board of Directors. Compliance with the internal audit cell reports is also not being watched systematically.

10. Subsidiary Companies :

The following three Subsidiary Companies were set up by the Company on the dates noted against each for implementing its programmes:—

Name of subsidiary	Date of incorporation	Object
(1) Agro Industries Cold Storages Limited, subsequently renamed Gujarat Agro Foods Limited	20th October 1970	To provide cold storage, canning freezing, preserving and other facilities for agricultural produce.
(2) Agro Industries Oil Extractions Limited, subsequently renamed Gujarat Agro Oil Enterprises Limited	21st April 1971	To extract oil from brans, nuts oil seeds and other substances.
(3) Gujarat Agro Marine Products Limited	17th December 1971	To carry on the business of surveying, prospecting and catching all varieties of fish, marine products and other product which are available from and around sea and other waters.

11. Gujarat Agro Foods Limited :

11.1. Out of the paid-up capital of Rs. 7.88 lakhs as on 31st December 1973, the Holding Company's share was Rs. 6.76 lakhs, the balance being held by farmers. The Subsidiary Company also received loans from time to time from the Holding Company. The amount of loan so received and outstanding as on 31st December 1973 was Rs. 43.37 lakhs.

11.2.*Working results.*—The table below summarises the working results of the Subsidiary Company for the three years upto 1973.

(Rupees in lakhs)

	1971	1972	1973
Income	14.07	27.50	47.47
Expenditure	17.75	27.42	49.54
Profit (+) Loss(—) for the year	(—)3.68	(+)0.08	(—)2.07
Progressive loss upto the end of the year	(—)3.68	(—)3.60	(—)5.67

The heavy losses were attributed by the Management (March 1975) mainly to heavy interest burden due to unfavourable debt-equity ratio, unfavourable market conditions, non-utilisation of capacity during off season, under-utilisation of capacity during peak season and heavy storage losses.

11.3. *Operations* :

(a) *Setting up storage capacity.*—Initially when it was decided to set up cold storage plants, the stress was on preservation of potatoes. According to an assessment made by the Holding Company in 1970-71, the major portion of potato cultivation was concentrated in the districts of Banaskantha, Kaira, Jamnagar and Mehsana. It was accordingly decided (June 1970) to set up three cold storage plants at Boriavi (Kaira district), Deesa (Banaskantha district) and Chhani (Baroda district) each with a capacity of 2000 tonnes (25,000 bags of 80 kgs. each). During the season, when potato is available at a cheap price, the Subsidiary Company purchases potato from cultivators and stores it in the plants. The potato so stored is released in the market during the off season. No other agricultural product has been taken up so far (May 1975). The table given below indicates the capacity of the cold storage plants, the target date and actual date of commissioning and the capital expenditure incurred :

	Capacity (tonnes)	Target date of commissioning	Actual date of commissioning	Expenditure incurred (in lakhs of Rupees)
Boriavi	2000	1st March 1971	19th March 1971	12.76
Deesa	1000	28th February 1971	28th March 1971	10.91
	1000	28th March 1972	28th March 1972	
Chhani	1000	1st February 1972	29th March 1972	12.73
	1000	15th February 1972	1st April 1973	

Ice plant of capacity of 10 tonnes per day was also attached to each cold storage plant to utilise chilled water profitably.

The Subsidiary Company did not consider it necessary to set-up cold storage plant in Jamnagar and Mehsana districts on account of availability of private storage facilities in Jamnagar and unsuitability for storage of river-bed potatoes grown in Mehsana district.

(b) *Procurement and sale of potatoes.*—In the procurement season, which is generally from last week of February upto middle of April, farmers offer their produce to the centres for sale. A committee consisting of the Manager of the storage plant and two local members settle the price according to the grades.

The table on pages 20-21 summarises the details of the available capacity, quantity procured, price paid, sale price realised, loss in storage and transit losses in respect of the three cold storages for the three years upto December 1973:

Year	Available capacity in bags 80 Kg.	Quantity procured in bags	Quantity procured (tonnes)	Percentage of procurement to capacity	Purchase price paid (in lakhs of Rupees)
1	2	3(a)	3(b)	4	5
(*a*)	BORIAVI				
1971	25000	20725	1887	82.9	7.09
1972	25000	21891	1896	87.6	7.15
1973	25000	21269	1882	85.1	10.95
(*b*)	DEESA				
1971	12500	10730	880	85.8	3.07
1972	25000	22411	1815	89.6	6.39
1973	25000	33289	2659	133.1	15.34
(*c*)	CHHANI				
1972	12500	8610	706*	86.9	2.95
1973	25000	18829	1544*	75.3	9.52

Note * Includes 341 tonnes and 162 tonnes procurred in

Sale price realised on disposal (in lakhs of Rupees)	loss in storage noticed on disposal (tonnes)	Percentage of storage loss	Loss in transit (tonnes)	Total production of potatoes in the district in bags	Percentage of procurement to total production
6	7	8	9	10	11
9.07	214	11	—	1,00,000	20
11.75	153	8	—	95,000	23
15.75	117	6	7	1,00,000	21
4.65	72	8	—	1,40,000	8
9.41	220	12	—	1,25,000	17
19.45	151	6	—	1,55,000	21
4.19	70	10	—	75,,000	11
12.53	114	7	24	75,000	25

1972 and 1973 respectively by the Boriavi cold storage.

The losses in storage represent loss in weight during storage. The percentage of storage losses ranged between 6 to 12 during different periods and at different centres. The Subsidiary Company has not prescribed the maximum permissible percentage of storage loss for the purpose of control.

The Management stated (March 1975) that the higher losses in the years 1971 and 1972 were due to technical difficulties in operation experienced, in the newly established plants. During the year 1973, the incidence of transit losses of Boriavi and Chhani cold storage were high.

11.4. *Hiring of a private cold storage.*—During April 1973, procurement at Deesa cold storage was in excess of the available storage capacity. Out of the excess procurement of about 595 tonnes, 393 tonnes were locally disposed of immediately after procurement, although spare storage capacity was available at Boriavi and Chhani. The remaining 202 tonnes were stored in hired private cold storages at Ahmedabad and Jamnagar from April 1973 to June 1973 paying storage charge of Rs. 0.18 lakh.

11.5. *Sale of potato seeds.*—The Subsidiary Company purchased 1000 bags (80 tonnes) of potato seeds from Punjab in March 1971 (received at Deesa on 14th, 15th and 18th) at a cost of Rs. 77,742, for distribution to the agriculturists. Due to delay in completion and subsequent technical difficulties in the operation of the cold storage plant at Deesa, the potato seeds could not be stored in the cold storage upto 8th April 1971. The potato seeds were kept in dry sheds which resulted in spoilage of 90 per cent of the seeds. The Subsidiary Company realised Rs. 6,275 from sale of salvaged seeds; there was a net loss of Rs. 71,467.

The Management stated (March 1975) that there would have been difficulty in securing space in a private cold storage.

11.6. *Fruit canning project.*—In November 1972, the Subsidiary Company decided to set up a fruit canning project at Gandevi at an estimated cost of about Rs. 13.15 lakhs with a capacity of 5 to 6 tonnes per shift. A contract for civil works of the project (estimated cost Rs. 6 lakhs) was awarded to a firm of Ahmedabad in February 1973. The work was to be completed by 21st October 1973. The contractor, after executing work to the extent of Rs. 2.11 lakhs upto 4th February 1974, suspended the work. When the Subsidiary Company issued notice on the contractor for termination of the contract; he applied for appointment of an arbitrator. An arbitrator was appointed in September 1974. While the matter was with the arbitrator, the Subsidiary Company decided to have a negotiated settlement (December 1974) and allowed 10 per cent increase over the contracted amount for the remaining work. The work was completed in June 1975. Meanwhile, the machinery for the project worth Rs. 1.94 lakhs was received at site and kept idle in a rented godown from March 1974. Rupees 5,960 were paid as rent upto May 1975.

12. Gujarat Agro Oil Enterprises Limited :

12.1. The paid-up capital of the Subsidiary Company as on 31st December 1973 was Rs. 6.16 lakhs out of which, the Holding Company had subscribed to shares worth Rs. 6 lakhs. The Subsidiary Company also received loans from the Holding Company, banks and the State Government to meet its working capital requirements. The balance of loans outstanding on 31st December 1973 was Rs. 64.62 lakhs (Rs. 25.89 lakhs from the Holding Company, Rs. 31.81 lakhs from the State Government and Rs. 6.92 lakhs from banks).

12.2. *Working results.*—The table below summarises the working results of the Subsidiary Company for the two years 1972 and 1973.

(Rupees in lakhs)

	1972	1973
Income	30.02	73.96
Increase/decrease in closing stock	2.32	(—)0.24
	32.34	73.72
Expenditure	34.46	72.83
Net profit (+) / Loss (—) for the year	(—)2.12	(+)0.89
Cumulative loss upto the end of the year	(—)2.12	(—)1.23

The loss in the year 1972 resulted from the uneconomic working of the oil extraction plant at Bareja. During the year 1973, the Subsidiary

Company made a small profit, although both its plants at Bareja and Kapadwanj were working at uneconomic level.

12.3. *Rice bran oil extraction plant.*—(*a*) A rice bran oil extraction plant at Bareja with a capacity to process 40 tonnes rice bran per day, was commissioned on 29th April 1972 at a total cost of Rs. 24.38 lakhs. The working of the plant for the two years 1972 and 1973 is summarised below:

(Quantity in tonnes)

	1972	1973
Working days available	200	296
Number of days the plant actually worked.	107	225
Processing capacity per day.	40	40
Processing capacity per year.	8,000	11,840
Actual Quantity processed		
(a) Rice bran.	2,483	1,125
(b) Ground nut cake.	263	10,997
(c) Mahuva cake.	2,011	—
(d) Cotton seed cake.	—	136
	4,757	12,258
Products obtained.	4,616	12,197
Process loss.	141	61
Percentage of process loss.	2.97	0.5
Quantity processed reduced to common denominator in terms of rice bran.		
(a) rice bran.	2,483	1,125
(b) ground nut, mahuva and cotton seed cake at 150 per cent of rice bran capacity.	1,516	7,422
	3,999	8,547
Quantity that should have been processed on the basis of number of days actually worked.	4,280	9,000
Shortfall in the quantity processed.	281	453
Percentage of shortfall.	6.5	5.0

The Management stated (March 1975) that the shortfall in the number of working days in the year 1973-74 and the quantity processed was due to:

(*i*) non-availability of raw materials;

(*ii*) repairs and maintenance of the plant;

(*iii*) power cut; and

(*iv*) break down of the plant.

(*b*) *Failure of contractor to supply rice bran.*—In November 1973, the Subsidiary Company entered into contracts for supply of 550 tonnes of rice bran with three parties. The supplies were to be completed by the end of December 1973. The rates were 500 tonnes at Rs. 601 per tonne and 50 tonnes at Rs. 625 per tonne. The parties supplied only 199.220 tonnes and the remaining 350.780 tonnes had to be procured from other sources at higher rates, *viz.*, 324.395 tonnes at Rs. 741 per tonne and 16.385 tonnes at Rs. 740 per tonne. The extra expenditure incurred in the purchase of rice bran from other sources amounted to Rs. 0.49 lakh. In terms of the purchase contract, liquidated damages of Rs. 0.49 lakh were recoverable from the defaulting parties.

12.4. *Oil mill and ginning and pressing factory, Kapadwanj.*—(*a*) In November 1972, the Subsidiary Company decided to take over an oil mill and a cotton ginning and pressing factory at Kapadwanj (both run in one premises and by one Management) on lease for a period of five years, on an annual lease rent of Rs. 3.66 lakhs, with an option to purchase the assets at a value of Rs. 28 lakhs any time during the currency of or immediately on termination of the lease. It was expected that production of cotton seed oil would augment the supplies of edible oils. The units were taken over on 15th November 1972, but a lease agreement was not executed for want of lawful title of the lessor to the properties. The lease was terminated in November 1974 and the units were returned to the lessor on 15th November 1974 as these were incurring heavy losses and also because the title of the property was not clear.

The factory had a cotton seed processing and oil milling section, a solvent extraction plant and a cotton ginning and pressing section. Various units of the factory had been idle for a considerable time before their take over in November 1972. The Subsidiary Company had to spend the first few months in cleaning and overhauling the various sections of the factory. The units, except the solvent extraction plant, were commissioned after repairs and put to use from January 1973; the solvent extraction plant was put to use from June 1973. The details of the operation of the oil mill units for the years 1973 and 1974 (upto the date of surrender) are given below:

Unit	Installed capacity for processing per day / per year (tonnes)	Item processed	Actual quantity processed during the year 1973	Actual quantity processed during the year January to 14th November 1974 (In tonnes)	Percentage of actual quantity processed to capacity 1973	Percentage of actual quantity processed to capacity January to 14th November 1974
Cotton seed processing and oil milling section.	50 / 15000	Ground nut	1145	—		
		Ground nut seeds	3101	—		
		Cotton seeds	1829	3292		
		Sunflower seeds	100	—		
			6175	3292	41.2	25.1
Solvent extraction plant.	40 to 45 / 12000 to 13000	Ground nut cake, Cotton seed cake	3939	1547		
			3939	1547	31.5	13.9

The oil mill units worked below capacity during both the years. The Management (March 1975) attributed the short-fall to the following:—

(i) In the initial months, the Subsidiary Company was busy with posting of staff, renewal of licences etc;

(ii) the mill was very old, and

(iii) incentive on export of cotton seed extractions was withdrawn by the Government of India.

The cotton ginning and pressing unit with an installed capacity of about 12,000 bales in a season of six months was not utilised at all. Proportionate lease rent for this unit works out to Rs. 0.70 lakh for the two years period. The Management stated (March 1975) that the company considered the utilisation of the unit and decided that in view of high business risk involved in entering into the speculative cotton trade, the Subsidiary Company should lease out the capacity to outside parties. Not a single party came forward for taking the unit on rental basis and the ginning and pressing unit remained unutilised.

The working of this factory resulted in loss of Rs. 9.98 lakhs during the period of the lease. The table below indicates the details of revenue earned, expenditure on pay and allowances, lease money paid and other items of expenditure for the two years of its operation:

(Rupees in lakhs)

	1973	1974
Revenue earned.	60.63	59.32
Pay and allowances.	3.43	1.87
Lease money paid.	4.12	3.21
Other items of expenditure.	58.48	58.82
Loss incurred.	5.40	4.58

(*b*) *Purchase of cotton seeds.*—In December 1973, the Subsidiary Company entered into contracts through two brokers for purchase of 450 tonnes of cotton seed at Rs. 411 per 300 Kgs. The quantities were to be delivered on or before 31st January 1974. As the suppliers failed to effect deliveries, cotton seeds had to be purchased from other sources, 504 tonnes at Rs. 460 per 300 Kgs. and 54 tonnes at Rs. 405 per 300 Kgs. Liquidated damages of Rs. 0.33 lakh recoverable from the parties have not been recovered. The Management stated (March 1975) that legal action was being taken for the recovery.

(*c*) *Sale of cotton seed oil.*—The oil mill unit entered into a sale contract in December 1973 for supply of 50 tonnes of cotton seed oil to a firm of Bombay at Rs. 60 per tin of 10 Kgs., supply to be effected on or before 15th February 1974. Although the production and the stock position of cotton seed oil was not adequate to meet this commitment, a second contract was entered into with a firm of Delhi on 23rd January 1974 for immediate delivery of 20 tonnes of cotton seed oil at Rs. 65 per tin. The supply against the second contract was completed by 4th February 1974. The commitments against the first contract could not be fulfilled to the extent of 30 tonnes and liquidated damages of Rs. 0.38 lakh had to be paid to the Bombay firm. Had the second contract not been entered into, it would have been possible to supply additional 20 tonnes against the first contract and thereby the payment of liquidated damages could have been reduced by Rs. 0.25 lakh.

12.5. *Procurement of ground nut oil for the State Government*.—The State Government entrusted (October 1972) to the Subsidiary Company the work of procuring 14000 tonnes of ground nut oil for the year 1972-73 on one per cent commission payable on the purchase price. The Subsidiary Company was allowed complete discretion either to purchase ground nut and ground nut seeds and arrange their crushing or to purchase ground nut oil from the open market either by itself or through agents. The table given below indicates the total quantity of oil procured during the years 1972 and 1973:—

Item	1972		1973	
	Tin	Tonnes	Tin	Tonnes
(i) Procurement of seeds	—	—	—	20,245
(ii) Procurement of ground nuts	—	7,594	—	15,286
(iii) Oil obtained out of (i) and (ii) above.	152,195	2,420	771,890	12,306
(iv) Oil purchased from market	294,375	4,661	203,600	3,258
(v) Oil procured from other sources	—	—	11,424	183
(vi) Total quanitity of oil procured	446,570	7,081	986,914	15,747

The following points were noticed while reviewing the transactions of the procurement of ground nut seeds and oil.

(*a*) The average rate per tin of oil (17 Kg. with tin) extracted out of ground nut/ground nut seeds procured by the Subsidiary Company was Rs. 66.16 in the year 1972 and Rs. 106.69 in the year 1973 while the rate of oil purchased from the open market was Rs. 65.03 in the year 1972 and Rs. 95.99 in the year 1973.

(*b*) The price of ground nuts and ground nut seeds purchased were regulated on the basis of recovery of 70 per cent seeds from ground nuts and 40 per cent oil from the seeds. In respect of the purchase made in the year 1973, the actual recovery of seeds from ground nut was to the extent of 68.1 per cent on an average. This was stated to be due to bad ground nut crop during the 1972-73 season.

(*c*) In order to fulfil its commitments for the year 1973, the Company purchased ground nut seeds from other States also because of the lean crop in the State. In January 1973 a firm of Bombay was appointed as agent for procurement of ground nut seeds from Madhya Pradesh on a commission of one per cent on the purchase price.

The agent purchased in all 75,494 bags (5,657.558 tonnes) of ground nut seeds on the basis of 2½ to 4 per cent refraction (non-oil bearing matter). These refractions were checked on behalf of the Company by the agent at the point of procurement and again at the crushing centres jointly by the crushing mill and the representatives of the Company. It was noticed at the crushing mill that refraction percentages were in excess of the permissible limits and Rs. 2.84 lakhs were recoverable from the agent as penalty. The agent rejected the claim in September 1973 on the grounds that the oil mills, except one, did not allow the agent's representative access for joint inspection and that samples drawn by the mills were not preserved and were not available for further inspection. The matter regarding recovery of penalty was stated to be under negotiation (March 1975).

The agent engaged a firm at Indore as their sub-agent for procurement of ground nut seeds in Madhya Pradesh. It was observed that against the payment of Rs. 152.28 lakhs for 62521 bags (4689 tonnes) of ground nut seeds purchased by the sub-agent the Subsidiary Company was billed Rs. 153.99 lakhs resulting in an overpayment of Rs. 1.71 lakhs. Besides, the details in support of the purchase of 12987 bags at the cost of Rs. 30.57 lakhs made by a sister concern of the sub-agent were not furnished to the Company for verification. Recovery of the extra expenditure was stated to be under negotiation (March 1975).

Demurrage and wharfage charges amounting to Rs. 0.64 lakh were paid at four centres on account of non-receipt of railway receipts in time from the agent who despatched the materials to 'Self'. The claim was accepted by the agent but the recovery remained to be effected (March 1975).

(*d*) In the following cases, transit losses in the despatches of ground nuts were found to be excessive:

Consignor	Quantity despatched	Shortage at the crushing centre	Percentage of loss
	(In tonnes)		
(1) Firm A	529.571	35.052	6.6
(2) Kapadwanj Unit of the Subsidiary Company	603.013	18.541	3.07

The heavy losses in transit have not been investigated (March 1975).

(*e*) *Shortage and theft of oil tins.*—There was a shortage of 3 tins of oil in transit from crushing centres to warehouse centres for storage. A theft of 131 tins while in storage was also noticed at three warehouse centres (Dohad, Jamnagar and Junagadh). These losses of 134 tins of oil (value : Rs. 0.16 lakh) noticed in November 1973 have not yet been investigated (March 1975).

13. Gujarat Agro-Marine Products Limited :

13.1. The Subsidiary Company commenced business from 6th June 1972. The paid-up capital as on 31st December 1973 was Rs. 25.01 lakhs, subscribed almost entirely by the Holding Company. The Subsidiary Company also received loans from banks and the Holding Company. The balance of loans outstanding as on 31st December 1973 was Rs. 29.09 lakhs (Rs. 13.51 lakhs from banks and Rs. 15.58 lakhs from the Holding Company).

13.2. *Working results.*—The working results of the Subsidiary Company for the two years 1972 and 1973 are tabulated below:

	1972	1973
	(Rupees in lakhs).	
Income	24.45	44.23
Increase/decrease in closing stock	7.09	(—)0.45
	31.54	43.78
Expenditure	40.98	65.56
Net profit (+)/loss (—) for the year	(—)9.44	(—)21.78
Progressive loss to the end of the year	(—)9.44	(—)31.22

In regard to the heavy losses the following may be mentioned:

(*i*) Purchase of large stock of fish for processing was made during January to May 1973, at high prices which together with other overheads like handling, transportation, processing and packing expenses, were not commensurate with the sale value;

(*ii*) There was lack of adequate control over the purchase of raw fish, its quality and price and delivery of raw fish to the processing plant and receipt of processed fish from the processing contractor.

13.3. *Operation.*—The activities of the Subsidiary Company are confined to procuring fresh fish and selling them either fresh or after drying or processing, in home or/and foreign market. Purchase of fish is being effected at Veraval and Bombay. Fresh fish is being sold at Ahmedabad, Surat, Bombay, Delhi, Calcutta through agents. Processing of fish was being done at Bombay through a private party.

13.4. *Processing of fish at Bombay.*—As the Subsidiary Company did not own a fish processing plant, it entered into an agreement with a firm of Bombay, for proceessing of fresh fish. The agreement contained *inter-alia* the following terms and conditions:—

(*i*) The agreement would subsist for a period of nine months from 1st September 1972 to 31st May 1973;

(*ii*) The Subsidiary Company would provide headless shrimps (prawns) and lobsters and the processing firm would process the material storing the packed material in freezer rooms upto four weeks;

(*iii*) The Subsidiary Company was to pay Rs. 2 per Kg. of shrimps and Rs. 1.50 per Kg. of lobster tails packed material; it was also to provide packing material at its own cost;

(*iv*) If the Subsidiary Company was not able to provide 40 tonnes of materials per month (not exceeding $3\frac{1}{2}$ tonnes per day) it was required to pay compensation for the short-fall at the rate of Rs. 2000 per day for non-utilisation of capacity; and

(*v*) In the event of any difference or dispute between the parties, the decision of the Chairman of the processing firm was to be final and binding on both the parties.

The agreement with the processing firm did not provide for the maximum permissible loss during processing and penalty on the processing firm for excessive loss. The details of the quantity supplied and the processed fish received during the nine month period of the agreement are indicated below:

(Quantity in Kg.)

	Prawns	Lobster tails
Fish given for processing.	350,885	17,804
Procurement wastage.	3,509	..
Net available for processing.	347,376	17,804
Production of processed fish.	266,898	13,284
Processing loss.	80,478	4,520
Percentage of processing loss.	23.2	25.4
Average sale price per Kg.	Rs. 12	Rs. 40
Value of processing loss (in lakhs of Rupees).	9.66	1.81

The total value of processing loss at the average selling price works out to Rs. 11.47 lakhs. In the absence of specific provision in the agreement regarding the process losses no action has been taken against the processing firm (March 1975). The Subsidiary Company had not also maintained proper records of the quantity of fish supplied to the processing firm and the processed quantity received; the figures furnished by the processing firm were accepted.

The agreement provided that if the Subsidiary Company failed to provide 40 tonnes of raw material per month (not exceeding three and half tonnes per day) then compensation would be paid for the shortfall at the rate of Rs. 2000 per day towards non-utilisation of capacity. There was, however, no provision in the agreement regarding the method of conversion of the quantity on daily basis. The processing firm claimed compensation amounting to Rs. 34,650 on the basis of Rs. 46,000 per month, after deducting processing charges for the quantity actually processed during the period from January to May 1973. The Board of Directors on 27th November 1972 decided to stop procurement and processing of fish at Bombay due to high procurement price and downward trend of prices in the export market. The General Manager, however, continued the operations upto May 1973 on the ground of commitments made with the processing firm. The Subsidiary Company sustained an operating loss of Rs. 10.96 lakhs and net loss of Rs. 15.54 lakhs during the five months from January 1973 to May 1973. Against this loss, the maximum compensation payable to the processing firm would have been Rs. 2.30 lakhs (Rs. 46000 $\times$ 5).

13.5. *Wasteful expenditure.*—(*a*) A General Manager was appointed by the Subsidiary Company on 21st March 1972 at Ahmedabad. He resigned from service on 31st May 1973. During his tenure of 435 days in office, he remained on tour for 335 days and drew travelling allowance of Rs. 0.43 lakh, against his total salary of Rs. 0.31 lakh. His tours included a trip to Singapore for sixteen days during which Rs. 5,000 were spent on travelling expenses.

(*b*) Interest-free advances aggregating Rs. 11.12 lakhs were given to the contracting fishermen for securing regular supplies of fish during the fishing season 1972-73 (*i.e.* from September 1972 to May 1973). The advances were recoverable by adjustment from the price of fish supplied by the fishermen to the Subsidiary Company at 25 per cent of the value of each bill. The Subsidiary Company purchased fish of the value of Rs. 11.75 lakhs from these fishermen during the fishing season of 1972-73. Rupees 1.05 lakhs were outstanding from eight parties upto March 1975. The Subsidiary Company initiated legal action against four parties for recovery of Rs. 0.52 lakh. Remaining four parties had agreed to supply fish during the subsequent fishing season (1974-75) for Rs. 0.53 lakh. However, no recovery could be effected from the four parties.

(*c*) The trading activities of the Subsidiary Company were carried on from Veraval and Bombay, but office premises were hired at Ahmedabad at monthly rent (inclusive of taxes) of Rs. 4,600 during the period from 6th June 1972 to 14th January 1974. The expenditure incurred on rent amounted to Rs. 0.88 lakh. The rented premises were surrendered on 14th January 1974.

13.6. *Purchase of boats.*—In January 1972, the Subsidiary Company decided to acquire boats for its fishing operation. An order for five boats (after inviting tenders) was placed in February 1972 on a party of Ahmedabad at the cost of Rs. 94,501 each, excluding sales tax. The boats were received in December 1972, at a total cost of Rs. 5.11 lakhs (including sales tax). Subsequently in May 1972, the Subsidiary Company decided to purchase five more boats. After inviting fresh tenders, another order was placed on the lowest tenderer at Rs. 1.09 lakhs each, including sales tax. These five boats were also received in December 1972 at a total cost of Rs. 5.63 lakhs. The Subsidiary Company did not make efforts to increase the number of boats in the contract with the Ahmedabad party. Due to purchase of boats in piecemeal the Subsidiary Company had to incur extra expenditure of Rs. 0.52 lakh on the later purchase of five boats compared to the rates of the earlier purchase.

The ten boats were put into operation by the Subsidiary Company during the months January to May 1973, five at Bombay and five at Veraval. During the five months, the catch from the boats at Bombay was only to the extent of 5055 Kgs. prawns and 96 Kgs labsters. The total catch by the boats at Veraval during five months was of the value of Rs. 0.91 lakh.

As the catch from its own fishing operation in the 1972-73 season was not encouraging, the Subsidiary Company decided in August 1973 to hire out the boats from 1973-74 season to prospective fishermen. Accordingly, after inviting tenders, five boats were rented out for the period from 16th October 1973 to 31st May 1974 at a monthly rent of Rs. 2,631 for each boat. The remaining five boats, which were operating at Bombay in the previous season, were put away near Daman during the monsoon and those could not be brought to Veraval before December 1973. Out of the five boats at Bombay one boat was under repairs upto March 1974, one boat was reserved for hiring out to the Gujarat Fisheries Central Co-operative

Association and the remaining three boats were hired out in December 1973 at monthly rents varying from Rs. 2,701 to Rs. 2,750. Had timely action been taken to repair all the boats and to make them available at the commencement of the fishing season, the Subsidiary Company could have earned an additional revenue of Rs. 0.29 lakh by way of hire charges.

The boats were acquired at a total cost of Rs. 17.94 lakhs. The annual expenditure on the boats by way of depreciation and interest on fixed capital and repairs and insurance works out to Rs. 4.20 lakhs, as against the return of Rs. 1.50 lakhs (approximately) from hiring out during the fishing season 1973-74.

13.7. *Loss in purchase and sale of dried fish.*—The Subsidiary Company had a stock of 9010 Kgs. of dried fish valued at Rs. 2.31 lakhs at Daman in April 1973. In October 1973, when the stock was sold on actual weighment, it was found to be only 6739 Kgs. The sales value realised was Rs. 1.33 lakhs. There was a loss of Rs. 0.98 lakh in the transaction. The Management stated (March 1975) that the heavy shortage of 2,271 Kgs. in storage was being investigated by the Anti-Corruption Bureau.

The Management further stated (March 1975) that total procurement was 31000 Kgs. and as the stock was not weighed month by month due to lack of space in godown, the shortage was noticed only at the time of its disposal.

14. Other topics of interest :

14.1. *Agency work on behalf of Cotton Corporation of India Limited.*—With a view to relieving the distress of the farmers who were facing acute glut of cotton the Company entered into an agreement (May 1972) with Cotton Corporation of India Limited to work as its nominee for purchase of *Kapas* (raw cotton) during 1972-73 on payment of one per cent ($\frac{1}{2}$ per cent as commission and $\frac{1}{2}$ per cent as interest on the investment) on the net value of purchases. The Company commenced purchases from 4th May 1972 and obtained (upto 5th July 1972) 162.634 quintals of cotton and 99.065 quintals of cotton seeds after processing, at a total cost of Rs. 360.87 lakhs.

Subsequently, the Cotton Corporation of India Limited pointed out (on 9th June 1972) that only the *Kapas* purchased and processed before the onset of monsoon, *i.e.* 27th June 1972, would be accepted. Hence 27.159 quintals of cotton and 16.669 quintals of cotton seeds of the value of Rs. 70.77 lakhs were rejected. The material was sold by the Company during 1972-73 and 1973-74 for Rs. 72.76 lakhs at a profit of Rs. 1.99 lakhs. In addition, Rs. 2.33 lakhs were received towards agency commission. It was, however, noticed that the Company had arranged for a loan (upto Rs. 200 lakhs) at 12 per cent interest and paid Rs. 7.85 lakhs towards interest on the loan actually drawn. The Company thus suffered a loss of Rs. 3.53 lakhs in the transaction.

14.2. *Purchases of hybrid cotton.*—With the object of helping the farmer of Bhavnagar district an agreement was entered into between Cotton Corporation of India Limited, the Company and representatives of farmers during 1972-73 according to which the Company was to procure hybrid-4-cotton from farmers on behalf of Cotton Corporatin of India Limited at rates to be based on quality survey report of the East India Cotton Association Limited, Bombay. Accordingly, the Company procured (May 1972) 400 bales of cotton valued Rs. 4.15 lakhs. Cotton Corporation of India Limited, however, refused (July 1972) to accept the material on the plea that its quality was below the normal standard. The Company had to sell (April 1973) the cotton in open market at a loss of Rs. 1.27 lakhs. The amount was claimed (November 1973) from Cotton Corporation of India Limited. The claim has not been settled so far (March 1975).

14.3. *Payment of customs duty.*—In April 1970, the Company imported spare parts worth Rs. 9.45 lakhs for RS O9 tractors through Tamil Nadu Agro Industries Corporation Limited. Customs duty amounting to Rs. 0.92 lakh on the spare parts was paid by the importer and was charged to the Company.

Under the Ministry of Finance notification dated 5th January 1963, spare parts of tractors imported solely for agricultural purpose were exempted from custom duty. The Company was not aware of the exemption and came to know of it only in November 1970. In December 1970 and again in March 1972, the Company lodged a claim for return of duty which was rejected by the customs authorities on the ground that the application for refund was time-barred. The Management stated (March 1975) that the customs duty paid had been taken into account while fixing the price of the spare parts.

SECTION III

GUJARAT MINERAL DEVELOPMENT CORPORATION LIMITED.

1. Introduction :

The Gujarat Mineral Development Corporation Limited was incorporated on 15th May 1963 with the main objects of undertaking mining, beneficiation and refining of minerals, production and sale of metals and all other activities connected therewith.

The working of the Company was examined by the Committee on Public Undertaking in their Fourth Report (Third Gujarat Vidhan Sabha) of October 1970. The working of the Company was also reviewed in paragraph 100 of the Report of the Comptroller and Auditor General of India for the year 1970-71.

2. Capital structure :

The authorised capital of the Company, which was initially Rs. 50 lakhs, was raised to Rs. 500 lakhs in 1971-72. The paid-up capital as on 31st March 1974 was Rs. 318 lakhs, entirely subscribed by the State Government.

In addition, the Company obtained loans from time to time from Government and banks. The total amount of loans outstanding as on 31st March 1974 was Rs. 208.43 lakhs as under :

	(Rupees in lakhs)
Loans from Government ;	
(a) Long-term loans	82.80
(b) Short-term loans	50.00
	132.80
Loans from commercial banks	75.63
	208.43

3. Profitability analysis :

(*a*) *Financial position*:—The table given below summaries the financial position of the Company for the three years ending 1973-74.

	1971–72	1972–73	1973–74
			(Rupees in lakhs)
A. Liabilities:			
Paid-up Capital	237.00	267.00	318.00
Reserves and surplus	15.65	16.26	20.95
Borrowings	199.97	213.83	208.43
Current liabilities and provisions	37.62	28.25	33.42
	490.24	525.34	580.80
B. Assets:			
Gross block	319.80	327.20	339.22
Less depreciation	24.62	38.84	56.94
Net fixed assets	295.18	288.36	282.28
Capital works-in-progress (including machinery awaiting installation)	3.13	0.34	1.34
Current assets, loans and advances	159.22	208.94	268.99
Miscellaneous expenses	19.70	17.56	28.19
Accumulated losses	13.01	10.14	..
	490.24	525.34	580.80
Capital employed (net fixed assets *plus* working capital)	416.78	469.05	517.85
Net worth (paid-up capital *plus* reserves *less* miscellaneous expenses)	219.94	255.56	310.76

(*b*) *Working results.*—The table given below summarises the working results of the Company for the three years ending 1973-74.

(Rupees in lakhs)

	1971-72	1972-73	1973-74
Sales income	59.68	127.00	127.76
Other income	2.00	1.62	1.69
Increase in the stocks of ore, finished products, etc.	69.48	22.00	12.94
Total	131.16	150.62	142.39
Expenditure (before charging interest)	107.47	127.30	106.81
Profit before interest charges	23.69	23.32	35.58
Interest charges	15.20	16.91	17.71
Net profit	8.49	6.41	17.87

Profitability ratios:

Percentage of profits to :	1971-72	1972-73	1973-74
(*a*) Sales	14.23	5.05	13.99
(*b*) Capital employed	2.04	1.37	3.45
(*c*) Net worth	3.86	2.51	5.75
(*d*) Equity capital	3.58	2.40	5.62

4. Review of operations :

The Company, for the fulfilment of its objectives, had undertaken the following projects which were in various stages of operation and execution:

(*a*) Fluorspar mining and beneficiation.

(*b*) Glass sand/silica sand mining and processing.

(*c*) Lignite mining.

(*d*) Bauxite mining.

(*e*) Base metal mining.

(*f*) Synthetic cryolite and aluminimum fluoride project.

These activities are dealt with in the succeeding paragraphs.

5. Fluorspar mining and beneficiation :

5.1. *Mining.*—Fluorspar is an important industrial mineral used mainly as a fluxing material in the steel and aluminium industries, for making synthetic cryolite in production of aluminium and in the chemical industries for the manufacture of hydrofluoric acid and fluorine compounds. In the year 1964, the Geological Survey of India estimated the reserves of fluorspar at Ambadungar mines at 11.6 million tonnes of calcium fluorite—30 per cent grade. In June 1965, the Company was granted by the Government of Gujarat an exclusive mining right for exploitation of fluorspar deposit over an area of about 3200 acres. Fluorspar mining and its beneficiation is the main activity of the Company. Mining of fluorspar deposits commenced in the year 1965-66. The mined ore was initially separated by hand picking based on the percentage of calcium fluorite in the ore. In December 1970, the Company set up a beneficiation plant, which was the first of its kind in India.

The table below shows yearwise targets of mining, actual production, cost of mining as per the project report and the actual cost for the four years ending 1973-74:

Year	Targets of production	Actual production	Percentage of shortfall in production	Cost of mining at mine site: As per project report	Cost of mining at mine site: Actual
	(in tonnes)			(in Rupees per tonne)	
1970–71	1,50,000	58,242	61.67	17.26	23.50
1971–72	1,50,000	53,395	64.40	17.26	27.23
1972–73	1,50,000	32,205	78.53	17.26	43.81
1973–74	1,50,000	30,912	79.39	17.26	42.26

The gradual decline in the production of fluorspar during the years 1971-72 to 1973-74 was ascribed by the Management to:

(*i*) accumulation of raw ore at the plant site due to imbalance in the extraction of ore in the earlier years;

(*ii*) reduction in the operating capacity of the beneficiation plant due to trouble in the plant; and

(*iii*) accumulation of stocks of finished products.

The stock of raw ore at the plant and mine sites as on 31st March 1974 was 1.59 lakh tonnes.

5.2. *Beneficiation plant.*—In order to be useful to industries, the fluorspar mined needs a certain minimum calcium fluorite content. The fluorspar mined by the Company was of low grade containing about 30 per cent of calcium fluorite and was thus required to be beneficiated to the required grade. For the purpose the Company appointed a firm of Consulting Engineers in January 1965. At the request of the Company in June 1966. laboratory tests were also undertaken by the National Metallurgical Laboratory, Jamshedpur, to study the amenability of the fluorspar deposit of Ambadungar area to beneficiation. The sample studies indicated that the fluorite concentrates of the desired purity could be obtained from the samples. Based on the study, the Laboratory prepared in July 1968 a process flowsheet for setting up a beneficiation plant with capacity for treating 500 tonnes of run of mine ore per day for simultaneous production of acid and metallurgical grade concentrates by floatation method. The process was expected to give simultaneous production of acid grade concentrate assaying 98.2 per cent calcium fluorite and of metallurgical grade concentrate assaying 90 per cent calcium fluorite.

5.3. *Cost estimates.*—The comparative details of the cost estimates prepared by the Consulting Engineers (December 1966) and the National

Metallurgical Laboratories (NML) (July 1968) and the actual cost of the beneficiation plant are given below:

(Rupees in lakhs)

Heads of expenditure	Cost as per the Consulting Engineers (December 1966)	Cost as per NML estimates (July 1968)	Actual cost of the plant
Land and building	34.25	25.00	83.58
Main plant and equipment	83.99	180.00	179.81
Utility and auxiliary equipment	55.23	55.00	63.60
Contingencies and consultation fees	12.31	16.00	5.90
	185.78	276.00	332.89

The increase in actual cost over the estimates was attributed by the Management in September 1971 to:

(*a*) delay in finalisation of a detailed flowsheet giving the process know-how, technical data and specification of different plants and equipment resulting in corresponding delay in finalisation of the contract for purchase of plant and machinery; and

(*b*) the estimates being unrealistic due to uneven terrain and remoteness of the site.

The Management further stated (March 1975) that the estimates were made on an ad-hoc basis in the absence of process flowsheet and when the actual flowsheet was given by the National Metallurgical Laboratory, it was found that the process was much more complicated. Hence, many items of equipment and auxiliaries, which were not included earlier, had necessarily to be procured increasing the total cost of the project.

5.4. *Delay in commissioning the plant.*—In May 1968, the Company awarded the contract for engineering, manufacture, supply, erection and commissioning, including civil construction works, of the beneficiation plant to a firm of Calcutta on turnkey basis at a total cost of Rs. 120 lakhs. The agreement with the firm was, however, signed in May 1970. As per the contract, the supply, erection and commissioning of the plant was to be completed within 16½ months from 1st June 1968, with a grace period of 6 weeks after which the penalty clause in the contract was to be attracted. Accordingly, the plant should have been erected and commissioned by 1st December 1969 without invoking the provisions of the penalty clause. The plant was actually commissioned on 1st December 1970. Penalty at the rate of ¼ per cent per week subject to a maximum of 3 per cent of the total price of the contract, worked out to Rs. 3.60 lakhs which was not imposed on the contractor as the machinery and equipment could not be transported to site due to heavy rainfalls and floods in the river Narmada during 1968-69, resulting in stoppage of heavy traffic.

5.5. *Plant capacity and out-turn.*—(*a*) According to the process flowsheet given by the National Metallurgical Laborotory, the plant should give, for an input of 500 tonnes of run of mine ore, the final product of 106.5 tonnes of acid grade concentrate and 21.5 tonnes of metallurgical grade concentrate. The plant designed on the basis of this flowsheet had a capacity to treat 500 tonnes of run of mine ore per day of three shift working and was expected to give an output of 128 tonnes of beneficiated fluorspar per day. The total installed capacity of the plant was 38,400 tonnes per year of 300 working days. However, considering that the best perfomance to be obtained from the various machinery to work in conformity would not give more than 80 per cent efficiency, the Company in 1971-72 fixed the optimum capacity of the plant at 30,000 tonnes per year. The table below summarises the actual production as compared to the installed capacity and the derated capacity for the three years ending 1973-74.

(Quantity in tonnes)

	1971-72	1972-73	1973-74
1. INSTALLED CAPACITY :			
(A) acid grade	12800	12800	12800
(B) metallurgical grade	25600	25600	25600
(C) total	38400	38400	38400

(Quantity in tonnes)

	1971-72	1972-73	1973-74
2. DERATED CAPACITY :			
(A) acid grade	10000	10000	10000
(B) metallurgical grade	20000	20000	20000
(C) total	30000	30000	30000
3. ACTUAL PRODUCTION :			
(A) acid grade	2474	3696	2990
(B) metallurgical grade	10072	7581	8364
(C) total	12546	11277	11354
4. PERCENTAGE OF ACTUAL PRODUCTION :			
(A) to installed capacity	32.7	29.4	29.6
(B) to derated capacity	41.8	37.6	37.9

The following reasons for the low production were stated by the Management (July 1974).

(*i*) Problems in the operation of the plant which was not giving the desired product mix and the expected quantitative output and

(*ii*) Forced curtailment of metallurgical grade fluorspar powder due to insufficient demand in the country resulting in accumulation of stock.

(*b*) The plant was designed to give an yield of 25 per cent of the input. The table given below indicates the quantity of run of mine ore fed, expected beneficiated production, actual production and the percentage yield for the three years ending 1973-74.

(Quantity in tonnes)

	1971-72	1972-73	1973-74
Raw ore fed	61,688	57,866	57,979
Expected beneficiated production	16,656	15,624	15,654
Actual yield	12,546	12,277	11,354
Percentage of yield	20.3	21.2	19.6

The Management stated (March 1975) that the yield as per the National Metallurgical Laboratory recommendation was on the basis of ore crushed having calcium fluorite between 27 and 30 per cent in the feed. As the calcium fluorite content in the feed had fluctuated widely, this resulted in lower yield.

(*c*) It was noticed that the plant was not able to give the expected product mix as also the required concentrates in acid grade fluorspar.. The production of acid and metallurgical grade fluorspor was in the ratio of 1:3 as against the prescribed ratio of 1:2. It was also not possible to obtain acid grade concentrates of 96 per cent and above with phosphorous pentoxide (P2 05) content restricted to 0.1 per cent. Phosphorous pentoxide content in acid grade fiuorspar was found to be 1.7 per cent which was considered very high and the product was not acceptable to the sophisticated chemical industries.

In July 1973, the Company, after consulting the National Metallurgical Laboratory, the National Chemical Laboratory and the Indian Bureau of Mines, made some adjustments in the process which resulted in slight improvement in the availability of the acid grade concentrates, and in reducing the phosphorous pentoxide content to 0.25 per cent. The Company is stated to have been trying since 1972 to obtain assistance from reputed foreign chemical laboratories for overcoming these difficulties and for effective removal of phosphorous and iron bearing minerals.

(d) According to the Company's estimates (July 1974) the annual demand of acid grade fluorspar in the country is about 15,000 tonnes and that of metallurgical grade fluorspar about 12,000 tonnes. As the designed product mix of the beneficiation plant is 1:2, it would hardly be able to meet the requirement of acid grade fluorspar at its present level of production, even if the plant is able to give the designed product mix in actual production. Actually, the plant has not been able to give the designed product mix and the production of acid grade fluorspar is much less. The Company has also not been able to achieve the objective of import substitution to the desired extent. If the Company has to produce the full requirement of acid grade fluorspar even at the designed product mix, it would have on hand a large quantity of metallurgical grade fluorspar for which there may be no demand.

(*e*) Metallurgical grade fluorspar is available in powder form which requires pelletization before being used for metallurgical industries. As a pelletization plant was not installed simultaneously with the beneficiation plant, the Company could not market the metallurgical grade powder. This, coupled with lack of demand for metallurgical grade fluorspar, resulted in heavy accumulation of stocks creating problems of storage. The Company, therefore, curtailed the level of production so as to put a check on accumulation of stocks and this reduced the production of acid grade fluorspar.

5.6. *Briquetting of the fluorspar powder.*—(*a*) In order to overcome the difficulties in selling metallurgical grade fluorspar in powder form, the Company decided to instal a briquetting plant, which was to be imported. Till such time as the briquetting plant was erected and commissioned, the Company in August 1971 decided to entrust the work of briquetting to other agencies. In July 1971, an offer was received from a firm of Bombay to agglomerate the metallurgical grade fluorspar powder in the form of bricks, which was accepted in September 1971, at the negotiated rate of Rs. 115 per tonne, for a minimum period of one year. The value of the contract was estimated to be Rs. 13.80 lakhs. The Company awarded the contract to the Bombay firm without inviting tenders from the open market. In April 1972, it was felt that the rates paid to the firm were on a high side. In April 1972, tenders were invited and the lowest acceptable offer of the same firm of Bombay was accepted, *vide* details below:

	Rate per tonne (Rupees)
For the first 1040 tonnes	90
For the next 1040 tonnes	88
For the next 1040 tonnes	86
For the next 1040 tonnes	84
For the next 1040 tonnes	82
For further quantities	80

The new contract was to be initially valid for six months and was to be effective after the expiry of the existing contract, i.e. from 4th September 1972. During the first year of the contract, 3957 tonnes of briquetting was done on which the Company paid extra charges of Rs. 1.10 lakhs approximately, on the basis of the rates quoted in the subsequent tender by the same firm.. The Management stated (March 1975) as under:

> "The firm were the only party to purchase flourspar in powder form and sell the same to steel industries after agglomerating the same by using necessary binders. In order that the Company might be able to get the briquetting work done under direct supervision, it was thought advisable to write to the said party to carry out at the project. .... The firm were having knowledge and know-how of briquetting.......... In addition, they had also sold our beneficiated flourspar by converting it into briquettes. .... This was an advantage as the question of getting the briquettes approved from the various customers was automatically solved............"

(*b*) Metallurgical grade flourspar was supplied to the firm for briquetting, in the form of filter cakes (containing 10 to 15 per cent moisture). No record of the quantity of filter cakes converted into briquettes was kept by the Company. The firm was paid on the basis of deliveries of briquettes made by them. For production records the weight was arrived at by volumetric measurements by calculating the average quantity filled in the bags at a pre-determined level so as to contain about 50 Kgs. per bag. This method continued upto 13th June 1972. The system of actual weighment by loading the filter cakes into dumpers and weighing them on a weigh-bridge was introduced from 14th June 1972. On reconciliation of figures of production and stock upto 13th June 1972, it was noticed that there was a shortage of 594 tonnes of filter cakes valuing Rs. 4.01 lakhs. As the quantity of filter cakes supplied to the contractor was not recorded on actual weighment basis upto 13th June 1972, it could not be ascertained whether, and to what extent, the shortage can be attributed to the briquetting contractor.

(c) *Briquetting plant*.—The contract for briquetting of metallurgical grade fluorspar was terminated with effect from 4th March 1973. The imported briquetting plant was to be received and commissioned by

November 1973. In order to carry out briquetting work departmentally during the intervening period from March 1973 to September 1973, the Company installed on 23rd March 1973 briquetting machinery worth Rs. 0.50 lakh which was purchased from a firm of Baroda. Performance test of these machines was carried out in March 1973 at the works of the supplier before the delivery was taken. However, after installation it was found that the plant was not working satisfactorily. From April 1973 to November 1973, the total production was about 215 tonnes only as against the capacity of briquetting of 10 to 15 tonnes per day. The machines did not work after initial working for some days. Further, spare parts valuing Rs. 9,244 were also purchased after the plant was installed. The plant and the spares are lying idle in stock except machinery worth Rs. 18,381, which have been sold (January 1975) for Rs. 16,800. The Management stated (March 1975) that the remaining machinery and spares would be made use of as and when necessary.

5.7. *Payment of electricity duty.*—According to the Rules framed by the State Government, a new industry can claim exemption from payment electricity duty on its consumption of power for the first five years from the date of its commencement. The beneficiation plant at Kadipani was commissioned in December 1970. The Company paid electricity duty amounting to Rs. 3.72 lakhs upto January 1975. Refund of the electricity duty is under correspondence with the State Government (March 1975).

6. Sand stone and silica sand project :

The Governent of Gujarat granted a mining lease in April 1964 to the Company for sand stones at Vavdi in Surendranagar district. Mining of sand stones commenced in February 1965. A plant for preparing and grading silica sand into various sizes was installed in May 1969 at Surajdewal at a total cost of Rs. 5 lakhs.

The plant has an installed capacity of 9600 tonnes per year based on 300 working days, on single shift working at 80 per cent efficiency. Annual capacity of mining of sand stone has not been fixed. Mining of sand stones has been corelated to meet the requirement of the crushing plant as well as the anticipated sales of sand stone in natural form.

The table given below indicates the actual production of sand stone, the annual capacity and actual production of silica sand for the three years upto 1973-74 :

(In tonnes)

Year	Sand stone actual production	Silica sand		
		Annual capacity	Actual production	Percentage of actual production to capacity
1971-72	15162	9600	6800	70.8
1972-73	11558	9600	7506	78.2
1973-74	8356	9600	6104	63.6

The under-utilisation of the silica sand plant was attributed by the Management (March 1975) to:

(*i*) non-availability of railway wagons for transportation of silica sand, transportation by road involving disproportionately higher costs, and

(*ii*) sand stone fed to the plant containing appreciable quantity of clay, which contaminated the final product, thereby adverserly affecting its utilisation.

In December 1973, the Board of Directors decided to undertake a techno-economic feasibility study of installing a sand washing plant for producing finer quality of washed silica sand. Necessary steps for implementing the scheme have not been taken so far (March 1975).

7. Lignite project :

The Company obtained from the State Government in June 1973, a mining lease of 2900 acres of land in Panandro area of Kutch district for exploitation of 96 million tonnes of lignite deposits. With a view to ascertaining its commercial use and feasibility, laboratory tests of samples of lignite were undertaken in June 1970 at the Central Fuel Research Institute, Dhanbad. The studies established, in October 1973, the techno-economic feasibility of utilisation of lingnite for carbonization and briquetting to be used as fuel for domestic and industrial purposes, power generation and manufacture of fertilizers.

The Company decided in January 1974 to take up exploitation of the lignite deposits for commercial use and firm of consulting engineers was appointed in March 1974 to undertake market survey and a study of the location of the plant, capital cost, manufacturing cost, profitability and other matters and to prepare a project report for lignite carbonization and briquetting. The consulting engineers submitted their report in October 1974, which is under examination (March 1975).

The capital outlay on the project is estimated at Rs. 20.76 crores. Upto March 1974, the Company has incurred an expenditure of Rs. 6.21 lakhs on the project. No target date for completion of the project has been fixed. Meanwhile, the Company had taken up mining operations with effect from April 1974.

8. Bauxite project :

In June 1967 and November 1969 the Company obtained licence for mining of bauxite deposits in Kutch and Jamnagar districts respectively. The deposits were estimated at 27 million tonnes in Kutch district and 3 million tonnes in Jamnagar district. Bauxite is used as a raw material for manufacture of metallic aluminium, salts of aluminium, refractory bricks, etc. and as a flux in the steel industry. The mined ore is being supplied by the Company to various industries and other consumers.

The table below summarises the targets fixed for mining, the actual production, cost of production, sales and the closing stock for the four years upto 1973-74:

Particulars	1970–71	1971–72	1972–73	1973–74
Targets fixed for mining (tonnes)	Not fixed	39,000	44,000	64,000
Actual production (tonnes)	21,112	47,441	65,699	45,997
Cost of production at mine site (in Rupees per tonne)	10.58	10.02	10.67	15.78
Sales (tonnes)	16,343	19,361	16,638	25,044
Average selling price (Rupees per tonne)	36.67	35.54	38.77	41.45
Closing stock (tonnes)	17,344	45,424	94,485	1,15,438

Actual production during the year 1973-74 was below the target fixed because of curtailment of production due to huge accumulation of stocks.

Regarding setting up of any specific industrial project based on bauxite, the Management stated (March 1975) that the activities of the Company would be mainly confined to supply of bauxite to the aluminium plants to be set up. Government, however, stated (March 1975) that a proposal to establish an export oriented alumina plant in the State was under the consideration of the Government of India.

9. Base metal project :

In November 1970 the State Government granted a lease for mining of base metal deposits (copper, lead and zinc) available in Amba Mata area of north Gujarat to the Company. The deposits were estimated to be 7.5 million tonnes spread over about 15 square Kms. The Company started exploratory mining in April 1971. In August 1971, the lease was terminated by the Government of Gujarat under the orders of the Government of India as it had been granted by the State Government without the specific approval of the Government of India. The Company had incurred an expenditure of Rs. 0.73 lakh upto August 1971 towards salary and allowances of staff engaged on exploratory mining. On an application to the Government of India the mining lease was restored in favour of the Company and a lease agreement with the Government of Gujarat was executed on 26th July 1973. Expenditure of Rs. 12.94 lakhs was incurred during the years from 1969-70 to 1973-74, including a fee of Rs. 10.58 lakhs paid to Mineral Exploration Corporation of India Limited for exploratory mining.

In February 1973, the Company entrusted the task of exploratory mining to Mineral Exploration Corporation of India Limited, at an estimated cost of Rs. 14.00 lakhs. Report of the Corporation regarding the estimated deposits and bulk sample tests, received in October 1974, is under examination (March 1975). In order to have an overall co-ordination in all technical matters and to ensure that the project is brought to function at the earliest possible date, the Company in May 1973 decided to appoint consulting engineers and invited offers (October 1973) from consulting agencies for preparation of a detailed project report. Final decision regarding the appointment of a consultancy firm has not yet been taken (March 1975).

10. Synthetic cryolite and aluminium fluoride project :

In June 1972, the Company decided to set up a plant for manufacture of synthetic cryolite and aluminium fluoride to be located near the fluorspar project. An application was made to the Government of India for a letter of intent for putting up a plant for manufacture of 3000 tonnes of aluminium fluoride and 5000 tonnes of synthetic cryolite per annum. The Government of India, in December 1972, issued a letter of intent for production of 3000 tonnes of aluminium fluoride and 5000 tonnes of synthetic cryolite. In December 1973, the Government of India issued a revised letter of intent for manufacture of 12000 tonnes of these products. The Company, in the meantime, entrusted the work of preparation of a report on pre-investment study to a firm of consultants in July 1973. The scope of studies included inter alia market survey, trend of consumption of these products in various industries, evaluation of the various processes and recommending suitable process, project location, material balance, sources of raw materials (other than fluorspar), total cost of the project, etc. The consultant gave its report in October 1974. Earlier in December 1973, the Government of India had permitted the Company to go in for import of technical know-how for the project. Necessary proposal for a foreign collaboration was to be submitted to the Government of India before April 1974. The Company has not so far (March 1975) submitted any proposal to the Government of India.

11. Stores control :

(*a*) The table below indicates the comparative position of inventory at the close of each of the years 1971-72 to 1973-74:

(Rupees in lakhs)

	1971-72			1972-73			1973-74		
	Inventory	Inventory expressed as months' sales/consumption.		Inventory	Inventory expressed as months' sale/consumption.		Inventory	Inventory experessed as months' sales consumption.	
		Months	Days		Months	Days		Months	Days
Stores and tools	31.17	9	10	36.28	9	24	39.90	16	..
Goods in process	6.07	0	18	7.12	0	18	66.40	6	15
Finished goods	61.84	13	13	77.09	8	08	29.31	4	..
Mined ore (bauxite)	4.82	..	..	10.19	..	..	14.41	..	..
Mined ore (fluorspar and silica sand)	43.65	24	08	43.98	23	27	41.00	18	06
Capital stores	00.75	..	..	00.66	..	..	00.59	..	..

(*b*) The Company has not laid down a procedure for regular physical verification of stock of stores, tools, finished products and mined ore. Physical verification of stores, etc., has not been conducted, except in the years 1972-73 and 1973-74 in respect of stores, spares and tools. The Management stated (March 1975) that occassionally important items of stores were being physically verified. Regarding physical verifiction of finished goods and ore, the Management stated (March 1975) that it would be expensive to physically count each and every bag of finished goods and that physical verifiction of mined ore and filter cake (beneficiated fluorspar powder awaiting briquetting) was a difficult task involving substantial expenditure for weighment.

The physical verification conducted in the year 1972-73 revealed shortages valued Rs. 32,118, including that of furnace oil valued Rs. 18,796. The shortage of furnace oil was explained (February 1974) by the Management to be due to wrong accounting of the consumption based on incorrect calibration of tanks. On 14th September 1973, the Company decided to conduct an enquiry into the remaining shortages. Out of remaining shortage valued Rs. 13,322, items worth Rs. 4,936 were subsequently traced out and the final shortage of Rs. 8,386, which remained unaccounted for, was explained to be due to cumulative effect of all the years since 1970.

(*c*) As on 31st March 1972 there was a closing balance of 965 tonnes of filter cakes (wet fluorspar taken out from the plant before it is dried up) valued at Rs. 558.022 per tonne as certified by the Management. However, while carrying forward the stock in the books for the year 1972-73, it was shown as 535 tonnes only. There was thus a shortage of 430 tonnes of filter cakes valuing Rs. 2.40 lakhs. The shortage was written off in March 1973 under the orders of the Board of Directors. The Management stated (August 1974) that previously there was no weighbridge and hence the stock was taken on estimated basis. On actual weighment of this stock, the above shortage was noticed. Another quantity of 164 tonnes of filter cakes valuing Rs. 1.61 lakhs relating to the period from April 1972 to 13th June 1972 was deducted from gross production of filter cakes without the approval of the Board of Directors.

12. Sundry debtors and turnover :

The following table indicates the value of book debts and sales for the three years upto 1973-74:—

(Rupees in lakhs)

Year	Debts at the end of the year			Sales during the year	Percentage of debtors to sales
	Considered good	Considered doubtful	Total		
1971–72	4.48	0.10	4.58	59.68	7.67
1972–73	19.17	0.10	19.27	127.00	15.17
1973–74	39.95	0.10	40.05	127.76	31.35

The increase in the debtors balances in relation to sales was attributed by the Management (March 1975) to:—

(*i*) overall financial stringency, credit squeeze and other financial difficulties faced by the industries in general; and

(*ii*) delays in realisation of payments for supplies made to public sector undertakings and to factories purchasing through Director General, Supplies and Disposals.

The following table indicates the details of debtors outstanding for more than one year as on 31st March 1974:—

	Government departments and undertakings	Private parties
	(Rupees)	(Rupees)
(1) Debts outstanding for one year, but less than two years.	1,92,897	77,775
(2) Debts outstanding for two years and more but less than three years.	3,256	24,147
(3) Debts outstanding for three years and over.	..	10,339

SECTION IV

OTHER TOPICS OF INTEREST

GUJARAT SMALL INDUSTRIES CORPORATION LIMITED

1. Non-receipt of materials :

(*i*) On 16th March 1973, a consignment of 55.3 tonnes of mild steel round (32 mm) was despatched by a supplier through Railways from Tatanagar to the Company's siding at Asarwa (Ahmedabad). Delivery of the consignment was taken by the stores clerk of the Company on 30th March 1973 but the material was not taken in stock. In May 1973, the Company lodged a claim for Rs. 0.63 lakh with the Railways for non-receipt of goods. The claim was rejected by the Railways in October 1973 on the ground that the consignment was delivered in March 1973. The services of the stores clerk were terminated and action initiated against other employees. The matter was also reported to the police. Government stated (April 1975) that an enquiry was in progress.

(*ii*) In May 1973, the Billet Re-rollers Committee allocated 40 tonnes of 25 m.m. and 40 tonnes of 12 m.m. mild steel rounds to the Company for the period upto September 1973, to be supplied by a firm of Bhavnagar. The Company paid to the firm on 7th September 1973, Rs. 1.12 lakhs as advance towards the cost of the material and instructed its Branch Manager at Bhavnagar to lift the material from the firm's works. The material has not yet been received (March 1975). In October 1974, at the instance of Audit, the Company took up the matter with the firm for recovery of the amount with interest. The matter had also been taken up with the Billet Re-rollers Committee. The amount has not been recovered (June 1975).

2. Payment of demurrage :

In view of acute shortage of steam coal in the small scale industrial units of the State, the Company decided in October 1973 to bring coal by sea, from Bihar coal fields. The Company did not have the necessary experience in sea transport. A shipment of 8673 tonnes was received at Bhavnagar port from Calcutta in October 1973. There was delay of over 5 days in loading the ship at Calcutta port and over 13 days in unloading at Bhavnagar port. The Company had to pay Rs 1.93 lakhs as demurrage charges (Rs. 0.58 lakh at Calcutta port and Rs. 1.35 lakhs at Bhavnagar port). The incidence of demurrage charges on coal transported by sea worked out to Rs. 22.28 per tonne. A decision was taken by the Company that while fixing the selling price of the coal, the element of demurrage should be taken at Rs. 3 per tonne. This resulted in under-recovery of of Rs. 1.67 lakhs. The Management stated in October 1974 that the Company had no experience in the matter and that the demurrage was not recovered in full in the interest of small scale industrial units.

3. Shortage of iron and steel materials :

The Company purchases in bulk pig iron and steel materials for distribution to small scale industrial units in the State. According to the prescribed procedure the materials, when received at the Company depots, are weighed. At the time of issue the materials are again weighed and the weight is noted in the issue note.

Physical verification of iron and steel materials conducted on 31st December 1973 disclosed shortage of 199 tonnes of pig iron (value Rs. 1.37 lakhs) and 114 tonnes of mild steel sheets and structurals (value Rs. 2.66 lakhs). Out of the shortage of 114 tonnes of steel sheets and structurals, shortage of 93 tonnes (value Rs. 1.86 lakhs) related to Ahmedabad depot.

The Management stated (October 1974) that the shortages might have arisen due to either improper functioning of weighing scales or unintended excess deliveries to clients or pilferage. The shortages are reported to be under investigation (April 1975).

4. Scooter project :

In 1969 the Company decided to set up a unit at Ahmedabad for manufacturing scooters. The object was to develop indigenous technical know-how and also to give an impetus to growth of light engineering industry in the State engaged in manufacture of scooter components and parts. A project report prepared by the Company in 1970 envisaged production of 1150 scooters in 1971 which was to be incressed to 4150 in 1972 and 6000 scooters per annum from 1973 onwards. The project was estimated to cost Rs. 96 lakhs. In October 1972, the Company was granted an industrial licence for manufacture of 24000 scooters per year. A design of the scooter to be manufactured was finalised in June 1970 and the first batch of 25 scooters was assembled in 1971.

Commercial production of scooters started from October 1972. During October-November 1972, 100 scooters were produced. Thereafter, production was stopped due to non-availability of chassis and other important components like crank case, crank shaft, head lamp, etc. Production was resumed in January 1975 and up to March 1975, 25 scooters were assembled at a cost of Rs. 4,543 each.

The project was financed by the Company out of its own sources. Rupees 96.27 lakhs were spent upto 31st December 1974. In addition, the Company has been incurring recurring expenses on labour, materials and overheads from year to year on manufacture of components for stock. During the five years from 1969 to 1973, there was loss of Rs. 51.80 lakhs on this venture.

The work of construction of factory and administrative buildings and other allied works was awarded to a contractor in June 1973 at a total cost of Rs. 14.52 lakhs. According to the contract, the factory building was to be completed by 29th March 1974 and the administrative building by 29th May 1974. The factory building has been completed on 1st June 1975. The expenditure incurred on the civil works was Rs. 19.35 lakhs. The delay in completion of the works was reportedly due to disturbances in Ahmedabad during Janury-March 1974 and shortage of steel.

Owing to delay in completion of the factory building, the production departments were located in hired sheds scattered over an area, making supervision difficult and also resulting in loss of labour hours. During the period 1969 to March 1975, Rs. 2.59 lakhs were spent on rent of sheds. Although the project was promoted with a view to giving impetus to the growth of light engineering industries in the State, the Company has not been able to do much to promote the setting up of small ancillary units for manufacture of different components of scooter. Out of advances of Rs. 6.08 lakhs given to 22 parties towards supplies for spares required for manufacture of scooters during the years 1969 to 1973, Rs. 5.24 lakhs were outstanding upto December 1974.

CHAPTER II
STATUTORY CORPORATIONS
SECTION V

1. Introduction :

There were four statutory corporations in the State as on 31st March 1974, *viz.* Gujarat Electricity Board, Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat State Financial Corporation.

(A) Gujarat Electricity Board.

1. *Loan Capital.*

The aggregate of long-term loans, including loans from Government obtained by the Board was Rs. 23,465.11 lakhs at the end of 1973-74 and represented an increase of Rs. 2,123.87 lakhs over the total long-term loans of Rs. 21,341.24 lakhs at the end of previous year. The break-up of the loans as on 31st March 1974, according to the sources was as follows:

Source	Amount (Rupees in lakhs)
State Government	15,309.18
Deferred payment credit	144.01
Other sources	8,011.92
	23,465.11

2. *Guarantees.*

The State Government has guaranteed repayment of loans raised by the Board to the extent of Rs. 6,677.03 lakhs and payment of interest thereon. The principal sum guaranteed and outstanding on 31st March 1974 was Rs. 6,604.17 lakhs.

3. Profits :—

During the year 1973-74 the Board had a revenue surplus of Rs. 114.88 lakhs before charging interest on Government loans. Interest liability, on loans from the State Government, to the extent of Rs. 460.88 lakhs was not discharged as no surplus was available. The progressive amount shown as interest liability as on 31st March 1974 was Rs. 1793.53 lakhs.

A synoptic statement showing the summarised financial results of the working of the Board for the year 1973-74, is given in Annexure B (Part I).

(B) Other Statutory Corporations.

1. *Paid-up capital*:

The aggregate of paid-up capital contributions of the three other corporations viz., Gujarat State Road Transport Corporation, Gujarat State Warehousing Corporation and Gujarat State Financial Corporation, was Rs. 2537.63 lakhs on 31st March 1974 as against Rs. 2366.63 lakhs on 31st March 1973. The break-up of the paid-up capital of each corporation as on 31st March 1974, according to the investments made by the State Government, Central Government and others was as follows:

(Rupees in lakhs)

Name of the Corporation	State Government	Central Government, Central Ware-Housing Corporation and Reserve Bank of India	Others	Total
Gujarat State Road Transport Corporation	1526.42	666.21	..	2192.63
Gujarat State Warehousing Corporation	25.00	20.00	..	45.00
Gujarat State Financial Corporation	139.02	120.00	40.98	300. (0
	1690.44	806.21	40.98	2537.63

2. *Long-term loans:*

The balance of long-term loans obtained by the three Corporations was Rs. 2897.35 lakhs on 31st March 1974 and represented net increase of Rs. 652.05 lakhs over the balance of Rs. 2245.30 lakhs at the end of the previous year. The break-up of the long-term loans, according to the sources of finance, was as under :

(Rupees in lakhs)

Name of the Corporation	State Government	Central Government and Reserve Bank of India	Others	Total
Gujarat State Road Transport Corporation	5.93	..	332.36	338.29
Gujarat State Financial Corporation	102.07	116.00	2340.99	2559.06
	108.00	116.00	2673.35	2897.35

3. *Guarantees*:

The State Government has guaranteed repayment of the share capital of Gujarat State Financial Corporation.

The State Government has also guaranteed repayment of loans obtained by Gujarat State Road Transport Corporation and Gujarat State Financial Corporation to the extent of Rs. 2393.16 lakhs, out of which the amount guaranteed and outstanding on 31st March 1974 was Rs. 1782.28 lakhs as shown below:

(Rupees in lakhs)

	Amount guaranteed	Sums guaranteed and outstanding on 31st March 1974
Gujarat State Road Transport Corporation	321.61	321.61
Gujarat State Financial Corporation	2071.55	1460.67
	2393.16	1782.28

4. *Profits and dividends*:

According to the annual accounts of the three Corporations, there was a total net loss (before tax) of Rs. 200.43 lakhs during the year 1973-74 as against total net profit of Rs. 74.96 lakhs during 1972-73. The details of the profit/loss incurred and interest/dividend declared by the three Corporations are given below:—

(Rupees in lakhs)

Name of the Corporation	Profit (+)/Loss(—) before tax	Interest paid or dividend declared
Gujarat State Road Transport Corporation	(—)236.04	132.12
Gujarat State Warehousing Corporation	(—) 5.19	..
Gujarat State Financial Corporation	(+) 40.80	10.50

A synoptic statement showing the summarised financial results of working of the three Corporations for 1973-74 is given in Annexure B (Part II).

SECTION VI

GUJARAT STATE ROAD TRANSPORT CORPORATION

1. Introduction :

The Gujarat State Road Transport Corporation was constituted on 1st May 1960 under Section 3 of the Road Transport Corporations Act, 1950. The Corporation took over the assets and liabilities relating to the Gujarat Area from the erstwhile Bombay State Road Transport Corporation and relating to Saurashtra and Kutch areas from the Saurashtra and Kutch Road Transport Corporations.

2. Capital structure :

2.1. *Capital contributions.*—In terms of Section 23(1) of the Act, the Central Government (Railways) and the Government of Gujarat have agreed to contribute capital in ratio of 1:2. The capital contributions of the Governments at the end of each of the three years upto 1973-74 were as follows:-

(Rupees in lakhs)

As on	State Government	Central Government	Total
31st March 1972	1210.42	605.21	1815.63
31st March 1973	1360.42	666.21	2026.63
31st March 1974	1526.42	666.21	2192.63

2.2. *Borrowings.*—Under Section 26 of the Act, the Corporation is empowered, with the previous approval of the State and Central Governments, to borrow from the open market or otherwise for raising its working capital or for meeting any expenditure of a capital nature.

The table below indicates the long-term loans obtained by the Corporation and the amount outstanding at the end of 1973-74.

(Rupees in lakhs)

Source of borrowing	Amount borrowed	Terms of repayment	Rate of interest	Amount outstanding as on 31st March 1974
(i) Loan from the State Government	8.16	15/25 equated annual instalments	4 1/4 to 6 1/4 per cent	5.93
(ii) Issue of debentures in the market	321.61	After 12 years	5 3/4 to 6 per cent	321.61
	329.77			327.54

Payment of interest on and repayment of principal of the debenture have been guaranteed by the State Government. In addition, the Corporation obtained overdrafts from banks for financing its working capital requirements. During 1973-74, the maximum amount of overdrafts obtained was Rs. 169.77 lakhs, out of which Rs. 168.02 lakhs were outstanding on 31st March 1974. During 1973-74, the Corporation decided to avail of the facility of borrowing under the bills re-discounting scheme of the Industrial Development Bank of India, through a bank for financing purchase of new bus chassis. Accordingly, for purchase of two batches of 15 chassis each, the Corporation accepted bills for Rs. 12.87 lakhs (Rs. 10.75 lakhs as cost of chassis and Rs. 2.12 lakhs as interest) payable in ten half-yearly instalments during the period from March 1974 to March 1979.

3. Profitability analysis :

3.1. *Financial position.*—The financial position of the Corporation for the three years upto 1973-74 was as follows:

(Rupees in lakhs)

	1971–72	1972–73	1973–74
A. *Liabilities* :			
Capital	1815.63	2026.63	2192.63
Borrowings	325.14	327.93	506.31
Reserves and surplus ..	702.77	832.55	970.79
Other funds	101.69	130.04	159.62
Current liabilities and provisions	942.12	858.36	1134.63
	3887.35	4175.51	4963.98
B. *Assets* -			
Gross block	3480.30	4056.36	4604.32
Less depreciation	1696.70	1981.94	2263.58
Net fixed assets	1783.60	2074.42	2340.74
Capital works in progress ..	160.35	185.74	190.78
Investments	390.78	390.78	330.49
Current assets, loans and advances	1316.14	1188.04	1353.83
Miscellaneous expenditure ..	3.53	3.48	2.95
Accumulated losses	232.95	333.05	745.19
	3887.35	4175.51	4963.98
Capital employed *	2157.62	2404.10	2559.94
Net worth †	2281.92	2522.65	2415.28

Note.—(*) Capital employed represents net fixed assets plus working capital

† Net worth represents capital plus free reserves minus accumulated losses and miscellaneous expenditure.

3.2. *Working results.*—The table given below indicates the working results of the Corporation for the three years upto 1973-74:

(Rupees in lakhs)

	1971-72	1972-73	1973-74
Revenue			
(a) Operating	4017.16	4422.44	4744.19
(b) Non operating	139.49	171.23	172.47
	4156.65	4593.67	4916.66
Expenditure			
(a) Operating (excluding depreciation)	3469.15	3932.50	4464.21
(b) Non operating (excluding interest)	2.30	8.91	10.71
	3471.45	3941.41	4474.92
Profit before depreciation and interest	685.20	652.26	441.74
Depreciation	394.55	466.88	522.12
Interest on borrowings ..	20.42	20.41	23.55
Profit/Loss (—) before tax and interest on capital	270.23	164.97	(—)103.93
Interest on capital	101.26	116.83	132.12
Provision for income tax ..	88.51	29.00	..
Net surplus generated ..	80.46	19.14	(—)236.05
Percentage of : Profit to operating revenue ..	6.72	3.73	..
Profit to capital employed	12.52	6.86	..
Profit to net worth	11.84	6.54	..

The increase in the operating expenditure during 1973-74 was attributable to (*i*) steep rise in cost of fuel, stores and spares; and (*ii*) increase of Rs. 145 lakhs in salaries and allowances due to wage settlement with the Employees' Federation effective from 1st August 1973.

4. Review of operations.

4.1. *Passenger transport services.*—On its formation, the Corporation took up the operation of passenger transport services in the State; 90 per cent of the passenger services in the mofussil area had been nationalised by that time. Nationalisation of the passenger transport services in the mofussil areas was completed in 1969. The Corporation has not undertaken operation of city bus services except in six cities (viz. Baroda, Surat, Rajkot, Navsari, Surendranagar and Gandhinagar) where such operations had been taken up in the past. The aim of the Corporation is to extend passenger bus services to as many villages as possible to the extent its funds would permit and subject to availability of traffic and motorable roads. As per its Administrative Report for 1973-74, of 18491 villages, towns and cities with population of 266.97 lakhs, the Corporation had provided upto March 1974, passenger services to 12,003 villages, towns and cities (68.2 per cent) with population of 238.06 lakhs (89.2 per cent) while for 3337 villages, towns and cities (18.0 per cent) with population of 17.28 lakhs (6.5 per cent) the nearest bus stops are within three kilometres.

An analysis of its operations in terms of passengers carried and revenue earned, separately for rural and city services, for the three years up to 1973-74 is given below:

Year	Type of service	Number of passengers carried (in lakhs)	Average distance travelled by a passenger (in kms.)	Total traffic earnings (in lakhs of rupees)	Average earnings per passenger (in paise)	Earning per bus Km. (in paise)	Load factor (per cent)
1971-72	Rural	4566.22	21.79	3858.13	84.49	149.50	77.2
	City	1295.75	3.37	159.02	12.27	88.89	54.8
	Overall	5861.97	17.68	4017.15	68.51	145.58	75.9
1972-73	Rural	4928.00	22.51	4238.31	86.00	144.39	73.7
	City	1480.37	3.51	184.13	12.44	95.50	56.4
	Overall	6408.37	17.85	4422.44	69.01	141.39	72.7
1973-74	Rural	5214.84	22.68	4562.77	87.49	155.40	78.9
	City	1451.34	3.44	181.42	12.50	101.40	56.2
	Overall	6006.18	18.53	4744.19	71.13	152.29	77.7

4.2. *Operational performance.*—The Corporation started its operations in May 1960 on 1688 routes covering 56241 Kms. with 1285 schedules. By the end of 1973-74, the number of routes and schedules increased to 6952 and 3716 respectively, covering 3.29 lakhs Kms. A comparative position of the annual targets of schedules and revenue Kms. to be operated and the actuals thereagainst for the three years upto 1973-74 is given below:

Year	Number of Schedules (average)		Revenue Kms (In lakhs)		
	Targets	Actuals	Original targets	Revised targets	Actuals
1971-72	3489	3286	2659.75	2708.71	2759.67
1972-73	3776	3509	2925.41	3105.30	3128.00
1973-74	3995	3445	3415.83	3360.74	3115.01

The shortfall in the achievement in 1973-74 was explained by the Management (April 1975) to be due to floods and disturbances in the State resulting in large scale curtailment of services.

The table below indicates the operational performance of the Corporation for the three years upto 1973-74:

	1971–72	1972–73	1973–74
Number of routes at the close of the year ..	5973	6367	6952
Route Kilometers	2,70,608	2,97,694	3,28,837
Average route distance (Kms.)	45.32	46.76	4[illegible].30
Actual kilometres (in lakhs)			
(i) Revenue	2759.67	3128.00	3115.01
(ii) Non-revenue	36.88	43.39	45.87
Total	2796.55	2171.39	3160.88
Percentage of non-revenue kilometres to revenue kilometres.	1.34	1.37	1.47
Average kilometres per bus on road	244.4	257.0	252.2
Average seating capacity	49.5	50.3	51.1
Number of passengers carried (in lakhs) ..	5861.97	6408.37	6666.18
Average distance travelled by a passenger (in Kms)	17.68	17.85	18.53
Average earnings per passenger (in paise) Operating	68.51	69.01	71.13
Total	70.91	71.68	73.76
Average total cost per passenger (in paise) ..	68.03	70.93	77.30
Total seat kilometres offerd (in lakhs)	1,36,603.66	1,57,[illegible]38.40	1,59,177.01
Passenger kilometres (in lakhs)	1,03,653.21	1,14,414.76	1,23,448.21
Average load factor (per cent)	75.9	72.7	77.7
Break even load factor (per cent)	72.8	71.8	81.4
Total revenue (in lakhs of rupees)	4017.1[illegible]	4422.44	4744.19
Average income per vehicle Km. (in paise) ..	150.62	146.86	157.82
Average cost per vehicle Kms. (in paise) ..	144.52	145.32	165.39

The increasing trend of the percentage of non- revenue kilometres to revenue kilometres needs to be examined for remedial action as may be considered necessary.

4.3. *Load factor.*—The area of the Corporation's service operations includes remote and undeveloped areas and a large number of *kuchha* roads. Out of 58,901 Kms. of road length operated, as much as 37,767 Kms. (62.5 per cent) are *kuchha* roads. These roads become unmotorable during rainy seasons. Nearly 17.6 per cent of the schedules had to be suspended during the monsoon of 1974 as against 19 per cent in the previous year. A part of the Corporation's capacity of operations remain idle during this period. The table given below indicates the seasonal variations in fleet utilisaton and load factor for the three years upto 1973-74.

Particulars	Year	Seasonal periods			Cver all
		Summer (April—June)	Monsoon (July—October)	Winter (November–March)	
Percentage of fleet utilisation	1971–72	83.5	71.0	84.1	79.9
	1972–73	85 1	71.9	83.4	80.1
	1973–74	83.4	69.5	74.7	75.2
Percentage load factor	1971–72	83.1	73.3	73 2	75.9
	1972–73	79.9	68.9	70.8	72.7
	1973–74	78.8	74.7	78.9	77.7

Decline in fleet utilisation during 1973-74 was stated to be due to civil distrurbances, shortage of tyres and heavy floods.

4.4. *Breakdown of services.*—The table below indicates the rate of breakdowns and accidents and the percentage of punctuality and regularity of services for the three years upto 1973-74:

Year	Breakdowns per 10,000 Kms.	Accidents per one lakh Kms.	Percentage of punctuality	
			Departure	Arrival
1971–72	0.77	0.49	92.3	91.7
1972–73	0.67	0.42	93.1	92.9
1973–74	0.83	0.44	91.9	92.0

The table given below summarises the cause-wise analysis of breakdowns for the three years upto 1973-74:

Causes	Percentage of total		
	1971–72	1972–73	1973–74
Engine troubles	29.0	30.9	24.6
Wheel failure including tyre/tube puncture ..	34.6	35.1	44.7
Transmission system	15.3	14.4	13.7
Break failures	7.9	6.9	5.8
Suspension system	6.2	6.1	3.8
Miscellaneous reasons	7.0	6.6	7.4
	100.0	100.0	100.0

Heavy breakdown of vehicles due to tyre punctures in the year 1973-74 was stated to be due to shortage of tyres necessitaing continuous use of worn-out tyres.

4.5. *Operation of city bus services.*—At present the Corporation operates city bus services in the Municipal limits of six cities and towns, viz., Baroda, Surat, Rajkot, Navsari, Surendrenagar and Gandhinagar including the Ahmedabad-Gandhinagar route. The table given below indicates the results of operation of the city services for the three years upto 1973-74:

Particulars	1971–72	1972–73	1973–74
Number of routes operated	713	766	750
Total route length (in Kms.)	4869	5139	5053
Average fleet held	298	352	359
Fleet operated	270	297	293
Percentage of fleet utilised	90.6	84.4	81.9
Load factor	54.8	55.3	50.9
Revenue per Km. (in paise)	93.52	100.29	106.74
Operational expenses per Km. (in paise)	123.45	133.45	158.75
Total loss (in lakhs of rupees)	53.78	63.93	89.46

The uneconomic operations of the city services were attributed by the Management (April 1975) to:

(*i*) low load factor on account of one way traffic during the school, college and office timings, and

(*ii*) low vehicles and crew utilisation because of operation of shorter routes, frequent stops at comparative shorter distances and time given to crew at each terminal point.

4.6. *Operation of luxury bus services.*—(*a*) With a view to providing more comfortable services to commuters, the Corporation introduced in June 1965 luxury services on certain routes. The luxury services operate between the State capital and district headquarters, places of pilgrimages, tourist centres and important cities which are not conveniently connected by rail. The fares chargeable for the luxury services are 50 per cent higher than the fares for ordinary services. The table below indicates the operational statistics of the luxury services for the three years upto 1973-74:

Particulars	1971-72	1972-73	1973-74
Number of luxury services in operation at the close of the year	16	29	27
Number of buses as at the close of the year	16	25	38
Load factor (per cent)	80.0	76.1	77.7
Fleet utilisation (per cent)	Not available	79.0	50.2*
Operational expenses per Km. (in paise)	146.97	146.85	163.13
Revenue per Km. (in paise)	130.67	125.56	134.78
Kilom tres operated (in lakhs)	17.19	36.11	32.86
Loss (in lakhs of rupees)	2.8	8.4	9.3

* Low stated to be due to suspension of service during the last quarter of 1973-74 owing to civil disturbances in the State.

(b) The operational results of a few luxury service routes which incurred heavy losses in the years 1972-73 and 1973-74 are given below:

Name of the route	Year	Load factor (per cent)	Distance operated (Kms.)	Total expenditure during the year	Total earning excluding passenger tax	Loss during the year
				(Amount in Rupees)		
Ahmedabad—Bhuj	1972–73	35.8	86440	102008	34648	67260
	1973–74	41.7	54571	71389	26739	44650
Ahmedabad—Ratanpur	1972–73	35.6	55073	64997	33463	31534
	1973–74	73.6	68111	89102	58839	30263
Ahmedabad—Ratanpur (via Modasa)	1973–74	63.8	59241	77499	44626	32873
Ahmedabad—Dwarka	1972–73	53.44	123884	146196	75743	70453
	1973–74	71.6	114900	150312	93996	56316
Ahmedabad—Amreli	1972–73	64.3	188764	222760	145065	77695
	1973–74	80.6	119199	155936	111831	44105
Ahmedabad—Somnath	1972–73	70.2	101937	120296	84039	36257
	1973–74	80.0	99450	130100	93361	36739
Ahmedabad—Tharad	1972–73	65.58	170005	211243	135072	76171
	1973–74	79.02	107398	140498	97031	425467

In view of the continuing heavy losses, the question whether the luxury services should continue to be operated at the present or on a reduced scale would merit consideration. The Management stated (April 1975) that proposal to increase the fares of luxury services to make the operations more remunerative, were under consideration.

4.7. *Operation of mini luxury buses.*—During 1970-71, the Corporation decided to introduce mini luxury buses with seating capacity of 19 passengers each, for hire on casual contracts. The result of operations of these minibuses for the three years upto 1973-74 are given below:

Particulars	1971-72	1972-73	1973-74
Number of buses	8	20	20
Percentage of utilisation	32.9	31.6	21.0
Distance operated (Kms.)	157383	262178	269274
Operating expenses per Km. (in paise)	151	165	222
Revenue per Km. (in paise)	104	106	124
Loss in operation (in lakhs of rupees)	0.74	1.56	2.64
Idle hours	1568	3176	4636

The management stated in April 1975 that since the Corporation was the only operator in the State, it was considered necessary to meet the demands from the public for providing small seating capacity buses. The Management also stated that on account of providing mini bus to a division no extra expenditure on overheads was being incurred.

4.8. *Fare structure*

(a) *Fares for rural service.*—The table given below indicates the fare structure of the Corporation in vogue for its rural services during the five years upto 1973-74:

Period		Gross fare in paise per Km.	Passenger tax in paise per Km.	Net fare in paise per Km.
15th September 1969 to 16th August 1972				
(a) For journey upto 24 Kms.	..	4.16	0.96	3.20
(b) For journey beyond 24 Kms.	..	3.33	0.77	2.56
17th August 1972 onwards				
(a) For journey upto 24 Kms.	..	4.16	1.04	3.12
(b) For journey beyond 24 Kms.	..	3.33	0.83	2.50

There was no increase in the basic fare from 20th October 1967. The basic fares, in force from October 1967 were, however, revised with effect from October 1974 after approval by Government.

(*b*) *Fares for city service.*—The fare (including passenger tax) for city bus services except Gandhinagar, has been 5 paise for 1.4 Kms. effective from October 1967. In respect of the city operations in Gandhinagar, including the Ahmedabad-Gandhinagar route, the following concessional fare structure was prescribed by Government with effect from June 1970 as the existing fare structure was not conducive to the growth of the new capital.

(*i*) 5 paise for first 4 Kms.

(*ii*) 5 paise for each 2 Kms. for next 4 Kms.

(*iii*) 5 paise for each 3 Kms for subsequent journey.

The minimum fare for the journey is 10 paise. As a result of the concessional fare structure compared to general rate for the city service, the Corporation has been incurring heavy loss of revenue. The loss due to the concessional fare compared to the general rate for city services was estimated at Rs. 3.00 lakhs during the period from June 1970 to March 1971. The loss for the subsequent period has not been worked out by the Corporation. While the fares for rural services were revised in October 1974, there was no revision of the fares of the city services then. In view of the continuing substantial losses in the operation of the city services, the question of revision in the fare structure would seem to merit consideration.

5. Fleet procurement and utilisation :

5.1. *Fleet position.*—The requirement of fleet is assessed annually at the rate of one vehicle per schedule, plus spare vehicles at 17½ per cent towards maintenance and repairs in the workshop and emergent traffic needs. The table below indicates the vehicles required, and fleet in position at the end of each year for the three years upto 1973-74:

	1971-72	1972-73	1973-74
Number of schedules operated ..	3288	3512	3716
Fleet required on the basis of schedules operated ..	3864	4127	4367
Fleet held (excluding vehicles awaiting scrapping but including vehicles awaiting registration) ..	4323	4628	4934
Number of vehicles held in excess ..	459	501	567
Reclaimed vehicles included in the fleet ..	428	341	369

The Management stated (April 1975) that the fleet held includes reclaimed vehicles, i.e. vehicles which had completed their normal operational life but being usable were not scrapped in view of shortage of new chassis and that after excluding the reclaimed vehicles, the fleet held would not be much in excess. The Management also stated that owing to non-availability of important parts for replacement, particularly tyres and engines, the number of off-road vehicles awaiting repairs in the workshop had gone up considerably, reducing the effective fleet available for operation.

5.2. *Composition of bus fleet.*—At the time of its formation the Corporation's fleet consisted of 1767 vehicles of seven different makes which created problems of inventory and maintenance. The Corporation decided, as a matter of policy, to acquire only two makes of vehicles, *viz.*, Tata Mercedez and Leyland from 1961-62 onwards. This standardisation was gradually achieved by end of 1970-71. However, owing to uncertain supply position of Leyland and Tata chassis in the latter part of 1970-71, the Corporation decided to explore the possibility of alternative source of supply of chassis. In November 1970 it was decided to purchase a few Dodge/Fargo and Bedford chassis on trial basis. During the year 1971-72 to 1973-74, 15 Bedford and 206 Dodge/Fargo chassis were purchased and the vehicles were put into operation. The composition of the Corporation's fleet at the end of each of the three years upto 1973-74 is given below.

Particulars	As on		
	31st March 1972	31st March 1973	31st March 1974
Tata	1759	1961	2131
Leyland	2647	2731	2897
Bedford	10	15	15
Dodge	29	135	195
Fargo	16	11	11
Albion	1	1	..
Total	4462	4854	5249
Vehicles for scrapping*	180	366	457

* Makewise details of vehicles for scrapping are not available.

During the period from May 1972 to April 1974 the performance of different makes of vehicles was studied at Kaira depot which brought out the following results (September 1974):

	Leyland	Tata	Dodge	Bedford
A. Operation on pucca roads				
Number of vehicles put under study ..	2	2	2	2
Gross Kilometres operated (in lakhs) ..	3.99	3.57	2.87	1.90
Breakdowns per 10,000 Kms. ..	0.35	0.98	2.65	2.63
Kilometres obtained per litre of diesel consumed	4.40	4.18	4.22	4.03
Operational cost on fuel, lubricants, spare parts, depreciation, etc. (in paise per Km.)	42.40	41.94	49.41	59.37
B. Operation on mixed roads				
Number of vehicles put under study ..	2	2	2	2
Gross Kilometres operated (in lakhs) ..	2.75	2.53	1.95	1.23
Breakdowns per 10,000 Kms. ..	0.36	1.50	3.34	6.83
Kilometres obtained per litre of diesel consuned	4.18	4.06	4.02	3.90
Operational cost on fuel, lubricants, spare parts, depreciation, etc. (in paise per Km.) ..	45.04	45.95	56.02	66.60

5.3. *Consumption of diesel oil, tyres etc.*—The table below indicates the performance of vehicles in regard to average consumption of diesel oil and tyres and performance of engines for the three years upto 1973-74:

Particulars		1971-72	1972-73	1973-74
Kilometres per litre of diesel oil		4.20	4.29	4.22
Kilometres per tyre	New	38558	41387	44678
..	Retreaded	16581	20874	20823
Average life per tyre scrapped (Kms.)		46840	53335	54313
Kilometres per engine	New	262776	287685	293661
	Reconditioned	132495	132476	134443

The decline in the average distance (kilometres) obtained per litre of diesel during 1973-74 was attributed by the Management (April 1975) to increase in use of overaged vehicles and also to increase in the load factor during the year. The Corporation has not fixed the norms of the consumption for the various items. The average kilometrage performed by the new as well as retreaded tyres has been increasing. It would be seen from paragraph 5.5 that a sufficient number of tyres was not sent for retreading in 1973-74. Whether the increase in the kilometres per tyre (new as well as retreaded) has not been at the cost of the life of the tyres seems to merit consideration.

5.4. *Repairs and maintenance.*—In order to achieve self sufficiency in body building and in maintenance and repairs of vehicles, the Corporation has set up workshops at various levels, viz. depots and divisional head-quarters, besides a central workshop at Ahmedabad. The central workshop builds new bus bodies and attends to major reconditioning of bus bodies, chassis, engines, assemblies, retrieval of parts and repairs to vehicles which met with major accidents. The expenditure on repairs and mainteinance per vehicle during the three years upto 1973-74 is given below:

	1971-72	1972-73	1973-74
Total expenditure on repairs and maintenance (in lakhs of Rupees) ..	855.51	961.69	1094.34
Average number of vehicles held	4079	4408	4701
Average expenditure per vehicle (in Rupees) ..	20974	21817	23279

The table below indicates the capacity and the work done at the Central Workshop for the three years upto 1973-74:

Particulars	Capacity	Actual work done (Number)		
		1971-72	1972-73	1973-74
Bus bodies (Coach Shop)				
A. New bodies unit	1400	621	672	719
B. Repairs and reconditioning :				
(a) Bodies reconditioned		185	210	181
(b) Buses repaired		140	140	179
(c) Buses converted		45	68	31
Reconditioning of engines	1600	1001	1436	1629
Fuel injection pumps :	N.A.			
(a) Reconditioning		1295	2090	1966
(b) Calibration		886	1076	1493

5.5. *Tyre retreading plants.*—The Corporation has two tyre retreading plants, one at the central workshop and the other at the divisional workshop, Rajkot. The installed capacity of each of the plants is 12,000 tyres per year. The table below indicates the budgeted programme of work, actual work done and the cost of retreading of tyres for the three years upto 1973-74:

Year	Name of the plant	Number of tyres retreaded		Cost of retreading			
		Budgeted	Actual	Labour	Material (In Rupees)	Overheads	Total
1971–72	Central workshop	10,500	10,653	11	130	46	187
	Divisional workshop	11,371	10,913	8	130	41	179
1972–73	Central workshop	10,000	8926	12	120	55	187
	Divisional workshop	10,218	10,613	11	129	29	169
1973–74	Central workshop	8,000	7,612	14	128	60	202
	Divisional workshop	12,031	11,544	12	127	36	175

The shortfall in retreading during 1973-74 was stated by the Management in December 1974 to be mainly due to non-receipt of sufficient number of tyres for retreading.

6. Inventory control :

6.1. *Inventory position.*—The table below gives the value of inventory held by the Corporation at the end of the year as compared to the consumption during the year for the three years upto 1973-74:—

Rupees in lakhs

	Year	Balance at the end of the year	Consumption during the year	Closing balance in terms of month's consumption (months and days)
(1) Building materials ..	1971–72	9.76	25.85	4–16
	1972–73	14.30	27.51	6–07
	1973–74	14.68	46.87	3–23
(2) Spare parts ..	1971–72	160.37	223.27	8–23
	1972–73	208.21	269.41	9–12
	1973–74	273.95	281.75	11–25

Rupees in lakhs

	Year	Balance at the end of the year	Consumption during the year	Closing balance in terms of month's consumption (months and days)
(3) Lubricants, oil and greases ..	1971–72	9.48	57.54	2–00
	1972–73	13.58	72.60	2–08
	1973–74	29.26	84.02	4–07
(4) Tyres, tubes and flaps ..	1971–72	25.57	287.56	1–03
	1972–73	19.12	284.73	0–25
	1973–74	17.17	322.48	0–19
(5) Other stores ..	1971–72	111.82	207.46	6–17
	1972–73	119.90	240.88	6–02
	1973–74	120.47	231.43	6–10
(6) Diesel	1971–72	13.31	579.58	0–08
	1972–73	11.94	648.55	0–07
	1973–74	13.98	668.94	0–08
(7) Tickets, tickets accessories, stationery, forms, etc.	1971–72	25.80	40.89	7–21
	1972–73	29.40	44.01	8–03
	1973–74	36.58	45.87	9–21

6.2. *Purchase procedure.*—Generally all purchases are made after inviting tenders. The Corporation has delegated powers to different authorities, viz., Tender and Stores Committee, Departmental Committee and Stores Officers (Purchase) to decide about purchase of all materials, except high speed diesel (H.S.D.) oil, depending upon the value of annual consumption in the previous year. Powers for finalising contracts for diesel oil lie with the Board of the Corporation. A Standing Committee (Supplies and Contracts), set up by the Association of All India State Transport Undertakings, finalises rate contracts for purchase of several items of stores on competitive terms. The Corporation takes advantage of such rate contracts after obtaining the approval of the Tender and Stores Committee. From May 1971, the Corporation has formed a high level committee for procuring urgent requirement of spares and stores for reconditioning of vehicles.

Purchases are effected on the basis of lowest rate obtained after inviting tenders, subject to the technical acceptability of the store items. In cases where technically acceptable lowest tenders are not accepted, the decisions are required to be placed before the next higher authority for ex-post-facto approval.

6.3. Certain cases noticed in regard to purchase of stores are given in the succeeding paragraphs.

(a) *Delay in finalisation of tenders.*—In response to open tenders for supply of structures for 175 tubular type pick-up sheds (due on 13th November 1973) 17 firms quoted their rates. A firm of Calcutta (lowest according to specifications) offered Rs. 2,076.80 per shed, valid upto 60 days from the date of opening of the tenders. The firm stated that the prices were going to be revised upward due to increase in cost of raw materials. A firm of Ahmedabad quoted the second lowest rate of Rs. 2,956 per shed, subject to 20 per cent discount for using second quality pipes, i.e. Rs. 2,364.80 per shed. On 23rd January 1974, *i.e.* after the validity period of offer of the Calcutta firm was over on 12th January 1974, the Corporation decided that in case the revised price of the Calcutta firm was lower than that of the Ahmedabad firm, 60 per cent of the purchase might be made from the former. In February 1974 the Calcutta firm revised its rate to Rs. 3017.27 per shed. The Corporation decided (February 1974) to purchase the entire quantity from the Ahmedabad firm. Complete sheds numbering 205 were purchased from the Ahmedabad firm at Rs. 2,956 each, with 20 per cent discount for using second quality pipes. The delay in finalisation of the tender resulted in avoidable expenditure of Rs. 0.59 lakh compared to the earlier rate of the Calcutta firm. Besides, the difference in price owing to use of second quality pipes amounted to Rs. 1.21 lakhs (approximately). The Management stated that there was delay in finalisation of the tenders because detailed study was necessary of various offers and a comparative statement had to be prepared before the case was put up before the Tender and Stores Committee for consideration.

(*b*) *Purchase of Crank Shaft Grinder.*—In July 1972, the Corporation placed a purchase order on a firm of Bombay for supply of one imported (Danish make) A.M.C. Crank Shaft Grinder Model K 2000, at a negotiated price of Rs. 2.39 lakhs, inclusive of taxes, for delivery from ready stock without import licence. The supply was to be made at Central Stores, Ahmedabad. Three lower offers for the same type of machine at Rs. 1-63 lakhs, Rs. 1.67 lakhs and Rs. 1.85 lakhs were not availed of as the tenderers required import licence which the Corporation could not obtain as import of this machine was banned. The machine was received in August 1972, and Rs. 2.15 lakhs, being 90 per cent of the price, were paid on 16th August 1972.

In February 1973, a firm of Poona informed the Corporation that the cost of the machine would be around Rs. 1.50 lakhs *plus* sales tax at about 6 per cent at which the supplier of Bombay had imported on actual user's import licence of a Surat firm. Under the import rules, the importer is forbidden to sell an imported machine at a profit, and if it is not required by the importer it can be sold at the price actually paid with the permission of the licence issuing authority. The Corporation paid about Rs. 0.79 lakh extra over the cost of import. The matter is stated to be under correspondence with the supplier of Bombay for taking legal action against him. The Corporation has not yet released (April 1975) Rs. 0.24 lakh being the security deposit of the supplier, and the remaining 10 per cent payment of Rs. 0.24 lakh is also to be made. The Chief Controller of Import and Export is also investigating the transaction (April 1975).

6.4. *Advance payment to supplier.*—In October 1973, the Corporation entered into a rate contract for purchase of clutch plates with a firm of Faridabad. No security deposit was taken from the firm as it was registered with the D.G.S.& D. According to the terms of the contract 90 per cent payment was to be made against despatch documents through banks. The firm claimed Rs. 0.39 lakh as 90 per cent advance payment in February and March 1974 against proof of despatch of material by road transpoprt carriers. The Corporation has not received the material so far (April 1975). The supplier firm has not been responding to the Corporation's requests for supply of materials. The Management stated (April 1975) that a consignment against which an advance of Rs. 0.12 lakh was paid, had been received at the destination but the carrier did not give delivery because of dispute regarding payment of freight. The question of blacklisting the firm was under consideration (April 1975).

6.5. *Obsolete stores.*—At the time of its formation, the Corporation received obsolete stores worth Rs. 18.13 lakhs from the erstwhile Bombay State Road Transport Corporation. Subsequently, the Corporation segregated further obsolete stores worth Rs. 28.37 lakhs upto 1968-69. Obsolete stores worth Rs. 26.21 lakhs were sold upto 31st March 1969 leaving a balance of obsolete stores valued Rs. 20.29 lakhs. The value was reduced to Rs. 1.64 lakhs in the accounts for 1968-69 by writing off the balance.

7. Works expenditure :

7.1. *Land-Injudicious purchase of land.*—The Corporation decided (November 1969) to acquire what is known as the 'Ratan Talav' land from Nadiad Municipality for locating a new bus station due to heavy congestion and expanding traffic at the existing bus station at Nadiad. Accordingly, the Corporation acquired land admeasuring 16258.2 sq. yds for Rs. 1.14 lakhs (at Rs. 7 per sq. yd.) in March 1971 and September 1971. Purchase of Ratan Talav land at Rs. 7 per sq. yd. together with the cost of filling and levelling, was considered economical because the price of land adjoining the pond was estimated at Rs. 60 to Rs. 70 per sq. yd. Filling and levelling was completed in November 1971 at a cost of Rs. 6.64 lakhs. On advice from the architect of the Corporation, a study of the land bearing capacity of the filled up strata and natural strata of the area was entrusted (February 1972) to the Engineering Research Institute, Baroda. The tests carried out in December 1972 by the Institute revealed that the soil upto 20 ft. to 25 ft. depth consisted of filled up material and hence the land was not suitable for strong foundation. Construction of the bus station has not been taken up so far though the filling and levelling work was completed in November 1971. This has resulted in blocking of the Corporation's capital of Rs. 7.78 lakhs. The Management stated (April 1975) that it has not been able to progress with the construction of the bus station in view of the financial difficulties.

8. Manpower analysis :

8.1 According to the duty hours fixed by the Corporation the crew is required to perform eight hours of steering duty within eleven hours of spread over duty per day. The table given below indicates the number of employees, number of passengers travelled per employee and the extent of crew utilisation during the three years upto 1973-74

	1971–72	1972–73	1973–74
Number of schedules operated ..	3288	3512	3716
Number of persons employed at the close of the year ..	30833	33491	35835
Number of passenger kilometres per person employed (in lakhs)	3.59	3.60	3.59
Crew utilisation in terms of hours per day			
(a) Steering duty	5.37	5.39	5.27
(b) Spreadover duty	8.01	7.50	7.38
Crew utilisation in terms of kilometres per day ..	139.3	139.9	134.3
Vehicle Staff ratio (overall staff) :			
(a) On fleet	7.20	7.46	7.48
(b) On schedule	9.38	9.54	9.64
Vehicle staff ratio for crew on schedules	5.14	5.25	5.31

The Management stated (April 1975) that the increase in staff ratio in 1973-74 was partly because the schedules sanctioned for winter time table could not be fully operated due to acute shortage of tyres, and opening of two new divisions during the year.

8.2. *Non-recovery of cash benefits under Employees' State Insurance Scheme.*—The Employees' State Insurance Scheme was extended in 1964 to the employees of the Corporation under Section 46 of the Employees' State Insurance Act. On 31st March 1974, the scheme covered 3962 emplpoyees. The employees are entitled to receive periodical payments during the period of their sickness if certified by a duly appointed medical practioner. According to the provision made under the Employees' State Insurance (General) Regulations 1950, an employer may discontinue or reduce the benefits payable to his employees under the service regulations which are similar to the benefits conferred by the Act. The Corporation continued to pay upto October 1973 to its employees full leave salary without making any deduction of the benefits received by them under the Act. At the instance of Audit, the Corporation, with the approval of the State Government, amended in November 1973 its service regulations and started deducting the amount from the leave salary of the employees.

Information in respect of total benefit received by the employees under the provision of the Act, which the Corporation was entitled to deduct from the leave salary of such employees, was not made available to Audit. However, in respect of 1377 employees of the central workshop, Ahmedabad, the Corporation had paid full leave salary to employees without deduction of Rs. 32,116 received by them as sickness benefit upto June 1970.

8.3. *Retirement of employees.*—The scheme of reorganisation of the erstwhile Bombay State Road Transport Corporation (May 1960) stipulated *inter-alia*, that the conditions of services of employees were not to be varied to their disadvantage without the approval of the Government of India The age of retirement of the erstwhile employees of private operators (other than drivers) working in the Bombay State Road Transport Corporation was fixed (March 1953) at 60 years by that Corporation. In the case of the employees who were transferred to Gujarat State Road Transport Corporation on reorganisation in May 1960, the age of retirement was, however, reduced (September 1968) to 58 years by the Corporation for the sake of uniformity with the service conditions of its other employees, without the approval of the Government of India. Accordingly, 13 employees were retired during the period from November 1969 to September 1970 on their attaining 58 years of age.

At the instance of the State Government the decision to reduce the age of retirement was revoked in March 1971 and seven of the retired employees who had not completed 60 years of age were taken back in service during April-June 1971 and were paid Rs. 0.33 lakh towards pay and allowances for the period upto the date of resumption. In respect of the remaining six employees who could not be taken back in service as they had already completed 60 years of age by that time, the total amounts of pay and allowances for the period of two years worked out to Rs. 34,760 (of which Rs. 25,102 were paid upto March 1975).

9. Licences for refreshment rooms/stalls :

As a facility to the travelling public the Corportion has set-up, at each of its bus stations refreshment rooms and other stalls. These stalls are let out to private parties. In December 1968, the Corporation had laid down the general procedure for selection of licences for refreshment rooms/stalls.

While making selection of licensees, besides the monthly licence fee offered, factors like the party's capacity to pay, his financial position, his past dealings with the Corporation, his experience in the line, etc. are also to be taken into account. After considering all the factors, preference is to be given to existing licensees.

Some of the cases in which the decisions to select licensees for running the refreshment rooms were delayed or were taken injudiciously are given below:

(*a*) *Grant of licence without inviting open tenders.*—A five year licence for refreshment room, Navsari at Rs. 455 per month was to expire on 20th January 1971. The Corporation issued a notice to the licensee on 17th July 1970, and invited fresh tenders for hiring the refreshment room. When tenders were opened on 17th August 1970 two offers, *viz.* Rs. 1,502 and Rs. 2525 per month were received. These were considered spurious and were not taken into account. It was decided to reinvite tenders. In the meantime, the existing licensee went to the court and brought a temporary injunction asking the Corporation to refrain from taking possession of the refreshment room. The Corporation also filed a civil suit for getting the possession. While the court cases were pending, the former licensee came forward in February 1972 for an amicable settlement of the dispute and for award of fresh licence to him. He was given the fresh licence to run the refreshment room at the fee of Rs. 530 per month without inviting fresh tenders with effect from 21st January 1971. No legal documents have been executed in regard to the fresh licence granted (April 1975).

(*b*) *Injudicious renewal of licence.*—A licence granted to an individual to run refreshment room at Dholka was due to expire on 30th June 1965. After tenders, the licence was awarded in June 1965 to another party at Rs. 351 per month. The former licensee, however, did not give possession of the refreshment room and brought an injunction order from the court. The court in March 1966, finally dismissed his case, whereupon he appealed to the District Court. Meanwhile, the Corporation also filed a suit against him. The suit was decreed in favour of the Corporation and the licensee was ordered to hand over possession of the refreshment room. The licensee, thereafter, filed an appeal in the High Court where his case was dismissed. The licensee, then submitted a mercy application to the Chairman of the Corporation in November 1972. In October 1973, the Corporation allowed the licensee to continue to run the refreshment room upto 30th June 1976 at a licence fee of Rs. 401 per month which was subsequently reduced to Rs. 351 in December 1973. The arrears of licence fee together with interest at 6 per cent during the period of dispute from July 1965 to June 1973 amounted to Rs. 45,953. Against these recoveries, Rs. 10,000 was accepted in lump in July 1973 and the balance was decided to be recovered in monthly instalments of Rs. 1,000 from April 1974 onwards. The period of instalments would thus extend beyond the term of the licensee upto June 1976.

SECTION VII

OTHER TOPICS OF INTEREST

GUJARAT ELECTRICITY BOARD

1. Loss in sale of diesel generating sets :

In 1960, a firm of Veraval (Gujarat) obtained an import licence for purchase of two diesel generating sets of 1000 K. W. capacity each. Earlier in July 1959, the Board had decided to instal a diesel power-house at Veraval for supply of power to the firm. The import licence was transferred to the Board in 1960 on the condition that the sets would be used for supplying power to the firm. The Board accepted the conditional transfer on the basis of an assurance given by the firm that when the Board decided to stop generation of power from the diesel power house, the firm would repurchase these sets at their depreciated value.

After commissioning of Dhuvaran power house in March 1965, the Board considered closing down the diesel station and informed the firm accordingly in June 1965. At the instance of the firm, the Board continued operation of the sets further. The cost of generation of power from the sets was 14.20 paise per unit while the rate charged by the Board was 8.43 paise upto March 1968. As running the diesel sets was proving uneconomical, the Board decided in February 1967 to close down the diesel station from 1st April 1967 and hand over the sets to the firm. In March 1967, the firm requested the Board to postpone closure of the diesel sets. on the grounds that it has been in considerable financial difficulties and that management having changed hands the proposal of the Board was likely to create additional problem. The diesel station was continued to be run beyond March 1968. From April 1968, a surcharge of 2.5 paise per unit was levied to cover the running loss partly. In November 1970, the Board again decided to close down the power house from 31st December 1970. The firm was asked in November 1970 to purchase diesel sets at the depreciated book value of Rs. 9.60 lakhs, including the cost of spares.

The firm, however, did not agree to purchase the sets at the depreciated value. In January 1971, the Board advertised the sale of the two sets. The sets were eventually sold in January 1971 to the firm which agreed to purchase it at Rs. 4.80 lakhs, which was the highest offer received from a firm of Delhi. The Board had to suffer a loss of Rs. 4.80 lakhs, being the difference between the depreciated book value and the sale value, which has since been written off (January 1971).

The Board stated (July 1974) that the firm had replied that, after its original understanding with the Board, the management of the firm had changed hands and that the offer made by the previous management was in the anticipation that the Board would be able to release the sets by about the middle of 1964, and that the condition of the diesel sets was no longer satisfactory. In the circumstances, the Board was not sure that the commitment made by the previous management could be enforced.

2. Distribution of power through rural electricity co-operatives :

In January 1971, the Board, at the instance of Rural Electrification Corporation Limited, decided to distribute energy in the villages in Kodinar area through rural electricity co-operatives. The scheme was to be implemented through the Kodinar Rural Electricity Co-operative Society. A project report was prepared (July 1968) by the Indian Institute of Management, Ahmedabad. The project report *inter alia* envisaged the following:

(*a*) Cost of power to be supplied by the Board would be 10 paise per unit.

(*b*) Line losses would be about 10 per cent.

(*c*) Annual sales would be around 193.10 lakh kwh.

The Society was to cover 107 villages within five years, out of which 18 villages had already been electrified by the Board at the time of the formation of the Society. The Board handed over its assets (Sub-Station and distribution lines) at their depreciated value (Rs. 21.35 lakhs) to the Society on 11th January 1971 and also agreed to supply materials at cost without adding storage and supervision charges. The Society was also charged at the concessional tariff applicable to high tension consumers instead of the normal tariff applicable to licensees.

The Society had been incurring losses. In December 1972, the Rural Electrification Corporation Limited requested Board to supply power at the average rate of 10 paise per kwh which was the rate provided in the project report. In November 1972, the Board formed a committee consisting of representative of the Board, the Society and the State Government to go into the losses incurred by the Society and to suggest how the losses could be minimised. The committee finalised its recommendations in October 1973. The following reasons were adduced by the committee for the continuous losses by the Society:

(*i*) heavy line losses,

(*ii*) slow load growth— against 193.10 lakhs units anticipated in project report, sales were 84.01 lakhs kwh. in 1972 and 117.75 lakh kwh. in 1973;

(*iii*) heavy accumulation of inventory of electrical materials by purchase from open market often at higher rates, and

(*iv*) increase in overhead charges.

In January 1974, the Board, at the instance of Rural Electrification Corporation Limited, agreed to charge the Society at the flat rate of 10 paise per unit from January 1971 which was revised to 12.5 paise per unit from June 1974. The difference between the tariff and flat rate was to be considered as subsidy to the Society. Accordingly, the Board has refunded Rs. 14.37 lakhs as subsidy for the period from January 1971 to December 1974.

3. Purchase of cables :

Purchase of cables in the following two cases resulted in extra expenditure of Rs. 4.15 lakhs:

(*i*) In November 1971, orders were placed on six firms on the basis of open tenders, for purchase of cables (of different sizes) of the value of Rs. 25 lakhs. The purchase orders included 14,700 metres of cables of different sizes valued at Rs. 7.28 lakhs, for whch indents were received from field offices during the period from September to November 1970. No action was taken on these indents at the time when the Board had purchased cables of the same specification in December 1970 and March 1971 at cheaper rates. Owing to non-inclusion of these 14,700 metres in the purchase orders placed in December 1970 and March 1971, the Board had to purchase cables at higher rates resulting in extra expendture of Rs. 0.46 lakh on this quantity. The Board stated (March 1974) that the indents were left out through oversight.

(*ii*) On the basis of indents received in October-November 1972 from the field offices for H.T. cables of different sizes, a tender enquiry was issued in December 1972 and a purchase order was placed in March 1973. While working out the total requirement of cables, six indents for 23,800 metres of cables of different sizes were not included in the purchase order. This quantity was subsequently included in the tender enquiry issued in April 1973 and the purchase was effected in December 1973 at rates higher than those payable under the purchase order of March 1973, resulting in extra expenditure of Rs. 3.69 lakhs.

The order placed in December 1973 included cables valued at Rs. 1.42 lakhs purchased for the Porbandar Power house which was sold to a firm of Porbandar in December 1972. The cables received in February 1974, are lying in the stores (February 1975).

Government stated (April 1975) that the purchase order of March 1973 included cables selected on priority basis and that the cables in question, indented for the normal developmental activities, required detailed scrutiny and hence these could be purchased only in December 1973.

4. Pledge of Securities :

In March 1969, the Board deposited with the Assistant Collector, Central Excise, Nadiad, securities of the value of Rs. 3.06 lakhs against central excise duties payable on residual fuel oil. Proper records were not maintained by the Board to show the due dates for recovery of interest, date of maturity of securities, etc. The Assistant Collector, instead of recovering interest half yearly, realised the same for five half years together in March 1971 and paid it to the Board. The Securities became due for encashment on 4th September 1972 but were encashed on 4th May 1974. Thus the amount of the securities and interest amounting to Rs. 0.22 lakh remained blocked for 20 months.

5. Purchase of defective transformers :

During the period from April 1969 to April 1970, the Board placed four purchase orders for supply of 1164 transformers at the total of Rs. 62.75 lakhs on a firm of Ahmedabad. The firm supplied 779 transformers, of which 488 transformers were found to be defective after commissioning within the warranty period. In terms of the purchase orders, the firm was required to repair/replace the defective transformers. In all

328 transformers were sent to the firm for repairs/replacement out of which 281 transformers were received back upto December 1972. The remaining 47 transformers costing Rs. 2.04 lakhs have not been received back by the Board so far (April 1975). The other 160 defective transformers, which were not sent to the firm for repairs, were lying with the various field units. In March 1973, the firm was asked to repair these transformers. As there was no response from the firm, the Board, after informing the firm in Setember 1973, got these transformers repaired at the firm's risk and cost, for Rs. 2.43 lakhs.

Earlier in November 1967, the Board had entered into a contract with the firm for repair of 120 transformers of the Board, Nine of these transformers costing Rs. 0.28 lakh have not been returned after repairs (April 1975) . The Board on inspection (October 1974) found that seven of these transformers were pledged by the firm with a bank against loan obtained and that all the valuable materials from the transformers had been removed and only empty shells were available.

A civil suit was filed in December 1974 for recovery of the dues amounting to Rs. 4.75 lakhs. The case is pending (June 1975).

GUJARAT STATE WAREHOUSING CORPORATION

6. Excess payment of insurance premium :

Goods stored in the Corporation's Warehouses are insured against risks of fire and burglary. Under the terms of the insurance policies, the Corporation is required to make provisional declaration of the value of stocks to be held in its warehouses at the beginning of the year and premium is paid provisionally on that basis. During the currency of the policy, the Corporation has to make declarations every month of the average value of stocks actually held in the warehouses. At the end of the period of insurance, the actual premium payable is worked out, after making adjustments, on the basis of the average value of stocks held during the period. Two cases of incorrect declaration of stocks and unnecessary payment of premium are given below:—

(*a*) In four warehouses (Dharampur, Cambay, Billimora and Ankleshwar) no stocks were kept during the entire period of insurance from 25th December 1970 to 25th December 1971, but monthly statements of nil stock were not sent to the insurance company. The value of stocks declared in the beginning on the basis of custom anticipated, was taken as the average stock for working out the premium, and Rs. 16,136 were paid on that account. The Corporation had taken up the matter with the insurance company in November 1972 but no refund has been obtained (March 1975).

(*b*) In June 1972. the Corporation insured 1938 bales of cotton valued at Rs. 19.38 lakhs initially stored by two co-operative societies, against fire and burglary and paid Rs. 14,625 towards premium for one year. The cotton bales were subsequently sold on 17th, 27th and 29th June 1972 to Cotton Corporation of India. In accordance with the terms and conditions agreed with Cotton Corporation of India the warehousing charges payable by the Cotton Corporation of India did not take insurance charges into account and the customer was required to insure the stock. Payment of Rs. 13,406 as insurance premium relating to the period after the ownership of the cotton bales was transferred to Cotton Corporation of India was unnecessary. Government stated (January 1975) that immediately after the goods were transferred to the Cotton Corporation the insurer was asked in July 1972 to cancel the insurance for the remaining period and refund the premium and that the matter of refund was being pursued with the insurer.

Ahmedabad
The 12 SEP 1975

(A. L. KOHLI)
Accountant General, Gujarat.

Countersigned

New Delhi
The 17 SEP 1975

(A. BAKSI)
Comptroller and Auditor General of India.

ANNEXURE

STATEMENT SHOWING SUMMARISED FINANCIAL RESULTS OF

Sr. No.	Name of the Company	Name of the department	Date of incorporation	Period of accounts	Capital invested	Profit (+) Loss (—)
1	2	3	4	5	6	7
1.	Gujarat State Textile Corporation Limited	Industries, Mines and Power	30th November 1968	January to December 1973	173.64	(+)15.94
2.	Gujarat Export Corporation Limited	—do—	14th October 1965	1973–74	12.63	(+)8.74
3.	Gujarat Industrial Investment Corporation Limited	—do—	12th August 1968	1973–74	1887.91	(+)15.69
4.	Gujarat Mineral Development Corporation Limited	—do—	15th May 1963	1973–74	421.76	(+)17.87
5.	Gujarat Small Industries Corporation Limited	—do—	26th May 1962	January to December 1973	84.53	(+)17.36
6.	Gujarat Agro Industries Corporation Limited	Agriculture, Forest and Co-operation	9th May 1969	1973–74	389.19	(+)1.19
7.	Gujarat Dairy Deveploplopment Corporation Limited	—do—	29th March 1973	1973–74	10.39	(—)3.50
8.	Gujarat State Handicrafts and Handloom Development Corporation Limited	Industries, Mines and Power	10th August 1973	1973–74	7.47	(—)1.36
Subsidiary Companies						
9.	Gujarat Agro Foods Limited	Agriculture, Forests and Co-operation	29th October 1970	January to December 1973	51.32	(—)2.07
10.	Gujarat Agro Oil Enterprises Limited	—do—	21st April 1971	January to December 1973	32.05	0.89
11.	Gujarat Agro Marine Products Limited	—do—	17th December 1971	January to December 1973	54.10	(—)21.82

NOTE.—(1) "Capital invested" represents paid-up Capital *plus* long-term loans *plus* free reserves. .. .. ..

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

—A

GOVERNMENT COMPANIES FOR THE YEAR 1973-74

(Rupees in lakhs)

Total interest charged to profit and loss account	Interest on long term loans	Total return on capital invested (7+9)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (7+8)	Percentage of total return on capital employed	Remarks
8	9	10	11	12	13	14	15
9.03	..	15.94	9.18	311.14	24.97	8.02	
2.07	..	8.74	69.20	50.69	10.81	21.32	
80.18	80.18	95.87	5.08	1851.80	95.87	5.18	
17.71	6.38	24.25	5.75	517.85	35.58	6.87	
13.36	1.06	18.42	21.79	219.06	30.72	14.03	
0.90	0.90	2.09	0.54	382.14	2.09	0.55	
..	..	(—) 3.50	..	6.47	(—)3.50	..	
..	..	(—) 1.36	..	6.03	(—)1.36	..	
4.69	4.03	1.96	3.82	44.96	2.62	5.83	
3.93	2.62	3.51	10.95	69.38	4.82	6.95	
2.96	2.96	(—)18.86	..	22.55	(—)18.86	..	

ANNEXURE

STATEMENT SHOWING SUMMARISED FINANCIAL RESULTS

(Rupees in lakhs)

Sr. No.	Name.	Name of the department	Date of incorporation	Total capital invested	Profit (+) Loss (—)	Total interest charged to profit and loss account
1.	2.	3.	4.	5.	6.	7.
						Part--I
1.	Gujarat Electricity Board.	Industries, Mines and Powerr	1st May 1960	26270.23	114.88	795.37
						Part--II
2.	Gujarat State Road Transport Corporation	Home	1st May 1960	2757.10	(–)236.04	155.67
3.	Gujarat State Warehousing Corporation	Agriculture, Forest and Co-operation	5th December 1960	61.38	(—)5.19	..
4.	Gujarat State Financial Corporation	Industries, Mines and Power	1st May 1960	2936.30	(+)40.80	123.89

NOTES : (1) "Capital invested" represents paid-up capital *plus* long-term loans *plus* free reserves.

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

—B

OF STATUTORY CORPORATIONS FOR THE YEAR **1973—74**

(Rupees in lakhs)

Interest on long term loans	Total return on capital invested (6+8)	Percentage of total return on capital invested	Capital employed	Total return on capital employed (6+7)	Percentage of total return on capital employed	Remarks
8.	9.	10.	11.	12.	13.	14.
Gujarat Electricity Board						
795.37	910.25	3.47	20103.68	906.12	4.51	
Other Statutory Corporations.						
151.51	(—)84.53	..	2559.93	(—)93.54	..	
..	(—)5.19	..	61.38	(—)5.19	..	
123.52	164.32	5.60	..	..	..	

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ERRATA

Reference		For	Read
Page No.	Para No.		
8	6.3 a(ii)-7th line	in	
11	7.3 11th line	manufacturer	manufacturers
11	7.3 table 6th item of heading	Numbe	Number
12	7.5 table 3rd item	Fixed osts	Fixed costs
12	—do—	fixcd	fixed
13	7.6(c) 2nd line	a	as
15	8(b)(i) 2nd line	State and	State,
25	12.3 2nd line	1973–74	1973
27	12.4(c) last line of the page	fcr	for
31	13.2 table item 4th	ye r	year
32	13.4 table last item	less	loss
34	13.6 2nd sub-para 4th line	labsters	lobsters
34	13.6 last sub para of the page 7th line	those	these
38	3.a sub heading	financiai position	financial position
43	5.5 2nd line	Laborotory	Laboratory
44	5.5 table heading	(Quant ty in tonnes)	(Quantity in tonnes)
45	5.5(c) 3rd line	fluorspor	fluorspar
46	5.6 table heading	Rate per tome	Rate per tonne
47	5.6 2nd sub para 1st line	flourspar	fluorspar
47	5.6(b) 1st line	flourspar	fluorspar

Reference		For	Read
Page No.	Para No.		
48	5.7 2nd line	Payment electricity	Payment of electricity
50	7 2nd line	and firm	and a firm
56	3 3rd line	Company	Company's
57	4 4th line of 3rd sub para	uverheads	overheads
57	4 last line of 4th sub para	Janury–March	January–March
65	4.2 4th line	lakhs kms	lakh Kms.
66	4.2 table item No. 2	Route kilomters	Route kilometres.
67	4.3 table 3rd column-figure for 1972-73 against item No. 1	851	85.1
67	4.3 table item No. [illegible] fifth column figure against 1971–72	732	73.2
68	4.5 3rd line	Surendrenagar	Surendranagar
69	4.6 table serial No.. 7	Kilom teres operated	Kilometres operated
70	4.6(b) table heading 6th column	total earning exclude passenger tax	total earning excluding passenger tax
78	6.3(b) 6th line	1–63	1.63
81	8.3 3rd line	lated inter-alia	lated, inter-alia
82	9– 4th line	licenees	licensees
85	2–2nd line of 3rd sub para	requested Board	requested the Board
86	2–2nd line	representative	representatives
86	2(ii) 1st line	lakhs units	lakh units
86	2(ii) 2nd line	lakhs kwh	lakh kwh
86	3(1) 6th line	these	those